BUSINESS SECTORS

The pharmaceutical, chemical and life science businesses of Merck are organized into two business sectors – Pharmaceuticals and Chemicals – each of which consists of two divisions.

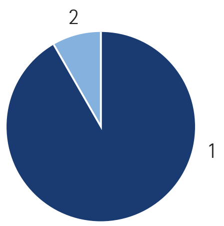
The Pharmaceuticals business sector's divisions are Merck Serono for innovative prescription medicines and Consumer Health Care for over-the-counter pharmaceutical products. The Pharmaceuticals business sector generated 63% of the Group's total revenues during the third quarter. Total revenues for the Pharmaceuticals business sector increased by 5.5% to € 1,602 million during the third quarter.

The Pharmaceuticals business sector was affected by increased cost of sales for the Merck Serono division due to negative currency effects – mainly the strong Swiss franc – plus a negative product mix, start-up costs for the new biotech production plant in Switzerland and higher research and development expenses. As a result, the Pharmaceuticals business sector's third-quarter operating result declined 15% to € 191 million from € 226 million in the year-ago quarter.

Pharmaceuticals | Total revenues by division – Q3

€ million / % of total revenues of the business sector

1	Merck Serono	1,469	92%
2	Consumer Health Care	133	8%



The Chemicals business sector includes the Merck Millipore division, with three business units – Bioscience, Lab Solutions, and Process Solutions, as well as the Performance Materials division, which consists of two business units – Liquid Crystals and Pigments & Cosmetics.

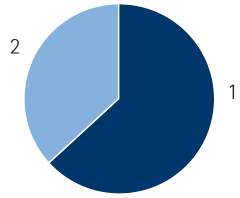
The Chemicals business sector accounted for 37% of the Group's total revenues in the third quarter.

This business sector's total revenues rose by 1.1% to € 930 million in the third quarter as sales of life science products compensated for softened demand for liquid crystals and effect pigments. The Chemicals business sector's operating result rose 2.6% to € 166 million in the third quarter.

Chemicals | Total revenues by division – Q3

€ million / % of total revenues of business sector

1	Merck Millipore	588	63%
2	Performance Materials	342	37%



MERCK SERONO

Merck Serono discovers, develops, manufactures and markets prescription medicines of both chemical and biological origin. It is the largest division of the Merck Group, accounting for 58% of Group total revenues in the third quarter.

Merck Serono | Key figures

€ million	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Total revenues	1,468.8	1,393.5	4,375.9	4,250.7
Gross margin	1,225.1	1,199.8	3,633.7	3,605.1
Research and development	–297.1	–279.6	–904.0	–880.2
Operating result	174.3	209.5	176.1	551.1
Exceptional items	–	–	6.8	–
Free cash flow	381.7	410.4	1,075.0	859.3
Underlying free cash flow	381.8	410.4	804.7	859.3
ROS in %	11.9	15.0	4.0	13.0

Merck Serono's total revenues during the third quarter increased 5.4% to € 1,469 million compared to € 1,393 million in the year-ago quarter, representing a solid performance in a difficult environment of lower health care spending by governments and other payers.

Foreigns currency exchange rate movements reduced revenue growth by 1.9% and the divestment of the Théramex women's health business in 2010 also had the effect of lowering revenue growth by 1.5%. Adjusted for these items, Merck Serono generated organic revenue growth of 8.9% in the quarter.

In the third quarter of 2010, Merck Serono made the decision to change its distribution strategy in the Chinese market. This resulted in lower revenues in the third quarter of 2010 as the change was implemented. Adjusted for this further effect, Merck Serono organic revenue growth was approximately 6% in the third quarter of 2011.

From a geographic perspective, the majority of the division's organic sales growth came from Asia and emerging markets, with the strong performance in North America attributable to solid Rebif® sales.

Royalty, license and commission income rose by 7.2% to € 94 million in the third quarter, primarily to adjust accruals made in previous quarters.

Global sales of Rebif® for the treatment of relapsing forms of multiple sclerosis rose 4.7% to € 426 million in the third quarter or 8.4% on an organic basis. The increase is largely due to a 20% organic increase in the United States, which was primarily attributable to price increases in January and June.

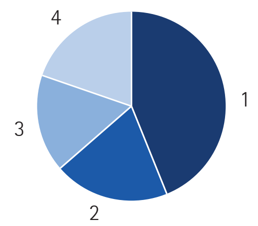
Sales of the targeted cancer treatment Erbitux® increased 4.7% on an organic basis to € 218 million primarily as a result of growth in emerging markets. Sales of Erbitux® are recovering in Japan, where it has been transitioning from third-line to first-line metastatic colorectal cancer and now requires KRAS testing in all lines. Erbitux® sales in Japan declined 23% organically following a 36% organic sales decline in the second quarter of 2011.

Third-quarter sales of Gonal-f®, a recombinant hormone used in the treatment of infertility, rose to € 123 million and generated 9.3% organic sales growth in the quarter. Gonal-f® has been performing well due to the strength of its brand, its exposure in emerging markets, and good lifecycle management.

Merck Serono | Sales by region – Q3

€ million / % of divisional sales

1	Europe	605	44%
2	North America	271	20%
3	Latin America	230	17%
4	Asia, Africa, Australasia	268	19%



Merck Serono's Endocrinology business also performed strongly in the third quarter, posting sales of € 90 million, which represented 17% organic sales growth. This therapeutic area includes six brands, two of which have been launched during the past two years. Sales of the recombinant growth hormone Saizen® for the treatment of growth-hormone deficiency were € 59 million, representing a 9.6% organic sales growth in the quarter. Another growth driver in this franchise is Kuvan®, which was launched in 2009 and already is available in 35 countries. It is the first and only prescription drug for the treatment of the rare diseases hyperphenylanlaninemia (HPA) in adults and phenylketonuria (PKU) in children.

