

Merck KGaA
Darmstadt, Germany

PERFORMANCE AMID HEADWINDS

Stefan Oschmann, CEO
Marcus Kuhnert, CFO

March 8, 2018

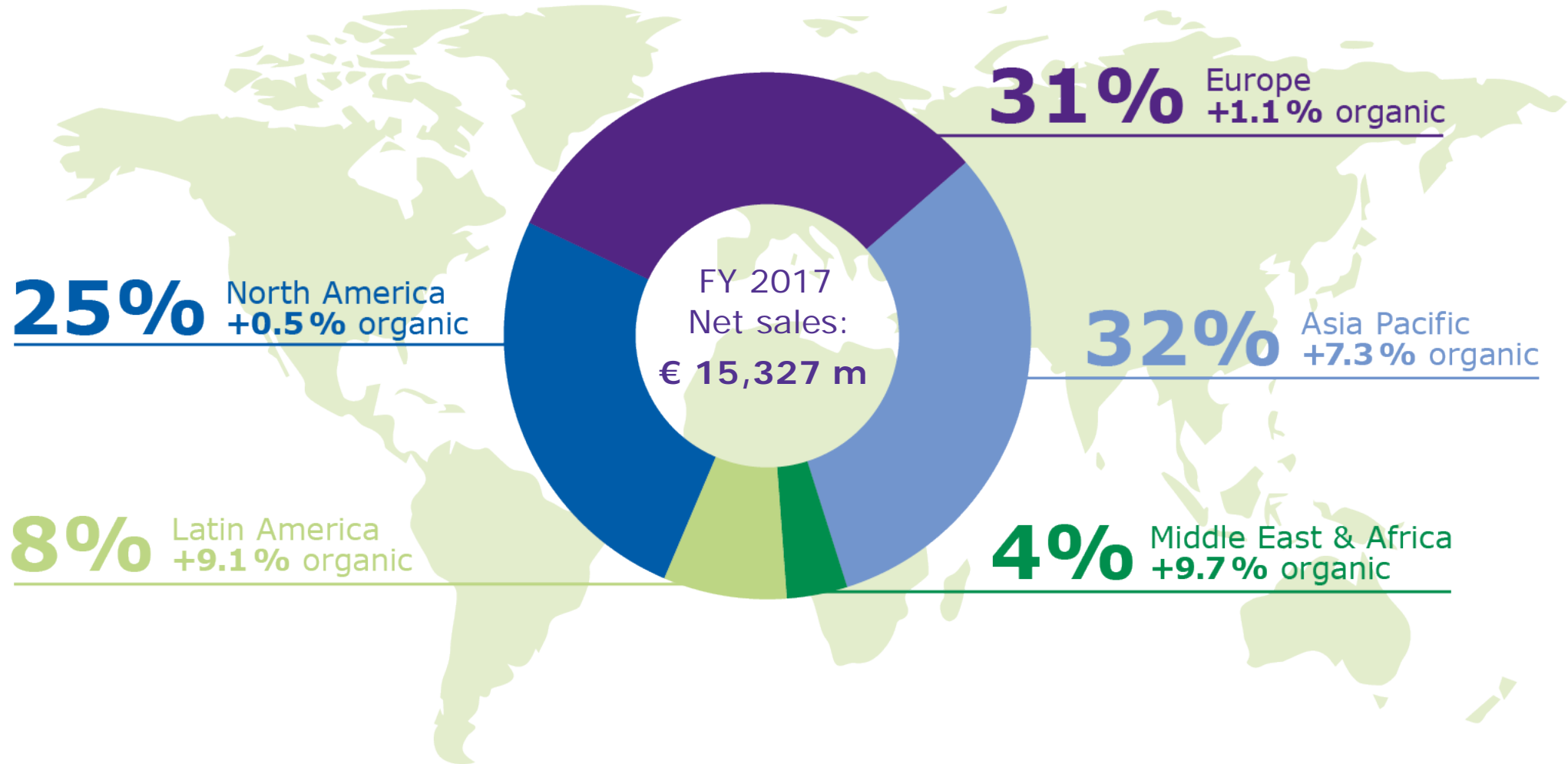
We have met all financial targets for 2017

	2017 Guidance	FY 2017 Results	
Net sales	€ 15.3 bn – 15.7 bn	€ 15,327 m	✓
EBITDA pre	€ 4,400 m– 4,600 m	€ 4,414 m	✓
EPS pre	€ 6.15 – 6.50	€ 6.16	✓

Totals may not add up due to rounding.



