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Q2 2012 Summary

Key Messages:

- **Group generates solid organic sales growth driven by strong underlying trends (Emerging Markets and Fertility) and positive U.S. pricing effects in Biopharmaceuticals**
- **Strong US dollar and changes in other FX rates increase revenues by 5%**
- **EBITDA pre growth of 14% due to operating leverage, implementation of cost efficiencies and lower discretionary spending**
- **Strong free cash flow generation results from higher profitability and improved working capital management**
- **Company incurs € 376 million in charges relating to its Fit for 2018 efficiency program**
- **Transformation starts to yield first results**

Q2 2012 The Group Financials

- Total revenues (incl. Royalty income) grow 12% to € 2.85 billion compared to € 2.56 billion in Q2 2011; total sales grow 11% to € 2.74 billion. Reported sales growth reflects 5% organic growth, 5% benefit from changes in foreign exchange rates and 1% increase from acquisitions
- Higher gross profit mainly due to increased sales, higher utilization rates and positive effects from changes in foreign exchange rates
- Reported results lowered by € 394 million one-time items and impairments, including € 376 million in charges relating to its Fit for 2018 efficiency program
- EBITDA pre margin increases by 70 basis points leading to Earnings Per Share pre growing by 20% to € 1.92
- Free cash flow of € 626 million benefits from reducing working capital as a percentage of sales to 26.7% of sales (as of June 30, 2012) compared to 29.5% of sales (as of December 31, 2011)

Q2 2012 Divisional Overview

Biopharmaceuticals

- Revenues grow 11% to € 1.65 billion vs. € 1.48 billion in Q2 2011; total sales grow 11% to € 1.55 billion compared to € 1.37 billion in Q2 2011. Reported sales growth reflects 7% organic growth and a 4% benefit from changes in foreign exchange rates
- Four out of five therapeutic areas in Biopharmaceuticals reported strong organic sales performance, driven by higher volumes and price increases.
- Geographically, North America (21% growth) and Emerging Markets (10% growth) drive organic sales growth whereas organic declines in Europe reflect tougher environment and ongoing price pressure
- Rebif organic sales growth of 10% benefits from US price increases and stable volumes
- Erbitux organic sales growth of 7% is an improvement versus a soft Q2 2011, with growth driven by Emerging Markets and new reimbursements in Australia

- R&D expense increase reflects termination charges for the two Erbitux phase III studies EXPAND (gastric cancer) and PETACC-8 (adjuvant colon cancer) and some early costs for recently licensed compounds
- EBITDA pre grows by 20% to € 439 million, or 28.4% of sales vs. € 366 million, or 26.3% of sales in Q2 2011

Consumer Health

- Sales increase 3% to € 121 million vs. € 118 million in Q2 2011
- Changes in foreign exchange rates increased sales by 2%, resulting in organic sales growth of 1%, which was entirely driven by Emerging Markets
- Organic growth driven by Every Day Health protection products in Emerging Markets
- Division continues to optimize its resource allocation and advances on efficiency initiatives
- EBITDA pre totaled € 18 million, or 14.7% of sales compared to € 13 million, or 11.0% of sales in Q2 2011, representing a margin improvement of 370 basis points

Performance Materials

- Sales grow 14% to € 426 million vs. € 373 million in Q2 2011; reported sales growth reflects 4% organic growth and a 10% benefit from changes in foreign exchange rates
- Strong performance from Liquid Crystals compensates for organic sales declines in the Pigments & Cosmetics business unit (due to weak economic environment in Europe)
- Liquid Crystals benefits from trend toward larger televisions and continued growth in tablet computers
- EBITDA pre totals € 190 million, or 44.5% of sales compared to € 179 million, or 48.0% of sales in Q2 2011; margin decrease reflects negative product mix and lower pricing

Life Science

- Sales grow 11% to € 649 million compared to € 583 million in Q2 2011; reported sales growth reflects 3% organic growth and a 6% benefit from changes in foreign exchange rates and a 2% benefit from acquisitions
- Division continues to deliver profitable growth, while making investments for the future
- Positive organic sales growth across all three business units, with growth primarily driven by Process Solutions and Lab Solutions. Geographically, organic sales growth is primarily driven by strong performance out of Emerging Markets
- SG&A increase driven by launch costs for new products and negative effects from changes in foreign exchange rates
- Higher R&D reflects higher investment in innovation, notably in Process Solutions, as well as the effects from acquisitions and changes in foreign exchange rates
- EBITDA pre totals €148 million, or 22.8% of sales compared to € 129 million, or 22.1% of sales in Q2 2011

