

Consolidated Financial Statements of the Merck Group



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Income Statement

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Income Statement:
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€ million	Note	2008	2007
Sales	[1]	7,201.6	6,775.1
Royalty income	[2]	356.4	282.0
Total revenues		7,558.0	7,057.1
Cost of sales	[3]	-1,906.0	-1,779.8
Gross margin		5,652.0	5,277.3
Marketing and selling expenses	[4]	-2,096.6	-1,932.7
Administration expenses	[5]	-446.2	-444.7
Other operating income and expenses	[6]	-170.1	-339.8
Research and development	[7]	-1,234.4	-1,027.7
Amortization of intangible assets	[8]	-573.4	-556.7
Investment result	[9]	0.1	0.3
Operating result		1,131.4	976.0
Exceptional items	[10]	-400.0	-775.6
Earnings before interest and tax (EBIT)		731.4	200.4
Financial result	[11]	-156.5	-311.3
Profit before tax		574.9	-110.9
Income tax	[12]	-195.8	23.1
Profit after tax from continuing operations		379.1	-87.8
Profit after tax from discontinued operations	[13]	-	3,608.0
Profit after tax		379.1	3,520.2
Minority interest	[14]	-12.0	-20.1
Net profit after minority interest		367.1	3,500.1
Earnings per share from continuing operations (in €)	[15]		
basic		1.69	-0.50
diluted		1.69	-0.50
Earnings per share from continuing and discontinued operations (in €)			
basic		1.69	16.21
diluted		1.69	16.21

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Balance Sheet

€ million	Note	Dec. 31, 2008	Dec. 31, 2007
Current assets			
Cash and cash equivalents	[16]	692.7	426.6
Marketable securities and financial assets	[17]	176.8	565.3
Trade accounts receivable	[18]	1,659.4	1,378.3
Inventories	[19]	1,407.4	1,158.5
Other current assets	[20]	283.3	226.4
Tax receivables	[21]	139.1	43.5
Assets held for sale	[22]	–	26.9
		4,358.7	3,825.5
Non-current assets			
Intangible assets	[23]	8,203.4	8,164.6
Property, plant and equipment	[24]	2,440.1	2,274.5
Investments at equity	[25]	1.3	1.4
Non-current financial assets	[25]	97.4	130.3
Other non-current financial assets	[20]	63.7	61.8
Deferred tax assets	[12]	480.1	464.2
		11,286.0	11,096.8
Total assets		15,644.7	14,922.3
Current liabilities			
Current financial liabilities	[26]	266.2	300.4
Trade accounts payable	[27]	843.7	646.9
Other current liabilities	[28]	694.2	981.3
Tax liabilities	[29]	347.2	337.1
Current provisions	[30]	227.1	297.0
Liabilities held for sale	[22]	–	8.0
		2,378.4	2,570.7
Non-current liabilities			
Non-current financial liabilities	[26]	1,080.1	1,046.6
Other non-current liabilities	[28]	19.6	39.5
Non-current provisions	[30]	563.4	570.0
Provisions for pensions and other post-employment benefits	[31]	1,144.0	1,185.5
Deferred tax liabilities	[12]	896.2	822.4
		3,703.3	3,664.0
Net equity	[32]		
Equity capital		565.2	565.2
Reserves		8,940.2	8,060.5
Minority interest		57.6	61.9
		9,563.0	8,687.6
Total liabilities and stockholders' equity		15,644.7	14,922.3

Notes to the
Balance Sheet:
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Segment Reporting

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€ million	Merck Serono		Consumer Health Care		Pharmaceuticals		Liquid Crystals		Performance & Life Science Chemicals	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales	4,649.6	4,187.0	439.9	418.2	5,089.5	4,605.2	864.6	909.4	1,240.9	1,231.3
Royalty income	337.2	270.7	1.8	1.5	339.0	272.2	12.3	6.3	5.1	3.5
Total revenues	4,986.8	4,457.7	441.7	419.7	5,428.5	4,877.4	876.9	915.7	1,246.0	1,234.8
Gross margin	4,191.3	3,764.7	293.7	283.7	4,485.0	4,048.4	540.6	611.3	629.1	615.1
Selling, general and administration	-1,958.9	-1,980.9	-213.4	-210.0	-2,172.3	-2,190.9	-61.4	-42.5	-401.4	-409.9
Research and development	-1,074.4	-878.6	-16.8	-12.0	-1,091.2	-890.6	-84.8	-78.8	-58.4	-58.3
Operating result	593.7	356.9	61.3	59.6	655.0	416.5	391.2	486.6	166.5	144.4
Exceptional items	-354.0	-743.6	-	-	-354.0	-743.6	-	-	-46.0	-
Earnings before interest and tax (EBIT)	239.7	-386.7	61.3	59.6	301.0	-327.1	391.2	486.6	120.5	144.4
Net operating assets	10,355.9	9,884.8	325.9	281.0	10,681.8	10,165.8	944.3	915.1	1,127.7	1,053.0
Segment liabilities	-972.1	-799.0	-62.6	-54.5	-1,034.7	-853.5	-98.2	-90.0	-173.6	-176.9
Capital spending on property, plant and equipment	235.4	147.6	14.1	6.1	249.5	153.7	64.5	48.6	78.9	57.9
Investments in intangible assets	123.2	91.7	2.4	0.8	125.6	92.5	2.0	1.5	3.4	7.5
Net cash flows from operating activities	926.8	875.9	45.6	50.9	972.4	926.8	472.7	474.0	146.5	181.1
Net cash flows from investing activities	-373.1	-7,381.0	-40.0	-4.0	-413.1	-7,385.0	-70.6	-49.2	-88.8	-49.3
Free cash flow*	553.8	-6,505.1	5.6	46.9	559.4	-6,458.2	402.1	424.8	57.7	131.8
Impairment losses	-338.8	-100.2	-	-	-338.8	-100.2	-0.6	-0.2	-6.1	-8.9

