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FY2009: Merck KGaA Revenues Increase by 2.1% to €7.7 Billion

- 2009 Sales: Rebif +15% to €1,537 million, Erbitux +23% to €697 million
- Liquid Crystals FY2009 return on sales (ROS) at 31.0%
- Merck proposes dividend of €1 per share

Key Figures:

Merck Group (€million)	Q4/2009	Q4/2008	(+/- %)	FY2009	FY2008	(+/- %)
Total Revenues	2,028.8	1,915.4	5.9	7,747.0	7,589.6	2.1
Operating Result	44.1	141.9	- 68.9	648.9	1,131.4	- 42.6
Exceptionals	40.8	- 400.0	--	- 28.0	- 400.0	- 93.0
EBIT	84.9	- 258.0	--	620.9	731.4	- 15.1
Profit After Tax	58.5	- 277.6	--	376.7	379.1	- 0.6
Net Profit After Minorities	56.7	- 279.5	--	366.3	367.1	- 0.2
Earnings Per Share (€)	0.26	- 1.29	--	1.68	1.69	- 0.1
Core Earnings Per Share (€)*	0.95	0.97	- 2.6	4.44	5.73	- 22.5

* EPS from continuing operations excluding amortization of intangible assets, exceptionals, and integration costs in relation to the acquisition of Serono.

“We are presenting a financial statement for fiscal year 2009 with which – considering the overall circumstances of last year – we can be satisfied,” said Dr. Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA. “For 2010, it will be crucial whether the economic recovery trend remains stable. Merck is assuming that Group total revenues should increase by 3% to 7% and that the operating result could grow by 20% to 30%.”

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FY2009: Merck KGaA Revenues Rise by 2.1% to €7.7 Billion

Darmstadt, February 23, 2010 – Merck KGaA announced today that Group **total revenues** rose 2.1% in 2009 – meeting the guidance given earlier in the year. Total revenues for the Group reached € 7,747 million as the 6.5% increase in revenues from the Pharmaceuticals business sector more than offset the 9.0% decline in revenues from the Chemicals business sector. During the fourth quarter, Merck recorded a 5.9% increase in total revenues to € 2,029 million. Merck had no major acquisitions or divestments during 2009.

Royalty and commission income declined 4.8% to € 369 million. In 2009, commission income was reclassified from marketing and selling costs to total revenues (€ 24 million in 2009, € 32 million in 2008), since these now represent regular business revenues for Merck. The previous year's figures and key indicators have been adjusted accordingly.

For the Group, cost of sales grew faster than sales due to underutilization of capacities, mainly in the Chemicals business sector. Therefore, the Group **gross margin** increased only slightly to € 5,718 million, 0.6% more than in 2008.

Research and development costs rose 8.9% to € 1,345 million in 2009, mainly due to the Merck Serono division because, for the first time in its history, Merck is conducting trials on 10 projects in the final phase of clinical development prior to potential market launch. Other operating expenses and income, which amounted to € –170 million in 2008, rose to € –373 million in 2009. This was mainly due to additions to provisions for litigation, mostly relating to the Merck Serono division. Merck also booked € –68 million for currency risks in Venezuela.

Amortization of intangible assets, which for the most part included ongoing amortization from the Serono purchase price allocation, increased by 15% to € 658 million. Included within this amount were write-downs on the value of license rights for the products Enbrel[®] (Amgen) and Puregon[®] (Merck & Co.) due to reduced estimates of the future amount of their royalty income.

Therefore, Merck generated an **operating result** for 2009 of € 649 million, corresponding to a decline of 43%. For the fourth quarter, the operating result declined 69% to € 44 million compared to € 142 million in the year-ago quarter. The Group's full-year **core operating result** (operating result excluding amortization of intangible assets and integration costs from Serono)



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fell 25% to € 1,296 million. Fourth-quarter core operating result was € 258 million, down 16% from € 306 million in the year-ago quarter.

