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**BASF Finance Europe N.V.  
Arnhem, The Netherlands**

**Semi-annual report 2019**

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BASF Finance Europe N.V.  
Arnhem, The Netherlands

## FINANCIAL REPORT

## 1 REPORT OF THE BOARD OF DIRECTORS

### 1.1 General information

BASF Finance Europe N.V. (hereinafter: the Company) is having its legal address in the Netherlands, Groningensingel 1, 6835 EA, Arnhem, is listed under number 09041351 in the Trade Register.

All amounts are in € x 1,000 unless otherwise stated.  
The Company is a 100% subsidiary of BASF SE, Ludwigshafen, Germany.

The objective of the Company is to optimize the financial activities within BASF group companies in Europe.

The core activities of the Company involve the founding of, financing of, participating in, managing of, supervision of and contribution of services to companies, as well as performing commercial, industrial and financial operations.

The Company has no employees and receives services through the staff of other BASF group companies.

The Supervisory Board and the Board of Directors are both comprised of three natural persons, all are male. For future changes of the Boards, the Company aims to take into account article 2:166 of the Netherlands civil code.

### 1.2 Debt Issuance Program

On September 7, 2007 the Company and BASF SE established a so-called Debt Issuance Program (hereinafter: DIP). Under this DIP, the Company or BASF SE may from time to time issue one or more notes to a specific number of banks (so-called: Dealers). As of December 31, 2018, the maximum aggregate principle amount of notes which can be issued and outstanding under the Program was € 20,000,000. Notes issued by the Company under the DIP have the benefit of a guarantee provided by BASF SE. Notes will be issued in such denominations as may be agreed between the issuer and the relevant Dealer and as indicated in the applicable final terms.

Notes issued under the DIP can be listed for trading on the regulated market of the Luxembourg Stock Exchange.

The DIP prospectus is updated annually.

Current notes overview at nominal value

| Date                                     | Interest rate |              | Carrying amount<br>06/30/2019 |
|--|---------------|--------------|-------------------------------|
| November 10, 2016                        | 0.750%        | € 500,000    | € 495,246                     |
| November 10, 2016                        | 0.000%        | € 1,000,000  | € 998,128                     |
| June 20, 2018                            | 3.625%        | US\$ 200,000 | € 175,111                     |
| Total outstanding notes at June 30, 2019 |               |              | € 1,677,485                   |

### 1.3 Development during the first half of 2019 and result

The Company has completed the half year with a negative result of € 683 (June 30, 2018: negative result of € 772). The result is negative because the guarantee fee payable by the Company to BASF SE for loan 21, BASF Antwerpen N.V. exceeds the Company's interest income from this loan.

On April 2, 2019 the internal loan 14, BASF Nederland B.V. (payable) and loan 17, BASF Antwerpen B.V. (receivable), both with a principal amount € 900,000, were early redeemed.

On May 7, 2019 the internal loan 19, Cognis B.V. (payable) and loan 18, BASF Antwerpen B.V. (receivable), both with a principal amount € 750,000, were early redeemed.

During the reporting period the Company did not use financial derivatives.

## 1.4 Risk report

The risk management goal of the Company is to identify and evaluate risks as early as possible and limit business losses by taking appropriate measures, thus avoiding risks that pose a threat to the continuity of the Company.

Management is not aware of any significant risks and uncertainties. Therefore, there are no improvement measures planned.

### Financial risk

The management of currency and interest rate risks is conducted in the treasury department of BASF Nederland B.V., detailed BASF guidelines and procedures exist for dealing with financial risks.

### Interest risk

Interest rate risks are the result of changes in prevailing market interest rates, which can cause a change in the present value of fixed-rate instruments, and changes in the interest payments of floating rate instruments. To hedge these risks the interest rates of the assets and the liabilities have the same base. This will offset the interest rate risk.

### Liquidity risk

Risks from cash flow fluctuations are recognized in a timely manner as part of the liquidity planning. Uncertainties are taken into account by means of additional risk scenarios and the short-term updating of our liquidity planning. This means we can promptly take the necessary measures when required. The liquidity policy is determined by BASF SE.

### Credit Risk

The assessment of credit risk for counter parties within BASF Group is primarily done at the time loans are granted to BASF group companies. The Company so far has only granted loans to 100% group companies, which are classified as counter parties with low credit risk.

### Foreign currency risk

Financial foreign currency risks are the result of the translation of receivables, liabilities and other monetary items. These risks are not hedged by using derivative instruments.

The Company is exposed to foreign exchange risk on liabilities and receivables denominated in a currency other than Euro, but these related risks are naturally hedged. In general, the Company strives to match foreign exchange risks of its assets and liabilities.

## 1.5 Financial data

### Current ratio

The current ratio as per June 30, 2019 measured as Current Assets / Current Liabilities amounts to 3.181 (December 31, 2018: 2.699).

