



MERCK KGAA, DARMSTADT, GERMANY
**FOCUS ON VALUE
CREATION**

MEET MANAGEMENT 2016

Stefan Oschmann, CEO

Darmstadt – October 13, 2016



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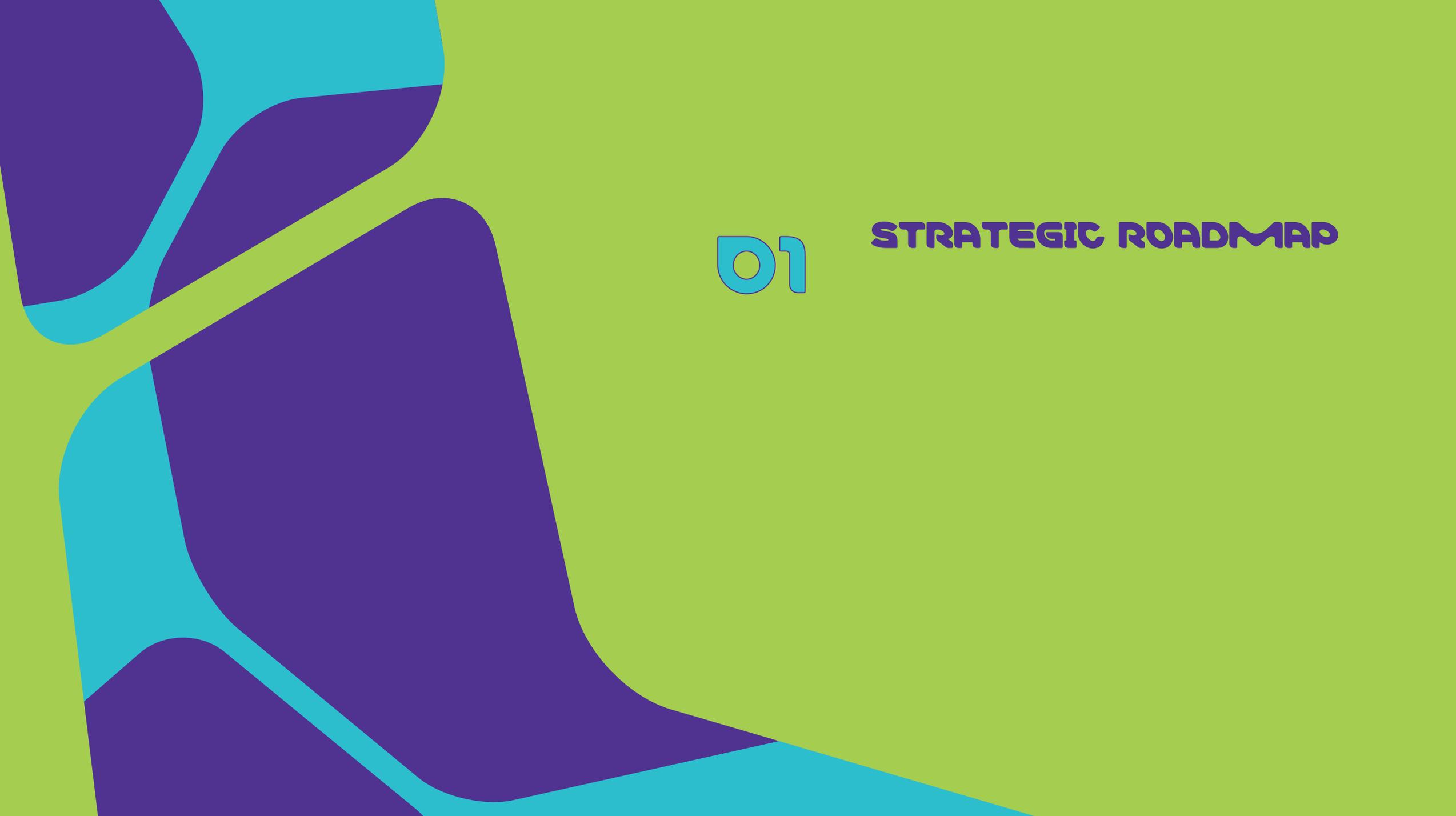
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Agenda

