Merck
Financial Report 1st Quarter 2013

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Interim Management Report as of March 31, 2013

Interim Consolidated Financial Statements as of March 31, 2013

More Information

Merck Group

Highlights – 1st Quarter 2013

- Sales rise by 3.8% to € 2,660 million; solid organic growth of 5.0% stands against a foreign exchange impact of –1.4%
- Organic sales growth fueled by all four divisions
- EBITDA pre one-time items up 18.8% to € 801 million thanks to good business performance and progress with the "Fit for 2018" efficiency program as planned
- Net income soars by 54.1% to € 266 million, earnings per share before one-time items up 27.1% to € 2.11
- Free cash flow increases by 4.5% to € 439 million despite cash outflow of around € 100 million for efficiency measures and a € 195 million increase in working capital
- Guidance for FY 2013: EBITDA pre ~ € 3.1 to 3.2 billion

Merck Group | Key figures – Q1

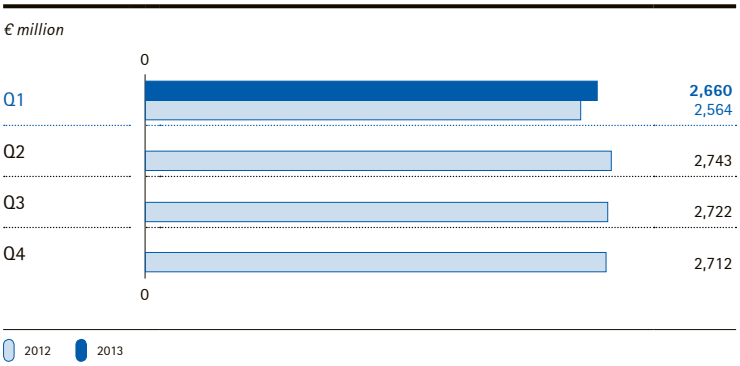
€ million	Q1 – 2013	Q1 – 2012	Change
Total revenues	2,760.5	2,644.9	4.4%
Sales	2,660.4	2,563.9	3.8%
Operating result (EBIT)	399.4	310.6	28.6%
Margin (% of sales)	*15.0%*	*12.1%*	
EBITDA	753.8	653.3	15.4%
Margin (% of sales)	*28.3%*	*25.5%*	
EBITDA pre one-time items	801.1	674.3	18.8%
Margin (% of sales)	*30.1%*	*26.3%*	
EPS pre one-time items (€)	2.11	1.66	27.1%
Free cash flow	438.6	419.8	4.5%

Merck got off to a solid start in 2013. Total revenues increased by 4.4% to € 2,761 million (Q1 2012: € 2,645 million) and were fueled by organic growth of 5.6%. Whereas changes in foreign exchange rates were positive and to some extent highly favorable in the four preceding quarters, as of the first quarter of 2013 they negatively impacted the development of total revenues by –1.3%. Although changes in the U.S. dollar exchange rate still had a slightly positive effect, the development of the Japanese yen as well as the Latin American currencies (Brazilian real, Venezuelan bolivar, Argentinean peso) were primarily responsible for the overall negative currency impact. Acquisitions contributed 0.1% to the growth in sales. Royalty, license and commission income, which is disclosed as part of total revenues, increased by 23.5% to € 100 million (Q1 2013: € 81 million), mainly driven by the Merck Serono division.

Sales (total revenues less royalty, license and commission income) rose by 3.8% to € 2,660 million (Q1 2012: € 2,564 million). Organic sales growth of 5.0% was accompanied by a 1.4% decline from changes in foreign exchange rates and an increase of approximately 0.1% from acquisitions. All four divisions delivered organic growth, with Merck Serono and Merck Millipore posting increases in the mid single-digit range and Performance Materials and Consumer Health recording high single-digit gains.

→ *Merck Group*

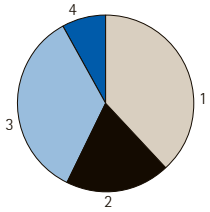
Merck Group | Sales by quarter



From a regional perspective, the Emerging Markets region, which comprises Latin America and Asia excluding Japan, generated the strongest organic sales growth, expanding sales by 11.5% to € 924 million (Q1 2012: € 845 million). This increase was due especially to the performance of the Merck Serono and Performance Materials divisions. The proportion of Group sales accounted for by this region thus increased to 35% (Q1 2012: 33%). In North America, sales grew organically by 5.6% to € 516 million (Q1 2012: € 487 million), with Merck Serono and Merck Millipore driving the increase. This region's share of Group sales remained unchanged at 19%. In Europe, sales totaled € 1,013 million (Q1 2012: € 1,000 million). Organic sales growth amounted to 1.0% and was primarily attributable to the Consumer Health division. Europe's share of Group sales decreased slightly to 38% (Q1 2012: 39%). Lastly, the Rest of World region recorded an organic sales decline of 2.4% to € 207 million (Q1 2012: € 233 million) as a result of weaker demand in the Performance Materials and Merck Millipore divisions. This region's contribution to Group sales fell slightly to 8% (Q1 2012: 9%).

Merck Group | Sales by region – Q1 2013

€ million/% of sales



1	Europe	1,012.9	38%
2	North America	516.0	19%
3	Emerging Markets	924.1	35%
4	Rest of World	207.3	8%

Merck Group | Growth components by region – Q1 2013

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	1,012.9	1.0%	–	0.3%	1.3%
North America	516.0	5.6%	0.4%	–	6.0%
Emerging Markets	924.1	11.5%	–2.1%	–	9.4%
Rest of World	207.3	–2.4%	–8.5%	–	–10.8%
Group	**2,660.4**	**5.0%**	**–1.4%**	**0.1%**	**3.8%**

→ *Merck Group*

Gross profit of the Merck Group improved in the first quarter of 2013 by 7.4% to € 2,036 million (Q1 2012: € 1,896 million), resulting in an increase in gross margin to 76.5% (Q1 2012: 74.0%). Both the lower level of inventory write-downs and changes in the product mix resulting from the good sales development of comparatively high-margin biotech products from the Merck Serono division had a noticeably positive effect.

Marketing and selling expenses decreased by 3.1% to € 568 million (Q1 2012: € 587 million), mainly as a result of the efficiency improvement measures implemented in the Merck Serono division. By contrast, royalty, license and commission expenses rose 13.6% to € 136 million (Q1 2012: € 120 million) primarily due to the good development of Rebif® sales in the United States.

On March 7, 2013, Merck provided a status report on the savings generated by the "Fit for 2018" efficiency program as well as the associated costs. According to this update, the good progress achieved so far has made it possible to reach the savings targets faster than planned. This is in turn has affected the outlook for the coming years. For 2013, Merck is now assuming it will achieve further savings of around € 165 million compared to 2012 while incurring related expenses of about € 230 million. Compared to 2011, improvements in the cost structure shall lead to sustainable cost savings of € 385 million by 2017, for which expenses of around € 820 million are expected. In the first quarter of 2013, one-time items totaling € 47 million were reported, including € 42 million related to "Fit for 2018" (Q1 2012: € 21 million, € 11 million of which was attributable to "Fit for 2018"). This led to a 27.3% increase in other operating expenses to € 184 million (Q1 2012: € 145 million).

Research and development spending rose 6.4% to € 406 million. (Q1 2012: € 382 million). This increase was due mainly to Merck Serono as well as to higher R&D investments in the Merck Millipore division.

In the first quarter, amortization of intangible assets declined by 3.1% to € 210 million (Q1 2012: € 216 million). This reflects the end of the amortization of an asset acquired within the scope of the Serono purchase.

Selling, general and administration (SG&A*) costs, which were slightly higher overall, as well as research and development costs, only had a minor impact on the sharp increase in gross profit. The operating result (EBIT) thus soared by 28.6% to € 399 million (Q1 2012: € 311 million) and the EBIT margin rose to 15.0% (Q1 2012: 12.1%). Earnings before interest, taxes, depreciation and amortization (EBITDA) also grew by 15.4% to € 754 million (Q1 2012: € 653 million). Adjusted for one-time items, EBITDA pre rose by 18.8% to € 801 million € (Q1 2012: € 674 million), equivalent to 30.1% of sales. With this, the 30% mark was exceeded for the first time (Q1 2012: 26.3%).

The financial result of the Merck Group improved in the first quarter of 2013 by 11.2% to € -59 million (Q1 2012: € -66 million). This was mainly the result of the € 1 billion decline in financial liabilities compared with the beginning of the year-ago quarter following the repayment in March and December 2012 of two bonds that were each worth € 500 million.

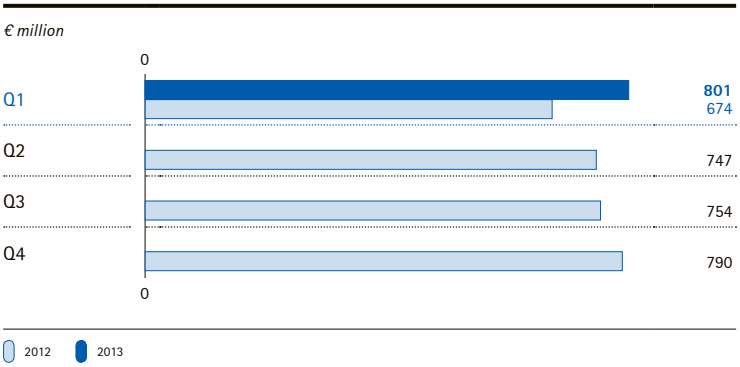
Income taxes totaled € -72 million, which was 3.3% more than in the year-earlier quarter (Q1 2012: € -69 million). This corresponds to a tax ratio of 21.0% (Q1 2012: 28.4%).

The sharp increase in EBIT, coupled with lower interest expenses and a comparatively low tax burden, led to a significant improvement in net income in the first quarter of 2013. Net income, i.e. profit after tax attributable to Merck shareholders, soared by 54.1% to € 266 million (Q1 2012: € 173 million), translating into earnings per share of € 1.22 (Q1 2012: € 0.79). Before one-time items, earnings per share climbed by 27.1% to € 2.11 (Q1 2012: € 1.66).

*SG&A costs comprise: marketing & selling, royalty, license and commission expenses, administration as well as other operating expenses and income.

