

Cheuvreux

German Corporate Conference 2012

Matthias Zachert – Chief Financial Officer

Frankfurt, January 17, 2012

Merck KGaA

Darmstadt · Germany



Disclaimer

Publication of Merck KGaA, Darmstadt, Germany. In the United States and Canada the subsidiaries of Merck KGaA, Darmstadt, Germany operate under the umbrella brand EMD.

To reflect such fact and to avoid any misconception of the reader of the publication certain logos, terms and business descriptions of the publication have been substituted or additional descriptions have been added. This version of the publication, therefore, slightly deviates from the otherwise identical version of the publication provided outside the United States and Canada.

Agenda

1 **Company overview**

2 Key strengths

3 Unlocking value

4 Financials

5 Summary

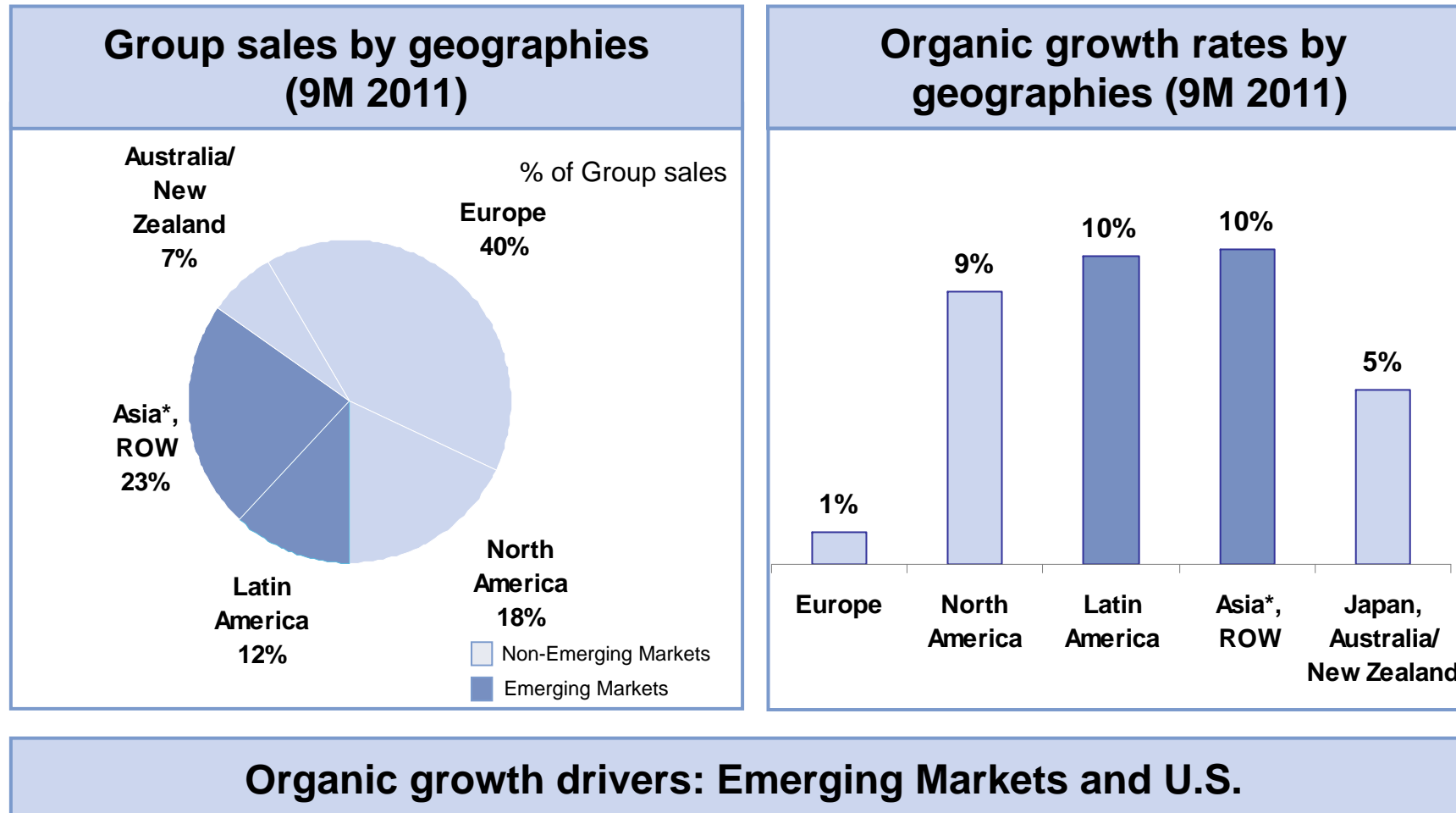
The Group

Four attractive businesses with leading positions

The Group			
Biopharmaceuticals	Consumer Health Care	Life Science	Performance Materials
Total revenues¹⁾ <ul style="list-style-type: none"> ▪ €5.8bn Operating margin²⁾ <ul style="list-style-type: none"> ▪ 22.7% Key strengths <ul style="list-style-type: none"> ▪ Life cycle management ▪ Biologics ▪ Biomarkers 	Total revenues¹⁾ <ul style="list-style-type: none"> ▪ €0.5bn Operating margin²⁾ <ul style="list-style-type: none"> ▪ 9.2% Key strengths <ul style="list-style-type: none"> ▪ Vitamins and supplements 	Total revenues¹⁾ <ul style="list-style-type: none"> ▪ €2.5bn Operating margin²⁾ <ul style="list-style-type: none"> ▪ 19.1% Key strengths <ul style="list-style-type: none"> ▪ Global presence ▪ Innovation power ▪ End-to-end solutions for pharma industry 	Total revenues¹⁾ <ul style="list-style-type: none"> ▪ €1.4bn Operating margin²⁾ <ul style="list-style-type: none"> ▪ 38.6% Key strengths <ul style="list-style-type: none"> ▪ Customer intimacy ▪ Innovation power ▪ Cost and technology leadership
Leading in specialty pharma markets	Leading in OTC niche markets	Top 3 player in Life Science tools	No. 1 in Liquid Crystals
A balanced portfolio built on key strengths			

1) 2011 E; 2) Underlying Core Operating Result in % of revenues (9M 2011)

