DISCLAIMER

Merck
Half-Year Financial Report 2013

The road to tomorrow

Contents

Merck Group

Highlights – 2nd Quarter 2013

- Organic sales growth of 3.3% despite more difficult markets
- Positive effects of efficiency program "Fit for 2018" well on track
- Margin expansion in nearly all divisions
- Increase in EBITDA pre one-time items of 10.7% to € 826 million
- EPS pre one-time items lifted by 17.7% to € 2.26
- Continuous net financial debt reduction to € 1.3 billion at the end of the quarter
- Guidance for 2013 confirmed despite adverse currency effects:
  EBITDA pre one-time items ~€ 3.1 to € 3.2 billion

Merck Group | Key figures

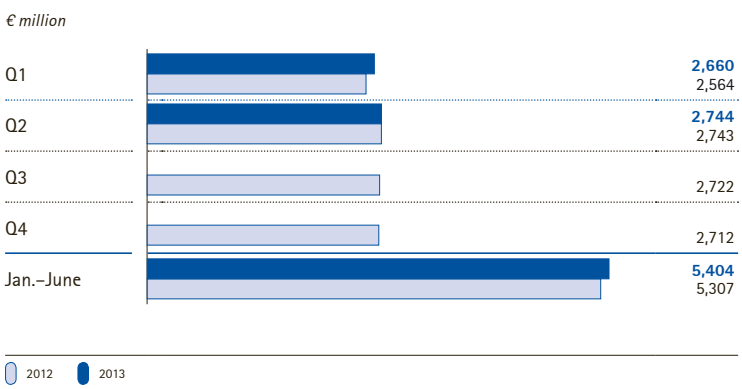
€ million	Q2 – 2013	Q2 – 2012	Change	Jan.–June 2013	Jan.–June 2012	Change
Total revenues	2,841.1	2,852.1	–0.4%	5,601.6	5,497.1	1.9%
Sales	2,743.9	2,743.1	–	5,404.3	5,307.0	1.8%
Operating result (EBIT)	465.4	23.2	n.m.	864.8	333.8	159.1%
Margin (% of sales)	*17.0%*	*0.8%*		*16.0%*	*6.3%*	
EBITDA	793.1	375.0	111.5%	1,546.9	1,028.3	50.4%
Margin (% of sales)	*28.9%*	*13.7%*		*28.6%*	*19.4%*	
EBITDA pre one-time items	826.4	746.6	10.7%	1,627.5	1,420.9	14.5%
Margin (% of sales)	*30.1%*	*27.2%*		*30.1%*	*26.8%*	
EPS pre one-time items (€)	2.26	1.92	17.7%	4.37	3.58	22.1%
Free cash flow	549.6	625.7	–12.1%	988.2	1,045.4	–5.5%

Merck's solid business performance since the beginning of the year continued in the second quarter of 2013 with total revenues increasing organically by 2.8%. Negative currency effects of –3.4% caused total revenues of the Merck Group to fall slightly by –0.4% to € 2,841 million (Q2 2012: € 2,852 million). Acquisitions increased total revenues by 0.1%. Royalty, license and commission income, which is disclosed as part of total revenues, decreased by –10.8% to € 97 million (Q2 2012: € 109 million). This decline was mainly due to the expiry of a license agreement at Merck Serono.

Sales (total revenues less royalty, license and commission income) grew organically by 3.3% in the second quarter of 2013 but the increase was offset by negative currency effects of –3.5%. Acquisitions contributed 0.1% to growth in sales. Overall, Group sales totaled € 2,744 million (Q2 2012: € 2,743 million). Absolute organic sales growth was driven by the solid performances of the three major divisions: Merck Serono, the largest division in terms of sales, with organic growth of 2.1%, Merck Millipore with organic growth of 5.6%, and Performance Materials with 5.4%. Currency headwinds stemmed mainly from the development of the Japanese yen. However, the Brazilian real, the Venezuelan bolivar, the Argentinean peso as well as the U.S. dollar also had a negative impact on Group sales.

→ *Merck Group*

Merck Group | Sales by quarter/half-year



Sales development by region

From a regional perspective, Emerging Markets, comprising Latin America and Asia with the exception of Japan, generated strong organic sales growth of 4.9%, which was largely offset by negative currency effects of –4.2%. Overall, this region's contribution to Group sales remained constant at 35%.

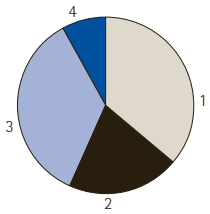
Overall, sales in Europe were flat, with currency headwinds of –0.6% being compensated for by organic growth of 0.2% and an increase of 0.4% due to acquisitions. Europe thus once again accounted for 36% of Group sales in the second quarter of 2013, as in the year-earlier quarter.

With organic growth of 4.9%, North America increased its contribution to Group sales to 21% (Q2 2012: 20%). Key drivers were the strong sales performance of Merck Serono in comparison with the year-earlier quarter, especially with respect to the multiple sclerosis treatment Rebif®, as well as high customer demand in the Process Solutions business unit of Merck Millipore.

The Rest of World region, i.e. Japan, Africa and Australia/Oceania, generated 8% of Group sales in comparison with 9% in the year-earlier quarter. Negative currency effects, which totaled –15.7% and stemmed mainly from the Japanese yen, were primarily responsible for this decline. Organically, sales in the Rest of World region increased by 6.4%.

Merck Group | Sales by region – Q2 2013

€ million / % of sales



1	Europe	998.1	36%
2	North America	563.1	21%
3	Emerging Markets	966.5	35%
4	Rest of World	216.3	8%

Merck Group | Growth components by region – Q2 2013

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	998.1	0.2%	–0.6%	0.4%	–
North America	563.1	4.9%	–2.0%	–	2.9%
Emerging Markets	966.5	4.9%	–4.2%	–	0.7%
Rest of World	216.3	6.4%	–15.7%	–	–9.2%
Group	**2,743.9**	**3.3%**	**–3.5%**	**0.1%**	**–**

→ *Merck Group*

Gross profit increased by 1.4%, totaling € 2,073 million (Q2 2012: € 2,044 million) or 75.6% of sales (Q2 2012: 74.5%). The gross margin improvement was mainly due to more favorable product mixes in the Merck Serono and Performance Materials divisions as well as to efficiency improvements resulting from the program "Fit for 2018" initiated last year.

Group-wide marketing and selling expenses amounted to € 616 million in the second quarter of 2013. Since they were consistent with the previous year's level, the ratio of marketing and selling expenses to sales remained unchanged at 22.5%. Royalty, license and commission expenses increased by 3.2% to € 157 million (Q2 2012: € 152 million), which was mainly due to co-promotion expenses for Rebif® in the United States.

Other operating expenses of the Merck Group declined in the second quarter of 2013 to € 116 million (Q2 2012: € 489 million). This sharp decline primarily reflects the level of one-time items recorded here. During the second quarter of 2013, one-time items including impairments, totaled € 38 million (Q2 2012: € 394 million). One-time expenses of € 9 million were incurred in connection with "Fit for 2018" in the second quarter of 2013 (Q2 2012: € 376 million). These consisted of restructuring charges amounting to € 5 million (Q2 2012: € 355 million) and impairments totaling € 4 million (Q2 2012: € 21 million). The expenses in the year-earlier quarter were largely related to the planned closure of Merck Serono divisional headquarters in Geneva (Switzerland). In conjunction with the gain from operational currency hedges amounting to € 2 million (Q2 2012: loss of € –15 million), this reduced other operating expenses and income sharply by –76.3% to € –116 million (Q2 2012: € –489 million).

Research and development (R&D) expenses were –7.5% lower than in the second quarter of 2012 and amounted to € 374 million (Q2 2012: € 404 million) or 13.4% of sales (Q2 2012: 13.6%). The decline was largely attributable to the Merck Serono division and relates to the one-time expenses incurred in connection with the termination of two Phase III studies for Erbitux® in the previous year.

Amortization of intangible assets declined in the second quarter of 2013 by –3.7% to € 209 million (Q2 2012: € 217 million) owing to the end of the amortization period for an asset acquired within the scope of the Serono purchase.

In the second quarter of 2013, the Merck Group reported an operating result (EBIT) of € 465 million. In the year-earlier quarter, which included a very high level of one-time expenses for "Fit for 2018", EBIT amounted to € 23 million. The operating result excluding depreciation and amortization (EBITDA) also improved markedly in comparison with the previous year, increasing by 111.5% to € 793 million (Q2 2012: € 375 million). Adjusted for one-time expenses (excluding impairments) totaling € 33 million (Q2 2012: € 372 million), the key operational performance indicator EBITDA pre one-time items grew 10.7% to € 826 million or 30.1% of sales (Q2 2012: € 747 million or 27.2% of sales). The higher margin indicates the success of the efficiency improvement efforts throughout the entire Group.

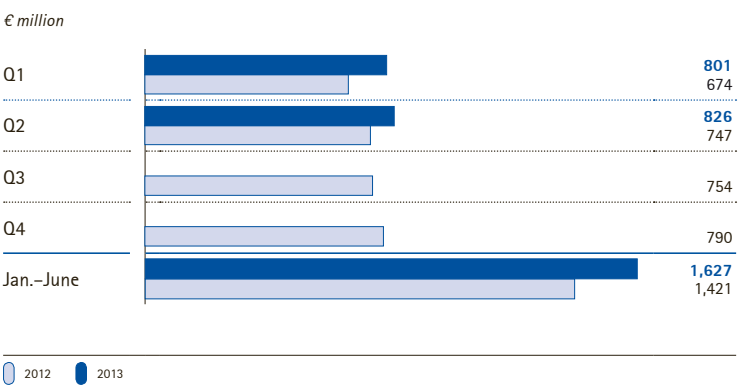
In the second quarter of 2013, the Group financial result improved by 30.4% to € –49 million (Q2 2012: € –70 million). This improvement was due to the lower interest expense for borrowed capital following the repayment of a bond worth € 500 million in December 2012 as well as foreign exchange hedging gains.

Income taxes amounted to € –101 million (Q2 2012: € –14 million), corresponding to a tax ratio of 24.2%. The tax ratio of the year-earlier quarter was significantly distorted due to the high level of one-time expenses.

Net income, i.e. profit after tax attributable to Merck shareholders, for the second quarter was € 316 million (Q2 2012: € –63 million), yielding earnings per share of € 1.45 (Q2 2012: € –0.29). It should be noted here that the previous year's figure reflected the strong negative impact of one-time items. Adjusted for one-time charges, earnings per share before one-time items rose by 17.7% to € 2.26 (Q2 2012: € 1.92).

→ *Merck Group*

Merck Group | EBITDA pre one-time items by quarter/half-year



Free cash flow (net cash flow from operating activities less acquisitions/divestments, purchase/disposals of intangible assets, property, plant and equipment, and non-current financial assets) was € 550 million in the second quarter of 2013 (Q2 2012: € 626 million), which is –12.1% less than in the year-earlier quarter. The figure includes cash inflows from the sale of the buildings in Geneva. The decline mainly reflects the exceptional reduction in working capital in the previous year. Whereas free cash flow benefited by € 233 million from changes in working capital in the previous year, the decline in working capital in the second quarter of 2013 amounted to € 54 million. Working capital as of June 30, 2013 was thus 22.3% relative to sales over the past 12 months.

Half-year 2013 Performance

In the first half of 2013, total revenues of the Merck Group increased by 1.9% to € 5,602 million (January–June 2012: € 5,497 million). Organic growth and acquisitions accounted for 4.2% and 0.1%, respectively. Negative foreign exchange effects reduced total revenues by –2.4%. Above all, the development of the Japanese yen was the main reason for this, however the Latin American currencies, in particular the Brazilian real, Venezuelan bolivar and Argentinean peso, also contributed significantly to the negative currency impact. The U.S. dollar also had slightly negative effects.