- 01** Strategic roadmap
- 02** Delivering on our goals for 2018
- 03** 2019-2022: Building on our strengths
- 04** Executive Summary
- 05** Appendix



01

STRATEGIC ROADMAP

Group

We are strong

Market and
technology
leader

global,
bold,
vibrant

sustainable
profitable
growth

generate
value

Examples

"Merck KGaA, Darmstadt, Germany Wins 2015 SID Display Component of the Year Award in Gold with UB-FFS"

Organic sales growth
average +4.2% YoY since 2011

~70% of 2015 net sales outside Europe

"Merck KGaA, Darmstadt, Germany Gets Boost"
(The Wall Street Journal Europe, May 2016)

"2016 European Frost & Sullivan Award for Product Leadership" for automotive pigments Meoxal® and Xirallic® NXT lines

EBITDA pre margin
increased by ~ 250bps
between 2011 and 2015

"... Merck KGaA, Darmstadt, Germany is so dynamic it looks 'like a new startup company'..."
(Seoul Economic Daily, August 2016)

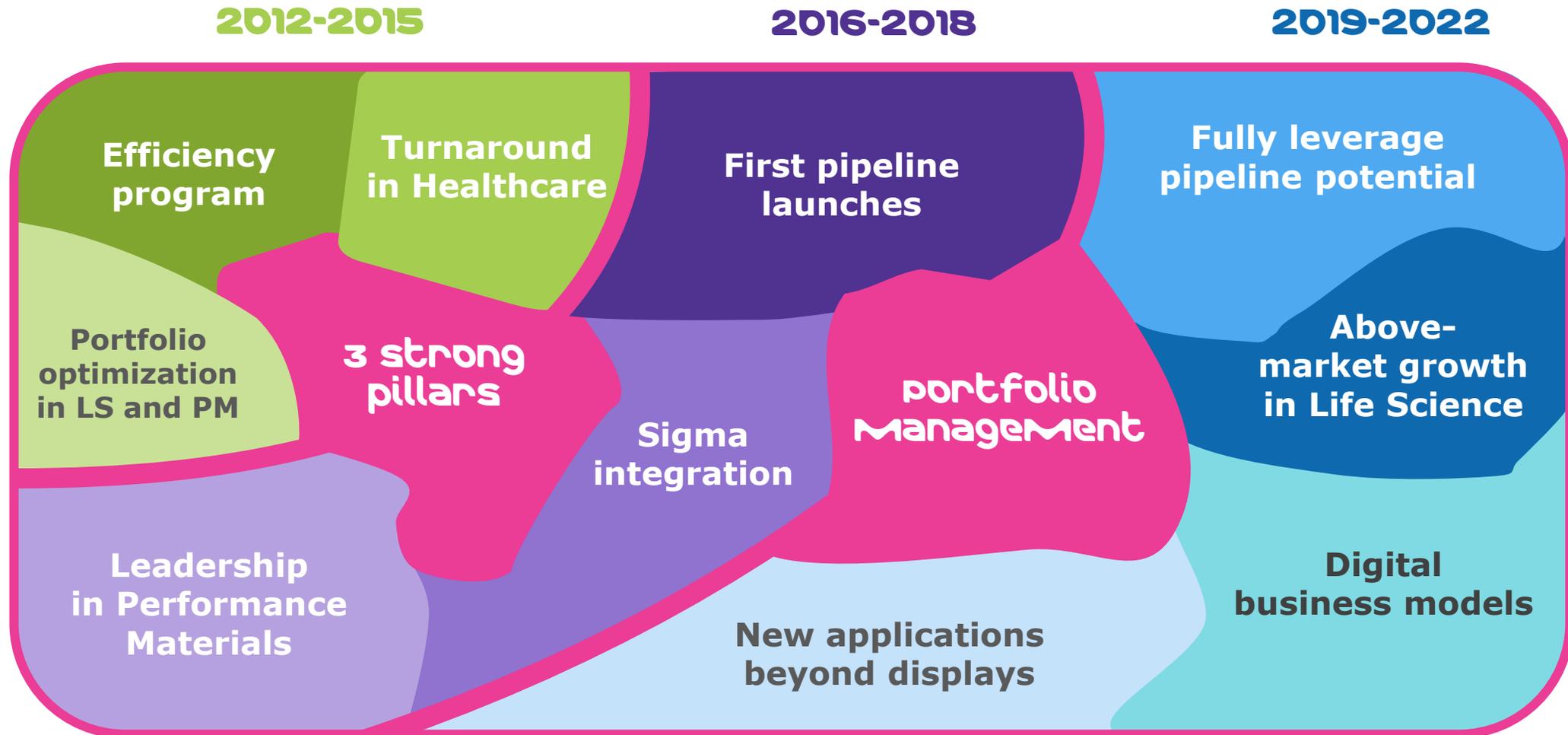
Share price +221% since 2011, equivalent to >150% outperformance of benchmark indices*

