

Q1 2024 Financial Summary for Investors and Analysts

Off to a Good Start

- **Life Science:** Sales down -13% org. compared to prior year, when destocking was not yet fully visible; Solid start to year with order intake up QoQ and YoY in PS; confirming sales inflection in H2
- **Healthcare:** Sales up +10% org. with strong China effect YoY, due to prior year COVID-19 effects; Wave 1 launches up +15% org.; Largest growth contribution to Group
- **Electronics:** +6% org. sales growth as market conditions gradually improve; Semi materials driving growth, with 3rd quarter of sequential sales growth
- **Q1 organic sales:** -1.2%
- **Q1 organic EBITDA pre:** -5.2%
- **2023 Sustainability Report published**
- **Guidance:**
Net sales: €20.6 bn to €22.1 bn
EBITDA pre: €5.7 bn to €6.3 bn
EPS pre: €8.05 to €9.10
- Net financial debt to EBITDA pre: 1.3x on March 31, 2024

Acronym(s): PS = Process Solutions; HC = Healthcare, EL = Electronics

Overview Financials

Q1 2024 Overview

- Sales down -3% with slight FX headwinds and slight organic decline
- HC and EL sales growth largely compensate decline in LS
- HC EBITDA pre growth only partially compensates lower sales and EBITDA pre margins in LS
- EPS pre declines more than EBITDA pre and mainly due to higher regular D&A
- OCF up, with lower NWC outflow and bonus payments
- Net financial debt stable with continuing investment for future growth

Acronym(s): OCF = Operating Cash Flow, NWC = Net Working Capital; D&A = Depreciation & Amortization; FX = foreign exchange; LS = Life Science; HC = Healthcare; EL = Electronics. Totals may not add up due to rounding

Q1 2024 Cash Flow Statement

- Decline in profit after tax from reduced EBIT, unfavorable financial result and higher taxes
- Changes in provisions include pensions and bonus provisions
- Delta in other assets & liabilities related to lower bonus payouts and taxes in the quarter
- Investing cash flow declines due to lower investment in non-financial assets
- Lower capex on PPE; sustained level of investment for capacity expansions
- Financing cash flow included proceeds from bank loan in prior year

Acronym(s): PPE = Property, Tax & Equipment. Totals may not add up due to rounding

Q1 2024 Balance Sheet

- Higher cash level driven by strong operating cash flow
- Inventories up slightly, driven by LS and HC
- Increase in intangible assets driven mainly by FX (USD)
- Increase in net equity driven by currency translation differences on equity and net income
- Decrease in payables due to in-license payments accrued in prior period
- Equity ratio improved to 57% (Dec. 2023, 55%)

Acronym(s): FX = foreign exchange; Totals may not add up due to rounding

Q1 2024 Business Overview

Life Science

- **Sales down in relation to strong comps and COVID-19 non-repeats**
- Net sales deviation YoY: organic -12.6%, FX -1.2%, portfolio 0.0%
- EBITDA pre deviation YoY: organic -30.3%, FX -1.8%, portfolio 0.0%
- Process Solutions: down -19% org. sales compared to strong Q1'23; YoY decline driven by destocking, COVID-19 non-repeats and China market slowdown
- Life Science Services: -7% org. sales YoY decline, driven by weaker pharma spending, alongside govt. funding delays in the US; Q1'23 not impacted by these effects; 2nd quarter of sequential growth
- Science & Lab Solutions: -17% org. sales decline with unfavorable CDMO project phasing and the streamlining of a CDMO customer's supply chain
- M&S slightly up in absolute terms mainly due to FX and about stable in % of sales; higher R&D in % of sales due to ongoing investments in high growth & emerging segments, e.g. novel modalities
- Lower M&S YoY reflecting cost programs and efficiencies
- Lower R&D expenses YoY mainly due to project phasing
- EBITDA pre down YoY mainly on lower volumes with negative mix effects amid underutilization impacting the gross margin
- LS EBITDA pre margins improving by 220 bps QoQ driven by positive mix effects and cost control

