Annual General Meeting 2022
Speech by Belén Garijo

Chair of the Executive Board and CEO

Darmstadt,
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Check against delivery.

Liebe Aktionärinnen, liebe Aktionäre,

[Dear Shareholders,]

Guten Morgen und willkommen zur Hauptversammlung von Merck, KGaA, Darmstadt, Germany.

[Welcome to Merck KGaA, Darmstadt, Germany’s Annual General Meeting.]

It is an honor to welcome you for the first time as Chair of the Executive Board. Thank you very much for your trust.

Please allow me to continue my speech in English.

It makes me proud to lead a team of more than 60,000 curious minds at our company. In everything we do, we build on a strong heritage. This is the world’s oldest science and technology company with a proud track record of innovation. Since 1668.

Our centuries-long commitment to science and technology is what has always set us apart. Made us unique.

Those of you who have been part of our journey for some time know: Our dedication to advance human progress is deeply ingrained in our corporate DNA.
And for those of you who have joined us just recently, I can assure you: We will live up to this principle even more in the future.

We are all the more concerned when human progress is at risk. Be it through a pandemic. Or wars, like the one currently going on in Ukraine.

To me and to all of us at this company, it is devastating to witness what is happening. We are shocked and saddened to watch this human tragedy. We stand with the global community in demanding action to return to peaceful coexistence in the region.

Let me be very clear: We condemn the invasion of Ukraine by Russia. Freedom, health and well-being of civilians will always be at the center of our actions.

We are fully committed to this responsibility. And we live up to it. As a purpose-driven company, we continue to supply patients in the affected region with their much-needed medicines. But we have restricted our transactions to healthcare-related business.

The well-being of our employees in the affected region continues to be our top priority. While we have no employees in Ukraine, we are working closely with the local leadership team to support our colleagues in Russia. Both psychologically and professionally.
We donated more than 3 million euros to the German Red Cross. More than half a million euros came from our colleagues from all around the world, signaling the solidarity existing in our company.

In addition, countless employees at many locations are involved in donation activities and humanitarian actions. Mainly in Poland and Hungary.

They host refugees in their homes. They help them at the border in Poland. They collect food and relief supplies.

One of our trucks transported 15 metric tons of food, first-aid kits, toys and sleeping bags to Poland. I will personally join our volunteers in Poland soon to recognize and better support their efforts.

While we will continue to assess any necessary steps to ensure both the safety of our employees and business continuity, our thoughts are with everyone affected by this war.

Ladies and Gentlemen, it is clear that the war in Ukraine is currently on everybody’s mind. And in times like these, it is difficult to talk only about numbers.

However, our obligation towards you today, is to report on our business year 2021. Please allow me to return to what moved us here at this company last year.
It is not possible to talk about 2021 without mentioning the pandemic. Covid-19 has continued to present us with challenges. Challenges that we turned into opportunities, wherever possible.

Take the successful use of mRNA in the development of vaccines. It has been nothing short of a scientific breakthrough. But it will not be the last of its kind. Scientists have long been researching ways to use this technology to fight cancer. We also believe in the promise that this new technology holds.

During the pandemic, we strengthened our capabilities to help our customers, partners and communities fight the virus. Let me give you some examples.

At the beginning of last year, we drastically accelerated the scale-up of custom lipids. Lipids are critical to the drug delivery system of mRNA therapies and vaccines. Among others, they are used for the production of the Covid-19 vaccines from Pfizer-BioNTech and Moderna.

Merck KGaA, Darmstadt, Germany is one of a few companies in the world that are currently able to produce custom lipids in significant volumes. The demand for these products is higher and higher.

At the end of 2021, we also announced our plans to acquire Exelead. The acquisition closed in February this year.
This is a biopharmaceutical contract development and manufacturing organization, also known as a CDMO. It specializes in injectable formulations and technologies to deliver drugs into the body.

Together with AmpTec, it was the second important acquisition to enhance our mRNA offering. AmpTec is a leading, Germany-based CDMO specialized in mRNA technology. With both acquisitions, we aim to provide our customers a ‘one-stop-shop’ across manufacturing processes for mRNA.

We have supported about 80 different vaccine projects to date in the fight against Covid-19. These include numerous customers requiring solutions for lab research, diagnostics, and for the manufacturing of therapeutic products.

