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Merck KGaA, Darmstadt, Germany, Raises Profit Forecast for 2016 Following Good Third Quarter

- **Sigma-Aldrich acquisition drives sales growth (+19.3%) and EBITDA pre exceptionals (+24.3%)**
- **Net financial debt lowered by € 1.0 billion to € 11.6 billion**
- **Merck KGaA, Darmstadt, Germany, lifts EBITDA pre exceptionals 2016 forecast to € 4.45 billion to € 4.6 billion**

Darmstadt, Germany, November 15, 2016 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, reported sales growth of 19.3% in the third quarter of 2016. EBITDA pre exceptionals rose sharply by 24.3%.

“We had a good third quarter and are lifting our guidance for the full year,” said Stefan Oschmann, CEO and Chairman of the Executive Board of Merck KGaA, Darmstadt, Germany. “We have made good progress with the execution of our strategy. We have advanced our pharmaceutical pipeline and are realizing the cost synergies from the acquisition of Sigma-Aldrich faster than planned. In the course of the year, we have lowered our debt from the acquisition by € 1 billion.”

Group sales rose in the third quarter of 2016 by 19.3% to € 3.7 billion (Q3 2015: € 3.1 billion). Thanks to the Life Science business sector, Group sales increased organically by 0.9%, while negative exchange rate effects caused sales to decline slightly by -0.6%. Acquisition-related sales growth of 19.0% mainly reflects the Sigma-Aldrich transaction, which closed in November 2015. From a geographic perspective, North America and Latin America fueled organic growth.



Merck KGaA

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EBITDA pre exceptionals, the Group's key earnings indicator, grew sharply by 24.3% to € 1.2 billion (Q3 2015: € 944 million). This was mainly attributable to the Sigma-Aldrich acquisition and the good operating performance in Life Science. The Healthcare business sector contributed to the increase in earnings with the good development of operating business, higher royalty and license income, and the release of provisions that had been set up for the termination of clinical development projects. At 31.5%, the **EBITDA margin pre exceptionals** was higher than in the year-earlier quarter (Q3 2015: 30.3%). Group **EBIT** grew by 19.9% to € 676 million (Q3 2015: € 564 million). **Net income** climbed by 25.5% to € 457 million (Q3 2015: € 364 million). **Earnings per share pre exceptionals** rose in the third quarter of 2016 by 28.8% to € 1.70 (Q3 2015: € 1.32).

As of September 30, 2016, Merck KGaA, Darmstadt, Germany, had lowered its **net financial debt** from the acquisition of Sigma-Aldrich to € 11.6 billion (December 31, 2015: € 12.7 billion). The company had 50,967 **employees** worldwide on September 30, 2016.

Merck KGaA, Darmstadt, Germany, generates profitable growth in the nine-month period

In the first nine months of 2016, Group net sales grew by 19.3% to € 11.2 billion (January-September 2015: € 9.4 billion). This double-digit growth rate is due to both acquisition effects (19.3%) and organic sales increases (3.6%). The impact of negative exchange rate effects on Group net sales was -3.6% in the first nine months of 2016. EBITDA pre exceptionals of the Group came in at € 3.4 billion in the first nine months of 2016 (January-September 2016: € 2.7 billion), which was 26.7% higher than in the year-earlier period. Earnings per share pre exceptionals climbed 28.1% to € 4.79 in the first nine months of 2016 (January-September 2015: € 3.74).

Healthcare posts organic growth and higher profitability

The Healthcare business sector generated organic sales growth of 1.3% in the third quarter of 2016. This was canceled out by negative foreign exchange effects of -1.4%. The negative portfolio effect of -1.0% was due to the return of the rights to Kuvan to BioMarin Pharmaceutical at the beginning of the year. Consequently,

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Healthcare net sales decreased by -1.1% to € 1.7 billion in the third quarter of 2016 (Q3 2015: € 1.7 billion).

The multiple sclerosis drug **Rebif** saw an organic sales decline of -5.5% in the third quarter of 2016. Including negative exchange rate effects of -1.2%, Rebif sales amounted to € 436 million (Q3 2015: € 468 million). For the oncology drug **Erbix** Merck KGaA, Darmstadt, Germany, reported sales of € 219 million in the third quarter (Q3 2015: € 223 million) owing to organic sales declines of -0.6% and negative exchange rate effects of -1.3 %. Merck KGaA, Darmstadt, Germany, achieved very strong organic sales growth of 10.2% with the fertility treatment **Gonal-f**. This was primarily due to the favorable competitive situation in North America, which Merck KGaA, Darmstadt, Germany, continued to benefit from. Including negative exchange rate effects of -0.9%, sales grew to € 182 million (Q3 2015: € 167 million).

EBITDA pre exceptionals of the Healthcare business sector rose in the third quarter by 5.2% to € 565 million (Q3 2015: € 537 million). Apart from organic developments, this was also due to the release of provisions amounting to around € 40 million, which had originally been set up for the termination of clinical development projects. Consequently, the EBITDA margin pre exceptionals of Healthcare improved in the third quarter to 33.5 % (Q3 2015: 31.5%).

Life Science generates strong organic sales growth

Thanks to demand from the biotech industry for the company's products, the Life Science business sector of Merck KGaA, Darmstadt, Germany, achieved strong organic sales growth of 5.7% in the third quarter. Furthermore, the acquisition of Sigma-Aldrich led to an additional 77.4% jump in sales. In the third quarter, foreign exchange had no impact. Consequently, Life Science sales rose by 83.1% to € 1.4 billion (Q3 2015: € 759 million).

