

News Release

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Q3 2021: "Big 3" Again Deliver Efficient, Double-Digit Growth

Key facts at a glance:

- **Group net sales rise by 11.8% to € 5.0 billion**
- **EBITDA pre down -8.7% to € 1.6 billion due to the reversal of a provision in the year-earlier quarter; excluding this effect, EBITDA pre would have increased by 16.2%**
- **The "Big 3" – Process Solutions, new Healthcare products and Semiconductor Solutions – once again key growth drivers**
- **Operating cash flow increases by 25.3% to € 1.5 billion; net financial debt lowered to € 9.3 billion**
- **Company plans to join the Science Based Targets initiative**

Forecast:

- **Company raises forecast for fiscal 2021**
- **Group net sales between € 19.3 billion and € 19.85 billion now expected**
- **Forecast for EBITDA pre raised to € 6.0 billion to € 6.3 billion**

Darmstadt, Germany, November 11, 2021– Merck KGaA, Darmstadt, Germany, again grew strongly in the third quarter of 2021. Group net sales amounted to € 5.0 billion. EBITDA pre, the most important financial indicator to steer operating business, reached € 1.6 billion. Compared with the year-earlier quarter, Group net sales increased by 11.8%. EBITDA pre decreased by -8.7% compared with the third



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quarter of 2020 owing to income of € 365 million from the reversal of a provision in the year-earlier quarter. Excluding this exceptional item, EBITDA pre would have increased by 16.2% compared with the year-earlier period.

“The third quarter was another quarter of strong profitable growth for our company with all three business sectors and all regions contributing. Our Big 3 growth engines, Process Solutions, new Healthcare products and Semiconductor Solutions performed superbly and enabled us to raise our outlook for the full year 2021”, said Belén Garijo, Chair of the Executive Board and CEO.

As part of its sustainability strategy, last year the company set itself the goal of becoming climate-neutral by 2040. The Executive Board has now decided that the company will join the Science Based Targets initiative. With this step, the company has committed itself to helping achieve the Paris Agreement goals through concrete actions.

Group net sales show double-digit organic growth

Group organic sales growth amounted to 10.9% in the third quarter. Exchange rate effects contributed 1.0% to sales growth in the reporting period. Organically, EBITDA pre declined by -10.9% owing to the aforementioned reversal of a provision in the year-earlier quarter. The impact of foreign exchange effects on EBITDA pre was 2.2%. The EBITDA pre margin of the Group was 31.2% in the third quarter. Earnings per share pre declined by -4.3% to € 2.24 compared with the year-earlier quarter. The operating result EBIT declined by -10.2% to € 1.0 billion. Net income fell by -5.6% to € 761 million compared with the year-earlier quarter. Operating cash flow increased by 25.3% to € 1.5 billion. At the end of the third quarter, net financial debt amounted to € 9.3 billion. This represented a decrease of -13.4% compared with the end of fiscal 2020.

Life Science: continued strong growth of Process Solutions

In the third quarter, Life Science generated organic sales growth of 17.1%. Foreign exchange effects contributed 0.6% to sales growth. Consequently, sales of the business sector increased by a total of 17.7% to € 2.2 billion compared with the year-earlier quarter. In the third quarter, EBITDA pre of Life Science increased by 30.7% to € 824 million. The EBITDA pre margin was 36.6%.

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Key business developments in Life Science in the third quarter:

- The Process Solutions business unit, which markets products and services for the entire pharmaceutical value chain, generated organic sales growth of 27.6%. This strong development was driven by additional business in connection with the Covid-19 pandemic and continued high demand in the base business.
- Sales of the Research Solutions business unit, which provides products and services to support life science research for pharmaceutical, biotechnology and academic research laboratories, increased organically by 6.8%. In particular, strong demand in the base business had a positive impact.
- Applied Solutions, the business with products for researchers as well as scientific and industrial laboratories, generated organic sales growth of 7.9% thanks to solid demand in the base business and recovery from the lockdown effects in 2020.

Healthcare: new products drive sales growth

In the third quarter, net sales of Healthcare increased organically by 4.1%. The impact of positive foreign exchange effects was 1.0%. Overall, net sales of the business sector grew 5.1% to € 1.8 billion compared with the year-earlier quarter. EBITDA pre of Healthcare decreased by -39.6% to € 541 million compared with the year-earlier quarter. This was primarily due to the aforementioned reversal of a provision in the third quarter of 2020. The EBITDA pre margin was 30.3%.

