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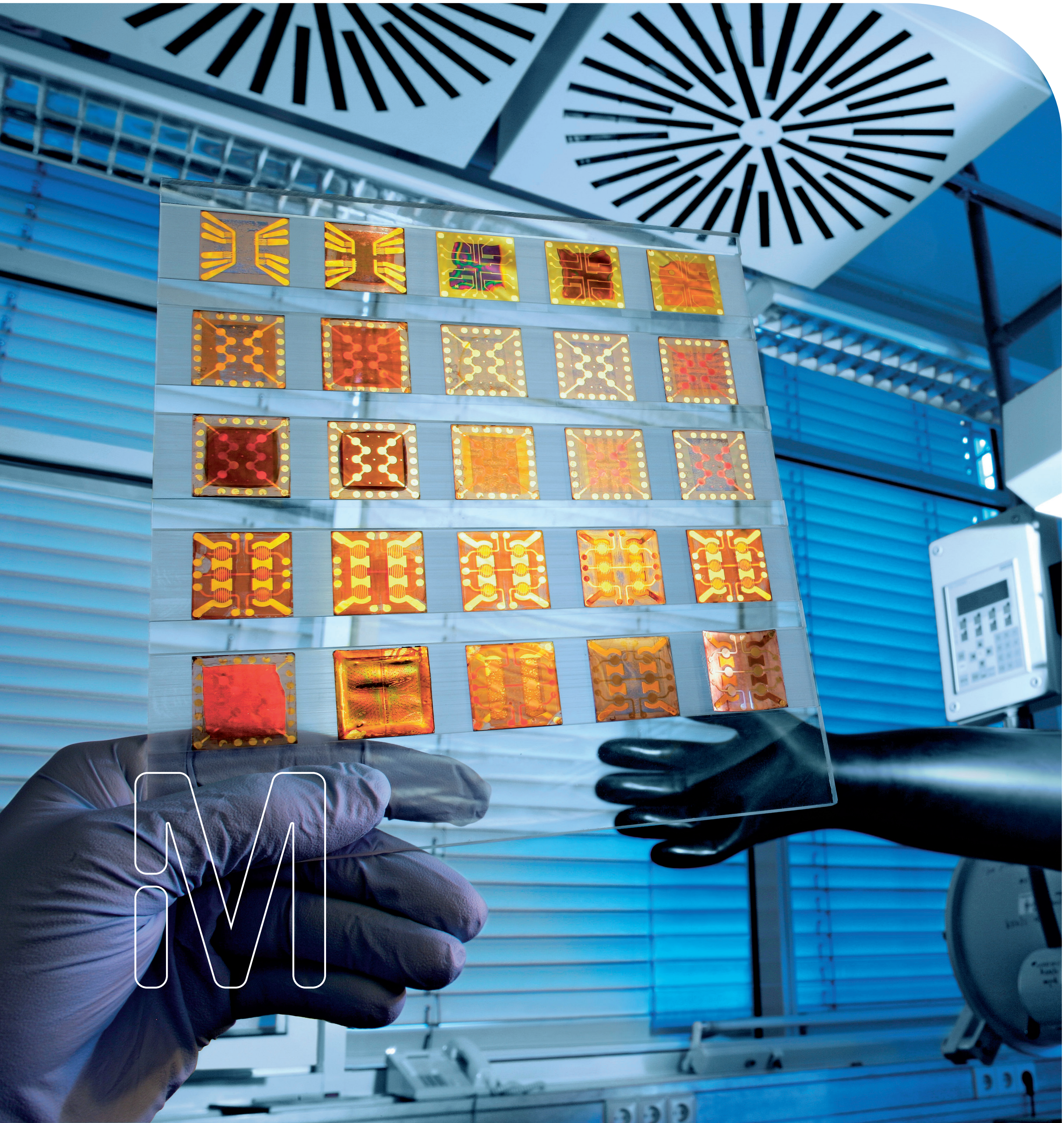
MERCK FINANCIAL REPORT
1st Quarter 2014



Cover photo:

Semiconductive printed inks make innovative electronic components possible

Organic electronics is a promising technology in a networked world where mobile and flexible products are playing an increasingly dominant role. It involves manufacturing electronic components on the basis of conductive and semi-conductive polymers. Organic electronics stands for the efficient and conservative use of resources and energy. In the field of organic electronics, Merck is focusing on the development of innovative materials and is of course also supporting its customers with their specific applications.

Merck has invested heavily in its state-of-the-art research and development centers in Darmstadt and Chilworth (United Kingdom) in recent years. Thanks to its industrial-scale production facilities, global supply chain and infrastructure, Merck is capable of supplying high-performance semiconductor materials in ready-to-use, easy-to-process formulations. By developing semiconducting inks and related materials, Merck is pressing ahead with the commercialization of organic electronics applications. These include organic light-emitting diodes (OLED) and organic solar cells, among others.

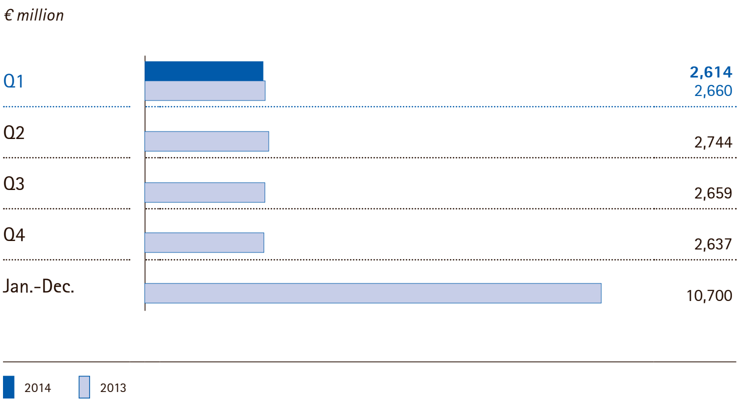
One of the main forces driving the use of organic electronics is the cost-effective manufacturing process. Flexibility with respect to the size of the printed surface, the form factor and the application architecture are further benefits. The printed layers range in size from large-area coatings, as used for example in OLED lighting and solar cells, to pixel arrangements in the magnitude of just a few micrometers.

The Merck Group – In brief

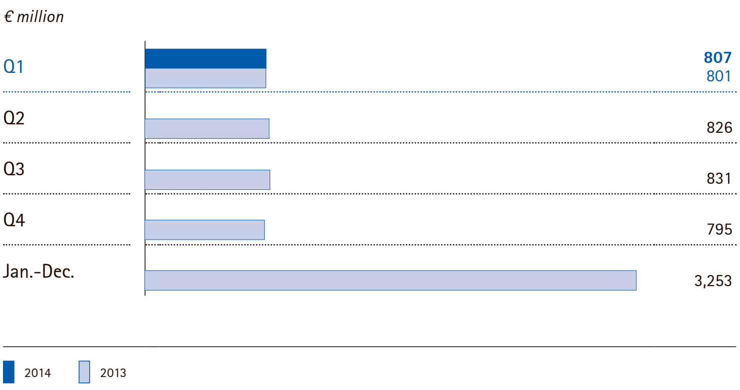
Merck Group | Key figures

€ million	Q1 – 2014	Q1 – 2013	Change in %
Total revenues	2,664.8	2,760.5	–3.5
Sales	2,613.9	2,660.4	–1.7
Operating result (EBIT)	468.3	399.4	17.3
Margin (% of sales)	*17.9*	*15.0*	
EBITDA	770.2	753.8	2.2
Margin (% of sales)	*29.5*	*28.3*	
EBITDA pre one-time items	807.1	801.1	0.7
Margin (% of sales)	*30.9*	*30.1*	
Earnings per share (€)	1.50	1.22	23.0
Earnings per share pre one-time items (€)	2.31	2.11	9.5
Business free cash flow	684.1	592.9	15.4

Merck Group | Sales by quarter – Q1 2014



Merck Group | EBITDA pre one-time items by quarter – Q1 2014



Contents

Interim Management Report as of March 31, 2014

Fundamental Information about the Group

Report on Economic Position

Report on Risks and Opportunities

Report on Expected Developments

Interim Consolidated Financial Statements as of March 31, 2014

Responsibility Statement

More Information

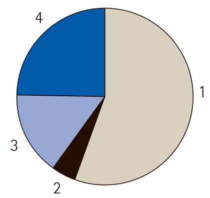
Fundamental Information about the Group

The Merck Group and its divisions

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

Merck Group | Sales by division – Q1 2014

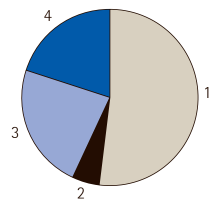
€ million / % of sales



1 Merck Serono	1,374.9	53 %
2 Consumer Health	180.2	7 %
3 Performance Materials	402.2	15 %
4 Merck Millipore	656.5	25 %

Merck Group | EBITDA pre one-time items by division – Q1 2014

€ million / in %

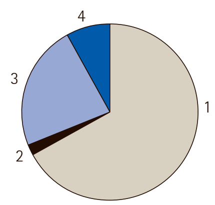


1 Merck Serono	438.0	53 %
2 Consumer Health	41.3	5 %
3 Performance Materials	186.4	22 %
4 Merck Millipore	169.7	20 %

Not presented: Decline in Group EBITDA pre one-time items by € –28.3 million due to Corporate and Other.

Merck Group | Business free cash flow by division – Q1 2014

€ million / in %



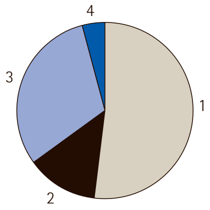
1 Merck Serono	480.0	67 %
2 Consumer Health	16.2	2 %
3 Performance Materials	165.5	23 %
4 Merck Millipore	54.4	8 %

Not presented: Decline in Group business free cash flow by € –31.9 million due to Corporate and Other.

→ The Merck Group and its divisions

Merck Group | Number of employees as of March 31, 2014: 38,273

€ million / in %



1 Europe	20,107	52 %
2 North America	4,880	13 %
3 Emerging Markets	11,742	31 %
4 Rest of World	1,544	4 %

As of March 31, 2014, Merck had 38,273 employees wordwide compared to 38,154 on December 31, 2013.

Merck Serono

Merck Serono discovers, develops, manufactures and markets innovative prescription drugs to treat cancer, multiple sclerosis (MS), infertility, and growth disorders, as well as certain cardiovascular and metabolic diseases and allergies. As the company's largest division, in the first quarter of 2014 Merck Serono generated 53% of Group sales and 53% of EBITDA pre one-time items (excluding Corporate and Other). The present Merck Serono division was formed in 2007 with the acquisition of the Swiss biopharmaceutical company Serono SA, which was integrated stepwise into Merck's prescription drugs business. The former Serono headquarters in Geneva, Switzerland was divested in 2013 and divisional headquarters moved to Darmstadt.

Merck Serono commercializes its products worldwide and has a strong presence in established markets. The regions of Europe and North America contributed 68% of divisional sales in the first quarter of 2014. In recent years, Merck Serono has steadily expanded its presence in Emerging Markets, which accounted for 25% of the division's sales in the first quarter of 2014. Merck Serono mainly sells biopharmaceuticals. Rebif® is the top-selling product. It is used to treat relapsing forms of multiple sclerosis (MS), which is one of the most common neurological diseases among young adults.

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

Merck Serono also offers products that help couples to conceive a child. The division has a complete portfolio of recombinant gonadotropins, including Gonal-f®, the most frequently prescribed gonadotropin worldwide. The products in the Fertility franchise are an important growth driver for Merck Serono. This is primarily due to couples postponing childbearing until later in life when natural fertility declines.

The General Medicine franchise comprises brand-name products to treat cardiometabolic diseases. Although no longer patent-protected, these are still the therapies of choice for numerous diseases. This applies, for example, to Glucophage® containing the active ingredient metformin, the drug of choice for first-line treatment of type 2 diabetes, or Concor®, a drug for chronic cardiovascular disease. Particularly in emerging markets, there is a continuous rise in demand for cardiometabolic therapies. This is due to both increasing life expectancy and in part also to growing prosperity in this region, along with the resulting changes in lifestyle and eating habits.

Merck Serono is continuously working to improve ways to administer medicines and active ingredients. For several years, therefore, Merck Serono has been developing novel, more user-friendly injection devices, which make injections less painful and at the same time more reliable for patients than conventional, prefilled syringes. In addition, these products make it easier for medical staff to check whether patients adhere to their therapeutic regimen. Examples are the Gonal-f® RFF Rebiject™ injection device and the electronic autoinjection device Rebif® Rebidose.

→ The Merck Group and its divisions

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

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

Transfer of Neurobion® and Floratil® to Consumer Health

Merck Serono | Adjusted

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

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

Consumer Health

The Consumer Health division manufactures and markets over-the-counter pharmaceuticals. The division focuses on a number of well-known strategic brands, e.g. Neurobion®, Bion®3, Nasivin®, Femibion®, Seven Seas®, Sangobion®, Floratil®, Cebion®, Sedalmerck® and Kytta®, and contributed 7% to Group sales and 5% to EBITDA pre one-time items (excluding Corporate and Other) in the first quarter of 2014. Consumer Health has high market penetration in Europe, Latin America as well as Southeast Asia. The division is also generating strong growth in Russia and Emerging Markets, particularly in India, Indonesia and Brazil, which have firmly established themselves among the division's top-ten markets in terms of sales. Global

→ The Merck Group and its divisions

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

As of January 1, 2014, two product groups were transferred from the Merck Serono division to the Consumer Health division. These are Neurobion®, a global leading franchise in the vitamin B segment, and Floratil®, a leading brand in the probiotic antidiarrheal segment in Brazil. As a result, the division has become significantly larger. Divisional sales for 2013 increased by approximately 55% to € 742 million. The transfer of the two strong brands makes better use of the potential of the consumer-oriented business model of Consumer Health. In addition, it increases the division's exposure in Emerging Markets. This is a step in the division's journey towards having at least three leading brands and achieving a market share of at least 3% in each of its key markets. The share of Consumer Health sales accounted for by Emerging Markets increased from 26% (unadjusted year-earlier figure) to 46% in the first quarter of 2014 mainly as a result of the transfer. The effects of the product group transfers on Consumer Health's figures for 2013 are shown in the table below.

