

**Merck KGaA**  
Darmstadt, Germany



**Annual General Meeting 2019**  
**Speech by Dr. Stefan Oschmann**

**Chairman of the Executive Board and CEO**

**Frankfurt am Main,  
April 26, 2019**

## Check against delivery.

Dear Shareholders,  
Dear Webcast Viewers,

Progress thrives on curious minds. On people who discover. Who don't accept gaps in knowledge. Who are open to new ideas. Who accept that new things may at times be uncomfortable. And through all this act responsibly.

Merck KGaA, Darmstadt, Germany is full of curious minds. Specialists, who develop, manufacture and market new technologies. Technologies that improve life. And that will help us grow in the years to come.

I warmly welcome you to our Annual General Meeting. Thank you for your interest in our company. I'm very pleased that you've joined us.

Last year, I told you that 2018 would be challenging. And it was. It was a year of transition. And a year of investment.

The most important thing is: We achieved all our targets.

- Sales: € 14.8 billion. 2.2% more than in 2017. Organically, an increase of 6.1%. All business sectors and regions contributed to this. We are happy about this. This shows that we are on the right track.

- Earnings before interest, tax, depreciation, amortization, and adjustments: € 3.8 billion. Around 10% less than in 2017, That was mainly due to foreign exchange effects.
- Debt level: lowered as planned. Very significantly because we divested our Consumer Health business.

We now have room for maneuver again. And we are making use of it. We are investing in our future. Two weeks ago, we signed an agreement to acquire Versum. A company based in Tempe, Arizona. We will pay US\$ 53 per share. In cash. For us, this is a decisive move. Many of you will certainly ask yourselves: why? The answer to this question can be found in our everyday lives. A world without electronic and digital technologies is unimaginable. At home and in companies. Think of your mobile phone. Of the smart television in your living room. Or of the rise in networked production in many companies.

Digital technologies are ubiquitous. Public discussions center mainly on algorithms and software. Artificial intelligence has been making headlines for a long time now. But hardware is just as important. And semiconductors play a central role here. They are the key basis of microprocessors. And of storage media. Our semiconductor materials are already making smaller, faster and more efficient devices possible. Versum will broaden our portfolio. Our competencies are highly complementary. Together, we can offer our customers more. This is very important. After all, one thing is clear: The digital revolution has only just begun. We want to fuel and advance it. And thus grow further.

That is what this acquisition is about. It's been a difficult and exciting effort so far. It was worth it. But we are not finished yet. We expect that the transaction will close in the second half of the year.

But let's briefly look back at last year again. Our company's shares performed well in 2018. Better than the German DAX blue-chip index. And better than the key indices for our industries. This is a strong sign of trust. For this I would like to thank you.

We are investing further in the future of our company. Therefore, today we again propose the payment of a dividend of € 1.25 per share.

We did well in 2018. This is due to the accomplishments of our nearly 52,000 employees. A warm thank-you to all of them. Thank you for your tremendous dedication. Thank you for your excellent performance.

Today I want to talk about the future of our company. After all, one thing is clear: We can achieve a great deal in the coming years. For patients. For our customers. For society And for you.

We are all set for profitable growth. We want to achieve gains in 2019. In all our key figures. What do we expect? A moderate organic increase in sales. And pronounced organic growth of EBITDA pre. But also continued headwinds in the foreign exchange markets.

Our objectives are ambitious. But they are feasible. That's because our foundations are solid. Science and technology are changing our world at lightning speed.

Medicine is becoming more and more precise. We understand diseases much better. Thanks to new technologies. And thanks to better data. This is a great opportunity for patients. Ideally, we will soon be able to identify diseases at a very early stage. And then treat them with precision medicines. With medicines precisely tailored to patients.

Research and development are changing as well. The costs of tools and equipment are decreasing. Knowledge is broadly available. Scientists find research and investors partners via the Internet. This means that the size of a company is becoming less important. Smaller players are obtaining new opportunities. Especially in the biotech sector.

At the same time, our world is becoming increasingly connected. More and more people are online. The Internet of Things is becoming reality. By 2022, it will comprise 18 billion devices. Global data traffic is growing rapidly.

We are helping to shape this transformation. Science is at the heart of everything we do. We are developing the therapies of tomorrow. We are creating new possibilities for scientists. And we are driving the digital transformation forward.