The Group Leveraging our global presence



* Excludes Japan

Agenda

1 Company overview




2 Key strengths

3 Unlocking value

4 Financials

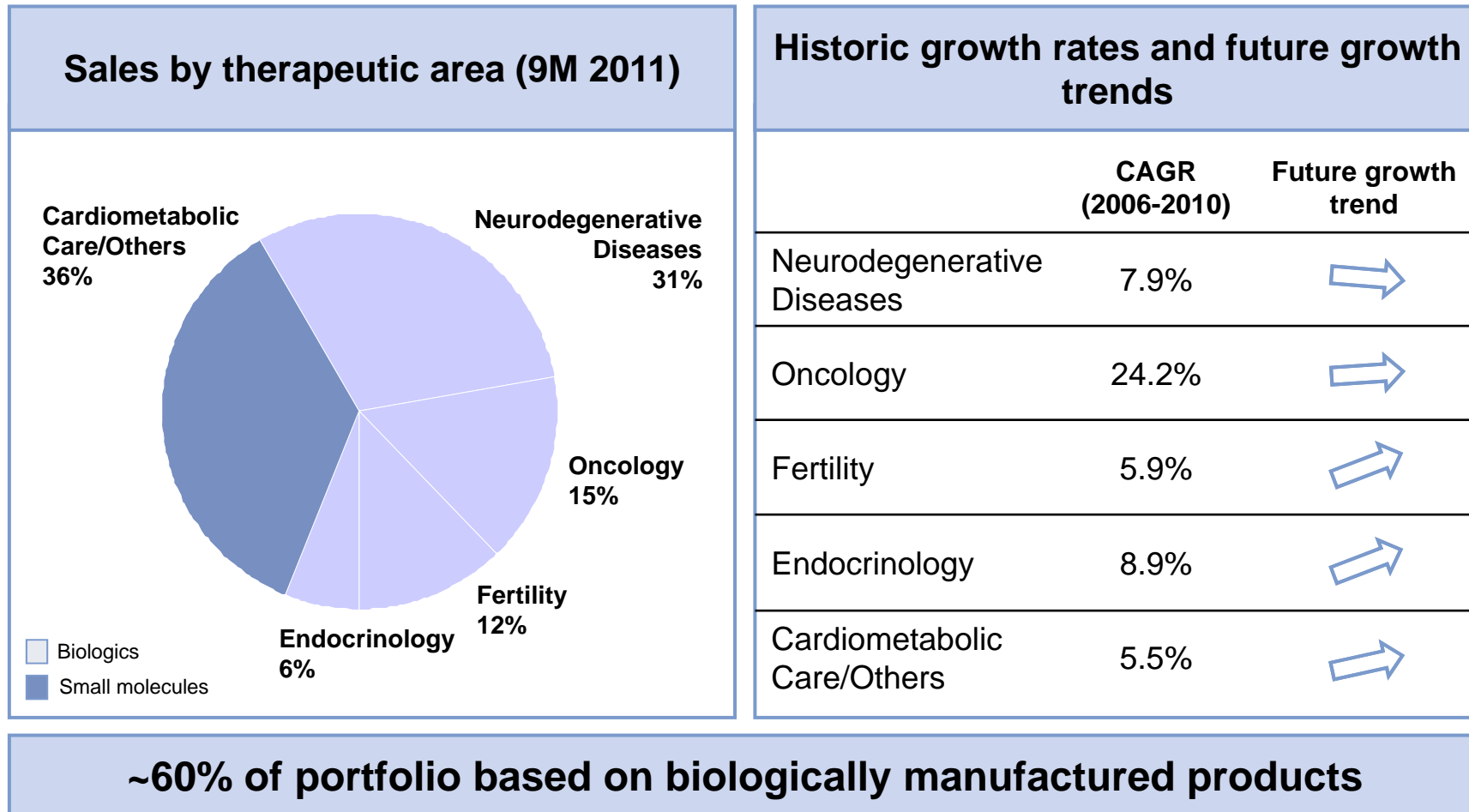
5 Summary

Biopharmaceuticals

Business characteristics	<ul style="list-style-type: none">▪ Specialty pharma▪ Multiple Sclerosis, Oncology and Fertility▪ Less risk from “patent cliff”	
Clear competencies	<ul style="list-style-type: none">▪ Extensive network and ability to develop and scale biologics▪ Life cycle management▪ Biomarkers	
Market position	<ul style="list-style-type: none">▪ Leading in key therapeutic areas▪ Leading brands▪ Strong in Emerging Markets	
Addressing therapeutic areas with high unmet medical needs		

Biopharmaceuticals

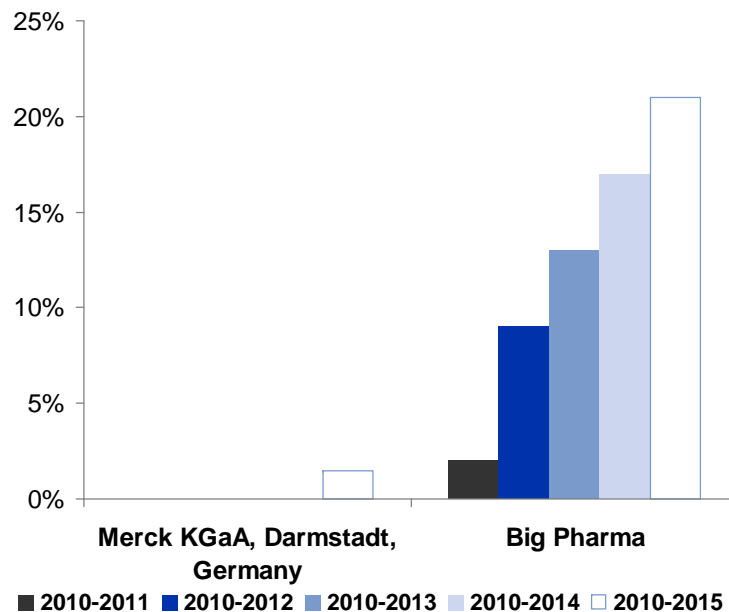
Market leading franchises with growth contributors



Biopharmaceuticals

Key franchises well protected: no “patent cliff”

