

# Bond Investor Update

London, 16 / 17 August, 2012

Merck KGaA  
Darmstadt · Germany



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# Agenda

- 1. Company Update**
2. Q2 Update
3. Financial Targets
4. Financial Policy
5. Appendix

## The Group

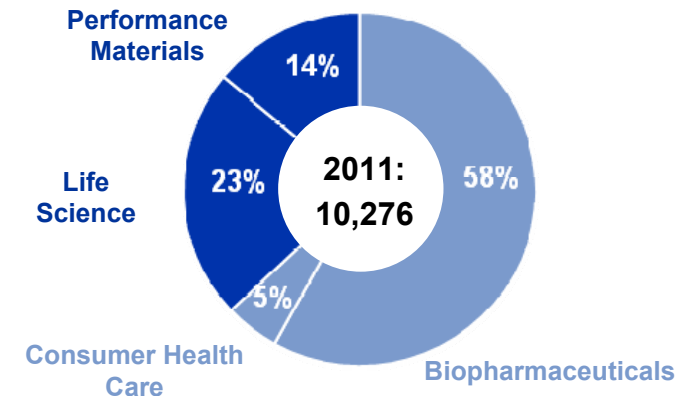
# Company Overview

### Key Highlights

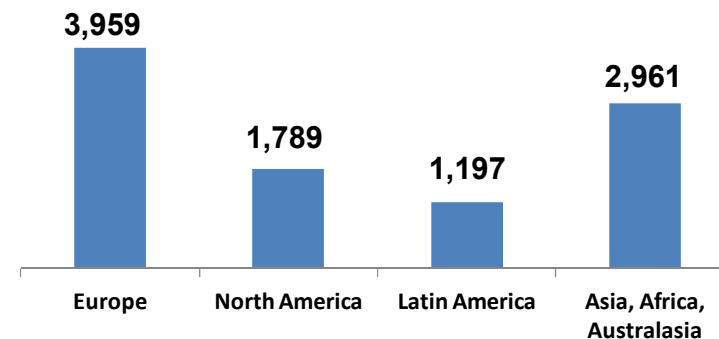
- Diversified business profile with Biopharmaceuticals and Life Science as drivers for organic growth
- High regional diversification with Emerging Markets as focus areas
- EBITDA pre one-time items amounts to € 2,724 m in 2011 despite of challenging environment
- Efficiency program launched and first planned initiatives announced

### FY 2011 Financials [€ m]

#### Total Revenues by business sector



#### Sales by region



# Portfolio evolution improved structure, but further potential remains

Wenn aus ppt 2010 kopiert, zerschießt sich auch alles → so gelassen

## Assessment of long-term financial performance relative to peers

	Sales growth	Gross margin	SG&A	R&D productivity
Biopharmaceuticals	●	●	●	●
Consumer Health	●	●	●	●
Performance Materials	●	●	●	●
Life Science	●	●	●	●

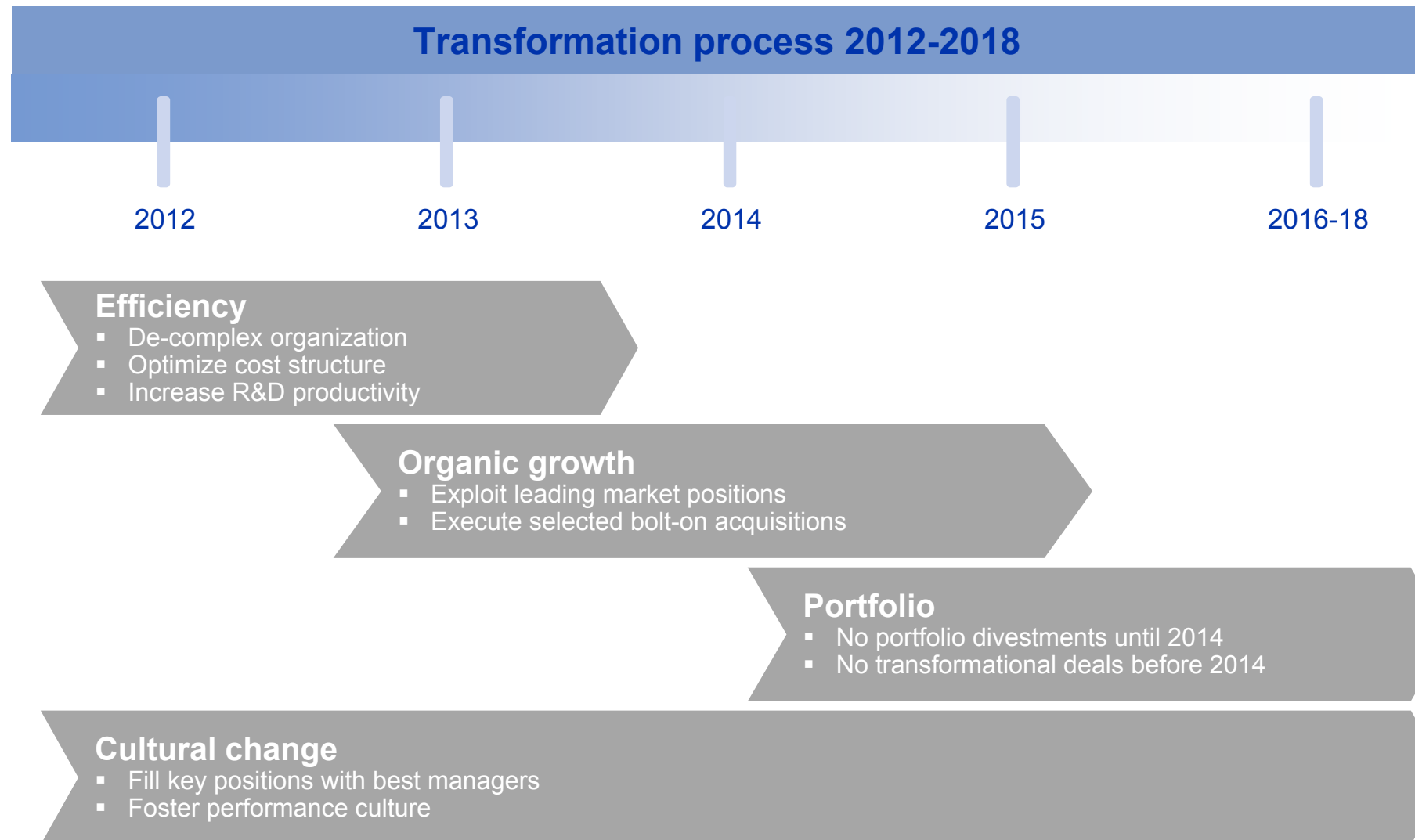
● above peers

● in-line with peers

● below peers

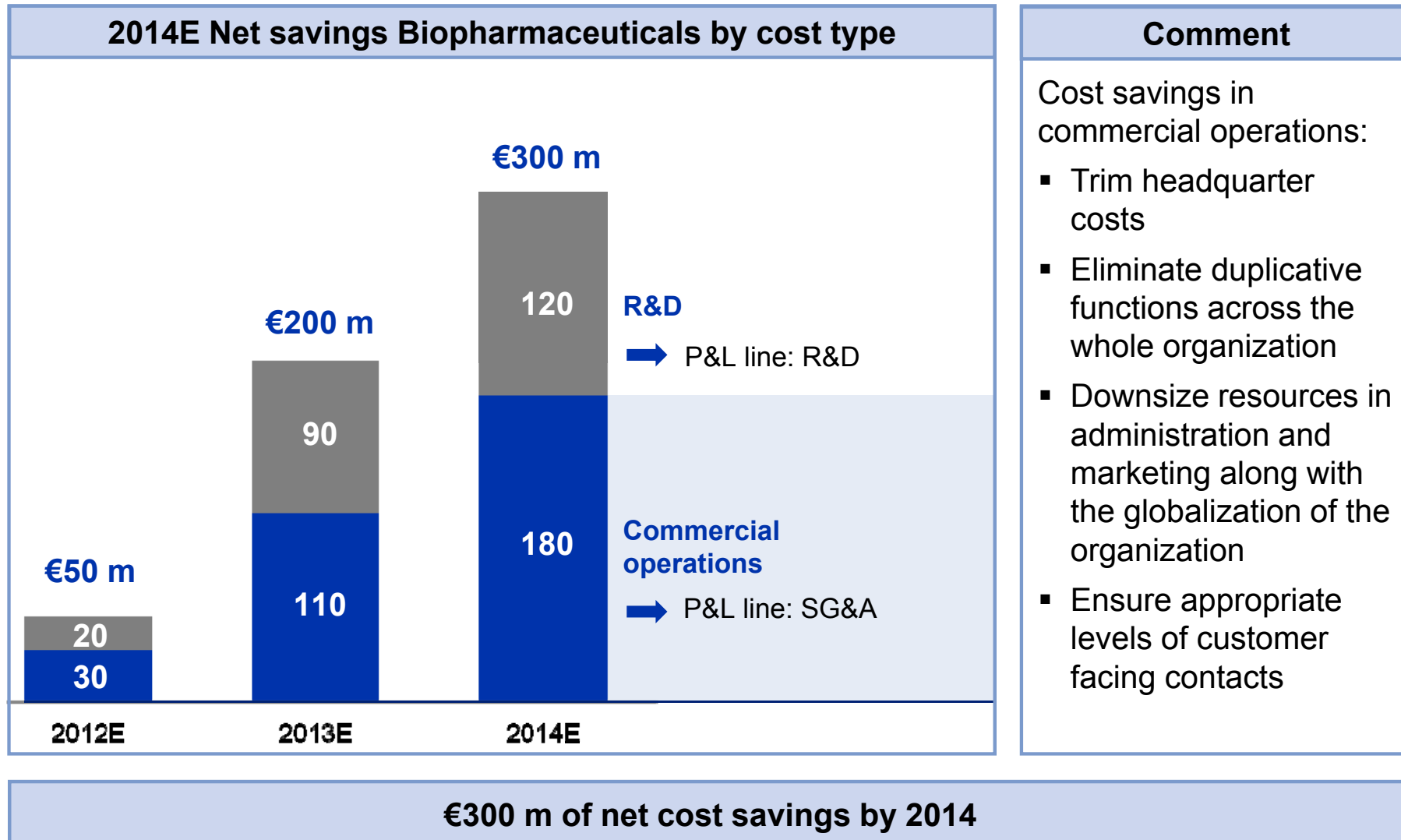
## The Group

# Transformation Process: Focus on Efficiencies



## Biopharmaceuticals

# Breakdown of Biopharmaceuticals net cost savings through 2014





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The Group

# Strong sales growth and cost management drive EBITDA pre improvement

[€ m]	Q2 2012	Q2 2011	Δ	Comments
<b>Total Revenues</b>	<b>2,852</b>	<b>2,555</b>	<b>12%</b>	<ul style="list-style-type: none"> <li>▪ <b>Sales</b> growth of 11% reflects 5% organic growth, 5% benefit from changes in FX, 1% from acquisitions</li> <li>▪ Increase in <b>royalty income</b> driven mainly by FX</li> <li>▪ <b>Gross profit</b> improvement due to increased sales and FX</li> <li>▪ <b>Royalty expenses</b> driven by Rebif sales in the US and FX</li> <li>▪ Discretionary <b>Marketing &amp; Selling</b> expenses tightly managed</li> <li>▪ <b>EBITDA</b> lowered by one-time charges; <b>EBITDA pre</b> margin increases by 70 basis points on higher sales and lower costs</li> </ul>
Net Sales	2,743	2,470	11%	
Royalty income	109	86	27%	
<b>Gross Profit</b>	<b>2,044</b>	<b>1,796</b>	<b>14%</b>	
as % of net sales	74.5	72.7		
Marketing & Selling	-617	-604	2%	
Royalty and Comm. Exp.	-152	-118	28%	
Administration	-143	-133	7%	
Other Expenses / Income	-489	-278	76%	
R&D	-404	-368	10%	
Amortization	-217	-319	-32%	
<b>EBIT</b>	<b>23</b>	<b>-24</b>	<b>n.m.</b>	
Depreciation & Amortization	352	587	-40%	
One-time items	372	92	>100%	
<b>EBITDA pre</b>	<b>747</b>	<b>655</b>	<b>14%</b>	
as % of net sales	27.2	26.5		

## The Group

# Free cash flow benefits from higher profitability, improving working capital and lower CapEx

[€ m]	Q2 2012	Q2 2011	Δ	Comments
Profit after tax	-61	-87	26	<ul style="list-style-type: none"> <li>▪ <b>D&amp;A</b> reduced due to lower one-time items               <ul style="list-style-type: none"> <li>– Q2 2011: impairment LSB, write-off safinamide and others</li> </ul> </li> <li>▪ Healthy inflow from <b>changes in working capital</b> <ul style="list-style-type: none"> <li>– Better management of <b>inventories</b> and <b>receivables</b></li> </ul> </li> <li>▪ <b>Provisions</b> increased mainly due to restructuring provisions</li> </ul>
Depreciation & Amortization	352	587	-235	
Changes in working capital	233	-12	245	
Changes in provisions	406	-24	430	
Changes in other assets / liab.	-219	-142	-77	
Other operating activities	-17	-30	13	
<b>Net cash flow operating</b>	<b>694</b>	<b>292</b>	<b>402</b>	
Capital expenditures	-66	-86	20	
Others	-2	47	-49	
<b>Free cash flow</b>	<b>626</b>	<b>253</b>	<b>372</b>	