### Solvency ratio

The solvency ratio as per June 30, 2019 measured as Stockholders' Equity / Total Liabilities amounts to 0.007 (December 31, 2018: 0.004).

#### Information on research and development

The Company does not conduct any research and development.

#### Outlook for the second half of 2019 and 2020

When new applications for financing will be received during the second half of 2019 and 2020, the Company will decide if, how and where to issue new notes or to take or provide new loans. The Company does not plan to have employees for 2019 and 2020. The Company does not intend to make investments in 2019 and 2020.

#### Corporate Governance

The Board of Directors is responsible for the establishment and adequate functioning of internal control in the Company. Consequently, the Board of Directors has implemented a range of processes designed to provide control by the Board of Directors over the Company's operations. These processes and procedures include measures regarding the general control environment as well as specific internal control measures. All these processes and procedures are aimed to ensuring a reasonable level of assurance that the Company has identified and managed its significant risks and that it meets the operational and financial objectives in compliance with applicable laws and regulations.

While the Board of Directors routinely works towards continuous improvement of the processes and procedures regarding financial reporting, the Board of Directors is of the opinion that, regarding financial reporting risks, the internal risk management and control systems:

- provide a reasonable level of assurance that the financial reporting in this semi-annual report does not contain any errors of material importance;
- have worked properly in the first half of 2019.

The duty of the Board of Supervisory Directors shall be to supervise the policies of the Board of Directors and the general course of affairs of the Company and its affiliated business. It shall give advice to the Board of Directors, asked and un-asked for. When performing their duties, the Supervisory Directors shall be guided by the interests of the Company and its affiliated business. For further details, see also "1.1 General Information".

#### 1.6 Responsibility statement

In accordance with article 5:25c of the Financial Markets Supervision Act (Wet op het financieel toezicht), the Board of Directors confirms that to the best of its knowledge:

- the semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the semi-annual report gives a true and fair view of the position as per June 30, 2019 and the development during the financial year of the Company;
- the semi-annual report describes the principal risks the Company is facing;
- the semi-annual report has not been audited by any auditor

Arnhem, The Netherlands, August 19, 2019

I.J. Hoekstra (Director)

R.J. Holtermann (Director)

K.M. Morgenstern (Director)

## **FINANCIAL STATEMENTS**

**1 BALANCE SHEET AS PER JUNE 30, 2019**

|                               | 06/30/2019 |                  | 12/31/2018 |                  |
|-------------------------------|------------|------------------|------------|------------------|
|                               | € x 1,000  | € x 1,000        | € x 1,000  | € x 1,000        |
| <b>ASSETS</b>                 |            |                  |            |                  |
| <b>FIXED ASSETS</b>           |            |                  |            |                  |
| <b>Financial fixed assets</b> | (1)        |                  |            |                  |
| Loans to group companies      |            | 1,672,250        |            | 3,321,293        |
| <b>CURRENT ASSETS</b>         |            |                  |            |                  |
| <b>Other receivables</b>      | (2)        | 25,730           |            | 27,787           |
|                               |            | <u>1,697,980</u> |            | <u>3,349,080</u> |
| <b>SHAREHOLDERS' EQUITY</b>   |            |                  |            |                  |
|                               | (3)        |                  |            |                  |
| Issued share capital          |            | 2,087            |            | 2,087            |
| Share premium reserve         |            | 10,477           |            | 10,477           |
| Other reserves                |            | -345             |            | 1,152            |
| Retained earnings             |            | -683             |            | -1,497           |
|                               |            | <u>11,536</u>    |            | <u>12,219</u>    |
| <b>PROVISIONS</b>             | (4)        | 872              |            | 1,187            |
| <b>LONG-TERM LIABILITIES</b>  |            |                  |            |                  |
| Non-current loans             | (5)        | 1,677,485        |            | 3,325,377        |
| <b>CURRENT LIABILITIES</b>    |            |                  |            |                  |
| Other current liabilities     | (6)        | 8,087            |            | 10,297           |
|                               |            | <u>1,697,980</u> |            | <u>3,349,080</u> |



## 2 PROFIT AND LOSS ACCOUNT FOR THE FIRST HALF YEAR OF 2019

|   | 01/01/2019 - 06/30/2019 |           | 01/01/2018 - 06/30/2018 |           |
|---|-------------------------|-----------|-------------------------|-----------|
|   | € x 1,000               | € x 1,000 | € x 1,000               | € x 1,000 |
| <b>Interest and similar income</b> (7)            | 13,420                  |           | 11,887                  |           |
| Interest and similar charges (8)                  | 14,312                  |           | 12,862                  |           |
| <b>Net financial income</b>                       |                         | -892      |                         | -975      |
| General and administrative expense                |                         | 64        |                         | 56        |
| <b>Result from ordinary activities before tax</b> |                         | -956      |                         | -1,031    |
| Tax on result from ordinary activities (9)        |                         | 273       |                         | 259       |
| <b>Net result</b>                                 |                         | -683      |                         | -772      |

