

The following table provides an overview of the amount of the variable compensation paid in 2010 and 2011:

<i>€ thousand</i>	Variable compensation	
	2011***	2010****
Karl-Ludwig Kley	3,100	2,189
Michael Becker*	2,084	1,314
Kai Beckmann (since 4/1/11)	1,188	n/a
Stefan Oschmann (since 1/1/11)	2,100	n/a
Bernd Reckmann	3,300	1,095
Elmar Schnee (until 6/30/11)**	1,042	1,752
Matthias Zachert (since 6/1/11)	1,079	n/a
Total	13,893	6,350

* Michael Becker was the Chief Financial Officer of Merck KGaA until May 31, 2011. After June 1, 2011, Michael Becker remained a General Partner of Merck KGaA, but was no longer a member of the Executive Board.

** Elmar Schnee was a General Partner of Merck KGaA in the period from January 1, 2011 to June 30, 2011, but was no longer a member of the Executive Board of Merck KGaA.

*** The variable compensation for 2011 is based on an extrapolation since the consolidated result of the E. Merck Group was not yet available when this information was prepared and includes the aforementioned one-time payments to Karl-Ludwig Kley, Michael Becker and Bernd Reckmann.

**** The variable compensation stated for 2010 deviates from the data provided in 2011 since the consolidated result of the E. Merck Group was not yet available when this information was prepared and was therefore extrapolated.

Total compensation

Consequently, this results in the following total compensation for the Executive Board members of Merck KGaA:

<i>€ thousand</i>	Fixed compensation		Variable compensation		Total	
	2011	2010	2011	2010	2011	2010
Karl-Ludwig Kley	1,100	1,000	3,100	2,189	4,200	3,189
Michael Becker	800	800	2,084	1,314	2,884	2,114
Kai Beckmann	600	n/a	1,188	n/a	1,788	n/a
Stefan Oschmann	1,000	n/a	2,100	n/a	3,100	n/a
Bernd Reckmann	1,000	750	3,300	1,095	4,300	1,845
Elmar Schnee	450	900	1,042	1,752	1,492	2,652
Matthias Zachert	583	n/a	1,079	n/a	1,662	n/a
Total	5,533	3,450	13,893	6,350	19,426	9,800

Pension provisions

The individual contractual pension obligations grant the members of the Executive Board entitlement to a lifelong old-age pension or surviving dependents' pension in the event of reaching the individual contractually agreed age limit, permanent disability, or death.

The amount of the old-age pension is determined by a percentage share of pensionable compensation defined by the Personnel Committee.

The individual values are presented in the following table:

	Pensionable compensation (€ thousand)	Percentage entitlement
Karl-Ludwig Kley	790	70
Michael Becker	560	75
Kai Beckmann	300	41
Stefan Oschmann	500	45
Bernd Reckmann	500	56
Elmar Schnee	570	49
Matthias Zachert	400	40

The percentage entitlement increases up until retirement annually by 2% up to 70% for Michael Beckmann and Matthias Zachert, as well as for Bernd Reckmann, whose pension entitlement was correspondingly increased in fiscal 2011.

The following amounts were added to pension provisions in 2011:

€ thousand	Additions to pension provisions		Amount of pension provisions as of Dec. 31, 2011
	2011	2010	
Karl-Ludwig Kley	-1,699	2,162	5,268
Michael Becker	1,247	1,216	7,302
Kai Beckmann	1,053	n/a	1,825
Stefan Oschmann	498	n/a	498
Bernd Reckmann	693	829	4,309
Elmar Schnee	1,016	777	3,458
Matthias Zachert	153	n/a	153
Total	2,961	4,984	22,813

The surviving dependents' pension grants the spouse a lifelong surviving dependents' pension amounting to 60% of the pension entitlement, dependent children either a half-orphan's or an orphan's pension maximally until the age of 25.

Benefits in the event of termination of the duties as an Executive Board member

Above and beyond existing pension obligations, no further obligations exist in the event of the premature termination of the contractual relationships of the Executive Board members.

Miscellaneous

The members of the Executive Board additionally receive certain benefits, mainly contributions to insurance policies as well as a company car, which they are entitled to use privately. The members of the Executive Board must declare these benefits in their tax returns. In total, the value of miscellaneous benefits amounted to € 121 thousand in 2011 (2010: € 86 thousand). Of this amount, in 2011 € 28 thousand was attributable to Karl-Ludwig Kley (2010: € 29 thousand), € 22 thousand to Michael Becker (2010: € 24 thousand),

Kai Beckmann € 14 thousand, € 15 thousand to Stefan Oschmann, € 25 thousand to Bernd Reckmann (2010: € 26 thousand), € 3 thousand to Elmar Schnee (2010: € 7 thousand), and Matthias Zachert € 14 thousand. The members of the Executive Board do not receive additional compensation for serving on the boards of Group companies.

