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August 5, 2021

Strong Second Quarter with Double-Digit Growth Driven by Big 3

Results of Q2 2021:

- **Reported Group net sales increase by 18.2% over a soft, pandemic-impacted year-earlier quarter to € 4.9 billion; EBITDA pre up 46.7% to € 1.6 billion, EPS pre grows by 72.3% to € 2.24**
- **Big 3 – Healthcare pipeline, Process Solutions and Semiconductor Solutions – contribute strongly to net sales growth**
- **Operating cash flow increases by 76.9% to € 888 million; net financial debt at € 10.1 billion**

Forecast:

- **Group updates and raises forecast for fiscal 2021**
- **Group net sales of € 18.8 billion to € 19.7 billion now expected; EBITDA pre forecast between € 5.6 billion and € 6.0 billion**
- **Company provides selected updated medium-term expectations beyond 2021**

Darmstadt, Germany, August 5, 2021 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, achieved outstanding business results in the second quarter of 2021. Group net reported sales increased by 18.2% to € 4.9 billion compared with the soft, pandemic-impacted year-earlier quarter. EBITDA pre, the most important financial indicator used to steer operating business, grew by 46.7% to € 1.6 billion. After a strong first half of 2021, the Group is updating and

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raising the forecast for fiscal 2021 that it had published after the first quarter. The company now expects Group net sales between € 18.8 billion and € 19.7 billion and EBITDA pre in the range of between € 5.6 billion and € 6.0 billion.

“We have succeeded in mobilizing for accelerated, efficient growth in all business sectors. Especially our Big 3, our Healthcare pipeline, Process Solutions and Semiconductor Solutions, contributed to our company’s excellent Q2 performance. We are poised to deliver sustainable growth due to our optimal position to address all Covid and post-Covid macro trends,” said Belén Garijo, Chair of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany.

Double-digit organic growth in all business sectors

Group organic sales, to which all business sectors contributed double-digit growth rates, increased 23.0% over the year-earlier quarter. In the second quarter, negative foreign exchange effects had an adverse impact of -4.8% on net sales.

Organic growth of EBITDA pre amounted to 52.0%. However, EBITDA pre was offset by negative foreign exchange effects of -5.2%. Relative to net sales, the EBITDA pre margin was 32.4% in the second quarter. Earnings per share pre increased by 72.3% to € 2.24. The operating result EBIT reached € 1.0 billion, more than doubling compared with the year-earlier quarter. The same applies to net income, which increased to € 745 million in the second quarter. Operating cash flow increased by 76.9% to € 888 million. Net financial debt amounted to € 10.1 billion at the end of the second quarter.

Strong growth in the first half of 2021

In the first six months of 2021, Group net sales increased by 11.9% to € 9.5 billion. All business sectors contributed to this positive sales development. In the first six months of 2021, EBITDA pre increased by 36.9% to € 3.1 billion and earnings per share pre rose by 57.9% to € 4.42 compared with the year-earlier period.

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Healthcare: Oncology and Fertility drive net sales

In the second quarter, net sales of the Healthcare business sector increased organically by 23.6% over the year-earlier quarter. This was partly offset by negative foreign exchange effects of -4.3%. Overall, net sales increased by 19.2% to € 1.8 billion.

In the second quarter, the Oncology franchise generated organic sales growth of 49.0%. The oncology drug Erbitux saw strong organic sales growth of 35.6%. In particular, temporary contract manufacturing of the active ingredient cetuximab for Eli Lilly positively impacted sales growth. Net sales of the immuno-oncology medicine Bavencio almost tripled compared with the year-earlier quarter. This growth was mainly attributable to approval in the United States, Europe and Japan in succession since June 2020 as a first-line maintenance treatment of patients with locally advanced or metastatic urothelial carcinoma.

The Neurology & Immunology franchise generated organic sales growth of 15.3% in the second quarter. Net sales of the medicine Mavenclad for the oral short-course treatment of highly active relapsing multiple sclerosis (MS) more than doubled organically compared with the year-earlier quarter. The main driver of this positive development was the recovery of the segment for high-efficacy MS therapies.

In the second quarter, the Fertility franchise grew organically by 87.6%. In addition to very strong demand, this positive development was mainly attributable to the temporary closures of fertility clinics in the year-earlier quarter due to the pandemic. Net sales of the Cardiovascular, Metabolism and Endocrinology franchise increased organically by 0.6% in the second quarter.

EBITDA pre of the Healthcare business sector grew by 55.3% to € 581 million compared with the year-earlier quarter.

