

# proven resilience during transitional year

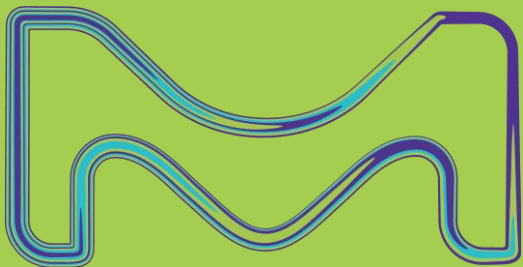
**Merck KGaA, Darmstadt, Germany**

**FY 2023 results**

Belén Garijo, CEO

Helene von Roeder, CFO

March 7, 2024



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# Agenda

**01** Executive summary

**02** Strategic review

**03** Financial overview

**04** ESG update

**05** Outlook & Guidance



# EXECUTIVE SUMMARY

01



## Group - Guidance delivered

	2023 guidance	2023 results	
Net sales	€20.5 – 21.9 bn	€21.0 bn	✓
EBITDA pre	€5.8 – 6.4 bn	€5.9 bn	✓
EPS pre	€8.25 – 9.35	€8.49	✓



- Guidance: Met
- Robust performance during transitional year
- Resilience of multi-industry business model demonstrated

# Highlights 2023:



## Operations

### Life Science:

- Core business<sup>1</sup> sales -2% org., despite continued customer destocking, China macro weakness and SAP roll-out
- Sales down -8% org. as COVID-19 fades, reducing from ~€800 m to ~€250 m

### Healthcare:

- +9% org. sales growth contributing +€668 m to Group, well above mid-term guidance
- Wave 1 launches +21% org., growth in Established portfolio +6% org. boosted by competitor stock-outs in Fertility and Endocrinology

### Electronics:

- Electronics sales decline by -5% org. amid market downcycle
- Semiconductor portfolio outperforms the market, delivering sequential QoQ growth in H2



## Group Financials

**FY organic sales:** -1.6%

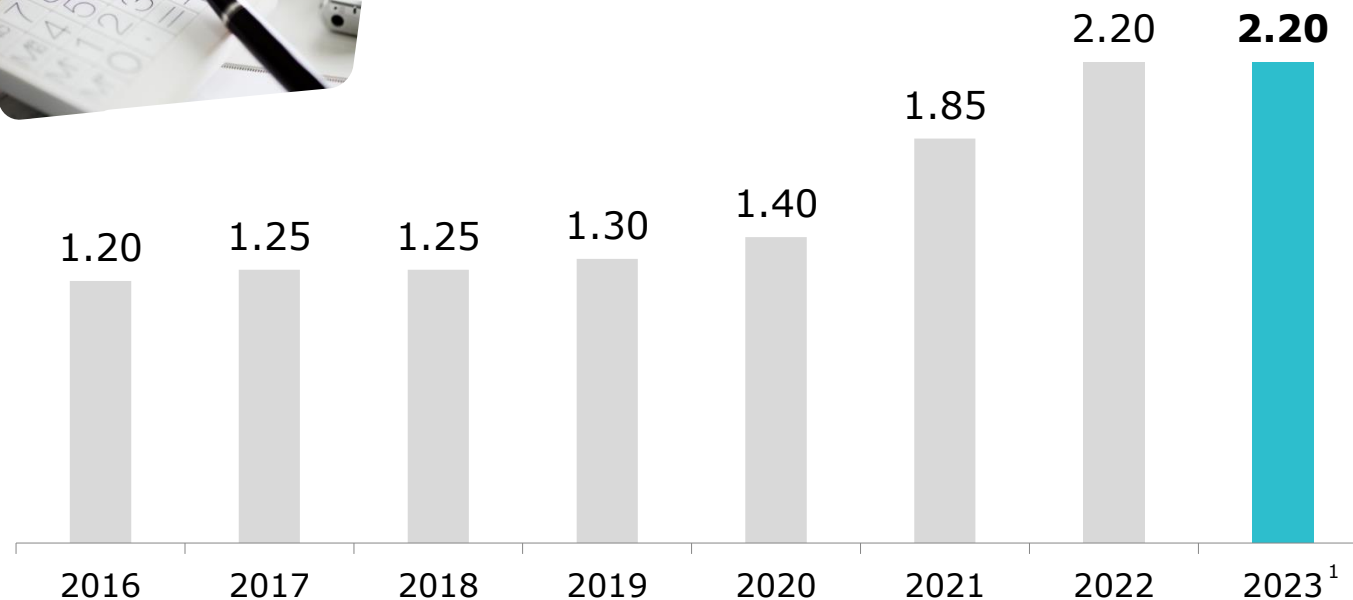
**FY organic EBITDA pre:** -9.0%

**Net financial debt to EBITDA pre:**  
1.3x on Dec. 31, 2023



# Stable dividend signals confidence in future growth

## Dividend<sup>1</sup> development 2016 - 2023



## 2023 dividend

- Resilient company performance supports stable dividend in FY23
- Allows for dividend proposal<sup>1</sup> of €2.20 per share for 2023
- Dividend yield<sup>2</sup> of 1.5% with payout ratio of 25.9% in 2023

### Dividend Policy:

The current dividend constitutes the minimum level, assuming a stable economic environment. While Company aims to continuously develop dividends in line with business performance and earnings progression, dividend growth can deviate, e.g. in times of restructuring or because of significant global economic developments. Company also aims at a target corridor of 20-25% of EPS pre.



# strategic REVIEW

02

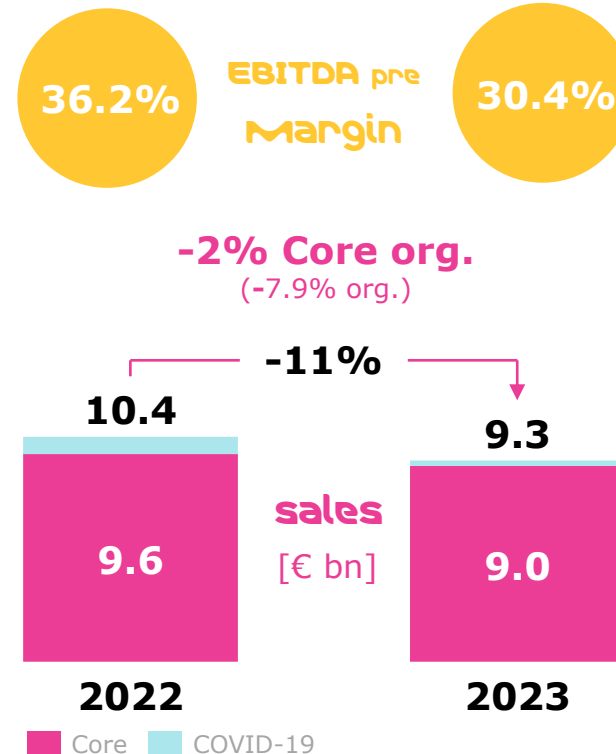
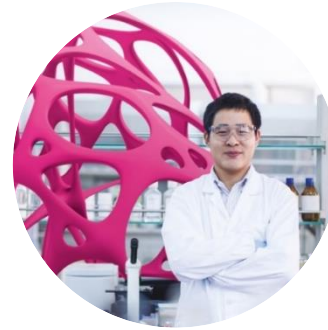




# Life Science: Transitional 2023 with -2% core org. (-7.9% org. incl. COVID-19 decline) sales despite major customer destocking

## Business performance

- Core org. sales -2% with Life Science Services +12%; Science & Lab Solutions flat; Process Solutions (-8%)
- LS org. sales down by -7.9% mainly driven by non-repeating COVID-19 sales (-6%)
- COVID-19 business declined to ~€250 m (2022: ~€800 m), as anticipated
- EBITDA pre margin down due to lower volumes, negative mix effects
- Unfavorable FX with negative impact on sales (-2.7%) and EBITDA pre



## Sector focus

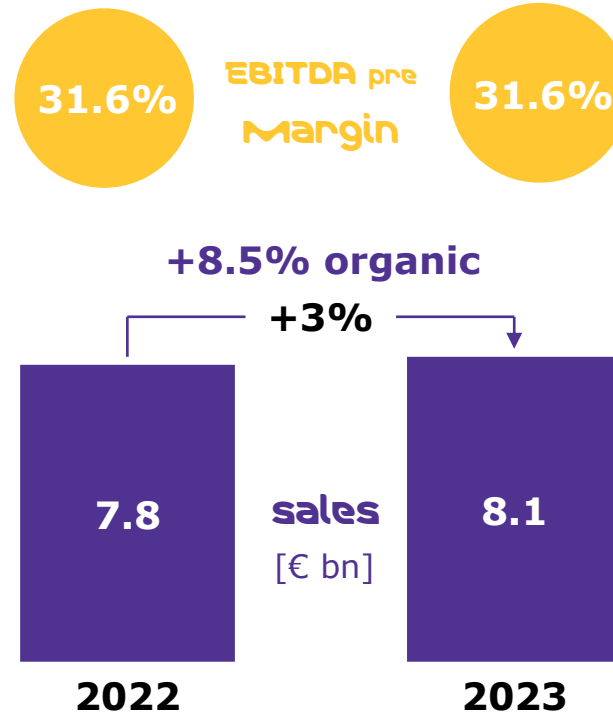
- Confident to return to growth during 2024**
  - SLS with high consumables' share (>90% of sales), expected to dynamically return to growth, as the market accelerates
  - Majority of customers expected to reach target inventory levels at the end of H1; Drives PS sales inflection in H2
- Innovative portfolio supports mid-term growth aspirations**
  - Process Solutions a key enabler of next gen mAbs manufacturing, novels' production
  - Building integrated focused multimodality CTDMO with technology leadership
  - Sculpting the era of digitalization of labs and research through solutions such as AIDDISON<sup>1</sup>



# Healthcare: Wave 1 launches driving strong growth. Healthcare above mid-term target, competitor stock-outs supported established portfolio growth

## Business performance

- Oncology growth of +17% org. driven by continued Bavencio® ramp-up and Erbitux volume growth across markets
- N&I stable; Mavenclad® growing +16% org. now reaching blockbuster status, balancing Rebif® decline
- Fertility +15% org., strong underlying growth amplified by competitor stock-outs. CM&E on track with +4% growth
- Recent launches and stringent cost management drive underlying margin improvement; negatively impacted by transitory termination provision
- Unfavorable FX<sup>1</sup> with negative impact on sales (-5.8%) and EBITDA pre



## Sector focus

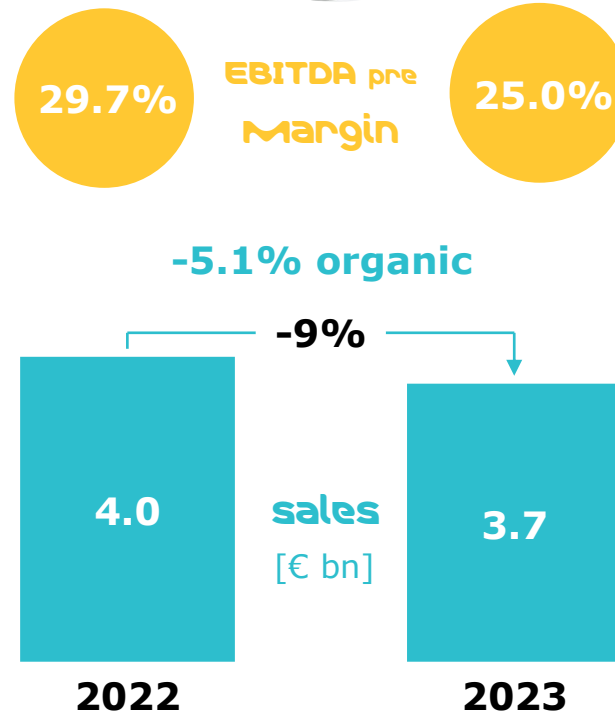
- **Strong confidence in renewed R&D engine**
  - Execution from high-potential external assets driven by focused leadership and strategy of >50% of R&D output from external innovation
  - In oncology, IA for Xevinapant coming up with first-in-class opportunity, as well as progressing DDR and ADC portfolio
  - Shifting focus of N&I to maximize the potential of TLR7/8 inhibitor Enpatoran in SLE/CLE, as well as cladribine in gMG
- **Commercial portfolio**
  - Wave 1 launches Bavencio® and Mavenclad® are key growth contributors
  - Sustained growth of a resilient established portfolio. Broad footprint in Fertility. CM&E capturing developing market potential



# Electronics: Leveraging down cycle to increase efficiencies and prepare for the market uptick; Semis already demonstrating sequential quarterly growth

## Business performance

- Semiconductor Solutions outperformed market with sales only down -4% org; already 68% of segment sales
- Semiconductor Materials delivered two quarters of sequential growth in H2'23
- Display Solutions sales down -9% org. with lower pricing and adverse mix effects
- Surface Solutions down low-single digit, as cosmetics partially compensates automotive and industrial market weakness
- EBITDA pre margin reflects idle costs, new site costs and inflation, with unfavorable FX



## Sector focus

- **Short-term industry outlook**
  - Positive signals: chip inventories reduce, chip pricing recovery and technology transitions
  - Early cycle recovery in leading-edge memory / logic; specialist and analog suppressed
  - Stringent cost focus mitigating low volume, inflation and down-cycle pressures
- **Continued long-term growth expectations**
  - Clear tech leadership in key high value materials<sup>1</sup>; Well-placed for AI<sup>2</sup> with >50% portfolio in leading-edge<sup>3</sup> logic and memory
  - Structural growth drivers intact: AI / HPC<sup>2</sup>, sustainability / energy saving<sup>4</sup> and IoT<sup>4</sup>
- **Efficiency initiatives**
  - Efficiency measures enable reallocation of investments into key growth areas



# Financial Overview

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# FY 2023: Overview

## Key figures

[€m]	FY 2022	FY 2023	Δ
Net sales	22,232	<b>20,993</b>	-5.6%
EBITDA pre	6,849	5,879	-14.2%
<i>Margin (in % of net sales)</i>	30.8%	28.0%	-2.8pp
EPS pre	10.05	<b>8.49</b>	-15.5%
Operating cash flow	4,259	<b>3,784</b>	-11.2%

[€m]	Dec. 31, 2022	Dec. 31, 2023	Δ
Net financial debt	-8,328	<b>-7,500</b>	-9.9%
Net working capital	5,237	<b>5,093</b>	-2.8%
Employees	64,232	<b>62,908</b>	-2.1%

## Comments

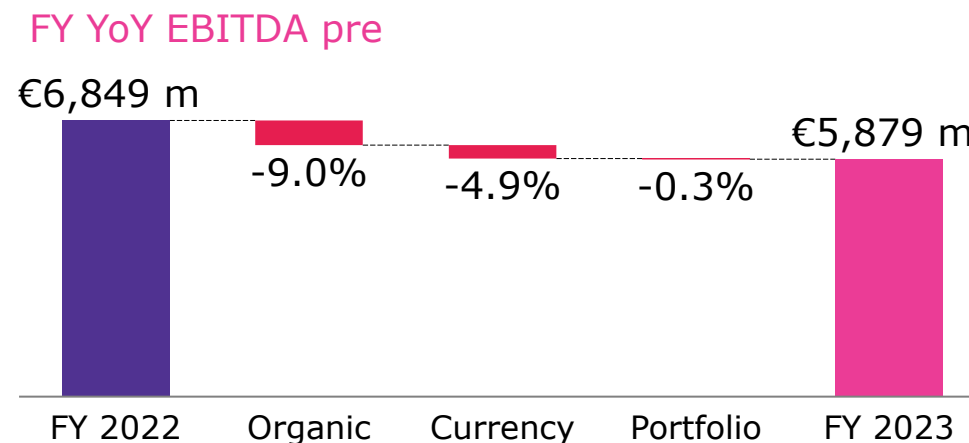
- Sales down -6%, impacted by lower org. sales and FX headwinds
- HC largely compensates lower sales volumes in LS and EL
- EBITDA pre decline impacted by lower sales, idle costs and negative mix in both Life Science and Electronics
- EPS pre down, in line with EBITDA pre
- Decline in operating cash flow favorable vs. EBITDA pre due to cash positive effect from NWC and taxes
- Net financial debt reduced due to strong cash generation in Q4



# FY 2023: Healthcare largely compensates market challenges in Life Science and Electronics

FY YoY Net Sales	Organic	Currency	Portfolio	Total
Life Science	-7.9%	-2.7%	0.1%	-10.6%
Healthcare	8.5%	-5.8%	0.0%	2.7%
Electronics	-5.1%	-4.1%	0.3%	-8.8%
<b>Group</b>	<b>-1.6%</b>	<b>-4.1%</b>	<b>0.1%</b>	<b>-5.6%</b>

- Life Science: Core org. sales down -2%, with growth in LSS (+12% core) partially offsetting lower sales in PS (-8% core) while SLS sales were stable; COVID-19 fading out as expected
- Healthcare: Wave 1 launches up +21% org., driving +9% sector growth; Established portfolio benefits from competitor stock-outs
- Electronics: -4% org. decline in Semis with sequential quarterly growth in H2; Display down -9% org.; Surface down -4% org.



