Q1 2012
Earnings Release

May 15, 2012

Disclaimer

Remarks

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

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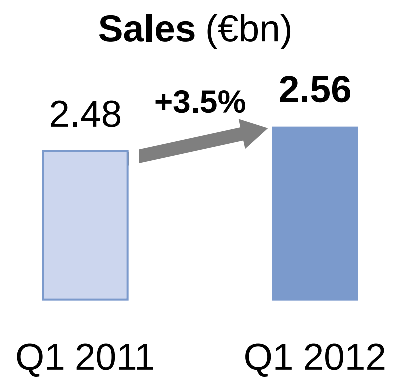
Merck Group Q1 2012

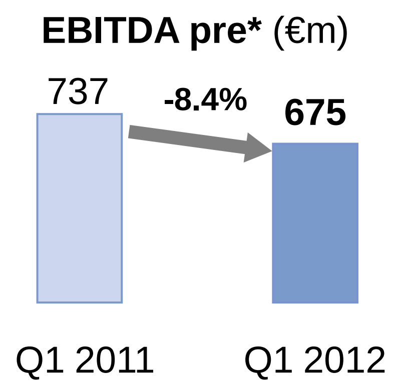
Q1 2012 Summary

Key Highlights

- Reasonable operational performance despite difficult year-over-year comparison
- Merck Serono and Merck Millipore drive all of the organic revenue growth
- Performance Materials declines after a strong start in Q1 2011
- Cost containment continued
- Efficiency program launched and first planned initiatives announced

Q1 2012 Financials





*EBITDA pre one-time items

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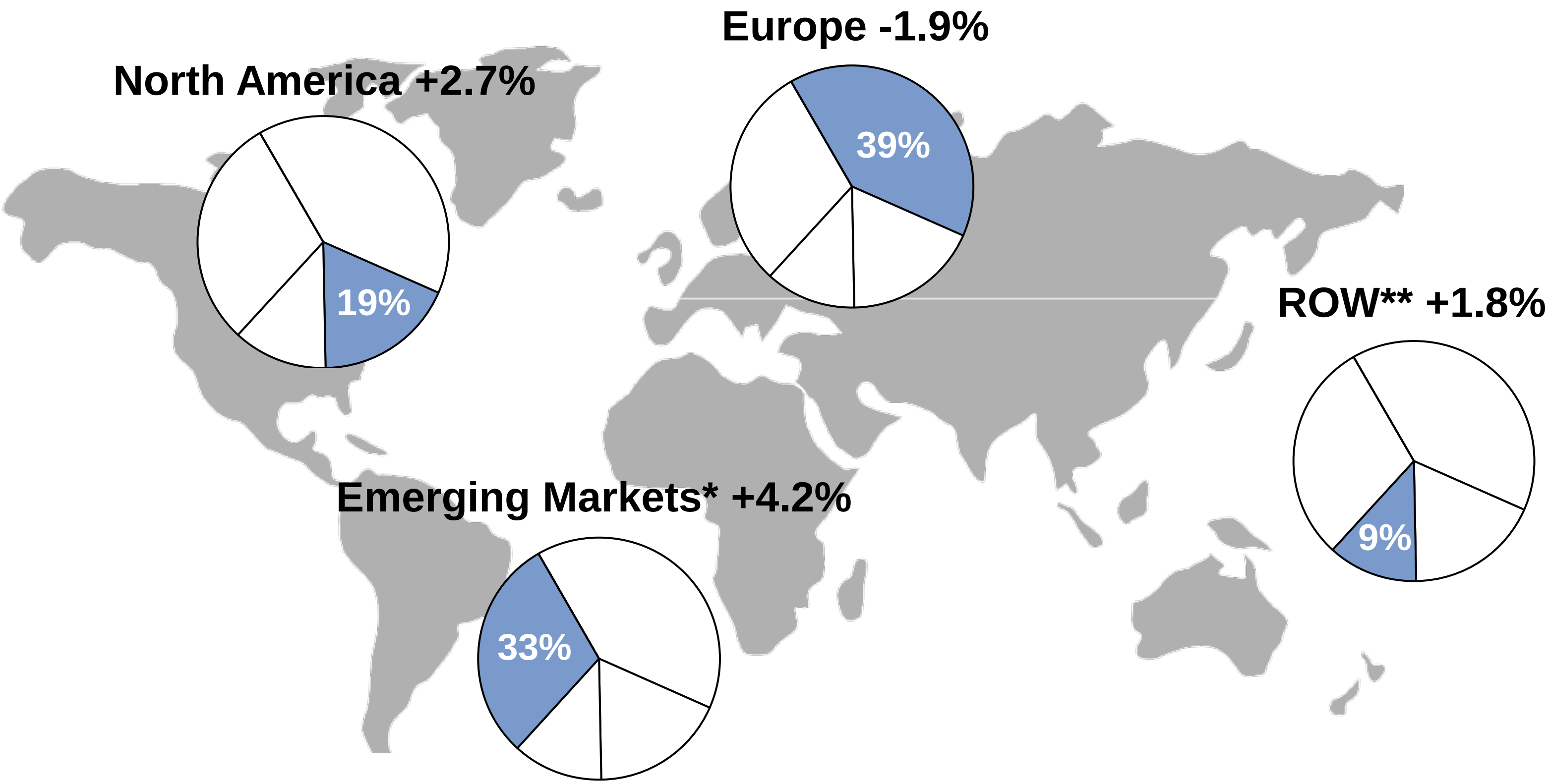
Good Performance in Emerging Markets Continues to Offset Declines in Europe



