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Q2 2013 Financial Summary for Investors and Analysts

Merck KGaA, Darmstadt, Germany – Implementation continues:

- Sales rise organically by 3% to €2,744 m; offset by an FX impact of -4%
- Organic sales growth fueled by Biopharmaceuticals, Performance Materials and Life Science
- Efficiency programs well on track and Biopharmaceuticals HQ divested
- EBITDA pre up 11% to €826 m, mainly driven by Biopharmaceuticals
- Net income rises to €316 m, EPS pre up 18% to €2.26
- Continuous net debt reduction to €1.3 bn in H1 2013
- Rating upgrade by S&P to “A” and by Moody’s to “A3”
- Guidance confirmed despite FX headwinds

Overview Financials

Q2 2013 Profit and Loss Statement

- Sales stable, organic sales improvement and portfolio offset by FX impact
- EBITDA pre increase driven by Biopharmaceuticals, Performance Materials and ~€20 m yoy hedging benefit
- Strong EPS pre performance

Q2 2013 Balance Sheet

- Cash generating nature of business drives increase in cash and other liquid funds
- Ongoing net financial debt reduction by 32% from December 31, 2012

Q2 2013 Cash flow Statement

- Higher profit after tax, prior year included restructuring costs, mainly severances
- Changes in provisions contains last year's build-up of restructuring provisions
- Operational cash flow down as prior year benefitted from improvements in working capital
- Q2 2013 investing cash flow contains inflow from sale of Geneva headquarters

Q2 2013 Business Overview

Biopharmaceuticals

- **Operational management and fast savings implementation drive profitability**
- Organic growth overcompensated by adverse currency effects leading to slight reduction in reported sales
- Royalties down due to expiry of Avonex from May onwards
- Organic growth in Rebif due to price increases & RebiDose launch amid tougher competition
- Erbitux stable with solid momentum from Japan due to head and neck launch and modest performance in Europe
- Continued cost management in R&D, previous year contains EXPAND and PETACC-8 termination charges
- Visible EBITDA pre increase driven by cost control in marketing and selling, R&D, product mix and production yields

Consumer Health

- **Starting to build a good track record, despite high comparables**
- Slight sales decline on tough Q2 2012 comparable and FX headwind
- Softer Europe notably in southern countries being somewhat compensated by good contribution of German market
- Good demand for vitamins (Bion 3) and mobility products (Kyttä), while some Seven Seas export products have been discontinued
- EBITDA pre margin expansion driven by better resource allocation and cost containment

Performance Materials

- **A unique quarter**
- Sales increase as strong demand for liquid crystals overcompensates currency headwinds and price declines
- Continued strong demand from China supported by subsidies, which ended Q2 2013
- PS-VA with strong momentum, while IPS benefits relative to TN-TFT
- Pigments with solid performance in decorative materials driven by healthy demand for Xirallic products
- Flagship liquid crystal technologies and better cost structure in Pigments drive profitability

Life Science

- **Good organic quarter amid U.S. sequestration and currency headwinds**
- Sales increase driven by organic growth of all business units and portfolio, mitigated by negative currency effects (especially JPY)
- Demand for single use products and biopharma production orders fuels Process Solutions
- Lab Solutions growth supported by good performance in Biomonitoring and Lab Water
- Bioscience burdened by U.S. health budget constraints
- Slight EBITDA pre increase, despite tighter market conditions and FX headwinds

2013 Outlook

The Group:

- Mid-term guidance confirmed
- Sales ~ €10.7 – 10.9 bn
- **EBITDA pre ~ €3.1 – 3.2bn**
- EPS pre ~ €8.50 – 9.00

Outlook by division:

Biopharmaceuticals

- Moderate organic sales growth
- EBITDA pre ~ €1.9 - 2.0 bn

Consumer Health

- Stable sales
- EBITDA pre ~ €70 – 75 m

Performance Materials

- Stable sales
- EBITDA pre ~ €730 – 750 m (previously ~€700 – 740 m)

