



**MERCK KGAA,
DARMSTADT, GERMANY
PREPARING STRATEGIC OPTIONS FOR
CONSUMER HEALTH**

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Agenda

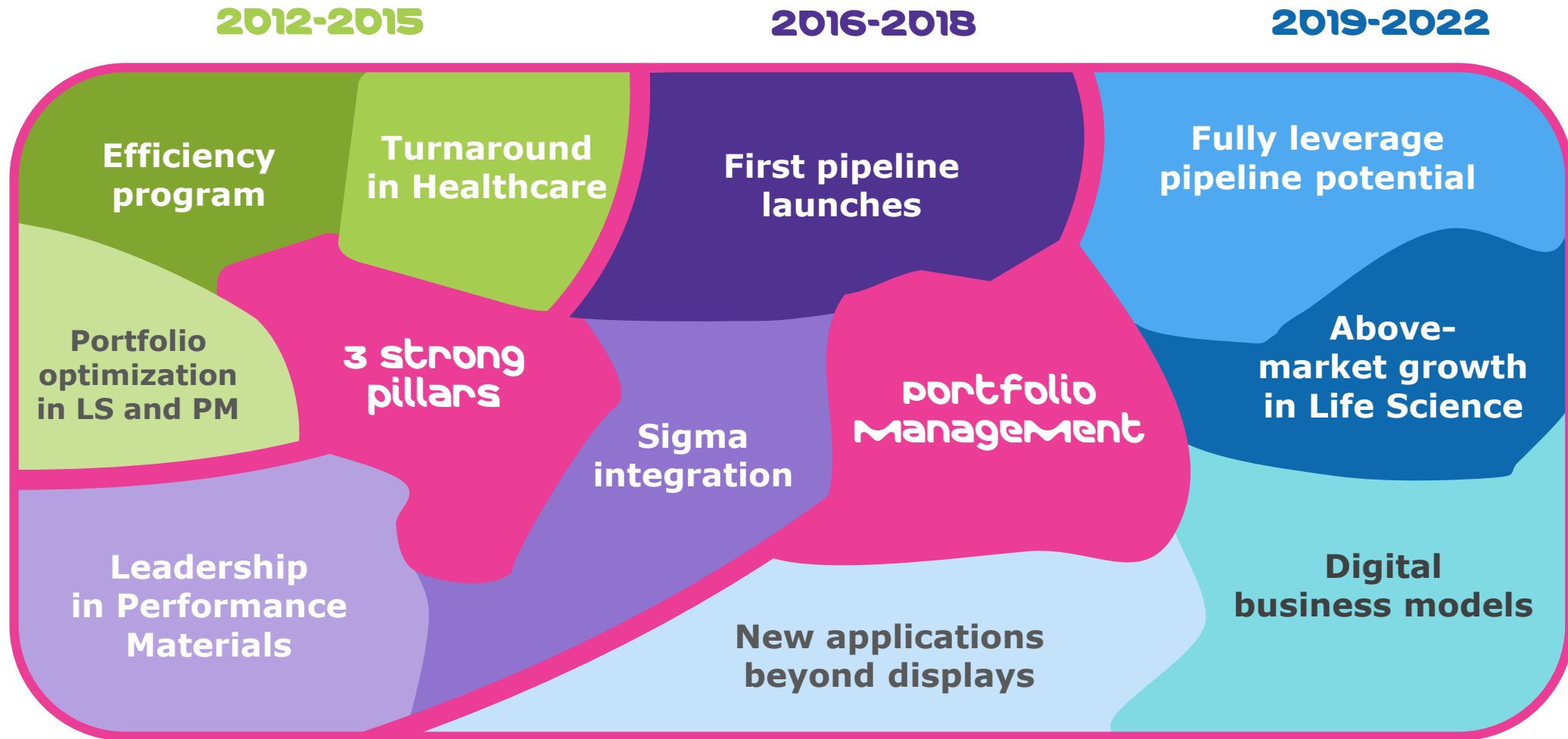
- 01** Strategic rationale
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01

STRATEGIC RATIONALE

Group Strategic roadmap 2016-2022



Group

Regular portfolio review and optimization is part of our DNA

- Acquisitions and divestments are part of our history
- Licensing transactions remain on our agenda
- All prior transactions earned their required cost of capital

