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ANNUAL FINANCIAL STATEMENTS

FOR THE

**Fiscal year
2020**

AZ Electronic Materials GmbH

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

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AZ Electronic Materials GmbH, Darmstadt
Annual financial statements for fiscal 2020

Balance sheet

AZ Electronic Materials GmbH, Darmstadt

Darmstadt Local Court, HRB 99747

Balance sheet as of December 31, 2020

Assets

	Dec. 31, 2020 EUR	Dec. 31, 2019 EUR
A. Fixed assets		
I. Intangible assets		
Purchased industrial and similar rights and assets	1,062,855	1,246,771
II. Financial assets		
Shares in affiliated companies	588,381,639	644,381,639
	589,444,494	645,628,410
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	34,514,148	29,606,449
– of which trade receivables	71,019	0
– of which with a remaining term of more than one year	0	0
2. Other assets	2,408,439	160,626
	36,922,587	29,767,075
II. Cash-in-hand and bank balances	46,092	50,918
	36,968,679	29,817,994
	626,413,173	675,446,403

AZ Electronic Materials GmbH, Darmstadt
Annual financial statements for fiscal 2020

Balance sheet

AZ Electronic Materials GmbH, Darmstadt

Darmstadt Local Court, HRB 99747

Balance sheet as of December 31, 2020

Liabilities

	Dec. 31, 2020 EUR	Dec. 31, 2019 EUR
A. Equity		
1. Subscribed capital	30,861,400	30,861,400
2. Capital reserves	90,270,402	90,270,402
3. Revenue reserves	92,008,185	92,008,185
4. Profit carried forward	428,69,186	416,146,581
4. Net income	-48,041,305	12,479,585
	593,795,868	641,766,153
B. Provisions		
1. Provisions for taxes	32,506,277	33,536,024
2. Other provisions	0	14,885
	32,506,277	33,550,909
C. Liabilities		
1. Liabilities to affiliated companies	43,416	50,918
– of which to the shareholder	0	0
– of which trade receivables	0	0
– of which with a remaining term of up to one year	43,416	50,918
2. Other liabilities	67,612	78,424
– of which taxes	67,612	78,424
– of which social security	0	0
– of which with a remaining term of up to one year	67,612	78,424
	111,028	129,342
	626,413,173	675,446,403

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Income statement

AZ Electronic Materials GmbH, Darmstadt

Darmstadt Local Court, HRB 99747

Income statement for the period from January 1 to December 31, 2020

	Total 2020 EUR	Total 2019 EUR
1. Net sales	12,359,014	0
2. Other operating income	91,166	1,945,526
– of which income from foreign currency translation	4,760	0
3. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible assets	-183,915	-51,896
4. Other operating expenses	-768,584	-142,865
– of which income from foreign currency translation	-4,368	0
5. Operating result	11,497,680	1,750,766
6. Income from equity investments	0	43,682,689
7. Other interest and similar income	4,702	138,533
– of which to affiliated companies		138,533
8. Amortization and write-downs of financial assets and of securities held as current assets	-56,000,000	
9. Interest expenses and similar expenses	-90,747	-586,126
– of which to affiliated companies	0	-586,126
10. Financial result	-56,086,045	43,235,097
11. Taxes on income	-3,452,940	-32,506,277
12. Profit after tax	-48,041,305	12,479,585
13. Net income	-48,041,305	12,479,585

Figures in euro

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Note

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, 2020 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 588,381,219 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.

Figures in euro

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 91,166 thousand (previous year: EUR 1,945,526 thousand) essentially includes income from reversal of provisions in the previous year.

Other operating expenses

Figures in euro

Other operating expenses of EUR 768,584 (previous year: EUR 142,865) essentially include intercompany charges passed on in the past fiscal 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
Figures in euro

AZ Electronic Materials GmbH, Darmstadt
Annual financial statements for fiscal 2020

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, 2020.

Supplementary report

There were no significant events with a financial impact after the balance sheet date.

Darmstadt, March 4, 2021

**AZ Electronic Materials GmbH
Management**

Dr. Stefan Horstmann

Rüdiger Demuth