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.

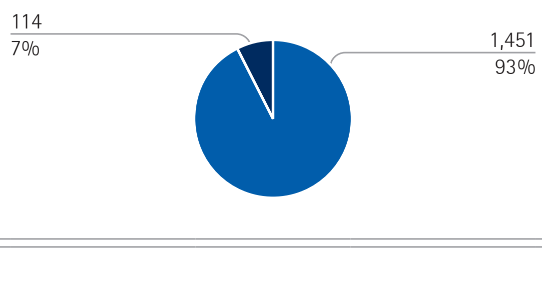
Again in the second quarter, the higher revenues recorded by Merck's Pharmaceuticals business sector were due to increased sales of the top products in the Merck Serono division, especially the biotech medicines Rebif® and Erbitux®. Despite higher costs for marketing and selling and commissions and royalties, 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



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.

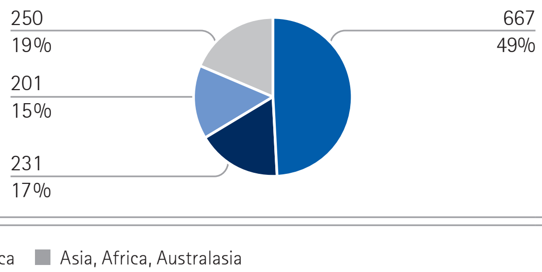
Merck Serono's primary care products continue to contribute significantly to the division's overall sales.

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	

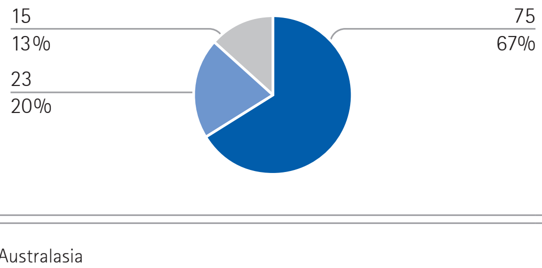
Global sales of Femibion®, the vitamins and minerals supplement for pregnant women and nursing mothers, jumped 35% compared to the year-ago quarter, boosted by high demand in France and Germany.

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.