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Merck's Four Divisions

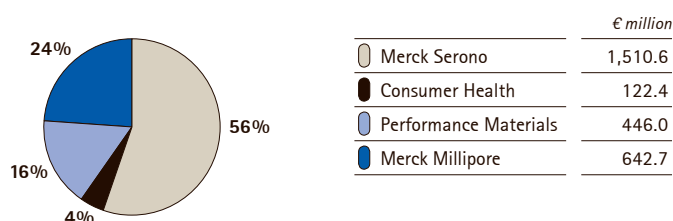
The Merck Group operates within four divisions. The Merck Serono division develops, manufactures and markets prescription drugs to treat cardiovascular diseases, cancer, neurodegenerative diseases, infertility and selected metabolic disorders. About 60% of these drugs are biologics, making the division a substantial biopharmaceuticals provider in Europe. In the third quarter of 2012, Merck Serono contributed 56% to Group sales.

The Consumer Health division manufactures and markets prescription-free drugs primarily addressing health themes such as mobility, women's and children's health, cough and cold as well as everyday health protection. The division's contribution to Group sales was 4% in the third quarter of 2012.

In Performance Materials, Merck holds number one market positions for liquid crystal mixtures used in liquid crystal displays (LCD) as well as for special effect pigments used for decorative applications in e.g. automotive coatings and the cosmetics industry. This division generated 16% of Group sales in the third quarter of 2012.

The Merck Millipore division is one of the top three global suppliers of tools for the life science industry, marketing and developing solutions to support the academic, pharma, biopharma and chemical industries to increase productivity in laboratories as well as to ensure quality, increase yields and lower costs in drug production. Reflecting the industry-specific needs of its customers, Merck Millipore has three business units: Bioscience and Lab Solutions, which both primarily serve the needs of researchers and laboratories, and Process Solutions, which supplies products used primarily for clinical and commercial-scale drug production. In the third quarter of 2012, the division contributed 24% to sales of Group sales.

Merck Group | Sales by division – Q3 2012



Merck Group | EBITDA pre one-time items by division

€ million	Q3 2012	Q3 2011	Change	Jan.-Sept. 2012	Jan.-Sept. 2011	Change
Merck Serono	456.1	392.8	16.1%	1,289.1	1,160.7	11.1%
Consumer Health	18.4	18.8	-2.1%	44.7	42.4	5.6%
Performance Materials	194.8	140.4	38.8%	544.8	517.7	5.2%
Merck Millipore	147.7	132.4	11.6%	457.1	419.4	9.0%
Corporate and Other	-62.9	-31.9	97.0%	-160.6	-96.9	65.7%

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Merck Serono

Merck Serono's third quarter total revenues rose 10.5% to € 1,623 million (Q3 2011: € 1,469 million), including an increase in sales of 9.9% to € 1,511 million (Q3 2011: € 1,375 million). This solid performance was driven by an organic sales growth of 5.3% and improved a further 4.6% because of changes in foreign exchange rates. The foreign exchange rate benefit was primarily the result of a stronger US dollar in Q3 2012 compared to Q3 2011. From a product perspective, sales growth was once again led by the company's Multiple Sclerosis product, Rebif®, its leading Fertility product, Gonal-f®, and its diabetes product Glucophage®, all of which grew organically at double-digit rates. Each of these products benefited from higher volumes, with the first two being additionally supported by price increases. Royalty, license and commission income improved 19.7% to € 112 million (Q3 2011: € 94 million) as a result of changes in foreign exchange rates as well as higher royalty income related to a strong sales performance of Humira®, which is marketed by Merck's licensee Abbott Laboratories.

Merck Serono | Key figures

€ million	Q3 2012	Q3 2011	Change	Jan.-Sept. 2012	Jan.-Sept. 2011	Change
Total revenues	1,623.0	1,468.8	10.5%	4,767.0	4,375.9	8.9%
Sales	1,510.6	1,374.9	9.9%	4,474.3	4,115.3	8.7%
Operating result (EBIT)	142.7	177.6	-19.6%	298.4	192.3	55.2%
Margin (% of sales)	9.4%	12.9%		6.7%	4.7%	
EBITDA	373.1	392.8	-5.0%	1,004.8	1,134.7	-11.5%
Margin (% of sales)	24.7%	28.6%		22.5%	27.6%	
EBITDA pre one-time items	456.1	392.8	16.1%	1,289.1	1,160.7	11.1%
Margin (% of sales)	30.2%	28.6%		28.8%	28.2%	

During the third quarter of 2012, the division's production costs rose 18.6% to € 288 million (Q3 2011: € 243 million) reflecting increased volumes as well as higher start-up costs for the division's bioproduction plant in Vevey, Switzerland. Gross profit grew by 8.9% to € 1,335 million (Q3 2011: € 1,226 million). This translated into a gross margin (as percentage of sales) of 88.4% (Q3 2011: 89.2%).

