

News Release

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March 9, 2017

Merck KGaA, Darmstadt, Germany, Generates Record Sales and Continues to Grow Profitably in 2016

- **Sales (+17.0%) and EBITDA pre exceptionals (+23.7%) rise significantly compared with 2015**
- **Key strategic advances in the three business sectors**
- **Organic sales growth in all regions**
- **Net financial debt decreases by more than € 1 billion**
- **Financial targets for 2016 achieved**
- **Dividend proposal € 1.20(+ € 0.15)**

Darmstadt, Germany, March 9, 2017 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, finished 2016 with record figures and continued to grow profitably. Sales and earnings rose significantly. Major strategic advances were made in all three business sectors.

“2016 was a successful year for our company. In Healthcare, two of our compounds are in registration. In our Life Science business sector, we made rapid progress with the integration of Sigma-Aldrich. We have moved ahead faster and even better than expected with the realization of synergies. At the same time, the business generated notable organic growth. With its four strong businesses, Performance Materials showed robustness in a challenging market environment. We maintained our strategically important market leadership in display materials and purposefully drove new technologies forward,” said Stefan Oschmann, Chairman of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany.

Net sales of the Group increased sharply by 17.0% to € 15.0 billion in 2016 (2015: € 12.8 billion). All regions contributed to organic sales growth of 3.2%. The purchase



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of Sigma-Aldrich was responsible for an acquisition-related sales increase of 16.4%. By contrast, negative exchange rate effects, which were mainly attributable to Latin American currencies, lowered Group sales by -2.6%.

The operating result (**EBIT**) rose by 34.6% to € 2.5 billion (2015: € 1.8 billion). **EBITDA pre exceptionals**, the company's key earnings indicator, climbed 23.7% to € 4.5 billion. Thanks to the Healthcare and Life Science business sectors, this figure was considerably higher than in the previous year (2015: € 3.6 billion).

Net income rose by 46.1% to € 1.6 billion in 2016 (2015: € 1.1 billion). This positive development was also due to the gain from the return of the rights to Kuvan to BioMarin Pharmaceutical at the beginning of 2016.

Earnings per share pre exceptionals rose by 27.5% to € 6.21 (2015: € 4.87). The proposal to the Annual General Meeting on April 28, 2017 will be to increase the dividend by € 0.15 to € 1.20 per share. Merck KGaA, Darmstadt, Germany, will have thus increased its dividend every year since 2009.

The figures for sales, EBITDA pre exceptionals and earnings per share pre exceptionals were within the upgraded target corridor that Merck KGaA, Darmstadt, Germany, had most recently announced in its report on the third quarter in November 2016.

Net financial debt, which mainly stems from the Sigma-Aldrich acquisition, decreased to € 11.5 billion at the end of 2016 (December 31, 2015: € 12.7 billion). Merck KGaA, Darmstadt, Germany, will resolutely continue along this path. As of December 31, 2016, the Group had 50,414 **employees** worldwide (December 31, 2015: 49,613).

Healthcare and Life Science drive Group organic sales growth in the fourth quarter

In the fourth quarter of 2016, Group sales rose by 10.6% to € 3.8 billion (Q4 2015: € 3.5 billion). This was driven not only by organic growth attributable to Healthcare and Life Science, but also by strong acquisition-related sales growth from the purchase of Sigma-Aldrich. EBITDA pre exceptionals grew by 15.1% to € 1.1 billion

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in the fourth quarter of 2016 (Q4 2015: € 933 million). Earnings per share pre exceptionals increased significantly by 26.5% in the fourth quarter of 2016 to € 1.43 (Q4 2015: € 1.13).

Healthcare grows organically and makes progress with registrations

Net sales of the Healthcare business sector rose organically by 4.6% in 2016. Organic growth was canceled out by negative exchange rate effects of -4.6%, as well as a negative portfolio effect of -1.1% from the sale of the rights to Kuvan. Consequently, Healthcare sales declined in 2016 by -1.1%, amounting to € 6.9 billion (2015: € 6.9 billion).

Sales of **Rebif**, which is used to treat relapsing forms of multiple sclerosis, declined organically by only -1.7% in 2016 despite continued competitive pressure from oral formulations. Amid currency headwinds of -1.5%, Rebif sales amounted to € 1.7 billion (2015: € 1.8 billion). In 2016, sales of the oncology drug **Erbix** totaled € 880 million (2015: € 899 million). Organic growth of 1.1% was canceled out by negative foreign exchange effects of -3.2%. With **Gonal-f**, the leading recombinant hormone used in the treatment of infertility, in 2016 Merck KGaA, Darmstadt, Germany, generated strong organic sales growth of 12.4%, also benefiting from the competitive environment in the United States. Including negative foreign exchange effects of -2.5%, sales rose to € 753 million (2015: € 685 million).

Despite higher research and development expenses mainly in connection with clinical development projects in immuno-oncology, EBITDA pre exceptionals of Healthcare grew by 6.3% to € 2.1 billion (2015: € 2.0 billion).

