

Merck KGaA
Darmstadt, Germany



WELCOME

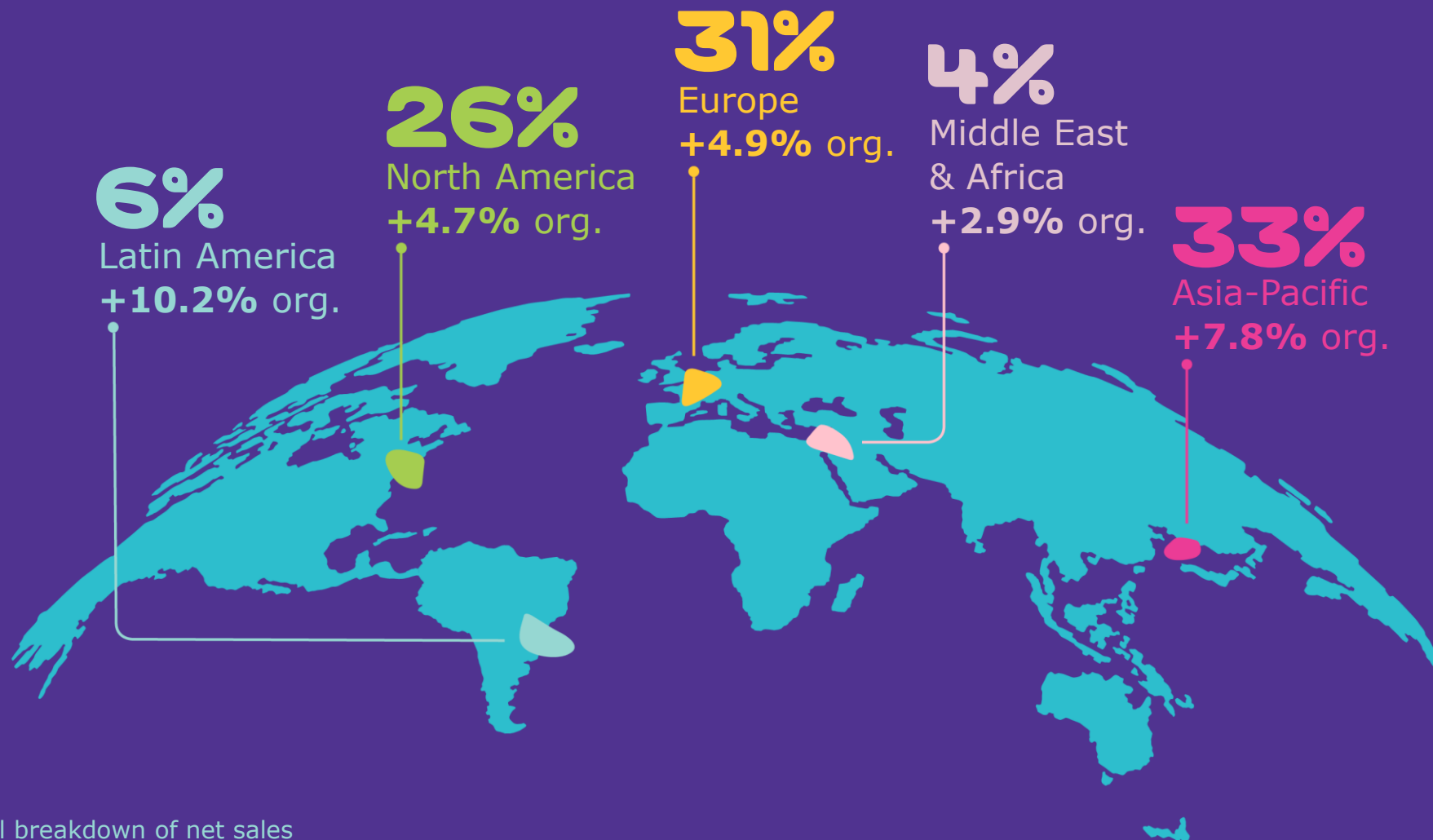


We met all our financial targets for 2018

2018	GUIDANCE	RESULTS	
Net sales	€14.4 – 14.8 bn	€14.8 bn	✓
EBITDA pre	€3,700 – 3,900 m	€3,800 m	✓
Net financial debt/ EBITDA pre	Ratio <2x	Ratio 1.8x	✓