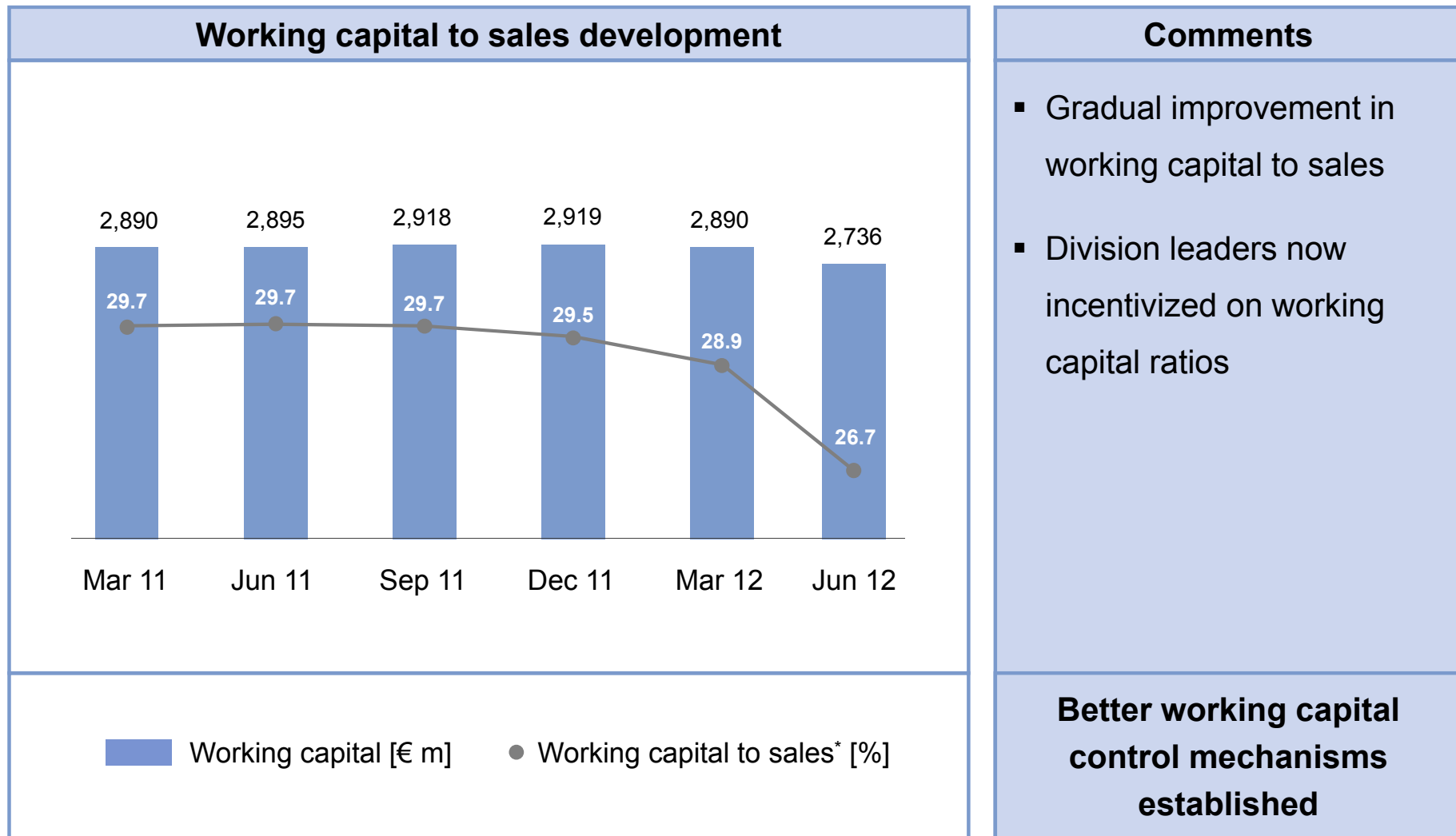
## The Group

# Balance Sheet: A strong financial backbone

[€ m]	Jun 30 2012	Dec 31 2011	Δ	Comments
Total Assets	21,896	22,122	-1%	<ul style="list-style-type: none"> <li>▪ Cash &amp; other liquid funds increased due to inflow from operating business</li> <li>▪ Partly off-set by bond repayment of €500 m in March 2012</li> <li>▪ Strong debt deleveraging in the first half of 2012</li> </ul>
Equity	10,534	10,494	0%	
Cash & other liquid funds	2,225	2,055	8%	
Intangible Assets	11,430	11,764	-3%	
Financial Debt	5,167	5,539	-7%	
Pension Provisions	1,173	1,140	3%	
Net Financial Debt	2,942	3,484	-16%	

The Group

# Better working capital management shows results



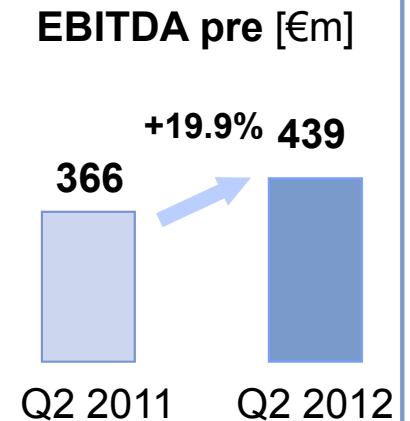
\* Sales LTM, portfolio adjusted

## Pharmaceuticals

# Q2 2012

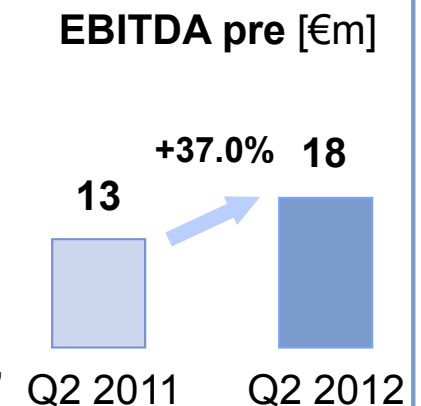
### Biopharmaceuticals

- Sales of €1,546 m, growing 11%
- EBITDA pre one-time items increased 20% driven by gross profit improvement (also benefiting from FX) and lower marketing & selling spending
- EBITDA pre margin (as percentage of sales) increased to 28.4% (Q2 2011: 26.3%)
- Major brands drive future growth, e.g. Rebif with its strong efficacy and broad devices portfolio as well as Erbitux with strong Emerging Markets sales



### Consumer Health

- Sales of €121 m, growing 3%
- EBITDA pre one-time items increased 37% due to lower spending in marketing & selling as well as R&D spending reductions
- EBITDA pre margin (as percentage of sales) increased to 14.7% (Q2 2011: 11.0%)
- Performance improvement initiated through cost reductions, new operating model, exit of unprofitable markets and brands and stronger footprint in selected markets

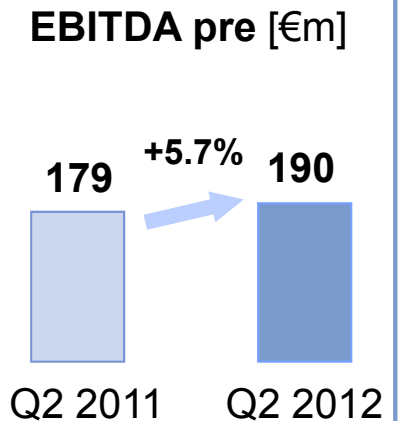


## Chemicals

# Q2 2012

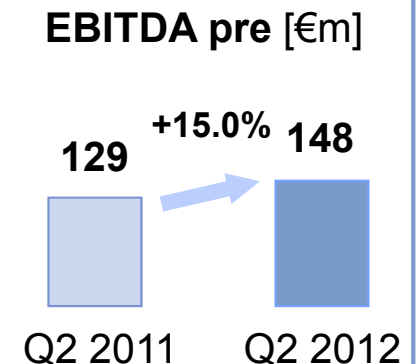
### Performance Materials

- Sales of €426 m, growing 14%
- EBITDA pre one-time items increased less than top-line
- EBITDA pre margin (as percentage of sales) decreased to 44.5% (Q2 2011: 48.0%) also driven by negative product mix (high PS-VA share in Q2 2011) compensated by overall higher LC volumes
- Business benefits from good demand for large TV's; LCD technology is expected to dominate the TV market for many years to come (proven technology, strong cost leadership)



### Life Science

- Sales of €649 m, growing 11%
- EBITDA pre one-time items increased 15% despite continued investments and comparably high cost base in US dollars
- EBITDA pre margin (as percentage of sales) increased slightly to 22.8% (Q2 2011: 22.1%)
- Future growth is especially driven by biotech industry demand for Process Solutions products



## The Group

# Guidance FY 2012

### Assumptions:

- Current economic environment unchanged
- Reported numbers will still be burdened by one-time costs, while the majority of costs have been taken in Q2 already
- Underlying tax rate around 25-26%
- H2 2012: €/US\$ = 1.25; €/CHF = 1.20

### Divisional EBITDA pre 2012E [€m]

Biopharmaceuticals	1,750 – 1,800
Consumer Health	60 – 65
Performance Materials	660 – 680
Life Science	580 – 600
Corporate	-200

### The Group [€bn]

Total revenues	~ 10.7
<b>EBITDA pre</b>	2.85 – 2.95
(incl. €55 m efficiency savings)	

