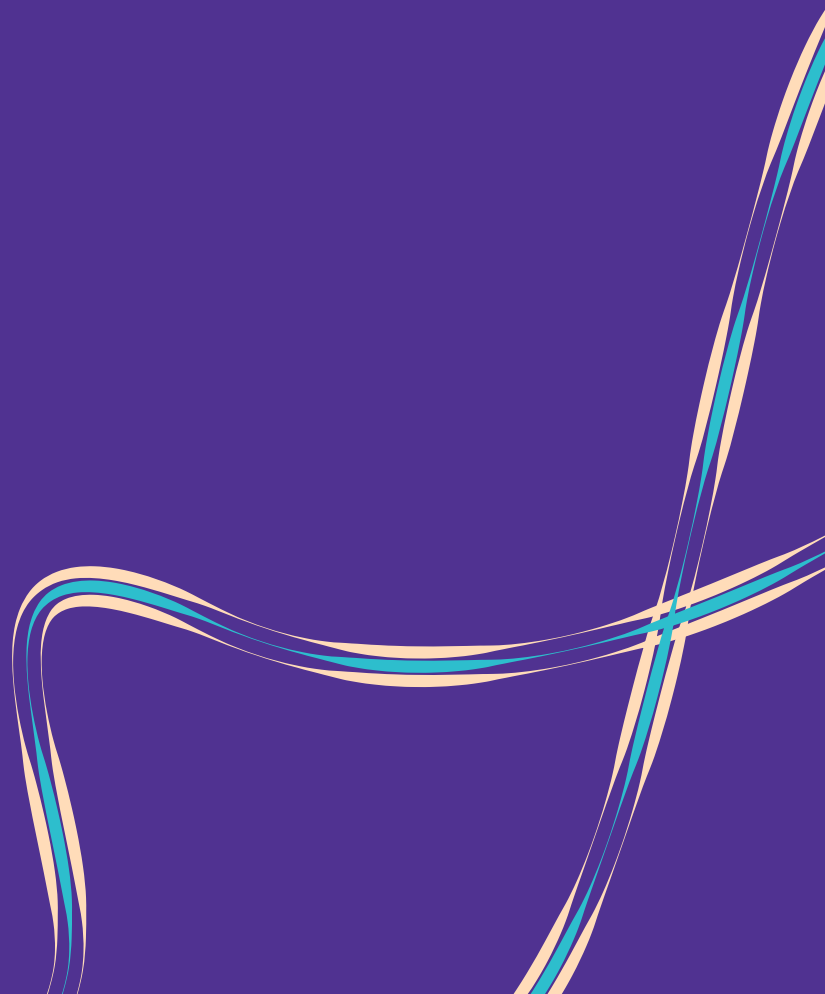


# TO OUR SHAREHOLDERS

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*Dear shareholders, dear friends,*

Without a doubt, 2020 was a very challenging year. The Covid-19 pandemic has upended the world. For us, it has also been extremely demanding – but it has not shaken us. In fact, we have successfully weathered the pandemic so far. That's because the strengths of our business model with three innovation-driven business sectors have become particularly evident during the Covid-19 crisis. Thanks to our clear focus on science and technology, we are very well positioned even during economically challenging times.

From the start, one thing was clear to us: The health and safety of our employees as well as business continuity would have top priority. Consequently, we succeeded in keeping the infection rates at our company low. At the same time, we continued to supply patients, scientists and customers with essential medicines and products and were again able to mark key accomplishments in 2020.

A major milestone in our Healthcare business sector was the full approval of our immuno-oncology therapy Bavencio® by the U.S. Food and Drug Administration (FDA) for the treatment of patients with advanced urothelial cancer. We gained further approvals around the world for Mavenclad®, our oral multiple sclerosis therapy. It is now registered in more than 80 countries globally, including the European Union, the United States, Australia, Canada, and Switzerland. Both products made an increasingly larger contribution to organic sales growth in Healthcare. In addition, our oncology precision medicine Tepmetko® (tepotinib), which was developed in-house, was approved in Japan. It is thus the world's first oral MET inhibitor indicated for the treatment of advanced lung cancer with MET gene alterations to receive regulatory approval. However, this business sector was temporarily strongly impacted by Covid-19, especially the Fertility franchise. Yet in the third quarter, sales of this franchise recovered significantly from the pandemic-related impacts incurred in the first half of the year. Having divested Allergopharma, we are now sharpening our focus within Healthcare on the development of innovative medicines for difficult-to-treat diseases.



