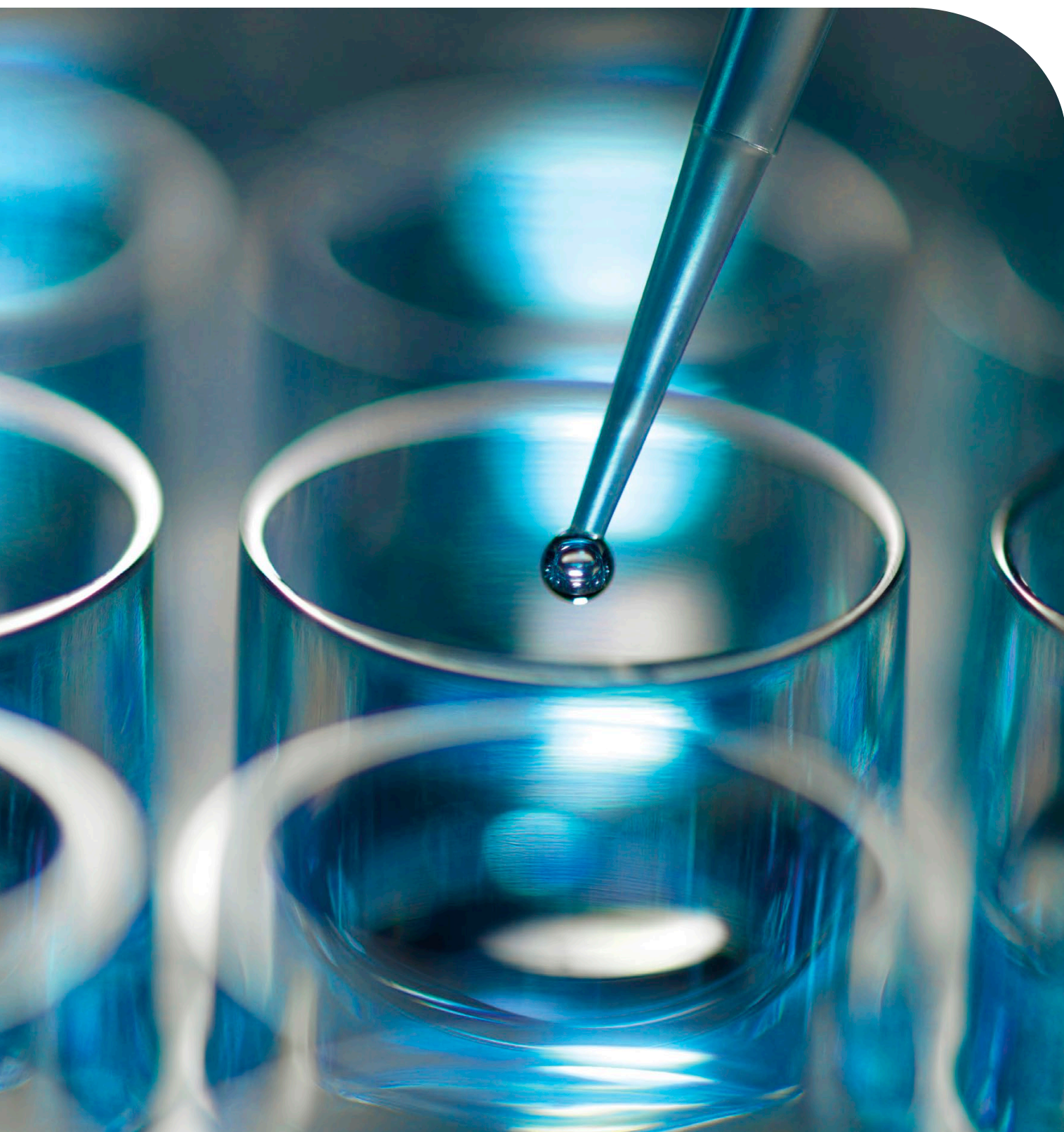


MERCK FINANCIAL REPORT

3rd Quarter 2014



Our cover photo

It's not just a drop of water – it's life science

A simple molecule with a large effect

The cover photo of our report on the third quarter depicts a drop of water.

Water is a very simple molecule, universally known as H₂O. This combination of two hydrogen atoms and one oxygen atom permits exceptional properties that make water the most important substance on earth, an essential component to the development of life. In 2010, the United Nations acknowledged clean drinking water as an integral component of the realization of all human rights.

However, our concept of clean water extends well beyond the availability of clean drinking water. Just as water constitutes the majority of our planet, it is also found in the vast majority of solutions used in most laboratory and research experiments. Ultrapure water is critical for ensuring accuracy, consistency and repeatability of lab results. Lab water from Merck is more than 99.99% pure, and is virtually ubiquitous in research and quality control laboratories around the world.

In 1969, the Millipore Corporation headquartered in Billerica near Boston, MA and acquired by Merck in 2010, was the world's first company that combined micro-filtration and other purification technologies for removing water contaminants to produce ultrapure water. Today, 45 years later, we are still the leading supplier of water filtration and purification products, services and solutions.

For customers in science and research, Merck Millipore is the partner of choice for water purification systems, water monitoring devices and ultrapure lab water. Apart from water filtration systems, Merck Millipore offers its customers a broad range of innovative performance products, services and business relationships that enable customer success in research, development and production of biotech and pharmaceutical drug therapies.

On September 22, 2014, Merck announced that it had entered into agreement to acquire Sigma-Aldrich for US\$ 17.0 billion (€ 13.1 billion). Provided that shareholders and the relevant antitrust authorities approve the transaction, this move will establish one of the leading players in the global life science industry. Two companies that fit perfectly together in a global key industry would then join forces to offer a much broader product offering to our global customers in research, pharma and biopharma manufacturing, as well as diagnostic and testing labs.

The photo on the cover of this report is therefore much more than just a drop of water. It stands for our commitment to life science.

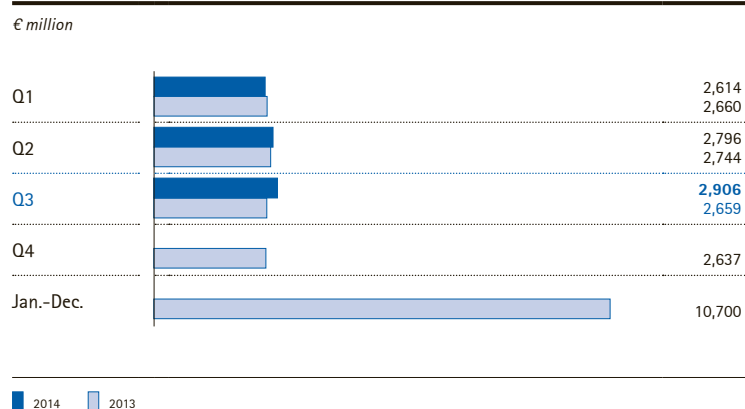
The Merck Group – In brief

Merck Group | Key figures

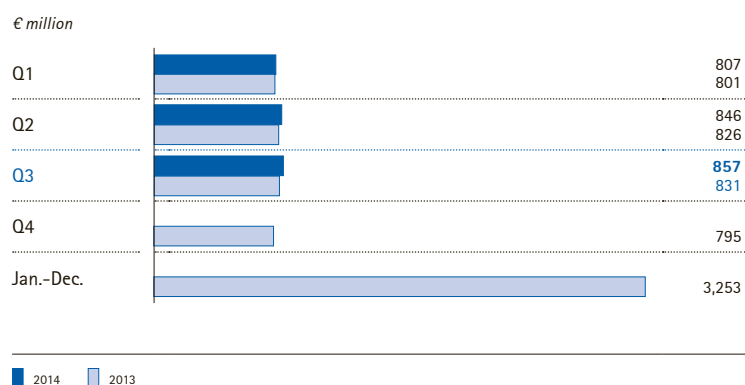
€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
Total revenues	2,936.4	2,751.8	6.7	8,464.4	8,353.4	1.3
Sales	2,905.6	2,659.5	9.3	8,315.0	8,063.8	3.1
Operating result (EBIT)	428.9	481.8	–11.0	1,338.2	1,346.6	–0.6
Margin (% of sales)	14.8	18.1		16.1	16.7	
EBITDA	781.5	796.4	–1.9	2,318.7	2,343.4	–1.1
Margin (% of sales)	26.9	29.9		27.9	29.1	
EBITDA pre one-time items	856.6	830.7	3.1	2,509.4	2,458.1	2.1
Margin (% of sales)	29.5	31.2		30.2	30.5	
Earnings per share (€) ¹	0.57	0.78	–26.9	2.02	2.12	–4.7
Earnings per share pre one-time items (€) ¹	1.15	1.15	–	3.46	3.33	3.9
Business free cash flow	614.1	852.9	–28.0	1,930.4	2,229.5	–13.4

¹ Taking into account the share split; previous year's figures have been adjusted accordingly.
See explanations under "Earnings per share" in the Notes to the Consolidated Financial Statements.

Merck Group | Sales by quarter – Q3 2014



Merck Group | EBITDA pre one-time items by quarter – Q3 2014



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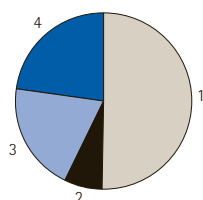
Fundamental Information about the Group

The Merck Group and its divisions

The Merck Group, which is headquartered in Darmstadt, Germany, is a global corporate group. With a history dating back nearly 350 years, it is the world's oldest pharmaceutical and chemical company. Merck holds the global rights to the Merck name and brand. The only exceptions are Canada and the United States, where Merck operates as EMD. Merck's product portfolio ranges from innovative pharmaceuticals and biopharmaceutical products, to specialty chemicals, high-tech materials and life science tools. Merck markets its wide range of products within its four divisions: Merck Serono, Consumer Health, Performance Materials and Merck Millipore.

Merck Group | Sales by division – Q3 2014

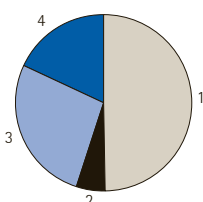
€ million / % of sales



1 Merck Serono	1,464.6	50%
2 Consumer Health	204.1	7%
3 Performance Materials	576.1	20%
4 Merck Millipore	660.8	23%

Merck Group | EBITDA pre one-time items by division – Q3 2014

€ million / in %

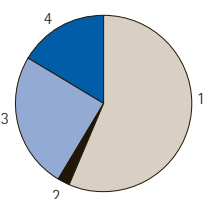


1 Merck Serono	448.7	50%
2 Consumer Health	48.6	5%
3 Performance Materials	242.9	27%
4 Merck Millipore	160.5	18%

Not presented: Decline in Group EBITDA pre one-time items by €-44.1 million due to Corporate and Other.

Merck Group | Business free cash flow by division – Q3 2014

€ million / in %



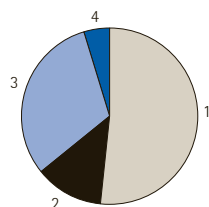
1 Merck Serono	377.3	57%
2 Consumer Health	13.2	2%
3 Performance Materials	166.9	25%
4 Merck Millipore	108.5	16%

Not presented: Decline in Group business free cash flow by € -51.9 million due to Corporate and Other.

→ [The Merck Group and its divisions](#)

Merck Group | Number of employees as of September 30, 2014: 39,355

Number / in %



1 Europe	20,358	52%
2 North America	4,902	13%
3 Emerging Markets	12,301	31%
4 Rest of World	1,794	4%

Merck had 39,355 employees worldwide on September 30, 2014, compared to 38,154 on December 31, 2013. As a result of the acquisition of AZ Electronic Materials, which closed on May 2, 2014, the number of employees increased by 1,124.

Merck Serono

Merck Serono discovers, develops, manufactures and markets innovative pharmaceutical and biological prescription drugs to treat cancer, multiple sclerosis (MS), infertility, and growth disorders, as well as certain cardiovascular and metabolic diseases. As the company's largest division, in the third quarter of 2014 Merck Serono generated 50% of Group sales and 50% of EBITDA pre one-time items (excluding Corporate and Other). The present Merck Serono division was formed in 2007 with the acquisition of the Swiss biopharmaceutical company Serono SA, which was integrated stepwise into Merck's prescription drugs business. The former Serono headquarters in Geneva, Switzerland was divested in 2013 and divisional headquarters moved to Darmstadt.

Merck Serono commercializes its products worldwide and has a strong presence in established markets. The regions of Europe and North America contributed 63% of divisional sales in the third quarter of 2014.

In recent years, Merck Serono has expanded its presence in Emerging Markets, which accounted for 30% of the division's sales in the third quarter. Rebif®, its top-selling product, is used to treat relapsing forms of MS, which is one of the most common neurological diseases among young adults.

In Oncology, Merck Serono offers Erbitux® for the targeted and personalized treatment of metastatic colorectal cancer. Erbitux® is the second best-selling drug in Merck Serono's product portfolio. This monoclonal antibody is also a standard in the treatment of squamous cell carcinoma of the head and neck.

Merck Serono also offers products that help couples to conceive a child. Merck is the only pharmaceutical company to offer the most complete and clinically proven portfolio of fertility drugs for every stage of the reproductive cycle with recombinant versions of the three hormones needed to treat infertility. As the market leader and innovator, Merck Serono supports the improvement of success in Assisted Reproductive Technology not only with drugs, but also innovative technologies, for example to assess embryo viability. The products in the Fertility franchise are an important growth driver for Merck Serono. This is due to the trend of couples postponing childbearing until later in life when natural fertility declines, increasingly also in emerging markets.

The General Medicine franchise mainly includes brands to treat cardiometabolic diseases. Although no longer patent-protected, they have remained the cornerstone to treat chronic diseases. This applies, for example, to Glucophage® containing the active ingredient metformin, the drug of choice for first-line treatment of type 2 diabetes, or Concor® containing bisoprolol, the leading betablocker for chronic cardiovascular diseases such as hypertension. Particularly in emerging markets, there is a continuous rise in demand for cardiometabolic therapies. This is due to both increasing life expectancy and in part also to growing prosperity in this region, along with the resulting changes in lifestyle and dietary habits. Beyond the life cycle management of its existing products to capitalize on Merck Serono's strong brand equity, Merck recently entered into a long-term strategic partnership with Lupin Limited from India to broaden the General Medicine portfolio in emerging markets with affordable, high-quality medicines.

Merck Serono is continuously working to improve ways to administer medicines and active ingredients. For several years, Merck Serono has been developing novel injection devices, which make injections more user-friendly and at the same time more reliable for patients than conventional or prefilled syringes.

→ [The Merck Group and its divisions](#)

In addition, these products make it easier for healthcare practitioners and patients to reach their treatment goals. Examples are the electromechanical injection devices easypod™ for delivery of Saizen® (somatropin) and RebiSmart™ for Rebif® (interferon beta-1a).

Merck Serono is advancing its research and development (R&D) portfolio across the areas of oncology, immuno-oncology and immunology, and continues to invest in MS. With world-class expertise in discovery and early development, as well as approximately 30 projects in clinical development, Merck Serono is focused on delivering differentiated new therapies to patients in need.

Merck has two further pharmaceutical business units: Allergopharma is specialized in developing high-dose hypoallergenic products for specific immunotherapy and diagnosis of type 1 allergies (such as hay fever or allergic asthma). The Biosimilars unit is developing biological medicines that are similar to an existing registered biological medicine (the 'reference medicine'). The division is moving ahead with the development of a portfolio of biosimilar compounds applicable to various disease areas including Oncology and Autoimmune Diseases. The focus is on developing active ingredients through in-house research and development as well as through partnerships.

As of January 1, 2014, two product groups were transferred from the Merck Serono division to the Consumer Health division. These are Neurobion®, a vitamin B-based analgesic, and Floratil®, a leading brand in the probiotic antidiarrheal segment in Brazil. Sales of the two products totaled € 265 million in 2013. The effects of the product group transfers on Merck Serono's figures for 2013 are presented in the following table.

Transfer of Neurobion® and Floratil® to Consumer Health

Merck Serono | Adjusted

€ million	2013 reported				2013 adjustment				2013 adjusted			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total revenues	1,547.6	1,623.8	1,568.1	1,586.2	-65.5	-63.3	-70.2	-66.3	1,482.1	1,560.5	1,497.9	1,519.9
Sales	1,454.3	1,530.8	1,483.0	1,485.4	-65.5	-63.3	-70.2	-66.2	1,388.8	1,467.6	1,412.8	1,419.2
Operating result (EBIT)	195.2	282.5	274.5	140.8	-25.0	-16.1	-34.0	-24.8	170.2	266.4	240.5	116.0
Margin (% of sales)	13.4	18.5	18.5	9.5	-	-	-	-	12.3	18.2	17.0	8.2
EBITDA	433.3	493.8	479.8	479.5	-25.0	-16.1	-34.0	-24.8	408.3	477.7	445.8	454.7
Margin (% of sales)	29.8	32.3	32.4	32.3	-	-	-	-	29.4	32.6	31.6	32.0
EBITDA pre one-time items	462.7	490.9	501.4	499.9	-25.0	-16.1	-34.0	-24.8	437.7	474.8	467.4	475.1
Margin (% of sales)	31.8	32.1	33.8	33.7	-	-	-	-	31.5	32.4	33.1	33.5
Business free cash flow	354.1	511.3	536.6	473.6	-14.1	-25.6	-24.6	-24.3	340.0	485.7	512.0	449.4

€ million	2013 reported			2013 adjustment			2013 adjusted		
	Jan.- June	Jan.- Sept.	Jan.- Dec.	Jan.- June	Jan.- Sept.	Jan.- Dec.	Jan.- June	Jan.- Sept.	Jan.- Dec.
Total revenues	3,171.4	4,739.5	6,325.8	-128.8	-199.1	-265.4	3,042.6	4,540.5	6,060.4
Sales	2,985.1	4,468.2	5,953.6	-128.8	-199.1	-265.2	2,856.3	4,269.1	5,688.4
Operating result (EBIT)	477.8	752.2	893.0	-41.1	-75.1	-99.9	436.6	677.1	793.1
Margin (% of sales)	16.0	16.8	15.0	-	-	-	15.3	15.9	13.9
EBITDA	927.1	1,407.0	1,886.5	-41.1	-75.1	-99.9	886.0	1,331.8	1,786.6
Margin (% of sales)	31.1	31.5	31.7	-	-	-	31.0	31.2	31.4
EBITDA pre one-time items	953.6	1,455.1	1,955.0	-41.1	-75.1	-99.9	912.5	1,379.9	1,855.1
Margin (% of sales)	31.9	32.6	32.8	-	-	-	31.9	32.3	32.6
Business free cash flow	865.4	1,402.0	1,875.7	-39.7	-64.3	-88.6	825.7	1,337.7	1,787.1

→ [The Merck Group
and its divisions](#)

Consumer Health

The Consumer Health division manufactures and markets over-the-counter pharmaceuticals as well as health supplements. Consumer Health focuses on a number of well-known strategic brands such as Neurobion®, Bion®3, Nasivin®, Femibion®, Seven Seas®, and Dolo-Neurobion® and contributed 7% to Group sales, as well as 5% to EBITDA pre one-time items (excluding Corporate and Other), in the third quarter of 2014. Consumer Health has high market penetration in Europe, Latin America and Southeast Asia and is generating very strong growth in India, Indonesia and Brazil, which have firmly established themselves among the division's top-ten markets in terms of sales.

Global megatrends favor future growth of Consumer Health. People are becoming more health-conscious and concerned with their own physical well-being. Preventive health care and preventive medications are becoming increasingly important – both in established and emerging markets, characterized by a growing middle class with specific needs.

On January 1, 2014, two product groups from Merck Serono were transferred to Consumer Health. These are Neurobion®/Dolo-Neurobion®, a leading global brand in the vitamin B segment, and Floratil®, a leading brand in the probiotic antidiarrheal segment in Brazil.

Consequently, the division is significantly increasing in size. With the transferred sales of € 265 million, 2013 divisional sales increased on a pro forma basis by 55% to € 742 million. The transfer of the two strong brands makes better use of the potential of the consumer-oriented business model of Consumer Health. Furthermore, the division will expand its presence in the Emerging Markets region. This is a step in the division's journey towards having at least three leading brands and achieving a market share of at least 3% in each of its key markets. The share of Consumer Health sales accounted for by Emerging Markets increased from 26% (unadjusted year-earlier figure) to 52% in the third quarter as a result of the transfer. The effects of the product group transfers on Consumer Health's figures for 2013 are shown in the table below.

Transfer of Neurobion® and Floratil® from Merck Serono

Consumer Health | Adjusted

€ million	2013 reported				2013 adjustment				2013 adjusted			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total revenues	116.3	116.8	131.4	115.1	65.5	63.3	70.2	66.3	181.8	180.1	201.7	181.4
Sales	116.1	115.6	131.0	114.2	65.5	63.3	70.2	66.2	181.7	178.9	201.2	180.4
Operating result (EBIT)	11.8	18.1	21.1	11.2	25.0	16.1	34.0	24.8	36.8	34.2	55.1	36.0
Margin (% of sales)	10.1	15.7	16.1	9.8	–	–	–	–	20.2	19.1	27.4	20.0
EBITDA	14.4	20.4	23.1	13.2	25.0	16.1	34.0	24.8	39.4	36.5	57.1	38.0
Margin (% of sales)	12.4	17.7	17.6	11.5	–	–	–	–	21.7	20.4	28.4	21.1
EBITDA pre one-time items	14.3	19.3	24.2	14.6	25.0	16.1	34.0	24.8	39.3	35.5	58.2	39.4
Margin (% of sales)	12.3	16.7	18.4	12.8	–	–	–	–	21.6	19.8	28.9	21.9
Business free cash flow	6.7	25.3	12.3	39.5	14.1	25.6	24.6	24.3	20.8	50.9	36.9	63.8

€ million	2013 reported			2013 adjustment			2013 adjusted		
	Jan.– June	Jan.– Sept.	Jan.– Dec.	Jan.– June	Jan.– Sept.	Jan.– Dec.	Jan.– June	Jan.– Sept.	Jan.– Dec.
Total revenues	233.1	364.5	479.6	128.8	199.1	265.4	361.9	563.6	745.0
Sales	231.8	362.7	476.9	128.8	199.1	265.2	360.6	561.8	742.1
Operating result (EBIT)	29.9	51.0	62.2	41.1	75.1	99.9	71.0	126.1	162.1
Margin (% of sales)	12.9	14.1	13.0	–	–	–	19.7	22.4	21.8
EBITDA	34.8	57.9	71.1	41.1	75.1	99.9	76.0	133.0	171.0
Margin (% of sales)	15.0	16.0	14.9	–	–	–	21.1	23.7	23.0
EBITDA pre one-time items	33.6	57.8	72.5	41.1	75.1	99.9	74.8	132.9	172.4
Margin (% of sales)	14.5	15.9	15.2	–	–	–	20.7	23.7	23.2
Business free cash flow	32.1	44.4	83.9	39.7	64.3	88.6	71.8	108.7	172.5

→ [*The Merck Group
and its divisions*](#)

Performance Materials

The Performance Materials division comprises Merck's entire specialty chemicals business. It offers high-tech performance chemicals for applications in fields such as consumer electronics, lighting, coatings, printing technology, plastics, and cosmetics. Through the acquisition of AZ Electronic Materials (AZ), a leading supplier of high-tech materials for the electronics industry, the division was significantly strengthened in the highly differentiated premium segment of specialty chemical materials.

