

Merck KGaA, Darmstadt, Germany

J.P. Morgan Healthcare Conference 2013

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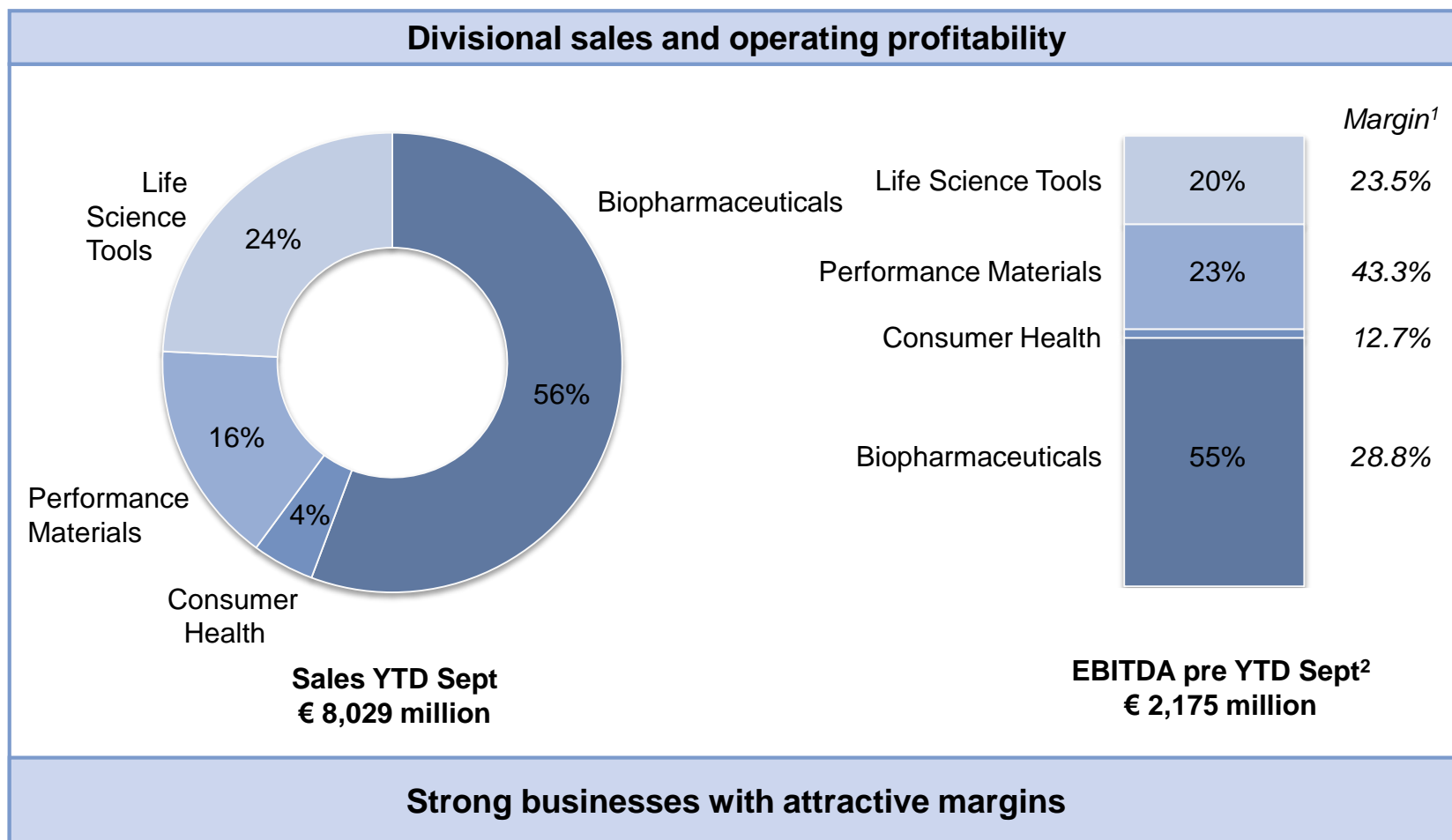
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Agenda

- **Business overview**
- Transforming the company
- Biopharmaceuticals update

Balanced portfolio of four divisions

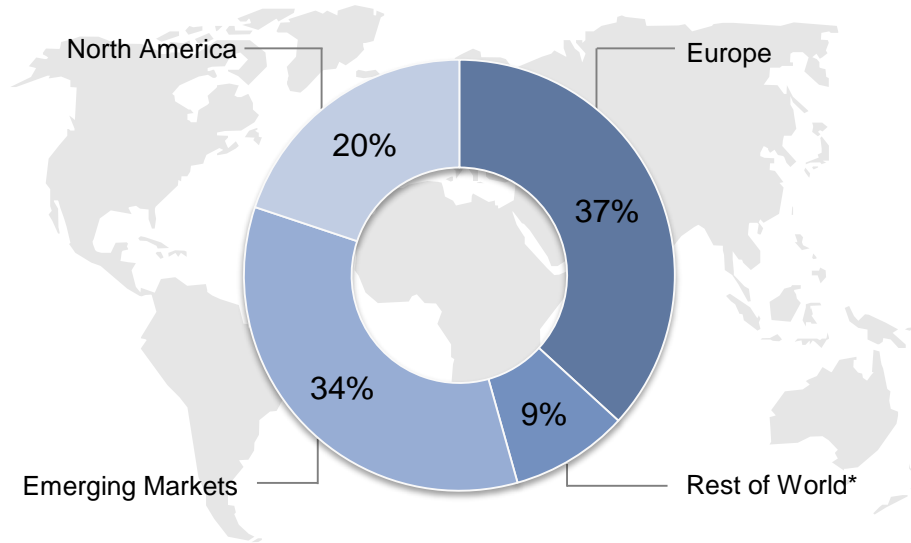


¹ EBITDA pre one-time items as % of sales

² Including Corporate and Others (- € 161 million)

