Q1 | 2011

Quarterly Financial Report

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INTERIM MANAGEMENT REPORT OF THE MERCK GROUP AS OF MARCH 31, 2011

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE MERCK GROUP AS OF MARCH 31, 2011

MORE INFORMATION

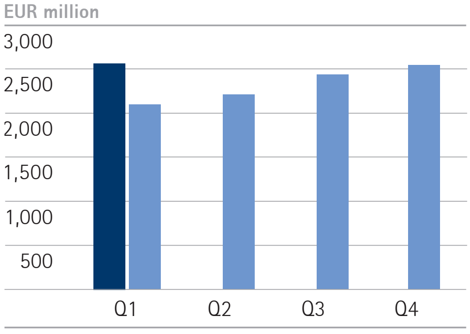
Cover photo: Oncology is one focus of Merck's pharmaceutical research. We are searching for new therapies against different types of cancer, e.g. colorectal, lung, gastric, head and neck cancer and brain tumors.

AT A GLANCE

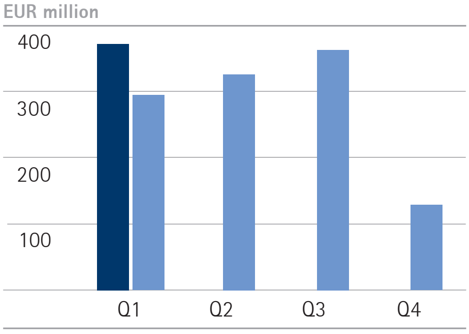
Key figures – 1st quarter 2011

EUR million	Pharma-ceuticals	Chemicals	Corporate and Other	Total	Change in %
Total revenues	1,543.8	1,020.0	–	2,563.8	22.1
Gross margin	1,303.7	620.4	–	1,924.1	19.3
Research and development	–310.5	–69.0	–	–379.5	9.3
Operating result	156.1	240.8	–25.3	371.6	26.1
Exceptional items	1.0	157.0	–	158.0	–
Earnings before interest and tax (EBIT)	157.1	397.8	–25.3	529.5	79.6
EBIT before depreciation and amortization (EBITDA)	409.6	496.7	–23.9	882.5	63.1
Return on sales in % (ROS: operating result/total revenues)	10.1	23.6	–	14.5	
Free cash flow	551.2	350.1	–255.9	645.3	–
Underlying free cash flow	286.1	155.4	–255.9	185.6	–10.2
Underlying free cash flow on revenues (FCR) in %	18.5	15.2	–	7.2	

Total revenues by quarter



Operating result by quarter



2011 2010

HIGHLIGHTS – 1st QUARTER 2011

- Total revenues increase 22% to EUR 2.6 billion
- Profit after tax jumps 77% to EUR 344 million
- Rebif® sales decline 4.2% to EUR 411 million due to year-ago spike; Erbitux® sales + 8.7% to EUR 209 million
- Group free cash flow totaled EUR 645 million
- Group operating result guidance for 2011 unchanged: +35% to +45%

MERCK GROUP

In the first quarter of 2011, Merck Group total revenues increased 22% to EUR 2,564 million from EUR 2,099 million in the year-ago quarter, with the July 2010 acquisition of the Millipore Corporation in the United States continuing to have a positive effect. Acquisitions – mainly Millipore – and divestments accounted for 16 percentage points of the increase while positive currency effects and organic growth were responsible for 3.2 percentage points and 3.1 percentage points, respectively. In addition, as mentioned in the year-ago report, pharmaceutical sales in the first quarter of 2010 were about EUR 50 million higher than normal because wholesalers in the United States had received an extra 20 days supply of Rebif® and other products during March. This was a precautionary measure because Merck's US subsidiary EMD Serono was converting its computer system in April 2010.

Royalty, license and commission income in the first quarter of 2011 increased 13% to EUR 86 million, mainly stemming from the Merck Serono division.

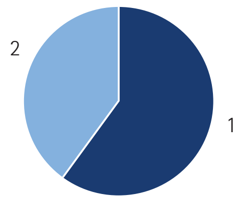
Cost of sales increased by 31%. Nevertheless, the gross margin in the first quarter improved by 19% to EUR 1,924 million from EUR 1,612 million in the year-ago quarter.

Most figures for the Group will continue to show significant variations in the first and second quarters due to the fact that the Millipore acquisition closed on July 14, 2010, and therefore there were no Millipore contributions in the first half of 2010. Consequently, marketing and selling expenses in the first quarter of 2011 rose 26% to EUR 592 million. Royalty, license and commission expenses declined 8.9% to EUR 111 million due to a decline in commission payments for pharmaceuticals.

Total revenues by business sector – Q1

EUR million / % of total revenues

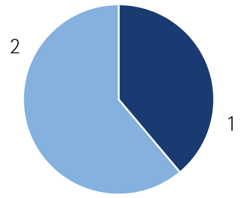
1	Pharmaceuticals	1,544	60%
2	Chemicals	1,020	40%



Operating result by business sector* – Q1

EUR million / % of operating result

1	Pharmaceuticals	156	39%
2	Chemicals	241	61%



*excluding Corporate and Other

Components of growth by division – Q1

Change in total revenues compared to last year in %	Merck Serono	Consumer Health Care	Merck Millipore	Performance Materials	Merck Group
Organic growth	0.5	5.8	2.0	13.7	3.1
Currency effects	2.4	2.6	3.7	6.4	3.2
Acquisitions /divestments	–1.4	–	160.5	–4.9	15.8
Total	**1.5**	**8.4**	**166.2**	**15.2**	**22.1**

Administration expenses increased by 20% to EUR 125 million in the first quarter of 2011 with 15 percentage points of the increase attributable to Millipore, another 2.2 percentage points to currency effects and 2.2 percentage points to organic growth.

Other operating expenses and income decreased by 28% to EUR -97 million. This figure includes Millipore integration costs of EUR 12 million and EUR 4.2 million for repairs to a Merck facility in Japan due to the March 11 earthquake.

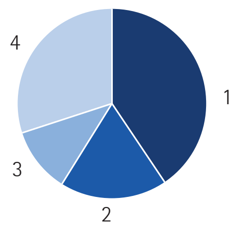
Research and development spending rose 9.3% or EUR 32 million to EUR 380 million in the first quarter of 2011 mainly due to increases in the Chemicals divisions, amounting to EUR 5.2 million in Performance Materials and EUR 26 million in Merck Millipore.

Amortization of intangible assets increased significantly by 77% to EUR 248 million. This amount includes amortization of intangible assets from the Millipore purchase price allocation amounting to EUR 47 million and EUR 199 million from the 2007 purchase of Serono. The latter figure includes EUR 50 million for the impairment loss on the value of cladribine, a drug candidate for the oral treatment of multiple sclerosis.

Merck Group | Sales by region – Q1

EUR million / % of sales

1	Europe	1,008	41%
2	North America	455	18%
3	Latin America	272	11%
4	Asia, Africa, Australasia	742	30%



Despite the above expenses, the operating result increased at a higher rate than total revenues and the gross margin. The first-quarter operating result rose 26% to EUR 372 million from EUR 295 million in the year-ago quarter. Organically, meaning excluding acquisitions, basically Millipore, divestments, and currency effects, the Group operating result rose by 14%.

The Group return on sales (ROS: operating result/total revenues) increased to 14.5% in the first quarter of 2011 compared to 14.0% in the year-ago quarter, boosted by the strong performance of the Chemicals business sector. Group core ROS (operating result excluding Serono- and Millipore-related amortization of intangible assets and integration costs/total revenues) in the first quarter of 2011 was 24.6% compared to 20.6% in the year-ago quarter.

