



Your Contact

Phyllis Carter  
Phone +49 6151 72-7144

## News Release

July 29, 2010

### Q2/2010: Merck KGaA Profit After Tax Jumps 70% to EUR 187 Million

- Total revenues increase 16% to record EUR 2.2 billion
- Rebif® sales up 4% to EUR 402 million
- Erbitux® sales rise 23% to record EUR 210 million
- Liquid Crystals revenues soar 50% to record EUR 284 million
- 2010 Group outlook with Millipore: operating result to improve by 90%

#### Key Figures:

Merck Group (EUR Million)	Q2/2010	Q2/2009	(+/- %)	1-6/2010	1-6/2009	(+/- %)
Total Revenues	<b>2,208.0</b>	1,909.7	15.6	<b>4,306.9</b>	3,768.2	14.3
Operating Result	<b>326.2</b>	184.5	76.8	<b>621.0</b>	382.6	62.3
Exceptionals	<b>- 1.2</b>	--	--	<b>- 1.2</b>	- 68.8	- 98.3
EBIT	<b>325.0</b>	184.5	76.2	<b>619.8</b>	313.8	97.5
Profit After Tax	<b>186.9</b>	109.9	70.1	<b>381.5</b>	170.1	124.3
Net Profit*	<b>183.4</b>	108.5	69.1	<b>374.8</b>	165.1	127.0
EPS (EUR)	<b>0.84</b>	0.50	69.1	<b>1.72</b>	0.76	127.0
Core EPS (EUR)**	<b>1.44</b>	1.10	31.1	<b>2.88</b>	2.24	28.6

\* Net Profit after non-controlling interests

\*\* EPS excluding amortization of intangible assets and related tax effects for Merck Serono.

“The pleasing results of the second quarter, with total revenues well over two billion euros, show that our excellent first quarter was setting the course for the year,” said Dr. Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA. “Therefore, we feel comfortable to again raise our guidance for 2010 and now expect the Merck Group, including Millipore, to increase total revenues by 21% and the operating result by 90%.”

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#### Merck KGaA

Frankfurter Strasse 250  
64293 Darmstadt  
Hotline +49 (0) 6151 72-5000  
www.merck.de

Head External Communications -2386  
Spokesmen: -9591 / -7144 / -6328  
Fax +49 (0) 6151 72-7707  
media.relations@merck.de



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### Q2/2010: Merck Profit After Tax Jumps 70% to EUR 187 Million

Darmstadt, July 29, 2010 – All four divisions of the Merck Group, especially the Chemicals divisions, recorded increases in second-quarter 2010 revenues, leading to a record EUR 2,208 million in **total revenues** for the Group. This was a 16% increase compared to the year-ago amount of EUR 1,910 million. In the first half of 2010, total revenues rose 14% to EUR 4,307 million.

With revenues increasing at a faster rate than cost of sales, the gross margin rose 22% in the second quarter to EUR 1,691 million.

**Research and development** costs declined slightly to EUR 339 million in the second quarter. More than 87% of this amount was used by the Merck Serono division, which has a large number of expensive late-stage clinical trials underway. R&D costs in the first half of the year amounted to EUR 686 million, a 5.0% increase. Amortization of intangible assets in the second quarter, mainly stemming from the purchase of Serono in 2007, was little changed at EUR –146 million.

Thus, with improved revenues and an improved gross margin, the **operating result** jumped 77% in the second quarter to EUR 326 million from EUR 184 million in the year-ago quarter. The first-half operating result improved 62% to EUR 621 million. The Group's second-quarter core operating result, i.e. operating result excluding amortization of intangible assets from the Serono purchase, was EUR 469 million, an increase of 42% compared to the year-ago quarter.

The Group return on sales (**ROS**: operating result/total revenues) increased to 14.8% in the second quarter of 2010 compared to 9.7% in the year-ago quarter. Group core ROS (operating result excluding Serono-related amortization of intangible assets/total revenues) in the second quarter of 2010 was 21.3% compared to 17.3% in the year-ago quarter.



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Exceptional items during the second quarter of 2010 amounted to EUR –1.2 million due to a reimbursement from the 2005 divestment of the Electronic Chemicals business. There were no exceptional items in the year-ago quarter. Therefore, earnings before interest and tax (**EBIT**) jumped 76% to EUR 325 million in the second quarter of 2010 compared to EUR 184 million in the year-ago quarter. First-half EBIT nearly doubled to EUR 620 million in 2010 compared to EUR 314 million in 2009.

Due to interest payments on the financing for Millipore, Merck's **financial result** more than doubled to EUR –78 million in the second quarter. For the half year, the financial result was EUR –117 million compared to EUR –71 million in the first half of 2009.

