MERCK GROUP

All four divisions of the Merck Group recorded increases in first-quarter 2010 revenues – most notably the Chemicals divisions – indicating that the company weathered the economic crisis of 2009 and is now back on track.

Merck Group total revenues rose 13% in the first quarter to EUR 2,099 million from EUR 1,859 million in the year-ago quarter as the Chemicals divisions returned to their pre-crisis levels and the Merck Serono prescription drugs division continued on its growth path.

Royalty and commission income declined 25% to EUR 76 million in the first quarter as patents began expiring in some markets on out-licensed products. As revenues increased at a faster rate than production costs, the gross margin rose 15% to EUR 1,612 million from EUR 1,402 million.

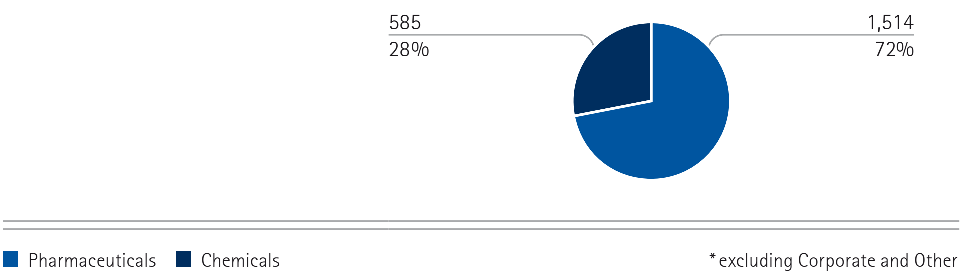
Marketing and selling expenses rose slightly by 3.0% to EUR 468 million. Royalty and commission expenses rose by 26% to EUR 122 million mainly due to increased sales of the multiple sclerosis drug Rebif® in the United States and the cancer treatment Erbitux® in Japan. In 2010, Merck began reporting royalty and commission expenses separately in the income statement. In the past, these expenses were reported under marketing and selling expenses.

Administration expenses decreased by 2,4% to EUR 104 million compared to the first quarter 2009.

Other operating expenses and income rose by EUR 50 million to EUR –135 million. These mainly include EUR 24 million of transaction costs related to the planned acquisition of Millipore Corporation, Billerica, Massachusetts, United States. Also included are impairments on intangible assets due to termination of research alliances.

Total revenues by business sector* – Q1

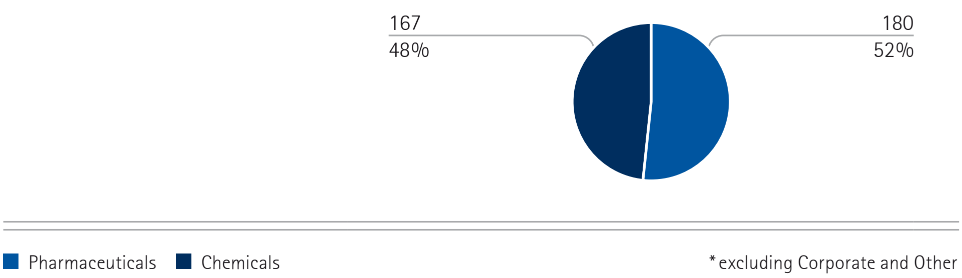
EUR million



*excluding Corporate and Other

Operating result by business sector* – Q1

EUR million



*excluding Corporate and Other

Components of growth by division – Q1

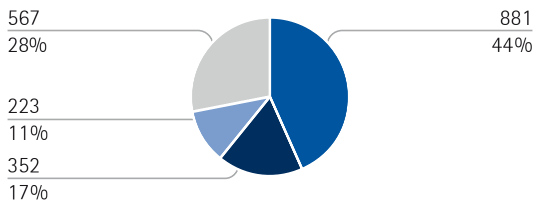
Change in total revenues compared to last year in %	Merck Serono	Consumer Health Care	Liquid Crystals	Performance & Life Science Chemicals	Merck Group
Organic growth	7.7	–0.5	84.7	11.3	13.2
Currency effects	–0.7	0.5	–2.6	0.9	–0.5
Acquisitions / divestitures	–	–	–	1.1	0.2
Total	**7.0**	**–**	**82.1**	**13.3**	**12.9**

Research and development costs rose by 11% to EUR 347 million in the first quarter. A major element of the Merck business model is a focus on new, high-value products and solutions, which naturally require a greater investment in R&D. The Merck Serono division currently has a large number of expensive late-stage clinical trials underway. These are necessary to prove to regulatory authorities that a medicine is safe and effective.

Amortization of intangible assets, mainly stemming from the purchase of Serono in 2007, decreased by 4.7% to EUR 141 million mainly due to the impairment made in the fourth quarter of 2009 for licensing rights and the expiration of the amortization period for an intangible asset.

Merck Group | Sales by region – Q1

EUR million



Thus, with improved revenues and an improved gross margin, the operating result rose substantially by 49% in the first quarter to EUR 295 million from EUR 198 million in the year-ago quarter.

The Group's first-quarter core operating result (operating result excluding amortization of intangible assets from the Serono purchase) was EUR 432 milllion, an increase of 26% compared to EUR 343 million in the year-ago-quarter.

The Group return on sales (ROS: operating result/total revenues) increased to 14.0% in the first quarter of 2010 compared to 10.7% in the year-ago quarter. Group core ROS (operating result excluding Serono-related amortization of intangible assets/total revenues) in the first quarter of 2010 was 20.6% compared to 18.5% in the year-ago quarter.

