

Q2 2023 Financial Summary for Investors and Analysts

Demonstrating Resilience under market pressure

- **Life Science:** Sales decline of -9% org. amid pronounced destocking and COVID-19 headwinds; core business¹ sales -4% org., mainly driven by PS and LSS
- **Healthcare:** The growth driver of the group; recent launches up +29% org., driving +12% org. growth; Fertility up +25% org., benefiting from competitors' stock-out
- **Electronics:** Electronics sales decline (-6% org.) amid market headwinds; Semiconductor Solutions with -5% org. decline, MSI with mid-teens decline
- **Q2 organic sales:** -1%
- **Q2 organic EBITDA pre:** -7%
- **Guidance:**
Net sales: €20.5 bn to €21.9 bn
EBITDA pre: €5.8 bn to €6.4 bn
EPS pre: €8.25 to €9.35
- Net financial debt to EBITDA pre: 1.4 on June 30, 2023

¹Core business consists of net sales excluding the Covid-19 business

Overview Financials

Q2 2023 Overview

- Sales down -5%, impacted by FX headwinds
- Lower volumes in Life Science and Electronics, partially offset by growth in Healthcare
- EBITDA pre decline impacted by lower organic sales and mix in Life Science and Electronics
- EPS pre down, in line with EBITDA pre
- Decline in operating cash flow mainly due to lower EBITDA pre
- Net financial debt is up, mainly driven by investment for future growth and short-term investments, plus the dividend

Q2 2023 Cash Flow Statement

- Profit after tax driven by lower EBIT, partially offset by lower tax
- Prior year D&A elevated by Berzosertib trial discontinuation impairments
- Prior year provisions impacted by actuarial gains from higher interest rates
- Delta in other assets & liabilities mainly driven by tax and pension plans
- Other operating activities reflect outlicensing and patent agreements in Healthcare and Electronics
- Favorable working capital due to prior year receivables & inventories build up
- Investing cash flow primarily driven by proceeds from short-term investments
- Financing cash flow up mainly due to repayments of bank liabilities

Q2 2023 Balance Sheet

- Increase in inventories in Life Science and Electronics, stable QoQ
- Decrease in intangible assets primarily driven by FX and amortization
- Continued investment for mid-term growth increases PPE
- Increase in financial debt due to higher related party financial debt
- Other liabilities impacted by dividend payment in Q2
- Equity ratio slight improved to 55% (2022, 54%)

Q2 2023 Business Overview

Life Science

- **Decline in the core business of -4% org. mainly due to destocking in Process Solutions; COVID-19 business fading out as expected**
- Net sales deviation YoY: organic -8.7%, FX -2.4%, portfolio 0.0%
- EBITDA pre deviation YoY: organic -26.1%, FX -3.3%, portfolio +0.2%
- Process Solutions: -7% org. decline in core business on destocking effect fully materializing and pronounced COVID-19 business decline results in PS sales decline of -12% org.
- Science & Lab Solutions: Flat performance of core business (mainly due to suppressed demand) with slight headwinds from fading COVID-19 resulting in -1% org. decline
- Life Science Services: -7% org. decline in core business due to negative batch phasing and fading COVID-19 result in -30% organic sales decline
- Lower M&S* and Admin costs; less pronounced than decline in sales
- R&D costs stable compared with last year
- EBITDA pre down -26% org. on lower sales and negative mix effects impacting the gross margin and a more pronounced decline in sales than in operating expenses

*Marketing and selling expenses

Healthcare

- **+12% growth driven by sales momentum of Bavencio® and Mavenclad®, amplified by Fertility**
- Net sales deviation YoY: organic +11.9%, FX -5.4%, portfolio 0.0%
- EBITDA pre deviation YoY: organic +30.4%, FX -13.9%, portfolio 0.0%
- Oncology up +18% org., driven by continuous growth of Bavencio® (+27% org.) across all regions and supported by Erbitux® (+10% org.)
- N&I rebound at +12% org.: Mavenclad® up +28% org.; softer Rebif® decline (-3% org.), benefitting from positive channel dynamics
- Slight growth of established portfolio, driven by Fertility (+25% org.) fueled by competitors' stock-outs; CM&E flat at +1% org.
- Constant productivity efforts drive M&S* decline in % of sales
- R&D stable in absolute terms; as percentage of sales, in line with mid-term ambition of low twenties
- Strong organic EBITDA pre, driven by strong sales momentum, positive product mix and lower comps on gross profit, boosted by income from portfolio management

