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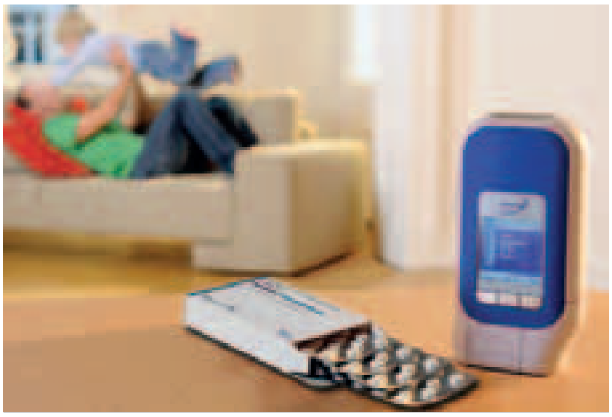
Business sectors and divisions
Merck 2008 at a glance

Major achievements of 2008

Despite a rapidly deteriorating economic situation, total revenues of the Merck Group increased by 7.1% to € 7,558 million in 2008. On a currency-adjusted basis, we achieved growth of 11%.

The operating result rose by 16% to € 1,131 million. Return on sales (ROS) improved to 15.0%. Profit after tax from continuing operations increased from € –88 million to € 379 million owing to good business performance, the sharp decline in exceptional items as well as the nearly full repayment of debt.

The pharmaceutical business achieved double-digit growth rates. Our oncology drug Erbitux® was approved in mid-2008 in the European Union for the first-line treatment of metastatic colorectal cancer, as well as in Japan for second- and third-line treatment in this indication. In November, the EU drug regulatory authorities granted approval for the first-line treatment of head and neck tumors. Sales of Erbitux® increased 20% to € 565 million. Rebif®, our drug to treat multiple sclerosis, further expanded its leading position with sales of € 1,331 million, 9.3% more than in 2007.



Pharmaceuticals business sector

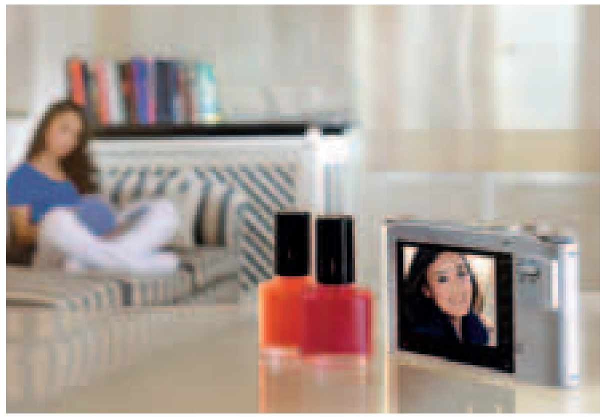
Merck develops, manufactures and markets innovative prescription drugs as well as over-the-counter products. We develop therapies for high unmet medical needs. Through their targeted effect, these help patients to live a longer and better life. Our over-the-counter products help prevent disease and relieve minor complaints.

Merck Serono division

The product portfolio of this division includes leading prescription drugs such as the cancer drug Erbitux® and the multiple sclerosis treatment Rebif®. In addition, we offer therapies to treat infertility, growth disorders, cardiovascular or metabolic diseases, and psoriasis – indications mainly treated by specialists. Our research activities focus on Oncology, Neurodegenerative Diseases, Fertility, Autoimmune and Inflammatory Diseases, and Endocrinology.

Consumer Health Care division

Many consumers trust a wide range of well-known over-the-counter brands that Merck develops, manufactures and markets in its Consumer Health Care division. The portfolio ranges from products for everyday health such as Bion®3, or Femibion®, which is specially for women, classic cold remedies such as the well-known brand Nasivin®, to products that strengthen the joints such as Seven Seas® JointCare and Kytta®.



Chemicals business sector

Merck offers a wide range of specialty chemicals for technologically sophisticated applications. Many of these are contained in products that people encounter in everyday life, such as mobile phones, televisions, automotive coatings, drugs and cosmetics. Top quality, diversity as well as a customer-centric approach to research and product development along with extensive service characterize our Chemicals business.

Liquid Crystals division

Close cooperation in development and production of liquid crystals (LC) with the world's leading display manufacturers has made Merck the global leader in this market. Modern life would be hard to imagine without LC displays. Merck is technology leader and continually invests in research for these and new technologies, e.g. OLEDs (organic light-emitting diodes) or chemicals for energy-efficient lighting.