Exceptional items in the first quarter of 2011 amounted to EUR 158 million. This included EUR 157 million from the sale of the Crop BioScience business to Novozymes A/S (announced in December 2010) and EUR 1 million in additional cash in-flow from the sale of the Théramex women's health business (completed in 2010). The year-ago amount was negligible.

Therefore, earnings before interest and tax (EBIT) in the first quarter of 2011 jumped 80% to EUR 530 million compared to EUR 295 million in the year-ago quarter.

Due to interest on the financing for Millipore, Merck's financial result increased by 77% to EUR -68 million in the first quarter of 2011 compared to EUR -39 million in the year-ago quarter.

The Merck Group's first-quarter profit before tax increased 80% to EUR 461 million from EUR 256 million in the year-ago quarter. Merck's underlying tax ratio was 25.1% for the first quarter of 2011 compared to 24.0% in the year-ago quarter.

Profit after tax in the first quarter of 2011 jumped by 77% to EUR 344 million from EUR 195 million in the first quarter of 2010.

Total assets of the Merck Group as of March 31, 2011, amounted to EUR 22,218 million, nearly unchanged from the EUR 22,388 million in total assets recorded on December 31, 2010.

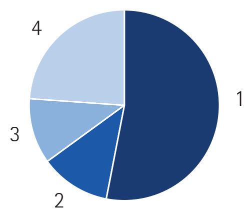
The equity ratio increased to 47.6% as of March 31, 2011, from 46.3% at the beginning of the year. As a result of the Group's positive cash flow development, net financial debt in the first quarter of 2011 declined by EUR 743 million to EUR 3,742 million from EUR 4,484 million at the end of 2010.

The free cash flow of the Merck Group in the first quarter of 2011 totaled EUR 645 million, which was EUR 451 million higher than in the year-ago quarter. This was mainly the result of payments received on the sale of the Crop BioScience and Théramex businesses. The first interest payment on the bonds for financing the Millipore acquisition, EUR 117 million, was made during the first quarter. The underlying free cash flow (defined as free cash flow excluding acquisitions and divestments) was EUR 186 million in the first quarter of 2011, compared to EUR 207 in the year-ago quarter. The free cash flow on revenues (FCR, defined as underlying free cash flow / total revenues) was 7.2% in the first quarter compared to 9.8% in the year-ago quarter.

Merck had 40,274 employees worldwide on March 31, 2011, compared to 40,562 employees on December 31, 2010. The change reflects the impact of deconsolidations as well as the addition of new employees in various countries.

Number of employees as of March 31, 2011: 40,274

1	Europe	21,411	53%
2	North America	4,813	12%
3	Latin America	4,481	11%
4	Asia, Africa, Australasia	9,569	24%



MERCK SHARES

The Merck share price rose 6.4% during the first quarter, from EUR 59.85 on December 30, 2010, to EUR 63.68 on March 31, 2011. The share price high during the first quarter was EUR 66.47, recorded on March 11. The low price for the quarter was EUR 59.78 on January 17. Germany's DAX Index, of which Merck is a member, rose 1.8% during the first quarter and the Bloomberg Europe Pharmaceuticals Index rose 1.2%.

Share data[1]

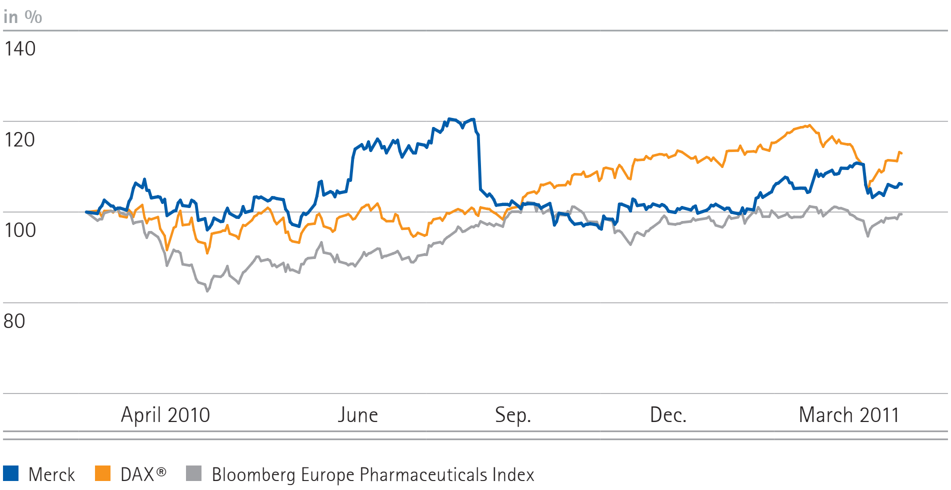
	Q1 – 2011	Year 2010
Share price high in EUR	(March 11) 66.47	(Sep. 10) 72.28
Share price low in EUR	(Jan. 17) 59.78	(Feb. 25) 57.62
Closing share price in EUR	(March 31) 63.68	(Dec. 30) 59.85
Actual number of shares in millions	64.6	64.6
Theoretical number[2] of shares in millions	217.4	217.4
Market capitalization[3] in EUR million	13,843	13,011

[1] Share-price relevant figures relate to the closing price in XETRA trading on the Frankfurt Stock Exchange.

[2] 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. As the share capital of EUR 168.0 million was divided into 64.6 million shares, the corresponding calculation resulted in 152.8 million theoretical shares for the general partner's capital of EUR 397.2 million on the balance sheet date March 31, 2011.

[3] Based on the theoretical number of shares as of March 31, 2011.

The performance of Merck shares vs. the DAX®/Bloomberg Europe Pharmaceuticals Index



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 60% of the company's total revenues and 39% of the Group operating result* during the first quarter. Total revenues for the Pharmaceuticals sector increased by 1.9% to EUR 1,544 million during the first quarter.

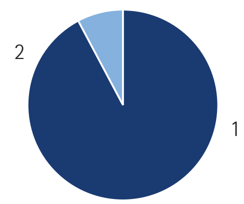
The smaller than usual increase in quarterly revenues for this business sector was due mainly to a one-time spike in sales of Rebif® and other Merck Serono products in the United States during March of 2010 owing to the changeover of a computer system in April. In addition, sales declined due to the divestment of the Théramex women's health business. These factors were somewhat offset by the recovery in the Consumer Health Care division, which recorded an 8.4% rise in total revenues.

While the Pharmaceuticals business sector's cost of sales declined and the gross margin rose during the first quarter, amortization of intangible assets was about EUR 50 million higher than normal due to the impairment of the multiple sclerosis drug candidate cladribine. Therefore, the sector's first-quarter operating result fell by 13% to EUR 156 million compared to the year-ago quarter.

IMS Health, the world's leading provider of market intelligence for the pharmaceutical and healthcare industries, said in its most recent forecast that it expects the global pharmaceutical market to grow by 5% to 7% in 2011.

Pharmaceuticals | Total revenues by division – Q1

EUR million / % of total revenues of the business sector		
1 Merck Serono	1,427	92%
2 Consumer Health Care	117	8%



* excluding Corporate and Other

The Chemicals business sector was reorganized last year after the July 14, 2010, acquisition of the U.S.-based life-science company Millipore. Millipore was combined with most of the Performance & Life Science Chemicals division to form the Merck Millipore division. This division has three business units – Bioscience, Lab Solutions and Process Solutions. The second Chemicals division is Performance Materials. It consists of two business units – Liquid Crystals and Pigments & Cosmetics.