→ *Merck Group*

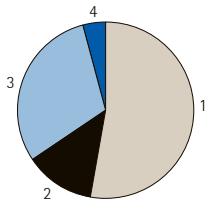
Merck Group | EBITDA pre one-time items by quarter



Free cash flow (net cash flow from operating activities less acquisitions/divestments, purchase/disposals of intangible assets, property, plant and equipment, non-current financial assets and marketable securities) rose 4.5% to € 439 million (Q1 2012: € 420 million) despite considerable negative effects. These included, for instance a cash outflow of about € 100 million related to "Fit for 2018". In addition, the expansion of business in the Emerging Markets region, where longer payment terms are common, caused working capital to increase by € 195 million to € 2,562 million, corresponding to 23.6% of sales over the past twelve months.

At the end of the first quarter of 2013, Merck had 38,311 employees worldwide, compared to 38,847 on December 31, 2012.

Merck Group | Number of employees as of March 31: 38,311



1	Europe	20,320	53%
2	North America	4,866	13%
3	Emerging Markets	11,578	30%
4	Rest of World	1,547	4%

Merck's Four Divisions

The operating activities of the Merck Group are organized into four divisions. The Merck Serono division develops, manufactures and markets prescription medicines to treat cardiovascular diseases, cancer, neurodegenerative diseases, infertility, and selected metabolic disorders. More than 60% of Merck Serono's sales are generated with biologics, making the division one of Europe's leading suppliers of biopharmaceuticals. In the first quarter of 2013, Merck Serono accounted for around 55% of Group sales.

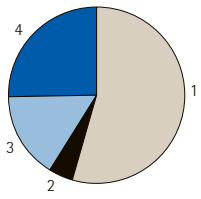
The Consumer Health division manufactures and markets over-the-counter pharmaceuticals that primarily address health themes such as mobility, women's and children's health, cough and cough as well as everyday health protection. This division's contribution to Group sales was about 4% in the first quarter of 2013.

With its Performance Materials division, Merck is the market leader in liquid crystal mixtures for liquid crystal displays (LCD) as well as in special effect pigments for decorative applications, e.g. in automotive coatings and the cosmetics industry. The division generated around 16% of Group sales in the first quarter of 2013.

Within its relevant market segments, the Merck Millipore division is one of the top three suppliers of tools for the life science industry, marketing and developing solutions to support the academic, pharmaceutical and biopharmaceutical 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 pharmaceutical production. In the first quarter of 2013, the division generated 25% of Group sales.

Merck Group | Sales by division – Q1 2013

€ million / % of sales



1	Merck Serono	1,454.3	55%
2	Consumer Health	116.1	4%
3	Performance Materials	421.3	16%
4	Merck Millipore	668.7	25%

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

€ million	Q1 – 2013	Q1 – 2012	Change
Merck Serono	462.7	403.0	14.8%
Consumer Health	14.3	9.4	52.6%
Performance Materials	207.4	163.4	27.0%
Merck Millipore	161.9	166.0	–2.5%
Corporate and Other	–45.3	–67.4	–32.8%

→ *Divisions*

Merck Serono

In the first quarter of 2013, the Merck Serono division maintained the strong momentum of the previous quarters. Total revenues increased by 3.5% to € 1,548 million (Q1 2012: € 1,495 million). This reflected robust organic growth of 4.9% and a decline of 1.4% due to changes in foreign exchange rates. The division's sales rose by 2.6% to € 1,454 million (Q1 2012: € 1,417 million) resulting from organic growth of 4.0% and a negative exchange rate impact of –1.4%. In addition to the division's two top-selling products, Rebif® for the treatment of multiple sclerosis (MS) as well as the cancer therapy Erbitux®, the diabetes treatment Glucophage® was one of the main drivers of organic growth. Royalty, license and commission income rose 19.4% to € 93 million. (Q1 2012: € 78 million). Apart from positive foreign exchange effects, the main contributors to this strong growth were higher sales of Humira®, a tumor necrosis factor (TNF) blocker which is marketed by the licensee AbbVie Inc., as well as Enbrel®, which was developed by Amgen and is used to treat rheumatological diseases and psoriasis. Furthermore, reduced sales expectations for products that generate royalty and license income for Merck Serono had established a comparatively low basis in the year-earlier quarter.

Merck Serono | Key figures – Q1

€ million	Q1 – 2013	Q1 – 2012	Change
Total revenues	1,547.6	1,495.3	3.5%
Sales	1,454.3	1,417.2	2.6%
Operating result (EBIT)	195.2	161.5	20.9%
Margin (% of sales)	*13.4%*	*11.4%*	
EBITDA	433.3	393.3	10.2%
Margin (% of sales)	*29.8%*	*27.8%*	
EBITDA pre one-time items	462.7	403.0	14.8%
Margin (% of sales)	*31.8%*	*28.4%*	

Merck Serono's production costs declined by 8.4% to € 249 million in the first quarter of 2013 (Q1 2012: € 272 million). Higher yields in biopharmaceutical production as well as changes in product mix contributed positively to this development. Together with the increase in royalty, license and commission income, this led to a 6.1% increase in gross profit to € 1,299 million (Q1 2012: € 1,224 million) and an improvement in gross margin (in % of sales) to 89.3% (Q1 2012: 86.3%).

Marketing and selling expenses fell by 6.0% to € 312 million (Q1 2012: € 332 million). This reflected not only the cost-lowering measures from the efficiency program, but also the postponement of selling initiatives. These initiatives will be implemented in the coming quarters, potentially leading to higher costs then. Royalty, license and commission expenses rose 14.3% to € 132 million (Q1 2012: € 115 million) mainly due to higher sales of Rebif® in the United States, which triggered higher payments to Pfizer, the distribution partner there.

In the first quarter of 2013, other operating expenses increased by 35.0% to € 128 million (Q1 2012: € 95 million). This was primarily driven by charges related to the efficiency program.

Merck Serono's R&D spending rose 7.0% to € 324 million. (Q1 2012: € 303 million) owing to higher costs of projects in Phase II and III clinical development, especially in the field of Oncology. In addition, investments into local clinical studies as well as one-time charges weighed on R&D costs.

Amortization of intangible assets decreased by 5.8% to € 155 million (Q1 2012: € 165 million) due to the expiry of the useful life of an intangible asset that was capitalized within the scope of the Serono purchase price allocation. For the same reason, the quarterly level of amortization of intangible assets will decline further in the second half of the year.

Owing to the improvement in gross profit, the division's EBIT increased by 20.9% to € 195 million (Q1 2012: € 161 million) despite the rise in SG&A costs as well as in research and development expenses. EBIT is now equivalent to 13.4% of sales (Q1 2012: 11.4%). The same applies to EBITDA, which rose by

→ *Divisions*

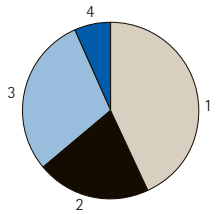
10.2% to € 433 million (Q1 2012: € 393 million). Excluding the aforementioned one-time items, EBITDA pre grew by 14.8% to € 463 million (Q1 2012: € 403 million) and the EBITDA margin pre one-time items rose to 31.8% (Q1 2012: 28.4%). The percentage increase in EBITDA pre, which was far higher than the percentage increase in gross profit, reflects the improved cost structure of the division as an outcome of the efficiency program.

Sales development by region

All four regions contributed to the organic sales growth of Merck Serono. However, clear differences in the growth rates could be seen. Europe accounted for the highest proportion, or 43% of the division's sales (Q1 2012: 44%). However, organic growth was the lowest with 0.7%, resulting in sales of € 629 million (Q1 2012: € 625 million). In addition to a pricing environment that remains difficult, the strained budget situations in several European countries and the resulting health care cost-containment measures left their mark on the business. In contrast to this, sales in Emerging Markets, the division's second-largest region by sales, grew organically by 8.3% to € 426 million (Q1 2012: € 408 million). This increase was fueled primarily by good sales of Glucophage® and Erbitux®. Overall, Emerging Markets generated an unchanged 29% of divisional sales. Sales in North America benefited from the Rebif® price hikes, which were almost exclusively responsible for organic growth of 5.1% to € 304 million in this region (Q1 2012: € 288 million). Consequently, North America's contribution to divisional sales rose slightly to 21% (Q1 2012: 20%). Lastly, the Rest of World region reported organic sales growth of 4.5%, mainly thanks to the good sales performance of Erbitux® and the diabetes franchise. The Rest of World region accounted for an unchanged 7% of the division's sales.

Merck Serono | Sales by region – Q1 2013

€ million/% of sales



1 Europe	628.8	43%
2 North America	304.0	21%
3 Emerging Markets	426.2	29%
4 Rest of World	95.3	7%

Merck Serono | Growth components by region – Q1 2013

€ million/change in%	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	628.8	0.7%	–	–	0.7%
North America	304.0	5.1%	0.4%	–	5.5%
Emerging Markets	426.2	8.3%	–3.8%	–	4.6%
Rest of World	95.3	4.5%	–6.2%	–	–1.7%

Sales development by key products and therapeutic areas

At product level, Merck Serono's top-selling drug Rebif® recorded organic sales growth of 6.0% to € 454 million (Q1 2012: € 430 million). Beside an organic growth of 10.1% in North America as a result of price increases, also Europe contributed to this development, growing, 5.0% organically to € 184 million (Q1 2012: € 176 million). As a result of the good performance in North America, this region generated nearly half of global sales of Rebif® in the first quarter of 2013. Expanding the range of injection devices in the United States, Rebidose® was launched in March after having been granted approval from the U.S. Food and Drug Administration (FDA) in December 2012. Including prefilled syringes and the injection device

→ *Divisions*

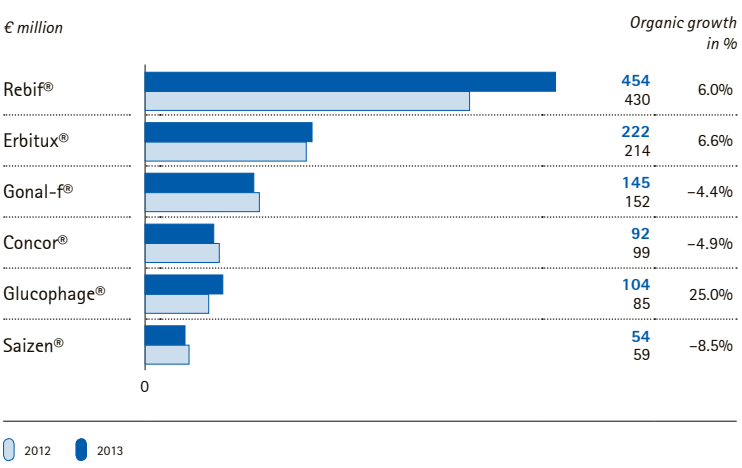
Rebiject II, patients with relapsing forms of MS now have a total of three Rebif® delivery options to meet their treatment needs. Business performance was mixed in the two other regions. While organic sales in Emerging Markets were lower, declining by 11.9% to € 36 million (Q1 2012: € 44 million), the Rest of World region reported a strong organic increase in sales of 24.8%, totaling € 8 million (Q1 2012: € 7 million). However, at around 10%, the combined contribution of these two regions to Rebif® sales remained comparatively low in the first quarter of 2013.