Geographically diverse business

Sales by region [%]

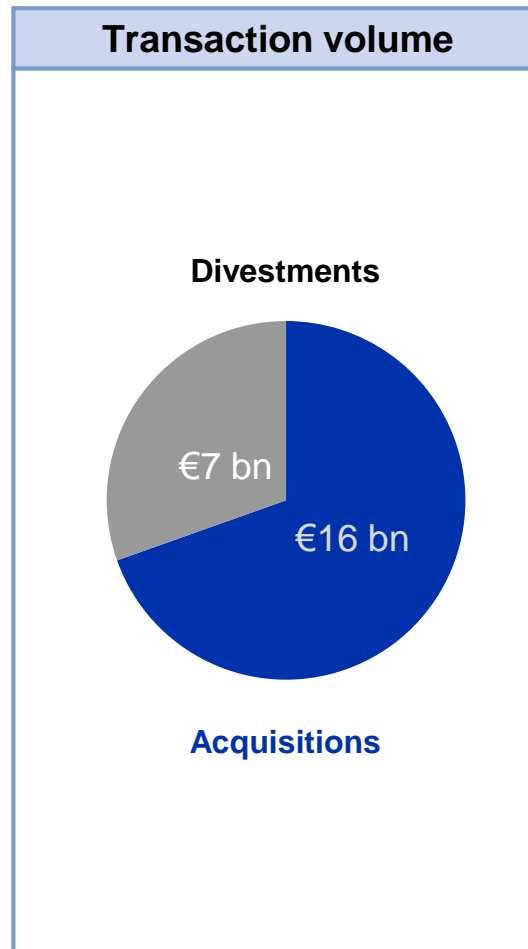
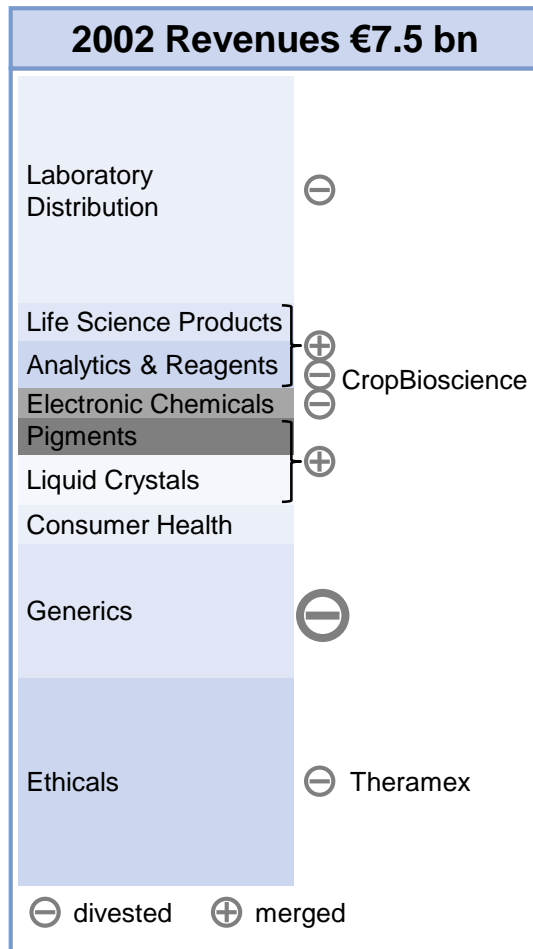