*Marketing and selling expenses

Electronics

- **Semi Solutions with resilience in declining semi market; Display Solutions environment remains challenging**
- Net sales deviation YoY: organic -6.3%, FX -3.8%, portfolio +0.3%
- EBITDA pre deviation YoY: organic -5.2%, FX -4.9%, portfolio -0.5%
- Semiconductor Solutions: -5% org. decline, with broad portfolio enabling outperformance of MSI (down mid-teens)
- Display Solutions: down -11% org., with continued decline in Liquid Crystals, driven by price and mix
- Surface Solutions: down -6% org. driven by softer industrials and coatings, partially offset by strong cosmetics growth
- M&S* costs declining as logistics come down in line with volume development
- R&D stable in absolute terms due to ongoing investments to drive medium term growth, higher in percentage of sales due to lower topline
- EBITDA pre margin down mainly due to volume decrease and negative mix effects, largely offset by UDC** patent agreement

* Marketing and selling expenses

** Universal Display Corporation

2023 guidance

Group:

- Net sales:
Organic: -2% to +2% YoY
(ex-COVID: +1% to +5%)
FX of -6% to -3% YoY
~€20.5 – €21.9 bn
- EBITDA pre:
Organic: -9% to -3% YoY
FX: -6% to -3% YoY
~€5.8 – €6.4 bn
- EPS pre:
~€8.25 to €9.35

2023 business sector guidance¹:

Life Science

- Net sales:
 - Organic: -8% to -2%; ex-COVID: -3% to +4%
 - FX: -5% to -2% YoY
 - ~€9.10 bn to €9.95 bn
 - Destocking in PS more pronounced than expected
 - Total COVID-19 sales of ~€250 m (vs. ~€800 m in 2022)
- EBITDA pre:
 - Organic: -21% to -12% YoY
 - FX: -6% to -2% YoY
 - ~€2.75 bn to €3.20 bn

Healthcare

- Net sales:
 - Organic: +6% to +9%; FX: -7% to -4%
 - ~€7.75 bn to €8.30 bn
 - Driven by recent launches
 - Complemented by Fertility
- EBITDA pre:
 - Organic: +14% to +19% YoY
 - FX: -17% to -13% YoY
 - ~€2.45 bn to €2.60 bn

Electronics

- Net sales:
 - Organic: -6% to -1%; FX: -7% to -4%
 - ~€3.50 bn to €3.80 bn
 - Semi market recovery delayed into 2024
 - Semi expected to continuously outperform MSI
 - Display impacted by pricing and negative mix in H1; partial recovery expected in H2
- EBITDA pre:
 - Organic: -18% to -10% YoY
 - FX: -10% to -7% YoY
 - ~€870 m to €980 m

¹Divisional guidances are only support to the group guidance and do not have to add up

Additional financial guidance for 2023

- | | |
|--------------------------------|--|
| ▪ Corporate & Other EBITDA pre | Lower costs driven by hedging |
| ▪ Interest result | ~ €-120 to -160 m |
| ▪ Effective tax rate | ~ 21% to 23% |
| ▪ Capex on PPE ¹ | ~ €1.8 to 2.0 bn |
| ▪ Hedging / USD assumption | FY 2023 overall hedge ratio ~ 50% |
| | EUR/USD hedging @ ~ 1.07 |
| ▪ 2023 Ø EUR/USD assumption | ~ 1.08 to 1.12 |

¹Based on gross additions to Property, Plant and Equipment (PPE) on balance sheet (excl. leasing) in fiscal year to reflect planned Capex expansion more accurately

Merck KGaA

Darmstadt, Germany

Group Q2 2023

€ m	Group			Life Science			Healthcare			Electronics			Corporate/Others		
	Q2 2022	Q2 2023	% YoY	Q2 2022	Q2 2023	%YoY	Q2 2022	Q2 2023	%YoY	Q2 2022	Q2 2023	% YoY	Q2 2022	Q2 2023	%YoY
Net sales	5,568.4	5,302.4	-4.8%	2,647.8	2,353.5	-11.1%	1,924.2	2,049.5	6.5%	996.4	899.3	-9.7%			
% organic			-1.1%			-8.7%			11.9%			-6.3%			
% FX			-3.7%			-2.4%			-5.4%			-3.8%			
% portfolio			0.1%			0.0%			0.0%			0.3%			
EBIT	1,177.0	969.5	-17.6%	765.4	455.3	-40.5%	438.7	615.8	40.4%	148.5	110.1	-25.8%	-175.5	-211.7	20.7%
Depreciation and amortization	532.3	482.3	-9.4%	209.9	243.1	15.8%	164.0	76.2	-53.5%	133.6	134.7	0.9%	24.9	28.2	13.2%
EBITDA	1,709.4	1,451.8	-15.1%	975.3	698.5	-28.4%	602.7	692.0	14.8%	282.0	244.8	-13.2%	-150.6	-183.5	21.9%
Adjustments in EBITDA	72.6	101.5	39.7%	30.4	13.4	-55.9%	0.9	11.6	>100%	11.1	16.9	52.8%	30.2	59.6	97.1%
EBITDA pre	1,782.0	1,553.3	-12.8%	1,005.7	711.9	-29.2%	603.6	703.6	16.6%	293.1	261.7	-10.7%	-120.3	-123.9	3.0%
% organic			-7.0%			-26.1%			30.4%			-5.2%			
% FX			-5.7%			-3.3%			-13.9%			-4.9%			
% portfolio			-0.2%			0.2%			0.0%			-0.5%			
	31st Dec, 2022	30th June, 2023													
Net financial debt	8,327.6	9,354.9	12.3%												
ND/EBITDA pre	1.2	1.4													

