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**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE**  
**2019 financial year**

**AZ Electronic Materials GmbH**

**Darmstadt**  
**(Darmstadt Local Court, HRB 99747)**

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KZ Electronic Materials GmbH, Darmstadt  
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Balance sheet

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**Assets**

	Dec. 31, 2019 EUR	Dec. 31, 2018 EUR
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
Purchased industrial and similar rights and assets	1,246,771	0
<b>II. Financial assets</b>		
Shares in affiliated companies	644,381,639	628,649,359
	645,628,410	628,649,359
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Receivables from affiliated companies	20,606,449	0
- of which trade receivables	0	0
- of which with a remaining term of up to one year	0	0
2. Other assets	160,626	0
	20,767,076	0
<b>II. Cash-in-hand and bank balances</b>	50,018	439,686
	29,617,994	439,686
	676,446,400	620,089,046

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Balance sheet

**Liabilities**

	Dec. 31, 2019 EUR	Dec. 31, 2018 EUR
<b>A. Equity</b>		
1. Subscribed capital	30,861,400	29,724,891
2. Capital reserves	90,270,402	87,258,761
3. Profit carried forward	608,154,766	272,839,463
4. Net income	12,479,686	218,011,882
	<u>641,766,153</u>	<u>607,834,996</u>
<b>B. Provisions</b>		
1. Provisions for taxes	33,536,024	0
2. Other provisions	14,886	1,936,660
	<u>33,550,909</u>	<u>1,936,660</u>
<b>C. Liabilities</b>		
1. Liabilities to affiliated companies	50,918	19,226,368
- of which to the shareholder	0	0
- of which trade receivables	0	0
- of which with a remaining term of up to one year	50,918	19,226,368
2. Other liabilities	78,424	91,122
- of which taxes	78,424	91,122
- of which social security	0	0
- of which with a remaining term of up to one year	78,424	91,122
	<u>129,342</u>	<u>19,317,490</u>
	<u>676,446,403</u>	<u>629,089,046</u>

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Income statement

	Total 2019 EUR	Total 2018 EUR
1. Net sales	0	0
Other operating income	1,945,526	0
2. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible assets	-51,896	0
3. Other operating expenses	-142,865	-136,148
	1,760,766	-136,148
4. Increase in inventory		
5. Income from equity investments	43,682,689	220,152,413
6. Depreciation of tangible assets	138,533	690
- of which from affiliated companies	138,533	690
7. Interest expenses and similar expenses	-686,126	-2,006,074
- of which from affiliated companies	-686,126	-2,006,074
	43,236,097	218,148,030
8. Financial result		
9. Taxes on income	-32,606,277	0
	12,479,686	218,011,882
10. Profit after tax	12,479,686	218,011,882
<b>11. Net loss for the year</b>	<b>12,479,686</b>	<b>218,011,882</b>

**Note**

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**A. General information**

The annual financial statements of AZ Electronic Materials GmbH, Darmstadt, (hereinafter also referred to as "AZEM" or the "company") as of December 31, 2019 have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) for small corporations and the supplementary provisions of the German Limited Liability Companies Act (GmbHG).

The company is a small corporation as referred to by section 267(1) HGB. AZ Electronic Materials GmbH is entered in the commercial register of the Darmstadt Local Court under HRB 99747. The object of the company is the acquisition, holding, management and disposal of investments of all kinds in the field of production and distribution of chemical and biotechnical products, including in particular specialty chemicals, industrial chemicals, basic pharmaceutical substances, pigments, cosmetic substances and functional materials, the performance of services and the development, acquisition and utilization of chemical processes and equipment plus all related business activities.

The income statement has been prepared using the total cost (nature of expense) method in accordance with section 275(2) HGB.

In preparing the annual financial statements, the applicable principles of sections 264 to 288 HGB were applied as regards the scope, content and structure of the annual financial statements.

