



# **Annual financial statements as of December 31, 2022 and management report**

## **TRANSLATION – AUDITOR'S REPORT**

Merck Financial Services GmbH  
Darmstadt

**KPMG AG**  
**Wirtschaftsprüfungsgesellschaft**

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**Merck  
Financial  
Services  
GmbH**

December 31,

**2022**

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**ANNUAL FINANCIAL  
STATEMENTS AND  
MANAGEMENT REPORT**

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## BALANCE SHEET AS OF DECEMBER 31, 2022

KEUR	Note	Dec. 31, 2022	Dec. 31, 2021
<b>ASSETS</b>			
<b>A. Current assets</b>			
I. Receivables and other assets			
1. Receivables from affiliated companies	(1)	22,823,246	21,385,119
2. Other assets	(2)	8,113	20,948
II. Other securities	(3)	79,981	130,069
III. Cash and cash equivalents	(4)	1,366,548	1,326,649
		<b>24,277,888</b>	<b>22,862,785</b>
<b>B. Prepaid expenses</b>	(5)	<b>37,880</b>	<b>39,588</b>
		<b>24,315,768</b>	<b>22,902,373</b>

## BALANCE SHEET AS OF DECEMBER 31, 2022

KEUR	Note	Dec. 31, 2022	Dec. 31, 2021
<b>EQUITY AND LIABILITIES</b>			
<b>A. Equity</b>	(6)		
I. Subscribed capital		25	25
II. Capital reserves		411,960	411,960
III. Net income for the financial year		-	-
		<b>411,985</b>	<b>411,985</b>
<b>B. Provisions</b>	(7)		
Other provisions		30,063	15,004
		<b>30,063</b>	<b>15,004</b>
<b>C. Liabilities</b>	(8)		
1. Bonds	(9)	4,500,000	4,050,000
2. Liabilities to banks	(10)	0	295
3. Trade payables		121	234
4. Liabilities to affiliated companies	(11)	18,687,345	18,385,362
5. Other liabilities	(12)	685,985	38,943
		<b>23,873,451</b>	<b>22,474,834</b>
<b>D. Deferred Income</b>	(13)	<b>269</b>	<b>550</b>
		<b>24,315,768</b>	<b>22,902,373</b>

## INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2022

KEUR	Note	2022	2021
1. Other operating income	(14)	717	76
2. Other operating expenses	(15)	-6,800	-9,960
3. Income from other securities and loans		16	-
4. Write-downs of securities classified as current assets		-	-24
5. Finance income/costs	(16)	313,807	265,073
<b>6. Earnings after taxes</b>		<b>307,740</b>	<b>255,165</b>
7. Profit transferred under a profit and loss transfer agreement	(17)	-307,740	-255,165
<b>8. Net income for the year</b>		<b>-</b>	<b>-</b>

## STATEMENT OF CASH FLOWS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2022

KEUR	<i>Jan.-Dec. 2022</i>	<i>Jan.-Dec. 2021</i>
<b>Earnings before profit transfer</b>	<b>307,740</b>	<b>255,165</b>
+ Increase/- decrease in provisions	15,059	-17,629
+ Increase/- decrease in liabilities to affiliated companies	249,042	1,716,420
- Increase/+ decrease in receivables from affiliated companies	-1,435,406	-194,383
- Interest income/+ interest expense	-288,896	-272,710
+ Interest received from/- interest paid to affiliated companies	332,123	319,864
+ Interest received	6,114	1,053
- Interest paid	-49,342	-48,206
+ Increase/- decrease in trade payables and other liabilities not attributable to investing or financing activities	-13,071	-15,945
- Increase/+ decrease in other assets not attributable to investing or financing activities	12,189	-9,804
<b>Cash flows from operating activities</b>	<b>-864,448</b>	<b>1,733,825</b>
+ Proceeds from sale of other securities/- acquisition of other securities and financial assets	50,089	-80,020
<b>Cash flow from investing activities</b>	<b>50,089</b>	<b>-80,020</b>
+ Loss/- profit transferred under profit and loss transfer agreement with the shareholder	-255,165	-271,737
+ Proceeds from issue of bonds and loans and borrowings	1,659,718	0
- Payments from redeeming bonds and repaying loans and borrowings	-550,000	-1,019,896
<b>Cash flows from financing activities</b>	<b>854,553</b>	<b>-1,291,633</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>40,194</b>	<b>362,172</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,326,354</b>	<b>964,182</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,366,548</b>	<b>1,326,354</b>
<b><u>Composition of cash and cash equivalents:</u></b>		
Cash at bank and in hand	1,366,548	1,326,649
Liabilities to financial institutions (bank accounts)	0	295
<b>Cash and cash equivalents at end of period</b>	<b>1,366,548</b>	<b>1,326,354</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2022

<b>KEUR</b>	<b>Jan 1, 2022</b>	<b>Change in equity</b>	<b>Dec. 31, 2022</b>
Share capital	25	-	25
Capital reserve	411,960	-	411,960
Net income for the year	-	-	-
<b>Total</b>	<b>411,985</b>	<b>-</b>	<b>411,985</b>

<b>KEUR</b>	<b>Jan. 1, 2021</b>	<b>Change in equity</b>	<b>Dec. 31, 2021</b>
Share capital	25	-	25
Capital reserve	411,960	-	411,960
Net income for the year	-	-	-
<b>Total</b>	<b>411,985</b>	<b>-</b>	<b>411,985</b>

## NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

### GENERAL INFORMATION

The annual financial statements of Merck Financial Services GmbH, Darmstadt (MFS) as of December 31, 2022, have been prepared, pursuant to Section 267 (3) sentence 2 of the German Commercial Code [HGB], in accordance with the provisions applicable to large corporations as defined by HGB and the German Limited Liability Companies Act [GmbHG]. The income statement is presented using the total cost (nature of expense) method. Some balance sheet and income statement items have been aggregated for clarity of presentation. These items are presented separately in the notes to the financial statements.

