Q2 | 2010

Half-Year Financial Report

CONTENTS

Cover photo: Automated distribution of miniscule particles onto microtiter plates. These are used to synthesize compound libraries for ultra-high-throughput screening in drug discovery research.

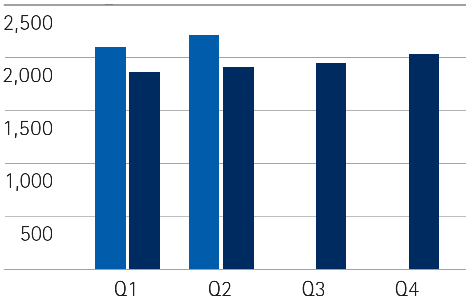
AT A GLANCE

Key figures – 2nd quarter 2010

EUR million	Pharma-ceuticals	Chemicals	Corporate and Other	Total	Change in %
Total revenues	1,564.4	643.6	–	2,208.0	15.6
Gross margin	1,297.2	393.5	–	1,690.8	21.5
Research and development	–302.2	–36.5	–0.1	–338.8	–0.5
Operating result	158.2	166.0	2.0	326.2	76.8
Exceptional items	–	–	–1.2	–1.2	–
Earnings before interest and tax (EBIT)	158.2	166.0	0.8	325.0	76.2
EBIT before depreciation and amortization (EBITDA)	350.0	208.6	1.3	559.9	38.4
Return on sales in % (ROS: operating result/total revenues)	10.1	25.8	–	14.8	
Free cash flow	258.6	174.0	–76.2	356.4	–
Underlying free cash flow	258.6	174.0	–72.7	359.9	–
Underlying free cash flow on revenues (FCR) in %	16.5	27.0	–	16.3	

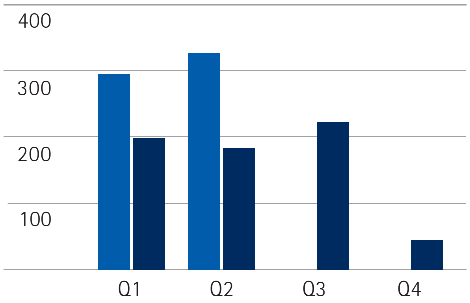
Total revenues by quarter

EUR million



Operating result by quarter

EUR million



2010 2009

HIGHLIGHTS – 2nd QUARTER 2010

- Total revenues increase 16% to record EUR 2.2 billion
- Profit after tax jumps 70% to EUR 187 million
- Free cash flow improves to EUR 356 million from EUR 79 million
- Rebif® sales +4.0% to EUR 402 million; Erbitux® sales +23% to a record EUR 210 million
- Liquid Crystals revenues up 50% to a record EUR 284 million
- Guidance raised for 2010: operating result including Millipore +90%
- Millipore acquisition completed on July 14

MERCK GROUP

All four divisions of the Merck Group recorded increases in second-quarter 2010 revenues, again most notably the Chemicals divisions.

Merck Group total revenues rose 16% in the second quarter to a record EUR 2,208 million from EUR 1,910 million in the year-ago quarter with the Chemicals divisions showing outstanding growth and the Pharmaceuticals divisions also posting significant increases. Revenues were also boosted by a 4.7% positive currency effect. For the first half, Group revenues were up 14% to EUR 4,307 million.

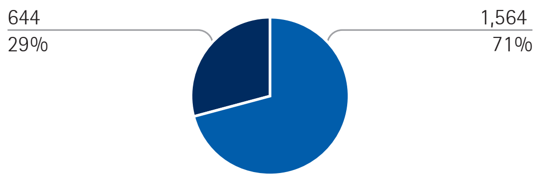
Royalty and commission income increased 26% to EUR 105 million in the second quarter, mainly stemming from the Merck Serono division. Half-year royalty and commission income declined 1.9% to EUR 181 million.

With cost of sales remaining steady between the second quarter of 2009 and the second quarter of 2010, the gross margin improved 22% to EUR 1,691 million from EUR 1,392 million. For the half year, the gross margin rose 18% to EUR 3,303 million.

Marketing and selling expenses increased by 16% to EUR 540 million in the second quarter. Royalty and commission expenses rose by 16% to EUR 117 million mainly as a result of higher sales of the cancer treatment Erbitux® in Japan and higher royalty income compared to the year-ago quarter. 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.

Total revenues by business sector – Q2

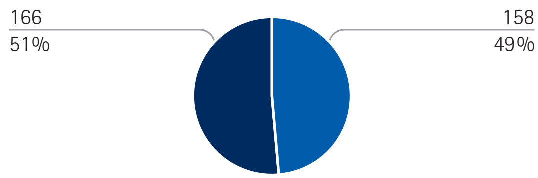
EUR million



Pharmaceuticals Chemicals

Operating result by business sector* – Q2

EUR million



Pharmaceuticals Chemicals

*excluding Corporate and Other

Components of growth by division – Q2

Change in total revenues compared to last year in %	Merck Serono	Consumer Health Care	Liquid Crystals	Performance & Life Science Chemicals	Merck Millipore	Merck Group
Organic growth	6.4	12.0	37.3	12.4	–	10.7
Currency effects	3.6	–2.6	12.8	7.4	–	4.7
Acquisitions/divestments	–	–	–	1.2	–	0.2
Total	**10.0**	**9.4**	**50.1**	**20.9**	**–**	**15.6**

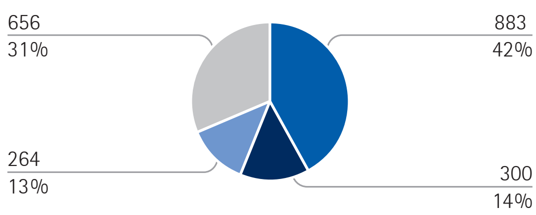
Administration expenses increased by 6.6% to EUR 115 million mainly due to currency effects. For the half year administration expenses rose to EUR 220 million from EUR 215 million in the year-ago period.

Other operating expenses and income more than doubled to EUR –109 million due to the fact that prior-year period included positive effects from a favorable currency development whereas the second quarter of 2010 was adversely affected by unfavorable currency movements, including the Venezuelan currency devaluation. In addition, in the second quarter of 2010 Merck incurred further transaction and integration costs in connection with the acquisition of Millipore Corporation, Billerica, Massachusetts, USA. (See page 17 for further details on this acquisition). Moreover, there were increased expenses for litigation partly due to unfavorable currency effects and accrued bonus payments because of the improved performance of the company. In the first half of 2010, other operating expenses and income rose 88% to EUR –244 million, which also included costs associated with the Millipore acquisition plus impairments on intangible assets due to termination of research alliances.

Research and development costs were little changed at EUR 339 million in the second quarter of 2010 compared to EUR 341 million in the year-ago quarter. In the first half, R&D expenses rose 5.0% to EUR 686 million.

Merck Group | Sales by region – Q2

EUR million



Amortization of intangible assets, mainly stemming from the purchase of Serono in 2007, were unchanged in the second quarter at EUR 146 million.

Thus, with improved revenues and an improved gross margin, the operating result increased significantly by 77% in the second quarter to EUR 326 million from EUR 184 million in the year-ago quarter. In the first half of 2010, the operating result surged by 62% to EUR 621 million.

The Group return on sales (ROS: operating result/total revenues) increased to 14.8% in the second quarter of 2010 compared to 9.7% in the year-ago quarter, boosted by the Chemicals business sector. Group core ROS (operating result excluding Serono-related amortization of intangible assets/total revenues) in the second quarter of 2010 was 21.3% compared to 17.3% in the year-ago quarter.

Merck booked exceptional items totaling EUR 1.2 million in the second quarter of 2010. These relate to the former capital gain from the divestment of the Electronic Chemicals business in 2005 and are reimbursements of subsequent taxes to the buyer BASF for which Merck had remained accountable. Merck also booked the capital gain at that time under exceptional items. There were no exceptional items during the first quarter 2010 but the company recorded exceptional items amounting to EUR –69 million during the first quarter of 2009.

