



Dr. Karl-Ludwig Kley
Chairman of the Executive Board of Merck KGaA

Dear Shareholders and Friends,

We have just ended a year that was increasingly characterized by turmoil in the financial and business markets. Nevertheless, we largely achieved the objectives for Merck as communicated at the beginning of 2008. On the whole, you can therefore be satisfied with Merck's performance in 2008.

At € 1.1 billion, the operating result reached a new record high for Merck. Total revenues increased by 7.1% to € 7.6 billion. We plan to propose a dividend of € 1.50 per share to the Annual General Meeting.

Although nearly all our divisions were impacted by negative currency effects, return on sales grew to 15.0%. The Pharmaceuticals business sector increased total revenues by 11% to € 5.4 billion. The Chemicals business sector recorded a slight decline of 1.3% in total revenues to € 2.1 billion due to the impact of the economic downturn, which affected the liquid crystals business at the end of the year. The division just missed its objectives. Although a disappointment, we remain confident in the future viability and success of this business.

A well-balanced business model ...

We have good market positions and a strong balance sheet. And we are known for our cautious financial policy. This protects us in times of crisis. We are solidly positioned as a pharmaceutical and chemical company with promising growth opportunities.

We are the market leader in high-tech sectors: In red, or medical, biotechnology, we are the leader in Europe. Since we want to not only maintain but also expand this position, in November we placed the cornerstone for Europe's most modern biotechnology manufacturing facility, located in Switzerland. We are proud of having obtained three new approvals for our oncology drug in 2008, which we often refer to as the 'Year of Erbitux®'.

As a supplier to the display industry, we are the global market and technology leader in liquid crystals used in mobile phones, navigation devices, laptops and flat-screen televisions.

In addition, we also operate in mature market segments with very stable businesses – ranging from classic pharmaceuticals to active ingredients and laboratory chemicals.

We therefore see ourselves well equipped to withstand the current economic crisis based on our own strengths. In fact, we can even use the situation in order to grow and to strengthen our competitive position.

... and a strong management culture ...

In order to sustain success, it is necessary to have a company management based on a common set of values and mutual trust. The stronger these factors are and the more solidly a company's culture is founded on shared values, the less the need for central control mechanisms and bureaucracy.

Around the world, 32,800 people from 117 countries work for Merck. Our values are the bond that exists between the company and its employees, spanning different cultural backgrounds. These values give us the freedom to run our businesses in an entrepreneurial way and to shape – as opposed to merely administering – the future of our company. Decentralized entrepreneurial responsibility is therefore essential for us in order to understand markets and reach customers.

Also on behalf of my colleagues on the Executive Board, I thank all employees for their untiring and strong commitment to our company – especially during difficult times. I would like to take this opportunity to also thank Walter W. Zywoitek, who retired from the Executive Board in mid-2008. He spent 40 successful years working for Merck and made outstanding contributions to the company thanks to his energy and competence.

... make us confident in difficult times as well.

In spite of everything: A global economic crisis is something that Merck too cannot ignore. While we have a robust business model and an entrepreneurial culture, this doesn't protect us against declining customer demand. We too must tighten our belts and respond to this situation by reducing costs and capital spending. Yet the concrete impact on Merck cannot be expressed in figures. At least not yet. The Executive Board of Merck considers it irresponsible to make forecasts today that might need to be adjusted in two months' time. Therefore, we will refrain from providing an outlook this year. The reactions to this decision by our capital providers confirm our stance.

We will continue with our strategy of profitable growth. Here we are focusing on three main elements:

- We continue to concentrate on research-oriented specialty businesses and on driving innovations forward.
- We will exploit our potential for organic growth more strongly in order to improve our market position. To this end, we will invest further in regional markets, particularly China, India, Japan and the United States.
- External growth through alliances and acquisitions is also part of our strategy.

Even in difficult times, our values help us to do the right thing. Especially now, our two core values of courage and achievement have special meaning.

In this spirit, we want to continue the 340-year Merck success story. My Executive Board colleagues and I would like to thank you for your trust and support as we continue along the chosen course.

Sincerely,
Karl-Ludwig Kley