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Strong first quarter – low impact from Covid-19 to date

Results of Q1 2020

- **Group grows profitably, EBITDA pre up by 27.2%, net sales rise by 16.7%**
- **Organic growth driven by the Healthcare and Life Science business sectors**
- **Varying impact of the Covid-19 pandemic on the businesses**

Outlook for fiscal 2020

- **Group net sales of between € 16.8 billion and € 17.8 billion expected, forecast for EBITDA pre between € 4.35 billion and € 4.85 billion**
- **Covid-19 pandemic could mainly impact Healthcare and Performance Materials**

Darmstadt, Germany, May 14, 2020 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, again grew profitably in the first quarter of 2020. In comparison with the year-earlier quarter, Group net sales increased by 16.7% to € 4.4 billion. EBITDA pre, the company's most important earnings indicator, rose by 27.2% to € 1.2 billion. The Covid-19 crisis, which has meanwhile become a pandemic, only had a moderate impact in the first quarter of 2020. However, the company expects the effects to amplify in the coming months and has also taken this into account in its forecast for fiscal 2020. For this year, the company expects



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Group net sales of between € 16.8 billion and € 17.8 billion as well as EBITDA pre in a range of € 4.35 billion to € 4.85 billion.

“In recent weeks, many companies have throttled or even stopped their production activities for understandable reasons. Many parts of our business are essential, so we of course continued our operations. Patients, researchers and customers around the world rely on us. The good business results in the first quarter show that we have successfully mastered the crisis so far. With our three innovation-driven business sectors, we are also well positioned during economically difficult times. In 2018, we had already begun to adapt our indirect costs. Our products and solutions contribute to the global Covid-19 response in many ways. We are proud of this, and it is what drives us,” explained Stefan Oschmann, Chairman of the Executive Board and CEO. “We will continue to do everything we can to deal with the impact of Covid-19 in the best possible way. Our top priority will of course still be the safety and health of our employees as well as business continuity.”

Covid-19 has a varying impact on the portfolio – company is an essential business in the fight against the pandemic

Once again, the strength of having a diversified business portfolio can be seen during increasingly uncertain times. In the first quarter, the impact of the Covid-19 pandemic varied between the Group’s businesses but still permitted a strong quarter. The company saw higher demand in the General Medicine & Endocrinology franchise of the Healthcare business sector, also as a consequence of the Covid-19 pandemic. The recovery that had been forecast for 2020 in the Semiconductor Materials business was not impeded in the first quarter. This contrasted with decreases in other areas owing to the economic slowdown and further pandemic-related restrictions in numerous countries, for instance in the Fertility franchise or in the Surface Solutions business unit of the Performance Materials business sector.

As a science and technology company, Merck KGaA, Darmstadt, Germany, is supporting the fight against the Covid-19 pandemic in many different ways. “Together with our partners, we will further advance scientific progress in the battle against the virus,” said Oschmann. Among other things, the company is supporting the Jenner Institute at the University of Oxford in preparing for manufacturing of its Covid-19 vaccine at commercial scale. It has also joined a consortium of

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international pharmaceutical companies and the Bill & Melinda Gates Foundation, which is working to accelerate the development and production of Covid-19 vaccines.

“Furthermore, we want to support those who are making tremendous efforts during the pandemic,” explained Oschmann. For instance, the company is donating two million N95 medical-grade masks to Germany, France and the United States, among others. In addition, the company is providing 290,000 units of its active ingredient interferon beta-1a (Rebif) free of charge to the World Health Organization for a clinical study.

Group grows profitably

In comparison with the year-earlier quarter, Group net sales increased by 16.7% to € 4.4 billion in the first quarter. All business sectors contributed to this. Organically, Group sales grew by 7.6%, driven mainly by the Healthcare and Life Science business sectors. Foreign exchange effects accounted for 0.6%. Owing to portfolio effects, Group sales increased by 8.4%, primarily due to the acquisition of Versum Materials in autumn 2019.

EBITDA pre rose in the first quarter by 27.2% and thus far more strongly than sales. Merck KGaA, Darmstadt, Germany, thus achieved profitable growth. The organic increase in EBITDA pre amounted to 14.5% and was supported by positive foreign exchange effects of 2%. The acquisitions of Versum Materials and Intermolecular improved EBITDA pre by 10.7%. The operating result EBIT advanced by 89.0% to € 716 million. Net income soared by more than 100% to € 456 million. In the first quarter, earnings per share pre were € 1.50, an increase of 32.7% over the year-earlier quarter. The company had 57,451 employees worldwide on March 31, 2020.