But let's stop and reflect for a moment. Progress offers opportunities. No doubt. We want to seize these opportunities. This is what drives us. But we are also familiar with the words of the historian Melvin Kranzberg: Technology is neither good nor bad, nor is it neutral. No. Technology is what we make of it.

Technological progress means changing. Sometimes breaking with the tried and tested. A lot of people feel unsettled by this. Some feel threatened. Just one example: What does artificial intelligence mean for the labor market? We don't have any conclusive answers to such questions. Yet we keep asking ourselves. Because we too must pursue different approaches. I see this as a major opportunity. If we act responsibly, we can address fears. Create acceptance. And strengthen people's confidence in the future. That's our responsibility as a company.

It applies to any decisions we make. For instance, regarding the future of our company headquarters in Darmstadt. We are investing in Darmstadt: € 1 billion by 2025. With this investment we are enabling growth. And creating opportunities for tomorrow and beyond. We have entered into an agreement with the Works Council concerning the site strategy. We have extended our employment guarantee until the end of 2025. We develop our employees. Provide them with advanced training opportunities. That's the right path to a good future.

We have a clear plan for our company. We want to grow significantly. Across all our businesses. What exactly are we planning? Four things.

First: We are advancing new projects in our Biopharma business. Our plan is in place: € 2 billion in sales from new medicines as of 2022. Every year. In 2018, we generated sales of € 160 million with our new products Mavenclad and Bavencio. And that was just the beginning. At the end of March, the U.S. Food and Drug Administration approved Mavenclad. It's for certain forms of multiple sclerosis. This is good news for patients. Mavenclad is now approved in more than 50 countries. What is the advantage for patients? Treatment extends over two years. During this two-year period, patients take the tablets for a maximum of 20 days. That's all. The clinical effect lasts for up to four years.

We are also making progress with our oncology medicine Bavencio. Together with Pfizer, we have filed for further approvals. For the treatment of certain forms renal cancer, in combination with another medicine. In the United States. In Europe. And in Japan. The regulatory authorities are currently reviewing our applications. One more thing as regards Bavencio. Not all studies achieved the outcome that we would have liked. That is normal. It's part of the game. Developing new medicines is risky. But is also offers tremendous opportunities.

The projects our researchers are working on offer tremendous potential. And we want to leverage this potential in the coming years. As quickly and as efficiently as possible.

That will only be possible if we continue to make massive investments. And if we clearly decide: What can we do on our own? Where do we need partners? Partners who can bear the costs and risks with us. And partners who complement our expertise well. GlaxoSmithKline is this kind of partner. We have formed a strategic alliance with GSK. The aim is to jointly develop new a cancer therapy. And to market it. The value of this alliance: up to € 3.7 billion.

The focus is on bintrafusp alfa. This is a novel immunotherapy. It is currently in clinical development. We are investigating it for instance in the treatment of a certain form of lung cancer.

Immunotherapies are designed to activate the body's immune system to fight tumors. For example, by preventing cancer cells from camouflaging themselves from the body's own defense mechanisms. To do so, cancer cells use certain signal pathways. Immunotherapies can block these signal pathways.

Bintrafusp alfa was developed in our own laboratories. We are very proud of that. What makes it so special? Many immunotherapies target only one signal pathway. Bintrafusp alfa targets two. TGF beta and PD-L1. We hope to see efficacy increased.

With our new alliance, we want to realize the full potential of bintrafusp alfa.



Overall, eight clinical programs will be in progress or initiated this year. This is how we want to advance cancer treatment. And play a leading role in this novel class of therapies.

This takes me to my second point. We are helping scientists to tackle their toughest challenges. In the lab. In the biotech sector. And in pharmaceutical companies. That is what our Life Science business is all about.

We want it to continue to generate above-market growth. Business with pharmaceutical companies is important for this. We see strong demand here. Above all for products that our customers use to manufacture biologicals. The e-commerce business is also growing. It already accounts for a significant proportion of our sales. And we are convinced that there is still tremendous potential here. At the same time we know that business success today is no guarantee for tomorrow. That is why we are investing in new growth fields. One of these growth fields is our BioContinuum platform.

Manufacturing biopharmaceuticals is a very complex process today. Many steps are necessary. That's been the case for decades. We want to change this in the coming years. This illustration shows that we are moving toward continuous production. This means that we are melding formerly separate manufacturing steps into one continuous process. Initial studies have shown that we can lower manufacturing costs by up to 50% this way. At the same time, the consumption of raw materials declines. And less waste is generated.