We have successfully weathered the pandemic so far. That's because the strengths of our business model with three innovation-driven business sectors have become particularly evident during the Covid-19 crisis. Thanks to our clear focus on science and technology, we are very well positioned even during economically challenging times.

**Stefan Oschmann**

Our Life Science business sector offers a broad portfolio of products and services for customers around the globe – from academic institutions to biotech and pharmaceutical companies. In terms of sales, this business sector ranks among the top three in the global life science industry. Our full portfolio encompasses more than 300,000 products and solutions, ranging from lab water systems to genome-editing tools, antibodies, cell lines and complete solutions for the manufacture of medicines. And we are investing further in research, development and production worldwide. Last year, we celebrated the topping-out ceremony for our new membrane plant in Darmstadt, Germany. To meet the high demand in the Process Solutions business unit, which offers products and services for the entire pharmaceutical production value chain, we announced plans to expand our U.S. production facilities in Danvers, Massachusetts, and in Jaffrey, New Hampshire. Thanks to strong business growth, we will also be expanding our capacities for antibody-drug conjugate manufacturing at our facility near Madison, Wisconsin, as well as for viral and gene therapy production in Carlsbad, California. These investments are worth millions and will allow us to position ourselves well in highly promising fields.

Our specialty chemicals business is combined in our Performance Materials business sector. Within the framework of our Bright Future transformation program, we developed further into a leading materials-based solutions player in the electronics market in 2020. Thanks not least to the acquisitions of Versum Materials and Intermolecular in 2019, we already hold a strong position in the electronic materials market. Following the successful completion of these acquisitions we rolled out the new, integrated Performance Materials organization last year. A further step in the course of the ongoing transformation is now the renaming of the business sector: Performance Materials will become Electronics. The new name reflects our strategic focus and makes it clear at a glance what the business sector stands for. After all, through our product and service portfolio, we are enabling the technical progress emanating from continuously growing data volumes. This development is being driven by strong growth trends, such as 5G, Big Data, and new applications such as autonomous driving and the Internet of Things.

At the same time, we have been actively fighting the pandemic on many fronts since the very start. With our products and services we are contributing to the global Covid-19 response in many ways.

- We help scientists to detect and characterize viruses and to develop vaccines and therapies. This also includes our co-work on more than 50 potential or approved Covid-19 vaccines and support in the development of more than 35 Covid-19 testing solutions as well as over 20 therapeutic options. One example is the collaboration with the biotech company Mammoth Biosciences on the development and production of their CRISPR<sup>1</sup>-based Covid-19 diagnostic tests.
- By donating Rebif®, one of our relapsing multiple sclerosis therapies, last year we supported global initiatives to study potential therapies for Covid-19. These include the SOLIDARITY study by the World Health Organization (WHO) as well as a study by the French Institut National de la Santé et de la Recherche Médicale (INSERM).
- Moreover, we are working with the Bill & Melinda Gates Foundation and the European consortium CARE. In both projects, we aim to help accelerate research and development into the coronavirus.
- We initiated a study with our own active ingredient candidate M5049. We are investigating whether M5049 could prevent Covid-19 from inducing a “cytokine storm”, a dangerous and excessive immune response that often leads to death in patients with Covid-19.
- And as countless people around the world work from home and practice social distancing, our high-tech materials are critically important to the electronic equipment and devices that bring people together virtually.

<sup>1</sup> Clustered Regularly Interspaced Short Palindromic Repeats

We are proud to note that in all our businesses and functions, we are helping both directly and indirectly to meet the global challenges posed by Covid-19. Whether through financial contributions or by donating masks and disinfectant, we have been providing support in the regions and cities in which we operate worldwide.

Yet, also in terms of business, we performed very well overall in 2020, despite considerable pandemic-related obstacles in some businesses. Once again, we generated growth. Group sales rose to a total of € 17.5 billion, growing by 8.6% over 2019. And EBITDA pre, the most important financial indicator to steer our operating business, amounted to € 5.2 billion, a year-on-year increase of 18.6%. EBITDA pre was positively impacted by income from the release of a provision of € 365 million for potential damages relating to patent litigation with Biogen Inc. USA (Biogen). Earnings per share pre (EPS pre) increased by 20.5% to € 6.70.

