Q1 2013 Results Conference Call

A solid start to the year

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Darmstadt - May 14, 2013

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Agenda

Executive overview Q1 2013

Business and financial review Q1 2013

Guidance

Highlights Q1 2013

- **Sales increase by 4% to €2.7 bn, reflecting organic sales growth of 5%**
- **Merck Serono and Performance Materials contribute evenly to ~€100 m sales increase**
- **Fit for 2018 initiatives become increasingly visible – program on track**
- **EBITDA pre mark of €800 m reached for the first time**
- **EPS pre increases 27% to €2.11**

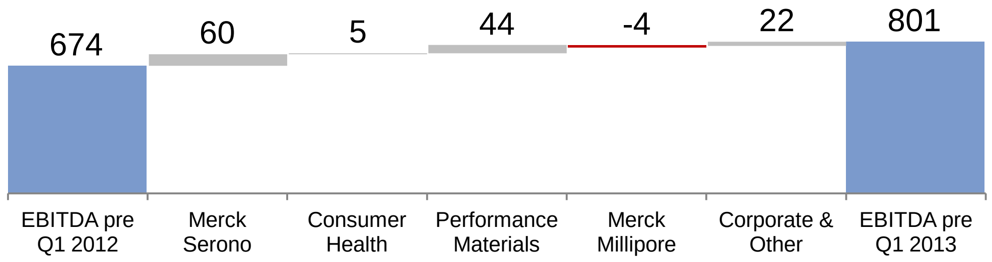
2014 target pulled forward; at higher end of previous range

Merck Serono and Performance Materials largest contributors to top- and bottom-line improvement

Q1 yoy sales	Organic	Currency	Portfolio	Total
Merck Serono	4%	-1%	0%	3%
Consumer Health	9%	-1%	0%	8%
Performance Materials	10%	-1%	0%	9%
Merck Millipore	4%	-2%	1%	2%
Merck Group	**5%**	**-1%**	**0%**	**4%**

- All divisions realize solid organic growth
- Merck Serono biggest absolute contributor to organic growth, followed by Performance Materials
- FX turns negative for all divisions

Q1 yoy EBITDA pre bridge [€ m]

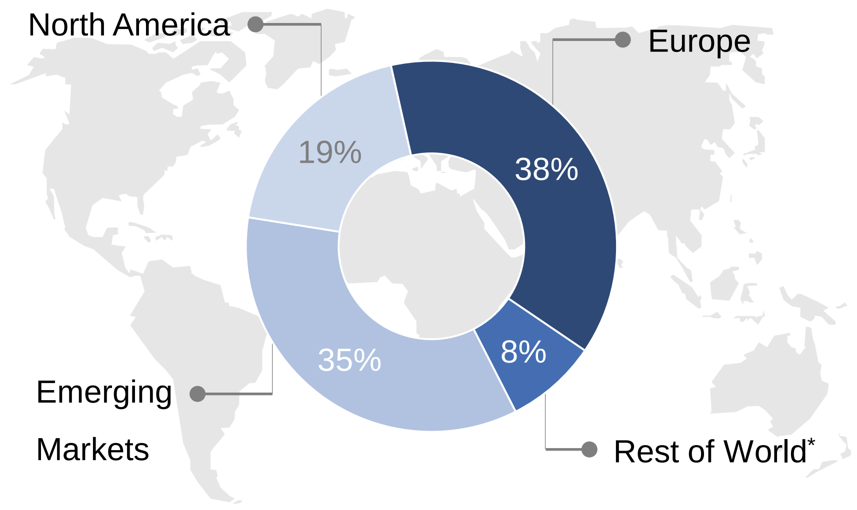


- EBITDA pre driven by Merck Serono and Performance Materials
- Investments in future products and technologies weigh on Merck Millipore
- Corporate & Other included hedging losses in 2012