On March 25, 2014, Merck announced that Uta Kemmerich-Keil will take over the leadership of the Consumer Health division as of May 15, 2014, thus succeeding Udit Batra as President and Chief Executive Officer of Consumer Health. Kemmerich-Keil was previously CEO of Allergopharma, the allergy business unit of the Merck Serono division.

Transfer of Neurobion® und Floratil® from Merck Serono

Consumer Health | Adjusted

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

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

→ The Merck Group
and its divisions

Performance Materials

The Performance Materials division comprises Merck's entire specialty chemicals business. It offers high-tech performance chemicals for applications in fields such as consumer electronics, lighting, coatings, printing technology, plastics applications, and cosmetics. In the first quarter of 2014, Performance Materials contributed 15% to Group sales and 22% to EBITDA pre (excluding Corporate and Other). The EBITDA pre margin was 46.3% of sales. This reflects the far above-average profitability of the business.

Performance Materials consists of three business units: Liquid Crystals, Pigments & Cosmetics, and Advanced Technologies.

Liquid Crystals generates more than 70% of divisional sales. With a high market share, Merck has established itself as the global market and technology leader in liquid crystal mixtures. The market is highly consolidated. In addition, there are high barriers to market entry due to the technological complexity of liquid crystals and the high quality requirements of customers and consumers. The seven largest LC display manufacturers are among the customers of the Liquid Crystals business. Performance Materials has the broadest product offering in the industry and offers, among other things, liquid crystals based on PS-VA and IPS technologies. This enables the division to meet individual customer needs and offers solutions for all display sizes, from smartphones and tablet computers to large-area television screens. The division also manufactures and markets materials for organic light-emitting diodes (OLEDs), which are used in innovative lighting applications and display technologies.

Pigments & Cosmetics develops and markets a comprehensive product portfolio of effect and functional pigments, spanning a variety of colors and shimmer effects. The pigments are primarily processed into automotive and industrial coatings, plastics, printing, materials used in installations for renewable energy production, cosmetics, and counterfeit prevention applications. The product portfolio also includes high-quality cosmetic products for use in skin, hair and oral care, including UV filters.

By providing innovative research and development, the Advanced Technologies business unit bolsters the growth of the Liquid Crystals and the Pigments & Cosmetics business units.

On May 2, 2014, Merck announced the completion of the acquisition of AZ Electronic Materials. In December 2013 Merck reached an agreement with the Board of Directors of AZ concerning a cash offer amounting to around € 1.9 billion (approximately £ 1.6 billion). Subsequent to the achievement of the minimum acceptance rate of 75% and the granting of antitrust clearances in the United States, Japan, Taiwan, Germany and China, Merck will start the process of delisting AZ shares from the London Stock Exchange, which is expected to take place in early June. As of May 8, 2014, Merck's shareholding in AZ increased to 97.9%. Merck will quickly being with the integration of AZ and its workforce of approximately 1,150 employees worldwide. All important integration activities are to be completed by the end of 2014.

With annual sales of around US$ 730 million in 2013, AZ is a leading supplier of high-tech materials with a production focus in Asia, where the company achieves nearly 80% of its sales. AZ generates more than 80% of its sales with products that are the leaders in their respective markets. Products from AZ are essential components of integrated circuits, flat-panel displays and light-emitting diodes. AZ is thus a key partner to leading global manufacturers of electronics since the chemical technologies AZ provides enable them to improve existing process and to develop innovative new products.

Merck Millipore

The Merck Millipore division has a broad product and technology portfolio and offers innovative solutions for the life science industry. Life science comprises the research branches of natural and engineering sciences concerned with the structure and behavior of living organisms. The division's products and services are used in the research, development and manufacture of biotechnological and pharmaceutical drug therapies, and for general laboratory applications. The division was established in 2010 following the acquisition of the Millipore Corporation. It is a leading supplier of life science tools.

→ *The Merck Group and its divisions*

In the first quarter of 2014, Merck Millipore contributed 25% to Group sales and 20% to EBITDA pre (excluding Corporate and Other). The majority of sales are generated by consumables. This enables the division to achieve recurring sales and stable, attractive cash flows. A highly diversified and loyal customer base additionally ensures a low risk profile. At the same time, Merck Millipore benefits from its broad portfolio and its global reach. Merck Millipore comprises three business units: Bioscience, Lab Solutions and Process Solutions.

The main product groups of the Bioscience business unit include tools and consumables for filtration and sample preparation, reagents and kits for cell biology experiments, as well as small tools and consumables for cell analysis. With these products, Merck Millipore supports its customers in understanding complex biological systems and identifying new target molecules. The Bioscience business unit contributed 15% to divisional sales in the first quarter of 2014. Merck Millipore offers complete and validated applications to make research processes faster and more efficient. The Bioscience business unit is highly innovative with new products such as the Amnis ISX imaging flow cytometer and the Direct Detect™ biomolecular quantification system.

The Lab Solutions business unit manufactures products for research as well as analytical and clinical laboratories in a wide variety of industries. The business unit accounted for 39% of divisional sales in the first quarter of 2014. It is one of the leading suppliers of laboratory water equipment, laboratory chemicals and consumables. In addition, Lab Solutions develops and markets test solutions to identify microbial contamination, for example in pharmaceutical products, food or drinking water. For inorganic chemistry, Lab Solutions supplies ultrapure reagents, including salts, acids, caustic alkalis, and buffering agents. It also manufactures reference materials for instrumental analysis and products for inorganic trace analysis.

The Process Solutions business unit offers a diversity of products to pharmaceutical and biotechnology companies that enable customers to develop large- and small-molecule drugs safely, effectively and cost-efficiently. Accounting for 46% of Merck Millipore sales in the first quarter of 2014, Process Solutions offers its customers continuous innovations, highest quality standards as well as high reliability of supply.

In addition, the business unit's portfolio comprises more than 400 chemicals for the synthesis of active pharmaceutical ingredients as well as drug delivery compounds. The offering in biotech production comprises products supporting cell growth and gene expression, a wide range of filtration systems, as well as salts and sugars. The single-use solutions offered by the Process Solutions business unit provide increased operational flexibility to biopharmaceutical customers since they eliminate time- and cost-intensive cleaning procedures. Moreover, these single-use solutions are compatible with various products, reducing investment costs for the customer.

On March 25, 2014, Merck announced that Udit Batra, who formerly headed the Consumer Health division, will assume the leadership of the Merck Millipore division effective May 15, succeeding Robert Yates as President and Chief Executive Officer.

Objectives and strategies of the Merck Group

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

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

General principles

In all its business endeavors, Merck orients towards general principles. They help those responsible within the company to shape strategic plans and to make decisions.

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

For Merck, the principle of sustainability applies not only to economic aspects. Instead, it also encompasses responsibility for society and environmental preservation. With its current and future product portfolio, Merck wants to help solve global challenges and shape a sustainable future. That is also why innovation is the basis of the company's business activities; it is the prerequisite for future growth. The Merck Group is continually working on new products and service innovations for patients and customers and relies on a continual process of internal innovation throughout all areas of the company.

Group strategy

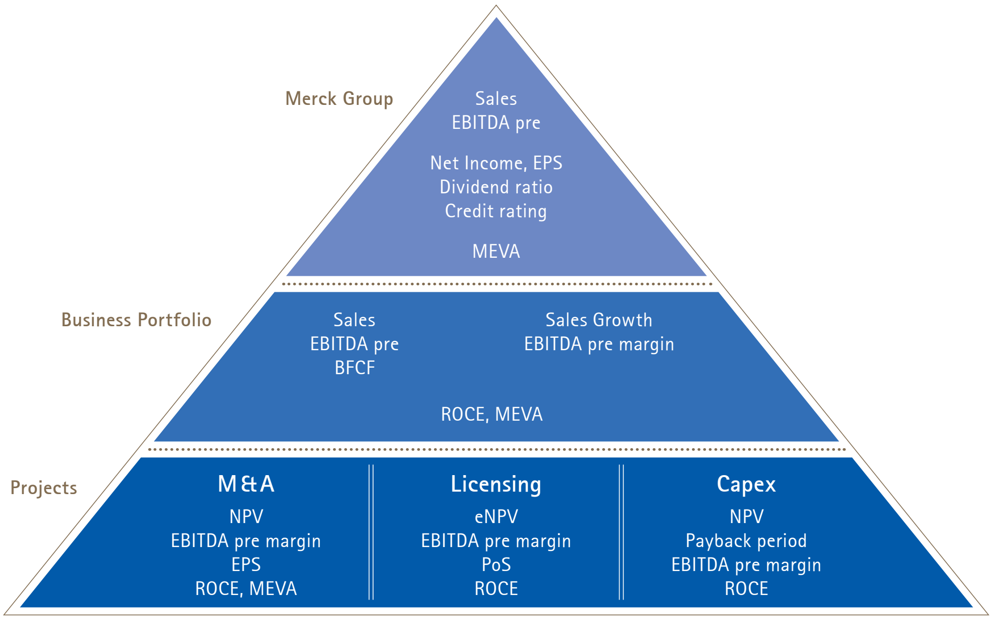
Merck focuses on innovative and top-quality high-tech products in the pharmaceutical and chemical sectors. The company's goal is sustainable and profitable growth. Merck intends to achieve this by growing primarily organically and by further developing its competencies, but also by making targeted acquisitions that complement and expand existing strengths in meaningful ways. Building on leading branded products in all four divisions, Merck aims to generate income that is largely independent of the prevailing economic cycles. Moreover, the aim is to further expand the strong market position in emerging markets in the medium to long term. In the first quarter of 2014, the Emerging Markets region contributed 34% to Group sales.

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

Internal management system of the Merck Group

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

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



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

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

*Financial indicators not defined by International Financial Reporting Standards.

Research and Development at Merck

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

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

Overall, the Merck Group invested around € 379 million in research and development in the first quarter of 2014. In addition, we are focusing on a newly defined mix of in-house research and cost-saving collaborations, which enables us to increase the productivity of our research while simultaneously reducing financial outlay.

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

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

Merck Serono

During the first quarter of 2014, several clinical projects of Merck Serono advanced through the development pipeline and several agreements were entered into with other organizations.

In the field of Oncology, a new Phase III study called START2 was initiated with tecemotide, a MUC1 antigen specific cancer immunotherapy in non-small-cell lung cancer (NSCLC). Based on the results of pre-clinical work and the ongoing Phase I trial of its C-Met kinase inhibitor, Merck Serono decided to embark on Phase I/II studies in the indications of non-small-cell lung cancer and hepatocellular carcinoma. Studies in both indications were initiated in the first quarter. Following the demonstration of clinical activity of Sym004, a mixture of two chimeric monoclonal antibodies against different parts of the Epidermal Growth Factor Receptor (EGFR), in a clinical study, Merck decided to start a further Phase II study.

In the field of Fertility, a Phase III trial of Pergoveris® was initiated in the first quarter. The study is designed to assess the efficacy and safety of Pergoveris® (follitropin alfa and lutropin alfa) versus Gonal-f® (follitropin alfa) for multifollicular development as part of an Assisted Reproductive Technology (ART) treatment cycle in women who are classified as poor ovarian responders (POR) to previous ART. Generally, in such patients, a low number of follicles develop during treatment and as a consequence, a small number of oocytes are retrieved through ART. The trial, which is known as ESPART (Evaluating the Efficacy and Safety of Pergoveris® in ART), is planned to enroll 946 patients across 17 European countries. The primary endpoint of the study is the total number of retrieved oocytes. Pergoveris® is already available in certain countries where it is indicated for the stimulation of follicular development in women with severe luteinizing hormone (LH) and follicle stimulating hormone (FSH) deficiency.

In the field of Endocrinology, Merck Serono announced in April that the Phase IIIb study of Kuvan® (known as SPARK: Safety Pediatric EfficAcy PhaRmacokinetic with Kuvan®), met its primary endpoint. The study demonstrated that the addition of Kuvan® to a phenylalanine (Phe) restricted diet in children under four years of age who have phenylketonuria (PKU) significantly increases tolerance to Phe compared with a Phe-restricted diet alone. The study was conducted under a Pediatric Investigational Plan and it is planned to submit the results to the EMA in the third quarter of this year. SPARK was requested by the EMA as a Post-Authorisation Measures study at the time of approval of Kuvan®.

→ Research and Development at Merck

In the field of Immunology, the next Phase II study of atacicept (an anti-Blys and anti-APRIL fusion protein) in patients with systemic lupus erythematosus (SLE) was initiated. This study is known as ADDRESS II and follows the promising results of the completed APRIL SLE study which were presented at the Annual Meeting of the European League against Rheumatism (EULAR) in 2013. ADDRESS II is a double-blind, placebo-controlled study of two doses of atacicept (75 mg and 150 mg given subcutaneously once per week) in over 250 patients with SLE, to further assess the efficacy and safety of atacicept in reducing SLE-disease activity in patients receiving standard-of-care therapy.

In early April, an agreement was entered into with Pfizer Inc. and the Broad Institute in Cambridge, Massachusetts. The collaboration is focused on the genomic profiling of patients with SLE and lupus nephritis. The research project will be jointly funded by Merck Serono and Pfizer. The goal is to identify biomarkers to better define target patient populations for future therapies as well as to discover potential novel drug targets for innovative therapies.

Consumer Health

Consumer Health research and development activities focus on constantly improving established and proven formulations consistent with the needs of consumers. At the same time, the division is further developing its established brand-name products by making them easier to use, for example through new forms of applications, and by offering accompanying services. In the first quarter of 2014, the research and development activities of Merck's Consumer Health division were continued as outlined in the Merck Annual Report for 2013.

Performance Materials

Merck is the undisputed market and technology leader in liquid crystals, which are primarily used in televisions and mobile communication applications. We are also one of the leading suppliers of functional and decorative effect pigments. In the first quarter of 2014, the research and development activities of Merck's Performance Materials division were continued as outlined in the Merck Annual Report for 2013.

Merck Millipore

Within the Merck Millipore division, Merck is working with its customers to develop innovative solutions for advancing the research, development and production of biopharmaceuticals and biotech processes worldwide. The research and developments activities in Merck Millipore's the three business units Lab Solutions, Process Solutions and Bioscience were continued as outlined in the Merck Annual Report for 2013.

