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News Release

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Q2/2007: Merck Revenues Soar 67% to EUR 1.8 Billion

- Q2 operating result jumps 58% to EUR 278 million
- Q2 Sales of Erbitux up 44%; Rebif up 8.2%; Liquid Crystals up 12%
- FY Outlook: Sales to rise at high single-digit rate, OR to improve by +20%

(Unless otherwise stated, all figures for 2006 and 2007 exclude Generics, which according to IAS, is classified as discontinued operations. The 2006 figures exclude Serono unless they are referred to as pro forma.)

Key Figures:

Merck Group (Mio EUR)	Q2/2007	Q2/2006	(+/- %)	1-6/2007	1-6/2006	(+/- %)
Total Revenues ¹	1,794.6	1,077.5	66.5	3,510.0	2,223.3	57.9
Sales ¹	1,720.1	1,072.8	60.3	3,370.6	2,213.9	52.2
Operating Result ¹	277.5	176.1	57.6	518.4	402.1	28.9
Exceptionals ¹	- 183.0	397.5	--	- 378.7	378.1	--
EBIT ¹	94.6	573.5	- 83.5	139.7	780.1	- 82.1
Profit After Tax ²	90.3	538.0	- 83.2	84.3	722.4	- 88.3
Net Profit After Minorities ²	85.5	528.5	- 83.8	77.2	709.3	- 89.1
Earnings Per Share (EUR) ²	0.36	2.72	- 86.8	0.33	3.66	- 91.0

¹ Excludes Generics business, which now is classified as discontinued operations

² Includes continuing and discontinued operations

“With the purchase of Serono completed and the sale of our Generics business underway, Merck is now focusing on driving growth in its two business sectors of Pharmaceuticals and Chemicals,” said Dr. Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA. “Both sectors performed very well in the first half of

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2007 and we expect continuing operations for the full year will have a high single-digit rise in sales and an increase of more than 20 percent for the operating result.”

Q2/2007: Merck Revenues Soar 67% to EUR 1.8 Billion

Darmstadt, Germany, July 25, 2007 – Merck Group total revenues in the second quarter rose 67% to EUR 1,795 million compared to EUR 1,078 million in the year-ago quarter. For the first half, Group revenues increased 58% to EUR 3,510 million.

Using 2006 pro forma figures, i.e. including Serono, second-quarter Group revenues grew 9.3% to EUR 1,795 million from EUR 1,643 million. Half-year pro forma revenues rose 4.6% to EUR 3,510 million from EUR 3,356 million.

During the second quarter, Merck booked EUR 34 million for integration costs as well as EUR 141 million for amortization of intangible assets, mainly stemming from the Serono acquisition. Nevertheless, the operating result grew 58% to EUR 278 million. The above mentioned amortization costs within the scope of the Serono purchase price allocation began in the first quarter of 2007 and are expected to continue for several years.

Return on sales (ROS: operating result/total revenues) was 15.5% in the second quarter compared to 16.3% in the year-ago quarter. Return on capital employed (ROCE: operating result divided by average operative assets) was 8.5% compared to 20.0% due to a massive increase in operative assets following the Serono acquisition.

Merck also posted exceptional items totaling EUR –183 million in the second quarter. This sum mainly represents further purchase price allocations related to Serono inventories, which already began in the first quarter and will be completed this year. In the second quarter of 2006, Merck booked an exceptional gain of EUR 397 million on the sale of its shares in Schering AG.



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Therefore, earnings before interest and tax (EBIT) in the second quarter of 2007 fell 84% to EUR 95 million from EUR 574 million in the year-ago quarter. Group EBIT in the first half fell 82% to EUR 140 million.

Second-quarter profit before tax fell to EUR 15 million from a very high EUR 567 million in the year-ago quarter. Merck's underlying tax rate from continuing operations and before exceptional items was 24.5% compared to 26.5% in the year-ago quarter. Tax credits (deferred tax) related to purchase price allocation occurred in Switzerland and were therefore small.

Profit after tax from continuing operations was EUR 48 million in the second quarter. Including profit after tax from discontinued operations, namely Generics, of EUR 43 million, the total Group profit after tax was EUR 90 million. For the first half of 2007, profit after tax was EUR 84 million compared to EUR 722 million in the year-ago period.

Merck had 35,214 employees worldwide on June 30, 2007, 17% or 5,215 more than on December 31, 2006, mainly due to the Serono acquisition. The June total also includes 4,593 people employed by the Generics division.