"... With a profit growth of 137.9% since 2015, Merck KGaA, Darmstadt, Germany ranks second by the standard of this indicator..." (Focus Money, March 2016)

"... the rather boring company has turned into a younger, for employees attractive, innovative, faster and more global company ..."
(Stuttgarter Zeitung, March 2016)

"... the acquisition of Sigma-Aldrich, the largest in the company's history, is beginning to pay off ..."
(Reuters, March 2016)

Group Strategic roadmap 2016-2022





02

**DELIVERING ON OUR
GOALS FOR 2018**

Group

Clear set of priority goals to be realized by 2018



Healthcare

- Maximize growth of existing franchises
- Deliver pipeline: one product launch or indication p.a. from 2017



Life science

- Focus on seamless integration and deliver cost synergies
- Leverage strategic capabilities for value creation



Performance Materials

- Drive innovation and technology leadership across all businesses
- Innovate in applications also beyond displays

Group

- Deleverage to <2x net debt / EBITDA pre in 2018
- No large acquisitions (>€500 m) for the next 2 years (unless financed by divestments)
- Dividend policy reflects sustainable earnings trend

Healthcare

Base business
continues to grow
and **pipeline** is
progressing



Life Science

On the way to becoming
a **world-leading** life
science **powerhouse**



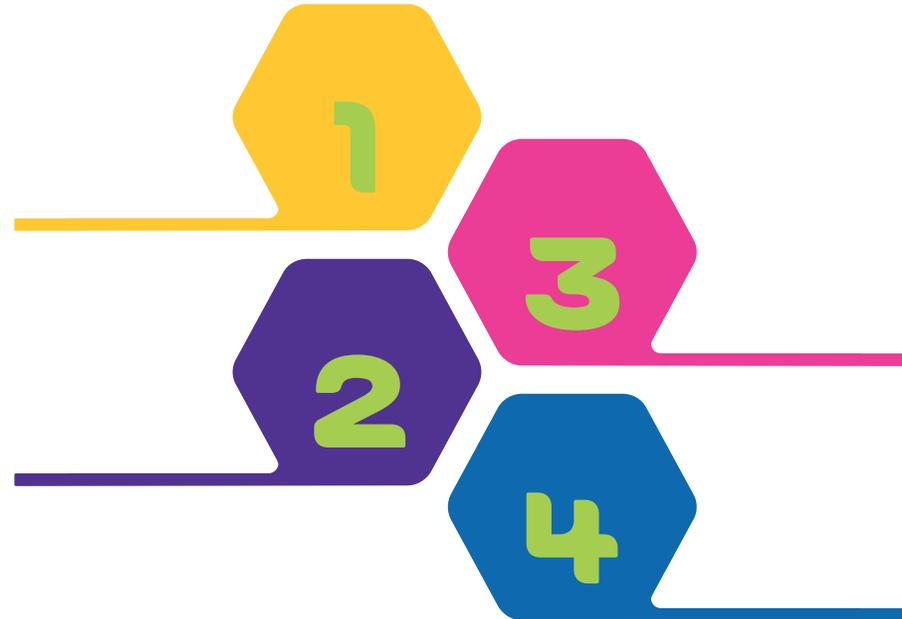
On the way to becoming a world-leading life science powerhouse