Acronym(s): M&S = Marketing and selling expenses, R&D = Research & Development, CDMO = contract development and manufacturing organization; Totals may not add up due to rounding

Healthcare

- **Strong start into the year supported across franchises**
- Net sales deviation YoY: organic +10.1%, FX -2.6%, portfolio 0.0%
- EBITDA pre deviation YoY: organic +28.3%, FX -8.2%, portfolio 0.0%
- Oncology up +19% org., driven by Erbitux® (+19% org.), Bavencio® (+14% org.), and Tepmetko®
- N&I up +9% org. driven by growth from Mavenclad® (+12% org.). Rebif® (+4% org.) up as softer comp in prior year
- Strong growth of established portfolio driven by Fertility +8% org. and CM&E +4% org. amid prior year quarter China sales impacted by high Covid infection rates
- M&S growing in line with sales, including full Bavencio repatriation¹

- R&D mid-term ambition of low twenties % remains unchanged, lower Q1 R&D ratio in light of strong topline growth
- EBITDA pre margin of 34.6% supported by regaining Bavencio rights, strong sales momentum and ongoing cost discipline

Acronym(s): M&S = Marketing and selling expenses, R&D = Research & Development, CM&E = Cardiology Metabolism & Endocrinology; N&I: Neurology & Immunology; ¹Group regained exclusive worldwide rights, effective 1 July 2023; Totals may not add up due to rounding

Electronics

- **Positive start, full market inflection still expected in H2**
- Net sales deviation YoY: organic +6.3%, FX -3.2%, portfolio -0.1%
- EBITDA pre deviation YoY: organic +3.9%, FX -4.2%, portfolio 0.0%
- Semiconductor Solutions: sales up +8% org., driven mainly by Semi Materials with some early buying behavior; positive phasing of large projects in DS&S during Q1
- Display Solutions: up +4% org., as volume growth overcompensate continuous price pressure
- Surface Solutions: up +2% org., driven by coatings and cosmetics; partially offset by weaker industrials demand
- M&S costs declining with strict cost discipline and efficiency measures
- Sustained high level of R&D investment to drive mid-term growth
- EBITDA pre margin up ~370 bps sequentially mainly driven by volume leverage and positive mix in Semi Materials and Display; additional site ramp-up and qualification costs from production expansion to come

Acronym(s): M&S = Marketing and selling expenses, R&D = Research & Development, DS&S = Delivery Systems & Service; Totals may not add up due to rounding

2024 guidance

Group:

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Net sales:
Organic: +1% to +5% YoY
FX of -3% to 0% YoY
~€20.6 – €22.1 bn | <ul style="list-style-type: none"> ▪ EBITDA pre:
Organic: +1% to +7% YoY
FX: -4% to -1% YoY
~€5.7 – €6.3 bn ▪ EPS pre:
~€8.05 to €9.10 |
|---|--|

2024 business sector guidance¹:

Life Science

- Net sales:
 - Organic: -2% to +2% YoY
 - FX: -2% to +1% YoY
 - ~€8.90 bn to €9.60 bn
 - Gradual sequential recovery during 2024
 - Returning to organic growth in H2
 - COVID-19 sales to fall to negligible levels (~€250 m in 2023)
- EBITDA pre:
 - Organic: -6% to +1% YoY
 - FX: -4% to +1% YoY
 - ~€2.55 bn to €2.85 bn

Healthcare

- Net sales:
 - Organic: +4% to +7% YoY
 - FX: -3% to 0% YoY
 - ~€8.05 bn to €8.65 bn
 - Driven by Mavenclad®, supported by Oncology and CM&E
- EBITDA pre:
 - Organic: +13% to +18% YoY
 - FX: -6% to -2% YoY
 - ~€2.75 bn to €2.95 bn