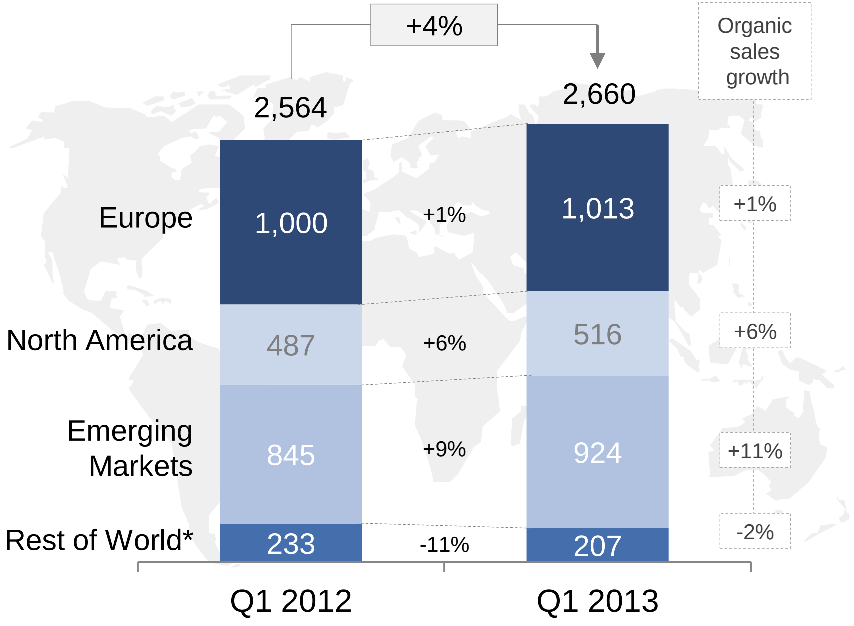
Totals may not add up due to rounding

Emerging Markets key driver of absolute and relative sales growth

Merck Group Q1 2013 sales by region



Regional development of sales [€ m]



* Japan, Oceania, Australia, Africa

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Q1 2013: A strong quarter

[€ m]	Q1 2013	Q1 2012	Δ
Sales	**2,660**	**2,564**	**4%**
EBITDA pre *Margin (% of sales)*	**801** *30.1%*	**674** *26.3%*	**19%**
EPS pre [€]	**2.11**	**1.66**	**27%**
Operating cash flow	**516**	**472**	**9%**
[€ m]	March 2013	Dec 2012	Δ
Net financial debt	**1,567**	**1,926**	**-19%**
Working capital	**2,562**	**2,360**	**9%**
Employees	**38,311**	**38,847**	**-1%**

Q1 2013 dynamics

- Merck Serono and Performance Materials key contributors to sales growth
- Visible improvement in EBITDA pre and margin driven by organic growth, higher production yields and improved cost structure
- Strong EPS pre performance
- Cash-generating nature of business enables continued net debt reduction

Solid start to the year: good organic sales increase, higher productivity and supportive mix

Business performance, lower financial and tax expenses drive strong net income expansion

[€ m]	Q1 2013	Q1 2012	Δ
EBIT	**399**	**311**	**29%**
Financial result	-59	-66	-11%
Profit before tax	341	244	39%
Income tax	-72	-69	3%
Tax ratio (%)	21.0	28.4	
Net income	266	173	54%
EPS (€)	1.22	0.79	54%

Totals may not add up due to rounding

Comments

- Top-line growth, mix and yield variances increase EBIT
- Gross debt reduction benefits financial result, lowers interest cost
- Favorable regional profit split and one-time tax credits lower tax ratio; guidance unchanged at 25% to 26%
- Strong increase in reported net income due to EBIT growth, tax and financial result improvement

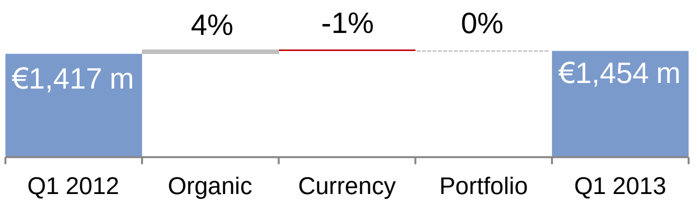
Merck Serono: Organic growth and higher productivity deliver strong business performance