Merck Serono's primary care products continued to contribute significantly to the division's overall sales. Sales of the branded Concor® (bisoprolol) beta-blocker products, such as Lodoz® and Concor®COR, were up 15% organically to € 93 million in the third quarter thanks to developments in emerging markets. Sales of thyroid medicines such as Euthyrox® jumped 21% organically to € 48 million in the third quarter with half the increase stemming from China.

Total sales of the Glucophage® (metformin) franchise of oral antidiabetic products rose 11% organically to € 83 million in the third quarter due to strong demand in Latin America and Japan. Possible capacity constraints could result in a short-term limitation on supply of this product and limit the robust growth of this product in future quarters.

The division's cost of sales rose 26% in the third quarter. This increase was due to currency effects – mainly the strong Swiss franc – plus a negative product mix as well as start-up costs for the new biotech production plant in Switzerland.

Consequently, the gross margin rose by 2.1% to € 1,225 million. Marketing and selling costs were nearly unchanged at € 344 million. Royalty, license and commission expenses rose 16% to € 128 million, largely on higher third-party sales for Rebif® and Erbitux®.

Research and development spending by Merck Serono increased 6.3% to € 297 million in the third quarter. The rise is due to several expensive late-stage clinical trials and also to currency effects from the Swiss franc. Merck Serono operates a major research facility in Geneva.

In September, Merck acquired the worldwide exclusive rights to PI-2301, an experimental drug for multiple sclerosis, previously developed by Peptimmune Inc. PI-2301 has completed Phase 1b in multiple sclerosis. The purchase price was € 1.2 million.

On October 3, Merck acquired the development and commercialization rights outside of Japan, Korea and Taiwan to the Phase 2 oral multiple sclerosis drug candidate ONO-4641 from Ono Pharmaceutical Co. of Japan for an upfront payment of about € 14 million plus potential future payments. At the same time, Ono received a co-development and co-marketing license from Merck for Stimuvax in Japan. Merck received an upfront payment of € 5 million. Stimuvax is an investigational therapeutic cancer immunotherapy.

Merck has decided not to pursue registration of the HSA-free formulation of Rebif® in the United States. Based on feedback from the U.S. Food and Drug Administration (FDA) as well as from external experts, the company has determined that pursuing the U.S. registration would require additional clinical trial data to support approval. Therefore, the company will focus on continuing to bring enhanced delivery devices to the U.S. market as well as continuing to invest in existing programs and support services for Americans living with MS. This decision has no effect on the availability of this formulation in other markets.

As already announced in the second quarter, the amortization period of Rebif® is being reduced by two years, reflecting the impact of oral multiple sclerosis drugs entering the market. This decision had the effect of increasing amortization by an incremental € 17 million per quarter through 2019. As a result, amortization of intangible assets increased in the third quarter by 11% to € 164 million from € 148 million in the year-ago quarter.

The division's third-quarter operating result declined by 17% to € 174 million from € 210 million in the year-ago quarter. The third-quarter underlying core operating result, which excludes amortization of intangible assets and one-time charges, was € 338 million, or 23.0% of revenues, compared to € 358 million, or 25.7% of revenues, in the third quarter of last year.

Joining the Merck Serono executive management team in September were: Dr. Belén Garijo, Chief Operating Officer; Dr. Annalisa Jenkins, Global Head of Drug Development & Medical; and James Stewart, Head of the Strategy Realization Office.

CONSUMER HEALTH CARE

The Consumer Health Care division reported a 6.3% rise in total revenues to € 133 million in the third quarter, representing 7.1% organic revenue growth. Growth was achieved across all geographic regions. More specifically, Germany, Russia and India were strong performers in the quarter.

Consumer Health Care | Key figures

€ million	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Total revenues	132.8	125.0	367.7	346.4
Gross margin	90.7	86.3	252.4	237.5
Research and development	–5.8	–5.5	–16.5	–16.4
Operating result	16.7	16.2	33.7	12.3
Exceptional items	–	–	–	–
Free cash flow	4.0	7.7	13.8	6.3
Underlying free cash flow	4.0	7.7	13.8	6.3
ROS in %	12.6	13.0	9.2	3.5

A key driver of the organic revenue growth in the third quarter was sales of Bion®3 probiotic multivitamins, which benefited from a strong performance in France as the result of a promotional campaign. Bion®3 sales also improved considerably in Russia. Growth in the quarter also was boosted by a price increase in Venezuela and a good performance of Nasivin® nasal spray in Russia and India.

Despite an 8.8% rise in cost of sales, the division's third-quarter gross margin rose 5.2% to € 91 million. Marketing and selling expenses rose at a slower rate than total revenues as part of management's concerted effort to improve the cost structure of the division. Administration expenses also declined.

Consequently, the division's operating result rose by 3.2% to € 17 million in the third quarter from € 16 million in the year-ago quarter. In the first nine months of 2011, the operating result of the division nearly tripled due to improved operating performance and one-time negative events in 2010 that were not repeated.

The division's EBIT margin for the third quarter was 12.6% compared to 13.0% in the year-ago quarter. In the first nine months of the year, the division's EBIT margin increased to 9.2% from 3.5% in the year-ago quarter.

Udit Batra, formerly of Novartis, was appointed Head of the Consumer Health Care division effective September 1 of this year. He succeeds Peter Shotter.

Consumer Health Care | Sales by region – Q3

€ million / % of divisional sales

1	Europe	93	70%
2	North America	1	1%
3	Latin America	21	16%
4	Asia, Africa, Australasia	17	13%