Overall, the pandemic has changed the world’s view of science and technology. It has shown their potential to advance human progress.

And at the same time, it has been a structural accelerator for important trends. Trends that we serve at this company: Unlocking unseen potential in fighting disease. More personalized patient care through digital health. Advancements in the lab of the future. Or the next generation of materials, equipment and services to advance the digital world.

We are excellently positioned to capitalize on these growth trends of the 21st century.
In 2021, we achieved strategic milestones in all these segments. Our performance in all three business sectors illustrates my previous statement.

Let me start with Life Science. With our Life Science products and solutions, we empower 1.6 million customers. We help them excel in fields such as scientific research and biotech and pharmaceutical manufacturing. Worldwide. Every day.

It is our largest sector in terms of sales. In 2021, its sales increased organically by 1.6 billion euros to reaching a new all-time high of 9 billion euros.

The main driver in Life Science was our Process Solutions business. The business in which we market products and services for the production of biologicals, vaccines and pharmaceuticals.

Process Solutions alone generated organic sales growth of 31 percent. It was the highest rate within the business sector and strongly driven by the demand for Covid-19-related products but also by our strong core business.

Overall, our global team worked hard to meet increasing demand from Life Science customers. For example, we expanded the capacity of our site in Molsheim, France. Here, we invested 25 million euros and added a single-use assembly production unit at our Life Science Center.
Single-use assemblies are custom-made solutions to accelerate pharmaceutical development and manufacturing. It is the first site in Europe where we manufacture such products.

We also enhanced capacity for filtration products required for the manufacturing of various medicines and vaccines. In October, we opened our second facility in Carlsbad, California. A 100-million-euro investment. It will more than double our existing capacity to support large-scale manufacturing for viral vector and gene therapies. Gene therapy involves the delivery of genetic information into patient cells to produce a therapeutic effect. It can potentially fight cancer. The market for commercial and industrial manufacturing for viral gene therapy is expected to grow to 9 billion euros by 2026.

Keeping up with increasing demand is not always easy. But very few companies can match our integrated portfolio of products, technologies, and services.

That is why we are constantly evaluating the capacity in our global network. Updating our plans on a regular basis. Carefully monitoring the raw material supply situation. And adapting our initiatives accordingly.

We will ensure that customers have the products and services they need to support the health of the global population. Through our 52 manufacturing sites and more than 100 distribution centers around the world.
Now to our Healthcare business. Here, we remain at the forefront of enabling innovative specialty medicines.

For example, we are dedicated to making a meaningful difference in the lives of people affected by cancer.

Last year, our cancer drug Tepmetko was approved in the United States for the treatment of adult patients with an aggressive form of lung cancer. This approval marked an important milestone. There is a growing need for selective treatments that have the potential to generate durable anti-tumor activity.

Our best-selling drug in terms of sales in our Healthcare business is Erbitux. It is our flagship product in oncology. Since approval, more than 1 million patients have been treated with it to fight different cancer types, such as colorectal cancer and head and neck cancer. Erbitux grew 12 percent organically last year across all regions where we market it. This growth was supported by the temporary supply agreement with the U.S. pharma company Eli Lilly and Company.

Bavencio is one of our newly launched products and is our fastest growing product in Oncology. Its sales more than doubled in 2021. Successful launches around the world in the first-line maintenance setting in advanced urothelial cancer pushed this growth. We continue to expand our leadership here.
We also registered tremendous growth of Mavenclad – a one-of-a-kind multiple sclerosis treatment, which is approved in more than 80 countries.

Another highlight was our Fertility franchise. To date, over 4 million babies have been born with the help of our products. We are very proud of that. In 2021, the business fully recovered from its pandemic-related dip during 2020. It grew organically by 26 percent.

Overall, Healthcare generated 36 percent of Group net sales in 2021. Sales of our new healthcare launches increased by more than 60 percent organically.

These are just a few of many success stories. However, no healthcare business with such a diverse portfolio is immune to risk. Occasional setbacks are always part of the game.

Together with GlaxoSmithKline, we made a mutual decision in September 2021 to terminate our agreement on the immunotherapy bintrafusp alfa. Phase III clinical trial data did not reproduce the encouraging data observed in earlier studies. Yet, our Healthcare pipeline remains very promising. I am very confident that we will continue to bring innovative, specialized medicines to market that make a meaningful difference to patients worldwide.
We were pleased with important clinical advances made in 2021. Our research and development pipeline includes medicines to treat several forms of cancer or multiple sclerosis and other immunotherapies. To give you concrete examples: Our oral therapy enpatoran is currently being tested in clinical studies for systemic lupus. Xevinapant is being investigated as a new treatment option for head and neck tumors.

