



CONSOLIDATED FINANCIAL STATEMENTS

Wintershall Holding GmbH



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Declaration by the Board of Directors and statement of responsibility pursuant to sections 297 (2) and 315 (1) of the German Commercial Code (HGB)

The Board of Directors of Wintershall Holding GmbH is responsible for preparing the annual financial statements and the group management report of the Wintershall Group.

The consolidated financial statements of the Wintershall Group for 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), London, and adopted by the European Union.

We have established effective internal control and management systems to ensure that the group management report and the consolidated financial statements of the Wintershall Group comply with the applicable accounting standards and to ensure due and proper corporate reporting.

The risk management system that we have established is designed to allow the Board of Directors to identify material risks at an early stage so that it can take appropriate measures to counteract them if necessary. The reliability and functionality of the internal control and risk management system are reviewed by the Internal Audit department throughout the Group on an ongoing basis.

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements of the Wintershall Group give a true and fair view of the net assets, financial position and results of operations of the Wintershall Group. Furthermore, the group management report of the Wintershall Group provides a true and fair view of the Group's business development, including the business results and situation of the Wintershall Group, together with a description of the principal opportunities and risks associated with the expected development of the Wintershall Group.

Kassel, March 29, 2019

Mario Mehren

Chairman of the Board of Directors

Dr. Dirk Elvermann

Member of the Board of Directors responsible for Finance, Sales & Commercial

Martin Bachmann

Member of the Board of Directors responsible for Europe/Middle East

Thilo Wieland

Member of the Board of Directors responsible for Russia/North Africa/South America

Consolidated statement of financial position

| € thou. | Note | Dec. 31, 2018 | Dec. 31, 2017 |
|---|------|-------------------|-------------------|
| Intangible assets | [13] | 2,283,557 | 2,307,787 |
| Property, plant and equipment | [14] | 6,508,012 | 6,360,832 |
| Investments accounted for using the equity method | [15] | 2,566,397 | 2,556,542 |
| Other financial investments | | 1,883 | 73,492 |
| Deferred tax assets | | 128,729 | 152,611 |
| Other assets | [17] | 896,174 | 517,926 |
| Non-current assets | | 12,384,752 | 11,969,190 |
| Inventories | [16] | 136,588 | 84,359 |
| Trade receivables | [17] | 669,783 | 502,106 |
| Miscellaneous receivables and other assets | [17] | 254,369 | 283,129 |
| Cash and cash equivalents | | 218,958 | 110,326 |
| Current assets | | 1,279,698 | 979,920 |
| Assets | | 13,664,450 | 12,949,110 |
| | | | |
| Share capital | [18] | 105,000 | 105,000 |
| Capital reserve | [18] | 1,265,543 | 415,543 |
| Retained earnings and net retained profit | [18] | 3,133,956 | 3,693,020 |
| Other comprehensive income | [18] | -1,173,903 | -1,071,791 |
| Third-party interests | [19] | 136,260 | 71,678 |
| Equity | | 3,466,856 | 3,213,450 |
| Provisions for pensions | [20] | 307,039 | 312,680 |
| Other provisions | [21] | 1,605,018 | 1,289,406 |
| Deferred tax liabilities | | 1,320,993 | 1,294,782 |
| Non-current financial liabilities | [22] | 499,417 | 501,459 |
| Miscellaneous non-current liabilities | [22] | 517,880 | 1,380,363 |
| Non-current liabilities | | 4,250,347 | 4,778,690 |
| Trade payables | [22] | 348,011 | 286,756 |
| Provisions | | 77,213 | 131,800 |
| Tax liabilities | | 222,433 | 133,877 |
| Current financial liabilities | [22] | 10,396 | 100,150 |
| Miscellaneous current liabilities | [22] | 5,289,194 | 4,304,387 |
| Current liabilities | | 5,947,247 | 4,956,970 |
| Equity & liabilities | | 13,664,450 | 12,949,110 |

Consolidated income statement

| € thou. | Note | 2018 | 2017 |
|--|------|------------------|------------------|
| Net revenue | [5] | 4,707,203 | 3,661,704 |
| Cost of conversion and purchase costs of the services rendered to generate the revenue | | -2,910,502 | -2,715,752 |
| Gross earnings from revenue | | 1,796,701 | 945,952 |
| Distribution costs | | -94,346 | -79,537 |
| General administrative expenses | | -67,579 | -81,311 |
| Research costs | | -26,210 | -44,704 |
| Exploration costs | | -111,522 | -104,282 |
| Other operating income | [6] | 118,437 | 387,080 |
| Other operating expenses | [7] | -450,356 | -336,971 |
| Equity result | [8] | 128,464 | 247,609 |
| Result from operating activities | | 1,293,589 | 933,836 |
| Income from other participating interests | | 3,675 | 3,991 |
| Expenses from other participating interests | | -415 | -2,927 |
| Net investment income | | 3,260 | 1,064 |
| Interest income | | 71,869 | 56,787 |
| Interest expenses | | -67,744 | -106,053 |
| Net interest income | | 4,125 | -49,266 |
| Miscellaneous financial income | | 251,102 | 39,377 |
| Miscellaneous financial expenses | | -304,677 | -40,226 |
| Miscellaneous financial result | | -53,575 | -849 |
| Financial result | [9] | -46,190 | -49,051 |
| Earnings before income taxes | | 1,247,399 | 884,785 |
| Income taxes | [10] | -576,580 | -157,885 |
| Net income for the year | | 670,819 | 726,900 |
| Non-controlling interests | [11] | -54,731 | -41,280 |
| Net income after non-controlling interests | | 616,088 | 685,620 |

Statement of comprehensive income

| € thou. | 2018 | | | 2017 | | |
|---|----------|----------|---------------------------|----------|----------|---------------------------|
| | Total | BASF | Non-controlling interests | Total | BASF | Non-controlling interests |
| Net result for the period | 670,819 | 616,088 | 54,731 | 726,900 | 685,620 | 41,280 |
| Actuarial gains/losses | 10,187 | 10,173 | 14 | 7,853 | 7,846 | 7 |
| Deferred taxes | -2,821 | -2,817 | -4 | -2,804 | -2,802 | -2 |
| Income and expenses that will not be reclassified to the statement of income at a later date, recognized directly in equity | 7,366 | 7,356 | 10 | 5,049 | 5,044 | 5 |
| Unrealized gains/losses on currency translation | -76,998 | -76,998 | - | -315,800 | -315,800 | - |
| Measurement of securities at market value | 328 | 328 | - | -2,641 | -2,641 | - |
| Gains/losses after taxes from investments accounted for using the equity method that are eligible for reclassification | -32,808 | -32,808 | - | -13,262 | -13,262 | - |
| Income and expenses that will be reclassified to the statement of income at a later date, recognized directly in equity | -109,478 | -109,478 | - | -331,703 | -331,703 | - |
| Total comprehensive income | 568,707 | 513,966 | 54,741 | 400,246 | 358,961 | 41,285 |

Development of income and expenses recognized directly in equity

| € thou. | Actuarial gains/losses | Asset ceiling for defined benefit pension plans | Unrealized gains/losses from currency translation | Measurement of securities at market value | Hedging of future cash flows (cash flow hedge) | Total of all income and expenses recognized in equity |
|---------------------|------------------------|---|---|---|--|---|
| As of Jan. 1, 2018 | -126,046 | 15 | -896,498 | -328 | -48,934 | -1,071,791 |
| Changes | 10,187 | - | -120,396 | 328 | 10,590 | -99,291 |
| Deferred taxes | -2,821 | - | - | - | - | -2,821 |
| As of Dec. 31, 2018 | -118,680 | 15 | -1,016,894 | - | -38,344 | -1,173,903 |
| € thou. | Actuarial gains/losses | Asset ceiling for defined benefit pension plans | Unrealized gains/losses from currency translation | Measurement of securities at market value | Hedging of future cash flows (cash flow hedge) | Total of all income and expenses recognized in equity |
| As of Jan. 1, 2017 | -131,095 | 15 | -550,120 | 2,313 | -66,250 | -745,137 |
| Changes | 7,853 | - | -346,378 | -2,641 | 17,316 | -323,850 |
| Deferred taxes | -2,804 | - | - | - | - | -2,804 |
| As of Dec. 31, 2017 | -126,046 | 15 | -896,498 | -328 | -48,934 | -1,071,791 |

