Merck Group

Highlights – 3rd Quarter 2013

- Accelerated implementation of efficiency measures
- Solid organic sales growth of ~ 5%
- Significant increase in EBITDA pre one-time items powered by structural improvements from the "Fit for 2018" transformation program and despite negative currency impacts
- Merck Serono: Strong organic sales performance of 5.2% driven by Emerging Markets and Japan
- Consumer Health: Turnaround on track underlined by strong earnings in Q3 2013
- Performance Materials: Solid development despite first signs of inventory destocking in the display industry
- Merck Millipore: Excellent business performance thanks to its balanced portfolio
- Earnings per share pre one-time items up 15.7% to € 2.29
- Significant net financial debt reduction to € 0.5 billion at the end of the quarter
- Guidance raised for FY 2013: EBITDA pre one-time items ~ € 3.2 billion – € 3.25 billion

Merck Group | Key figures

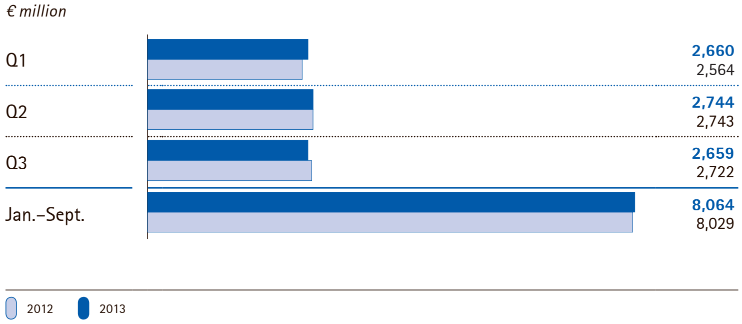
€ million	Q3 – 2013	Q3 – 2012	Change	Jan.–Sept. 2013	Jan.–Sept. 2012	Change
Total revenues	2,751.8	2,841.0	–3.1%	8,353.4	8,338.1	0.2%
Sales	2,659.5	2,721.7	–2.3%	8,063.8	8,028.7	0.4%
Operating result (EBIT)	481.8	318.1	51.4%	1,346.6	651.9	106.6%
Margin (% of sales)	*18.1%*	*11.7%*		*16.7%*	*8.1%*	
EBITDA	796.4	661.0	20.5%	2,343.4	1,689.4	38.7%
Margin (% of sales)	*29.9%*	*24.3%*		*29.1%*	*21.0%*	
EBITDA pre one-time items	830.7	754.2	10.1%	2,458.1	2,175.1	13.0%
Margin (% of sales)	*31.2%*	*27.7%*		*30.5%*	*27.1%*	
EPS pre one-time items (€)	2.29	1.98	15.7%	6.66	5.56	19.8%
Free cash flow	743.8	814.8	–8.7%	1,732.0	1,860.2	–6.9%

Merck's solid business performance in the first half continued in the third quarter of 2013 with total revenues increasing organically by 3.6%. Currency headwinds of –6.9% caused total revenues of the Merck Group to decrease by –3.1% to € 2,752 million (Q3 2012: € 2,841 million). Acquisitions increased total revenues by 0.2%. Royalty, license and commission income, which is disclosed as part of total revenues, fell by –22.7% to € 92 million (Q3 2012: € 119 million). This decline was primarily due to the expiration of a licensing agreement within the Merck Serono division.

Sales (total revenues less royalty, license and commission income) grew organically by 4.7% in the third quarter of 2013 but the increase was more than offset by foreign exchange effects of –7.1%. As was the case in the first half of 2013, the strong euro led to significant negative exchange rate effects that burdened all four divisions. Above all, the exchange rate developments of the Japanese yen, U.S. dollar as well as Latin American currencies were responsible for this. Acquisitions increased sales by 0.2%. Overall, Group sales totaled € 2,659 million (Q3 2012: € 2,722 million).

Three of the four divisions achieved sound organic sales growth in the third quarter of 2013 with the greatest absolute contributions coming from Merck Serono, which accounts for the majority of Group sales and reported organic growth of 5.2%, as well as Merck Millipore with organic sales growth of 5.9%. The Consumer Health division generated organic growth of 14.6%.

Merck Group | Sales by quarter/Jan.-Sept.



Sales development by region

Geographically, the Emerging Markets region, which comprises Latin America and Asia excluding Japan, delivered excellent organic sales growth of 11.5% to become the region accounting for the highest proportion of Group sales as of the third quarter of 2013. In particular, the Merck Serono division was responsible for the excellent organic growth in this region. Including a foreign exchange impact of –10.7%, sales amounted to € 971 million (Q3 2012: € 964 million). Consequently, the share of Group sales generated in this region, increased by two percentage points to 37%.

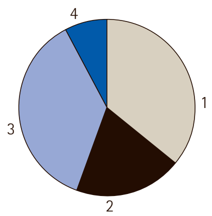
Overall, Europe saw a slight increase in sales, with negative exchange rate effects and organic growth offsetting each other. Acquisitions contributed 0.4% to sales. With sales of € 959 million (Q3 2012: € 956 million), Europe's contribution to Group sales was 36% in the third quarter of 2013 (Q3 2012: 35%).

Sales in North America amounted to € 525 million, declining by –6.6% compared to the strong year-earlier quarter. With sales slipping organically by –1.3% coupled with negative exchange rate effects of –5.2%, this region's contribution to Group sales was 20% (Q3 2012: 21%). High customer demand in the Process Solutions und Lab Solutions business units of Merck Millipore could not compensate for the decline in sales by the Merck Serono division, especially with respect to the multiple sclerosis treatment Rebif®.

The Rest of World region, i.e. Japan, Africa and Australia/Oceania, generated 8% of Group sales compared to still 9% in the year-earlier quarter. This decline was largely the outcome of a substantial foreign exchange impact of –20.8% mainly attributable to the Japanese yen. Organic growth of 5.7% was primarily generated by the Merck Serono division with the oncology drug Erbitux®.

Merck Group | Sales by region – Q3 2013

€ million / % of sales



1 Europe	959.1	36%
2 North America	525.3	20%
3 Emerging Markets	971.4	37%
4 Rest of World	203.6	8%

→ Merck Group

Merck Group | Growth components by region – Q3 2013

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	959.1	1.1%	–1.1%	0.4%	0.4%
North America	525.3	–1.3%	–5.2%	–	–6.6%
Emerging Markets	971.4	11.5%	–10.7%	–	0.8%
Rest of World	203.6	5.7%	–20.8%	–	–15.1%
Merck Group	**2,659.5**	**4.7%**	**–7.1%**	**0.2%**	**–2.3%**

Cost of sales of the Merck Group fell by –8.2% to € 723 million (Q3 2012: € 788 million). Together with the decrease in royalty, license and commission income, this led to a slight –1.2% decline in gross profit to € 2,028 million (Q3 2012: € 2,053 million). However, gross margin, i.e. gross profit in percent of sales, grew by nearly one percentage point to 76.3% (Q3 2012: 75.4%). This expansion is primarily due to efficiency improvements from the "Fit for 2018" program launched in 2012 as well as to a more favorable product mix, especially in the Liquid Crystals business unit.

In the third quarter of 2013, Group marketing and selling expenses were reduced by –6.3% to € 560 million (Q3 2012: € 598 million). Likewise, Group administration expenses declined by –3.4% to € 137 million (Q3 2012: € 142 million). Besides currency effects, this illustrates the accelerated implementation of the efficiency measures. The decline in marketing and selling expenses was mainly attributable to the Merck Serono division. Consequently, the proportion of these expenses to sales declined to 21.1% (Q3 2012: 22.0%). Royalty, license and commission expenses decreased by –10.7% to € 144 million (Q3 2012: € 162 million), which was mainly due to lower co-promotion expenses for Rebif® in the United States.

