Merck
Financial Report 1st Quarter 2012

The road to tomorrow

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Interim Management Report as of March 31, 2012

Interim Consolidated Financial Statements as of March 31, 2012

More Information

The Merck Group

Highlights – 1st Quarter 2012

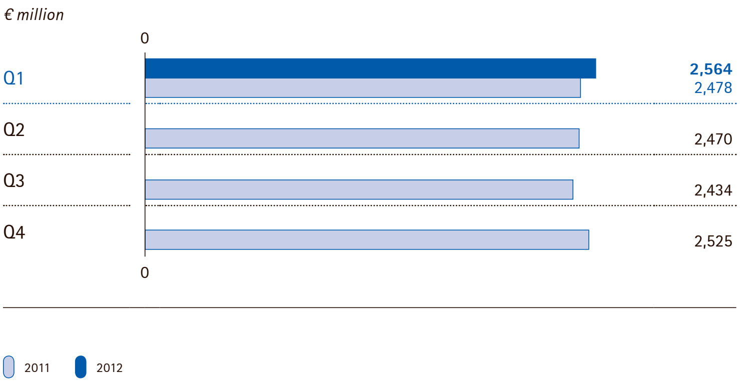
- Organic sales growth of 1.2% driven by Merck Serono and Merck Millipore, offsetting declines in Performance Materials and Consumer Health
- EBITDA pre one-time items declines by 8.4% to € 675 million from € 737 million versus a very strong year-ago quarter
- Group-wide restructuring process well underway

Merck Group | Key figures – Q1

€ million	Q1 – 2012	Q1 – 2011	Change
Total revenues	2,644.9	2,563.8	3.2%
Sales	2,563.9	2,477.5	3.5%
Operating result (EBIT)	311.2	529.5	–41.2%
Margin (% of sales)	*12.1%*	*21.4%*	
EBITDA	654.0	882.5	–25.9%
Margin (% of sales)	*25.5%*	*35.6%*	
EBITDA pre one-time items	674.9	736.7	–8.4%
Margin (% of sales)	*26.3%*	*29.7%*	
EPS pre one-time items (€)	1.67	1.91	–12.6%
Free cash flow	419.8	645.3	–35.0%

The Merck Group's first-quarter 2012 total revenues rose 3.2% to € 2,645 million compared to € 2,564 million in the first quarter of 2011. Sales for the Group increased 3.5% to € 2,564 million in first quarter compared to € 2,478 million in the year-ago quarter. This performance reflected organic sales growth of 1.2%, a 1.7% positive benefit from changes in foreign exchange rates and a 0.6% boost from acquisitions/divestments. The Group's organic sales growth was entirely driven by the Merck Serono and Merck Millipore divisions during the quarter.

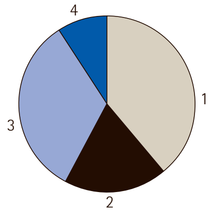
Merck Group | Sales by quarter



→ Merck Group

Merck Group | Sales by region – Q1

€ million/% of sales



1 Europe	1,000.1	39%
2 North America	486.6	19%
3 Emerging Markets	844.6	33%
4 Rest of World	232.6	9%

The largest proportion – 39% – of the Group's sales continues to be generated in Europe. The Emerging Markets region follows closely behind, accounting for 33% of Group sales. At Merck, Emerging Markets include Central and South America, and Asia except for Japan. North America generated 19% of Merck's first-quarter sales while the region Rest of the World (ROW) was responsible for 9% of sales. ROW includes Japan, Australia/Oceania and Africa.

Merck Group | Growth components by region – Q1

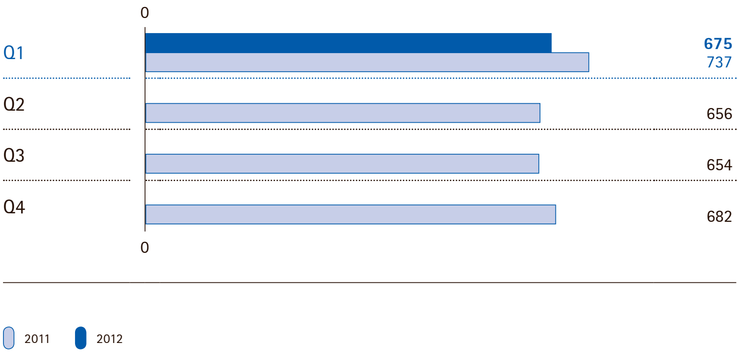
€ million/change in%	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	1,000.1	–1.9%	–	1.1%	–0.8%
North America	486.6	2.7%	3.7%	0.4%	6.9%
Emerging Markets	844.6	4.2%	1.7%	–	5.8%
Rest of World	232.6	1.8%	5.2%	0.6%	7.6%
Group	**2,563.9**	**1.2%**	**1.7%**	**0.6%**	**3.5%**

The Group's first-quarter sales on an organic basis declined in Europe by 1.9% but rose 2.7% in North America. Organic sales growth was 4.2% in the Emerging Markets and 1.8% in the ROW region.

Gross profit declined 1.5% to € 1,896 million from € 1,925 million in the first quarter of 2011. The primary reasons for the year-over-year difference were higher start-up costs for the new biotech production plant in Corsier-sur-Vevey (Switzerland), lack of positive manufacturing variances and a slightly less favorable product mix. Likewise, currency fluctuations, particularly the Swiss franc, contributed negatively. This resulted in a first-quarter gross profit margin of 74.0% of sales, compared to 77.7% in the first quarter of 2011.

Merck Group | EBITDA pre one-time items by quarter

€ million



→ Merck Group

The operating result (EBIT) fell to € 311 million (Q1 2011: € 530), mainly due to lower operational performance and a one-time capital gain of € 157 million generated from the divestment of the Crop BioScience business in the first quarter of 2011. EBITDA pre (earnings before interest, taxes, depreciation, amortization and one-time items) declined to € 675 million, or 26.3% of sales in the first quarter of 2012 from € 737 million, or 29.7% of sales, in the year-ago quarter. The Group's EBITDA pre in the first quarter of 2012 excluded € 30 million in one-time costs recorded under other operating expenses.

Merck's financial result remained largely in line with last year, improving to € -65 million in the first quarter of 2012 compared to € -68 million in the year-ago quarter. Net financial debt as of March 31, 2012, declined to € 3,017 million from € 3,484 million at the end of 2011. This improvement reflects the ongoing good cash flow generation of the Group.

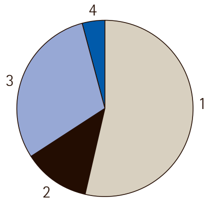
The Merck Group's first-quarter 2012 profit before tax declined 47% to € 246 million compared to € 461 million in the year-ago quarter, which was inflated by the € 157 million gain on the divestment of the Crop BioScience business. The reported income tax ratio was 28.2% in the first quarter 2012, increasing from 25.4% in the first quarter of 2011.