Consolidated statement of cash flows

| € thou. | 2018 | 2017 |
|--|-------------------|------------------|
| Net income for the year after non-controlling interests | 616,088 | 685,620 |
| Amortization of intangible assets, depreciation of property, plant and equipment and impairment of financial investments | 1,080,114 | 1,024,486 |
| Changes in inventories | -52,498 | -13,081 |
| Changes in receivables | -161,931 | 13,165 |
| Changes in business-related liabilities and other provisions | 199,320 | -137,229 |
| Change in provisions for pensions, in assets from overfunded pension plans and other items | 101,881 | 131,084 |
| Gains (-) from the disposal of non-current assets | -20,268 | -49,660 |
| Cash flow from operating activities | 1,762,706 | 1,654,385 |
| Payments for property, plant and equipment | -587,821 | -876,270 |
| Payments for intangible assets | -34,336 | -14,834 |
| Payments for financial investments | -330,146 | -351,786 |
| Proceeds from the disposal of non-current assets | 56,847 | 324,257 |
| Payments for acquisitions | -135,100 | - |
| Cash flows from investing activities | -1,030,556 | -918,633 |
| Payments to company owners | -1,298,892 | -824,685 |
| Proceeds from company owners | 850,000 | 400,000 |
| Raising of financing-related liabilities BASF Group | 2,176,666 | 2,317,751 |
| Repayment of financing-related liabilities BASF Group | -2,236,535 | -1,568,227 |
| Raising of financial liabilities | 44,693 | 123,288 |
| Repayment of financial liabilities | -137,352 | -1,158,224 |
| Cash flows from financing activities | -601,420 | -710,097 |
| Changes in cash and cash equivalents affecting liquidity | 130,730 | 25,655 |
| Change in cash and cash equivalents | | |
| due to currency translation effects | -22,098 | -7,228 |
| due to changes in the scope of consolidation | - | -820 |
| Cash and cash equivalents at the beginning of the period | 110,326 | 92,719 |
| Cash and cash equivalents at the end of the period | 218,958 | 110,326 |
| Composition of cash and cash equivalents | | |
| Cash and cash equivalents | 218,958 | 110,326 |

Consolidated statement of changes in equity

| € thou. | Subscribed capital | Capital reserves | Retained earnings and net retained profit | Other comprehensive income | Non-controlling interests | Total |
|---|--------------------|------------------|---|----------------------------|---------------------------|------------------|
| Dec. 31, 2017 | 105,000 | 415,543 | 3,693,020 | -1,071,791 | 71,678 | 3,213,450 |
| IFRS 9 adjustment | - | - | -810 | - | - | -810 |
| Jan. 1, 2018 | 105,000 | 415,543 | 3,692,210 | -1,071,791 | 71,678 | 3,212,640 |
| Changes in the scope of consolidation (Gulfaks) | - | - | -595 | - | - | -595 |
| Capital increase by means of the "pay out and claw back" procedure | - | 850,000 | - | - | - | 850,000 |
| Result for the year before profit transfer | - | - | 616,088 | - | 54,731 | 670,819 |
| Result of natural gas transport companies accounted for using the equity method | - | - | - | - | 57,187 | 57,187 |
| Profit transferred under profit and loss transfer agreement | - | - | -323,711 | - | - | -323,711 |
| Dividend distribution | - | - | - | - | -47,346 | -47,346 |
| Withdrawal | - | - | -850,000 | - | - | -850,000 |
| Actuarial gains/losses | - | - | -10 | 7,366 | 10 | 7,366 |
| Market valuation of cash flow | - | - | - | 10,918 | - | 10,918 |
| Translation adjustment | - | - | - | -120,396 | - | -120,396 |
| Other | - | - | -26 | - | - | -26 |
| Dec. 31, 2018 | 105,000 | 1,265,543 | 3,133,958 | -1,173,903 | 138,260 | 3,466,856 |
| Jan. 1, 2017 | 105,000 | 15,543 | 3,796,944 | -745,137 | -42,608 | 3,129,744 |
| Changes in the scope of consolidation | - | - | 11,670 | - | - | 11,670 |
| Capital measure W & G Infrastruktur Finanzierungsgruppe, Kassel | - | - | - | - | 69,960 | 69,960 |
| Result for the year before profit transfer | - | - | 685,620 | - | 41,280 | 726,900 |
| Result of natural gas transport companies accounted for using the equity method | - | - | - | - | 62,683 | 62,683 |
| Profit transferred under profit and loss transfer agreement | - | - | -401,546 | - | - | -401,546 |
| Dividend distribution | - | - | - | - | -59,639 | -59,639 |
| Withdrawal | - | - | -400,000 | - | - | -400,000 |
| Deposit | - | 400,000 | - | - | - | 400,000 |
| Actuarial gains/losses | - | - | - | 5,049 | - | 5,049 |
| Market valuation of cash flow | - | - | - | 14,675 | - | 14,675 |
| Translation adjustment | - | - | - | -346,378 | - | -346,378 |
| Other | - | - | 332 | - | - | 332 |
| Dec. 31, 2017 | 105,000 | 415,543 | 3,693,020 | -1,071,791 | 71,678 | 3,213,450 |

Group notes

Principles and scope of consolidation

1. Summary of accounting policies

1.1 General information

Wintershall Holding GmbH (registration court: Local Court (*Amtsgericht*) of Lüneburg; entry no.: HRB 200519) has its registered office in Celle, Lower Saxony, Germany. The address is Friedrich-Ebert-Strasse 160, 34119 Kassel, Germany.

The consolidated financial statements of Wintershall Holding GmbH as of December 31, 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as they applied on the balance sheet date, and in accordance with the supplementary provisions to be applied pursuant to section 315a (1) of the German Commercial Code (HGB). As a matter of principle, IFRSs are only applied after they have been adopted by the European Union. All IFRSs and pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) that are binding for the 2018 fiscal year have been applied.

The consolidated financial statements have been prepared in euros. As a general rule, all amounts, including the previous year's figures, are stated in thousands of euros (€ thou.). Exceptions to this rule are specially marked in the text (individual figures are shown in millions of euros – € million).

The annual financial statements of the consolidated companies were prepared as of the balance sheet date of the consolidated financial statements. The accounting policies applied essentially correspond to those applied in 2017. This does not apply to changes resulting from the application of new or revised accounting standards.

1.2 Basic group accounting principles

Scope of consolidation: The scope of consolidation is based on the application of IFRS 10 and 11.

According to IFRS 10, a group consists of a parent company and its subsidiaries, which are controlled by the parent company. "Control" over an investee requires all of the three criteria set out below to be fulfilled at the same time:

- Decision-making power of the parent company over the relevant activities of the investee,
- Variable returns from the investee flow to the parent company, and
- The ability of the parent company to use its decision-making power to influence the variable returns.

On the basis of corporate governance and any existing supplementary agreements, the relevant activities of companies, variable returns and the relationship between the ability to influence the relevant activities and the variable returns are analyzed.

Pursuant to IFRS 11, which governs the accounting of joint arrangements, a distinction is made between joint ventures and joint operations. In the case of joint ventures, the partners participate in the net assets of a jointly controlled, legally independent company on the basis of their shareholder status. In joint opera-

tions, the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities, relating to the arrangement. This requirement is met, in particular, if the production of the joint arrangement is almost completely sold to the partners and the partners thereby secure the ongoing financing of the joint arrangement.

Companies whose corporate governance structures classify them as joint arrangements are analyzed to determine whether they meet the criteria for joint ventures or joint operations in accordance with IFRS 11. Should the arrangement be structured through a separate vehicle, its legal form, contractual arrangements and all other facts and circumstances are reviewed.

In addition to Wintershall Holding GmbH, the consolidated financial statements include all material subsidiaries in full, and one joint operation on a pro rata basis. Companies whose business is dormant or of low volume, and are of minor importance for the presentation of a true and fair view of the net assets, financial position and results of operations, are not consolidated, but rather are reported under "Other shareholdings". Due to the lack of market liquidity, these companies are carried at amortized cost and are written down in the event of an impairment. The aggregate assets and equity of these companies amount to less than 2.5% of the corresponding value at Group level.

Joint ventures and associated companies are accounted for using the **equity method** in the consolidated financial statements. Associates are defined as companies over which significant influence can be exerted over operating and financial policy and which are not subsidiaries, joint ventures or joint operations. In general, this applies to companies in which the Wintershall Group has an investment of between 20% and 50%. Equity-accounted income is reported as part of the result from operating activities (EBIT).

Methods of consolidation: The assets and liabilities of the companies included in the consolidated financial statements are recognized and measured uniformly in accordance with the principles described herein. In the case of companies accounted for using the equity method, material valuation differences resulting from the application of different accounting principles than those that apply to Wintershall are adjusted.