Therefore, earnings before interest and tax (EBIT) in the second quarter of 2010 rose 76% to EUR 325 million compared to EUR 184 million in the year-ago quarter. EBIT nearly doubled to EUR 620 million in the first half of 2010.

Due to interest payments on the financing for Millipore, Merck's financial result more than doubled to EUR –78 million in the second quarter. For the half year, the financial result was EUR –117 million compared to EUR –71 million in the first half of 2009.

The Merck Group's second-quarter profit before tax increased 67% to EUR 247 million from EUR 148 million in the year-ago quarter. In the first half of 2010, profit before tax more than doubled to EUR 503 million. Merck's underlying tax rate was 24.2% for the second quarter of 2010 compared to 25.9% in the year-ago quarter.

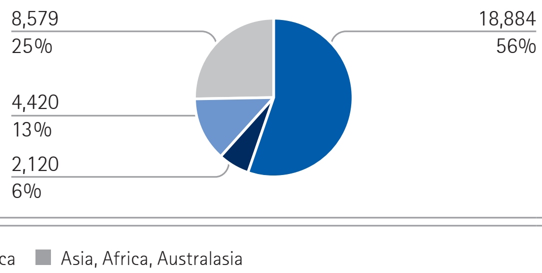
Profit after tax in the second quarter of 2010 increased 70% to EUR 187 million from EUR 110 million in the second quarter of 2009. For the first half of 2010, profit after tax more than doubled to EUR 381 million from EUR 170 million in the year-ago period.

Total assets of the Merck Group as of June 30, 2010, amounted to EUR 22,283 million. This corresponds to a shift of EUR 5,570 million or 33% 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 is being used for the acquisition of Millipore. The equity ratio declined from 56.9% at the beginning of the year to 48.4% as of June 30, 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 was reduced further, so that at the end of the quarter under review, Merck Group was cash positive to the amount of EUR 230 million. This compares to EUR 263 million net financial debt as of December 31, 2009.

Free cash flow increased in the second quarter of 2010 to EUR 356 million compared to EUR 79 million in the year-ago quarter. This is mainly due to better results and lower tax payments compared to the year-ago period. The six-month free cash flow improved to EUR 551 million compared to EUR 243 million in the year-ago period. Underlying free cash flow (free cash flow adjusted for acquisitions and divestments) amounted to EUR 360 million for the second quarter. FCR (underlying free cash flow as a percentage of total revenues) improved to 16.3% compared to 4.1% for the year-ago quarter. Half-year underlying free cash flow reached EUR 567 million compared to EUR 243 million in the year-ago period.

Merck had 34,003 employees worldwide on June 30, 2010, an increase of 941 compared to 33,062 on December 31, 2009. A large portion of this increase was due to expansion in China.

Number of employees as of June 30, 2010: 34,003



MERCK SHARES

www.investors.merck.de

The Merck share price was basically unchanged between the end of the first and the second quarter, moving from EUR 60.00 on March 31 to EUR 59.99 on June 30. The share price high during the second quarter was EUR 64.32, recorded on April 27. The low price for the quarter was EUR 57.65 on May 25. Germany's DAX Index, of which Merck is a member, fell 3.1% during the second quarter and the Bloomberg Europe Pharmaceuticals Index fell 11%.

Share data[1]

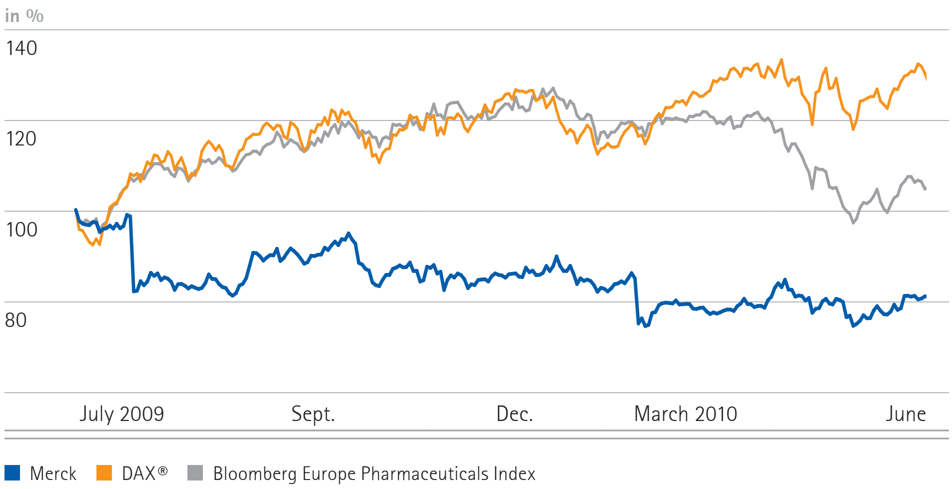
	2nd quarter 2010	1st quarter 2010
Earnings per share after tax and non-controlling interest in EUR	0.84	0.88
Share price high in EUR	(April 27) 64.32	(Jan. 20) 67.67
Share price low in EUR	(May 25) 57.65	(Feb. 25) 57.62
Closing share price in EUR	(June 30) 59.99	(March 31) 60.00
Actual number of shares in millions	64.6	64.6
Theoretical number[2] of shares in millions	217.4	217.4
Market capitalization[3] in EUR million	13,041	13,043

[1] Share-price relevant figures relate to the closing price in XETRA trading on the Frankfurt Stock Exchange.

[2] The calculation of the theoretical number of shares is based on the fact that the general partner's equity capital is not represented by shares. As the share capital of EUR 168.0 million was divided into 64.6 million shares, the corresponding calculation resulted in 152.8 million theoretical shares for the general partner's capital of EUR 397.2 million on the balance sheet date June 30, 2010.

[3] Based on the theoretical number of shares as of June 30, 2010.

The performance of Merck shares vs. the DAX®/Bloomberg Europe Pharmaceuticals Index



BUSINESS SECTORS

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

The Pharmaceuticals business sector's divisions are Merck Serono for innovative prescription medicines and Consumer Health Care for over-the-counter pharmaceutical products. The Pharmaceuticals business sector generated 71% of the company's total revenues and 49% of the Group operating result during the second quarter. Total revenues for the Pharmaceuticals sector increased by 9.9% to EUR 1,564 million during the second quarter and by 8.2% to EUR 3,079 million during the first half of the year.

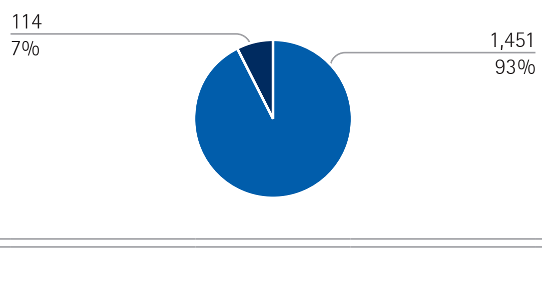
Again in the second quarter, the higher revenues recorded by Merck's Pharmaceuticals business sector were due to increased sales of the top products in the Merck Serono division, especially the biotech medicines Rebif® and Erbitux®. Despite higher costs for marketing and selling and commissions and royalties, the business sector's second-quarter operating result increased 17% to EUR 158 million compared to the year-ago quarter. The first-half operating result improved 6.0% to EUR 338 million.

IMS Health, the world's leading provider of market intelligence for the pharmaceutical and healthcare industries, reported in its most recent forecast 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.

The Chemicals business sector's two divisions are Liquid Crystals and Performance & Life Science Chemicals. In addition, second-quarter transaction and integration costs for the Millipore Corporation are included under a new division named Merck Millipore. Merck completed the purchase of the U.S.-based life-science company Millipore on July 14, 2010. As of the third quarter, the new acquisition will be combined with most of the Performance & Life Science Chemicals division to form the Merck Millipore division. The new Performance Materials division will consist of two business units, Liquid Crystals and Pigments.

