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News Release

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Merck KGaA, Darmstadt, Germany Starts a Challenging 2015 with a Solid First Quarter

- **Integration of AZ Electronic Materials, favorable currency environment and organic business drive overall net sales growth of 15.7%**
- **Organic sales growth of 1.3%**
- **EBITDA pre exceptionals up 5.7%**
- **Debt from AZ acquisition largely eliminated**
- **Company specifies forecast for 2015**

Darmstadt, Germany, May 19, 2015 – Merck KGaA, Darmstadt, Germany, a leading company for innovative, top-quality high-tech products in healthcare, life science and performance materials, announced today that it generated strong sales growth in the first quarter of 2015. EBITDA pre exceptionals also rose in the year-on-year comparison.

“We are pleased that all three business sectors grew despite a challenging environment,” said Karl-Ludwig Kley, CEO of Merck KGaA, Darmstadt, Germany. “We continue to expect slight organic sales growth for the full year as well.”

Group **net sales** rose by 15.7% to €3.0 billion in the first quarter of 2015 (Q1 2014: €2.6 billion). Organically, sales grew by 1.3%. Reported sales also reflect not only noticeably positive currency effects of 8.9%, but also portfolio effects due to the integration of AZ Electronic Materials (AZ) amounting to 5.5%. All three business sectors of Merck KGaA, Darmstadt, Germany posted sales increases. From a



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geographic perspective, organic sales growth was mainly driven by the Asia-Pacific and Latin America regions.

EBITDA pre exceptionals, the key earnings indicator of the Group, rose by 5.7% to €853 million thanks to good operational performance and a favorable currency environment (Q1 2014: €807 million). Higher research and development spending, mainly relating to the intensification of immuno-oncology research, dampened EBITDA pre exceptionals. Higher marketing and selling expenses as well as the absence of royalty and license income that had already expired in the second quarter of 2014, also had a negative impact on EBITDA pre exceptionals. Group **EBIT** rose by 2.5% to €480 million. **Net income** declined in the first quarter of 2015 by -13.4% to €282 million (Q1 2014: €325 million). This figure was lowered by the financing costs incurred in advance of the planned acquisition of Sigma-Aldrich.

Taking into account the share split in 2014, **earnings per share pre exceptionals** amounted to €1.12 in the first quarter of 2015 (Q1 2014: €1.15).

Net financial debt declined to €78 million as of March 31, 2015; in mid-2014, it had temporarily risen to €2.2 billion owing to the acquisition of AZ. The rapid and substantial reduction of debt is evidence of the company's strong internal financing capacity in the run-up to the planned acquisition of Sigma-Aldrich. The Group had 39,842 **employees** worldwide on March 31, 2015.

Healthcare starts a year of investments

The Healthcare business sector generated organic sales growth of 0.3% in the first quarter of 2015. Including positive foreign exchange effects of 7.1%, net sales rose overall by 7.4% to €1.7 billion (Q1 2014: €1.6 billion). In the first quarter of 2015, organic growth was driven in particular by products to treat diabetes (Glucophage), cardiovascular diseases (Concor) and infertility, as well as by the brand Neurobion, which is marketed by the Consumer Health business. These increases more than offset the decline in sales of Rebif, the top-selling product. From a geographic



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perspective, organic growth was mainly driven by the Latin America and Asia-Pacific regions.

Rebif, which is used to treat relapsing forms of multiple sclerosis, saw a sharp -15.9% decrease in organic sales in the first quarter of 2015 owing to strong competition from oral formulations. Amid currency tailwinds of 9.5%, Rebif sales amounted to € 430 million. Sales of the cancer drug **Erbix** declined organically by -5.9% to € 205 million. Following a very strong year-earlier quarter, the company achieved slight organic sales growth of 1.7% with the fertility drug **Gonal-f**. Including positive foreign exchange effects, sales rose to € 164 million.

Higher spending on research and development, particularly to finance immuno-oncology projects, as well as the absence of royalty and license income and the sales declines with respect to Rebif outweighed the positive currency effects. Consequently, EBITDA pre exceptionals of the Healthcare business sector decreased by -3.8% to € 461 million in the first quarter of 2015.

“In 2015, we plan to invest heavily in immuno-oncology and together with Pfizer we want to build a strong position in this emerging research area. A Phase III clinical trial of avelumab in non-small-cell lung cancer was recently initiated. Up to five further trials that could be pivotal for product registrations are to start this year, also in gastric and bladder cancer,” said Kley.

Life Science starts with a solid first quarter

In the first quarter of 2015, the Life Science business sector posted moderate organic sales growth of 3.4%, which was primarily driven by the good business development of Process Solutions. Sales developed particularly well in North America. Including pronounced positive currency effects of 9.8% and the sale of the Discovery and Development Solutions business field, Life Science net sales rose by a total of 12.4% to € 738 million (Q1 2014: € 657 million).



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The Process Solutions business area, which markets products and services for the pharmaceutical production value chain, generated organic sales growth of 5.4%. This was mainly driven by increasing demand from the biotech sector for single-use and purification solutions. With its broad range of products for researchers and scientific laboratories, the Lab Solutions business area recorded organic sales growth of 2.2%. The **Bioscience** business area, which primarily markets products and services for pharmaceutical and academic research laboratories, recorded organic sales growth of 0.5%.