Transactions between consolidated companies, as well as intercompany profits resulting from trade between consolidated companies, are eliminated in full; elimination is performed on a pro rata basis for joint operations. With regard to revenue, these are eliminated in full. Material intercompany profits are eliminated in the case of companies accounted for using the equity method.

Capital consolidation is conducted at the acquisition date according to the purchase method. Initially, all assets, liabilities and additional intangible assets that are to be capitalized are measured at fair value. The acquisition cost of the participating interests is then offset against the proportionate share of the newly measured equity. The resulting positive differences are capitalized as goodwill. Negative differences are reviewed once more before being recognized directly in the income statement.

The incidental acquisition costs associated with a business combination are recognized in "Other operating expenses".

Profit and loss transfer agreement: Wintershall Holding GmbH is a direct (10.29%) and also an indirect (89.71% as a subsidiary of BASF Handels- und Exportgesellschaft mbH) subsidiary of BASF SE, Ludwigshafen am Rhein. However, Wintershall only has one profit and loss transfer agreement which has been concluded with BASF Handels- und Exportgesellschaft mbH. The agreement was concluded in 2006 and can be terminated after a five-year term by giving one month's notice to the end of the fiscal year.

With regard to the third-party shares of WIGA Transport Beteiligungs-GmbH & Co. KG, the results are transferred to the shareholders via withdrawals.

Translation of foreign currency items: The acquisition costs of assets acquired in foreign currencies and the proceeds from sales in foreign currencies are calculated using the exchange rates prevailing at the time the transactions are posted. Receivables and liabilities in foreign currencies are valued at the exchange rates that apply on the balance sheet date. The translation-related changes in assets and liabilities are recognized in profit or loss and are generally reported under other operating expenses or income. The "Miscellaneous financial result" only shows the effects of microhedges on earnings.

Translation of annual financial statements in foreign currencies: Currency translation is based on the functional currency of the consolidated companies. For those companies whose functional currency is not the euro, amounts are translated into the reporting currency using the closing rate method: balance sheet items are translated into euros at the closing rates that apply on the balance sheet date, while expenses and income are translated at the average monthly rates and accumulated over the course of the year. The difference between the companies' equity converted at historical rates on the date of contribution or retention and their equity converted at closing rates on the balance sheet date is shown separately under "Other comprehensive income" (translation adjustment) in equity and is not recognized in profit or loss until the company is derecognized.

For some companies outside of the euro or US dollar area, the euro or US dollar is the functional currency. In these cases, the financial statements prepared in local currency terms are translated into the functional currency using the temporal method: all non-monetary assets, as well as the depreciation/amortization and equity attributable to them, are translated at the applicable transaction rate. All other balance sheet items are translated using the closing rates that apply on the balance sheet date, and all other income and expenses are translated at average monthly rates. The resulting translation differences are recognized in "Other operating income" or "Other operating expenses". If necessary, financial statements denominated in the functional currency are subsequently translated into the reporting currency using the closing rate method.

Selected exchange rates

| €1 = | Closing rates | | Average rates | |
|-----------------|---------------|---------------|---------------|-------|
| | Dec. 31, 2018 | Dec. 31, 2017 | 2018 | 2017 |
| Argentina (ARS) | 43.07 | 22.64 | 32.97 | 18.74 |
| UK (GBP) | 0.89 | 0.89 | 0.88 | 0.88 |
| Norway (NOK) | 9.95 | 9.84 | 9.60 | 9.33 |
| Russia (RUB) | 79.72 | 69.39 | 74.04 | 65.92 |
| USA (USD) | 1.15 | 1.2 | 1.18 | 1.13 |

1.3 Accounting changes

➔ Accounting standards applied for the first time in 2018

IFRS 9 "Financial Instruments"

IFRS 9 "Financial instruments" was adopted by the European Union in the fourth quarter of 2016 and was applied by the Wintershall Group for the first time on January 1, 2018.

In particular, IFRS 9 contains new rules on classifying and measuring financial assets, fundamental changes regarding accounting for impairment losses on certain financial assets and revised rules on the recognition of hedging relationships. With regard to the measurement of financial instruments, IFRS 9 adheres to the previous standards of "amortized cost" and "fair value" and continues to distinguish between the recognition of changes in fair value through profit or loss and recognition directly in equity.

The classification and measurement of financial assets in accordance with IFRS 9 are based, on the one hand, on what is known as the cash flow condition (exclusively cash flows from interest and principal repayments), i.e. the specific structure of the contractually agreed cash flows from an individual financial asset. On the other hand, they also depend on the business model based on which portfolios of financial assets are managed.

Under IFRS 9, impairment losses on financial assets that are not measured at fair value through profit or loss are not recognized only when there is objective evidence of impairment, as is the case under IAS 39. Instead, impairments also have to be taken into account for expected credit losses. Their extent is determined, on the one hand, by the credit risk associated with a financial asset, but also by the change in its credit risk: if the credit risk of the financial asset has increased significantly since its initial recognition in the balance sheet, expected credit losses are generally recognized over the entire term of the asset. If, however, the credit risk has not increased significantly in the period mentioned, only the credit losses expected within the next twelve months are recognized as an impairment. Deviating from these requirements, the credit losses expected over the entire term are always recognized as an impairment, in accordance with the above-mentioned simplified approach, for example for receivables from leasing transactions and trade receivables.

IFRS 9 also contains new rules on the application of hedge accounting to better present an entity's risk management activities, particularly with regard to managing non-financial risks.

IFRS 9 was applied for the first time in the Wintershall Group in accordance with the modified retrospective method, i.e. without adjusting comparative information from previous periods, which is still presented in accordance with IAS 39.

At the Wintershall Group, the introduction of the cash flow condition led to a change in the subsequent measurement of other receivables measured at amortized cost in accordance with IAS 39. These are now measured in the balance sheet at fair value, unless the payments resulting from them relate exclusively to payments of interest and principal. Changes in the fair value of these other receivables are recognized in profit or loss in earnings after taxes.

In the case of the Wintershall Group, the recognition of impairment losses based on expected losses has a particular impact on the carrying amount of trade receivables. It also has an impact on the carrying amounts of other receivables that represent financial instruments. The following table shows the effects of the transition from IAS 39 to IFRS 9 on the carrying amounts as of December 31, 2017 by category of financial instrument:

Reconciliation of carrying amounts of financial assets

| | | | Changes in € thou. due to | | | | |
|---|-----------------------------|-------------------------------------|---------------------------------|-----------------------------------|-----------------------------|---|-------------------------------------|
| IAS 39 as of Dec. 31, 2017 | Carrying amounts in € thou. | Measurement categories ¹ | Changes in measurement category | Changes in measurement parameters | Carrying amounts in € thou. | IFRS 9 as of Jan. 1, 2018 | Measurement categories ¹ |
| Participating interests | 73,492 | AfS | - | - | 73,492 | Participating interests | aFVTPL |
| Trade receivables | 502,106 | LaR | - | -1,108 | 500,998 | Trade receivables | aAC |
| Derivatives of which forward foreign exchange transactions of which forward transactions on commodities | 4,422 4,422 - | aFVTPL - - | - - - | - - - | 4,422 4,422 - | Derivatives of which forward foreign exchange transactions of which forward transactions on commodities | aFVTPL - - |
| Loan and interest receivables | 495,591 | LaR | - | -900 | 494,691 | Loan and interest receivables | aAC |
| Miscellaneous receivables and other assets | 301,042 | LaR | - | -372 | 300,670 | Miscellaneous receivables and other assets | aAC |
| Cash and cash equivalents | 110,326 | LaR | - | - | 110,326 | Cash and cash equivalents | aAC |
| Total financial assets | 1,486,979 | - | - | -2,380 | 1,484,599 | Total financial assets | - |

¹ AfS: Available-for-Sale financial assets

aAC: at Amortized Cost

aFVTOCI: at Fair Value through Other Comprehensive Income

aFVTPL: at Fair Value through Profit or Loss

LaR: Loans and Receivables

Within the Wintershall Group, the credit risk associated with a financial asset is assessed both on the basis of internal estimates as part of the credit management process, and on the basis of external rating information relating to the counterparty concerned. The counterparty's credit risk is assumed to have increased significantly when its rating has been downgraded by a defined number of notches. The significance of the increase in credit risk is not reviewed for assets subject to the simplified approach.

The Wintershall Group calculates expected credit losses on a financial asset as the probability-weighted present value of the expected payment defaults. Three main parameters are taken into account in this regard: the probability of default of the counterparty, the loss rate in the event of counterparty default and the amount at risk of default. In cases involving receivables from banks, expected credit losses are determined primarily on the basis of default probabilities derived from credit default swaps for the counterparty concerned.

