

# Berenberg and Goldman Sachs German Corporate Conference

Transformation starts to yield first results

**Joshua Young**  
Head of Investor Relations

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**Merck KGaA**  
Darmstadt · Germany



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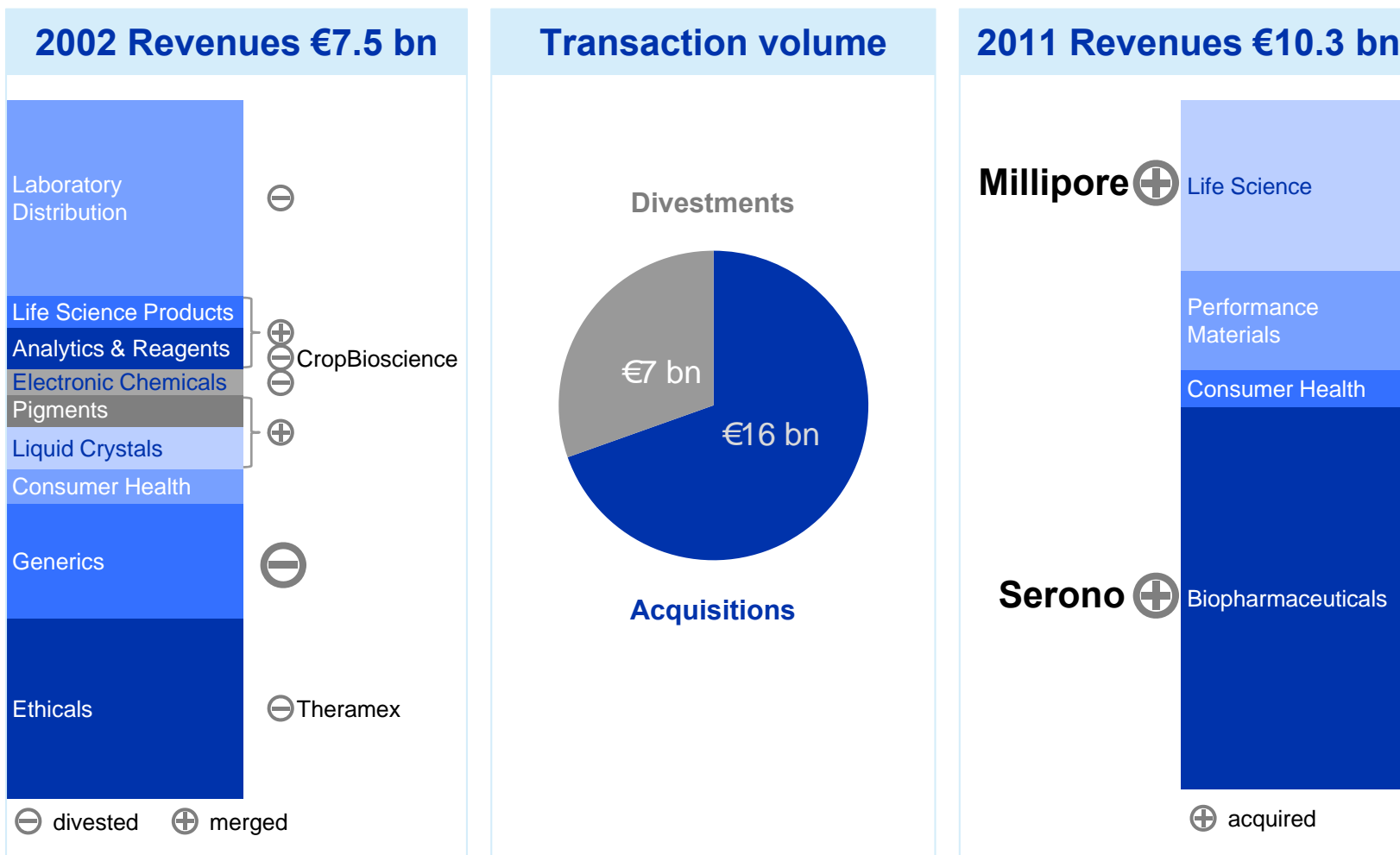
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# Agenda

- 1. Strategy Update – Business Portfolio Strengthened**
2. Q2 Financial Update
3. FY 2012 Guidance

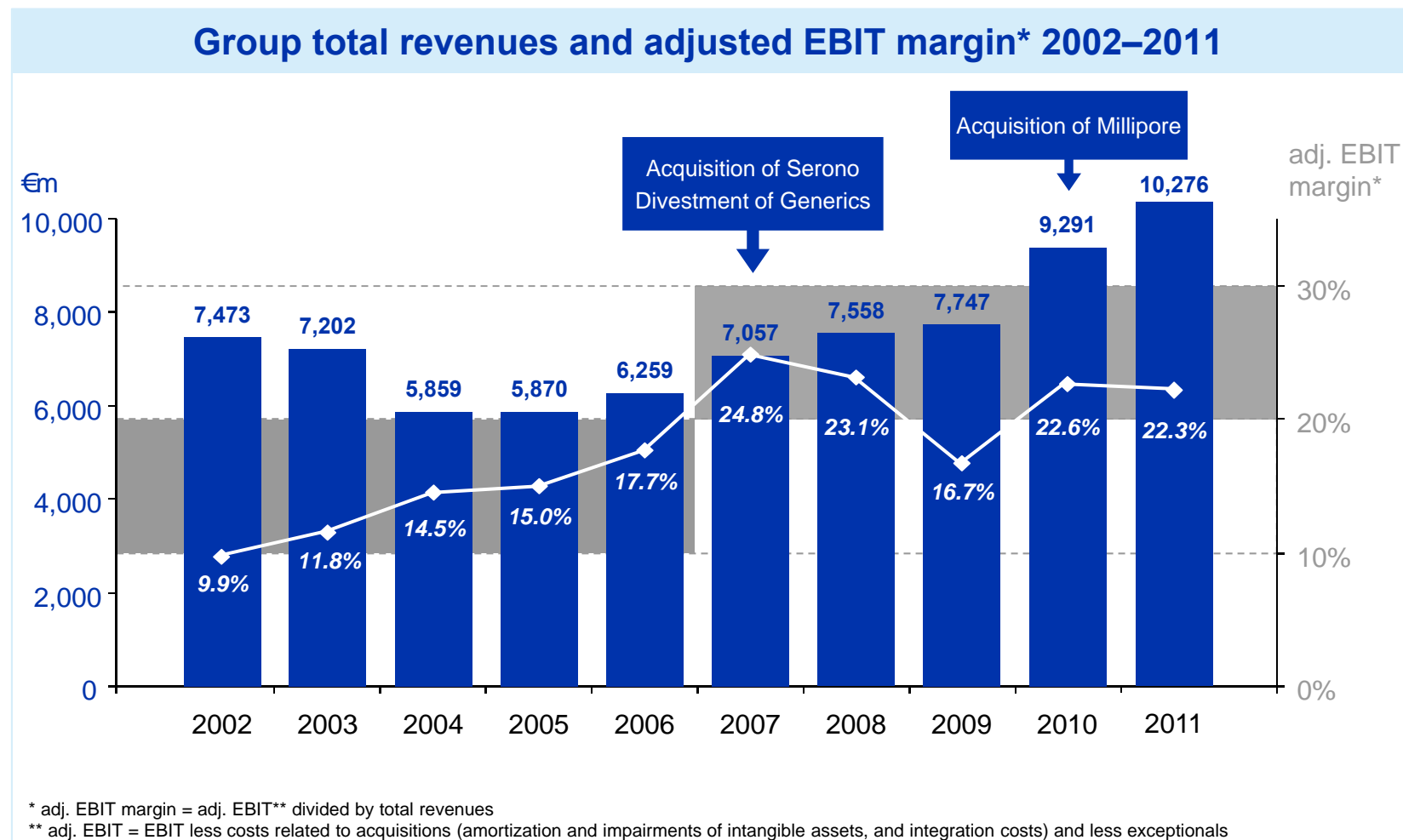
## The Group

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



















## The Group




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



The Group

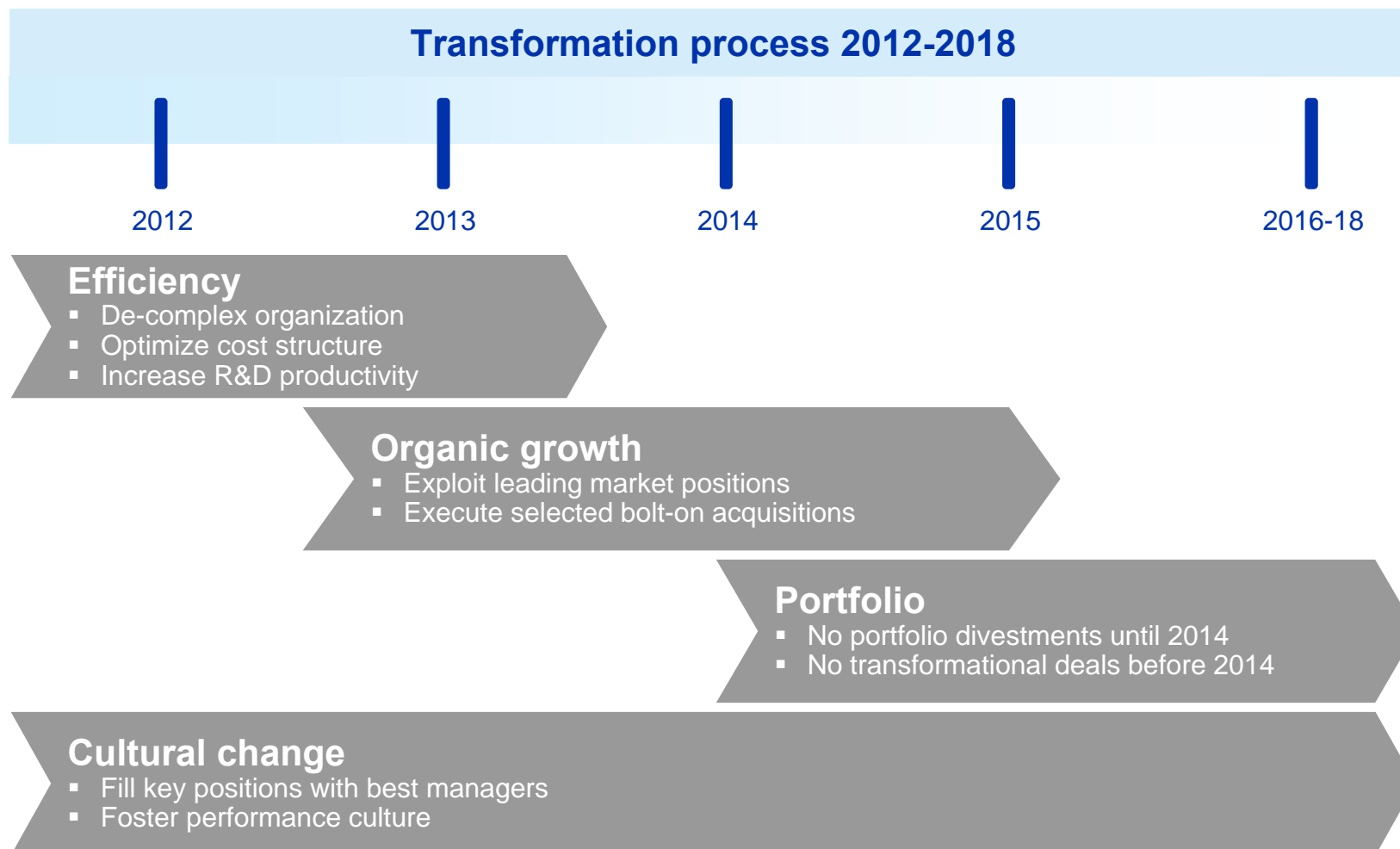
# Portfolio evolution improved our profitability structure, but further potential remains

