

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

August 3, 2023

Q2 2023: Demonstrating Resilience under Market Pressure

Financial results of Q2 2023

- **Net sales decrease organically by –1.1% to € 5.3 billion**
- **EBITDA pre down organically by –7.0% to € 1.6 billion**
- **Healthcare business sector increases net sales and earnings**
- **Weaker market environment in Life Science and Electronics**
- **Negative foreign exchange impact stronger than in Q1 2023**

Updated forecast for fiscal 2023

- **Net sales: Organic development between –2% and +2 %**
- **Net sales excluding Covid-19 business: Organic growth of +1% to +5%**
- **EBITDA pre: Organic decline of –9% to –3%**
- **Foreign exchange impact on both net sales and EBITDA pre: –6% to –3%**

Darmstadt, Germany, August 3, 2023 – In the second quarter of 2023, Merck KGaA, Darmstadt, Germany, leveraged its diversified portfolio with three business sectors to navigate a challenging market environment. While net sales of Life Science and Electronics declined in softer markets, Healthcare delivered organic sales growth of 11.9%.

Overall, Group net sales decreased by –4.8% to € 5,302 million compared to the same quarter of the previous year. The strong growth of the Healthcare business



News Release

sector largely offset the decline in Life Science and Electronics, resulting in an organic development of Group sales of -1.1% . Despite the strong earnings growth of Healthcare, Group EBITDA pre declined by -12.8% (organically -7.0%) to € 1,553 million. This was caused primarily by decreased sales volumes and the proportionately lower share of higher-margin products. Negative foreign exchange effects put further pressure on both net sales and EBITDA pre.

Against this backdrop, the company is updating its forecast for fiscal 2023. The company now expects an organic development of Group net sales of between -2% and $+2\%$ (previously $+1\%$ to $+4\%$) along with an organic decline in EBITDA pre by -9% to -3% (previously: -5% to 0%). Excluding the Covid-19 business, Group sales are expected to grow organically by $+1\%$ to $+5\%$ (previously: $+4\%$ to $+7\%$). Both net sales and EBITDA pre are likely to be impacted by negative foreign exchange effects of -6% to -3% (previously: -5% to -2%).

“For us, 2023 remains a transition year,” said Belén Garijo, Chair of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. “In the second quarter, our Healthcare business once again proved to be a growth driver. We are building on the strengths of our diversified business model. We remain confident of our mid-term growth ambition and in delivering € 25 billion in sales by 2025.”

Headwinds from foreign exchange effects pick up in Q2 2023

Sales in the second quarter of 2023 decreased organically by -1.1% . Foreign exchange effects, especially from the U.S. dollar and the Chinese renminbi, had an adverse impact of -3.7% on sales. By contrast, in the first quarter of 2023, foreign exchange effects still contributed positively to sales growth by 0.8% .

EBITDA pre declined organically by -7.0% in the second quarter of 2023. The impact of foreign exchange on Group EBITDA pre was -5.7% . The EBITDA pre margin was 29.3% . Earnings per share pre were € 2.20.

Weaker market environment in Life Science and Electronics weighs on business performance in the first half of 2023

In the first half of 2023, the Group generated net sales of € 10,595 million, reflecting a decline of -1.6% (organic: -0.2%) compared to the same period of the previous year. While net sales of the Healthcare business sector grew organically by 8.8% in the first six months of 2023, Life Science (-4.2%) and Electronics (-6.7%) reported

News Release

organic sales decreases. The main reasons were the significant decline in Covid-19-related demand and the weaker market environment in both Semiconductor Solutions and Display Solutions. Organically, Group EBITDA pre decreased by –4.5% to € 3,140 million in the first half of 2023. Earnings per share pre were € 4.57.

Life Science: Significant decrease in Covid-19-related demand drives organic decline in net sales and earnings

In the second quarter of 2023, the Life Science business sector reported net sales of € 2,354 million, a decrease of –11.1% compared with the same quarter of the previous year. Organically, sales declined by –8.7%. Foreign exchange effects had a negative impact of –2.4% on sales.

The Process Solutions and Life Science Services business units recorded organic sales declines of –11.8% and –30.5%, respectively. The main reasons were the significantly lower Covid-19-related demand and a considerable slow-down in the core business of Process Solutions due to destocking by key customers.

