

# Merck KGaA, Darmstadt, Germany

## Q3 2012 Results

### Boston Roadshow

Good numbers while transforming the company

**Matthias Zachert**  
Chief Financial Officer

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Merck KGaA  
Darmstadt · Germany



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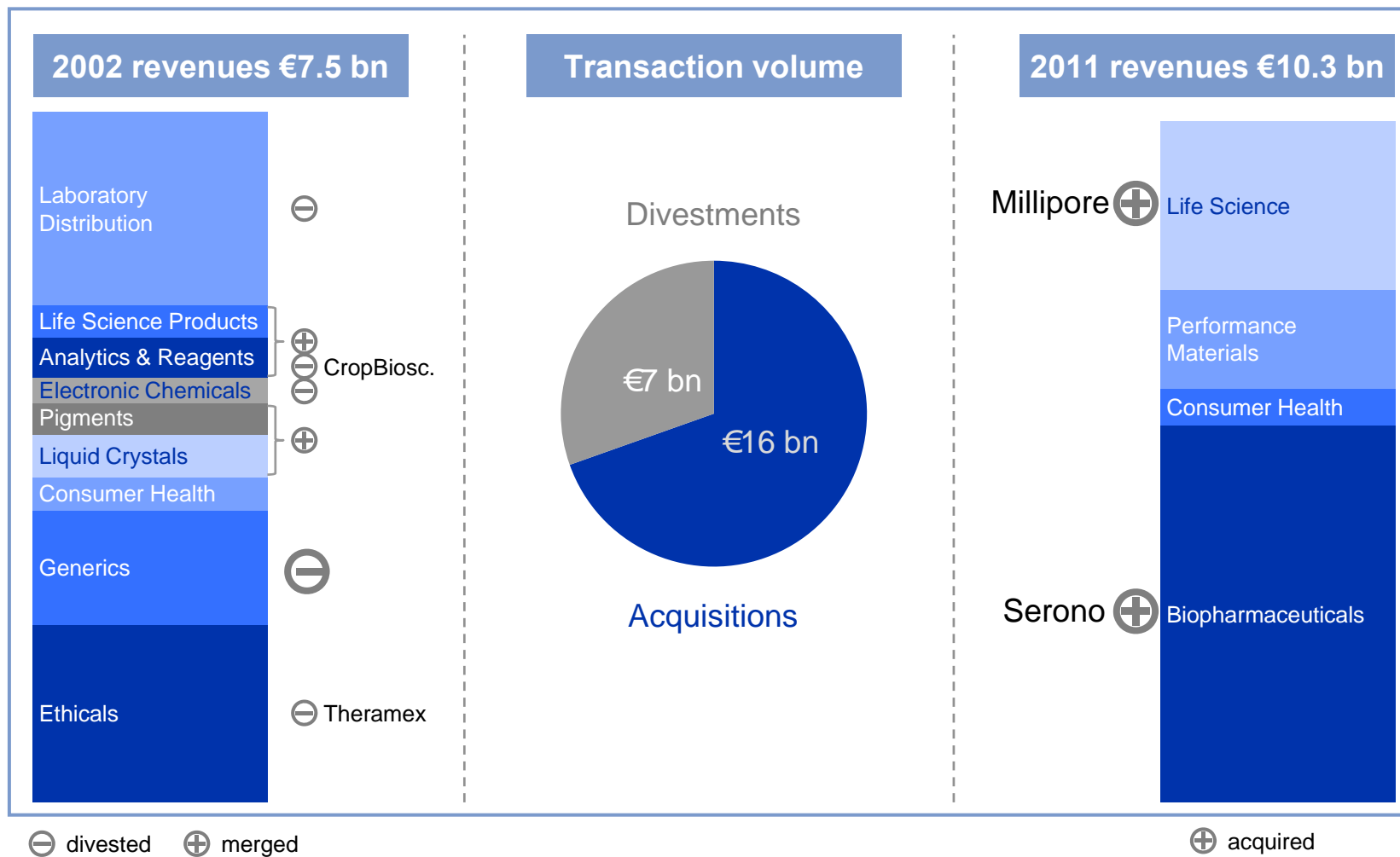
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# Agenda

- 1. Strategy Update – Business Portfolio Strengthened**
2. Q3 Financial Update
3. FY 2012 Guidance