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

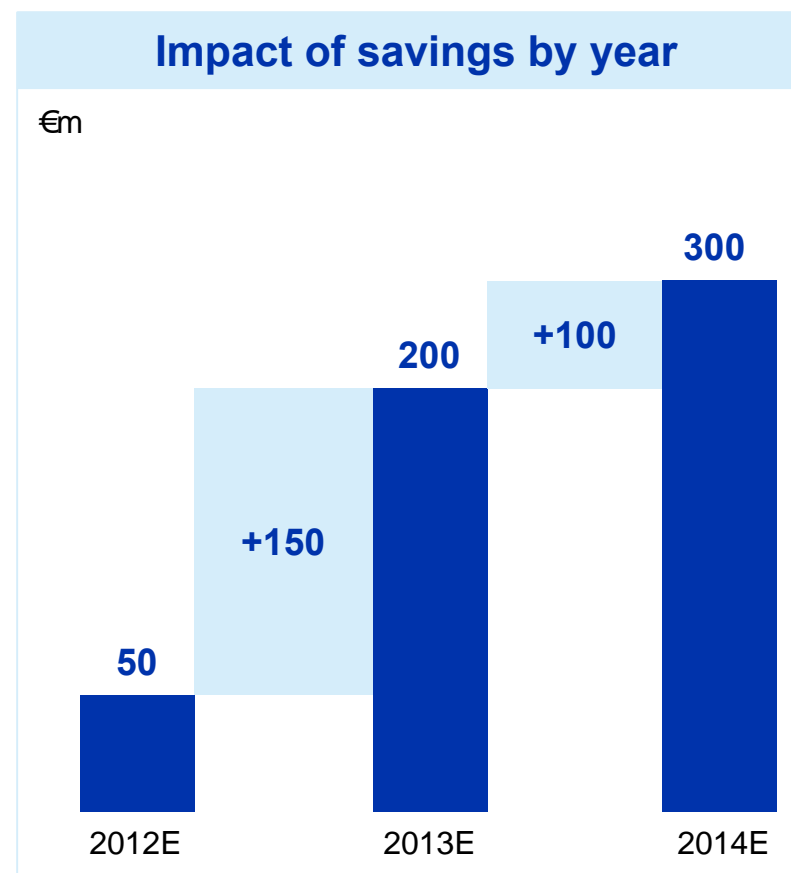
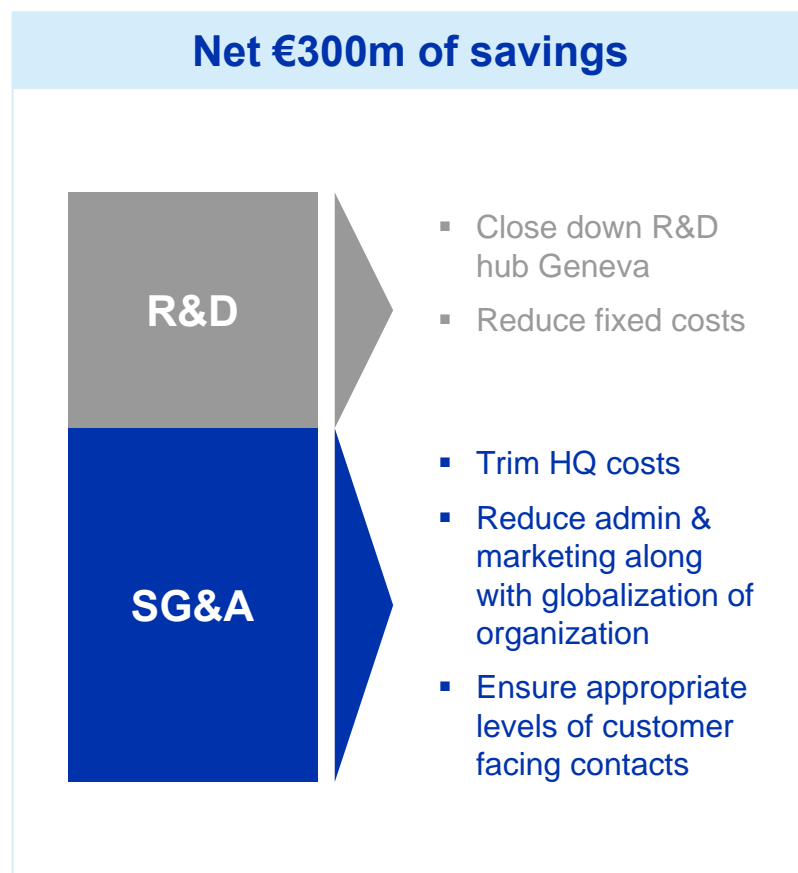
# We now focus on efficiency





## Biopharmaceuticals Restructuring

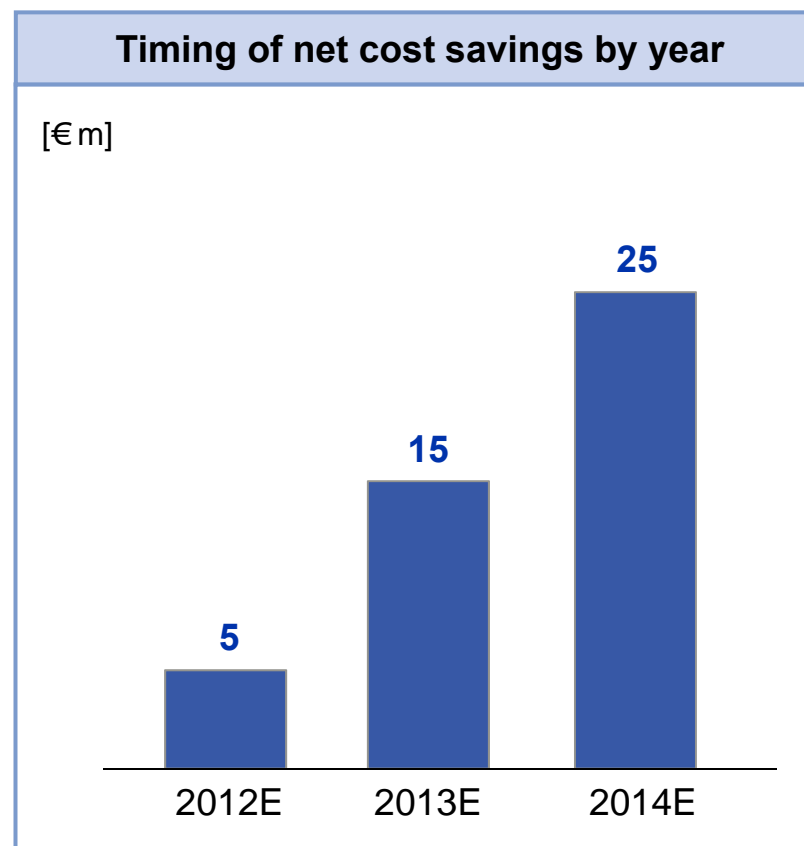
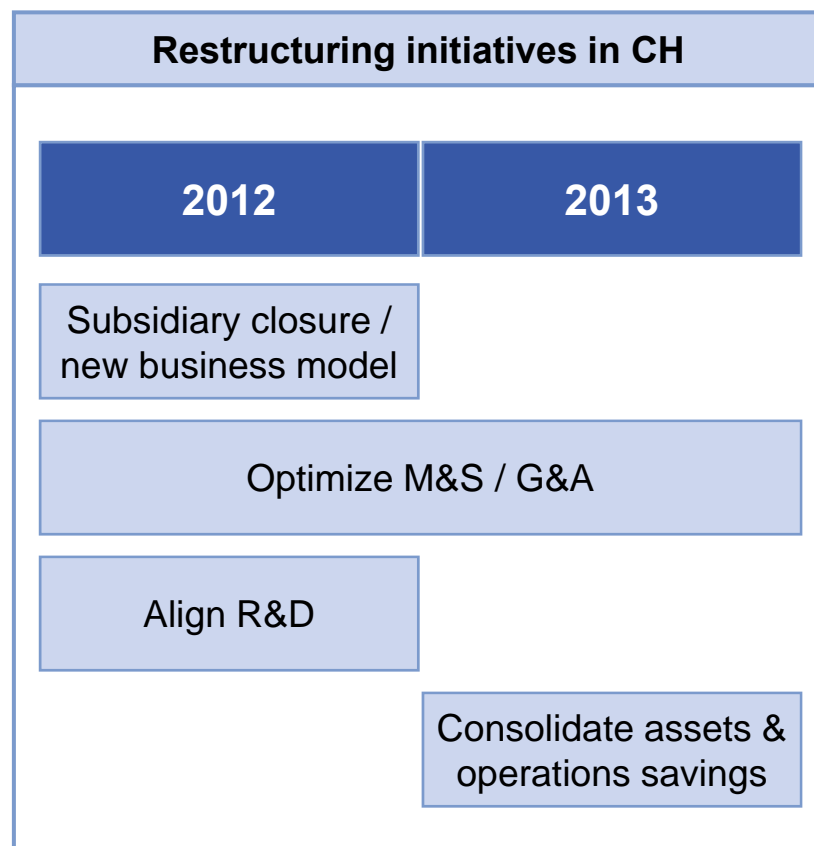
# Savings will predominantly ramp up in 2013 and 2014



SG&A biggest lever for improvement

## Consumer Health

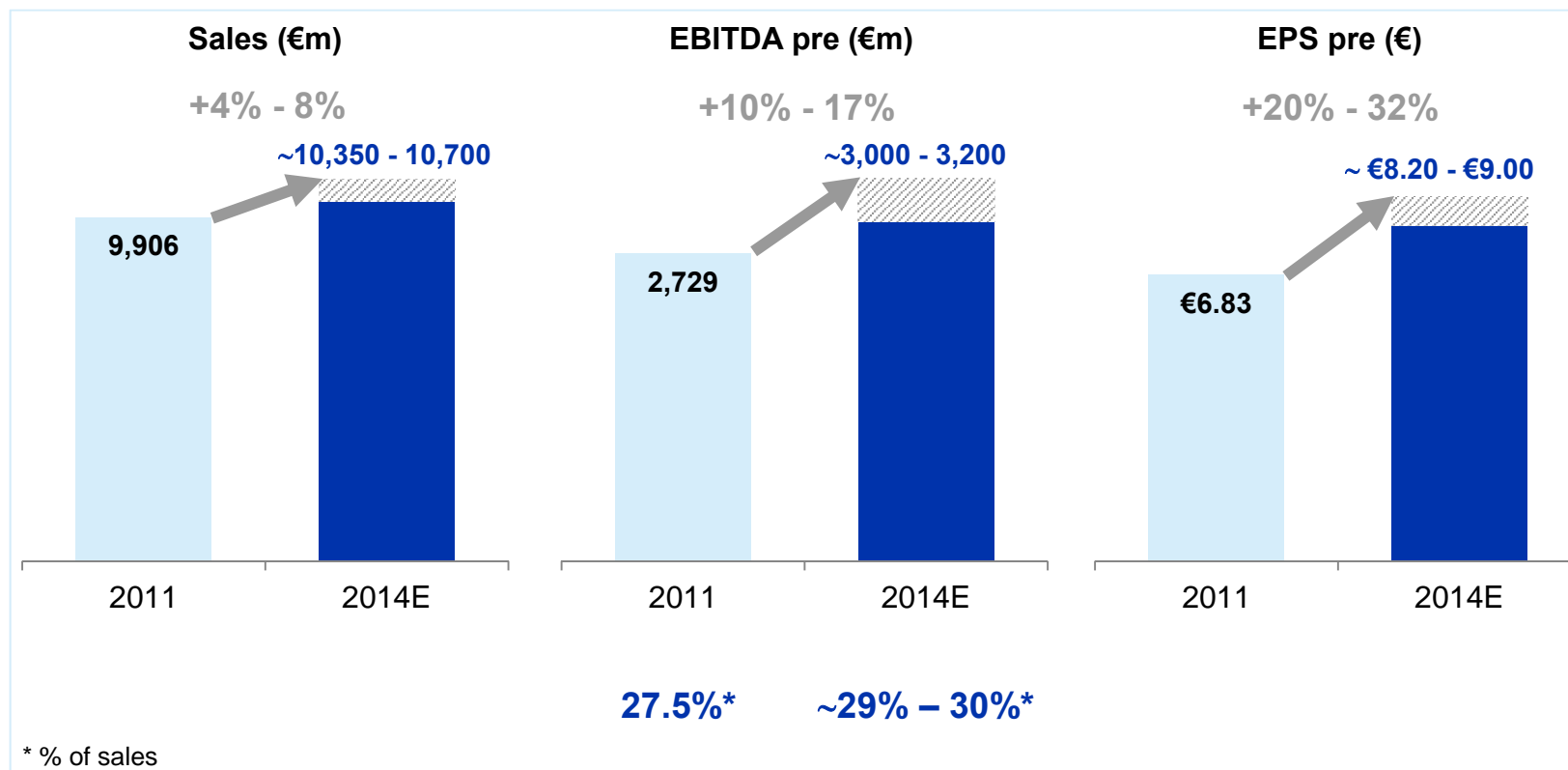
# We expect to deliver € 25 million in net savings