- EBITDA pre down -9% org., with lower sales volume, underutilization and negative mix effects in Life Science and Electronics
- Healthcare positively supporting org. EBITDA development
- Negative FX effect of -5% across various currencies with largest negative impact from China, partly offset by hedging



# FY 2023: Reported figures

## Reported results

[€m]	FY 2022	FY 2023	Δ
EBIT	4,474	<b>3,609</b>	-19.3%
Financial result	-187	<b>-125</b>	-33.0%
Profit before tax	4,287	<b>3,484</b>	-18.7%
Income tax	-948	<b>-650</b>	-31.4%
<i>Effective tax rate (%)</i>	22.1%	<b>18.7%</b>	-3.4pp
Net income	3,326	<b>2,824</b>	-15.1%
EPS (€)	7.65	<b>6.49</b>	-15.2%

## Comments

- EBIT declines more than EBITDA pre mainly due to high level of D&A and restructuring provisions with high impairment comparables from 2022
- Favorable financial result due to the hybrid bond buyback and higher cash yields generating interest income
- Effective tax rate below the lower end of guidance range driven by one-off increase in deferred tax assets in Q4
- Tax and financial result impacts bring net income delta (and EPS) broadly in line with EBITDA pre delta



# Life Science Q4: Core business down -4% org. with customer destocking in Process Solutions; COVID-19 sales fading out as expected

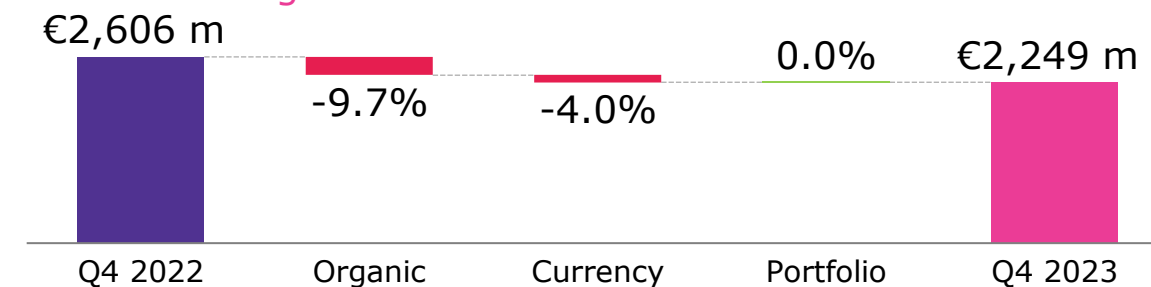
## Life Science P&L

[€m]	IFRS		Pre	
	Q4 2022	Q4 2023	Q4 2022	Q4 2023
Net sales	2,606	2,249	2,606	<b>2,249</b>
M&S	-605	-555	-605	<b>-542</b>
Admin	-93	-115	-98	<b>-94</b>
R&D	-107	-103	-107	<b>-101</b>
EBIT	600	326	629	<b>372</b>
EBITDA	845	548	-	<b>-</b>
EBITDA pre	850	592	850	<b>592</b>
(in % of net sales)	32.6%	26.3%	32.6%	<b>26.3%</b>

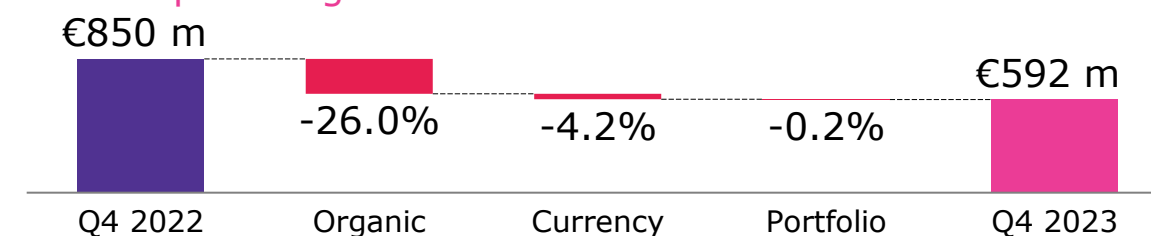
## Comments

- Process Solutions: -11% org. decline in core business; overall PS org. sales decline of -18% including anticipated pronounced COVID-19 decline
- Science & Lab Solutions: overall org. sales down -2% mainly due to suppressed demand, pronounced in China, and finalization of SAP roll-out; immaterial change to COVID-19 sales
- Life Science Services: core org. growth of +14% driven by positive project phasing in CDMO; with COVID-19 headwinds org. growth overall down -8%
- Lower M&S, Admin and R&D expenses reflecting cost programs and efficiencies; operating expenses declining less than sales
- EBITDA pre down -26% org. mainly on lower volumes with negative mix effects (COVID vs non-COVID, core) amid underutilization impacting the gross margin

## Net sales bridge



## EBITDA pre bridge





# Healthcare Q4: Organic growth of +9% supported across franchises, strong quarter for Bavencio® (+17% org.) and Mavenclad (+12% org.)

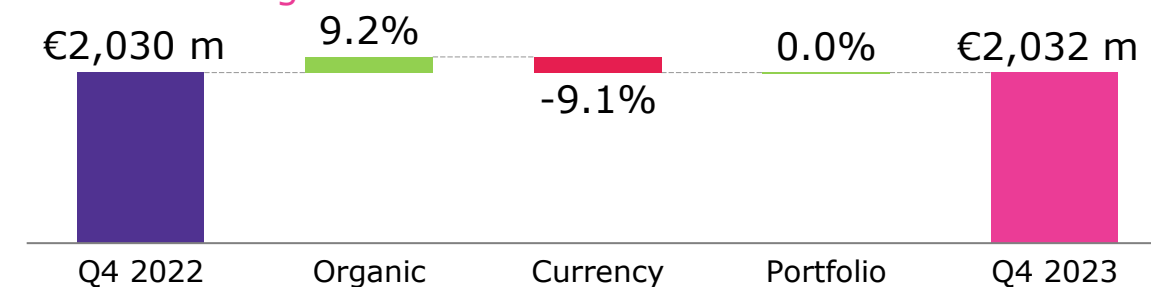
## Healthcare P&L

[€m]	IFRS		Pre	
	Q4 2022	Q4 2023	Q4 2022	Q4 2023
Net sales	2,030	2,032	2,030	<b>2,032</b>
M&S	-439	-459	-429	<b>-441</b>
Admin	-77	-80	-69	<b>-73</b>
R&D	-465	-469	-421	<b>-464</b>
EBIT	396	436	551	<b>474</b>
EBITDA	574	536	-	<b>-</b>
EBITDA pre	633	565	633	<b>565</b>
(in % of net sales)	31.2%	27.8%	31.2%	<b>27.8%</b>

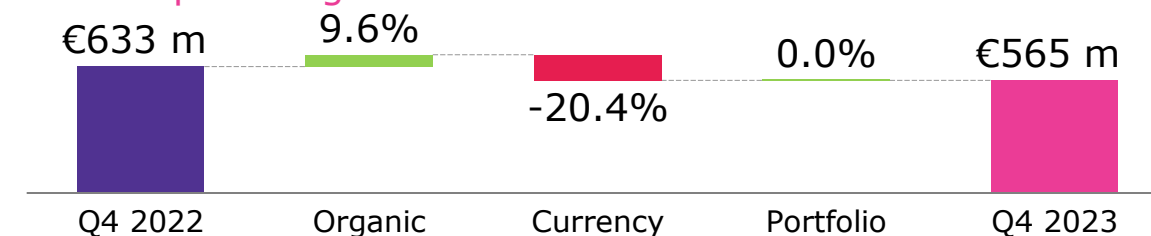
## Comments

- Oncology up +18% org., driven by continuous growth of Bavencio® (+17% org.), supported by Erbitux® (+16% org.) and Tepmetko®
- N&I stable -1.3% org. as Mavenclad® (+12% org.) while Rebif® declining -15% org.
- Solid growth of established portfolio (+7%). CM&E (+4% org.), Saizen sales boosted by competitor stock-out in Endocrinology

## Net sales bridge



## EBITDA pre bridge



- M&S in line due constant productivity efforts, compensating for full Bavencio commercialization<sup>1</sup>
- R&D costs up reflecting Evobrutinib termination provision; mid-term ambition of low twenties % remains unchanged
- Negative FX development with largest contribution from Argentina<sup>2</sup>
- EBITDA pre margin of 27.8% impacted by one-time Evobrutinib termination provision of ~-€95 m



# Electronics Q4: Semi Solutions delivers sequential growth of +8%

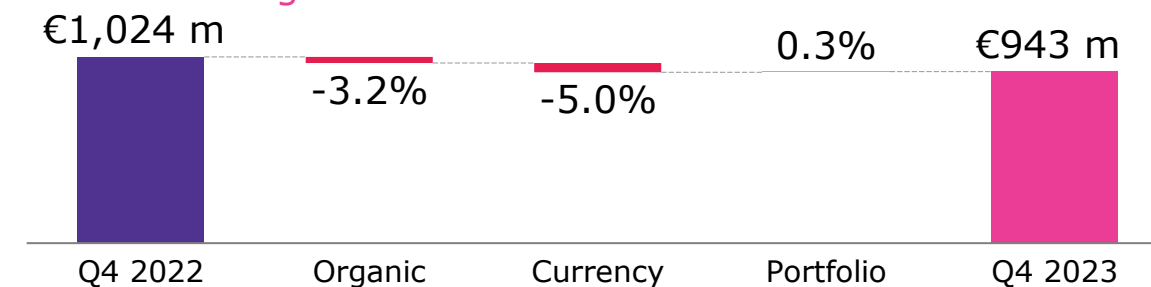
## Electronics P&L

[€m]	IFRS		Pre	
	Q4 2022	Q4 2023	Q4 2022	Q4 2023
Net sales	1,024	943	1,024	<b>943</b>
M&S	-171	-141	-170	<b>-140</b>
Admin	-34	-39	-29	<b>-24</b>
R&D	-82	-74	-81	<b>-74</b>
EBIT	135	-1	170	<b>72</b>
EBITDA	283	157	-	<b>-</b>
EBITDA pre	308	206	308	<b>206</b>
(in % of net sales)	30.1%	21.8%	30.1%	<b>21.8%</b>

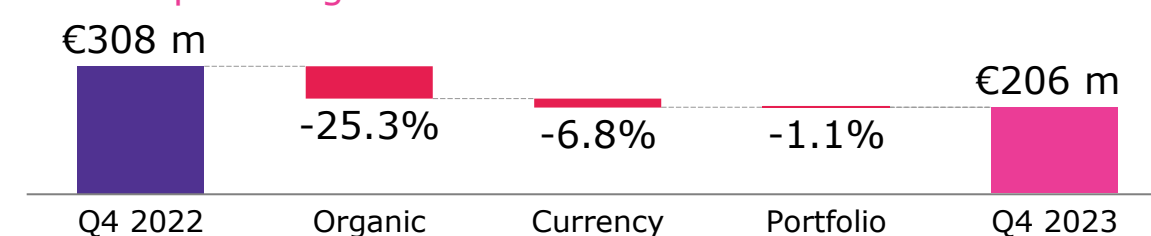
## Comments

- Semiconductor Solutions: -3% org. decline, with resilient portfolio enabling outperforming of the market; +8% sequential growth, DS&S and Semi Materials both contributing
- Display Solutions: down -4% org., as volume growth offset by price pressure; overall sales normalizing towards mid-term guide
- Surface Solutions: down -6% org., driven by coatings growth; partially offset by weaker industrials and cosmetics demand

## Net sales bridge



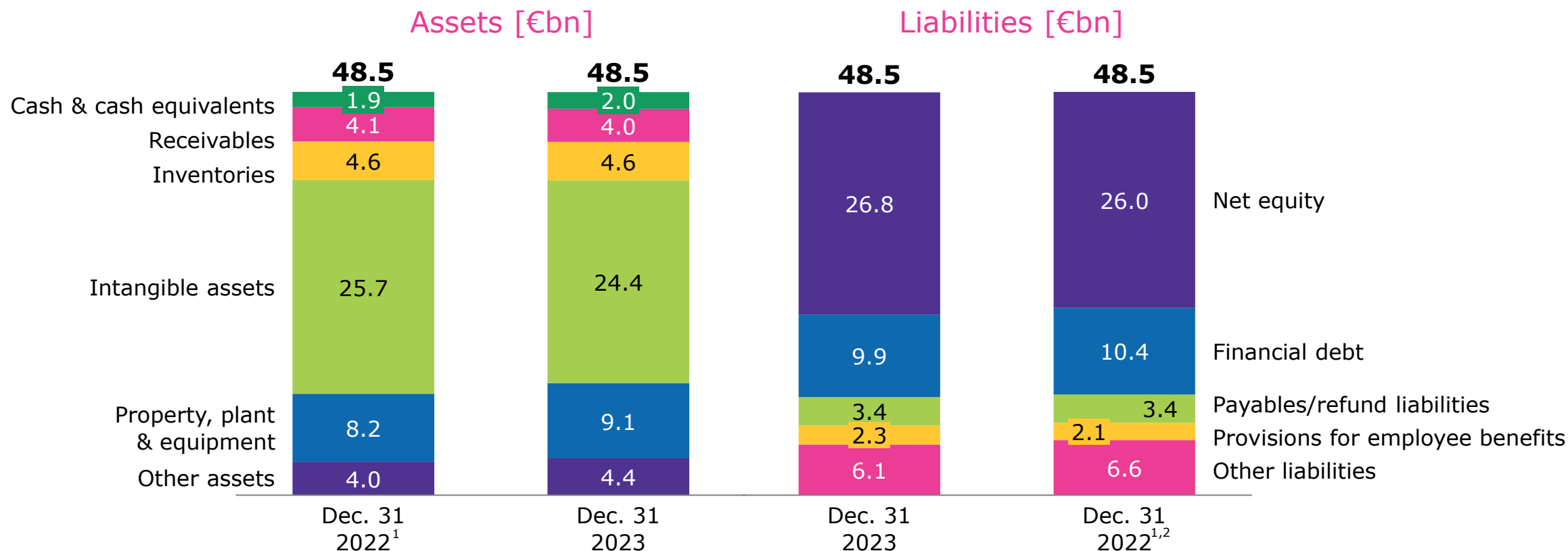
## EBITDA pre bridge



- M&S costs declining with strict cost discipline and efficiencies as logistics come down in line with volume development
- Sustained high level of R&D investment to drive mid-term growth in line with Level-up program; YoY down due to higher quarterly comp
- EBITDA pre margin down due to lower sales, negative mix effects, sustained inflationary costs and new site ramp-up costs



# Balance sheet



- Inventories stable YoY, significant sequential reduction of -€0.4 bn mainly resulting from Life Science inventory measures
- Decrease in intangible assets primarily driven by amortization and FX
- Continued investment for mid-term growth increases PPE

- Reduction in net debt with increase of +€0.1 bn of cash and reduction of -€0.5 bn of financial debt
- Other liabilities impacted by decreased deferred tax liabilities and lower accruals for bonuses and LTIP
- Equity ratio improved to 55% (Dec. 2022, 54%)

<sup>1</sup>Previous-year figures have been adjusted owing to the finalization of the purchase price allocation in connection with the acquisitions of the chemical business of Mecaro Co. Ltd., Korea, trading as M Chemicals Inc., Korea, as well as Erbi Biosystems Inc., USA.