Thanks to organic growth of 6.6%, sales of Erbitux® rose to € 222 million (Q1 2012: € 214 million). All three regions in which Merck Serono holds the marketing rights to the product contributed to this increase. Europe, which generated € 133 million (Q1 2012: € 130 million) or 60% of sales, posted organic growth of 2.3% as a result of higher sales volumes. Emerging Markets showed the strongest growth, with sales in this region rising organically by 18.0% to € 59 million (Q1 2012: € 52 million), equivalent to 26% of Erbitux® sales in the first quarter of 2013. Lastly, the Rest of World region achieved organic sales growth of 5.4% and sales of € 30 million (Q1 2012: € 32 million). In particular, Japan generated a healthy performance, reversing the declining sales trend of the preceding two quarters and delivering organic growth in the mid single-digit range.

Merck Serono | Major products by region, organic growth rates – Q1 2013

		Sales	Europe	North America	Emerging Markets	Rest of World	Change Total
Rebif®	*€ million*	453.9	184.4	225.0	36.1	8.4	5.6%
	organic growth in %	6.0%	5.0%	10.1%	–11.9%	24.8%	
	% of sales	100%	41%	49%	8%	2%	
Erbitux®	*€ million*	221.7	132.7	–	58.5	30.4	3.8%
	organic growth in %	6.6%	2.3%	–	18.0%	5.4%	
	% of sales	100%	60%	–	26%	14%	

Merck Serono | Organic sales growth by key product – Q1 2013



Sales of Gonal-f®, the leading recombinant hormone used in the treatment of infertility, totaled € 145 million in the first quarter of 2013 (Q1 2012: € 152 million). This reflected an organic sales decline of 4.4%, which was primarily attributable to softer business performance in North America.

→ *Divisions*

At € 92 million, first-quarter sales by the Endocrinology business, which mainly consists of products to treat growth disorders, were unchanged versus the year-ago quarter. While organic sales of the growth hormone Saizen® fell by 8.5%, sales of Serostim® for HIV-associated wasting increased as did sales of Kuvan® for the treatment of the metabolic disorder hyperphenylalaninemia. Both Serostim® and Kuvan® recorded double-digit organic growth rates.

In its CardioMetabolicCare & General Medicine business, where Merck Serono also sells products for the treatment of cardiovascular diseaseses, an organic sales growth of 4.1% totaling € 489 million (Q1 2012: € 481 million) was achieved. However, the performance of the three top-selling franchises, namely Glucophage® for the treatment of diabetes, the beta-blocker Concor® and Merck's portfolio of drugs for the treatment of thyroid disorders varied. While sales of Glucophage® surged organically by 25.0% to € 104 million (Q1 2012: € 85 million) and organic sales of thyroid medicines climbed by 14.8% to € 59 million (Q1 2012: € 51 million) mainly owing to stronger demand in Emerging Markets, sales of Concor® fell organically by 4.9% to € 92 million (Q1 2012: € 99 million) as a result of increasing generic competition, particularly in France.

Merck Serono Pipeline News in Q1 2013

In the field of Oncology Merck announced in late January the initiation of the global Phase III MAESTRO study, assessing the efficacy and safety of investigational hypoxia-targeted drug, TH-302 in combination with gemcitabine, in patients with previously untreated, locally advanced unresectable or metastatic pancreatic adenocarcinoma. MAESTRO is a randomized, placebo-controlled, international, multi-center, double-blind Phase III trial of TH-302 plus gemcitabine compared with placebo plus gemcitabine and is expected to enroll 660 patients. The primary efficacy endpoint is overall survival; the secondary endpoints include efficacy measured by progression-free survival (PFS), overall response rate and disease control rate, as well as assessments of safety and tolerability, pharmacokinetics and biomarkers. The study is being conducted under a Special Protocol Assessment (SPA) with FDA. An SPA is a review conducted by FDA on a clinical trial that will form the primary basis of an efficacy claim in a marketing application.

In late February, Merck announced that its Phase III CENTRIC study of the investigational integrin inhibitor cilengitide did not reach its primary endpoint, of significantly increasing overall survival when added to the current standard chemoradiotherapy (temozolomide and radiotherapy). The CENTRIC study included patients with newly diagnosed glioblastoma and methylated O(6)-methylguanine-DNA methyltransferase (MGMT) gene promoter status. The trial was planned and is being conducted in partnership with the European Organisation for Research and Treatment of Cancer (EORTC). Detailed results from the trial were submitted for presentation at the American Society of Clinical Oncology (ASCO) 2013. In view of the outcome of this study it was decided to discontinue the overall development program for cilengitide, including the Phase II CERTO study in non-small cell lung cancer (NSCLC).

In the field of Immunology on March 18, Merck announced a strategic alliance with Nordic Bioscience Clinical Development A/S on Merck's investigational drug sprifermin (recombinant human FGF-18) in osteoarthritis (OA) of the knee. Sprifermin is a protein thought to induce chondrocyte stimulation leading to matrix synthesis and chondrocyte renewal, and is delivered by intra-articular injection. Under the terms of the agreement, Nordic Bioscience will provide clinical development services to Merck on a shared-risk basis in exchange for a payment structure that includes service fees and potential milestone and royalty payments on the program. Merck retains full responsibility for the development and commercialization of the investigational drug. The alliance will draw on the joint expertise and resources of Merck and Nordic Bioscience to conduct a multi-national Phase IIb trial (the FORWARD study) to further evaluate sprifermin for inhibition of the progression of structural damage, reduction of pain and improvement of physical function in patients with OA of the knee. The FORWARD study is expected to begin enrollment in the second half of 2013.

→ *Divisions*

In January, Merck and the Feinstein Institute for Medical Research, the research division of the North Shore-Long Island Jewish Health System in New York, announced that they will collaborate to develop antibodies for the treatment of systemic lupus erythematosus (SLE). Under the terms of the agreement, Merck Serono will fund a research program at the Feinstein Institute and be responsible for the development and commercialization of the antibodies resulting from the collaboration. The program will focus on the use of antibodies to inhibit the action of certain proteins responsible for inflammation in the pathogenesis of SLE, a disease with high unmet medical needs. Merck Serono is currently investigating atacicept for the treatment of SLE. The complete Phase II clinical and biomarker data are expected to be presented at a scientific conference in the first half of 2013. The collaboration with the Feinstein Institute will allow Merck Serono to further strengthen its research into alternative mechanisms for the treatment of SLE.

In early March, Merck Serono announced the creation of Calypso Biotech, a further spin-off company resulting from its Entrepreneur Partnership Program in Geneva. Formed around an R&D portfolio in the field of inflammatory bowel diseases, Calypso will target selected niche indications with high unmet medical needs.

In early February, Merck announced that it had been granted an option by Opexa Therapeutics, Inc. for the development and commercialization of Tcelna™ (imilecleucel-T), a potential first-in-class personalized T-cell therapy for patients suffering from MS. Tcelna™ is being developed by Opexa and currently is in a Phase IIb clinical trial in patients with Secondary Progressive MS (SPMS). It is being developed as a personalized therapy specifically tailored to each patient's individual disease profile and has been evaluated in Phase I and II clinical studies in MS that included SPMS patients. Tcelna™has received Fast Track Designation from the FDA as a potential treatment for SPMS.

Merck Serono will decide on the future of the L-BLP25 development program (MUC1 antigen-specific cancer immunotherapy) and on ONO-4641, the division's sphingosine-1-phosphate receptor modulator for the treatment of MS, during the course of 2013. The division plans to move ahead with the development of a portfolio of biosimilar compounds in oncology based on a co-development agreement signed with Dr. Reddy's Laboratories in 2012.

→ *Divisions*

Consumer Health

The Consumer Health division reported sales of € 116 million, an increase of 7.9% (Q1 2012: € 108 million). This reflected organic growth of 9.3% and a 1.4% decrease from changes in foreign exchange rates. The healthy organic increase was apparent across all regions, with sales in Europe benefiting particularly from good development of cough & cold treatments as a result of the unusually long winter period. In addition, growth was further stimulated by increased focus on strategic brands, like Bion® and Femibion®. The efficiency improvements Consumer Health initiated last year are well on track and are beginning to generate visible improvements to the division's profitability. While sales momentum appears to be developing as a result of increased focus on top brands and countries, the division will continue to focus on margin expansion which may cause business volatility to remain in the near future.

Consumer Health | Key figures – Q1

€ million	Q1 – 2013	Q1 – 2012	Change
Total revenues	116.3	108.0	7.7%
Sales	116.1	107.6	7.9%
Operating result (EBIT)	11.8	5.7	106.9%
Margin (% of sales)	*10.1%*	*5.3%*	
EBITDA	14.4	8.7	66.6%
Margin (% of sales)	*12.4%*	*8.0%*	
EBITDA pre one-time items	14.3	9.4	52.6%
Margin (% of sales)	*12.3%*	*8.7%*	

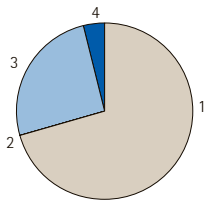
With an increase of 4.1% to € 38 million (Q1 2012: € 37 million), production costs grew slower than sales due to a favorable product mix. As a result, gross profit grew 9.5% to € 78 million (Q1 2012: € 71 million), yielding a gross margin of 67.2% (Q1 2012: 66.2%). Consumer Health continued to effectively manage its operational spending. The division's marketing and selling expenses fell by 1.9% due to an optimization of sales promotion spending and lower field force costs while overall SG&A costs increased 3.4% to € 62 million (Q1 2012: € 60 million). This increase reflects a total of € 4 million of higher costs compared to last year's first quarter relating to an increase of provisions for litigation. R&D expenses fell 16.4% to € 4 million (Q1 2012: € 5 million) due to an increased focus of R&D investments and structural cost savings.

