Restructuring activities in China began in the third quarter and are expected to continue into the fourth quarter.

Therefore, the division's third-quarter operating result declined 24% to EUR 16 million from an atypical high of EUR 21 million in the year-ago quarter. The third-quarter ROS dropped to 13.0% compared to 17.4% in the year-ago quarter of 2009. Free cash flow for the third quarter was EUR 7.7 million compared to EUR 11.5 million in the year-ago quarter.

MERCK MILLIPORE

Merck completed the acquisition of Millipore Corporation, a leading U.S.-based life science company, on July 14. The integration plan, which was already well underway at that point, called for combining Millipore with Merck's existing life science businesses to create a new division called Merck Millipore. This division has three business units – Bioscience, Process Solutions and Lab Solutions – and is the second-largest division after Merck Serono.

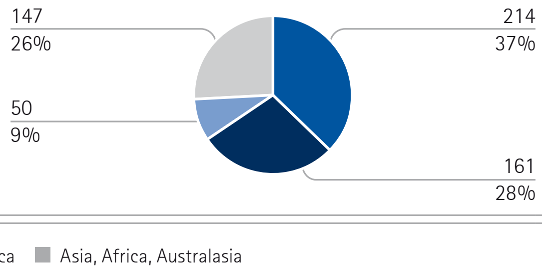
Merck Millipore | Key figures

EUR million	3rd quarter 2010	3rd quarter 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Total revenues	573.7	226.7	1,085.3	695.5
Gross margin	295.7	104.0	565.2	324.8
Research and development	–30.9	–8.2	–46.0	–24.0
Operating result	10.0	20.2	45.2	74.6
Exceptional items	–	–	–	–
Free cash flow	–4,831.9	43.7	–4,791.2	104.6
Underlying free cash flow	101.8	43.7	142.6	104.6
ROS in %	1.7	8.9	4.2	10.7

Third-quarter total revenues of the Merck Millipore division rose to EUR 574 million. Of this sum, EUR 314 million is attributable to the new acquisition. Another 7.6% was due to positive currency effects and the remaining 6.6% stemmed from organic growth of the original Merck life science businesses.

Merck Millipore | Sales by region – Q3

EUR million



All three business units increased their total revenues, with sales in Japan and India rising significantly.

The Bioscience business unit supplies products to specialized life science research laboratories. It accounts for about 20% of the division's total revenues. Demand for instruments more than compensated for a slight softening in the antibodies business. Orders from the U.S. government and North American universities were above average during the quarter.

The Lab Solutions business unit supplies general laboratory applications to a variety of industries. It accounts for about 40% of the division's total revenues. Third-quarter sales improved for analytics for food and environmental testing as well as for microbiology and hygiene. Demand for reagents also grew.

The Process Solutions business unit supplies products used in the production of biopharmaceutical drugs. It accounts for about 40% of the division's revenues. Sales growth in the third quarter was driven by biotech production orders, especially from smaller biotech accounts in all regions of the world.

Despite higher cost of sales of EUR 43 million for the inventory step-up from Millipore, the division's gross margin grew faster than revenues due to a favorable product mix and operational excellence, reaching EUR 296 million in the third quarter of 2010 from EUR 104 million in the year-ago quarter.

The division also booked EUR 48 million for amortization of intangible assets in connection with the preliminary purchase price allocation for the Millipore acquisition.

This led to a third-quarter operating result of EUR 10 million compared to EUR 20 million in the year-ago period.

Therefore, the division's third-quarter ROS amounted to 1.7% compared to 8.9% in the third quarter of last year. Core ROS (which excludes costs related to the integration and purchase price allocation of Millipore) was 21.2%.

The division's third-quarter free cash flow was EUR –4,832 million, including payments of EUR 4,934 million in connection with the Millipore acquisition, compared to EUR 44 million in the year-ago quarter. The underlying free cash flow for the third quarter of 2010 was EUR 102 million.

