

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

CVR no. 17 41 26 12

Annual Report for 2020

Approved at the Company's Annual General Meeting on May 25 2021

CHAIRMAN OF THE ANNUAL GENERAL MEETING



Mark Meier (May 25, 2021 13:08 GMT+2)

Mark Meier

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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	Harald Pflanzl
Managing Director	Mark Meier
Board Member	Susanne Knigge
Employee representative	Jørgen Holm
Employee representative	Katrine Kortegaard

EXECUTIVE BOARD

Managing Director	Mark Meier
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AUDITOR

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

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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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.

Copenhagen, Denmark

May 25 2021

BASF A/S

Executive Board



Mark Meier (May 25, 2021 13:08 GMT+2)

Mark Meier

Board of Directors



Harald Pflanzl (May 25, 2021 20:06 GMT+2)

Harald Pflanzl
Chairman



SUSANNE KNIGGE (May 25, 2021 14:04 GMT+2)

Susanne Knigge
Board Member



Mark Meier (May 25, 2021 13:08 GMT+2)

Mark Meier
Managing Director



Jørgen Holm (May 25, 2021 13:09 GMT+2)

Jørgen Holm
Employee Representative



Katrine Kortegaard (May 25, 2021 16:02 GMT+2)

Katrine Kortegaard
Employee Representative

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 2020 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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 rules and 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 financial statement 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.
- 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, Date:

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

David Olafsson

David Olafsson (May 31, 2021 09:59 GMT+2)

David Olafsson

Statsaut. revisor

State Authorised Public Accountant

MNE no. 19737

MANAGEMENT'S REVIEW

Financial highlights

Key figures in MDKK	2020	2019	2018	2017	2016
Net sales	1.051,2	897,9	1.161,3	1.195,2	1.262,8
Gross profit	422,4	408,4	490,7	453,8	580,5
Operating profit/loss	91,6	25,3	35,1	12,9	101,5
Net financials	(5,0)	1,2	2,0	1,1	3,5
Profit/loss for the year before tax	86,6	24,1	33,2	11,7	98,9
Profit/loss for the year	67,4	18,5	17,3	10,8	86,0
Inventories	329,6	377,0	417,2	231,3	300,9
Accounts receivable	820,8	321,6	271,2	296,6	199,8
Equity	1.133,7	1.066,3	1.047,8	1.040,4	1.115,7
Total assets	1.267,0	1.184,2	1.305,9	1.265,6	1.348,5
Invested capital	459,0	958,6	960,2	884,5	1.015,0
Investments in property, plant, equipment	3,1	12,9	18,6	30,5	8,4
Financial ratios	2020	2019	2018	2017	2016
Gross margin	40,2%	45,5%	42,3%	38,0%	46,0%
Profit margin	8,7%	2,8%	3,0%	1,1%	8,0%
Return on invested capital	12,9%	2,6%	3,8%	1,4%	9,8%
Return on equity	6,1%	1,8%	1,7%	1,0%	7,7%
Equity ratio	89,5%	90,0%	80,2%	82,2%	82,7%

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

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 Company sells a broad range of chemical products from BASF's broad product range.

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 production site in Rødekro produces and sells products that are used in the construction industry. This business unit was sold to a private equity fund in November 2020. This divestment generated a one-off income to the Company of ca. 37 MDKK.

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 characterised as API (Active Pharmaceutical Ingredients). The production has been mothballed since January 2015 and was sold to a third party in September 2020.

MANAGEMENT'S REVIEW

Development in activities and financial position

The revenue from the agricultural business increased by 6%.

We expect an increase of the sales in 2021 as we plan to launch new products in 2021 within Cereal Fungicides.

The Company's net sales within Food and Nutrition products increased by 17% during 2020. Vitamins A and D accounted for the main part. Vitamins A and D are deemed to boost the immune system and Covid-19 has caused a surge in intake and consequently sales.

