

– Convenience translation –

Joint report

by the Board of Executive Directors of BASF SE

and the

managing directors of BASF Agricultural Solutions Deutschland GmbH

**on the control and profit and loss transfer agreement
dated March 18, 2025**

between

BASF SE, Ludwigshafen/Rhine, Germany

and

**BASF Agricultural Solutions Deutschland GmbH, Limburgerhof,
Germany**

1. Introduction

BASF SE, with its registered office in Ludwigshafen/Rhine, entered in the Commercial Register of the local court (“Amtsgericht”) in Ludwigshafen/Rhine under HRB 6000 (hereinafter “**BASF**”) and BASF Agricultural Solutions Deutschland GmbH, with its registered office in Limburgerhof, entered in the Commercial Register of the local court in Ludwigshafen/Rhine under HRB 4970 (hereinafter “**BASD**”), conclude a control and profit and loss transfer agreement on March 18, 2025 .

With this agreement, BASD puts the management of its company under the control of BASF and undertakes to transfer its entire profit to BASF. In return, BASF agrees to assume any losses incurred by BASD.

The conclusion of the agreement is necessary as a result of the intra-Group transfer of the shares in BASD from BASF Handels- und Exportgesellschaft mit beschränkter Haftung, entered in the Commercial Register of the local court in Ludwigshafen/Rhine under HRB 3535 (hereinafter “**H&E**”) to BASF with effect from the end of December 31, 2024. A control and profit and loss transfer agreement between BASD and H&E was in effect from January 30, 2006, up to and including December 31, 2024; a control and profit and loss transfer agreement between BASF and H&E has

been in effect since April 6, 1989. With the conclusion of the new control and profit and loss transfer agreement, the indirect existing corporate law and tax-related effects between BASF and BASD as a result of the control and profit and loss transfer agreements in the shareholding chain valid since 2006 will remain substantially unchanged in the direct shareholding relationship effective as of January 1, 2025.

This having been stated by way of preamble, the Board of Executive Directors of BASF and the managing directors of BASD jointly present the following report.

2. Contractual partners

The contractual partners are BASF and BASD.

a) BASF SE

BASF is a publicly listed Societas Europaea (SE) and the parent company of BASF Group. BASF Group is a globally active chemical company which had 111,822 employees as of December 31, 2024.

The members of the Board of Executive Directors of BASF are: Dr. Markus Kamieth (Chairman of the Board of Executive Directors, CEO), Dr. Dirk Elvermann (CFO and CDO), Michael Heinz, Anup Kothari, Dr. Stephan Kothrade (CTO) and Dr. Katja Scharpwinkel.

BASF shall be legally represented by two members of the Board of Executive Directors or by one member of the Board of Executive Directors together with a *Prokurist*¹. Furthermore, the company is represented in legal matters by *Prokuristen* or other authorized signatories in accordance with instructions issued by the Board of Executive Directors.

The members of BASF's Supervisory Board are: Dr. Kurt Bock, Prof. Dr. Stefan Asenkerschbaumer, Sinischa Horvat, Prof. Dr. Thomas Carell, Liming Chen, Tatjana Diether, Alessandra Genco, André Matta, Natalie Mühlenfeld, Michael Vassiliadis, Tamara Weinert, Peter Zaman.

BASF's business year corresponds to the calendar year.

BASF is fully subject to corporate income tax and trade income tax in Germany.

b) BASF Agricultural Solutions Deutschland GmbH

BASD was founded by H&E by notarial certificate dated September 3, 2002, under the company name BASF AGRO TRADEMARKS GmbH and was entered in the Commercial Register of the local court in Ludwigshafen/Rhine on October 9, 2002. The contributions to the company shares

¹ „Prokurist“ (plural: „Prokuristen“) is the holder of a power of attorney under German commercial law which is to be registered in the commercial register.

are paid in full. A control and profit and loss transfer agreement between BASD and H&E was in effect from January 30, 2006, up to and including December 31, 2024. BASF acquired all company shares in BASD from H&E with limited liability via a purchase and transfer agreement dated December 17, 2024, and valid as of midnight on December 31, 2024. The company name of BASD was changed to BASF Agricultural Solutions Deutschland GmbH.

The sole shareholder in BASD is BASF. BASD's business year corresponds to the calendar year.