Pharmaceuticals | Total revenues by division – Q2

EUR million



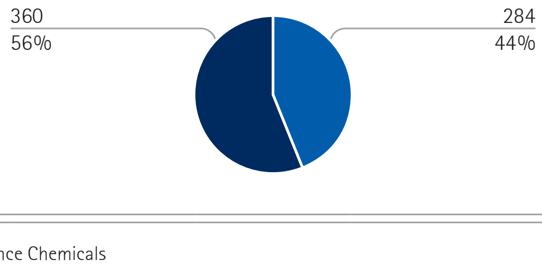
During the second quarter, the Chemicals business sector generated 29% of the Group's total revenues but 51% of the operating result due to the highly profitable nature of the products from both divisions, especially Liquid Crystals.

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



MERCK SERONO

Merck Serono, the division for innovative prescription pharmaceuticals, is the largest division of the Merck Group, accounting for 66% of total Group revenues and 93% of revenues within the Pharmaceuticals business sector.

Merck Serono | Key figures

EUR million	2nd quarter 2010	Change in %	Jan.–June 2010	Change in %
Total revenues	1,450.5	10.0	2,857.3	8.5
Gross margin	1,218.8	10.7	2,405.3	8.0
Research and development	–296.1	–2.0	–600.6	4.6
Operating result	163.6	31.2	341.6	13.7
Exceptional items	–	–	–	–
Free cash flow	257.5	83.4	448.9	22.1
Underlying free cash flow	257.5	83.4	448.9	22.1
ROS in %	11.3		12.0	

Merck Serono's total revenues increased 10% to EUR 1,451 million in the second quarter of 2010 compared to EUR 1,319 million in the year-ago quarter, boosted by strong sales of Merck Serono's two leading products – the biopharmaceutical therapies Rebif® and Erbitux®. Regionally, sales rose significantly in China, Japan and Latin America. Positive currency effects of 3.6% also contributed to the increase. First-half revenues rose 8.5% to EUR 2,857 million.

Royalty and commission income rose in the second quarter by 30% to EUR 101 million due to first-quarter adjustments, positive currency effects and milestone payments.

Global sales of Rebif® for the treatment of relapsing-remitting forms of multiple sclerosis rose 4.0% to EUR 402 million in the second quarter. This was slightly less than the EUR 429 million booked in the first quarter due to the fact that U.S. wholesalers received an extra 20 days supply of Rebif® and other products during March. Merck's United States subsidiary EMD Serono implemented a new computer system in April, which meant shipments were not possible then.

Sales of the targeted cancer treatment Erbitux® continued to climb, increasing by 23% in the second quarter to a record EUR 210 million following a 19% increase to EUR 192 million in the first quarter. It has only been two years since the announcement that about two-thirds of colorectal cancer patients carry the KRAS wild-type gene and can benefit from treatment with Erbitux®. A global survey now shows that 66% of colorectal cancer patients are being tested for KRAS, indicating that doctors want to use tailored treatments such as Erbitux®.

Second-quarter sales of Gonal-f®, a recombinant hormone used in the treatment of infertility, increased by 6.9% to EUR 122 million.

Sales of the recombinant growth hormone Saizen® rose by 21% to EUR 58 million in the second quarter. Sales of Merck's other growth hormone, Serostim®, increased by 4.2% in the quarter.

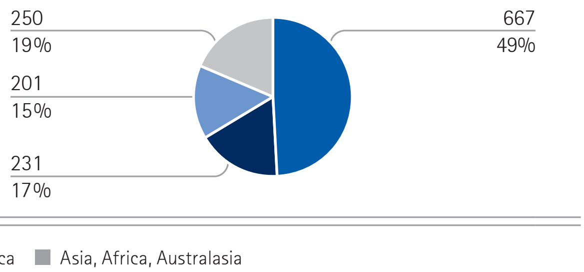
Merck Serono's primary care products continue to contribute significantly to the division's overall sales.

Total sales of bisoprolol, including the branded Concor® products such as Lodoz® and Concor®COR decreased 3.2% to EUR 108 million in the second quarter. Total sales of the Glucophage® (metformin) franchise of oral antidiabetic products rose 3.9% to EUR 81 million in the second quarter.

Sales of thyroid medicines such as Euthyrox® jumped by 21% to EUR 47 million in the second quarter, due to the growing awareness of the importance of a properly functioning thyroid.

Merck Serono | Sales by region – Q2

EUR million



The division's gross margin rose by 11% to EUR 1,219 million in the second quarter. Marketing and selling costs rose 12% during the second quarter, influenced by pre-launch costs for Cladribine Tablets for the treatment of multiple sclerosis. Royalty and commission expenses were up 14% in the quarter due to higher sales of Erbitux®, especially in Japan, and higher royalty income.

Merck Serono research and development costs declined by 2.0% to EUR 296 million compared to a slightly higher second quarter in 2009 of EUR 302 million. First-half R&D expenses rose by 4.6% to EUR 601 million. The division's R&D costs continue to be just over 20% of total revenues due to the large number of expensive, late-stage clinical trials.

In July of this year, Russian health authorities granted marketing authorization for Cladribine Tablets for the treatment of relapsing-remitting multiple sclerosis. This was the first approval in the world of an oral treatment for multiple sclerosis. Merck's application for marketing authorization of Cladribine Tablets is under review by the European Medicines Agency (EMA) and Merck continues to expect the Committee for Medicinal Products for Human Use (CHMP) opinion in September. During the second quarter, the company resubmitted its New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for Cladribine Tablets after receiving a refuse to file letter on the original submission last November. In July, the FDA granted priority review to Cladribine Tablets for the treatment of relapsing remitting multiple sclerosis. A decision by the FDA is expected in Q4 2010.

The clinical program for the therapeutic cancer vaccine Stimuvax® (BLP25 liposome vaccine) in patients with non-small cell lung cancer resumed in June. Trials were halted world-wide in March in alignment with the FDA clinical hold placed on the Investigational New Drug (IND) application for Stimuvax® as a result of a suspected unexpected serious adverse reaction (SUSAR). In July, Merck decided to close the Phase III STRIDE trial of Stimuvax® in breast cancer patients.

The division's quarterly charge for amortization of intangible assets from the 2007 acquisition of Serono remained at EUR 143 million in the second quarter of 2010, as in the corresponding quarter last year.

Despite higher marketing and selling costs, an improved gross margin resulted in a 31% increase in the second-quarter operating result to EUR 164 million. In the first half of 2010, the operating result rose 14% to EUR 342 million.

The division's second quarter ROS was 11.3% compared to 9.5% in the year-ago quarter. Core ROS, which Merck defines as excluding Serono-related amortization of intangible assets, was 21.1% in the second quarter of 2010 compared to 20.6% in the year-ago quarter. Free cash flow was EUR 258 million in the second quarter of 2010 compared to EUR 140 million in the year-ago quarter.

CONSUMER HEALTH CARE

The Consumer Health Care division increased its second-quarter total revenues by 9.4% to EUR 114 million in spite of negative currency effects of 2.6%. The division's only major market to show a decline in organic sales was the United Kingdom, where a fire in May destroyed a warehouse for Seven Seas® nutritional supplements.