[€ m]	Q1 2013	Q1 2012
Sales	**1,454**	**1,417**
Marketing and selling	-312	-332
Admin	-52	-52
R&D	-324	-303
EBIT	**195**	**161**
EBITDA	433	393
EBITDA pre	**463**	**403**
Margin (% of sales)	*31.8%*	*28.4%*

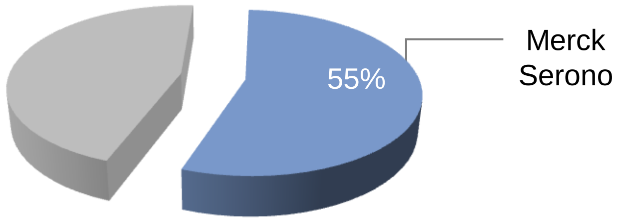
Comments

- Organic growth leads to sales increase, mitigated by FX
- Rebif with solid pricing in the U.S. (Rebidose introduction) but sluggish volumes as prenotified destocking unfolds
- Erbitux shows good volumes in Emerging Markets while softness in Europe persists
- Marketing and selling improves on continued Fit for 2018 implementation
- Higher R&D due to early oncology projects and one time costs; higher investments in local R&D (for life cycle management)
- Profitability increases on organic growth as well as higher yield

Sales bridge



Q1 2013 share of group sales



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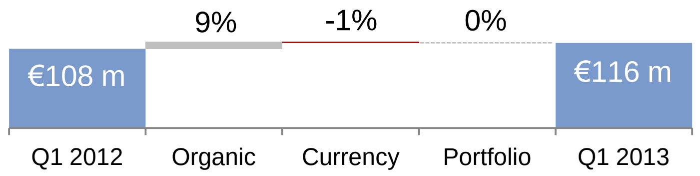
Consumer Health: Seasonal demand meets improved cost base

[€ m]	Q1 2013	Q1 2012
Sales	**116**	**108**
Marketing and selling	-51	-52
Admin	-4	-5
R&D	-4	-5
EBIT	**12**	**6**
EBITDA	14	9
EBITDA pre	**14**	**9**
Margin (% of sales)	*12.3%*	*8.7%*

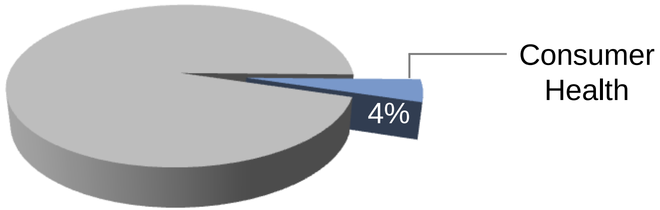
Comments

- Sales increase on strong organic growth slightly mitigated by currency
- Cough and cold benefits seasonally, more so due to extended winter period in Europe
- Strong performance of strategic brands, especially Nasivin and Bion 3
- Business starts improving on Fit for 2018 initiatives but short-term volatility should still be expected
- Profitability increases thanks to healthy demand and an improved cost base

Sales bridge



Q1 2013 share of group sales



Totals may not add up due to rounding

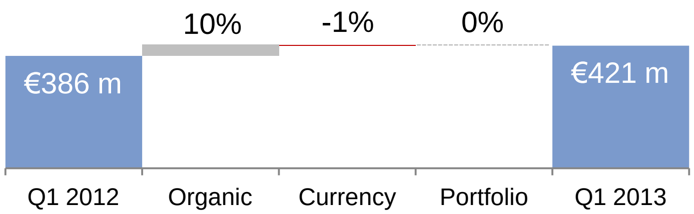
Performance Materials: Ongoing strength in Liquid Crystals and first successful Pigments quarter

[€ m]	Q1 2013	Q1 2012
Sales	**421**	**386**
Marketing and selling	-35	-33
Admin	-7	-8
R&D	-36	-35
EBIT	**173**	**132**
EBITDA	203	163
EBITDA pre	**207**	**163**
Margin (% of sales)	*49.2%*	*42.3%*

