Deutsche Bank
German, Swiss & Austrian Conference

Matthias Zachert
Chief Financial Officer

Frankfurt, 16 May, 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.

Merck KGaA
Darmstadt · Germany

Disclaimer

Remarks

All comparative figures relate to the corresponding last year's period.

Important information

This presentation does not constitute an offer of securities for sale or a solicitation of an offer to purchase securities in the United States. The shares referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration under the Securities Act or an available exemption from such registration.

Note regarding forward-looking statements

The information in this document may contain "forward-looking statements". Forward-looking statements may be identified by words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "will" or words of similar meaning and include, but are not limited to, statements about the expected future business of Merck KGaA, Darmstadt, Germany resulting from the proposed transaction. These statements are based on the current expectations of management of Merck KGaA, Darmstadt, Germany and E. Merck KG, Darmstadt, Germany, and are inherently subject to uncertainties and changes in circumstances. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are factors relating to satisfaction of the conditions to the proposed transaction, and changes in global, political, economic, business, competitive, market and regulatory forces. Merck KGaA, Darmstadt, Germany and E. Merck KG, Darmstadt, Germany do not undertake any obligation to update the content of this presentation and forward-looking statements to reflect actual results, or any change in events, conditions, assumptions or other factors.

Agenda

1. **Update on Q1 2012**
2. Business portfolio strengthened
3. Delivering on efficiency
4. Exploiting opportunities for growth
5. Driving cultural change
6. Appendix

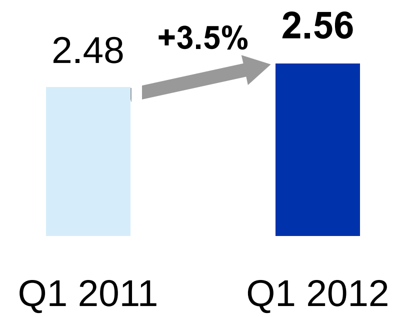
Q1 2012 Summary

Key Highlights

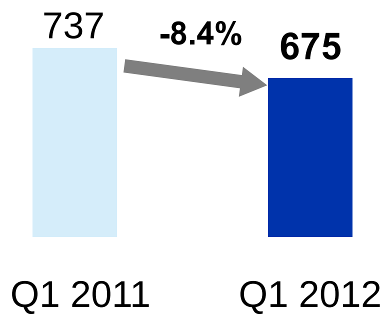
- Reasonable operational performance despite difficult year-over-year comparison
- Biopharmaceuticals and Life Science drive all of the organic revenue growth
- Performance Materials declines after a strong start in Q1 2011
- Cost containment continued
- Efficiency program launched and first planned initiatives announced

Q1 2012 Financials

Sales (€bn)



EBITDA pre (€m)



Operating performance meets expectations

€m	Q1 2012	Q1 2011	Δ
Total Revenues	**2,645**	**2,564**	**3%**
Net Sales	2,564	2,478	4%
Royalty income	81	86	-6%
Gross Profit	**1,896**	**1,925**	**-2%**
as % of net sales	74.0	77.7	
Marketing &Selling	-587	-590	-1%
Royalty and Comm. Exp.	-120	-111	8%
Administration	-136	-130	5%
Other Expenses / Income	-145	63	-330%
R&D	-382	-379	1%
Amortization	-216	-248	-13%
EBIT	**311**	**530**	**-41%**
EBITDA pre	**675**	**737**	**-8%**
as % of net sales	26.3	29.7	

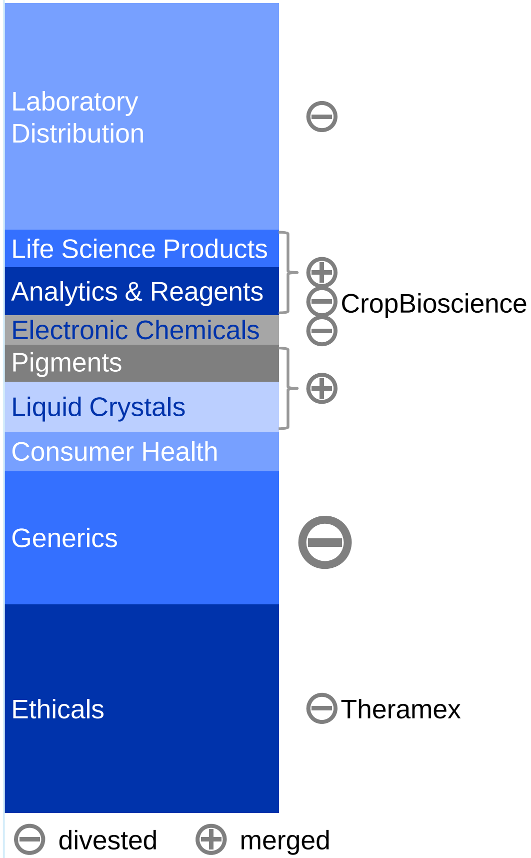
Comments:

- **Sales** growth of 4% reflects 1% organic growth, 2% impact from currency, and 1% from acquisitions
- **Gross profit** down due to
  - Higher start-up costs (LSB)
  - Lack of positive manufacturing variances
  - Negative FX effect (CHF)
- **Marketing & Selling** down due to successful cost containment
- **Other Expenses / Income** Q1'12 incl. €30m of one-time costs, Q1'11 incl. €158m gain
- **Amortization** lower due to €50m cladribine impairment in Q1'11

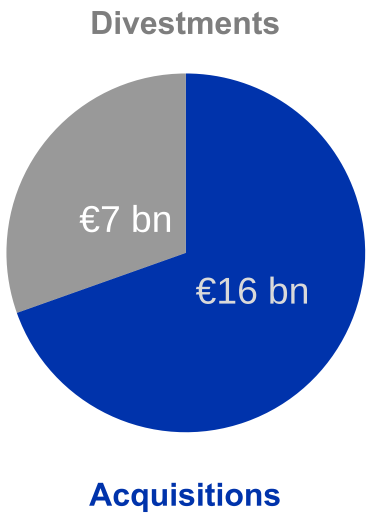
Agenda

We have added scale while strengthening the attractiveness of assets in our portfolio