The Performance Materials division's share of Group sales increased in the third quarter of 2014 to 20% and its share of EBITDA pre one-time items (excluding Corporate and Other) rose to 27%. The results of AZ have been included since May 2, 2014. After the combination with AZ, the EBITDA margin pre one-time items amounted to 42.2% of sales in the third quarter.

Performance Materials currently comprises four business units: Liquid Crystals (LC), Pigments & Cosmetics, Advanced Technologies, and AZ. LC generates more than half of divisional sales. Merck remains the global market and technology leader in liquid crystal mixtures, a highly consolidated market. In addition, high barriers to market entry exist due to the technological complexity of liquid crystals and the high quality requirements of customers and consumers. The seven largest LC display manufacturers are among the customers of the LC business. Performance Materials has the broadest product offering in the industry and offers, among other things, liquid crystals based on PS-VA and IPS technologies. This enables the division to meet individual customer needs and offer solutions for all display sizes, from smartphones and tablet computers, to large-area television screens.

By providing innovative research and development, the Advanced Technologies business unit bolsters the growth and sustainable competitiveness of the Performance Materials division. The business unit also manufactures and markets materials for organic light-emitting diodes (OLEDs), which are used in new lighting applications and display technologies.

The Pigments & Cosmetics business unit develops and markets a comprehensive product portfolio of effect pigments and functional materials. The pigments are primarily processed into automotive and industrial coatings, plastics, printing materials, laser marking, cosmetics, and counterfeit prevention applications. The product portfolio also includes high-quality cosmetic actives used, for example, in skin care products, sunscreens, and insect repellents.

In the integration phase, AZ will remain an independent business unit within the Performance Materials division; thereafter the AZ businesses will be transferred to a new business unit structure. Merck is on track with the integration of AZ. It expects all important integration measures to have been completed by the end of 2014. With annual sales of around US\$ 730 million in 2013, AZ is a leading supplier of high-tech materials with a production focus in Asia, where the company achieves nearly 80% of its sales. AZ generates more than three-quarters of its sales with products that are the leaders in their respective markets. AZ materials are widely used in integrated circuits, flat-panel displays and light-emitting diodes. AZ is thus a key partner to leading global electronics manufacturers since the chemical technologies AZ provides enable them to enhance existing processes and to innovate new products.

→ [The Merck Group
and its divisions](#)

Merck Millipore

The Merck Millipore division is a leading supplier of life science tools and has a broad product and technology portfolio and offers innovative solutions for scientists and engineers in the life science industry. Life sciences comprise the research branches of natural and engineering sciences concerned with the structure and behavior of living organisms. The division's products and services are used in the research, development and manufacture of biotechnological and pharmaceutical drug therapies, as well as in research and application laboratories. In addition, Merck Millipore products and services also reach adjacent markets, such as food and beverage. The division was established in 2010 following the acquisition of the Millipore Corporation.

In the third quarter of 2014, Merck Millipore contributed 23% to Group sales and 18% to EBITDA pre (excluding Corporate and Other). The majority of sales are generated by consumables. This enables the division to achieve steady sales and stable, attractive cash flows in an industry that is characterized by stringent regulatory requirements. A highly diversified and loyal customer base also contributes to the favorable risk profile. At the same time, Merck Millipore benefits from its broad portfolio and its global reach. Merck Millipore comprises three business areas: Bioscience, Lab Solutions and Process Solutions, as well as multiple specialized business fields. In turn, each business area is partnered with a commercial area that is focused on serving and partnering with customers across the globe.

The main product groups of the Bioscience business area include tools and consumables for filtration and sample preparation, reagents and kits for cell biology experiments, as well as small tools and consumables for cell analysis. With these products, Merck Millipore supports its customers in understanding complex biological systems and identifying new target molecules. The Bioscience business area contributed 15% to divisional sales in the third quarter of 2014. Merck Millipore offers complete and validated applications to make research processes faster and more efficient. The Bioscience business area continues to pursue innovative approaches, recently launching the Magna™ Nuclear RNA-binding Protein Immunoprecipitation (RIP) Kits, which are designed for the analysis of chromatin associated RNA such as lncRNAs, enhancer RNAs and miRNAs.

The Lab Solutions business area manufactures products for research as well as analytical and clinical laboratories in a wide variety of industries. The business area accounted for 40% of divisional sales in the third quarter of 2014. It is one of the leading suppliers of laboratory water equipment, laboratory chemicals and consumables. In addition, Lab Solutions develops and markets test solutions to identify microbial contamination, for example in pharmaceutical products, food or drinking water. For inorganic chemistry, Lab Solutions supplies ultrapure reagents, including salts, acids, caustic alkalis, and buffering agents. It also manufactures reference materials for instrumental analysis and products for inorganic trace analysis. In the third quarter, the Lab Solutions business area launched new Steritest™ Symbio Pumps for easier, safer and more reliable sterility testing of pharmaceutical products in laminar flow hoods, isolators and clean rooms. The Steritest™ Symbio Pumps were developed to address stringent pharmaceutical testing requirements. The launch continues Merck Millipore's 40-year legacy of providing groundbreaking sterility testing products. Additionally, a new ready-to-Use EZ-Fit™ Filtration Unit was launched to leverage industry leading technology for more efficient pharmaceutical manufacturing in-process testing.

→ [*The Merck Group
and its divisions*](#)

The Process Solutions business area offers a diversity of products to pharmaceutical and biotechnology companies that enable customers to manufacture large- and small-molecule drugs safely, effectively and cost-efficiently.

Accounting for 45% of Merck Millipore sales in the third quarter of 2014, Process Solutions offers its customers continuous innovations, highest quality standards as well as high reliability of supply. The business area's portfolio comprises more than 400 chemicals for the synthesis of active pharmaceutical ingredients as well as drug delivery compounds. The offering in biotech production comprises products supporting cell growth and gene expression, a wide range of filtration systems, as well as salts and sugars. The single-use solutions offered by the Process Solutions business area provide increased operational flexibility to biopharmaceutical customers since they eliminate time- and cost-intensive cleaning procedures. Moreover, these single-use solutions are compatible with various products typically used by customers in this industry, reducing investment costs for customers.

On August 20, 2014, Merck Millipore and Samsung BioLogics signed a Memorandum of Understanding for a strategic alliance in the biopharmaceutical business. The proposed alliance is intended to encompass a long-term supply agreement in which Merck Millipore will provide raw materials for biopharmaceutical manufacturing.

On September 22, 2014, Merck and Sigma-Aldrich announced that they had entered into a definitive agreement under which Merck will acquire Sigma-Aldrich for US\$17.0 billion (€ 13.1 billion). The combination would establish one of the leading players in the global life science industry. The closing of the transaction is expected in mid-2015, subject to regulatory approvals and other customary closing conditions. In 2013, Sigma-Aldrich generated US\$ 2.7 billion in sales.

Objectives and strategies of the Merck Group

In 2007, Merck launched a transformation process aimed at securing its business viability through profitable growth in highly specialized niche markets within the pharmaceutical, chemical and life science sectors.

The year 2018 will mark the 350th anniversary of Merck. The general principles of the "Fit for 2018" transformation and growth program and the Group strategy are to serve as a compass beyond 2018 as well.

General principles

The structure of Merck with members of the Executive Board and representatives of the Merck family as personally liable partners requires the Executive Board to pay special attention to the long-term development of value. Therefore, sustainability plays a special role at Merck. The objective is to align the long-term development of the company with the legitimate interests of shareholders, whose engagement in Merck is often of a shorter duration than that of personally liable partners. That is why Merck's business portfolio must always be balanced so that it reflects an optimum mix of entrepreneurial opportunities and risks. Merck achieves this through sustained diversification in pharmaceuticals, chemicals and life science, as well as through its geographic breadth with respect to growth sources.

For Merck, the principle of sustainability applies not only to economic aspects. Instead, it also encompasses responsibility for society and environmental preservation. With its current and future product portfolio, Merck wants to help solve global challenges and shape a sustainable future. That is also why innovation is the basis of the company's business activities; it is the prerequisite for future growth.

The Merck Group is continually working on new products and service innovations for patients and customers and relies on a continual process of innovation throughout all areas of the company.

Group strategy

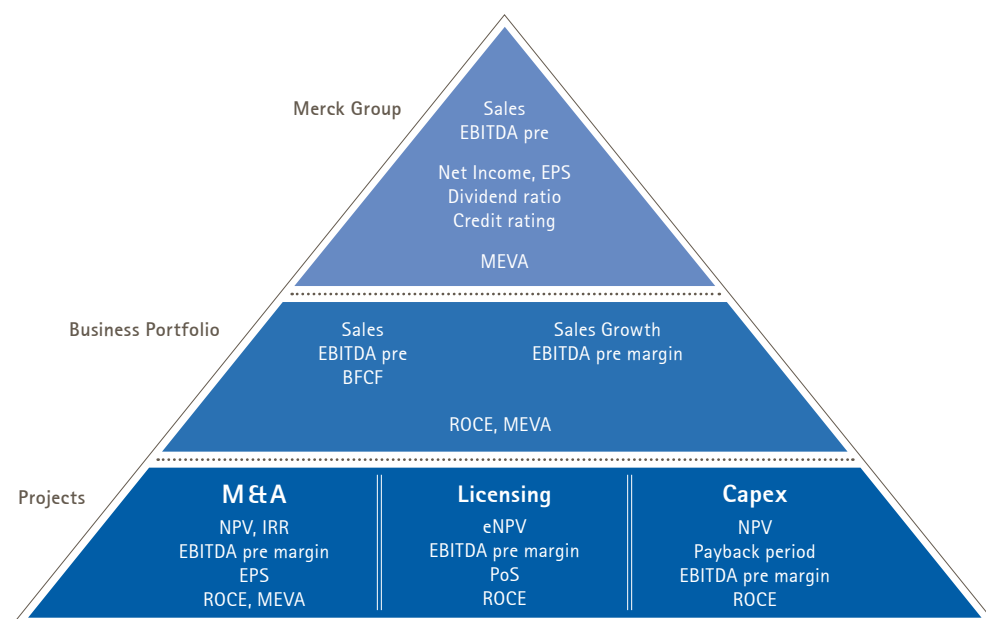
Merck focuses on innovative and top-quality high-tech products in the pharmaceutical, chemical and life science sectors. The company's goal is sustainable and profitable growth. Merck intends to achieve this by growing primarily organically and by further developing its competencies, but also by making targeted acquisitions that complement and expand existing strengths in meaningful ways. Building on leading branded products in all four divisions, Merck aims to generate income that is largely independent of the prevailing economic cycles. Moreover, the aim is to further expand the strong market position in Emerging Markets in the medium to long term. In the third quarter of 2014, the Emerging Markets region contributed 39% to Group sales.

Detailed information on specific strategic initiatives of the Merck Group as well as on the business strategies of the divisions can be found in the Merck Annual Report for 2013.

Internal management system of the Merck Group

As a global pharmaceutical and chemical company organized around four divisions with a diverse portfolio of products and services, Merck uses a comprehensive framework of indicators to manage performance. Within this framework, the most important KPI (key performance indicator) to measure the performance of the Merck Group and its divisions is EBITDA pre*. Further important financial indicators used to assess the performance of operating business are sales and business free cash flow (BFCF)*.

The Merck Value Creation and Financial KPI Pyramid, which summarizes the important financial performance measures of the Merck Group, reflects the comprehensive framework of financial KPIs to steer our businesses and prioritize the allocation of cash resources. It consists of three managerial dimensions, which require the use of different indicators: Merck Group, Business Portfolio and Projects. Apart from its strong focus on operational performance, the Merck Value Creation and Financial KPI Pyramid also emphasizes the need for measurable mid- and long-term value creation as well as the efficient allocation of cash to the most promising investment alternatives.



For more information on Merck's internal management system, see pages 43 to 47 of the Merck Annual Report for 2013.

Explanations: EBITDA pre = Earnings before interest, income tax, depreciation and amortization pre one-time items, EPS = Earnings per share, MEVA = Merck value added, BFCF = Business free cash flow, ROCE = Return on capital employed, NPV = Net present value, IRR = Internal rate of return, eNPV = expected Net present value (probability adjusted), PoS = Probability of success.

* Financial indicators not defined by International Financial Reporting Standards.

Research and Development at Merck

Merck conducts research and development worldwide in order to develop new products and services designed to improve the quality of life of patients and customers. In the third quarter of 2014, we continued to focus on further optimizing the relevance and profitability of our research and development activities and we increased the number of new collaborations with external research and development partners.

Nearly 4,000 employees around the world work for Merck researching innovations to serve long-term health and technology trends in established and emerging markets as well as in developing countries.

Merck spent around € 504 million on research and development in the third quarter of 2014. In addition, we are focusing on a newly defined mix of in-house research and cost-saving collaborations, which enables us to increase the productivity of our research while simultaneously reducing financial outlay.

The organizational set-up of our research and development activities reflects the divisional structure of Merck. Within the Executive Board, Stefan Oschmann is responsible for the Merck Serono and Consumer Health divisions and Bernd Reckmann is responsible for the Performance Materials and Merck Millipore divisions.

Apart from the details reported below with regard to the third quarter of 2014, more information on the company's research and development activities can be found on page 60 to 75 of the Merck Annual Report for 2013.

Merck Serono

As of July 21, 2014 Luciano Rossetti, M.D., was appointed Executive Vice President and Global Head of Research & Development. In his most recent role, Rossetti was Senior Vice President Late Stage Development at Merck Sharp & Dohme (MSD). Before joining MSD in 2006, Rossetti was an internationally recognized academic scientist for 18 years.

Immunology

A small-molecule BTK inhibitor (MSC 2364447) entered Phase I clinical testing in healthy volunteers, and is the newest program to enter the Merck clinical pipeline. This investigational agent is a highly selective inhibitor of the bruton tyrosine kinase (BTK), which is important in the development and functioning of various immune cells including B lymphocytes and macrophages. Preclinical research suggests it may be therapeutically useful in certain autoimmune diseases.

Neurology

Subsequent to the completion of a Phase I clinical study that demonstrated encouraging MRI results following intradermal treatment of patients with relapsing multiple sclerosis (RMS) with ATX- MS-1467, an investigational immune-tolerizing agent, a Phase II study has started in RMS, and the first subjects are expected to receive treatment before the end of 2014. Following a thorough review of all scientific and commercial aspects, Merck decided not to pursue further development of plovamer acetate, an investigational second-generation copolymer for relapsing-remitting multiple sclerosis (MS). As a consequence, the ongoing Phase II study is being terminated early. Merck remains committed to driving innovation in the field of MS and improving the lives of people with the disease.

Oncology

TH-302, which is currently under evaluation in two Phase III trials, underwent a pre-planned interim efficacy and safety analysis of the Phase III metastatic or locally advanced, unresectable soft tissue sarcoma (STS) study. The Independent Data Monitoring Committee conducting the analysis recommended that the study should continue as planned to its natural conclusion. Current projections foresee that the required

→ Research and
Development at Merck

number of events for final analysis should be reached in the latter half of 2015, with the primary analysis of overall survival (OS) expected to be conducted in 2016. The second Phase III trial with TH-302, which is being performed in advanced pancreatic cancer, reached full enrolment of 660 patients in October.

During the third quarter Merck Serono, and Sutro Biopharma, a private biotechnology company based in San Francisco, announced a collaboration and license agreement to develop next-generation antibody drug conjugates (ADCs) for multiple undisclosed targets in oncology. Merck Serono also announced a co-development and license agreement with The Institute of Cancer Research (ICR), and the Wellcome Trust, both based in London, to identify inhibitors of the enzyme tankyrase, thought to be important in the development of cancer. Both Merck Serono and the group at the ICR are already working on tankyrase inhibitors and it is hoped their cooperation will accelerate progress in this field.

Immuno-Oncology

Concerning tecemotide, an investigational cancer immunotherapy, the results of a Phase I/II trial in Japanese patients with stage III, unresectable, locally advanced non-small cell lung cancer (NSCLC) indicated that no effect had been observed for either the primary endpoint, OS, or for any of the secondary endpoints. Based on these results, Merck decided to discontinue the clinical development program for tecemotide as a monotherapy in stage III NSCLC worldwide in order to refocus efforts on other promising candidates in the development pipeline.

For MSB 0010718C, an investigational fully human IgG1 monoclonal antibody that binds to programmed death-ligand 1 (PD-L1), the Phase I study is advancing rapidly and anti-tumor activity has already been observed in a number of patients, notably in NSCLC and ovarian cancer. Merck Serono has initiated a competitive process to select a partner for the global co-development and co-commercialization of MSB 0010718C, and aims to reach an agreement by year-end.

Endocrinology

Concerning Kuvan® (sapropterin dihydrochloride), detailed 26-week data from the Phase IIIb SPARK study were presented at the Society for the Study of Inborn Errors of Metabolism (SSIEM) Annual Symposium, in Innsbruck in early September. Results from the study showed that the addition of Kuvan® at a dose of 10 or 20 mg/kg/day to a phenylalanine-restricted diet significantly increased phenylalanine tolerance in children with phenylketonuria (PKU) who are below 4 years of age and responsive to Kuvan®, compared with patients on diet alone. The SPARK study was requested by the European Medicines Agency (EMA) as a post-authorization measure. Given the positive outcome of the trial, Merck Serono has submitted an application to the EMA for a label extension.

Fertility

The ESPART study, a Phase III, randomized, single-blind trial to demonstrate the superiority of Pergoveris® (r-hLH plus r-FSH) versus Gonal-f® (r-FSH) for multifollicular development as part of an Assisted Reproductive Technology treatment in patients who have shown poor ovarian response in the past, completed enrollment following the inclusion of 946 patients.

Other highlights

At its Analyst & Investor Day on September 18, Merck gave an update on its plans for its Biosimilars activities. In addition to the already disclosed investment plan of € 100 million for this year, the unit plans to invest € 130 million to € 150 million in 2015, depending on the outcome of ongoing Phase I studies. Existing partnerships with Dr. Reddy's of India and Bionovis of Brazil will be expanded by another, yet undisclosed in-licensing agreement for a late-stage biosimilar, initially for smaller emerging markets. Between 2015 and 2016, Merck plans to initiate between two and five Phase III clinical trials.

Merck Serono announced the launch of Merck Global Grants with a total annual investment of € 20 million, which underscores the company's commitment to funding scientific innovation and independent medical education around the world. The Grants for Innovation in Research identify and fund what is considered the most promising research in specific fields worldwide from across biopharma, including academia, research centers, smaller start-ups and independent researchers. During the third quarter, Grants for Innovation were awarded in the areas of Multiple Sclerosis, Growth Disorders and Oncology.

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Merck Serono and the Institute of Experimental Neurology (INSPE) at San Raffaele University and Research Hospital in Milan, Italy announced the continuation of a strategic alliance to develop pre-clinical and clinical research projects in the field of neurodegenerative diseases. The translational research will focus on developing innovative therapies against serious and disabling neurological diseases affecting young adults in particular, such as multiple sclerosis. Established in 2004, the renewal of the partnership extends the agreement between the parties for two additional years.

Consumer Health

Consumer Health research and development activities focus on constantly improving tried and proven formulations consistent with the needs of consumers. At the same time, the division is further developing its established brand-name products by making them simpler to use, for example through new forms of applications, and by offering accompanying services.

In the third quarter, the division underscored its innovative strength by launching strategic brands in key markets. In addition to the new Bion® Equilibre in France, these include Nasivin® Fresh Menthol in Germany and the market launch of the Bion® brand in Brazil.

Performance Materials

Merck is the undisputed market and technology leader in liquid crystals, which are primarily used in displays of televisions and mobile communication devices. We are also one of the leading suppliers of functional and decorative effect pigments. Our high-tech materials and solutions are used by customers in the consumer electronics, lighting, coatings, printing technology, plastics applications, and cosmetics industries. Merck is also focusing on growth dynamics in emerging markets within Performance Materials. As a new part of Performance Materials, AZ Electronic Materials (AZ) brings additional fields of business to the Merck portfolio. AZ serves two main markets, the sector of IC Materials for integrated circuit manufacture, and materials for display applications (Optronics).

Liquid crystals

In the area of LC displays for mobile devices, Merck has developed a new LC switching mode, UB-FFS technology (Ultra-Brightness Fringe Field Switching). The new LC switching mode has the potential to increase display light transmittance by 20% and the market launch is proceeding faster than expected. The first products based on this new switching mode are already on the market. The new technology offers many advantages: Firstly, it reduces energy consumption and increases the battery life of the mobile devices. Secondly, it improves mobile display quality and supports the trend towards higher resolutions.

The Merck LC 2021 strategic initiative combines the company's future LC activities, with a special focus on applications beyond displays. For example, liquid crystals can regulate the light and heat transmittance of windows in building facades. Since acquiring the remaining interest in Peer+, a Dutch specialist for smart windows technology, the company has now been fully integrated. This enables Merck to accelerate the development of LC materials for these applications and enter into collaborations with partners in the glass and facade technology sector.

OLEDs

Organic light-emitting diodes (OLEDs) are used in innovative lighting applications and display technologies. They provide brilliant colors and sharp images from any viewing angle; they have a long lifespan and are highly energy-efficient. In addition, OLEDs enable round or flexible displays, making them perfect for use in the latest technical applications. One such example is the smartwatch, a wristwatch that provides additional computer functionality along with Internet access.

