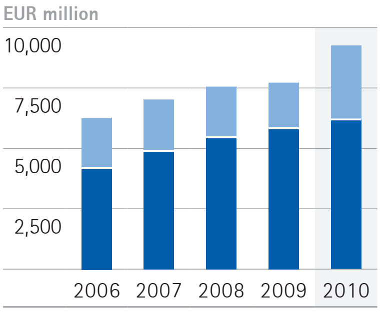
← Contents

MERCK AT A GLANCE

Key figures for 2010

EUR million	Pharma-ceuticals	Chemicals	Corporate and Other	Total	Change in %
Total revenues	6,225.5	3,065.1	–	9,290.6	19.9
Gross margin	5,109.7	1,795.5	–	6,905.2	20.8
Research and development	1,192.0	205.1	–	1,397.1	3.9
Operating result	579.0	624.0	–89.5	1,113.5	71.6
Exceptional items	68.6	–1.0	–68.4	–0.8	–97.3
Earnings before interest and tax (EBIT)	647.6	623.0	–157.9	1,112.7	79.2
EBIT before depreciation and amortization (EBITDA)	1,603.7	1,007.5	–154.3	2,456.9	51.2
Return on sales in % (ROS: operating result/total revenues)	9.3	20.4	–	12.0	
Free cash flow	1,343.6	–4,129.7	–736.4	–3,522.5	–
Underlying free cash flow	1,353.3	812.2	–495.7	1,669.8	96.1

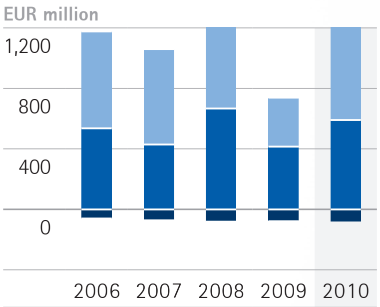
Total revenues by business sector*



*excluding Corporate and Other

Pharmaceuticals Chemicals

Operating result by business sector



Pharmaceuticals Chemicals
Corporate and Other

The pharmaceutical, chemical and life science businesses of Merck are organized into four divisions: Merck Serono, Consumer Health Care, Merck Millipore and Performance Materials. Merck employs more than 40,000 people and operates in 67 countries worldwide.

THE KEY EVENTS OF 2010

On the whole, 2010 was an eventful and a very good business year for Merck. We pursued the Merck Way, which is based on the principles of "Sustain. Change. Grow." and were successful in doing so.

OLED technology proves fascinating – also to Angela Merkel, the Chancellor of the Federal Republic of Germany.

A leading life science company – with the Millipore acquisition, Merck makes a successful strategic move.

Merck is significantly expanding its R&D presence in China – the market of the future.

2010 AT A GLANCE

Merck acquired Millipore, a life science company based in the United States. On February 28, Merck announced the EUR 5.1 billion transaction. The legal closing of the transaction took place on July 14. The new organization, which was merged with parts of the former Performance & Life Science Chemicals division, started operating under its new brand identity on January 1, 2011. Merck Executive Board Chairman Karl-Ludwig Kley said, "By combining Millipore's bioscience and bioprocess knowledge with our own expertise in serving life science customers, we will be able to unlock value in our chemicals business." Analysts also view the acquisition as a good strategic move.

The confidence of the financial markets was reflected by the successful issue of a euro bond to finance the Millipore acquisition. The EUR 3.2 billion bond was the largest issue by a German company in Europe in 2010 and was conducted in multiple tranches in a rather difficult market environment.

China is a market of the future for Merck. In 2010, Merck strongly expanded its presence in China. Around 2,000 employees contributed to a sales increase of more than 30%. In Beijing, we set up an R&D center in order to coordinate clinical trials locally. More than 200 highly qualified positions will be created.

Merck experienced both highs and lows with the regulatory review of its new multiple sclerosis treatment cladribine: Approvals in Russia and Australia, resubmission in the United States, a final negative opinion on the marketing authorization application from the European Medicines Agency. Regulators in the United States will decide on this drug in the first quarter of 2011.