The effects of the changes in the impairment model on the impairments recognized in accordance with IAS 39 as of December 31, 2017 are shown in the following table. The main impairment losses affected were those recognized on financial assets classified as loans and receivables under IAS 39. The consideration of expected credit losses increased the impairment losses recognized. This was counteracted by the fact that IFRS 9 no longer requires impairments to be recognized due to transfer risks in certain countries, or staggered impairments depending on past due status.

Reconciliation of impairment losses on financial assets

| € thou. | | Changes due to | | |
|--|--|---------------------------------|-----------------------------------|---|
| | Cumulative impairments as of Dec. 31, 2017 (in accordance with IAS 39) | Changes in measurement category | Changes in measurement parameters | Impairments as of Jan. 1, 2018 (pursuant to IFRS 9) |
| Available for sale | - | - | - | - |
| Held to maturity | - | - | - | - |
| Loans and receivables | 75,341 | - | 2,380 | 77,721 |
| Total impairment losses on financial assets | 75,341 | 0 | 2,380 | 77,721 |

The Wintershall Group has elected to apply the provisions of IFRS 9 for hedge accounting on a prospective basis only as of January 1, 2018. This option does not apply to changes in the fair value component of options where only their intrinsic value is designated as a hedging instrument in a hedging relationship. In such cases, IFRS 9 requires changes in the fair value of the fair value component to be recognized in "Other comprehensive income" during the term of the hedge, and the cumulative amounts recognized in other comprehensive income to be reversed either as an adjustment to the cost of the hedged item or directly through profit or loss. In accordance with IAS 39, by contrast, the change in fair value of these fair value components was recognized directly in profit or loss.

Changeover effects resulting from the first-time application of IFRS 9 were recognized cumulatively in equity at the time of first-time application. Taking deferred taxes into account, the first-time application of IFRS 9 resulted in a reduction in equity of €810 thousand, which was attributable, in particular, to the increase in impairments on trade receivables and to a loan granted. The reclassification of earnings components recognized in "Other comprehensive income" under IAS 39 to retained earnings had no impact on the amount of equity.

The following table shows the effects of the first-time application of IFRS 9 on retained earnings and other comprehensive income:

First-time adoption effects of IFRS 9 on equity

| € thou. | |
|--|-------------------|
| Effects on retained earnings | |
| Retained earnings and net retained profit as of Dec. 31, 2017 (before adoption of IFRS 9) | 3,213,450 |
| Changes in impairments relating to trade receivables | -1,108 |
| Changes in impairments relating to other financial instruments | -1,272 |
| Reclassifications to/from other comprehensive income | - |
| Deferred taxes on first-time adoption effects | +1,570 |
| Retained earnings and net retained profit as of Jan. 1, 2018 (after adoption of IFRS 9) | 3,212,640 |
| Effects on other comprehensive income | |
| Other comprehensive income after tax, including non-controlling interests (before adoption of IFRS 9) | -1,071,791 |
| Reclassification of retained earnings, change in measurement category | - |
| Reclassifications of retained earnings, other | - |
| Deferred taxes on first-time adoption effects | - |
| Other comprehensive income after tax, including non-controlling interests (after adoption of IFRS 9) | -1,071,791 |
| First-time adoption effects of IFRS 9 on equity | -810 |

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" was adopted by the European Union in the third quarter of 2016 and was applied by Wintershall Group for the first time on January 1, 2018.

Under IFRS 15, revenue is measured at the amount of the consideration that the entity expects to receive when the customer obtains control of the agreed goods and services and is able to obtain benefits from them. For the purposes of determining revenue recognition, the standard provides for a five-step system that includes the following steps:

Step 1: Determination of the relevant contract

Step 2: Identification of separate performance obligations in the contract

Step 3: Determination of the total consideration

Step 4: Allocation of total consideration to identified performance obligations

Step 5: Revenue recognition upon fulfillment of a performance obligation

The transfer of control can take place at a specific time or over a period of time. The performance obligations resulting from contracts with customers of the Wintershall Group are fulfilled, almost without exception, at a specific point in time. This is also assumed for ongoing gas deliveries, which are usually invoiced on a monthly basis.

The Wintershall Group transitioned to IFRS 15 as of January 1, 2018 using the modified retrospective method. Based on this method, the comparative information for 2017 is not adjusted and, in accordance with IFRS 15.C7, only contracts that had not yet been fulfilled at the time of initial application are taken into account. Contractual changes that occurred prior to first-time application (IFRS 15.C7 A(b)), did not have to be taken into account.

As part of the adoption of the new standard, new balance sheet items, "Contract assets" and "Contract liabilities", have to be introduced and reported separately if such goods or services have been provided or received by the Wintershall Group. In 2018, there were no corresponding "contract assets" or "contract liabilities" at any time.

The first-time application of the new standard did not lead to any changes in the presentation of the balance sheet or income statement. The adoption of the new standard did not result in any adjustments to retained earnings or the reported revenue either.

Improvements to IFRSs 2014-2016

IAS 28 clarifies that the election to measure an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, can be exercised differently for each investment. The short-term exemptions in IFRS 1, Appendix E (IFRS 1.E3 – E7) were also deleted for entities applying the IFRS for the first time. The changes have no effect on the Wintershall Group.

Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

The amendments deal with individual issues relating to the accounting treatment of cash-settled share-based payment transactions. The amendment relates to the determination of the fair value of obligations arising from share-based payments. Further provisions relate to the effects of tax withholdings on the classification of remuneration programs and the presentation of options with regard to the type of remuneration to be received or granted (cash or equity settlement). The amendments are to be applied to remuneration granted/amended in fiscal years beginning on or after January 1, 2018. The changes have no effect on the Wintershall Group.

Amendments to IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IFRIC 22 addresses a question relating to the application of IAS 21 "The Effects of Changes in Foreign Exchange Rates". The Interpretation clarifies the time at which the exchange rate is to be calculated for the translation of foreign currency transactions that include the receipt or payment of advance consideration. According to the standard, the exchange rate used for the translation of the underlying asset, income or expense is the exchange rate that applied on the date of initial recognition of the asset or liability resulting from the advance consideration. The changes have no effect on the Wintershall Group.

German Accounting Standards Committee (ASCG) Interpretation (IFRS) No. 4 "Accounting treatment of ancillary income tax payments" (*Bilanzierung ertragsteuerlicher Nebenleistungen*)

The interpretation addresses the recognition of ancillary tax payments within the meaning of section 3 (4) of the German Tax Code (AO) which relate to current income taxes within the meaning of IAS 12.5. The interpretation establishes the application of IAS 37 to ancillary tax payments within the meaning of section 3 (4) AO and the resulting consequences for the recognition, measurement and reporting of ancillary tax payments. Interest expenses/income in connection with income taxes in accordance with IAS 12.5 and tax penalties are therefore no longer reported in the Wintershall Group's tax result for the first time in 2018, but rather in its "Miscellaneous financial result" or "Other operating expenses". The change in presentation represents a change in methodology within the meaning of IAS 8. As the effects were not material, no prior-year figures were adjusted in accordance with IAS 8. The interpretation is effective for the first time for fiscal years beginning on or after January 1, 2018.

➔ IFRSs & IFRICs not yet to be taken into account – already endorsed in EU law

The effects of the IFRSs and IFRICs that did not yet come into force in 2018, but have already been adopted by the European Union, on the annual financial statements of the Wintershall Group were examined and are explained below.

IFRS 16 "Leases"

The IASB published the new leasing standard IFRS 16 on January 13, 2016. The rules and definitions of IFRS 16 will replace the contents of IAS 17, IFRIC 4, SIC-15 and SIC-27 in the future. The standard provides for an accounting model for the lessee in which all rights to use assets (right-of-use assets) and liabilities under leases are to be recognized in the balance sheet unless the lease term is twelve months or less or the asset is of low value. For lessors, the accounting model does not differ significantly from that provided for in IAS 17 "Leases", i.e. lessors continue to classify leases as finance or operating leases. The new standard was adopted by the European Union on October 31, 2017. IFRS 16 is mandatory for fiscal years beginning on or after January 1, 2019.

The Wintershall Group has largely completed its assessment of the effects on its consolidated financial statements and intends to make use of the exemption regulations in connection with leases with a term of up to twelve months and low-value assets. There will be no reassessment of lease agreements that were already in place as of December 31, 2018.

The Wintershall Group will generally apply a value limit of €5,000 for the purposes of identifying low-value assets. Nevertheless, a significant number of leases which currently represent operating leases will, in the future, be recognized in the balance sheet as right-of-use assets with corresponding liabilities. When the new standard is applied for the first time on January 1, 2019, the Wintershall Group will measure the lease liabilities from operating leases with a remaining term of more than twelve months at the present value of the remaining lease payments, taking into account the current incremental borrowing rate. The capitalized

right-of-use asset will be recognized in the same amount as the lease liability. Existing finance leases will continue unchanged.