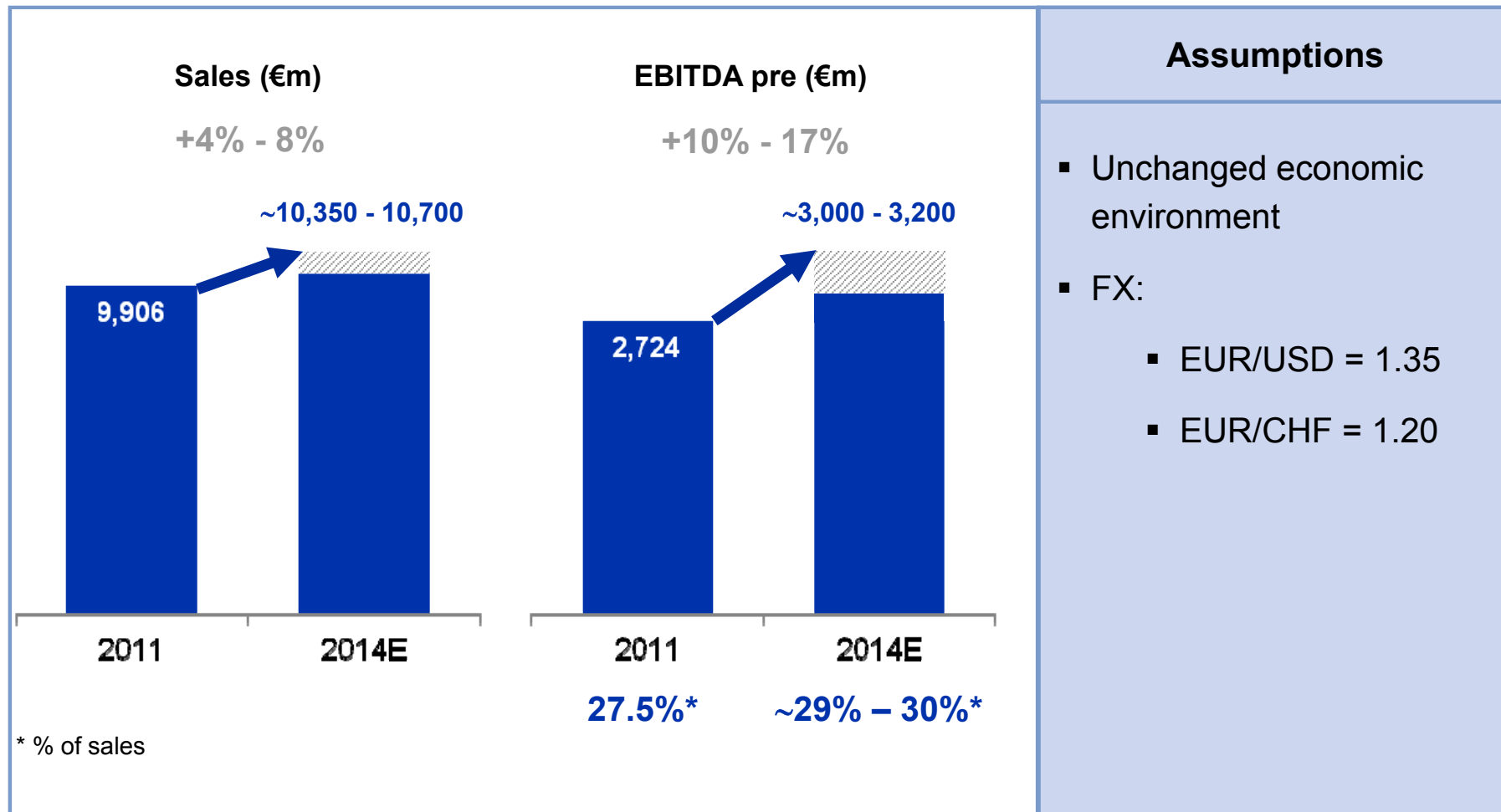


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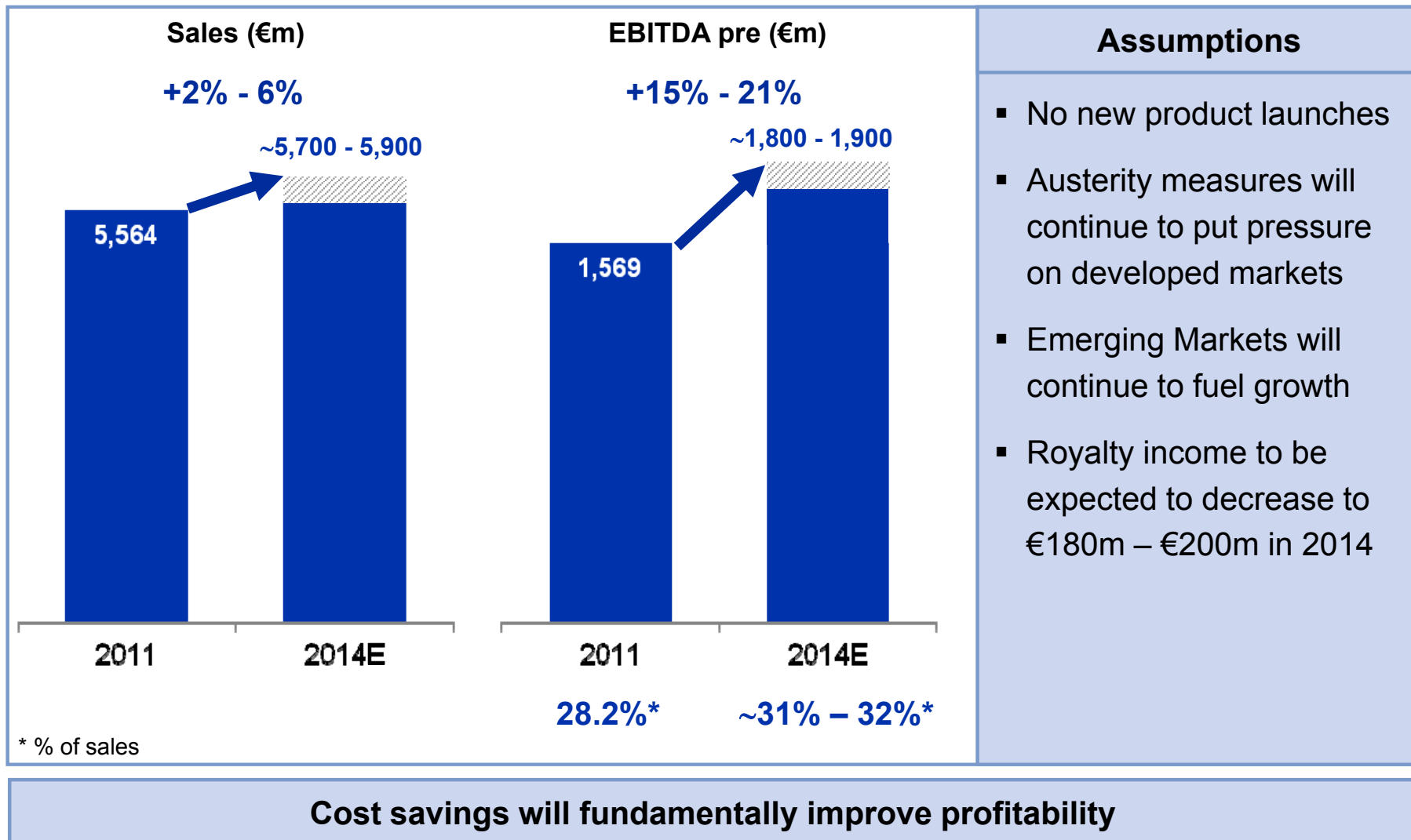
## The Group

# We strive for realistic targets



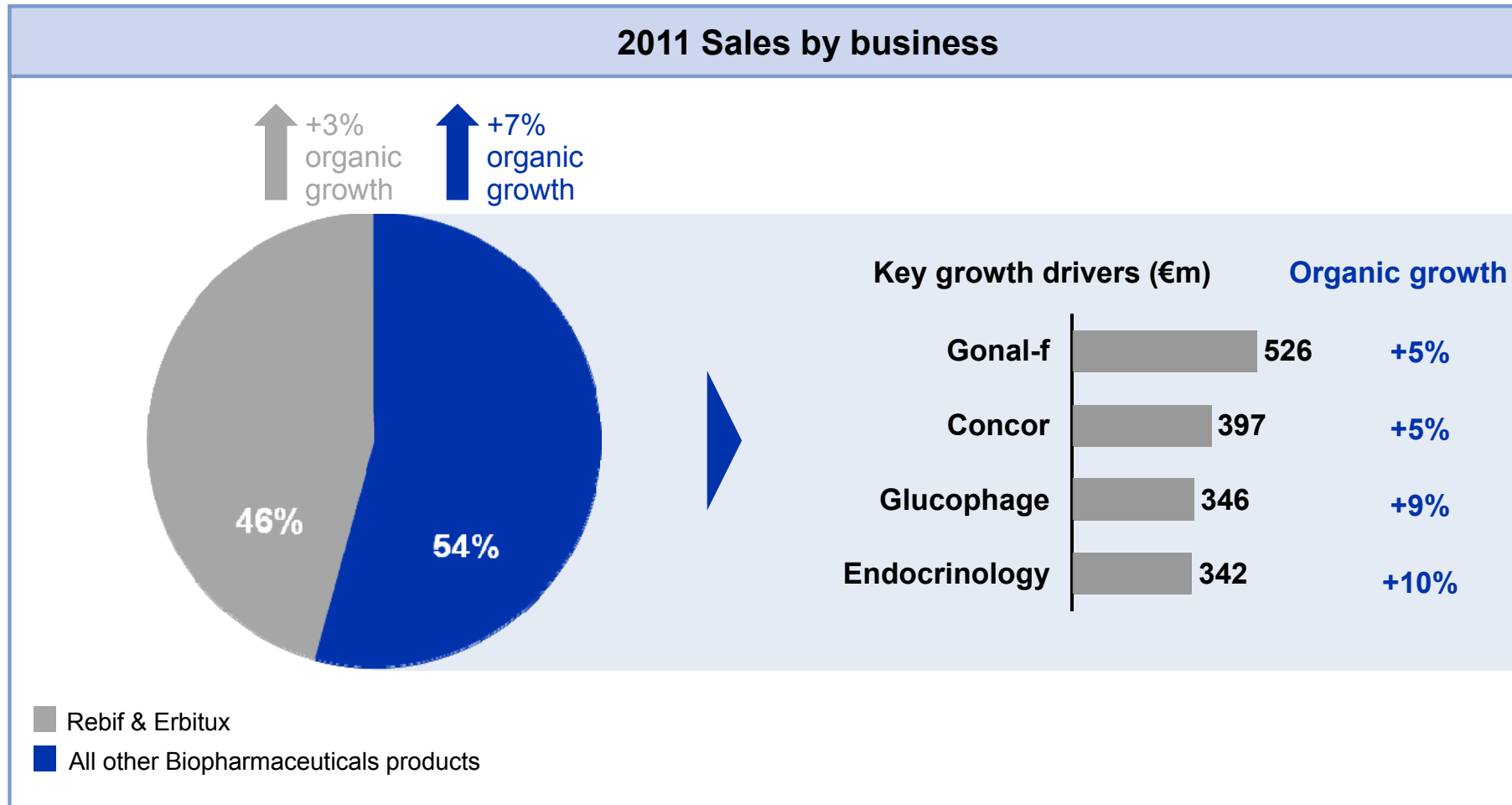
## Biopharmaceuticals

# Biopharmaceuticals mid-term financial targets



## Biopharmaceuticals

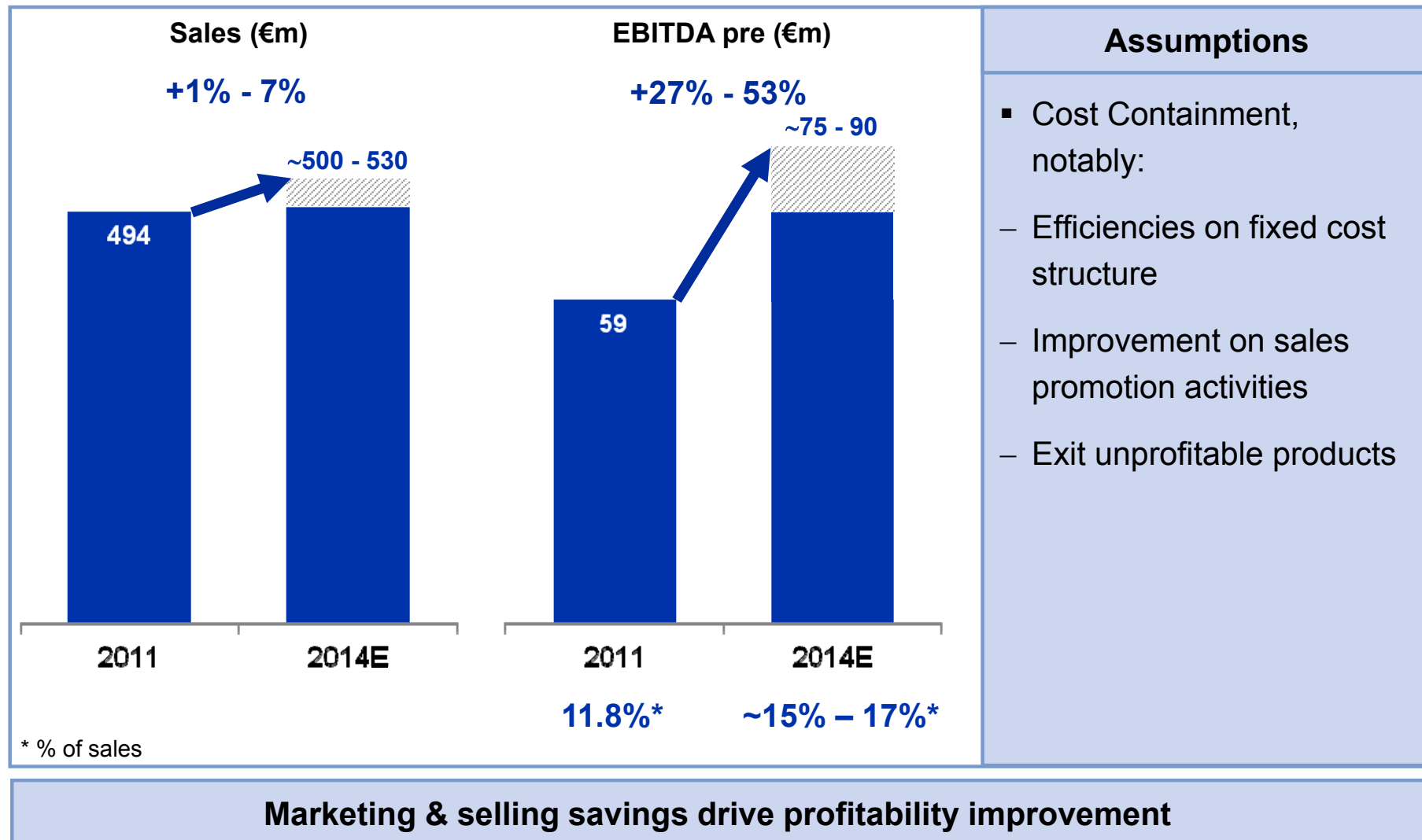
# Over half of our portfolio is generating strong performance and will continue to grow



