

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, November 13, 2013



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Interim Consolidated Financial Statements as of September 30, 2013

Consolidated Income Statement

€ million	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Sales	2,659.5	2,721.7	8,063.8	8,028.7
Royalty, license and commission income	92.3	119.4	289.6	309.4
Total revenues	2,751.8	2,841.0	8,353.4	8,338.1
Cost of sales	-723.4	-787.6	-2,215.3	-2,344.1
Gross profit	2,028.4	2,053.4	6,138.0	5,994.0
Marketing and selling expenses	-560.1	-598.0	-1,744.7	-1,801.8
Royalty, license and commission expenses	-144.4	-161.6	-437.2	-433.4
Administration expenses	-136.7	-141.6	-407.0	-420.6
Other operating expenses and income	-128.4	-245.1	-428.2	-878.4
Research and development	-379.3	-370.8	-1,159.1	-1,156.5
Amortization of intangible assets	-197.7	-218.2	-616.6	-651.8
Investment result	-	-	1.4	0.5
Operating result (EBIT)	481.8	318.1	1,346.6	651.9
Financial result	-51.9	-58.2	-159.1	-193.9
Profit before income tax	430.0	260.0	1,187.5	458.0
Income tax	-87.4	-71.3	-259.9	-154.7
Profit after tax	342.5	188.7	927.6	303.3
of which attributable to Merck KGaA shareholders (net income)	339.6	185.5	921.6	294.9
of which non-controlling interest	3.0	3.2	6.0	8.3
Earnings per share (in €)				
basic	1.56	0.85	4.24	1.36
diluted	1.56	0.85	4.24	1.36

Consolidated Statement of Comprehensive Income

€ million	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Profit after tax	342.5	188.7	927.6	303.3
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	25.2	-97.1	-18.3	-106.9
Deferred taxes	-4.0	16.6	2.7	14.7
Changes recognized in equity	21.2	-80.5	-15.6	-92.2
	21.2	-80.5	-15.6	-92.2
Items of other comprehensive income that may be reclassified to the income statement in subsequent periods:				
Available-for-sale financial assets				
Fair value adjustments	0.8	1.1	1.6	1.2
Reclassification to income statement	-	-	-	-
Deferred taxes	-0.1	-	-0.6	-
Changes recognized in equity	0.7	1.1	1.0	1.2
Derivative financial instruments				
Fair value adjustments	37.6	7.9	81.3	-43.1
Reclassification to income statement	-8.2	10.7	-13.1	65.0
Deferred taxes	-8.8	-3.0	-16.0	-1.8
Changes recognized in equity	20.6	15.6	52.2	20.2
Exchange differences on translating foreign operations				
Changes taken directly to equity	-61.2	-8.6	-138.6	33.4
Reclassification to income statement	-	-	-7.6	-
Changes recognized in equity	-61.2	-8.6	-146.2	33.4
	-39.9	8.1	-93.0	54.8
Other comprehensive income	-18.7	-72.4	-108.6	-37.4
Comprehensive income	323.8	116.4	819.0	265.9
of which attributable to Merck KGaA shareholders	324.9	112.5	820.0	258.0
of which attributable to non-controlling interest	-1.1	3.9	-1.0	7.9

Consolidated Balance Sheet

€ million	September 30, 2013	December 31, 2012
Current assets		
Cash and cash equivalents	915.3	729.7
Current financial assets	2,391.9	1,797.9
Trade accounts receivable	2,052.8	2,114.6
Inventories	1,565.6	1,533.9
Other current assets	361.1	271.5
Income tax receivables	86.9	178.5
	7,373.6	6,626.1
Non-current assets		
Intangible assets	10,281.4	10,944.5
Property, plant and equipment	2,591.9	2,953.6
Non-current financial assets	75.2	97.1
Other non-current assets	94.8	75.4
Deferred tax assets	909.5	946.6
	13,952.8	15,017.2
Total assets	21,326.4	21,643.3
Current liabilities		
Current financial liabilities	568.4	1,091.4
Trade accounts payable	1,328.5	1,288.3
Other current liabilities	1,072.0	1,096.2
Income tax liabilities	534.7	401.4
Current provisions	576.1	684.3
	4,079.7	4,561.6
Non-current liabilities		
Non-current financial liabilities	3,274.4	3,362.1
Other non-current liabilities	6.5	9.4
Non-current provisions	1,001.5	891.7
Provisions for pensions and other post-employment benefits	1,240.2	1,211.7
Deferred tax liabilities	942.9	1,192.0
	6,465.5	6,666.9
Equity		
Equity capital	565.2	565.2
Reserves	9,010.1	8,552.3
Gains/losses recognized immediately in equity	1,157.8	1,243.9
Equity attributable to Merck KGaA shareholders	10,733.1	10,361.4
Non-controlling interest	48.1	53.4
	10,781.2	10,414.8
Total liabilities and equity	21,326.4	21,643.3