Revenues lost to patent expiries as a % of 2010 group revenue

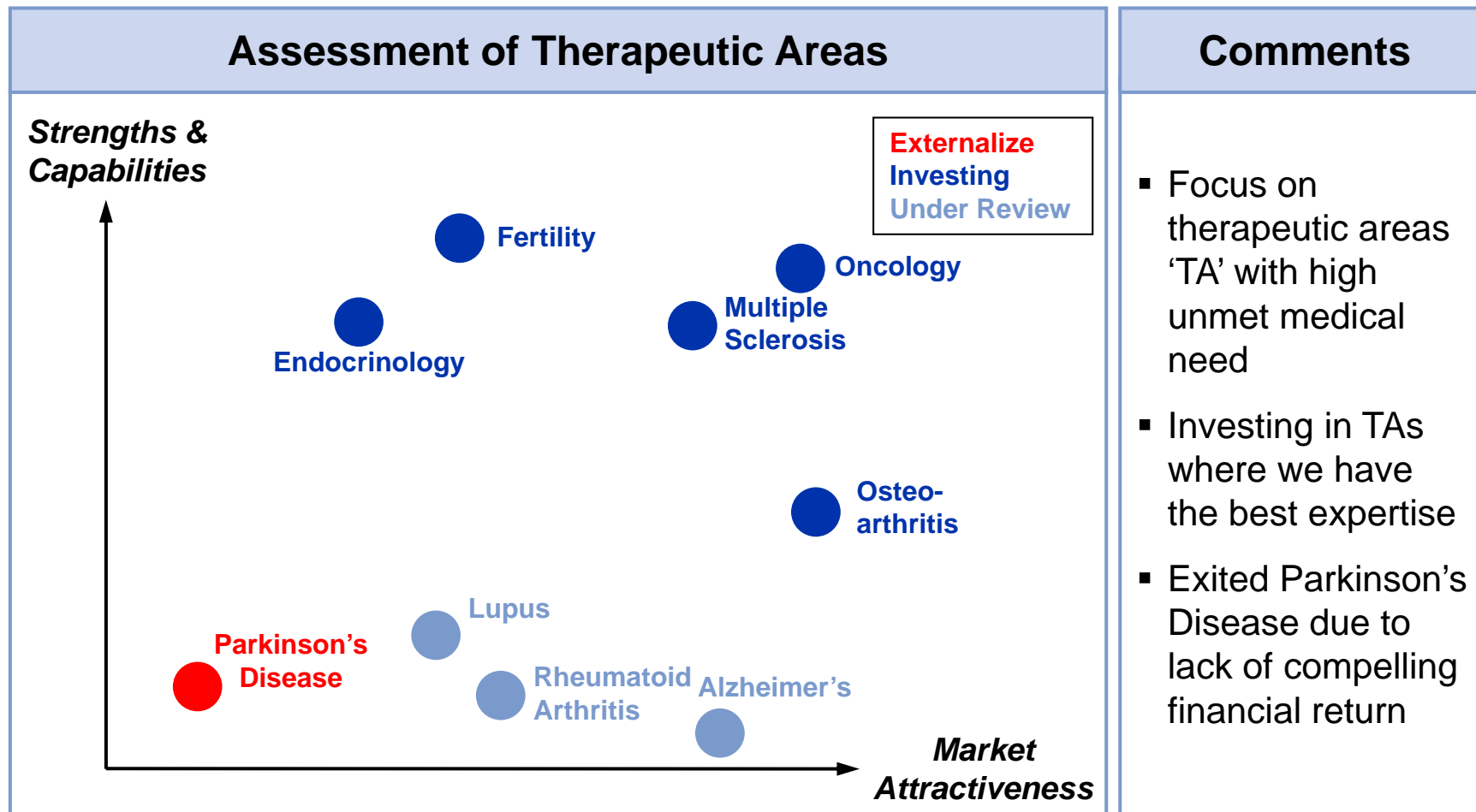


- Key products protected for next three years - patent expiries:
 - Rebif
 - first formulation: EU 2015, US 2022
 - HSA-free* formulation: patent application pending; tentative expiry date 2024 (US, EU)
 - Erbitux
 - Data exclusivity: EU 2014, Japan 2016 (Post Marketing Surveillance)
 - Gonal-f
 - EU 2009, USA 2015
- Strong brands such as Gonal-f provide additional protection
- Built-in high barrier to entry due to complex molecule structure of biologics

Biologics and brands providing high barriers to entry and margin protection


Biopharmaceuticals – Strengthening the Franchise

We are focusing on markets where we have the greatest strengths and opportunities




Biopharmaceuticals

Multiple Sclerosis: defending the Rebif franchise

<p>Overview</p>	<p>Rebif</p> <ul style="list-style-type: none"> ▪ Injectable biological drug against relapsing forms of Multiple Sclerosis (MS) ▪ Well established risk/benefit profile ▪ Blockbuster with € 1.7bn sales in 2010 <div style="text-align: right;">  </div>				
<p>Market position / strengths</p>	<ul style="list-style-type: none"> ▪ Leading market positions ▪ Business development: <ul style="list-style-type: none"> ▪ Ono and Peptimmune ▪ Strongest portfolio of devices ▪ Overall market expanding ▪ Effective life cycle management <div style="text-align: right;"> <p>Organic growth</p> <table border="1"> <tr> <td>9M 2011</td> <td>4%</td> </tr> <tr> <td>FY 2010</td> <td>5%</td> </tr> </table> <p>→</p> </div>	9M 2011	4%	FY 2010	5%
9M 2011	4%				
FY 2010	5%				
<p>Rebif performance benefiting from volume growth and price</p>					

Biopharmaceuticals

Oncology: strong player in market with high unmet medical needs

<p>Overview</p>	<p>Erbitux</p> <ul style="list-style-type: none"> ▪ Biological drug against metastatic colorectal cancer and head & neck cancer ▪ €820m sales in 2010 <p>Pipeline projects</p> <ul style="list-style-type: none"> ▪ Stimuvax: therapeutic vaccine against lung cancer ▪ Cilengitide: innovative compound to treat various cancer indications 					
<p>Market position / strengths</p>	<ul style="list-style-type: none"> ▪ Strong position in niche markets in Europe: <ul style="list-style-type: none"> - High market share in metastatic colorectal cancer - Standard of care in head & neck cancer ▪ Leader in stratified medicine 	<p>Global Oncology market (2010): > US\$ 40bn</p> <p>CAGR (2009-2019)</p> <table border="1"> <tr> <td>Europe</td> <td>6%</td> </tr> <tr> <td>Asia</td> <td>5%</td> </tr> </table> <p>Projected market growth*</p>	Europe	6%	Asia	5%
Europe	6%					
Asia	5%					
<p>Strong product in an expanding market</p>						

