

News Release

Your Contact

Media Relations

esther.doeringer@emdgroup.com

Phone: +49 151 1454 7809

Investor Relations

investor.relations@emdgroup.com

Phone: +49 6151 72-3321

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Q2 2022: Merck KGaA, Darmstadt, Germany, Delivers Robust Growth Despite Headwinds

Results of the second quarter of 2022

- **Group net sales rise by 14.3% to € 5.6 billion**
- **All business sectors contribute to strong organic sales growth of 6.6%, especially the "Big 3" growth drivers**
- **EBITDA pre up by 13.1% to € 1.8 billion; EBITDA pre margin at 32.0%**
- **Cost inflation is partly offset by price increases**

Forecast for fiscal 2022

- **Guidance for Group organic growth confirmed**
- **Stronger positive currency effects expected for fiscal 2022**

Darmstadt, Germany, August 4, 2022 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, continued its growth trajectory in the second quarter of 2022 despite a challenging environment. Net sales increased by 14.3% compared with the second quarter of 2021 to € 5,568 million. All business sectors contributed to the strong organic sales increase of 6.6%, especially the "Big 3" growth drivers of the Group: Process Solutions and Life Science Services in Life Science, new Healthcare products as well as Semiconductor Solutions in Electronics. Despite the price increases for raw materials and logistics, EBITDA pre rose



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organically by 3.2% to € 1,782 million. For fiscal 2022, the company confirms its guidance for organic growth of Group net sales and EBITDA pre.

“The second quarter of 2022 underlines the resilience of our strategy to generate growth and with that, value for our patients and customers. We continued to deliver despite major external challenges in our operating environment. A record quarter in Life Science, strong performance of our new Healthcare products, and the double-digit growth of Semiconductor Solutions within our Electronics business demonstrate the strength of our globally diversified business,” said Belén Garijo, Chair of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany.

In the second quarter of 2022, the Group realized further strategically important investments that will contribute to its medium-term growth target of € 25 billion in sales by 2025. In Cork, Ireland, the company is investing around € 440 million until 2027 to expand its [production capacity for filtration products and membranes](#). At the Chinese site in Wuxi, the Group is spending around € 100 million on [additional local production capacities](#) for biopharma single-use assemblies. Since opening a € 59 million facility in Verona, Wisconsin, United States, in June 2022, the company is one of the leading contract development and manufacturing organizations (CDMO) [of high-potent active pharmaceutical ingredients](#). These ingredients are used in novel cancer therapies, including antibody drug conjugates (ADCs). Targeted capital allocation measures such as these are enabling the company to strengthen the basis for efficient future growth.

Organic sales growth in all business sectors

In the second quarter of 2022, the company achieved strong organic sales growth of 6.6%. Foreign exchange effects had a positive impact of 7.2%. These were due especially to the development of the U.S. dollar, the Chinese renminbi and the Taiwanese dollar. The acquisition of the biopharmaceutical contract development and manufacturing organization Exelead Inc., USA, (Exelead) was responsible for a portfolio-related sales increase of € 25 million or 0.5%.

EBITDA pre, the most important financial indicator used to steer operating business, rose by 13.1% to € 1,782 million. Organic earnings growth was 3.2%, driven by the

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Life Science business sector. EBITDA pre benefited from a positive foreign exchange effect of 9.5%. Relative to net sales, the EBITDA pre margin was 32.0%.

Earnings per share pre improved by 17.9% to € 2.64. Net financial debt amounted to € 10.2 billion on June 30, 2022. Operating cash flow was € 852 million. The decrease of -4.1% compared with the second quarter of 2021 was mainly due to higher working capital. The increase in working capital reflects the strong overall business development but also the consequences of global supply chain disruptions.

Good business performance in the first half of 2022

In the first half of 2022, the Group increased net sales by 13.3% (organically 7.2%) compared with the same period of 2021 to € 10,766 million. All business sectors contributed to this positive development, with Life Science and Electronics in particular delivering strong organic growth. In the first six months of 2022, EBITDA pre grew by 10.5% (organically: 2.4%) to € 3,411 million and earnings per share pre rose 14.3% to € 5.05.

Life Science: Organic sales growth in mid-teens percentage range in the core business amid expected decline in pandemic-related demand

In the second quarter of 2022, Life Science delivered double-digit organic sales growth of 10.4%. Including currency tailwinds of 7.4% and a portfolio effect of 1.1% from the acquisition of Exelead, net sales of the business sector grew by 19.0% compared with the second quarter of 2021 to € 2,648 million. This positive development was mainly driven by organic growth in the core business in the mid-teens percentage range amid an expected decline in pandemic-related demand.