Sales were up 1.8%, amounting to € 5,404 million (January–June 2012: € 5,307 million). This comprises organic growth of 4.1%, coupled with the impact of unfavorable foreign exchange developments of –2.5% as well as acquisitions, which contributed 0.1%. Following a strong start to the year, business developed moderately in the second quarter. All four divisions generated positive organic growth rates in the first six months of 2013. In particular, Performance Materials and Merck Millipore achieved notable organic growth rates of 7.5% and 4.6%, respectively. From a regional perspective, the growth of Group sales was strongest in Emerging Markets and North America, increasing by 4.8% and 4.4% to € 1,891 million and € 1,079 million, respectively (January–June 2012: € 1,804 million and € 1,034 million, respectively). This indicates the weaker economic environment in Europe and also reflects the stronger focus on markets with the most attractive growth profiles.

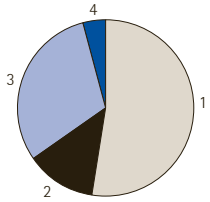
The operating result (EBIT) of the first six months of 2013 was € 865 million, or 16.0% of sales (January–June 2012: € 334 million or 6.3% of sales). EBITDA was 50.4% higher than in the previous year's first six months and amounted to € 1,547 million (January–June 2012: € 1,028 million). This corresponds to an EBITDA margin of 28.6% of sales (January–June 2012: 19.4%). On a reported basis, in the first six months of 2013, one-time items of € 112 million (January–June 2012: € 424 million) were recorded including impairments of € 31 million (January–June 2012: € 31 million), and € 47 million of other one-time costs (January–June 2012: € 366 million) stemming from the Group-wide "Fit for 2018" efficiency program. Adjusted for these one-time charges, EBITDA pre one-time items for the first six months of 2013 came in at € 1,627 million (January–June 2012: € 1,421 million). Earnings per share before one-time items were € 4.37 for the first six months (January–June 2012: € 3.58), which represents an increase of 22.1%.

→ *Merck Group*

Free cash flow for the first half of 2013 totaled € 988 million (January–June 2012: € 1,045 million). Once again, it was used to substantially lower net financial liabilities to € 1,316 million as of June 30, 2013 (December 31, 2012: € 1,926 million).

In July 2013, the credit rating agency Moody's Investors Service raised Merck's long-term issuer rating to "A3" from "Baa1" with stable outlook. Having already received an "A" rating from Standard & Poor's in May, this is the second upgrade Merck received within a period of a few weeks.

Merck Group | Number of employees as of June 30, 2013: 38,122



1 Europe	20,041	53%
2 North America	4,915	13%
3 Emerging Markets	11,641	30%
4 Rest of World	1,525	4%

At the end of the second quarter of 2013, Merck had 38,122 employees worldwide, compared to 38,847 on December 31, 2012.

Merck's Four Divisions

The operating activities of the Merck Group are organized into four divisions. The Merck Serono division develops, manufactures and markets prescription drugs to treat cardiovascular diseases, cancer, neurodegenerative diseases, infertility treatment and selected metabolic disorders. More than 60% of Merck Serono's sales are generated with biologics, making the division one of Europe's leading suppliers of biopharmaceuticals. In the second quarter of 2013, Merck Serono accounted for around 56% of Group sales.

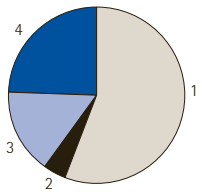
The Consumer Health division manufactures and markets over-the-counter pharmaceuticals that primarily address health themes such as mobility, women's and children's health, cough and cough as well as everyday health protection. This division's contribution to Group sales was around 4% in the second quarter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

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

Within its relevant market segments, the Merck Millipore division is one of the top three suppliers of tools and services for the life science industry, marketing and developing solutions to support the academic, pharmaceutical and biopharmaceutical and chemical industries to increase productivity in laboratories as well as to ensure quality, increase yields and lower costs in drug production. Reflecting the industry-specific needs of its customers, Merck Millipore has three business units: Bioscience and Lab Solutions, which both primarily serve the needs of researchers and laboratories, and Process Solutions, which supplies products used primarily for clinical and commercial-scale pharmaceutical production. In the second quarter of 2013, the division generated around 24% of Group sales.

Merck Group | Sales by division – Q2 2013

€ million / % of sales



1	Merck Serono	1,530.8	56%
2	Consumer Health	115.6	4%
3	Performance Materials	431.1	16%
4	Merck Millipore	666.3	24%

Merck Group | EBITDA pre one-time items by division

€ million	Q2 – 2013	Q2 – 2012	Change	Jan.–June 2013	Jan.–June 2012	Change
Merck Serono	490.9	449.7	9.2%	953.6	852.7	11.8%
Consumer Health	19.3	18.6	3.9%	33.6	28.0	20.3%
Performance Materials	208.9	192.8	8.4%	416.3	356.2	16.9%
Merck Millipore	155.9	152.9	1.9%	317.8	319.0	–0.4%
Corporate and Other	–48.7	–67.4	–27.8%	–94.0	–134.8	–30.3%

→ *Divisions*

Merck Serono

In the second quarter of 2013, total revenues of the Merck Serono division increased organically by 1.5% in an increasingly difficult market environment. Including a foreign exchange impact of –3.0%, total revenues decreased by –1.5% to € 1,624 million in comparison with the year-earlier quarter (Q2: 2012: € 1,649 million). Despite moderate organic growth of 2.1%, the division's reported sales declined slightly by –1.0% overall to € 1,531 million due to currency headwinds of –3.1% (Q2 2012: € 1,546 million).

The division's two top-selling products, the multiple sclerosis treatment Rebif® and the cancer therapy Erbitux®, continued to generate positive organic growth rates. However, the diabetes treatment Glucophage® recorded negative growth. The Latin American currencies, the Japanese yen and the U.S. dollar were primarily responsible for the negative foreign exchange effects. Royalty, license and commission income declined by –9.0% to € 93 million (Q2 2012: € 102 million). This decrease was mainly due to the end of a licensing agreement following the expiry of a patent for the third-party product Avonex® in May 2013.

Merck Serono | Key figures

€ million	Q2 – 2013	Q2 – 2012	Change	Jan.–June 2013	Jan.–June 2012	Change
Total revenues	1,623.8	1,648.6	–1.5%	3,171.4	3,143.9	0.9%
Sales	1,530.8	1,546.5	–1.0%	2,985.1	2,963.7	0.7%
Operating result (EBIT)	282.5	14.0	n.m	477.8	175.5	172.3%
Margin (% of sales)	*18.5%*	*0.9%*		*16.0%*	*5.9%*	
EBITDA	493.8	258.2	91.3%	927.1	651.4	42.3%
Margin (% of sales)	*32.3%*	*16.7%*		*31.1%*	*22.0%*	
EBITDA pre one-time items	490.9	449.7	9.2%	953.6	852.7	11.8%
Margin (% of sales)	*32.1%*	*29.1%*		*31.9%*	*28.8%*	

The division's cost of sales fell by –10.6% to € 283 million in the second quarter of 2013 (Q2 2012: € 317 million). Consequently, cost of sales declined more than sales as a result of an improved product mix and higher biotech production yields. Despite lower royalty, license and commission income, this led to an increase in gross profit of 0.7% to € 1,341 million (Q2 2012: € 1,332 million) and an improved gross margin (in % of sales) of 87.6% (Q2 2012: 86.1%).

Marketing and selling expenses decreased by –2.0% and amounted to € 352 million (Q2 2012: € 359 million). Royalty, license and commission expenses increased by 2.4% to € 152 million (Q2 2012: € 148 million). This was primarily due to higher sales of Rebif® in the United States and the resulting higher level of commission payments to Pfizer, the division's marketing partner.

With respect to the decline in other operating expenses from € 266 million in the year-earlier quarter to € 53 million in the second quarter of 2013, it must be noted that one-time items (including impairments) from "Fit for 2018" amounting to € 214 million were recorded in the second quarter of 2012. One-time items in the second quarter of 2013 amounted to only € 1 million and included impairments of € 4 million (Q2 2012: € 23 million). The decline in administration expenses from € 55 million to € 51 million in the second quarter of 2013 reflects the successful cost reductions achieved within the scope of "Fit for 2018".

Research and development spending by the Merck Serono division fell from € 326 million to € 296 million, a decline of –9.1%. The decrease was due both to the higher comparison basis in the year-earlier quarter resulting mainly from the one-time expenses for terminating two Phase III trials for Erbitux®, and to the impact of cost management efforts in connection with the restructuring program.

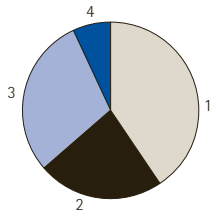
→ *Divisions*

Since the useful life of an intangible asset capitalized as part of the Serono purchase price allocation has expired, amortization of intangible assets declined by –6.1% to € 155 million. This effect will continue to be seen in future quarters.

In the second quarter of 2013, the division's EBIT rose sharply to € 283 million (Q2 2012: € 14 million) and EBITDA soared by 91.3% to € 494 million (Q2 2012: € 258 million). This development was mainly due to the high level of one-time items reported in the year-earlier quarter. Adjusted for one-time effects, EBITDA pre rose by 9.2% to € 491 million, equivalent to 32.1% of sales (Q2 2012: € 450 million; 29.1% of sales). This strong margin improvement underscores the division's good operational management and improved cost structure.

Merck Serono | Sales by region – Q2 2013

€ million / % of sales



1 Europe	622.7	41%
2 North America	354.5	23%
3 Emerging Markets	448.6	29%
4 Rest of World	105.0	7%

Sales development by region

Emerging Markets, Rest of World and North America were the regions that contributed to the organic sales growth achieved by the Merck Serono division. Only Europe, the division's largest region by sales, registered negative organic growth, which amounted to –2.7%. Together with the adverse effects of changes in foreign exchange rates, sales in Europe fell overall by –3.1% to € 623 million (Q2 2012: € 643 million). In addition to a pricing environment that remains difficult, especially in France due to government promotion of generic products, the ongoing budget constraints of several European countries as wells as the resulting health care cost containment measures impacted the business. Europe still accounted for the largest proportion, or 41%, of divisional sales (Q2 2012: 42%).

Emerging Markets, the division's second-largest region by sales, posted organic growth of 5.2%. However, a foreign exchange impact of 5.7% caused sales to slip slightly from € 451 million to € 449 million. The positive organic growth in this region was driven primarily by CardioMetabolic Care & General Medicine. Overall, Emerging Markets again generated 29% of divisional sales.

Sales in North America benefited from the Rebif® price increases, which were almost exclusively responsible for the organic growth of 3.5% to € 355 million in this region (Q2 2012: € 349 million). North America's contribution to divisional sales remained unchanged at 23%.

Organic growth of 13.5% in the Rest of World region was fueled by the good sales performance of Erbitux® as well as Gonal-f®, the leading recombinant hormone for the treatment of infertility. Including the adverse currency impact of –12.4%, sales amounted to € 105 million (Q2 2012: € 104 million). The Rest of World region thus once again contributed 7% to divisional sales.

→ *Divisions*

Merck Serono | Growth components by region – Q2 2013

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	622.7	–2.7%	–0.5%	–	–3.1%
North America	354.5	3.5%	–1.9%	–	1.6%
Emerging Markets	448.6	5.2%	–5.7%	–	–0.5%
Rest of World	105.0	13.5%	–12.4%	–	1.1%

Sales development by key products and therapeutic areas

At product level, global sales of Merck's largest individual product Rebif®, which is used for the treatment of relapsing multiple sclerosis, grew organically by 3.5%. This was due in particular to price increases, amongst others related to the good launch of RebiDose®, thereby mitigating tougher competition. The Merck Serono division was thus able to defend its position in the interferon market. Including the impact of foreign exchange, sales grew by 1.4% to € 499 million (Q2 2012: million € 492 million). Apart from higher organic sales growth in the Emerging Markets region, North America also contributed to this development with organic growth of 6.7% as a result of price increases. In the second quarter of 2013, North America accounted for € 271 million (Q2 2012: € 259 million) or more than half of global sales of Rebif®. To expand the range of injection devices in the United States, RebiDose® was launched in March after having been approved by the U.S. Food and Drug Administration (FDA) in December 2012. Patients with relapsing forms of multiple sclerosis now have a total of three Rebif® delivery options along with prefilled syringes and the injection device Rebiject II to meet their treatment needs. In Europe, sales of Rebif® remained relatively constant, totaling € 186 million (Q2 2012: € 188 million). A mixed picture resulted in the two other regions: While Emerging Markets registered a 6.8% organic increase in sales, the Rest of World region saw an organic decline of –16.7%. Including the adverse impact of foreign exchange, sales of Rebif® in the Emerging Markets region declined by –3.2% to € 34 million (Q2 2012: € 35 million) and dropped in the Rest of World region by –19.9% to € 8 million (Q2 2012: € 10 million). Overall, however, the combined contribution of around 9% to Rebif® sales by these two regions in the second quarter of 2013 remained comparatively low.