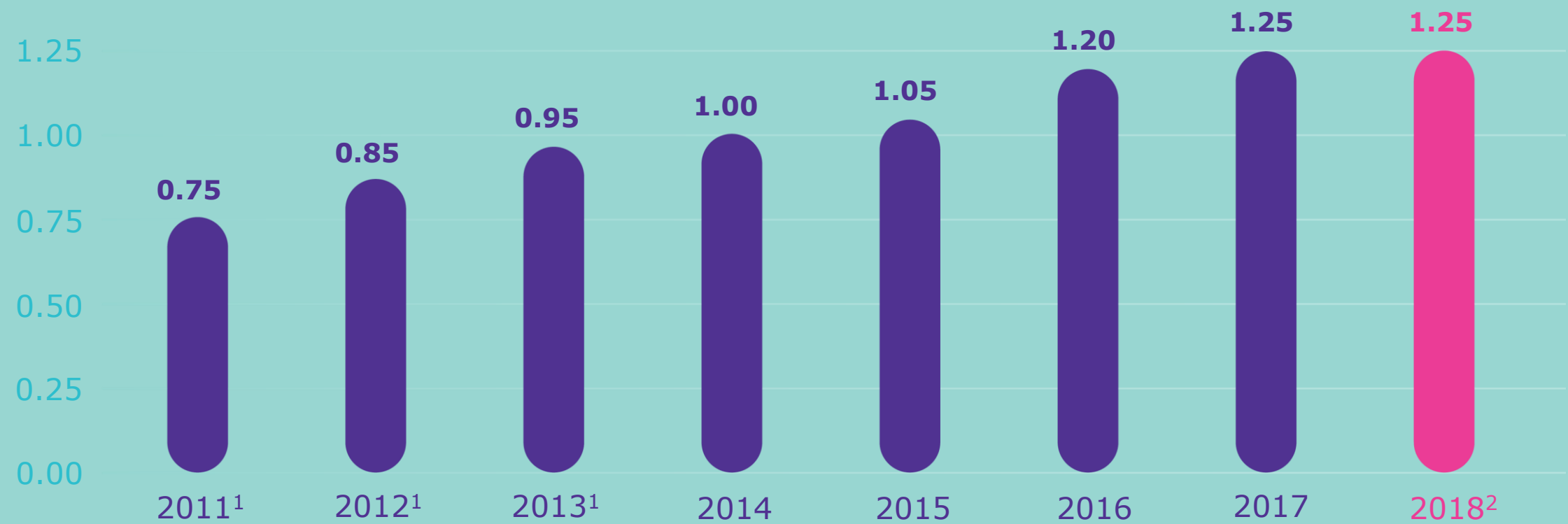
We achieved organic sales growth in all regions



Regional breakdown of net sales



Stable dividend¹ amid lower EPS pre

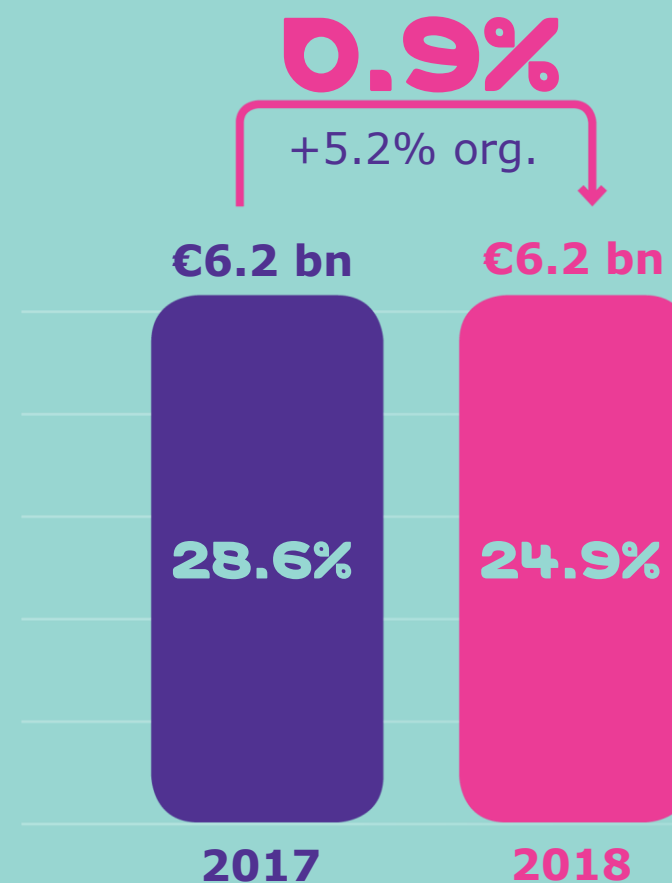


¹ Adjusted for share split, which took place on June 30, 2014
² Final decision is subject to Annual General Meeting approval.



Healthcare: Solid organic growth with contributions from Mavenclad® and Bavencio®

- Solid organic net sales growth; strong Mavenclad® and Bavencio® performance
- Successful divestment of Consumer Health
- Mavenclad® US submission accepted
- Progress with pipeline projects: Avelumab, M7824, Evobrutinib, Tepotinib

