

Q2 2024 Financial Summary for Investors and Analysts

Returning to Growth with Improved Guidance

- **Life Science:** Sales down -4% org. compared to prior year, when destocking was not yet fully reflected, with residual COVID-19 headwinds; Second quarter of positive QoQ order intake in PS, further confirmation H2>H1 sales dynamic
- **Healthcare:** Sales up +5% org. driven by Oncology (+9% org.) and CM&E (+13% org.); Healthcare with largest growth contribution to Group
- **Electronics:** +8% org. sales growth driven by demand for AI and advanced nodes in Semi Materials; Semiconductor Solutions with +11% org. growth
- **Q2 organic sales:** +1.7%
- **Q2 organic EBITDA pre:** -0.8%
- **Guidance:**
Net sales: €20.7 bn to €22.1 bn
EBITDA pre: €5.8 bn to €6.4 bn
EPS pre: €8.20 to €9.30
- Net financial debt to EBITDA pre: 1.4x on June 30, 2024

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

Overview Financials

Q2 2024 Overview

- Sales up +1% with organic growth overcompensating slight FX headwinds
- Sales growth driven by HC and EL, with decline in LS
- HC EBITDA pre growth only partially compensates lower EBITDA pre in LS, with EL only slightly down
- EPS pre already stable with return to growth in LS yet to come
- Operating cash flow up, mainly due to lower bonus payments
- Net financial debt up mainly due to dividend payment, mitigated by strong OCF in H1; NWC stable from Q1'24

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

Q2 2024 Cash Flow Statement

- Profit after tax lower due to less EBIT
- D&A includes one-off impairments in relation to Healthcare R&D
- Changes in provisions include lower pensions and LTIP provisions
- Delta in other assets & liabilities related to lower bonus payouts and taxes in the quarter
- Other operating activities include UDC patent agreement and Healthcare outlicensing in prior year
- NWC increase driven mainly by increased trade receivables and lower trade payables
- Investing and Financing cash flow mainly driven by proceeds from short-term investments

Acronym(s): Acronym(s): PPE = Property, Tax & Equipment; D&A = Depreciation & Amortization; R&D = Research & Development; LTIP = Long-term Incentive Plan; NWC = Net Working Capital; Totals may not add up due to rounding

Q2 2024 Balance Sheet

- Higher cash level driven by strong operating cash flow
- Inventories up slightly, driven by LS and HC
- Increase in PPE driven by capex to support future growth
- Net financial debt driven mainly by payment of dividend in Q2
- Decrease in payables due to in-license payments accrued in prior period
- Equity ratio improved to 57% (Dec. 2023, 55%)

Acronym(s): LS = Life Science; HC = Healthcare; PPE = Property, Tax & Equipment; Totals may not add up due to rounding

Q2 2024 Business Overview

Life Science

- **Sequential sales and EBITDA growth in all businesses**
- Net sales deviation YoY: organic -3.7%, FX -0.4%, portfolio 0.0%
- EBITDA pre deviation YoY: organic -6.1%, FX -1.9%, portfolio 0.0%
- Process Solutions: sales down -12% org. compared to tough comps; YoY decline mainly driven by destocking and COVID-19 non-repeats; 2nd quarter of QoQ order intake growth; sales also increased QoQ (+7%)
- Science & Lab Solutions: +1% org. sales YoY growth driven by Industrial & Testing and Diagnostics; 3rd quarter of sequential growth; 1st quarter of positive YoY growth since Q1-23
- Life Science Services: +8% org. sales growth driven by contract testing services, benefitting from novel modalities, expansion of product offering
- M&S spend stable; Slightly lower R&D expenses mainly due to project phasing
- EBITDA pre down mainly on lower volumes with idle costs from underutilization
- Life Science EBITDA pre margins improving by 50 bps QoQ driven by stringent cost control and some operational leverage

Acronym(s): M&S = Marketing and selling expenses, R&D = Research & Development; LS = Life Science; Totals may not add up due to rounding

Healthcare

- **Record sales fueled by Oncology and CM&E**
- Net sales deviation YoY: organic +5.3%, FX -1.1%, portfolio 0.0%
- EBITDA pre deviation YoY: organic +4.6%, FX -2.3%, portfolio 0.0%
- Oncology +9% org., driven by Erbitux® growth in all major regions (+8% org.), Bavencio® (+6% org.) and Tepmetko®
- Mavenclad® growing +1% org. amid tough comps. Rebif® down -19% org., growth rate negatively impacted by prior year channel dynamics
- CM&E growth +14% org., amplified by tender business and prior year slow-down in the diabetes market in China. Fertility (1% org.) as competitor stock-outs easing and prior year China COVID-19 catch-up
- M&S growing in line with sales, including full Bavencio repatriation¹

