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Merck KGaA, Darmstadt, Germany, Finishes Year of Key Strategic Moves with Record Figures

- **Good operating business and acquisition of AZ boost sales (+5.5%) and EBITDA pre one-time items (+4.1%) to new record levels**
- **Organic growth in all four divisions**
- **Business in Emerging Markets drives sales**
- **Merck KGaA, Darmstadt, Germany, lays foundations for future growth**
- **Forecast for sales and EBITDA pre one-time items met**
- **Merck KGaA, Darmstadt, Germany, proposes a 5.3% increase in the dividend to € 1.00 per share**

Darmstadt, Germany, March 3, 2015 – Merck KGaA, Darmstadt, Germany, a leading company for innovative, top-quality high-tech products in healthcare, life science and performance materials, has successfully completed a year of strategically important moves and achieved its objectives.

“We strengthened all three of our business sectors: Healthcare, Life Science and Performance Materials. With the acquisition of AZ, the offer to acquire Sigma-Aldrich and the alliance with Pfizer in immuno-oncology, we have laid the foundations for future growth,” said Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA, Darmstadt, Germany, on Tuesday in Darmstadt. “These developments are the result of our long-term transformation and growth strategy. Our company is transforming into a highly specialized, global technology company with the goal to improve the lives of patients and customers.”

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Merck KGaA

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Total revenues of Merck KGaA, Darmstadt, Germany, rose by 3.7% to € 11.5 billion in 2014 (2013: € 11.1 billion). **Sales** grew by 5.5% to € 11.3 billion (2013: € 10.7 billion). This was primarily the result of organic growth of 4.0% as well as acquisition-related increases of 3.3%, which were attributable to the acquisition of AZ. At the same time, foreign exchange effects lowered sales by -1.8%.

Merck KGaA, Darmstadt, Germany, markedly increased its operating result (**EBIT**) by 9.4% to € 1.8 billion (2013: € 1.6 billion). The key financial indicator used to steer operating business, **EBITDA pre one-time items**, climbed 4.1% to € 3.4 billion (2013: € 3.3 billion), also thanks to good operating performance and the acquisition of AZ. Solid growth and the good development of operating business also contributed significantly to offsetting sharply lower royalty, license and commission income, which fell by -47% to € 209 million (2013: € 395 million). **Net income**, i.e. profit after tax attributable to the company's shareholders, for 2014 was € 1,157 million (2013: € 1,202 million), representing a decline of -3.7%, as the previous year 2013 benefited from the one-time effect of a very low tax ratio of 13%.

Earnings per share pre one-time items advanced, taking into account the 1:2 share split in June 2014, by 4.8% to € 4.60 (2013: € 4.39). Merck KGaA, Darmstadt, Germany, will therefore propose to the Annual General Meeting an increase in the dividend by € 0.05 to € 1.00 per share.

Even though the purchase price payment for AZ amounting to around € 1.9 billion was financed, **net financial debt** rose by only € 252 million to € 559 million (2013: € 307 million). As of June 30, 2014, this figure had temporarily risen to € 2.2 billion. This renewed evidence of the company's high internal financing power shows that Merck KGaA, Darmstadt, Germany, is well-prepared for the acquisition of Sigma-Aldrich. As of December 31, 2014, Merck KGaA, Darmstadt, Germany, had 39,639 **employees** worldwide (2013: 38,154).



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Merck KGaA, Darmstadt, Germany, was thus able to meet its forecast of moderate growth in sales, EBITDA pre one-time items, as well as earnings per share before one-time items. However, business free cash flow, which was forecast to increase slightly, did not meet expectations.

Q4 2014: Sales and EBITDA pre one-time items grow considerably

In the fourth quarter of 2014, Merck KGaA, Darmstadt, Germany, achieved strong sales growth of 12.9% to € 3.0 billion compared with the year-earlier period (Q4/2013: € 2.6 billion). Apart from organic growth of 4.4%, portfolio effects from the AZ acquisition and favorable foreign exchange effects were responsible for the considerable increase. Consequently, despite declining royalty, license and commission income, EBITDA pre one-time items grew 10.5% to € 878 million (Q4/2013: € 795 million). Earnings per share pre one-time items rose 7.5% to € 1.14 (Q4/2013: € 1.06).