Group Net Sales details Q2 2023

€ m	Q2 2022	Q2 2023	% YoY	% YoY org.	% YoY FX	% YoY PF
Group	5,568.4	5,302.4	-4.8%	-1.1%	-3.7%	0.1%
Life Science	2,647.8	2,353.5	-11.1%	-8.7%	-2.4%	0.0%
Process Solutions	1154.2	993.6	-13.9%	-11.8%	-2.1%	0.0%
Life Science Services	261.7	178.1	-31.9%	-30.5%	-1.4%	0.0%
Science & Lab Solutions	1231.8	1181.7	-4.1%	-1.1%	-2.9%	0.0%
Healthcare	1,924.2	2,049.5	6.5%	11.9%	-5.4%	0.0%
Rebif	217.3	205.1	-5.6%	-3.2%	-2.4%	0.0%
Mavenclad	212.1	262.1	23.6%	28.1%	-4.5%	0.0%
Erbix	257.5	260.2	1.1%	10.2%	-9.2%	0.0%
Bavencio	146.1	177.9	21.8%	26.8%	-5.0%	0.0%
Gonal-F	198.5	218.5	10.1%	18.7%	-8.6%	0.0%
Glucophage	227.5	196.7	-13.6%	-8.9%	-4.6%	0.0%
All other products	665.2	729.0	9.6%	14.3%	-4.7%	0.0%
Electronics	996.4	899.3	-9.7%	-6.3%	-3.8%	0.3%
Semiconductor Solutions	653.0	602.3	-7.8%	-4.7%	-3.6%	0.5%
Display Solutions	232.5	195.8	-15.8%	-10.9%	-4.9%	0.0%
Surface Solutions	110.9	101.3	-8.7%	-5.8%	-2.8%	0.0%

*acronyms: org. = organic; PF = portfolio

Group

P&L Group	Q2 2022	Q2 2023	% YoY
Net sales	5,568.4	5,302.4	-4.8%
Cost of sales	-2,108.6	-2,138.9	1.4%
thereof: intangibles amortization	-53.2	-46.2	-13.3%
Gross profit	3,459.8	3,163.5	-8.6%
Marketing and selling expenses	-1,193.6	-1,139.4	-4.5%
thereof: intangibles amortization	-153.7	-148.9	-3.1%
Administration	-330.5	-345.0	4.4%
Impairment losses / reversals (IFRS9)	-8.7	-9.7	12.3%
Other operating income/expenses	-150.4	-99.4	-33.9%
Research and development	-599.6	-600.4	0.1%
EBIT	1,177.0	969.5	-17.6%
Depreciation and amortization	532.3	482.3	-9.4%
EBITDA	1,709.4	1,451.8	-15.1%
Adjustments in EBITDA	72.6	101.5	39.7%
EBITDA pre	1,782.0	1,553.3	-12.8%
Financial result	-55.1	-75.7	37.4%
Profit before tax	1,122.0	893.8	-20.3%
Income tax	-251.7	-187.7	-25.4%
Income tax rate	22.4%	21.0%	
Profit after tax	870.2	706.1	-18.9%
Non-controlling interests	-3.1	-2.5	-19.2%
Net income	867.1	703.6	-18.9%
Number of theoretical shares in million	434.8	434.8	
EPS in €	1.99	1.62	-18.6%
EPS pre in €	2.64	2.20	-16.7%

Totals may not add up due to rounding

Life Science

P&L Life Science	Q2 2022	Q2 2023	% YoY
Net sales	2,647.8	2,353.5	-11.1%
Cost of sales	-1,052.3	-1,078.2	2.5%
thereof: intangibles amortization	-16.7	-13.5	-19.4%
Gross profit	1,595.5	1,275.3	-20.1%
Marketing and selling expenses	-608.8	-566.3	-7.0%
thereof: intangibles amortization	-103.6	-100.4	-3.1%
Administration	-102.8	-102.8	0.0%
Impairment losses / reversals (IFRS9)	-7.6	-1.2	-83.9%
Other operating income/expenses	-12.3	-50.6	>100%
Research and development	-98.5	-99.1	0.6%
EBIT	765.4	455.3	-40.5%
Depreciation and amortization	209.9	243.1	15.8%
EBITDA	975.3	698.5	-28.4%
Adjustments in EBITDA	30.4	13.4	-55.9%
EBITDA pre	1,005.7	711.9	-29.2%