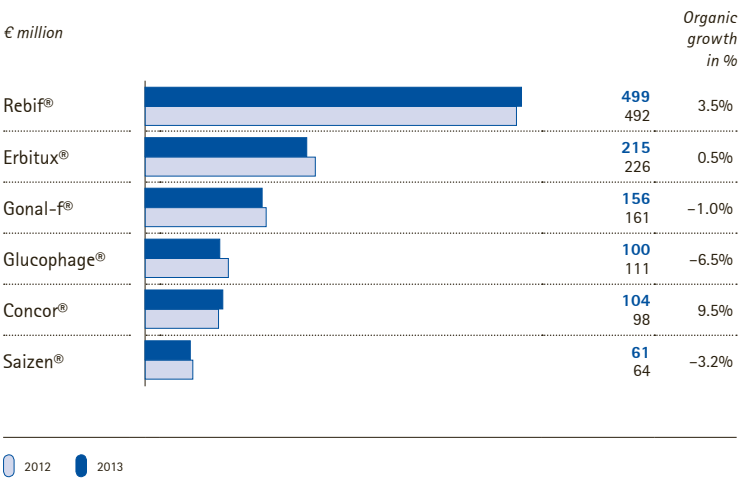
At € 215 million, sales of Erbitux® were –4.8% lower in the second quarter (Q2 2012: € 226 million) since the negative foreign exchange impact exceeded organic growth of 0.5%. The development of sales was uneven in the three regions in which Merck Serono holds the marketing rights to Erbitux®. Accounting for 58% of sales and organic growth of 0.9%, Europe generated sales of € 125 million (Q2 2012: € 125 million). At 6.8%, the Rest of World region generated the strongest organic growth and recorded Erbitux® sales of € 35 million (Q2 2012: € 39 million). The business developed well in Japan, especially thanks to double-digit organic growth from the launch in head and neck cancer. However, this was canceled out by adverse currency effects from the weak Japanese yen. In Emerging Markets, sales totaled € 55 million in the second quarter (Q2 2012: € 62 million), declining by –11.3%, mainly as a result of negative growth rates and adverse currency effects.

Merck Serono | Sales and organic growth rates for Rebif® and Erbitux® by region – Q2 2013

		Sales	Europe	North America	Emerging Markets	Rest of World	Change Total
Rebif®	*€ million*	499.1	185.9	270.8	34.4	8.1	1.4%
	organic growth in %	*3.5%*	*–0.5%*	*6.7%*	*6.8%*	*–16.7%*	
	% of sales	*100%*	*37%*	*54%*	*7%*	*2%*	
Erbitux®	*€ million*	215.0	125.3	–	55.0	34.6	–4.8%
	organic growth in %	*0.5%*	*0.9%*	–	*–4.3%*	*6.8%*	
	% of sales	*100%*	*58%*	–	*26%*	*16%*	

→ *Divisions*

Merck Serono | Sales and organic sales growth for key products – Q2 2013



Sales of Gonal-f®, the leading recombinant hormone used in the treatment of infertility, totaled € 156 million in the second quarter of 2013 (Q2 2012: € 161 million). This included an organic sales decline of –1.0%, which was primarily attributable to weaker business in North America and Europe. The situation reflects the relationship that exists to some extent between economic developments and the demand for fertility products. Sales developed positively in the Rest of World region, where double-digit increases in sales volumes were achieved.

At € 101 million, second-quarter sales by the Endocrinology business, which mainly consists of Merck Serono's products to treat metabolic and growth disorders, were slightly lower than in the year-ago quarter (Q2 2012: € 103 million). While organic sales of the growth hormone Saizen® fell by –3.2%, sales of Serostim® for HIV-associated wasting increased as did those of Kuvan® for the treatment of the metabolic disorder hyperphenylalaninemia. Both Serostim® and Kuvan® posted solid organic growth rates.

In its CardioMetabolic Care & General Medicine business, Merck Serono achieved organic sales growth of 2.1%. Including the negative currency impact, sales amounted to € 501 million (Q2 2012: € 510 million). Overall, sales volumes in this business continued to develop well. However, the performance of the three top-selling franchises, namely Glucophage® for the treatment of diabetes, the beta-blocker Concor® and Merck's portfolio for the treatment of thyroid disorders was uneven. While sales of Concor® grew organically by 9.5% to € 104 million (Q2 2012: € 98 million) and organic sales of thyroid medicines grew by 16.3% to € 66 million (Q2 2012: € 57 million) mainly owing to strong demand from Emerging Markets, the sales decline at Glucophage® has to be seen in conjunction with the very strong organic growth achieved in the first quarter (+25.0%).

Half-year 2013 Performance

During the first six months of 2013, the division's total revenues increased by 0.9% to € 3,171 million (January–June 2012: € 3,144 million). Sales rose by 0.7% to € 2,985 million (January–June 2012: € 2,964 million). Reported sales reflected organic growth of 3.0% and adverse currency effects of –2.3%. With organic growth of 4.7% and sales of € 953 million (January–June 2012: € 922 million), Rebif® was the division's key sales driver. Sales of Erbitux®, the division's second best-selling product, declined slightly by –0.6% to € 437 million (January–June 2012: € 439 million). While both the Emerging Markets and Rest of World regions achieved strong organic growth of 5.8% and 6.1% respectively, these growth rates were more than canceled out by negative foreign exchange effects. In Europe, the top-selling region for Erbitux®, the product achieved organic growth of 1.6%, thus generating first-half sales of € 258 million (January–June 2012: € 254 million). In the first half of 2013, Europe accounted for 59% (January–June 2012: 58%) of the product's overall sales.

→ *Divisions*

The Fertility franchise, where Gonal-f® is the top-selling product, reported sales of € 412 million (January–June 2012: € 416 million), reflecting organic sales growth of 0.6% and a foreign exchange impact of 1.4%. During the first half of 2013, sales by the Endocrinology business totaled € 193 million (January–June 2012: € 195 million). Sales of the division's CardioMetabolic Care & General Medicine products were on a par with the year-earlier quarter at € 990 million (January–June 2012: € 990 million).

In the first six months of 2013, the division's EBITDA pre one-time items increased, on the back of moderate business performance and savings already achieved from the "Fit for 2018" efficiency program, by 11.8% to € 954 million (January–June 2012: € 853 million). This resulted in an EBITDA pre margin of 31.9% of sales (January–June 2012: 28.8%).

Merck Serono R&D update in Q2 2013

Merck Serono Pipeline in Q2 2013

The results of the Phase III START trial were presented at the American Society of Clinical Oncology (ASCO) Annual Meeting on June 4, 2013. This trial investigated the MUC1 antigen-specific cancer immunotherapy tecemotide (formerly referred to as Stimuvax and L-BLP25) versus placebo in patients with unresectable, locally advanced Stage III non-small cell lung cancer (NSCLC). As previously announced on December 19th, 2012, the primary endpoint of improving overall survival (OS) was not met in the overall population of patients. Following a post-hoc analysis, data presented at ASCO showed that in a predefined subgroup of patients receiving initial concurrent chemoradiotherapy an overall survival of 30.8 months was observed in patients treated with tecemotide compared to 20.6 months in patients receiving placebo (HR 0.78, p=0.016)[1]. Analyses of the data continue; Merck Serono will decide about the future of this development program in the second half of this year.

Results of the FIRE-3 study, a randomized, controlled, independent head-to-head phase III trial comparing Erbitux® and bevacizumab on top of standard chemotherapy (FOLFIRI) in patients with KRAS wild-type metastatic colorectal cancer (mCRC) funded by Merck, were also presented at the ASCO meeting by the German cooperative investigator group AIO. The data presented showed that the primary endpoint, objective response rate (ORR), was not significantly different for the two treatment arms: 62% for Erbitux® combination versus 58% for bevacizumab combination. However, investigators reported an increase in median overall survival (secondary endpoint) of 3.7 months in the Erbitux® plus FOLFIRI arm compared to the bevacizumab plus FOLFIRI arm based on a 57% event rate. The median overall survival was 28.7 months for the Erbitux® combination versus 25.0 months for bevacizumab combination.[2]

In Immunology, clinical and biomarker results from the APRIL SLE study of atacicept were presented at the Annual Meeting of the European League Against Rheumatism (EULAR) in Madrid in mid-June. APRIL SLE was a double-blind, placebo-controlled Phase II study assessing the therapeutic value of atacicept in systemic lupus erythematosus (SLE). While the 150 mg arm was terminated early due to two fatal pulmonary infections, no statistically significant difference was observed in the number of patients experiencing a disease flare between atacicept 75 mg and placebo during the 52week treatment period (primary endpoint). However, ad hoc analyses suggested that treatment with the 150-mg dose of atacicept was associated with a reduced number of patients experiencing SLE flares versus placebo (36.6% versus 54.1%, respectively). The 150-mg arm was also associated with a delayed time to first new flare versus placebo. The decision about further development of atacicept in SLE will be made in the second half of 2013.

1 Adverse events reported for tecemotide included injection side reactions, flu-like symptoms, cough, dyspnea, fatigue, back pain, nausea, chest pain, nasopharyngitis, headache, decreased appetite and arthralgia.

2 The toxicity profiles were as expected and manageable for both combinations.

→ *Divisions*

Other highlights

On May 24th, Merck signed a global licensing, co-development, and commercialization agreement with the Chinese company BeiGene Co., Ltd., for BeiGene-283, a second-generation BRAF inhibitor for the treatment of cancer that is currently in preclinical development. It is expected to enter clinical development next year. Under the terms of the collaboration, BeiGene will be responsible for the development and commercialization of BeiGene-283 in China and Merck Serono will be responsible for the development and commercialization for the rest of the world.

In mid-May, Merck and Quintiles, the world's largest provider of biopharmaceutical development and commercial outsourcing services, announced a new, five-year clinical development agreement. This collaboration is a novel approach to clinical development that is founded on a shared commitment to cost-disciplined science and particularly follows Merck Serono's strategy to variabilize costs in research and development as part of the "Fit for 2018" efficiency program. Under this agreement, Merck will shape and lead the strategy of its clinical development programs, with Quintiles directing clinical trial planning and execution.

Lastly, also in mid-May Merck announced that it would increase its commitment to its strategic corporate venture capital fund MS Ventures to € 100 million. MS Ventures was originally established in March 2009 with a € 40 million commitment to invest in emerging biotechnology companies. In addition to the € 100 million strategic venture fund, MS Ventures also manages the € 10 million Merck Serono Israel BioIncubator Fund as well as portfolio companies funded through the € 30 million Entrepreneur Partnership Program established to fund spin-offs from Merck Serono.

→ *Divisions*

Consumer Health

In the second quarter of 2013, the Consumer Health division reported sales of € 116 million, a decline of –4.5% compared with the strong year-earlier period (Q2 2012: € 121 million). This reflects an organic sales decrease of –1.0% as well as a negative foreign exchange impact of –3.5%. The organic decline was mainly due to lower sales in Europe, the division's largest market. Good sales growth in Germany was countered by the discontinuation of export products sold by the British subsidiary Seven Seas which contributed to higher comparable sales last year.

The demand for vitamins and mobility products was good in the second quarter. Strategic brands such as Bion®3 and Femibion® continued to gain share in the second quarter of 2013. Currency headwinds related mainly to the Venezuelan bolivar.

The efficiency measures initiated last year and better resource allocation improved the division's cost structure and led to a visible profitability increase, evidence of the successful implementation of the efficiency program.