Merck is a pioneer in LED and OLED development. To strengthen our position, we opened the new Material Research Center at the Darmstadt site. Merck invested EUR 50 million in the center. Angela Merkel, Chancellor of the Federal Republic of Germany, attended the inauguration on September 23. The world's largest OLED display – with a surface area of nearly nine square meters – is located in the foyer of the main building.

A future-oriented cooperation agreement with Sanofi-Aventis was announced on December 17. The agreement involves a global research and development collaboration in oncology. The goal is to research new, experimental combinations of agents that could block specific signaling pathways in cancer cells. Merck hopes the collaboration will lead to new, targeted cancer therapies with high therapeutic potential.

ABOUT MERCK

At Merck, the pharmaceutical, chemical and life science businesses are under one roof. We are convinced that in these sectors, the market will reward successful research and technological advances with attractive margins. We focus on specialty businesses. We are not interested in engaging in commodity markets or businesses where competition is dictated by price alone.

THE MERCK PATH

It all started with a pharmacy in 1668. The Angel Pharmacy, which is still owned by members of the Merck family, is where Merck originated. Like his contemporaries, the pharmacist Friedrich Jacob Merck prepared all medicinal substances himself. At that time, the "art of pharmacy" was still a manual craft.

In 1816 – several generations of pharmacists later – Emanuel Merck took over his father's pharmacy and initiated the move from a manual craft to industrial production in 1827. In his laboratory, he succeeded in extracting pure alkaloids, a class of highly effective plant constituents whose medicinal effect attracted interest from the scientific community. By 1860, the company already offered more than 800 organic and inorganic substances for sale, including many still used in laboratories today.

The roots of the Liquid Crystals business – one of the outstanding Merck success stories – date back to 1904. For decades, liquid crystals remained a laboratory oddity, and their sale was handled by the Laboratory business.

Serono, which was acquired by Merck in 2007, also started out by extracting active substances. In 1906, Cesare Serono founded the "Istituto Farmacologico Serono" in Rome and developed a new method of extracting lecithin from egg yolk. In 1949, the company successfully isolated pure gonadotropin from urine. Gonadotropin plays an important role in reproduction. The production of recombinant gonadotropin transformed Serono into a biotechnology company.

BECOMING A GLOBAL, PUBLICLY LISTED COMPANY

Merck established initial business relationships with European neighbors in the 1820s. Since 1900, Merck has maintained business relationships on all continents.
In the United States, Georg (later "George") Merck, a grandson of Emanuel Merck, founded a trading company called Merck & Co. in 1891. As a result of World War I, Merck in Darmstadt lost its entire stake in this company under the "Trading with the Enemy Act" of 1917. George Merck succeeded in reacquiring his interest and became president of the public company Merck & Co. Today, the two companies are no longer linked. The U.S. company Merck & Co. owns the exclusive rights to the name within North America while Merck in Darmstadt holds the rights in the rest of the world. In the United States and Canada, the company operates under the name EMD, the abbreviation for Emanuel Merck, Darmstadt.
Acquisitions and divestments have always played an important role at Merck. A decisive step in Merck's expansion was the acquisition of a 50% interest in the Bracco Group of Italy in 1972. Aside from commercializing contrast agents and its own pharmaceutical specialties, Bracco served as Merck's representative in Italy for the entire Merck product range, helping to significantly boost Merck's earning power. In 1991, Merck acquired the French company Société Lyonnaise Industrielle Pharmaceutique (Lipha).
In the mid-1990s, Merck expanded its consumer health care business by acquiring Seven Seas in the United Kingdom and Monot in France. At the same time, the acquisition of Amerpharm of the United Kingdom gave Merck a critical mass in the generic drugs business. The takeover of a large number of laboratory distribution businesses was rounded off with the purchase of VWR Scientific Products, a U.S. laboratory distributor, in 1999.

Merck is the market leader for liquid crystals. By 1983, they were being used in car dashboards.