The Food and Nutrition production volumes rose in 2020 compared to prior year and almost no idle capacity cost was generated in 2020. Inventory reduction initiatives such as close down of production, were unnecessary thanks to the high demand.

In 2021, sales volumes with in Nutrition are expected to be almost at level with 2020, but markets are unpredictable and depending on the success to combat the pandemic.

For the construction business, the annual report only reports for ten months as the business unit was carved out of BASF A/S by 1. November 2020. The overall sales in Denmark decreased by 19% compared to 2019.

The commissions received for the agency business decreased 26% due to changes in the invoicing model (Project Switch) for the agency business. Therefore, the commissions paid by the Company to other group companies has also diminished during 2019-2020.

Overall, the gross profit increased by 14 MDKK in 2020 compared to 2019.

The Company did not distribute dividends in years 2018 - 2020.

The profit before tax amounted to 86.6 MDKK compared to 24.1 MDKK in 2019 is considered satisfying.

Compared to earlier given information, the turnover and profit were as expected.

Special risks

Operating risks

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

The sale of agricultural products depends to a wide extent on the weather.

Financial risks

The parent company, BASF SE, manages the financial risks centrally and coordinates the Group's liquidity including financing and 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 hedge 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 2020, the Company had five forward exchange contracts.

MANAGEMENT'S REVIEW

Interest rate risks

The Company's net interest-bearing position is interest-bearing deposits, which was a net receivable of 688 MDKK in 2020 compared to a net receivable of 108 MDKK in 2019.

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 2020, 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 6.9 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.

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 etc.

In 2020, 1.4 MDKK was spent on staff training.

Staff with higher education accounts for about 36% of the salaried employees.

Employee turnover was approximately 3.7% in 2020.

Research and development activities

In 2020 research and development activities were performed in close cooperation with the Parent Company.

In 2020, the costs for R&D projects amounted to 3.5 MDKK (2019: 11.3 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.

Statutory corporate social responsibility report

The Company has not prepared any own description of the politics with regard to social responsibility, including environment, social and staff matters, anticorruption and bribery, climate and human as the Company is included in the BASF group guidelines. A reference to the description in the annual report for BASF SE for 2020 for CSR is therefore made.

<https://bericht.basf.com/2020/en/>

Environmental performance

In 2020, 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.

<https://www.basf.com/global/en/who-we-are/sustainability.html>

MANAGEMENT'S REVIEW

Statutory report on underrepresented gender in Management

The Board consists of five members; two staff representatives and three members appointed by The Company (two male and one female). The Board of Directors has decided that the target for the participation of the underrepresented gender in the Board should be 33% in 2020. This result was 40% in 2020 and the target at 33% will remain unchanged in for 2021.

Policy: The Company has worked out a policy which should assist to increase the participation of the underrepresented gender at the other management levels. This is also incorporated in the Company's Talent Programs to promote leaders from both genders. The Company performs a Job Grading of all positions with salary bands. This prevents anyone being paid below the bands. The Company offers attractive conditions concerning maternity and paternity leave.

Actions: We continue to 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 increased to 33% by the end of 2020 from 32% in 2019. Comparing to the chemical sectors, The Company performs above average concerning representing both genders more equally.

Events after the balance sheet date

Corona Outbreak

The Company experienced a minor effect of the Corona virus pandemic on the sales and profits of the Company during 2020 and a similar effect is expected in 2021. The Company's main sales are in agricultural products and health and nutrition area, which are less affected of the consequences of the virus.

The Company's Management monitors closely the development in the situation and the steering of the Company is adjusted accordingly.

Expected development

For 2021, despite the Corona outbreak, the turnover is expected to be higher than in 2020 due to changes in BASF's global invoicing model and fixed costs are expected to develop stable.

