

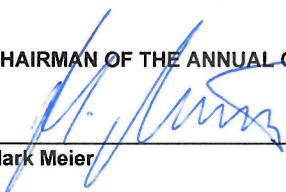
**BASF A/S**  
**Kalvebod Brygge 45**  
**DK-1560 Copenhagen**

**CVR no. 17 41 26 12**

**Annual Report for 2017**

Approved at the Company's Annual General Meeting on 31 May 2018

**CHAIRMAN OF THE ANNUAL GENERAL MEETING**



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**Mark Meier**

## **CONTENTS**

	<b><u>Page</u></b>
Company details	3
Statement by the Board of Directors and the Executive Board	4
Independent auditor's report	5
Management review	7
Income statement 2017	11
Balance sheet at 31 December 2017	12
Statement of changes in equity at 31 December 2017	14
Notes	15

**Statement by the Board of Directors and the Executive Board**

The Board of Directors and the Executive Board have today discussed and approved the annual report of BASF A/S for the financial year 1 January – 31 December 2017.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Oslo, 22 May 2018

**BASF A/S**

**Executive Board**

Mark Meier

**Board of Directors**



Markus Kramer  
Chairman



Connie Beilung  
Deputy Chairman



Mark Meier  
Managing Director



Jørgen Holm  
Employee Representative



Jens Ellar Filt  
Employee Representative

## **COMPANY DETAILS**

### **COMPANY**

BASF A/S  
Kalvebod Brygge 45  
DK-1560 Copenhagen  
CVR no. (VAT-No) 17 41 26 12  
Municipality of domicile: Copenhagen

Telephone no. +45 32 66 07 00

Internet: <https://www.basf.com/dk/en.html>

### **BOARD OF DIRECTORS**

Chairman	Markus Kramer
Managing Director	Mark Meier
Deputy chairman	Connie Belling
Employee representative	Jørgen Holm
Employee representative	Jens Etlar Filt

### **EXECUTIVE BOARD**

Managing Director Mark Meier

### **AUDITOR**

KPMG Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 Copenhagen  
CVR no. 25 57 81 98



## **Independent auditor's report**

### **To the shareholders of BASF A/S**

#### **Opinion**

We have audited the financial statements of BASF A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditor's report

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2018

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Michael Sten Larsen

Statsaut. revisor

State Authorised Public Accountant

MNE no. 10488

## MANAGEMENT'S REVIEW

### Financial highlights

#### Key figures in MDKK

	2013	2014	2015	2016	2017
Net sales	1.470,6	1.458,9	1.302,6	1.262,8	1.322,5
Gross profit	809,1	647,1	510,2	580,5	581,1
Operating profit/loss	(24,9)	92,0	35,5	101,5	12,9
Net financials	(1,6)	(10,6)	(3,1)	3,5	1,1
Profit/loss for the year before tax	(26,5)	81,3	32,5	98,9	10,7
Profit/loss for the year	(12,3)	44,8	24,4	86,0	11,7
Inventories	172,3	348,0	190,3	300,9	231,3
Accounts receivable	190,9	218,7	231,7	199,8	296,6
Equity	1.144,2	1.189,1	1.168,6	1.115,7	1.040,3
Total assets	1.654,1	1.694,6	1.412,6	1.348,5	1.265,6
Invested capital	1.349,0	1.401,8	1.046,5	1.015,0	884,5
Investments in property, plant & equipment	68,8	25,6	17,0	8,4	30,5

#### Financial ratios

	2013	2014	2015	2016	2017
Gross margin	55,0%	44,4%	39,2%	46,0%	43,9%
Profit margin	-1,7%	6,3%	2,7%	8,0%	1,0%
Return on invested capital	-1,7%	6,7%	2,9%	9,8%	1,4%
Return on equity	-1,1%	3,8%	2,1%	7,7%	1,1%
Equity ratio	69,2%	70,2%	82,7%	82,7%	82,2%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The Company's key figures and financial ratios for 2013 have been adjusted due to the merger with the subsidiary Pronova BioPharma Denmark A/S at 1 January 2014.

## FINANCIAL DEVELOPMENT

### Main activities

BASF A/S is a subsidiary of BASF Societe Europe, Ludwigshafen, Germany.

The Company's headquarter is situated in Copenhagen.

The site in Copenhagen is an active partner on the Danish market and sells approx. 4,000 products from BASF's broad product palette. The Company's customers are mainly industrial companies in Denmark.

Companies working within the plastic, paper, chemicals and building industries as well as the agricultural industry use the BASF products.

The site in Rødskro produces and sells products that are used in the construction industry.

The site in Ballerup develops, formulates and produces vitamins for the food and pharmaceutical industries throughout the world. Marketing is effected through the BASF Group's worldwide network of agencies and sales companies.

The site in Kalundborg produces high-purified and high-concentrated Omega-3 products in bulk also characterized as API (Active Pharmaceutical Ingredients). The production has been mothballed since January 2015.



## MANAGEMENT'S REVIEW

### Development in activities and financial position

The revenue from agro products increased by 9% in both Denmark & The Baltic. In The Baltic mainly due to the market increase and in Denmark a recovery after the hoarding in 2015 of 41 MDKK.

The volume of own production as increased by 14%, but due to lower prices, the increase in net sales is lower.