Profit after tax declined 49% to € 177 million in the first quarter of 2012 from € 344 million in the first quarter of 2011. EPS pre one-time items (EPS adjusted by net of tax effect of one-time items and amortization of purchased intangible assets) declined to €1.67 from € 1.91 due to the lower operational performance previously mentioned. The free cash flow of the Merck Group was € 420 million in the first quarter of 2012 compared to € 645 million in the year-ago period. The change is due primarily to last year's divestment of the Crop BioScience business and the receipt of the purchase price for Théramex.

As part of the comprehensive efficiency program made public in February, Merck announced plans on April 24 to close the Merck Serono Geneva headquarters site and reduce headcounts by 580 positions in Switzerland. Additionally, the company plans to transfer 620 positions from Geneva to Darmstadt, Boston and Beijing, with another 130 moving to other sites within Switzerland. Merck's efficiency program is focused on addressing unprecedented market shifts, increasing competition in key product areas and existing inefficiencies within its own organization.

Merck had 40,542 employees worldwide on March 31, 2012, compared to 40,676 on December 31, 2011.

Merck Group | Number of employees as of March 31, 2012: 40,542



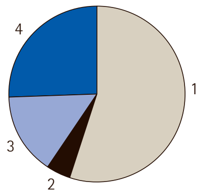
1 Europe	21,798	54%
2 North America	4,918	12%
3 Emerging Markets	12,170	30%
4 Rest of World	1,658	4%

Merck's Four Divisions

Merck has four divisions: Merck Serono, a specialty biopharmaceutical business; Consumer Health, an over-the-counter drug business focused on Europe and the Emerging Markets; Performance Materials, a niche specialty materials business with a leading position in liquid crystals; and Merck Millipore, one of the largest life science businesses in the world.

Merck Group | Sales by division – Q1

€ million / % of sales



1 Merck Serono	1,417.2	55%
2 Consumer Health	107.6	4%
3 Performance Materials	386.4	15%
4 Merck Millipore	652.6	26%

Merck Group | EBITDA pre one-time items by division – Q1

€ million	Q1 – 2012	Q1 – 2011	Change
Merck Serono	393.5	401.4	–2.0%
Consumer Health	8.6	10.6	–19.0%
Performance Materials	160.3	197.9	–19.0%
Merck Millipore	161.4	158.4	1.9%
Corporate and Other	–48.9	–31.6	54.5%

→ Divisions

Merck Serono

Merck Serono, the Group's specialty biopharmaceutical division, accounted for 55% of Group sales in the first quarter of 2012.

The division's first-quarter total revenues rose 4.8% to € 1,495 million in 2012 compared to € 1,427 million in the first quarter of 2011. Sales for the division increased 5.4% to € 1,417 million compared to € 1,345 million in the year-ago quarter. This performance reflected organic sales growth of 4.1% and a positive benefit from foreign exchange rates of 1.2%. The drivers of Merck Serono's first quarter sales increase included strong performance from its Fertility, Endocrinology, and CardioMetabolic Care & General Medicines businesses. All three saw meaningful growth from the Emerging Markets in the quarter. The division also generated growth from its two largest products, Erbitux® and Rebif®, aided by a net pricing benefit.

Merck Serono | Key figures – Q1

€ million	Q1 – 2012	Q1 – 2011	Change
Total revenues	1,495.3	1,427.2	4.8%
Sales	1,417.2	1,344.9	5.4%
Operating result (EBIT)	152.0	152.5	–0.3%
Margin (% of sales)	*10.7%*	*11.3%*	
EBITDA	383.8	402.4	–4.6%
Margin (% of sales)	*27.1%*	*29.9%*	
EBITDA pre one-time items	393.5	401.4	–2.0%
Margin (% of sales)	*27.8%*	*29.8%*	

Royalty, license and commission income declined by 5.0% to € 78 million in the first quarter compared to € 82 million in the year-ago quarter. The decline was due to a one-time milestone payment of € 10 million in the first quarter of 2011 related to the FDA approval of the antidepressant vilazodone, which was previously outlicensed by Merck Serono.

The division's production costs rose 33% in the first quarter due to higher start-up costs for the new biotech production plant in Corsier-sur-Vevey (Switzerland). In addition, production costs in Q1 2011 were lower due to positive manufacturing variances. This led to a gross profit of € 1,224 million. The gross margin (as a percentage of sales) fell to 86.3% from 90.9% in the year-ago quarter.

The division lowered promotional spending, which helped marketing and selling costs to decline by 5.3% to € 332 million. Royalty, license and commission expenses rose 8.4% to € 115 million, primarily due to higher sales for Rebif® in the United States.

Research and development spending by Merck Serono declined slightly to € 303 million in the first quarter. This line item remains at a high level due to several expensive late-stage clinical trials.

Amortization of intangible assets at Merck Serono decreased in the first quarter by 17% to € 165 million from € 199 million as the year-ago quarter was affected by a € 50 million impairment for cladribine.

Other operating expenses (net) doubled compared to last year's first quarter to € 96 million mainly due to receivable allowances and restructuring costs.

The reported operating result (EBIT) of Merck Serono declined slightly to € 152 million from € 153 million as higher sales could not offset higher operating expenses.

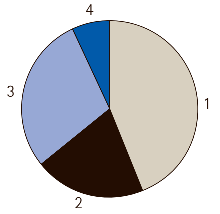
The division's EBITDA pre declined 2.0% to € 394 million in the first quarter of 2012, resulting in a margin (as a percentage of sales) of 27.8%, compared to € 401 million in the year-ago quarter, with a margin of 29.8%.

→ Divisions

From a geographic perspective, Merck Serono reported an organic sales decline of 3.1% in Europe during the first quarter while North America generated organic sales growth of 8.2%. The Emerging Markets organic growth was 11%, and the Rest of the World reported organic growth of 20%.

Merck Serono | Sales by region – Q1

€ million/% of sales



1 Europe	624.5	44%
2 North America	288.2	20%
3 Emerging Markets	407.5	29%
4 Rest of World	96.9	7%

Global sales of Merck's largest single product, Rebif® for the treatment of relapsing forms of multiple sclerosis (MS), rose 2.7% organically to € 430 million in the first quarter or 4.5% on a nominal basis. The increase is mainly due to price increases in the United States in the first quarter of 2012 and in June 2011. Sales increased organically in the Emerging Markets by 31%, boosted by a marked increase in health care spending in Venezuela.

A difficult environment in Europe due to cost-containment measures resulted in an organic sales decline in that region. In January 2012, Merck Serono received approval from the European Commission for the extension of the drug's indication to include patients who have experienced a single demyelinating event, an early sign of MS, and who are at risk of converting to MS. This approval is for the use of Rebif® 44 micrograms three times weekly and is not applicable in the United States.

