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News Release

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Merck KGaA, Darmstadt, Germany, Achieves Profitable Organic Growth in the First Quarter

- **All four divisions contribute to solid organic sales growth of the Group**
- **EBITDA pre one-time items rises slightly to € 807 million despite declining royalty and license income as well as currency headwinds**
- **Earnings per share before one-time items increase by 9.5% to € 2.31**
- **Kley: "Taking the successful acquisition of AZ Electronic Materials into account, we expect a moderate increase in sales and EBITDA pre one-time items in 2014."**

Darmstadt, Germany, May 15, 2014 – Merck KGaA, Darmstadt, Germany, a leading company for innovative and top-quality high-tech products in the pharmaceutical and chemical sectors, achieved organic sales growth of 3.7% in the first quarter of 2014. This was, however, more than offset by negative foreign exchange effects of 5.4%. Overall, sales slipped slightly by around € 46 million in the first quarter of 2014 to € 2.6 billion (Q1 2013: € 2.7 billion). EBITDA pre one-time items rose by 0.7% to € 807 million despite the negative exchange rate effects and significantly lower royalty, license and commission income. The EBITDA margin pre one-time items increased again, reaching 30.9%, which was higher than the figures for both the full year 2013 and the year-earlier quarter.

"We got off to a solid start in 2014. We increased our organic sales, which means we sold more. In addition, we earned more on what we sold. Especially in view of the challenging market environment that we expect to face in 2014, our cost control and targeted growth initiatives are paying off across all our divisions," said Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA, Darmstadt, Germany.

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"For the further course of business in 2014, we assume our well-balanced business model will enable us to cushion the risks and seize opportunities. However, we will still face negative exchange rate effects. In addition, compared with the previous year, declining royalty license and commission income will lower our EBITDA pre one-time items. Therefore, we remain cautious. In view of the successful acquisition of AZ Electronic Materials, we nevertheless expect a moderate increase in sales and EBITDA pre one-time items in 2014," Kley said.

In the first quarter of 2014, **total revenues** of the Merck KGaA, Darmstadt, Germany, grew organically by 1.8%, which was outweighed by negative foreign exchange effects of 5.3%. Overall, total revenues of the Merck KGaA, Darmstadt, Germany, thus declined slightly by 3.5% to € 2.7 billion (Q1 2013: € 2.8 billion). **Royalty, license and commission income**, which is disclosed as part of total revenues, decreased by 49.1% to € 51 million (Q1 2013: € 100 million). This sharp drop was mainly due to the decline in royalty and license income in the company's biopharmaceuticals division.

Nevertheless, Merck KGaA, Darmstadt, Germany, increased its **operating result (EBIT)** to € 468 million (Q1 2013: € 399 million). This was mainly due to the stable operating business, the lower level of one-time items compared with the year-earlier quarter, as well as the relentless implementation of efficiency improvement measures within the scope of the "Fit for 2018" transformation and growth program.

After adjusting for depreciation, amortization and one-time items, the key financial indicator used to steer operating business, **EBITDA pre one-time items**, grew slightly to € 807 million (Q1 2013: € 801 million), equivalent to an EBITDA margin pre one-time items of 30.9% (Q1 2013: 30.1%). Adjusted for one-time items, earnings per share increased by 9.5% to € 2.31 (Q1 2013: € 2.11).

Merck KGaA, Darmstadt, Germany, increased **net income** in the first three months of the year by 22.2% to € 325 million (Q1 2013: € 266 million), which led to **earnings per share** of € 1.50 (Q1 2013: € 1.22).

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Business free cash flow of the Merck KGaA, Darmstadt, Germany, amounted to € 684 million in the first quarter of 2014 (Q1 2013: € 593 million), increasing by € 91 million or 15.4%.
Whereas Merck KGaA, Darmstadt, Germany, had net financial debt of € 307 million at the end of 2013, the company reported a **net cash position** of € 7 million at the end of the first quarter of 2014 and thus was debt-free.