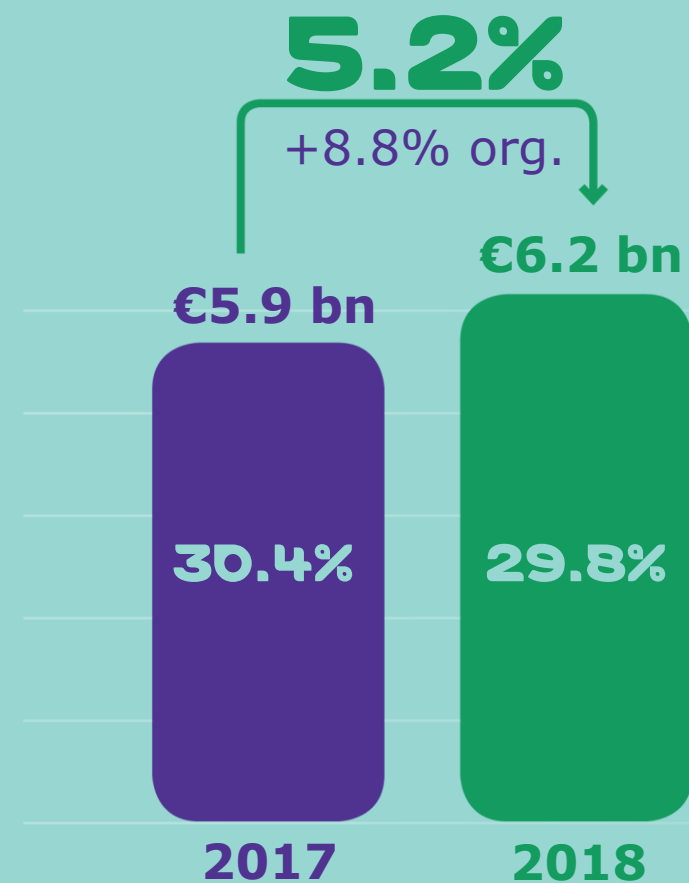


Sales and EBITDA pre margin



Life Science: Above-market performance

- Above-market growth driven by all businesses
- Patent approvals for CRISPR technology in China, Australia, South Korea, Israel and US
- Thought leadership in ethical topics associated with genome editing technology

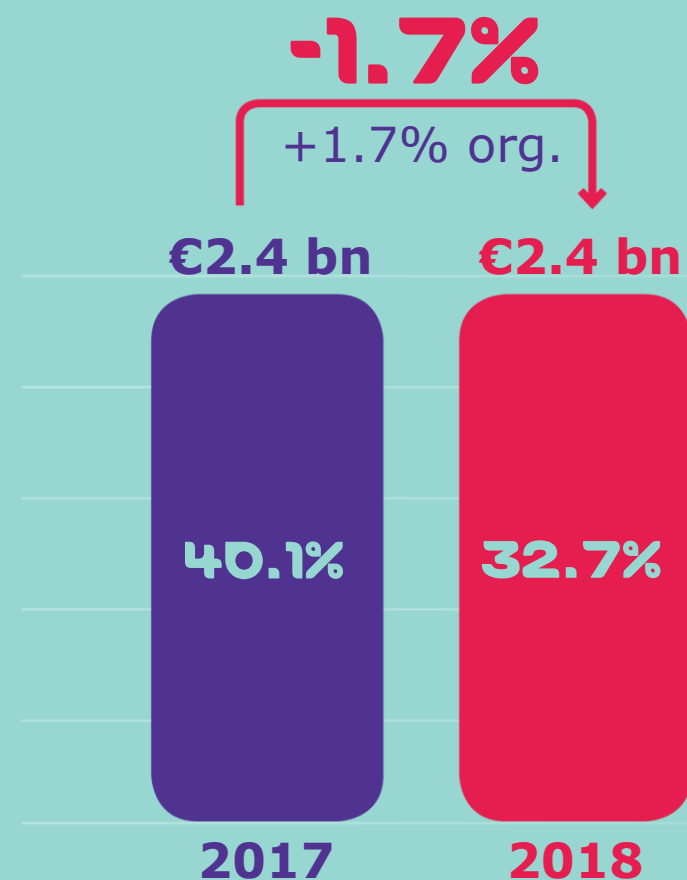


Sales and EBITDA pre margin



Performance Materials: New strategy defined

- Strong momentum in Semiconductor Solutions and OLED materials
- Bright Future transformation program to drive long-term performance
- New R&D framework established to ensure higher R&D efficiency



Sales and EBITDA pre margin



FINANCIAL OVERVIEW



FY 2018 Financials: Overview

Key figures

[€ m]	FY 2017	FY 2018	Δ
Net sales	14,517	14,836	2.2 %
EBITDA pre	4,246	3,800	-10.5 %
Margin (% of net sales)	29.3 %	25.6 %	
EPS pre	5.92	5.10	-13.9 %
Operating cash flow	2,696	2,219	-17.7 %

- EBITDA pre and margin reduction driven by FX effects, PM decline, investments in LS, LTIP¹ costs and last year non-recurring income in HC

- Lower EPS pre in line with EBITDA pre decline

[€ m]	Dec. 31, 2017	Dec. 31, 2018	Δ
Net financial debt	10,144	6,701	-33.9 %
Working capital	3,387	3,486	2.9 %
Employees ²	52,941	51,749	-2.2 %

- Reduced net financial debt reflects strong focus on deleveraging and proceeds from Consumer Health disposal

¹LTIP = Long Term Incentive Plan | ²2017 employees number includes CH Headcount ~3.400
Totals may not add up due to rounding.