Strong presence in Emerging Markets

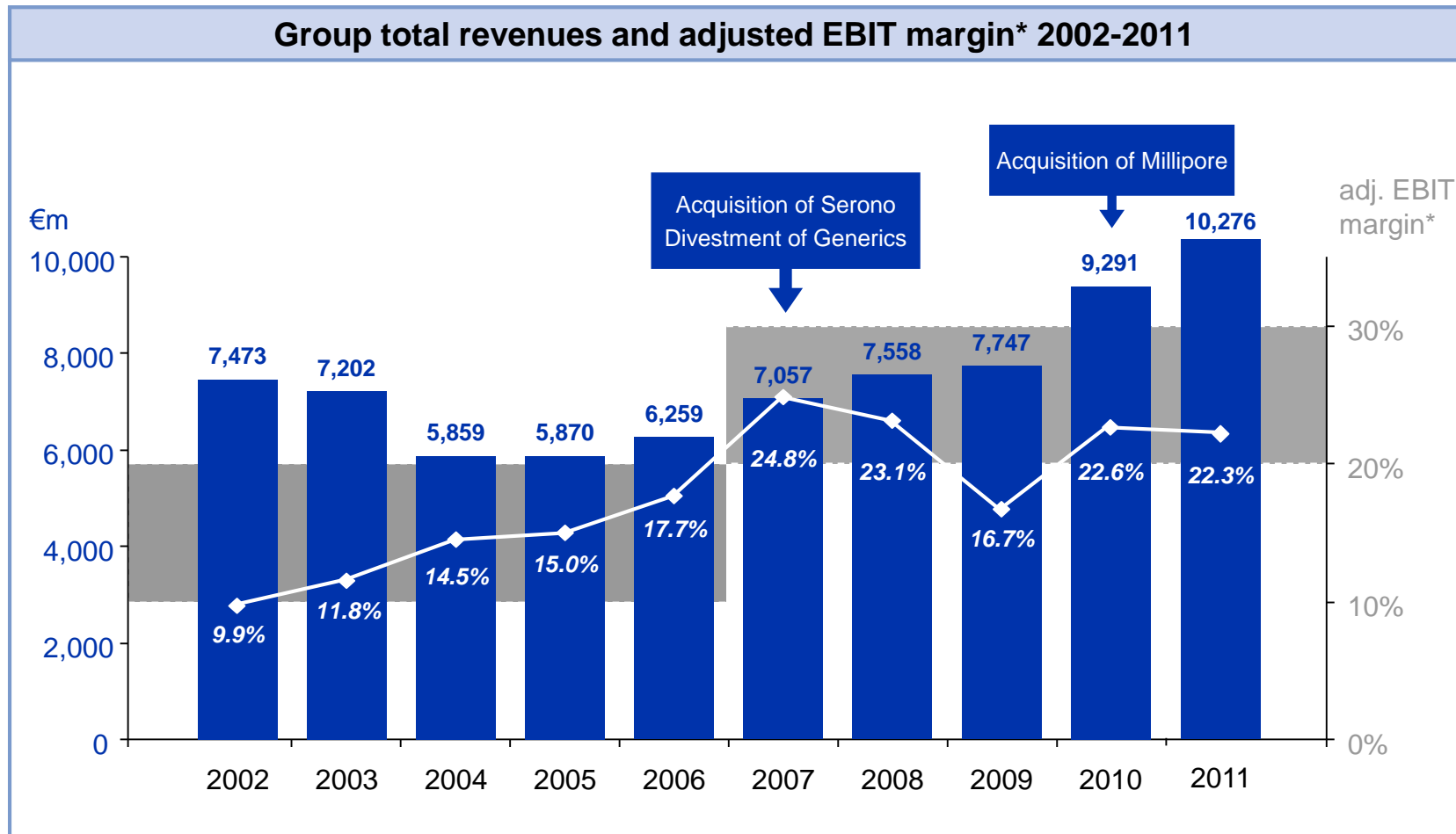


* Africa, Australia, Japan
Sales split based on YTD Sept 12 sales

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

