News Release

Your Contact

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

August 9, 2018

Merck KGaA, Darmstadt, Germany, Reports Solid Organic Performance in Q2 2018

- **Slight increase in Group sales, slowed down by exchange rate effects**
- **Life Science and Healthcare drive organic sales growth of 5.2%**
- **EBITDA pre decreases by –13.7%, impacted primarily by exchange rate effects (–11.0%)**
- **Merck KGaA, Darmstadt, Germany, confirms forecast for organic development of sales and EBITDA pre**

Darmstadt, Germany, August 9, 2018 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, today reported solid organic sales growth for the second quarter of 2018 and a slight increase in sales[1] despite considerably negative foreign exchange effects. EBITDA pre declined in comparison with the year-earlier quarter and was also impacted by foreign exchange effects. Merck KGaA, Darmstadt, Germany, confirmed its full-year forecast for 2018 with respect to organic business performance yet now expects a slight weakening of negative foreign exchange effects.

"In the second quarter, our company generated solid organic sales growth, which was mainly attributable to our Life Science and Healthcare business sectors. This also reflects the positive contributions of our new medicines Bavencio and Mavenclad. Performance Materials also generated slight organic sales growth owing

[1] The presentation of the corresponding key figures (such as net sales, EBIT, EBITDA pre, EPS pre) reflects the continuing operations of the Merck Group. Net sales of the Consumer Health business are no longer reported in Group sales, as this business is to be classified as a discontinued operation. The previous year's figures have been adjusted accordingly.

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

to the strong development of Semiconductor Solutions," said Stefan Oschmann, Chairman of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. "Overall, we confirm our forecast for organic performance in 2018, a year of transition with many challenges, as already stated at the beginning of the year."

Group sales grew in the second quarter by 0.5% to € 3.7 billion, thus maintaining the year-earlier level (Q2 2017: € 3.7 billion). Organically, Group sales grew by 5.2% thanks to the Life Science and Healthcare business sectors. However, this was offset by negative foreign exchange effects amounting to –4.7%, which stemmed mainly from the weaker U.S. dollar against the euro.

EBITDA pre, the key financial indicator used to steer operating business, declined by –13.7% to € 920 million (Q2 2017: € 1,066 million). The impact of negative foreign exchange effects on Group EBITDA pre was –11.0%. By contrast, the organic decline of –2.7% in EBITDA pre was due, among other things, to the absence of positive one-time effects from the year-earlier quarter as well as higher research and development costs. Group **EBIT** dropped by –35.4% to € 392 million (Q2 2017: € 608 million). This reflected the same factors responsible for the decline in EBITDA pre. Additionally, the reversal of an impairment loss for a Healthcare production line in Vevey (Switzerland) in the year-earlier quarter also played a role.

Net income of the Group thus fell in the second quarter by –42.0% to € 247 million (Q2 2017: € 426 million). **Earnings per share pre** declined by –18.5% to € 1.23 (Q2 2017: € 1.51).

The **net financial debt** of the Group increased to € 10.7 billion as of June 30, 2018 (Dec. 31, 2017: € 10.1 billion). Among other things, this development was attributable to the dividend payments made in the course of the quarter. The Group had 54,009 employees worldwide on June 30, 2018.[2]

Exchange rate effects lower sales and earnings in the first half of 2018

In the first six months of 2018, net sales of the Group declined by –2.1% to € 7.2 billion (January-June 2017: € 7.4 billion). This decrease was attributable to negative

[2] Including Consumer Health

foreign exchange effects amounting to –6.3%, which exceeded organic sales growth of 4.2%. In the first half of 2018, EBITDA pre declined by –16.6% to € 1.9 billion (January-June 2017: € 2.3 billion), with –10.4% stemming from negative foreign exchange effects. Earnings per share pre fell by -21.0% to € 2.56 (January-June 2017: € 3.24).

Healthcare delivers organic sales growth, also thanks to newly approved products

In the second quarter, Healthcare generated organic sales growth of 4.7%, which was, however, canceled out by a negative foreign exchange impact of –4.9%. Net sales of Healthcare decreased by –0.2% to € 1.6 billion and were thus slightly below the level of the year-earlier quarter (Q2 2017: € 1.6 billion).