I also want to bring your attention to our work in global health. In particular with respect to one neglected tropic disease called schistosomiasis. This is one of the most common parasitic diseases in many parts of Africa and other tropical regions.

Last year, we provided the World Health Organization with 182 million tablets to fight this devastating disease affecting mostly children. To date, we have supplied more than 1.5 billion tablets. Since 2007, we have enabled more than 600 million schoolchildren to be treated in 47 countries in sub-Saharan Africa and elsewhere. Also thanks to the efforts of other partners on the ground.

The medical journal ‘The Lancet’ confirmed that the prevalence of schistosomiasis has declined by 60 percent since 2000. We remain on track to eliminate it as a public health burden by 2030.

Moving on to our Electronics business. Here we are creating the next generation of materials, equipment and services that will advance the digital world.
Our Electronics business sector is composed of three business units: Semiconductor Solutions, Display Solutions and Surface Solutions.

Comparing Electronics with a smartphone, Display Solutions represents the user interface. Semiconductor Solutions the intelligent technology inside. And Surface Solutions the nice look.

In the past months, we continued to serve the strong customer demand, especially from the semiconductor industry.

The overall semiconductor market has seen strong growth with the rising adoption of digital technologies. These are driven by recovering automotive markets and increasing smartphone demand amid wider availability of 5G networks.

Our team in Electronics has delivered successfully considering the challenging supply situation, unprecedented demand for our products and the need to increase capacity simultaneously.

Plans for new or expanded sites for R&D and manufacturing were announced in all our relevant geographies. Including China, Korea, Taiwan, Japan, the United States, and in Germany.

These efforts helped make 2021 a very good year for Electronics. Sales increased organically by 8 percent to 3.6 billion euros.
Semiconductor Solutions, our portfolio for the production of integrated circuits, was the key growth driver. Sales here rose by 15 percent organically to almost 2.2 billion euros – well ahead of our medium-term guidance.

Following the smooth integration of Versum last year, we now have one of the most competitive portfolios in the industry. Our timing for the acquisition could not have been better.

Our transformation made possible by the so-called ‘Bright Future’ program, has made Electronics in one of the leading technology solutions providers in the electronics industry. Faster than anticipated. Under our new program ‘Level Up’, we will be investing significantly more than 3 billion euros in innovation and capacity. All this will happen by the end of 2025.

Thanks to this initiative and our team, I am confident that we will gain the necessary scale, technologies, portfolio, and capabilities to continue to serve as a partner of choice for the electronics industry.

These are just a few examples of the numerous accomplishments we made in 2021. As our financial results show, our efforts paid off. To put it very simply – it was an outstanding year with record growth for this company. For your company.

Financially. Operationally. Strategically. We have succeeded yet again despite the ongoing challenges posed by the pandemic.
Or geopolitical challenges such as trade wars. The war in Ukraine.
Or supply chain shortages.

We recorded an organic sales increase of nearly 14 percent, with reported net sales rising to a total of 19.7 billion euros.

Close to 80 percent of our overall net sales growth was driven by our so-called ‘Big 3’ segments: Process Solutions. New Healthcare launches. And Semiconductor Solutions.

Likewise, all three of our business sectors posted solid earnings growth. This speaks to the broad strength of our portfolio. EBITDA pre, the key financial indicator used to steer our operating business, rose organically by 18 percent to reach 6.1 billion euros. The Operating cash flow was also up by more than 32 percent.

At the same time, we were able to substantially reduce our net financial debt by 2 billion euros to 8.8 billion euros.

We now have great financial flexibility, which is key to realizing our very ambitious investment and growth plans – both internally and externally.

We want all our shareholders to participate in our success. Considering our strong overall performance, we propose that our dividend be increased by 45 cents to 1.85 euros per share.
While this represents an increase of almost one third compared to the prior year, it is still very much in line with our dividend strategy.

Let’s look at our guidance for fiscal 2022. Just like last year, our forecasts are based on various assumptions relating to the pandemic, as well as other geopolitical and market conditions.