Consolidated Cash Flow Statement

€ million	Jan.-Sept. 2013	Jan.-Sept. 2012
Profit after tax	927.6	303.3
Depreciation/amortization/impairment losses/write-ups	996.8	1,037.4
Changes in inventories	-117.1	93.4
Changes in trade accounts receivable	-31.9	139.3
Changes in trade accounts payable	77.3	192.1
Changes in provisions	35.3	550.9
Changes in other assets and liabilities	-55.5	-216.8
Neutralization of gain/loss on disposals of assets	-50.0	-32.0
Other non-cash income and expenses	2.6	6.1
Net cash flows from operating activities	1,785.1	2,073.9
Investments in intangible assets	-66.3	-88.0
Investments in property, plant and equipment	-235.3	-181.1
Acquisitions	-15.1	-4.1
Investments in non-current financial assets	-8.4	-14.6
Disposal of non-current assets	272.1	63.6
Purchase/sale of marketable securities	-	10.5
Changes in other financial assets	-558.6	-370.8
Net cash flows from investing activities	-611.7	-584.4
Dividend payments	-113.1	-102.2
Profit transfers to E. Merck KG and changes in reserves	-339.4	-92.1
Changes in liabilities to E. Merck KG	231.8	-143.2
Repayment of bonds	-750.0	-500.0
Changes in current and non-current financial liabilities	4.3	-106.2
Net cash flows from financing activities	-966.4	-943.7
Changes in cash and cash equivalents	207.0	545.7
Changes in cash and cash equivalents due to currency translation	-21.4	1.3
Cash and cash equivalents as of January 1	729.7	937.8
Cash and cash equivalents as of September 30	915.3	1,484.7

Consolidated Statement of Changes in Equity

	Equity capital			Retained earnings		Gains/losses recognized immediately in equity			Equity attributable to Merck KGaA shareholders	Non-controlling interest	Equity
	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			
€ million											
Balance as of January 1, 2012	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	-	-	-	294.9	-	-	-	-	294.9	8.3	303.3
Other comprehensive income	-	-	-	-	-92.1	1.2	20.2	33.7	-37.0	-0.4	-37.4
Comprehensive income	-	-	-	294.9	-92.1	1.2	20.2	33.7	258.0	7.9	265.9
Dividend payments	-	-	-	-96.9	-	-	-	-	-96.9	-5.3	-102.2
Profit transfers to/from E. Merck KG including changes in reserves	-	-	-	-92.1	-	-	-	-	-92.1	-	-92.1
Changes in scope of consolidation/Other	-	-	-	-3.3	-	-	-	-	-3.3	3.6	0.2
Balance as of Sept. 30, 2012	397.2	168.0	3,813.7	5,339.7	-470.3	2.0	-74.4	1,337.7	10,513.7	52.5	10,566.1
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	-	-	-	921.6	-	-	-	-	921.6	6.0	927.6
Other comprehensive income	-	-	-	-	-15.6	1.0	52.2	-139.2	-101.6	-7.0	-108.6
Comprehensive income	-	-	-	921.6	-15.6	1.0	52.2	-139.2	820.0	-1.0	819.0
Dividend payments	-	-	-	-109.9	-	-	-	-	-109.9	-3.3	-113.1
Profit transfers to/from E. Merck KG including changes in reserves	-	-	-	-339.4	-	-	-	-	-339.4	-	-339.4
Transactions with no change of control	-	-	-	2.1	-	-	-	-	2.1	-2.1	-
Changes in scope of consolidation/Other	-	-	-	-1.1	-	-	-	-	-1.1	1.0	-0.1
Balance as of Sept. 30, 2013	397.2	168.0	3,813.7	5,857.2	-660.9	2.2	22.7	1,133.0	10,733.1	48.1	10,781.2

