Q3 | 2011

Quarterly Financial Report

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INTERIM MANAGEMENT REPORT OF THE MERCK GROUP AS OF SEPTEMBER 30, 2011

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE MERCK GROUP AS OF SEPTEMBER 30, 2011

MORE INFORMATION

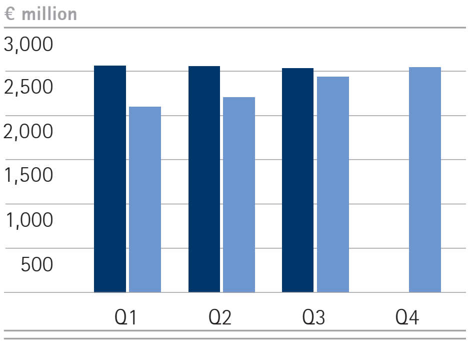
Cover photo: Merck Serono's research and development activities are focused on Oncology, Neurodegenerative Diseases and Rheumatology. The major research centers are located in Darmstadt, Geneva (photo) and Boston.

AT A GLANCE

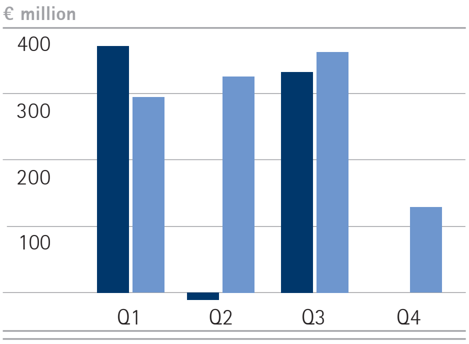
Key figures – 3rd quarter 2011

€ million	Pharma-ceuticals	Chemicals	Corporate and Other	Total	Change in %
Total revenues	1,601.6	929.9	–	2,531.6	3.8
Gross margin	1,315.9	535.9	–	1,851.8	1.8
Research and development	–303.0	–68.0	–	–371.0	6.4
Operating result	191.0	166.0	–23.8	333.3	–8.3
Exceptional items	–	–0.1	–0.2	–0.3	–
Earnings before interest and tax (EBIT)	191.0	165.9	–23.9	333.0	–8.4
EBIT before depreciation and amortization (EBITDA)	408.2	262.1	–22.8	647.5	–7.7
Return on sales in % (ROS: operating result/total revenues)	11.9	17.9	–	13.2	
Free cash flow	385.7	180.1	–84.3	481.5	–
Underlying free cash flow	385.8	255.4	–125.1	516.1	–8.0
Underlying free cash flow on revenues (FCR) in %	24.1	27.5	–	20.4	

Total revenues by quarter



Operating result by quarter



■ 2011 ■ 2010

HIGHLIGHTS – 3rd QUARTER 2011

- Total revenues increase by 3.8% to € 2.5 billion
- Organic revenue growth of 6.9% represents solid performance in challenging environment
- Underlying core operating result of € 552 million adversely affected by currency, R&D expenses and a weakening Performance Materials division
- Group guidance unchanged: Underlying core operating result for 2011 remains at € 2.25 billion

MERCK GROUP

Total revenues of the Merck Group increased 3.8% to € 2,532 million in the third quarter from € 2,438 million in the year-ago quarter with solid contributions from the Pharmaceuticals divisions and the Merck Millipore life science division. Exchange rate movements reduced third-quarter revenue growth by 2.2% and divestments subtracted a further 0.9%. Adjusted for these items, third quarter organic revenue growth was 6.9%.

Royalty, license and commission income rose 7.2% to € 97 million in the third quarter. The Group's third-quarter gross margin was € 1,852 million, or 73% of total revenues, compared to € 1,818 million, or 75% of total revenues, in the third quarter of 2010. The percentage decline was the result of negative currency effects, unfavorable product mixes and higher production costs.

Royalty, license and commission expenses, mainly stemming from third-party sales of Rebif® and Erbitux®, climbed with increased sales of these products, rising 16% to € 134 million in the third quarter.

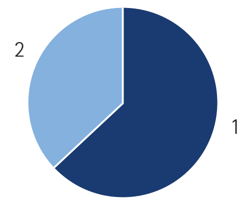
Administration expenses decreased by 2.7% to € 124 million in the third quarter of 2011. Other operating expenses and income declined by 1.3% to € 90 million from € 91 million in the year-ago quarter.

Research and development spending increased 6.4% to € 371 million in the third quarter of 2011 mainly due to expensive late-stage clinical trials of Merck Serono and a strong Swiss franc during the quarter.

Total revenues by business sector – Q3

€ million / % of total revenues

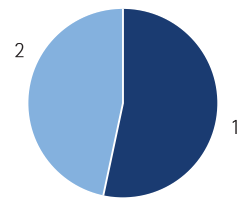
1 Pharmaceuticals	1,602	63%
2 Chemicals	930	37%



Operating result by business sector* – Q3

€ million / % of operating result

1 Pharmaceuticals	191	53%
2 Chemicals	166	47%



*excluding Corporate and Other

Components of growth by division – Q3

Change in total revenues compared to last year in %	Merck Serono	Consumer Health Care	Merck Millipore	Performance Materials	Merck Group
Organic growth	8.9	7.1	7.3	–1.3	6.9
Currency effects	–1.9	–0.8	–3.5	–1.7	–2.2
Acquisitions /divestments	–1.5	–	1.5	–2.2	–0.9
Total	**5.4**	**6.3**	**5.2**	**–5.2**	**3.8**

Amortization of intangible assets rose 7.4% to € 213 million from € 198 million in the year-ago quarter. This includes amortization of intangible assets from the Millipore purchase price allocation amounting to € 47 million and € 164 million from Merck Serono. The latter figure includes an incremental € 17 million as a result of shortening the amortization period for Rebif®.

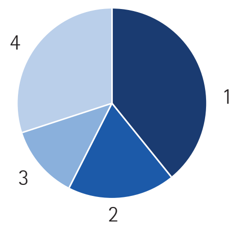
Third-quarter earnings before interest and tax (EBIT) declined 8.4% to € 333 million, or 13.2% of total revenues, compared to € 363 million, or 14.9% of total revenues, in the year-ago quarter. The third-quarter underlying core operating result, which excludes Merck Serono- and Merck Millipore-related amortization of intangible assets and other one-time charges, was € 552 million, or 21.8% of revenues, compared to € 624 million, or 25.6% of revenues, in the year-ago quarter. The primary reason for the decline in profitability was a weakening of the Performance Materials division, which faced a slowdown in its respective end-user industries, and the increase in R&D costs.

Merck's financial result improved by 5.0% to € -70 million in the third quarter of 2011 compared to € -74 million in the year-ago quarter due to higher interest income.

Merck Group | Sales by region – Q3

€ million / % of sales

1	Europe	956	39%
2	North America	448	18%
3	Latin America	306	13%
4	Asia, Africa, Australasia	725	30%



The Merck Group's third-quarter profit before tax was down 9.2% to € 263 million compared to € 289 million in the year-ago quarter.

The underlying tax ratio was 12.5% for the third quarter of 2011 compared to 25.8% in the year-ago quarter. This favorable reduction was the result of one-time deferred tax income.

Due to a 56% reduction in taxes to just € 33 million, profit after tax in the third quarter of 2011 increased 7.2% to € 230 million from € 215 million in the third quarter of 2010.

Total assets of the Merck Group as of September 30, 2011 amounted to € 22,394 million, which was slightly more than the € 22,388 million recorded on December 31, 2010.

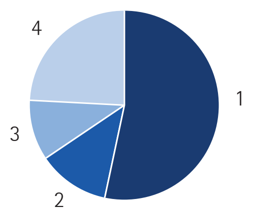
At 46.6%, the equity ratio as of September 30, 2011, was virtually consistent with the figure of 46.3% on December 31, 2010. Net financial debt as of September 30, 2011, declined by € 1,041 million to € 3,443 million from € 4,484 million at the end of 2010. The high equity ratio and the strong de-leveraging of the balance sheet over the last 12 months are affirmation of the Merck Group's conservative financial policy.

