Merck KGaA
Darmstadt, Germany

News Release

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Merck KGaA, Darmstadt, Germany, Confirms Forecast for Organic Performance in 2019

- **Organic sales growth (+5.7 %) driven by all business sectors**
- **EBITDA pre declines organically (-2.0%), adversely impacted by the absence of one-time effects**
- **Business in Asia drives Group organic growth**
- **Group confirms organic forecast for sales and earnings and expects a more favorable exchange rate development**

Darmstadt, Germany, May 14, 2019 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, significantly increased net sales in the first quarter of 2019, primarily on an organic basis. By contrast, EBITDA pre saw a slight organic decline and was adversely impacted by the absence of positive one-time effects from the previous year. Merck KGaA, Darmstadt, Germany, confirmed its full-year forecast for organic performance.

"Our focus on innovation-driven businesses is paying off. We achieved organic sales growth in all three of our business sectors. Regionally, Asia is a particularly strong growth market," said Stefan Oschmann, Chairman of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. "For the full year, we continue to assume that the Group will achieve growth for its key figures: sales, EBITDA pre and EPS pre."

Net sales of the Group rose by 7.5% to € 3.7 billion in the first quarter (Q1 2018: € 3.5 billion). Organically, Group sales increased by 5.7%, driven by all three

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business sectors. Currency-driven sales increases of 2.0% were primarily due to the U.S. dollar and the Japanese yen.

EBITDA pre, the Group's most important earnings indicator, declined by -4.0% to € 929 million in the first quarter (Q1 2018: € 967 million). Organically, EBITDA pre declined by -2.0%; positive one-time effects in the year-earlier quarter in the Healthcare business sector created a high comparative basis. Additionally, there were negative exchange rate effects of -1.6% and a portfolio impact of -0.4%. Group **EBIT** declined by -24.6% to € 379 million (Q1 2018: € 502 million). This was due to the absence of one-time effects as well as exchange rate factors.

Along with lower EBIT, **net income** decreased in the first quarter by -44.7% to € 189 million (Q1 2018: € 341 million). Earnings per share declined from € 0.78 to € 0.43. **Earnings per share pre** decreased by -15.4% to € 1.13 (Q1 2018: € 1.33).

Net financial debt of Merck KGaA, Darmstadt, Germany, increased in the first quarter by € 389 million over December 31, 2018 to € 7.1 billion (Dec. 31, 2018: € 6.7 billion). This mainly reflected the first-time application of the new accounting standard on leases (IFRS 16). Merck KGaA, Darmstadt, Germany, is committed to preserving its strong investment grade credit rating, also after completing the Versum acquisition. The Group had 52,140 **employees** worldwide on March 31, 2019 compared with 53,358 employees on March 31, 2018.

Healthcare benefits from new medicines

The Healthcare business sector generated organic sales growth of 2.9% in the first quarter. Including slightly positive foreign exchange effects of 0.4%, net sales of Healthcare amounted to € 1.5 billion (Q1 2018: € 1.4 billion). On the one hand, organic growth was driven by the General Medicine & Endocrinology franchise as well as by the Fertility franchise. In addition, the two new medicines Mavenclad and Bavencio contributed significantly to the positive development.

Sales of **Mavenclad**, an oral medicine for the treatment of multiple sclerosis, rose sharply to € 43 million (Q1 2018: € 13 million). Sales of the immuno-oncology drug **Bavencio** totaled € 22 million (Q1 2018: € 12 million). At the end of March 2019, Mavenclad was approved by the U.S. Food and Drug Administration (FDA) and thus in the largest single regional market for this medicine. Merck KGaA, Darmstadt, Germany, has also filed for further approvals of Bavencio. The regulatory authorities in the United States, Europe and Japan are reviewing the filing for Bavencio in combination with Inlyta from Pfizer in the treatment of patients with advanced renal cell carcinoma.

In the first quarter, sales of **Rebif**, which is used to treat relapsing forms of multiple sclerosis, declined organically by -16.4%, particularly as a result of the persistently challenging competitive environment in North America. Including currency tailwinds of 2.1%, Rebif sales amounted to € 299 million (Q1 2018: € 348 million). At € 199 million, sales of the oncology medicine **Erbitux** were at the previous year's level (Q1 2018: € 200 million). Organic growth of 1.6% was more than offset by exchange rate effects of -1.9%. **Gonal-f**, the leading recombinant hormone for the treatment of infertility, remained stable organically, generating sales of € 168 million (Q1 2018: € 166 million). The other products in the Fertility portfolio generated double-digit organic growth rates. The **General Medicine & Endocrinology** franchise, which commercializes medicines to treat cardiovascular diseases, thyroid disorders, diabetes and growth disorders, among other things, generated very strong organic growth of 9.5% with net sales increasing to € 570 million (Q1 2018: € 520 million).