Marketing and selling costs declined by 1.2% to € 339 million (Q3 2011: € 343 million) due to a focus on more efficient resource allocation, particularly for discretionary costs. However, royalty, license and commission expenses rose 22.2% to € 157 million (Q3 2011: € 128 million), mainly due to the strong performance of Rebif® in the United States that triggered higher commission payments to the the division's co-marketing partner Pfizer.

Other operating expenses more than tripled to € 178 million (Q3 2011: € 52 million) largely driven by one-time items, in particular expenses of € 82 million related to restructuring measures for the Group's efficiency program. In addition, the division reported costs of € 11 million in Q3 2012 mainly related to software impairments. Finally, a write-off of receivables triggered by the insolvency of Germany's largest mail-order pharmacy contributed to the increase in other operating expenses.

Merck Serono's investments into research and development declined 3.2% to € 287 million in the quarter (Q3 2011: € 297 million) as a result of lower clinical development costs also because two Erbitux® phase III trials were stopped in Q2 2012.

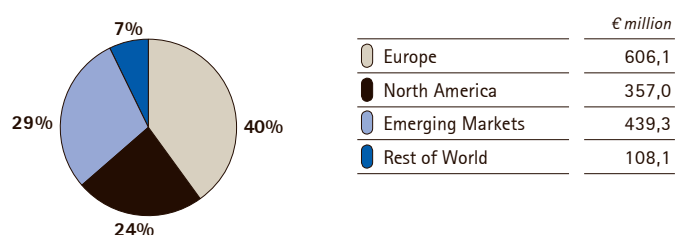
Amortization of intangible assets remained at last year's level, increasing just 0.5% to € 165 million (Q3 2011: € 164 million), reflecting the regular run-rate for the division.

The division's EBIT was € 143 million (Q3 2011: € 178 million), down 19.6% and substantially impacted by the increase in other operating expenses, while EBITDA declined 5.0% to € 373 million (Q3 2011: € 393 million). However, adjusting for € 83 million in one-time items, primarily relating to the division's restructuring efforts, EBITDA pre one-time items increased by 16.1% to € 456 million, representing 30.2% of sales (Q3 2011: € 393 million, representing 28.6% of sales). This margin improvement of 160 basis points is the result of strong operational performance and lower discretionary spending.

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From a geographic perspective, the percentage of sales Merck Serono generated outside of Europe climbed to 60% in the third quarter of 2012 (Q3 2011: 56%). This was driven by the strong performance in North America, which reported an organic sales increase of 18.3% to € 357 million (Q3 2011: € 271 million), and represented 24% of the division's sales (Q3 2011: 20%). The strongest growth contributor in the North American region was Rebif®, which benefited from both year-on-year price and volume increases. Sales in the Rest of World regions grew 9.9% organically to € 108 million (Q3 2011: € 92 million) with the biggest single growth driver being Glucophage®, the division's diabetes treatment, due to continuing strong demand in Japan. Organic growth in the Emerging Markets softened to 4.4% and represented € 439 million of total sales for the division (Q3 2011: € 406 million). The softer growth rate in Q3 2012 was mainly due to lower sales in China which partially offset a strong performance in countries such as Brazil and Vietnam. The Emerging Markets benefited the most from a continued strong performance of the CardioMetabolic Care & General Medicine business unit, the Merck Serono fertility products and Erbitux®. Challenging business conditions in Europe, impacted by lower pricing as well as healthcare budget cuts, resulted in sales of € 606 million (Q3 2011: € 605 million), representing an organic sales decline of -0.7%.

Merck Serono | Sales by region – Q3 2012



On a product level, global sales of Merck's largest single product, Rebif®, for the treatment of relapsing forms of Multiple Sclerosis, rose 10.2% organically to € 499 million (Q3 2011: € 426 million). The increase was mainly driven by 22.4% organic sales growth in the United States, which was the result of price increases and higher volumes. In Europe, organic sales growth of 2.1% reflected higher volumes offset by continued pricing pressure. Sales in the Emerging Markets declined compared to the same period in the previous year. However, the combined sales from the Emerging Markets and Rest of World accounted for less than 10% of this product's global sales.