Net sales grew 13% adjusted for impact from idle capacity cost. Since early 2016, idle capacity cost is compensated in the transfer price. The growth was mainly driven by nutrition and vitamins. Within nutrition, however, a solid volume growth and higher prices for betacaratenoids more than compensated for the decline of high volume product Omega-3.

Production volumes grew 4% while idle capacity cost remained at level with 2016, 44 MDKK.

In first half of 2018 we foresee a shortage of raw materials, mainly affecting vitamins A and E and betacaratenoids. The shortage is caused by delivery problems at our main supplier. The impact will be somewhat mitigated by inventories and production planning.

The revenue from products for the construction industry in Denmark decreased by 9%.

While the core Admixture business performed extraordinarily strong, the difficult market situation within Construction Systems and the changes in the Wind Turbine Grouts business had a dominantly opposite effect.

For 2018 we do expect a continuous strong Admixture business and stabilization of the Construction Systems business.

The commissions received for the agency business has increased by 4% due to changed market conditions and commission rates. The turnover in the agency business increased by 86 MDKK or 8%, highest increase came from the care chemicals business.

The gross profit increased in 2017 by 1 MDKK, so was stable compared to 2016.

The external costs in 2017 are higher than in 2016 due to new leasing costs for our new Danish HQ in Copenhagen and higher commission costs for our sales force in the Baltics. Also, we reclassified leasing cars from travel costs to external leasing costs.

Strong cost control was in focus in 2017 and will continue to be so in 2018. Especially on travel costs, marketing and entertainment are in focus.

Our construction chemicals site in Rødskro will be turned into a warehouse hub for the Nordic markets.

The Company has distributed dividends in 2017 for 2016 and will do the same in 2018 for 2017.

The profit before tax amounted to 11.7 MDKK compared to 97.9 MDKK in 2016 is considered satisfying.

The high profit in 2016 is partly due to the sale of the Copenhagen office site which increased the income on special items of 47.5m DKK. The Danish headquarters moved to leased premises during 2017.

Compared to earlier given information, the turnover was as expected but profit lower than expected.

### Special risks

#### Operating risks

The Company's main operating risk lies in being a raw material supplier to the export industry.

Another operating risk is that the sale of agricultural products to a wide extent depends on the weather such as sun and rain conditions.

A third risk is the exposure to the construction industry, which is quite volatile.

#### Financial risks

The parent company, BASF SE, controls the financial risks centrally and coordinates the Group's liquidity management, including financing and placing of excess liquidity.

#### Currency risks

The purchase and sale of goods are mainly carried out in DKK or EUR. As the Danish National Bank pegs the Danish Krone close to the euro, the currency risk is moderate. The Company, BASF A/S, follows a policy to currency where the net position exceeds the equivalent to 2 MEUR by using financial instruments such as forward exchange contracts, and those contracts are only entered into through the German parent company BASF SE.

By the end of the fiscal year 2017, the Company had one forward exchange contract.

## **MANAGEMENT'S REVIEW**

### **Interest rate risks**

The Company's net interest-bearing position is interest-bearing deposits, which was a net receivable of 156 MDKK in 2017 compared to a net receivable of 101 MDKK in 2016.

The net interest-bearing debt is mainly designated in EUR and DKK.

Based on the net outstanding balance at the end of the fiscal year 2017 an increase by one percentage point in the general interest rate level will cause an increase in the annual interest income before tax of approximately 1.0 MDKK.

The Company does not hedge interest rate risks as these solely relate to the German parent company BASF SE's area of responsibility.

### **Credit risks**

Credit risks in respect of financial assets equal the value included in the balance sheet.

The Company's policy for undertaking credit risks entails that all major customers are credit rated regularly.

### **Liquidity**

It is the policy of the BASF Group that capital creation and placing of excess liquidity is controlled centrally by the German parent company BASF SE.

### **Intellectual capital resources**

The Company's products are based on high-technology production facilities. Production is performed in accordance with the GMP rules. The Company operates in a competitive market that is demanding in terms of product development, flexibility and quality. This calls for staff with thorough knowledge of the Company's business processes, products and customers. In addition, particular requirements for knowledge resources exist in relation to development of products.

In order to live up to these demands and requirements, the Company needs to be able to recruit, develop and retain staff with a high level of experience, training and education in the area of process-industrial formulation of vitamins.

In 2017, 1.4 MDKK was spent on staff training.

Staff with higher education accounts for about 43% of the salaried employees.

Employee turnover was approx. 5,1% in 2017.

### **Research and development activities**

In 2017 research and development activities were performed in close cooperation with the Parent Company.

Development activities primarily included projects within the Agro business unit.

In 2017, the costs for these projects amounted to 21.8 MDKK (2016: 17.4 MDKK).

At 31 December, no such development projects have been found which fulfill the criteria for capitalisation and a following recognition in the Company's balance sheet.

## **MANAGEMENT'S REVIEW**

### **Statutory corporate social responsibility report**

No special description of the politics with regards to social responsibility, including environment, climate and human rights for the Company have been prepared, as the Company is included in the BASF group formal guidelines.

A reference to the description in the annual report for BASF SE for 2017 is therefore made.

<https://www.basf.com/en/company/sustainability.html>

### **Environmental performance**

In 2017, the overall company strategy was founded on environment, health and safety.

Operations have been based on sound focus on environment, health and safety policies supporting the objectives that have been developed from the BASF Group's policy in these areas.