**The Group Q2 2012
Business Performance**

[€ m]	Q2 2012	Q2 2011	Δ
Sales	2,743	2,470	11%
EBITDA pre <i>Margin (% of sales)</i>	747 27.2%	655 26.5%	14%
EPS pre [€]	1.92	1.60	20%
Operating cash flow	694	292	138%

[€ m]	Jun 2012	Dec 2011	Δ
Net financial debt	2,942	3,484	-16%
Employees	40,085	40,676	-1%

Biopharmaceuticals

[€ m]	Q2 2012	Q2 2011	Δ
Total Revenues	1,649	1,480	11%
Sales	1,546	1,395	11%
Royalty and Comm. Income	102	84	21%
Gross Profit	1,332	1,188	12%
<i>Margin (% of sales)</i>	<i>86.1%</i>	<i>85.1%</i>	
Marketing & Selling	-359	-366	-2%
Royalty and Comm. Exp.	-148	-113	31%
Administration	-64	-64	-1%
Other Expenses / Income	-267	-218	22%
R&D	-326	-301	8%
Amortization	-165	-263	-37%
EBIT	4	-138	n.m.
Depreciation & Amortization	244	477	-49%
One-time items	192	27	>100%
EBITDA pre	439	366	20%
<i>Margin (% of sales)</i>	<i>28.4%</i>	<i>26.3%</i>	

Consumer Health

[€ m]	Q2 2012	Q2 2011	Δ
Total Revenues	122	118	3%
Sales	121	118	3%
Royalty and Comm. Income	1	1	-26%
Gross Profit	83	80	5%
<i>Margin (% of sales)</i>	<i>68.9%</i>	<i>67.7%</i>	
Marketing & Selling	-54	-57	-4%
Royalty and Comm. Exp.	0	0	n.m.
Administration	-6	-6	4%
Other Expenses / Income	-8	0	>100%
R&D	-5	-6	-22%
Amortization	-1	-1	12%
EBIT	10	10	1%
Depreciation & Amortization	3	3	-15%
One-time items	5	0	n.m.
EBITDA pre	18	13	37%
<i>Margin (% of sales)</i>	<i>14.7%</i>	<i>11.0%</i>	

Performance Materials

[€ m]	Q2 2012	Q2 2011	Δ
Total Revenues	427	373	14%
Sales	426	373	14%
Royalty and Comm. Income	1	0	>100%
Gross Profit	243	199	22%
<i>Margin (% of sales)</i>	<i>57.1%</i>	<i>53.3%</i>	
Marketing & Selling	-35	-34	6%
Royalty and Comm. Exp.	0	-1	-78%
Administration	-9	-8	6%
Other Expenses / Income	11	-10	n.m.
R&D	-32	-30	8%
Amortization	0	-9	-95%
EBIT	177	107	66%
Depreciation & Amortization	27	34	-21%
One-time items	-15	38	n.m.
EBITDA pre	190	179	6%
<i>Margin (% of sales)</i>	<i>44.5%</i>	<i>48.0%</i>	

Life Science

[€ m]	Q2 2012	Q2 2011	Δ
Total Revenues	655	584	12%
Sales	649	583	11%
Royalty and Comm. Income	6	1	>100%
Gross Profit	385	330	17%
<i>Margin (% of sales)</i>	<i>59.3%</i>	<i>56.6%</i>	
Marketing & Selling	-169	-147	15%
Royalty and Comm. Exp.	-3	-4	-12%
Administration	-30	-25	20%
Other Expenses / Income	-25	-29	-15%
R&D	-42	-32	32%
Amortization	-51	-46	11%
EBIT	65	48	35%
Depreciation & Amortization	76	71	7%
One-time items	7	10	-29%
EBITDA pre	148	129	15%
<i>Margin (% of sales)</i>	<i>22.8%</i>	<i>22.1%</i>	