All business sectors drive organic growth

FY 2018 YoY net sales

[€ m]	Organic	Currency	Total
Healthcare	5.2%	-4.3%	0.9 %
Life Science	8.8%	-3.6%	5.2 %
Performance Materials	1.7%	-3.4%	-1.7 %
Group	6.1%	-3.9%	2.2 %

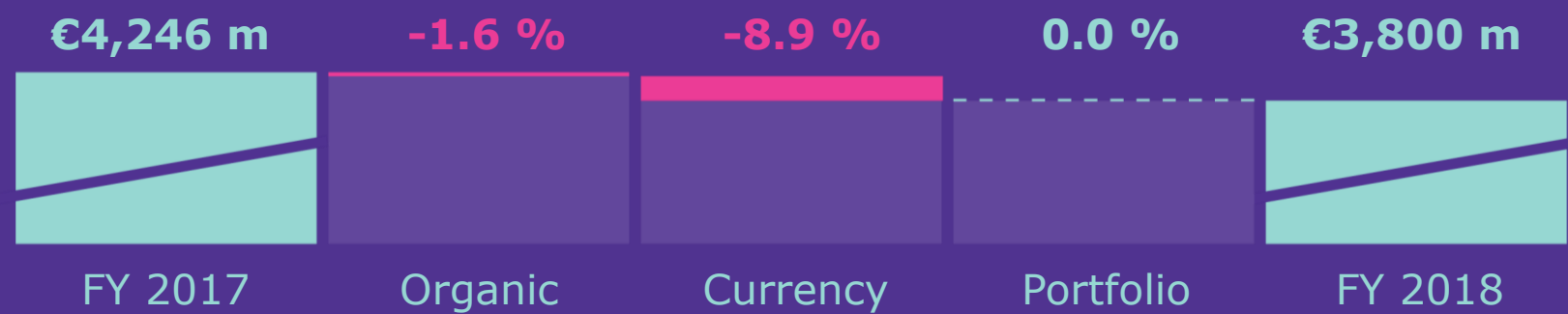
- Solid organic growth in Healthcare reflects increasing contribution of Mavenclad® and Bavencio® and solidly growing core business
- Life Science posts above-market growth driven by all business segments
- Organic growth in Performance Materials due to strong Semiconductor Solutions and OLED; Liquid Crystals down despite benefit from plant ramp-up projects in China

Totals may not add up due to rounding.



Group: EBITDA pre significantly burdened by negative currency effects

FY 2018 YoY EBITDA pre



Totals may not add up due to rounding.



Group: Increased net income reflects Consumer Health disposal

Reported results

[€ m]	FY 2017	FY 2018	Δ
EBIT	2,423	1,727	-28.7 %
Financial result	-294	-266	-9.6 %
Profit before tax	2,129	1,461	-31.4 %
Income tax	428	-368	n.m.
<i>Effective tax rate (%)</i>	<i>-20.1 %</i>	<i>25.2 %</i>	
Net income*	2,605	3,374	29.5 %
EPS (€)*	5.99	7.76	29.5 %

- Lower EBIT reflects FX headwinds, PM decline; LY EBIT driven by non-recurring income in HC, Biosimilars disposal gain (~ €319 m) and write-up of Vevey site (~ €70 m)
- Improved financial result due to tax effects and deleveraging
- Last year's income tax shows effects from US tax reform
- Increased net income and EPS reflects Consumer Health disposal

*From continuing and discontinued operations
Totals may not add up due to rounding.



HEALTH CARE



Healthcare: Solid organic sales growth while profitability declines amid FX headwinds and last year non-recurring income

Healthcare P&L

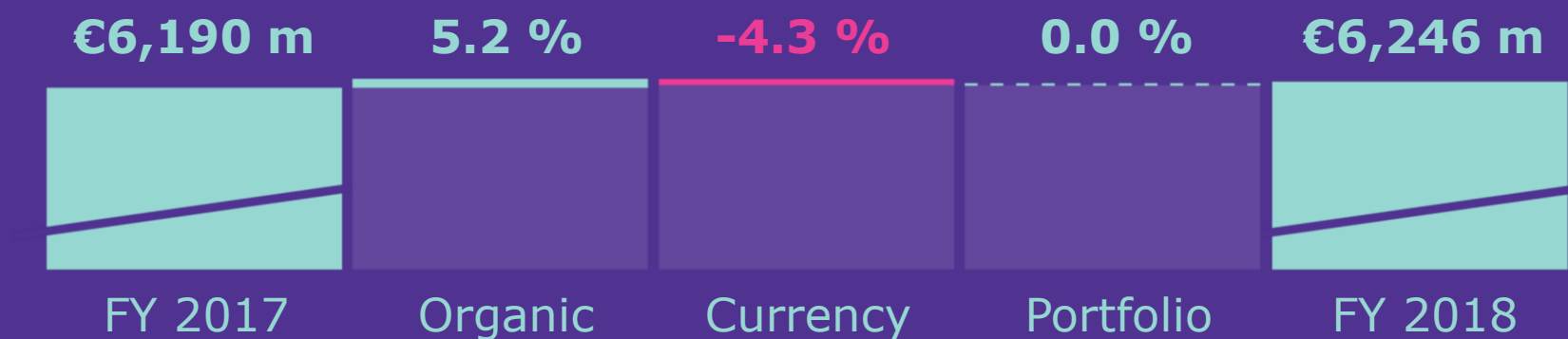
[€ m]	FY 2017	FY 2018
Net sales	6,190	6,246
Marketing and selling	-2,373	-2,339
Administration	-271	-301
Research and development	-1,600	-1,686
EBIT	1,337	731
EBITDA	2,028	1,492
EBITDA pre	1,773	1,556
Margin (% of net sales)	28.6 %	24.9 %

- Organic growth of resilient core business driven by strong General Medicine & Fertility
- Mavenclad® and Bavencio® significantly contribute to growth (net sales FY2018: €160 m)
- R&D costs increased due to investments in progressing pipeline