Third: We are concentrating on the electronics market. We want to be a leading supplier here. That is the focus of our strategy in Performance Materials. This year, the business will reach the trough. After 2019, sales in this business are to increase annually. By an average of 2% to 3%. An EBITDA pre margin of around 30% is aimed for. Considerably above the average for the specialty chemicals industry. We already offer our customers a broad portfolio to choose from. For instance for semiconductor production. With Versum, we want to further enhance our positioning.

Versum is one of the world's leading suppliers of high-purity process chemicals, gases and equipment for semiconductor manufacturing. Around 2,300 employees work at 15 sites in the United States and Asia. And as you can see: Versum is successful in business terms. And therefore is an excellent fit.

The demands of the digital age are clear: Our world is becoming more and more connected. Computer chips are being used increasingly often. They are expected to deliver ever greater performance. To store more data. While costing less. And using less energy. Our technologies make this possible. Integrated circuits the size of a postage stamp can already accommodate nearly as many transistors as there are people on earth today. Around seven billion. It's barely possible to miniaturize these structures further. That is why memory chip makers are today also using the third dimension.

This makes 3D NAND possible. This technology permits the development of stacked chip architecture. Thanks to our materials. Together with our customers, we are developing new approaches like this one. The aim is to create memory chips that are twice as fast. And consume even less power.

Fourth, we are building new digital businesses. For instance Syntropy. That is our planned joint venture with Palantir of the United States. We want to decisively advance the fight against cancer by accelerating the development of new therapies.

For this, we need data to better understand these diseases and to find new therapies. Cancer research is generating gigantic volumes of biomedical data. Every day. This data can be very valuable to researchers. But it is often inaccessible because much of it is stored in silos. In many cases, it is still analog.

Through Syntropy, we want to change this. We want to enable researchers to integrate and structure the data from various sources. And of course analyze it in order to gain a more holistic view. Something that currently seems unachievable. They also need to be able to exchange data securely and transparently. One thing is especially important to us here: Users should always retain full control of their data. This is how we are strengthening collaboration in science. And accelerating the development of new therapies.

As you can see, we have a great deal planned. We are developing innovative medicines. We are working on the biotechnology of the future. We are providing ever better hardware. We are opening up new avenues in cancer research.

And in addition to all of that, we are committed to supporting the common good. For instance when it comes to health. We can make a great difference here. Especially to the lives of people in low- to middle-income countries. That too is part of our corporate responsibility. A responsibility that we live in many different ways. Such as in our fight against the tropical disease schistosomiasis. We have been donating tablets for this since 2007. Nearly 900 million in total. Enough to treat 360 million school children. We are also researching new possibilities to treat schistosomiasis and malaria. Our foundation promotes the training of physicians in Africa. And we do a lot more. This commitment is highly recognized. In 2018, we achieved fourth place in the Access to Medicine Index for the second consecutive time. The foundation of the same name publishes this index every two years. It assesses the endeavors of the top 20 pharmaceutical companies. A ranking among the top five is thus a very good result. This makes us proud. And it motivates us to do more. And to research further.

We believe in science as a force for good. It makes progress possible. Today. Tomorrow. And beyond tomorrow. That's why we also focus on topics that extend far beyond our day-to-day activities:

- How can we sustainably produce food for more than nine billion people?
- How can we connect the human body with digital systems in order to detect and understand diseases better?
- How can we predict and fight global outbreaks of highly infectious diseases?

These are crucial issues. Issues for which we need solutions. Solutions that we can find through intensive research. That's why we are exploring, for instance, alternative meat production methods. Or methods using innovative sensors that can monitor biological processes in the human body. And we recognize the outstanding achievements of researchers, particularly in areas outside our core business but nevertheless important for the future of mankind. To this end, last year we launched the Future Insight Prize, which we will award for the first time in July. This year the focus is on pandemics, in other words, epidemics of global proportion. The winner of the prize will receive up to € 1 million to conduct research in this field. I look forward to attending that event.

Let's wrap up once again: We achieved all our targets for 2018. Our company is now set for profitable growth. We have clear business priorities. We are investing in our future. And above all: We are helping to shape the rapid technological transformation of our world. Driven by curiosity. And grounded as entrepreneurs who understand their responsibility. This is how we intend to create opportunities for all. To push the boundaries of possibility. And to achieve long-term growth. It's what we work for. Now and in the future.