The Chemicals business sector contributed 40% of the Group's total revenues and 61% of the operating result*.

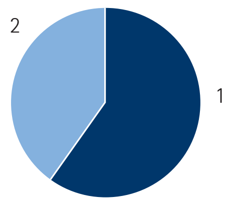
This business sector's first-quarter total revenues jumped 75% to EUR 1,020 million. This was largely due to the inclusion of Millipore sales as well as strong sales growth in the Performance Materials division. The gross margin grew at a faster rate than total revenues, reaching EUR 620 million. The business sector booked EUR 48 million for amortization of intangible assets, mainly for the Millipore acquisition. The Chemicals business sector's operating result rose 44% to EUR 241 million.

The German Chemical Industry Association (VCI) forecast on December 14, 2010, that German chemical production would increase by 2.5% and sales of German chemicals would rise by 4% in 2011.

Chemicals | Total revenues by division – Q1

EUR million / % of total revenues of business sector

1	Merck Millipore	611	60%
2	Performance Materials	409	40%



* excluding Corporate and Other

MERCK SERONO

Merck Serono, which discovers, develops, manufactures and markets prescription medicines of both chemical and biological origin, is the largest division of the Merck Group, accounting for 56% of Group total revenues.

Merck Serono | Key figures

EUR million	Q1 – 2011	Q1 – 2010
Total revenues	1,427.2	1,406.8
Gross margin	1,221.6	1,186.5
Research and development	–305.6	–304.4
Operating result	148.4	178.0
Exceptional items	1.0	–
Free cash flow	538.2	191.4
Underlying free cash flow	273.1	191.4
ROS in %	10.4	12.7

Merck Serono's total revenues increased 1.5% to EUR 1,427 million in the first quarter of 2011 compared to EUR 1,407 million in the year-ago quarter. The growth rate is less than usual because sales of the multiple sclerosis treatment Rebif®, Merck Serono's top-selling product, and other drugs were inordinately high in the comparable quarter last year when U.S. wholesalers received an extra 20 days supply of products. This was to prevent a possible shortage in April while the EMD Serono subsidiary in the United States converted its computer system.

The sales shift inevitably resulted in a sales decline in North America. Sales in Europe also declined, mainly due to the divestment of the Théramex women's health business and healthcare policy changes in Germany. On the other hand, sales in Latin America and Australasia showed a robust growth.

Royalty, license and commission income rose in the first quarter by 17% to EUR 82 million.

At EUR 411 million, global sales of Rebif® for the treatment of relapsing forms of multiple sclerosis, returned to normal levels in the first quarter of 2011. However, this represented a decline of 4.2% due to the spike in sales in the year-ago quarter as previously discussed.

Sales of the targeted cancer treatment Erbitux® continued to climb, increasing by 8.7% in the first quarter to EUR 209 million with a generally solid performance in Merck Serono markets except Japan.

First-quarter sales of Gonal-f®, a recombinant hormone used in the treatment of infertility, decreased by 4.2% to EUR 133 million, also suffering from the above mentioned spike in Q1 2010.

Sales of the recombinant growth hormone Saizen® for growth hormone deficiency rose by 1.3% to EUR 55 million in the first quarter.

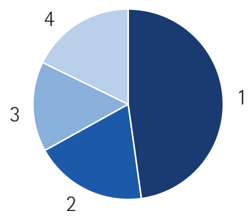
Merck Serono's primary care products continue to contribute significantly to the division's overall sales. Sales of the branded Concor® (bisoprolol) beta blocker products, such as Lodoz® and Concor®COR, increased 4.1% to EUR 95 million in the first quarter. Total sales of the Glucophage® (metformin) franchise of oral antidiabetic products rose 6.0% to EUR 81 million in the first quarter. Sales of thyroid medicines such as Euthyrox® jumped 20% to EUR 46 million in the first quarter due to growth in Europe, Latin America and Australasia.

With an increase in total revenues and a decrease in the cost of sales, the division's gross margin rose by 3.0% to EUR 1,222 million in the first quarter. Marketing and selling costs rose in the first quarter by 9.2% to EUR 352 million from EUR 322 million in the comparatively low first quarter of 2010. Royalty, license and commission expenses were down 9.1% due to a decline in commission payments on sales of Rebif®.

Merck Serono | Sales by region – Q1

EUR million / % of divisional sales

1 Europe	645	48%
2 North America	257	19%
3 Latin America	204	15%
4 Asia, Africa, Australasia	238	18%



Research and development spending by Merck Serono rose 0.4% to EUR 306 million. The division's R&D costs equaled 21% of revenues due to cost-intensive, late-stage clinical trials.

During March, Merck Serono submitted an indication extension application to the European Medicines Agency (EMA) to expand the range of indications for Erbitux® to include the treatment of patients with advanced or metastatic non-small cell lung cancer with high epidermal growth factor receptor (EGRF) expression in combination with standard first-line platinum-based chemotherapy. The submission is based on a new biomarker analysis of EGFR expression levels in tumors of patients participating in the Phase III FLEX study.

Recruitment of more than 870 patients was completed for the pivotal Phase III EXPAND clinical trial investigating Erbitux® in the treatment of patients with advanced gastric cancer.

In January, the Committee for Medicinal Products for Human Use (CHMP) confirmed its previous position and adopted a final negative opinion regarding the European marketing authorization application for Cladribine Tablets as a treatment for relapsing-remitting multiple sclerosis. In March, the division received a letter from the U.S. Food and Drug Administration (FDA) saying the new drug application for Cladribine Tablets could not be approved in its present form. Merck Serono will meet with the FDA in May to clarify next steps and to identify whether data from completed and ongoing clinical studies can address the FDA's questions. The resulting uncertainty about the future prospects of Cladribine Tablets at this point in time led to an impairment of the remaining EUR 50 million book value on this product. Thus, the division's charge for amortization of intangible assets from the 2007 acquisition of Serono increased to EUR 199 million in the first quarter of 2011.

Consequently, the division's first-quarter operating result declined by 17% to EUR 148 million from EUR 178 million in the year-ago quarter. The core operating result, which excludes Serono-related amortization of intangible assets, increased by 10% to EUR 347 million compared to EUR 316 million in the first quarter of 2010.

The division's first-quarter ROS was 10.4% compared to 12.7% in the year-ago quarter. Core ROS, which excludes Serono-related amortization of intangible assets, was 24.3% in the first quarter of 2011 compared to 22.4% in the year-ago quarter. Free cash flow grew almost threefold to EUR 538 million in the first quarter of 2011 compared to EUR 191 million in the year-ago quarter mainly due to the payments received on the divestment of the Théramex business.

CONSUMER HEALTH CARE

The Consumer Health Care division increased total revenues by 8.4% to EUR 117 million in the first quarter. This included an organic growth rate of 5.8% and a 2.6% boost from positive currency effects. Except for Asia, where sales were steady, all other major markets showed improvement. Latin America reported a 20% increase in sales.

Consumer Health Care | Key figures

EUR million	Q1 – 2011	Q1 – 2010
Total revenues	116.6	107.6
Gross margin	82.1	72.8
Research and development	–4.8	–4.8
Operating result	7.7	1.5
Exceptional items	–	–
Free cash flow	13.0	–2.5
Underlying free cash flow	13.0	–2.5
ROS in %	6.6	1.4

Global sales of Nasivin® nasal spray jumped by 19%, driven by exceptional demand in Russia. Nasivin® is part of the division's "Cough and Cold" business, which improved its sales by 17% in the first quarter of 2011 compared to the year-ago quarter.