With gross profit outgrowing operational spending, EBIT more than doubled to € 12 million (Q1 2012: € 6 million). Similarly, EBITDA and EBITDA pre one-time items grew to € 14 million (Q1 2012: € 9 million), an increase of 66.6% and 52.6%, respectively. As a result, the EBITDA margin pre one-time items improved to 12.3% (Q1 2012: 8.7%).

→ *Divisions*

Consumer Health | Sales by region – Q1 2013

€ million / % of sales



1 Europe	82.0	70%
2 North America	0.2	<1%
3 Emerging Markets	29.8	26%
4 Rest of World	4.2	4%

Sales development by region

From a geographic perspective, all regions except for North America contributed to organic sales growth. Europe, which accounted for the largest share of divisional sales (70%), saw an organic increase of 9.2% to € 82 million (Q1 2012: € 75 million), led by strong performance in France, Germany and Belgium. Sales in the Emerging Markets, representing 26% of divisional sales, grew similarly by 8.8% organically to € 30 million (Q1 2012: € 28 million), fueled by developments in Indonesia, Mexico, Brazil, Russia and India. With an organic sales increase of 24.7% to € 4 million, the Rest of World region saw the strongest regional growth rate, lifting its contribution to divisional sales to 4% (Q1 2012: 3%).

Consumer Health | Growth components by region – Q1 2013

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	82.0	9.2%	–0.1%	–	9.1%
North America	0.2	–54.8%	0.4%	–	–54.4%
Emerging Markets	29.8	8.8%	–4.1%	–	4.7%
Rest of World	4.2	24.7%	–8.9%	–	15.8%

→ *Divisions*

Performance Materials

The Performance Materials division continued its dynamic development of the preceding quarters. Reported sales increased by 9.0% to € 421 million (Q1 2012: € 386 million). While sales grew organically by 9.9%, changes in foreign exchange rates, especially relative to the Japanese yen, lowered sales by 0.9 percentage points, an impact not seen for several quarters.

Higher sales volumes of liquid crystal materials recorded in the Liquid Crystals business unit were the main driver of the strong organic growth rate, more than offsetting price declines due to competitive pressure and volume rebates. In particular, demand for liquid crystals based on polymer-stabilized vertical alignment technology (PS-VA), primarily used in medium- and large-sized television displays, was very strong. This development and higher sales volumes of liquid crystals based on in-plane switching (IPS) technology, which is used in televisions and especially in touchscreen devices such as tablet computers and smartphones, clearly made up for the volume declines in liquid crystals based on TN-TFT technology typically used in monitors and notebook displays. The high demand for liquid crystal materials offered by Performance Materials again underscores the technological superiority that Merck has achieved in a business dominated by high quality and innovation requirements. At the same time, the division has for several quarters been seeing signs of an inventory buildup in the display industry supply chain, which, according to current estimates, could possibly be worked down in the second half of the year. Merck therefore assumes a softer sales dynamic in the second half of the year compared to the previous year.

Pigments & Cosmetics, the division's second business unit, also recorded organic growth in the first three months of 2013, which is typically its strongest quarter in terms of sales. This performance was driven both by higher demand for Xirallic® pigments, which are used mainly in automotive coatings, and functional materials for security printing applications.

Performance Materials | Key figures – Q1

€ million	Q1 – 2013	Q1 – 2012	Change
Total revenues	422.1	386.2	9.3%
Sales	421.3	386.4	9.0%
Operating result (EBIT)	172.5	132.4	30.3%
Margin (% of sales)	*41.0%*	*34.3%*	
EBITDA	203.3	162.8	24.9%
Margin (% of sales)	*48.3%*	*42.1%*	
EBITDA pre one-time items	207.4	163.4	27.0%
Margin (% of sales)	*49.2%*	*42.3%*	

The division's production costs declined by 9.0% to € 156 million in the first quarter of 2013 (Q1 2012: € 172 million). This was due to positive effects from an altered product mix as well as efficiency improvements in production. Along with the increase in sales, this led to a sharp 24.0% rise in gross profit to € 266 million (Q1 2012: € 214 million) or 63.1% of sales (Q1 2012: 55.5%). With improved cost structures in place in both business units, Liquid Crystals and Pigments & Cosmetics each contributed to this positive development.

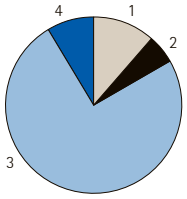
SG&A costs were up 15.5% to € 53 million (Q1 2012: € 46 million). In addition to increased marketing and selling expenses in connection with higher sales, this particularly reflects the year-on-year increase of € 4 million in one-time items from the efficiency program. R&D spending by Performance Materials rose slightly by 2.9% to € 36 million (Q1 2012: € 35 million) or 8.6% of sales (Q1 2012: 9.1%).

Owing to the excellent development of gross profit, divisional EBIT surged by 30.3% to € 173 million (Q1 2012: € 132 million) or 41.0% of sales (Q1 2012: 34.3%). Similarly strong increases were recorded for EBITDA and EBITDA pre. At € 203 million, EBITDA was 24.9% higher than in the year-ago quarter (Q1 2012: € 163 million). EBITDA pre soared by 27.0% to € 207 million (Q1 2012: € 163 million), equivalent to an EBITDA margin pre one-time items of 49.2% (Q1 2012: 42.3%).

→ *Divisions*

Performance Materials | Sales by region – Q1 2013

€ million / % of sales



1	Europe	48.0	11%
2	North America	23.0	5%
3	Emerging Markets	314.3	75%
4	Rest of World	36.0	9%

Sales development by region

In regional terms, Emerging Markets again typically generated the vast majority, or 75%, of the division's sales, reflecting the high concentration of liquid crystal customers in Asia. With sales climbing to € 314 million (Q1 2012: € 267 million), the Emerging Markets region also posted the division's highest organic sales growth rate of 16.9%. Once more, the rapidly advancing Chinese display industry was the main growth driver. Generating sales of € 48 million, Europe accounted for 11% of divisional sales (Q1 2012: € 47 million). Organic growth of 1.9% in the region was primarily achieved with pigments for automotive coatings and for security printing. The Rest of World region reported a sharp drop of 14.5% in organic sales to € 36 million (Q1 2012: € 48 million), corresponding to a 9% share of sales. The decline was mainly due to lower sales volumes of liquid crystal materials in Japan, underscoring the challenging display industry environment in that country. Lastly, North America accounted for € 23 million or 5% of divisional sales (Q1 2012: € 24 million). The 4% organic sales decline reflected the weaker business performance of products for the cosmetics industry.

Performance Materials | Growth components by region – Q1 2013

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	48.0	1.9%	–0.1%	–	1.8%
North America	23.0	–4.0%	0.4%	–	–3.6%
Emerging Markets	314.3	16.9%	0.6%	–	17.5%
Rest of World	36.0	–14.5%	–10.3%	–	–24.8%

→ *Divisions*

Merck Millipore

In the first quarter of 2013, Merck Millipore's sales increased 2.5% to € 669 million (Q1 2012: € 653 million). While organically sales were up 3.6%, changes in foreign exchange rates had an adverse impact of 1.6%. Last year's acquisition of Biochrom had a positive impact of 0.5%. Royalty, licence and commission income more than doubled to € 6 million (Q1 2012: € 3 million), driven by royalties for the Process Solutions' pharmaceutical-chemical products.

The division's primary growth contributor once again was the Process Solutions business unit, which markets products that are used in drug production, generating an organic increase in sales of 6.9% to € 289 million (Q1 2012: € 270 million) due to higher volumes and now representing 43% of the division's sales (Q1 2012: 41%). In particular, higher demand for products used in the production of biologic drugs as well as the business unit's recently launched biodevelopment services that promote single-use manufacturing drove most of the increase. With an increasing number of projects between pre-clinical and Phase II development in the pharmaceutical industry, Merck Millipore continues to expect that the business unit Process Solutions will remain a major growth driver for the division.

In the Lab Solutions business unit, where Merck Millipore markets a broad portfolio of products that are used by researchers and in a wide range of scientific laboratories, an organic increase of 1.9% yielded sales of € 269 million (Q1 2012: € 269 million). This was driven by elevated demand for biomonitoring solutions, particularly from food and beverage customers, and lab water consumables as well as higher prices.

The Bioscience business unit, serving primarily the needs of researchers in biotech laboratories, saw a slight organic decline in sales of –0.5% to € 110 million (Q1 2012: € 113 million). Here, good momentum from recently launched instruments of the Amnis®, Muse® and Direct Detect® families was more than offset by softer sales mainly related to drug discovery services and budget constraints in the U.S. academia market.

Merck Millipore | Key figures – Q1

€ million	Q1 – 2013	Q1 – 2012	Change
Total revenues	674.5	655.4	2.9%
Sales	668.7	652.6	2.5%
Operating result (EBIT)	72.3	82.8	–12.7%
Margin (% of sales)	*10.8%*	*12.7%*	
EBITDA	151.5	158.5	–4.4%
Margin (% of sales)	*22.7%*	*24.3%*	
EBITDA pre one-time items	161.9	166.0	–2.5%
Margin (% of sales)	*24.2%*	*25.4%*	

During the first quarter of 2013, the division's production costs increased 5.2% to € 280 million (Q1 2012: € 266 million), yielding a gross profit of € 395 million (Q1 2012: € 390 million) or 59.1% of sales (Q1 2012: 59.7%). Changes in product mix contributed to this development, as organic sales growth for hardware and services, which bear lower gross margins, was stronger than for the higher-margin consumable products.

The division increased its marketing and selling expenses by 1.4% to € 169 million (Q1 2012: € 167 million) primarily to fuel the expansion of field force in the strongly growing Emerging Markets region. Other operating expenses increased 38.7% to € 31 million (Q1 2012: € 22 million), including € 6 million in one-time costs related to the efficiency program. As a consequence, total SG&A costs were up 5.4% to € 231 million (Q1 2012: € 219 million).