- Total R&D costs up driven by mid-DD termination provision for Xevinapant. For the remainder of the year lower R&D spend as percentage of sales expected
- EBITDA pre margin of 33.7% fueled by strong sales growth. Full Bavencio rights, lower underlying R&D and strong gross margin performance overcompensate Xevinapant termination provision

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

Electronics

- **AI & adv. node semi market inflects, driving strong growth**
- Net sales deviation YoY: organic +7.6%, FX -0.9%, portfolio -0.2%
- EBITDA pre deviation YoY: organic -3.1%, FX +0.7%, portfolio 0.0%
- Semiconductor Solutions: sales up +11% org., with considerable growth in Thin-Film materials driven by AI and adv. nodes; wider market inflection (incl. 3D NAND memory) not yet visible
- Display Solutions: down -2% org., continuous price pressure overcompensated volume growth; strong growth in OLED sales
- Surface Solutions: up +4% org.
- 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 from prior year includes UDC patent effect (~€60 m); underlying margin expansion of ~4 % points due to operational leverage and cost discipline

Acronym(s): M&S = Marketing and selling expenses, R&D = Research & Development, AI = Artificial Intelligence; NAND = NOT AND; Totals may not add up due to rounding

2024 guidance

Group:

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Net sales:
Organic: +2% to +5% YoY
FX of -3% to 0% YoY
~€20.7 – €22.1 bn | <ul style="list-style-type: none"> ▪ EBITDA pre:
Organic: +4% to +10% YoY
FX: -5% to -1% YoY
~€5.8 – €6.4 bn ▪ EPS pre:
~€8.20 to €9.30 |
|---|---|

2024 business sector guidance¹:

Life Science

- Net sales:
 - Organic: -2% to +2% YoY
 - FX: -3% to +1% YoY
 - ~€8.80 bn to €9.50 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 0% YoY
 - ~€2.55 bn to €2.80 bn

Healthcare

- Net sales:
 - Organic: +6% to +9% YoY
 - FX: -4% to 0% YoY
 - ~€8.20 bn to €8.75 bn
 - Driven by CM&E, Oncology and Mavenclad
- EBITDA pre:
 - Organic: +18% to +23% YoY
 - FX: -6% to -2% YoY
 - ~€2.85 bn to €3.05 bn

Electronics

- Net sales:
 - Organic: +4% to +8% YoY
 - FX: -3% to 0% YoY
 - ~€3.65 bn to €3.95 bn
 - AI/adv. nodes inflected already in Q2; steady sequential development in Semi Materials in H2
- EBITDA pre:
 - Organic: +5% to +11% YoY
 - FX: -2% to +1% YoY
 - ~€950 m to €1,020 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 ² | ~ €-65 m to -95 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 ²Excludes the impact from deals that are signed and not yet completed

Merck KGaA

Darmstadt, Germany

Group Q2 2024

€ m	Group			Life Science			Healthcare			Electronics			Corporate/Others		
	Q2 2023	Q2 2024	% YoY	Q2 2023	Q2 2024	%YoY	Q2 2023	Q2 2024	%YoY	Q2 2023	Q2 2024	% YoY	Q2 2023	Q2 2024	%YoY
Net sales	5,302.4	5,352.2	0.9%	2,353.5	2,258.1	-4.1%	2,049.5	2,136.7	4.3%	899.3	957.4	6.5%			
% organic			1.7%			-3.7%			5.3%			7.6%			
% FX			-0.7%			-0.4%			-1.1%			-0.9%			
% portfolio			0.0%			0.0%			0.0%			-0.2%			
EBIT	969.5	792.3	-18.3%	455.3	370.3	-18.7%	615.8	500.9	-18.7%	110.1	106.9	-2.9%	-211.7	-185.7	-12.3%
Depreciation and amortization	482.3	680.1	41.0%	243.1	268.5	10.4%	76.2	248.5	226.0%	134.7	135.2	0.4%	28.2	27.9	-1.1%
EBITDA	1,451.8	1,472.5	1.4%	698.5	638.8	-8.5%	692.0	749.4	8.3%	244.8	242.1	-1.1%	-183.5	-157.8	-14.0%
Adjustments in EBITDA	101.5	36.5	-64.1%	13.4	15.9	18.6%	11.6	-29.6	n.m.	16.9	13.2	-22.1%	59.6	37.0	-37.9%
EBITDA pre	1,553.3	1,508.9	-2.9%	711.9	654.7	-8.0%	703.6	719.8	2.3%	261.7	255.3	-2.5%	-123.9	-120.8	-2.5%
% organic			-0.8%			-6.1%			4.6%			-3.1%			
% FX			-2.1%			-1.9%			-2.3%			0.7%			
% portfolio			0.0%			0.0%			0.0%			0.0%			
	31st Dec, 2023	30th June, 2024													
Net financial debt	7,500.0	7,949.6	6.0%												
ND/EBITDA pre	1.3	1.4													