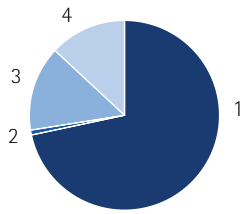
Sales of Bion®3 probiotic multivitamins rose 11% due to demand in France and Chile while sales of Cebion vitamins improved 17%. These products are part of the division's "Everyday Health Protection" business, which posted an overall sales increase of 8.8% in the first quarter.

Sales of "Mobility" products such as Seven Seas® supplements, Kytta® and Flexagil® rose 13% during the first quarter. Sales of Kytta® ointments jumped 33%, led by demand in Germany.

Global sales of Femibion®, the vitamins and minerals supplement for pregnant women and nursing mothers, rose 9.0% compared to the year-ago quarter. This product is a leader in the division's "Women's and Children's Health" business, which registered an 8.1% increase in first-quarter sales.

Consumer Health Care | Sales by region – Q1

EUR million / % of divisional sales		
1 Europe	84	72%
2 North America	1	0%
3 Latin America	17	15%
4 Asia, Africa, Australasia	15	13%



Strategic-brand products such as Seven Seas®, Kytta®, Kidabion®, Nasivin® and Cebion® now account for 59% of the division's sales, excluding the mail-order business.

The risk provision set up owing to the currency situation in Venezuela could be partly offset by payments received from Venezuela and therefore had a positive impact on the gross margin.

The division's gross margin in the first quarter improved 13% to EUR 82 million. Marketing and selling costs rose 6.8% in the first quarter as the division continued to pursue its strategy of focusing on strategic brands to drive growth. Spending on research and development was unchanged at EUR 4.8 million.

The division's first-quarter operating result increased fivefold to EUR 7.7 million from EUR 1.5 million in the year-ago quarter. This improvement was reflected in ROS (operating result/total revenues), which rose to 6.6% in the first quarter of 2011 from 1.4% in the year-ago quarter. Free cash flow for the first quarter was EUR 13.0 million compared to EUR –2.5 million in the year-ago quarter.

MERCK MILLIPORE

The Merck Millipore division comprises the activities of the former Millipore Corporation, a leading U.S.-based life science company acquired last July, and the majority of Merck's former Performance & Life Science Chemicals division. As the businesses are now fully integrated, it is not possible to provide comparable year-ago figures.

Merck Millipore | Key figures

EUR million	Q1 – 2011	Q1 – 2010
Total revenues	611.3	229.6
Gross margin	356.3	127.0
Research and development	–32.6	–6.8
Operating result	72.0	35.2
Exceptional items	–	–
Free cash flow	51.5	19.6
Underlying free cash flow	57.8	19.6
ROS in %	11.8	15.3

The new division's first-quarter total revenues amounted to EUR 611 million.

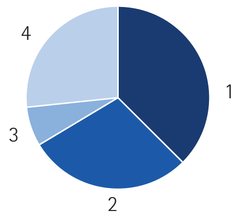
The division has three business units – Bioscience, which represents 18% of total revenues; Lab Solutions, 40%; and Process Solutions, 42%.

The Bioscience business unit supplies products and services to specialized life science research laboratories and pharmaceutical and biotech companies for drug discovery and development. Two of its newest products are aimed at making the work of research scientists faster, easier and more exact. The launch of the Scepter™ in early 2010 was very successful and is driving sales of the business unit. Scepter™ is the world's first automated handheld cell counter, which eliminates the tedious and time-consuming process of visually counting cells. In the first quarter of this year, Merck Millipore launched the new Scepter™ 2.0, which gives extended application for cell counting. The Samplicity™ Filtration System, an innovative new technology that provides a convenient high throughput alternative to syringe-tip filters when preparing samples for chromatography, received the prestigious Editor's Silver Award for best new product at the March 2011 Pittcon, the world's largest laboratory science trade show.

Merck Millipore | Sales by region – Q1

EUR million / % of divisional sales

1 Europe	230	37%
2 North America	175	29%
3 Latin America	43	7%
4 Asia, Africa, Australasia	162	27%



The Lab Solutions business unit is a leading supplier addressing the needs of customers in laboratories, with chemicals, lab water equipment and products and tests ensuring product safety. As both Merck and Millipore had built up substantial expertise in this field, the business unit initiated "cross-selling" to exploit synergies. For example, pre-existing distribution channels are marketing products from both Merck and Millipore, especially in emerging markets.

One of the major product groups in this business unit is equipment to produce ultra-pure water, a necessity in every laboratory. The newest addition to this line is the Elix Gulfstream Clinical water purification system that can produce higher volumes of water with lower costs and down time.

Another area of expertise is biomonitoring. Merck announced in March that it is acquiring the microbiology business of Biotest AG in the attractive growth segment industrial microbiology for contamination detection for a purchase price of up to EUR 101 million including possible contingent payments. This business will add to Merck Millipore's existing dehydrated cell culture media and testing systems, or "ready-to-use" culture media and instruments. The acquisition is expected to close in the second half of this year and should contribute about EUR 50 million in revenues on an annual basis.

The Process Solutions business unit mainly supplies products used in the production of biopharmaceutical drugs. Sales developed well, driven by biotech customers, in particular in the emerging markets of Asia. This is due to the increasing number of multinational customers moving to Asia and to increasing regulatory requirements in China.

Process Solutions also is acquiring a new business. Merck Millipore announced in January that it is purchasing Beijing Skywing Technology Co. Ltd., a leading supplier of cell culture media products, establishing a direct presence in this market segment in China. The purchase price is about EUR 14 million.

As with total revenues, both marketing and selling as well as R&D expenses increased significantly, primarily as a result of the acquisition. The division booked EUR 47 million for amortization of intangible assets in connection with the purchase price allocation for Millipore. Similar amounts will be recorded every quarter for several years.

This led to a first-quarter operating result of EUR 72 million with an ROS (operating result / total revenues) of 11.8%. The core operating result, which excludes Millipore-related amortization of intangible assets and integration costs, was EUR 131 million, resulting in a core ROS of 21.5%.

The underlying free cash flow for the first quarter of 2011 was EUR 58 million.

PERFORMANCE MATERIALS

The Performance Materials division comprises Merck's materials businesses and activities, i.e. Liquid Crystals, Pigments & Cosmetics, as well as Advanced Technologies such as materials for OLEDs (organic light-emitting diodes), LEDs (light-emitting diodes), photovoltaics and other innovative technologies.

Performance Materials | Key figures

EUR million	Q1 – 2011	Q1 – 2010
Total revenues	408.7	354.9
Gross margin	264.2	225.9
Research and development	–36.5	–31.3
Operating result	168.8	131.5
Exceptional items	157.0	–
Free cash flow	298.6	106.7
Underlying free cash flow	97.6	106.7
ROS in %	41.3	37.1

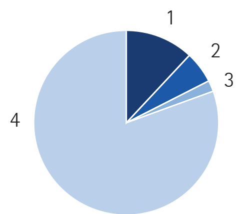
Total revenues of the division rose 15% in the first quarter of 2011 to EUR 409 million from EUR 355 million in the year-ago quarter. Positive currency effects accounted for 6.4 percentage points of the revenue increase with 13.7 percentage points stemming from organic growth. The divestment of the Crop BioScience business during the first quarter reduced revenues by 4.9%.