As in the first quarter, the organic growth of Healthcare was driven by the performance of the Fertility franchise. In addition, net sales of the two new medicines Mavenclad and Bavencio again contributed to organic growth. Net sales of the immuno-oncology medicine **Bavencio** rose to € 17 million in the second quarter of 2018 (Q2 2017: € 4 million). With **Mavenclad** for the oral short-course treatment of highly active relapsing multiple sclerosis (MS), Merck KGaA, Darmstadt, Germany, generated sales of € 20 million in the second quarter of 2018 subsequent to European approval in August 2017. On July 30, 2018 Merck KGaA, Darmstadt, Germany, announced that a resubmission of the New Drug Application (NDA) for cladribine tablets as a potential treatment for patients with relapsing forms of MS had been accepted for filing by the U.S. Food and Drug Administration (FDA). Cladribine tablets have already been approved in 38 countries under the brand name Mavenclad.

Sales of the drug **Rebif**, which is used to treat relapsing forms of MS, declined organically by –4.2% in the second quarter of 2018. Including negative foreign exchange effects of –5.7%, sales amounted to € 383 million (Q2 2017: € 425 million). In the second quarter, sales of the oncology drug **Erbitux** were stable organically, yet after foreign exchange effects of –4.9% they amounted to € 203 million (Q2 2017: € 213 million). Organically, sales of **Gonal-f**, the leading recombinant hormone for the treatment of infertility, were in line with the year-earlier quarter, amounting to € 184 million in the second quarter of 2018 (Q2 2017: € 193 million).

EBITDA pre of Healthcare declined by –16.0% to € 379 million in the second quarter of 2018 (Q2 2017: € 450 million), with negative foreign exchange effects accounting for –13.3%. Additionally, favorable one-time effects in the year-earlier quarter had created a higher comparative basis.

Life Science shows strong organic growth thanks to all three business units

In the second quarter of 2018, the Life Science business sector generated strong organic sales growth of 7.7%, which was driven by all three business units. Including negative foreign exchange effects of –4.6%, net sales of Life Science grew by 3.2% to € 1.5 billion (Q2 2017: € 1.5 billion).

The **Process Solutions** business unit, which markets products and services for the entire pharmaceutical production value chain, generated significant organic sales growth of 12.5%, which was the highest within the business sector. Amid an unfavorable foreign exchange impact of –4.6%, net sales totaled € 612 million in the second quarter of 2018 (Q2 2017: € 567 million).

The **Research Solutions** business unit, which provides products and services to support pharmaceutical, biotechnological and academic research laboratories, generated solid organic sales growth of 4.1%. Including currency headwinds of –4.5%, net sales amounted to € 517 million (Q2 2017: € 518 million).

With its broad range of products for researchers as well as scientific and industrial laboratories, **Applied Solutions** recorded strong organic sales growth of 5.7% in the second quarter of 2018. Including negative foreign exchange effects of –4.7%, net sales amounted to € 414 million (Q2 2017: € 410 million).

EBITDA pre of Life Science improved organically by 2.9% in the second quarter of 2018 compared with the year-earlier period. However, including a negative foreign exchange impact of –3.4%, this key figure declined by -0.6% to € 452 million in the second quarter of 2018 (Q2 2017: € 454 million). The EBITDA pre margin of Life Science amounted to 29.3% in the second quarter of 2018.

News Release

Performance Materials: Strong organic growth in semiconductor and OLED materials

In the second quarter of 2018, net sales of the Performance Materials business sector declined by –4.2% to € 587 million (Q2 2017: € 612 million). This was attributable to negative foreign exchange effects of –4.6%, which could not be offset by slight organic growth of 0.4%.

The **Display Solutions** business unit saw an organic decrease in sales yet maintained its market leadership position. The lower sales of the business unit were attributable in particular to headwinds in the Liquid Crystals business owing to continued declining prices and now stagnating volume growth. An exception here were the energy-saving UB-FFS technology as well as OLED materials, which generated double-digit organic growth. The **Semiconductor Solutions** business unit, which comprises the business with materials used in integrated circuit production, delivered very strong organic growth in the second quarter.

EBITDA pre of Performance Materials declined by –18.2% to € 196 million (Q2 2017: € 239 million). This included negative foreign exchange effects of –8.8%. Consequently, the business sector's EBITDA pre margin decreased to 33.4%.