**We will incur ~€ 40 million in restructuring costs to achieve these savings**

## The Group

# We strive for realistic Group targets



### Assumptions:

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

# Agenda

1. Strategy Update – Business Portfolio Strengthened
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3. FY 2012 Guidance

The Group

# Strong sales growth and cost management drive EBITDA pre improvement

[€ m]	Q2 2012	Q2 2011	Δ
Sales	2,743	2,470	11%
EBITDA pre <i>Margin (% of sales)</i>	747 27.2%	655 26.5%	14%
EPS pre [€]	1.92	1.60	20%
Operating cash flow	694	292	138%

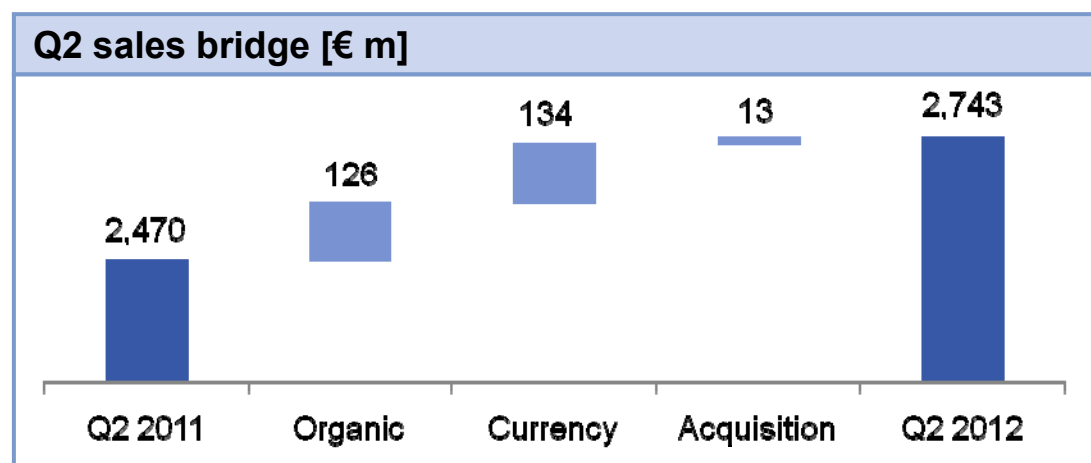
[€ m]	Jun 2012	Dec 2011	Δ
Net financial debt	2,942	3,484	-16%
Employees	40,085	40,676	-1%

Comments
<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>▪ <b>EBITDA pre</b> margin increases by 70 basis points on higher sales and lower costs</li> <li>▪ Strong operational performance drives <b>EPS pre</b> improvement</li> <li>▪ <b>Cash flow from operating activities</b> benefits from improved efficiency of working capital</li> <li>▪ <b>Net financial debt</b> lowered</li> </ul>

## The Group

# Strong top-line growth stemming from organic and FX contribution

Q2 yoy sales	Organic	Currency	Acq.	Total
Biopharmaceuticals	7%	4%	0%	11%
Consumer Health	1%	2%	0%	3%
Perf. Materials	4%	10%	0%	14%
Life Science	3%	6%	2%	11%
<b>THE GROUP</b>	<b>5%</b>	<b>5%</b>	<b>1%</b>	<b>11%</b>



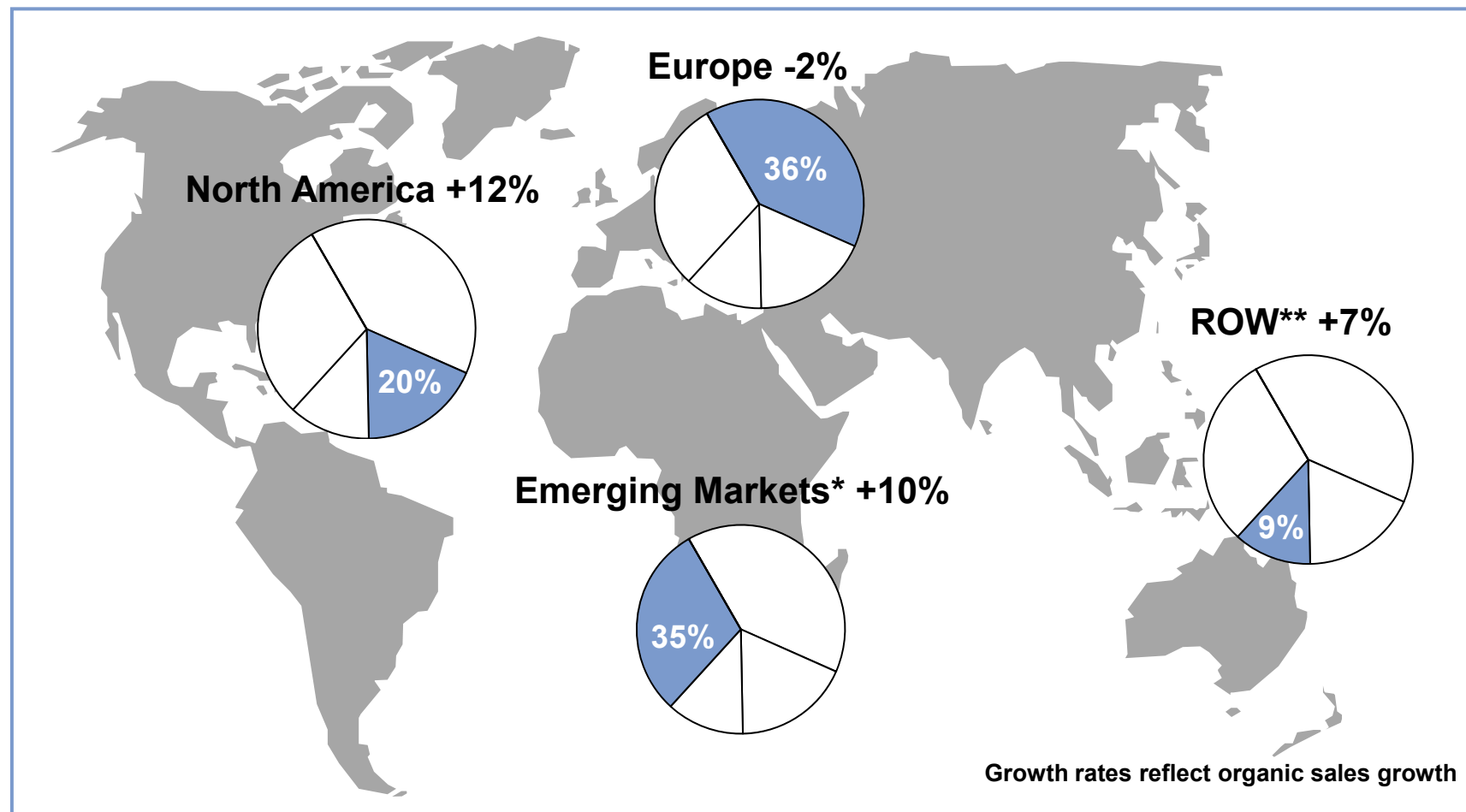
**Q2 drivers**

- Solid sales increase by 11%
- Main drivers for sales growth are organic (+5%) and FX growth (+5%)
- Biopharmaceuticals, especially Rebif and Gonal-f, and Performance Materials drive performance

**Strong pricing and US dollar supports sales**

## The Group

# Q2 2012: Biopharmaceuticals sales drive increase in North America and Emerging Markets



Emerging Markets = Latin America + Asia (w/o Japan)  
\*\* ROW = Japan, Oceania, Australia, Africa

## Biopharmaceuticals

# Higher Rebif and Fertility sales, tight cost control and efficiencies drive performance

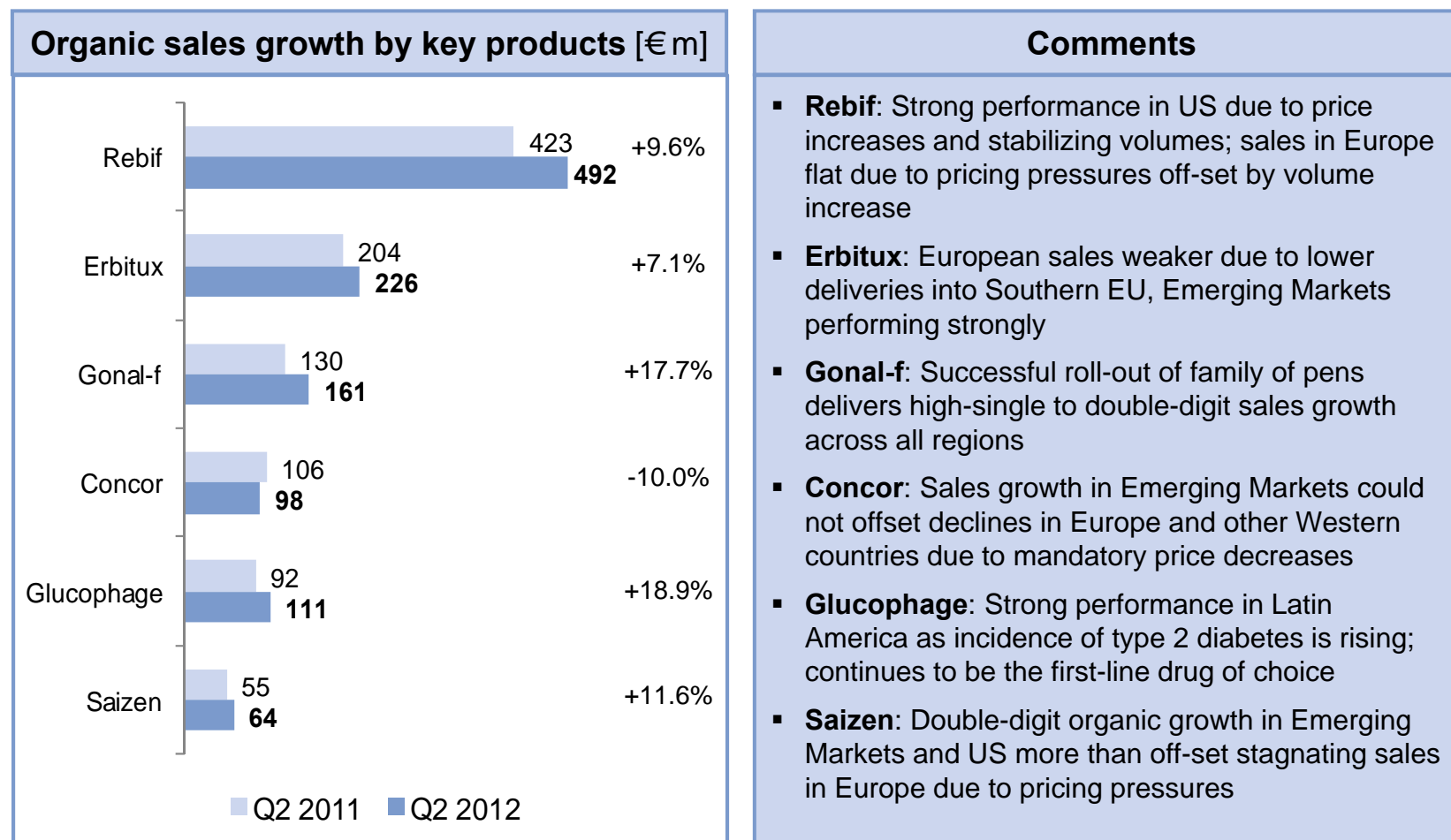
[€ m]	Q2 2012	Q2 2011	Δ	Comments
<b>Total Revenues</b>	<b>1,649</b>	<b>1,480</b>	<b>11%</b>	<ul style="list-style-type: none"> <li>▪ <b>Sales</b> growth of 11% reflects 7% organic growth and 4% benefit from FX</li> <li>▪ Mainly driven by Rebif (pricing US) and the Fertility portfolio (growing in all markets)</li> <li>▪ <b>Royalty income</b> benefiting from Humira and FX</li> <li>▪ <b>Other expenses include</b> restructuring costs (€190 m)</li> <li>▪ <b>R&amp;D</b> contains charges for EXPAND and PETACC-8, but also some early costs for new pipeline projects</li> <li>▪ <b>Amortization</b> in Q2 2011 affected by one-time items</li> <li>▪ Strong increase in <b>EBITDA pre</b> reflects strong sales and operational improvement</li> </ul>
Sales	1,546	1,395	11%	
Royalty and Comm. Income	102	84	21%	
<b>Gross Profit</b>	<b>1,332</b>	<b>1,188</b>	<b>12%</b>	
<i>Margin (% of sales)</i>	<i>86.1%</i>	<i>85.1%</i>		
Marketing & Selling	-359	-366	-2%	
Royalty and Comm. Exp.	-148	-113	31%	
Administration	-64	-64	-1%	
Other Expenses / Income	-267	-218	22%	
R&D	-326	-301	8%	
Amortization	-165	-263	-37%	
<b>EBIT</b>	<b>4</b>	<b>-138</b>	<b>n.m.</b>	
Depreciation & Amortization	244	477	-49%	
One-time items	192	27	>100%	
<b>EBITDA pre</b>	<b>439</b>	<b>366</b>	<b>20%</b>	
<i>Margin (% of sales)</i>	<i>28.4%</i>	<i>26.3%</i>		