Consumer Health Care | Key figures

EUR million	2nd quarter 2010	Change in %	Jan.–June 2010	Change in %
Total revenues	113.9	9.4	221.5	4.6
Gross margin	78.4	10.2	151.3	4.6
Research and development	–6.1	44.5	–10.9	27.8
Operating result	–5.4	–	–3.9	–
Exceptional items	–	–	–	–
Free cash flow	1.1	–92.4	–1.4	–
Underlying free cash flow	1.1	–92.4	–1.4	–
ROS in %	–4.8		–1.8	

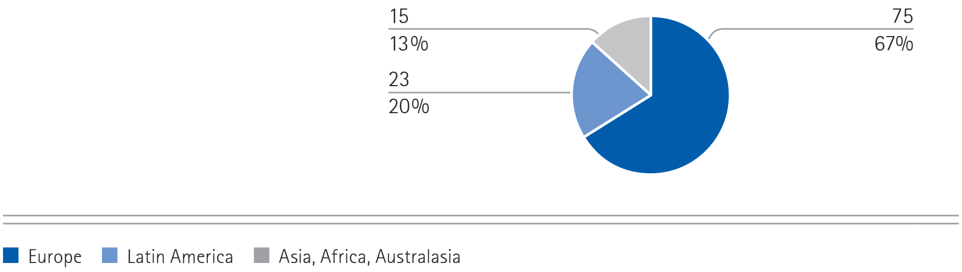
Global sales of Femibion®, the vitamins and minerals supplement for pregnant women and nursing mothers, jumped 35% compared to the year-ago quarter, boosted by high demand in France and Germany.

Sales of Bion®3 probiotic multivitamins rose 20%, driven by demand in Mexico, Chile and France. Global sales of the mobility products such as Seven Seas® supplements, Kytta® and Flexagil® rose 13% during the second quarter. The vitamin C products marketed under the Cebion® brand recorded a 16% drop in sales, mostly due to currency issues in Venezuela.

Russian demand, in particular, drove sales of Nasivin® nasal spray during the second quarter, leading to a 24% sales increase over the year-ago period.

Consumer Health Care | Sales by region – Q2

EUR million



Despite higher production costs including the effects of the currency devaluation in Venezuela, the division's gross margin rose 10% to EUR 78 million in the second quarter from EUR 71 million in the year-ago quarter. Marketing and selling costs, as well as research and development spending, rose again in the second quarter as the division continued to implement its strategy of driving growth via strategic brands. These brand-name products, such as Seven Seas®, Kytta®, Kidabion®, Nasivin® and Cebion®, excluding the mail-order business, now account for 54% of the division's sales.

The division's second-quarter operating result at EUR –5.4 million reflects the continued heavy marketing and selling investment in the quarter and higher R&D costs, a fire at the Seven Seas® warehouse in the U.K., and the continuing impact of the Venezuelan devaluation. For the first half of 2010, the operating result was down EUR 22.2 million to EUR –3.9 million. The second-quarter ROS dropped to –4.8% compared to 10% in the year-ago quarter of 2009. Free cash flow for the second quarter was EUR 1.1 million compared to EUR 14.6 million in the year-ago quarter; for the first half, EUR –1.4 million compared to EUR 17.7 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.

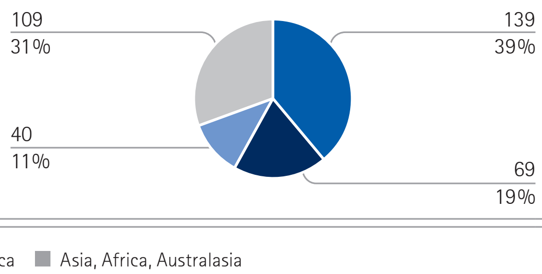
Performance & Life Science Chemicals | Key figures

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	–

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.

Transaction costs of EUR 23.7 million booked in the first quarter for the acquisition of Millipore have been reclassified to the new division Merck Millipore.

The exceptional items relate to the former capital gain from the divestments of the Electronical Chemicals business in 2005 and are reimbursements of subsequent taxes to the buyer BASF for which Merck had remained accountable. Merck also booked the capital gain at that time under exceptional items.

Corporate and Other | Key figures

EUR million	2nd quarter 2010	Change in %	Jan.–June 2010	Change in %
Total revenues	–	–	–	–
Gross margin	–	–	–	–
Research and development	–0.1	–	–	–
Operating result	2.0	–	–49.5	15.4
Exceptional items	–1.2	–	–1.2	–
Free cash flow	–76.2	–59.0	–196.7	–27.3
Underlying free cash flow	–72.7	–60.9	–181.3	–33.0

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

The Merck Group's total revenues and operating result developed very positively during the first six months of the year and there is every indication that the second half of 2010 will surpass the first half. The Chemicals business performed on a high level in the second quarter and this trend should continue through the year. Therefore, the full-year guidance for the Merck Group as it would be without Millipore is as follows:

Merck Group forecast for 2010 excluding Millipore

	Growth in total revenues		Growth in operating result	
in %	New	From Q1	New	From Q1
Merck Serono	7.5%	2 to 5%	60%	30 to 40%
Merck Serono, Core*			12%	0 to 10%
Consumer Health Care	5%	5 to 10%	-20%	–10 to 0%
Liquid Crystals	50%	15 to 20%	160%	60 to 70%
Performance & Life Science	15%	3 to 8%	100%	15 to 20%
Corporate and Other			–22%	
Merck Group**	12.5%	3 to 7%	95%	30 to 40%
Merck Group, Core*			40%	5 to 15%

* Excludes Serono-related amortization of intangible assets
** Includes actual Millipore transaction and integration costs of EUR 32 million during the first half of 2010

With the July 14 acquisition of Millipore, Merck's outlook naturally changes. In order to provide a timely, although early–stage, view of how management expects the remainder of the year to develop, the company is providing guidance for 2010 that includes Millipore's expected second-half total revenues of EUR 670 million and core operating result of EUR 165 million. Taking into consideration estimated one-time write-offs of step-up inventories, estimated six months amortization of intangibles as well as estimated transaction and integration costs during the second half of 2010, the Millipore operating result is expected to amount to EUR –40 million in the second half. The afore-mentioned effects related to the acquisition of Millipore were identified shortly after closing and are subject to adjustment in the course of the first-time consolidation of Millipore in the third quarter.

Merck Group forecast for 2010 including Millipore

in %	Growth in total revenues	Growth in operating result
Merck Group***	21%	90%
Merck Group, Core****		55%

***Includes estimated Millipore-related transaction and integration costs of EUR 58 million during 2010
****Excludes Serono-related amortization of intangible assets and Millipore-related write-offs of step-up inventories and amortization of intangible assets from the purchase price allocation, as well as transaction and integration costs

HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2010

INCOME STATEMENT

EUR million	2nd Quarter 2010	2nd Quarter 2009	Jan.–June 2010	Jan.–June 2009
Sales	**2,102.8**	**1,826.4**	**4,125.6**	**3,583.3**
Royalty and commission income*	105.2	83.4	181.3	184.9
Total revenues	**2,208.0**	**1,909.7**	**4,306.9**	**3,768.2**
Cost of sales	–517.2	–517.7	–1,003.9	–974.5
Gross margin	**1,690.8**	**1,392.0**	**3,303.0**	**2,793.7**
Marketing and selling expenses*	–540.2	–466.7	–1,008.4	–920.6
Royalty and commission expenses*	–117.3	–101.2	–239.5	–198.6
Administration expenses	–115.2	–108.1	–219.6	–214.9
Other operating expenses and income	–109.4	–44.7	–244.4	–129.8
Research and development	–338.8	–340.6	–686.0	–653.5
Amortization of intangible assets	–145.9	–146.3	–286.4	–293.8
Investment result	2.2	0.1	2.2	0.1
Operating result	**326.2**	**184.5**	**621.0**	**382.6**
Exceptional items	–1.2	–	–1.2	–68.8
Earnings before interest and tax (EBIT)	**325.0**	**184.5**	**619.8**	**313.8**
Financial result	–78.3	–36.3	–116.9	–71.3
Profit before tax	**246.8**	**148.2**	**502.9**	**242.5**
Income tax	–59.9	–38.3	–121.4	–72.4
Profit after tax	**186.9**	**109.9**	**381.5**	**170.1**
Non-controlling interest	–3.5	–1.4	–6.6	–5.0
Net profit after non-controlling interest	**183.4**	**108.5**	**374.8**	**165.1**
Earnings per share (in EUR)				
basic	0.84	0.50	1.72	0.76
diluted	0.84	0.50	1.72	0.76