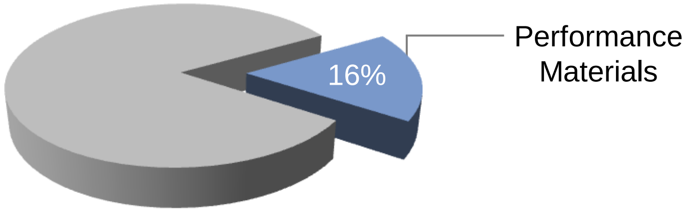
Comments

- Strong demand for Liquid Crystals fuels organic growth with volume increases being slightly mitigated by pricing
- PS-VA and IPS overcompensate more modest TFT and VA performance due to their superior technology
- Improved cost structure in the Pigments and Cosmetics business meets seasonally strongest volume quarter
- Profitability increases as strong demand with good capacity utilization coincides with an improved cost structure

Sales bridge



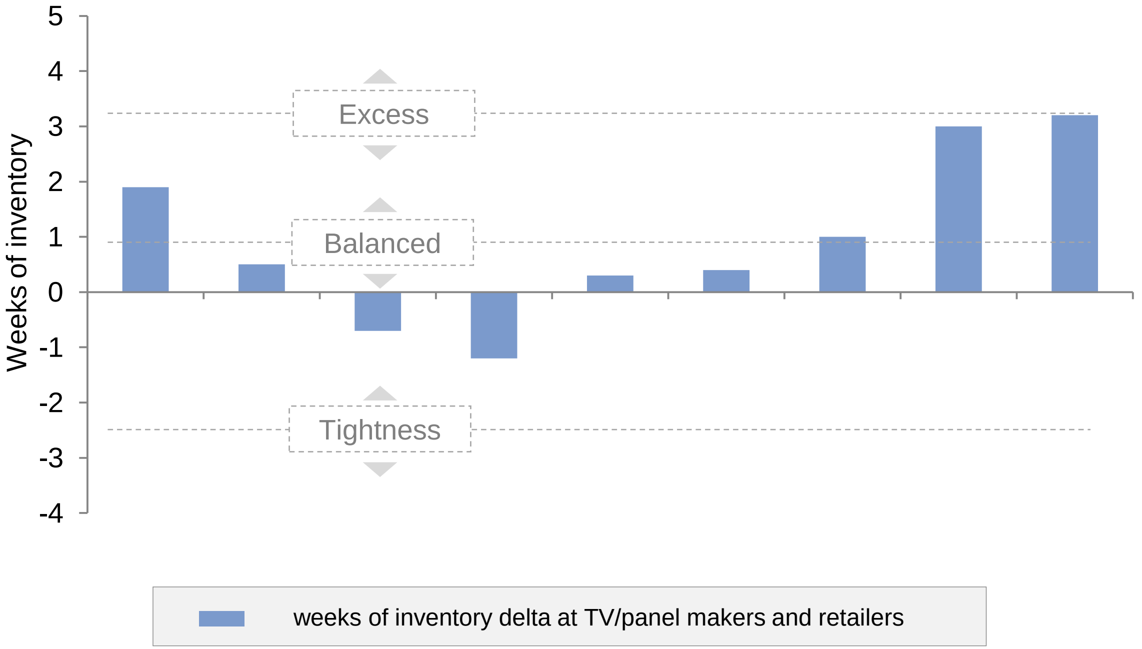
Q1 2013 share of group sales



Totals may not add up due to rounding

Supply chain levels are expected to burden Liquid Crystals demand in the second half of the year

Inventory levels over last 2 years



Comments

- Downstream inventory levels high
- Precise forecast when potential destocking will occur cannot be made

Destocking will occur but underlying trends remain intact

Illustration, source: GfK; February 2013

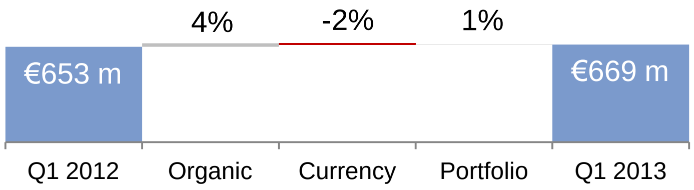
Merck Millipore: Stable performance amid continued investments