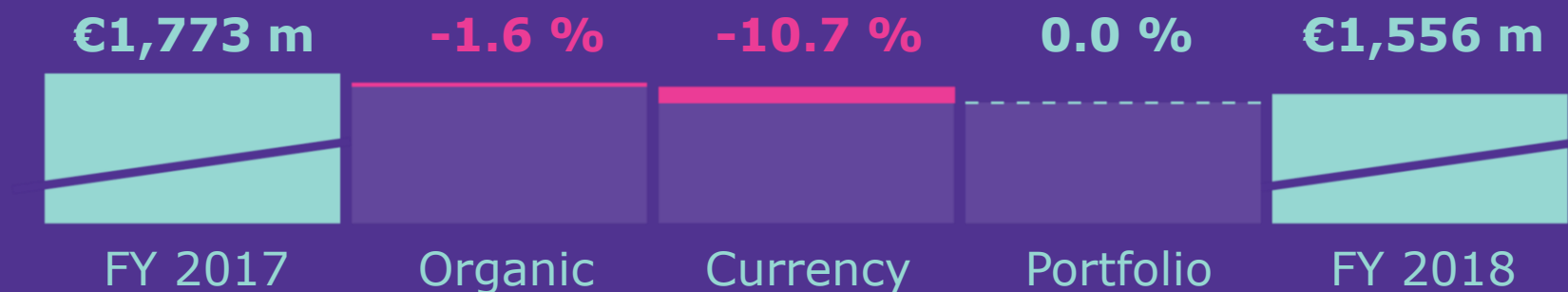


Healthcare

Net sales bridge



EBITDA pre bridge



Totals may not add up due to rounding.



LIFE SCIENCE



Life Science: Strong organic sales growth across all businesses

Life Science P&L

[€ m]	FY 2017	FY 2018
Net sales	5,882	6,185
Marketing and selling	-1,734	-1,775
Administration	-261	-282
Research and development	-241	-249
EBIT	834	1,036
EBITDA	1,580	1,756
EBITDA pre	1,786	1,840
Margin (% of net sales)	30.4 %	29.8 %

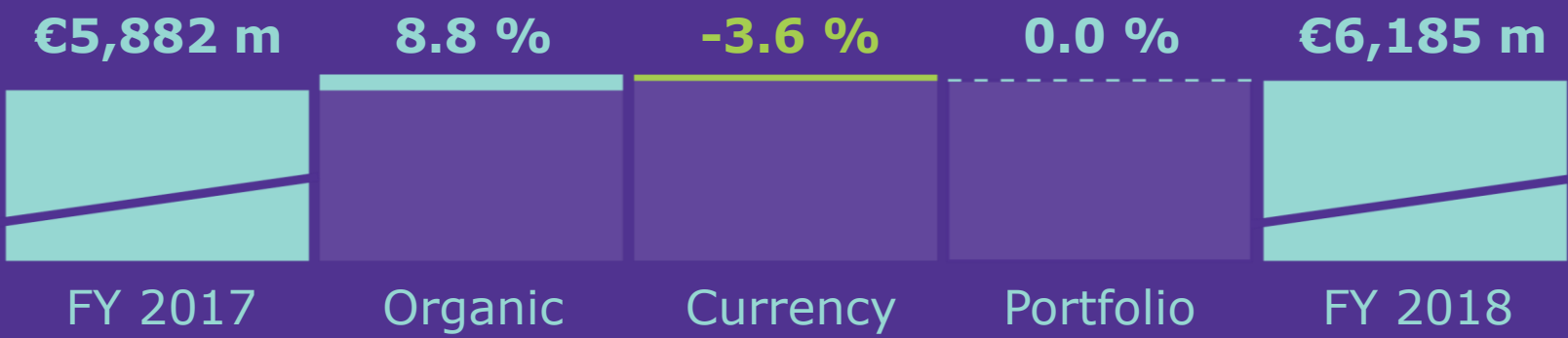
- Life Science continues to grow above market
- Strategic investments start to impact topline growth but also visible in cost lines
- Process Solutions with double digit organic growth
- Synergies of €280 m fully achieved

Totals may not add up due to rounding.