The free cash flow of the Merck Group was € 482 million in the third quarter of 2011 as compared with € -4,383 million in the year-ago quarter. The sharp change is due primarily to last year's purchase price payment for the acquisition of Millipore. Underlying free cash flow (free cash flow excluding acquisitions and divestments) amounted to € 516 million in the third quarter of 2011 and to € 960 million in the period from January through September 2011. This compares with € 561 million in the year-ago quarter and € 1,127 million in the first nine months of 2010. In the third quarter of 2011, free cash flow on revenues (FCR: defined as underlying free cash flow as a proportion of total revenues) was 20.4% compared with 23.0% in the third quarter of 2010. For the period from January through September 2011, free cash flow on revenues totaled 12.5% compared with 16.7% in the year-ago period.

Merck had 40,849 employees worldwide on September 30, 2011, compared to 40,562 on December 31, 2010. About 300 employees joined Merck during the third quarter with the acquisition of Biotest AG's industrial microbiology business.

Number of employees as of September 30, 2011: 40,849

1	Europe	21,868	54%
2	North America	4,915	12%
3	Latin America	4,250	10%
4	Asia, Africa, Australasia	9,816	24%



MERCK SHARES

The Merck share price fell 17.9% during the third quarter, from € 74.94 on June 30 to € 61.50 on September 30. The share price high during the third quarter was € 78.47, recorded on July 22. The low price for the quarter was € 56.82 on September 12. Germany's DAX® Index, of which Merck is a member, dropped 25.4% during the third quarter and the Bloomberg Europe Pharmaceuticals Index declined 2.0%.

Share data[1]

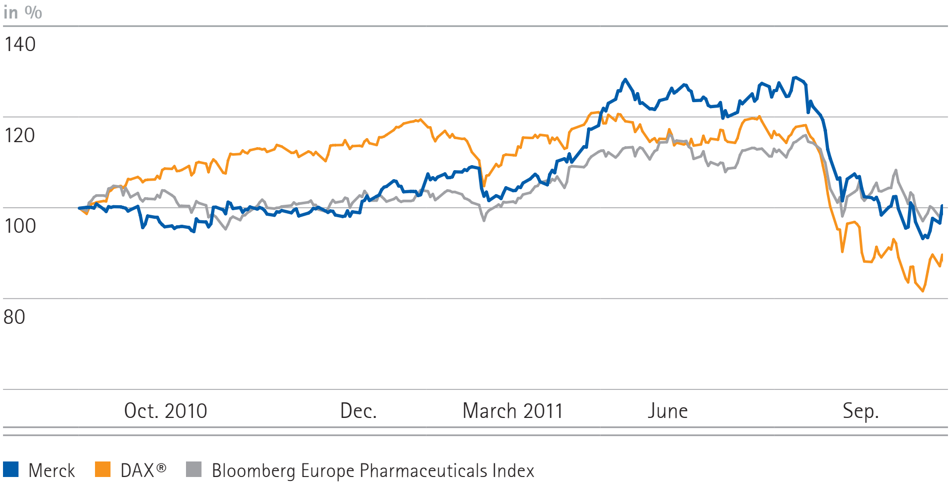
	Q3 – 2011	Q2 – 2011
Share price high in €	(July 22) 78.47	(May 13) 78.21
Share price low in €	(Sep. 12) 56.82	(April 11) 64.04
Closing share price in €	(Sep. 30) 61.50	(June 30) 74.94
Actual number of shares in millions	64.6	64.6
Theoretical number[2] of shares in millions	217.4	217.4
Market capitalization[3] in € million	13,369	16,291

[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 € 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 € 397.2 million on the balance sheet date September 30, 2011.

[3] Based on the theoretical number of shares as of September 30, 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.

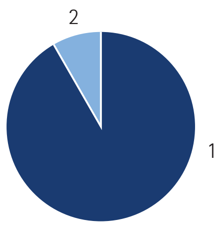
The Pharmaceuticals business sector's divisions are Merck Serono for innovative prescription medicines and Consumer Health Care for over-the-counter pharmaceutical products. The Pharmaceuticals business sector generated 63% of the Group's total revenues during the third quarter. Total revenues for the Pharmaceuticals business sector increased by 5.5% to € 1,602 million during the third quarter.

The Pharmaceuticals business sector was affected by increased cost of sales for the Merck Serono division due to negative currency effects – mainly the strong Swiss franc – plus a negative product mix, start-up costs for the new biotech production plant in Switzerland and higher research and development expenses. As a result, the Pharmaceuticals business sector's third-quarter operating result declined 15% to € 191 million from € 226 million in the year-ago quarter.

Pharmaceuticals | Total revenues by division – Q3

€ million / % of total revenues of the business sector

1	Merck Serono	1,469	92%
2	Consumer Health Care	133	8%



The Chemicals business sector includes the Merck Millipore division, with three business units – Bioscience, Lab Solutions, and Process Solutions, as well as the Performance Materials division, which consists of two business units – Liquid Crystals and Pigments & Cosmetics.

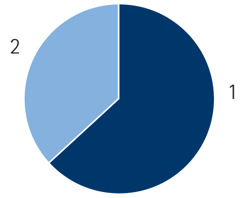
The Chemicals business sector accounted for 37% of the Group's total revenues in the third quarter.

This business sector's total revenues rose by 1.1% to € 930 million in the third quarter as sales of life science products compensated for softened demand for liquid crystals and effect pigments. The Chemicals business sector's operating result rose 2.6% to € 166 million in the third quarter.

Chemicals | Total revenues by division – Q3

€ million / % of total revenues of business sector

1	Merck Millipore	588	63%
2	Performance Materials	342	37%



MERCK SERONO

Merck Serono discovers, develops, manufactures and markets prescription medicines of both chemical and biological origin. It is the largest division of the Merck Group, accounting for 58% of Group total revenues in the third quarter.

Merck Serono | Key figures

€ million	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Total revenues	1,468.8	1,393.5	4,375.9	4,250.7
Gross margin	1,225.1	1,199.8	3,633.7	3,605.1
Research and development	–297.1	–279.6	–904.0	–880.2
Operating result	174.3	209.5	176.1	551.1
Exceptional items	–	–	6.8	–
Free cash flow	381.7	410.4	1,075.0	859.3
Underlying free cash flow	381.8	410.4	804.7	859.3
ROS in %	11.9	15.0	4.0	13.0

Merck Serono's total revenues during the third quarter increased 5.4% to € 1,469 million compared to € 1,393 million in the year-ago quarter, representing a solid performance in a difficult environment of lower health care spending by governments and other payers.

Foreigns currency exchange rate movements reduced revenue growth by 1.9% and the divestment of the Théramex women's health business in 2010 also had the effect of lowering revenue growth by 1.5%. Adjusted for these items, Merck Serono generated organic revenue growth of 8.9% in the quarter.

In the third quarter of 2010, Merck Serono made the decision to change its distribution strategy in the Chinese market. This resulted in lower revenues in the third quarter of 2010 as the change was implemented. Adjusted for this further effect, Merck Serono organic revenue growth was approximately 6% in the third quarter of 2011.

From a geographic perspective, the majority of the division's organic sales growth came from Asia and emerging markets, with the strong performance in North America attributable to solid Rebif® sales.

Royalty, license and commission income rose by 7.2% to € 94 million in the third quarter, primarily to adjust accruals made in previous quarters.

Global sales of Rebif® for the treatment of relapsing forms of multiple sclerosis rose 4.7% to € 426 million in the third quarter or 8.4% on an organic basis. The increase is largely due to a 20% organic increase in the United States, which was primarily attributable to price increases in January and June.

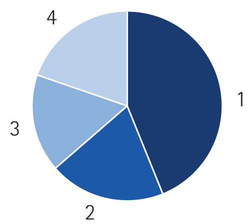
Sales of the targeted cancer treatment Erbitux® increased 4.7% on an organic basis to € 218 million primarily as a result of growth in emerging markets. Sales of Erbitux® are recovering in Japan, where it has been transitioning from third-line to first-line metastatic colorectal cancer and now requires KRAS testing in all lines. Erbitux® sales in Japan declined 23% organically following a 36% organic sales decline in the second quarter of 2011.

