

Merck KGaA, Darmstadt, Germany

FY 2012 – roadshow presentation

Transformation fuels operational performance and profitability

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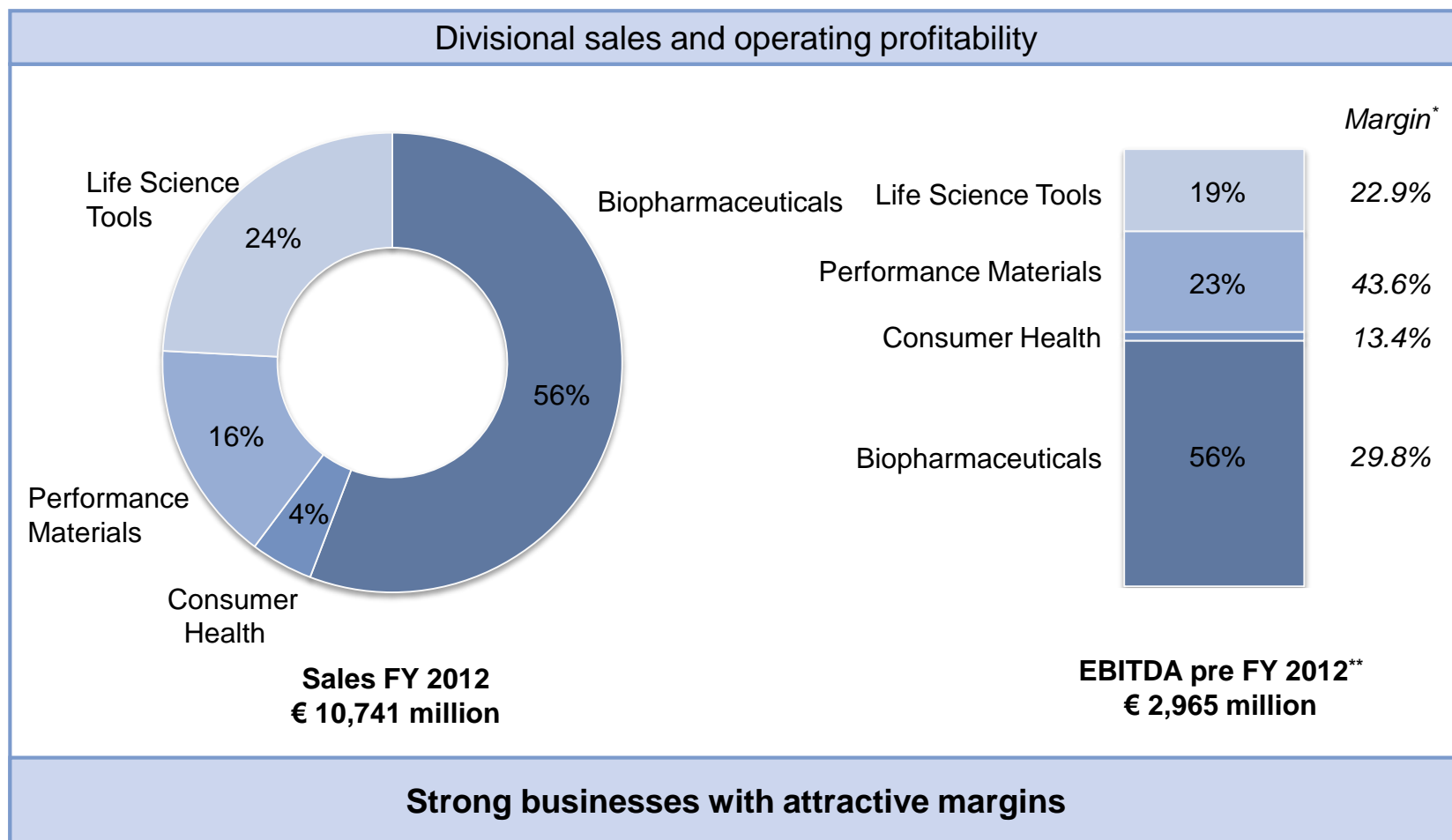
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Agenda

- **Business overview**
- Transforming the company
- Executive update
- Financial review

A balanced portfolio of four divisions

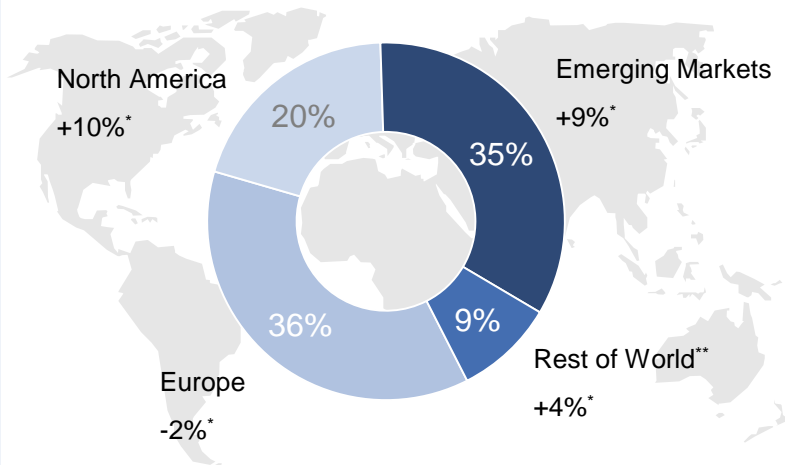


* EBITDA pre one-time items as % of sales

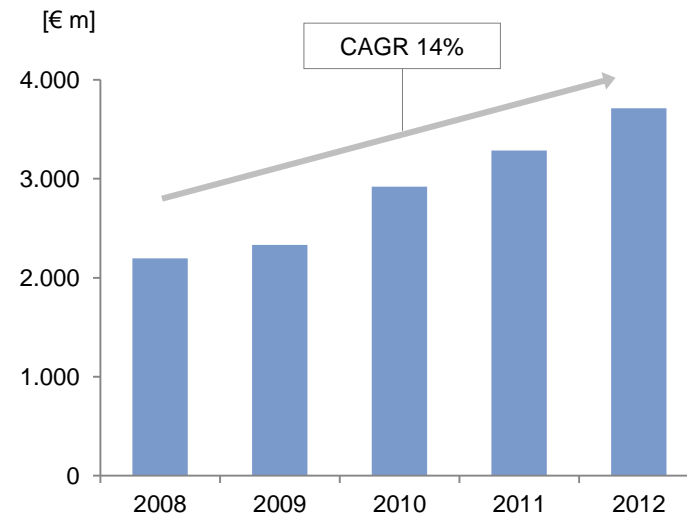
** Including Corporate and Others (- € 211 million)

Emerging Markets and North America drive regional growth in 2012

FY 2012 sales by region



Emerging Markets sales

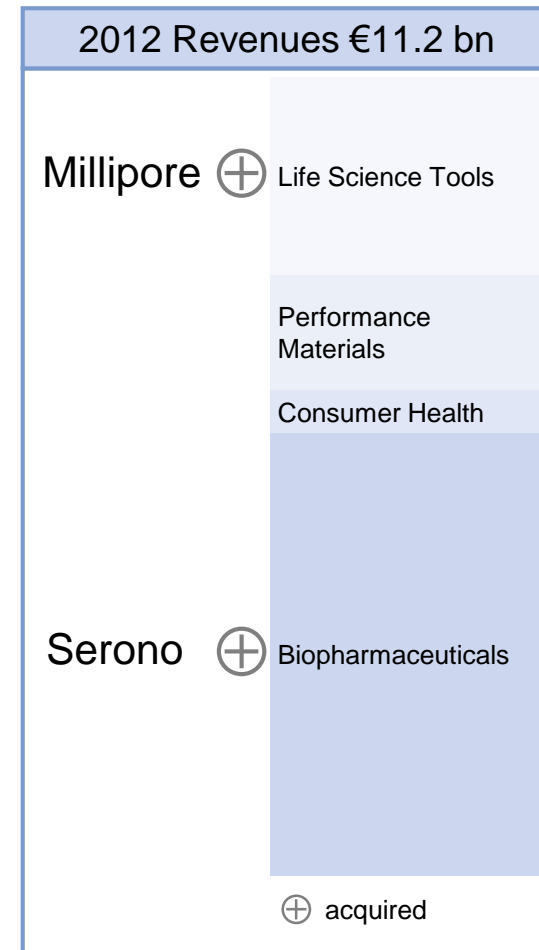
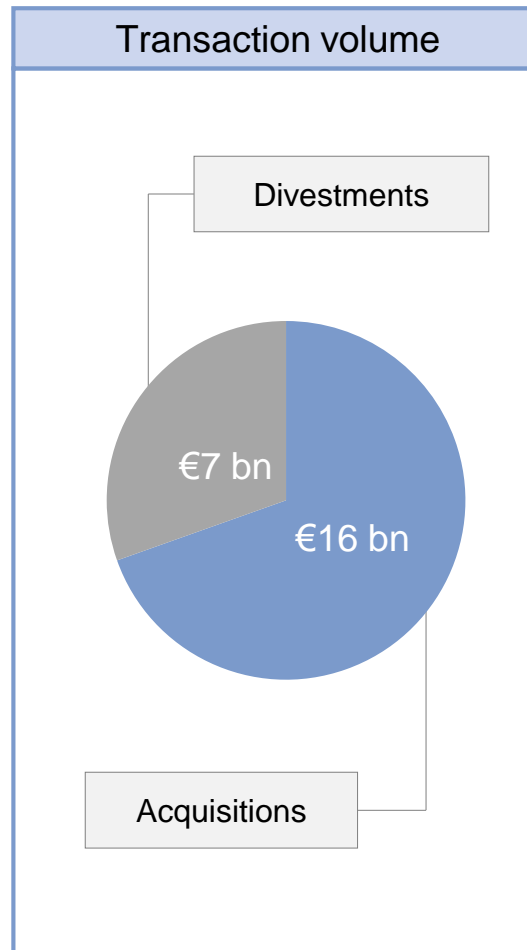
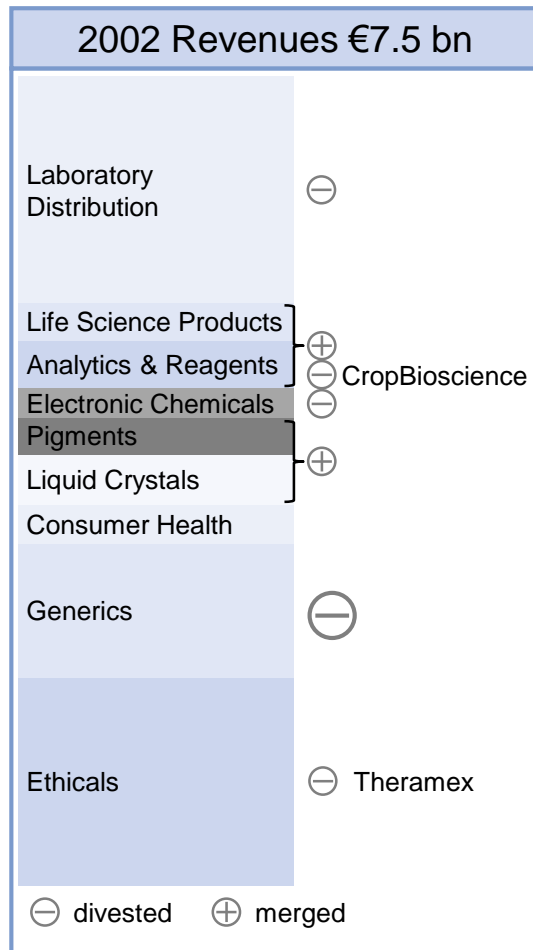


Continued shift from Europe to higher growth regions supports growth profile

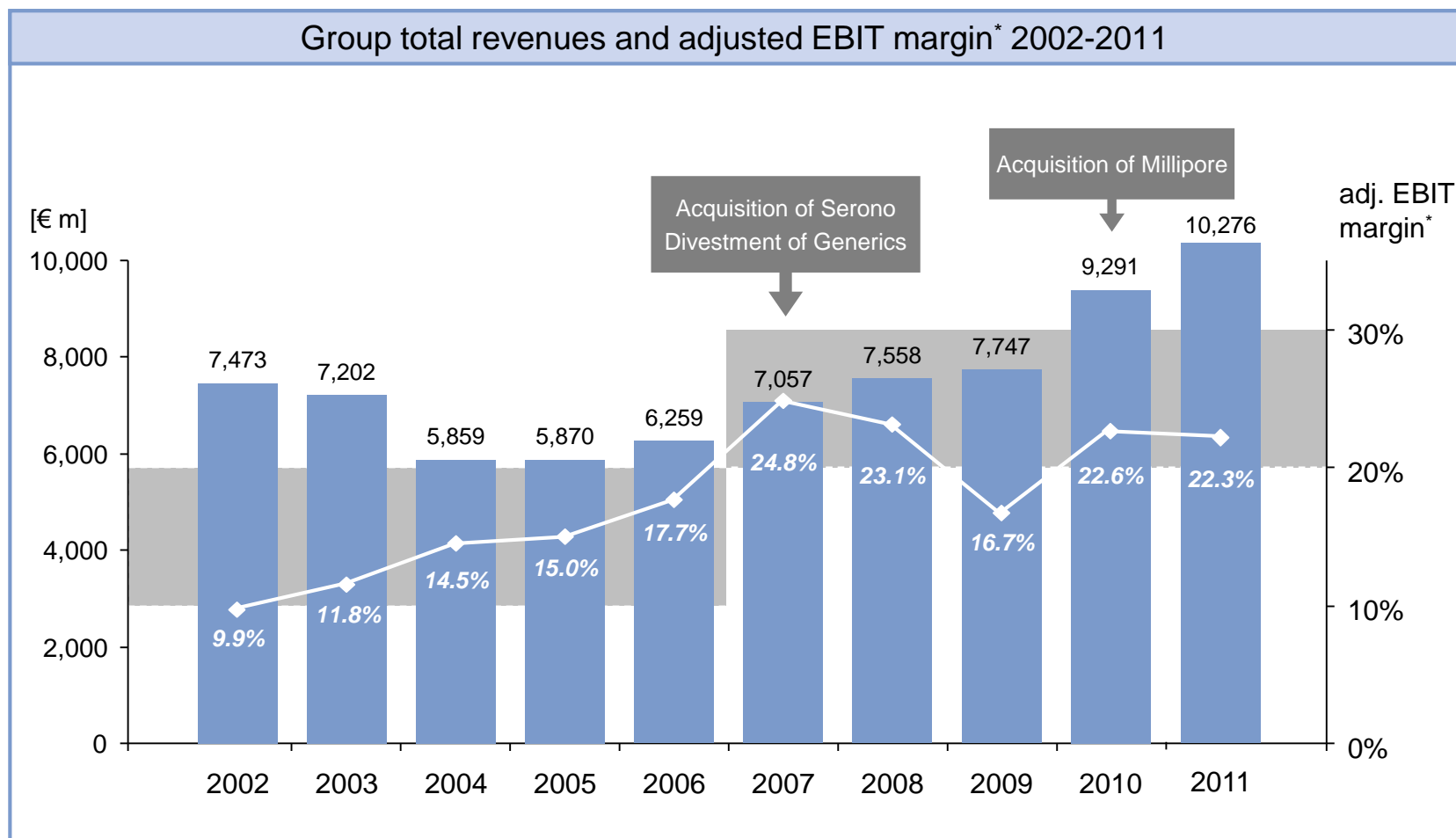
*Organic sales growth

** Japan, Oceania, Australia, Africa

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



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

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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 Tools	●	●	●	●