Sum of items may not foot due to rounding



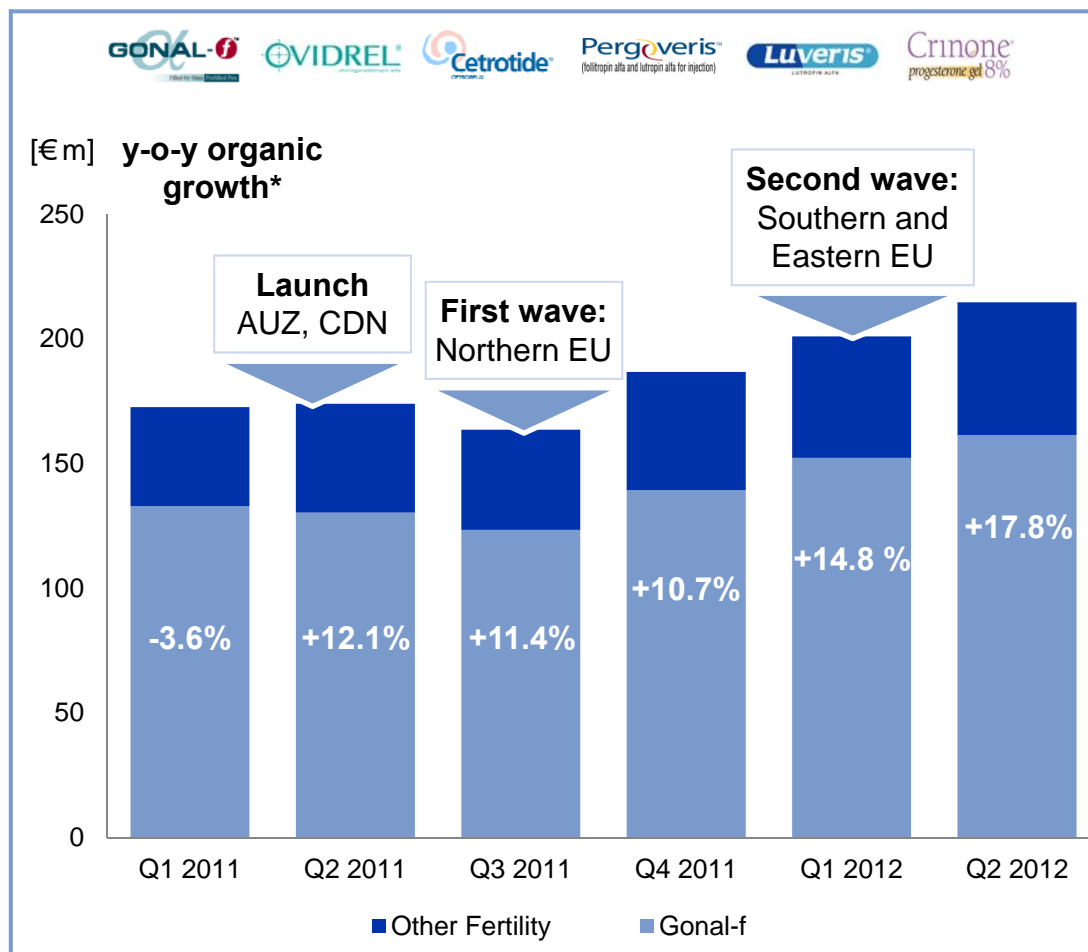
## Biopharmaceuticals

# Healthy growth across nearly all brands



## Biopharmaceuticals - Fertility

# Successful roll-out of family of pens supports double-digit organic sales growth in Fertility



\* Organic growth rates for the total Fertility portfolio

### Comments

- Global sales of €215 m in Q2 2012
- Competitive differentiation through common delivery platform for all gonadotropins in the Fertility Portfolio
- Now launched in 30 countries
  - Europe
  - Australia
  - Canada
  - India (June 2012)
- Further Emerging Markets currently under preparation
  - Roll-out during 2012/ 2013
- In the US, sales are driven by price increases and changed distribution model



## Consumer Health

# Advancing toward improved performance

[€ m]	Q2 2012	Q2 2011	Δ
<b>Total Revenues</b>	<b>122</b>	<b>118</b>	<b>3%</b>
Sales	121	118	3%
Royalty and Comm. Income	1	1	-26%
<b>Gross Profit</b>	<b>83</b>	<b>80</b>	<b>5%</b>
<i>Margin (% of sales)</i>	<i>68.9%</i>	<i>67.7%</i>	
Marketing & Selling	-54	-57	-4%
Royalty and Comm. Exp.	0	0	n.m.
Administration	-6	-6	4%
Other Expenses / Income	-8	0	>100%
R&D	-5	-6	-22%
Amortization	-1	-1	12%
<b>EBIT</b>	<b>10</b>	<b>10</b>	<b>1%</b>
Depreciation & Amortization	3	3	-15%
One-time items	5	0	n.m.
<b>EBITDA pre</b>	<b>18</b>	<b>13</b>	<b>37%</b>
<i>Margin (% of sales)</i>	<i>14.7%</i>	<i>11.0%</i>	

Sum of items may not foot due to rounding

Comments
<ul style="list-style-type: none"> <li>▪ <b>Sales</b> increase 1% organically, 2% benefit from FX <ul style="list-style-type: none"> <li>– Strong sales growth in Emerging markets (particular Everyday Health) compensates for weak performance in Europe</li> </ul> </li> <li>▪ <b>Marketing &amp; Selling</b> savings due to lower sales promotion and reduced sales force costs</li> <li>▪ <b>Other expenses include</b> restructuring costs (€5 m)</li> <li>▪ Reported <b>EBIT</b> flat despite restructuring costs</li> <li>▪ <b>EBITDA pre</b> improving mainly due to better resource allocation and first efficiencies</li> </ul>

## Performance Materials

# Healthy volumes in liquid crystals and positive currency benefit contribute to a sound quarter

[€ m]	Q2 2012	Q2 2011	Δ	Comments
<b>Total Revenues</b>	<b>427</b>	<b>373</b>	<b>14%</b>	<ul style="list-style-type: none"> <li>▪ <b>Sales</b> grow 4% organically, and benefit from continued strong demand for larger televisions <ul style="list-style-type: none"> <li>– 10% benefit from FX</li> </ul> </li> <li>▪ <b>LC outlook:</b> Continued strong volumes in Q3 and a softening of sales in Q4 expected</li> <li>▪ <b>Gross profit</b> increase due to negative effect of one-time items in Q2 2011 (€39 m)</li> <li>▪ <b>SG&amp;A</b> lowered due to divestiture gain; discretionary spending well-managed</li> <li>▪ <b>EBIT</b> includes one-time capital gain of €16 m</li> <li>▪ <b>EBITDA pre</b> up due to sound volumes and good cost control</li> </ul>
Sales	426	373	14%	
Royalty and Comm. Income	1	0	>100%	
<b>Gross Profit</b>	<b>243</b>	<b>199</b>	<b>22%</b>	
<i>Margin (% of sales)</i>	<i>57.1%</i>	<i>53.3%</i>		
Marketing & Selling	-35	-34	6%	
Royalty and Comm. Exp.	0	-1	-78%	
Administration	-9	-8	6%	
Other Expenses / Income	11	-10	n.m.	
R&D	-32	-30	8%	
Amortization	0	-9	-95%	
<b>EBIT</b>	<b>177</b>	<b>107</b>	<b>66%</b>	
Depreciation & Amortization	27	34	-21%	
One-time items	-15	38	n.m.	
<b>EBITDA pre</b>	<b>190</b>	<b>179</b>	<b>6%</b>	
<i>Margin (% of sales)</i>	<i>44.5%</i>	<i>48.0%</i>		

Sum of items may not foot due to rounding

Life Science

# Continued delivery of profitable growth, while investing for the future

[€ m]	Q2 2012	Q2 2011	Δ
<b>Total Revenues</b>	<b>655</b>	<b>584</b>	<b>12%</b>
Sales	649	583	11%
Royalty and Comm. Income	6	1	>100%
<b>Gross Profit</b>	<b>385</b>	<b>330</b>	<b>17%</b>
<i>Margin (% of sales)</i>	<i>59.3%</i>	<i>56.6%</i>	
Marketing & Selling	-169	-147	15%
Royalty and Comm. Exp.	-3	-4	-12%
Administration	-30	-25	20%
Other Expenses / Income	-25	-29	-15%
R&D	-42	-32	32%
Amortization	-51	-46	11%
<b>EBIT</b>	<b>65</b>	<b>48</b>	<b>35%</b>
Depreciation & Amortization	76	71	7%
One-time items	7	10	-29%
<b>EBITDA pre</b>	<b>148</b>	<b>129</b>	<b>15%</b>
<i>Margin (% of sales)</i>	<i>22.8%</i>	<i>22.1%</i>	

Sum of items may not foot due to rounding

Comments
<ul style="list-style-type: none"> <li>▪ <b>Sales</b> growth of 11% (3% organic growth, 2% acquisition effect, 6% FX) <ul style="list-style-type: none"> <li>– All business units contribute</li> </ul> </li> <li>▪ Strong performance in Emerging Markets offsets moderate US performance and soft economic environment in Southern Europe</li> <li>▪ <b>Marketing and Selling</b> expenses driven by launch costs for new products and €7 m impact from FX changes</li> <li>▪ Continued investment into <b>R&amp;D</b>, predominantly in Process Solutions <ul style="list-style-type: none"> <li>– Acquisitions and FX also contributing</li> </ul> </li> <li>▪ <b>EBITDA pre</b> shows sound profitable growth</li> </ul>