Group Net Sales details Q2 2024

€ m	Q2 2023	Q2 2024	% YoY	% YoY org.	% YoY FX	% YoY PF
Group	5,302.4	5,352.2	0.9%	1.7%	-0.7%	0.0%
Life Science	2,353.5	2,258.1	-4.1%	-3.7%	-0.4%	0.0%
Process Solutions	993.6	871.5	-12.3%	-11.8%	-0.5%	0.0%
Life Science Services	178.1	194.4	9.2%	8.2%	1.0%	0.0%
Science & Lab Solutions	1181.7	1192.3	0.9%	1.4%	-0.5%	0.0%
Healthcare	2,049.5	2,136.7	4.3%	5.3%	-1.1%	0.0%
Rebif	205.1	167.8	-18.2%	-18.5%	0.3%	0.0%
Mavenclad	262.1	265.8	1.4%	1.3%	0.1%	0.0%
Erbitux	260.2	276.2	6.1%	8.2%	-2.1%	0.0%
Bavencio	177.9	185.8	4.5%	6.4%	-1.9%	0.0%
Gonal-F	218.5	227.2	4.0%	5.0%	-1.0%	0.0%
Glucophage	196.7	237.7	20.9%	23.5%	-2.6%	0.0%
All other products	729.0	776.2	6.5%	7.4%	-0.9%	0.0%
Electronics	899.3	957.4	6.5%	7.6%	-0.9%	-0.2%
Semiconductor Solutions	602.3	665.1	10.4%	11.4%	-0.6%	-0.4%
Display Solutions	195.8	188.2	-3.9%	-2.4%	-1.5%	0.0%
Surface Solutions	101.3	104.1	2.8%	4.1%	-1.3%	0.0%

*acronyms: org. = organic; PF = portfolio

Group

P&L Group	Q2 2023	Q2 2024	% YoY
Net sales	5,302.4	5,352.2	0.9%
Cost of sales	-2,138.9	-2,119.2	-0.9%
thereof: intangibles amortization	-46.2	-33.1	-28.4%
Gross profit	3,163.5	3,233.0	2.2%
Marketing and selling expenses	-1,139.4	-1,145.9	0.6%
thereof: intangibles amortization	-148.9	-145.3	-2.4%
Administration	-345.0	-336.1	-2.6%
Impairment losses / reversals (IFRS9)	-9.7	0.1	n.m.
Other operating income/expenses	-99.4	-311.4	213.2%
Research and development	-600.4	-647.4	7.8%
EBIT	969.5	792.3	-18.3%
Depreciation and amortization	482.3	680.1	41.0%
EBITDA	1,451.8	1,472.5	1.4%
Adjustments in EBITDA	101.5	36.5	-64.1%
EBITDA pre	1,553.3	1,508.9	-2.9%
Financial result	-75.7	-7.2	-90.6%
Profit before tax	893.8	785.2	-12.1%
Income tax	-187.7	-179.8	-4.2%
Income tax rate	21.0%	22.9%	
Profit after tax	706.1	605.4	-14.3%
Non-controlling interests	2.5	-2.0	n.m.
Net income	703.6	607.4	-13.7%
Number of theoretical shares in million	434.8	434.8	
EPS in €	1.62	1.40	-13.6%
EPS pre in €	2.20	2.20	0.0%

Totals may not add up due to rounding

Life Science

P&L Life Science	Q2 2023	Q2 2024	% YoY
Net sales	2,353.5	2,258.1	-4.1%
Cost of sales	-1,078.2	-1,041.9	-3.4%
thereof: intangibles amortization	-13.5	-6.9	-48.8%
Gross profit	1,275.3	1,216.2	-4.6%
Marketing and selling expenses	-566.3	-566.5	0.0%
thereof: intangibles amortization	-100.4	-99.4	-0.9%
Administration	-102.8	-104.4	1.5%
Impairment losses / reversals (IFRS9)	-1.2	-0.1	-90.3%
Other operating income/expenses	-50.6	-78.5	55.2%
Research and development	-99.1	-96.4	-2.7%
EBIT	455.3	370.3	-18.7%
Depreciation and amortization	243.1	268.5	10.4%
EBITDA	698.5	638.8	-8.5%
Adjustments in EBITDA	13.4	15.9	18.6%
EBITDA pre	711.9	654.7	-8.0%