* Figures for 2009 have been adjusted for the disclosure of commission income as well as royalty and commission expenses

BALANCE SHEET

EUR million	June 30, 2010	December 31, 2009
Current assets		
Cash and cash equivalents	5,671.8	541.4
Marketable securities and financial assets	647.3	1,503.2
Trade accounts receivable	2,157.2	1,788.7
Inventories	1,538.4	1,367.9
Other current assets	292.9	275.6
Tax receivables	56.9	55.3
	10,364.5	**5,532.1**
Non-current assets		
Intangible assets	8,119.4	7,598.4
Property, plant and equipment	2,779.6	2,607.6
Investments at equity	2.4	1.6
Non-current financial assets	142.3	118.4
Financial assets covering pensions	212.5	209.6
Other non-current assets	71.9	99.5
Deferred tax assets	590.0	545.4
	11,918.2	**11,180.5**
Total assets	**22,282.7**	**16,712.6**
Current liabilities		
Current financial liabilities	1,062.0	705.2
Trade accounts payable	1,024.5	935.7
Other current liabilities	743.4	638.2
Tax liabilities	297.7	274.5
Current provisions	427.7	266.4
	3,555.3	**2,820.0**
Non-current liabilities		
Non-current financial liabilities	5,027.6	1,602.1
Other non-current liabilities	43.5	16.9
Non-current provisions	614.1	685.0
Provisions for pensions and other post-employment benefits	1,439.6	1,311.5
Deferred tax liabilities	810.0	763.5
	7,934.8	**4,379.0**
Net equity		
Equity capital	565.2	565.2
Reserves	10,163.5	8,894.9
Non-controlling interest	63.9	53.5
	10,792.6	**9,513.6**
Total liabilities and stockholders' equity	**22,282.7**	**16,712.6**

SEGMENT REPORTING – PHARMACEUTICALS

EUR million	Merck Serono Q2 2010	Merck Serono Q2 2009	Merck Serono Jan.–June 2010	Merck Serono Jan.–June 2009	Consumer Health Care Q2 2010	Consumer Health Care Q2 2009	Consumer Health Care Jan.–June 2010	Consumer Health Care Jan.–June 2009
Sales	1,349.1	1,241.1	2,685.4	2,459.6	113.4	102.8	220.3	210.2
Royalty and commission income*	101.4	77.9	171.9	174.1	0.5	1.3	1.2	1.4
Total revenues	1,450.5	1,319.0	2,857.3	2,633.7	113.9	104.1	221.5	211.7
Gross margin	1,218.8	1,101.4	2,405.3	2,227.6	78.4	71.2	151.3	144.6
Marketing and selling expenses*	–379.0	–337.7	–701.2	–655.8	–63.1	–47.3	–119.8	–100.5
Royalty and commission expenses*	–113.1	–98.9	–230.0	–193.2	–0.5	–0.4	–0.7	–0.8
Administration expenses	–69.0	–66.4	–131.3	–132.9	–6.0	–6.7	–11.9	–12.6
Other operating expenses and income	–54.8	–28.0	–119.9	–82.8	–7.2	–0.9	–9.8	–2.0
Research and development	–296.1	–302.3	–600.6	–574.2	–6.1	–4.2	–10.9	–8.5
Operating result	163.6	124.7	341.6	300.3	–5.4	10.4	–3.9	18.3
Exceptional items	–	–	–	–70.0	–	–	–	–
Earnings before interest and tax (EBIT)	163.6	124.7	341.6	230.3	–5.4	10.4	–3.9	18.3
Net operating assets**	–	–	10,932.5	10,015.9	–	–	338.8	336.0
Segment liabilities**	–	–	–1,176.7	–1,078.2	–	–	–79.3	–76.9
Capital spending on property, plant and equipment	61.9	69.8	108.0	121.0	0.9	1.8	2.3	5.1
Investments in intangible assets	11.8	11.6	23.3	31.4	0.5	0.5	0.7	0.9
Depreciation	–188.5	–185.7	–370.3	–374.3	–3.3	–1.7	–6.1	–4.0
Impairment losses	–	–	–17.2	–	–	–	–	–
Net cash flows from operating activities	328.9	218.1	575.0	519.2	3.4	16.0	2.2	22.8
Net cash flows from investing activities	–71.4	–77.6	–126.1	–151.4	–2.3	–1.5	–3.6	–5.1
Free cash flow	257.5	140.4	448.9	367.8	1.1	14.6	–1.4	17.7
Underlying free cash flow	257.5	140.4	448.9	367.8	1.1	14.6	–1.4	17.7
FCR in %	17.8	10.6	15.7	14.0	1.0	14.0	–0.6	8.4
ROS in %	11.3	9.5	12.0	11.4	–4.8	10.0	–1.8	8.6

EUR million	Pharmaceuticals Q2 2010	Pharmaceuticals Q2 2009	Pharmaceuticals Jan.–June 2010	Pharmaceuticals Jan.–June 2009
Sales	1,462.5	1,343.9	2,905.6	2,669.9
Royalty and commission income*	101.9	79.2	173.1	175.5
Total revenues	1,564.4	1,423.1	3,078.7	2,845.4
Gross margin	1,297.2	1,172.6	2,556.6	2,372.2
Marketing and selling expenses*	–442.1	–385.0	–821.1	–756.2
Royalty and commission expenses*	–113.6	–99.3	–230.6	–194.0
Administration expenses	–75.0	–73.1	–143.3	–145.4
Other operating expenses and income	–62.0	–29.0	–129.7	–84.8
Research and development	–302.2	–306.5	–611.5	–582.7
Operating result	158.2	135.1	337.7	318.6
Exceptional items	–	–	–	–70.0
Earnings before interest and tax (EBIT)	158.2	135.1	337.7	248.6
Net operating assets**	–	–	11,271.2	10,351.9
Segment liabilities**	–	–	–1,256.0	–1,155.1
Capital spending on property, plant and equipment	62.9	71.6	110.3	126.1
Investments in intangible assets	12.3	12.2	24.1	32.3
Depreciation	–191.8	–187.4	–376.4	–378.3
Impairment losses	–	–	–17.2	–
Net cash flows from operating activities	332.3	234.1	577.2	542.0
Net cash flows from investing activities	–73.7	–79.1	–129.7	–156.5
Free cash flow	258.6	155.0	447.5	385.5
Underlying free cash flow	258.6	155.0	447.5	385.5
FCR in %	16.5	10.9	14.5	13.5
ROS in %	10.1	9.5	11.0	11.2

* Figures for 2009 have been adjusted for the disclosure of commission income as well as royalty and commission expenses