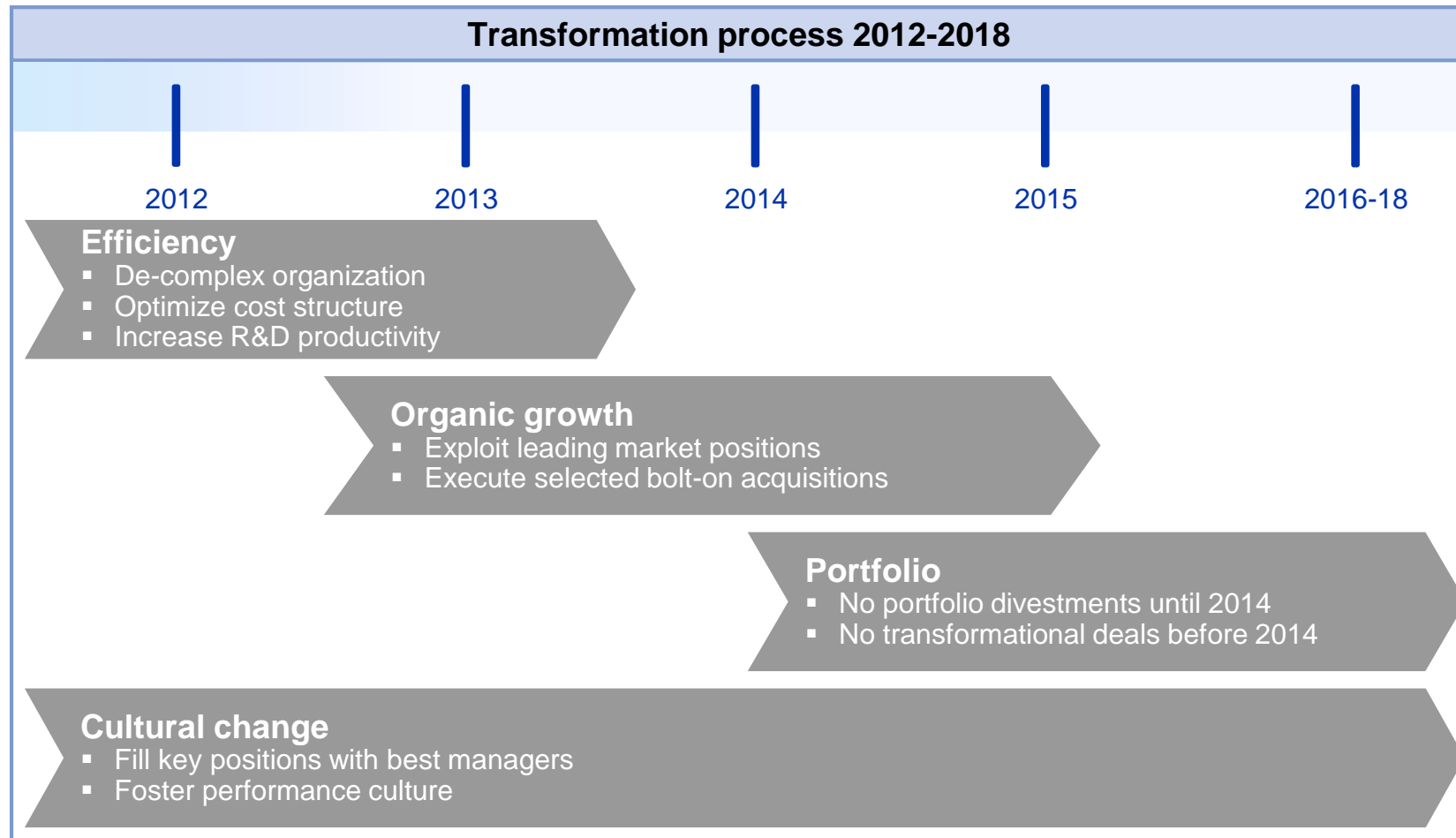
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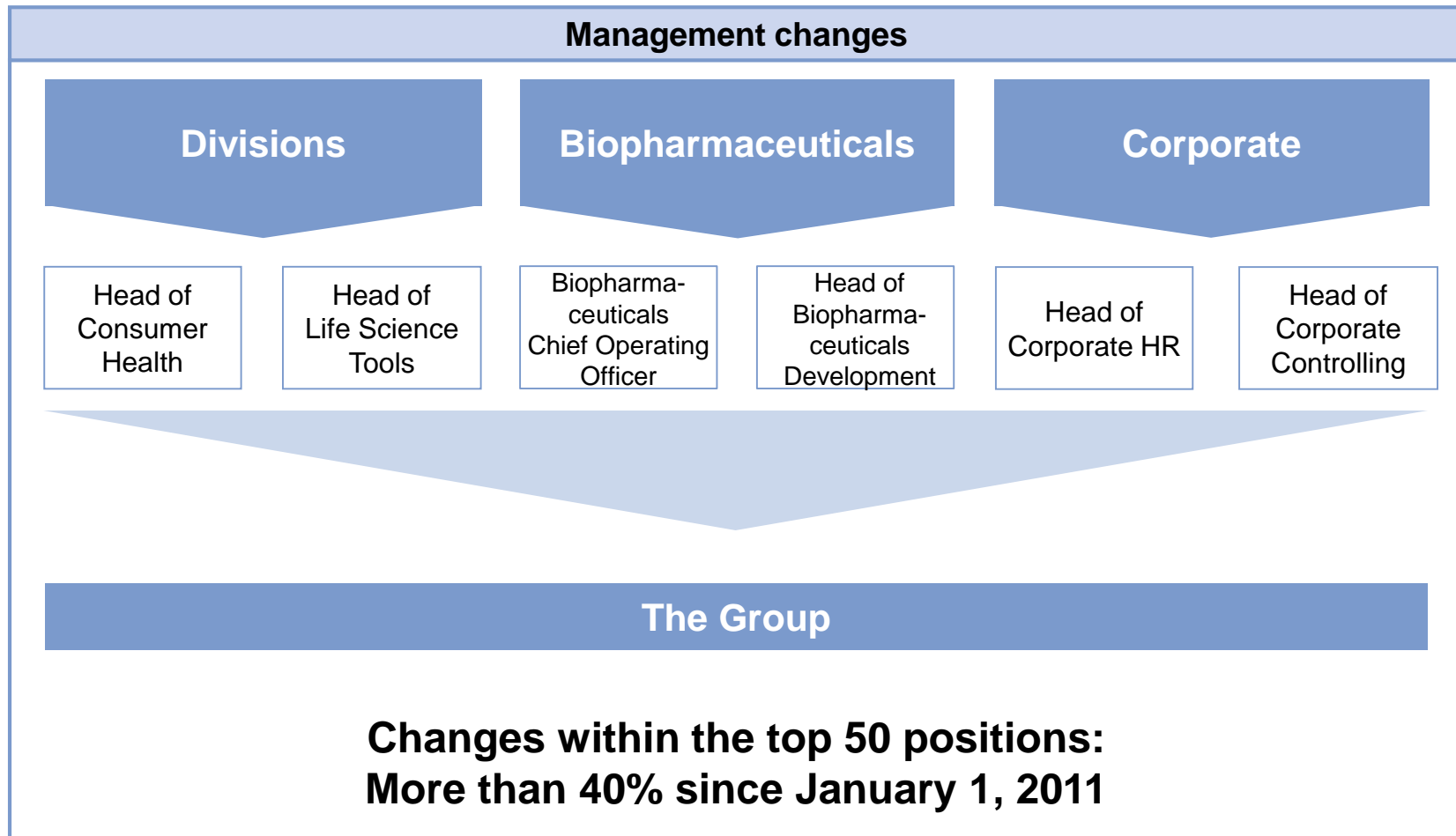
Portfolio evolution improved our profitability structure, but further potential remains