The Wintershall Group introduced new software for data management and the valuation of lease agreements in which most lease agreements were recorded in 2018. On the basis of the available data, a simulation was carried out as of December 31, 2018 on which the following statements on the effects of IFRS 16 are based.

As well as increasing the total assets of the Wintershall Group by around €110 million, the amount disclosed in expenses associated with operating leases will change. As far as 2019 is concerned, the Wintershall Group expects to see amortization expenses of around €35 million for right-of-use assets and interest expenses of around €5 million for lease liabilities. In addition, the Wintershall Group's equity ratio is expected to decrease by around 1% due to the additional debt positions.

The Wintershall Group will report the interest portion from the compounding of lease liabilities in cash flow from operating activities, and the repayment portion in cash flow from financing activities. Lease payments in connection with short-term agreements, agreements involving low-value assets or variable services will be reported in cash flow from operating activities. For more information on leasing, see Note 26.

Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (IFRS 9)

The adjustments relate to the assessment criteria relevant to the classification of financial assets. Financial assets with a negative prepayment penalty can be recognized, subject to certain requirements, at amortized cost or at fair value through other comprehensive income, instead of at fair value through profit or loss. The amendments are to be applied for the first time as of January 1, 2019. The changes have no effect on the Wintershall Group.

IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 supplements the provisions set out in IAS 12 regarding how to deal with uncertainty surrounding the income tax treatment of scenarios and transactions with regard to both current and deferred taxes. IFRIC 23 is effective for the first time for fiscal years beginning on or after January 1, 2019. The supplementary provisions have no material impact on the Wintershall Group.

Amendments to IAS 28 "Investments in Associates and Joint Ventures"

On October 12, 2017, the IASB published amendments to the accounting treatment of investments in associates and joint ventures. The amendments to IAS 28 clarify that IFRS 9 is to be applied to investments in associates or joint ventures that are not accounted for using the equity method. The amendment was adopted in EU law in the first quarter of 2019 and its application is mandatory as of January 1, 2019. The effects are described under "IFRS 9 – Financial Instruments" in this note.

➔ IFRSs and IFRICs not yet to be taken into account – subject to endorsement in EU law

The IASB has issued further amendments to standards and interpretations whose application is not yet mandatory and which have not yet been endorsed by the EU. These changes are not expected to have any material impact on the Wintershall Group's reporting. The Wintershall Group does not plan to apply the changes early.

Amendments to IFRS 10 and IAS 28 – “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The IASB published amendments to IFRS 10 and IAS 28 on September 11, 2014. The amendments address a known inconsistency between the provisions in IFRS 10 and those in IAS 28 (2011) in the event of the sale of assets to an associate or joint venture and/or the contribution of assets to an associate or joint venture.

Initial application of the amendments has been postponed for an indefinite period of time by the IASB.

Improvements to IFRSs 2015-2017

The “Annual Improvements to IFRSs (2015–2017)” amended four IFRSs.

IFRS 3 clarifies that, when an entity obtains control over a business operation in which it previously held an interest as part of a joint operation, the principles governing successive business combinations are to be applied. The interest previously held by the acquirer is to be remeasured.

IFRS 11 states that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 was amended in such a way that a company is to account for all income tax consequences of dividend payments in the same way as the income on which the dividends are based.

Finally, IAS 23 states that if a company has generally borrowed funds to purchase qualifying assets, the costs associated with debt taken out specifically in connection with the qualifying assets are not to be included in the calculation of the capitalization rate until the asset is completed.

Subject to adoption into EU law, the amendments need to be applied for the first time in the first reporting period in a fiscal year starting on or after January 1, 2019.

Improvements to IAS 19 “Plan Amendment, Curtailment or Settlement”

The changes include the measurement of pension obligations in the event of plan amendment, curtailment and settlement on the basis of updated assumptions. After such an event, past service cost and any gains and losses are to be determined on the basis of existing actuarial assumptions and a subsequent comparison of the pension commitment before and after the change. Within the context of subsequent measurement, the periods before and after the plan amendment, curtailment or settlement are considered separately. Subject to adoption into EU law, the amendments need to be applied for the first time in the first reporting period in a fiscal year starting on or after January 1, 2019.

Conceptual Framework

The Conceptual Framework published on March 29, 2018 replaces the previous Conceptual Framework from 2010. Key changes relate, in particular, to the definition, recognition and measurement of assets and liabilities, as well as the distinction between the profit/loss for the period and other total comprehensive income. The amendments are to be applied as of January 1, 2020, subject to their endorsement in EU law.

Amendments to References to the IASB Conceptual Framework

The amendments relate to updated references to quotations from the Conceptual Framework. Subject to adoption into EU law, the amendments need to be applied for the first time in the first reporting period in a fiscal year starting on or after January 1, 2020.

Amendments to IFRS 3 "Business Combinations"

The amendment published on October 22, 2018 clarifies that a business includes a set of activities and assets that must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Outputs are defined as the provision of goods and services to customers. The reference to cost reduction has been omitted. In addition, the new provisions also include an optional "concentration test", that permits a simplified assessment of what constitutes a business. The amended definition is to be applied to business combinations for which the acquisition date is January 1, 2020 or later.

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments published on October 31, 2018 create a uniform and more precise definition of the materiality of the information provided in financial statements, and supplement it to include corresponding examples. In this context, the definitions used in the Conceptual Framework, IAS 1, IAS 8 and IFRS Practice Statement 2 (Making Materiality Judgements) are harmonized. The amendments are to be applied as of January 1, 2020.

1.4 Accounting policies

→ Oil and gas exploration

Exploration and production costs are accounted for using the successful efforts method. This method means that expenses for successful exploratory drilling, as well as successful and dry development wells, are capitalized.

An exploration well is a well located outside of an area with proven oil and gas deposits. A development well is a well which is sunk to the depth of a deposit of oil or gas within an area with proved reserves.

Exploratory drilling is generally reported under construction in progress until its success can be determined. When the presence of hydrocarbons is proved such that the economic development of the field is probable, the costs remain capitalized as suspended well costs. At least once a year, all suspended wells are assessed from an economic, technical and strategic viewpoint to see if development is still intended. If this is not the case, the capitalized expenses for the well concerned are written off. When economically viable reserves are proven, the exploration wells are reclassified as technical equipment and machinery when production starts.

Production costs include all costs incurred to operate, repair and maintain the well and the associated plant and ancillary equipment, as well as any associated depreciation.

The unit of production method is used to depreciate assets from oil and gas exploration at the field or deposit level. As a matter of principle, depreciation is calculated on the basis of production during the period in relation to the proven, developed reserves. Depreciation on producing fields is reflected in production costs, while depreciation on exploration potential is reflected in exploration costs. Impairment losses/reversals of impairment losses on other non-current assets are included in other operating income/expenses.

Exploration expenses include all costs connected with non-proven oil and gas deposits. They include costs for the exploration of areas with possible oil or gas reserves. Costs for geological and geophysical investigations are, as a matter of principle, reported under exploration expenses. In addition, this item includes impairment losses on capitalized expenses for exploration wells for which no reserves could be proven. Scheduled depreciation on successful exploration wells is part of the cost of conversion.

Expenses and income from the exploration, development and production phases of oil and gas concessions are often allocated based on defined formulae via exploration and production sharing agreements between the state and one or more development and production companies. The proceeds to which Wintershall is entitled under these contracts are reported as revenue.

The intangible asset from the marketing agreement for natural gas from the Yuzhno Russkoye natural gas field is amortized in accordance with Wintershall's share of the volume produced and marketed.

Intangible assets mainly comprise exploration and production rights. During the exploration phase, these are not subject to scheduled depreciation, but rather are tested annually for impairment. In the event of an economically successful strike, the rights are amortized using the unit-of-production method.

→ Revenue recognition

Expenses and income from the exploration, development and production phases of oil and gas concessions are often allocated based on defined formulae via exploration and production sharing agreements between the state and one or more development and production companies. The proceeds due under these contracts are reported as revenue.

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer in the amount of the consideration expected to be received by the Wintershall Group in exchange for the goods or services.

Services rendered to customers are invoiced on an ongoing basis and recognized as revenue accordingly.

If the consideration in a contract contains variable components, the Wintershall Group estimates the amount of consideration to which it is entitled in return for delivery of the goods to the customer. The variable consideration is estimated and is only recognized when it is highly probable that a significant reversal of the revenue will not occur when the related uncertainty regarding the variable consideration has been resolved. Expected rebates and other discounts are accrued based on the principles of item-by-item measurement to cover probable risks and other claims.