BASD's managing directors are Dr. Sascha Reichardt and Dr. Alissa Zeller. Both are employees of BASF. If only one managing director is appointed, he or she shall be the sole representative of the company. If multiple managing directors are appointed, the company is legally represented by two managing directors or by one managing director together with a *Prokurist*. Furthermore, BASD is represented in legal matters by *Prokuristen* or other authorized signatories in accordance with instructions issued by the managing directors.

BASD is an IP holding company. The company holds brands. These brands are licensed to BASF Group companies. For this, BASD receives licensing fees. The company has no business activities outside of the BASF Group and no personnel; it does not currently hold any investments in other companies.

In accordance with Section 264 (3) of the German Commercial Code (Handelsgesetzbuch, hereinafter "HGB"), BASD was exempted from the application of Sections 264-289f HGB (annual financial statements of the share capital company and management report), Sections 316-324a HGB (audit) and Sections 325-329 HGB (disclosure) for the past three business years, so notes to the financial statements were not prepared. In the past three business years, BASD was included in the Consolidated Financial Statements of BASF.

BASD's current business purpose is the holding and managing of brands and other industrial property rights. BASD can carry out all business transactions that directly or indirectly serve its business purpose.

BASD is integrated in the financing structure of BASF Group. At a later point in time, the operating business of BASF's Agricultural Solutions division, including any investments in subsidiaries of the Agricultural Solutions division, will be contributed and transferred to BASD. This includes, in particular, newly established subsidiaries in Schwarzheide (Germany), Kazakhstan, and Mexico. This serves to make the Agricultural Solutions business unit independent. In connection with this, BASD's business purpose will then also be amended.

BASD recorded a loss of around €36.4 million in 2022 and a loss of around €26.9 million in 2023. In 2024, the loss amounted to around €22.9 million. BASD was the owner of industrial property rights, including software and know-how, which were developed through commissioned work by other BASF Group companies for digital activities. These property rights, including software and know-how, were licensed to BASF Group companies. For this, BASD received licensing fees.

BASD transferred almost all of the property rights it had held, including software and know-how, to BASF Digital Farming GmbH effective January 1, 2025. The licensing and research contracts between BASD and BASF Digital Farming GmbH were terminated. Currently, BASD only holds various brands. The transfer of property rights, including software and know-how, and the termination of the aforementioned contracts have positive effects on the economic situation of BASD. As a result, BASD is expected to generate a profit of approximately €0.2 million in 2025.

3. Legal and economic grounds for the conclusion of the intercompany agreement; effects of the intercompany agreement

The reason for the conclusion of the agreement is to create a tax group for corporate income tax and trade income tax purposes between BASF and BASD as of the beginning of the 2025 business year as well as the organizational integration of BASD into BASF for the purposes of forming a value-added tax group (VAT group).

As a result of this income tax group, taxable profits and losses of BASD will be directly attributed to BASF as the parent company, so the positive and negative earnings of BASF and BASD can be offset for tax purposes at the level of BASF. Moreover, as a result of this tax group, BASD's profits can be transferred to BASF without a tax burden. In the absence of a tax group, 5% of the profits paid out by BASD to BASF would be subject to corporate income tax and trade income tax.

A control and profit and loss transfer agreement between BASD and H&E was in effect from January 30, 2006, up to and including December 31, 2024. A control and profit and loss transfer agreement between BASF and H&E has been in effect since April 6, 1989. Consequently, the conclusion of a new control and profit and loss transfer agreement between BASD and BASF as of 2025 essentially represents only the continuation of the existing indirect status quo in a direct manner. With this agreement, as until now, the tax situation of the two companies can be optimized.

For shareholders of BASF, the control and profit and loss transfer agreement does not have any particular consequences, with the exception of the obligation to absorb losses. This obligation to absorb losses already existed indirectly as a result of the former control and profit and loss transfer agreement between BASD and H&E and the existing control and profit and loss transfer agreement between BASF and H&E. As previously mentioned, BASD is expected to generate a profit of around €0.2 million in 2025. There is no requirement to pay compensation or settlement to external shareholders.

