

# **Merck Financial Services GmbH**

## **HALF-YEAR FINANCIAL REPORT**

**AS OF**

**June 30, 2009**

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# Merck Financial Services GmbH

## Balance Sheet as of June 30, 2009

	T-Euro 30.06.2009	T-Euro 30.06.2008
<b>ASSETS</b>		
<b>A. Non-Current Assets</b>		
I. Financial assets		
1. Investments in affiliates	755.000	0
2. Loans to affiliates	3.184	0
3. Other securities	29.748	0
	<b>787.932</b>	<b>0</b>
<b>B. Current assets</b>		
I. Receivables and other assets		
1. Receivables owed by affiliates	8.663	
2. Other assets (with a remaining maturity of less than one year)	1.757.378	0
II. Marketable securities	399.799	0
III. Cash and cash equivalents	235.636	26
	<b>2.401.476</b>	<b>26</b>
<b>C. Prepaid and deferred expenses</b>	<b>3.730</b>	<b>0</b>
	<b>3.193.138</b>	<b>26</b>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>		
<b>A. Net equity</b>		
I. Subscribed capital	25	25
II. Capital reserve	4.975	0
III. Loss carried forward	-1	-1
IV. Net profit/loss for the year	0	0
	<b>4.999</b>	<b>24</b>
<b>B. Liabilities</b>		
1. Bonds		
Non-convertible bond (with a remaining maturity of between one and five years)	750.000	0
2. Liabilities owed to banks	6.438	0
3. Liabilities owed to affiliates	2.421.624	2
4. Other liabilities (with a remaining maturity of less than one year)	10.077	0
	<b>3.188.139</b>	<b>2</b>
	<b>3.193.138</b>	<b>26</b>

**Merck Financial Services GmbH**  
**Income Statement**  
for the period from January 1 to June 30, 2009

	<b>T-Euro</b> <b>1 - 6 2009</b>	<b>T-Euro</b> <b>1 - 6 2008</b>
1. Other operating income	<b>193</b>	<b>0</b>
2. Other operating expenses	<b>103</b>	<b>1</b>
3. Income from other securities and loans classified as current assets (of which affiliates: EUR 0 T)	<b>118</b>	<b>0</b>
4. Other interest and similar income		
vis-a-vis affiliates	1,432	0
other interest and similar income	2,341	1
Dividends from short-term capital investments	544	0
	<b>4,317</b>	<b>1</b>
5. Writedowns of financial assets and marketable securities	<b>396</b>	<b>0</b>
6. Interest and similar expenses		
From affiliates	1,628	0
Other income and expenses	9,750	0
Expenses from foreign exchange hedging	374	0
Exchange differences from financing activities	1,040	0
	<b>12,792</b>	<b>0</b>
7. Operating result	<b>-8,663</b>	<b>0</b>
8. Loss transferred owing to a profit-and-loss transfer agreement	8,663	0
9. Net income	<b>0</b>	<b>0</b>

# Merck Financial Services GmbH

Notes as of June 30, 2009

## **General**

Merck Financial Services GmbH (“the Company”) was registered on August 27, 2007 as a “Gesellschaft mit beschränkter Haftung“ (limited liability corporation) under the name Merck Oktober Allgemeine Beteiligungs GmbH. The company name was changed on October 26, 2007 to “Merck 9. Allgemeine Beteiligungs GmbH“ and on February 5, 2009 to “Merck Financial Services GmbH.” The Company has its registered office in Darmstadt, Germany.

The purpose of the Company is to perform all activities required to function as the in-house bank of the Merck Group, in particular to centralize financing activities, to steer and manage cash flows, to take out loans as well as issue bonds, obligations, notes and any other capital and money market products, as well to support the companies of the Merck Group in any manner possible, and to manage and hedge currency, interest and market price risks as well as to manage assets and pensions.

The Company may also hold participations in other legal entities.

The Company is directly included in the consolidated financial statements of Merck KGaA, Darmstadt, as a subsidiary of Merck KGaA.

The accounting policies conform with the requirements of the German Commercial Code. The principles of sections 264 to 288 of the German Commercial Code applicable to small corporations were applied to the scope, content and classification of the annual financial statements.

