

Consolidated Financial Statements of the Merck Group

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Income Statement

Notes to the
Income Statement:
see page 99

€ million	Note	2007	2006*
Sales	[1]	6,775.1	4,440.1
Royalty income	[2]	282.0	19.5
Total revenues		7,057.1	4,459.6
Cost of sales	[3]	-1,779.8	-1,567.3
Gross margin		5,277.3	2,892.3
Marketing and selling expenses	[4]	-1,932.7	-1,117.3
Administration expenses	[5]	-444.7	-298.6
Other operating income and expenses	[6]	-339.8	-50.2
Research and development	[7]	-1,027.7	-615.4
Amortization of intangible assets	[8]	-556.7	-12.0
Investment result	[9]	0.3	-0.2
Operating result		976.0	798.6
Exceptional items	[10]	-775.6	232.6
Earnings before interest and tax (EBIT)		200.4	1,031.2
Financial result	[11]	-311.3	-49.0
Profit before tax		-110.9	982.2
Income tax	[12]	23.1	-175.8
Profit after tax from continuing operations		-87.8	806.4
Profit after tax from discontinued operations	[13]	3,608.0	194.9
Profit after tax		3,520.2	1,001.3
Minority interest	[14]	-20.1	-18.2
Net profit after minority interest		3,500.1	983.1
Earnings per share from continuing operations (in €)	[15]		
basic		-0.50	4.06
diluted		-0.50	4.06
Earnings per share from continuing and discontinued operations (in €)			
basic		16.21	5.07
diluted		16.21	5.07

*The previous year's figures have been adjusted in accordance with the explanations on pages 88 and 91

Balance Sheet

€ million	Note	Dec. 31, 2007	Dec. 31, 2006
Current assets			
Cash and cash equivalents	[16]	426.6	460.1
Marketable securities and financial assets	[17]	565.3	133.1
Trade accounts receivable	[18]	1,378.3	1,252.9
Inventories	[19]	1,158.5	1,218.3
Other current assets	[20]	226.4	172.1
Tax receivables	[21]	43.5	77.5
Assets held for sale	[22]	26.9	–
		3,825.5	3,314.0
Non-current assets			
Intangible assets	[23]	8,164.6	1,063.5
Property, plant and equipment	[24]	2,274.5	1,779.8
Investments at equity	[25]	1.4	1.3
Non-current financial assets	[25]	130.3	1,640.4
Other non-current financial assets	[20]	61.8	34.4
Deferred tax assets	[12]	464.2	269.1
		11,096.8	4,788.5
Total assets		14,922.3	8,102.5
Current liabilities			
Current financial liabilities	[26]	300.4	498.4
Trade accounts payable	[27]	646.9	608.0
Other current liabilities	[28]	981.3	552.3
Tax liabilities	[29]	337.1	205.5
Current provisions	[30]	297.0	201.0
Liabilities held for sale	[22]	8.0	–
		2,570.7	2,065.2
Non-current liabilities			
Non-current financial liabilities	[26]	1,046.6	613.6
Other non-current liabilities	[28]	39.5	7.3
Non-current provisions	[30]	570.0	284.6
Provisions for pensions and other post-employment benefits	[31]	1,185.5	1,282.3
Deferred tax liabilities	[12]	822.4	42.1
		3,664.0	2,229.9
Net equity	[32]		
Equity capital		565.2	496.6
Reserves		8,060.5	3,256.7
Minority interest		61.9	54.1
		8,687.6	3,807.4
Total liabilities and stockholders' equity		14,922.3	8,102.5