In order to secure the financing of these acquisitions, Merck went public in 1995. A 26% interest in Merck KGaA was sold to shareholders. The Merck family held the remaining 74% via the general partner E. Merck. Following a capital increase in 2007, the ownership ratio shifted to its current 30–70 ratio.

The first half of the past decade saw a significant number of divestments. In 2000, Merck divested its interest in Bracco and vitamin chemicals. In 2004, the company exited from the Laboratory Distribution and Electronic Chemicals businesses. In 2006, Merck was debt-free.

In 2007, Merck embarked on a growth course, acquiring the Swiss biopharmaceutical company Serono. Involving a purchase price of EUR 10.3 billion, this was by far the largest acquisition ever made by Merck. As the generics business was sold in the same year for EUR 4.9 billion, the company lowered its debt to less than EUR 1 billion by year-end. Only three years later, Merck made its next major acquisition, purchasing Millipore for EUR 5.1 billion. The EUR 3.2 billion bond issue was the largest euro-bond offering by a German company in 2010. Merck also decided to divest two non-core businesses in 2010: Théramex, a company specializing in women's health, and the Crop BioScience business for improving plant health and crop yields.

Merck is developing targeted cancer therapies such as the molecule cilengitide (in green) shown here at its molecular target.

MERCK TODAY

Merck is pursuing a business model aimed at creating value for shareholders and owners. Following the acquisition of Millipore, we have a portfolio with a balanced distribution of risk. This portfolio is based on core competences in three businesses with synergetic potential: pharmaceuticals, chemicals and life science.

Merck runs its operating business in four divisions: Merck Serono, Consumer Health Care, Merck Millipore and Performance Materials.

The Merck Serono division markets prescription medicines. It discovers, develops and manufactures both chemical and biological molecules. Merck holds strong positions in neurodegenerative diseases and oncology. In addition, the division markets fertility treatments, a field in which we are the world market leader, and growth hormones as well as a broad portfolio of classic products, especially for cardiovascular and metabolic disorders.

The Consumer Health Care division offers over-the-counter products for preventive health care and the self-treatment of minor ailments.

Merck is the global leader in the liquid crystals market. Besides the display materials business, the Performance Materials division focuses on lighting materials for energy-saving LEDs (light-emitting diodes) and OLEDs (organic LEDs). Pigments for the plastics, printing and coatings industries as well as for cosmetic applications are also an important part of the Performance Materials portfolio. Moreover, the division is the market leader for pearl luster effect pigments – a highly specialized niche within the pigment market.