The Merck Group's second-quarter **profit before tax** increased 67% to EUR 247 million from EUR 148 million in the year-ago quarter. In the first half of 2010, profit before tax more than doubled to EUR 503 million. Merck's underlying **tax rate** was 24.2% for the second quarter of 2010 compared to 25.9% in the year-ago quarter. **Profit after tax** in the second quarter of 2010 increased by 70% to EUR 187 million from EUR 110 million in the second quarter of 2009. For the first half of 2010, profit after tax more than doubled to EUR 381 million from EUR 170 million in the year-ago period.

The Merck Group's **free cash flow** increased in the second quarter of 2010 to EUR 356 million compared to EUR 79 million. This is mainly due to better results and lower tax payments compared to the year-ago period. For the half year, free cash flow was EUR 551 million in 2010 and EUR 243 million in 2009.

Merck had 34,003 **employees** worldwide on June 30, 2010, an increase of 941 compared to 33,062 on December 31, 2009. A large portion of this increase was due to expansion in China.

### Merck Business Sectors

Total revenues for the **Pharmaceuticals** business sector increased by 9.9% to EUR 1,564 million during the second quarter and by 8.2% to EUR 3,079 million during



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the first half of the year. This business sector generated 71% of the company's total revenues and 49% of the Group operating result, excluding the segment Corporate and Other, during the second quarter. The business sector's operating result rose by 17% to EUR 158 million in the second quarter and by 6.0% in the first half to EUR 338 million.

**Merck Serono's** total revenues increased 10% to EUR 1,451 million in the second quarter of 2010 compared to EUR 1,319 million in the year-ago quarter, boosted by strong sales of Merck Serono's two leading products – the biologic therapies **Rebif**<sup>®</sup> and **Erbix**<sup>®</sup>. Regionally, sales rose significantly in China, Japan and Latin America. Positive currency effects of 3.6% contributed to the increase. First-half revenues rose 8.5% to EUR 2,857 million.

Global sales of **Rebif** for the treatment of relapsing-remitting forms of multiple sclerosis rose 4.0% to EUR 402 million in the second quarter. This was slightly less than the EUR 429 million booked in the first quarter due to the fact that U.S. wholesalers received an extra 20 days supply of Rebif and other products during March. Merck's U.S. subsidiary EMD Serono implemented a new computer system in April, which meant shipments were not possible then.

Sales of the targeted cancer treatment **Erbix** continued to climb, increasing by 23% in the second quarter to a record EUR 210 million following a 19% increase to EUR 192 million in the first quarter. Second-quarter sales of **Gonal-f**<sup>®</sup> fertility products increased by 6.9% to EUR 122 million. Sales of the recombinant growth hormone **Saizen**<sup>®</sup> rose by 21% to EUR 58 million in the second quarter. Quarterly sales results for Merck's primary care products: **Concor**<sup>®</sup> products, -3.2% to EUR 108 million; **Glucophage**<sup>®</sup> products, +3.9% to EUR 81 million; and **thyroid medicines** such as **Euthyrox**<sup>®</sup>, +21% to EUR 47 million.

Merck Serono research and development costs declined by 2.0% to EUR 296 million compared to a slightly higher EUR 302 million the second quarter of 2009. First-half R&D expenses rose 4.6% to EUR 601 million. The division's R&D costs continue to be



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just over 20% of total revenues due to the large number of expensive, late-stage clinical trials.

In late July, the U.S. Food and Drug Administration (FDA) accepted for filing the New Drug Application (NDA) for Cladribine Tablets as a therapy for relapsing forms of multiple sclerosis (MS). The application also was granted a priority review designation, which reduces the review period to as little as six months instead of the standard 10 months. Earlier in July, Russian health authorities granted marketing authorization for Cladribine Tablets under the trade name Movectro<sup>®</sup> for the treatment of relapsing-remitting MS. This was the first approval in the world of an oral treatment for MS.

The second-quarter charge for amortization of intangible assets from the 2007 acquisition of Serono was EUR 143 million, the same as in the year-ago quarter. Despite higher marketing and selling costs, the division's operating result rose 31% to EUR 164 million in the second quarter. In the first half of 2010, the operating result rose 14% to EUR 342 million.

For Merck Serono, ROS was 11.3% for the second quarter compared to 9.5% in the year-ago quarter. Core ROS, which Merck defines as excluding Serono-related amortization of intangible assets, was 21.1% in the second quarter of 2010 compared to 20.6% in the year-ago quarter.