● above peers
● in-line with peers
● below peers

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

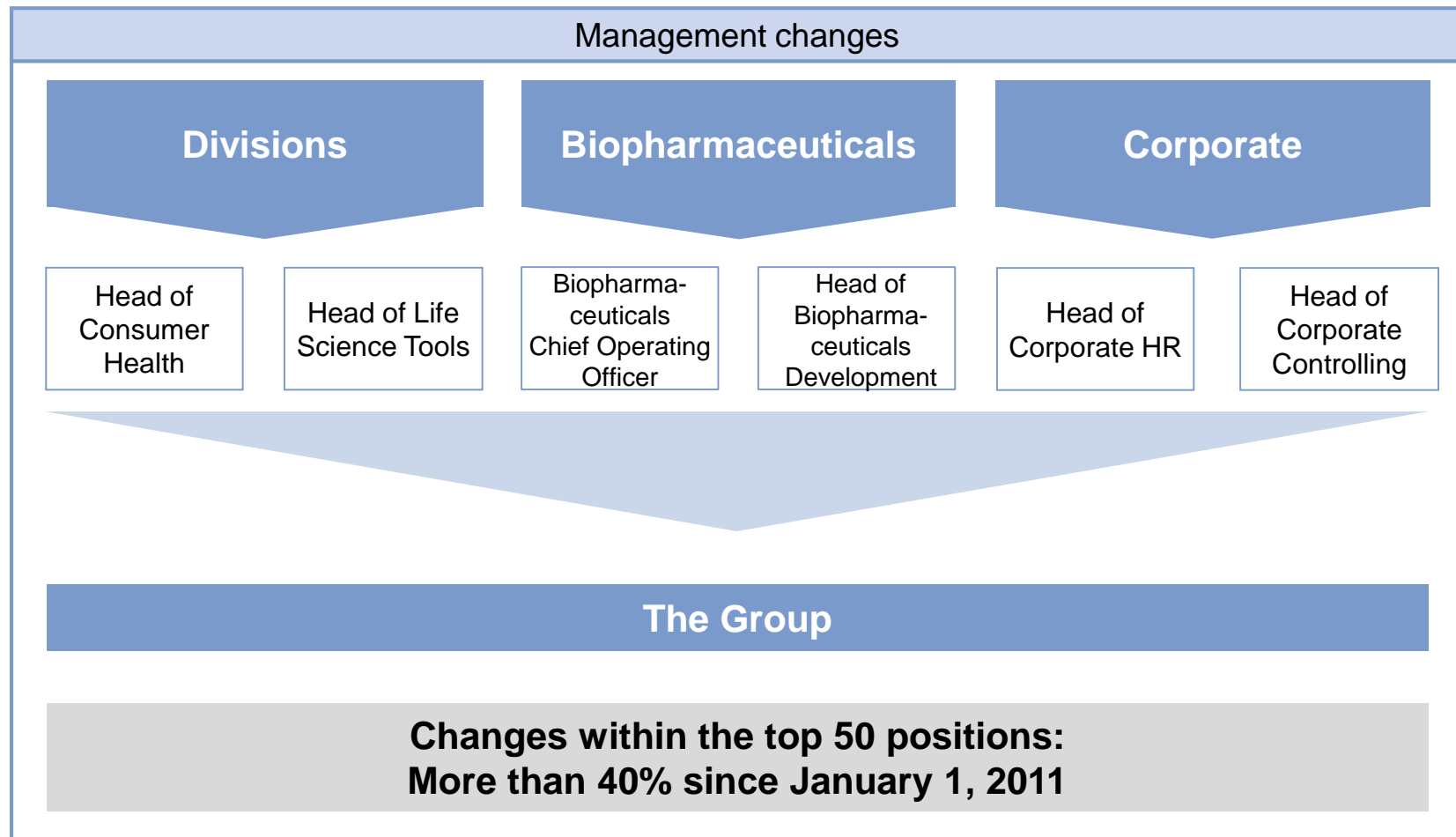
Portfolio

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

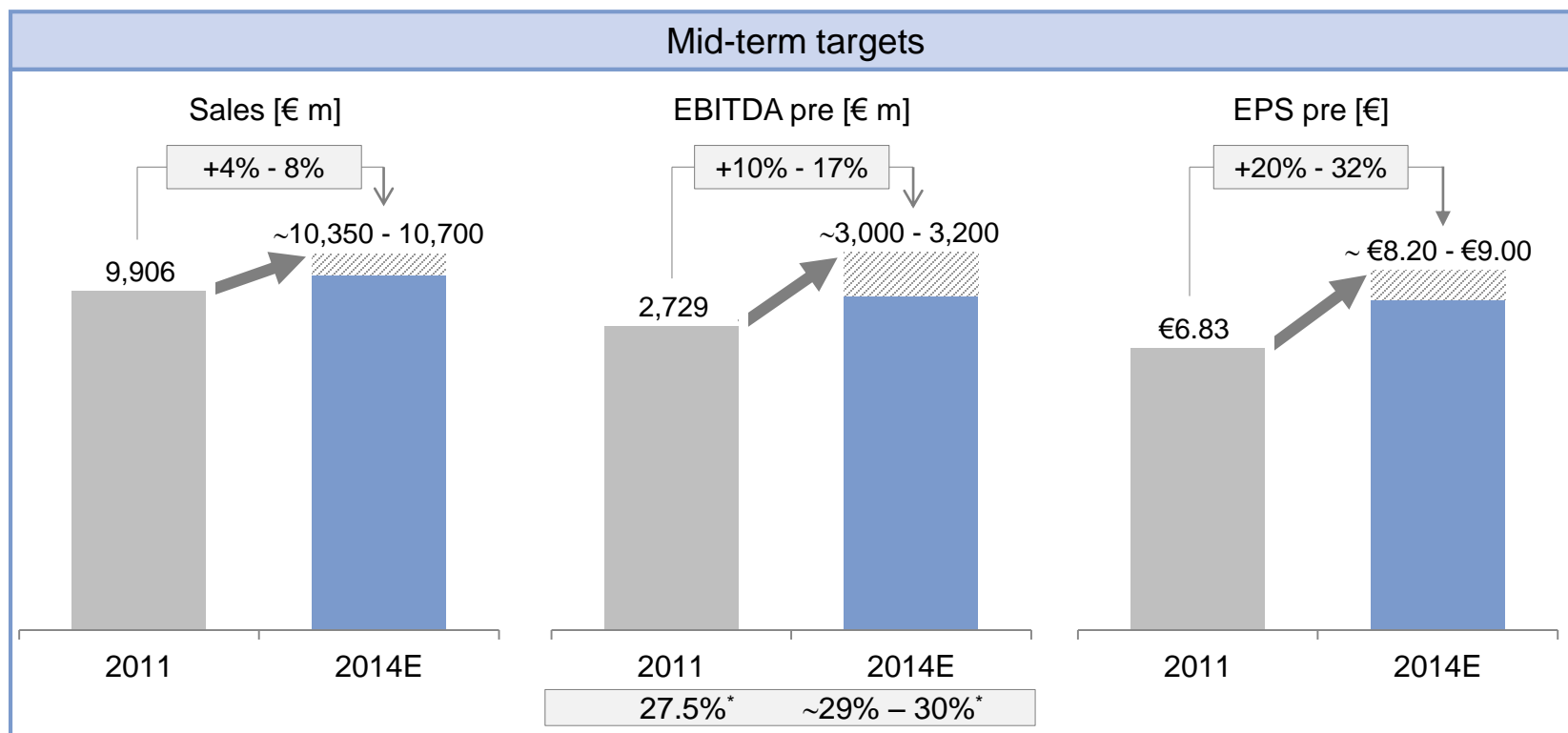
Cultural change

- Fill key positions with best managers
- Foster performance culture

New management in key positions and across the entire organization



We strive for realistic Group targets



Assumptions

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

* EBITDA pre margin in % of sales

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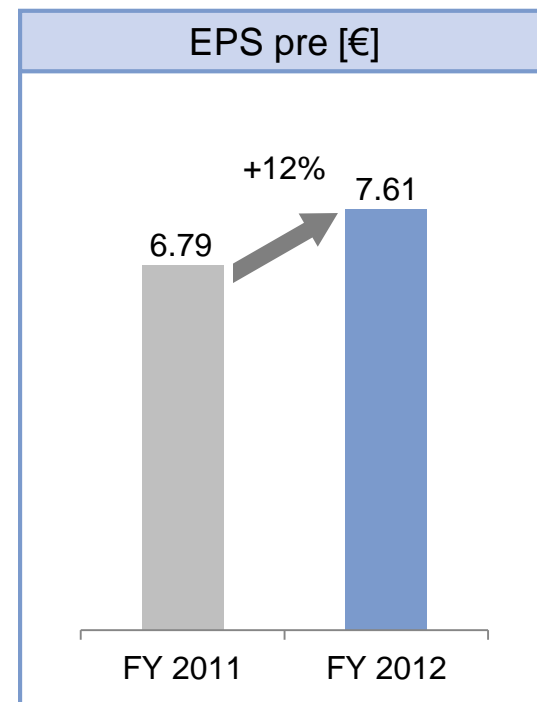
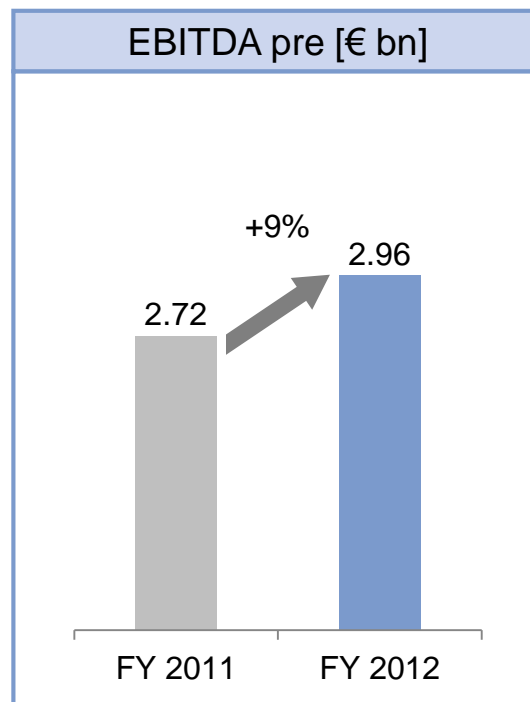
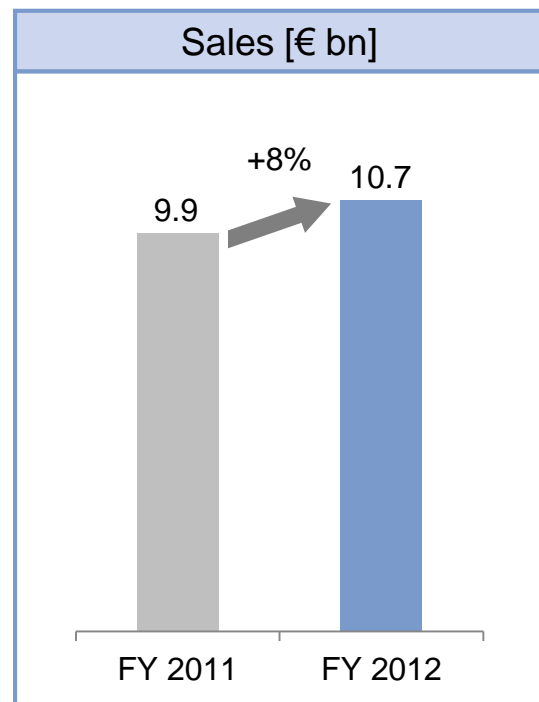
2012: Solid performance in transformation year one

Numbers delivered	<ul style="list-style-type: none">▪ Net sales increase by 8% to €10.7 bn▪ EBITDA pre delivered on guidance at upper end: €2,965 m▪ EPS pre increases by 12% to €7.61
Efficiency progressing	<ul style="list-style-type: none">▪ New management team fully on board and driving the change process▪ New organization implemented▪ Restructuring initiated▪ 2012 savings implemented faster than planned: €115 m compared to planned €55 m
Operational setup optimized	<ul style="list-style-type: none">▪ Leadership positions leveraged (Multiple Sclerosis, Fertility, Endo, Liquid Crystals, biopharma products)▪ Expansion of Emerging Markets platform well on track▪ Better decision-making and resource allocation across the group
Future growth started	<ul style="list-style-type: none">▪ Biopharmaceuticals rejuvenates pipeline with TH-302 and Sym004▪ Performance Materials agrees on technology alliance with Epson on OLED printing▪ Life Science Tools accelerates R&D and new product launches

