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ANNUAL FINANCIAL STATEMENTS

AS OF

December 31, 2018

**Merck Wohnungs- und Grundstücksverwaltungsgesellschaft mbH,
Darmstadt**

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Balance sheet, income statement, notes

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Key to symbols and figures:

Amounts are shown in euro.

Figures may not add up exactly due to commercial rounding.

*** = greater than 200%**

		Balance sheet as of December 31, 2018	
		<i>Dec. 31, 2018</i>	<i>Dec. 31, 2017</i>
		<i>EUR</i>	<i>EUR</i>
	<i>Note</i>		
ASSETS			
A. Fixed assets			
Tangible assets	(1)		
1. Land and land rights with buildings		16,515,915	16,830,929
2. Land with shops and other buildings		17,025	20,511
3. Plant and machinery		-	-
4. Other facilities, operating and office equipment		19,026	22,251
		16,551,966	16,873,691
B. Current assets			
I. Inventories	(2)	1,140,697	1,196,180
II. Receivables and other assets			
1. Rental receivables	(3)	39,979	36,273
2. Other receivables and other assets	(4)	352,768	621,853
		392,747	658,126
Cash and cash equivalents		-	407,107
		1,533,444	2,261,413
		18,085,410	19,135,104
LIABILITIES			
A. Equity			
I. Subscribed capital	(5)	3,834,700	3,834,700
II. Capital reserves		7,563,476	7,563,476
III. Profit carried forward		1,665,344	1,859,098
IV. Net income		-2,385,392	-193,754
		10,678,128	13,063,520
B. Provisions	(6)		
Other provisions		1,378,535	1,262,755
		1,378,535	1,262,755
C. Liabilities	(7)		
1. Trade accounts payable	(8)	174,289	122,247
2. Other liabilities	(9)	5,854,458	4,686,582
		6,028,747	4,808,829
		18,085,410	19,135,104

Income statement for the period from January 1 to December 31, 2017

	<i>Note</i>	<i>2018 EUR</i>	<i>2017 EUR</i>
1. Net sales	(10)	5,046,175	4,979,082
2. Inventory decrease		-10,824	-72,900
3. Other operating income	(11)	17,386	24,759
		5,052,737	4,930,941
4. Cost of materials	(12)	-6,001,715	-3,993,834
5. Depreciation of tangible assets	(13)	-295,128	-302,294
6. Other operating expenses	(14)	-1,077,763	-760,630
		-7,374,606	-5,056,758
7. Financial result	(15)	-63,522	-66,380
8. Income tax	(16)	-	-1,556
9. Net loss for the year		-2,385,392	-193,754

Notes to the financial statements for the 2018 financial year

General disclosures

The annual financial statements as of December 31, 2018 have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Verordnung über Formblätter für die Gliederung des Jahresabschlusses von Wohnungsunternehmen* (German Ordinance regulating the Forms for the Classification of Accounts in the Annual Financial Statements prepared by Housing Companies). The applicable principles of sections 264 to 288 HGB and the supplementary provisions of the German Limited Liability Companies Act (GmbHG) were applied as regards the scope, content and structure of the annual financial statements.

Individual items of the balance sheet and the income statement have been combined to improve presentation and are shown separately in the notes.

Notes to the balance sheet

(1) Tangible assets

	<i>Land and land rights with buildings</i>	<i>Land and land rights with shops and other buildings</i>	<i>Other facilities, operating and office equipment</i>	<i>Total</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Accumulated acquisition costs as of Jan. 1, 2018	25,737,195	163,470	68,413	25,969,078
Additions	-	-	-	-
Disposals	26,597	-	-	26,597
Accumulated acquisition costs as of Dec. 31, 2018	<u>25,710,598</u>	<u>163,470</u>	<u>68,413</u>	<u>25,942,481</u>
Accumulated depreciation, amortization and write-downs as of Jan. 1, 2018	8,906,264	142,959	46,162	9,095,386
Additions	288,418	3,486	3,224	295,128
Disposals	-	-	-	-
Accumulated depreciation, amortization and write-downs as of Dec. 31, 2018	<u>9,194,683</u>	<u>146,445</u>	<u>49,387</u>	<u>9,390,515</u>
Net carrying amount as of Dec. 31, 2018	16,515,915	17,025	19,026	16,551,966
Net carrying amount as of Dec. 31, 2017	16,830,929	20,511	22,251	16,873,691

Tangible assets are carried at acquisition/production less depreciation and impairment.

