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Merck KGaA, Darmstadt, Germany, Achieves 2018 Targets and Is Set for Profitable Growth

- **Organic sales increase of 6.1% in 2018, driven by all business sectors and regions**
- **EBITDA pre declines by -10.5%, mainly owing to negative exchange rate effects**
- **Significant decrease in net financial debt**
- **Organic sales and earnings growth expected for 2019**

Darmstadt, Germany, March 7, 2019 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, posted a successful finish to a challenging 2018. Net sales increased over the previous year, whereas EBITDA pre declined sharply owing to strong foreign exchange effects. Organically, this key earnings indicator was only slightly lower than in 2017. Merck KGaA, Darmstadt, Germany, wants to keep the dividend stable.

“2018 was a year of transition and investment for us. We achieved solid results in a dynamic market environment and achieved the financial targets we had set for ourselves. At the same time, we pressed further ahead with the strategic refocusing of our company on innovation-driven businesses. In addition, by divesting Consumer Health we decreased our debt significantly. Our objective for 2019 is clear: We want to resume sustainable growth of our key indicators, namely net sales, EBITDA pre and EPS pre,” said Stefan Oschmann, Chairman of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany.

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Group sales¹ rose in 2018 by 2.2% to € 14.8 billion (2017: € 14.5 billion). All three business sectors and all regions contributed to the strong organic sales growth of 6.1%. This was amid negative exchange rate effects of -3.9%, primarily attributable to the weakening of the U.S. dollar against the euro as well as significant declines in the value of Latin American currencies.

The operating result (**EBIT**) fell sharply by -28.7% to € 1.7 billion (2017: € 2.4 billion); among other things, in the previous year the gain on the divestment of the Biosimilars business had a positive effect. **EBITDA pre**, the company's most important earnings indicator, declined by -10.5% to € 3.8 billion (2017: € 4.2 billion). This decrease was attributable to negative foreign exchange effects of -8.9%. Organically, EBITDA pre declined by -1.6%. **Net income** surged by 29.5% to € 3.4 billion, particularly owing to the gain on the divestment of the Consumer Health business (2017: € 2.6 billion).

Earnings per share pre (EPS pre), which is decisive for the dividend to be paid by Merck KGaA, Darmstadt, Germany, decreased in 2018 by -13.9% to € 5.10 (2017: € 5.92). Nevertheless, at the Annual General Meeting on April 26, 2019, the Executive Board will propose a dividend of € 1.25 per share and thus the same amount as in the previous year.

Merck KGaA, Darmstadt, Germany, achieved its targets for 2018 with respect to net sales, EBITDA pre and EPS pre.

Thanks to the gain on the divestment of Consumer Health and despite continued strong investment activity, Merck KGaA, Darmstadt, Germany, lowered its net financial debt as of December 31, 2018 by € -3.4 billion to € 6.7 billion (2017: € 10.1 billion). At year-end, net financial debt of the company was thus 1.8x EBITDA pre; consequently Merck KGaA, Darmstadt, Germany, met the target it had set for itself by lowering this ratio of net financial debt to EBITDA pre to less than 2 by the end of 2018.

¹The presentation of the corresponding key figures (such as net sales, EBIT, EBITDA pre, EPS pre) comprises the continuing operations of the Group excluding the Consumer Health business, which was transferred to Procter & Gamble (P&G) on December 1, 2018. Previous year's figures have been adjusted.

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Q4 2018: All three business sectors contribute to strong organic sales growth

In the fourth quarter of 2018, Group sales rose by 6.6% to € 3.9 billion (Q4 2017: € 3.6 billion). This was mainly attributable to strong organic growth of 7.2% driven by all three business sectors. Negative foreign exchange effects lowered sales by -0.7% in the fourth quarter. Group EBITDA pre declined slightly in the fourth quarter by -1.3% and amounted to € 950 million (Q4 2017: € 962 million). This was due to negative foreign exchange effects of -4.5%, which more than canceled out the organic growth of EBITDA pre of 3.2% in the fourth quarter. Earnings per share pre amounted to € 1.22 in the fourth quarter (Q4 2017: € 1.25), a decline of -2.4%.