We are closely monitoring areas of geopolitical tension. Most of all the war in Ukraine. While our business exposure in that region is low, we will remain agile and respond accordingly.

Regarding the pandemic, the Omicron variant continues to generate high infection rates across many parts of the world. We must also be ready to respond quickly to any future variants.

Overall, we expect favorable market tailwinds in 2022. That is why we are forecasting another year of strong organic growth for our company – both in terms of net sales and EBITDA pre.

Ladies and gentlemen, as you have seen: 2021 was a great business year for us. Looking ahead, our ambition is clear: We aim to become the global 21st century pioneer in science and technology. This brings me to our long-term view.

Our medium-term growth ambition can be summarized as ‘25 by 25’. 25 billion euros in Group sales by 2025. More than 1 billion euros in organic sales growth every year from now on.
Our ‘Big 3’ growth engines will be the main drivers. We expect them to contribute about 80 percent of our expected growth through to 2025.

Four key priorities are driving our strategic roadmap and will help us to make our ambition a reality. First, innovation. We will accelerate innovation through data and digital.

Our leading position in our businesses provides us with a sweet spot to benefit from converging technologies. Whenever we have data and digital merging with other advanced technologies, positive industry transformation is occurring.

Take Bioelectronics for instance. Here we see scientific know-how at the intersection of Healthcare and Electronics. Thanks to precise neurostimulation we can – if successful – better treat and monitor patients with chronic inflammatory diseases and other therapeutic areas with high unmet medical needs.

Another example is the use of artificial intelligence. We are already using it today to generate data for a predictive model of disease onset in multiple sclerosis.

We have just started here. But we’ve already been able to improve our understanding of the mechanism of onset of disease activity in patients. This helps us in prompting preventive measures, therapeutic interventions, or more frequent monitoring.
Talking about using data brings me to our two partnerships with Palantir: Syntropy to unleash the power of biomedical data and to accelerate cancer therapy and research. And Athinia, a collaborative platform for the semiconductor industry. It is leveraging AI and Big Data to help tackle the current chip shortage.

Second: We have to continue to mobilize for efficient growth. We will largely depend on the organic growth of our businesses. But we won’t rule out contributions from potential mergers and acquisitions. We will significantly boost our investments based on a well-structured and disciplined approach for capital allocation. 70 percent of these investments will go towards our ‘Big 3’.

Third, we are making sure that our organization and our culture support our growth ambition in the best possible way. Our focus is on the areas of talent development and leadership culture, as well as diversity, equity and inclusion.

A concrete example: I firmly believe that to improve performance, we need to focus on two things: First: hire, develop and retain the best talent.

And second, we need to develop and promote people from within. In 2021, we filled roughly 60 percent of leadership positions with internal candidates.
And last, but not least: We are stepping up our sustainability efforts. Today, sustainability is an essential component of our corporate strategy and processes. And we are working tirelessly to further improve here.

For example, we have set ourselves the goal of becoming climate neutral by 2040. By 2030, we want to cut 50 percent of our emissions from our own business and from energy purchases compared with 2020. We also want 80 percent of our purchased electricity to come from renewable sources by then.

In 2021, we made great progress. One example: We were an anchor buyer of a multi-year renewable energy contract for a wind park project in Texas. The renewable energy certificates received through this agreement will match 65 percent of our total electricity consumption across all businesses in the United States.

Or look at our progress when it comes to animal welfare. In my lifetime, I would like to see the elimination of animal testing. In this context, our ultimate goal at this company is to phase out the use of animal testing across the organization – step by step.

In summary, we are ready to unlock our full potential to take this company to the next level. We want to create superior value for our patients, customers, colleagues, and society.
In about one week, I will have completed my first year as CEO of this fantastic company. What I can already say is this: I am extremely proud to be part of our global team.

In times of permanent challenges, this team pulled together. And achieved a lot. Our colleagues come to work every day to make a difference. For our customers. For our partners. For patients around the world.

We represent a vibrant mix of cultural, educational, and professional backgrounds. A team of more than 60,000 colleagues from 140 different nationalities located across 385 sites and 66 countries.

On behalf of the entire Executive Board, I would like to say “thank you” to our teams for their commitment in the past year. It is the sum of all these things – plus so much more – that makes us who we are.

Thank you very much for your trust, for your support as a shareholder. And for being such an active part of our journey.