The Company is listed in the commercial register at the Darmstadt District Court under file number HRB 86146.

The statement of cash flows has been prepared in line with German Accounting Standard 21 (GAS 21) Cash Flow Statements. Cash flows from operating activities include cash flows from financing of Merck Group entities as well as from hedging the currency, interest rate and price risks of Merck entities. Cash flows from investing activities mainly relate to payments made and proceeds received in connection with financial investments outside of the Merck Group. Cash flows from financing activities refer to capital contributions from the shareholder (equity) as well as external financing and profit or loss transfer.

## NOTES TO THE BALANCE SHEET

### (1) RECEIVABLES FROM AFFILIATED COMPANIES

KEUR	Dec. 31, 2022	<i>thereof due af- ter more than one year</i>	Dec. 31, 2021	<i>thereof due af- ter more than one year</i>
Receivables from affiliated companies	22,823,246	-	21,385,119	-
<i>- thereof from shareholder</i>	<i>13,963,086</i>	<i>-</i>	<i>14,129,388</i>	<i>-</i>
	<b>22,823,246</b>	<b>-</b>	<b>21,385,119</b>	<b>-</b>

Receivables from affiliated companies are stated at nominal value. Provisions for bad debts are made for credit and other risks. All receivables from affiliated companies are due within one year. Receivables denominated in foreign currency are translated at the average spot exchange rate applicable on the closing date. The receivables from affiliated companies mainly comprise clearing account receivables and EUR loan receivables.

### (2) OTHER ASSETS

KEUR	Dec. 31, 2022	<i>thereof due after more than 1 year</i>	Dec. 31, 2021	<i>thereof due after more than 1 year</i>
Other receivables from third parties	8,113	-	20,948	-
	<b>8,113</b>	<b>-</b>	<b>20,948</b>	<b>-</b>

Other assets are stated at nominal value and have a remaining term of less than one year. Provisions for bad debts are made for credit and other risks. Receivables denominated in foreign currency are translated at the rate prevailing on the reporting date.

Other receivables largely contain option premiums and interest receivables from third parties. Other receivables also include positive changes in the fair values of external currency forwards due to fluctuations in exchange rates, as well as matching losses on the underlying transactions included in the hedge, which are presented pursuant to Statement on Accounting IDW RS HFA 35. See also note 20.

### (3) OTHER SECURITIES

KEUR	Dec. 31, 2022	Dec. 31, 2021
Commercial papers	79,981	130,069
<b>Securities</b>	<b>79,981</b>	<b>130,069</b>

The Company invests in short-term capital market instruments for more efficient management of its cash flows. These serve the purpose, together with the available cash and cash equivalents, of ensuring adequate liquidity within the Group. Securities are denominated in euros and valued at the lower of cost and the closing rate.

**(4) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents of KEUR 1,366,548 (PY: KEUR 1,326,649) consist of current account balances as well as overnight and time deposits at various banks and money market funds. Cash deposits were reversed as a result of the current interest rate development. To minimize risk, cash and cash equivalents are mainly held in euros. Cash and cash equivalents in foreign currency are translated at the closing rate.

For movements in cash and cash equivalents we refer to the statement of cash flows for the period from January 1 to December 31, 2022/2016.

**(5) PREPAID EXPENSES**

The prepaid expenses recognized in the amount of KEUR 37,880 (PY: KEUR 39,588) refer to discounts of KEUR 10,452 (PY: KEUR 9,242) in connection with the raising of loans. These discounts are released in installments over the relevant terms. They are recognized at cost less released installments.

This item also includes the compensation payable to Merck Financial Trading GmbH (Gernsheim) and Merck Capital Ltd (Malta) still to be released over the terms to maturity of the derivatives amounting to KEUR 23,666 (PY: KEUR 18,432). This compensation is paid to the two in-house banks for assuming the risk of changes in fair value of derivatives used to hedge planned transactions of Merck Group, and covers the cost of risk capital held by group companies to cover this risk of changes in fair value. Group companies are not permitted to close out derivatives without the instruction of Merck Financial Services GmbH, Darmstadt, before they reach maturity. Payment is made on conclusion of a derivative contract with the above-mentioned companies for the entire term of the derivative.

This item also includes interest of KEUR 3,761 (PY: KEUR 11,914) accrued on loans. The interest rate hedge, which was still in place as of the prior-year reporting date, expired as planned after the related bond also became due for repayment during the reporting year.

**(6) EQUITY**

For changes in equity, we refer to the statement of changes in equity for the period from January 1 to December 31, 2022.

The Company's subscribed capital recorded in the commercial register amounts to KEUR 25.

**(7) PROVISIONS**

<b>KEUR</b>	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2021</b>	<b>Note</b>
Provisions for onerous contracts	30,002	14,829	a.
Other provisions – third parties	61	175	b.
<b>Other provisions</b>	<b>30,063</b>	<b>15,004</b>	

**a. Provisions for onerous contracts**

Negative fair values for derivatives not included in hedges are presented as provisions for onerous contracts. Unrealized gains are not included.

