Merck FY 2012 conference call

Transformation fuels operational performance and profitability

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Darmstadt – March 7, 2013

Disclaimer

Remarks

All comparative figures relate to the corresponding last year's period.

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Agenda

- **Executive overview and strategy update 2012**
- Financial review
- Guidance

2012: Solid performance in transformation year one

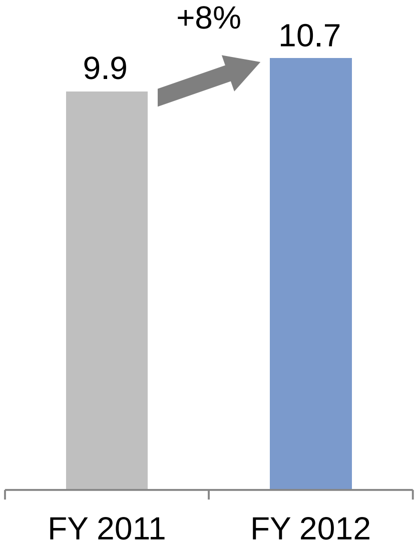
Numbers delivered	▪ Net sales increase by 8% to €10.7 bn ▪ EBITDA pre delivered on guidance at upper end: €2,965 m ▪ EPS pre increases by 12% to €7.61
Efficiency progressing	▪ New management team fully on board and driving the change process ▪ New organization implemented ▪ Restructuring initiated ▪ 2012 savings implemented faster than planned: €115 m compared to planned €55 m
Operational setup optimized	▪ 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	▪ Merck Serono rejuvenates pipeline with TH-302 and Sym004 ▪ Performance Materials agrees on technology alliance with Epson on OLED printing ▪ Merck Millipore accelerates R&D and new product launches

Merck Group

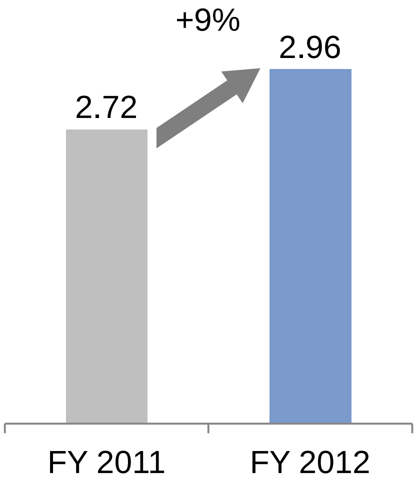
Numbers delivered

Financials	Efficiency	Operations	Future growth

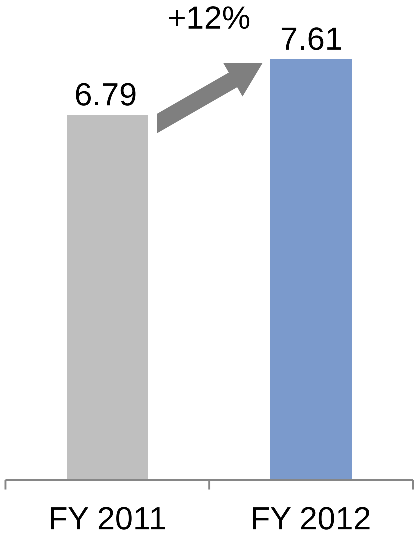
Sales [€ bn]



EBITDA pre [€ bn]



EPS pre [€]



Improving business and profitable growth

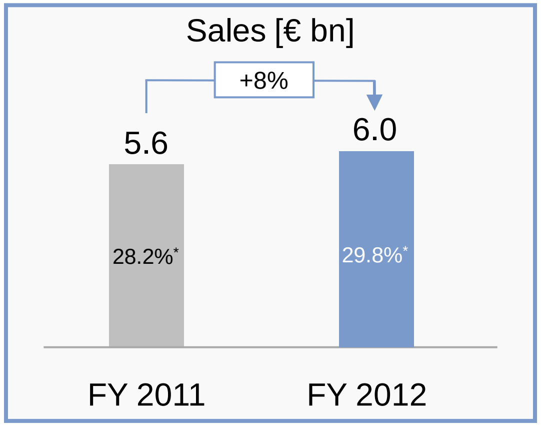
References to EBITDA and EPS are pre one-time items

Divisional overview - Pharmaceuticals

Financials	Efficiency	Operations	Future growth

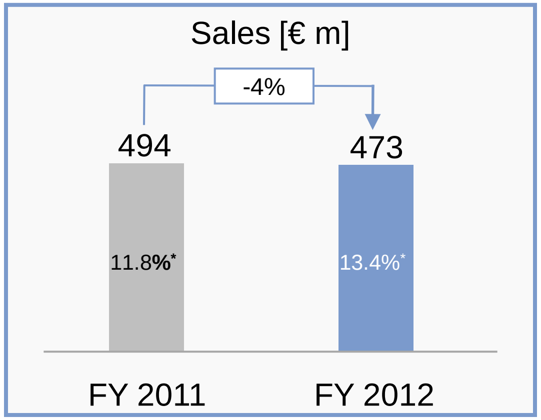
Merck Serono

- North America and Emerging Markets drive solid organic growth
- Rebif, Gonal-f and Glucophage largest contributors to organic growth
- Fast implementation of efficiency program supports profitability improvement



Consumer Health

- Organic sales decline driven by weaker European markets and product / country pruning
- First year of new business model implementation, focus on core brands and better resource allocation
- Progress with restructuring and strict cost containment improve profitability



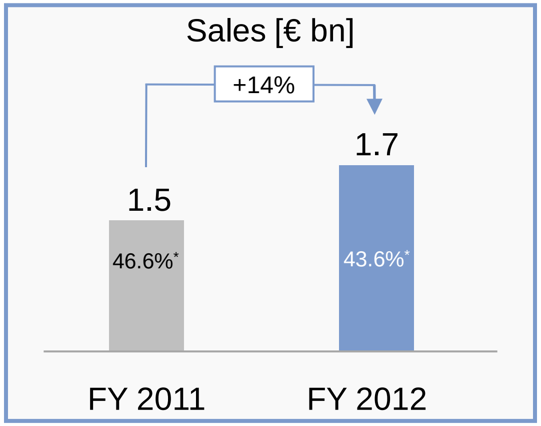
[*] EBITDA pre margin as a percentage of sales

Divisional overview - Chemicals and Life Science Tools

Financials	Efficiency	Operations	Future growth

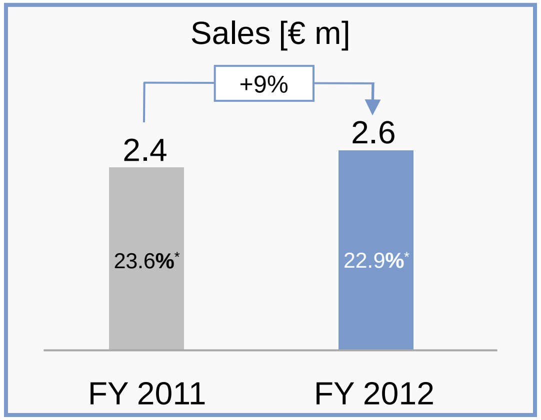
Performance Materials

- Strong demand for Liquid Crystals and favorable FX main drivers for exceptional sales performance
- PS-VA and IPS technologies drive growth, Chinese customer base further expanding
- Pigments & Cosmetics improving from softer 2011; first restructuring savings and one-time costs



