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.

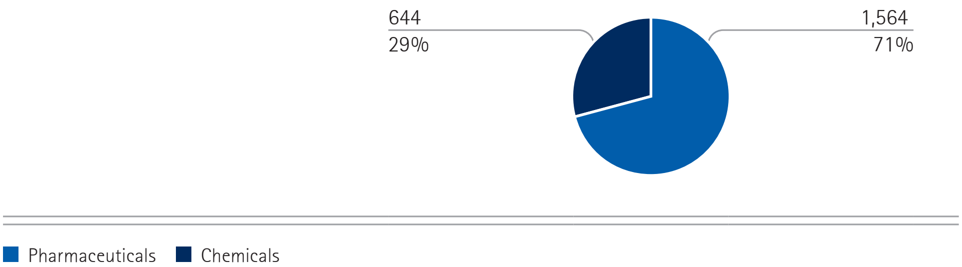
Royalty and commission income increased 26% to EUR 105 million in the second quarter, mainly stemming from the Merck Serono division. Half-year royalty and commission income declined 1.9% to EUR 181 million.

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.

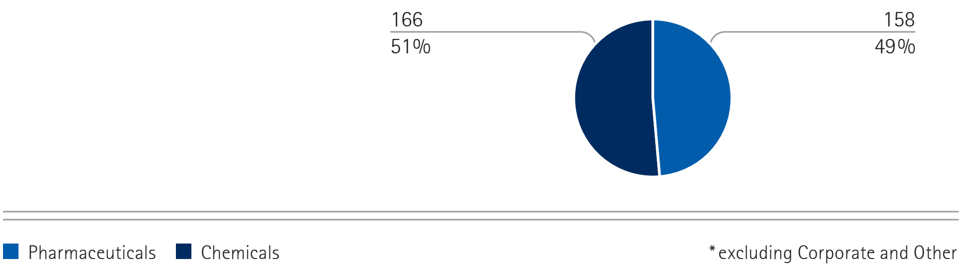
Total revenues by business sector – Q2

EUR million



Operating result by business sector* – Q2

EUR million



*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**

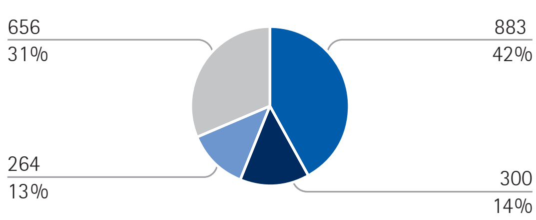
Administration expenses increased by 6.6% to EUR 115 million mainly due to currency effects. For the half year administration expenses rose to EUR 220 million from EUR 215 million in the year-ago period.

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.

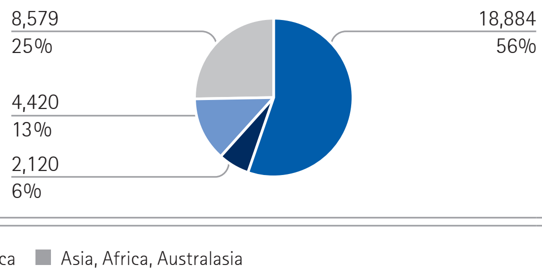
Profit after tax in the second quarter of 2010 increased 70% to EUR 187 million from EUR 110 million in the second quarter of 2009. For the first half of 2010, profit after tax more than doubled to EUR 381 million from EUR 170 million in the year-ago period.

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



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