RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements of the Merck Group give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Darmstadt, October 26, 2010

Karl-Ludwig Kley

Michael Becker

Bernd Reckmann

Elmar Schnee

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2010

INCOME STATEMENT

EUR million	3rd Quarter 2010	3rd Quarter 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Sales	**2,347.0**	**1,862.3**	**6,472.6**	**5,445.6**
Royalty and commission income*	90.8	87.7	272.1	272.6
Total revenues	**2,437.8**	**1,950.0**	**6,744.7**	**5,718.2**
Cost of sales	–619.7	–521.9	–1,623.5	–1,496.4
Gross margin	**1,818.2**	**1,428.1**	**5,121.2**	**4,221.8**
Marketing and selling expenses*	–573.3	–446.2	–1,581.7	–1,366.8
Royalty and commission expenses*	–115.8	–105.2	–355.3	–303.8
Administration expenses	–128.0	–102.0	–347.5	–316.9
Other operating expenses and income	–91.0	–76.8	–335.4	–206.6
Research and development	–348.6	–332.8	–1,034.6	–986.3
Amortization of intangible assets	–198.2	–147.0	–484.7	–440.8
Investment result	0.3	4.1	2.5	4.2
Operating result	**363.5**	**222.2**	**984.4**	**604.8**
Exceptional items	–	–	–1.2	–68.8
Earnings before interest and tax (EBIT)	**363.5**	**222.2**	**983.2**	**536.0**
Financial result	–74.2	–31.7	–191.1	–103.0
Profit before tax	**289.3**	**190.5**	**792.2**	**433.0**
Income tax	–74.8	–42.3	–196.2	–114.8
Profit after tax	**214.5**	**148.1**	**596.0**	**318.2**
Non-controlling interest	–3.7	–3.7	–10.4	–8.7
Net profit after non-controlling interest	**210.8**	**144.4**	**585.6**	**309.5**
Earnings per share (in EUR)				
basic	0.97	0.66	2.69	1.42
diluted	0.97	0.66	2.69	1.42

* Figures for 2009 have been adjusted for the disclosure of commission income as well as royalty and commission expenses

BALANCE SHEET

EUR million	Sep. 30, 2010	December 31, 2009
Current assets		
Cash and cash equivalents	1,387.6	541.4
Marketable securities and financial assets	95.2	1,503.2
Trade accounts receivable	2,257.3	1,788.7
Inventories	1,773.5	1,367.9
Other current assets	306.3	275.6
Tax receivables	61.0	55.3
	5,880.8	**5,532.1**
Non-current assets		
Intangible assets	12,855.5	7,598.4
Property, plant and equipment	3,212.5	2,607.6
Investments at equity	4.8	1.6
Non-current financial assets	167.2	118.4
Financial assets covering pensions	216.6	209.6
Other non-current assets	84.9	99.5
Deferred tax assets	587.5	545.4
	17,129.0	**11,180.5**
Total assets	**23,009.8**	**16,712.6**
Current liabilities		
Current financial liabilities	1,073.9	705.2
Trade accounts payable	1,062.9	935.7
Other current liabilities	946.9	638.2
Tax liabilities	343.7	274.5
Current provisions	424.2	266.4
	3,851.6	**2,820.0**
Non-current liabilities		
Non-current financial liabilities	5,079.0	1,602.1
Other non-current liabilities	24.8	16.9
Non-current provisions	619.4	685.0
Provisions for pensions and other post-employment benefits	1,504.1	1,311.5
Deferred tax liabilities	1,398.8	763.5
	8,626.1	**4,379.0**
Net equity		
Equity capital	565.2	565.2
Reserves	9,908.1	8,894.9
Non-controlling interest	58.8	53.5
	10,532.1	**9,513.6**
Total liabilities and stockholders' equity	**23,009.8**	**16,712.6**