Merck Serono | Growth components by region – Q1

€ million/change in%	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	624.5	–3.1%	–0.1%	–	–3.2%
North America	288.2	8.2%	3.8%	–	12.0%
Emerging Markets	407.5	10.7%	1.1%	–	11.9%
Rest of World	96.9	19.6%	4.3%	–	23.9%

Sales of the targeted cancer treatment Erbitux® increased 1.3% on an organic basis to € 214 million in the first quarter of 2012. Sales stayed relatively flat (+0.2% organically) in Europe, where stronger UK sales driven by NICE reimbursement were offset by cost-containment measures in other countries. Sales in Emerging Markets grew 7.1% organically with good sales reported from Brazil. Sales in Rest of World decreased organically by 3.2%. A strong performance in Australia was offset by a sales decline in Japan due to growing competition.

→ Divisions

Merck Serono | Major products by region, organic growth rates – Q1

€ million/organic growth in%	Sales	Europe	North America	Emerging Markets	Rest of World	Total
Rebif®	429.8	–6.6%	7.5%	31.2%	–7.8%	2.7%
Erbitux®	213.6	0.2%	–	7.1%	-3.2%	1.3%

First-quarter sales of Gonal-f®, a recombinant hormone used in the treatment of infertility, improved markedly, rising 13% on an organic basis to € 152 million. The introduction of a new line of ready-to-use injection pens helped boost sales. Merck Serono's entire Fertility business performed strongly in the first quarter, with organic sales growth of 15% driven by demand in the United States, Europe, Australia, Asia and Africa.

The division's Endocrinology business also continued its robust growth in the first quarter, posting sales of € 92 million, which represented an organic sales growth of 12%. Sales of the recombinant growth hormone Saizen® for the treatment of growth-hormone deficiency were € 59 million, representing a 6.9% organic sales growth in the quarter.

Kuvan®, which was launched in 2009, continues to grow rapidly. This product is the first and only prescription drug approved in Europe for the treatment of hyperphenylanlaninemia (HPA) due to phenylketonuria (PKU) in patients over the age of 4 or due to tetrahydrobiopterin (BH4) deficiency, two rare genetic diseases.

Merck Serono's CardioMetabolic Care & General Medicines products posted a 1.5% organic sales growth. This business includes the branded Concor® (bisoprolol) beta-blocker products, such as Lodoz® and Concor®COR; thyroid medicines such as Euthyrox®, and the Glucophage® (metformin) franchise of oral antidiabetic products.

On February 3, Merck announced a global agreement with Threshold Pharmaceuticals, Inc., USA, to co-develop and commercialize TH-302, Threshold's small molecule hypoxia-targeted drug. TH-302 is currently being investigated in a global Phase III clinical trial in patients with soft tissue sarcoma as well as in Phase 1 trials in other solid tumors and hematological malignancies. On February 21, Threshold announced that a Phase II clinical trial evaluating TH-302 in patients with first-line advanced pancreatic cancer plus chemotherapy achieved its primary endpoint, with a 63% improvement in progression-free survival.

→ Divisions

Consumer Health

The Consumer Health division reported sales of € 108 million in the first quarter, a 7.4% decline compared to € 116 million in the first quarter of 2011. This performance reflected an organic sales decline of 7.7% and a 0.3% positive benefit from changes in foreign exchange rates. The weak performance in the first quarter of 2012 was primarily related to weakness in Europe, which represents approximately 70% of the division's sales. In Europe, sales decreased 10.5% organically due to one-time supply chain issues in France, a sluggish UK market, and weak performance of the division's Joint Care range. Sales in the Emerging Markets were mainly driven by higher sales in Venezuela and also benefited from momentum in India due to the relaunch of the Seven Seas brand.

Consumer Health | Key figures – Q1

€ million	Q1 – 2012	Q1 – 2011	Change
Total revenues	108.0	116.6	–7.4%
Sales	107.6	116.2	–7.4%
Operating result (EBIT)	4.9	7.9	–38.5%
Margin (% of sales)	*4.5%*	*6.8%*	
EBITDA	7.9	10.6	–25.8%
Margin (% of sales)	*7.3%*	*9.1%*	
EBITDA pre one-time items	8.6	10.6	–19.0%
Margin (% of sales)	*8.0%*	*9.1%*	

The division's first-quarter 2012 gross profit decreased to € 71 million (Q1 2011: € 82 million) due to inventory valuation combined with lower sales.

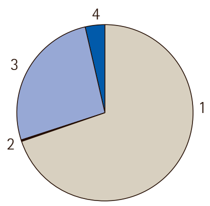
Consumer Health is highly focused on improving its profitability over the next three years and driving better operational performance. The initial results of this effort are reflected in the division's selling, general and administration (SG&A) costs, which declined by 12% and reflected a reduction and reprioritization of its sales promotion and marketing spending.

The operating result (EBIT) fell 39% to € 5 million as the lower sales were only partially offset by decreased spending. The operating result was also lowered by € 0.7 million in one-time restructuring costs.

The division's EBITDA pre for the first quarter of 2012 was € 8.6 million, or 8.0% of sales, compared to € 10.6 million, or 9.1% of sales, in the first quarter of 2011.

Consumer Health | Sales by region – Q1

€ million/% of sales



1 Europe	75.1	70%
2 North America	0.4	1%
3 Emerging Markets	28.4	26%
4 Rest of World	3.6	3%

→ Divisions

The division's portfolio consists of scientifically based brands that consumers trust. It specializes in Women's and Children's Health (Femibion® and Kidabion® / Haliborange®), Cough and Cold (Nasivin®), as well as products to support Everyday Health (Bion® / Multibionta®, Cebion® and Diabion®) and agility (Flexagil®, Seven Seas® and Kytta®).

The division is in the process of a global reorganization and is narrowing its marketing efforts on strategic brands and geographic regions in order to bring profitability levels more in line with peers within the consumer health industry.

Consumer Health | Growth components by region – Q1

€ million/change in%	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	75.1	–10.5%	–	–	–10.5%
North America	0.4	–22.2%	1.1%	–	–21.1%
Emerging Markets	28.4	2.3%	2.1%	–	4.4%
Rest of World	3.6	–16.0%	–3.6%	–	–19.6%

Performance Materials

The Performance Materials division, which is comprised of the Liquid Crystals (LC) and Pigments & Cosmetics business units, faced a difficult year-over-year comparison in the first quarter of 2012 after generating a 14.6% organic sales growth rate in the year-ago quarter due to unusually high customer demand for its liquid crystal materials.