By way of cross-border transfer of registered office and change of legal form, AZ Electronic Materials GmbH (formerly AZ Electronic Materials S.à.r.l.) was transferred from Luxembourg to Germany on November 20, 2019 and entered in the commercial register. The accounting was performed in accordance with Luxembourg law until this date. The transfer of registered office and change of legal form was carried out at book value in accordance with the provisions of the German Commercial Code.

**B. Notes on items of the annual financial statements**

**I. Balance sheet**

**Purchased and internally generated intangible assets**

Purchased and internally generated intangible assets are recognized at acquisition cost less amortization over their useful lives if applicable. Amortization is recognized on a straight-line basis.

**Financial assets**

Shares in affiliated companies are capitalized at the lower of cost or fair value if impairment is expected to be permanent. If the reasons for the impairment cease to apply in subsequent years, the impairment loss is reversed up to not more than the acquisition cost.

The shares in affiliated companies include the 86.27% interest in Merck Performance Materials (Schweiz) AG, Schaffhausen, Switzerland, at EUR 644,381,219 and the 0.004% interest in Merck Performance Materials Pvt. Ltd., Mumbai, India, at EUR 420.

**Receivables and other assets**

Receivables have a remaining term of less than one year. They are recognized at nominal value taking all discernible risks of default into account. The receivables from affiliated companies essentially include receivables from Inhouse Bank Merck Financial Services GmbH, Darmstadt.



**Provisions for taxes and other provisions**

The recognition of provisions takes into account uncertain liabilities that are recognized at the settlement amount necessary according to prudent business judgment. Provisions with a remaining term of more than one year were discounted using the interest rates published by Deutsche Bundesbank according to their remaining term.

**Liabilities**

Liabilities are carried at their settlement amount.

All liabilities are due within one year. The liabilities to affiliated companies essentially include liabilities to Inhouse Bank Merck Financial Services GmbH, Darmstadt.

**Assets and liabilities in foreign currency**

Assets and liabilities in foreign currency were translated using the average spot exchange rate as of the balance sheet date. The realization principle (section 252(1) no. 4, 2nd half-sentence HGB) and the historical cost convention (section 253(1) sentence 1 HGB) were complied with for remaining terms of more than one year.

**Contingent liabilities and other financial commitments**

There are no contingent liabilities or financial commitments as of the balance sheet date.

## **II. Income statement**

### **Other operating income.**

Other operating income of EUR 1,945,526 thousand (previous year: EUR 0 thousand) essentially includes income from reversal of provisions in the past financial year.

### **Other operating expenses**

Other operating expenses of EUR 142,865 (previous year: EUR 136,148) essentially include intercompany charges passed on in the past financial year.

### **C. Other disclosures**

#### **Number of employees**

The company does not have any employees.

#### **Group affiliations**

AZ Electronic Materials GmbH is a subsidiary of Merck KGaA, Darmstadt (Darmstadt Local Court, HRB 6164). Merck KGaA prepares consolidated financial statements and a combined Group management report for the largest and smallest group of companies in accordance with the International Financial Reporting Standards (IFRS) applicable in the EU and the supplementary applicable regulations in accordance with section 315a(1) HGB, which are published in the electronic Federal Gazette (Bundesanzeiger). The annual financial statements of the company were included in the consolidated financial statements of Merck KGaA as of December 31, 2019.

#### **Supplementary report**

The rapid development of COVID-19 into a global pandemic implies repercussions for the net assets, financial position and results of operations of the company. This development is classified as a significant adjusting event as referred to by section 285 no. 33 HGB. As a result of the COVID-19 pandemic, the net assets, financial position and results of operations could suffer in the event of permanent impairment losses on equity investments in the remainder of the 2020 financial year. Currently no effects of the net assets, financial position and results of operations of the company are discernible.

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Darmstadt, October 8, 2020

**AZ Electronic Materials GmbH  
Management**

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Dr. Stefan Horstmann

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Rüdiger Demuth