Performance & Life Science Chemicals division

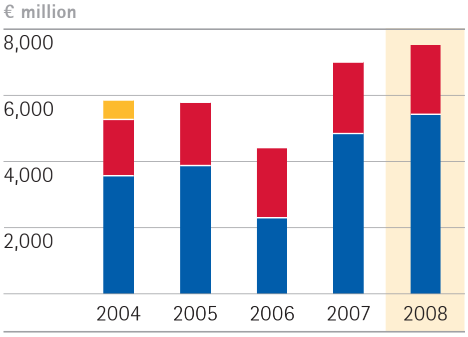
Our specialty chemicals and our expertise in application technologies, quality assurance and approval processes have made us a successful supplier in key markets, in particular the food, optics, plastics, coatings, printing, cosmetics and pharmaceutical industries. Products and services from Merck are used throughout the entire process chain, from analysis, research and development, through to production. Our portfolio includes, for example, effect pigments, cosmetic actives, reagents and test kits.

Merck 2008 at a glance

Key figures for 2008

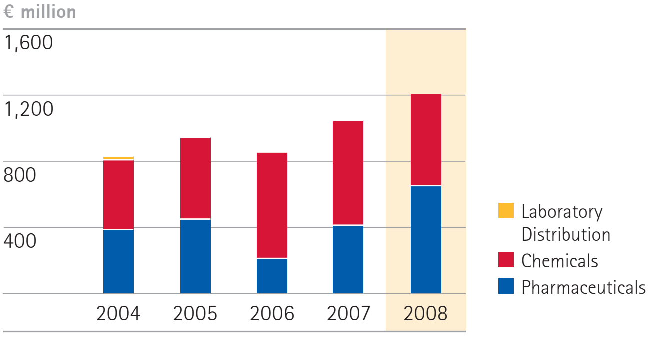
€ million	Pharma-ceuticals	Chemicals	Corporate and Others	Total	Change in %
Total revenues	5,428	2,123	6.6	7,558	7.1
Gross margin	4,485	1,170	–2.7	5,652	7.1
Research and development	1,091	143	0	1,234	20
Operating result	655	558	–81	1,131	16
Exceptional items	–354	–46	0	–400	–48
Earnings before interest and tax (EBIT)	301	512	–81	731	–
EBIT before depreciation and amortization (EBITDA)	1,381	645	–80	1,947	4.8
Return on sales in % (ROS: operating result/total revenues)	12.1	26.3	–	15.0	
Free cash flow	559	460	–581	438	–
Free cash flow adjusted for acquisitions and disposals	598	474	–470	601	–38

Total revenues by business sector*



*excluding Corporate and Other

Operating result by business sector*



*excluding Corporate and Other

Staying the course

Even in economically difficult times, we have stayed the course. Two important factors are to thank for this:

With our strategy "Sustain. Change. Grow." we are exploiting opportunities and protecting ourselves against risks. This is because we derive our power to grow from the balance between the well established and the new, between tradition and innovation, between Pharmaceuticals and Chemicals. Our pioneering spirit in research and our experience enable us to develop products that improve quality of life.

Our ability to succeed on course has a great deal to do with the corporate culture for which Merck stands. We are convinced that our values pave the way for our success. Courage, achievement, responsibility, respect, integrity and transparency are our compass when it comes to our financial and social actions.

Merck's development over its 340-year history shows that we identify strongly with these strengths. And it gives us every confidence to further strengthen the value and performance of our company in the future. Merck is staying the course – even in economically difficult times.