The larger share of the division's revenues stems from the Liquid Crystals business unit which posted robust growth in the first quarter. This was largely due to the continued high demand for Merck's broad range of high-quality liquid crystal materials, which are used in flat panel screens for televisions, computer monitors, tablets, and smart phones, among other applications.

Performance Materials | Sales by region – Q1

EUR million / % of divisional sales

1	Europe	49	12%
2	North America	23	6%
3	Latin America	8	2%
4	Asia, Africa, Australasia	327	80%



Sales by the Pigments & Cosmetics business unit rose to a record high as demand in both the industries it serves continued to improve.

The March 11 earthquake in Japan, which disrupted power supplies and damaged roads and other infrastructure in the northeastern part of the country, did not affect the division's Liquid Crystals business and had only minor financial impact on the pigments business in the first quarter due to damage to the production plant in Onahama. Merck expects production at Onahama to resume in early June. In addition, before the end of this year, Merck intends to begin producing its popular Xirallic® pigments for automotive coatings additionally at a site in Europe. Besides Japan, Merck produces effect pigments in Germany, China and the United States.

The Performance Materials division's production costs grew at a slower rate than total revenues, leading to a gross margin increase of 17% to EUR 264 million in the first quarter compared to EUR 226 million in the year-ago quarter. Production utilization was at a high level for both liquid crystals and pigments.

Research and development costs rose by 17% to EUR 36 million, or 8.9% of total revenues, in the first quarter. This comparatively high R&D spending rate for a chemicals business is justified by the high-margin technological advances Merck scientists produce.

With a gross margin that rose faster than expenses, the operating result of the Performance Materials division increased 28% to EUR 169 million in the first quarter compared to EUR 132 million in the year-ago quarter. The division's ROS was 41.3% compared to 37.1% the first quarter of 2010.

Free cash flow for the Performance Materials division rose to EUR 299 million in the first quarter from EUR 107 million in the year-ago quarter. The first-quarter underlying free cash flow was EUR 98 million in 2011 and EUR 107 million in 2010.

The division booked an exceptional item of EUR 157 million on the sale of its Crop BioScience business to Novozymes A/S of Denmark.

CORPORATE AND OTHER

The segment Corporate and Other includes corporate overhead costs incurred by Group holding companies, the financial result, taxes and certain exceptional items that are not allocated to specific divisions.

Corporate and Other | Key figures

EUR million	Q1 – 2011	Q1 – 2010
Total revenues	–	–
Gross margin	–	–
Research and development	–	0.1
Operating result	–25.3	–51.5
Exceptional items	–	–
Free cash flow	–255.9	–120.4
Underlying free cash flow	–255.9	–108.6

RISK REPORT

All issues concerning business-related risks, legal risks, human resources risks, information technology risks and environmental and safety risks – as previously stated in the 2010 Annual Report – remain valid for the Merck Group in the current reporting period.

No issues have been identified that pose a risk to the continued existence of the Merck Group.

REPORT ON EXPECTED DEVELOPMENTS

The total revenues and operating result of the Merck Group continued to develop well in the first quarter of 2011. As it is now apparent that sales of Cladribine Tablets will be minimal this year, full-year total revenues for the Merck Serono division are expected to increase by 1% to 6%, the lower range stated on February 21. The guidance given for the three other divisions remains as previously stated. As a result, the Executive Board now believes that full-year total revenues for the Group will increase by 10% to 15%, three percentage points lower than previously stated.

As demonstrated in the first quarter, the net financial debt of the Merck Group resulting from the Millipore acquisition will steadily decrease over the next several years, also as a result of a high free cash flow.

The Executive Board also expects the 2011 operating result for the Group will remain as stated on February 21 and should not be materially affected by the natural disaster and its consequences in Japan.

Merck Guidance for 2011

Merck Divisions	Total Revenues Growth 2011
Merck Serono	+1% – 6%
Consumer Health Care	+7% – 12%
Merck Millipore*	+51% – 56%
Performance Materials*	+2% – 7%

* Adjusted to reflect that the Cosmetic Actives business was transferred to Performance Materials in 2011 from Merck Millipore.

Merck Group	Expectations 2011
Total Revenues Growth	+10% – 15%
Operating Result Growth	+35% – 45%
Core ROS**	22% – 23%

** Excludes costs related to the purchase of Serono (amortization of intangible assets) and costs related to the purchase of Millipore (amortization of intangible assets as well as integration costs during 2011)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2011

INCOME STATEMENT OF THE MERCK GROUP

EUR million	Q1 – 2011	Q1 – 2010
Sales	**2,477.5**	**2,022.8**
Royalty, license and commission income	86.2	76.1
Total revenues	**2,563.8**	**2,098.9**
Cost of sales	–639.6	–486.6
Gross margin	**1,924.1**	**1,612.2**
Marketing and selling expenses	–591.6	–468.2
Royalty, license and commission expenses	–111.3	–122.2
Administration expenses	–124.9	–104.4
Other operating expenses and income	–97.1	–134.9
Research and development	–379.5	–347.2
Amortization of intangible assets	–248.2	–140.5
Investment result	–	–
Operating result	**371.6**	**294.8**
Exceptional items	158.0	–
Earnings before interest and tax (EBIT)	**529.5**	**294.8**
Financial result	–68.3	–38.6
Profit before tax	**461.2**	**256.1**
Income tax	–117.0	–61.5
Profit after tax	**344.2**	**194.6**
Non-controlling interest	–3.1	–3.1
Net profit after non-controlling interest	**341.1**	**191.4**
Earnings per share (in EUR)		
basic	1.57	0.88
diluted	1.57	0.88

BALANCE SHEET OF THE MERCK GROUP

EUR million	March 31, 2011	December 31, 2010
Current assets		
Cash and cash equivalents	1,178.7	943.7
Marketable securities and financial assets	361.2	55.6
Trade accounts receivable	2,269.6	2,296.3
Inventories	1,687.0	1,673.5
Other current assets	337.6	564.7
Tax receivables	79.9	93.7
Assets held for sale	–	36.7
	5,914.1	**5,664.2**
Non-current assets		
Intangible assets	12,082.3	12,484.1
Property, plant and equipment	3,173.5	3,241.5
Investments at equity	4.8	5.0
Non-current financial assets	159.2	130.3
Financial assets covering pensions	216.6	216.9
Other non-current assets	60.2	52.9
Deferred tax assets	607.1	593.1
	16,303.7	**16,723.8**
Total assets	**22,217.8**	**22,388.0**
Current liabilities		
Current financial liabilities	733.8	356.1
Trade accounts payable	1,066.7	1,200.1
Other current liabilities	1,056.1	1,054.6
Tax liabilities	392.7	368.4
Current provisions	404.3	374.5
Liabilities directly related to assets held for sale	–	5.9
	3,653.5	**3,359.6**
Non-current liabilities		
Non-current financial liabilities	4,547.7	5,127.4
Other non-current liabilities	31.8	42.9
Non-current provisions	486.9	524.2
Provisions for pensions and other post-employment benefits	1,590.6	1,581.6
Deferred tax liabilities	1,328.1	1,380.5
	7,985.2	**8,656.6**
Net equity		
Equity capital	565.2	565.2
Reserves	8,719.0	8,484.2
Gains/losses recognized immediately in equity	1,251.9	1,280.4
Equity attributable to shareholder of the parent company	**10,536.1**	**10,329.8**
Non-controlling interest	43.0	42.0
	10,579.1	**10,371.8**
Total liabilities and stockholders' equity	**22,217.8**	**22,388.0**