SEGMENT REPORTING – PHARMACEUTICALS

	Merck Serono				Consumer Health Care			
EUR million	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Sales	1,305.9	1,235.9	3,991.3	3,695.5	124.7	122.8	344.9	333.0
Royalty and commission income*	87.6	82.8	259.5	256.8	0.3	0.1	1.5	1.6
Total revenues	1,393.5	1,318.6	4,250.7	3,952.3	125.0	122.9	346.4	334.6
Gross margin	1,199.8	1,099.4	3,605.1	3,327.0	86.3	86.6	237.5	231.2
Marketing and selling expenses*	−345.6	−315.0	−1,046.8	−970.7	−55.5	−51.3	−175.3	−151.7
Royalty and commission expenses*	−110.4	−102.3	−340.4	−295.4	−0.3	−0.3	−1.0	−1.1
Administration expenses	−66.9	−63.8	−198.2	−196.6	−6.9	−6.3	−18.8	−18.9
Other operating expenses and income	−39.4	−58.1	−159.3	−141.0	−0.9	−2.3	−10.7	−4.2
Research and development	−279.6	−293.2	−880.2	−867.4	−5.5	−4.2	−16.4	−12.8
Operating result	209.5	123.4	551.1	423.8	16.2	21.4	12.3	39.7
Exceptional items	–	–	–	−70.0	–	–	–	–
Earnings before interest and tax (EBIT)	209.5	123.4	551.1	353.8	16.2	21.4	12.3	39.7
Net operating assets**	–	–	10,672.8	10,015.9	–	–	343.6	336.0
Segment liabilities**	–	–	−1,143.6	−1,078.2	–	–	−78.2	−76.9
Capital spending on property, plant and equipment	53.8	71.9	161.8	192.9	1.1	1.7	3.4	6.9
Investments in intangible assets	11.9	22.0	35.3	53.4	0.2	0.1	1.0	1.0
Depreciation	−194.2	−188.8	−564.5	−563.1	−2.8	−3.0	−8.8	−7.0
Impairment losses	−0.8	−0.9	−18.0	−0.9	–	–	–	–
Net cash flows from operating activities	471.7	401.3	1,046.8	920.5	8.6	11.7	10.8	34.5
Net cash flows from investing activities	−61.3	−88.1	−187.5	−239.4	−0.9	−0.1	−4.5	−5.2
Free cash flow	410.4	313.2	859.3	681.0	7.7	11.5	6.3	29.3
Underlying free cash flow	410.4	313.2	859.3	681.0	7.7	11.5	6.3	29.3
FCR in %	29.5	23.8	20.2	17.2	6.1	9.4	1.8	8.8
ROS in %	15.0	9.4	13.0	10.7	13.0	17.4	3.5	11.9

	Pharmaceuticals			
EUR million	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Sales	1,430.6	1,358.6	4,336.2	4,028.5
Royalty and commission income*	87.8	82.9	261.0	258.4
Total revenues	1,518.4	1,441.5	4,597.1	4,286.9
Gross margin	1,286.0	1,186.0	3,842.6	3,558.3
Marketing and selling expenses*	−401.1	−366.2	−1,222.1	−1,122.5
Royalty and commission expenses*	−110.7	−102.6	−341.3	−296.5
Administration expenses	−73.7	−70.1	−217.0	−215.5
Other operating expenses and income	−40.3	−60.4	−170.0	−145.2
Research and development	−285.1	−297.4	−896.6	−880.1
Operating result	225.7	144.8	563.4	463.5
Exceptional items	–	–	–	−70.0
Earnings before interest and tax (EBIT)	225.7	144.8	563.4	393.5
Net operating assets**	–	–	11,016.4	10,351.9
Segment liabilities**	–	–	−1,221.7	−1,155.1
Capital spending on property, plant and equipment	54.9	73.6	165.2	199.7
Investments in intangible assets	12.2	22.1	36.2	54.4
Depreciation	−196.9	−191.8	−573.3	−570.1
Impairment losses	−0.8	−0.9	−18.0	−0.9
Net cash flows from operating activities	480.4	413.0	1,057.6	955.0
Net cash flows from investing activities	−62.3	−88.2	−192.0	−244.7
Free cash flow	418.1	324.8	865.6	710.3
Underlying free cash flow	418.1	324.8	865.6	710.3
FCR in %	27.5	22.5	18.8	16.6
ROS in %	14.9	10.0	12.3	10.8

* Figures for 2009 have been adjusted for the disclosure of commission income as well as royalty and commission expenses.
** Actual year as at September 30, 2010 – previous year as at December 31, 2009.