Emerging Markets drive organic growth of biopharmaceutical business

The biopharmaceutical business of biopharmaceuticals business, recorded organic sales growth of 3.6% in 2014. Including negative foreign exchange effects of -1.9%, divisional sales rose overall by 1.7% to € 5.8 billion. Almost all of the biopharmaceutical business's franchises contributed to growth, with the highest absolute sales increase coming from the Fertility franchise. From a geographic perspective, the biopharmaceutical business achieved the strongest growth in the Emerging Markets region.

The drug **Rebif**, which is used to treat relapsing forms of multiple sclerosis, posted a slight organic sales decline of only -0.2% in 2014, despite increasing competitive pressure from oral formulations. Amid currency headwinds of -1.2%, Rebif sales amounted to € 1.8 billion. In 2014, sales of the oncology drug **Erbix** grew organically by 5.9%. Including negative foreign exchange effects of -3.4%, sales of Erbitux rose overall by € 22 million to € 904 million. With **Gonal-f**, the leading recombinant hormone used in the treatment of infertility, Merck KGaA, Darmstadt, Germany, achieved organic sales growth of 9.1% in 2014. Including adverse foreign exchange effects, sales of Gonal-f rose to € 628 million.



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In 2014, research and development costs of the biopharmaceutical business were higher following the continued focus on strategically important pipeline projects and the termination of individual, less promising research initiatives. At the same time, royalty, license and commission income of the biopharmaceutical business fell sharply by -48.5% to € 192 million in 2014 (2013: € 372 million). Other operating expenses and income (net) saw a strong improvement. This led to a -1.3% decline in EBITDA pre one-time items, which totaled € 1.8 billion (2013: € 1.9 billion).

“The business performance of our marketed medicines was robust in 2014,” said Kley. “Furthermore, we set an important milestone in further developing our pharmaceutical pipeline in 2014 by entering into an alliance in immuno-oncology with Pfizer. This will help us to fully exploit the potential of our anti-PD-L1 compound avelumab,” Kley added.

Consumer Health delivers solid growth in its core business

In 2014, sales by Consumer Health, the over-the-counter pharmaceutical business, rose by 3.2% to € 766 million (2013: € 742 million). The 5.4% organic increase in sales was countered by a negative foreign exchange impact of -2.2%. Organic sales were driven on the one hand by growth in the two key regions, namely Emerging Markets and Europe, and on the other hand by the growth of the strategic brands Neurobion, Femibion and Floratil as well as local brands in Germany. Consumer Health reported EBITDA pre one-time items of € 169 million (2013: € 172 million), thus nearly reaching the earnings level of 2013 despite significantly higher investments in marketing and sales in connection with efforts to strengthen strategic brands.

“The focus on core brands and core markets has proven to be the right path for our Consumer Health business with over-the-counter pharmaceuticals, which grew further in 2014,” said Kley. “Since the beginning of 2015, our Consumer Health business has been part of the Healthcare business sector.”

Performance Materials sales soar thanks to the AZ acquisition and organic growth

Sales of Performance Materials, the company’s specialty chemicals business, increased in 2014 by 25.4% to € 2.1 billion (2013: € 1.6 billion). Both solid organic growth of 4.1% as well as acquisition-related sales increases of 22.8% or



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€ 375 million contributed to this sharp rise. Adverse foreign exchange effects lowered sales by -1.5%. Organic growth was delivered by all the existing business units, with **Liquid Crystals** making the largest absolute contribution to the increase in sales. In the Liquid Crystals business, in which Merck KGaA, Darmstadt, Germany, is the global market and innovation leader, the company benefited from the strong demand for high-quality and large-size televisions, for example ultra HD devices. This growth was also bolstered by sales volume developments of the new, energy-saving UB-FFS (Ultra-Brightness Fringe Field Switching) technology, which is used in the new generation of displays for smartphones and tablet PCs. The **Pigments & Cosmetics** business unit achieved slight organic sales growth in 2014. Xirallic pigments, which are primarily used in high-quality automotive coatings, as well as technical-functional materials were the main drivers. Due to higher demand for OLED displays, the **Advanced Technologies** business unit made a good contribution to the organic growth of Performance Materials.

EBITDA pre one-time items of Performance Materials rose in 2014 particularly as a result of the acquisition of AZ by 14.8% to € 895 million (2013: € 780 million).