Strong core

- Market growing at ~4%* p.a.
 - Dynamic demand from biopharma industry
- Improved portfolio allows above-market growth

Strategic capabilities

- Improved business scale benefits profitability
- Innovation will focus on new business pillars



Smooth integration

- New organizational structure in place
- Harmonization of processes and practices underway
- Ongoing engagement and communication at all levels

Higher synergies

- Faster execution will yield ~€105 m cost synergies in 2016
- Sales synergies add ~50-100 bps in additional growth from 2017
- Reaching total synergies of €280 m by 2018

2018 targets will be achieved due to sound business fundamentals and focus on core strengths

Performance Materials

Four-pillar strategy and
innovation power strengthen
our earnings profile



Performance Materials

Four-pillar strategy and innovation power strengthen our earnings profile

Ongoing innovation

Launch of innovative products and new business models continues

Four strong pillars

Combination of four highly profitable businesses raises diversification

Market leadership

Strong market position is based on innovation power and differentiation



1 Superior profitability

2 Strong earnings resilience

3 Low to mid single-digit mid-term growth

Group

We are well on track to deliver on our promises



Group

Net debt reduced by approx. €0.9 bn¹
Strict financial discipline supports rating



Healthcare

Base business growing
2 pipeline compounds in registration



Life Science

Sigma-Aldrich synergies raised
Organic growth above market



Performance Materials

New technologies and businesses
Volatility well managed

Important
Milestones
reached
to deliver
on our
promises

CMD²
DECEMBER
2015

CMD
OCTOBER
2016

2018



03

**2019-2022:
BUILDING ON OUR
STRENGTHS**

2019-2022: Building on our strengths

Our core strengths will lead to attractive value creation

COMPANY'S CORE STRENGTHS

-  **Science** Undisputed scientific expertise and long-term experience enable development of state-of-the-art products
-  **Customer proximity** Deep understanding of customer needs and market trends create highly differentiated solutions
-  **Portfolio** Regular portfolio reviews allow optimized management of our assets and early positioning for megatrends