Healthcare: Bavencio and Mavenclad contribute significantly to growth

The Healthcare business sector generated organic sales growth of 5.2% in 2018. Negative foreign exchange effects lowered sales by -4.3%. In 2018, reported sales increased by 0.9% to € 6.2 billion (2017: € 6.2 billion).

The two new medicines Mavenclad and Bavencio contributed significantly to organic growth. In 2018, sales of the immuno-oncology medicine **Bavencio** rose to € 69 million (2017: € 21 million). With **Mavenclad** for the oral short-course treatment of relapsing multiple sclerosis (MS) in patients with high disease activity, Merck KGaA, Darmstadt, Germany, generated sales of € 90 million in 2018 (2017: € 5 million). The product was approved in Europe in August 2017; currently the U.S. Food and Drug Administration (FDA) is reviewing an application for cladribine tablets as a potential treatment for patients with relapsing MS. A decision is expected in the first half of 2019.

Sales of **Rebif**, which is used to treat relapsing forms of MS, saw an organic sales decline of -6.5% in 2018. Including negative exchange rate effects of -4.1%, sales of € 1.4 billion were recorded (2017: € 1.6 billion). The organic sales development of the oncology drug Erbitux was stable. Including negative foreign exchange effects of -4.8%, sales decreased to € 816 million (2017: € 853 million). **Gonal-f**, the leading recombinant hormone used in the treatment of infertility, generated organic sales growth of 5.3% in 2018. Including negative foreign exchange effects of -4.8%, worldwide sales amounted to € 708 million (2017: € 704 million). The **General Medicine & Endocrinology** franchise, which commercializes medicines to treat

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cardiovascular diseases, thyroid disorders, diabetes and growth disorders, among other things, generated organic growth of 5.8%. Including foreign exchange effects of -4.4%, net sales amounted to € 2.3 billion (2017: € 2.3 billion).

After depreciation, amortization, impairments and reversals of impairment losses as well as other adjustments, EBITDA pre of Healthcare decreased by -12.2% to € 1.6 billion in 2018 (2017: € 1.8 billion). Negative exchange rate effects of -10.7% impacted this key performance indicator significantly. Organically, EBITDA pre of Healthcare declined by -1.6%; in the previous year, milestone payments for the approval of Bavencio as well as compensation for future license payments created a high comparative basis.

Life Science continues to grow faster than the market

The Life Science business sector generated organic sales growth of 8.8% in 2018. Including negative foreign exchange effects of -3.6%, net sales rose by 5.2% to € 6.2 billion (2017: € 5.9 billion). As in 2017, all three business units contributed positively to the organic growth of Life Science. As planned as of the end of 2018, Life Science had fully achieved the synergy targets from the acquisition of Sigma-Aldrich amounting to € 280 million annually.

The **Process Solutions** business unit, which markets products and services for the entire pharmaceutical production value chain, generated organic sales growth of 14.8% in 2018. Slightly lowered by negative exchange rate effects of -3.5%, the net sales of Process Solutions amounted to € 2.5 billion (2017: € 2.2 billion). 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 4.1%. However, this was nearly canceled out by negative exchange rate effects of -3.6%. Net sales of Research Solutions amounted to € 2.0 billion (2017: € 2.0 billion). With its broad range of products for researchers as well as scientific and industrial laboratories, **Applied Solutions** recorded strong organic growth of 6.3% amid negative foreign exchange effects of -3.8%. The business unit's sales amounted to € 1.6 billion (2017: € 1.6 billion).

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Life Science increased its EBITDA pre organically by 7.0% in 2018. Including negative exchange rate effects of -3.9%, the figure was € 1.8 billion in 2018 (2017: € 1.8 billion).