### 3 CASH FLOW STATEMENT FOR THE FIRST HALF YEAR OF 2019

The cash flow statement has been prepared using the indirect method.

|   | 01/01/2019 - 06/30/2019 |              | 01/01/2018 - 12/31/2018 |             |
|---|-------------------------|--------------|-------------------------|-------------|
|   | € x 1,000               | € x 1,000    | € x 1,000               | € x 1,000   |
| <b>Net cash flow from operating activities</b>                |                         |              |                         |             |
| Result before taxation  | -956                    |              | -2,071                  |             |
| Adjustment interest result included in result before taxation | -259                    |              | -769                    |             |
| Adjustment interest result for effective interest rate method | 1,151                   |              | 2,668                   |             |
| Change current account with group companies                   | 8,046                   |              | 3,917                   |             |
| Change in other working capital                               | 62                      |              | 41                      |             |
|   |                         | 8,044        |                         | 3,786       |
| Interest paid   | -6,412                  |              | -3,750                  |             |
| Interest received   | -                       |              | -                       |             |
| Corporate income tax paid                                     | -151                    |              | -223                    |             |
|   |                         | -6,563       |                         | -3,973      |
| <b>Net cash flow from operating activities</b>                |                         | <b>1,481</b> |                         | <b>-187</b> |
| Issued Financial Assets                                       |                         |              | -169,147                |             |
| Repayment Financial Assets                                    | 1,650,000               |              |                         |             |
| <b>Net cash flow from investing activities</b>                |                         | 1,650,000    |                         | -169,147    |
| Repayment Loans/Notes   | -1,650,000              |              |                         |             |
| Dividend payment  | -                       |              | -                       |             |
| Proceeds Loans/Notes  |                         |              | 169,147                 |             |
| <b>Net cash flow from financing activities</b>                |                         | -1,650,000   |                         | 169,147     |
| Changes in cash & cash equivalents                            |                         | <b>1,481</b> |                         | <b>-187</b> |
| Cash & cash equivalents January 1                             |                         | 14,983       |                         | 15,170      |
| Cash & cash equivalents end of period                         |                         | 16,464       |                         | 14,983      |
| Changes in cash & cash equivalents                            |                         | <b>1,481</b> |                         | <b>-187</b> |

## 4 NOTES TO THE FINANCIAL STATEMENTS

### GENERAL

BASF Finance Europe N.V. (the Company) has been established per April 22, 1976. The first financial year started on April 22 and ended on December 31, 1976. The Company is having its legal address in the Netherlands, Groningensingel 1, 6835 EA, Arnhem, is listed under number 09041351 in the Trade Register.

#### Activities

The activities of the Company involve the founding of, financing of, participating in, managing of, supervision of and contribution of services to companies, as well as performing commercial, industrial and financial operations.

#### Ownership

The financial statements of the Company are consolidated in the consolidated financial statements of BASF SE in Ludwigshafen, Germany, the ultimate parent company, which can be found on the website: <https://www.basf.com>. BASF Finance Europe N.V. is a 100% subsidiary of BASF SE, Ludwigshafen, Germany.

### GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE SEMI-ANNUAL ACCOUNTS

The financial statements have been prepared in accordance with Title 9 Book 2 of the Netherlands Civil Code. These financial statements have been prepared on the basis of the going concern assumption.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably.

An asset or liability that is recognized in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability.

An asset or liability is no longer recognized in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party.

## Management estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

The major estimations, management made, were regarding the credibility of the counter parties of the loan receivable and the determination of the fair value of the financial instruments.

Management investigated the credibility of the group companies who received a loan and concluded there is no reason for impairment of these loans.

The fair values of the loans represent the clean fair value excluding interest accruals. For the calculations the discount percentages out of Bloomberg for the secondary market yields were used to reflect BASF risk. The fair value of financial instruments other than the ones stated in the above table is close to the carrying amount.

## Financial instruments

Financial instruments are both primary financial instruments, such as receivables and financial derivatives. For the principles of primary financial instruments, reference is made to the treatment per balance sheet item.

Financial instruments are recognized initially at fair value, including discounts/premium and any directly attributable transaction costs. If instruments are not subsequently measured at fair value with value changes recognized in the profit and loss account, any directly attributable transaction costs are included to the initial measurement.

Financial instruments include loans and (other) receivables, cash items, bonds/notes and other financing commitments.

The company has no derivative financial instruments embedded in contracts.

After initial recognition, financial instruments are valued in the manner described below.

## Determination of Fair Value

A number of accounting principles and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

The fair value of financial fixed assets is estimated on the basis of the expected and/or contractual cash flows. These cash flows are discounted at the market interest rates as at balance sheet date, including a margin representing the relevant risks involved.