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

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		2020 KDKK	2019 KDKK
Revenue	2	1.051.189	897.879
Cost of sales		(648.833)	(491.693)
Change in inventory of finished goods and work in progress		20.008	2.172
GROSS PROFIT		422.364	408.358
Other operating income	3	70.118	147.154
Other external expenses		(187.510)	(189.646)
Staff costs	4	(194.243)	(198.717)
Amortisation on intangible assets	5	(1.979)	(1.549)
Depreciation on property, plant and equipment	6	(17.140)	(140.300)
Other operating costs		(12)	-
OPERATING PROFIT		91.598	25.300
Financial income	7	18.223	5.017
Financial expenses	7	(23.195)	(6.176)
PROFIT BEFORE TAX		86.626	24.140
Tax on profit for the year	8	(19.248)	(5.595)
PROFIT FOR THE YEAR	9	67.378	18.545

BALANCE SHEET AT 31 DECEMBER

Notes

ASSETS

NON-CURRENT ASSETS

		2020	2019
		<u>KDKK</u>	<u>KDKK</u>
Software		1.537	3.516
Intangible assets	10	<u>1.537</u>	<u>3.516</u>
Land and buildings		38.334	56.123
Plant and machinery		41.609	48.715
Fixtures and fittings, tools and equipment		9.489	9.593
Property, plant and equipment under construction		1.745	2.504
Property, plant and equipment		<u>91.177</u>	<u>116.934</u>
TOTAL NON-CURRENT ASSETS	11	<u>92.714</u>	<u>120.449</u>
CURRENT ASSETS			
Raw materials and consumables		170.965	228.114
Work in progress		23.552	11.581
Manufactured goods and goods for sale		135.069	305.293
Inventories		<u>329.586</u>	<u>544.989</u>
Trade receivables		91.115	18.295
Receivables from group entities	12	729.709	475.662
Income tax receivable	13	17.562	-
Other receivables		4.393	12.354
Deferred tax asset	14	-	8.433
Prepayments	15	1.069	3.408
Total receivables		<u>843.848</u>	<u>518.152</u>
Cash at bank and in hand		<u>816</u>	<u>553</u>
TOTAL CURRENT ASSETS		<u>1.174.250</u>	<u>1.063.693</u>
TOTAL ASSETS		<u>1.266.964</u>	<u>1.184.142</u>

BALANCE SHEET AT 31 DECEMBER

Notes

EQUITY AND LIABILITIES

EQUITY

		2020	2019
		<u>KDKK</u>	<u>KDKK</u>
Share capital	16	1.029.200	1.029.200
Retained earnings		39.468	37.090
Proposed dividends for the financial year		65.000	-
TOTAL EQUITY		<u>1.133.668</u>	<u>1.066.290</u>

Provisions for deferred tax

TOTAL PROVISIONS

14	13.793	-
	<u>13.793</u>	<u>-</u>

LIABILITIES OTHER THAN PROVISIONS

Non-current liabilities other than provisions

Non-current liabilities other than provisions

17	2.710	4.750
	<u>2.710</u>	<u>4.750</u>

Current liabilities

Current portion of non-current liabilities other than provisions

Prepayments received from customers

Trade payables

Payables to group entities

Income tax payable

Other payables

Current liabilities other than provisions

17	2.040	1.932
	7	501
	23.902	28.382
12	34.166	21.516
13	-	8.284
18	56.678	52.487
	<u>116.793</u>	<u>113.102</u>

TOTAL LIABILITIES OTHER THAN PROVISIONS

<u>119.503</u>	<u>117.852</u>
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TOTAL EQUITY AND LIABILITIES

<u>1.266.964</u>	<u>1.184.142</u>
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Contingent liabilities

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Fees to the auditor appointed at the general meeting

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Currency and interest rate exposure, credit risks and financial instruments

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Related parties

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Subsequent events

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STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER

	Share capital <u>KDKK</u>	Retained earnings <u>KDKK</u>	Proposed dividend for the year <u>KDKK</u>	Total <u>KDKK</u>
Equity at 1 January 2019	1.029.200	18.545	-	1.047.745
Profit for the year	-	18.545		18.545
Equity at 1 January 2020	1.029.200	37.090	-	1.066.290
Profit for the year	-	2.378	65.000	67.378
Equity at 31 December 2020	1.029.200	39.468	65.000	1.133.668

Notes

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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.