[€ m]	Q1 2013	Q1 2012
Sales	**669**	**653**
Marketing and selling	-169	-167
Admin	-27	-25
R&D	-41	-38
EBIT	**72**	**83**
EBITDA	151	159
EBITDA pre	**162**	**166**
Margin (% of sales)	*24.2%*	*25.4%*

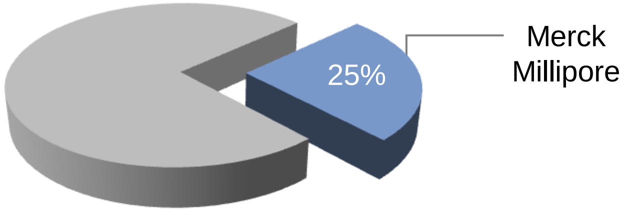
Comments

- Volume and price increases as well as positive portfolio effects are mitigated by FX
- Process Solutions drives turnover increase; healthy demand stemming predominantly from biopharma production activities
- Growth in Lab Solutions being led by Biomonitoring activities with healthy demand from pharma and food/beverage markets
- Sluggish performance of Bioscience activities amid U.S. sequestration
- Increased R&D and marketing and selling investments weigh on profitability

Sales bridge



Q1 2013 share of group sales



Totals may not add up due to rounding

Balance sheet strength

[€ m]	March 2013	Dec 2012	Δ
Total assets	**21,954**	**21,643**	**1%**
Equity	10,514	10,415	1%
Cash and other liquid funds	2,901	2,528	15%
Intangible assets	10,825	10,945	-1%
Financial debt	4,468	4,454	0%
Pension provisions	1,308	1,212	8%
Net financial debt	1,567	1,926	-19%

Comments
▪ Cash-generating nature of business drives increase in cash and other liquid funds ▪ Ongoing deleveraging: net financial debt down by €359 m ▪ Pension provisions increase due to discount rate reduction

Strong operating cash-generation continues

[€ m]	Q1 2013	Q1 2012	Δ
Profit after tax	**269**	**175**	**94**
D&A	354	343	12
Changes in provisions	23	24	-1
Changes in other assets / liabilities	72	-52	124
Other operating activities	-8	-7	-1
Operating cash flow before changes in WC	**710**	**483**	**227**
Changes in working capital	-195	-11	-184
Operating cash flow	**516**	**472**	**44**
Investing cash flow	**-324**	**318**	**-642**
thereof Capex*	-37	-51	13
Financing cash flow	**-107**	**-638**	**531**

Comments

- Profit after tax reflects good business performance
- Sales expansion main element of working capital increase
- Changes in investing and financing cash flow driven by March 2012 €500 m bond repayment

Cash flow strength

Totals may not add up due to rounding

* Only PPE w/o intangibles

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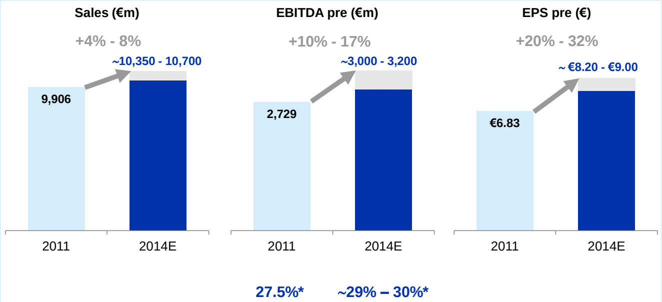
Guidance

With successful acceleration of transformation Merck aims to deliver its mid-term targets already in 2013

Old mid-term guidance for 2014

Merck Group

Merck strives for realistic Group targets



* % of sales

Assumptions:

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

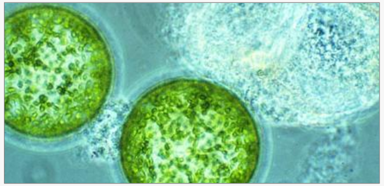
1

Merck guidance for 2013

Sales:	**~ €10.7 - 10.9 bn**
EBITDA pre:	**~ €3.1 - 3.2 bn**
EPS pre:	**~ €8.50 – 9.00**