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The Merck product line for these types of applications is called livlux®. Merck has developed a strong portfolio of worldwide patents, based on more than ten years of experience. Development partnerships with customers are a way of testing new technologies and making them market-ready. For instance, with printer manufacturer Seiko Epson the Performance Materials division has co-developed a technology that can be used to print OLED displays. While Merck contributed its expertise in OLED material and ink development to the collaboration, Seiko Epson contributed its expertise in print heads featuring micro piezo inkjet technology as well as process expertise. The jointly developed technology offers the advantage of lower costs and higher material efficiency. In contrast to evaporated OLED displays, the materials are applied at room temperature and under normal pressure in the case of printed OLED displays. In addition, this technique only deposits material in the areas where diodes are actually located.

High-quality pigments and functional materials

Besides high-quality decorative effect pigments, Merck also offers functional materials used, for example, in laser marking of plastics, in conductive coatings, and in heat reflection for greenhouses. The Meoxal® brand is the latest development in effect pigments. These pigments captivate with their excellent color saturation and exceptional performance. This is the result of their innovative layer technology and the use of aluminum flakes as the substrate. They are highly suitable for a multitude of high-performance applications, especially for automotive and plastic coatings.

The new generation of Xirallic® pigments under the name Xirallic® NXT was successfully launched with the product Xirallic® NXT Panthera Silver in the second quarter of 2014. In the course of extending this range of products, the launch of Xirallic® NXT Leonis Gold, an innovative gold pigment whose visual properties are very similar to shiny metallic gold, was prepared in the third quarter. A version of our pigment Lava Red was launched onto the automotive market under the label Colorstream® Lava Red SW for our automotive customers. It will soon be presented to a wide audience as part of the "Red Emotions Automobile Campaign". In the area of pigments for cosmetic applications, the product Ronastar® Diamond Black IQ, which meets the growing regulatory requirements of the cosmetics industry, was recently introduced.

AZ Electronic Materials

In its IC Materials business, which supplies products for integrated circuit manufacture, AZ has developed a range of products for Extreme UV Lithography (EUV) applications which has already been qualified by several customers for their processes.

The increased complexity of lithography processes for the most advanced generations of chips is opening up opportunities for new process materials that the IC Materials business is either innovating or developing further. AZ's "shrink" technology, which was mentioned in the report on the second quarter, again enjoyed a high degree of customer interest, especially for negative tone resist processes. Further customers have started the material qualification process. In the meantime, so-called rinse materials are being used in order to prevent the collapse of fine resist structures caused by capillary forces during resist development. With increasing miniaturization of structures, the application of these materials is becoming necessary for a growing number of processes and AZ is developing this product range specifically for this purpose. Increased requirements placed on etching processes can be met with new metallic hard masks, which are replacing older silicon-based processes. AZ develops the corresponding products, e.g. based on zirconium or wolfram, in close cooperation with customers.

In the Optotronics business, the new siloxane materials mentioned in the report on the second quarter of 2014 are now at the pilot production stage as a thin-film barrier for OLED lighting.

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Merck Millipore

With nearly 800 employees focused on R&D, Merck Millipore is working with customers to develop innovative solutions for the research, development and production of pharmaceutical and biotech processes worldwide.

In September, Merck Millipore announced it had received two R&D Magazine 100 Awards for innovative products released to market in 2013. The 52nd annual R&D Awards recognize the 100 most technologically significant products introduced onto the marketplace over the past year. The Merck Millipore products that were recognized are:

The SmartFlare™ detection reagent is a novel probe capable of detecting specific mRNAs and miRNAs in live, intact cells. This technology allows for carrier-free cellular endocytosis of the reagent, followed by detection and relative quantitative analysis of RNA levels. Because the reagent leaves the cell after the detection event, the same sample can be used for any downstream analysis, which makes it possible to assess multiple biomarkers or downstream functionalities in the same cells.

Clarisolve® depth filters are specifically tuned to the particle size distribution of various pretreatment methodologies, enabling the fastest and most efficient way to clarify high-density streams and easily transfer processes from upstream to downstream without the use of centrifugation. Clarisolve depth filters were designed for high cell density/titer mammalian cell culture feed streams for monoclonal antibody production. There has also been early success in microbial and vaccine applications.

In the third quarter of 2014, Merck Millipore also announced the opening of a new Biomanufacturing Sciences Training Center (BSTC) facility in Tokyo, Japan. The state-of-the-art facility is designed to help biopharmaceutical companies develop manufacturing processes and find solutions to processing challenges in collaboration with engineers from Merck Millipore. The goal for this facility, now the ninth of its kind for Merck Millipore, is to enhance the customer experience by delivering innovation, quality products, and comprehensive technological support – all major components of our product and service portfolio offering.

Merck shares

At a glance

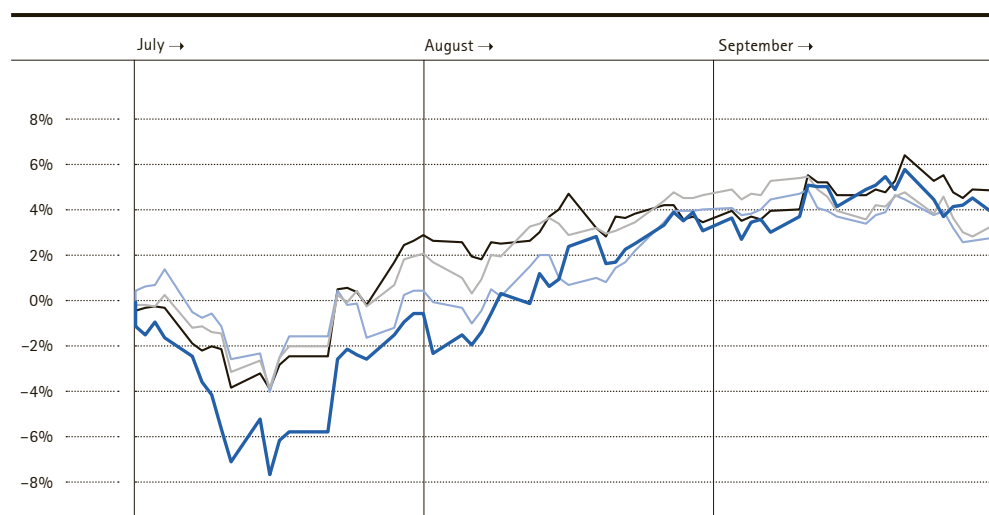
During the third quarter of 2014, the Merck share price rose by almost 15%. Compared to the relevant indices, its performance was pronounced, outperforming the DAX® by approximately 19 percentage points, the relevant index for the chemical industry by roughly 17 percentage points, and the relevant index for the pharmaceutical industry by slightly more than 7 percentage points.

In absolute terms, the Merck share price reached its third-quarter peak and all-time high on September 24, 2014 at € 73.96 – retrospectively adjusted for the 1:2 share split described below – and ended the quarter only marginally lower at € 73.03. The average daily trading volume in the third quarter of 2014 was 606,000 shares, about 46% higher than in the prior-year quarter and about 18% higher than in the second quarter of 2014.

On June 30, 2014, the 1:2 share split became effective. On May 9, 2014, the Annual General Meeting resolved to re-divide the share capital of Merck KGaA so that one existing company no-par value share with a pro rata amount of the share capital of € 2.60 was divided into two no-par value shares with a pro rata amount of the share capital of € 1.30 each (share split). This has had no influence on the share price performance since then.

In the first nine months of 2014, the Merck share price rose by approximately 12%. Thus, Merck shares outperformed the DAX® by almost 13 percentage points and the relevant chemicals index by approximately 11 percentage points. However, it underperformed the relevant pharmaceuticals index by almost 6 percentage points, largely due to its weak performance in the first quarter of 2014.

Share price development from July 1, 2014 to September 30, 2014



Source: Bloomberg (closing rates)

Merck DAX® MSCI European Pharma Index Dow Jones European Chemical Index

Report on Economic Position

Course of business and economic position

Merck Group

Overview – Q3 2014

- Higher sales thanks to solid organic growth and sales contribution from the acquisition of AZ Electronic Materials
- Noticeably lower impact from foreign exchange effects
- Emerging Markets remain strongest growth driver
- EBITDA pre one-time items up 3.1%
- Net financial debt in the third quarter lowered thanks to solid cash flow development
- Earnings per share pre one-time items at year-earlier level of € 1.15

Merck Group | Key figures

€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
Total revenues	2,936.4	2,751.8	6.7	8,464.4	8,353.4	1.3
Sales	2,905.6	2,659.5	9.3	8,315.0	8,063.8	3.1
Operating result (EBIT)	428.9	481.8	–11.0	1,338.2	1,346.6	–0.6
Margin (% of sales)	14.8	18.1		16.1	16.7	
EBITDA	781.5	796.4	–1.9	2,318.7	2,343.4	–1.1
Margin (% of sales)	26.9	29.9		27.9	29.1	
EBITDA pre one-time items	856.6	830.7	3.1	2,509.4	2,458.1	2.1
Margin (% of sales)	29.5	31.2		30.2	30.5	
Earnings per share (€) ¹	0.57	0.78	–26.9	2.02	2.12	–4.7
Earnings per share pre one-time items (€) ¹	1.15	1.15	–	3.46	3.33	3.9
Business free cash flow	614.1	852.9	–28.0	1,930.4	2,229.5	–13.4

¹ Taking into account the share split; previous year's figures have been adjusted accordingly.
See explanations under "Earnings per share" in the Notes to the Consolidated Financial Statements.

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Development of sales and results of operations

In the third quarter of 2014, the Merck Group generated organic sales growth of 4.6%. Acquisitions/divestments (net) increased sales by 5.1% or € 136 million. The first-time consolidation of AZ Electronic Materials in the Performance Materials division as of May 2, 2014 made a positive contribution of € 142 million to Group sales (see also "Acquisition of AZ Electronic Materials S.A." in the Notes to the Consolidated Financial Statements). Owing to the divestment of the Merck Millipore division's Discovery and Development Solutions business field, which became effective on March 31, 2014, sales declined in comparison with the year-earlier quarter by € 6 million (see also "Divestment of the Discovery and Development Solutions business field" in the Notes to the Consolidated Financial Statements). The weakening of the euro in the third quarter led to insignificant foreign exchange effects of -0.5%. Overall, sales thus increased sharply by € 246 million or 9.3% to € 2,906 million in the third quarter of 2014 (Q3 2013: € 2,659 million).

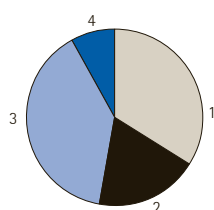
Merck Group | Sales components by division – Q3 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Merck Serono	1,464.6	4.5	-0.8	-	3.7
Consumer Health	204.1	1.4	0.1	-	1.5
Performance Materials	576.1	7.0	-0.2	35.0	41.7
Merck Millipore	660.8	4.5	-0.1	-1.0	3.4
Merck Group	2,905.6	4.6	-0.5	5.1	9.3

All four divisions of the Merck Group posted organic sales growth in the third quarter of 2014. Achieving an absolute increase of € 63 million, which corresponded to an organic growth rate of 4.5%, Merck Serono made the largest absolute contribution to organic sales growth, followed by Merck Millipore with organic sales growth of € 29 million, equivalent to a growth rate of 4.5%, and Performance Materials with € 28 million, or 7.0%. The Consumer Health division delivered an organic sales growth rate of 1.4%, corresponding to an absolute organic sales increase of € 3 million.

Merck Group | Sales by region – Q3 2014

€ million / % of sales



1 Europe	983.5	34%
2 North America	552.9	19%
3 Emerging Markets	1,142.1	39%
4 Rest of World	227.1	8%

From a regional perspective, the dynamic business performance in the Emerging Markets region, which encompasses Latin America and Asia excluding Japan, again drove the organic growth of the Merck Group in the third quarter. At 9.1%, which corresponded to an absolute organic sales increase of € 88 million, the region delivered strong organic growth, which was primarily fueled by the Merck Serono and Performance Materials divisions. Including currency headwinds of -1.1% and acquisition-related effects of 9.6%, Merck generated sales of € 1,142 million in the Emerging Markets region (Q3 2013: € 971 million). The share of Group sales accounted for by the Emerging Markets region thus increased by two percentage points to 39% (Q3 2013: 37%), maintaining the trend established in past quarters.

→ Course of business
and economic position

In Europe, organic sales increases of 1.4%, acquisition-related growth of 0.9% as well as positive foreign exchange effects of 0.2% lifted sales overall by 2.5% to € 983 million (Q3 2013: € 959 million). Europe's contribution to Group sales thus fell to 34% (Q3 2013: 36%).

Sales in North America amounted to € 553 million (Q3 2013: € 525 million), which represents a year-on-year increase of 5.2%. Posting organic sales growth of 1.5%, positive exchange rate effects of 0.8% and acquisition-related sales increases of 2.9%, the contribution to Group sales by the North America region was 19% (Q3 2013: 20%).

The Rest of World region, i.e. Japan, Africa and Australia/Oceania, generated € 227 million (Q3 2013: € 204 million) or 8% of Group sales (Q3 2013: 8%). Higher sales were driven both by organic growth (6.7%) as well as acquisition-related increases (9.1%). Including a foreign exchange impact of –4.3%, which primarily stemmed from the Japanese yen, sales in this region rose overall by 11.6%.

Merck Group | Sales components by region – Q3 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	983.5	1.4	0.2	0.9	2.5
North America	552.9	1.5	0.8	2.9	5.2
Emerging Markets	1,142.1	9.1	–1.1	9.6	17.6
Rest of World	227.1	6.7	–4.3	9.1	11.6
Merck Group	2,905.6	4.6	–0.5	5.1	9.3

In the first nine months of 2014, sales of the Merck Group increased by 3.1% to € 8,315 million (Jan.–Sept. 2013: € 8,064 million). Of this amount, 3.9% was attributable to organic growth and 2.7% to the net amount from acquisitions/divestments. Exchange rate changes resulting particularly from the developments of the U.S. dollar, the Japanese yen and Latin American currencies were responsible for a –3.5% decline in sales in the first nine months of 2014. All four divisions generated organic sales growth in the first nine months of 2014. Owing to the first-time consolidation of AZ, the Performance Materials division delivered the highest absolute sales increase of all divisions, generating sales of € 1,484 million in the first nine months of 2014 (Jan.–Sept. 2013: € 1,259 million). Regionally, the strongest organic sales growth was achieved in the Emerging Markets and Rest of World regions, with growth rates of 8.6% and 4.9% respectively. In Europe and North America, the organic sales increases amounted to 1.2% and 0.2% respectively.

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and [economic position](#)

The consolidated income statement of the Merck Group is as follows:

Merck Group | Consolidated Income Statement

€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
Sales	2,905.6	2,659.5	9.3	8,315.0	8,063.8	3.1
Royalty, license and commission income	30.8	92.3	–66.6	149.4	289.6	–48.4
Total revenues	2,936.4	2,751.8	6.7	8,464.4	8,353.4	1.3
Cost of sales ¹	–948.2	–735.5	28.9	–2,538.2	–2,252.0	12.7
(of which: amortization of intangible assets) ¹	(–30.0)	(–12.1)	(148.1)	(–54.9)	(–36.7)	(49.7)
Gross profit¹	1,988.2	2,016.3	–1.4	5,926.1	6,101.3	–2.9
Marketing and selling expenses ¹	–760.7	–745.7	2.0	–2,280.4	–2,324.6	–1.9
(of which: amortization of intangible assets) ¹	(–176.2)	(–185.6)	(–5.1)	(–544.8)	(–580.0)	(–6.1)
Royalty, license and commission expenses	–134.4	–144.4	–6.9	–409.9	–437.2	–6.3
Administration expenses	–156.0	–136.7	14.1	–439.3	–407.0	7.9
Other operating expenses and income	–4.4	–128.4	–96.6	–181.6	–426.9	–57.5
Research and development costs	–503.8	–379.3	32.8	–1,276.8	–1,159.1	10.2
Operating result (EBIT)	428.9	481.8	–11.0	1,338.2	1,346.6	–0.6
Financial result	–57.2	–51.9	10.4	–142.2	–159.1	–10.6
Profit before income tax	371.7	430.0	–13.6	1,196.0	1,187.5	0.7
Income tax	–122.1	–87.4	39.7	–313.1	–259.9	20.5
Profit after tax	249.6	342.5	–27.1	883.0	927.6	–4.8
Non-controlling interests	–0.8	–3.0	–73.1	–5.7	–6.0	–5.6
Net income	248.8	339.6	–26.7	877.3	921.6	–4.8

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See "Accounting policies" in the Notes to the Consolidated Financial Statements.

Royalty, license and commission income fell by –66.6% to € 31 million in the third quarter of 2014 (Q3 2013: € 92 million). This sharp drop of € –61 million was mainly due to the decrease in royalty, license and commission income in the Merck Serono division. Total revenues (sales plus royalty, license and commission income) rose by 6.7% to € 2,936 million (Q3 2013: € 2,752 million).

Including cost of sales, which increased by 28.9% to € 948 million in the third quarter of 2014 (Q3 2013: € 735 million), the Merck Group recorded gross profit of € 1,988 million (Q3 2013: € 2,016 million). The strong increase in cost of sales was due to the solid organic growth of all divisions as well as the first-time consolidation of AZ, among other things. As part of the purchase price allocation, the acquired inventories of AZ were stepped up to fair values on the date of first-time consolidation. In the third quarter of 2014, € 15 million of this step-up was included as an expense in cost of sales. In addition, cost of sales of the Performance Materials division rose due to the amortization of intangible assets in connection with the AZ purchase price allocation. Along with stronger sales growth in regions with lower margins as well as production and supply bottlenecks for some products in the Merck Serono division, gross margin, i.e. gross profit as a percentage of sales, declined to 68.4% (Q3 2013: 75.8%) in the third quarter of 2013. In addition to the aforementioned effects, the sharp drop in royalty, license and commission income had a negative impact on gross margin.

The improvement in other operating expenses and income (net) to € –4 million (Q3 2013: € –128 million) in the third quarter of 2014 mainly reflected the adjustment of provisions for litigation (see also "Verbal agreement on the resolution of the legal disputes with IBEP" in the Notes to the Consolidated Financial Statements), and the decline in allowances for receivables. By contrast, other operating expenses grew due

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to higher one-time expenses and impairments of intangible assets in connection with the discontinuation of the clinical development program for tecemotide, (see also "Discontinuation of the clinical development programs for tecemotide and plovamer acetate" in the Notes to the Consolidated Financial Statements).

The increase in research and development costs was mainly attributable to Merck Serono and included in particular expenses for provisions set up for unavoidable subsequent costs that are likely to be incurred in connection with the discontinuation of clinical development programs (tecemotide and plovamer acetate). Consequently, the division accounted for 81.3% (Q3 2013: 77.9%) of Group-wide research and development spending. The Group research spending ratio (research and development costs as a percentage of sales) rose accordingly to 17.3% (Q3 2013: 14.3%).

Owing to the good performance of the Merck share price compared to the DAX, expenses from additions to provisions within the scope of the Merck Long-Term Incentive Plan (LTIP) were higher in the third quarter of 2014 than in the year-earlier quarter. The intrinsic value of Merck Share Units (MSUs) was recognized under the respective functional costs in the income statement depending on the field of activity of the eligible participants. MSUs are virtual Merck shares that eligible executives and employees could receive at the end of a three-year performance period within the scope of the LTIP.

As a result of the development of income and expenses described above, the operating result (EBIT) of the Merck Group declined to € 429 million in the third quarter of 2014.

Merck's negative financial result grew by a further €-5 million to €-57 million in the third quarter of 2014. This was due in particular to a negative measurement effect from taking into account the time value of Merck Share Units (MSUs), which could not be compensated for by the improvement in net interest.

Income tax expenses of € 122 million (Q3 2013: € 87 million) led to a tax ratio of 32.9% (Q3 2013: 20.3%). The sharp increase in the tax ratio was mainly related to currency hedging of the expected purchase price for the announced acquisition of the Sigma-Aldrich Corporation (see also "Planned Acquisition of Sigma-Aldrich Corporation" in the Notes to the Consolidated Financial Statements).

Net income, i.e. profit after tax attributable to Merck shareholders, was € 249 million in the third quarter of 2014 (Q3 2013: € 340 million). Taking the share split into account, this resulted in earnings per share of € 0.57 (Q3 2013: € 0.78).

Merck Group | Reconciliation of EBIT to EBITDA pre one-time items

€ million	Q3 - 2014	Q3 - 2013	Change in %	Jan.-Sept. 2014	Jan.-Sept. 2013	Change in %
Operating result (EBIT)	428.9	481.8	-11.0	1,338.2	1,346.6	-0.6
Depreciation / Amortization / Reversals of impairments	352.6	314.6	12.1	980.5	996.8	-1.6
(of which: one-time items)	(3.8)	(14.7)	(-73.9)	(7.7)	(45.9)	(-83.3)
EBITDA	781.5	796.4	-1.9	2,318.7	2,343.4	-1.1
Restructuring costs	24.2	32.9	-26.3	59.8	79.5	-24.9
Integration costs / IT costs	23.8	10.5	125.3	58.4	28.0	108.7
Gains/losses on the divestment of businesses	1.1	-5.1	-	-5.3	13.3	-
Acquisition costs	21.1	-	-	67.7	-	-
Other one-time items	5.0	-4.1	-	10.0	-6.1	-
EBITDA pre one-time items	856.6	830.7	3.1	2,509.4	2,458.1	2.1

After adjusting for depreciation, amortization and one-time expenses, EBITDA pre one-time items, the key financial indicator used to steer operating business, rose slightly to € 857 million (Q3 2013: € 831 million), resulting in an EBITDA margin pre one-time items relative to sales of 29.5% (Q3 2013: 31.2%). Taking into account the share split, earnings per share pre one-time items (earnings per share adjusted by net of tax effect of one-time items and amortization of purchased intangible assets) amounted to € 1.15 in the third quarter of 2014 (Q3 2013: € 1.15).

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In the first nine months of 2014, the Merck Group recorded EBITDA pre one-time items of € 2,509 million (Jan.–Sept. 2013: € 2,458 million), thus even slightly exceeding the good year-earlier result. At 30.2%, the EBITDA margin pre one-time items nearly reached the high year-earlier level (Jan.–Sept. 2013: 30.5%). Earnings per share pre one-time items for the first nine months of 2014 rose by 3.9% to € 3.46 (Jan.–Sept. 2013: € 3.33).