*Source: Datamonitor, September 2010

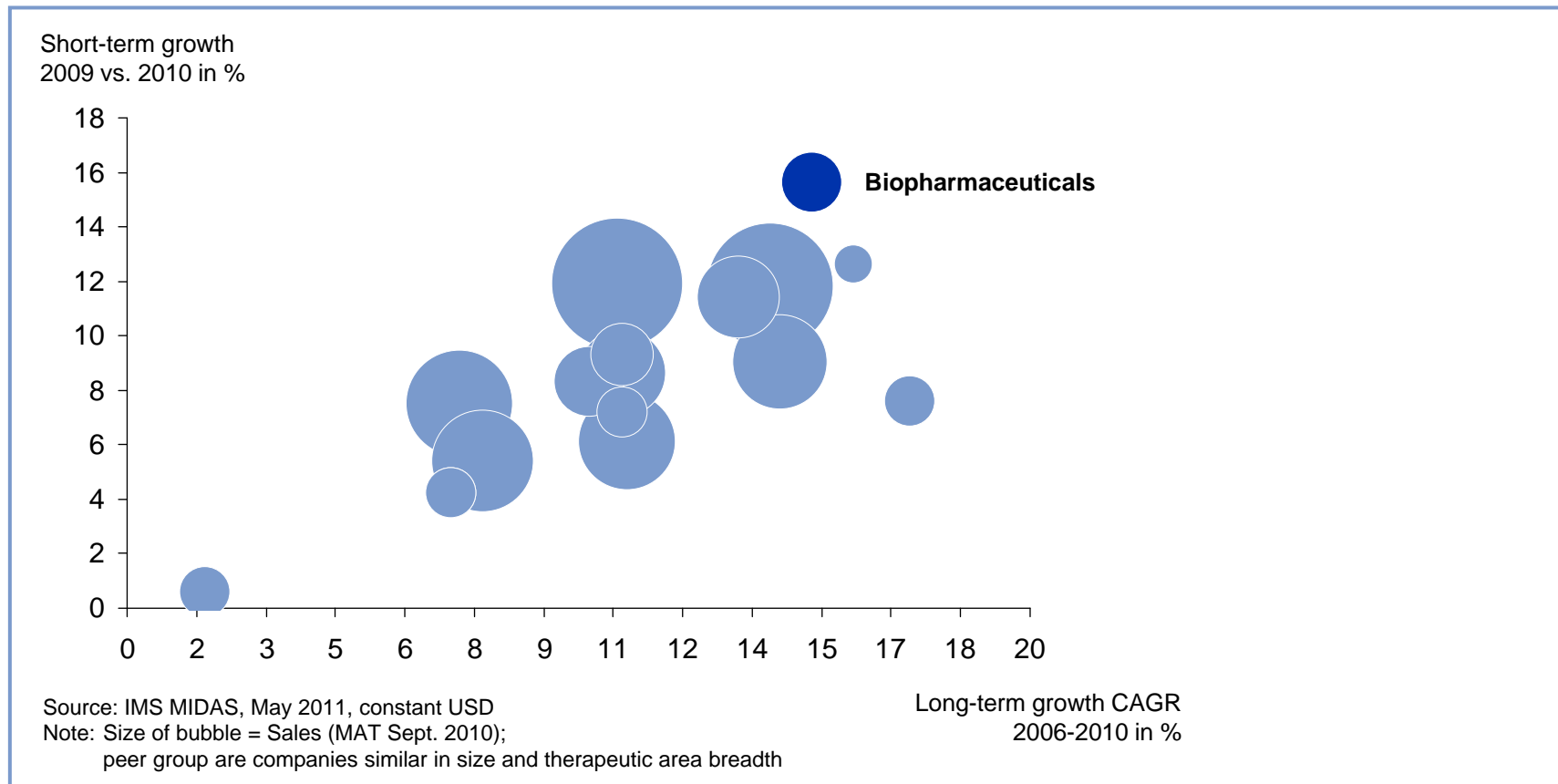
Biopharmaceuticals

Fertility & Endocrinology: strong brand and execution

<p>Overview</p>	<ul style="list-style-type: none"> ▪ €973m sales in 2010 (nearly all biologics) ▪ Broad range of fertility treatments to improve take-home baby rate ▪ Endocrinology: therapies for patients with metabolic disorders and growth deficiencies
<p>Market position / strengths</p>	<ul style="list-style-type: none"> ▪ Excellent track record in life cycle management including devices ▪ Little impact from biosimilars <p>Fertility</p> <ul style="list-style-type: none"> ▪ Pioneer and market leader ▪ Comprehensive portfolio of complementary products <p>Endocrinology</p> <ul style="list-style-type: none"> ▪ Among Top 5 in growth hormones market <div style="text-align: right;"> <p>Biopharmaceuticals</p> <p>CAGR (2007-2010)</p> <p>Fertility ~ 8%</p> <p>Endocrinology ~ 13%</p> <p>→ Sales growth</p> </div>
<p style="text-align: center;">Exploiting leading market positions</p>	

Biopharmaceuticals

High percentage of revenues derived from Emerging Markets benefits growth profile