Equally, negative differences in value arising from fluctuations in exchange rates with respect to hedging instruments are recognized as provisions for onerous contracts, unless the exchange rate-related changes in fair value of the hedged item and hedging instrument belonging to the same hedge offset each other. Positive differences in value for hedging instruments are not recognized.

Hedges are accounted for using the gross hedge presentation method insofar as they relate to hedging of loans and cash deposits against fluctuations in exchange rates; otherwise, the net hedge presentation method is used.

**b. Other provisions – third parties**

These provisions take account of all identifiable risks and contingent liabilities as of the reporting date and, as is also the case for other provisions, are recognized at the settlement amount deemed necessary based on sound business judgment.

**(8) LIABILITIES**

Liabilities are stated at their settlement amounts. Current payables (due within one year) denominated in foreign currency are translated at the closing rate.

**(9) BONDS**

The liability of KEUR 4,500,000 recognized as of December 31, 2022, (PY: KEUR 4,050,000) was composed as follows:

KEUR	<i>Due within 1 year</i>	<i>Due between 1 and 5 years</i>	<i>Due after more than 5 years</i>	<i>Dec. 31, 2022 Total</i>
Bonds	600,000	1,850,000	2,050,000	4,500,000
Commercial papers	-	-	-	-
	<b>600,000</b>	<b>1,850,000</b>	<b>2,050,000</b>	<b>4,500,000</b>

KEUR	<i>Due within 1 year</i>	<i>Due between 1 and 5 years</i>	<i>Due after more than 5 years</i>	<i>Dec. 31, 2021 Total</i>
Bonds	550,000	1,350,000	2,150,000	4,050,000
Commercial papers	-	-	-	-
	<b>550,000</b>	<b>1,350,000</b>	<b>2,150,000</b>	<b>4,050,000</b>

In financial year 2009, Merck launched a debt issuance program that sets a contractual framework for the issue of bonds. At present, bonds at a nominal value of EUR 4.50 billion are outstanding under this program.

This amount is broken down as follows:

- bond denominated in euros at a nominal value of KEUR 600,000, which matures in December 2023 at a coupon rate of 0.005%
- bond denominated in euros at a nominal value of KEUR 750,000, which matures in July 2025 at a coupon rate of 0.125%
- bond denominated in euros at a nominal value of KEUR 600,000, which matures in July 2027 at a coupon rate of 0.375%
- bond denominated in euros at a nominal value of KEUR 750,000, which matures in July 2028 at a coupon rate of 0.500%
- bond denominated in euros at a nominal value of KEUR 800,000, which matures in July 2031 at a coupon rate of 0.875%
- *new* bond denominated in euros at a nominal value of KEUR 500,000, which matures in June 2026 at a coupon rate of 1.875%
- *new* bond denominated in euros at a nominal value of KEUR 500,000, which matures in June 2030 at a coupon rate of 2.375%

## (10) LIABILITIES TO BANKS

Liabilities to banks are valued at their settlement amounts. As of the reporting date, there were no liabilities to banks. The prior-year figure amounted to KEUR 295.

## (11) LIABILITIES TO AFFILIATED COMPANIES

KEUR	<i>Due within 1 year</i>	<i>Due between 1 and 5 years</i>	<i>Due after more than 5 years</i>	<i>Dec. 31, 2022 Total</i>
Other liabilities to affiliated companies	18,687,345	-	-	18,687,345
<i>thereof to the shareholder</i>	<i>338,749</i>	-	-	<i>338,749</i>
	<b>18,687,345</b>	-	-	<b>18,687,345</b>

KEUR	<i>Due within 1 year</i>	<i>Due between 1 and 5 years</i>	<i>Due after more than 5 years</i>	<i>Dec. 31, 2021 Total</i>
Other liabilities to affiliated companies	18,385,362	-	-	18,385,362
<i>thereof to the shareholder</i>	<i>255,165</i>	-	-	<i>255,165</i>
	<b>18,385,362</b>	-	-	<b>18,385,362</b>

Merck Financial Services GmbH is the finance company for the companies within the Merck Group. It extends short-term loans and clearing account balances received from group entities to other affiliated group entities. This is generally carried out in the functional currency of the respective group entity.

## **(12) OTHER LIABILITIES**

Other liabilities are valued at their settlement amount and, if they are denominated in foreign currency, are translated at the rate prevailing on the reporting date. They amount to a total of KEUR 685,985 (PY: KEUR 38,943). This increase is attributable to the restructuring of a portion of liabilities to affiliated companies and a corresponding change in lender in the amount of KEUR 660,000. Although the new lender is not a member of the consolidated group, it is nevertheless to be classified as a related party pursuant to IAS 24.9, and is thus reported under other liabilities. A total of KEUR 550,000 is due in more than five years, while the remainder is due in between one and five years. By contrast, liabilities to affiliated companies fell by the same amount.

As in the previous year, the remaining other liabilities of KEUR 25,985 thousand have a residual term of less than one year and result from interest liabilities to third parties due to bonds issued and option premiums concluded with an internal offsetting transaction.

## **(13) DEFERRED INCOME**

Deferred income refers to the premium of originally KEUR 1,254 on the new bond issued in May 2019. It is released over the term of the bond in installments, with the balance amounting to KEUR 269 as of the reporting date (PY: KEUR 550).

**NOTES TO THE INCOME STATEMENT****(14) OTHER OPERATING INCOME**

Other operating income of KEUR 717 (PY: KEUR 76) includes income from providing intercompany services in the Merck Group as well as foreign currency translation gains of KEUR 50. For the first time, this item also includes income realized from the hedging of commodity futures in the amount of KEUR 603. This is offset by expenses in the same amount under the remaining other operating expenses.