Significant error prior year

In the prior year annual report, 778 KDKK was stated in note 4 as cash-settled share options in BASF SE to the executive management and Board of Directors for 2019. The mentioned has been corrected in this year financial statement comparative figures to be part of the total remuneration for the executive management and Board of directors.

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.

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.

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.

Notes

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Financial Statements 1 January - 31 December ACCOUNTING POLICIES

Other operating income

Other operating income is any income related to non-typical revenues.

Share-based incentive scheme

The value of services received as compensation for allocated cash-settled options is 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 of the acquisition price, costs directly attributable to the acquisition, and costs for 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.

The net profits thereof 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 of 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.

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.

Dividends

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.

Notes

1

Financial Statements 1 January - 31 December ACCOUNTING POLICIES

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.

Financial ratios

The financial ratios have been calculated as follows:

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

Notes

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Revenue - Segmental information

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
Activities, primary segment		
Agricultural and nutrition	227.889	214.562
Pharma/Food	577.073	493.420
Other chemicals	25.883	-
Chemicals	52.726	11.037
Special chemicals	9.653	4.465
Plastics	15.398	389
Construction chemicals	96.331	118.505
Not allocated	46.236	55.499
Total revenue	1.051.189	897.879

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

Geography

Domestic market	320.083	223.902
EU countries	238.651	218.787
NAFTA countries	70.573	49.152
Other countries	396.364	371.597
Total net sales	1.025.671	863.438
Commission regarding sales on the domestic market (Agency sales)	25.518	34.441
Total revenue	1.051.189	897.879

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

Own revenue excluding commissions	1.025.671	863.438
Agency sales	685.234	832.868
Total revenue including agency sales	1.710.905	1.696.306

3

Other operating income

The reimbursement from BASF Norway for the expenses related to the Kalundborg site and the divestment of the Construction Chemicals Business are booked here.

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
Other operating income		
Divestment of Construction Chemicals activities	36.971	-
Depreciation and expenses for Kalundborg site reinvoiced to group companies	24.687	138.143
Other revenue from non-typical business	8.460	9.011
Total Other operating income	70.118	147.154

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Staff costs

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
Wages and salaries	175.085	179.063
Pensions	16.365	16.783
Other social security costs	2.793	2.871
Total staff costs	194.243	198.717

Total remuneration for Executive Management and Board of Directors

5.103	4.419
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Average number of employees

263	271
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Certain executive officers or previous employees 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.

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Amortisation on intangible assets

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
Software Amortisation	(1.979)	(1.549)
Total amortisation on intangible assets	(1.979)	(1.549)

Notes

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Depreciation on property, plant and equipment		
Land & Buildings	(7.272)	(35.713)
Plant & Machinery	(8.005)	(102.740)
Fixtures, fittings, tools & equipment	(1.863)	(1.847)
Property & plant under construction	-	-
Total depreciation on property, plant and equipment	(17.140)	(140.300)

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
	(7.272)	(35.713)
	(8.005)	(102.740)
	(1.863)	(1.847)
	-	-
	(17.140)	(140.300)

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Financial income and expenses		
Foreign exchange gains	18.214	5.015
Interest on tax on account	-	2
Other financial income from group enterprises	9	-
Total financial income	18.223	5.017

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
	18.214	5.015
	-	2
	9	-
	18.223	5.017

Interest and charges, bank loans	(116)	(147)
Interest expense to group entities	-	-
Foreign exchange losses	(22.763)	(5.612)
Other financial expenses (leasing)	(316)	(417)
Total financial expenses	(23.195)	(6.176)

	(116)	(147)
	-	-
	(22.763)	(5.612)
	(316)	(417)
	(23.195)	(6.176)

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Tax on profit for the year		
Calculated tax of the year's taxable income	(1.845)	18.284
Correction of deferred tax, beginning of year	-	(36)
The year's adjustment of deferred tax	22.225	(12.787)
Adjustment of tax, previous years	(1.132)	135
Tax on profit for the year	19.248	5.595