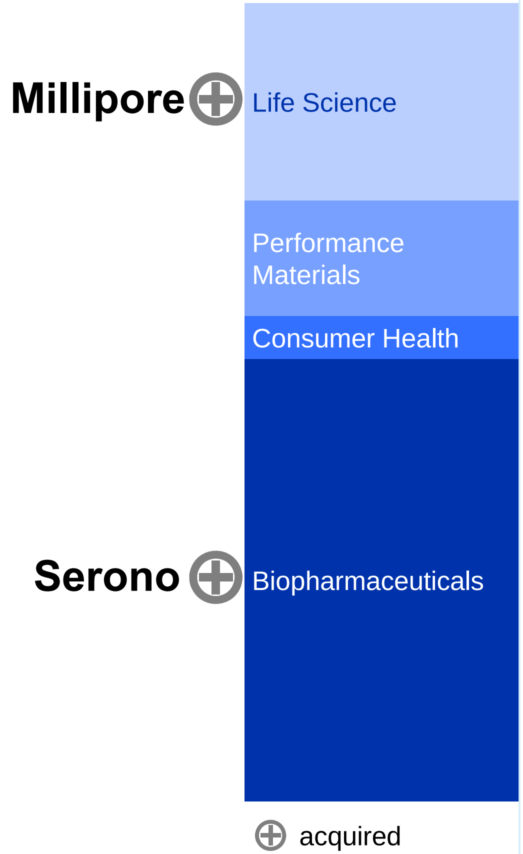
2002 Revenues €7.5 bn



Transaction volume



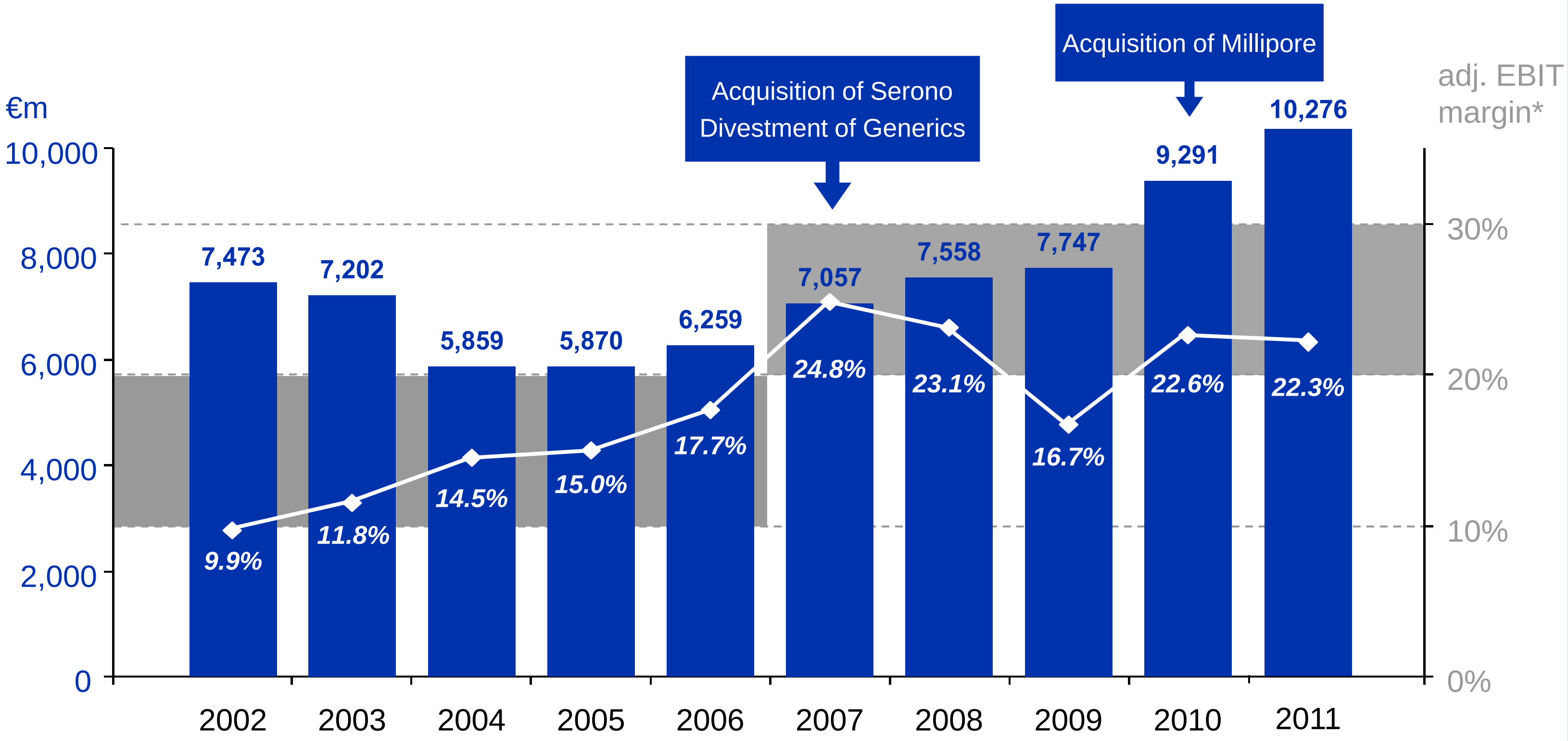
2011 Revenues €10.3 bn



Merck KGaA
Darmstadt · Germany

Our stronger portfolio has enabled us to fundamentally improve our profitability

Group total revenues and adjusted EBIT margin* 2002–2011



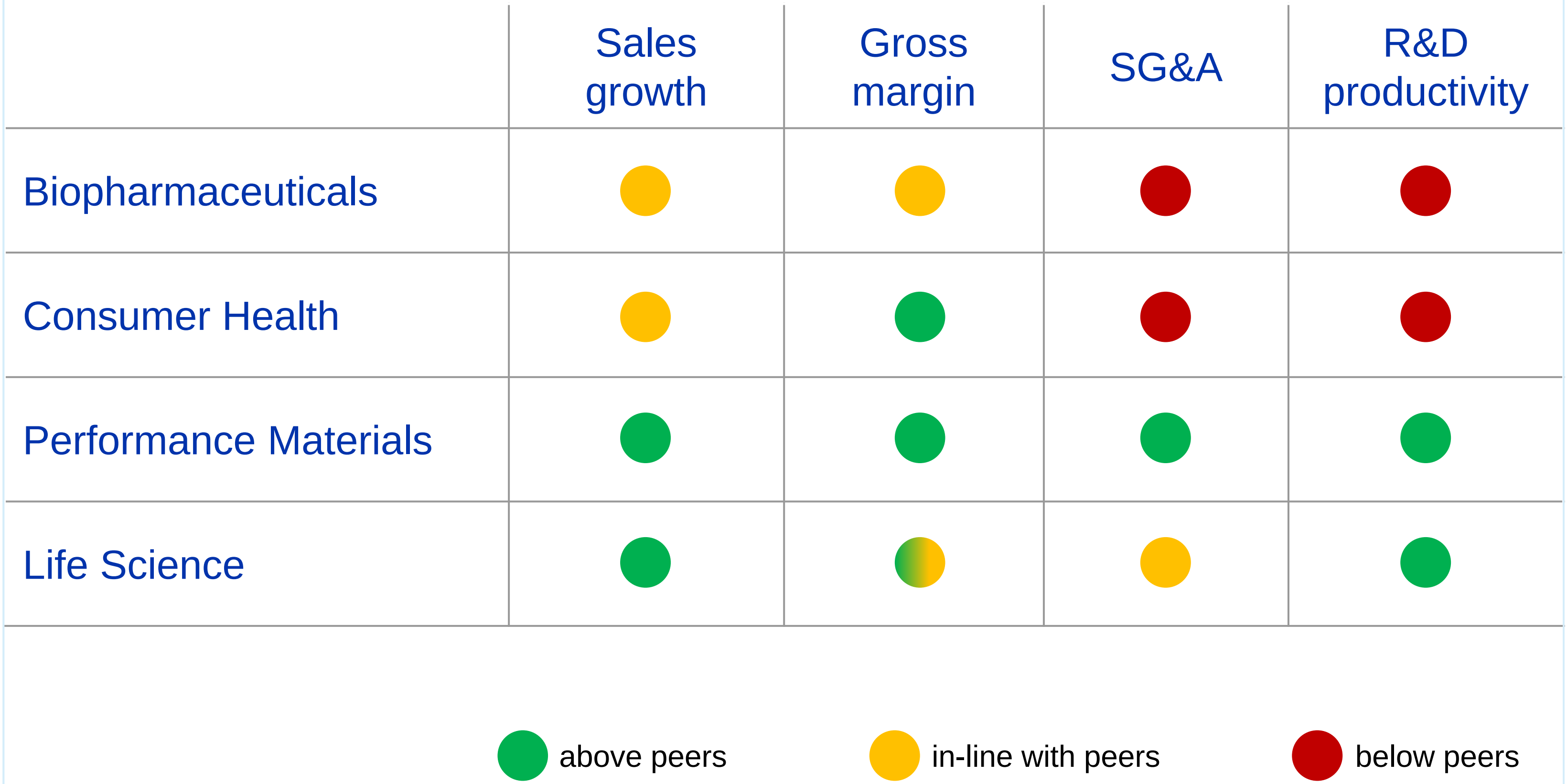
* adj. EBIT margin = adj. EBIT** divided by total revenues

** adj. EBIT = EBIT less costs related to acquisitions (amortization and impairments of intangible assets, and integration costs) and less exceptionals

Merck KGaA
Darmstadt · Germany

Portfolio evolution improved our profitability structure, but further potential remains

Assessment of long-term financial performance relative to peers



Merck KGaA
Darmstadt · Germany

We now focus on efficiency

Transformation process 2012-2018

2012 | 2013 | 2014 | 2015 | 2016-18

Efficiency
- De-complex organization
- Optimize cost structure
- Increase R&D productivity

Organic growth
- Exploit leading market positions
- Execute selected bolt-on acquisitions

Portfolio
- No portfolio divestments until 2014
- No transformational deals before 2014

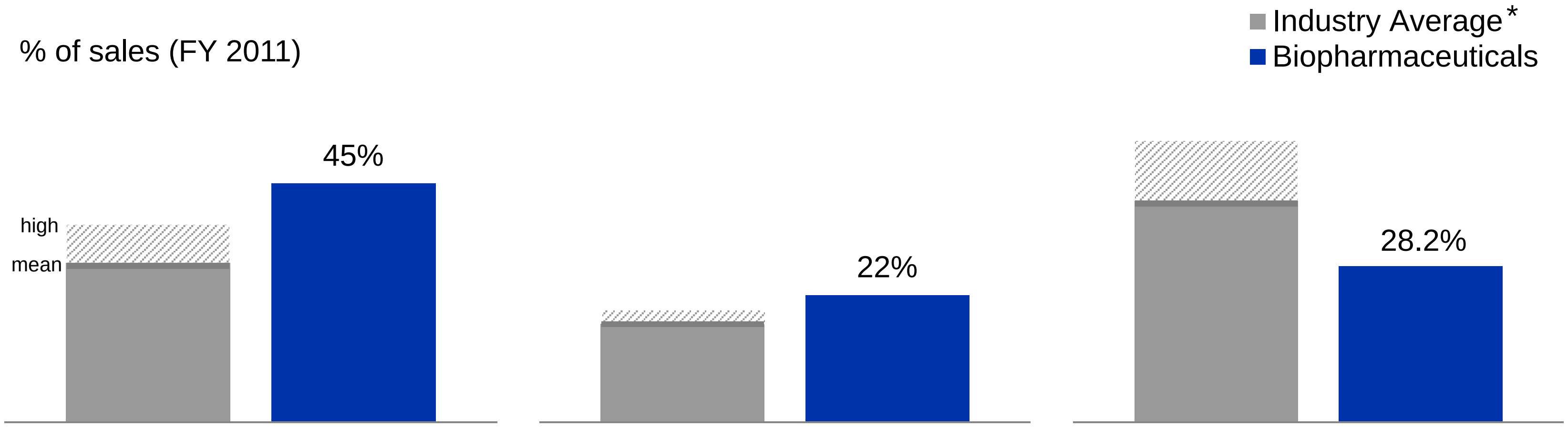
Cultural change
- Fill key positions with best managers
- Foster performance culture