**We have good assets that will continue to grow**

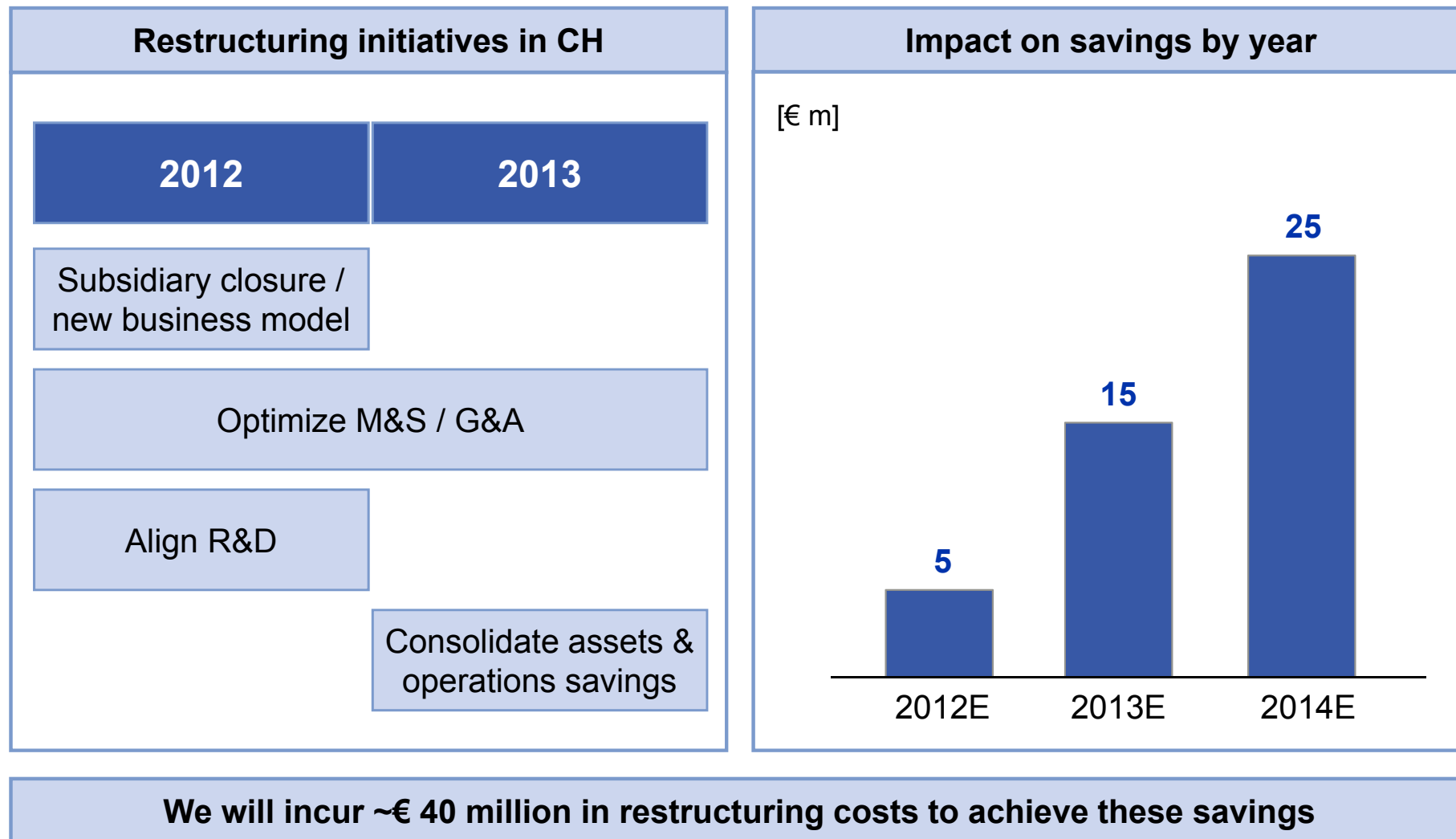
## Consumer Health

# Consumer Health mid-term financial targets



## Consumer Health

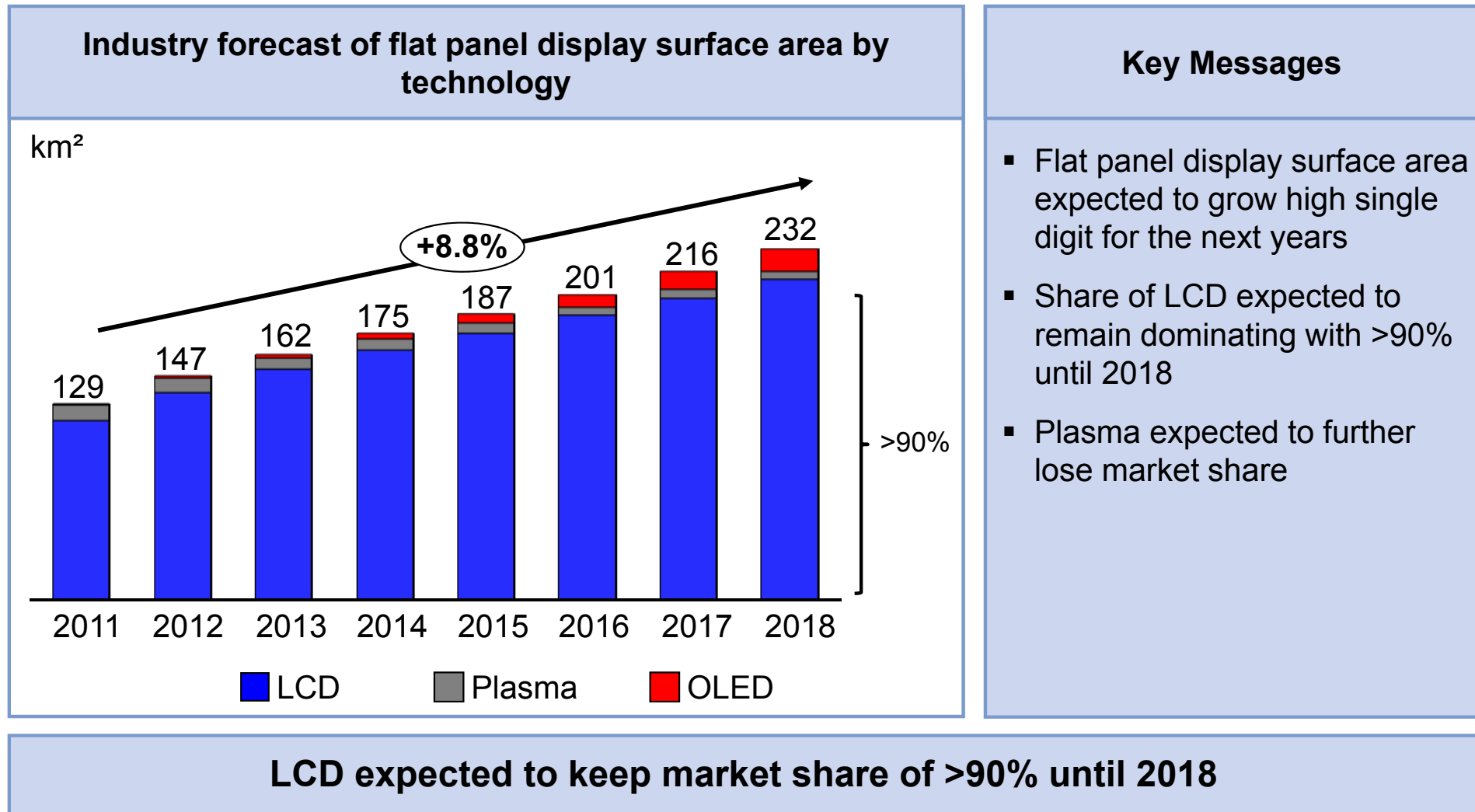
# We expect to deliver € 25 million in net savings





## Performance Materials

# The Overall Display Market is Expected to Grow

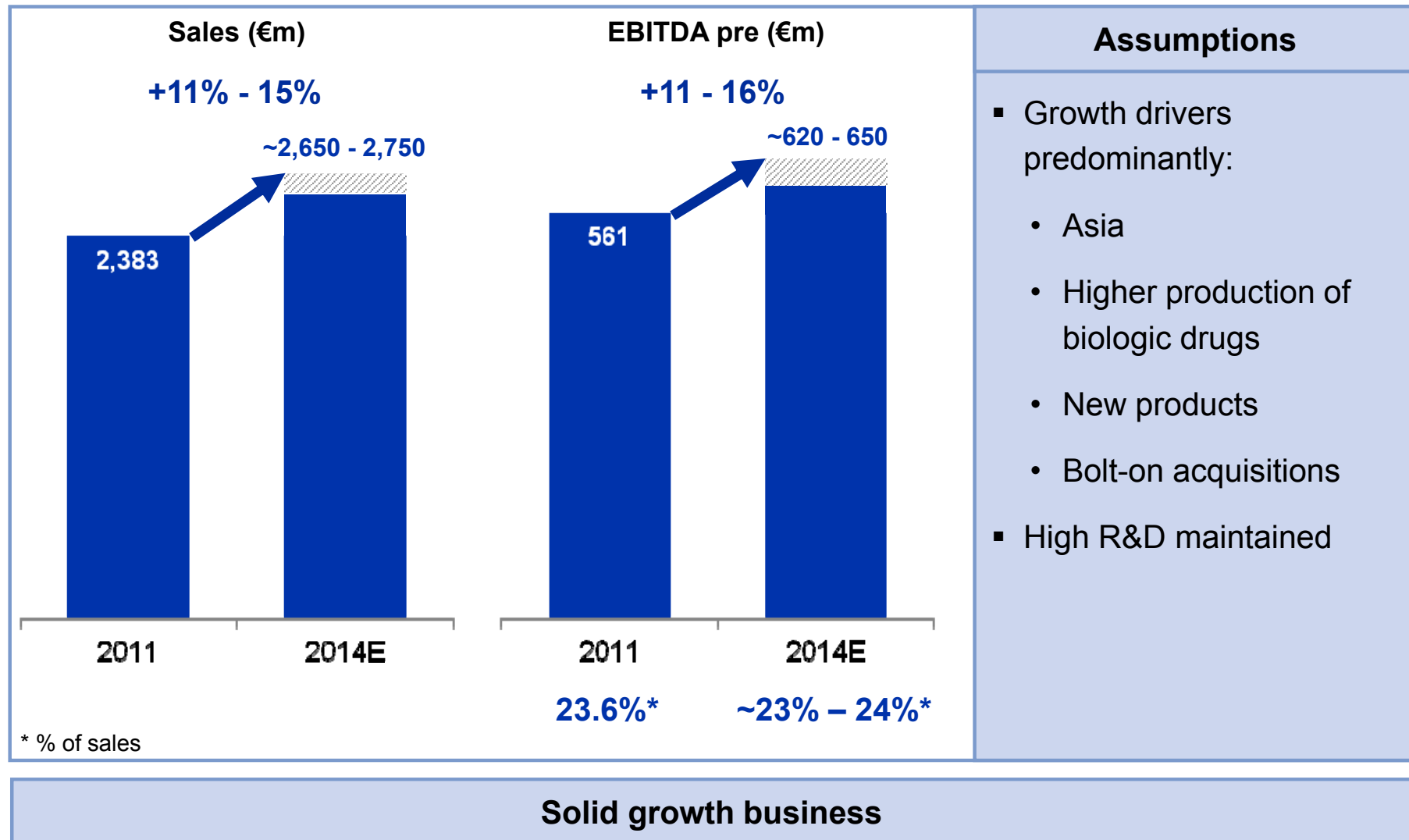


Source: DisplaySearch, Quarterly Worldwide Flat Panel Forecast Report Q4 2011



Life Science

# Life Science mid-term financial targets



## Life Science

# Leading positions in growing life sciences markets

### Industry attractiveness

- Life science tools market projected to grow 4-7% annually
- Volumes of biologic drugs will continue to grow rapidly
- Growing complexity of science is creating a strong market for laboratory tools providers: systems biology
- High margin / moderate risk

### Strength of our position

- Top 3 supplier in the industry
- #1 market share for consumables used to manufacture biologic drugs
- 50 year track record of quality and innovation
- Global reach

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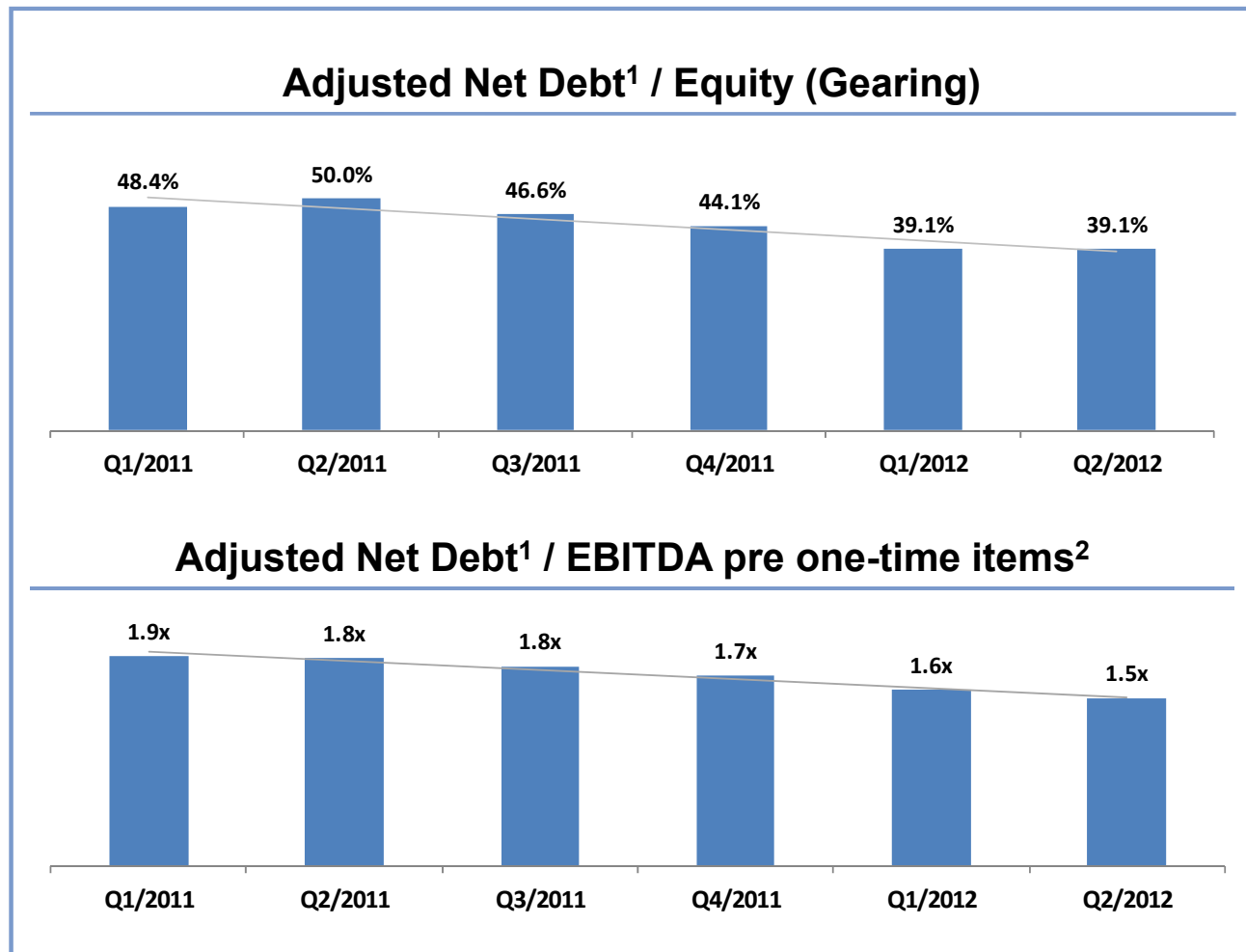
The Group