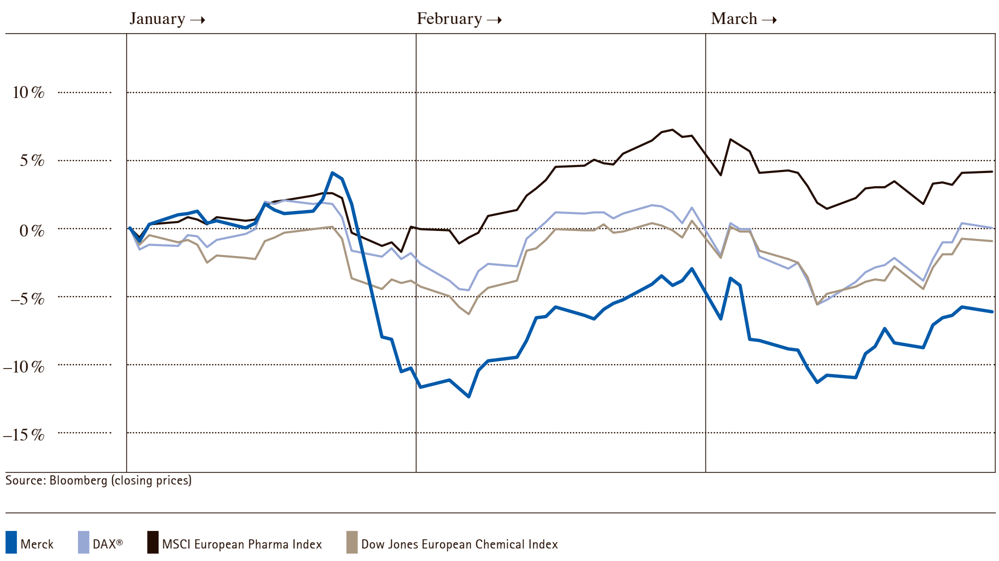
Merck shares

At a glance

During the first quarter of 2014, the Merck share price declined by approximately 6%. Thus, it underperformed the DAX® by about 6 percentage points. The share's underperformance was approximately 10 percentage points compared to the relevant index for the pharmaceutical industry, and 5 percentage points versus the relevant index for the chemical industry.

Merck shares reached a new all-time high of € 135.45 on January 22, 2014, but closed the quarter about 10% lower at € 122.25. The average daily trading volume in the first quarter of 2014 improved to 399,000 shares, a marked 54% above the prior-year level.

Share price development from January 1, 2014 to March 31, 2014



Source: Bloomberg (closing prices)

Report on Economic Position

Course of business and economic position

Merck Group

Overview – Q1 2014

- → Solid organic sales growth of around 4% outweighed by currency headwinds
- → All divisions contribute to organic growth
- → Profitability remains high – EBITDA pre one-time items up slightly to € 807 million despite substantial reduction in royalty, license and commission income as well as negative currency impact
- → Earnings per share pre one-time items up 9.5% to € 2.31
- → Strong business free cash flow underscores financial strength
- → High equity ratio as well as increased liquid funds reflect solid balance sheet structure

Merck Group | Key figures

€ million	Q1 – 2014	Q1 – 2013	Change in %
Total revenues	2,664.8	2,760.5	–3.5
Sales	2,613.9	2,660.4	–1.7
Operating result (EBIT)	468.3	399.4	17.3
Margin (% of sales)	*17.9*	*15.0*	
EBITDA	770.2	753.8	2.2
Margin (% of sales)	*29.5*	*28.3*	
EBITDA pre one-time items	807.1	801.1	0.7
Margin (% of sales)	*30.9*	*30.1*	
Earnings per share pre one-time items (€)	2.31	2.11	9.5
Business free cash flow	684.1	592.9	15.4

→ Course of business
and economic position

Development of total revenues and sales as well as results of operations

In the first quarter of 2014, total revenues of the Merck Group grew organically by 1.8%, which was outweighed by negative foreign exchange effects of –5.3%. Overall, total revenues of the Merck Group thus declined slightly by –3.5% to € 2,665 million (Q1 2013: € 2,761 million). Royalty, license and commission income, which is disclosed as part of total revenues, decreased by –49.1% to € 51 million (Q1 2013: € 100 million). This sharp drop of € –49 million was mainly due to decline in royalty and license income in the Merck Serono division.

Sales (total revenues less royalty, license and commission income) grew organically by 3.7% in the first quarter of 2014, but the increase was cancelled out by currency headwinds of –5.4%. The continued strength of the euro also led to negative exchange rate effects in the first quarter of 2014, which mainly stemmed from the U.S. dollar, the Japanese yen, and Latin American currencies. Overall, sales slipped slightly by around € –46 million in the first quarter of 2014 to € 2,614 million (Q1 2013: € 2,660 million).

Merck Group | Sales components by division – Q1 2014

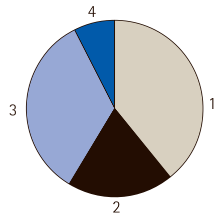
€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Merck Serono	1,374.9	4.2	-5.2	–	-1.0
Consumer Health	180.2	5.7	-6.5	–	-0.8
Performance Materials	402.2	1.1	-5.6	–	-4.5
Merck Millipore	656.5	3.7	-5.5	–	-1.8
Merck Group	**2,613.9**	**3.7**	**-5.4**	**–**	**-1.7**

All four divisions of the Merck Group posted organic sales increases as well as negative exchange rate effects in the first quarter of 2014. Achieving an organic growth rate of 4.2%, which corresponded to an absolute increase of € 59 million, Merck Serono made the strongest absolute contribution to organic sales growth, followed by Merck Millipore with organic sales growth of € 25 million, equivalent to a growth rate of 3.7%, and Performance Materials with € 5 million, or 1.1%. With an organic sales growth rate of 5.7%, the Consumer Health division reported the highest percentage increase, corresponding to an absolute organic sales increase of € 10 million.

→ Course of business and economic position

Merck Group | Sales by region – Q1 2014

€ million / % of sales



1 Europe	1,025.3	39 %
2 North America	507.2	20 %
3 Emerging Markets	888.0	34 %
4 Rest of World	193.3	7 %

From a regional perspective, the dynamic business performance in the Emerging Markets region, which encompasses Latin America and Asia excluding Japan, contributed first and foremost to the organic growth of the Merck Group. At 5.6%, which corresponded to an absolute organic sales increase of € 52 million, the region delivered very strong organic growth, which was primarily driven by the Merck Serono and Merck Millipore divisions. Including currency headwinds of –9.5%, Group sales in the Emerging Markets region totaled € 888 million (Q1 2013: € 924 million). In the first quarter of 2014, this region's share of Group sales declined to 34% (Q1 2013: 35%).

In Europe, organic sales growth of 1.7% was partially offset by negative currency effects of –0.5%. Sales thus increased slightly by 1.2% to € 1,025 million (Q1 2013: € 1,013 million). Consequently, Europe's contribution to Group sales was 39% (Q1 2013: 38%).

Sales in North America amounted to € 507 million (Q1 2013: € 516 million), which represents a year-on-year decrease of –1.7%. With an organic increase in sales of 2.6% coupled with negative exchange rate effects of –4.3%, North America's contribution to Group sales was 20% (Q1 2013: 19%).

The Rest of World region, i.e. Japan, Africa and Australia/Oceania, generated € 193 million (Q1 2013: € 207 million) or 7% of Group sales (Q1 2013: 8%). The decline in sales was largely the outcome of a substantial foreign exchange impact of –14.5% mainly attributable to the Japanese yen. With an organic sales increase of 7.8%, the region achieved the highest growth rate within the Group.

Merck Group | Sales components by region – Q1 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	1,025.3	1.7	–0.5	–	1.2
North America	507.2	2.6	–4.3	–	–1.7
Emerging Markets	888.0	5.6	–9.5	–	–3.9
Rest of World	193.3	7.8	–14.5	–	–6.7
Merck Group	**2,613.9**	**3.7**	**–5.4**	**–**	**–1.7**

In the first quarter of 2014, the consolidated income statement of the Merck Group was as follows:

Merck Group | Consolidated Income Statement

€ million	Q1 – 2014	Q1 – 2013	Change in %
Sales	**2,613.9**	**2,660.4**	**–1.7**
Royalty, license and commission income	51.0	100.1	–49.1
Total revenues	**2,664.8**	**2,760.5**	**–3.5**
Cost of sales	–736.5	–724.0	1.7
Gross profit	**1,928.3**	**2,036.5**	**–5.3**
Marketing and selling expenses	–549.5	–568.3	–3.3
Royalty, license and commission expenses	–136.4	–136.3	–
Administration expenses	–132.3	–132.7	–0.3
Other operating expenses and income	–66.8	–184.0	–63.7
Research and development costs	–378.9	–406.2	–6.7
Amortization of intangible assets	–196.1	–209.6	–6.4
Operating result (EBIT)	**468.3**	**399.4**	**17.3**
Financial result	–34.7	–58.7	–40.8
Profit before income tax	**433.6**	**340.7**	**27.3**
Income tax	–106.1	–71.7	48.1
Profit after tax	**327.4**	**269.0**	**21.7**
Non-controlling interests	–2.2	–3.0	–25.0
Net income	**325.2**	**266.0**	**22.2**

Including cost of sales of € 737 million (Q1 2013: € 724 million), the development of total revenues generated a gross profit of € 1,928 million for the Merck Group (Q1 2013: € 2,036 million). The –5.3% decline in gross profit was primarily due to the sharp fall in royalty, license and commission income as well as the negative impact of currency on sales. Gross margin, i.e. gross profit in percent of sales, declined accordingly by nearly 3 percentage points to 73.8% (Q1 2013: 76.5%).

The sharp drop in other operating expenses (net) by € –117 million to € 67 million (Q1 2013: € 184 million) resulted mainly from the one-time items (including impairment losses) reported under this item, which fell in the first quarter of 2014 by € 36 million to € –38 million (Q1 2013: € –74 million). Further reasons for the decline in other operating expenses included lower litigation expenses, income from the measurement of trade accounts receivable as well as gains from operational currency hedges.

The decrease in research and development costs was primarily responsible for the decline in the Group's research spending ratio (research and development costs in percent of sales) to 14.5% (Q1 2013: 15.3%). The Merck Serono division accounted for 78.7% (Q1 2013: 79.4%) of Group-wide research and development costs.

The decline in amortization of intangible assets was primarily due to the expiration of amortization periods in the Merck Serono division.

Despite the marked drop in royalty, license and commission income, the operating result (EBIT) of the Merck Group rose sharply to € 468 million (Q1 2013: € 399 million). This was mainly due to the stable operating business, the lower level of one-time items compared to the year-earlier period, as well as the efficiency measures implemented within the scope of the "Fit for 2018" transformation and growth program.

The improvement in the financial result was due on the one hand to the positive development of the interest result and on the other to a positive measurement effect from taking into account the time value of Merck Share Units (MSUs). MSUs are virtual Merck shares that eligible executives and employees could receive at the end of a three-year performance period within the scope of the Merck Long-Term Incentive Plan.

Income tax expenses of € 106 million (Q1 2013: € 72 million) led to a tax ratio of 24.5% (Q1 2013: 21.0%).

Owing to the development of expenses and income, net income attributable to Merck shareholders increased by 22.2% to € 325 million (Q1 2013: € 266 million), leading to earnings per share of € 1.50 (Q1 2013: € 1.22).

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

€ million	Q1 – 2014	Q1 – 2013	Change in %
Operating result (EBIT)	**468.3**	**399.4**	**17.3**
Depreciation / Amortization / Reversals of impairments	301.9	354.4	–14.8
(of which: one-time items)	*(1.3)*	*(26.6)*	*(–95.3)*
EBITDA	**770.2**	**753.8**	**2.2**
Restructuring costs	15.1	41.8	–63.9
Integration costs / IT costs	14.4	5.8	149.1
Gains/losses on the divestment of businesses	4.1	1.7	140.1
Acquisition costs	1.0	–	–
Other one-time items	2.3	–2.0	–
EBITDA pre one-time items	**807.1**	**801.1**	**0.7**

After adjusting for depreciation, amortization and one-time items, EBITDA pre one-time items, the key financial indicator used to steer operating business, grew slightly to € 807 million (Q1 2013: € 801 million), equivalent to an EBITDA margin pre one-time items of 30.9% (Q1 2013: 30.1%). Earnings per share pre one-time items (earnings per share adjusted by net of tax effect of one-time items and amortization of purchased intangible assets) amounted to € 2.31 in the first quarter of 2014 (Q1 2013: € 2.11).

→ Course of business and economic position

Net assets and financial position

Merck Group | Balance sheet structure

	March 31, 2014		Dec. 31, 2013		Change	
	€ million	in %	€ million	in %	€ million	in %
Current assets	**7,738.9**	**36.8**	**7,384.5**	**35.5**	**354.3**	**4.8**
of which:						
Cash and cash equivalents	2,495.4		980.8		1,514.7	
Current financial assets	1,240.9		2,410.5		-1,169.5	
Trade accounts receivable	2,044.1		2,021.4		22.7	
Inventories	1,511.7		1,474.2		37.4	
Other current assets	446.8		497.6		-50.8	
Non-current assets	**13,269.8**	**63.2**	**13,434.1**	**64.5**	**-164.3**	**-1.2**
of which:						
Intangible assets	9,688.2		9,867.2		-179.0	
Property, plant and equipment	2,612.2		2,647.2		-34.9	
Other non-current assets	969.4		919.7		49.7	
Total assets	**21,008.6**	**100.0**	**20,818.6**	**100.0**	**190.0**	**0.9**
Current liabilities	**5,113.3**	**24.3**	**3,898.8**	**18.7**	**1,214.5**	**31.2**
of which:						
Current financial liabilities	1,812.3		440.4		1,371.8	
Trade accounts payable	1,331.3		1,364.1		-32.8	
Current provisions	424.8		494.7		-69.9	
Other current liabilities	1,545.0		1,599.6		-54.6	
Long-term liabilities	**4,652.5**	**22.1**	**5,850.6**	**28.1**	**-1,198.1**	**-20.5**
of which:						
Non-current financial liabilities	1,917.3		3,257.5		-1,340.2	
Non-current provisions	1,019.3		1,011.1		8.3	
Provisions for pensions and other post-employment benefits	1,083.7		910.9		172.8	
Other non-current liabilities	632.2		671.1		-38.9	
Equity	**11,242.8**	**53.5**	**11,069.2**	**53.2**	**173.6**	**1.6**
Total liabilities and equity	**21,008.6**	**100.0**	**20,818.6**	**100.0**	**190.0**	**0.9**

There were no major changes in the balance sheet of the Merck Group between December 31, 2013 and March 31, 2014. Total assets increased slightly to € 21,009 million (December 31, 2013: € 20,819 million). The sharp rise in cash and cash equivalents and the corresponding decline in current financial assets relate to the purchase price payment for the acquisition of AZ Electronic Materials to be made at short notice. As of March 31, 2014, the working capital of the Merck Group increased slightly to € 2,224 million (December 31, 2013: € 2,132 million). The reclassification of financial liabilities from non-current to current was due to the maturity in March 2015 of a bond issued by Merck Financial Services with a nominal volume of € 1,350 million. At 53.5% (December 31, 2013: 53.2%), the equity ratio remained at a consistently high level.