<sup>2</sup>As of January 1, 2023, wage- and salary-related liabilities are disclosed under other non-financial liabilities instead of under other financial liabilities as in the past. Also, the tranche of the Group Long-Term Incentive Plan to be paid out in the months following the balance sheet date is disclosed under other current non-financial liabilities and no longer under current provisions for employee benefits.



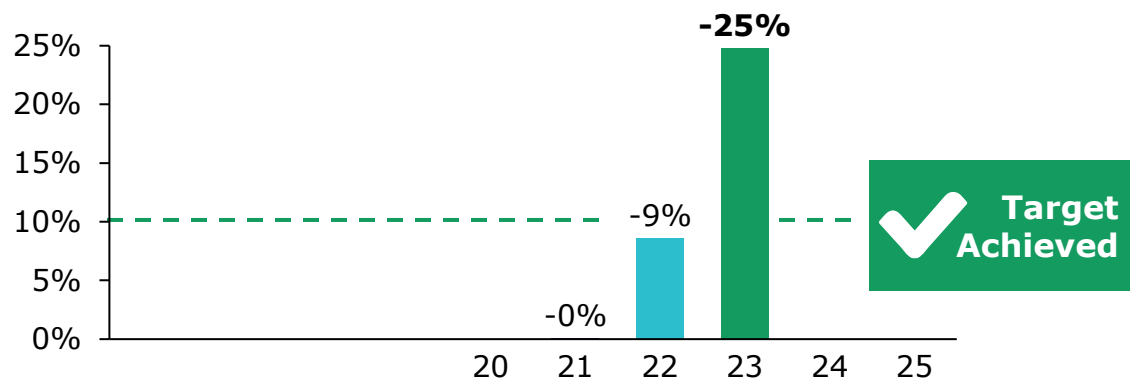
ESG  
update

04



# Successfully achieved water and waste targets - ahead of schedule

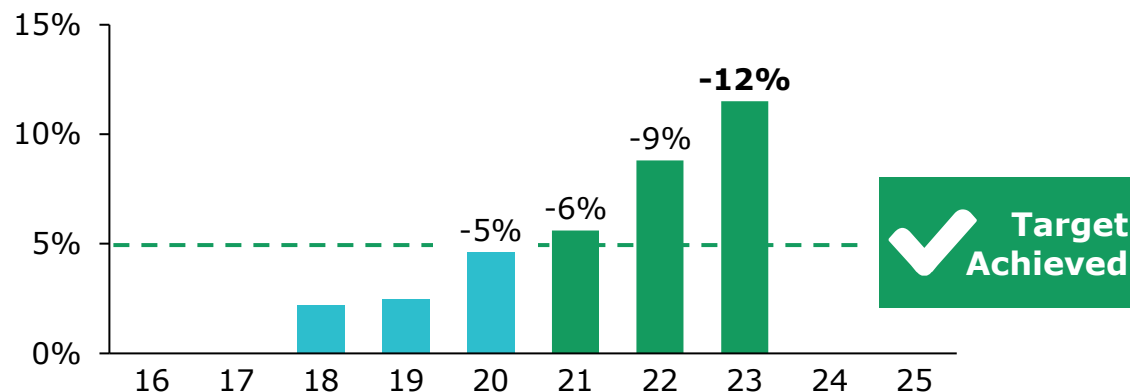
## Reduction of Group **Water Intensity** Score<sup>1</sup>



## Comments

- **Target: -10%** by 2025 vs. 2020
- **Achievement: -24.8%** in 2023
- Successful investments and initiatives to make processes more water efficient and to reduce water-use especially in water scarce areas, e.g. improving waste-water recycling
- Water quality initiatives progressing: 10% of relevant sites with zero harmful emissions (below scientific threshold) (target: 100% in 2030)

## Reduction of Group **Waste** Score<sup>2</sup>




## Comments

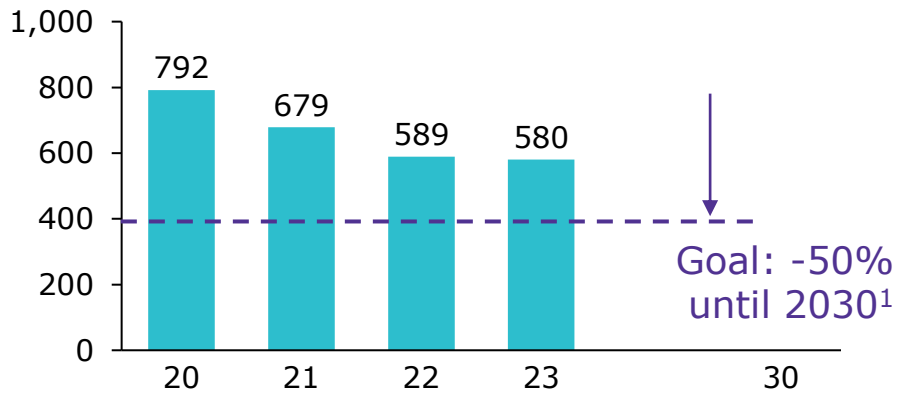
- **Target: -5%** by 2025 vs. 2016
- **Achievement: -11.5%** in 2023
- Continuous examination of our production processes and disposal methods to identify potential areas for improvement towards greener disposal methods at each site



# Setting new ambitions on improving water efficiency and circularity

Improve ratio of water intake by 50% until 2030<sup>1</sup>


$$\text{Water intake ratio} = \frac{\text{water intake (m}^3\text{)}}{\text{revenue (m€)}}$$


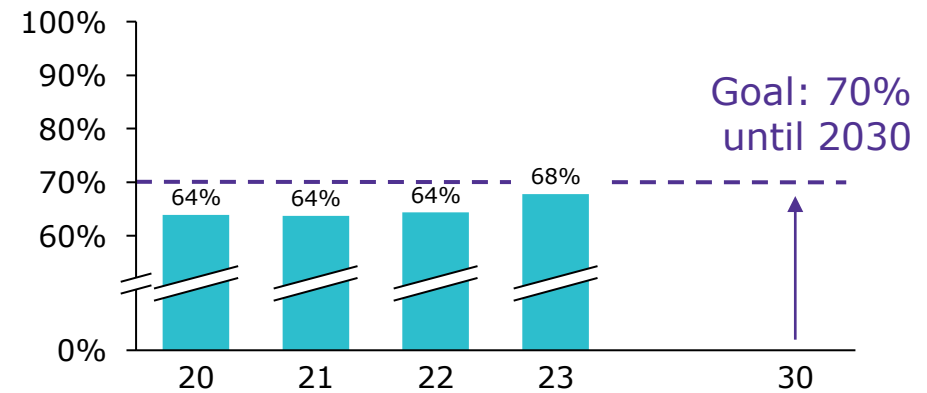


## Comments

- Previous target overachieved and terminated earlier than expected end of 2023 (Water Intensity Score)
- New intensity target with increased transparency including all sites and types of water use
- 2023 positively impacted by favorable product mix

Achieve a circularity rate of 70% until 2030<sup>2</sup>

$$\text{Circularity rate} = \frac{\text{recycled waste + avoided waste}}{\text{total waste}^3}$$




## Comments

- Previous target overachieved and terminated earlier than expected end of 2023 (Company Waste Score)
- New target emphasizes recycling and allows each sector to contribute in the most impactful way
- 2023 positively impacted by favorable product mix



# outlook & guidance

05



# Group

## Full-year 2024 guidance

### **Net sales:**

Slight to moderate organic growth  
Adverse FX of 0% to -3% YoY

### **EBITDA pre:**

Slight to moderate organic growth  
Adverse FX of -1% to -4% YoY





# 2024 business sector guidance<sup>1</sup>

## Life Science



### Net sales

- Slight organic decline up to slight organic growth
- Gradual recovery during 2024
- H2 stronger than H1; H1 declining against high base
- COVID-19 sales to fall to negligible levels (~€250 m in 2023)
- About stable to slight adverse FX

### EBITDA pre

- Moderate organic decline up to slight organic growth
- About stable to slight adverse FX

## Healthcare



### Net sales

- Moderate to solid organic growth
- Driven by Mavenclad®, supported by Oncology and CM&E
- About stable to moderate adverse FX

### EBITDA pre

- Low teens organic growth
- Slight to significant adverse FX

## Electronics



### Net sales

- Organically about stable up to moderate organic growth
- Semi market inflection expected in early H2
- Materials drives sequential quarterly growth
- About stable to slight adverse FX

### EBITDA pre

- Moderate organic decline up to moderate organic growth
- About stable to moderate adverse FX

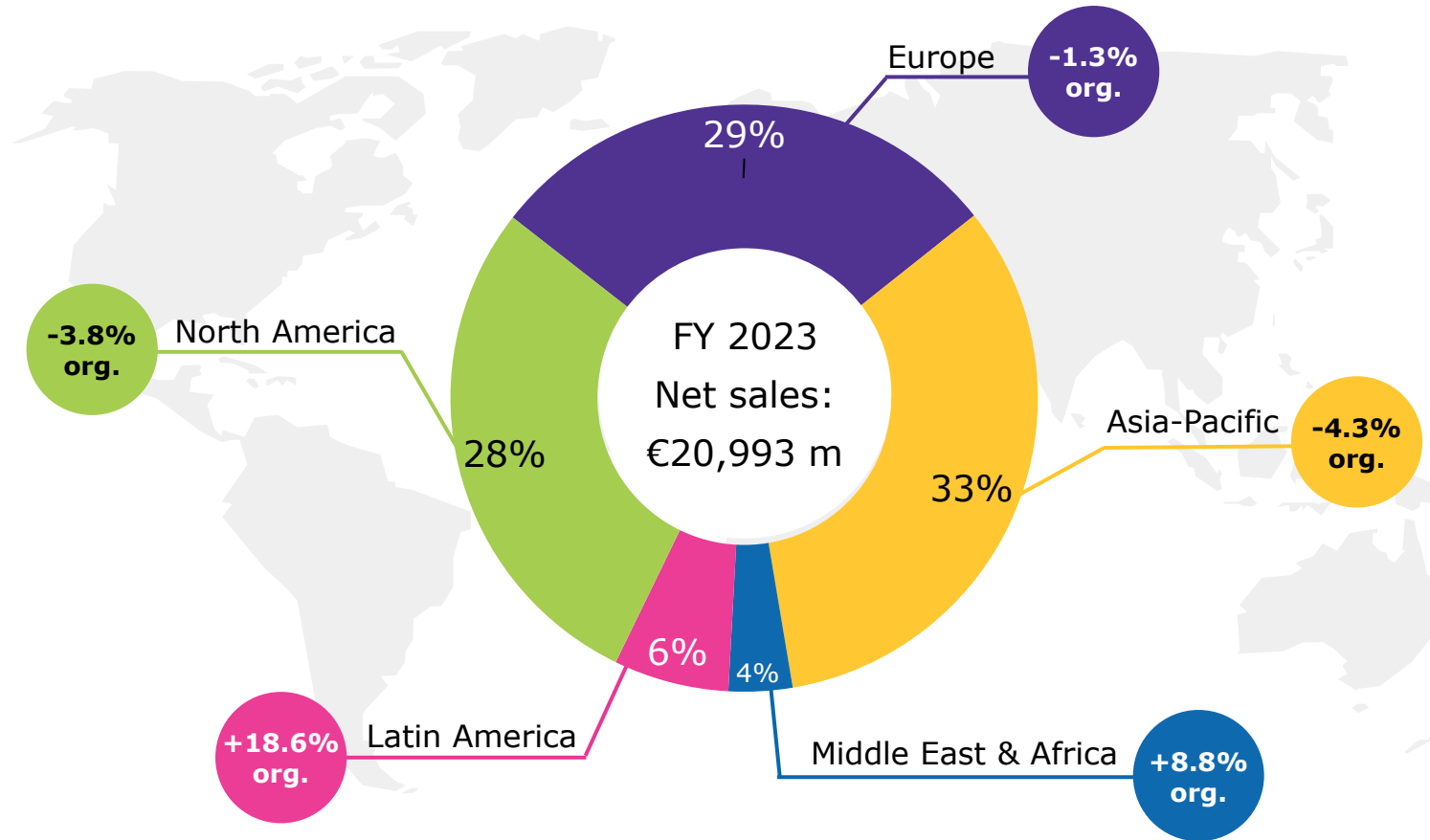


# Appendix



# Geographical diversification supports resilient portfolio

## Regional breakdown of net sales [€m]



## Regional organic development

- North America: Mavenclad®, Bavencio® and Semi DS&S partially mitigate Life Science and Semi Materials decline
- Europe: Healthcare largely offsets sales decline in Life Science
- APAC: Healthcare growth partially offsets lower sales in Life Science and Semis
- ME&A and LATAM: Org. growth in Healthcare and Life Science, partially supported by tender business in MEA and overstated in LATAM due to currency devaluation impact in Argentina<sup>1</sup>

<sup>1</sup>In accordance with IFRS full year translation applying devaluated December rate; Acronym(s): DS&S = Delivery Systems & Service  
Totals may not add up due to rounding