Regular portfolio review and active capital allocation will continue

**DNA and
track
record**

**clear
M&A
criteria**

- Supporting mid-term strategy and strengthening core business
- Growing in strategically attractive markets
- Proven track record: strong ability to win
- Compelling financials

Disciplined approach to portfolio management will persist

Group

Continue to transform to a science and technology focused company



Funding for success



Focusing on profitable growth



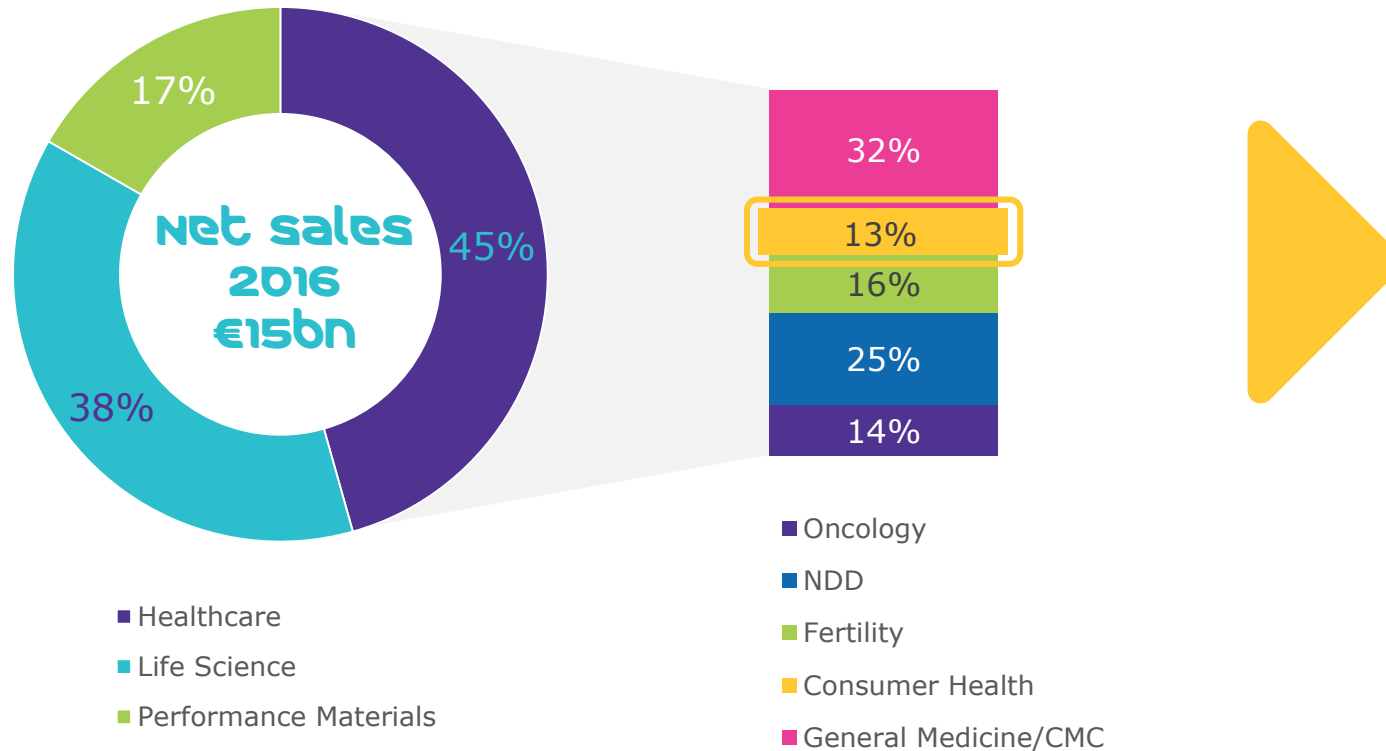
Expanding leadership and innovation

- Portfolio management and prioritization has been and will be a key driver for us
- Healthcare is successfully developing into a highly innovative specialty pharma leader
- Our focused R&D pipeline contains promising compounds in oncology, immuno-oncology and immunology and is delivering first launches
- Ongoing pipeline development will require continuously stringent prioritization