Other operating expenses of the Merck Group fell in the third quarter of 2013 to € 128 million (Q3 2012: € 245 million). Among other things, this sharp decline was due to the one-time items recorded in this line. In the third quarter of 2013, one-time items including impairments, totaled € 49 million (Q3 2012: € 104 million). This figure also included restructuring charges of € 33 million in connection with the transformation program "Fit for 2018". In the year-earlier quarter, this program led to one-time expenses of € 45 million, which comprised restructuring charges of € 43 million and impairments of € 2 million. The decline in other operating expenses was also due to lower litigation expenses as well as gains from operational currency hedges. In the third quarter of 2013, the foreign currency result showed a gain of € 8 million (Q3 2012: loss of € 21 million). This was primarily attributable to cash flow hedges.

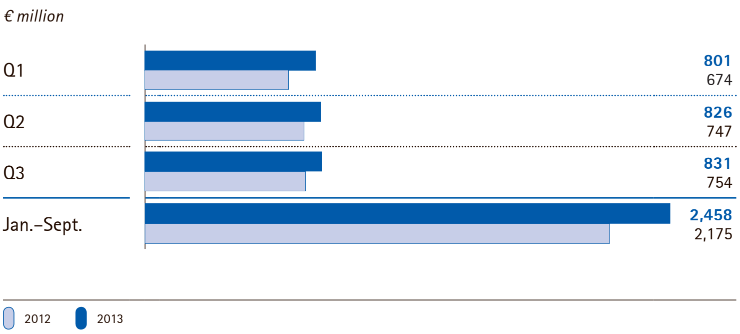
Research and development (R&D) expenses increased slightly by 2.3% compared to the third quarter of 2012, amounting to € 379 million (Q3 2012: € 371 million) or 14.3% of sales (Q3 2012: 13.6%). The Merck Serono division accounted for 78.4% (Q3 2012: 77.5%) of the Group's total research and development expenses.

Amortization of intangible assets declined in the third quarter of 2013 by –9.4% to € 198 million (Q3 2012: € 218 million) owing to the end of the amortization period for two assets acquired within the scope of the Serono purchase.

In the third quarter of 2013, the Merck Group reported a significant increase of 51.4% in the operating result (EBIT) to € 482 million (Q3 2012: € 318 million). The operating result excluding depreciation and amortization (EBITDA) also improved markedly compared to the previous year, increasing by 20.5% to € 796 million (Q3 2012: € 661 million). Adjusted for one-time expenses (excluding impairments) totaling € 34 million (Q3 2012: € 93 million), EBITDA pre one-time items, the key financial indicator used to steer operating business, grew 10.1% to € 831 million or 31.2% of sales (Q3 2012: € 754 million or 27.7% of sales). The considerable profitability improvement of 3.5 percentage points was mainly the result of solid organic growth and strict cost control.

→ Merck Group

Merck Group | EBITDA pre one-time items by quarter/Jan.-Sept.



In the third quarter of 2013, the Group financial result improved by 10.9% to € –52 million (Q3 2012: € –58 million). This mainly reflects the lower interest expense on borrowed capital following the sharp decline in net financial debt.

Income taxes amounted to € –87 million (Q3 2012: € –71 million), leading to a tax ratio of 20.3% (Q3 2012: 27.4%).

Net income, i.e. profit after tax attributable to Merck shareholders, for the third quarter of 2013 was € 340 million (Q3 2012: € 185 million), yielding earnings per share of € 1.56 (Q3 2012: € 0.85). Earnings per share before one-time items rose by 15.7% to € 2.29 (Q3 2012: € 1.98).

Free cash flow amounted to € 744 million in the third quarter of 2013 (Q3 2012: € 815 million), once again reaching an excellent level. In comparison with the very high level of free cash flow in the year-earlier quarter, the decline was only –8.7%. This decrease in free cash flow is primarily attributable to the effect of the sharp reduction in working capital, which generated very high cash inflows of € 203 million in the year-earlier quarter. A further decline in working capital in the third quarter of 2013 positively affected free cash flow by € 69 million. As of September 30, 2013, working capital amounted to € 2,290 million (December 31, 2012: € 2,360 million), corresponding to 21.3% (December 31, 2012: 22.0%) of sales over the past 12 months.

Performance in the first nine months of 2013

In the period from January to September 2013, total revenues of the Merck Group increased slightly by 0.2% to € 8,353 million (Jan.-Sept. 2012: € 8,338 million). Organic growth and acquisitions accounted for 4.0% and 0.1%, respectively. Negative foreign exchange effects decreased total revenues by –3.9%. Above all, the exchange rate development of the Japanese yen was the main reason for this, however Latin American currencies and the U.S. dollar also contributed to the negative currency impact.

Sales were up 0.4%, amounting to € 8,064 million (Jan.-Sept. 2012: € 8,029 million). This reflected organic growth of 4.3%, coupled with the effects of unfavorable exchange rate developments of –4.0% as well as acquisitions, which contributed 0.1%. All four divisions generated positive organic growth rates in the first nine months of 2013. In particular, Consumer Health and Merck Millipore achieved notable organic growth rates of 7.6% and 5.0%, respectively, owing to a good third quarter.

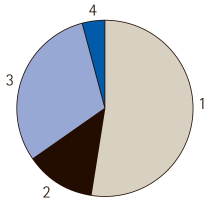
From a geographic perspective, at 9.2% organic sales growth was strongest in the Emerging Markets region. Including negative exchange rate effects, sales totaled € 2,862 million (Jan.-Sept. 2012: € 2,768 million). Consequently, the share of Group sales generated by the Emerging Markets region rose to 36%, underscoring the stronger business focus on these attractive growth markets.

→ Merck Group

In the first nine months of 2013, the Merck Group generated an operating result (EBIT) of € 1,347 million, more than doubling the operating result of the year-earlier period (Jan.-Sept. 2012: € 652 million). EBITDA was 38.7% higher than in the first nine months of 2012 and amounted to € 2,343 million (Jan.-Sept. 2012: € 1,689 million). This yielded an EBITDA margin of 29.1% (Jan.-Sept. 2012: 21.0%). On a reported basis, in the first nine months of 2013, one-time items of € 161 million (Jan.-Sept. 2012: € 528 million) were recorded including impairments of € 46 million (Jan.-Sept. 2012: € 42 million). One-time items include in particular restructuring charges in connection with the "Fit for 2018" efficiency program amounting to € 110 million (Jan.-Sept. 2012: € 432 million). Adjusted for these one-time effects, EBITDA pre one-time items in the first nine months of 2013 rose notably by 13.0% to € 2,458 million or 30.5% of sales (Jan.-Sept. 2012: € 2,175 million or 27.1% of sales). This profitability improvement is largely due to good business performance as well as cost savings achieved as a result of the accelerated implementation of efficiency measures. Earnings per share pre one-time items surged by 19.8%, coming in at € 6.66 (Jan.-Sept. 2012: € 5.56).

Free cash flow in the first nine months of 2013 totaled € 1,732 million, nearly reaching the very high year-earlier level (Jan.-Sept. 2012: € 1,860 million). The strong cash flow from operating activities was used in particular to repay financial liabilities, thereby considerably lowering net financial debt to € 536 million as of September 30, 2013 (December 31, 2012: € 1,926 million).

Merck Group | Number of employees as of September 30, 2013: 37,976



1 Europe	19,955	53%
2 North America	4,899	13%
3 Emerging Markets	11,583	31%
4 Rest of World	1,539	4%

As of September 30, 2013, Merck had 37,976 employees worldwide compared to 38,847 on December 31, 2012.

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 drugs to treat neurodegenerative diseases, cancer, infertility, cardiovascular diseases 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 third quarter of 2013, Merck Serono accounted for around 56% of Group sales.

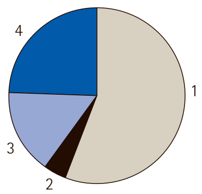
The Consumer Health division manufactures and markets over-the-counter pharmaceuticals that primarily address health themes such as mobility, women's and children's health, cough and cold as well as everyday health protection. This division's contribution to Group sales was around 5% in the third quarter of 2013.

With its Performance Materials division, Merck is the market leader in liquid crystal mixtures for liquid crystal displays (LCDs) as well as in special effect pigments for decorative applications, e.g. in automotive coatings and the cosmetics industry. The division generated around 15% of Group sales in the third quarter of 2013.