Consumer Health | Key figures

€ million	Q2 – 2013	Q2 – 2012	Change	Jan.–June 2013	Jan.–June 2012	Change
Total revenues	116.8	121.6	–3.9%	233.1	229.6	1.5%
Sales	115.6	121.1	–4.5%	231.8	228.7	1.3%
Operating result (EBIT)	18.1	10.5	72.8%	29.9	16.2	84.8%
Margin (% of sales)	*15.7%*	*8.7%*		*12.9%*	*7.1%*	
EBITDA	20.4	13.4	52.3%	34.8	22.1	57.9%
Margin (% of sales)	*17.7%*	*11.1%*		*15.0%*	*9.6%*	
EBITDA pre one-time items	19.3	18.6	3.9%	33.6	28.0	20.3%
Margin (% of sales)	*16.7%*	*15.4%*		*14.5%*	*12.2%*	

At € 37 million, cost of sales were slightly lower than in the year-earlier quarter. Since sales declined as well, gross profit fell by –5.0% to € 79 million (Q2 2012: € 83 million), resulting in a gross margin of 68.6% (Q2 2012: 68.9%).

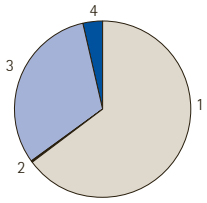
Consumer Health succeeded in sustainably improving its cost structure. By optimizing promotional spending and lowering sales force costs, the division reduced its marketing and selling expenses by –2.5% to € 53 million. Administration expenses fell by –12.6%. R&D expenses declined to € 4 million as the division continued to streamline the focus of its R&D activities while achieving structural savings of –5.5%. In the second quarter of 2013, other operating income was € 1 million. This contrasts with other operating expenses of € 8 million in the year-earlier quarter, especially since one-time expenses of € 5 million were incurred in connection with the "Fit for 2018" efficiency program.

As a result, EBIT surged by 72.8% to € 18 million (Q2 2012: € 10 million) and EBITDA grew by 52.3% to € 20 million (Q2 2012: € 13 million). Adjusted for one-time expenses, EBITDA pre rose by 3.9% to € 19 million. Relative to sales, this gave a positive boost to the EBITDA margin before one-time items, which came in at 16.7% (Q2 2012: 15.4%).

→ *Divisions*

Consumer Health | Sales by region – Q2 2013

€ million / % of sales



1 Europe	75.0	65%
2 North America	0.2	–
3 Emerging Markets	36.5	32%
4 Rest of World	3.9	3%

Sales performance by region

From a geographic perspective, slight declines in organic sales were incurred in the key regions. Europe, which accounts for 65% of sales (Q2 2012: 63%) and is the division's largest region, registered an organic decline in sales of –0.9% and a negative foreign exchange impact of –1.0%. As a result, sales in this region decreased slightly to € 75 million (Q2 2012: € 76 million). The visible increase in sales in Germany was not enough to offset the discontinuation of products sold by the British subsidiary Seven Seas or match a very strong comparable year-earlier quarter in France.

While the Emerging Markets region generated a slight organic sales increase of 0.4%, this was more than offset by negative foreign exchange effects of –7.5%. Strong organic growth rates were achieved mainly in Mexico, Brazil, Chile and Venezuela, as well as in large sections of Asia. This contrasted with currency headwinds stemming mainly from the Venezuelan bolivar that caused sales in Emerging Markets to decline to € 37 million (Q2 2012: € 39 million). Consequently, the share of divisional sales generated by Emerging Markets was only 32% (Q2 2012: 33%).

With an organic sales decline of –13.2% and negative foreign exchange effects of –10.7%, sales in the Rest of World region totaled € 4 million (Q2 2012: € 5 million). The proportion of divisional sales accounted for by this region was thus 3% (Q2 2012: 4%).

Consumer Health | Growth components by region – Q2 2013

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	75.0	–0.9%	–1.0%	–	–1.9%
North America	0.2	26.2%	2.4%	–	28.7%
Emerging Markets	36.5	0.4%	–7.5%	–	–7.1%
Rest of World	3.9	–13.2%	–10.7%	–	–23.8%

Half-year 2013 Performance

In the first six months of 2013, total revenues of the Consumer Health division increased by 1.5% to € 233 million (January–June 2012: € 230 million) and sales rose to € 232 million (January to June 2012: € 229 million). Owing to the solid first quarter of 2013, the division's sales increased by 1.3%. This was attributable to organic growth of 3.9% amid a negative foreign exchange impact of –2.5%. Europe was primarily responsible for the organic increase in sales, with Germany and France driving the growth. In the Emerging Markets region, the strongest organic growth rates were generated by the Latin American countries Mexico, Chile, Brazil and Venezuela.

EBITDA pre one-time items of the Consumer Health division increased in the first half of 2013 by 20.3% to € 34 million or 14.5% of sales in comparison with € 28 million or 12.2% of sales in the previous year. This improvement resulted primarily from the improved cost structure achieved as a result of the "Fit for 2018" measures.

→ *Divisions*

Performance Materials

In a superb second quarter of 2013, sales by the Performance Materials division increased by 1.2% to € 431 million (Q2 2012: € 426 million). While sales grew organically by 5.4%, changes in foreign exchange rates lowered top-line growth by –4.3%. Currency headwinds stemmed mainly from the Japanese yen.

Higher sales volumes of liquid crystal materials from the Liquid Crystals business unit, which accounts for more than 70% of Performance Materials sales, fueled organic growth. In particular, demand for materials based on polymer-stabilized vertical alignment (PS-VA) technology, which are primarily used in large-sized, high-quality television displays, was very strong. This compensated for moderate sales of materials based on TN-TFT technology that are typically used in monitors and notebook displays. It should also be noted that materials based on in-plane switching (IPS) technology, which are used in tablet computers, among other things, benefited at the expense of TN-TFT technology. High demand for liquid crystal materials offered by Performance Materials again underscores the technical superiority that Merck has achieved in a business driven by high quality and innovation requirements. At the same time, there have long been visible signs of an inventory buildup in the display industry value chain, which could be worked down in the second half of 2013. Merck therefore assumes a softer sales dynamic for the Performance Materials division in the second half of 2013 compared to the previous year.

The Pigments & Cosmetics business unit also recorded medium single-digit organic growth in the second quarter of 2013. This was mainly driven by higher demand for decorative pigments, particularly for Xirallic® pigments, which are primarily used in automotive coatings.

Performance Materials | Key figures

€ million	Q2 – 2013	Q2 – 2012	Change	Jan.–June 2013	Jan.–June 2012	Change
Total revenues	431.8	426.6	1.2%	853.9	812.8	5.0%
Sales	431.1	426.1	1.2%	852.4	812.5	4.9%
Operating result (EBIT)	170.1	180.5	–5.7%	342.7	312.9	9.5%
Margin (% of sales)	*39.5%*	*42.4%*		*40.2%*	*38.5%*	
EBITDA	205.1	207.5	–1.1%	408.4	370.3	10.3%
Margin (% of sales)	*47.6%*	*48.7%*		*47.9%*	*45.6%*	
EBITDA pre one-time items	208.9	192.8	8.4%	416.3	356.2	16.9%
Margin (% of sales)	*48.5%*	*45.2%*		*48.8%*	*43.8%*	

Despite higher sales, the division's cost of sales declined by –12.5% to € 160 million (Q2 2012: € 183 million). This was mainly due to efficiency improvements in production as well as an altered product mix. The increase in sales together with the reduction in cost of sales led to a marked rise in gross profit of 11.5% to € 271 million (Q2 2012: € 243 million). This resulted in a higher gross margin, in percent of sales, of 63.0% (Q2 2012: 57.1%), to which both the Liquid Crystals and Pigments & Cosmetics business units contributed.

Marketing and selling expenses rose slightly in the second quarter of 2013 by 4.3% to € 37 million (Q2 2012: € 35 million), while administration expenses remained at the previous year's level of € 8 million. R&D spending rose by 4.6% to € 33 million (Q2 2012: € 32 million). The Liquid Crystals business unit accounted for the vast majority of this amount. The ratio of R&D spending to sales was thus 7.8% (Q2 2012: 7.5%). Other operating income and expenses showed a net gain of € 13 million in the year-earlier quarter and a net expense of € 19 million in the second quarter of 2013. The development of this item

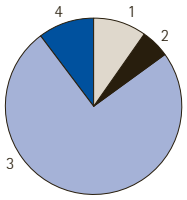
→ *Divisions*

mainly reflects the one-time items included here. While a gain of € 16 million from the divestment of the battery electrolytes business was recorded in the previous year, the second quarter of 2013 included one-time expenses of € 3 million for restructuring measures. In the second quarter of 2013, other operating expenses additionally included impairments of € 9 million.

Due to this special situation, EBIT decreased by –5.7% to € 170 million (Q2 2012: € 181 million). EBITDA fell slightly by –1.1% to € 205 million (Q2 2012: € 207 million). Adjusted for one-time effects, EBITDA pre one-time items rose by 8.4% to € 209 million, or 48.5% of sales (Q2 2012: € 193 million or 45.2% of sales). Therefore, the division's profitability improved to a unique level thanks to the strong operational performance of Liquid Ccrystals, particularly with regard to PS-VA technology, as well as cost structure improvements in the Pigments & Cosmetics business unit.

Performance Materials | Sales by region – Q2 2013

€ million / % of sales



1	Europe	42.3	10%
2	North America	23.0	5%
3	Emerging Markets	322.5	75%
4	Rest of World	43.3	10%

Sales development by region

From a regional perspective, the Emerging Markets region generated 75% of Performance Materials sales in the second quarter of 2013, reflecting the concentration of liquid crystals customers in Asia. This region also achieved the division's highest organic growth rate of 5.9%. Taking negative currency effects into account, sales rose by 3.6% to € 323 million (Q2 2012: € 311 million). Once again, China was the main growth driver, where demand for flat screens climbed significantly. This was mainly due to government incentives, which ended however in the second quarter of 2013.

With sales of € 42 million, Europe accounted for 10% of divisional sales (Q2 2012: € 40 million). Organic growth of 5.5% in the region was mainly generated by pigments for automotive coatings and by cosmetic actives.

The Rest of World region, primarily Japan, also recorded an increase in organic sales, amounting to 2.9%. Strong currency headwinds of –19.7% resulted in sales of € 43 million (Q2 2012: € 52 million). The Rest of World region thus accounted for 10% of Performance Materials sales (Q2 2012: 12%).

Sales in the North America region were € 23 million (Q2 2012: € 22 million), representing a 5% share of divisional sales. Organic growth of 4.6% reflected the special regional strength of the Xirallic® business in North America.

Performance Materials | Growth components by region – Q2 2013

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	42.3	5.5%	–0.4%	–	5.1%
North America	23.0	4.6%	–1.9%	–	2.7%
Emerging Markets	322.5	5.9%	–2.3%	–	3.6%
Rest of World	43.3	2.9%	–19.7%	–	–16.9%

→ *Divisions*

Half-year 2013 Performance

In the first six months of 2013, the Performance Materials division generated a 4.9% increase in sales to € 852 million (January–June 2012: € 813 million). Organically, sales grew by 7.5%. Negative currency effects of –2.6% stemmed mainly from the Japanese yen. During the first two quarters of 2013, sales volumes of liquid crystals developed favorably due to higher demand from display manufacturers. In the first six months of 2013, sales by the Pigments & Cosmetics business unit also increased. This positive performance was mainly fueled by stronger demand for Xirallic® pigments in North America as well as higher sales of active ingredients for cosmetic applications.

The division's EBITDA pre one-time items climbed by 16.9% to € 416 million in the first half of 2013 (January–June 2012: € 356 million), reflecting both the strong performance of the Liquid Crystals business and improved earnings in the Pigments & Cosmetics business unit since the beginning of 2013. This resulted in a sharp increase in the EBITDA margin pre one-time items to 48.8% (January–June 2012: 43.8%).