Notes to the Interim Consolidated Financial Statements as of September 30, 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 September 30, 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 change described in the following, the accounting policies have remained unchanged in comparison with the previous year.

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 levied in the individual countries plus changes in deferred taxes 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 September 30, 2013, 195 (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 nine liquidations or mergers as well as to the divestment of two companies. Three newly established companies were fully consolidated for the first time.

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 nine-month consolidated financial statements.

Sale of the Merck Serono buildings in Geneva

In May 2013, the Merck Serono division signed an agreement concerning the sale of the Merck Serono buildings in Geneva Sécheron. The title was transferred at the end of June 2013. The sale of the buildings was realized in connection with the divestment of two subsidiaries.

Trade accounts receivable

In the first nine months of 2013, trade accounts receivable were sold in Italy and Spain with a nominal value of € 200.6 million for a price of € 191.7 million. Of this amount, trade accounts receivable with a nominal value of € 66.6 million were sold in the third quarter for € 64.0 million. In this connection, previously recorded allowances were reversed and disclosed under other operating income. The sold receivables do not involve any further rights of recovery vis-à-vis Merck.

Debt Issuance Program

In September 2013, Merck set up a Debt Issuance Program that forms the contractual basis for the issue of bonds with a nominal volume of up to € 15 billion. The Debt Issuance Program of the Merck Group gives the company flexibility when issuing bonds and thus represents an important element of the Group's liquidity management activities.

Legal risks in connection with the former Generics business

In connection with the former Generics business, which was sold to Mylan in 2007, Merck continues to bear risks from certain proceedings against companies of the Generics group. In April 2013, the British Office of Fair Trading issued a statement of objections to Merck. It is alleged that Merck, or its former subsidiary Merck Generics (UK) Ltd., engaged in anticompetitive behavior in connection with the allegedly delayed market launch of a generic version of the product paroxetine. A provision has been set up in these financial statements to take this situation into account.

Moreover, in June 2013, the European Commission fined Merck, among others, for having engaged in anticompetitive behavior in connection with the allegedly delayed market launch of a generic version of the product citalopram. Merck had already set up the necessary provisions for this case in the previous year to cover the payment of the fine. Merck has filed an appeal with the European Court in Luxembourg.

→ [Notes to the Interim Consolidated Financial Statements](#)

Segment Reporting

Information by division

€ million	Merck Serono			
	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Sales	1,483.0	1,510.6	4,468.2	4,474.3
Royalty, license and commission income	85.1	112.4	271.4	292.7
Total revenues	1,568.1	1,623.0	4,739.5	4,767.0
Gross profit	1,301.0	1,335.1	3,940.4	3,890.6
Marketing and selling expenses	–300.6	–339.0	–964.7	–1,030.0
Royalty, license and commission expenses	–139.4	–156.6	–422.7	–419.9
Administration expenses ¹	–51.0	–59.4	–154.3	–166.1
Other operating expenses and income ¹	–94.4	–175.7	–275.2	–536.6
Research and development	–297.4	–287.3	–917.6	–916.0
Operating result (EBIT)¹	274.5	152.3	752.2	327.8
Depreciation and amortization	190.6	219.8	606.6	663.6
Impairment losses	14.7	10.5	48.6	42.8
Other	–	–	–0.3	–
EBITDA¹	479.8	382.6	1,407.0	1,034.1
One-time items	21.6	83.1	48.1	284.3
EBITDA pre one-time items (Segment result)¹	501.4	465.7	1,455.1	1,318.4
EBITDA margin pre one-time items (% of sales) ¹	33.8	30.8	32.6	29.5
Net operating assets ²			7,268.5	8,020.6
Segment liabilities ²			–1,340.9	–1,349.8
Investments in property, plant and equipment ³	38.1	27.0	84.9	84.1
Investments in intangible assets ³	7.5	24.7	48.0	64.0
Net cash flows from operating activities ¹	549.7	674.0	1,326.6	1,783.5
Free cash flow ¹	504.7	625.4	1,444.2	1,671.1
Business free cash flow	536.6	492.2	1,402.0	1,392.2
Free cash flow margin (% of sales) ¹	34.0	41.4	32.3	37.3