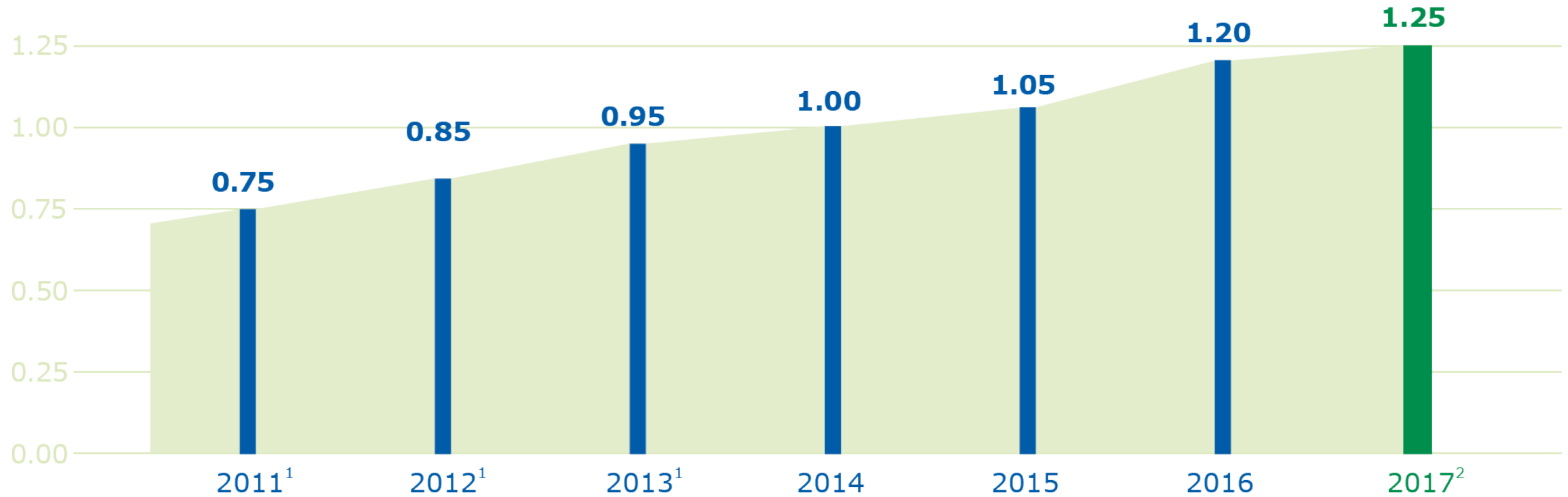
We grew organically in all regions



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Dividend growth sustained



Development¹ 2011-2017

¹ Adjusted for share split, which has been effective since June 30, 2014.

² Final decision subject to Annual General Meeting approval.

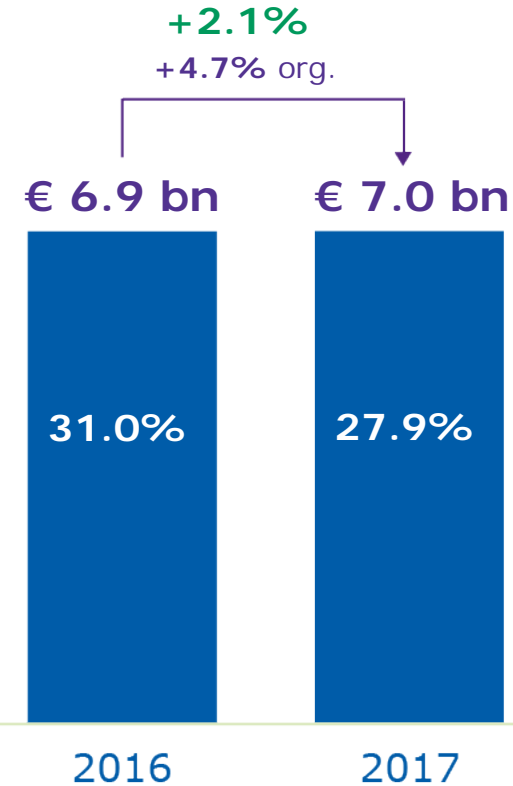


Healthcare: Solid core business and first launches

Business highlights

- First successful launches of Bavencio[®] and Mavenclad[®]
- Safeguarding Rebif[®] and Erbitux[®] in a competitive environment
- Expanding Fertility and General Medicine in growth markets
- Operational excellence in Consumer Health
- Further pipeline progress: e.g. three Phase II studies for BTK-i