The Group

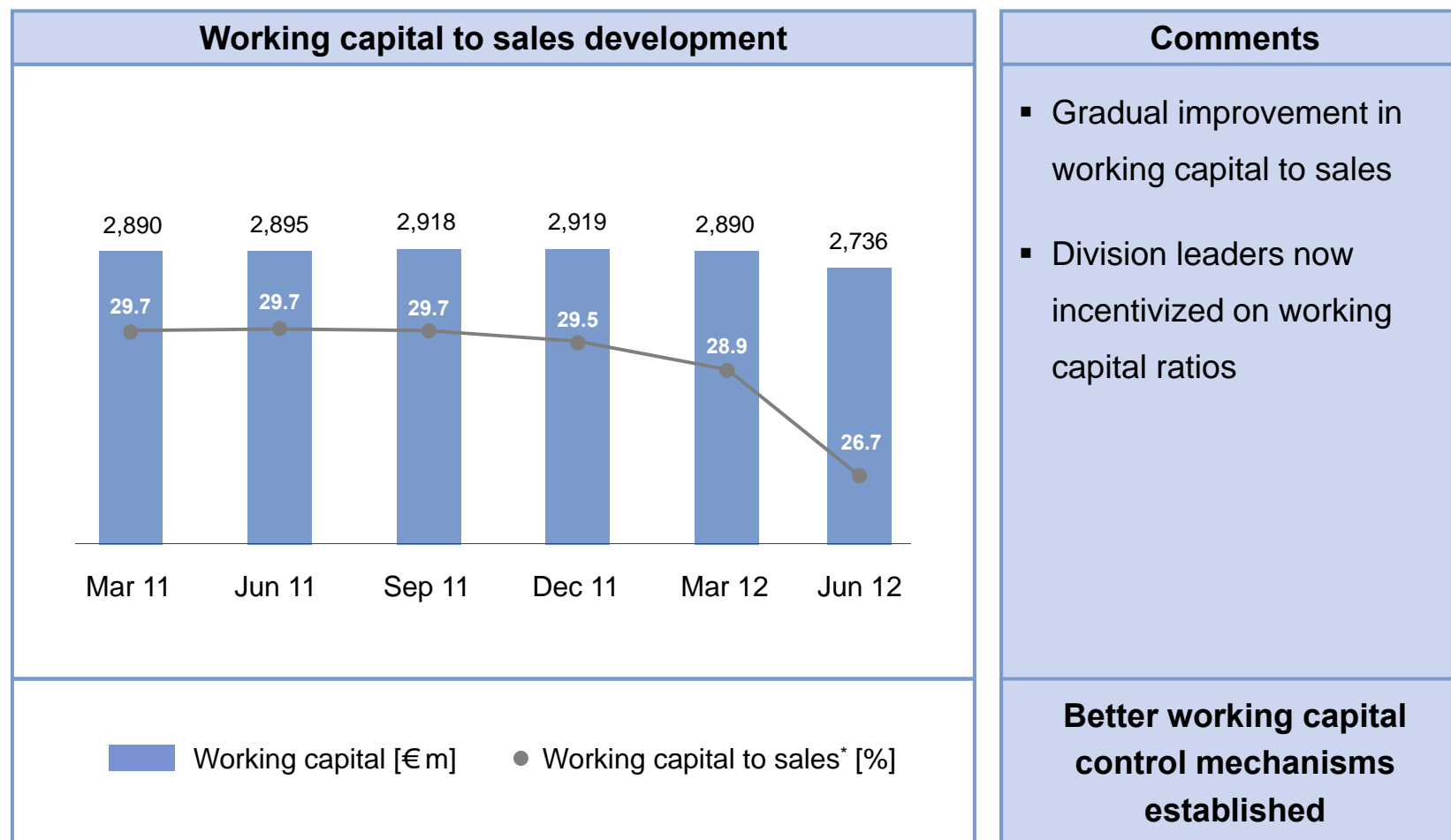
# Free cash flow benefits from higher profitability, improving working capital, and lower CapEx

[€ m]	Q2 2012	Q2 2011	Δ	Comments
<b>Profit after tax</b>	<b>-61</b>	<b>-87</b>	<b>26</b>	<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>Operating cash flow</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>	

Sum of items may not foot due to rounding

The Group

# Better working capital management shows results



\* Sales LTM, portfolio adjusted

# Agenda

1. Strategy Update – Business Portfolio Strengthened
2. Q2 Financial Update
- 3. FY 2012 Guidance**



## 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>	
(incl. €55 m efficiency savings)	2.85 – 2.95

# APPENDIX

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>
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>	
<i>Margin (% of sales)</i>	<i>74.5%</i>	<i>72.7%</i>		
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>	
<i>Margin (% of sales)</i>	<i>27.2%</i>	<i>26.5%</i>		

## The Group

# More than €5 billion of sales in H1 2012

[€ m]	H1 2012	H1 2011	Δ
<b>Total Revenues</b>	<b>5,497</b>	<b>5,119</b>	<b>7%</b>
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

Comments
<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>

The Group

# One-time effects influence year-over-year profitability comparisons

[€ 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> H1 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%	
<i>Tax Rate (%)</i>	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%	

The Group

# Balance Sheet: A strong financial backbone

[€ m]	Jun 30 2012	Dec 31 2011	Δ	Comments
<b>Total Assets</b>	<b>21,896</b>	<b>22,122</b>	<b>-1%</b>	<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

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

[€ m]	H1 2012	H1 2011	Δ	Comments
<b>Profit after tax</b>	<b>115</b>	<b>255</b>	<b>-140</b>	<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 Théramex 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

The Group

# Q2 2012 reconciliation to adjusted results

[€m]	Q2 2012	Q2 2011
<b>EBIT</b>	<b>23</b>	<b>-24</b>
<b>Depreciation &amp; Amortization</b>	<b>352</b>	<b>587</b>
Regular depreciation & amortization	114	109
Amortization of purchased intangible assets	216	210
Impairments	23	268
<b>EBITDA</b>	<b>375</b>	<b>563</b>
<b>One-time items</b>	<b>372</b>	<b>92</b>
M&A costs	0	0
Restructuring costs	355	0
Integration/IT related costs	7	9
Costs from discontinuing businesses	9	11
Other one-time costs	0	72
<b>EBITDA pre</b>	<b>747</b>	<b>655</b>
Regular depreciation & amortization	-114	-109
Financial result	-70	-76
Profit before tax pre	563	470
<b>EPS pre (in €)</b>	<b>1.92</b>	<b>1.60</b>

Sum of items may not foot due to rounding



The Group

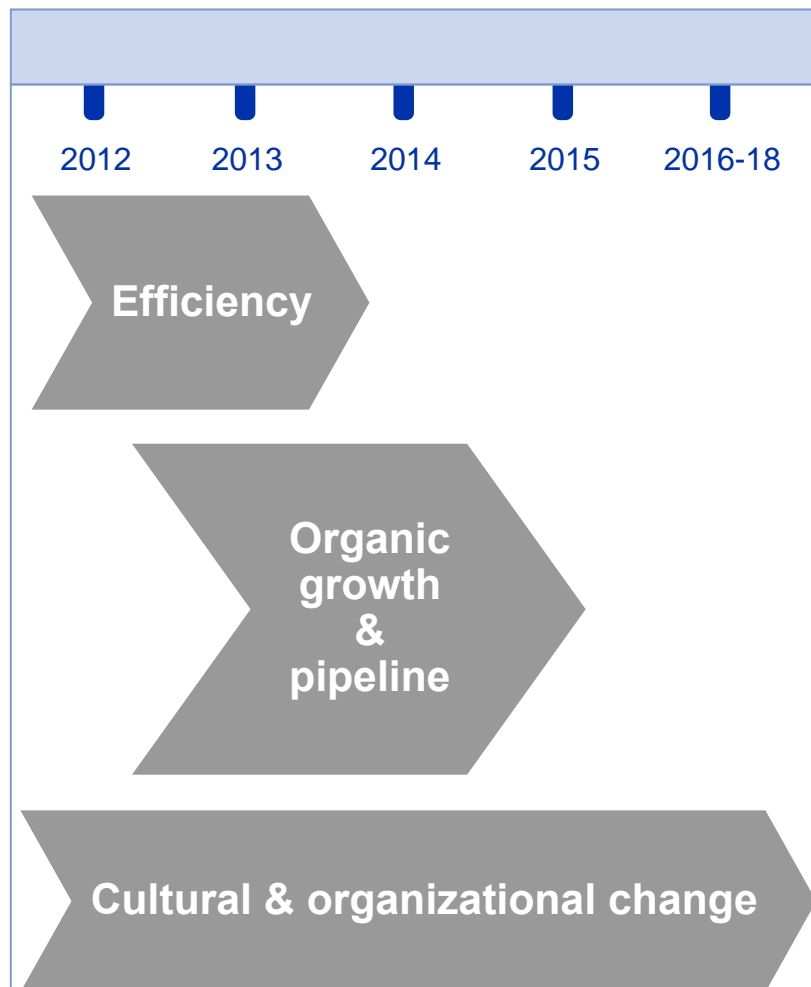
# 2012 YTD Reconciliation to adjusted results

[€m]	H1 2012	H1 2011
<b>EBIT</b>	<b>334</b>	<b>505</b>
<b>Depreciation &amp; Amortization</b>	<b>695</b>	<b>940</b>
Regular depreciation & amortization	233	216
Amortization of purchased intangible assets	431	406
Impairments	31	319
<b>EBITDA</b>	<b>1,028</b>	<b>1,445</b>
<b>One-time items</b>	<b>393</b>	<b>-54</b>
M&A costs	0	0
Restructuring costs	366	0
Integration/IT related costs	17	21
Costs from discontinuing businesses	10	-147
Other one-time costs	0	72
<b>EBITDA pre</b>	<b>1,421</b>	<b>1,391</b>
Regular depreciation & amortization	-233	-216
Financial result	-136	-147
Profit before tax pre	1,052	1,029
<b>EPS pre (in €)</b>	<b>3.58</b>	<b>3.50</b>

Sum of items may not foot due to rounding

## Restructuring update

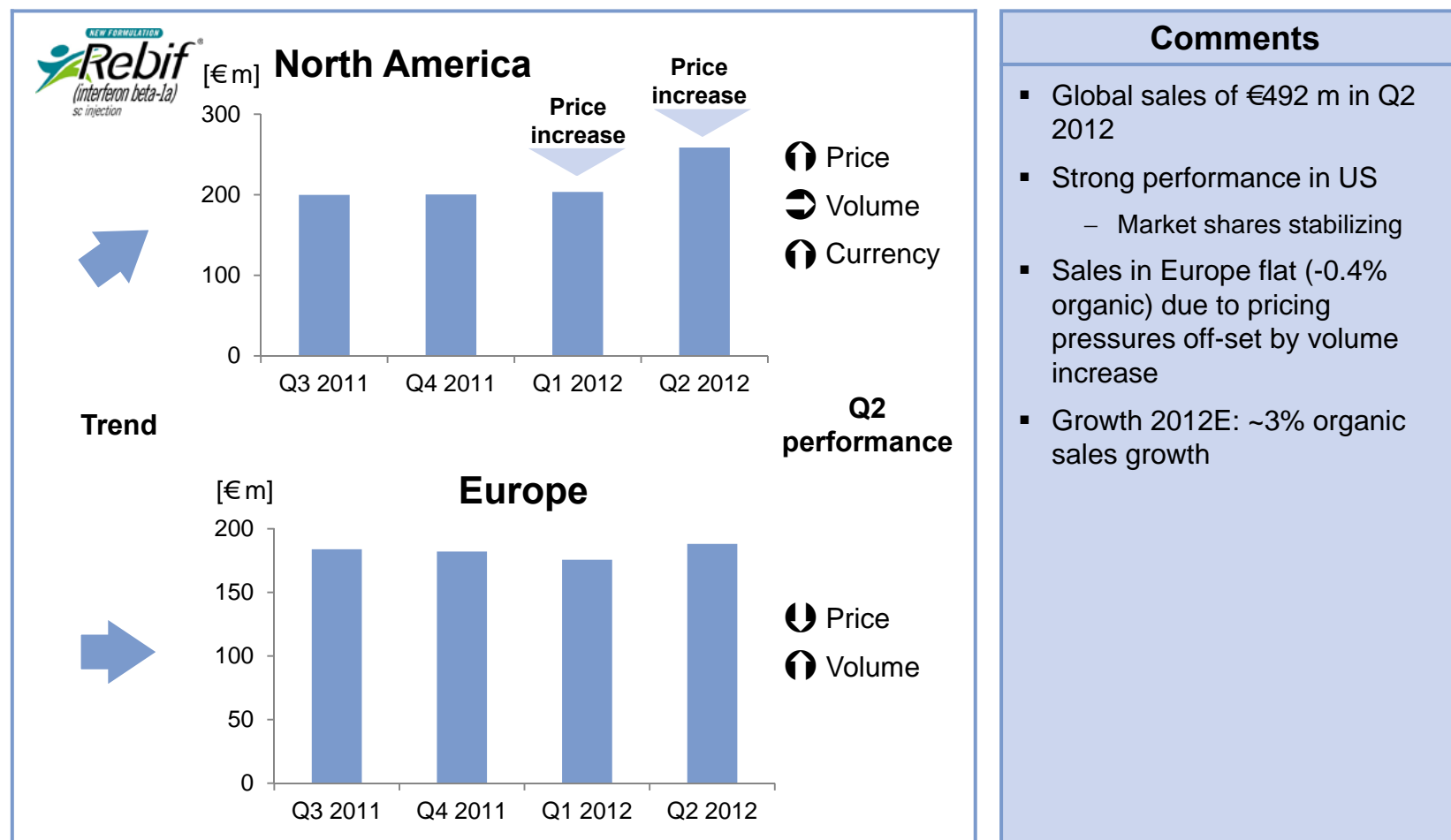
# We have made significant progress in implementing efficiency measures