Organic sales growth in all regions

In the first quarter of 2014, the company recorded organic sales growth in all regions (Europe, North America, Emerging Markets, Rest of World). This was mainly due to dynamic business performance in the Emerging Markets region, which encompasses Latin America and Asia excluding Japan. The very strong organic growth of 5.6% posted in that region was primarily driven by the biopharmaceuticals and the life science tools divisions. Including currency headwinds of 9.5%, Group sales in the Emerging Markets region totaled € 888 million (Q1 2013: € 924 million).

All four divisions contribute to organic sales growth

All four divisions of Merck KGaA, Darmstadt, Germany, posted good organic sales increases coupled with negative exchange rate effects in the first quarter of 2014. Achieving an organic sales increase of 4.2%, the biopharmaceuticals division made the largest absolute contribution to organic sales growth, followed by the life science tools division with organic sales growth of 3.7%, and Performance Materials with 1.1%. The Consumer Health division reported organic sales growth of 5.7%.

Biopharmaceuticals division benefits from good sales of Rebif and Gonal-f

Despite solid organic growth of 4.2%, sales by the biopharmaceuticals division declined by 1.0% to € 1,375 million (Q1 2013: € 1,389 million), since the strong euro led to negative foreign exchange effects of 5.2%. All therapeutic areas contributed to the organic sales growth of the division.

Rebif, which is used to treat relapsing forms of multiple sclerosis, achieved organic growth of 5.3% in the first quarter of 2014 despite the increasingly difficult competitive situation. Including negative foreign exchange effects of 4.1%, Rebif sales increased overall by

1.2% to € 459 million (Q1 2013: € 454 million). In the first quarter of 2014, sales of the oncology drug **Erbitux** showed slight organic growth of 0.5%. As a result of negative foreign exchange effects of 6.1%, sales decreased overall to € 209 million (Q1 2013: € 222 million). The portfolio for the treatment of thyroid disorders as well as Gonal-f, the leading recombinant hormone used in the treatment of infertility, performed strongly in the first quarter of 2014.

Royalty, license and commission income fell sharply by 50.4% to € 46 million (Q1 2013: € 93 million). Adjusted for one-time items, the biopharmaceuticals division's EBITDA pre one-time items of € 438 million was at the previous year's level. The EBITDA margin pre one-time items increased slightly to 31.9% (Q1 2013: 31.5%).

"Within the biopharmaceuticals division, we want to further expand our business with existing medicines, both in Emerging Markets, which have a large number of patients with unmet medical needs, and in the United States, which remains the world's largest pharmaceutical market," said Kley. "For the biopharmaceuticals division, inorganic growth through partnerships and acquisitions will also be possible in 2014."

Consumer Health strengthened by transferred product groups

In the first quarter of 2014, the Consumer Health division generated sales of € 180 million (Q1 2013: € 182 million). The slight 0.8% decline in sales was primarily attributable to currency headwinds of 6.5%. Solid organic sales growth amounted to 5.7% in the first quarter of 2014. This was also driven by Neurobion, a vitamin B product, and Floratil, a probiotic anti-diarrheal, two former brands of the biopharmaceuticals division that were transferred to the Consumer Health division on January 1, 2014. The mild winter season in Europe led to weaker demand for the cold treatment Nasivin and the food supplement Bion, which was offset by strong sales of Femibion and local brands in Germany. Adjusted for one-time effects from restructuring measures, EBITDA pre one-time items rose by 5.0% to € 41 million (Q1 2013: € 39 million). The EBITDA margin pre one-time items increased by more than one percentage point to 22.9% (Q1 2013: 21.6%).

"In Consumer Health, a stronger focus will again be placed on profitable growth this year. We want to expand our market share in each of our main markets to at least three percent.

And in each of these countries, we want to achieve a leading position with at least three of our brands," said Kley. "We also have inorganic growth through bolt-on national or regional acquisitions in our sights."

Performance Materials increases organic sales

In the first quarter of 2014, the Performance Materials division achieved a slight 1.1% organic increase in sales, despite a strong year-earlier quarter. However, considerable currency headwinds of 5.6% lowered divisional sales by a total of 4.5% to € 402 million (Q1 2013: € 421 million). The **Liquid Crystals** business unit, which generates more than 70% of divisional sales, once again defended its market leadership position in liquid crystal materials in the first quarter of 2014. The **Pigments & Cosmetics** business unit generated slight organic sales growth in the first three months of 2014.