Electronics

- Net sales:
 - Organic: 0% to +4% YoY
 - FX: -2% to +1% YoY
 - ~€3.55 bn to €3.85 bn
 - Semi market inflection expected in early H2
- EBITDA pre:
 - Organic: -3% to +4% YoY
 - FX: -2% to +1% YoY
 - ~€870 m to €950 m

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

Additional financial guidance for 2024

- | | |
|--------------------------------|--|
| ▪ Corporate & Other EBITDA pre | -€450 m to -€520 m |
| ▪ Interest result | ~ €-55 m to -85 m |
| ▪ Effective tax rate | ~ 21% to 23% |
| ▪ Capex on PPE ¹ | ~ €1.6 to 1.8 bn |
| ▪ Hedging / USD assumption | FY 2024 overall hedge ratio ~50%
EUR/USD hedging @ ~ 1.10 |
| ▪ 2024 Ø EUR/USD assumption | ~ 1.07 to 1.11 |

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 Q1 2024

€ m	Group			Life Science			Healthcare			Electronics			Corporate/Others		
	Q1 2023	Q1 2024	% YoY	Q1 2023	Q1 2024	%YoY	Q1 2023	Q1 2024	%YoY	Q1 2023	Q1 2024	% YoY	Q1 2023	Q1 2024	%YoY
Net sales	5,293.0	5,119.8	-3.3%	2,486.8	2,143.7	-13.8%	1,905.5	2,047.7	7.5%	900.7	928.4	3.1%			
% organic			-1.2%			-12.6%			10.1%			6.3%			
% FX			-2.0%			-1.2%			-2.6%			-3.2%			
% portfolio			0.0%			0.0%			0.0%			-0.1%			
EBIT	1,035.0	931.3	-10.0%	672.4	377.4	-43.9%	519.7	618.0	18.9%	85.7	95.2	11.1%	-242.8	-159.3	-34.4%
Depreciation and amortization	455.5	453.5	-0.4%	211.7	207.4	-2.0%	72.9	88.3	21.1%	142.6	129.8	-9.0%	28.4	28.1	-1.2%
EBITDA	1,490.5	1,384.8	-7.1%	884.0	584.8	-33.8%	592.6	706.3	19.2%	228.2	224.9	-1.4%	-214.4	-131.3	-38.8%
Adjustments in EBITDA	96.5	69.1	-28.4%	16.5	26.4	59.4%	-3.0	1.7	n.m.	9.1	11.7	28.3%	73.9	29.4	-60.3%
EBITDA pre	1,587.0	1,453.9	-8.4%	900.60	611.2	-32.1%	589.6	708.0	20.1%	237.3	236.6	-0.3%	-140.5	-101.9	-27.5%
% organic			-5.2%			-30.3%			28.3%			3.9%			
% FX			-3.2%			-1.8%			-8.2%			-4.2%			
% portfolio			0.0%			0.0%			0.0%			0.0%			
	31st Dec, 2023	31st Mar, 2024													
Net financial debt	7,500.0	7,497.9	0.0%												
ND/EBITDA pre	1.3	1.3													

Group Net Sales details Q1 2024

€ m	Q1 2023	Q1 2024	% YoY	% YoY org.	% YoY FX	% YoY PF
Group	5,293.0	5,119.8	-3.3%	-1.2%	-2.0%	0.0%
Life Science	2,486.8	2,143.7	-13.8%	-12.6%	-1.2%	0.0%
Process Solutions	1022.1	817.2	-20.0%	-19.0%	-1.1%	0.0%
Life Science Services	188.4	157.0	-16.7%	-16.6%	0.0%	0.0%
Science & Lab Solutions	1276.4	1169.5	-8.4%	-6.9%	-1.5%	0.0%
Healthcare	1,905.5	2,047.7	7.5%	10.1%	-2.6%	0.0%
Rebif	153.6	157.8	2.8%	3.7%	-0.9%	0.0%
Mavenclad	236.8	261.1	10.2%	12.2%	-2.0%	0.0%
Erbix	249.7	287.2	15.0%	19.3%	-4.3%	0.0%
Bavencio	166.9	185.9	11.4%	14.2%	-2.8%	0.0%
Gonal-F	197.1	203.6	3.3%	6.8%	-3.5%	0.0%
Glucophage	218.1	221.1	1.4%	5.1%	-3.7%	0.0%
All other products	683.3	731.0	7.0%	8.9%	-1.9%	0.0%
Electronics	900.7	928.4	3.1%	6.3%	-3.2%	-0.1%
Semiconductor Solutions	604.4	632.8	4.7%	7.8%	-3.0%	-0.1%
Display Solutions	187.0	186.8	-0.1%	4.2%	-4.3%	0.0%
Surface Solutions	109.2	108.8	-0.4%	1.8%	-2.2%	0.0%