Sales & EBITDA pre margin

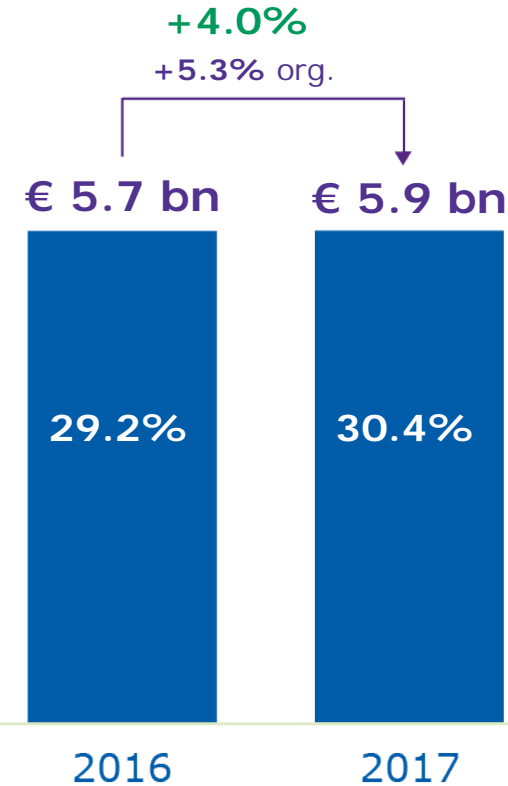


Life Science: Profitable growth amid ongoing integration

Business highlights

- Above-market quality growth
- All businesses contributing
- Strong performance of e-Commerce platform
- Execution of three bolt-on deals