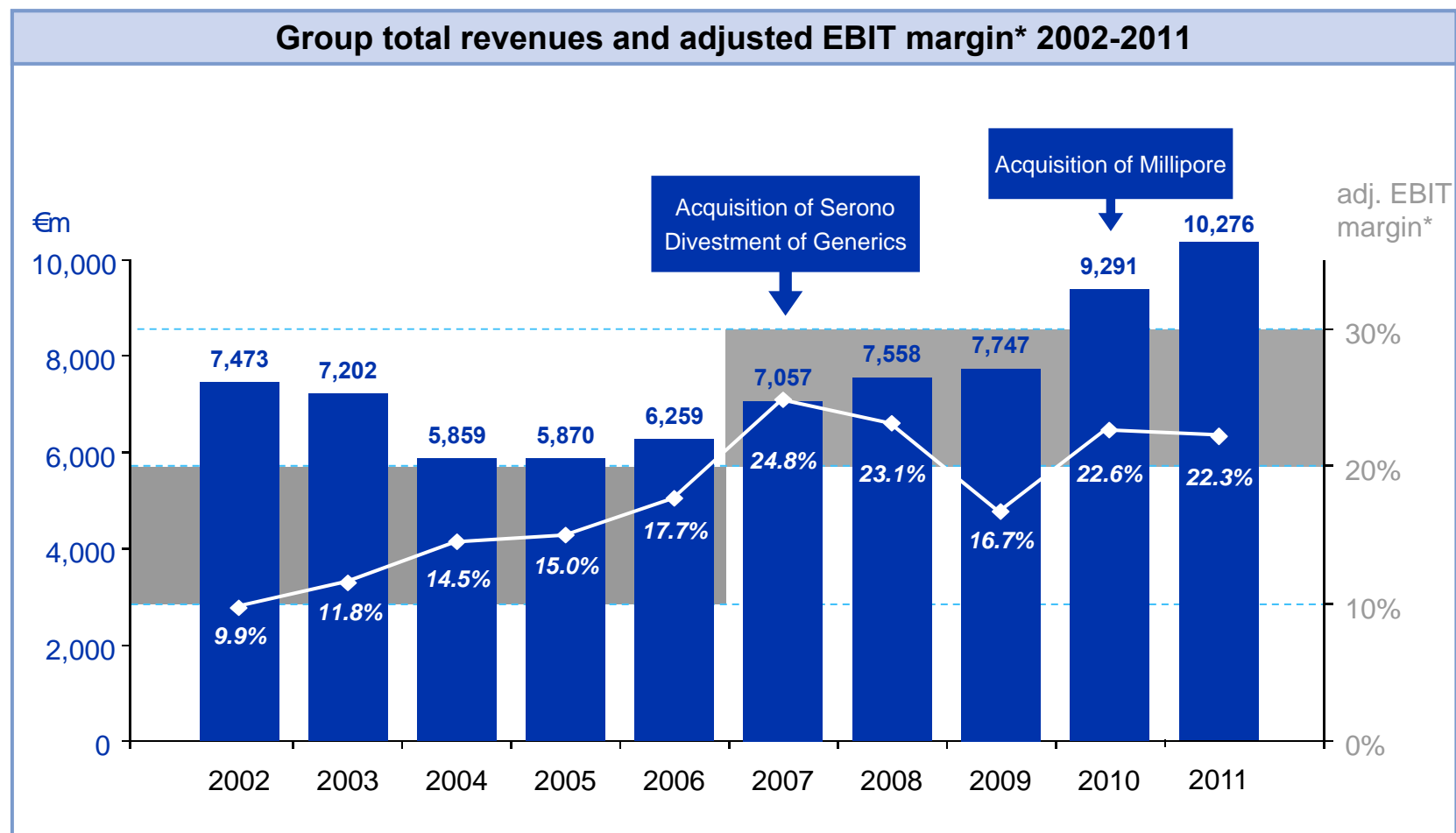
## The Group

# 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






















\* 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

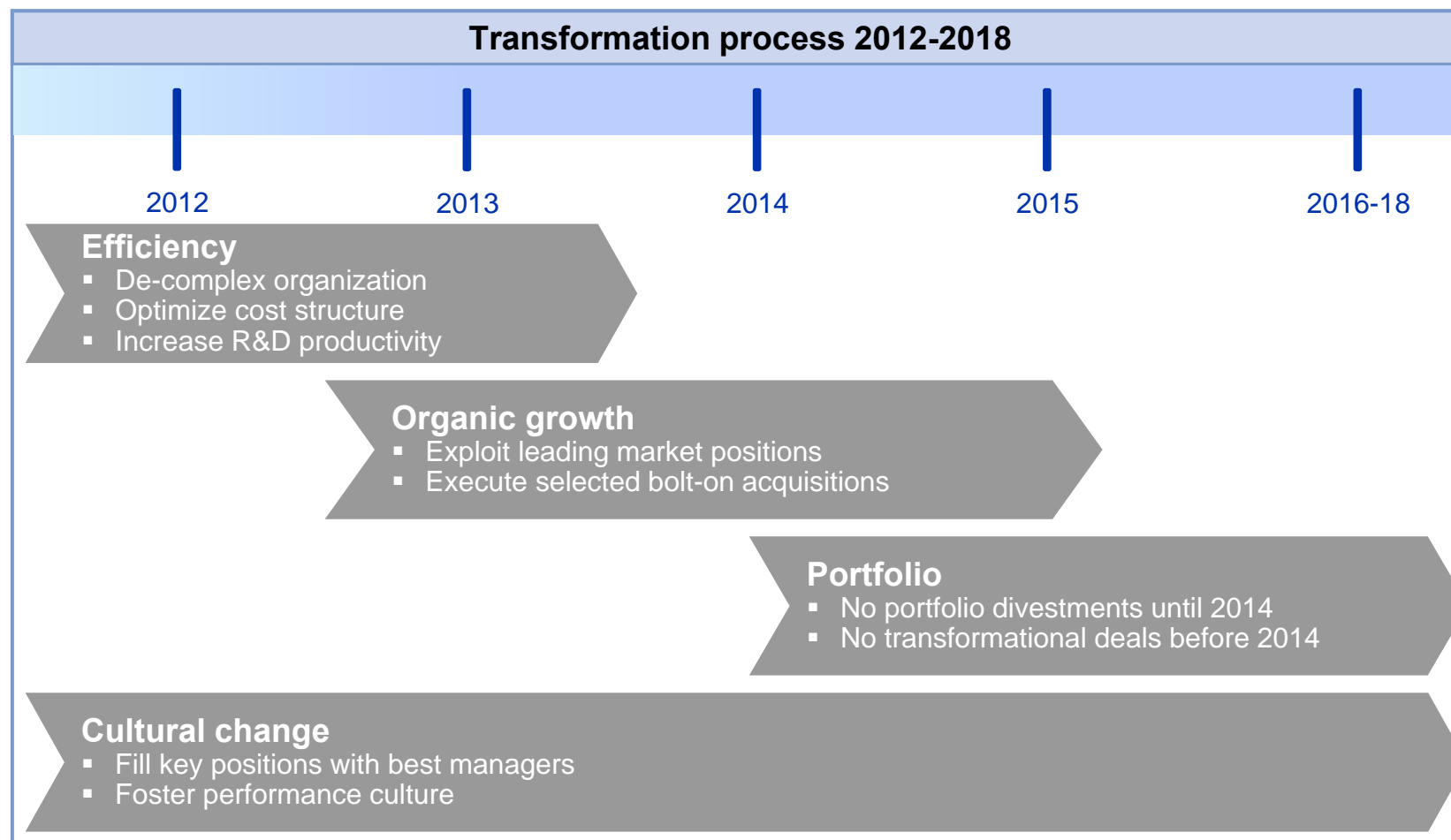
The Group

# 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

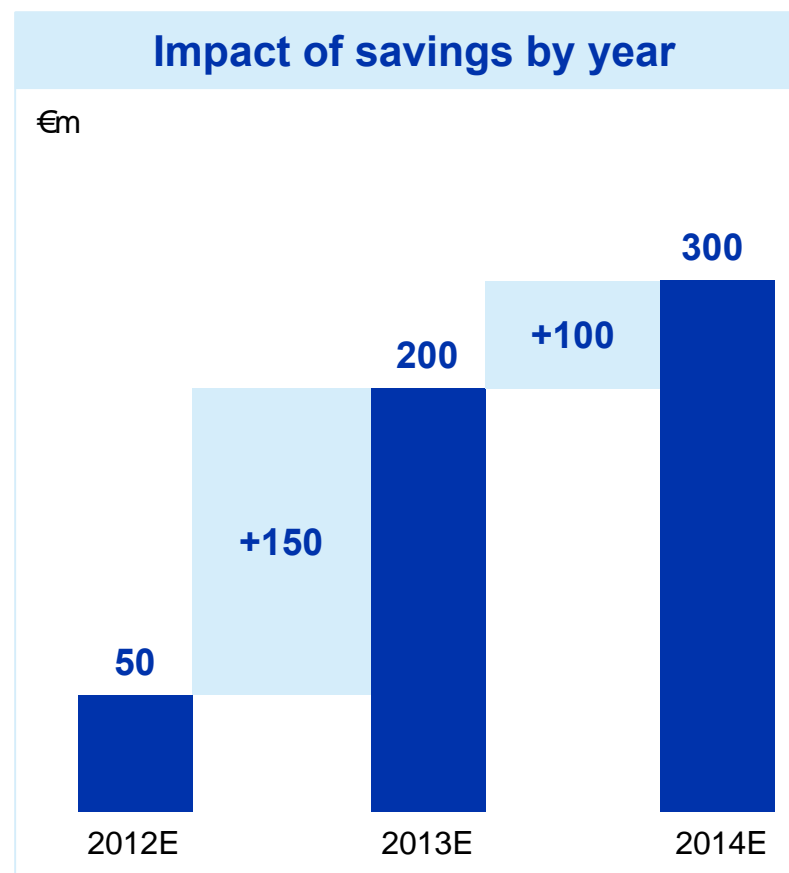
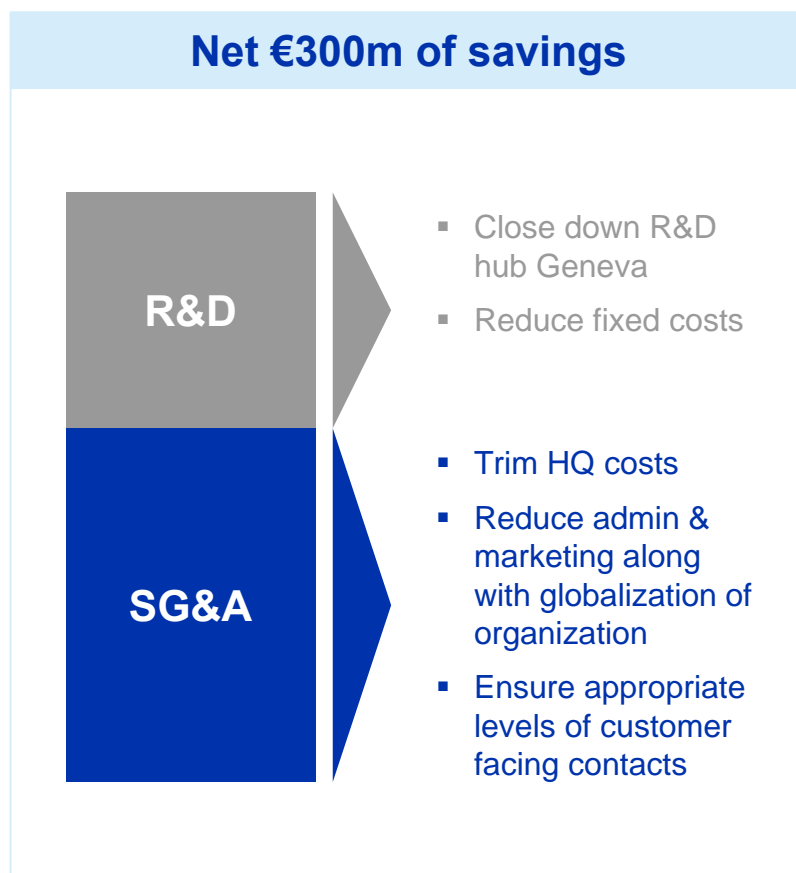
# We now focus on efficiency





## Biopharmaceuticals Restructuring

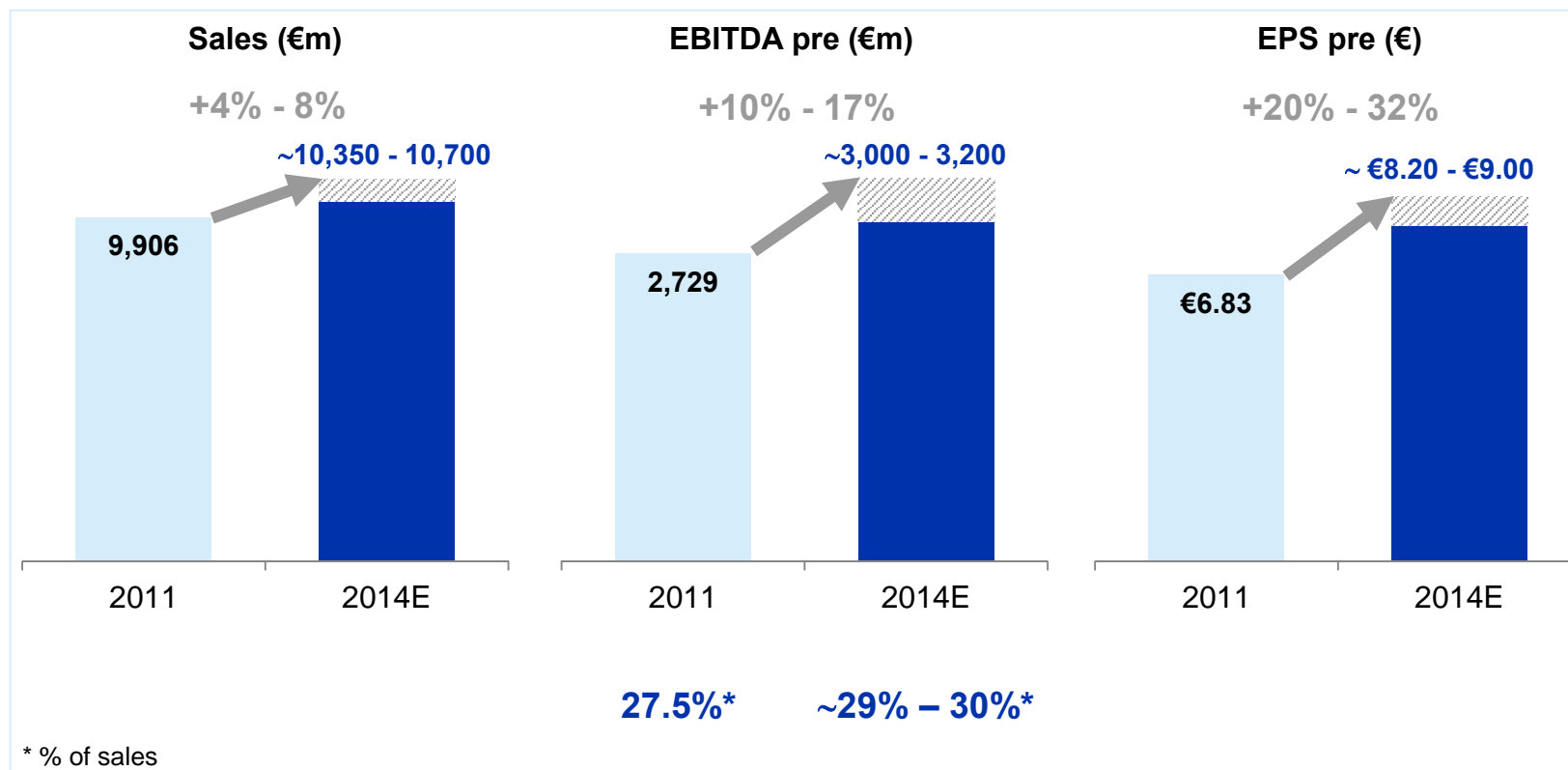
# Savings will predominantly ramp up in 2013 and 2014



SG&A biggest lever for improvement

## 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
- 2. Q3 Financial Update**
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## The Group

# Q3 2012: Execution drives solid numbers

[€ m]	Q3 2012	Q3 2011	Δ
Sales	2,722	2,434	12%
EBITDA pre <i>Margin (% of sales)</i>	754 27.7%	652 26.8%	16%
EPS pre [€]	1.98	1.62	22%
Operating cash flow	908	640	42%

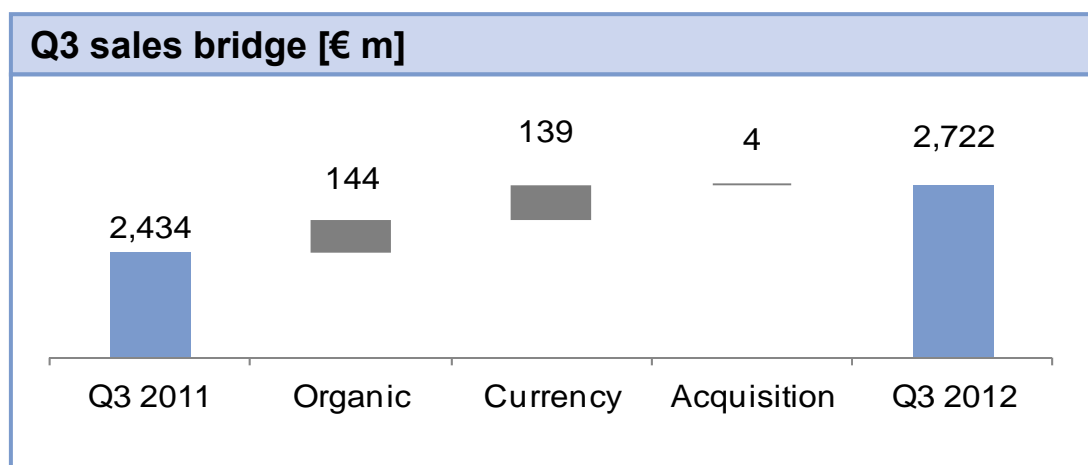
[€ m]	Sep 2012	Dec 2011	Δ
Net financial debt	2,127	3,484	-39%
Working capital	2,518	2,919	-14%
Employees	39,545	40,676	-3%

Comments
<ul style="list-style-type: none"> <li>▪ 12% sales growth reflects 6% organic growth and 6% FX benefit</li> <li>▪ EBITDA pre increase driven by strong top-line and cost control</li> <li>▪ Improvements in working capital management drives higher free cash flow</li> </ul>

## The Group

# Strong organic growth further supported by FX contribution

Q3 yoy sales	Organic	Currency	Acq.	Total
Biopharmaceuticals	5%	5%	0%	10%
Consumer Health	-10%	3%	0%	-8%
Perf. Materials	20%	11%	0%	31%
Life Science	3%	6%	1%	10%
<b>THE GROUP</b>	<b>6%</b>	<b>6%</b>	<b>0%</b>	<b>12%</b>



### Q3 drivers

- 12% higher sales due to 6% organic and 6% FX contribution
- Exceptional performance from Performance Materials, mainly Liquid Crystals
- Biopharmaceuticals & Life Science post solid numbers consistent with trends seen earlier in the year

Sales supported by underlying volume growth and FX (mainly US\$)

## Biopharmaceuticals

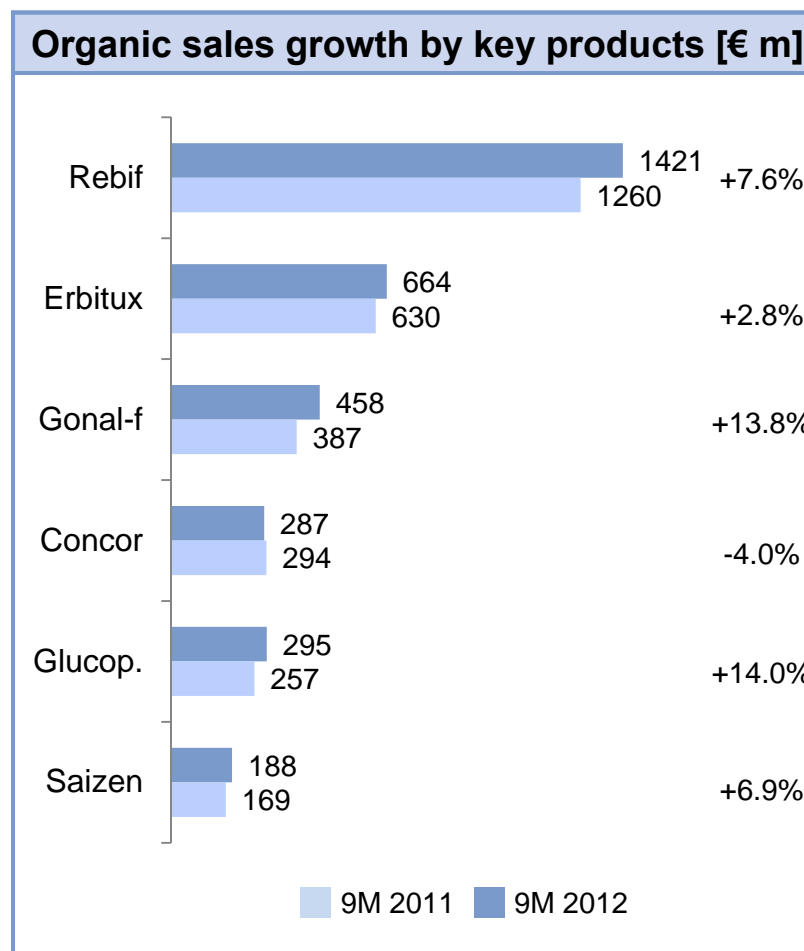
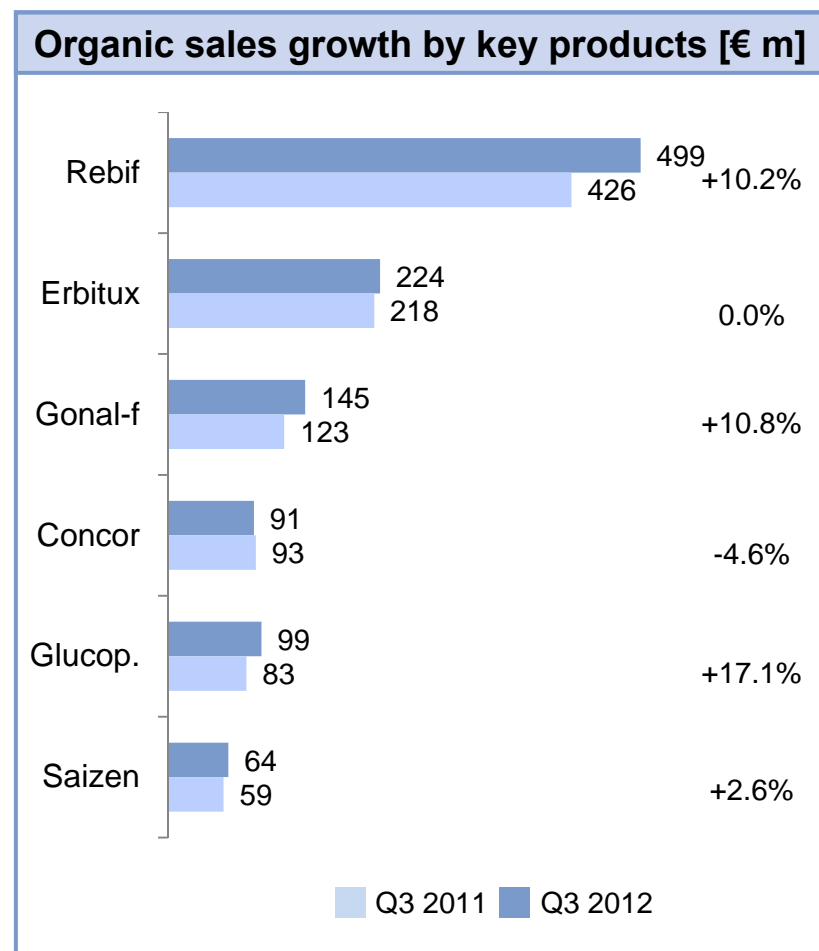
# Healthy top-line and cost efficiency measures drive margin expansion

