

Additional information on MERCK KGaA in accordance with the GERMAN COMMERCIAL CODE (HGB)

The Management Report of Merck KGaA has been combined with the Group Management Report. The Annual Financial Statements and the Combined Management Report of the Group and Merck KGaA for fiscal 2024 are electronically transmitted to the German Federal Gazette for inclusion in the German company register and are available on its website.

Merck KGaA, headquartered in Darmstadt, Germany, is the parent company of the Group.

Following the transfer of the Life Science, Healthcare and Electronics business sectors into separate legal entities, which was completed at the beginning of fiscal 2023, Merck KGaA primarily performs a holding company function for the Merck Group. As part of the strategic management of the Group, this function makes strategically important decisions and ensures that compliance provisions are observed by the central enabling Group functions on a Group-wide basis. It also performs Group-wide services for Group companies in the areas of information technology, strategic management and site management, especially at the Darmstadt site. Merck KGaA employs around 4,000 of the more than 11,000 employees at the Darmstadt site.

The Annual Financial Statements of Merck KGaA have been prepared in accordance with the provisions of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), and the supplementary provisions of the Articles of Association. The full version of the Annual Financial Statements of Merck KGaA, together with the unqualified auditor's opinion, is electronically transmitted to the German Federal Gazette for inclusion in the German company register and published there.

Business development and results of operations

Since the operating activities of the Life Science and Electronics business sectors were transferred to separate legal entities on January 1, 2023, the business activities of Merck KGaA have consisted solely of intragroup services such as site management, IT, strategic management, and the issuing of licenses for the “Merck” umbrella brand. Furthermore, the results of operations are influenced by the development of investment income, which includes profit/loss transfers and investment income from subsidiaries.

Results of operations

€ million	2024	2023	Change	
			€ million	%
Net sales	1,624	1,628	-4	-0.3
Other income	114	105	9	8.6
Cost of materials	-693	-721	28	-3.9
Personnel expenses	-527	-581	54	-9.2
Depreciation, amortization, and write-downs	-132	-132	–	-0.2
Other operating expenses	-916	-821	-95	11.5
Investment result	2,190	2,203	-13	-0.6
Write-downs on financial assets	-17	–	-17	100.0
Other financial result	-685	-685	–	–
Profit before profit transfers and taxes	958	996	-38	-3.9
Profit transfers	-709	-696	-13	1.9
Taxes	36	-16	51	-331.0
Profit after profit transfers and taxes/ net income	284	285	-1	-0.2

The **net sales** from intragroup on-charging and **other income** are at the level of the previous year. Due to opposing effects in the cost of material and personnel expenses (which together declined by € 82 million) and other operating expenses (which increased by € 95 million), alongside slightly lower investment income and write-downs on financial assets, the **profit before profit transfers and taxes** was slightly down by € 38 million (3.9%). After profit pooling with E. Merck KG and the recording of the tax result a net profit of approximately € 284 million remains nearly at the level of the previous year.

The **cost of materials** declined due to lower external services incurred which resulted in lower intragroup recharges. Accordingly, the cost of materials in relation to sales decreased slightly to 42.7% (2023: 44.3%).

The decline in **personnel expenses** resulted primarily from lower additions to pension provisions.

The increase in **other operating expenses** resulted mainly from higher external services and procurements, which were higher in the reporting year as a result of expenses from other accounting periods for reimbursements for corresponding external services to customers within the Merck Group in a low triple-digit million-euro amount. These were partially offset by lower expenses for exchange rate losses and other expenses.

The **investment income** went down slightly by € 13 million to € 2,190 million (2023: € 2,203 million) due to lower income from profit and loss transfer agreements with subsidiaries as a result of one-time effects in the Life Science and Electronics business sectors. The general decline in interest rates also led to a decrease in the profit transfer from the Group financing company, Merck Financial Services GmbH, Darmstadt. This was offset by higher investment income from subsidiaries.

The **tax result** resulted in tax income overall, due to trade tax income (€ 42.8 million) and the reduction of provisions for tax liabilities, especially with respect to general tax audit risks and additional tax risks (€ 48.9 million).

