

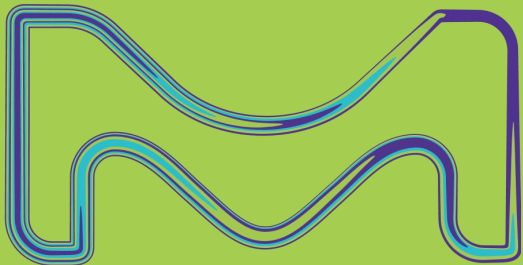
TOP LINE reflects COVID-19 impact, BOTTOM line well Managed

Merck KGaA, Darmstadt, Germany

Q2 2020 results

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August 6, 2020





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Agenda

01 Executive summary

02 Financial overview

03 Guidance

EXECUTIVE SUMMARY

01

Highlights



Operations

Healthcare: Oncology and General Medicine growing despite pandemic, Fertility demand lowered as anticipated, recovery of Mavenclad® ramp-up started in June, Bavencio® U.S. launch in UC 1L; M5049 COVID-19 study initiated

Life Science: supporting fight against COVID-19, Process Solutions growing 20%, Research & Applied end markets continue to be negatively impacted but recovery started in June

Performance Materials: Semiconductor Solutions growing 12% organically not yet offsetting Display and Surface Solutions decline; Versum performance & integration on track



Financials

Q2 organic sales: decline of -2.5%;

Q2 organic EBITDA pre: decline of -11.5%
(against elevated comps)

EBITDA pre guidance slightly upgraded:

Net sales: €16.9 – 17.7 bn

EBITDA pre: €4,450 – 4,850 m

EPS pre: €5.60 – 6.25

Net financial debt to EBITDA pre at 2.8 on June 30, 2020 – continued focus on deleveraging

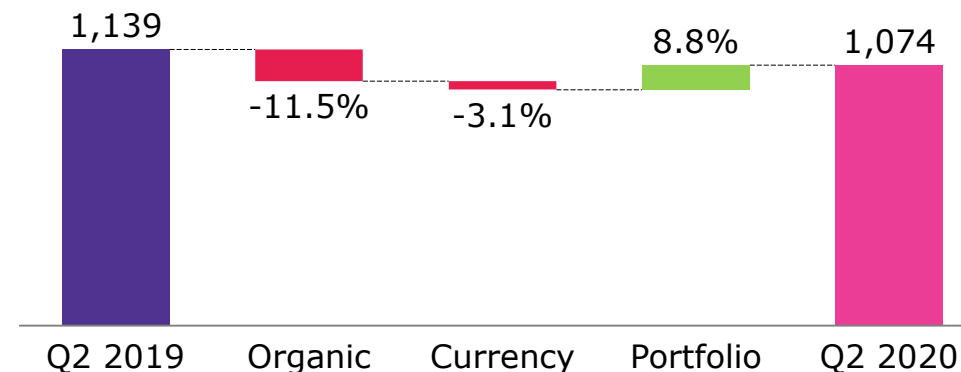
Versum portfolio effect and Process Solutions drive sales growth despite COVID-19 related organic decline in Healthcare and Performance Materials

Q2 YoY Net Sales

	Organic	Currency	Portfolio	Total
Healthcare	-7.4%	-2.3%	-0.9%	-10.6%
Life Science	6.3%	-0.4%	0.0%	5.9%
Performance Materials	-13.7%	1.8%	50.1%	38.1%
Group	-2.5%	-0.9%	7.1%	3.7%

- Healthcare decline largely driven by COVID-19 impact on Fertility; COVID-19 also slowing down growth of Mavenclad® as well as General Medicine & Endocrinology (incl. destocking post Q1 pull-in)
- Process Solutions growing 20% and overcompensating flat Applied Solutions and declining Research Solutions where demand was impacted by COVID-19 related lockdowns
- Semiconductor Solutions organic growth continues at an even higher pace – however, COVID-19 impact on Display and Surface Solutions results in overall organic decline

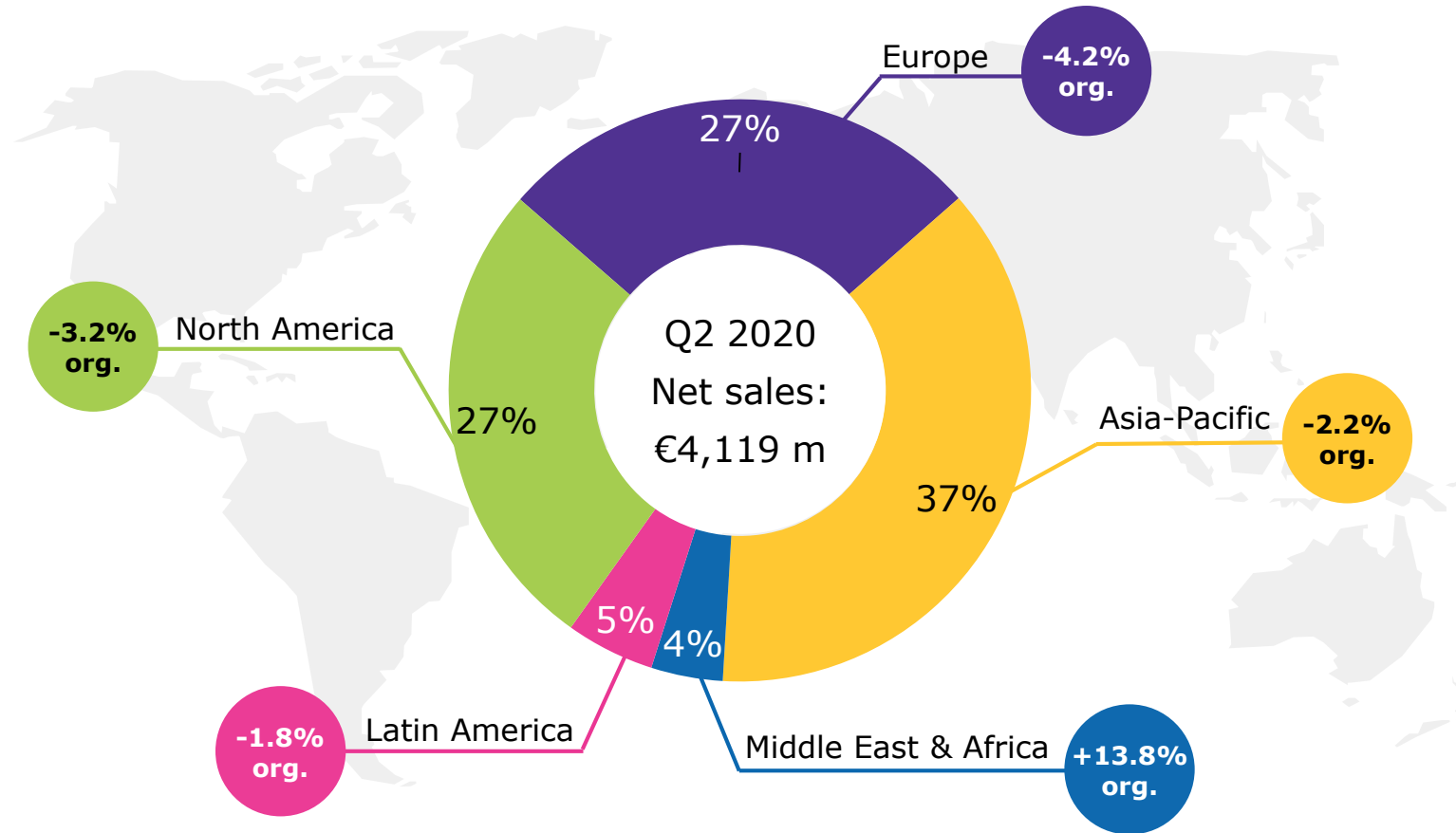
Q2 YoY EBITDA pre



- EBITDA pre declining faster than sales organically, largely due to non-recurring Healthcare income (~ €165 m higher in Q2 2019)
- Margin accretive Versum portfolio effect
- FX tailwinds from U.S. and Taiwan dollar did not offset currency headwinds from some emerging markets

All regions impacted by COVID-19; signs of recovery in APAC dragged down by Display Solutions & Fertility

Regional breakdown of net sales [€m]



Regional organic development

- Moderate decline in APAC as double-digit growth in Life Science and Semiconductor Solutions offset a large part of COVID-19-driven decline in Display, Fertility and Surface Solutions
- In Europe Neurology & Immunology as well as Research Solutions were also declining due to COVID-19
- North America saw significant declines in Research Solutions and Fertility, also Applied Solutions slightly down
- Strong General Medicine & Endocrinology growth in MEA and LATAM (where it could not fully offset effects of COVID-19 in Fertility)

Financial Overview

02

Q2 2020: Overview

Key figures

[€m]	Q2 2019	Q2 2020	Δ
Net sales	3,971	4,119	3.7%
EBITDA pre	1,139	1,074	-5.7%
Margin (in % of net sales)	28.7%	26.1%	-2.6pp
EPS pre	1.54	1.30	-15.6%
Operating cash flow	743	502	-32.4%

[€m]	Dec. 31, 2019	June 30, 2020	Δ
Net financial debt	12,363	12,560	1.6%
Working capital	3,944	4,474	13.4%
Employees	57,071	57,523	0.8%

Comments

- Versum portfolio effect and strong growth in Process Solutions drive sales above last year, despite materializing COVID-19 impact across most business units
- EBITDA pre and margin decline driven by lower non-recurring income components and under absorption of fixed costs due to lower sales from the COVID-19 impact
- EPS pre declining due to a lower financial result and EBITDA pre
- Lower operating cash flow driven primarily by GSK upfront payment in 2019 and higher working capital in 2020

Reported figures

Reported results

[€m]	Q2 2019	Q2 2020	Δ
EBIT	618	491	-20.6%
Financial result	-61	-102	67.4%
Profit before tax	557	389	-30.2%
Income tax	-136	-100	-26.7%
<i>Effective tax rate</i>	24.4%	25.7%	1.2pp
Net income	471	290	-38.5%
EPS (€)	1.08	0.67	-38.0%

Comments

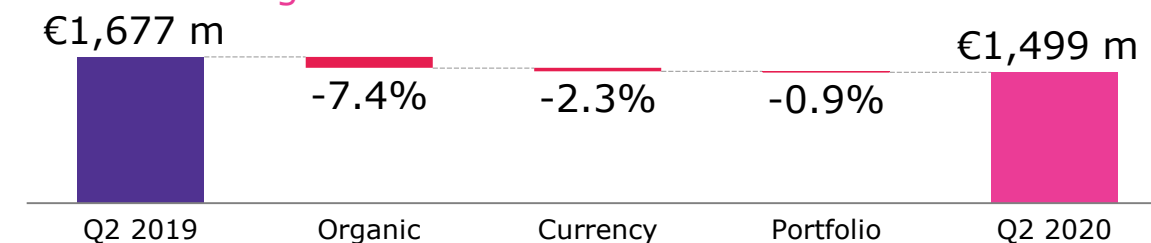
- EBIT decline driven by lower non-recurring income, higher depreciation & amortization from Versum PPA and impairments in Performance Materials
- Financial result impacted by LTIP and higher interest expenses related to Versum financing
- Effective tax rate within guidance range of ~24-26%
- Lower net income and EPS reflects lower EBIT and higher negative financial result