SEGMENT REPORTING – CHEMICALS*

	Merck Millipore				Performance Materials			
EUR million	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Sales	571.8	224.2	1,079.7	688.8	344.6	279.5	1,056.7	728.3
Royalty and commission income**	1.9	2.4	5.6	6.6	1.1	2.3	5.6	7.5
Total revenues	573.7	226.7	1,085.3	695.5	345.7	281.8	1,062.3	735.8
Gross margin	295.7	104.0	565.2	324.8	236.4	138.1	713.4	338.7
Marketing and selling expenses**	–141.3	–57.2	–271.7	–171.8	–29.9	–23.3	–85.5	–72.6
Royalty and commission expenses**	–3.2	–2.0	–6.5	–4.9	–1.9	–0.6	–7.5	–2.3
Administration expenses	–27.0	–10.2	–50.6	–32.8	–9.8	–7.3	–28.2	–25.9
Other operating expenses and income	–35.7	–5.9	–97.6	–15.9	–9.2	–5.6	–46.5	–26.6
Research and development	–30.9	–8.2	–46.0	–24.0	–32.5	–27.2	–92.1	–82.1
Operating result	10.0	20.2	45.2	74.6	151.9	72.6	449.4	125.0
Exceptional items	–	–	–	–	–	–	–	1.2
Earnings before interest and tax (EBIT)	10.0	20.2	45.2	74.6	151.9	72.6	449.4	126.2
Net operating assets***	–	–	6,493.1	781.2	–	–	1,259.1	1,176.3
Segment liabilities***	–	–	–348.7	–111.5	–	–	–145.3	–118.7
Capital spending on property, plant and equipment	23.6	13.1	45.5	37.4	19.5	14.1	42.9	53.5
Investments in intangible assets	2.1	0.7	4.3	3.6	0.7	0.4	2.1	5.0
Depreciation	–70.3	–11.8	–95.5	–34.0	–24.5	–20.5	–69.5	–63.1
Impairment losses	–1.6	–	–1.6	–	–	–7.8	–16.4	–8.0
Net cash flows from operating activities	29.9	56.1	95.5	143.1	184.0	131.2	468.0	242.3
Net cash flows from investing activities	–4,861.8	–12.4	–4,886.7	–38.5	–25.2	–33.3	–49.5	–77.0
Free cash flow	–4,831.9	43.7	–4,791.2	104.6	158.9	97.9	418.5	165.4
Underlying free cash flow	101.8	43.7	142.6	104.6	165.4	116.8	425.0	184.2
FCR in %	17.8	19.3	13.1	15.0	47.9	41.4	40.0	25.0
ROS in %	1.7	8.9	4.2	10.7	43.9	25.8	42.3	17.0

	Chemicals			
EUR million	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Sales	916.4	503.7	2,136.4	1,417.1
Royalty and commission income**	3.0	4.8	11.1	14.2
Total revenues	919.4	508.5	2,147.5	1,431.3
Gross margin	532.1	242.1	1,278.6	663.5
Marketing and selling expenses**	–171.3	–80.4	–357.2	–244.4
Royalty and commission expenses**	–5.1	–2.6	–14.0	–7.2
Administration expenses	–36.8	–17.5	–78.9	–58.6
Other operating expenses and income	–45.0	–11.6	–144.1	–42.5
Research and development	–63.5	–35.4	–138.0	–106.2
Operating result	161.8	92.8	494.6	199.6
Exceptional items	–	–	–	1.2
Earnings before interest and tax (EBIT)	161.8	92.8	494.6	200.8
Net operating assets***	–	–	7,752.2	1,957.4
Segment liabilities***	–	–	–494.1	–230.2
Capital spending on property, plant and equipment	43.1	27.2	88.5	90.9
Investments in intangible assets	2.8	1.0	6.4	8.6
Depreciation	–94.8	–32.3	–164.9	–97.1
Impairment losses	–1.6	–7.8	–18.0	–8.0
Net cash flows from operating activities	213.9	187.4	563.5	385.5
Net cash flows from investing activities	–4,886.9	–45.8	–4,936.2	–115.5
Free cash flow	–4,673.0	141.6	–4,372.7	269.9
Underlying free cash flow	267.3	160.5	567.6	288.8
FCR in %	29.1	31.6	26.4	20.2
ROS in %	17.6	18.2	23.0	13.9

* As a result of the acquisition of Millipore, the Chemicals business sector was reorganized. The previous year's figures have been adjusted.
** Figures for 2009 have been adjusted for the disclosure of commission income as well as royalty and commission expenses.
*** Actual year as at September 30, 2010 – previous year as at December 31, 2009.