** Actual year as at June 30, 2010 – previous year as at December 31, 2009

SEGMENT REPORTING – CHEMICALS

EUR million	Liquid Crystals Q2 2010	Liquid Crystals Q2 2009	Liquid Crystals Jan.–June 2010	Liquid Crystals Jan.–June 2009	Performance & Life Science Chemicals Q2 2010	Performance & Life Science Chemicals Q2 2009	Performance & Life Science Chemicals Jan.–June 2010	Performance & Life Science Chemicals Jan.–June 2009
Sales	282.8	187.2	518.2	315.2	357.6	295.3	701.7	598.2
Royalty and commission income*	0.9	1.8	4.4	5.0	2.3	2.3	3.8	4.3
Total revenues	283.7	189.0	522.6	320.2	359.9	297.6	705.5	602.6
Gross margin	204.2	87.8	366.9	143.5	189.3	131.6	379.5	278.0
Marketing and selling expenses*	–8.4	–6.5	–15.1	–12.9	–89.4	–75.3	–170.9	–151.1
Royalty and commission expenses*	–1.9	0.1	–4.3	–0.2	–1.8	–2.0	–4.6	–4.4
Administration expenses	–4.8	–4.4	–8.9	–8.9	–17.4	–16.1	–33.1	–32.2
Other operating expenses and income	–14.5	–2.1	–27.6	–10.7	–19.3	–7.3	–39.3	–20.3
Research and development	–22.7	–22.2	–46.5	–44.4	–13.8	–12.3	–28.1	–26.3
Operating result	151.1	51.8	262.9	64.4	47.2	17.9	102.1	42.4
Exceptional items	–	–	–	–	–	–	–	1.2
Earnings before interest and tax (EBIT)	151.1	51.8	262.9	64.4	47.2	17.9	102.1	43.6
Net operating assets**	–	–	941.6	837.4	–	–	1,230.6	1,120.0
Segment liabilities**	–	–	–82.6	–78.6	–	–	–175.6	–151.6
Capital spending on property, plant and equipment	13.0	13.5	19.5	28.4	15.3	15.7	25.8	35.3
Investments in intangible assets	0.3	1.2	0.6	2.7	2.0	2.1	3.0	4.9
Depreciation	–16.3	–14.7	–32.3	–29.3	–18.8	–17.3	–37.9	–34.8
Impairment losses	–7.4	–	–16.4	–	–	–0.2	–	–0.2
Net cash flows from operating activities	138.9	73.7	249.3	115.4	73.7	67.8	108.9	82.7
Net cash flows from investing activities	–13.0	–14.6	–19.7	–30.9	–17.0	–16.8	–29.6	–38.8
Free cash flow	125.9	59.1	229.5	84.5	56.7	51.0	79.4	43.9
Underlying free cash flow	125.9	59.1	229.5	84.5	56.7	51.0	79.4	43.9
FCR in %	44.4	31.3	43.9	26.4	15.8	17.1	11.2	7.3
ROS in %	53.2	27.4	50.3	20.1	13.1	6.0	14.5	7.0

EUR million	Merck Millipore Q2 2010	Merck Millipore Q2 2009	Merck Millipore Jan.–June 2010	Merck Millipore Jan.–June 2009	**Chemicals** Q2 2010	**Chemicals** Q2 2009	**Chemicals** Jan.–June 2010	**Chemicals** Jan.–June 2009
Sales	–	–	–	–	640.3	482.4	1,220.0	913.4
Royalty and commission income*	–	–	–	–	3.3	4.1	8.2	9.4
Total revenues	–	–	–	–	643.6	486.6	1,228.1	922.8
Gross margin	–	–	–	–	393.5	219.4	746.4	421.5
Marketing and selling expenses*	–	–	–	–	–97.8	–81.8	–185.9	–164.0
Royalty and commission expenses*	–	–	–	–	–3.7	–1.9	–8.9	–4.6
Administration expenses	–	–	–	–	–22.3	–20.5	–42.0	–41.1
Other operating expenses and income	–32.2	–	–32.2	–	–66.1	–9.4	–99.1	–31.0
Research and development	–	–	–	–	–36.5	–34.5	–74.5	–70.7
Operating result	–32.2	–	–32.2	–	166.0	69.7	332.8	106.8
Exceptional items	–	–	–	–	–	–	–	1.2
Earnings before interest and tax (EBIT)	–32.2	–	–32.2	–	166.0	69.7	332.8	108.0
Net operating assets**	–	–	–22.1	–	–	–	2,150.1	1,957.4
Segment liabilities**	–	–	–22.1	–	–	–	–280.3	–230.2
Capital spending on property, plant and equipment	–	–	–	–	28.2	29.2	45.3	63.7
Investments in intangible assets	–	–	–	–	2.3	3.2	3.6	7.6
Depreciation	–	–	–	–	–35.1	–32.0	–70.2	–64.1
Impairment losses	–	–	–	–	–7.4	–0.2	–16.4	–0.2
Net cash flows from operating activities	–8.6	–	–8.6	–	204.0	141.5	349.6	198.1
Net cash flows from investing activities	–	–	–	–	–30.0	–31.3	–49.3	–69.8
Free cash flow	–8.6	–	–8.6	–	174.0	110.1	300.3	128.3
Underlying free cash flow	–8.6	–	–8.6	–	174.0	110.1	300.3	128.3
FCR in %	–	–	–	–	27.0	22.6	24.5	13.9
ROS in %	–	–	–	–	25.8	14.3	27.1	11.6

* Figures for 2009 have been adjusted for the disclosure of commission income as well as royalty and commission expenses

** Actual year as at June 30, 2010 – previous year as at December 31, 2009

SEGMENT REPORTING – CORPORATE AND OTHER/MERCK GROUP

	Corporate and Other			
EUR million	Q2 2010	Q2 2009	Jan.–June 2010	Jan.–June 2009
Sales	–	–	–	–
Royalty and commission income*	–	–	–	–
Total revenues	–	–	–	–
Gross margin	–	–	–	–
Marketing and selling expenses*	–0.3	0.1	–1.4	–0.4
Royalty and commission expenses*	–	–	–	–
Administration expenses	–17.9	–14.5	–34.2	–28.4
Other operating expenses and income	18.6	–6.3	–15.5	–14.1
Research and development	–0.1	0.3	–	–0.1
Operating result	2.0	–20.3	–49.5	–42.9
Exceptional items	–1.2	–	–1.2	–
Earnings before interest and tax (EBIT)	0.8	–20.3	–50.7	–42.9
Net operating assets**	–	–	43.1	37.4
Segment liabilities**	–	–	–13.8	–15.7
Capital spending on property, plant and equipment	0.1	–0.1	0.3	–0.1
Investments in intangible assets	2.4	2.9	3.3	5.4
Depreciation	–0.5	–0.4	–1.1	–1.4
Impairment losses	–	–	–	–
Net cash flows from operating activities	–70.1	–183.2	–181.9	–265.1
Net cash flows from investing activities	–8.8	–789.7	1,336.0	–1,040.4
Free cash flow	–76.2	–185.9	–196.7	–270.6
Underlying free cash flow	–72.7	–185.9	–181.3	–270.6
FCR in %	–	–	–	–
ROS in %	–	–	–	–

	Merck Group			
EUR million	Q2 2010	Q2 2009	Jan.–June 2010	Jan.–June 2009
Sales	2,102.8	1,826.4	4,125.6	3,583.3
Royalty and commission income*	105.2	83.4	181.3	184.9
Total revenues	2,208.0	1,909.7	4,306.9	3,768.2
Gross margin	1,690.8	1,392.0	3,303.0	2,793.7
Marketing and selling expenses*	–540.2	–466.7	–1,008.4	–920.6
Royalty and commission expenses*	–117.3	–101.2	–239.5	–198.6
Administration expenses	–115.2	–108.1	–219.6	–214.9
Other operating expenses and income	–109.4	–44.7	–244.4	–129.8
Research and development	–338.8	–340.6	–686.0	–653.5
Operating result	326.2	184.5	621.0	382.6
Exceptional items	–1.2	–	–1.2	–68.8
Earnings before interest and tax (EBIT)	325.0	184.5	619.8	313.8
Net operating assets**	–	–	13,464.4	12,346.7
Segment liabilities**	–	–	–1,550.1	–1,401.0
Capital spending on property, plant and equipment	91.2	100.6	155.9	189.7
Investments in intangible assets	17.0	18.3	31.0	45.3
Depreciation	–227.4	–219.8	–447.6	–443.8
Impairment losses	–7.4	–0.2	–33.6	–0.2
Net cash flows from operating activities	466.2	192.3	744.9	475.0
Net cash flows from investing activities	–112.5	–900.2	1,157.0	–1,266.6
Free cash flow	356.4	79.2	551.2	243.2
Underlying free cash flow	359.9	79.2	566.5	243.2
FCR in %	16.3	4.1	13.2	6.5
ROS in %	14.8	9.7	14.4	10.2

* Figures for 2009 have been adjusted for the disclosure of commission income as well as royalty and commission expenses
** Actual year as at June 30, 2010 – previous year as at December 31, 2009