Sales & EBITDA pre margin

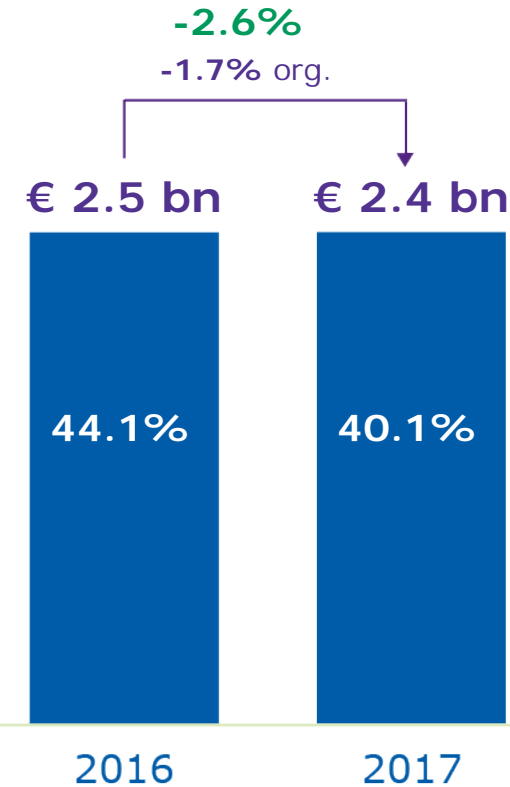


Performance Materials: Fostering innovation in a challenging display market

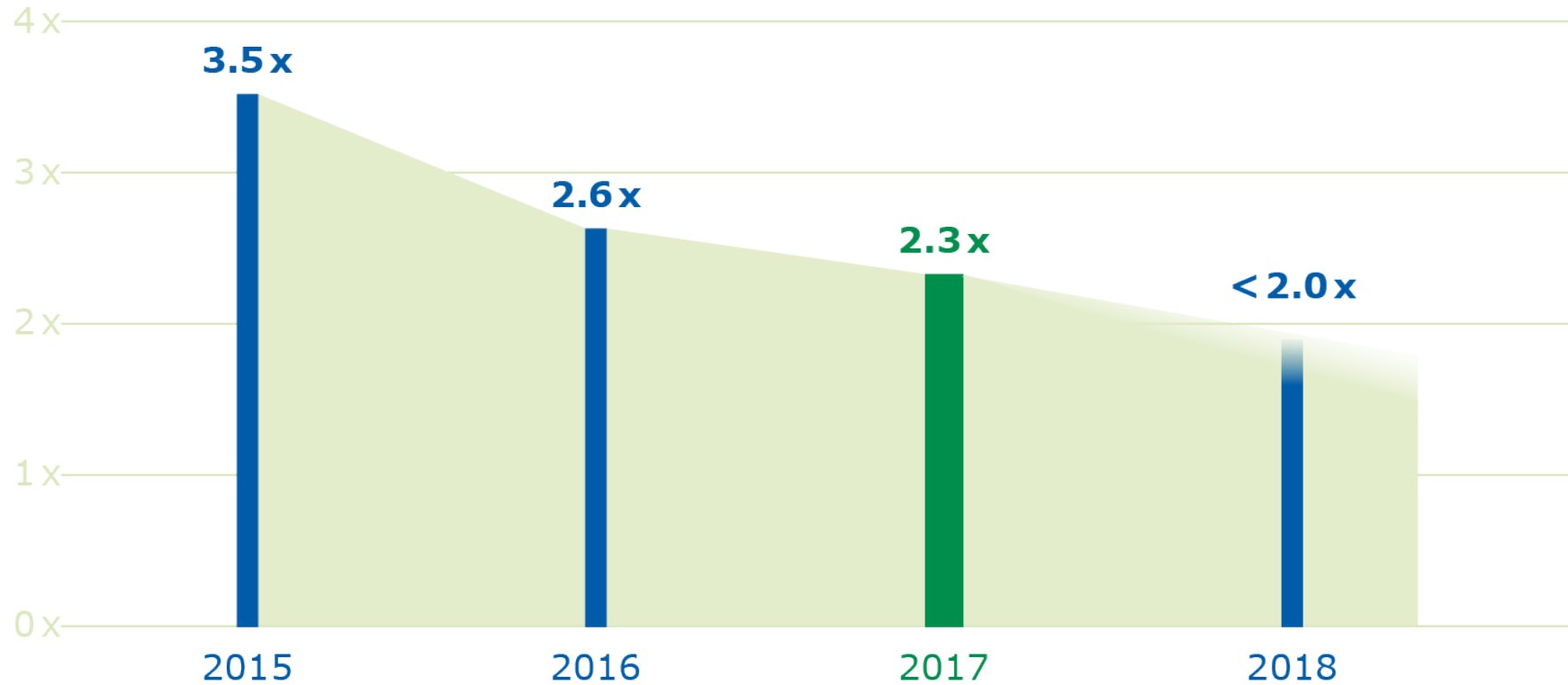
Business highlights

- Leadership position in LC maintained, but at lower profitability
- Above-market growth of integrated circuit materials
- Pigments show healthy growth
- New leadership aiming for future growth

Sales & EBITDA pre margin



Our focus on cash generation ensures swift deleveraging



Net financial debt* /EBITDA pre

*Net financial debt (without pensions)



We are strengthening our footprint in a global tech hotspot



85 years in
China



3,300
employees



Strong portfolio
for Chinese
patients



Enabling the
Chinese high-
tech industry



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Darmstadt, Germany

FINANCIAL OVERVIEW

FY 2017 Financials: A year well managed

Key figures

[€ m]	FY 2016	FY 2017	Δ
Net sales	15,024	15,327	2.0%
EBITDA pre	4,490	4,414	-1.7%
<i>Margin (in % of net sales)</i>	<i>29.9 %</i>	<i>28.8 %</i>	
EPS pre	6.21	6.16	-0.8%
Operating cash flow	2,518	2,696	7.1%

[€ m]	Dec. 31, 2016	Dec. 31, 2017	Δ
Net financial debt	11,513	10,144	-11.9%
Working capital	3,488	3,387	-2.9%
Employees	50,414	52,941	5.0%