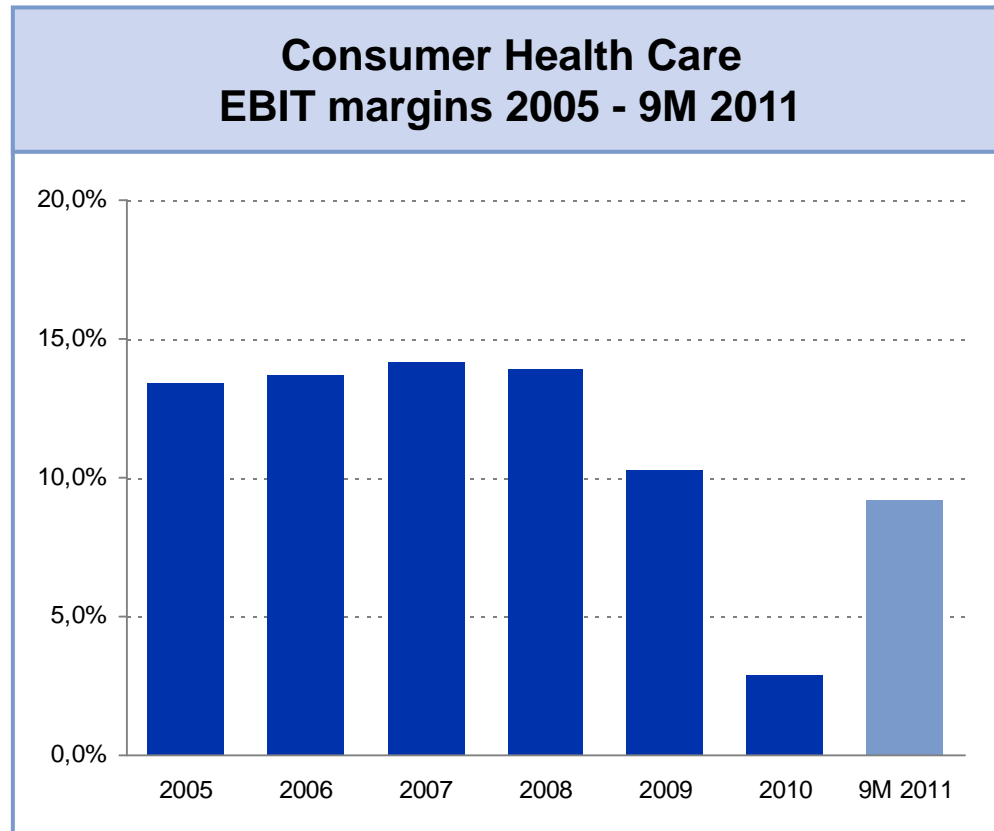
Growth from Emerging Markets helps to ensure stable revenues

Consumer Health Care

Business characteristics	<ul style="list-style-type: none">▪ Strong positions in selected geographies▪ Stable niche business with limited risk▪ Brand strength▪ High quality
Clear competencies	<ul style="list-style-type: none">▪ Women's / children's health▪ Cough / cold▪ Vitamins / supplements▪ Mobility
Market position	<ul style="list-style-type: none">▪ Leading brands▪ A leading OTC player in Europe▪ Strong presence in emerging markets
Attractive niche business with earnings potential	

Consumer Health Care

Process of improving margins has begun



- Gross margin between 2005 and 2010 was approximately 65–68% of revenues
- Higher investments into R&D and SG&A in 2009 and 2010
- Generally healthy business
- Leading strategic brands
 - Bion
 - Nasivin
 - Seven Seas
 - Femibion
 - Cebion