Mid-term Target pulled forward and updated

2013 guidance details

Merck Serono	Consumer Health	Performance Materials	Merck Millipore
			
Sales	Sales	Sales	Sales
Moderate organic growth	Stable	Stable	Moderate organic growth
EBITDA pre	EBITDA pre	EBITDA pre	EBITDA pre
~ €1.9 – 2.0 bn	~ €70 – 75 m	~ €700 – 740 m	~ €620 – 640 m

Merck 2013 guidance: ~€3.1 to 3.2 billion EBITDA pre

MERCK

Appendix

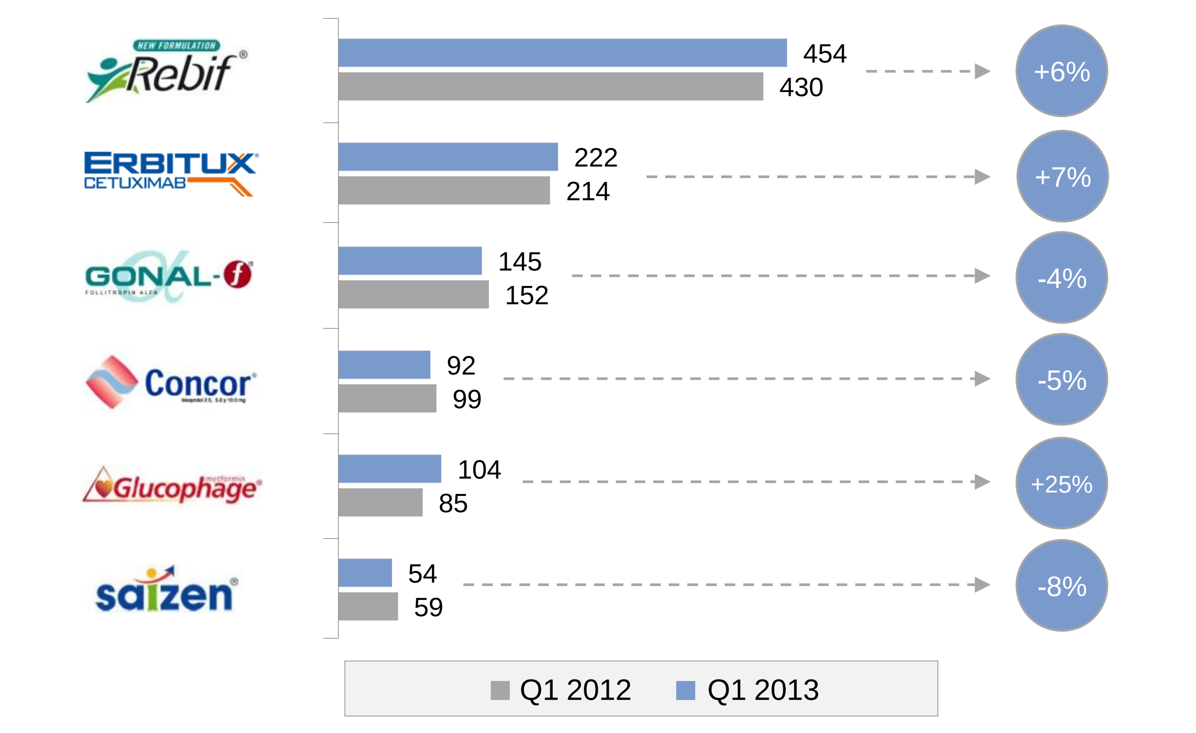
Additional financial guidance

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

Merck Serono organic growth performance by product

MERCK

Q1 2013 organic sales growth by key products [€ m]