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



New management in key positions and across the entire organization



Restructuring costs and net savings targets

Net annual savings [€m]							Total savings
2012	2013	2014	2015	2016	2017		
Biopharmaceuticals	50	200	300				300
Consumer Health	5	15	25				25
Life Science Tools				10	30	40	40

One-time costs [€m]				
	2012	2013	2014	2015
Biopharmaceuticals	400	150	50	
Consumer Health	30	10		
Life Science Tools		70	70	20
Total	430	230	120	20

Total savings of € 365 million lead to a structurally improved Group profitability

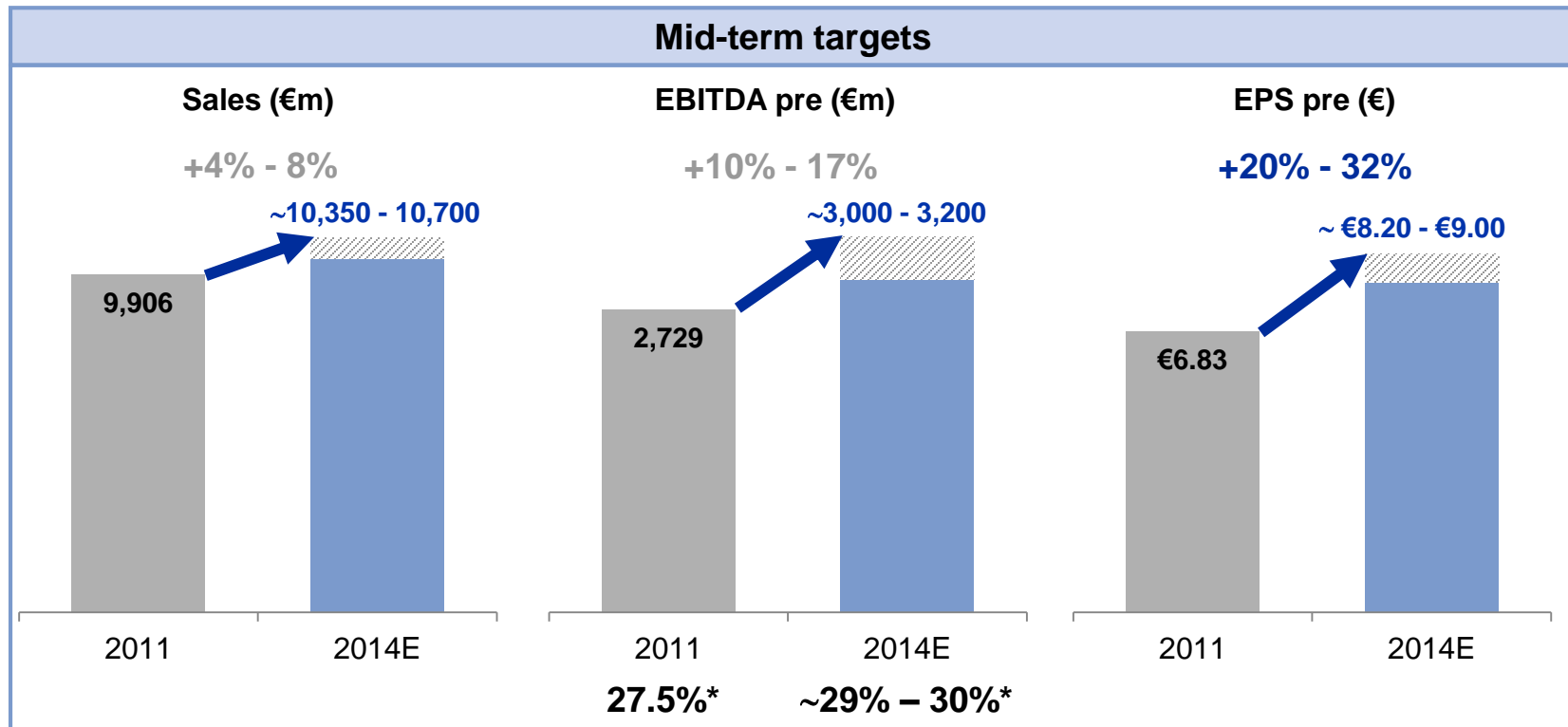
9M 2012: Execution drives solid numbers

[€ m]	9M 2012	9M 2011	Δ
Sales	8,029	7,381	9%
EBITDA pre <i>Margin (% of sales)</i>	2,175 27.1%	2,043 27.7%	6%
EPS pre [€]	5.56	5.12	9%
Operating cash flow	2,074	1,217	70%

[€ 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"> 9.0% sales growth reflects 4.1% organic growth, 4.3% FX benefit and 0.4% growth from acquisitions EBITDA pre increase driven by strong top-line result and tight cost management Good operational performance and improvements in working capital management drive higher free cash flow

Striving for realistic Group targets



Assumptions	<ul style="list-style-type: none"> ▪ FX: EUR/USD = 1.35; EUR/CHF = 1.20 ▪ Unchanged economic environment
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* as % of sales

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Our business today



Lack of patent cliff provides resilient revenue stream

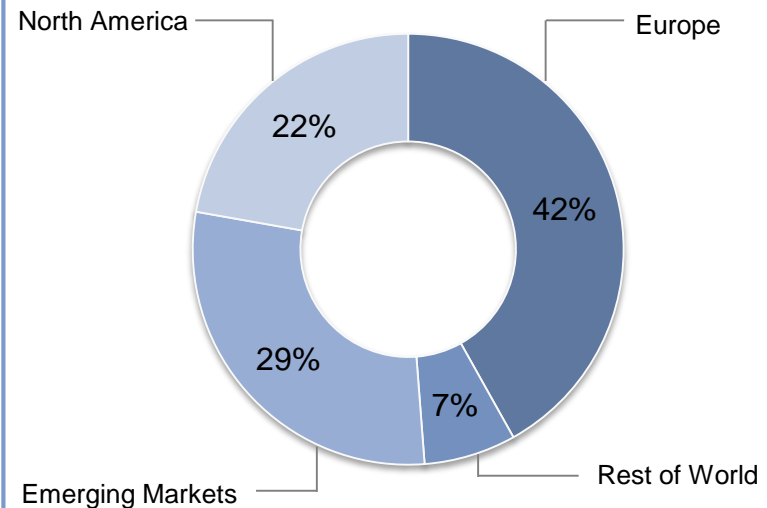


Portfolio of strong brands continue to generate growth



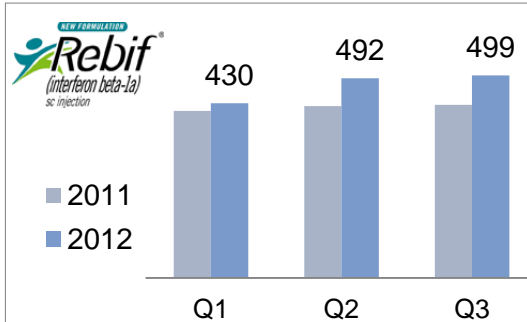
Rebuilding the pipeline to provide for future growth

Geographic sales diversification

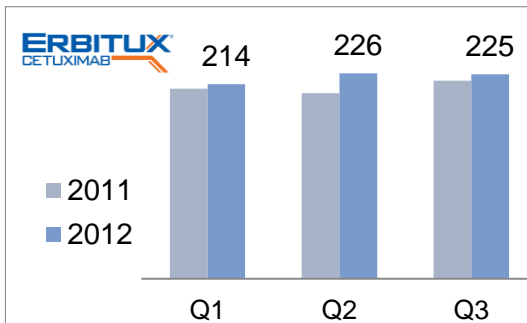


Key products Rebif and Erbitux continue to be important assets

Global quarterly sales [€m]



- A standard in current multiple sclerosis (MS) treatment
- Most prescribed MS treatment in many European markets
- Benefitting from positive pricing trends in the US
- First patent expirations: 2015 (EU)¹, 2022 (US)



