May 18, 2017

Merck KGaA, Darmstadt, Germany, Continues to Grow Profitably in the First Quarter

- Increase in net sales (+5.3%) and EBITDA pre exceptionals (+14.5%)
- All three business sectors contribute to sales growth
- Net financial debt reduced by a further € 400 million
- Outlook for 2017 confirmed and quantified

Darmstadt, Germany, May 18, 2017 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, significantly increased both net sales and EBITDA pre exceptionals in the first quarter of 2017. In addition, the company today confirmed and specified its outlook for the full year.

“For our company, 2017 is another year of many challenges as well as tremendous opportunities. I am confident that we will seize these opportunities by further driving our clear growth strategy for our three business sectors forward,” said Stefan Oschmann, Executive Board Chairman and CEO of Merck KGaA, Darmstadt, Germany. “We again achieved profitable growth in the first quarter. Two approvals for our immuno-oncology medicine Bavencio in the United States within a short period of time are a great success following long and hard work. We are also further developing our Life Science and Performance Materials business sectors with a targeted focus on innovative technologies. This will create long-term growth opportunities for us,” said Oschmann.

Net sales rose by 5.3% to € 3.9 billion in the first quarter of 2017 (Q1 2016: € 3.7 billion). The Group grew in all three business sectors. Organically, Group sales
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increased by 3.1%, driven mainly by the Healthcare and Life Science business sectors. Currency effects had a positive effect of 2.6% on sales, while portfolio changes had a slightly negative impact. Accounting for 32% of Group sales, Asia-Pacific was the largest region.

**EBITDA pre exceptionals**, the key earnings indicator of the Group, rose by 14.5% to € 1.2 billion (Q1 2016: € 1.1 billion) thanks to the good operational performance of Healthcare and Life Science. Group **EBIT** fell by -11.1% to € 755 million (Q1 2016: € 849 million). This decline is due to an exceptional item in the year-earlier quarter when Merck KGaA, Darmstadt, Germany, sold its rights to Kuvan and realized a divestment gain of € 324 million.

**Net income** declined slightly in the first quarter of 2017 to € 521 million (Q1 2016: € 591 million) owing to the decrease in EBIT. Earnings per share decreased from € 1.36 to € 1.20. **Earnings per share pre exceptionals** rose in the first quarter of 2017 by 16.9% to € 1.80 (Q1 2016: € 1.54).

Merck KGaA, Darmstadt, Germany, reduced the **net financial debt** resulting from the Sigma-Aldrich acquisition by a further € 400 million to € 11.1 billion at the end of the first quarter, which compares with € 11.5 billion on December 31, 2016. As with major acquisitions in the past, the company is aiming to rapidly and extensively reduce its debt. The Group had 51,480 **employees** worldwide on March 31, 2017.

**Healthcare starts off the year on a good strategic and financial footing**

In the first quarter, the Healthcare business sector delivered solid organic sales growth of 4.4%. Including positive exchange rate effects of 2.0% and a negative portfolio impact of -1.0%, Healthcare increased sales by 5.4% to € 1.7 billion (Q1 2016: € 1.6 billion) in the first quarter of 2017.

Sales of the drug **Rebif**, which is used to treat relapsing forms of multiple sclerosis, saw an organic decline of -4.0% in the first quarter of 2017. Amid currency tailwinds of 2.4%, Rebif sales amounted to € 415 million (Q1 2016: € 422 million). In the first quarter, Merck KGaA, Darmstadt, Germany, generated organic sales growth of 4.3% with the oncology drug **Erbitux**. In addition, favorable exchange rate effects of 1.2% were incurred. Consequently, sales of Erbitux rose to € 218 million
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(Q1 2016: € 207 million). At € 171 million, Merck KGaA, Darmstadt, Germany’s sales of the fertility medicine Gonal-f were lower than in the year-earlier quarter (Q1 2016: € 187 million). The organic sales decline of -9.6% resulted from the comparison with a strong year-earlier quarter and continued competitive pressure in Europe from biosimilars.