→ *Divisions*

Merck Millipore

In the second quarter of 2013, the Merck Millipore division achieved a 2.6% increase in sales to € 666 million (Q2 2012: € 649 million). While organically sales were up by a solid 5.6%, changes in foreign exchange rates (especially the Japanese yen) had a negative impact of –3.7%. In addition, last year's acquisition of Biochrom AG, Berlin, favorably impacted sales by 0.6%. The division reported positive organic growth across the three business units. Royalty income from pharmaceutical-chemical products from Process Solutions decreased in the second quarter to € 2 million (Q2 2012: € 6 million).

The Process Solutions business unit, which markets products and services for the pharmaceutical production value chain, was the primary contributor of the top line growth in the second quarter 2013. As a result of higher volumes, Process Solutions reported organic sales growth of 7.7% reaching sales of € 277 million (Q2 2012: € 262 million). Therefore, the business unit now accounts for 42% of the division's sales (Q2 2012: 40%). The increase was driven by higher demand for products used in biopharmaceutical production as well as the business unit's biodevelopment services that promote single-use manufacturing (for example Mobius®). Growth was also fueled by the very positive development of sales to the pharmaceutical industry during the quarter, especially in North America and western Europe. With an increasing number of research projects in the pharmaceutical industry, Merck Millipore continues to expect that the Process Solutions business unit will remain a major growth driver for the division.

In the Lab Solutions business unit, where Merck Millipore markets a broad portfolio of products used by researchers and scientific laboratories, sales increased organically by 5.8% to € 279 million (Q2 2012: € 274 million). This was mainly driven by elevated demand for biomonitoring solutions, particularly from customers in the pharmaceutical industry, Lab Water services and consumables and strong demand in mature markets. Higher selling prices also contributed to the increase.

The Bioscience business unit, which primarily markets products and services for biotech research laboratories, recorded organic sales growth of 0.6% to € 110 million (Q2 2012: € 113 million). On the one hand, across-the-board health care spending cuts in the United States softened demand. On the other hand, business with the recently launched system series Amnis®, Muse® and Direct Detect® developed favorably and compensated for the decline in sales with services for active ingredient development.

Merck Millipore | Key figures

€ million	Q2 – 2013	Q2 – 2012	Change	Jan.–June 2013	Jan.–June 2012	Change
Total revenues	668.7	655.3	2.1%	1,343.3	1,310.7	2.5%
Sales	666.3	649.5	2.6%	1,335.0	1,302.1	2.5%
Operating result (EBIT)	72.4	70.3	3.0%	144.8	153.1	–5.5%
Margin (% of sales)	*10.9%*	*10.8%*		*10.8%*	*11.8%*	
EBITDA	148.2	146.2	1.4%	299.7	304.7	–1.6%
Margin (% of sales)	*22.2%*	*22.5%*		*22.5%*	*23.4%*	
EBITDA pre one-time items	155.9	152.9	1.9%	317.8	319.0	–0.4%
Margin (% of sales)	*23.4%*	*23.5%*		*23.8%*	*24.5%*	

During the second quarter of 2013, cost of sales amounted to € 286 million (Q2 2012: € 270 million), which represents a year-on-year increase of 5.9%. This yielded a gross profit of € 383 million (Q2 2012: € 385 million), or 57.5% of sales (Q2 2012: 59.3%). The decrease in gross margin was attributable to currency headwinds (especially from a weaker Japanese yen) and changes in product mix.

→ *Divisions*

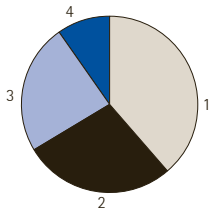
Marketing and selling expenses rose by 2.9% to € 174 million (Q2 2012: € 169 million), primarily as a result of expanding the sales organizations in the Emerging Markets region and sales promotion campaigns. By contrast, administration expenses dropped in the second quarter of 2013 by –14.3% to € 23 million (Q2 2012: € 27 million), reflecting the positive effects of the "Fit for 2018" efficiency program. Other operating expenses totaled € 20 million (Q2 2012: € 23 million), including € 8 million in one-time items (Q2 2012: € 7 million).

Merck Millipore's R&D costs decreased by –5.0% as a result of foreign exchange effects and phasing in development projects, to € 40 million (Q2 2012: € 42 million). In the second quarter of 2013, the ratio of R&D costs to sales was 5.9%. The division will nevertheless continue to strengthen its investments in developing innovative products in order to participate in the attractive growth opportunities of the life science tools market. The Process Solutions business unit thus accounts for a significant portion of the R&D budget.

Lastly, EBIT increased by 3.0% to € 72 million (Q2 2012: € 70 million), while EBITDA rose 1.4% to € 148 million (Q2 2012: € 146 million). Adjusted for one-time charges of € 8 million (Q2 2012: € 7 million), EBITDA pre rose by 1.9% to € 156 million, or 23.4% of sales (Q2 2012: € 153 million, 23.5% of sales).

Merck Millipore | Sales by region – Q2 2013

€ million / % of sales



1 Europe	258.1	39%
2 North America	185.4	28%
3 Emerging Markets	158.9	24%
4 Rest of World	64.0	10%

Sales development by region

In the second quarter of 2013, all regions recorded positive organic growth rates. Europe and North America were the strongest sales regions with the highest growth rates. Accounting for 39% of divisional sales (Q2 2012: 37%), Europe, which is the division's largest geographic market, reported organic sales growth of 7.4% to € 258 million (Q2 2012: € 238 million), mainly driven by strong demand for products from the Process Solutions and Bioscience business units.

In North America, higher demand for drug manufacturing products clearly offset weaker demand for laboratory materials from the Bioscience business unit, which was affected by government budget cuts in the United States. Sales in this region rose to € 185 million (Q2 2012: € 176 million). While organically sales were up 7.6%, foreign exchange lowered sales by –2.1% which translated in reported growth of 5.5%.

With organic growth of 3.4% and a negative foreign exchange impact of –3.1%, the Emerging Markets region generated sales of € 159 million (Q2 2012: € 158 million), fueled by strong demand for products from the Lab Solutions business unit. Consequently, this region's share of Merck Millipore's sales remained unchanged at 24%.

As a result of significant currency headwinds of –17.7%, especially relative to the Japanese yen, sales in the Rest of World region declined to € 64 million (Q2 2012: € 77 million). With slight organic growth of 0.7%, this region's share of the division's sales declined to 10% (Q2 2012: 12%).

→ *Divisions*

Merck Millipore | Growth components by region – Q2 2013

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Sales growth
Europe	258.1	7.4%	–0.7%	1.6%	8.2%
North America	185.4	7.6%	–2.1%	–	5.5%
Emerging Markets	158.9	3.4%	–3.1%	0.2%	0.5%
Rest of World	64.0	0.7%	–17.7%	–	–17.0%

Half-year 2013 Performance

In the first half of 2013, Merck Millipore's total revenues grew by 2.5% to € 1,343 million (January–June 2012: € 1,311 million), including € 8 million from royalties (Jan.-June 2012: € 9 million). Sales increased by 2.5% to € 1,335 million (Jan.-June 2012: € 1,302 million). Organic growth of 4.6% in the Merck Millipore division was fueled by the good performance of the Process Solutions business unit and a decent performance of Lab Solutions, partially offset by the negative foreign exchange impact of –2.6%. Last year's acquisition of Biochrom AG contributed 0.6% to the reported sales increase.

Merck Millipore's EBITDA pre declined slightly by –0.4% to € 318 million (January–June 2012: € 319 million). This was primarily the result of increased marketing and selling expenses, higher R&D costs and currency headwinds (especially from a weaker Japanese yen). EBITDA margin pre one-time items amounted to 23.8% of sales, which was slightly lower than in the year-ago period (Jan.-June 2012: 24.5%).

→ *Divisions*

Corporate and Other

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

Corporate and Other | Key figures

€ million	Q2 – 2013	Q2 – 2012	Change	Jan.–June 2013	Jan.–June 2012	Change
Total revenues	–	–		–	–	
Sales	–	–		–	–	
Operating result (EBIT)	–77.9	–252.1	–69.1%	–130.3	–323.9	–59.8%
Margin (% of sales)	*n.m.*	*n.m.*		*n.m.*	*n.m.*	
EBITDA	–74.5	–250.2	–70.2%	–123.2	–320.1	–61.5%
Margin (% of sales)	*n.m.*	*n.m.*		*n.m.*	*n.m.*	
EBITDA pre one-time items	–48.7	–67.4	–27.8%	–94.0	–134.8	–30.3%
Margin (% of sales)	*n.m.*	*n.m.*		*n.m.*	*n.m.*	

In the second quarter of 2013, administration expenses of Corporate and Other increased by 5.5% to € 51 million (Q2 2012: € 48 million). Other operating expenses amounted to € 26 million (Q2 2012: € 205 million). The sharp decrease is attributable to one-time items recorded here totaling € 26 million (Q2 2012: € 183 million). In the second quarter of 2013, one-time items included € 4 million in one-time expenses for the "Fit for 2018" efficiency program, while in the year-ago quarter one-time expenses of € 158 million were reported for this program. Other one-time items amounting to € 17 million (Q2 2012: € 25 million) reported under Corporate and Other, relate to expenses in connection with businesses already divested.

The decline in other operating expenses (net) was also due to gains from cash flow hedges, which had generated losses in the prior-year quarter.

Overall, the aforementioned effects improved EBIT by 69.1% to € –78 million € (Q2 2012: € –252 million) and EBITDA by 70.2% to € –74 million (Q2 2012: € –250 million). Adjusted for one-time costs, EBITDA pre amounted to € –49 million in the second quarter of 2013 (Q2 2012: € –67 million).

Half-year 2013 Performance

In the first six months of 2013, EBITDA pre one-time items of Corporate and Other totaled € –94 million (January–June 2012: € –135 million), driven by hedging gains, among other things.

Risk Report

As a global company with a variety of highly innovative business fields, the Merck Group is exposed to potential risks as well as opportunities. The risk categories enumerated in the Risk Report found on pages 84 to 90 of the Annual Report for 2012 remain valid for the Merck Group in the current reporting period.

At present, the company is not aware of any risks that could jeopardize the continued existence of the Merck Group. The company has a group-wide risk management system in place to identify and mitigate potential risks. Merck continuously monitors business risks such as issues regarding liquidity, defaults on payables and receivables, currency and interest rates, market pricing, pension obligations, assessment of independent rating agencies, human resources and information technology. Regarding legal risks, Merck monitors a host of potential issues such as litigation regarding product liability, antitrust law, pharmaceutical law, patent law and environmental protection.

Merck continues to bear risks from certain proceedings against companies of the Generics business that was sold to Mylan in 2007. The British Office of Fair Trading issued a "Statement of Objections" to Merck. It is alleged that Merck or its former subsidiary Generics (UK) Ltd. engaged in anticompetitive behavior in connection with the delayed launch of a generic version of the antidepressant paroxetine.

In addition, the European Commission fined Merck for engagement in anticompetitive behavior in connection with the allegedly delayed market launch of a generic version of the product citalopram. Merck is considering filing an appeal with the European Court in Luxembourg.

Report on Expected Developments

Based on business performance in the second quarter of 2013, Merck confirms its forecast for EBITDA pre one-time items for the full year 2013 despite negative foreign exchange effects.

Taking economic developments into consideration, Merck assumes moderate organic sales growth while the adverse impact of changes in exchange rates will most likely increase in the second half of the year in comparison with the year-earlier period. These effects will mainly result from the Japanese yen as well as Latin American currencies.

For the Merck Serono division, Merck expects global growth, which should primarily be fueled by the Emerging Markets region. Health care cost-containment measures in Europe as well as additional competitive pressure in the multiple sclerosis business in the United States will negatively impact sales growth.

For the market environment of Consumer Health, the current trend is anticipated to continue in the second half. A renewed weaker performance in Europe is expected, whereas Emerging Markets will maintain the current level of organic growth.

Merck forecasts continued strong consumer demand for liquid crystal products accompanied however by seasonally weaker demand. By contrast, the demand for liquid crystals will taper off as predicted as a consequence of the expected inventory consolidation among liquid crystal display manufacturers. A low single-digit increase is projected for the global automotive industry, which is a key market for the products supplied by the Pigments & Cosmetics business unit.