Agenda

1. Update on Q1 2012
2. Business portfolio strengthened
3. **Delivering on efficiency**
4. Exploiting opportunities for growth
5. Driving cultural change
6. Appendix

Merck KGaA
Darmstadt · Germany

Catching up with industry standards



SG&A spend

- Eliminate duplications between headquarters in Darmstadt and Geneva
- Focus investments on markets and products with highest return profiles
- Centralize businesses

R&D spend

- Eliminate duplications between headquarters and local R&D operations
- Faster decision making
- Increase efficiency and output

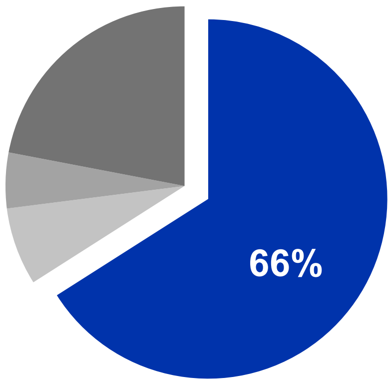
EBITDA* margin

Source: sell-side analyst research
* EBITDA pre one-time items

Merck KGaA
Darmstadt · Germany

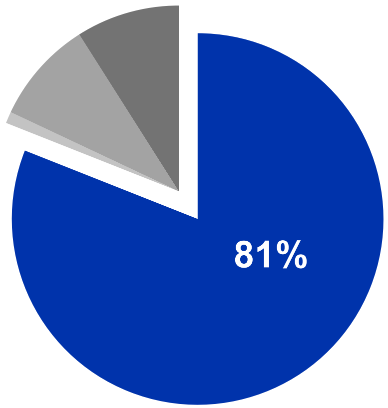
Division represents the largest savings potential within the group

Group SG&A in 2011



Biopharmaceuticals SG&A: €2,526m

Group R&D in 2011



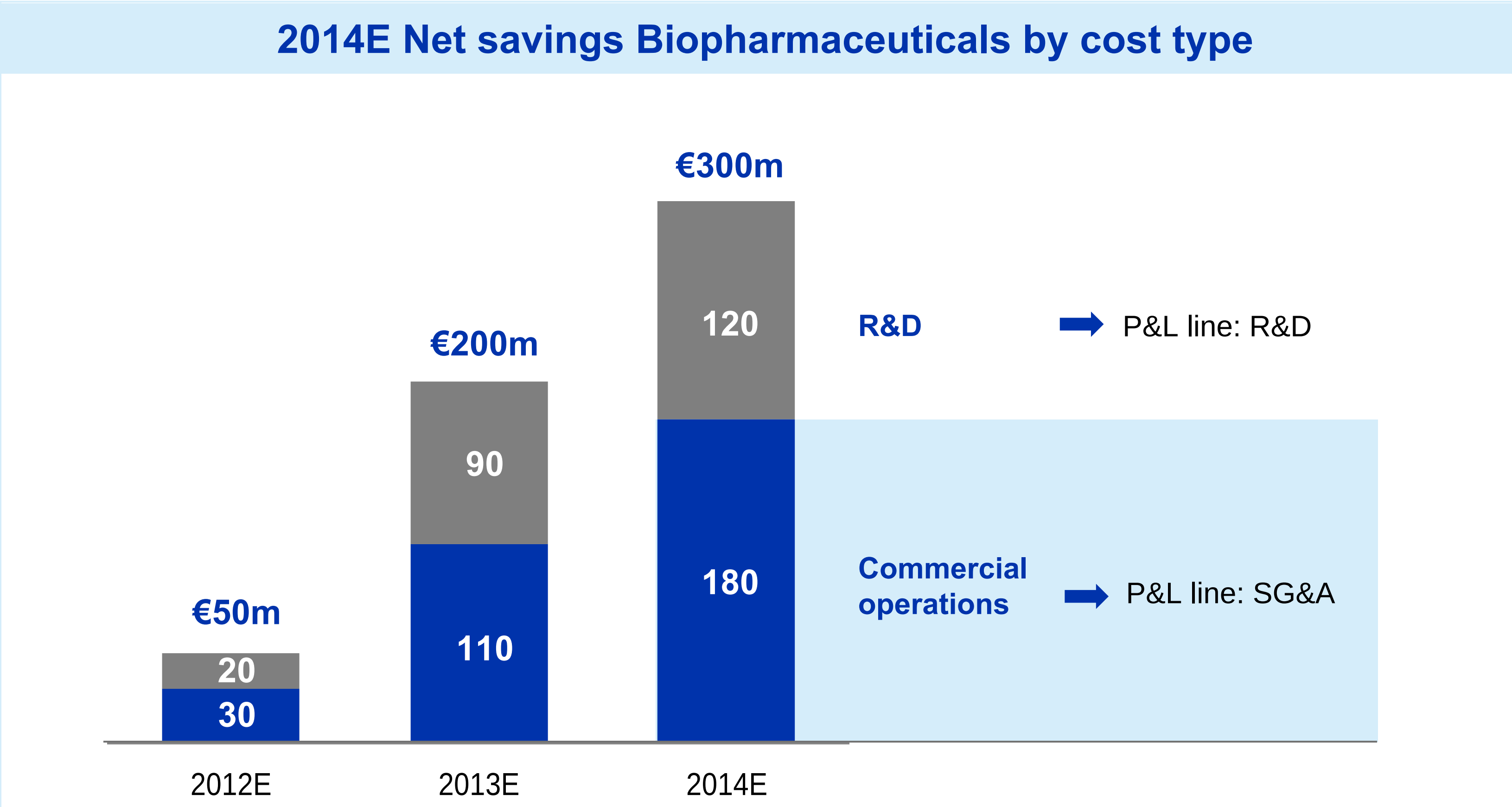
Biopharmaceuticals R&D: €1,225m

Biopharmaceuticals | Life Science | Performance Materials | Consumer Health

Eliminate costs while ensuring R&D is located close to future growth opportunities

Merck KGaA
Darmstadt · Germany

Breakdown of Biopharmaceuticals net cost savings through 2014



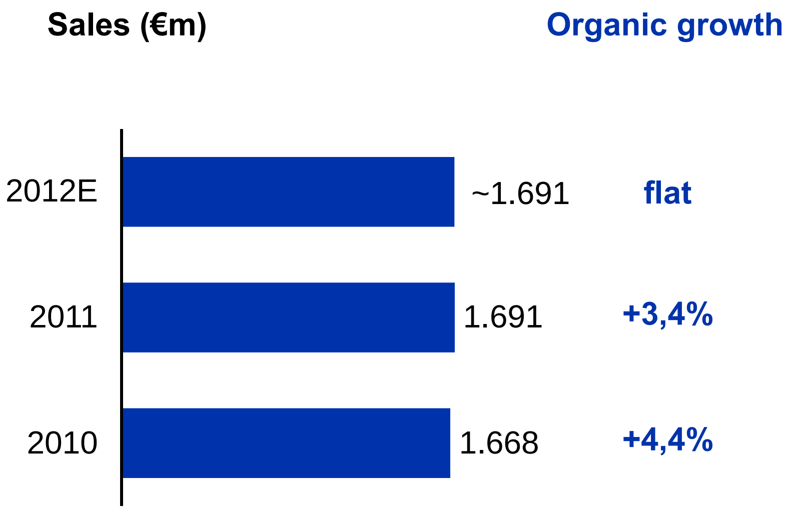
€300 m of net cost savings by 2014

Agenda

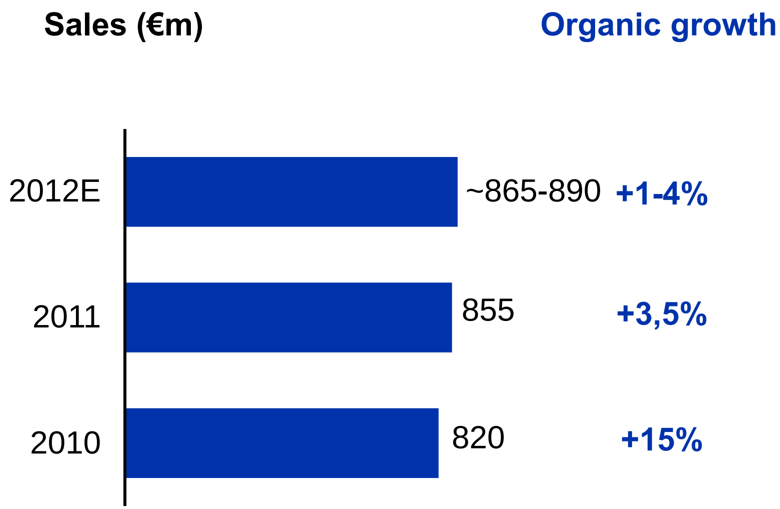
1. Update on Q1 2012
2. Business portfolio strengthened
3. Delivering on efficiency
4. **Exploiting opportunities for growth**
5. Driving cultural change
6. Appendix