Notes to the
Balance Sheet:
see page 107

Segment Reporting*

Notes to the Segment Reporting: see page 131

	Merck Serono		Consumer Health Care		Pharmaceuticals		Liquid Crystals		Performance & Life Science Chemicals	
€ million	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sales	4,187.0	1,902.4	418.2	398.3	4,605.2	2,300.7	909.4	892.4	1,231.3	1,213.3
Royalty income	270.7	12.0	1.5	1.5	272.2	13.5	6.3	2.6	3.5	3.4
Total revenues	4,457.7	1,914.4	419.7	399.8	4,877.4	2,314.2	915.7	895.0	1,234.8	1,216.7
Gross margin	3,764.7	1,420.6	283.7	263.9	4,048.4	1,684.5	611.3	592.0	615.1	612.9
Selling, general and administration	-1,980.9	-781.8	-210.0	-197.2	-2,190.9	-979.0	-42.5	-35.8	-409.9	-388.9
Research and development	-878.6	-471.5	-12.0	-10.4	-890.6	-481.9	-78.8	-66.7	-58.3	-66.7
Operating result	356.9	162.9	59.6	54.5	416.5	217.4	486.6	486.1	144.4	155.4
Exceptional items	-743.6	-21.9	-	-	-743.6	-21.9	-	-	-	-34.5
Earnings before interest and tax (EBIT)	-386.7	141.0	59.6	54.5	-327.1	195.5	486.6	486.1	144.4	120.9
Net operating assets	9,884.8	2,841.5	281.0	276.0	10,165.8	3,117.5	915.1	897.2	1,053.0	1,073.4
Segment liabilities	-799.0	-272.3	-54.5	-55.0	-853.5	-327.3	-90.0	-96.2	-176.9	-178.0
Capital spending on property, plant and equipment	147.6	69.9	6.1	4.5	153.7	74.4	48.6	72.8	57.9	68.8
Investments in intangible assets	91.7	38.5	0.8	1.0	92.5	39.5	1.5	0.6	7.5	2.9
Net cash flows from operating activities	875.9	147.5	50.9	59.3	926.8	206.8	474.0	421.1	181.1	221.4
Net cash flows from investing activities	-7,381.0	-1,672.4	-4.0	-0.6	-7,385.0	-1,673.0	-49.2	-49.2	-49.3	-88.9
Free cash flow	-6,505.1	-1,524.9	46.9	58.7	-6,458.2	-1,466.2	424.8	371.9	131.8	132.5
Impairment losses	-100.2	-12.9	-	-0.3	-100.2	-13.2	-0.2	-0.3	-8.9	-33.7

	Germany		France		Switzerland		Rest of Europe	
€ million	2007	2006	2007	2006	2007	2006	2007	2006
Sales by customer location	711.2	486.9	737.8	577.6	75.7	46.0	1,797.2	1,013.3
Sales by company	1,050.5	813.5	847.9	670.3	184.3	56.7	1,495.9	788.5
Total revenues	1,061.7	821.6	854.5	677.9	382.0	60.0	1,496.0	788.5
Intragroup sales with other regions	1,444.5	1,310.9	115.5	105.0	1,875.6	53.4	820.6	31.4
Operating result	483.5	345.3	174.2	105.9	-1,002.8	34.2	551.6	116.1
Exceptional items	-32.0	335.9	1.9	-6.0	-734.0	-	-11.5	-4.4
Earnings before interest and tax (EBIT)	451.5	681.2	176.1	99.9	-1,736.8	34.2	540.1	111.7
Net operating assets	2,027.6	3,215.8	559.0	452.6	6,939.9	47.4	975.0	404.9
Capital spending on property, plant and equipment	128.9	138.0	13.9	8.4	43.9	5.1	25.8	8.9
Investments in intangible assets	36.0	35.7	-	3.5	43.6	-	5.8	1.3
Research and development	-445.6	-371.4	-92.3	-122.9	-476.2	-3.0	-24.2	-18.8
Number of employees	10,142	9,707	2,415	2,323	1,812	296	4,561	3,195

*The previous year's figures have been adjusted in accordance with the explanations on page 88