MS medicine Mavenclad and products from General Medicine & Endocrinology drive organic sales growth of Healthcare

At € 1.7 billion, net sales of the Healthcare business sector increased in the first quarter by 14.9% over the year-earlier quarter. Organic growth was 15.3%, the foreign exchange impact was -0.4%. The main drivers of organic growth were especially the medicine Mavenclad for the treatment of certain forms of multiple sclerosis (MS), as well as products from the General Medicine & Endocrinology

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(GM&E) franchise. Sales of Mavenclad rose to € 123 million, also due to marketing approval in the United States in late March 2019. Products from GM&E, including the diabetes treatment Glucophage and the cardiovascular medicine Concor, generated organic sales growth of 20.9%, also due to advance effects in the course of the Covid-19 pandemic. By contrast, sales of the Fertility franchise declined organically by -3.5%. Lower demand in China, caused by the impacts of the Covid-19 pandemic, especially the lockdown there, were largely compensated for by positive developments in other regions.

In the first quarter, EBITDA pre of Healthcare amounted to € 472 million, an increase of 42.2% over the year-earlier quarter.

Process Solutions drives growth of Life Science

The Life Science business sector increased its net sales to € 1.8 billion in the first quarter, which was 6.5% more than in the year-earlier quarter. Solid organic sales growth of 5.6% was further strengthened by exchange rate effects of 0.9%. Organic growth was fueled by the Process Solutions business unit, which saw sales grow organically by 13.2% in the first quarter. By contrast, in view of the Covid-19 pandemic and the resulting closures of academic research facilities and further restrictions of economic life, particularly in Asia, the Applied Solutions and Research Solutions business units could not generate organic sales growth.

In the first quarter, EBITDA pre of Life Science amounted to € 553 million, rising by 7.2% over the year-earlier quarter.

Performance Materials sees growth in the Semiconductor Solutions business

Net sales of the Performance Materials business sector rose by 49.0% to € 900 million in the first quarter, mainly owing to portfolio effects of 52.1% as well as positive foreign exchange effects of 2.4%. Organically, sales declined by -5.4%, primarily as a result of business performance in the Display Solutions and Surface Solutions business units.

In the first quarter, the Display Solutions business unit saw an organic sales decline of -10.5%. This also reflects to a minor extent initial negative effects of the Covid-19 pandemic. The original Semiconductor Solutions business unit prior to the acquisitions of Versum Materials and Intermolecular in autumn 2019 delivered

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strong organic growth of 8.7% in the first quarter. Sales of the Surface Solutions business unit declined in the first quarter organically by -9.1%, mainly owing to weaker demand from the automotive and cosmetic industries primarily attributable to uncertainty in the context of the Covid-19 pandemic.

EBITDA pre of Performance Materials rose in the first quarter by 48.3% to € 286 million, chiefly due to the named acquisitions.

Forecast for the full year 2020 reflects the Covid-19 pandemic

In view of the Covid-19 pandemic and in deviation from its first qualitative forecast in early March, the company now assumes a significant burden on global economic growth, which will affect all business sectors, particularly Healthcare and Performance Materials. Due to the high level of uncertainty with respect to the further development of the Covid-19 pandemic, the company's forecast is being made with a considerably higher degree of uncertainty than normally. The forecast is based on the following assumptions: For China, the company assumes that the Covid-19 pandemic reached its peak at the end of the first quarter and that a significant easing of the situation will set in as of the second quarter. For Europe and the United States, the company does not expect the pandemic to peak until the second quarter; the outbreak in these markets should normalize by the end of the third quarter. Moreover, the following forecast does not assume a potential second disease wave in the named regions.

Based on these assumptions, Merck KGaA, Darmstadt, Germany, expects for the full year 2020 a slight to moderate organic net sales increase over the previous year. The company still expects the portfolio effect of the acquisition of Versum Materials, which is being reported for the first three quarters, to be in the mid single-digit percentage range. Overall, the company forecasts a slightly unfavorable to stable foreign exchange development of -2% to +1% attributable to the currencies of numerous growth markets, especially in Latin America. This effect is expected to be mitigated by a favorable development of the euro-U.S. dollar exchange rate, which the company sees in a range of 1.08 to 1.12. Overall, the company therefore forecasts Group net sales of € 16.8 billion to € 17.8 billion for 2020.

For 2020, Group EBITDA pre is expected to be in a range of between € 4.35 billion and € 4.85 billion. Owing to strong restrictions of economic life and declining income

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in the context of the Covid-19 pandemic with correspondingly adverse effects on the businesses, the company forecasts a merely stable organic development. The portfolio effect from the acquisition of Versum Materials, which the company still expects will be in the mid single-digit percentage range, should lead to a slight improvement in the Group margin. The forecast foreign exchange development is likely to slightly lower Group EBITDA pre by between -3% and 0% in comparison with the previous year.

Due to the amended situation assessment as regards the Covid-19 pandemic, the company has supplemented the relevant sections of the Annual Report for 2019.

The updated version is available on the company's website at:

<https://www.emdgroup.com/en/annualreport/2019/>.