In a year marked by a pandemic, these positive results should not be taken for granted. First and foremost, they are thanks to the engagement, the perseverance and the unabated passion for innovation shared by our global workforce of over 58,000 employees. On behalf of the entire Executive Board, I would like to warmly thank them for their extraordinary commitment last year.

Our positive business performance in 2020 was also reflected in the capital markets. For the first time in German stock market history, we became the company with the highest market capitalization in the chemical and pharmaceutical industries. This is superb recognition of our development and strategic direction. In addition, we also celebrated the 25th anniversary of our listing on the Frankfurt Stock Exchange.

As shareholders, you are also benefiting from this. In 2020, our share price increased by 33%. The dividend reflects this growth as well because, in line with our sustainable dividend policy, we focus primarily on the development of the Group's earnings. Consequently, we will propose to the Annual General Meeting the payment of a dividend of € 1.40 per share for fiscal 2020 – 10 cents more than in the previous year.

We can be very satisfied with how well we made it through the "crisis year 2020". At the same time, we must set our sights on the future. We want to drive our transformation to become the leading science and technology company forward. That is why we have set ourselves clear priorities for 2021.

Being a global supplier of innovative specialty products – that is and remains our strategy in Healthcare. An important priority will be to further drive the profitable growth of our core General Medicine, Endocrinology and Fertility franchises, particularly in China. We will focus also on realizing the commercial potential of Mavenclo®<sup>®</sup>, Bavencio® and Tepmetko®. We want to further unlock the possibilities of our pharmaceutical pipeline – while at the same time operating efficiently in order to meet our ambition for the future. At the beginning of 2021, we welcomed Peter Guenter as a new member of the Executive Board with responsibility for the Healthcare business sector. He has many years of experience and superb knowledge of the international pharmaceutical sector.

In Life Science, we are aiming to further expand our strong positions in Process Solutions and e-commerce. To achieve this, we must resolutely realize new growth opportunities, for instance in genome editing and novel modalities, end-to-end bioprocessing and connected laboratories. At the same time, we are doing everything possible to meet the increased demand for our life science products in these unprecedented times. Together with the global Life Science team, Matthias Heinzl will be building on our previous successes. He will become a member of the Executive Board of our company on April 1, 2021, assuming responsibility for the Life Science business sector.

In Electronics, formerly Performance Materials, we remain committed to further expanding our leading position as an innovation partner. We are the company behind the companies, advancing digital living. To this end, we aim to grow while securing stable margins, especially in businesses with materials and solutions for the semiconductor industry as well as with organic light-emitting diodes (OLED). We are therefore pushing forward with the execution of the five-year Bright Future transformation program.

We want to continue to grow profitably in 2021. As in the past, we will be guided by a high degree of cost discipline and the optimum design of our operating business models.

In all these efforts, we will run our business as a good corporate citizen. For us, scientific progress and responsibility go hand in hand. Responsible and sustainable conduct with respect to employees, products, the environment, and society is a fundamental prerequisite for our business success. That is why we specified the following goals in our sustainability strategy: In 2030, we will achieve human progress for more than one billion people through sustainable science and technology. By 2030, we will integrate sustainability into all our value chains. And by 2040, we will achieve climate neutrality and reduce our resource consumption. These are ambitious goals. However, we are convinced that we can reach them and contribute in this way to the achievement of the UN Sustainable Development Goals.

Climate impact mitigation, resource scarcity and a pandemic are major societal challenges that can be solved only through broad-based collaboration. In particular, the search for a Covid-19 vaccine has made clear how important it is for research, business and decision-makers from the political sphere to pull in the same direction. International cooperation is the order of the day; multilateralism is the answer to economic standstill. Simultaneously, the crisis is acting as a catalyst for new-found trust in science. Widespread skepticism is giving way to greater openness and mutual respect. As a science and technology company, we can and must seize these opportunities to enable social progress.

We are a company with a passion for research and discovery. Our actions are shaping human progress: We are developing innovative therapies, working on the biotechnology of tomorrow and enabling the digital revolution. This is something I have experienced every day for the past ten years. My time at our company will be over at the end of April 2021. On May 1, Belén Garijo will succeed me. We have worked together successfully for the last ten years. The company is in very good hands with her. It was a special honor for me to lead this unique company. And I firmly believe that our company is excellently-positioned for sustainable and profitable growth – and will also remain committed to progress in the future.