* Emerging Markets = Latin America + Asia (w/o Japan)
** ROW = Japan, Australia/Oceania, Africa

Growth rates reflect organic sales growth

Merck Group Q1 2012

Operating Performance Meets Expectations

€m	Q1 2012	Q1 2011	Δ
Total Revenues	**2,645**	**2,564**	**3%**
Sales	2,564	2,478	4%
Royalty income	81	86	-6%
Gross Profit	**1,896**	**1,925**	**-2%**
as % of sales	74.0	77.7	
Marketing & Selling	-587	-590	-1%
Royalty and Comm. Exp.	-120	-111	8%
Administration	-136	-130	5%
Other Expenses / Income	-145	63	-330%
R&D	-382	-379	1%
Amortization	-216	-248	-13%
EBIT	**311**	**530**	**-41%**
EBITDA pre	**675**	**737**	**-8%**
as % of sales	26.3	29.7	

Comments

- **Sales** growth of 4% reflects 1% organic growth, 2% impact from currency, and 1% from acquisitions
- **Gross profit** down due to
  - Higher start-up costs (LSB)
  - Lack of positive manufacturing variances
  - Negative FX effect (CHF)
- **Marketing & Selling** down due to successful cost containment
- **Other Expenses / Income** Q1 2012 includes €30m of one-time costs; Q1 2011 includes €158m gain
- **Amortization** lower due to €50m cladribine impairment in Q1 2011

Merck Group Q1 2012

One-Time Effects Negatively Influence Year-Over-Year Comparison

€m	Q1 2012	Q1 2011	Δ
EBIT	**311**	**530**	**-41%**
Financial Result	-65	-68	-5%
Profit Before Taxes	**246**	**461**	**-47%**
Income Tax	-69	-117	-41%
Tax Rate (%)	28.2	25.4	
Net Profit pre	**363**	**415**	**-13%**
EPS pre (€)	1.67	1.91	-13%

Comments

- **EBIT** down due to lack of CropBioScience gain (€158m) and lower operational performance
- **Income tax rate** shows quarterly volatility while underlying tax rate remains unchanged
- **Net Profit pre** down due to lower operational performance