The life science products offered by the Merck Millipore division should continue to see solid sales growth due to volume increases. In particular, growth will be driven by the positive development of the Process Solutions business unit, which supplies products and services needed by pharmaceutical and biotechnology companies to develop and manufacture biopharmaceuticals. Government budget spending cuts in the United States and Europe are leading to lower growth in the Bioscience business unit.

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

Guidance for FY 2013

Merck divisions	Sales	EBITDA pre one-time items € million
Merck Serono	Moderate organic growth	~ 1,900 – 2,000
Consumer Health	~ Stable	~ 70 – 75
Performance Materials	~ Stable	~ 730 – 750
Merck Millipore	Moderate organic growth	~ 620 – 640
Corporate and Other		~ –210
Merck Group		€ billion
Sales		~ 10.7 – 10.9
EBITDA pre one-time items		~ 3.1 – 3.2
EPS pre one-time items		~ € 8.50 – 9.00

FX assumptions for FY 2013:
1 € = 1.30 US$
1 € = 1.23 CHF
1 € = 130 JPY

Interim Consolidated Financial Statements as of June 30, 2013

Consolidated Income Statement

€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Sales	**2,743.9**	2,743.1	**5,404.3**	5,307.0
Royalty, license and commission income	97.2	109.0	197.3	190.1
Total revenues	**2,841.1**	**2,852.1**	**5,601.6**	**5,497.1**
Cost of sales	–768.0	–807.8	–1,492.0	–1,556.5
Gross profit	**2,073.1**	**2,044.3**	**4,109.6**	**3,940.5**
Marketing and selling expenses	–616.3	–617.3	–1,184.6	–1,203.8
Royalty, license and commission expenses	–156.5	–151.7	–292.8	–271.7
Administration expenses	–137.5	–142.6	–270.2	–279.0
Other operating expenses and income	–115.9	–488.7	–299.9	–633.2
Research and development	–373.5	–404.0	–779.7	–785.8
Amortization of intangible assets	–209.4	–217.4	–419.0	–433.7
Investment result	1.4	0.5	1.4	0.5
Operating result (EBIT)	**465.4**	**23.2**	**864.8**	**333.8**
Financial result	–48.5	–69.7	–107.2	–135.8
Profit before income tax	**416.9**	**–46.5**	**757.6**	**198.0**
Income tax	–100.8	–14.1	–172.5	–83.4
Profit after tax	**316.1**	**–60.5**	**585.1**	**114.6**
of which attributable to Merck KGaA shareholders (net income)	316.0	–63.2	582.0	109.5
of which non-controlling interest	0.1	2.7	3.1	5.1
Earnings per share (in €)				
basic	1.45	–0.29	2.68	0.50
diluted	1.45	–0.29	2.68	0.50

Consolidated Statement of Comprehensive Income

€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Profit after tax	**316.1**	**–60.5**	**585.1**	**114.6**
Items of other comprehensive income that will not be reclassified to the income statement in subsequent periods:				
Remeasurement of the net defined benefit liability				
Changes in remeasurement	44.2	–9.8	–43.6	–9.8
Deferred taxes	–7.9	–1.9	6.8	–1.9
Changes recognized in equity	**36.3**	**–11.7**	**–36.8**	**–11.7**
	36.3	**–11.7**	**–36.8**	**–11.7**
Items of other comprehensive income that may be reclassified to the income statement in subsequent periods:				
Available-for-sale financial assets				
Fair value adjustments	0.1	0.1	0.8	0.1
Reclassification to income statement	–	–	–	–
Deferred taxes	–0.1	–	–0.5	–
Changes recognized in equity	**–**	**0.1**	**0.3**	**0.1**
Derivative financial instruments				
Fair value adjustments	65.1	–76.6	43.7	–51.0
Reclassification to income statement	–1.8	12.3	–4.9	54.3
Deferred taxes	–14.7	11.3	–7.2	1.2
Changes recognized in equity	**48.6**	**–53.0**	**31.6**	**4.5**
Exchange differences on translating foreign operations				
Changes taken directly to equity	–98.3	61.4	–77.3	42.0
Reclassification to income statement	–7.6	–	–7.6	–
Changes recognized in equity	**–105.9**	**61.4**	**–84.9**	**42.0**
	–57.3	**8.5**	**–53.1**	**46.6**
Other comprehensive income	**–21.0**	**–3.2**	**–89.9**	**34.9**
Comprehensive income	**295.1**	**–63.8**	**495.2**	**149.5**
of which attributable to Merck KGaA shareholders	299.7	–65.5	495.0	145.5
of which attributable to non-controlling interest	–4.6	1.7	0.2	4.0

Consolidated Balance Sheet

€ million	June 30, 2013	December 31, 2012
Current assets		
Cash and cash equivalents	864.4	729.7
Current financial assets	2,461.9	1,797.9
Trade accounts receivable	2,196.5	2,114.6
Inventories	1,533.0	1,533.9
Other current assets	333.2	271.5
Income tax receivables	92.9	178.5
	7,481.9	**6,626.1**
Non-current assets		
Intangible assets	10,570.2	10,944.5
Property, plant and equipment	2,624.3	2,953.6
Non-current financial assets	70.8	97.1
Other non-current assets	82.5	75.4
Deferred tax assets	960.5	946.6
	14,308.3	**15,017.2**
Total assets	**21,790.2**	**21,643.3**
Current liabilities		
Current financial liabilities	1,339.1	1,091.4
Trade accounts payable	1,311.5	1,288.3
Other current liabilities	955.6	1,096.2
Income tax liabilities	373.8	401.4
Current provisions	514.4	684.3
	4,494.4	**4,561.6**
Non-current liabilities		
Non-current financial liabilities	3,303.2	3,362.1
Other non-current liabilities	7.9	9.4
Non-current provisions	1,029.8	891.7
Provisions for pensions and other post-employment benefits	1,268.5	1,211.7
Deferred tax liabilities	1,151.3	1,192.0
	6,760.7	**6,666.9**
Equity		
Equity capital	565.2	565.2
Reserves	8,726.7	8,552.3
Gains/losses recognized immediately in equity	1,193.7	1,243.9
Equity attributable to Merck KGaA shareholders	**10,485.6**	**10,361.4**
Non-controlling interest	49.5	53.4
	10,535.1	**10,414.8**
Total liabilities and equity	**21,790.2**	**21,643.3**

Consolidated Cash Flow Statement

€ million	Jan.–June 2013	Jan.–June 2012
Profit after tax	**585.1**	**114.6**
Depreciation/amortization/impairment losses/write-ups	682.1	694.6
Changes in inventories	–43.4	48.8
Changes in trade accounts receivable	–135.4	72.9
Changes in trade accounts payable	37.8	100.1
Changes in provisions	2.8	430.1
Changes in other assets and liabilities	–131.0	–271.1
Neutralization of gain/loss on disposals of assets	–37.4	–26.5
Other non-cash income and expenses	–2.3	2.2
Net cash flows from operating activities	**958.2**	**1,165.7**
Investments in intangible assets	–50.2	–49.5
Investments in property, plant and equipment	–157.2	–116.9
Acquisitions	–15.1	–4.1
Investments in non-current financial assets	–7.9	–10.8
Disposal of non-current assets	260.4	50.1
Purchase/sale of marketable securities	–	10.9
Changes in other financial assets	–622.0	–67.6
Net cash flows from investing activities	**–592.0**	**–187.9**
Dividend payments	–112.9	–101.8
Profit transfers to E. Merck KG and changes in reserves	–261.9	–8.5
Changes in liabilities to E. Merck KG	171.0	–177.7
Repayment of bonds	–	–500.0
Changes in current and non-current financial liabilities	–17.9	–80.0
Net cash flows from financing activities	**–221.7**	**–868.1**
Changes in cash and cash equivalents	**144.5**	**109.7**
Changes in cash and cash equivalents due to currency translation	–9.8	4.2
Cash and cash equivalents as of January 1	729.7	937.8
Cash and cash equivalents as of June 30	**864.4**	**1,051.7**

Consolidated Statement of Changes in Equity

	Equity capital			Retained earnings		Gains/losses recognized immediately in equity					
€ million	General partner's equity Merck KGaA	Subscribed capital Merck KGaA	Capital reserves (share premium) Merck KGaA	Retained earnings / Net retained profit	Remeasurement of defined benefit plans	Available-for-sale financial assets	Derivative financial instruments	Currency translation difference	Equity attributable to Merck KGaA shareholders	Non-controlling interest	Equity
Balance as of January 1, 2012	**397.2**	**168.0**	**3,813.7**	**5,237.1**	**–378.2**	**0.8**	**–94.6**	**1,304.0**	**10,448.0**	**46.3**	**10,494.3**
Profit after tax	–	–	–	109.5	–	–	–	–	109.5	5.1	114.6
Other comprehensive income	–	–	–	–	–11.7	0.1	4.5	43.1	36.0	–1.1	34.9
Comprehensive income	**–**	**–**	**–**	**109.5**	**–11.7**	**0.1**	**4.5**	**43.1**	**145.5**	**4.0**	**149.5**
Dividend payments	–	–	–	–96.9	–	–	–	–	–96.9	–4.9	–101.8
Profit transfers to/from E. Merck KG including changes in reserves	–	–	–	–8.5	–	–	–	–	–8.5	–	–8.5
Changes in scope of consolidation/Other	–	–	–	–3.1	–	–	–	–	–3.1	3.3	0.2
Balance as of June 30, 2012	**397.2**	**168.0**	**3,813.7**	**5,238.1**	**–389.9**	**0.9**	**–90.1**	**1,347.1**	**10,485.0**	**48.7**	**10,533.7**
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	–	–	–	582.0	–	–	–	–	582.0	3.1	585.1
Other comprehensive income	–	–	–	–	–36.8	0.3	31.6	–82.1	–87.0	–2.9	–89.9
Comprehensive income	**–**	**–**	**–**	**582.0**	**–36.8**	**0.3**	**31.6**	**–82.1**	**495.0**	**0.2**	**495.2**
Dividend payments	–	–	–	–109.9	–	–	–	–	–109.9	–3.0	–112.9
Profit transfers to/from E. Merck KG including changes in reserves	–	–	–	–261.9	–	–	–	–	–261.9	–	–261.9
Transactions with no change of control	–	–	–	2.1	–	–	–	–	2.1	–2.1	–
Changes in scope of consolidation/Other	–	–	–	–1.0	–	–	–	–	–1.0	0.9	–0.1
Balance as of June 30, 2013	**397.2**	**168.0**	**3,813.7**	**5,595.2**	**–682.1**	**1.5**	**2.1**	**1,190.1**	**10,485.6**	**49.5**	**10,535.1**

Notes to the Interim Consolidated Financial Statements as of June 30, 2013

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

Accounting policies

The interim financial statements of the Merck Group dated June 30, 2013 comply with IAS 34. They have been prepared in accordance with the International Reporting Standards (IFRS) in force on the reporting date and adopted by the European Union. In accordance with IAS 34, a condensed scope of reporting as compared with the consolidated financial statements as of December 31, 2012 was selected. With the exception of the change described in the following, the accounting policies have remained unchanged in comparison with the previous year.

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

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

Income tax include the taxes on taxable profit levied in the individual countries plus changes in deferred taxes recognized in income. The income tax in the interim financial statements is calculated based on the income of the consolidated companies and the currently valid tax rate as a best possible estimate.

The preparation of the interim financial statements requires that assumptions and estimates be made to a certain extent. The assumptions and estimates are based on the current state of knowledge and the data available on the balance sheet date.

The following rules take effect as of fiscal 2013:

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

→ *Notes to the Interim Consolidated Financial Statements*

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

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

Scope of consolidation

As of June 30, 2013, 197 (December 31, 2012: 203) companies were fully consolidated. No companies were consolidated either on a pro rata basis or at equity as of the balance sheet date. The changes that have taken place since the beginning of 2013 are attributable to seven liquidations or mergers as well as to the divestment of two companies. Three newly established companies were fully consolidated for the first time in June 2013.