[€ m]	Q3 2012	Q3 2011	Δ	Comments
<b>Total Revenues</b>	<b>1,623</b>	<b>1,469</b>	<b>10%</b>	<ul style="list-style-type: none"> <li>▪ Sales growth of 10% reflects 5% organic growth, mainly driven by Rebif, Glucophage, Gonal-f</li> <li>▪ Royalty income growth notably due to Humira and FX</li> <li>▪ Gross margin impacted by higher production costs and start-up costs (LSB)</li> <li>▪ Tight cost control on marketing &amp; selling expenses</li> <li>▪ Other operating expenses include €83 m one-time costs primarily relating to Fit for 2018 program</li> </ul>
Sales	1,511	1,375	10%	
Royalty and Comm. Income	112	94	20%	
<b>Gross Profit</b>	<b>1,335</b>	<b>1,226</b>	<b>9%</b>	
<i>Margin (% of sales)</i>	<i>88.4%</i>	<i>89.2%</i>		
Marketing & Selling	-339	-343	-1%	
Royalty and Comm. Exp.	-157	-128	22%	
Administration	-67	-64	5%	
Other Expenses / Income	-178	-52	>100%	
R&D	-287	-297	-3%	
Amortization	-165	-164	1%	
<b>EBIT</b>	<b>143</b>	<b>178</b>	<b>-20%</b>	
Depreciation & Amortization	230	215	7%	
One-time items	83	0	n.m.	
<b>EBITDA pre</b>	<b>456</b>	<b>393</b>	<b>16%</b>	
<i>Margin (% of sales)</i>	<i>30.2%</i>	<i>28.6%</i>		

Sum of items may not foot due to rounding

## Biopharmaceuticals

# Rebif drives growth



## Consumer Health

# Significant savings mitigate top-line decrease

[€ m]	Q3 2012	Q3 2011	Δ	Comments
<b>Total Revenues</b>	<b>123</b>	<b>133</b>	<b>-7%</b>	<ul style="list-style-type: none"> <li>▪ Sales decrease 10% organically, 3% benefit from FX</li> <li>▪ Sales decrease affected by weaker performance in Europe, particularly in France/Germany</li> <li>▪ Division in process of changing its business model as communicated in Q2 2012</li> <li>▪ Marketing &amp; selling down due to lower sales promotion spending</li> <li>▪ EBITDA pre margin expands despite top-line shortfall, reflecting good execution of cost savings initiatives</li> </ul>
Sales	122	133	-8%	
Royalty and Comm. Income	1	0	>100%	
<b>Gross Profit</b>	<b>82</b>	<b>91</b>	<b>-9%</b>	
Margin (% of sales)	67.4%	68.5%		
Marketing & Selling	-53	-57	-7%	
Royalty and Comm. Exp.	0	-1	-83%	
Administration	-6	-6	5%	
Other Expenses / Income	-11	-3	>100%	
R&D	-5	-6	-22%	
Amortization	-1	-1	2%	
<b>EBIT</b>	<b>7</b>	<b>17</b>	<b>-56%</b>	
Depreciation & Amortization	3	2	53%	
One-time items	8	0	>100%	
<b>EBITDA pre</b>	<b>18</b>	<b>19</b>	<b>-2%</b>	
Margin (% of sales)	15.0%	14.2%		

Sum of items may not foot due to rounding



## Performance Materials

# Quarter driven by exceptional Liquid Crystals performance

[€ m]	Q3 2012	Q3 2011	Δ	Comments
<b>Total Revenues</b>	<b>447</b>	<b>342</b>	<b>31%</b>	<ul style="list-style-type: none"> <li>▪ 20% organic sales growth, 11% FX benefit</li> <li>▪ Demand from LCD panel manufacturers healthy as industry prepares for holidays</li> <li>▪ China emerging as important country for Liquid Crystals and expanding market opportunity</li> <li>▪ Pigments &amp; Cosmetics grows organically due to weak comparable Q3 2011</li> <li>▪ EBITDA pre margin expands despite pricing pressure and lower profitability in pigments</li> </ul>
Sales	446	340	31%	
Royalty and Comm. Income	1	2	-59%	
<b>Gross Profit</b>	<b>257</b>	<b>196</b>	<b>31%</b>	
<i>Margin (% of sales)</i>	<i>57.7%</i>	<i>57.6%</i>		
Marketing & Selling	-38	-33	15%	
Royalty and Comm. Exp.	-1	-1	72%	
Administration	-9	-8	14%	
Other Expenses / Income	-12	-5	>100%	
R&D	-35	-34	3%	
Amortization	0	0	-21%	
<b>EBIT</b>	<b>161</b>	<b>115</b>	<b>40%</b>	
Depreciation & Amortization	31	25	22%	
One-time items	3	0	>100%	
<b>EBITDA pre</b>	<b>195</b>	<b>140</b>	<b>39%</b>	
<i>Margin (% of sales)</i>	<i>43.7%</i>	<i>41.3%</i>		

Sum of items may not foot due to rounding

Life Science

# Profitable growth supported by FX and ongoing investments in R&D

[€ m]	Q3 2012	Q3 2011	Δ
<b>Total Revenues</b>	<b>648</b>	<b>588</b>	<b>10%</b>
Sales	643	587	10%
Royalty and Comm. Income	6	2	>100%
<b>Gross Profit</b>	<b>379</b>	<b>341</b>	<b>11%</b>
<i>Margin (% of sales)</i>	<i>59.0%</i>	<i>58.1%</i>	
Marketing & Selling	-166	-150	11%
Royalty and Comm. Exp.	-4	-4	1%
Administration	-29	-26	9%
Other Expenses / Income	-22	-24	-8%
R&D	-43	-33	28%
Amortization	-52	-47	9%
<b>EBIT</b>	<b>64</b>	<b>55</b>	<b>15%</b>
Depreciation & Amortization	76	71	8%
One-time items	7	6	26%
<b>EBITDA pre</b>	<b>148</b>	<b>132</b>	<b>12%</b>
<i>Margin (% of sales)</i>	<i>23.0%</i>	<i>22.6%</i>	

Comments
<ul style="list-style-type: none"> <li>All business units, especially Process Solutions, contribute to 3% organic sales growth, 6% FX, 1% acquisition effect</li> <li>Strong performance in Asia, moderate development in US, soft in Southern Europe</li> <li>Gross margin up due to price/volume increase, and improved operational efficiency</li> <li>Increased SG&amp;A expense due to negative FX impact</li> <li>EBITDA pre reflects improved gross profit</li> </ul>

Sum of items may not foot due to rounding

## The Group

# De-leveraging continues

[€ m]	Sep 30 2012	Dec 31 2011	Δ	Comments
Total Assets	22,273	22,122	1%	<ul style="list-style-type: none"> <li>▪ Strong operating business leads to increased cash &amp; other liquid funds</li> <li>▪ Financial debt down due to bond repayment of €500 m in March 2012</li> <li>▪ Ongoing debt de-leveraging</li> </ul>
Equity	10,566	10,494	1%	
Cash & other liquid funds	2,928	2,055	42%	
Intangible Assets	11,178	11,764	-5%	
Financial Debt	5,055	5,539	-9%	
Pension Provisions	1,280	1,140	12%	
Net Financial Debt	2,127	3,484	-39%	

The Group

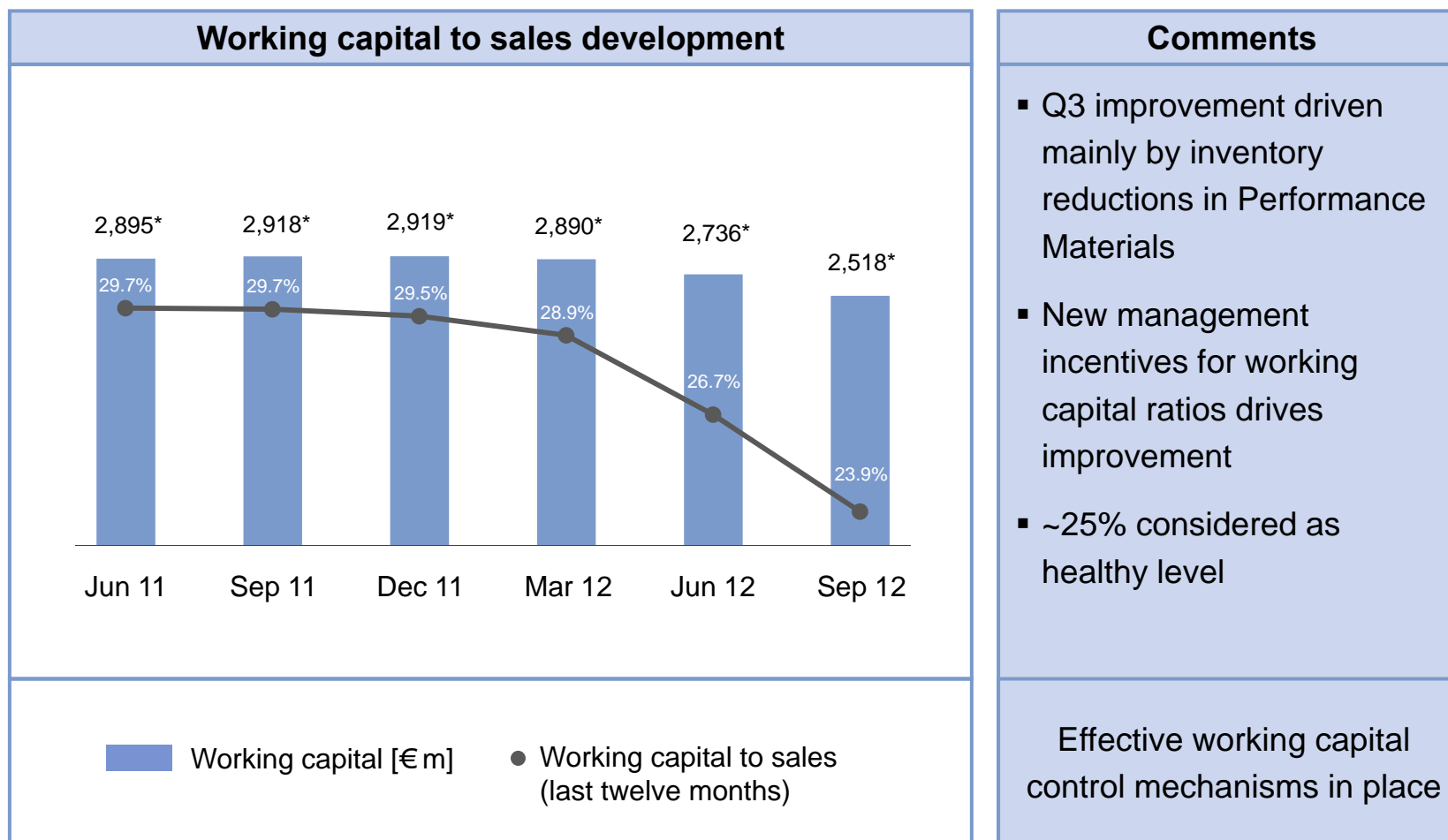
# Free cash flow driven by substantial reduction of inventories and receivables