Healthcare: Savings in M&S and R&D offset impact from lowered Fertility demand and Mavenclad[®] drag amid COVID-19

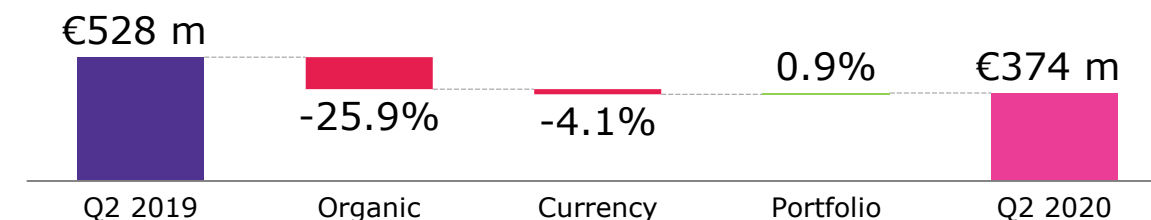
Healthcare P&L

[€m]	Q2 2019	Q2 2020
Net sales	1,677	1,499
Marketing and selling	-599	-409
Administration	-84	-81
Research and development	-395	-366
EBIT	345	269
EBITDA	523	359
EBITDA pre	528	374
<i>Margin (in % of net sales)</i>	31.5%	24.9%

Net sales bridge



EBITDA pre bridge



Comments

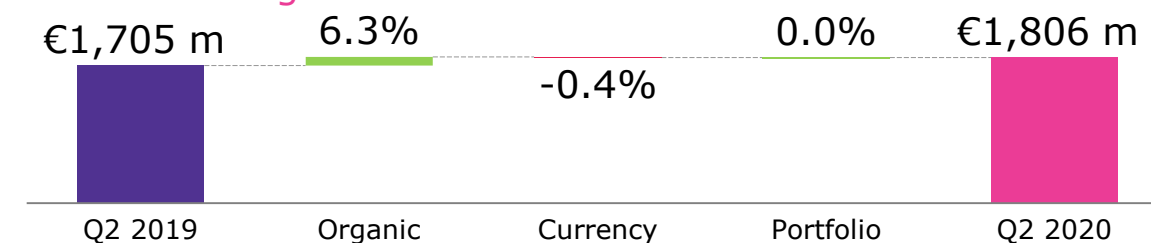
- Mavenclad[®] 36% growth versus Q2 2019, especially in U.S.; however demand declines versus Q1 2020 due to COVID-19 as expected; Rebif[®] returning to the anticipated underlying trajectory
- Fertility heavily impacted across all regions due to temporary shutdown of a majority of clinics
- Erbitux[®] organically slightly growing; Bavencio[®] growing strongly versus last year, but sequentially impacted by COVID-19
- M&S decrease due to rigorous cost management, further supported by significant reduction of in person face-to-face activities during pandemic, last year elevated by now expired amortization of Rebif[®]
- R&D reflecting ongoing stringent cost control
- EBITDA pre declining faster than sales, driven largely by tough comps from Peg-Pal and Bavencio[®] milestones in Q2 2019

Life Science: Strong resilience continues in Q2; Process growing 20%, Applied & Research impacted by COVID-19 but recovery visible in June

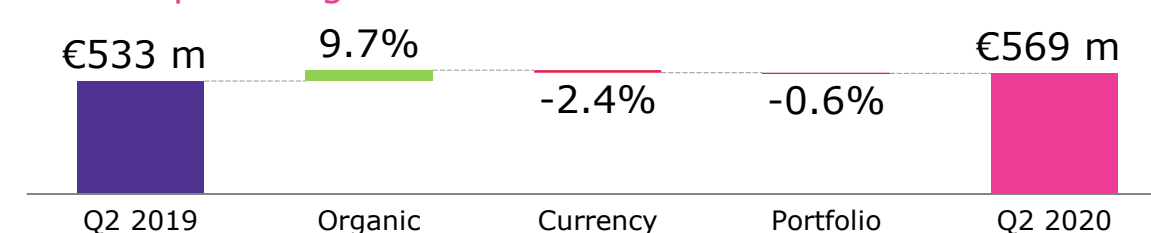
Life Science P&L

[€m]	Q2 2019	Q2 2020
Net sales	1,705	1,806
Marketing and selling	-490	-488
Administration	-68	-100
Research and development	-69	-75
EBIT	322	386
EBITDA	518	584
EBITDA pre	533	569
<i>Margin (in % of net sales)</i>	31.3%	31.5%

Net sales bridge



EBITDA pre bridge



Comments

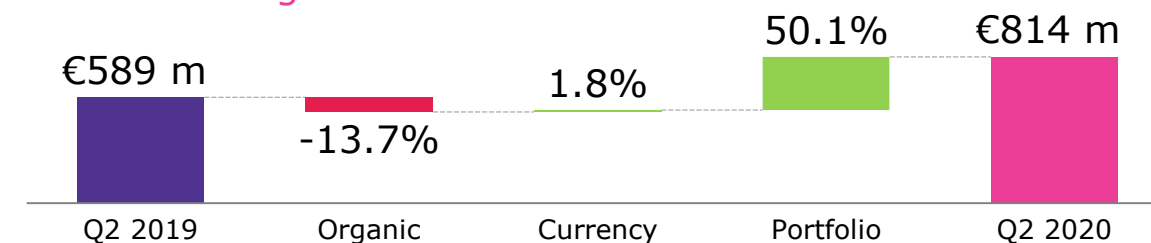
- 19.8% organic growth of Process Solutions mainly driven by downstream and single use, with COVID-19 demand contributing
- Applied Solutions about stable due to COVID-19-related effects across the full portfolio albeit clear signs of recovery in June
- Research Solutions impacted significantly mainly due to temporary slowdown in academia from COVID-19-related lab closures, also showing clear signs of recovery in June
- Lower M&S from overall cost-consciousness and lower travel expenses, partially offset by increased freight costs
- Admin increase largely driven by EBITDA pre adjustments (€12 m) and COVID-19-related cost for additional safety precautions
- Increased R&D driven by investments in strategic projects
- EBITDA pre growing faster than sales, reflecting operational leverage from strong top-line growth

Performance Materials: Versum portfolio effect and accelerating Semi growth more than offset declining Display and Surface amid COVID-19

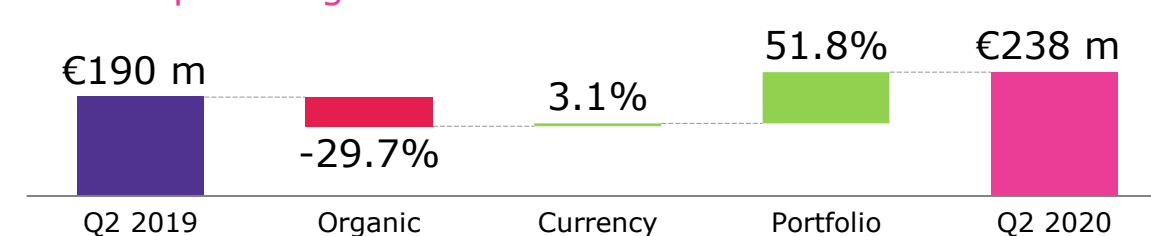
Performance Materials P&L

[€m]	Q2 2019	Q2 2020
Net sales	589	814
Marketing and selling	-66	-134
Administration	-25	-44
Research and development	-74	-68
EBIT	100	-30
EBITDA	161	219
EBITDA pre	190	238
<i>Margin (in % of net sales)</i>	32.3%	29.3%

Net sales bridge



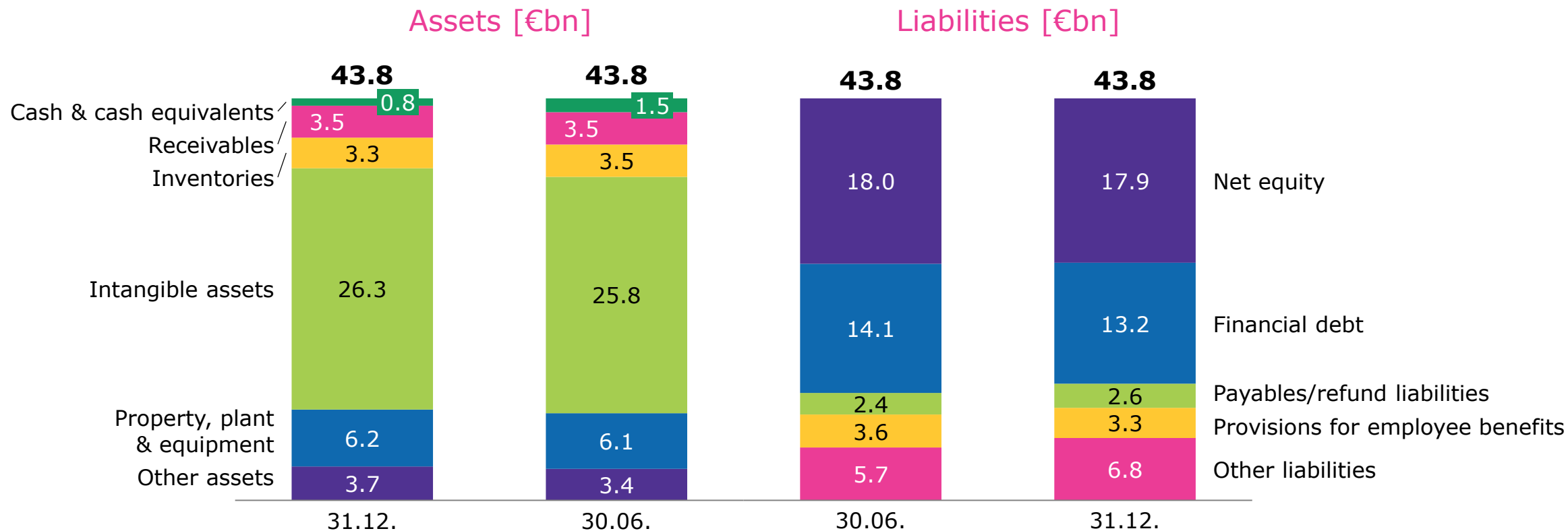
EBITDA pre bridge



Comments

- Sales growth of 38% reflects portfolio effect from Versum and positive FX, overcompensating organic decline
- Semiconductor Solutions: further accelerating strong organic growth, cyclical recovery and outperformance continuing
- Display Solutions: COVID-19 weighs on LC's negative underlying trajectory against still elevated comps in Q2 2019; OLED also impacted
- Surface Solutions: declining significantly amid a heavy COVID-19 impact on automotive and cosmetic end markets
- M&S reflects consolidation of Versum acquisition and diligent underlying cost management as part of the Bright Future transformation and countermeasures to Covid-19
- R&D declining from an elevated Q2 2019 base including Bright Future provisions (EBITDA pre adjustments); Q2 2020 includes Versum consolidation and shows underlying Bright Future cost management
- Increase in EBITDA pre largely reflects portfolio effect from Versum