Despite higher marketing and selling expenses, EBITDA pre exceptionals of the Healthcare business sector rose in the first quarter by 24.5% to € 633 million (Q1 2016: € 508 million). The increase in EBITDA pre of Healthcare resulted from a one-time payment of € 116 million as compensation for future license payments (the year-earlier quarter included license income in the mid to high single-digit million euro range), higher royalty income for Avonex thanks to a patent granted in the United States in June 2016, as well as the milestone payment of € 37 million for the approval of Bavencio at the end of March.

On March 23, 2017, Merck KGaA, Darmstadt, Germany, received approval from the U.S. Food and Drug Administration (FDA) for its immuno-oncology drug Bavencio for the treatment of metastatic Merkel cell carcinoma (mMCC) in the United States. This was followed on May 9, 2017, by the approval of Bavencio to treat a common form of advanced bladder cancer. Moreover, on March 9, 2017, Merck KGaA, Darmstadt, Germany, announced that it is in advanced stages of negotiations to divest its Biosimilars business. On April 24, 2017, Merck KGaA, Darmstadt, Germany, then announced the divestment of its Biosimilars business to Fresenius. The decision was in line with the strategy of the Healthcare business sector of focusing on the discovery and development of innovative pharmaceuticals.

**Life Science drives integration forward and increases profitability further**

The Life Science business sector grew in the first quarter of 2017 organically by 3.3%, to which all regions and business areas contributed. In addition, exchange rate effects of 2.4% had a favorable impact, as did portfolio effects of 0.4%. In the first quarter of 2017, sales by the Life Science business sector thus rose overall by 6.1% to € 1.5 billion (Q1 2016: € 1.4 billion).

The Process Solutions business area, which markets products for the entire pharmaceutical production value chain, delivered organic sales growth of 4.8%. The
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Research Solutions business area, which focuses on academia and pharmaceutical research institutions, generated an organic sales increase of 1.0%. Sales by Applied Solutions, which serves clinical and diagnostic testing laboratories as well as the food and environmental industries, grew organically by 4.4%.

EBITDA pre exceptionals of the Life Science business sector rose in the first quarter by 13.3% to € 445 million (Q1 2016: € 393 million). Merck KGaA, Darmstadt, Germany, continued to make good progress with the integration of Sigma-Aldrich in the first quarter. The ongoing realization of synergies from the Sigma-Aldrich acquisition and good organic sales performance led to higher profitability. The EBITDA pre exceptionals margin of Life Science improved to 30.1% (Q1 2016: 28.1%).

In January, Merck KGaA, Darmstadt, Germany, announced the acquisition of BioControl Systems Inc., a global leader in food safety testing. BioControl’s established rapid detection technology and third-party validated testing platforms complement the portfolio of the Applied Solutions business area within Life Science.

**Performance Materials: OLED materials business continues to generate strong growth**

In the first quarter, net sales of the Performance Materials business sector grew by 3.6% to € 645 million (Q1 2016: € 622 million). A slight organic sales decline of -0.9% was more than offset by positive foreign exchange effects of 4.5%. The organic decline, which stemmed from the Display Materials business, was compensated for by the positive organic development of the other three Performance Materials business units.

In the Display Materials business unit, the double-digit growth of the business with the innovative liquid crystal technology UB-FFS marked a new sales record in the first quarter. However, this could not fully offset the typical price declines and the normalization of market shares. Nevertheless, Merck KGaA, Darmstadt, Germany, maintained its leadership position. The Pigments & Functional Materials business unit delivered solid organic growth. The Integrated Circuit Materials business unit, which includes the business with materials used to manufacture integrated circuits as well as the SAFC Hitech business of Sigma-Aldrich, generated good organic sales
growth. The strong sales increase in the Advanced Technologies business unit was primarily due to continued growth in the OLED materials business.

EBITDA pre exceptionals of Performance Materials fell in the first quarter by -3.7% to € 263 million (Q1 2016: € 273 million).

