Merck KGaA
Darmstadt, Germany

News Release

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

May 15, 2018

Merck KGaA, Darmstadt, Germany, Reports a Solid Start to 2018

- **Sales grow organically by 3.5% in the first quarter**
- **Life Science and Healthcare drive organic growth**
- **Negative foreign exchange effects weigh on sales and earnings**
- **EBITDA pre decreases by -18.2%, burdened by currency and absence of one-time effects reported in the previous year**
- **Merck KGaA, Darmstadt, Germany, confirms forecast for organic business performance in 2018**

Darmstadt, Germany, May 15, 2018 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, today reported a decline in sales in the first quarter of 2018 despite organic growth. This was due to negative foreign exchange effects. EBITDA pre declined after having benefited from favorable one-time effects in the previous year. Merck KGaA, Darmstadt, Germany, confirmed its full-year forecast with respect to organic business performance. However, the company expects slightly higher negative foreign exchange effects.

"When we presented our financial results for 2017, we indicated that 2018 would be a transition year for our company. The figures for the first quarter confirm this," said Stefan Oschmann, Chairman of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. "The organic sales growth that we achieved in all regions was more than offset by negative exchange rate effects. For Performance Materials, the market environment in the Liquid Crystals business continues to be difficult. Our focus on moving ahead in all three of our business sectors through innovation remains unchanged."

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

News Release

Net sales of Merck KGaA, Darmstadt, Germany, decreased in the first quarter of 2018 by -4.4% to € 3.7 billion (Q1 2017: € 3.9 billion). Organically, Group sales increased by 3.5%, driven by the Healthcare and Life Science business sectors. The Group generated organic growth in all reporting regions. In particular, the U.S. dollar, which was considerably weaker in comparison with the year-earlier period, led to negative exchange rate effects of -7.9%.

EBITDA pre, the company's most important earnings indicator, declined by -18.2% to € 1.0 billion in the first quarter (Q1 2017: € 1.2 billion). In the year-earlier quarter, favorable one-time effects in the Healthcare business sector led to a higher comparative basis. Group **EBIT** fell by -31.4% to € 518 million (Q1 2017: € 755 million).

Owing to lower EBIT, **net income** decreased in the first quarter by -34.8% to € 341 million (Q1 2017: € 523 million). Earnings per share declined from € 1.20 to € 0.78. **Earnings per share pre** decreased by -21.7% to € 1.41 (Q1 2017: € 1.80).

In the first quarter, Merck KGaA, Darmstadt, Germany, lowered its **net financial debt** by € 170 million compared with December 31, 2017. Consequently, for the first time since the Sigma-Aldrich acquisition, the figure was just under the € 10 billion mark (December 31, 2017: € 10.1 billion). The Group had 53,358 **employees** worldwide on March 31, 2018.

Healthcare: Bavencio and Mavenclad contribute to organic growth
The Healthcare business sector generated organic sales growth of 1.8% in the first quarter of 2018. The overall development was characterized by negative exchange rate effects of -7.2%. At € 1.6 billion, net sales of Healthcare were thus -5.5% below the level of the year-earlier quarter (Q1 2017: € 1.7 billion).

A driver of organic growth was the performance of the Fertility franchise. Moreover, sales generated by the two new medicines **Mavenclad** and **Bavencio** also contributed to organic growth. Sales of Mavenclad, an oral drug for the treatment of multiple sclerosis, were € 13 million. Sales of Bavencio, an immuno-oncology drug, were € 12 million.

In the first quarter, sales of **Rebif**, which is used to treat relapsing forms of multiple sclerosis, declined organically by -6.7% particularly as a result of the challenging competitive environment in North America and Europe. Taking into account currency headwinds of -9.4%, Rebif sales amounted to € 348 million (Q1 2017: € 415 million). The organic decline of -2.9% in sales of the oncology drug **Erbitux** as well as exchange rate effects of -5.4% resulted in sales of € 200 million (Q1 2017: € 218 million). Sales of **Gonal-f**, the leading recombinant hormone for the treatment of infertility, grew organically by 5.7%. Including exchange rate effects of -8.6%, sales amounted to € 166 million (Q1 2017: € 171 million).

At € 430 million, EBITDA pre was -32.0% below the year-earlier quarter (Q1 2017: € 633 million). However, the year-earlier quarter was positively impacted by one-time effects, which created a high comparative basis. This related primarily to income owing to a one-time payment of € 116 million as compensation for future license payments. The foreign exchange environment also weighed on EBITDA pre of Healthcare.

Life Science again generates strong organic sales growth

In the first quarter, Life Science generated strong organic sales growth of 8.8%, which was however almost canceled out by a negative foreign exchange impact of -8.4%. Accordingly, net sales grew slightly by 0.4% over the year-earlier quarter and amounted to € 1.5 billion (Q1 2017: € 1.5 billion). All three business units contributed to organic growth. The largest contribution came from Process Solutions.

The **Process Solutions** business unit, which markets products and services for the entire pharmaceutical production value chain, generated organic sales growth of 14.1%. Despite an unfavorable foreign exchange effect of -8.8%, net sales totaled € 583 million in the first quarter.

The **Research Solutions** business unit, which provides products and services to support life science research for pharmaceutical, biotechnological and academic research laboratories, generated moderate organic sales growth of 4.3%. However, owing to negative foreign exchange effects of -8.1%, reported net sales declined to € 509 million.

Applied Solutions generated strong organic sales growth of 7.3% with its broad range of products for clinical and diagnostic testing laboratories as well as the food and beverage industry. Owing to negative foreign exchange effects of -8.2%, net sales declined slightly to € 395 million.