Merck Serono | Growth components by region – Q3 2012

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/divestments	Reported sales growth
Europe	606.1	-0.7%	0.8%	-	0.1%
North America	357.0	18.3%	13.2%	-	31.6%
Emerging Markets	439.3	4.4%	3.8%	-	8.2%
Rest of World	108.1	9.9%	7.5%	-	17.4%

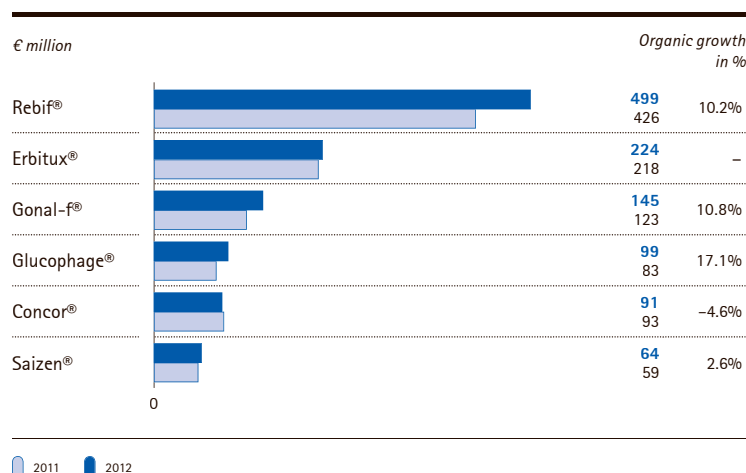
Sales of the biologic cancer drug Erbitux® remained flat on an organic basis at € 224 million (Q3 2011: € 218 million), largely due to a softer performance in Europe stemming from increasing competition in the second-line metastatic colorectal cancer segment as well as healthcare budget constraints. Higher sales in the Emerging Markets and the Rest of World regions offset the softness in Europe, with Rest of World benefiting from a strong performance in Australia triggered by reimbursement. In Japan, organic sales declined 6.0%. While Erbitux® sales in Japan are stabilizing and increased sequentially for the second straight quarter, the division continues to see competitive pressure in the region.

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Merck Serono | Major products by region, organic growth rates – Q3 2012

		Total	Europe	North America	Emerging Markets	Rest of World	Change
Rebif®	€ million	499.2	190.4	267.0	32.6	9.2	17.2%
	organic growth in %	10.2%	2.1%	20.1%	-6.1%	19.3%	
	% of sales	100%	38%	53%	7%	2%	
Erbix®	€ million	224.3	123.1	–	60.7	40.5	3.0%
	organic growth in %	–	-2.5%	–	3.6%	3.3%	
	% of sales	100%	55%	–	27%	18%	

Merck Serono | Organic sales growth by key product – Q3 2012



Sales of Gonal-f®, a recombinant hormone used in the treatment of infertility, continued to perform strongly, growing 10.8% organically in the third quarter of 2012 to € 145 million (Q3 2011: € 123 million), attributable to both volume and price increases. Sales continued to grow double-digit organically in all regions but Rest of World, helped by the continuous rollout of a family of ready-to-use injection pens.

The division's Endocrinology business, dominated by products to treat metabolic and growth disorders, reported sales of € 102 million in the third quarter of 2012, representing organic sales growth of 7.2% (Q3 2011: € 90 million). The primary driver of organic sales growth continues to be Kuvan®, a product used for the treatment of hyperphenylalaninemia, a metabolic disorder. Kuvan® sales continue to grow rapidly in Europe while the rollout in Asia and Latin America remains ongoing. In addition, Egrifta®, used for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy and which Merck Serono markets only in the United States, posted a strong double-digit increase in sales.

Sales of Merck Serono's CardioMetabolic Care & General Medicine products increased 0.8% organically to € 492 million (Q3 2011: € 477 million). Strong sales growth of Glucophage® as well as the thyroid medicines' portfolio, used to treat hypothyroidism, offset softening sales of the beta-blocker Concor® that saw sharp pricing pressure in Europe, as well as increasing pressure on physicians to prescribe cheaper medications. In Emerging Markets, sales of Concor® continued to grow organically.