Movable and immovable assets are depreciated on a straight-line basis. The useful life of immovable assets is between 50 and 60 years. Technical, operating and office equipment are depreciated over four to ten years. Low-value assets with a net value of between EUR 250 and EUR 800 are written down in full in the year of their acquisition.

Write-downs for impairment are recognized if it is expected to be more than temporary.

(2) Inventories

	<i>Dec. 31, 2018</i>	<i>Dec. 31, 2017</i>
	<i>EUR</i>	<i>EUR</i>
Work in progress		
Operating costs not yet invoiced	1,033,697	1,031,180
Services not yet invoiced	107,000	165,000
	1,140,697	1,196,180
	1,140,697	1,196,180

Operating costs not yet invoiced include all expenses in the financial year that, according to the lease agreements, cannot be invoiced to tenants until the following year.

Services not yet invoiced are payments on account to power and utility companies measured at nominal amount, for which final invoices will not be issued until the following year and that will then be reclassified to operating costs not yet invoiced to tenants.

(3) Rental receivables

	<i>Dec. 31, 2018</i>	<i>Dec. 31, 2017</i>
	<i>EUR</i>	<i>EUR</i>
From rental to third parties	39,979	36,273
	39,979	36,273

Rental receivables are receivables from rent and additional costs.

As in the previous year, receivables have a remaining term of up to one year.

Receivables are carried at nominal amount in line with the principle of lower of cost or market. Specific valuation allowances are taken into account in measurement as necessary.

(4) Other receivables and other assets

	<i>Dec. 31, 2018</i>	<i>Dec. 31, 2017</i>
	<i>EUR</i>	<i>EUR</i>
Receivables from the tax office	227,699	456,853
Creditors with debit balances	125,070	165,000
	352,769	621,853

Receivables and other assets are carried at nominal amount in line with the principle of lower of cost or market.

As in the previous year, receivables have a remaining term of up to one year.

(5) Equity

<i>Statement of changes in equity</i>	<i>Subscribed capital</i>	<i>Capital reserves</i>	<i>Retained profits/accumulated losses brought forward</i>	<i>Net profit</i>	<i>Total:</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Dec. 31, 2017	3,834,700	7,563,476	1,859,098	-193,754	13,063,520
Appropriation of profits	-	-	-193,754	193,754	-
Net loss for the year	-	-	-	-2,385,392	-2,385,392
Dec. 31, 2018	3,834,700	7,563,476	1,665,344	-2,385,392	10,678,128

(6) Provisions

	<i>Dec. 31, 2018</i> <i>EUR</i>	<i>Dec. 31, 2017</i> <i>EUR</i>
Other provisions	1,378,535	1,262,755
- <i>thereof for outstanding invoices</i>	<i>13,878,535</i>	<i>1,262,755</i>
	1,378,535	1,262,755

Other provisions take into account all discernible risks and uncertain obligations and are recognized at the necessary settlement amount on the basis of prudent business judgment.

(7) Liabilities

Liabilities are carried at their settlement amount. No other collateral has been provided other than standard retention of title.

(8) Trade accounts payable

	<i>Dec. 31, 2018</i> <i>EUR</i>	<i>Dec. 31,</i> <i>2017</i> <i>EUR</i>
To third parties	174,289	122,247
	174,289	122,247

As in the previous year, trade payables are due within one year.

(9) Other liabilities

	<i>Remaining term up to 1 year</i>	<i>Remaining term 1 to 5 years</i>	<i>Due after more than 5 years</i>	<i>Dec. 31, 2018 Total</i>	<i>Dec. 31, 2017</i>
	EUR	EUR	EUR	EUR	EUR
Liabilities to affiliated companies	4,658,702			4,658,702	3,477,920
Payments received for additional rental costs	1,161,836	-	-	1,161,836	1,186,064
From rental	33,226	-	-	33,226	21,904
From rent deposit	694	-	-	694	694
Other tax liabilities	-	-	-	-	-
	5,854,458			5,854,458	4,686,582

The liabilities to affiliated companies essentially result from short-term financing by Inhousebank Merck Financial Services GmbH.