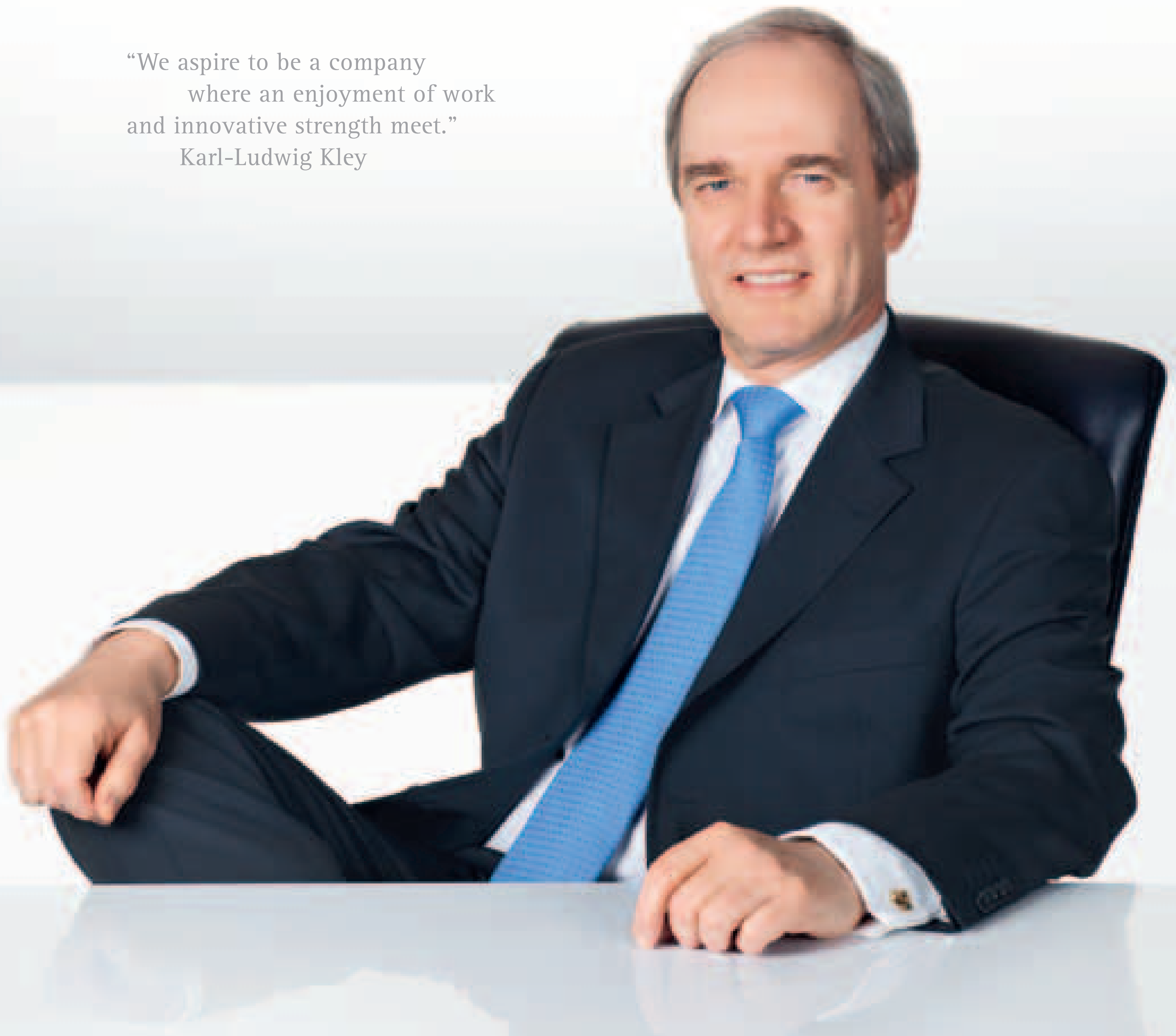
In 2010, Merck acquired the U.S. life science company Millipore. Founded in 1954 by Jack Bush, the focus at that time was on filtration technology for water treatment and laboratories. This enabled Millipore to achieve a breakthrough worldwide. Later on, further businesses such as bioprocessing and bioanalytical services for the pharmaceutical industry were added, transforming Millipore into a leading global life science company.

With the acquisition of Millipore, Merck is now a leading life science company. The Merck Millipore division offers products for life science research such as assays, biomarkers and target solutions, as well as bioprocessing, lab water purification and filtration. Additionally, the division supplies specialty chemicals mainly to regulated markets, for example the pharmaceutical, cosmetics and food industries. Analytical and scientific laboratories use our reagents and test kits. In total, the Merck Millipore portfolio comprises more than 40,000 products and processes.

THE FUTURE

Merck will continue to focus on specialty products in its pharmaceutical, chemical and life science businesses while creating synergies. We will also further invest significantly in research and development while pursuing growth both organically and through acquisitions. We will adhere to our very solid finance policy.

LETTER FROM KARL-LUDWIG KLEY



"We aspire to be a company
where an enjoyment of work
and innovative strength meet."
Karl-Ludwig Kley

Dear Shareholders and Friends,

During 2010, we made further progress with the transformation of your company into a leading innovative and high-tech enterprise. As part of this process, we achieved several important milestones.