Merck Millipore

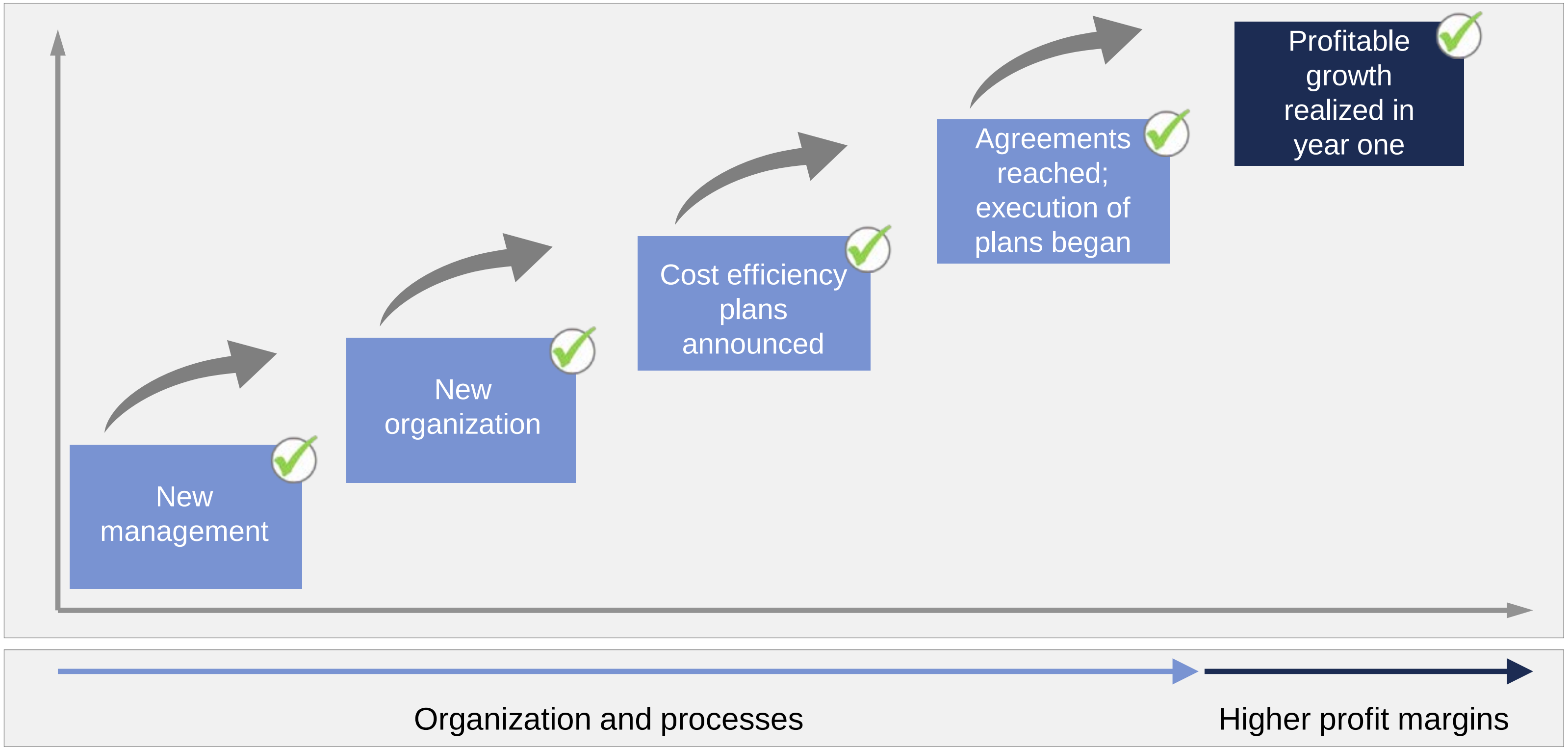
- Emerging Markets, Europe and FX top line drivers
- All business units fuel organic growth, with Process Solutions largest absolute contributor driven by healthy market demand from biopharma
- Continued substantial R&D investments to bolster future growth



* EBITDA pre margin as a percentage of sales

Profitable growth achieved in year one of transformation process

Fit for 2018 - transformation on track



New management ✓

New organization ✓

Cost efficiency plans announced ✓

Agreements reached; execution of plans began ✓

Profitable growth realized in year one ✓

Organization and processes

Higher profit margins

Merck Group

Transformation on track

Financials	Efficiency	Operations	Future growth

Major initiatives communicated and started

- Merck Serono, May 2012
- Consumer Health, August 2012
- Merck Millipore, December 2012
- Performance Materials, March 2013

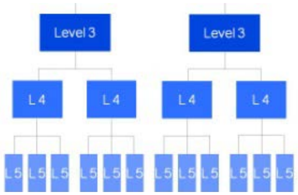
- Projects include consolidating headquarters and sites as well as optimizing SG&A and R&D

- Financial cornerstones:
  - ~€385 m net savings
  - ~€820 m restructuring costs

Restructuring initiatives in Performance Materials are related to Pigments and Cosmetics

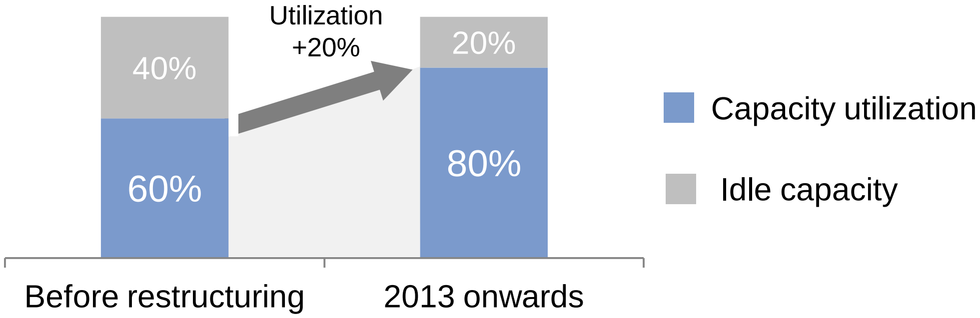
Financials | **Efficiency** | Operations | Future growth

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

Merck Group FY 2012

Leading market positions leveraged, yielding strong organic performance

Merck Serono

- Rebif franchise:
  - Pricing US
  - CIS indication Europe
- Fertility: “family of pens” rollout
- Improved Emerging Markets position

Consumer Health

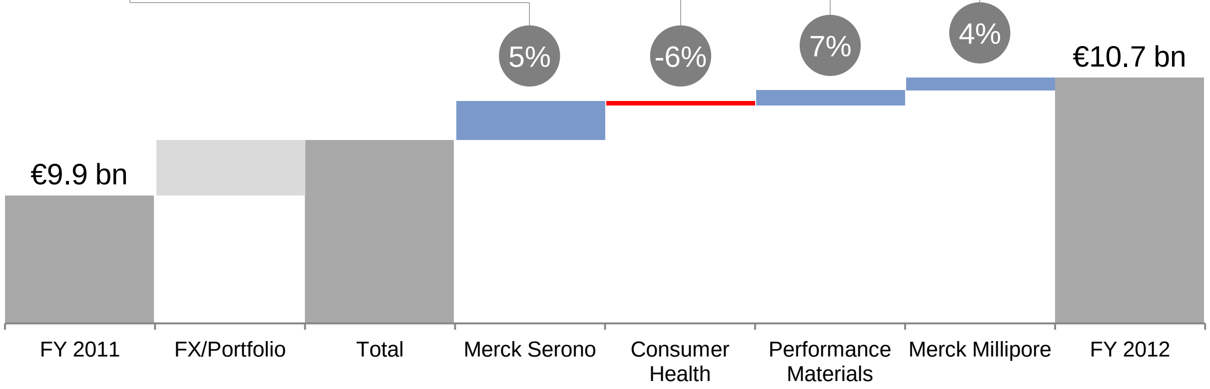
- Refocus on
  - Core brands
  - Core markets
- Platform established to strengthen future leadership in core markets

Performance Materials

- Leadership maintained through enhanced IPS and PS-VA technologies
- Liquid Crystals market share rises to above 60%

Merck Millipore

- Organic growth from all business units
- High quality/ innovative products allowed price increases
- Strong innovation reflected in various product launches



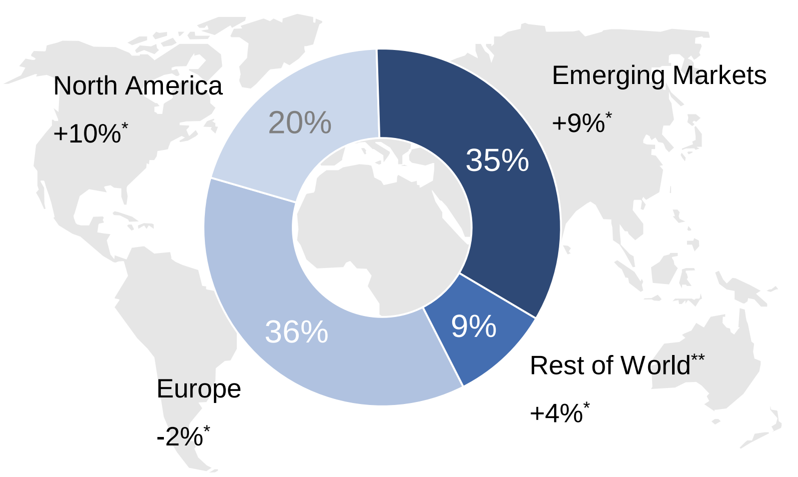
Percentages are organic growth vs. prior year