The vision is to act responsibly based on the "Responsible Care" principle.

### **Statutory report on underrepresented gender in Management**

The Board consist of five members; two staff representatives and three appointed (two male and one female).

The Board of Directors has decided that the target for the participation of the underrepresented gender in the Board of Directors should be 33% in 2017. This target was achieved in 2016 and will be unchanged for 2018.

Policy: The Company has worked out a policy which should assist to increase the participation of the underrepresented gender at the other management levels.

Actions: We hire the best candidates, but at the same time we try to attract qualified women to management positions.

Results: The target for the share of the underrepresented gender at the other management levels in the Company has been set to 40% and we increased to 29% by the end of 2017 from 26% in 2016.

### **Events after the balance sheet date**

No relevant events.

### **Expected development**

For 2018, the turnover is expected to be lower than 2017 as a result of cease of grout production at our Rødekro site.

We expect a profit before tax around 30m DKK. This will be higher than in 2017 where we had high costs due to restructuring of the sales force.

### **Group structure**

The Company is included in the consolidated financial statements of BASF SE, Ludwigshafen, Germany.

A copy of the consolidated financial statements of the Group can be requested from BASF A/S.

BASF SE, Carl-Bosch-Strasse 38, 67056 Ludwigshafen, Germany, Idnr. DE 149 145 247  
is registered as owner of the share capital of 1,029.2 MDKK.



**INCOME STATEMENT**

Notes

Financial Statements 1 January - 31 December

1

		2017	2016
		KDKK	KDKK
Revenue	2	<u>1,322,535</u>	<u>1,262,790</u>
Cost of sales		(604,846)	(772,446)
Change in inventory of finished goods and work in progress		<u>(136,597)</u>	<u>90,201</u>
<b>GROSS PROFIT</b>		<b><u>581,092</u></b>	<b><u>580,545</u></b>
Other operating income	3	-	47,534
Other external expenses		(223,795)	(198,578)
Staff costs	4	(196,217)	(180,085)
Amortisation on intangible assets	5	(907)	(924)
Depreciation on property, plant and equipment	6	<u>(147,171)</u>	<u>(147,092)</u>
Other operating costs		(155)	0
<b>OPERATING PROFIT</b>		<b><u>12,847</u></b>	<b><u>101,401</u></b>
Financial income	7	2,027	3,034
Financial expenses	7	<u>(3,152)</u>	<u>(6,570)</u>
<b>PROFIT BEFORE TAX</b>		<b><u>11,723</u></b>	<b><u>97,865</u></b>
Tax on profit for the year	8	<u>(929)</u>	<u>(11,834)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>10,793</u></b>	<b><u>86,031</u></b>
<b>PROPOSED PROFIT APPROPRIATION</b>			
The Board of Directors proposes the profit for the year distributed as follows:			
Proposed dividend for the financial year		<u>10,000</u>	<u>86,000</u>
Retained earnings		<u>793</u>	<u>31</u>

**BALANCE SHEET AT 31 DECEMBER**
**Notes**
**ASSETS**
**2017 2016**
**NON-CURRENT ASSETS**
**Software**
**KDKK KDKK**
**Intangible assets**
**9 933 1.839**
**Land and buildings**
**393.062 435.404**
**Plant and machinery**
**299.476 392.192**
**Fixtures and fittings, tools and equipment**
**3.767 3.608**
**Property, plant and equipment under construction**
**22.776 4.720**
**Property, plant and equipment**
**10 719.082 835.924**
**TOTAL NON-CURRENT ASSETS**
**720.014 837.763**
**CURRENT ASSETS**
**Raw materials and consumables**
**115.726 48.657**
**Work in progress**
**11.266 14.516**
**Manufactured goods and goods for resale**
**104.354 237.701**
**Inventories**
**231.346 300.874**
**Trade receivables**
**48.005 50.359**
**Receivables from group entities**
**11 248.632 149.606**
**Other receivables**
**16.021 6.714**
**Income tax receivables**
**12 - 2.168**
**Prepayments**
**13 1.425 824**
**Total receivables**
**314.084 209.671**
**Cash at bank and in hand**
**191 163**
**TOTAL CURRENT ASSETS**
**545.620 510.708**
**TOTAL ASSETS**
**1.265.635 1.348.471**



**BALANCE SHEET AT 31 DECEMBER**

Notes

**EQUITY AND LIABILITIES****EQUITY**

Share capital  
Retained earnings  
Proposed dividends for the financial year  
**TOTAL EQUITY**

	2017 <u>KDKK</u>	2016 <u>KDKK</u>
14	1.029.200	1.029.200
	1.249	455
	10.000	86.000
	<u>1.040.449</u>	<u>1.115.655</u>

Provisions for deferred tax  
**TOTAL PROVISIONS**

15	5.488	16.953
	<u>5.488</u>	<u>16.953</u>

**LIABILITIES OTHER THAN PROVISIONS**

Non-current liabilities other than provisions  
**Non-current liabilities other than provisions**

16	8.513	15.905
	<u>8.513</u>	<u>15.905</u>

**Current liabilities**  
Current portion of non-current liabilities other than provisions  
Prepayments received from customers  
Trade payables  
Payables to group entities  
Corporation tax payables  
Other payables  
**Current liabilities other than provisions**

16	7.224	7.400
	55	0
	32.623	38.740
	76.454	84.326
12	10.081	-
17	84.750	69.492
	<u>211.186</u>	<u>199.958</u>

