Sales of the well-established Nasivin® range grew by 23% to EUR 52 million in 2010.

CONSUMER HEALTH CARE

The Consumer Health Care division offers high-quality over-the-counter products for preventive health care and self-treatment of minor ailments. Its product range includes global, scientifically based branded products that consumers trust. Consumer Health Care is represented in many countries of Europe, North America, Latin America, Asia and Africa.

KEY PRODUCTS

- Mobility: Products to strengthen the joints and relieve pain, including the brands Seven Seas®, Flexagil® and Kytta®
- Everyday health protection: Probiotic multivitamin ranges Bion® and Multibionta®; vitamins and minerals sold under brand names such as Cebion® and Diabion®
- Women's and children's health: Femibion® includes products with folic acid and Metafolin® for pregnant and nursing women; Kidabion® (Haliborange®), a vitamin range for children
- Cough and cold: Cold treatment Nasivin® (Iliadin®); flu treatment Sedalmerck®

KEY DEVELOPMENTS IN 2010

- Stable growth, with many countries clearly exceeding market growth
- Strategic brands reinforced: Double-digit growth for Femibion®, Bion®, Seven Seas® and Nasivin®
- Femibion®: a growth driver in Poland, Germany and France
- Bion® range: strong increases in France, Belgium and Chile
- Nasivin®: strong sales growth in Poland, Russia, South Africa and India
- Research and development further expanded
- Higher expenses due to restructuring measures in China, impairment losses in Mexico, and a warehouse fire in the United Kingdom
- Negative currency effects in Venezuela, one of the division's largest Latin American markets; positive currency effects in Mexico, the United Kingdom and Indonesia

SOLID SALES DEVELOPMENT

The Consumer Health Care Division stabilized its growth course, growing in line with western Europe, its main market. The global sales of our strategic brands performed well, posting double-digit growth.

Consumers trust Merck

Focus on four health themes

Consumer Health Care specializes in over-the-counter products and focuses on four health themes: Cough and Cold, Mobility, Everyday Health Protection, and Women's and Children's Health. The main distribution channels for our products are pharmacies, as well as retail chains, drug stores and mail order in some countries and certain markets. We are building on the strength of our well-known brands and the long-standing trust consumers place in them with respect to their quality and efficacy.

Consumer Health Care | Key figures

EUR million	2010	2009	Δ in %
Total revenues	472	467	1.1
Gross margin	317	319	–0.8
R&D	25	19	28
Operating result	14	48	–71
Exceptional items	–	–	–
Free cash flow	45	49	–7
Underlying free cash flow	45	49	–7
ROS in %	2.9	10.3	

Business in focus countries develops well

Above-average market growth in many countries

In 2010, total revenues of the Consumer Health Care division rose by 1.1% to EUR 472 million. We thus achieved stable growth and grew in line with the market in western Europe, our main market. We recorded organic growth of 2.6% worldwide and exceeded average market growth in many countries. The cornerstones of our strategy are strong brands and regional expansion. With a few exceptions, our focus countries performed well. In one important market, Venezuela, negative currency effects impacted business. In China, we undertook extensive restructuring in the third and fourth quarters. We had expanded outside the four major cities of Beijing, Shanghai, Guangzhou and Shenzen too quickly. As a consequence, we ended up with considerable stocks that were not being pulled through to consumers. Having concluded an exclusive agreement with the Chinese Medical Doctors Association to offer Diabion in major hospitals, we did not receive the necessary government permission to allow doctors to prescribe the product. Adjusted for the effects in China, the division posted organic growth of 5.2%.

Research and development expanded

The operating result of the Consumer Health Care division declined by 71% to EUR 14 million. ROS was 2.9% compared with 10.3% in 2009. Underlying free cash flow was EUR 45 million, which was 7% lower than in 2009. In addition, higher impairment losses in Mexico lowered the operating result. We also incurred losses due to a fire in a warehouse in the United Kingdom. At EUR 25 million, research and development spending in the Consumer Health Care division was 28% higher than in 2009.

Strategic brands post increases

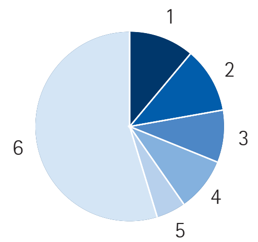
Femibion® shows strong growth

With one exception, the global sales of our five strategic brands developed positively, posting double-digit increases. The Bion® range generated global sales of EUR 54 million, an increase of 11%, of which France contributed the vast majority, or EUR 32 million. Femibion® grew by 24%, generating sales of EUR 41 million. Its strongest markets are Germany and Poland. France also recently reported strong increases. Seven Seas® recorded a slight sales decline of 1.4% in its core UK market. However, thanks to the positive developments in other countries, sales grew by a total of 14% to EUR 44 million. Nasivin® sales grew by 23% to EUR 52 million, driven primarily by good performance in Poland, Russia, South Africa and India. The Kytta® brand, which is primarily marketed in Germany, registered a 21% decline in sales to EUR 15 million. The development of Kytta in Germany was attributable to overproportionate increases in advertising spending by our competitors compared to 2009.