Discontinuation of the cilengitide development program

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

Sale of the Merck Serono buildings in Geneva

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

Trade accounts receivable

In the first six months of 2013, trade accounts receivable were sold in Italy and Spain with a nominal value of € 134.0 million for a price of € 127.7 million. Of this amount, trade accounts receivable with a nominal value of € 68.5 million were sold in the second quarter for € 65.7 million. In this connection, previously recorded allowances were reversed and disclosed under other operating income. The sold receivables do not involve any further rights of recovery vis-à-vis Merck.

Legal risks in connection with the former Generics business

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

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

→ *Notes to the Interim Consolidated Financial Statements*

Segment Reporting

Information by division

	Merck Serono			
€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Sales	**1,530.8**	**1,546.5**	**2,985.1**	**2,963.7**
Royalty, license and commission income	92.9	102.1	186.3	180.2
Total revenues	**1,623.8**	**1,648.6**	**3,171.4**	**3,143.9**
Gross profit	1,340.7	1,332.0	2,639.4	2,555.6
Marketing and selling expenses	–351.6	–358.6	–664.0	–691.0
Royalty, license and commission expenses	–151.7	–148.1	–283.4	–263.3
Administration expenses[1]	–51.4	–54.7	–103.3	–106.7
Other operating expenses and income[1]	–52.5	–265.9	–180.8	–361.0
Research and development	–296.1	–325.9	–620.3	–628.7
Operating result (EBIT)[1]	**282.5**	**14.0**	**477.8**	**175.5**
Depreciation and amortization	206.1	221.0	415.9	443.7
Impairment losses	5.5	23.2	33.8	32.3
Other	–0.3	–	–0.3	–
EBITDA[1]	**493.8**	**258.2**	**927.1**	**651.4**
One-time items	–2.9	191.5	26.5	201.2
EBITDA pre one-time items (Segment result)[1]	**490.9**	**449.7**	**953.6**	**852.7**
EBITDA margin pre one-time items (% of sales)[1]	32.1	29.1	31.9	28.8
Net operating assets[2]			7,538.3	8,020.6
Segment liabilities[2]			–1,315.0	–1,349.8
Investments in property, plant and equipment[3]	29.8	34.9	46.8	57.1
Investments in intangible assets[3]	15.4	17.6	40.5	39.2
Net cash flows from operating activities[1]	427.8	601.3	776.9	1,109.5
Free cash flow[1]	632.0	558.7	939.5	1,045.7
Business free cash flow	511.3	512.7	865.4	900.0
Free cash flow margin (% of sales)[1]	41.3	36.1	31.5	35.3

[1] Previous year's figures have been adjusted, see explanation on page 31
[2] Reporting period ending on June 30, 2013. Previous year's figures as of December 31, 2012
[3] According to the cash flow statement

→ *Notes to the Interim Consolidated Financial Statements*

Segment Reporting

Information by division

	Consumer Health			
€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Sales	**115.6**	**121.1**	**231.8**	**228.7**
Royalty, license and commission income	1.2	0.5	1.3	0.9
Total revenues	**116.8**	**121.6**	**233.1**	**229.6**
Gross profit	79.3	83.5	157.4	154.7
Marketing and selling expenses	–52.9	–54.3	–104.3	–106.7
Royalty, license and commission expenses	–0.3	–	–0.8	–0.2
Administration expenses[1]	–4.6	–5.3	–8.7	–10.0
Other operating expenses and income[1]	1.5	–7.8	–4.2	–10.1
Research and development	–4.3	–4.5	–8.3	–9.4
Operating result (EBIT)[1]	**18.1**	**10.5**	**29.9**	**16.2**
Depreciation and amortization	2.0	2.9	4.7	5.9
Impairment losses	0.3	–	0.2	–
Other	–	–	–	–
EBITDA[1]	**20.4**	**13.4**	**34.8**	**22.1**
One-time items	–1.1	5.2	–1.2	5.9
EBITDA pre one-time items (Segment result)[1]	**19.3**	**18.6**	**33.6**	**28.0**
EBITDA margin pre one-time items (% of sales)[1]	16.7	15.4	14.5	12.2
Net operating assets[2]			294.7	283.8
Segment liabilities[2]			–62.2	–76.5
Investments in property, plant and equipment[3]	0.6	0.8	1.2	1.1
Investments in intangible assets[3]	0.2	0.1	0.2	0.2
Net cash flows from operating activities[1]	5.2	6.5	11.3	17.1
Free cash flow[1]	4.5	5.8	10.0	17.3
Business free cash flow	25.3	11.2	32.1	31.2
Free cash flow margin (% of sales)[1]	3.9	4.8	4.3	7.6

[1] Previous year's figures have been adjusted, see explanation on page 31
[2] Reporting period ending on June 30, 2013. Previous year's figures as of December 31, 2012
[3] According to the cash flow statement

→ *Notes to the Interim Consolidated Financial Statements*

Segment Reporting

Information by division

	Performance Materials			
€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Sales	**431.1**	**426.1**	**852.4**	**812.5**
Royalty, license and commission income	0.6	0.5	1.4	0.3
Total revenues	**431.8**	**426.6**	**853.9**	**812.8**
Gross profit	271.5	243.4	537.3	457.8
Marketing and selling expenses	–37.0	–35.5	–72.4	–68.4
Royalty, license and commission expenses	–0.4	–0.3	–0.8	–0.8
Administration expenses[1]	–7.8	–7.8	–14.8	–15.4
Other operating expenses and income[1]	–19.2	13.0	–29.7	7.8
Research and development	–33.4	–32.0	–69.8	–67.3
Operating result (EBIT)[1]	**170.1**	**180.5**	**342.7**	**312.9**
Depreciation and amortization	25.9	27.0	56.6	57.4
Impairment losses	9.1	–	9.3	–
Other	–	–	–0.1	–
EBITDA[1]	**205.1**	**207.5**	**408.4**	**370.3**
One-time items	3.8	–14.7	7.9	–14.1
EBITDA pre one-time items (Segment result)[1]	**208.9**	**192.8**	**416.3**	**356.2**
EBITDA margin pre one-time items (% of sales)[1]	48.5	45.2	48.8	43.8
Net operating assets[2]			1,155.2	1,187.7
Segment liabilities[2]			–136.2	–147.1
Investments in property, plant and equipment[3]	11.9	8.5	21.1	20.2
Investments in intangible assets[3]	1.0	–	1.7	0.6
Net cash flows from operating activities[1]	171.7	172.6	375.4	344.6
Free cash flow[1]	159.0	178.8	352.8	338.1
Business free cash flow	201.9	166.0	400.9	349.3
Free cash flow margin (% of sales)[1]	36.9	42.0	41.4	41.6

[1] Previous year's figures have been adjusted, see explanation on page 31
[2] Reporting period ending on June 30, 2013. Previous year's figures as of December 31, 2012
[3] According to the cash flow statement

→ *Notes to the Interim Consolidated Financial Statements*

Segment Reporting

Information by division

	Merck Millipore			
€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Sales	**666.3**	**649.5**	**1,335.0**	**1,302.1**
Royalty, license and commission income	2.4	5.8	8.3	8.7
Total revenues	**668.7**	**655.3**	**1,343.3**	**1,310.7**
Gross profit	382.8	385.3	777.7	774.8
Marketing and selling expenses	–173.6	–168.7	–343.1	–335.9
Royalty, license and commission expenses	–4.2	–3.4	–7.9	–7.5
Administration expenses[1]	–22.9	–26.8	–49.7	–52.2
Other operating expenses and income[1]	–19.6	–23.4	–50.4	–45.6
Research and development	–39.6	–41.7	–81.0	–79.4
Operating result (EBIT)[1]	**72.4**	**70.3**	**144.8**	**153.1**
Depreciation and amortization	75.8	75.9	154.9	151.6
Impairment losses	–	–	0.1	–
Other	–	–	–	–
EBITDA[1]	**148.2**	**146.2**	**299.7**	**304.7**
One-time items	7.7	6.7	18.1	14.2
EBITDA pre one-time items (Segment result)[1]	**155.9**	**152.9**	**317.8**	**319.0**
EBITDA margin pre one-time items (% of sales)[1]	23.4	23.5	23.8	24.5
Net operating assets[2]			6,311.9	6,328.9
Segment liabilities[2]			–355.2	–383.1
Investments in property, plant and equipment[3]	16.7	19.4	26.0	35.7
Investments in intangible assets[3]	2.3	–	3.6	5.5
Net cash flows from operating activities[1]	92.9	149.0	199.8	267.6
Free cash flow[1]	74.2	123.3	155.7	225.1
Business free cash flow	156.6	108.3	237.7	221.6
Free cash flow margin (% of sales)[1]	11.1	19.0	11.7	17.3

[1] Previous year's figures have been adjusted, see explanation on page 31
[2] Reporting period ending on June 30, 2013. Previous year's figures as of December 31, 2012
[3] According to the cash flow statement

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Segment Reporting

Information by division

	Corporate and Other			
€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Sales	**–**	**–**	**–**	**–**
Royalty, license and commission income	–	–	–	–
Total revenues	**–**	**–**	**–**	**–**
Gross profit	–1.2	0.2	–2.2	–2.4
Marketing and selling expenses	–1.2	–0.2	–0.7	–1.9
Royalty, license and commission expenses	–	0.1	–	–
Administration expenses[1]	–50.8	–48.1	–93.6	–94.8
Other operating expenses and income[1]	–26.0	–204.6	–34.8	–224.4
Research and development	–0.1	0.1	–0.4	–1.0
Operating result (EBIT)[1]	**–77.9**	**–252.1**	**–130.3**	**–323.9**
Depreciation and amortization	3.3	1.9	6.9	3.8
Impairment losses	0.2	–	0.3	–
Other	–0.1	–	–0.1	–
EBITDA[1]	**–74.5**	**–250.2**	**–123.2**	**–320.1**
One-time items	25.8	182.8	29.2	185.3
EBITDA pre one-time items (Segment result)[1]	**–48.7**	**–67.4**	**–94.0**	**–134.8**
EBITDA margin pre one-time items (% of sales)[1]	–	–	–	–
Net operating assets[2]			22.3	25.1
Segment liabilities[2]			–81.5	–33.7
Investments in property, plant and equipment[3]	60.7	2.6	62.0	2.8
Investments in intangible assets[3]	2.3	2.7	4.1	3.9
Net cash flows from operating activities[1]	–255.1	–235.8	–405.1	–573.1
Free cash flow[1]	–319.9	–240.9	–469.7	–580.7
Business free cash flow	–111.3	–72.6	–159.4	–141.7
Free cash flow margin (% of sales)[1]	–	–	–	–

[1] Previous year's figures have been adjusted, see explanation on page 31
[2] Reporting period ending on June 30, 2013. Previous year's figures as of December 31, 2012
[3] According to the cash flow statement

→ *Notes to the Interim Consolidated Financial Statements*

Segment Reporting

Information by division

	Group			
€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Sales	**2,743.9**	**2,743.1**	**5,404.3**	**5,307.0**
Royalty, license and commission income	97.2	109.0	197.3	190.1
Total revenues	**2,841.1**	**2,852.1**	**5,601.6**	**5,497.1**
Gross profit	2,073.1	2,044.3	4,109.6	3,940.5
Marketing and selling expenses	–616.3	–617.3	–1,184.6	–1,203.8
Royalty, license and commission expenses	–156.5	–151.7	–292.8	–271.7
Administration expenses	–137.5	–142.6	–270.2	–279.0
Other operating expenses and income	–115.9	–488.7	–299.9	–633.2
Research and development	–373.5	–404.0	–779.7	–785.8
Operating result (EBIT)	**465.4**	**23.2**	**864.8**	**333.8**
Depreciation and amortization	313.0	328.6	638.9	662.3
Impairment losses	15.2	23.2	43.7	32.3
Other	–0.5	–	–0.5	–
EBITDA	**793.1**	**375.0**	**1,546.9**	**1,028.3**
One-time items	33.3	371.6	80.5	392.6
EBITDA pre one-time items (Segment result)	**826.4**	**746.6**	**1,627.5**	**1,420.9**
EBITDA margin pre one-time items (% of sales)	30.1	27.2	30.1	26.8
Net operating assets[1]			15,322.4	15,846.1
Segment liabilities[1]			–1,950.2	–1,990.2
Investments in property, plant and equipment[2]	119.7	66.2	157.2	116.9
Investments in intangible assets[2]	21.2	20.4	50.2	49.5
Net cash flows from operating activities	442.5	693.7	958.2	1,165.7
Free cash flow	549.6	625.7	988.2	1,045.4
Business free cash flow	783.8	725.5	1,376.7	1,360.4
Free cash flow margin (% of sales)	20.0	22.8	18.3	19.7