As it applies the simplification rule set out in IFRS 15, the Wintershall Group does not adjust the amount of the agreed consideration to reflect the effects of a material financing component if, on the contract start date, it is expected that the period between the transfer of the goods or services to the customer and the date on which the customer is expected to pay for those goods or services will be one year or less.

→ Assets

Acquired intangible assets (excluding goodwill) with determinable useful lives are generally measured at cost less straight-line amortization. The useful life is measured based on the term of the underlying contract or the expected utilization of the intangible asset's economic benefits.

Impairment losses are recognized if the recoverable amount is less than the carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The value in use is calculated on the basis of future cash inflows and outflows and the weighted average cost of capital after taxes, depending on tax rates and country risks. If the reasons for impairment no longer apply, the impairment loss is reversed up to the amount that would have arisen if no impairment loss had been recognized. Depending on the type of intangible asset, amortization is included in the cost of conversion, distribution costs, research and development expenses or other operating expenses.

Internally generated intangible assets are measured at their cost of conversion less scheduled amortization over the average useful life of the asset. Impairment losses are recognized if the net carrying amount of the asset exceeds its recoverable amount. In addition to directly attributable costs, the cost of conversion of internally generated intangible assets also includes an appropriate share of overheads.

Intangible assets of the WIHO Group mainly comprise exploration and production rights. During the exploration phase, these are not subject to scheduled depreciation, but rather are tested annually for impairment. In the event of an economically successful strike, the rights are amortized using the unit-of-production method.

The intangible asset from the marketing agreement for natural gas from the Yuzhno Russkoye natural gas field is amortized in accordance with Wintershall's share of the volume produced and marketed.

Emission rights: Certificates issued free of charge by the German Emissions Trading Authority (DEHSt) or a comparable authority in other countries are carried at zero in the balance sheet. Emission rights purchased on the market are capitalized at cost as intangible assets. The emissions caused give rise to the obligation to surrender emission rights. Purchased intangible assets are subsequently measured at market prices up to a maximum of the acquisition cost. In the event of a lower fair value on the balance sheet date, the asset is written down to this value.

Goodwill is only written down in the event of impairment. Goodwill is tested for impairment once a year and also if there is any indication of impairment. Impairment losses on goodwill are not reversed.

Property, plant and equipment is measured at cost, less depreciation over the average useful life and impairment losses. The revaluation method is not applied. Low-value assets are expensed in the year of acquisition.

In addition to directly attributable costs, the cost of conversion of internally generated assets includes an appropriate share of material and production overheads, as well as general administrative expenses for the areas involved in constructing the assets.

The costs of maintenance and repair in the ordinary course of business are recognized as an expense.

Movable and immovable fixed assets are largely depreciated using the straight-line method, with the exception of production licenses and plants, which are primarily depreciated based on use in accordance with the unit of production method. The estimated useful lives and depreciation methods of property, plant and equipment are based on historical values, plans and estimates. The depreciation methods, useful lives and residual values are reviewed at each balance sheet date. The weighted average depreciation periods were as follows:

| Weighted average depreciation in years | 2018 | 2017 |
|--|------|------|
| Buildings and structural installations | 29 | 32 |
| Technical equipment and machinery | 13 | 9 |
| Operating equipment and other fixtures | 7 | 6 |

Impairment losses are recognized if the recoverable amount is less than the carrying amount. Measurement is based on the fair value less costs to sell or the value in use. The value in use is calculated on the basis of future cash inflows and outflows and the weighted average cost of capital after taxes, depending on tax rates and country risks. The impairment is recognized in the amount of the difference between the previous carrying amount and the recoverable amount. If the reasons for impairment no longer apply, the impairment loss is reversed up to the amount that would have arisen if no impairment loss had been recognized.

Investment properties held to realize capital gains or rental income are immaterial. They are valued at the lower of fair value or acquisition cost less depreciation.

Leases: A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. Leases are classified as operating leases or finance leases.

Assets subject to operating leases are not capitalized. The lease payments to be made are recognized in the income statement in the period they are incurred.

Leases can be embedded within other contracts. If separation is required under IFRS, the embedded lease is recorded separately from its host contract and each component of the contract is carried and measured in accordance with the applicable regulations.

Borrowing costs: Borrowing costs directly incurred as part of the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost or cost of conversion of that asset. A qualifying asset is an asset for which the time period necessary to make it ready for its intended use or sale is longer than one year. Borrowing costs are capitalized up to the date the asset is ready for its intended use. The borrowing costs were calculated based on a rate of 1.5% (previous year: 2.0%) and adjusted on a coun-

try-specific basis, if necessary. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Investments accounted for using the equity method: The carrying amounts of these companies are increased/reduced annually based on the pro rata share of net income, dividends and other changes in equity. Should there be indications of a reduction in the value of an investment that is not only temporary, an impairment is recognized in the income statement.

Inventories are measured at acquisition cost or cost of conversion based on the average-value method. If the stock market/market price or the fair value of the sales products, which are based on the net realizable values, is lower, then the sales products are written down to this lower value. The net realizable value is the price that can be achieved in the ordinary course of business less the estimated costs of completion and distribution that will be incurred up until the time of sale.

In addition to direct costs, cost of conversion includes an appropriate allocation of production overhead costs based on normal utilization rates of the production plants concerned, provided that they are related to the production process. Company retirement provision, social facilities within the company and voluntary social benefits provided by the company are also included, as are allocations for general administrative costs, provided they relate to production. Borrowing costs are not included in cost of conversion.

Inventories can be written down if the prices for the sales products decline, or in cases of a high rate of days of sales in inventories (DSI). Write-downs on inventories are reversed if the reasons for them no longer apply.

→ Taxes

In the Wintershall Group, taxes incurred are reported from an economic perspective and are shown as liabilities to the parent company, BASF SE, whose taxable entity includes the German group companies, on the basis of the allocation agreements.

Deferred taxes: Deferred taxes are recognized for temporary differences between the IFRS and tax balance sheets, as well as for tax loss carryforwards and unused tax credits. This also comprises temporary differences arising from business combinations, with the exception of goodwill. Deferred tax assets and liabilities are calculated using the country-specific tax rates applicable for the period in which the asset is realized or the liability settled. Tax rate changes enacted or substantively enacted on or before the balance sheet date are taken into consideration.

Deferred tax assets are offset against deferred tax liabilities provided they are related to the same tax authority and have the same maturities. Surpluses of deferred tax assets are only recognized provided that the tax benefits are likely to be realized. The valuation of deferred tax assets is based on the probability of a reversal of the valuation differences and the assessment of the ability to utilize tax loss carryforwards and unused tax credits. This depends on whether future taxable profits will arise during the period in which temporary differences are reversed and in which tax loss carryforwards and unused tax credits can be claimed. The valuation of deferred tax assets is based on internal projections of the future earnings of the group company concerned.

Changes in deferred taxes in the balance sheet are recognized as deferred tax expense/income if the underlying transaction is not to be recognized directly in equity or in income and expenses recognized in equity. For those effects which have been recognized in equity, changes to deferred tax assets and tax liabilities are also recognized directly in equity.

→ Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when Wintershall becomes a party to a financial instrument. Financial assets are derecognized when Wintershall no longer has a contractual right to the cash flows from the financial asset or when the financial asset is transferred together with all material risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligations expire, are discharged or canceled. Regular-way purchases and sales of financial instruments are accounted for using the settlement date as a general rule.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If pricing on an active market is available, for example in the form of share prices, these are used as the basis for the measurement. Otherwise, the measurement is based on internal measurement models using current market parameters or external measurements, for example, from banks. These internal measurements predominantly use the net present value method and option pricing models.

The Wintershall Group has been applying IFRS 9 since January 1, 2018. Except for financial assets measured at fair value through profit or loss, this requires the recognition of impairments for expected credit losses, independent of whether there are any actual default events, and specific valuation allowances if there is evidence of a permanent need for impairment. If this evidence no longer exists, the impairment is reversed in the statement of income up to the carrying amount of the asset had the default event not occurred. Valuation allowances are generally recognized in separate accounts.