*acronyms: org. = organic; PF = portfolio

Group

P&L Group	Q1 2023	Q1 2024	% YoY
Net sales	5,293.0	5,119.8	-3.3%
Cost of sales	-1,972.5	-2,110.6	7.0%
thereof: intangibles amortization	-48.2	-38.2	-20.6%
Gross profit	3,320.4	3,009.2	-9.4%
Marketing and selling expenses	-1,109.1	-1,087.1	-2.0%
thereof: intangibles amortization	-151.3	-144.7	-4.3%
Administration	-357.9	-331.7	-7.3%
Impairment losses / reversals (IFRS9)	-2.2	1.0	n.m.
Other operating income/expenses	-219.0	-79.5	-63.7%
Research and development	-597.3	-580.6	-2.8%
EBIT	1,035.0	931.3	-10.0%
Depreciation and amortization	455.5	453.5	-0.4%
EBITDA	1,490.5	1,384.8	-7.1%
Adjustments in EBITDA	96.5	69.1	-28.4%
EBITDA pre	1,587.0	1,453.9	-8.4%
Financial result	-22.7	-32.2	42.1%
Profit before tax	1,012.3	899.1	-11.2%
Income tax	-212.6	-199.6	-6.1%
Income tax rate	21.0%	22.2%	
Profit after tax	799.7	699.5	-12.5%
Non-controlling interests	-3.5	-5.2	48.4%
Net income	796.2	694.2	-12.8%
Number of theoretical shares in million	434.8	434.8	
EPS in €	1.83	1.60	-12.6%
EPS pre in €	2.36	2.06	-12.7%

Totals may not add up due to rounding

Life Science

P&L Life Science	Q1 2023	Q1 2024	% YoY
Net sales	2,486.8	2,143.7	-13.8%
Cost of sales	-999.2	-987.6	-1.2%
thereof: intangibles amortization	-13.3	-7.1	-46.7%
Gross profit	1,487.5	1,156.2	-22.3%
Marketing and selling expenses	-567.5	-550.6	-3.0%
thereof: intangibles amortization	-101.4	-98.7	-2.7%
Administration	-105.0	-111.9	6.6%
Impairment losses / reversals (IFRS9)	-1.1	-1.0	-4.1%
Other operating income/expenses	-37.8	-19.7	-47.7%
Research and development	-103.8	-95.4	-8.1%
EBIT	672.4	377.4	-43.9%
Depreciation and amortization	211.7	207.4	-2.0%
EBITDA	884.0	584.8	-33.8%
Adjustments in EBITDA	16.5	26.4	59.4%
EBITDA pre	900.6	611.2	-32.1%

Totals may not add up due to rounding

Healthcare

P&L Healthcare	Q1 2023	Q1 2024	% YoY
Net sales	1,905.5	2,047.7	7.5%
Cost of sales	-446.6	-543.3	21.6%
thereof: intangibles amortization	-1.2	-1.1	-3.0%
Gross profit	1,458.9	1,504.4	3.1%
Marketing and selling expenses	-380.6	-398.2	4.6%
thereof: intangibles amortization	-0.3	-0.4	29.2%
Administration	-75.5	-75.2	-0.4%
Impairment losses / reversals (IFRS9)	-1.0	1.9	n.m.
Other operating income/expenses	-86.8	-17.4	-79.9%
Research and development	-395.3	-397.5	0.6%
EBIT	519.7	618.0	18.9%
Depreciation and amortization	72.9	88.3	21.1%
EBITDA	592.6	706.3	19.2%
Adjustments in EBITDA	-3.0	1.7	n.m.
EBITDA pre	589.6	708.0	20.1%