Potential to perform better

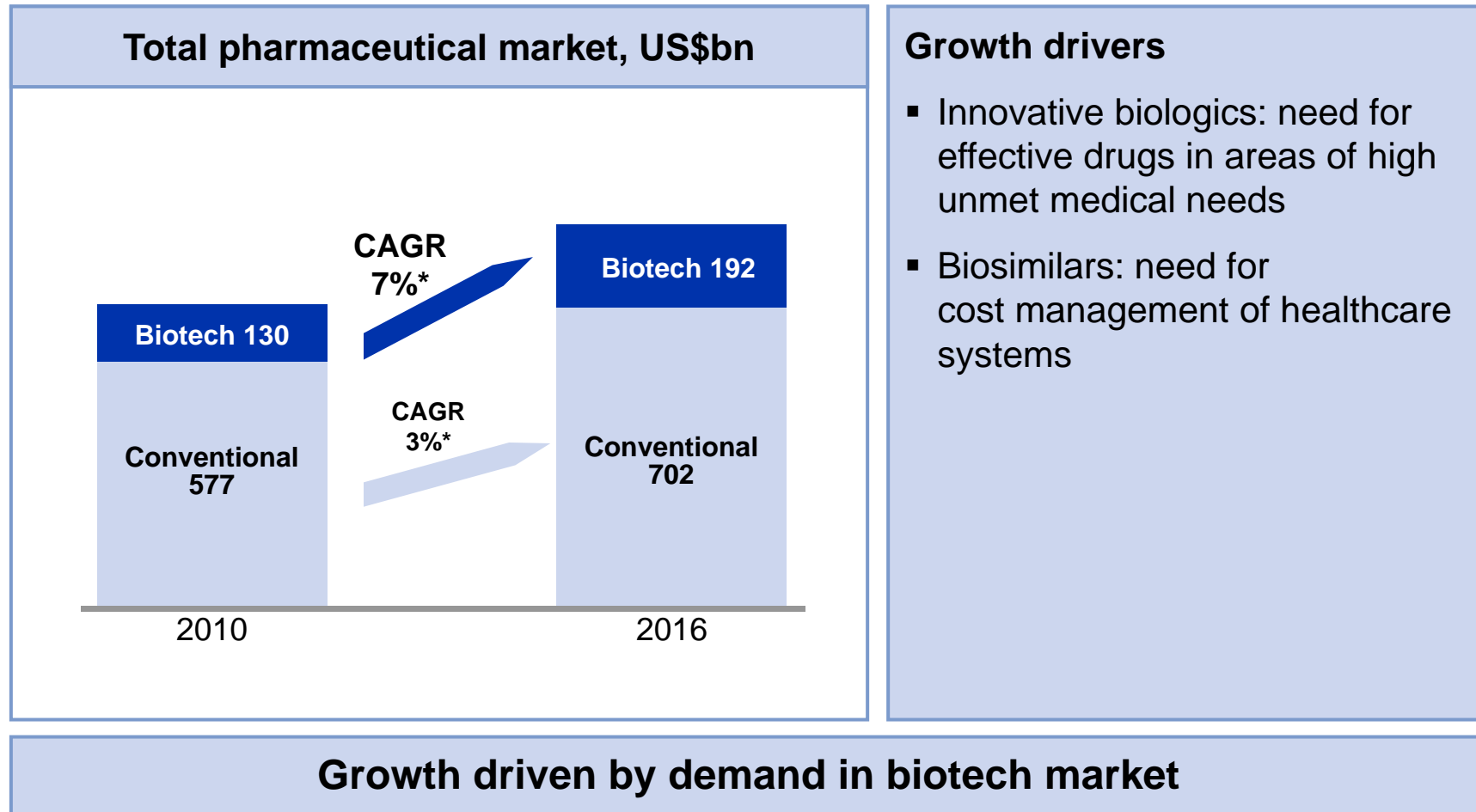
Life Science

A powerful portfolio to improve our customers' efficiency in R&D and production

	Bioscience	Lab Solutions	Process Solutions
Overview	<ul style="list-style-type: none"> ~ €0.3bn sales 9M 2011 Products and services for life science research 	<ul style="list-style-type: none"> ~ €0.7bn sales 9M 2011 Lab products and equipment for applications in life science and industrial markets 	<ul style="list-style-type: none"> ~ €0.7bn sales 9M 2011 Products used in the production of pharmaceutical and biopharmaceutical drugs
Market position / strengths	<ul style="list-style-type: none"> Leading franchise in cell analysis and protein detection tools 	<ul style="list-style-type: none"> Leading supplier of chemicals, instruments, devices and assay solutions 	<ul style="list-style-type: none"> Leader in helping customers manufacture biologics safely and efficiently
Key customers	<ul style="list-style-type: none"> Academia Pharmaceutical industry Researchers 	<ul style="list-style-type: none"> Chemical industry Food & Beverage industry Academia 	<ul style="list-style-type: none"> Pharmaceutical & Biopharmaceutical production industry
Attractive long-term growth in the life science tools market			

Life Science

Well positioned to take advantage of growth in biotech market



Source: Evaluate Pharma, World Preview 2016, June 2011

*Compound Annual Growth Rate 2010-2016

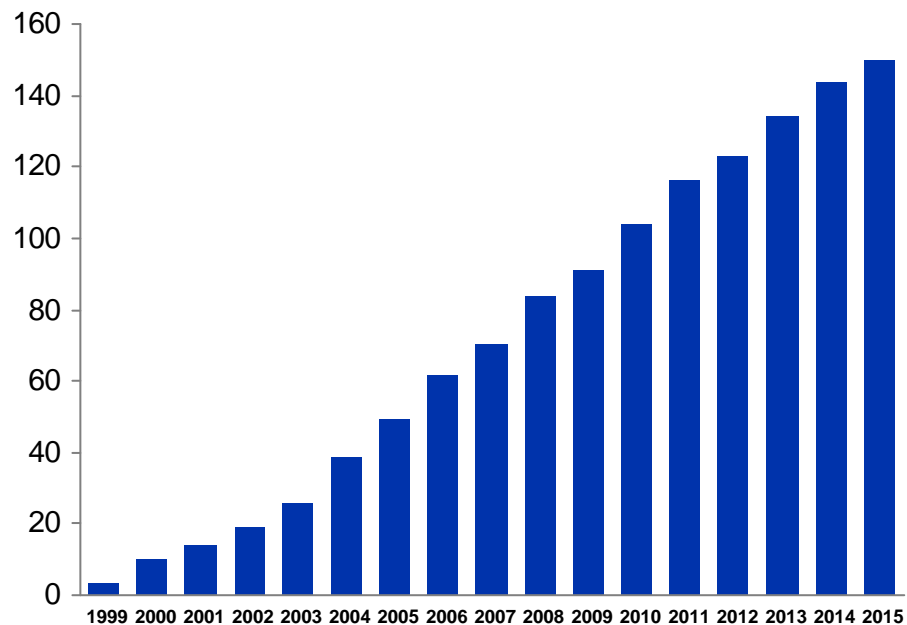
Performance Materials

Business characteristics	<ul style="list-style-type: none">▪ Highly consolidated market▪ Solid value chain position in high-tech materials▪ Pioneer and technology leader in Liquid Crystals (LC)
Clear competencies	<ul style="list-style-type: none">▪ Customer intimacy and product customization▪ Translate chemistry into electro/optical performance▪ In-depth application technology know-how (LC and pigments)
Market position	<ul style="list-style-type: none">▪ Clear LC market leader▪ Leading player in specialty pigments
Exploiting market leadership position	

Performance Materials

Significant industry investment in LCD ensures continued demand for Liquid Crystals

Industry investment LCD production, cumulative, US\$bn



- Industry investment of more than US\$ 100bn over last 10 years in LCD production
- Limited opportunity for disruptive technology change to gain significant market position in near term

High investments in the past hinder fast technology replacement

Agenda

1 Company overview

2 Key strengths

3 Unlocking value

4 Financials

5 Summary

The Group – Unlocking value

We will tackle our major challenges

Change management

- Foster awareness for need of cultural change

Improve profitability

- Optimize cost structure
- Streamline internal processes

Strengthen R&D function

- Reduce cycle times
- Improve efficiency of R&D processes

Focus on pharma pipeline and portfolio

- Focus on selected specialty products
- Increase interaction with regulatory agencies to improve commercial effectiveness and to avoid pipeline setbacks

Deliver growth

- Leverage sales potential for Life Science in regional and local markets
- Deliver on growth strategy in emerging markets

Short-term

Mid-term (2-3 years)

Biopharmaceuticals

Building Biopharmaceuticals: Change Process Gaining Momentum

Change Agenda

- Increasing commercial effectiveness
- Improving the pipeline to enhance early stage projects
- Strengthening the R&D organization and shift focus from late stage to early stage
- Increase focus on licensing in across core areas
- Optimizing cost structure and streamlining processes

Recent Progress

- Division strengthened with highly experienced senior managers
- Tough pipeline decisions taken
- Continued actions to strengthen and defend leadership positions in Multiple Sclerosis and Oncology
- Definition of new R&D organization

Team and high-level organization in place, focus turns to efficiency improvements

Biopharmaceuticals

Redefining the R&D organization

Past R&D Organization

- One executive heading the combined R&D office
- Heavily matrixed organization with up to 12 layers
- High span of control at L1 and L2, very low span of control at lower levels of the organization
- No clear responsibility for strategy realization, unclear mandate of Portfolio Development function

New R&D Organization

- One executive for separated R and D functions each
- Leaner organization with clear responsibilities on individuals rather than on committees
- Global functions for Drug Safety, Regulatory/QA and Medical
- Own unit for external innovation

