

Q3 2019 Financial Summary for Investors and Analysts

Life Science and Healthcare driving profitable growth

- Healthcare – Mavenclad® ramp-up and core business drive strong organic growth
- Life Science – All businesses and regions fuel double-digit growth; Process Solutions again the strongest driver
- Performance Materials – LC back to negative underlying trajectory; market slowdown in Semiconductor Solutions and Surface Solutions
- Q3 2019 organic sales growth of +5.7%; Q3 2019 organic EBITDA pre growth of +9.8%
- Versum acquisition successfully closed¹ - Group guidance impact:
net sales: ~€ 270 m; EBITDA pre: € 80 to 90 m
- Full-year 2019 guidance upgraded incl. Versum:
net sales: € 15.7 to 16.3 bn; EBITDA pre: € 4,230 to 4,430 m

Overview Financials

Q3 2019 Overview

- Net sales growth driven by Healthcare and Life Science, offsetting Performance Materials decline
- EBITDA pre & margin reflect GSK deferred income (~€30 m), cost consciousness in HC and strong operating leverage in LS
- Strong operating cash flow due to higher EBITDA and Bavencio® milestone payment
- Working capital reflects increased inventory levels and FX
- Higher net financial debt driven by IFRS 16 adoption, dividends and temporary investment of cash proceeds from CH divestment

¹Closing of the transaction to acquire Versum Materials, Inc. ("Versum") for approximately € 5.8 billion on October 7th, 2019

Q3 2019 Balance Sheet

- Higher cash & cash equivalents reflects bond placements and repayment of a due bond (~€2.8 bn)
- Increase in property, plant and equipment mainly due to IFRS 16 adoption
- Other assets reflect temporary investment of cash proceeds from Consumer Health divestment
- Increase in equity reflects profit after tax (equity ratio of 43.2%)
- Higher financial debt due to bond placements (~€3.5 bn) and IFRS 16 reclassification of lease liabilities
- Increase in provisions for pensions reflects decline in interest rate

Q3 2019 Cash flow Statement

- D&A increase mainly due to IFRS 16 reclassification
- Changes in other assets/liabilities driven by Bavencio® milestone payment; last years' low base due to neutralization of receivables
- Higher financing cash flow reflects the issuance of new bonds (€2 bn) partially offset by repayment of a due bond (€800 m)

Q3 2019 Business Overview

Healthcare

- **Prominent contribution from Mavenclad® and Bavencio®; solid core business**
- Net sales deviation YoY: organic +8.0%, FX +2.0%, portfolio 0.0%
- EBITDA pre deviation YoY: organic +24.8%¹, FX +6.5%, portfolio 0.0%
- Strong growth in Healthcare reflects solid core business and all franchises contributing, N&I franchise back to growth globally
- Mavenclad® with continued strong uptake globally (+45% vs. Q2)
- Solid Erbitux® benefiting from China reimbursement; Bavencio® on track
- M&S decrease due to resource reallocation from core business to new product launches and stringent cost management
- Higher EBITDA pre driven by strong top-line performance, cost consciousness, GSK deferred income (~€30 m) and IFRS 16

¹Thereof IFRS 16 effect with +3.1% (+€12 m)

Life Science

- **All major businesses and regions fuel double-digit growth**
- Net sales deviation YoY: organic +10.0%, FX +3.0%, portfolio -0.7%
- EBITDA pre deviation YoY: organic +13.7%¹, FX +1.9%, portfolio -0.3%
- Strong demand for Process Solutions drives double-digit growth, especially filtration and single-use, across all regions
- Solid organic growth of Applied Solutions mainly driven by advanced analytical and lab water, all regions contributing
- Research Solutions with solid organic growth reflecting strong demand for lab chemicals and workflow tools, especially APAC and North America
- Strong volume growth and investments in eCommerce drive higher M&S
- EBITDA pre and margin increase driven by sustained strong top line, operating leverage and IFRS 16