Net assets and financial position

Merck Group | Balance sheet structure

	September 30, 2014		December 31, 2013		Change	
	€ million	in %	€ million	in %	€ million	in %
Current assets	7,313.6	32.2	7,384.5	35.5	–70.9	–1.0
of which:						
Cash and cash equivalents	1,338.3		980.8		357.5	
Current financial assets	1,316.6		2,410.5		–1,093.9	
Trade accounts receivable	2,268.1		2,021.4		246.8	
Inventories	1,656.0		1,474.2		181.7	
Other current assets	734.6		497.6		237.0	
Non-current assets	15,407.9	67.8	13,434.1	64.5	1,973.9	14.7
of which:						
Intangible assets	11,531.0		9,867.2		1,663.9	
Property, plant and equipment	2,861.6		2,647.2		214.5	
Other non-current assets	1,015.3		919.7		95.6	
Total assets	22,721.5	100.0	20,818.6	100.0	1,902.9	9.1
Current liabilities	5,827.5	25.6	3,898.8	18.7	1,928.7	49.5
of which:						
Current financial liabilities	2,015.2		440.4		1,574.7	
Trade accounts payable	1,370.3		1,364.1		6.2	
Current provisions	939.8		494.7		445.2	
Other current liabilities	1,502.2		1,599.6		–97.4	
Long-term liabilities	5,108.9	22.5	5,850.6	28.1	–741.7	–12.7
of which:						
Non-current financial liabilities	2,161.2		3,257.5		–1,096.3	
Non-current provisions	581.1		1,011.1		–429.9	
Provisions for pensions and other post-employment benefits	1,377.5		910.9		466.6	
Other non-current liabilities	989.1		671.1		318.0	
Equity	11,785.2	51.9	11,069.2	53.2	716.0	6.5
Total liabilities and equity	22,721.5	100.0	20,818.6	100.0	1,902.9	9.1

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The total assets of the Merck Group amounted to € 22,722 million as of Sept. 30, 2014. This represents an increase of 9.1% over Dec. 31, 2013 (€ 20,819 million). The change in the balance sheet structure was also due to the first-time consolidation of AZ Electronic Materials S.A. as of May 2, 2014. The payment of the purchase price totaling € 1,875 million was made fully in cash. As part of the purchase price allocation for the AZ acquisition, the acquired assets and liabilities were measured at fair values in the balance sheet. On the date of first-time consolidation, this led to an increase in intangible assets (excluding goodwill) by € 1,057 million. The goodwill from the transaction amounted to € 880 million. More information about the purchase price allocation for the AZ acquisition can be found under "Acquisition of AZ Electronic Materials S.A." in the Notes to the Consolidated Financial Statements. The increase in working capital of the Merck Group to € 2,554 million (Dec. 31, 2013: € 2,132 million) resulted largely from the first-time consolidation of AZ as well as positive foreign exchange effects. Overall, around one-third of the increase in total assets was due to currency translation changes caused by the weaker euro. The change in non-current and current financial liabilities was primarily related to the maturity in March 2015 of a bond issued by Merck Financial Services with a nominal volume of € 1,350 million. Owing to the payment of the purchase price for AZ in the second quarter of 2014, net financial debt had increased to € 2,220 million as of June 30, 2014. As of September 30, 2014, this figure had already declined to € 1,521 million (Dec. 31, 2013: € 307 million). The increase in pension provisions resulted largely from the required reduction in the discount rate when calculating the present value of the defined benefit obligations. The resulting actuarial losses were disclosed in the Consolidated Statement of Comprehensive Income. At 51.9% (Dec. 31, 2013: 53.2%), the equity ratio remained at a high level.

Business free cash flow of the Merck Group was € 614 million in the third quarter of 2014 (Q3 2013: € 853 million), decreasing by € -239 million or -28.0%. This decline was primarily due to the development of trade accounts receivable. Whereas receivables were lowered by € -144 million in the year-earlier quarter, this balance sheet item increased by € 49 million in the third quarter of 2014. In addition, higher investments in property, plant and equipment in the third quarter of 2014 led to an increase in cash outflows.

Merck Group | Business free cash flow

€ million	Q3 - 2014	Q3 - 2013	Change in %	Jan.-Sept. 2014	Jan.-Sept. 2013	Change in %
EBITDA pre one-time items	856.6	830.7	3.1	2,509.4	2,458.1	2.1
Investments in property, plant and equipment, software as well as advance payments for intangible assets	-136.3	-88.8	53.5	-295.1	-258.7	14.1
Changes in inventories	-37.1	-32.6	13.8	-181.7	-31.7	-
Changes in trade accounts receivable	-49.3	143.6	-	-246.8	61.7	-
Adjustments first-time consolidation of AZ Electronic Materials	-19.8	-	-	144.6	-	-
Business free cash flow	614.1	852.9	-28.0	1,930.4	2,229.5	-13.4

In the first nine months of 2014, the Merck Group generated business free cash flow of € 1,930 million (Jan.-Sept. 2013: € 2,230 million), falling short of the very high year-earlier level.

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Merck Serono

Merck Serono | Key figures

€ million	Q3 – 2014	Q3 – 2013 ¹	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013 ¹	Change in %
Total revenues	1,490.8	1,497.9	–0.5	4,422.6	4,540.5	–2.6
Sales	1,464.6	1,412.8	3.7	4,285.9	4,269.1	0.4
Operating result (EBIT)	236.9	240.5	–1.5	712.4	677.1	5.2
Margin (% of sales)	16.2	17.0		16.6	15.9	
EBITDA	436.2	445.8	–2.2	1,308.4	1,331.8	–1.8
Margin (% of sales)	29.8	31.6		30.5	31.2	
EBITDA pre one-time items	448.7	467.4	–4.0	1,338.7	1,379.9	–3.0
Margin (% of sales)	30.6	33.1		31.2	32.3	
Business free cash flow	377.3	512.0	–26.3	1,194.6	1,337.7	–10.7

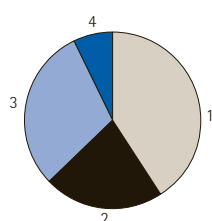
¹ The previous year's figures have been adjusted, see "The Merck Group and its divisions".

Development of sales and results of operations

In the third quarter of 2014, the Merck Serono division generated organic sales growth of 4.5%. Taking negative exchange rate effects of –0.8% into account, divisional sales rose overall by 3.7% to € 1,465 million (Q3 2013: € 1,413 million). Nearly all the franchises contributed to the division's organic sales growth. In particular drugs for the treatment of cancer (Erbix[®]), diabetes (Glucophage[®]), cardiovascular disease (Concor[®]) and thyroid disorders (Euthyrox[®]) as well as Gonal-f[®], a leading recombinant hormone used in the treatment of infertility, drove the development of organic sales in the third quarter of 2014.

Merck Serono | Sales by region – Q3 2014

€ million / % of divisional sales



1 Europe	594.2	41%
2 North America	327.2	22%
3 Emerging Markets	442.0	30%
4 Rest of World	101.2	7%

Europe, the division's top-selling region, posted slight organic sales growth of 1.1%, thereby generating sales of € 594 million (Q3 2013: € 588 million). At 41% (Q3 2013: 42%), Europe accounted for the largest proportion of the division's sales.

Emerging Markets, the division's second-largest region by sales, delivered strong organic growth of 14.0% but sustained a negative foreign exchange impact of –2.7%. Consequently, sales increased to € 442 million from € 397 million. In particular the products of the General Medicine franchise contributed to this growth, however Rebif[®], Erbix[®] and Gonal-f[®] also performed well. This region's share of divisional sales increased from 28% in the year-earlier quarter to 30% in the third quarter of 2014.

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Sales in North America amounted to € 327 million in the third quarter of 2014, which was at the previous year's level (Q3 2013: € 328 million). This reflects an organic sales decline of -1.1% and positive exchange rate effects of 0.8%. North America's contribution to divisional sales fell by one percentage point to 22%.

In the Rest of World region, sales grew organically by 5.3% in the third quarter of 2014. Including negative foreign exchange effects of -3.1%, sales thus rose to € 101 million (Q3 2013: € 99 million). Particularly sales of Gonal-f® developed well in this region. Once again, the Rest of World region contributed 7% to divisional sales.

Merck Serono | Sales components by region – Q3 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	594.2	1.1	-	-	1.0
North America	327.2	-1.1	0.8	-	-0.3
Emerging Markets	442.0	14.0	-2.7	-	11.3
Rest of World	101.2	5.3	-3.1	-	2.2
Merck Serono	1,464.6	4.5	-0.8	-	3.7

In the third quarter of 2014, sales of the two top-selling products of the Merck Serono division, Rebif® and Erbitux®, developed as follows:

Sales of Rebif®, which is used to treat relapsing forms of multiple sclerosis, increased organically by 1.7% in the third quarter of 2014 despite increasing competitive pressure from oral therapies. Taking adverse exchange rate effects of -0.4% into account, Rebif® sales rose by a total of 1.3% to € 466 million (Q3 2013: € 460 million). In North America, which generates 53% of overall Rebif® sales (Q3 2013: 53%) and is the product's largest market, sales increased slightly to € 248 million (Q3 2013: € 244 million). The price increases implemented last year compensated for lower sales volumes, leading to a slight organic sales increase of 0.5%. In Europe, which accounts for 38% of sales (Q3 2013: 39%) and is the second-largest region for the product, sales of Rebif® declined organically by -2.5% to € 176 million (Q3 2013: € 181 million) due to competition, however they were positively affected by a tender in eastern Europe. The Emerging Markets and Rest of World regions, which together accounted for a 9% share of sales (Q3 2013: 7%), registered strong organic sales growth in the third quarter of 2014.

With the oncology drug Erbitux®, the division generated organic sales growth of 6.5%, which even exceeded the strong year-earlier quarter. Taking negative currency effects of -2.5% into account, sales rose by 4.0% to € 232 million (Q3 2013: € 223 million). Merck Serono achieved organic sales increases in all three regions in which it holds the marketing rights. In Europe, where 54% of Erbitux® sales were generated (Q3 2013: 53%), making it the top-selling region for this product, Erbitux® sales grew organically by 5.5%. Coupled with slightly negative exchange rate effects of -0.5%, sales amounted to € 125 million (Q3 2013: € 119 million). At 11.7%, the Emerging Markets region generated the strongest organic growth for this oncology drug, delivering sales of € 68 million (Q3 2013: € 63 million). This region thus accounted for 29% of total Erbitux® sales (Q3 2013: 28%). Brazil, for example, was a significant contributor. In the Rest of World region, Erbitux® sales declined to € 39 million (Q3 2013: € 41 million), since organic growth of 1.1% was unable to offset negative foreign exchange effects of -5.0%. In Japan, sales did not reach the high growth rates that were achieved in previous quarters by the market launch in the head and neck cancer indication and are now included in the comparison basis. Nevertheless, sales grew organically by 2.7%.

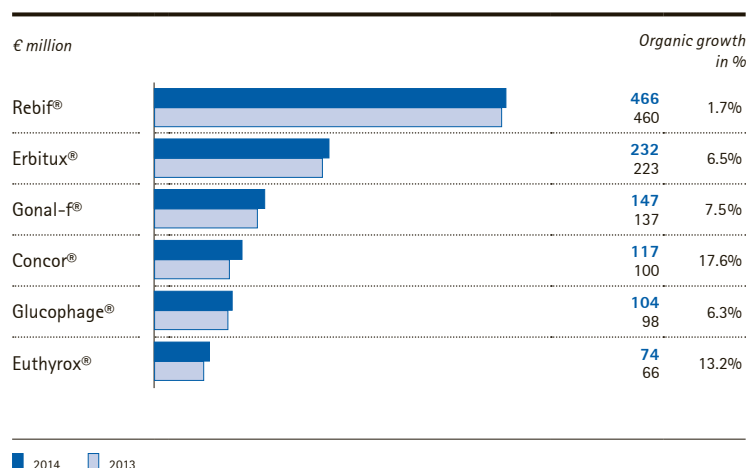
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Merck Serono | Sales and organic growth of Rebif® and Erbitux® by region – Q3 2014

	Total	Europe	North America	Emerging Markets	Rest of World
Rebif® € million	465.7	176.5	247.6	34.4	7.2
Organic growth in %	1.7	-2.5	0.5	32.8	24.8
% of sales	100	38	53	7	2
Erbitux® € million	231.5	125.0	-	67.5	39.0
Organic growth in %	6.5	5.5	-	11.7	1.1
% of sales	100	54	-	29	17

Sales and the organic growth rates of the other key products developed as follows:

Merck Serono | Sales and organic growth of key products – Q3 2014



In the third quarter of 2014, Merck Serono generated organic sales growth of 7.5% with Gonal-f®. Including slight adverse foreign exchange effects, sales increased by 7.0% to € 147 million (Q3 2013: € 137 million). Sales of Gonal-f® grew in all regions, with the highest absolute growth achieved in the Emerging Markets region.

The Endocrinology franchise, which mainly consists of products to treat metabolic and growth disorders, posted an organic sales decline of -2.8%. Including negative foreign exchange effects of -1.0%, sales amounted to € 99 million (Q3 2013: € 103 million). Sales of the growth hormone Saizen®, the top-selling product of this franchise, saw an organic increase of 0.5% as well as negative exchange rate effects of -1.8%. Consequently, sales almost reached the previous year's level of € 60 million.

The General Medicine franchise, which commercializes Merck Serono's products to treat cardiovascular diseases and diabetes, among others, generated organic sales growth of 7.2%. Organic sales of Concor® and products to treat thyroid disorders (Euthyrox®) developed well in the third quarter of 2014. Following declining sales of the diabetes treatment Glucophage® in the first half of 2014, the division posted an increase in sales of this product to € 104 million in the third quarter of 2014 (Q3 2013: € 98 million). Including negative exchange rate changes of -0.5%, sales by the General Medicine franchise amounted to € 440 million (Q3 2013: € 412 million).

In the first nine months of 2014, the division's sales slipped by 0.4 % to € 4,286 million (Jan.-Sept. 2013: € 4,269 million). Reported sales reflected organic growth of 3.9% and a foreign exchange impact of -3.5%. The division's sales of Rebif® totaled € 1,389 million in the first nine months of 2014 (Jan.-Sept. 2013: € 1,413 million). Despite organic growth of 1.3%, Rebif® sales declined by a total of -1.7% owing to

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negative foreign exchange effects. Sales of Erbitux® increased slightly by 1.6% to € 670 million (Jan.–Sept. 2013: € 659 million). Organic growth of 6.1% was partially offset by negative exchange rate effects. Organic sales growth was driven by all three regions in which Merck Serono holds the marketing rights to Erbitux®.

The Fertility business franchise, in which Gonal-f® is the top-selling product, reported sales of € 461 million (Jan.–Sept. 2013: € 438 million), reflecting organic sales growth of 8.8% and a foreign exchange impact of –3.7%. All four regions contributed to organic sales growth, primarily the Emerging Markets region. During the first nine months of 2014, the Endocrinology franchise generated sales of € 287 million (Jan.–Sept. 2013: € 296 million). Divisional sales of products from the General Medicine franchise (including CardioMetabolic Care) amounted to € 1,231 million (Jan.–Sept. 2013: € 1,228 million).

The division's results of operations developed as follows:

Merck Serono | Results of operations

€ million	Q3 – 2014	Q3 – 2013 ¹	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013 ¹	Change in %
Sales	1,464.6	1,412.8	3.7	4,285.9	4,269.1	0.4
Royalty, license and commission income	26.3	85.1	–69.1	136.8	271.3	–49.6
Total revenues	1,490.8	1,497.9	–0.5	4,422.6	4,540.5	–2.6
Cost of sales ²	–290.8	–250.4	16.1	–794.4	–738.8	7.5
(of which: amortization of intangible assets) ²	(–)	(–)	(–)	(–)	(–)	(–)
Gross profit²	1,200.0	1,247.5	–3.8	3,628.3	3,801.7	–4.6
Marketing and selling expenses ²	–432.6	–427.8	1.1	–1,321.7	–1,364.6	–3.1
(of which: amortization of intangible assets) ²	(–133.9)	(–143.7)	(–6.8)	(–419.5)	(–453.6)	(–7.5)
Royalty, license and commission expenses	–128.3	–139.3	–7.9	–393.8	–422.4	–6.8
Administration expenses	–55.4	–49.3	12.4	–163.6	–149.2	9.7
Other operating expenses and income	62.8	–95.0	–	–17.0	–275.8	–93.8
Research and development costs	–409.8	–295.7	38.6	–1,019.7	–912.7	11.7
Operating result (EBIT)	236.9	240.5	–1.5	712.4	677.1	5.2
Depreciation / Amortization / Reversals of impairments	199.3	205.3	–2.9	596.0	654.7	–9.0
(of which: one-time items)	(0.2)	(14.7)	(–98.4)	(4.1)	(45.2)	(–91.0)
EBITDA	436.2	445.8	–2.2	1,308.4	1,331.8	–1.8
Restructuring costs	12.0	19.7	–39.1	28.7	44.3	–35.2
Integration costs / IT costs	0.6	2.0	–71.7	1.7	3.9	–57.0
Gains / losses on the divestment of businesses	–	–	–	–	–	–
Acquisition costs	–	–	–	–	–	–
Other one-time items	–	–	–	–	–	–
EBITDA pre one-time items	448.7	467.4	–4.0	1,338.7	1,379.9	–3.0

¹ The previous year's figures have been adjusted, see "The Merck Group and its divisions".

² The disclosure of amortization of intangible assets (excluding software) has been changed.
See "Accounting policies" in the Notes to the Consolidated Financial Statements.

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Royalty, license and commission income, which besides sales is also reported as part of total revenues, dropped substantially in the third quarter of 2014 by –69.1% to € 26 million (Q3 2013: € 85 million). This was due primarily to lower royalty and license income from Humira® and Enbrel®. The agreement reached with Bristol-Myers Squibb in 2013 to co-promote Glucophage® in China had a slightly positive effect on commission income in comparison with the year-earlier quarter.

Taking into account the development of sales and total revenues as well as cost of sales, the gross profit of the Merck Serono division fell by around € –47 million to € 1,200 million, leading to a gross margin of 81.9% (Q3 2013: 88.3%). This decrease was primarily due to lower royalty, license and commission income but also to stronger sales growth in regions with lower margins as well as production and supply bottlenecks for some products. The development of other operating expenses and income (net) in the third quarter of 2014 mainly reflected the adjustment of provisions for litigation (see also "Verbal agreement on the resolution of the legal disputes with IBEP" in the Notes to the Consolidated Financial Statements), the decline in allowances for receivables as well as the reduction in one-time expenses. Conversely, other operating expenses and income were impacted in the third quarter of 2014 by impairments of intangible assets in connection with the discontinuation of the clinical development program for tecemotide (also known as L-BLP25), an investigational antigen-specific cancer immunotherapy (see also "Discontinuation of the clinical development programs for tecemotide and plovamer acetate" in the Notes to the Consolidated Financial Statements). The increase in research and development spending was largely due to one-time effects resulting from the discontinuation of the clinical development programs for tecemotide and plovamer acetate. In addition, investments in the Biosimilars pipeline led to higher research and development costs. The division's research spending ratio thus increased in the third quarter of 2014 to 28.0% (Q3 2013: 20.9%). After eliminating depreciation and amortization, and adjusted for one-time items, EBITDA pre one-time items declined by –4.0% to € 449 million and the EBITDA margin pre one-time items was 30.6% (Q3 2013: 33.1%).

In the first nine months of 2014, Merck Serono recorded EBITDA pre one-time items of € 1,339 million. The decrease of –3.0% in this key performance indicator reflects, among other things, the negative impact of exchange rate developments on earnings as well as the decline in royalty and license income. The EBITDA margin pre one-time items fell to 31.2% (Jan.–Sept. 2013: 32.3%).

Development of business free cash flow

Business free cash flow of the Merck Serono division fell significantly in the third quarter of 2014 by € –135 million to € 377 million (Q3 2013: € 512 million). The changes in trade accounts receivable had the strongest impact on the development of this indicator. Whereas in the year-earlier quarter, cash generated by the decline in receivables amounted to € 98 million, in the third quarter of 2014, cash used owing to the increase in receivables was € –17 million.

Merck Serono | Business free cash flow

€ million	Q3 – 2014	Q3 – 2013 ¹	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013 ¹	Change in %
EBITDA pre one-time items	448.7	467.4	–4.0	1,338.7	1,379.9	–3.0
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–52.1	–40.3	29.1	–119.7	–91.1	31.4
Changes in inventories	–2.6	–12.8	–79.4	–12.1	–17.4	–30.6
Changes in trade accounts receivable	–16.7	97.8	–	–12.3	66.3	–118.6
Business free cash flow	377.3	512.0	–26.3	1,194.6	1,337.7	–10.7

¹ The previous year's figures have been adjusted, see "The Merck Group and its divisions".

Owing to the weaker business free cash flow in the second and third quarters of 2014, the division could not achieve the year-earlier figure in the first nine months of 2014. Accordingly, business free cash flow declined by € –143 million or –10.7% to € 1,195 million in the first nine months of 2014.

→ Course of business
and economic position

Consumer Health

Consumer Health | Key figures

€ million	Q3 – 2014	Q3 – 2013 ¹	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013 ¹	Change in %
Total revenues	205.0	201.7	1.6	570.6	563.6	1.2
Sales	204.1	201.2	1.5	569.1	561.8	1.3
Operating result (EBIT)	42.1	55.1	–23.7	115.7	126.1	–8.2
Margin (% of sales)	20.6	27.4		20.3	22.4	
EBITDA	44.6	57.1	–21.9	123.0	133.0	–7.5
Margin (% of sales)	21.8	28.4		21.6	23.7	
EBITDA pre one-time items	48.6	58.2	–16.5	131.2	132.9	–1.3
Margin (% of sales)	23.8	28.9		23.1	23.7	
Business free cash flow	13.2	36.9	–64.1	65.6	108.7	–39.6

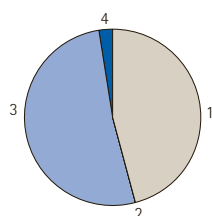
¹ The previous year's figures have been adjusted, see "The Merck Group and its divisions".

Development of sales and results of operations

In the third quarter of 2014, sales of the Consumer Health division increased in comparison with a relatively strong year-earlier quarter by 1.5% to € 204 million (Q3 2013: € 201 million). Organic sales growth of 1.4% was mainly achieved with the strategic brands Neurobion®, Femibion® and Seven Seas as well as with local brands in Germany. Positive and negative exchange rate effects largely offset each other in the third quarter of 2014.