New R&D organization geared toward speed and better execution

Agenda

1 Company overview

2 Key strengths

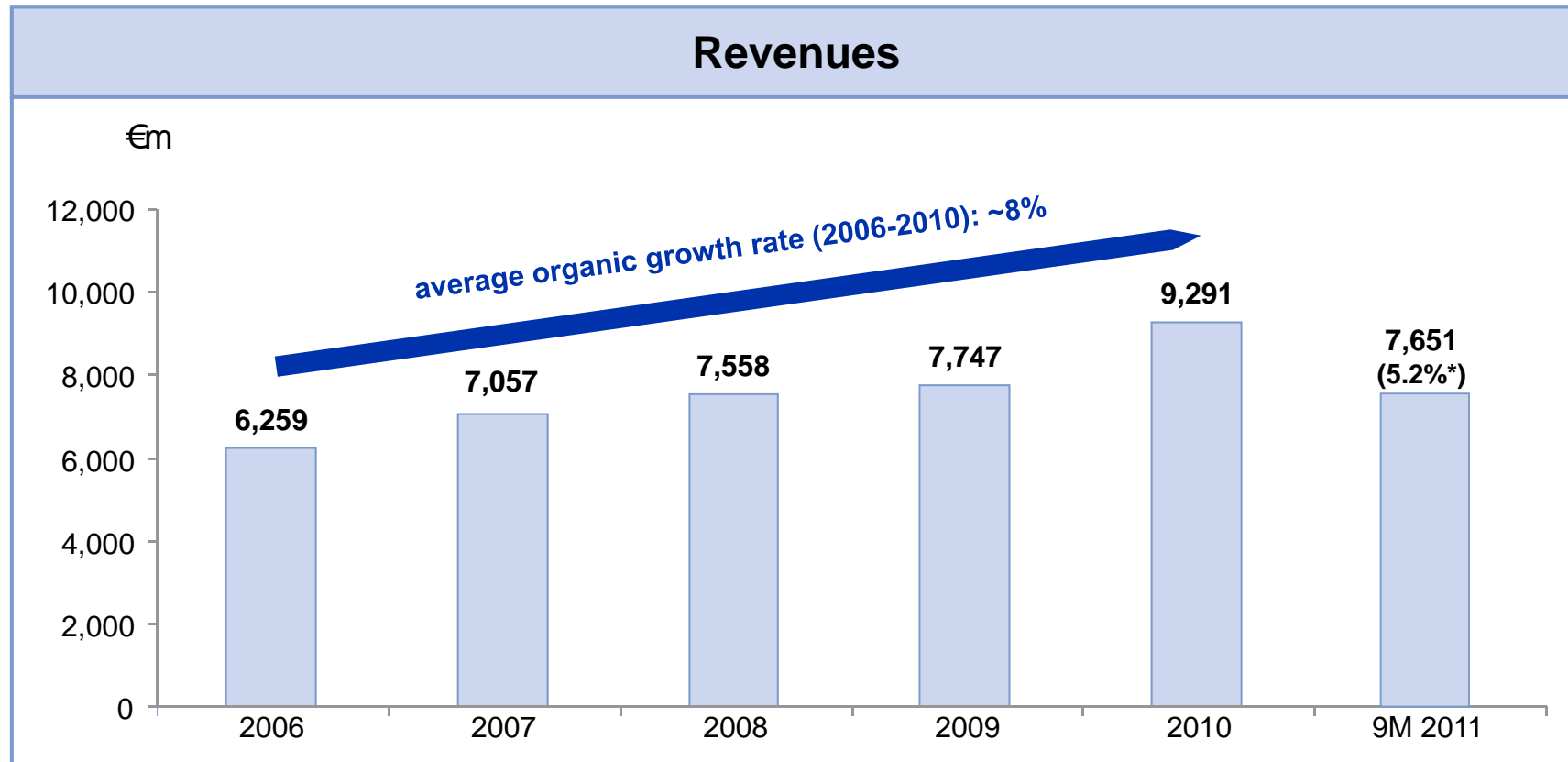
3 Unlocking value

4 Financials

5 Summary

The Group

Our strong growth rates reflect the attractiveness of our assets

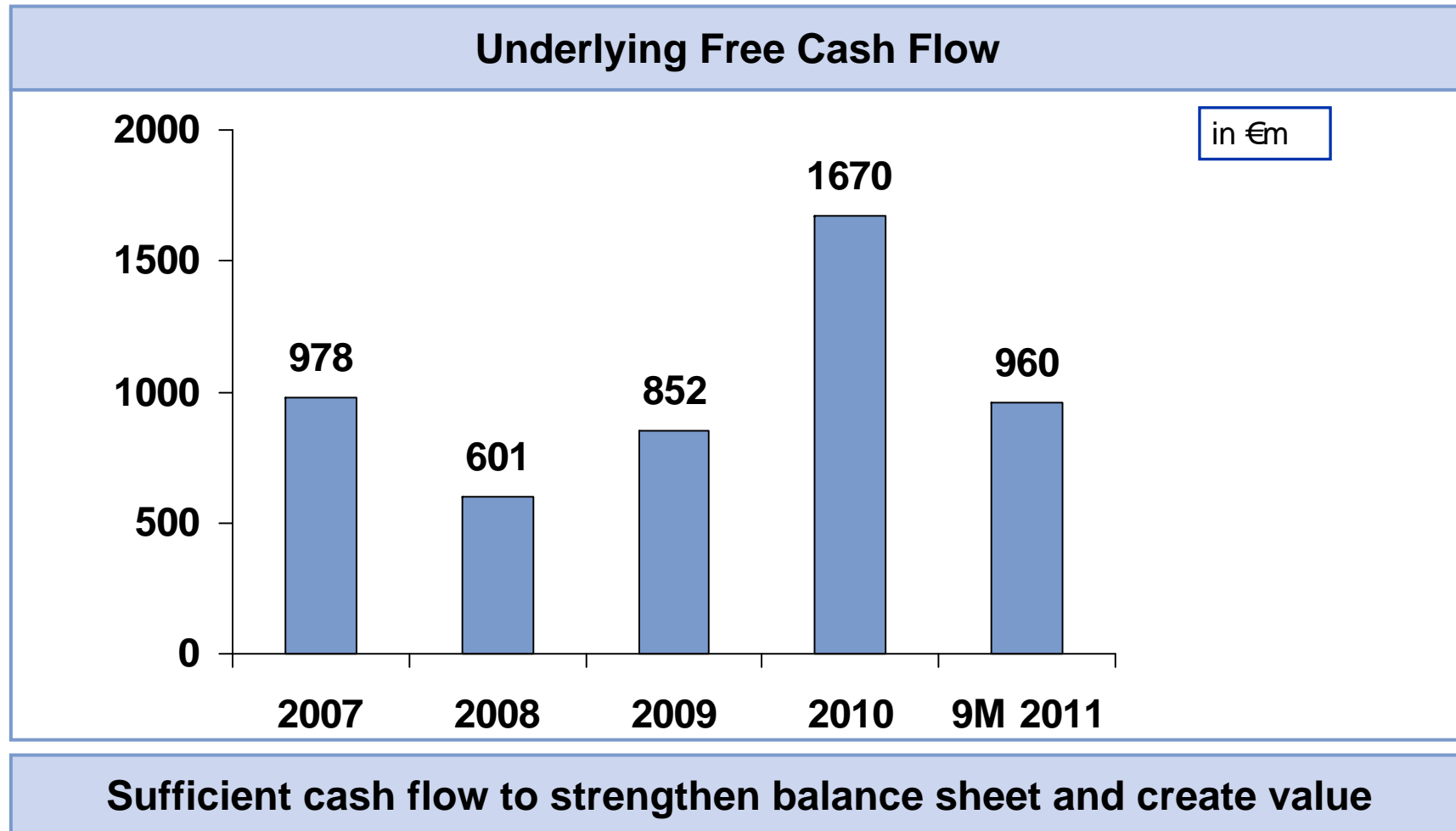


Our portfolio has attractive assets and brands

* Organic growth

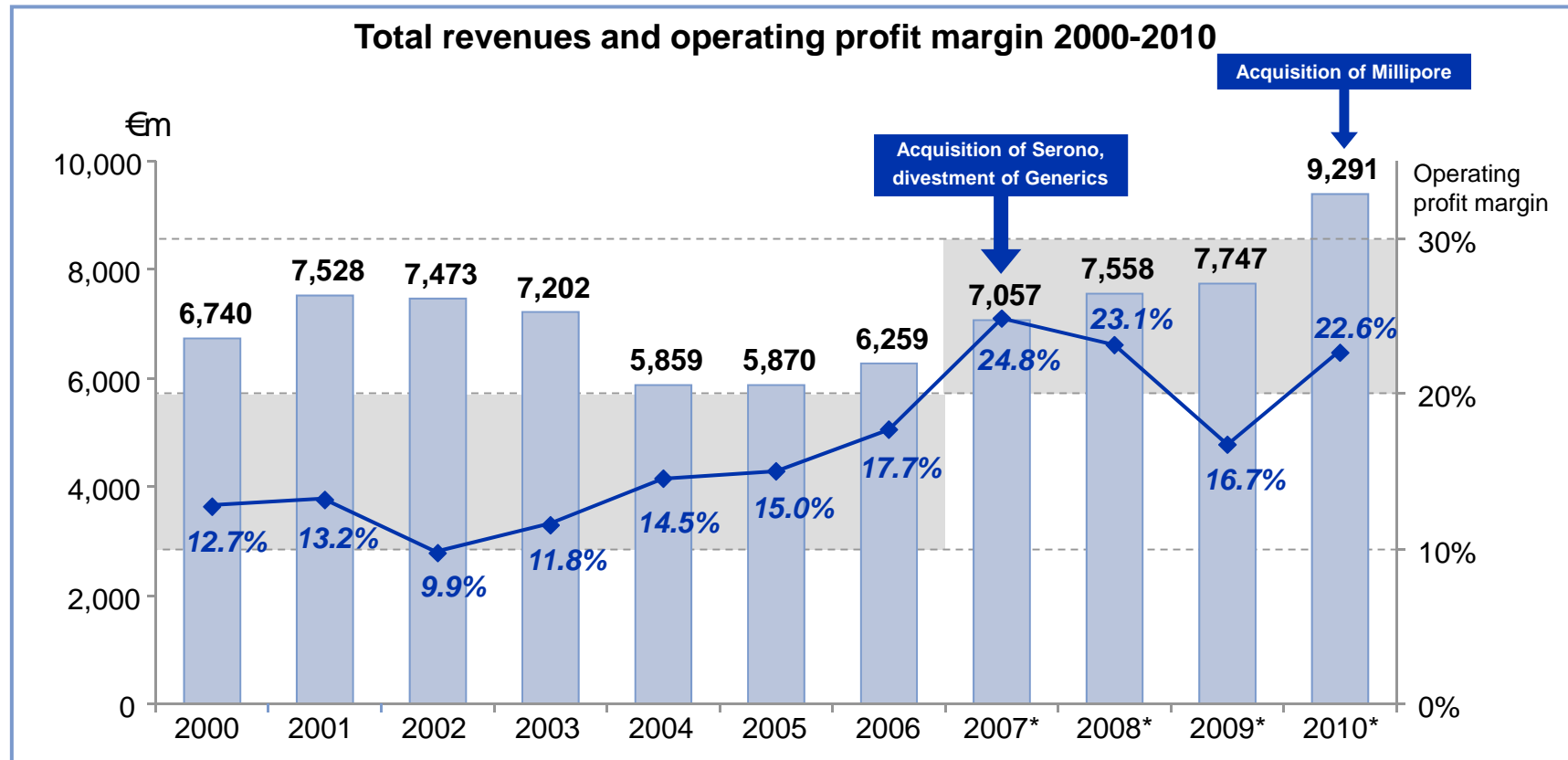
The Group

We have strong underlying free cash flow which can be used to create value



The Group

Acquisitions and strong growth drive higher profitability



Business portfolio continuously managed for higher profitability

*Based on Core Operating Result (Operating Result less costs related to acquisitions (amortization and impairments of intangible assets, and integration costs))

Agenda

1 Company overview

2 Key strengths

3 Unlocking value

4 Financials

5 Summary

Summary: Why invest in Merck KGaA, Darmstadt, Germany

Balanced portfolio with businesses in leading market positions



Strong financial base and solid cash-flow generation



Willingness to change and address industry challenges



Ideally positioned to exploit future growth opportunities

