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.

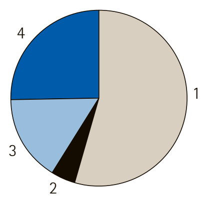
The Consumer Health division manufactures and markets over-the-counter pharmaceuticals that primarily address health themes such as mobility, women's and children's health, cough and cough as well as everyday health protection. This division's contribution to Group sales was about 4% in the first quarter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

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

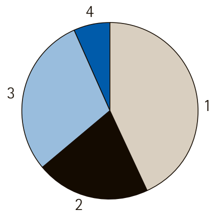
10.2% to € 433 million (Q1 2012: € 393 million). Excluding the aforementioned one-time items, EBITDA pre grew by 14.8% to € 463 million (Q1 2012: € 403 million) and the EBITDA margin pre one-time items rose to 31.8% (Q1 2012: 28.4%). The percentage increase in EBITDA pre, which was far higher than the 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

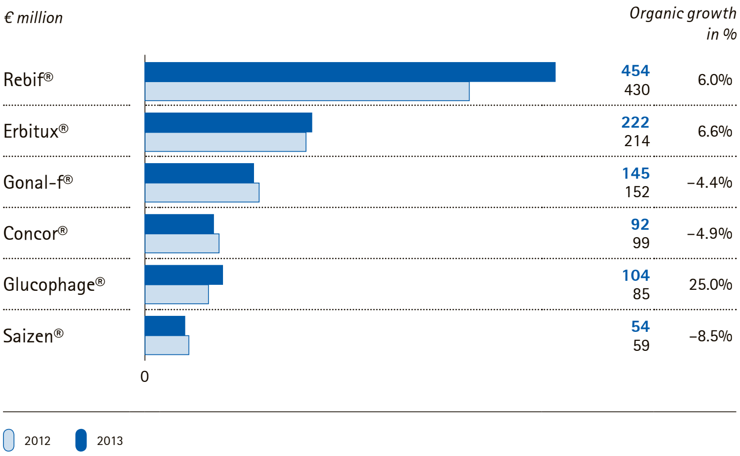
Rebiject II, patients with relapsing forms of MS now have a total of three Rebif® delivery options to meet their treatment needs. Business performance was mixed in the two other regions. While organic sales in Emerging Markets were lower, declining by 11.9% to € 36 million (Q1 2012: € 44 million), the 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%*	

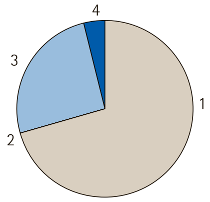
With an increase of 4.1% to € 38 million (Q1 2012: € 37 million), production costs grew slower than sales due to a favorable product mix. As a result, gross profit grew 9.5% to € 78 million (Q1 2012: € 71 million), yielding a gross margin of 67.2% (Q1 2012: 66.2%). Consumer Health continued to effectively 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.

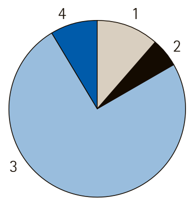
SG&A costs were up 15.5% to € 53 million (Q1 2012: € 46 million). In addition to increased marketing and selling expenses in connection with higher sales, this particularly reflects the year-on-year increase of € 4 million in one-time items from the efficiency program. R&D spending by Performance Materials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

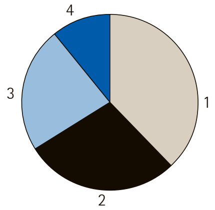
In order to appropriately capture the opportunities of a growing Life Science tools market, Merck Millipore is strengthening its investments in research and development. Consequently, R&D costs increased by 9.8% to € 41 million (Q1 2012: € 38 million). During the first quarter 2013, more than one-third 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%