- Restructuring targets for Biopharmaceuticals and the Group
- Geneva headquarters closure
- Restructuring targets for Consumer Health
  
- Refreshed strategy for Rebif and other brands
- Improved franchise management (fertility, endocrinology, Emerging Markets)
- First major pipeline review done
- In-licensing of ONO-4641, TH-302 and Sym004
- Biosimilar collaboration with Dr. Reddy's
  
- Globalized functions in R&D and global organization
- Introduction of new incentive schemes
- Hiring of key personnel in level 2 and 3

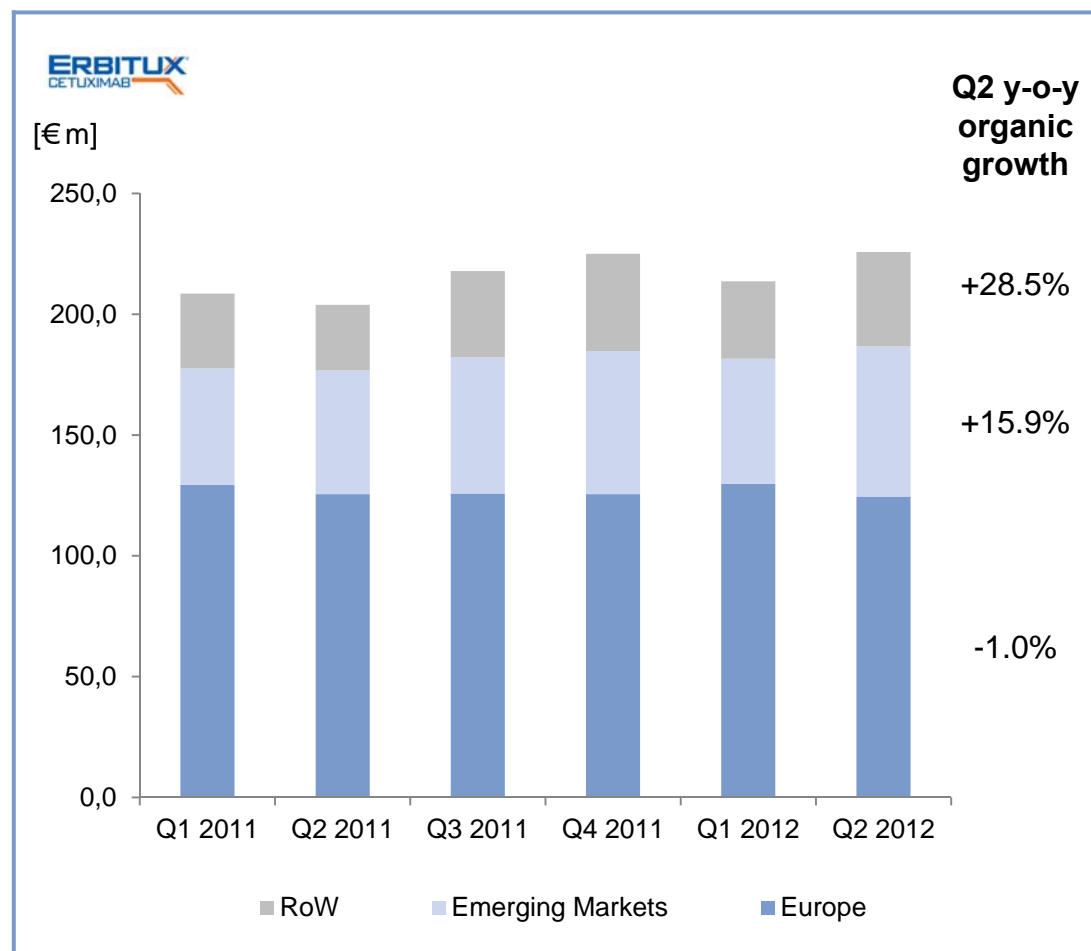
## Biopharmaceuticals - Rebif

# Growth in the United States drives overall sales



## Biopharmaceuticals - Erbitux

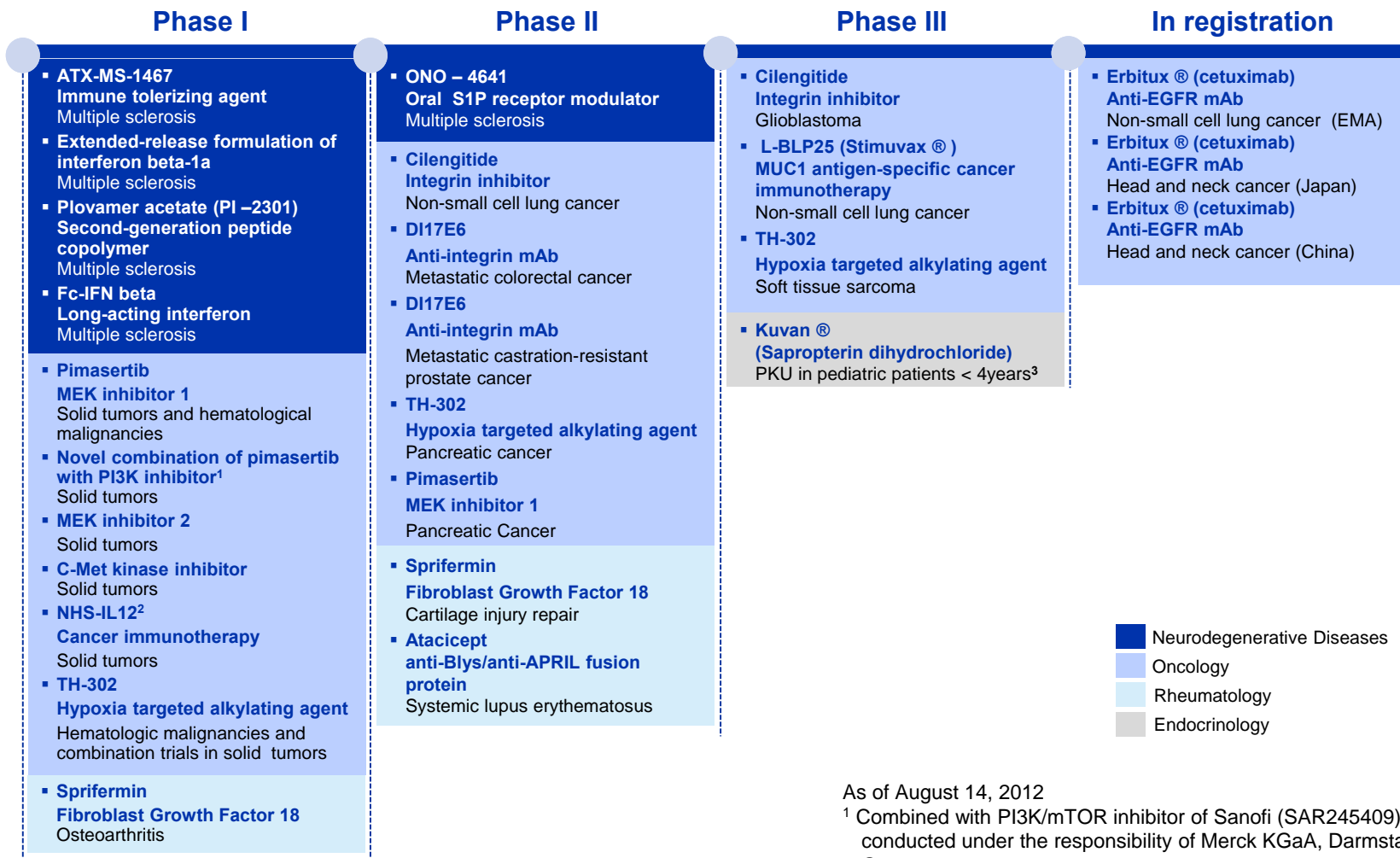
# Emerging Markets strong, European sales weaker due to scale-down in Southern EU



### Comments

- Global sales of €226 m in Q2 2012
- Patient shares above 50% in KRAS wt mCRC and SCCHN in key EU markets
- Growth 2012E: 1 – 4 % organic growth
- Development of Erbitux in gastric cancer and adjuvant colon cancer will not be continued
- Ongoing discussions with EMA regarding NSCLC filing
- Filing for approval of Erbitux in head and neck cancer accepted for priority review in Japan