Notes to the income statement

(10) Net sales

	<i>2018 EUR</i>	<i>2017 EUR</i>
Rental income	3,877,617	3,851,424
Income from utility bills, previous year	1,168,558	1,085,855
Income from broadband cable	-	41,803
	5,046,175	4,979,082

(11) Other operating income

	<i>2018 EUR</i>	<i>2017 EUR</i>
Additional proceeds from disposal of assets	9,403	-
Reimbursement of broadband cable from 2016	-	17,682
Reversal of write-downs on receivables	-	2,650
Other income	7,983	4,427
	17,386	24,759

(12) Cost of materials

	2018 EUR	2017 EUR
Operating costs	1,338,722	1,092,924
Maintenance costs	4,642,923	2,883,972
Other building management expenses	20,071	16,938
	6,001,716	3,993,834

(13) Depreciation and amortization

	2018 EUR	2017 EUR
Tangible assets	295,128	302,294
	295,128	302,294

(14) Other operating expenses

	2018 EUR	2017 EUR
Purchased services and remuneration	990,210	682,140
Fees, contributions, and insurance premiums	3,420	1,573
Write-downs on receivables	59	180
Addition to write-downs on receivables	10,000	11,000
Other	74,074	65,737
	1,077,763	760,630

(15) Financial result

	2018 EUR	of which to affiliated companies EUR	2017 EUR	of which to affiliated companies EUR
Interest expenses and similar expenses	-63,523	-63,523	-66,380	-66,380
	-63,523	-63,523	-66,380	-66,380

(16) Taxes on income

	2018 EUR	2017 EUR
Trade tax, current year	-	1,556
Backpayments of taxes for previous years	-	-
	-	1,556

(17) Contingent liabilities

There were no contingent liabilities in accordance with section 251 HGB.

(18) Other financial commitments

	<i>Dec. 31, 2018</i>	<i>Dec. 31, 2017</i>
	<i>EUR</i>	<i>EUR</i>
Ground rent (80 years)	1,227,101	1,242,439
Obligations to Merck KGaA from service agreement		370,000
Obligations to Merck Real Estate from service agreement	480,000	-
Obligations to Merck Accounting Solutions and Services Europe GmbH from service agreement	32,266	83,698
Building management agreement with Infracore GmbH & Co. Höchst KG	1,284,263	1,751,268
Acceptance obligation from repair work and commissioning of construction services, Infracore GmbH		833,000

By way of agreement dated December 21, 2005, a building built on leasehold property, including the leasehold right, were acquired from Emanuel-Merck-Vermögens KG. The leasehold right is entered in the land register until December 31, 2099. The owner of the leasehold property is Merck KGaA.

(19) Financial instruments

The company did not use any derivative financial transactions as referred to by section 285 no. 18 HGB. The company also does not intend to perform such transactions in the future.

(20) Other disclosures

The company does not have any employees.

(21) Management

The managing directors of the company are:

Volkmar Metzler, Senior Director at Merck Real Estate GmbH, Darmstadt

Stephan Lahrkamp, Regional CFO for Germany at Merck KGaA, Darmstadt

The managing directors are not employed by the company.

(22) Group affiliations

Merck Wohnungs- und Grundstücksverwaltungsgesellschaft mbH is a Group company of E. Merck KG, Darmstadt. The company is not included in the subgroup financial statements of Merck KGaA, Darmstadt or the consolidated financial statements of E. Merck KG, Darmstadt. The consolidated and subgroup financial statements have been submitted to the electronic Federal Gazette (Bundesanzeiger) and can be accessed at www.ebundesanzeiger.de.

(23) Appropriation of profits

Management proposes carrying forward the net loss for the financial year to new account.

The Management – Darmstadt, June 25, 2019

Volkmar Metzler
(Managing Director)

Stephan Lahrkamp
(Managing Director)