€ million	Germany		France		Switzerland		Rest of Europe	
	2008	2007	2008	2007	2008	2007	2008	2007
Sales by customer location	722.2	711.2	779.0	737.8	77.9	75.7	1,944.4	1,797.2
Sales by company	1,093.1	1,050.5	885.5	847.9	197.9	184.3	1,643.8	1,495.9
Total revenues	1,109.6	1,061.7	892.0	854.5	441.4	382.0	1,644.5	1,496.0
Intragroup sales with other regions	1,604.0	1,444.5	129.9	115.5	2,038.6	1,875.6	932.7	820.6
Operating result	382.4	483.5	262.3	174.2	-966.5	-1,002.8	615.6	551.6
Exceptional items	-16.1	-32.0	-11.9	1.9	-244.1	-734.0	-26.8	-11.5
Earnings before interest and tax (EBIT)	239.5	451.5	250.5	176.1	-1,210.6	-1,736.8	588.8	540.1
Net operating assets	1,870.1	2,027.6	458.5	559.0	8,049.5	6,939.9	984.0	975.0
Capital spending on property, plant and equipment	160.4	128.9	12.4	13.9	118.5	43.9	40.1	25.8
Investments in intangible assets	73.2	36.0	2.1	-	34.0	43.6	3.2	5.8
Research and development	-571.1	-445.6	-55.0	-92.3	-558.7	-476.2	-31.6	-24.2
Number of employees	10,301	10,142	2,364	2,415	2,090	1,812	4,351	4,561

* including Discontinued operations

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Chemicals		Corporate and Other		Discontinued Operations (Generics)		Reversal Discontinued Operations (Generics)		Group/ Continuing Operations	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
2,105.5	2,140.7	6.6	29.2	-	1,391.8	-	-1,391.8	7,201.6	6,775.1
17.4	9.8	-	-	-	2.7	-	-2.7	356.4	282.0
2,122.9	2,150.5	6.6	29.2	-	1,394.5	-	-1,394.5	7,558.0	7,057.1
1,169.7	1,226.4	-2.7	2.5	-	656.8	-	-656.8	5,652.0	5,277.3
-462.8	-452.4	-77.8	-73.8	-	-364.6	-	364.6	-2,712.9	-2,717.1
-143.2	-137.1	-	-	-	-95.3	-	95.3	-1,234.4	-1,027.7
557.7	631.0	-81.3	-71.5	-	188.7	-	-188.7	1,131.4	976.0
-46.0	-	-	-32.0	-	3,561.5	-	-3,561.5	-400.0	-775.6
511.7	631.0	-81.3	-103.5	-	3,750.2	-	-3,750.2	731.4	200.4
2,072.0	1,968.1	14.4	46.0	-	19.4	-	-19.4	12,768.2	12,179.9
-271.8	-266.9	-10.2	-7.6	-	-7.5	-	7.5	-1,316.7	-1,128.0
143.4	106.5	1.8	3.1	-	19.5	-	-19.5	394.7	263.3
5.4	9.0	9.9	0.1	-	19.5	-	-19.5	140.9	101.6
619.2	655.1	-567.6	-400.5	-	36.9	-	-36.9	1,024.0	1,181.4
-159.4	-98.5	490.8	-41.9	-	4,797.9	-	-4,797.9	-81.7	-7,525.4
459.8	556.6	-580.8	-406.3	-	4,834.8	-	-4,834.8	438.4	-6,307.9
-6.7	-9.1	-0.1	-	-	-	-	-	-345.6	-109.3

