

Q3 2023 Financial Summary for Investors and Analysts

Staying the course through challenging macro environment

- **Life Science:** Sales down -13% org. as Covid-19 fades, pronounced destocking, China macroeconomy and SAP roll-out; core business¹ sales -8% org., mainly driven by PS and SLS
- **Healthcare:** Continues to drive strong and broad organic growth (+7%), Wave 1 launches +13% org., Established portfolio +6% org.; Fertility +14% org., boosted by competitors' stock-out
- **Electronics:** Electronics sales decline (-4% org.) amid market headwinds; Display up +12% org. partially offsetting lower Semi sales (-9% org.), as guided; outperforms high-teens MSI decline
- **Q3 organic sales:** -4%
- **Q3 organic EBITDA pre:** -13%
- **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: 1.4x on September 30, 2023

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

Overview Financials

Q3 2023 Overview

- Sales down -11%, impacted by FX headwinds
- Lower volumes in Life Science and Electronics, partially offset by org. growth in Healthcare
- EBITDA pre decline impacted by lower sales and negative mix in both Life Science and Electronics
- EPS pre down, in line with EBITDA pre
- Decline in operating cash flow mainly due to lower EBITDA pre; lower NWC* effect
- Working capital stable sequentially, following increase in Q1
- Net financial debt broadly flat

*Net working capital

Q3 2023 Cash Flow Statement

- -20% decline in profit after tax driven by lower sales in Life Science and Electronics
- Profit after tax supported by lower tax and improved financial result
- Current year provisions and other assets and liabilities include lower compensation reflecting market conditions
- Other operating activities includes a line-item reclassification from Biosimilars
- Favorable working capital due to build up of receivables & inventories in prior year

- Investing cash flow includes a milestone payment from the Biosimilars divestment
- Financing CF down with repayments of bank liabilities in prior period

Q3 2023 Balance Sheet

- Increase in inventories in Life Science and Electronics from Q1'23, development stable sequentially
- Decrease in intangible assets primarily driven by FX and amortization
- Continued investment for mid-term growth increases PPE
- Increase in financial debt proportional to increase in cash
- Reduced provisions for employee benefits driven by actuarial gains due to higher interest rates
- Other liabilities impacted by dividend payment in Q2
- Equity ratio improved to 57% (Dec. 2022, 54%)

Q3 2023 Business Overview

Life Science

- **Core business down -8% org. with Process Solutions destocking; COVID-19 sales fading out as expected**
- Net sales deviation YoY: organic -13.2%, FX -5.1%, portfolio 0.0%
- EBITDA pre deviation YoY: organic -31.5%, FX -4.8%, portfolio -0.7%
- Process Solutions: -15% org. decline in core business; overall PS org. sales decline of -22% including anticipated pronounced COVID-19 decline
- Science & Lab Solutions: Core org. sales down -4% mainly due to suppressed demand, more pronounced in China, and SAP roll-out; with slight headwinds from fading COVID-19 resulting in -5% org. decline
- Life Science Services: Core org. growth of +12% supported by both CTS and CDMO; with COVID-19 headwinds org. growth overall down -10%
- Lower M&S*, Admin, R&D and other operating expenses reflecting cost discipline and efficiencies; operating expenses declining less than sales
- Sequential FX rates partially easing in North America and Asia
- EBITDA pre down -32% org. on lower sales and with negative mix effects impacting the gross margin

* Marketing and selling expenses

Healthcare

- **Organic growth of +7% supported by all franchises**
- Net sales deviation YoY: organic +7.4%, FX -8.5%, portfolio 0.0%
- EBITDA pre deviation YoY: organic +17.2%, FX -20.8%, portfolio 0.0%
- Oncology up +18% org., driven by continuous growth of Bavencio® (+22% org.) across all regions and supported by Erbitux® (+13% org.)
- Mavenclad® +3% org., US driving growth partially offset by Europe. Rebif® declines -25% org. amid PY channel dynamics yielding tougher comps
- Solid growth of established portfolio driven by Fertility (+14% org.) boosted by competitors' stock-outs and CM&E (+7% org.)
- Constant productivity efforts drive M&S decline in % of sales

- R&D lower in absolute terms; mid-term ambition of low twenties remains unchanged
- Currency impacts mostly driven by major businesses in APAC and North America
- EBITDA pre margin in line with H1'23, supported by positive product mix and cost discipline