SEGMENT REPORTING – CORPORATE AND OTHER/MERCK GROUP

	Corporate and Other			
EUR million	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Sales	–	–	–	–
Royalty and commission income*	–	–	–	–
Total revenues	–	–	–	–
Gross margin	–	–	–	–
Marketing and selling expenses*	–1.0	0.5	–2.4	0.1
Royalty and commission expenses*	–	–0.1	–	-
Administration expenses	–17.4	–14.4	–51.6	–42.8
Other operating expenses and income	–5.7	–4.8	–21.3	–18.9
Research and development	–	–	–	–
Operating result	–24.1	–15.4	–73.6	–58.3
Exceptional items	–	–	–1.2	–
Earnings before interest and tax (EBIT)	–24.1	–15.4	–74.8	–58.3
Net operating assets**	–	–	25.1	37.4
Segment liabilities**	–	–	–17.6	–15.7
Capital spending on property, plant and equipment	0.3	0.1	0.6	-
Investments in intangible assets	1.6	2.2	4.9	7.6
Depreciation	–1.2	–0.4	–2.3	–1.3
Impairment losses	–	–	–	–
Net cash flows from operating activities	–136.2	–64.8	–318.1	–329.9
Net cash flows from investing activities	48.8	–35.9	1,384.8	–1,076.2
Free cash flow	–127.9	–67.4	–324.6	–338.0
Underlying free cash flow	–124.6	–55.8	–305.9	–326.4
FCR in %	–	–	–	–
ROS in %	–	–	–	–

	Merck Group			
EUR million	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Sales	2,347.0	1,862.3	6,472.6	5,445.6
Royalty and commission income*	90.8	87.7	272.1	272.6
Total revenues	2,437.8	1,950.0	6,744.7	5,718.2
Gross margin	1,818.2	1,428.1	5,121.2	4,221.8
Marketing and selling expenses*	–573.3	–446.2	–1,581.7	–1,366.8
Royalty and commission expenses*	–115.8	–105.2	–355.3	–303.8
Administration expenses	–128.0	–102.0	–347.5	–316.9
Other operating expenses and income	–91.0	–76.8	–335.4	–206.6
Research and development	–348.6	–332.8	–1,034.6	–986.3
Operating result	363.5	222.2	984.4	604.8
Exceptional items	–	–	–1.2	–68.8
Earnings before interest and tax (EBIT)	363.5	222.2	983.2	536.0
Net operating assets**	–	–	18,793.7	12,346.7
Segment liabilities**	–	–	–1,733.3	–1,401.0
Capital spending on property, plant and equipment	98.3	101.0	254.2	290.6
Investments in intangible assets	16.5	25.4	47.6	70.7
Depreciation	–292.9	–224.5	–740.5	–668.3
Impairment losses	–2.4	–8.7	–36.0	–8.9
Net cash flows from operating activities	558.0	535.5	1,302.9	1,010.5
Net cash flows from investing activities	–4,900.5	–169.8	–3,743.4	–1,436.4
Free cash flow	–4,382.9	399.0	–3,831.7	642.2
Underlying free cash flow	560.7	429.5	1,127.3	672.7
FCR in %	23.0	22.0	16.7	11.8
ROS in %	14.9	11.4	14.6	10.6

* Figures for 2009 have been adjusted for the disclosure of commission income as well as royalty and commission expenses.
** Actual year as at September 30, 2010 – previous year as at December 31, 2009.

CASH FLOW STATEMENT

EUR million	Jan.–Sep. 2010	Jan.–Sep. 2009
Profit after tax	**596.0**	**318.2**
Depreciation/amortization and impairment losses (non-current assets)	776.5	676.8
Changes in inventories	–72.1	21.0
Changes in trade accounts receivable	–161.7	–126.5
Changes in trade accounts payable	–24.6	16.4
Changes in provisions	85.2	112.1
Changes in other assets and liabilities	113.6	–3.2
Neutralization of gain/loss on disposals of assets	–3.2	–5.4
Other non-cash income and expenses	–6.7	1.2
Net cash flows from operating activities	**1,302.9**	**1,010.5**
Purchase of intangible assets	–47.6	–70.7
Purchase of property, plant and equipment	–254.2	–290.6
Acquisitions and investments of non-current financial assets	–4,856.8	–32.8
Disposal of non-current assets	21.7	25.8
Purchase/sale of marketable securities	2.1	-
Changes in financial assets covering pensions	–6.7	-
Changes in other financial investments	1,397.9	–1,068.1
Net cash flows from investing activities	**–3,743.4**	**–1,436.4**
Dividend payments	–73.1	–104.7
Profit transfers to E. Merck KG and changes in reserves	–163.8	–54.1
Changes in liabilities to related parties	–9.8	–133.1
Bonds issued	3,181.7	746.0
Changes in current and non-current financial liabilities	356.0	–30.3
Net cash flows from financing activities	**3,291.0**	**423.9**
Changes in cash and cash equivalents	**850.5**	**–2.0**
Changes in cash and cash equivalents due to currency translation	–4.3	–3.5
Cash and cash equivalents as of January 1	541.4	692.7
Cash and cash equivalents as of September 30	**1,387.6**	**687.1**