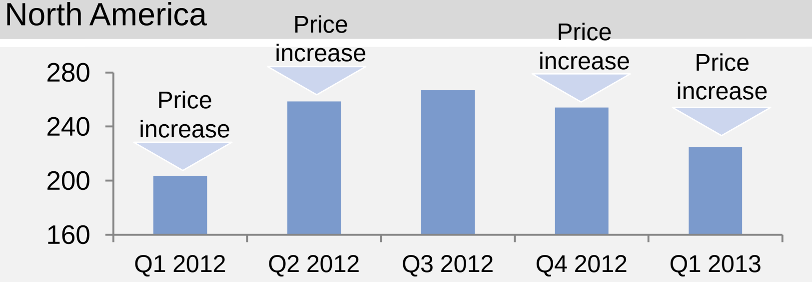


Rebif – U.S. pricing yields strong organic growth

Regional sales evolution [€ m]

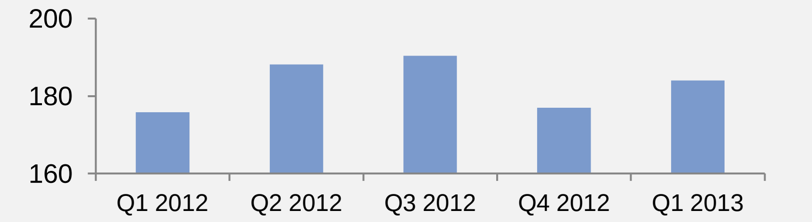
NEW FORMULATION Rebif®

Trend	North America	Q1 drivers



Price
Volume
FX

Trend	Europe	Q1 drivers



Price
Volume

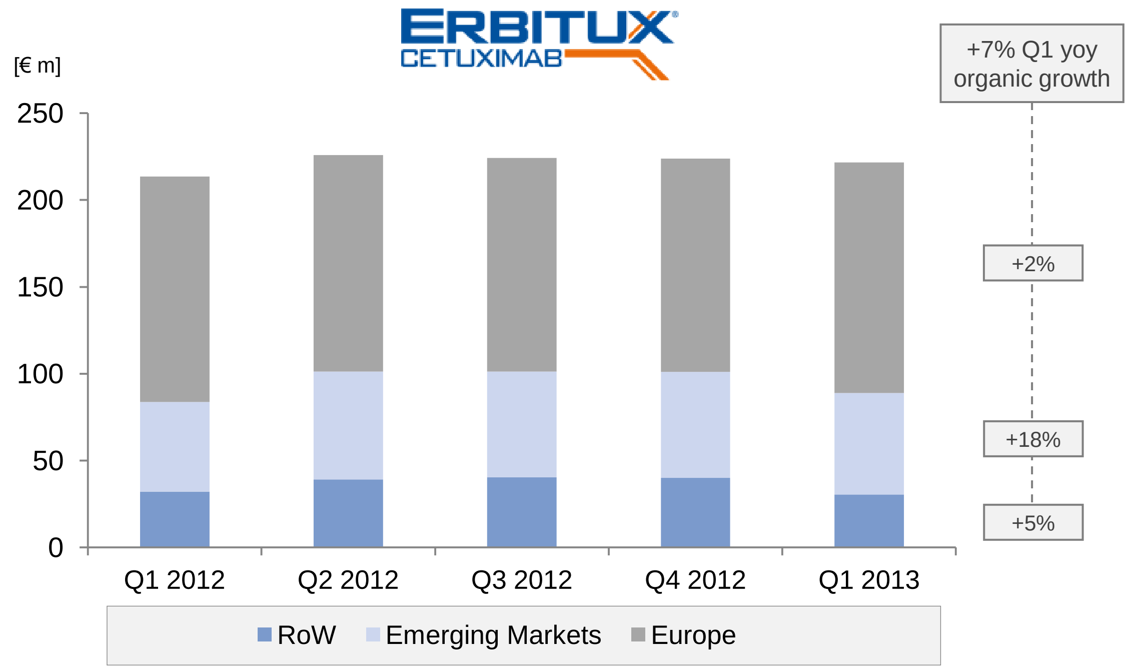
Rebif performance

- €454 m global sales with 6% organic growth
- North America benefits from pricing (Rebidose) while volume decreases as prenotified destocking unfolds
- Volume increase in Europe somewhat mitigated by pricing pressure
- Court decision: co-promotion agreement with Pfizer effective until 2015