Performance Materials | Key figures – Q1

€ million	Q1 – 2012	Q1 – 2011	Change
Total revenues	386.2	408.7	–5.5%
Sales	386.4	408.0	–5,3%
Operating result (EBIT)	129.3	327.9	–60.6%
Margin (% of sales)	*33.5%*	*80.4%*	
EBITDA	159.7	354.9	–55.0%
Margin (% of sales)	*41.3%*	*87.0%*	
EBITDA pre one-time items	160.3	197.9	–19.0%
Margin (% of sales)	*41.5%*	*48.5%*	

First-quarter 2012 sales of the division declined 5.3% to € 386 million compared to € 408 million in the first quarter of 2011. This performance reflected an organic sales decline of 7.9% and an 0.4% decline due to effects of divested businesses. These declines were partially offset by a 3.0% benefit from changes in foreign exchange rates.

The division continues to see healthy demand from its liquid crystals customers and maintained its leading market share in the first quarter. Due to the high concentration of liquid crystals customers, the business unit can see significant swings in the quarterly growth patterns based on these customers' decisions to build or reduce inventories. The second business unit, Pigments & Cosmetics, declined in the quarter but showed sequential improvement from a very weak fourth quarter of 2011.

→ Divisions

The division's gross profit dropped 19% to € 214 million from € 265 million in the year-ago quarter. This decrease was due to lower sales and a negative mix effect (lower sales of polymer-stabilized vertical alignment or PS-VA liquid crystals materials, which carry high margins). The gross margin fell to 55.5% in the first quarter 2012 compared to 64.8% in the exceptionally strong year-ago quarter.

Selling, general and administration (SG&A) costs showed a change due to the divestment of the Crop BioScience business in the first quarter of 2011. Adjusted for this effect, the division's SG&A spending was reduced by € 7 million compared to last year as a result of lower discretionary spending.

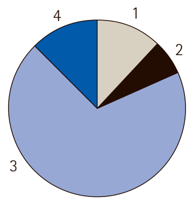
Research and development costs declined 2.0% to € 35 million, or 9.1% of sales. This R&D spending is spread between investments in LC and organic light-emitting diodes (OLED) materials and new technologies such as reactive mesogens. Other operating expenses (net) were € 7.3 million for the quarter compared to an income (net) of € 142 million last year due to a gain of € 157 million on the divestment of the Crop BioScience business.

Largely due to the one-time capital gain for the Crop BioScience divestment in 2011, the division's operating result decreased 61% to € 129 million in the reporting period.

The division's EBITDA pre for the first quarter of 2012 was € 160 million, or 41.5% of sales, down 19% from the € 198 million, or 48.5% of sales, in the first quarter of 2011. This decline was due to lower sales and a comparably lower gross profit.

Performance Materials | Sales by region – Q1

€ million/% of sales



1	Europe	47.1	12%
2	North America	23.9	6%
3	Emerging Markets	267.5	69%
4	Rest of World	47.9	13%

From a product perspective, the division's top-line was driven by the strong performance of its In-Plane Switching (IPS) liquid crystal technology. This technology is an important component in tablet computers, which are currently in very high demand. Within the Pigments & Cosmetics business unit, a sales decline of its coating products, was partially offset by modest growth in Cosmetic Actives, including good performance of the RonaCare® skin-care products.

Performance Materials | Growth components by region – Q1

€ million/change in%	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	47.1	−4.9%	0.2%	–	−4.7%
North America	23.9	5.1%	3.8%	−4.7%	4.2%
Emerging Markets	267.5	−5.4%	2.9%	−0.2%	−2.7%
Rest of World	47.9	−26.3%	5.3%	–	−21.0%

→ Divisions

Merck Millipore

The Merck Millipore division, a leading supplier of the life science industry, had a solid start in 2012. This division represented 26% of the Group's sales.

Its first-quarter 2012 sales rose 7.3% to € 653 million compared to € 608 million in the year-ago period. The division generated organic sales growth of 2.7% with changes in foreign exchange rates adding 2.0% and acquisitions a further 2.5% in growth.

Merck Millipore | Key figures – Q1

€ million	Q1 – 2012	Q1 – 2011	Change
Total revenues	655.4	611.3	7.2%
Sales	652.6	608.4	7.3%
Operating result (EBIT)	78.3	74.2	5.4%
Margin (% of sales)	*12.0%*	*12.2%*	
EBITDA	154.0	146.2	5.3%
Margin (% of sales)	*23.6%*	*24.0%*	
EBITDA pre one-time items	161.4	158.4	1.9%
Margin (% of sales)	*24.7%*	*26.0%*	

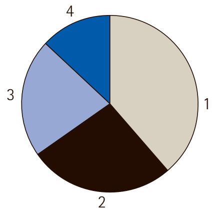
Merck Millipore's top-line performance was driven by solid results from its Lab Solutions and Process Solutions business units. The Lab Solutions business unit reported 3.3% organic sales growth, boosted by an increasing number of tests for environmental, drug and food quality and higher demand for consumables and instruments sold into laboratories. The Process Solutions business unit reported 2.7% organic sales growth and is benefiting from higher levels of biotech drug production. The organic sales growth of Process Solutions was lower due to the loss of a contract to re-sell insulin into the biopharmaceutical manufacturing market. Finally, the Bioscience business unit generated 1.3% organic sales growth as research markets remained soft due to lower funding of academic research and weaker demand from pharmaceutical customers.

Merck Millipore's gross profit increased 9.2% to € 390 million in the first quarter of 2012 from € 357 million in the year-ago quarter. The gross margin was 59.7% in the first quarter of 2012 compared to 58.6% in the year-ago quarter. This improvement resulted mainly from higher sales. Selling, general and administration (SG&A) costs rose by 10% compared to the first quarter of last year, primarily driven by unfavorable currency effects, added costs from recently acquired companies, and investments in the division's sales force, predominantly in the United States.

→ Divisions

Merck Millipore | Sales by region – Q1

€ million/% of sales



1 Europe	253.3	39%
2 North America	174.1	27%
3 Emerging Markets	141.1	21%
4 Rest of World	84.1	13%

Research and development spending increased 16%, reflecting acquisitions and investments made in the Process Solutions business unit. The division is investing heavily into single-use products and developing integrated process-unit solutions for customers.

Merck Millipore | Growth components by region – Q1

€ million/change in%	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	253.3	5.2%	0.4%	4.6%	10.3%
North America	174.1	−5.6%	3.5%	1.8%	−0.3%
Emerging Markets	141.1	6.7%	0.4%	0.3%	7.4%
Rest of World	84.1	7.2%	6.6%	1.9%	15.7%

Merck Millipore's EBITDA pre for the first quarter of 2012 was € 161 million, or 24.7% of sales, compared to € 158 million, or 26.0% of sales, in the year-ago quarter. The modest growth of EBITDA pre reflects the investments the division is making for future growth.

From a geographic perspective, all regions contributed to growth with the exception of North America, mainly due to the loss of the insulin contract mentioned above.