Third-quarter sales of Gonal-f®, a recombinant hormone used in the treatment of infertility, rose to € 123 million and generated 9.3% organic sales growth in the quarter. Gonal-f® has been performing well due to the strength of its brand, its exposure in emerging markets, and good lifecycle management.

Merck Serono | Sales by region – Q3

€ million / % of divisional sales

1	Europe	605	44%
2	North America	271	20%
3	Latin America	230	17%
4	Asia, Africa, Australasia	268	19%



Merck Serono's Endocrinology business also performed strongly in the third quarter, posting sales of € 90 million, which represented 17% organic sales growth. This therapeutic area includes six brands, two of which have been launched during the past two years. Sales of the recombinant growth hormone Saizen® for the treatment of growth-hormone deficiency were € 59 million, representing a 9.6% organic sales growth in the quarter. Another growth driver in this franchise is Kuvan®, which was launched in 2009 and already is available in 35 countries. It is the first and only prescription drug for the treatment of the rare diseases hyperphenylanlaninemia (HPA) in adults and phenylketonuria (PKU) in children.

Merck Serono's primary care products continued to contribute significantly to the division's overall sales. Sales of the branded Concor® (bisoprolol) beta-blocker products, such as Lodoz® and Concor®COR, were up 15% organically to € 93 million in the third quarter thanks to developments in emerging markets. Sales of thyroid medicines such as Euthyrox® jumped 21% organically to € 48 million in the third quarter with half the increase stemming from China.

Total sales of the Glucophage® (metformin) franchise of oral antidiabetic products rose 11% organically to € 83 million in the third quarter due to strong demand in Latin America and Japan. Possible capacity constraints could result in a short-term limitation on supply of this product and limit the robust growth of this product in future quarters.

The division's cost of sales rose 26% in the third quarter. This increase was due to currency effects – mainly the strong Swiss franc – plus a negative product mix as well as start-up costs for the new biotech production plant in Switzerland.

Consequently, the gross margin rose by 2.1% to € 1,225 million. Marketing and selling costs were nearly unchanged at € 344 million. Royalty, license and commission expenses rose 16% to € 128 million, largely on higher third-party sales for Rebif® and Erbitux®.

Research and development spending by Merck Serono increased 6.3% to € 297 million in the third quarter. The rise is due to several expensive late-stage clinical trials and also to currency effects from the Swiss franc. Merck Serono operates a major research facility in Geneva.

In September, Merck acquired the worldwide exclusive rights to PI-2301, an experimental drug for multiple sclerosis, previously developed by Peptimmune Inc. PI-2301 has completed Phase 1b in multiple sclerosis. The purchase price was € 1.2 million.

On October 3, Merck acquired the development and commercialization rights outside of Japan, Korea and Taiwan to the Phase 2 oral multiple sclerosis drug candidate ONO-4641 from Ono Pharmaceutical Co. of Japan for an upfront payment of about € 14 million plus potential future payments. At the same time, Ono received a co-development and co-marketing license from Merck for Stimuvax in Japan. Merck received an upfront payment of € 5 million. Stimuvax is an investigational therapeutic cancer immunotherapy.

Merck has decided not to pursue registration of the HSA-free formulation of Rebif® in the United States. Based on feedback from the U.S. Food and Drug Administration (FDA) as well as from external experts, the company has determined that pursuing the U.S. registration would require additional clinical trial data to support approval. Therefore, the company will focus on continuing to bring enhanced delivery devices to the U.S. market as well as continuing to invest in existing programs and support services for Americans living with MS. This decision has no effect on the availability of this formulation in other markets.

As already announced in the second quarter, the amortization period of Rebif® is being reduced by two years, reflecting the impact of oral multiple sclerosis drugs entering the market. This decision had the effect of increasing amortization by an incremental € 17 million per quarter through 2019. As a result, amortization of intangible assets increased in the third quarter by 11% to € 164 million from € 148 million in the year-ago quarter.

The division's third-quarter operating result declined by 17% to € 174 million from € 210 million in the year-ago quarter. The third-quarter underlying core operating result, which excludes amortization of intangible assets and one-time charges, was € 338 million, or 23.0% of revenues, compared to € 358 million, or 25.7% of revenues, in the third quarter of last year.

Joining the Merck Serono executive management team in September were: Dr. Belén Garijo, Chief Operating Officer; Dr. Annalisa Jenkins, Global Head of Drug Development & Medical; and James Stewart, Head of the Strategy Realization Office.

CONSUMER HEALTH CARE

The Consumer Health Care division reported a 6.3% rise in total revenues to € 133 million in the third quarter, representing 7.1% organic revenue growth. Growth was achieved across all geographic regions. More specifically, Germany, Russia and India were strong performers in the quarter.

Consumer Health Care | Key figures

€ million	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Total revenues	132.8	125.0	367.7	346.4
Gross margin	90.7	86.3	252.4	237.5
Research and development	–5.8	–5.5	–16.5	–16.4
Operating result	16.7	16.2	33.7	12.3
Exceptional items	–	–	–	–
Free cash flow	4.0	7.7	13.8	6.3
Underlying free cash flow	4.0	7.7	13.8	6.3
ROS in %	12.6	13.0	9.2	3.5

A key driver of the organic revenue growth in the third quarter was sales of Bion®3 probiotic multivitamins, which benefited from a strong performance in France as the result of a promotional campaign. Bion®3 sales also improved considerably in Russia. Growth in the quarter also was boosted by a price increase in Venezuela and a good performance of Nasivin® nasal spray in Russia and India.

Despite an 8.8% rise in cost of sales, the division's third-quarter gross margin rose 5.2% to € 91 million. Marketing and selling expenses rose at a slower rate than total revenues as part of management's concerted effort to improve the cost structure of the division. Administration expenses also declined.

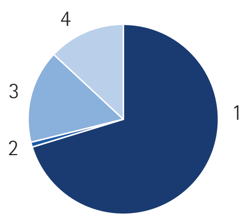
Consequently, the division's operating result rose by 3.2% to € 17 million in the third quarter from € 16 million in the year-ago quarter. In the first nine months of 2011, the operating result of the division nearly tripled due to improved operating performance and one-time negative events in 2010 that were not repeated.

The division's EBIT margin for the third quarter was 12.6% compared to 13.0% in the year-ago quarter. In the first nine months of the year, the division's EBIT margin increased to 9.2% from 3.5% in the year-ago quarter.

Udit Batra, formerly of Novartis, was appointed Head of the Consumer Health Care division effective September 1 of this year. He succeeds Peter Shotter.

Consumer Health Care | Sales by region – Q3

€ million / % of divisional sales		
1 Europe	93	70%
2 North America	1	1%
3 Latin America	21	16%
4 Asia, Africa, Australasia	17	13%



MERCK MILLIPORE

The Merck Millipore life science division comprises the activities of the former Millipore Corporation, acquired on July 14, 2010, and the majority of Merck's former Performance & Life Science Chemicals division. With the third quarter, it is now possible to provide comparable year-ago figures.

Merck Millipore | Key figures

€ million	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Total revenues	588.3	559.0	1.783.2	1.033.0
Gross margin	340.3	290.6	1.026.3	545.1
Research and development	–33.7	–30.0	–98.2	–43.3
Operating result	53.1	13.2	171.4	47.0
Exceptional items	–	–	–	–
Free cash flow	26.6	–4.831.9	137.1	–4.791.2
Underlying free cash flow	101.9	101.8	228.8	142.6
ROS in %	9.0	2.4	9.6	4.5

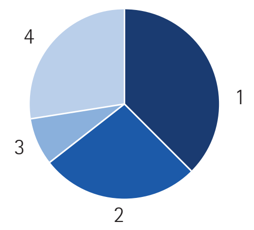
Merck announced during the third quarter that Robert Yates would succeed Bernd Reckmann as President of Merck Millipore on September 1. Yates joined Merck from Roche Holding AG's diagnostics division. Reckmann remains Merck Executive Board Member responsible for the Chemicals business sector, which includes the Merck Millipore and Performance Materials divisions.

