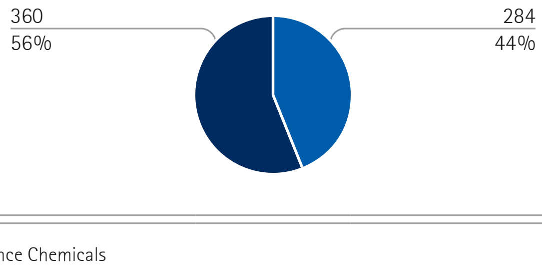
During the second quarter, the Chemicals business sector generated 29% of the Group's total revenues but 51% of the operating result due to the highly profitable nature of the products from both divisions, especially Liquid Crystals.

The Chemicals business sector's second-quarter total revenues jumped 32% to EUR 644 million on surging demand, particularly for liquid crystals, plus a positive currency effect of 9.5%. For the first half of 2010, revenues were up 33% to EUR 1,228 million. The second-quarter gross margin improved by 79% to EUR 394 million as production costs declined. The business sector's second-quarter operating result more than doubled to EUR 166 million compared to an unusually low EUR 70 million in the year-ago quarter. The half-year operating result more than tripled to EUR 333 million compared to a very low level of EUR 107 million in the year-ago period when the sector was impacted by the financial crisis of 2009.

On July 7, the German Chemical Industry Association (VCI) revised its forecast for 2010 and now expects German chemical production to increase by 8.5% and sales of German chemicals to rise by 10%.

Chemicals | Total revenues by division – Q2

EUR million



LIQUID CRYSTALS

Total revenues of the Liquid Crystals division continued to climb in the second quarter, jumping 50% to a record EUR 284 million in the second quarter compared to EUR 189 million in the year-ago quarter. During the first half of 2010, revenues were up 63% to EUR 523 million.

Liquid Crystals | Key figures

EUR million	2nd quarter 2010	Change in %	Jan.–June 2010	Change in %
Total revenues	283,7	50,1	522,6	63,2
Gross margin	204,2	132,7	366,9	155,8
Research and development	–22,7	2,3	–46,5	4,6
Operating result	151,1	191,9	262,9	308,0
Exceptional items	–	–	–	–
Free cash flow	125,9	113,0	229,5	171,7
Underlying free cash flow	125,9	113,0	229,5	171,7
ROS in %	53,2		50,3	

Positive currency effects accounted for 13% of the revenue increase but the lion's share – 37% – was due to the growing demand for Merck's high-tech liquid crystals. For example, Merck's liquid crystals based on patented Polymer Stabilized Vertical Alignment (PS-VA) technology offer better moving-picture quality, faster switching times, higher contrast and brightness, and lower power consumption – qualities desired by manufacturers of the new LED backlight LCD TVs.

On June 29, the market research organization DisplaySearch raised its forecast for the second time this year, now expecting shipments of LCD televisions to increase 29% to more than 188 million units in 2010. It expects annual shipments to exceed 260 million by 2014.

The organization said the higher demand for LCD TVs is due to new technologies such as LED (light-emitting diodes) backlighting, 3D programs and films, and internet connectivity.

Merck's Liquid Crystals division is already supplying LC materials for 3D vision glasses for 3D televisions. The division also makes phosphorus materials for LED back-lighting under the brand name isiphor®.

With increased volumes, unit costs improved significantly in the second quarter because of higher efficiencies and better utilization of capacities. Therefore, the gross margin more than doubled in the second quarter to EUR 204 million from EUR 88 million in the year-ago quarter.

Such technological advances are due to the division's investment in research and development, which rose 2.3% to EUR 23 million in the second quarter. Selling, general and administration costs also rose in the quarter.

Still, because of the high demand and high quality of its products, the Liquid Crystals division's second-quarter operating result nearly tripled to EUR 151 million compared to a very low year-ago level of EUR 52 million. The half-year operating result improved fourfold to EUR 263 million from just EUR 64 million in the first half of 2009.