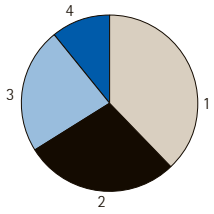
In order to appropriately capture the opportunities of a growing Life Science tools market, Merck Millipore is strengthening its investments in research and development. Consequently, R&D costs increased by 9.8% to € 41 million (Q1 2012: € 38 million). During the first quarter 2013, more than one-third of the division's organic growth was generated with new products across all business units, illustrating the importance of innovation in Life Science tools.

→ *Divisions*

As a result of higher operational spending, the division's EBIT was 12.7% softer to yield € 72 million (Q1 2012: € 83 million). EBITDA declined as well by 4.4% to € 151 million (Q1 2012: € 159 million). Adjusted for one-time charges of € 10 million, EBITDA pre was 2.5% lower, yielding € 162 million, or 24.2% of sales (Q1 2012: € 166 million, 25.4% of sales).

Merck Millipore | Sales by region – Q1 2013

€ million / % of sales



1	Europe	254.1	38%
2	North America	188.8	28%
3	Emerging Markets	153.9	23%
4	Rest of World	71.8	11%

Sales development by region

From a regional perspective, Merck Millipore's sales development saw mixed contributions. The division's largest market Europe, which generated 38% of divisional sales (Q1 2012: 39%), reported an organic sales contraction of 0.9% to € 254 million (Q1 2012: € 253 million) as a result of a challenging business environment particularly in the southern European countries, which primarily affected Lab Solutions. In North America, healthy demand for drug manufacturing products clearly offset softer conditions in Bioscience where U.S. sequestration started to weigh on public spending. Consequently, sales grew 8.0% organically to € 189 million (Q1 2012: € 174 million), representing 28% of sales of Merck Millipore (Q1 2012: 27%). In the Emerging Markets region, an organic increase of 10.9% led to sales of € 154 million (Q1 2012: € 141 million), driven primarily by strong growth in China and South Korea that increased this region's contribution to the division's sales to 23.0% (Q1 2012: 22%). Lastly, sales in the Rest of World contracted by 4.5% organically to € 72 million (Q1 2012: € 84 million) to contribute 11% to divisional sales (Q1 2012: 13%). A key driver of this decline was Japan, where typically higher spending at the end of the first quarter did not happen as budget owners were allowed to roll over their budgets to the next quarter, affecting all of Merck Millipore's business units.

Merck Millipore | Growth components by region – Q1 2013

€ million / Change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Reported sales growth
Europe	254.1	–0.9%	–	1.3%	0.3%
North America	188.8	8.0%	0.4%	–	8.4%
Emerging Markets	153.9	10.9%	–1.9%	–	9.1%
Rest of World	71.8	–4.5%	–10.1%	–	–14.5%

→ *Divisions*

Corporate and Other

Corporate and Other comprises Group administration expenses for Group functions that cannot be directly allocated to the divisions. This includes, for instance, Finance and Accounting, Tax, Procurement, Group Communications, Investor Relations and Human Resources. Corporate costs also include expenses for central, non-allocated IT functions and corporate IT projects related to the expansion and harmonization of IT systems within the Merck Group. As a result, Corporate and Other has no sales to report. Gains or losses on currency hedging also are reported in Corporate and Other.

Corporate and Other | Key figures – Q1

€ million	Q1 – 2013	Q1 – 2012	Change
Total revenues	–	–	
Sales	–	–	
Operating result (EBIT)	–52.4	–71.8	–27.0%
Margin (% of sales)	*n.m.*	*n.m.*	
EBITDA	–48.7	–69.9	–30.3%
Margin (% of sales)	*n.m.*	*n.m.*	
EBITDA pre one-time items	–45.3	–67.4	–32.8%
Margin (% of sales)	*n.m.*	*n.m.*	

In the first quarter of 2013, administration expenses of Corporate and Other decreased by 8.1% to € 43 million (Q1 2012: € 47 million). This reflected the spending on IT services planned for, but not implemented, in the first quarter and postponed to the coming quarters. Other operating expenses dropped by 55.8% to € 9 million (Q1 2012: € 20 million) primarily owing to income from cash flow hedges, which had generated losses in the year-earlier quarter.

In total, the aforementioned effects improved EBIT by 27.0% to € -52 million (Q1 2012: € -72 million), EBITDA by 30.3% to € -49 million (Q1 2012: € -70 million), and EBITDA pre by 32.8% to € -45 million (Q1 2012: € -67 million).

Risk Report

As a global company with a variety of highly innovative business fields, the Merck Group is exposed to potential risks as well as opportunities. The risk categories enumerated in the Risk Report found on pages 84 to 90 of the Annual Report for 2012 remain valid for the Merck Group in the current reporting period. At present, the company is not aware of any risks that could jeopardize the continued existence of the Merck Group. The company has a Group-wide 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.

Report on Expected Developments

With the publication of the results of fiscal 2012 on March 7, 2013, Merck provided qualitative guidance on the expected sales and results of its divisions and the Group for 2013.

For the markets of relevance to the Merck Serono division, Merck sees global growth, which is likely to be fueled mainly by Emerging Markets, whereas developments in Europe will probably continue to be impacted by health care cost-containment measures.

The market environment of Consumer Health should see global growth in the mid single-digit range, with Europe also growing at the same rate. Asia and Latin America could see high single-digit growth rates.

The markets in which Performance Materials operates are also expected to grow. Owing to increasing television display diagonals, as well as good demand for tablet computers, the display industry should grow by volumes. However, analyses of the inventory situation in the display industry point to inventory build-ups in recent quarters; the reduction of which is a realistic expectation for the coming quarters. This will also impact Merck's Liquid Crystals business unit. A low single-digit increase is projected for the global automotive industry, which is a key market for the products supplied by Pigments & Cosmetics business unit.

With respect to the markets in which Merck Millipore operates, low single-digit growth is projected for Pharmaceuticals and Laboratory Products, whereas mid single-digit growth is forecasted for Biotechnology.

Based on these assumptions as well as the good business developments in terms of both sales and earnings in the past months, Merck expects that the guidance for 2014 issued in May 2012 will already be achieved in 2013, meaning one year ahead of time. This leads to the following detailed forecast for the financial performance of the divisions and the Merck Group:

Guidance FY 2013

Merck divisions	Sales	EBITDA pre one-time items € million
Merck Serono	moderate organic growth	~ 1,900 – 2,000
Consumer Health	~ stable	~ 70 – 75
Performance Materials	~ stable	~ 700 – 740
Merck Millipore	moderate organic growth	~ 620 – 640
Corporate and Other		~ –210
Merck Group	€ billion	
Sales	~ 10.7 – 10.9	
EBITDA pre one-time items	~ 3.1 – 3.2	
EPS pre one-time items	~ € 8.50 – 9.00	

FX assumptions for FY 2013:
1 € = 1.30 US$
1 € = 1.20 CHF
1 € = 125 JPY

Interim Consolidated Financial Statements as of March 31, 2013

Consolidated Income Statement

€ million	Q1 – 2013	Q1 – 2012
Sales	**2,660.4**	**2,563.9**
Royalty, license and commission income	100.1	81.1
Total revenues	**2,760.5**	**2,644.9**
Cost of sales	–724.0	–748.7
Gross profit	**2,036.5**	**1,896.2**
Marketing and selling expenses	–568.3	–586.6
Royalty, license and commission expenses	–136.3	–120.0
Administration expenses	–132.7	–136.4[1]
Other operating expenses and income	–184.0	–144.6
Research and development	–406.2	–381.8
Amortization of intangible assets	–209.6	–216.3
Investment result	–	–
Operating result (EBIT)	**399.4**	**310.6[1]**
Financial result	–58.7	–66.1[1]
Profit before income tax	**340.7**	**244.5[1]**
Income tax	–71.7	–69.4
Profit after tax	**269.0**	**175.1[1]**
of which attributable to Merck KGaA shareholders (net income)	266.0	172.7[1]
of which attributable to non-controlling interest	3.0	2.4
Earnings per share (in €)		
basic	1.22	0.79[1]
diluted	1.22	0.79[1]

[1] Previous year's figures have been adjusted, see explanation on page 27

Consolidated Statement of Comprehensive Income

€ million	Q1 – 2013	Q1 – 2012
Profit after tax	**269.0**	**175.1**[1]
Items of other comprehensive income that will not be reclassified to the income statement in subsequent periods:		
Remeasurement of the net defined benefit liability		
Changes in remeasurement	–87.8	–[1]
Deferred taxes	14.7	–
Changes recognized in equity	**–73.1**	**–**[1]
	–73.1	**–**
Items of other comprehensive income that may be reclassified to the income statement in subsequent periods:		
Available-for-sale financial assets		
Fair value adjustments	0.7	–
Reclassification to income statement	–	–
Deferred taxes	–0.4	–
Changes recognized in equity	**0.3**	**–**
Derivative financial instruments		
Fair value adjustments	–21.4	25.6
Reclassification to income statement	–3.1	42.0
Deferred taxes	7.5	–10.1
Changes recognized in equity	**–17.0**	**57.5**
Exchange differences on translating foreign operations		
Changes taken directly to equity	21.0	–19.4
Reclassification to income statement	–	–
Changes recognized in equity	**21.0**	**–19.4**
	4.3	**38.1**
Other comprehensive income	**–68.8**	**38.1**[1]
Comprehensive income	**200.2**	**213.2**[1]
of which attributable to Merck KGaA shareholders	195.4	210.9[1]
of which attributable to non-controlling interest	4.8	2.3

[1] Previous year's figures have been adjusted, see explanation on page 27

Consolidated Balance Sheet

€ million	March 31, 2013	December 31, 2012
Current assets		
Cash and cash equivalents	814.0	729.7
Current financial assets	2,087.3	1,797.9
Trade accounts receivable	2,254.8	2,114.6
Inventories	1,559.4	1,533.9
Other current assets	319.8	271.5
Income tax receivables	81.8	178.5
	7,117.0	**6,626.1**
Non-current assets		
Intangible assets	10,825.4	10,944.5
Property, plant and equipment	2,863.6	2,953.6
Non-current financial assets	67.5	97.1
Other non-current assets	69.2	75.4
Deferred tax assets	1,011.2	946.6
	14,836.8	**15,017.2**
Total assets	**21,953.8**	**21,643.3**
Current liabilities		
Current financial liabilities	1,103.1	1,091.4
Trade accounts payable	1,252.3	1,288.3
Other current liabilities	1,173.9	1,096.2
Income tax liabilities	448.3	401.4
Current provisions	642.9	684.3
	4,620.5	**4,561.6**
Non-current liabilities		
Non-current financial liabilities	3,365.3	3,362.1
Other non-current liabilities	16.6	9.4
Non-current provisions	947.1	891.7
Provisions for pensions and other post-employment benefits	1,308.3	1,211.7
Deferred tax liabilities	1,181.7	1,192.0
	6,818.9	**6,666.9**
Equity		
Equity capital	565.2	565.2
Reserves	8,648.7	8,552.3
Gains/losses recognized immediately in equity	1,246.4	1,243.9
Equity attributable to Merck KGaA shareholders	**10,460.3**	**10,361.4**
Non-controlling interest	54.0	53.4
	10,514.3	**10,414.8**
Total liabilities and equity	**21,953.8**	**21,643.3**