# Financial Policy

Cornerstones of our Financial Policy	
<b>Balance Sheet</b>	<ul style="list-style-type: none"> <li>▪ Strong balance sheet with transparent structures, e.g. implementation of Contractual Trust Arrangement (CTA) in 2011</li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>▪ Diversified maturity profile and diversification of funding sources, e.g.               <ul style="list-style-type: none"> <li>▪ Syndicated Loan</li> <li>▪ Bonds</li> <li>▪ Commercial paper</li> </ul> </li> </ul>
<b>Rating</b>	<ul style="list-style-type: none"> <li>▪ Solid investment grade rating at all times</li> </ul>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>▪ Moderate dividend policy compared to peer companies</li> </ul>

The Group

# Key Credit Statistics



Comment
<ul style="list-style-type: none"> <li>Focus on deleveraging already shows positive trend</li> <li>Debt reduction through two bond repayments in 2012 (€ 500 m each in March and December)</li> <li>Gross debt reduction reached by outsourcing pension liabilities in December 2011</li> </ul>

Source: Merck KGaA, Darmstadt, Germany annual reports, investor presentations, and financial information for quarterly results

1 Net debt for Merck KGaA, Darmstadt, Germany includes Current and Non-current financial liabilities + Provisions for pensions and other post-employment benefits - Cash and cash equivalents - Marketable securities and financial assets - Financial assets covering pensions (not existent anymore as of December 2011)

2 Figures for EBITDA pre one-time items annualized and defined as per Merck KGaA, Darmstadt, Germany

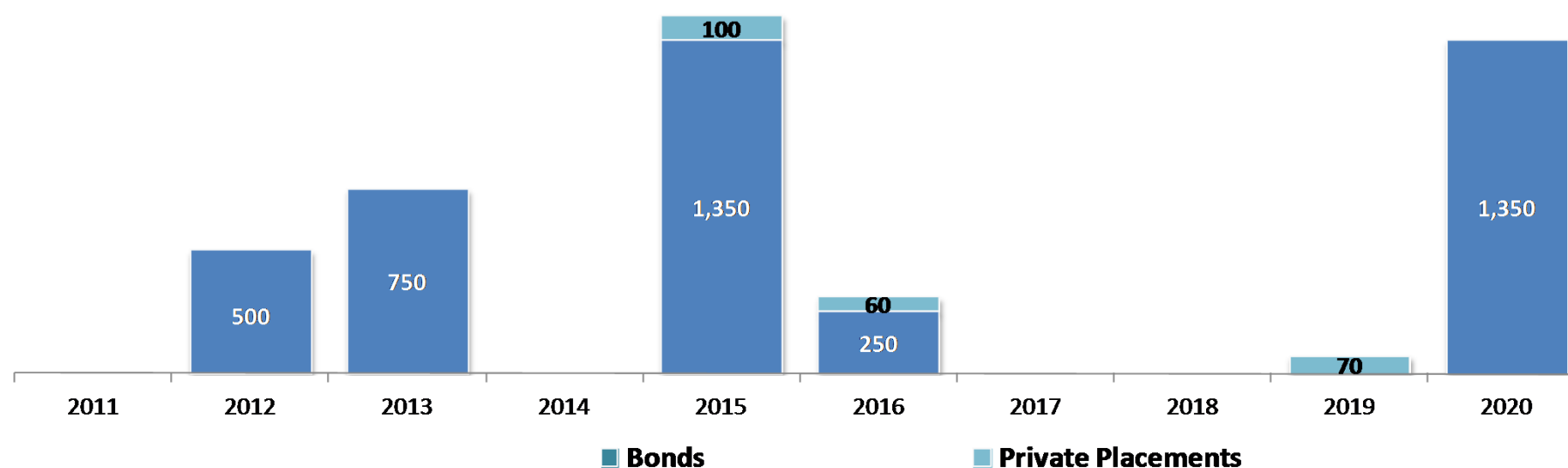
## The Group

# Sources of Financing

Major Funding Sources	Frame	Utilization	Comment
Cash / Marketable Securities	-	€ 2,225 m	as of 30 June 2012
Debt Issuance Program	€ 10,000 m	€ 3,680 m	not updated
Stand-alone bonds	€ 750 m	€ 750 m	€ 500 m due in 12/12 (Group) and € 250 m in 06/16 (Life Science)
CP-Program	€ 2,000 m	€ 0 m	only used for funding peaks
Syndicated Revolving Loan Facility due 2014	€ 2,000 m	€ 0 m	pure back-up line

## Bond Maturity profile (as of 30 June 2012)

[€ m]



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## The Group

# Financials FY 2011

[€ m]	Group	Biopharma- ceuticals	Consumer Health	Performance Materials	Life Science
<b>Total Revenues</b>	<b>10,276</b>	<b>5,920</b>	<b>496</b>	<b>1,467</b>	<b>2,393</b>
Sales	9,906	5,564	494	1,465	2,383
Royalty income	370	356	2	3	10
<b>Gross Profit</b>	<b>7,491</b>	<b>4,892</b>	<b>339</b>	<b>875</b>	<b>1,390</b>
<i>Margin (% of sales)</i>	<i>75.6%</i>	<i>87.9%</i>	<i>68.6%</i>	<i>59.8%</i>	<i>58.3%</i>
Marketing & Selling	-2,386	-1,412	-233	-132	-606
Royalty and Comm. Exp.	-500	-479	-4	-2	-16
Administration	-536	-253	-24	-33	-104
Other Expenses / Income	-417	-382	-5	127	-103
R&D	-1,514	-1,224	-23	-133	-133
Amortization	-1,005	-799	-4	-11	-190
<b>EBIT</b>	<b>1,132</b>	<b>342</b>	<b>47</b>	<b>691</b>	<b>235</b>
Depreciation & Amortization	1,599	1,185	12	110	287
One-time items	-7	42	0	-118	39
<b>EBITDA pre</b>	<b>2,724</b>	<b>1,569</b>	<b>59</b>	<b>683</b>	<b>561</b>
<i>Margin (% of sales)</i>	<i>27.5%</i>	<i>28.2%</i>	<i>11.8%</i>	<i>46.6%</i>	<i>23.6%</i>



## The Group

## More than €5 billion of sales in H1 2012

[€ m]	H1 2012	H1 2011	Δ	Comments
<b>Total Revenues</b>	<b>5,497</b>	<b>5,119</b>	<b>7%</b>	<ul style="list-style-type: none"> <li>▪ <b>Sales</b> increased 7% <ul style="list-style-type: none"> <li>– Organic sales growth: 3%</li> <li>– FX benefit: 4%</li> <li>– Acquisition related: 0.5%</li> </ul> </li> <li>▪ <b>EBITDA pre</b> grew 2% <ul style="list-style-type: none"> <li>– Tough year-over-year comparison due to strong operational performance in Q1 2011</li> </ul> </li> </ul>
Sales	5,307	4,947	7%	
Royalty income	190	172	11%	
<b>Gross Profit</b>	<b>3,941</b>	<b>3,720</b>	<b>6%</b>	
<i>Margin (% of sales)</i>	<i>74.3%</i>	<i>75.2%</i>		
Marketing & Selling	-1,204	-1,194	1%	
Royalty and Comm. Exp.	-272	-230	18%	
Administration	-279	-264	6%	
Other Expenses / Income	-633	-215	>100%	
R&D	-786	-747	5%	
Amortization	-434	-567	-24%	
<b>EBIT</b>	<b>334</b>	<b>505</b>	<b>-34%</b>	
Depreciation & Amortization	695	940	-26%	
One-time items	393	-54	>100%	
<b>EBITDA pre</b>	<b>1,421</b>	<b>1,391</b>	<b>2%</b>	
<i>Margin (% of sales)</i>	<i>26.8%</i>	<i>28.1%</i>		

Sum of items may not foot due to rounding

The Group

# One-time effects influence year-over-year comparison

[€ m]	H1 2012	H1 2011	Δ	Comments
<b>EBIT</b>	<b>334</b>	<b>505</b>	<b>-34%</b>	<ul style="list-style-type: none"> <li>▪ Reported <b>EBIT</b> Q2 2012 adjusted by €387 m due to restructuring related charges                             <ul style="list-style-type: none"> <li>– Q1 2011 included Crop BioScience gain</li> </ul> </li> <li>▪ <b>Financial result</b> benefits from lower interest payments due to bond repayment (March 2012) and CTA</li> <li>▪ <b>Net income pre</b> growing 2%                             <ul style="list-style-type: none"> <li>– Significant top-line FX benefit in Q2 2012</li> <li>– Strong Q1 2011 profitability comparison</li> </ul> </li> </ul>
Financial Result	-136	-147	-7%	
<b>Profit before Taxes</b>	<b>198</b>	<b>358</b>	<b>-45%</b>	
Income Tax	-83	-103	-19%	
Tax Rate (%)	42.1	28.9		
<b>Net Income pre</b>	<b>779</b>	<b>761</b>	<b>2%</b>	
EPS pre (€)	3.58	3.50	2%	

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# Net cash flow from operating activities doubled in H1 2012 vs. H1 2011

【€ m】	H1 2012	H1 2011	Δ	Comments
Profit after tax	115	255	-140	<ul style="list-style-type: none"> <li>▪ Significant progress made in <b>working capital</b> management</li> <li>▪ <b>Provisions</b> increased due to restructuring</li> <li>▪ <b>Cash flow from operating activities</b> doubled</li> <li>▪ <b>Free cash flow</b> in H1 2011 includes €471 m gain on divestment of Theramex and Crop BioScience</li> </ul>
Depreciation & Amortization	695	940	-245	
Changes in working capital	222	-215	437	
Changes in provisions	430	5	425	
Changes in other assets / liab.	-271	-210	-61	
Other operating activities	-24	-197	172	
<b>Net cash flow operating</b>	<b>1,166</b>	<b>577</b>	<b>589</b>	
Capital expenditures	-117	-161	44	
Others	-3	482	-486	
<b>Free cash flow</b>	<b>1,045</b>	<b>899</b>	<b>147</b>	

Sum of items may not foot due to rounding

## Biopharmaceuticals

# Healthy organic sales growth driven by US pricing and volumes in Emerging Markets

[€ m]	H1 2012	H1 2011	Δ	Comments
<b>Total Revenues</b>	<b>3,144</b>	<b>2,907</b>	<b>8%</b>	<ul style="list-style-type: none"> <li>▪ <b>Revenues</b> crossed the €3 bn bar for the first time</li> <li>▪ <b>Sales</b> grew 8%, organic sales growth of 5% and a benefit from foreign exchange rates of 3%, mainly driven by the US dollar               <ul style="list-style-type: none"> <li>– Main contributors are Emerging Markets (mainly the Cardiometabolic Care &amp; General Medicines products) and the Fertility franchise</li> <li>– In the US, sales growth was primarily driven by Rebif (price increases)</li> <li>– In Europe ongoing pricing pressure as a result of austerity measures and tighter budget control softened sales</li> </ul> </li> <li>▪ <b>EBITDA pre</b> benefits from higher revenues and lower spending</li> </ul>
Sales	2,964	2,740	8%	
Royalty income	180	167	8%	
<b>Gross Profit</b>	<b>2,556</b>	<b>2,410</b>	<b>6%</b>	
<i>Margin (% of sales)</i>	86.2%	87.9%		
Marketing & Selling	-691	-717	-4%	
Royalty and Comm. Exp.	-263	-219	20%	
Administration	-124	-126	-1%	
Other Expenses / Income	-363	-265	37%	
R&D	-629	-606	4%	
Amortization	-329	-462	-29%	
<b>EBIT</b>	<b>156</b>	<b>15</b>	<b>&gt;100%</b>	
Depreciation & Amortization	476	727	-35%	
One-time items	201	26	>100%	
<b>EBITDA pre</b>	<b>833</b>	<b>768</b>	<b>9%</b>	
<i>Margin (% of sales)</i>	28.1%	28.0%		