Rebif and Erbitux will continue to be important assets for the division

Continue to defend Rebif



Maximize performance of Erbitux

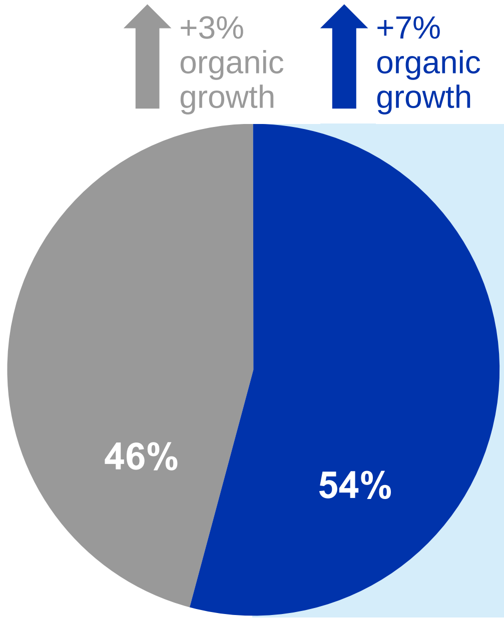


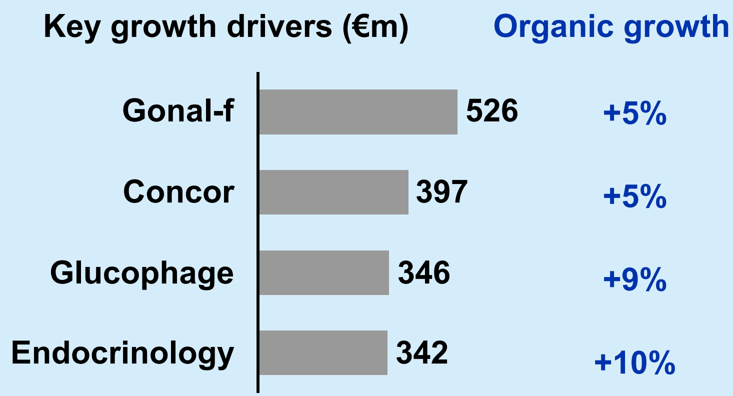
Rebif and Erbitux proving resilient in face of increasing competition

Merck KGaA
Darmstadt · Germany

Over half of our portfolio is generating strong performance and will continue to grow

2011 Sales by business





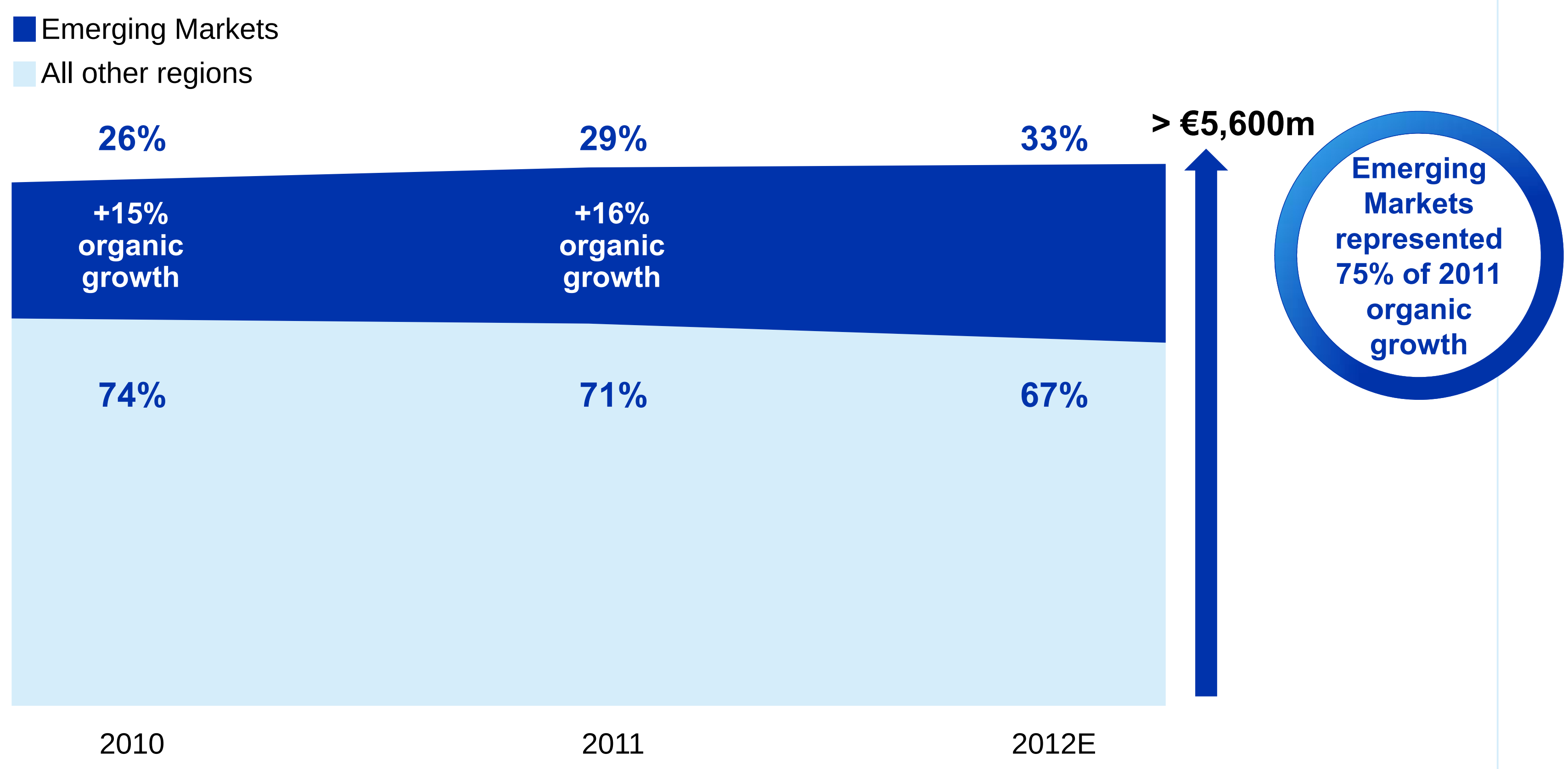
Rebif & Erbitux

All other Biopharmaceuticals products

We have good assets that will continue to grow

Emerging Markets is an increasing share of our sales and will drive attractive growth

Sales by geography



Merck KGaA
Darmstadt · Germany

We have begun the process of rebuilding our pipeline in 2011

January 2011

Phase I	Phase II	Phase III
		Stimuvax (NSCLC)
		Cilengitide (GBM)
	ARX 201(GHD)	Erbitux (aCC)
	Erbitux (BC)	Erbitux (GC)
Pimasertib (Cancer)	IMO-2055 (SCCHN)	Rebif (CIS)
c-Met KI (Cancer)	DI17E6 (CRC)	Cladribine (CIS)
IFNbeta XR (MS)	Cilengitide (NSCLC)	Safinamide (esPD)
ATX-MS-1467 (MS)	Cilengitide (SCCHN)	Safinamide (lsPD)
Sprifermin(OA)	Sprifermin(CIR)	Atacicept (SLE)

- Dominated by phase III projects, using up large parts of the resources
- Late-stage projects in non-core therapeutic areas
- Predominantly in-house projects
- Early-stage pipeline too light

May 2012

Phase I	Phase II	Phase III
MEK Inhibitor (cancer)		
NHS-IL 12 (cancer)		
c-Met KI (cancer)		
Pimasertib (cancer)		
Pimasertib/PI3K (cancer)	TH-302 (PC)	
PI-2301 (MS)	Cilengitide (NSCLC)	
Fc-IFNbeta (MS)	DI17E6 (CRC)	TH-302 (STS)
ARX 424 (MS)	DI17E6 (mCRPC)	Erbitux (GC)
IFNbeta XR (MS)	ONO-4641 (MS)	Stimuvax (NSCLC)
ATX-MS-1467 (MS)	Atacicept (SLE)	Cilengitide (GBM)
Sprifermin (OA)	Sprifermin(CIR)	Kuvan (PKU ped.)