References to EBITDA are pre one-time items

Numbers delivered

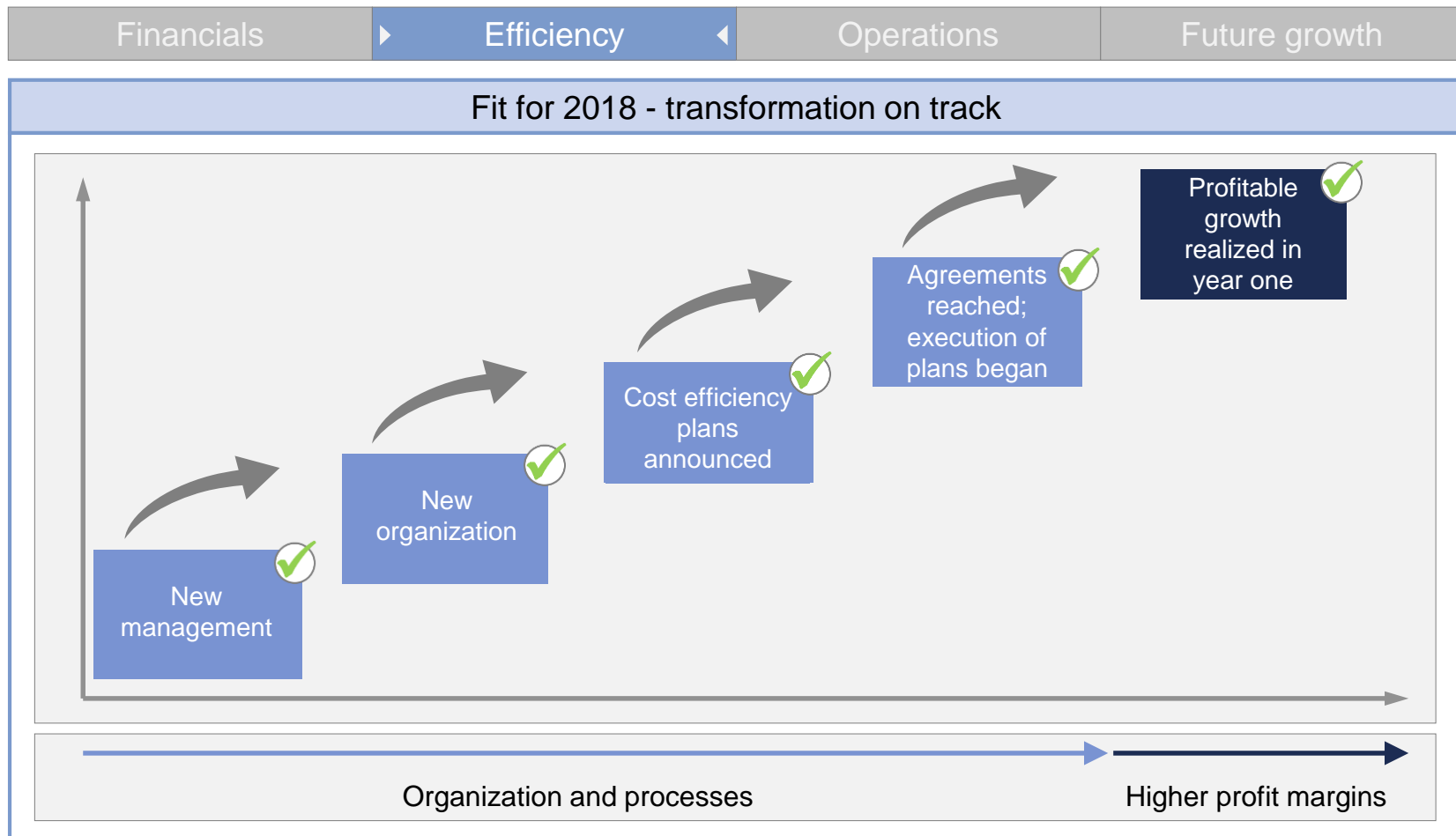
▶ Financials ◀	Efficiency	Operations	Future growth
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Improving business and profitable growth

References to EBITDA and EPS are pre one-time items

Profitable growth achieved in year one of transformation process



Transformation on track

Financials

▶ Efficiency ◀

Operations

Future growth

Major initiatives communicated and started

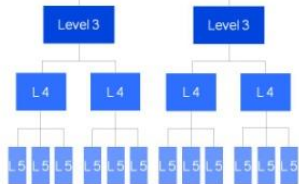
- Biopharmaceuticals, May 2012
 - Consumer Health, August 2012
 - Life Science Tools, December 2012
 - Performance Materials, March 2013
-
- Projects include consolidating headquarters and sites as well as optimizing SG&A and R&D
-
- Financial cornerstones:
 - ~€385 m net savings
 - ~€820 m restructuring costs



Restructuring initiatives in Performance Materials are related to Pigments and Cosmetics

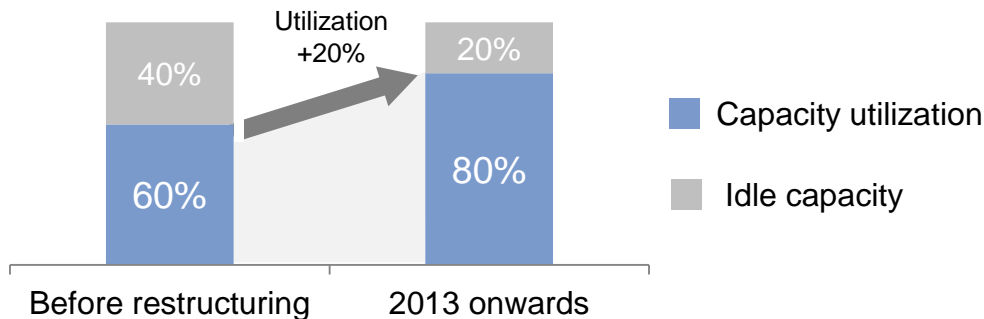
Financials	▶ Efficiency ◀	Operations	Future growth
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Major restructuring initiatives started in 2012



- Leaner organization, reduction of business fields from three to two initiated
- Complete transition to a global organization

Increase of utilization rate intended

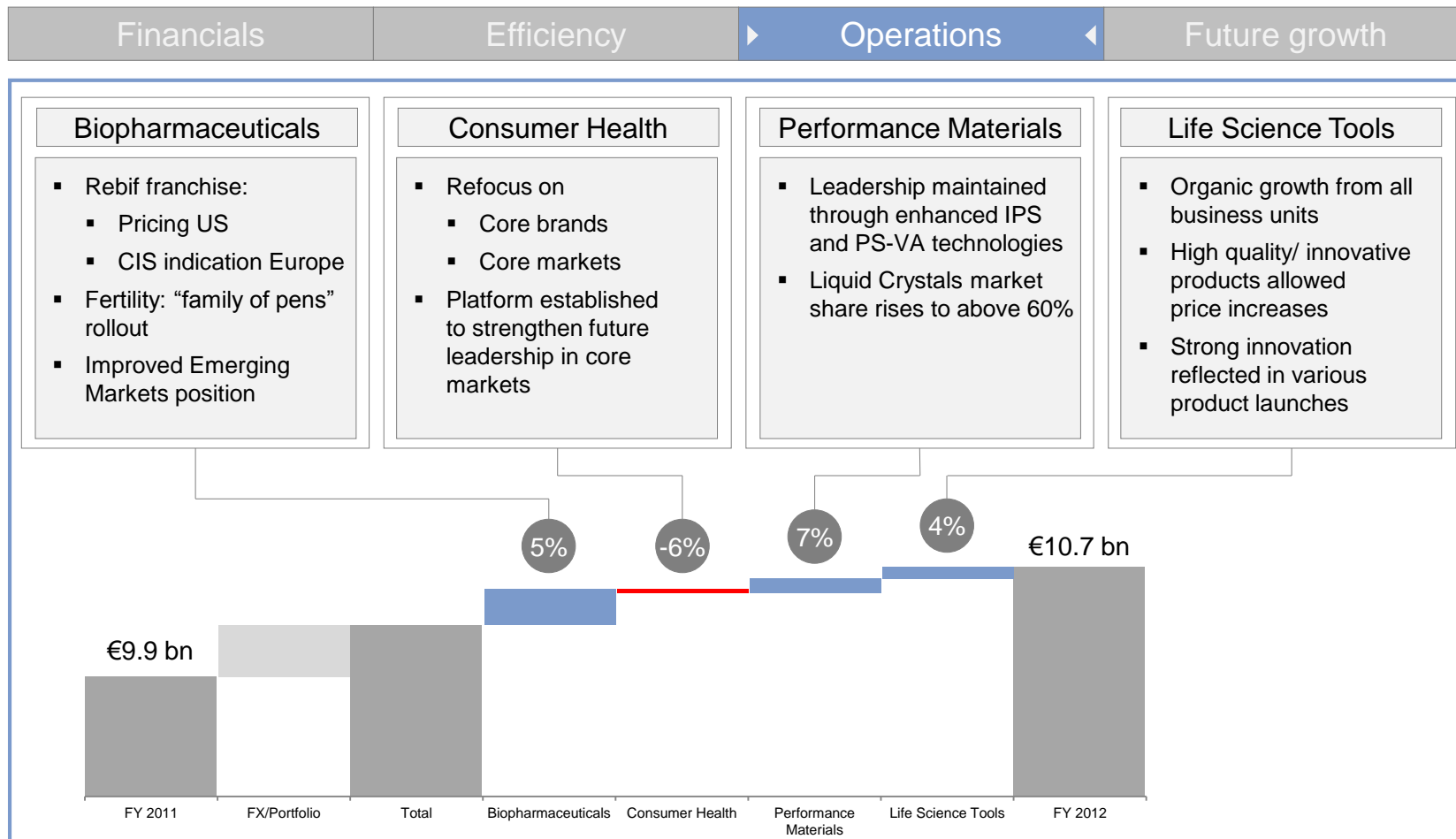


Pigment restructuring

- ~€25 m one-time costs in Performance Materials relate to the pigments business
- Main components are:
 - Transition to leaner and global organization
 - Closure of facilities, shift of capacities
 - Plant headcount reductions

€5 m savings in 2012 implemented

Leading market positions leveraged, yielding strong organic performance



Percentages are organic growth vs. prior year

Preparing for future growth

Financials

Efficiency

Operations

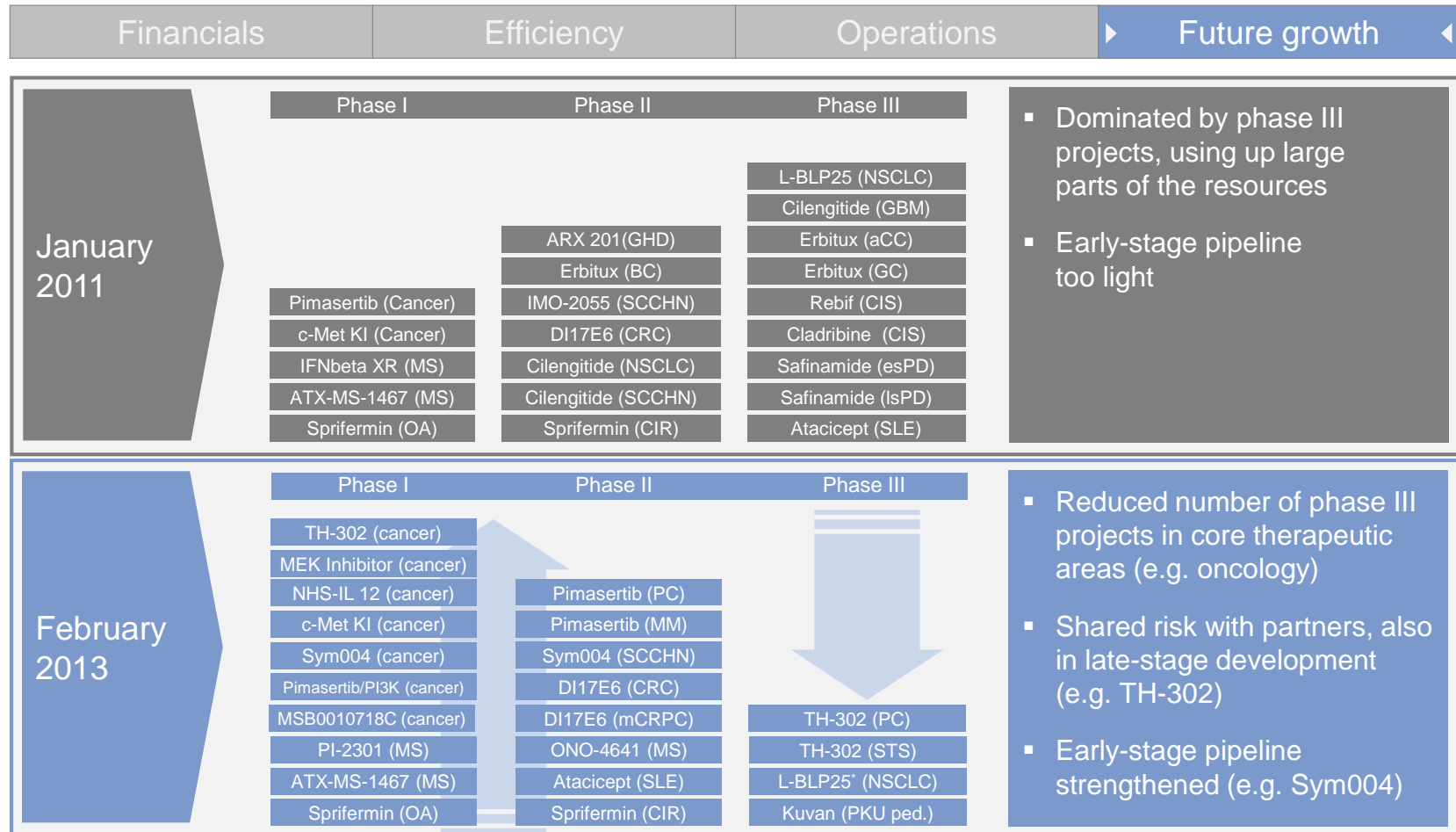
▶ Future growth ◀

Progress made over the last quarters

- Biopharmaceuticals now starts from a clean base
- In-licensing of oncology molecules, TH-302, Sym004 and in multiple sclerosis ONO-4641 in October 2011 and most recently, option for Tcelna
- Biosimilars initiative started
- Liquid Crystals implements further product line extensions and forms technology alliance with Epson on development of OLED ink
- Product launches and selective bolt-on acquisitions in Life Science Tools



A more balanced pipeline



* START trial did not meet primary endpoint. INSPIRE study ongoing. Formerly also known as Stimuvax

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FY 2012: Improving the entire financial matrix

[€ m]	FY 2012	FY 2011	Δ
Sales	10,741	9,906	8%
EBITDA pre <i>Margin (% of sales)</i>	2,965 27.6%	2,724 27.5%	9%
EPS pre [€]	7.61	6.79	12%
Operating cash flow	2,472	1,271	94%

