Merck shares

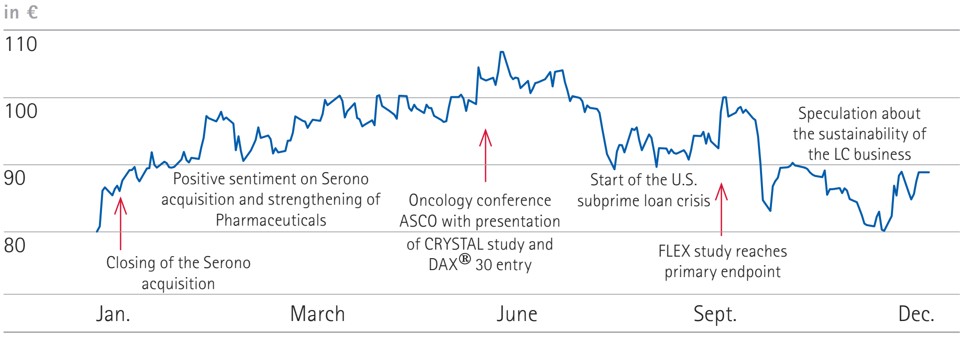
Slight weakness in the second half

The development of Merck shares in 2007 was continuously marked by news about the Merck Serono division and by speculation about the Liquid Crystals business. During the second half of the year, external factors, including concerns about rising energy costs and the impact of subprime mortgage defaults and their potential impact on the global economy, weighed heavily on equity markets.

Positive clinical trial results support increases in the Merck share price in the first half.

The closing of the Serono acquisition took place on January 5, 2007. The Merck share price rose during January by 14% from € 78.54 (2006 year-end closing share price in Xetra® trading) to € 89.46. This was the result of growing enthusiasm for the potential of the new Merck Serono division to contribute to earnings and cash flow, as well as positive clinical trial news. Among other things, Merck announced that the Phase III CRYSTAL study of Erbitux® in first-line metastatic colorectal cancer had met its primary endpoint. The € 2 billion capital increase, additional positive clinical and regulatory filing news, the announcement of the imminent sale of the Generics division, and the expected inclusion of Merck in the German DAX® 30 index drove the stock for the first time ever above € 100 to € 100.10 on April 10.

Share price development and factors influencing Merck shares in 2007



Following the announcement of the results of the CRYSTAL study at the ASCO meeting in early June, the Merck share price reached its all-time high of € 106.55 on June 15 – an increase of nearly 36% over the year-end share price for 2006. Thereafter, Merck shares moved lower due to investor profit-taking following the emergence of the subprime loan crisis in July. The decline continued in September due to arising uncertainty about the long-term development of the Liquid Crystals business. Speculation caused the share price to fall by more than 15% within a few trading days. A period of consolidation followed. With the publication of the third-quarter results in October, Merck gave an update of the portfolio of the Merck Serono division, presenting details of the individual research and development projects as well as the new structure of the R&D organization. During the final weeks of trading, Merck shares recovered from their second-half low of € 80.06 on November 16. The year-end share price was € 88.30. The company's market capitalization thus amounted to € 19.2 billion at the end of 2007.

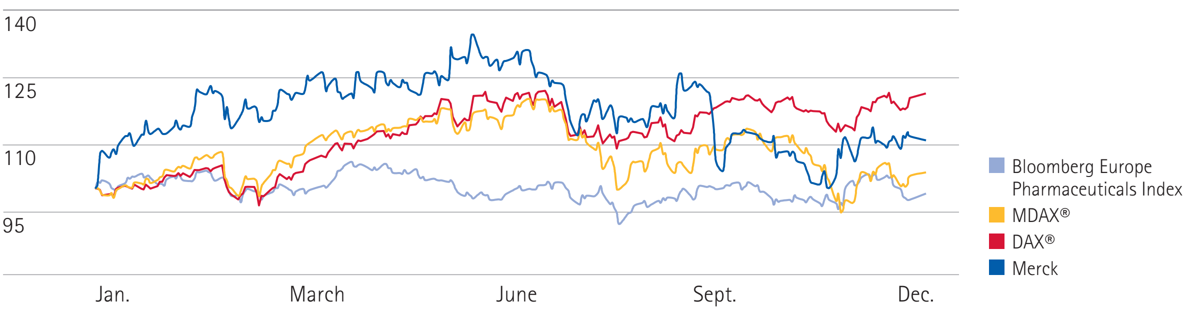
Higher share liquidity

In 2007, the Merck share price increased by 12.4% over 2006 while the DAX® and MDAX® recorded increases of 22.3% and 4.9%, respectively. The European index for pharmaceutical companies (Bloomberg Europe Pharmaceuticals Index) declined by 0.7% during the same period. In 2007, share trading volumes increased markedly once again also as a result of the capital increase. Average daily turnover was 773,682 shares – 63% more than in 2006.

www.investors.merck.de

With the capital increase at the beginning of 2007, 13,278,927 million new shares were offered by Merck KGaA. As a result of the capital increase, the general partner E. Merck OHG now holds 70.3% of the company while the free float increased to 29.7%. The new shares began trading on the Frankfurt Stock Exchange (Prime Standard) on February 7.