**TOTAL LIABILITIES OTHER THAN PROVISIONS**

	<u>219.699</u>	<u>215.863</u>
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**TOTAL EQUITY AND LIABILITIES**

	<u>1.265.635</u>	<u>1.348.471</u>
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**Contingent liabilities**

18

**Fees to the auditor appointed at the general meeting**

19

**Currency and interest rate exposure, credit risks and financial instruments**

20

**BASF Group Trading partners**

21

**STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER**

	Share capital KDKK	Retained earnings KDKK	Proposed dividend for the year KDKK	Total KDKK
<b>Equity at 1 January 2016</b>	<b>1.029.200</b>	<b>455</b>	<b>139.000</b>	<b>1.168.655</b>
Dividend paid	-	-	(139.000)	(139.000)
Transfer	-	(31)	-	(31)
Profit for the year	-	-	86.031	86.031
<b>Equity at 1 January 2017</b>	<b>1.029.200</b>	<b>424</b>	<b>86.031</b>	<b>1.115.655</b>
Dividend paid	-	-	(86.000)	(86.000)
Transfer	-	-	-	-
Profit for the year	-	793	10.000	10.793
<b>Equity at 31 December 2017</b>	<b>1.029.200</b>	<b>1.217</b>	<b>10.031</b>	<b>1.040.449</b>

## **Notes**

### **1. Financial Statements 1 January - 31 December ACCOUNTING POLICIES**

The annual report of BASF A/S is prepared in accordance with the provisions applying to reporting class C (large) entities under the Danish Financial Statements Act.

The accounting policies are unchanged compared to last year.

#### **Cash flow statement**

Pursuant to section 86(4) of the Danish Financial Statements Act, a cash flow statement is not prepared.

#### **Intercompany mergers**

When applying intercompany mergers, the uniting-of-interests method has been used.

#### **Foreign currency translation**

On initial recognition, transactions in foreign currency are translated at the exchange rate of the transaction date. Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Currency exchange rate differences occurring between the transaction date rate and the rate on the payment date are included in the income statement as financial income and expenses.

#### **Derivative financial instruments**

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised as other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognised asset or a recognised with the requirements for the income statement together with changes in the value of the hedged asset or the hedged liability.

For derivative financial instruments that do not fulfil the hedging requirements, the changes in the fair value are recorded in the income statement as financial income and expenses.

#### **Income statement**

##### **Revenue**

Revenue from the sale of commodities and finished goods is included in the income statement when delivery and transfer of risk to the buyer has taken place.

Revenue is included excluding VAT, duties and rebates in connection with the sale.

The Company receives commission from the parent company and some larger units in the BASF Group regarding agency activities.

Commissions are included in the same month as the agency activities take place.

##### **Cost of sales**

Cost of sales includes the directly related consumption of goods sold and landing costs.

Cost of sales includes in addition the research and development costs as far as these costs cannot be assessed for recording in the balance sheet.

##### **Other external expenses**

Other external expenses include all other external costs that do not relate to consumption of goods, personnel costs, depreciation and financial expenses, e.g. freight, rent and travel costs.

##### **Staff costs**

Staff costs consist of salaries and wages, including holiday allowances and pensions as well as other costs for social security, etc., of the employees in the Company. In the staff costs compensations from the public authorities have been deducted.

## Notes

### 1. Financial Statements 1 January - 31 December ACCOUNTING POLICIES

#### Share-based incentive scheme

The value of services received as compensation for allocated cash-settled options are recognised at the value of the options' intrinsic value, which is the difference between the option exercise price and the market price of the shares in BASF SE at the balance sheet date. The liability related to the options is adjusted at each balance sheet date and at final settlement. Adjustments of the valuation of the options are included in the income statement under personnel costs pro rata over the vesting period. The counter entry is included under liabilities in the balance sheet.

#### Financial income and expenses

Financial income and expenses include interest income and interest expense, realised and unrealised exchange gains and losses regarding payables, receivables and transactions in foreign currencies and surcharges and refunds under the on-account tax scheme.

#### Tax for the year

Tax for the year, which includes current tax for the year and changes in deferred tax, is included in the income statement by the tax expense relating to the profit/loss for the year. The tax expense directly relating to items in equity are recognised directly in the equity.

### BALANCE SHEET

#### Intangible assets

Intangible assets include software.

Software is recognised as costs at purchase price. Intangible assets are amortised on a straight-line basis over the assets' expected useful lives, which are determined to be 5 years.

The carrying value is continuously assessed and written down to a lower realisable value in the income statement if the carrying value exceeds the estimated future net cash flows from the activity to which the intangible asset relates.

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The cost comprises the acquisition price, costs directly attributable to the acquisition, and costs of preparing the asset for intended use. For company-manufactured assets, cost comprises of direct and indirect costs of materials, components, sub-suppliers and labour costs.

Interest expenses on loans for financing the manufacturing of property, plant and equipment are included in cost if they relate to the manufacturing period.

The basis of depreciation is cost less estimated residual value at the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful life of the assets:

Buildings	30 years
Production buildings	10-20 years
Installations in buildings	10-25 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

Property, plant and equipment are written down to a lower recoverable amount if this is lower than the carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and the carrying value at the time of sale.

Losses are recognised in the income statement together with depreciation and impairment losses. Profits are recognised as other operating income.