Business free cash flow of the Merck Group amounted to € 684 million in the first quarter of 2014 (Q1 2013: € 593 million), increasing by € 91 million or 15.4%. The key to this improvement was the development of trade accounts receivable in the first quarter of 2014 as well as in the year-earlier quarter. While trade accounts receivable rose by € 23 million in the first quarter of 2014, the increase in trade accounts receivable was € 140 million in the year-earlier quarter and thus had a much stronger adverse impact on business free cash flow in the first quarter of 2013 than in the reporting period.

Merck Group | Business free cash flow

€ million	Q1 – 2014	Q1 – 2013	Change in %
EBITDA pre one-time items	807.1	801.1	0.7
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–62.8	–42.6	47.4
Changes in inventories	–37.4	–25.5	47.0
Changes in trade accounts receivable	–22.7	–140.2	–83.8
Business free cash flow	**684.1**	**592.9**	**15.4**

→ Course of business and economic position

Merck Serono

Merck Serono | Key figures

€ million	Q1 – 2014	Q1 – 2013*	Change in %
Total revenues	1,421.1	1,482.1	–4.1
Sales	1,374.9	1,388.8	–1.0
Operating result (EBIT)	235.8	170.2	38.5
Margin (% of sales)	*17.2*	*12.3*	
EBITDA	428.0	408.3	4.8
Margin (% of sales)	*31.1*	*29.4*	
EBITDA pre one-time items	438.0	437.7	0.1
Margin (% of sales)	*31.9*	*31.5*	
Business free cash flow	480.0	340.0	41.2

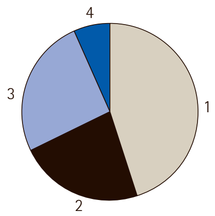
*The previous year's figures have been adjusted, see "The Merck Group and its divisions"

Development of total revenues and sales as well as results of operations

In the first quarter of 2014, total revenues of the Merck Serono division grew organically by 0.8%. However, owing to negative foreign exchange effects amounting to –5.0%, total revenues of the division declined by –4.1% to € 1,421 million (Q1 2013: € 1,482 million). Despite solid organic growth of 4.2%, sales slipped by –1.0% to € 1,375 million (Q1 2013: € 1,389 million) since the strong euro led to negative foreign exchange effects of –5.2%. All therapeutic areas contributed to the organic sales growth of the division. Among others, the portfolio for the treatment of thyroid disorders performed well in the first quarter of 2014, as did Gonal-f®, the leading recombinant hormone used in the treatment of infertility. Royalty, license and commission income, which along with sales is reported as part of total revenues, fell sharply by –50.4% to € 46 million (Q1 2013: € 93 million). This was due primarily to lower royalty and license income from Avonex®, Enbrel® and Humira®. The agreement reached with Bristol-Myers Squibb in 2013 on the co-promotion of Glucophage® in China positively impacted commission income in the first quarter of 2014 compared with the year-earlier quarter.

Merck Serono | Sales by region – Q1 2014

€ million / % of divisional sales



1	Europe	619.1	45 %
2	North America	316.0	23 %
3	Emerging Markets	349.7	25 %
4	Rest of World	90.1	7 %

Europe, the division's top-selling region, posted a slight organic sales decline of –0.2% and a negative foreign exchange impact of –0.8%, thereby generating sales of € 619 million (Q1 2013: € 625 million). At 45%, Europe accounted for the largest proportion of the division's sales, as in 2012.

Emerging Markets, the division's second-largest region by sales, posted organic growth of 6.7%, and a substantial negative foreign exchange impact of –11.3%. Consequently, sales decreased to € 350 million from € 366 million. This region's share of divisional sales declined from 26% in the year-earlier quarter to 25% in the first quarter of 2014. China as well as Latin American countries were the main contributors to organic growth.

In the first quarter of 2014, sales in North America amounted to € 316 million, increasing by 3.9% compared to the year-earlier quarter (€ 304 million). This reflects an organic sales increase of 8.7% and unfavorable foreign exchange effects of –4.7%. The sharp organic increase in sales was mainly due to the performance of Rebif® in the United States. The North America region contributed 23% (Q1 2013: 22%) to the division's sales.

Sales in the Rest of World region grew organically by 9.5% in the first quarter of 2014. However, considerable currency headwinds of –13.1% caused sales to decline to € 90 million (Q1 2013: € 94 million). Sales developed positively particularly in Japan with the oncology drug Erbitux®. Once again, the Rest of World region contributed 7% to divisional sales.

Merck Serono | Sales components by region – Q1 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions / divestments	Total change
Europe	619.1	–0.2	–0.8	–	–0.9
North America	316.0	8.7	–4.7	–	3.9
Emerging Markets	349.7	6.7	–11.3	–	–4.6
Rest of World	90.1	9.5	–13.1	–	–3.6
Merck Serono	**1,374.9**	**4.2**	**–5.2**	**–**	**–1.0**

In the first quarter of 2014, sales of the two top-selling products of the Merck Serono division developed as follows:

Rebif®, which is used to treat relapsing forms of multiple sclerosis, achieved organic growth of 5.3% in the first quarter of 2014 despite the increasingly difficult competitive situation. Including foreign exchange effects of –4.1%, Rebif® sales rose overall by 1.2% to € 459 million (Q1 2013: € 454 million). This positive development was mainly driven by the North America region, which is the largest market for Rebif®, accounting for 53% (Q1 2013: 49%) of this product's total sales. In this region, price increases as well as restocking by pharmaceutical wholesalers resulted in a 12.2% organic increase in sales, which amounted to € 242 million (Q1 2013: € 225 million). In Europe, which accounts for 40% of Rebif® sales (Q1 2013: 41%) and is the second-largest market in terms of Rebif® sales, slipped to € 183 million (Q1 2013: € 184 million) on the back of slight organic growth of 0.2% and negative exchange rate effects of –0.9%.

In the first quarter of 2014, sales of the oncology drug Erbitux® showed slight organic growth of 0.5%. As a result of negative foreign exchange effects of –6.1%, sales decreased overall to € 209 million (Q1 2013: € 222 million). Europe generates 59% (Q1 2013: 60%) of Erbitux® sales, making it the top-selling region for this product. There, Erbitux® sales fell organically by –7.3% to a total of € 123 million, which includes an adverse foreign exchange impact of –0.1% (Q1 2013: € 133 million). Despite organic growth of 6.4%, sales in Emerging Markets declined to € 54 million (Q1 2013: € 59 million) as a result of strong currency headwinds of –13.5%. This region generated an unchanged 26% of total Erbitux® sales. At 23.4%, the Rest of World region achieved the strongest organic growth for this oncology drug, delivering sales of € 32 million (Q1 2013: € 30 million). Erbitux® sales developed well in Japan, where strong organic growth amounted to 38.2% but was partially offset by negative foreign exchange effects. In particular, higher sales of Erbitux® in the treatment of both head and neck cancer as well as metastatic colorectal cancer drove this performance.

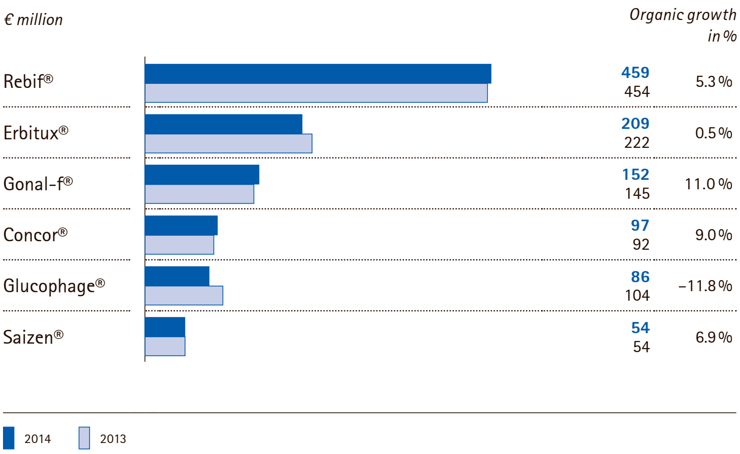
→ Course of business and economic position

Merck Serono | Sales and organic growth of Rebif® and Erbitux® by region – Q1 2014

		Total	Europe	North America	Emerging Markets	Rest of World
Rebif®	*€ million*	459.3	183.1	241.8	28.1	6.2
	Organic growth in %	5.3	0.2	12.2	–6.6	–18.1
	% of sales	100	40	53	6	1
Erbitux®	*€ million*	209.2	122.9	–	54.4	31.9
	Organic growth in %	0.5	–7.3	–	6.4	23.4
	% of sales	100	59	–	26	15

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

Merck Serono | Sales and organic growth of key products – Q1 2014



Following a relatively weak year-earlier quarter, Merck Serono achieved strong organic growth of 11.0% with Gonal-f® in the first quarter of 2014. Including adverse currency effects, sales rose by 5.3% to € 152 million (Q1 2013: € 145 million). The strongest increase in Gonal-f® sales was achieved in Europe. Likewise, organic growth rates improved noticeably in the other regions.

Sales by the Endocrinology franchise, which mainly consists of products to treat metabolic and growth disorders, rose organically by 1.6%. Including foreign exchange effects of –5.4%, sales amounted to € 88 million (Q1 2013: € 92 million). Sales of the growth hormone Saizen®, the top-selling product of this franchise, saw an organic increase of 6.9% as well as negative foreign exchange effects of –7.3%. Therefore, at € 54 million, sales remained at the previous year's level.

The General Medicine franchise (including CardioMetabolic Care), which commercializes Merck Serono's products to treat cardiovascular diseases and diabetes, among others, generated organic sales growth of 1.7%. Organic sales of products to treat thyroid disorders developed well in the first quarter of 2014. The decline in sales of Glucophage®, which is used to treat diabetes, to € 86 million (Q1 2013: € 104 million) was largely due to the strong year-earlier quarter and with supply difficulties currently being faced in Europe. Including negative exchange rate changes of –6.0%, sales by the General Medicine franchise amounted to € 381 million (Q1 2013: € 397 million).

→ Course of business
and economic position

The division's results of operations developed as follows:

Merck Serono | Results of operations

€ million	Q1 – 2014	Q1 – 2013*	Change in %
Sales	**1,374.9**	**1,388.8**	**–1.0**
Royalty, license and commission income	46.2	93.3	–50.4
Total revenues	**1,421.1**	**1,482.1**	**–4.1**
Cost of sales	–254.3	–230.2	10.5
Gross profit	**1,166.8**	**1,251.9**	**–6.8**
Marketing and selling expenses	–279.8	–294.8	–5.1
Royalty, license and commission expenses	–131.7	–131.5	0.2
Administration expenses	–52.2	–50.2	4.0
Other operating expenses and income	–26.3	–127.7	–79.4
Research and development costs	–298.3	–322.5	–7.5
Amortization of intangible assets	–142.6	–155.0	–8.0
Operating result (EBIT)	**235.8**	**170.2**	**38.5**
Depreciation / Amortization / Reversals of impairments	192.1	238.1	–19.3
(of which: one-time items)	*(1.3)*	*(26.6)*	*(–95.3)*
EBITDA	**428.0**	**408.3**	**4.8**
Restructuring costs	9.5	28.6	–66.8
Integration costs / IT costs	0.5	0.7	–27.9
Gains / losses on the divestment of businesses	–	–	–
Acquisition costs	–	–	–
Other one-time items	–	–	–
EBITDA pre one-time items	**438.0**	**437.7**	**0.1**

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

Taking into account the development of sales and total revenues as well as cost of sales, the gross profit of the Merck Serono division fell by –6.8% or € –85 million to € 1,167 million. This was mainly attributable to lower royalty, license and commission income, as well as the negative impact of exchange rates on sales. Strict cost control led to lower marketing and selling expenses for the division. Among other things, the decline in other operating expenses (net) was driven by the development of one-time items (including impairment losses), which dropped from € –56 million in the year-earlier quarter to € –11 million in the first quarter of 2014. This mainly related to one-time items in connection with the "Fit for 2018" transformation and growth program. Furthermore, lower litigation expenses as well as income from the measurement of trade accounts receivable had a positive effect on the net amount of other operating expenses and income. Research and development costs in the year-earlier quarter reflected higher costs of clinical development as well as one-time expenses. Consequently, the research spending ratio decreased to 21.7% in the first quarter of 2014 (Q1 2013: 23.2%). Lower amortization of intangible assets was related to the expiration of the amortization period for the intangible asset Avonex®, which was acquired within the scope of the Serono acquisition. After eliminating depreciation and amortization, and adjusting for one-time items, EBITDA pre one-time items amounted to € 438 million, which was on par with the previous year. As a result, the EBITDA margin pre one-time items rose slightly to 31.9% (Q1 2013: 31.5%) despite the impact of negative currency effects on sales as well as lower royalty and license income.

→ Course of business and economic position

Development of business free cash flow

In the first quarter of 2014, business free cash flow of the Merck Serono division increased sharply by € 140 million to € 480 million (Q1 2013: € 340 million). Whereas the development of EBITDA pre one-time items, capital spending as well as inventories only had a minor overall effect on business free cash flow, the reduction of trade accounts receivable in the first quarter of 2014 fueled the improvement of business free cash flow.