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First Nine Months 2012 Performance

During the first nine months of 2012, the division's total revenues climbed 8.9% to € 4,767 million (9M 2011: € 4,376 million), with sales increasing 8.7% to € 4,474 million (9M 2011: € 4,115 million). Reported sales reflected organic sales growth of 5.4% and a 3.4% boost from changes in foreign exchange rates. The primary driver of the organic sales growth was Rebif®, which generated organic sales growth of 7.6% and represented € 1,421 million in sales (9M 2011: € 1,260 million). Major driver of this organic sales growth was higher pricing in the US market. Erbitux®, the division's second-largest product, saw an organic sales increase of 2.8%, representing € 664 million in sales (9M 2011: € 630 million). Softer sales in Europe and Japan were more than offset by high single-digit organic growth in the Emerging Markets and the remaining Rest of World regions. These two regions have grown to represent 43% of the product's total sales.

The Fertility product portfolio with its biggest sales contributor Gonal-f® generated sales of € 608 million (9M 2011: € 510 million), representing organic sales growth of 14.8%. Gonal-f® generated strong volumes in all regions as well as a significant price increase in the United States. Endocrinology, the division's business unit that markets drugs to treat metabolic and growth disorders, also posted solid organic growth of 12.2% through the first nine months, totaling sales of € 298 million (9M 2011: € 253 million). All products of the franchise increased sales organically, with mid-to-high double-digit growth rates generated by Egrifta® and Kuvan®. Finally, sales of the division's Cardiometabolic Care & General Medicine products were flat organically with € 1,482 million in the first nine months of 2012 (9M 2011: € 1,459 million). Healthy volume growth in the Emerging Markets offset both pricing pressure as well as tougher generic competition in Europe.

The division's EBITDA pre one-time items in the first nine months of 2012 increased 11.1% to € 1,289 million (9M 2011: € 1,161 million) driven by the strong top-line performance as well as more efficient resource allocation. Consequently, EBITDA pre one-time items as a percentage of sales increased to 28.8% (9M 2011: 28.2%).

Merck Serono Pipeline News in Q3 2012

On September 18, 2012, Merck announced the decision to voluntarily withdraw the marketing authorization application to the European Medicines Agency (EMA) of a label extension for Erbitux® in combination with standard first-line platinum-based chemotherapy in patients with advanced or metastatic non-small cell lung cancer (NSCLC) with high epidermal growth factor receptor (EGFR) expression. The decision to withdraw the application was based on feedback from EMA, indicating that further clinical data would be required. Merck will not pursue further development of Erbitux® in the lung cancer indication. These results do not alter the current utility of Erbitux® in patients with KRAS wild-type metastatic colorectal cancer (mCRC) and in patients with locally advanced or recurrent and/or metastatic squamous cell carcinoma of the head and neck (SCCHN) in those markets where Erbitux® is currently registered in these indications.

The division continues to strengthen its early- and mid-stage pipeline via strategic transactions. On September 6, 2012, Merck announced that an exclusive worldwide license agreement was signed with Symphogen A/S, Copenhagen, Denmark, for Sym004, potentially complementing and building upon Merck's existing Erbitux® franchise. Sym004 is an investigational product comprised of two antibodies that are designed to block ligand binding, receptor activation and downstream signaling as well as to elicit removal of EGFR from the cancer cell surface by inducing their internalization and degradation. Sym004 is currently being evaluated in a Phase I/II trial in solid tumors, recently amended to focus on patients with advanced KRAS wild-type mCRC who have previously progressed on treatment with standard chemotherapy and a marketed anti-EGFR monoclonal antibody. In addition, a single-arm, open-label Phase II trial is on-going in patients with SCCHN who have failed anti-EGFR-based therapy.

In agreement with its partner Threshold Pharmaceuticals, Merck plans to initiate a randomized Phase III trial of the investigational hypoxia-targeted drug TH-302 in patients with advanced pancreatic cancer within the coming months. The decision to move into Phase III is based upon the results of a Phase II trial in the same population which showed a statistically significant improvement in progression free survival (PFS), the primary endpoint of the study, when TH-302 was used in combination with gemcitabine. At the European Society for Medical Oncology (ESMO) Congress in Vienna in September, new findings on overall survival (OS), which was a secondary endpoint of the study, were presented. The analysis and interpretation of the OS endpoint was confounded by the fact that for ethical reasons patients randomized to

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gemcitabine alone were allowed to cross-over to receive gemcitabine plus TH-302 upon disease progression. Nevertheless, patients treated initially with TH-302 and gemcitabine tended to have a longer OS than those treated with gemcitabine alone, although the difference was not statistically significant. Given the consistency in the PFS, and OS trends Merck and Threshold agreed that progression to a Phase III study in pancreatic cancer is warranted. The US affiliate of Merck has reached an agreement with the FDA regarding a Special Protocol Assessment (SPA) for this study. An SPA is a written agreement with the US Food and Drug Agency (FDA) that documents the agency's agreement that the design and planned analysis of a study can adequately address objectives in support of a regulatory submission. However, FDA's determinations for marketing application approval are made after a complete review of a marketing application and are based on all data in the application.