[€ m]	Q3 2012	Q3 2011	Δ	Comments
<b>Profit after tax</b>	<b>189</b>	<b>227</b>	<b>-38</b>	<ul style="list-style-type: none"> <li>▪ Working capital management further improved</li> <li>▪ Provisions increase mainly due to higher restructuring, bad debt and legal provisions (mainly Lundbeck case)</li> <li>▪ Lower capex reflects more stringent capital hurdles as pre-requisite for investment</li> </ul>
Depreciation & Amortization	343	314	29	
Changes in working capital	203	-21	224	
Changes in provisions	121	18	103	
Changes in other assets / liab.	54	89	-34	
Other operating activities	-1	14	-15	
<b>Operating cash flow</b>	<b>908</b>	<b>640</b>	<b>269</b>	
Capital expenditures	-64	-85	21	
Others	-29	-73	44	
<b>Free cash flow</b>	<b>815</b>	<b>482</b>	<b>333</b>	

Sum of items may not foot due to rounding

## The Group

# We are effectively balancing profitability increase with improvements in working capital



\* Total working capital

# Agenda

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

## The Group

# Guidance FY 2012

2012 Divisional EBITDA pre Guidance [€ m]		Group Guidance [€ bn]	
Biopharmaceuticals	1,750 – 1,800	Total revenues	10.9-11.0
Consumer Health	~ 60	<b>EBITDA pre</b>	<b>2.90 – 2.95</b>
Performance Materials	~ 700	(including €55 m efficiency savings)	
Life Science	590 – 600		
Corporate	-200		

### 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
- Underlying tax rate around 25-26%
- Q4 2012: €/US\$ = 1.29; €/CHF = 1.20

**Q3 2012**

# **APPENDIX**



## The Group

# Solid underlying performance

### Key Business Highlights

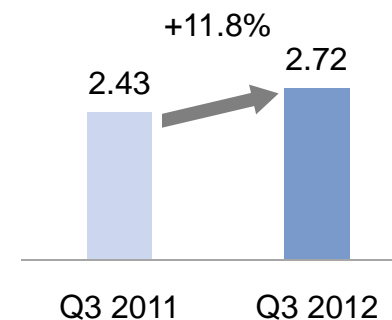
- Good numbers while transforming the company
- Strong performance driven by Biopharmaceuticals and Performance Materials
- Emerging Markets surpasses Europe as the company's largest geographic region (absolute sales)
- Continued progress being made on Fit for 2018 program

### Key Financial Highlights

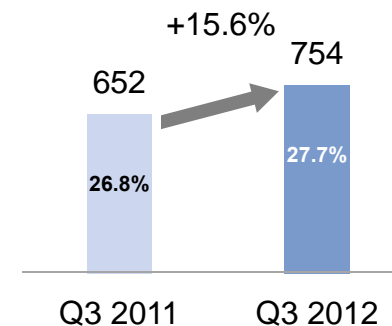
- Strongest quarter in 2012 with 6% organic sales growth, supported by a 6% FX benefit
- EBITDA pre of €754 m is highest in the past two years
- Net financial debt down to €2.1 bn as a result of record free cash flow

### Q3 2012 Financials

#### Sales [€ bn]



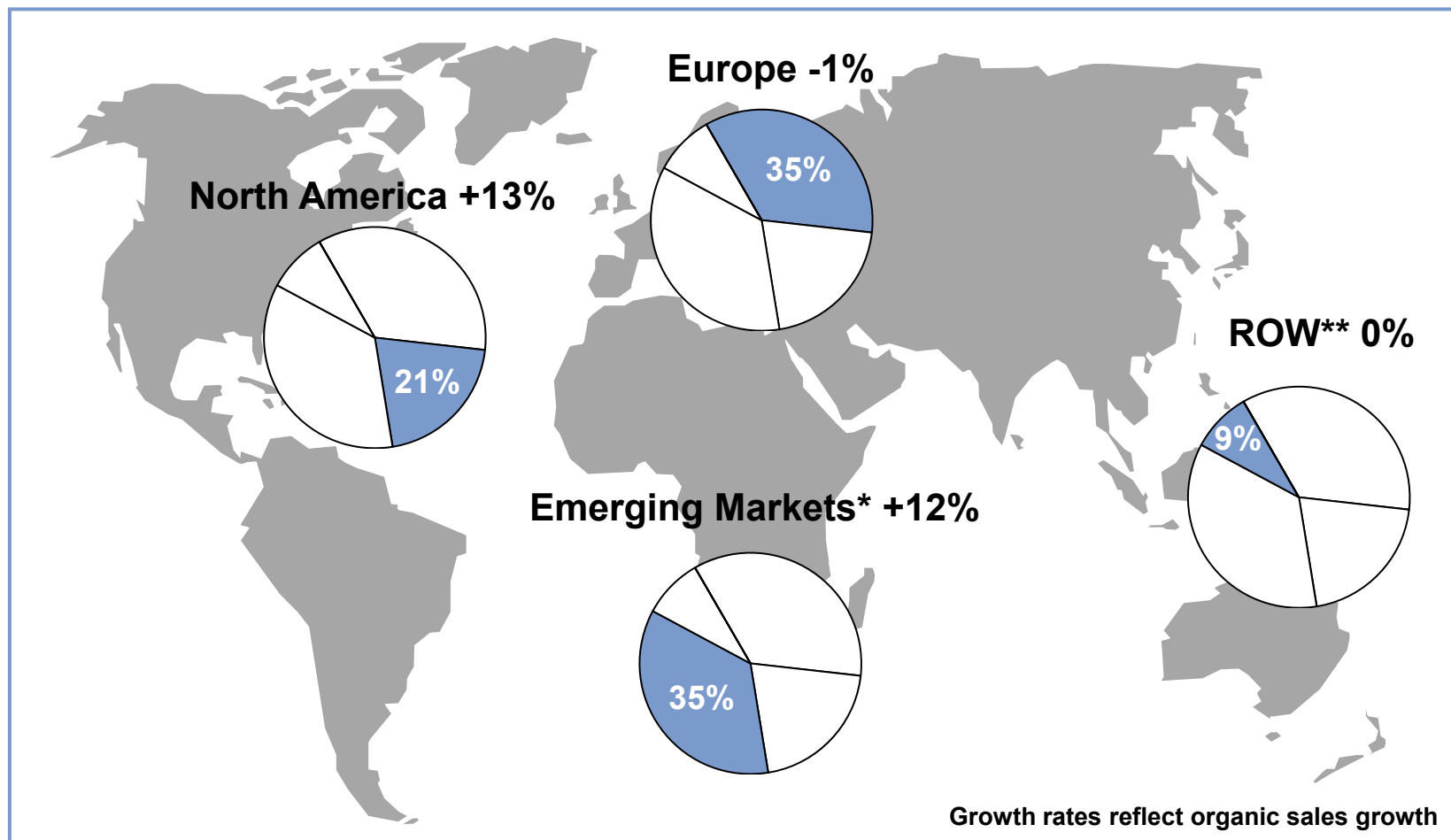
#### EBITDA pre\* [€ m]



\* EBITDA pre one-time items, margin shown as a % of sales

## The Group

# Q3: North America strong, Emerging Markets now surpasses Europe in absolute sales



\* Emerging Markets = Latin America + Asia (w/o Japan)

\*\* ROW = Japan, Oceania, Australia, Africa

## Pharmaceuticals Q3

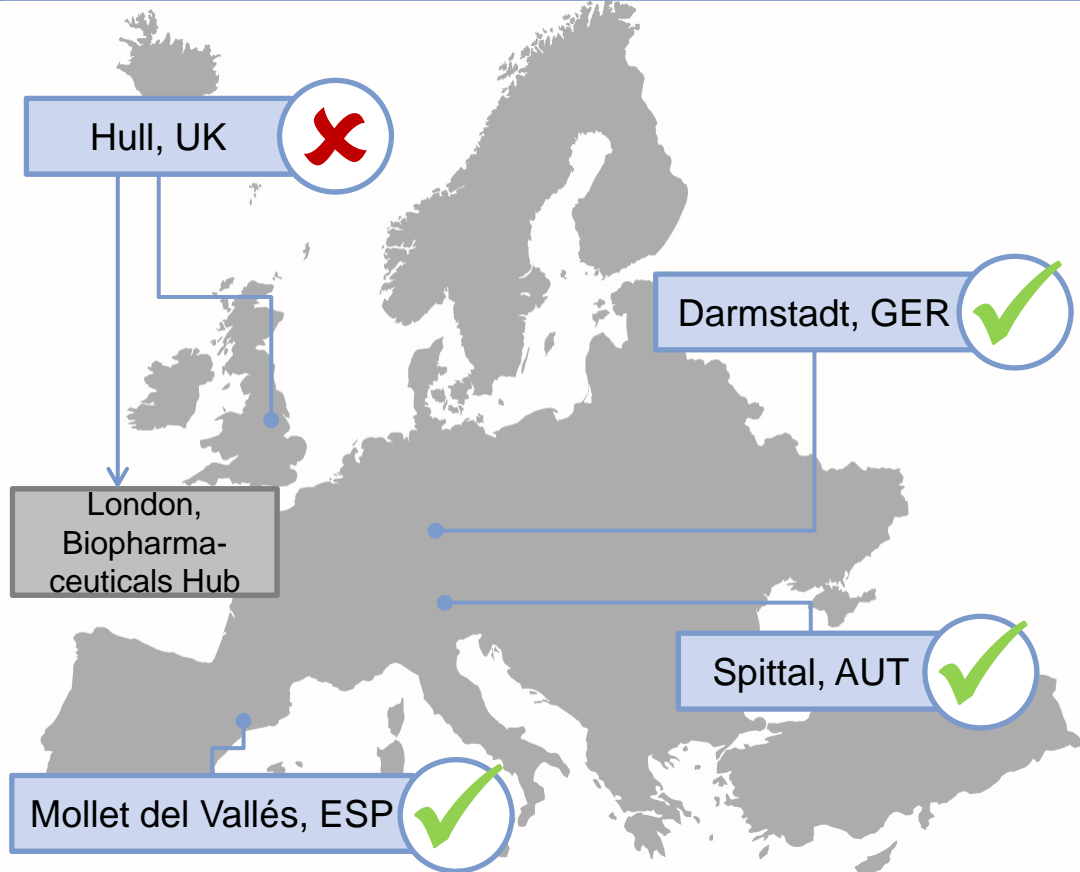
# Divisional overview - Pharmaceuticals

<p><b>Biopharmaceuticals</b></p>	<ul style="list-style-type: none"> <li>▪ Solid organic sales growth of 5% reflects strong underlying volumes and price increases</li> <li>▪ Rebif sales grow 10% organically for second straight quarter, Fertility &amp; Endocrinology remain strong</li> <li>▪ Significant improvement in profit margins is the result of more effective resource allocation and first savings from cost efficiency program</li> </ul>	<p><b>Sales [€ bn]</b></p> <table border="1"> <thead> <tr> <th>Quarter</th> <th>Sales [€ bn]</th> <th>EBITDA pre margin [%]</th> </tr> </thead> <tbody> <tr> <td>Q3 2011</td> <td>1.38</td> <td>28.6%*</td> </tr> <tr> <td>Q3 2012</td> <td>1.51</td> <td>30.2%*</td> </tr> </tbody> </table>	Quarter	Sales [€ bn]	EBITDA pre margin [%]	Q3 2011	1.38	28.6%*	Q3 2012	1.51	30.2%*
Quarter	Sales [€ bn]	EBITDA pre margin [%]									
Q3 2011	1.38	28.6%*									
Q3 2012	1.51	30.2%*									
<p><b>Consumer Health</b></p>	<ul style="list-style-type: none"> <li>▪ Weak top-line performance due to change of business model and soft European markets</li> <li>▪ EBITDA pre margin increases to 15% as the division more successfully manages its business</li> <li>▪ Division implements further initiatives as part of its efficiency program</li> </ul>	<p><b>Sales [€ m]</b></p> <table border="1"> <thead> <tr> <th>Quarter</th> <th>Sales [€ m]</th> <th>EBITDA pre margin [%]</th> </tr> </thead> <tbody> <tr> <td>Q3 2011</td> <td>133</td> <td>14.2%*</td> </tr> <tr> <td>Q3 2012</td> <td>122</td> <td>15.0%*</td> </tr> </tbody> </table>	Quarter	Sales [€ m]	EBITDA pre margin [%]	Q3 2011	133	14.2%*	Q3 2012	122	15.0%*
Quarter	Sales [€ m]	EBITDA pre margin [%]									
Q3 2011	133	14.2%*									
Q3 2012	122	15.0%*									

\* EBITDA pre one-time items, margin shown as a % of sales

## Consumer Health

# Seven Seas\* restructuring: proposal to close Hull, UK production plant

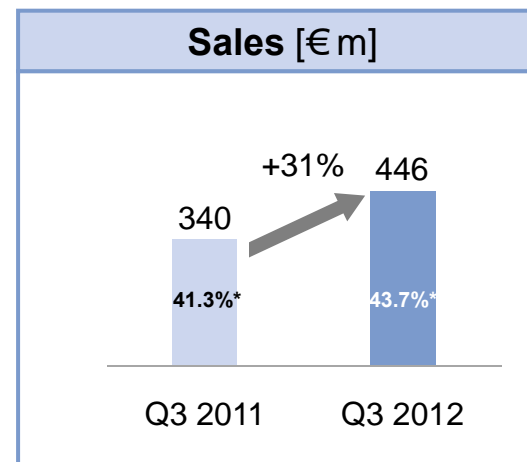
Large European Production Sites - Consumer Health	Summary
 <p>The map displays five production sites across Europe. Hull, UK is marked with a red 'X' in a circle, indicating it is to be closed. London, Biopharmaceuticals Hub is shown as a grey box. Darmstadt, GER, Spittal, AUT, and Mollet del Vallés, ESP are each marked with a green checkmark in a circle, indicating they are to remain operational.</p>	<ul style="list-style-type: none"><li>▪ <b>Proposal:</b> Outsource all manufacturing and packing of Seven Seas* products, while reducing the overall product portfolio</li><li>▪ <b>Rationale:</b> Underutilization of the plant, no state-of-the-art production processes</li><li>▪ <b>Target:</b> Improve the production set up and profitability of the Consumer Health business</li></ul>