Merck Serono | Business free cash flow

€ million	Q1 – 2014	Q1 – 2013*	Change in %
EBITDA pre one-time items	438.0	437.7	0.1
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–26.1	–18.5	41.0
Changes in inventories	–6.9	–15.8	–56.3
Changes in trade accounts receivable	75.0	–63.4	–
Business free cash flow	**480.0**	**340.0**	**41.2**

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

→ Course of business and economic position

Consumer Health

Consumer Health | Key figures

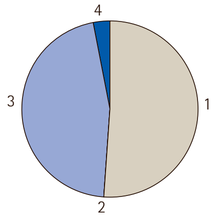
€ million	Q1 – 2014	Q1 – 2013*	Change in %
Total revenues	180.5	181.8	–0.7
Sales	180.2	181.7	–0.8
Operating result (EBIT)	36.7	36.8	–
Margin (% of sales)	*20.4*	*20.2*	
EBITDA	39.1	39.4	–0.8
Margin (% of sales)	*21.7*	*21.7*	
EBITDA pre one-time items	41.3	39.3	5.0
Margin (% of sales)	*22.9*	*21.6*	
Business free cash flow	16.2	20.8	–22.5

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

Development of total revenues and sales as well as results of operations
In the first quarter of 2014, the Consumer Health division generated sales of € 180 million (Q1 2013: € 182 million). The slight decline in sales by –0.8% was primarily attributable to currency headwinds of –6.5%. Solid organic sales growth amounted to 5.7% in the first quarter. This was mainly driven by Neurobion® and Floratil®, two former Merck Serono brands that were transferred to the Consumer Health division as of January 1, 2014, as well as by Femibion® and local brands in Germany.

Consumer Health | Sales by region – Q1 2014

€ million / % of divisional sales



1	Europe	92.2	51 %
2	North America	0.1	0 %
3	Emerging Markets	82.6	46 %
4	Rest of World	5.3	3 %

From a geographic perspective, the division's key regions delivered solid organic sales growth rates. Europe, which accounts for 51% of sales (Q1 2013: 47%) and is the division's largest region, posted organic sales growth as well as minor positive foreign exchange effects primarily stemming from the British pound. Sales in Europe thus increased to € 92 million (Q1 2013: € 86 million). The mild winter season led to weaker demand for Nasivin® and Bion®, which was offset by strong sales of the vitamin supplement Femibion® and local brands in Germany, as well as sales of Apaisyl®, a local French brand of insect repellent and skin care products.

In the Emerging Markets region, the division registered organic growth of 4.9%, which was mainly attributable to Neurobion®, Sangobion®, and Cebion®. In Latin America, the two new strategic brands Neurobion® and Floratil® were the primary drivers of organic growth thanks to a stronger focus on consumer-oriented marketing activities. Taking substantial currency headwinds of –12.6% into account, however, sales declined overall by –7.7% to € 83 million (Q1 2013: € 90 million). The share of divisional sales accounted for by the Emerging Markets region therefore declined to 46% (Q1 2013: 49%).

→ Course of business and economic position

Consumer Health | Sales components by region – Q1 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	92.2	7.1	0.2	–	7.3
North America	0.1	–51.2	–3.0	–	–54.1
Emerging Markets	82.6	4.9	–12.6	–	–7.7
Rest of World	5.3	–0.7	–10.5	–	–11.2
Consumer Health	**180.2**	**5.7**	**–6.5**	**–**	**–0.8**

The development of results of operations is presented in the following table:

Consumer Health | Results of operations

€ million	Q1 – 2014	Q1 – 2013*	Change in %
Sales	**180.2**	**181.7**	**–0.8**
Royalty, license and commission income	0.3	0.1	117.4
Total revenues	**180.5**	**181.8**	**–0.7**
Cost of sales	–59.6	–56.9	4.8
Gross profit	**120.9**	**124.9**	**–3.2**
Marketing and selling expenses	–68.1	–69.1	–1.5
Royalty, license and commission expenses	0.3	–0.7	–
Administration expenses	–6.3	–5.8	8.5
Other operating expenses and income	–4.6	–6.2	–26.2
Research and development costs	–4.8	–5.7	–15.8
Amortization of intangible assets	–0.7	–0.6	16.5
Operating result (EBIT)	**36.7**	**36.8**	**–**
Depreciation / Amortization / Reversals of impairments	2.4	2.7	–11.1
(of which: one-time items)	*(–)*	*(–)*	*(–)*
EBITDA	**39.1**	**39.4**	**–0.8**
Restructuring costs	2.1	–0.1	–
Integration costs / IT costs	–	–	–
Gains / losses on the divestment of businesses	–	–	–
Acquisition costs	–	–	–
Other one-time items	–	–	–
EBITDA pre one-time items	**41.3**	**39.3**	**5.0**

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

The division's gross profit declined slightly by –3.2% to € 121 million (Q1 2013: € 125 million) due to the negative impact of foreign exchange on sales as well as higher cost of sales. Consequently, the gross margin decreased to 67.1% (Q1 2013: 68.8%). The decline in other operating expenses (net) was primarily attributable to the development of provisions for litigation. In the first quarter of 2013, expenses totaling € 4 million had been incurred to set up provisions for litigation. R&D costs also developed positively as a result of measures from the "Fit for 2018" transformation and growth program. Despite the negative impact of the strong euro, the overall development of the operating result (EBIT) and EBITDA was stable. Adjusted for one-time effects from restructuring measures, EBITDA pre one-time items rose by 5.0% to € 41 million (Q1 2013: € 39 million). The EBITDA margin pre one-time items increased by more than 1 percentage point to 22.9% (Q1 2013: 21.6%).

→ Course of business and economic position

Development of business free cash flow

In the first quarter of 2014, business free cash flow of the Consumer Health division declined by approximately € –5 million to € 16 million. This decrease was primarily attributable to the division's inventory buildup during the first quarter of 2014, which was partially offset by the increase in EBITDA pre one-time items and the lower buildup of trade accounts receivable in the same period.

Consumer Health | Business free cash flow

€ million	Q1 – 2014	Q1 – 2013*	Change in %
EBITDA pre one-time items	41.3	39.3	5.0
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–1.7	–0.6	186.9
Changes in inventories	–10.0	–1.1	–
Changes in trade accounts receivable	–13.3	–16.7	–20.4
Business free cash flow	**16.2**	**20.8**	**–22.5**

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

Performance Materials

Performance Materials | Key figures

€ million	Q1 – 2014	Q1 – 2013	Change in %
Total revenues	402.7	422.1	–4.6
Sales	402.2	421.3	–4.5
Operating result (EBIT)	151.7	172.5	–12.1
Margin (% of sales)	*37.7*	*41.0*	
EBITDA	178.8	203.3	–12.0
Margin (% of sales)	*44.5*	*48.3*	
EBITDA pre one-time items	186.4	207.4	–10.1
Margin (% of sales)	*46.3*	*49.2*	
Business free cash flow	165.5	199.0	–16.8

Development of total revenues and sales as well as results of operations

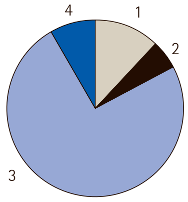
In the first quarter of 2014, the Performance Materials division achieved a slight 1.1% organic increase in sales, despite a strong year-earlier quarter. Considerable currency headwinds of –5.6%, which stemmed mainly from the U.S. dollar, the Taiwanese dollar and the Japanese yen, lowered divisional sales by a total of –4.5% to € 402 million (Q1 2013: € 421 million).

The Liquid Crystals business unit, which generates more than 70% of divisional sales, once again defended its market leadership position in liquid crystal materials in the first quarter of 2014. Overall, the two leading technologies, i.e. PS-VA and IPS, registered slight organic growth thanks to sustained high demand for displays; however, this was outweighed by negative exchange rate effects. As a result, the high year-earlier sales, which were driven by strong demand in China, among other factors, could not be fully reached.

The Pigments & Cosmetics business unit generated slight organic sales growth in the first three months of 2014. Both the good demand for decorative pigments, above all the Xirallic® pigments, which are primarily used in automotive coatings, as well as for cosmetic actives led in the first quarter of 2014 to organic sales increases. However, these increases could not fully offset the substantial negative exchange rate effects.

Performance Materials | Sales by region – Q1 2014

€ million / % of divisional sales



1	Europe	48.5	12 %
2	North America	21.5	5 %
3	Emerging Markets	299.3	75 %
4	Rest of World	33.0	8 %

In regional terms, Emerging Markets generated the vast majority of the division's sales, accounting for an unchanged contribution of 75%. This is due to the high concentration of liquid crystal customers in Asia. Slight organic sales growth of 0.7% was achieved in Asia despite a high year-earlier basis. Owing to negative exchange rate effects of –5.4%, sales in this region fell by € –15 million to € 299 million (Q1 2013: € 314 million).

As in the year-earlier quarter, the division posted sales of € 48 million in Europe. Consequently, this region's share of divisional sales improved by 1 percentage point to 12% thanks to negligible exchange rate effects in comparison with other regions. Organic growth of 1.2% was due to the Pigments & Cosmetics business unit, particularly with sales of cosmetic active ingredients.

The Rest of World region, which is dominated by Japan, recorded an organic sales increase of 7.5%. Together with strong currency headwinds of –16.0%, this resulted in sales of € 33 million (Q1 2013: € 36 million). Consequently, the Rest of World region's share of sales declined from 9% in the year-earlier quarter to 8% in the first quarter of 2014.

The North America region, where almost all sales are attributable to the Pigments & Cosmetics business unit, contributed an unchanged 5% to divisional sales. Together with the negative foreign exchange impact, the –2.8% decline in organic sales caused sales to fall by a total of –6.5% to € 22 million (Q1 2013: € 23 million).

Performance Materials | Sales components by region – Q1 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	48.5	1.2	–0.2	–	1.0
North America	21.5	–2.8	–3.7	–	–6.5
Emerging Markets	299.3	0.7	–5.4	–	–4.7
Rest of World	33.0	7.5	–16.0	–	–8.6
Performance Materials	**402.2**	**1.1**	**–5.6**	**–**	**–4.5**

The results of operations developed as follows:

Performance Materials | Results of operations

€ million	Q1 – 2014	Q1 – 2013	Change in %
Sales	**402.2**	**421.3**	**–4.5**
Royalty, license and commission income	0.5	0.8	–38.1
Total revenues	**402.7**	**422.1**	**–4.6**
Cost of sales	–156.8	–156.3	0.3
Gross profit	**246.0**	**265.8**	**–7.5**
Marketing and selling expenses	–32.6	–35.5	–8.1
Royalty, license and commission expenses	–0.7	–0.4	69.0
Administration expenses	–7.7	–7.0	10.8
Other operating expenses and income	–12.6	–10.5	20.1
Research and development costs	–37.0	–36.4	1.7
Amortization of intangible assets	–3.6	–3.5	2.3
Operating result (EBIT)	**151.7**	**172.5**	**–12.1**
Depreciation / Amortization / Reversals of impairments	27.2	30.8	–11.8
(of which: one-time items)	*(–)*	*(–)*	*(–)*
EBITDA	**178.8**	**203.3**	**–12.0**
Restructuring costs	1.8	3.6	–49.2
Integration costs / IT costs	0.4	0.5	–20.6
Gains / losses on the divestment of businesses	4.4	–	–
Acquisition costs	1.0	–	–
Other one-time items	–	–	–
EBITDA pre one-time items	**186.4**	**207.4**	**–10.1**

→ Course of business and economic position

The gross profit of the division fell from € 266 million to € 246 million mainly as a result of negative foreign exchange effects. Consequently, the gross margin decreased by around 2 percentage points to 61.2% (Q1 2013: 63.1%). The decline in the operating result (EBIT) was primarily due to the development of the gross margin as well as the improvement in one-time items from € –4 million in the year-earlier quarter to € –8 million in the first quarter of 2014. Adjusted for depreciation, amortization and one-time items, EBITDA pre one-time items amounted to € 186 million in the first quarter of 2014 (Q1 2013: € 207 million), equivalent to 46.3% of sales (Q1 2013: 49.2%) and was thus around 3 percentage points lower than the record margin achieved in the year-earlier quarter.

Development of business free cash flow

In the first quarter of 2014, the Performance Materials division generated business free cash flow of € 165 million (Q1 2013: € 199 million). The decline in this key figure was primarily attributable to the lower EBITDA pre one-time items. Higher capital spending as well as the development of trade accounts receivable were also responsible for the lower level of business free cash flow compared with the year-earlier quarter.

Performance Materials | Business free cash flow

€ million	Q1 – 2014	Q1 – 2013	Change in %
EBITDA pre one-time items	186.4	207.4	–10.1
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–11.9	–9.7	22.3
Changes in inventories	7.1	7.3	–3.2
Changes in trade accounts receivable	–16.1	–6.0	167.9
Business free cash flow	**165.5**	**199.0**	**–16.8**

→ Course of business and economic position

Merck Millipore

Merck Millipore | Key figures

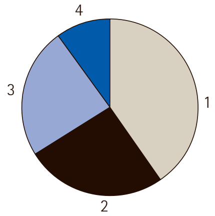
€ million	Q1 – 2014	Q1 – 2013	Change in %
Total revenues	660.4	674.5	–2.1
Sales	656.5	668.7	–1.8
Operating result (EBIT)	87.0	72.3	20.3
Margin (% of sales)	*13.3*	*10.8*	
EBITDA	163.7	151.5	8.1
Margin (% of sales)	*24.9*	*22.7*	
EBITDA pre one-time items	169.7	161.9	4.8
Margin (% of sales)	*25.8*	*24.2*	
Business free cash flow	*54.4*	81.1	–32.9

Development of total revenues and sales as well as results of operations

The Merck Millipore division generated organic sales growth of 3.7% in the first quarter of 2014. This organic growth was countered by a negative foreign exchange impact of –5.5%, which primarily stemmed from the Japanese yen and the U.S. dollar. Including these effects, divisional sales decreased by € –12 million, or –1.8%, to € 657 million. Royalty and license income, which was mainly generated by the Process Solutions business unit, totaled € 4 million (Q1 2013: € 6 million).