# Additional financial guidance 2024

## Further financial details

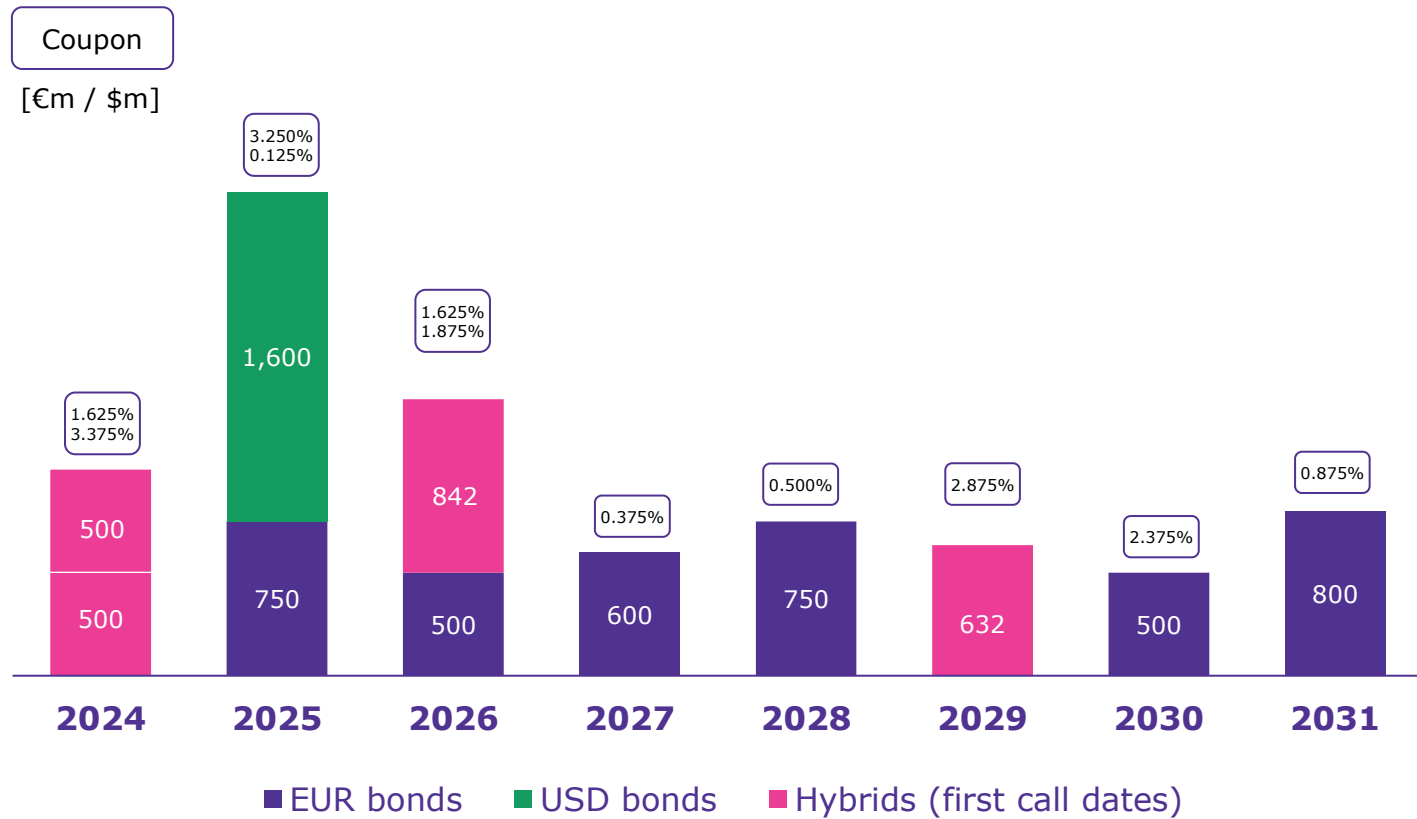
Corporate & Other EBITDA pre	<b>Higher than last year, driven by lower hedging gains</b>
Interest result	<b>~ €-90 m to -120 m</b>
Effective tax rate	<b>~ 21% to 23%</b>
Capex on PPE <sup>1</sup>	<b>~ €1.6 to 1.8 bn</b>
Hedging	<b>FY 2024 overall hedge ratio ~ 50% EUR/USD hedging @ ~ 1.10</b>
2024 Ø EUR/USD assumption	<b>~ 1.07 to 1.11</b>

<sup>1</sup>Based on gross additions to Property, Plant and Equipment (PPE) on balance sheet (excl. leasing) in fiscal year to reflect planned Capex expansion more accurately



# Credit details

## Maturity profile as of December 31, 2023



## Credit rating information

	LT Rating	Last LT Rating Change	Outlook	ST Rating
MOODY'S	A3	21.10.21	Stable	P-2
S&P Global	A	29.05.13	Stable	A-1



# Clear metrics to drive execution and progress towards 2030 ambition

Goal	Metric	2023 (2022)	Target
1	Percentage of newly published patent families with positive sustainability impact	28% (27%)	n.a.
	People treated with our HC products and pharma products enabled by LS*	Apr. 11 (n.a.)	1 bn people ambition <sup>2</sup>
2	Percentage of women in leadership positions	39% (38%)	Gender parity by 2030 <sup>3</sup>
	Percentage of relevant suppliers covered by valid sustainability assessment*	66%/94% (46/82) <sup>4</sup>	70%/90% by 2026
	Environment, Health and Safety (EHS) Incident Rate	2.4 (2.8) <sup>5</sup>	As low as possible
	Violations of Global Social and Labor Standards Policy	60 (68) <sup>6</sup>	n.a.
	Lost Time Injury Rate (LTIR)	1.3 (1.2) <sup>7</sup>	<1.0 by 2025
3	Greenhouse gas emissions Scope 1+2*	1,463 kt (1,760 kt)	-50% by 2030 <sup>1</sup>
	Scope 3 intensity: kg Greenhouse gas emissions per € gross profit	0.37 (0.49)	-52% intensity by 2030 <sup>1</sup>
	Percentage of purchased electricity from renewable sources	51% (47%)	80% by 2030
	Circularity Rate	67.8% (64.4%)	70% by 2030 <sup>11</sup>
	Reduction of m <sup>3</sup> water intake per €m revenues by 2030	-30.6% (-25.6%)	-50% by 2030 <sup>1</sup>
	Wastewater quality: no harmful emission residues	10% of sites (n.a.)	100% completion by 2030 <sup>13</sup>

\*LTIP relevant

<sup>1</sup>vs 2020 base line

<sup>2</sup>incl. All 3 sectors +praziquantel don.

<sup>3</sup>considers room for non-binary people

<sup>4</sup>by a)number, b)supplier spent

<sup>5</sup>incidents + severity vs. man-hours

<sup>6</sup>confirmed violations

<sup>7</sup>accidents with min. 1 day of missed work per 1 mio. man-hours

<sup>11</sup>excluding waste-to-energy

<sup>13</sup>emissions below scientific threshold



# Diverse human capital: Thinking, talking, and leading differently

Focus areas	Indicator	Status 2023 (2022)	Aspirations
Gender	Percentage of women in leadership globally	39% (38%)	Gender parity until 2030
Culture & Ethnicity	Percentage of underrepresented ethnic colleagues in US leadership	23% (21%)	Increase to 30% until 2030
	Percentage of nationals from Asia, Latin America, Middle East & Africa in leadership	17% (16%)	Increase to 30% until 2030
Inclusion	Inclusive Leadership Programs and participation of leaders across all business	92% (64%)	Participation of all leaders by 2026

**<1.5%**  
adjusted<sup>1</sup> gender pay gap<sup>2</sup>

<sup>1</sup>The estimated difference in pay after accounting for differences in actual pay that are due to legitimate reasons (source: Mercer)  
<sup>2</sup>End of year 2023 data



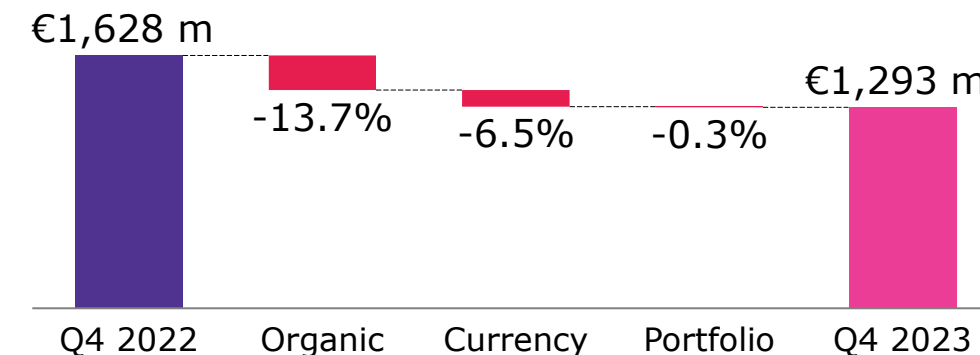
# Group resilient as Healthcare uncorrelated from decline in Life Science and Electronics

## Q4 YoY Net Sales

	Organic	Currency	Portfolio	Total
Life Science	-9.7%	-4.0%	0.0%	-13.7%
Healthcare	9.2%	-9.1%	0.0%	0.1%
Electronics	-3.2%	-5.0%	0.3%	-7.9%
<b>Group</b>	<b>-1.7%</b>	<b>-6.0%</b>	<b>0.1%</b>	<b>-7.7%</b>

- Life Science: Core<sup>1</sup> decline of -4% org., driven by Process Solutions (-11%) and Science & Lab Solutions (-2%); Life Science Services with +14% core<sup>1</sup> org. growth
- Healthcare: Wave 1 launches up +17% org., driving +9% sector growth. Established portfolio benefitting from competitor stock-outs; Fertility +14% org. and CM&E +5% org. growth
- Electronics: Semiconductor with -3% org. decline YoY, up +8% sequentially; Display down -4% org.; Surface down -6% org.

## Q4 YoY EBITDA pre



- Life Science EBITDA pre down -26% org. mainly due to underutilization and negative mix
- Healthcare EBITDA pre down -10% org. mainly driven by Evobrutinib termination provision
- Electronics margins reflect higher idle costs, start-up costs, negative mix and cost inflation
- Significant foreign exchange burden on EBITDA pre





# Q4 2023: Overview

## Key figures

[€m]	Q4 2022	Q4 2023	Δ
Net sales	5,660	<b>5,225</b>	-7.7%
EBITDA pre	1,628	<b>1,293</b>	-20.6%
Margin (in % of net sales)	28.8%	<b>24.7%</b>	-4.1pp
EPS pre	2.32	<b>1.85</b>	-20.3%
Operating cash flow	1,015	<b>1,053</b>	3.8%

[€m]	Dec. 31, 2022	Dec. 31, 2023	Δ
Net financial debt	-8,328	<b>-7,500</b>	-9.9%
Net working capital	5,237	<b>5,093</b>	-2.8%
Employees	64,232	<b>62,908</b>	-2.1%

## Comments

- Sales down -8% with FX headwinds and slight organic decline
- Healthcare partially compensates declines in Life Science and Electronics
- EPS pre down in line with EBITDA pre
- OCF improvement mainly driven by more favorable NWC outflow; inventory measures contributed to NWC outflow
- Net financial debt reduces due to stronger OCF



# Q4 2023: Reported figures

## Reported results

[€m]	Q4 2022	Q4 2023	Δ
EBIT	890	<b>621</b>	-30.1%
Financial result	-50	<b>19</b>	n.m.
Profit before tax	839	<b>641</b>	-23.7%
Income tax	-180	<b>-53</b>	-70.5%
<i>Effective tax rate (%)</i>	21.4%	<b>8.3%</b>	-13.1pp
Net income	655	<b>585</b>	-10.6%
EPS (€)	1.51	<b>1.35</b>	-10.6%

## Comments

- EBIT decline with lower sales and adverse mix in EL / LS, with integration and efficiency costs
- Regular D&A increased YoY with continued investment in PPE as EBITDA pre declined
- Favorable financial result as higher cash yields generate interest income and partial hybrid bond buyback
- Effective tax rate below the lower end of guidance range driven by one-off increase in deferred tax assets
- Net income and EPS profile reflects lower EBIT, partially compensated by lower taxes and higher financial result



# Q4 2023: Cash flow statement

## Cash flow statement

[€m]	Q4 2022	Q4 2023	Δ
Profit after tax	659	<b>588</b>	-71
D&A	599	<b>507</b>	-92
Changes in provisions	154	<b>113</b>	-41
Changes in other assets/liabilities	-313	<b>-290</b>	23
Other operating activities	5	<b>-35</b>	-40
Changes in working capital	-89	<b>171</b>	260
<b>Operating cash flow</b>	1,015	<b>1,053</b>	38
Investing cash flow	-246	<b>-450</b>	-204
thereof Capex on PPE	-459	<b>-510</b>	-51
Financing cash flow	-498	<b>-974</b>	-476

## Comments

- Decline in profit after tax from reduced EBIT, partially compensated by lower tax rate
- Lower D&A as prior year included one-time impairments in relation to Healthcare R&D
- Changes in provisions mainly due to lower LY restructuring provisions
- Delta in other assets & liabilities related to lower LY prepayments received and non-income related tax
- Higher capex on PPE driven by capacity expansion in key portfolios
- Financing cash flow driven by bond repayment and bond buyback



# FY Life Science: Core business -2% org. as LSS growth partially offsets headwinds in PS; declining COVID-19 demand as expected

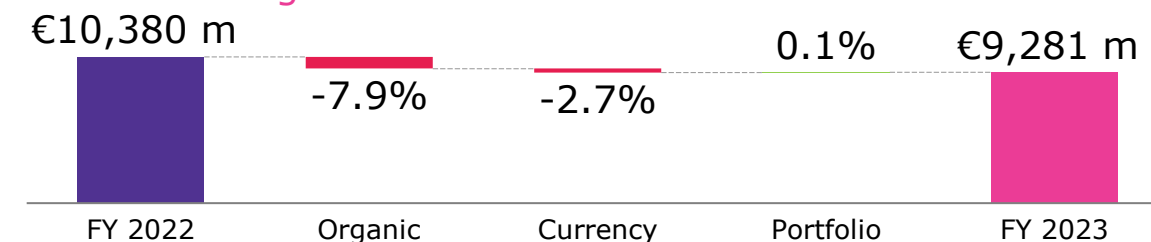
## Life Science P&L

[€m]	IFRS		Pre	
	FY 2022	FY 2023	FY 2022	FY 2023
Net sales	10,380	9,281	10,380	<b>9,281</b>
M&S	-2,400	-2,245	-2,384	<b>-2,232</b>
Admin	-400	-425	-377	<b>-372</b>
R&D	-399	-396	-399	<b>-393</b>
EBIT	2,808	1,850	2,914	<b>1,972</b>
EBITDA	3,678	2,731	-	-
EBITDA pre	3,760	2,820	3,760	<b>2,820</b>
(in % of net sales)	36.2%	30.4%	36.2%	<b>30.4%</b>

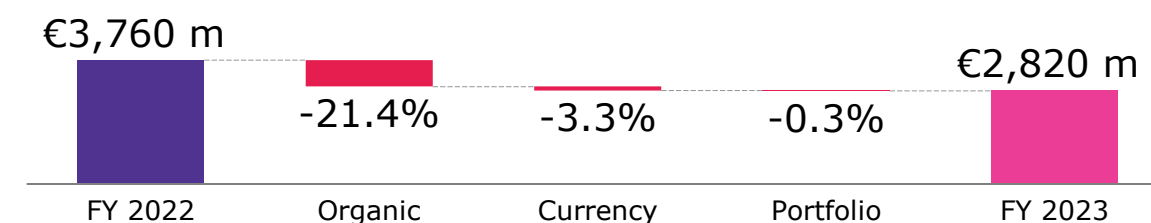
## Comments

- Process Solutions: -8% org. decline in the core due to destocking and Chinese market conditions against tough comps; COVID-19 business declining as anticipated, resulting in -14% org. development
- Science & Lab Solutions: Stable org. sales development in the core, with slightly lower COVID-19 sales, leading to -1% org. performance
- Life Science Services: Core growth of +12% org. with high quarterly volatility; fading COVID-19 business led to -15% org. sales decline

