01 To our Shareholders

Letter from Karl-Ludwig Kley

Dear Shareholders and Friends of Merck,

In 2012, Merck continued successfully down the "road to tomorrow". Not only did we make progress with one of the most extensive change programs in the 345-year history of the company, we also succeeded in further expanding our business in a challenging economic environment.

The numbers prove this. Total revenues increased by 8.7% to € 11.2 billion. Our businesses grew mainly in emerging markets and in North America. Our strategy to focus on these centers of growth is thus paying off.

EBITDA pre one-time items, with which we measure the earning power of operating activities, also increased sharply – by 8.9% to € 3.0 billion. Owing to one-time effects in connection with the "Fit for 2018" efficiency and growth program, profit after tax declined by 6.3% to € 579 million.

We reduced net financial debt, resulting primarily from the Millipore acquisition, by nearly € 1.6 billion to € 1.9 billion in 2012. We will continue to lower our debt in 2013.

At the Annual General Meeting on April 26 we will propose to increase the dividend by € 0.20 to € 1.70 per share. The level of the dividend payment reflects the robust financial strength and good business performance of Merck.

We also made good progress in 2012 with the internal realignment of Merck. We simplified our organizational structures, accelerated processes and thus started to lower costs considerably.

→ For instance, we established a new global leadership organization at Merck. This involved numerous personnel changes at the upper levels of management. The new structure enables us to address customer wishes and requirements even faster and in a more targeted way than before.

→ At Merck Serono, we streamlined our R&D organization and started to realign our development pipeline. Apart from focusing on the most promising internal projects, the efforts also included in-licensing agreements.

→ And lastly, we created the foundations to lower our costs permanently and noticeably. The planned closure of the Merck Serono site in Geneva and the framework agreement with the employee representatives in Germany were just two steps among many. Nearly all countries and areas of the Group were and still are involved in this process, with which we are freeing up resources for future growth.

→ *Letter from Karl-Ludwig Kley*

In 2013, we will initially be working to globally conclude the efficiency program started in 2012. It will then be superseded by a continuous improvement program, which will build on our achievements and optimize Merck going forward.

At the same time, we are setting the course for long-term profitable growth of our businesses by successively further developing our strategy, portfolio and the regional positioning of our divisions.

→ At Merck Serono, we are working to improve our pipeline – also through in-licensing agreements – and to strengthen our regional presence, especially in the United States, Japan and China. At the same time, we continue to rely on collaborations with external research and development partners.

→ Strengthening profitability and focusing on strategic brands are the main objectives of Consumer Health.

→ In Performance Materials, firstly we want to defend our global market leadership in liquid crystals. Secondly, we are positioning ourselves in OLED technology as a reliable supplier and a provider of all-round solutions. And we are repositioning our Pigments business.

→ In order to achieve even stronger growth with innovative products in the life science sector, at Merck Millipore we are investing heavily in research and development as well as in bolt-on acquisitions.

In addition to the divisional strategies, we defined strategic initiatives in areas of overriding importance to the future development of Merck. One example is the optimization of our internal talent management process, which we are using to even better promote prospective executives and prepare them for future assignments within the company.

→ *Letter from Karl-Ludwig Kley*

Our goal is to transform Merck into a faster and more efficient company that delivers profitable growth through its innovative pharmaceutical, chemical and life science businesses.

In doing so, we will remain true to our well-established values of courage, achievement, responsibility, respect, integrity and transparency. They still form the coordinate system by which we align our entrepreneurial activity.

In 2018, we want to be a company that is synonymous with innovation, quality and sustainability. A company that remains recognized for performance, efficiency and the career opportunities that it offers around the world. And a company that is respected for its values, its culture, and for the fact that it always acts responsibly. In brief: We are committed to making great things happen at Merck. That is what our workforce of around 39,000 men and women are aiming for each and every day.

The “road to tomorrow”, which we began traveling down in 2011 and 2012, will also serve as our path in the coming years. As the German novelist Theodor Fontane once wrote: “Courage is good but persistence is better.”

I thank you for the trust and the support that you have shown us on this journey.
Please remain with us as we continue along the road to tomorrow.

Karl-Ludwig Kley

Karl-Ludwig Kley
Chairman of the Executive Board

The Executive Board

Matthias Zachert
Chief Financial Officer

Born in 1967, university degree in business administration;
Joined Merck in June 2011 as a Member of the Executive Board

Responsibility for Group functions:
Group Accounting & Subsidiaries; Group Controlling & Risk Management; Corporate Finance; Group Tax; Group Insurance; Group Procurement; Investor Relations

Kai Beckmann
Head of Group Human Resources
Chief Administration Officer

Born in 1965, university degree in computer science;
Joined Merck in 1989;
Member of the Executive Board since April 2011

Responsibility for Group functions:
Group Human Resources; Group Information Services; Site Operations; Inhouse Consulting