\* a subsidiary of Merck KGaA, Darmstadt, Germany

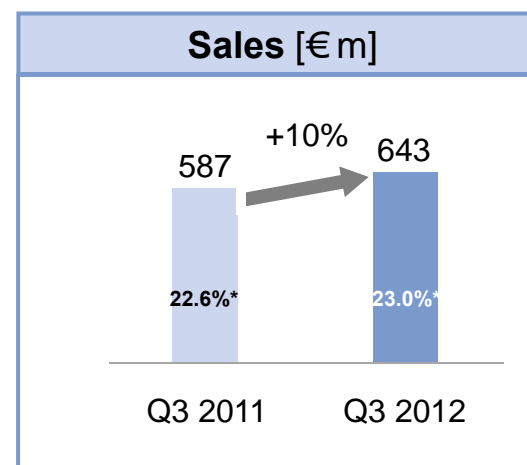
## Chemicals Q3

# Divisional overview – Chemicals & Life Science

<b>Performance Materials</b>	<ul style="list-style-type: none"> <li>▪ Organic sales growth of 20% led by record sales of Liquid Crystals (partly pre-ordering)</li> <li>▪ Strong growth in China driven by expanding domestic LCD market</li> <li>▪ PS-VA and IPS are strongest performing products</li> <li>▪ EBITDA pre margin improves despite pricing pressure and weakness in pigments</li> </ul>
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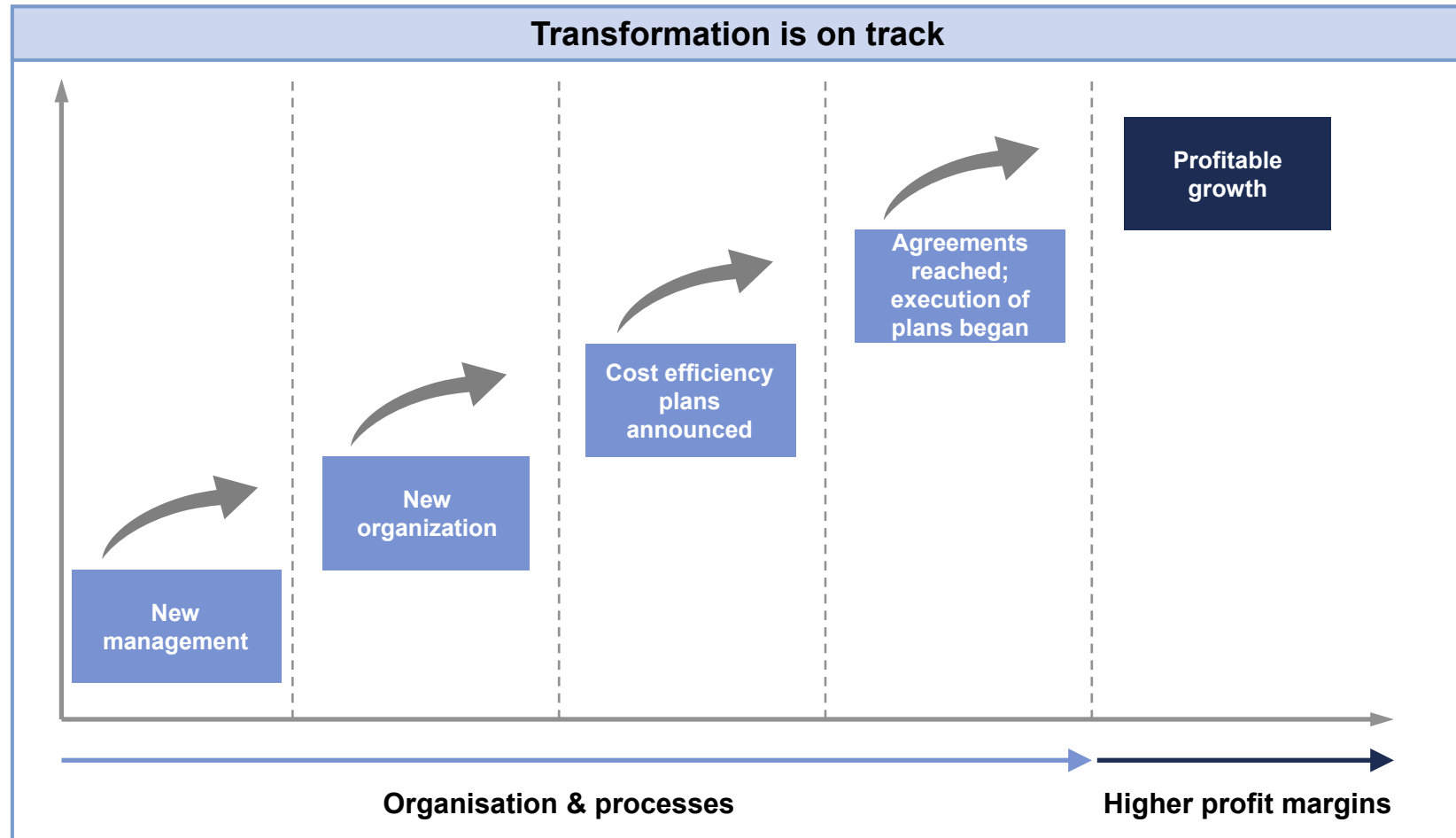
<b>Life Science</b>	<ul style="list-style-type: none"> <li>▪ Solid organic sales growth of 3% driven by Process Solutions and Lab Solutions <ul style="list-style-type: none"> <li>▪ Global biotech customers drive demand</li> </ul> </li> <li>▪ High R&amp;D investments and bolt-on acquisition to expand capabilities in cell culture media</li> <li>▪ EBITDA pre margin higher despite investments</li> </ul>
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\* EBITDA pre one-time items, margin shown as a % of sales

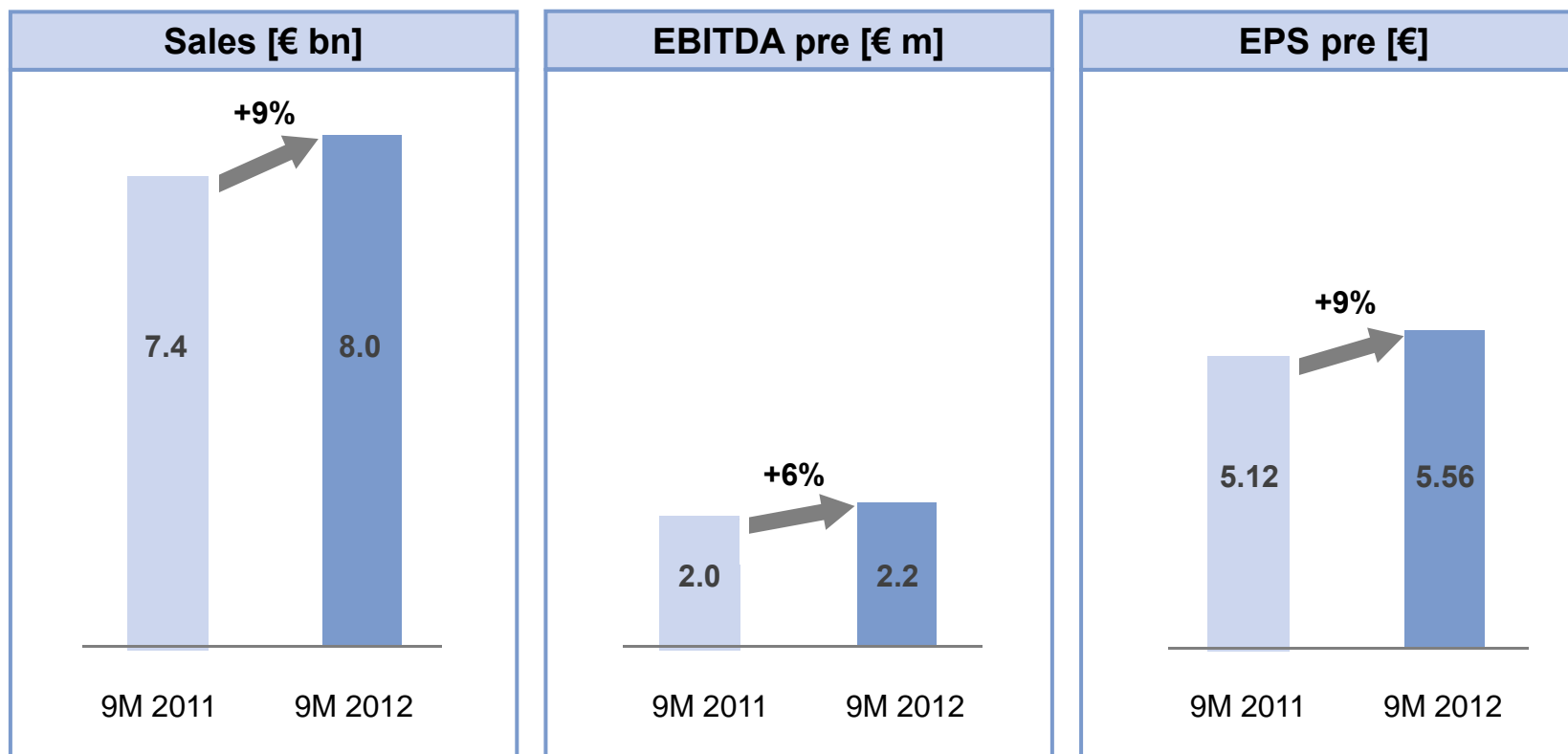
## The Group

# Transformation is on track



## The Group

# We are positioned to report solid numbers in challenging economy and a year of change



**Solid top-line and profitability improvement in first year of transformation**

## The Group

# Solid sales performance driven by organic growth and substantial FX benefit

[€ m]	9M 2012	9M 2011	Δ	Comments
<b>Total Revenues</b>	<b>8,338</b>	<b>7,651</b>	<b>9%</b>	<ul style="list-style-type: none"> <li>▪ Sales increased 4% organically mainly due to Biopharmaceuticals, and a 4% benefit from changes in foreign exchange rates</li> <li>▪ Royalty and commission expenses driven by Rebif US</li> <li>▪ Sharp increase in other expenses reflects the initiation of the Fit for 2018 program in 2012</li> </ul>
Sales	8,029	7,381	9%	
Royalty income	309	269	15%	
<b>Gross Profit</b>	<b>5,994</b>	<b>5,573</b>	<b>8%</b>	
<i>Margin (% of sales)</i>	<i>74.7%</i>	<i>75.5%</i>		
Marketing & Selling	-1,802	-1,778	1%	
Royalty and Comm. Exp.	-433	-364	19%	
Administration	-421	-397	6%	
Other Expenses / Income	-878	-302	>100%	
R&D	-1,157	-1,117	4%	
Amortization	-652	-780	-16%	
<b>EBIT</b>	<b>652</b>	<b>836</b>	<b>-22%</b>	
Depreciation & Amortization	1,037	1,254	-17%	
One-time items	486	-48	n.m.	
<b>EBITDA pre</b>	<b>2,175</b>	<b>2,043</b>	<b>6%</b>	
<i>Margin (% of sales)</i>	<i>27.1%</i>	<i>27.7%</i>		

Sum of items may not foot due to rounding



## The Group

# Lower discretionary spending and interest expense help to drive EPS pre growth

[€ m]	9M 2012	9M 2011	Δ	Comments
<b>EBIT</b>	<b>652</b>	<b>836</b>	<b>-22%</b>	<ul style="list-style-type: none"> <li>EBIT 9M 2012 contains €486 m one-time items mainly due to €409 m relating to Fit for 2018 program and higher litigation provisions</li> <li>Financial result benefits from lower interest payments from debt repayment</li> <li>Reported tax rate up due to impact from one-time items, adjusted tax rate of 25.5% remains at midpoint of guidance</li> </ul>
Financial Result	-194	-219	-11%	
<b>Profit before Taxes</b>	<b>458</b>	<b>617</b>	<b>-26%</b>	
Income Tax	-155	-136	14%	
<i>Tax Rate (%)</i>	33.8	22.0		
<b>Net Income pre</b>	<b>1,208</b>	<b>1,114</b>	<b>8%</b>	
EPS pre (€)	5.56	5.12	9%	