The **Consumer Health Care** division increased its second-quarter total revenues by 9.4% to EUR 114 million in spite of negative currency effects of 2.6%. The division's only major market to show a decline in organic sales was the United Kingdom. Marketing and selling costs, as well as investments in research and development, rose again in the second quarter as the division continued to implement its strategy of driving growth via strategic brands. The division's second-quarter operating result of EUR -5.4 million reflects the continued heavy marketing and selling investment in the quarter and higher R&D costs; a fire at the Seven Seas warehouse in the U.K., and the continuing impact of the Venezuelan devaluation. For the first half of 2010, the

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operating result was down EUR 22 million to EUR –3.9 million. The second-quarter ROS dropped to –4.8% compared to 10% in the year-ago quarter.

### Chemicals

Total revenues of the Chemicals business sector jumped 32% to EUR 644 million in the second quarter and by 33% to EUR 1,228 million in the first half. The second-quarter gross margin improved by 79% to EUR 394 million as production costs declined. The business sector's operating result more than doubled to EUR 166 million compared to an unusually low EUR 70 million in the year-ago quarter. The half-year operating result more than tripled to EUR 333 million compared to a very low level of EUR 107 million in the year-ago period when the sector was impacted by the financial crisis of 2009. The Chemicals business sector generated 29% of the Group's total revenues but 51% of the operating result, excluding the segment Corporate and Other.

Total revenues for the **Liquid Crystals** division continued to climb in the second quarter, jumping 50% to a record EUR 284 million in the second quarter compared to EUR 189 million in the year-ago quarter. During the first half of 2010, revenues were up 63% to EUR 523 million. Positive currency effects accounted for 13% of the revenue increase but the lion's share – 37% – was due to the growing demand for Merck's high-tech liquid crystals. For example, Merck's liquid crystals based on patented Polymer Stabilized Vertical Alignment (PS-VA) technology offer better moving-picture quality, faster switching times, higher contrast and brightness, and lower power consumption – qualities desired by manufacturers of the new LED-backlit LCD TVs.

With increased volumes, unit costs improved significantly in the second quarter because of improved efficiencies and better utilization of capacities. Therefore, the gross margin more than doubled in the second quarter to EUR 204 million from EUR 88 million in the year-ago quarter. Research and development costs rose 2.3% to EUR 23 million in the second quarter. Likewise, selling, general and administration costs rose in the quarter.



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Still, because of the high demand and high quality of its products, the Liquid Crystals division's second-quarter operating result nearly tripled to EUR 151 million compared to a very low year-ago level of EUR 52 million. The half-year operating result improved fourfold to EUR 263 million from just EUR 64 million in the first half of 2009. This resulted in an ROS of 53.2% in the second quarter compared to 27.4% in the year-ago quarter and a half-year ROS of 50.3% compared to 20.1% in the first half of 2009.

Total revenues of the **Performance & Life Science Chemicals** division rose 21% to EUR 360 million in the second quarter of 2010, topping the record high set in the first quarter of this year. Revenues grew organically by 12% and a favorable currency effect added another 7.4%. First-half total revenues were up 17% to EUR 705 million. All three business units and all regions contributed to this success.

The growth is due mainly to higher volumes so that production capacity is being fully utilized with back orders in some areas. As production costs were only slightly higher than a year ago, the gross margin rose 44% to EUR 189 million in the second quarter. With revenues and the gross margin increasing more than expenses, the division's operating result more than doubled to EUR 47 million in the second quarter of 2010 compared to just EUR 18 million in the year-ago quarter. For the first half, the operating result was EUR 102 million, more than twice the EUR 42 million of the year-ago period. This led to a second-quarter ROS of 13.1% compared to 6.0% in the second quarter of last year. First-half ROS was 14.5% in 2010 versus 7.0% in 2009.



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### Millipore Corporation

Merck completed the acquisition of the Millipore Corporation, a leading U.S.-based life science company with headquarters in Billerica, Massachusetts, on July 14, 2010. The aggregate purchase price, including debt and cash, amounted to EUR 5.2 billion (USD 7.0 billion). As of the third quarter, Millipore will be combined with most of the Performance & Life Science Chemicals division to form a new division called Merck Millipore. This division will consist of three business units – Bioscience, Lab Solutions and Process Solutions.

Millipore transaction costs of EUR 23.7 million were booked in the first quarter under the segment Corporate and Other and have been reclassified in the second quarter to the new Merck Millipore division. Another EUR 8.5 million was booked in the second quarter.

The following information summarizes **Millipore's stand-alone financial performance** during its second quarter ending July 3, 2010.