CASH FLOW STATEMENT

EUR million	Jan.–June 2010	Jan.–June 2009
Profit after tax	**381.5**	**170.1**
Depreciation/amortization and impairment losses (non-current assets)	481.2	443.4
Changes in inventories	–36.6	–27.6
Changes in trade accounts receivable	–230.0	–65.3
Changes in trade accounts payable	28.3	–30.5
Changes in provisions	51.9	77.7
Changes in other assets and liabilities	77.0	–88.5
Neutralization of gain/loss on disposals of assets	–1.0	–2.0
Other non-cash income and expenses	–7.2	–2.3
Net cash flows from operating activities	**744.9**	**475.0**
Purchase of intangible assets	–31.0	–45.3
Purchase of property, plant and equipment	–155.9	–189.7
Acquisitions and investments of non-current financial assets	–21.4	–8.5
Disposal of non-current assets	15.0	11.5
Purchase/sale of marketable securities	–0.5	0.1
Changes in financial assets covering pensions	–4.6	0.0
Changes in other financial investments	1,355.4	–1,034.8
Net cash flows from investing activities	**1,157.0**	**–1,266.6**
Dividend payments	–71.6	–104.5
Profit transfers to E. Merck KG and changes in reserves	–109.6	31.8
Changes in liabilities to related parties	–58.1	–188.5
Bonds issued	3,181.7	746.0
Changes in current and non-current financial liabilities	268.4	28.8
Net cash flows from financing activities	**3,210.8**	**513.6**
Changes in cash and cash equivalents	**5,112.8**	**–278.0**
Changes in cash and cash equivalents due to currency translation	17.6	1.0
Cash and cash equivalents as of January 1	541.4	692.7
Cash and cash equivalents as of June 30	**5,671.8**	**415.7**

FREE CASH FLOW

EUR million	Jan.–June 2010	Jan.–June 2009
Net cash flows from operating activities	**744.9**	**475.0**
Purchase of intangible assets	–31.0	–45.3
Purchase of property, plant and equipment	–155.9	–189.7
Acquisitions and investments of non-current financial assets	–21.4	–8.5
Disposal of non-current assets	15.0	11.5
Purchase/sale of marketable securities	–0.5	0.1
Free cash flow	**551.2**	**243.2**
Acquisitions	–	–
Payments related to divestments	15.4	–
Underlying free cash flow	**566.5**	**243.2**

STATEMENT OF COMPREHENSIVE INCOME

	Jan.–June 2010			Jan.–June 2009		
EUR million	Before tax amount	Tax expense/ benefit	Net-of-tax amount	Before tax amount	Tax expense/ benefit	Net-of-tax amount
Profit	**502.9**	**–121.4**	**381.5**	**242.5**	**–72.4**	**170.1**
Gains/losses arising on remeasuring available-for-sale financial assets	–21.0	0.7	–20.3	14.1	–	14.1
Effective portion of gains/losses on hedging instruments in a cash flow hedge	–103.9	16.4	–87.5	22.2	–4.4	17.8
Actuarial gains and losses from defined benefit pension commitments and similar obligations	–91.1	17.8	–73.3	8.9	–1.0	7.9
Exchange differences on translating foreign operations	1,260.6	–	1,260.6	–217.8	–	–217.8
Gains/losses recognized immediately in equity	**1,044.6**	**34.9**	**1,079.5**	**–172.6**	**–5.4**	**–178.0**
Comprehensive income	**1,547.5**	**–86.5**	**1,461.0**	**69.9**	**–77.8**	**–7.9**
of which attributable to shareholders of the Group			1,444.8			–15.8
of which attributable to non-controlling interest			16.2			7.9

STATEMENT OF CHANGES IN NET EQUITY INCLUDING NON-CONTROLLING INTEREST

	Equity capital		Reserves					
EUR million	General partner's equity Merck KGaA	Subscribed capital Merck KGaA	Capital reserves (share premium) Merck KGaA	Retained earnings/ Net retained profit	Gains/losses recognized immediately in equity	Equity attributable to share-holders of Merck KGaA	Non-controlling interest	Equity
Balance as of January 1, 2009	**397.2**	**168.0**	**3,813.7**	**4,818.2**	**308.3**	**9,505.4**	**57.6**	**9,563.0**
Profit after tax	–	–	–	165.1	–	165.1	5.0	170.1
Dividend payments	–	–	–	–96.9	–	–96.9	–7.6	–104.5
Profit transfers to/from E. Merck KG including transfers to reserves	–	–	–	31.8	–	31.8	–	31.8
Gains/losses recognized immediately in equity	–	–	–	–	–180.9	–180.9	2.9	–178.0
Changes in scope of consolidation/Other	–	–	–	–0.3	0.4	0.1	–2.9	–2.8
Balance as of June 30, 2009	**397.2**	**168.0**	**3,813.7**	**4,917.9**	**127.8**	**9,424.6**	**55.0**	**9,479.6**
Balance as of January 1, 2010	**397.2**	**168.0**	**3,813.7**	**4,909.6**	**171.6**	**9,460.1**	**53.5**	**9,513.6**
Profit after tax	–	–	–	374.8	–	374.8	6.6	381.5
Dividend payments	–	–	–	–64.6	–	–64.6	–6.9	–71.5
Profit transfers to/from E. Merck KG including transfers to reserves	–	–	–	–109.6	–	–109.6	–	–109.6
Gains/losses recognized immediately in equity	–	–	–	–	1,069.9	1,069.9	9.6	1,079.5
Changes in scope of consolidation/Other	–	–	–	–2.0	–	–2.0	1.1	–0.9
Balance as of June 30, 2010	**397.2**	**168.0**	**3,813.7**	**5,108.2**	**1,241.5**	**10,728.6**	**63.9**	**10,792.6**

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2010

These consolidated financial statements have been prepared with Merck KGaA, Darmstadt, which manages the operations of the Merck Group, as parent company.

Accounting policies

The unaudited interim financial statements of the Merck Group as of June 30, 2010 comply with IAS 34. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force on the reporting date and adopted by the European Union. In accordance with IAS 34, a condensed scope of reporting as compared with the consolidated financial statements as of December 31, 2009 was selected. With the exception of the disclosure changes described in the following, the accounting policies have remained unchanged in comparison with the previous year. In the consolidated financial statements as of December 31, 2009, Merck started to disclose commission income as a part of total revenues. Furthermore, for the first time in Q1 2010, a separate line "royalty and commission expenses" was added to the Income Statement. In the quarterly reports issued in 2009, royalty and commissions expenses as well as commission income were reported within marketing and selling expenses. The previous year's presentation and key figures have been adjusted accordingly. The notes to the consolidated financial statements of the Merck Group for 2009, particularly the accounting policies, thus apply accordingly.

Income tax includes the taxes on taxable profit paid in the individual countries plus the change in deferred taxes. The income tax in the interim financial statements is calculated based on the income of the consolidated companies and the currently valid tax rate as a best possible estimate.

The preparation of the interim financial statements requires that assumptions and estimates be made to a certain extent. The assumptions and estimates are based on the state of knowledge and the data currently available.

The following amendments to standards and the following interpretations take effect as of fiscal 2010:

- Amendment to IAS 27 "Consolidated and Separate Financial Statements"
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items"
- Revised version of IFRS 1 "First-time Adoption of International Financial Reporting Standards" and subsequent amendment to this standard
- Amendment to IFRS 2 "Share-based payment"
- Revised version of IAS 3 "Business Combinations"
- "Improvements to International Financial Reporting Standards"
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"

The new rules do not have any material effects on the interim financial statements.

Scope of consolidation

As of June 30, 2010, a total of 176 (December 31, 2009: 176) companies are fully consolidated. No companies are consolidated on a pro rata basis. One associate is included using the equity method. The following changes have occurred since the beginning of 2010: Six newly established companies have been consolidated for the first time. Six companies have been liquidated or merged and deconsolidated.