# Biopharmaceuticals Pipeline



- Neurodegenerative Diseases
- Oncology
- Rheumatology
- Endocrinology

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

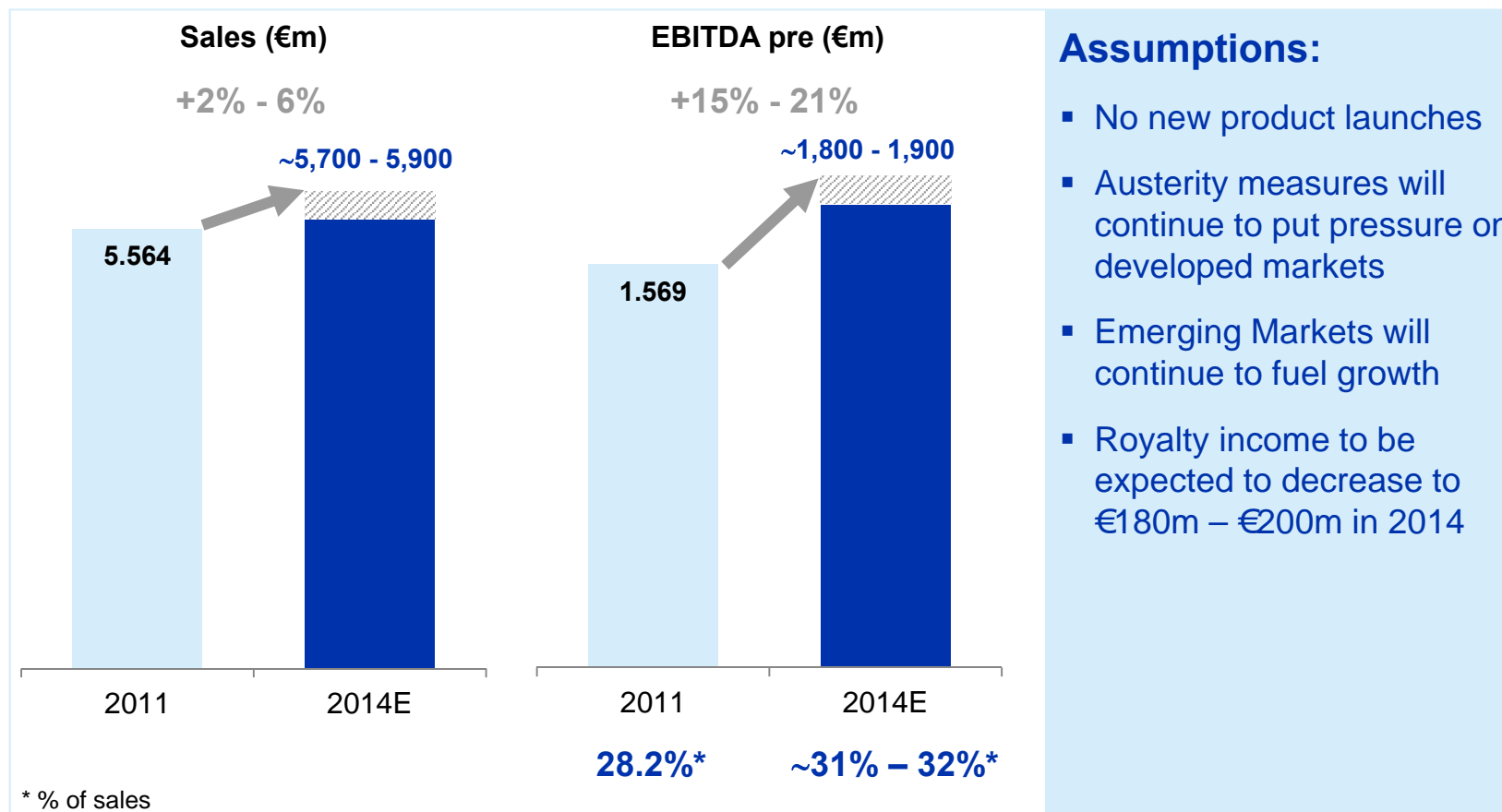
## Biopharmaceuticals

# Expected timelines of current pipeline projects

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

Pharma

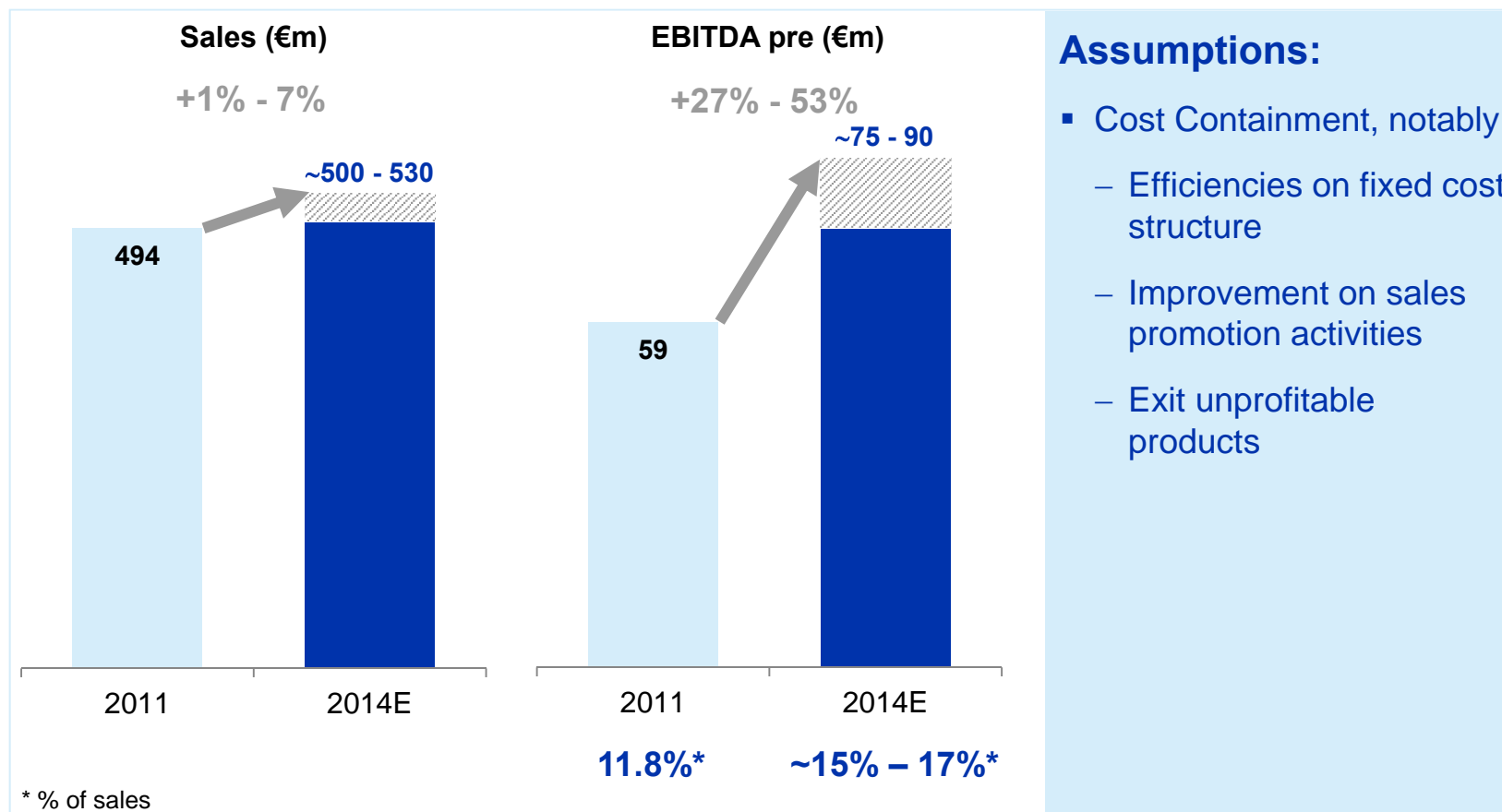
# Biopharmaceuticals mid-term financial targets



Cost savings will fundamentally improve profitability

Pharma

# Consumer Health mid-term financial targets

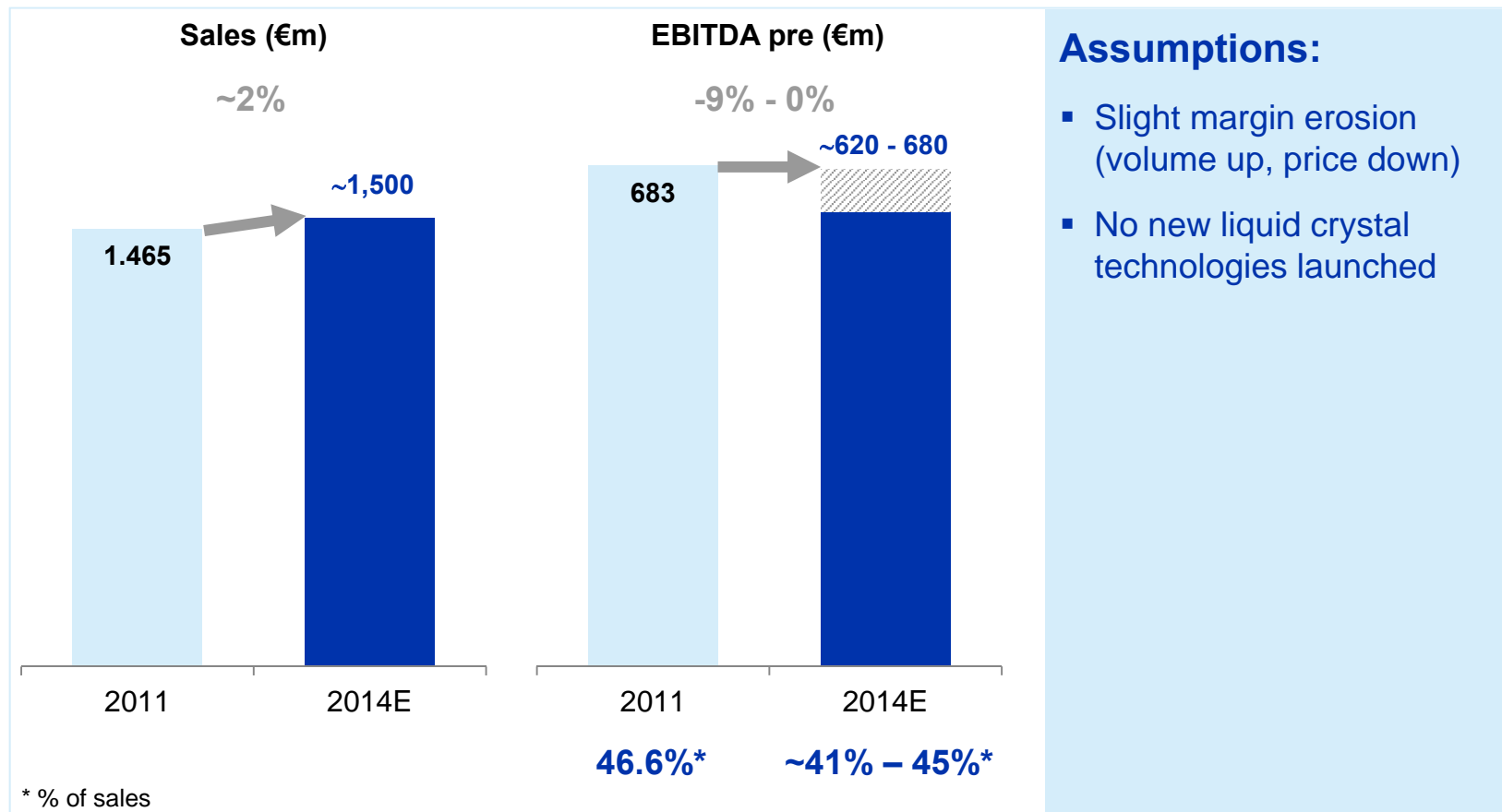


Marketing & selling savings drive profitability improvement



Chemicals

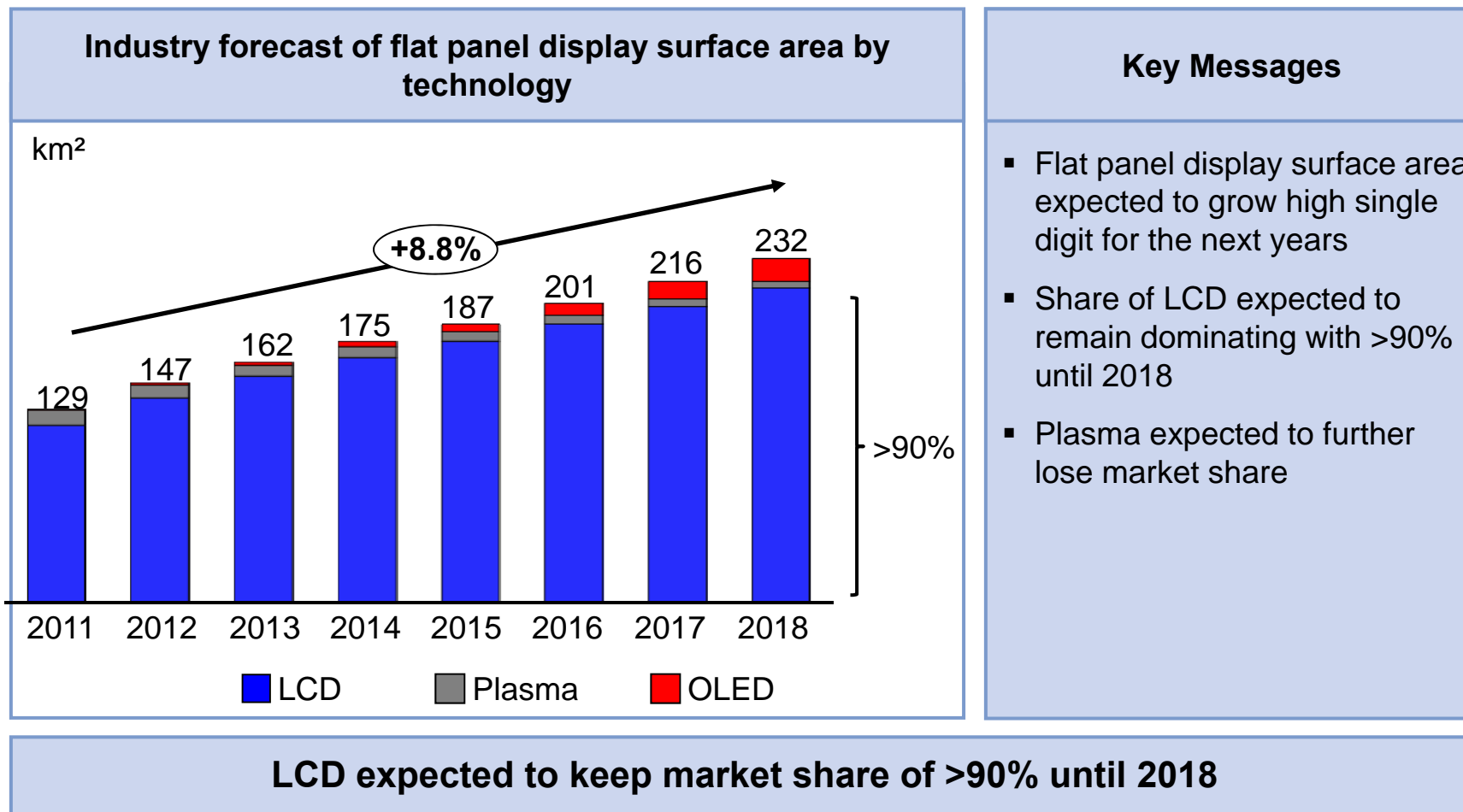
# Performance Materials mid-term financial targets