The classification and measurement of financial assets are based, on the one hand, on what is known as the cash flow condition (exclusively cash flows from interest and principal repayments), i.e. the specific structure of the contractually agreed cash flows from an individual financial asset. On the other hand, they also depend on the business model based on which portfolios of financial assets are managed. Based on these two criteria, the Wintershall Group uses the following measurement categories for financial assets:

- **Financial assets recognized at fair value through profit or loss** include all financial assets whose cash flows are not solely payments of principal and interest in accordance with the cash flow condition established in IFRS 9. Within the Wintershall Group, derivatives are allocated to this measurement category, for example. The Wintershall Group does not generally exercise the fair value option in IFRS 9, which permits the allocation of financial instruments not to be measured at fair value through profit or loss on the basis of the cash flow condition or the business model criterion to the above category under certain circumstances.
- **Financial assets measured at amortized cost** include all assets with contractual terms that give rise to cash flows on specific dates, provided that these cash flows are solely payments of principal and interest on the principal amount outstanding in accordance with the cash flow condition in IFRS 9, to the extent that the asset is held with the intention of collecting the expected contractual cash flows over its term. Within the Wintershall Group, this measurement category includes trade receivables, for example, as well as receivables reported under "Miscellaneous receivables and other assets".

Initial measurement of these assets is generally at fair value, which usually corresponds to the transaction price at the time of acquisition. Subsequent measurement effects are recognized in income using the effective interest method.

Impairments are recognized for expected credit losses in both initial and subsequent measurement, even before the occurrence of any default event. If the counterparty is considered as having defaulted, a specific

valuation allowance is generally recognized for the financial assets measured at amortized cost. In addition, a valuation allowance must be recognized when the contractual conditions that form the basis for the receivable are changed through renegotiation in such a way that the present value of the future cash flows decreases. Their extent of expected credit losses is determined, on the one hand, by the credit risk associated with a financial asset, but also by the change in its credit risk: if the credit risk of the financial asset has increased significantly since its initial recognition in the balance sheet, expected credit losses are generally recognized over the entire term of the asset. If, however, the credit risk has not increased significantly in the period mentioned, only the credit losses expected within the next twelve months are recognized as an impairment. By contrast, under the simplified approach for determining expected credit losses permitted by IFRS 9, impairments for receivables such as lease receivables and trade receivables always cover the lifetime expected credit losses of the receivable concerned.

Within the Wintershall Group, the credit risk associated with a financial asset is assessed both on the basis of internal information and on the basis of external rating information relating to the counterparty concerned. The counterparty's credit risk is assumed to have increased significantly when its rating has been downgraded by a defined number of notches. The significance of the increase in the credit risk is not reviewed for trade receivables or lease receivables. Furthermore, it is generally assumed that the credit risk for a counterparty with a high credit rating will not have increased significantly.

Regional and, in certain circumstances, industry-specific factors and expectations are taken into account when assessing the need for a valuation allowance as part of the calculation of expected credit losses and specific valuation allowances. In addition, Wintershall uses internal and external ratings and the assessments of debt collection agencies and credit insurers, when available. Specific valuation allowances are also based on experience relating to customer solvency and customer-specific risks. Factors such as credit insurance, which covers a portion of receivables measured at amortized cost, are likewise considered when calculating valuation allowances. Bank guarantees and letters of credit are used to an immaterial extent. Expected credit losses and specific valuation allowances are only calculated for those receivables that are not covered by insurance or other collateral. The valuation allowances for receivables whose insurance includes a deductible are not recognized in excess of the amount of the deductible.

A decrease in valuation allowances due, for example, to a reduction in the credit risk of a counterparty or an objective event occurring after the valuation allowance is recorded in profit or loss. Reversals of valuation allowances may not exceed amortized cost, less any expected future credit losses.

- **Financial liabilities that are measured at amortized cost** generally include all financial liabilities, provided these do not represent derivatives. They are generally measured at fair value at the time of initial recognition, which usually corresponds to the value of the consideration received. Subsequent measurement is recognized in profit or loss at amortized cost using the effective interest method. Within the Wintershall Group, liabilities to banks reported under financial liabilities, for example, are measured at amortized cost.
- Financial liabilities recognized at fair value through profit or loss contain derivative financial liabilities. These are likewise measured at the value of the consideration received as the fair value of the liability on the date of initial recognition. The latter also represents the measurement basis for these liabilities in subsequent measurement. The option to subsequently measure financial liabilities at fair value is not exercised.

Derivative financial instruments can be embedded within other contracts, creating a hybrid financial instrument. If IFRS requires separation, the embedded derivative is accounted for separately from its host contract and measured at fair value. If IFRS 9 does not provide for separation, the hybrid instrument is accounted for at fair value in its entirety.

Financial guarantees of the Wintershall Group are contracts that require compensation payments to be made to the guarantee holder if a debtor fails to make payment when due under the terms of a transaction entered into with the holder of the guarantee. Financial guarantees issued by the Wintershall Group are measured at fair value upon initial recognition. In subsequent periods, these financial guarantees are carried at the higher of amortized cost or the best estimate of the present obligation as of the reporting date.

The Wintershall Group applied IAS 39 in the 2017 fiscal year. It required recognition of an impairment loss if there was evidence of a permanent impairment of a financial instrument not measured at fair value through profit or loss. If the reason for the impairment of loans and receivables, as well as held-to-maturity financial instruments ceased to exist, the impairment was reversed up to the amortized cost and recognized in the income statement. Impairments on financial instruments were recognized in separate accounts.

Financial assets and liabilities were divided into the following measurement categories:

- **Financial assets and liabilities at fair value recognized in the income statement** consisted of derivatives and other trading instruments. At Wintershall, this measurement category included derivatives only. Derivatives were reported in "Miscellaneous receivables and other assets" or "Miscellaneous liabilities". Wintershall did not make use of the fair value option under IAS 39. The calculation of fair values was based on market parameters or measurement models based on such parameters. In some exceptional cases, the fair value was calculated using parameters that are not observable on the market.
- **Loans and receivables** comprised financial assets with fixed or determinable payments which were not quoted on an active market and were not derivatives or classified as available-for-sale. This measurement category included trade receivables, as well as other receivables and loans reported under "Miscellaneous receivables and other assets". Initial measurement was at fair value, which generally corresponded to the nominal value of the receivable or loan. Interest-free and low-interest long-term loans and receivables were recorded at present value. Subsequent measurement recognized in income was generally at amortized cost using the effective interest method. If there was objective evidence for an impairment of a receivable or loan, a specific valuation allowance was recognized. When assessing the need for a valuation allowance, regional and sector-specific conditions were considered. In addition, Wintershall used internal and external ratings, as well as the assessments of debt collection agencies and credit insurers, when available. Valuation allowances were only recognized for those receivables not covered by credit insurance or other collateral. The valuation allowances for receivables whose insurance included a deductible were not recognized in excess of the amount of the deductible. Write-downs were based on historical values relating to customer solvency and the age, period overdue, insurance policies and customer-specific risks. In addition, a valuation allowance had to be recognized when the contractual conditions forming the basis for the receivable were changed through renegotiation in such a way that the present value of the future cash flows decreased. If the contractual amendment was material, the old asset was derecognized and a new asset recognized.

If, in a subsequent period, the amount of the impairment decreased, and the decrease could be objectively attributed to an event occurring after the valuation allowance was made, it was reversed in the income statement. Reversals of valuation allowances did not exceed amortized cost. Loans and receivables were derecognized when they were found to be uncollectible with definitive effect.

- **Held-to-maturity financial assets** consisted of nonderivative financial assets with fixed or determinable payments and a fixed term, for which there was the intent and ability to hold until maturity, and which did not fall under other measurement categories. They were initially recognized at fair value, which corresponded to the nominal value in most cases. Subsequent measurement was at amortized cost using

the effective interest method. Wintershall did not have any material financial assets that fell under this category.

- **Available-for-sale financial assets** comprised financial assets that were not derivatives and did not fall under any of the above valuation categories. This measurement category comprised shareholdings reported under the item "Other financial investments", which were not accounted for using the equity method, as well as current and non-current securities. Measurement was at fair value. Changes in fair value were initially recognized in OCI and were only recognized in the income statement when the assets had been disposed of or impaired. Subsequent reversals were generally recognized directly in equity (Other comprehensive income). In the case of debt instruments only, reversals were recognized in the income statement up to the amount of the original impairment; reversals above this amount were recognized directly in equity. If the fair value of available-for-sale financial assets fell below acquisition costs, the assets were impaired if the decline in value was considered permanent or was significant. The fair values were determined using market prices. Shareholdings whose fair value could not be reliably determined were carried at cost and written down in the case of impairment. This category included investments in other shareholdings, provided that these shares were not publicly traded. There were no plans to sell significant shares in these shareholdings.
- **Financial liabilities measured at amortized cost** were measured at fair value upon initial recognition. This amount usually corresponded to the amount received. Subsequent measurement was at amortized cost using the effective interest method.
- **Cash and cash equivalents** consisted primarily of cash-in-hand and bank balances with maturities of less than three months.