Karl-Ludwig Kley
Chairman of the Executive Board

Born in 1951, lawyer;
Member of the Supervisory Board and Board of Partners of Merck from March 2004 to June 2006;
Member of the Executive Board since September 2006

Responsibility for Group functions:
Group Strategy; Group Communications; Group Legal & Compliance; Group Internal Auditing

Bernd Reckmann

Responsible for the Performance Materials and Merck Millipore divisions

Born in 1955, biochemist;
Joined Merck in 1986;
Member of the Executive Board since 2007

Responsibility for Group functions:
Environment, Health, Safety, Security, Quality

Stefan Oschmann

Responsible for the Merck Serono and Consumer Health divisions

Born in 1957, veterinarian;
Joined Merck in January 2011 as a
Member of the Executive Board

Responsibility for Group functions:
Patents & Scientific Services

Business Development 2008 – 2012

This overview may include historically adjusted values in order to ensure comparability with 2012.

€ million
Earnings performance
Total revenues
Sales
Operating result (EBIT)
Margin (in % of sales)
EBITDA
Margin (in % of sales)
One-time items
EBITDA pre one-time items
Margin (in % of sales)
Profit before tax
Profit after tax
Earnings per share (in €)
Asset position
Total assets
Non-current assets
– of which intangible assets (incl. goodwill)
– of which property, plant and equipment
Current assets
– of which cash and cash equivalents
– of which trade accounts receivable
– of which inventories
Financial liabilities
– of which current
– of which non-current
Equity
Financial position
Investments in intangible fixed assets [2]
Investments in property, plant and equipment [2]
Free cash flow
Net financial debt
Other key figures
Equity ratio
Research and development
Dividend per share in €
Employees (number as of December 31)

[1] Previous year's figures have been adjusted, see Note 5 of the Consolidated Financial Statements on page 138–139
[2] According to the cash flow statement

2008	2009	2010	2011	2012	Change in %
7,590	7,747	9,291	10,276	11,173	8.7
7,202	7,378	8,929	9,906	10,741	8.4
731	621	1,113	1,132[1]	964	–14.9
10.2	8.4	12.5	11.4	9.0	
1,947	1,625	2,457	2,731[1]	2,360	–13.6
27.0	22.0	27.5	27.6	22.0	
–105	–28	–88	7	–605	–
2,052	1,653	2,545	2,724	2,965	8.9
28.5	22.4	28.5	27.5	27.6	
575	486	861	839[1]	709	–15.5
379	377	642	618[1]	579	–6.3
1.69	1.68	2.91	2.79[1]	2.61	–6.5
15,645	16,713	22,388	22,122[1]	21,643	–2.2
11,286	11,181	16,724	15,723[1]	15,017	–4.5
8,203	7,598	12,484	11,764	10,945	–7.0
2,440	2,608	3,241	3,113	2,954	–5.1
4,359	5,532	5,664	6,399[1]	6,626	3.5
693	541	944	938	730	–22.2
1,659	1,789	2,296	2,328	2,115	–9.2
1,407	1,368	1,674	1,691	1,534	–9.3
1,346	2,307	5,484	5,539	4,454	–19.6
266	705	356	1,394	1,091	–21.7
1,080	1,602	5,127	4,145	3,362	–18.9
9,563	9,514	10,372	10,494[1]	10,415	–0.8
141	97	104	80	144	80.9
395	467	396	366	329	–10.1
438	812	–3,522	1,436	2,040	42.0
477	263	4,484	3,484	1,926	–44.7
61.1	56.9	46.3	47.4[1]	48.1	–
1,234	1,345	1,397	1,514[1]	1,511	–0.2
1.50	1.00	1.25	1.50	1.70	13.3
32,800	33,062	40,562	40,676	38,847	–4.5