- Well established treatment option in mCRC² and head & neck cancer due to survival benefit
- Growth potential in Japan and Emerging Markets – SCCHN approved in Japan in December 2012
- Data exclusivity expires 2014 (EU)

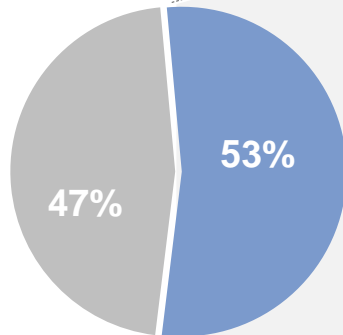
In light of intensifying competition we aim to at least defend both assets during 2013

¹ First formulation, next generation (HSA-free) formulation is marketed in Europe




² KRAS wild-type, ~60% of the total patient population

Despite patent expiry many of our products continue to grow

YTD Sept 12 global sales by franchise



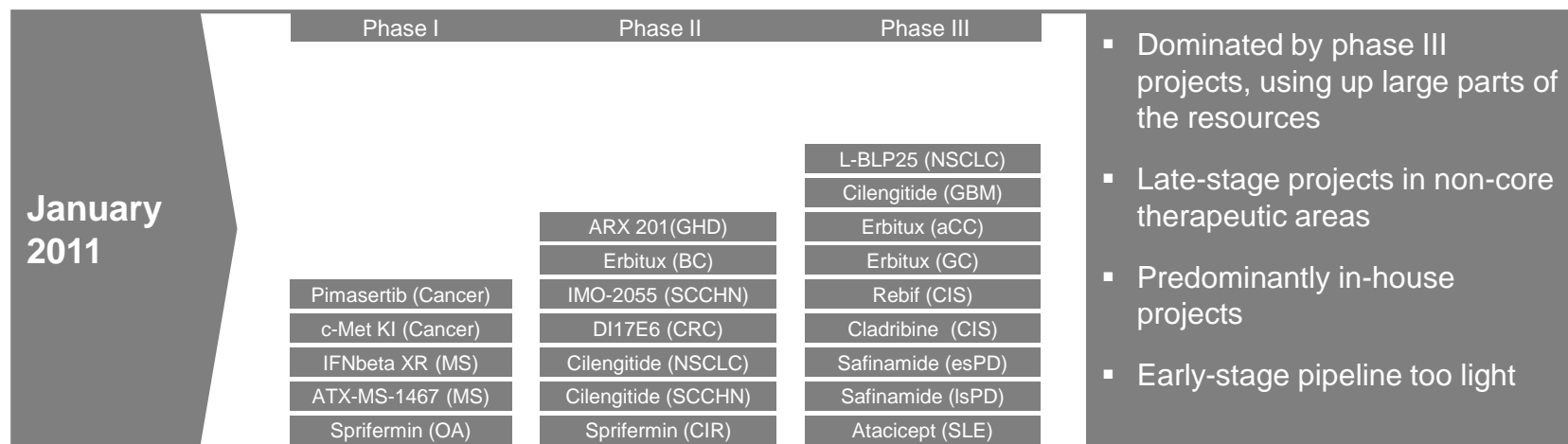
- Rebif & Erbitux
- All other Biopharmaceuticals products

<p>Fertility</p> 	<p>+15%*</p>
<p>Endocrinology</p> 	<p>+12%*</p>
<p>General Medicine</p> 	<p>flat*</p>

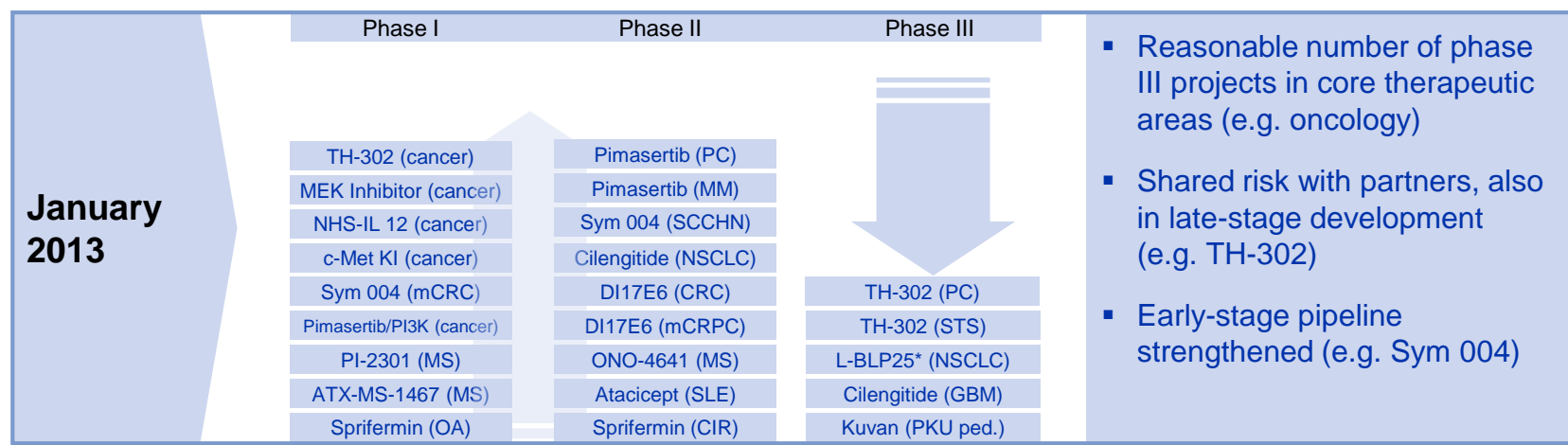
Good franchises that continue to support the business

* Organic sales growth YTD Sept 12

Rebuilding our pipeline with an emphasis on phase I and II projects



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



- Reasonable number of phase III projects in core therapeutic areas (e.g. oncology)
- Shared risk with partners, also in late-stage development (e.g. TH-302)
- Early-stage pipeline strengthened (e.g. Sym 004)