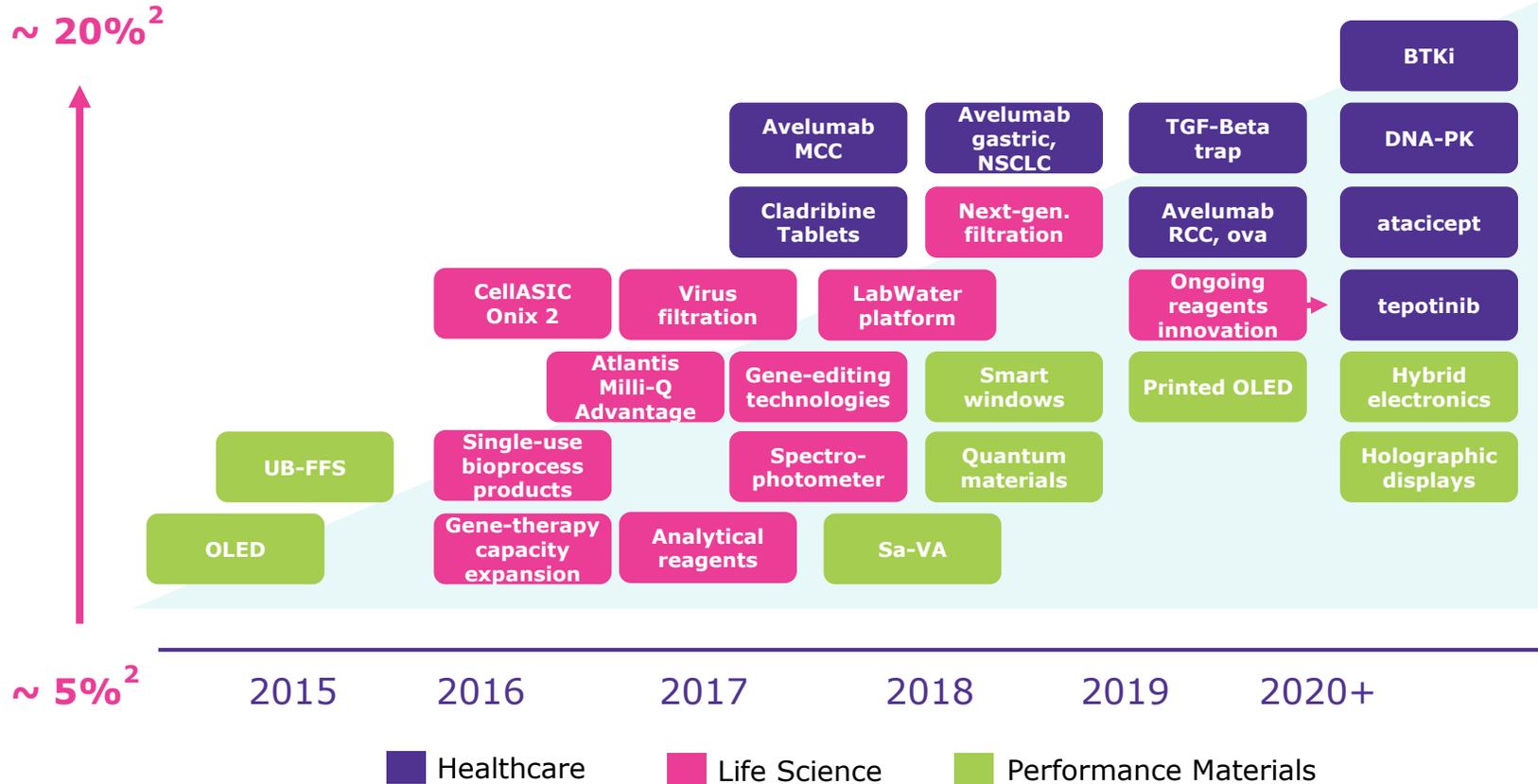
AMBITION FOR 2019-2022

- 1 Leader at the forefront of scientific and technological progress**
- 2 Three highly innovative and strong businesses**
- 3 Delivering sustainable and profitable growth**

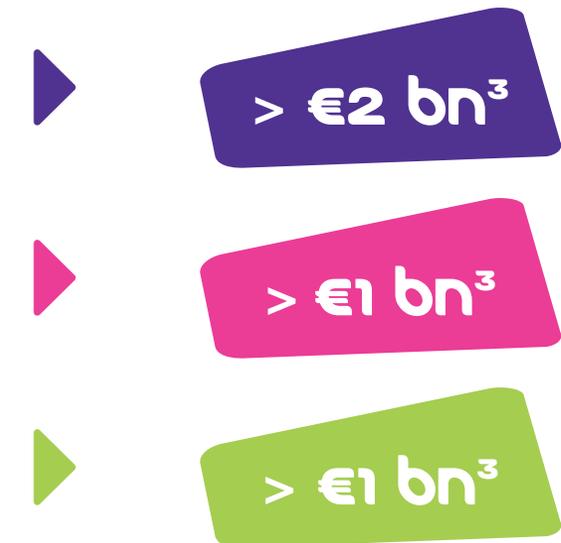
2019-2022: Building on our strengths

Our strong innovation capabilities will drive growth

New product launch cadence¹ by business sector



New product sales³ potential 2022



Our rich pipeline will strongly drive sales

¹Illustration: timelines may change as product introductions are subject to customer adoption and implementation; pharma pipeline products are under clinical investigation and there is no guarantee any product will be approved in the sought-after indication; ²Share of total Group net sales from new products launched over the past 5 years, risk-adjusted; ³risk-adjusted

