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

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.