The Merck Millipore division has three business units – Bioscience representing 18% of third-quarter total revenues; Lab Solutions representing 42%; and Process Solutions representing 40%.

The Merck Millipore division's total revenues increased 5.2% to € 588 million in the third quarter of 2011 compared to € 559 million in the year-ago period. Changes in foreign exchange rates reduced revenue growth by 3.5% and acquisitions added 1.5% in growth, which led to a 7.3% increase in organic revenue growth in the third quarter. This strong organic growth benefited from a low base in the third quarter of 2010 due to a change in distribution vendors in Europe, which considerably slowed down sales in the year-ago period.

Merck Millipore | Sales by region – Q3

€ million / % of divisional sales		
1 Europe	221	38%
2 North America	158	27%
3 Latin America	47	8%
4 Asia, Africa, Australasia	161	27%



This good performance was driven by strong year-over-year increases in the Lab Solutions and Process Solutions business units. The Merck Millipore division began to see weakening demand from global industrial customers and academic and government-sponsored laboratories in the United States during the third quarter. However, these markets do not represent a material portion of the overall revenues of the division.

The division acquired the industrial microbiology business of Biotest AG, Dreieich, Germany, in August. The Biotest activities have been integrated into the Lab Solutions business unit and will expand the division's portfolio of biomonitoring testing products. On August 30, Merck announced that it had agreed to acquire the Amnis Corporation of Seattle, which designs, manufactures and markets high-speed cell imaging instrumentation. It will become part of the division's Bioscience business unit. The closing was on October 4.

From a business unit perspective, the Bioscience business unit's third-quarter growth was driven by a good performance in North America, particularly for pharmaceutical customers. Sales in China and India showed double-digit growth. The business unit's cell biology products, including flow cytometry, continue to be some of its fastest growing product lines.

Lab Solutions sales growth was powered by strong performances of its Lab Water and BioMonitoring products. BioMonitoring is benefiting from several important new product launches.

Third-quarter Process Solutions sales growth was driven by strong business in emerging markets, as well as a double-digit growth in sales to global biotech customers, who increased their production of biologic drugs and vaccines. The business unit's growth is also benefiting from increased demand for single-use manufacturing products, which have grown to represent a material portion of its sales.

The division's gross margin increased by 17% to € 340 million in the third quarter of 2011 primarily due to the effect of a € -43 million inventory step-up that was booked in the year-ago quarter as part of the purchase-price allocation for the Millipore Corporation. In addition, the division has increased operational spending to support future growth. This included investments in marketing and selling (+10%) and research and development (+12%).

This led to a third-quarter operating result of € 53 million compared to € 13 million in the year-ago quarter. The division's third quarter EBIT margin was 9.0% compared to 2.4% in the year-ago quarter.

The third-quarter underlying core operating result, which is adjusted for one-time charges and amortization of purchased intangibles, was € 107 million, or 18.3% of total revenues, compared to € 125 million, or 22.4% of total revenues, in the third quarter of 2010. The year-over-year decrease was the result of changes in foreign currency exchanges rates, higher production costs, and higher levels of investment in the division's R&D and sales organizations.

PERFORMANCE MATERIALS

The Performance Materials division primarily comprises Merck's Liquid Crystals and Pigments & Cosmetics business units.

Third-quarter total revenues of the division declined 5.2% year-over-year to € 342 million. Currency exchange rates lowered revenue growth by 1.7% and the divestment of the division's Crop BioScience business in February subtracted another 2.2 percentage points from growth, resulting in an organic revenue decline of 1.3% in the third quarter.

Performance Materials | Key figures

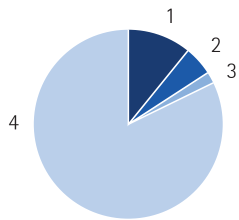
€ million	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Total revenues	341.7	360.4	1,123.8	1,114.5
Gross margin	195.7	241.5	658.5	733.5
Research and development	–34.3	–33.4	–100.9	–94.7
Operating result	112.9	148.7	386.0	447.6
Exceptional items	–0.1	–	157.3	–
Free cash flow	153.5	158.9	606.0	418.5
Underlying free cash flow	153.5	165.4	405.1	425.0
ROS in %	33.0	41.2	34.3	40.2

Third-quarter sales for the Liquid Crystals business unit increased organically by just 2.4% in the quarter as customers reduced stocks in the third quarter in response to a weaker economic environment. Similar to the trend that the division saw in the second quarter, the primary driver of sales in the third quarter was solid volume demand for Merck's broad range of innovative liquid crystal materials, which are used in flat panel screens for televisions and computer monitors as well as touch screens for the very popular smart phones and electronic tablets.

Performance Materials | Sales by region – Q3

€ million / % of divisional sales

1 Europe	37	11%
2 North America	17	5%
3 Latin America	7	2%
4 Asia, Africa, Australasia	279	82%



Sales by the Pigments & Cosmetics business unit declined 12% organically during the third quarter due to lower volumes and softer demand across all business fields.

On September 21, Merck announced a global price increase for all its pigments and cosmetics raw materials, in most cases up by 5% to 15% and in select cases by as much as 30%. The new prices, which take effective November 1, 2011, reflect the higher costs of energy and raw materials.

Reactive mesogens and other optic materials are beginning to make a noticeable contribution to the division's revenue stream. Reactive mesogens are liquid crystalline materials that can either be coated onto flexible plastic foils to form compensation films or be used inside a display to form in-cell optical elements. Their main application at this time is in 3D displays, such as in flat-panel televisions.

The division's gross margin dropped 19% to € 196 million from € 242 million in the year-ago quarter. This decrease was due to lower revenue and an unfavorable product mix, as well as lower utilization rates, increased raw material costs and additional expenses linked to new product launches.

Research and development costs rose 2.7% to € 34 million, or 10% of total revenues.

This led to a 24% decline in the third-quarter EBIT to € 113 million, or 33.0% of revenues, compared to € 149 million, or 41.2% of revenues in the third quarter of 2010.

Through the first nine months of the year, the division generated 4.4% organic revenue growth and posted an underlying core operating result of € 395 million, or 35.1% of revenues.

CORPORATE AND OTHER

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

Corporate and Other | Key figures

€ million	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Total revenues	–	–	–	–
Gross margin	–	–	–	–
Research and development	–	–	–	–
Operating result	–23.8	–24.1	–73.8	–73.6
Exceptional items	–0.2	–	–17.5	–1.2
Free cash flow	–84.3	–127.9	–451.9	–324.6
Underlying free cash flow	–125.1	–124.6	–492.7	–305.9

RISK REPORT

The Merck Group operates global in a variety of highly innovative business fields, which results in exposure to potential risks as well as opportunities. As of this date, the previously stated risk categories enumerated in the 2010 Annual Report's Risk Report on pages 86 through 94 remain valid for the Merck Group. The company is not aware of any risks that could jeopardize the continued existence of the Merck Group.

The company has a risk management system in place to identify and mitigate potential risks. Merck continuously monitors business risks such as issues regarding liquidity, defaults on payables and receivables, currency and interest rates, market pricing, pension obligations, assessment of independent rating agencies, human resources and information technology. Regarding legal risks, Merck monitors a host of potential issues such as litigation regarding product liability, antitrust law, pharmaceutical law, patent law and environmental protection among others.

REPORT ON EXPECTED DEVELOPMENTS

The Executive Board forecasts full-year total revenues for the Group to be about € 10 billion to € 10.2 billion. Likewise, the Executive Board expects the Group underlying core operating result for 2011 to amount to about € 2.25 billion, as stated in July. The net financial debt of the Merck Group resulting from the 2010 acquisition of Millipore continues to decrease at an excellent pace.