“Our company is not only benefiting from the megatrend of digitization, but is also actively helping to shape it, for example by developing energy-saving and thus battery-saving display materials,” explained Merck KGaA, Darmstadt, Germany, CEO Kley. “Apart from the good performance of the Liquid Crystals business with both established and innovative products, we are therefore particularly pleased by the sales growth resulting from the acquisition of AZ. Meanwhile AZ has been fully integrated and optimally complements our business portfolio.”

Life science business benefits from strong demand from the biotech sector

The life science business of Merck KGaA, Darmstadt, Germany, posted solid organic sales growth of 4.5% in 2014, which was primarily driven by the good performance of the Process Solutions business area. From a geographic perspective, sales developed very positively in the Emerging Markets region. Including a negative foreign exchange impact and taking into account the divestment of the Discovery and Development Solutions business field, sales rose overall by 2.1% to € 2.7 billion (2013: € 2.6 billion). EBITDA pre



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one-time items of the life science business increased by 2.5% to € 659 million (2013: € 643 million).

The **Process Solutions** business area, which markets products used in pharmaceutical production, generated especially strong organic sales growth of 8.9%. This was mainly driven by increasing demand from the biopharmaceutical manufacturing industry for consumables as well as purification solutions. With its broad range of products for researchers and scientific laboratories, **Lab Solutions** achieved organic sales growth of 1.9%. The **Bioscience** business area, which markets products and services for pharmaceutical and academic research laboratories, recorded a slight organic sales decline of -0.5%. Among other things, lower demand for antibodies dampened sales.

“We provide patients, customers and society with solutions that deliver growth. Our Life Science business is a perfect example of this,” said Kley. “Through the planned acquisition of Sigma-Aldrich, we want to expand it and offer our customers working in science and industry worldwide a considerably broader range of products.”

Forecast for 2015: Slight increase in organic sales and EBITDA pre one-time items

For 2015, Merck KGaA, Darmstadt, Germany, expects a slight increase in organic sales over the previous year amid moderately positive foreign exchange effects. Moreover, due to the inclusion of AZ for a full fiscal year, a slightly positive portfolio effect is expected. Owing to the expected operating development and positive foreign exchange effects, Merck KGaA, Darmstadt, Germany, forecasts a slight increase in EBITDA pre one-time items in 2015. EBITDA pre one-time items in 2015 should, however, at least reach the previous year's level.



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Forecast for 2015

- Slight organic sales growth
- EBITDA pre one-time items slight increase – at least stable

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

€ million	2014	2013	Change in %	Q4/2014	Q4/2013	Change in %
Total revenues	11,500.8	11,095.1	3.7	3,036.4	2,741.8	10.7
Sales	11,291.5	10,700.1	5.5	2,976.5	2,636.3	12.9
Operating result (EBIT)	1,762.0	1,610.8	9.4	432.8	264.2	60.4
Margin (% of sales)	15.6	15.1		14.2	10.0	
EBITDA	3,122.9	3,069.2	1.7	804.2	725.9	10.8
Margin (% of sales)	27.7	28.7		27.0	27.5	
EBITDA pre one-time items	3,387.7	3,253.3	4.1	878.4	795.2	10.5
Margin (% of sales)	30.0	30.4		29.5	30.2	
Earnings per share pre one-time items (€) ¹	4.60	4.39	4.8	1.14	1.06	7.5
Earnings per share ¹	2.66	2.77	-4.0	0.64	0.65	-1.5
Business free cash flow	2,605.1	2,960.0	-12.0	674.7	730.5	-7.6
Net financial debt (as of Dec. 31)	559.1	306.6	82.3	-	-	
Net income	1,157.3	1,202.2	-3.7	280.0	280.6	-0.2

¹ Taking into account the share split; previous year's figures have been adjusted accordingly.

Notes for editors:

- The **Annual Report 2014** as well as further information for the press can be found [here](#)
- The **press conference** for media representatives at 10:00 a.m. (CET) will also be [webcast](#) live
- Our company on [Facebook](#) and [LinkedIn](#)
- **Photos and video footage** can be found [here](#)
- 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 healthcare, life science and performance materials sectors. Its subsidiaries in Canada and the United States operate under the umbrella brand EMD. Around 39,000 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 sales of € 11.3 billion in 2014 with its six businesses EMD Serono, Consumer Health, Biosimilars, Allergopharma, EMD Millipore and Performance Materials. 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.