Consumer Health | Sales by region – Q3 2014

€ million / % of divisional sales



1 Europe	93.8	46%
2 North America	0.2	0%
3 Emerging Markets	105.4	52%
4 Rest of World	4.7	2%

From a geographic perspective, the division's key regions, namely Europe and Emerging Markets, delivered slight organic growth rates. The Emerging Markets region, which accounts for 52% of sales (Q3 2013: 51%) and is thus the division's largest region, generated organic sales growth of 4.0%. Including slightly negative exchange rate effects of –0.6%, sales in this region amounted to € 105 million (Q3 2013: € 102 million). The strategic brands Neurobion® and Seven Seas® were the main sales growth drivers. For instance in Brazil, the focus on consumer-oriented marketing activities had a positive effect on sales of Neurobion® and Floratil®.

In Europe, the Consumer Health division saw sales growth of 0.8% supported by positive foreign exchange effects of 1.0%, which led to an increase in sales to € 94 million (Q3 2013: € 93 million). Strong sales volumes of the pregnancy vitamin Femibion®, local brands in Germany as well as Apaisyl®, a local French brand of insect repellent and skin care products, compensated for weaker demand for Nasivin® and Kytta®. The share of divisional sales accounted for by Europe remained constant at 46%.

→ [Course of business](#)
and [economic position](#)

Consumer Health | Sales components by region – Q3 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	93.8	-0.2	1.0	-	0.8
North America	0.2	-67.5	2.4	-	-65.0
Emerging Markets	105.4	4.0	-0.6	-	3.4
Rest of World	4.7	-12.5	-3.1	-	-15.6
Consumer Health	204.1	1.4	0.1	-	1.5

In the first nine months of 2014, the Consumer Health division increased its sales slightly by 1.3% to € 569 million (Jan.-Sept. 2013: € 562 million). This was attributable to organic sales growth of 5.0% along with a negative foreign exchange impact of -3.7%. The division's two most important regions, Emerging Markets and Europe, both delivered organic sales increases; the growth rates were 7.7% and 3.4% respectively. In particular, demand for the products sold under the strategic brands Femibion® and Neurobion® significantly supported organic sales growth in both regions. In addition, organic increases in sales of local brands compensated in Europe for weaker demand for Nasivin® and Bion®.

The results of operations of the Consumer Health division developed as follows:

Consumer Health | Results of operations

€ million	Q3 – 2014	Q3 – 2013 ¹	Change in %	Jan.-Sept. 2014	Jan.-Sept. 2013 ¹	Change in %
Sales	204.1	201.2	1.5	569.1	561.8	1.3
Royalty, license and commission income	0.9	0.5	73.4	1.5	1.8	-18.4
Total revenues	205.0	201.7	1.6	570.6	563.6	1.2
Cost of sales ²	-63.2	-60.6	4.2	-182.5	-179.9	1.4
(of which: amortization of intangible assets) ²	(-)	(-)	(-)	(-)	(-)	(-)
Gross profit²	141.8	141.1	0.5	388.1	383.7	1.2
Marketing and selling expenses ²	-77.4	-72.1	7.3	-216.8	-214.7	1.0
(of which: amortization of intangible assets) ²	(-0.7)	(-0.6)	(19.0)	(-2.0)	(-1.7)	(17.3)
Royalty, license and commission expenses	-1.7	-0.6	-	-2.5	-1.7	50.7
Administration expenses	-7.1	-6.0	19.5	-20.0	-18.1	10.3
Other operating expenses and income	-8.4	-1.7	-	-18.3	-5.9	-
Research and development costs	-5.1	-5.7	-9.2	-14.8	-17.3	-14.2
Operating result (EBIT)	42.1	55.1	-23.7	115.7	126.1	-8.2
Depreciation / Amortization / Reversals of impairments	2.5	1.9	28.0	7.3	6.9	4.9
(of which: one-time items)	(-)	(-)	(-)	(-)	(-)	(-)
EBITDA	44.6	57.1	-21.9	123.0	133.0	-7.5
Restructuring costs	4.0	1.0	-	8.2	-0.2	-
Integration costs / IT costs	-	-	-	-	-	-
Gains / losses on the divestment of businesses	-	-	-	-	-	-
Acquisition costs	-	-	-	-	-	-
Other one-time items	-	0.1	-	-	0.1	-
EBITDA pre one-time items	48.6	58.2	-16.5	131.2	132.9	-1.3

¹ The previous year's figures have been adjusted, see "The Merck Group and its divisions".

² The disclosure of amortization of intangible assets (excluding software) has been changed. See "Accounting policies" in the Notes to the Consolidated Financial Statements.

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In the third quarter of 2014, the division's gross profit rose slightly by 0.5% to € 142 million. Therefore, at 69.5%, the gross margin roughly reached the year-earlier quarter (Q3 2013: 70.1%). Higher marketing and selling expenses were mainly related to the implementation of the division's consumer-oriented marketing concept to strengthen the strategic brands. The change in other operating expenses (net) to € -8 million (Q3 2013: € -2 million) was mainly attributable to one-time items for restructuring measures. Adjusted for amortization and one-time items, the Consumer Health division reported EBITDA pre one-time items of € 49 million (Q3 2013: € 58 million), exceeding the profitability level attained in the first two quarters of 2014. The EBITDA margin pre one-time items was 23.8% (Q3 2013: 28.9%)

In the first nine months of 2014, the division generated EBITDA pre one-time items of € 131 million, which fell just short of the year-earlier period. The resulting EBITDA pre margin slipped to 23.1% (Jan.-Sept. 2013: 23.7%).

Development of business free cash flow

In the third quarter of 2014, business free cash flow of the Consumer Health division decreased by € -24 million to € 13 million. This development was mainly the result of the decline in EBITDA pre one-time items as well as the stronger increase in trade accounts receivable and inventories in the third quarter of 2014 in comparison with the year-earlier quarter.

Consumer Health | Business free cash flow

€ million	Q3 - 2014	Q3 - 2013 ¹	Change in %	Jan.-Sept. 2014	Jan.-Sept. 2013 ¹	Change in %
EBITDA pre one-time items	48.6	58.2	-16.5	131.2	132.9	-1.3
Investments in property, plant and equipment, software as well as advance payments for intangible assets	-2.0	-0.7	162.3	-5.1	-2.2	131.8
Changes in inventories	-7.8	-2.4	-	-14.6	-2.4	-
Changes in trade accounts receivable	-25.5	-18.1	41.1	-45.9	-19.7	133.4
Business free cash flow	13.2	36.9	-64.1	65.6	108.7	-39.6

¹ The previous year's figures have been adjusted, see "The Merck Group and its divisions".

In the first nine months of 2014, business free cash flow declined by -39.6% or € -43 million to € 66 million (Jan.-Sept. 2013: € 109 million).

→ Course of business
and economic position

Performance Materials

Performance Materials | Key figures

€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
Total revenues	576.1	406.7	41.7	1,484.8	1,260.5	17.8
Sales	576.1	406.5	41.7	1,484.0	1,258.9	17.9
Operating result (EBIT)	152.1	176.6	–13.9	441.3	519.3	–15.0
Margin (% of sales)	26.4	43.5		29.7	41.3	
EBITDA	217.6	202.2	7.6	574.5	610.6	–5.9
Margin (% of sales)	37.8	49.7		38.7	48.5	
EBITDA pre one-time items	242.9	196.8	23.4	655.7	613.2	6.9
Margin (% of sales)	42.2	48.4		44.2	48.7	
Business free cash flow	166.9	219.9	–24.1	511.8	620.8	–17.6

Development of sales and results of operations

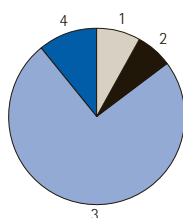
In the third quarter of 2014, sales of the Performance Materials division soared by 41.7% to € 576 million (Q3 2013: € 406 million). Both good organic growth of 7.0% as well as acquisition-related sales increases of 35.0% or € 142 million contributed to this rise. Negative foreign exchange effects of –0.2% only had a slight impact on sales in the third quarter of 2014. Organic growth was mainly delivered by the Liquid Crystals business unit. The acquisition-related sales growth was due to the first-time consolidation on May 2, 2014 of AZ Electronic Materials, the integration of which is proceeding according to plan.

The Liquid Crystals business unit again maintained its market leadership position in liquid crystal materials in the third quarter of 2014. The two leading technologies, i.e. PS-VA and IPS, registered strong organic sales growth thanks to the continuing demand for high-quality and large-format televisions. This growth was bolstered by sales volume developments of the new UB-FFS technology, which is mainly used in smartphones and tablet PCs. Higher sales volumes were partly offset by the customary price declines in liquid crystals.

The Pigments & Cosmetics business unit posted a slight organic sales decline in the third quarter of 2014. Despite the continued strong sales performance of Xirallic® pigments, which are primarily used in automotive coatings, weaker demand for other materials led overall to slightly lower sales.

Performance Materials | Sales by region – Q3 2014

€ million / % of divisional sales



1 Europe	47.4	8%
2 North America	38.8	7%
3 Emerging Markets	427.6	74%
4 Rest of World	62.3	11%

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Accounting for 74% of sales (Q3 2013: 76%), the Emerging Markets region again generated the vast majority of the division's sales. This is due to the concentration of customers for liquid crystals as well as high-tech materials from the new AZ business unit in Asia. The division achieved organic sales growth of 7.7% in this region. Sales in the Emerging Markets region rose by 30.4% due to the acquisition of AZ. Taking positive foreign exchange effects of 0.5% into account, sales in this region rose overall to € 428 million (Q3 2013: € 309 million).

The Rest of World region, which is dominated by Japan, recorded organic sales growth of 17.4%. The acquisition of AZ contributed to 48.0% of that growth. Including currency headwinds of -7.2%, this resulted in sales of € 62 million (Q3 2013: € 39 million). The share of sales attributable to the Rest of World region thus rose by one percentage point to 11%.

In the third quarter of 2014, the division posted sales of € 47 million (Q3 2013: € 37 million) in Europe. Consequently, Europe's share of divisional sales was 8% (Q3 2013: 9%). The Pigments & Cosmetics business unit generated organic growth of 0.6%, which was due, among other things, to the demand for Xirallic® pigments. Owing to the first-time consolidation of AZ, sales in Europe increased by 26.9%. In North America, third-quarter sales soared by 80.8% to € 39 million (Q3 2013: € 21 million). This was driven by the acquisition-related sales increase of 90.7%. Organically, sales declined by -11.3% owing to weaker demand from the cosmetics industry. Consequently, the region contributed 7% to divisional sales in the third quarter of 2014 (Q3 2013: 5%).

Performance Materials | Sales components by region – Q3 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	47.4	0.6	0.3	26.9	27.8
North America	38.8	-11.3	1.5	90.7	80.8
Emerging Markets	427.6	7.7	0.5	30.4	38.6
Rest of World	62.3	17.4	-7.2	48.0	58.1
Performance Materials	576.1	7.0	-0.2	35.0	41.7

In the first nine months of 2014, divisional sales increased to € 1,484 million (Jan.-Sept. 2013: € 1,259 million). This strong growth was attributable to an organic increase of 3.3% as well as to an acquisition-related increase of 18.3%. By contrast, a negative foreign exchange impact of -3.7% lowered divisional sales. Thanks to continued strong demand from display manufacturers, sales volumes of liquid crystals developed well in the first nine months of 2014, resulting in slight organic sales growth. However, taking into account negative foreign exchange effects, which were primarily due to exchange rate developments in the first half of 2014, the Liquid Crystals business unit did not reach the previous year's sales level. The development of sales in the Pigments & Cosmetics business unit was also impacted by negative exchange rate effects in the first nine months of 2014. Although moderate organic sales growth was achieved, this could not compensate for the adverse foreign exchange impact. Including the sales of AZ, which amounted to € 231 million for the period from May to September 2014, divisional sales rose by a total of 17.9% in the first nine months of 2014.

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The results of operations developed as follows:

Performance Materials | Results of operations

€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013 ¹	Change in %
Sales	576.1	406.5	41.7	1,484.0	1,258.9	17.9
Royalty, license and commission income	–	0.2	–81.5	0.8	1.6	–53.9
Total revenues	576.1	406.7	41.7	1,484.8	1,260.5	17.8
Cost of sales ¹	–300.9	–148.8	102.3	–704.0	–465.6	51.2
(of which: amortization of intangible assets) ¹	(–18.1)	(–0.2)	(–)	(–19.4)	(–0.5)	(–)
Gross profit¹	275.2	257.9	6.7	780.8	794.9	–1.8
Marketing and selling expenses ¹	–44.9	–38.2	17.8	–129.5	–117.4	10.3
(of which: amortization of intangible assets) ¹	(–3.5)	(–3.3)	(4.0)	(–10.4)	(–10.1)	(2.8)
Royalty, license and commission expenses	–0.6	–0.3	130.1	–2.3	–1.1	111.6
Administration expenses	–18.4	–7.0	161.6	–40.9	–21.8	87.3
Other operating expenses and income	–13.9	1.0	–	–46.8	–28.7	62.9
Research and development costs	–45.2	–36.8	22.8	–120.1	–106.6	12.6
Operating result (EBIT)	152.1	176.6	–13.9	441.3	519.3	–15.0
Depreciation / Amortization / Reversals of impairments	65.5	25.5	156.4	133.2	91.3	45.9
(of which: one-time items)	(–)	(–)	(–)	(–)	(0.7)	(–)
EBITDA	217.6	202.2	7.6	574.5	610.6	–5.9
Restructuring costs	1.2	1.7	–31.8	4.5	8.5	–47.0
Integration costs / IT costs	3.0	0.8	–	4.5	1.9	135.4
Gains / losses on the divestment of businesses	0.1	–	–	4.5	–	–
Acquisition costs	21.1	–	–	67.7	–	–
Other one-time items	–	–7.9	–	–	–7.8	–
EBITDA pre one-time items	242.9	196.8	23.4	655.7	613.2	6.9

¹ The disclosure of amortization of intangible assets (excluding software) has been changed.
See "Accounting policies" in the Notes to the Consolidated Financial Statements.

The development of results of operations was significantly influenced by the consolidation of AZ. In particular, the sharp increase in cost of sales in the third quarter of 2014 related mainly to the first-time consolidation of AZ. The AZ inventories from the acquisition were stepped up to fair values on the date of first-time consolidation. In the third quarter of 2014, € 15 million of this step-up was recognized as an expense and included in cost of sales. In addition, cost of sales rose due to the amortization of intangible assets in connection with the AZ purchase price allocation. These one-time expenses lowered the consolidated contribution of AZ to gross profit. The division's gross margin correspondingly declined to 47.8 % (Q3 2013: 63.5%). The decrease in the operating result (EBIT) as well as EBITDA to € 152 million and € 218 million, respectively, was due among other things to the described AZ inventory revaluation, which was recognized as an expense. During the determination of EBITDA pre one-time items, this one-time effect from the inventory revaluation was added back. EBITDA pre one-time items therefore includes the adjusted amount from AZ. Including the very successful business performance of Liquid Crystals, EBITDA pre one-time items rose in the third quarter by 23.4% to € 243 million. The EBITDA margin pre one-time items fell to 42.2 % (Q3 2013: 48.4%), reflecting the lower margin of the AZ business, among other things.

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Thanks to the division's strong performance in the third quarter of 2014, EBITDA pre one-time items increased by 6.9% to € 656 million in the nine-month period. Expressed as a percentage of sales, this resulted in an EBITDA margin pre one-time items of 44.2% (Jan.–Sept. 2013: 48.7%).

Development of business free cash flow

In the third quarter of 2014, the Performance Materials division generated business free cash flow of € 167 million (Q3 2013: € 220 million). The decline of € –53 million was attributable to higher capital spending as well as the increase in inventories and trade accounts receivable.

Performance Materials | Business free cash flow

€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
EBITDA pre one-time items	242.9	196.8	23.4	655.7	613.2	6.9
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–27.7	–14.6	89.3	–58.5	–37.3	56.9
Changes in inventories	–2.1	3.7	–	–91.7	21.9	–
Changes in trade accounts receivable	–26.4	34.0	–177.7	–138.3	23.1	–
Adjustments first-time consolidation of AZ Electronic Materials	–19.8	–	–	144.6	–	–
Business free cash flow	166.9	219.9	–24.1	511.8	620.8	–17.6

In the first nine months of 2014, the division generated business free cash flow of € 512 million (Jan.–Sept. 2013: € 621 million), which represented a decline of € –109 million.

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Merck Millipore

Merck Millipore | Key figures

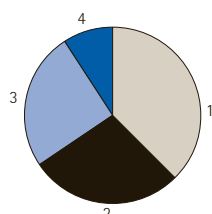
€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
Total revenues	664.4	645.5	2.9	1,986.3	1,988.8	–0.1
Sales	660.8	639.0	3.4	1,976.0	1,974.0	0.1
Operating result (EBIT)	71.7	66.6	7.7	233.9	211.3	10.7
Margin (% of sales)	10.9	10.4		11.8	10.7	
EBITDA	149.6	144.7	3.4	463.7	444.4	4.3
Margin (% of sales)	22.6	22.6		23.5	22.5	
EBITDA pre one-time items	160.5	157.2	2.1	495.9	475.0	4.4
Margin (% of sales)	24.3	24.6		25.1	24.1	
Business free cash flow	108.5	139.0	–21.9	288.4	376.8	–23.4

Development of sales and results of operations

In the third quarter, the Merck Millipore division again posted solid organic sales growth of 4.5%, which was mainly driven by the positive business development of Process Solutions. The organic increase was countered by insignificant negative foreign exchange effects of –0.1% as well as the divestment of the Discovery and Development Solutions business field as of March 31, 2014 (–1.0%). Taking these effects into account, divisional sales increased overall by 3.4% to € 661 million (Q3 2013: € 639 million).

Merck Millipore | Sales by region – Q3 2014

€ million / % of divisional sales



1 Europe	248.0	38%
2 North America	186.7	28%
3 Emerging Markets	167.0	25%
4 Rest of World	59.0	9%

Merck Millipore posted organic sales growth in all regions in the third quarter of 2014. Accounting for an unchanged 38% of divisional sales, Europe remained the division's largest geographic market, delivering organic growth of 3.2% and sales of € 248 million (Q3 2013: € 241 million). In this region, the strong sales increases achieved by the Process Solutions business area more than offset the slightly weaker business of the two other business areas Lab Solutions and Bioscience in a few countries.

In North America, the division's business developed positively with good organic sales growth of 8.3%. The stronger U.S. dollar in the third quarter resulted in a slight sales increase of 0.9% due to currency translation. Taking divestment-related sales declines of –2.5% into account, sales in North America rose to € 187 million (Q3 2013: € 175 million), which represented a share of 28% (Q3 2013: 27%) of Merck Millipore's global sales in the third quarter of 2014. The organic sales growth in North America was mainly attributable to the Process Solutions business area and its products for biopharmaceutical manufacturing.

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In the Emerging Markets region, the Merck Millipore division generated organic growth of 2.8% in comparison with a strong year-earlier basis, thus delivering a slight increase in sales to € 167 million (Q3 2013: € 164 million). In particular, Lab Solutions increased its sales in Latin American markets. The share of divisional sales accounted for by the Emerging Markets region correspondingly amounted to 25% (Q3 2013: 26%).

As a result of currency headwinds of -4.3%, which could not be completely compensated for by organic sales increases, sales in the Rest of World region declined slightly to € 59 million (Q3 2013: € 60 million). Therefore, this region's share of total divisional sales remained at 9% as in the year-ago quarter.

Merck Millipore | Sales components by region – Q3 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	248.0	3.2	0.4	-0.5	3.1
North America	186.7	8.3	0.9	-2.5	6.7
Emerging Markets	167.0	2.8	-0.5	-0.2	2.1
Rest of World	59.0	3.8	-4.3	-0.6	-1.1
Merck Millipore	660.8	4.5	-0.1	-1.0	3.4

In the third quarter of 2014, sales developments varied in the three business areas. The Process Solutions business area, which primarily markets products and services for the pharmaceutical production value chain, generated very strong organic sales growth of 10.5%. This was mainly driven by increasing demand from the biopharmaceutical manufacturing industry for purification and sterilization solutions. Taking divestment-related declines into account, sales amounted to € 295 million (Q3 2013: € 273 million). The share of divisional sales generated by Process Solutions thus rose by two percentage points to 45% (Q3 2013: 43%).

Lab Solutions, which markets a broad range of products for researchers and scientific laboratories and accounted for a 40% share (Q3 2013: 42%) of divisional sales, nearly maintained its sales at the year-earlier level at € 268 million (Q3 2013: € 269 million). Higher sales of Lab Water products were offset by lower sales of laboratory chemicals.

The Bioscience business area, which primarily markets products and services for academic and pharmaceutical research laboratories, posted sales of € 97 million (Q3 2013: € 97 million) amid slightly positive currency translation effects and an organic sales decline of -0.3%. The impact of across-the-board health care spending cuts in the United States as well as lower demand for antibodies in Europe and North America weighed on the business area whereas higher demand from diagnostic laboratories for cell analysis systems (Amnis®, Guava®) had a positive effect. The business area's share of divisional sales was unchanged at 15% in the third quarter of 2014.

Merck Millipore | Sales components by business area – Q3 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Bioscience	97.4	-0.3	0.5	-	0.2
Lab Solutions	268.0	0.2	-0.6	-	-0.4
Process Solutions	295.5	10.5	-	-2.3	8.3

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In the first nine months of 2014, sales of the Merck Millipore division were virtually unchanged at € 1,976 million (Jan.–Sept. 2013: € 1,974 million). The division delivered organic sales growth of 4.1%. This was driven mainly by the Process Solutions business area, which generated organic growth of 8.4%. While Lab Solutions also contributed to the division's organic growth (1.2%), the Bioscience business area reported a slight organic sales decline of –0.3%. The divestment of the Discovery and Development Solutions business field impacted sales by –0.6% in the first nine months of 2014.

