

News Release

Your Contact

Markus Talanow +49 6151 72-7144
Investor Relations +49 6151 72-3321

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Merck KGaA, Darmstadt, Germany, On Course To Achieve Objectives for 2018

- **Key advances in the pharmaceutical pipeline deliver initial sales**
- **Life Science expected to keep growing faster than the market**
- **Performance Materials benefiting from a diversified business model**
- **Deleveraging continues to have high priority**
- **Active portfolio management remains a central element of the company strategy**

Darmstadt, Germany, September 28, 2017 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, informed analysts and investors today at its 2017 Capital Markets Day about the progress being made and the challenges faced by the Group and its three business sectors. In addition, CEO Stefan Oschmann and CFO Marcus Kuhnert provided a strategic outlook of the key growth drivers for the years 2019 to 2022.

“Our company is in good shape,” said Stefan Oschmann, CEO and Chairman of the Executive Board of Merck KGaA, Darmstadt, Germany. “Although 2017 is posing some challenges, we are absolutely confident that we will achieve our overarching objectives for 2018. We intend to advance our Healthcare pipeline further, complete the integration of Sigma-Aldrich into Life Science, and secure our technological leadership in Performance Materials for the long term. We will continue to reduce the Group’s acquisition-related debt level as planned.”



Merck KGaA

Frankfurter Strasse 250
64293 Darmstadt · Germany
Hotline +49 6151 72-5000
emdgroup.com

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Head Media Relations -62445
Spokesperson: -9591 / -7144 / -6328
Fax +49 6151 72 3138
media.relations@emdgroup.com

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Healthcare reaps rewards from its focus on innovative medicines

In the course of 2017, Merck KGaA, Darmstadt, Germany, has so far received regulatory approvals for the immuno-oncology medicine Bavencio (avelumab) in the indications Merkel cell carcinoma and advanced bladder cancer as well as for Mavenclad to treat multiple sclerosis. Both medicines will generate initial sales for the very first time in 2017. Sales of Bavencio are expected to amount to around € 20 million in 2017, and sales of Mavenclad should be in the high single-digit million euro range. These products have already been launched in Germany and the United Kingdom. In the EU, Merck KGaA, Darmstadt, Germany, expects annual peak sales of € 500 million to € 700 million for Mavenclad by 2024/2025. The company will decide by the end of 2017 whether it will submit Mavenclad for regulatory review in the United States. A total of nine Phase III studies are currently investigating avelumab. For three of these, Merck KGaA, Darmstadt, Germany, expects the clinical data in the first half of 2018.

The existing business with medicines from the Healthcare business sector is also performing well. This base business has grown organically in each of the past 25 quarters and Merck KGaA, Darmstadt, Germany's objective here is to keep sales organically stable until 2022. The strategic focus of the Healthcare business sector is on developing and discovering innovative medicines for three therapeutic areas: immunology, immuno-oncology and oncology. In line with this strategy, Merck KGaA, Darmstadt, Germany, divested its Biosimilars business to Fresenius in early September and is examining strategic options for its Consumer Health business, including a partial or full sale of the business as well as partnerships.

Life Science generating above-market growth and demonstrates innovative strength

Within Life Science, the business has grown faster than the market in the past quarters. In particular, strong demand from the biopharmaceutical industry is having a positive effect. Merck KGaA, Darmstadt, Germany, has realized further synergies as planned from the Sigma-Aldrich integration. The integration of the e-commerce platform sigmaaldrich.com has made significant advances. Around 80% of the addressable portfolio of legacy Life Science business of Merck KGaA, Darmstadt, Germany, has been added to the site in North America and Europe, leading to visible, initial sales synergies.

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In the course of the Sigma-Aldrich integration, Merck KGaA, Darmstadt, Germany, has already consolidated of 11 Life Science production sites and six logistic sites worldwide to realize the planned cost synergies.

Merck KGaA, Darmstadt, Germany, is also demonstrating its great innovative strength in the Life Science business sector. Apart from digital solutions for the laboratory of the future, Life Science is also working intensively on genome editing tools. In August, the European Patent Office (EPO) issued Merck KGaA, Darmstadt, Germany, a patent for a CRISPR technology used in a genomic integration method for eukaryotic cells. The patent will provide Merck KGaA, Darmstadt, Germany's CRISPR genomic integration technology with broad protection.

Performance Materials building on four strong pillars

As previously reported, the Performance Materials business sector is currently facing challenges in its Liquid Crystals business. Particularly in the business with established liquid crystal technologies, Merck KGaA, Darmstadt, Germany, is seeing the continued normalization of its above-average market shares amid ongoing price pressure. Merck KGaA, Darmstadt, Germany, intends to sustainably secure its market and technology leadership in display materials through its customer proximity, technical expertise and innovations. These include, for instance, the new technical switching modes SA-VA and UB-Plus, which are currently being tested in cooperation with multiple customers. At the same time, Merck KGaA, Darmstadt, Germany, is driving the application of its liquid crystal expertise in areas beyond display manufacture, for instance in liquid crystal windows as well as liquid crystal antennas with very high data throughput. The latter are to be used in the automotive sector, among other areas. Liquid crystals are also used in high-precision headlights, which Merck KGaA, Darmstadt, Germany, has developed together with Hella and recently exhibited at the International Motor Show in Frankfurt.

Merck KGaA, Darmstadt, Germany, has also taken targeted steps to strategically develop its Performance Materials business further. Today, Performance Materials has four strong pillars, with the Liquid Crystals business now accounting for less than 50% of the business sector's sales. The Integrated Circuit Materials business unit supplies products to manufacture integrated circuits and microelectronic

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systems, as well as the former SAFC-Hitech business of Sigma-Aldrich with deposition materials and conductive pastes for semiconductor packaging. As the innovation leader in pearlescent pigments and functional additives, Merck KGaA, Darmstadt, Germany, also presented application possibilities for these products in automotive coatings at the International Motor Show. Products from the Pigments & Functional Materials business unit are also used in cosmetics and food. The Advanced Technologies business unit encompasses the OLED materials business, in which Merck KGaA, Darmstadt, Germany, holds a leading position and is ideally prepared to exploit market opportunities.

Merck KGaA, Darmstadt, Germany, remains focused on deleveraging

Merck KGaA, Darmstadt, Germany, has further reduced its net financial debt following the Sigma-Aldrich acquisition. "We have communicated a clearly defined debt reduction plan to the rating agencies and thus also to bond holders. We are pursuing this plan further in order to regain more financial flexibility soon. Acquisitions will then be possible again," said Chief Financial Officer Marcus Kuhnert. However, as long as the debt level expressed as the ratio of net financial debt to EBITDA pre exceptionals is greater than 2, Merck KGaA, Darmstadt, Germany, rules out major acquisitions of more than € 500 million unless they can be financed through divestments. Since 2002, Merck KGaA, Darmstadt, Germany, has made acquisitions and divestments with a volume of nearly € 40 billion. All four major acquisitions have been successfully integrated and have contributed significantly to the strategic transformation of the company.

Note: An introduction by CEO Stefan Oschmann and CFO Marcus Kuhnert as well as the subsequent Q&A session will be webcast live as of 10:00 a.m. (CET). The webcast and its replay can be accessed here:

<http://edge.media-server.com/m/p/5j85nwoq>

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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, generated sales of € 15.0 billion in 66 countries. Founded in 1668, 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.