The Group **return on sales** (ROS: operating result/total revenues) declined to 8.4% in 2009 compared to 14.9% in 2008. The fourth-quarter ROS was 2.2% in 2009 and 7.4% in 2008. Group **core ROS** (operating result excluding amortization of intangible assets and integration costs from Serono/total revenues) for 2009 was 16.7% compared to 23.0% in 2008. For the fourth quarter, core ROS was 12.7% in 2009 and 16.3% in 2008.

In 2009, Merck recorded **exceptional items** totaling € –28 million. These include costs of € 40 million for the market withdrawal of the psoriasis drug Raptiva[®]. In addition, Merck realized income of € 11 million from the divestment of the business with natural substances in Brazil (Performance & Life Science Chemicals division). Merck's **financial result** improved in 2009 by € 22 million or 14% year-on-year to € –134 million. The tax rate adjusted for exceptional items declined to 21.6%, compared to 25.8% in 2008.

Full-year earnings before interest and tax (**EBIT**) fell by 15% to € 621 million, a much lower rate of decline than for the operating result as exceptional items were significantly lower in 2009 than in 2008. **Profit before tax** fell to € 486 million in 2009 from € 575 million the year before. **Profit after tax** was € 377 million, nearly at the previous year's level of € 379 million.

Group **free cash flow** nearly doubled to € 812 million compared with € 438 million in 2008. Underlying free cash flow (adjusted for acquisitions and divestments) increased by 42% to € 852 million. The Pharmaceuticals business sector accounted for € 916 million and the Chemicals business sector € 432 million.

Merck will propose to the Annual Meeting on April 9, 2010, the payment of a **dividend** of € 1.00 per share. The dividend payment for fiscal 2008 was € 1.50 per share.

Merck had 33,062 **employees** worldwide on December 31, 2009, an increase of 0.8% from 32,800 at the end of 2008.

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Merck Divisions

Merck Serono's total revenues increased 6.6% to € 5,345 million in 2009 despite the market withdrawal of Raptiva. This growth was mainly attributable to the good performance of biopharmaceuticals such as Rebif[®] and Erbitux[®] as well as to classic products such as the medicines of the Glucophage[®] family. Merck Serono generated 60% of its revenues, or € 2,980 million, with its five top-selling biopharmaceuticals. **Rebif**, a treatment for relapsing-remitting forms of multiple sclerosis, was once again the top-selling product. Global sales rose 15% to € 1,537 million in 2009. Sales of the targeted cancer treatment **Erbitux** jumped by 23% to € 697 million. Sales of **Gonal-f**[®], a recombinant hormone used in the treatment of infertility, increased by 5.8% to € 486 million, boosted by strong growth in Asia, Africa, Australasia, North America and Latin America. During July, the Japanese health authorities approved the extended use of Gonal-f for infertile women.

Sales of the branded products of the **Glucophage** (metformin) franchise of oral anti-diabetic products rose 8.5% to € 291 million despite generic competition and negative currency effects. Sales of thyroid medicines such as **Euthyrox**[®] increased by 6.5% to € 137 million in 2009. Total sales of bisoprolol, including the branded **Concor**[®] products decreased 5.4% to € 395 million in 2009. Full-year royalty and commission income declined by 3.5% to € 351 million.

The division's research and development costs increased during 2009 by 10% to € 1,184 million, which amounts to 22% of the division's total revenues. The operating result was also affected by high one-time expenses that included a € 163 million increase in provisions for litigation. Overall, the division's operating result declined by 40% to € 355 million. The annual ROS fell to 6.6% from 11.8% in 2008. Core ROS was 18.7% compared with 24.1% in 2008. In the fourth quarter, Merck Serono's total revenues rose 4.2% to € 1,393 million. Due to higher R&D costs and the one-time effects mentioned above – most of which were booked in the fourth quarter – the division's fourth-quarter operating result was € –69 million compared to € 60 million in the year-ago period.