Merck Serono Q1 2012

Solid Performance Despite Challenging Environment in Europe

€m	Q1 2012	Q1 2011	Δ
Total Revenues	**1,495**	**1,427**	**5%**
Sales	1,417	1,345	5%
Royalty income	78	82	-5%
Gross Profit	**1,224**	**1,222**	**0%**
as % of sales	86.3	90.9	
SG&A	**-604**	**-565**	**7%**
Royalty and Commission Expenses	-115	-106	8%
R&D	-303	-305	-1%
Amortization	-165	-199	-17%
EBIT	**152**	**153**	**0%**
EBITDA pre	**394**	**401**	**-2%**
as % of sales	27.8	29.8	

Comments

- **Sales** growth of 5% reflects 4% organic growth and 1% benefit from FX
- **Gross Profit** margin lower due to higher start-up costs (LSB), lack of positive manufacturing variances, and lower royalty income (Vilazodone milestone payment in Q1 2011)
- **SG&A** increase primarily related to €18m of one-time costs and higher Rebif commission expenses
- **Amortization** lower due to €50m cladribine impairment in Q1 2011

Consumer Health Q1 2012

Division Begins Efficiency Measures

€m	Q1 2012	Q1 2011	Δ
Sales	**108**	**116**	**-7%**
Gross Profit	**71**	**82**	**-13%**
as % of sales	66.2	70.7	
SG&A	-60	-68	-12%
R&D	-5	-5	1%
Amortization	-1	-1	13%
EBIT	**5**	**8**	**-39%**
EBITDA pre	**9**	**11**	**-19%**
as % of sales	8.0	9.1	

Comments

- **Sales** decline organically by 8%
  - Weakness in Europe
  - One-time supply chain issue in France
- **Gross Profit** adversely impacted by lower sales
- **SG&A** significantly lower due to tighter cost management
- One-time restructuring costs of €1m in Q1 2012 lowers reported EBIT compared to previous year

Performance Materials Q1 2012

Business Remains Healthy Despite Tough Y-o-Y Comparison (LC 20% Organic Growth in Q1 2011)

€m	Q1 2012	Q1 2011	Δ
Sales	**386**	**408**	**-5%**
Gross Profit	**214**	**265**	**-19%**
as % of sales	55.5	64.8	
SG&A	-49	100	-149%
R&D	-35	-36	-2%
Amortization	0	-1	-51%
EBIT	**129**	**328**	**-61%**
EBITDA pre	**160**	**198**	**-19%**
as % of sales	41.5	48.5	

Comments

- **Sales** decline of 5% reflects 8% organic decline and 3% benefit from FX
- **Gross Profit** decrease due to lower sales, negative mix (less PS-VA sales)
- **SG&A** decrease driven by divestment of Crop BioScience in Q1 2011; excluding this effect, SG&A down €7M from Q1 2011
- **EBITDA pre** down due to lower gross profit

Merck Millipore Q1 2012

Continuing to Deliver Solid Growth While Investing for the Future

€m	Q1 2012	Q1 2011	Δ
Sales	**653**	**608**	**7%**
Gross Profit	**390**	**357**	**9%**
as % of sales	59.7	58.6	
SG&A	-224	-203	10%
R&D	-38	-32	16%
Amortization	-50	-47	6%
EBIT	**78**	**74**	**5%**
EBITDA pre	**161**	**158**	**2%**
as % of sales	24.7	26.0	

Comments

- **Sales** growth of 7% reflects 3% organic growth, 2% acquisition effect and 2% FX benefit
- **Gross Profit** driven by sales increase
- **SG&A** higher due to acquisitions and investments in sales force
- **R&D** reflects acquisitions and strategic investments in Process Solutions
- **EBITDA pre** only moderately up due to reinvestments predominantly in US sales force

Merck Group Q1 2012

Balance Sheet Continues to Strengthen

€m	Mar. 31, 2012	Dec. 31, 2011	Δ
Total Assets	**21,490**	**22,120**	**-3%**
Equity	10,638	10,493	1%
Cash & other liquid funds	1,842	2,055	-10%
Intangible Assets	11,467	11,764	-3%
Financial Debt	4,859	5,539	-12%
Pension Provisions	1,144	1,137	1%
Net Financial Debt	3,017	3,484	-13%