FREE CASH FLOW

EUR million	Jan.–Sep. 2010	Jan.–Sep. 2009
Net cash flows from operating activities	**1,302.9**	**1,010.5**
Purchase of intangible assets	–47.6	–70.7
Purchase of property, plant and equipment	–254.2	–290.6
Acquisitions and investments of non-current financial assets	–4,856.8	–32.8
Disposal of non-current assets	21.7	25.8
Purchase/sale of marketable securities	2.1	–
Free cash flow	**–3,831.7**	**642.2**
Acquisition-related payments	4,940.3	18.9
Payments related to divestments	18.7	11.6
Underlying free cash flow	**1,127.3**	**672.7**

STATEMENT OF COMPREHENSIVE INCOME

	Jan.–Sep. 2010			Jan.–Sep. 2009		
EUR million	Before tax amount	Tax expense/ benefit	Net-of-tax amount	Before tax amount	Tax expense/ benefit	Net-of-tax amount
Profit	**792.2**	**–196.2**	**596.0**	**433.0**	**–114.8**	**318.2**
Gains/losses arising on remeasuring available-for-sale financial assets	–2.0	0.3	–1.7	24.1	–1.7	22.4
Effective portion of gains/losses on hedging instruments in a cash flow hedge	–56.6	10.2	–46.4	12.8	–2.0	10.8
Actuarial gains and losses from defined benefit pension commitments and similar obligations	–93.6	18.3	–75.3	–88.6	16.5	–72.1
Exchange differences on translating foreign operations	778.0	–	778.0	–157.0	–	–157.0
Gains/losses recognized immediately in equity	**625.8**	**28.8**	**654.6**	**–208.7**	**12.8**	**–195.9**
Comprehensive income	**1,418.0**	**–167.4**	**1,250.6**	**224.3**	**–102.0**	**122.3**
of which attributable to shareholders of the Group			1,235.2			117.3
of which attributable to non-controlling interest			15.4			5.0

STATEMENT OF CHANGES IN NET EQUITY INCLUDING NON-CONTROLLING INTEREST

	Equity capital		Reserves					
EUR million	General partner's equity Merck KGaA	Subscribed capital Merck KGaA	Capital reserves (share premium) Merck KGaA	Retained earnings/ Net retained profit	Gains/losses recognized immediately in equity	Equity attributable to share-holders of Merck KGaA	Non-controlling interest	Equity
Balance as of January 1, 2009	**397.2**	**168.0**	**3,813.7**	**4,818.2**	**308.3**	**9,505.4**	**57.6**	**9,563.0**
Profit after tax	–	–	–	309.5	–	309.5	8.7	318.2
Dividend payments	–	–	–	–96.9	–	–96.9	–7.8	–104.7
Profit transfers to/from E. Merck KG including changes in reserves	–	–	–	–54.1	–	–54.1	–	–54.1
Gains/losses recognized immediately in equity	–	–	–	–	–193.2	–193.2	–2.7	–195.9
Changes in scope of consolidation/Other	–	–	–	–2.4	–	–2.4	–1.0	–3.4
Balance as of September 30, 2009	**397.2**	**168.0**	**3,813.7**	**4,974.3**	**115.1**	**9,468.3**	**54.8**	**9,523.1**
Balance as of January 1, 2010	**397.2**	**168.0**	**3,813.7**	**4,909.6**	**171.6**	**9,460.1**	**53.5**	**9,513.6**
Profit after tax	–	–	–	585.6	–	585.6	10.4	596.0
Dividend payments	–	–	–	–64.6	–	–64.6	–8.4	–73.0
Profit transfers to/from E. Merck KG including changes in reserves	–	–	–	–163.9	–	–163.9	–	–163.9
Gains/losses recognized immediately in equity	–	–	–	-	649.6	649.6	5.0	654.6
Changes in scope of consolidation/Other	–	–	–	6.5	-	6.5	–1,7	4,8
Balance as of September 30, 2010	**397.2**	**168.0**	**3,813.7**	**5,273.2**	**821.2**	**10,473.3**	**58.8**	**10,532.1**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2010

These consolidated financial statements have been prepared with Merck KGaA, Darmstadt, which manages the operations of the Merck Group, as parent company.