## Net sales bridge



## EBITDA pre bridge

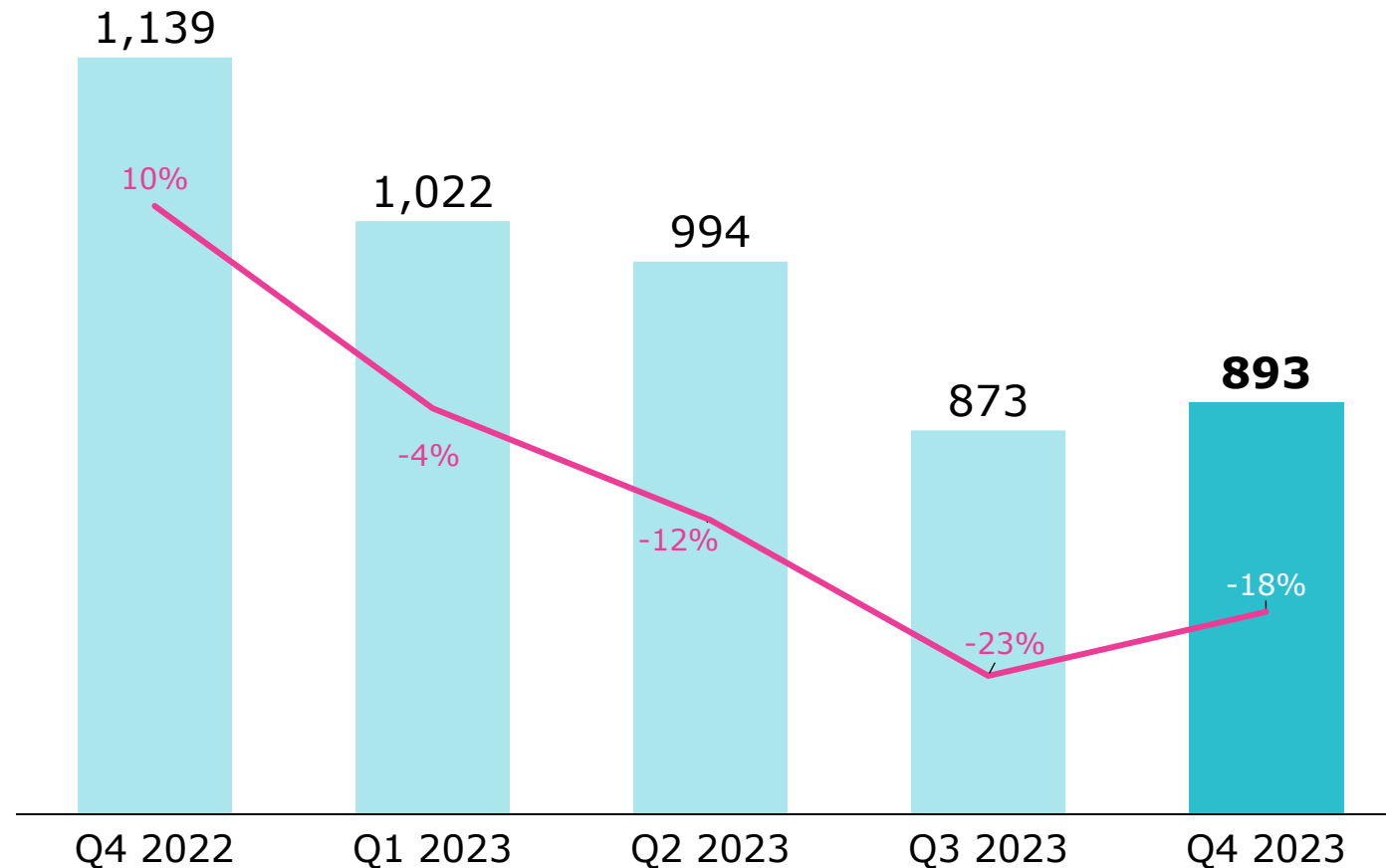


- M&S declining in absolute terms with cost programs and lower logistics costs, but increasing in % of sales on higher org. sales decline
- Stable R&D in absolute terms with continued investments in high-growth & emerging segments, e.g. novel modalities
- EBITDA pre down -21% org. on declining volumes, negative mix effects and operating expenses declining less than sales



# Process Solutions: Core -11% org. on destocking; COVID-19 headwinds

Sales development [€m] - org. growth [%] YoY

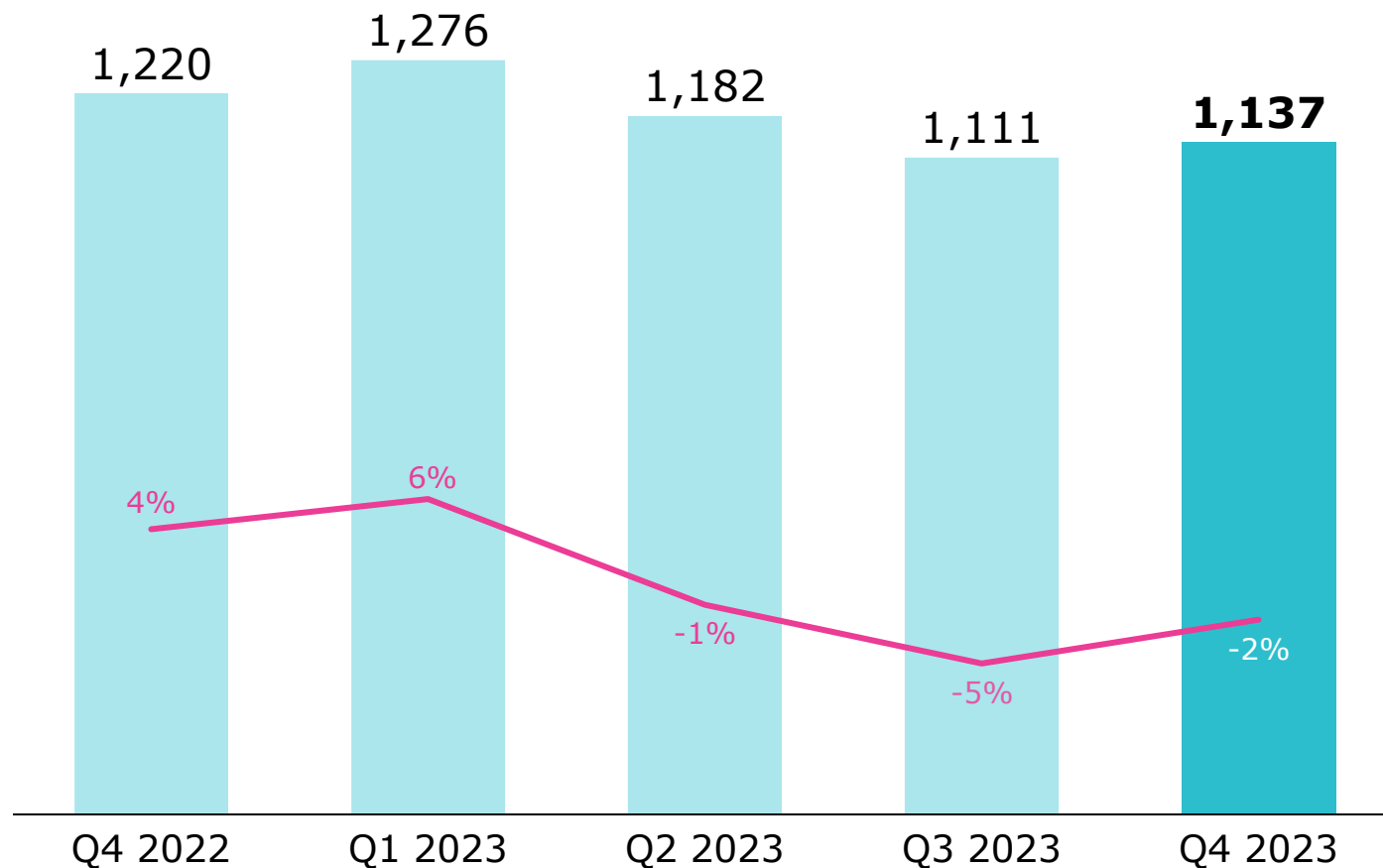


- **Core sales -11% org.** amid still muted activity, no inflection; **-8% org. COVID-19** headwinds, as expected; **overall Q4 -18% org.**
- **Order intake** in Q4 **flat sequentially**, no inflection, yet
- **Book-to-bill** hovering **below 1**
- **All key regions down org.**, NA in the high-twenties digits and Europe down in the high-teens digits, APAC down in the mid-single digits



# Science & Lab Solutions: Sales -2% org.; negligible COVID-19 headwinds

Sales development [€m] - org. growth [%] YoY

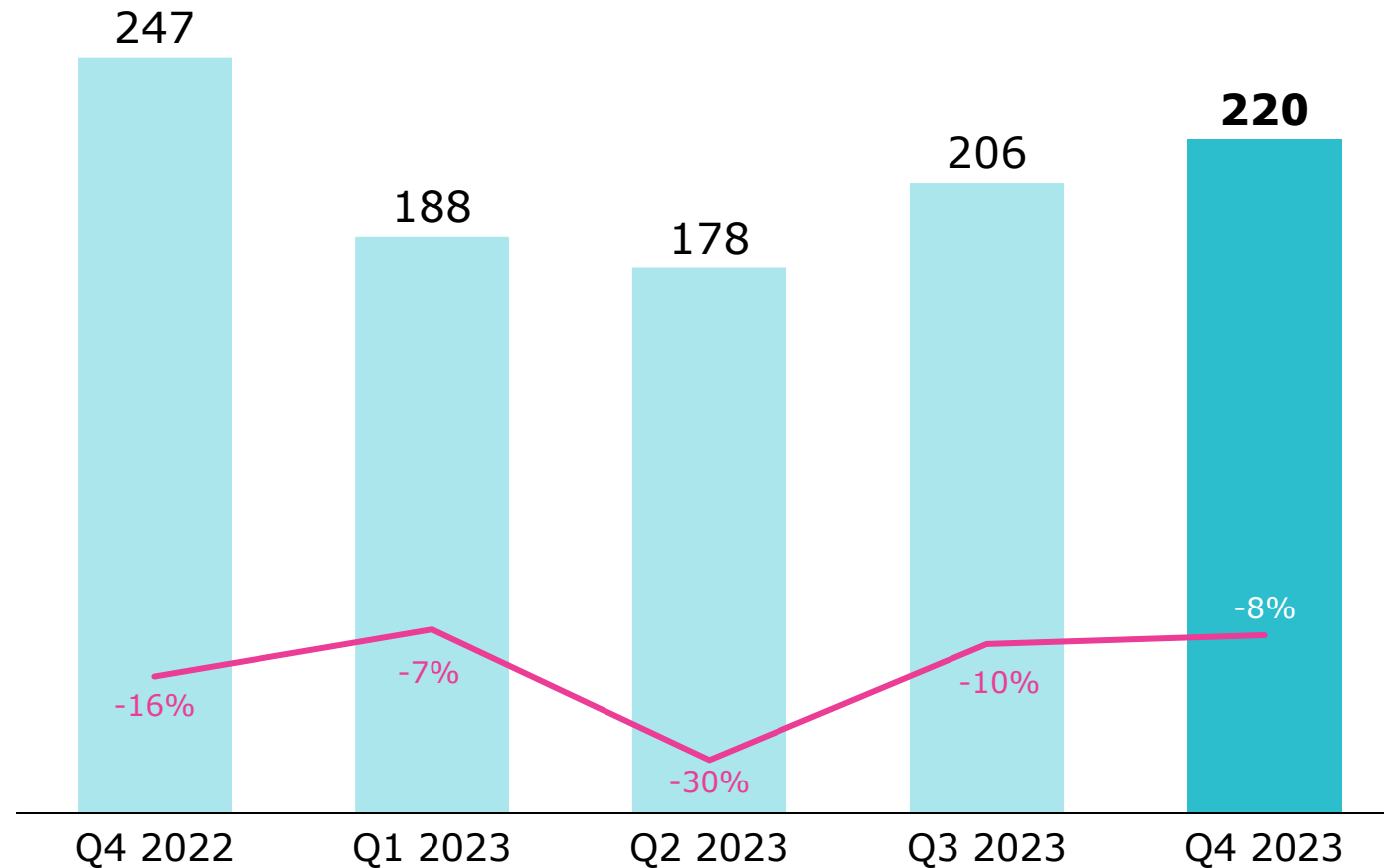


- **Sales down -2% org.**, mainly due to cautious spending environment with pharma in North America, China softness, SAP migration
- **COVID-19 with negligible impact**
- **SAP** with residual impact of a low-to mid-double-digit €m in Q4
- **Biomonitoring up** org. in the mid-single digits and **Diagnostics & Regulated Materials up** in low-single digits, all other franchises declining
- **Europe was flat org., NA slightly down**, while APAC was down in the high-single digits; other regions only small contributors



# Life Science Services: Core sales up +14% org.; COVID-19 headwinds

Sales development [€m] - org. growth [%] YoY



- **Core business growth of +14% org.** mainly driven by positive project phasing in CDMO
- **Org. sales down -8%** with sharp decline in COVID-19 sales
- **CDMO** up in the core org. in the low twenties
- **Contract testing** up at a high single-digit rate in the core org.
- **NA up org. in the mid-to high-single digits,** Europe down org. mid-twenties, Asia down org. in the high-single digits; minor sales contribution in RoW



# FY Healthcare: Organic growth of +9% driven by another strong year for Bavencio® (+23% org.) and Mavenclad® (+16% org.)