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 2011 Annual Report's Risk Report on pages 84 through 90 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

After having already provided a first indication of the current business year in March, the Executive Board is now further refining its forecast for 2012. In general, the guidance for the Group reflects the modest recovery rate of the global economy.

Merck Guidance for 2012

Merck Divsions	Sales Growth
Merck Serono	+ ~ 2%
Consumer Health	+0% – 2%
Performance Materials	+2% – 3%
Merck Millipore	+4% – 6%
Merck Group	
Total Revenues	~ € 10.5 bn
EBITDA pre one-time items*	€ 2.8 bn – € 2.9 bn

*Includes € 50 million in savings from the efficiency program.

Division Profitability Expectations

- Merck Serono: Modest increase before efficiency savings
- Consumer Health: Slight improvement in a moderate market environment
- Performance Materials: Close to 2011 level
- Merck Millipore: Improving in line with sales growth

The net financial debt of the Merck Group resulting from the 2010 acquisition of Millipore continues to decrease at an excellent pace.

Interim Consolidated Financial Statements as of March 31, 2012

Consolidated Income Statement

€ million	Q1 – 2012	Q1 – 2011*
Sales	**2,563.9**	2,477.5
Royalty, license and commission income	81.1	86.2
Total revenues	**2,644.9**	**2,563.8**
Cost of sales	–748.7	–639.0
Gross profit	**1,896.2**	**1,924.8**
Marketing and selling expenses	–586.6	–590.0
Royalty, license and commission expenses	–120.0	–111.3
Administration expenses	–135.8	–129.9
Other operating expenses and income	–144.6	62.9
Research and development	–381.8	–378.8
Amortization of intangible assets	–216.3	–248.2
Investment result	–	–
Operating result (EBIT)	**311.2**	**529.5**
Financial result	–65.1	–68.3
Profit before income tax	**246.1**	**461.2**
Income tax	–69.4	–117.0
Profit after tax	**176.6**	**344.2**
of which attributable to Merck KGaA shareholders	174.2	341.1
of which non-controlling interest	2.4	3.1
Earnings per share (in €)		
basic	0.80	1.57
diluted	0.80	1.57

*Figures have been adjusted, see explanation on page 21.

Consolidated Statement of Comprehensive Income

€ million	Q1 – 2012	Q1 – 2011
Profit after tax	**176.6**	**344.2**
Available-for-sale financial assets		
Fair value adjustments	–	25.2
Reclassification to income statement	–	–4.4
Deferred taxes	–	0.8
Changes recognized in equity	**–**	**21.6**
Derivative financial instruments		
Fair value adjustments	25.6	11.8
Reclassification to income statement	42.0	2.1
Deferred taxes	–10.1	–0.6
Changes recognized in equity	**57.5**	**13.3**
Actuarial gains and losses from defined benefit obligations and similar obligations		
Changes in actuarial gains and losses	–1.0	–
Deferred taxes	–	–
Changes recognized in equity	**–1.0**	**–**
Exchange differences on translating foreign operations		
Changes taken directly to equity	–19.4	–69.1
Reclassification to income statement	–	3.5
Changes recognized in equity	**–19.4**	**–65.6**
Gains/losses recognized immediately in equity	**37.1**	**–30.7**
Comprehensive income	**213.8**	**313.5**
of which attributable to Merck KGaA shareholders	211.5	312.6
of which attributable to non-controlling interest	2.3	0.9

Consolidated Balance Sheet

€ million	March 31, 2012	Dec. 31, 2011
Current assets		
Cash and cash equivalents	1,086.8	937.8
Marketable securities and financial assets	755.2	1,117.1
Trade accounts receivable	2,343.5	2,328.3
Inventories	1,658.9	1,691.1
Other current assets	250.6	250.2
Tax receivables	67.8	72.7
	6,162.8	**6,397.2**
Non-current assets		
Intangible assets	11,466.7	11,764.3
Property, plant and equipment	3,020.9	3,113.4
Non-current financial assets	63.9	60.3
Other non-current assets	70.9	54.9
Deferred tax assets	705.1	730.0
	15,327.4	**15,722.9**
Total assets	**21,490.2**	**22,120.1**
Current liabilities		
Current financial liabilities	797.5	1,394.4
Trade accounts payable	1,112.8	1,100.8
Other current liabilities	1,101.7	1,102.1
Tax liabilities	364.2	399.4
Current provisions	360.0	365.5
	3,736.2	**4,362.2**
Non-current liabilities		
Non-current financial liabilities	4,061.9	4,144.9
Other non-current liabilities	16.5	43.6
Non-current provisions	623.4	619.5
Provisions for pensions and other post-employment benefits	1,143.6	1,136.9
Deferred tax liabilities	1,270.7	1,319.6
	7,116.2	**7,264.5**
Net equity		
Equity capital	565.2	565.2
Reserves	8,776.5	8,671.7
Gains/losses recognized immediately in equity	1,248.5	1,210.2
Equity attributable to Merck KGaA shareholders	**10,590.2**	**10,447.1**
Non-controlling interest	47.6	46.3
	10,637.8	**10,493.4**
Total liabilities and stockholders' equity	**21,490.2**	**22,120.1**

Consolidated Cash Flow Statement

€ million	Q1 – 2012	Q1 – 2011
Profit after tax	**176.6**	**344.2**
Depreciation/amortization/impairment losses/write-ups	342.7	353.0
Changes in inventories	7.0	–62.7
Changes in trade accounts receivable	–44.2	–30.6
Changes in trade accounts payable	26.1	–109.8
Changes in provisions	22.8	25.8
Changes in other assets and liabilities	–52.2	–68.2
Neutralization of gain/loss on disposals of assets	–10.1	–164.1
Other non-cash income and expenses	3.2	–2.6
Net cash flows from operating activities	**471.9**	**284.9**
Purchase of intangible assets	–29.1	–9.3
Purchase of property, plant and equipment	–50.7	–74.9
Acquisitions	–	–
Investments in financial assets	–5.6	–0.6
Disposal of non-current assets	31.4	485.4
Purchase/sale of marketable securities	1.7	–40.2
Changes in other financial assets	370.2	–256.1
Net cash flows from investing activities	**318.0**	**104.3**
Dividend payments	–0.7	–
Profit transfers to E. Merck KG and changes in reserves	–69.0	–104.8
Changes in liabilities to E. Merck KG	–10.0	–19.8
Repayment of bonds	–500.0	–
Changes in current and non-current financial liabilities	–58.2	–22.8
Net cash flows from financing activities	**–637.9**	**–147.4**
Changes in cash and cash equivalents	**152.0**	**241.8**
Changes in cash and cash equivalents due to currency translation	–3.0	–8.0
Cash and cash equivalents as of January 1 (Group balance sheet)	937.8	943.7
Plus cash and cash equivalents previously in assets held for sale	–	1.2
Cash and cash equivalents as of March 31	**1,086.8**	**1,178.7**