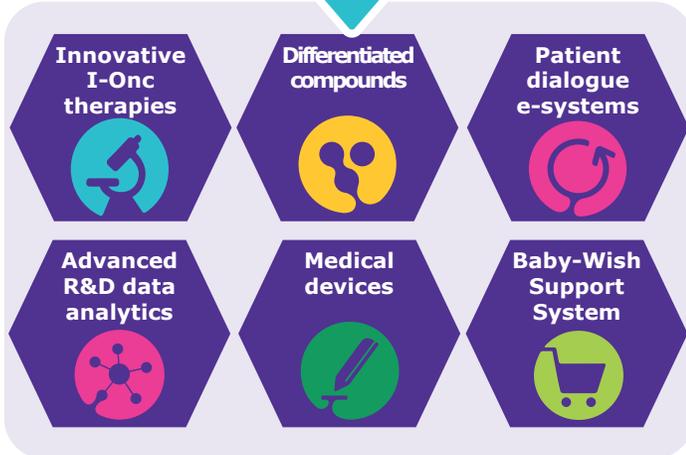
2019-2022: Building on our strengths

We are shaping the technologies of the future



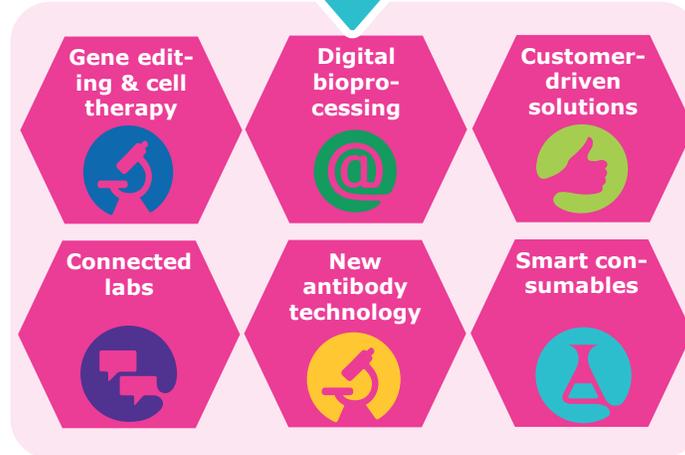
Healthcare

Global specialty innovator



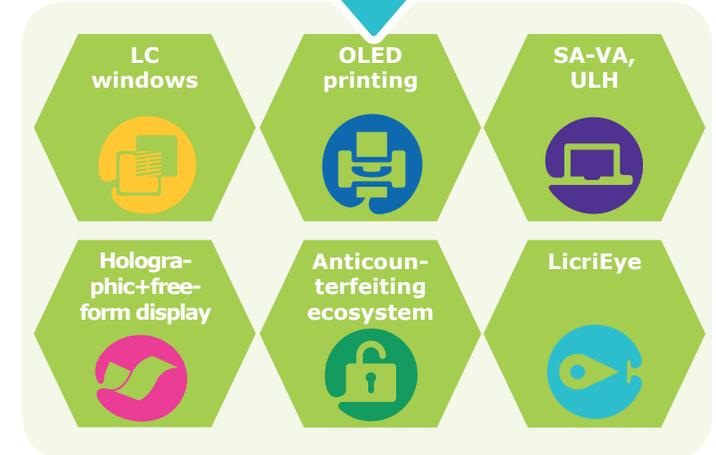
Life science

Thought-leading life science supplier



Performance Materials

Enabler of technological megatrends



2019-2022: Building on our strengths

Our successful regular portfolio optimization will continue

DNA

- Acquisitions and divestments are part of the company's history
- Licensing transactions remain on our agenda

