BUSINESS SECTORS

The Merck Group operates in two major business sectors – Pharmaceuticals and Chemicals – each of which consists of two divisions.

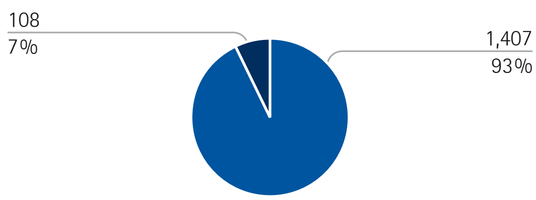
The Pharmaceuticals business sector's divisions are Merck Serono for innovative prescription drugs and Consumer Health Care for over-the-counter self-medication products. The Pharmaceuticals business sector generated 72% of the company's total revenues and 52% of the Group operating result (without Corporate and Other) during the first quarter. Total revenues for the Pharmaceuticals sector increased by 6.5% to EUR 1,514 million during the first quarter.

The higher revenues recorded by Merck's Pharmaceuticals business sector in the first quarter are due to increased sales of the top products in the Merck Serono division, especially the biotech medicines Rebif® and Erbitux®. However, higher royalty and commission expenses on sales of these products plus other operating expenses and higher research and development costs led to a 2.2% decline in the business sector's operating result to EUR 180 million.

IMS Health, the world's leading provider of market intelligence for the pharmaceutical and healthcare industries, said on April 20 that it expects the global pharmaceutical market to grow by 4% to 6% in 2010. IMS said the global market grew by 7.0% in 2009.

Pharmaceuticals | Total revenues by division – Q1

EUR million



Merck Serono ■ Consumer Health Care

MERCK SERONO

Merck Serono, the division for innovative prescription pharmaceuticals, is the largest division of the Merck Group, accounting for 67% of total group total revenues and 93% of revenues within the Pharmaceuticals business sector.

Merck Sereono | Key figures – Q1

EUR million	1st quarter 2010	1st quarter 2009	Change in %
Total revenues	1,406.8	1,314.7	7.0
Gross margin	1,186.5	1,126.2	5.4
Research and development	–304.4	–271.9	12.0
Operating result	178.0	175.7	1.3
Exceptional items	–	–70.0	–
Free cash flow	191.4	227.4	–15.8
Underlying free cash flow	191.4	227.4	–15.8
ROS in %	12.7	13.4	

Merck Serono's total revenues increased 7.0% to EUR 1,407 million in the first quarter of 2010 compared to EUR 1,315 million in the year-ago quarter, boosted by strong sales of Merck Serono's two leading products – the biologic therapies Rebif®and Erbitux®. Royalty and commission income declined 27% to EUR 71 million as out-licensed products began losing patent protection in some countries.

Due to the continued risk of potential currency losses in Venezuela, Merck has decided to post transactions from that country at the free market exchange rate.

Global sales of Rebif® for the treatment of relapsing forms of multiple sclerosis jumped 17% to EUR 429 million in the first quarter. Demand continued to improve but this quarter's very large sales growth was mainly due to the fact that U.S. wholesalers received an extra 20 days supply of Rebif® and other products during March. This was because Merck's EMD Serono subsidiary in the United States was converting to a new computer system during April and shipments would not be possible. Conversely, second-quarter sales will be lower in the United States.

Sales of the targeted cancer treatment Erbitux® continued to climb, increasing strongly by 19% in the first quarter to EUR 192 million due to higher sales in Japan and a double-digit increase in Europe. Erbitux® is now approved in 79 countries to treat colorectal cancer and in 76 countries to treat head and neck cancer. During March, Japanese regulators allowed the expanded use of Erbitux® for the treatment of first-line advanced or recurrent colorectal cancer in patients with KRAS wild-type tumors.

First-quarter sales of Gonal-f®, a recombinant hormone used in the treatment of infertility, increased by 3.8% to EUR 139 million.

Sales of the recombinant growth hormone Saizen® rose by 18% to EUR 54 million in the first quarter. Sales of Merck's other growth hormone, Serostim®, increased by 19% in the first quarter.

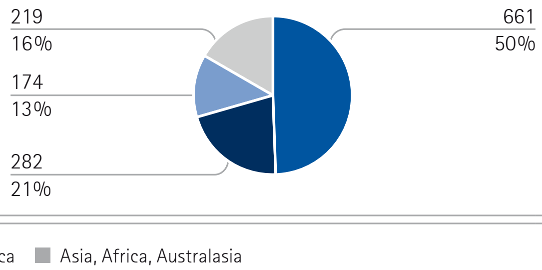
Merck Serono's classic pharmaceuticals continue to be significant contributors to the division's overall sales.

Total sales of bisoprolol, including the branded Concor® products such as Lodoz® and Concor®COR decreased 2.1% to EUR 97 million in the first quarter. Total sales of the Glucophage® (metformin) franchise of oral antidiabetic products increased 9.7% to EUR 81 million in the first quarter due to strong performances in Latin America and Asia. This established product and its newer versions such as the recently launched Glucophage® Powder, remain the worldwide "gold standard" for first-line treatment of type 2 diabetes.

Sales of thyroid medicines such as Euthyrox® increased by 8.3% to EUR 39 million in the first quarter, due to strong demand in Europe and Latin America. Merck's products are the most prescribed medicines worldwide for thyroid disorders.

Merck Serono | Sales by Region – Q1

EUR million



The division's gross margin rose by 5.4% to EUR 1,187 million in the quarter under review. This was a lower rate than the revenue increase due to higher production costs that included start-up expenses for the new large-scale biotech production center in Corsier-sur-Vevey, Switzerland.