Balance sheet



- Stable balance sheet since Dec. 31, 2019
- Continuously higher cash level in order to secure liquidity in the face of the COVID-19 pandemic
- Equity ratio of 41.1%
- Financial debt increase reflects bonds issued in January (€1.5 bn) and utilization of available credit lines to increase liquidity reserve; bond repayments in March (€2.0 bn)

Cash flow statement

Q2 2020 – cash flow statement

[€m]	Q2 2019	Q2 2020	Δ
Profit after tax	471	289	-182
D&A	453	559	106
Changes in provisions	-47	-54	-7
Changes in other assets/liabilities	-26	-166	-141
Other operating activities	-51	-13	37
Changes in working capital	-58	-112	-54
Operating cash flow	743	502	-240
Investing cash flow	-870	-216	654
thereof Capex on PPE	-162	-194	-33
Financing cash flow	1,244	-302	-1,546

Cash flow drivers

- Profit after tax driven by lower EBIT
- Higher depreciation & amortization from Versum PPA and impairments in Performance Materials
- Provisions reflect reduced litigation provisions and fluctuations in LTIP*
- Changes in other assets and liabilities primarily driven by GSK upfront payment in Q2 2019 that was deferred
- Increased working capital driven by Versum consolidation, higher inventories to secure supply in the face of COVID-19 and growing receivables
- Investing and financing cash flows returning to normal levels

*Long Term Incentive Plan

Totals may not add up due to rounding

guidance

03

Our assumptions on the development of the COVID-19 pandemic have remained largely the same since May

Previous assumptions

(communicated in May)

Current assumptions

(communicated in August)



Impact **across all regions**



Impact **across all regions**



Cases expected to **peak in Q2**

Situation **eases in H2**

Pandemic crisis **lasts for FY**



Recovery progressing during H2



Stressed health systems

Some countries have **less effective** response than China



Some countries **struggle to contain** virus resulting in stressed health systems
Effective **vaccines** not broadly available



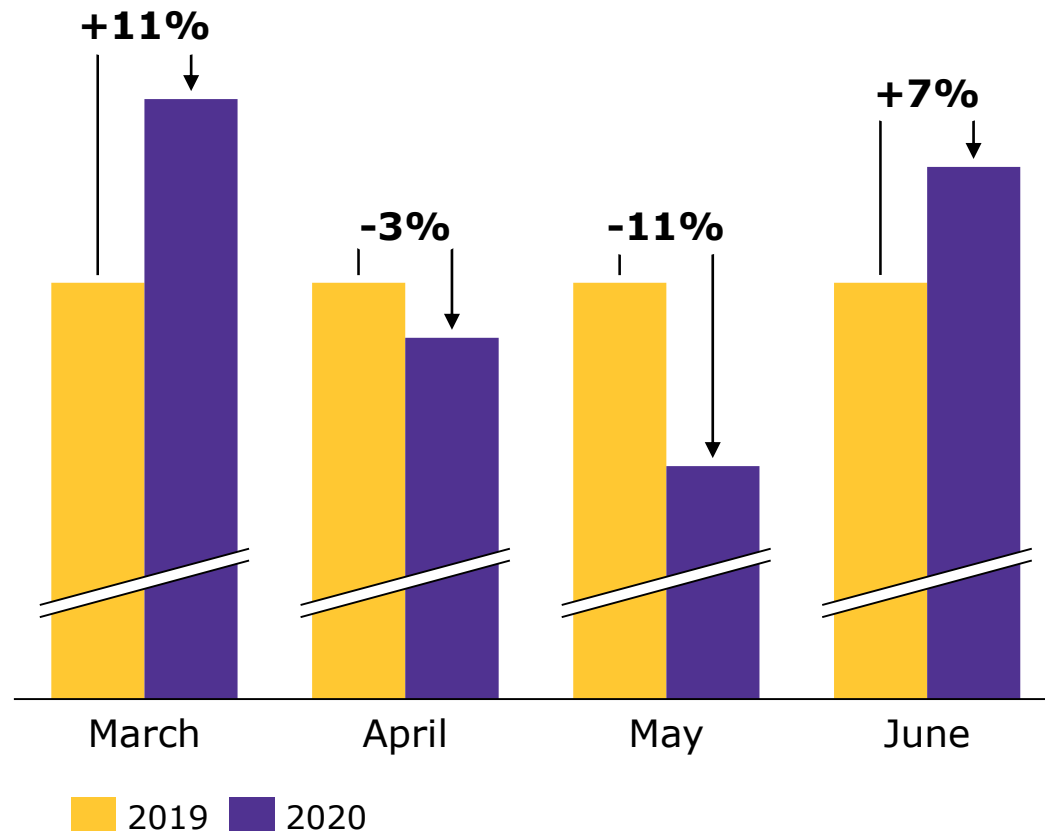
However, **no major resurgences**



Additional flares, but **not triggering new widespread lockdowns**

Active crisis management and resilient product portfolio allowed quick 8-week recovery time

Organic sales growth - Group

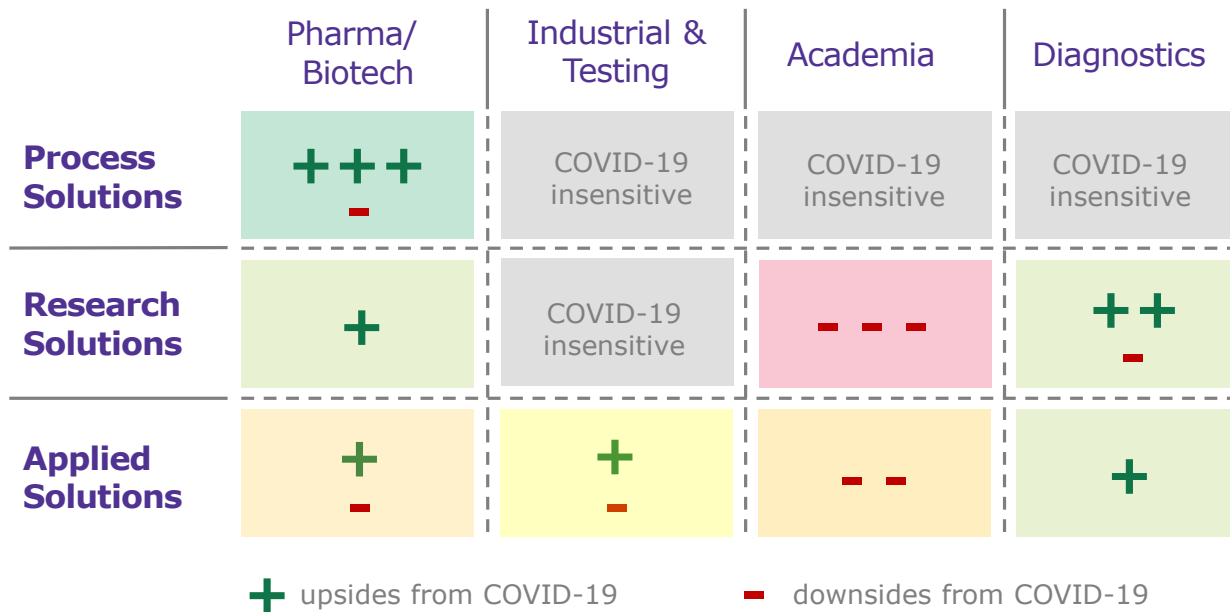


Increased visibility of COVID-19 impact

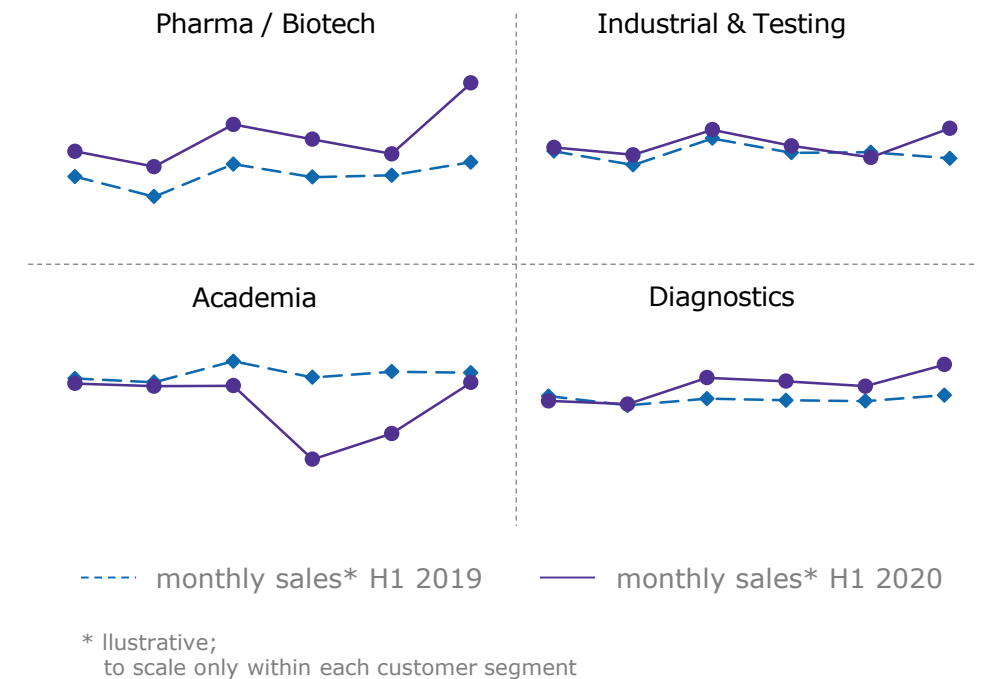
- Strongest correlation with mandatory **workplace closures**
 - **Fertility**: closure of clinics
 - **N&I**: closure of practices, limited visits
 - **Research Solution**: closure of research labs
 - **Display Solutions**: closure of electronic retail
- **Merck KGaA, Darmstadt, Germany well positioned in essential industries:**
 - Governments moved from mandatory **workplace closures** to mandatory **workplace measures**
 - Immediate restoration of business
- Other changes of a longer-lasting nature (Display or Automotive end markets)

Life Science highly resilient and well positioned to participate in potential mid-term upside from COVID-19

2020 heatmap of COVID-19 impact by customer segment



H1 2020 monthly sales* by customer segment



- Mid-term: **downsides to fade**, some **upsides to stay**, recovery started in June
- Order book for Process Solutions **up by >40%**, capacity expansion underway

COVID-19 guidance given in May overall accurate, improved visibility warrants slight upgrade

Group:

- **Up to** mid single-digit percentage sales impact full year
- **Countermeasures in place:** confirm 50 to 60% of net sales impact to hit EBITDA pre
- **Recovery visible** in June, **expected to continue** in Q3 and Q4

Healthcare assumptions:

- Biggest impact in Fertility behind, as **clinics are opening up again**
- Mavencad® **recovery visible in June**
- Other businesses **normalizing**

Life Science assumptions:

- **Net upside** from COVID-19-related demand in Process Solutions
- **Recovery as of June** in Applied Solutions
- **Research** showed **largest impact**, recovering in June as well

Performance Materials assumptions:

- **Strong growth** in Semiconductor expected to continue despite COVID-19
- Some **ease of impact** from COVID-19 in Display **versus Q2**
- Slight **ease on Surface's end markets** expected **versus Q2**



Key earnings drivers to remember for 2020



EBITDA pre - supporting factors

- Increasing sales contribution from Mavenclo® and Bavencio®
- Stringent M&S and R&D cost management in HC (decrease YoY absolute and as % of sales)
- Ongoing strength in Life Science with above-market sales growth
- Good momentum in Semiconductor Solutions and cost savings from Bright Future program related initiatives
- High level of cost consciousness and prioritization
- Four quarters of Versum



EBITDA pre - reducing factors

- No more support from Pfizer deferred income (€191 m in 2019)
- Lower income from pipeline management
- Continued decline of Liquid Crystals and Rebif®
- COVID-19-related sales and earnings effect
- Potential additional effect from VBP* in China during Q4 for Glucophage®

Group

Full-year 2020 guidance

Net sales:

Slight to moderate organic growth, Versum growth contribution in mid single-digit percentage range;
FX between 0% to -2% YoY;
~€16.9 – 17.7 bn

EBITDA pre:

Slight to moderate organic growth, mid single-digit percentage range growth from Versum;
FX headwinds of -2% to -4% YoY;
~€4,450 – 4,850 m

EPS pre:

~€5.60 – 6.25

Group

2020 business sector guidance¹

Healthcare



Net sales

- Slight organic growth
- COVID-19 significantly impacting Fertility performance
- Sustained performance of new products

EBITDA pre

- Organically about stable
- Significant adverse FX impact

Life Science



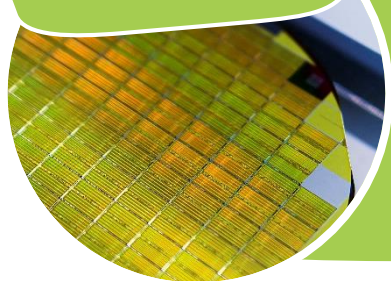
Net sales

- Strong organic growth
- Process Solutions trend offsetting slowdown in Research and Applied Solutions

EBITDA pre

- Strong organic growth
- Moderate adverse FX impact

Performance Materials



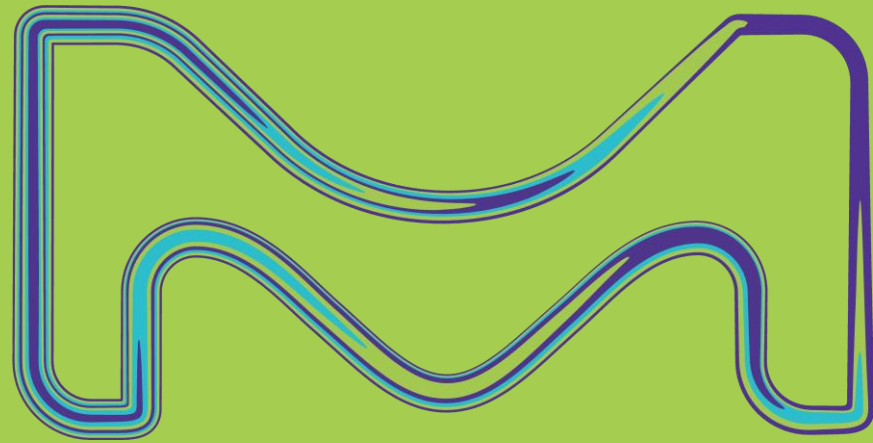
Net sales

- Moderate to strong organic decline
- Semiconductor Solutions growing strongly, while COVID-19 weighing on Display and Surface
- Mid-thirties percentage contribution from Versum

EBITDA pre

- Organic decline in the low-teens %
- Slight support from FX
- Mid-thirties percentage contribution from Versum

¹Business Sector guidances are only support to the Group guidance and do not have to add up



Appendix

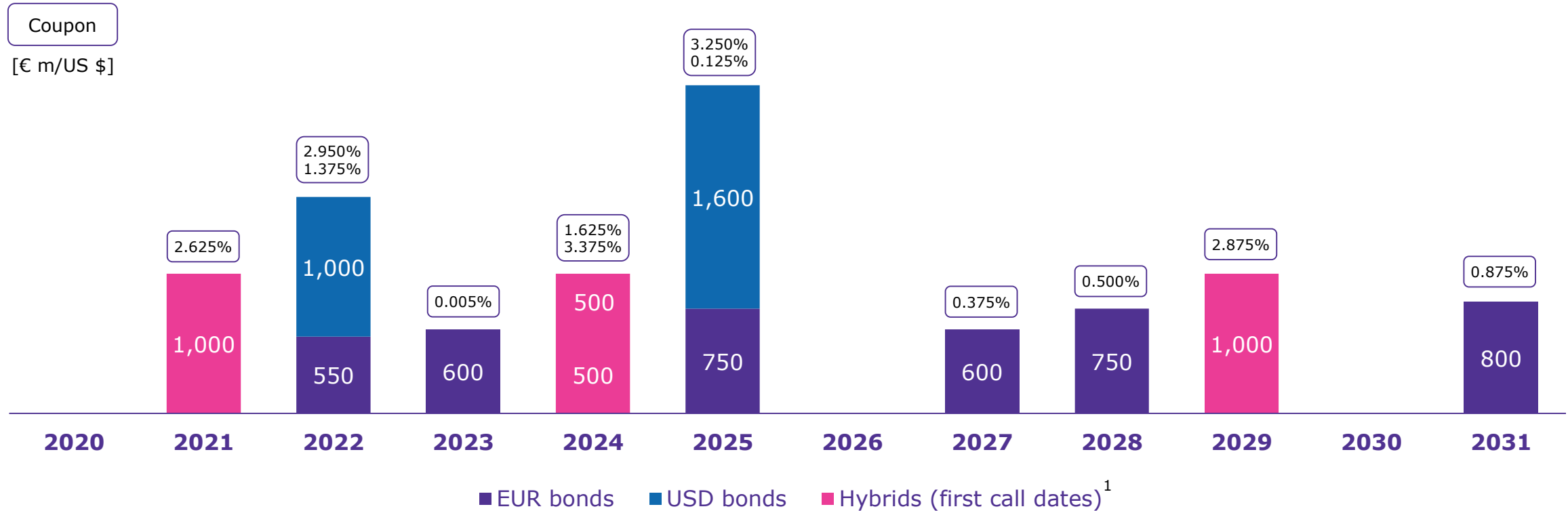
Additional financial guidance 2020

Further financial details

Corporate & Other EBITDA pre	slightly lower than last year
Interest result	~ -280 to -310 m
Effective tax rate	~24% to 26%
Capex on PPE	~1.1 bn to 1.2 bn
Hedging/USD assumption	FY 2020 hedge ratio ~65% at EUR/USD ~1.16
2020 Ø EUR/USD assumption	~1.09 to 1.13

Maturity profile reflects Sigma-Aldrich and Versum financing transactions

Maturity profile as of June 30, 2020



**Balanced maturity profile in upcoming years avoids refinancing risks;
Merck KGaA, Darmstadt, Germany will become a more frequent issuer**

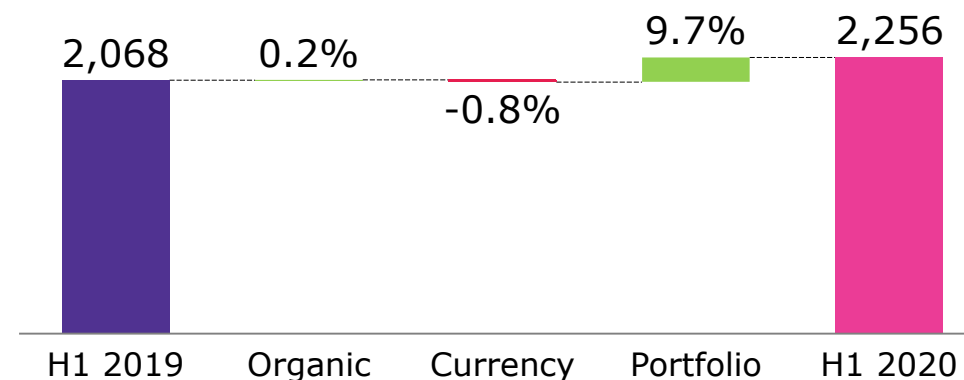
A strong Q1 and double-digit Q2 growth in Process Solutions and Semiconductor Solutions allow for overall organic growth in H1

H1 YoY Net Sales

	Organic	Currency	Portfolio	Total
Healthcare	3.2%	-1.4%	-0.5%	1.3%
Life Science	5.9%	0.2%	0.0%	6.2%
Performance Materials	-9.5%	2.1%	51.1%	43.7%
Group	2.4%	-0.2%	7.7%	10.0%

- Healthcare growing organically in H1 on the basis of a strong Q1 supported by resilient Oncology and General Medicine portfolio in Q2, overall June visibly stronger than May and April
- Accelerating Process Solutions growth is overcompensating flat Applied Solutions and declining Research Solutions where demand was impacted by COVID-19 related lockdowns
- Semiconductor Solutions organic growth accelerated from Q1 to Q2 – however, COVID-19 impact on Display and Surface Solutions results in overall organic decline

H1 YoY EBITDA pre



- EBITDA pre growing slower than sales organically, largely due to non-recurring Healthcare income (~ €185 m higher in H1 2019)
- Margin accretive Versum portfolio effect
- FX tailwinds from U.S. and Taiwan dollar did not fully offset currency headwinds from some emerging markets

H1 2020: Overview

Key figures

[€m]	H1 2019	H1 2020	Δ
Net sales	7,717	8,489	10.0%
EBITDA pre	2,068	2,256	9.1%
Margin (in % of net sales)	26.8%	26.6%	-0.2pp
EPS pre	2.67	2.80	4.9%
Operating cash flow	1,235	1,019	-17.5%

[€m]	Dec. 31, 2019	June 30, 2020	Δ
Net financial debt	12,363	12,560	1.6%
Working capital	3,944	4,474	13.4%
Employees	57,071	57,523	0.8%

Comments

- A strong Q1, Versum portfolio effect and accelerating growth in Process and Semiconductor Solutions drive sales above last year, despite materializing COVID-19 impact in Q2
- EBITDA pre growing despite lower non-recurring income components and fixed cost under-absorption due to lower sales amid COVID-19 impact
- EPS pre growing slower than EBITDA pre driven by a lower financial result
- Lower operating cash flow driven foremost by GSK upfront payment in 2019 and higher working capital in 2020

Reported figures

Reported results

[€m]	H1 2019	H1 2020	Δ
EBIT	997	1,207	21.0%
Financial result	-174	-201	15.6%
Profit before tax	824	1,006	22.2%
Income tax	-203	-259	27.5%
<i>Effective tax rate (%)</i>	24.7%	25.8%	1.1pp
Net income	659	746	13.1%
EPS (€)	1.52	1.72	13.2%