## Consumer Health

# Increasing profitability whilst managing the top-line

[€ m]	H1 2012	H1 2011	Δ	Comments
<b>Total Revenues</b>	<b>230</b>	<b>235</b>	<b>-2%</b>	<ul style="list-style-type: none"> <li>▪ <b>Sales</b> declined 2%               <ul style="list-style-type: none"> <li>– Organic : -3%</li> <li>– FX benefit: 1%</li> </ul> </li> <li>▪ Driven by lower European sales (France, UK) and more focused promotional activities</li> <li>▪ <b>EBITDA pre</b> grew 12%               <ul style="list-style-type: none"> <li>– Executing restructuring initiatives</li> <li>– Focusing on key brands and key markets</li> <li>– Promotional spending and R&amp;D investments lowered</li> </ul> </li> </ul>
Sales	229	234	-2%	
Royalty income	1	1	-18%	
<b>Gross Profit</b>	<b>155</b>	<b>162</b>	<b>-4%</b>	
<i>Margin (% of sales)</i>	67.6%	69.2%		
Marketing & Selling	-107	-117	-9%	
Royalty and Comm. Exp.	0	-1	-72%	
Administration	-12	-12	-2%	
Other Expenses / Income	-10	-2	>100%	
R&D	-9	-11	-12%	
Amortization	-2	-2	13%	
<b>EBIT</b>	<b>15</b>	<b>17</b>	<b>-17%</b>	
Depreciation & Amortization	6	6	-3%	
One-time items	6	0	n.m.	
<b>EBITDA pre</b>	<b>26</b>	<b>24</b>	<b>12%</b>	
<i>Margin (% of sales)</i>	11.5%	10.1%		

## Performance Materials

# Strong demand for LC off-set by weaker volumes in pigments and cosmetics

[€ m]	H1 2012	H1 2011	Δ	Comments
<b>Total Revenues</b>	<b>813</b>	<b>782</b>	<b>4%</b>	<ul style="list-style-type: none"> <li>▪ <b>Sales</b> grew 4%               <ul style="list-style-type: none"> <li>– Organic : -2%</li> <li>– FX benefit: 6%</li> </ul> </li> <li>▪ <b>Gross profit</b> down due to lower prices and higher volumes</li> <li>▪ <b>SG&amp;A</b> in H1 2011 benefited from net other income of €132 m (mainly due to divestment of Crop BioScience business)               <ul style="list-style-type: none"> <li>– M&amp;S grew 4%, in line with sales growth</li> </ul> </li> <li>▪ Lack of gross profit contribution reduced <b>EBITDA pre</b> by 7%</li> </ul>
Sales	813	781	4%	
Royalty income	0	1	-63%	
<b>Gross Profit</b>	<b>458</b>	<b>464</b>	<b>-1%</b>	
<i>Margin (% of sales)</i>	<i>56.3%</i>	<i>59.3%</i>		
Marketing & Selling	-68	-66	4%	
Royalty and Comm. Exp.	-1	-3	-72%	
Administration	-18	-17	7%	
Other Expenses / Income	4	132	-97%	
R&D	-67	-66	2%	
Amortization	-1	-10	-91%	
<b>EBIT</b>	<b>307</b>	<b>435</b>	<b>-29%</b>	
Depreciation & Amortization	57	61	-6%	
One-time items	-14	-119	-88%	
<b>EBITDA pre</b>	<b>350</b>	<b>377</b>	<b>-7%</b>	
<i>Margin (% of sales)</i>	<i>43.1%</i>	<i>48.3%</i>		

Sum of items may not foot due to rounding

Life Science

# All business units contribute to growth

[€ m]	H1 2012	H1 2011	Δ	Comments
<b>Total Revenues</b>	<b>1,311</b>	<b>1,195</b>	<b>10%</b>	<ul style="list-style-type: none"> <li>▪ <b>Sales</b> grew 9%               <ul style="list-style-type: none"> <li>– Organic: 3%</li> <li>– FX benefit: 4%</li> <li>– Acquisition: 2%</li> </ul> </li> <li>▪ <b>Driven by sales outside of North America</b> <ul style="list-style-type: none"> <li>– US still impacted by weaker spending in R&amp;D</li> </ul> </li> <li>▪ <b>EBITDA pre</b> grew less than top-line (reported)               <ul style="list-style-type: none"> <li>– Significant US cost base</li> <li>– Investments in launch activities and R&amp;D</li> </ul> </li> </ul>
Sales	1,302	1,191	9%	
Royalty income	9	4	147%	
<b>Gross Profit</b>	<b>775</b>	<b>687</b>	<b>13%</b>	
<i>Margin (% of sales)</i>	<i>59.5%</i>	<i>57.7%</i>		
Marketing & Selling	-336	-292	15%	
Royalty and Comm. Exp.	-7	-7	7%	
Administration	-58	-52	11%	
Other Expenses / Income	-49	-56	-13%	
R&D	-79	-64	24%	
Amortization	-101	-93	8%	
<b>EBIT</b>	<b>144</b>	<b>123</b>	<b>17%</b>	
Depreciation & Amortization	152	143	6%	
One-time items	14	22	-34%	
<b>EBITDA pre</b>	<b>309</b>	<b>287</b>	<b>8%</b>	
<i>Margin (% of sales)</i>	<i>23.8%</i>	<i>24.1%</i>		

## The Group

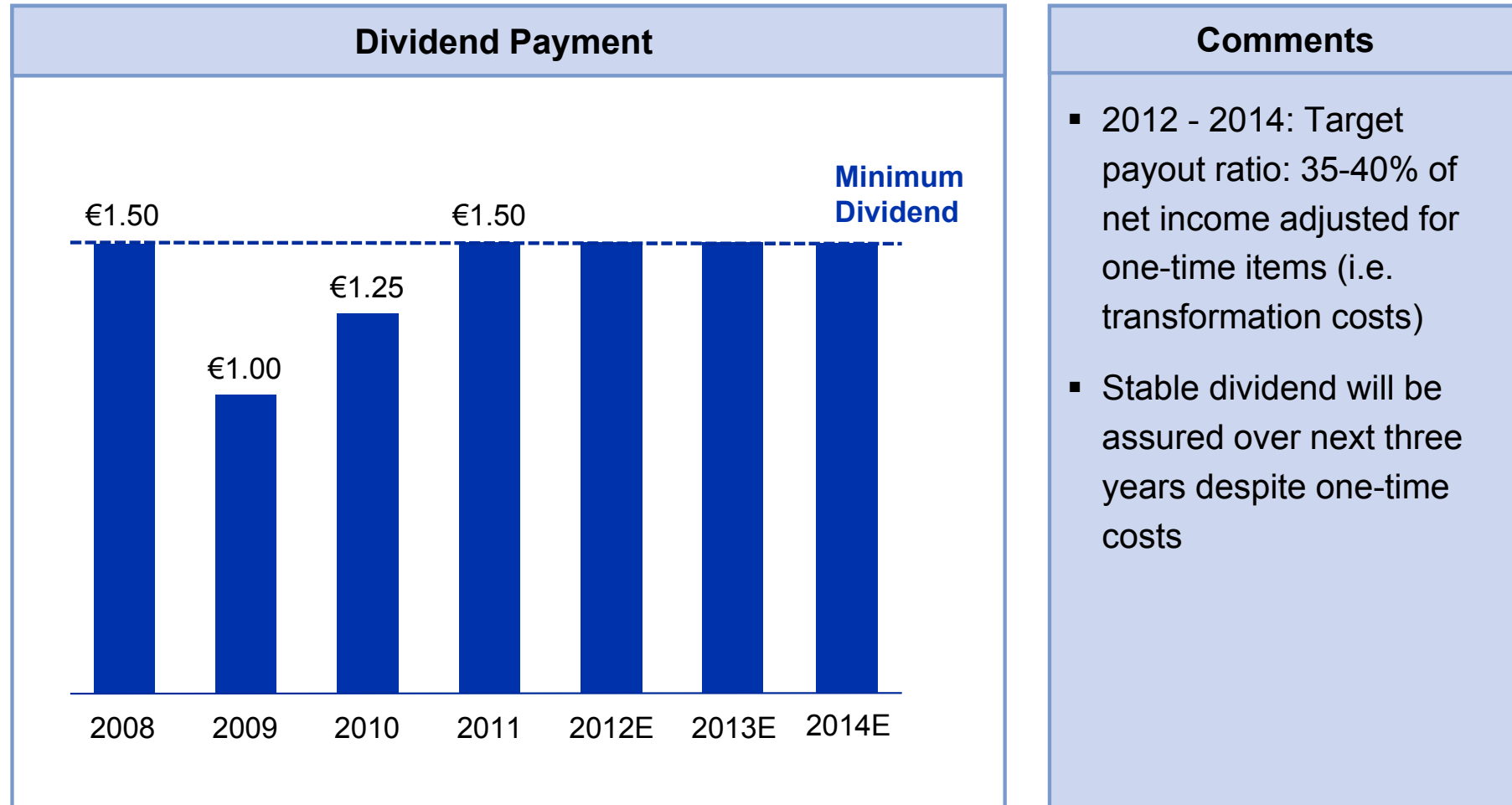
# Restructuring costs and savings targets

Year	2012E		2013E		2014E	
[€m]	Savings	Related charges	Savings	Related charges	Savings	Related charges
<b>Biopharmaceuticals</b>	50	400	200	150	300	50
<b>Consumer Health</b>	5	30	15	10	25	-
<b>Total</b>	<b>55</b>	<b>430</b>	<b>215</b>	<b>160</b>	<b>325</b>	<b>50</b>