EBITDA pre of Healthcare declined organically in the first quarter by -13.9%. Including a slightly positive exchange rate effect of 1.0%, it amounted to € 332 million (Q1 2018: € 381 million). However, the year-earlier quarter was positively impacted by one-time effects, which created a high comparative basis. This relates mainly to a milestone payment from BioMarin Pharmaceutical Inc., USA, amounting to € 50 million.

An important element of the Group's strategy in the Healthcare sector is the alliance entered into in February with GlaxoSmithKline plc., UK, (GSK) to co-develop and co-commercialize the investigational immunotherapy bintrafusp alfa (M7824), which was discovered in-house at Merck KGaA, Darmstadt, Germany. The agreement has a potential overall value of up to € 3.7 billion. According to the agreement with GSK, Merck KGaA, Darmstadt, Germany, is entitled to an upfront payment of € 300 million, which however did not have any effect on earnings in the first quarter.

Overall, eight clinical programs for this novel immunotherapy will be in progress or initiated this year.

Life Science increases profitability thanks to strong organic growth

In the first quarter, the Life Science business sector generated very strong organic sales growth of 9.4%, which was driven by all three business units. In addition, favorable exchange rate effects increased sales by 2.8%; the divestment of the Flow Cytometry business lowered sales by -0.5%. In the first quarter, net sales of the Life Science business sector rose overall by 11.7% to € 1.7 billion (Q1 2018: € 1.5 billion).

At 15.1%, 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 in the first quarter. This was driven mainly by the BioProcessing business field. Here, Merck KGaA, Darmstadt, Germany, is working on highly promising new technologies such as the BioContinuum platform, with which Life Science wants to significantly simplify and accelerate the complex manufacturing process for biotech medicines for its customers in the coming years. Including a positive foreign exchange impact of 3.5%, net sales of Process Solutions totaled € 700 million in the first quarter (Q1 2018: € 590 million).

The **Research Solutions** business unit, which provides products and services to support life science research for pharmaceutical, biotechnological and academic research laboratories, generated organic sales growth of 4.0%. Supported by positive foreign exchange effects of 2.6%, net sales of Research Solutions amounted to € 543 million (Q1 2018: € 509 million). With its broad range of products for researchers as well as scientific and industrial laboratories, the **Applied Solutions** business unit recorded strong organic sales growth of 7.7% in the first quarter of 2019. Including positive foreign exchange effects of 1.9%, Applied Solutions generated net sales of € 418 million (Q1 2018: € 388 million).

In the first quarter, the Life Science business sector generated a 13.5% increase in EBITDA pre to € 516 million (Q1 2018: € 455 million); this increase was mainly due to organic growth of 13.4%. The EBITDA pre margin of Life Science improved to 31.0% (Q1 2018: 30.6%).

Performance Materials continues to grow organically

As in the preceding three quarters, the Performance Materials business sector delivered organic sales growth in the first quarter. The increase of 3.2% was supported by positive exchange rate effects amounting to 3.9%. Consequently, net sales of Performance Materials grew by 7.1% to € 604 million (Q1 2018: € 564 million).

Sales of the **Semiconductor Solutions** business unit, which comprises the business with materials used in integrated circuit production, remained roughly stable in the first quarter, amounting to € 145 million. Overall, at € 128 million, net sales of the **Surface Solutions** business unit in the first quarter were slightly lower than in the year-earlier period. The **Display Solutions** business unit generated very good organic growth in its business with OLED materials and liquid crystal technologies. The Liquid Crystals business continued to benefit from projects by panel manufacturers to build up production capacities in China. Sales of Display Solutions amounted to € 331 million in the first quarter.

EBITDA pre of Performance Materials fell by -1.6% to € 193 million (Q1 2018: € 196 million). The organic decline of -8.5% stemmed mainly from price declines, but was partly offset by positive foreign exchange effects of 6.8%. At 31.9%, the EBITDA pre margin was below the year-earlier figure (Q1 2018: 34.7%), however it exceeded the long-term target of 30%.