Currently, both the multiple sclerosis treatment cladribine tablets and the oncology drug avelumab are in registration.

Life Science delivers strong organic growth despite Sigma-Aldrich integration

In 2016, net sales of the Life Science business sector soared by 68.6% to € 5.7 billion (2015: € 3.4 billion) and profitability rose. At 6.3%, Life Science again delivered strong organic growth, outpacing the market. The acquisition-related increase of 63.1% from the purchase of Sigma-Aldrich had a very strong impact on

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sales amid slightly negative exchange rate effects of -0.8%. Life Science made good progress with the integration of Sigma-Aldrich, including the realization of synergies. At the end of 2016, annually recurring cost synergies of € 105 million had already been leveraged as compared with the originally planned amount of € 90 million for this period. In addition, thanks to previously unplanned top-line synergies, by the end of 2018 total synergies from the acquisition will amount to € 280 million instead of the originally planned € 260 million per year, as previously announced at Capital Market Day in October 2016.

The Process Solutions business area, which markets products and services for the entire pharmaceutical production value chain, generated organic sales growth of 10.5%. The Research Solutions business area, which focuses on academia and pharmaceutical research institutions, delivered organic sales growth of 1.2%. Sales by Applied Solutions, which serves clinical and diagnostic testing laboratories as well as the food and environmental industries, grew organically by 4.3%.

EBITDA pre exceptionals of Life Science rose in 2016 by 93.0% to € 1.7 billion (2015: € 856 million), reflecting the strong development of the combined Life Science business.

Performance Materials remains robust in a difficult market environment

Net sales by the Performance Materials business sector declined in 2016 by -1.8% to € 2.5 billion (2015: € 2.6 billion). This was mainly due to the -4.7% organic decrease in sales. Acquisition-related growth of 2.7% from the SAFC Hitech business of Sigma-Aldrich acquired in 2015 and exchange rate effects of 0.2% could only partly offset this.

The Display Materials business unit, which comprises the business with liquid crystals and complementary materials, saw a sharp organic decline in sales in 2016 yet still maintained its market leadership position. The decline in sales resulted from a strong previous year as well as destocking by display industry customers. One exception was the energy-saving UB-FFS technology used in the latest generation of smartphones. Here, double-digit growth was achieved along with record sales in the fourth quarter. The Integrated Circuit Materials business unit also showed strong organic sales growth. The Pigments & Functional Materials business unit delivered

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solid organic sales growth in 2016. Growth in the Advanced Technologies business unit was driven by double-digit sales increases for OLED materials; a new OLED production unit was opened in Darmstadt in September 2016.

EBITDA pre exceptionals of Performance Materials fell by -2.3% to € 1.1 billion (2015: € 1.1 billion).

Sales growth and stable EBITDA pre exceptionals forecast for 2017

For the Group, Merck KGaA, Darmstadt, Germany, expects slight to moderate organic sales growth in 2017 in comparison with the previous year. EBITDA pre exceptionals of the Group should remain about stable compared with 2016; this encompasses a slightly positive or negative percentage fluctuation around the previous year's level.

Group - Key figures

| € million | 2016 | 2015 | Change in % | Q4 2016 | Q4 2015 | Change in % |
|--|------------------|------------------|----------------|-------------|-------------|----------------|
| Net sales | 15,024 | 12,845 | 17.0 | 3,830 | 3,464 | 10.6 |
| Operating result (EBIT) | 2,481 | 1,843 | 34.6 | 405 | 298 | 36.0 |
| <i>Margin (% of net sales)</i> | <i>16.5</i> | <i>14.3</i> | | <i>10.6</i> | <i>8.6</i> | |
| EBITDA | 4,415 | 3,354 | 31.6 | 953 | 803 | 18.7 |
| <i>Margin (% of net sales)</i> | <i>29.4</i> | <i>26.1</i> | | <i>24.9</i> | <i>23.2</i> | |
| EBITDA pre exceptionals | 4,490 | 3,630 | 23.7 | 1,075 | 933 | 15.1 |
| <i>Margin (% of net sales)</i> | <i>29.9</i> | <i>28.3</i> | | <i>28.1</i> | <i>26.9</i> | |
| Earnings per share (€) | 3.75 | 2.56 | 46.5 | 0.62 | 0.29 | 113.8 |
| Earnings per share pre exceptionals (€) | 6.21 | 4.87 | 27.5 | 1.43 | 1.13 | 26.5 |
| Net income | 1,629 | 1,115 | 46.1 | 269 | 126 | 113.8 |
| | Dec. 31, 2016 | Dec. 31, 2015 | | | | |
| Net financial debt | 11,513 | 12,654 | - 9.0 | | | |

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Notes for editors:

- Interactive [online 2016 Annual Report](#) optimized for mobile devices
- The **press conference** for media representatives will also be webcast live as of 10:00 a.m. (CET) (in [German](#) and [English](#))
- 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 and video footage** 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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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.