MERCK GROUP

Merck Group third-quarter total revenues increased 25% to a record EUR 2,438 million from EUR 1,950 million in the year-ago quarter, boosted by the EUR 5.1 billion acquisition of Millipore Corporation, Billerica, Massachusetts, USA, on July 14. The acquisition contributed 16 percentage points, positive currency effects 5.3 percentage points and organic growth 3.5 percentage points of the increase.

Royalty and commission income increased 3.5% to EUR 91 million in the third quarter, mainly stemming from the Merck Serono division.

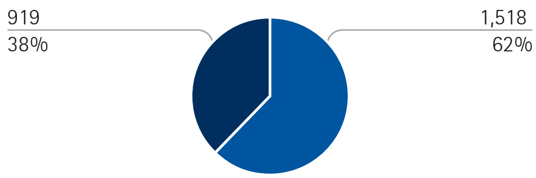
Cost of sales, which included a EUR 43 million write-off of the Millipore inventory step-up, increased at a lower rate than revenues. Therefore, the gross margin in the third quarter improved 27% to EUR 1,818 million from EUR 1,428 million in the year-ago quarter.

Marketing and selling expenses, including those of Millipore, rose by 29% to EUR 573 million in the third quarter. Royalty and commission expenses were up 10% to EUR 116 million, again mainly as a result of higher sales of the cancer treatment Erbitux® and higher royalty income, some of which must be passed on to the patent owners. In 2010, Merck began reporting royalty and commission expenses on a separate line in the income statement. In the past, these expenses were reported under marketing and selling expenses.

Administration expenses increased by 26% to EUR 128 million in the third quarter of 2010 from EUR 102 million in the year-ago quarter due to additional administration costs from Millipore and the currency impact.

Total revenues by business sector – Q3

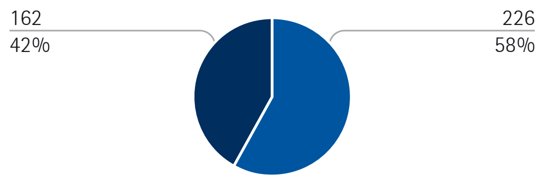
EUR million



Pharmaceuticals Chemicals

Operating result by business sector* – Q3

EUR million



Pharmaceuticals Chemicals

*excluding Corporate and Other

Components of growth by division – Q3

Change in total revenues compared to last year in %	Merck Serono	Consumer Health Care	Merck Millipore	Performance Materials	Merck Group
Organic growth	1.6	1.9	6.6	10.5	3.5
Currency effects	4.1	–0.2	7.6	11.8	5.3
Acquisitions/divestments	–	–	138.9	0.4	16.2
Total	**5.7**	**1.7**	**153.1**	**22.7**	**25.0**

Other operating expenses and income increased by 19% to EUR –91 million, which included Millipore integration costs of EUR 21 million.

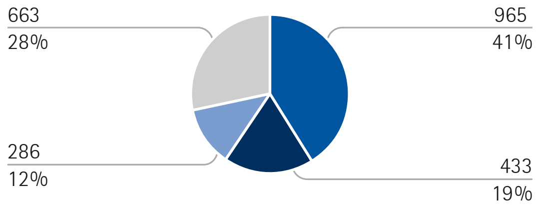
Research and development costs increased 4.7% to EUR 349 million in the third quarter of 2010. R&D spending for the Chemicals divisions, including Merck Millipore, rose but decreased for the Merck Serono division.

Amortization of intangible assets increased by 35% to EUR 198 million. This amount includes for the first time amortization of intangible assets from the Millipore purchase price allocation amounting to EUR 48 million.

With total revenues and gross margin rising faster than expenses, the operating result increased substantially by 64% in the third quarter to EUR 363 million from EUR 222 million in the year-ago quarter. Organically, meaning excluding Millipore and currency effects, the Group operating result rose by 97%.

Merck Group | Sales by region – Q3

EUR million



The Group return on sales (ROS: operating result/total revenues) increased to 14.9% in the third quarter of 2010 compared to 11.4% in the year-ago quarter, boosted by the strong operating result of the Merck Serono division. Group core ROS (operating result excluding Serono- and Millipore-related amortization of intangible assets/total revenues) in the third quarter of 2010 was 25.6% compared to 18.9% in the year-ago quarter.

There were no exceptional items in the third quarter of 2010 or in the corresponding quarter of 2009.

Therefore, earnings before interest and tax (EBIT) in the third quarter of 2010 rose 64% to EUR 363 million compared to EUR 222 million in the year-ago quarter.

Due to interest on the financing for Millipore, Merck's financial result fell by more than 100% to EUR –74 million in the third quarter of 2010 compared to EUR –32 million in the year-ago quarter.

The Merck Group's third-quarter profit before tax increased 52% to EUR 289 million from EUR 190 million in the year-ago quarter. Merck's underlying tax rate rose to 25.8% for the third quarter of 2010 compared to very low 22.2% in the year-ago quarter.

Profit after tax in the third quarter of 2010 increased 45% to EUR 215 million from EUR 148 million in the third quarter of 2009.

Total assets of the Merck Group amounted to EUR 23,010 million as of September 30, 2010. This corresponds to an increase of EUR 6,297 million, or 38%, compared with December 31, 2009. The balance sheet structure is primarily influenced by the acquisition of Millipore and the financing thereof. To finance the acquisition, bonds with a total volume of EUR 3.2 billion were issued during 2010. Against this background, the equity ratio decreased from 56.9% at the beginning of the year to 45.8% as of September 30, 2010. Apart from profit after tax of EUR 596 million recognized in equity, positive currency translation differences also increased equity by around EUR 778 million.

