

News Release

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Merck KGaA, Darmstadt, Germany, Reports Strong Third Quarter

- **Group net sales increase organically by 7.2%; EBITDA pre up 19.8% organically, excluding release of the provision for patent dispute with Biogen Inc.**
- **Life Science grows organically by 15.6%, mainly thanks to the Process Solutions business**
- **Mavenclad and Bavencio drive organic growth of Healthcare; recovery in the Fertility franchise**
- **Semiconductor Solutions business of Performance Materials grows organically by 8.0%**

Outlook for fiscal 2020

- **Company expects organic sales growth of 4% to 5% over the previous year and Group net sales of between € 17.1 billion and € 17.5 billion**
- **Organic growth of EBITDA pre over the previous year excluding provision release between 6% and 8% expected, EBITDA pre in a range between € 5.05 billion and € 5.25 billion**

Darmstadt, Germany, November 12, 2020– Merck KGaA, Darmstadt, Germany, a leading science and technology company, grew significantly in the third quarter. In comparison with the year-earlier quarter, Group net sales increased by 9.7% to € 4.4 billion. The increase was primarily due to double-digit percentage organic growth



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in the Life Science business sector and acquisition-related increases in the Performance Materials business sector.

EBITDA pre, the Group's most important earnings indicator, rose to € 1.7 billion, which was 53.0% higher than in the third quarter of 2019. Among other things, this increase was attributable to the strong operating performance of the businesses as well as income from the release of a provision amounting to € 365 million for potential damages from the patent litigation with Biogen Inc. The Group has revised its forecast for the full year 2020 and refined its expectations for net sales as compared with the most recent forecast published in the half-yearly financial report as of June 30 to a narrower range of between € 17.1 billion and € 17.5 billion. In addition, the company now expects higher EBITDA pre of between € 5.05 billion and € 5.25 billion.

"The superb results of the third quarter once again underscore the strength of our diversified business model. First and foremost, our medicines Mavenclad and Bavencio, our Process Solutions business with products and services for drug manufacturing, and our Semiconductor Solutions business contributed substantially to our company's growth. We are achieving success with our three innovation-driven business sectors even in difficult times and are making important contributions to the fight against the pandemic," explained Stefan Oschmann, Chairman of the Executive Board and CEO. Among other things, the company is supporting more than 50 potential Covid-19 vaccines, supplying products and reagents for diagnostics and is investigating an active pharmaceutical ingredient for the treatment of patients with Covid-19 pneumonia.

Organic and acquisition-related sales growth at Group level

The increase in Group net sales by 9.7% in the third quarter stemmed from organic growth of 7.2%, which was driven by the Life Science and Healthcare business sectors. Group sales rose by 6.9% due to portfolio changes. This was offset by negative foreign exchange effects of -4.4%. The 53.0% rise in EBITDA pre over the year-earlier quarter was due particularly to an organic increase of 52.6%. This also included income from the aforementioned release of a provision. Excluding this income, EBITDA pre rose organically by 19.8%. Acquisitions were responsible for an 8.2% increase in EBITDA pre. This was amid negative foreign exchange effects of

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-7.8%. The operating result (EBIT) soared by 91.9% to € 1.2 billion. Net income grew by more than 100.0% to € 805 million. Earnings per share pre were € 2.34, or 73.3% more than in the year-earlier quarter.

Bavencio and Mavenclad drive organic sales growth of Healthcare

In the third quarter, Healthcare net sales declined by -3.1% to € 1.7 billion in comparison with the year-earlier quarter. Organically, the business grew by 3.2%. However, negative foreign exchange effects had an adverse impact of -5.1% as did a negative portfolio effect of -1.2% from the divestment of the Allergopharma allergy business in the first quarter of 2020.

The Oncology franchise generated organic growth of 7.2%, which was primarily driven by the immuno-oncology medicine Bavencio. This product delivered organic sales growth of 52.9% over the year-earlier quarter. The key driver of the growth of Bavencio was its approval in the United States in June 2020 as a maintenance therapy in patients with locally advanced or metastatic urothelial carcinoma. The Neurology & Immunology franchise generated organic sales growth of 8.9% in the third quarter. This was driven by Mavenclad, a medicine for oral short-course treatment of highly active relapsing multiple sclerosis, which delivered organic growth of 71.7% over the year-earlier quarter. In the third quarter, sales of the Fertility franchise recovered significantly from the pandemic-related impacts in the first half of the year. In comparison with the year-earlier quarter, sales declined organically by -1.3%. The General Medicine & Endocrinology franchise generated an organic sales increase of 2.4%. EBITDA pre of Healthcare soared in the third quarter by 78.9% to € 896 million. The key driver of this increase was organic growth of 93.7%, which also includes the income from the aforementioned release of a provision. Excluding this income, EBITDA pre of Healthcare rose organically by 20.8%.

