News Release

Your Contact

Markus Talanow +49 6151 72-7144
Investor Relations +49 6151 72-3321

March 8, 2018

Merck KGaA, Darmstadt, Germany, Achieves Targets for 2017 – Dividend to Increase

- **Healthcare and Life Science drive sales growth (+2.0%)**
- **EBITDA pre (–1.7%) burdened by currency headwinds**
- **Organic sales growth in all regions**
- **Progress made in reducing net financial debt**
- **Dividend proposal € 1.25 (+€ 0.05)**

Darmstadt, Germany, March 8, 2018 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, met its targets for 2017 and achieved important strategic successes with the approvals of two new medicines. Sales increased over the previous year whereas EBITDA pre, which was adversely impacted by negative foreign exchange effects, declined slightly.

"2017 was a good year for us. We performed well in a challenging environment and met all our targets for the year," said Stefan Oschmann, Chairman of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. "We are staying the course and will continue to purposefully implement our innovation-driven growth strategies for Healthcare, Life Science and Performance Materials. In addition, we are resolutely working to quickly lower our acquisition-related debt-to-equity ratio," Oschmann stated further.

In 2017, Merck KGaA, Darmstadt, Germany, generated **net sales** of € 15.3 billion (2016: € 15.0 billion). This increase of 2.0% over the previous year was mainly attributable to the strong organic sales performance of the Healthcare and Life Science business sectors. At Group level, all regions contributed to the organic sales growth of 3.8%. However, the stronger euro resulted in negative foreign exchange

Merck KGaA
Frankfurter Strasse 250
64293 Darmstadt · Germany
Hotline +49 6151 72-5000
emdgroup.com

Head Media Relations -62445
Spokesperson: -9591 / -7144 / -6328
Fax +49 6151 72 3138
media.relations@emdgroup.com

effects of -1.5%. Acquisitions and divestments caused Group net sales to decline by -0.3%.

The operating result (**EBIT**) rose by 1.8% to € 2.5 billion (2016: € 2.5 billion). **EBITDA pre**, the company's most important earnings figure, declined by -1.7% to € 4.4 billion (2016: € 4.5 billion). Apart from the difficult foreign exchange environment, the adjustment process in the Liquid Crystals business also contributed to this.

Net income rose in 2017 by nearly 60% to a record level of € 2.6 billion (2016: € 1.6 billion). This increase in the very good year-earlier figure was due not only to the successful operating business, but also to exceptional income of € 906 million in connection with the tax reform in the United States.

Earnings per share pre declined by -0.8% to € 6.16 (2016: € 6.21). The proposal to the Annual General Meeting on April 27, 2018 will be to increase the dividend by € 0.05 to € 1.25 per share. This would mean sustained dividend increases since 2009.

Net sales, EBITDA pre and earnings per share pre lie within the target corridors for 2017. The company thus succeeded in meeting all targets in a challenging market environment.

As of the end of fiscal 2017, Merck KGaA, Darmstadt, Germany, had lowered its **net financial debt,** which mainly stems from the Sigma-Aldrich acquisition, by a total of € 1.4 billion or -11.9% to € 10.1 billion (December 31, 2016: € 11.5 billion). The company will resolutely continue along this course.

As of December 31, 2017, the Group had 52,941 **employees** worldwide (December 31, 2016: 50,414).

Healthcare and Life Science drive Group organic growth in the fourth quarter

In the fourth quarter of 2017, Group sales rose by 0.5% to € 3.8 billion (Q4 2016: € 3.8 billion). This was mainly attributable to the organic growth of the Healthcare and Life Science business sectors. In the fourth quarter, the Group's EBITDA pre fell by -6.5% to € 1.0 billion (Q4 2016: € 1.1 billion). Earnings per share pre amounted to € 1.31 in the fourth quarter of 2017 (Q4 2016: € 1.43), a decline of -8.4%.

Healthcare posts good organic growth

The Healthcare business sector generated organic sales growth of 4.7% in 2017. Foreign exchange effects lowered sales by -1.6%. Healthcare sales grew by 2.1% in 2017 to € 7.0 billion (2016: € 6.9 billion).

