

Registre de Commerce et des Sociétés

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ABRIDGED BALANCE SHEET**Financial year from** ⁰¹ 01/01/2018 **to** ⁰² 31/12/2018 (in ⁰³ USD)

AZ Electronic Materials S.à r.l.

46, Place Guillaume II

L-1648 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid			
I. Subscribed capital not called	1101 _____	101 _____	102 _____
II. Subscribed capital called but unpaid	1103 _____	103 _____	104 _____
	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets			
I. Intangible assets	1109 _____	109 <u>719.803.516,59</u>	110 <u>719.803.516,59</u>
II. Tangible assets	1111 _____	111 _____	112 _____
III. Financial assets	1125 _____	125 _____	126 _____
	1135 <u>Note 3</u>	135 <u>719.803.516,59</u>	136 <u>719.803.516,59</u>
D. Current assets			
I. Stocks	1151 _____	151 <u>503.440,58</u>	152 <u>0,00</u>
II. Debtors	1153 _____	153 _____	154 _____
	1163 _____	163 <u>503.440,58</u>	164 <u>0,00</u>
a) becoming due and payable within one year	1203 _____	203 <u>503.440,58</u>	204 <u>0,00</u>
b) becoming due and payable after more than one year	1205 _____	205 _____	206 _____
III. Investments	1189 _____	189 _____	190 _____
IV. Cash at bank and in hand	1197 _____	197 _____	198 _____
E. Prepayments	1199 _____	199 _____	200 _____
TOTAL (ASSETS)		²⁰¹ <u>720.306.957,17</u>	²⁰² <u>719.803.516,59</u>

The notes in the annex form an integral part of the annual accounts

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
	1301 _____	301 <u>695.971.070,34</u>	302 <u>704.499.038,24</u>
I. Subscribed capital	1303 <u>Note 4</u>	303 <u>34.035.000,00</u>	304 <u>35.000,00</u>
II. Share premium account	1305 <u>Note 4</u>	305 <u>99.911.280,86</u>	306 <u>99.911.280,86</u>
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 <u>Note 5</u>	309 <u>102.910.331,44</u>	310 <u>402.910.331,44</u>
V. Profit or loss brought forward	1319 _____	319 <u>201.642.425,94</u>	320 <u>0,00</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>257.472.032,10</u>	322 <u>201.642.425,94</u>
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
B. Provisions	1331 _____	331 <u>2.211.561,66</u>	332 <u>2.206.789,20</u>
C. Creditors	1435 _____	435 <u>22.124.325,17</u>	436 <u>13.097.689,15</u>
a) becoming due and payable within one year	1453 <u>Note 6</u>	453 <u>22.124.325,17</u>	454 <u>13.097.689,15</u>
b) becoming due and payable after more than one year	1455 _____	455 _____	456 _____
D. Deferred income	1403 _____	403 _____	404 _____
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405 <u>720.306.957,17</u>	406 <u>719.803.516,59</u>

AZ Electronic Materials S.à r.l.

Notes to the annual accounts as at December 31, 2018

Note 1 – General

AZ Electronic Materials S.à r.l. (“Company”) was incorporated on 12 October 2010 as a Luxembourg public company limited by shares (Société anonyme). The Extraordinary General Meeting of the Shareholders held on 25 February 2015 decided to convert the Company’s corporate form into that of a private limited liability company (Société à responsabilité limitée). The Company is registered at the Register of Trade and Commerce of Luxembourg under the number B 156074.

The registered office is established at 46 Place Guillaume II, L-1648 Luxembourg.

The Company’s financial period corresponds to the calendar year.

The object of the Company is the holding of participations, in any form whatsoever, in other Luxembourg or foreign companies, the control, the management, as well as the development of these participations.

Based on the criteria defined by Luxembourg law, the Company is exempt from the obligation to draw up consolidated accounts and a consolidated management report for the year ended 31 December 2018. Therefore, in accordance with the legal provisions, these accounts were presented on a non-consolidated basis for the approval of the shareholder during the Annual General Meeting.

