

News Release

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Merck Confirms Outlook for 2017 Despite a Challenging Third Quarter

- **Group sales in the third quarter at year-earlier level (+0.1%)**
- **Robust organic sales growth across all regions amid negative exchange rate effects**
- **Healthcare investments and business performance of Liquid Crystals impact EBITDA pre exceptionals (-8.3%)**
- **Integration of Sigma-Aldrich on track**
- **Net financial debt lowered by € 1.0 billion to € 10.5 billion**
- **Merck confirms outlook for sales and EBITDA pre for 2017**

Darmstadt, Germany, November 9, 2017 – Merck, a leading science and technology company, today reported third-quarter Group sales at the year-earlier level. EBITDA pre exceptionals decreased by -8.3% owing to higher spending on research and development, preparations for the market launches in Healthcare, as well as the business performance of Liquid Crystals.

“We generated healthy organic growth in Healthcare and Life Science. In Performance Materials, our diversified portfolio comprising four strong pillars is helping us cope with the challenges in Liquid Crystals,” said Stefan Oschmann, CEO and Chairman of the Executive Board of Merck. “We confirm the full-year guidance despite currency headwinds. Since the beginning of the year, we have reduced our net financial debt by € 1 billion.”



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Group sales increased in the third quarter by 0.1% to € 3.7 billion, thus maintaining the year-earlier level (Q3 2016: € 3.7 billion). Sales grew organically by 4.2% thanks to the Healthcare and Life Science business sectors. However, this was offset by negative foreign exchange effects amounting to -3.7%, which stemmed mainly from the weaker U.S. dollar against the euro. Portfolio changes caused sales to decline by -0.4%. Geographically, all regions contributed to the organic sales growth of the Group.

EBITDA pre exceptionals, Merck's key earnings indicator, fell in the third quarter by -8.3% to € 1.1 billion (Q3 2016: € 1.2 billion). This was mainly due to higher research and development costs in the Healthcare business sector and to the normalization of market shares in the Liquid Crystals business. At 28.9%, the **EBITDA margin pre exceptionals** was lower than in the year-earlier quarter (Q3 2016: 31.5%). Group **EBIT** grew by 33.3% to € 901 million, particularly as a result of the gain on the divestment of the Biosimilars business (Q3 2016: € 676 million). **Net income** soared by 41.1% to € 645 million (Q3 2016: € 457 million). **Earnings per share pre exceptionals** decreased in the third quarter of 2017 by -11.2% to € 1.51 (Q3 2016: € 1.70).

As of September 30, 2017, Merck had lowered its **net financial debt** resulting predominantly from the acquisition of Sigma-Aldrich to € 10.5 billion (December 31, 2016: € 11.5 billion). The company had nearly 53,000 **employees** worldwide on September 30, 2017.

Merck generates organic growth in the first nine months of 2017

In the period from January to September 2017, net sales of the Merck Group rose by 2.5% to € 11.5 billion (January-September 2016: € 11.2 billion). This increase was due to organic sales growth of 3.2%. Slightly negative foreign exchange effects lowered Group sales by -0.2% in the nine-month period. From January to September 2017, EBITDA pre exceptionals of the Merck Group of € 3.4 billion was at the year-earlier level (January-September 2016: € 3.4 billion). Earnings per share pre exceptionals climbed slightly by 1.3% to € 4.85 in the first nine months of 2017 (January-September 2016: € 4.79).

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Healthcare invests in future growth

In the third quarter of 2017, the Healthcare business sector generated strong organic sales growth of 5.8% amid negative foreign exchange effects of -3.4% and a negative portfolio effect of -1.2%. Consequently, net sales of Healthcare grew in the third quarter by 1.2% and amounted to € 1.7 billion (Q3 2016: € 1.7 billion).

The multiple sclerosis drug **Rebif** saw an organic sales decline of -6.9% in the third quarter. Including currency headwinds of -4.1%, Rebif sales amounted to € 389 million (Q3 2016: € 436 million). In the third quarter, sales of the oncology drug **Erbix** amounted to € 207 million and were slightly lower than in the year-earlier period (Q3 2016: € 219 million). This was attributable to an organic sales decrease of -1.6% due to competition and currency headwinds of -3.6%. At € 169 million, third-quarter sales of **Gonal-f**, the leading recombinant hormone used in fertility treatment, were below the year-earlier level (Q3 2016: € 182 million). The organic sales decline of -3.9% was primarily attributable to North America and Europe. The **Consumer Health business**, for which Merck is currently examining strategic options as announced on September 5, generated double-digit organic sales growth of 11.0% in the third quarter. In particular, the global core strategic brands Neurobion, Dolo-Neurobion and Femibion contributed to organic growth across all major sales regions.

In the third quarter, EBITDA pre exceptionals of the Healthcare business sector dropped considerably by -19.9% to € 453 million (Q3 2016: € 565 million). This was primarily due to higher investments in the research and development pipeline as well as the increase in marketing and selling expenses in the course of the market launches of the newly approved medicines Mavenclad in Europe and Bavencio in Europe and the United States. In the third quarter, the EBITDA margin pre exceptionals of Healthcare decreased to 26.5% (Q3 2016: 33.5%).