Electronics

- **Semi Solutions demonstrates resilience as guided; Display Solutions compensates with volume driven growth**
- Net sales deviation YoY: organic -4.0%, FX -7.9%, portfolio +0.3%
- EBITDA pre deviation YoY: organic -17.8%, FX -12.6%, portfolio -0.7%
- Semiconductor Solutions: -9% org. decline, with resilient portfolio enabling outperforming of MSI (down high-teens amount)
- Display Solutions: up +12% org., with partial recovery in Liquid Crystals, driven by volume; price pressure continues to be a factor
- Surface Solutions: up +3% org., driven by strong cosmetics growth; partially offset by weaker automotive coatings demand
- M&S* costs declining with strict cost discipline and efficiencies as logistics come down in line with volume development
- R&D down slightly due to higher quarterly comp, sustained high level of investment to drive mid-term growth in line with Level-up program
- Sequential FX rates partially easing in North America and Asia
- EBITDA pre margin down due to lower sales, negative mix effects, sustained inflationary costs and some new site ramp-up costs

* Marketing and selling expenses

2023 guidance

Group

- Net sales:
Organic: -2% to +2% YoY
(ex-COVID: +1% to +5%)
FX: -6% to -3% YoY
~€20.5 – €21.9 bn, trending slightly below the mid-point
- EBITDA pre:
Organic: -9% to -3% YoY
FX: -6% to -3% YoY
~€5.8 – €6.4 bn, trending in the lower half of the range
- EPS pre:
~€8.25 to €9.35, trending in the lower half of the range

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, trending in the lower half of the range
 - Going through the expected trough in PS
 - 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, trending in the lower half of the range

Healthcare

- Net sales:
 - Organic: +6% to +9%; FX: -7% to -4%
 - ~€7.75 bn to €8.30 bn, trending slightly above the mid-point
 - Driven by Mavenclad® and Bavencio®
 - Complemented by Fertility
- EBITDA pre:
 - Organic: +14% to +19% YoY
 - FX: -17% to -13% YoY
 - ~€2.45 bn to €2.60 bn, trending towards the top end of the range

Electronics

- Net sales:
 - Organic: -6% to -1%; FX: -7% to -4%
 - ~€3.50 bn to €3.80 bn, trending around the mid-point
 - Semi expected to continue to outperform in a weaker market
 - Semi market recovery further delayed into 2024
- EBITDA pre:
 - Organic: -18% to -10% YoY
 - FX: -10% to -7% YoY
 - ~€870 m to €980 m, trending in the lower half of the range

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 | 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 Q3 2023

€ m	Group			Life Science			Healthcare			Electronics			Corporate/Others		
	Q3 2022	Q3 2023	% YoY	Q3 2022	Q3 2023	%YoY	Q3 2022	Q3 2023	%YoY	Q3 2022	Q3 2023	% YoY	Q3 2022	Q3 2023	%YoY
Net sales	5,805.7	5,173.1	-10.9%	2,680.7	2,190.9	-18.3%	2,089.3	2,066.3	-1.1%	1,035.7	915.9	-11.6%			
% organic			-4.1%			-13.2%			7.4%			-4.0%			
% FX			-6.8%			-5.1%			-8.5%			-7.9%			
% portfolio			0.1%			0.0%			0.0%			0.3%			
EBIT	1,234.2	983.2	-20.3%	719.2	396.1	-44.9%	606.0	653.2	7.8%	143.9	52.3	-63.7%	-234.9	-118.4	-49.6%
Depreciation and amortization	469.7	435.2	-7.3%	216.6	204.6	-5.6%	76.7	70.2	6.0%	150.2	133.5	-11.1%	26.2	26.9	2.8%
EBITDA	1,703.9	1,418.4	-16.8%	935.9	600.7	-35.8%	682.6	723.4	6.0%	294.1	185.8	-36.8%	-208.7	-91.5	-56.2%
Adjustments in EBITDA	106.6	27.2	-74.5%	40.5	14.4	-64.4%	28.2	-38.1	n.m.	7.5	22.1	>100%	30.3	28.8	-5.2%
EBITDA pre	1,810.5	1,445.6	-20.2%	976.4	615.1	-37.0%	710.9	685.4	-3.6%	301.6	207.9	-31.1%	-178.4	-62.7	-64.8%
% organic			-13.2%			-31.5%			17.2%			-17.8%			
% FX			-6.6%			-4.8%			-20.8%			-12.6%			
% portfolio			-0.3%			-0.7%			0.0%			-0.7%			
	31st Dec, 2022	30th Sep, 2023													
Net financial debt	8,327.6	8,426.5	1.2%												
ND/EBITDA pre	1.2	1.4													