## **Notes**

### **1. Financial Statements 1 January - 31 December ACCOUNTING POLICIES**

#### **Inventories**

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consist of purchase price plus landing costs. The costs of manufactured goods and work in progress consist of costs of raw materials, consumables and direct labour costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included.

The net realisable value of inventories is calculated as the estimated selling price less costs to complete and cost of sale.

#### **Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy.

The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

#### **Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost which usually corresponds to the nominal value.

#### **Cash and cash equivalents**

Cash and cash equivalents include bank deposits.

Receivables on the group cash-pool arrangement is not recognised as cash and cash equivalents, but is included in the liability/receivable with group enterprises.

## Notes

### 1. Financial Statements 1 January - 31 December ACCOUNTING POLICIES

#### Leases

Leases concerning fixed assets, where the company has substantially all of the risks and rewards incidental to ownership (finance leases), is initially recognised in the balance to the lower of the market value or the net present value of the future lease payments. In the calculation of the net present value, the discounted interest rate in the lease or the incremental borrowing rate is used. Finance lease assets are presented as other assets owned by the company.

The capitalised lease obligation is included in the balance sheet as a liability at amortised cost, where the interest element of the lease payment is included in the income statement over the contractual period.

All other leases are treated as operating leases. The lease payments in connection with operating leases and other tenancy agreements are included in the income statement straight-line over the contractual period. The total obligation concerning operating leases and tenancy agreements is explained under contractual obligations etc. in the notes.

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

#### Provisions

Provisions comprise anticipated costs of decided and published restructurings, etc. Provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to fall due more than one year after the balance sheet date are discounted using an average bond yield.

#### Corporation tax and deferred tax

Current tax liabilities and tax receivables, respectively, are included in the balance sheet.

Deferred tax is measured according to the balance-sheet liability method for all temporary differences between the carrying amount and tax value of assets and liabilities, where the tax value of the assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax value of tax loss carryforwards, are included in the balance sheet at the value at which the asset can be expected to be realised, either by off-setting towards the deferred tax liabilities or as net tax assets.

The Company is jointly taxed with the other Danish subsidiaries and branches in the BASF Group and branches. The current Danish corporation tax is distributed between the jointly taxed Danish entities in relation to their taxable income (full allocation with reimbursement regarding tax losses). The Company is the administrative company in the joint taxation.

#### Liabilities other than provisions

These liabilities are measured at amortised cost, which usually corresponds to the nominal value.

#### Segment Information

Disclosures are provided on business segments (primary segment) and geographical markets (secondary segment). The segmental disclosures comply with the Company's accounting policies and internal financial management.

#### Financial ratios

The financial ratios have been calculated as follows:

Gross margin	=	$\frac{\text{Gross profit or loss} \times 100}{\text{Revenue}}$
Operating margin	=	$\frac{\text{Operating profit or loss} \times 100}{\text{Revenue}}$
Return on invested capital	=	$\frac{\text{Operating profit or loss} \times 100}{\text{Average invested capital}}$
Return on equity	=	$\frac{\text{Profit or loss for the year} \times 100}{\text{Average equity}}$
Solvency ratio	=	$\frac{\text{Equity} \times 100}{\text{Total equity and liabilities at year end}}$
Invested Capital	=	Operational intangibles and property, plant and equipment as well as net working capital

## Notes

### 2. Segmental information

Revenue	2017	2016
<b>Activities, primary segment</b>	<b>KDKK</b>	<b>KDKK</b>
Agricultural and nutrition	539.862	489.291
Pharma/Food	545.331	495.777
Other fine chemicals	-	-
Chemicals	10.969	9.827
Special chemicals	6.014	7.816
Plastics	1.989	2.253
Construction chemicals	144.284	188.133
Not allocated	74.087	69.694
<b>Total revenue</b>	<b>1.322.536</b>	<b>1.262.790</b>

For revenue, the secondary segment can be specified as follows:

#### Geography

Domestic market	258.505	255.158
EU countries	576.723	567.405
NAFTA countries	51.902	45.812
Other countries	397.810	366.642
<b>Total net sales</b>	<b>1.284.940</b>	<b>1.235.017</b>
Commission regarding sales on the domestic market (Agency sales)	37.595	27.773
<b>Total revenue</b>	<b>1.322.536</b>	<b>1.262.790</b>

The total revenue including agency sales can be specified as follows:

Own revenue excluding commissions	1.284.940	1.235.017
Agency sales	895.051	829.370
<b>Total revenue inclusive agency sales</b>	<b>2.179.991</b>	<b>2.064.387</b>

### 3. Other operating income

The gain on sale of Land & building amounts to 47.5 MDKK in 2016

### 4. Staff costs

Wages and salaries	177.185	160.686
Pensions	16.455	16.757
Other social security costs	2.577	2.643
<b>Total staff costs</b>	<b>196.217</b>	<b>180.086</b>

Included in Staff costs, is severance payments of 2.1 MDKK (2016: 2.4 MDKK)

<b>Total remuneration for Executive Management</b>	<b>3.096</b>	<b>3.129</b>
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<b>Average number of employees</b>	<b>271</b>	<b>261</b>
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Certain executive officers of the Company are entitled to receive cash-settled share options in BASF SE.