The Merck Millipore division is one of the top three suppliers of products and services within its relevant market segments for the life science industry, developing and marketing solutions to support the academic, pharmaceutical, biopharmaceutical and chemical industries to increase productivity in laboratories as well as to ensure quality, increase yields and lower costs in pharmaceutical 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 pharmaceutical production. In the third quarter of 2013, the division generated around 24% of Group sales.

Merck Group | Sales by division – Q3 2013

€ million / % of sales



1 Merck Serono	1,483.0	56%
2 Consumer Health	131.0	5%
3 Performance Materials	406.5	15%
4 Merck Millipore	639.0	24%

Merck Group | EBITDA pre one-time items by division

€ million	Q3 – 2013	Q3 – 2012	Change	Jan.–Sept. 2013	Jan.–Sept. 2012	Change
Merck Serono	501.4	465.7	7.7%	1,455.1	1,318.4	10.4%
Consumer Health	24.2	19.3	25.4%	57.8	47.2	22.4%
Performance Materials	196.8	197.3	–0.2%	613.2	553.5	10.8%
Merck Millipore	157.2	152.0	3.4%	475.0	470.9	0.9%
Corporate and Other	–48.9	–80.1	–38.9	–142.9	–214.9	–33.5%
Merck Group	**830.7**	**754.2**	**10.1%**	**2,458.1**	**2,175.1**	**13.0%**

→ Divisions

Merck Serono

In the third quarter of 2013, total revenues of the Merck Serono division increased organically by 3.4%. Including a foreign exchange impact of –6.7%, total revenues decreased by –3.4% to € 1,568 million in comparison with the year-earlier quarter (Q3 2012: € 1,623 million). Despite solid organic growth of 5.2%, negative foreign exchange effects of –7.0% caused the division's reported sales to decline slightly by –1.8% to € 1,483 million (Q3 2012: € 1,511 million).

Organic growth was driven not only by products from the General Medicine, Fertility and Endocrinology business franchises, but also by the oncology drug Erbitux®. In geographic terms, the Emerging Markets region and Japan fueled organic sales growth. Negative foreign exchange effects on sales were mainly due to Latin American currencies, the U.S. dollar and the Japanese yen. Royalty, license and commission income declined by –24.3% to € 85 million (Q3 2012: € 112 million). This was primarily the result of the termination of a licensing agreement owing to the expiration of a patent for the third-party product Avonex® in May 2013.

Merck Serono | Key figures

€ million	Q3 – 2013	Q3 – 2012	Change	Jan.–Sept. 2013	Jan.–Sept. 2012	Change
Total revenues	1,568.1	1,623.0	–3.4%	4,739.5	4,767.0	–0.6%
Sales	1,483.0	1,510.6	–1.8%	4,468.2	4,474.3	–0.1%
Operating result (EBIT)	274.5	152.3	80.2%	752.2	327.8	129.5%
Margin (% of sales)	*18.5%*	*10.1%*		*16.8%*	*7.3%*	
EBITDA	479.8	382.6	25.4%	1,407.0	1,034.1	36.1%
Margin (% of sales)	*32.4%*	*25.3%*		*31.5%*	*23.1%*	
EBITDA pre one-time items	501.4	465.7	7.7%	1,455.1	1,318.4	10.4%
Margin (% of sales)	*33.8%*	*30.8%*		*32.6%*	*29.5%*	

The division's cost of sales declined by –7.2% to € 267 million in the third quarter of 2013 (Q3 2012: € 288 million). This decrease, which exceeded the percentage decline in sales, was due to an improved product mix and strict cost control. Gross profit fell by –2.6% to € 1,301 million (Q3 2012: € 1,335 million), which was largely the result of lower royalty, license and commission income. Accordingly, gross margin (in percent of sales) declined slightly to 87.7% (Q3 2012: 88.4%).

By resolutely implementing cost reduction measures, the division was able to sharply reduce its marketing and selling expenses as well as administration expenses. Marketing and selling expenses fell by –11.3% to € 301 million (Q3 2012: € 339 million) and administration expenses dropped by –14.1% to € 51 million (Q3 2012: € 59 million). Royalty, license and commission expenses decreased by –11.0% to € 139 million (Q3 2012: € 157 million). This mainly reflects the decline in sales of Rebif® in the United States and the resulting lower level of commission payments to Pfizer, the co-marketing partner.

The significant drop in other operating expenses from € 176 million in the year-earlier quarter to € 94 million in the third quarter of 2013 was largely due to the one-time items reported in this line. Whereas in the year-earlier period, one-time items (including impairments) amounted to € 94 million and were mainly incurred in connection with "Fit for 2018", one-time items (including impairments) in the third quarter of 2013 were only € 36 million.

The division's research and development (R&D) expenses grew by 3.5% to € 297 million (Q3 2012: € 287 million). This yielded an increase in the research spending ratio (in percent of sales) to 20.1% in the third quarter of 2013 from 19.0% in the year-earlier quarter.

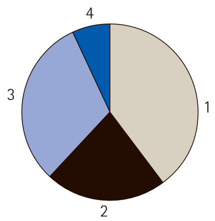
→ Divisions

With the expiration of the useful lives of two intangible assets capitalized as part of the Serono purchase price allocation, amortization of intangible assets dropped substantially by –12.8% to € 144 million (Q3 2012: € 165 million). This effect will continue to be seen in future quarters.

As a result of these developments, the division's operating result (EBIT) soared by 80.2% to € 274 million (Q3 2012: € 152 million) and EBITDA climbed by 25.4% to € 480 million (Q3 2012: € 383 million). Adjusted for one-time effects, EBITDA pre rose by 7.7% to € 501 million, equivalent to 33.8% of sales (Q3 2012: € 466 million; 30.8% of sales). This excellent margin improvement of three percentage points, which was achieved despite significant adverse currency effects and the absence of royalty income from Avonex® (around € 30 million), clearly illustrates the division's good operational management and improved cost structure. In this context, it should be noted that as of the fourth quarter of 2013, royalty, license and commission income will decline further owing to the expiration of the patent for Enbrel®.

Merck Serono | Sales by region – Q3 2013

€ million / % of sales



1 Europe	591.9	40%
2 North America	328.2	22%
3 Emerging Markets	462.4	31%
4 Rest of World	100.5	7%

Sales development by region

Achieving double-digit growth rates, both the Emerging Markets and Rest of World regions fueled the organic sales growth of the Merck Serono division.

Europe, the division's largest region in terms of sales, recorded a slight –1.2% drop in organic sales, in line with the expected continuation of the trend seen in the second quarter. In the third quarter, Germany and the United Kingdom had the greatest influence on organic sales developments: the organic growth achieved in Germany could not offset the lower level of sales in the United Kingdom. Overall, the division continued to feel the effects of the budget constraints of several European countries and the resulting health care cost containment measures. Europe still accounted for the largest proportion, or 40%, of divisional sales (Q3 2012: 40%).

Emerging Markets, the division's second-largest region by sales, posted strong organic growth of 19.2%, which was partly offset by a foreign exchange impact of –13.9%. Consequently, sales increased to € 462 million from € 439 million. Nearly all of the division's business franchises contributed to this performance, with products to treat cardiovascular diseases, diabetes and thyroid disorders driving sales growth in this region. The two percentage point increase in the share of divisional sales generated by the Emerging Markets region to 31% reflects the growing importance of this region to Merck Serono.

Sales in North America amounted to € 328 million in the third quarter of 2013, declining by –8.1% compared to the strong year-earlier quarter (Q3 2012: € 357 million). Organically, sales decreased by –2.9% and unfavorable currency effects contributed –5.2%. The drop in sales was predominantly related to sales volumes of Rebif®, the division's largest product in terms of sales. Price increases were not able to entirely offset the decline in market share resulting from increasing competitive pressure. North America's contribution to divisional sales was 22% (Q3 2012: 24%).