[€ m]	Dec 2012	Dec 2011	Δ
Net financial debt	1,926	3,484	-45%
Working capital	2,360	2,919	-19%
Employees	38,847	40,676	-4%

Comments
<ul style="list-style-type: none"> ▪ Solid top line improvement driven organically and by FX ▪ Strong EBITDA pre increase driven by operational business performance and cost control ▪ Double-digit EPS increase ▪ Operating cash flow almost doubles mainly on major working capital and performance improvements ▪ Drastic reduction in net debt (~€1.6 bn), while simultaneous funding of CTA* (~€250 m)

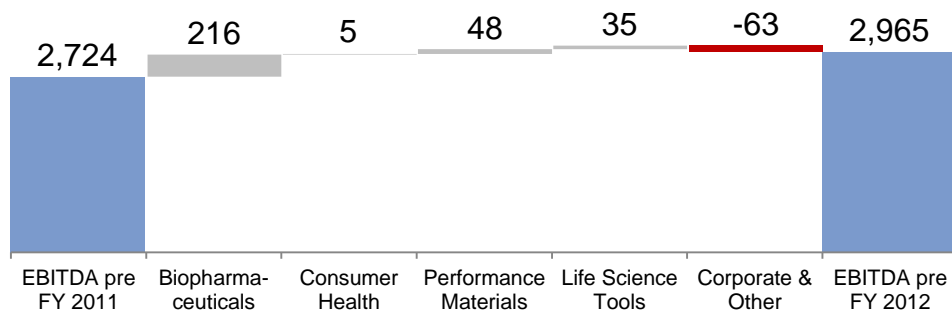
*Contractual Trust Arrangement

Strong organic growth and good execution on cost control

FY yoy sales	Organic	Currency	Portf.	Total
Biopharmaceuticals	5%	3%	0%	8%
Consumer Health	-6%	2%	0%	-4%
Performance Materials	7%	7%	0%	14%
Life Science Tools	4%	4%	1%	9%
THE GROUP	5%	4%	0%	8%

- Biopharmaceuticals posts strong organic growth driven by Rebif, Fertility and Glucophage
- Strong technology leadership in Performance Materials drives exceptional growth
- Life Science Tools delivers reasonable performance

FY EBITDA pre bridge [€ m]

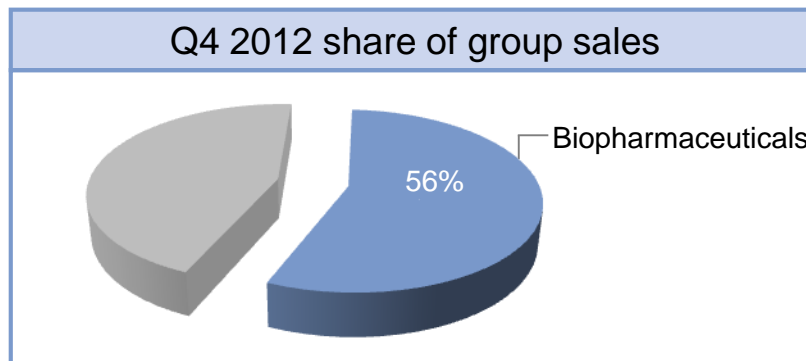
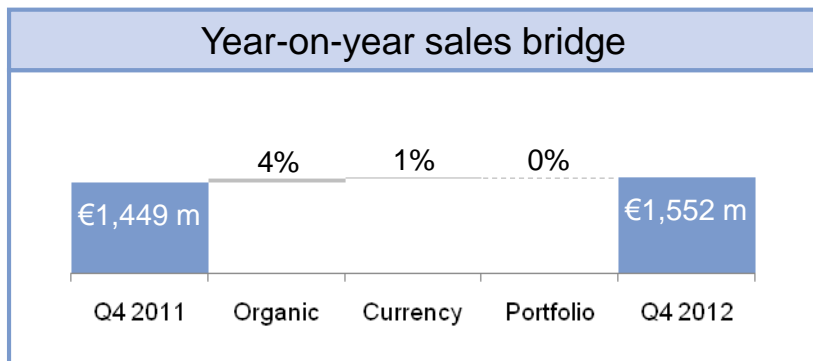


- All divisions contribute to near double digit EBITDA pre increase
- Strongest contributor Biopharmaceuticals driven by organic growth, cost containment and FX
- Corporate and Other includes effects from currency hedging

Top line and cost reduction drive profitable growth

Key items [€ m]	Q4 2012	Q4 2011
Sales	1,522	1,449
Marketing and selling	-341	-351
Admin	-59	-64
R&D	-271	-321
EBIT	210	150
EBITDA	436	392
EBITDA pre	496	408
<i>Margin (% of sales)</i>	<i>32.6%</i>	<i>28.2%</i>

Comments
<ul style="list-style-type: none"> Organic performance, royalties and FX drive top line increase Rebif supported by US pricing, slightly mitigated by softer volumes Erbix softer due to competition in Japan and pricing pressure in Europe Continued solid growth of Gonal-f with existing trends intact Emerging Markets drive General Medicine Strict delivery on cost savings in marketing and selling and R&D Organic growth and delivery on savings by global operations drive increase in profitability

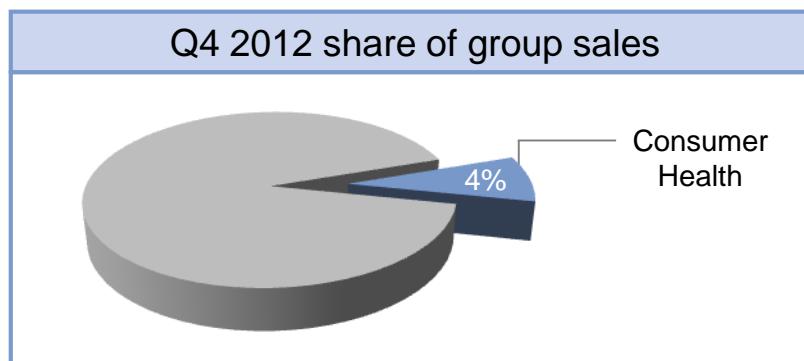
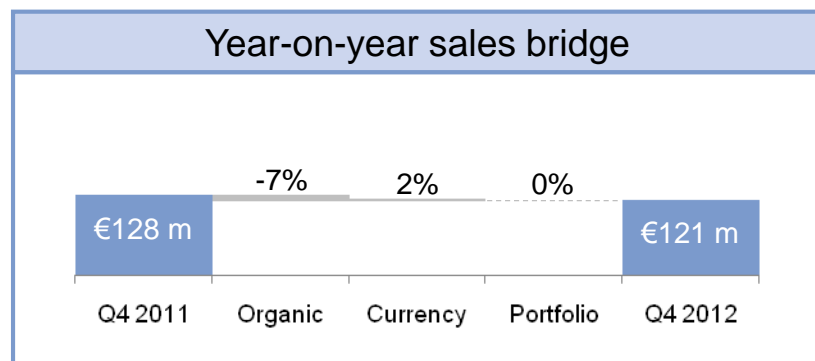


Totals may not add up due to rounding

New business model and efficiency program determine EBITDA pre improvement

Key items [€ m]	Q4 2012	Q4 2011
Sales	121	128
Marketing and selling	-59	-59
Admin	-6	-6
R&D	-6	-6
EBIT	-18	13
EBITDA	-4	16
EBITDA pre	19	16
<i>Margin (% of sales)</i>	<i>15.4%</i>	<i>12.7%</i>

Comments
<ul style="list-style-type: none"> Change of business model weighs on top line (portfolio / country pruning) Softness and difficult environment in Central Europe also contribute to organic sales decline Lower volumes lead to idle capacities, weighing on gross margin One-time items related to site closure of Hull/UK Better resource allocation and cost control overcompensate reduction in top line, improving EBITDA pre and margin

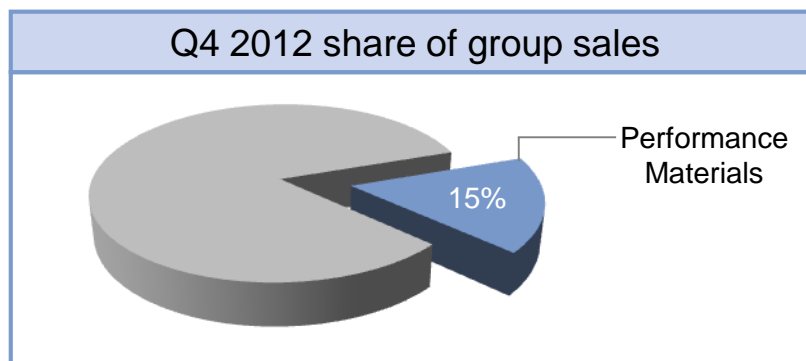
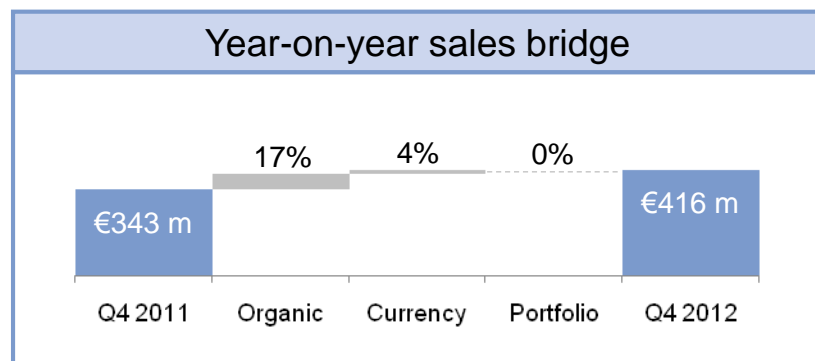


Totals may not add up due to rounding

Strong demand for liquid crystals technologies drives sales and EBITDA pre

Key items [€ m]	Q4 2012	Q4 2011
Sales	416	343
Marketing and selling	-36	-33
Admin	-8	-8
R&D	-35	-33
EBIT	131	141
EBITDA	167	165
EBITDA pre	186	165
<i>Margin (% of sales)</i>	<i>44.7%</i>	<i>48.1%</i>

Comments
<ul style="list-style-type: none"> ▪ Strong sales improvement on solid volumes and FX mitigated by softer pricing ▪ Healthy demand for high quality IPS and PS-VA technologies drives volumes, leading to exceptional market share ▪ Emergence of Chinese customer base continuing, Chinese market now surpasses Japan ▪ Pigments with organic growth on softer comparables but inventory reductions and restructuring weigh on profitability ▪ One-time items mainly related to Fit for 2018: Pigments & Cosmetics restructuring implemented ▪ Softer gross and EBITDA pre margins due to price adjustments and inventory reduction

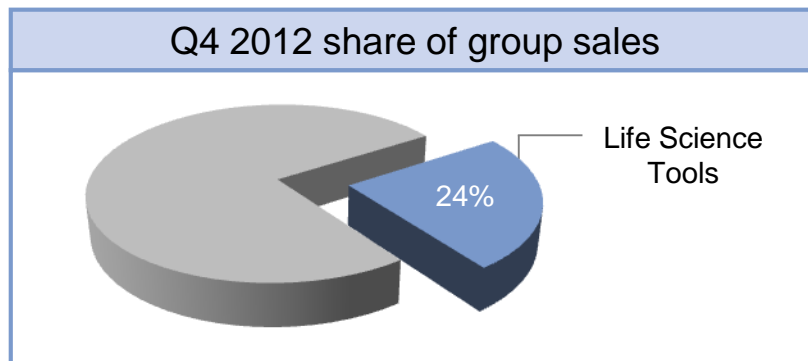
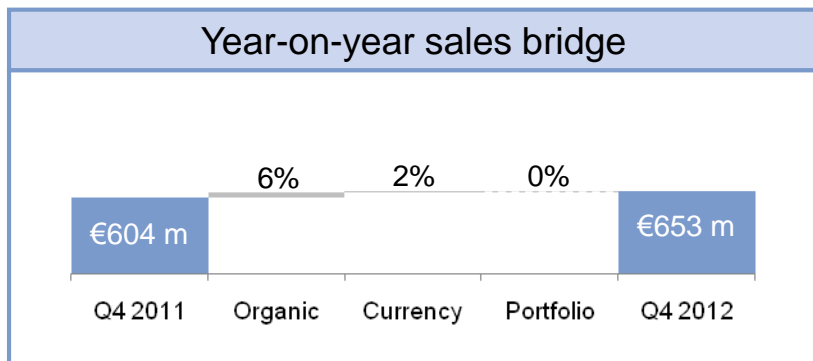


Totals may not add up due to rounding

A quarter of solid business performance, working capital initiatives and strong R&D investment




Key items [€ m]	Q4 2012	Q4 2011
Sales	653	604
Marketing and selling	-174	-163
Admin	-27	-25
R&D	-44	-36
EBIT	26	57
EBITDA	107	131
EBITDA pre	139	142
<i>Margin (% of sales)</i>	<i>21.2%</i>	<i>23.4%</i>

Comments
<ul style="list-style-type: none"> ▪ Sales rise as all regions, notably Emerging Markets, contribute organically with further support from FX ▪ Q4 shows overall positive pricing momentum for businesses ▪ Top line growth driven by Process Solutions with healthy end market demand from biopharma ▪ Gross margin negatively affected by announced working capital improvement initiatives and related temporary site shutdowns ▪ Heavy investments in R&D, supporting single-use business model and biotech initiatives ▪ EBITDA pre around previous year's level while margin burdened by tighter working capital management



Totals may not add up due to rounding







Fit for 2018: Faster implementation and new initiatives added







Previous disclosure	Savings	2012	2013	2014	2015	2016	2017	Total	
	MS	50	200	300				300	
	CH	5	15	25				25	
	MM				10	30	40	40	
	Total	55	215	325	335	355	365	365	
	Costs*	430	230	120	20			800	
	  								
	New disclosure	Savings	2012	2013	2014	2015	2016	2017	Total
MS		100	250	300				300	
CH		10	15	25				25	
PM		5	10	20				20	
MM			5	10	20	30	40	40	
Total		115	280	355	365	375	385	385	
Costs*		463	229	110	15			817	