¹ Previous year's figures have been adjusted, see explanation on page 31

² Reporting period ending on September 30, 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

€ million	Consumer Health			
	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Sales	131.0	122.4	362.7	351.1
Royalty, license and commission income	0.5	0.8	1.8	1.6
Total revenues	131.4	123.2	364.5	352.7
Gross profit	87.6	82.4	245.0	237.1
Marketing and selling expenses	-54.9	-52.6	-159.3	-159.4
Royalty, license and commission expenses	-0.5	-0.2	-1.3	-0.4
Administration expenses ¹	-4.2	-5.0	-12.9	-15.0
Other operating expenses and income ¹	-2.3	-10.6	-6.5	-20.7
Research and development	-3.9	-4.5	-12.3	-13.9
Operating result (EBIT)¹	21.1	8.2	51.0	24.4
Depreciation and amortization	1.9	2.9	6.7	8.8
Impairment losses	-	-	0.2	-
Other	-	-	-	-
EBITDA¹	23.1	11.2	57.9	33.2
One-time items	1.1	8.1	-0.1	14.0
EBITDA pre one-time items (Segment result)¹	24.2	19.3	57.8	47.2
EBITDA margin pre one-time items (% of sales) ¹	18.4	15.7	15.9	13.5
Net operating assets ²			293.4	283.8
Segment liabilities ²			-67.4	-76.5
Investments in property, plant and equipment ³	0.7	0.7	1.9	1.7
Investments in intangible assets ³	0.1	0.1	0.3	0.2
Net cash flows from operating activities ¹	18.6	21.3	29.9	38.4
Free cash flow ¹	18.9	20.8	28.9	38.1
Business free cash flow	12.3	18.9	44.4	50.2
Free cash flow margin (% of sales) ¹	14.4	17.0	8.0	10.9

¹ Previous year's figures have been adjusted, see explanation on page 31

² Reporting period ending on September 30, 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

€ million	Performance Materials			
	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Sales	406.5	446.0	1,258.9	1,258.6
Royalty, license and commission income	0.2	0.6	1.6	0.9
Total revenues	406.7	446.7	1,260.5	1,259.5
Gross profit	258.1	257.5	795.4	715.3
Marketing and selling expenses	–34.8	–38.1	–107.3	–106.4
Royalty, license and commission expenses	–0.3	–1.0	–1.1	–1.8
Administration expenses ¹	–7.0	–8.6	–21.8	–24.0
Other operating expenses and income ¹	1.0	–10.7	–28.7	–2.9
Research and development	–36.8	–35.0	–106.6	–102.3
Operating result (EBIT)¹	176.6	163.7	519.3	476.6
Depreciation and amortization	25.3	26.6	81.9	83.9
Impairment losses	0.2	4.2	9.5	4.2
Other	–	–	–0.1	–
EBITDA¹	202.2	194.5	610.6	564.7
One-time items	–5.4	2.9	2.5	–11.2
EBITDA pre one-time items (Segment result)¹	196.8	197.3	613.2	553.5
EBITDA margin pre one-time items (% of sales) ¹	48.4	44.2	48.7	44.0
Net operating assets ²			1,093.2	1,187.7
Segment liabilities ²			–152.8	–147.1
Investments in property, plant and equipment ³	13.4	12.8	34.4	33.0
Investments in intangible assets ³	1.3	9.6	3.0	10.2
Net cash flows from operating activities ¹	230.7	295.8	606.1	640.4
Free cash flow ¹	222.0	274.0	574.8	612.1
Business free cash flow	219.9	245.0	620.8	594.3
Free cash flow margin (% of sales) ¹	54.6	61.4	45.7	48.6