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
	(1.845)	18.284
	-	(36)
	22.225	(12.787)
	(1.132)	135
	19.248	5.595

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Proposed profit appropriation

The Board of Directors proposes the profit for the year distributed as follows:		
Proposed dividend for the financial year	65.000	-
Retained earnings	2.378	18.545

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
	65.000	-
	2.378	18.545

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Intangible Assets - Software

Cost at 1 January 2020	5.937	5.333
Additions	-	2.593
Disposal	-	(1.989)
Cost at 31 December 2020	5.937	5.937
Amortisation and impairment losses at 1 January 2020	(2.422)	(2.993)
Amortisation for the year	(1.979)	(1.549)
Amortisation regarding the year's disposal	-	2.120
Amortisation and impairment losses at 31 December 2020	(4.401)	(2.422)

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
	5.937	5.333
	-	2.593
	-	(1.989)
	5.937	5.937
	(2.422)	(2.993)
	(1.979)	(1.549)
	-	2.120
	(4.401)	(2.422)

Book value at 31 December 2020

	1.537	3.516
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Notes

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NON-CURRENT ASSETS

Property, plant and equipment

	Land and buildings <u>KDKK</u>	Plant and machinery <u>KDKK</u>	Fixtures, fittings and equipment <u>KDKK</u>	Property & equipment under construction <u>KDKK</u>	Total <u>KDKK</u>
Acquisitions at 1 January 2020	228.129	226.052	28.845	2.504	485.530
Classifications adjustments regarding prior year	(17.876)	-	17.876	-	-
Additions - acquisitions	-	1.817	673	636	3.126
Disposals and retirements	(27.461)	(26.381)	(2.693)	(1.395)	(57.930)
Acquisitions at 31 December 2020	182.792	201.488	44.701	1.745	430.726
Depreciation and impairment losses at 1 Jan 2020	(172.006)	(177.337)	(19.253)	-	(368.596)
Classifications adjustments regarding prior year	17.272	3	(17.275)	-	-
Depreciation for the year	(7.272)	(8.005)	(1.863)	-	(17.140)
Depreciation regarding the year's disposals and retirements	17.548	25.460	3.179	-	46.187
Depreciation and impairment losses at 31 Dec 2020	(144.458)	(159.879)	(35.212)	-	(339.549)
Book value at 31 December 2020	38.334	41.609	9.489	1.745	91.177
Book value at 31 December 2019	56.123	48.715	9.592	2.504	116.934

	2020 <u>KDKK</u>	2019 <u>KDKK</u>
TOTAL NON-CURRENT ASSETS	92.714	120.449

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Receivables from / Payables to group entities

The item receivable includes an intra-group cash-pool of 688 MDKK (2019: 108 MDKK)

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Income tax receivable/payable

	2020 <u>KDKK</u>	2019 <u>KDKK</u>
Calculated tax of the year's taxable income	1.845	(18.284)
Prepaid tax during the year	15.046	10.000
Tax related to previous year	671	-
Total Income tax receivable/payable	17.562	(8.284)

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Provisions for deferred tax / Deferred tax asset

	2020 <u>KDKK</u>	2019 <u>KDKK</u>
Deferred tax at 1 January	8.433	(4.390)
Adjustment of deferred tax, beginning of year	(1)	36
The year's adjustment of deferred tax	(22.225)	12.787
Deferred tax at 31 December	(13.793)	8.433
Provisions for deferred tax relate to:		
Intangible assets	(1.537)	(3.516)
Property, plant and equipment	(6.536)	92.897
Inventories	(66.057)	(63.087)
Provisions	11.436	12.039
Total	(62.694)	38.333
Tax rate	22%	22%
Deferred tax	(13.793)	8.433

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Prepayments

The item primarily consists of prepaid insurance.