- Reasonable number of phase III projects in core therapeutic areas (e.g. oncology)
- Shared risk with partners, also in late-stage development (e.g. TH-302)
- Early-stage pipeline strengthened

Pipeline has improved, but significant work remains

Merck KGaA
Darmstadt · Germany

Agenda

1. Update on Q1 2012
2. Business portfolio strengthened
3. Delivering on efficiency
4. Exploiting opportunities for growth
5. **Driving cultural change**
6. Appendix

New management in key positions and across the entire organization

Divisions		Biopharmaceuticals		Corporate	
Head of Consumer Health Care	Head of Life Science	Biopharma-ceuticals Chief Operating Officer	Head of Biopharma-ceuticals Development	Head of Corporate HR	Head of Corporate Controlling

The Group

Changes within the top 30 positions:
34% since Jan 1, 2011, including three new board members

New roles and new people to drive businesses forward

We have aligned our compensation system to drive cultural change

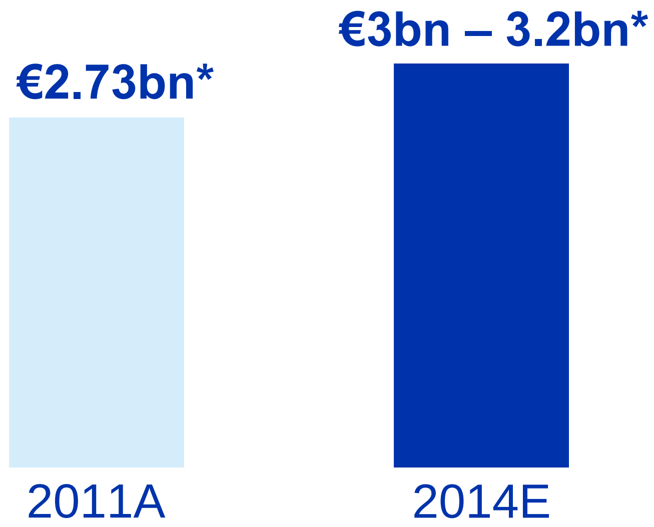
Old plan	New Plan
Annual Cash Bonus	**Annual Cash Bonus**
▪ Individuals measured against many KPIs	▪ Greater differentiation between over and underperformers
▪ Limited upside for individual outperformance: 0-150%	▪ Greater upside and downside: 0-200%
▪ Bonus largely driven by collective group targets	▪ Bonus based on individual and divisional performance
Stock Plan	**Stock Plan**
▪ No incentives linked to stock	▪ Stock based plan
	▪ Mandatory one-time co-invest of 10% annual gross salary

Capturing savings will enable us to deliver attractive operating profitability

Biopharma-ceuticals net savings target

€300m

Group EBITDA target 2014**



* EBITDA pre one-time items
** does not reflect financial impact of new product launches in Biopharmaceuticals

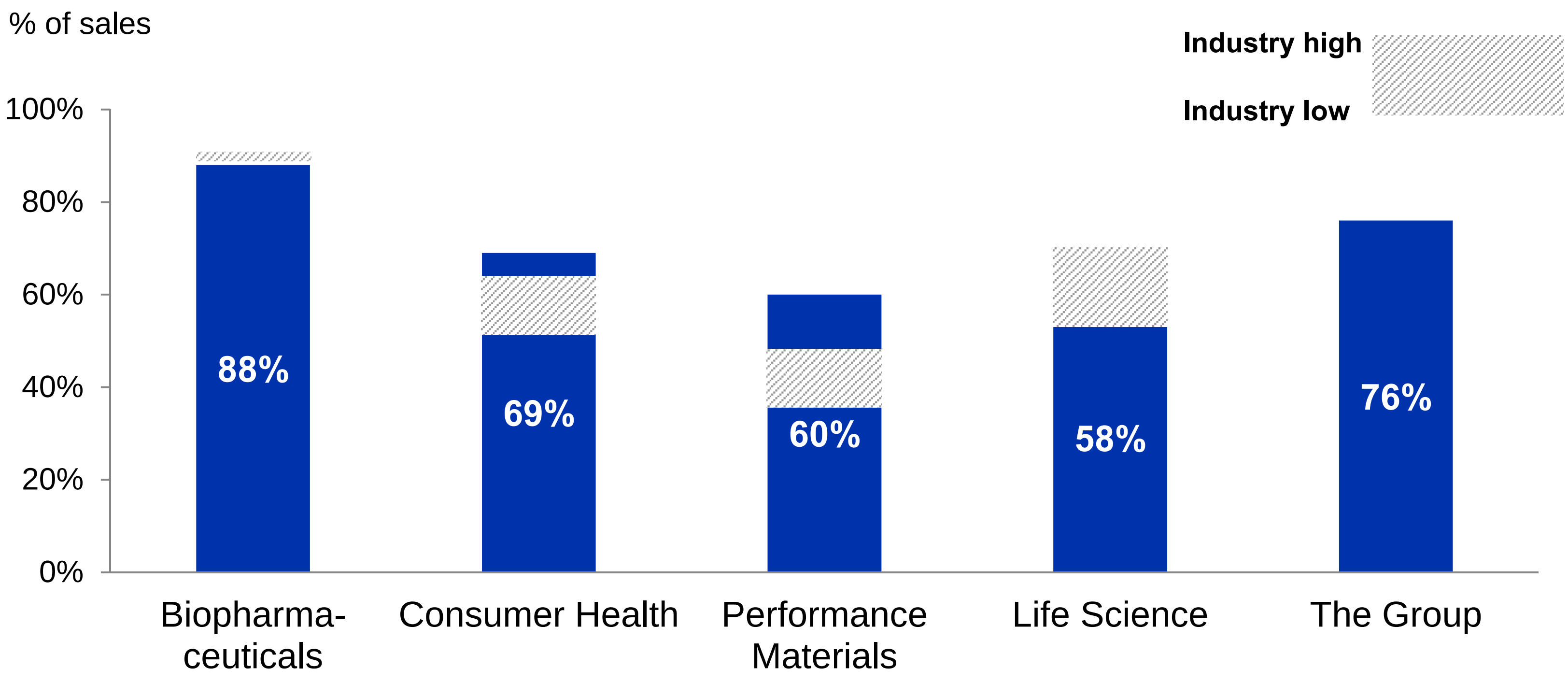
Merck KGaA
Darmstadt · Germany

Agenda

1. Update on Q1 2012
2. Business portfolio strengthened
3. Delivering on efficiency
4. Exploiting opportunities for growth
5. Driving cultural change
6. **Appendix**

Strong and healthy business with attractive gross margins compared to the industry

2011 Gross margins vs. industry average



Source: company analysis

Strong gross profits reflect attractiveness of products and brands

Merck KGaA
Darmstadt · Germany

Savings will predominantly ramp up in 2013 and 2014

Net €300m of savings

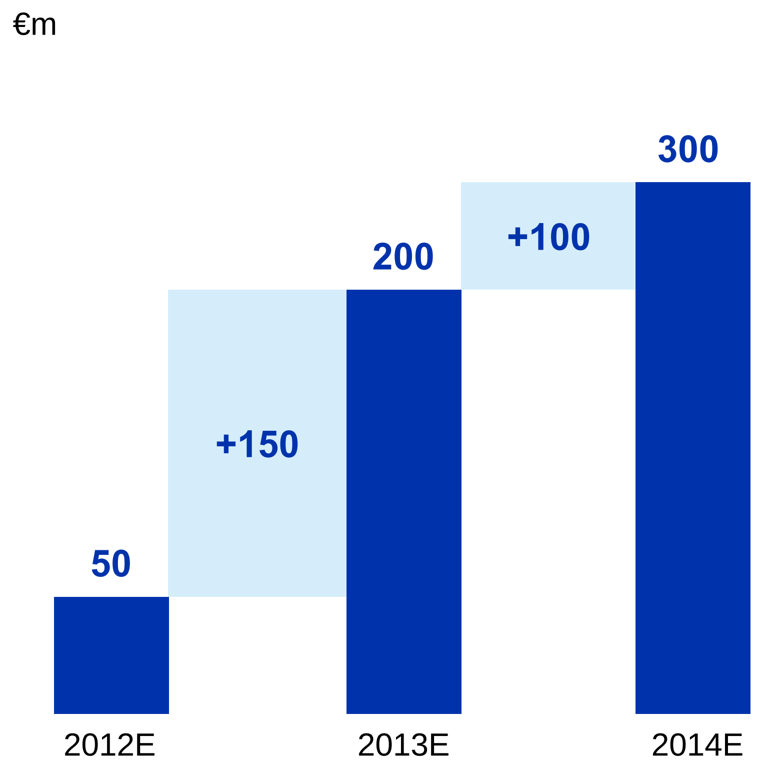
R&D

- Close down R&D hub Geneva
- Reduce fixed costs

SG&A

- Trim HQ costs
- Reduce admin & marketing along with globalization of organization
- Ensure appropriate levels of customer facing contacts