Erbitux – Emerging Markets drive solid performance

MERCK

Erbitux sales by geography



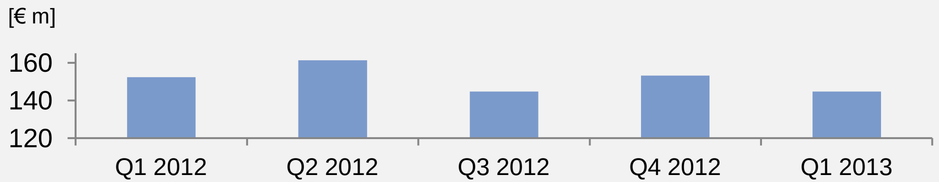
Erbitux performance

- Global sales of €222 m reflect 7% organic sales growth and -3% FX impact
- Emerging Markets and Russia as main growth drivers
- Ongoing difficult market environment in Europe
- Organic growth in Japan overcompensated by FX impact

Strong performance of Glucophage; Gonal-f and Endocrinology softer

Sales evolution

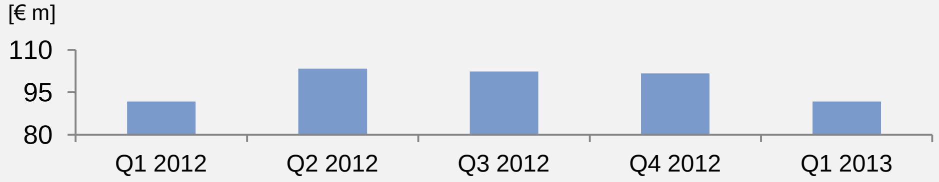
Gonal-f



Q1 drivers

- Price
- Volume
- FX

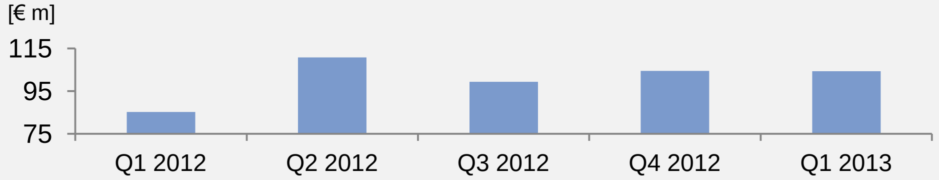
Endocrinology



Q1 drivers

- Organic

Glucophage



Q1 drivers

- Organic

Q1 growth

- -4% organic sales in Gonal-f due to high U.S. inventory levels being adjusted in Q1 2013 and facing tougher comps from the successful 2012 family-of-pens roll-out
- Moderate performance in Endocrinology; organic sales decline of Saizen almost offset by good performance of Serostim, Egrifta and Kuvan
- Glucophage with strong organic sales growth, notably in Latin America and Russia

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
- **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 May, 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

Merck Serono 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)
L-BLP25	Non-small cell lung cancer	Phase III	2013	Decision on continuation of development program

Phase II of cost allocation elimination implemented

2012 reclassification - elimination of corporate cost allocation to divisions

[€ m]	Q1 2012	Q2 2012	Q3 2012	Q4 2012	FY 2012
Merck Serono	-9	-10	-10	-10	-39
Consumer Health	-1	-1	-1	-1	-3
Performance Materials	-3	-3	-3	-3	-11
Merck Millipore	-5	-5	-4	-5	-19
Corporate Other	+18	+19	+17	+18	+72

\- less cost + cost added

Rationale

- With 2013, phase II of cost allocation elimination implemented
- Phase I eliminated allocations from corporate to divisions
- Phase II eliminates allocation to countries

Elimination enables increased accountability of divisional business managers

Totals may not add up due to rounding

One-time items in Q1 2013 and Q1 2012

One-time items				
[€ m]	Q1 2013		Q1 2012	
	One-time items	thereof D&A	One-time items	thereof D&A
Merck Serono	56	27	18	9
Consumer Health	0	0	1	0
Performance Materials	4	0	1	0
Merck Millipore	10	0	7	0
Corporate & Other	3	0	2	0
Total	74	27	30	9

Totals may not add up due to rounding

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