SEGMENT REPORTING OF THE MERCK GROUP – PHARMACEUTICALS

	Merck Serono		Consumer Health Care		**Pharmaceuticals**	
EUR million	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Sales	1,344.9	1,336.3	116.2	106.9	1,461.2	1,443.2
Royalty, license and commission income	82.3	70.5	0.3	0.7	82.6	71.2
Total revenues	1,427.2	1,406.8	116.6	107.6	1,543.8	1,514.4
Gross margin	1,221.6	1,186.5	82.1	72.8	1,303.7	1,259.4
Marketing and selling expenses	–351.7	–322.2	–60.6	–56.8	–412.3	–379.0
Royalty, license and commission expenses	–106.3	–116.9	–0.4	–0.2	–106.7	–117.0
Administration expenses	–62.5	–62.3	–6.0	–5.9	–68.5	–68.3
Other operating expenses and income	–48.0	–65.1	–1.5	–2.6	–49.5	–67.7
Research and development	–305.6	–304.4	–4.8	–4.8	–310.5	–309.3
Operating result	148.4	178.0	7.7	1.5	156.1	179.5
Exceptional items	1.0	–	–	–	1.0	–
Earnings before interest and tax (EBIT)	149.4	178.0	7.7	1.5	157.1	179.5
Net operating assets*	9,962.2	10,359.7	306.8	310.8	10,269.0	10,670.5
Segment liabilities*	–1,229.0	–1,268.9	–79.9	–86.4	–1,308.8	–1,355.3
Capital spending on property, plant and equipment	44.8	46.0	0.6	1.4	45.5	47.4
Investments in intangible assets	5.1	11.5	0.1	0.3	5.2	11.8
Depreciation and amortization	–199.4	–181.8	–2.6	–2.8	–202.1	–184.5
Impairment losses	–50.4	–17.2	–	–	–50.4	–17.2
Net cash flows from operating activities	340.8	246.1	13.8	–1.2	354.5	244.9
Net cash flows from investing activities	197.4	–54.7	–0.8	–1.3	196.7	–56.0
Free cash flow	538.2	191.4	13.0	–2.5	551.2	188.9
Underlying free cash flow	273.1	191.4	13.0	–2.5	286.1	188.9
FCR in %	19.1	13.6	11.2	–2.3	18.5	12.5
ROS in %	10.4	12.7	6.6	1.4	10.1	11.9

*Reporting period ending on March 31, 2011. The previous year's figures as of December 31, 2010.

SEGMENT REPORTING OF THE MERCK GROUP – CHEMICALS*

	Merck Millipore		Performance Materials		**Chemicals**	
EUR million	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Sales	608.4	228.2	408.0	351.4	1,016.4	579.6
Royalty, license and commission income	2.9	1.4	0.7	3.5	3.6	4.9
Total revenues	611.3	229.6	408.7	354.9	1,020.0	584.5
Gross margin	356.3	127.0	264.2	225.9	620.4	352.9
Marketing and selling expenses	–146.1	–57.7	–32.6	–30.5	–178.8	–88.2
Royalty, license and commission expenses	–3.1	–1.7	–1.5	–3.5	–4.6	–5.2
Administration expenses	–28.2	–10.5	–8.7	–9.3	–36.9	–19.8
Other operating expenses and income	–27.1	–14.8	–15.1	–18.3	–42.3	–33.1
Research and development	–32.6	–6.8	–36.5	–31.3	–69.0	–38.1
Operating result	72.0	35.2	168.8	131.5	240.8	166.7
Exceptional items	–	–	157.0	–	157.0	–
Earnings before interest and tax (EBIT)	72.0	35.2	325.8	131.5	397.8	166.7
Net operating assets**	6,208.5	6,435.6	1,312.4	1,289.8	7,520.8	7,725.3
Segment liabilities**	–324.3	–361.4	–143.1	–166.8	–467.4	–528.2
Capital spending on property, plant and equipment	16.0	7.9	13.3	9.2	29.3	17.1
Investments in intangible assets	1.0	0.7	0.8	0.6	1.7	1.3
Depreciation and amortization	–72.0	–11.6	–27.0	–23.4	–99.0	–35.0
Impairment losses	–	–	–	–9.0	–	–9.0
Net cash flows from operating activities	65.6	30.0	116.9	115.6	182.5	145.6
Net cash flows from investing activities	–14.1	–10.4	181.6	–8.9	167.6	–19.3
Free cash flow	51.5	19.6	298.6	106.7	350.1	126.3
Underlying free cash flow	57.8	19.6	97.6	106.7	155.4	126.3
FCR in %	9.5	8.5	23.9	30.1	15.2	21.6
ROS in %	11.8	15.3	41.3	37.1	23.6	28.5

* As a result of the acquisition of Millipore, the Chemicals business sector was reorganized. As of 2011, the Cosmetic Actives business field is reported under the Performance Materials division (previously it was reported under the Merck Millipore division). The figures for 2010 have been adjusted accordingly.

** Reporting period ending on March 31, 2011. The previous year's figures as of December 31, 2010 have been adjusted owing to the organizational reassignment of Cosmetic Actives.

SEGMENT REPORTING OF THE MERCK GROUP – CORPORATE AND OTHER/MERCK GROUP

	Corporate and Other		Merck Group	
EUR million	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Sales	–	–	2,477.5	2,022.8
Royalty, license and commission income	–	–	86.2	76.1
Total revenues	–	–	2,563.8	2,098.9
Gross margin	–	–	1,924.1	1,612.2
Marketing and selling expenses	–0.5	–1.1	–591.6	–468.2
Royalty, license and commission expenses	–	–	–111.3	–122.2
Administration expenses	–19.5	–16.3	–124.9	–104.4
Other operating expenses and income	–5.3	–34.2	–97.1	–134.9
Research and development	–	0.1	–379.5	–347.2
Operating result	–25.3	–51.5	371.6	294.8
Exceptional items	–	–	158.0	–
Earnings before interest and tax (EBIT)	–25.3	–51.5	529.5	294.8
Net operating assets*	66.8	74.7	17,856.6	18,470.5
Segment liabilities*	–11.7	–14.9	–1,787.9	–1,898.4
Capital spending on property, plant and equipment	0.1	0.1	74.9	64.7
Investments in intangible assets	2.4	0.9	9.3	14.0
Depreciation and amortization	–1.5	–0.6	–302.5	–220.2
Impairment losses	–	–	–50.4	–26.2
Net cash flows from operating activities	–252.1	–111.8	284.9	278.7
Net cash flows from investing activities	–259.9	1,344.8	104.3	1,269.5
Free cash flow	–255.9	–120.4	645.3	194.8
Underlying free cash flow	–255.9	–108.6	185.6	206.6
FCR in %	–	–	7.2	9.8
ROS in %	–	–	14.5	14.0

* Reporting period ending on March 31, 2011. The previous year's figures as of December 31, 2010.

