

Q3 2020 Financial Summary for Investors and Analysts

A strong Q3 driven by business recovery and COVID-19 upsides

- Healthcare: Mavenclad® up 72% organically YoY after dip in Q2, Oncology up 7% strongly supported by early U.S. Bavencio® 1L UC ramp-up; sequential recovery of Fertility back to pre COVID-19 levels
- Life Science: Process Solutions up 27% organically, strong rebound in Research Solutions with 10% organic growth, Applied Solutions recovery slower with 4% organic growth
- Performance Materials: Semiconductor Solutions' organic growth mitigates Display and Surface decline in pandemic; Versum performance & integration ahead of plan
- Group: New ESG-targets - enhanced sustainability strategy leverages strengths and manifests company's commitment
- Q3 organic sales: growth of +7.2%
- Q3 organic EBITDA pre: growing +52.6% (+19.8% excl. release of Biogen provision)
- EBITDA pre guidance upgraded: Net sales: €17.1 – 17.5 bn; EBITDA pre: €5.05 – 5.25 bn (thereof Biogen €365 m); EPS pre: €6.50 – 6.80 (thereof Biogen €0.63)
- Net financial debt to EBITDA pre at 2.3 on September 30, 2020 – continued focus on deleveraging

Overview Financials

Q3 2020 Overview

- Double-digit growth in Life Science, Versum portfolio effect and recovery in Healthcare drive sales growth of 10% despite 4% FX drag
- EBITDA pre growing more strongly than sales; margin improving significantly even excluding Biogen provision release
- Operating cash flow up 26% supporting further net debt reduction
- EPS pre at 1.71 EUR (growing 27% excluding upside from Biogen provision release)
- Lower payables and higher inventories increase working capital amid COVID-19

Q3 2020 Cash Flow Statement

- Profit after tax elevated by €365 m release of Biogen provision
- Lower D&A largely driven by reduced amortization of intangibles (Rebif®)
- Changes in provisions reflect Biogen provision release, restructuring accruals, and effects from LTIP* while changes in other assets/liabilities mainly driven by bonus accruals
- Inventory and payables management contribute to positive working capital impact

*Long Term Incentive Plan

- Increased investing cash flow due to temporary investment of excess cash
- Financing cash flows returning to normal levels post Q3 2019 financing measures

Q3 2020 Balance Sheet

- Stable balance sheet since Dec. 31, 2019
- Higher cash level in order to secure liquidity in the face of the COVID-19 pandemic
- Equity ratio of 42%
- Bond redemptions and repayments (€2.7 bn) outweighed by bond issuances (€2.5 bn), commercial paper issuance and utilization of other liquidity lines, leading to slight increase in financial debt

Q3 2020 Business Overview

Healthcare

- **Topline acceleration and stringent cost management drive underlying EBITDA pre expansion, further elevated by provision release**
- Net sales deviation YoY: organic +3.2%, FX -5.1%, portfolio -1.2%
- EBITDA pre deviation YoY: organic +93.7%, FX -15.0%, portfolio +0.3%
- Mavenclad® growing 72% organically expanding dynamic shares in high efficacy and oral class; Rebif® still better than underlying trajectory with -9% due to reduced switches amid pandemic
- Oncology up 7% with Erbitux® +2% and Bavencio® up 53% as UC 1L ramp-up in U.S. progressing very well, three months into the launch
- Fertility back to pre COVID-19 levels with strong growth in Europe and North America, other regions remain impacted by pandemic (APAC)
- General Medicine¹ growing 3% despite China VBP
- Strong cost savings in M&S further supported by reduced face-to-face activities and lower intangibles amortization
- Significant savings in R&D coming from continued prioritization; all projects on track despite COVID-19
- Underlying EBITDA pre margin expansion to 31.2% of sales - further elevated by €365 m Biogen provision release to 52.7%

Life Science

- **Outstanding performance in Process Solutions and temporary post lockdown catch-up in Research Solutions drive 16% organic growth**
- Net sales deviation YoY: organic +15.6%, FX -4.2%, portfolio 0.0%
- EBITDA pre deviation YoY: organic +25.1%, FX -5.7%, portfolio -0.8%
- Process Solutions growing 27% organically, driven by downstream and single use, further supported by COVID-19-related demand
- Research Solutions 10% organic growth, supported by anticipated catch-up post Q2 lockdowns and additional COVID-19 pull-in effect
- Applied Solutions back to moderate organic growth despite continuing adverse impact from COVID-19