Acquisition of Millipore

On July 14, 2010, Merck KGaA successfully completed its acquisition of Millipore Corporation, a leading life science company based in Billerica, Massachusetts, USA. The Millipore companies will be consolidated in the financial statement of the Merck Group for the first time as of this date. The aggregate purchase price including debt and cash was EUR 5.2 billion (USD 7.0 billion). Merck agreed to acquire Millipore on February 28, 2010 for USD 107 in cash per share of Millipore common stock. The closing follows the approval of the acquisition by Millipore's shareholders at a special meeting held on June 3, 2010 and the satisfaction of other customary conditions, including antitrust clearance in the United States and Europe. On July 26, the delisting of Millipore from the New York Stock Exchange became effective. Also on July 26, 2010 the application for the deregistration of Millipore from the U.S. Securities and Exchange Commission (SEC) was filed. Effectiveness of the deregistration is anticipated for October 13, 2010.

The transaction will be funded through available cash and borrowings. Bonds with a nominal volume of EUR 3.2 billion and commercial papers totaling EUR 318 million have been issued.

Segment reporting

The segment report presents the assets, income and other key figures by operating segment. Segmentation was performed in accordance with the internal reporting of the Merck Group. The operating segments are described in detail in the sections about the divisions in the interim management report. Expenses and income as well as assets and cash flows are fully allocated to the reported divisions and, to the extent they relate to corporate functions, to the segment Corporate and Other. The financial result and income taxes as well as the resulting cash flows are reported in full in the "Corporate and Other" segment. We determine the transfer prices of intragroup transactions in accordance with market values. There were no significant intercompany relations between the business segments.

The Merck Millipore segment is included as part of the Chemicals business sector in the Segment Reporting for the first time as of June 30, 2010. It includes transaction and integration costs of EUR 32.2 million recorded up until June 30, 2010. As at March 31, 2010, EUR 23.7 million of this amount had already been incurred and was recorded under Corporate and Other.

Operating assets have been reconciliated in the segment report as follows:

EUR million	June 30, 2010	Dec. 31, 2009
Assets	22,282.7	16,712.6
Monetary assets (cash and cash equivalents, loans, securities)	–6,366.7	–2,119.7
Financial assets covering pension obligations	–212.5	–209.6
Non-operating receivables, tax receivables, deferred taxes and refund receivables from plan assets	–689.0	–635.6
Operating assets (gross)	**15,014.5**	**13,747.7**
Trade accounts payable	–1,024.5	–935.7
Other operating liabilities	–525.6	–465.3
Operating assets (net)	**13,464.4**	**12,346.7**

Earnings per share

Basic earnings per share equal net profit after non-controlling interest divided by the weighted average number of outstanding theoretical shares. The calculation of the theoretical number of shares is based on the fact that the general partner's equity capital is not represented by shares. The share capital of EUR 168.0 million is divided into 64,621,126 shares. The general partner's capital amounts to EUR 397.2 million or 152,767,813 theoretical shares. This results in a total of EUR 565.2 million or 217,388,939 outstanding theoretical shares.

	Q2 2010	Q2 2009	Jan.–June 2010	Jan.–June 2009
Net profit after non-controlling interest (EUR million)	183.4	108.5	374.8	165.1
Weighted average number of theoretical shares outstanding (in millions)	217.4	217.4	217.4	217.4
Basic earnings per share (EUR)	**0.84**	**0.50**	**1.72**	**0.76**

As of June 30, 2010, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Funding

In March 2010, Merck Financial Services GmbH issued a euro bond in three tranches, comprising a two-year issue with a volume of EUR 0.5 billion, a five-year issue with a volume of EUR 1.35 billion, and a ten-year issue with a volume of EUR 1.35 billion. The two-year tranche, which was priced at 99.775%, pays a coupon of 2.125%. The five-year tranche, which was priced at 99.769%, pays a coupon of 3.375%. The ten-year tranche, which was priced at 99.582%, pays a coupon of 4.500%. The bonds are admitted to trading on the regulated market of the Luxembourg Stock Exchange and are issued under the Euro Medium Term Note (EMTN) program. The issue proceeds will be used to fund the announced acquisition of the U.S. firm Millipore Corporation.

Related-party disclosures

As of June 30, 2010, there were liabilities by Merck KGaA, Merck Financial Services GmbH and Merck & Cie, Altdorf, to E. Merck KG in the amount of EUR 234 million. In addition, as of June 30, 2010, there were receivables by Merck KGaA to E. Merck KG in the amount of EUR 10 million and to E. Merck Beteiligungen KG in the amount of EUR 1.8 million. The balances result mainly from the profit transfers by Merck & Cie to E. Merck KG as well as the reciprocal profit transfers between Merck KGaA and E. Merck KG. They included financial payables of EUR 125 million, which are subject to standard market interest rates. From January to June 2010, Merck KGaA and Merck Shared Services Europe GmbH performed services for E. Merck KG with a value of EUR 0.6 million and for Emanuel Merck Vermögens KG with a value of EUR 0.1 million. During the same period, E. Merck KG performed services for Merck KGaA with a value of EUR 0.5 million. From January to June 2010, companies of the Merck Group supplied goods with a value of EUR 0.2 million to associates.

Subsequent events

With receipt of EU antitrust clearance, the legal closing of the Millipore acquisition took place on July 14, 2010.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements of the Merck Group give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Darmstadt, July 29, 2010

Karl-Ludwig Kley Michael Becker

Bernd Reckmann Elmar Schnee

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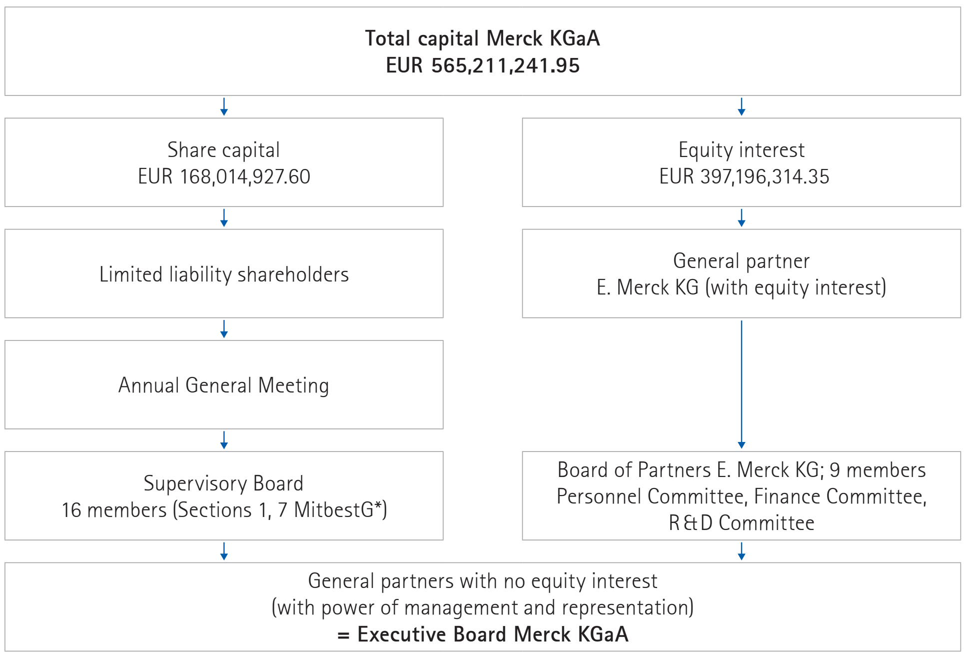
CAPITAL STRUCTURE OF MERCK KGAA AS OF JUNE 30, 2010

(for more information, please see the Annual Report for 2009, p. 83 et seq.)



*German Co-Determination Act

FINANCIAL CALENDAR 2010

Autumn press conference and report on the third quarter:
Tuesday, October 26

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