Merck Group FY 2012

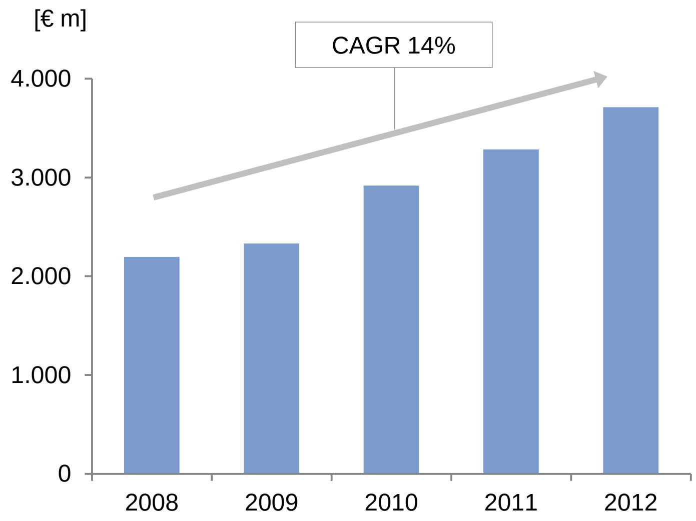
Emerging Markets and North America drive regional growth in 2012

Financials | Efficiency | **Operations** | Future growth

Merck Group: FY 2012 sales by region



Merck Group: growth in Emerging Markets sales



Continued shift from Europe to higher growth regions supports growth profile

[*] Organic sales growth

[**] Japan, Oceania, Australia, Africa

Preparing for future growth

Progress made over the last quarters

- Merck Serono 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 Merck Millipore

A more balanced pipeline

January 2011

Phase I	Phase II	Phase III
		L-BLP25 (NSCLC)
		Cilengitide (GBM)
	ARX 201(GHD)	Erbitux (aCC)
	Erbitux (BC)	Erbitux (GC)
Pimasertib (Cancer)	IMO-2055 (SCCHN)	Rebif (CIS)
c-Met KI (Cancer)	DI17E6 (CRC)	Cladribine (CIS)
IFNbeta XR (MS)	Cilengitide (NSCLC)	Safinamide (esPD)
ATX-MS-1467 (MS)	Cilengitide (SCCHN)	Safinamide (lsPD)
Sprifermin (OA)	Sprifermin (CIR)	Atacicept (SLE)

- Dominated by phase III projects, using up large parts of the resources
- Early-stage pipeline too light

February 2013

Phase I	Phase II	Phase III
TH-302 (cancer)		
MEK Inhibitor (cancer)		
NHS-IL 12 (cancer)	Pimasertib (PC)	
c-Met KI (cancer)	Pimasertib (MM)	
Sym004 (cancer)	Sym004 (SCCHN)	
MSB0010718C (cancer)	DI17E6 (CRC)	
Pimasertib/PI3K (cancer)	DI17E6 (mCRPC)	TH-302 (PC)
PI-2301 (MS)	ONO-4641 (MS)	TH-302 (STS)
ATX-MS-1467 (MS)	Atacicept (SLE)	L-BLP25[*] (NSCLC)
Sprifermin (OA)	Sprifermin (CIR)	Kuvan (PKU ped.)

- Reduced 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. Sym004)

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

Delivery of a strong year

Strong financial performance ✓

Kick-off of efficiency program ✓

New operational setup ✓

Future growth started ✓

Agenda

- Executive overview and strategy update 2012
- **Financial review**
- Guidance

FY 2012: Improving the entire financial matrix

[€ m]	FY 2012	FY 2011	Δ
Sales	**10,741**	**9,906**	**8%**
EBITDA pre *Margin (% of sales)*	**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

- 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)

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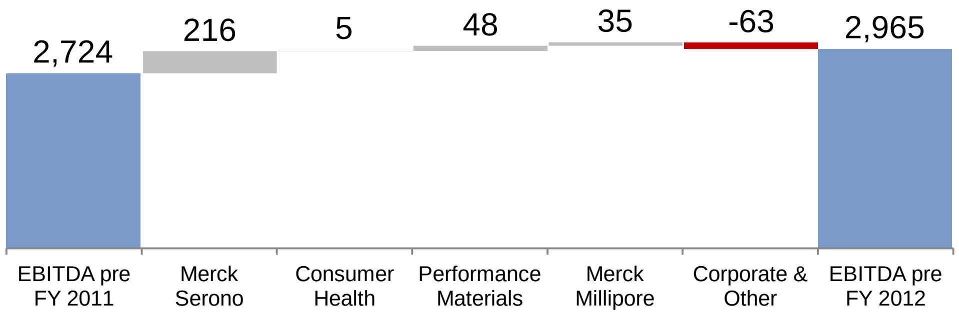
*Contractual Trust Arrangement

Strong organic growth and good execution on cost control

FY yoy sales	Organic	Currency	Portf.	Total
Merck Serono	5%	3%	0%	8%
Consumer Health	-6%	2%	0%	-4%
Performance Materials	7%	7%	0%	14%
Merck Millipore	4%	4%	1%	9%
MERCK GROUP	**5%**	**4%**	**0%**	**8%**

- Merck Serono posts strong organic growth driven by Rebif, Fertility and Glucophage
- Strong technology leadership in Performance Materials drives exceptional growth
- Merck Millipore delivers reasonable performance

FY EBITDA pre bridge [€ m]



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

Reported earnings burdened by one-time charges

[€ m]	FY 2012	FY 2011	Δ
EBIT	**964**	**1,132**	**-15%**
Financial result	-255	-293	-13%
Profit before tax	**709**	**839**	**-15%**
Income Tax	-130	-221	-41%
Tax Rate (%)	*18.3*	*26.3*	
Net Income	**567**	**607**	**-7%**
EPS (€)	**2.61**	**2.79**	**-7%**

Comments

- 2012 EBIT burdened by €664 m one-time items* mainly due to Fit for 2018
- Financial result improves due to reduced interest expense from gross debt reduction
- Tax rate decreases due to one-time effects, tax guidance unchanged at 25 to 26%
- Reported net income only mildly down despite significant one-time charges (€664 m)

Totals may not add up due to rounding

* one-time items on EBIT include one-time impairments

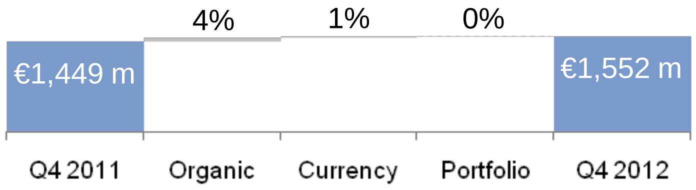
Top line and cost reduction drive profitable growth

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**
Margin (% of sales)	*32.6%*	*28.2%*

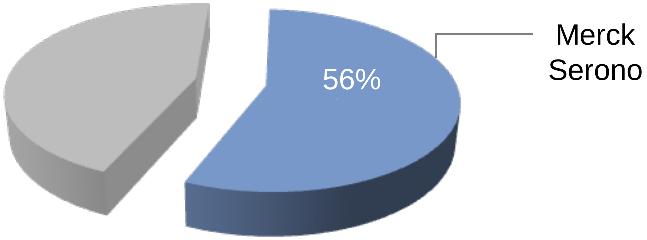
Comments

- Organic performance, royalties and FX drive top line increase
- Rebif supported by US pricing, slightly mitigated by softer volumes
- Erbitux 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

Year-on-year sales bridge



Q4 2012 share of group sales



Totals may not add up due to rounding

Consumer Health

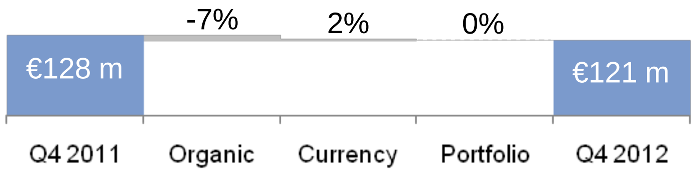
New business model and efficiency program determine EBITDA pre improvement

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**
Margin (% of sales)	*15.4%*	*12.7%*