Merck Millipore | Sales by region – Q1 2014

€ million / % of divisional sales



1 Europe	265.5	40 %
2 North America	169.7	26 %
3 Emerging Markets	156.4	24 %
4 Rest of World	65.0	10 %

From a regional perspective, sales by the Merck Millipore division developed unevenly in the first quarter of 2014. In Europe, the division's largest geographic market accounting for 40% of divisional sales (Q1 2013: 38%), organic growth was 4.6% and sales totaled € 266 million (Q1 2013: € 254 million). The Process Solutions and Lab Solutions business units posted strong sales growth particularly in France, Spain and the United Kingdom.

In North America, the division's sales declined organically by –6.5%. The weaker U.S. dollar lowered sales by a further –3.6%. Overall, the sales in North America decreased to € 170 million (Q1 2013: € 189 million), contributing 26% to Merck Millipore's overall sales in the first quarter of 2014 (Q1 2013: 28%). The organic sales decline in North America related to all three business units, with Bioscience being particularly impacted by weaker demand due to the continuing U.S. budget sequester.

→ Course of business and economic position

Sales developed very positively in the Emerging Markets region, which generated organic sales growth of 13.3%. Including currency headwinds of –11.7%, sales rose to € 156 million (Q1 2013: € 154 million). The strong organic sales development was fueled by good demand for products from all the division's business units. The Process Solutions business unit in particular achieved high organic growth. Consequently, the share of divisional sales generated by the Emerging Markets region increased by 1 percentage point to 24%.

As a result of significant currency headwinds of –15.9%, especially relative to the Japanese yen, sales in the Rest of World region decreased to € 65 million (Q1 2013: € 72 million). With organic growth of 6.4%, this region's share of divisional sales slipped to 10% (Q1 2013: 11%).

Merck Millipore | Sales components by region – Q1 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	265.5	4.6	–0.2	–	4.5
North America	169.7	–6.5	–3.6	–	–10.1
Emerging Markets	156.4	13.3	–11.7	–	1.6
Rest of World	65.0	6.4	–15.9	–	–9.5
Merck Millipore	**656.5**	**3.7**	**–5.5**	**–**	**–1.8**

The two top-selling business units, Process Solutions and Lab Solutions, both contributed to organic growth in the first quarter of 2014. The Process Solutions business unit, which markets products and services for the pharmaceutical production value chain, generated organic sales growth of 6.6%, which was the highest rate within the Merck Millipore division. Taking negative foreign exchange effects of –4.4% into account, sales amounted to € 301 million (Q1 2013: € 294 million). The share of divisional sales generated by Process Solutions thus rose to 46% (Q1 2013: 44%). This increase was driven by higher demand from the pharmaceutical industry for products used in biopharmaceutical manufacturing, especially filtration systems and single-use solutions.

Lab Solutions, which accounted for a 39% (Q1 2013: 40%) share of divisional sales, generated organic sales growth of 2.9% with its broad range of products for researchers and scientific laboratories. Taking currency headwinds of –6.9% into account, sales amounted to € 259 million (Q1 2013: € 269 million). Organic growth was mainly driven by higher demand for biomonitoring products as well as lab water instruments.

The Bioscience business unit, which primarily markets products and services for academic and pharmaceutical research laboratories, recorded an organic sales decline of –2.5%. Including adverse foreign exchange effects of –5.0%, sales amounted to € 97 million (Q1 2013: € 105 million). Here, across-the-board health care spending cuts in the United States continued to soften demand. In the first quarter of 2014, Bioscience accounted for a 15% share of divisional sales (Q1 2013: 16%).

Merck Millipore | Sales components by business unit – Q1 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Bioscience	97.1	–2.5	–5.0	–	–7.6
Lab Solutions	258.6	2.9	–6.9	–	–4.0
Process Solutions	300.8	6.6	–4.4	–	2.2

→ Course of business
and economic position

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

Merck Millipore | Results of operations

€ million	Q1 – 2014	Q1 – 2013	Change in %
Sales	**656.5**	**668.7**	**–1.8**
Royalty, license and commission income	3.9	5.8	–33.1
Total revenues	**660.4**	**674.5**	**–2.1**
Cost of sales	–264.7	–279.6	–5.3
Gross profit	**395.7**	**394.9**	**0.2**
Marketing and selling expenses	–168.6	–169.5	–0.6
Royalty, license and commission expenses	–4.1	–3.7	12.1
Administration expenses	–28.6	–26.8	6.6
Other operating expenses and income	–19.8	–30.8	–35.7
Research and development costs	–38.4	–41.3	–7.2
Amortization of intangible assets	–49.2	–50.4	–2.3
Operating result (EBIT)	**87.0**	**72.3**	**20.3**
Depreciation / Amortization / Reversals of impairments	76.7	79.2	–3.1
(of which: one-time items)	*(–)*	*(–)*	*(–)*
EBITDA	**163.7**	**151.5**	**8.1**
Restructuring costs	–1.3	6.0	–
Integration costs / IT costs	7.5	3.5	114.4
Gains / losses on the divestment of businesses	–0.3	–	–
Acquisition costs	–	–	–
Other one-time items	–	1.0	–
EBITDA pre one-time items	**169.7**	**161.9**	**4.8**

The reduction in cost of sales was primarily attributable to efficiency improvements in production as well as strict cost control. In the first quarter of 2014 this led – despite the negative impact of the strong euro on sales – to a slight increase in gross profit to € 396 million and a higher gross margin of 60.3% (Q1 2013: 59.1%). In comparison with the year-earlier quarter, the operating result (EBIT) of Merck Millipore climbed by 20.3% to € 87 million (Q1 2013: € 72 million). Besides the decline in one-time items, which amounted to € –6 million in the first quarter of 2014 (Q1 2013: € –10 million), efficiency improvements also positively influenced the development of results of operations. EBITDA pre one-time items, our most important earnings indicator, climbed 4.8% to € 170 million (Q1 2013: € 162 million). Consequently, the EBITDA pre margin rose in the first quarter of 2014 to 25.8% (Q1 2013: 24.2%).

→ Course of business and economic position

Development of business free cash flow

In the first quarter of 2014, the Merck Millipore division generated business free cash flow of € 54 million (Q1 2013: € 81 million). The decrease of € –27 million was mainly due to the increase in trade accounts receivable as well as higher capital spending in the first quarter of 2014, which could not be compensated for by the rise in EBITDA pre one-time items.

Merck Millipore | Business free cash flow

€ million	Q1 – 2014	Q1 – 2013	Change in %
EBITDA pre one-time items	169.7	161.9	4.8
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–19.8	–10.6	87.2
Changes in inventories	–27.5	–15.8	74.4
Changes in trade accounts receivable	–67.9	–54.4	24.8
Business free cash flow	**54.4**	**81.1**	**–32.9**

→ Course of business and economic position

Corporate and Other

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

Corporate and Other | Key figures

€ million	Q1 – 2014	Q1 – 2013	Change in %
Operating result (EBIT)	–42.9	–52.4	–18.1
EBITDA	–39.4	–48.7	–19.1
EBITDA pre one-time items	–28.3	–45.3	–37.5
Business free cash flow	–31.9	–48.1	–33.6

In the first quarter of 2014, administration expenses recorded under Corporate and Other decreased to € 38 million (Q1 2013: € 43 million). Other operating expenses (net) fell to € –3 million (Q1 2013: € –9 million). This decline was mainly due to a significantly higher foreign currency result, which amounted to € 15 million (Q1 2013: € 4 million). The increase in one-time expenses to € –11 million (Q1 2013: € –3 million) raised the net amount of operating expenses and income. Overall, the aforementioned effects improved EBIT to € –43 million (Q1 2013: € –52 million) and EBITDA to € –39 million (Q1 2013: € –49 million). Adjusted for one-time effects, EBITDA pre one-time items amounted to € –28 million in the first quarter of 2014 (Q1 2013: € –45 million). The improvement in business free cash flow from € –48 million to € –32 million was primarily due to the development of EBITDA pre one-time items.

Report on Risks and Opportunities

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

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, independent rating agency assessments, human resources and information technology. As regards legal risks, Merck monitors a host of potential issues such as litigation pertaining to product liability, antitrust law, pharmaceutical law, patent law, and environmental protection.

Report on Expected Developments

With the publication of the results of 2013, Merck provided a forecast of expected sales, EBITDA pre one-time items and business free cash flow for the Merck Group and its divisions for 2014. Owing to business performance in the first quarter of 2014, Merck confirms its forecast for the full year 2014 despite anticipated negative foreign exchange effects. The latter will stem mainly from the U.S. dollar and the Japanese yen, yet also from the Brazilian real, the Argentinean peso and additional currencies. Relative to the sales of the Merck Group, we therefore currently assume negative exchange rate effects of approximately 3–4% compared to the previous year.

Merck continues to expect for 2014 slight organic sales growth, which will be cancelled out by the aforementioned negative foreign exchange effects. Due to the successful acquisition of AZ Electronic Materials and the related portfolio effect, Merck assumes that sales will increase to around € 10.9 – € 11.1 billion. It will be possible for the planned efficiency increases to offset the effects of the decline in royalty, license and commission income as well as negative exchange rate movements. This leads us to expect EBITDA pre one-time items to grow moderately in comparison with the previous year notably due to the acquisition of AZ Electronic Materials. Business free cash flow is forecast to decrease slightly due to investments in growth projects.

For the Merck Serono division, stable organic sales are assumed. It can be expected that the well-balanced product portfolio as well as organic growth in the Emerging Markets region will offset the declines in sales of Rebif® in the United States and Europe. EBITDA pre one-time items of Merck Serono should decrease slightly in 2014 as forecast, particularly as a result of the expected decline in royalty, license and commission income, which will have a net effect of more than € 100 million versus 2013. The negative impact from the absence of royalty, license and commission income for Avonex®, Enbrel® and Humira® will be partially offset by the co-promotion agreement for Glucophage® in China entered into with Bristol-Myers Squibb in 2013.

For the Consumer Health division, we forecast moderate organic sales growth in 2014. We expect all regions and especially the core strategic brands to contribute to sales growth. EBITDA pre one-time items should increase moderately in 2014 within the framework of sales developments.

We assume that the Performance Materials division will achieve slight organic sales growth in 2014. We continue to assume the expected volume increase in the Liquid Crystals business unit amid the normal price decline for established products. The Pigments & Cosmetics business unit should benefit from the positive development of the global automotive market and generate a slight organic increase in sales. As a result of the acquisition of AZ Electronic Materials, overall Merck expects sales of the Performance Materials division to increase substantially despite strong negative foreign exchange effects. EBITDA pre one-time items of the Performance Materials division should therefore also increase considerably in 2014.

The market environment of Merck Millipore should allow us to report in 2014 moderate organic sales growth, which will however be partly cancelled out by foreign exchange effects. Organic growth should be driven in particular by the positive development of the Process Solutions and Lab Solutions business units. Based on sales growth, we expect EBITDA pre one-time items of the Merck Millipore division to increase slightly in 2014.

→ Report on Expected Developments

Based on the aforementioned assumptions, Merck is expecting for the full year 2014 the following business performance:

Forecast for FY 2014

	Sales € million	EBITDA pre one-time items € million	Business free cash flow € million
Merck Group	**~ 10,900 – 11,100**	**~ 3,300 – 3,400**	**~ 2,700 – 2,800**
Merck Serono	organic stable	~ 1,750 – 1,850	~ 1,500 – 1,600
Consumer Health	moderate organic growth	~ 170 – 180	~ 150 – 170
Performance Materials	slight organic growth	~ 830 – 880	~ 720 – 770
Merck Millipore	moderate organic growth	~ 640 – 670	~ 460 – 490
Corporate and Other		~ –170 - 200	~ –240

Earnings per share pre one-time items ~ € 9.00 – 9.50 (based on number of shares before the share split that was approved by the Annual General Meeting on May 9, 2014).

Full-year FX assumptions for 2014:
€ 1 = US$ 1.36
€ 1 = JPY 141

Interim Consolidated Financial Statements as of March 31, 2014

Consolidated Income Statement

€ million	Q1 – 2014	Q1 – 2013
Sales	**2,613.9**	**2,660.4**
Royalty, license and commission income	51.0	100.1
Total revenues	**2,664.8**	**2,760.5**
Cost of sales	–736.5	–724.0
Gross profit	**1,928.3**	**2,036.5**
Marketing and selling expenses	–549.5	–568.3
Royalty, license and commission expenses	–136.4	–136.3
Administration expenses	–132.3	–132.7
Other operating expenses and income	–66.8	–184.0
Research and development costs	–378.9	–406.2
Amortization of intangible assets	–196.1	–209.6
Operating result (EBIT)	**468.3**	**399.4**
Financial result	–34.7	–58.7
Profit before income tax	**433.6**	**340.7**
Income tax	–106.1	–71.7
Profit after tax	**327.4**	**269.0**
of which attributable to Merck KGaA shareholders (net income)	325.2	266.0
of which attributable to non-controlling interests	2.2	3.0
Earnings per share (in €)		
basic	1.50	1.22
diluted	1.50	1.22

Consolidated Statement of Comprehensive Income

€ million	Q1 – 2014	Q1 – 2013
Profit after tax	**327.4**	**269.0**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement of the net defined benefit liability		
Changes in remeasurement	–164.7	–87.8
Deferred taxes	30.2	14.7
Changes recognized in equity	**–134.5**	**–73.1**
	–134.5	**–73.1**
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets		
Fair value adjustments	–0.6	0.7
Reclassification to profit or loss	1.7	–
Deferred taxes	–0.2	–0.4
Changes recognized in equity	**0.9**	**0.3**
Derivative financial instruments		
Fair value adjustments	–23.0	–21.4
Reclassification to profit or loss	–14.0	–3.1
Reclassification to assets	–	–
Deferred taxes	8.8	7.5
Changes recognized in equity	**–28.2**	**–17.0**
Exchange differences on translating foreign operations		
Changes taken directly to equity	10.6	21.0
Reclassification to profit or loss	–	–
Changes recognized in equity	**10.6**	**21.0**
	–16.7	**4.3**
Other comprehensive income	**–151.2**	**–68.8**
Comprehensive income	**176.2**	**200.2**
of which attributable to Merck KGaA shareholders	171.1	195.4
of which attributable to non-controlling interests	5.1	4.8