The results of operations of the Merck Millipore division developed as follows:

Merck Millipore | Results of operations

€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
Sales	660.8	639.0	3.4	1,976.0	1,974.0	0.1
Royalty, license and commission income	3.6	6.5	–44.2	10.3	14.8	–30.1
Total revenues	664.4	645.5	2.9	1,986.3	1,988.8	–0.1
Cost of sales ¹	–292.1	–274.5	6.4	–854.6	–864.4	–1.1
(of which: amortization of intangible assets) ¹	(–11.9)	(–11.9)	(0.1)	(–35.6)	(–36.2)	(–1.7)
Gross profit¹	372.3	370.9	0.4	1,131.8	1,124.4	0.7
Marketing and selling expenses ¹	–205.6	–209.2	–1.7	–613.2	–628.9	–2.5
(of which: amortization of intangible assets) ¹	(–38.1)	(–38.0)	(0.4)	(–113.0)	(–114.6)	(–1.4)
Royalty, license and commission expenses	–3.9	–4.3	–9.2	–11.4	–12.1	–6.1
Administration expenses	–26.3	–24.9	5.7	–80.7	–74.6	8.1
Other operating expenses and income	–23.0	–25.6	–10.1	–73.1	–76.0	–3.8
Research and development costs	–41.8	–40.4	3.6	–119.5	–121.4	–1.5
Operating result (EBIT)	71.7	66.6	7.7	233.9	211.3	10.7
Depreciation / Amortization / Reversals of impairments	77.9	78.1	–0.2	229.8	233.1	–1.4
(of which: one-time items)	(–)	(–)	(–)	(–)	(–)	(–)
EBITDA	149.6	144.7	3.4	463.7	444.4	4.3
Restructuring costs	2.0	3.9	–48.4	7.4	12.6	–40.8
Integration costs / IT costs	9.0	6.1	46.1	25.1	14.6	71.6
Gains / losses on the divestment of businesses	–0.1	–	–	–0.3	–	–
Acquisition costs	–	–	–	–	–	–
Other one-time items	–	2.4	–	–	3.4	–
EBITDA pre one-time items	160.5	157.2	2.1	495.9	475.0	4.4

¹ The disclosure of amortization of intangible assets (excluding software) has been changed.
See "Accounting policies" in the Notes to the Consolidated Financial Statements.

In the third quarter of 2014, gross profit increased slightly by 0.4% to € 372 million despite lower royalty, license and commission income. Growing volume demand, especially in Process Solutions, led to higher cost of sales and a gross margin of 56.3% (Q3 2013: 58.1%). In comparison with the year-earlier quarter, Merck Millipore increased its operating result (EBIT) by 7.7% to € 72 million. After eliminating depreciation and amortization, and adjusting for one-time items, EBITDA pre one-time items, the most important performance indicator, climbed 2.1% to € 161 million. This resulted in a stable EBITDA pre margin of 24.3% (Q3 2013: 24.6%).

In the first nine months of 2014, EBITDA pre one-time items of the Merck Millipore division rose by € 21 million, or 4.4%, to € 496 million, reflecting the solid development of the operating business as well as cost control in marketing and sales. In comparison with the year-earlier period, the EBITDA pre margin increased to 25.1% (Jan.–Sept. 2013: 24.1%).

→ [Course of business
and economic position](#)

Development of business free cash flow

In the third quarter of 2014, the Merck Millipore division generated business free cash flow of € 109 million (Q3 2013: € 139 million). The decline of around € –30 million was primarily attributable to higher capital spending in the reporting period. In addition, the reduction in trade accounts receivable was not as strong as in the year-ago quarter.

Merck Millipore | Business free cash flow

€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
EBITDA pre one-time items	160.5	157.2	2.1	495.9	475.0	4.4
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–46.0	–27.2	69.3	–93.5	–56.0	66.8
Changes in inventories	–24.5	–21.1	16.3	–63.4	–33.8	87.8
Changes in trade accounts receivable	18.5	30.1	–38.5	–50.6	–8.4	–
Business free cash flow	108.5	139.0	–21.9	288.4	376.8	–23.4

In the first nine months of 2014, the division's business free cash flow declined by –23.4%, or € –88 million, to € 288 million (Jan.–Sept. 2013: € 377 million).

→ [Course of business](#)
and [economic position](#)

Corporate and Other

Corporate and Other comprises Group administration expenses for Group functions that cannot be directly allocated to the divisions, such as Finance, Procurement, Legal, Communications, and Human Resources. Corporate costs additionally encompass expenses for central, non-allocated IT functions, including expenses related to the expansion and harmonization of IT systems within the Merck Group. Accordingly, Corporate and Other has no sales to report. Gains or losses on currency hedging are also disclosed in Corporate and Other.

Corporate and Other | Key figures

€ million	Q3 – 2014	Q3 – 2013	Change in %	Jan.–Sept. 2014	Jan.–Sept. 2013	Change in %
Operating result (EBIT)	–73.8	–57.0	29.5	–165.1	–187.3	–11.8
EBITDA	–66.5	–53.3	24.7	–150.9	–176.5	–14.5
EBITDA pre one-time items	–44.1	–48.9	–9.9	–112.2	–142.9	–21.5
Business free cash flow	–51.9	–55.0	–5.6	–130.1	–214.4	–39.3

In the third quarter of 2014, administration expenses reported under Corporate and Other decreased slightly to € 49 million (Q3 2013: € 50 million). Other operating expenses (net) rose to € –22 million (Q3 2013: € –7 million). This increase was mainly attributable to the development of one-time expenses, which rose from € –4 million in the year-earlier period to € –22 million. In this connection, mention should be made of one-time expenses for IT costs, in particular, which rose from € –2 million to € –11 million. Taking these effects into account, in the third quarter EBIT amounted to € –74 million (Q3 2013: € –57 million) and EBITDA was € –66 million (Q3 2013: € –53 million). Adjusted for one-time effects, EBITDA pre one-time items amounted to € –44 million (Q3 2013: € –49 million). This also had an impact on the development of business free cash flow, which improved to € –52 million (Q3 2013: € –55 million).

In the first nine months of 2014, EBITDA pre one-time items of Corporate and Other totaled € –112 million (Jan.–Sept. 2013: € –143 million). Business free cash flow also improved considerably and amounted to € –130 million (Jan.–Sept. 2013: € –214 million).

Report on Risks and Opportunities

As a global company with a variety of highly innovative business fields, the Merck Group is exposed to potential risks and opportunities. The risk categories presented as well as the opportunities described in the Report on Risks and Opportunities found on pages 120 to 137 of the Annual Report for 2013 remain valid for the Merck Group in the current reporting period.

As reported in the second quarter of 2014, the risk of an important ban on products to the United States due to a warning letter from the United States Food and Drug Administration (FDA) in connection with inspections of production facilities in Tiburtina (Italy) as well as Aubonne and Vevey (Switzerland) was eliminated. The corrective actions taken by Merck are considered to be adequate by the FDA. The FDA has formally closed out the procedure.

As of the reporting date, Merck is still party to legal disputes with Israel Bio-Engineering Project Limited Partnership ("IBEP"). IBEP is asserting claims for property rights and the payment of license fees for the past and the future. The legal disputes are connected to the financing of the development of medical research projects in the early 1980s. In August 2014, Merck reached a verbal agreement with IBEP to settle the legal disputes by paying a sum of money. This verbal agreement is expected to be confirmed in writing in the fourth quarter of 2014.

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, control and mitigate potential risks. Merck continuously monitors business risks such as issues regarding liquidity, defaults on payables and receivables, currency and interest rates, market pricing, pension obligations, assessment of independent rating agencies, human resources, and information technology. Regarding legal risks, Merck monitors a host of potential issues such as litigation regarding product liability, antitrust law, pharmaceutical law, patent law and environmental protection.

Report on Expected Developments

Owing to the good business performance in the first nine months and the very good organic sales growth in the third quarter, Merck is raising its sales forecast for the full year 2014 and expects to achieve slight organic sales growth compared to the previous year. Due to the successful acquisition of AZ Electronic Materials (AZ) and the related portfolio effect, Merck assumes overall that sales will increase to approximately € 11.0–€ 11.2 billion. With respect to the development of sales, we are taking into account negative foreign exchange effects of approximately 3% compared to the previous year and resulting from a decline in the value of the Japanese yen and especially Latin American currencies. As a result of the significant decline in the value of the euro against the U.S. dollar in the third quarter of 2014, we expect for the full year 2014 a U.S. dollar-euro exchange rate that is approximately at the previous year's level.

Based on business performance in the first three quarters of 2014, Merck reiterates its forecast for EBITDA pre one-time items for the full year 2014. The planned efficiency increases should be able to offset the effects of the decline in royalty, license and commission income as well as the negative impact of foreign currency. Merck therefore expects EBITDA pre one-time items to grow moderately in comparison with the previous year as a result of the acquisition of AZ. Business free cash flow is forecast to decrease slightly in 2014 due to investments in growth projects, as well as against the background of the high level of repayments of overdue trade accounts receivable of southern European hospitals in the previous year.

Subsequent to the underlying organic sales growth in the first nine months of 2014, we expect slight organic sales growth in the Merck Serono division for the full year as well. We still expect a slight year-on-year decline in EBITDA pre one-time items of Merck Serono, particularly as a result of the expected decline in royalty, license and commission income, which will have a net effect of approximately € –100 million versus 2013.

For the Consumer Health division, we continue to forecast moderate organic sales growth in 2014. We expect that all regions and especially the core strategic brands to contribute to sales growth. EBITDA pre one-time items should likewise increase slightly in 2014 as a result of positive sales developments.

We expect that the Performance Materials division will achieve slight organic sales growth in 2014. In the Liquid Crystals business unit, we assume an expected strong volume increase amid the customary price decline for established products. Merck sees a slightly weaker than expected development of the Pigments & Cosmetics business unit, for which organic sales are forecast to reach the year-earlier level. As a result of the acquisition of AZ, overall Merck expects sales of the Performance Materials division to increase substantially despite slightly negative foreign exchange effects. EBITDA pre one-time items of the division should therefore also increase considerably in 2014. The integration costs resulting from the acquisition of AZ will amount to approximately € 50 million, approximately € 10 million of which will be incurred in 2014.

The Process Solutions business area should remain the main growth driver of the Merck Millipore division, for which Merck continues to assume moderate organic sales growth in 2014 compared to the previous year. We expect that this growth will be slightly lowered by negative foreign exchange effects. Based on the resulting sales growth and a stable cost level, we expect EBITDA pre one-time items of the Merck Millipore division to increase slightly in 2014 over the year-earlier level.

→ [Report on Expected Developments](#)

The assumptions of market and exchange rate developments lead to the following forecast of business performance for the full year 2014:

Forecast for FY 2014

	Sales € million	EBITDA pre one-time items € million	Business free cash flow € million
Merck Group	~ 11,000 – 11,200	~ 3,300 – 3,400	~ 2,700 – 2,800
Merck Serono	slight organic growth	~ 1,770 – 1,830	~ 1,500 – 1,600
Consumer Health	moderate organic growth	~ 170 – 180	~ 150 – 160
Performance Materials	slight organic growth	~ 860 – 880	~ 720 – 770
Merck Millipore	moderate organic growth	~ 640 – 670	~ 460 – 490
Corporate and Other		~ -190 – -160	~ -220 – -200

Earnings per share pre one-time items ~ € 4.50 – € 4.75
(based on the number of shares following the share split,
which was approved by the Annual General Meeting on May 9, 2014).

Full-year FX assumptions for 2014:

€ 1 = US\$ 1.33

€ 1 = JPY 140

Interim Consolidated Financial Statements as of September 30, 2014

Consolidated Income Statement

€ million	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Sales	2,905.6	2,659.5	8,315.0	8,063.8
Royalty, license and commission income	30.8	92.3	149.4	289.6
Total revenues	2,936.4	2,751.8	8,464.4	8,353.4
Cost of sales	–948.2	–735.5	–2,538.3	–2,252.0
<i>(of which: amortization of intangible assets)¹</i>	<i>(–30.0)</i>	<i>(–12.1)</i>	<i>(–54.9)</i>	<i>(–36.7)</i>
Gross profit	1,988.2	2,016.3	5,926.1	6,101.3
Marketing and selling expenses	–760.7	–745.7	–2,280.4	–2,324.6
<i>(of which: amortization of intangible assets)¹</i>	<i>(–176.2)</i>	<i>(–185.6)</i>	<i>(–544.8)</i>	<i>(–580.0)</i>
Royalty, license and commission expenses	–134.4	–144.4	–409.9	–437.2
Administration expenses	–156.0	–136.7	–439.3	–407.0
Other operating expenses and income	–4.4	–128.4	–181.6	–426.9
Research and development costs	–503.8	–379.3	–1,276.8	–1,159.1
Operating result (EBIT)	428.9	481.8	1,338.2	1,346.6
Financial result	–57.2	–51.9	–142.2	–159.1
Profit before income tax	371.7	430.0	1,196.0	1,187.5
Income tax	–122.1	–87.4	–313.1	–259.9
Profit after tax	249.6	342.5	883.0	927.6
of which attributable to Merck KGaA shareholders (net income)	248.8	339.6	877.3	921.6
of which attributable to non-controlling interests	0.8	3.0	5.7	6.0
Earnings per share (in €)				
basic ²	0.57	0.78	2.02	2.12
diluted ²	0.57	0.78	2.02	2.12

¹ The disclosure of amortization of intangible assets (excluding software) has been changed.
See explanations under "Accounting policies".

² Taking into account the share split; previous year's figures have been adjusted accordingly.
See explanations under "Earnings per share".

Consolidated Statement of Comprehensive Income

€ million	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Profit after tax	249.6	342.5	883.0	927.6
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement of the net defined benefit liability				
Changes in remeasurement	-171.3	25.2	-416.5	-18.3
Deferred taxes	27.3	-4.0	72.4	2.7
Changes recognized in equity	-144.0	21.2	-344.1	-15.6
	-144.0	21.2	-344.1	-15.6
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Available-for-sale financial assets				
Fair value adjustments	-1.1	0.8	-2.2	1.6
Reclassification to profit or loss	-	-	1.7	-
Deferred taxes	-	-0.1	-0.1	-0.6
Changes recognized in equity	-1.1	0.7	-0.6	1.0
Derivative financial instruments				
Fair value adjustments	144.8	37.6	92.3	81.3
Reclassification to profit or loss	-9.0	-8.2	-35.3	-13.1
Reclassification to assets	-	-	-	-
Deferred taxes	-17.6	-8.8	1.5	-16.0
Changes recognized in equity	118.2	20.6	58.5	52.2
Exchange differences on translating foreign operations				
Changes taken directly to equity	359.3	-61.2	448.4	-138.6
Reclassification to profit or loss	-	-	-	-7.6
Changes recognized in equity	359.3	-61.2	448.4	-146.2
	476.4	-39.9	506.3	-93.0
Other comprehensive income	332.4	-18.7	162.2	-108.6
Comprehensive income	582.0	323.8	1,045.2	819.0
of which attributable to Merck KGaA shareholders	578.5	324.9	1,034.8	820.0
of which attributable to non-controlling interests	3.5	-1.1	10.4	-1.0

Consolidated Balance Sheet

€ million	Sept. 30, 2014	December 31, 2013
Current assets		
Cash and cash equivalents	1,338.3	980.8
Current financial assets	1,316.6	2,410.5
Trade accounts receivable	2,268.1	2,021.4
Inventories	1,656.0	1,474.2
Other current assets	529.6	360.7
Income tax receivables	205.0	109.8
Assets held for sale	–	27.1
	7,313.6	7,384.5
Non-current assets		
Intangible assets	11,531.0	9,867.2
Property, plant and equipment	2,861.6	2,647.2
Non-current financial assets	89.9	77.8
Other non-current assets	71.6	105.5
Deferred tax assets	853.8	736.4
	15,407.9	13,434.1
Total assets	22,721.5	20,818.6
Current liabilities		
Current financial liabilities	2,015.2	440.4
Trade accounts payable	1,370.3	1,364.1
Other current liabilities	875.7	1,134.5
Income tax liabilities	626.5	465.1
Current provisions	939.8	494.7
Liabilities directly related to assets held for sale	–	–
	5,827.5	3,898.8
Non-current liabilities		
Non-current financial liabilities	2,161.2	3,257.5
Other non-current liabilities	10.0	5.6
Non-current provisions	581.1	1,011.1
Provisions for pensions and other post-employment benefits	1,377.5	910.9
Deferred tax liabilities	979.1	665.5
	5,108.9	5,850.6
Equity		
Equity capital	565.2	565.2
Reserves	9,548.4	9,341.1
Gains/losses recognized immediately in equity	1,615.3	1,113.7
Equity attributable to Merck KGaA shareholders	11,728.9	11,020.0
Non-controlling interests	56.3	49.2
	11,785.2	11,069.2
Total liabilities and equity	22,721.5	20,818.6

Consolidated Cash Flow Statement

€ million	Jan.–Sept. 2014	Jan.–Sept. 2013
Profit after tax	883.0	927.6
Depreciation/amortization/impairment losses/reversals of impairments	980.5	996.8
Changes in inventories	17.8	-117.1
Changes in trade accounts receivable	-78.3	-31.9
Changes in trade accounts payable	-98.5	77.3
Changes in provisions	0.2	35.3
Changes in other assets and liabilities	-132.6	-55.5
Neutralization of gain/loss on disposals of assets	-12.2	-50.0
Other non-cash income and expenses	4.4	2.6
Net cash flows from operating activities	1,564.2	1,785.1
Payments for investments in intangible assets	-74.1	-66.3
Payments from the disposal of intangible assets ¹	0.6	0.8
Payments for investments in property, plant and equipment	-269.9	-235.3
Payments from the sale of property, plant and equipment ¹	6.3	266.2
Payments for investments in financial assets ¹	-1,852.2	-899.7
Payments for the obtainment of control over AZ Electronic Materials S.A. less acquired cash and cash equivalents	-1,419.4	-
Payments for other acquisitions	-	-15.1
Payments from the disposal of other financial assets ¹	3,090.2	337.8
Payments from the divestment of the Discovery and Development Solutions business field	20.9	-
Net cash flows from investing activities	-497.5	-611.7
Dividend payments to Merck KGaA shareholders ¹	-122.8	-109.9
Dividend payments to non-controlling interests ¹	-3.0	-3.3
Withdrawals from retained earnings by E. Merck KG ¹	-382.7	-304.5
Payments from new borrowings of financial liabilities from E. Merck ¹	213.6	196.9
Payments for the acquisition of shares in AZ Electronic Materials S.A. after obtainment of control	-351.4	-
Repayment of bonds	-	-750.0
Changes in other current and non-current financial liabilities	-111.7	4.3
Net cash flows from financing activities	-758.1	-966.4
Changes in cash and cash equivalents	308.7	207.0
Changes in cash and cash equivalents due to currency translation	48.8	-21.4
Cash and cash equivalents as of January 1	980.8	729.7
Cash and cash equivalents as of September 30	1,338.3	915.3
Plus cash and cash equivalents included in assets held for sale	-	-
Cash and cash equivalents as of September 30 (consolidated balance sheet)	1,338.3	915.3

¹ The presentation of the cash flow statement has changed in comparison with the previous year's report.

Consolidated Statement of Changes in Net Equity

	Equity capital			Retained earnings		Gains/losses recognized in 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	Equity attributable to Merck KGaA shareholders	Non-controlling interests	Total equity	
€ million												
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	
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 ¹	397.2	168.0	3,813.7	6,196.6	-660.9	2.2	22.7	1,133.0	11,072.5	48.1	11,120.6	
Balance as of January 1, 2014	397.2	168.0	3,813.7	6,090.1	-562.7	1.0	44.2	1,068.5	11,020.0	49.2	11,069.2	
Profit after tax	-	-	-	877.3	-	-	-	-	877.3	5.7	883.0	
Other comprehensive income	-	-	-	-	-344.1	-0.6	58.5	443.7	157.5	4.7	162.2	
Comprehensive income	-	-	-	877.3	-344.1	-0.6	58.5	443.7	1,034.8	10.4	1,045.2	
Dividend payments	-	-	-	-122.8	-	-	-	-	-122.8	-3.0	-125.8	
Transactions with no change of control	-	-	-	-203.2	-	-	-	-	-203.2	-148.2	-351.4	
Changes in scope of consolidation/Other	-	-	-	0.1	-	-	-	-	0.1	147.9	148.0	
Balance as of Sept. 30, 2014	397.2	168.0	3,813.7	6,641.5	-906.8	0.4	102.7	1,512.2	11,728.9	56.3	11,785.2	

¹ Previous year's figures have been adjusted.

Notes to the Interim Consolidated Financial Statements as of September 30, 2014

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, 2014 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 as well as in accordance with section 37x para 3 of the German Securities Trading Act (WpHG). In accordance with IAS 34, a condensed scope of reporting as compared with the consolidated financial statements as of December 31, 2013 was selected.

With the exception of the two disclosure changes described in the following, there were no material changes to accounting policies in comparison with the previous year.

Effective January 1, 2014, two product groups, Neurobion® (a vitamin B-based analgesic) and Floratil® (a probiotic antidiarrheal), were transferred from the Merck Serono division to the Consumer Health division. A detailed presentation of the resulting disclosure changes in segment reporting can be found in the information on Segment Reporting.

Amortization of intangible assets (excluding software), which was previously disclosed in a separate line in the income statement, was allocated to the corresponding functional costs in the third quarter of 2014. This has been done to ensure improved comparability of the income statement of the Merck Group with other companies. The amortization relates in particular to intangible assets recognized within the scope of the purchase price allocations for the acquisitions of Serono SA, the Millipore Corporation as well as AZ Electronic Materials S.A. The amortization of intangible assets disclosed within cost of sales was first capitalized during the measurement of inventories and then recorded as part of cost of sales when the corresponding product was sold. Amortization of software was already allocated to the functional costs in the past. This accounting policy change has led to an increase in marketing and selling expenses as well as cost of sales. The previous year's figures have been adjusted accordingly and are presented in the following table:

€ million	Q3 – 2013			Jan.–Sept. 2013		
	reported	Adjustment	adjusted	reported	Adjustment	adjusted
Sales	2,659.5	–	2,659.5	8,063.8	–	8,063.8
Royalty, license and commission income	92.3	–	92.3	289.6	–	289.6
Total revenues	2,751.8	–	2,751.8	8,353.4	–	8,353.4
Cost of sales	–723.4	–12.1	–735.5	–2,215.3	–36.7	–2,252.0
Gross profit	2,028.4	–12.1	2,016.3	6,138.0	–36.7	6,101.3
Marketing and selling expenses	–560.1	–185.6	–745.7	–1,744.7	–580.0	–2,324.6
Royalty, license and commission expenses	–144.4	–	–144.4	–437.2	–	–437.2
Administration expenses	–136.7	–	–136.7	–407.0	–	–407.0
Other operating expenses and income	–128.4	–	–128.4	–426.9	–	–426.9
Research and development costs	–379.3	–	–379.3	–1,159.1	–	–1,159.1
Amortization of intangible assets	–197.7	197.7	–	–616.6	616.6	–
Operating result (EBIT)	481.8	–	481.8	1,346.6	–	1,346.6

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

The notes to the consolidated financial statements of the Merck Group for 2013, 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 standards take effect as of fiscal 2014:

- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- Amendments to IAS 27 "Separate Financial Statements"
- Amendment to IAS 28 "Investments in Associates and Joint Ventures"
- Amendment to IAS 32 "Financial Instruments: Presentation"
- Amendment to IAS 36 "Impairment of Assets"
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement"
- Amendments to IFRS 10 "Consolidated Financial Statements"
- Amendment to IFRS 11 "Joint Arrangements"
- Amendments to IFRS 12 "Disclosure of Interests in Other Entities"

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

Merck applied the amendment to IAS 36 "Impairment of Assets" in advance in the consolidated financial statements as of December 31, 2013.