[1] Reporting period ending on June 30, 2013. Previous year's figures as of December 31, 2012
[2] According to the cash flow statement

→ *Notes to the Interim Consolidated Financial Statements*

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

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

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

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

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

€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Total EBITDA pre one-time items of the operating businesses[1]	**875.1**	**814.0**	**1,721.5**	**1,555.7**
Corporate and Other[1]	–48.7	–67.4	–94.0	–134.8
EBITDA pre one-time items of the Merck Group	**826.4**	**746.6**	**1,627.5**	**1,420.9**
Depreciation and amortization/impairment losses/other	–327.7	–351.8	–682.1	–694.6
One-time items	–33.3	–371.6	–80.5	–392.6
Operating result (EBIT)	**465.4**	**23.2**	**864.8**	**333.8**
Financial result	–48.5	–69.7	–107.2	–135.8
Profit before income tax	**416.9**	**–46.5**	**757.6**	**198.0**

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

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

€ million	Q2 – 2013	Q2 – 2012	Jan.–June 2013	Jan.–June 2012
Integration / IT costs	–11.7	–7.0	–17.4	–16.6
Restructuring charges	–4.9	–355.3	–46.7	–365.8
Gains/losses on the divestment of businesses	–16.7	–9.3	–18.4	–10.2
Acquisition costs	–	–	–	–
Other one-time items	–	–	2.0	–
One-time items before impairment losses	**–33.3**	**–371.6**	**–80.5**	**–392.6**
Impairment losses	–4.6	–22.5	–31.2	–31.1
One-time items (total)	**–37.9**	**–394.1**	**–111.7**	**–423.7**

Restructuring charges of € 46.7 million in the first six months of 2013 (year-earlier period: € 365.8 million) were directly related to the "Fit for 2018" efficiency program. Of the impairment losses totaling € 31.2 million (year-earlier period: € 31.1 million), € 30.5 million (year-earlier period: € 20.9 million) were also attributable to the efficiency program. Including the restructuring charges, the total expenses for "Fit for 2018" thus amounted to € 77.1 million (year-earlier period: € 386.7 million). The losses from the divestment of businesses amounting to € –18.4 million (year-earlier period: € –10.2 million) relate mainly to subsequent expenses in connection with the divestment of the Generics business in 2007.

→ *Notes to the Interim Consolidated Financial Statements*

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

€ million	June 30, 2013	Dec. 31, 2012
Assets	21,790.2	21,643.3
Monetary assets (cash and cash equivalents, current financial assets, loans, securities)	–3,419.1	–2,633.7
Non-operating receivables, income tax receivables, deferred taxes and net defined benefit assets	–1,098.5	–1,173.3
Operating assets (gross)	**17,272.6**	**17,836.3**
Trade accounts payable	–1,311.5	–1,288.3
Other operating liabilities	–638.7	–701.9
Segment liabilities	**–1,950.2**	**–1,990.2**
Operating assets (net)	**15,322.4**	**15,846.1**

Notes to the cash flow statement

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

Free cash flow resulted as follows:

€ million	Jan.–June 2013	Jan.–June 2012
Net cash flows from operating activities	**958.2**	**1,165.7**
Investments in intangible assets	–50.2	–49.5
Investments in property, plant and equipment	–157.2	–116.9
Acquisitions	–15.1	–4.1
Investments in non-current financial assets	–7.9	–10.8
Disposal of non-current assets	260.4	50.1
Purchase/sale of marketable securities	–	10.9
Free cash flow	**988.2**	**1,045.4**

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

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

Business free cash flow comprised the following:

€ million	Jan.–June 2013	Jan.–June 2012
EBITDA pre one-time items	**1,627.5**	**1,420.9**
Less investments in property, plant and equipment, software as well as advance payments for intangible assets	–169.8	–127.5
Changes in inventories as reported in the balance sheet	0.9	23.5
Changes in trade accounts receivable as reported in the balance sheet	–81.9	43.5
Business free cash flow	**1,376.7**	**1,360.4**

→ Notes to the Interim Consolidated Financial Statements

Earnings per share

Basic earnings per share are calculated by dividing the profit after tax attributable to the shareholders of Merck KGaA by the weighted average number of theoretical shares outstanding. The calculation of the theoretical number of shares is based on the fact that the general partner's equity capital is not represented by shares. The share capital of € 168.0 million was divided into 64,621,126 shares. Accordingly, the general partner's capital of € 397.2 million was divided into 152,767,813 theoretical shares. Overall, the total capital thus amounted to € 565.2 million or 217,388,939 theoretical shares outstanding. The weighted average number of shares was likewise 217,388,939 in the first six months of 2013.

As of June 30, 2013, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

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

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

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

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

	Nominal volume		Fair value	
€ million	June 30, 2013	Dec. 31, 2012	June 30, 2013	Dec. 31, 2012
Cash flow hedge	5,811.9	5,798.9	–46.0	–106.1
Interest	650.0	650.0	–40.0	–58.1
Currency	5,161.9	5,148.9	–6.0	–48.0
Fair value hedge	–	–	–	–
Interest	–	–	–	–
Currency	–	–	–	–
No hedge accounting	1,337.6	1,610.1	–0.7	5.4
Interest	–	–	–	–
Currency	1,337.6	1,610.1	–0.7	5.4
	7,149.6	**7,409.0**	**–46.7**	**–100.7**

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

€ million	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total June 30, 2013	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total Dec. 31, 2012
Foreign exchange contracts	4,310.3	1,510.8	5,821.1	3,965.8	2,089.3	6,055.1
Currency options	347.7	330.7	678.4	292.9	411.0	703.9
Interest rate swaps	–	650.0	650.0	–	650.0	650.0
Interest rate futures	–	–	–	–	–	–
	4,658.0	**2,491.6**	**7,149.6**	**4,258.7**	**3,150.3**	**7,409.0**

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

→ Notes to the Interim Consolidated Financial Statements

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

		Subsequent measurement according to IAS 39					
€ million	Book value June 30, 2013	Amortized cost	At cost	Fair value	Carrying value according to IAS 17	Non-financial items	Fair value June 30, 2013
Assets							
Cash and cash equivalents	864.4	864.4	–	–	–	–	864.4
Current financial assets	2,461.9	432.5	–	2,029.4	–	–	
Held for trading (non-derivatives)	–	–	–	–	–	–	–
Non-hedging derivatives	5.0	–	–	5.0	–	–	5.0
Held to maturity	199.5	199.5	–	–	–	–	199.5
Loans and receivables	233.0	233.0	–	–	–	–	233.0
Available-for-sale	1,996.8	–	–	1,996.8	–	–	1,996.8
Hedging derivatives	27.6	–	–	27.6	–	–	27.6
Trade receivables	2,196.5	2,196.5	–	–	–	–	
Loans and receivables	2,196.5	2,196.5	–	–	–	–	2,196.5
Current and non-current other assets	415.7	94.1	–	70.6	–	251.0	
Non-hedging derivatives	0.5	–	–	0.5	–	–	0.5
Loans and receivables	94.1	94.1	–	–	–	–	94.1
Hedging derivatives	70.1	–	–	70.1	–	–	70.1
Non-financial items	251.0	–	–	–	–	251.0	
Non-current financial assets	70.8	17.5	46.7	6.6	–	–	
Non-hedging derivatives	–	–	–	–	–	–	–
Held to maturity	–	–	–	–	–	–	–
Loans and receivables	17.5	17.5	–	–	–	–	17.5
Available-for-sale	53.3	–	46.7	6.6	–	–	53.3
Hedging derivatives	–	–	–	–	–	–	–
Liablilities							
Current and non-current financial liabilities	–4,642.4	–4,496.1	–	–137.6	–8.7	–	
Non-hedging derivatives	–5.2	–	–	–5.2	–	–	–5.2
Other liabilities	–4,496.1	–4,496.1	–	–	–	–	–4,826.6
Hedging derivatives	–132.4	–	–	–132.4	–	–	–132.4
Finance lease	–8.7	–	–	–	–8.7	–	–8.7
Trade accounts payable	–1,311.5	–1,311.5	–	–	–	–	
Other liabilities	–1,311.5	–1,311.5	–	–	–	–	–1,311.5
Current and non-current other liabilities	–963.4	–466.2	–	–12.3	–	–484.9	
Non-hedging derivatives	–1.0	–	–	–1.0	–	–	–1.0
Other liabilities	–466.2	–466.2	–	–	–	–	–466.2
Hedging derivatives	–11.3	–	–	–11.3	–	–	–11.3
Non-financial items	–484.9	–	–	–	–	–484.9	

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

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

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

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

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

€ million as of June 30, 2013	Assets	Liabilites
Fair value determined by official prices and quoted market values (Level 1)	**1,326.4**	**–**
thereof available-for-sale	1,326.4	–
Fair value determined using inputs observable in the market (Level 2)	**780.2**	**149.9**
thereof available-for-sale	677.0	–
thereof hedging derivatives	97.7	143.6
thereof non-hedging derivatives	5.5	6.3
Fair value determined using inputs unobservable in the market (Level 3)	**–**	**–**

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

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

→ Notes to the Interim Consolidated Financial Statements

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

				Potential netting volume		
€ million as of June 30, 2013	Gross amount	Netting	Net amount	owing to global netting arrangements	in connection with financial collateral	Potential net amount
Derivative financial assets	103.2	–	103.2	61.4	–	41.8
Derivative financial liabilities	–149.8	–	–149.8	–61.4	–	–88.4

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

Related-party disclosures

As of June 30, 2013, there were liabilities by Merck Financial Services GmbH, Merck KGaA, and Merck & Cie, Switzerland, to E. Merck KG in the amount of € 698.5 million as well as liabilities of Merck Financial Services GmbH to Merck Capital Asset Management, Malta, amounting to € 0.3 million. In addition, as of June 30, 2013, Merck KGaA was owed receivables of € 5.6 million by E. Merck Beteiligungen KG. The balances resulted mainly from the profit transfers by Merck & Cie to E. Merck KG as well as the reciprocal profit transfers between Merck KGaA and E. Merck KG. They included financial liabilities of € 446.2 million, which were subject to standard market interest rates.

From January to June 2013, Merck KGaA performed services for E. Merck KG and Emanuel-Merck-Vermögens KG with a value of € 0.5 million and € 0.2 million, respectively. During the same period, E. Merck KG performed services for Merck KGaA with a value of € 0.5 million.

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

Subsequent events

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements of the Merck Group give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Darmstadt, July 29, 2013

Karl-Ludwig Kley

Kai Beckmann

Stefan Oschmann

Bernd Reckmann

Matthias Zachert

Review Report

To Merck KGaA, Darmstadt:

We have reviewed the condensed interim consolidated financial statements – comprising the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Net Equity and Notes to the Interim Financial Statements – together with the interim group management report of Merck KGaA, Darmstadt, for the period from January 1, 2013 to June 30, 2013 that are part of the half-year financial report according to § 37w WpHG (Wertpapierhandelsgesetz: – German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt/Main, July 29, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by

Manfred Jenal
Wirtschaftsprüfer

Alexander Glöckner
Wirtschaftsprüfer

Executive Board of Merck KGaA

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

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Hans-Jürgen Leuchs | Albrecht Merck | Karl-Heinz Scheider* | Theo Siegert

* Employee representative

Financial calendar 2013/2014

Third quarter financial report 2013
Thursday, November 14, 2013

Annual report 2013
Thursday, March 6, 2014

Annual General Meeting 2014
Friday, May 9, 2014

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