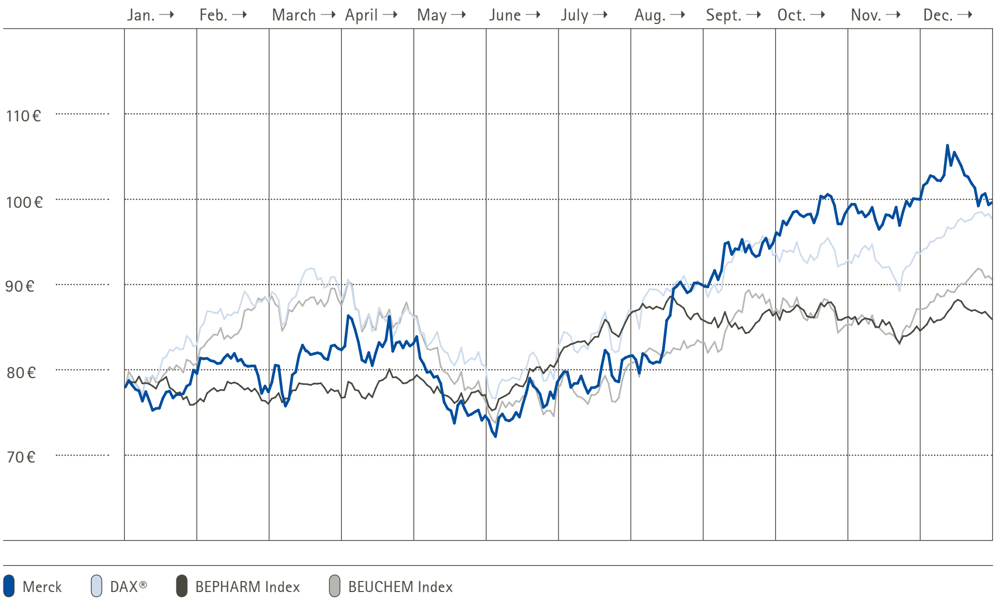
Merck Shares

At a glance

During 2012, the Merck share price rose 30%. Thus, Merck outperformed the DAX® by 1% and the relevant pharmaceutical and chemistry industry indices by 13% and 19%, respectively. Reaching an annual high of € 106.55 in December 2012, the price neared the all-time high of € 109.26 in September 2007.

The average daily trading volume decreased by 38% from just under 500,000 in 2011 to just over 300,000 shares. The North America region continued to dominate with more than 50% of shares in free float, slightly down compared to 54% in 2011. By investor type, GARP (growth at reasonable price) investors continue to dominate. Together, the top five investors held around 30% of the free float at year-end.

The performance of Merck shares vs. the DAX®, the Bloomberg Europe 500 Pharmaceuticals Index (BEPHARM) and the Bloomberg EMEA Chemicals Index (BEUCHEM) – 2012

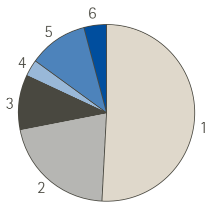


Share data[1]

		2012	2011
Dividend	/ in €	1.70	1.50
Share price high	/ in €	106.55	78.47
Share price low	/ in €	72.37	56.82
Year-end share price	/ in €	99.83	77.03
Daily average number of Merck shares traded[2]	/ in units	310,601	498,784
Market capitalization[3] (at year-end)	/ in € million	21,702	16,745
Market value of authorized shares[4] (at year-end)	/ in € million	6,451	4,978

[1] Share-price relevant figures relate to the closing price in XETRA® trading on the Frankfurt Stock Exchange
[2] Based on the floor trading systems of all German exchanges and the regulated market on XETRA®
[3] Based on the theoretical number of shares (217.4 million)
[4] Based on the number of shares in free float (64.6 million)
Source: Bloomberg

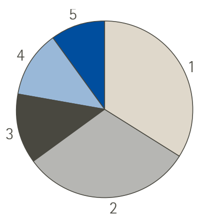
Identified investors by region 2012[1]



1	United States	51%
2	United Kingdom	21%
3	Germany	10%
4	France	3%
5	Rest of Europe	11%
6	Rest of World	4%

[1] represents 85% of free float
Source: King Worldwide (as of December 2012)

Identified investors by type 2012[1]



1	GARP (Growth at reasonable price)	34%
2	Value	31%
3	Growth	13%
4	Index	12%
5	Other	10%

[1] represents 85% of free float
Source: King Worldwide (as of December 2012)

FINANCIAL CALENDAR
Merck 2013

03/13 **Annual Press Conference**
Thursday, 03/07/2013

04/13 **Annual General Meeting**
Friday, 04/26/2013

05/13 **Report on the First Quarter**
Tuesday, 05/14/2013

08/13 **Report on the First Half**
Tuesday, 08/06/2013

11/13 **Autumn Press Conference and Report on the Third Quarter**
Thursday, 11/14/2013

Awards and Recognitions 2012

J.D. Power and Associates Call Center Program

Certifies MS Lifelines® from EMD Serono in the United States for providing an outstanding customer service experience to multiple sclerosis patients

Red Dot Award

For the high design quality of the Muse™ Cell Analyzer from Merck Millipore

Knowledge Management Bio-IT World Best Practice

For "Innospire", the Merck cross-divisional innovation initiative

Spotlight Awards 2012 Gold

The League of American Communications Professionals awarded gold for the iPad app of Merck's online publication "M – The Explorer Magazine"

BBJ Green Award

The Boston Business Journal recognized Merck Millipore for two recovery and recycling programs

R&D 100 Award

R&D Magazine selected the Samplicity® Filtration system from Merck Millipore as one of the 100 technologically most significant products introduced into the marketplace in 2012

SID-Award

Merck and LG Chem were honored at SID Display Week for their joint development of FPR technology for 3-D displays

Indonesia Best Brand Award

For Sangobion as the best-known and most popular consumer health brand in Indonesia

German Logistics Prize 2012

From the German Logistics Association for the innovation packaging concept of Merck in Darmstadt

Luther-Rose 2012

The International Martin Luther Foundation recognized the Merck family and the company Merck for their cultural and social commitment

Top 125 companies

"Training" magazine named EMD Serono in the United States as a company that excels in employer-sponsored training and development programs