EBITDA pre one-time items of the Performance Materials Division amounted to € 186 million (Q1 2013: € 207 million), which corresponded to a decline of around 10%. The EBITDA margin pre one-time items declined to 46.3% of sales (Q1 2013: 49.2%) and was thus around three percentage points lower than the record margin achieved in the year-earlier quarter.

On May 2, 2014, the biopharmaceuticals announced the completion of the acquisition of **AZ Electronic Materials**. In December 2013, Merck KGaA, Darmstadt, Germany, had reached an agreement with the Board of Directors of AZ concerning a cash offer amounting to around € 1.9 billion. Merck KGaA, Darmstadt, Germany, will now start the process of delisting AZ shares from the London Stock Exchange, which is expected to take place in early June. Merck KGaA, Darmstadt, Germany, will quickly begin with the integration of AZ and its workforce of approximately 1,150 people worldwide. All important integration activities are to be completed by the end of 2014. AZ is an important partner to the leading global electronic manufacturers. They use chemical technologies provided by the company in integrated circuits, flat-panel displays and light-emitting diodes.

"In the liquid crystals business, we are already the uncontested market leader today. With the acquisition of AZ, we are now in a better position than ever to offer our customers solutions that will also make the devices of tomorrow faster, more intelligent and more attractive. Merck KGaA, Darmstadt, Germany, will then not only be inside smartphone displays, but also inside the electronics behind the display. This calls for expertise not only in chemistry, but increasingly also in physics," said Karl-Ludwig Kley.

Life science tools division lifts earnings thanks to solid demand and cost control

The life science tools division increased its sales organically by 3.7% in the first quarter of 2014. The organic increase was countered by a negative foreign exchange impact of 5.5%. Including these effects, divisional sales decreased by € 12 million, or 1.8%, to € 657 million. The division's two top-selling business units both contributed to organic sales growth in the first quarter of 2014. At 6.6%, the **Process Solutions** business unit, which markets products used to manufacture medicines of chemical and biotechnological origin, generated the highest organic sales growth within the life science tools division. **Lab Solutions** posted organic sales growth of 2.9% with its broad range of products for researchers and scientific laboratories in a wide range of industries. The **Bioscience** business unit, which primarily markets products and services for academic and pharmaceutical research laboratories, felt the effects of the U.S. budget sequester and thus saw organic sales decline by 2.5%.

Thanks to strict cost control and solid demand, among others, the life science tools division's EBITDA pre one-time items increased by 4.8% to € 170 million (Q1 2013: € 162 million). Consequently, the EBITDA margin pre one-time items rose in the first quarter of 2014 to 25.8% (Q1 2013: 24.2%).

"The life science tools division has launched numerous highly innovative products in recent years. We want to follow up these successes with new product developments. For instance, we want to build on our strong position in filtration technology," Kley stated.

Merck KGaA, Darmstadt, Germany, expects a moderate increase in sales and earnings in 2014 as a result of the positive impact of the AZ acquisition

Merck KGaA, Darmstadt, Germany, continues to expect slight organic sales growth in 2014, which will be cancelled out by negative foreign exchange effects. Due to the successful acquisition of AZ Electronic Materials and the related portfolio effect, the company assumes that sales will increase to between around € 10.9 billion and € 11.1 billion. It will be possible for planned efficiency increases to offset the effects of the decline in royalty, license and commission income as well as negative exchange rate movements. Merck KGaA, Darmstadt, Germany, thus expects EBITDA pre one-time items to grow moderately in comparison with the previous year notably due to the acquisition of AZ Electronic Materials. Based on the number of shares prior to the share split, which was approved by the Annual General Meeting on May 9, 2014, earnings per share pre one-time items are expected to be in a range between € 9.00 and € 9.50. Business free cash flow is forecast to decrease slightly due to investments in growth projects.