CASH FLOW STATEMENT OF THE MERCK GROUP

EUR million	Q1 – 2011	Q1 – 2010
Profit after tax	**344.2**	**194.6**
Depreciation/amortization/impairment losses/write ups	353.0	246.4
Changes in inventories	–62.7	–20.6
Changes in trade accounts receivable	–30.6	–197.3
Changes in trade accounts payable	–109.8	–15.3
Changes in provisions	25.8	–28.9
Changes in other assets and liabilities	–68.2	103.5
Neutralization of gain/loss on disposals of assets	–164.1	–0.9
Other non-cash income and expenses	–2.6	–2.7
Net cash flows from operating activities	**284.9**	**278.7**
Purchase of intangible assets	–9.3	–14.0
Purchase of property, plant and equipment	–74.9	–64.7
Acquisitions	–	–
Investments in financial assets	–0.6	–7.8
Disposal of non-current assets	485.4	3.9
Purchase/sale of marketable securities	–40.2	–1.3
Changes in financial assets covering pensions	–1.3	–1.9
Changes in other financial assets	–254.8	1,355.4
Net cash flows from investing activities	**104.3**	**1,269.5**
Dividend payments	–	–2.5
Profit transfers to E. Merck KG and changes in reserves	–104.8	–49.4
Changes in liabilities to E. Merck KG	–19.8	21.1
Bonds issued	–	3,181.7
Changes in current and non-current financial liabilities	–22.8	–15.7
Net cash flows from financing activities	**–147.4**	**3,135.2**
Changes in cash and cash equivalents	**241.8**	**4,683.4**
Changes in cash and cash equivalents due to currency translation	–8.0	7.9
Cash and cash equivalents as of January 1 (Group balance sheet)	943.7	541.4
Plus cash and cash equivalents previously in assets held for sale	1.2	–
Cash and cash equivalents as of March 31	**1,178.7**	**5,232.7**

FREE CASH FLOW OF THE MERCK GROUP

EUR million	Q1 – 2011	Q1 – 2010
Net cash flows from operating activities	**284.9**	**278.7**
Purchase of intangible assets	–9.3	–14.0
Purchase of property, plant and equipment	–74.9	–64.7
Acquisitions	–	–
Investments in financial assets	–0.6	–7.8
Disposal of non-current assets	485.4	3.9
Purchase/sale of marketable securities	–40.2	–1.3
Free cash flow	**645.3**	**194.8**
Acquisition-related payments	–	–
Payments related to divestments (paid = + / received = –)	–459.7	11.9
Underlying free cash flow	**185.6**	**206.6**

STATEMENT OF COMPREHENSIVE INCOME OF THE MERCK GROUP

EUR million	Q1 – 2011	Q1 – 2010
Profit after tax	**344.2**	**194.6**
Available-for-sale financial assets		
Fair value adjustments	25.2	–8.7
Reclassification to income statement	–4.4	–
Deferred taxes	0.8	0.1
Changes recognized in equity	**21.6**	**–8.6**
Derivative financial instruments		
Fair value adjustments	11.8	–25.3
Reclassification to income statement	2.1	–
Deferred taxes	–0.6	4.1
Changes recognized in equity	**13.3**	**–21.2**
Actuarial gains and losses from defined benefit obligations and similar obligations		
Changes in actuarial gains and losses	–	–
Deferred taxes	–	–
Changes recognized in equity	–	–
Exchange differences on translating foreign operations		
Changes taken directly to equity	–69.1	381.6
Reclassification to income statement	3.5	–
Changes recognized in equity	**–65.6**	**381.6**
Gains/losses recognized immediately in equity	**–30.7**	**351.8**
Comprehensive income	**313.5**	**546.4**
of which attributable to shareholders of the parent company	312.6	538.3
of which attributable to non-controlling interest	0.9	8.1

STATEMENT OF CHANGES IN NET EQUITY INCLUDING NON-CONTROLLING INTEREST OF THE MERCK GROUP

	Equity capital		Reserves			Gains/losses recognized immediately in equity					
EUR million	General partner's equity Merck KGaA	Subscribed capital Merck KGaA	Capital reserves (share premium) Merck KGaA	Retained earnings/ Net retained profit	Actuarial gains and losses	Available-for-sale financial assets	Derivative financial instruments	Exchange differences on translating foreign operations	Equity attributable to shareholders of the parent company	Non-controlling interest	Equity
Balance as of January 1, 2010	**397.2**	**168.0**	**3,813.7**	**4,733.7**	**–228.7**	**18.8**	**47.5**	**509.9**	**9,460.1**	**53.5**	**9,513.6**
Profit after tax	–	–	–	191.4	–	–	–	–	191.4	3.1	194.6
Gains/losses recognized immediately in equity	–	–	–	–	–	–8.6	–21.2	376.7	346.9	4.9	351.8
Comprehensive income	**–**	**–**	**–**	**191.4**	**–**	**–8.6**	**–21.2**	**376.7**	**538.3**	**8.1**	**546.4**
Dividend payments	–	–	–	–	–	–	–	–	–	–2.5	–2.5
Profit transfers to/from E. Merck KG including transfers to reserves	–	–	–	–49.4	–	–	–	–	–49.4	–	–49.4
Changes in scope of consolidation/Other	–	–	–	0.2	–0.2	–	–	–	–	–0.3	–0.3
Balance as of March 31, 2010	**397.2**	**168.0**	**3,813.7**	**4,875.9**	**–228.9**	**10.2**	**26.3**	**886.6**	**9,949.0**	**58.7**	**10,007.7**
Balance as of January 1, 2011	**397.2**	**168.0**	**3,813.7**	**5,040.9**	**–370.4**	**–3.1**	**–61.1**	**1,344.6**	**10,329.8**	**42.0**	**10,371.8**
Profit after tax	–	–	–	341.1	–	–	–	–	341.1	3.1	344.2
Gains/losses recognized immediately in equity	–	–	–	–	–	21.6	13.3	–63.4	–28.5	–2.2	–30.7
Comprehensive income	**–**	**–**	**–**	**341.1**	**–**	**21.6**	**13.3**	**–63.4**	**312.6**	**0.9**	**313.5**
Dividend payments	–	–	–	–	–	–	–	–	–	–	–
Profit transfers to/from E. Merck KG including transfers to reserves	–	–	–	–104.8	–	–	–	–	–104.8	–	–104.8
Changes in scope of consolidation/Other	–	–	–	–1.3	–0.1	–	–	–	–1.4	0.1	–1.3
Balance as of March 31, 2011	**397.2**	**168.0**	**3,813.7**	**5,275.9**	**–370.5**	**18.5**	**–47.8**	**1,281.2**	**10,536.1**	**43.0**	**10,579.1**

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE MERCK GROUP AS OF MARCH 31, 2011

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 as of March 31, 2011 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, 2010 was selected. The accounting policies have remained unchanged in comparison with the previous year. The notes to the consolidated financial statements of the Merck Group for 2010, 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, the following interpretation and the following amendment to an interpretation take effect as of fiscal 2011:

- Revised version of IAS 24 "Related Party Disclosures"
- Amendment to IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues"
- Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"
- "Improvements to International Financial Reporting Standards" (issued by the IASB in May 2010)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The new rules do not have any material effects on the interim financial statements.

Scope of consolidation

As of March 31, 2011, a total of 234 (December 31, 2010: 236) companies were fully consolidated. No companies were consolidated on a pro rata basis. Two associates were included using the equity method. The following changes have occurred since the beginning of 2011: Bejiing Skywing Technology Co. was consolidated for the first time as of January 1, 2011.

Three newly established companies were consolidated for the first time. Within the scope of the sale of the Crop Bioscience business, two companies were deconsolidated. Four companies are no longer consolidated due to their liquidation.

Divestment of the Crop BioScience business

The announced sale of our Crop BioScience business to Novozymes A/S, Denmark, took place in the first quarter of 2011. In the Group balance sheet as of December 31, 2010, the corresponding assets and liabilities were disclosed under "Assets held for sale" and "Liabilities directly related the assets held for sale". The Performance Materials division generated sales of around EUR 46 million with this business in 2010. We received the proceeds of EUR 208.2 million from the sale in the first quarter of 2011. Merck generated a gain on the sale of EUR 157.0 million, which is disclosed in the income statement under exceptional items.