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

L-BLP25 (Stimuvax): phase III START trial

L-BLP25: mode of action

- MUC1 antigen-specific cancer immunotherapy
- Designed to stimulate the body's immune system to identify and target cells expressing the cell surface glycoprotein MUC1
- MUC1 is expressed in many cancers, such as non-small cell lung cancer (NSCLC)

Head-line results START

- START trial did not meet primary endpoint of prolongation of overall survival in patients with unresectable, locally-advanced stage IIIA or IIIB NSCLC
- Notable treatment effect was observed in certain subgroups

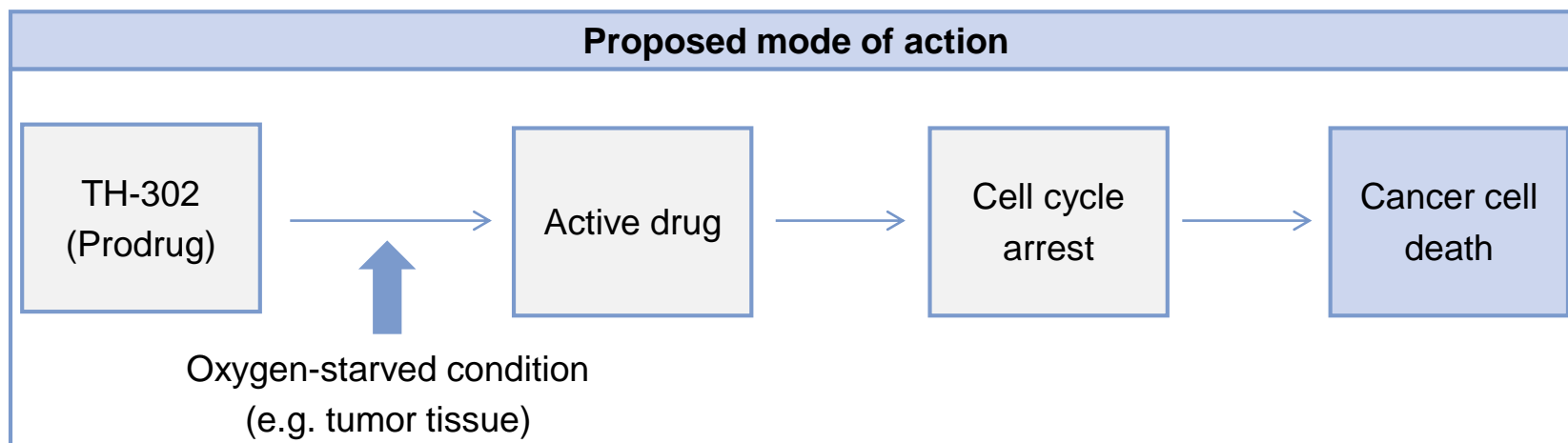
Next steps

- Analyse the full data
- Discuss data with scientific experts and regulatory authorities
- Decide on potential next steps, including new trials
- Present data at scientific conferences

Primary endpoint of START not met, notable treatment effect in some subgroups

* CR, PR or SD after CRT

TH-302: first-in-class potential in oncology



Phase III in soft tissue sarcoma (STS)

- Global trial, 450 patients (study 406)
- Recruiting patients since late 2011
- SPA¹ and orphan drug designation²
- Niche indication, approximately 26,000 patients diagnosed annually²

Phase III in pancreatic cancer

- Global trial, 660 patients (MAESTRO)
- About to start recruitment
- SPA¹ in place
- Approximately 277,000 patients diagnosed worldwide every year

¹ Special protocol assessment: written agreement with the US Food and Drug Agency that the design and planned analysis of a study can adequately address objectives in support of a regulatory submission. However, FDA's determinations for marketing application approval are made after a complete review of a marketing application and are based on the entire data in the application