In the Rest of World region, sales grew organically by 11.4%, mainly powered by the good performance of Erbitux® and strong demand for products from the Fertility franchise. Including negative currency effects of –18.4%, which were primarily attributable to the Japanese yen, sales totaled € 101 million (Q3 2012: € 108 million). Once again, the Rest of World region contributed 7% to divisional sales.

→ Divisions

Merck Serono | Growth components by region – Q3 2013

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	591.9	−1.2%	−1.1%	–	−2.3%
North America	328.2	−2.9%	−5.2%	–	−8.1%
Emerging Markets	462.4	19.2%	−13.9%	–	5.3%
Rest of World	100.5	11.4%	−18.4%	–	−7.0%
Merck Serono	**1,483.0**	**5.2%**	**−7.0%**	**–**	**−1.8%**

Sales development by main products and business franchises

Global sales of Merck's top-selling individual product Rebif®, which is used for the treatment of relapsing forms of multiple sclerosis, declined organically by −3.4% in the third quarter of 2013. This was especially due to a tougher competitive environment in North America, which could not be completely compensated by price increases. Taking adverse currency effects into account, sales fell by −7.9% to € 460 million (Q3 2012: € 499 million). In North America, which generates 53% of Rebif® sales and is the product's largest market, sales declined organically by −3.3% to € 244 million (Q3 2012: € 267 million). In Europe, organic sales of Rebif® decreased by −3.7% from a comparatively high year-earlier basis and totaled € 181 million (Q3 2012: € 190 million). Including the effect of negative exchange rate movements, sales fell by a total of −5.0%. Consequently, Europe accounted for 39% of total Rebif® sales. A mixed picture resulted in the two other regions: While Emerging Markets registered a 5.6% organic increase in Rebif® sales, the Rest of World region saw an organic decline of −28.7%. Including negative foreign exchange effects, sales in the Emerging Markets region declined by −10.7% to € 29 million (Q3: 2012: € 33 million) and dropped in the Rest of World region by −37.6% to € 6 million (Q3 2012: € 9 million). Overall, at around 8% the combined contribution of these two regions to Rebif® sales remained comparatively low.

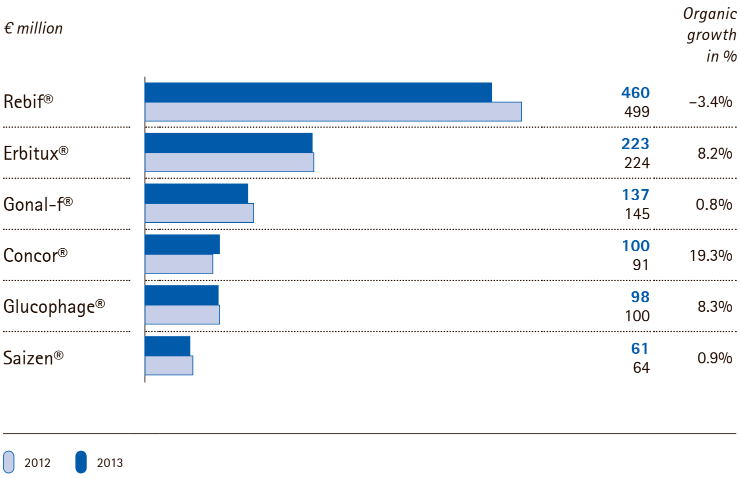
Sales of Erbitux® in the third quarter of 2013 showed excellent organic growth of 8.2%. Including the foreign exchange impact of −8.9%, which primarily stemmed from the Japanese yen and Latin American currencies, sales declined slightly by −0.8% to € 223 million (Q3 2012: € 224 million). The development of sales was uneven in the three regions in which Merck Serono markets Erbitux®. Accounting for 53% of Erbitux® sales and an organic decline of −2.8%, Europe generated sales of € 119 million (Q3 2012: € 123 million). In Emerging Markets, sales increased in the third quarter to € 63 million (Q3 2012: € 61 million), fueled by strong organic growth of 18.4% despite currency headwinds of −14.7%. This region's share of total Erbitux® sales increased in the third quarter of 2013 to 28% (Q3 2012: 27%). At 26.0%, the Rest of World region generated the strongest organic growth and delivered Erbitux® sales of € 41 million (Q3 2012: € 40 million). Posting double-digit organic growth, business in Japan performed well. However, this was canceled out by adverse exchange rate effects stemming from the weak Japanese yen. In particular, the approval of Erbitux® in head and neck cancer as well as higher market shares in the existing Erbitux® indications were the main drivers of the increase in organic sales in Japan.

Merck Serono | Sales and organic growth rates for Rebif® and Erbitux® by region – Q3 2013

		Total	Europe	North America	Emerging Markets	Rest of World	Change Total
Rebif®	*€ million*	459.9	180.9	244.2	29.1	5.8	−7.9%
	organic growth in %	*−3.4%*	*−3.7%*	*−3.3%*	*5.6%*	*−28.7%*	
	% of sales	*100%*	*39%*	*53%*	*6%*	*1%*	
Erbitux®	*€ million*	222.6	119.0	–	63.0	40.6	−0.8%
	organic growth in %	*8.2%*	*−2.8%*	–	*18.4%*	*26.0%*	
	% of sales	*100%*	*53%*	–	*28%*	*18%*	

→ Divisions

Merck Serono | Sales and organic sales growth for key products – Q3 2013



Merck Serono's sales of Gonal-f®, the leading recombinant hormone used in the treatment of infertility, totaled € 137 million in the third quarter of 2013 (Q3 2012: € 145 million). This reflected organic growth of 0.8% and a foreign exchange impact of –5.9%. Strong organic growth in the Emerging Markets and Rest of World regions slightly exceeded the weaker sales performance in Europe, where the relationship between economic developments and the demand for fertility products remained visible. However, other products to treat infertility achieved strong organic growth, thereby lifting organic sales growth of the total business franchise to 5.8%.

At € 103 million, third-quarter sales by the Endocrinology franchise, which mainly consists of products to treat metabolic and growth disorders, were at the previous year's level (Q3 2012: € 102 million). Sales of the growth hormone Saizen® saw slight organic growth of 0.9%, which was however more than offset by adverse foreign exchange effects. As a result, sales declined by a total of –5.5% to € 61 million. Merck Serono achieved double-digit organic growth rates with Serostim® for HIV-associated wasting as well as Kuvan® for the treatment of hyperphenylalaninemia, a metabolic disorder.

The General Medicine business franchise, which includes Merck Serono's products to treat cardiovascular diseases and diabetes, generated strong organic sales growth of 12.2%. Including negative foreign exchange effects, sales amounted to € 506 million (Q3 2012: € 492 million). Overall, sales volumes in this business franchise continued to develop well. This reflected the performance of the three leading product franchises, namely Glucophage® for the treatment of diabetes, the beta-blocker Concor®, and Merck's portfolio for the treatment of thyroid disorders, all of which achieved high organic growth rates. However, negative exchange rate effects were registered here as well. Sales of Glucophage® which grew organically by 8.3% primarily in the Emerging Markets region, totaled € 98 million (Q3 2012: € 100 million). Thanks mainly to strong demand in Emerging Markets and Europe, Concor® generated organic growth of 19.3% and sales of € 100 million (Q3 2012: € 91 million) while thyroid medicines delivered organic growth of 33.8% and sales of € 75 million (Q3 2012: € 59 million).

Performance in the first nine months of 2013

In the first nine months of 2013, the division's total revenues slipped by –0.6% to € 4,740 million (Jan.-Sept. 2012: € 4,767 million) and sales declined slightly to € 4,468 million (Jan.-Sept. 2012: € 4,474 million). Sales in the first nine months of 2013 reflected organic growth of 3.8% and a foreign exchange impact of –3.9%. Rebif® and Erbitux®, the division's two top-selling products, delivered positive organic growth rates, however they could not compensate for the negative foreign exchange effects. Rebif® achieved organic growth of 1.8%, delivering sales of € 1,413 million € (Jan.-Sept. 2012: € 1,421 million). The currency-adjusted increase was primarily due to excellent sales growth in North America in the first half of 2013. Sales of Erbitux®, the division's second best-selling product, declined slightly by –0.7% to € 659 million (Jan.-Sept. 2012: € 664 million), since organic growth of 5.0% was more than offset by negative foreign exchange effects. Geographically, both the Emerging Markets and Rest of World regions achieved double-digit organic growth rates. However, these were for the most part either canceled out or more than offset by negative foreign exchange effects. In Europe, the top-selling region for Erbitux®, sales in the first nine months of 2013 were flat and amounted to € 377 million or 57% of total Erbitux® sales.