Based on the values on the closing date, the divestment of the Crop BioScience business had the following impact on the Group financial statements:

EUR million	Q1 – 2011
Current assets	
Cash and cash equivalents	1.2
Inventories	5.0
Receivables	10.3
Other current assets	0.6
	17.1
Non-current assets	
Intangible assets	13.3
Property, plant and equipment	4.2
Other non-current assets	2.0
	19.5
Assets	**36.6**
Current liabilities	**1.4**
Non-current liabilities	**0.3**
Liabilities	**1.7**
Net assets	**34.9**
Selling price	**208.2**
Subtotal	**173.3**
Realized currency translation differences	**–3.5**
Transaction costs / Provisions	**–12.8**
Gain on the divestment	**157.0**

First-time consolidation of Beijing Skywing Technology

At the end of December 2010, Merck acquired 100% of the shares in Beijing Skywing Technology Co., Ltd., Beijing, China. The acquired company, which is now part of the Merck Millipore division, is a leading supplier to the biopharmaceutical sector in China. The purchase price totaling EUR 14.5 million has not yet been paid to the seller. The first-time consolidation of Beijing Skywing Technology Co. took place on January 1, 2011.

Announced acquisition of the microbiology business of Biotest AG

On March 22, 2011, Merck announced its intention to acquire the microbiology business of Biotest AG. The transaction closing and the first-time consolidation of this business are expected to take place in the second half of 2011.

Amortization of intangible assets

In the first quarter of 2011, this line of the income statement includes impairment losses of EUR 50.4 million in connection with the reassessment of the sales potential of cladribine tablets.

Exceptional items

The exceptional items reported in the income statement include the gain on the divestment of the Crop BioScience business amounting to EUR 157.0 million as well as a subsequent gain of EUR 1.0 million from the divestment of Théramex in 2010.

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.

As a result of the acquisition of Millipore in July 2010, the Chemicals business sector was reorganized. The figures as of March 31, 2010 have been adjusted accordingly to reflect the new divisional structure. As of 2011, the Cosmetic Actives business field is reported under the Performance Materials division. As of December 31, 2010, and in fiscal 2010, this business field was still part of the Merck Millipore division.

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

EUR million	March 31, 2011	December 31, 2010
Assets	22,217.8	22,388.0
Monetary assets (cash and cash equivalents, loans, securities)	–1,634.9	–1,042.4
Financial assets covering pensions	–216.6	–216.9
Non-operating receivables, tax receivables, deferred taxes and refund claims on plan assets	–721.7	–723.1
Assets held for sale	–	–36.7
Operating assets (gross)	**19,644.5**	**20,368.9**
Trade accounts payable	–1,066.7	–1,200.1
Other operating liabilities	–721.2	–698.3
Operating assets (net)	**17,856.6**	**18,470.5**

Notes to the Cash Flow Statement

In the first quarter of 2011, interest paid amounted to EUR 124.0 million (first quarter of 2010: EUR 16.2 million). The strong increase is due to the interest payment date in March 2011 for major bonds issued in 2010 in order to finance the Millipore acquisition.

Owing to the divestment of the Crop BioScience business, free cash flow increased by EUR 201.0 million. In addition, the receipt in the first quarter of 2011 of the purchase price payment of EUR 265.1 million for Théramex, our former women's health business which we sold in 2010, had a positive impact on free cash flow in the first quarter of 2011.

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.

	Q1 – 2011	Q1 – 2010
Net profit after non-controlling interest (EUR million)	341.1	191.4
Weighted average number of theoretical shares outstanding (in millions)	217.4	217.4
Basic earnings per share (EUR)	**1.57**	**0.88**

As of March 31, 2011, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Related-party disclosures

As of March 31, 2011, there were liabilities by Merck KGaA, Merck Financial Services GmbH and Merck & Cie, Altdorf, to E. Merck KG in the amount of EUR 422 million. In addition, as of March 31, 2011, there were receivables by Merck KGaA to E. Merck KG in the amount of EUR 7.3 million and to E. Merck Beteiligungen KG in the amount of EUR 2.1 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. They included financial payables of EUR 100 million, which are subject to standard market interest rates. From January to March 2011, Merck KGaA performed services for E. Merck KG with a value of EUR 0.3 million. From January to March 2011, the companies of the Merck Group supplied goods with a value of EUR 0.5 million to associates. As of March 31, 2011, companies of the Merck Group had receivables from associates amounting to EUR 0.6 million.

Subsequent events

Merck had no material subsequent events.

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, April 28, 2011

Karl-Ludwig Kley

Michael Becker

Kai Beckmann

Stefan Oschmann

Bernd Reckmann

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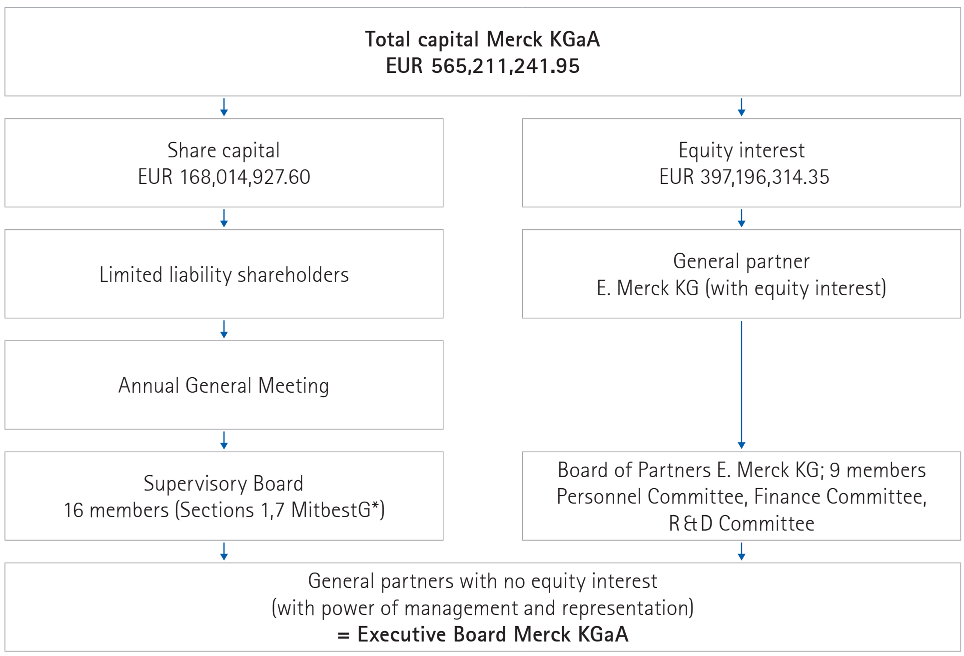
CAPITAL STRUCTURE OF MERCK KGaA AS OF MARCH 31, 2011

(for more information, please see the Annual Report for 2010, p. 109 et seq.)



*German Co-Determination Act

FINANCIAL CALENDAR 2011

Report on the first half:
Wednesday, July 27

Autumn press conference
and report on the third quarter:
Wednesday, October 26

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Published on April 28, 2011 by Merck KGaA
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Design: XEO GmbH, Düsseldorf, Germany
Typesetting: typowerkstatt Dickerhof & Schwarz, Darmstadt, Germany
Photograph: Marco Moog, Hamburg, Germany