Consolidated Balance Sheet

€ million	March 31, 2014	December 31, 2013
Current assets		
Cash and cash equivalents	2,495.4	980.8
Current financial assets	1,240.9	2,410.5
Trade accounts receivable	2,044.1	2,021.4
Inventories	1,511.7	1,474.2
Other current assets	352.3	360.7
Income tax receivables	89.1	109.8
Assets held for sale	5.4	27.1
	7,738.9	**7,384.5**
Non-current assets		
Intangible assets	9,688.2	9,867.2
Property, plant and equipment	2,612.2	2,647.2
Non-current financial assets	79.7	77.8
Other non-current assets	92.0	105.5
Deferred tax assets	797.7	736.4
	13,269.8	**13,434.1**
Total assets	**21,008.6**	**20,818.6**
Current liabilities		
Current financial liabilities	1,812.3	440.4
Trade accounts payable	1,331.3	1,364.1
Other current liabilities	1,093.3	1,134.5
Income tax liabilities	451.7	465.1
Current provisions	424.8	494.7
Liabilities directly related to assets held for sale	–	–
	5,113.3	**3,898.8**
Non-current liabilities		
Non-current financial liabilities	1,917.3	3,257.5
Other non-current liabilities	9.4	5.6
Non-current provisions	1,019.3	1,011.1
Provisions for pensions and other post-employment benefits	1,083.7	910.9
Deferred tax liabilities	622.8	665.5
	4,652.5	**5,850.6**
Equity		
Equity capital	565.2	565.2
Reserves	9,532.1	9,341.1
Gains/losses recognized immediately in equity	1,094.1	1,113.7
Equity attributable to Merck KGaA shareholders	**11,191.4**	**11,020.0**
Non-controlling interests	51.4	49.2
	11,242.8	**11,069.2**
Total liabilities and equity	**21,008.6**	**20,818.6**

Consolidated Cash Flow Statement

€ million	Q1 – 2014	Q1 – 2013
Profit after tax	**327.4**	**269.0**
Depreciation/amortization/impairment losses/reversals of impairments	301.9	354.4
Changes in inventories	–38.0	–21.0
Changes in trade accounts receivable	–20.4	–134.2
Changes in trade accounts payable	–46.2	–39.5
Changes in provisions	–47.0	22.7
Changes in other assets and liabilities	–74.3	71.9
Neutralization of gain/loss on disposals of assets	–0.3	–4.4
Other non-cash income and expenses	5.5	–3.1
Net cash flows from operating activities	**408.7**	**515.7**
Investments in intangible assets	–7.9	–28.9
Investments in property, plant and equipment	–57.4	–37.5
Proceeds from the sale of property, plant and equipment[1]	0.8	5.0
Investments in financial assets[1]	–165.7	–318.0
Acquisitions[1]	–	–15.1
Disposal of investments[1]	1,329.8	70.1
Net cash flows from investing activities	**1,099.7**	**–324.3**
Dividend payments	–2.6	–1.9
Repayment of financial liabilities due to E. Merck KG[1]	–11.0	–46.2
Changes in current and non-current financial liabilities	20.7	–58.6
Net cash flows from financing activities	**7.1**	**–106.7**
Changes in cash and cash equivalents	**1,515.5**	**84.7**
Changes in cash and cash equivalents due to currency translation	–0.9	–0.4
Cash and cash equivalents as of January 1	980.8	729.7
Cash and cash equivalents as of March 31	2,495.4	814.0
Plus cash and cash equivalents included in assets held for sale	–	–
Cash and cash equivalents as of March 31 (consolidated balance sheet)	**2,495.4**	**814.0**

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

Consolidated Statement of Changes in Net Equity

	Equity capital			Retained earnings		Gains/losses recognized in equity					
€ 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 interests	Total equity
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	–	–	–	266.0	–	–	–	–	266.0	3.0	269.0
Other comprehensive income	–	–	–	–	–73.1	0.3	–17.0	19.2	–70.6	1.8	–68.8
Comprehensive income	**–**	**–**	**–**	**266.0**	**–73.1**	**0.3**	**–17.0**	**19.2**	**195.4**	**4.8**	**200.2**
Dividend payments	–	–	–	–	–	–	–	–	–	–1.9	–1.9
Profit transfers to/from E. Merck KG including changes in reserves	–	–	–	–	–	–	–	–	–	–	–
Transactions with no change of control	–	–	–	2.1	–	–	–	–	2.1	–2.1	–
Changes in scope of consolidation/Other	–	–	–	0.2	–	–	–	–	0.2	–0.2	–
Balance as of March 31, 2013[1]	**397.2**	**168.0**	**3,813.7**	**5,652.1**	**–718.4**	**1.5**	**–46.5**	**1,291.4**	**10,559.0**	**54.0**	**10,613.0**
Balance as of January 1, 2014	**397.2**	**168.0**	**3,813.7**	**6,090.1**	**–562.7**	**1.0**	**44.2**	**1,068.5**	**11,020.0**	**49.2**	**11,069.2**
Profit after tax	–	–	–	325.2	–	–	–	–	325.2	2.2	327.4
Other comprehensive income	–	–	–	–	–134.5	0.9	–28.2	7.7	–154.1	2.9	–151.2
Comprehensive income	**–**	**–**	**–**	**325.2**	**–134.5**	**0.9**	**–28.2**	**7.7**	**171.1**	**5.1**	**176.2**
Dividend payments	–	–	–	–	–	–	–	–	–	–2.6	–2.6
Profit transfers to/from E. Merck KG including changes in reserves	–	–	–	–	–	–	–	–	–	–	–
Transactions with no change of control	–	–	–	0.3	–	–	–	–	0.3	–0.3	–
Changes in scope of consolidation/Other	–	–	–	–	–	–	–	–	–	–	–
Balance as of March 31, 2014	**397.2**	**168.0**	**3,813.7**	**6,415.6**	**–697.2**	**1.9**	**16.0**	**1,076.2**	**11,191.4**	**51.4**	**11,242.8**

[1] Previous year's figures have been adjusted.

Notes to the Interim Consolidated Financial Statements as of March 31, 2014

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

Accounting policies

The unaudited interim financial statements of the Merck Group dated March 31, 2014 comply with IAS 34. They have been prepared in accordance with the International Reporting Standards (IFRS) in force on the reporting date and adopted by the European Union as well as in accordance with section 37x para 3 of the German Securities Trading Act (WpHG). In accordance with IAS 34, a condensed scope of reporting as compared with the consolidated financial statements as of December 31, 2013 was selected.

With the exception of the disclosure changes described in the following, the accounting policies have remained unchanged in comparison with the previous year.

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

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

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

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

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

Scope of consolidation

As of March 31, 2014 192 (December 31, 2013: 191) companies were fully consolidated. No companies were consolidated using either the proportionate consolidation method or the equity method as of the balance sheet date. Since the beginning of 2014, one merger took place. Two newly established companies were included in the consolidated financial statements for the first time.

Obtainment of control over AZ Electronic Materials S.A. after the balance sheet date

On December 20, 2013, Merck published an offer to acquire the entire share capital of AZ Electronic Materials S.A., Luxembourg, (AZ), by way of a cash payment. The successful completion of the transaction was recently still conditional upon antitrust clearance as well as the achievement of a minimum acceptance level of 95% of the share capital. On April 30, 2014, Merck was granted the final, outstanding antitrust clearance; at the same time the minimum acceptance level was lowered to 75% of the share capital. As of May 2, 2014 a total of 81.3% of the share capital of AZ had been tendered. On this date, Merck declared the offer as unconditional in all respects, thereby triggering the transfer of the shares, so that this can be deemed as the date of the obtainment of control over AZ. The purchase price of the acquired shareholding was GBP 1.25 billion and will be paid entirely in cash. As of May 8, 2014, Merck's shareholding in AZ increased to 97.9%.

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

AZ will be integrated into the Performance Materials division. The aim of the acquisition is to further strengthen Merck's materials and specialty chemicals business by joining forces with one the leading suppliers of high-tech materials for the electronics industry. Since legal regulations prevented Merck from accessing information needed to perform the purchase price allocation before the date on which it obtains control of AZ, the disclosure of further information – for instance on the fair values of the acquired assets and liabilities – was not possible as at the preparation date of the consolidated interim financial statements.

Divestment of the Discovery and Development Solutions business field

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

→ Notes to the Interim Consolidated Financial Statements

Segment Reporting

Information by division

€ million	Merck Serono[3] Q1 – 2014	Merck Serono[3] Q1 – 2013	Consumer Health[3] Q1 – 2014	Consumer Health[3] Q1 – 2013
Sales	1,374.9	1,388.8	180.2	181.7
Royalty, license and commission income	46.2	93.3	0.3	0.1
Total revenues	**1,421.1**	**1,482.1**	**180.5**	**181.8**
Gross profit	1,166.8	1,251.9	120.9	124.9
Marketing and selling expenses	–279.8	–294.8	–68.1	–69.1
Royalty, license and commission expenses	–131.7	–131.5	0.3	–0.7
Administration expenses	–52.2	–50.2	–6.3	–5.8
Other operating expenses and income	–26.3	–127.7	–4.6	–6.2
Research and development costs	–298.3	–322.5	–4.8	–5.7
Operating result (EBIT)	**235.8**	**170.2**	**36.7**	**36.8**
Depreciation and amortization	190.9	209.8	2.4	2.8
Impairment losses	1.3	28.3	–	–
Reversals of impairment losses	–	–	–	–0.1
EBITDA	**428.0**	**408.3**	**39.1**	**39.4**
One-time items	10.1	29.4	2.2	–0.1
EBITDA pre one-time items (Segment result)	**438.0**	**437.7**	**41.3**	**39.3**
EBITDA margin pre one-time items (% of sales)	31.9	31.5	22.9	21.6
Net operating assets[1]	6,670.8	6,890.7	346.1	335.5
Segment liabilities[1]	–1,368.9	–1,358.0	–96.0	–74.5
Investments in property, plant and equipment[2]	24.8	17.1	1.7	0.6
Investments in intangible assets[2]	2.3	25.0	1.5	–
Net cash flows from operating activities[2]	446.3	332.8	30.9	22.4
Business free cash flow	480.0	340.0	16.2	20.8

[1] Reporting period ending on March 31, 2014. Previous year's figures as of December 31, 2013.
[2] According to the consolidated cash flow statement.
[3] Previous year's figures have been adjusted, see following explanations.

→ Notes to the Interim Consolidated Financial Statements

Segment Reporting

Information by division

	Performance Materials		Merck Millipore	
€ million	Q1 – 2014	Q1 – 2013	Q1 – 2014	Q1 – 2013
Sales	402.2	421.3	656.5	668.7
Royalty, license and commission income	0.5	0.8	3.9	5.8
Total revenues	**402.7**	**422.1**	**660.4**	**674.5**
Gross profit	246.0	265.8	395.7	394.9
Marketing and selling expenses	–32.6	–35.5	–168.6	–169.5
Royalty, license and commission expenses	–0.7	–0.4	–4.1	–3.7
Administration expenses	–7.7	–7.0	–28.6	–26.8
Other operating expenses and income	–12.6	–10.5	–19.8	–30.8
Research and development costs	–37.0	–36.4	–38.4	–41.3
Operating result (EBIT)	**151.7**	**172.5**	**87.0**	**72.3**
Depreciation and amortization	27.2	30.7	76.6	79.1
Impairment losses	–	0.1	0.1	0.1
Reversals of impairment losses	–0.1	–	–	–
EBITDA	**178.8**	**203.3**	**163.7**	**151.5**
One-time items	7.6	4.1	5.9	10.4
EBITDA pre one-time items (Segment result)	**186.4**	**207.4**	**169.7**	**161.9**
EBITDA margin pre one-time items (% of sales)	46.3	49.2	25.8	24.2
Net operating assets[1]	1,034.3	1,044.7	6,017.1	5,987.1
Segment liabilities[1]	–160.4	–155.9	–425.3	–391.9
Investments in property, plant and equipment[1]	11.3	9.2	18.6	9.3
Investments in intangible assets[1]	0.7	0.8	1.3	1.3
Net cash flows from operating activities[2]	167.9	203.7	99.7	106.9
Business free cash flow	165.5	199.0	54.4	81.1

[1] Reporting period ending on March 31, 2014. Previous year's figures as of December 31, 2013.
[2] According to the consolidated cash flow statement.

→ Notes to the Interim Consolidated Financial Statements

Segment Reporting

Information by division

€ million	Corporate and Other Q1 – 2014	Corporate and Other Q1 – 2013	Merck Group Q1 – 2014	Merck Group Q1 – 2013
Sales	–	–	2,613.9	2,660.4
Royalty, license and commission income	–	–	51.0	100.1
Total revenues	**–**	**–**	**2,664.8**	**2,760.5**
Gross profit	–1.1	–1.0	1,928.3	2,036.5
Marketing and selling expenses	–0.5	0.6	–549.5	–568.3
Royalty, license and commission expenses	–	–	–136.4	–136.3
Administration expenses	–37.5	–42.9	–132.3	–132.7
Other operating expenses and income	–3.4	–8.8	–66.8	–184.0
Research and development costs	–0.4	–0.3	–378.9	–406.2
Operating result (EBIT)	**–42.9**	**–52.4**	**468.3**	**399.4**
Depreciation and amortization	3.5	3.6	300.6	325.9
Impairment losses	–	0.1	1.4	28.6
Reversals of impairment losses	–	–	–0.1	–0.1
EBITDA	**–39.4**	**–48.7**	**770.2**	**753.8**
One-time items	11.1	3.4	36.8	47.3
EBITDA pre one-time items (Segment result)	**–28.3**	**–45.3**	**807.1**	**801.1**
EBITDA margin pre one-time items (% of sales)	–	–	30.9	30.1
Net operating assets[1]	77.3	36.0	14,145.5	14,294.0
Segment liabilities[1]	–48.9	–64.8	–2,099.5	–2,045.1
Investments in property, plant and equipment[2]	1.0	1.3	57.4	37.5
Investments in intangible assets[2]	2.1	1.8	7.9	28.9
Net cash flows from operating activities[2]	–336.0	–150.0	408.7	515.7
Business free cash flow	–31.9	–48.1	684.1	592.9

[1] Reporting period ending on March 31, 2014. Previous year's figures as of December 31, 2013.
[2] According to the consolidated 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 success of a segment is mainly determined by EBITDA pre one-time items (segment result) and business free cash flow. EBITDA pre one-time items and business free cash flow are performance indicators not defined by International Financial Reporting Standards. However, they represent important variables used to steer the Merck Group. To permit a better understanding of operational performance, EBITDA pre one-time items excludes depreciation and amortization in addition to specific income and expenses of a one-time nature presented in the following. Among other things, business free cash flow is also used for internal target agreements and individual incentive plans.