We are set to deliver sustainable profitable growth through innovation, clear differentiation, and value-creating portfolio management

Group

Preparing strategic options for Consumer Health



- We are preparing strategic options for Consumer Health including a potential full or partial sale of the business as well as strategic partnerships
- Entering into next phase for Consumer Health will support its successful future development
- Proceeds from a potential transaction will be used to accelerate deleveraging and to gain more flexibility to strengthen our three businesses

Accelerating Consumer Health's strategy and fully capturing market opportunities



02

**OVERVIEW OF
CONSUMER HEALTH**

Overview of Consumer Health

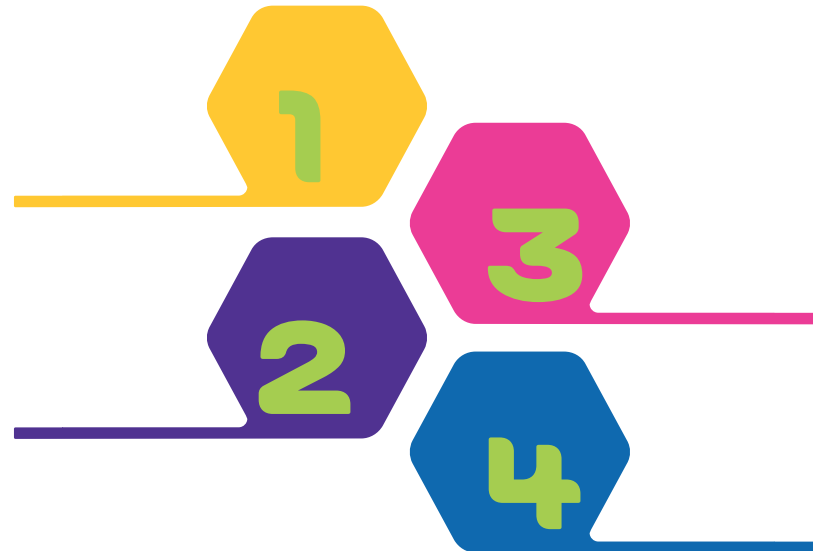
Strong business with significant potential

High-quality brands

- Well-recognized and highly respected consumer brands in attractive OTC categories
 - Differentiated and compelling consumer brand positioning
- 6 global and 4 regional strategic brands with leading position in their categories

Diversified presence

- Well-balanced presence in >40 markets
 - Strong footprint in emerging markets
 - >50% of sales generated in growth markets



High-growth markets

- Global OTC* market of €100bn is forecast to grow ~5% until 2025
- Growth in Consumer Health's key markets and product categories is in the high single-digits to mid-double digits
- Strong demand drivers: demographics, emerging markets, self-care demand