With this agreement, BASD puts the management of its company under the control of BASF. BASF is entitled to issue instructions to the managers of BASD with respect to the management of the company. The right to issue instructions includes all measures falling within the scope of activities of BASD's managers. BASD's managers are bound by the instructions issued by BASF. This enables the organizational integration of BASD into BASF, which is necessary to create a VAT group.

As a result of the inclusion of BASD into the VAT group of BASF, the services provided within Germany between the contractual partners are considered non-taxable intra-Group sales and are not subject to VAT. BASF is the entrepreneur within the meaning of Germany's Value Added Tax Act (Umsatzsteuergesetz). BASF is liable to pay VAT and is entitled to VAT reimbursements. By internal arrangement, a fair settlement according to the input involved occurs between BASF and BASD. Moreover, the VAT group leads to administrative simplifications and cash flow improvements, as there is no need to pass on VAT within Germany. In cases where the input tax deduction was not realized between the contractual partners for services rendered, nondeductible input VAT would be payable in the absence of a VAT group.

4. Alternatives to the conclusion of an intercompany agreement

The conclusion of the control and profit and loss transfer agreement is economically reasonable. There is no preferable economically viable alternative.

Pursuant to Section 14(1) sentence 1 of the Corporation Tax Act (Körperschaftsteuergesetz, hereinafter "**KStG**") in connection with Section 17(1) KStG, the conclusion of this agreement is a prerequisite for the formation of a corporate income tax and trade income tax group between BASD as the controlled company and BASF as the parent company. The associated tax advantages can only be realized by concluding this contract (see No. 3 above).

Transforming BASD into a partnership does not lead to a comparable tax-related outcome, as the income of BASD would be taxed at the level of the partnership for trade income tax purposes. In the case of a tax group, on the other hand, this income is taxed at the level of the parent company, where it can be offset by positive or negative income of the parent company.

Concluding only a control agreement in accordance with Section 291(1) sentence 1 of the German Stock Corporation Act (Aktiengesetz, hereinafter "**AktG**") does not represent an equivalent alternative, as without the subsidiary's obligation to transfer profit there are no grounds for a corporate income tax or trade income tax group with the subsidiary.

5. Explanation of the agreement

The agreement is a control and profit and loss transfer agreement and thus an intercompany agreement pursuant to Section 291(1) sentence 1 AktG. It requires the approval of the Annual Shareholders' Meeting of BASF and of the shareholders' meeting of BASD and must be entered in the Commercial Register of the registered office of BASD. The agreement will be presented for approval to the Annual Shareholders' Meeting of BASF on May 2, 2025. The shareholders' meeting of BASD approved the control and profit and loss transfer agreement on March 11, 2025.

Regarding the individual provisions of the contract:

a) Control (Nos. 1 and 2)

With this agreement, BASD places the management of its company under the control of BASF. BASF has the right to issue instructions to BASD's managers regarding the management of the company. The managers of BASD are obligated to follow these instructions. The right to issue instructions includes all measures falling within the scope of activities of BASD's management. The right to issue instructions does not authorize BASF to instruct the managers of BASD to amend, maintain or terminate the agreement. Instructions must be given in written form. Irrespective of the right to issue instructions, BASD carries out its business as an organ of BASF, but in its own name.

b) Transfer of profits and assumption of losses (No. 3)

In accordance with No. 3.1, BASD is obligated to transfer its entire profit in accordance with the German Commercial Code to BASF. The amount to be transferred is the net income excluding any profit transfer, minus any losses carried over from the previous year, an amount to be dedicated to the statutory reserve and the amount subject to payout restrictions pursuant to Section 268(8) HGB. No. 3.1 foresees a dynamic reference to Section 301 AktG. Accordingly, the transfer of profits may not exceed the maximum amount pursuant to Section 301 AktG in its currently valid version. The transfer of profits in the form described above is necessary for the tax group between BASD and BASF to be effective (Section 14(1) in combination with Section 17(1) KStG).

According to No. 3.2, BASD is entitled, with the consent of BASF, to allocate amounts from the annual net income to other retained earnings with the exception of statutory reserves pursuant to Section 272(3) HGB, where this is permissible according to commercial law and is economically justified on the basis of reasonable commercial judgement. Other retained earnings allocated during the course of the agreement pursuant to Section 272(3) HGB are, upon request by BASF, to be released and transferred as profit insofar as this is permissible according to Section 301 AktG in its currently valid version. The transfer of retained earnings allocated prior to the agreement is precluded.