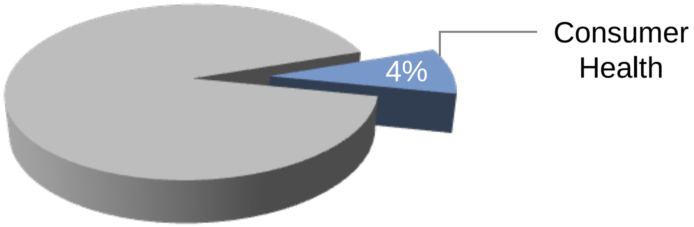
Comments

- 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

Year-on-year sales bridge



Q4 2012 share of group sales



Totals may not add up due to rounding

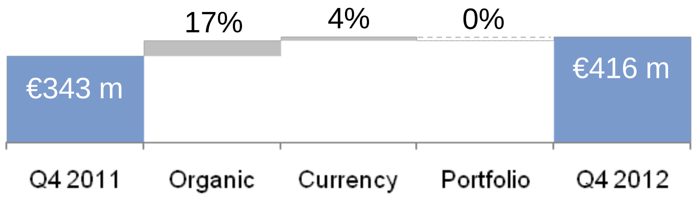
Strong demand for liquid crystals technologies drives sales and EBITDA pre

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**
Margin (% of sales)	*44.7%*	*48.1%*

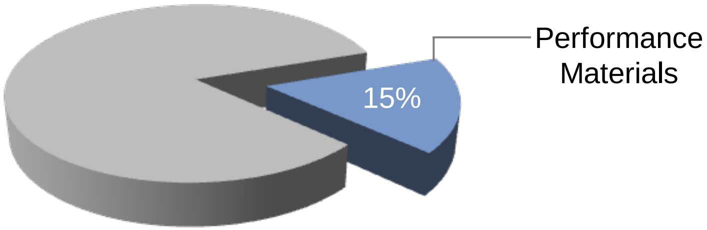
Comments

- 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

Year-on-year sales bridge



Q4 2012 share of group sales



Totals may not add up due to rounding

Merck Millipore

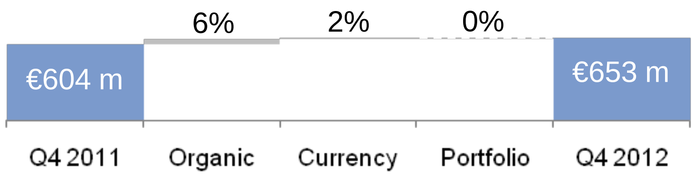
A quarter of solid business performance, working capital initiatives and strong R&D investment

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**
Margin (% of sales)	*21.2%*	*23.4%*

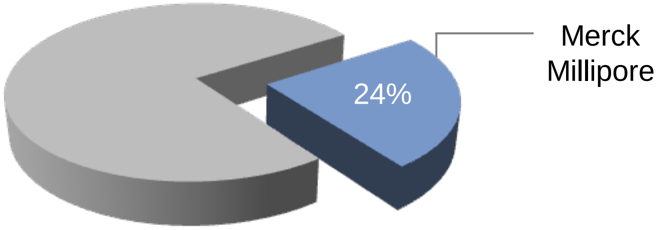
Comments

- 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

Year-on-year sales bridge



Q4 2012 share of group sales



Totals may not add up due to rounding

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Balance sheet: We walk the talk

[€ m]	Dec. 31 2012	Dec. 31 2011	Δ
Total assets	**21,643**	**22,122**	**-2%**
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%

Comments

- 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

Totals may not add up due to rounding

*Contractual Trust Arrangement

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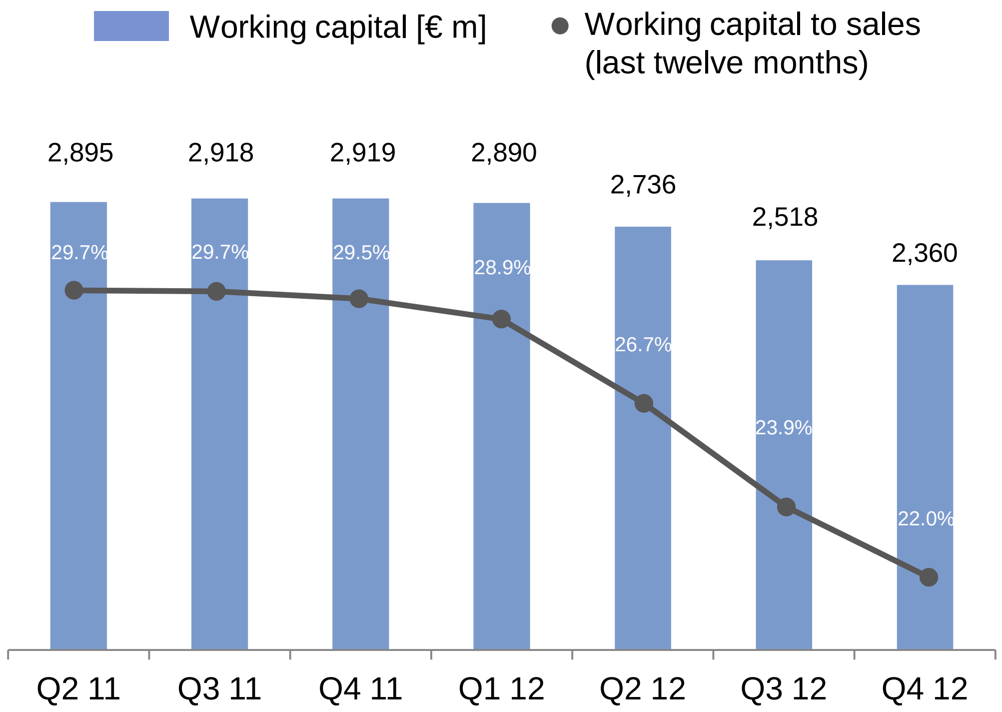
Working capital: Now managed

Working capital development



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

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

- ~€1.2 bn increase in operating cash flow driven by
  - 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

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

- Merck Serono with swift implementation of initiatives:
  - €50 m savings pulled forward
  - Earlier personnel departures in Geneva
- Consumer Health and Merck Millipore savings also accelerated
- €20 m additional savings from Pigments & Cosmetics reorganization

Strict implementation to yield ~€385 savings until 2017

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*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

Merck Serono

	in % of sales		absolute		
[€ 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		
[€ 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	✓