If applicable, detailed information concerning the principles for determining the fair value is included in the section that specifically relates to the relevant asset or liability.

#### Loans granted, other receivables and cash and cash equivalents

Loans and receivables are measured after their initial valuation at amortized cost using the effective interest rate method, less impairment losses. The loans and receivables with a remaining time to maturity exceeding 12 months are presented as financial fixed assets. Interest income, based on the effective interest rate method, are accounted for in the interest and similar income within the income statement.

#### Notes issued, loans received and other payables

Notes, loans and other financial commitments are carried after their initial valuation at amortized cost using the effective interest rate method. The notes and loans with a remaining time to maturity exceeding 12 months are presented as non-current liabilities. Interest expense, based on the effective interest rate method, is accounted for in the interest and similar charges.

#### Translation of assets, liability and transactions denominated in foreign currency

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (Euro) at the balance sheet date at the exchange rate applying on that date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into Euro at the applicable exchange rates on the transaction date. Translation gains and losses are taken to the profit and loss account as income and expenditure.

The Company issues loans to group companies, for the same amount and denominated in the same currency as the notes issued. As such, except for the applicable margin, foreign currency risks are passed on to group companies and do not have any impact on the results of the Company.

The balance sheet positions denominated in foreign currency are translated at the exchange rate on the balance sheet date.

In the profit and loss account foreign currency amounts are translated at monthly average rates. Foreign exchange gains and losses are included in interest and similar income.

### PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

#### Financial fixed assets

Loans and other financial commitments are carried at amortized cost using the effective interest rate method. Interest income, based on the effective interest rate method, is accounted for under the interest and similar income from financing activities within the profit and loss account.

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

### **Impairment of fixed assets**

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortized cost, loan and receivables both individually and on a portfolio basis. All individually significant assets are assessed individually for impairment. Those individually significant assets found not to be individually impaired and assets that are not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

A previously recognised impairment loss is reversed if the decrease of the impairment can be related objectively to an event occurring after the impairment was recognised. The reversal is limited to at most the amount required to measure the asset at its original amortised cost at the date of reversal had the impairment not been recognised.

An impairment loss in respect of a financial asset stated at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate.

### **Provisions**

A provision is recognised when the company has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are valued at nominal value.

### **Long-term liabilities**

Long-term and current liabilities and other financial commitments are stated after their initial recognition at amortized cost on the basis of the effective interest rate method.

Redemption payments regarding long-term liabilities that are due next year, are presented under current liabilities.

## PRINCIPLES FOR THE DETERMINATION OF THE RESULT

### Determination of the result

Interest income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

### Interest and similar income

Interest income is recognized in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognized in the period to which they belong. Premium, discount and redemption premiums are recognized as interest expense in the period to which they belong. The allocation of these interest expenses and the interest income on the loan is the effective interest rate that is recognized in the profit and loss account. On the balance sheet, the amortized value of the debt(s) is recognized (on balance). The amounts of the premium that are not yet recognized in the profit and loss account and the redemption premiums already recognized in the profit and loss account, are recognized as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognized in the profit and loss account are recognized as a reduction of the debt(s) to which they relate.

### Taxes

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the carrying amounts for tax purposes. A deferred tax asset is recognized for future tax benefits, arising from temporary differences and for tax loss carry forwards to the extent that the tax benefits are likely to be realized.

Taxes on income are based on the result in the financial statements, taking into account the permanent differences between determinations of result according to the financial statements on the one hand and according to the fiscal determination of result on the other. Calculation is based on current tax rate.

## PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into euros using the weighted average exchange rates at the dates of the transactions.

The interest income and expense as well as the income tax are allocated to operating cash flows.

Transactions that do not result in exchange of cash and cash equivalents are not presented in the cash flow statement.

5 NOTES TO THE BALANCE SHEET AS PER JUNE 30, 2019

ASSETS

1. Financial fixed assets

|                                 | 06/30/2019       | 12/31/2018       |
|---------------------------------|------------------|------------------|
|                                 | € x 1,000        | € x 1,000        |
| <b>Loans to group companies</b> |                  |                  |
| Loan 17, BASF Antwerpen N.V.    | -                | 900,000          |
| Loan 18, BASF Antwerpen N.V.    | -                | 750,000          |
| Loan 20, BASF Antwerpen N.V.    | 495,205          | 494,901          |
| Loan 21, BASF Antwerpen N.V.    | 1,001,936        | 1,002,399        |
| Loan 22, BASF Nederland B.V.    | 175,109          | 173,993          |
|                                 | <u>1,672,250</u> | <u>3,321,293</u> |

*Loan 17, BASF Antwerpen N.V.*

|                         |   |                |
|-------------------------|---|----------------|
| Balance as of January 1 | - | 900,000        |
| Balance as of June 30   | - | <u>900,000</u> |

This loan has been granted on April 2, 2015 to BASF group company BASF Antwerpen N.V. for a total amount of € 900,000 and a term of 5 years. At December 31, 2018, the nominal interest rate amounts to 0.569%, based on 12-months Euribor plus an applicable spread of 0.760% according to the loan agreement. The loan was early redeemed in full on April 2, 2019.