Sincerely,



**Dr. Stefan Oschmann**

Chairman of the Executive Board and CEO

# EXECUTIVE BOARD



**Stefan Oschmann**

Chairman of the Executive Board  
and CEO



**Belén Garijo**

Vice Chair of the Executive Board  
and Deputy CEO



**Kai Beckmann**

Member of the Executive Board  
CEO Performance Materials



**Peter Guenter**

Member of the Executive Board  
CEO Healthcare



**Marcus Kuhnert**

Member of the Executive Board  
Chief Financial Officer

## Short biographies

More information can be found on our website:

[www.emdgroup.com](http://www.emdgroup.com) -> Company -> Who We Are -> Management

## Our Shares

### At a glance

On the whole, the performance of our shares in 2020 was characterized by a strong increase in value of 33%. The shares started the year trending upward before entering a rapid downward movement from February 21 as a result of the Covid-19 pandemic, which also affected the relevant indices. The shares bottomed out on March 18. While the pharmaceutical industry index performed slightly better during this period (-16% as of March 18), our shares (-23% as of March 18) developed better than the relevant reference index for the chemical industry (-28% as of March 18) and considerably better than the DAX® (-36% as of March 18).

With the subsequent turnaround in the second, third and fourth quarters, our shares enjoyed resilient development despite the global uncertainty in the context of the Covid-19 pandemic. In particular, the share price was boosted by positive development in the Life Science sector, the rapid recovery of the Healthcare sector and the sustained strong performance of the semiconductor business in the Performance Materials sector.

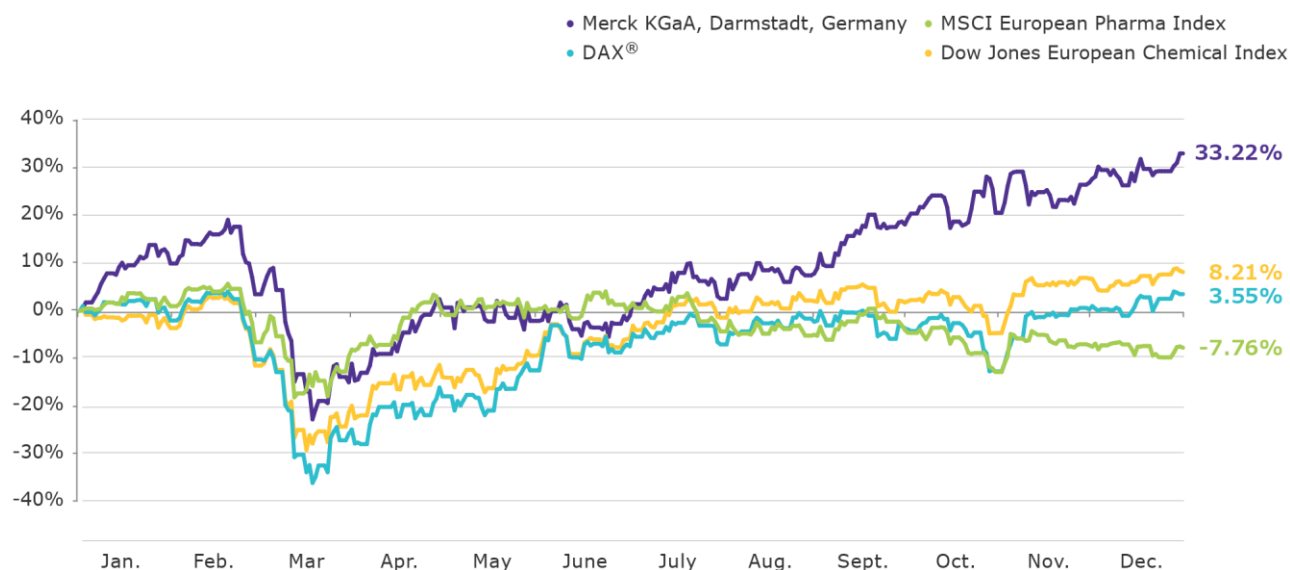
The shares closed 2020 up on the relevant reference indices, which saw differing development over the course of the year. With its share price rising by 33.2%, we narrowly outperformed the S&P 500 Life Sciences Tools & Services Index, which saw growth of 32.8% in the same period. Our shares clearly outperformed the DAX® reference index, which rose by 4% over the period as a whole, as well as the relevant reference index of the chemical industry, which saw full-year growth of around 8%. By contrast, the pharmaceutical industry index fell by around 8% in 2020, meaning it was outperformed by our shares by 40 percentage points in the same period.