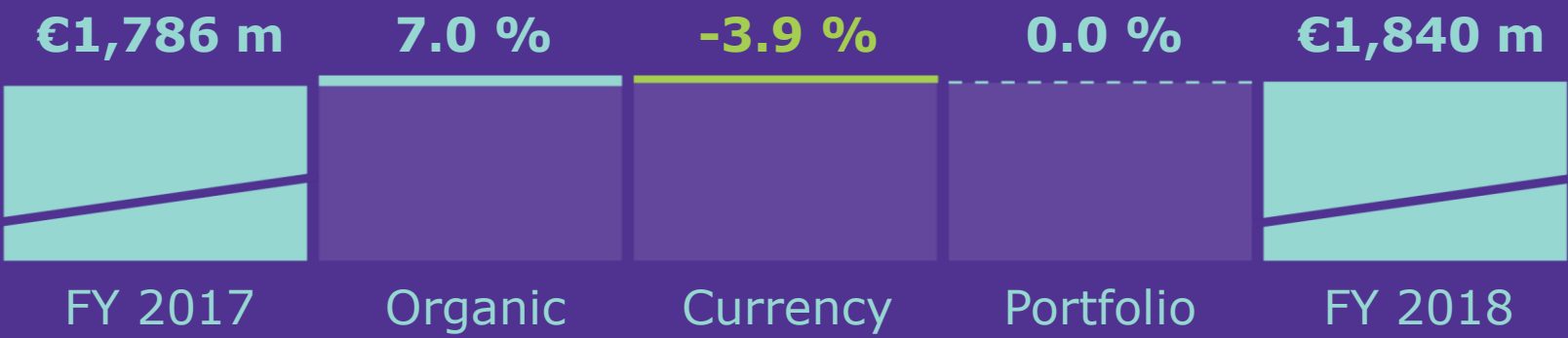


Life Science

Net sales bridge



EBITDA pre bridge



Totals may not add up due to rounding.



PERFORMANCE MATERIALS



Performance Materials: Pos. organic growth due to strong demand for Semiconductor Solutions and OLED offsetting LC decline

Performance Material P&L

[€ m]	FY 2017	FY 2018
Net sales	2,446	2,406
Marketing and selling	-242	-255
Administration	-72	-90
Research and development	-225	-242
EBIT	689	508
EBITDA	947	769
EBITDA pre	980	786
Margin (% of net sales)	40.1 %	32.7 %

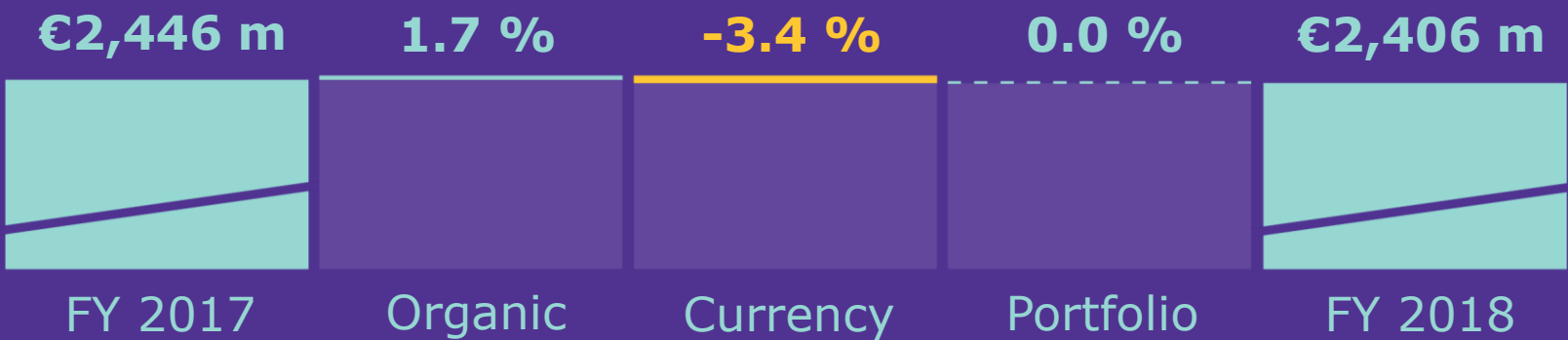
- Organic sales growth driven by Semiconductor and OLED overcompensating LC decline
- Increased R&D due to Semiconductor Solutions related projects
- Lower profitability reflects negative business mix, ongoing Liquid Crystals decline and FX headwinds

Totals may not add up due to rounding.