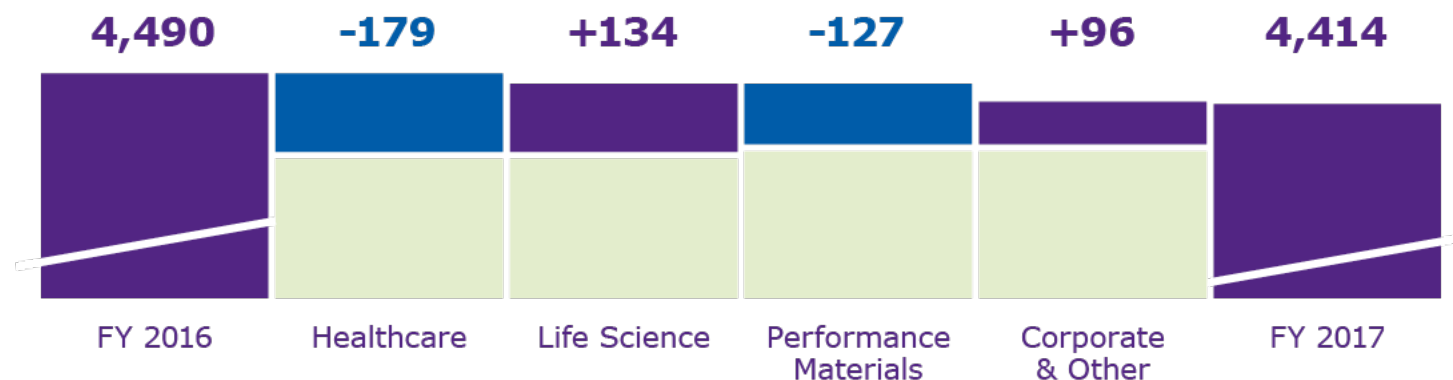


Solid organic growth and Life Science synergies offset by HC investments and softness in LC

FY 2017 YoY net sales

	Organic	Currency	Portfolio	Total
Healthcare	4.7%	-1.6%	-1.0%	2.1%
Life Science	5.3%	-1.7%	0.4%	4.0%
Performance Materials	-1.7%	-0.9%	0.0%	-2.6%
Group	3.8%	-1.5%	-0.3%	2.0%

FY 2017 YoY EBITDA pre contributors [€ m]



Totals may not add up due to rounding.



Reported figures reflect solid business performance & U.S. tax reform effects

Reported results

[€ m]	FY 2016	FY 2017	Δ
EBIT	2,481	2,525	1.8%
Financial result	-326	-300	-8.0%
Profit before tax	2,154	2,224	3.2%
Income tax	-521	386	n.m.
<i>Effective tax rate (%)</i>	24.2 %	-17.4 % ¹	
Net income	1,629	2,600	59.7%
EPS (€)	3.75	5.98	59.5%

¹Without effects from US tax reform, effective tax rate is at 23.4%; Totals may not add up due to rounding.

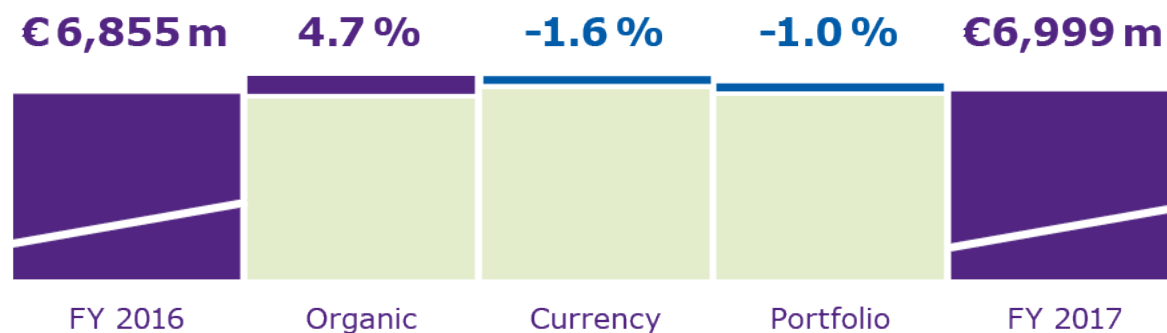


Healthcare: Good organic growth and product mix drive profitability

Healthcare P&L

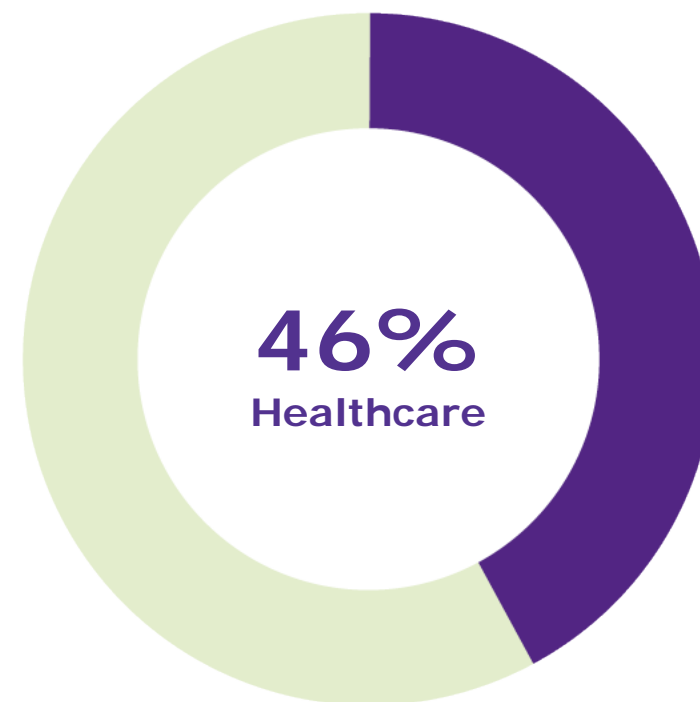
[€ m]	FY 2016	FY 2017
Net sales	6,855	6,999
Marketing and selling	-2,587	-2,722
Administration	-270	-299
Research and development	-1,496	-1,632
EBIT	1,593	1,447
EBITDA	2,425	2,155
EBITDA pre	2,128	1,949
<i>Margin (% of net sales)</i>	<i>31.0 %</i>	<i>27.9 %</i>