The Fertility business franchise, where Gonal-f® is the top-selling product, reported sales of € 604 million (Jan.-Sept. 2012: € 608 million), reflecting organic sales growth of 2.2% and a foreign exchange impact of –2.9%. In the first nine months of 2013, sales by the Endocrinology business franchise totaled € 296 million (Jan.-Sept. 2012: € 298 million). Sales of the division's General Medicine products achieved strong organic growth of 6.1% to € 1,496 million (Jan.-Sept. 2012: € 1,482 million).

In the first nine months of 2013, the division's EBITDA pre increased on the back of good business performance and achieved savings from the "Fit for 2018" transformation program, by 10.4% to € 1,455 million (Jan.-Sept. 2012: € 1,318 million). On this basis, the EBITDA pre margin (in percent of sales) came in at 32.6% (Jan.-Sept. 2012: 29.5%), improving by around three percentage points.

Merck Serono R&D update in Q3 2013

Pipeline development

Tecemotide (also known as L-BLP25): in September, Merck announced its decision to proceed with a new Phase III study: START2. This was based on the results of the Phase III START study that were presented at the American Society of Clinical Oncology (ASCO) last June as well as consultation with the regulatory authorities. While the primary endpoint of the START study was not met, a post hoc analysis of a predefined subgroup of patients receiving initial concurrent chemoradiotherapy (CRT) in START showed a longer overall survival (30.8 months, compared to 20.6 months in patients receiving placebo; p=0,016).

START2 is a Phase III, multicenter, randomized, double-blind, placebo-controlled clinical trial designed to assess the efficacy, safety and tolerability of tecemotide in patients suffering from unresectable, locally advanced (Stage IIIA/B) non-small-cell lung cancer (NSCLC) who have had a response or stable disease after at least two cycles of platinum-based concurrent CRT. Concurrent CRT is the current standard of care for these patients. The trial's primary endpoint is overall survival. Merck received scientific advice from the European Medicines Agency (EMA) on the program, and reached an agreement with the U.S. Food and Drug Administration (FDA) on a Special Protocol Assessment (SPA) for this study.

Concerning **atacicept** (anti-BlyS/anti-APRIL fusion protein), following presentation of the APRIL-SLE study results at the European League against Rheumatism (EULAR) meeting in June, Merck has decided to proceed to a new Phase II study: ADDRESS II. This is a double-blind, placebo-controlled study to assess the efficacy and safety of atacicept at two doses in reducing disease activity, for patients with systemic lupus erythematosus.

→ *Divisions*

Sprifermin (recombinant human FGF-18) completed a Phase II study in cartilage injury repair, the results of which will be presented at a scientific meeting in 2014. In March, Merck decided to focus on the much larger osteoarthritis (OA) indication, with a new multinational Phase IIb trial known as the FORWARD study to be performed as part of a strategic alliance with Nordic Bioscience. FORWARD is now underway and is scheduled to include over 500 patients. It will 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.

Other corporate highlights

An updated version of the **easypod™** system for use in European markets was presented in September on the occasion of the 9th Joint Meeting for Paediatric Endocrinology. The easypod™ system is an electronic, fully automated recombinant human growth hormone injection device that provides accurate adherence data. The new easypod™ system provides information to help physicians address the issues of poor patient compliance and low adherence rates that are often associated with Growth Hormone (GH) therapy.

Merck and **Ablynx** announced in late September that they have further expanded their relationship through a multi-year research alliance that could lead to several co-discovery and co-development collaborations. Both partners will jointly select disease targets against which Nanobodies® will be developed up to in vivo proof-of-principle in the Merck Serono's core research and development fields, including oncology, immuno-oncology, immunology and neurology.

In early July Merck announced its strong support for the **Grant for Fertility Innovation** (GFI) fund with grants totaling up to € 4 million for the years 2013/2014. The announcement was made during the 29th annual meeting of the European Society of Human Reproduction and Embryology (ESHRE). Launched in 2009, the GFI is dedicated to transforming innovative translational fertility research projects into concrete health solutions to improve the outcomes of assisted reproductive technologies (ART). In the last four years, 26 projects from 16 countries were awarded a grant for a total of € 6 million.

→ Divisions

Consumer Health

In the third quarter of 2013, the Consumer Health division reported sales of € 131 million, an increase of 7.0% compared to a relatively weak year-earlier quarter (Q3 2012: € 122 million). Organic growth of 14.6% was countered by a negative foreign exchange impact, which lowered sales by –7.6%. All regions contributed to the strong organic growth, with higher sales volumes in both Europe, the division's largest region in terms of sales, and Emerging Markets driving the overall development. Double-digit sales growth in Germany, France and in the Emerging Markets region more than offset the weak performance of the British subsidiary Seven Seas.

In the third quarter, six out of eight strategic brands (Bion®, Nasivin®, Femibion®, Cebion®, Sangobion® and Kytta®) grew at double digit rates and gained market share in the division's key countries. As in previous quarters, negative foreign exchange effects were primarily attributable to Latin American currencies.

The implementation of the efficiency measures initiated as part of "Fit for 2018" and better resource allocation improved the division's cost structure and led to a visible increase in profitability. In particular, the division's strategic brands showed strong improvement in this respect. Structural adaptations, for instance changes to the product portfolio and the exit from unprofitable countries, resulted in a more profitable business model and, thus, to the division's turnaround.

Consumer Health | Key figures

€ million	Q3 – 2013	Q3 – 2012	Change	Jan.–Sept. 2013	Jan.–Sept. 2012	Change
Total revenues	131.4	123.2	6.7%	364.5	352.7	3.3%
Sales	131.0	122.4	7.0%	362.7	351.1	3.3%
Operating result (EBIT)	21.1	8.2	156.3%	51.0	24.4	109.0%
Margin (% of sales)	*16.1%*	*6.7%*		*14.1%*	*6.9%*	
EBITDA	23.1	11.2	106.6%	57.9	33.2	74.3%
Margin (% of sales)	*17.6%*	*9.1%*		*16.0%*	*9.5%*	
EBITDA pre one-time items	24.2	19.3	25.4%	57.8	47.2	22.4%
Margin (% of sales)	*18.4%*	*15.7%*		*15.9%*	*13.5%*	

Cost of sales rose 7.6%, totaling € 44 million in the third quarter (Q3 2012: € 41 million). Gross profit amounted to € 88 million (Q3 2012: € 82 million), representing an increase of 6.3% and leading to a gross margin of 66.9% (Q3 2012: 67.4%).

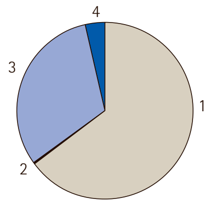
The division succeeded in sustainably improving its cost structure. For example, it lowered its logistics and sales force expenses, which are reported under marketing and selling expenses. However, due to more intensive advertising in the third quarter of 2013, marketing and selling expenses rose in total by 4.4% to € 55 million (Q3 2012: € 53 million). Administration expenses fell by –16.0%. R&D expenses declined by –13.0% to € 4 million as the division continued to streamline the focus of its R&D activities. Other operating expenses (net) declined from € 11 million to € 2 million. In the year-earlier quarter, the one-time restructuring charges from the "Fit for 2018" program included in this amount totaled € 8 million, whereas in the third quarter of 2013 they were only € 1 million.