¹includes CardioMetabolic Care & General Medicine and others

- Slightly higher M&S mainly driven by logistics to ensure supply
- Flat R&D in % of sales with focused investments in strategic projects
- Business performance and operational leverage drive significant EBITDA pre growth and EBITDA pre margin expansion by overall 2pp

Performance Materials

- **Versum portfolio effect and Semiconductor growth more than offset decline in Display and Surface Solutions**
- Net sales deviation YoY: organic -5.4%, FX -2.8%, portfolio +51.6%
- EBITDA pre deviation YoY: organic -2.9%, FX -6.0%, portfolio +52.2%
- Portfolio effect elevates sales growth to 43% overcompensating FX headwinds and organic declines in Display and Surface Solutions
- Semiconductor Solutions: organic growth with 8% at the higher end of mid-term guidance
- Display Solutions: Liquid Crystals closer to the underlying trajectory and OLED stabilizing but still significantly impacted by COVID-19
- Surface Solutions: COVID-19 impact easing vs. Q2 as anticipated but still clearly weighing on cosmetics and automotive end markets
- M&S, Admin and R&D reflect consolidation of Versum and diligent underlying cost management as part of Bright Future transformation program
- Increase in EBITDA pre driven by accretive portfolio effect from Versum already including initial synergy realization

2020 guidance

Group:

- Net sales:
Organic: +4% to +5% YoY; Versum growth contribution in the mid-single digits % ; FX: -2% to -3% YoY
~€17.1 – 17.5 bn
- EBITDA pre:
Organic: +14% to +16% YoY (ex Biogen¹: +6% to +8%); Mid-single digit % growth from Versum; FX: -3% to -5% YoY
~€5.05 – 5.25 bn (thereof Biogen¹ €365 m)
 - EBITDA pre - supporting factors:
 - €365 m Biogen litigation provision release
 - Increasing sales contribution from Mavenclad® and Bavencio®
 - Stringent M&S and R&D cost management in HC (decrease YoY absolute and as % of sales)
 - 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

¹ Reversal of the provisions for the patent dispute proceedings for Rebif in the amount of €365 m

- EBITDA pre - reducing factors:
 - No more support from Pfizer deferred income (€191 m in 2019)
 - Lower income from pipeline management
 - COVID-19 related sales and earnings effect
 - Ongoing decline in Liquid Crystals

- EPS pre: ~€6.50 – 6.80 (thereof Biogen¹ €0.63 m)

Qualitative outlook by business sector²:

Healthcare

- Net sales:
 - Organic: +2% to +3%
 - COVID-19 impacting fertility performance
 - Continued Mavenclad® recovery after June and solid uptake of Bavencio® UC 1L launch EBITDA pre:
- EBITDA pre:
 - Organic: +25% to +27% YoY (ex Biogen¹: +6% to +8%)
 - FX: -7% to -9% YoY
 - ~€2,220 – 2,290 m (thereof Biogen¹ €365 m)

Life Science

- Net sales:
 - Organic: +9% to +10%
 - Strong growth dynamic in Process Solutions
- EBITDA pre:
 - Organic: +13% to +15% YoY
 - FX: -3% to -4% YoY
 - ~€2,300 – 2,370 m

Performance Materials

- Net sales:
 - Organic: -4% to -5%
 - Semiconductor Solutions growing strongly, while COVID-19 weighing on Display and Surface
 - Mid-thirties % contribution from Versum
- EBITDA pre:
 - Organic: -6% to -9% YoY
 - FX: -1% to -3% YoY
 - Mid-thirties % contribution from Versum
 - ~€980 – 1,030 m

¹ Reversal of the provisions for the patent dispute proceedings for Rebif in the amount of €365 m

² Business Sector guidances are only support to the Group guidance and do not have to add up

Additional financial guidance for 2020

- Corporate & Other EBITDA pre ~ -440 to -460 m
- Interest result ~ -280 to -310 m
- Effective tax rate ~24 % to 26%
- Capex on PPE ~1.2 bn – 1.3 bn
- Hedging / USD assumption **FY 2020 hedge ratio ~ 70%**
at EUR/USD ~1.16
- 2020 Ø EUR/USD assumption ~1.13 to 1.15