**(15) OTHER OPERATING EXPENSES**

<b>KEUR</b>	<b>2022</b>	<b>2021</b>
Third-party services and compensation	2,976	4,061
Bank charges	3,064	5,751
Other operating expenses	760	148
<i>thereof from foreign currency translation</i>	36	32
<b>Other operating expenses</b>	<b>6,800</b>	<b>9,960</b>

Third-party services and compensation relate primarily to external IT fees and services performed by Merck KGaA, Darmstadt. Bank charges include banking fees and negative interest.

**(16) FINANCE INCOME/COSTS**

<b>KEUR</b>	<b>2022</b>	<b>thereof from affiliated companies</b>	<b>2021</b>	<b>thereof from affiliated companies</b>
Other interest and similar income	462,878	456,765	340,371	339,213
Interest and similar expenses	-173,244	-124,642	-62,322	-19,349
<b>Net interest income</b>	<b>289,634</b>	<b>332,123</b>	<b>278,049</b>	<b>319,864</b>
Foreign exchange gains	1,974,583	*	1,012,872	*
Foreign exchange losses	-1,950,410	*	-1,025,848	*
<b>Foreign exchange differences</b>	<b>24,173</b>	<b>*</b>	<b>-12,976</b>	<b>*</b>
<b>Net finance income</b>	<b>313,807</b>		<b>265,073</b>	

Interest and similar expenses include the compensation of KEUR 28,723 (PY: KEUR 16,526) payable to Merck Financial Trading GmbH (Gernsheim) and Merck Capital Limited (Malta) to be released over time.

**(17) APPROPRIATION OF PROFITS**

The profit of KEUR 307,740 (PY: KEUR 255,165) generated in 2022 will be transferred to the shareholder, Merck KGaA (Darmstadt), on December 31, 2022, in accordance with the profit and loss transfer agreement of January 22, 2008.

**OTHER DISCLOSURES****(18) CONTINGENT LIABILITIES**

Contingent liabilities as of the reporting date:

KEUR	Dec. 31, 2022	thereof to affiliated companies	Dec. 31, 2021	thereof to affiliated companies
Sureties	2,797	2,797	2,635	2,635
Guarantees	209,369	209,369	190,873	190,873
	<b>212,166</b>	<b>212,166</b>	<b>193,507</b>	<b>193,507</b>

The sureties and guarantees arise mainly from contract performance bonds and guarantees to clients of affiliated companies. The use of contingent liabilities is considered highly unlikely. This assessment is based on the very stable financial situation of the entire Merck Group.

**(19) OTHER FINANCIAL COMMITMENTS**

Other financial commitments consist of KEUR 696 payable to affiliated companies under service agreements (PY: KEUR 771). These amounts are due within one year.

**(20) FINANCIAL INSTRUMENTS**

Derivative financial instruments are used exclusively to hedge the Group's market risks to minimize the Group's currency risks due to fluctuations in exchange rates. Forward exchange contracts, options and swaps – all customary instruments on the market – are used for this purpose. The use of such derivative contracts is governed by guidelines. Derivative financial transactions are subject to continuous risk control. Trading, settlement and control functions are strictly separated. Derivative contracts are concluded only with banks of good credit standing.

Due to Merck Financial Services GmbH's function as central financing entity, the currency risks of affiliated companies are hedged by issuing intragroup derivative financial instruments to these entities. In order to avoid open positions at Merck Financial Services GmbH, Darmstadt, these intragroup derivative financial instruments are hedged with similar derivative financial instruments issued by banks, the intragroup derivative financial instruments representing, in Merck Financial Services GmbH's view, hedged items. The parameters are divergent, so that the cash flows from these hedges will offset each other to a large degree in future. Moreover, derivative financial instruments are negotiated with banks to hedge the Group's own currency, interest rate and price risks.

As of December 31, 2022, the following derivative financial instruments were held with banks and affiliated companies (derivative financial instruments may refer to both hedged items and hedging instruments):

KEUR	Notional amounts		Fair value	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
<b>Forward exchange contracts</b>	<b>8,637,622</b>	<b>9,439,250</b>	<b>-9,603</b>	<b>15,530</b>
<i>thereof operating transactions</i>	-	-	-	-
<i>thereof financial instruments</i>	8,637,622	9,439,250	-9,603	15,530
<b>Currency options</b>	<b>7,352,000</b>	<b>8,422,308</b>	<b>-123</b>	<b>-24</b>
<i>thereof operating transactions</i>	-	-	-	-
<i>thereof financial instruments</i>	7,352,000	8,422,308	-123	-24
<b>Interest rate swaps</b>	<b>0</b>	<b>1,100,000</b>	<b>0</b>	<b>-14,668</b>
<b>Commodity futures</b>	<b>38,552</b>	<b>36,312</b>	<b>0</b>	<b>0</b>
	<b>16,028,174</b>	<b>18,997,870</b>	<b>-9,726</b>	<b>838</b>

Residual maturities of derivative financial instruments (notional amounts) as of the reporting date:

KEUR	Residual ma-	Residual ma-	Total	Residual ma-	Residual ma-	Total
	turity of	turity of		turity of	turity of	
	1 year	1 year	Dec. 31, 2022	1 year	1 year	Dec. 31, 2021
<b>Forward exchange contracts</b>	8,637,622	-	<b>8,637,622</b>	9,439,250	-	<b>9,439,250</b>
<b>Currency options</b>	7,352,000	-	<b>7,352,000</b>	8,422,308	-	<b>8,422,308</b>
<b>Interest rate swaps</b>	-	-	-	1,100,000	-	<b>1,100,000</b>
<b>Commodity futures</b>	-	38,552	<b>38,552</b>	-	36,312	<b>36,312</b>
			<b>16,028,173</b>			<b>18,997,870</b>

Forward exchange contracts and currency options serve, on the one hand, to hedge foreign currency loans granted to or received from entities of the Merck Group and, on the other hand, to hedge specific future operating transactions between affiliated companies. The interest rate swaps served to hedge interest rates for existing financing. Commodity futures were concluded for the first time in financial year 2020 for the purpose of hedging price risks.