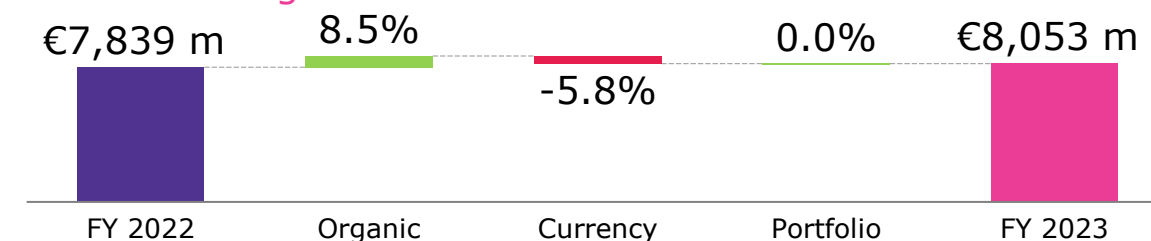
## Healthcare P&L

[€m]	IFRS		Pre	
	FY 2022	FY 2023	FY 2022	FY 2023
Net sales	7,839	8,053	7,839	<b>8,053</b>
M&S	-1,644	-1,668	-1,631	<b>-1,639</b>
Admin	-313	-314	-296	<b>-294</b>
R&D	-1,694	-1,657	-1,622	<b>-1,655</b>
EBIT	1,895	2,225	2,173	<b>2,233</b>
EBITDA	2,385	2,545	-	-
EBITDA pre	2,477	2,543	2,477	<b>2,543</b>
(in % of net sales)	31.6%	31.6%	31.6%	<b>31.6%</b>

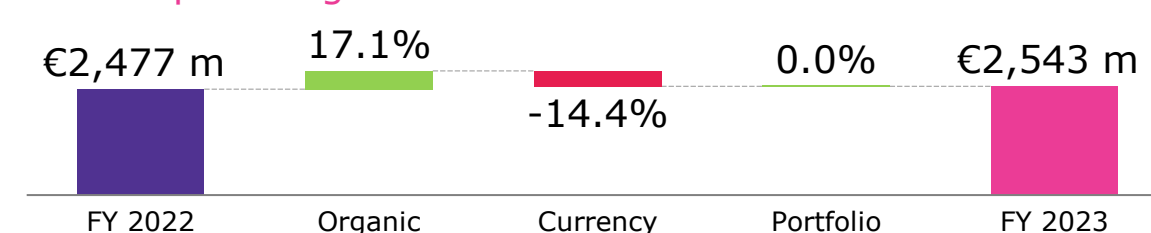
## Comments

- Oncology up +17% org, driven by Bavencio® growth of +23% org., supported by strong Erbitux® (+11% org.) and Tepmetko
- N&I: Mavenclad® growing +16% org., largely compensating for the decline in Rebif® (-17% org.) in line with interferon market
- Solid growth in established portfolio, driven by Fertility (+15% org.) and boosted by competitors' stock-outs; CM&E at +4% org.
- M&S stable in absolute terms; declining in % of sales with constant productivity efforts compensating for Bavencio commercialization<sup>1</sup>
- Stable R&D including the Evobrutinib termination provision<sup>2</sup>; % of sales in line with mid-term ambition of low twenties
- EBITDA pre margin stable. Sales momentum, income from portfolio management and two quarters of regained worldwide Bavencio® rights compensating for one-time effect from Evobrutinib of ~-€95 m

## Net sales bridge



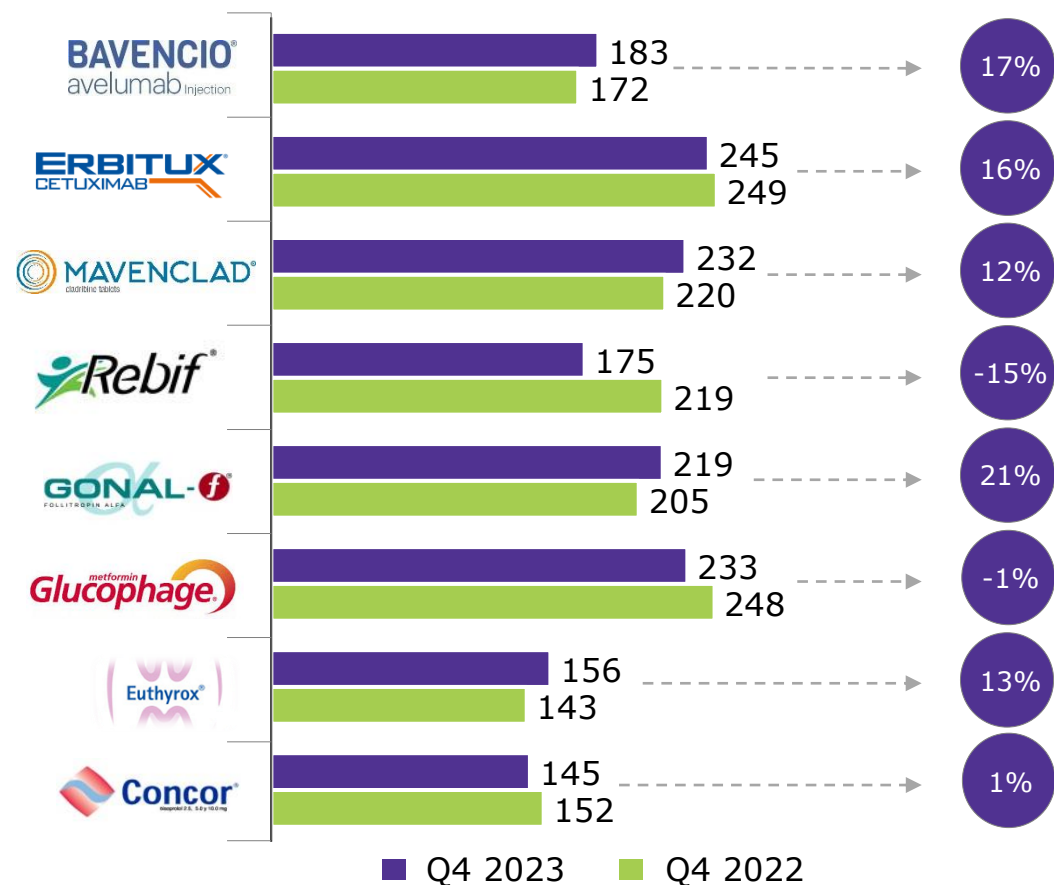
## EBITDA pre bridge



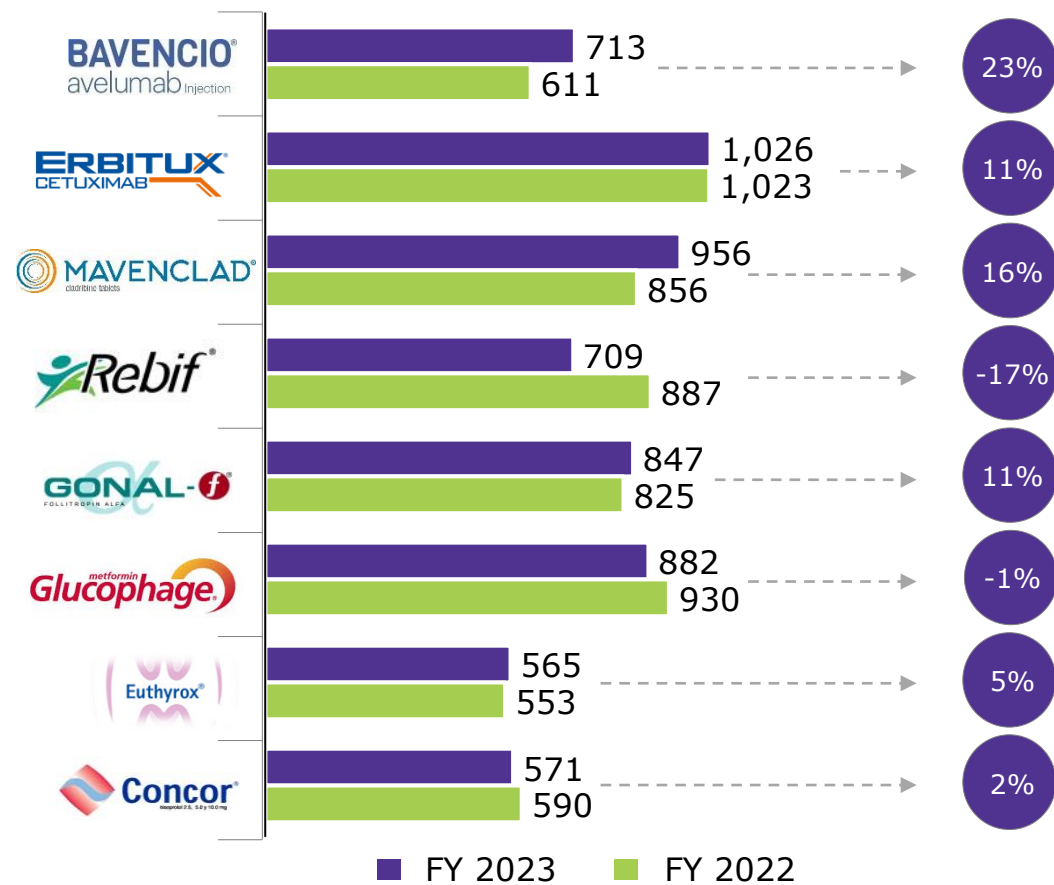


# Healthcare organic growth by franchise/product

Q4 2023 organic sales growth [%]  
by key product [€m]

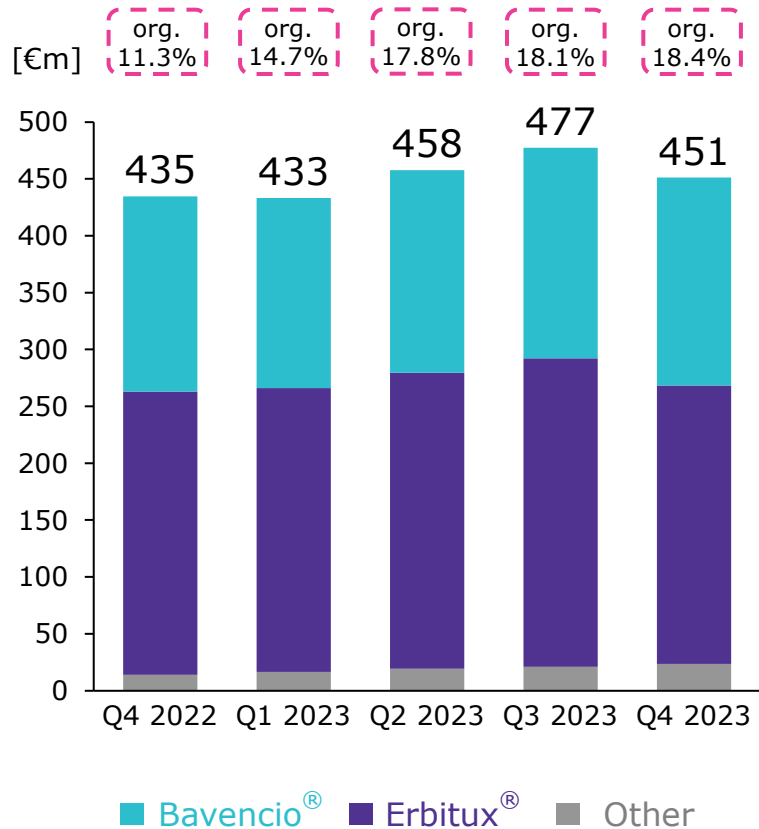


FY 2023 organic sales growth [%]  
by key product [€m]

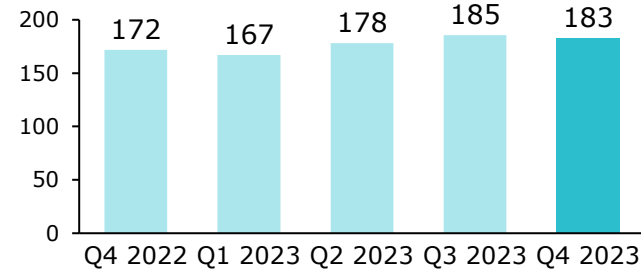


# Oncology: +18% org. growth driven by Bavencio mUC 1L ramp-up and continued Erbitux volume growth across regions

## Sales development Oncology, [€m] YoY

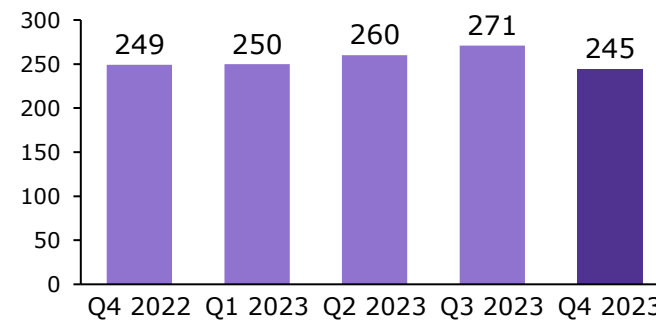


## Bavencio<sup>®</sup> net sales, [€m]



- FY growth momentum of +23% org.
- Two quarters of sole global commercialization after regaining back full Bavencio<sup>®</sup> rights in July '23

## Erbitux<sup>®</sup> net sales, [€m]



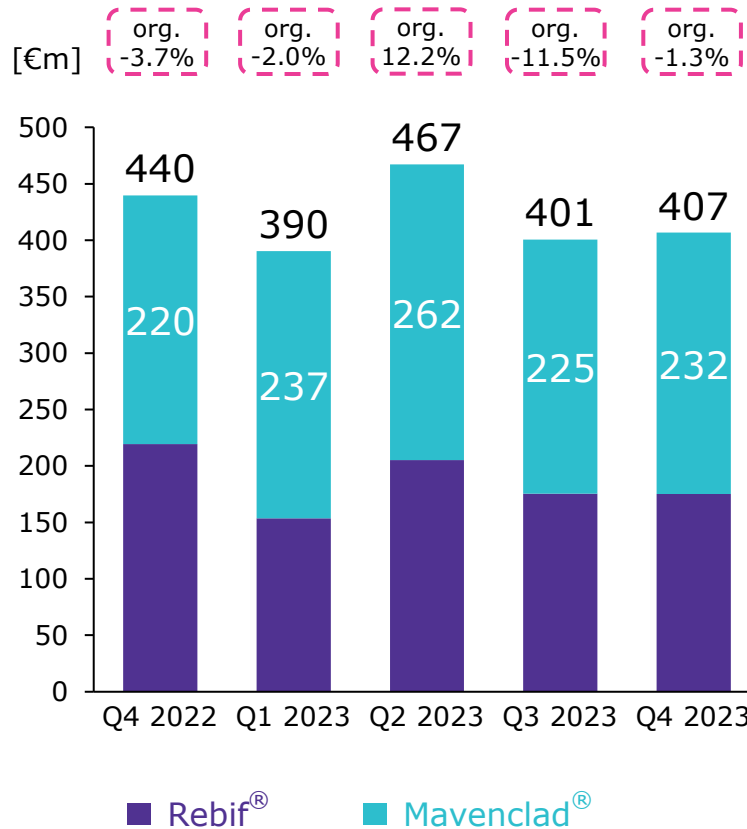
- China NRDL expansion and continued post-COVID catch-up effect

Acronym(s): mUC 1L = metastatic urothelial carcinoma, 1st line, NRDL= National Reimbursement Drug List