Key business developments in Healthcare in the third quarter:

- Sales of the Oncology franchise increased organically by 26.4%. Sales of the immuno-oncology medicine Bavencio more than doubled compared with the year-earlier quarter. This sales growth was mainly driven by the successive approvals in the United States, Europe and Japan since June 2020 for the treatment of patients with locally advanced or metastatic urothelial carcinoma.
- The Neurology & Immunology franchise delivered organic sales growth of 0.9%. Mavenclad, for the treatment of certain forms of multiple sclerosis (MS), generated organic sales growth of 33.1%. This growth more than compensated for the organic decline in sales of the MS medicine Rebif.

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- Sales of the Fertility franchise increased organically by 7.2% thanks to strong demand, thus continuing the positive development of the previous quarter.
- The Cardiovascular, Metabolism & Endocrinology franchise saw an organic sales decline of -3.4%. The volume-based procurement regulation that took effect in China in 2020 was primarily responsible for the -10.3% organic decrease in sales of the diabetes medicine Glucophage.

Electronics: Semiconductor Solutions grows significantly

In the third quarter, net sales of Electronics rose organically by 10.3%. Positive foreign exchange effects increased sales by a further 1.7%. Consequently, sales of the business sector grew 12.1% overall to € 937 million compared with the year-earlier quarter. EBITDA pre of Electronics increased by 16.8% to € 297 million. The EBITDA pre margin was 31.7%.

Key business developments in Electronics in the third quarter:

- Sales of the Semiconductor Solutions business unit increased organically by 20.9% as a result of strong demand in both its businesses – Semiconductor Materials and Delivery Systems & Services.
- The Display Solutions business unit saw an organic sales decrease of -7.2%. However, the rapidly growing business with OLED materials partially offset the declines in the Liquid Crystals business caused by competitive pressure.
- The Surface Solutions business unit generated organic sales growth of 9.8%. Among other things, this was due to continued recovery from the negative impacts of the Covid-19 pandemic, especially in the Cosmetics business.

Company raises forecast for fiscal 2021 again

Following a strong third quarter, the company has specified the forecast for Group net sales and now expects organic growth of 13% to 15% for fiscal 2021. Previously, the company had forecast organic growth of between 12% and 14%. According to the company, all business sectors – first and foremost Life Science – will contribute to organic growth. The company now expects negative foreign exchange effects of between -1% and -2%. Previously, the corresponding effects had been forecast at between -2% and -4%. Overall, the company is raising its forecast for net sales to € 19.3 billion to € 19.85 billion. Previously, the company had expected Group net sales of between € 18.8 billion and € 19.7 billion.

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Based on EBITDA pre of € 4.84 billion in 2020, adjusted for the reversal of the provision for the patent litigation with Biogen, the company expects an organic increase in EBITDA pre of 26% to 29%. Previously, the company had forecast an organic increase of between 21% and 25%. According to it, all business sectors are to contribute to this organic growth, especially Life Science. The forecast foreign exchange development is likely to adversely affect Group EBITDA pre by between -1% and -2% in fiscal 2021 and will be seen in all businesses, most strongly in the Healthcare business sector. Previously, the company had forecast negative foreign exchange effects of between -2% and -4%. The company is thus raising its forecast for EBITDA pre to € 6.0 billion to € 6.3 billion. Previously, it had forecast EBITDA pre in a corridor of € 5.6 billion to € 6.0 billion.

The expected strong development of operating business in fiscal 2021 will be the main driver of operating cash flow, according to the company. Therefore, it is also raising its forecast in the previous corridor of € 3.8 billion to € 4.4 billion and now expects operating cash flow of between € 4.2 billion and € 4.7 billion.

The company expects earnings per share pre to amount to between € 8.50 and € 9.00; previously it had forecast earnings per share pre in a corridor of € 7.80 to € 8.50.