Future transactions are only hedged if it is highly probable that they will occur. Only pending transactions are currently being hedged at the level of Merck Financial Services GmbH.

The notional amount is the sum total of all amounts to buy and sell derivative financial instruments. Their fair values are based on the market prices of outstanding positions without taking into account opposite movements in the value of the underlying transactions. They correspond to the income or expenses that would result if the derivatives contracts were closed out as of the reporting date. The fair values are based on quoted prices or current market data provided by a recognized information service.

Forward exchange contracts, options and commodity futures included in a hedging unit are recognized using the net hedge presentation method, and in all other cases using the gross hedge presentation method.

In the gross hedge presentation method, income and expenditure from the underlying and hedging transactions are recognized gross in the balance sheet and income statement. In the net hedge presentation method, changes in the values of underlying and hedging transactions are recognized in the income statement once the hedge reaches maturity. Until that date, value changes are not recognized in the balance sheet or income statement.

Positive fair values of derivatives which form part of a hedge are presented under 'Other assets' in accordance with Statement on Accounting IDW RS HFA 35. Negative fair values of derivatives which form part of a hedge are presented under 'Hedging provisions'. Derivatives not belonging to a hedge are recognized in accordance with the recognition-of-loss principle, i.e. unrealized gains are not recognized, while unrealized losses are presented under provisions for onerous contracts.

Specifically, financial instruments with the following fair values were combined into microhedges:

	<b>Notional amount</b>	<b>Currency</b>	<b>Matures in</b>	<b>Fair value hedged item KEUR</b>	<b>Fair value hedging instrument KEUR</b>
Foreign currency hedge	4,760,135	KEUR	12/2023	-23,605	23,387
Commodity hedge	19,276	KEUR	10/2034	23,328	-23,328

The currency hedging of external currency futures and options mirrors that of internal foreign exchange hedging. The maturities range between one and twelve months depending on the exposure. They were traded, among others, in the following currencies:

<b>Currency</b>	<b>Foreign currency amount in millions</b>
USD	3,629
CNY	6,923
KRW	212,295
TWD	4,397
JPY	12,991
AUD	28
CAD	19
GBP	3

They are measured using rates that can be observed on the market as well as spreads and interest rebates corresponding to the term to maturity in relation to the traded market price.

Due to the creation of hedges – pursuant to Section 254 HGB – Sections 249 (1), 252 (1) item 3 and 4, 253 (1) sentence 1, and 256a HGB do not apply to the extent that and during the period in which opposing changes in value or movements in cash flows offset each other. The notional amounts of hedged items (including hedged items in the form of intragroup forward exchange contracts) are equal to the notional amounts of hedging instruments.

With regard to existing financial derivatives, the maximum (theoretical) credit risk is their positive fair value.

As the underlying contracts were concluded solely with banks of good credit standing or Merck group companies, we do not anticipate any real credit risk for these financial instruments.

## **(21) MANAGEMENT**

The managing directors, Mr. Rando Bruns and Mr. Jörg Bermüller, are not employed by the Company. Both are managerial employees at Merck KGaA.

## **(22) AUDIT COMMITTEE**

One audit committee meeting was held in the financial year in accordance with the provisions of Section 107 (3) of the German Stock Corporation Act [AktG]. In addition, four circular resolutions were passed. The Audit Committee was composed of the managing director, Mr. Rando Bruns, the Chairman of the Audit Committee, Mr. Christian Dürr and Mr. Marc Weber, employed by Merck KGaA Darmstadt.

## **(23) GROUP AFFILIATION**

Merck Financial Services GmbH, Darmstadt, is a Group company of E. Merck KG, Darmstadt (largest group of companies), and is included in the consolidated financial statements of that company. The Company is also included in the subgroup financial statements of Merck KGaA, Darmstadt (smallest group of companies).

The consolidated and subgroup financial statements are filed with the German Federal Gazette [Bundesanzeiger] and are available online at [www.unternehmensregister.de](http://www.unternehmensregister.de).

## **(24) AUDIT FEES**

Total fees charged by the external auditor for the financial year are detailed in the consolidated financial statements of Merck KGaA, Darmstadt.

In addition to the audit of the financial statements, the auditor also performed services in the reporting year in connection with issuing a comfort letter and for the annual EMIR assessment pursuant to Section 20 of the German Securities Trading Act [WpHG].

## **(25) MISCELLANEOUS**

The Company does not employ any staff of its own.

## (26) EVENTS AFTER THE REPORTING DATE

There were no further significant events after the balance sheet date which are expected to have a material impact on the assets, liabilities, financial position and financial performance of the Company.