Chemicals		Corporate and Other		Discontinued Operations (Generics)		Reversal Discontinued Operations (Generics)		Group/ Continuing Operations	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
2,140.7	2,105.7	29.2	33.7	1,391.8	1,818.5	-1,391.8	-1,818.5	6,775.1	4,440.1
9.8	6.0	-	-	2.7	5.5	-2.7	-5.5	282.0	19.5
2,150.5	2,111.7	29.2	33.7	1,394.5	1,824.0	-1,394.5	-1,824.0	7,057.1	4,459.6
1,226.4	1,204.9	2.5	2.9	656.8	899.1	-656.8	-899.1	5,277.3	2,892.3
-452.4	-424.7	-73.8	-62.4	-364.6	-449.5	364.6	449.5	-2,717.1	-1,466.1
-137.1	-133.4	-	-0.1	-95.3	-132.1	95.3	132.1	-1,027.7	-615.4
631.0	641.5	-71.5	-60.3	188.7	306.8	-188.7	-306.8	976.0	798.6
-	-34.5	-32.0	289.0	3,561.5	-13.2	-3,561.5	13.2	-775.6	232.6
631.0	607.0	-103.5	228.7	3,750.2	293.6	-3,750.2	-293.6	200.4	1,031.2
1,968.1	1,970.6	46.0	34.0	19.4	1,042.3	-19.4	-1,042.3	12,179.9	5,122.1
-266.9	-274.2	-7.6	-5.9	-7.5	-332.1	7.5	332.1	-1,128.0	-607.4
106.5	141.6	3.1	3.5	19.5	33.7	-19.5	-33.7	263.3	219.5
9.0	3.5	0.1	0.1	19.5	13.5	-19.5	-13.5	101.6	43.1
655.1	642.5	-400.5	-236.5	36.9	198.9	-36.9	-198.9	1,181.4	612.8
-98.5	-138.1	-41.9	425.9	4,797.9	-76.5	-4,797.9	76.5	-7,525.4	-1,385.2
556.6	504.4	-406.3	-234.0	4,834.8	122.4	-4,834.8	-122.4	-6,307.9	-1,195.8
-9.1	34.0	-	-0.3	-	-	-	-	-109.3	-47.5

North America		Latin America		Asia		Rest of World		Group	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
968.2	287.4	699.8	507.5	1,604.5	1,403.6	180.7	117.8	6,775.1	4,440.1
935.8	253.6	690.9	493.4	1,456.9	1,288.0	112.9	76.1	6,775.1	4,440.1
937.1	254.1	690.7	493.4	1,522.2	1,288.0	112.9	76.1	7,057.1	4,459.6
36.1	37.9	3.3	3.9	36.0	36.2	-	-	4,331.6	1,578.7
344.5	-75.7	169.7	85.7	226.8	180.1	28.5	7.0	976.0	798.6
-	-92.9	-	-	-	-	-	-	-775.6	232.6
344.5	-168.6	169.7	85.7	226.8	180.1	28.5	7.0	200.4	1,031.2
532.8	307.0	285.2	193.3	813.0	475.3	47.4	25.8	12,179.9	5,122.1
12.9	14.4	10.3	10.0	26.4	34.1	1.2	0.6	263.3	219.5
9.2	0.2	5.2	1.5	1.8	0.9	-	-	101.6	43.1
32.1	-74.7	-3.6	-4.5	-15.9	-19.6	-2.0	-0.5	-1,027.7	-615.4
2,034	1,218	4,054	3,767	5,325	4,611	625	414	30,968	25,531