Highlights

Pharmaceuticals total revenues increased to EUR 1,249 million in the second quarter with the inclusion of Merck Serono compared to the year-ago amount of EUR 564 million, which did not include Merck Serono. For the half year, revenues more than doubled to EUR 2,427 million, again reflecting the acquisition of Serono. Using pro forma 2006 figures that include Serono results, Pharmaceuticals revenues rose 6.8% in the first half and 11% in the second quarter as sales of key products continued to improve. The Pharmaceuticals business sector generated about 70% of the Merck Group's total revenues.

Boosted by the January acquisition of Serono, total revenues for the **Merck Serono** division (formerly Ethicals) soared to EUR 1,142 million in the second quarter of 2007



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compared to EUR 469 million in the year-ago quarter. Likewise, half-year revenues were EUR 2,220 million compared to EUR 946 million in the year-ago period. Using pro forma 2006 figures that include Serono, the division's revenues rose 10% in the second quarter and 6.8% in the first half. Revenues improved mainly due to substantially higher sales of major products such as the multiple sclerosis treatment Rebif[®], the cancer treatment Erbitux[®] and the beta-blocker bisoprolol.

Worldwide sales of **Rebif** increased 8.2% to a record EUR 312 million in the second quarter compared to the year-ago quarter. Sales grew 5.9% in the first half of 2007, driven primarily by an increase of Rebif sales in the United States, where the drug continues to gain market share. Sales of the cancer treatment **Erbitux** continue to climb, jumping 44% in the second quarter to EUR 116 million. For the half year, Erbitux sales rose 46% to EUR 226 million.

Merck Serono's investment in research and development doubled to EUR 243 million in the second quarter from EUR 121 million in the year-ago quarter with the acquisition of Serono. During the second quarter, Merck Serono announced positive results from several major clinical trials for Erbitux and safinamide, a drug in development for the treatment of Parkinson's disease.

In other second-quarter pipeline news, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion recommending marketing authorization of a new formulation of Rebif. The European Commission also granted marketing authorization for Pergoveris[™], the first recombinant combination product for fertility treatment

Total revenues for the **Consumer Health Care** division rose 12% to EUR 107 million in the second quarter compared to EUR 95 million in the year-ago quarter. During the first half of 2007, division revenues rose 6.9% to EUR 207 million, continuing to grow faster than the global consumer health market. The increase in revenues was driven by double-digit increase in sales of strategic brands that began early this year.



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Chemicals

Total revenues for the **Chemicals** business sector rose 6.6% to EUR 538 million in the second quarter with increases reported by both the Liquid Crystals and Performance & Life Science Chemicals divisions. For the first half, revenues were stable at EUR 1,068 million. Currency effects of –5.2% in the second quarter and –5.5% in the first half had a strong negative impact on the business sector's reported revenues because a high proportion of Chemicals revenues are generated in U.S. dollars and Asian currencies.

Total revenues for the **Liquid Crystals** division rose 12% to EUR 222 million in the second quarter of 2007, confirming the predicted market development for the Liquid Crystal Display (LCD) industry. Liquid Crystals' reported revenues were affected by negative currency exchange rates of 9.2% in the second quarter and 8.4% in the half year and by further reductions of 4.5% in the quarter and 3.8% in the half year as a result of the divestment last year of the indium tin oxide (ITO) glass-coating and color-filter activities in Taiwan. The division's operating result rose 16% to EUR 122 million in the second quarter, with ROS rising to 55.0% from 52.8%. ROCE rose to 53.2% from 48.2%. During the first half of 2007, revenues were down slightly at EUR 429 million, reflecting the decline in the first quarter due to overstocking.

Revenues for the **Performance & Life Science Chemicals** division rose 3.3% in the second quarter to EUR 316 million compared to EUR 306 million in the year-ago quarter. The half-year revenues were up 0.8% to EUR 639 million.

Discontinued Operations

Total revenues for the Generics business increased 6.7% in the second quarter to EUR 479 million from EUR 448 million in the year-ago quarter. For the first half of 2007, revenues rose 5.2% to EUR 931 million. Merck announced on May 13 that it



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would sell its Generics business to Mylan Laboratories Inc. The sale is expected to close later this year. Consequently, results for this division now are being reported under Discontinued Operations.

Outlook

Excluding the Generics business, Merck expects a high single-digit growth rate for sales and an increase of more than 20% for the operating result including the amortization relating to the purchase price allocation. Sales may continue to be subdued by adverse currency effects and these effects may even worsen.

Notes to Editors:

- Please download the full **Q2 Report** in English and German as well as the Investor Relations Presentation on the company website:
<http://www.merck.de/servlet/PB/menu/1010210/index.html>
- **Merck KGaA stock symbols**
Reuters: MRCG, Bloomberg: MRK GY, Dow Jones: MRK.DE
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 OHG, 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 OHG 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 sales of EUR 6.3 billion in 2006, a history that began in 1668, and a future shaped by 35,214 employees in 63 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.