We impressively proved Merck's economic strength following the 2009 crisis year. Our total revenues increased by 20% to EUR 9.3 billion, a record high. The operating result jumped by 72% to EUR 1.1 billion. At nearly EUR 1.7 billion, underlying free cash flow significantly exceeded the billion-euro threshold for the first time. Profit after tax was 70% higher than in 2009. In view of these figures, we will propose to the Annual General Meeting on April 8 an increase in the dividend to EUR 1.25 per share.

With the acquisition of Millipore, we have given our business a decisive boost. By combining Merck and Millipore, we have become a leading global partner to the life science industry. With our portfolio, which ranges from laboratory chemicals to complete solutions for the production of biopharmaceuticals, we are helping our customers to succeed in research, development and production. At the same time, we are capturing opportunities to realize synergies with our own existing businesses and to enter new fields.

We have also set the course for the future with the recent changes in the composition of the Executive Board. On January 1, 2011, Stefan Oschmann succeeded Elmar Schnee, who left the company, as the Board Member responsible for the Pharmaceuticals business. I would also like to take this opportunity to thank Elmar Schnee, who decisively shaped the integration of Merck Serono and contributed greatly to the solid foundations on which we can further develop the business. Kai Beckmann will be joining the Executive Board, taking over responsibility for the newly created Executive Board position for Human Resources on April 1. And on June 1, 2011, Matthias Zachert will succeed Michael Becker as Chief Financial Officer. With this new team, we are creating the perfect conditions to start a new, successful chapter in the unique history of Merck.

We are in a position to develop the company further from the economically robust and highly innovative basis of 2010.

Merck Serono, our division for innovative prescription drugs, outperformed the average global market growth by posting an 8.3% increase in sales. Our two largest products, Rebif® and Erbitux®, continued to perform well. Their sales increased by 8.6% to nearly EUR 1,700 million and 18%

to EUR 820 million, respectively. Core return on sales (ROS) was 22%. Yet we did not reach all our objectives. The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a final negative opinion regarding the marketing authorization application for cladribine tablets as a treatment for relapsing-remitting multiple sclerosis. In the United States, we are awaiting the FDA's decision.

The Consumer Health Care division, which is responsible for our over-the-counter drugs business, continued its growth course, with the exception of our newly emerging business in China. The restructuring measures underway there not only slowed sales growth, but also adversely impacted profitability.

We began consolidating our life science business, including the acquired Millipore, into the new Merck Millipore division in July. Despite the ongoing integration work, we achieved a marked increased in sales. Adjusted for the acquisition, core ROS was 19%.

The Performance Materials division, which comprises our materials businesses, can look back at a very successful year. With sales increasing by 38%, it was our strongest growth driver. The Liquid Crystals business exceeded the EUR 1 billion sales threshold for the first time. The division's ROS was 42%.

We were also successful on a regional basis. In Asia, our second-largest region after Europe, we grew by 37%, posting sales of EUR 2.3 billion. In the United States, sales increased by 32% to EUR 1.4 billion.

We are looking toward the future with optimism. No doubt we expect the global financial, economic and debt crises to have a further impact. No doubt key economies are still a long way from recovering their former stability and dynamism. The financial sector also remains vulnerable. Despite all the risks, we expect economic developments to be positive in 2011. For Merck, we expect total revenues to increase by between 13% and 18%. We aim to increase the operating result by between 35% and 45%.

Above all, however, we want to further develop the company strategically:

Based on our strong position in display materials, we want to expand into new fields and new technologies. After having successfully developed IPS, VA and PS-VA technologies that produce faster and sharper LCD images and consume less power, we are working on successors. At the same time, we are aiming to establish ourselves as a materials supplier in new fields, including innovative lighting materials based on LEDs and OLEDs, energy storage materials for the automotive sector, and products for the photovoltaics industry that will be used in the next generation of solar cells.

With Merck Millipore, we want to position ourselves as the leading supplier to the life science industry, for instance in the biopharmaceutical market, which is highly profitable and is currently growing at 12% a year. Cooperating with customers on research and development programs is a common feature of processes in modern biotech production where we transform our expertise in chemicals and pharmaceuticals into innovation. Once the production process has been approved for a drug, this leads to benefits for our customers, who seek joint, long-term success with a supplier they can trust.