Taking into account these effects, the operating result (EBIT) surged by around 2.5 times from € 8 million to € 21 million in the third quarter of 2013. EBITDA more than doubled to € 23 million (Q3 2012: € 11 million). Adjusted for one-time costs, EBITDA pre soared by 25.4% to € 24 million in the third quarter of 2013 (Q3 2012: € 19 million). The strong improvement in profitability is also reflected by the increase in the EBITDA pre margin by nearly three percentage points to 18.4% (Q3 2012: 15.7%).

→ Divisions

Consumer Health | Sales by region – Q3 2013

€ million / % of sales



1 Europe	89.5	68%
2 North America	0.6	<1%
3 Emerging Markets	36.9	28%
4 Rest of World	4.0	3%

Sales performance by region

From a geographic perspective, all regions delivered strong organic sales growth as well as negative foreign exchange effects. Europe, which accounts for 68% of sales (Q3 2012: 66%) and is the division's largest region, posted organic sales growth of 12.0% mitigated by a foreign exchange impact of –1.5%. Sales in this region thus increased by a total of 10.5% to € 90 million (Q3 2012: € 81 million). In particular, Germany and France achieved notable sales increases, overcompensating for the weak performance of the British subsidiary Seven Seas. In Germany, the market launch of an odorless version of Kytta®as well as strong demand for Femibion® had a visibly positive effect. France benefited especially from the market launch of Bion® Energie Continue and strong demand for seasonal products such as Apaisyl®.

In the Emerging Markets region, the division registered strong organic growth of 20.3%, which was mainly attributable to Sangobion®, Cebion®, Bion® and Nasivin®. Taking foreign exchange headwinds of –20.0% into account, sales increased slightly to € 37 million. Excellent organic growth rates were achieved especially in Brazil, India and Chile. The share of divisional sales generated by the Emerging Markets region declined to 28% (Q3 2012: 30%) due to adverse foreign exchange effects mainly from the Venezuelan bolivar.

With organic sales growth of 10.1% and significant foreign exchange headwinds of –16.9%, the Rest of World region generated sales of € 4 million (Q3 2012: € 4 million). The proportion of divisional sales accounted for by this region was thus 3% (Q3 2012: 4%).

Consumer Health | Growth components by region – Q3 2013

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	89.5	12.0%	–1.5%	–	10.5%
North America	0.6	75.3%	–1.8%	–	73.5%
Emerging Markets	36.9	20.3%	–20.0%	–	0.4%
Rest of World	4.0	10.1%	–16.9%	–	–6.8%
Consumer Health	**131.0**	**14.6%**	**–7.6%**	**–**	**7.0%**

Performance in the first nine months of 2013

In the first nine months of 2013, total revenues of the division increased by 3.3% to € 365 million (Jan.-Sept. 2012: € 353 million) and sales rose also by 3.3% to € 363 million (Jan.-Sept. 2012: € 351 million). This was attributable to organic growth of 7.6% along with a negative foreign exchange impact of –4.3%. Positive growth rates were achieved in all regions. Special mention should be made of the strong sales increases in Europe and Emerging Markets, the division's two most important regions. France and Germany were the main drivers of the sales growth in Europe. In the Emerging Markets region, the strongest organic growth rates were generated by the Latin American countries Venezuela, Chile and Brazil.

EBITDA pre one-time items of the Consumer Health division increased in the first nine months of 2013 by 22.4% to € 58 million or 15.9% of sales in comparison with € 47 million or 13.5% in the previous year.

→ Divisions

Performance Materials

Business in the Performance Materials division again developed very favorably in the third quarter of 2013. Organically, sales declined by only −1.8% compared to the strong year-earlier quarter, thus remaining at a high level. Taking into account currency headwinds of −7.1%, divisional sales decreased by −8.9% to € 406 million (Q3 2012: € 446 million). The foreign exchange impact stemmed mainly from the Japanese yen, the Taiwanese dollar and the U.S. dollar.

The Liquid Crystals business unit, which accounts for more than 70% of divisional sales, maintained its high market share. Once again, it defended its market leadership in liquid crystal materials in the third quarter of 2013 by continuously improving its flagship technologies. Sales volumes of liquid crystal materials declined slightly compared to the year-earlier quarter, which was due to the consolidation of inventory built up in the display industry's value chain in the past quarters. This development could possibly continue in the fourth quarter of 2013. The Liquid Crystals business unit benefited nevertheless, from the shift in demand toward technically more complex liquid crystals. These include materials based on polymer-stabilized vertical alignment (PS-VA) technology that are primarily used in large-sized, high-quality television displays, and materials based on in-plane switching (IPS) technology that are typically being used in mobile devices.

The Pigments & Cosmetics business unit recorded medium single-digit organic growth in the third quarter of 2013. This was mainly driven by higher demand for decorative pigments, particularly Xirallic® pigments, which are primarily used in automotive coatings. Thanks to the wide range of cosmetic and technical application possibilities, sales of functional materials also increased in comparison with the year-earlier quarter.

Performance Materials | Key figures

€ million	Q3 – 2013	Q3 – 2012	Change	Jan.–Sept. 2013	Jan.–Sept. 2012	Change
Total revenues	406.7	446.7	−9.0%	1,260.5	1,259.5	0.1%
Sales	406.5	446.0	−8.9%	1,258.9	1,258.6	–
Operating result (EBIT)	176.6	163.7	7.9%	519.3	476.6	9.0%
Margin (% of sales)	*43.5%*	*36.7%*		*41.3%*	*37.9%*	
EBITDA	202.2	194.5	4.0%	610.6	564.7	8.1%
Margin (% of sales)	*49.7%*	*43.6%*		*48.5%*	*44.9%*	
EBITDA pre one-time items	196.8	197.3	−0.2%	613.2	553.5	10.8%
Margin (% of sales)	*48.4%*	*44.2%*		*48.7%*	*44.0%*	

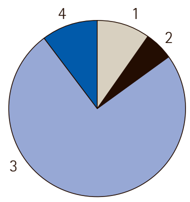
The division's cost of sales declined by around € −41 million, or −21.5%, to € 149 million (Q3 2012: € 189 million), which was approximately on par with the decrease in sales (€ −40 million). Consequently, gross profit was almost unchanged compared to the previous year, amounting to € 258 million (Q3 2012: € 257 million). This resulted in a gross margin, in percent of sales, of 63.5% (Q3 2012: 57.7%). The significant improvement in gross margin, to which both the Liquid Crystals and Pigments & Cosmetics business units contributed, was mainly due to a more favorable product mix in liquid crystal materials as well as efficiency improvements achieved in Pigments & Cosmetics within the scope of "Fit for 2018".

Marketing and selling expenses fell significantly by −8.5% to € 35 million (Q3 2012: € 38 million) and administration expenses dropped by −18.3% to € 7 million (Q3 2012: € 9 million). R&D spending rose 5.2% to € 37 million (Q3 2012: € 35 million). The Liquid Crystals business unit accounted for the vast majority of this amount. Consequently, the ratio of R&D spending to sales was 9.1% (Q3 2012: 7.8%), again reflecting the high priority of research activities for the division. Other operating income and expenses showed an income balance of € 1 million (Q3 2012: expense balance of € 11 million). The development of other operating income and expenses mainly reflects one-time items. While an expense balance of € 3 million was recorded in the previous year, the third quarter of 2013 showed an income balance of € 5 million.

Due to these effects, EBIT increased by 7.9% to € 177 million (Q3 2012: € 164 million). Therefore, the percentage increase in EBITDA of 4.0% to € 202 million (Q3 2012: € 194 million) was lower than the increase in EBIT. Adjusted for one-time effects, EBITDA pre amounted to € 197 million, which was consistent with the previous year's level. Although earnings were impacted by foreign exchange effects, the division's profitability, i.e. the EBITDA pre margin, rose to 48.4% of sales (Q3 2012: 44.2% of sales). This was mainly attributable to changes in the product mix of the Liquid Crystals business unit as well as to resolute implementation of efficiency measures, particularly in the Pigments & Cosmetics business unit. These effects led to improved cost structures throughout the division.