On July 3, 2018, Performance Materials presented its new strategy to the capital market and explained how the business sector is to achieve 2% to 3% average annual sales growth and an expected EBITDA pre margin of approximately 30% after 2019. Merck KGaA, Darmstadt, Germany, assumes that the future growth of its Performance Materials business will benefit from the growing electronics market, particularly with respect to semiconductors.

Merck KGaA, Darmstadt, Germany, confirms forecast for organic sales and earnings performance

Merck KGaA, Darmstadt, Germany, continues to expect for the full year 2018 a moderate organic net sales increase of 3% to 5% over the previous year. In comparison with the first quarter of 2018, the adverse impact of the increase in the value of the euro against the U.S. dollar and various emerging market currencies weakened in the second quarter, as expected. Merck KGaA, Darmstadt, Germany, therefore assumes that for the full year, exchange rate effects will have a

News Release

moderately negative impact on net sales in comparison with the previous year. However, at –3% to –5%, the impact will be slightly lower than previously forecast (–4% to –6%). Overall, excluding the Consumer Health business, which is now reported as a discontinued operation, Merck KGaA, Darmstadt, Germany, therefore forecasts Group net sales in a range of between € 14.1 billion and € 14.6 billion in 2018 (when the figures for the first quarter were presented, Merck KGaA, Darmstadt, Germany, had forecast 2018 sales of € 14.0 billion to € 14.5 billion from continuing operations). Owing to solid business performance in the second quarter of 2018, Merck KGaA, Darmstadt, Germany, confirms its previous forecast of a slight organic decline of –1% to –3% in EBITDA pre compared with the previous year. The company continues to expect that Group EBITDA pre will be in a corridor of between € 3.75 billion and € 4.0 billion in 2018.

Forecast for FY 2018 (excluding the Consumer Health business)

€ million	**Net sales**	**EBITDA pre**	**Earnings per share pre**
Group	**~14,100 to 14,600** • Organic growth of +3% to +5% vs. 2017 • Moderately negative foreign exchange effect of –3% to –5%	**~3,750 to 4,000** • Organic decline of –1% to –3% vs. 2017 • Exchange rate effect –5% to –7%	**€ 5.00 to € 5.40**
Healthcare	• Moderate organic growth of +3% to +5% • Moderately negative foreign exchange effect of –4% to –6%	**~1,580 to 1,650** • Organic decline of –1% to –2% • Exchange rate effect –5% to –7%	
Life Science	• Organic growth of +5% to +6%, slightly above the medium-term market average of 4% p.a. • Moderately negative foreign exchange effect of –3% to –5%	**~1,830 to 1,880** • Organic growth of approximately+8% • Exchange rate effect –3% to –5%	
Performance Materials	• Slight to moderate organic decline of –2% to –4% • Moderately negative foreign exchange effect of –3% to –5%	**~745 to 785** • Organic decline of –14% to –16% • Exchange rate effect –6% to –8%	
Corporate and Other		~ –400 to –360	

News Release

Group - Key figures[1]

€ million	Q2 2018	Q2 2017	Change in %	Jan.–June 2018	Jan.–June 2017	Change in %
Net sales	3,714	3,695	0.5	7,199	7,352	−2.1
Operating result (EBIT)[2]	392	608	−35.4	895	1,320	−32.2
Margin (% of net sales)[2]	*10.6*	*16.4*		*12.4*	*18.0*	
EBITDA[2]	840	984	−14.6	1,764	2,141	−17.6
Margin (% of net sales)[2]	*22.6*	*26.6*		*24.5*	*29.1*	
EBITDA pre[2]	920	1,066	−13.7	1,885	2,261	−16.6
Margin (% of net sales)[2]	*24.8*	*28.9*		*26.2*	*30.8*	
Profit after tax	251	427	−41.4	593	952	−37.7
Earnings per share (€)	0.57	0.98	−41.8	1.35	2.18	−38.1
Earnings per share pre (€)[2]	1.23	1.51	−18.5	2.56	3.24	−21.0
Net income	247	426	−42.0	588	948	−38.0
	June 30, 2018	Dec. 31, 2017				
Net financial debt[2]	10,674	10,144				

[1]Previous year's figures have been adjusted.
[2]Not defined by International Financial Reporting Standards (IFRS).

Notes for editors:

- The **teleconference** for media representatives will also be webcast live as of 9:30 a.m. (CET) (in German and English)
- The respective **charts** as well as further information for journalists including a **digital press kit** can be found here
- The report on the first quarter 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

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 53,000 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.