## **Accounting policies**

*Receivables* are carried at their principal amount less necessary write-downs, *liabilities* at their settlement amount.

*Foreign currency translation* into EUR uses the exchange rate on the transaction date. The

following principles apply to translation at the balance sheet date:

- Financial assets are measured at the exchange rate at the acquisition date,

other assets and liabilities are translated at the current exchange rate at the balance sheet date.

## **Net equity**

The subscribed capital of the Company is fully paid up and amounts to EUR 25 thousand. The capital increase resolved on February 16, 2009 amounting to EUR 4,975 thousand as a payment to the capital reserve is fully paid up.

## **Financial assets**

The total amount of financial assets of EUR 787,932 thousand primarily includes a 100% investment in Merck Capital Holding Ltd. in Malta amounting to EUR 755,000 thousand. Furthermore, notes in various companies amounting to EUR 29,748 are held to final maturity. A long-term loan to an affiliate of the Merck Group has been capitalized in the amount of EUR 3,184 thousand as of the balance sheet date.

## **Receivables owed by affiliates**

Receivables owed by affiliates consist on the one hand of the assumption of the net loss owing to a profit-and-loss transfer agreement with Merck KGaA amounting to EUR 8,663 thousand. On the other hand, loans and clearing accounts with companies of the Merck Group total EUR 1,757,378 thousand.

## **Marketable securities**

Marketable securities include commercial paper and bonds issued by industrial companies with a maturity of less than one year amounting to EUR 275,000 thousand as well as bonds and shares resulting from the third-party financing of pension liabilities amounting to EUR 124,799 thousand.

***Bank balances***

Bank balances increased from EUR 26 thousand in 2008 to EUR 235,636 thousand. This includes fixed-term deposits with a maturity of up to five months amounting to EUR 148,000 thousand.

***Non-convertible notes***

The liability of EUR 750,000 thousand disclosed as of June 30, 2009 relates to the note amounting to EUR 750,000 thousand issued in March 2009 and maturing in 2014.

***Deferred income***

The deferred tax asset of EUR 3,730 thousand includes the disagio for the note.

***Liabilities due to affiliates***

Liabilities due to affiliates consist primarily of loans amounting to EUR 1,314,443 thousand as well as clearing accounts amounting to EUR 1,087,608 thousand vis-à-vis companies of the Merck Group. In addition, liabilities from the fair value measurement of forward exchange contracts amounting to EUR 17,837 thousand are disclosed.

# Merck Financial Services GmbH

## Interim management report as of June 30, 2009

Merck Financial Services GmbH serves as financing and treasury center for the companies of the Merck Group. For this purpose, the Company takes out and issues loans and capital market products with different maturities and in a variety of currencies both internally and externally. The interest rate and currency risks of the Group are centralized at Merck Financial Services and are hedged through the use of derivatives. In accordance with the Merck Group's guidelines, the use of derivative financial instruments proceeds only in connection with an existing underlying transaction.

In March 2009, Merck Financial Services GmbH issued a five-year note amounting to EUR 750 million with a nominal interest rate of 4.875% and maturing in 2014. The interest income

possible from monetary deposits is markedly lower than the interest paid on the note. On the one hand, this is due to the shorter investment periods of normally less than one year, and on the other hand to the credit spread, which commonly applies to bonds. It is therefore likely that overall, Merck Financial Services will this year post a loss, which will then be assumed by Merck KGaA pursuant to the profit and loss transfer agreement.

There were no significant developments affecting the Company's net assets, financial position or results of operations after June 30, 2009.

We have made use of the option to dispense with an audit of the financial report on the first six months of 2009 by independent accountants.

## **Declaration**

I hereby declare that the abridge financial statements prepared in conformity with the German Commercial Code give a true and fair view of the assets, liabilities, financial position and profit or loss of Merck Financial Services GmbH and that the interim management report presents a truthful picture of the information required pursuant to Section 37w para 4 of the German Securities Trading Act (WpHG).

Darmstadt, August 13, 2009

*(s). Uta Kemmerich-Keil*  
*Managing Director*

*(s). Rando Bruns*  
*Managing Director*