- The Process Solutions business unit, which markets products and services for the entire pharmaceutical production value chain, generated organic sales growth of 12.4%. This development was primarily attributable to strong demand in the core business in all regions amid the expected decline in pandemic-related demand.
- Products and services to support research activities are combined in Science & Lab Solutions. In the second quarter of 2022, this business reported organic sales growth of 6.4%.

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- Life Science Services, which offers fully integrated Contract Development and Manufacturing Organization (CDMO) and Contract Testing services, increased net sales organically by 24.6%.

EBITDA pre of the Life Science business sector developed very positively in the second quarter of 2022, rising by 21.3% to € 1,006 million. The organic increase of 14.5% exceeded organic sales growth of 10.4%, despite higher logistics costs and further investments in future growth. The EBITDA pre margin improved to 38.0%. Among other things, price increases contributed to this.

Healthcare: Business with new products drives growth

In the second quarter of 2022, the Healthcare business sector reported organic sales growth of 1.4%. The strong previous year quarter was favorably impacted by around € 50 million from the temporary contract manufacturing for Eli Lilly and Company, USA, (Eli Lilly). Including positive foreign exchange effects of 6.2%, net sales amounted to € 1,924 million, an increase of 7.6%. The key growth driver was business with new products such as Bavencio and Mavenclad.

- In the second quarter of 2022, the Oncology franchise delivered organic growth of 8.1%, which was fueled especially by the strong 60.7% increase in sales of the immuno-oncology drug Bavencio. This increase was primarily attributable to the further gain of market shares in connection with first-line maintenance therapy in patients with locally advanced or metastatic urothelial carcinoma (UC), particularly in Europe and Japan. The oncology drug Erbitux saw an organic sales decline of -9.0% owing to the temporary contract manufacturing agreement with Eli Lilly in the second quarter of 2021.
- Sales of the Neurology & Immunology franchise declined organically by -1.2%. Mavenclad, for the treatment of relapsing multiple sclerosis, generated organic sales growth of 26.6%. The multiple sclerosis drug Rebif saw a decrease of -18.9%.
- The Fertility franchise recorded a moderate organic sales decline of -2.7% in the second quarter of 2022, while the Cardiovascular, Metabolism and Endocrinology franchise grew moderately by 2.7%.

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In the second quarter of 2022, EBITDA pre of the Healthcare business sector increased by 3.9% compared with the second quarter of 2021 to € 604 million. An organic earnings decline of -9.5% was countered by positive foreign exchange effects of 13.4%. The strong result of the second quarter of the previous year was supported by the temporary supply agreement with Eli Lilly. The EBITDA pre margin was 31.4%.

Electronics: Continued strong growth of Semiconductor Solutions

In the second quarter of 2022, net sales of the Electronics business sector grew by 16.3% to € 996 million. Organically, sales rose by 7.4%, driven especially by the continued strong growth in Semiconductor Solutions. Positive foreign exchange effects increased sales by 8.9%.

- Net sales of the Semiconductor Solutions business unit increased organically by 20.3% to € 653 million in the second quarter of 2022, representing around two-thirds of the sales of the Electronics business sector. Apart from strong demand, organic growth was supported by price increases implemented by the Group due to the impact of inflation on the costs of raw materials and transport.
- Net sales of the Display Solutions business unit declined organically by -15.9% particularly as a result of weaker demand for liquid crystals.
- Net sales of Surface Solutions grew organically by 2.0% in the second quarter of 2022, especially due to higher demand and improved pricing in Cosmetics.

EBITDA pre of the Electronics business sector increased in the second quarter of 2022 by 13.7% to € 293 million. An organic decline of -1.9% was more than offset by positive foreign exchange effects of 15.5%. Cost inflation was partly offset by price increases in Semiconductor Solutions. The EBITDA pre margin was 29.4%.

Group forecast for fiscal 2022 confirmed

Merck KGaA, Darmstadt, Germany, confirms the forecast for the organic growth of net sales (6% to 9%) and EBITDA pre (5% to 9%) for the Group. For fiscal 2022, the company expects stronger positive foreign exchange effects of 5% to 8% for net sales (previously: 3% to 6%) and of 6% to 10% for EBITDA pre (previously: 4% to 8%). Based on that, the guidance for fiscal 2022 is as follows:

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- Group net sales of between € 21.9 billion and € 23.0 billion (previously: € 21.6 billion to € 22.8 billion)
- EBITDA pre in a corridor of € 6.75 billion to € 7.25 billion (previously: € 6.6 billion to € 7.1 billion)
- Earnings per share pre of € 9.85 to € 10.75 (previously: € 9.60 to € 10.50), based on a tax rate of 23%.

