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News Release

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November 14, 2018

Merck KGaA, Darmstadt, Germany, Has a Good Third Quarter

- **Healthcare and Life Science deliver very strong organic sales growth, Performance Materials reports moderate sales growth**
- **Foreign exchange effects (–9.5%) lead to a significant decline of –5.9% in Group EBITDA pre**
- **Forecast for organic EBITDA pre development for full year 2018 confirmed**

Darmstadt, Germany, November 14, 2018 – Merck KGaA, Darmstadt, Germany, the vibrant science and technology company, generated very strong organic sales growth[1] in the third quarter of 2018. However, this was impacted by negative exchange rate effects. Despite organic growth, EBITDA pre of the Group also declined in comparison with the year-earlier quarter owing to strong negative foreign exchange effects. Merck KGaA, Darmstadt, Germany, confirmed its forecast for the development of organic EBITDA pre for the full year 2018.

“2018 was a challenging year for our company. We made future-oriented decisions that will lead to profitable growth as of 2019,” said Stefan Oschmann, Chairman of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. “In the third quarter, we generated strong organic sales growth across all three business sectors. In particular, Healthcare and Life Science performed well, delivering strong organic growth of nearly 10 percent.”

[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 figures for previous periods have been adjusted accordingly.

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Group sales rose in the third quarter by 6.6% to € 3.7 billion (Q3 2017: € 3.5 billion). Organically, sales grew very strongly by 8.8%. The negative foreign exchange impact of –2.1% was primarily attributable to Latin American currencies such as the Argentinean peso and the Brazilian real.

EBITDA pre, the key financial indicator used to steer operating business, grew organically by 3.7%, thanks mainly to Healthcare and Life Science. However, significant negative foreign exchange effects of –9.5% caused EBITDA pre to decrease by –5.9% to € 963 million (Q3 2017: € 1,023 million). Group **EBIT** decreased by –43.1% to € 491 million (Q3 2017: € 862 million). **Net income** of the Group fell in the third quarter by –47.2% to € 340 million (Q3 2017: € 644 million). The considerable declines in EBIT and Group net income are attributable to the gain of € 321 million on the divestment of the Biosimilars business reported in the previous year. **Earnings per share pre** declined by –7.7% to € 1.32 (Q3 2017: € 1.43).

In comparison with the end of the second quarter, **net financial debt** decreased by more than € 500 million. At € 10.2 billion, this figure was slightly higher than at the end of 2017 (December 31, 2017: € 10.1 billion). The Group had 54,756 **employees** worldwide on September 30, 2018[2].

Exchange rate effects weigh on sales and earnings in the first nine months

In the first nine months of 2018, Group sales of € 10.9 billion were at the year-earlier level (January-September 2017: € 10.9 billion). The marked organic increase of 5.7% was largely eliminated by negative exchange rate effects of –5.0%. EBITDA pre fell by –13.2% to € 2.9 billion in the first nine months of 2018 (January-September 2017: € 3.3 billion). The impact of negative foreign exchange effects on EBITDA pre was –10.1%. Earnings per share pre decreased by –16.7% to € 3.89 (January-September 2017: € 4.67).

Healthcare generates very strong organic sales growth

The Healthcare business sector delivered very strong organic sales growth of 9.9% in the third quarter of 2018. Including currency headwinds of –3.3%, net sales

[2] Including Consumer Health

amounted to € 1.6 billion (Q3 2017: € 1.5 billion), representing an increase of 6.6%. The organic growth of Healthcare was driven by double-digit growth rates in the Fertility franchise as well as the antidiabetic agent Glucophage. As in the previous quarters, net sales of the two new medicines Mavenclad and Bavencio also contributed to organic growth. In the third quarter, net sales of the immuno-oncology medicine **Bavencio** rose to € 19 million (Q3 2017: € 7 million). With **Mavenclad** for the oral short-course treatment of highly active relapsing multiple sclerosis (MS), Merck KGaA, Darmstadt, Germany, generated sales of € 25 million in the third quarter of 2018 (Q3 2017: € 3 million). On July 30, 2018, Merck KGaA, Darmstadt, Germany, announced that a resubmission of the New Drug Application 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).