The Group

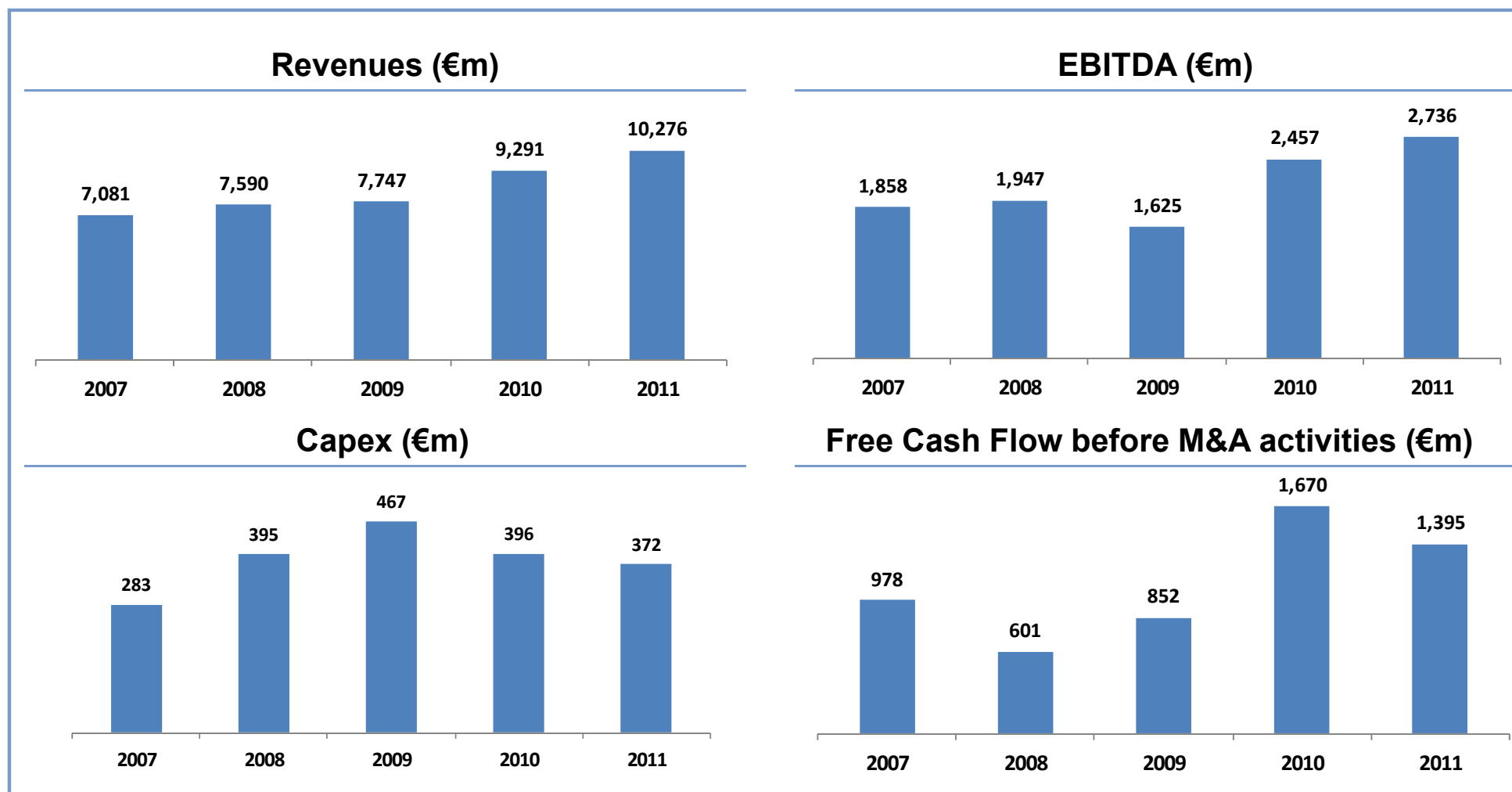
# Reliable dividend policy



## Stable dividend payments

## The Group

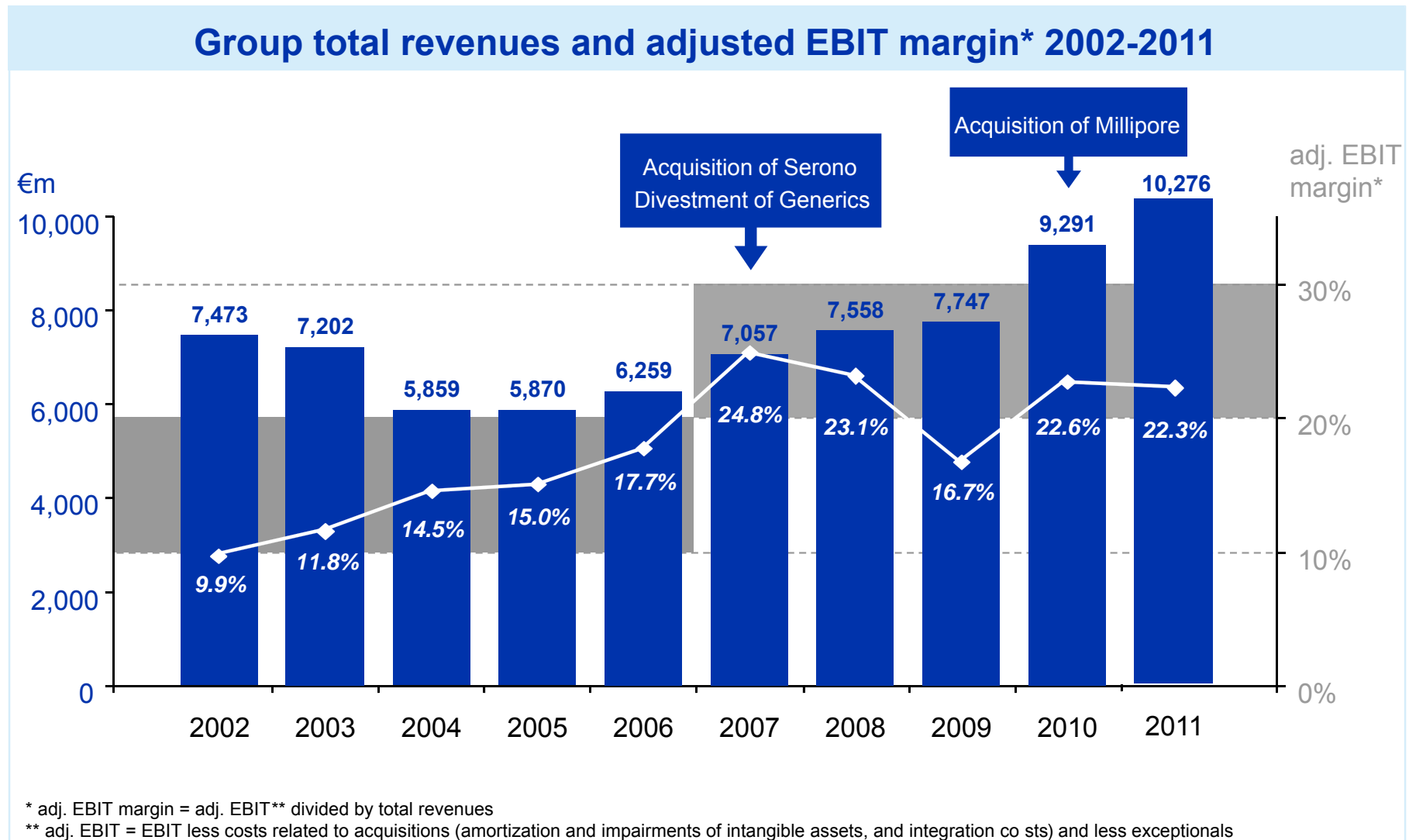
# Key Financial Figures



Source: Merck KGaA, Darmstadt, Germany annual report 2011

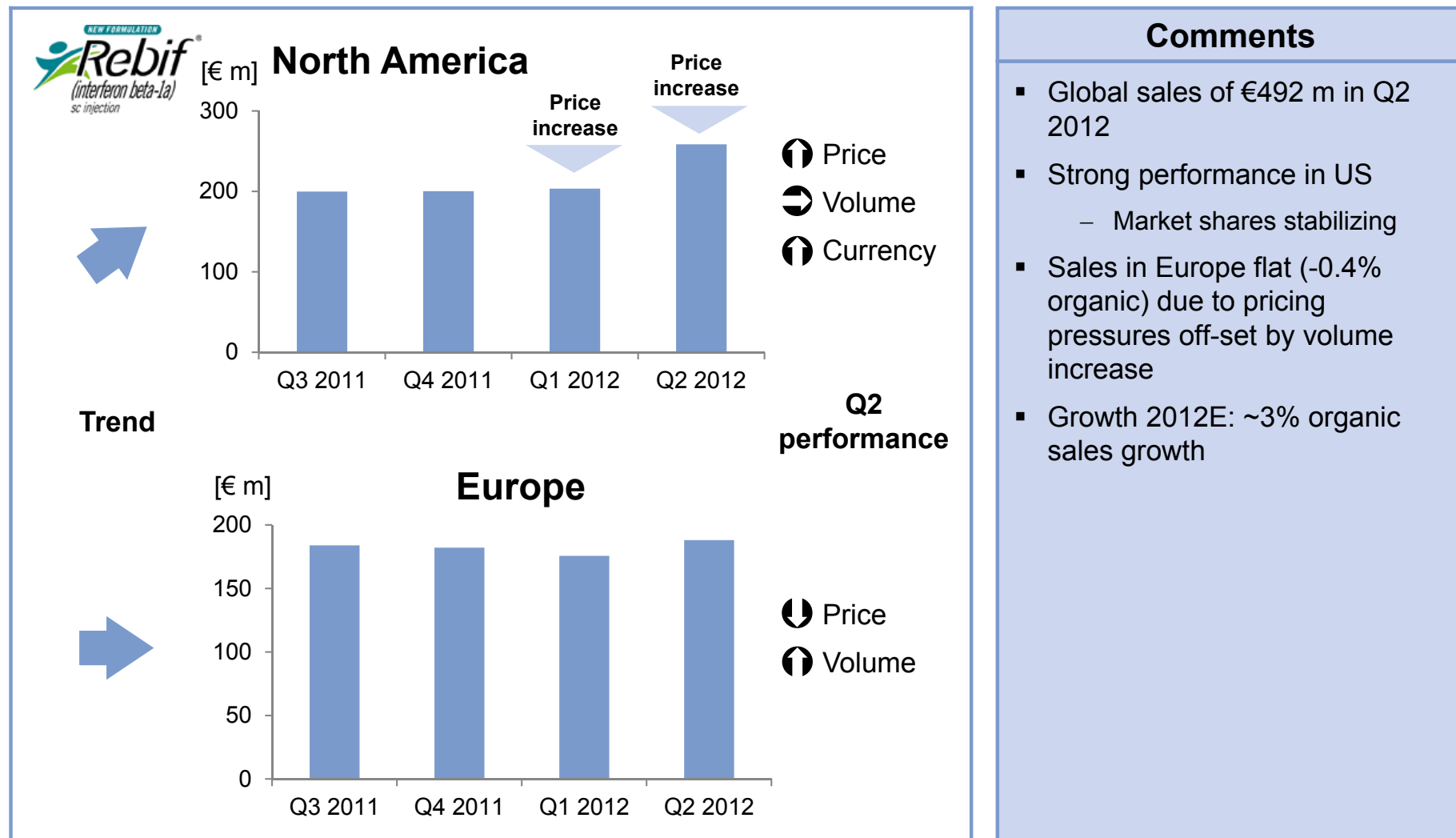
## The Group

# Our stronger portfolio has enabled us to fundamentally improve our profitability



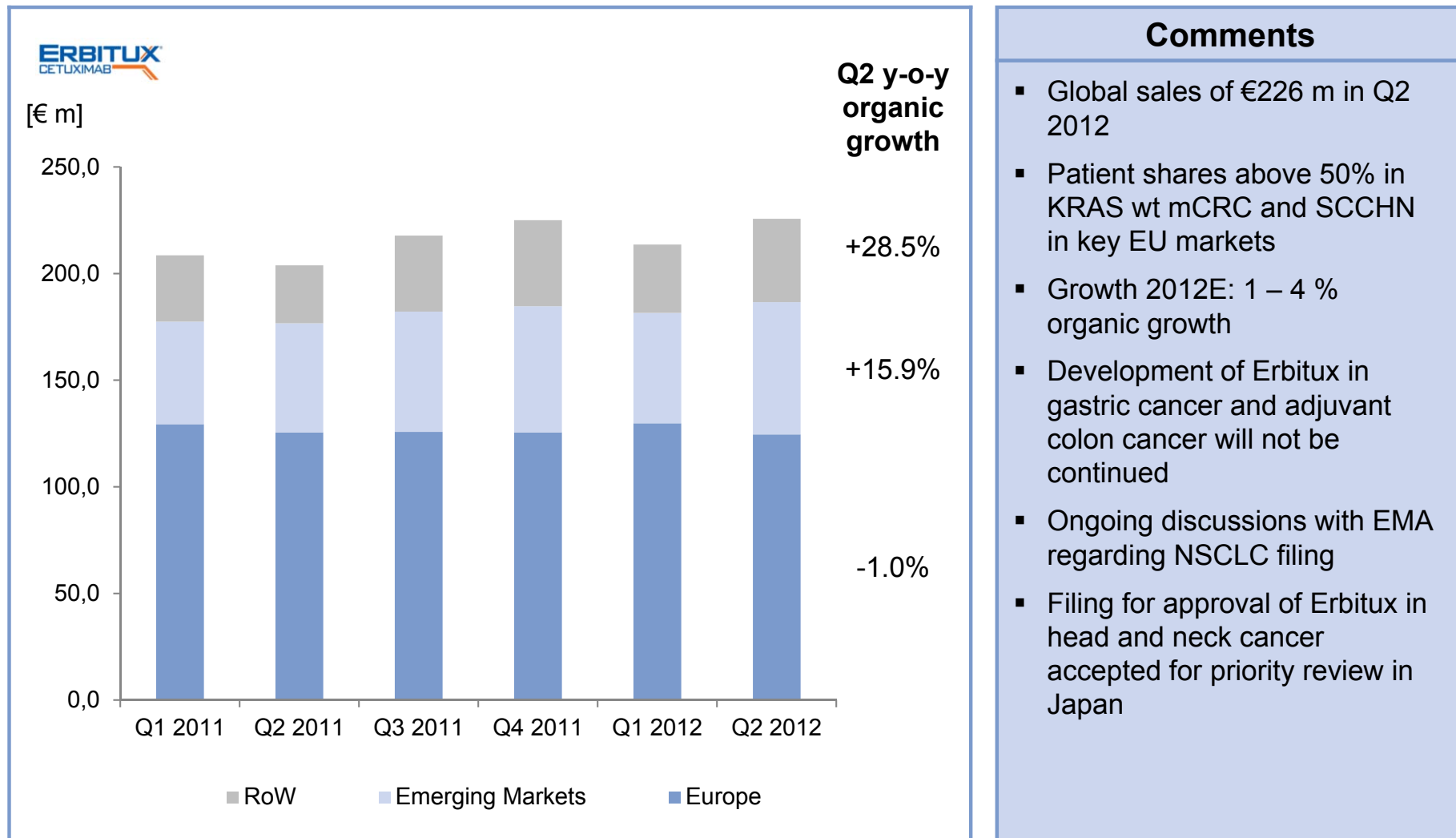
## Biopharmaceuticals - Rebif

# Growth in the United States drives overall sales



## Biopharmaceuticals - Erbitux

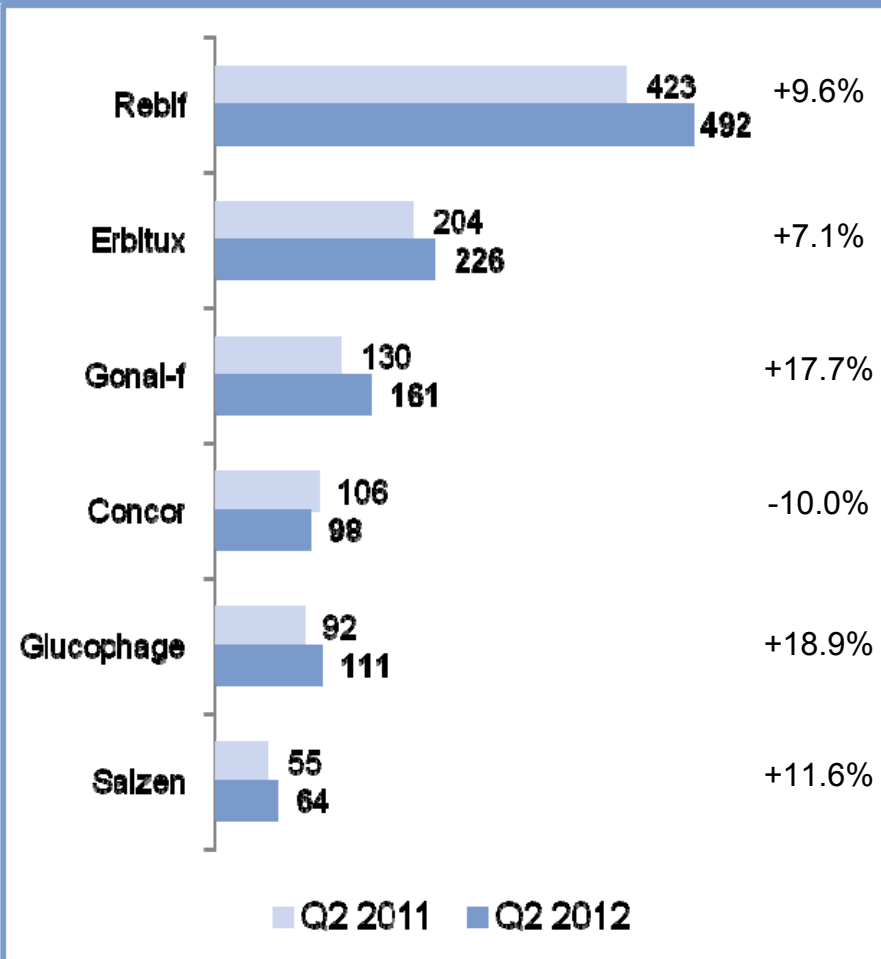
# Emerging Markets strong, European sales weaker due to scale-down in Southern EU