Turning to ONO-4641, the division's sphingosine-1-phosphate receptor modulator, following the positive outcome from the Phase II DreaMS study in patients with relapsing Multiple Sclerosis presented in April 2012, further studies, both non-clinical and clinical, are being performed. Evaluation of data from these studies will provide more information on efficacy, safety and the potential for differentiation of this agent to allow Merck Serono to make an informed decision about whether to progress this project to Phase III in 2013.

Concerning Stimuvax, the division's MUC1 antigen-specific immunotherapy, the outcome of the Phase III study (START) in over 1,500 patients with inoperable NSCLC (stage III loco-regional disease following first line chemo-radiotherapy) remains on track to deliver top-line results including the primary analysis of OS in the first quarter of 2013.

For cilengitide, Merck Serono's integrin-targeting peptide, the outcome of the pivotal, randomized phase III study (CENTRIC) in 545 first-line glioblastoma patients with methylated MGMT promotor status remains on track to conclude its primary endpoint OS in the first half of 2013.

In the area of immunology/rheumatology, Merck Serono is currently analyzing data from the double-blind, placebo-controlled Phase II study (APRIL SLE) that assessed the therapeutic value of atacicept to treat Systemic Lupus Erythematosus (SLE). The trial initially investigated two doses of atacicept in patients who were stable following steroid taper, and measured the effect of the drug on new disease flares. The study recruited more than 450 patients. Detailed data from this study are expected to be presented at a scientific conference in the first half of 2013.

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Consumer Health

The Consumer Health division reported sales of € 122 million, a decrease of 7.7% (Q3 2011: € 133 million). This reflected a reduction in organic sales of 10.3% and a 2.6% increase from changes in foreign exchange rates. The organic decline was driven primarily by lower European sales, the division's biggest market. Consumer Health is in the process of restructuring the business in 2012 and 2013, an effort that also may include site closures. While some of these activities are affecting the division's top-line performance negatively, the division's EBITDA margin pre one-time items continued to improve year-on-year as a result of lower costs and more efficient resource allocation.

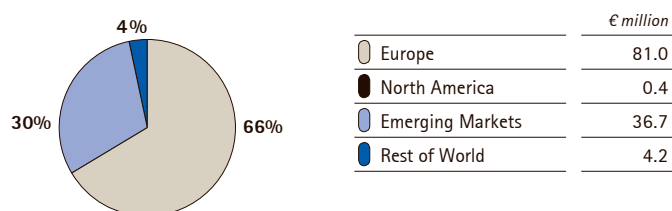
Consumer Health | Key figures

€ million	Q3 2012	Q3 2011	Change	Jan.-Sept. 2012	Jan.-Sept. 2011	Change
Total revenues	123.2	132.8	-7.3%	352.7	367.7	-4.1%
Sales	122.4	132.5	-7.7%	351.1	366.4	-4.2%
Operating result (EBIT)	7.4	16.9	-56.3%	21.9	34.3	-36.2%
Margin (% of sales)	6.0%	12.8%		6.2%	9.4%	
EBITDA	10.3	18.8	-45.2%	30.7	42.4	-27.5%
Margin (% of sales)	8.4%	14.2%		8.7%	11.6%	
EBITDA pre one-time items	18.4	18.8	-2.1%	44.7	42.4	5.6%
Margin (% of sales)	15.0%	14.2%		12.7%	11.6%	

Cost of sales was nearly unchanged at € 41 million (Q3 2011: € 42 million), as lower production costs were off-set by inventory write-downs due to the restructuring of the business. The division's gross profit decreased to € 82 million due to the lower sales level (Q3 2011: € 91 million) and write-downs, resulting in a lower gross margin of 67.4% (Q3 2011: 68.5%). Consumer Health continued to effectively manage its operational spending. The division's marketing and selling expenses fell by 7.4% due to an optimization of sales promotion spending and lower sales force costs while overall selling, general and administration (SG&A) costs increased 3.6% to € 69 million (Q3 2011: € 67 million). This increase is solely driven by € 8 million of one-time charges relating to the restructuring program.

