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Merck KGaA, Darmstadt, Germany, Meets all Financial Targets and Makes Significant Strategic Progress

Fiscal 2019:

- **Group sales increase by 8.9% to € 16.2 billion despite adverse environment, EBITDA pre up 15.4% to € 4.4 billion**
- **Group achieves profitable growth, EBITDA pre margin rises to 27.1%**
- **Earnings per share pre rise to € 5.56**
- **Dividend proposal lifted to € 1.30 per share**

Outlook for 2020:

- **Solid organic sales growth**
- **Strong organic growth of EBITDA pre**

Darmstadt, Germany, March 5, 2020 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, met all its financial targets and thus grew profitably in fiscal 2019. At the same time, the company also made significant progress in executing its strategic agenda.

“We delivered on our promise and achieved growth for all our key performance indicators, namely net sales, EBITDA pre and EPS pre. We are resolutely executing our strategy and strengthening our innovation-driven businesses in all three business sectors. In addition, we are focusing on lowering our debt as planned. We



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intend to achieve profitable growth in 2020 as well,” said Stefan Oschmann, Chairman of the Executive Board and CEO.

Significant progress made with strategic agenda

The Group strategy of Merck KGaA, Darmstadt, Germany, centers fully on strong business sectors focused on science and technology. Moreover, in terms of sales and margin growth, the company is aiming to be a top-tier company in relation to its peers. In 2019, the company made clear progress in executing its strategic agenda. The Healthcare business sector received regulatory approval in the United States, Europe and Japan for the immuno-oncology medicine Bavencio in combination with Inlyta® to treat patients with advanced renal cell carcinoma. In addition, Healthcare entered into a strategic alliance with GlaxoSmithKline (GSK) to develop and commercialize the cancer immunotherapy bintrafusp alfa developed by in-house research laboratories. The company also achieved substantial progress with the pipeline projects tepotinib (Oncology) and evobrutinib (Immunology and Neurology). Among other things, the Life Science business sector was granted further patents for its CRISPR gene editing technology and now has a portfolio of 22 patents in this highly promising field. In addition, Life Science launched further products from its BioContinuum platform for the more effective, continuous production of biopharmaceuticals. With the acquisitions of Versum Materials and Intermolecular, the Performance Materials business sector achieved major milestones on its journey to achieving a leading position in the electronic materials market.

Group grows profitably in 2019

At € 16.2 billion, Group net sales rose in 2019 by 8.9% in comparison with 2018. Organically, sales grew by 5.3%. Additionally, there were positive foreign exchange effects of 2.1% and a portfolio-related increase of 1.4%¹. Rising by 15.4% to € 4.4 billion, EBITDA pre, the most important financial indicator to steer operating business, advanced more strongly than sales. The EBITDA pre margin rose to 27.1%. The company thus grew profitably in 2019.

¹ The figures presented in this news release have been rounded. This may lead to individual values not adding up to the totals presented.

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The operating result (EBIT) advanced by 22.8% to € 2.1 billion. The -60.9% decline in Group net income to € 1.3 billion was attributable to a one-time effect, namely the gain on the sale of the Consumer Health business in the previous year. Net financial debt rose particularly as a result of the acquisition of Versum from € 6.7 billion at the end of 2018 to € 12.4 billion as of year-end 2019.

Earnings per share pre, which is a determinant of the dividend, grew by 9% to € 5.56 in 2019. In line with the company's sustainable dividend policy, the Executive Board and the Supervisory Board will therefore propose a dividend of € 1.30 per share, an increase of € 0.05 over the previous year.

Q4 2019: Sales and EBITDA pre show significant growth

In the fourth quarter of 2019, Group net sales rose by 12.7% over the year-earlier quarter to € 4.4 billion. This was attributable to organic sales growth of 4.3%, which was driven by the Healthcare and Life Science business sectors. Additionally, there were favorable foreign exchange effects of 2.2% and a portfolio effect of 6.2% that was mainly due to the acquisition of Versum. EBITDA pre soared by 27.0% to € 1.2 billion. EPS pre amounted to € 1.54.