*Loan 18, BASF Antwerpen N.V.*

|                         |   |                |
|-------------------------|---|----------------|
| Balance as of January 1 | - | 750,000        |
| Balance as of June 30   | - | <u>750,000</u> |

This loan has been granted on May 7, 2015 to BASF group company BASF Antwerpen N.V. for a total amount of € 750,000 and a term of 5 years. At December 31, 2018, the nominal interest rate amounts to 0.571%, based on 12-months Euribor plus an applicable spread of 0.760% according to the loan agreement. The loan was early redeemed in full on May 7, 2019.



*Loan 20, BASF Antwerpen N.V.*

|                         | 06/30/2019     | 12/31/2018     |
|-------------------------|----------------|----------------|
|                         | € x 1,000      | € x 1,000      |
| Balance as of January 1 | 494,901        | 494,296        |
| Amortization of disagio | 304            | 605            |
| Balance as of June 30   | <u>495,205</u> | <u>494,901</u> |

Cumulative amortization of disagio as of June 30, 2019 amounts to € 1,590 (December 31, 2018 € 1,286).

This loan has been issued on November 10, 2016 to BASF group company BASF Antwerpen N.V. for a total amount of € 500,000 less disagio of € 6.385 and a term of 10 years. The nominal interest rate amounts to 0.750% per annum plus the applicable spread of 0.680% per annum. The all-in interest 2019 amounts to 1.569%. The loan shall be repaid in full on November 10, 2026.

*Loan 21, BASF Antwerpen N.V.*

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Balance as of January 1 | 1,002,399        | 1,003,679        |
| Amortization of agio    | -463             | -1,280           |
| Balance as of June 30   | <u>1,001,936</u> | <u>1,002,399</u> |

Cumulative amortization of agio as of June 30, 2019 amounts to € 3,193 (December 31, 2018 € 2.730).

This loan has been issued on November 10, 2016 to BASF group company BASF Antwerpen N.V. for a total amount of € 1,000,000 less disagio of € 5,490 and a term of 4 years. The nominal interest rate amounts to 0.000% per annum plus the applicable spread of 0.680% per annum. The loan shall be repaid in full on November 10, 2020. The loan is recognized initially at fair value plus any directly attributable transaction costs. The fair value is calculated based on the determined market rate of 0.550% at issuing date. The all-in interest amounts to 0.550%.

At issuing date the adjustment for the difference (€ 10,619) is recorded as share premium reserve, net of taxes.

*Loan 22, BASF Nederland B.V.*

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Balance as of January 1          | 173,993        | -              |
| Initial valuation of issued loan | -              | 169,147        |
| Amortization of disagio          | 46             | 49             |
| FX result                        | 1,070          | 4,797          |
| Balance as of June 30            | <u>175,109</u> | <u>173,993</u> |

Cumulative amortization of disagio as of June 30, 2019 amounts to € 95 (December 31, 2018 € 49).

This loan has been issued on June 20, 2018 to BASF group company BASF Nederland B.V. for a total amount of US\$ 200,000 less disagio of US\$ 834 with the initial value of € 169,147 and a term of 7 years. The nominal interest rate amounts to 3.625% per annum plus the applicable spread of 0.640% per annum. The all-in interest 2019 amounts to 4.335% per annum. The loan shall be repaid in full on June 20, 2025.

**CURRENT ASSETS**

|  | 06/30/2019    | 12/31/2018    |
|--|---------------|---------------|
|  | € x 1,000     | € x 1,000     |
| <b>2. Other receivables</b>              |               |               |
| Receivables from group companies         | 25,621        | 27,710        |
| Corporate income tax                     | 109           | 77            |
|  | <u>25,730</u> | <u>27,787</u> |
| <b>Receivables from group companies</b>  |               |               |
| Interest receivable from group companies | 9,157         | 12,727        |
| Current account with group companies     | 16,464        | 14,983        |
|  | <u>25,621</u> | <u>27,710</u> |

The accounts receivable from group companies and other receivables are due within one year.

The Company has a current account with BASF SE. The interest rate is based on Euro Overnight Index Average (EONIA) - 0.070% or + 0.050% depending on a debit or credit balance, with a minimum of 0%.