Performance Materials benefits from a new liquid crystal generation and AZ

Net sales of the Performance Materials business sector, which comprises Merck KGaA, Darmstadt, Germany's specialty chemicals business, soared by 53.4% to €617 million in the first quarter of 2015 (Q1 2014: €402 million). This was mainly attributable to the additional contribution to sales by the AZ acquisition (37.0%) as well as significant foreign exchange effects (14.8%). Sales also saw organic growth of 1.6%, to which all business units contributed.

The newly formed **Display Materials** business unit, consisting of Merck KGaA, Darmstadt, Germany's successful liquid crystals business and the complementary AZ display materials business, benefited from energy-saving UB-FFS technology used in the liquid crystal displays of the latest mobile device generation. Yet the established liquid crystal technologies were also robust, benefiting from the demand for high-end televisions, for example ultra-HD sets with ever larger display diagonals. The renamed business unit **Pigments & Functional Materials** (formerly Pigments & Cosmetics) generated slight organic sales growth in the first quarter of 2015. Growth drivers were pigments for coating applications, mainly the Xirallic pigments, which are primarily used in automotive coatings. The **Integrated Circuit (IC) Materials** business unit includes the AZ business with materials used to manufacture integrated circuits. Compared with the year-earlier figures, IC materials posted a moderate organic increase in sales. Thanks to higher demand for OLED displays and LED phosphors, the **Advanced Technologies** business unit also generated organic growth.



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Merck KGaA, Darmstadt, Germany confirms guidance for 2015

For 2015, the Group continues to expect slight organic sales growth and a slight portfolio effect due to the inclusion of AZ for a full fiscal year. This development will be supported by strong, positive foreign exchange effects. Overall, the company assumes an increase in **net sales** to between € 12.3 billion and € 12.5 billion in 2015. As of the first quarter of 2015, Merck KGaA, Darmstadt, Germany is disclosing commission income as part of net sales in order to better steer its business sectors. Yet this has no effect on the forecasts made. The Group anticipates **EBITDA pre exceptionals** of between € 3.45 billion and € 3.55 billion in 2015 despite higher R&D spending in the Healthcare business sector, the downturn in the development of Rebif in the United States and Europe, as well as the absence of royalty and license income. **Business free cash flow** of the Group is expected to lie between € 2.4 billion and € 2.5 billion in 2015.

Forecast for FY 2015 (without taking the planned Sigma-Aldrich acquisition into account)

€ million	Net sales	EBITDA pre exceptionals	Business free cash flow
Group	~ 12,300 – 12,500	~3,450 – 3,550	~2,400 – 2,500
Healthcare	Organic at the previous year's level	~1,900 – 2,000	~ 1,500 – 1,550
Life Science	Moderate organic growth	~730 – 760	~ 450 – 480
Performance Materials	Slight organic increase, strong portfolio effect	~1,050 – 1,100	~ 850 – 900
Corporate and Other	-	~-330 – -280	~ -420 – -390



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Group – Key figures

€ million	Q1 2015	Q1 2014	Change (in %)
Net sales	3,041.2	2,628.2	15.7
Operating result (EBIT)	480.0	468.3	2.5
Margin (% of sales)	15.8	17.8	
EBITDA	805.4	770.2	4.6
Margin (% of sales)	26.5	29.3	
EBITDA pre exceptionals	853.0	807.1	5.7
Margin (% of sales)	28.0	30.7	
Earnings per share (€)	0.65	0.75	-13.3
Earnings per share pre exceptionals (€)	1.12	1.15	-2.6
Business free cash flow	360.5	684.1	-47.3
Net income	281.7	325.2	-13.4
€ million	March 31, 2015	Dec. 31, 2014	
Net financial debt	78	559	-86.0

- The **conference call** for media representatives will also be webcast live [here](#) as of 9:30 a.m. (CET)
- The corresponding **charts** as well as further information for the press including a **digital press kit** with more information can be found [here](#)
- The **financial report on the first quarter** can be found [here](#)
- Our company on [Facebook](#), [Twitter](#) and [LinkedIn](#)
- **Photos and video footage** can be found [here](#)
- Merck KGaA, Darmstadt, Germany **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 of Darmstadt, Germany, is a leading company for innovative and top-quality high-tech products in healthcare, life science and performance materials. The company has six businesses – Biopharmaceuticals, Consumer Health, Allergopharma, Biosimilars, Life Science and Performance Materials – and generated sales of € 11.3 billion in 2014. Around 39,000 employees work in 66 countries to improve the quality of life for patients, to foster the success of customers and to help meet global challenges. Merck KGaA, Darmstadt, Germany, is the world's oldest pharmaceutical and chemical company – since 1668, the company has stood for innovation, business success and responsible entrepreneurship. Holding an approximately 70% interest, the founding family remains the majority owner of the company to this day. Merck KGaA, Darmstadt, Germany holds the global rights to the Merck name and brand. The only exceptions are Canada and the United States, where the company operates as EMD Serono, EMD Millipore and EMD Performance Materials.