¹ Previous year's figures have been adjusted, see explanation on page 31

² Reporting period ending on September 30, 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

€ million	Merck Millipore			
	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Sales	639.0	642.7	1,974.0	1,944.7
Royalty, license and commission income	6.5	5.5	14.8	14.2
Total revenues	645.5	648.2	1,988.8	1,958.9
Gross profit	382.9	379.2	1,160.6	1,154.0
Marketing and selling expenses	–171.2	–166.2	–514.3	–502.1
Royalty, license and commission expenses	–4.3	–3.7	–12.1	–11.2
Administration expenses ¹	–24.9	–26.0	–74.6	–78.2
Other operating expenses and income ¹	–25.6	–20.5	–76.0	–66.1
Research and development	–40.4	–42.8	–121.4	–122.2
Operating result (EBIT)¹	66.6	68.1	211.3	221.2
Depreciation and amortization	78.1	76.5	233.0	228.0
Impairment losses	–	–	0.1	–
Other	–0.1	–	–0.1	–
EBITDA¹	144.7	144.5	444.4	449.2
One-time items	12.5	7.5	30.6	21.7
EBITDA pre one-time items (Segment result)¹	157.2	152.0	475.0	470.9
EBITDA margin pre one-time items (% of sales) ¹	24.6	23.7	24.1	24.2
Net operating assets ²			6,148.9	6,328.9
Segment liabilities ²			–381.5	–383.1
Investments in property, plant and equipment ³	24.0	22.7	50.0	58.4
Investments in intangible assets ³	3.3	1.3	7.0	6.8
Net cash flows from operating activities ¹	170.3	184.2	370.1	451.7
Free cash flow ¹	143.3	162.4	299.0	387.6
Business free cash flow	139.0	146.4	376.8	368.0
Free cash flow margin (% of sales) ¹	22.4	25.3	15.1	19.9

¹ Previous year's figures have been adjusted, see explanation on page 31

² Reporting period ending on September 30, 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

€ million	Corporate and Other			
	Q3 - 2013	Q3 - 2012	Jan.-Sept. 2013	Jan.-Sept. 2012
Sales	-	-	-	-
Royalty, license and commission income	-	-	-	-
Total revenues	-	-	-	-
Gross profit	-1.1	-0.7	-3.3	-3.1
Marketing and selling expenses	1.6	-2.1	0.9	-4.0
Royalty, license and commission expenses	-	-	-	0.1
Administration expenses ¹	-49.6	-42.6	-143.2	-137.4
Other operating expenses and income ¹	-7.1	-27.6	-41.8	-252.0
Research and development	-0.8	-1.1	-1.2	-2.1
Operating result (EBIT)¹	-57.0	-74.1	-187.3	-398.0
Depreciation and amortization	3.7	2.0	10.6	5.7
Impairment losses	-	0.4	0.3	0.4
Other	-	-	-0.1	-
EBITDA¹	-53.3	-71.7	-176.5	-391.9
One-time items	4.4	-8.3	33.6	177.0
EBITDA pre one-time items (Segment result)¹	-48.9	-80.1	-142.9	-214.9
EBITDA margin pre one-time items (% of sales) ¹	-	-	-	-
Net operating assets ²			32.5	25.1
Segment liabilities ²			-66.4	-33.7
Investments in property, plant and equipment ³	2.1	1.1	64.1	3.9
Investments in intangible assets ³	3.9	2.8	8.0	6.8
Net cash flows from operating activities ¹	-142.5	-267.1	-547.6	-840.2
Free cash flow ¹	-145.1	-267.9	-614.8	-848.6
Business free cash flow	-55.0	-83.8	-214.4	-225.5
Free cash flow margin (% of sales) ¹	-	-	-	-

¹ Previous year's figures have been adjusted, see explanation on page 31

² Reporting period ending on September 30, 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