Merck Guidance for 2011

Merck Group	Expectations 2011
Total Revenues	~ € 10 – € 10.2 billion
Operating Result	~ € 1.0 billion
Underlying Core Operating Result	~ € 2.25 billion

Merck Divisions	Total Revenues Growth 2011
Merck Serono	~ 1–2%
Consumer Health Care	~ 5–6%
Merck Millipore*	~ 47%
Performance Materials*	~ 3–4%

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2011

INCOME STATEMENT OF THE MERCK GROUP

€ million	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Sales	**2,434.3**	**2,347.0**	**7,381.4**	**6,472.6**
Royalty, license and commission income	97.3	90.8	269.3	272.1
Total revenues	**2,531.6**	**2,437.8**	**7,650.7**	**6,744.7**
Cost of sales	–679.8	–619.7	–2,079.8	–1,623.5
Gross margin	**1,851.8**	**1,818.2**	**5,570.9**	**5,121.2**
Marketing and selling expenses	–586.3	–573.3	–1,782.9	–1,581.7
Royalty, license and commission expenses	–133.9	–115.8	–363.7	–355.3
Administration expenses	–124.5	–128.0	–375.7	–347.5
Other operating expenses and income	–89.8	–91.0	–457.3	–335.4
Research and development	–371.0	–348.6	–1,119.6	–1,034.6
Amortization of intangible assets	–212.9	–198.2	–780.1	–484.7
Investment result	–0.1	0.3	1.9	2.5
Operating result	**333.3**	**363.5**	**693.4**	**984.4**
Exceptional items	–0.3	–	146.6	–1.2
Earnings before interest and tax (EBIT)	**333.0**	**363.5**	**840.0**	**983.2**
Financial result	–70.5	–74.2	–213.3	–191.1
Profit before tax	**262.5**	**289.3**	**626.7**	**792.2**
Income tax	–32.6	–74.8	–136.7	–196.2
Profit after tax	**229.9**	**214.5**	**490.0**	**596.0**
Non-controlling interest	–3.3	–3.7	–8.2	–10.4
Net profit after non-controlling interest	**226.6**	**210.8**	**481.8**	**585.6**
Earnings per share (in €)				
basic	1.04	0.97	2.22	2.69
diluted	1.04	0.97	2.22	2.69

BALANCE SHEET OF THE MERCK GROUP

€ million	Sep. 30, 2011	December 31, 2010
Current assets		
Cash and cash equivalents	1,137.2	943.7
Marketable securities and financial assets	983.0	55.6
Trade accounts receivable	2,351.9	2,296.3
Inventories	1,690.4	1,673.5
Other current assets	268.4	564.7
Tax receivables	98.3	93.7
Assets held for sale	–	36.7
	6,529.2	**5,664.2**
Non-current assets		
Intangible assets	11,753.0	12,484.1
Property, plant and equipment	3,061.1	3,241.5
Investments at equity	3.5	5.0
Non-current financial assets	82.6	130.3
Financial assets covering pensions	218.9	216.9
Other non-current assets	57.7	52.9
Deferred tax assets	688.0	593.1
	15,864.9	**16,723.8**
Total assets	**22,394.1**	**22,388.0**
Current liabilities		
Current financial liabilities	959.0	356.1
Trade accounts payable	1,124.2	1,200.1
Other current liabilities	1,017.8	1,054.6
Tax liabilities	401.8	368.4
Current provisions	333.0	374.5
Liabilities directly related to assets held for sale	–	5.9
	3,835.8	**3,359.6**
Non-current liabilities		
Non-current financial liabilities	4,604.2	5,127.4
Other non-current liabilities	35.0	42.9
Non-current provisions	547.9	524.2
Provisions for pensions and other post-employment benefits	1,636.7	1,581.6
Deferred tax liabilities	1,297.9	1,380.5
	8,121.7	**8,656.6**
Net equity		
Equity capital	565.2	565.2
Reserves	8,646.1	8,484.2
Gains/losses recognized immediately in equity	1,180.2	1,280.4
Equity attributable to shareholder of the parent company	**10,391.5**	**10,329.8**
Non-controlling interest	45.1	42.0
	10,436.6	**10,371.8**
Total liabilities and stockholders' equity	**22,394.1**	**22,388.0**

SEGMENT REPORTING OF THE MERCK GROUP – PHARMACEUTICALS

	Merck Serono				Consumer Health Care			
€ million	Q3 2011	Q3 2010	Jan.–Sep. 2011	Jan.–Sep. 2010	Q3 2011	Q3 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Sales	1,374.9	1,305.9	4,115.3	3,991.3	132.5	124.7	366.4	344.9
Royalty, license and commission income	93.9	87.6	260.6	259.5	0.3	0.3	1.3	1.5
Total revenues	1,468.8	1,393.5	4,375.9	4,250.7	132.8	125.0	367.7	346.4
Gross margin	1,225.1	1,199.8	3,633.7	3,605.1	90.7	86.3	252.4	237.5
Marketing and selling expenses	–343.8	–345.6	–1,062.3	–1,046.8	–56.9	–55.5	–174.3	–175.3
Royalty, license and commission expenses	–128.2	–110.4	–347.4	–340.4	–1.4	–0.3	–2.1	–1.0
Administration expenses	–65.2	–66.9	–193.0	–198.2	–5.6	–6.9	–17.5	–18.8
Other operating expenses and income	–52.6	–39.4	–325.1	–159.3	–3.2	–0.9	–5.1	–10.7
Research and development	–297.1	–279.6	–904.0	–880.2	–5.8	–5.5	–16.5	–16.4
Operating result	174.3	209.5	176.1	551.1	16.7	16.2	33.7	12.3
Exceptional items	–	–	6.8	–	–	–	–	–
Earnings before interest and tax (EBIT)	174.3	209.5	182.9	551.1	16.7	16.2	33.7	12.3
Net operating assets*	–	–	9,379.8	10,359.7	–	–	325.7	310.8
Segment liabilities*	–	–	–1,212.4	–1,268.9	–	–	–83.4	–86.4
Capital spending on property, plant and equipment	44.3	53.8	140.3	161.8	1.1	1.1	3.0	3.4
Investments in intangible assets	5.7	11.9	17.3	35.3	0.2	0.2	5.9	1.0
Depreciation and amortization	–213.6	–194.2	–624.5	–564.5	–2.7	–2.8	–8.0	–8.8
Impairment losses	–3.5	–0.8	–320.2	–18.0	–	–	–0.8	–
Net cash flows from operating activities	420.5	471.7	902.3	1,046.8	5.4	8.6	22.2	10.8
Net cash flows from investing activities	–38.8	–61.3	172.7	–187.5	–1.3	–0.9	–8.4	–4.5
Free cash flow	381.7	410.4	1,075.0	859.3	4.0	7.7	13.8	6.3
Underlying free cash flow	381.8	410.4	804.7	859.3	4.0	7.7	13.8	6.3
FCR in %	26.0	29.5	18.4	20.2	3.0	6.1	3.8	1.8
ROS in %	11.9	15.0	4.0	13.0	12.6	13.0	9.2	3.5

	Pharmaceuticals			
€ million	Q3 2011	Q3 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Sales	1,507.4	1,430.6	4,481.7	4,336.2
Royalty, license and commission income	94.2	87.8	261.9	261.0
Total revenues	1,601.6	1,518.4	4,743.6	4,597.1
Gross margin	1,315.9	1,286.0	3,886.1	3,842.6
Marketing and selling expenses	–400.6	–401.1	–1,236.7	–1,222.1
Royalty, license and commission expenses	–129.6	–110.7	–349.5	–341.3
Administration expenses	–70.8	–73.7	–210.5	–217.0
Other operating expenses and income	–55.8	–40.3	–330.2	–170.0
Research and development	–303.0	–285.1	–920.5	–896.6
Operating result	191.0	225.7	209.8	563.4
Exceptional items	–	–	6.8	–
Earnings before interest and tax (EBIT)	191.0	225.7	216.6	563.4
Net operating assets*	–	–	9,705.5	10,670.5
Segment liabilities*	–	–	–1,295.8	–1,355.3
Capital spending on property, plant and equipment	45.4	54.9	143.4	165.2
Investments in intangible assets	5.8	12.2	23.2	36.2
Depreciation and amortization	–216.3	–196.9	–632.4	–573.3
Impairment losses	–3.5	–0.8	–320.9	–18.0
Net cash flows from operating activities	425.9	480.4	924.6	1,057.6
Net cash flows from investing activities	–40.1	–62.3	164.3	–192.0
Free cash flow	385.7	418.1	1,088.9	865.6
Underlying free cash flow	385.8	418.1	818.6	865.6
FCR in %	24.1	27.5	17.3	18.8
ROS in %	11.9	14.9	4.4	12.3

*Reporting period ending on September 30, 2011. The previous year's figures as of December 31, 2010.