Top five brands by sales in 2010

EUR million / % of divisional sales

1	Bion®	54	11%
2	Nasivin®	52	11%
3	Seven Seas®	44	9%
4	Femibion®	41	9%
5	Cebion®	27	6%
6	Other products	252	54%



Europe – our number-one region

More than two-thirds of sales generated in Europe

By region, our sales breakdown as follows: 71% in Europe, 17% in Latin America and 12% in Asia, Africa, Australasia. Europe thus remains our largest market with sales of EUR 331 million, an increase of 3.8% over 2009.

France: our largest market

France remains our top-selling country, posting sales of EUR 101 million, or 1.8% more than in 2009. The Bion® range again performed very well, securing its position as the second-leading brand in the French OTC market and as number one for nutritional supplements. Femibion® Maman Active for young mothers was launched in France in 2010.

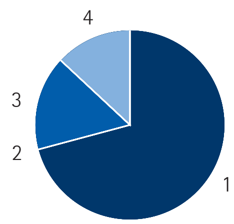
Apaisyl® range expanded

Apaisyl® is a very well-known brand in France, which focuses on head lice, skin irritations and mycoses. New products for nail fungus, chapped hands and herpes were added to this product range. The Médiflor® range was also expanded to include a product for sore throats.

Consumer Health Care | Sales by region

EUR million / % of total divisional sales

1	Europe	331	71%
2	North America	1	0%
3	Latin America	81	17%
4	Asia, Africa, Australasia	57	12%



Femibion®: the clear market leader in Germany

Germany has replaced the United Kingdom as our second most important market. In 2010, our German subsidiary Merck Selbstmedikation GmbH marked its 40th anniversary. Sales in Germany totaled EUR 57 million, representing growth of 1.7%. With a market share of more than 50%, Femibion®, which was launched in Germany 15 years ago, is the clear leader in its market segment, growing by 4.4% in 2010. In the Femibion® range, we launched Flor Intim, a probiotic product to protect and foster healthy vaginal flora. Very good sales were generated by Cape June®, our brand of diet products distributed directly through the QVC home shopping network.

A difficult environment in the United Kingdom

In the United Kingdom, a difficult market environment caused sales to drop by 0.7% to EUR 54 million. Femibion®, which was launched here in 2009, did not meet expectations. Our Lamberts Healthcare line showed a positive trend; this brand specializes in the direct sale of nutritional supplements and focuses heavily on e-commerce.

At EUR 27 million, sales in Belgium remained stable at a high level. Poland showed very positive growth of 18%, reaching EUR 29 million. Consumer Health Care also saw strong increases in Russia, Hungary, Austria and Turkey.

Currency effects in Latin America

In Latin America, total sales decreased by 9.6% to EUR 81 million. This was attributable to exchange rate losses in Venezuela, one of our most important markets in Latin America after Mexico. Although we achieved organic growth of 30%, sales in Venezuela dropped by 52%. In terms of total sales, the positive sales growth in Mexico (7.1%), Brazil (14%) and Chile (45%), for example, was unable to completely compensate for Venezuela. However, we achieved 11% organic growth in the region.

To expand our position in Latin America, we opened a new research and development center in Brazil. The center serves as an R&D hub for Brazil and neighboring countries. The center's goal is to develop regional solutions for the successful strategic brands of Merck Consumer Health Care. This means that existing products and future developments from the worldwide portfolio are to be adapted to regional conditions and local regulatory requirements.

Growth in major Asian markets

In Asia, sales declined by 4.8% as a result of the aforementioned development in China. We achieved growth in all our major Asian markets, for example in Indonesia (42%), our main market, as well as in India (42%) and Malaysia (22%). In Indonesia, we celebrated the 35th anniversary of Sangobion®, our main product in this market. This is a supplement to prevent iron deficiency and anemia in children and adults. In the Philippines, sales grew by 47%, primarily driven by the successful launch of Sangobion® in direct sales.

After continuous growth in previous years, South Africa, by far the most important market in Africa, once more saw significant increases, rising by 29% to EUR 9.2 million. Our Slow-Mag® line of magnesium products is the clear market leader there, holding a 70% market share. We have expanded this product line to include SlowMag® Active+, a magnesium supplement containing vitamins, ginseng, guarana and zinc.

Research and development

R&D spending increases

In 2010, we completed the realignment of our research and development organization, which we had started in 2009. As part of our evidence-based approach to OTC products, we stepped up our investment in clinical studies for additional indications (as in the case of Kytta®). This will enable us to meet increased regulatory requirements and further substantiate our health claims based on the study results. The regulatory requirements at the EU level are increasing for dietary and nutritional supplements as well. We are meeting these requirements through far-reaching trials, such as those for Bion®, Flexagil® and Femibion®.