Consolidated Statement of Changes in Net Equity

	Equity capital		Reserves			Gains/losses recognized immediately in equity					
€ million	General partner's equity Merck KGaA	Sub-scribed capital Merck KGaA	Capital reserves (share premium) Merck KGaA	Retained earn-ings/Net retained profit	Actuarial gains and losses	Available-for-sale financial assets	Derivative financial instru-ments	Currency translation difference	Equity attribut-able to Merck KGaA share-holders	Non-con-trolling interest	Equity
Balance as of January 1, 2011	**397.2**	**168.0**	**3,813.7**	**5,040.9**	**–370.4**	**–3.1**	**–61.1**	**1,344.6**	**10,329.8**	**42.0**	**10,371.8**
Profit after tax	–	–	–	341.1	–	–	–	–	341.1	3.1	344.2
Gains/losses recognized immediately in equity	–	–	–	–	–	21.6	13.3	–63.4	–28.5	–2.2	–30.7
Comprehensive income	**–**	**–**	**–**	**341.1**	**–**	**21.6**	**13.3**	**–63.4**	**312.6**	**0.9**	**313.5**
Dividend payments	–	–	–	–	–	–	–	–	–	–	–
Profit transfers to/from E. Merck KG including transfers to reserves	–	–	–	–104.8	–	–	–	–	–104.8	–	–104.8
Changes in scope of consolidation/Other	–	–	–	–1.3	–0.1	–	–	–	–1.4	0.1	–1.3
Balance as of March 31, 2011	**397.2**	**168.0**	**3,813.7**	**5,275.9**	**–370.5**	**18.5**	**–47.8**	**1,281.2**	**10,536.1**	**43.0**	**10,579.1**
Balance as of January 1, 2012	**397.2**	**168.0**	**3,813.7**	**5,248.7**	**–390.7**	**0.8**	**–94.6**	**1,304.0**	**10,447.1**	**46.3**	**10,493.4**
Profit after tax	–	–	–	174.2	–	–	–	–	174.2	2.4	176.6
Gains/losses recognized immediately in equity	–	–	–	–	–1.0	–	57.5	–19.2	37.3	–0.2	37.1
Comprehensive income	**–**	**–**	**–**	**174.2**	**–1.0**	**–**	**57.5**	**–19.2**	**211.5**	**2.3**	**213.8**
Dividend payments	–	–	–	–	–	–	–	–	–	–0.7	–0.7
Profit transfers to/from E. Merck KG including transfers to reserves	–	–	–	–69.0	–	–	–	–	–69.0	–	–69.0
Changes in scope of consolidation/Other	–	–	–	0.6	–	–	–	–	0.6	–0.2	0.4
Balance as of March 31, 2012	**397.2**	**168.0**	**3,813.7**	**5,354.5**	**–391.7**	**0.8**	**–37.1**	**1,284.8**	**10,590.2**	**47.6**	**10,637.8**

Notes to the Interim Consolidated Financial Statements as of March 31, 2012

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

Accounting policies

The unaudited interim financial statements of the Merck Group as of March 31, 2012 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, 2011 was selected. With the exception of the disclosure changes described in the following, the accounting policies have remained unchanged in comparison with the previous year. As of fiscal 2012, "Exceptional items" will no longer be disclosed in the income statement. The disclosures made under this item in the first quarter of 2011 have been allocated to other operating income in accordance with their nature. This relates mainly to the gain on the divestment of the Crop BioScience business. Due to the allocation of exceptional items, the operating result and earnings before interest and tax (EBIT) are now identical. Moreover, the method used to charge expenses for Group functions to functional expenses has been modified as of fiscal 2012. Whereas in the past, these expenses were also recorded under functional expenses in the income statement, in the future, they will be included under administration expenses. The Group functions affected in particular are those that perform legal, financial and organizational tasks to administer the Group. The income statement for 2011 has been adapted for comparability reasons.

In connection with the amended allocation of expenses for Group functions to functional expenses, their allocation to the operating divisions has also been modified within the scope of segment reporting. These expenses are now fully disclosed outside of the operating segments. For comparability reasons, the previous year's figures in the segment report have been adjusted.

The notes to the consolidated financial statements of the Merck Group for 2011, particularly the accounting policies, 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 rule is effective as of fiscal 2012:

- Amendment to IFRS 7 "Financial Instruments: Disclosures"
  The new rule does not have any material effects on the interim financial statements.

Scope of consolidation

As of March 31, 2012, a total of 227 (December 31, 2011: 228) companies were fully consolidated. No companies were consolidated either on a pro rata basis or at equity as of the balance sheet date. The following changes have taken place since the beginning of 2012: Merck Financial Trading GmbH, Germany, which was established in 2011, was consolidated for the first time. Two companies are no longer consolidated due to a liquidation and a merger.

Other operating income and expenses

The item “Other operating income and expenses” in the income statement for the first quarter of 2012 shows an expense balance of € 144.6 million (year-earlier period: € 62.9 million income balance). The sharp deviation compared with the year-earlier period is due mainly to the one-time items included in this item. Whereas in the previous year, income from one-time items amounted to € 145.8 million, the first quarter of 2012 showed an expense balance of € 29.6 million for one-time items. More information on the presentation of one-time items can be found on page 26.

Valuation of Greek sovereign bonds

As of March 31, 2012, the balance sheet item “Marketable securities and financial assets” includes Greek sovereign bonds with a book value of € 9.1 million (December 31, 2011: € 10.9 million). Following the Greece debt cut in the first quarter of 2012, the nominal value of these securities is € 20.1 million (December 31, 2011: € 43.2 million before the debt cut). We received these securities in fiscal 2011 within the scope of an exchange of receivables that were due from Greek hospitals. In the first quarter of 2012, an impairment loss of € 1.8 million (year-earlier period: € 2.8 million on hospital receivables) was recognized and disclosed under other operating expenses.

Trade accounts receivable

In the first quarter of 2012, trade receivables in Italy and Spain with a nominal value of € 50.9 million were sold for € 47.8 million. This transaction did not have any impact on earnings since the corresponding write-downs had already been recognized in the previous year. The sold receivables do not involve any further rights of recovery vis-à-vis Merck.

In the reporting period, write-downs of € 44.4 million (year-earlier period: € 16.8 million) for trade accounts receivable were recorded and disclosed under other operating expenses.

New variable, long-term compensation plan

As of fiscal 2012, the previous long-term variable compensation plan (Merck Long-Term Incentive Plan) was replaced by a new long-term variable compensation plan linked to the Merck KGaA share price.