Accounting policies

The unaudited interim financial statements of the Merck Group dated September 30, 2010 comply with IAS 34. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force on the reporting date and adopted by the European Union. In accordance with IAS 34, a condensed scope of reporting as compared with the consolidated financial statements as of December 31, 2009 was selected. With the exception of the disclosure changes described in the following, the accounting policies have remained unchanged in comparison with the previous year. In the consolidated financial statements as of December 31, 2009, Merck started to disclose commission income as a part of total revenues. Furthermore, for the first time in Q1 2010, a separate line "royalty and commission expenses" was added to the Income Statement. In the quarterly reports issued in 2009, royalty and commissions expenses as well as commission income were reported within marketing and selling expenses. The previous year's presentation and key figures have been adjusted accordingly. The notes to the consolidated financial statements of the Merck Group for 2009, particularly the accounting policies, thus apply accordingly.

Income tax includes the taxes on taxable profit paid in the individual countries plus the change in deferred taxes. The income tax in the interim financial statements is calculated based on the income of the consolidated companies and the currently valid tax rate as a best possible estimate.

The preparation of the interim financial statements requires that assumptions and estimates be made to a certain extent. The assumptions and estimates are based on the state of knowledge and the data currently available.

The following amendments to standards and the following interpretations take effect as of fiscal 2010:

- Amendment to IAS 27 "Consolidated and Separate Financial Statements"
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items"
- Revised version of IFRS 1 "First-time Adoption of International Financial Reporting Standards" and subsequent amendment to this standard
- Amendment to IFRS 2 "Share-based payment"
- Revised version of IAS 3 "Business Combinations"
- "Improvements to International Financial Reporting Standards"
- IFRIC 12 "Service Concession Arrangements"

- IFRIC 15 “Agreements for the Construction of Real Estate”
- FRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- IFRIC 17 “Distributions of Non-cash Assets to Owners”
- IFRIC 18 “Transfers of Assets from Customers”

The revised version of IFRS 3 was applied to the first-time consolidation of Millipore. The major consequence of this was recognizing acquisition-related costs as expenses. Details on the first-time consolidation of Millipore can be found under “Acquisition of Millipore” and “Notes to the Cash Flow Statement”. The other new rules do not have any material effects on the interim financial statements.

Scope of consolidation

As of September 30, 2010, a total of 237 (December 31, 2009: 176) companies are fully consolidated. Due to the first-time consolidation of Millipore, the number of fully consolidated companies increased by 62. Furthermore, seven newly established companies have been added to the scope of consolidation. Eight companies have been liquidated or merged and thus deconsolidated.

No companies are consolidated on a pro rata basis. With the first-time consolidation of Millipore, a further associate has been added. Consequently, two associates are now included using the equity method.

Acquisition of Millipore

On July 14, 2010, Merck KGaA successfully completed the acquisition of 100% of the shares in Millipore Corporation, a leading life science company based in Billerica, Massachusetts, USA. The Millipore companies were consolidated in the financial statements of the Merck Group for the first time as of this date. The purchase price totaled EUR 5,137.1 million and was paid in cash. It consists of a payment of EUR 4,611.9 million for the outstanding shares as well as existing options from stock option plans and a payment of EUR 525.2 million to buy back the outstanding convertible bond of the Millipore Corporation. On February 28, 2010 Merck had announced its intention to acquire Millipore for USD 107 in cash per share of Millipore common stock. The closing followed the approval of the acquisition by Millipore’s shareholders at a special meeting held on June 3, 2010 and the satisfaction of other customary conditions, including antitrust clearance in the United States and Europe. Millipore was delisted from the New York Stock Exchange on July 26, 2010. Likewise, an application for deregistration from the U.S. Securities and Exchange Commission (SEC) was filed on July 26, 2010. The deregistration took effect on October 13, 2010.