Performance Materials | Sales by region – Q3 2013

€ million / % of sales



1 Europe	37.1	9%
2 North America	21.5	5%
3 Emerging Markets	308.5	76%
4 Rest of World	39.4	10%

Sales development by region

From a geographic perspective, the Emerging Markets region generated 76% of Performance Materials sales in the third quarter of 2013, clearly reflecting the concentration of liquid crystals customers in Asia. Sales decreased organically by –2.3% in this region. Including a foreign exchange impact of –5.5%, sales were down –7.8% to € 309 million (Q3: 2012: € 335 million).

The Rest of World region, primarily Japan, recorded an organic sales decrease of –3.3%. Together with strong currency headwinds of –22.5%, this resulted in sales of € 39 million (Q3 2012: € 53 million). The Rest of World region's share of sales declined from 12% in the year-earlier quarter to 10% in the third quarter of 2013.

With sales of € 37 million (Q3 2012: € 36 million), Europe accounted for 9% (Q3 2012: 8%) of divisional sales. Organic growth of 4.3% in the region was mainly generated by cosmetic active ingredients and Xirallic® pigments.

North America, where almost all sales are attributable to the Pigments & Cosmetics business unit, contributed 5% to divisional sales. Taking into account the foreign exchange impact, slight organic sales growth of 0.4% led to a decline in sales of –4.8% to € 21 million (Q3 2012: € 23 million).

Performance Materials | Growth components by region – Q3 2013

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	37.1	4.3%	–0.7%	–	3.6%
North America	21.5	0.4%	–5.3%	–	–4.8%
Emerging Markets	308.5	–2.3%	–5.5%	–	–7.8%
Rest of World	39.4	–3.3%	–22.5%	–	–25.8%
Performance Materials	**406.5**	**–1.8%**	**–7.1%**	**–**	**–8.9%**

→ Divisions

Performance in the first nine months of 2013

In the first nine months of 2013, the Performance Materials division achieved organic sales growth of 4.3%, which was canceled out by negative currency effects of –4.2%. At € 1,259 million, sales remained at the previous year's level. Sales volumes of liquid crystals developed favorably during the first half of 2013 as a result of higher demand from display manufacturers. However, in the third quarter of 2013, sales declined due to the first signs of inventory destocking in the display industry. Sales by the Pigments & Cosmetics business unit increased in the first nine months of 2013. This positive performance was fueled by stronger demand for Xirallic® pigments in North America as well as by sales growth in laser marking materials.

Thanks to the division's strong performance in the first half of 2013, EBITDA pre one-time items rose significantly by 10.8% in the first nine months of 2013 to € 613 million (Jan.-Sept. 2012: € 553 million). The EBITDA pre margin also increased sharply to 48.7% (Jan.-Sept. 2012: 44.0%). Both the high-margin Liquid Crystals business and the earnings improvement in the Pigments & Cosmetics business unit contributed to this good performance.

→ Divisions

Merck Millipore

In the third quarter of 2013, the Merck Millipore division again achieved strong organic sales growth despite a market environment that remained difficult. The 5.9% increase contrasted with changes in foreign exchange rates, which impacted sales by –7.2%. Last year's acquisition of Biochrom AG, Berlin, increased sales by 0.7%. Overall sales therefore declined slightly by –0.6% to € 639 million (Q3 2012: € 643 million). Currency headwinds stemmed mainly from the Japanese yen and the U.S. dollar. The royalty income generated by products from the Process Solutions and Bioscience business units remained at the previous year's level of € 6 million.

As a result of price and volume increases, the division's two largest business units in terms of sales, Lab Solutions and Process Solutions, were able to more than offset the weaker organic sales development of the third business unit, Bioscience. Consequently, notable organic growth was achieved despite weakness in the North American market. This underlines the division's balanced product portfolio, which successfully compensated for fluctuations in demand in individual market segments in the third quarter of 2013.

The Process Solutions business unit, which markets products and services for the pharmaceutical production value chain, was an important driver of divisional sales growth in the third quarter of 2013. As a result of higher prices and sales volumes, Process Solutions reported organic sales growth of 7.4%. Including a negative foreign exchange impact, sales amounted to € 267 million (Q3 2012: € 259 million). Therefore, the business unit accounted for 42% of divisional sales (Q3 2012: 40%). The increase was driven by higher demand for products used in biopharmaceutical production, especially in Asian countries within the Emerging Markets region, as well as the very positive development of sales to the pharmaceutical industry in the third quarter of 2013.

The Lab Solutions business unit, where Merck Millipore markets a broad portfolio of products used by researchers and scientific laboratories, also achieved strong organic growth of 7.5%. Taking into account currency headwinds of –8.2%, sales amounted to € 269 million (Q3 2012: € 271 million). Besides price increases, organic growth was mainly driven by elevated demand for biomonitoring products, particularly from customers in the pharmaceutical industry.

The Bioscience business unit, which primarily markets products and services for academic and pharma research laboratories, recorded an organic sales decline of –1.3%. Including adverse foreign exchange effects of –7.1%, sales amounted to € 104 million (Q3 2012: € 113 million). Here, across-the-board health care spending cuts in the United States continued to soften demand.

Merck Millipore | Key figures

€ million	Q3 – 2013	Q3 – 2012	Change	Jan.–Sept. 2013	Jan.–Sept. 2012	Change
Total revenues	645.5	648.2	–0.4%	1,988.8	1,958.9	1.5%
Sales	639.0	642.7	–0.6%	1,974.0	1,944.7	1.5%
Operating result (EBIT)	66.6	68.1	–2.2%	211.3	221.2	–4.5%
Margin (% of sales)	*10.4%*	*10.6%*		*10.7%*	*11.4%*	
EBITDA	144.7	144.5	0.1%	444.4	449.2	–1.1%
Margin (% of sales)	*22.6%*	*22.5%*		*22.5%*	*23.1%*	
EBITDA pre one-time items	157.2	152.0	3.4%	475.0	470.9	0.9%
Margin (% of sales)	*24.6%*	*23.7%*		*24.1%*	*24.2%*	

In the third quarter of 2013, cost of sales amounted to € 263 million (Q3 2012: € 269 million), which represents a year-on-year decrease of –2.4%. This yielded gross profit of € 383 million (Q3 2012: € 379 million), or 59.9% of sales (Q3 2012: 59.0%). The increase in gross margin was attributable to price increases as well as higher capacity utilizations.

→ Divisions

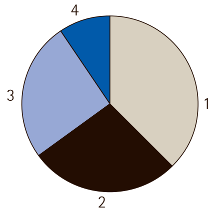
Marketing and selling expenses rose by 3.1% to € 171 million (Q3 2012: € 166 million). Administration expenses declined in the third quarter of 2013 by –4.2% to € 25 million (Q3 2012: € 26 million), reflecting the positive effects of the "Fit for 2018" efficiency program. The increase in other operating expenses from € 21 million to € 26 million was mainly due to one-time items of € 12 million (Q3 2012: € 7 million).

Merck Millipore's R&D costs decreased slightly as a result of foreign exchange effects among other things to € 40 million (Q3 2012: € 43 million). In the third quarter of 2013, the ratio of R&D costs to sales was therefore 6.3% (Q3 2012: 6.7%). The Process Solutions business unit accounts for the major part of the R&D budget.

The slight decline in the operating result (EBIT) of –2.2% to € 67 million (Q3 2012: € 68 million) was mainly attributable to higher expenses from one-time items. After taking depreciation and amortization into account, EBITDA remained unchanged compared to the year-earlier quarter at € 145 million. Adjusted for one-time charges, EBITDA pre rose by 3.4% to € 157 million, or 24.6% of sales (Q3 2012: € 152 million; 23.7% of sales). The margin improved despite unfavorable foreign exchange developments and the difficult market situation in North America, reflecting strong organic growth, a resilient product portfolio, and strict cost control.

Merck Millipore | Sales by region – Q3 2013

€ million / % of sales



1 Europe	240.7	38%
2 North America	175.0	27%
3 Emerging Markets	163.6	26%
4 Rest of World	59.7	9%

Sales development by region

In the third quarter of 2013, all regions delivered positive organic growth rates and recorded negative foreign exchange effects.