Regular portfolio review and active capital allocation will continue

prerequisites

- Merck KGaA, Darmstadt, Germany is highly cash-generative with free cash flow¹ ~€2 bn p.a.
- Capital will be deployed every 2-4 years
- Financial flexibility is a prerequisite for transactions

Larger transactions will return once financial flexibility is restored

experience

- 28 transactions since 2002 for ~€38 bn²
- Track record of value-generating integration

All prior transactions earned their required cost of capital

clear criteria

- Supporting mid-term strategy and strengthening core business
- Growing in attractive markets
- Proven track record: strong ability to win
- Compelling financials

Disciplined approach to portfolio management will persist



04

EXECUTIVE SUMMARY

Executive Summary

Delivering sustainable and profitable growth

1

Our near-term priorities are clearly defined

Manage base business in Healthcare, drive pharma pipeline, successfully integrate Sigma, build on innovation leadership in Performance Materials (PM)

2

We are well on track to deliver on our promises for 2018

Organic growth for 20 consecutive quarters in Healthcare, first 2 pharma pipeline products in registration, Sigma synergy target upgraded, PM gearing up for new product launches

3

Our roadmap to sustainable profitable growth is set

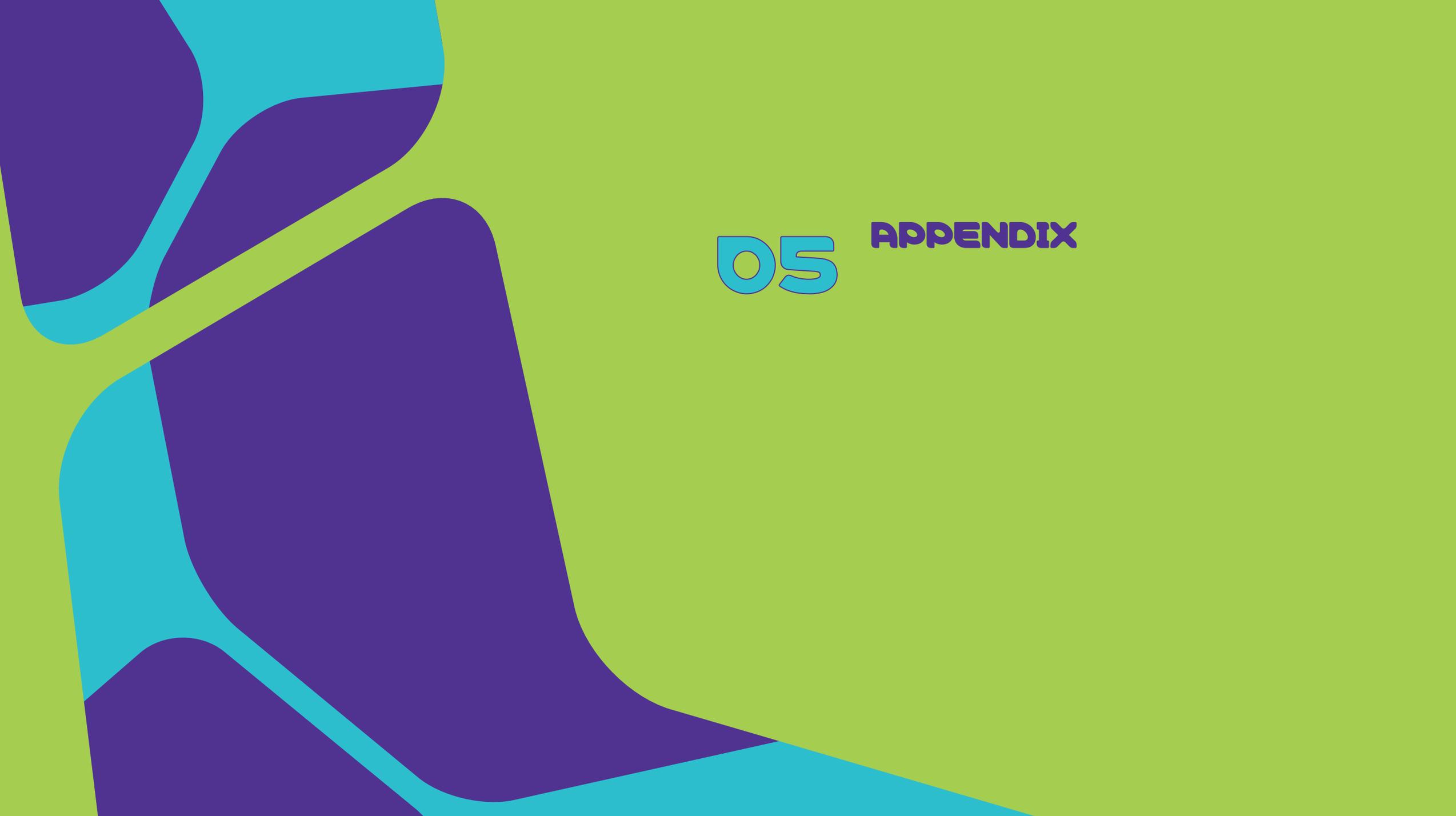
High innovation, clear differentiation, value-creating portfolio management