Performance Materials remains an attractive business

Performance Materials

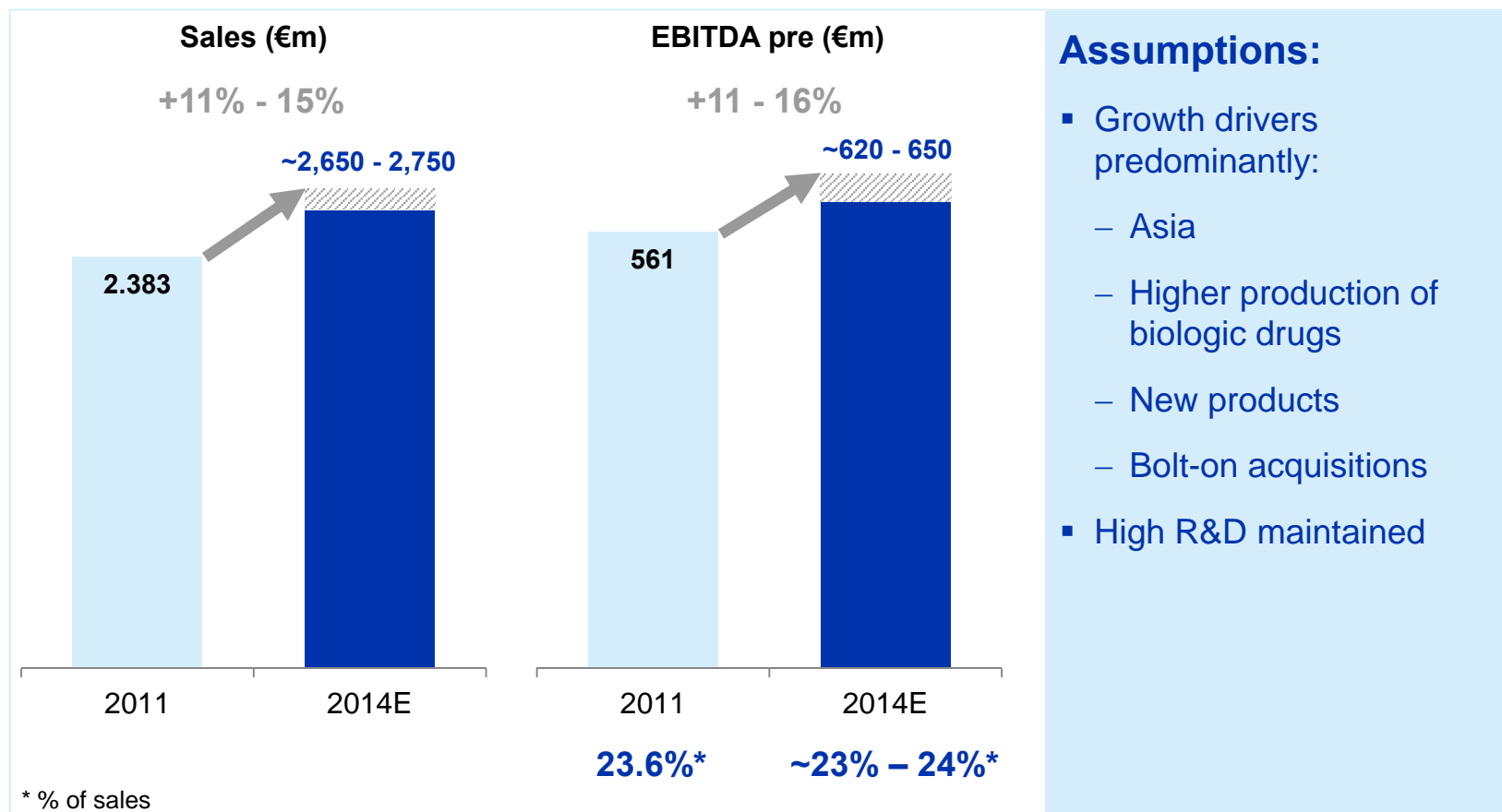
# The Overall Display Market is Expected to Grow



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

Chemicals

# Life Science mid-term financial targets



**Solid growth business**

## 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

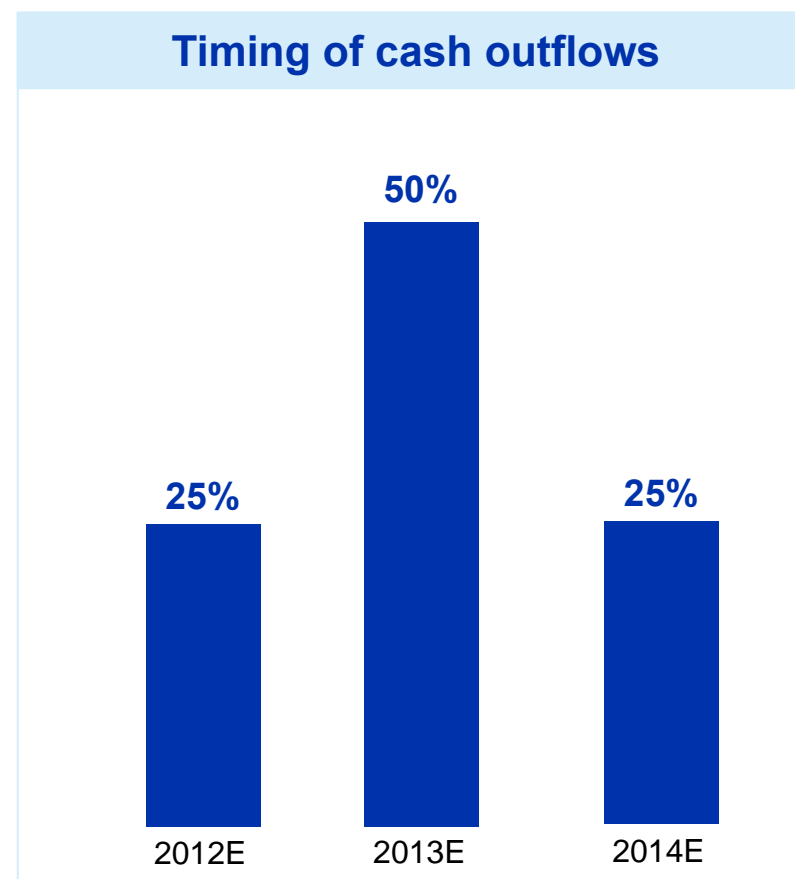
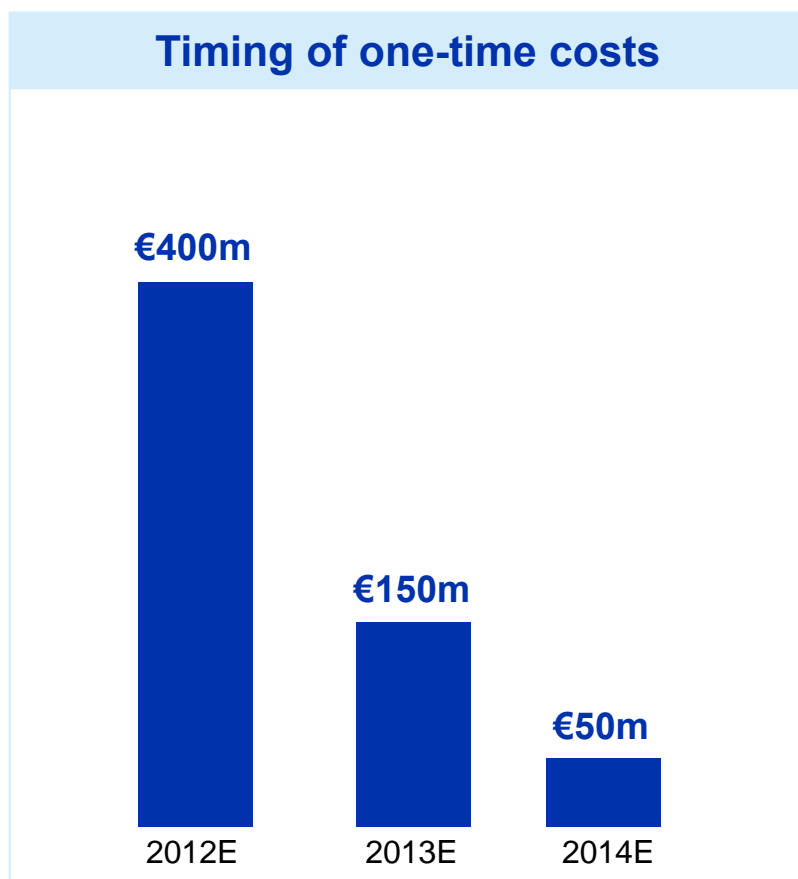
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# Restructuring costs and net savings targets

Year	2012E		2013E		2014E	
[€m]	Net Cost Savings	Related charges	Net Cost Savings	Related charges	Net Cost 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>

## Biopharmaceuticals Restructuring

# We will incur ~€600m in restructuring costs



Majority of one-time costs are cash-related expenses

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# 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

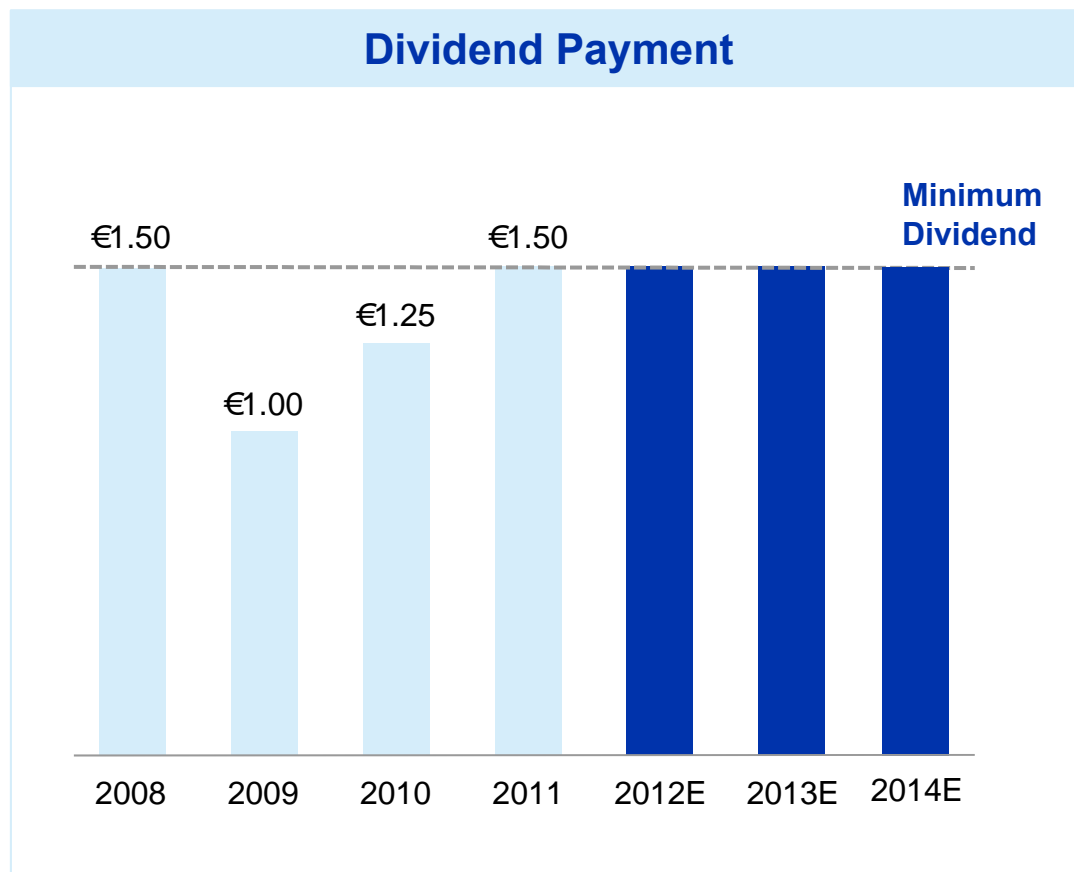
- Bolt-on acquisitions 2012/2013
- In-licensing deals in pharma
- No large, transformational transactions

### Dividend

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

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# Reliable dividend policy



## Dividend Policy:

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

▶ Stable dividend payments ensure minimum return for shareholders



## The Group

**Joshua Young**

Head of Investor Relations  
+49 6151 72-3706

**Dr. Thomas Kornek**

+49 6151 72-7434

**Claudia Nickolaus**

+49 6151 72-2584

**Eva Schaefer-Jansen**

+49 6151 72-5642

**Merck KGaA, Darmstadt, Germany**

Investor Relations  
Frankfurter Str. 250  
64293 Darmstadt  
Germany

**Eva Sterzel**

+49 6151 72-5355

**Constantin Fest**

+49 6151 72-5271

**Alessandra Heinz**

Assistant Investor Relations  
+49 6151 72-3321

**Silke Meyer**

Assistant Investor Relations  
+49 6151 72-3744

Fax: +49 6151 72-913321  
investor.relations@emdgroup.com  
www.emdgroup.com