Comments

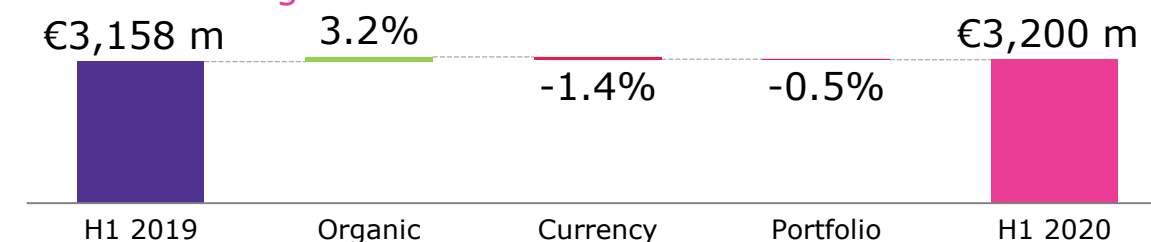
- EBIT increase driven by Versum portfolio effect and Life Science growth, partially offset by lower non-recurring income, higher depreciation & amortization from Versum PPA and impairments in Performance Materials
- Financial result impacted by LTIP and higher interest expenses related to Versum financing
- Effective tax rate within guidance range of ~24-26%
- Higher net income and EPS reflect higher EBIT

Healthcare: Organic Growth in H1 based on a strong Q1 and a portfolio that showed resilience in the COVID-19 pandemic

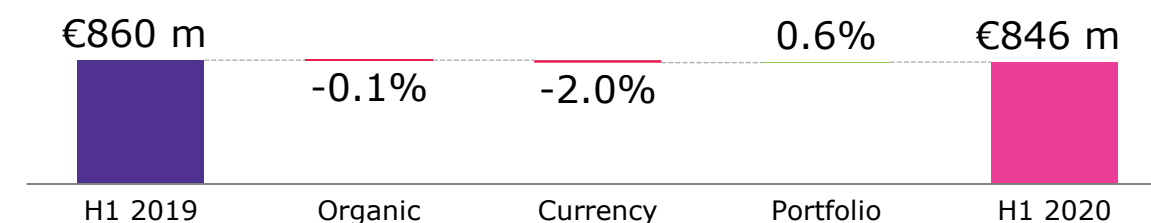
Healthcare P&L

[€m]	H1 2019	H1 2020
Net sales	3,158	3,200
Marketing and selling	-1,150	-832
Administration	-172	-160
Research and development	-775	-783
EBIT	473	692
EBITDA	852	860
EBITDA pre	860	846
<i>Margin (in % of net sales)</i>	27.2%	26.4%

Net sales bridge



EBITDA pre bridge

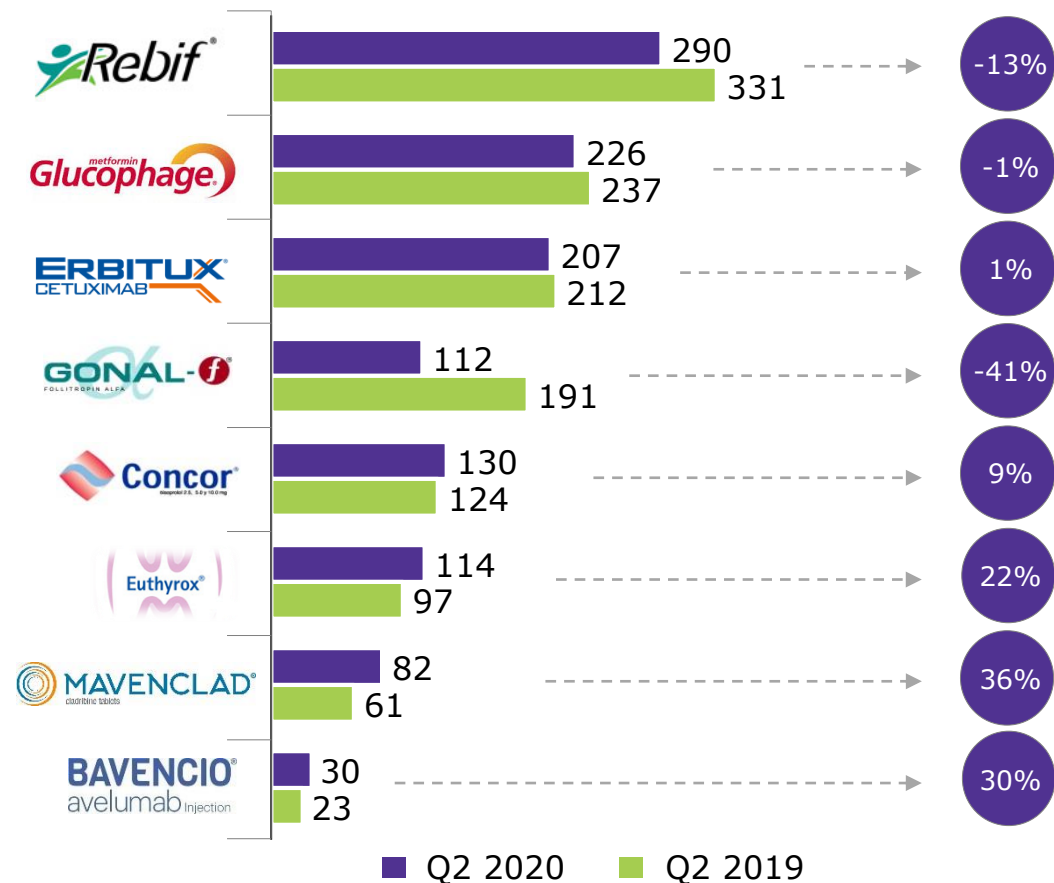


Comments

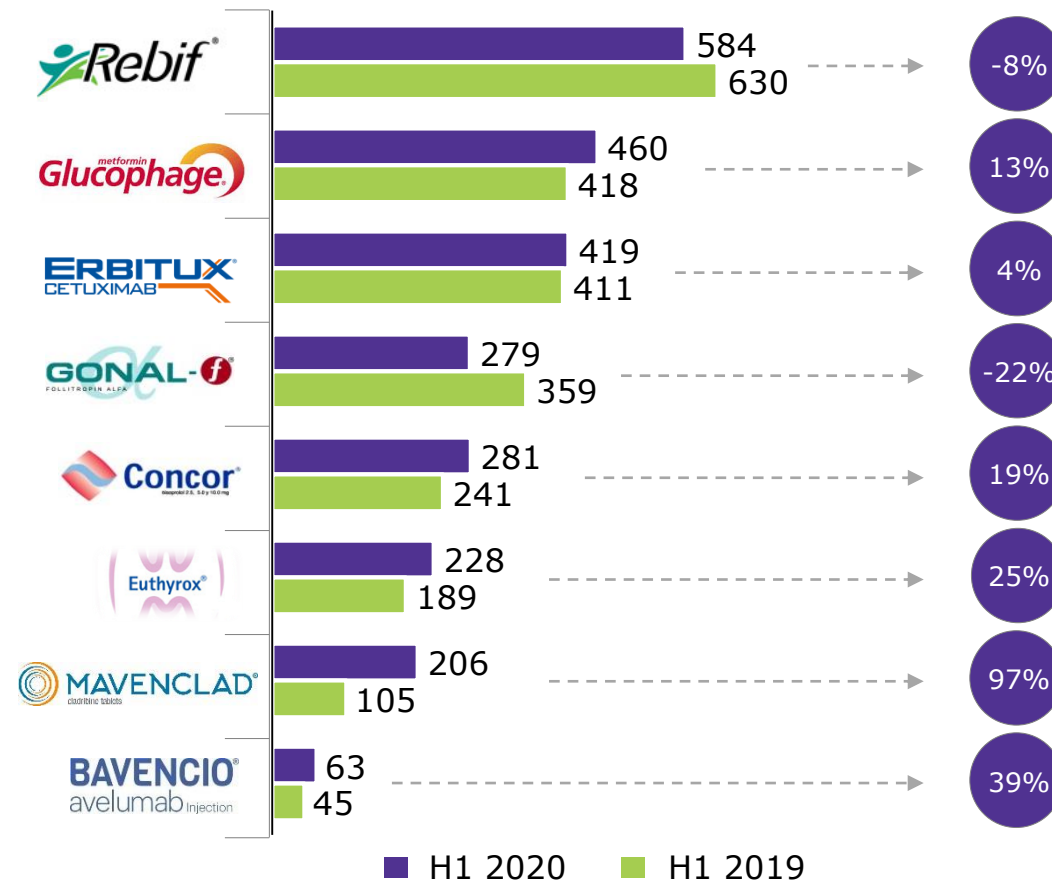
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- Fertility heavily impacted across all regions due to temporary shutdown of a majority of clinics
- Erbitux® growing organically slightly; Bavencio® growing strongly versus last year, but sequentially impacted by COVID-19
- M&S decrease due to rigorous cost management, further supported by suspension of face-to-face activities during COVID-19 pandemic versus elevated H1 2019 by now expired amortization of Rebif®
- R&D cost control offset by Bavencio® H&N study termination accrual (-€15 m)
- EBITDA pre declining faster than sales, driven largely by tough comps from Peg-Pal and Bavencio® milestones in Q2 2019

Healthcare organic growth by franchise/product

Q2 2020 organic sales growth [%]
by key product [€m]

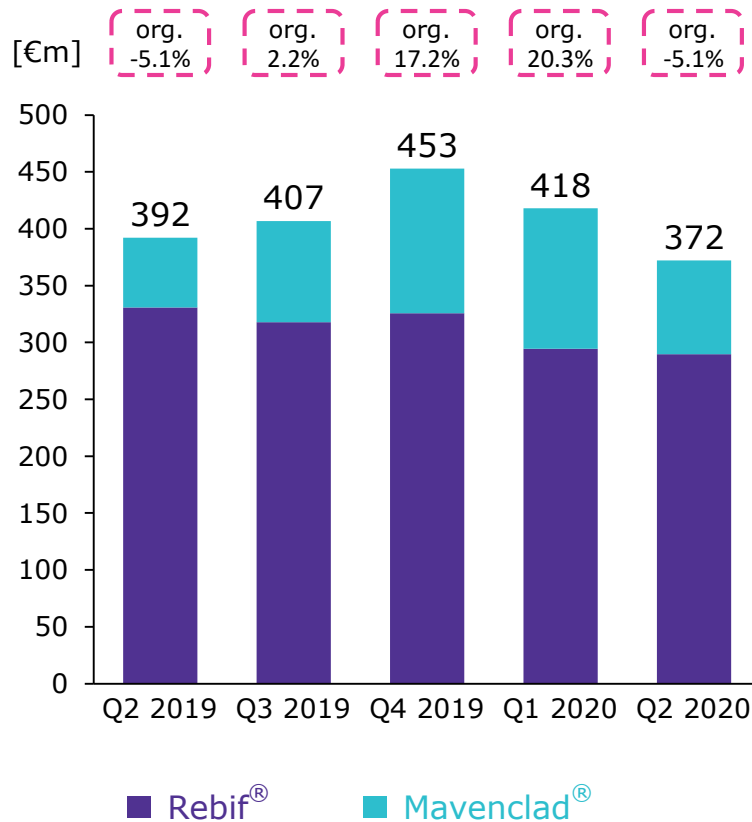


H1 2020 organic sales growth [%]
by key product [€m]