Net sales bridge



Totals may not add up due to rounding.

FY 2017 share of group net sales

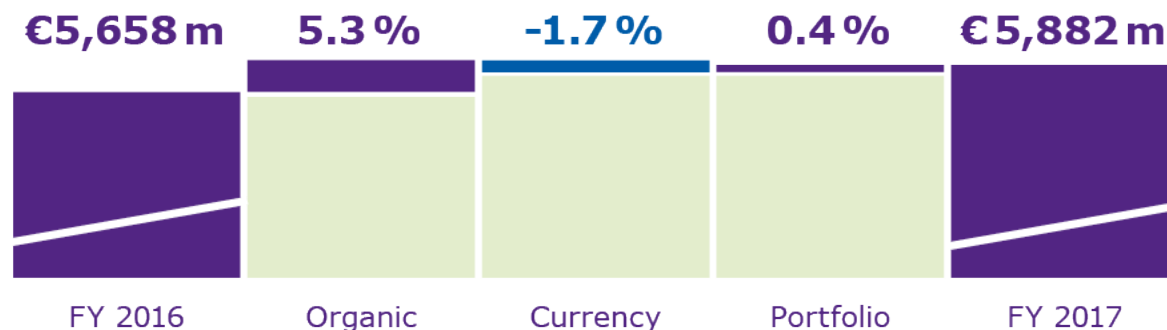


Life Science: Strong top-line growth and fast synergy realization

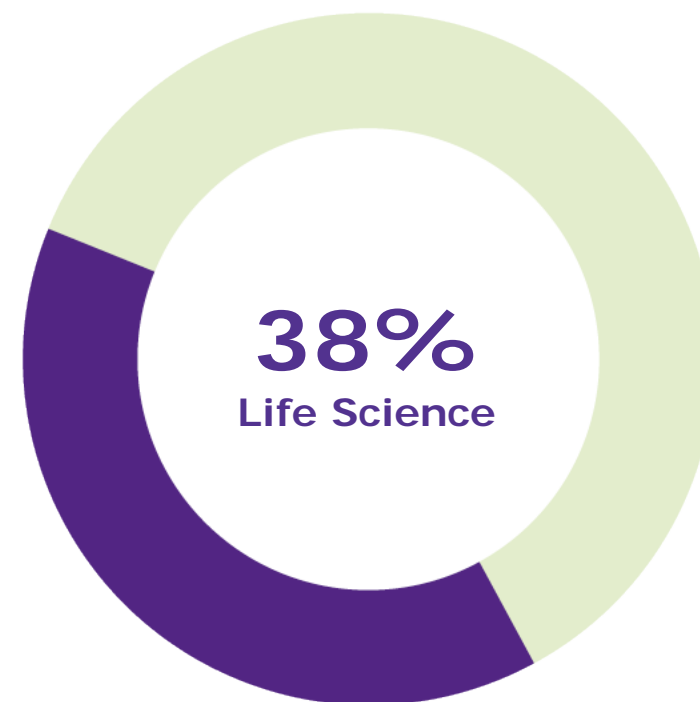
Life Science P&L

[€ m]	FY 2016	FY 2017
Net sales	5,658	5,882
Marketing and selling	-1,706	-1,734
Administration	-248	-261
Research and development	-260	-241
EBIT	556	834
EBITDA	1,378	1,580
EBITDA pre	1,652	1,786
<i>Margin (% of net sales)</i>	<i>29.2 %</i>	<i>30.4 %</i>