Sales of **Rebif**, which is used to treat relapsing forms of multiple sclerosis, decreased organically by -5.5% in 2017. Including negative exchange rate effects of -2.0%, sales of € 1.6 billion were recorded (2016: € 1.7 billion). Including a slight organic sales decline of -1.3% and negative exchange rate effects of -1.7%, sales of the oncology medicine **Erbitux** amounted to € 853 million (2016: € 880 million). With **Gonal-f**, the leading recombinant hormone used in the treatment of infertility, Healthcare generated sales of € 704 million (2016: € 753 million). The organic sales decline of -4.6% resulted primarily from performance in North America and Europe. The strong year-earlier sales in North America were due to a favorable competitive situation. Additionally, foreign exchange effects had an adverse impact of -1.8%.

In 2017, the **Consumer Health business** generated organic sales growth in all main sales regions totaling 7.6%. Including currency headwinds of -0.5% and a portfolio effect of -1.0%, net sales of the business amounted to € 911 million (2016: € 860 million). This development was attributable especially to the global core strategic brands, particularly Neurobion and Nasivin, as well as the regional brand Vigantol, which is primarily marketed in Europe. In September 2017, Merck KGaA, Darmstadt, Germany, announced that it is preparing strategic options for the Consumer Health business.

EBITDA pre of Healthcare fell in 2017 by -8.4% to € 1.9 billion (2016: € 2.1 billion). This development was mainly due to higher investments in the research and development pipeline as well as to higher marketing and selling expenses in connection with the market launches of the newly approved medicines Mavenclad and Bavencio. The EBITDA pre margin of Healthcare declined in 2017 to 27.9% (2016: 31.0%).

News Release

Life Science grows profitably in 2017

In 2017, the Life Science business sector generated organic sales growth of 5.3%, which was partly canceled out by negative foreign exchange effects of –1.7%. Net sales increased by 4.0% to € 5.9 billion (2016: € 5.7 billion). In 2017, all three business units contributed positively to the organic sales growth of Life Science.

The **Process Solutions** business unit, which markets products and services for the entire pharmaceutical production value chain, generated organic sales growth of 8.0% in 2017. Following restrained organic sales growth in the first half of the year, demand from several major accounts increased towards year-end. Net sales rose by a total of 6.0% to € 2.2 billion (2016[1]: € 2.1 billion). The **Research Solutions** business unit, which provides products and services to support research for pharmaceutical, biotechnological and academic research laboratories, posted organic sales growth of 3.0% in 2017. The business unit's sales rose to € 2.1 billion (2016[1]: € 2.0 billion). The **Applied Solutions** business unit generated organic sales growth of 4.7% with its broad range of products for clinical and diagnostic testing laboratories as well as the food and beverage industry. Including exchange rate and portfolio effects, net sales rose to € 1.6 billion (2016[1]: € 1.5 billion).

EBITDA pre of Life Science rose in 2017 by 8.1% to € 1.8 billion (2016: € 1.7 billion). This reflected the strong organic sales development of Life Science, active cost management and the realization of synergies from the Sigma-Aldrich acquisition. The EBITDA pre margin increased to 30.4% (2016: 29.2%).

Performance Materials feels the impact of more intense competition in the Liquid Crystals business

In 2017, net sales of the Performance Materials business sector decreased by -2.6% to € 2.4 billion (2016: € 2.5 billion). This was mainly due to an organic sales decline of -1.7% as the Display Materials business did not reach the previous year's level. The stronger euro compared with 2016 also impacted the development of net sales by -0.9%.

[1] Previous year's figures have been adjusted owing to an internal realignment.

News Release

The Display Materials business unit, consisting of the Liquid Crystals business and complementary materials, recorded an organic decline in sales in 2017. However, it continued to defend its market leadership position. The decrease in sales was due to the more intense competition in the business with established liquid crystal technologies. An exception here was the energy-saving UB-FFS technology, which achieved high double-digit growth. The Display Materials business unit represented more than 50% of the net sales of Performance Materials in 2017.

The Integrated Circuit Materials (IC-Materials) business unit recorded very strong organic sales growth, to which all major businesses contributed. Particularly high growth rates were achieved in the businesses with dielectric materials and deposition materials for chip production. Net sales of the Pigments & Functional Materials business unit grew moderately. This was driven mainly by demand for materials for decorative applications, such as Xirallic pigments, which are used particularly in automotive coatings.
In the Advanced Technologies business unit, higher demand for OLED materials led to significant sales growth.