€ million	Group			
	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Sales	2,659.5	2,721.7	8,063.8	8,028.7
Royalty, license and commission income	92.3	119.4	289.6	309.4
Total revenues	2,751.8	2,841.0	8,353.4	8,338.1
Gross profit	2,028.4	2,053.4	6,138.0	5,994.0
Marketing and selling expenses	-560.1	-598.0	-1,744.7	-1,801.8
Royalty, license and commission expenses	-144.4	-161.6	-437.2	-433.4
Administration expenses	-136.7	-141.6	-407.0	-420.6
Other operating expenses and income	-128.4	-245.1	-428.2	-878.4
Research and development	-379.3	-370.8	-1,159.1	-1,156.5
Operating result (EBIT)	481.8	318.1	1,346.6	651.9
Depreciation and amortization	299.7	327.8	938.5	990.1
Impairment losses	14.9	15.1	58.6	47.4
Other	-0.1	-	-0.6	-
EBITDA	796.4	661.0	2,343.4	1,689.4
One-time items	34.2	93.2	114.8	485.7
EBITDA pre one-time items (Segment result)	830.7	754.2	2,458.1	2,175.1
EBITDA margin pre one-time items (% of sales)	31.2	27.7	30.5	27.1
Net operating assets ¹			14,836.5	15,846.1
Segment liabilities ¹			-2,009.1	-1,990.2
Investments in property, plant and equipment ²	78.1	64.3	235.3	181.1
Investments in intangible assets ²	16.2	38.6	66.3	88.0
Net cash flows from operating activities	826.8	908.2	1,785.1	2,073.9
Free cash flow	743.8	814.8	1,732.0	1,860.2
Business free cash flow	852.9	818.7	2,229.5	2,179.1
Free cash flow margin (% of sales)	28.0	29.9	21.5	23.2

¹ Reporting period ending on September 30, 2013. Previous year's figures as of December 31, 2012

² 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 flows 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, i.e. EBITDA before 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	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Total EBITDA pre one-time items of the operating businesses¹	879.6	834.3	2,601.0	2,390.0
Corporate and Other ¹	–48.9	–80.1	–142.9	–214.9
EBITDA pre one-time items of the Merck Group	830.7	754.2	2,458.1	2,175.1
Depreciation and amortization/impairment losses/other	–314.6	–342.9	–996.8	–1,037.4
One-time items	–34.2	–93.2	–114.8	–485.7
Operating result (EBIT)	481.8	318.1	1,346.6	651.9
Financial result	–51.9	–58.2	–159.1	–193.9
Profit before income tax	430.0	260.0	1,187.5	458.0

¹ Previous year's figures have been adjusted, see explanation on page 31

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

€ million	Q3 – 2013	Q3 – 2012	Jan.–Sept. 2013	Jan.–Sept. 2012
Integration / IT costs	–10.5	–6.9	–28.0	–23.4
Restructuring charges	–32.9	–42.8	–79.5	–408.6
Gains/losses on the divestment of businesses	5.1	–43.5	–13.3	–53.7
Acquisition costs	–	–	–	–
Other one-time items	4.1	–	6.1	–
One-time items before impairment losses	–34.2	–93.2	–114.8	–485.7
Impairment losses	–14.7	–11.1	–45.9	–42.2
One-time items (total)	–48.9	–104.3	–160.6	–527.9

Restructuring charges of € 79.5 million in the period from January 1 to September 30, 2013 (year-earlier period: € 408.6 million) were directly related to the "Fit for 2018" efficiency program. Of the impairment losses totaling € 45.9 million (year-earlier period: € 42.2 million), € 30.4 million (year-earlier period: € 23.0 million) were also attributable to the efficiency program. Including the restructuring charges, the total expenses for "Fit for 2018" thus amounted to € 110.0 million (year-earlier period: € 431.6 million). The losses from the divestment of businesses amounting to € –13.3 million (year-earlier period: € –53.7 million) relate mainly to subsequent expenses in connection with the divestment of the Generics business in 2007.