The Company's liability relating to this scheme is included in the other payables	<b>2.220</b>	<b>2.821</b>
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### 5. Amortisation on intangible assets

Software	(906)	(924)
<b>Total amortisation on intangible assets</b>	<b>(906)</b>	<b>(924)</b>

### 6. Depreciation on property, plant and equipment

Land & Buildings	(44.232)	(44.004)
Plant & Machinery	(102.282)	(101.814)
Fixtures, fittings, tools & equipment	(658)	(1.274)
Property & plant under construction	-	-
<b>Total depreciation on property, plant and equipment</b>	<b>(147.172)</b>	<b>(147.092)</b>



## Notes

### 7. Financial income and expenses

	2017	2016
	KDKK	KDKK
Foreign exchange gains	1.833	3.022
Interest on tax on account	195	12
<b>Total financial income</b>	<b>2.027</b>	<b>3.034</b>
Interest and charges, bank loans	(4)	-
Interest expense to group entities	0	(9)
Foreign exchange losses	(2.160)	(5.203)
Other financial expenses (leasing)	(988)	(1.358)
<b>Total financial expenses</b>	<b>(3.152)</b>	<b>(6.570)</b>

### 8. Tax on profit for the year

Calculated tax of the year's taxable income	14.295	18.329
The year's adjustment of deferred tax	(11.465)	(5.375)
Correction of deferred tax, beginning of year	(1.900)	(1.120)
Adjustment of tax, previous years		
<b>Tax on profit for the year</b>	<b>929</b>	<b>11.834</b>

### 9. Software

Cost at 1 January 2017	11.985	11.985
Additions	-	-
Disposal	(206)	-
<b>Cost at 31 December 2017</b>	<b>11.779</b>	<b>11.985</b>
Amortisation and impairment losses at 1 January 2017	(10.146)	(9.222)
Amortisation for the year	(906)	(924)
Amortisation regarding the year's disposal	206	-
<b>Amortisation and impairment losses at 31 December 2017</b>	<b>(10.846)</b>	<b>(10.146)</b>
<b>Book value at 31 December</b>	<b>933</b>	<b>1.839</b>

### 10. property, plant and equipment

	Land and buildings KDKK	Plant and machinery KDKK	Fixtures, fittings tools and equipment KDKK	Property & equipment under construction KDKK	Total KDKK
Cost at 1 January 2017	951.661	1.503.304	58.143	4.720	2.517.828
Additions	1.890	9.565	973	19.693	32.121
Disposals		(52)	(5.534)	(1.636)	(7.222)
<b>Cost at 31 December 2017</b>	<b>953.551</b>	<b>1.512.817</b>	<b>53.582</b>	<b>22.777</b>	<b>2.542.727</b>
Depreciation and impairment losses at 1 Jan 2017	(516.257)	(1.111.112)	(54.535)	-	(1.681.904)
Depreciation for the year	(44.232)	(102.282)	(658)	-	(147.172)
Depreciation regarding the year's disposals		52	5.379	-	5.431
<b>Depreciation and impairment losses at 31 Dec 2017</b>	<b>(560.489)</b>	<b>(1.213.342)</b>	<b>(49.814)</b>	<b>-</b>	<b>(1.823.645)</b>
<b>Book value at 31 December 2017</b>	<b>393.062</b>	<b>299.475</b>	<b>3.768</b>	<b>22.777</b>	<b>719.082</b>
<b>Book value at 31 December 2016</b>	<b>435.404</b>	<b>392.192</b>	<b>3.608</b>	<b>4.720</b>	<b>835.924</b>

The leased tanks are presented as land and buildings with the amount 5.6 MDKK (2016: 14.6 MDKK)



## Notes

### 11. Receivables from / Payables to group entities

The item receivable includes an intra-group cash-pool of 154.3 MDKK (2016: 96.2 MDKK)

### 12. Corporation tax payable/receivable

Calculated tax of the year's taxable income  
Prepaid tax during the year  
Total tax payable

	2017	2016
	KDKK	KDKK
	(14.295)	(18.329)
	4.214	20.497
	<u>(10.081)</u>	<u>2.168</u>

### 13. Prepayments

The item primarily consists of prepaid insurance.

### 14. Share capital

The share capital consists of 94,420 shares of 10 KDKK each, 8 shares of 10 MDKK each and 1 share of 5 MDKK each.  
The shares are not divided into classes.

In the last five years, the following changes have been made to the share capital:

Share capital at 1 January 2012  
Capital increase at 2 December 2013

	KDKK
	95.500
	<u>933.700</u>
	<u>1.029.200</u>

Share capital at 31 December 2017

### 16. Provisions for deferred tax

Deferred tax at 1 January  
Adjustment of deferred tax, beginning of year  
The year's adjustment of deferred tax  
Deferred tax at 31 December

	2017	2016
	KDKK	KDKK
	(16.953)	(22.327)
	(87)	(1.263)
	11.553	6.637
	<u>(6.487)</u>	<u>(16.953)</u>

Provisions for deferred tax relate to:

Intangible assets  
Property, plant and equipment  
Inventories  
Receivables  
Provisions  
Total  
Tax rate  
Deferred tax

	2017	2016
	(933)	(1.839)
	(5.834)	(54.915)
	(29.624)	(27.277)
	-	-
	11.448	6.973
	<u>(24.943)</u>	<u>(77.058)</u>
	22,0%	22,0%
	<u>(5.488)</u>	<u>(16.953)</u>