Organically, EBITDA pre of Life Science decreased by –26.1% to € 712 million. Lower sales volumes were a significant factor for this decline, as was the comparatively lower share of higher-margin products in sales, partly driven by lower Covid-19-related sales. Foreign exchange had a negative impact of –3.3% on earnings. The EBITDA pre margin of Life Science was 30.2%.

Healthcare: New products remain growth drivers, complemented by the positive development of the established product portfolio

In the second quarter of 2023, the Healthcare business sector increased net sales by 6.5% (organically: 11.9%) to € 2,049 million, amid a negative foreign exchange impact of –5.4%. The key growth drivers were the new launches, namely of the immuno-oncology drug Bavencio, which grew organically by 26.8%, as well as Mavenclad for the treatment of relapsing multiple sclerosis, which generated organic growth of 28.1%.

The established product portfolio also contributed positively to sales growth. Organically, net sales of the oncology drug Erbitux increased by 10.2% in the second quarter of 2023. The Fertility franchise generated organic sales growth of 24.7% compared with the same quarter of the previous year. Ongoing supply difficulties of a competitor had a favorable impact on net sales of the fertility products. In addition,

News Release

the market for fertility treatments in China continued its recovery after the Covid-19-related lockdowns ended.

In the second quarter of 2023, EBITDA pre of the Healthcare business sector amounted to € 704 million. Organic earnings growth of 30.4% was partly offset by negative foreign exchange effects of –13.9%. The EBITDA pre margin of Healthcare was 34.3%.

Electronics: Second quarter impacted by weaker market environment in Semiconductor Solutions and Display Solutions

The Electronics business sector recorded a –9.7% decline in net sales to € 899 million in the second quarter of 2023. Organically, sales decreased by –6.3% amid a foreign exchange effect of –3.8%.

The Semiconductor Solutions business unit reported an organic sales decline of –4.7%. The robust project business in Delivery Systems & Services (DS&S) largely offset the decline in Semiconductor Materials in what was, as expected, a weaker market. A recovery in the Semiconductor Materials business is delayed further. Market consensus now assumes a stabilization in the second half of the year at a continued low level. Continued weak pricing and the comparatively lower share of higher-margin products in liquid crystals were the main reasons for the organic sales decline of –10.9% in the Display Solutions business unit.

EBITDA pre of Electronics declined organically by –5.2% to € 262 million. Foreign exchange had a negative impact on EBITDA pre of –4.9%. The EBITDA pre margin was 29.1%.

Updated forecast for fiscal 2023

Merck KGaA, Darmstadt, Germany, is updating its forecast for fiscal 2023. The reasons for this are, in particular, the persistently high inventory levels of our Life Science customers, the further delayed recovery of the market for semiconductor materials, an increased cost level due to inflation and an even stronger negative foreign exchange impact. The company once again confirms its mid-term objective of delivering sales of € 25 billion by 2025. For fiscal 2023, the forecast for the Group is as follows:

- Organic sales development: –2% to +2%, totaling € 20.5 billion to € 21.9 billion
- Organic sales growth excluding Covid-19 business: +1% to +5%

News Release

- Organic decline of EBITDA pre: –9% to –3%, totaling € 5.8 billion to € 6.4 billion
- Negative foreign exchange effects on sales and EBITDA pre: –6% to –3%
- EPS pre: € 8.25 to € 9.35, based on an underlying tax rate of 22 %.

News Release

Overview of the key figures for Q2 2023

Group

Key figures

€ million	Q2 2023	Q2 2022	Change	Jan.-June 2023	Jan.-June 2022	Change
Net sales	5,302	5,568	-4.8%	10,595	10,766	-1.6%
Operating result (EBIT) ¹	969	1,177	-17.6%	2,004	2,350	-14.7%
Margin (% of net sales) ¹	18.3%	21.1%		18.9%	21.8%	
EBITDA ²	1,452	1,709	-15.1%	2,942	3,312	-11.2%
Margin (% of net sales) ¹	27.4%	30.7%		27.8%	30.8%	
EBITDA pre ¹	1,553	1,782	-12.8%	3,140	3,411	-7.9%
Margin (% of net sales) ¹	29.3%	32.0%		29.6%	31.7%	
Profit after tax	706	870	-18.9%	1,506	1,754	-14.1%
Earnings per share (€)	1.62	1.99	-18.6%	3.45	4.02	-14.2%
Earnings per share pre (€) ¹	2.20	2.64	-16.7%	4.57	5.05	-9.5%
Operating cash flow	622	852	-27.0%	1,475	1,692	-12.8%
Net financial debt ³	9,355	8,328	12.3%	-	-	-
Number of employees ⁴	63,701	62,759	1.5%	-	-	-

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

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

³ Figures for the reporting period ending on June 30, 2023, prior-year figures as of December 31, 2022.