→ [Notes to the Interim Consolidated Financial Statements](#)

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

€ million	Sept. 30, 2013	Dec. 31, 2012
Assets	21,326.4	21,643.3
Monetary assets (cash and cash equivalents, current financial assets, loans, securities)	-3,426.2	-2,633.7
Non-operating receivables, income tax receivables, deferred taxes and net defined benefit assets	-1,054.7	-1,173.3
Operating assets (gross)	16,845.5	17,836.3
Trade accounts payable	-1,328.5	-1,288.3
Other operating liabilities	-680.6	-701.9
Segment liabilities	-2,009.1	-1,990.2
Operating assets (net)	14,836.5	15,846.1

Notes to the cash flow statement

Free cash flow is an indicator used internally by Merck to measure the contribution of the divisions to liquidity. Free cash flow includes all net cash flows from operating activities as well as investing activities performed in connection with operating business. Not included in free cash flow are pure financial investments and similar monetary deposits of more than three months, which are also to be reported as net cash flows from investing activities under IFRS.

Free cash flow resulted as follows:

€ million	Jan.-Sept. 2013	Jan.-Sept. 2012
Net cash flows from operating activities	1,785.1	2,073.9
Investments in intangible assets	-66.3	-88.0
Investments in property, plant and equipment	-235.3	-181.1
Acquisitions	-15.1	-4.1
Investments in non-current financial assets	-8.4	-14.6
Disposal of non-current assets	272.1	63.6
Purchase/sale of marketable securities	-	10.5
Free cash flow	1,732.0	1,860.2

The sale of the buildings in Geneva resulted in a cash inflow of € 250.3 million, which was recorded under "Disposal of non-current assets".

In addition to free cash flow, business free cash flow is an important indicator used to agree internal targets for steering liquidity. It comprises the major payment-relevant items that the individual businesses can influence.

Business free cash flow comprised the following:

€ million	Jan.-Sept. 2013	Jan.-Sept. 2012
EBITDA pre one-time items	2,458.1	2,175.1
Less investments in property, plant and equipment, software as well as advance payments for intangible assets	-258.7	-199.1
Changes in inventories as reported in the balance sheet	-31.7	81.5
Changes in trade accounts receivable as reported in the balance sheet	61.7	121.6
Business free cash flow	2,229.5	2,179.1

→ [Notes to the Interim Consolidated Financial Statements](#)

The bond repayments disclosed in the 2013 reporting period under "Net cash flows from financing activities" related to a bond issued by Merck Financial Services GmbH, Germany. It had a nominal volume of € 750 million and matured in September 2013.

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 nine months of 2013.

As of September 30, 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 instruments 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:

€ million	Nominal volume		Fair value	
	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2013	Dec. 31, 2012
Cash flow hedge	5,754.4	5,798.9	12.7	-106.1
Interest	650.0	650.0	-41.1	-58.1
Currency	5,104.4	5,148.9	53.8	-48.0
Fair value hedge	-	-	-	-
Interest	-	-	-	-
Currency	-	-	-	-
No hedge accounting	1,430.4	1,610.1	5.8	5.4
Interest	-	-	-	-
Currency	1,430.4	1,610.1	5.8	5.4
	7,184.8	7,409.0	18.5	-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 Sept. 30, 2013	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total Dec. 31, 2012
Foreign exchange contracts	4,542.9	1,417.4	5,960.3	3,965.8	2,089.3	6,055.1
Currency options	345.3	229.2	574.5	292.9	411.0	703.9
Interest rate swaps	-	650.0	650.0	0.0	650.0	650.0
Interest rate futures	-	-	-	-	-	-
	4,888.3	2,296.5	7,184.8	4,258.7	3,150.3	7,409.0