Sales of **Rebif**, which is used in the treatment of relapsing forms of MS, saw an organic sales decline of −5.2% in the third quarter. Including a negative exchange rate effect of −1.5%, sales of € 363 million were recorded (Q3 2017: € 389 million). Sales of the oncology drug **Erbitux** totaled € 212 million in the third quarter of 2018 (Q3 2017: € 207 million). This slight increase resulted from organic growth of 7.0% favorably impacted by one-time factors amid negative exchange rate effects of −5.0%. **Gonal-f**, the leading recombinant hormone used in the treatment of infertility, generated sales of € 182 million in the third quarter of 2018 (Q3 2017: € 169 million). Organic growth of 12.2% was partly offset by negative exchange rate effects (−4.2%).

EBITDA pre of Healthcare decreased in the third quarter of 2018 by −3.9% to € 381 million (Q3 2017: € 397 million). Negative foreign exchange effects of −7.7% impacted this indicator and canceled out organic growth of 3.8%. In addition, in the year-earlier quarter, milestone payments for the approval of Bavencio created a high comparative basis.

Life Science delivers strong sales and earnings growth

In the third quarter, the Life Science business sector generated very strong organic growth of 9.8%. Including negative foreign exchange effects of −1.4%, net sales rose by 8.5% to € 1.5 billion (Q3 2017: € 1.4 billion). All three Life Science business units contributed to organic growth.

With organic sales growth of 16.3%, the **Process Solutions** business unit, which markets products and services for the entire pharmaceutical production value chain, delivered the strongest organic sales increase within Life Science. This was driven mainly by the BioProcessing business field in the markets of Asia-Pacific and Europe. Including slight foreign exchange effects of −1.1%, sales amounted to € 619 million in the third quarter of 2018 (Q3 2017: € 537 million). The **Research Solutions** business unit, which provides products and services to support life science research for pharmaceutical, biotechnological and academic research laboratories, generated solid organic sales growth of 4.3%. However, this was impacted by negative exchange rate effects of −1.4%. Net sales amounted to € 500 million (Q3 2017: € 486 million). With its broad range of products for researchers as well as scientific and industrial laboratories, **Applied Solutions** recorded strong organic sales growth of 7.8% in the third quarter of 2018. Including negative foreign exchange effects of -1.9%, net sales amounted to € 408 million (Q3 2017: € 386 million).

In the third quarter, Life Science significantly increased its EBITDA pre by 8.1% over the year-earlier period. The very strong organic increase in EBITDA pre of Life Science by 11.9% was offset by negative exchange rate effects of −3.7%.

Performance Materials delivers organic growth again

As in the second quarter, the Performance Materials business sector once again delivered organic sales growth. The organic increase of 3.4% exceeded negative foreign exchange effects of −0.9%. Consequently, net sales of Performance Materials rose by 2.4% to € 626 million in the third quarter of 2018 (Q3 2017: € 611 million).

The sales increase in **Display Solutions** was driven mainly by the very good organic growth of the OLED materials business, energy-saving UB-FFS technology, as well as established liquid crystal technologies. The latter are currently benefiting from projects by panel makers in China to build up production capacities. Sales of the **Display Solutions** business unit, which are being reported for the first time, amounted to € 357 million in the third quarter. The **Semiconductor Solutions** business unit, which comprises the business with materials used in integrated circuit production, again delivered very strong organic growth in the third quarter, with sales amounting to € 152 million. At € 115 million, net sales of the **Surface**

Solutions business unit declined overall in the third quarter of 2018, also impacted by negative exchange rate effects.

EBITDA pre of Performance Materials declined significantly by −18.3% to € 203 million (Q3 2017: € 249 million). The negative foreign exchange impact of −2.5% lowered this key performance indicator.

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 sustainable EBITDA pre margin of approximately 30% after 2019. Owing to business performance in the third quarter, Merck KGaA, Darmstadt, Germany, sees itself on track with respect to the communicated future expectations for Performance Materials.

Merck KGaA, Darmstadt, Germany, confirms organic EBITDA pre forecast for the full year 2018

Following strong organic sales growth in the third quarter, particularly in the Healthcare and Life Science business sectors, Merck KGaA, Darmstadt, Germany, now expects for the full year 2018 a solid organic net sales increase of 4% to 6% (previously 3% to 5%) over 2017. Furthermore, as stated in the Group half-yearly financial report as of June 30, 2018, Merck KGaA, Darmstadt, Germany, continues to assume a moderately negative foreign exchange impact of −3% to −5% in comparison with 2017, and also expects high exchange rate volatility in the fourth quarter of 2018. In particular, the Argentinean peso and the Brazilian real developed far more negatively in the third quarter of 2018 than expected. Overall, taking into account the treatment of the Consumer Health business as a discontinued operation, Merck KGaA, Darmstadt, Germany, forecasts Group net sales in a range of between € 14.4 billion and € 14.8 billion in 2018 (previously: € 14.1 billion to € 14.6 billion; 2017: € 14.5 billion).