⁴ Figures for the reporting period ending on June 30, 2023, prior-year figures as of June 30, 2022. Prior-year figures have been adjusted. This figure refers to all employees at sites of fully consolidated entities.

Life Science

Net sales by business unit

€ million	Q2 2023	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	Q2 2022 ²	Share
Science & Lab Solutions	1,182	50%	-1.1%	-2.9%	-	-4.1%	1,232	46%
Process Solutions	994	42%	-11.8%	-2.1%	-	-13.9%	1,154	44%
Life Science Services	178	8%	-30.5%	-1.4%	-	-31.9%	262	10%
Life Science	2,354	100%	-8.7%	-2.4%	-	-11.1%	2,648	100%

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

² Prior-year figures have been adjusted owing to an internal realignment.

News Release

Healthcare

Net sales by major product lines/products

€ million	Q2 2023	Share	Organic growth ¹	Exchange rate effects	Total change	Q2 2022	Share
Oncology	458	22%	17.8%	-7.7%	10.1%	415	22%
thereof: Erbitux®	260	13%	10.2%	-9.2%	1.1%	258	13%
thereof: Bavencio®	178	9%	26.8%	-5.0%	21.8%	146	8%
Neurology & Immunology	467	23%	12.2%	-3.4%	8.8%	429	22%
thereof: Rebif®	205	10%	-3.2%	-2.4%	-5.6%	217	11%
thereof: Mavenclad®	262	13%	28.1%	-4.5%	23.6%	212	11%
Fertility	409	20%	24.7%	-8.1%	16.5%	351	18%
thereof: Gonal-F®	219	11%	18.7%	-8.6%	10.1%	198	10%
Cardiovascular, Metabolism and Endocrinology	665	32%	0.9%	-4.6%	-3.7%	690	36%
thereof: Glucophage®	197	10%	-8.9%	-4.6%	-13.6%	228	12%
thereof: Concor®	142	7%	1.8%	-5.7%	-3.9%	147	8%
thereof: Euthyrox®	131	6%	-2.3%	-3.4%	-5.8%	139	7%
thereof: Saizen®	79	4%	22.1%	-5.9%	16.2%	68	4%
Other	50	3%				38	2%
Healthcare	2,049	100%	11.9%	-5.4%	6.5%	1,924	100%

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

Electronics

Net sales by business unit

€ million	Q2 2023	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	Q2 2022	Share
Semiconductor Solutions	602	67%	-4.7%	-3.6%	0.5%	-7.8%	653	66%
Display Solutions	196	22%	-10.9%	-4.9%	-	-15.8%	233	23%
Surface Solutions	101	11%	-5.8%	-2.8%	-	-8.7%	111	11%
Electronics	899	100%	-6.3%	-3.8%	0.3%	-9.7%	996	100%

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

News Release

Notes to editors:

- The **press conference for media representatives** will take place at 9:30 a.m. (CEST).
- The respective **presentation** and further information for journalists, including a **digital press kit**, can be found [here](#)
- The half-yearly financial report 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

All Merck KGaA, Darmstadt, Germany, press releases are distributed by e-mail at the same time they become available on the EMD Group website. In case you are a resident of the USA or Canada, please go to www.emdgroup.com/subscribe to register for your online, change your selection or discontinue this service.

About Merck KGaA, Darmstadt, Germany

Merck KGaA, Darmstadt, Germany, a leading science and technology company, operates across life science, healthcare and electronics. More than 64,000 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 providing products and services that accelerate drug development and manufacturing as well as discovering unique ways to treat the most challenging diseases to enabling the intelligence of devices – the company is everywhere. In 2022, Merck KGaA, Darmstadt, Germany, generated sales of € 22.2 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 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.