Performance Materials

- **Expected LC decline starts to materialize amid continued market slowdown in Semiconductor and Surface**
- Net sales deviation YoY: organic -10.6%, FX +3.7%, portfolio 0.0%
- EBITDA pre deviation YoY: organic -19.3%², FX +6.7%, portfolio 0.0%
- Double-digit decline of Display Solutions: LC back to negative underlying trajectory with high last year base, OLED again strong
- Ongoing softness of Semiconductor Solutions due to market slowdown
- Surface Solutions decline reflects weak demand of automotive market increased industrials portfolio-focus amid Bright Future transformation
- Provisions related to Bright Future program drive admin expense
- Lower R&D reflects strong cost focus and impact of Bright Future program
- EBITDA pre margin decline reflects reduced top line and negative business mix

¹Thereof IFRS 16 effect with +3.0% (+€14 m);

²Thereof IFRS 16 effect with +1.1% (+€2 m)

**Guidance for 2019,
including Versum for 86 days**

- **EBITDA pre: Organic +10% to +13% YoY¹, FX 0% to +2% YoY, ~ € 4,230 – 4,430 m thereof Versum: ~ € 80m – 90m**
- Net sales: Organic +3% to +5% YoY, FX 1% to +2% YoY, ~ € 15.7 – 16.3 bn thereof Versum: ~ € 270m
- EPS pre: ~ € 5.30-5.65, thereof Versum: ~ € 0.11 – 0.14

Outlook by business sector 2019 - business sector guidance² without Versum

Healthcare

- Net sales: Solid organic growth +4% to +6%; base business at least stable organically; strong contributions from launches including Mavenclad
- EBITDA pre¹:
 - Organic +19% to +23% YoY
 - FX 0% to +2% YoY
 - ~ €1,830 – 1,940m

Life Science

- Net sales: Organic growth +8% to +9%, above expected market growth; main growth driver Process, Solutions but all businesses contributing
- EBITDA pre¹:
 - Organic +12% to +14% YoY
 - FX 0% to +2% YoY
 - ~ €2,040 – 2,140m with 20-30 bps³ underlying margin progression

Performance Materials

- Net sales: Organic decline -4% to -7%; LC resuming decline, following temporary capacity ramp-up in China; economic environment may lead to moderate decline in Semicon, return to growth in 2020
- EBITDA pre¹:
 - Organic -9% to -13% YoY
 - FX+3% to +5% YoY
 - ~ €695 – 755m

¹Incl. ~€130m YoY contribution from adoption of IFRS 16 (Healthcare ~40%, Life Science ~40%, PM ~10%, CO ~10%);

²Divisional guidances are only support to the group guidance and do not have to add up; Merck KGaA Darmstadt, Germany stand-alone, i.e. without acquisition of Versum Materials and Intermolecular Inc.

³bps = basis points

Additional financial guidance

- Corporate & Other EBITDA pre* ~ -€460 – -490 m
- Interest result ~ -€260 – -280 m
- Effective tax rate ~ 24% to 26%
- Capex on PPE ~ €1.0 bn – 1.1 bn
- Hedging/USD assumption **FY 2019 hedge ratio ~60%**
at EUR/USD ~1.20
- 2019 Ø EUR/USD assumption ~ 1.11 – 1.15

*CO guidance 2019: -€460 m to -€490 m (assuming FX adjusted CO costs -€390 m to -€400 m)

Group Q3 2019

€ m	Group			Healthcare			Life Science			Performance Materials			Corporate/Others		
	Q3 2018	Q3 2019	% YoY	Q3 2018	Q3 2019	% YoY	Q3 2018	Q3 2019	% YoY	Q3 2018	Q3 2019	% YoY	Q3 2018	Q3 2019	% YoY
Net sales	3.749	4.054	8%	1.596	1.756	10%	1.527	1.715	12%	626	583	-7%			
% organic			6%			8%			10%			-11%			
% FX			3%			2%			3%			4%			
% portfolio			0%			0%			-1%			0%			
EBIT	491	608	24%	191	325	70%	277	316	14%	142	98	-31%	-119	-131	10%
Depreciation and amortization	428	464	9%	181	178	-2%	173	195	13%	60	71	20%	14	20	39%
EBITDA	919	1.072	17%	372	504	35%	449	511	14%	202	169	-16%	-105	-111	6%
Adjustments in EBITDA	45	39	-13%	9	-3	n.m.	11	20	83%	1	8	>100%	23	13	-42%
EBITDA pre	963	1.111	15%	381	501	31%	460	531	15%	203	177	-13%	-82	-98	20%
Net financial debt	6.701 *	7.320	9%												

