



Fiscal Year with Ups and Downs

- **Strong growth in Specialty Neurology**
- **Slight decrease in Aesthetics business**
- **Europe, Asia, and Latin America growing at a dynamic rate/North America below prior year**
- **A promising start to the new fiscal year**

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Frankfurt, Germany, October 24, 2017—In the past fiscal year 2016/17, Merz reported global revenue of EUR 1,023.2 million—6,4 percent less than in fiscal year 2015/16 (EUR 1,092.9 million). The decrease is particularly due to reduced license income, as well as a slight decrease in product revenue.

“The past fiscal year was marked by many highlights but also lowlights,” Merz CEO Philip Burchard explained. There were supply chain complications for the medical devices Ultherapy® and Cellfina® and a planned market launch had to be postponed. “However, we have overcome these difficulties by now and can continue our growth strategy in aesthetic medical devices,” Burchard said.

While the **business area Specialty Neurology**, driven by the botulinum neurotoxin Xeomin® (incobotulinumtoxinA) developed very positively with an increase of 15 percent, the **Aesthetics** segment of Merz’s business recorded a total loss of revenue of 5 percent. The regional products sector also recorded a loss of 4 percent compared to the prior year.

The two core business areas Specialty Neurology and Aesthetics contributed 63 percent of product revenue in fiscal year 2016/17. In Specialty Neurology, Xeomin® (incobotulinumtoxinA) grew by over 18 percent. In Aesthetics, the two products Bocouture® (incobotulinumtoxinA) and Belotero® gained substantial growth, Radiesse® and Ultherapy® declined somewhat in revenue.

The **Merz Consumer Care** business in the German-speaking markets in Europe continued its positive growth development. The division contributed 8 percent of total Merz revenue and increased by 10 percent compared to the prior year. The above-average growth is based on the successful market launch of “t: by tetesept” brand and the successful expansion of Merz’s vitamin products line.



Dynamic Latin America and APAC

Merz has recorded substantial growth in all regions except for North America. The Latin America region (revenue in 2016/17: EUR 70 million) increased by 27 percent and the Asia Pacific region (EUR 95 million) increased by 17 percent. The region with the highest revenue, Europe, Middle East, and Africa (EMEA), grew by 9 percent to EUR 385 million. These revenue increases were not quite sufficient to compensate for the 23 percent decrease in North America (EUR 292 million). “However, I am very confident that the revenue contribution of North America will develop positively under the new leadership of Bob Rhatigan, newly-appointed President and CEO for Merz North America,” Burchard said.

Overall, Merz achieved revenue of EUR 904.1 million from its international business, which corresponds to 88.4 percent of total revenue. The German market generated revenue of EUR 119.1 million in 2016/17, accounting for 11.6 percent of Merz’s total revenue.

EBIT decline

The decreased license income of the Alzheimer’s drug Memantine is the main reason for the decline in earnings before interest and tax (EBIT): At EUR 99.0 million, EBIT was EUR 32.8 million below the figure for the prior year (EUR 131.8 million).

High investment in Aesthetics

At EUR 146.5 million, the Merz global spend on research and development in fiscal 2016/17 was EUR 13.7 million lower than that of the prior year. Investments were mainly made in further developments of the neurotoxin products, as well as developing innovative products for aesthetic skin treatments, both in the area of dermal fillers and in aesthetic medical devices.

In addition to funding for internal research and development, Merz also continues to invest in start-ups and research projects at an early stage of development through corporate venture capital in the Aesthetics segment. In August 2016, Merz acquired US medical devices company ON Light Sciences, Inc. (OLS) and its technologies to enhance laser-based dermatologic procedures, including the FDA 510(k) cleared and CE marked DeScribe[®] Transparent PFD (perfluorodecalin) patch used in laser tattoo removal.



Majority of the workforce outside of Germany

As of the June 30, 2017 reporting date, Merz had a total workforce of 2,977 employees (prior year: 3,005). 1,939 employees are located outside of Germany (prior year: 1,972), or approximately 65 percent of the total workforce.

Innovation as a growth engine

Now that Merz has managed the supply chain complications related to Ultherapy® and Cellfina®, these two innovative medical devices have the potential for growth. Ultherapy®, the first and only ultrasound treatment for non-invasive skin lifting approved by the US Food and Drug Administration (FDA), recently recorded its millionth treatment worldwide since its market launch in 2008. Cellfina® is the only FDA-approved and CE-marked cellulite treatment method with visible results for up to three years. According to surveys, 93 percent of patients are satisfied with the treatment results. As of September 2017, Cellfina® has been successfully launched in the European market.

Positive outlook for 2017/2018

Philip Burchard is confident about the current fiscal year that started in July 2017: “We are off to a good start in the new fiscal year in all regions. By focusing on our core business areas Aesthetics and Specialty Neurology, which both have high growth potential, we’re well prepared for the future. With our perfectly harmonized product portfolio, Merz is one of the few leading companies that takes a holistic approach in aesthetics.”

Merz hopes for further growth through a new global partnership with US supermodel, actress and entrepreneur, Christie Brinkley to help empower women to live, feel and look their best at any age. Through this initiative, Ms. Brinkley, a mom, actress and entrepreneur, will share why she chose to have the lines between her brows treated with Xeomin®/Bocouture® (incobotulinumtoxinA) and Ultherapy®, the non-surgical skin tightening and lifting treatment, on her neck and décolletage. In Specialty Neurology, Merz has entered a license and development partnership with the Japanese pharmaceutical company Teijin, giving Merz access to the important Japanese market.

Merz Pharma Group

With approximately 3,000 employees and 34 subsidiaries worldwide, Merz is a global leader in Aesthetics and Neurotoxins. Privately held for more than 100 years, the company is distinguished by its in-house research and development, solid financial strength and continuous growth. Complementing its

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unique portfolio of products for minimally invasive and non-invasive skin rejuvenation and tightening, Merz also develops neurotoxin therapy for the treatment of movement disorders. Skincare products and a range of OTC medicines are also included in offerings from the company, which is headquartered in Frankfurt, Germany. In fiscal year 2016/17, the Merz Pharma Group generated revenue of EUR 1,023.2 million. More information is available at www.merz.com.

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