Effects of exceptional items

EUR million	1st quarter 2010	1st quarter 2009	Change in %
Operating result	294.8	198.1	48.8
Exceptional items	–	–68.8	–
Profit before tax before exceptional items	256.1	163.2	57.0
Income tax before exceptional items	–61.5	–40.4	52.4
Profit after tax before exceptional items	194.6	122.8	58.5
Tax rate before exceptional items in %	24.0	24.7	

There were no exceptional items during the first quarter of 2010 but Merck booked a total of EUR – 69 million in exceptional items during the first quarter of 2009.

Therefore, earnings before interest and tax (EBIT) more than doubled to EUR 295 million in the first quarter of 2010 compared to EUR 129 million in the year-ago quarter.

Merck announced on February 28 that it plans to acquire the Millipore Corporation, a leading U.S.-based life science company, for a total transaction value, including net debt, of approximately EUR 5.3 billion (USD 7.2 billion). Merck has already arranged for the necessary financing, leading to a first-quarter decline of 11% in the financial results to EUR –39 million from EUR –35 million. More details on the proposed Millipore acquisition can be found on page 26 of this report.

The Merck Group's first-quarter profit before tax also more than doubled to EUR 256 million from EUR 94 million in the year-ago quarter. Merck's underlying tax rate was 24.0% for the first quarter of 2010 compared to 24.7% in the year-ago quarter.

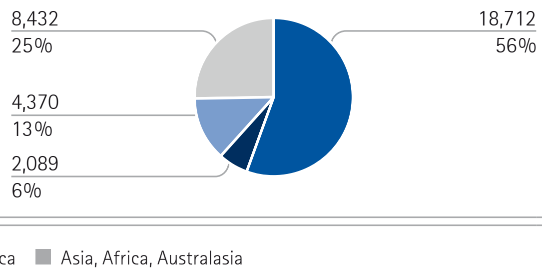
Profit after tax in the first quarter of 2010 more than tripled to EUR 195 million from EUR 60 million in the first quarter of 2009.

Total assets of the Merck Group as of March 31, 2010, amounted to EUR 20,584 million. This corresponds to a shift of EUR 3,871 million or 23% over the year-earlier period. This increase mainly relates to cash inflows from bonds issued in the first quarter with a total volume of EUR 3.2 billion. The cash inflow from these bonds will be used for the acquisition of Millipore. The equity ratio declined from 56.9% at the beginning of the year to 48.6% as of March 31, 2010. Because of short-term investing of the funds from the bond issue, there are no effects on net debt. As a result, net debt could be reduced further, so that at the end of the quarter under review, it amounted to EUR 82 million compared to EUR 263 million as of December 31, 2009.

The Merck Group's free cash flow increased in the first quarter of 2010 to EUR 195 million compared to EUR 164 million in the year-ago quarter despite an increase in trade account receivables.

Merck had 33,603 employees worldwide on March 31, 2010, an increase of 541 compared to 33,062 on December 31, 2009. More than half of this increase was due to expansion in China.

Number of employees as of March 31, 2010: 33,603



The division broke ground at Merck's headquarters in Darmstadt for a EUR 30 million production plant for pharmaceutical raw materials. Its new materials research center, also in Darmstadt, is scheduled to open later this year.

With revenues and the gross margin increasing more than expenses, the division's operating result more than doubled to EUR 55 million in the first quarter of 2010 compared to EUR 25 million in the year-ago quarter. The division's free cash flow improved considerably in the first quarter, rising to EUR 23 million from EUR –7.2 million in the year-ago quarter. The ROS rose to 15.9% from 8.0%.

CORPORATE AND OTHER

The segment Corporate and Other includes corporate overhead costs incurred by Group holding companies, financial result, taxes and certain exceptional items that are not allocated to specific divisions. In addition, some costs associated with the planned acquisition of Millipore are included in this segment.

Corporate and Other | Key figures – Q1

EUR million	1st quarter 2010	1st quarter 2009	Change in %
Total revenues	–	–	–
Gross margin	–	–	–
Research and development	0.1	–0.4	–
Operating result	–51.5	–22.6	127.7
Exceptional items	–	–	–
Free cash flow	–120.4	–84.7	42.2
Underlying free cash flow	–108.6	–84.7	28.2

RISK REPORT

All issues concerning business-related risks, financial risks, legal risks, human resources risks, information technology risks and environmental and safety risks – as previously stated in the 2009 Annual Report – remain valid in the current reporting period.

Therefore, no issues have been identified that pose a risk to the continued existence of the Merck Group.

REPORT ON EXPECTED DEVELOPMENTS

Having completed the first quarter of 2010, Merck is able to refine the guidance for 2010 that it gave in February. The main changes are an improvement in the expectations for the Group operating result and for the total revenues and operating result of the Liquid Crystals division.

The guidance for 2010 is now as follows:

- **Merck Group:** total revenues for the year 2010 should increase in a range of +3% to +7% from EUR 7,747 million in 2009. The Group operating result of EUR 649 million in 2009 will increase by between +30% and +40% (from between +20% and +30% in February). Core operating result (operating result excluding amortization of intangible assets from Serono) is expected to increase by +5% to +15% (from +3% to +13% in February) from the 2009 level of EUR 1,296 million.
- **Total revenues by division:** Merck Serono +2% to +5%, Consumer Health Care +5% to +10%, Liquid Crystals +15 to +20% (from +5% to +10% in February) and Performance & Life Science Chemicals +3% to +8%.
- **Operating result by division:** Merck Serono +30% to +40% (Core operating result: 0 to +10%), Consumer Health Care –10% to 0, Liquid Crystals +60% to +70% (from +15% to +25% in February) and Performance & Life Science Chemicals +15% to +20%.