SEGMENT REPORTING OF THE MERCK GROUP – CHEMICALS*

	Merck Millipore				Performance Materials			
€ million	Q3 2011	Q3 2010	Jan.–Sep. 2011	Jan.–Sep. 2010	Q3 2011	Q3 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Sales	586.7	557.1	1,778.2	1,027.4	340.1	359.3	1,121.5	1,109.0
Royalty, license and commission income	1.6	1.9	5.1	5.6	1.5	1.1	2.3	5.6
Total revenues	588.3	559.0	1,783.2	1,033.0	341.7	360.4	1,123.8	1,114.5
Gross margin	340.3	290.6	1,026.3	545.1	195.7	241.5	658.5	733.5
Marketing and selling expenses	–150.8	–136.7	–444.1	–258.2	–33.3	–34.6	–99.7	–99.0
Royalty, license and commission expenses	–3.7	–3.2	–10.7	–6.2	–0.6	–1.9	–3.5	–7.8
Administration expenses	–26.9	–26.2	–80.6	–48.3	–8.9	–10.6	–26.6	–30.6
Other operating expenses and income	–24.4	–33.8	–81.2	–94.6	–5.3	–11.2	–31.3	–49.5
Research and development	–33.7	–30.0	–98.2	–43.3	–34.3	–33.4	–100.9	–94.7
Operating result	53.1	13.2	171.4	47.0	112.9	148.7	386.0	447.6
Exceptional items	–	–	–	–	–0.1	–	157.3	–
Earnings before interest and tax (EBIT)	53.1	13.2	171.4	47.0	112.8	148.7	543.3	447.6
Net operating assets**	–	–	6,397.0	6,435.7	–	–	1,253.7	1,289.8
Segment liabilities**	–	–	–323.0	–361.4	–	–	–159.7	–166.8
Capital spending on property, plant and equipment	22.2	22.3	64.4	42.4	18.0	20.9	43.8	46.1
Investments in intangible assets	5.4	2.0	8.1	4.1	–	0.7	1.3	2.3
Depreciation and amortization	–70.1	–69.3	–210.7	–92.5	–25.2	–25.5	–77.1	–72.5
Impairment losses	–	–1.6	–2.0	–1.6	–	–	–9.4	–16.4
Net cash flows from operating activities	126.9	29.9	283.1	95.5	171.3	184.0	455.3	468.0
Net cash flows from investing activities	–100.4	–4,861.8	–146.0	–4,886.7	–17.8	–25.2	150.7	–49.5
Free cash flow	26.6	–4,831.9	137.1	–4,791.2	153.5	158.9	606.0	418.5
Underlying free cash flow	101.9	101.8	228.8	142.6	153.5	165.4	405.1	425.0
FCR in %	17.3	18.2	12.8	13.8	44.9	45.9	36.0	38.1
ROS in %	9.0	2.4	9.6	4.5	33.0	41.2	34.3	40.2

	Chemicals			
€ million	Q3 2011	Q3 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Sales	926.8	916.4	2,899.7	2,136.4
Royalty, license and commission income	3.1	3.0	7.4	11.1
Total revenues	929.9	919.4	2,907.1	2,147.5
Gross margin	535.9	532.1	1,684.8	1,278.6
Marketing and selling expenses	–184.1	–171.3	–543.9	–357.2
Royalty, license and commission expenses	–4.3	–5.1	–14.2	–14.0
Administration expenses	–35.8	–36.8	–107.2	–78.9
Other operating expenses and income	–29.7	–45.0	–112.5	–144.1
Research and development	–68.0	–63.5	–199.1	–138.0
Operating result	166.0	161.8	557.4	494.6
Exceptional items	–0.1	–	157.3	–
Earnings before interest and tax (EBIT)	165.9	161.8	714.7	494.6
Net operating assets**	–	–	7,650.6	7,725.3
Segment liabilities**	–	–	–482.6	–528.2
Capital spending on property, plant and equipment	40.1	43.1	108.2	88.5
Investments in intangible assets	5.4	2.8	9.3	6.4
Depreciation and amortization	–95.3	–94.8	–287.8	–164.9
Impairment losses	–	–1.6	–11.5	–18.0
Net cash flows from operating activities	298.3	213.9	738.4	563.5
Net cash flows from investing activities	–118.2	–4,886.9	4.7	–4,936.2
Free cash flow	180.1	–4,673.0	743.1	–4,372.7
Underlying free cash flow	255.4	267.3	633.9	567.6
FCR in %	27.5	29.1	21.8	26.4
ROS in %	17.9	17.6	19.2	23.0

* 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 September 30, 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			
€ million	Q3 2011	Q3 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Sales	–	–	–	–
Royalty, license and commission income	–	–	–	–
Total revenues	–	–	–	–
Gross margin	–	–	–	–
Marketing and selling expenses	–1.5	–1.0	–2.4	–2.4
Royalty, license and commission expenses	–	–	–	–
Administration expenses	–17.9	–17.4	–58.0	–51.6
Other operating expenses and income	–4.3	–5.7	–14.6	–21.3
Research and development	–	–	–	–
Operating result	–23.8	–24.1	–73.8	–73.6
Exceptional items	–0.2	–	–17.5	–1.2
Earnings before interest and tax (EBIT)	–23.9	–24.1	–91.3	–74.8
Net operating assets*	–	–	17.8	74.7
Segment liabilities*	–	–	–18.9	–14.9
Capital spending on property, plant and equipment	–0.3	0.3	0.2	0.6
Investments in intangible assets	–0.3	1.6	3.3	4.9
Depreciation and amortization	–1.2	–1.2	–3.8	–2.3
Impairment losses	–	–	–0.4	–
Net cash flows from operating activities	–84.6	–136.2	–446.3	–318.1
Net cash flows from investing activities	–650.1	48.8	–917.6	1.384.8
Free cash flow	–84.3	–127.9	–451.9	–324.6
Underlying free cash flow	–125.1	–124.6	–492.7	–305.9
FCR in %	–	–	–	–
ROS in %	–	–	–	–

	Merck Group			
€ million	Q3 2011	Q3 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Sales	2,434.3	2,347.0	7,381.4	6,472.6
Royalty, license and commission income	97.3	90.8	269.3	272.1
Total revenues	2,531.6	2,437.8	7,650.7	6,744.7
Gross margin	1,851.8	1,818.2	5,570.9	5,121.2
Marketing and selling expenses	–586.3	–573.3	–1,782.9	–1,581.7
Royalty, license and commission expenses	–133.9	–115.8	–363.7	–355.3
Administration expenses	–124.5	–128.0	–375.7	–347.5
Other operating expenses and income	–89.8	–91.0	–457.3	–335.4
Research and development	–371.0	–348.6	–1,119.6	–1,034.6
Operating result	333.3	363.5	693.4	984.4
Exceptional items	–0.3	–	146.6	–1.2
Earnings before interest and tax (EBIT)	333.0	363.5	840.0	983.2
Net operating assets*	–	–	17,374.0	18,470.5
Segment liabilities*	–	–	–1,797.4	–1,898.4
Capital spending on property, plant and equipment	85.2	98.3	251.7	254.2
Investments in intangible assets	10.9	16.5	35.8	47.6
Depreciation and amortization	–312.7	–292.9	–924.1	–740.5
Impairment losses	–3.5	–2.4	–332.8	–36.0
Net cash flows from operating activities	639.6	558.0	1,216.7	1,302.9
Net cash flows from investing activities	–808.4	–4,900.5	–748.6	–3,743.4
Free cash flow	481.5	–4,382.9	1,380.1	–3,831.7
Underlying free cash flow	516.1	560.7	959.8	1,127.3
FCR in %	20.4	23.0	12.5	16.7
ROS in %	13.2	14.9	9.1	14.6

* Reporting period ending on Sep. 30, 2011. The previous year's figures as of December 31, 2010.