Group Net Sales details Q3 2023

€ m	Q3 2022	Q3 2023	% YoY	% YoY org.	% YoY FX	% YoY PF
Group	5,805.7	5,173.1	-10.9%	-4.1%	-6.8%	0.1%
Life Science	2,680.7	2,190.9	-18.3%	-13.2%	-5.1%	0.0%
Process Solutions	1193.3	873.2	-26.8%	-22.5%	-4.4%	0.0%
Life Science Services	240.7	205.9	-14.5%	-9.8%	-4.7%	0.0%
Science & Lab Solutions	1246.7	1111.3	-10.9%	-5.0%	-5.8%	0.0%
Healthcare	2,089.3	2,066.3	-1.1%	7.4%	-8.5%	0.0%
Rebif	249.5	175.3	-29.7%	-25.1%	-4.6%	0.0%
Mavenclad	234.2	225.4	-3.8%	2.9%	-6.7%	0.0%
Erbix	274.1	271.0	-1.1%	13.3%	-14.4%	0.0%
Bavencio	166.0	185.4	11.7%	21.6%	-10.0%	0.0%
Gonal-F	221.2	212.9	-3.8%	5.1%	-8.9%	0.0%
Glucophage	236.5	235.0	-0.6%	8.3%	-9.0%	0.0%
All other products	707.8	761.3	7.6%	15.2%	-7.6%	0.0%
Electronics	1,035.7	915.9	-11.6%	-4.0%	-7.9%	0.3%
Semiconductor Solutions	729.5	612.1	-16.1%	-9.3%	-7.2%	0.4%
Display Solutions	200.4	201.1	0.4%	11.9%	-11.6%	0.0%
Surface Solutions	105.8	102.7	-3.0%	2.6%	-5.6%	0.0%

*acronyms: org. = organic; PF = portfolio

Group

P&L Group	Q3 2022	Q3 2023	% YoY
Net sales	5,805.7	5,173.1	-10.9%
Cost of sales	-2,147.5	-2,161.8	0.7%
thereof: intangibles amortization	-52.3	-40.3	-22.9%
Gross profit	3,658.2	3,011.3	-17.7%
Marketing and selling expenses	-1,223.5	-1,104.3	-9.7%
thereof: intangibles amortization	-159.9	-146.7	-8.2%
Administration	-327.9	-312.0	-4.9%
Impairment losses / reversals (IFRS9)	6.2	-28.3	n.m.
Other operating income/expenses	-237.2	-2.3	-99.0%
Research and development	-641.7	-581.1	-9.4%
EBIT	1,234.2	983.2	-20.3%
Depreciation and amortization	469.7	435.2	-7.3%
EBITDA	1,703.9	1,418.4	-16.8%
Adjustments in EBITDA	106.6	27.2	-74.5%
EBITDA pre	1,810.5	1,445.6	-20.2%
Financial result	-47.0	-46.0	-2.3%
Profit before tax	1,187.2	937.3	-21.1%
Income tax	-261.2	-196.8	-24.6%
Income tax rate	22.0%	21.0%	
Profit after tax	926.0	740.4	-20.0%
Non-controlling interests	-2.8	-1.8	-36.6%
Net income	923.2	738.7	-20.0%
Number of theoretical shares in million	434.8	434.8	
EPS in €	2.12	1.70	-19.8%
EPS pre in €	2.68	2.07	-22.8%

Totals may not add up due to rounding

Life Science

P&L Life Science	Q3 2022	Q3 2023	% YoY
Net sales	2,680.7	2,190.9	-18.3%
Cost of sales	-1,070.5	-1,031.1	-3.7%
thereof: intangibles amortization	-15.2	-8.3	-45.6%
Gross profit	1,610.2	1,159.7	-28.0%
Marketing and selling expenses	-633.9	-555.7	-12.3%
thereof: intangibles amortization	-107.5	-98.2	-8.7%
Administration	-112.0	-102.7	-8.3%
Impairment losses / reversals (IFRS9)	1.7	-0.1	n.m.
Other operating income/expenses	-41.1	-14.8	-64.0%
Research and development	-105.7	-90.4	-14.5%
EBIT	719.2	396.1	-44.9%
Depreciation and amortization	216.6	204.6	-5.6%
EBITDA	935.9	600.7	-35.8%
Adjustments in EBITDA	40.5	14.4	-64.4%
EBITDA pre	976.4	615.1	-37.0%