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

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

€ million	Q1 – 2014	Q1 – 2013
Total EBITDA pre one-time items of the operating businesses	**835.4**	**846.4**
Corporate and Other	–28.3	–45.3
EBITDA pre one-time items of the Merck Group	**807.1**	**801.1**
Depreciation and amortization/impairment losses/ reversals of impairments	–301.9	–354.4
One-time items	–36.8	–47.3
Operating result (EBIT)	**468.3**	**399.4**
Financial result	–34.7	–58.7
Profit before income tax	**433.6**	**340.7**

Business free cash flow comprised the following:

€ million	Q1 – 2014	Q1 – 2013
EBITDA pre one-time items	**807.1**	**801.1**
Less investments in property, plant and equipment, software as well as advance payments for intangible assets	–62.8	–42.6
Changes in inventories as reported in the balance sheet	–37.4	–25.5
Changes in trade accounts receivable as reported in the balance sheet	–22.7	–140.2
Business free cash flow	**684.1**	**592.9**

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

€ million	Q1 – 2014	Q1 – 2013
Restructuring costs	–15.1	–41.8
Integration / IT costs	–14.4	–5.8
Gains/losses on the divestment of businesses	–4.1	–1.7
Acquisition costs	–1.0	–
Other one-time items	–2.3	2.0
One-time items before impairment losses/ reversals of impairments	**–36.8**	**–47.3**
Impairment losses	–1.3	–26.6
Reversals of impairments	–	–
One-time items (total)	**–38.1**	**–73.9**

The restructuring costs amounting to € 15.1 million (Q1 2013: € 41.8 million) were directly related to the "Fit for 2018" transformation and growth program. Asset impairments amounting to € 1.2 million (Q1 2013: € 26.6 million) were also attributable to the program, which together with the restructuring expenses resulted in total expenses of € 16.3 million (Q1 2013: € 68.4 million) in connection with "Fit for 2018".

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

€ million	March 31, 2014	Dec. 31, 2013
Assets	21,008.6	20,818.6
Monetary assets (cash and cash equivalents, current financial assets, loans, securities)	–3,860.8	–3,539.3
Non-operating receivables, income tax receivables, deferred taxes and net defined benefit assets	–897.4	–913.1
Assets held for sale	–5.4	–27.1
Operating assets (gross)	**16,245.0**	**16,339.1**
Trade accounts payable	–1,331.3	–1,364.1
Other operating liabilities	–768.2	–681.0
Segment liabilities	**–2,099.5**	**–2,045.1**
Operating assets (net)	**14,145.5**	**14,294.0**

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

	Merck Serono		
€ million	Q1 – 2013 reported	Adjustment	Q1 – 2013 adjusted
Sales	1,454.3	–65.5	1,388.8
Royalty, license and commission income	93.3	–	93.3
Total revenues	**1,547.6**	**–65.5**	**1,482.1**
Gross profit	1,298.8	–46.9	1,251.9
Marketing and selling expenses	–312.5	17.7	–294.8
Royalty, license and commission expenses	–131.7	0.2	–131.5
Administration expenses	–51.9	1.7	–50.2
Other operating expenses and income	–128.3	0.6	–127.7
Research and development costs	–324.1	1.7	–322.5
Operating result (EBIT)	**195.2**	**–25.0**	**170.2**
Depreciation and amortization	209.8	–	209.8
Impairment losses	28.3	–	28.3
Reversals of impairment losses	–	–	–
EBITDA	**433.3**	**–25.0**	**408.3**
One-time items	29.4	–	29.4
EBITDA pre one-time items (Segment result)	**462.7**	**–25.0**	**437.7**
EBITDA margin pre one-time items (% of sales)	31.8		31.5
Net operating assets[1]	6,968.0	–77.3	6,890.7
Segment liabilities[1]	–1,358.0	–	–1,358.0
Investments in property, plant and equipment[2]	17.1	–	17.1
Investments in intangible assets[2]	25.0	–	25.0
Net cash flows from operating activities[2]	349.0	–16.3	332.8
Business free cash flow	354.1	–14.1	340.0

[1] Previous year's figures as of December 31, 2013.
[2] According to the consolidated cash flow statement.

	Consumer Health		
€ million	Q1 – 2013 reported	Adjustment	Q1 – 2013 adjusted
Sales	116.1	65.5	181.7
Royalty, license and commission income	0.1	–	0.1
Total revenues	**116.3**	**65.5**	**181.8**
Gross profit	78.0	46.9	124.9
Marketing and selling expenses	–51.4	–17.7	–69.1
Royalty, license and commission expenses	–0.5	–0.2	–0.7
Administration expenses	–4.1	–1.7	–5.8
Other operating expenses and income	–5.6	–0.6	–6.2
Research and development costs	–4.1	–1.7	–5.7
Operating result (EBIT)	**11.8**	**25.0**	**36.8**
Depreciation and amortization	2.8	–	2.8
Impairment losses	–	–	–
Reversals of impairment losses	–0.1	–	–0.1
EBITDA	**14.4**	**25.0**	**39.4**
One-time items	–0.1	–	–0.1
EBITDA pre one-time items (Segment result)	**14.3**	**25.0**	**39.3**
EBITDA margin pre one-time items (% of sales)	12.3		21.6
Net operating assets[1]	258.2	77.3	335.5
Segment liabilities[1]	–74.5	–	–74.5
Investments in property, plant and equipment[2]	0.6	–	0.6
Investments in intangible assets[2]	–	–	–
Net cash flows from operating activities[2]	6.1	16.3	22.4
Business free cash flow	6.7	14.1	20.8

[1] Previous year's figures as of December 31, 2013.
[2] According to the consolidated cash flow statement.

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 quarter of 2014.

As of March 31, 2014, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Information on the measurement of fair value

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

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

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

	Nominal volume		Fair value	
€ million	March 31, 2014	Dec. 31, 2013	March 31, 2014	Dec. 31, 2013
Cash flow hedge	3,372.5	4,073.5	36.7	82.2
Interest	650.0	650.0	–58.4	–39.9
Currency	2,722.5	3,423.5	95.1	122.1
Fair value hedge	–	–	–	–
Interest	–	–	–	–
Currency	–	–	–	–
No hedge accounting	1,266.7	2,042.5	0.8	5.3
Interest	–	–	–	–
Currency	1,266.7	2,042.5	0.8	5.3
	4,639.2	**6,116.0**	**37.5**	**87.5**

The maturity structure of the hedging transactions (nominal volume) is as follows as of the balance sheet date:

€ million	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total March 31, 2014	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total Dec. 31, 2013
Foreign exchange contracts	3,075.0	527.7	3,602.7	3,763.2	1,244.9	5,008.1
Currency options	269.5	117.0	386.5	297.2	160.7	457.9
Interest rate swaps	–	650.0	650.0	–	650.0	650.0
	3,344.5	**1,294.7**	**4,639.2**	**4,060.4**	**2,055.6**	**6,116.0**

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

→ Notes to the Interim Consolidated Financial Statements

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

€ million	Book value March 31, 2014	Subsequent measurement according to IAS 39: Amortized cost	At cost	Fair value	Carrying value according to IAS 17	Non-financial items	Fair value March 31, 2014
Assets							
Cash and cash equivalents	2,495.4	2,495.4	–	–	–	–	2,495.4
Current financial assets	1,240.9	20.5	–	1,220.4	–	–	
Held for trading (non-derivatives)	–	–	–	–	–	–	–
Derivatives not in a hedging relationship	6.4	–	–	6.4	–	–	6.4
Held to maturity	20.5	20.5	–	–	–	–	20.5
Loans and receivables	–	–	–	–	–	–	–
Available-for-sale	1,206.9	–	–	1,206.9	–	–	1,206.9
Derivatives in a hedging relationship	7.1	–	–	7.1	–	–	7.1
Trade receivables	2,044.1	2,044.1	–	–	–	–	
Loans and receivables	2,044.1	2,044.1	–	–	–	–	2,044.1
Current and non-current other assets	444.3	87.8	–	101.7	–	254.8	
Derivatives not in a hedging relationship	0.7	–	–	0.7	–	–	0.7
Loans and receivables	87.8	87.8	–	–	–	–	65.2
Derivatives in a hedging relationship	101.0	–	–	101.0	–	–	101.0
Non-financial items	254.8	–	–	–	–	254.8	
Non-current financial assets	79.7	15.4	54.7	9.6	–	–	
Derivatives not in a hedging relationship	–	–	–	–	–	–	–
Held to maturity	–	–	–	–	–	–	–
Loans and receivables	15.4	15.4	–	–	–	–	15.4
Available-for-sale	60.0	–	54.7	5.3	–	–	60.0
Derivatives in a hedging relationship	4.3	–	–	4.3	–	–	4.3
Liabilities							
Current and non-current financial liabilities	3,729.6	3,643.0	–	79.6	7.0	–	
Derivatives not in a hedging relationship	5.9	–	–	5.9	–	–	5.9
Other liabilities	3,643.0	3,643.0	–	–	–	–	3,952.6
Derivatives in a hedging relationship	73.7	–	–	73.7	–	–	73.7
Finance lease	7.0	–	–	–	7.0	–	7.0
Trade accounts payable	1,331.3	1,331.3	–	–	–	–	
Other liabilities	1,331.3	1,331.3	–	–	–	–	1,331.3
Current and non-current other liabilities	1,102.7	462.2	–	2.4	–	638.1	
Derivatives not in a hedging relationship	0.5	–	–	0.5	–	–	0.5
Other liabilities	462.2	462.2	–	–	–	–	547.8
Derivatives in a hedging relationship	1.9	–	–	1.9	–	–	1.9
Non-financial items	638.1	–	–	–	–	638.1	

→ Notes to the Interim Consolidated Financial Statements

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

→ Notes to the Interim Consolidated Financial Statements

The fair value of financial assets and liabilities is based on the official market prices and market values quoted on the balance sheet date (Level 1 assets and liabilities) as well as mathematical calculation models with inputs observable in the market on the balance sheet date (Level 2 assets and liabilities). Level 1 assets comprise stocks and bonds and are classified as “available-for-sale”, Level 1 liabilities comprise issued bonds and are classified as “other liabilities”. Level 2 assets and liabilities are primarily liabilities to banks classified as “other liabilities”, interest-bearing securities classified as “available-for-sale” as well as derivatives in and not in hedging relationships. The fair value of interest-bearing securities is determined by discounting future cash flows using market interest rates. The fair value measurement of forward exchange contracts and currency options uses spot and forward rates as well as foreign exchange volatilities applying recognized mathematical principles. The fair value of interest rate swaps is determined with standard market valuation models using interest rate curves available in the market.

The fair values of the financial instruments disclosed in the balance sheet and the fair values deviating substantially from the carrying amount were determined as follows:

€ million *as of March 31, 2014*	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	**715.3**	**3,441.4**
thereof available-for-sale	715.3	–
thereof other liabilities	–	3,441.4
Fair value determined using inputs observable in the market (Level 2)	**616.4**	**593.2**
thereof available-for-sale	496.9	–
thereof derivatives in a hedging relationship	112.4	75.6
thereof derivatives not in a hedging relationship	7.1	6.4
thereof other liabilities	–	511.2
Fair value determined using inputs unobservable in the market (Level 3)	**–**	**–**

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

Related-party disclosures

As of March 31, 2014, there were liabilities by Merck KGaA, Merck Financial Services GmbH and Merck & Cie, Switzerland, to E. Merck KG in the amount of € 761.8 million as well as liabilities of Merck Financial Services GmbH to Merck Capital Asset Management, Malta, and Merck Capital Asset Management Holding, Malta, amounting to € 0.2 million and € 0.1 million, respectively. In addition, as of March 31, 2014, Merck KGaA had receivables from E. Merck Beteiligungen KG in the amount of € 4.7 million. The balances resulted mainly from the profit transfers by Merck & Cie to E. Merck KG as well as the reciprocal profit transfers between Merck KGaA and E. Merck KG. They included financial liabilities of € 350.9 million, which were subject to standard market interest rates.

From January to March 2014, Merck KGaA performed services for E. Merck KG and Emanuel-Merck-Vermögens-KG with a value of € 0.4 million and € 0.1 million, respectively.

Subsequent events

Merck obtained control over AZ Electronic Materials S.A., Luxembourg, on May 2, 2014. Further details of this acquisition can be found under "Obtainment of control over AZ Electronic Materials S.A. subsequent to the balance sheet date".

On May 9, 2014, the Annual General Meeting resolved to redivide the share capital of Merck KGaA so that one existing company no-par value share with a pro rata amount of the share capital of € 2.60 is to be divided into two no-par value shares with a pro rata amount of the share capital of € 1.30 each (2:1 share split). The implementation of this resolution requires, among other things, entry of the corresponding amendment to the Articles of Association in the Commercial Register. This entry had not yet been made as of the date of preparation of these financial statements. The calculation of earnings per share and the share price therefore do not yet take into account the doubling of the number of shares.

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

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 in accordance with German accepted accounting principles, 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 material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Darmstadt, May 14, 2014

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Kai Beckmann

Stefan Oschmann
Bernd Reckmann

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

Supervisory Board of Merck KGaA

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Financial calendar 2014 | 2015

Half-Year Financial Report 2014
Thursday, August 7, 2014

Interim Report Q3 2014
Thursday, November 13, 2014

Annual Report 2014
Tuesday, March 3, 2015

Annual General Meeting 2015
Friday, April 17, 2015

Interim Report Q1 2015
Tuesday, May 19, 2015

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Published on May 15, 2014
by Merck KGaA, Investor Relations,
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Typesetting and layout:
typowerkstatt Dickerhof + Schwarz, Darmstadt