* as per 31 December

Totals may not add up due to rounding

Group

P&L Group	Q3 2018	Q3 2019	% YoY
Net sales	3.749	4.054	8%
Cost of sales	-1.344	-1.478	10%
thereof: intangibles amortization	-44	-44	0%
Gross profit	2.405	2.576	7%
Marketing and selling expenses	-1.079	-1.100	2%
thereof: intangibles amortization	-241	-218	-10%
Administration	-283	-267	-6%
Impairment losses / reversals (IFRS9)	32	-1	n.m.
Other operating income/expenses	-42	-40	-5%
Research and development	-542	-558	3%
EBIT	491	608	24%
Depreciation and amortization	428	464	9%
EBITDA	919	1.072	17%
Adjustments in EBITDA	45	39	-13%
EBITDA pre	963	1.111	15%
Financial result	-56	-135	>100%
Profit before tax	435	473	9%
Income tax	-112	-134	20%
Income tax rate	26%	28%	
Profit after tax from continuing operations	323	339	5%
Profit after tax from discontinued operation	22	2	-89%
Profit after tax	345	342	-1%
Non-controlling interests	-5	1	n.m.
Net income	340	343	1%
Number of theoretical shares in million	434,8	434,8	
EPS in €	0,78	0,79	1%
EPS pre in €	1,32	1,35	2%

Totals may not add up due to rounding

Healthcare

P&L Healthcare	Q3 2018	Q3 2019	% YoY
Net sales	1.596	1.756	10%
Cost of sales	-364	-418	15%
thereof: intangibles amortization	-1	-1	14%
Gross profit	1.233	1.338	9%
Marketing and selling expenses	-573	-561	-2%
thereof: intangibles amortization	-134	-111	-17%
Administration	-81	-82	1%
Impairment losses / reversals (IFRS9)	-3	1	n.m.
Other operating income/expenses	25	58	>100%
Research and development	-409	-429	5%
EBIT	191	325	70%
Depreciation and amortization	181	178	-2%
EBITDA	372	504	35%
Adjustments in EBITDA	9	-3	n.m.
EBITDA pre	381	501	31%

Totals may not add up due to rounding

Life Science

P&L Life Science	Q3 2018	Q3 2019	% YoY
Net sales	1.527	1.715	12%
Cost of sales	-656	-748	14%
thereof: intangibles amortization	-15	-15	-1%
Gross profit	871	967	11%
Marketing and selling expenses	-443	-474	7%
thereof: intangibles amortization	-105	-103	-1%
Administration	-85	-83	-2%
Impairment losses / reversals (IFRS9)	0	-3	n.m.
Other operating income/expenses	-8	-24	>100%
Research and development	-59	-67	14%
EBIT	277	316	14%
Depreciation and amortization	173	195	13%
EBITDA	449	511	14%
Adjustments in EBITDA	11	20	83%
EBITDA pre	460	531	15%

Totals may not add up due to rounding

Performance Materials

P&L Performance Materials	Q3 2018	Q3 2019	% YoY
Net sales	626	583	-7%
Cost of sales	-322	-315	-2%
thereof: intangibles amortization	-28	-28	0%
Gross profit	304	268	-12%
Marketing and selling expenses	-62	-61	-2%
thereof: intangibles amortization	-3	-3	17%
Administration	-23	-30	27%
Impairment losses / reversals (IFRS9)	0	1	n.m.
Other operating income/expenses	-11	-32	>100%
Research and development	-65	-48	-26%
EBIT	142	98	-31%
Depreciation and amortization	60	71	20%
EBITDA	202	169	-16%
Adjustments in EBITDA	1	8	>100%
EBITDA pre	203	177	-13%

Totals may not add up due to rounding