CASH FLOW STATEMENT OF THE MERCK GROUP

€ million	Jan.–Sep. 2011	Jan.–Sep. 2010
Profit after tax	**490.0**	**596.0**
Depreciation/amortization/impairment losses/write ups	1,253.5	776.5
Changes in inventories	–87.5	–72.1
Changes in trade accounts receivable	–74.7	–161.7
Changes in trade accounts payable	–74.3	–24.6
Changes in provisions	13.4	85.2
Changes in other assets and liabilities	–120.6	113.6
Neutralization of gain/loss on disposals of assets	–205.7	–3.2
Other non-cash income and expenses	22.6	–6.7
Net cash flows from operating activities	**1,216.7**	**1,302.9**
Purchase of intangible assets	–35.8	–47.6
Purchase of property, plant and equipment	–246.0	–254.2
Acquisitions	–84.3	–4,845.7
Investments in financial assets	–6.5	–11.1
Disposal of non-current assets	557.3	21.7
Purchase/sale of marketable securities	–21.3	2.1
Changes in financial assets covering pensions	–5.0	–6.7
Changes in other financial assets	–907.0	1,397.9
Net cash flows from investing activities	**–748.6**	**–3,743.4**
Dividend payments	–84.5	–73.1
Profit transfers to E. Merck KG and changes in reserves	–233.0	–163.8
Changes in liabilities to E. Merck KG	81.5	–9.8
Bonds issued	–	3,181.7
Changes in current and non-current financial liabilities	–37.6	356.0
Net cash flows from financing activities	**–273.6**	**3,291.0**
Changes in cash and cash equivalents	**194.5**	**850.5**
Changes in cash and cash equivalents due to currency translation	–2.2	–4.3
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 September 30	**1,137.2**	**1,387.6**

FREE CASH FLOW OF THE MERCK GROUP

€ million	Jan.–Sep. 2011	Jan.–Sep. 2010
Net cash flows from operating activities	**1,216.7**	**1,302.9**
Purchase of intangible assets	–35.8	–47.6
Purchase of property, plant and equipment	–246.0	–254.2
Acquisitions	–84.3	–4,845.7
Investments in financial assets	–6.5	–11.1
Disposal of non-current assets	557.3	21.7
Purchase/sale of marketable securities	–21.3	2.1
Free cash flow	**1,380.1**	**–3,831.7**
Acquisition-related payments	91.7	4,940.3
Payments related to divestments (paid = + / received = –)	–512.0	18.7
Underlying free cash flow	**959.8**	**1,127.3**

STATEMENT OF COMPREHENSIVE INCOME OF THE MERCK GROUP

€ million	Jan.–Sep. 2011	Jan.–Sep. 2010
Profit after tax	**490.0**	**596.0**
Available-for-sale financial assets		
Fair value adjustments	26.1	–2.0
Reclassification to income statement	–27.0	–
Deferred taxes	1.4	0.3
Changes recognized in equity	**0.5**	**–1.7**
Derivative financial instruments		
Fair value adjustments	–32.6	–42.3
Reclassification to income statement	–6.8	–14.3
Deferred taxes	7.6	10.2
Changes recognized in equity	**–31.8**	**–46.4**
Actuarial gains and losses from defined benefit obligations and similar obligations		
Changes in actuarial gains and losses	–5.6	–93.6
Deferred taxes	1.3	18.3
Changes recognized in equity	**–4.3**	**–75.3**
Exchange differences on translating foreign operations		
Changes taken directly to equity	–75.1	778.0
Reclassification to income statement	3.5	–
Changes recognized in equity	**–71.6**	**778.0**
Gains/losses recognized immediately in equity	**–107.2**	**654.6**
Comprehensive income	**382.8**	**1,250.6**
of which attributable to shareholders of the parent company	377.3	1,235.2
of which attributable to non-controlling interest	5.5	15.4

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

	Equity capital		Reserves		Gains/losses recognized immediately in equity						
€ 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	–	–	–	585.6	–	–	–	–	585.6	10.4	596.0
Gains/losses recognized immediately in equity	–	–	–	–	–75.3	–1.7	–46.4	773.0	649.6	5.0	654.6
Comprehensive income	**–**	**–**	**–**	**585.6**	**–75.3**	**–1.7**	**–46.4**	**773.0**	**1,235.2**	**15.4**	**1,250.6**
Dividend payments	–	–	–	–64.6	–	–	–	–	–64.6	–8.4	–73.1
Profit transfers to/from E. Merck KG including transfers to reserves	–	–	–	–163.9	–	–	–	–	–163.9	–	–163.9
Changes in scope of consolidation/Other	–	–	–	6.5	–	–	–	–	6.5	–1.7	4.8
Balance as of Sep. 30, 2010	**397.2**	**168.0**	**3,813.7**	**5,097.3**	**–304.0**	**17.1**	**1.1**	**1,282.9**	**10,473.3**	**58.8**	**10,532.1**
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	–	–	–	481.8	–	–	–	–	481.8	8.2	490.0
Gains/losses recognized immediately in equity	–	–	–	–	–4.3	0.5	–31.8	–68.9	–104.5	–2.7	–107.2
Comprehensive income	**–**		**–**	**481.8**	**–4.3**	**0.5**	**–31.8**	**–68.9**	**377.3**	**5.5**	**382.8**
Dividend payments	–	–	–	–80.8	–	–	–	–	–80.8	–3.8	–84.6
Profit transfers to/from E. Merck KG including transfers to reserves	–	–	–	–233.0	–	–	–	–	–233.0	–	–233.0
Changes in scope of consolidation/Other	–	–	–	–1.8	–	–	–	–	–1.8	1.4	–0.4
Balance as of Sep. 30, 2011	**397.2**	**168.0**	**3,813.7**	**5,207.1**	**–374.7**	**–2.6**	**–92.9**	**1,275.7**	**10,391.5**	**45.1**	**10,436.6**

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE MERCK GROUP AS OF SEPTEMBER 30, 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 dated September 30, 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 September 30, 2011, a total of 232 (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: Beijing Skywing Technology Co. was consolidated for the first time as of January 1, 2011.

With the first-time consolidation of the microbiology business of Biotest AG as of August 1, 2011, a further four fully consolidated companies were added. In addition, three newly formed companies were consolidated for the first time. Within the scope of the sale of the Crop BioScience business, two companies were deconsolidated. Moreover, the interests in Serono Contracting Ltd., United Kingdom, were sold in 2011. The deconsolidation of this company had no material effect on the consolidated financial statements. Nine companies are no longer consolidated due to liquidations and mergers.

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 € 46 million with this business in 2010. We received the proceeds of € 208.2 million from the sale in the first quarter of 2011. Merck generated a gain on the sale of € 157.3 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:

€ million	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	**–12.5**
Gain on the divestment	**157.3**

Acquisitions / First-time consolidation of Beijing Skywing Technology as well as the microbiology business of Biotest AG

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 amounted to € 14.5 million. The first-time consolidation of Beijing Skywing Technology Co. took place on January 1, 2011.

On March 22, 2011, Merck announced its intention to acquire the microbiology business of Biotest AG. The transaction closing and consequently the first-time consolidation of this business took place on August 1, 2011. The acquired business has been integrated into the Merck Millipore division.

The acquisitions had the following effects on the consolidated balance sheet:

€ million	Beijing Skywing	Microbiology business
Current assets		
Cash and cash equivalents, marketable securities and other financial assets	0.7	0.8
Inventories	1.6	9.2
Receivables	0.8	6.3
Other current assets	0.2	1.7
	3.3	**18.0**
Non-current assets		
Goodwill	6.5	34.7
Other intangible assets	5.8	46.5
Property, plant and equipment	0.6	16.6
Deferred tax assets	–	0.6
	12.9	**98.4**
Assets	**16.2**	**116.4**
Current liabilities		
Current financial liabilites	–	7.7
Other current liabilities	0.2	6.5
	0.2	**14.2**
Non-current liabilities		
Non-current financial liabilities	–	1.1
Provisions for pensions and other post-employment benefits	–	3.2
Other non-current liabilities	–	–
Deferred tax liabilities	1.5	12.0
	1.5	**16.3**
Liabilities	**1.7**	**30.5**
Net assets acquired/purchase price	**14.5**	**85.9**

Within the scope of the purchase price allocation, the acquired assets, liabilities and contingent liabilities have been recognized at fair values in the balance sheet in accordance with IFRS 3. The fair values are still to be considered as preliminary and may be adjusted within one year of the date of the acquisition based on new information. The purchase price for the acquired microbiology business includes a purchase price component of € 15.1 million that has not yet been paid.