Totals may not add up due to rounding

Healthcare

P&L Healthcare	Q3 2022	Q3 2023	% YoY
Net sales	2,089.3	2,066.3	-1.1%
Cost of sales	-481.3	-540.0	12.2%
thereof: intangibles amortization	-1.2	-1.2	-2.2%
Gross profit	1,608.1	1,526.2	-5.1%
Marketing and selling expenses	-412.9	-405.5	-1.8%
thereof: intangibles amortization	-0.1	-0.5	>100%
Administration	-83.5	-78.8	-5.7%
Impairment losses / reversals (IFRS9)	4.5	-28.4	n.m.
Other operating income/expenses	-78.7	30.9	n.m.
Research and development	-431.4	-391.3	-9.3%
EBIT	606.0	653.2	7.8%
Depreciation and amortization	76.7	70.2	-8.4%
EBITDA	682.6	723.4	6.0%
Adjustments in EBITDA	28.2	-38.1	n.m.
EBITDA pre	710.9	685.4	-3.6%

Totals may not add up due to rounding

Electronics

P&L Electronics	Q3 2022	Q3 2023	% YoY
Net sales	1,035.7	915.9	-11.6%
Cost of sales	-591.0	-592.2	0.2%
thereof: intangibles amortization	-35.9	-30.9	-13.9%
Gross profit	444.7	323.7	-27.2%
Marketing and selling expenses	-172.6	-143.7	-16.7%
thereof: intangibles amortization	-52.3	-48.1	-8.0%
Administration	-33.1	-40.0	20.8%
Impairment losses / reversals (IFRS9)	-0.2	0.1	n.m.
Other operating income/expenses	-16.5	-13.1	-20.7%
Research and development	-78.4	-74.7	-4.7%
EBIT	143.9	52.3	-63.7%
Depreciation and amortization	150.2	133.5	-11.1%
EBITDA	294.1	185.8	-36.8%
Adjustments in EBITDA	7.5	22.1	>100%
EBITDA pre	301.6	207.9	-31.1%

Totals may not add up due to rounding

Consensus deviation Q3 2023

	Actual	Consensus (mean)	Difference to estimate	Consensus (median)	Difference to estimate
	[€m]	01.11.2023		01.11.2023	
	Q3 2023A	Q3 2023 E	%	Q3 2023E	%
Group					
Sales	5,173.1	5,186.4	-0.3%	5,178.8	-0.1%
EBITDA pre	1,445.6	1,388.0	4.1%	1,398.2	3.4%
EBITDA pre-margin (%)	27.9	26.8	1.1pp	26.8	1.1pp
EPS pre (€)	2.07	1.94	6.5%	1.98	4.5%
Life Science					
Sales	2,190.9	2,205.4	-0.7%	2,195.2	-0.2%
Process Solutions	873.2	934.1	-6.5%	936.3	-6.7%
Life Science Services	205.9	185.6	11.0%	185.7	10.9%
Science & Lab Solutions	1,111.3	1,092.9	1.7%	1,096.5	1.3%
EBITDA pre	615.1	616.0	-0.2%	607.7	1.2%
EBITDA pre-margin (%)	28.1	27.9	0.2pp	28.0	0.1pp
Healthcare					
Sales	2,066.3	2,075.3	-0.4%	2,070.9	-0.2%
Rebif	175.3	201.8	-13.1%	199.2	-12.0%
Mavenclad	225.4	265.7	-15.2%	264.9	-14.9%
Erbix	271.0	265.4	2.1%	265.7	2.0%
Bavencio	185.4	189.8	-2.3%	189.0	-1.9%
Gonal-F	212.9	223.8	-4.9%	222.2	-4.2%
Glucophage	235.0	215.5	9.1%	216.0	8.8%
All other products	761.3	713.4	6.7%	714.0	6.6%
EBITDA pre	685.4	667.3	2.7%	667.5	2.7%
EBITDA pre-margin (%)	33.2	32.2	1.0pp	32.1	1.1pp
Electronics					
Sales	915.9	903.4	1.4%	904.8	1.2%
Display Solutions	201.1	182.2	10.4%	176.5	13.9%
Surface Solutions	102.7	100.3	2.4%	100.0	2.7%
Semiconductor Solutions	612.1	624.5	-2.0%	627.3	-2.4%
EBITDA pre	207.9	205.8	1.0%	207.9	0.0%
EBITDA pre-margin (%)	22.7	22.8	-0.1pp	22.7	0.0pp
Corporate/Other					
EBITDA pre	-62.7	-102.7	-38.9%	-85.8	-26.9%