Details
<ul style="list-style-type: none"> Biopharmaceuticals with swift implementation of initiatives: <ul style="list-style-type: none"> €50 m savings pulled forward Earlier personnel departures in Geneva Consumer Health and Life Science Tools savings also accelerated €20 m additional savings from Pigments & Cosmetics reorganization
<p>Strict implementation to yield ~€385 savings until 2017</p>

*Fit for 2018 one-time costs on EBIT (also including related one-time D&A = Fit for 2018 impairments)

First results of efficiency program now clearly visible in P&L

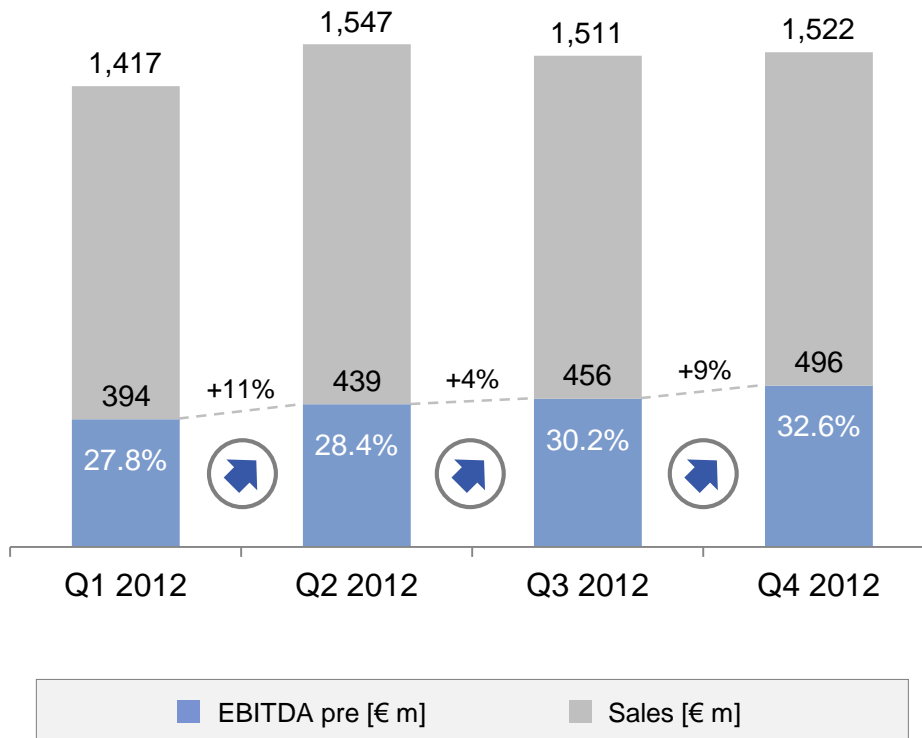
Biopharmaceuticals					
	in % of sales		absolute		
	2011	2012	2011	2012	
[€ m]	2011	2012	2011	2012	
Sales	100%	100%	5,564	5,996	
Marketing and selling	25%	 23%	-1,412	-1,371	
R&D	22%	 20%	-1,224	-1,187	
Administration	5%	 4%	-253	-250	

Consumer Health					
	in % of sales		absolute		
	2011	2012	2011	2012	
[€ m]	2011	2012	2011	2012	
Sales	100%	100%	494	473	
Marketing and selling	47%	 46%	-233	-218	
R&D	5%	 4%	-23	-19	
Administration	5%	 5%	-24	-23	

Comments
<ul style="list-style-type: none"> Transformation of Biopharmaceuticals and Consumer Health reflected in improved cost to sales ratios Clear improvements in marketing and selling and R&D in Biopharmaceuticals Consumer Health also improves cost allocation, main drivers are portfolio pruning, regional exits and more focused sales promotion
<p>Execution on strategy drives cost reduction</p>

Biopharmaceuticals – four consecutive quarters of EBITDA pre and margin improvement

Sales, EBITDA pre and margin evolution



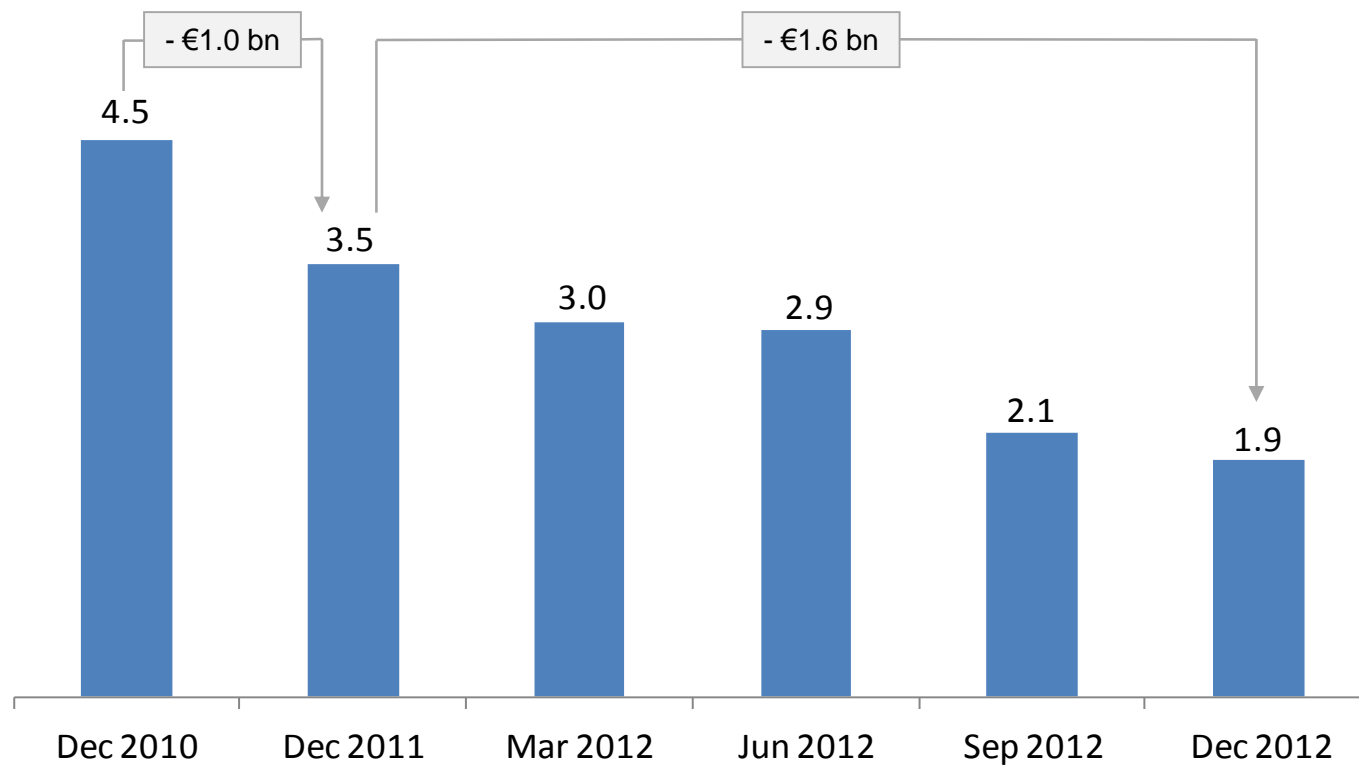
Performance 2012

- North America, Emerging Markets growth and FX drive 2012 top line results
- Fit for 2018 initiatives related to R&D and marketing and selling improve relative cost base
- New management ensures four quarters of continued operations while restructuring business

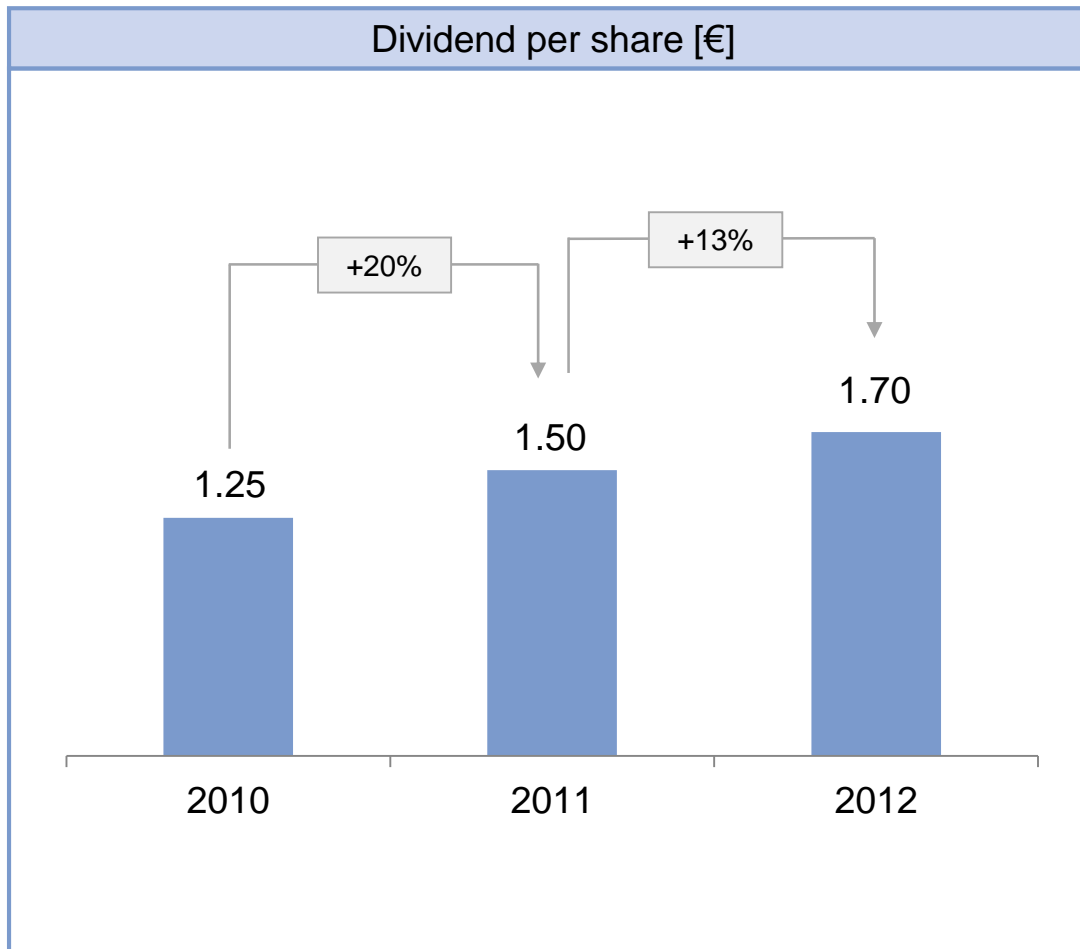
Unleashing the potential of a strong franchise

Strong deleveraging continues

Net financial debt reduction [€ bn]



Dividend increase reflects operational improvement



Payout

- Dividend of €1.70 per share proposed*
- Total payout of €110 m to limited liability shareholders
- Dividend increase of 13% yoy

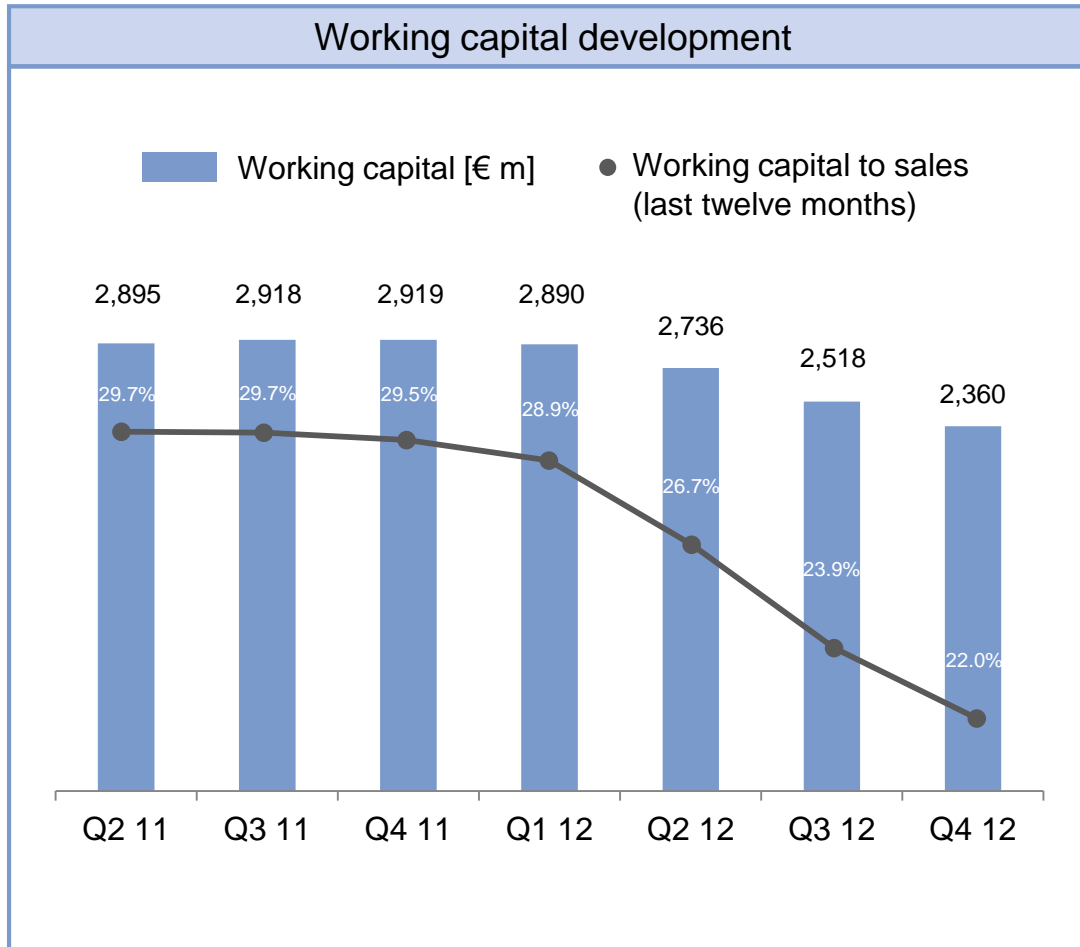
Dividend policy

- Ensure shareholders benefit appropriately and sustainably from business performance
- Moderate dividend policy remains intact, aiming at sustainable 35-40% payout ratio**