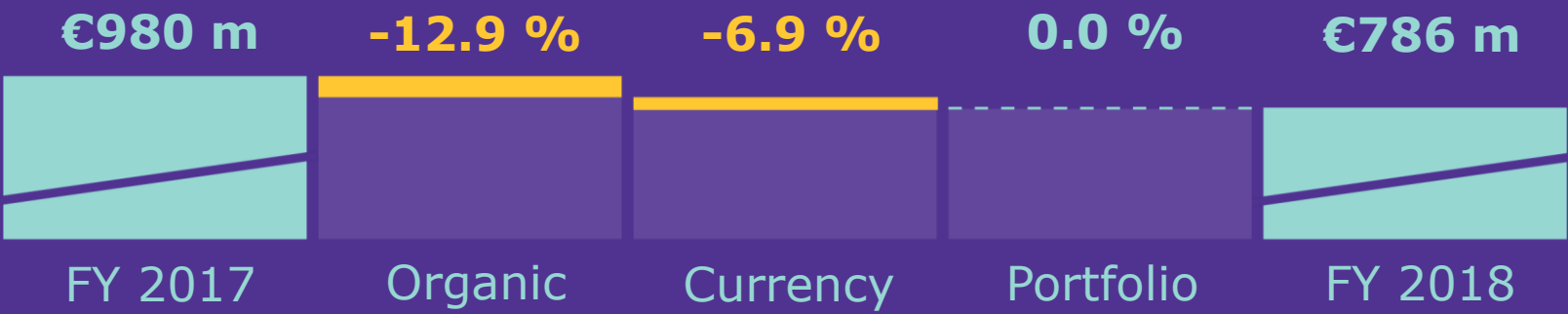


Performance Materials

Net sales bridge



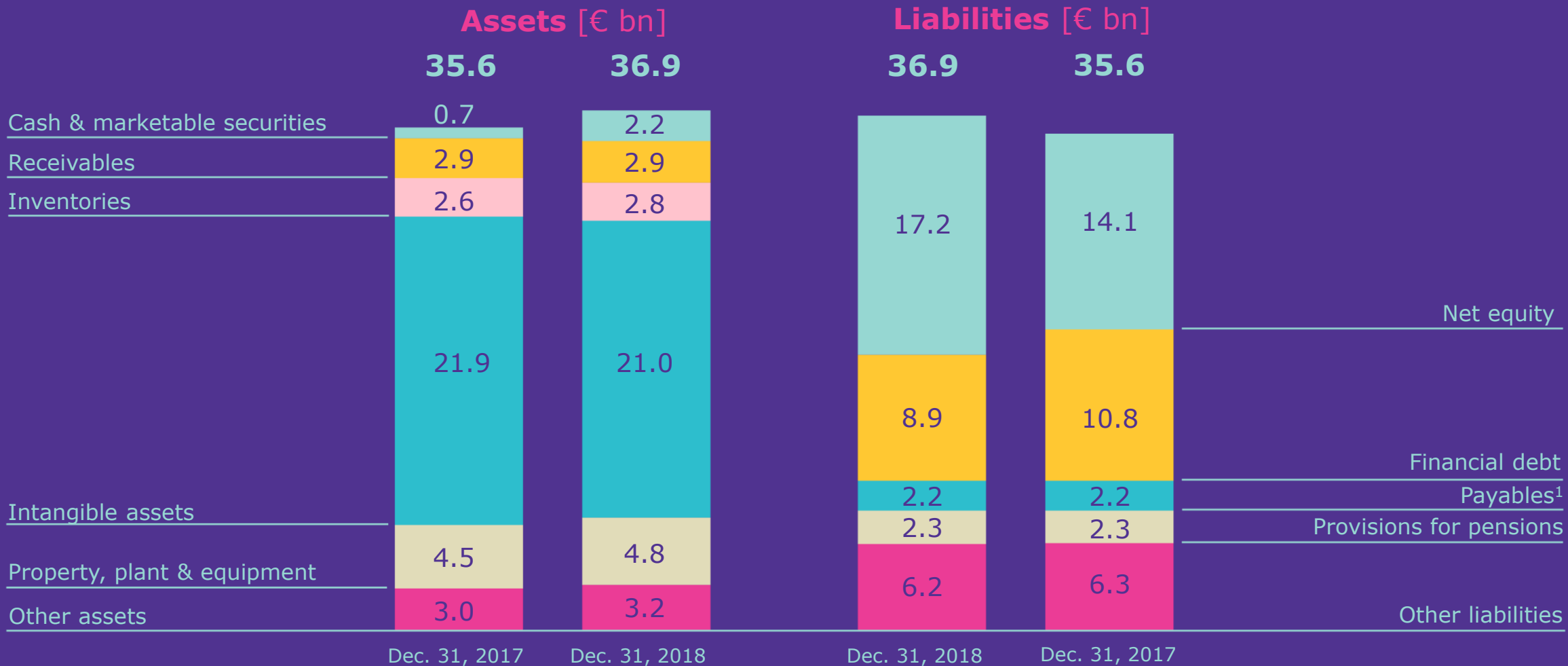
EBITDA pre bridge



Totals may not add up due to rounding.



Balance sheet – strong progress in deleveraging



¹Includes refund liabilities
Totals may not add up due to rounding.



Cash flow statement

FY 2018 – cash flow statement

[€ m]	FY 2017	FY 2018	Δ
Profit after tax	2,615	3,396	781
D&A	1,758	1,812	54
Changes in provisions	103	199	95
Changes in other assets/liabilities	-1,256	-288	968
Other operating activities	-354	-2,722	-2,368
Changes in net working capital	-170	-178	-8
Operating cash flow	2,696	2,219	-477
Investing cash flow	-1,147	2,191	3,338
thereof Capex on PPE	-919	-910	9
Financing cash flow	-1,870	-2,825	-955

Cash flow drivers

- Profit after tax driven by disposal gain (+ €2.2 bn) from Consumer Health, which is neutralized in other operating activities
- Last year profit after tax reflects one time U.S. tax reform effect
- Financing cash flow reflects repayment of bank loans, commercial papers and USD400 m bond



Our goal for 2019:

PROFITABLE
GROWTH



Qualitative full-year 2019 guidance

NET SALES

- Moderate organic growth
- Slight FX headwinds of -1% to -2% YoY

EBITDA PRE

- Strong organic % YoY increase in the low teens*
- Moderate FX headwinds of -3% to -4% YoY

*Incl. ~ €130m YoY contribution from adoption of IFRS 16 (Healthcare ~30%, Life Science ~40%, PM ~10%, CO ~20%)