Net sales bridge



FY 2017 share of group net sales



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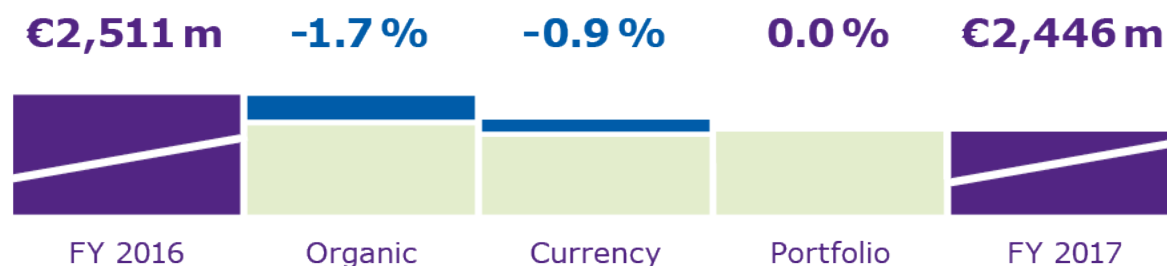


Performance Materials: Topline affected by LC softness but profitability intact

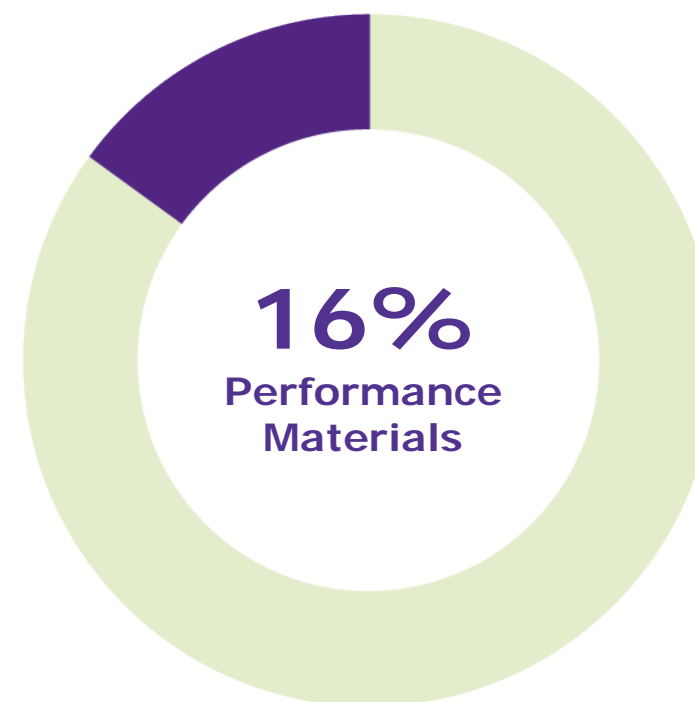
Performance Materials P&L

[€ m]	FY 2016	FY 2017
Net sales	2,511	2,446
Marketing and selling	-233	-242
Administration	-61	-72
Research and development	-213	-225
EBIT	823	689
EBITDA	1,077	947
EBITDA pre	1,106	980
<i>Margin (% of net sales)</i>	<i>44.1 %</i>	<i>40.1 %</i>