Overview of the key figures for the first quarter

GROUP

Key figures

€ million	Q1 2020	Q1 2019	Change
Net sales	4,370	3,746	16.7%
Operating result (EBIT) ¹	716	379	89.0%
Margin (% of net sales) ¹	16.4%	10.1%	
EBITDA ¹	1,148	853	34.6%
Margin (% of net sales) ¹	26.3%	22.8%	
EBITDA pre ¹	1,181	929	27.2%
Margin (% of net sales) ¹	27.0%	24.8%	
Profit after tax	458	190	>100,0%
Earnings per share (€)	1.05	0.43	>100,0%
Earnings per share pre (€) ¹	1.50	1.13	32.7%
Business free cash flow ¹	661	545	21.4%

¹ Not defined by International Financial Reporting Standards (IFRS).

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HEALTHCARE

Development of net sales by key product lines and products

€ million	Q1 2020	Share	Organic growth ¹	Exchange rate effects	Total change	Q1 2019	Share
Oncology	260	15%	14.3%	-0.9%	13.5%	229	16%
Thereof: Erbitux	211	12%	7.1%	-1.0%	6.1%	199	13%
Thereof: Bavencio	33	2%	49.8%	0.5%	50.3%	22	1%
Neurology & Immunology	418	25%	20.3%	1.7%	22.1%	342	23%
Thereof: Rebif	295	17%	-3.4%	2.0%	-1.4%	299	20%
Thereof: Mavenclad	123	7%	>100.0%	0.1%	>100.0%	43	3%
Fertility	278	16%	-3.5%	0.1%	-3.4%	287	19%
Thereof: Gonal-f	167	10%	-1.2%	0.4%	-0.8%	168	11%
General Medicine & Endocrinology	680	40%	20.9%	-1.6%	19.3%	570	38%
Thereof: Glucophage	234	14%	31.7%	-2.0%	29.7%	180	12%
Thereof: Concor	150	9%	29.1%	-0.9%	28.2%	117	8%
Thereof: Euthyrox	114	7%	27.7%	-2.4%	25.4%	91	6%
Thereof: Saizen	65	4%	21.7%	-3.9%	17.8%	55	4%
Other	65	4%				52	4%
Healthcare	1,701	100%	15.3%	-0.4%	14.9%	1,481	100%

¹ Not defined by International Financial Reporting Standards (IFRS).

LIFE SCIENCE

Sales components by business unit

€ million	Q1 2020	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	Q1 2019 ²	Share
Process Solutions	802	45%	13.2%	1.3%	-	14.5%	700	42%
Research Solutions	546	31%	-	0.8%	-	0.8%	542	33%
Applied Solutions	421	24%	-	0.4%	-	0.4%	419	25%
Life Science	1,769	100%	5.6%	0.9%	-	6.5%	1,661	100%

¹ Not defined by International Financial Reporting Standards (IFRS).

² Previous year's figures have been adjusted owing to an internal realignment.

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PERFORMANCE MATERIALS

Sales components by business unit

€ million	Q1 2020	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	Q1 2019	Share
Display Solutions	304	34%	-10.5%	2.4%	-	-8.1%	331	55%
Semiconductor Solutions	485	54%	8.7%	3.7%	>100.0%	>100.0%	152	25%
Surface Solutions	111	12%	-9.1%	0.7%	-	-8.4%	121	20%
Other	0	0%	-33.4%	2.1%	-	-31.3%	0	0%
Performance Materials	900	100%	-5.4%	2.4%	52.1%	49.0%	604	100%

¹ Not defined by International Financial Reporting Standards (IFRS).

Notes for editors:

- The **teleconference** for media representatives will also be webcast live as of 9:30 a.m. (CEST), links to the webcast are available [here](#)
- The respective **presentation** and further information for journalists including a **digital press kit** can be found [here](#)
- The quarterly statement on Q1 can be found [here](#)
- Merck KGaA, Darmstadt, Germany on [Twitter](#), [LinkedIn](#)
- **Photos and images** can be found [here](#)
- **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, Darmstadt, Germany, a leading science and technology company, operates across healthcare, life science and performance materials. Around 57,000 employees work to make a positive difference to millions of people's lives every day by creating more joyful and sustainable ways to live. From advancing gene editing technologies and discovering unique ways to treat the most challenging diseases to enabling the intelligence of devices – the company is everywhere. In 2019, Merck KGaA, Darmstadt, Germany, generated sales of € 16.2 billion in 66 countries.

The company holds the global rights to the name and trademark "Merck" internationally. The only exceptions are the United States and Canada, where the business sectors of Merck KGaA, Darmstadt, Germany operate as EMD Serono in healthcare, MilliporeSigma in life science, and EMD Performance Materials. Since its founding 1668, scientific exploration and responsible entrepreneurship have been key to the company's technological and scientific advances. To this day, the founding family remains the majority owner of the publicly listed company.