Merck KGaA, Darmstadt, Germany, is working to apply its liquid crystals expertise also in areas beyond displays, for instance liquid crystal windows. At the same time, the company intends to sustainably secure its market and technology leadership in display materials.

**Merck KGaA, Darmstadt, Germany, confirms and specifies outlook for 2017**

With the publication of the results of 2016, Merck KGaA, Darmstadt, Germany, had provided an initial forecast of the development of net sales, EBITDA pre exceptionals and business free cash flow for the Group and the individual business sectors in 2017. Following a solid first quarter, Merck KGaA, Darmstadt, Germany, forecasts net sales to increase to between € 15.5 billion and € 16.0 billion in 2017. Organically, Merck KGaA, Darmstadt, Germany, continues to expect a slight to moderate increase in comparison with the previous year, yet now assumes that currency changes will have a slightly positive effect of probably 1% to 2% on net sales. For 2017, Group EBITDA pre exceptionals is expected to be in a range of between € 4.4 billion and € 4.6 billion.

**Forecast for FY 2017**

<table>
<thead>
<tr>
<th>€ million</th>
<th>Net sales</th>
<th>EBITDA pre exceptionals</th>
<th>Earnings per share pre exceptionals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td>~ 15,500 – 16,000</td>
<td>~ 4,400 – 4,600</td>
<td>€ 6.15 – 6.50</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>Slight organic growth, low portfolio effect due to the divestment of the business in Pakistan</td>
<td>~ 1,900 – 2,000</td>
<td></td>
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<tr>
<td><strong>Life Science</strong></td>
<td>Solid organic sales growth, low portfolio effect due to the acquisition of BioControl</td>
<td>~ 1,780 – 1,850</td>
<td></td>
</tr>
<tr>
<td><strong>Performance Materials</strong></td>
<td>Slight organic sales decline</td>
<td>~ 1,050 – 1,130</td>
<td></td>
</tr>
<tr>
<td><strong>Corporate and Other</strong></td>
<td>–</td>
<td>~ -350 – -400</td>
<td></td>
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Group - Key figures

<table>
<thead>
<tr>
<th>C million</th>
<th>Q1 2017</th>
<th>Q1 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3,861</td>
<td>3,665</td>
<td>5.3%</td>
</tr>
<tr>
<td>Operating result (EBIT)</td>
<td>755</td>
<td>849</td>
<td>-11.1%</td>
</tr>
<tr>
<td>Margin (% of net sales)</td>
<td>19.5%</td>
<td>23.2%</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,203</td>
<td>1,282</td>
<td>-6.2%</td>
</tr>
<tr>
<td>Margin (% of net sales)</td>
<td>31.2%</td>
<td>35.0%</td>
<td></td>
</tr>
<tr>
<td>EBITDA pre exceptionals</td>
<td>1,240</td>
<td>1,084</td>
<td>14.5%</td>
</tr>
<tr>
<td>Margin (% of net sales)</td>
<td>32.1%</td>
<td>29.6%</td>
<td></td>
</tr>
<tr>
<td>Earnings per share (€)</td>
<td>1.20</td>
<td>1.36</td>
<td>-11.8%</td>
</tr>
<tr>
<td>Earnings per share pre exceptions (€)</td>
<td>1.80</td>
<td>1.54</td>
<td>16.9%</td>
</tr>
<tr>
<td>Net income</td>
<td>521</td>
<td>591</td>
<td>-11.8%</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>11,113</td>
<td>11,513</td>
<td>-3.5%</td>
</tr>
</tbody>
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Notes for editors:
- The teleconference for media representatives will also be webcast live 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 of 2017 can be found here
- Merck KGaA, Darmstadt, Germany, on Facebook, Twitter, LinkedIn
- Photos and video footage can be found here
- Stock symbols
  - Reuters: MRCG, Bloomberg: MRK GY, Dow Jones: MRK.DE
  - Frankfurt Stock Exchange: ISIN: DE 000 659 9905 – WKN:

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Merck KGaA, Darmstadt, Germany, is a leading science and technology company in healthcare, life science and performance materials. Around 50,000 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 2016, 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.