MERCK GROUP

Total revenues of the Merck Group increased 16% to € 2,555 million in the second quarter from € 2,208 million in the year-ago quarter, boosted by the July 2010 acquisition of the Millipore Corporation, a leading life science company based in the United States. Acquisitions and divestments accounted for 13.7% points of the increase. Negative currency effects reduced revenues by 3.1%, resulting in an organic growth rate of 5.1%. For the first half of 2011, total revenues rose 19% to € 5,119 million.

Royalty, license and commission income, which is mainly attributable to the Merck Serono division, decreased 18% to € 86 million in the second quarter.

One-time inventory adjustments booked under cost of sales amounted to € 52 million in the second quarter, with € 39 million stemming from the Performance Materials division and the remainder from the Merck Serono division. Therefore, second-quarter cost of sales jumped 47%, leading to a gross margin increase of only 6.2% to € 1,795 million in the second quarter. For the first half of the year, the gross margin rose 13% to € 3,719 million.

Most figures for the Group continued to show significant variations in the second quarter of 2011 due to the fact that the Millipore acquisition closed on July 14, 2010, and there were no Millipore contributions in the first half of 2010. For example, marketing and selling expenses in the second quarter of 2011 rose 12% to € 605 million.

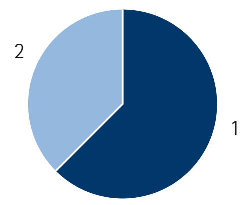
Royalty, license and commission expenses, mainly on third-party sales of Rebif® in the United States and Erbitux® in Japan, were little changed at € 118 million in the second quarter.

Administration expenses increased by 10% to € 126 million in the second quarter of 2011.

Total revenues by business sector – Q2

€ million / % of total revenues

1	Pharmaceuticals	1,598	63%
2	Chemicals	957	37%



Other operating expenses and income more than doubled in the second quarter of 2011 to € –270 million from € –109 million in the year-ago quarter. Besides Millipore integration costs, this includes among other items an impairment loss of € –161 million due to overcapacity at the Corsier-sur-Vevey Large Scale Biotech (LSB) production plant in Switzerland as well as a provision of € –20 million on the remaining costs associated with halting the development of cladribine, a drug candidate for the oral treatment of multiple sclerosis, as announced in June. Other operating expenses and income in the first half of 2011 rose 50% to € –368 million compared to the year-ago period.

Research and development spending rose 9.0% to € 369 million in the second quarter of 2011 mainly due to increases in the Chemicals divisions.

Components of growth by division – Q2

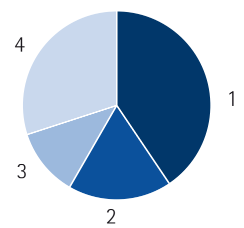
Change in total revenues compared to last year in %	Merck Serono	Consumer Health Care	Merck Millipore	Performance Materials	Merck Group
Organic growth	6.4	4.2	4.0	1.4	5.1
Currency effects	–2.9	–0.3	–2.7	–4.9	–3.1
Acquisitions/divestments	–1.5	–	137.6	–3.0	13.7
Total	**2.0**	**3.9**	**138.9**	**–6.5**	**15.7**

In the second quarter, amortization of intangible assets more than doubled to € –319 million from € –146 million. This amount includes amortization of intangible assets from the Millipore purchase price allocation amounting to € –46 million and € –263 million from Merck Serono. The latter figure includes € –63 million for the impairment of safinamide, a potential add-on therapy for the treatment of Parkinson's disease, € –17 million to shorten the amortization period for Rebif®, and an impairment loss of € –35 million on the discontinued cancer treatment candidate IMO-2055 that was in-licensed from Idera Pharmaceuticals in 2007. In addition, there was an impairment loss of € –8.6 million on the value of patents in the Performance Materials division.

Due to the various items mentioned above, the second-quarter operating result fell to € –11 million from € 326 million in the year-ago quarter. The second-quarter core operating result, which excludes Merck Serono- and Merck Millipore-related amortization of intangible assets and integration costs as well as impairment losses on intangible assets in the Performance Materials division, declined 37% to € 315 million from € 501 million in the very strong year-ago quarter. The first-half operating result was € 360 million – due to excellent results in the first quarter – compared to € 621 million in the first half of 2010. In the first half of 2011, the core operating result amounted to € 945 million compared to € 934 million in the first half of 2010.

Merck Group | Sales by region – Q2

€ million / % of sales		
1 Europe	1,007	40%
2 North America	435	18%
3 Latin America	292	12%
4 Asia, Africa, Australasia	735	30%



The Group return on sales (ROS: operating result/total revenues) decreased to –0.4% in the second quarter from 14.8% in the year-ago quarter. Group core ROS (operating result excluding Merck Serono- and Merck Millipore-related amortization of intangible assets and integration costs, as well as impairment losses on intangible assets in the Performance Materials division/total revenues) declined to 12.3% in the second quarter compared to 22.7% in the year-earlier quarter.