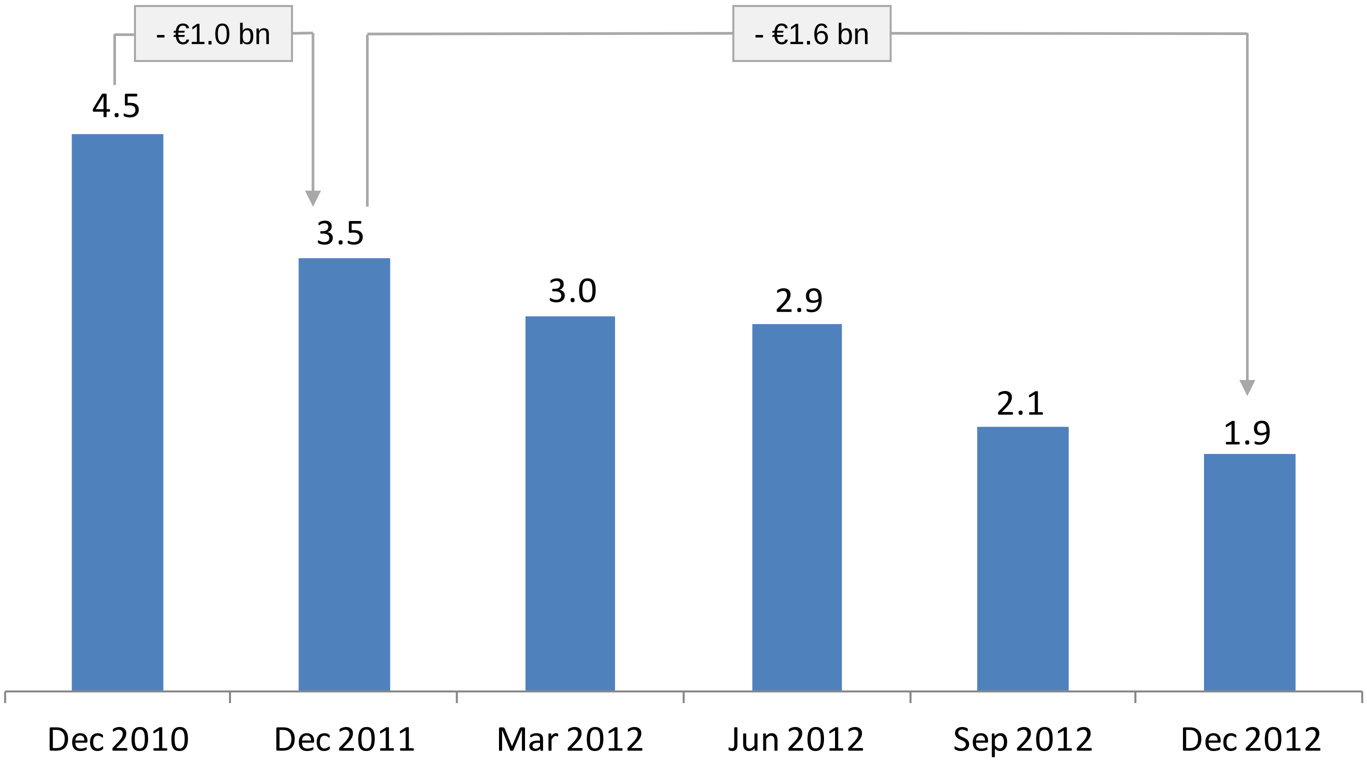
Comments

- Transformation of Merck Serono and Consumer Health reflected in improved cost to sales ratios
- Clear improvements in marketing and selling and R&D in Merck Serono
- Consumer Health also improves cost allocation, main drivers are portfolio pruning, regional exits and more focused sales promotion

Execution on strategy drives cost reduction

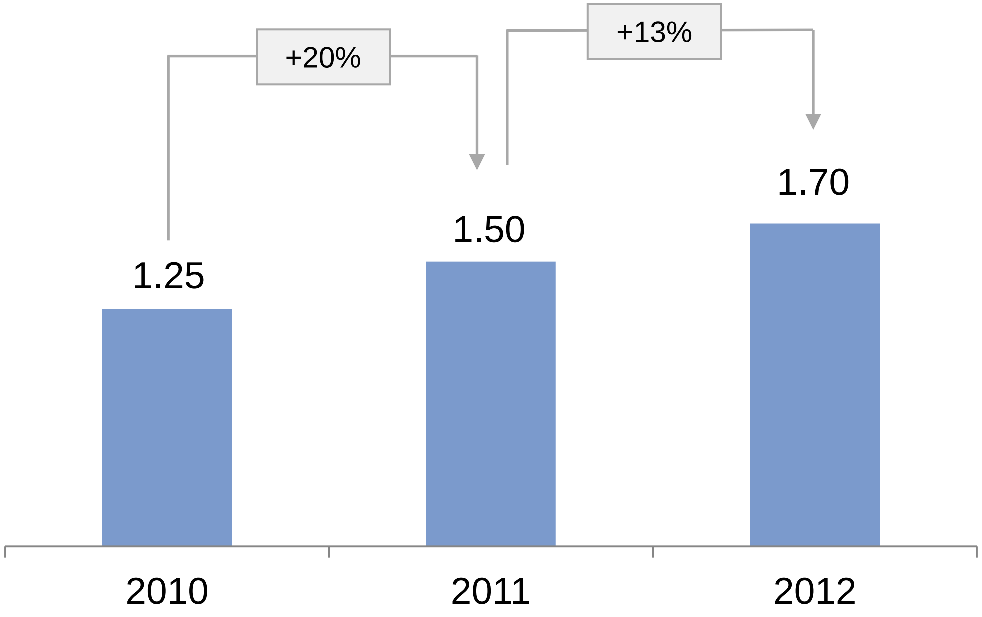
Strong deleveraging continues

Net financial debt reduction [€ bn]



Dividend increase reflects operational improvement

Dividend per share [€]



Payout

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

Merck 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

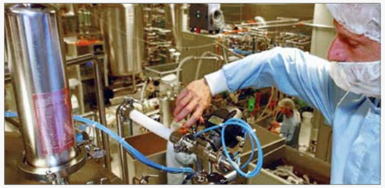
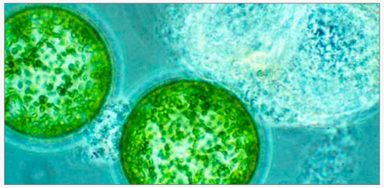
[**] on adjusted net income (reported net income plus one-time items, i.e. transformation costs)

Agenda

- Executive overview and strategy update 2012
- Financial review
- **Guidance**

Merck Group

Qualitative guidance for 2013

Merck Serono	Consumer Health	Performance Materials	Merck Millipore
			
▪ Organic sales growth more moderate vs. 2012: Rebif stable, Erbitux stable to slight increase, moderate growth in Endo, Fertility, GM ▪ Overproportional EBITDA pre increase due to further cost savings	▪ Lower to stable sales (market/brand exits and site closure) ▪ Profitability improvement driven by cost control	▪ Organic growth from volume increases but softer pricing ▪ EBITDA pre at best at 2012 level	▪ Moderate organic sales growth ▪ China, India and Latin America as geographic growth drivers ▪ EBITDA pre growth in line with sales

Merck Group: Moderate organic sales growth,
EBITDA pre growth above sales increase driven by savings implementation

MERCK

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

Merck 2013 industry outlook

Merck Serono

- 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

Merck Millipore

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

Q4 2012: Improving the entire financial matrix

[€ m]	Q4 2012	Q4 2011	Δ
Sales	**2,712**	**2,525**	**7%**
EBITDA pre *Margin (% of sales)*	**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

- Sales increase reflects ~6% organic growth, 2% FX benefit
- Largest contributor to 16% EBITDA pre increase is Merck Serono 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

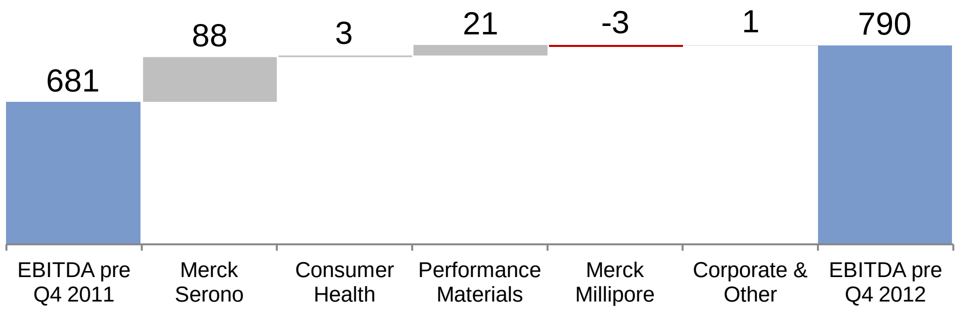
Merck Group Q4 2012

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

Q4 yoy sales	Organic	Currency	Portf.	Total
Merck Serono	4%	1%	0%	5%
Consumer Health	-7%	2%	0%	-5%
Performance Materials	17%	4%	0%	21%
Merck Millipore	6%	2%	0%	8%
MERCK GROUP	**6%**	**2%**	**0%**	**7%**

- Absolute sales increase driven evenly by Merck Serono and Performance Materials, followed by Merck Millipore
- Exceptional growth performance from Performance Materials
- Only slight support from FX as EUR/USD turned during Q4

Q4 EBITDA pre bridge [€ m]



- Strongest contributor Merck Serono driven by US organic growth, cost containment, FX
- Performance Materials with strong exceptional contribution
- Consumer Health and Merck Millipore offset each other

Totals may not add up due to rounding

Substantial improvement of profitability driven by operational performance and savings

[€ m]	Q4 2012	Q4 2011	Δ
EBIT	**312**	**296**	**5%**
Financial result	-61	-74	-18%
Profit before tax	**251**	**221**	**13%**
Income tax	25	-85	n.m.
Tax rate (%)	*-9.8*	*38.5*	
Net income	**272**	**133**	**>100%**
EPS (€)	**1.25**	**0.61**	**>100%**

Totals may not add up due to rounding

Comments

- Financial result improved mainly on lower interest expense due to 2012 bond maturities and benefit from fluctuations in fair value of FX hedging instruments
- Lower tax rate driven by favorable one-time effects
- Significant increase in net income and EPS as a result of solid operational performance, cost containment, and financial restructuring

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%**
Margin (% of sales)	*27.6%*		*27.5%*		

Totals may not add up due to rounding

Comments

- 5% organic sales growth mainly driven by Merck Serono 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