Under the new Merck Long-Term Incentive Plan, eligible executives and employees could be entitled to a certain number of Merck Share Units (MSUs) at the end of a three-year performance period. Following the expiration of the three-year performance period, the eligible individuals will be granted between 0% and 150% of the MSU entitlement depending on the development of two key performance indicators (KPIs):

a) the relative performance of the Merck share price compared to the performance of the DAX® with a weighting of 70%, and
b) the development of the EBITDA margin, adjusted for one-time items, during the performance period as a proportion of a defined target value with a weighting of 30%.

The eligible individuals receive a cash payment based on the number of MSUs granted. The value of an MSU corresponds to the average closing price of Merck shares in Xetra trading during the last 60 trading days prior to January 1 after the performance period.

The fair value of the liability for the new long-term, variable compensation plan has been disclosed under provisions for employee benefits on a pro rata basis for the vesting period already completed.
The resulting expense for the first quarter of 2012 amounting to € 2.8 million has been recognized in the income statement.

→ Notes to the Interim Consolidated Financial Statements

Segment Reporting

Information by division*

€ million	Merck Serono Q1 – 2012	Merck Serono Q1 – 2011	Consumer Health Q1 – 2012	Consumer Health Q1 – 2011
Sales	1,417.2	1,344.9	107.6	116.2
Royalty, license and commission income	78.2	82.3	0.3	0.3
Total revenues	**1,495.3**	**1,427.2**	**108.0**	**116.6**
Gross profit	1,223.6	1,222.4	71.2	82.2
Marketing and selling expenses	–332.4	–351.0	–52.5	–60.6
Royalty, license and commission expenses	–115.2	–106.3	–0.2	–0.4
Administration expenses	–60.7	–61.4	–5.5	–5.9
Other operating expenses and income	–95.9	–46.7	–2.2	–1.5
Research and development	–302.8	–305.4	–4.9	–4.8
Operating result (EBIT)	**152.0**	**152.5**	**4.9**	**7.9**
Depreciation and amortization	222.8	199.4	3.0	2.6
Impairment losses	9.1	50.4	–	–
EBITDA	**383.8**	**402.4**	**7.9**	**10.6**
One-time items	9.7	–1.0	0.7	–
EBITDA pre one-time items (Segment result)	**393.5**	**401.4**	**8.6**	**10.6**
EBITDA margin pre one-time items (% of sales)	27.8	29.8	8.0	9.1
Net operating assets**	8,873.9	9,207.2	316.5	321.1
Segment liabilities**	–1,261.1	–1,163.6	–72.9	–80.7
Capital spending on property, plant and equipment	22.2	44.8	0.3	0.6
Investments in intangible assets	21.6	5.1	0.1	0.1
Net cash flows from operating activities	498.7	343.9	9.8	14.0
Net cash flows from investing activities	–21.2	197.4	0.8	–0.8
Free cash flow	477.5	541.4	10.6	13.2
Free cash flow margin (% of sales)	33.7	40.3	9.9	11.4

*Previous year's figures have been adjusted, see explanation on page 21.
**Reporting period ending on March 31, 2012. Previous year's figures as of December 31, 2011.

→ Notes to the Interim Consolidated Financial Statements

Segment Reporting

Information by division*

	Performance Materials		Merck Millipore	
€ million	Q1 – 2012	Q1 – 2011	Q1 – 2012	Q1 – 2011
Sales	386.4	408.0	652.6	608.4
Royalty, license and commission income	–0.2	0.7	2.8	2.9
Total revenues	**386.2**	**408.7**	**655.4**	**611.3**
Gross profit	214.4	264.6	389.6	356.8
Marketing and selling expenses	–32.9	–32.4	–167.2	–145.6
Royalty, license and commission expenses	–0.5	–1.5	–4.1	–3.1
Administration expenses	–8.6	–8.1	–28.2	–27.5
Other operating expenses and income	–7.3	142.4	–24.0	–26.8
Research and development	–35.3	–36.1	–37.6	–32.3
Operating result (EBIT)	**129.3**	**327.9**	**78.3**	**74.2**
Depreciation and amortization	30.4	27.0	75.7	72.0
Impairment losses	–	–	–	–
EBITDA	**159.7**	**354.9**	**154.0**	**146.2**
One-time items	0.6	–157.0	7.5	12.2
EBITDA pre one-time items (Segment result)	**160.3**	**197.9**	**161.4**	**158.4**
EBITDA margin pre one-time items (% of sales)	41.5	48.5	24.7	26.0
Net operating assets**	1,280.3	1,331.0	6,497.1	6,608.6
Segment liabilities**	–119.2	–131.7	–337.9	–335.4
Capital spending on property, plant and equipment	11.7	13.3	16.3	16.0
Investments in intangible assets	0.6	0.8	5.6	1.0
Net cash flows from operating activities	168.9	119.1	113.9	67.8
Net cash flows from investing activities	–12.6	181.6	–16.7	–14.1
Free cash flow	156.2	300.7	97.2	53.7
Free cash flow margin (% of sales)	40.4	73.7	14.9	8.8

*Previous year's figures have been adjusted, see explanation on page 21.
**Reporting period ending on March 31, 2012. Previous year's figures as of December 31, 2011.

→ Notes to the Interim Consolidated Financial Statements

Segment Reporting

Information by division*

€ million	Total Operating Businesses		Corporate and Other		Merck Group	
	Q1 – 2012	Q1 – 2011	Q1 – 2012	Q1 – 2011	Q1 – 2012	Q1 – 2011
Sales	2,563.9	2,477.5	–	–	2,563.9	2,477.5
Royalty, license and commission income	81.1	86.2	–	–	81.1	86.2
Total revenues	**2,644.9**	**2,563.8**	**–**	**–**	**2,644.9**	**2,563.8**
Gross profit	1,898.8	1,925.9	–2.6	–1.1	1,896.2	1,924.8
Marketing and selling expenses	–584.9	–589.6	–1.6	–0.4	–586.6	–590.0
Royalty, license and commission expenses	–120.0	–111.3	–	–	–120.0	–111.3
Administration expenses	–103.0	–103.0	–32.7	–26.9	–135.8	–129.9
Other operating expenses and income	–129.4	67.4	–15.2	–4.5	–144.6	62.9
Research and development	–380.7	–378.6	–1.1	–0.1	–381.8	–378.8
Operating result (EBIT)	**364.4**	**562.6**	**–53.2**	**–33.1**	**311.2**	**529.5**
Depreciation and amortization	331.8	301.0	1.9	1.5	333.7	302.5
Impairment losses	9.1	50.4	–	–	9.1	50.4
EBITDA	**705.3**	**914.1**	**–51.4**	**–31.6**	**654.0**	**882.5**
One-time items	18.5	–145.8	2.5	–	21.0	–145.8
EBITDA pre one-time items (Segment result)	**723.8**	**768.3**	**–48.9**	**–31.6**	**674.9**	**736.7**
EBITDA margin pre one-time items (% of sales)	28.2	31.0	–	–	26.3	29.7
Net operating assets**	16,967.9	17,467.8	21.3	–1.3	16,989.2	17,466.6
Segment liabilities**	–1,791.1	–1,711.5	–18.9	–22.9	–1,810.1	–1,734.3
Capital spending on property, plant and equipment	50.5	74.8	0.2	0.1	50.7	74.9
Investments in intangible assets	27.8	6.9	1.3	2.4	29.1	9.3
Net cash flows from operating activities	791.3	544.8	–319.4	–259.9	471.9	284.9
Net cash flows from investing activities	–49.7	364.2	367.7	–259.9	318.0	104.3
Free cash flow	741.6	909.0	–321.9	–263.7	419.8	645.3
Free cash flow margin (% of sales)	28.9	36.7	–	–	16.4	26.0