Net assets and financial position

Assets

€ million	Dec. 31, 2024	Dec. 31, 2023	Change	
			€ million	%
Fixed assets	25,209	24,065	1,145	4.8
Intangible assets	193	181	12	6.5
Tangible assets	1,276	1,076	200	18.5
Financial assets	23,741	22,808	933	4.1
Current assets	1,795	1,708	87	5.1
Inventories	34	29	5	17.5
Trade accounts receivable	63	62	1	1.8
Other receivables and other assets	1,698	1,617	81	5.0
Cash and cash equivalents	–	–	–	-50.0
Prepaid expenses	84	78	6	7.2
	27,088	25,851	1,237	4.8

Equity and liabilities

€ million	Dec. 31, 2024	Dec. 31, 2023	Change	
			€ million	%
Net equity	5,481	5,481	–	–
Provisions	2,067	2,198	-132	-6.0
Provisions for pensions and other post-employment benefits	1,313	1,415	-103	-7.2
Other provisions	754	783	-29	-3.7
Liabilities	19,532	18,162	1,370	7.5
Financial liabilities	2,276	2,476	-200	-8.1
Trade accounts payable	155	152	3	1.7
Other liabilities	17,101	15,534	1,567	10.1
Deferred income	9	10	-1	-6.9
	27,088	25,851	1,237	4.8

Net assets increased slightly by 4.8%. The main increase on the asset side of the balance sheet related to fixed assets (+ € 1,145 million), while financial liabilities saw the biggest increase on the liabilities side (+ € 1,370 million). By contrast, provisions for pensions and other post-employment benefits declined (€ -103 million). The equity ratio decreased slightly to 20.2% (2023: 21.2%).

In fiscal 2024, the company made a payment into the capital reserve of a subsidiary, as a result of which **financial assets** increased by € 950 million. By contrast, extraordinary write-downs amounting to € 17 million occurred on two investments in affiliated companies in financial assets.

Fixed assets increased as a result of the investments in tangible assets, some of which are still under construction, at the Darmstadt site in particular.

As a result of increased investment income, **other receivables and other assets** increased (+ € 81 million).

Merck KGaA was financed by equity in the amount of € 5,481 million (2023: € 5,481 million). This corresponds to an equity ratio of 20.2% (2023: 21.2%). The net income generated in fiscal 2024 covers the dividend payments that took place during the course of the year.

Merck KGaA is also financed via the Group financing company, Merck Financial Services GmbH, Darmstadt, which provides Merck KGaA with sufficient financial resources, thus ensuring liquidity. **Other liabilities** rose by € 1,567 million and primarily relate to current loans and clearing account liabilities with respect to Merck Financial Services GmbH, Darmstadt, in the amount of € 15,900 million (2023: € 14,476 million).

Financial liabilities in the amount of € 2,276 million serve primarily to finance the acquisitions of Sigma-Aldrich and Versum Materials. The decline in financial debt by € 200 million (net) resulted from the repayment of bonds amounting to € 1,000 million as well as the issue of a new hybrid bond of over € 800 million. This in turn led to an increase of other liabilities from intragroup financing. Additional information on the financing conditions and maturity structure of the bonds can be found in Note (22) “**Financial Liabilities**” of the Notes to the Financial Statements in accordance with HGB.

The reduction in provisions was due in particular to the lower level of **pension provisions**. These were reduced by an increased fair value of the offset plan assets and a lower settlement amount caused by a slightly increased discount rate.

Research and development

Research and development expenses (R&D) in fiscal 2024 increased to € 79 million (2023: € 69 million) and include remaining expenses for global R&D services at Merck KGaA.

Dividend

For fiscal 2024, we propose to the Annual General Meeting the payment of a dividend of **€ 2.20** per share.

Personnel

As of December 31, 2024, Merck KGaA had **3,715** employees, representing a decrease compared with the reporting date of the previous year (2023: 3,924), primarily in the area of administration.

The average number of employees by functional area:

Personnel

Average number of employees during the year	2024	2023
Administration	2,529	2,615
Site operations	820	869
Research	310	341
Logistics	55	66
Marketing and sales	36	43
Other	6	74
Total	3,756	4,008

Risks and opportunities

As the parent of the Merck KGaA Group, Merck KGaA is largely subject to the same opportunities and risks as the Group. Merck KGaA participates in these risks and opportunities via its equity investments and subsidiaries. This can have consequences for its investment income or the valuation of shares in subsidiaries. More information can be found in the Group [Report on Risks and Opportunities](#).

Forecast for Merck KGaA

Deviations of actual business development in fiscal 2024 from the previously reported guidance

In the Combined Management Report for 2023, a moderate increase of investment income was initially expected in fiscal 2024 in comparison with 2023, in line with the Group's development. Net income was forecast to be slightly higher than in 2023.

Contrary to this expectation, investment income was slightly less than in the previous year and was thus also less than forecast last year. This was due to lower income from profit and loss transfer agreements with subsidiaries as a result of one-time effects in the Life Science and Electronics business sectors.

Net income was due to a slight decline in the investment income flat compared with the previous year and was thus less than forecast.

Forecast for 2025

For the investment income, we forecast an overall moderate increase, assuming that income from investments remains comparable to previous years and that income from profit transfers increases moderately. Accordingly, net income is also forecast to be slightly higher than in 2024 overall.

Merck Financial Services GmbH, Darmstadt, will provide the company with sufficient financial resources as needed, thus ensuring liquidity.

No risks that could jeopardize the continued existence of the company have been identified.