According to No. 3.3, BASF is obligated to assume the losses of BASD in accordance with the currently valid version of Section 302 AktG in combination with Article 9 of the SE Regulation. BASF must absorb every annual loss incurred for the duration of the agreement, provided this is not offset by withdrawals from the retained earnings established during the duration of the contract. In order for the tax group between BASD and BASF to be effective, it is necessary that BASF as the parent company undertakes to absorb losses by referencing the provisions of Section 302 AktG in its currently valid version (Section 17(1) sentence 2 no. 2 KStG).

According to No. 3.4, entitlements to the transfer of profits and assumption of losses arise at the close of BASD's balance sheet date and are payable immediately.

c) Beginning and duration of the agreement (No. 4)

The intercompany agreement is concluded pending approval from the Annual Shareholders' Meeting of BASF and the approval of the shareholders' meeting of BASD. No 4.1 of the agreement establishes that the contract becomes valid once it is entered into the Commercial Register of the registered office of BASD. With the exception of the right to issue instructions, the agreement

becomes retroactively valid from the beginning of BASD's business year in which the entry was made (presumably 2025). The agreement is valid for an indefinite period of time. The right to issue instructions begins when the intercompany agreement is entered into the Commercial Register of the registered office of BASD.

According to No. 4.2, the intercompany agreement may be duly terminated with notice of one month prior to the end of BASD's business year, but initially no earlier than five full years from the start of the agreement's validity. The agreement can be terminated for good cause at any time. Good cause exists in particular if tax provisions, or the interpretation thereof, that are important for this agreement are amended by judicial precedent or if, as a result of divestitures, conversions or contributions of shares in BASD by BASF or as a result of capital increases at BASD, BASF's participation in BASD falls below half the voting rights in BASD. Good cause includes but is not restricted to the abovementioned examples. Termination of the agreement must be in written form.

For the tax group to be effective, in accordance with Section 14(1) sentence 1 no. 3 in connection with Section 17(1) KStG, the agreement must be concluded for a period of at least five years and be actually implemented for the entire period of its validity.

d) Final provisions (No. 5)

According to 5.1, the provisions of the agreement are in each case to be interpreted in such a way that complies with the requirements of Sections 14 to 17 KStG in its currently valid version for the attribution of BASD's income to BASF.

No. 5.2 contains a typical clause requiring the written form. Accordingly, amendments and additions to the agreement – including No. 5.2 itself – must be made in writing.

No. 5.3 moreover contains a typical severability clause. Therefore, if a provision of the agreement is or becomes entirely or partially ineffective or unenforceable, or if the agreement contains a loophole, this shall not affect the validity of the rest of the agreement. Instead of the ineffective or unenforceable provision, the contractual partners will agree to an effective or enforceable provision which approximates as closely as possible the economic and legal outcome of the ineffective or unenforceable provision. In the event that the contract contains a loophole, a provision shall be agreed which is consistent with the object and purpose of the agreement and what would have been agreed had the loophole been known.

e) No payment of compensation, no settlement payment, no audit of the intercompany agreement

All of the company shares in BASD are directly held by BASF as the sole shareholder. There are no external shareholders. Payments of compensation or settlement payments for external shareholders in accordance with Sections 304 and 305 AktG are not required. Moreover, there is no need to present an audit of the intercompany agreement in accordance with Section 293b(1)

AktG or an audit report in accordance with Section 293e AktG. Given that there is no need to determine a compensation payment pursuant to Section 304 AktG or a settlement payment pursuant to Section 305 AktG, there is also no need for a valuation of the companies concluding the agreement in order to determine a suitable compensation payment and a suitable settlement payment.

6. Concluding assessment

In summary, the conclusion of the control and profit and loss transfer agreement is advantageous for both BASF and BASD.

Ludwigshafen, March 18, 2025

BASF SE
The Board of Executive Directors

Dr. Kamieth

Dr. Elvermann

Heinz

Kothari

Dr. Kothrade

Dr. Scharpwinkel

Ludwigshafen, March 11, 2025

**BASF Agricultural Solutions Deutschland GmbH
Management**

Dr. Zeller

Dr. Reichardt