Life Science reports organic growth in all business units

The Life Science business sector generated organic sales growth of 4.8% in the third quarter. Including portfolio growth of 0.4% as well as negative foreign exchange effects of -3.9%, Life Science sales increased by a total of 1.3% to € 1.4 billion (Q3 2016: € 1.4 billion). All Life Science business units contributed to the positive organic sales increase.

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The Process Solutions business unit, which markets products for the entire pharmaceutical production value chain, delivered strong organic sales growth of 5.2% in the third quarter. The main driver was growing demand for single-use products and services. However, demand from global strategic accounts was somewhat softer owing to the business expectations of these customers. The Research Solutions business unit, which provides products and services to support life science research for pharmaceutical, biotechnological and academic research laboratories, delivered organic sales growth of 4.0%. It benefited particularly from sales via the e-commerce platform made available by the integration of Sigma-Aldrich, which continues to proceed as scheduled. Sales by Applied Solutions, which serves clinical and diagnostic testing laboratories as well as the food and environmental industries, generated significant organic growth of 5.2%.

EBITDA pre exceptionals of the Life Science business sector rose in the third quarter by 0.5% to € 426 million (Q3 2016: € 424 million). The EBITDA pre exceptionals margin of Life Science fell slightly to 30.2% (Q3 2016: 30.5%).

Performance Materials benefiting from a diversified business portfolio

In the third quarter, Performance Materials saw a slight organic sales decrease of -1.5%. Exchange rate effects caused sales to decline by an additional -3.8%. Overall, sales of the Performance Materials business sector declined by -5.3% to € 611 million (Q3 2016: € 645 million).

The decline in sales in the third quarter reflected the business with established liquid crystal technologies and was caused by the ongoing normalization of the unusually high market shares in the recent past as well as the price declines customary in this industry. However, our innovative, energy-saving UB-FFS technology achieved double-digit growth. The Integrated Circuit Materials business unit generated very strong organic growth, which was driven in particular by the business with dielectrics and deposition materials for chip production. The Pigments & Functional Materials business unit generated healthy organic growth in the third quarter. In the Advanced Technologies business unit, higher demand for OLED materials led to double-digit growth rates in net sales.

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EBITDA pre exceptionals of Performance Materials fell in the third quarter by -11.7% to € 249 million (Q3 2016: € 282 million). With an EBITDA pre exceptionals margin of 40.7%, the profitability of Performance Materials was the highest among the three business sectors (Q3 2016: 43.7%).

Merck confirms outlook for 2017

For the full year, Merck continues to forecast slight to moderate organic sales growth compared with the previous year. Since our report on the second quarter, the euro has continued to appreciate against the U.S. dollar and various emerging market currencies. Net sales of the Merck Group in 2017 are likely to be at the lower end of the previously targeted range of € 15.3 billion to € 15.7 billion owing to the amended exchange rate expectations. Merck maintains the corridor for EBITDA pre exceptionals of the Group at € 4.4 billion to € 4.6 billion. However, owing to the generally more difficult exchange rate environment since the report on the second quarter, the company assumes that EBITDA pre exceptionals for 2017 will also be at the lower end of this range.

Forecast for FY 2017

€ million	Net sales	EBITDA pre exceptionals	Earnings per share pre exceptionals
Merck Group	~15,300 to 15,700	~4,400 to 4,600	€ 6.15 to € 6.50
Healthcare	- Slight organic growth Low portfolio effect due to the divestment of the business in Pakistan	~1,900 to 2,000	
Life Science	- Solid organic sales growth, slightly above the expected market growth of approximately 4% p.a.	~1,780 to 1,850	
Performance Materials	Slight to moderate organic decline in sales	~950 to 1,050	
Corporate and Other		~-300 to -350	

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Merck Group - Key figures

€ million	Q3 2017	Q3 2016	Change in %	Jan.-Sept. 2017	Jan.-Sept. 2016	Change in %
Net sales	3,727	3,724	0.1	11,479	11,194	2.5
Operating result (EBIT)	901	676	33.3	2,283	2,075	10.0
Margin (% of net sales)	24.2	18.2		19.9	18.5	
EBITDA	1,320	1,110	18.8	3,530	3,462	2.0
Margin (% of net sales)	35.4	29.8		30.8	30.9	
EBITDA pre exceptionals	1,076	1,174	-8.3	3,410	3,416	-0.2
Margin (% of net sales)	28.9	31.5		29.7	30.5	
Profit after tax	649	460	40.9	1,595	1,368	16.6
Earnings per share (€)	1.48	1.05	41.0	3.65	3.13	16.6
Earnings per share pre exceptionals (€)	1.51	1.70	-11.2	4.85	4.79	1.3
Net income	645	457	41.1	1,587	1,360	16.7
	Sept. 30, 2017	Dec. 31, 2016				
Net financial debt	10,483	11,513	-8.9			

Notes for editors:

- The **teleconference** for media representatives will also be webcast live as of 9:30 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](#)
- The report on the third quarter can be found [here](#)
- Merck on [Facebook](#), [Twitter](#), [LinkedIn](#)
- Merck **photos and images** can be found [here](#)
- **Merck 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

Merck 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 generated sales of € 15.0 billion in 66 countries.

Founded in 1668, Merck is the world's oldest pharmaceutical and chemical company. The founding family remains the majority owner of the publicly listed corporate group. Merck holds the global rights to the Merck name and brand. The only exceptions are the United States and Canada, where the company operates as EMD Serono, MilliporeSigma and EMD Performance Materials.