R&D expenses fell to € 5 million (Q3 2011: € 6 million) due to increased focusing of R&D investments, less project-related spending and structural cost savings. On a reported basis, EBIT declined to € 7 million (Q3 2011: € 17 million). Adjusted for one-time restructuring costs of € 8 million, EBITDA pre one-time items declined 2.1% to € 18 million in the third quarter of 2012 (Q3 2011: € 19 million), but climbed to 15.0% of sales compared to 14.2% of sales in Q3 2011.

Consumer Health | Sales by region – Q3 2012



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From a geographic perspective, Emerging Markets was the only region that generated organic sales growth for the division, driven by brands such as Cebion® and Sedalmerck®. In Europe, which represents 66% of the division's top-line, sales were negatively affected by restructuring and regulatory-related sales reductions, declining OTC markets and strong competitive pressure in some Central and Eastern European countries.

Consumer Health | Growth components by region – Q3 2012

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/divestments	Reported sales growth
Europe	81.0	–14.2%	1.4%	–	–12.8%
North America	0.4	–72.4%	1.3%	–	–71.1%
Emerging Markets	36.7	2.4%	6.3%	–	8.7%
Rest of World	4.2	–7.1%	–0.1%	–	–7.2%

Sales of the Cough and Cold portfolio remained stable as the division filled first orders for the upcoming winter season. The other portfolios declined due to the overall weaker performance in Europe compared to the third quarter last year.

First Nine Months 2012 Performance

During the first nine months of 2012, the division reported sales of € 351 million (9M 2011: € 366 million), a decrease of 4.2% due to a 5.9% organic decline in sales that was only partly offset by a 1.7% benefit from foreign exchange rates. The organic sales decline was related to weak Q1 and Q3 performance, mainly in Europe, related to the restructuring of operations in some markets and a refocusing of the brand portfolio towards strategic brands, as well as challenging market environments, especially in Central Europe.

EBITDA pre one-time items of Consumer Health increased during the first nine months of 2012 by 5.6% to € 45 million, or 12.7% of sales, compared to the prior year's € 42 million, or 11.6% of sales.

This improvement was primarily the result of tighter cost control particularly in discretionary marketing and selling expenses.

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Performance Materials

In the third quarter of 2012, the Performance Materials division posted exceptionally strong sales of € 446 million (Q3 2011: € 340 million), up 31.1%, driven by record sales for liquid crystal materials. In addition, Performance Materials' sales growth benefited the most among all Merck's divisions from the stronger US dollar since a significant portion of its sales are recognized in this currency. In summary, Performance Materials reported organic sales growth of 19.7% while changes in foreign exchange rates contributed 11.4%.

Volumes in the Liquid Crystals business – which account for approximately three-fourths to the division's sales – benefited from higher demand from panel manufacturers in advance of the holiday shopping season. As a result, the volume of liquid crystals based on polymer stabilized vertical alignment (PS-VA) technology, primarily used in mid- and large-sized televisions, doubled compared to the third quarter in 2011. In addition, strong consumer demand for mobile touch-screen displays (smartphones, tablet PCs) drove liquid crystals volumes. Mobile devices primarily use liquid crystals based on in-plane switching (IPS) technology because it offers the widest viewing angle. Finally, the division is benefiting from the emergence of a Chinese customer base, which is primarily serving local consumer demand for LCDs.

However, given the typical seasonal cyclicalities in LCD manufacturing, the company expects demand for liquid crystals in the fourth quarter to soften sequentially resulting in the division's EBITDA pre being around last year's fourth quarter.

In Pigments and Cosmetics, sales increased across all business fields compared to a lower base in the third quarter of 2011. Sales of the business unit's products were lower in Q3 2011 due, in part, to the effects of the earthquake in Japan last year.

Performance Materials | Key figures

€ million	Q3 2012	Q3 2011	Change	Jan.-Sept. 2012	Jan.-Sept. 2011	Change
Total revenues	446.7	341.7	30.7%	1,259.5	1,123.8	12.1%
Sales	446.0	340.1	31.1%	1,258.6	1,121.5	12.2%
Operating result (EBIT)	161.2	115.0	40.1%	467.9	549.8	-14.9%
Margin (% of sales)	36.1%	33.8%		37.2%	49.0%	
EBITDA	191.9	140.3	36.8%	556.0	636.3	-12.6%
Margin (% of sales)	43.0%	41.2%		44.2%	56.7%	
EBITDA pre one-time items	194.8	140.4	38.8%	544.8	517.7	5.2%
Margin (% of sales)	43.7%	41.3%		43.3%	46.2%	

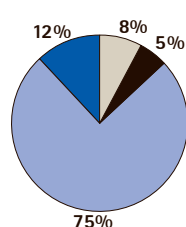
During the third quarter, the division's production costs amounted to € 189 million (Q3 2011: € 146 million), up 30.0%. Increased operating leverage from higher sales was offset by softer pricing for liquid crystals and the company's decision to optimize inventory levels. This resulted in a gross margin of 57.7% that was nearly unchanged year-on-year (Q3 2011: 57.6%).