Cash Flow Statement

Notes to the
Cash Flow Statement:
see page 132

€ million	Note	2007	2006
Profit after tax		3,520.2	1,001.3
Depreciation/amortization and impairment losses (non-current assets)		923.6	303.0
Changes in inventories		-170.5	-139.5
Changes in trade receivables		-152.6	-152.5
Changes in trade payables		131.2	17.4
Changes in provisions		53.2	132.4
Changes in other assets and liabilities		-330.2	53.7
Gains/Losses on disposals of assets		-3,481.3	-403.7
Other non-cash income and expenses		724.7	-0.4
Net cash flows from operating activities	[33]	1,218.3	811.7
thereof: Discontinued Operations		36.9	198.9
Purchase of intangible assets		-121.1	-56.6
Purchase of property, plant and equipment		-282.8	-253.2
Acquisitions and investments in other financial assets		-7,318.0	-1,651.1
Disposal of non-current assets		4,995.8	72.1
Changes in securities		34.7	3.7
Changes in other financial assets		-36.1	423.4
Net cash flows from investing activities	[34]	-2,727.5	-1,461.7
thereof: Discontinued Operations		4,797.9	-76.5
Dividend payments		-77.0	-49.7
Capital increase		2,038.4	2.4
Profit transfers to E. Merck OHG and changes in reserves		-535.8	-229.4
Changes in liabilities to E. Merck OHG		396.4	-146.1
Bonds issued		497.9	-
Changes in current and non-current financial liabilities		-827.1	227.3
Other changes from financing activities		-	-
Net cash flows from financing activities	[35]	1,492.8	-195.5
thereof: Discontinued Operations		-7.8	-4.6
Changes in cash and cash equivalents		-16.4	-845.5
Changes in cash and cash equivalents due to currency translation		-17.1	-16.1
Cash and cash equivalents as of January 1		460.1	1,321.7
Cash and cash equivalents as of December 31	[36]	426.6	460.1

Free Cash Flow

€ million	Note	2007	2006
Net cash flows from operating activities		1,218.3	811.7
Purchase of intangible assets		-121.1	-56.6
Purchase of property, plant and equipment		-282.8	-253.2
Acquisitions and investments in other financial assets		-7,318.0	-1,651.1
Disposal of assets		4,995.8	72.1
Changes in securities		34.7	3.7
Free cash flow	[37]	-1,473.1	-1,073.4
Free cash flow before acquisitions and divestments		977.7	576.6

Statement of Recognized Income and Expense

€ million	Note	2007	2006
Profit after tax		3,520.2	1,001.3
Gains/Losses recognized immediately in equity			
Unrealized gains/losses from the fair value measurement of financial instruments	[32]	71.4	-91.8
Actuarial gains/losses from defined benefit pension commitments and similar obligations	[31]	102.4	-24.8
Deferred taxes on gains/losses recognized immediately in equity	[12]	-30.8	7.9
Currency translation difference		-205.8 -62.8	-128.6 -237.3
Comprehensive income		3,457.4	764.0
of which attributable to minority interest		20.1	18.2
of which attributable to shareholders of the Group		3,437.3	745.8

Statement of Changes in Net Equity including Minority Interest

€ million	Equity capital		Reserves			Minority interest	Total
	General partner's equity Merck KGaA	Subscribed capital Merck KGaA	Capital reserves (share premium) Merck KGaA	Retained earnings/ Net retained profit	Gains/losses recognized immediately in equity		
Balance as of January 1, 2006	363.2	133.2	1,823.9	1,306.8	-350.4	52.4	3,329.1
Profit after tax	-	-	-	983.1	-	18.2	1,001.3
Dividend payments	-	-	-	-43.6	-	-6.1	-49.7
Profit transfers to/from E. Merck OHG including transfers to reserves	-	-	-	-229.4	-	-	-229.4
Capital increase due to the exercise of stock options	-	0.2	2.2	-	-	-	2.4
Other changes in equity	-	-	-	-	-237.3	-	-237.3
Changes in companies consolidated/Other	-	-	-	1.4	-	-10.4	-9.0
Balance as of December 31, 2006	363.2	133.4	1,826.1	2,018.3	-587.7	54.1	3,807.4
Balance as of January 1, 2007	363.2	133.4	1,826.1	2,018.3	-587.7	54.1	3,807.4
Profit after tax	-	-	-	3,500.1	-	20.1	3,520.2
Dividend payments	-	-	-	-67.8	-	-9.2	-77.0
Profit transfers to/from E. Merck OHG including transfers to reserves	-	-	-	-535.8	-	-	-535.8
Capital increase due to the exercise of stock options	-	0.1	0.6	-	-	-	0.7
Capital increase	34.0	34.5	1,986.8	-17.6	-	-	2,037.7
Other changes in equity	-	-	-	-	-62.8	-	-62.8
Changes in companies consolidated/Other	-	-	-	0.3	-	-3.1	-2.8
Balance as of December 31, 2007	397.2	168.0	3,813.5	4,897.5	-650.5	61.9	8,687.6