Owing to business performance in the third quarter of 2018, Merck KGaA, Darmstadt, Germany, confirms its previous forecast of a slight organic decline of −1% to −3% in Group EBITDA pre compared with the previous year. However, in contrast to the previous forecast, Merck KGaA, Darmstadt, Germany, now expects that the aforementioned adverse foreign exchange effects will lower EBITDA pre by

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between −8% and −10% compared with 2017 (previously: −5% to −7%). The changed estimation of foreign exchange effects is due to the continued strong decline in value of Latin American currencies against the euro. Therefore, Merck KGaA, Darmstadt, Germany, expects that Group EBITDA pre will be in a corridor of between € 3.7 billion and € 3.9 billion in 2018 (previously: € 3.75 billion to € 4.0 billion; 2017: € 4.25 billion).

Forecast for the full year 2018 (excluding the Consumer Health business)

€ million	**Net sales**	**EBITDA pre**	**Earnings per share pre**
Group	**~14,400 to 14,800** • Organic growth of +4% to +6% vs. 2017 Moderately negative foreign exchange effect of −3% to −5%	**~3,700 to 3,900** • Organic decrease of −1% to −3% vs. 2017 • Exchange rate effect of −8% to −10%	**€ 5.00 to €5.30**
Healthcare	• Solid organic growth of +4% to +5% • Moderately negative foreign exchange effect of −4% to −6%	**~1,540 to 1,600** • Organic decline of −1% to −2% • Significantly negative foreign exchange effect of −9% to −11%	
Life Science	• Organic growth of +7% to +8%, considerably above 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 of −3% to −5%	
Performance Materials	• Organic sales performance at the level of 2017, i.e. −1% to +1% • Moderately negative foreign exchange effect of −3% to −5%	**~745 to 785** • Organic decline of −14% to −16% • Exchange rate effect of −6% to −8%	
Corporate and Other	-	**~-400 to -360**	

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Group - Key figures[1]

€ million	Q3 2018	Q3 2017	Change	Jan.-Sept. 2018	Jan.-Sept. 2017	Change
Net sales	3,749	3,517	6.6%	10,949	10,869	0.7%
Operating result (EBIT)[2]	491	862	-43.1%	1,386	2,183	-36.5%
Margin (% of net sales)[2]	13.1%	24.5%		12.7%	20.1%	
EBITDA[2]	919	1,277	-28.1%	2,683	3,419	-21.5%
Margin (% of net sales)[2]	24.5%	36.3%		24.5%	31.5%	
EBITDA pre[2]	963	1,023	-5.9%	2,850	3,285	-13.2%
Margin (% of net sales)[2]	25.7%	29.1%		26.0%	30.2%	
Profit after tax	345	648	-46.7%	938	1,600	-41.4%
Earnings per share (€)	0.78	1.48	-47.3%	2.13	3.66	-41.8%
Earnings per share pre (€)[2]	1.32	1.43	-7.7%	3.89	4.67	-16.7%
Net income	340	644	-47.2%	928	1,592	-41.7%
	Sept. 30, 2018	Dec. 31, 2017				
Net financial debt[2]	10,168	10,144	0.2%			

[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 on November 14, 2018 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

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Merck KGaA, Darmstadt, Germany, the vibrant science and technology company, operates across healthcare, life science and performance materials. Around 53,000 employees work to make a positive difference to millions of people's lives every day by creating more joyful and sustainable ways to live. From advancing gene editing technologies and discovering unique ways to treat the most challenging diseases to enable the intelligence of devices – the company is everywhere. In 2017, Merck KGaA, Darmstadt, Germany, generated sales of € 15.3 billion in 66 countries.

The company holds the global rights to the name and trademark "Merck" internationally. The only exceptions are the United States and Canada, where the company operates as EMD Serono in healthcare, MilliporeSigma in life science, and EMD Performance Materials. Since its founding 1668, scientific exploration and responsible entrepreneurship have been key to the company's technological and scientific advances. To this day, the founding family remains the majority owner of the publicly listed company.