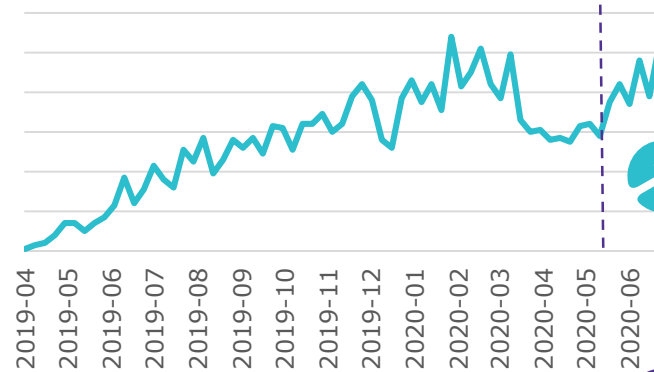


Neurology & Immunology: 7% organic growth in H1; paused Mavenclad[®] ramp-up showing signs of recovery in June

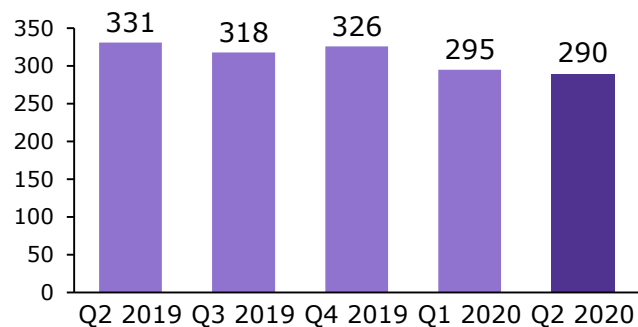
Sales development NDI, [€m]



Mavenclad[®] TRx, [IQVIA, NPA, Weekly View]



Rebif[®] net sales, [€m]



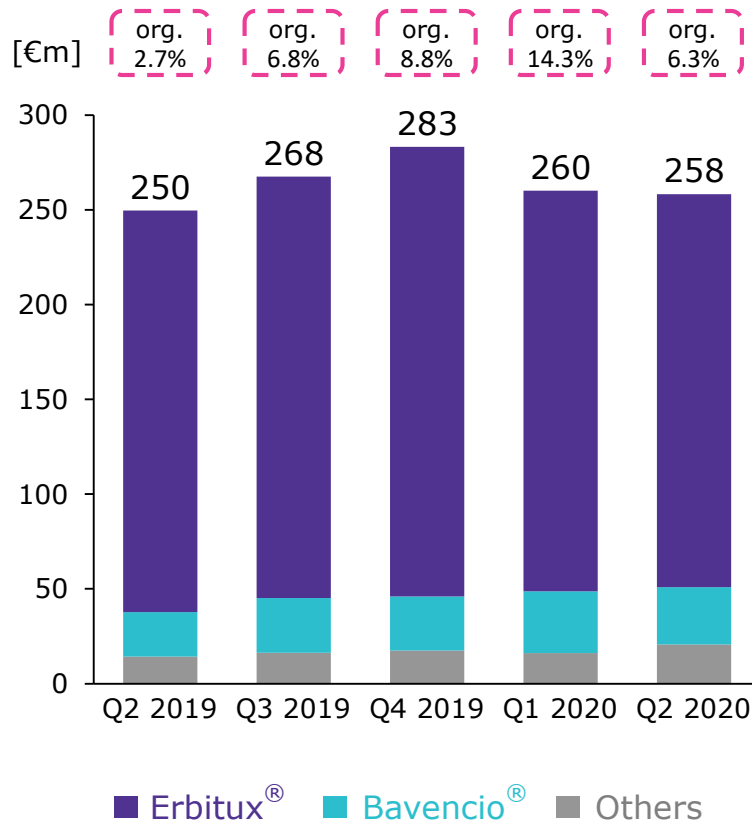
- Mavenclad[®] **recovery of ramp-up from peak COVID impact** visible starting in June
- **Rx volumes improving** from peak COVID impact
- Mavenclad[®] **continuing to gain market share**, 6.7% in High Efficacy dynamic class and 9.7% in Oral dynamic class (July)¹

- Rebif[®] sales of €290 m in Q2 '20 are returning to the anticipated underlying trajectory
- Stronger sequential decline vs. an elevated Q1 2020 due to U.S. inventory effects, and Russia tender phasing

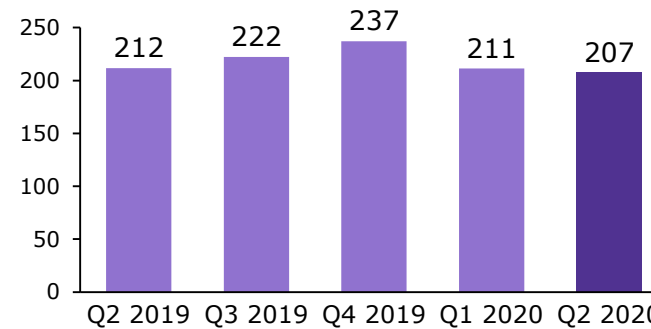
1: IQVIA, 17th July 2020

Oncology: both Bavencio® and Erbitux® remain resilient despite impact from the COVID-19 pandemic

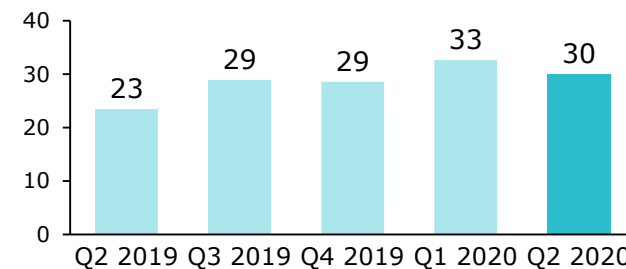
Sales development Oncology, [€m]



Erbitux® net sales, [€m]



Bavencio® net sales, [€m]

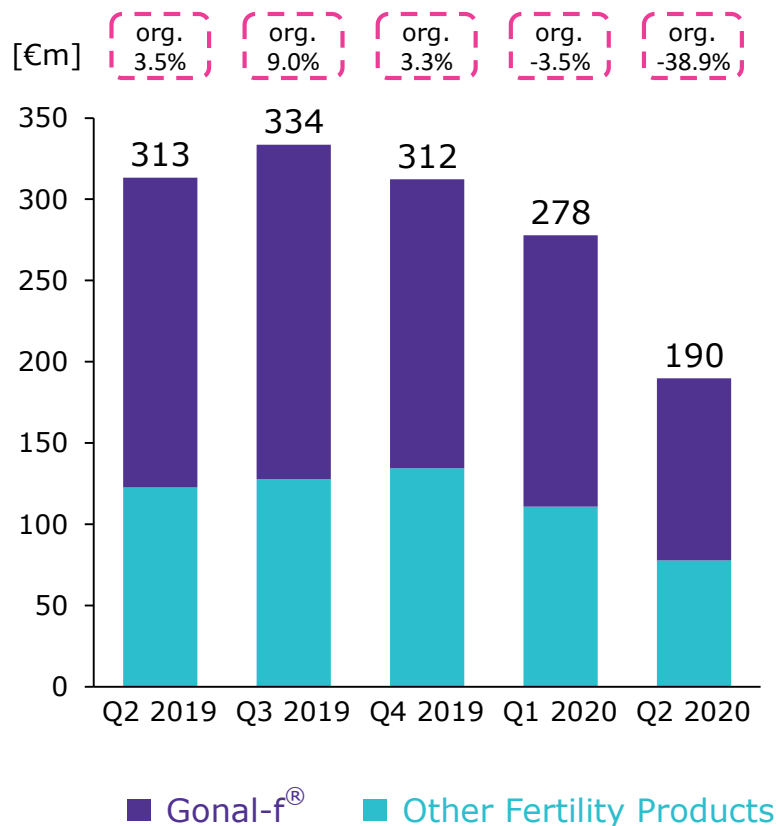


- Absolute sales of €207 m reflect a resilient growth of 1.1% in Q2
- Strong organic H1 growth of 23% in Latin America and moderate H1 growth of 3% in Europe despite COVID-19 was further supported by 3% H1 growth in MEA

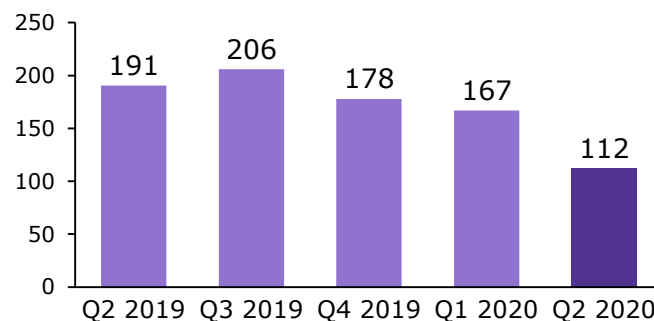
Bavencio® growing 30%; sequential ramp up momentum versus Q1 2020 impacted; largest opportunity will emerge in H1 2020 in UC 1L

Fertility: Strongest COVID-19 impact particularly in Europe and the U.S. given short treatment duration and temporary clinic shutdowns

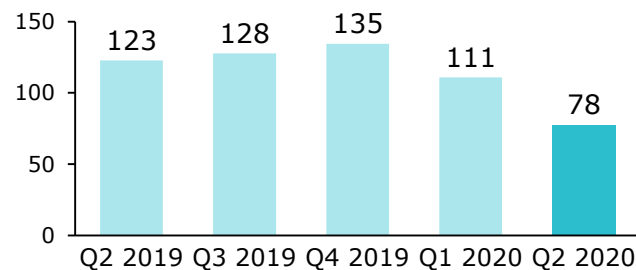
Sales development Fertility, [€m]



Gonal-f[®] net sales, [€m]



Other Fertility net sales, [€m]

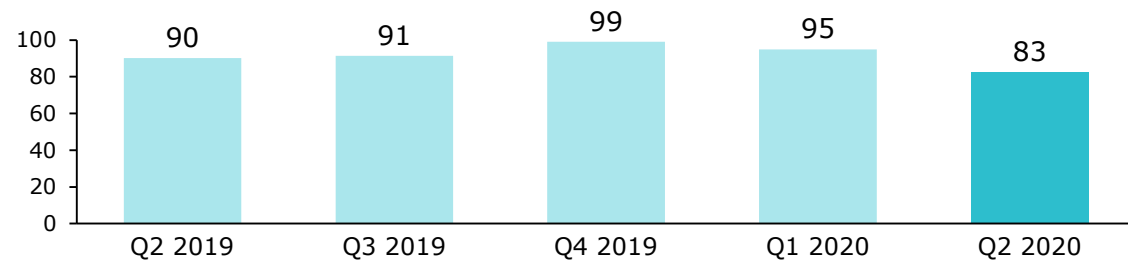


- Entire Fertility portfolio shows significant organic decline of -39% primarily from COVID-19 related temporary shutdowns of clinics combined with an innately short duration of treatment
- COVID-19 triggering 51% sales decline in Europe as clinics shut down due to the discretionary nature of the treatment
- Milder decline of 31% in APAC shows correlation with pandemic course, as China & others ahead of developments in Europe and U.S.