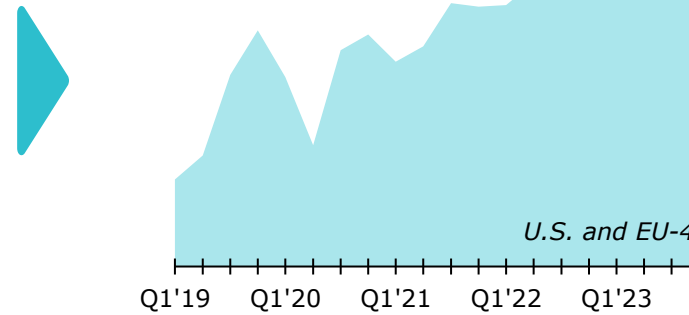


# Neurology & Immunology: Mavenclad<sup>®</sup> sales up +12% org. driven by continued uptake in the US

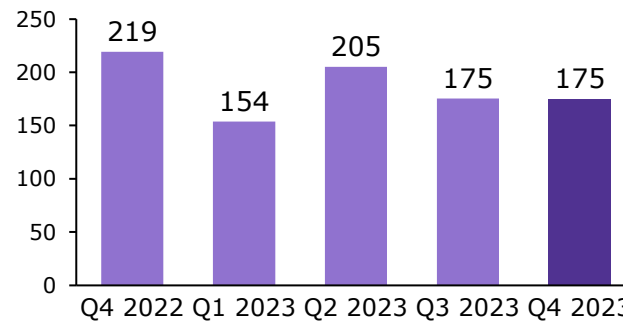
## Sales development N&I, [€m] YoY



## Mavenclad<sup>®</sup> Y1+Y2 patients<sup>1</sup>



## Rebif<sup>®</sup> net sales, [€m]



- Strong finish in Q4, Mavenclad<sup>®</sup> achieving blockbuster status
- Continued U.S. prescription breadth & depth expansion<sup>2</sup> as most prescribed oral HE drug in the dynamic market<sup>3</sup>
- Overall maturing growth profile amid increasing competitive intensity

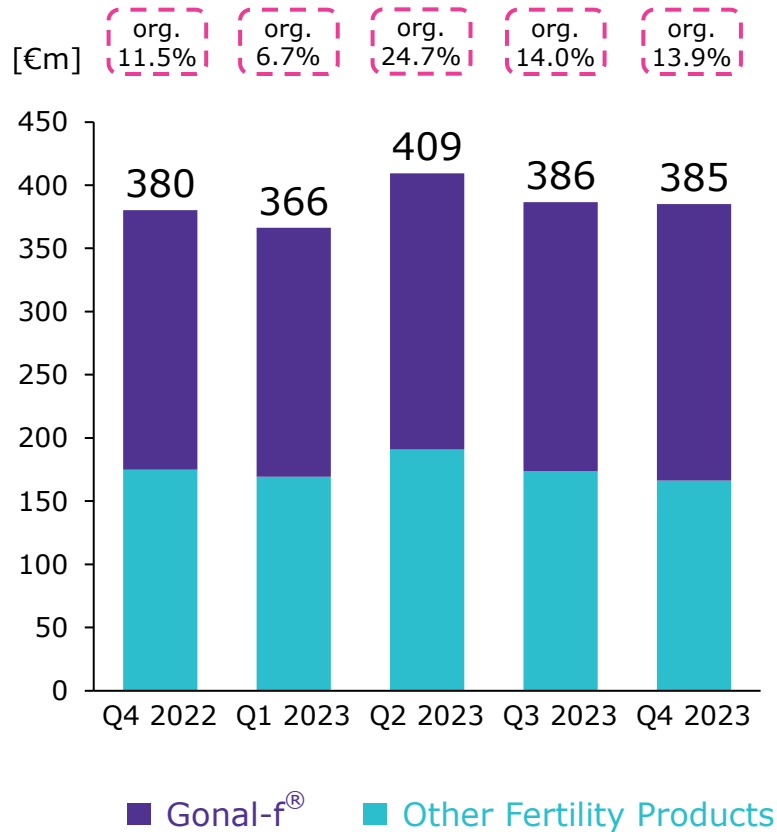
- N&I Franchise about stable, Q4/FY both -1% org.
- Continued Rebif<sup>®</sup> decline of -15% org. in line with interferon market trend

<sup>1</sup>Number of Year-1 and Year-2 patients in U.S. and EU-4 per quarter, based on IQVIA and internal validation; <sup>2</sup>Internal MS LifeLine ibond data; <sup>3</sup>Based on IQVIA dynamic market data; Acronym(s): HE = High Efficacy

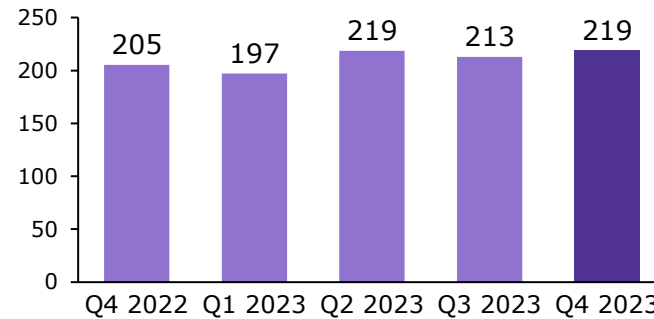


# Fertility: Sales trend normalizing as competitors' stock out starting to ease

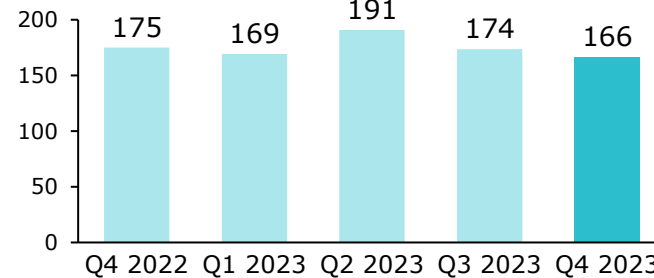
Sales development Fertility, [€m] YoY



Gonal-f<sup>®</sup> net sales, [€m]



Other Fertility net sales, [€m]

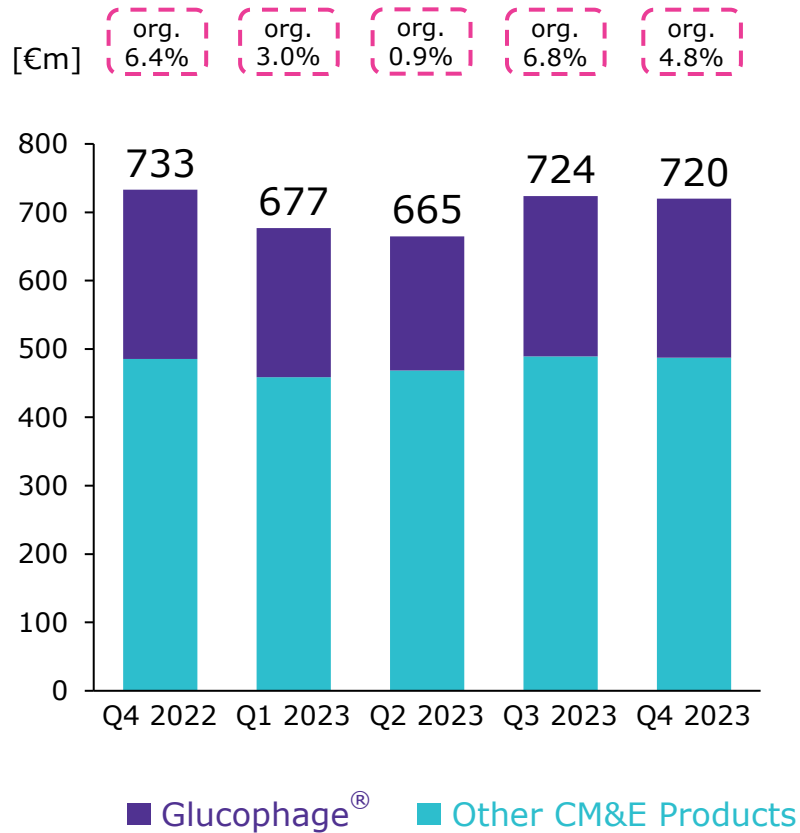


- China: Further market growth post recovery from COVID-19
- Competitor stock-out of urine-based product projected to mostly vanish during H1'24, hence 2024 a year with tough comps
- Confidence in mid-term mid single digit CAGR for the Fertility franchise

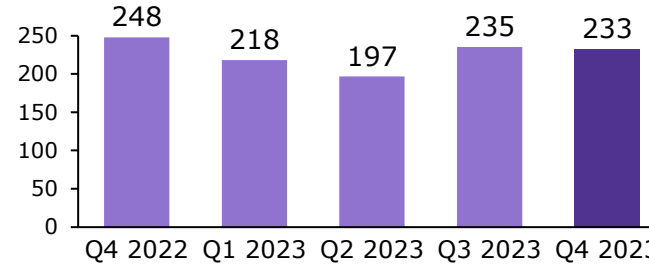


# CM&E: Key products contributing to +5% org. franchise growth

## Sales development CM&E, [€m] YoY

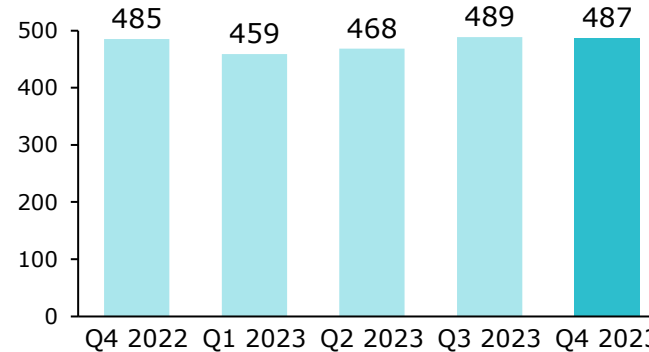


## Glucophage<sup>®</sup> net sales, [€m]



- Q4 growth stable amid tough comps
- Continued strong volume uptake of Glucophage in Latin America, mainly driven by Mexico and Brazil

## Other CM&E net sales, [€m]



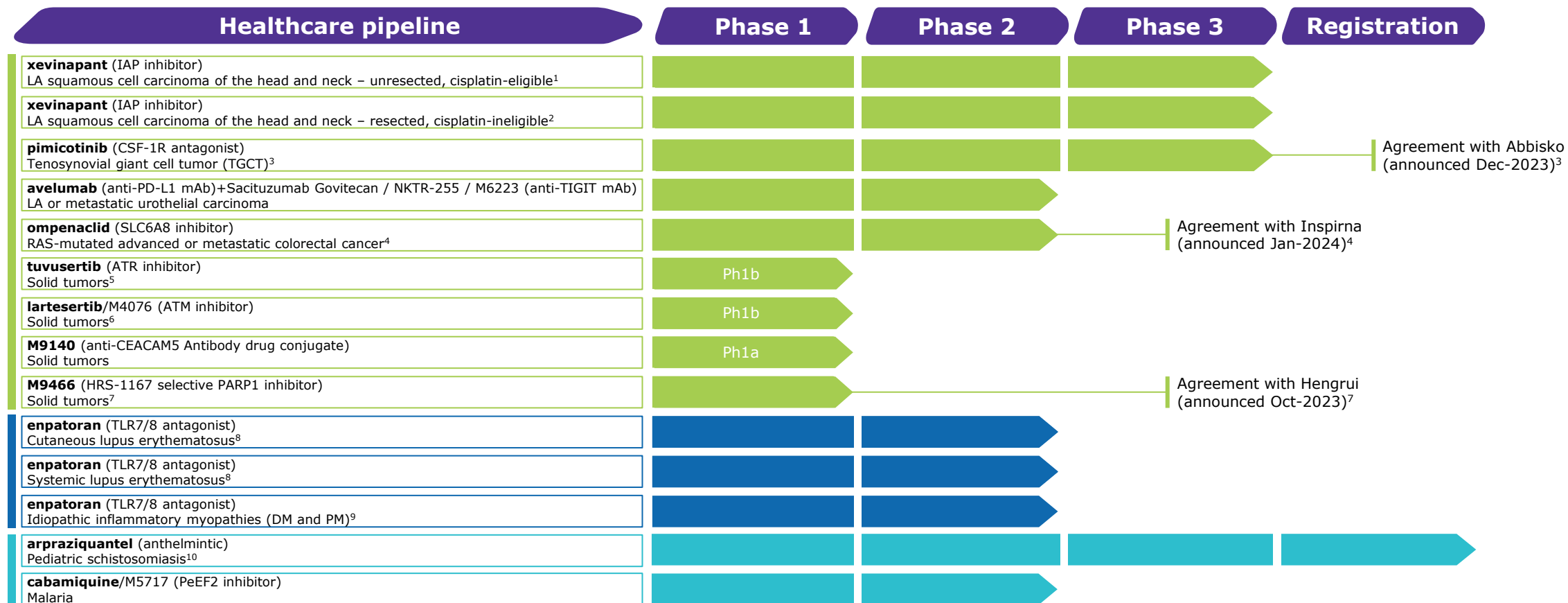
- Other CM&E portfolio growth amplified by Saizen<sup>®</sup> benefiting from competitor stock-out
- Euthyrox<sup>®</sup> (+13% org.) growing in all major markets

Acronym(s): CM&E = Cardiology Metabolism & Endocrinology



# Group pipeline

March 7, 2024



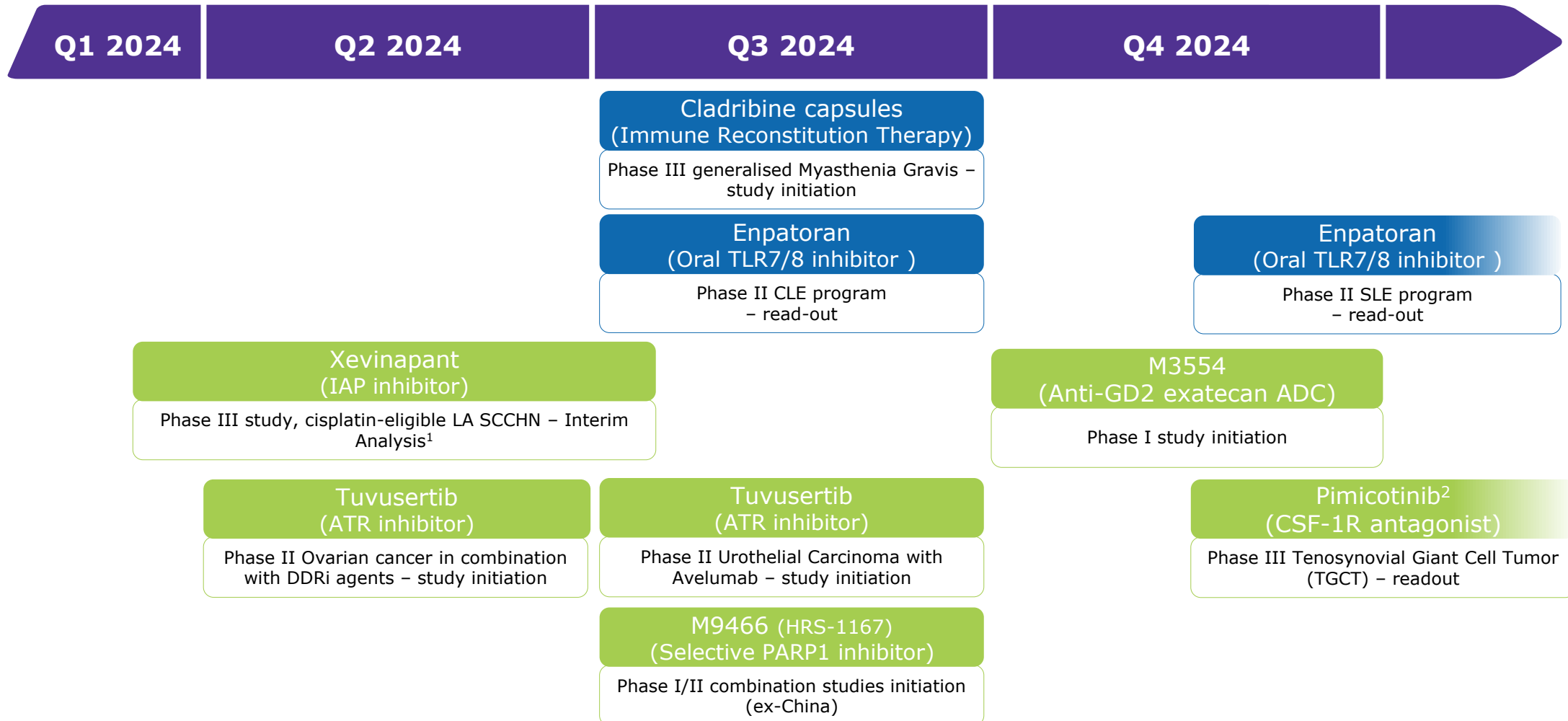
■ Oncology  
 ■ Immunology  
 ■ Global Health  
 ▶▶▶▶ Asset entering new phase<sup>11</sup>  
 ▶ Current phase  
 ■ Previous phase(s)