The performance of Merck shares vs. the DAX®/MDAX® in 2007



Share data[1]

	2007	2006
Earnings per share after tax and minority interest from continuing operations (in €)	–0.50	4.06
Earnings per share after tax and minority interest from continuing and discontinued operations (in €)	16.21	5.07
Dividend in €	1.20	0.90
One-time bonus in €	2.00	0.15
Share price high in € (June 15, 2007)	106.55	89.10
Share price low in € (January 2, 2007)	79.96	63.96
Year-end share price (Dec. 28, 2007)	88.30	78.54
Price-earnings ratio (Dec. 28, 2007)	5.45	15.49
Actual number of shares in millions (Dec. 28, 2007)	64.6	51.3
Theoretical total number[2] of shares in millions (Dec. 28, 2007)	217.4	191.0
Adjusted weighted average number of theoretical shares outstanding[3] (in millions)	215.9	194.0
Market capitalization[4] in € million (Dec. 28, 2007)	19,196	15,001

[1] Share-price relevant figures relate to the closing price in Xetra® trading on the Frankfurt Stock Exchange.
[2] The calculation of the theoretical number of shares is based on the fact that the general partner's equity capital is not represented by shares. As the share capital of € 168.0 million was divided into 64.6 million shares, the corresponding calculation for the general partner's capital of € 397.2 million resulted in 152.8 million theoretical shares on December 31, 2007. The number of shares increased due to the capital increase in January 2007 (see page 106).
[3] For details, see page 106 of the Consolidated Financial Statements.
[4] Based on the theoretical number of shares

U.S. investors dominate shareholder structure

The analysis performed in April 2007 to identify Merck shareholders accounted for a total of 45.8 million shares, equivalent to around 70% of the shares in free float. This provided information on both the regional distribution of Merck shareholders as well as the classification of the respective types of investor. Accounting for 44%, investors based in the United States continued to dominate, followed by investors in the United Kingdom and Germany. A standard classification of investors by investment strategy shows that "Growth" and "Growth at reasonable price" characterize the majority of Merck investors.

Investor relations activities intensified

In 2007, Merck attracted additional investors who support the company's long-term growth orientation.

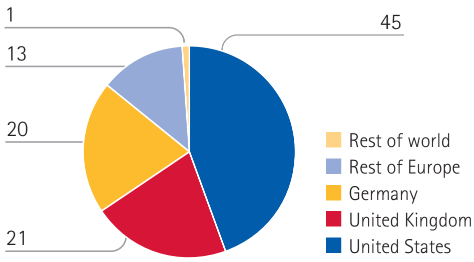
The Investor Relations program introduced in 2006 was resolutely implemented in 2007. Contact to investors was intensified and the company's presence in the capital markets increased significantly. To increase transparency and help shareholders and potential investors understand the company better, a fact book was prepared and posted on the Web as a download. It provides a general overview of the company and its individual divisions and will be updated regularly. The main share performance drivers were summarized in an equity story, which is also available online. The company succeeded in attracting additional investors who support Merck's corporate strategy and long-term growth orientation. As of December 31, 2007, the following shareholders reported their holdings in Merck shares in accordance with the German Securities Trading Act as follows:

- Barclays PLC London (United Kingdom): 5–10%
- Capital Research & Management Company, Los Angeles, CA (USA): 5–10%
- Fidelity International Ltd.: 3–5%
- Sun Life Financial Inc., Toronto (Canada): 5–10%

At the same time, Merck is aiming to achieve a more balanced distribution of its regional shareholder structure.

Identified investors by region

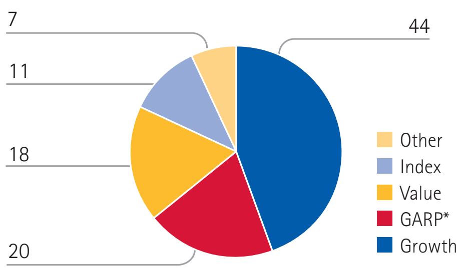
in %



Source: Company data

Identified investors by type

in %



Source: Company data
*Growth at reasonable price

Information on capital and shares

As of the balance sheet date, the company's subscribed capital is divided into 64,613,125 no par value bearer shares as well as one registered share. The holder of the registered share is E. Merck Beteiligungen OHG. It is entitled and obliged to appoint one-third of the members of the Supervisory Board representing the limited liability shareholders. If the holder of the registered share is a general partner, he or she has no such right of appointment. The transfer of the registered share requires the company's approval. The approval is granted at the sole discretion of the personally liable general partner with an equity interest, namely E. Merck OHG. There are no holdings in the company's share capital exceeding 10% of the voting rights.

According to the Articles of Association of the company, the general partners not holding an equity interest who form the Executive Board are admitted by E. Merck OHG with the consent of a simply majority of the other general partners. A person may only be a general partner not holding an equity interest if he or she is also a general partner of E. Merck OHG. In addition, at the proposal of E. Merck OHG and with the approval of all general partners not holding an equity interest, further persons may be appointed to the Executive Board who are not general partners not holding an equity interest.

The Articles of Association of the company can be amended by a resolution of the Annual Meeting that requires the approval of the general partners. The resolutions of the Annual Meeting are, notwithstanding any statutory provisions to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the vote.

The Articles of Association of the company specify the authorized share capital. The Executive Board is authorized, with the approval of the Supervisory Board and of E. Merck OHG, to increase the share capital on one or several occasions until March 31, 2010 by up to a total of € 29,824,787.20 by issuing new shares against cash or contributions in kind. The company is not authorized to acquire its own shares.

The company has not entered into any material agreements subject to a change of control pursuant to a takeover offer nor has it concluded any compensation agreements with the members of the Executive Board or employees in the event of a takeover offer.