Totals may not add up due to rounding

Healthcare

P&L Healthcare	Q2 2023	Q2 2024	% YoY
Net sales	2,049.5	2,136.7	4.3%
Cost of sales	-485.9	-505.9	4.1%
thereof: intangibles amortization	-1.2	-1.1	-2.4%
Gross profit	1,563.6	1,630.9	4.3%
Marketing and selling expenses	-422.4	-437.4	3.5%
thereof: intangibles amortization	-0.4	-0.4	3.2%
Administration	-79.3	-78.4	-1.1%
Impairment losses / reversals (IFRS9)	-8.4	1.8	n.m.
Other operating income/expenses	-36.2	-170.6	371.0%
Research and development	-401.5	-445.4	11.0%
EBIT	615.8	500.9	-18.7%
Depreciation and amortization	76.2	248.5	226.0%
EBITDA	692.0	749.4	8.3%
Adjustments in EBITDA	11.6	-29.6	n.m.
EBITDA pre	703.6	719.8	2.3%

Totals may not add up due to rounding

Electronics

P&L Electronics	Q2 2023	Q2 2024	% YoY
Net sales	899.3	957.4	6.5%
Cost of sales	-572.2	-572.8	0.1%
thereof: intangibles amortization	-31.5	-25.0	-20.6%
Gross profit	327.2	384.6	17.5%
Marketing and selling expenses	-147.6	-141.9	-3.9%
thereof: intangibles amortization	-48.2	-45.5	-5.6%
Administration	-35.1	-35.6	1.6%
Impairment losses / reversals (IFRS9)	-0.1	-1.4	>1.000%
Other operating income/expenses	40.2	-23.6	n.m.
Research and development	-74.5	-75.2	0.9%
EBIT	110.1	106.9	-2.9%
Depreciation and amortization	134.7	135.2	0.4%
EBITDA	244.8	242.1	-1.1%
Adjustments in EBITDA	16.9	13.2	-22.1%
EBITDA pre	261.7	255.3	-2.5%

Totals may not add up due to rounding

Consensus deviation Q2 2024

	Actual	Consensus (mean)	Difference to estimate	Consensus (median)	Difference to estimate
	[€m]	26.07.2024		26.07.2024	
	Q2 2024A	Q2 2024E	%	Q2 2024E	%
Group					
Sales	5,352.2	5,246.2	2.0%	5,241.9	2.1%
EBITDA pre	1,508.9	1,418.7	6.4%	1,421.6	6.1%
EBITDA pre-margin (%)	28.2	27.0	1.2pp	27.0	1.2pp
EPS pre (€)	2.20	2.02	8.7%	2.03	8.4%
Life Science					
Sales	2,258.1	2,256.1	0.1%	2,258.2	0.0%
Process Solutions	871.5	892.0	-2.3%	888.7	-1.9%
Life Science Services	194.4	183.9	5.7%	182.6	6.4%
Science & Lab Solutions	1,192.3	1,181.5	0.9%	1,184.6	0.6%
EBITDA pre	654.7	652.4	0.3%	652.5	0.3%
EBITDA pre-margin (%)	29.0	28.9	0.1pp	28.9	0.1pp
Healthcare					
Sales	2,136.7	2,078.6	2.8%	2,075.3	3.0%
Rebif	167.8	165.2	1.6%	160.0	4.9%
Mavenclad	265.8	278.5	-4.5%	277.3	-4.1%
Erbix	276.2	272.9	1.2%	273.2	1.1%
Bavencio	185.8	195.4	-4.9%	195.7	-5.1%
Gonal-F	227.2	216.3	5.0%	214.1	6.1%
Glucophage	237.7	208.9	13.8%	202.6	17.3%
All other products	776.2	741.4	4.7%	752.5	3.2%
EBITDA pre	719.8	669.1	7.6%	660.4	9.0%
EBITDA pre-margin (%)	33.7	32.2	1.5pp	32.0	1.7pp
Electronics					
Sales	957.4	912.3	4.9%	914.6	4.7%
Display Solutions	188.2	187.4	0.4%	187.5	0.4%
Surface Solutions	104.1	101.1	3.0%	101.3	2.8%
Semiconductor Solutions	665.1	624.9	6.4%	626.9	6.1%
EBITDA pre	255.3	222.3	14.8%	225.2	13.4%
EBITDA pre-margin (%)	26.7	24.4	2.3pp	24.6	2.1pp
Corporate/Other					
EBITDA pre	-120.8	-125.7	-3.9%	-125.1	-3.4%