Ph1a: phase 1a, dose finding; Ph1b: phase 1b, dose escalation/expansion and signal seeking; LA: Locally advanced

<sup>1</sup>In combination with cisplatin and radiotherapy in unresected LA SCCHN patients eligible for cisplatin. <sup>2</sup>In combination with radiotherapy in resected LA SCCHN patients ineligible for cisplatin. <sup>3</sup> Company entered a license agreement with Abbisko Therapeutics Co. Ltd, Shanghai, China, for pimicotinib (ABSK021), which grants a license to commercialize pimicotinib in mainland China, Hong Kong, Macau and Taiwan, with an option for rest of world. <sup>4</sup>Company entered into a licensing agreement with Inspirna, Inc. (New York, NY) for ompenacilid (RGX-202), which grants an exclusive license to ompenacilid outside of the United States and an option to co-develop and co-promote ompenacilid in the US. <sup>5</sup>Studies as monotherapy and in combination with cemiplimab, niraparib, avelumab or lartisertib/M4076 (ATMi). Includes studies (phase I/II) in collaboration with/ sponsored by external partners, e.g. US National Cancer Institute (NCI). <sup>6</sup>Administered in combination with tuvusertib (ATRI). <sup>7</sup>Company entered a collaboration with Jiangsu Hengrui Pharmaceuticals Co. Ltd., China, including an exclusive license worldwide (ex-China) to develop, manufacture and commercialize M9466/HRS-1167. <sup>8</sup>Clinical trial passed fertility analysis. <sup>9</sup>Dermatomyositis and Polymyositis. <sup>10</sup>On 14 December 2023 the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted a positive scientific opinion for arpraziquantel for the treatment of schistosomiasis in children aged 3 months to 6 years. The application was submitted by, Group on behalf of the Pediatric Praziquantel Consortium, under the EU-M4all procedure for high-priority medicines for human use intended for countries outside the European Union. <sup>11</sup>Registered study with open enrollment; subjects may not yet be enrolled.



# Healthcare catalysts



- Oncology
- Immunology

<sup>1</sup>event-driven, note: required number of events expected in Q2, followed by Database Lock and IDMC interactions, <sup>2</sup>Study sponsor: Abbisko Therapeutics Co, Ltd. Group entered a license agreement with Abbisko Therapeutics Co. Ltd, Shanghai, China, for pimicotinib (ABSK021), which grants a license to commercialize pimicotinib in mainland China, Hong Kong, Macau and Taiwan, with an option for rest of world.

Acronyms: TLR = toll-like receptor, SLE = Systemic lupus erythematosus, CLE = Cutaneous lupus erythematosus, LA = locally advanced, SCCHN = squamous cell carcinoma of the head and neck, IAP = Inhibitor of Apoptosis Proteins, ADC = Antibody-Drug Conjugate, GD2 = Disialoganglioside, ATR = Ataxia Telangiectasia and Rad3-related protein, DDR = DNA Damage Repair, PARP1 = Poly [ADP-ribose] polymerase 1, CSF-1R = Colony Stimulating Factor 1 receptor



# FY Electronics: Semi Solutions successfully weathering down cycle; Display Solutions environment remains challenging

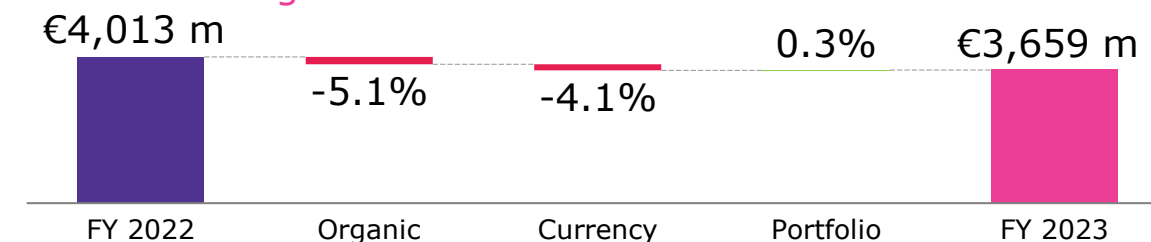
## Electronics P&L

[€m]	IFRS		Pre	
	FY 2022	FY 2023	FY 2022	FY 2023
Net sales	4,013	3,659	4,013	<b>3,659</b>
M&S	-662	-591	-659	<b>-588</b>
Admin	-128	-147	-120	<b>-118</b>
R&D	-308	-297	-306	<b>-297</b>
EBIT	572	248	647	<b>387</b>
EBITDA	1,138	816	-	<b>-</b>
EBITDA pre	1,192	913	1,192	<b>913</b>
(in % of net sales)	29.7%	25.0%	29.7%	<b>25.0%</b>

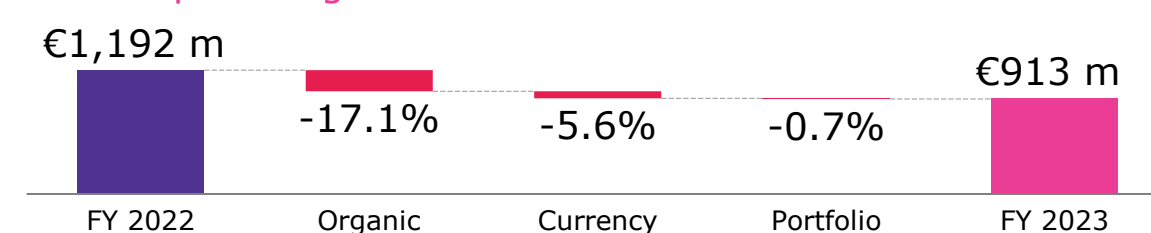
## Comments

- Semiconductor Solutions: sales down -4% org. due to weaker market; broad portfolio enables outperformance of mid-teens digit MSI decline
- Display Solutions: down -9% org. as LC decline drove lower volume and unfavorable mix with continued pricing pressure
- Surface Solutions: down -4% org.; strong cosmetics performance partially offsetting soft coatings and industrials end markets
- M&S down with cost savings and logistics costs down in-line with volume
- Absolute R&D stable, reflecting investments for growth
- All P&L lines continue to reflect diligent cost management amid inflationary pressures
- EBITDA pre impacted by lower sales volumes, negative mix and sustained inflation, with mitigation from UDC patent agreement in Q2

## Net sales bridge



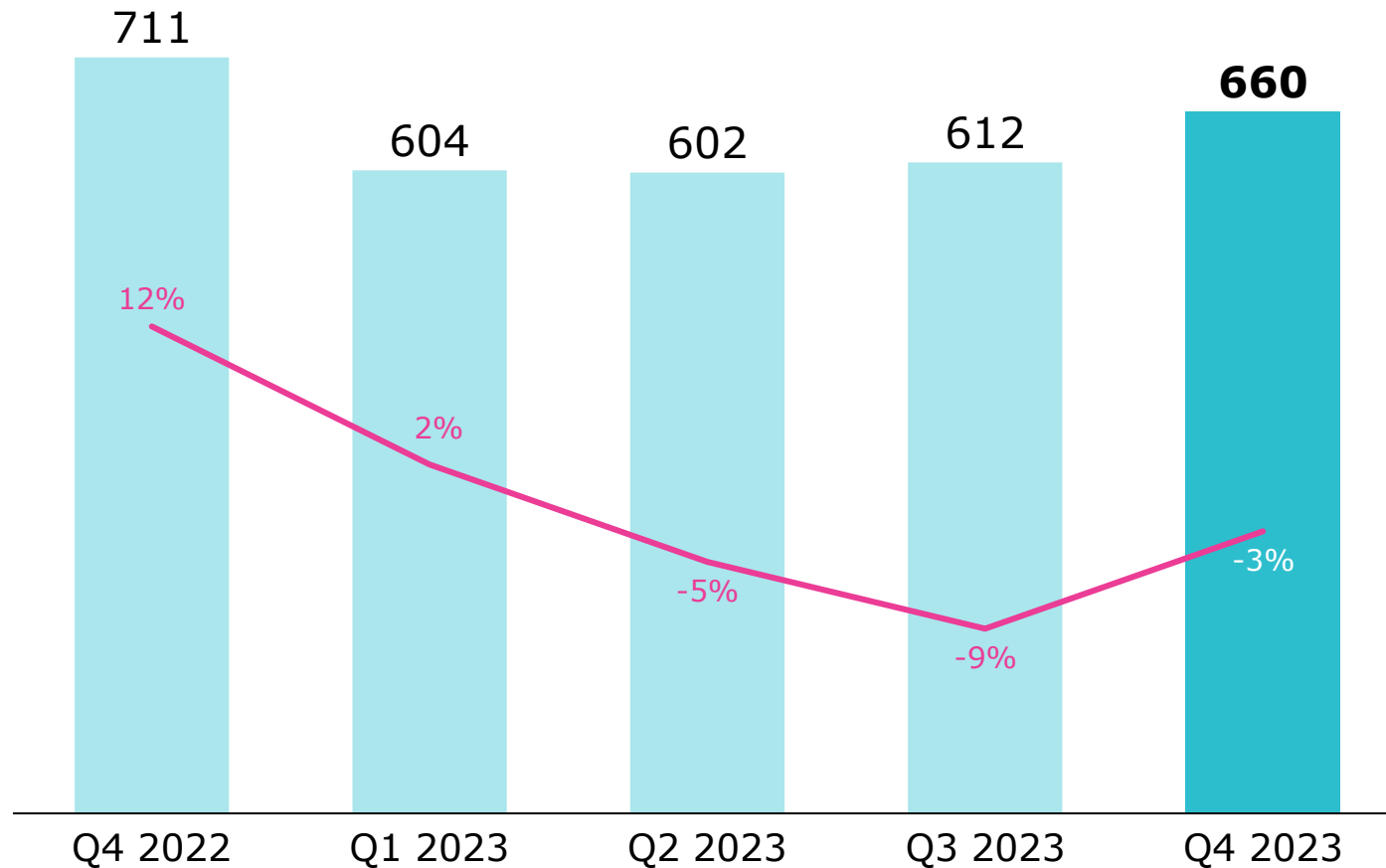
## EBITDA pre bridge





# Semiconductor Solutions delivers two quarters of sequential growth

Sales development [€m] - org. growth [%] YoY



- **Semiconductor Solutions** slows due to weaker semi market with YoY **mid-teens decline in MSI** in Q4
- 3<sup>rd</sup> consecutive year of record sales in **DS&S**, driven by Fab construction projects and equipment
- **Semiconductor Materials remains** suppressed in Q4 due to low end-user demand and lower customer utilization
- Materials delivered two quarters of sequential growth; positive signals with chip prices rising and inventories falling
- Customer chip volume and new nodes needed to drive future sales growth



# Cash flow statement

## FY 2023 – cash flow statement

[€m]	FY 2022	FY 2023	Δ
Profit after tax	3,339	<b>2,834</b>	-505
D&A	2,030	<b>1,880</b>	-150
Changes in provisions <sup>1</sup>	279	<b>188</b>	-91
Changes in other assets/liabilities <sup>1</sup>	-445	<b>-755</b>	-310
Other operating activities	-27	<b>-223</b>	-195
Changes in working capital	-917	<b>-141</b>	776
<b>Operating cash flow</b>	<b>4,259</b>	<b>3,784</b>	-475
Investing cash flow	-2,743	<b>-1,892</b>	851
thereof Capex on PPE	-1,510	<b>-1,789</b>	-279
Financing cash flow	-1,555	<b>-1,732</b>	-177

## Cash flow drivers

- Lower PAT as lower tax and interest costs partly compensate lower EBIT
- Lower D&A as prior year included one-time impairments in relation to HC R&D
- Delta in other assets & liabilities mainly driven by tax and pension plans
- Other operating activities reflects outlicensing, Biosimilars divestment payment & patent agreement
- Favorable working capital due to prior year receivables & inventories build up
- Investing cash flow favorable due to prior year acquisitions
- Financing incl. bond repayment, bond buyback and bank liabilities repayment



# Adjustments in Q4 2023

## Adjustments in EBIT

[€m]	Q4 2022		Q4 2023	
	Adjustments	thereof D&A	Adjustments	thereof D&A
Life Science	28	23	<b>46</b>	2
Healthcare	155	96	<b>39</b>	11
Electronics	35	9	<b>72</b>	23
Corporate & Other	50	0	<b>45</b>	1
Total	268	128	<b>202</b>	37



# Adjustments in FY 2023

## Adjustments in EBIT

[€m]	FY 2022		FY 2023	
	Adjustments	thereof D&A	Adjustments	thereof D&A
Life Science	106	24	<b>122</b>	34
Healthcare	279	187	<b>8</b>	10
Electronics	75	20	<b>140</b>	42
Corporate & Other	117	0	<b>207</b>	1
Total	577	232	<b>477</b>	87



**CONSTANTIN FEST**



Head of Investor Relations  
+49 6151 72-5271  
constantin.fest@emdgroup.com

**NADJA GROSSCHMIDT**



Assistant Investor Relations  
+49 6151 72-3321  
nadja.grosschmidt@emdgroup.com

**SUSAN KUEHN**



Assistant Investor Relations  
+49 6151 72-3321  
susan.kuehn@emdgroup.com



DATE	EVENT
April 26, 2024	Annual General Meeting
May 15, 2024	Q1 2024 Earnings release
August 1, 2024	Q2 2024 Earnings release
October 17, 2024	Capital Markets Day
November 14, 2024	Q3 2024 Earnings release

**PETER DICKSON**



Institutional Investors  
/ Analysts  
+49 6151 72-20753  
peter.dickson@emdgroup.com

**ADRIAN GORSKI**



Institutional Investors  
/ Analysts  
+49 6151 72-22076  
adrian.gorski@emdgroup.com

**FLORIAN SCHRAEDER**



Institutional Investors  
/ Analysts  
+49 6151 72-42005  
florian.schraeder@emdgroup.com

**EVA STERZEL**



ESG / Institutional &  
Retail Investors / AGM  
+49 6151 72-5355  
eva.sterzel@emdgroup.com

**DANIEL WENDORFF**



Institutional Investors  
/ Analysts  
+49 6151 72-24164  
daniel.wendorff@emdgroup.com

**E-MAIL:** [investor.relations@emdgroup.com](mailto:investor.relations@emdgroup.com)

**WEB:** [www.emdgroup.com/investors](http://www.emdgroup.com/investors)

**FAX:** +49 6151 72-913321