Within the scope of the purchase price allocation in accordance with IFRS 3, the acquired assets, liabilities and contingent liabilities have been recognized at fair values in the balance sheet as follows:

EUR million	Fair value on the acquisition date
Current assets	
Cash and cash equivalents, securities and other financial assets	300.0
Inventories	265.5
Other current assets	270.8
	836.3
Non-current assets	
Goodwill	2,637.6
Other intangible assets	2,568.8
Property, plant and equipment	483.9
Financial assets	2.2
Other non-current assets	100.5
	5,793.0
Assets	**6,629.3**
Current liabilities	
Current financial liabilities	574.8
Other current liabilities	344.1
	918.9
Non-current liabilities	
Non-current financial liabilities	288.4
Provisions for pensions and other post-employment benefits	56.4
Other non-current liabilities	749.1
	1,093.9
Liabilities	**2,012.8**
Net assets acquired	**4,616.5**
Non-controlling interest	–4.6
Net assets acquired/purchase price	**4,611.9**
Equity-like purchase price components (convertible bond)	525.2
Purchase price including convertible bond	**5,137.1**

The most significant impact of the purchase price allocation on the balance sheet and the income statement results from the fair value adjustment of intangible assets and inventories. The adjustments to intangible assets relate mainly to the measurement of the fair values of existing customer relationships, technologies as well as brands. The amortization of intangible assets resulting from the acquisition of Millipore is disclosed in the Income Statement under "Amortization of intangible assets". Additionally, fair value adjustments totaling around

EUR 85.8 million were made in respect of Millipore inventories acquired as part of the acquisition. This amount will be fully expensed in the income statement for 2010 under "Cost of sales" in accordance with the assumed inventory turnover time. The step-up of intangible assets and inventories in particular has resulted in deferred tax liabilities that account for the majority of the fair value of EUR 749.1 million reported under other non-current liabilities. The remaining difference between the purchase price of EUR 5,137.1 million and fair values of EUR 2,499.5 million will be reported as goodwill. This mainly includes future synergy effects as well as the expertise of the workforce amounting to EUR 2,637.6 million. Synergies are primarily expected in the areas of administration, purchasing, production as well as by combining certain subsidiaries abroad.

The fair value adjustments made in the third quarter of 2010 as part of the purchase price allocation are still to be considered as preliminary and may be made within one year of the date of the acquisition. Changes to fair values are still possible, especially as a result of detailed additional information.

The impact of the consolidation of Millipore on total revenues as well as operating result in the third quarter of 2010 was EUR 313.6 million and EUR -7.6 million, respectively. In addition, restructuring and integration costs amounted to EUR 21.0 million in the third quarter.

Had Millipore been included in the consolidated financial statements of the Merck Group as of January 1, 2010, for the period from January 1, to September 30, 2010 total revenues and the operating result would have amounted to EUR 7,430 million and EUR 1,005 million, respectively. The calculation of these figures assumed that the adjustments of the book values as a result of the purchase price allocation would have been identical. Consequently, amortization of intangible assets is included for nine months. The step-up of the acquired inventories to fair values – in accordance with the assumed inventory turnover period – has been taken into consideration in full.[1)]

Segment reporting

The segment report presents the assets, income and other key figures by operating segment. Segmentation was performed in accordance with the internal reporting of the Merck Group. The operating segments are described in detail in the sections about the divisions in the interim management report. Expenses and income as well as assets and cash flows are fully allocated to the reported divisions and, to the extent they relate to corporate functions, to the segment Corporate and Other. The financial result and income taxes as well as the resulting cash flows are reported in full in the "Corporate and Other" segment. We determine the transfer prices of intragroup transactions in accordance with market values. There were no significant intercompany relations between the business segments.

With the successful acquisition of Millipore, the Chemicals business sector has been restructured. The new Merck Millipore division includes the acquired activities of the Millipore Group along with the vast majority of the former Life Science Solutions business. The new Performance Materials division comprises the Liquid Crystals and Pigments businesses as well as the remaining activities of the Life Science Solutions business. Accordingly, the Merck Millipore and Performance Materials segments are included under the Chemicals business sector in Segment Reporting as of September 30, 2010. The previous year's figures have been adapted to reflect the new divisional structure.

[1)] The information on the hypothetical consolidation of the Millipore Group as of January 1, 2010 in the consolidated financial statements of the Merck Group is required under IFRS and only intended for comparability purposes. The comparison does not necessarily present a development that would have resulted had the Millipore actually been consolidated as of January 1, 2010. Nor are these statements intended to project future events or results.