## EQUITY AND LIABILITIES

### 3. SHAREHOLDERS' EQUITY

#### Issued share capital

|   | Ordinary<br>shares |
|---|--------------------|
|   | € x 1,000          |
| Balance as of January 1   | 2,087              |
| Balance as of June 30   | 2,087              |
| Authorized share capital (x € 1,-), consists of ordinary shares | 2,086,875          |
| Ordinary shares issued  | 46,375             |
| Nominal value per ordinary share (x € 1,-)                      | 45.00              |
|   | 06/30/2019         |
|   | 12/31/2018         |
|   | € x 1,000          |
|   | € x 1,000          |

#### Share premium reserve

|                         |        |        |
|-------------------------|--------|--------|
| Balance as of January 1 | 10,477 | 10,477 |
| Balance as of June 30   | 10,477 | 10,477 |

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

During 2016 an amount of € 7,964 is added to the share premium reserve due to the adjustment of loan 21.

This loan is initially recognized at fair value and the difference between nominal value loan and the calculated fair value is recognized as share premium reserve, net of taxes.

#### Other reserves

|   |        |        |
|---|--------|--------|
| Balance as of January 1                     | 1,152  | 2,477  |
| Deduction from (addition to) other reserves | -1,497 | -1,325 |
| Balance as of June 30                       | -345   | 1,152  |

#### Retained earnings

|                            |        |        |
|----------------------------|--------|--------|
| Balance as of January 1    | 1,497  | -1,325 |
| Addition to other reserves | -1,497 | 1,325  |
| Unappropriated profit      | -683   | -1,497 |
| Balance as of June 30      | -683   | -1,497 |

#### 4. PROVISIONS

##### Deferred tax liability

|                         | 06/30/2019 | 12/31/2018   |
|-------------------------|------------|--------------|
|                         | € x 1,000  | € x 1,000    |
| Balance as of January 1 | 1,187      | 1,906        |
| Realized in the year    | -315       | -719         |
| Balance as of June 30   | <u>872</u> | <u>1,187</u> |

This provision concerns the temporary differences between the valuation in the annual account and the tax valuation of assets and liabilities. The provision is calculated based on the applicable tax rates at 22.81%, according to the change in corporate tax rates as from 2019. The deferred tax liability relates to loan 21.

#### 5. LONG-TERM LIABILITIES

##### Non-current loans

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Loan 13, BASF Ireland Ltd.         | 9,000            | 9,000            |
| Loan 14, BASF Nederland B.V.       | -                | 900,000          |
| Loan 19, Cognis B.V.               | -                | 750,000          |
| Note 20, 0.75% EUR bond 2016-2026  | 495,246          | 494,936          |
| Note 21, 0% EUR bond 2016-2020     | 998,128          | 997,447          |
| Note 22, 3.625% USD bond 2018-2025 | 175,111          | 173,994          |
|                                    | <u>1,677,485</u> | <u>3,325,377</u> |

##### *Loan 13, BASF Ireland Ltd.*

|                         |              |              |
|-------------------------|--------------|--------------|
| Balance as of January 1 | <u>9,000</u> | <u>9,000</u> |
| Balance as of June 30   | <u>9,000</u> | <u>9,000</u> |

Loan 13, BASF Ireland Ltd. is for a total amount of € 9,000 and has a term of 5 years. As of June 30, 2019, the interest rate amounts to 0.529% (December 31, 2018: 0.529%), based on 12-months Euribor plus an applicable spread of 0.660%. The one half of the loan will be repaid on December 16, 2020 and the other half on December 16, 2021.

##### *Loan 14, BASF Nederland B.V.*

|                         |          |                |
|-------------------------|----------|----------------|
| Balance as of January 1 | <u>-</u> | <u>900,000</u> |
| Balance as of June 30   | <u>-</u> | <u>900,000</u> |

On April 2, 2015 the Company took a loan from BASF group company BASF Nederland B.V. for a total amount of € 900,000 and a term of 5 years. At December 31, 2018, the nominal interest rate amounts to 0.539%, based on 12-months Euribor plus an applicable spread of 0.730% according to the loan agreement. The loan was early redeemed in full on April 2, 2019.

|                             | 06/30/2019 | 12/31/2018 |
|-----------------------------|------------|------------|
|                             | € x 1,000  | € x 1,000  |
| <i>Loan 19, Cognis B.V.</i> |            |            |
| Balance as of January 1     | -          | 750,000    |
| Balance as of June 30       | -          | 750,000    |

On May 7, 2015 the Company took a loan from BASF group company Cognis B.V. for a total amount of € 750,000 and a term of 5 years. At December 31, 2018, the nominal interest rate amounts to 0.541%, based on 12-months Euribor plus an applicable spread of 0.730% according to the loan agreement. The loan was early redeemed in full on May 7, 2019.