4

We are positioned for attractive value creation

Drive growth, sustain superior profitability, generate attractive shareholder returns





05

APPENDIX

Healthcare

Pipeline progress since October 2015

	phase I		phase II		phase III / filing	
IMMUNOLOGY	anti IL-17 (psoriasis)		BTK-i (RA)	sprifermin (OA)	Cladribine Tablets (RRMS) 	
	BTK-i (SLE)		BTK-i (SLE)	ATX-MS-1467 (RRMS)		
			BTK-i (3 rd indication)	atacept (SLE)		
ONCOLOGY	BTK-i (hematological tumors)		tepotinib (HCC 2L)	tepotinib (HCC 1L ¹)		
	tepotinib (solid tumors)	DNA-PK-i (solid tumors)	tepotinib (NSCLC 2L)	tepotinib (NSCLC 2L ¹)		
	P70S6K/Akt-i (solid tumors)	BRAF-i (solid tumors)				
IMMUNOONCOLOGY	avelumab (gastric Japan)	avelumab + 4-1BB / OX-40 (solid tumors)			avelumab (solid tumors)	avelumab (MCC) 
	avelumab (solid tumors)	avelumab + crizotinib / lorlatinib (solid tumors)			avelumab (NSCLC 1L PD-L1+)	avelumab+chemo (Gastric 3L)
	avelumab + Inlyta (RCC)	avelumab (hematological malignancies)			avelumab (ovarian plat res/ref)	avelumab+chemo (Gastric 1L maintenance)
	M7824 Anti-PD-L1/TGFb Trap (solid tumors)	avelumab + NHS IL 12 combination			avelumab (ovarian 1L)	avelumab + Inlyta (RCC 1L)
	NHS-IL 12 (solid tumors)				avelumab+chemo (Bladder 1L sequential)	avelumab (NSCLC 2L)
BIO-SIMILARS					MSB11022 Biosimilar (Chronic plaque psoriasis)	

■ Under preparation²
■ New in pipeline³
■ Moved into next phase³
■ Maintained position
  In registration

As of October 7, 2016; ¹Asia ex Japan; ²Under preparation for this phase; ³Since R&D Update call on October 1, 2015; Acronyms: SLE = systemic lupus erythematosus, OA = osteoarthritis, RRMS = relapse remitting multiple sclerosis, NSCLC = non-small cell lung cancer, HCC = hepatocellular carcinoma, STS = soft-tissue carcinoma, PaCa = pancreatic cancer, MCC = Merkel cell carcinoma, RA = rheumatoid arthritis, SCCHN = squamous cell cancer of the head and neck