Should members of the Executive Board be held liable for financial losses while executing their duties, under certain circumstances this liability risk is covered by a D&O insurance policy from Merck KGaA. The D&O insurance policy has a deductible in accordance with the legal requirements and the recommendations of the German Corporate Governance Code.

Payments to former Executive Board members and their surviving dependents

Pension payments to former members of the Executive Board or their surviving dependants amounted to € 9,734 thousand in 2011 (2010: € 9,091 thousand). Pension provisions totaling € 89,204 thousand exist for pension entitlements of this group of persons (2010: € 90,082 thousand).

Outlook: Variable compensation as of 2012

At its meeting on February 7, 2012, the Personnel Committee of the Board of Partners of E. Merck KG resolved to add a long-term variable compensation component to the variable compensation of the members of the Executive Board. This Merck Long-Term Incentive Plan is effective as of January 1, 2012. It aims to enhance the sustainability of the compensation system and to align it not only with the target achievement based on key performance indicators, but above all with a sustainable performance of Merck shares. To prepare for its resolution, the Personnel Committee was supported by an independent external compensation advisor.

Subject to the resolution of the Personnel Committee each year, under the Merck Long-Term Incentive Plan the members of the Executive Board could be eligible to receive a certain number of virtual shares – Merck Share Units (MSUs) – at the end of a three-year performance period. The number of MSUs depends on the total value defined for the respective person and the average closing price of Merck shares in Xetra trading during the last 60 trading days prior to January 1 of the respective fiscal year. In order to participate in the Plan, members of the Executive Board must personally own an investment in Merck shares equivalent to 10% of their respective fixed annual compensation, taking into account the equity interest held in E. Merck KG as a General Partner. It is not permitted to sell these shares during the performance period.

After termination of the three-year performance period, the number of MSUs to be granted is determined based on the development of two key performance indicators (KPIs). These are:

- a) the performance of the Merck share price compared to the DAX® with a weighting of 70%, and
- b) the development of the EBITDA margin, adjusted for exceptional items, during the performance period as a proportion of a defined target value with a weighting of 30%.

Depending on the development of the KPIs, at the end of the respective performance period the members of the Executive Board are granted between 0% and 150% of the MSUs they could be eligible to receive.

The members of the Executive Board receive a payment based on the number of MSUs granted. The value of an MSU corresponds to the average closing price of Merck shares in Xetra trading during the last 60 trading days prior to January 1 after the performance period. The net amount after taking tax into account is invested in Merck shares by the members of the Executive Board. One third of these shares may be sold at the earliest one year after termination of the performance period, another third after two years, and another third after three years.

In fiscal 2012, the members of the Executive Board are eligible to receive MSUs with the following total values: Karl-Ludwig Kley € 1.5 million, Kai Beckmann € 1.0 million, Stefan Oschmann € 1.0 million, Bernd Reckmann € 1.0 million and Matthias Zachert € 1.0 million. The Executive Board resolved to

introduce a new long-term incentive plan for eligible executives and employees effective January 1, 2012 which corresponds in its composition largely to the Merck Long-Term Incentive Plan.

Compensation of the Supervisory Board members of Merck KGaA

The compensation of the Supervisory Board members is defined by Article 20 of the Articles of Association of Merck KGaA. Apart from reimbursement of their expenses, the members of the Supervisory Board receive fixed and variable compensation.

The fixed compensation amounts to € 7,000 per year. The Chairman receives double this amount and the Vice Chairman receives one and a half times this amount.

The members of the Supervisory Board also receive € 550 for each percent of the dividend resolved by the General Meeting in excess of 6% of the share capital, with a corresponding portion for fractions of a percent. The Chairman receives double this amount and the Vice Chairman receives one and a half times this amount.

Supervisory Board members who have only been in office for part of the fiscal year receive lower compensation in proportion to their term of office. The company reimburses the value-added tax levied on the compensation.