Darmstadt, February 24, 2023

Management

Rando Bruns

Jörg Bermüller

## MANAGEMENT REPORT AS OF DECEMBER 31, 2022

### **Merck Financial Services GmbH ...**

Merck Financial Services GmbH ('Company') was founded on August 27, 2007, as a German limited liability company [GmbH] under the name Merck Oktober Allgemeine Beteiligungs GmbH. The Company changed its name on October 26, 2007, to Merck 9. Allgemeine Beteiligungs GmbH and again on February 5, 2009, to Merck Financial Services GmbH. The Company's registered offices are in Darmstadt.

The Company's purpose is to execute all activities that are necessary to fulfill its function as in-house bank of Merck Group, particularly the centralization of financing activities, the control and management of cash flows, taking out loans, issuing bonds, debentures and debt securities, every type of financial support for Merck Group companies, and financial risk management. The Company is a wholly owned subsidiary of Merck KGaA, the controlling company, with which it has signed a profit and loss transfer agreement.

### **Performance indicators**

The Company is integrated in the management system of Merck Group. One of the Company's important aims is to provide liquidity within the Merck Group, which is taken appropriately into account by the reserve concept. Furthermore, the Company uses finance income/costs as one of its key performance indicators.

### **Economic and financial report ...**

#### **...Overall economic conditions**

With regard to the development of interest rates, interest rates persisted at a low level in the eurozone throughout 2022, though the market expectation of rising interest rates was already partially fulfilled towards the end of the financial year. Among the key currencies for the Company, USD & CHF appreciated against the euro, from 1.13 to 1.06 and from 1.037 to 0.99, respectively, while the CNY fell from 7.21 to 7.42 against the euro. The JPY remained stable at between 130 and 131 as of the reporting date.

#### **...Business development**

Due to its activities as a central financing entity, the Company generated a profit of EUR 307.7 million in 2022. This profit was transferred to Merck KGaA as of December 31, 2022, according to a profit and loss transfer agreement. This profit can be compared to the profit in the prior year of EUR 255.2 million. Interest income contributes significantly to favorable total earnings.

Merck Financial Services GmbH operates as financing entity and in-house bank for Merck KGaA, and hence also for the entire Merck Group, and therefore is considerably influenced by the performance of Merck KGaA. At the same time, Merck KGaA is the guarantor for the outstanding financial liabilities of the Company in the amount of EUR 4,500.0 million (PY: EUR 4,050.3 million).

Management is satisfied with the Company's financial performance, especially the interest income. This development is in line with prior year's forecast.

**Financial performance**

Earnings after taxes of EUR 307.7 million (PY: EUR 255.2 million) was dominated by finance income/costs, amounting to EUR 313.8 million (PY: EUR 265.1 million).

Net interest income included in finance income/costs amounted to EUR 289.6 million (PY: EUR 278.0 million). This largely resulted from the sum total of interest income from affiliated companies of EUR 456.8 million (PY: EUR 339.2 million) and total interest expenses of EUR 173.2 million (PY: EUR 62.3 million), which are attributable to interest on the Company's financial liabilities in the amount of EUR 48.6 million (PY: EUR 43.0 million) and primarily attributable to interest on loans from Merck Group companies in the amount of EUR 124.6 million (PY: EUR 19.3 million). The improvement in the financial result was largely influenced by the increase in foreign currency translation differences to EUR +24.2 million (PY: EUR -13.0 million).

Other operating expenses total EUR 6.8 million (PY: EUR 10.0 million) and mainly comprise expenses for third-party services (EUR 3.0 million; PY: EUR 4.1 million), banking fees and negative interest (EUR 3.1 million; PY: EUR 5.8 million).

**...Assets and liabilities**

The Company's total assets amount to EUR 24,315.8 million (PY: EUR 22,902.4 million). The increase in total assets mainly results from higher receivables from and liabilities to affiliated companies as well as the issuance of new bonds. In the year under review, a bond of EUR 550 million due in September was repaid early. The Company's share capital is fully paid up and amounts to KEUR 25. As in the prior year, the capital reserves amounted to EUR 412.0 million.

The ratio of equity to total assets is 1.7% and is thus below the prior year's level (PY: 1.8%). Non-current capital, i.e. equity and non-current liabilities in relation to total assets, makes up 20.4% (PY: 17.1%).

Receivables from affiliated companies amount to EUR 22,823.2 million (PY: EUR 21,385.1 million). These are contrasted by intragroup payables of EUR 18,687.3 million (PY: EUR 18,385.4 million). These intragroup items consist of current clearing accounts as well as term loans and investments with companies of Merck Group.

Receivables from third parties as well as other current assets in the amount of EUR 1,454.6 million (PY: EUR 1,477.7 million) predominantly consist of cash and cash equivalents in the amount of EUR 1,366.5 million (PY: EUR 1,326.6 million) as well as securities and other short-term investments under current assets in the amount of EUR 80.0 million (PY: EUR 130.1 million).

Liabilities to third parties amounting to EUR 5,186.1 million (PY: EUR 4,089.5 million) are mainly attributable to issuing bonds at a volume of EUR 4,500.0 million (PY: EUR 4,050.0 million). Furthermore, other liabilities to third parties amount to EUR 686.1 million (PY: EUR 38.9 million) and there are no liabilities to banks (PY: EUR 0.3 million).

Provisions amount to EUR 30.1 million (PY: EUR 15.0 million) and comprise provisions for onerous contracts in the amount of EUR 30.0 million (PY: EUR 14.8 million).

**...Financial position**

In financial year 2022, the Company's cash and cash equivalents increased slightly and now amounts to EUR 1,366.5 million (PY: EUR 1,326.6 million).