Life Science

- Moderate organic sales growth
- EBITDA pre ~ €620 – 640 m

Additional financial guidance

- Royalty, license and commission income: To decline to ~€180 – 200 m in 2014
- Corporate EBITDA pre: around -€210 m
- Underlying tax rate: ~25% to 26%
- Capex on PPE: ~€450 m
- Hedging / USD assumption: 2013 and 2014 hedge ratio between ~35% to 40% at EUR/USD ~1.30 – 1.35

The Group Q2

€m	Group			Serono			Consumer Health			Performance Materials			Millipore			Corporate/Others		
	Q2 2012	Q2 2013	% YoY	Q2 2012	Q2 2013	% YoY	Q2 2012	Q2 2013	% YoY	Q2 2012	Q2 2013	% YoY	Q2 2012	Q2 2013	% YoY	Q2 2012	Q2 2013	% YoY
Sales	2.743	2.744	0%	1.547	1.531	-1%	121	116	-5%	426	431	1%	649	666	3%			
% organic			3%			2%			-1%			5%			6%			
% FX			-4%			-3%			-3%			-4%			-4%			
% portfolio			0%			0%			-1%			0%			1%			
EBIT	23	465	>100%	14	283	>100%	11	18	73%	181	170	-6%	70	72	3%	-252	-78	-69%
Depreciation and amortization	352	328	-7%	244	211	-13%	3	2	-21%	27	35	30%	76	76	0%	2	3	79%
EBITDA	375	793	>100%	258	494	91%	13	20	52%	208	205	-1%	146	148	1%	-250	-75	-70%
One-time items on EBITDA	-372	-33	-91%	-192	3	n.m.	-5	1	n.m.	15	-4	n.m.	-7	-8	17%	-183	-26	-86%
EBITDA (pre-one time items)	747	826	11%	450	491	9%	19	19	4%	193	209	8%	152	156	2%	-67	-49	-28%
Net financial debt*	1.926	1.316	-32%															

* 2012 is Dec. 31

The Group H1

€m	Group			Serono			Consumer Health			Performance Materials			Millipore			Corporate/Others		
	H1 2012	H1 2013	% YoY	H1 2012	H1 2013	% YoY	H1 2012	H1 2013	% YoY	H1 2012	H1 2013	% YoY	H1 2012	H1 2013	% YoY	H1 2012	H1 2013	% YoY
Sales	5.307	5.404	2%	2.964	2.985	1%	229	232	1%	813	852	5%	1.302	1.335	3%			
% organic			4%			3%			4%			8%			5%			
% FX			-2%			-2%			-3%			-3%			-3%			
% portfolio			0%			0%			4%			0%			1%			
EBIT	334	865	>100%	175	478	>100%	16	30	86%	313	343	10%	153	145	-6%	-324	-130	-60%
Depreciation and amortization	695	682	-2%	476	449	-6%	6	5	-15%	57	66	15%	152	155	2%	4	7	92%
EBITDA	1.028	1.547	50%	651	927	42%	22	35	59%	370	408	10%	305	300	-2%	-320	-123	-62%
One-time items on EBITDA	-393	-81	-79%	-201	-27	-87%	-6	1	n.m.	14	-7	n.m.	-14	-18	27%	-185	-29	-84%
EBITDA (pre-one time items)	1.421	1.628	15%	853	954	12%	28	34	21%	356	416	17%	319	318	0%	-135	-94	-30%
Net financial debt*	1.926	1.316	-32%															

* 2012 is Dec. 31

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Kai Beckmann, Stefan Oschmann, Bernd Reckmann,
Matthias Zachert