Exceptional items in the second quarter of 2011 totaled € –11 million, which mainly concerned adjustments for risks on discontinued businesses. Exceptional items in the second-quarter of 2010 totaled € –1.2 million.

Earnings before interest and tax (EBIT) in the second quarter of 2011 fell to € –22 million compared to € 325 million in the year-ago quarter. First-half EBIT declined 18% to € 507 million from € 620 million in the first half of 2010.

Merck's financial result improved by 4.7% to € –75 million in the second quarter of 2011 from € –78 million in the year-ago quarter due to lower interest expenses.

The Merck Group's second-quarter profit before tax was € –97 million compared to € 247 million in the year-ago quarter. Merck's underlying tax ratio was just 12.9% for the second quarter of 2011 compared to 24.2% in the year-ago quarter. Due to higher deferred tax income, the actual tax benefits in the second quarter of 2011 amounted to € 13 million compared to a tax burden of € 60 million in the corresponding quarter of 2010.

Profit after tax in the second quarter of 2011 fell to € –84 million from € 187 million in the second quarter of 2010.

Total assets of the Merck Group as of June 30, 2011, amounted to € 21,890 million, which was 2.2% less than the amount of € 22,388 million recorded on December 31, 2010.

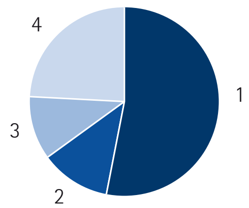
The equity ratio rose to 47.3% as of June 30, 2011 from 46.3% at the beginning of 2011. Net financial debt as of June 30, 2011, declined by € 700 million to € 3,784 million from € 4,484 million at the end of 2010.

The free cash flow of the Merck Group was € 253 million in the second quarter of 2011 as compared with € 356 million in the year-ago quarter. Free cash flow for the first half of 2011 improved from € 551 million to € 899 million. Underlying free cash flow (free cash flow excluding acquisitions and divestments) was € 258 million in the second quarter compared to € 360 million in the year-ago quarter. Free cash flow on revenues (FCR: underlying free cash flow/total revenues) declined to 10.1% in the quarter under review from 16.3% in the year-ago quarter. Underlying free cash flow amounted to € 444 million in the first half of 2011 compared to € 567 million in the first half of 2010.

Merck had 40,487 employees worldwide on June 30, 2011, compared to 40,562 on December 31, 2010.

Number of employees as of June 30, 2011: 40,487

1	Europe	21,565	53%
2	North America	4,860	12%
3	Latin America	4,283	11%
4	Asia, Africa, Australasia	9,779	24%



CORPORATE AND OTHER

The segment Corporate and Other includes corporate overhead costs incurred by Group holding companies, the financial result, taxes and exceptional items that are not allocated to specific divisions.

Corporate and Other | Key figures

€ million	Q2 – 2011	Change in %	Jan.–June 2011	Change in %
Total revenues	–	–	–	–
Gross margin	–	–	–	–
Research and development	–	–	–	–
Operating result	–24.7	–	–50.1	1.1
Exceptional items	–17.3	–	–17.3	–
Free cash flow	–111.7	46.5	–367.6	86.9
Underlying free cash flow	–111.7	53.6	–367.6	102.8

RISK REPORT

All issues concerning business-related risks, legal risks, human resources risks, information technology risks and environmental and safety risks – as previously stated in the 2010 Annual Report – remain valid for the Merck Group in the current reporting period.

No issues have been identified that pose a risk to the continued existence of the Merck Group.

REPORT ON EXPECTED DEVELOPMENTS

As the Merck Group has passed the half-year mark, it is now able to refine the guidance for 2011. The Executive Board now believes that full-year total revenues for the Group will increase to between € 10 billion and € 10.4 billion. As demonstrated in the first half of 2011, the net financial debt of the Merck Group resulting from the 2010 acquisition of Millipore is decreasing substantially. The Group operating result for 2011 is expected to amount to about € 1 billion, which is below the guidance given in April due to the many one-time adjustments explained earlier in this report.

Merck Guidance for 2011

Merck Group	Expectations 2011
Total Revenues	€ 10 billion – € 10.4 billion
Operating Result	~ € 1.0 billion

Merck Divisions	Total Revenues Growth 2011
Merck Serono	+1% – 2%
Consumer Health Care	+6% – 9%
Merck Millipore*	~ +50%
Performance Materials*	+4% – 6%

* Adjusted to reflect that the Cosmetic Actives business was transferred to Performance Materials in 2011 from Merck Millipore.