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%**
Margin (% of sales)	*29.1%*		*27.0%*		

Comments

- 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 Merck Millipore
- 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

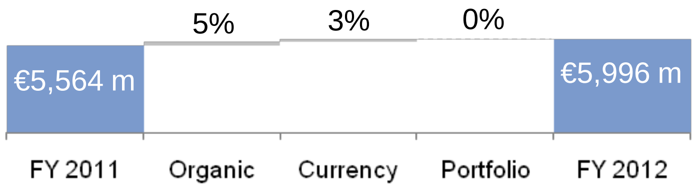
A strong year of successful transformation

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**
Margin (% of sales)	*29.8%*	*28.2%*

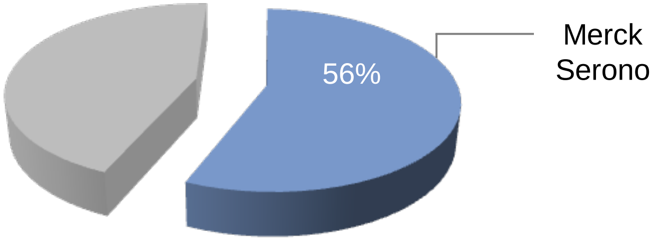
Comments

- 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

Year-on-year sales bridge



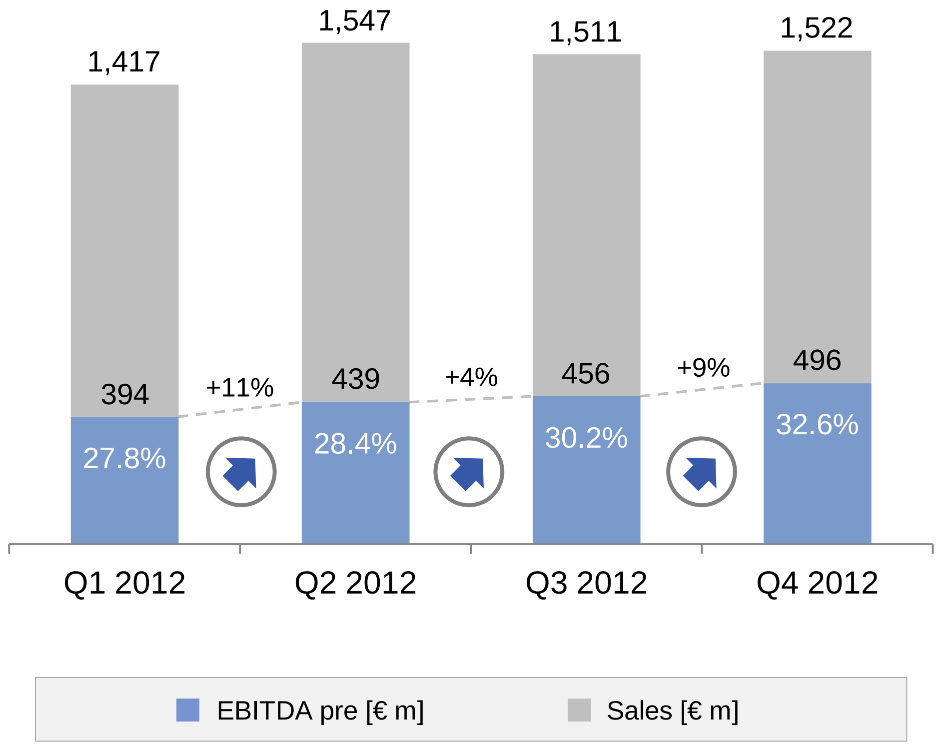
FY 2012 share of group sales



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

Merck Serono – four consecutive quarters of EBITDA pre and margin improvement

Sales, EBITDA pre and margin evolution



Performance 2012

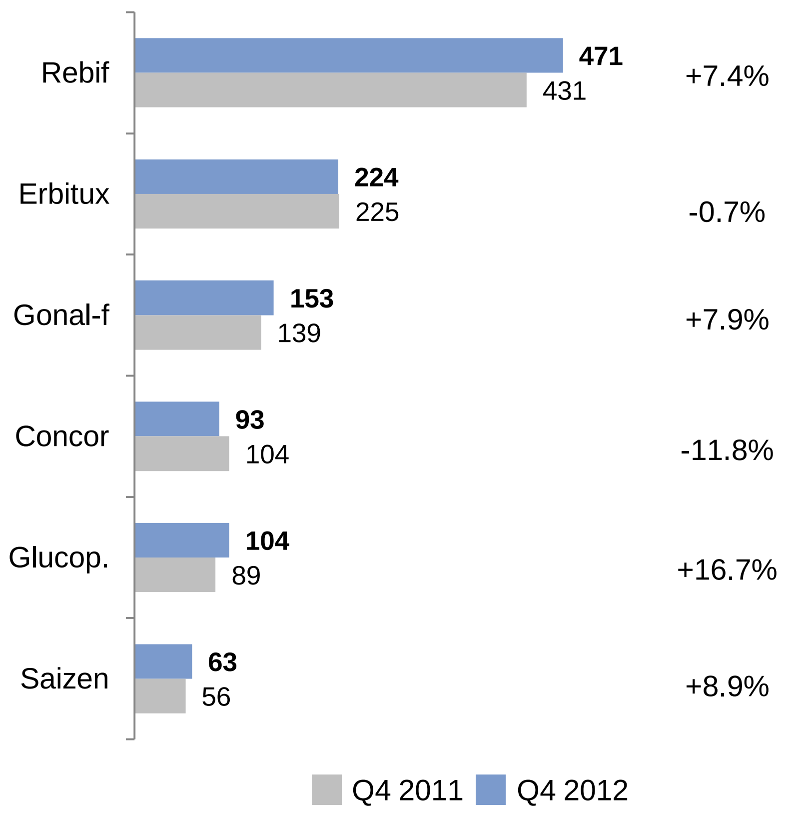
- North America, Emerging Markets growth and FX drive 2012 top line results
- Fit for 2018 initiatives related to R&D and marketing and selling improve relative cost base
- New management ensures four quarters of continued operations while restructuring business

Unleashing the potential of a strong franchise

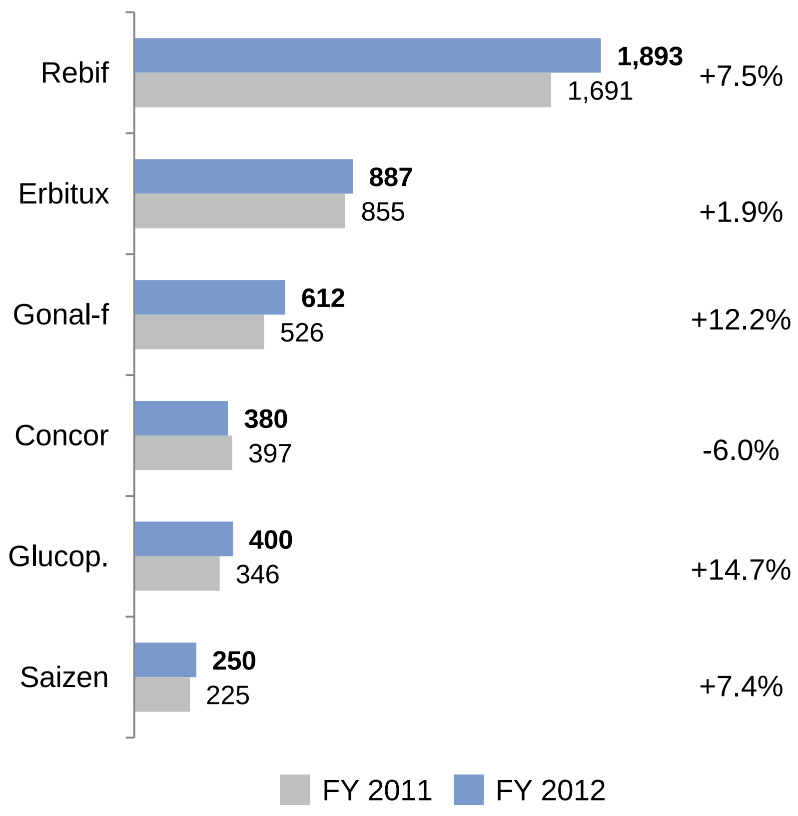
Merck Serono

Organic sales growth of main products

Q4 organic sales growth by key products [€ m]