Comments

- Repayment of €500m Euro bond in March 2012:
  - Decreased cash & other liquid funds
  - Financial debt lowered

Good Improvement in Working Capital Helps Drive Free Cash Flow

€m	Q1 2012	Q1 2011	Δ
Profit after tax	**177**	**344**	**-168**
Depreciation & Amortization	343	353	-10
Changes in working capital	-11	-203	192
Capital expenditures	-51	-75	24
Others	-38	226	-264
Free Cash Flow	**420**	**645**	**-226**

Comments

- Changes in **Working Capital**
  - Improved inventory management
- **Others:** Q1 2011 reflects payments received for sale of Théramex & CropBioScience (€466m)

Merck Group Q1 2012

Guidance Update FY 2012

Merck Divisions	Sales Growth
Merck Serono	~2%
Consumer Health	0% - 2%
Performance Materials	2% - 3%
Merck Millipore	4% - 6%
Merck Group	
Total Revenues	~ € 10.5bn
EBITDA pre (incl. €50m efficiency savings)	€2.8bn - €2.9bn

Profitability:

- Merck Serono: Modest increase in profitability before efficiency savings
- Consumer Health: Slight improvement in profitability in a moderate market environment
- Performance Materials: Profitability close to 2011 level
- Merck Millipore: Profitability improvements in line with sales growth

Assumption Q2 – Q4 2012: EUR/USD = 1.35; EUR/CHF = 1.20

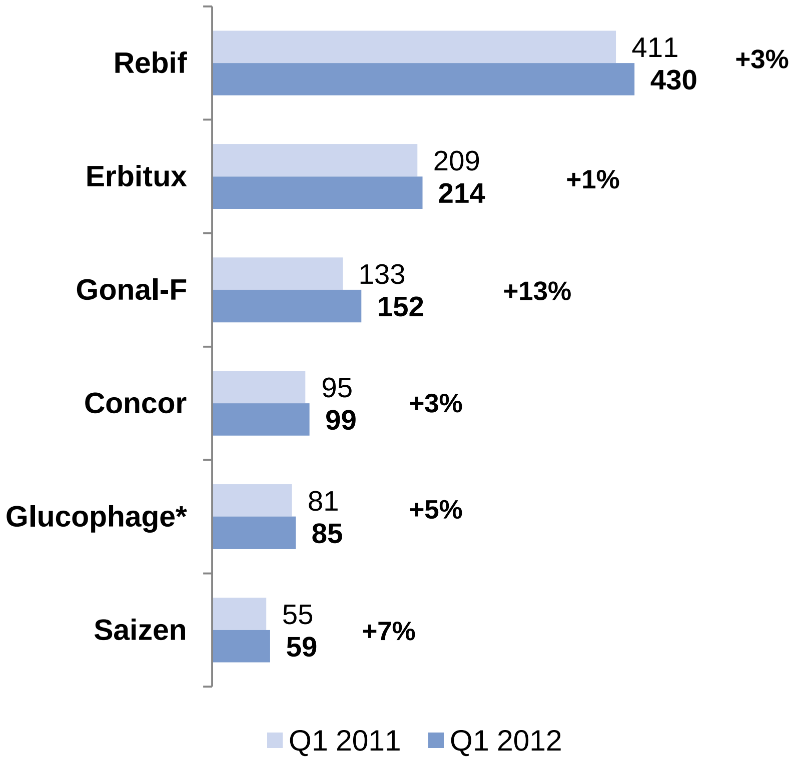
Q1 2012

APPENDIX

Merck Serono Q1 2012

Reported Sales and Organic Sales Growth of Main Products

Reported Sales and organic sales growth by key products (€m)