Accounting for 38% of divisional sales (Q3 2012: 36%), Europe, which is the division's largest geographic market, reported organic growth of 2.7% and sales of € 241 million (Q3 2012: € 233 million). The rise in sales was mainly driven by good demand for products from the Process Solutions and Lab Solutions business units.

North America reported slight organic growth of 1.3%. However, this was more than offset by negative foreign exchange effects of –5.3%, resulting in an overall sales decline of –4.0% to € 175 million (Q3 2012: € 182 million). Organic sales growth of products from the Process Solutions and Lab Solutions business units offset weaker demand for laboratory materials from the Bioscience business unit, which continued to be affected by government budget cuts in the United States.

With organic growth of 17.4% and a foreign exchange impact of –10.8%, the Emerging Markets region generated sales of € 164 million (Q3 2012: € 153 million). This was fueled by good development of demand for products from all the division's business units. Consequently, this region's share of divisional sales rose from 24% in the year-earlier quarter to 26% in the third quarter of 2013.

As a result of significant currency headwinds of –23.3%, especially relative to the Japanese yen, sales in the Rest of World region declined to € 60 million (Q3 2012: € 74 million). With slight organic growth of 3.6%, this region's share of divisional sales declined to 9% (Q3 2012: 12%).

→ Divisions

Merck Millipore | Growth components by region – Q3 2013

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	240.7	2.7%	–1.1%	1.8%	3.4%
North America	175.0	1.3%	–5.3%	–	–4.0%
Emerging Markets	163.6	17.4%	–10.8%	0.1%	6.7%
Rest of World	59.7	3.6%	–23.3%	–	–19.6%
Merck Millipore	**639.0**	**5.9%**	**–7.2%**	**0.7%**	**–0.6%**

First Nine Months 2013 Performance

In the first nine months of 2013, Merck Millipore's total revenues increased by 1.5% to € 1,989 million (Jan.-Sept. 2012: € 1,959 million), including € 15 million from royalty income (Jan.-Sept. 2012: € 14 million). Sales increased by 1.5% to € 1,974 million (Jan.-Sept. 2012: € 1,945 million). The good performance of both the Process Solutions and Lab Solutions business units fueled organic growth of 5.0% in the Merck Millipore division, which was largely offset by the foreign exchange impact of –4.1%. Last year's acquisition of Biochrom AG contributed 0.6% to the reported sales increase.

While EBITDA declined slightly by –1.1% to € 444 million (Jan.-Sept. 2012: € 449 million), the division's EBITDA pre increased slightly by 0.9% to € 475 million (Jan.-Sept. 2012: € 471 million). Relative to sales, the EBITDA pre margin was 24.1% in the first nine months of 2013 (Jan.-Sept. 2012: 24.2%).

→ Divisions

Corporate and Other

Corporate and Other comprises Group administration expenses for Group functions that cannot be directly allocated to the divisions. This includes Group functions such as Finance, Procurement, Legal, Communications, and Human Resources. Corporate costs also include expenses for central, non-allocated IT functions, also 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 are also reported in Corporate and Other.

Corporate and Other | Key figures

€ million	Q3 – 2013	Q3 – 2012	Change	Jan.–Sept. 2013	Jan.–Sept. 2012	Change
Total revenues	–	–	–	–	–	–
Sales	–	–	–	–	–	–
Operating result (EBIT)	–57.0	–74.1	–23.1%	–187.3	–398.0	–53.0%
Margin (% of sales)	*n.m.*	*n.m.*		*n.m.*	*n.m.*	
EBITDA	–53.3	–71.7	–25.7%	–176.5	–391.9	–55.0%
Margin (% of sales)	*n.m.*	*n.m.*		*n.m.*	*n.m.*	
EBITDA pre one-time items	–48.9	–80.1	–38.9%	–142.9	–214.9	–33.5%
Margin (% of sales)	*n.m.*	*n.m.*		*n.m.*	*n.m.*	

In the third quarter of 2013, administration expenses of Corporate and Other increased to € 50 million (Q3 2012: € 43 million). A net expense of € 7 million (Q3 2012: € 28 million) was reported under "Other operating income and expenses". This sharp decrease compared to the year-earlier quarter was mainly attributable to the foreign currency result from operating activities as well as one-time items. Expenses classified as one-time items amounted to € 4 million in the third quarter of 2013 (Q3 2012: income of € 8 million). The difference compared to the previous year is mainly related to the restructuring charges for the "Fit for 2018" efficiency program as well as gains/losses from the divestment of businesses.

Overall, the aforementioned effects improved EBIT by 23.1% to € –57 million (Q3 2012: € –74 million) and EBITDA by 25.7% to € –53 million (Q3 2012: € –72 million). Adjusted for one-time effects, EBITDA pre amounted to € –49 million in the third quarter of 2013 (Q3 2012: € –80 million).

Performance in the first nine months of 2013

In the first nine months of 2013, EBITDA pre one-time items of Corporate and Other totaled € –143 million (Jan.-Sept. 2012: € –215 million). This development was mainly driven by hedging gains.

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.

Merck continues to bear risks from certain proceedings against companies of the Generics Group that was sold to Mylan in 2007. Thus, the British Office of Fair Trading issued a "Statement of Objections" to Merck. It is alleged that Merck or its former subsidiary Generics (UK) Ltd. engaged in anticompetitive behavior in connection with the delayed launch of a generic version of the antidepressant paroxetine. Provisions have been set up for the event of an unfavorable outcome of the OFT's proceedings.

The European Commission has also fined Merck among other companies for engaging in anticompetitive behavior in connection with the allegedly delayed market launch of a generic version of the product citalopram. Merck has filed an appeal with the European Court in Luxembourg.

Report on Expected Developments

Based on business performance in the third quarter of 2013, Merck is raising its forecast for EBITDA pre one-time items for the full year 2013 despite negative currency effects. In addition to moderate organic sales growth, the main reason for this is the accelerated implementation of the "Fit for 2018" savings measures.

For the fourth quarter, Merck expects negative effects from exchange rate movements, which will be at the level of the third quarter and primarily stem from the Japanese yen, Latin American currencies and the U.S. dollar.

For the Merck Serono division, Merck expects global organic growth, which should primarily be fueled by the Emerging Markets region. Health care cost-containment measures in Europe as well as continuing competitive pressure in the multiple sclerosis business in the United States will negatively impact sales growth. Royalty income will decline owing to the expiration of the patents for the third-party products Avonex® in May 2013 and Enbrel® in the fourth quarter.

Consumer Health is expected to see slight organic growth in the fourth quarter, which will be generated by the Emerging Markets region.

Based on business performance to date, Merck continues to forecast good consumer demand for products in which liquid crystals are used. In the fourth quarter, demand for liquid crystals could possibly weaken as a result of expected inventory consolidation in the display industry's value chain. A low single-digit increase is projected for the global automotive industry, which is a key market for the products supplied by Pigments & Cosmetics.

For the Merck Millipore division, Merck continues to expect further organic sales growth of life science products owing to volume increases. Growth will be driven especially by the positive development of the Process Solutions business unit, which supplies pharmaceutical and biotechnology companies with products and services for the manufacture of medicines. It may be assumed that government budget spending cuts in the United States and Europe will lead to lower growth in the Bioscience business unit.

Based on these assumptions, Merck is expecting the following business performance for the full year 2013:

Guidance for FY 2013

Merck divisions	Sales	EBITDA pre one-time items € million
Merck Serono	Moderate organic growth	~ 1,900 – 2,000
Consumer Health	Moderate organic growth	~ 73 – 77
Performance Materials	~ Stable	~ 750 – 770
Merck Millipore	Moderate organic growth	~ 620 – 640
Corporate and Other		~ –210
Merck Group		€ billion
Sales		~ 10.7 – 10.9
EBITDA pre one-time items		~ 3.2 – 3.25
EPS pre one-time items		~ € 8.50 – 9.00

FX assumptions for FY 2013:
1 € = 1.33 US$
1 € = 1.23 CHF
1 € = 130 JPY