The individual values are presented in the following table:

Compensation of the Supervisory Board members of Merck KGaA

€	Fixed compensation		Variable compensation		Total compensation	
	2011	2010	2011	2010	2011	2010
Rolf Krebs ¹ (Chairman)	14,000	14,000	56,859	46,288	70,859	60,288
Heiner Wilhelm (Vice Chairman)	10,500	10,500	42,644	34,716	53,144	45,216
Crocifissa Attardo	7,000	7,000	28,429	23,144	35,429	30,144
Mechthild Auge	7,000	7,000	28,429	23,144	35,429	30,144
Johannes Baillou ²	7,000	7,000	28,429	23,144	35,429	30,144
Frank Binder ³	7,000	7,000	28,429	23,144	35,429	30,144
Wolfgang Büchele ²	7,000	7,000	28,429	23,144	35,429	30,144
Michael Fletterich	7,000	7,000	28,429	23,144	35,429	30,144
Edeltraud Glänzer	7,000	7,000	28,429	23,144	35,429	30,144
Michaela Freifrau von Glenck ⁴	7,000	7,000	28,429	23,144	35,429	30,144
Frieder Kaufmann	7,000	7,000	28,429	23,144	35,429	30,144
Hans-Jürgen Leuchs ²	7,000	7,000	28,429	23,144	35,429	30,144
Albrecht Merck ³	7,000	7,000	28,429	23,144	35,429	30,144
Karl-Heinz Scheider	7,000	7,000	28,429	23,144	35,429	30,144
Theo Siegert ¹	7,000	7,000	28,429	23,144	35,429	30,144
Osman Ulusoy	7,000	7,000	28,429	23,144	35,429	30,144
Total	122,500	122,500	497,509	405,020	620,009	527,520

¹As members of corporate bodies of E. Merck KG, these Supervisory Board members each received an additional payment of € 150,000 for performing this function in 2011 (2010: € 150,000).

²As members of corporate bodies of E. Merck KG, these Supervisory Board members each received an additional payment of € 140,000 for performing this function in 2011 (2010: € 140,000).

³As members of corporate bodies of E. Merck KG, these Supervisory Board members each received an additional payment of € 120,000 for performing this function in 2011 (2010: € 120,000).

⁴As members of corporate bodies of E. Merck KG, these Supervisory Board members each received an additional payment of € 80,000 for performing this function in 2011 (2010: € 80,000).

Ownership, purchase or sale of shares in the company by members of the Executive Board and of the Supervisory Board

As of December 31, 2011, the members of the Executive Board and of the Supervisory Board either directly or indirectly held 27,892 shares of Merck KGaA. Their total ownership represents less than 1% of the issued shares of Merck KGaA. Transactions executed by members of the Executive Board and of the Supervisory Board are disclosed on the Merck website at www.merckgroup.com/investors → Corporate Governance → Directors' Dealings.

Information on Corporate Governance Practices

Reporting

It is Merck KGaA's objective to provide the latest information to all shareholders, media, financial analysts and interested members of the public, while creating the greatest possible transparency. For this reason, Merck uses a wide range of communication platforms to engage in a timely dialogue with all interested parties about the situation of the company and business changes. Merck's principles include providing factually correct, comprehensive and fair information.

Information subject to disclosure requirements, as well as information that is not, can be accessed worldwide on the Merck KGaA website (www.merckgroup.com), which is the company's most important publication platform. Apart from a detailed financial calendar, quarterly and half-year financial reports covering the past six years are available here in German and English. In addition, in line with the legal requirements, ad hoc announcements are published on the website. These contain information on circumstances that could impact the Merck share price.

Regular press conferences, investor meetings on the occasion of investor conferences as well as roadshows offer another platform for dialogue. The company presentations prepared for this purpose are also available on the Merck KGaA website. In addition, the Investor Relations team is always available to private and institutional investors who wish to receive further information.

To ensure the greatest possible transparency, all documents concerning the Annual General Meeting are available on the company website. Additionally, some parts of the Annual General Meeting are webcast live on the Internet.

Dealing with insider information

Dealing properly with insider information is very important to us. Our insider committee examines the existence of insider information, ensures compliance with legal obligations, and prepares any necessary measures. The members of the insider committee are appointed by the Executive Board; at least two members work in Group Legal & Compliance. The insider committee meets at regular intervals, yet also meets when circumstances require. The Chief Financial Officer is vested with the authority to make the final decision on handling potential insider information.

In order to ensure a high level of protection for insider information, in 2011 the Executive Board issued an internal insider guideline applicable throughout the Group worldwide. This guideline informs employees about their responsibilities under insider trading laws and gives clear instructions for compliant behavior. In addition, it describes the function of the insider committee in detail. Moreover, our Code of Conduct, which is binding on all employees, also contains an explicit, detailed reference to the ban on using insider information. Within the scope of obligatory training courses on the Code of Conduct, all employees are instructed on the subject of insider trading.

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