Consolidated Cash Flow Statement

€ million	Q1 – 2013	Q1 – 2012
Profit after tax	**269.0**	**175.1**[1]
Depreciation/amortization/impairment losses/write-ups	354.4	342.7
Changes in inventories	–21.0	7.0
Changes in trade accounts receivable	–134.2	–44.2
Changes in trade accounts payable	–39.5	26.1
Changes in provisions	22.7	24.4[1]
Changes in other assets and liabilities	71.9	–52.3[1]
Neutralization of gain/loss on disposals of assets	–4.4	–10.1
Other non-cash income and expenses	–3.1	3.2
Net cash flows from operating activities	**515.7**	**471.9**
Investments in intangible assets	–28.9	–29.1
Investments in property, plant and equipment	–37.5	–50.7
Acquisitions	–	–
Investments in non-current financial assets	–19.4	–5.6
Disposal of non-current assets	8.7	31.4
Purchase/sale of marketable securities	–	1.7
Changes in other financial assets	–247.2	370.2
Net cash flows from investing activities	**–324.3**	**318.0**
Dividend payments	–1.9	–0.7
Profit transfers to E. Merck KG and changes in reserves	–98.7	–69.0
Changes in liabilities to E. Merck KG	52.5	–10.0
Repayment of bonds	–	–500.0
Changes in current and non-current financial liabilities	–58.6	–58.2
Net cash flows from financing activities	**–106.7**	**–637.9**
Changes in cash and cash equivalents	**84.7**	**152.0**
Changes in cash and cash equivalents due to currency translation	–0.4	–3.0
Cash and cash equivalents as of January 1	729.7	937.8
Cash and cash equivalents as of March 31	**814.0**	**1,086.8**

[1] Previous year's figures have been adjusted, see explanation on page 27

Consolidated Statement of Changes in Equity

	Equity capital			Retained earnings		Gains/losses recognized immediately in equity					
€ million	General partner's equity Merck KGaA	Subscribed capital Merck KGaA	Capital reserves (share premium) Merck KGaA	Retained earnings / Net retained profit	Remeasurement of defined benefit plans	Available-for-sale financial assets	Derivative financial instruments	Currency translation difference	Equity attributable to Merck KGaA shareholders	Non-controlling interest	Equity
Balance as of January 1, 2012[1]	**397.2**	**168.0**	**3,813.7**	**5,237.1**	**–378.2**	**0.8**	**–94.6**	**1,304.0**	**10,448.0**	**46.3**	**10,494.3**
Profit after tax[1]	–	–	–	172.7	–	–	–	–	172.7	2.4	175.1
Other comprehensive income[1]	–	–	–	–	–	–	57.5	–19.2	38.3	–0.2	38.1
Comprehensive income[1]	**–**	**–**	**–**	**172.7**	**–**	**–**	**57.5**	**–19.2**	**210.9**	**2.3**	**213.2**
Dividend payments	–	–	–	–	–	–	–	–	–	–0.7	–0.7
Profit transfers to/from E. Merck KG including changes in 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[1]	**397.2**	**168.0**	**3,813.7**	**5,341.4**	**–378.2**	**0.8**	**–37.1**	**1,284.8**	**10,590.6**	**47.6**	**10,638.2**
Balance as of January 1, 2013	**397.2**	**168.0**	**3,813.7**	**5,383.9**	**–645.3**	**1.2**	**–29.5**	**1,272.2**	**10,361.4**	**53.4**	**10,414.8**
Profit after tax	–	–	–	266.0	–	–	–	–	266.0	3.0	269.0
Other comprehensive income	–	–	–	–	–73.1	0.3	–17.0	19.2	–70.6	1.8	–68.8
Comprehensive income	**–**	**–**	**–**	**266.0**	**–73.1**	**0.3**	**–17.0**	**19.2**	**195.4**	**4.8**	**200.2**
Dividend payments	–	–	–	–	–	–	–	–	–	–1.9	–1.9
Profit transfers to/from E. Merck KG including changes in reserves	–	–	–	–98.7	–	–	–	–	–98.7	–	–98.7
Transactions with no change of control	–	–	–	2.1	–	–	–	–	2.1	–2.1	–
Changes in scope of consolidation/Other	–	–	–	0.2	–	–	–	–	0.2	–0.2	–
Balance as of March 31, 2013	**397.2**	**168.0**	**3,813.7**	**5,553.4**	**–718.4**	**1.5**	**–46.5**	**1,291.4**	**10,460.3**	**54.0**	**10,514.3**

[1] Previous year's figures have been adjusted, see explanation on page 27

Notes to the Interim Consolidated Financial Statements as of March 31, 2013

These consolidated financial statements have been prepared with Merck KGaA, Frankfurter Strasse 250, 64293 Darmstadt, Germany, which manages the operations of the Merck Group, as parent company.

Accounting policies

The unaudited interim financial statements of the Merck Group dated March 31, 2013 comply with IAS 34. They have been prepared in accordance with the International 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, 2012 was selected. With the exception of the changes described in the following, the accounting policies have remained unchanged in comparison with the previous year.

In June 2011, the IASB approved the amended version of IAS 19 "Employee Benefits," which was adopted by the EU in June 2012. Starting with the interim financial statements as of June 30, 2012, Merck has made use of the possibility to adopt the standard earlier, and has been applying the rules contained in IAS 19 (2011) since January 1, 2012. The figures published in the first quarter of 2012 were adjusted accordingly.

In a first step, the allocation of expenses for Group functions of Merck KGaA to the operating divisions was modified in fiscal 2012. In a further step, the corresponding disclosures for the consolidated subsidiaries were adjusted in fiscal 2013. Consequently, expenses for Group functions are no longer allocated to the operating divisions, but rather disclosed fully in the column "Corporate and Other" in the Segment Reporting. In order to ensure comparability, the previous year's Segment Reporting figures have been adjusted in accordance with the allocation rules for 2013.

The notes to the consolidated financial statements of the Merck Group for 2012, particularly the accounting policies, apply accordingly.

Income tax includes the taxes on taxable profit paid in the individual countries plus those changes in deferred taxes that are recognized in income. 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 current state of knowledge and the data available on the balance sheet date.

The following rules take effect as of fiscal 2013:

- IFRS 13 "Fair Value Measurement"
- Amendment to IAS 1 "Presentation of Financial Statements"
- Amendment to IAS 12 "Income Taxes"
- Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards"
- Amendment to IFRS 7 "Financial Instruments: Disclosures"
- "Improvements to International Financial Reporting Standards" (IASB version issued in May 2012)
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

→ *Notes to the Interim Consolidated Financial Statements*

Based on the new IFRS 13, information on financial instruments in these consolidated financial statements has been expanded in comparison with previous interim financial statements. In accordance with the amendment to IAS 1, the components of the statement of comprehensive income have been grouped into items based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified. The disclosures required by IFRS 7 about the effect of netting arrangements on the financial position have been included in the interim financial statements.

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

Scope of consolidation

As of March 31, 2013, 197 (December 31, 2012: 203) companies were fully consolidated. No companies were consolidated either on a pro rata basis or at equity as of the balance sheet date. The changes that have taken place since the beginning of 2013 are attributable to six liquidations.

Discontinuation of the cilengitide development program

Since the Phase III trial of cilengitide did not meet the primary endpoint, Merck decided to discontinue its activities to develop this active ingredient. The accounting impact has been taken into consideration in these interim financial statements.

→ *Notes to the Interim Consolidated Financial Statements*

Segment Reporting

Information by division

	Merck Serono		Consumer Health	
€ million	Q1 – 2013	Q1 – 2012	Q1 – 2013	Q1 – 2012
Sales	**1,454.3**	**1,417.2**	**116.1**	**107.6**
Royalty, license and commission income	93.3	78.2	0.1	0.3
Total revenues	**1,547.6**	**1,495.3**	**116.3**	**108.0**
Gross profit	1,298.8	1,223.6	78.0	71.2
Marketing and selling expenses	–312.5	–332.4	–51.4	–52.5
Royalty, license and commission expenses	–131.7	–115.2	–0.5	–0.2
Administration expenses[1]	–51.9	–52.0	–4.1	–4.7
Other operating expenses and income[1]	–128.3	–95.0	–5.6	–2.2
Research and development	–324.1	–302.8	–4.1	–4.9
Operating result (EBIT)[1]	**195.2**	**161.5**	**11.8**	**5.7**
Depreciation and amortization	209.8	222.8	2.8	3.0
Impairment losses	28.3	9.1	–	–
Other	–	–	–0.1	–
EBITDA[1]	**433.3**	**393.3**	**14.4**	**8.7**
One-time items	29.4	9.7	–0.1	0.7
EBITDA pre one-time items (Segment result)[1]	**462.7**	**403.0**	**14.3**	**9.4**
EBITDA margin pre one-time items (% of sales)[1]	31.8	28.4	12.3	8.7
Net operating assets[2]	7,920.2	8,020.6	287.3	283.8
Segment liabilities[2]	–1,364.1	–1,349.8	–77.6	–76.5
Investments in property, plant and equipment[3]	17.1	22.2	0.6	0.3
Investments in intangible assets[3]	25.0	21.6	–	0.1
Net cash flows from operating activities[1]	349.0	508.2	6.1	10.6
Free cash flow[1]	307.5	487.0	5.5	11.4
Business free cash flow	354.1	387.3	6.7	20.1
Free cash flow margin (% of sales)[1]	21.1	34.4	4.7	10.6

[1] Previous year's figures have been adjusted, see explanation on page 27
[2] Reporting period ending on March 31, 2013. Previous year's figures as of December 31, 2012
[3] According to the cash flow statement