Process Solutions remains key growth driver within Life Science

In comparison with the year-earlier quarter, third-quarter net sales of Life Science rose by 11.3% to € 1.9 billion. In the third quarter, Life Science generated organic sales growth of 15.6% amid currency headwinds of -4.2%.

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The key driver of organic growth was the Process Solutions business unit, which markets products and services for the entire pharmaceutical production value chain. Sales of this business unit increased organically by 26.5% in the third quarter. This was mainly due to continued high underlying demand as well as to additional business related to the Covid-19 pandemic. The Research Solutions business unit achieved organic sales growth of 9.5% in the third quarter, among other things owing to the strong business recovery following the closures of academic laboratories in the first half due to the pandemic. Applied Solutions generated organic sales growth of 3.7% in the third quarter, also thanks to a slight recovery from the negative impacts of the Covid-19 pandemic on the business. In the third quarter, EBITDA pre of Life Science rose by 18.7% over the year-earlier quarter to € 630 million.

Performance Materials: Semiconductor Solutions delivers very strong organic growth

Performance Materials generated a 43.4% rise in net sales to € 836 million in the third quarter. The key factor behind this increase was the contribution of 51.6% from the acquisitions of Versum Materials and Intermolecular. This positive effect was weakened by an organic decline in sales of -5.4% and negative foreign exchange effects of -2.8%.

Excluding the effects of the Versum Materials and Intermolecular acquisitions, the Semiconductor Solutions business unit generated organic growth of 8.0% in the third quarter. The Covid-19 pandemic had only a minor negative impact on the business unit in the third quarter. In the same period, Display Solutions saw an organic sales decline of -9.9%. Following a markedly weaker second quarter of 2020, the decrease has moved significantly closer to the company's expectations for medium-term sales performance for this business unit. Nevertheless, weaker end-user demand owing to the Covid-19 pandemic resulted in continued lower customer production capacity utilization. Net sales of the Surface Solutions business unit declined organically by -12.3% in the third quarter. This was primarily the outcome of ongoing weakness in the automotive and decorative cosmetics markets, which remain impacted by the Covid-19 crisis. In the third quarter, EBITDA pre of Performance Materials amounted to € 254 million, an increase of 43.3% over the year-earlier quarter.

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Forecast: Group net sales to grow organically by 4% to 5%, EBITDA pre excluding provision release expected to rise organically by 6% to 8%

In connection with the global outbreak of the Covid-19 pandemic, the company confirms the assumptions made in the outlook published in the quarterly statement as of March 31 and in the half-yearly financial report as of June 30. In this context, it continues to assume that its businesses will be impacted to varying degrees. Adverse impacts can be seen particularly in Performance Materials and Healthcare, whereas the company expects positive effects in Life Science, particularly in the Process Solutions business unit.

The past several weeks have seen stronger outbreaks with potential further widespread lockdowns in many countries. This is associated with further negative consequences for the economic recovery. Owing to the inherent uncertainty that these measures involve, the potential negative impacts of these developments on the company's businesses have not been taken into account in the forecast.

Following the second quarter, in which the effects of the Covid-19 pandemic were clearly visible, the third quarter developed more strongly than previously expected. Consequently, for the full year 2020, the company now expects an organic sales increase of 4% to 5% over the previous year. Previously, the company had expected a slight to moderate organic increase in sales. Life Science should remain a major driver of this organic growth. Following a stronger third quarter and despite significantly negative effects from the Covid-19 pandemic, Healthcare is also expected to contribute positively. The development is likely to be weakened by the organic decline in the Performance Materials business, which continues to suffer from the negative impacts of the Covid-19 pandemic. In the first three quarters, the effect of the acquisition of Versum Materials will be reported as a portfolio effect, which the company still forecasts in the mid single-digit percentage range at Group level. With regard to exchange rate developments, the company continues to expect a volatile environment due to political and macroeconomic developments. In contrast to the previous forecast given in the half-yearly financial report as of June 30, it now anticipates a stronger negative impact of -2% to -3% owing to the latest developments. Overall, the company is thus specifying its forecast for 2020 and expects net sales in a range between € 17.1 billion to € 17.5 billion at Group level.

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In addition, in contrast to the latest forecast published in the half-yearly report as of June 30, the company expects higher EBITDA pre. At Group level, this is now likely to be in a corridor between € 5.05 billion and € 5.25 billion. The increase is due in particular to the strong operating performance of the businesses. Accordingly, excluding the release of the provision for the patent dispute with Biogen, the company expects organic growth of between 6% and 8%. This development should be driven particularly by Life Science as well as Healthcare, whereas the company expects to continue to see an organic decline in Performance Materials. In addition, the release of the provision of € 365 million for the patent dispute with Biogen had a positive effect. Overall and in contrast to the forecast published in the half-yearly financial report as of June 30, the company therefore expects an organic increase in EBITDA pre of 14% to 16% in comparison with the previous year. Previously, it had expected a slight to moderate organic increase. The portfolio effect from the acquisition of Versum Materials, which the company still expects to be in the mid single-digit percentage range, should lead to a slight improvement in the Group margin. The assumed foreign exchange development is forecast to have a negative effect of between -3% and -5% on Group EBITDA pre compared with the previous year; it is likely to be seen particularly in the Healthcare and Life Science businesses.