Millipore's revenues for the second quarter grew 12% from the previous year, totaling \$458 million. Excluding a 2% unfavorable impact from changes in foreign currency, Millipore generated organic revenue growth of 14% in the quarter. On a divisional basis, excluding changes in foreign currency, Millipore's Bioprocess Division generated 18% organic revenue growth, while its Bioscience Division grew 7% from the previous year. Millipore reported a 24% increase in its non-GAAP operating profit and grew its free cash flow by 75% over the second quarter of 2009.

Millipore's Bioprocess Division benefited from increased production of vaccines and monoclonal antibodies by biopharmaceutical customers in all geographic regions. Additionally, the company's Bioscience Division, which sells products used in laboratory research, saw strength in academic accounts and healthy levels of investment by large pharmaceutical customers. From a geographic perspective, Millipore generated 12% organic revenue growth in the Americas, 27% organic revenue growth in Asia, and 9% organic revenue growth in Europe.

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### Merck raises outlook for 2010

The Merck Group's total revenues and operating result developed very positively during the first six months of the year and there is every indication that the second half of 2010 will surpass the first half. The Chemicals business performed on a high level in the second quarter and this trend should continue through the year. Therefore, the full-year guidance for the Merck Group as it would be without Millipore is as follows:

#### Merck Group forecast for 2010 excluding Millipore

	Growth in total revenues		Growth in operating result	
	New	From Q1	New	From Q1
Merck Serono	7.5%	2 to 5%	60%	30 to 40%
Merck Serono, Core*			12%	0 to 10%
Consumer Health Care	5%	5 to 10%	-20%	-10 to 0%
Liquid Crystals	50%	15 to 20%	160%	60 to 70%
Performance & Life Science	15%	3 to 8%	100%	15 to 20%
Corporate and Other			-22%	
Merck Group**	12.5%	3 to 7%	95%	30 to 40%
Merck Group, Core*			40%	5 to 15%

\* Excludes Serono-related amortization of intangible assets.

\*\* Includes actual Millipore transaction and integration costs of EUR 32 million during the first half of 2010.

With the July 14 acquisition of Millipore, Merck's outlook naturally changes. In order to provide a timely, although early-stage, view of how management expects the remainder of the year to develop, the company is providing guidance for 2010 that includes Millipore's expected second-half total revenues of EUR 670 million and core operating result of EUR 165 million. Taking into consideration estimated one-time write-offs of step-up inventories, estimated six months amortization of intangibles as well as estimated transaction and integration costs during the second half of 2010, the Millipore operating result is expected to amount to EUR -40 million in the second half. The afore-mentioned effects related to the acquisition of Millipore were identified shortly after closing and are subject to adjustment in the course of the first-time consolidation of Millipore in the third quarter.

#### Merck Group forecast for 2010 including Millipore

	Growth in total revenues	Growth in operating result
Merck Group***	21%	90%
Merck Group, Core****		55%

\*\*\* Includes estimated Millipore-related transaction and integration costs of EUR 58 million during 2010.

\*\*\*\* Excludes Serono-related amortization of intangible assets and Millipore-related write-offs of step-up inventories and amortization of intangible assets from the purchase price allocation, as well as transaction and integration costs.



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### Notes to Editors:

The complete online version of the Q2-2010 Report, as well as the related presentations, is available at: [Merck Q2-2010-English](#)

### Merck KGaA stock symbols:

Reuters: MRCG, Bloomberg: MRK GY, Dow Jones: MRK.XE  
Frankfurt Stock Exchange: ISIN: DE 000 659 9905 - WKN: 659 990

### Note regarding forward-looking statements

The information in this document contains "forward-looking statements." Forward-looking statements may be identified by words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "will" or words of similar meaning and include, but are not limited to, statements about the expected future outcome or timing of the transactions described above. These statements are based on the current expectations of management of Merck KGaA and E. Merck KG, and are inherently subject to uncertainties and changes in circumstances. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are factors relating to changes in global, political, economic, business, competitive, market and regulatory forces. Merck KGaA and E. Merck KG do not undertake any obligation to update the forward-looking statements to reflect actual results, or any change in events, conditions, assumptions or other factors.

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Merck is a global pharmaceutical and chemical company with total revenues of EUR 7.7 billion in 2009, a history that began in 1668, and a future shaped by approximately 40,000 (including Merck Millipore) employees in 64 countries. Its success is characterized by innovations from entrepreneurial employees. Merck's operating activities come under the umbrella of Merck KGaA, in which the Merck family holds an approximately 70% interest and free shareholders own the remaining approximately 30%. In 1917 the U.S. subsidiary Merck & Co. was expropriated and has been an independent company ever since.