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Merck KGaA, Darmstadt, Germany, Sets its Sights on 2018 and Outlines Future Strategic Roadmap

- **Merck KGaA, Darmstadt, Germany, on track to achieve objectives for 2018**
- **Pharma pipeline offers new sales potential of around € 2 billion up to 2022**
- **Sigma-Aldrich integration will exceed synergy targets by € 20 million thanks to additional top-line synergies**
- **Performance Materials strengthens its market position through investments and is planning the launch of a new liquid crystal technology**
- **Oschmann: "We want to remain a leader at the forefront of scientific and technological progress"**

Darmstadt, Germany, October 13, 2016 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, today informed analysts and investors at its 2016 Capital Market Day about the progress it has made in achieving its objectives up to the year 2018. In addition, CEO Stefan Oschmann and CFO Marcus Kuhnert provided a look at the period after 2018, the year which marks the company's 350th anniversary.

"We firmly believe that we will meet the objectives we have set for 2018," said Stefan Oschmann, Chairman of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. "We have focused our pharmaceutical pipeline and continuously developed it further. Currently, we have one product in regulatory review. We are vigorously driving the integration of Sigma-Aldrich forward and expect to even exceed the originally planned synergies since additional top-line



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synergies are being generated. Our Performance Materials business is well-positioned to capture attractive new markets," said Oschmann. "At Group level, we are aiming to swiftly reduce our debt from the Sigma-Aldrich acquisition."

Healthcare posts organic growth for 20 successive quarters

In the Healthcare business sector, the base business grew organically in each of the past 20 quarters. Apart from successful life cycle management, this was also due to product repatriations. This includes for instance the termination of the co-promotion of Rebif in the United States with Pfizer. Additionally, Merck KGaA, Darmstadt, Germany, is counting on its pharmaceutical pipeline and starting in 2017, aims to gain approval of one medicine or new indication every year. Up until 2022, the company expects to generate new sales of around € 2 billion with products from its pharmaceutical pipeline. In the course of 2016, Merck KGaA, Darmstadt, Germany, filed for regulatory approval of cladribine tablets for the treatment of multiple sclerosis. Furthermore, the company is preparing its regulatory submission in 2016 of the immuno-oncological antibody avelumab in metastatic Merkel cell carcinoma, a very aggressive form of skin cancer. Since October 2015, 20 projects have either advanced into the next phase of clinical development or are about to. Merck KGaA, Darmstadt, Germany, is focusing its drug discovery efforts on three therapeutic areas: Immunology, Immuno-Oncology and Oncology.

Life Science generating above-market growth

In its Life Science business sector, Merck KGaA, Darmstadt, Germany, is benefiting from strong demand from the biopharmaceutical industry and has been growing faster than the market. In addition, economies of scale from the Sigma-Aldrich acquisition are having a positive effect on profitability. Merck KGaA, Darmstadt, Germany, has also realized synergies from the Sigma-Aldrich faster than planned. At the end of 2016, the company will already have leveraged € 105 million as compared with the originally planned amount of € 90 million in annually recurring cost synergies. This will be complemented by previously unplanned top-line synergies, which by the end of 2018 are expected to contribute an additional € 20 million to earnings. Consequently, total synergies from the acquisition will amount to € 280 million instead of originally € 260 million per year. The additional top-line synergies will stem partly from the strong e-commerce platform of legacy Sigma-Aldrich, which now covers the enlarged product portfolio resulting from the

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acquisition. Complementary customer relationships and regional synergies are also expected to lead to higher sales than initially expected.

Performance Materials strengthens and expands its portfolio

Despite a challenging market environment characterized by cyclical destocking among display industry customers, in the course of 2016 the Performance Materials business sector has demonstrated its sound earnings resilience. Among other things, Merck KGaA, Darmstadt, Germany, is using investments to further strengthen the innovative strength of this high-margin business sector. Firstly, the company intends to sustainably secure its leadership in display materials. To this end, the company recently commissioned a € 30 million OLED materials production plant in Darmstadt. In the course of 2017, Merck KGaA, Darmstadt, Germany, is planning the market launch of the innovative liquid crystal technology SA-VA for large-area displays. In August, the company announced a collaboration with Nanoco of the United Kingdom, a leading manufacturer of quantum materials. Secondly, Merck KGaA, Darmstadt, Germany, aims to use its expertise in liquid crystals in order to succeed in areas beyond displays. In August, the company announced the construction of a production unit for liquid crystal window modules, which are to reach the market in 2018. In the automotive sector, liquid crystals are to be used for example in smart antennas with very high data processing volumes.

Strategic roadmap for 2019 to 2022

While Merck KGaA, Darmstadt, Germany, is keeping a close eye on its mid-term objectives for 2018, the company has also announced plans for growth in the following years. Here, the company will continue to build on its core competencies of strong innovation power and successful portfolio management. "With our three strong and profitable businesses, we want to remain a leader at the forefront of scientific and technological progress," said CEO Stefan Oschmann looking at growth and innovations in the coming years. By 2022, Merck KGaA, Darmstadt, Germany, wants to generate sales of around € 4 billion with new products. New medicines from the pharmaceutical pipeline are to contribute around € 2 billion, with Life Science and Performance Materials innovations each adding around € 1 billion in sales.

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The company continues to rule out major acquisitions of more than € 500 million as long as the debt level expressed as the ratio of net financial debt to EBITDA pre exceptionals is greater than 2 unless divestments could be used to finance them. “As was the case following past major acquisitions, subsequent to the Sigma-Aldrich purchase we are working to swiftly deleverage and want to bring the ratio of our net debt to EBITDA pre down to less than 2 by 2018,” said CFO Marcus Kuhnert. “Then, major acquisitions will be on the agenda again.”

Since 2002, Merck KGaA, Darmstadt, Germany, has made acquisitions and divestments with a volume of around € 38 billion. All four major acquisitions were financially attractive and successfully integrated.

Note for editors: A presentation (ca. 60 min) by CEO Stefan Oschmann and CFO Marcus Kuhnert will be accessible live via video webcast at 10:00 am (CEST): <http://edge.media-server.com/m/p/5c3z9iut>

All Merck KGaA, Darmstadt, Germany, press releases are distributed by e-mail at the same time they become available on the EMD Group Website. In case you are a resident of the USA or Canada please go to www.emdgroup.com/subscribe to register again for your online subscription of this service as our newly introduced geo-targeting requires new links in the email. You may later change your selection or discontinue this service.

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 2015, Merck KGaA, Darmstadt, Germany, generated sales of € 12.85 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.