Fiscal 2019 by business sector

Healthcare: MS medicine Mavenclad and General Medicine & Endocrinology drive good business performance

In 2019, the Healthcare business sector increased its sales by 7.5% to € 6.7 billion. Organically, sales grew by 6.2%, positive foreign exchange effects contributed 1.3%. The main drivers of sales growth were especially the medicine Mavenclad for the oral short-course treatment of highly active relapsing multiple sclerosis (MS), as well as products from the General Medicine & Endocrinology franchise. The latter saw strong demand, primarily in growth markets such as China. In comparison with the previous year, sales of Mavenclad rose around 3.5-fold, totaling € 321 million. This increase more than offset the decline in sales of the established MS medicine Rebif. The strong sales growth of Mavenclad was also fueled by the receipt of marketing approval in the United States in 2019. Mavenclad was approved in March in this key market as the first and only oral short-term therapy for relapsing-remitting and active secondary progressive multiple sclerosis. The

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General Medicine & Endocrinology franchise grew organically by 8.3%, delivering sales of € 2.6 billion. Within this franchise, the diabetes treatment Glucophage delivered the strongest growth, particularly owing to favorable performance in China.

In addition, Erbitux was included on China's National Reimbursement Drug List in autumn 2018, thus contributing significantly to the organic sales growth of 6.7% in 2019.

Driven mainly by higher sales, milestone payments, income from a payment stemming from the GSK alliance as well as strict cost discipline, EBITDA pre of Healthcare rose by 23.5% to € 1.9 billion in 2019.

Life Science: Process Solutions fuels growth

In 2019, the Life Science business sector generated net sales of € 6.9 billion, representing an increase of 11.0% over the previous year. Organically, sales grew sharply by 9.0%. In addition, reported sales reflect favorable foreign exchange effects of 2.6% and a negative portfolio effect of -0.6% due to the divestment of the Flow Cytometry business in December 2018. All business units contributed to this strong organic growth. The Process Solutions business unit, which markets products and services for the entire pharmaceutical production value chain, made the greatest contribution, advancing its sales organically by 15.1% in 2019. This was driven by double-digit growth rates in nearly all the Process Solutions business fields. In regional terms, Life Science generated its strongest sales increases in North America and Asia-Pacific. EBITDA pre of Life Science in fiscal 2019 was € 2.1 billion, representing an increase of 15.7% over the previous year.

Performance Materials: Net sales and EBITDA pre up thanks to acquisitions and foreign exchange effects

In 2019, net sales of the Performance Materials business sector grew by 7.0% to € 2.6 billion. The key factors behind this growth were net sales stemming from the acquisitions of Versum and Intermolecular of 10.4% as well as positive foreign exchange effects of 3.1%. These two developments more than offset the organic net sales decrease of -6.5%.

Multiple factors were responsible for the organic decline in sales. In the Liquid Crystals business of the Display Solutions business unit, the projects by panel

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makers in China to build up production capacities ended as expected. In the previous year, these were responsible for high demand. Conversely, the OLED materials business continued to perform strongly, driven mainly by high demand in China. The ongoing weakness in the semiconductor market weighed on the sales of the Semiconductor Solutions business unit. However, in comparison Semiconductor Solutions performed better than this market. Weaker demand from the automotive industry particularly impacted the Surface Solutions business. Within Performance Materials, EBITDA pre rose by 2.3% to € 803 million owing to acquisitions and foreign exchange effects.

Forecast for 2020: Impact of the coronavirus epidemic is currently difficult to determine

At present, it is difficult to determine the potential impact of the current coronavirus epidemic on general economic developments and on the business of Merck KGaA, Darmstadt, Germany. Against this background, the company has developed various scenarios.² According to the scenario being applied right now, the epidemic will reach its high point in the first quarter and subside in the course of the second quarter. The situation is expected to normalize in the second half of the year. Based on these assumptions, the coronavirus epidemic would have a negative effect of -1% on Group net sales in 2020. This effect is expected to occur primarily in the first quarter and would correspond to the following qualitative forecast for fiscal 2020. Yet, should the crisis grow or trigger a global recession, the company would adapt its business forecast.

The company expects solid organic growth of Group net sales in 2020 compared with the previous year. This is likely to be driven mainly by the Healthcare and Life Science business sectors. For Performance Materials, the company expects a slight organic increase. Strong growth dynamics are expected especially in the semiconductor materials business. With regard to exchange rates, the company continues to expect a volatile environment due to political and macroeconomic developments and anticipates a slightly unfavorable foreign exchange effect of 0% to -3% on Group sales. This is likely to be attributable to the currencies of multiple growth markets as well as the development of the U.S. dollar.

² Scenarios as of mid-February 2020.

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For EBITDA pre in fiscal 2020, the company forecasts strong organic growth, which will be mainly driven by the Healthcare and Life Science business sectors, with Performance Materials also contributing slight organic growth. The expected foreign exchange development is forecast to weigh slightly on Group EBITDA pre in a percentage range of between 0% and -3% and will be seen particularly in the businesses of Performance Materials and Healthcare.