This resulted in an ROS of 53.2% in the second quarter compared to 27.4% in the year-ago quarter and a half-year ROS of 50.3% compared to 20.1% in the first half of 2009.

The division's free cash flow jumped to EUR 126 million in the second quarter from EUR 59 million in the year-ago quarter.

PERFORMANCE & LIFE SCIENCE CHEMICALS

Total revenues of the Performance & Life Science Chemicals division rose 21% to EUR 360 million in the second quarter of 2010, topping the record high set in the first quarter of this year. Revenues grew organically by 12% and a favorable currency effect added another 7.4%. First-half total revenues were up 17% to EUR 705 million.

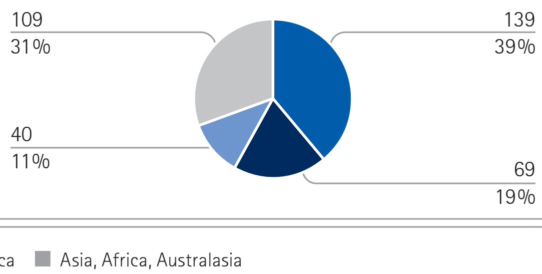
Performance & Life Science Chemicals | Key figures

EUR million	2nd quarter 2010	Change in %	Jan.–June 2010	Change in %
Total revenues	359.9	20.9	705.5	17.1
Gross margin	189.3	43.9	379.5	36.5
Research and development	–13.8	11.9	–28.1	6.6
Operating result	47.2	163.3	102.1	140.7
Exceptional items	–	–	–	–
Free cash flow	56.7	11.1	79.4	81.0
Underlying free cash flow	56.7	11.1	79.4	81.0
ROS in %	13.1		14.5	

All three business units and all regions contributed to this success. Sales by the Pigments business unit were especially high compared to last year as demand in both the automotive and cosmetics industries returned to, or even exceeded, levels prior to last year's economic crisis.

Performance & Life Science Chemicals | Sales by Region – Q2

EUR million



The growth is due mainly to higher volumes so that production capacity is being fully utilized and the level of back orders is increasing in some areas. With production costs only slightly higher than a year ago, the gross margin rose 44% to EUR 189 million in the second quarter. Research and development costs rose 12% to EUR 14 million.

With revenues and the gross margin increasing faster than costs, the division's operating result more than doubled to EUR 47 million in the second quarter of 2010 compared to just EUR 18 million in the year-ago quarter. For the first half, the operating result was EUR 102 million, more than twice the EUR 42 million of the year-ago period.

This led to a second-quarter ROS of 13.1% compared to 6.0% in the second quarter of last year. First-half ROS was 14.5% in 2010 versus 7.0% in 2009.

The division's free cash flow was EUR 57 million in the second quarter of 2010 and EUR 79 million in the first half of the year.

MERCK MILLIPORE

Shortly after the end of the second quarter, on July 14, 2010, Merck completed the acquisition of the Millipore Corporation, a leading U.S.-based life science company with headquarters in Billerica, Massachusetts. The aggregate purchase price, including debt and cash, amounted to EUR 5.2 billion (USD 7.0 billion).

As of the third quarter, Millipore will be combined with most of the Performance & Life Science Chemicals division to form a new division called Merck Millipore. This division will consist of three business units – Bioscience, Lab Solutions and Process Solutions.

Transaction costs of EUR 23.7 million were booked in the first quarter under the segment Corporate and Other and have been reclassified in the second quarter to the new Merck Millipore division. Another EUR 8.5 million transaction costs were booked in the second quarter.

Merck Millipore | Key figures

EUR million	2nd quarter 2010	Change in %	Jan.–June 2010	Change in %
Total revenues	–	–	–	–
Gross margin	–	–	–	–
Research and development	–	–	–	–
Operating result	–32.2	–	–32.2	–
Exceptional items	–	–	–	–
Free cash flow	–8.6	–	–8.6	–
Underlying free cash flow	–8.6	–	–8.6	–