Merck KGaA

Darmstadt, Germany

Group Q3 2020

| € m | Group | | | Healthcare | | | Life Science | | | Performance Materials | | | Corporate/Others | | |
|-------------------------------|--------------|--------------|------------|------------|------------|------------|--------------|------------|------------|-----------------------|------------|------------|------------------|------------|-------------|
| | Q3 2019 | Q3 2020 | % YoY | Q3 2019 | Q3 2020 | % YoY | Q3 2019 | Q3 2020 | % YoY | Q3 2019 | Q3 2020 | % YoY | Q3 2019 | Q3 2020 | % YoY |
| Net sales | 4 054 | 4 447 | 10% | 1 756 | 1 702 | -3% | 1 715 | 1 910 | 11% | 583 | 836 | 43% | | | |
| % organic | | | 7% | | | 3% | | | 16% | | | -5% | | | |
| % FX | | | -4% | | | -5% | | | -4% | | | -3% | | | |
| % portfolio | | | 7% | | | -1% | | | 0% | | | 52% | | | |
| EBIT | 608 | 1 167 | 92% | 325 | 807 | >100% | 316 | 417 | 32% | 98 | 75 | -23% | -131 | -133 | 1% |
| Depreciation and amortization | 464 | 453 | -2% | 178 | 84 | -53% | 195 | 195 | 0% | 71 | 151 | >100% | 20 | 22 | 12% |
| EBITDA | 1 072 | 1 619 | 51% | 504 | 892 | 77% | 511 | 612 | 20% | 169 | 227 | 34% | -111 | -111 | -1% |
| Adjustments in EBITDA | 39 | 81 | >100% | -3 | 4 | n.m. | 20 | 18 | -9% | 8 | 27 | >100% | 13 | 31 | >100% |
| EBITDA pre | 1 111 | 1 701 | 53% | 501 | 896 | 79% | 531 | 630 | 19% | 177 | 254 | 43% | -98 | -80 | -19% |
| Net financial debt | 12 363 * | 12 082 | -2% | | | | | | | | | | | | |

* as per 31 December

Totals may not add up due to rounding

Group

| P&L Group | Q3 2019 | Q3 2020 | % YoY |
|--|--------------|--------------|-----------------|
| Net sales | 4 054 | 4 447 | 10% |
| Cost of sales | -1 478 | -1 776 | 20% |
| thereof: intangibles amortization | -44 | -48 | 10% |
| Gross profit | 2 576 | 2 671 | 4% |
| Marketing and selling expenses | -1 100 | -992 | -10% |
| thereof: intangibles amortization | -218 | -159 | -27% |
| Administration | -267 | -280 | 5% |
| Impairment losses / reversals (IFRS9) | -1 | -1 | 11% |
| Other operating income/expenses | -40 | 299 | n.m. |
| Research and development | -558 | -531 | -5% |
| EBIT | 608 | 1 167 | 92% |
| Depreciation and amortization | 464 | 453 | -2% |
| EBITDA | 1 072 | 1 619 | 51% |
| Adjustments in EBITDA | 39 | 81 | >100% |
| EBITDA pre | 1 111 | 1 701 | 53% |
| Financial result | -135 | -102 | -25% |
| Profit before tax | 473 | 1 065 | >100% |
| Income tax | -134 | -258 | 93% |
| Income tax rate | 28% | 24% | |
| Profit after tax from continuing operations | 339 | 806 | >100% |
| Profit after tax from discontinued operation | 2 | 0 | -100% |
| Profit after tax | 342 | 806 | >100% |
| Non-controlling interests | 1 | -1 | n.m. |
| Net income | 343 | 805 | >100% |
| Number of theoretical shares in million | 434.8 | 434.8 | |
| EPS in € | 0.79 | 1.85 | >100% |
| EPS pre in € | 1.35 | 2.34 | 73% |

Totals may not add up due to rounding

Healthcare

| P&L Healthcare | Q3 2019 | Q3 2020 | % YoY |
|---------------------------------------|--------------|--------------|-----------------|
| Net sales | 1 756 | 1 702 | -3% |
| Cost of sales | -418 | -427 | 2% |
| thereof: intangibles amortization | -1 | -1 | -21% |
| Gross profit | 1 338 | 1 274 | -5% |
| Marketing and selling expenses | -561 | -382 | -32% |
| thereof: intangibles amortization | -111 | -11 | -90% |
| Administration | -82 | -75 | -8% |
| Impairment losses / reversals (IFRS9) | 1 | -1 | n.m. |
| Other operating income/expenses | 58 | 370 | >100% |
| Research and development | -429 | -378 | -12% |
| EBIT | 325 | 807 | >100% |
| Depreciation and amortization | 178 | 84 | -53% |
| EBITDA | 504 | 892 | 77% |
| Adjustments in EBITDA | -3 | 4 | n.m. |
| EBITDA pre | 501 | 896 | 79% |