Totals may not add up due to rounding

Healthcare

P&L Healthcare	Q2 2022	Q2 2023	% YoY
Net sales	1,924.2	2,049.5	6.5%
Cost of sales	-483.5	-485.9	0.5%
thereof: intangibles amortization	-1.2	-1.2	-1.3%
Gross profit	1,440.7	1,563.6	8.5%
Marketing and selling expenses	-416.9	-422.4	1.3%
thereof: intangibles amortization	-0.2	-0.4	>100%
Administration	-81.1	-79.3	-2.2%
Impairment losses / reversals (IFRS9)	-0.5	-8.4	>100%
Other operating income/expenses	-102.9	-36.2	-64.8%
Research and development	-400.7	-401.5	0.2%
EBIT	438.7	615.8	40.4%
Depreciation and amortization	164.0	76.2	-53.5%
EBITDA	602.7	692.0	14.8%
Adjustments in EBITDA	0.9	11.6	>100%
EBITDA pre	603.6	703.6	16.6%

Totals may not add up due to rounding

Electronics

P&L Electronics	Q2 2022	Q2 2023	% YoY
Net sales	996.4	899.3	-9.7%
Cost of sales	-570.8	-572.2	0.2%
thereof: intangibles amortization	-35.4	-31.5	-10.8%
Gross profit	425.6	327.2	-23.1%
Marketing and selling expenses	-163.1	-147.6	-9.5%
thereof: intangibles amortization	-50.0	-48.2	-3.7%
Administration	-32.9	-35.1	6.5%
Impairment losses / reversals (IFRS9)	-0.2	-0.1	-70.2%
Other operating income/expenses	-8.1	40.2	n.m.
Research and development	-72.8	-74.5	2.3%
EBIT	148.5	110.1	-25.8%
Depreciation and amortization	133.6	134.7	0.9%
EBITDA	282.0	244.8	-13.2%
Adjustments in EBITDA	11.1	16.9	52.8%
EBITDA pre	293.1	261.7	-10.7%

Totals may not add up due to rounding

Consensus deviation Q2 2023

	Actual	Consensus (mean)	Difference to estimate	Consensus (median)	Difference to estimate
	[€m]	24.07.2023		24.07.2023	
	Q2 2023A	Q2 2023 E	%	Q2 2023E	%
Group					
Sales	5,302.4	5,273.0	0.6%	5,291.4	0.2%
EBITDA pre	1,553.3	1,536.7	1.1%	1,536.3	1.1%
EBITDA pre-margin (%)	29.3	29.1	0.2pp	29.2	0.1pp
EPS pre (€)	2.20	2.26	-2.6%	2.22	-1.0%
Life Science					
Sales	2,353.5	2,451.7	-4.0%	2,473.3	-4.8%
Process Solutions	993.6	1,020.1	-2.6%	1,029.6	-3.5%
Life Science Services	178.1	197.8	-10.0%	200.8	-11.3%
Science & Lab Solutions	1,181.7	1,233.8	-4.2%	1,239.0	-4.6%
EBITDA pre	711.9	833.8	-14.6%	820.3	-13.2%
EBITDA pre-margin (%)	30.2	34.0	-3.7pp	33.8	-3.6pp
Healthcare					
Sales	2,049.5	1,906.6	7.5%	1,906.7	7.5%
Rebif	205.1	183.4	11.9%	179.9	14.0%
Mavenclad	262.1	223.6	17.2%	223.9	17.1%
Erbix	260.2	247.4	5.2%	245.3	6.1%
Bavencio	177.9	174.9	1.7%	174.0	2.2%
Gonal-F	218.5	204.7	6.7%	206.0	6.1%
Glucophage	196.7	223.7	-12.1%	223.3	-11.9%
All other products	729.0	648.9	12.3%	654.3	11.4%
EBITDA pre	703.6	566.8	24.1%	572.3	22.9%
EBITDA pre-margin (%)	34.3	29.6	4.7pp	30.1	4.2pp
Electronics					
Sales	899.3	918.2	-2.1%	923.6	-2.6%
Display Solutions	195.8	209.6	-6.6%	206.2	-5.1%
Surface Solutions	101.3	112.8	-10.2%	115.6	-12.4%
Semiconductor Solutions	602.3	595.7	1.1%	604.9	-0.4%
EBITDA pre	261.7	248.7	5.2%	247.3	5.8%
EBITDA pre-margin (%)	29.1	27.1	2.0pp	27.1	2.0pp
Corporate/Other					
EBITDA pre	-123.9	-116.9	6.0%	-117.1	5.8%