Within the scope of the purchase price allocation for the Millipore acquisition in accordance with IFRS 3, the acquired assets, liabilities and contingent liabilities have been recognized at fair values in the balance sheet. This primarily led to an increase of around EUR 5,206 million in intangible assets. This also includes goodwill of EUR 2,638 million stemming from the transaction. Goodwill mainly reflects future synergy effects and the expertise of the workforce. The fair value adjustments made in the third quarter of 2010 as part of the purchase price allocation are still to be considered as preliminary and may be changed within one year of the date of the acquisition.

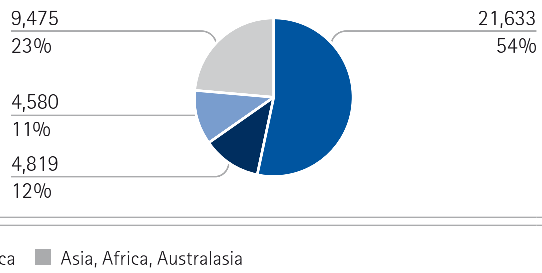
As a result of the acquisition, net financial debt increased to around EUR 4,670 million as of September 30. Thanks mainly to the positive cash flow development, net debt since the acquisition declined in the course of the third quarter.

The free cash flow of the Merck Group in the third quarter of 2010 totaled EUR -4,383 million (Q3 2009: EUR 399 million). This includes payments of EUR 4,934 million in connection with the acquisition of Millipore. The purchase price of EUR 5,137 million was lowered by cash of EUR 300 million included in the acquisition. Additional transaction-related payments amounted to EUR 97 million. A final payment of EUR 6.6 million was made for the Suzhou Taizhu China Group, which was acquired in 2009. Adjusted for these effects, underlying free cash flow was EUR 561 million, exceeding the year-earlier period (EUR 429 million) by EUR 131 million or 31%. The increase in underlying free cash flow is due mainly to the improvement in business in comparison with the year-ago period.

For the nine months from January to September, free cash flow amounted to EUR –3,832 million (year-ago period EUR 642 million). Underlying free cash flow (adjusted for acquisitions and divestments) was EUR 1,127 million. Compared with underlying free cash flow of EUR 673 million in the nine-month period of 2009, this corresponds to an increase of EUR 455 million or 68%.

Merck had 40,507 employees worldwide on September 30, 2010, an increase of 7,445 compared to 33,062 on December 31, 2009. Most of this gain can be attributed to the acquisition of Millipore.

Number of employees as of September 30, 2010: 40,507



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, purchase price allocation and amortization of intangible assets associated with the July 14 acquisition of Millipore have been allocated to the new Merck Millipore division.

Corporate and Other | Key figures

EUR million	3rd quarter 2010	3rd quarter 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Total revenues	–	–	–	–
Gross margin	–	–	–	–
Research and development	–	–	–	–
Operating result	–24.1	–15.4	–73.6	–58.3
Exceptional items	–	–	–1.2	–
Free cash flow	–127.9	–67.4	–324.6	–338.0
Underlying free cash flow	–124.6	–55.8	–305.9	–326.4

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 for the Merck Group in the current reporting period.

Explanations regarding the increase of intangible assets after the acquistion of Serono also apply to the acquisition of Millipore.

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 continued to develop well in the third quarter of 2010. In fact, due to lower than previously anticipated research and development costs and cost of sales, the guidance for the core operating result of the Merck Serono division has been improved. Merck now expects the Merck Serono core operating result to rise by 26% rather than the previously forecast 12%.

On the other hand, late in the third quarter it became clear that Merck's Liquid Crystals business, which is part of the very dynamic electronic display industry, was slowing slightly. Display manufacturers have begun reducing production due to lower demand and some over-stocking effects. This, coupled with anticipated negative currency effects caused by the weaker U.S. dollar, has caused Merck to lower this business's previous full-year forecast. The company now expects Liquid Crystals total revenues to increase by 35% rather than 50% and the operating result to improve by 126% instead of 160%. Thus, the full-year return on revenues (ROS) for this business is expected to be 52% rather than the 54% previously mentioned.

The decline in sales and operating result of the Merck Millipore division is primarily due to anticipated negative currency effects.

Merck Group forecast for 2010 including Millipore

	Growth in total revenues		Growth in operating result	
in %	New	From Q2	New	From Q2
Merck Serono	7.2%	7.5%	56%	60%
Merck Serono, Core[1]			26%	12%
Consumer Health Care	3%	5%	–60%	–20%
Merck Millipore	80%	84%	–63%	
Merck Millipore, Core[2]			167%	190%
Performance Materials	34%	43%	162%	194%
Corporate and Other			–28%	–22%
Merck Group	19%	21%	70%	90%
Merck Group, Core[1,2]			58%	55%

[1] Excludes costs related to the purchase of Serono (amortization of intangible assets)
[2] Excludes costs related to the purchase of Millipore (write-offs of step-up inventories, amortization of intangible assets, EUR 66 million transaction and integration costs during 2010)

Mainly due to the revised forecasts for the Merck Serono division and the Liquid Crystals business, plus a detailed examination of Millipore after its July 14 acquisition, Merck now expects the Group full-year operating result to increase by 70% rather than the previous guidance of 90%. The Group core operating result should increase by 58% compared to the previously stated 55%.