Attractive financials

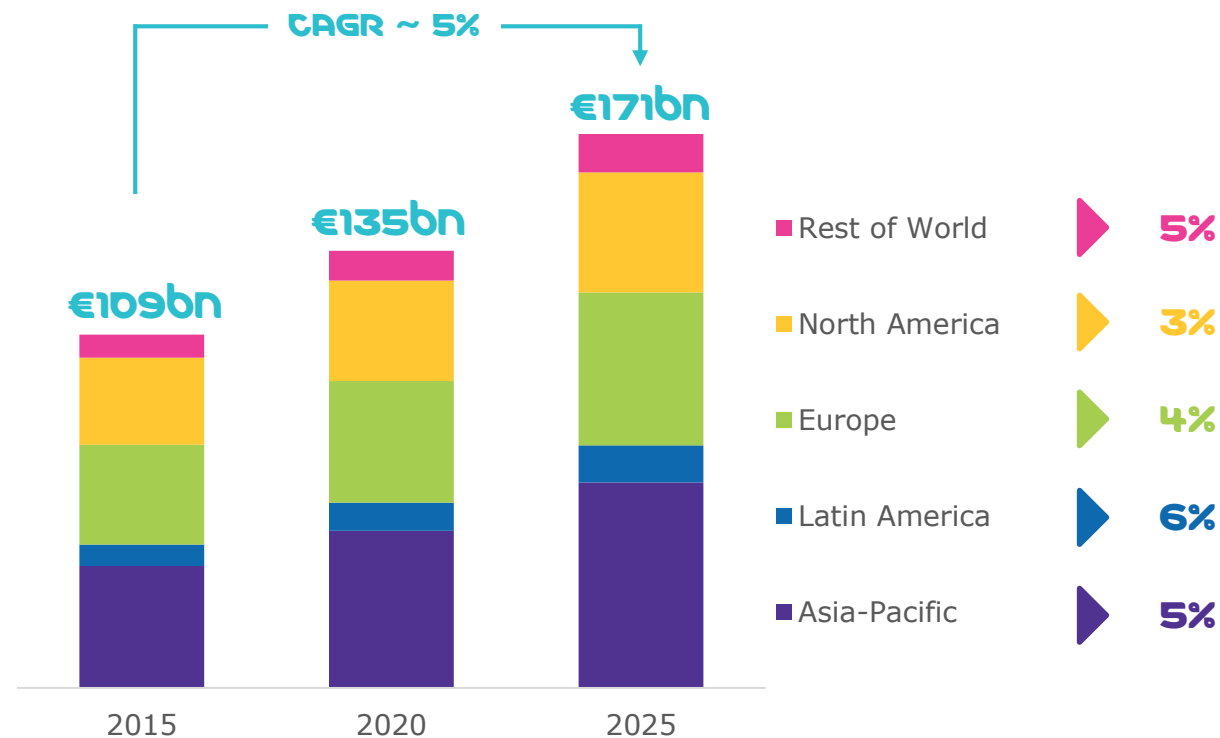
- Sales ~€860m in 2016 with organic sales CAGR 2013-2016 ~6%
- Profitable growth driven by brand expansion and innovation
- ~3,800 employees globally

Consumer Health is a strong business with leading brands in attractive OTC categories

Overview of Consumer Health

Consumer Health market growing, especially driven by Emerging Markets

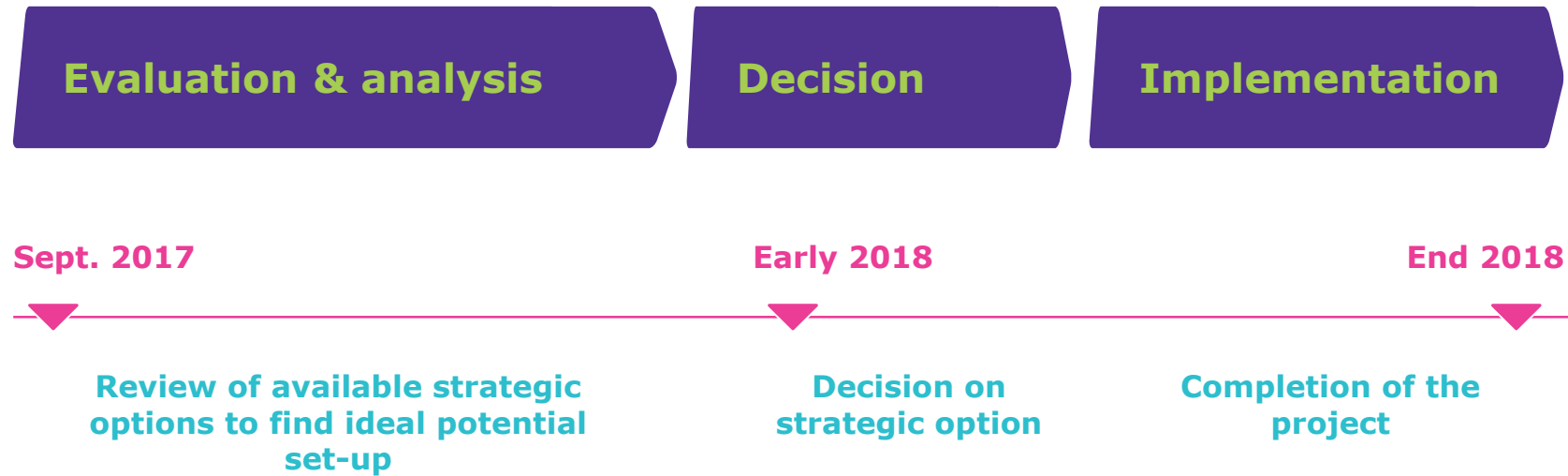
OTC market* in sales (€bn)