**...Personnel**

Merck Financial Services GmbH does not employ any personnel of its own. The operating activities are performed by employees of Merck KGaA. Thus, the Company's entire operations are managed by Merck KGaA and aligned with the financing needs of the parent company and group companies.

**Risk report...****... Management of opportunities and risks**

As the central group-wide financing entity, Merck Financial Services GmbH's primary purpose is to support the operating activities of the Merck Group. Currency risks arising from transactions must be reduced and, ideally, eliminated. The Company is exposed to interest rate risks, however also presented with associated opportunities, as bonds issued in the capital market largely carry fixed interest rates, while funds are reinvested internally or in the capital market with shorter maturities. As soon as the total amount of the floating rate assets exceeds the liabilities, the rise in the interest rate level would generally lead to an improvement in the Company's net interest income. The risks are presented below in descending order of importance.

**... Business-related risks**

The business activities of Merck Financial Services GmbH are limited to financial transactions. Therefore, the associated risks are presented under financial risks in the following section.

**... Financial risk**

Due to its function as central financing entity within the Merck Group and its activities in the external capital market, the Company is subject to market, credit and liquidity risks.

Market risks, particularly from fluctuations in exchange and interest rates, can have significant effects on profit and cash flows. The Company therefore uses derivatives to hedge existing risk exposures and thus minimize the financial risks due to fluctuations in exchange and interest rates and also its borrowing costs. To this end, the Company continuously monitors existing risk exposures. Financial transactions denominated in foreign currency are always hedged.

Financial transactions exposed to credit risk are mainly concluded with banks and companies of good credit standing. The credit ratings of counterparties are continuously monitored so as to be able to react to deteriorations at short notice and to minimize potential credit risks for the Company. The theoretical maximum exposure to credit risk as of the reporting date corresponded to the net book values of the items. There currently is no evidence of credit risk from receivables from affiliated companies.

Liquidity risk, i.e. the risk that the Company will be unable to meet its financial obligations, is mitigated by means of effective cash management as well as a multi-currency working capital facility. This was extended in advance during the reporting year and increased to EUR 2.5 billion. The new credit line, with a term until 2027, was concluded with a total of fifteen banks with good credit ratings. The Company also concluded further bilateral credit line agreements in the amount of EUR 375.0 million which fall due between 2023 and 2025.

Furthermore, in financial year 2009, Merck launched a debt issuance program that sets a contractual framework for the issue of bonds. At present, bonds at a nominal value of EUR 4.50 billion are outstanding under this program. The program facilitates the issue of debt securities up to a volume of EUR 15.0 billion. In addition, a commercial paper

program is also available to cover short-term capital requirements, but which had not been utilized as of the reporting date. The bond of EUR 550.0 million, which was originally due in September 2022, was already paid back in the first half of 2022.

Merck KGaA has issued a guarantee for the Company's external liabilities. There is no indication that the credit facility is restricted in its availability.

Furthermore, the carrying amounts of individual balance sheet items are subject to the risk of changing market conditions and thus also changes in fair value. This could adversely affect profit as well as balance sheet ratios.

### **... Legal risks**

Merck Financial Services GmbH is exposed to legal risks in the course of its activities in the capital market and through its function as a group-wide financing entity. The necessary precautions have been taken to identify potential risks and safeguard the Company's rights.

### **... Information technology risks**

Due to a system design that duplicates technical components, networks and facilities (redundancy), the Company ensures – also in the event of failure of individual components – the required availability of application systems that are critical for business as well as access to business-related data. The Company has security guidelines for organizational, technical and software procedures for access control, access rights, virus and data protection. Compliance with and the effectiveness of these procedures are continuously monitored. A dedicated IT risk management process ensures that IT risks are evaluated and adequate procedures are implemented.

### **... Management's assessment of the Company's overall risk**

There currently is no evidence of risks that may cast significant doubt on the Company's ability to continue as a going concern.

### **... Internal control system for financial reporting processes**

The objective of an internal control system (ICS) for financial reporting processes is to obtain reasonable assurance about whether the financial statements are prepared in compliance with regulations, by means of the implementation of controls. Merck Financial Services GmbH is integrated in the risk management system of the Merck Group.

Key instruments and regulations are:

- accounting policies
- clearly defined segregation of duties and allocation of responsibilities
- involvement of independent experts – where required – for example, for the measurement of financial instruments
- use of suitable, largely uniform IT financial systems and application of detailed authorization concepts to ensure task-based authorizations in compliance with SoD principles
- system controls and additional procedures to control financial reporting processes at entity level
- inclusion of risks recorded and assessed in the risk management system in the interim financial statements, to the extent required pursuant to current accounting policies

The Company's management is responsible for implementing these regulations and using these instruments.

All structures and procedures described are subject to regular review by Internal Audit. The structures and procedures to be reviewed are specified by Merck KGaA's management in an annual audit plan.

**Forecast...**

Due to its function as external and internal trading partner for financial transactions, Merck Financial Services GmbH's profit is highly dependent on interest income and expenses. Stable to slight improvement of net financing is anticipated for 2023, largely due to the sound performance of net interest income. This is based on the assumptions regarding the development of financial liabilities and the liquidity reserve. This forecast is based on the assumption that exchange differences will not arise. These may be positive or negative depending on movements in exchange rates.

Due to the fact that the Company's profits are transferred to Merck KGaA under a profit and loss transfer agreement and any losses incurred are assumed by the latter, the Company's net income (loss) for the year will always be offset and therefore amount to nil.