Totals may not add up due to rounding

Electronics

P&L Electronics	Q1 2023	Q1 2024	% YoY
Net sales	900.7	928.4	3.1%
Cost of sales	-525.8	-580.1	10.3%
thereof: intangibles amortization	-33.6	-30.0	-10.8%
Gross profit	374.9	348.3	-7.1%
Marketing and selling expenses	-158.2	-137.7	-12.9%
thereof: intangibles amortization	-49.5	-45.6	-7.9%
Administration	-33.0	-37.2	12.8%
Impairment losses / reversals (IFRS9)	-0.1	0.1	n.m.
Other operating income/expenses	-23.8	-5.2	-78.3%
Research and development	-74.1	-73.1	-1.5%
EBIT	85.7	95.2	11.1%
Depreciation and amortization	142.6	129.8	-9.0%
EBITDA	228.2	224.9	-1.4%
Adjustments in EBITDA	9.1	11.7	28.3%
EBITDA pre	237.3	236.6	-0.3%

Totals may not add up due to rounding

Consensus deviation Q1 2024

	Actual	Consensus (mean)	Difference to estimate	Consensus (median)	Difference to estimate
	[€m]	06.05.2024		06.05.2024	
	Q1 2024A	Q1 2024E	%	Q1 2024E	%
Group					
Sales	5,119.8	5,101.0	0.4%	5,074.6	0.9%
EBITDA pre	1,453.9	1,356.4	7.2%	1,365.8	6.5%
EBITDA pre-margin (%)	28.4	26.6	1.8pp	26.7	1.7pp
EPS pre (€)	2.06	1.93	6.5%	1.94	6.3%
Life Science					
Sales	2,143.7	2,270.4	-5.6%	2,253.8	-4.9%
Process Solutions	817.2	889.4	-8.1%	896.3	-8.8%
Life Science Services	307.3	192.0	60.1%	190.2	61.6%
Science & Lab Solutions	39.2	1,181.1	-96.7%	1,180.9	-96.7%
EBITDA pre	611.2	627.8	-2.6%	628.3	-2.7%
EBITDA pre-margin (%)	28.5	27.6	0.9pp	27.6	0.9pp
Healthcare					
Sales	2,047.7	1,962.5	4.3%	1,964.6	4.2%
Rebif	157.8	146.6	7.7%	145.7	8.3%
Mavenclad	261.1	254.6	2.6%	258.3	1.1%
Erbix	287.2	256.4	12.0%	252.8	13.6%
Bavencio	185.9	184.8	0.6%	186.9	-0.5%
Gonal-F	203.6	211.3	-3.6%	213.9	-4.8%
Glucophage	221.1	217.0	1.9%	219.8	0.6%
All other products	731.0	691.9	5.7%	686.9	6.4%
EBITDA pre	708.0	647.3	9.4%	650.8	8.8%
EBITDA pre-margin (%)	34.6	33.0	1.6pp	33.1	1.5pp
Electronics					
Sales	928.4	873.2	6.3%	876.3	5.9%
Display Solutions	186.8	177.5	5.2%	176.9	5.6%
Surface Solutions	108.8	102.5	6.2%	102.2	6.5%
Semiconductor Solutions	632.8	594.0	6.5%	601.1	5.3%
EBITDA pre	236.6	202.9	16.6%	205.4	15.2%
EBITDA pre-margin (%)	25.5	23.2	2.3pp	23.1	2.4pp
Corporate/Other					
EBITDA pre	-101.9	-120.9	-15.7%	-114.9	-11.3%