General Medicine & Endocrinology: Growing organically overall despite COVID-19 impact in Q2 and a negative effect from Q1 pull-in

Sales evolution

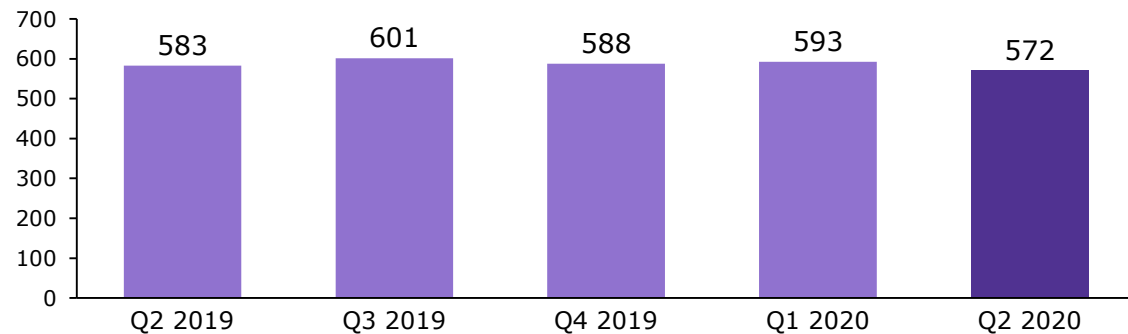
[€m] Endocrinology



Q2 2020 organic drivers

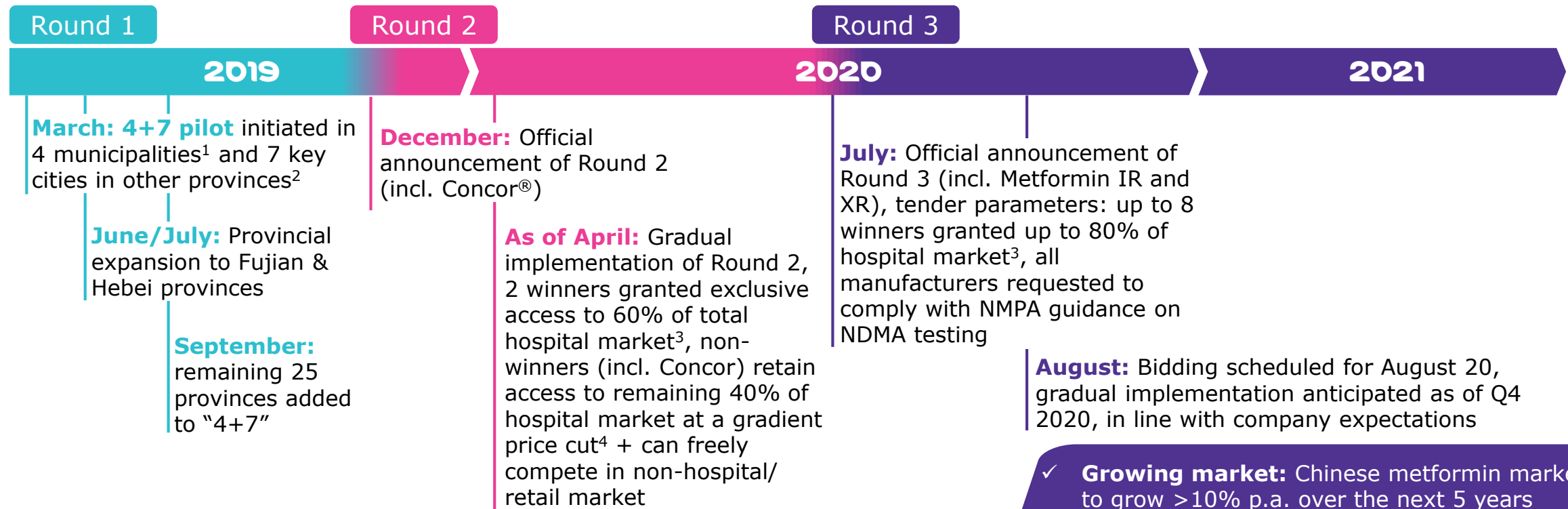
- Endocrinology was impacted in the U.S. and to a minor extent in Europe amid COVID-19 pandemic, while stable to growing in other regions

[€m] General Medicine*



- While Glucophage® had a minor negative impact from the Q1 pull-in, Concor® saw ongoing strong demand globally, despite a VBP effect in China; leading to 2% growth overall for CardioMetabolic Care & General Medicine and Others

China's VBP: Recently announced round 3 includes metformin, as anticipated, with implementation expected to follow in Q4 2020



 Sustained confidence in **at least stable base business until 2022**

1: Beijing, Shanghai, Chongqing, Tianjin; 2: together encompasses ~1/3 of Chinese drug market; 3: hospital market for bisoprolol and metformin makes up ~70% of total market, this includes urban hospitals, rural hospitals, and community health centers; 4: Concor® price cut in the high single digit %; Acronyms: NMPA = National Medical Products Administration, NDMA = N-nitrosodimethylamine/ also known as nitrosamine, VBP = Volume-Based Procurement

- ✓ **Growing market:** Chinese metformin market to grow >10% p.a. over the next 5 years
- ✓ „up to“ 80% access and up to 8 winners only a guidance, to be finalized post-bidding
- ✓ Non-hospital/retail market **not subjected to gradient price cut**
- ✓ Company following a **carefully crafted bidding strategy**

Phase I

berzosertib (M6620)
ATR inhibitor
Solid tumors

peposertib (M3814)
DNA-PK inhibitor
Solid tumors¹

M1774
ATR inhibitor
Solid tumors

M3258
LMP7 inhibitor
Multiple myeloma

M4344
ATR inhibitor
Solid tumors

M8891
MetAP2 inhibitor
Solid tumors

bintrafusp alfa
TGFbeta trap/anti-PD-L1
Solid tumors

M9241 (NHS-IL12)
Cancer immunotherapy
Solid tumors¹

M5049
TLR7/8 antagonist
Immunology

M6495
anti-ADAMTS-5 nanobody
Osteoarthritis

M5717
PeEF2 inhibitor
Malaria

Phase II

peposertib (M3814)
DNA-PK inhibitor
Rectal cancer

tepotinib
MET kinase inhibitor
Non-small cell lung cancer

bintrafusp alfa
TGFbeta trap/anti-PD-L1
Non-small cell lung cancer 1L

bintrafusp alfa
TGFbeta trap/anti-PD-L1
Non-small cell lung cancer 1L/2L

bintrafusp alfa
TGFbeta trap/anti-PD-L1
Locally advanced non-small cell lung cancer

bintrafusp alfa
TGFbeta trap/anti-PD-L1
Biliary tract cancer 1L

bintrafusp alfa
TGFbeta trap/anti-PD-L1
Biliary tract cancer 2L

bintrafusp alfa
TGFbeta trap/anti-PD-L1
Cervical cancer 2L

avelumab
anti-PD-L1 mAb
Solid tumors²

avelumab
anti-PD-L1 mAb
Non-small cell lung cancer²

avelumab
anti-PD-L1 mAb
Urothelial cancer²

M5049
TLR7/8 antagonist
Covid-19 pneumonia
atacept
anti-BlyS/APRIL fusion protein
Systemic lupus erythematosus

atacept
anti-BlyS/APRIL fusion protein
IgA nephropathy

sprifermin
fibroblast growth factor 18
Osteoarthritis

M1095 (ALX-0761)³
anti-IL-17 A/F nanobody
Psoriasis

Phase III

avelumab
anti-PD-L1 mAb
Non-small cell lung cancer 1L

evobrutinib
BTK inhibitor
Multiple sclerosis

Registration

tepotinib
MET kinase inhibitor
Non-small cell lung cancer, *MET*ex14 skipping⁴

avelumab
anti-PD-L1 mAb
Urothelial cancer 1L-M⁵

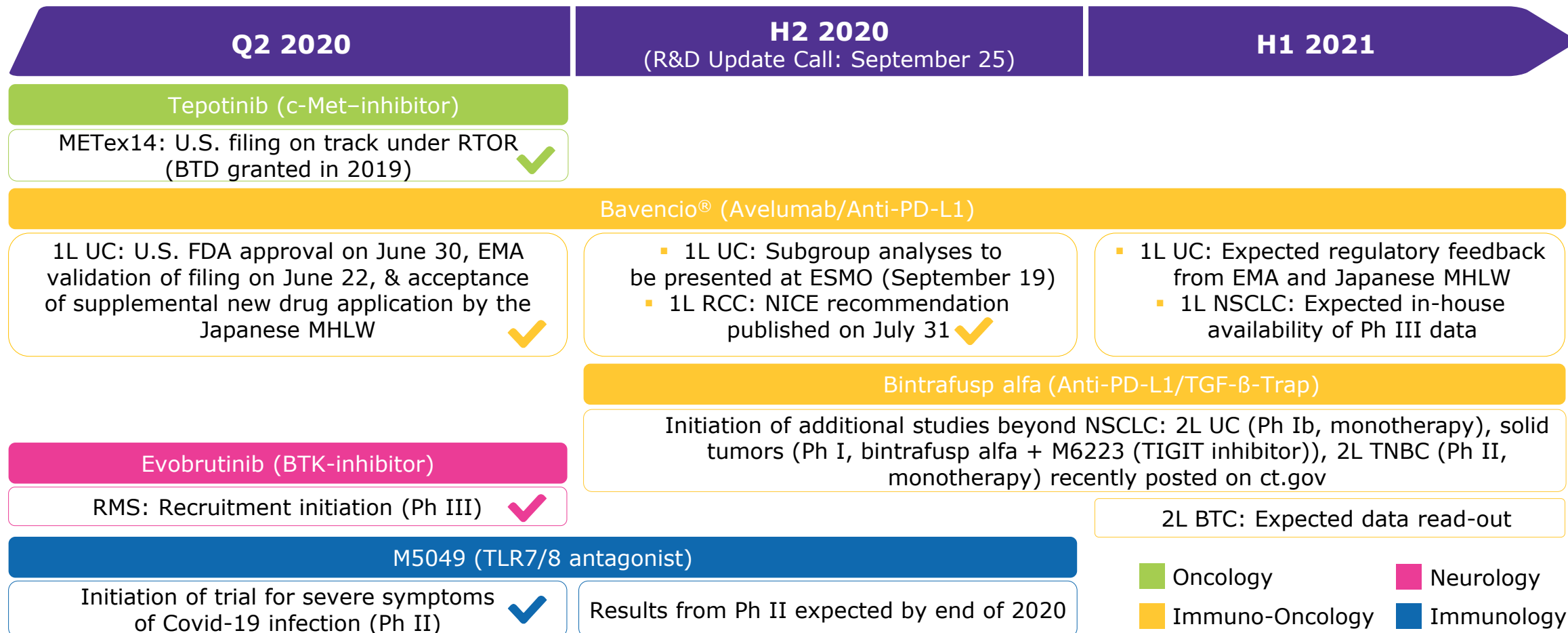
- Oncology
- Immuno-Oncology
- Immunology
- Neurology
- Global Health

1L, first-line treatment; 1L-M, first-line maintenance treatment; 2L, second-line treatment.