Totals may not add up due to rounding

Life Science

| P&L Life Science | Q3 2019 | Q3 2020 | % YoY |
|---------------------------------------|--------------|--------------|------------|
| Net sales | 1 715 | 1 910 | 11% |
| Cost of sales | -748 | -830 | 11% |
| thereof: intangibles amortization | -15 | -14 | -4% |
| Gross profit | 967 | 1 079 | 12% |
| Marketing and selling expenses | -474 | -478 | 1% |
| thereof: intangibles amortization | -103 | -99 | -5% |
| Administration | -83 | -88 | 6% |
| Impairment losses / reversals (IFRS9) | -3 | -1 | -77% |
| Other operating income/expenses | -24 | -21 | -14% |
| Research and development | -67 | -75 | 12% |
| EBIT | 316 | 417 | 32% |
| Depreciation and amortization | 195 | 195 | 0% |
| EBITDA | 511 | 612 | 20% |
| Adjustments in EBITDA | 20 | 18 | -9% |
| EBITDA pre | 531 | 630 | 19% |

Totals may not add up due to rounding

Performance Materials

| P&L Performance Materials | Q3 2019 | Q3 2020 | % YoY |
|---------------------------------------|------------|------------|-------------|
| Net sales | 583 | 836 | 43% |
| Cost of sales | -315 | -519 | 65% |
| thereof: intangibles amortization | -28 | -34 | 18% |
| Gross profit | 268 | 317 | 18% |
| Marketing and selling expenses | -61 | -133 | >100% |
| thereof: intangibles amortization | -3 | -49 | >100% |
| Administration | -30 | -38 | 29% |
| Impairment losses / reversals (IFRS9) | 1 | 0 | n.m. |
| Other operating income/expenses | -32 | -5 | -85% |
| Research and development | -48 | -65 | 36% |
| EBIT | 98 | 75 | -23% |
| Depreciation and amortization | 71 | 151 | >100% |
| EBITDA | 169 | 227 | 34% |
| Adjustments in EBITDA | 8 | 27 | >100% |
| EBITDA pre | 177 | 254 | 43% |

Totals may not add up due to rounding

Consensus deviation

| | Actual | Consensus (mean) | Difference to estimate | Consensus (median) | Difference to estimate |
|------------------------------|----------|---------------------|---------------------------|-----------------------|---------------------------|
| | [€m] | 04.11.2020 | | 04.11.2020 | |
| | Q3 2020A | Q3 2020 E | % | Q3 2020 E | % |
| Group | | | | | |
| Sales | 4 447.1 | 4 406.2 | 0.9% | 4 401.2 | 1.0% |
| EBITDA pre | 1 700.7 | 1 600.5 | 6.3% | 1 606.5 | 5.9% |
| EBITDA pre-margin (%) | 38.2 | 36.3 | 1.9 pp | 36.2 | 2.0 pp |
| EPS pre (€) | 2.34 | 2.23 | 4.9% | 2.23 | 5.0% |
| Healthcare | | | | | |
| Sales | 1 701.5 | 1 700.0 | 0.1% | 1 688.3 | 0.8% |
| Rebif | 279.3 | 271.7 | 2.8% | 271.8 | 2.7% |
| Bavencio | 42.5 | 45.5 | -6.7% | 43.1 | -1.6% |
| Mavenclad | 147.8 | 134.4 | 10.0% | 133.1 | 11.0% |
| All other products | 1 232.0 | 1 248.4 | -1.3% | 1 240.2 | -0.7% |
| EBITDA pre | 896.0 | 856.3 | 4.6% | 867.1 | 3.3% |
| EBITDA pre-margin (%) | 52.7 | 50.4 | 2.3 pp | 50.3 | 2.3 pp |
| Performance Materials | | | | | |
| Sales | 835.7 | 842.4 | -0.8% | 845.7 | -1.2% |
| EBITDA pre | 254.2 | 251.1 | 1.2% | 250.3 | 1.5% |
| EBITDA pre-margin (%) | 30.4 | 29.8 | 0.6 pp | 29.9 | 0.5 pp |
| Life Science | | | | | |
| Sales | 1 909.9 | 1 863.8 | 2.5% | 1 862.7 | 2.5% |
| EBITDA pre | 630.2 | 591.9 | 6.5% | 593.9 | 6.1% |
| EBITDA pre-margin (%) | 33.0 | 31.8 | 1.2 pp | 31.7 | 1.3 pp |
| Corporate/Other | | | | | |
| Sales | 0.0 | 0.0 | n.m. | 4.5 | n.m. |
| EBITDA pre | -79.7 | -98.7 | -19.3% | -102.0 | -21.8% |