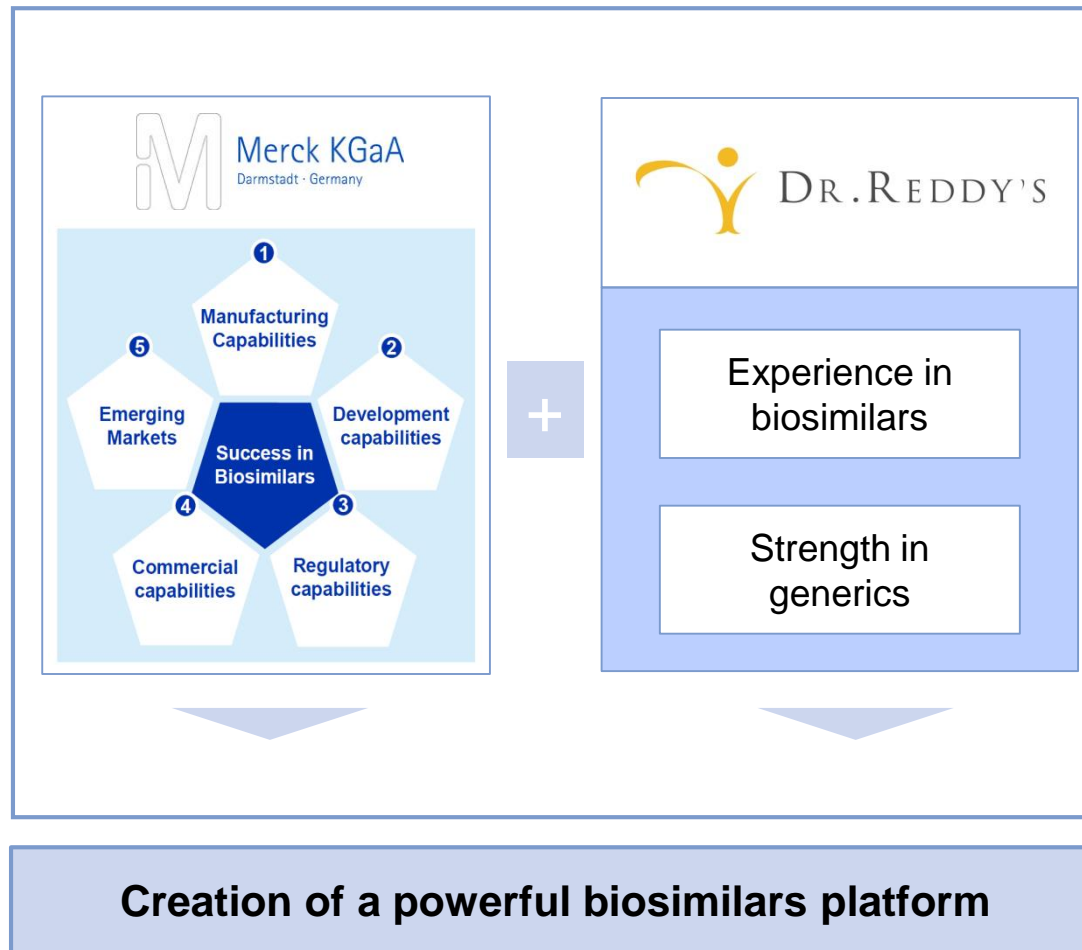
² US + EU

Upcoming pipeline newsflow

Project	Indication	Current phase	Timing	Event
Cilengitide	Glioblastoma	Phase III	H1 2013	Head-line result (CENTRIC)
TH-302	Soft tissue sarcoma	Phase III	H1 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)



Alliance with Dr. Reddy's: entering growing biosimilars market



Rationale:

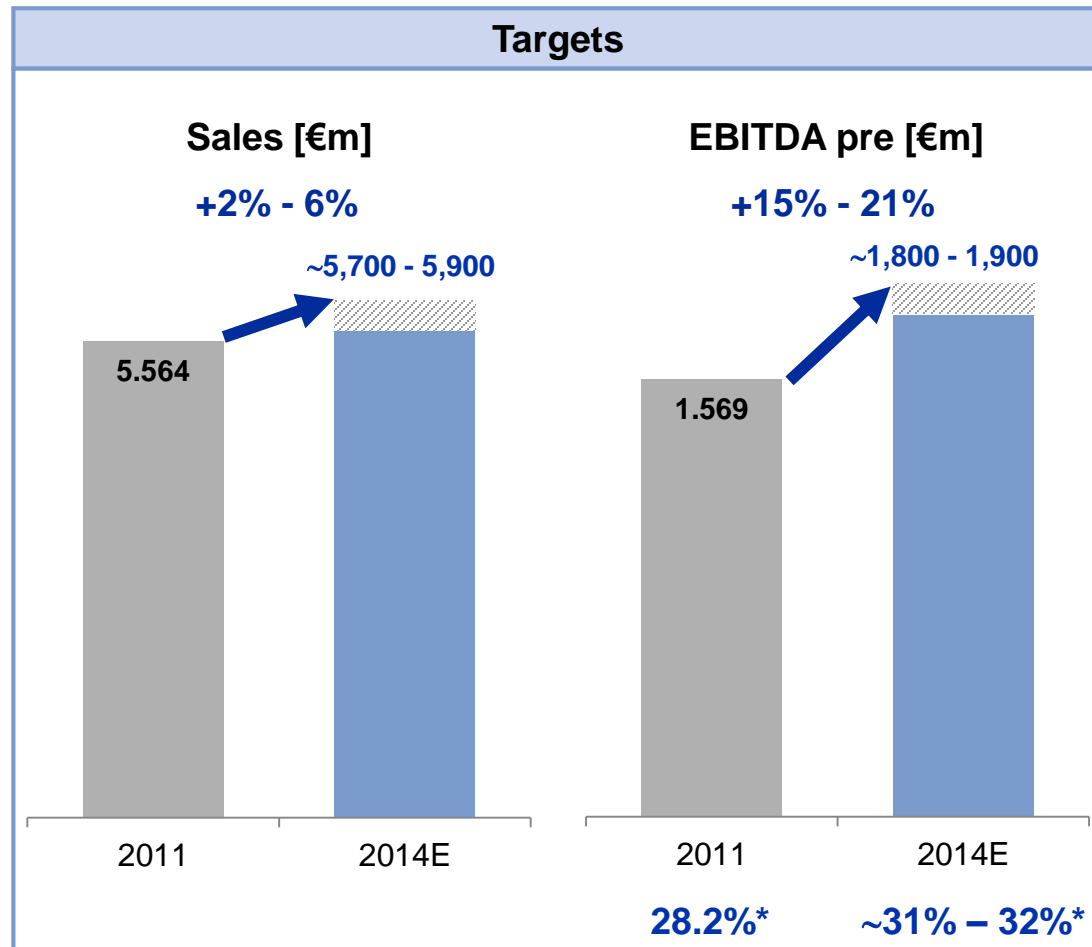
- Biosimilars market is attractive
- Focus on monoclonal antibodies in oncology
- Co-development agreement of Merck KGaA, Darmstadt, Germany and Dr. Reddy's
- Co-promotion rights in US and global marketing rights ex-US
- Dr. Reddy's responsible for Phase I, Merck KGaA, Darmstadt, Germany for Phase III in manufacturing
- Biopharma expertise and emerging market set-up of Merck KGaA, Darmstadt, Germany, combined with a strong generics player experienced in biosimilars

Conclusion and mid-term targets

Diversified business providing resilient revenue stream

New globalized R&D organization to increase efficiency and success rate

Rebuilding the pipeline for future growth



% of sales, assumes no major new product launches until end 2014
 FX: EUR/USD = 1.35; EUR/CHF = 1.20



Merck KGaA

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