## The Group

# Despite lower profit, we deliver strong free cash flow through working capital management

[€ m]	9M 2012	9M 2011	Δ	Comments
<b>Profit after tax</b>	<b>303</b>	<b>482</b>	<b>-179</b>	<ul style="list-style-type: none"> <li>▪ Working capital improvement coming from inventory and receivables reduction</li> <li>▪ Increased provisions due to restructuring program and litigation</li> <li>▪ 2012 YTD free cash flow grows 35% despite difficult comparison                             <ul style="list-style-type: none"> <li>▪ Free cash flow 9M 2011 benefitted from €471 m divestment gains from Théramex and Crop BioScience</li> </ul> </li> </ul>
Depreciation & Amortization	1,037	1,254	-216	
Changes in working capital	425	-237	661	
Changes in provisions	551	23	528	
Changes in other assets / liab.	-217	-122	-95	
Other operating activities	-26	-183	157	
<b>Net cash flow operating</b>	<b>2,074</b>	<b>1,217</b>	<b>857</b>	
Capital expenditures	-181	-246	65	
Others	-33	409	-442	
<b>Free cash flow</b>	<b>1,860</b>	<b>1,380</b>	<b>480</b>	

Sum of items may not foot due to rounding

## Biopharmaceuticals

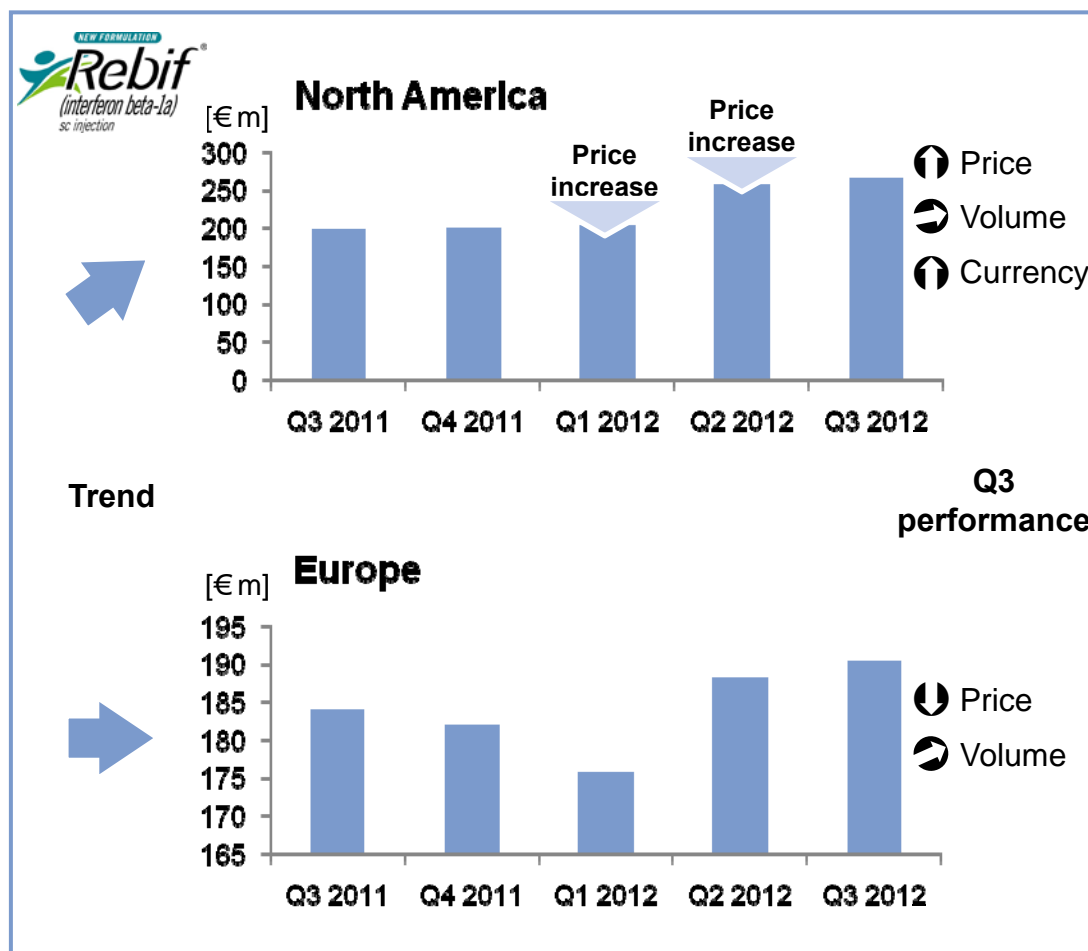
# Solid YTD results driven by good business performance and tight cost controls

[€ m]	9M 2012	9M 2011	Δ	Comments
<b>Total Revenues</b>	<b>4,767</b>	<b>4,376</b>	<b>9%</b>	<ul style="list-style-type: none"> <li>▪ Sales grow 9%, organic sales growth of 5%; and a 3% benefit from changes in foreign exchange rates</li> <li>▪ Main organic sales drivers are North America (Rebif), and Emerging Markets (notably Glucophage, Gonal-f, Concor)</li> <li>▪ Gross profit impacted by higher production costs and start-up costs (LSB)</li> <li>▪ Other operating result includes €280 m restructuring costs</li> </ul>
Sales	4,474	4,115	9%	
Royalty income	293	261	12%	
<b>Gross Profit</b>	<b>3,891</b>	<b>3,636</b>	<b>7%</b>	
<i>Margin (% of sales)</i>	<i>87.0%</i>	<i>88.4%</i>		
Marketing & Selling	-1,030	-1,061	-3%	
Royalty and Comm. Exp.	-420	-347	21%	
Administration	-191	-190	1%	
Other Expenses / Income	-541	-317	71%	
R&D	-916	-903	1%	
Amortization	-494	-626	-21%	
<b>EBIT</b>	<b>298</b>	<b>192</b>	<b>55%</b>	
Depreciation & Amortization	706	942	-25%	
One-time items	284	26	>100%	
<b>EBITDA pre</b>	<b>1,289</b>	<b>1,161</b>	<b>11%</b>	
<i>Margin (% of sales)</i>	<i>28.8%</i>	<i>28.2%</i>		

Sum of items may not foot due to rounding

## Biopharmaceuticals - Rebif

# US price increases remain major growth driver

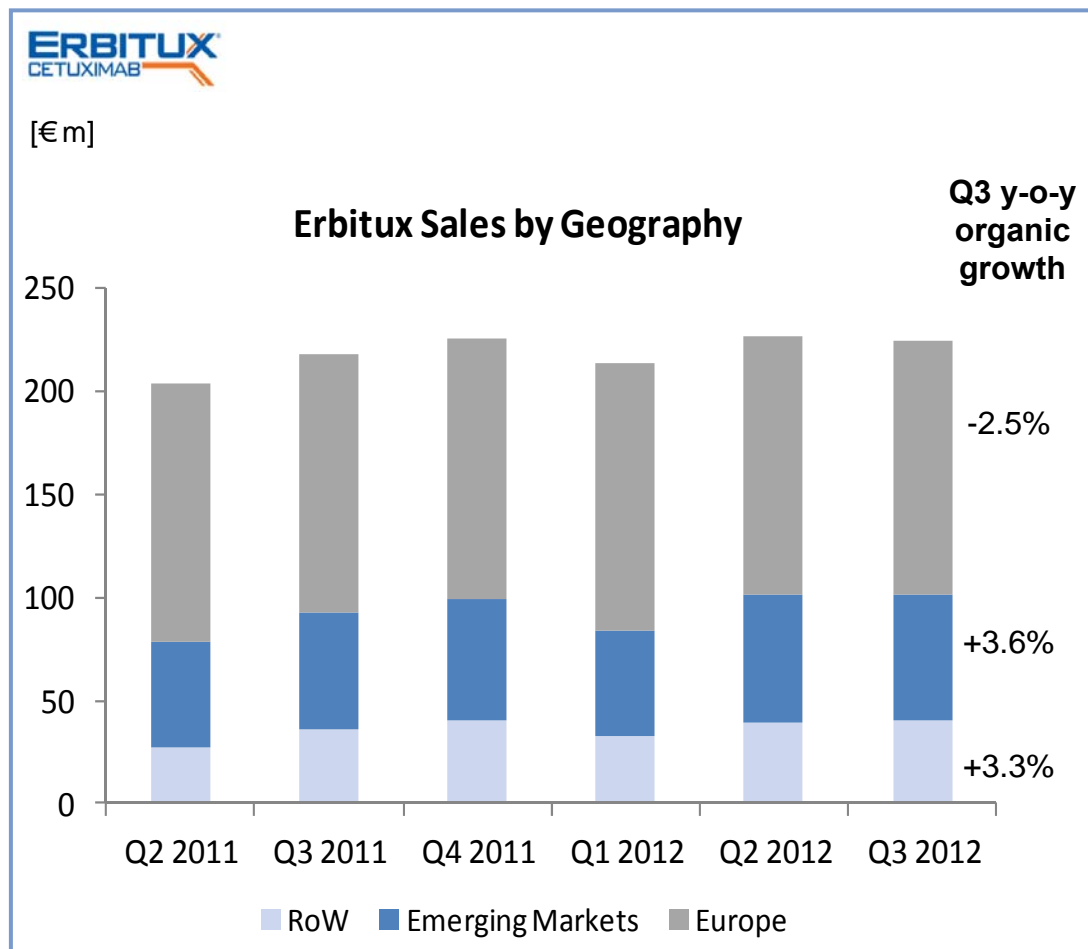


### Comments

- ~ €500 m global sales in Q3 2012
- Small volume growth in North America (organic growth 20.1%) and Europe (organic growth 2.1%)
- Performance in North America benefitting from two price increases passed earlier in 2012
- Growth 2012E: ~5% organic sales growth

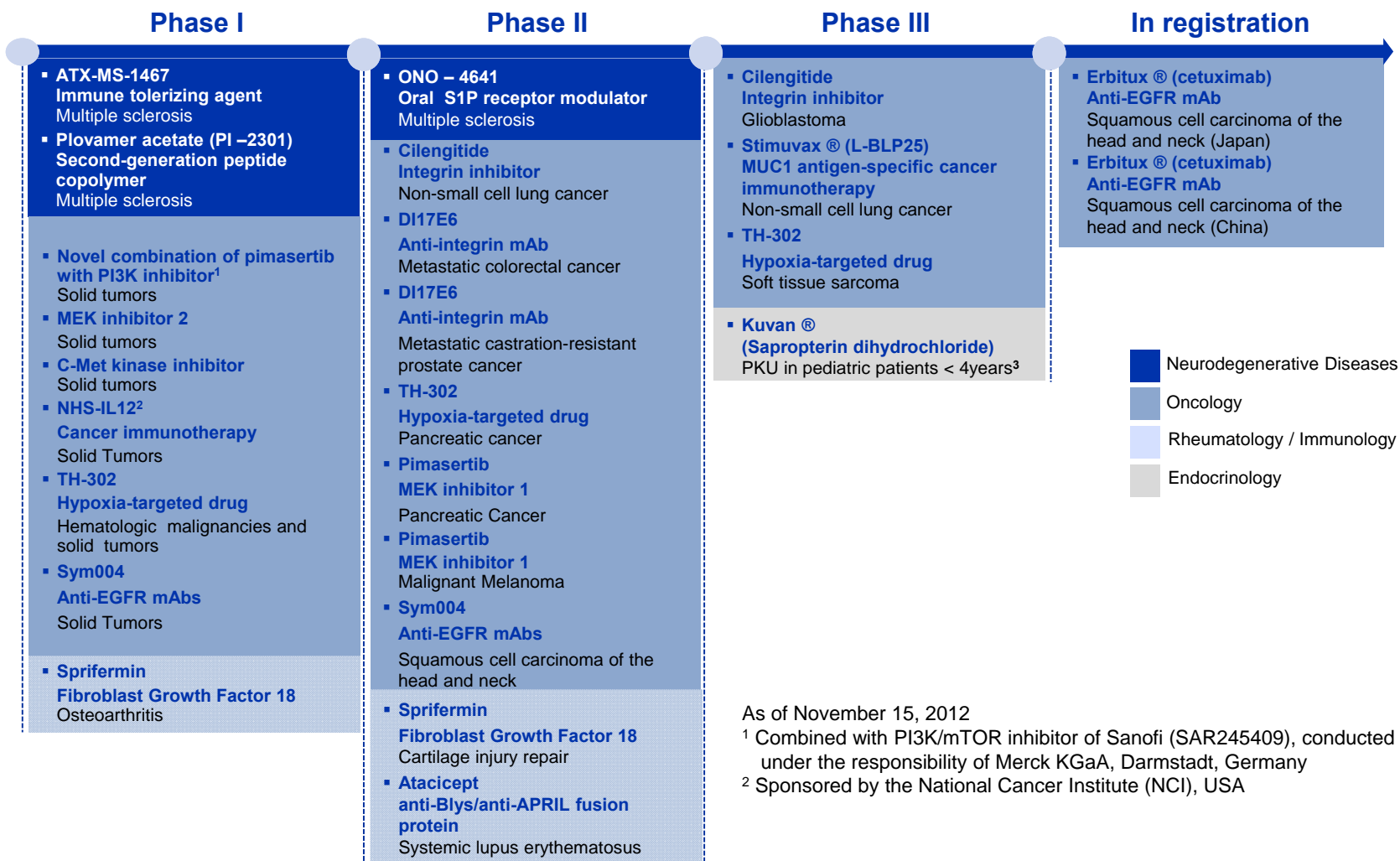
## Biopharmaceuticals - Erbitux

# Emerging Markets and Australia drive growth, ongoing weakness in Europe



Comments
<ul style="list-style-type: none"> <li>▪ €224 m global sales in Q3 2012</li> <li>▪ Organic sales growth in Emerging Markets</li> <li>▪ Europe softer due to increasing competition and pricing pressure</li> <li>▪ Growth 2012E: 1-4% organic growth</li> <li>▪ Voluntary withdrawal of NSCLC filing in Europe</li> </ul>