Despite the restrictions that were in place in 2020, the Executive Board and the Investor Relations team gave in-depth briefings in largely virtual form to more than 750 investors at investor conferences, as well as during roadshows and conference calls.

The average daily trading volume of our shares rose by around 13% year-on-year, from approximately 505,000 to just over 569,000 in 2020. Europe accounted for the largest proportion of the free float in 2020, with its share increasing by 5 percentage points to 46%. By investor type, growth investors and value investors dominated, as in the previous year. In 2020, the proportion of growth investors at Merck KGaA, Darmstadt, Germany, remained broadly unchanged year-on-year at 33%. As in 2019, the top five investors at the end of 2020 cumulatively held around 24% of the free float.

## Our shares

Share price development from January 1, 2020, to December 31, 2020, in %



## Our shares

Key share price data<sup>1</sup>

		2020	2019
Dividend <sup>2</sup>	€	1.40	1.30
Share price high	€	140.35	109.75
Share price low	€	81.26	86.46
Year-end share price	€	140.35	105.35
Daily average number of shares traded <sup>3</sup>	Number	566,911	504,934
Market capitalization <sup>4</sup> (at year-end)	€ million	61,021	45,804
Market value of authorized shares <sup>5</sup> (at year-end)	€ million	18,139	13,616

<sup>1</sup> Share price-relevant figures relate to the closing price in Xetra® trading on the Frankfurt Stock Exchange.

<sup>2</sup> 2020 dividend subject to approval by the Annual General Meeting.

<sup>3</sup> Based on the floor trading systems of all German exchanges and the regulated market on Xetra®.

<sup>4</sup> Based on the theoretical number of shares (434.8 million).

<sup>5</sup> Based on the number of shares in free float (129.2 million). Source: Bloomberg, Thomson Reuters.

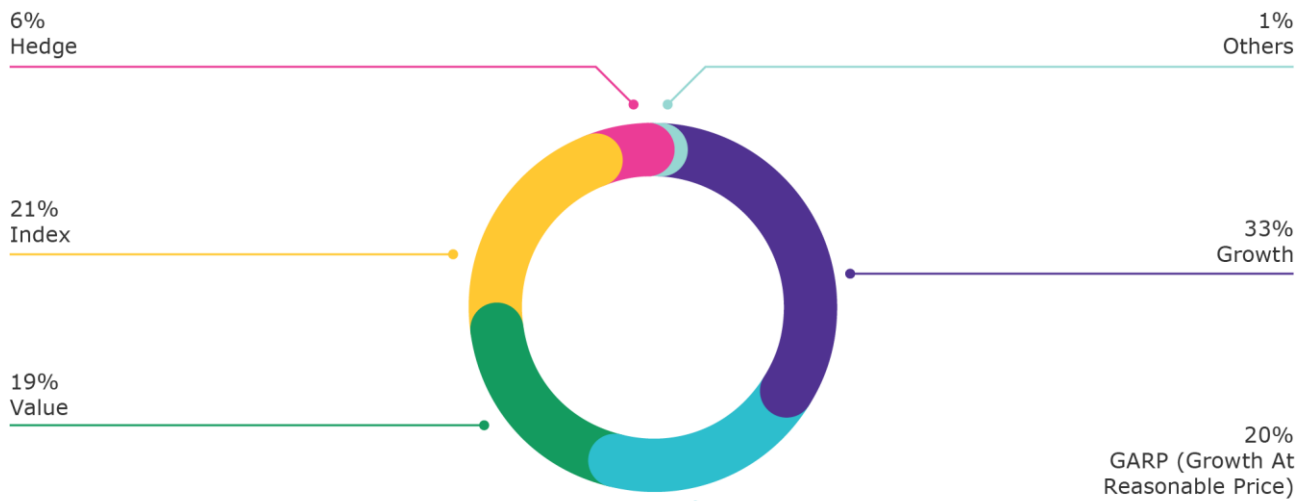


### Identified investors by region as of November 2020



Source: Nasdaq Shareholder Identification; Total Shares Outstanding: 129.2 million

### Identified investors by type as of November 2020



Source: Nasdaq Shareholder Identification