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

	Liquid Crystals				Performance & Life Science Chemicals			
EUR million	Q2 2010	Q2 2009	Jan.–June 2010	Jan.–June 2009	Q2 2010	Q2 2009	Jan.–June 2010	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

	Merck Millipore				**Chemicals**			
EUR million	Q2 2010	Q2 2009	Jan.–June 2010	Jan.–June 2009	Q2 2010	Q2 2009	Jan.–June 2010	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