¹ Includes studies in combination with avelumab. ² Avelumab combination studies with talazoparib, axitinib, ALK inhibitors, cetuximab, or chemotherapy. ³ As announced on March 30 2017, in an agreement with Avillion, anti-IL-17 A/F nanobody will be developed by Avillion for plaque psoriasis and commercialized by Merck KGaA, Darmstadt, Germany. ⁴ As announced on March 25 2020, tepotinib was approved in Japan for the treatment of patients with non-small cell lung cancer harboring *MET*ex14 skipping. ⁵ As announced on June 30, 2020, Avelumab was approved in US for maintenance treatment of patients with locally advanced or metastatic urothelial carcinoma (UC) that has not progressed with first-line platinum-containing chemotherapy.

Pipeline products are under clinical investigation and have not been proven to be safe and effective. There is no guarantee any product will be approved in the sought-after indication.

Healthcare catalysts - significant developmental progress across all therapeutic areas



- Oncology
- Neurology
- Immuno-Oncology
- Immunology

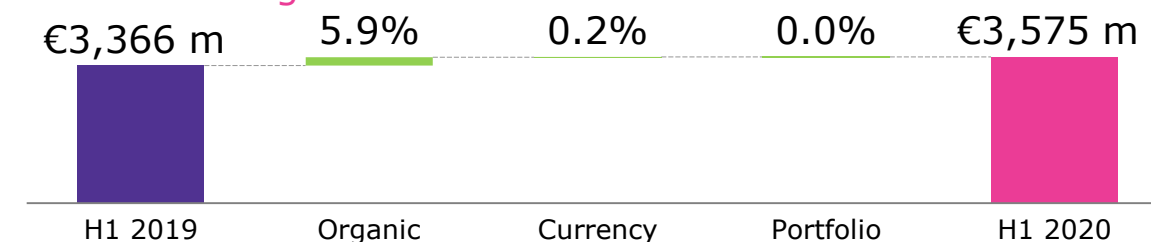
Acronyms: BTC = Biliary Tract Cancer, BTD = Breakthrough Therapy Designation, EMA = European Medicines Agency, FDA = U.S. Food and Drug Administration, MHLW = Ministry of Health, Labour and Welfare, NEJM = New England Journal of Medicine, NICE = UK National Institute for Health and Care Excellence, NSCLC = Non-Small Cell Lung Cancer, RMS = Relapsing Multiple Sclerosis, RTOR = Real-Time Oncology Review, TGIT = T cell immunoreceptor with Ig and ITIM domains, TNBC = Triple Negative Breast Cancer, UC = Urothelial Cancer

Life Science: Strong resilience throughout H1; Process growing double-digit, Applied & Research impacted by COVID-19 but recovery visible in June

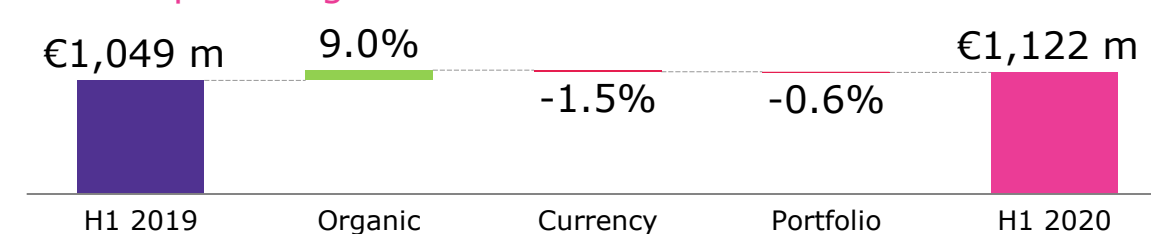
Life Science P&L

[€m]	H1 2019	H1 2020
Net sales	3,366	3,575
Marketing and selling	-959	-986
Administration	-156	-189
Research and development	-131	-151
EBIT	635	731
EBITDA	1,025	1,126
EBITDA pre	1,049	1,122
<i>Margin (in % of net sales)</i>	31.2%	31.4%

Net sales bridge



EBITDA pre bridge



Comments

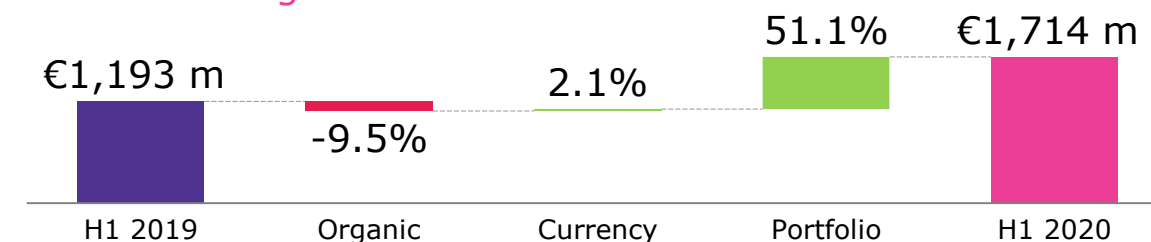
- Double-digit organic growth of Process Solutions mainly driven by downstream and single use, with COVID-19 demand contributing
- Applied Solutions about stable due to COVID-19 related effects across the full portfolio, albeit clear signs of recovery in June
- Research Solutions impacted significantly mainly due to temporary slowdown in academia from COVID-19 related lab closures, also showing clear signs of recovery in June
- Higher M&S largely from increased freight costs, partially offset by overall cost-consciousness and lower travel expenses
- Admin increase driven largely by EBITDA pre adjustments (€21 m) and COVID-19 related cost for additional safety precautions
- Increased R&D driven by investments in strategic projects
- EBITDA pre growing faster than sales, reflecting operational leverage from strong top-line growth

Performance Materials: Versum portfolio effect and accelerating organic Semi growth compensate declining Display and Surface amid COVID-19

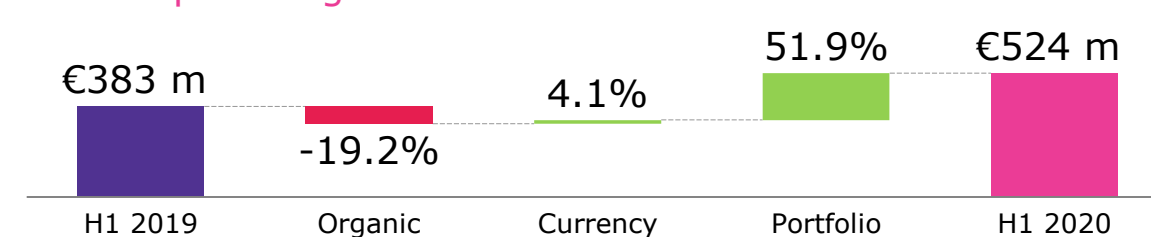
Performance Materials P&L

[€m]	H1 2019	H1 2020
Net sales	1,193	1,714
Marketing and selling	-132	-270
Administration	-49	-83
Research and development	-146	-140
EBIT	195	86
EBITDA	318	470
EBITDA pre	383	524
<i>Margin (in % of net sales)</i>	32.1%	30.6%

Net sales bridge



EBITDA pre bridge



Comments

- Sales growth of 44% reflects portfolio effect from Versum and positive FX, overcompensating organic decline in Display and Surface
- Semiconductor Solutions further accelerating strong organic growth, cyclical recovery started and outperformance continues
- Display Solutions: COVID-19 weighs on LC's negative underlying trajectory against still elevated comps in H1 2019; OLED also impacted
- Surface Solutions declining significantly driven by a heavy COVID-19 impact on automotive and cosmetic end markets
- M&S reflects consolidation of Versum acquisition and diligent underlying cost management as part of the Bright Future transformation
- R&D declining from an elevated H1 2019 base including Bright Future provisions (EBITDA pre adjustments); H1 2020 includes Versum consolidation and shows underlying Bright Future cost management
- Increase in EBITDA pre largely reflects consolidation effect from Versum, while EBIT lower due to sales impact in Display and Surface from COVID-19, higher D&A from Versum PPA and impairments

Cash flow statement

H1 2020 – cash flow statement

[€m]	H1 2019	H1 2020	Δ
Profit after tax	660	747	87
D&A	927	991	64
Changes in provisions	54	-38	-92
Changes in other assets/liabilities	-115	-189	-74
Other operating activities	-55	-24	31
Changes in working capital	-236	-468	-232
Operating cash flow	1,235	1,019	-216
Investing cash flow	-1,199	-504	695
thereof Capex on PPE	-367	-532	-164
Financing cash flow	1,241	239	-1,001

Cash flow drivers

- Profit after tax driven by higher EBIT
- Higher Depreciation & Amortization from Versum PPA and impairments in PM
- Changes in provisions reflect reduced litigation provisions and fluctuations in LTIP*
- Changes in other assets and liabilities primarily driven by a GSK upfront payment in H1 2019 that was deferred
- Increased working capital driven by Versum consolidation, higher inventories to secure supply in the face of COVID-19 and growing receivables
- Investing and Financing cash flows returning to normal levels

*Long Term Incentive Plan

Totals may not add up due to rounding

Adjustments in Q2 2020

Adjustments in EBIT

[€m]	Q2 2019		Q2 2020	
	Adjustments	thereof D&A	Adjustments	thereof D&A
Healthcare	5	0	15	0
Life Science	15	0	-15	0
Performance Materials	29	0	131	112
Corporate & Other	16	0	8	0
Total	65	0	138	112

Adjustments in H1 2020

Adjustments in EBIT

[€m]	H1 2019		H1 2020	
	Adjustments	thereof D&A	Adjustments	thereof D&A
Healthcare	8	0	-12	2
Life Science	24	0	-4	0
Performance Materials	65	0	165	112
Corporate & Other	44	0	25	0
Total	141	0	174	114

Financial calendar

Date	Event
August 6, 2020	Q2 2020 Earnings release
September 16, 2020	Virtual Capital Markets Day
November 12, 2020	Q3 2020 Earnings release



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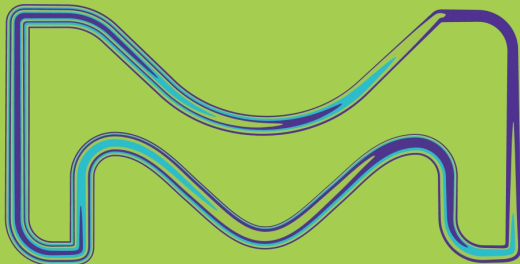


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