The impact of the acquisitions on total revenues and profit after tax is as follows:

€ million	Beijing Skywing	Microbiology business
Total revenues	**3.0**	**7.0**
Profit after tax	**–0.4**	**–1.3**

Had the microbiology business been included in the consolidated financial statements of the Merck Group as of January 1, 2011, for the period from January 1, to September 30, 2011 total revenues and profit after tax would have amounted to EUR 7,679.9 million and EUR 490.4 million, respectively.

Reassessment of the business potential of cladribine tablets

In the first quarter of 2011, impairment losses of € 50.4 million were recorded under amortization of intangible assets in connection with the reassessment of the business potential of cladribine tablets. Due to our decision to no longer pursue the global approval process for cladribine tablets, additional expenses of € 20 million were recorded under other operating expenses and income in the second quarter of 2011. No further expenses were recognized in this connection in the third quarter.

Amortization of intangible assets

As described above, this line of the income statement includes impairment losses of € 50.4 million in connection with the reassessment of the business potential of cladribine tablets. The second quarter of 2011 included impairments of € 63.4 million for safinamide, a potential add-on therapy for Parkinson's disease, as well as € 35.4 million for the discontinued cancer treatment candidate IMO-2055. Furthermore, impairment losses of € 8.6 million on various patents in the Performance Materials division were recorded in the second quarter of 2011. No further impairment losses were recognized in this connection in the third quarter.

As of the beginning of the second quarter of 2011, the estimates regarding the remaining useful life of Rebif® were changed, shortening the amortization period by two years. Owing to this new estimate, amortization increased of 2011 by € 17.1 million in both the second and the third quarters. This change will increase amortizations by a total of € 51.3 million in 2011. In 2012, amortization will be € 68.4 million higher.

Impairment of Large-Scale Biotech Production (LSB) plant in Switzerland

Owing to expected overcapacity at the LSB production plant currently being built at the Merck Serono Biotech Center in Switzerland, an impairment loss of € 160.7 million was recognized in the second quarter of 2011. This amount is disclosed in the income statement under "Other operating expenses and income." In the course of the construction of the facility, further acquisitions costs were initially recognized in the third quarter and then written down at the end of the quarter. This led to impairment losses of € 2.0 million in the third quarter of 2011.

Valuation of Greek sovereign bonds

As of September 30, 2011, the balance sheet item "Marketable securities and financial assets" includes Greek sovereign bonds with a book value of € 27.4 million. The nominal value of these securities is € 55.6 million. We received these securities within the scope of an exchange of receivables that were due from Greek hospitals.

As of September 30, 2011, the impairment on Greek sovereign bonds totaled € 28.2 million. Of this amount € 13.9 million was booked in the first three quarters of 2011 and reported under "Other operating expenses." The Greek sovereign bonds are allocated to the measurement category "Available-for-sale financial assets."

Exceptional items

For the period from January to September 2011, the exceptional items reported in the income statement include the gain on the divestment of the Crop BioScience business amounting to € 157.3 million as well as a subsequent gain of € 6.8 million from the divestment of Théramex in 2010. In addition, exceptional items include expenses of € 17.5 million stemming from discontinued businesses.

Income tax

Owing to a change in the applicable tax rate, a deferred tax liability was adjusted, which led to one-time deferred tax income in the third quarter of 2011.

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 under Corporate and Other. We determine the transfer prices of intragroup transactions in accordance with market values. There were no significant intercompany relations between the business segments.

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. The figures for 2010 have been adjusted accordingly.

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

€ million	September 30, 2011	December 31, 2010
Assets	22,394.1	22,388.0
Monetary assets (cash and cash equivalents, loans, securities)	–2,169.8	–1,042.4
Financial assets covering pensions	–218.9	–216.9
Non-operating receivables, tax receivables, deferred taxes and refund claims on plan assets	–834.0	–723.1
Assets held for sale	-	–36.7
Operating assets (gross)	**19,171.4**	**20,368.9**
Trade accounts payable	–1,124.2	–1,200.1
Other operating liabilities	–673.2	–698.3
Operating assets (net)	**17,374.0**	**18,470.5**

Notes to the Cash Flow Statement

The major payments for acquisitions in the first nine months of 2011 were as follows:

€ million	Beijing Skywing	Microbiology-business
Purchase price	14.5	70.8
Cash and cash equivalents acquired	–0.7	–0.8
Acquisitions	**13.8**	**70.0**
Other payments	–	0.9
Acquisition-related payments	**13.8**	**70.9**

The balance of interest paid and interest received resulted in a cash outflow of € 144.7 million in the nine-month period from January to September 2011 (year-ago period: € 59.7 million). This 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.

As a result of payments amounting to € 115.3 million in 2011, provisions for litigation were used and free cash flow was lowered by the corresponding amount in the reporting period.

Owing to the divestment of the Crop BioScience business, free cash flow increased by € 201.0 million. In addition, the receipt of the purchase price for Théramex, our former women's health business which we sold in 2010, had a positive impact of € 265.1 million on free cash flow in 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 € 168.0 million is divided into 64,621,126 shares. The general partner's capital amounts to € 397.2 million or 152,767,813 theoretical shares. This results in a total of € 565.2 million or 217,388,939 outstanding theoretical shares.

	Q3 – 2011	Q3 – 2010	Jan.–Sep. 2011	Jan.–Sep. 2010
Net profit after non-controlling interest (€ million)	226.6	210.8	481.8	585.6
Weighted average number of theoretical shares outstanding (in millions)	217.4	217.4	217.4	217.4
Basic earnings per share (€)	**1.04**	**0.97**	**2.22**	**2.69**

As of September 30, 2011, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Related-party disclosures

As of September 30, 2011, there were liabilities by Merck KGaA, Merck Financial Services GmbH and Merck & Cie, Altdorf, to E. Merck KG in the amount of € 523 million. In addition, as of September 30, 2011, there were receivables by Merck KGaA to E. Merck KG in the amount of € 3.2 million and to E. Merck Beteiligungen KG in the amount of € 4.2 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 € 294 million, which are subject to standard market interest rates. From January to September 2011, Merck KGaA performed services for E. Merck KG and Emanuel Merck Vermögens KG with a value of € 0.8 million and € 0.2 million, respectively. During the same period, E. Merck KG performed services for Merck KGaA with a value of € 0.5 million. From January to September 2011, the companies of the Merck Group supplied goods with a value of € 1.7 million to associates. As of September 30, 2011, companies of the Merck Group had receivables from associates amounting to € 0.7 million.

Subsequent events

On October 4, 2011, Merck completed the acquisition of 100% of the interest in Amnis Corporation, Seattle, USA. This acquisition is expected to strengthen the Bioscience business of our Merck Millipore division. Amnis had 40 employees and generated sales of around € 10 million in 2010.

On October 21, 2011, Merck announced its decision to return all rights for safinamide to Newron Pharmaceuticals S.p.A. The termination of this agreement will become effective in April 2012 and will result in approximately € 40 million of additional costs for the Merck Serono division in the fourth quarter of 2011.

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, 2011

Karl-Ludwig Kley

Kai Beckmann

Stefan Oschmann

Bernd Reckmann

Matthias Zachert

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* Employee representative

FINANCIAL CALENDAR 2012

- **Annual press conference**
  Wednesday, February 29, 2012
- **Annual General Meeting**
  Friday, April 20
- **Quarterly Financial Report**
  Q1 – Tuesday, May 15
- **Half-Year Financial Report**
  Q2 – Wednesday, August 15
- **Quarterly Financial Report**
  Q3 – Thursday, November 15

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