*Note 20, 0.75% EUR bond 2016-2026*

|                             |         |         |
|-----------------------------|---------|---------|
| Balance as of January 1     | 494,936 | 494,317 |
| Amortization of disagio     | 310     | 619     |
| Balance as of June 30, 2019 | 495,246 | 494,936 |

Cumulative amortization of disagio as of June 30, 2019 amounts to € 1,631 (December 31, 2018 € 1.321).

On November 10, 2016 the Company issued notes for a total amount of € 500,000 less a disagio and bank fees of € 6,385 through the banking group. The notes will be repaid in full on November 10, 2026. The interest amounts to 0.750% per annum (effective interest 0.884% per annum) and is paid annually. BASF SE is the guarantor for these notes.

*Note 21, 0% EUR bond 2016-2020*

|                             |         |         |
|-----------------------------|---------|---------|
| Balance as of January 1     | 997,447 | 996,075 |
| Amortization of disagio     | 681     | 1,372   |
| Balance as of June 30, 2019 | 998,128 | 997,447 |

Cumulative amortization of disagio as of June 30, 2019 amounts to € 3,618 (December 31, 2018 € 2,937).

On November 10, 2016 the Company issued notes for a total amount of € 1,000,000 less a disagio and bank fees of € 5,490 through the banking group. The notes will be repaid on November 10, 2020. The interest amounts to 0.000% per annum (effective interest 0.138% per annum). BASF SE is the guarantor for these notes.

*Note 22, 3.625% USD bond 2018-2025*

|                                  |         |         |
|----------------------------------|---------|---------|
| Balance as of January 1          | 173,994 | -       |
| Initial valuation of issued loan | -       | 169,147 |
| Amortization of disagio          | 47      | 50      |
| FX result                        | 1,070   | 4,797   |
| Balance as of June 30, 2019      | 175,111 | 173,994 |

Cumulative amortization of disagio as of June 30, 2019 amounts to € 97 (December 31, 2018 € 50).

On June 20, 2018 the Company issued notes for a total amount of US\$ 200,000 less disagio of US\$ 834. The notes will be repaid on June 20, 2025. The interest amounts to 3.625% per annum (effective interest 3.694% per annum). BASF SE is the guarantor for these notes.

**6. CURRENT LIABILITIES**

|                                  | <u>06/30/2019</u> | <u>12/31/2018</u> |
|----------------------------------|-------------------|-------------------|
|                                  | € x 1,000         | € x 1,000         |
| <b>Other current liabilities</b> |                   |                   |
| Accruals and deferred income     | 2,588             | 10,297            |
| Guarantee fee bonds              | 5,499             | -                 |
|                                  | <u>8,087</u>      | <u>10,297</u>     |

The current liabilities are all due within one year.

## OFF-BALANCE SHEET COMMITMENTS

### General

During the normal course of business, the Company uses various financial instruments that expose the Company to market, credit and liquidity risks. The Company is exposed to these risks given the portfolio of interest-bearing receivables (mainly taken up in financial fixed assets and cash and cash equivalents), interest-bearing non-current and current liabilities (including bonds, notes and bank loans).

#### *Credit risk*

In 2019, 100% (2018: 100%) of the receivables of the Company were held with related parties, which are 100% (2018: 100%) concentrated with BASF Group companies.

In general, the management of the Company assesses and reviews credit risk for counterparties within the BASF Group.

#### *Interest rate risk*

The Company is exposed to interest rate risk regarding floating interest rates on receivables and liabilities, but these related risks are naturally hedged. In general, the Company strives to match interest rate risks of its assets and liabilities.

Derivative financial instruments may be used by the entity to hedge interest rate risks, if deemed necessary. Interest rate derivative financial instruments may be used to adjust the fixed or floating nature of the external notes or loans obtained to the desired profile. The interest rate policy is determined by BASF SE. In 2019 no derivative financial instruments are outstanding and no derivative instruments have been used during the reporting period.

The deviation in a spread of Loan 21, BASF Antwerpen N.V., that caused the negative result, only relates to the share premium and therefore has no cash flow effect.

#### *Cash flow risk*

The Company is currently not exposed to cash flow risk due to the intercompany financing structure. Any cash payment regarding loans payable are directly offset by a cash flow regarding the loans receivable.

#### *Foreign currency risk*

The Company is exposed to foreign exchange risk on liabilities and receivables denominated in a currency other than Euro, but these related risks are naturally hedged. In general, the Company strives to match foreign exchange risks of its assets and liabilities.

Foreign currency derivative financial instruments, mainly currency forwards and swaps, may be used to reduce the foreign currency risk arising on financing and funding transactions in foreign currencies.

#### *Liquidity risk*

Due to a cash-pooling agreement for all bank accounts of the Company with BASF SE, the Company has access to sufficient liquidity reserves so that there is no danger of liquidity risk even if an unexpected event has a negative financial impact on the Company's liquidity situation.