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Overview of the key figures for the third quarter

Group

Key figures

| € million | Q3 2021 | Q3 2020 | Change | Jan.-Sept. 2021 | Jan.-Sept. 2020 | Change |
|---|---------|---------|--------|--------------------|--------------------|--------|
| Net sales | 4,973 | 4,447 | 11.8% | 14,474 | 12,936 | 11.9% |
| Operating result (EBIT) ¹ | 1,047 | 1,167 | -10.2% | 3,140 | 2,374 | 32.3% |
| Margin (% of net sales) ¹ | 21.1% | 26.2% | | 21.7% | 18.3% | |
| EBITDA ¹ | 1,495 | 1,619 | -7.7% | 4,433 | 3,815 | 16.2% |
| Margin (% of net sales) ¹ | 30.1% | 36.4% | | 30.6% | 29.5% | |
| EBITDA pre ¹ | 1,552 | 1,701 | -8.7% | 4,639 | 3,956 | 17.3% |
| Margin (% of net sales) ¹ | 31.2% | 38.2% | | 32.0% | 30.6% | |
| Profit after tax | 764 | 806 | -5.3% | 2,258 | 1,553 | 45.4% |
| Earnings per share (€) | 1.75 | 1.85 | -5.4% | 5.18 | 3.57 | 45.1% |
| Earnings per share pre (€) ¹ | 2.24 | 2.34 | -4.3% | 6.66 | 5.14 | 29.6% |
| Operating cash flow | 1,467 | 1,170 | 25.3% | 3,571 | 2,189 | 63.1% |

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

Life Science

Net sales by business unit

| € million | Q3 2021 | Share | Organic growth ¹ | Exchange rate effects | Acquisitions/ divestments | Total change | Q3 2020 | Share |
|-----------------------|--------------|-------------|--------------------------------|--------------------------|------------------------------|--------------|--------------|-------------|
| Process Solutions | 1,186 | 53% | 27.6% | 0.5% | - | 28.2% | 926 | 48% |
| Research Solutions | 608 | 27% | 6.8% | 0.6% | - | 7.5% | 566 | 30% |
| Applied Solutions | 454 | 20% | 7.9% | 0.6% | - | 8.6% | 418 | 22% |
| Life Science | 2,248 | 100% | 17.1% | 0.6% | - | 17.7% | 1,910 | 100% |

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 | Q3 2021 | Share | Organic growth ¹ | Exchange rate effects | Total change | Q3 2020 | Share |
|---|--------------|-------------|-----------------------------|-----------------------|--------------|--------------|-------------|
| Oncology | 349 | 19% | 26.4% | 0.4% | 26.8% | 275 | 16% |
| thereof: Erbitux | 233 | 13% | 6.5% | 0.9% | 7.4% | 217 | 13% |
| thereof: Bavencio | 104 | 6% | >100.0% | -2.0% | >100.0% | 42 | 2% |
| Neurology & Immunology | 431 | 24% | 0.9% | -0.1% | 0.8% | 427 | 25% |
| thereof: Rebif | 234 | 13% | -16.2% | -0.2% | -16.4% | 279 | 16% |
| thereof: Mavenclad | 197 | 11% | 33.1% | 0.1% | 33.2% | 148 | 9% |
| Fertility | 339 | 19% | 7.2% | 1.0% | 8.2% | 314 | 19% |
| thereof: Gonal-f | 191 | 11% | -1.4% | 0.7% | -0.7% | 192 | 11% |
| Cardiovascular, Metabolism & Endocrinology | 635 | 36% | -3.4% | 1.9% | -1.5% | 645 | 38% |
| thereof: Glucophage | 209 | 12% | -10.3% | 2.7% | -7.5% | 226 | 13% |
| thereof: Concor | 133 | 7% | 3.0% | 1.5% | 4.4% | 127 | 7% |
| thereof: Euthyrox | 123 | 7% | 4.6% | 1.7% | 6.3% | 115 | 7% |
| thereof: Saizen | 61 | 3% | 2.4% | 1.0% | 3.3% | 59 | 3% |
| Other | 33 | 2% | | | | 40 | 2% |
| Healthcare | 1,788 | 100% | 4.1% | 1.0% | 5.1% | 1,702 | 100% |

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

Electronics

Net sales by business unit

| € million | Q3 2021 | Share | Organic growth ¹ | Exchange rate effects | Acquisitions/divestments | Total change | Q3 2020 | Share |
|-------------------------|------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|------------|-------------|
| Semiconductor Solutions | 573 | 61% | 20.9% | 1.3% | - | 22.3% | 469 | 56% |
| Display Solutions | 267 | 29% | -7.2% | 2.8% | - | -4.4% | 279 | 33% |
| Surface Solutions | 96 | 10% | 9.8% | 0.5% | - | 10.2% | 87 | 11% |
| Electronics | 937 | 100% | 10.3% | 1.7% | - | 12.1% | 836 | 100% |

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

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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.