# Biopharmaceuticals Pipeline



## 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
<b>Neurology</b>				
ONO-4641	Multiple Sclerosis		PIII decision	2013
<b>Rheumatology</b>				
Atacicept	SLE	APRIL	PII final	H2 2012

## Consumer Health

# Profitability increase despite weak top-line - driven by strong cost containment

[€ m]	9M 2012	9M 2011	Δ	Comments
<b>Total Revenues</b>	<b>353</b>	<b>368</b>	<b>-4%</b>	<ul style="list-style-type: none"> <li>▪ Organic sales decline 6%, FX benefit of 2%</li> <li>▪ Sales decline primarily due to weak performance in Europe</li> <li>▪ Other operating result includes €14 m restructuring costs</li> <li>▪ EBITDA pre margin improvement due primarily to lower sales promotion costs</li> </ul>
Sales	351	366	-4%	
Royalty income	2	1	22%	
<b>Gross Profit</b>	<b>237</b>	<b>253</b>	<b>-6%</b>	
<i>Margin (% of sales)</i>	<i>67.5%</i>	<i>69.0%</i>		
Marketing & Selling	-159	-174	-9%	
Royalty and Comm. Exp.	0	-2	-80%	
Administration	-17	-17	0%	
Other Expenses / Income	-21	-5	>100%	
R&D	-14	-16	-15%	
Amortization	-3	-3	9%	
<b>EBIT</b>	<b>22</b>	<b>34</b>	<b>-36%</b>	
Depreciation & Amortization	9	8	10%	
One-time items	14	0	>100%	
<b>EBITDA pre</b>	<b>45</b>	<b>42</b>	<b>6%</b>	
<i>Margin (% of sales)</i>	<i>12.7%</i>	<i>11.6%</i>		

Sum of items may not foot due to rounding



## Performance Materials

# Favorable FX and strong performance of Liquid Crystals drive top-line performance

[€ m]	9M 2012	9M 2011	Δ	Comments
<b>Total Revenues</b>	<b>1,260</b>	<b>1,124</b>	<b>12%</b>	<ul style="list-style-type: none"> <li>4% organic sales growth driven by Liquid Crystals, FX benefit of 8%</li> <li>Gross profit impacted by lower prices and increased production costs due to volume growth</li> <li>M&amp;S rise below sales growth</li> <li>Other operating result 9M 2011 benefits from €157 m gain of Crop BioScience divestment</li> </ul>
Sales	1,259	1,122	12%	
Royalty income	1	2	-60%	
<b>Gross Profit</b>	<b>715</b>	<b>660</b>	<b>8%</b>	
<i>Margin (% of sales)</i>	<i>56.8%</i>	<i>58.8%</i>		
Marketing & Selling	-106	-99	7%	
Royalty and Comm. Exp.	-2	-3	-47%	
Administration	-27	-25	9%	
Other Expenses / Income	-9	128	n.m.	
R&D	-102	-100	3%	
Amortization	-1	-11	-89%	
<b>EBIT</b>	<b>468</b>	<b>550</b>	<b>-15%</b>	
Depreciation & Amortization	88	87	2%	
One-time items	-11	-119	-91%	
<b>EBITDA pre</b>	<b>545</b>	<b>518</b>	<b>5%</b>	
<i>Margin (% of sales)</i>	<i>43.3%</i>	<i>46.2%</i>		

Sum of items may not foot due to rounding

Life Science

# Solid organic sales performance delivers profitable growth

[€ m]	9M 2012	9M 2011	Δ	Comments
<b>Total Revenues</b>	<b>1,959</b>	<b>1,783</b>	<b>10%</b>	<ul style="list-style-type: none"> <li>▪ Sales grow 9%; organic sales growth of 3%, acquisition benefit of 2%, and a 5% favorable benefit from changes in foreign exchange rates</li> <li>▪ All business units contribute to organic sales growth, lead by Process Solutions</li> <li>▪ Gross margin increase of 150 basis points supported by FX changes and improved operational efficiency</li> <li>▪ EBITDA pre grows, but down as a % of sales due primarily to R&amp;D investments</li> </ul>
Sales	1,945	1,778	9%	
Royalty income	14	5	>100%	
<b>Gross Profit</b>	<b>1,154</b>	<b>1,028</b>	<b>12%</b>	
<i>Margin (% of sales)</i>	<i>59.3%</i>	<i>57.8%</i>		
Marketing & Selling	-502	-443	13%	
Royalty and Comm. Exp.	-11	-11	5%	
Administration	-87	-79	10%	
Other Expenses / Income	-71	-80	-11%	
R&D	-122	-97	25%	
Amortization	-153	-141	9%	
<b>EBIT</b>	<b>207</b>	<b>178</b>	<b>16%</b>	
Depreciation & Amortization	228	214	7%	
One-time items	22	28	-21%	
<b>EBITDA pre</b>	<b>457</b>	<b>419</b>	<b>9%</b>	
<i>Margin (% of sales)</i>	<i>23.5%</i>	<i>23.6%</i>		

Sum of items may not foot due to rounding

The Group

# 2012 Q3 Reconciliation to adjusted results

[€ m]	Q3 2012	Q3 2011
<b>EBIT</b>	<b>318</b>	<b>332</b>
<b>Depreciation &amp; Amortization</b>	<b>343</b>	<b>314</b>
Regular depreciation & amortization	115	102
Amortization of purchased intangible assets	217	212
Impairments	11	0
<b>EBITDA</b>	<b>661</b>	<b>646</b>
<b>One-time items</b>	<b>93</b>	<b>6</b>
M&A costs	0	0
Restructuring costs	43	0
Integration/IT related costs	7	6
Costs from discontinuing businesses	43	0
Other one-time costs	0	0
<b>EBITDA pre</b>	<b>754</b>	<b>652</b>
Regular depreciation & amortization	-115	-102
Financial result	-58	-72
Profit before tax pre	581	478
<b>EPS pre [in€]</b>	<b>1.98</b>	<b>1.62</b>

Sum of items may not foot due to rounding

The Group

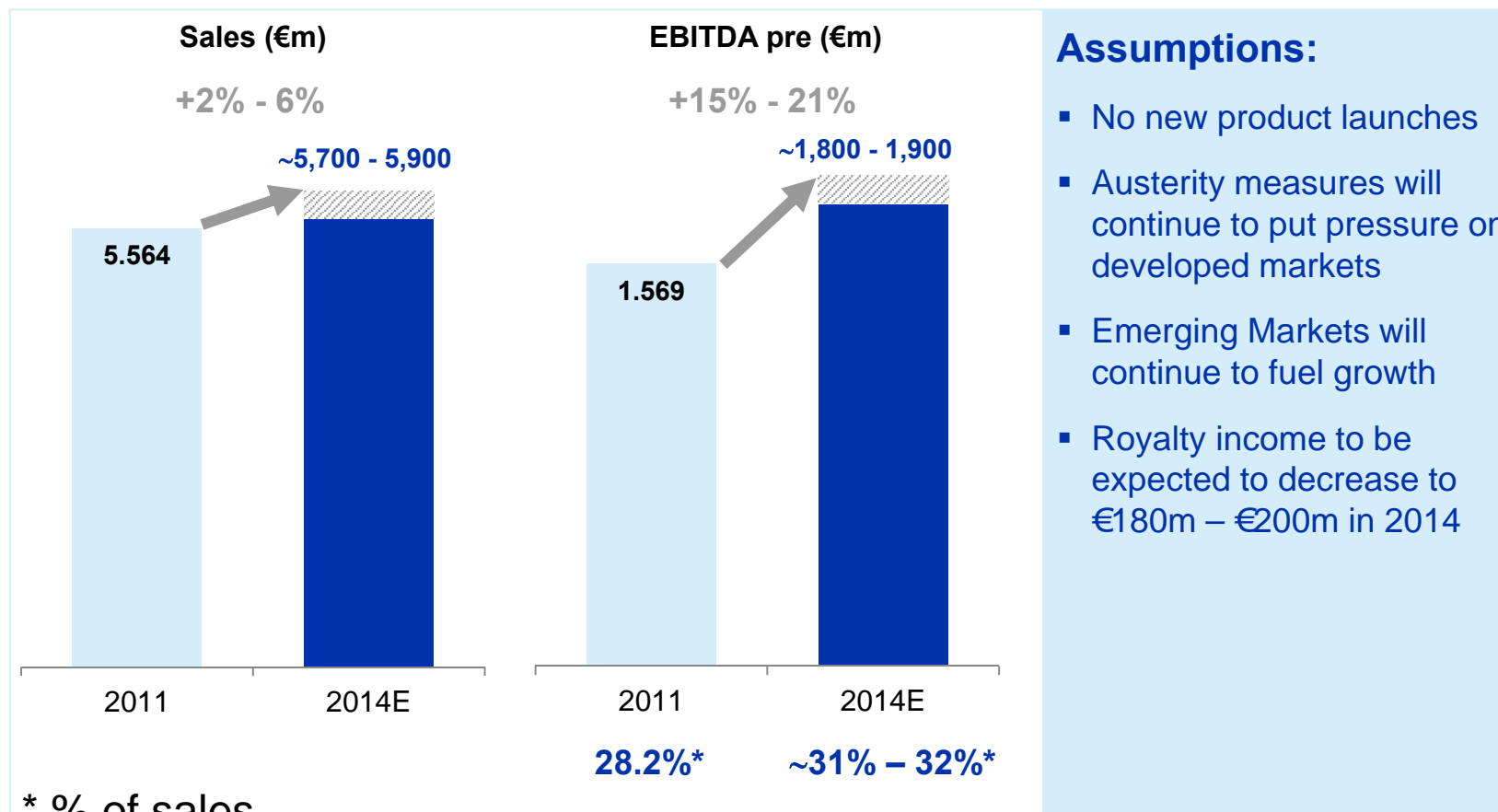
# 2012 YTD Reconciliation to adjusted results

[€ m]	9M 2012	9M 2011
<b>EBIT</b>	<b>652</b>	<b>836</b>
<b>Depreciation &amp; Amortization</b>	<b>1,037</b>	<b>1,254</b>
Regular depreciation & amortization	348	318
Amortization of purchased intangible assets	647	618
Impairments	42	319
<b>EBITDA</b>	<b>1,689</b>	<b>2,091</b>
<b>One-time items</b>	<b>486</b>	<b>-48</b>
M&A costs	0	0
Restructuring costs	409	0
Integration/IT related costs	23	27
Costs from discontinuing businesses	54	-147
Other one-time costs	0	72
<b>EBITDA pre</b>	<b>2,175</b>	<b>2,043</b>
Regular depreciation & amortization	-348	-318
Financial result	-194	-219
Profit before tax pre	1,633	1,506
<b>EPS pre [in€]</b>	<b>5.56</b>	<b>5.12</b>

Sum of items may not foot due to rounding

Pharma

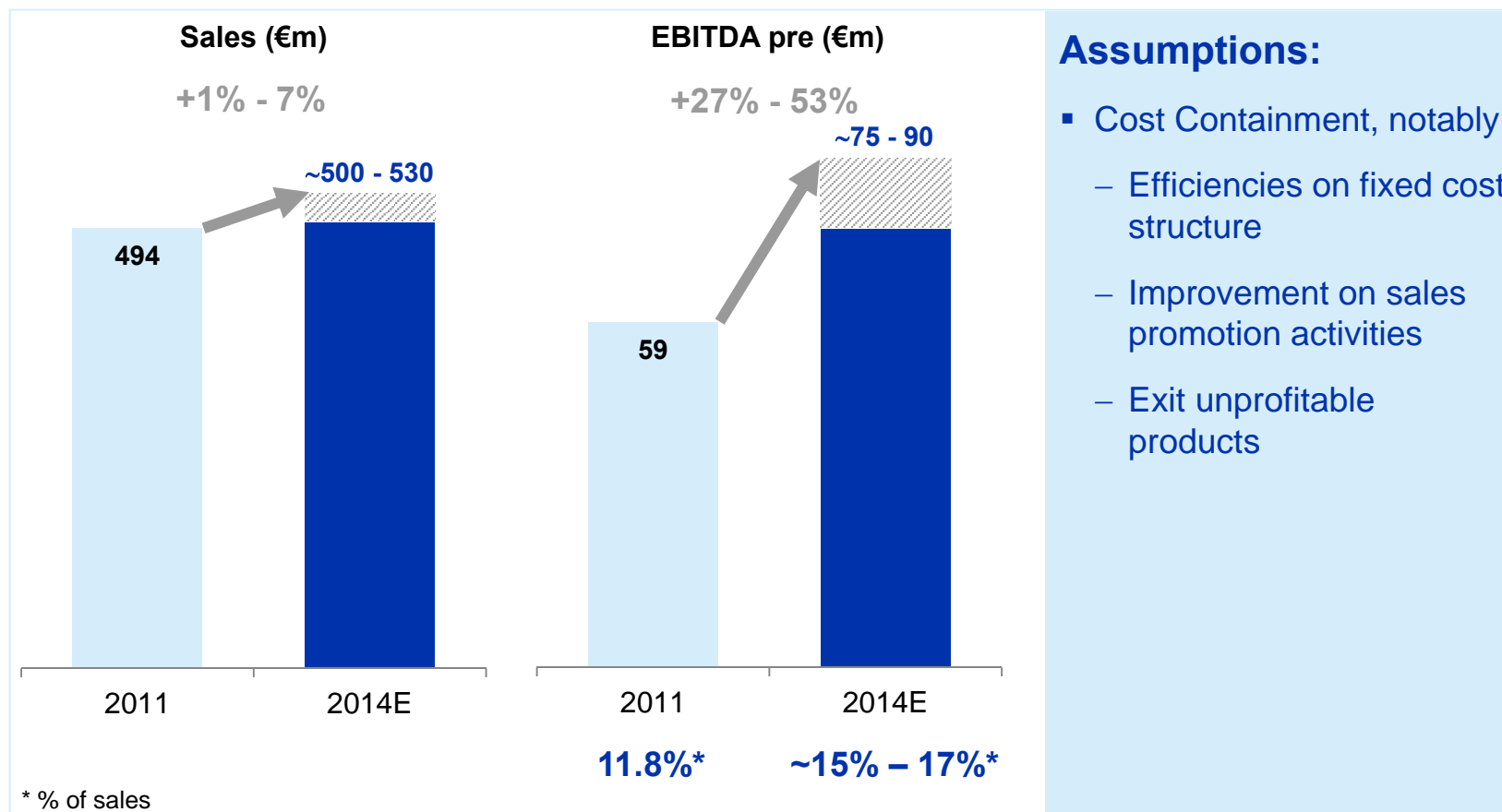
# Biopharmaceuticals mid-term financial targets