We are entering
the age of

PRECISION MEDICINE



Research and
development follow

NEW PARA DIGMS



Our world is
**ALWAYS
ON**



We are

SHAPING

THESE

TRENDS



Science is at the

**HEART OF
EVERYTHING
WE DO**



HEALTHCARE

- Deliver successful launches
- Strengthen core business
- Drive R&D pipeline



LIFE SCIENCE

- Above-market growth
- Bioprocessing and eCommerce
- New growth opportunities

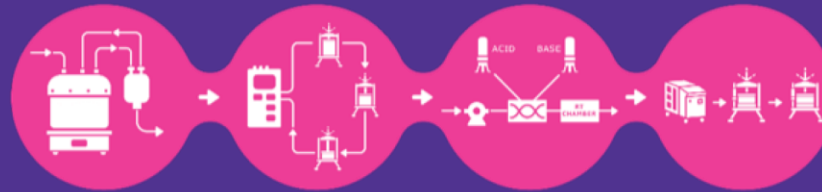


New growth opportunity: our BioContinuum™ Platform

Standard process template



Process Intensification

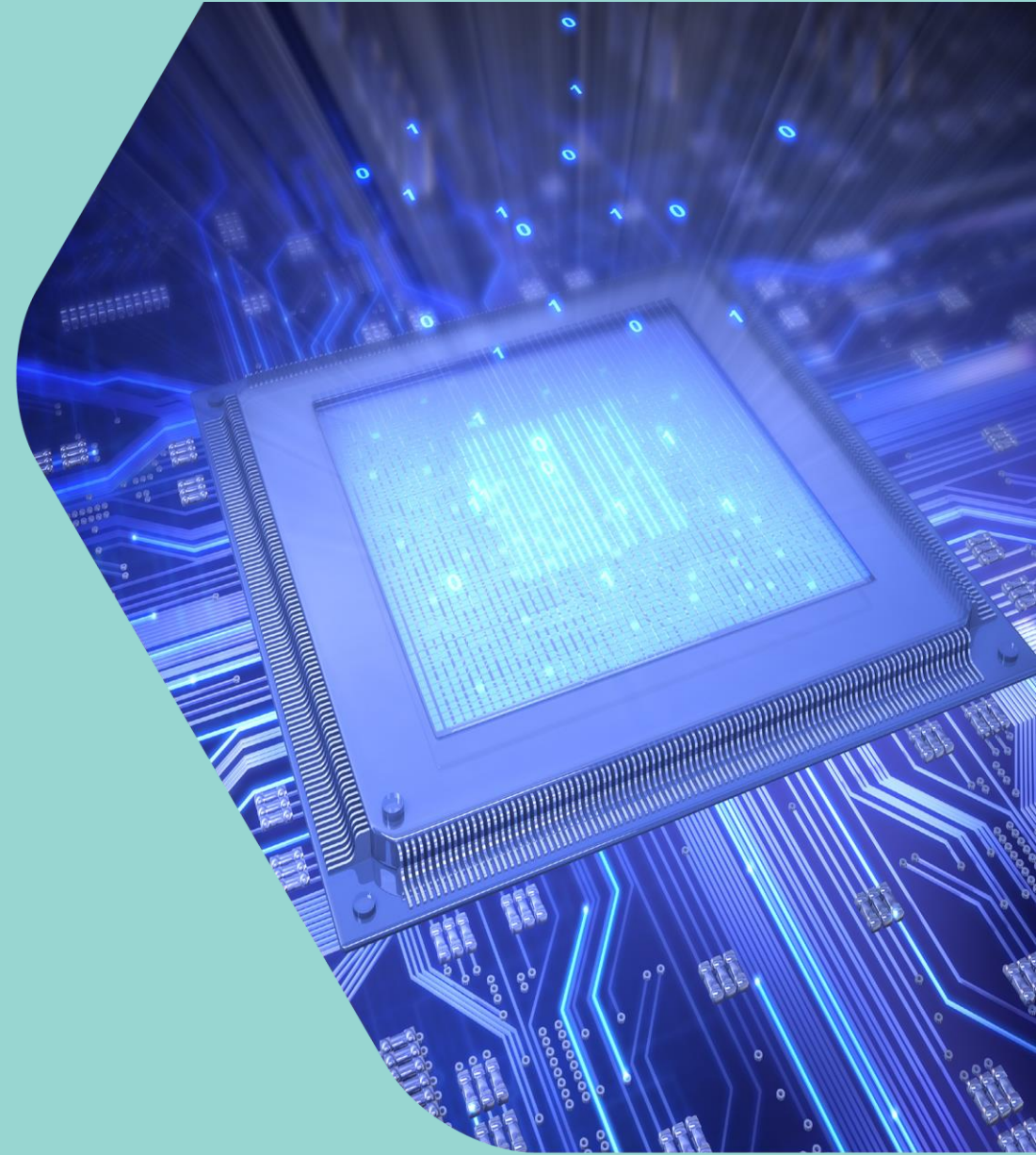


Continuous Processing



PERFORMANCE MATERIALS

- Return to profitable growth
- Bright Future transformation program
- Electronic materials



We are investing in
**GROWTH
MARKETS**



We want to

PUSH THE
BOUNDARIES

of possibility



**We want to unlock
the potential of data
for cancer research**

Pharma
R&D



Cancer
Research
Centers



Patient
Registries




Syntropy

Biobanks



Contract
Research
Organizations



Hospital
Information
Systems



Publishers



Public
Datasets



WRAP UP

1. We achieved all our targets for 2018.
2. We are set for profitable growth in 2019.
3. Our focus on innovative specialty products will enable future growth.