With Life Science, the Process Solutions business area, which markets products for the entire pharmaceutical production value chain, again delivered strong organic sales growth in the third quarter with an increase of 10.1%. The main driver was growing demand for filtration and single-use products. The Research Solutions business area, which focuses on academia and pharmaceutical research institutions,

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reported a slight organic sales decline of -0.4%. Sales by Applied Solutions, which serves clinical and diagnostic testing laboratories as well as the food and environmental industries, grew organically by 3.3%.

EBITDA pre exceptionals of the Life Science business sector climbed by 110.7% to € 424 million in the third quarter (Q3 2015: € 201 million). The EBITDA pre exceptionals margin of Life Science improved significantly to 30.5% (Q3 2015: 26.5%).

Performance Materials maintains high profitability

Net sales of the Performance Materials business sector declined organically in the third quarter by -5.8%, which was primarily due to the expected continued destocking by display industry customers. However, the acquisition-related sales increase of 3.5% attributable to the SAFC Hitech business of Sigma-Aldrich, which has been integrated into the Performance Materials business sector, had a positive impact. In addition, slightly positive exchange rate effects of 1.0% were recorded. Net sales by the Performance Materials business sector thus decreased by -1.3% to € 645 million (Q3 2015: € 653 million).

The Display Materials business unit recorded an organic decline in sales versus a strong year-earlier comparative base. This was due to volume declines of older liquid crystal technologies as well as continued customer destocking. The Integrated Circuits Materials business unit achieved strong organic growth. The business with deposition materials for chip production, which was added to the product portfolio as a result of the acquisition of the SAFC Hitech business of Sigma-Aldrich, performed well.

EBITDA pre exceptionals of Performance Materials fell in the third quarter by -5.4% to € 282 million (Q3 2015: € 298 million). With an EBITDA pre exceptionals margin of 43.7%, the profitability of Performance Materials, which has meanwhile achieved good diversification, was the highest among all the business sectors (Q3 2015: 45.5%).

“We are committed to sustainably securing our market and technology leadership in display materials, whether in liquid crystals, for which we are launching our new,

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energy-saving SA-VA technology for televisions, or in OLED materials,” said Stefan Oschmann. “In addition, we want to leverage our liquid crystals expertise in areas beyond displays, for example in liquid crystal windows.”

Merck KGaA, Darmstadt, Germany, raises earnings forecast owing to Healthcare

For 2016, Merck KGaA, Darmstadt, Germany, continues to expect a moderate organic increase in Group sales in comparison with the previous year. In the third quarter, the business developed in line with expectations. In addition, owing to the acquisition of Sigma-Aldrich, the company continues to expect a portfolio-related net sales increase in the low double-digit percentage range in 2016. This is still expected to be countered by negative foreign exchange effects that are forecast to range between –3% and –5% due to the currency devaluations in Latin America. Merck KGaA, Darmstadt, Germany, thus continues to expect net sales of between € 14.9 billion and € 15.1 billion in 2016.

However, Merck KGaA, Darmstadt, Germany, is raising its earnings expectations and now assumes EBITDA pre exceptionals to range between € 4,450 million and € 4,600 million (previously € 4,250 million to € 4,400 million). This improved guidance is due primarily to the Healthcare business sector, which recorded the previously mentioned release of around € 40 million in provisions in the third quarter for research projects terminated in previous years. On the other hand, research and development costs rose in the third quarter to a lesser extent than originally planned owing to good cost management of our research projects and conservative cost budgeting at the beginning of the year. Against this background, the company now assumes that in the remaining months of the year, the cost increase will also be less pronounced than previously planned. Merck KGaA, Darmstadt, Germany, now expects business free cash flow to range between € 3,250 million and € 3,360 million (previously: € 3,140 million to € 3,250 million).

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Forecast for FY 2016

<i>€ million</i>	Net sales	EBITDA pre exceptionals	Earnings per share pre exceptionals
Group	14,900 – 15,100	~ 4,450 – 4,600	€ 6.15 - € 6.40
Healthcare	Solid organic growth, slightly negative portfolio effect due to the divestment of Kuvan	~ 2,100 – 2,200	
Life Science	Organic growth in the mid to high single-digit percentage range, portfolio effect in the high double-digit percentage range as a result of the Sigma-Aldrich acquisition	~ 1,640 – 1,670	
Performance Materials	Moderate decline	~ 1,100 – 1,150	
Corporate and Other		~ -370 – -400	

Group - Key figures

<i>€ million</i>	Q3 2016	Q3 2015	Change	Jan.- Sept. 2016	Jan.- Sept. 2015	Change
Net sales	3,724	3,120	19.3%	11,194	9,381	19.3%
Operating result (EBIT)	676	564	19.9%	2,075	1,545	34.3%
<i>Margin (% of net sales)</i>	18.2%	18.1%		18.5%	16.5%	
EBITDA	1,110	901	23.3%	3,462	2,551	35.7%
<i>Margin (% of net sales)</i>	29.8%	28.9%		30.9%	27.2%	
EBITDA pre exceptionals	1,174	944	24.3%	3,416	2,696	26.7%
<i>Margin (% of net sales)</i>	31.5%	30.3%		30.5%	28.7%	
Profit after tax	460	366	25.9%	1,368	997	37.2%
Earnings per share (€)	1.05	0.84	25.0%	3.13	2.27	37.9%
Earnings per share pre exceptionals (€)	1.70	1.32	28.8%	4.79	3.74	28.1%
Net income	457	364	25.5%	1,360	989	37.5%
	Sept. 30, 2016	Dec. 31, 2015				
Net financial debt	11,649	12,654	-7.9%			

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Notes for editors:

- The **teleconference** for media representatives will also be webcast live as of 9:30 a.m. (CET) (in [English](#) and [German](#))
- The respective **charts** as well as further information for journalists including a **digital press kit** can be found [here](#)
- The report on the third quarter of 2016 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 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.