→ *Notes to the Interim Consolidated Financial Statements*

Segment Reporting

Information by division

	Performance Materials		Merck Millipore	
€ million	Q1 – 2013	Q1 – 2012	Q1 – 2013	Q1 – 2012
Sales	**421.3**	**386.4**	**668.7**	**652.6**
Royalty, license and commission income	0.8	–0.2	5.8	2.8
Total revenues	**422.1**	**386.2**	**674.5**	**655.4**
Gross profit	265.8	214.4	394.9	389.6
Marketing and selling expenses	–35.5	–32.9	–169.5	–167.2
Royalty, license and commission expenses	–0.4	–0.5	–3.7	–4.1
Administration expenses[1]	–7.0	–7.6	–26.8	–25.4
Other operating expenses and income[1]	–10.5	–5.2	–30.8	–22.2
Research and development	–36.4	–35.3	–41.3	–37.6
Operating result (EBIT)[1]	**172.5**	**132.4**	**72.3**	**82.8**
Depreciation and amortization	30.7	30.4	79.1	75.7
Impairment losses	0.1	–	0.1	–
Other	–	–	–	–
EBITDA[1]	**203.3**	**162.8**	**151.5**	**158.5**
One-time items	4.1	0.6	10.4	7.5
EBITDA pre one-time items (Segment result)[1]	**207.4**	**163.4**	**161.9**	**166.0**
EBITDA margin pre one-time items (% of sales)[1]	49.2	42.3	24.2	25.4
Net operating assets[2]	1.157.2	1.187.7	6.394.9	6.328.9
Segment liabilities[2]	–162.9	–147.1	–407.9	–383.1
Investments in property, plant and equipment[3]	9.2	11.7	9.3	16.3
Investments in intangible assets[3]	0.8	0.6	1.3	5.6
Net cash flows from operating activities[1]	203.7	171.9	106.9	118.5
Free cash flow[1]	193.8	159.3	81.5	101.8
Business free cash flow	199.0	183.4	81.1	113.3
Free cash flow margin (% of sales)[1]	46.0	41.2	12.2	15.6

[1] Previous year's figures have been adjusted, see explanation on page 27
[2] Reporting period ending on March 31, 2013. Previous year's figures as of December 31, 2012
[3] According to the cash flow statement

→ *Notes to the Interim Consolidated Financial Statements*

Segment Reporting

Information by division

	Corporate and Other		Merck Group	
€ million	Q1 – 2013	Q1 – 2012	Q1 – 2013	Q1 – 2012
Sales	**–**	**–**	**2,660.4**	**2,563.9**
Royalty, license and commission income	–	–	100.1	81.1
Total revenues	**–**	**–**	**2,760.5**	**2,644.9**
Gross profit	–1.0	–2.6	2,036.5	1,896.2
Marketing and selling expenses	0.6	–1.6	–568.3	–586.6
Royalty, license and commission expenses	–	–	–136.3	–120.0
Administration expenses[1]	–42.9	–46.6	–132.7	–136.4
Other operating expenses and income[1]	–8.8	–19.8	–184.0	–144.6
Research and development	–0.3	–1.1	–406.2	–381.8
Operating result (EBIT)[1]	**–52.4**	**–71.8**	**399.4**	**310.6**
Depreciation and amortization	3.6	1.9	325.9	333.7
Impairment losses	0.1	–	28.6	9.1
Other	–	–	–0.1	–
EBITDA[1]	**–48.7**	**–69.9**	**753.8**	**653.3**
One-time items	3.4	2.5	47.3	21.0
EBITDA pre one-time items (Segment result)[1]	**–45.3**	**–67.4**	**801.1**	**674.3**
EBITDA margin pre one-time items (% of sales)[1]	–	–	30.1	26.3
Net operating assets[2]	44.1	25.1	15,803.8	15,846.1
Segment liabilities[2]	–37.8	–33.7	–2,050.4	–1,990.2
Investments in property, plant and equipment[3]	1.3	0.2	37.5	50.7
Investments in intangible assets[3]	1.8	1.3	28.9	29.1
Net cash flows from operating activities[1]	–150.0	–337.3	515.7	471.9
Free cash flow[1]	–149.7	–339.8	438.6	419.8
Business free cash flow	–48.1	–69.2	592.9	634.9
Free cash flow margin (% of sales)[1]	–	–	16.5	16.4

[1] Previous year's figures have been adjusted, see explanation on page 27
[2] Reporting period ending on March 31, 2013. Previous year's figures as of December 31, 2012
[3] According to the cash flow statement

→ Notes to the Interim Consolidated Financial Statements

Segmentation was performed in accordance with the internal organization and reporting structure of the Merck Group. The fields of activity of the individual divisions are described in detail in the sections about the divisions in the interim management report.

The column "Corporate and Other" includes assets and liabilities as well as income and expenses that cannot be directly allocated to the reportable segments; it serves the reconciliation to the Group numbers. These mainly relate to Group functions. The cash flow resulting from the financial result and income taxes are also disclosed under Corporate and Other.

Apart from sales, the main indicator used to measure the success of a segment is EBITDA pre one-time items (segment result).

We determine the transfer prices of intragroup transactions in accordance with market values. There were no significant transactions between the business segments.

The reconciliation of EBITDA pre of all operating businesses to earnings before income tax of the Merck Group was as follows:

€ million	Q1 – 2013	Q1 – 2012
Total EBITDA pre one-time items of the operating businesses	**846.4**	**741.7**[1]
Corporate and Other	–45.3	–67.4[1]
EBITDA pre one-time items of the Merck Group	**801.1**	**674.3**[1]
Depreciation and amortization/impairment losses/other	–354.4	–342.8
One-time items	–47.3	–21.0
Operating result (EBIT)	**399.4**	**310.6**[1]
Financial result	–58.7	–66.1[1]
Profit before income tax	**340.7**	**244.5**[1]

[1] Previous year's figures have been adjusted, see explanation on page 27

One-time items comprised the following and were recorded in the income statement under other operating expenses and income:

€ million	Q1 – 2013	Q1 – 2012
Integration / IT costs	–5.8	–9.6
Restructuring charges	–41.8	–10.5
Gains/losses on the divestment of businesses	–1.7	–0.9
Acquisition costs	–	–
Other one-time items	2.0	–
One-time items before impairment losses	**–47.3**	**–21.0**
Impairment losses	–26.6	–8.6
One-time items (total)	**–73.9**	**–29.6**

The restructuring charges amounting to € 41.8 million (2012: € 10.5 million) were directly related to the efficiency program "Fit for 2018". Impairment losses of € 26.6 million were also attributable to the efficiency program, resulting in total expenses of € 68.4 million for "Fit for 2018", including restructuring charges.

→ Notes to the Interim Consolidated Financial Statements

The reconciliation of operating assets in the Segment Reporting was as follows:

€ million	March 31, 2013	Dec. 31, 2012
Assets	21,953.8	21,643.3
Monetary assets (cash and cash equivalents, current financial assets, loans, securities)	–2,969.1	–2,633.7
Non-operating receivables, income tax receivables, deferred taxes and net defined benefit assets	–1,130.5	–1,173.3
Operating assets (gross)	**17,854.2**	**17,836.3**
Trade accounts payable	–1,252.3	–1,288.3
Other operating liabilities	–798.1	–701.9
Segment liabilities	**–2,050.4**	**–1,990.2**
Operating assets (net)	**15,803.8**	**15,846.1**

Notes to the cash flow statement

Interest paid and interest received resulted in a total cash outflow of € 99.7 million in the first quarter of 2013 (previous-year quarter: € 121.5 million).

Free cash flow resulted as follows:

€ million	Q1 – 2013	Q1 – 2012
Net cash flows from operating activities	**515.7**	**471.9**
Investments in intangible assets	–28.9	–29.1
Investments in property, plant and equipment	–37.5	–50.7
Acquisitions	–	–
Investments in non-current financial assets	–19.4	–5.6
Disposal of non-current assets	8.7	31.4
Purchase/sale of marketable securities	–	1.7
Free cash flow	**438.6**	**419.8**

Business free cash flow comprised the following:

€ million	Q1 – 2013	Q1 – 2012
EBITDA pre one-time items	**801.1**	**674.3**
Less investments in property, plant and equipment, software as well as advance payments for intangible assets	–42.6	–56.4
Changes in inventories as reported in the balance sheet	–25.5	32.2
Changes in trade accounts receivable as reported in the balance sheet	–140.2	–15.2
Business free cash flow	**592.9**	**634.9**

→ Notes to the Interim Consolidated Financial Statements

Earnings per share

Basic earnings per share are calculated by dividing the profit after tax attributable to the shareholders of Merck KGaA by the weighted average number of theoretical shares outstanding. 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 was divided into 64,621,126 shares. Accordingly, the general partner's capital of € 397.2 million was divided into 152,767,813 theoretical shares. Overall, the total capital thus amounted to € 565.2 million or 217,388,939 theoretical shares outstanding. The weighted average number of shares was likewise 217,388,939 in the first quarter of 2013.

As of March 31, 2013, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Information on the measurement of fair value as well as netting arrangements

On the reporting date, assets classified as available-for-sale financial assets and derivative financial instruments were measured at fair value.

Derivative financial investments are used exclusively to hedge and reduce the risks of interest rate and foreign exchange positions.

The following derivative financial instruments were held at the balance sheet date:

	Nominal volume		Fair value	
€ million	March 31, 2013	Dec. 31, 2012	March 31, 2013	Dec. 31, 2012
Cash flow hedge	5,908.1	5,798.9	–143.6	–106.1
Interest	650.0	650.0	–66.5	–58.1
Currency	5,258.1	5,148.9	–77.1	–48.0
Fair value hedge	–	–	–	–
Interest	–	–	–	–
Currency	–	–	–	–
No hedge accounting	1,093.7	1,610.1	–4.0	5.4
Interest	–	–	–	–
Currency	1,093.7	1,610.1	–4.0	5.4
	7,001.8	**7,409.0**	**–147.6**	**–100.7**

The stated fair values for derivatives do not include accrued interest (clean price). The maturity structure of the hedging transactions (nominal volume) is as follows as of the balance sheet date:

€ million	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total March 31, 2013	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total Dec. 31, 2012
Foreign exchange contracts	4,174.5	1,509.0	5,683.5	3,965.8	2,089.3	6,055.1
Currency options	318.4	349.9	668.3	292.9	411.0	703.9
Interest rate swaps	–	650.0	650.0	–	650.0	650.0
Interest rate futures	–	–	–	–	–	–
	4,492.9	**2,508.9**	**7,001.8**	**4,258.7**	**3,150.3**	**7,409.0**

The forward exchange contracts that are entered into to reduce the exchange rate risk and currency options primarily serve to hedge intercompany financing in foreign currency as well as to hedge future cash flows.