Scope of consolidation

As of September 30, 2014 223 (December 31, 2013: 191) companies were fully consolidated.

No companies were consolidated using either the proportionate consolidation method or the equity method as of the balance sheet date. Since the beginning of 2014, two mergers took place. Five newly established companies, 28 entities of the AZ Electronic Materials S.A. Group as well as one further and to date immaterial company were included in the consolidated financial statements for the first time.

Acquisition of AZ Electronic Materials S.A.

Obtainment of control following the public offer

Within the scope of a public takeover offer, on May 2, 2014 Merck had received valid acceptances of the offer in respect of 81.3% of the share capital and thus obtained control of the publicly listed company AZ Electronic Materials S.A., Luxembourg (AZ). The purchase price as well as the payments made to obtain control were as follows:

	Acquired shareholding (in %)	€ million
Purchase price to obtain control	81.3	1,523.4
Acquired cash and cash equivalents		-104.0
Payments to obtain control less acquired cash and cash equivalents		1,419.4

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

By June 27, 2014, Merck's shareholding in AZ had increased to 99.8%. On this date, Merck initiated a squeeze-out, which was completed on July 2, 2014 with the acquisition of the remaining shareholding of 0.2%. The acquisition of non-controlling interests after May 2, 2014 was recognized in equity as a transaction without a change of control. Above and beyond the purchase price to obtain control, the following purchase price was paid in order to increase the shareholding:

	Acquired shareholding (in %)	€ million
Purchase price for the obtainment of control	81.3	1,523.4
Purchase price/Payments for the acquisition of further shares after obtainment of control	18.7	351.4
Total purchase price before the deduction of acquired cash and cash equivalents	100.0	1,874.8

Business activities as well as sales and earnings contribution of AZ

AZ is a leading global producer of specialty chemical materials that generated sales of US\$ 730.3 million (2012: \$ 793.9 million) and profit after tax of US\$ 57.3 million (2012: US\$ 83.3 million) in 2013. Around 67.5% of sales were attributable to the IC Materials division, which supplies specialty process chemicals used to manufacture integrated circuits in the highly differentiated premium segment. The Optronics division accounted for approximately 32.5% of sales in 2013. This division's portfolio includes light-sensitive processing materials, or photoresists, for the manufacture of flat panel displays, as well as silicon-chemistry-based products for optoelectronics. As of the end of 2013, AZ had a total of 1,131 employees.

After May 2, 2014, Merck began to integrate AZ into the Performance Materials division. The aim of the acquisition is to further strengthen Merck's materials and specialty chemicals business by joining forces with one the leading suppliers of high-tech materials for the electronics industry.

The impact of the consolidation of AZ on sales as well as net income after taxes between May 2, 2014 and September 30, 2014 amounted to € 230.8 million and € -37.3 million, respectively. This result takes into account higher cost of sales owing to the step-up of the acquired inventories to fair values.

Assuming the first-time consolidation of AZ had already taken place as of January 1, 2014, sales of the Merck Group for the period from January 1 to September 30, 2014 would have amounted to € 8,486.6 million (compared with reported sales of € 8,315.0 million) and net income after taxes would have been € 898.6 million (compared with reported net income after taxes of € 833.0 million). The determination of these figures assumed that the adjustments of the book values as a result of the purchase price allocation would have been identical.

Purchase price allocation

The acquired assets and liabilities were recognized at the following fair values on the date of the first-time consolidation: The possibility of measuring non-controlling interests at fair values on the acquisition date (full goodwill method) was not applied. Owing to takeover law restrictions, Merck could only gain access to the information needed to perform the purchase price allocation on the date on which it obtained control of AZ. For this reason, the purchase price allocation could not be entirely completed as of the report date. Therefore, the fair values presented in the following are to be considered preliminary.

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

€ million	Fair values on the acquisition date
Current assets	
Cash and cash equivalents	104.0
Inventories	119.5
Receivables	130.2
Other current assets	10.1
	363.8
Non-current assets	
Intangible assets (excluding goodwill)	1,057.1
Property, plant and equipment	186.9
Other non-current assets	19.9
	1,263.9
Assets	1,627.7
Current liabilities	
Current financial liabilities	144.1
Other current liabilities	184.5
	328.6
Non-current liabilities	
Non-current financial liabilities	122.8
Other non-current liabilities	21.6
Deferred tax liabilities	362.6
	507.0
Liabilities	835.6
Net assets	792.1
Non-controlling interests on the acquisition date (18.7%)	-148.2
Net assets acquired	643.9
Purchase price for the acquisition of shares (81.3%)	1,523.4
Positive difference (goodwill)	879.5

The positive difference of € 879.5 million was recognized as goodwill. This results in particular from intangible assets that are not recognizable, for example the ability of AZ to develop new solutions and products for its technologically innovative industry as well as to a lesser extent from synergy effects expected from the integration of AZ into the Performance Materials division.

The development of goodwill during the period from first-time recognition and September 30, 2014 was as follows:

€ million	Development of goodwill
Goodwill on May 2, 2014	879.5
Exchange rate effects	77.9
Goodwill on September 30, 2014	957.4

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

Within the scope of the acquisition, no conditional consideration was agreed upon which Merck would possibly have to pay in the future. The selling shareholders did not provide Merck with any assurances of compensation payments for contingencies related to the acquired assets or liabilities. Costs of € 7.5 million directly related to the acquisition of the company were recorded under other operating expenses in the nine-month period of 2014.

The most significant impact of the purchase price allocation resulted from the remeasurement of intangible assets, property plant and equipment, as well as inventories at fair value. Since the acquired inventories were sold by September 30, 2014, this led to additional cost of sales that were offset by the sales achieved. As a result, the sale of these inventories did not generate any additional income. The intangible assets identified during the purchase price allocation and recognized on the date of first-time consolidation were to the largest extent attributable to technology-related intangible assets as well as to brand rights. The multi-period excess earnings method was used for the valuation of technology-related intangible assets. The relief from royalty method was used for the valuation of the brand rights.

No contingent liabilities were identified in the course of the purchase price allocation. The gross amounts of the acquired receivables on the acquisition date were € 130.2 million. The best possible estimate of the irrecoverable receivables amounted to less than € 0.1 million.

Planned acquisition of Sigma-Aldrich Corporation

Merck and Sigma Aldrich Corporation, a life science and high-tech enterprise headquartered in St. Louis, Missouri (USA), announced on September 22, 2014 that they have entered into a merger agreement under which Merck will acquire Sigma-Aldrich for a total purchase price of approximately \$ 17.0 billion or approximately € 13.1 billion.

The merger agreement will be presented to Sigma-Aldrich shareholders for approval at a special meeting of Sigma-Aldrich shareholders. The transaction is also subject to regulatory approvals and customary closing conditions and is expected to close by mid 2015.

The purchase price will be financed through a combination of cash on Merck's balance sheet, bank loans and bonds. The currency risk stemming from the payment of the purchase price in U.S. dollars has been hedged using standard derivatives (forward exchange transactions and currency options) in line with the requirements for cash flow hedge accounting.

Divestment of the Discovery and Development Solutions business field

Effective March 31, 2014, the Discovery and Development Solutions business field of the Merck Millipore division was sold to Eurofins Scientific S.A., Luxembourg. The assets sold were reported as a disposal group in the consolidated financial statements as of December 31, 2013 and included property, plant and equipment, inventories, and goodwill allocated to the business field. The selling price amounted to € 22.6 million, payment of which had largely been received by the end of the second quarter of 2014.

License rights to ceralifimod returned

In October 2011, Merck had acquired exclusive global development and marketing rights to ceralifimod (ONO-4641) in multiple sclerosis (MS) outside Japan, South Korea and Taiwan from Ono Pharmaceutical Co., Ltd., Osaka, Japan (Ono). The drug candidate was in Phase II of clinical development. On June 17, 2014, Merck announced that it had reached a mutual agreement with Ono to terminate the license agreement and to return the license rights to Ono since the compound does not meet Merck's criteria for further investment. The return of the license rights led in the second quarter to an impairment loss amounting to the full value of the relevant intangible asset of € 14.0 million. In addition, adequate provisions were set up for unavoidable subsequent costs that are likely to be incurred since under the terms of the agreement no further economic benefits are expected to flow to Merck.

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

Discontinuation of clinical development programs for tecemotide and plovamer acetate

On September 12, 2014, Merck announced that it would discontinue the clinical development program for its investigational MUC1 antigen-specific cancer immunotherapy tecemotide (also known as L-BLP25) in non-small cell lung cancer. Results of a similar Phase I/II study analyzed in August 2014 decreased the probability of the current studies to reach their goals and Merck decided to refocus efforts on other candidates in the pipeline. The discontinuation of the Phase III development program led in the third quarter to an impairment loss of the relevant intangible asset. Furthermore, in the third quarter Merck decided to terminate development activities for plovamer acetate (also known as PI-2301), an investigational drug for the treatment of multiple sclerosis. The drug candidate is currently in Phase II of clinical development. Following a recent evaluation of all scientific and commercial aspects of this program Merck decided to focus on other pipeline candidates. There were no intangible assets in connection with this Phase II development program. Provisions for unavoidable subsequent costs that are likely to be incurred were set up during the reporting period since no further economic benefits are expected to flow to Merck from these development programs.

Verbal agreement on the resolution of the legal disputes with IBEP

As of September 30, 2014, Merck is involved in legal disputes with Israel Bio-Engineering Project Limited Partnership ("IBEP"). IBEP is asserting claims for property rights and the payment of license fees for the past and the future. The legal disputes are connected to the financing of the development of medical research projects in the early 1980s. Merck has taken appropriate accounting measures for these legal disputes in the past. In August 2014, Merck reached a verbal agreement with IBEP to settle the legal disputes by paying a sum of money. Based on this verbal agreement, the provision previously set up was adjusted in the third quarter. This verbal agreement is expected to be confirmed in writing in the fourth quarter of 2014.

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

Segment Reporting

Information by division

€ million	Merck Serono ⁴			
	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Sales	1,464.6	1,412.8	4,285.9	4,269.1
Royalty, license and commission income	26.3	85.1	136.8	271.3
Total revenues	1,490.8	1,497.9	4,422.6	4,540.5
Cost of sales ¹	–290.8	–250.4	–794.4	–738.8
(of which: amortization of intangible assets) ¹	(–)	(–)	(–)	(–)
Gross profit	1,200.0	1,247.5	3,628.3	3,801.7
Marketing and selling expenses ¹	–432.6	–427.8	–1,321.7	–1,364.6
(of which: amortization of intangible assets) ¹	(–133.9)	(–143.7)	(–419.5)	(–453.6)
Royalty, license and commission expenses	–128.3	–139.3	–393.8	–422.4
Administration expenses	–55.4	–49.3	–163.6	–149.2
Other operating expenses and income	62.8	–95.0	–17.0	–275.8
Research and development costs	–409.8	–295.7	–1,019.7	–912.7
Operating result (EBIT)	236.9	240.5	712.4	677.1
Depreciation and amortization	179.7	190.6	558.3	606.6
Impairment losses	19.6	14.7	37.7	48.6
Reversals of impairment losses	–	–	–	–0.3
EBITDA	436.2	445.8	1,308.4	1,331.8
One-time items	12.5	21.6	30.3	48.1
EBITDA pre one-time items (Segment result)	448.7	467.4	1,338.7	1,379.9
EBITDA margin pre one-time items (% of sales)	30.6	33.1	31.2	32.3
Net operating assets ²			6,608.2	6,890.7
Segment liabilities ²			–1,324.3	–1,358.0
Investments in property, plant and equipment ³	50.1	38.1	111.9	84.9
Investments in intangible assets ³	32.1	7.5	57.6	48.0
Net cash flows from operating activities ³	448.1	528.5	1,173.6	1,268.7
Business free cash flow	377.3	512.0	1,194.6	1,337.7

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See explanations under "Accounting policies".

² Figures for the reporting period ending on September 30, 2014, previous-year figures as of December 31, 2013.

³ According to the consolidated cash flow statement.

⁴ Previous year's figures have been adjusted, see following explanations.

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

Segment Reporting

Information by division

€ million	Consumer Health ⁴			
	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Sales	204.1	201.2	569.1	561.8
Royalty, license and commission income	0.9	0.5	1.5	1.8
Total revenues	205.0	201.7	570.6	563.6
Cost of sales ¹	–63.2	–60.6	–182.5	–179.9
(of which: amortization of intangible assets) ¹	(–)	(–)	(–)	(–)
Gross profit	141.8	141.1	388.1	383.7
Marketing and selling expenses ¹	–77.4	–72.1	–216.8	–214.7
(of which: amortization of intangible assets) ¹	(–0.7)	(–0.6)	(–2.0)	(–1.7)
Royalty, license and commission expenses	–1.7	–0.6	–2.5	–1.7
Administration expenses	–7.1	–6.0	–20.0	–18.1
Other operating expenses and income	–8.4	–1.7	–18.3	–5.9
Research and development costs	–5.1	–5.7	–14.8	–17.3
Operating result (EBIT)	42.1	55.1	115.7	126.1
Depreciation and amortization	2.5	1.9	7.3	6.7
Impairment losses	–	–	–	0.2
Reversals of impairment losses	–	–	–	–
EBITDA	44.6	57.1	123.0	133.0
One-time items	4.0	1.1	8.2	–0.1
EBITDA pre one-time items (Segment result)	48.6	58.2	131.2	132.9
EBITDA margin pre one-time items (% of sales)	23.8	28.9	23.1	23.7
Net operating assets ²			373.1	335.5
Segment liabilities ²			–107.0	–74.5
Investments in property, plant and equipment ³	1.8	0.7	4.8	1.9
Investments in intangible assets ³	0.5	0.1	2.2	0.3
Net cash flows from operating activities ³	35.6	39.8	96.4	87.8
Business free cash flow	13.2	36.9	65.6	108.7

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See explanations under "Accounting policies".

² Figures for the reporting period ending on September 30, 2014, previous-year figures as of December 31, 2013.

³ According to the consolidated cash flow statement.

⁴ Previous year's figures have been adjusted, see following explanations.

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

Segment Reporting

Information by division

€ million	Performance Materials			
	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Sales	576.1	406.5	1,484.0	1,258.9
Royalty, license and commission income	–	0.2	0.8	1.6
Total revenues	576.1	406.7	1,484.8	1,260.5
Cost of sales ¹	–300.9	–148.8	–704.0	–465.6
(of which: amortization of intangible assets) ¹	(–18.1)	(–0.2)	(–19.4)	(–0.5)
Gross profit	275.2	257.9	780.8	794.9
Marketing and selling expenses ¹	–44.9	–38.2	–129.5	–117.4
(of which: amortization of intangible assets) ¹	(–3.5)	(–3.3)	(–10.4)	(–10.1)
Royalty, license and commission expenses	–0.6	–0.3	–2.3	–1.1
Administration expenses	–18.4	–7.0	–40.9	–21.8
Other operating expenses and income	–13.9	1.0	–46.8	–28.7
Research and development costs	–45.2	–36.8	–120.1	–106.6
Operating result (EBIT)	152.1	176.6	441.3	519.3
Depreciation and amortization	65.9	25.3	132.6	81.9
Impairment losses	–	0.2	1.3	9.5
Reversals of impairment losses	–0.4	–	–0.6	–0.1
EBITDA	217.6	202.2	574.5	610.6
One-time items	25.3	–5.4	81.2	2.5
EBITDA pre one-time items (Segment result)	242.9	196.8	655.7	613.2
EBITDA margin pre one-time items (% of sales)	42.2	48.4	44.2	48.7
Net operating assets ²			3,426.7	1,044.7
Segment liabilities ²			–295.9	–155.9
Investments in property, plant and equipment ³	26.3	13.4	55.0	34.4
Investments in intangible assets ³	1.5	1.3	4.5	3.0
Net cash flows from operating activities ³	244.2	230.7	612.6	606.1
Business free cash flow	166.9	219.9	511.8	620.8

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See explanations under "Accounting policies".

² Figures for the reporting period ending on September 30, 2014, previous-year figures as of December 31, 2013.

³ According to the consolidated cash flow statement.

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

Segment Reporting

Information by division

€ million	Merck Millipore			
	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Sales	660.8	639.0	1,976.0	1,974.0
Royalty, license and commission income	3.6	6.5	10.3	14.8
Total revenues	664.4	645.5	1,986.3	1,988.8
Cost of sales ¹	–292.1	–274.5	–854.6	–864.4
(of which: amortization of intangible assets) ¹	(–11.9)	(–11.9)	(–35.6)	(–36.2)
Gross profit	372.3	370.9	1,131.8	1,124.4
Marketing and selling expenses ¹	–205.6	–209.2	–613.2	–628.9
(of which: amortization of intangible assets) ¹	(–38.1)	(–38.0)	(–113.0)	(–114.6)
Royalty, license and commission expenses	–3.9	–4.3	–11.4	–12.1
Administration expenses	–26.3	–24.9	–80.7	–74.6
Other operating expenses and income	–23.0	–25.6	–73.1	–76.0
Research and development costs	–41.8	–40.4	–119.5	–121.4
Operating result (EBIT)	71.7	66.6	233.9	211.3
Depreciation and amortization	77.9	78.1	229.5	233.0
Impairment losses	–	–	0.3	0.1
Reversals of impairment losses	–	–0.1	–	–0.1
EBITDA	149.6	144.7	463.7	444.4
One-time items	10.9	12.5	32.2	30.6
EBITDA pre one-time items (Segment result)	160.5	157.2	495.9	475.0
EBITDA margin pre one-time items (% of sales)	24.3	24.6	25.1	24.1
Net operating assets ²			6,185.9	5,987.1
Segment liabilities ²			–399.5	–391.9
Investments in property, plant and equipment ³	44.5	24.0	89.2	50.0
Investments in intangible assets ³	–2.4	3.3	0.5	7.0
Net cash flows from operating activities ³	162.9	170.3	368.1	370.1
Business free cash flow	108.5	139.0	288.4	376.8

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See explanations under "Accounting policies".

² Figures for the reporting period ending on September 30, 2014, previous-year figures as of December 31, 2013.

³ According to the consolidated cash flow statement.

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

Segment Reporting

Information by division

€ million	Corporate and Other			
	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Sales	–	–	–	–
Royalty, license and commission income	–	–	–	–
Total revenues	–	–	–	–
Cost of sales ¹	–1.2	–1.1	–2.9	–3.3
(of which: amortization of intangible assets) ¹	(–)	(–)	(–)	(–)
Gross profit	–1.2	–1.1	–2.9	–3.3
Marketing and selling expenses ¹	–0.3	1.6	0.8	0.9
(of which: amortization of intangible assets) ¹	(–)	(–)	(–)	(–)
Royalty, license and commission expenses	–	–	0.1	–
Administration expenses	–48.8	–49.6	–134.2	–143.2
Other operating expenses and income ⁴	–21.8	–7.1	–26.4	–40.5
Research and development costs	–1.8	–0.8	–2.6	–1.2
Operating result (EBIT)	–73.8	–57.0	–165.1	–187.3
Depreciation and amortization	3.7	3.7	10.7	10.6
Impairment losses	3.6	–	3.6	0.3
Reversals of impairment losses	–	–	–	–0.1
EBITDA	–66.5	–53.3	–150.9	–176.5
One-time items	22.4	4.4	38.7	33.6
EBITDA pre one-time items (Segment result)	–44.1	–48.9	–112.2	–142.9
EBITDA margin pre one-time items (% of sales)	–	–	–	–
Net operating assets ²			64.5	36.0
Segment liabilities ²			–54.6	–64.8
Investments in property, plant and equipment ³	5.1	2.1	8.9	64.1
Investments in intangible assets ³	3.6	3.9	9.3	8.0
Net cash flows from operating activities ³	–164.7	–142.5	–686.5	–547.6
Business free cash flow	–51.9	–55.0	–130.1	–214.4

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See explanations under "Accounting policies".

² Figures for the reporting period ending on September 30, 2014, previous-year figures as of December 31, 2013.

³ According to the consolidated cash flow statement.

⁴ Previous year's figures have been adjusted, see following explanations.

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

Segment Reporting

Information by division

€ million	Merck Group			
	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Sales	2,905.6	2,659.5	8,315.0	8,063.8
Royalty, license and commission income	30.8	92.3	149.4	289.6
Total revenues	2,936.4	2,751.8	8,464.4	8,353.4
Cost of sales ¹	–948.2	–735.5	–2,538.3	–2,252.0
(of which: amortization of intangible assets) ¹	(–30.0)	(–12.1)	(–54.9)	(–36.7)
Gross profit	1,988.2	2,016.3	5,926.1	6,101.3
Marketing and selling expenses ¹	–760.7	–745.7	–2,280.4	–2,324.6
(of which: amortization of intangible assets) ¹	(–176.2)	(–185.6)	(–544.8)	(–580.0)
Royalty, license and commission expenses	–134.4	–144.4	–409.9	–437.2
Administration expenses	–156.0	–136.7	–439.3	–407.0
Other operating expenses and income ⁴	–4.4	–128.4	–181.6	–426.9
Research and development costs	–503.8	–379.3	–1,276.8	–1,159.1
Operating result (EBIT)	428.9	481.8	1,338.2	1,346.6
Depreciation and amortization	329.7	299.7	938.3	938.5
Impairment losses	23.2	14.9	42.9	58.6
Reversals of impairment losses	–0.4	–0.1	–0.7	–0.6
EBITDA	781.5	796.4	2,318.7	2,343.4
One-time items	75.1	34.2	190.6	114.8
EBITDA pre one-time items (Segment result)	856.6	830.7	2,509.4	2,458.1
EBITDA margin pre one-time items (% of sales)	29.5	31.2	30.2	30.5
Net operating assets ²			16,658.4	14,294.0
Segment liabilities ²			–2,181.4	–2,045.1
Investments in property, plant and equipment ³	127.8	78.1	269.9	235.3
Investments in intangible assets ³	35.2	16.2	74.1	66.3
Net cash flows from operating activities ³	726.2	826.8	1,564.2	1,785.1
Business free cash flow	614.1	852.9	1,930.4	2,229.5

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See explanations under "Accounting policies".