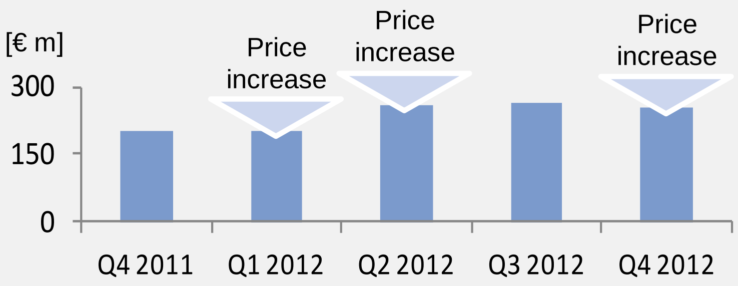


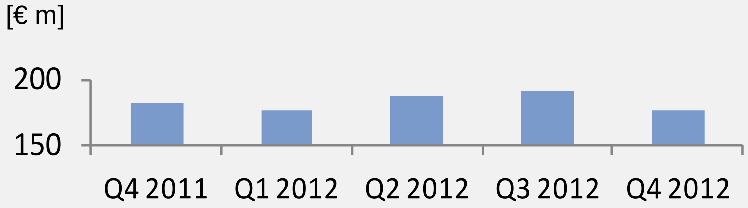
FY organic sales growth by key products [€ m]