## Biopharmaceuticals

# Healthy growth across brands

Organic sales growth by key products [€ m]

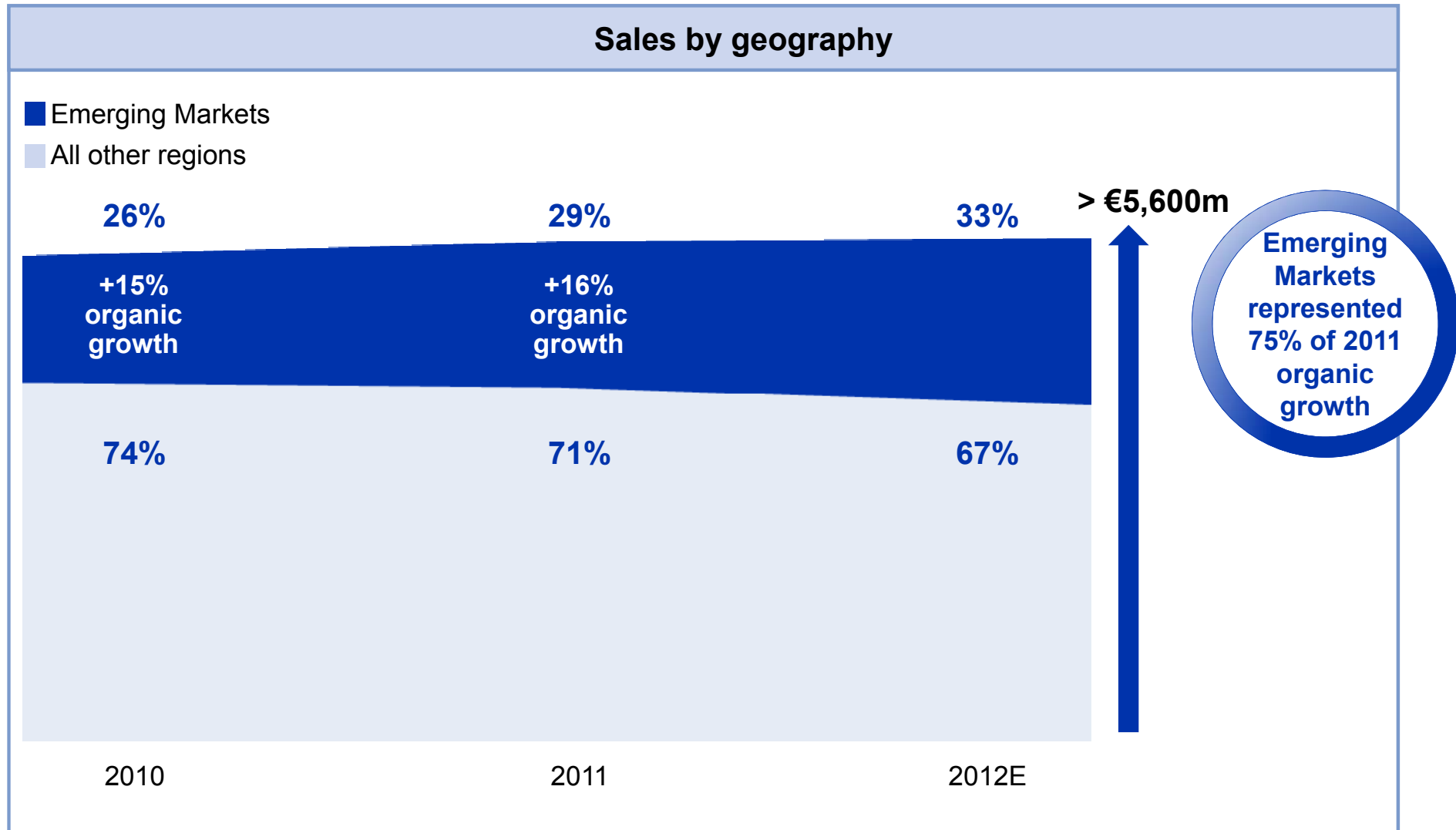


## Comments

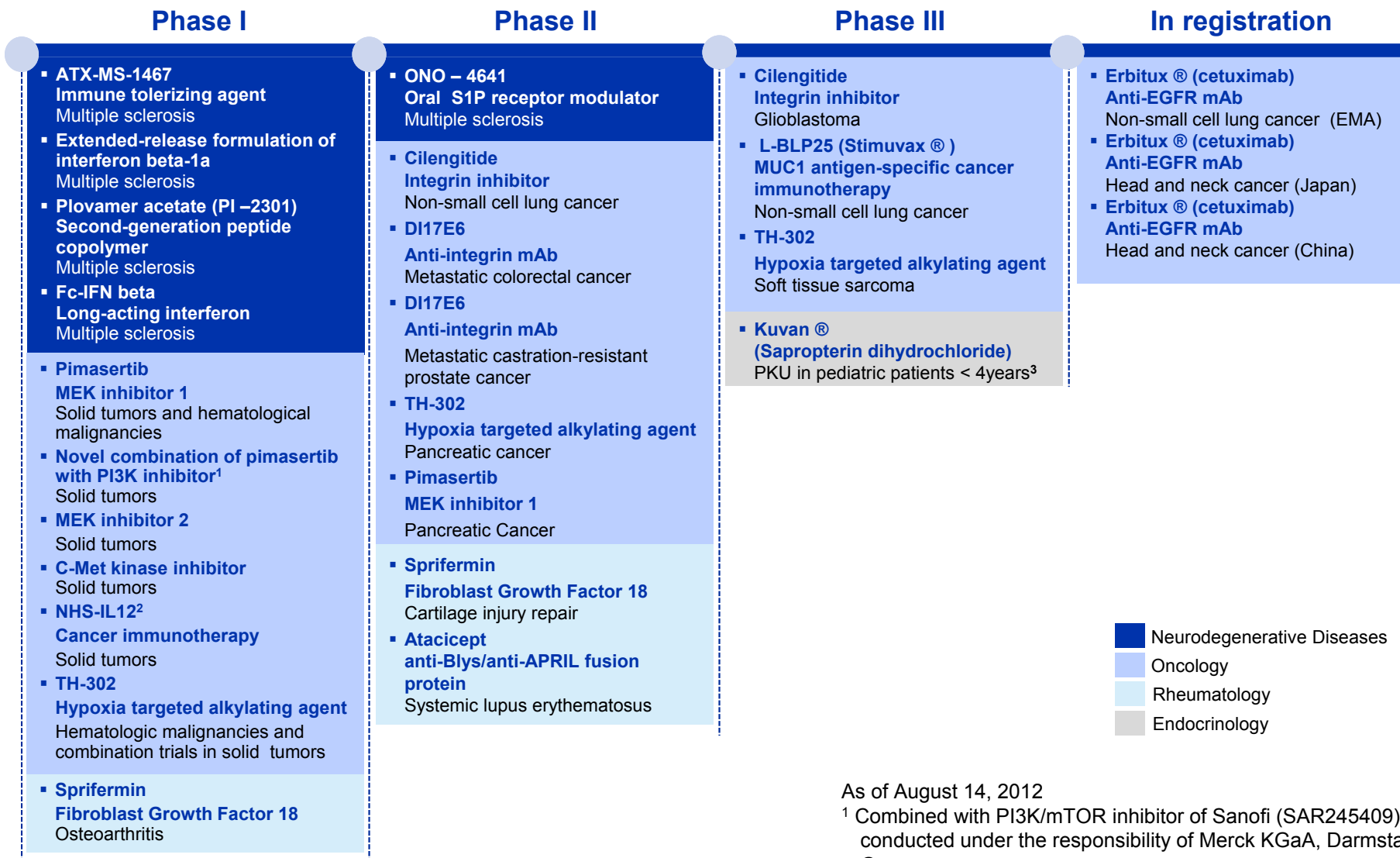
- **Rebif:** Strong performance in US due to price increases and stabilizing volumes; sales in Europe flat due to pricing pressures off-set by volume increase
- **Erbitux:** European sales weaker due to lower deliveries into Southern EU, Emerging Markets performing strongly
- **Gonal-f:** Successful roll-out of family of pens delivers high-single to double-digit sales growth across all regions
- **Concor:** Sales growth in Emerging Markets could not offset declines in Europe and other Western countries due to mandatory price decreases
- **Glucophage:** Strong performance in Emerging Markets as incidence of type 2 diabetes is rising; continues to be the first-line drug of choice
- **Saizen:** Double-digit organic growth in Emerging Markets and US more than off-set stagnating sales in Europe due to pricing pressures

## Biopharmaceuticals

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



# Biopharmaceuticals Portfolio



As of August 14, 2012

<sup>1</sup> Combined with PI3K/mTOR inhibitor of Sanofi (SAR245409), conducted under the responsibility of Merck KGaA, Darmstadt, Germany

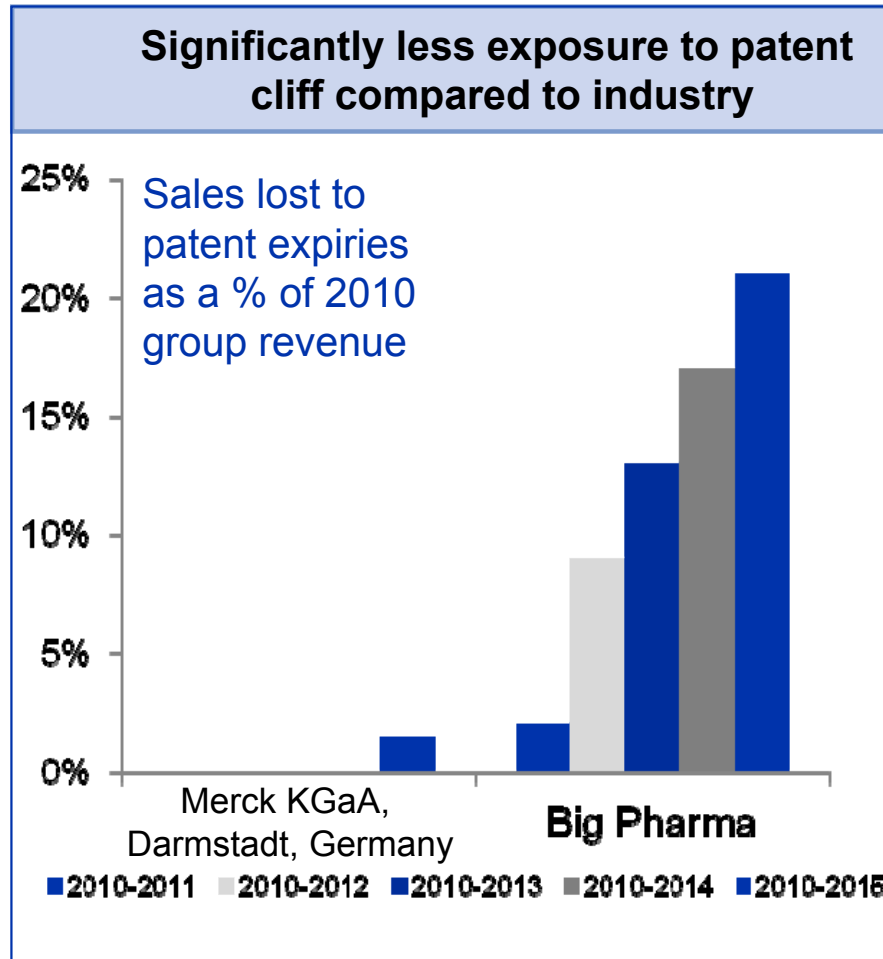
<sup>2</sup> Sponsored by the National Cancer Institute (NCI), USA

<sup>3</sup> Phase IIIb post-approval request by EMA



## Biopharmaceuticals

# Key franchises well protected: no “patent cliff”



- 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

Source: Sell-side research on Merck KGaA, Darmstadt, Germany, June 23, 2011; corporate reports; Big Pharma incl. AstraZeneca, Bristol-Myers Squibb, Eli Lilly, GlaxoSmithKline, Merck & Co., Pfizer, Roche, Sanofi  
\*human serum albumin - free

## Biopharmaceuticals

# Timelines

Project	Indication	Trial	Datapoint	Timeline
<b>Oncology</b>				
Stimuvax	NSCLC	START	PIII final	Q1 2013
Cilgengitide	Glioblastoma	CENTRIC	PIII final	H1 2013
TH-302	Pancreatic cancer		PIII decision	H2 2012
<b>Neurology</b>				
ONO-4641	Multiple Sclerosis		PIII decision	2013
<b>Rheumatology</b>				
Atacicept	SLE	APRIL	PII final	H2 2012

## The Group

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