In accordance with article 1711-5 of the Luxembourg Law of August 10, 1915, as amended on Commercial Companies, AZ Electronic Materials S.à r.l is exempted from the obligation to draw up consolidated accounts.

The accounts of the Company are consolidated in the accounts of Merck KGaA, which has its registered address at Frankfurter Str.250, D-64293 Darmstadt, Germany.

AZ Electronic Materials S.à r.l.

Notes to the annual accounts as at December 31, 2018 - continued -

Note 2 – Principles, rules and valuation methods

2.1 General principles

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirement under the historical cost convention.

Following the law of December 18, 2015, amending the law of December 19, 2002, and the Grand-Ducal Regulation of December 18, 2015 dealing with the presentation of the balance sheet and profit and loss account, the comparative figures have been reclassified adequately.

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires the management to exercise their judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the periods in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and the results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Principal valuation rules

The principal valuation rules of the Company can be summarized as follows:

2.2.1 Financial fixed assets

Shares in affiliated undertakings and loans to these held as fixed assets are valued at their historical acquisition cost including the incidental costs of acquisition.

When the Management considers that a durable impairment in value of financial assets exists, a value adjustment will be made, so that they are valued at the lower value to be attributed to them at the balance sheet date: These value adjustments may not be continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.2 Foreign currency translation

Transactions expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction.

All assets and liabilities are valued individually at their value determined at the exchange rate prevailing at the balance sheet date. Exchange differences are accounted for in the profit and loss account. Unrealised valuation gains on long term loans used to finance investments are not recognised, although unrealised valuation losses are provided in full.

AZ Electronic Materials S.à r.l.

Notes to the annual accounts as at December 31, 2018 - continued -

Note 2 – Principles, rules and valuation methods (continued)

2.2.3 Share based payments

The Company has issued share options to the employees of affiliated undertakings. Equity-settled and cash-settled share-based payments are measured initially at the fair value of the liability. For equity-settled payments the fair value determined at grant is expensed on a straight-line basis over the vesting period. For cash-settled payments the fair value is remeasured at the balance sheet date with any changes in fair value recognised in the profit or loss for the year.

2.2.4 Dividends

Dividends received as a result of share premium distributions are accounted for as a decrease in the carrying value of the related subsidiary in so far as such dividends are in substance a reimbursement of the original investment. In other instances, dividends are recorded within income on receipt.

Note 3 – Financial fixed assets

Acquisition cost and net book value	Shares in affiliated undertakings USD
As at 1 January and 31 December 2018	719.803.516,59

Shares in affiliated undertakings

As at December 31, 2018, shares in affiliated undertakings were as follows:

Name of the company	Book value USD	Percentage of ownership %	Shareholders equity in undertaking** USD	Results of undertaking in period* US\$'000
Merck Performance Materials (Suisse) SA	713,201,133.33	86.27	248,926,131.69	10,277,624.76
Ridgefield Acquisition	6,601,881.82	100	43,313,859.50	273,273,480.32
Merck Performance Materials Pvt. Ltd	501.44	0.007	n/a	n/a
	<u>719,803,516.59</u>			

* Results for the period have been taken from the accounts as at 31 December 2018.

** Shareholder's equity includes results for the period.

No financial assets are held at a value exceeding their fair value.

AZ Electronic Materials S.à r.l.

Notes to the annual accounts as at December 31, 2018 - continued -

Note 4 – Subscribed share capital and share premium

	No of shares USD	Share capital USD	Share premium USD	Total USD
As at 1 January 2018	350,000	35,000.00	99,911,280.86	99,946,280.86
Capital increase	3,000,000,000	300,000,000.00	-	300,000,000.00
Capital reduction	(2,660,000,000)	(266,000,000.00)	-	(266,000,000.00)
Share premium reimbursement	-	-	-	-
As at 31 December 2018	340,350,000	34,035,000.00	99,911,280.86	133,946,280.86

On 27 June 2018, the shareholder decided to increase the share capital by \$300,000,000.00 by the creation and issuance of, 3,000,000,000 new shares by capitalization of a portion of other reserves.