Business Development 1999 – 2008

€ million	1999	2000	2001	2002
Total revenues[3]	5,433	6,896	7,697	7,497
Pharmaceuticals[3]	2,924	3,035	3,469	3,244
Merck Serono	1,675	1,929	2,215	1,833
Generics	657	790	935	1,096
Consumer Health Care	263	299	319	315
Imaging[4]	329	17	–	–
Chemicals	1,398	1,677	1,720	1,788
Liquid Crystals	174	312	297	383
Performance & Life Science Chemicals	1,089	1,173	1,207	1,213
Electronic Chemicals[4]	135	192	216	192
Laboratory Distribution[4]	1,262	2,374	2,754	2,711
Intragroup sales	–151	–190	–246	–246
Corporate and Other	–	–	–	–
Generics (Discontinued Operations)[3]	–	–	–	–
Operating result[3]	659	746	877	616
Pharmaceuticals[3]	498	455	581	272
Chemicals	114	247	204	260
Laboratory Distribution[4]	47	44	92	84
Corporate and Other	0	0	0	0
Generics (Discontinued Operations)[3]	–	–	–	–
Earnings before interest and tax (EBIT)[3]	581	747	1,286	559
EBIT before depreciation and amortization (EBITDA)[3]	900	1,184	1,694	985
Profit before tax[3]	440	524	1,078	412
Profit after tax[5]	235	262	655	215
Free cash flow[5]	–1,081	324	664	441
Capital expenditure on property, plant and equipment[5]	359	427	470	377
Research and development[3]	498	546	577	608
Total assets	7,845	8,235	8,255	7,511
Net equity	1,870	1,947	2,336	2,054
Employees (number as of December 31)[3]	32,721	33,520	34,294	34,504
Return on sales[3] (ROS) in % (ROS: Operating result/Total revenues)	12.3	11.1	11.6	8.3
Earnings per share in €	1.32	1.44	3.66	1.18
Dividend per share in €	0.85	0.90	0.95	1.00
One-time bonus per share in €	–	–	–	–

[1] In order to harmonize accounting practices, as of 2006 the way in which certain customer rebates in the Pharmaceuticals business sector are reported has been changed.
[2] Following its acquisition, the Swiss biopharmaceutical company Serono was integrated with the Ethicals division into Merck Serono in 2007.
[3] The Generics division was sold in October 2007 and is thus reported as a Discontinued Operation. All revenue, profit and employee figures have been adjusted for 2006 and 2007.
[4] Business was divested.
[5] Still including Discontinued Operations (Generics) in 2006 and 2007.

2003	2004	2005	2006[1]	2007[2]	2008	Change vs. 2007 in %
7,343	5,994	5,865	4,460	7,057	7,558	7.1
3,438	3,579	3,885	2,314	4,877	5,428	11
1,528	1,597	1,797	1,914	4,458	4,987	12
1,584	1,625	1,712	–	–	–	–
327	357	376	400	420	442	5.2
–	–	–	–	–	–	–
1,705	1,694	1,905	2,112	2,150	2,123	–1.3
443	589	741	895	916	877	–4.2
1,082	1,105	1,163	1,217	1,235	1,246	0.9
181	–	–	–	–	–	–
2,427	582	–	–	–	–	–
–228	–62	–	–	–	–	–
–	200	76	34	29	7	–77
–	–	–	1,824	1,395	0	–
736	776	883	799	976	1,131	16
389	391	454	217	417	655	57
316	420	492	641	631	558	–12
79	21	–	–	–	–	–
–48	–56	–63	–60	–72	–81	14
–	–	–	307	189	0	–
538	1,044	956	1,031	200	731	–
1,008	1,419	1,245	1,334	1,858	1,947	4.8
423	961	893	982	–111	575	–
218	672	673	1,001	3,520	379	–89
442	1,889	657	–1,073	–1,473	438	–
281	234	268	253	283	395	40
605	599	713	615	1,028	1,234	20
6,982	5,754	7,281	8,102	14,922	15,645	4.8
2,363	2,800	3,329	3,807	8,688	9,563	10
34,206	28,877	29,133	25,531	30,968	32,800	5.9
10.2	13.2	15.3	17.9	13.8	15.0	
1.15	3.47	3.40	5.07	16.21	1.69	–
0.80	0.80	0.85	0.90	1.20	1.50	–
–	0.20	–	0.15	2.00	–	–

Financial calendar for 2009

Annual press conference
Wednesday, February 18

Annual General Meeting
Friday, April 3

Interim report 1st quarter
Monday, April 27

Interim report 2nd quarter
Friday, July 24

Autumn press conference
Interim report 3rd quarter
Monday, October 26

More information

The Merck Annual Report for 2008 is available in German and English. An abridged version is also available in German and English. Both reports are available as navigable online versions on the Web at www.merck.de/annualreport2008.

More information about Merck can be found on the Web at www.merck.de and in the following publications, which you may read or order (in German and English) at www.publications.merck.de:

Responsibility for Employees, the Environment and the Community — 2007 Report

Merck – Facts & Figures — (also available in French and Spanish)

A Strong Site — A Global Player Rooted in Darmstadt

You can order these publications from Corporate Communications, Merck KGaA, 64271 Darmstadt, Germany, or via the following e-mail address: corpcom@merck.de.