Apart from organic growth, the Group is counting on targeted acquisitions in order to expand the position of Performance Materials as a leading supplier of electronic materials. For instance, on April 12, Merck KGaA, Darmstadt, Germany, signed a definitive agreement to acquire Versum Materials, Inc., USA, for US$ 53 per share, corresponding to a company value of around US$ 6.5 billion. Versum is one of the world's leading suppliers of innovation-driven, high-purity process chemicals, gases and equipment for semiconductor manufacturing. In addition, on May 6, Merck KGaA, Darmstadt, Germany, signed a definitive agreement to acquire Intermolecular Inc., USA, for US$ 1.20 per share, corresponding to an equity value of approximately US$ 62 million. The testing and fabrication capabilities of this U.S.-based company enable material combinations to be tested directly within the specific target application, permitting major time reductions in the development process.

Merck KGaA, Darmstadt, Germany, confirms and specifies organic outlook for the full year

Following a solid first quarter, Merck KGaA, Darmstadt, Germany, continues to expect for the full year 2019[1] a moderate organic net sales increase of +3% to +5% over the previous year. In addition, the U.S. dollar and various emerging market currencies, particularly in Latin America, developed more favorably than assumed at the beginning of the year. Therefore, Merck KGaA, Darmstadt, Germany, assumes that exchange rate changes will have a slightly positive effect of 0% to +2% on net sales growth over 2018 (previously: -1% to -2%). Merck KGaA, Darmstadt, Germany, now forecasts Group net sales of € 15.3 billion to € 15.9 billion for 2019.

According to Merck KGaA, Darmstadt, Germany's expectations, in 2019 Group EBITDA pre will be in a corridor between € 4.15 billion and € 4.35 billion (2018: € 3.80 billion). The Group confirms its original expectation of a strong organic increase of +10% to +13% in EBITDA pre compared with the previous year. Owing to the updated exchange rate assumption, the company expects a slightly positive effect of 0% to +2% (previously: -3% to -4%) compared with 2018.

[1]The forecast contains no assumptions on sales and earnings contributions from Versum and Intermolecular since both transactions are only expected to close in the second half of 2019.

News Release

Forecast for FY 2019

€ million	**Net sales**	**EBITDA pre**	**EPS pre**
Group	~15,300 to 15,900 • Organic growth of +3% to +5% vs. 2018 • Exchange rate effect 0% to +2%	~4,150 to 4,350 • Organic growth of +10% to +13% vs. 2018 • Exchange rate effect 0% to +2%	~ € 5.30 to 5.65
Healthcare	~6,450 to 6,750 • Moderate organic growth of +4% to +6% • Exchange rate effect of -1% to +2%	~1,820 to 1,950 • Organic growth of +19% to +23% • Exchange rate effect of -2% to +3%	
Life Science	~6,550 to 6,750 • Organic growth of +6% to +7% • Exchange rate effect of 0% to +3%	~ 2,000 to 2,100 with an operating margin expansion of 20-30 base points • Organic growth of around +10% to +12% • Exchange rate effect of 0% to +3%	
Performance Materials	~2,250 to 2,400 • Moderate organic decline amounting to -3% to -6% • Exchange rate effect of 0% to +2%	~700 to 760 • Organic decline of -7% to -11% • Exchange rate effect of 0% to +4%	
Corporate and Other	–	~-420 to -480 (including negative hedging effects)	

Group - Key figures[1]

€ million	**Q1 2019**	**Q1 2018**	**Change**
Net sales	3,746	3,486	7.5%
Operating result (EBIT)[2]	379	502	-24.6%
Margin (% of net sales)[2]	10.1%	14.4%	
EBITDA[2]	853	924	-7.7%
Margin (% of net sales)[2]	22.8%	26.5%	
EBITDA pre[2]	929	967	-4.0%
Margin (% of net sales)[2]	24.8%	27.7%	
Earnings per share (€)	0.43	0.78	-44.9%
Earnings per share pre (€)[2]	1.13	1.33	-15.4%
Net income	189	341	-44.7%
	March 31, 2019	**Dec. 31, 2018**	
Net financial debt[2]	7,089	6,701	5.8%

[1] Previous year's figures have been adjusted.

[2] Not defined by International Financial Reporting Standards (IFRS).

News Release

Notes for editors:

- The **teleconference** for media representatives will also be webcast live as of 9:30 a.m. (CEST) (in German and English)
- 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

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About Merck KGaA, Darmstadt, Germany
Merck KGaA, Darmstadt, Germany, a leading science and technology company, operates across healthcare, life science and performance materials. Around 52,000 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 enabling the intelligence of devices – the company is everywhere. In 2018, Merck KGaA, Darmstadt, Germany, generated sales of € 14.8 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 business sectors of Merck KGaA, Darmstadt, Germany operate 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.