On 27 June 2018, the shareholder decided to decrease the share capital by \$106,000,000.00 and to reimburse the cancelled shares to the shareholder.

On 18 December 2018, the shareholder decided to decrease the share capital by \$160,000,000.00 and to reimburse the cancelled shares to the shareholder.

AZ Electronic Materials S.à r.l.

Notes to the annual accounts as at December 31, 2018 - continued -

Note 5 – Reserves

Reserves	USD
Reserves as at 31 December 2017	402,910,331.44
Profit or loss brought forward	201,642,425.94
Capital increase	(300,000,000.00)
Reserves as at 31 December 2018	304,552,757.38

Legal reserve

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

Other reserves

On 27 October 2010, the Company's shareholders resolved to affect a reduction in the share capital of the Company by crediting a distributable reserve (the "Capital reduction reserve"). The Company is able to utilise this Capital reduction reserve to pay distributions to shareholders.

Note 6 – Creditors

	2018 USD	2017 USD
Amounts owed to affiliated undertakings	22,000,000.00	12,934,611.62
Tax debts	104,334.35	107,052.31
Other creditors	19,990.32	56,025.22
	22,124,325.17	13,097,689.15

Note 7 – Gross profit or loss

	2018 USD	2017 USD
Administration costs	(158,726.81)	(99,966.17)
Release of operating provisions	-	577,772.27
	(158,726.81)	477,806.10

AZ Electronic Materials S.à r.l.

Notes to the annual accounts as at December 31, 2018 - continued -

Note 8 – Income from participating interests

In December 2018, the Company received interim dividends amounting to \$260,000,000 from Ridgefield Acquisition, Luxembourg

Note 9 – Value adjustments in respect of financial assets

See Note 3.

AZ Electronic Materials S.à r.l.
société à responsabilité limitée
46, Place Guillaume II
LUXEMBOURG L-1648
R.C.S. Luxembourg B 156074

**EXCERPT OF MINUTES OF THE BOARD OF MANAGERS' MEETING HELD AT THE
COMPANY'S REGISTERED OFFICE ON 27 JUNE 2019**

On 27 June 2019, the meeting of the Company's Board of Managers held at the Company's registered office, took the following resolutions:

"THIRD RESOLUTION

The Board of Managers unanimously resolves to (i) approve the Annual Accounts and (ii) submit the Annual Accounts to the Sole Shareholder's ordinary general meeting for approval.

(...)

FIFTH RESOLUTION

(...), the Board of Managers unanimously resolves to propose to the Sole Shareholder to (i) allocate an amount of USD 702,200 (seven hundred two thousand two hundred United States Dollars) from the profit realized as of 31 December 2018, to a the legal reserve so that the latter is equal to at least 10% (ten percent) of the Share Capital and (ii) to carry forward the remaining balance of the profit realized during the year ending 31 December 2018 to the next financial year, and (ii) carry forward the remaining profit realized during the year ending 31 December 2018 to the next financial year"

Luxembourg, 8 July 2019

For the Company

An authorized representative

AZ Electronic Materials S.à r.l.
société à responsabilité limitée
46, Place Guillaume II
LUXEMBOURG L-1648
R.C.S. Luxembourg B 156074

**EXCERPT OF THE MINUTES OF THE ORDINARY GENERAL MEETING AND SOLE
SHAREHOLDER'S DECISIONS HELD AT THE COMPANY'S REGISTERED OFFICE ON
28 JUNE 2019**

On 28 June 2019, the Ordinary General Meeting held by the Company's Sole Shareholder at the Company's registered office, took the following decisions:

"SECOND DECISION

The Sole Shareholder decides to approve the Annual Accounts as prepared by the Board of Managers and presented to this Meeting.

THIRD DECISION

(...), the Sole Shareholder decides to (i) allocate an amount of USD 702,200 (seven hundred two thousand two hundred United States Dollars) from the profit realized as of 31 December 2018, to a the legal reserve so that the latter is equal to at least 10% (ten percent) of the Company's share capital and (ii) carry forward the remaining profit realized during the year ending 31 December 2018 to the next financial year."

Luxembourg, 8 July 2019

For the Company

An authorized representative