*Previous year's figures have been adjusted, see explanation on page 21.
**Reporting period ending on March 31, 2012. Previous year's figures as of December 31, 2011.

The segment report presents the earnings, financial, and asset figures as well as other key figures by operating segment. Segmentation was performed in accordance with the internal organization and reporting structure of the Merck Group. The operating segments are described in detail in the sections about the divisions in the interim management report. "Corporate and Other" includes assets and liabilities as well as income and expenses that cannot be directly allocated to the reportable segments presented. These mainly relate to Group functions. The cash flow related to the financial result and to income taxes are also presented under "Corporate and Other". We determine the transfer prices of intragroup transactions in accordance with market values. There were no significant transactions between the business segments.

Apart from total revenues, the main indicator used to measure the success of a segment is EBITDA pre, i.e. EBITDA pre one-time items (segment result). The reconciliation of EBITDA pre of all operating businesses to earnings before income tax of the Merck Group is as follows:

€ million	Q1 – 2012	Q1 – 2011
Total EBITDA pre one-time items for the operating businesses	**723.8**	**768.3**
Corporate and Other	–48.9	–31.6
EBITDA pre one-time items Merck Group	**674.9**	**736.7**
Depreciation and amortization/impairment losses	–342.8	–352.9
One-time items	–21.0	145.8
Operating result (EBIT)	**311.2**	**529.5**
Financial result	–65.1	–68.3
Profit before income tax	**246.1**	**461.2**

One-time items are as follows:

€ million	Q1 – 2012	Q1 – 2011
Integration / IT-related costs	–9.6	–12.2
Restructuring costs	–10.5	–
Gains/losses from discontinued businesses	–0.9	158.0
Acquisition costs	–	–
Other one-time items	–	–
One-time items excluding impairment losses	**–21.0**	**145.8**
Impairment losses	–8.6	–50.4
One-time items (Total)	**–29.6**	**95.4**

One-time items are disclosed under "Other operating income and expenses." Only the impairment losses of € 50.4 million in the first quarter of 2011 in connection with the reassessment of the business potential of cladribine tablets were recorded under "Amortization of intangible assets."

Restructuring costs in the first quarter of 2012 amounting to € 10.5 million arose in connection with the announced efficiency program. These mainly relate to the costs of consultants and severance payments.

→ *Notes to the Interim Consolidated Financial Statements*

The reconciliation of operating assets in the segment report is as follows:

€ million	March 31, 2012	Dec. 31, 2011
Assets	21,490.2	22,120.1
Monetary assets (cash and cash equivalents, loans, securities)	–1,889.9	–2,082.7
Non-operating receivables, tax receivables, deferred taxes and refund claims on plan assets	–801.0	–836.5
Operating assets (gross)	**18,799.3**	**19,200.9**
Trade accounts payable	–1,112.8	–1,100.8
Other operating liabilities	–697.3	–633.5
Segment liabilities	**–1,810.1**	**–1,734.3**
Operating assets (net)	**16,989.2**	**17,466.6**

Notes to the cash flow statement

In the first quarter of 2012, interest paid amounted to € 121.5 million (year-earlier period: € 124.0 million).

The bond repaid in the reporting period was issued by Merck Financial Services GmbH, Germany. It had a nominal volume of € 500 million and matured in March 2012.

Free cash flow resulted as follows:

€ million	Q1 – 2012	Q1 – 2011
Net cash flows from operating activities	**471.9**	**284.9**
Purchase of intangible assets	–29.1	–9.3
Purchase of property, plant and equipment	–50.7	–74.9
Acquisitions	–	–
Investments in financial assets	–5.6	–0.6
Disposal of non-current assets	31.4	485.4
Purchase/sale of marketable securities	1.7	–40.2
Free cash flow	**419.8**	**645.3**

Earnings per share

Basic earnings per share equal net profit after non-controlling interest divided by the weighted average number of outstanding theoretical shares. The calculation of the theoretical number of shares is based on the fact that the general partner's equity capital is not represented by shares. The share capital of € 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.

	Q1 – 2012	Q1 – 2011
Net profit after non-controlling interest (€ million)	174.2	341.1
Weighted average number of theoretical shares outstanding (in millions)	217.4	217.4
Basic earnings per share (€)	**0.80**	**1.57**

As of March 31, 2012, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Related-party disclosures

As of March 31, 2012, there were liabilities by Merck KGaA, Merck Financial Services GmbH and Merck & Cie, Switzerland, to E. Merck KG in the amount of € 503.6 million. Additionally, as of March 31, 2012, Merck KGaA had receivables from E. Merck Beteiligungen KG totaling € 1.0 million. Merck Financial Services GmbH had receivables from Merck Capital Asset Management, Malta, amounting to € 0.8 million and from Merck Capital Asset Management Holding, Malta, amounting to € 0.2 million. The balances resulted 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 € 152.3 million, which were subject to standard market interest rates.

From January to March 2012, Merck KGaA performed services for Emanuel Merck Vermögens KG with a value of € 0.1 million.

Subsequent events

On April 24, 2012, Merck announced efficiency measures that it plans with respect to the operating business of Merck Serono in Switzerland. In this connection, it is planned to close Merck Serono headquarters in Geneva and to eliminate a total of 580 positions in Switzerland. In addition, 750 positions are to be moved from Geneva to other locations.

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, May 15, 2012

Karl-Ludwig Kley   Kai Beckmann   Stefan Oschmann

Bernd Reckmann   Matthias Zachert

Executive Board of Merck KGaA

Karl-Ludwig Kley, Chairman
Kai Beckmann | Stefan Oschmann | Bernd Reckmann | Matthias Zachert

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Hans-Jürgen Leuchs | Albrecht Merck | Karl-Heinz Scheider* | Theo Siegert | Osman Ulusoy*

* Employee representative

Financial calendar 2012

Report on the first half
Wednesday, August 15

Autumn press conference and report on the third quarter
Thursday, November 15

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