* Final decision subject to AGM approval

** on adjusted net income (reported net income plus one-time items, i.e. transformation costs)

Working capital: Now managed




Comments

- Substantial sequential reduction in working capital metrics
- Q4 improvement mainly driven by inventory reductions in Performance Materials
- New management incentives for working capital ratios main driver of improvement
- ~25% considered a solid level

Effective working capital control mechanisms in place

Qualitative guidance for 2013

Biopharmaceuticals	Consumer Health	Performance Materials	Life Science Tools
			
<ul style="list-style-type: none"> ▪ Organic sales growth more moderate vs. 2012: Rebif stable, Erbitux stable to slight increase, moderate growth in Endo, Fertility, GM ▪ Over proportional EBITDA pre increase due to further cost savings 	<ul style="list-style-type: none"> ▪ Lower to stable sales (market/brand exits and site closure) ▪ Profitability improvement driven by cost control 	<ul style="list-style-type: none"> ▪ Organic growth from volume increases but softer pricing ▪ EBITDA pre at best at 2012 level 	<ul style="list-style-type: none"> ▪ Moderate organic sales growth ▪ China, India and Latin America as geographic growth drivers ▪ EBITDA pre growth in line with sales
<p>The Group: Moderate organic sales growth, EBITDA pre growth above sales increase driven by savings implementation</p>			



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Appendix

Additional financial guidance

Further financial disclosure

- Royalty, license and commission income: To decline to ~€180-200 m in 2014
- Corporate EBITDA pre: around -€210 m
- Underlying tax rate: ~25 to 26%
- Capex on PPE: around -€450 m
- Hedging / USD assumption: 2013 and 2014 hedge ratio between ~30 to 35% at EUR/USD ~1.30 – 1.35



Q4 2012: Improving the entire financial matrix

[€ m]	Q4 2012	Q4 2011	Δ
Sales	2,712	2,525	7%
EBITDA pre <i>Margin (% of sales)</i>	790 29.1%	681 27.0%	16%
EPS pre [€]	2.05	1.66	23%
Operating cash flow	398	54	>100%

[€ m]	Dec 2012	Dec 2011	Δ
Net financial debt	1,926	3,484	-45%
Working capital	2,360	2,919	-19%
Employees	38,847	40,676	-4%

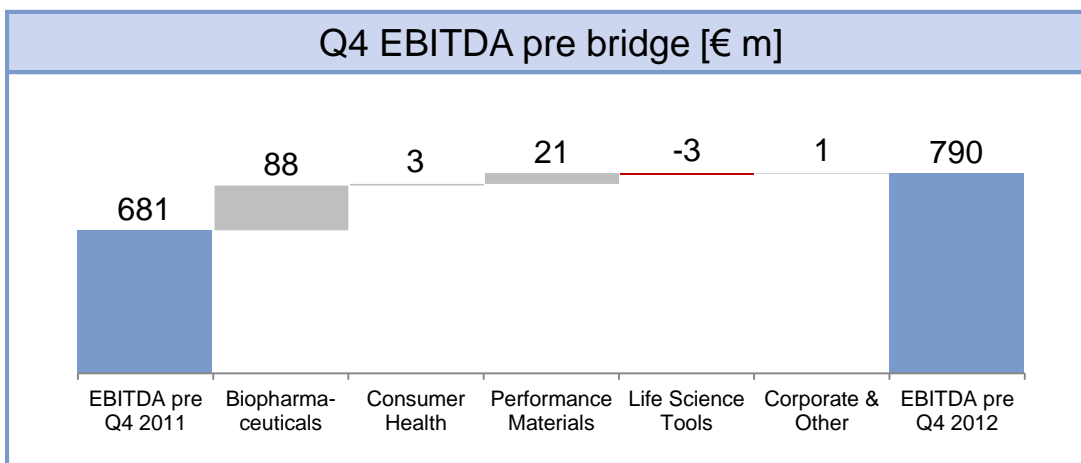
Comments
<ul style="list-style-type: none"> ▪ Sales increase reflects ~6% organic growth, 2% FX benefit ▪ Largest contributor to 16% EBITDA pre increase is Biopharmaceuticals with a ~20% jump in profitability ▪ Double-digit EPS increase ▪ Operating cash flow supported by strict working capital management ▪ Drastic reduction in net debt (~€1.6 bn), while simultaneous funding of CTA* (~€250 m)

Totals may not add up due to rounding
 * Contractual Trust Arrangement

A sound quarter of top-line and bottom-line growth

Q4 yoy sales	Organic	Currency	Portf.	Total
Biopharmaceuticals	4%	1%	0%	5%
Consumer Health	-7%	2%	0%	-5%
Performance Materials	17%	4%	0%	21%
Life Science Tools	6%	2%	0%	8%
THE GROUP	6%	2%	0%	7%

- Absolute sales increase driven evenly by Biopharmaceuticals and Performance Materials, followed by Life Science Tools
- Exceptional growth performance from Performance Materials
- Only slight support from FX as EUR/USD turned during Q4



- Strongest contributor Biopharmaceuticals driven by US organic growth, cost containment, FX
- Performance Materials with strong exceptional contribution
- Consumer Health and Life Science Tools offset each other

Q4 12: Operational performance and efficiencies drive profitability improvement

[€ m]	Q4 2012	Q4 2011	Δ
Total revenues	2,835	2,626	8%
Sales	2,712 (100%)	2,525 (100%)	7%
Royalty, license and comm.	123 (5%)	101 (4%)	21%
Gross profit	2,021 (75%)	1,918 (76%)	5%
Marketing and selling	-609 (22%)	-607 (24%)	0%
Royalty, license and comm.	-146 (5%)	-137 (5%)	7%
Administration	-132 (5%)	-139 (5%)	-5%
Other expenses / income	-248 (9%)	-116 (5%)	>100%
R&D	-355 (13%)	-397 (16%)	-11%
Amortization	-220 (8%)	-225 (9%)	-2%
EBIT	312 (11%)	296 (12%)	5%
D&A	359 (13%)	344 (14%)	4%
One-time items	119 (4%)	41 (2%)	>100%
EBITDA pre	790	681	16%
<i>Margin (% of sales)</i>	<i>29.1%</i>	<i>27.0%</i>	

Comments
<ul style="list-style-type: none"> ▪ Solid sales increase of 7% ▪ Gross margin burdened by higher start-up costs (LSB*) and initiatives to improve working capital, especially in Performance Materials and Life Science Tools ▪ Cost containment reduces marketing and selling and R&D as a percentage of sales ▪ Other expenses more than doubled driven by Fit for 2018 ▪ Strong EBITDA pre growth due to solid business performance and savings

Totals may not add up due to rounding
 *Large Scale Biotech plant

Profitable growth driven by solid business performance and efficiency program

[€ m]	FY 2012		FY 2011		Δ
Total revenues	11,173		10,276		9%
Sales	10,741	(100%)	9,906	(100%)	8%
Royalty, license and comm.	432	(4%)	370	(4%)	17%
Gross profit	8,015	(75%)	7,491	(76%)	7%
Marketing and selling	-2,411	(22%)	-2,386	(24%)	1%
Royalty, license and comm.	-580	(5%)	-500	(5%)	16%
Administration	-552	(5%)	-536	(5%)	3%
Other expenses / income	-1,127	(10%)	-417	(4%)	>100%
R&D	-1,511	(14%)	-1,514	(15%)	0%
Amortization	-872	(8%)	-1,005	(10%)	-13%
EBIT	964	(9%)	1,132	(11%)	-15%
D&A	1,397	(13%)	1,599	(16%)	-13%
One-time items	605	(6%)	-7	(0%)	n.m.
EBITDA pre	2,965		2,724		9%
<i>Margin (% of sales)</i>	<i>27.6%</i>		<i>27.5%</i>		

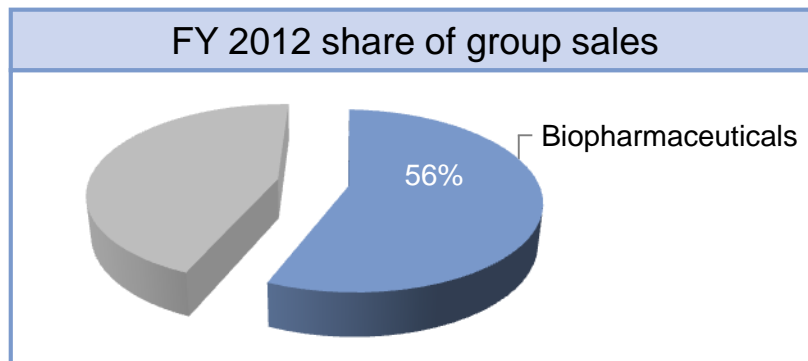
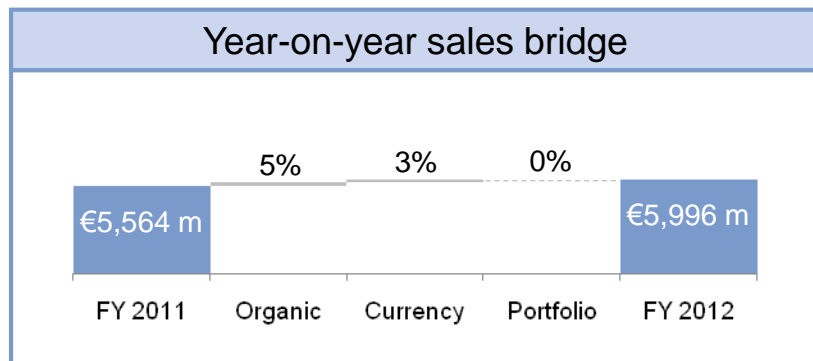
Comments
<ul style="list-style-type: none"> 5% organic sales growth mainly driven by Biopharmaceuticals and Performance Materials, further support from FX (4%) Commission expenses grow due to Rebif sales increase Strict cost containment reduces R&D and marketing and selling as a percentage of sales Other expenses driven by Fit for 2018, PY include €157 m Crop BioScience gain Solid business performance and savings increase EBITDA pre

Totals may not add up due to rounding

A strong year of successful transformation

Key items [€ m]	FY 2012	FY 2011
Sales	5,996	5,564
Marketing and selling	-1,371	-1,412
Admin	-250	-253
R&D	-1,187	-1,224
EBIT	508	342
EBITDA	1,441	1,527
EBITDA pre	1,785	1,569
<i>Margin (% of sales)</i>	<i>29.8%</i>	<i>28.2%</i>

Comments
<ul style="list-style-type: none"> ▪ Sales increase based on solid organic growth with further support from FX ▪ Royalties increased 15% driven by Humira and FX ▪ Strong Rebif performance due to improved pricing in North America, overcompensating pressure in Europe, Erbitux with slight organic growth ▪ Solid demand for Glucophage, Gonal-f, and Thyroid products drives organic sales in Emerging Markets ▪ LSB* and warning letter follow-up costs together with softer pricing in Europe weigh on gross margin ▪ Reduced R&D and marketing and selling reflect stringent cost control and lead to significant EBITDA and margin improvement

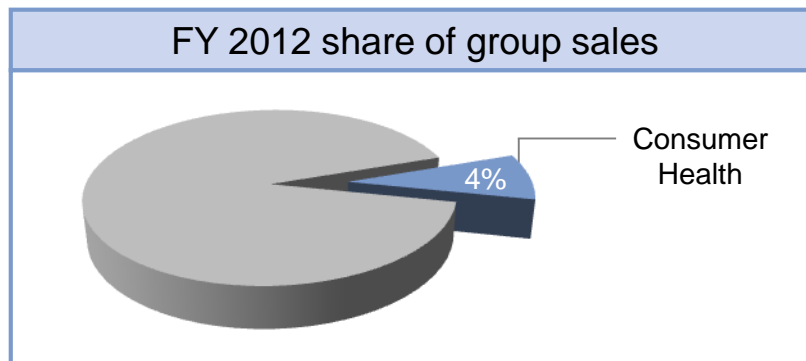
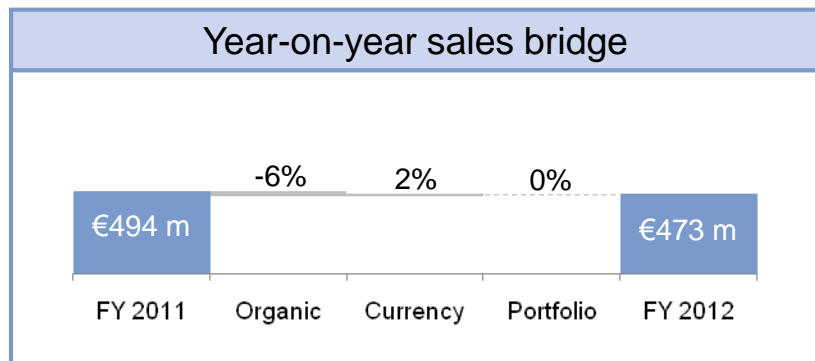


Totals may not add up due to rounding , EBITDA references in comments are pre Large Scale Biotech plant

Strict restructuring and improved resource allocation drive substantial change of business setup

Key items [€ m]	FY 2012	FY 2011
Sales	473	494
Marketing and selling	-218	-233
Admin	-23	-24
R&D	-19	-23
EBIT	4	47
EBITDA	26	59
EBITDA pre	63	59
<i>Margin (% of sales)</i>	<i>13.4%</i>	<i>11.8%</i>

Comments
<ul style="list-style-type: none"> ▪ Change of business model weighs on top line (portfolio / country pruning) ▪ Softness and difficult environment in Central Europe also contributes to organic sales decline ▪ Lower volumes lead to idle capacities, weighing on gross margin ▪ One-time items related to site closure of Hull/UK ▪ Better resource allocation and cost control overcompensate reduction in top line, improving EBITDA pre and margin