Impact of savings by year

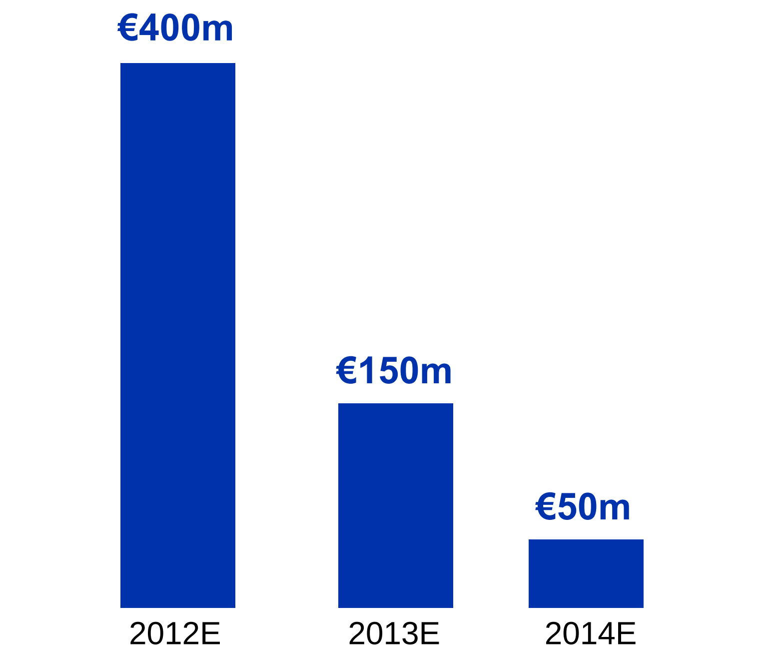


SG&A biggest lever for improvement

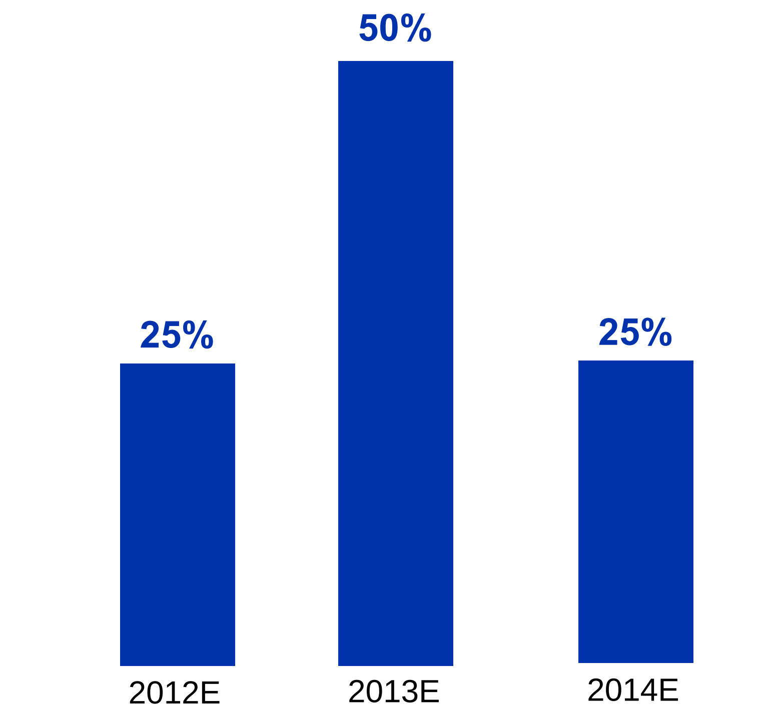
Merck KGaA
Darmstadt · Germany

We will incur ~€600m in restructuring costs

Timing of one-time costs

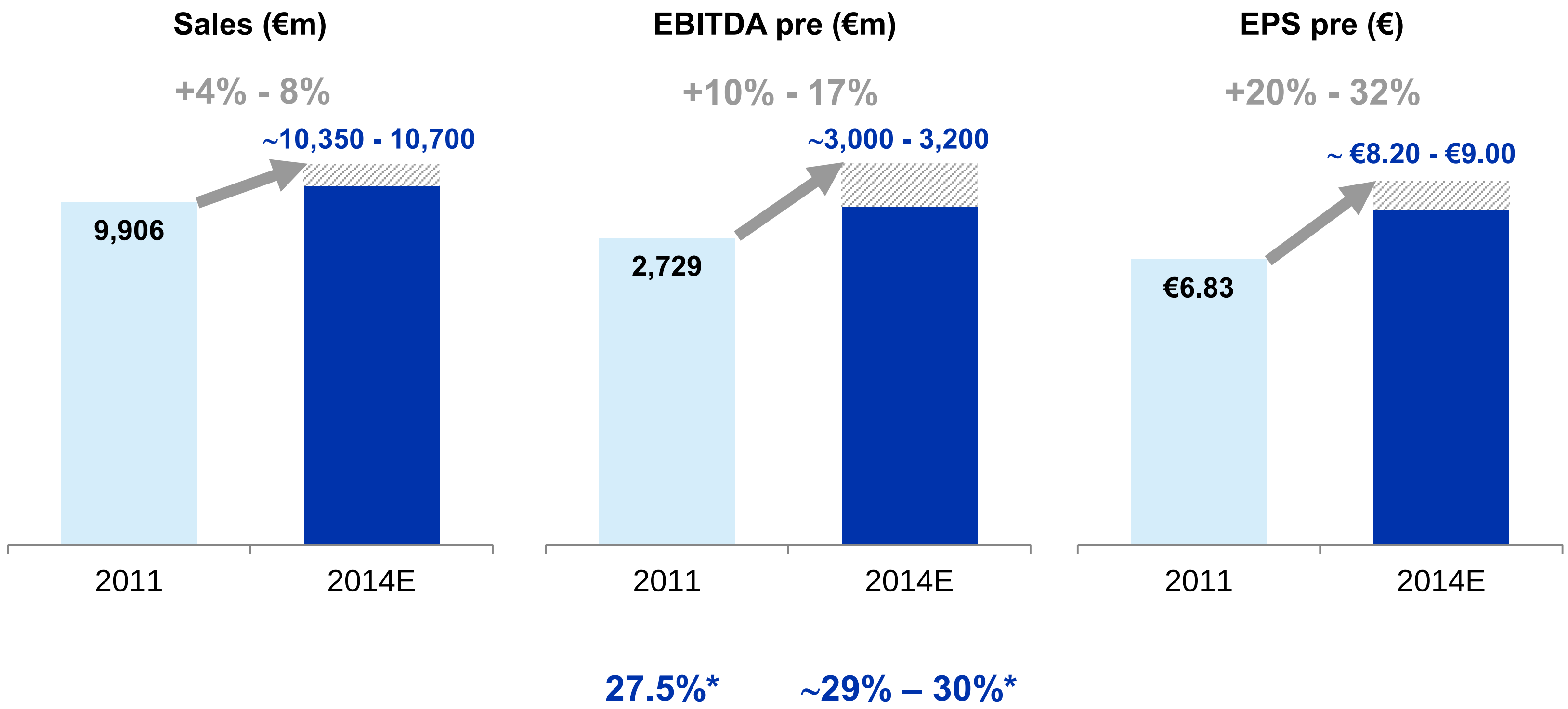


Timing of cash outflows



Majority of one-time costs are cash-related expenses

We strive for realistic Group targets

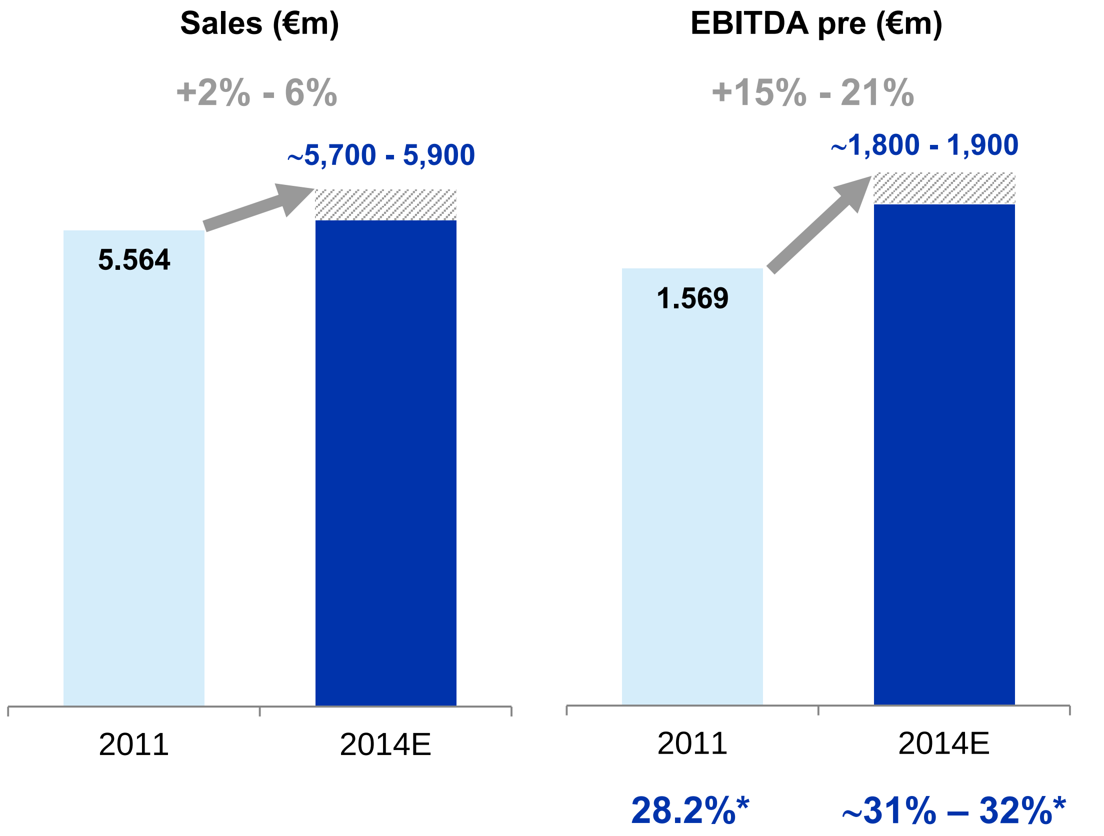


* % of sales

Assumptions:

- Unchanged economic environment
- FX: EUR/USD = 1.35; EUR/CHF = 1.20

Biopharmaceuticals mid-term financial targets