The company will publish a forecast for earnings per share pre along with the first quantitative forecast for the current fiscal year when it announces the results of the first quarter on May 14, 2020.

This year, the company will resolutely focus on lowering its net financial debt.

Overview of the key figures for fiscal 2019

GROUP

Key figures

€ million	2019	2018	Change	Q4 2019	Q4 2018	Change
Net sales	16,152	14,836	8.9%	4,381	3,888	12.7%
Operating result (EBIT) ¹	2,120	1,727	22.8%	515	341	51.0%
Margin (% of net sales) ¹	13.1%	11.6%		11.7%	8.8%	
EBITDA ¹	4,066	3,528	15.3%	1,067	844	26.4%
Margin (% of net sales) ¹	25.2%	23.8%		24.4%	21.7%	
EBITDA pre ¹	4,385	3,800	15.4%	1,206	950	27.0%
Margin (% of net sales) ¹	27.1%	25.6%		27.5%	24.4%	
Earnings per share (€)	3.04	7.76	-60.8%	0.73	5.63	-87.0%
Earnings per share pre (€) ¹	5.56	5.10	9.0%	1.54	1.22	26.2%
Net income	1,320	3,374	-60.9%	318	2,446	-87.0%
Net financial debt ¹ as of Dec. 31	12,363	6,701	84.5%			

¹ Not defined by International Financial Reporting Standards (IFRSs).

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HEALTHCARE

Development of net sales by key product lines and products

€ million	2019	Share	Organic growth ¹	Exchange rate effects	Total change	2018	Share
Oncology	1,030	15%	8.9%	0.2%	9.1%	944	15%
Thereof: Erbitux	871	13%	6.7%	-0.1%	6.6%	816	13%
Thereof: Bavencio	103	2%	44.1%	3.9%	48.0%	69	1%
Neurology & Immunology	1,594	24%	1.8%	2.5%	4.2%	1,529	24%
Thereof: Rebif	1,273	19%	-13.9%	2.4%	-11.5%	1,438	23%
Thereof: Mavenclad	321	5%	>100.0%	3.7%	>100.0%	90	1%
Fertility	1,247	19%	5.9%	1.4%	7.3%	1,162	19%
Thereof: Gonal-f	743	11%	3.3%	1.6%	4.9%	708	11%
General Medicine & Endocrinology	2,557	38%	8.3%	0.9%	9.2%	2,341	38%
Thereof: Glucophage	877	13%	18.5%	1.1%	19.6%	733	12%
Thereof: Concor	530	8%	10.4%	1.2%	11.6%	475	8%
Thereof: Euthyrox	402	6%	10.4%	0.2%	10.6%	363	6%
Thereof: Saizen	238	4%	3.3%	-1.6%	1.7%	234	4%
Other	287	4%				270	4%
Healthcare	6,714	100%	6.2%	1.3%	7.5%	6,246	100%

¹ Not defined by International Financial Reporting Standards (IFRSs).

LIFE SCIENCE

Sales components by business unit

€ million	2019	Share	Organic growth ¹	Exchange rate effects	Acquisitions / divestments	Total change	2018	Share
Process Solutions	3,003	44%	15.1%	3.0%	-	18.1%	2,543	41%
Research Solutions	2,176	32%	3.9%	2.4%	-	6.3%	2,046	33%
Applied Solutions	1,685	24%	5.9%	2.0%	-2.3%	5.6%	1,596	26%
Life Science	6,864	100%	9.0%	2.6%	-0.6%	11.0%	6,185	100%

¹ Not defined by International Financial Reporting Standards (IFRSs).

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PERFORMANCE MATERIALS

Sales components by business unit

€ million	2019	Share	Organic growth ¹	Exchange rate effects	Acquisitions / divestments	Total change	2018	Share
Display Solutions	1,256	49%	-8.6%	2.8%	-	-5.7%	1,332	55%
Semiconductor Solutions	848	33%	-3.6%	4.1%	42.0%	42.5%	596	25%
Surface Solutions	468	18%	-4.2%	2.3%	-	-1.9%	476	20%
Other	2	0%	8.7%	2.4%	-	11.1%	1	0%
Performance Materials	2,574	100%	-6.5%	3.1%	10.4%	7.0%	2,406	100%

¹ Not defined by International Financial Reporting Standards (IFRSs).

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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 57,000 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 2019, Merck KGaA, Darmstadt, Germany, generated sales of € 16.2 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.