The Group

P&L Group	Q2 2012	Q2 2013	% YoY
Sales	2.743	2.744	0%
Royalty, license and commission income	109	97	-11%
Total revenues	2.852	2.841	0%
Cost of sales	-808	-768	-5%
Gross profit	2.044	2.073	1%
Marketing and selling expenses	-617	-616	0%
Royalty and commission expenses	-152	-157	3%
Administration	-143	-138	-4%
Other operating income/expenses	-489	-116	-76%
Research and development	-404	-374	-8%
Amortization of intangible assets	-217	-209	-4%
Investment result	1	1	>100%
EBIT	23	465	>100%
Depreciation and amortization	352	328	-7%
EBITDA	375	793	>100%
One-time items on EBITDA	-372	-33	-91%
EBITDA (pre-one time items)	747	826	11%
Financial result	-70	-49	-30%
Profit before tax	-47	417	n.m.
Income tax	-14	-101	>100%
Income tax rate	-30%	24%	
Profit after tax	-61	316	n.m.
Non-controlling interest	-3	0	n.m.
Net income	-63	316	n.m.
Number of theoretical shares in million	217,4	217,4	
EPS in €	-0,29	1,45	n.m.
EPS (pre one-time items) in €	1,92	2,26	18%

Biopharmaceuticals

P&L MS	Q2 2012	Q2 2013	% YoY
Sales	1.547	1.531	-1%
Royalty, license and commission income	102	93	-9%
Total revenues	1.649	1.624	-2%
Cost of sales	-317	-283	-11%
Gross profit	1.332	1.341	1%
Marketing and selling expenses	-359	-352	-2%
Royalty and commission expenses	-148	-152	2%
Administration	-55	-51	-6%
Other operating income/expenses	-266	-53	-80%
Research and development	-326	-296	-9%
Amortization of intangible assets	-165	-155	-6%
Investment result	0	0	n.m.
EBIT	14	283	>100%
Depreciation and amortization	244	211	-13%
EBITDA	258	494	91%
One-time items on EBITDA	-192	3	n.m.
EBITDA (pre-one time items)	450	491	9%

Consumer Health

P&L CH	Q2 2012	Q2 2013	% YoY
Sales	121	116	-5%
Royalty, license and commission income	1	1	n.m.
Total revenues	122	117	-4%
Cost of sales	-38	-38	-2%
Gross profit	84	79	-5%
Marketing and selling expenses	-54	-53	-2%
Royalty, license and commission income	0	0	n.m.
Administration	-5	-5	-13%
Other operating income/expenses	-8	2	n.m.
Research and development	-5	-4	-4%
Amortization of intangible assets	-1	-1	-45%
Investment result	0	0	n.m.
EBIT	11	18	73%
Depreciation and amortization	3	2	-21%
EBITDA	13	20	52%
One-time items on EBITDA	-5	1	n.m.
EBITDA (pre-one time items)	19	19	4%

Performance Materials

P&L PM	Q2 2012	Q2 2013	% YoY
Sales	426	431	1%
Royalty, license and commission income	1	1	20%
Total revenues	427	432	1%
Cost of sales	-183	-160	-13%
Gross profit	243	271	12%
Marketing and selling expenses	-36	-37	4%
Royalty and commission expenses	0	0	n.m.
Administration	-8	-8	0%
Other operating income/expenses	13	-19	n.m.
Research and development	-32	-33	4%
Amortization of intangible assets	0	-4	n.m.
Investment result	0	0	n.m.
EBIT	181	170	-6%
Depreciation and amortization	27	35	30%
EBITDA	208	205	-1%
One-time items on EBITDA	15	-4	n.m.
EBITDA (pre-one time items)	193	209	8%

Life Science

P&L MM	Q2 2012	Q2 2013	% YoY
Sales	649	666	3%
Royalty, license and commission income	6	2	-59%
Total revenues	655	669	2%
Cost of sales	-270	-286	6%
Gross profit	385	383	-1%
Marketing and selling expenses	-169	-174	3%
Royalty and commission expenses	-3	-4	24%
Administration	-27	-23	-15%
Other operating income/expenses	-23	-20	-16%
Research and development	-42	-40	-5%
Amortization of intangible assets	-51	-51	-1%
Investment result	0	0	n.m.
EBIT	70	72	3%
Depreciation and amortization	76	76	0%
EBITDA	146	148	1%
One-time items on EBITDA	-7	-8	17%
EBITDA (pre-one time items)	152	156	2%