Net sales bridge



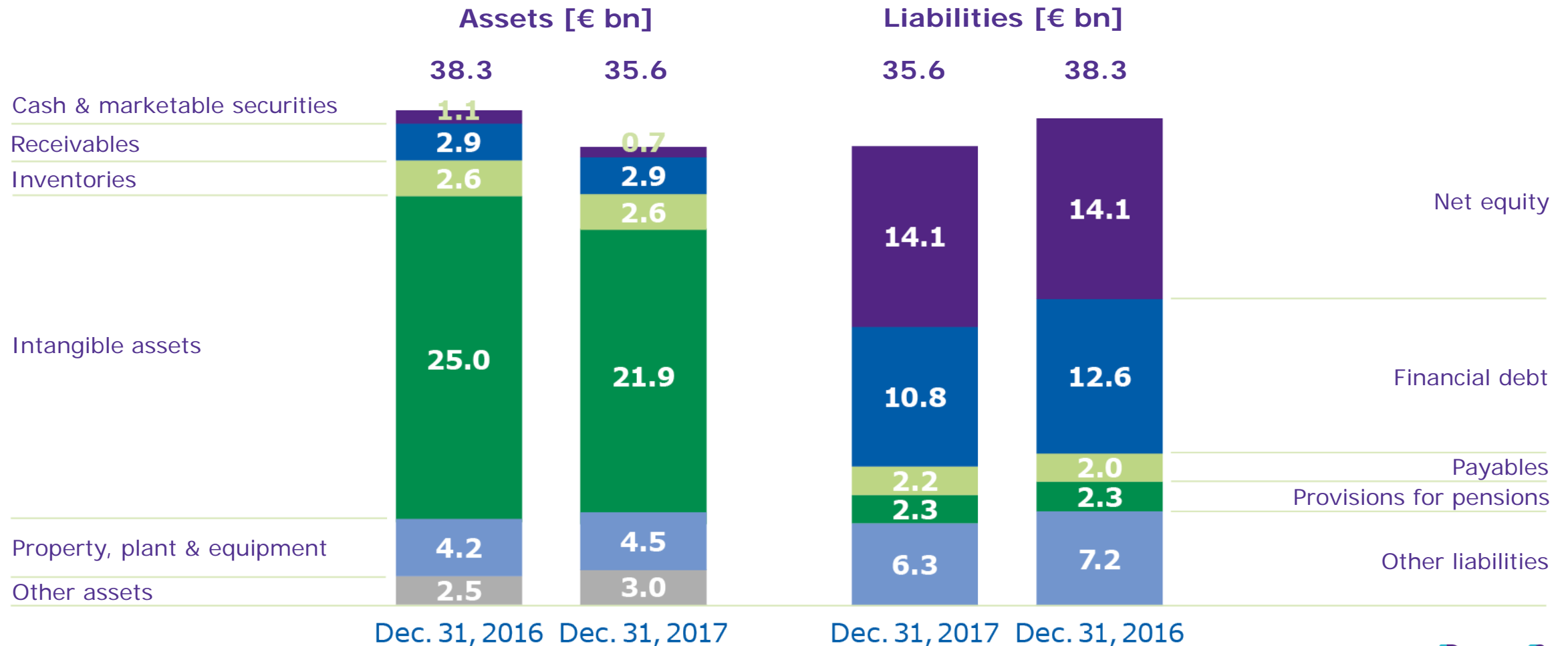
FY 2017 share of group net sales



Totals may not add up due to rounding.



Balance sheet – Continued focus on rapid deleveraging



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OUTLOOK

Our qualitative full-year 2018 guidance

Net sales: Moderate organic growth; moderate FX headwinds*

EBITDA pre: Slight organic decline; -4 to -6% YoY headwinds from FX

EBITDA-supporting factors

- Organic net sales growth by Healthcare and Life Science

- Sigma-Aldrich incremental cost and revenue synergies
~ +€95 m YoY

- Biosimilars divestment frees up R&D budget
(2017: mid to high double-digit million R&D costs)

- First full-year sales contribution from newly launched pipeline products Mavenclad® and Bavencio®

EBITDA-reducing factors

- Underlying R&D costs in Healthcare are budgeted above 2017, but actual development will be subject to clinical data outcome of priority projects and prioritization decisions

- Healthcare margins negatively impacted by product mix (esp. Rebif)

- 2017 special gains of ~€200 m will not recur

- Performance Materials sales and earnings continuously affected by decline in Liquid Crystals

- First launch preparations for Mavenclad® U.S., driving M&S costs

- At current rates, FX remains a strong headwind, esp. in H1 2018

*Constant portfolio



Our expectations for 2019



EBITDA pre growth from accelerated top line growth and disciplined cost management



EBITDA pre growth driven by above-market growth and further margin expansion



Trough year for profitability and focus on strategic execution



High confidence to deliver sales and EBITDA pre growth as well as EBITDA pre margin improvements



Media Relations



CONSTANTIN BIRNSTIEL

Head of Group Communications
+49 6151 72-56567
constantin.birnstiel@emdgroup.com



THOMAS MOELLER

Head of External Communications
+49 6151 72-62445
thomas.moeller@emdgroup.com



MARKUS TALANOW

Financial Communications/
Performance Materials
+49 6151 72-7144
markus.talanow@emdgroup.com



GANGOLF SCHRIMPF

Healthcare
+49 6151 72-9591
gangolf.schrimpf@emdgroup.com



FRIEDERIKE SEGEBERG

Healthcare
+49 6151 72-6328
friederike.segeberg@emdgroup.com



SILKE KLOTZ

Administrator, External Comms
+49 6151 72-4342
silke.klotz@emdgroup.com

EMAIL: media.relations@emdgroup.com

WEB: <http://www.emdgroup.com/emd/media/media.html>

FAX: +49 6151 72-5000