## 6 NOTES TO THE PROFIT & LOSS ACCOUNT FOR THE FIRST HALF YEAR OF 2019

|  | 01/01/2019 -<br>06/30/2019 | 01/01/2018 -<br>06/30/2018 |
|--|----------------------------|----------------------------|
|  | € x 1,000                  | € x 1,000                  |
| <b>7. Interest and similar income</b>  |                            |                            |
| Loan 17 BASF Antwerpen N.V.            | 1,294                      | 2,759                      |
| Loan 18 BASF Antwerpen N.V.            | 1,501                      | 2,321                      |
| Loan 20 BASF Antwerpen N.V.            | 3,850                      | 3,845                      |
| Loan 21 BASF Antwerpen N.V.            | 2,908                      | 2,732                      |
| Loan 22, BASF Nederland B.V.           | 3,867                      | 226                        |
| Interest income from tax               | -                          | 4                          |
|  | <u>13,420</u>              | <u>11,887</u>              |
| <b>8. Interest and similar charges</b> |                            |                            |
| Loan 13, BASF Ireland Ltd.             | 23                         | 41                         |
| Loan 14 BASF Nederland B.V.            | 1,226                      | 2,623                      |
| Loan 19 Cognis B.V.                    | 1,420                      | 2,208                      |
| Note 20, 0.75% EUR bond 2016-2026      | 2,169                      | 2,167                      |
| Note 21, 0% EUR bond 2016-2020         | 681                        | 680                        |
| Note 22, 3.625% USD bond 2018-2025     | 3,294                      | 193                        |
|  | <u>8,813</u>               | <u>7,912</u>               |
| Guarantee fees to BASF SE              | 5,499                      | 4,950                      |
|  | <u>14,312</u>              | <u>12,862</u>              |

In accordance with RJ 273.103 the guarantee fees are a part of the interest and similar charges.

### Emoluments of directors and supervisory directors

The Company pays no remuneration and has not issued loans or advances to members of the Board of Directors and Supervisory Board.

### Staff

During the first half 2019 and 2018 the Company had no employees.

### General and administrative expense

The other general expenses substantially comprise consulting costs related to accounting, legal, finance and bank charges. They also comprise auditor's fees, non-recoverable VAT and other professional charges as well as service charges from BASF Nederland B.V.

With reference to Section 2:382a (3) of the Netherlands Civil Code the Company did not disclose the fees for the auditor as these are incorporated in the consolidated financial statements of BASF SE.



|  | 01/01/2019 -<br>06/30/2019 | 01/01/2018 -<br>06/30/2018 |
|--|----------------------------|----------------------------|
|  | € x 1,000                  | € x 1,000                  |
| <b>9. Tax on result from ordinary activities</b> |                            |                            |
| Corporate income tax                             | -42                        | -72                        |
| Movement of deferred tax liability               | 315                        | 331                        |
|  | <u>273</u>                 | <u>259</u>                 |

Income tax expense consists of current and deferred corporate income tax. The effective tax rate of 28.67% (June 30, 2018: 24.79%) is not equal to the prevailing tax rates for 2019 (19% tax rate on the first € 200,000 of taxable profits, 25% tax rate for the rest) in the Netherlands.

The higher effective tax rate is the consequence of the depreciation of the initial fair value Loan 21 BASF Antwerpen N.V.

For tax purposes the effective tax rate is 22,68%.

#### 11. Transactions with related parties

There were no reportable related party transactions with members of the Board of Directors.

There are no transactions with related parties, except otherwise disclosed in this report.

Transactions with related parties are assumed when a relationship exists between the company and an natural person or entity that is affiliated with the company. This includes, amongst others, the relationship between the company and its group companies, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

The Company has loans and receivables outstanding with the shareholder and other group companies. The terms and conditions are disclosed at the respective note.

#### Signing of the financial statements

Arnhem, The Netherlands, August 19, 2019

##### Board of Directors for approval

I.J. Hoekstra (Director)

R.J. Holtermann (Director)

K.M. Morgenstern (Director)

##### Supervisory Board for approval

O. Nussbaum (Chairman of the Supervisory Board)

U.H. Loleit (Member of the Supervisory Board)

C.M. Becx (Member of the Supervisory Board)

## OTHER INFORMATION

### 1 Provisions of the Articles of Association relating to profit appropriation

In the articles of association it is stated that profits of the company shall be at the disposal of the General Meeting of Shareholders. At the same time, the articles state that the Company may distribute profits only if and to the extent that its shareholders' equity is higher than the aggregate of the paid and called-up part of the issued capital and the reserves, which must be maintained by law.

The Company can only make payments to the shareholders insofar as:

- the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and;
- the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test).

If not, the General Meeting of Shareholders shall not approve the distribution.

### 2 Appropriation of the result for 2018

The annual accounts for 2018 were adopted by the General Meeting of Shareholders. The General Meeting of Shareholders has determined the appropriation of the result as it was proposed.

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