## Notes

### 16. Current and non-current liabilities other than provisions

	2017	2016
	<u>KDKK</u>	<u>KDKK</u>
Finance lease due between 0-1 years	7.224	7.400
Finance lease due between 1-5 years	7.956	13.026
Finance lease due over 5 years	557	2.710
<b>Non-current liabilities other than provisions</b>	<b>15.737</b>	<b>23.136</b>

### 17. Other payables

VAT and duties	-	6.433
Other taxes	4.997	
Wages and salaries, social security costs, holiday allowance	79.752	49.591
Other costs payable	-	13.468
<b>Total other payables</b>	<b>84.750</b>	<b>69.492</b>

### 18. Contingent liabilities, contractual obligations etc.

The Company is a part of the compulsory joint taxation with the Danish BASF companies and branches.

The companies have unlimited joint and several liability for Danish corporation taxes and withholding taxes with in the joint taxation group.

	2017	2016
<b>Operating leases</b>		
Operating leases have been entered into for the period 2018 to 2023 concerning rental of office premises, servers, oil tanks and leasing cars:	<u>KDKK</u>	<u>KDKK</u>
The contracts have termination periods between 3 to 60 months.	40.085	27.400

Furthermore, The Company has a guarantee commitment on company credit cards issued to the employees of 6.5 MDKK

The Company has some running warranty claims not finalized yet, but all costs related to this will be recharged to the manufacturing company according to an agreement with the manufacturer.

## Notes

### 19. Fees to the auditor appointed at the general meeting

	2017	2016
	KDKK	KDKK
Statutory audit	453	453
Tax assistance	-	-
Other assurance engagements	-	-
Non-audit services	-	-
<b>Total fees to KPMG</b>	<b>453</b>	<b>453</b>

### 20. Currency and interest rate exposure, credit risks and financial instruments

Currency exposure - recognised transactions	Receivables and cash KDKK	Liabilities other than provisions KDKK	Hedged portion KDKK	Net position 2017 KDKK	Net position 2016 KDKK
USD	962	(1)	-	961	(1.259)
EUR	45.819	(5.700)	(43.907)	(3.788)	3.027
GBP	1.933	(685)	-	-	791
SEK	651	(4)	-	648	423
NOK	840	-	-	840	202
Other	946	(481)	-	464	529
<b>Total currency exposure</b>	<b>51.151</b>	<b>(6.870)</b>	<b>(43.907)</b>	<b>(874)</b>	<b>3.714</b>

The Company uses hedging instruments such as forward contracts to hedge recognised transactions. Hedging of recognised transactions includes receivables and liabilities other than provisions.

At 31 December 2017, unrealised net losses on derivative financial instruments for currency hedging totalled 15 KDKK

Currency exposure - recognised transactions	Contract value 2017 KDKK	Contract value 2016 KDKK	gains/ (losses) 2017 KDKK	gains/ (losses) 2016 KDKK
Currency bought on future deals	43.907	41.636	15	7
<b>Total currency exposure on futures</b>	<b>43.907</b>	<b>41.636</b>	<b>15</b>	<b>7</b>

Forward contracts concern hedging of receivables from sale and payables from purchase of goods, see BASF accounting policies.

### Currency and interest rate exposure, credit risks and financial instruments

	2017	2016
	KDKK	KDKK
<b>Interest rate exposure from Group Companies</b>		
Contractual dates reassessment and repayment of financial assets		
Receivables from group entities	155.798	100.633
Payables to group entities	-	-

None of the above assets and liabilities fall due after more than one year. For further description of the interest risks, please refer to the Management's review.

### Credit exposure

<b>Trade receivables</b>	<b>48.005</b>	<b>50.359</b>
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The customers are mainly large domestic and foreign companies. The Company has experienced very few losses on its receivables.



## Notes

### 21. Related parties

#### Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

#### Companies

Related parties exercising control: The parent company BASF SE, Ludwigshafen, Germany  
BASF SE holds 100 % of the shares in BASF A/S. BASF A/S is part of the consolidated financial statements of BASF SE.  
The consolidated financial statements of BASF SE can be obtained on <https://www.basf.com/en/company/investor-relations.html>

Related parties also include group enterprises, Executive Board and the Board of Directors, management employees as well as their close family members. Moreover, related parties include companies in which the above-mentioned list of persons have major interests.

Other related parties with whom the Company had postings at the end of 2017:

BASF AB, Haraldsgatan 5, SE-41314 Göteborg, Sweden  
BASF AS, Lilleakerveien 2C, NO-1327 Lysaker, Norway  
BASF OY, Tammasaarenkatu 3, FIN-00180 Helsinki, Finland  
BASF Coatings Services AB, Transportgatan 37, S-42502 Hisings Kärna, Sweden  
BASF UAB, Tauro 12, LT 01114 Vilnius, Lithuania  
BASF SIA, Lambertu iela 33B, Rīgas Raj, Latvia  
BASF PLC, Cheadle Hulme, Earl Road, SK8 6QG Cheadle, England  
Pronova BioPharma Norge AS, Lilleakerveien 2C, NO-0283 Oslo, Norway  
BASF Nederland BV, Groningensingel 1, 6835 EA Arnhem, Netherlands

#### Activities

In 2017, transactions between the above-mentioned group enterprises and BASF A/S have taken place.

All transactions with related parties have been carried out on an arm's length basis.