The **Consumer Health Care** division recorded annual total revenues of € 467 million in 2009, a 5.7% increase compared to 2008. Organically, revenues grew by 8.6%. Sales of Merck products by wholesalers to end customers grew by a double-digit rate. The operating result dropped by 21% to € 48 million because of positive one-time effects in 2008, such as the gain

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on the sale of the Spanish brand biManán® for € 11 million. The 2009 operating result was also lowered by expenses for currency risks, especially in Venezuela. Therefore, the annual ROS declined to 10.3% in 2009 from 13.9% in 2008. Research and development costs rose 16% to € 19 million. For the fourth quarter, the division's total revenues rose 17% to € 132 million; the operating result declined 22% to € 8.6 million; and the ROS was 6.5% compared to 9.8% in the year-ago quarter.

Total revenues for the **Liquid Crystals** division continued to climb since the low point in the first quarter of 2009. Although sales fell by 17% to € 733 million in 2009, for the first time in a year total revenues exceeded the € 200 million mark in the third quarter. This trend continued in the fourth quarter, when total revenues increased 20% to € 201 million. Due to underutilization of production capacity, the division's full-year operating result declined 42% to € 227 million. ROS fell to 31.0% from 44.6% in 2008. R&D spending rose 3.2% to € 87 million. In the fourth quarter, the division's operating result was € 91 million and the ROS was 45.3%.

The **Performance & Life Science Chemicals** division generated total revenues of € 1,202 million during 2009, a decline of 3.8% compared to 2008 due to the reduced demand for effect pigments. Life Science Solutions and the Laboratory Business developed stably during the year. The division's operating result fell 42% to € 97 million. At 8.0%, ROS was significantly below the 2008 level of 13.3%. The division spent € 54 million on R&D, 7.8% less than in 2008. In the fourth quarter, the division's total revenues rose 1.3% to € 303 million while the operating result was down 6.4% to € 34 million. Fourth-quarter ROS was 11.1% in 2009 versus 12.0% in 2008.

Outlook

The guidance for the **Merck Group** for 2010 is as follows:

Based on the Group's total revenues of € 7,747 million in 2009, Merck expects total revenues for the year 2010 to increase in a range of +3% to +7%. The Group operating result of € 649 million in 2009 will increase by between +20% and +30%. Core operating result (operating result excluding amortization of intangible assets and integration costs from Serono) is expected to increase by +3% to +13% from the 2009 level of € 1,296 million.

Total revenues by division: Merck Serono +2% to +5%, Consumer Health Care +5% to +10%, Liquid Crystals +5% to +10% and Performance & Life Science Chemicals +3% to +8%.

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Operating result by division: Merck Serono +30% to +40% (Core operating result: 0 to +10%), Consumer Health Care –10% to 0, Liquid Crystals +15% to +25% and Performance & Life Science Chemicals +15% to +20%.

Additional Notes:

- The **2009 Annual Report**, available in an interactive online format, can be found at: <http://www.merck.de/annualreport2009> This site allows quick access to the annual report with better navigation, downloading of financial tables as Excel spreadsheets, intelligent searches and much more.
- To access the **press conference** at 10 a.m. CET, the **analysts conference** at 2 p.m. CET and the **charts** that will be used at the analysts conference, please use this link: http://www.merck.de/financial_results
- **Merck KGaA stock symbols:**
Reuters: MRCG, Bloomberg: MRK GY, Dow Jones: MRK.DE
Frankfurt Stock Exchange: ISIN: DE 000 659 9905 - WKN: 659 990

Note regarding forward-looking statements

The information in this document contains “forward-looking statements.” Forward-looking statements may be identified by words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words of similar meaning and include, but are not limited to, statements about the expected future outcome or timing of the transactions described above. These statements are based on the current expectations of management of Merck KGaA and E. Merck KG, and are inherently subject to uncertainties and changes in circumstances. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are factors relating to changes in global, political, economic, business, competitive, market and regulatory forces. Merck KGaA and E. Merck KG do not undertake any obligation to update the forward-looking statements to reflect actual results, or any change in events, conditions, assumptions or other factors

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