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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:

	2020
	<u>KDKK</u>
Share capital at 1 January 2012	95.500
Capital increase at 2 December 2013	<u>933.700</u>
Share capital at 31 December 2020	<u>1.029.200</u>

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Current and non-current liabilities other than provisions

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
Finance lease due between 0-1 years	2.040	1.932
Finance lease due between 1-5 years	2.710	4.750
Finance lease due over 5 years	-	-
Non-current liabilities other than provisions	<u>4.750</u>	<u>6.682</u>

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Other payables

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
VAT and duties	14.429	-
Other taxes	42	33
Wages and salaries, social security costs, holiday allowance	42.207	52.454
Total other payables	<u>56.678</u>	<u>52.487</u>

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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.

Operating leases

Operating leases have been entered into for the period 2020 to 2025 concerning rental of office premises, warehouses, servers, land and leasing cars:

The contracts have termination periods between 3 to 48 months.

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
	<u>21.591</u>	<u>32.084</u>

Furthermore, The Company has a guarantee commitment on company credit cards issued to the employees of 6.1 MDKK

The Company has no relevant running warranty claims.

The sister company BASF AS Norway is the contract manufacturing owner of the Kalundborg site and thus has covered all final costs incurred from the divestment of the Kalundborg production site and has fully compensated The Company for any financial loss thereof.

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Fees to the auditor appointed at the general meeting

Pursuant to Section 96 of the Danish Financial Statement Act, audit fee is not disclosed.

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Currency and interest rate exposure, credit risks and financial instruments

Currency exposure - recognised transactions	Receivables and cash	Liabilities other than provisions	Hedged portion	Net position 2020	Net position 2019
	<u>KDKK</u>	<u>KDKK</u>	<u>KDKK</u>	<u>KDKK</u>	<u>KDKK</u>
USD	-	(78)	-	(78)	(96)
EUR	115.212	(22.965)	(74.424)	17.823	(835)
SEK	1.850	(9)	-	1.841	2.107
NOK	37.674	(12)	(36.190)	1.472	128.939
Other	274	0	-	274	270
Total currency exposure	155.010	(23.064)	(110.614)	21.332	130.385

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 2020, The Company had five active hedging contracts.

At 31 December 2020, unrealised net losses on derivative financial instruments for currency hedging totalled 189 KDKK

Currency exposure - recognised transactions	Contract value 2020	Contract value 2019	gains/ (losses) 2020	gains/ (losses) 2019
	<u>KDKK</u>	<u>KDKK</u>	<u>KDKK</u>	<u>KDKK</u>
Currency bought on future deals	110.614	-	(189)	-
Total currency exposure on futures	110.614	-	(189)	-

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

At 31 December 2020, The Company had no active forward contracts.

Currency and interest rate exposure, credit risks and financial instruments

Interest rate exposure from Group Companies

Contractual dates reassessment and repayment of financial assets

Receivables from group entities

Payables to group entities

	2020 <u>KDKK</u>	2019 <u>KDKK</u>
Receivables from group entities	687.666	107.737
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

Trade receivables

	2020 <u>KDKK</u>	2019 <u>KDKK</u>
Trade receivables	91.115	18.295

The customers are mainly large domestic and foreign companies.

The Company has experienced very few losses on its receivables.

Notes

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Related parties

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.

Main related parties with whom the Company had postings at the end 2020:

Company	Street name	Town	Country
BASF AB	Haraldsgatan 5	SE-41314 Gothenburg	Sweden
BASF AS	Lilleakerveien 2B	NO-1327 Lysaker	Norway
BASF OY	Tammasaarekatu 3	FIN-00180 Helsinki	Finland
BASF Coatings Services AB	Transportgatan 37	S-42502 Hisings Kärra	Sweden
BASF UAB	Spaudos g. 6-1	LT05132 Vilnius	Lithuania
BASF SIA	Lambertu iela 33B	Rigas Raj	Latvia
BASF PLC	2 Stockport Exchange	Stockport, SK1 3GG	England
BASF Nederland BV	Groningensingel 1	6835 EA Arnhem	Netherlands