Comments

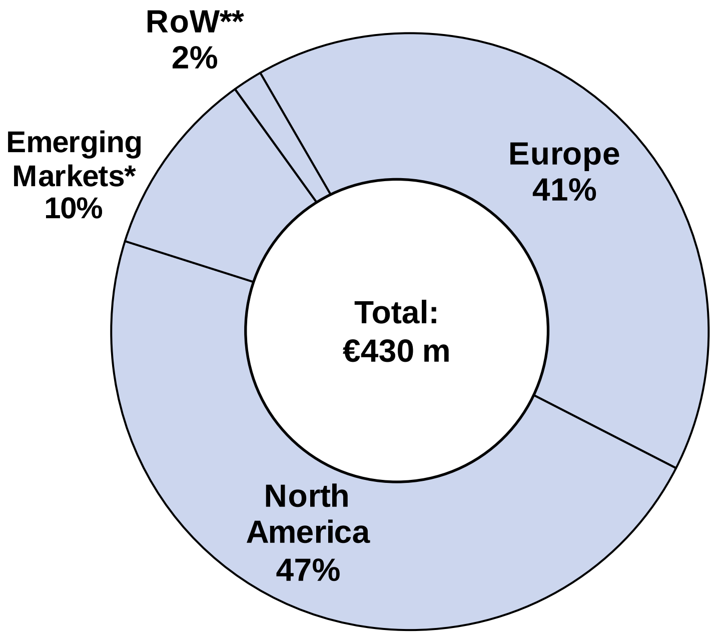
- **Rebif** growth benefits from US price increases and strong performance in Latin America
- **Erbitux** benefits from price and volume increase in Latin America, but growth is lowered due to elimination of sales in Greece and continued decline in Japan
- Ongoing strong volume increase of **Gonal-f** supported by new Family of Pens in Europe
- **Glucophage** growth is solid, but lower than recent trend due to capacity constraints
- **Saizen** benefits from healthy volume growth, particularly in Emerging Markets

* Sales of branded products only

Merck Serono Q1 2012
Rebif and Erbitux Sales by Geography

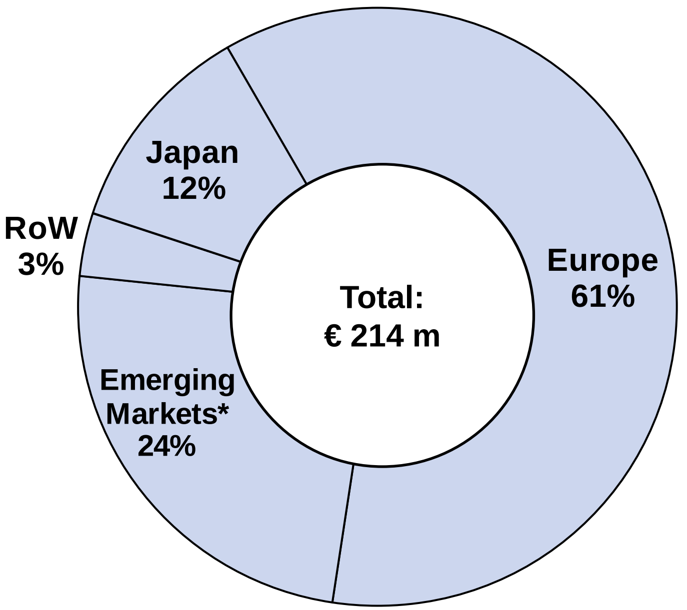
Rebif sales by geography

% of sales



Erbitux sales by geography

% of sales



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** RoW = Japan, Australia/Oceania, Africa

Merck Serono Portfolio
May 15, 2012

Phase I

- **ARX 424**
  Long-acting interferon
  Multiple sclerosis
- **ATX-MS-1467**
  Immune tolerizing agent
  Multiple sclerosis
- **Extended-release formulation of interferon beta-1a**
  Multiple sclerosis
- **PI –2301**
  Second-generation peptide copolymer
  Multiple sclerosis
- **Fc-IFN beta**
  Long-acting interferon
  Multiple sclerosis
- **Pimasertib**
  MEK inhibitor
  Solid tumors and hematological malignancies
- **Novel combinations of pimasertib with one of two Sanofi's PI3K inhibitors**[1]
  Solid tumors
- **MEK inhibitor 2**
  MEK inhibitor
  Solid tumors
- **EMD 1214063**
  c-Met kinase inhibitor
  Solid tumors
- **NHS-IL12**[2]
  Cancer immunotherapy
  Solid tumors
- **Sprifermin**
  Fibroblast Growth Factor 18
  Osteoarthritis

