MERCK SERONO

Merck Serono, the division for innovative prescription pharmaceuticals, is the largest division of the Merck Group, accounting for 57% of total Group revenues and 92% of revenues within the Pharmaceuticals business sector.

Merck Serono | Key figures

EUR million	3rd quarter 2010	3rd quarter 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Total revenues	1,393.5	1,318.6	4,250.7	3,952.3
Gross margin	1,199.8	1,099.4	3,605.1	3,327.0
Research and development	–279.6	–293.2	–880.2	–867.4
Operating result	209.5	123.4	551.1	423.8
Exceptional items	–	–	–	–70.0
Free cash flow	410.4	313.2	859.3	681.0
Underlying free cash flow	410.4	313.2	859.3	681.0
ROS in %	15.0	9.4	13.0	10.7

Merck Serono's total revenues increased 5.7% to EUR 1,393 million in the third quarter of 2010 compared to EUR 1,319 million in the year-ago quarter, boosted by sales of Merck Serono's two leading products – the biological therapies Rebif®and Erbitux® – and a 4.1% positive currency effect. Regionally, sales rose significantly in Japan, Latin America and North America. New German health care reform legislation took effect in August, contributing to a decline in sales in Merck's home market. Sales in China were minimal during the third quarter as Merck deferred sales to local distributors due to the establishment of its own trading company in China and the resulting change in inventory policy. Sales should return to normal levels in the fourth quarter.

Royalty and commission income rose in the third quarter by 5.8% to EUR 88 million.

Global sales of Rebif® for the treatment of relapsing-remitting forms of multiple sclerosis rose 6.8% to EUR 407 million in the third quarter.

Sales of the targeted cancer treatment Erbitux® continued to climb, increasing by 17% in the third quarter to EUR 207 million.

Third-quarter sales of Gonal-f®, a recombinant hormone used in the treatment of infertility, increased by 3.9% to EUR 115 million, damped by the lack of sales in China, a major market for this product.

Sales of the recombinant growth hormone Saizen® for growth hormone deficiency rose by 17% to EUR 56 million in the third quarter. Sales of Merck's other leading growth hormone, Serostim® increased by 6.5% in the quarter.

Merck Serono's primary care products continue to contribute significantly to the division's overall sales. Total sales of the beta blocker bisoprolol, including the branded Concor® products such as Lodoz® and Concor®COR decreased 19% to EUR 84 million in the third quarter. Total sales of the Glucophage® (metformin) franchise of oral antidiabetic products rose 3.3% to EUR 79 million in the second quarter. Sales of thyroid medicines such as Euthyrox® were little changed at EUR 41 million in the third quarter.

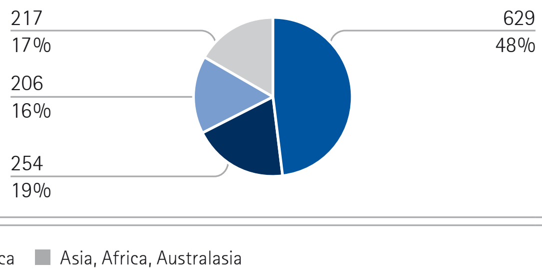
The division's gross margin rose by 9.1% to EUR 1,200 million in the third quarter as production costs declined. Marketing and selling costs rose 9.7% during the third quarter. Royalty and commission expenses were up 8.0% in the quarter due to higher third-party sales of Erbitux®, especially in Japan, and higher royalty income that leads to higher royalty payments.

The division has been receiving payments from Venezuela for 2009, albeit at the country's lower official rate, and booked the funds under other operating expenses and income. As it was unclear if these payments would ever be collected, the division had booked a provision in the third quarter of 2009.

Research and development spending by Merck Serono declined by 4.6% to EUR 280 million compared to EUR 293 million in the year-ago quarter. The division's R&D costs remained at about 20% of revenues due to the large number of expensive, late-stage clinical trials.