The company has raised its forecast for earnings per share pre and now expects this in a range of between € 6.50 and € 6.80. This includes € 0.63 due to the release of a provision for the aforementioned patent dispute.

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Overview of the key figures

GROUP

Key figures

C million	Q3 2020	Q3 2019	Change	Jan.-Sept. 2020	Jan.-Sept. 2019	Change
Net sales	4,447	4,054	9.7%	12,936	11,771	9.9%
Operating result (EBIT) ¹	1,167	608	91.9%	2,374	1,605	47.9%
Margin (% of net sales) ¹	26.2%	15.0%		18.3%	13.6%	
EBITDA ¹	1,619	1,072	51.0%	3,815	2,999	27.2%
Margin (% of net sales) ¹	36.4%	26.5%		29.5%	25.5%	
EBITDA pre ¹	1,701	1,111	53.0%	3,956	3,179	24.4%
Margin (% of net sales) ¹	38.2%	27.4%		30.6%	27.0%	
Profit after tax	806	342	> 100.0%	1,553	1,002	55.0%
Earnings per share (€)	1.85	0.79	> 100.0%	3.57	2.31	54.5%
Earnings per share pre (€) ¹	2.34	1.35	73.3%	5.14	4.02	27.9%
Business free cash flow ¹	1,514	731	> 100.0%	2,989	1,977	51.1%

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

HEALTHCARE

Development of net sales by key product lines and products

C million	Q3 2020	Share	Organic growth ¹	Exchange rate effects	Total change	Q3 2019	Share
Oncology	275	16%	7.2%	-4.4%	2.8%	268	15%
thereof: Erbitux	217	13%	2.2%	-4.5%	-2.3%	222	13%
thereof: Bavencio	42	2%	52.9%	-5.9%	47.0%	29	2%
Neurology & Immunology	427	25%	8.9%	-3.9%	5.0%	407	23%
thereof: Rebif	279	16%	-8.7%	-3.5%	-12.1%	318	18%
thereof: Mavenclad	148	9%	71.7%	-5.6%	66.1%	89	5%
Fertility	314	19%	-1.3%	-4.6%	-5.9%	334	19%
thereof: Gonal-f	192	11%	-2.2%	-4.5%	-6.7%	206	12%
General Medicine & Endocrinology	645	38%	2.4%	-6.5%	-4.1%	673	39%
thereof: Glucophage	226	13%	3.0%	-6.9%	-3.9%	235	13%
thereof: Concor	127	7%	-4.8%	-6.5%	-11.2%	143	8%
thereof: Euthyrox	115	7%	13.6%	-7.0%	6.5%	108	6%
thereof: Saizen	59	3%	2.3%	-5.0%	-2.6%	60	3%
Other	40	2%				75	4%
Healthcare	1,702	100%	3.2%	-5.1%	-3.1%	1,756	100%

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

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LIFE SCIENCE

Sales components by business unit

€ million	Q3 2020	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	Q3 2019 ²	Share
Process Solutions	926	48%	26.5%	-4.1%	-	22.4%	756	44%
Research Solutions	566	30%	9.5%	-4.4%	-	5.1%	539	31%
Applied Solutions	418	22%	3.7%	-4.1%	-	-0.5%	420	25%
Life Science	1,910	100%	15.6%	-4.2%	-	11.3%	1,715	100%

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

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

PERFORMANCE MATERIALS

Sales components by business unit

€ million	Q3 2020	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	Q3 2019 ²	Share
Display Solutions	277	33%	-9.9%	-2.2%	-	-12.1%	316	54%
Semiconductor Solutions	471	56%	8.0%	-2.9%	> 100.0%	> 100.0%	162	28%
Surface Solutions	87	11%	-12.3%	-4.2%	-	-16.5%	104	18%
Other	0	-	-54.2%	-0.5%	-	-54.7%	1	-
Performance Materials	836	100%	-5.4%	-2.8%	51.6%	43.4%	583	100%

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

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

Notes for editors:

- The **teleconference** for media representatives will also be webcast live as of 9:30 a.m. (CET) (more information can be found [here](#))
- The respective presentation and further information for journalists including a digital press kit can be found [here](#)
- The quarterly statement report can be found [here](#)
- Merck KGaA, Darmstadt, Germany, on [Twitter](#) and [LinkedIn](#)
- **Photos and images** can be found [here](#)
- Information on how **the company is contributing to the global Covid-19 response** can be found [here](#)
- **The company's stock symbols**
Reuters: MRCG, Bloomberg: MRK GY, Dow Jones: MRK.DE
Börse Frankfurt: 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 58,000 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.