Liquidity shortages are currently not anticipated in view of the Company's adequate liquid assets. In addition, the Company has sufficient financing facilities at its disposal so that it will always be in a position to provide the required liquidity in the coming year.

Actual developments may deviate from the expectations presented here.

Darmstadt, February 24, 2023

## MANAGEMENT'S RESPONSIBILITY STATEMENT

We hereby confirm that, to the best of our knowledge, the financial statements of Merck Financial Services GmbH for the year ended December 31, 2022, give a true and fair view of the assets, liabilities and financial position of the Company and of its financial performance in accordance with applicable accounting policies, and that the management report gives a true and fair view of the Company's business development including its performance and financial position, and also describes significant opportunities and risks relating to the Company's anticipated development.

Darmstadt, February 24, 2023

Management

*Rando Bruns*

*Jörg Bermüller*

## AUDIT COMMITTEE REPORT

The Audit Committee met once in the 2022 financial year. A circular resolution was also passed.

The CEO of Merck Financial Services GmbH, the Chairman and the other member of the Audit Committee took part in the meeting.

Darmstadt, February 24, 2023

Chairman of the Audit Committee

*Christian Dürr*

# ESEF Documents of Merck Financial Services GmbH, Darmstadt as of 31 December 2022

The rendering of the annual financial statements and the management report (“ESEF document”) prepared for publication purposes with the file name „MFSJahresabschluss31Dec2022.xhtml“ (SHA256-Hashwert: 9E07DC874457F231128F03A2AD204AE15FA670480A84E965B89F31B79604D649) is available for download by the issuer from the electronic client portal with access protection.



# Independent Auditor's Report

To Merck Financial Services GmbH, Darmstadt

## Report on the Audit of the Annual Financial Statements and of the Management Report

### Opinions

We have audited the annual financial statements of Merck Financial Services GmbH, Darmstadt, which comprise the balance sheet as of December 31, 2022, the income statement, the statement of cash flows and the statement of changes in equity for the financial year from January 1 to December 31, 2022, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Merck Financial Services GmbH for the financial year from January 1 to December 31, 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional

responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

### **Key Audit Matters in the Audit of the Annual Financial Statements**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### **■ Hedge accounting and accounting treatment of derivative transactions**

For hedging disclosures please refer to notes 2, 5, 7, 20 to the financial statements.

#### **THE FINANCIAL STATEMENT RISK**

As the in-house bank of Merck Group, Merck Financial Services GmbH uses a variety of derivative financial instruments to hedge the exchange and interest rate risks arising from operating activities. As of December 31, 2022, forward exchange contracts, currency options and commodity futures amounted to a notional value of EUR 16 billion, with a negative fair value of EUR 9.7 million (net).

In view of the numerous short-term transactions at a high hedging volume and different accounting treatment depending on the hedging relationship involved, hedge accounting and accounting for derivative transactions is complex.

Regarding the financial statements there is consequently the risk that other assets arising from derivative transactions, provisions for onerous contracts and hedges, hedged items included in a hedge and the income and expenses from the hedged items and hedging instruments are not correctly reflected in the balance sheet or income statement. There is also the risk that the related disclosures in the notes are not appropriate.

#### **OUR AUDIT APPROACH**

In the course of our audit, we assessed, with the support of our finance and treasury management experts, the accounting treatment including the effects on earnings of the various hedging instruments. To this end, we have, among other matters, assessed relevant controls of the established internal control system involving derivative financial instruments with regard to their appropriateness and effectiveness.

We have performed a risk-oriented review of the Company's approach to determine whether the recognition of the items arising from derivative transactions complies with the accounting policies to be applied, depending on the respective hedging purpose.

In addition, we have provided a risk-oriented assessment of the fair values used by Merck FS within the scope of a reference valuation. We have also assessed the completeness of the

transactions recognized in the balance sheet on the basis of externally obtained bank confirmations. With regard to hedges, we reviewed both Merck FS's prospective and retrospective effectiveness calculations and assessed whether the hedging relationships were documented properly and in a timely manner.

Furthermore, we have assessed whether the disclosures in the notes relating to hedge accounting are appropriate.

## OUR OBSERVATIONS

The approach for hedge accounting is appropriate and in line with the accounting policies. The disclosures in the notes are appropriate.

### **Responsibilities of Management and the Audit Committee for the Annual Financial Statements and the Management Report**

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Audit Committee is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

### **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and

appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other Legal and Regulatory Requirements

### **Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB**

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file „MFSJahresabschluss31Dec2022.xhtml“ (SHA256-Hashwert: 9E07DC874457F231128F03A2AD204AE15FA670480A84E965B89F31B79604D649) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file made available identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from January 1 to December 31, 2022, contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the annual financial statements and the management report, contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410) (06.2022) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic renderings of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's management is responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Audit Committee is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available, containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and the audited management report.

### **Further Information pursuant to Article 10 of the EU Audit Regulation**

We were elected as auditor at the shareholders' meeting on June 29, 2022. We were engaged by management on November 1, 2022. We have been the auditor of Merck Financial Services GmbH without interruption since financial year 2009.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

### **Other Matter – Use of the Auditor's Report**

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the examined ESEF documents. The annual financial statements and the management report converted into ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents provided in electronic form.

## German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dirk Janz.

Frankfurt am Main, March 2, 2023

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

Janz  
Wirtschaftsprüfer  
[German Public Auditor]

Jung  
Wirtschaftsprüfer  
[German Public Auditor]