Selling, general and administration (SG&A) costs increased by 30.6% to € 61 million (Q3 2011: € 47 million) due to higher marketing and selling expenses and € 7 million of one-time charges stemming from the "Fit for 2018" efficiency program that were partly balanced by a release of a provision related to a discontinued business. R&D spending increased slightly to € 35 million (Q3 2011: € 34 million) with the majority of that amount being invested in the Liquid Crystals business.

Reported EBIT was up 40.1% amounting to € 161 million (Q3 2011: € 115 million), while EBITDA increased by 36.8% to € 192 million (Q3 2011: € 140 million). Adjusting for € 3 million in one-time items, EBITDA pre improved by 38.8% to € 195 million, or 43.7% of sales (Q3 2011: € 140 million, or 41.3% of sales).

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Performance Materials | Sales by region – Q3 2012



	€ million
Europe	35.8
North America	22.5
Emerging Markets	334.6
Rest of World	53.1

From a regional perspective, Emerging Markets generated 75% of sales for Performance Materials in the third quarter of 2012, reflecting the concentration of liquid crystals customers in Asia. Divisional sales in this region showed a strong 32.9% organic increase. The decline in European sales is mostly related to the Pigments and Cosmetics business unit due to a slowing automotive production in this region.

Performance Materials | Growth components by region – Q3 2012

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	35.8	–3.1%	0.6%	–	–2.6%
North America	22.5	19.5%	13.8%	–	33.4%
Emerging Markets	334.6	32.9%	13.7%	–	46.7%
Rest of World	53.1	–17.5%	8.5%	–	–8.9%

First Nine Months 2012 Performance

Looking at the divisional performance for the first nine months of 2012, sales grew 12.2% to € 1,259 million (9M 2011: € 1,122 million) driven by an organic sales increase of 4.4% and a 7.9% benefit from foreign exchange rates. Demand for liquid crystals accelerated in the second and third quarters due to increasing demand from display makers. Sales in Pigments and Cosmetics remained flat during the first nine months of 2012 due to weak demand for coatings in Europe, which was offset by growth from active ingredients for cosmetic applications and a recovery of the US coatings business.

EBITDA pre one-time items increased 5.2% to € 545 million (9M 2011: € 518 million), reflecting the strong year-to-date performance of the Liquid Crystals business unit due to record volumes driven by healthy consumer demand for TVs, smartphones and tablet PC's. However, the division's margin as a percentage of sales declined to 43.3% (9M 2011: 46.2%) due to lower pricing and the weaker operational performance of the Pigments and Cosmetics business unit.

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Merck Millipore

In the third quarter of 2012, the Merck Millipore division continued to benefit from solid demand across all its business units, increasing its sales by 9.5% to € 643 million (Q3 2011: € 587 million). Reported sales reflected 3.0% organic growth, which was driven primarily by higher volumes. Additionally, top-line results reflected a 5.8% benefit from foreign exchange rates, primarily related to the US dollar, and a 0.7% boost from acquisitions.

The primary driver of growth came from the Process Solutions business unit, which generated an increase in organic sales of 4.6% and represents 40% of the division's sales. Higher demand for products used in the production of biologic drugs drove most of the increase. The division is also seeing strong demand for single-use manufacturing technologies. Royalty income increased to € 6 million (Q3 2011: € 2 million), driven by royalties for the Process Solutions's pharmaceutical chemicals products.

Merck Millipore has two business units that primarily serve the needs of researchers and laboratories, Bioscience and Lab Solutions. These business units reported organic sales growth of 2.1% and 1.9%, respectively. The Bioscience business unit, which contributes approximately 18% to divisional sales, continued to grow in-line with the market, but is experiencing soft conditions in the North American, Southern European and Japanese academia markets. The Lab Solutions business unit, which represents approximately 42% of the division's total sales, saw increasing demand for lab-water consumables and bio-monitoring products but softer sales for its laboratory chemicals business.