- Consumer Health has **strongly benefited** from the OTC market growth in the past years, esp. due to strong presence in emerging markets
- **Market** is projected to grow by ~5% p.a. until 2020
- **Global mega trends** will support the Consumer Health business:
 - economic growth
 - life expectancy
 - demand for preventive healthcare
 - increasing health-consciousness
- **Strong and well-known brands:** Femibion, (Dolo-)Neurobion, Seven Seas, Nasivin, Bio/Multibionta, Vigantol

*Source: Nicholas Hall's DB6 Global OTC Database 2016; based on Nicholas Hall – Includes all non-prescription sales in categories Analgesics; Cough, Cold & Allergy; Dermatologicals; Gastrointestinals; Lifestyle OTCs; Vitamins, minerals & supplements/Categories like beauty & cosmetics and dental care are not included

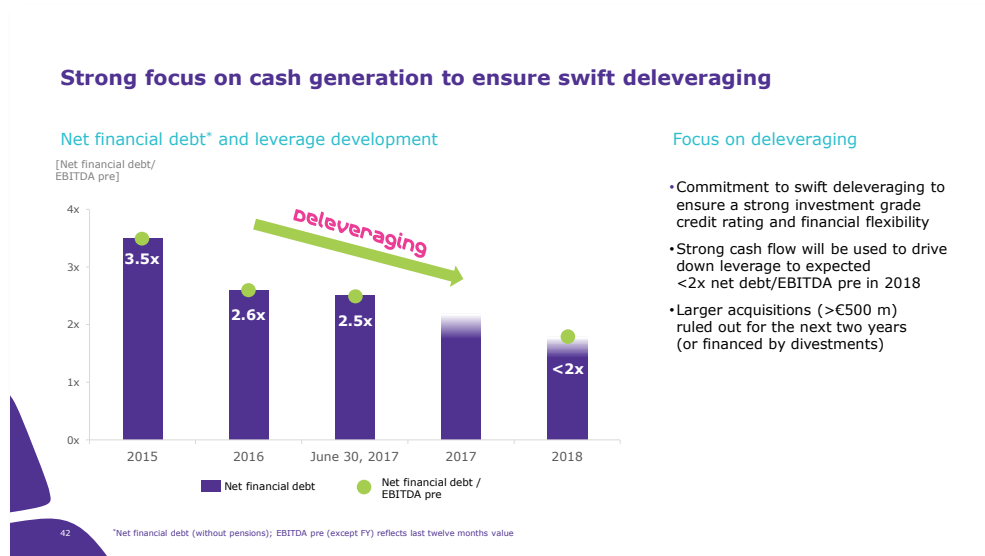
Consumer Health Next steps*



initiating
process
to review
strategic
options for
consumer
health

Consumer Health

Strategic options will accelerate deleveraging and raise flexibility



- 1 Process to evaluate strategic options for Consumer Health only started now
- 2 Full financial impact and timing too early to assess at this stage
- 3 Commitment to swift deleveraging remains unchanged
- 4 Target leverage for 2018 of <2x net debt / EBITDA pre maintained
- 5 Larger acquisitions (>€500 m) remain ruled out until end 2018



03

EXECUTIVE SUMMARY

Group Executive Summary

Regular portfolio review

▶ We are regularly reviewing our portfolio and prioritizing activities to deliver sustainable profitable growth

Consumer Health entering next phase

▶ Preparing strategic options enables Consumer Health to accelerate its strategy and fully capture market opportunities

Attractive portfolio

▶ Consumer Health is a strong and well diversified business with leading brands in an attractive and strongly growing OTC market

Accelerate deleveraging

▶ Proceeds from a potential transaction will be used to accelerate deleveraging and increase flexibility to strengthen all businesses





04

BACK-UP

Consumer Health

Strong brands in attractive OTC categories

Mother's & Family Health



Dedicated to the specific health needs of women, children and their families

femibion **Sangobion**

Nasivin 

Energy & Well-being



Brands supporting people facing daily health and life challenges

Vivera **Floratil**

VIGANTOLETTEN 

Mobility



Mobility brands

 **Kytta**[®]


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