² Figures for the reporting period ending on September 30, 2014, previous-year figures as of December 31, 2013.

³ According to the consolidated cash flow statement.

⁴ Previous year's figures have been adjusted, see following explanations.

→ [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. These mainly relate to Group functions. Moreover, the column serves the reconciliation to the Group numbers. The cash flows from the financial result and income taxes are also disclosed under "Corporate and Other".

Apart from sales, the success of a segment is mainly determined by EBITDA pre one-time items (segment result) and business free cash flow. EBITDA pre one-time items and business free cash flow are performance indicators not defined by International Financial Reporting Standards. However, they represent important variables used to steer the Merck Group. To permit a better understanding of operational performance, EBITDA pre one-time items excludes depreciation and amortization in addition to specific income and expenses of a one-time nature presented in the following. Among other things, business free cash flow is also used for internal target agreements and individual incentive plans.

Transfer prices for intragroup sales are determined on an arm's-length basis. There were no significant intercompany relations between the business segments.

The following table presents the reconciliation of EBITDA pre one-time items of all operating businesses to the profit before income tax of the Merck Group.

€ million	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Total EBITDA pre one-time items of the operating businesses	900.7	879.6	2,621.5	2,601.0
Corporate and Other	-44.1	-48.9	-112.2	-142.9
EBITDA pre one-time items of the Merck Group	856.6	830.7	2,509.4	2,458.1
Depreciation and amortization/impairment losses/reversals of impairments	-352.6	-314.6	-980.5	-996.8
One-time items	-75.1	-34.2	-190.6	-114.8
Operating result (EBIT)	428.9	481.8	1,338.2	1,346.6
Financial result	-57.2	-51.9	-142.2	-159.1
Profit before income tax	371.7	430.0	1,196.0	1,187.5

The composition of business free cash flow was as follows:

€ million	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
EBITDA pre one-time items	856.6	830.7	2,509.4	2,458.1
Less investments in property, plant and equipment, software as well as advance payments for intangible assets	-136.3	-88.8	-295.1	-258.7
Changes in inventories as reported in the balance sheet	-37.1	-32.6	-181.7	-31.7
Changes in trade accounts receivable as reported in the balance sheet	-49.3	143.6	-246.8	61.7
Adjustment first-time consolidation of AZ Electronic Materials	-19.8	-	144.6	-
Business free cash flow	614.1	852.9	1,930.4	2,229.5

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

One-time items were as follows:

€ million	Q3 – 2014	Q3 – 2013	Jan.–Sept. 2014	Jan.–Sept. 2013
Restructuring costs	-24.2	-32.9	-59.8	-79.5
Integration/IT costs	-23.8	-10.5	-58.4	-28.0
Gains/Losses on the divestment of businesses	-1.1	5.1	5.3	-13.3
Acquisition costs	-21.1	-	-67.7	-
Other one-time items	-5.0	4.1	-10.0	6.1
One-time items before impairment losses/reversals of impairments	-75.1	-34.2	-190.6	-114.8
Impairment losses	-3.8	-14.7	-7.7	-45.9
Reversals of impairments	-	-	-	-
One-time items (total)	-79.0	-48.9	-198.3	-160.6

The restructuring costs amounting to € 59.8 million in the current fiscal year (year-earlier period: € 79.5 million) mainly related to the "Fit for 2018" transformation and growth program. Asset impairments amounting to € 4.1 million (year-earlier period: € 30.4 million) were also attributable to the program, which together with the restructuring expenses resulted in total expenses of € 60.9 million (year-earlier period: € 110.0 million) in connection with "Fit for 2018".

The reconciliation of operating assets presented in the Segment Reporting to the total assets of the Merck Group was as follows:

€ million	September 30, 2014	December 31, 2013
Assets	22,721.5	20,818.6
Monetary assets (cash and cash equivalents, current financial assets, loans, securities)	-2,799.6	-3,539.3
Non-operating receivables, income tax receivables, deferred taxes and net defined benefit assets	-1,082.1	-913.1
Assets held for sale	-	-27.1
Operating assets (gross)	18,839.7	16,339.1
Trade accounts payable	-1,370.3	-1,364.1
Other operating liabilities	-811.1	-681.0
Segment liabilities	-2,181.4	-2,045.1
Operating assets (net)	16,658.4	14,294.0

Other operating expenses and income include the investment result amounting to € 1.2 million in the nine-month period (year-earlier period: € 1.4 million), which was attributable to Corporate and Other, as in the previous year.

The adjustments of the previous year's figures for the Merck Serono and Consumer Health divisions owing to the transfer as of January 1, 2014 of the two product groups Neurobion® (a vitamin B-based analgesic) and Floratil® (a probiotic antidiarrheal) from the Merck Serono division to the Consumer Health division are presented in the following table, taking into account the adjusted disclosure of amortization of intangible assets.

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

Merck Serono								
€ million	Q3 – 2013 reported	Product group transfer adjustments	Disclosure change ¹	Q3 – 2013 adjusted	Jan.–Sept. 2013 reported	Product group transfer adjustments	Disclosure change ¹	Jan.–Sept. 2013 adjusted
Sales	1,483.0	–70.2	–	1,412.8	4,468.2	–199.1	–	4,269.1
Royalty, license and commission income	85.1	–	–	85.1	271.4	–	–	271.3
Total revenues	1,568.1	–70.2	–	1,497.9	4,739.5	–199.1	–	4,540.5
Cost of sales ¹	–267.2	16.8	–	–250.4	–799.1	60.4	–	–738.8
<i>(of which: amortization of intangible assets)¹</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>
Gross profit	1,301.0	–53.5	–	1,247.5	3,940.4	–138.7	–	3,801.7
Marketing and selling expenses ¹	–300.6	16.6	–143.7	–427.8	–964.7	53.7	–453.6	1,364.6
<i>(of which: amortization of intangible assets)¹</i>	<i>(–)</i>	<i>(–)</i>	<i>(–143.7)</i>	<i>(–143.7)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–453.6)</i>	<i>(–453.6)</i>
Royalty, license and commission expenses	–139.4	0.1	–	–139.3	–422.7	0.3	–	–422.4
Administration expenses	–51.0	1.7	–	–49.3	–154.3	5.2	–	–149.2
Other operating expenses and income	–94.4	–0.6	–	–95.0	–275.2	–0.6	–	–275.8
Research and development costs	–297.4	1.7	–	–295.7	–917.6	5.0	–	–912.7
Operating result (EBIT)	274.5	–34.0	–	240.5	752.2	–75.1	–	677.1
Depreciation and amortization	190.6	–	–	190.6	606.6	–	–	606.6
Impairment losses	14.7	–	–	14.7	48.6	–	–	48.6
Reversals of impairment losses	–	–	–	–	–0.3	–	–	–0.3
EBITDA	479.8	–34.0	–	445.8	1,407.0	–75.1	–	1,331.8
One-time items	21.6	–	–	21.6	48.1	–	–	48.1
EBITDA pre one-time items (Segment result)	501.4	–34.0	–	467.4	1,455.1	–75.1	–	1,379.9
EBITDA margin pre one-time items (% of sales)	33.8			33.1	32.6			32.3
Net operating assets ²					6,968.0	–77.3	–	6,890.7
Segment liabilities ²					–1,358.0	–	–	–1,358.0
Investments in property, plant and equipment ³	38.1	–	–	38.1	84.9	–	–	84.9
Investments in intangible assets ³	7.5	–	–	7.5	48.0	–	–	48.0
Net cash flows from operating activities ³	549.7	–21.2	–	528.5	1,326.6	–57.9	–	1,268.7
Business free cash flow	536.6	–24.6	–	512.0	1,402.0	–64.3	–	1,337.7

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See explanations under "Accounting policies".

² Figures as of December 31, 2013.

³ According to the consolidated cash flow statement.

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€ million	Consumer Health							
	Q3 – 2013 reported	Product group transfer adjustments	Disclosure change ¹	Q3 – 2013 adjusted	Jan.–Sept. 2013 reported	Product group transfer adjustments	Disclosure change ¹	Jan.–Sept. 2013 adjusted
Sales	131.0	70.2	–	201.2	362.7	199.1	–	561.8
Royalty, license and commission income	0.5	–	–	0.5	1.8	–	–	1.8
Total revenues	131.4	70.2	–	201.7	364.5	199.1	–	563.6
Cost of sales ¹	–43.8	–16.8	–	–60.6	–119.5	–60.4	–	–179.9
<i>(of which: amortization of intangible assets)¹</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–)</i>
Gross profit	87.6	53.5	–	141.1	245.0	138.7	–	383.7
Marketing and selling expenses ¹	–54.9	–16.6	–0.6	–72.1	–159.3	–53.7	–1.7	–214.7
<i>(of which: amortization of intangible assets)¹</i>	<i>(–)</i>	<i>(–)</i>	<i>(–0.6)</i>	<i>(–0.6)</i>	<i>(–)</i>	<i>(–)</i>	<i>(–1.7)</i>	<i>(–1.7)</i>
Royalty, license and commission expenses	–0.5	–0.1	–	–0.6	–1.3	–0.3	–	–1.7
Administration expenses	–4.2	–1.7	–	–6.0	–12.9	–5.2	–	–18.1
Other operating expenses and income	–2.3	0.6	–	–1.7	–6.5	0.6	–	–5.9
Research and development costs	–3.9	–1.7	–	–5.7	–12.3	–5.0	–	–17.3
Operating result (EBIT)	21.1	34.0	–	55.1	51.0	75.1	–	126.1
Depreciation and amortization	1.9	–	–	1.9	6.7	–	–	6.7
Impairment losses	–	–	–	–	0.2	–	–	0.2
Reversals of impairment losses	–	–	–	–	–	–	–	–
EBITDA	23.1	34.0	–	57.1	57.9	75.1	–	133.0
One-time items	1.1	–	–	1.1	–0.1	–	–	–0.1
EBITDA pre one-time items (Segment result)	24.2	34.0	–	58.2	57.8	75.1	–	132.9
EBITDA margin pre one-time items (% of sales)	18.4			28.9	15.9			23.7
Net operating assets ²					258.2	77.3	–	335.5
Segment liabilities ²					–74.5	–	–	–74.5
Investments in property, plant and equipment ³	0.7	–	–	0.7	1.9	–	–	1.9
Investments in intangible assets ³	0.1	–	–	0.1	0.3	–	–	0.3
Net cash flows from operating activities ³	18.6	21.2	–	39.8	29.9	57.9	–	87.8
Business free cash flow	12.3	24.6	–	36.9	44.4	64.3	–	108.7

¹ The disclosure of amortization of intangible assets (excluding software) has been changed. See explanations under "Accounting policies".

² Figures as of December 31, 2013.

³ According to the consolidated cash flow statement.

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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. Subsequent to the resolution passed by the Annual General Meeting of Merck KGaA on May 9, 2014 approving a share split in a ratio of 1:2, the no-par-value shares with a pro rata amount of the share capital of € 2.60 each were divided into two shares with a pro rata amount of the share capital of € 1.30 each. In accordance with the redivision of the share capital of € 168.0 million into 129,242,252 shares, the general partner's capital of € 397.2 million was divided into 305,535,626 theoretical shares. Overall, the total capital thus amounted to € 565.2 million or 434,777,878 theoretical shares outstanding. Taking the share split into account, the weighted average number of shares in the third quarter and in the first nine months of 2014 was likewise 434,777,878.

As of September 30, 2014, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

The calculation of basic and diluted earnings per shares was retroactively adjusted for all the reporting periods presented owing to the share split as of June 30, 2014.

Information on the measurement of fair value

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 as of the balance sheet date:

€ million	Nominal volume		Fair value	
	Sept. 30, 2014	Dec. 31, 2013	Sept. 30, 2014	Dec. 31, 2013
Cash flow hedge	9,773.9	4,073.5	9.6	82.2
Interest	650.0	650.0	-90.9	-39.9
Currency	9,123.9	3,423.5	100.5	122.1
Fair value hedge	-	-	-	-
Interest	-	-	-	-
Currency	-	-	-	-
No hedge accounting	2,132.5	2,042.5	0.6	5.3
Interest	-	-	-	-
Currency	2,132.5	2,042.5	0.6	5.3
	11,906.4	6,116.0	10.2	87.5

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, 2014	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total Dec. 31, 2013
Foreign exchange contracts	10,585.5	386.9	10,972.4	3,763.2	1,244.9	5,008.1
Currency options	228.6	55.4	284.0	297.2	160.7	457.9
Interest rate swaps	-	650.0	650.0	-	650.0	650.0
	10,814.1	1,092.3	11,906.4	4,060.4	2,055.6	6,116.0

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

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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, 2014	Amortized cost	At cost	Fair value	Carrying value accord- ing to IAS 17	Non-financial items	Fair value Sept. 30, 2014
€ million							
Assets							
Cash and cash equivalents	1,338.3	1,338.3	–	–	–	–	1,338.3
Current financial assets	1,316.6	21.1	–	1,295.5	–	–	
Held for trading (non-derivatives)	–	–	–	–	–	–	–
Derivatives not in a hedging relationship	14.0	–	–	14.0	–	–	14.0
Held to maturity	21.1	21.1	–	–	–	–	21.1
Loans and receivables	–	–	–	–	–	–	–
Available-for-sale	1,277.6	–	–	1,277.6	–	–	1,277.6
Derivatives in a hedging relationship	3.9	–	–	3.9	–	–	3.9
Trade receivables	2,268.1	2,268.1	–	–	–	–	
Loans and receivables	2,268.1	2,268.1	–	–	–	–	2,268.1
Current and non-current other assets	601.2	153.3	–	129.1	–	318.8	
Derivatives not in a hedging relationship	1.5	–	–	1.5	–	–	1.5
Loans and receivables	153.3	153.3	–	–	–	–	153.3
Derivatives in a hedging relationship	127.6	–	–	127.6	–	–	127.6
Non-financial items	318.8	–	–	–	–	318.8	
Non-current financial assets	89.9	15.9	71.5	2.4	–	–	
Derivatives not in a hedging relationship	–	–	–	–	–	–	–
Held to maturity	–	–	–	–	–	–	–
Loans and receivables	15.9	15.9	–	–	–	–	15.9
Available-for-sale	73.9	–	71.5	2.4	–	–	73.9
Derivatives in a hedging relationship	–	–	–	–	–	–	–
Liabilities							
Current and non-current financial liabilities	4,176.4	4,047.4	–	121.7	7.1	–	
Derivatives not in a hedging relationship	10.4	–	–	10.4	–	–	10.4
Other liabilities	4,047.4	4,047.4	–	–	–	–	4,368.9
Derivatives in a hedging relationship	111.3	–	–	111.3	–	–	111.3
Finance lease	7.1	–	–	–	7.1	–	7.1
Trade accounts payable	1,370.3	1,370.3	–	–	–	–	
Other liabilities	1,370.3	1,370.3	–	–	–	–	1,370.3
Current and non-current other liabilities	885.7	207.2	–	15.1	–	663.4	
Derivatives not in a hedging relationship	4.5	–	–	4.5	–	–	4.5
Other liabilities	207.2	207.2	–	–	–	–	207.2
Derivatives in a hedging relationship	10.6	–	–	10.6	–	–	10.6
Non-financial items	663.4	–	–	–	–	663.4	

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

		Subsequent measurement according to IAS 39					
€ million	Book value Dec. 31, 2013	Amortized cost	At cost	Fair value	Carrying value accord- ing to IAS 17	Non-financial items	Fair value Dec. 31, 2013
Assets							
Cash and cash equivalents	980.8	980.8	–	–	–	–	980.8
Current financial assets	2,410.5	80.7	–	2,329.8	–	–	
Held for trading (non-derivatives)	–	–	–	–	–	–	–
Derivatives not in a hedging relationship	6.8	–	–	6.8	–	–	6.8
Held to maturity	53.4	53.4	–	–	–	–	53.4
Loans and receivables	27.3	27.3	–	–	–	–	27.3
Available-for-sale	2,312.1	–	–	2,312.1	–	–	2,312.1
Derivatives in a hedging relationship	10.9	–	–	10.9	–	–	10.9
Trade receivables	2,021.4	2,021.4	–	–	–	–	
Loans and receivables	2,021.4	2,021.4	–	–	–	–	2,021.4
Current and non-current other assets	466.2	115.4	–	126.6	–	224.2	
Derivatives not in a hedging relationship	2.9	–	–	2.9	–	–	2.9
Loans and receivables	115.4	115.4	–	–	–	–	115.4
Derivatives in a hedging relationship	123.7	–	–	123.7	–	–	123.7
Non-financial items	224.2	–	–	–	–	224.2	
Non-current financial assets	77.8	15.8	52.3	9.7	–	–	
Derivatives not in a hedging relationship	–	–	–	–	–	–	–
Held to maturity	–	–	–	–	–	–	–
Loans and receivables	15.8	15.8	–	–	–	–	15.8
Available-for-sale	57.3	–	52.3	5.0	–	–	57.3
Derivatives in a hedging relationship	4.7	–	–	4.7	–	–	4.7
Liabilities							
Current and non-current financial liabilities	3,697.9	3,630.8	–	59.4	7.7	–	
Derivatives not in a hedging relationship	4.0	–	–	4.0	–	–	4.0
Other liabilities	3,630.8	3,630.8	–	–	–	–	3,916.6
Derivatives in a hedging relationship	55.4	–	–	55.4	–	–	55.4
Finance lease	7.7	–	–	–	7.7	–	7.7
Trade accounts payable	1,364.1	1,364.1	–	–	–	–	
Other liabilities	1,364.1	1,364.1	–	–	–	–	1,364.1
Current and non-current other liabilities	1,140.1	581.1	–	2.1	–	556.9	
Derivatives not in a hedging relationship	0.4	–	–	0.4	–	–	0.4
Other liabilities	581.1	581.1	–	–	–	–	581.1
Derivatives in a hedging relationship	1.7	–	–	1.7	–	–	1.7
Non-financial items	556.9	–	–	–	–	556.9	

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

The fair value of financial assets and liabilities is based on the official market prices and market values quoted on the balance sheet date (Level 1 assets and liabilities) as well as mathematical calculation models with inputs observable in the market on the balance sheet date (Level 2 assets and liabilities). Level 1 assets comprise stocks and bonds and are classified as "available-for-sale", Level 1 liabilities comprise issued bonds and are classified as "other liabilities". Level 2 assets and liabilities are primarily liabilities to banks classified as "other liabilities", interest-bearing securities classified as "available-for-sale" as well as derivatives with and without hedging relationships. 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 the balance sheet and the fair values deviating substantially from the carrying amount were determined as follows:

<i>€ million</i> <i>as of Sept. 30, 2014</i>		
	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	1,130.5	3,450.0
thereof available-for-sale	1,130.5	–
thereof other liabilities	–	3,450.0
Fair value determined using inputs observable in the market (Level 2)	296.5	1,055.7
thereof available-for-sale	149.5	–
thereof derivatives in a hedging relationship	131.5	121.9
thereof derivatives not in a hedging relationship	15.5	14.9
thereof other liabilities	–	918.9
Fair value determined using inputs unobservable in the market (Level 3)	–	–

<i>€ million</i> <i>as of Dec. 31, 2013</i>		
	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	1,396.5	3,414.3
thereof available-for-sale	1,396.5	–
thereof other liabilities	–	3,414.3
Fair value determined using inputs observable in the market (Level 2)	1,069.6	563.8
thereof available-for-sale	920.6	–
thereof derivatives in a hedging relationship	139.3	57.1
thereof derivatives not in a hedging relationship	9.7	4.4
thereof other liabilities	–	502.3
Fair value determined using inputs unobservable in the market (Level 3)	–	–

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Related-party disclosures

As of September 30, 2014 there were liabilities by Merck Financial Services GmbH to E. Merck KG in the amount of € 575.3 million as well as to Merck Capital Asset Management, Malta, amounting to € 0.2 million. In addition, as of September 30, 2014, there were receivables by Merck KGaA to E. Merck Beteiligungen KG in the amount of € 8.4 million as well as by Merck & Cie, Switzerland, to E. Merck KG in the amount of € 5.6 million. 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 € 575.5 million, which were subject to standard market interest rates.

From January to September 2014, Merck KGaA performed services for E. Merck KG, E. Merck Beteiligungen KG and Emanuel-Merck-Vermögens-KG with a value of € 1.0 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.

Subsequent events

Subsequent to the balance sheet date, no further events of special importance occurred that could have a material impact on the net assets, financial position and results of operations of the Merck Group.

Darmstadt, November 11, 2014



Karl-Ludwig Kley



Kai Beckmann



Marcus Kuhnert



Stefan Oschmann



Bernd Reckmann

Executive Board of Merck KGaA

Karl-Ludwig Kley, Chairman

Kai Beckmann | Marcus Kuhnert | Stefan Oschmann | Bernd Reckmann

Supervisory Board of Merck KGaA

Wolfgang Büchele, Chairman

Crocifissa Attardo* | Mechthild Auge* | Gabriele Eismann* | Michael Fletterich* | Edeltraud Glänzer*

Michaela Freifrau von Glenck | Siegfried Karjetta | Albrecht Merck | Dietmar Oeter* | Alexander Putz*

Helga Rübsamen-Schaeff | Karl-Heinz Scheider* | Gregor Schulz | Theo Siegert | Tobias Thelen

* Employee representative

Financial calendar 2015

Annual Report 2014

Tuesday, March 3, 2015

Annual General Meeting 2015

Friday, April 17, 2015

Interim Report Q1 2015

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