Phase II

- **ONO – 4641**
  Oral S1P receptor modulator
  Multiple sclerosis
- **Cilengitide**
  Integrin inhibitor
  Non-small cell lung cancer
- **DI17E6**
  Anti-integrin mAb
  Metastatic colorectal cancer
- **DI17E6**
  Anti-integrin mAb
  Metastatic castration-resistant prostate cancer
- **TH-302**
  Hypoxia-targeted drug
  Pancreatic cancer
- **Sprifermin**
  Fibroblast Growth Factor 18
  Cartilage injury repair
- **Atacicept**
  anti-Blys/anti-APRIL fusion protein
  Systemic lupus erythematosus

Phase III

- **Erbitux (cetuximab)**
  Anti-EGFR mAb
  Gastric cancer
- **Cilengitide**
  Integrin inhibitor
  Glioblastoma
- **Stimuvax (L-BLP25)**
  MUC1 antigen-specific cancer immunotherapy
  Non-small cell lung cancer
- **TH-302**
  Hypoxia-targeted drug
  Soft tissue sarcoma
- **Kuvan**
  (Sapropterin dihydrochloride)
  PKU in pediatric patients < 4years[3]

In registration

- **Erbitux (cetuximab)**
  Anti-EGFR mAb
  Non-small cell lung cancer
  (1st line therapy)
  EMA: Application submitted

[1] Combined with PI3K/mTOR inhibitor (SAR245409), conducted under the responsibility of Merck, or combined with PI3K inhibitor (SAR245408), conducted under the responsibility of Sanofi
[2] Sponsored by the National Cancer Institute (NCI), USA
[3] Phase IIIb post-approval request by EMA

Neurodegenerative Diseases
Oncology
Rheumatology
Endocrinology

Merck Serono Pipeline
Timelines

Project	Indication	Trial	Datapoint	Timeline
Oncology				
Erbitux	Gastric cancer	EXPAND	PIII final	H2 2012
Stimuvax	NSCLC	START	PIII final	H1 2013
Cilengitide	Glioblastoma	CENTRIC	PIII final	H1 2013
Rheumatology				
Atacicept	SLE	APRIL	PII final	H2 2012

Merck Group Q1 2012

Reconciliation to EBITDA pre and EPS pre

€m	Q1 2012	Q1 2011
EBIT	**311**	**530**
Depreciation & Amortization	**343**	**353**
Regular depreciation & amortization	119	107
Amortization of purchased intangible assets	215	196
Impairments*	9	50
EBITDA	**654**	**883**
One-time items	**21**	**-146**
M&A costs	0	0
Restructuring costs	10	0
Integration/IT related costs	10	12
Costs from discontinuing businesses	1	-158
Other one-time costs	0	0
EBITDA pre	**675**	**737**
Regular depreciation & amortization**	-119	-107
Financial result	-65	-68
Profit before tax pre	491	562
EPS pre (in €)	**1.67**	**1.91**

* Classified as one-time item

** Regular depreciation & amortization = depreciation & amortization – amortization of purchased intangible assets – impairments

Merck Group

Adjusted Definition of Corporate & Other to Increase Operational Accountability

EBITDA pre (€m)	FY 2011 reported	Change	FY 2011 restated
Merck Serono	1,556	13	1,569
Consumer Health	58	1	59
Performance Materials	674	9	683
Merck Millipore	552	9	561
Corporate & Other	**-111**	**-32**	**-143**
Total Group	**2,729**		**2,729**

Comments

- Adjusted definition of "Corporate & Other" as of Jan. 1, 2012:
  - €32m reallocation in 2011
  - Further reallocations will occur over next 12 months
- Rationale for changes:
  - Eliminate allocation of corporate costs in divisions
  - Ensure business has 100% control over P&L
  - Create greater accountability in the organization

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