→ Notes to the Interim Consolidated Financial Statements

The following table presents the reconciliation of the balance sheets items to the classes of financial instruments in accordance with IFRS 7 and provides information on fair value measurement:

		Subsequent measurement according to IAS 39					
€ million	Book value March 31, 2013	Amortized cost	At cost	Fair value	Carrying value according to IAS 17	Non-financial items	Fair value March 31, 2013
Assets							
Cash and cash equivalents	814.0	814.0	–	–	–	–	814.0
Current financial assets	2,087.3	477.2	–	1,610.1	–	–	
Held for trading (non-derivatives)	–	–	–	–	–	–	–
Non-hedging derivatives	3.5	–	–	3.5	–	–	3.5
Held to maturity	259.1	259.1	–	–	–	–	259.1
Loans and receivables	218.1	218.1	–	–	–	–	218.4
Available-for-sale	1,580.6	–	–	1,580.6	–	–	1,580.6
Hedging derivatives	26.0	–	–	26.0	–	–	26.0
Trade receivables	2,254.8	2,254.8	–	–	–	–	
Loans and receivables	2,254.8	2,254.8	–	–	–	–	2,254.8
Current and non-current other assets	389.0	83.5	–	45.1	–	260.4	
Non-hedging derivatives	0.3	–	–	0.3	–	–	0.3
Loans and receivables	83.5	83.5	–	–	–	–	83.5
Hedging derivatives	44.8	–	–	44.8	–	–	44.8
Non-financial items	260.4	–	–	–	–	260.4	
Non-current financial assets	67.5	17.8	43.1	6.6	–	–	
Non-hedging derivatives	–	–	–	–	–	–	–
Held to maturity	–	–	–	–	–	–	–
Loans and receivables	17.8	17.8	–	–	–	–	17.8
Available-for-sale	49.7	–	43.1	6.6	–	–	49.7
Hedging derivatives	–	–	–	–	–	–	–
Liablilities							
Current and non-current financial liabilities	4,468.4	4,268.4	–	190.4	9.6	–	
Non-hedging derivatives	6.0	–	–	6.0	–	–	6.0
Other liabilities	4,268.4	4,268.4	–	–	–	–	4,658.6
Hedging derivatives	184.4	–	–	184.4	–	–	184.4
Finance lease	9.6	–	–	–	9.6	–	9.6
Trade accounts payable	1,252.3	1,252.3	–	–	–	–	
Other liabilities	1,252.3	1,252.3	–	–	–	–	1,252.3
Current and non-current other liabilities	1,190.5	490.8	–	31.9	–	667.8	
Non-hedging derivatives	1.8	–	–	1.8	–	–	1.8
Other liabilities	490.8	490.8	–	–	–	–	490.8
Hedging derivatives	30.1	–	–	30.1	–	–	30.1
Non-financial items	667.8	–	–	–	–	667.8	

The fair values of derivatives stated here do not include accrued interest (clean price).

→ Notes to the Interim Consolidated Financial Statements

		Subsequent measurement according to IAS 39					
€ million	Book value Dec. 31, 2012	Amortized cost	At cost	Fair value	Carrying value according to IAS 17	Non-financial items	Fair value Dec. 31, 2012
Assets							
Cash and cash equivalents	729.7	729.7	–	–	–	–	729.7
Current financial assets	1,797.9	549.7	–	1,248.2	–	–	
Held for trading (non-derivatives)	–	–	–	–	–	–	–
Non-hedging derivatives	7.8	–	–	7.8	–	–	7.8
Held to maturity	349.7	349.7	–	–	–	–	349.7
Loans and receivables	200.0	200.0	–	–	–	–	200.3
Available-for-sale	1,230.1	–	–	1,230.1	–	–	1,230.1
Hedging derivatives	10.3	–	–	10.3	–	–	10.3
Trade receivables	2,114.6	2,114.6	–	–	–	–	
Loans and receivables	2,114.6	2,114.6	–	–	–	–	2,114.6
Current and non-current other assets	346.9	88.8	–	55.3	–	202.8	
Non-hedging derivatives	2.7	–	–	2.7	–	–	2.7
Loans and receivables	88.8	88.8	–	–	–	–	88.8
Hedging derivatives	52.6	–	–	52.6	–	–	52.6
Non-financial items	202.8	–	–	–	–	202.8	
Non-current financial assets	97.1	48.0	41.8	7.3	–	–	
Non-hedging derivatives	–	–	–	–	–	–	–
Held to maturity	30.0	30.0	–	–	–	–	30.0
Loans and receivables	18.0	18.0	–	–	–	–	18.0
Available-for-sale	48.7	–	41.8	6.9	–	–	48.7
Hedging derivatives	0.4	–	–	0.4	–	–	0.4
Liablilities							
Current and non-current financial liabilities	4,453.5	4,284.2	–	159.5	9.8	–	
Non-hedging derivatives	4.7	–	–	4.7	–	–	4.7
Other liabilities	4,284.2	4,284.2	–	–	–	–	4,715.7
Hedging derivatives	154.8	–	–	154.8	–	–	154.8
Finance lease	9.8	–	–	–	9.8	–	9.8
Trade accounts payable	1,288.3	1,288.3	–	–	–	–	
Other liabilities	1,288.3	1,288.3	–	–	–	–	1,288.3
Current and non-current other liabilities	1,105.6	522.9	–	15.0	–	567.7	
Non-hedging derivatives	0.4	–	–	0.4	–	–	0.4
Other liabilities	522.9	522.9	–	–	–	–	522.9
Hedging derivatives	14.6	–	–	14.6	–	–	14.6
Non-financial items	567.7	–	–	–	–	567.7	

The fair values of derivatives stated here do not include accrued interest (clean price).

→ *Notes to the Interim Consolidated Financial Statements*

The fair value of financial assets is based on the official market prices and market values quoted on the balance sheet date (Level 1 assets) as well as mathematical calculation models with inputs observable in the market on the balance sheet date. Level 1 assets comprise stocks and bonds and are classified as "available-for-sale". Level 2 assets are primarily interest-bearing securities classified as "available-for-sale" as well as hedging and non-hedging derivatives. The fair value of interest-bearing securities is determined by discounting future cash flows using market interest rates. The fair value measurement of forward exchange contracts and currency options uses spot and forward rates as well as foreign exchange volatilities applying recognized mathematical principles. The fair value of interest rate swaps is determined with standard market valuation models using interest rate curves available in the market.

The fair values of the financial instruments disclosed in our balance sheet were determined as follows:

€ million as of March 31, 2013	Assets	Liabilites
Fair value determined by official prices and quoted market values (Level 1)	**1,061.9**	**–**
thereof available-for-sale	1,061.9	–
Fair value determined using inputs observable in the market (Level 2)	**600.0**	**–222.3**
thereof available-for-sale	525.3	–
thereof hedging derivatives	70.9	–214.5
thereof non-hedging derivatives	3.8	–7.8
Fair value determined using inputs unobservable in the market (Level 3)	**–**	**–**

€ million as of Dec. 31, 2012	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	**818.3**	**–**
thereof available-for-sale	818.3	–
Fair value determined using inputs observable in the market (Level 2)	**492.5**	**–174.5**
thereof available-for-sale	418.7	–
thereof hedging derivatives	63.3	–169.4
thereof non-hedging derivatives	10.5	–5.1
Fair value determined using inputs unobservable in the market (Level 3)	**–**	**–**

From an economic perspective, netting is only possible at Merck with derivatives. This possibility results from the framework agreements on derivatives trading which Merck enters into with commercial banks. However, Merck does not offset financial assets and financial liabilities in its balance sheet.

→ Notes to the Interim Consolidated Financial Statements

The following table presents the potential netting volume of the derivative financial assets and liabilities disclosed:

				Potential netting volume		
€ million as of March 31, 2013	Gross amount	Netting	Net amount	owing to global netting arrangements	in connection with financial collateral	Potential net amount
Derivative financial assets	74.6	–	74.6	60.3	–	14.3
Derivative financial liabilities	–222.3	–	–222.3	–60.3	–	–162.0

				Potential netting volume		
€ million as of Dec. 31, 2012	Gross amount	Netting	Net amount	owing to global netting arrangements	in connection with financial collateral	Potential net amount
Derivative financial assets	73.8	–	73.8	61.3	–	12.5
Derivative financial liabilities	–174.5	–	–174.5	–61.3	–	–113.2

Related-party disclosures

As of March 31, 2013, there were liabilities by Merck Financial Services GmbH, Merck KGaA and Merck & Cie, Switzerland, to E. Merck KG in the amount of € 578.3 million as well as liabilities of Merck Financial Services GmbH to Merck Capital Asset Management, Malta, amounting to € 0.3 million. In addition, as of March 31, 2013, Merck KGaA was owed receivables of € 3.5 million by E. Merck Beteiligungen KG. 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 liabilities of € 243.4 million, which were subject to standard market interest rates.

From January to March 2013, Merck KGaA performed services for E. Merck KG and Emanuel-Merck-Vermögens-KG with a value of € 0.2 million and € 0.1 million, respectively.

During the reporting period, Merck KGaA sold a piece of developed land to Emanuel-Merck-Vermögens-KG. The purchase price of € 4.3 million corresponded to the market value, which an independent expert third party determined in an appraisal.

Subsequent events

Subsequent to the balance sheet date of March 31, 2013, the British Office of Fair Trading issued a statement of objections to Merck in connection with the former Generics business, which was divested in 2007. It is alleged that Merck, or its former subsidiary Generics (UK) Ltd., engaged in anticompetitive behavior in connection with the launch of the antidepressant paroxetine.

Since a comprehensive legal appraisal has not been concluded, the issue has not been reflected in this interim report.

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 13, 2013

Karl-Ludwig Kley

Kai Beckmann

Stefan Oschmann

Bernd Reckmann

Matthias Zachert

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

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Financial calendar 2013

Interim Report
Q2 – Tuesday, August 6

Interim Report
Q3 – Thursday, November 14

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