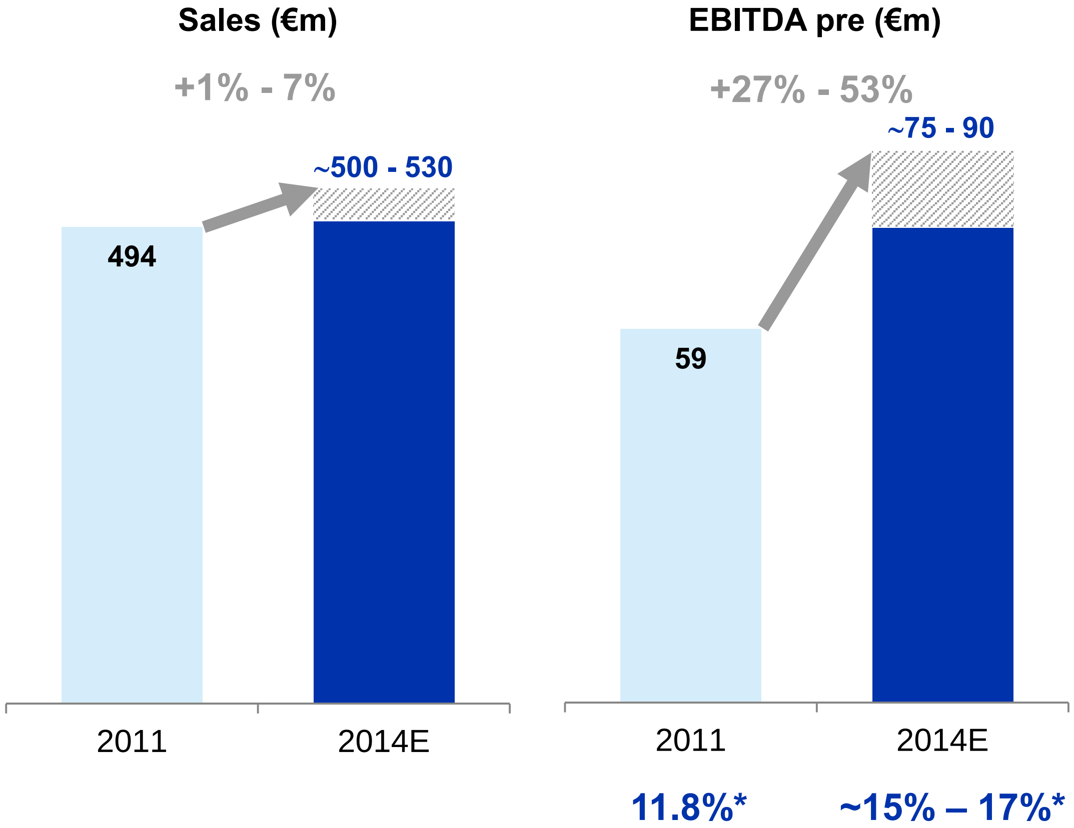
* % of sales

Assumptions:

- No new product launches
- Austerity measures will continue to put pressure on developed markets
- Emerging Markets will continue to fuel growth
- Royalty income to be expected to decrease to €180m – €200m in 2014

Cost savings will fundamentally improve profitability

Consumer Health mid-term financial targets



* % of sales

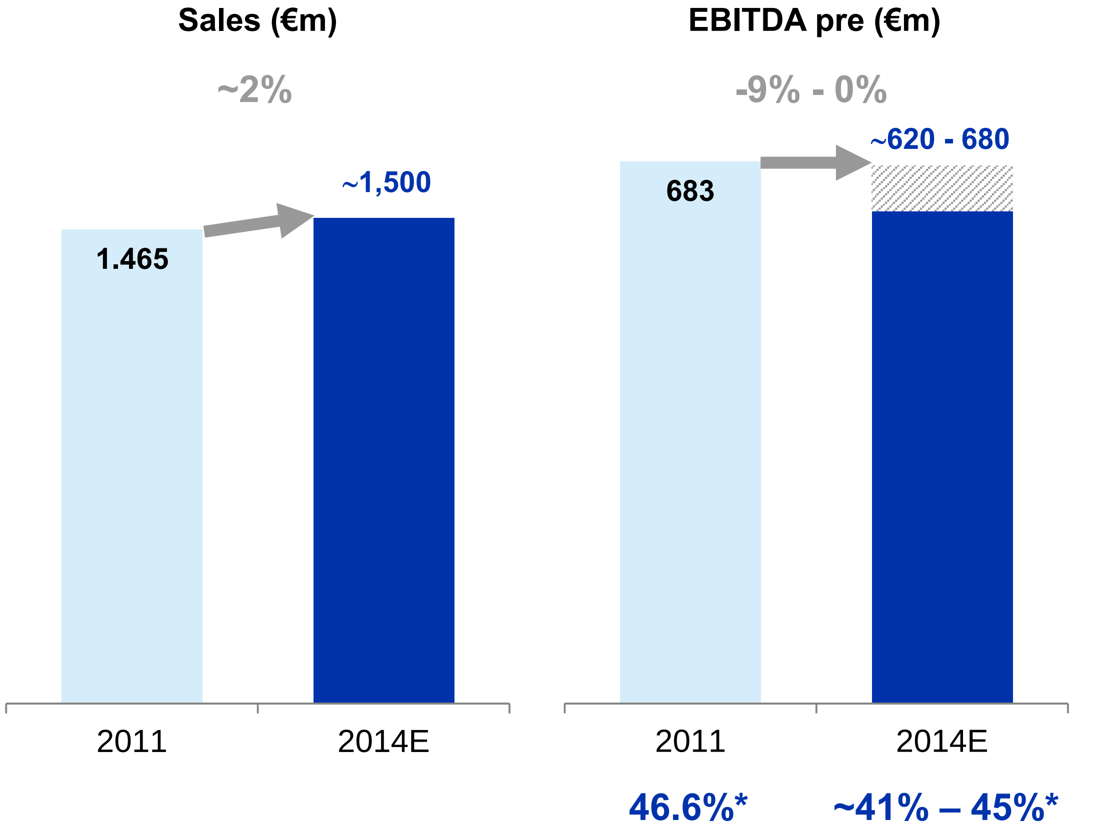
Assumptions:

- Cost Containment, notably:
  - Efficiencies on fixed cost structure
  - Improvement on sales promotion activities
  - Exit unprofitable products