Life Science: All businesses post double-digit organic growth

The Life Science business sector increased its net sales organically by 28.2% in the second quarter compared with the year-earlier quarter. The impact of negative foreign exchange effects was -5.0%. Consequently, sales increased overall by 23.2% to € 2.2 billion.

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The Process Solutions business, which markets products and services for the entire pharmaceutical production value chain, generated organic sales growth of 33.8% in the second quarter. The positive development was supported by additional business in connection with the Covid-19 pandemic and continued high demand in the base business.

The Research Solutions business, which provides products and services to support life science research for pharmaceutical, biotechnological and academic research laboratories, achieved organic sales growth of 30.9% in the second quarter. This was driven primarily by generally strong business performance and additional demand stemming from the Covid-19 pandemic. The low year-on-year comparative base caused by the pandemic also had a positive effect.

Net sales of the Applied Solutions business, which offers a broad range of products for researchers as well as scientific and industrial laboratories, grew organically by 12.8% in the reporting period.

In the second quarter, EBITDA pre of Life Science was € 829 million, 45.7% more than in the year-earlier quarter.

Electronics: Growth in Semiconductor Solutions and Surface Solutions

Organically, second-quarter net sales of the Electronics business sector increased by 10.3% over the year-earlier period. The impact of negative foreign exchange effects was -5.0%. Overall, sales of the business sector increased by 5.4% to € 857 million.

Net sales of the Semiconductor Solutions business grew organically by 11.6% in the second quarter amid continued strong demand.

Net sales of the Display Solutions business, which consists mainly of the businesses with liquid crystals, photoresists for display applications as well as OLED materials, saw an organic decrease of -0.7% in the second quarter. This milder decline was due not only to a weaker year-earlier quarter, but primarily to the strong growth of the OLED materials business.

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In the reporting period, net sales of the Surface Solutions business grew organically by 41.3%, primarily due to the ongoing recovery across most business lines from the Covid-19 crisis, which had a severe impact in the year-earlier quarter.

EBITDA pre of Electronics rose by 8.3% to € 258 million in the second quarter of 2021.

Group updates and raises forecast for fiscal 2021

As regards the Covid-19 pandemic and the negative effects thereof, the company assumes that the business recovery which started in the second half of 2020 will continue in fiscal 2021. At present, the company does not expect that further disease waves will have a negative effect comparable to that seen in the first half of 2020, especially on the Healthcare and Electronics business sectors. For Life Science, the company continues to expect significantly positive contributions owing to the Covid-19 pandemic, particularly in the Process Solutions business. The increasing availability of Covid-19 vaccines and the associated immunization of the population is likely to contribute to a further stabilization of the societal and economic situation. Nevertheless, the present forecast is subject to a higher degree of estimation uncertainty than was the case in the years prior to the Covid-19 pandemic.

Following a strong first half of 2021, which was mainly driven by the Life Science business sector, the Group is updating and raising the forecast for Group net sales slightly and expects organic growth of 12% to 14% in fiscal 2021. Previously, the company expected organic growth of 10% to 12%. All business sectors, first and foremost Life Science, should contribute to organic growth. The company continues to expect negative foreign exchange effects between -2% and -4%. Overall, the company now forecasts net sales of € 18.8 billion to € 19.7 billion. Previously, it expected net sales of between € 18.5 billion and € 19.5 billion.

For EBITDA pre, the company is also increasing its forecast for fiscal 2021 and now expects an organic increase in EBITDA pre of between 21% and 25%. This is based on EBITDA pre of € 4.84 billion in 2020, adjusted for the reversal of the provision for the litigation with Biogen. The company previously expected an increase between

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16% and 20%. All business sectors are to contribute to this organic growth, especially Life Science. The forecast foreign exchange development is still expected to adversely affect Group EBITDA pre by between -2% and -4% in fiscal 2021; it is likely to be seen in all business sectors, yet most strongly in Healthcare. Consequently, EBITDA pre is forecast to be between € 5.6 billion and € 6.0 billion. Previously, the company had expected between € 5.4 billion and € 5.8 billion.

The expected strong operating business performance in fiscal 2021 is likely to be the main driver of operating cash flow, which is why the company is also raising the forecast compared with the first quarter to between € 3.8 billion and € 4.4 billion. The company previously expected operating cash flow between € 3.6 billion and € 4.2 billion.

The Group expects earnings per share pre between € 7.80 and € 8.50.