Merck Millipore | Key figures

€ million	Q3 2012	Q3 2011	Change	Jan.-Sept. 2012	Jan.-Sept. 2011	Change
Total revenues	648.2	588.3	10.2%	1,958.9	1,783.2	9.9%
Sales	642.7	586.7	9.5%	1,944.7	1,778.2	9.4%
Operating result (EBIT)	63.8	55.5	15.0%	207.4	178.1	16.4%
Margin (% of sales)	9.9%	9.5%		10.7%	10.0%	
EBITDA	140.3	126.5	10.9%	435.4	391.8	11.1%
Margin (% of sales)	21.8%	21.6%		22.4%	22.0%	
EBITDA pre one-time items	147.7	132.4	11.6%	457.1	419.4	9.0%
Margin (% of sales)	23.0%	22.6%		23.5%	23.6%	

During the third quarter of 2012, the division's cost of sales increased 8.7% to € 269 million (Q3 2011: € 247 million), yielding a gross profit of € 379 million (Q3 2011: € 341 million) or 59.0% of sales (Q3 2011: 58.1%). This gross margin expansion primarily reflects operational leverage from higher volumes and efficiency gains in manufacturing and the positive effects from changes in foreign exchange rates.

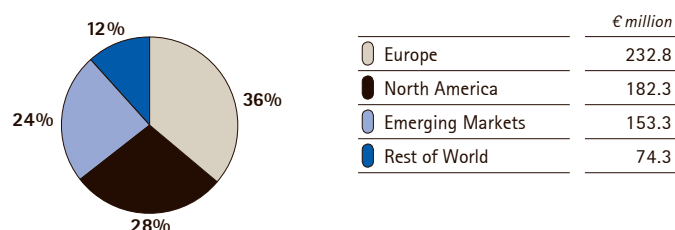
Marketing and selling expenses were up 10.5% to € 166 million (Q3 2011: € 150 million). While part of this increase was driven by the impacts of unfavorable foreign exchange rates due to the concentration of a majority of the division's costs in the United States, it also included the new expenses from acquired businesses. These two factors also were the main contributors to the 9.3% increase in administration costs. Other operating expenses amounted to € 22 million, including € 7 million of one-time charges related to the "Fit for 2018" efficiency program.

Merck Millipore's R&D costs grew 28.1% to € 43 million (Q3 2011: € 33 million), as the division continued to invest heavily in future growth. A meaningful portion of the increase came from Process Solutions, reflecting the division's expectation that increasing volumes for biopharmaceuticals will remain an attractive growth driver in the future. In addition, the strong US dollar added to the growth since the majority of the division's R&D activities are located in the United States.

The division's EBIT improved by 15.0% to € 64 million (Q3 2011: € 55 million) while EBITDA increased by 10.9% to € 140 million (Q3 2011: € 126 million). Adjusted for one-time charges of € 7 million, EBITDA pre grew 11.6% to € 148 million, or 23.0% of sales (Q3 2011: € 132 million, 22.6% of sales), mainly due to the higher gross margin.

→ [Divisions](#)

Merck Millipore | Sales by region – Q3 2012



In the third quarter of 2012, all regions grew organically in the range of 3%. Organic sales growth stemming from biopharmaceutical customers in Europe offset softer demand from academia. In the United States, sales to academic customers from the Bioscience and the Lab Solutions business units increased slightly, while overall growth was driven by solid demand from the biopharmaceutical industry. Sales growth in the Emerging Markets and Rest of World regions was led by Lab Solutions and Process Solutions while demand for Bioscience products was softer.

Merck Millipore | Growth components by region – Q3 2012

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/divestments	Reported sales growth
Europe	232.8	3.0%	1.0%	1.4%	5.3%
North America	182.3	3.4%	11.6%	0.4%	15.4%
Emerging Markets	153.3	2.7%	4.9%	0.1%	7.7%
Rest of World	74.3	3.2%	9.9%	0.6%	13.7%

First Nine Months 2012 Performance

Merck Millipore's first nine months total revenues grew 9.9% to € 1,959 million (9M 2011: € 1,783 million), including € 14 million from royalties (9M 2011: € 5 million). Sales were up 9.4% to € 1,945 million (9M 2011: € 1,778 million). While robust demand in all three business units generated organic sales growth of 3.0%, favorable foreign exchange rates added 4.6%. In addition, last year's acquisitions of Amnis and heipha/Hycon which strengthened Merck Millipore's product offering in the Life Science and BioMonitoring business fields contributed 1.8% to the reported top-line growth.

The division's EBITDA pre one-time items increased 9.0% to € 457 million (9M 2011: € 419 million) during the first nine months of 2012, equivalent to 23.5% of sales, nearly unchanged from the year-ago period (9M 2011: 23.6%).