PERFORMANCE MATERIALS

The new Performance Materials division comprises Merck's materials businesses and activities, i.e. Liquid Crystals, Pigments plus Advanced Technologies such as materials for OLEDs (organic light-emitting diodes), LEDs (light-emitting diodes), photovoltaics and other innovative technologies.

Performance Materials | Key figures

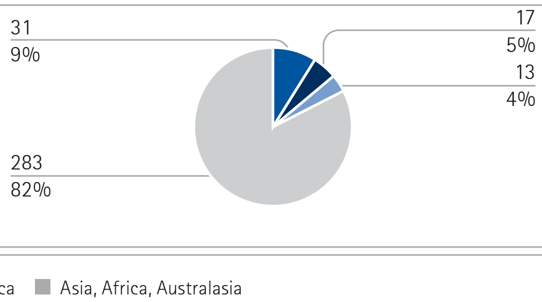
EUR million	3rd quarter 2010	3rd quarter 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Total revenues	345.7	281.8	1.062.3	735.8
Gross margin	236.4	138.1	713.4	338.7
Research and development	–32.5	–27.2	–92.1	–82.1
Operating result	151.9	72.6	449.4	125.0
Exceptional items	–	–	–	1.2
Free cash flow	158.9	97.9	418.5	165.4
Underlying free cash flow	165.4	116.8	425.0	184.2
ROS in %	43.9	25.8	42.3	17.0

Total revenues of the division rose 23% in the third quarter to EUR 346 million from EUR 282 million in the year-ago quarter. Positive currency effects accounted for 12% of the revenue increase with 11% stemming from organic growth.

Merck's Liquid Crystals business accounts for 74% of the division's revenues. Revenues from Liquid Crystals rose 21% to EUR 255 million. This represented organic growth of 8.3% and positive currency effects of 13% as much of the sales are generated in U.S. dollars or Asian currencies. In the third-quarter, liquid crystal revenues were lower than the EUR 284 million recorded in the second quarter. This is due to the recent onset of an inventory correction in the LCD market with panel makers reducing their production, as well as slightly less favorable currency exchange rates.

Performance Materials | Sales by region – Q3

EUR million



The increase in revenues was again driven by high demand for liquid crystals based on Merck's patented Polymer Stabilized Vertical Alignment (PS-VA) technology, which offers better moving-picture quality, faster switching times, higher contrast and brightness, and lower power consumption – qualities desired by manufacturers of the latest generation of LCD televisions.

Merck's Liquid Crystals business also supplies LC materials for 3D televisions and tablet touch screens, among other applications.

Sales by the Pigments business were especially high during the third quarter compared to last year as demand in the automotive industry returned to, or even exceeded, levels prior to last year's economic crisis. This business also experienced a favorable currency tailwind.

The division's production costs decreased substantially, leading to a gross margin of EUR 236 million in the third quarter compared to EUR 138 million in the year-ago quarter. Production utilization was at a high level for both liquid crystals and pigments as the businesses have recovered from the slowdown in 2009.

Research and development costs rose by 20% to EUR 33 million, or 9.4% of total revenues, in the third quarter. This comparatively high R&D spending rate for a chemicals business is justified by high-margin technological advances. On September 23, the Chancellor of the Federal Republic of Germany Dr. Angela Merkel visited Merck's headquarters in Darmstadt for the inauguration of the new EUR 50 million Material Research Center, where these technological advances are being developed.

With a gross margin that increased faster than expenses, the operating result of the Performance Materials division more than doubled to EUR 152 million in the third quarter compared to EUR 73 million in the year-ago quarter. The division's ROS was 43.9% compared to 25.8% the third quarter of 2009.

The operating result for Liquid Crystals in the third quarter increased by 90% to EUR 137 million, leading to an ROS of 53.6% compared to 34.1% in the year-ago quarter.

The free cash flow for the Performance Materials division rose to EUR 159 million in the third quarter from EUR 98 million in the year-ago quarter. The third-quarter underlying free cash flow was EUR 165 million in 2010 and EUR 117 million in 2009.