Company provides selected updated medium-term expectations beyond 2021

Apart from the forecast for the current fiscal year, the company today also published selected updated medium-term expectations beyond 2021. In the Healthcare business sector, the company now expects net sales between € 1.6 billion and € 1.8 billion in 2022 as a result of new products from the development pipeline. The company previously assumed a sales contribution of around € 2 billion. For the Life Science business sector, the company also expects significant pandemic-related sales in 2022. In the Process Solutions business, the company expects a positive net sales contribution of at least € 700 million. Previously, at least € 500 million was assumed. In the Electronics business sector, in view of the continued strong performance of the semiconductor market, the company anticipates the positive market signals will continue in the medium-term.

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Overview of the key figures for the second quarter

Group

Key figures

€ million	Q2 2021	Q2 2020	Change	January- June 2021	January-June 2020	Change
Net sales	4,870	4,119	18.2%	9,501	8,489	11.9%
Operating result (EBIT) ¹	1,049	491	>100.0%	2,092	1,207	73.3%
Margin (% of net sales) ¹	21.5%	11.9%		22.0%	14.2%	
EBITDA ¹	1,472	1,048	40.5%	2,939	2,195	33.9%
Margin (% of net sales) ¹	30.2%	25.4%		30.9%	25.9%	
EBITDA pre ¹	1,576	1,074	46.7%	3,087	2,256	36.9%
Margin (% of net sales) ¹	32.4%	26.1%		32.5%	26.6%	
Profit after tax	747	289	>100.0%	1,495	747	>100.0%
Earnings per share (€)	1.71	0.67	>100.0%	3.43	1.72	99.4%
Earnings per share pre (€) ¹	2.24	1.30	72.3%	4.42	2.80	57.9%
Operating cash flow	888	502	76.9%	2,104	1,019	>100.0%

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

Healthcare

Development of net sales by key product lines and products

€ million	Q2 2021	Share	Organic growth ¹	Exchange rate effects	Total change	Q2 2020	Share
Oncology	370	21%	49.0%	-5.4%	43.7%	258	17%
thereof: Erbitux	273	15%	35.6%	-3.8%	31.7%	207	14%
thereof: Bavencio	87	5%	>100.0%	-17.7%	>100.0%	30	2%
Neurology & Immunology	405	23%	15.3%	-6.5%	8.8%	372	25%
thereof: Rebif	247	14%	-9.3%	-5.3%	-14.6%	290	19%
thereof: Mavenclad	157	9%	>100.0%	-10.6%	91.3%	82	5%
Fertility	343	19%	87.6%	-6.7%	80.8%	190	13%
thereof: Gonal-f	200	11%	85.4%	-7.2%	78.2%	112	7%
Cardiovascular, Metabolism and Endocrinology	628	35%	0.6%	-2.3%	-1.7%	638	42%
thereof: Glucophage	213	12%	-4.1%	-1.7%	-5.8%	226	15%
thereof: Concor	127	7%	0.6%	-3.0%	-2.4%	130	9%
thereof: Euthyrox	112	6%	-0.3%	-1.6%	-1.9%	114	8%
thereof: Saizen	66	4%	27.3%	-3.6%	23.7%	54	4%
Other	42	2%				40	3%
Healthcare	1,788	100%	23.6%	-4.3%	19.2%	1,499	100%

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

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Life Science

Net sales by business

€ million	Q2 2021	Share	Organic growth ¹	Exchange rate effects	Total change	Q2 2020	Share
Process Solutions	1,145	52%	33.8%	-5.6%	28.3%	892	49%
Research Solutions	631	28%	30.9%	-4.9%	26.0%	501	28%
Applied Solutions	449	20%	12.8%	-4.0%	8.8%	413	23%
Life Science	2,225	100%	28.2%	-5.0%	23.2%	1,806	100%

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

Electronics

Net sales by business

€ million	Q2 2021	Share	Organic growth ¹	Exchange rate effects	Total change	Q2 2020	Share
Semiconductor Solutions	501	58%	11.6%	-5.9%	5.7%	474	58%
Display Solutions	253	30%	-0.7%	-3.4%	-4.1%	264	33%
Surface Solutions	104	12%	41.3%	-4.9%	36.4%	76	9%
Electronics	857	100%	10.3%	-5.0%	5.4%	814	100%

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

Notes for editors:

- The **conference call for media representatives** will take place at 9:30 a.m. (CEST) and will be broadcast live via webcast (more info [here](#))
- The respective presentation and further information for journalists, including a digital press kit, can be found [here](#)
- The quarterly statement can be found [here](#)
- The company on [Twitter](#) and [LinkedIn](#)
- **Photos and images** can be found [here](#)
- Information on how **the Group is contributing to the global Covid-19 response** can be found [here](#)
- **Company 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 electronics. 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 2020, Merck KGaA, Darmstadt, Germany, generated sales of € 17.5 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 Electronics. Since its founding in 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.