Operating assets have been reconciliated in the segment reporting as follows:

EUR million	September 30, 2010	December 31, 2009
Assets	23,009.8	16,712.6
Monetary assets (cash and cash equivalents, loans, securities)	–1,577.3	–2,119.7
Financial assets covering pension obligations	–216.6	–209.6
Non-operating receivables, tax receivables, deferred taxes and refund receivables from plan assets	–688.8	–635.6
Operating assets (gross)	**20,527.1**	**13,747.7**
Trade accounts payable	–1,062.9	–935.7
Other operating liabilities	–670.5	–465.3
Operating assets (net)	**18,793.7**	**12,346.7**

Notes to the Cash Flow Statement

A total of EUR 4,856.8 million was used for acquisitions and investments in other non-current assets. Acquisitions were responsible for EUR 4,843.7 million and investments in other non-current assets for EUR 13.1 million of this amount. Taking into consideration the acquired cash, the payment of the Millipore purchase price involved cash outflows of EUR 4,837.1 million. Additionally, further payments in connection with the acquisition of Millipore amounting to EUR 96.6 million were incurred that were directly expensed and disclosed in the Income Statement. A final payment of EUR 6.6 million was made for the Suzhou Taizhu China Group, which was acquired in 2009.

EUR million	Millipore	Suzhou Taizhu China Group	Total
Purchase price	5,137.1	6.6	5,143.7
Cash and cash equivalents acquired	300.0	–	300.0
Acquisitions	**4,837.1**	**6.6**	**4,843.7**
Other payments	96.6	–	96.6
Acquisition-related payments	**4,933.7**	**6.6**	**4,940.3**

Earnings per share

Basic earnings per share equal net profit after non-controlling interest divided by the weighted average number of outstanding theoretical shares. The calculation of the theoretical number of shares is based on the fact that the general partner's equity capital is not represented by shares. The share capital of EUR 168.0 million is divided into 64,621,126 shares. The general partner's capital amounts to EUR 397.2 million or 152,767,813 theoretical shares. This results in a total of EUR 565.2 million or 217,388,939 outstanding theoretical shares.

	Q3 2010	Q3 2009	Jan.–Sep. 2010	Jan.–Sep. 2009
Net profit after non-controlling interest (EUR million)	210.8	144.4	585.6	309.5
Weighted average number of theoretical shares outstanding (in millions)	217.4	217.4	217.4	217.4
Basic earnings per share (EUR)	**0.97**	**0.66**	**2.69**	**1.42**

As of September 30, 2010, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Financing

In March 2010, Merck Financial Services GmbH issued a euro bond in three tranches, comprising a two-year issue with a volume of EUR 0.5 billion, a five-year issue with a volume of EUR 1.35 billion, and a ten-year issue with a volume of EUR 1.35 billion. The two-year tranche, which was priced at 99.775%, pays a coupon of 2.125%. The five-year tranche, which was priced at 99.769%, pays a coupon of 3.375%. The ten-year tranche, which was priced at 99.582%, pays a coupon of 4.500%. The bonds are admitted to trading on the regulated market of the Luxembourg Stock Exchange and are issued under the Euro Medium Term Note (EMTN) program. The issue proceeds were used to finance the announced acquisition of Millipore Corporation of the United States.

Related-party disclosures

As of September 30, 2010, there were liabilities by Merck KGaA, Merck Financial Services GmbH and Merck & Cie, Altdorf, to E. Merck KG in the amount of EUR 277 million. In addition, as of September 30, 2010, there were receivables by Merck KGaA to E. Merck KG in the amount of EUR 4.0 million and to E. Merck Beteiligungen KG in the amount of EUR 2.9 million. The balances result mainly from the profit transfers by Merck & Cie to E. Merck KG as well as the reciprocal profit transfers between Merck KGaA and E. Merck KG as well as from the extension of loans by E. Merck KG to Merck Financial Services GmbH. They included financial payables of EUR 114 million, which are subject to standard market interest rates. From January to September 2010, Merck KGaA and Merck Shared Services Europe GmbH performed services for E. Merck KG with a value of EUR 1.0 million, for E. Merck Beteiligungen KG with a value of EUR 0.4 million, and for Emanuel Merck Vermögens KG with a value of EUR 0.1 million. During the same period, E. Merck KG performed services for Merck KGaA with a value of EUR 0.5 million. From January to September 2010, companies of the Merck Group supplied goods with a value of EUR 0.7 million to associates. As of September 30, 2010, companies of the Merck Group had receivables from associates amounting to EUR 0.6 million.

Subsequent events

Merck had no material subsequent events.