At Merck Serono, we are concentrating on specialist therapeutic areas with high unmet medical needs. Our research activities are focused on three areas: Oncology, Neurodegenerative Diseases and Rheumatology. In parallel with the development of specific therapies, it is our aim to develop patient stratification methods: We want to focus even more closely on how our drugs act in certain groups of patients and how therapeutic efficacy can be predicted for individual patients.

We aspire to be a company where an enjoyment of work and innovative strength meet. Merck stands out because it offers an inspiring and motivating work environment in which all employees have the opportunity to make extraordinary achievements while developing themselves further.

And this is why our more than 40,000 employees apply themselves energetically to the benefit of customers and the company. We owe you, our shareholders and customers, our thanks for your support and trust. My Executive Board colleagues and I will continue to do everything we can to merit this trust.

Sincerely,

EXECUTIVE BOARD

Karl-Ludwig Kley
Chairman of the Executive Board

born in 1951, lawyer

Member of the Supervisory Board and Board of Partners of Merck from March 2004 to June 2006, Member of the Executive Board since joining Merck in September 2006

Responsibility for Group-wide functions:
Information Services; Human Resources (global); Legal and Compliance; Patents; Auditing and Risk Management; Strategic Planning; Inhouse Consulting; Corporate Communications; Environment, Health and Safety

Michael Becker
Chief Financial Officer

born in 1948, lawyer

joined Merck in 1998, Member of the Executive Board since January 2000

Responsibility for Group-wide functions:
Accounting and Controlling, Finance; Taxes; Insurance; Mergers and Acquisitions; Investor Relations; Purchasing

Stefan Oschmann
Head of the Pharmaceuticals business sector

born in 1957, veterinarian

joined Merck in 2011 as a Member of the Executive Board

Responsibility for Group-wide functions:
Pharmaceuticals business sector

Regional responsibilities: Europe; United States (Pharmaceuticals); Canada; Latin and Central America; Africa; Middle East

Until the end of 2010:
Elmar Schnee

Bernd Reckmann
Head of the Chemicals business sector

born in 1955, biochemist

joined Merck in 1986, Member of the Executive Board since January 2007

Responsibility for Group-wide functions:
Chemicals business sector

Regional responsibilities:
Germany (including HR); Site Management Darmstadt and Gernsheim; Asia; United States (Chemicals); Russia, Australia; New Zealand

Bernd Reckmann


Stefan Oschmann
Michael Becker
Karl-Ludwig Kley

BUSINESS DEVELOPMENT 2001 – 2010

This overview may include historically adjusted values in order to ensure comparability with 2010

EUR million	2001	2002	2003	2004
Total revenues by division	7,721	7,521	7,364	6,017
Pharmaceuticals	3,484	3,265	3,458	3,601
Merck Serono	2,228	1,850	1,546	1,619
Generics [2]	936	1,096	1,585	1,625
Consumer Health Care	320	319	327	357
Chemicals	1,729	1,791	1,707	1,696
Merck Millipore	–	–	–	–
Performance Materials	–	–	–	–
Liquid Crystals	297	383	443	589
Performance & Life Science Chemicals	1,216	1,216	1,083	1,107
Electronic Chemicals [2]	216	192	181	–
Laboratory Distribution [2]	2,754	2,711	2,427	582
Intragroup sales, Laboratory	–246	–246	–228	–62
Corporate and Other	–	–	–	200
Operating result by business sector	877	616	736	776
Pharmaceuticals	581	272	389	391
Chemicals	204	260	316	420
Laboratory Distribution [2]	92	84	79	21
Corporate and Other	–	–	–48	–56
Earnings before income and taxes (EBIT)	1,286	559	538	1,044
EBIT before depreciation and amortization (EBITDA)	1,694	985	1,008	1,419
Profit before tax	1,078	412	423	961
Profit after tax	655	215	218	672
Free cash flow	664	441	442	1,889
Capital expenditure on property, plant and equipment	470	377	281	234
Research and development	577	608	605	599
Total assets	8,255	7,511	6,982	5,754
Net equity	2,336	2,054	2,363	2,800
Employees (number as of December 31)	34,294	34,504	34,206	28,877
Return on sales in % (ROS: Operating result/total revenues)	11.4	8.2	10.0	12.9
Earnings per share in EUR	3.66	1.18	1.15	3.47
Dividend per share in EUR	0.95	1.00	0.80	0.80
One-time bonus per share in EUR	–	–	–	0.20