Marketing & selling savings drive profitability improvement

Merck KGaA
Darmstadt · Germany

Performance Materials mid-term financial targets



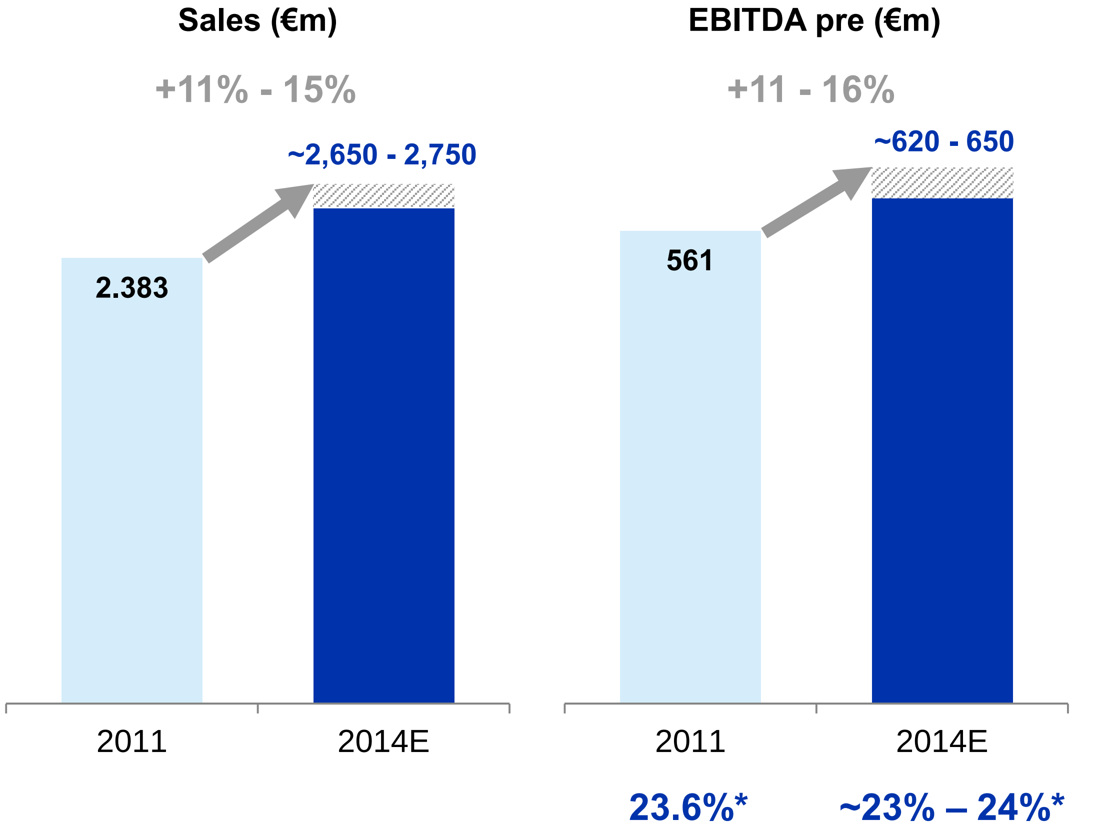
* % of sales

Assumptions:

- Slight margin erosion (volume up, price down)
- No new liquid crystal technologies launched

Performance Materials remains an attractive business

Life Science mid-term financial targets



* % of sales

Assumptions:

- Growth drivers predominantly:
  - Asia
  - Higher production of biologic drugs
  - New products
  - Bolt-on acquisitions
- High R&D maintained

Solid growth business

Merck KGaA
Darmstadt · Germany

Ensure effective cash allocation 2012/2013

Deleveraging

- 03/2012: €500m bond (interest rate = 2.125%)
- 12/2012: €500m bond (interest rate = 3.75%)
- 09/2013: €750m bond (interest rate = 4.875%)

Restructuring

- One-time costs 2012-2014: ~€600m

External Growth

- Bolt-on acquisitions 2012/2013
- In-licensing deals in pharma
- No large, transformational transactions

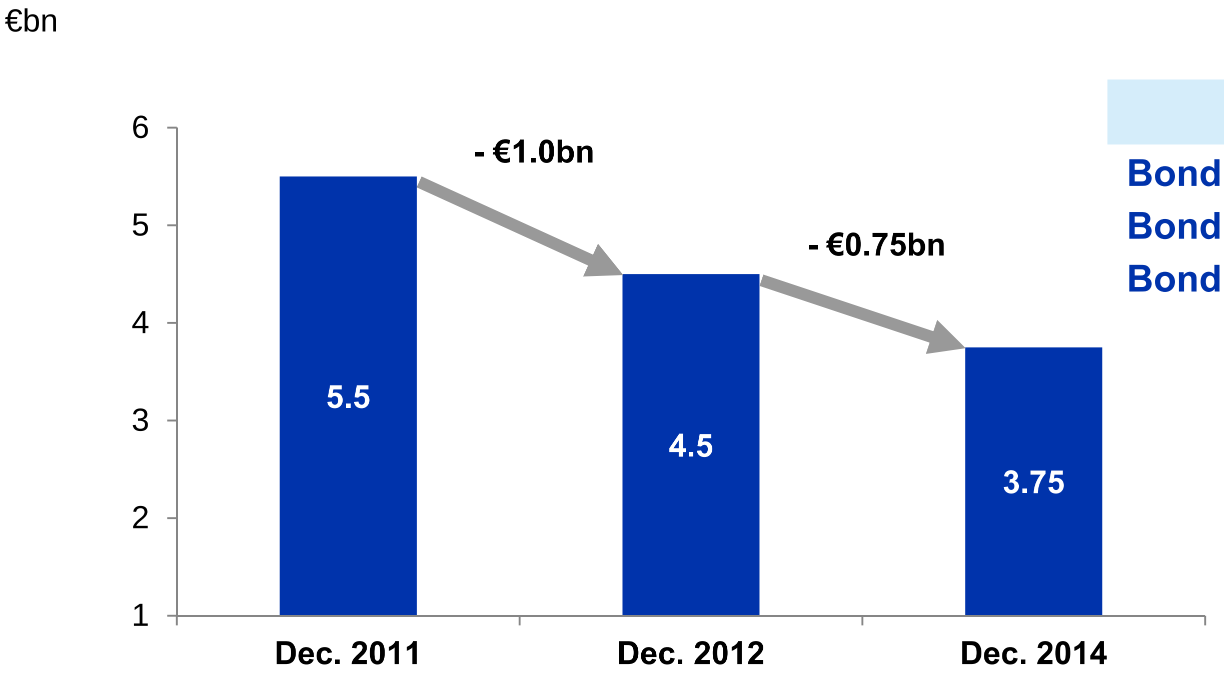
Dividend

- Stable dividend payment: 35-40% payout ratio (on adjusted net income, i.e. before one-time costs)

Merck KGaA
Darmstadt · Germany

Strengthened balance sheet through deleveraging

Gross Financial Debt



Interest savings

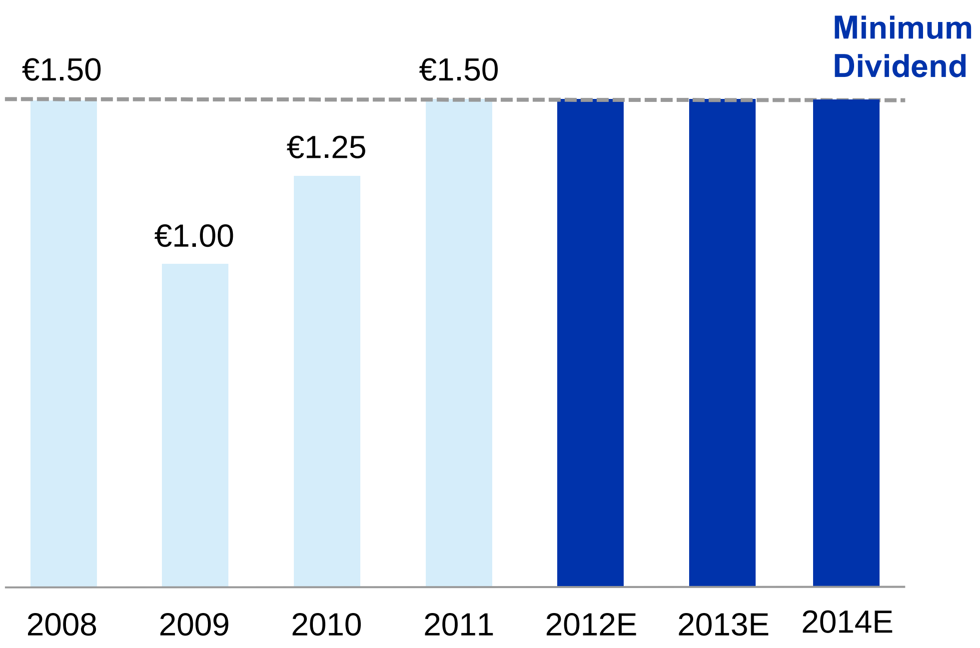
Bond 03/12: ~ €10m p.a.
Bond 12/12: ~ €20m p.a.
Bond 09/13: ~ €40m p.a.

We will continue to reduce our gross and net debt

Merck KGaA
Darmstadt · Germany

Reliable dividend policy

Dividend Payment



Dividend Policy:

- **2012 - 2014**: Target payout ratio: 35-40% of net income adjusted for one-time items (i.e. transfor-mation costs)
- Stable dividend will be assured over next three years despite one-time costs

Stable dividend payments ensure minimum return for shareholders