Rebif - new commercial organization driving strong 2012 performance

Rebif - Regional sales evolution

Trend	North America	Q4 drivers
↗		↑ Price → Volume → FX

Trend	Europe	Q4 drivers
→		↓ Price → Volume

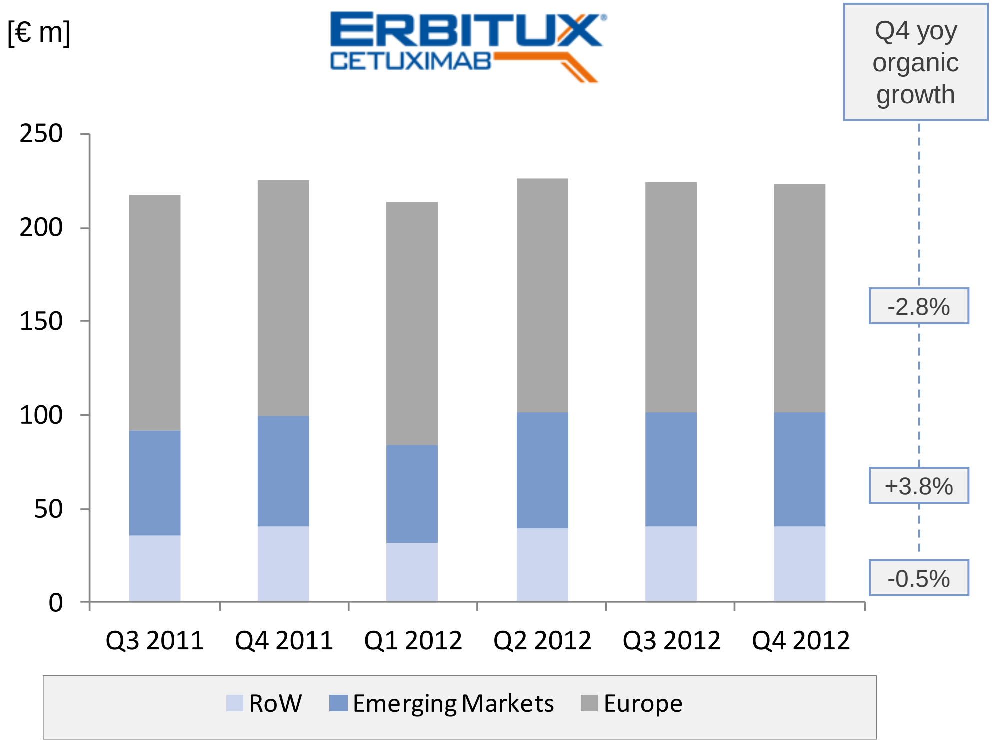
Rebif performance

- €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



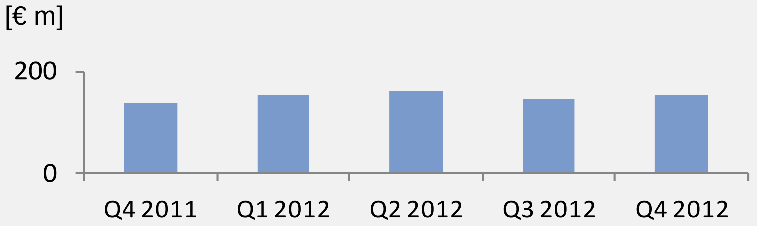
Erbitux performance

- 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

Merck Serono – Q4

Strong organic growth in Gonal-f, Endocrinology and Glucophage

Gonal-f



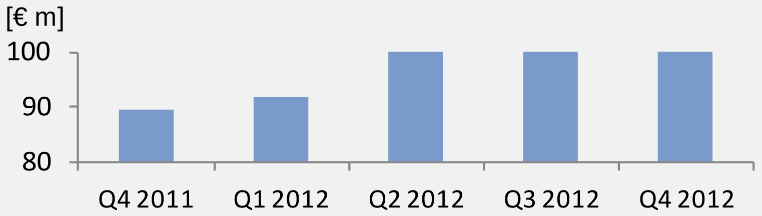
Q4 drivers

↘ Price

↗ Volume

→ Currency

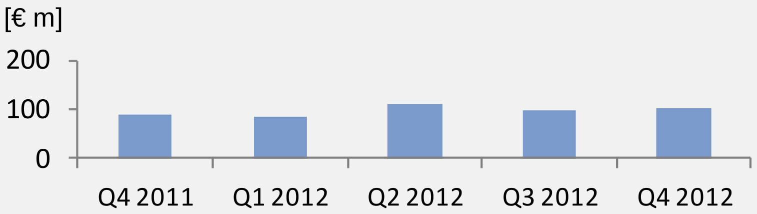
Endocrinology



Q4 drivers

↗ Organic

Glucophage



Q4 drivers

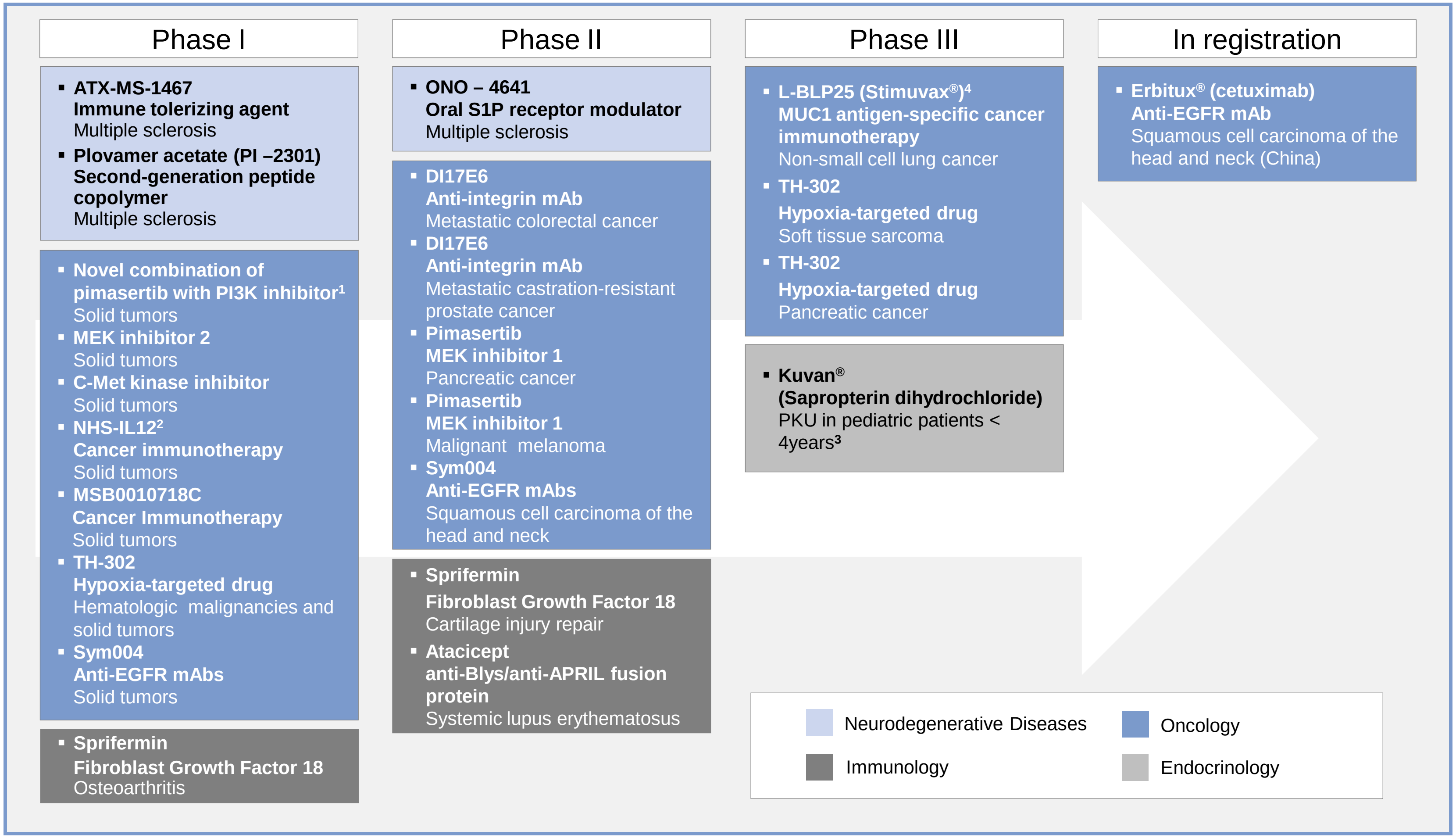
↗ Organic

Q4 growth

- 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

Merck Serono

Pipeline



Phase I

- **ATX-MS-1467**
  Immune tolerizing agent
  Multiple sclerosis
- **Plovamer acetate (PI –2301)**
  Second-generation peptide copolymer
  Multiple sclerosis

- **Novel combination of pimasertib with PI3K inhibitor[1]**
  Solid tumors
- **MEK inhibitor 2**
  Solid tumors
- **C-Met kinase inhibitor**
  Solid tumors
- **NHS-IL12[2]**
  Cancer immunotherapy
  Solid tumors
- **MSB0010718C**
  Cancer Immunotherapy
  Solid tumors
- **TH-302**
  Hypoxia-targeted drug
  Hematologic malignancies and solid tumors
- **Sym004**
  Anti-EGFR mAbs
  Solid tumors

- **Sprifermin**
  Fibroblast Growth Factor 18
  Osteoarthritis

Phase II

- **ONO – 4641**
  Oral S1P receptor modulator
  Multiple sclerosis

- **DI17E6**
  Anti-integrin mAb
  Metastatic colorectal cancer
- **DI17E6**
  Anti-integrin mAb
  Metastatic castration-resistant prostate cancer
- **Pimasertib**
  MEK inhibitor 1
  Pancreatic cancer
- **Pimasertib**
  MEK inhibitor 1
  Malignant melanoma
- **Sym004**
  Anti-EGFR mAbs
  Squamous cell carcinoma of the head and neck

- **Sprifermin**
  Fibroblast Growth Factor 18
  Cartilage injury repair
- **Atacicept**
  anti-Blys/anti-APRIL fusion protein
  Systemic lupus erythematosus

Phase III

- **L-BLP25 (Stimuvax®)[4]**
  MUC1 antigen-specific cancer immunotherapy
  Non-small cell lung cancer
- **TH-302**
  Hypoxia-targeted drug
  Soft tissue sarcoma
- **TH-302**
  Hypoxia-targeted drug
  Pancreatic cancer

- **Kuvan®**
  (Sapropterin dihydrochloride)
  PKU in pediatric patients < 4years[3]

In registration

- **Erbitux® (cetuximab)**
  Anti-EGFR mAb
  Squamous cell carcinoma of the head and neck (China)

■ Neurodegenerative Diseases
■ Oncology
■ Immunology
■ Endocrinology

Pipeline as of March, 2013; [1] Combined with PI3K/mTOR inhibitor of Sanofi (SAR245409), conducted under the responsibility of Merck

[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 2013

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)

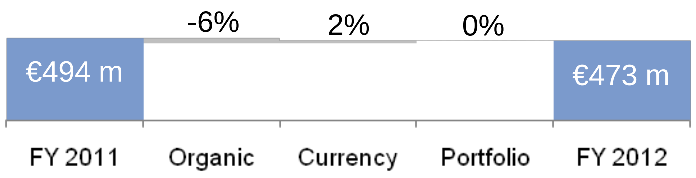
Strict restructuring and improved resource allocation drive substantial change of business setup

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**
Margin (% of sales)	*13.4%*	*11.8%*

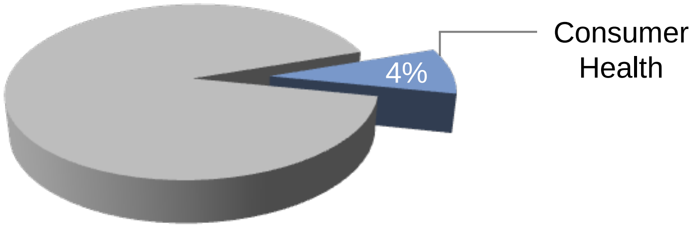
Comments

- 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

Year-on-year sales bridge



FY 2012 share of group sales



Totals may not add up due to rounding

Performance Materials

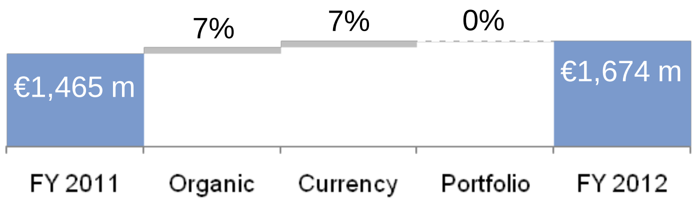
2012 a year of exceptional performance fueled by strong demand for liquid crystals as well as FX

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**
Margin (% of sales)	*43.6%*	*46.6%*

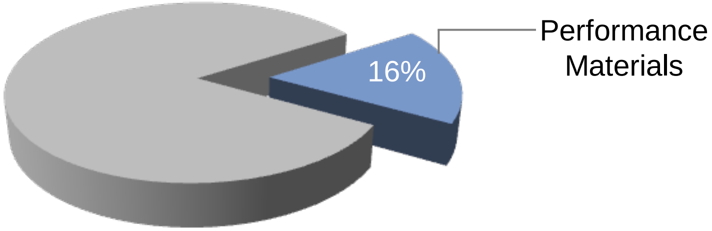
Comments

- 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

Year-on-year sales bridge



FY 2012 share of group sales



Totals may not add up due to rounding

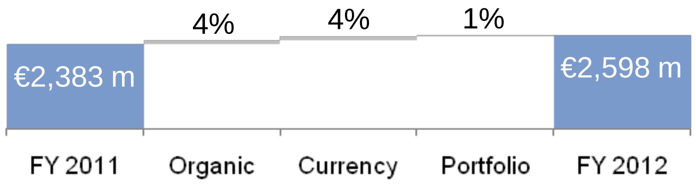
Solid performance across all business units

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**
Margin (% of sales)	*22.9%*	*23.6%*

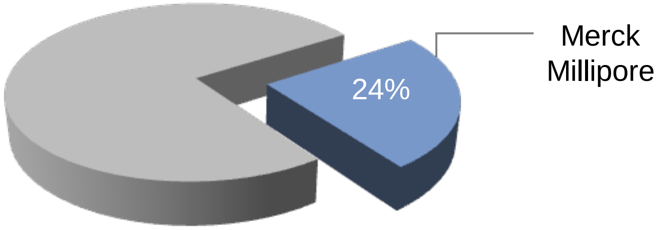
Comments

- 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

Year-on-year sales bridge



FY 2012 share of group sales



Totals may not add up due to rounding

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

- 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

Q4 2012: One-time items in EBIT

One-time items Q4 2012

[€ m]	Q4 2011		Q4 2012	
	One-time items	thereof impairments	One-time items	thereof impairments
Merck Serono	30	13	65	5
Consumer Health	0	0	34	11
Performance Materials	0	0	19	0
Merck Millipore	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 impairments	One-time items	thereof impairments
Merck Serono	365	323	391	46
Consumer Health	0	0	48	11
Performance Materials	-110	9	8	0
Merck Millipore	39	0	55	1
Corporate & Other	30	0	163	0
Total	325	332	664	59

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