For the **biopharmaceuticals division**, Merck KGaA, Darmstadt Germany, expects stable organic sales. It can be expected that the well-balanced product portfolio as well as organic growth in the Emerging Markets region will offset the declines in sales of Rebif in the United States and Europe. EBITDA pre one-time items of the biopharmaceuticals division should decrease slightly in 2014 as forecast, particularly as a result of the expected decline in royalty and license income, which will have a net effect of more than € 100 million versus 2013. For the **Consumer Health** division, Merck KGaA, Darmstadt, Germany, forecasts moderate organic sales growth in 2014. EBITDA pre one-time items of the division should increase moderately in 2014 within the framework of sales developments. Through the acquisition of AZ Electronic Materials, which will be fully integrated into the **Performance Materials** division, Merck KGaA, Darmstadt, Germany, expects a substantial increase in divisional sales, EBITDA pre one-time items and business free cash flow. For the **life science tools division**, Merck KGaA, Darmstadt, Germany, expects to again report moderate organic sales growth in 2014, which, however, will be partly offset by foreign exchange effects. Based on sales growth, Merck KGaA, Darmstadt, Germany, expects EBITDA pre one-time items of the life science tools division to increase slightly in 2014.

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Forecast for FY 2014

€ million	Sales	EBITDA pre one-time items	Business free cash flow
Merck KGaA, Darmstadt, Germany including AZ	approx. 10,900 – 11,100	approx. 3,300 – 3,400	approx. 2,700 – 2,800
Biopharmaceuticals division	organic stable	approx. 1,750 – 1,850	approx. 1,500 – 1,600
Consumer Health	moderate organic growth	approx. 170 – 180	approx. 150 – 170
Performance Materials incl. AZ	slight organic growth	approx. 830 – 880	approx. 720 – 770
Life science tools division	moderate organic growth	approx. 640 – 670	approx. 460 – 490
Corporate and Other		approx. -170 – 200	approx. -240

Forecast for earnings per share pre one-time items: approx. € 9.00 – 9.50 (based on number of shares before the share split that was approved by the Annual General Meeting on May 9, 2014).

An overview of key figures for Merck KGaA, Darmstadt, Germany

Merck KGaA, Darmstadt, Germany I Key figures

€ million	Q1/2014	Q1/2013	Change in %
Total revenues	2,664.8	2,760.5	-3.5
Sales	2,613.9	2,660.4	-1.7
Operating result (EBIT)	468.3	399.4	17.3
Margin (percent of sales)	17.9	15.0	
EBITDA	770.2	753.8	2.2
Margin (percent of sales)	29.5	28.3	
EBITDA pre one-time items	807.1	801.1	0.7
Margin (percent of sales)	30.9	30.1	
Earnings per share pre one-time items (€)	2.31	2.11	9.5
Earnings per share (€)	1.50	1.22	23.0
Business free cash flow	684.1	592.9	15.4
Net income	325.2	266.0	22.2
€ million	Q1/2014	31. Dec. 2013	
Net financial position (Cash: “+” / Debt: “–“)	+7	-307	

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Notes for editors:

- The interactive online version of the **Report on Q1 2014** as well as a press kit with more information are available here.
- Merck KGaA, Darmstadt, Germany, on Facebook and Linkedin.
- **Merck KGaA, Darmstadt, Germany, 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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About Merck KGaA, Darmstadt, Germany
Merck KGaA of Darmstadt, Germany, is a leading company for innovative and top-quality high-tech products in the pharmaceutical and chemical sectors. Its subsidiaries in Canada and the United States operate under the umbrella brand EMD. Around 38,000 employees work in 66 countries to improve the quality of life for patients, to further the success of customers and to help meet global challenges. The company generated total revenues of € 11.1 billion in 2013 with its four divisions: Biopharmaceuticals, Consumer Health, Performance Materials and Life Science Tools. Merck KGaA of Darmstadt, Germany, is the world's oldest pharmaceutical and chemical company – since 1668, the name has stood for innovation, business success and responsible entrepreneurship. Holding an approximately 70 percent interest, the founding family remains the majority owner of the company to this day.