The forward exchange contracts and currency options entered into to reduce the exchange rate risk primarily served 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 sheet 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					
	Book value Sept. 30, 2013	Amortized cost	At cost	Fair value	Carrying value accord- ing to IAS 17	Non-financial items	Fair value Sept. 30, 2013
€ million							
Assets							
Cash and cash equivalents	915.3	915.3	–	–	–	–	915.3
Current financial assets	2,391.9	80.7	–	2,311.2	–	–	
Held for trading (non-derivatives)	–	–	–	–	–	–	–
Non-hedging derivatives	6.6	–	–	6.6	–	–	6.6
Held to maturity	51.7	51.7	–	–	–	–	51.7
Loans and receivables	29.0	29.0	–	–	–	–	29.0
Available-for-sale	2,284.1	–	–	2,284.1	–	–	2,284.1
Hedging derivatives	20.5	–	–	20.5	–	–	20.5
Trade receivables	2,052.8	2,052.8	–	–	–	–	
Loans and receivables	2,052.8	2,052.8	–	–	–	–	2,052.8
Current and non-current other assets	455.8	107.5	–	98.5	–	249.8	
Non-hedging derivatives	2.7	–	–	2.7	–	–	2.7
Loans and receivables	107.5	107.5	–	–	–	–	107.5
Hedging derivatives	95.8	–	–	95.8	–	–	95.8
Non-financial items	249.8	–	–	–	–	249.8	
Non-current financial assets	75.2	17.5	50.7	7.0	–	–	
Non-hedging derivatives	–	–	–	–	–	–	–
Held to maturity	–	–	–	–	–	–	–
Loans and receivables	17.5	17.5	–	–	–	–	17.5
Available-for-sale	55.8	–	50.7	5.1	–	–	55.8
Hedging derivatives	1.9	–	–	1.9	–	–	1.9
Liabilities							
Current and non-current financial liabilities	3,842.8	3,729.8	–	104.9	8.1	–	
Non-hedging derivatives	3.2	–	–	3.2	–	–	3.2
Other liabilities	3,729.8	3,729.8	–	–	–	–	4,053.4
Hedging derivatives	101.7	–	–	101.7	–	–	101.7
Finance lease	8.1	–	–	–	8.1	–	8.1
Trade accounts payable	1,328.5	1,328.5	–	–	–	–	
Other liabilities	1,328.5	1,328.5	–	–	–	–	1,328.5
Current and non-current other liabilities	1,078.4	514.1	–	4.1	–	560.2	
Non-hedging derivatives	0.3	–	–	0.3	–	–	0.3
Other liabilities	514.1	514.1	–	–	–	–	514.1
Hedging derivatives	3.8	–	–	3.8	–	–	3.8
Non-financial items	560.2	–	–	–	–	560.2	

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 accord- ing 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
Liabilities							
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).

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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:

<i>€ million as of September 30, 2013</i>	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	1,546.7	–
thereof available-for-sale	1,546.7	–
Fair value determined using inputs observable in the market (Level 2)	869.9	109.0
thereof available-for-sale	742.4	–
thereof hedging derivatives	118.2	105.5
thereof non-hedging derivatives	9.3	3.5
Fair value determined using inputs unobservable in the market (Level 3)	–	–

<i>€ million as of December 31, 2012</i>	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 its commercial banks. However, Merck does not offset financial assets and financial liabilities in its balance sheet.

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

€ million as of September 30, 2013	Gross amount	Netting	Net amount	Potential netting volume		Potential net amount
				owing to global netting arrangements	in connection with financial collateral	
Derivative financial assets	127.5	–	127.5	73.5	–	54.0
Derivative financial liabilities	–109.0	–	–109.0	–73.5	–	–35.5

€ million as of December 31, 2012	Gross amount	Netting	Net amount	Potential netting volume		Potential net amount
				owing to global netting arrangements	in connection with financial collateral	
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 September 30, 2013, there were liabilities by Merck Financial Services GmbH, Merck KGaA, and Merck & Cie, Switzerland, to E. Merck KG in the amount of € 765.3 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 September 30, 2013, Merck KGaA was owed receivables of € 11.4 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 € 436.4 million, which were subject to standard market interest rates.

From January to September 2013, Merck KGaA performed services for E. Merck KG, Emanuel-Merck-Vermögens-KG and for E. Merck Beteiligungen KG with a value of € 0.9 million, € 0.3 million, and € 0.3 million, respectively. During the same period, E. Merck KG performed services for Merck KGaA with a value of € 0.5 million.

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, no events of special importance occurred that could have a material impact on the financial position and results of operations of the Merck Group.