The main part of purchases has been carried out with the holding company as well as the received commission regarding agency sales mainly originates from that side.

The other three Nordic companies and BASF A/S act as one organisation, and a considerable Nordic cooperation has been established within areas such as business management, order handling, sales and technical customer advice and of services administration between the companies.

BASF A/S has a cooperation within management, sales and technology as well as administration with BASF AB, BASF AS, BASF OY  
BASF A/S has a cooperation within agriculture with BASF UAB & BASF SIA

BASF A/S has an agreement with BASF Coatings Services AB in Denmark where BASF A/S has provided services within environment, HR, Finance and renting offices

BASF Coordination Center takes care of the surplus/need of cash in BASF A/S

BASF A/S buys IT services from BASF Business Services B.V., Arnhem (NL), Filiaal Wädenswil, CH-8820 Wädenswil/AU Appital, CH

BASF A/S has a cooperation concerning trade as well as leasing of computers and mobile phones with BASF Nederland B.V.

BASF A/S receives shared services from BASF Services Europe GmbH

BASF A/S has a cost manufacturing agreement with Pronova BioPharma Norge AS regarding the Kalundborg site and the remaining costs after the mothballing of the site

BASF A/S has a limited number of transactions with other group enterprises regarding commission agency business

# Notes

## 21. Related parties

Complete list of BASF companies with whom BASF A/S has had transactions with during 2017

Company name	City	Country	EU	Non-EU
BASF SE	Ludwigshafen	DE	x	
BASF Coatings GmbH	Muenster	DE	x	
PCI AUGSBURG GMBH	AUGSBURG	DE	x	
BASF BELGIUM COORDINATION CENTER	Antwerpen	BE	x	
BASF Construction Chemicals	TREVISO	IT	x	
BASF Nederland B.V.	Arnhem	NL	x	
BASF AS	Oslo	NO	x	
BASF AB	Goeteborg	SE	x	
BASF PLC	Cheadle	GB	x	
BASF CONSTRUCTION CHEMICALS	Zürich	CH	x	
BASF Schweiz AG	Basel	CH	x	
BASF Company Ltd.	SEOUL	KR		x
BASF CORPORATION	FLORHAM PARK	US		x
BASF COATINGS SERVICES AB	HISINGS BACKA	SE	x	
BASF FRANCE S.A.S.	Levallois Perret	FR	x	
BTC Europe GmbH	Monheim am Rhein	DE	x	
BASF Oy	Helsinki	FI	x	
BASF Agro B.V. Arnhem (NL)	Zuerich	CH	x	
BASF Intertrade AG	Zug	CH	x	
BASF Business Services GmbH	Ludwigshafen	DE	x	
BASF Construction Chemicals	Dubai	AE		x
BASF Construction Chemicals	L'Hospitalet de Llobregat	ES	x	
BASF Agricultural Specialities	Ecully	FR	x	
BASF UAB	Vilnius	LT	x	
BASF SIA	Riga	LV	x	
BASF Services Europe GmbH	Berlin	DE	x	
BASF Business Services	Ludwigshafen	DE	x	
Construction Research & Techno	Trostberg	DE	x	
BASF Construction Solutions Gm	Trostberg	DE	x	
BASF Personal Care and	Monheim	DE	x	
PRONOVA BIOPHARMA NORGE AS	Oslo	NO	x	
BASF Agricultural Specialities	CHEADLE	GB	x	
Wintershall Noordzee B.V.	Rijswijk	NL	x	
BASF S.A.	SAO PAULO	BR		x
BASF BELGIUM COORDINATION CENTER	Antwerpen	BE	x	
BASF IRELAND LTD.	CORK	IE	x	
BASF CANADA INC	Mississauga	CA		x
BASF MEXICANA S.A. DE C.V.	DEL. BENITO JUAREZ	MX		x
BASF AUSTRALIA LTD.	Southbank	AU		x
BASF (Thai) Limited	Bangkok	TH		x
BASF Polyurethanes GmbH	Lemförde	DE	x	
BASF Srbija d.o.o.	Belgrad (Novi Beograd)	RS		x
BASF Polska Sp. z o.o.	Warszawa	PL	x	
BASF T.O.V. LLC	Kyiv	UA		x
BASF Stavební hmoty Ceska	CHRUDEM	CZ		x
BASF CONSTRUCTION CHEMICALS	SHANGHAI	CN		x
BASF Belgium Coordination	Antwerpen	BE	x	
BASF Construction Solutions GmbH	Trostberg	DE	x	
CropDesign N.V.	Zwijnaarde	BE	x	
BASF CONSTRUCTION CHEMICALS LTDA.	PUDAHUEL	CL		x
BASF Türk Kimya Sanayi	Istanbul	TR		x
BASF West Africa Ltd.	Lagos	NG		x
BASF Maroc S.A.	Casablanca	MR		x
OOO BASF Stroitelnye Sistemy	Moscow	RU		x
Jordanian Swiss Company for Manufacturing & Chemicals Ltd.	Amman	JD		x
BASF New Business GmbH	Ludwigshafen	DE	x	
Trinamix GmbH	Ludwigshafen	DE	x	
BASF Chile S.A.	Santiago	CL		x
BASF Japan Ltd.	Tokyo	JP		x
BASF Colors & Effects GmbH	Ludwigshafen	DE	x	
TOTAL			60	40
				20