To strengthen its focus in 2018 even more strongly on the needs of customers and markets, Merck KGaA, Darmstadt, Germany, announced in December 2017 that it will combine the expertise of its Performance Materials business sector in three newly created business units aligned with target markets: Display Solutions, Semiconductor Solutions and Surface Solutions.

EBITDA pre of Performance Materials fell in 2017 by -11.4% to € 980 million (2016: € 1,106 million). The EBITDA pre margin declined to 40.1% (2016: 44.1%). In 2017, the profitability of Performance Materials was again the highest of the three Group’s three business sectors.

For 2018, Merck KGaA, Darmstadt, Germany, expects sales growth and a decline in EBITDA pre

In 2018, Merck KGaA, Darmstadt, Germany, expects moderate organic growth of Group sales in comparison with 2017. On a currency-adjusted basis, Merck KGaA, Darmstadt, Germany, forecasts a slight percentage decline in EBITDA pre for the Group in 2018 compared with 2017. In addition, foreign exchange rates are expected to impact EBITDA pre by approximately -4% to -6% compared with 2017, which will affect all three business sectors. This estimation is based on the assumption of a negative exchange rate effect, in particular owing to the development of the U.S. dollar and further declines in the value of the currencies of various growth markets.

Group - Key figures

€ million	2017	2016	Change in %	Q4 2017	Q4 2016	Change in %
Net sales	15,327	15,024	2.0	3,848	3,830	0.5
Operating result (EBIT)	2,525	2,481	1.8	241	405	–40.5
Margin (% of net sales)	*16.5*	*16.5*		*6.3*	*10.6*	
EBITDA	4,282	4,415	–3.0	752	953	–21.1
Margin (% of net sales)	*27.9*	*29.4*		*19.5*	*24.9*	
EBITDA pre	4,414	4,490	–1.7	1,005	1,075	–6.5
Margin (% of net sales)	*28.8*	*29.9*		*26.1*	*28.1*	
Earnings per share (€)	5.98	3.75	59.5	2.33	0.62	> 100.0
Earnings per share pre (€)	6.16	6.21	–0.8	1.31	1.43	–8.4
Net income	2,600	1,629	59.7	1,013	269	> 100.0
	Dec. 31, 2017	**Dec. 31, 2016**				
Net financial debt	10,144	11,513	-11.9			

Notes for editors:

- Interactive online 2017 Annual Report optimized for mobile devices
- The respective **presentation** as well as further information for journalists including a **digital press kit** can be found here
- Merck KGaA, Darmstadt, Germany, on Facebook, Twitter, LinkedIn
- **Photos** can be found here
- **Stock symbols**
  Reuters: MRCG, *Bloomberg*: MRK GY, *Dow Jones*: MRK.DE
  Frankfurt Stock Exchange: *ISIN*: DE 000 659 9905 – *WKN*: 659 990

News Release

All Merck KGaA, Darmstadt, Germany, press releases are distributed by e-mail at the same time they become available on the EMD Group Website. In case you are a resident of the USA or Canada please go to www.emdgroup.com/subscribe to register again for your online subscription of this service as our newly introduced geo-targeting requires new links in the email. You may later change your selection or discontinue this service.

Merck KGaA, Darmstadt, Germany, is a leading science and technology company in healthcare, life science and performance materials. Around 50,000 employees work to further develop technologies that improve and enhance life – from biopharmaceutical therapies to treat cancer or multiple sclerosis, cutting-edge systems for scientific research and production, to liquid crystals for smartphones and LCD televisions. In 2017, Merck KGaA, Darmstadt, Germany, generated sales of € 15.3 billion in 66 countries. Founded in 1668, Merck KGaA, Darmstadt, Germany, is the world's oldest pharmaceutical and chemical company. The founding family remains the majority owner of the publicly listed corporate group. Merck KGaA, Darmstadt, Germany, holds the global rights to the Merck KGaA, Darmstadt, Germany, name and brand. The only exceptions are the United States and Canada, where the company operates as EMD Serono, MilliporeSigma and EMD Performance Materials.