North America		Latin America		Asia		Rest of World		Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1,015.1	968.2	806.2	699.8	1,663.4	1,604.5	193.4	180.7	7,201.6	6,775.1
978.0	935.8	791.1	690.9	1,511.6	1,456.9	100.6	112.9	7,201.6	6,775.1
979.1	937.1	791.1	690.7	1,599.7	1,522.2	100.6	112.9	7,558.0	7,057.1
36.5	36.1	3.0	3.3	37.2	36.0	-	-	4,781.9	4,331.6
390.2	344.5	180.9	169.7	240.8	226.8	25.7	28.5	1,131.4	976.0
-61.9	-	-25.7	-	-13.5	-	-	-	-400.0	-775.6
455.1	344.5	155.2	169.7	227.2	226.8	25.7	28.5	731.4	200.4
224.7	532.8	321.4	285.2	833.5	813.0	26.5	47.4	12,768.2	12,179.9
18.4	12.9	19.5	10.3	24.1	26.4	1.3	1.2	394.7	263.3
18.5	9.2	6.4	5.2	3.5	1.8	-	-	140.9	101.6
4.7	32.1	-6.1	-3.6	-13.7	-15.9	-2.9	-2.0	-1,234.4	-1,027.7
2,157	2,034	4,370	4,054	6,504	5,325	663	625	32,800	30,968

Cash Flow Statement

Notes to the
Cash Flow Statement:
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€ million	Note	2008	2007
Profit after tax		379.1	3,520.2
Depreciation/amortization and impairment losses (non-current assets)		1,215.3	923.6
Changes in inventories		-225.5	-170.5
Changes in trade receivables		-268.1	-152.6
Changes in trade payables		189.3	131.2
Changes in provisions		-71.0	53.2
Changes in other assets and liabilities		-187.3	-330.2
Gains/Losses on disposals of assets		-4.0	-3,481.3
Other non-cash income and expenses		-3.8	724.7
Net cash flows from operating activities	[33]	1,024.0	1,218.3
thereof: Discontinued Operations		-	36.9
Purchase of intangible assets		-140.9	-121.1
Purchase of property, plant and equipment		-394.7	-282.8
Acquisitions and investments in other financial assets		-78.2	-7,318.0
Disposal of non-current assets		35.7	4,995.8
Changes in securities		-7.5	34.7
Changes in other financial assets		503.9	-36.1
Net cash flows from investing activities	[34]	-81.7	-2,727.5
thereof: Discontinued Operations		-	4,797.9
Dividend payments		-212.5	-77.0
Capital increase including amounts due to stock option plans		0.2	2,038.4
Profit transfers to E. Merck KG and changes in reserves		-239.9	-535.8
Changes in liabilities to E. Merck KG		-291.0	396.4
Bonds issued		-	497.9
Changes in current and non-current financial liabilities		76.5	-827.1
Net cash flows from financing activities	[35]	-666.7	1,492.8
thereof: Discontinued Operations		-	-7.8
Changes in cash and cash equivalents		275.6	-16.4
Changes in cash and cash equivalents due to currency translation		-9.5	-17.1
Cash and cash equivalents as of January 1		426.6	460.1
Cash and cash equivalents as of December 31	[36]	692.7	426.6

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Free Cash Flow

€ million	Note	2008	2007
Net cash flows from operating activities		1,024.0	1,218.3
Purchase of intangible assets		-140.9	-121.1
Purchase of property, plant and equipment		-394.7	-282.8
Acquisitions and investments in other financial assets		-78.2	-7,318.0
Disposal of assets		35.7	4,995.8
Purchase/sale of marketable securities		-7.5	34.7
Free cash flow	[37]	438.4	-1,473.1
Free cash flow before acquisitions and divestments		601.3	977.7

Statement of Recognized Income and Expense

€ million	Note	2008	2007
Profit after tax		379.1	3,520.2
Gains/losses recognized immediately in equity			
Unrealized gains/losses from the fair value measurement of financial instruments	[32]	58.7	71.4
Actuarial gains/losses from defined benefit pension commitments and similar obligations	[31]	31.7	102.4
Deferred taxes on gains/losses recognized immediately in equity	[12]	-17.9	-30.8
Currency translation difference		878.0	950.5
Comprehensive income		1,329.6	3,457.4
of which attributable to minority interest		3.7	20.1
of which attributable to shareholders of the Group		1,325.9	3,437.3

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, 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 KG 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
Balance as of January 1, 2008	397.2	168.0	3,813.5	4,897.5	-650.5	61.9	8,687.6
Profit after tax	-	-	-	367.1	-	12.0	379.1
Dividend payments	-	-	-	-206.8	-	-5.7	-212.5
Profit transfers to/from E. Merck KG including transfers to reserves	-	-	-	-239.9	-	-	-239.9
Capital increase due to the exercise of stock options	-	-	0.2	-	-	-	0.2
Other changes in equity	-	-	-	-	958.8	-8.3	950.5
Changes in companies consolidated/Other	-	-	-	0.3	-	-2.3	-2.0
Balance as of December 31, 2008	397.2	168.0	3,813.7	4,818.2	308.3	57.6	9,563.0