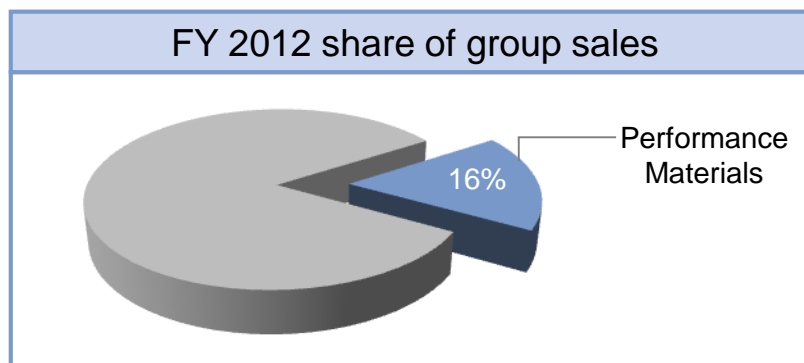
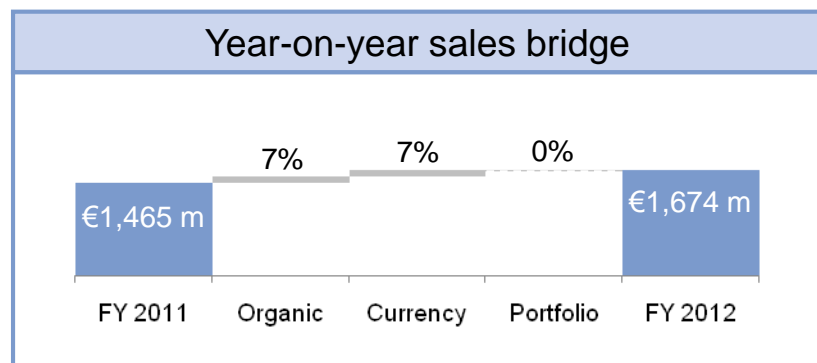


Totals may not add up due to rounding

2012 a year of exceptional performance fueled by strong demand for liquid crystals as well as FX

Key items [€ m]	FY 2012	FY 2011
Sales	1,674	1,465
Marketing and selling	-143	-132
Admin	-35	-33
R&D	-137	-133
EBIT	599	691
EBITDA	723	801
EBITDA pre	731	683
<i>Margin (% of sales)</i>	<i>43.6%</i>	<i>46.6%</i>

Comments
<ul style="list-style-type: none"> ▪ Significant sales increase driven by volume and FX ▪ Consumer demand for increasing TV sizes drives IPS and PS-VA performance ▪ Efficiency measures in Pigments & Cosmetics initiated with focus on asset base and organizational restructuring ▪ EBITDA pre increases while inventory reductions and related reduced capacity utilization weigh on margin

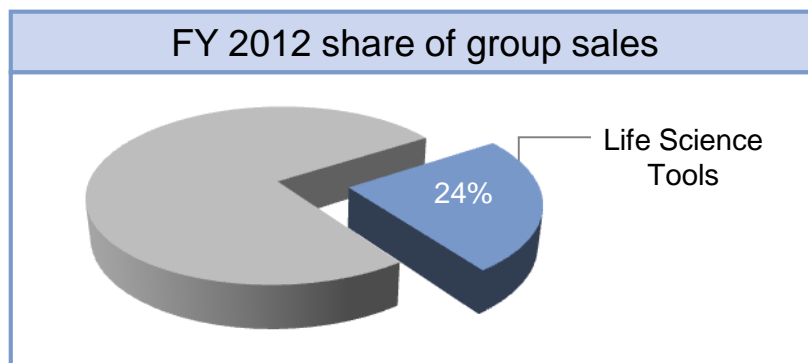
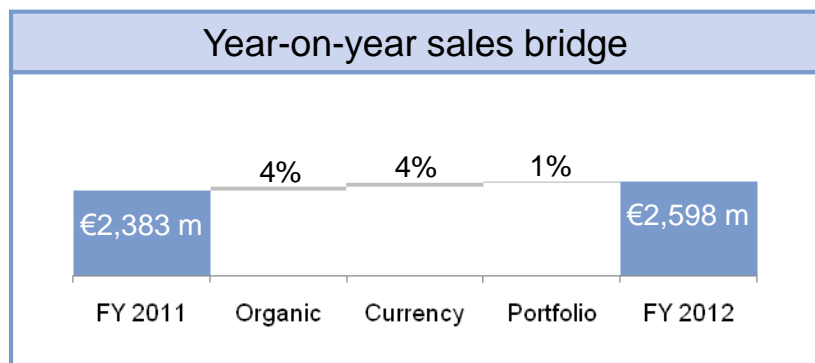


Totals may not add up due to rounding

Solid performance across all business units

Key items [€ m]	FY 2012	FY 2011
Sales	2,598	2,383
Marketing and selling	-676	-606
Admin	-113	-104
R&D	-166	-133
EBIT	233	235
EBITDA	542	522
EBITDA pre	596	561
<i>Margin (% of sales)</i>	22.9%	23.6%

Comments
<ul style="list-style-type: none"> Higher sales on support from volume, price and FX All business units contributing to sales increase, strongest growth in Process Solutions from biopharma customers Emerging Markets and Europe main growth drivers Ongoing new product launches drive marketing and selling expenses Continued investments in R&D for single-use products and biotech initiatives to drive growth EBITDA pre increases while softer margin reflects higher investments in R&D as well as increased marketing and selling expenses



Totals may not add up due to rounding

Balance sheet: We walk the talk

[€ m]	Dec. 31 2012	Dec. 31 2011	Δ	Comments
Total assets	21,643	22,122	-2%	<ul style="list-style-type: none"> ▪ Increased cash position from strong operational performance and working capital management ▪ March and December 2012 bond maturities significantly reduced gross financial debt by €1 bn ▪ Improvement of financial profile led to rating upgrades: S&P to A- and Moody's to Baa1, both with stable outlook ▪ Drastic reduction in net debt, while simultaneously funding of CTA* by ~€250 m
Equity	10,415	10,494	-1%	
Cash and other liquid funds	2,528	2,055	23%	
Intangible assets	10,945	11,764	-7%	
Financial debt	4,454	5,539	-20%	
Pension provisions	1,212	1,140	6%	
Net financial debt	1,926	3,484	-45%	

Totals may not add up due to rounding
 *Contractual Trust Arrangement

Underlying cash flow strength

[€ m]	FY 2012	FY 2011	Δ
Profit after tax	579	618	-39
D&A	1,397	1,597	-201
Changes in working capital	526	-198	724
Changes in provisions	379	-419	797
Changes in other assets / liab.	-384	-150	-233
Other operating activities	-24	-177	153
Operating cash flow	2,472	1,271	1,201
Capital expenditures	-329	-366	37
Others	-103	531	-635
Free cash flow	2,040	1,436	604

Comments
<ul style="list-style-type: none"> ▪ ~€1.2 bn increase in operating cash flow driven by <ul style="list-style-type: none"> ▪ More than €500 m cash freed on tighter working capital management despite sales expansion ▪ Higher change in provisions primarily driven by restructuring provisions ▪ €270 m higher cash-outs related to CTA* in 2011 vs. 2012

Totals may not add up due to rounding
 *Contractual Trust Arrangement

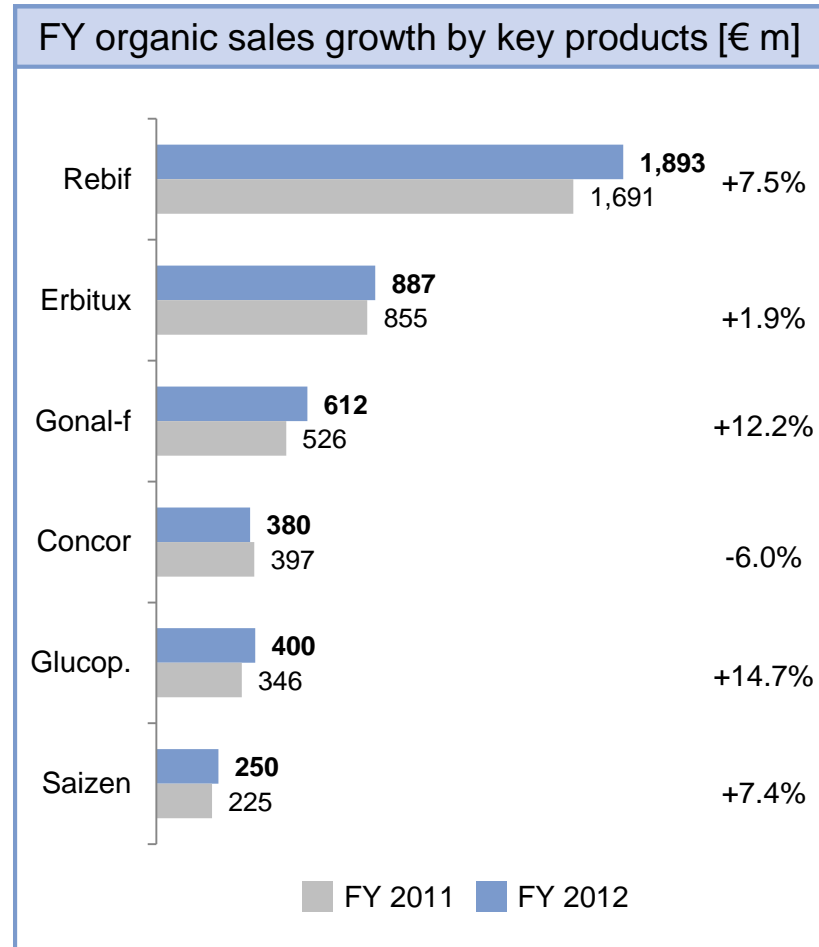
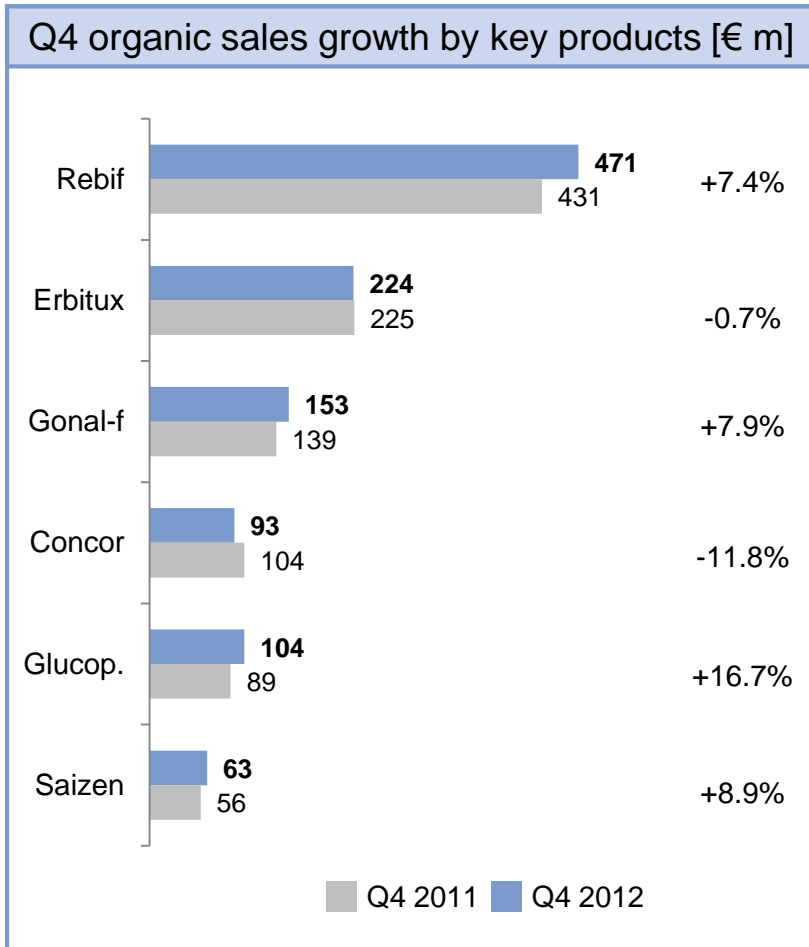
Operating cash flow benefiting from improved working capital management

[€ m]	Q4 2012	Q4 2011	Δ
Profit after tax	276	136	140
D&A	359	344	15
Changes in working capital	101	38	63
Changes in provisions	-172	-441	269
Changes in other assets / liab.	-167	-28	-138
Other operating activities	2	6	-4
Operating cash flow	398	54	344
Capital expenditures	-148	-120	-28
Others	-71	122	-193
Free cash flow	180	56	123

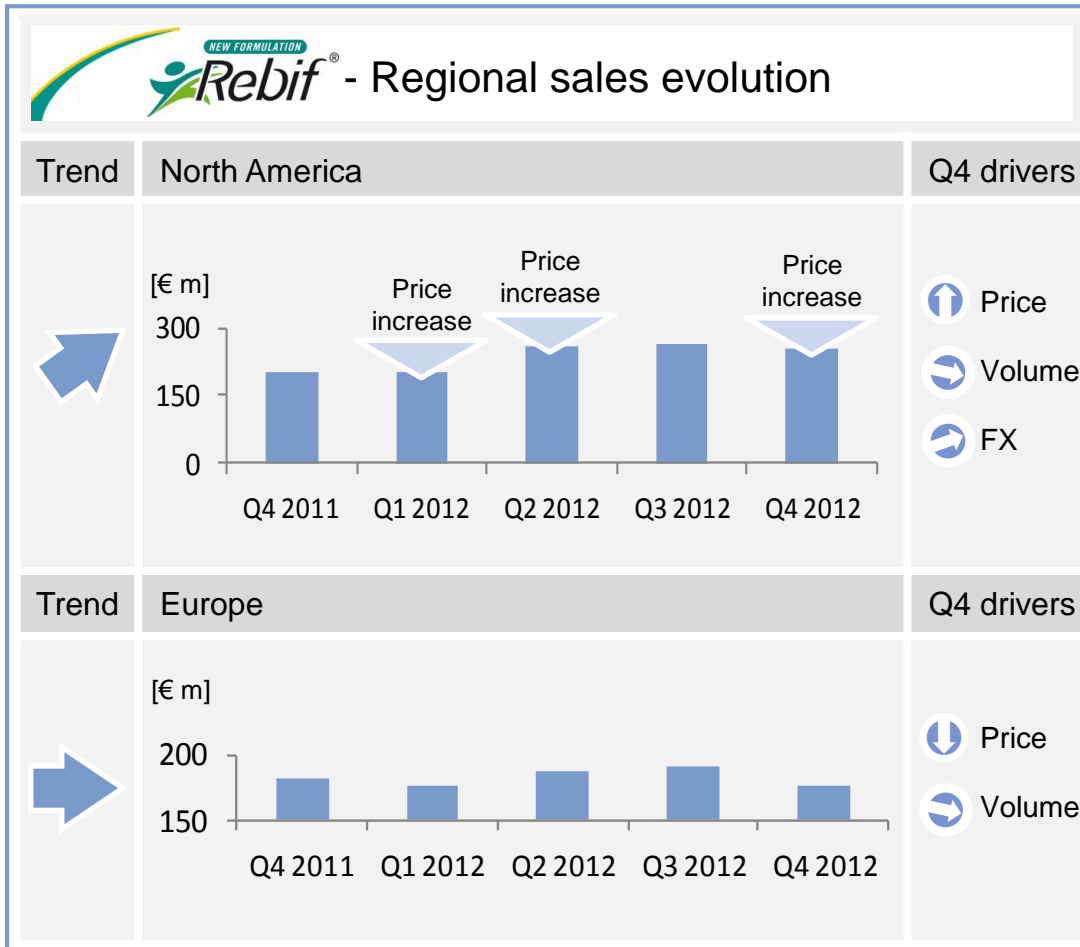
Q4 2012 cash flow
<ul style="list-style-type: none"> Changes in working capital reflect tighter management of inventories, receivables and payables Without 2011 €520 m and 2012 €250 m CTA funding, changes in provisions stable Changes in other assets and liabilities due to higher tax payments Operating cash flow increases on higher profit before tax and lower CTA funding