Merck Serono research and development costs rose to EUR 304 million, a 12% increase compared to the first quarter of 2009 but in line with subsequent quarters of 2009. The division's R&D costs have risen due to the large number of expensive, late-stage clinical trials that are necessary to demonstrate the safety and efficacy of medicines before they can be approved by health authorities.

Ground was broken in Darmstadt in February for a EUR 39 million building to house Merck Serono's non-clinical pharmaceutical development activities, including space for a pilot production plant and laboratories.

Merck's application for marketing authorization of its new multiple sclerosis treatment Cladribine Tablets is currently under review by to the European Medicines Agency (EMA) and Merck continues to expect the Committee for Medicinal Products for Human Use (CHMP) opinion by the third quarter. The company continues to work with the U.S. Food and Drug Administration (FDA) to address issues that led the FDA to issue a refuse to file letter for the Cladribine Tablets application in November. In the meantime, results from the CLARITY Phase III trial, which showed that Cladribine Tablets met the two-year primary endpoint of reducing the relapse rate in patients with relapsing-remitting multiple sclerosis, was published in January in *The New England Journal of Medicine*. Also, new data from CLARITY was presented in April 2010 at the 62nd Annual Meeting of the American Academy of Neurology.

Merck has temporarily suspended the clinical program for its therapeutic cancer vaccine Stimuvax® (BLP25 liposome vaccine) in all recruiting studies worldwide as a result of a suspected unexpected serious adverse reaction (SUSAR). This decision was taken in alignment with the FDA clinical hold placed on the Investigational New Drug (IND) application for Stimuvax®. A patient participating in a Phase II exploratory clinical trial with Stimuvax® in patients with multiple myeloma developed encephalitis and subsequently died.

Merck Serono's other operating expenses increased partially due to EUR 23 million in costs associated with the R763 aurora kinase inhibitor program for cancer, which Serono had licensed from Rigel Pharmaceuticals in 2005. Merck returned the program to Rigel in February of this year.

The quarterly charge for amortization of intangible assets from the 2007 acquisition of Serono declined to EUR 138 million in the quarter under review from EUR 145 million in the year-ago quarter due to the impairment made in the fourth quarter of 2009.

Due to higher R&D costs and other operating expenses, increased commission payments on sales of Rebif® in the United States and profit-sharing payments on Erbitux® in Japan, the division's operating result rose 1.3% to EUR 178 million in the first quarter.

For Merck Serono, ROS was 12.7% for the first quarter compared to 13.4% in the year-ago quarter. Core ROS, which Merck defines as excluding Serono-related amortization of intangible assets, was 22.4% in the first quarter of 2010 compared to 24.5% in the year-ago quarter. Free cash flow was EUR 191 million in the first quarter of 2010 compared to EUR 227 million in the year-ago quarter.

CONSUMER HEALTH CARE

The Consumer Health Care division generated total revenues of EUR 108 million, only slightly more than the year-ago quarter. Sales were mainly impacted by Venezuela, one of the division's largest markets in Latin America. Beside Merck's decision to calculate transactions at the free-market exchange rate, the subsidiary in Venezuela posted very low sales during January to avoid the risk of government backlash post devaluation. In addition, most European markets declined due to the severe winter.

Consumer Health Care | Key figures – Q1

EUR million	1st quarter 2010	1st quarter 2009	Change in %
Total revenues	107.6	107.5	–
Gross margin	72.8	73.5	–0.9
Research and development	–4.8	–4.3	11.7
Operating result	1.5	7.9	–80.9
Exceptional items	–	–	–
Free cash flow	–2.5	3.2	–
Underlying free cash flow	–2.5	3.2	–
ROS in %	1.4	7.3	

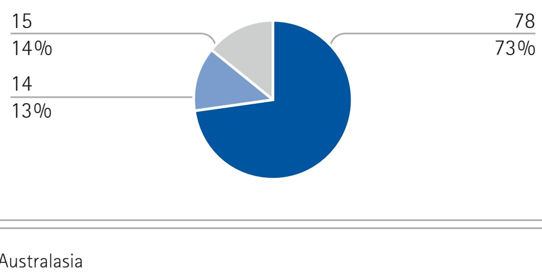
Global sales of Femibion®, the vitamins and minerals supplement for pregnant women and nursing mothers, were up 22% compared to the year-ago quarter due to increased demand in Europe.

Sales of Bion®3, the multivitamins with probiotics, rose 14% due to new television and point-of-sale advertising campaigns in France. Sales of Diabion®, multivitamins for people with diabetes, increased 16%, boosted by demand in Mexico and China. The vitamin C products marketed under the Cebion® brand recorded a 28% drop in sales, mostly due to the issues in Venezuela as mentioned above.

Sales of Nasivin® nasal spray declined 4.6% in the first quarter and are still influenced by the weakness of the Russian market.

Consumer Health Care | Sales by Region – Q1

EUR million



First-quarter sales of Kytta®, which is also branded as Flexagil®, was on a par with the year-ago quarter.

The division's gross margin declined slightly to EUR 73 million in the first quarter from EUR 74 million in the year-ago quarter. This was partially due to the fact that the division had to cover risks associated with the currency valuation in Venezuela. Marketing and selling costs rose as the division continued to implement its strategy of driving growth via strategic brands. These brands, excluding mail-order business, grew 3% and now account for 55% of the division's sales.

Research and development costs rose 12% to EUR 4.8 million.

Due to a lower gross margin and higher costs, the operating result declined 81% to EUR 1.5 million compared to the year-ago quarter. ROS dropped to 1.4% compared to 7.3% in the first quarter of 2009. Free cash flow was EUR –2.5 million compared to EUR 3.2 million in the year-ago quarter.