EBITDA pre of Life Science rose by 2.1% to € 455 million (Q1 2017: € 445 million). This was attributable to the good organic sales performance and the synergies from the Sigma-Aldrich acquisition, partly offset however by negative foreign exchange effects.

Semiconducting materials counteract decline in liquid crystals

In the first quarter, net sales of the Performance Materials business sector declined by -12.5% to € 564 million (Q1 2017: € 645 million). This resulted mainly from negative foreign exchange effects of -8.5%. This decrease was amplified by the -4.0% organic decline in sales.

Since April 1, 2018, Performance Materials has been organized into the three business units Display Solutions, Semiconductor Solutions and Surface Solutions. The integrated innovation unit Early Research & Business Development is supporting the business units to identify projects with growth potential and to capture new markets.

The **Display Solutions** business unit saw an organic decrease in sales in the first quarter, but continued to defend its market leadership position despite stronger competition. The sales decline in Display Solutions stemmed from the decrease in the unusually high market shares in recent years of established liquid crystal technologies. An exception here were OLED materials as well as the energy-saving UB-FFS technology, which each recorded double-digit organic growth. The **Semiconductor Solutions** business unit, which comprises the business with materials used in integrated circuit production, for instance in the microchip industry, delivered very strong organic growth. The **Surface Solutions** business unit, which combines the businesses with pigments and functional fillers as well as optoelectronic materials, recorded a slight decline in net sales in the first quarter, which was mainly due to the exceptionally strong year-earlier quarter.

EBITDA pre of Performance Materials fell in the first quarter by -25.7% to € 196 million (Q1 2017: € 263 million). This was due not only to the organic decrease, but also to considerably negative foreign exchange effects.

Merck KGaA, Darmstadt, Germany, confirms and specifies outlook

Following the first quarter, Merck KGaA, Darmstadt, Germany, continues to expect for the full year 2018 a moderate organic net sales increase of between 3% and 5% over the previous year. Overall, Merck KGaA, Darmstadt, Germany, forecasts 2018 Group net sales of € 15.0 billion to € 15.5 billion based on an unchanged portfolio. The planned divestment of the Consumer Health business, which Merck KGaA, Darmstadt, Germany, announced on April 19, 2018 and would like to complete in the fourth quarter, is likely to reduce full-year net sales of the Group by between € 0.9 billion and € 1.0 billion. Taking into account the planned Consumer Health divestment, Merck KGaA, Darmstadt, Germany, forecasts 2018 Group net sales of € 14.0 billion to € 14.5 billion from continuing operations. The planned divestment does not change the underlying forecasts regarding organic sales growth and the foreign exchange impact.

The company expects that Group EBITDA pre will be in a corridor between € 3.95 billion and € 4.15 billion in 2018. The expected decline in comparison with the previous year primarily reflects negative exchange rate effects on EBITDA pre which the company now sees in a range of -5% to -7% (previously -4% to -6%) versus the previous year owing to the latest exchange rate developments.

In the company's estimation, the divestment of the Consumer Health business will lower EBITDA pre of the Group by between € 170 million and € 200 million, leading to EBITDA pre from continuing operations in a range of between € 3.75 billion and € 4.0 billion. The planned divestment of the Consumer Health business does not change the company's assumptions for organic EBITDA pre development and exchange rate effects.

News Release

Forecast for FY 2018

€ million	**Net sales**	**EBITDA pre**	**Earnings per share pre**
Group	• Organic growth 3% to 5% • Exchange rate effect -4% to -6% • ~ 15,000 to 15,500 (excluding Consumer Health: ~ 14,000 to 14,500)	• Organic decline -1% to -3% vs. 2017 • Exchange rate effect -5% to -7% • ~ 3,950 to 4,150 (excluding Consumer Health: ~ 3,750 to 4,000	• € 5.30 to 5.65 (excluding Consumer Health: € 5.00 to 5.40
Healthcare	• Moderate organic growth • Moderately negative foreign exchange effect	• Organic decline -1% to -2% • Exchange rate effect -5% to -7% • ~ 1,770 to 1,830 (excluding Consumer Health: ~ 1,580 to 1,650)	
Life Science	• Organic growth slightly above the medium-term market average of 4% p.a. • Moderately negative foreign exchange effect	• Organic growth at around the previous year's level of +8% • Exchange rate effect -4% to -6% • ~ 1,820 to 1,870	
Performance Materials	• Slight to moderate organic decline in sales • Moderately negative foreign exchange effect	• Organic decline -14% to -16% vs. 2017 • Exchange rate effect -8% to -10% • ~ 725 to 765	
Corporate and Other	-	• ~-360 to -320	

Group - Key figures

€ million	**Q1 2018**	**Q1 2017**	**Change**
Net sales	3,691	3,861	-4.4%
Operating result (EBIT)	518	755	-31.4%
Margin (% of net sales)	*14.0*	*19.5*	
EBITDA	946	1,203	-21.4%
Margin (% of net sales)	*25.6*	*31.2*	
EBITDA pre	1,015	1,240	-18.2%
Margin (% of net sales)	*27.5*	*32.1*	
Earnings per share (€)	0.78	1.20	-35.0%
Earnings per share pre (€)	1.41	1.80	-21.7%
Net income	341	523	-34.8%
	March 31, 2018	**Dec. 31, 2017**	
Net financial debt	9,974	10,144	-1.7%

News Release

Notes for editors:

- The **teleconference** for media representatives will also be webcast live as of 9:30 a.m. (CET) here
- 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

Merck KGaA, Darmstadt, Germany, is a leading science and technology company in healthcare, life science and performance materials. Almost 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.