Overview of the key figures for the second quarter of 2022

Group

Key figures

€ million	Q2 2022	Q2 2021	Change	January – June 2022	January – June 2021	Change
Net sales	5,568	4,870	14.3%	10,766	9,501	13.3%
Operating result (EBIT) ¹	1,177	1,049	12.2%	2,350	2,092	12.3%
Margin (% of net sales) ¹	21.1%	21.5%		21.8%	22.0%	
EBITDA ²	1,709	1,472	16.2%	3,312	2,939	12.7%
Margin (% of net sales) ¹	30.7%	30.2%		30.8%	30.9%	
EBITDA pre ¹	1,782	1,576	13.1%	3,411	3,087	10.5%
Margin (% of net sales) ¹	32.0%	32.4%		31.7%	32.5%	
Profit after tax	870	747	16.5%	1,754	1,495	17.3%
Earnings per share (€)	1.99	1.71	16.4%	4.02	3.43	17.2%
Earnings per share pre (€) ¹	2.64	2.24	17.9%	5.05	4.42	14.3%
Operating cash flow	852	888	-4.1%	1,692	2,104	-19.6%

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

² Not defined by International Financial Reporting Standards (IFRS); EBITDA corresponds to the operating result (EBIT) adjusted by depreciation, amortization, impairment losses, and reversals of impairment losses.

Life Science

Net sales by business unit

€ million	Q2 2022	Share	Organic growth ¹	Exchange rate effects	Acquisitions/ divestments	Total change	Q2 2021 ²	Share
Science & Lab Solutions	1,233	47%	6.4%	7.0%	-	13.5%	1,086	49%
Process Solutions	1,149	43%	12.4%	7.2%	-	19.5%	962	43%
Life Science Services	266	10%	24.6%	10.8%	14.2%	49.5%	178	8%
Life Science	2,648	100%	10.4%	7.4%	1.1%	19.0%	2,225	100%

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

² Prior-year figures have been adjusted owing to the reorganization of the Life Science business sector as well as to product reallocations between the Life Science and Electronics business sectors.

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Healthcare

Development of net sales by key product lines and products

€ million	Q2 2022	Share	Organic growth ¹	Exchange rate effects	Total change	Q2 2021	Share
Oncology	415	22%	8.1%	4.3%	12.4%	370	21%
thereof: Erbitux®	258	13%	-9.0%	3.2%	-5.8%	273	15%
thereof: Bavencio®	146	8%	60.7%	7.6%	68.3%	87	5%
Neurology & Immunology	429	22%	-1.2%	7.3%	6.1%	405	23%
thereof: Rebif®	217	11%	-18.9%	6.7%	-12.2%	247	14%
thereof: Mavenclad®	212	11%	26.6%	8.2%	34.8%	157	9%
Fertility	351	18%	-2.7%	5.0%	2.3%	343	19%
thereof: Gonal-f®	198	10%	-5.0%	4.2%	-0.8%	200	11%
Cardiovascular, Metabolism and Endocrinology	691	36%	2.7%	7.3%	10.0%	628	35%
thereof: Glucophage®	228	12%	-2.1%	8.9%	6.8%	213	12%
thereof: Concor®	147	8%	8.1%	7.8%	16.0%	127	7%
thereof: Euthyrox®	139	7%	17.5%	6.7%	24.1%	112	6%
thereof: Saizen®	68	4%	0.3%	2.1%	2.4%	66	4%
Other	38	2%				42	2%
Healthcare	1,924	100%	1.4%	6.2%	7.6%	1,788	100%

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

Electronics

Net sales by business unit

€ million	Q2 2022	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	Q2 2021 ²	Share
Semiconductor Solutions	653	66%	20.3%	10.2%	-	30.5%	500	58%
Display Solutions	233	23%	-15.9%	7.9%	-	-8.1%	253	30%
Surface Solutions	111	11%	2.0%	5.0%	-	7.0%	104	12%
Electronics	996	100%	7.4%	8.9%	-	16.3%	857	100%

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

² Prior-year figures have been adjusted due to product reallocations between the Life Science and Electronics business sectors and adjustments within the Electronics business sector.

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Notes to editors:

- The **conference call for media representatives** will take place at 9:30 a.m. (CEST) and will be broadcast live via webcast. You have received the link to the webcast in the invite.
- The respective **presentation** and further information for journalists, including a **digital press kit**, can be found [here](#)
- The quarterly statement can be found [here](#)
- [Twitter](#) and [LinkedIn](#)
- **Photos and images** can be found [here](#)
- **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 life science, healthcare and electronics. More than 60,000 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 2021, Merck KGaA, Darmstadt, Germany, generated sales of € 19.7 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 MilliporeSigma in life science, EMD Serono in healthcare and EMD Electronics in 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.