[1] As a result of the acquisition of Millipore, the Chemicals business sector was reorganized. The previous year's figures have been adjusted.
[2] Business was divested.
[3] Including the divested Generics division (along with the gain on divestment)

2005	2006	2007	2008	2009	2010	Change vs. 2009 in %
5,887	6,310	7,081	7,590	7,747	9,291	19.9
3,905	4,163	4,900	5,456	5,812	6,226	7.1
1,817	1,938	4,480	5,014	5,345	5,754	7.6
1,712	1,825	–	–	–	–	–
376	400	420	442	467	472	1.1
1,906	2,113	2,152	2,127	1,935	3,065	58.4
–	–	–	–	929[1]	1,681	80.9
–	–	–	–	1,006[1]	1,384	37.7
741	895	916	878	–	–	–
1,165	1,218	1,236	1,249	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
76	34	29	7	–	–	–
883	1,105	976	1,131	649	1,113	71.6
454	524	417	655	403	579	43.7
492	641	631	558	324	624	92.4
–	–	–	–	–	–	–
–63	–60	–72	–81	–78	–90	14.1
956	1,325	200	731	621	1,113	79.2
1,245	1,628	1,858	1,947	1,625	2,457	51.2
893	1,273	–111	575	486	861	77.0
673	1,001	3,520[3]	379	377	642	70.3
657	–1,073	–1,473[3]	438	812	–3,522	–
268	253	283[3]	395	467	396	–15.2
713	752	1,028	1,234	1,345	1,397	3.9
7,281	8,102	14,922	15,645	16,713	22,388	34.0
3,329	3,807	8,688	9,563	9,514	10,372	9.0
29,133	29,999	30,968	32,800	33,062	40,562	22.7
15.0	17.5	13.8	14.9	8.4	12.0	
3.40	5.07	16.21[3]	1.69	1.68	2.91	73.2
0.85	0.90	1.20	1.50	1.00	1.25	25.0
–	0.15	2.00	–	–	–	–

← More information inside the cover:
Business development 2001 – 2010

FINANCIAL CALENDAR FOR 2011

Annual Press Conference: Monday, February 21

Annual General Meeting: Friday, April 8

Report on the first quarter: Thursday, April 28

Report on the first half: Wednesday, July 27

Autumn press conference and report on the third quarter: Wednesday, October 26

MORE INFORMATION

The Merck Annual Report for 2010 has been published in German and English as a full-length and an abridged version. The full report is also available as a navigable online version at www.merck.de/annualreport2010.
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: Corporate Responsibility Report 2009
Merck – Facts & Figures (also available in French and Spanish)

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

Publication contributors

Published on February 21, 2011 by Merck KGaA
Corporate Communications
Frankfurter Strasse 250, 64293 Darmstadt, Germany
Tel.: +49 (0) 6151–72 0, Fax: +49 (0) 6151–72 5577
E-mail: corpcom@merck.de
Website: www.merck.de

Concept, design and typesetting: XEO GmbH, Düsseldorf
Photographs: Pages 5, 8, 12, 13 and 76: Catrin Moritz, Essen;
Pages 1, 5, 6, 8, 12, 13, 14, 46, 62, 68 and 76: Reinhard Koslowski, Düsseldorf
Printing: Franz Kuthal GmbH & Co. KG, Mainaschaff
Paper: FSC-certified LuxoSatin from Papyrus

W 840 551
350211