Performance Materials advances thanks to semiconductor and OLED materials

In 2018, Performance Materials generated organic sales growth of 1.7%, which was however canceled out by a negative foreign exchange impact of -3.4%. In 2018, net sales of the Performance Materials business sector declined by -1.7% to € 2.4 billion (2017: € 2.4 billion).

The **Semiconductor Solutions** business unit, which comprises the business with materials for the semiconductor industry, delivered strong organic sales growth in 2018 as expected. Reported for the full year for the first time, net sales of Semiconductor Solutions were € 596 million in 2018. Sales in the **Surface Solutions** business unit were below expectations and below the year-earlier value, among other things owing to declining demand for cars internationally; in 2018 sales amounted to € 476 million. The **Display Solutions** business unit posted a slightly positive organic sales performance due also to increasing demand for OLED materials. In addition, the liquid crystals business temporarily benefited, mainly in the second half of 2018, from projects by international panel makers in China to build up production capacities. Display Solutions reported sales of € 1.3 billion in 2018.

EBITDA pre of the business sector declined by -19.8% to € 786 million (2017: € 980 million). The negative foreign exchange impact of -6.9% lowered this key performance indicator.

Company expects growth in sales and EBITDA pre in 2019

In 2019, Merck KGaA, Darmstadt, Germany, expects moderate organic growth of Group sales in comparison with 2018. Owing to exchange rate developments in multiple growth markets, a slightly negative exchange rate effect of -1% to -2% should result in comparison with the previous year. For EBITDA pre in 2019, Merck KGaA, Darmstadt, Germany, expects a pronounced organic percentage growth in the low teens range in comparison with 2018. The expected foreign

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exchange development is likely to lower EBITDA pre by between -3% and -4% compared with 2018.

Group - Key figures¹

€ million	2018	2017	Change	Q4 2018	Q4 2017	Change
Net sales	14,836	14,517	2.2%	3,888	3,648	6.6%
Operating result (EBIT) ²	1,727	2,423	-28.7%	341	240	42.0%
Margin (% of net sales) ²	11.6%	16.7%		8.8%	6.6%	
EBITDA ²	3,528	4,164	-15.3%	844	745	13.3%
Margin (% of net sales) ²	23.8%	28.7%		21.7%	20.4%	
EBITDA pre ²	3,800	4,246	-10.5%	950	962	-1.3%
Margin (% of net sales) ²	25.6%	29.3%		24.4%	26.4%	
Earnings per share (€)	7.76	5.99	29.5%	5.63	2.33	>100.0%
Earnings per share pre (€) ²	5.10	5.92	-13.9%	1.22	1.25	-2.4%
Net income	3,374	2,605	29.5%	2,446	1,012	>100.0%
	Dec. 31, 2018	Dec. 31, 2017				
Net financial debt ²	6,701	10,144	-33.9%			

¹ Previous year's figures have been adjusted.

² Not defined by International Financial Reporting Standards (IFRS).

Notes for editors:

- Interactive online [2018 Annual Report](#) optimized for mobile devices
- The respective **presentation** as well as further information for journalists including a **digital press kit** 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

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About Merck KGaA, Darmstadt, Germany

Merck KGaA, Darmstadt, Germany, a leading science and technology company, operates across healthcare, life science and performance materials. Around 52,000 employees work to make a positive difference to millions of people's lives every day by creating more joyful and sustainable ways to live. From advancing gene editing technologies and discovering unique ways to treat the most challenging diseases to enabling the intelligence of devices – the company is everywhere. In 2018, Merck KGaA, Darmstadt, Germany, generated sales of € 14.8 billion in 66 countries.

The company holds the global rights to the name and trademark "Merck" internationally. The only exceptions are the United States and Canada, where the business sectors of Merck KGaA, Darmstadt, Germany operate as EMD Serono in healthcare, MilliporeSigma in life science, and EMD Performance Materials. Since its founding 1668, scientific exploration and responsible entrepreneurship have been key to the company's technological and scientific advances. To this day, the founding family remains the majority owner of the publicly listed company.