Totals may not add up due to rounding

Organic sales growth of main products



Rebif - new commercial organization driving strong 2012 performance



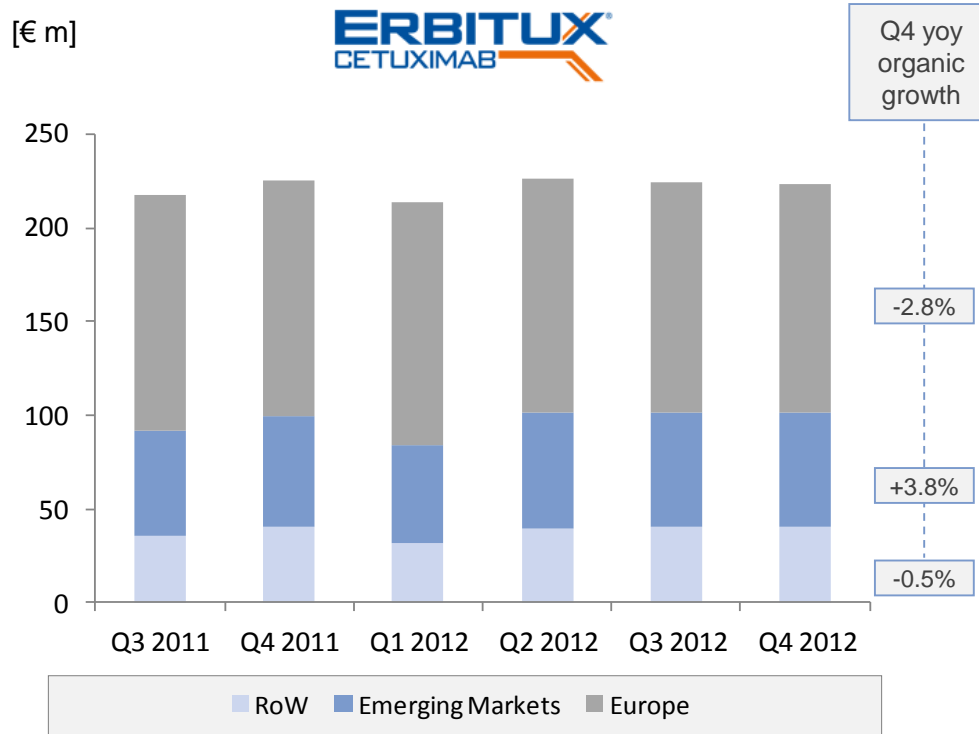
Rebif performance

- €471 m global sales and 7.4% organic growth in Q4 2012
- 7.5% organic sales growth in 2012
- Price increases in the US as well as FX in North America were key growth drivers
- Continued pricing pressure in Europe

Defending the franchise in 2013

Erbitux - solid Q4 Emerging Markets performance overshadowed by declines in other regions

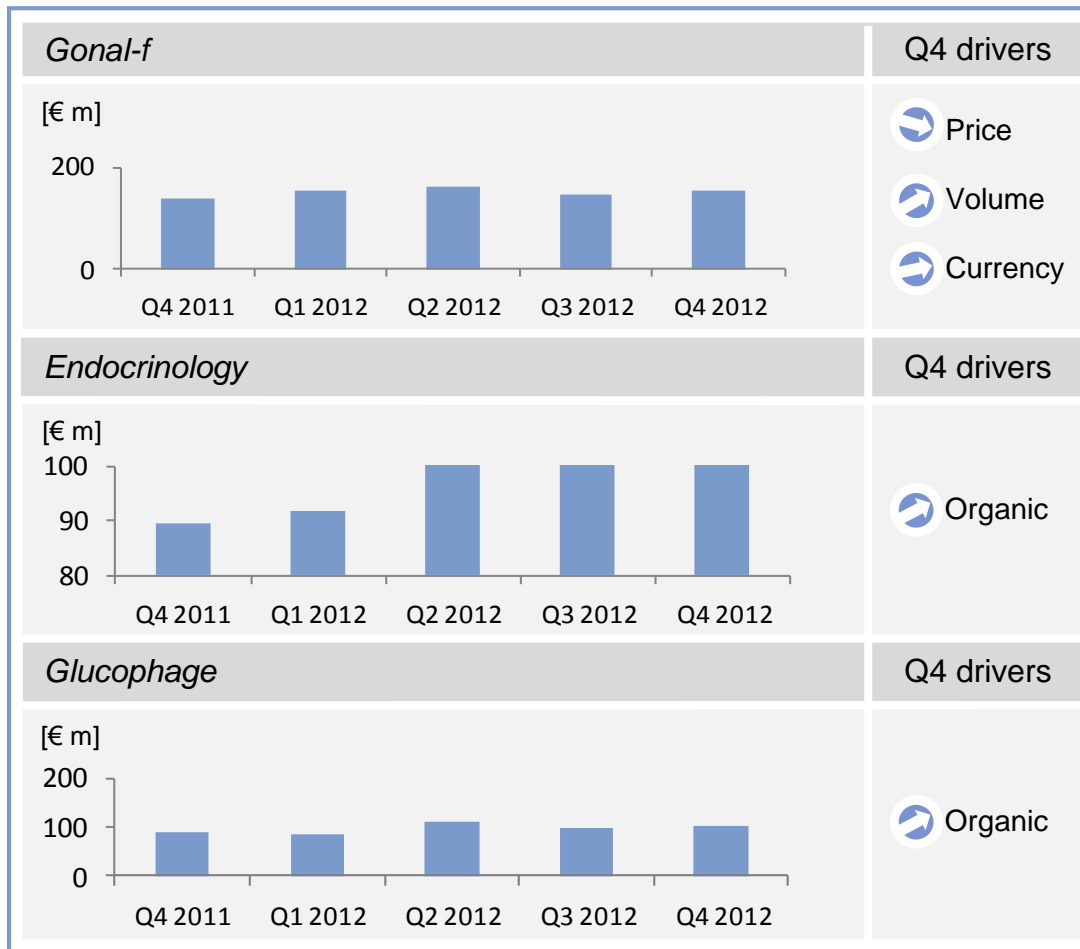
Erbitux sales by geography



Erbitux performance

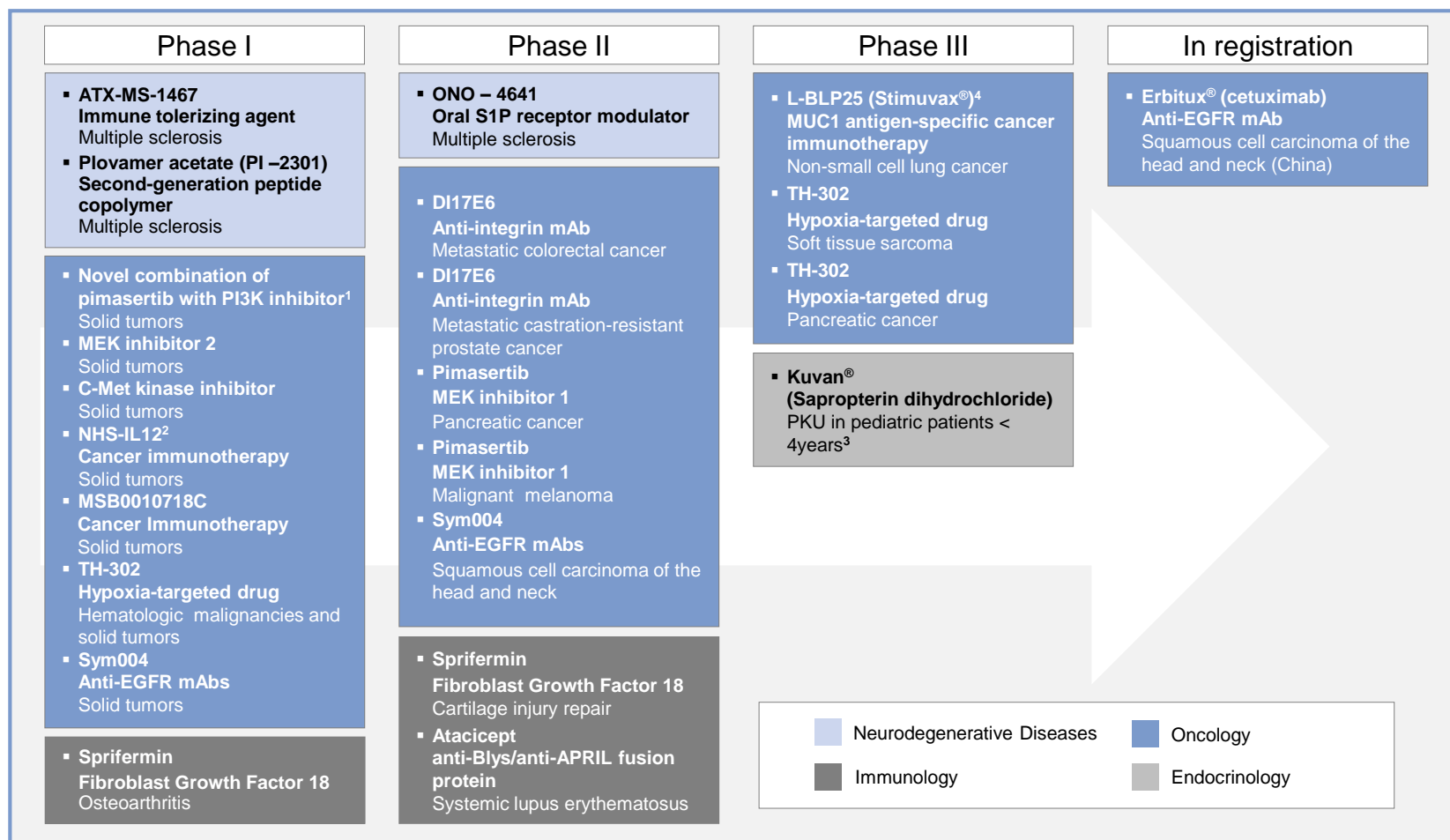
- Q4 Erbitux sales sequentially stable at €224 m
- FY 2012 organic sales growth at 1.9%
- Main 2012 organic growth drivers are sales to Latin America and Australia
- FY 12: Continued softness in Europe and Japan from increasing competition and pricing pressure

Strong organic growth in Gonal-f, Endocrinology and Glucophage



Q4 growth
<ul style="list-style-type: none"> Gonal-f with good performance reflected in 8% organic growth in Q4 driven by underlying trend toward postponed child bearing, fueling volume Endocrinology posts 11% Q4 organic growth, driven by largest product Saizen posting double-digit Emerging Markets growth Strong quarter for Glucophage driven by 17% organic sales growth in all regions, especially in Emerging Markets

Pipeline



Pipeline as of February, 2013;

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

² Sponsored by the National Cancer Institute (NCI), USA; ³ Phase IIIb post-approval request by EMA

⁴ START trial did not meet primary endpoint. INSPIRE study ongoing;

Pipeline newsflow

Project	Indication	Current phase	Timing	Event
TH-302	Soft tissue sarcoma	Phase III	Mid-2013	Futility analysis
ONO-4641	Multiple sclerosis	Phase II	2013	Phase III 'go/no go' decision
Atacicept	Systemic lupus erythematosus	Phase II	H1 2013	Publication of results (APRIL SLE)



2013 industry outlook

Biopharmaceuticals

- Worldwide growth driven by Emerging Markets
- Europe will continue to suffer from austerity measures

Consumer Health

- Global market growth expected to be mid-single digit
- Asia-Pacific / Latin America to show high-single digit growth
- Europe to grow mid-single digit

Performance Materials

- Size of LC display market expected to grow driven by increased average TV display size and tablet PCs
- World market for Automotive forecasted to grow low-single digit

Life Science Tools

- Pharma to grow low-single digit; thereof Biotechnology growth mid-single digit
- Laboratory products expected to grow low-single digit



Balanced portfolio of four divisions

The Group			
Biopharmaceuticals	Consumer Health	Performance Materials	Life Science Tools
 <p>Leading in certain specialty pharma markets</p>	 <p>Present in OTC niche markets</p>	 <p>No. 1 in display materials</p>	 <p>Top 3 in life science tools</p>
<ul style="list-style-type: none"> ▪ Life cycle management ▪ Biologics ▪ Emerging markets 	<ul style="list-style-type: none"> ▪ Vitamins ▪ Supplements ▪ Strong presence in Latin America and Europe 	<ul style="list-style-type: none"> ▪ Customer intimacy ▪ Innovation power ▪ Cost and technology leadership 	<ul style="list-style-type: none"> ▪ Global presence ▪ Innovation ▪ End-to-end solutions for pharma industry

Q4 2012: One-time items in EBIT

One-time items Q4 2012				
[€ m]	Q4 2011		Q4 2012	
	One-time items	thereof D&A	One-time items	thereof D&A
Biopharmaceuticals	30	13	65	5
Consumer Health	0	0	34	11
Performance Materials	0	0	19	0
Life Science Tools	12	0	33	1
Corporate & Other	13	0	-15	0
Total	55	13	136	17

FY 2012: One-time items in EBIT

One-time items FY 2012				
[€ m]	FY 2011		FY 2012	
	One-time items	thereof D&A	One-time items	thereof D&A
Biopharmaceuticals	365	323	391	46
Consumer Health	0	0	48	11
Performance Materials	-110	9	8	0
Life Science Tools	39	0	55	1
Corporate & Other	30	0	163	0
Total	325	332	664	59

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