Cost savings will fundamentally improve profitability

Pharma

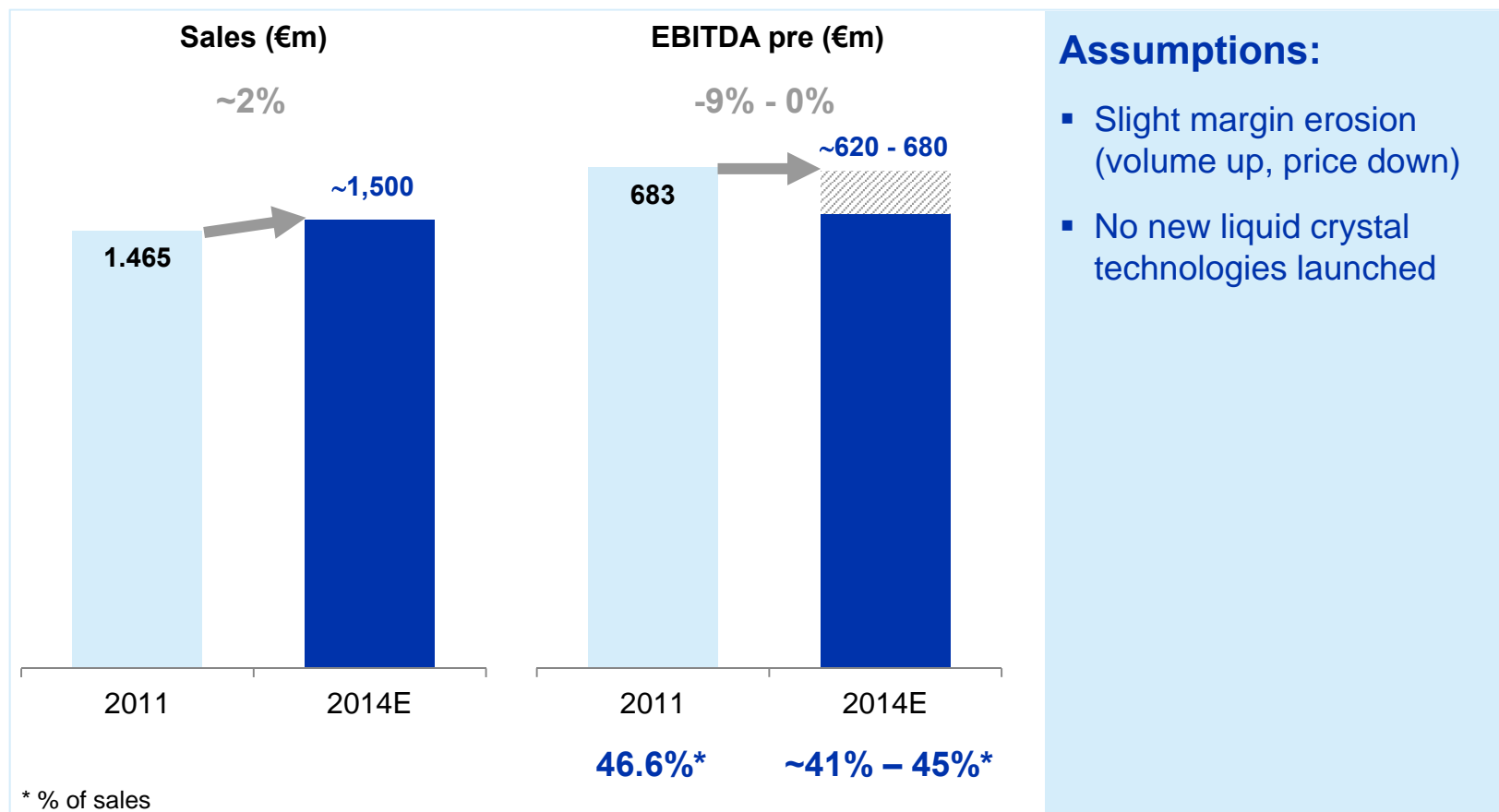
# Consumer Health mid-term financial targets



Marketing & selling savings drive profitability improvement

## Chemicals

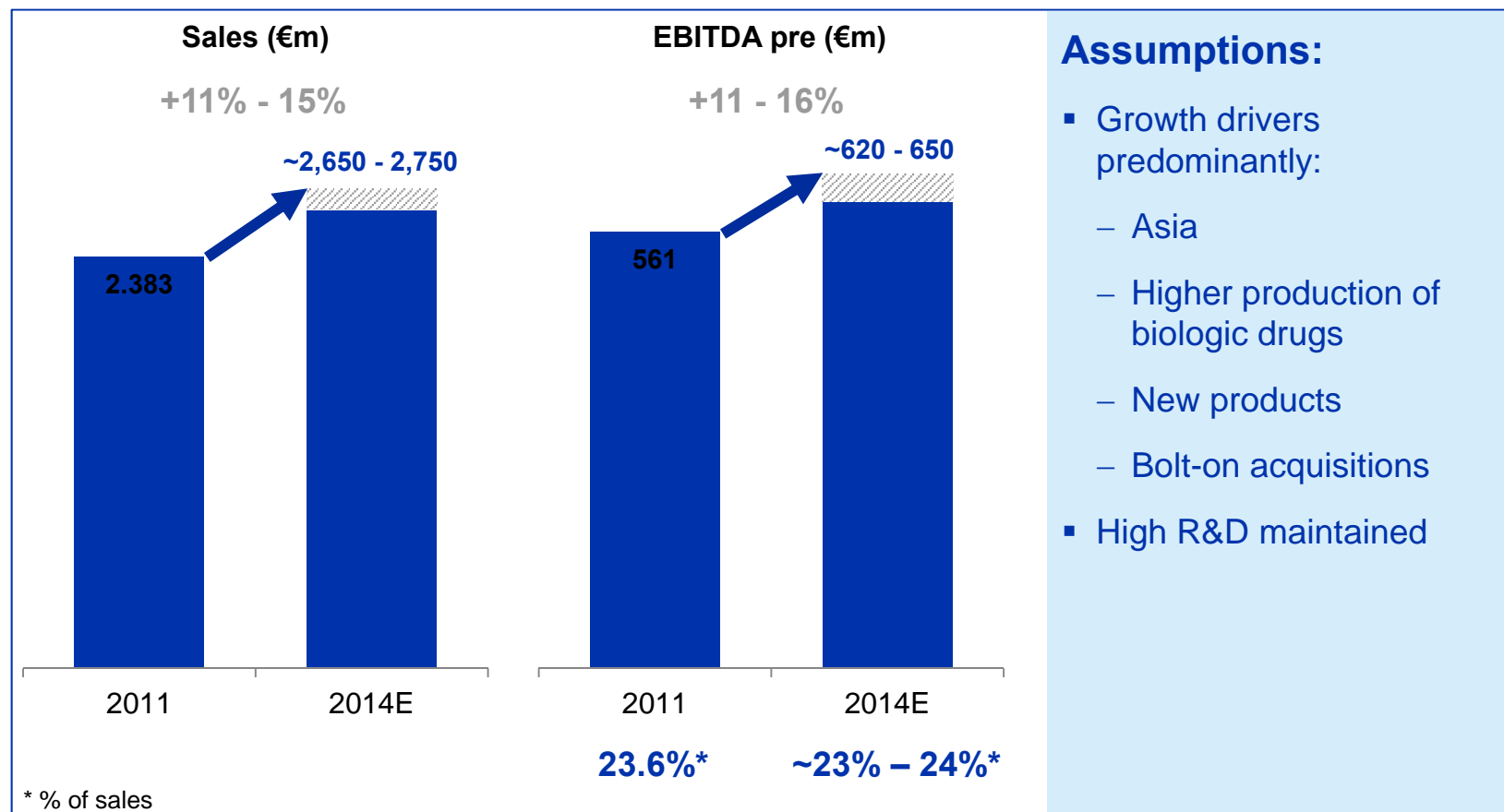
# Performance Materials mid-term financial targets



Performance Materials remains an attractive business

Chemicals

# Life Science mid-term financial targets



**Solid growth business**



The Group

# 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>

## The Group

# Ensure effective cash allocation 2012/2013

### Deleveraging

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

### Restructuring

- One-time costs 2012-2014: ~€640m

### External Growth

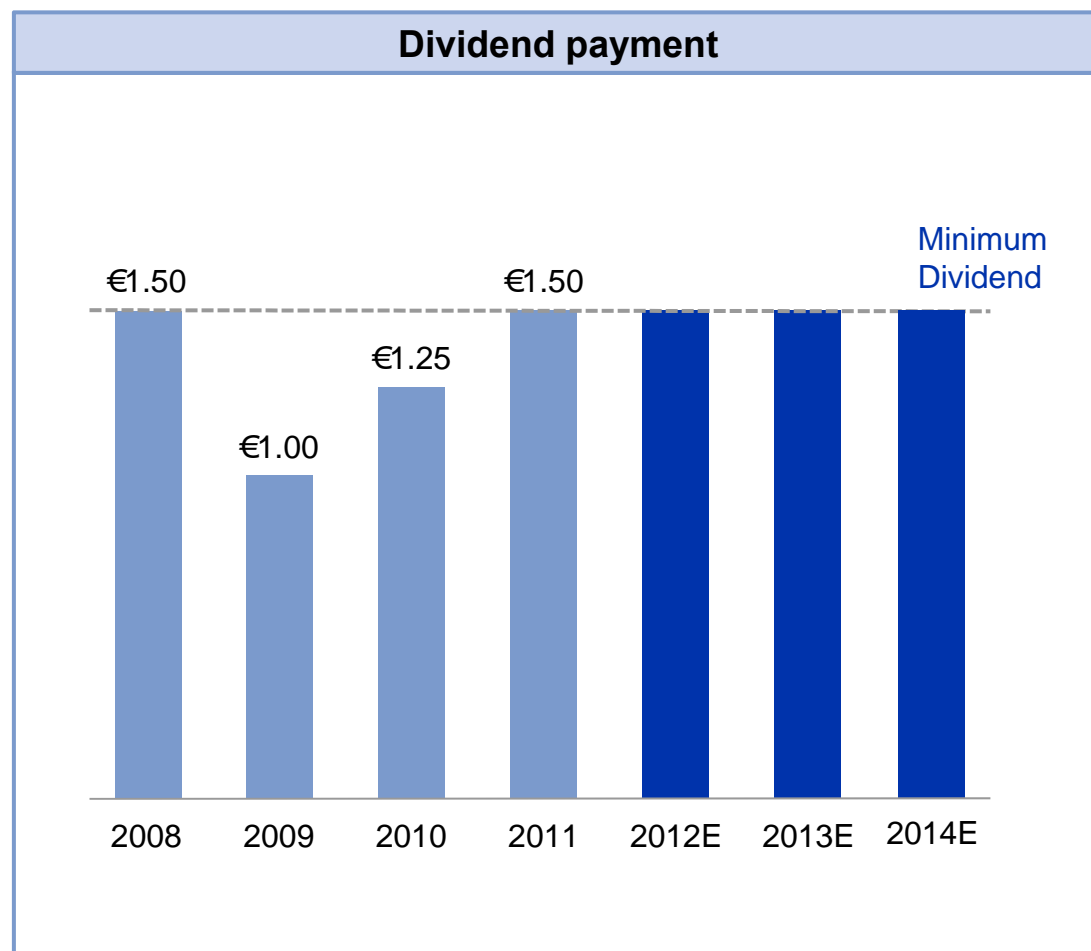
- Bolt-on acquisitions 2012/2013
- In-licensing deals in pharma
- No large, transformational transactions

### Dividend

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

## The Group

# 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

## The Group

# Contacts

**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