Merck Serono | Sales by region – Q3

EUR million



In July 2010, Russian health authorities granted marketing authorization for Cladribine Tablets for the treatment of relapsing-remitting multiple sclerosis. The Australian health authorities followed with a similar approval in September.

Merck's New Drug Application (NDA) for Cladribine Tablets was accepted in July by the U.S. Food and Drug Administration (FDA) and granted a priority review. However, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a negative opinion regarding the marketing authorization application for Cladribine Tablets in September due to what it perceived as an unfavorable benefit-risk ratio. Merck has announced its intention to appeal that decision.

The division's charge for amortization of intangible assets from the 2007 acquisition of Serono amounted to EUR 148 million in the third quarter of 2010, similar to previous quarters.

With an improved gross margin and lower R&D costs the division's third-quarter operating result jumped 70% to EUR 210 million from EUR 123 million in the year-ago quarter, which was affected by the EUR -45 million provision for potential currency losses on transactions in Venezuela. The core operating result, which excludes Serono-related amortization of intangible assets, was EUR 358 million compared to EUR 269 million in the third quarter of 2009.

The division's third-quarter ROS was 15.0% compared to 9.4% in the year-ago quarter. Core ROS, which excludes Serono-related amortization of intangible assets, was 25.7% in the third quarter of 2010 compared to 20.5% in the year-ago quarter. Free cash flow was EUR 410 million in the third quarter of 2010 compared to EUR 313 million in the year-ago quarter.

CONSUMER HEALTH CARE

The Consumer Health Care division increased total revenues by 1.7% to EUR 125 million in the third quarter with currency devaluations in Venezuela balanced by the stronger British pound and Indonesian rupiah. The division's only major market to show a decline was Latin America.

Consumer Health Care | Key figures

EUR million	3rd quarter 2010	3rd quarter 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Total revenues	125.0	122.9	346.4	334.6
Gross margin	86.3	86.6	237.5	231.2
Research and development	–5.5	–4.2	–16.4	–12.8
Operating result	16.2	21.4	12.3	39.7
Exceptional items	–	–	–	–
Free cash flow	7.7	11.5	6.3	29.3
Underlying free cash flow	7.7	11.5	6.3	29.3
ROS in %	13.0	17.4	3.5	11.9

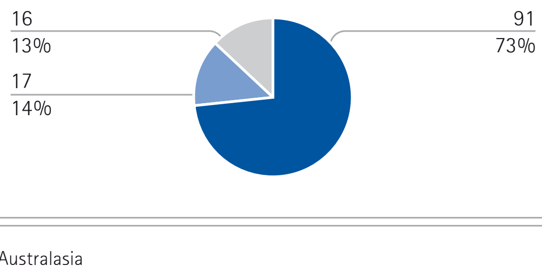
Global sales of Femibion®, the vitamins and minerals supplement for pregnant women and nursing mothers, jumped 40% compared to the year-ago quarter, boosted by high demand in Germany and Poland.

Sales of Bion® probiotic multivitamins rose 13%, driven by demand in France and Great Britain. Sales of strategic Mobility products such as Seven Seas® supplements, Kytta® and Flexagil® rose 7.5% during the third quarter. The vitamin C products marketed under the Cebion® brand recorded a 30% drop in sales, mostly as a result of Venezuela.

Poland and India led the demand for Nasivin® nasal spray, sales of which rose 24% during the third quarter.

Consumer Health Care | Sales by region – Q3

EUR million



Strategic-brand products, such as Seven Seas®, Kytta®, Kidabion®, Nasivin® and Cebion®, excluding the mail-order business, now account for 58% of the division's sales.

Despite higher production costs, the division's gross margin was steady at EUR 86 million in the third quarter. Marketing and selling costs, as well as research and development spending, rose again in the third quarter as the division continued to implement its strategy of focusing on strategic brands to drive growth.

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