Related party transactions

	2020	2019
	<u>KDKK</u>	<u>KDKK</u>
Net Sales Tangible Products	546.920	495.964
Commission Revenue	25.518	34.441
Sales Other Operating Revenue	89.153	90.411
Total sales to BASF Group companies	661.591	620.816
Payments for Tangible Products	333.113	226.958
Commission Expenses	-	(28)
Royalty Expenses	1.110	1.797
Other Operating Expenses	43.815	41.763
CSA - Cost Sharing Agreements	906	-
CUPS in "ORM - Comparable uncontrolled price	1.723	-
Total purchases and expenses from BASF Group companies	380.667	270.490

The Company has most of its sales, purchases and commissions regarding agency sales with its holding company BASF SE.

All the Nordic-Baltic BASF companies act as one organisation within areas such as business management, order handling, sales and technical customer advice and of services administration between the companies.

The Company has a cooperation with

BASF AB
BASF AS
BASF OY
BASF SIA
BASF UAB
BASF Coatings Services AB

The Company has an agreement within cash handling with
BASF Belgium Coordination Center

The Company buys IT services and hardware from
BASF Digital Solutions GmbH

The Company receives admin and financial services from
BASF Shared Services GmbH

The Company has a cost manufacturing agreement regarding any expenses for the Kalundborg site and the remaining costs after the divestment of the site with BASF AS.

The Company has a number of transactions with other group enterprises regarding commission agency business.

Notes

Complete list of BASF companies with whom BASF A/S has had transactions with during 2020

Company name	Country
BASF SE	Germany
BASF Coatings GmbH	Germany
BASF Digital Solutions GmbH	Germany
BASF Services Europe GmbH	Germany
BASF Polyurethanes GmbH	Germany
BASF Construction Solutions GmbH	Germany
Construction Research & Technology GmbH	Germany
PCI Augsburg GmbH	Germany
BASF Personal Care and Nutrition GmbH	Germany
BTC Europe GmbH	Germany
BASF Construction Additives GmbH	Germany
BASF Antwerpen NV	Belgium
BASF Belgium Coordination Center CommV	Belgium
BASF Schweiz AG	Switzerland
BASF AB	Sweden
BASF plc	UK
BASF Polska Sp. z o.o.	Poland
BASF France S.A.S.	France
BASF AS	Norway
BASF Agro B.V. Arnhem (NL) Freienbach Branch	Switzerland
BASF Coatings Services AB	Sweden
BASF Agricultural Specialities Limited	UK
BASF Construction Chemicals Italia Spa	Italy
BASF Österreich GmbH	Austria
BASF Italia S.p.A.	Italy
BASF Oy	Finland
BASF Construction Chemicals UAE LLC	UAE
BASF SE	Germany
BASF Schwarzheide GmbH	Germany
BASF Colors & Effects GmbH	Germany
BASF Leuna GmbH	Germany
BASF Digital Farming GmbH	Germany
Wintershall Dea GmbH	Germany
BASF UAB	Lithuania
BASF plc	Great Britain
Chemetall AB, (Finland Branch)	Finland
Chemetall AB (Denmark Branch)	Denmark
Chemetall AB	Sweden
BASF SIA	Latvia
Nunhems Netherlands B.V.	Netherlands
OOO BASF Stroitelnye Sistemy	Russian Fed.
BASF Nederland B.V.	Netherlands
BASF Ireland Ltd.	Ireland
BASF Battery Materials Finland Oy	Finland
Master Builders Solutions Belgium N.V.	Belgium
Master Builders Solutions Sverige AB	Sweden
Master Builders Solutions Polska sp. z o.o	Poland
BASF Corporation	USA

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Subsequent events

Fish oil inventory

Since The Company sold its production site in Kalundborg in 2020, it also sold its stock of fish oil to its sister company BASF AS in Norway during May 2021, so The Company is entirely out of any activities concerning the production site in Kalundborg.