Derivative financial instruments can be embedded within other contracts. If IFRS requires separation, the embedded derivative was accounted for separately from its host contract and measured at fair value.

Revenue from interest-bearing assets is recognized according to the outstanding receivables as of reporting date using the effective interest method. Dividend income from participations not accounted for under the equity method are recognized when the legal right to receive payment is established.

→ Other comprehensive income

The expenses and income shown in other comprehensive income are divided into two categories: Items that will be recognized in the income statement in the future (known as "recycling") and items that will not be reclassified to the income statement in the future. The first category includes translation adjustments, changes in the fair value of derivatives held to hedge future cash flows and net investments in foreign operations. Items in other comprehensive income that will not be reclassified to the income statement at a future date include effects from the remeasurement of defined benefit plans.

→ Liabilities

Provisions for pensions and similar obligations: Provisions for pensions are calculated on an actuarial basis in accordance with the projected unit credit method using assumptions relating to the following valuation parameters, among others: future developments in salaries, pensions and inflation, staff turnover and the life expectancy of beneficiaries. Obligations are discounted based on the market yields on high-quality corporate fixed-rate bonds rated between "AA" to "AA+".

Actuarial expert opinions are used to calculate the amount of pension provisions.

Actuarial gains and losses from changes in estimates relating to the actuarial assumptions used to calculate defined benefit obligations, the difference between standardized and actual returns on plan assets, as well as the effects of the asset ceiling are recognized directly in equity as other comprehensive income.

Other provisions: Other provisions are set up when there is a present obligation as a result of a past event and when there is a probable outflow of resources whose amount can be reliably estimated. Provisions are recognized at the probable settlement value.

Provisions for German trade income tax, German corporate income tax and similar income taxes are calculated and recognized based on the expected taxable income of the consolidated companies less any prepayments that have been made. Other taxes to be assessed are considered accordingly.

Provisions are set up for certain environmental protection measures and risks if there is a present legal or constructive obligation arising from a past event, and the expected cash outflow can be estimated with sufficient reliability.

Provisions for the filling of wells and the removal of production facilities upon the termination of production (restoration obligations) are set up for the first time when the facility is commissioned at the present value of the future restoration costs. Discounting to the present value is based on the country-specific/currency-specific market interest rate that applies on the balance sheet date in question. An asset of the same value is capitalized as part of the carrying amount of the plant concerned and together they are depreciated. Interest on the provision is accrued annually until the time of the planned restoration. The financing costs resulting from the accrued interest in subsequent periods are recognized under "Miscellaneous financial result".

Provisions are recognized for expected severance payments or similar personnel expenses, as well as for demolition or closure expenses related to restructuring measures that have been planned and publicly announced by management.

Provisions for long-service and anniversary bonuses are predominantly calculated based on actuarial principles. For contracts signed under phased-in early retirement programs, approved supplemental payments are accrued in installments until the end of the period in which the employee is released from his/her duties at the latest. Accounting and measurement follow the German Accounting Standards Committee's Implementation Guidance 1 (IFRS) dated December 2012.

Other provisions also cover risks resulting from legal disputes and proceedings, provided the criteria for recognizing a provision are fulfilled. In order to determine the amount of the provisions, the company takes into consideration the facts related to each case, the size of the claim, claims awarded in similar cases and independent expert advice, as well as assumptions regarding the probability of a successful claim and the range of possible claims. Actual costs can deviate from these estimates.

→ Other accounting policies

Business combinations: In business combinations, the acquired assets and liabilities are recognized at fair value on the date the acquirer effectively obtains control for the first time. The fair value of acquired assets and assumed liabilities at the date of acquisition, as well as the useful lives of the acquired assets, are determined on the basis of assumptions. Measurement is largely based on projected cash flows. Actual cash flows can deviate significantly from those. Independent external appraisals are used for the purchase price allocation of material business combinations. Valuations in the course of business combinations are based on existing information as of the acquisition date.

→ Use of estimates and assumptions in preparing the consolidated financial statements

The carrying amount of assets, liabilities and provisions, contingent liabilities and other financial obligations reported in the consolidated financial statements depends on the use of estimates, assumptions and use of discretionary scope. Specific estimates or assumptions used in individual accounting policies are disclosed in the respective sections. They are based on the circumstances and estimates on the balance sheet date and thus affect the amounts of income and expenses shown for the fiscal years presented. These assumptions primarily relate to the determination of discounted cash flows in the context of impairment tests and purchase price allocations, the useful lives of property, plant and equipment and intangible assets, the carrying amount of shareholdings and the measurement of provisions for items such as pension benefits, warranties, price discounts, environmental protection or taxes. The calculation of provisions for restoration obligations (under mining law) essentially requires assumptions and estimates regarding maturities, exchange rates, costs to be taken into account and discount rates. The assumptions are reviewed on a regular basis. Although uncertainty is given appropriate consideration when calculating values, actual results can differ from these estimates.

The assumptions regarding the long-term development of oil and gas prices are significant for the impairment tests. This is particularly relevant for plant (oil and gas fields) and goodwill. The company's in-house forecasts are based on empirically sound analyses of global oil and gas supply and global oil and gas demand. Short-term estimates for periods of up to three years also take current price quotations or forward transactions into account. Long-term estimates also include assumptions on inflation, production volumes and costs, as well as energy efficiency and substitution of energy sources. Oil and gas price estimates are regularly checked for plausibility on the basis of external sources and studies.

As far as 2019 is concerned, Wintershall projects an average oil price of US\$70/bbl (Brent) and a gas price of around €19.49/MWh (around US\$6.85/mmBtu).

In line with global economic growth, demand for oil and gas will continue to rise. Higher marginal production costs and the current reluctance to invest should lead to a significant increase in prices in the medium and long term. Due to what are currently high oil inventories and assumptions of a higher oil supply from the US in the longer term, the oil price scenario has been adjusted compared to the previous year and is now based on the assumption that an oil price of around US\$100 will only be achieved again in 2022. The WIHO Group's gas price scenario assumes only a moderate increase in European gas prices in the coming years due to excess capacity in gas liquefaction (LNG). Based on this scenario, a significant increase to around €30/MWh (around US\$11/mmBTU) is expected by 2025 due to the further increase in demand for natural gas and the higher costs associated with new production and liquefaction projects.

Impairment tests on assets are carried out whenever certain triggering events indicate potential impairment. External triggering events include, for example, changes in oil and gas prices and in the estimated reserves. Changes in production processes or physical damage to assets constitute internal indicators of impairment.

Impairment tests are based on a comparison of the amortized carrying amount and the recoverable amount of the assets. The recoverable amount is the higher of fair value less costs to sell and the value in use. As a rule, value in use is determined using the discounted cash flow method. The estimation of cash flows and the assumptions used consider all information available on the balance sheet date on the future development of the operating business. Actual future developments may vary from these estimates. Impairment testing relies upon the cash-generating unit's long-term earnings forecasts, which are based on macroeconomic trends. The forecasts for the market prices of oil and gas, as well as the weighted average cost of

capital (WACC) based on the capital asset pricing model play an important role in impairment testing. Its components comprise a risk-free rate, the market risk premium and the spread for the credit risk.

Impairment losses are recognized if the recoverable amount is less than the carrying amount. The impairment relating to the asset (excl. goodwill) is recognized in the amount of the difference between the previous carrying amount and the recoverable amount.

The goodwill impairment test is based on cash-generating units. At Wintershall, these correspond to the operating segments. If there is a need for a valuation allowance, the existing goodwill is, if necessary, completely written off as a first step. If there is further need for a valuation allowance, this is allocated to the remaining assets of the cash-generating unit. Goodwill impairments are reported under "Other operating expenses".

2. Scope of consolidation

2.1 Changes in the scope of consolidation

In 2018, a total of 18 companies (16 companies in 2017) were included in the consolidated financial statements. Two of these companies (Wintershall do Brasil Exploração e Produção Ltda and Gullfaks AS) were included in the scope of consolidation for the first time.

In the same period of 2017, one company was included in the scope of consolidation for the first time, while one company left the consolidated group as a result of a merger.

Although Wintershall does not hold the majority of the shares in ZAO Gazprom YRGM Trading, it is entitled to the company's results on the basis of the profit distribution agreements, meaning that the company is fully consolidated in the consolidated financial statements.

The list of companies included in the consolidated financial statements and the total shareholdings in accordance with section 313 (2) HGB is shown in the list of shareholdings.

| Scope of consolidation | Europe | of which: Germany | Russia | South America |
|---------------------------------------|-----------|-------------------|----------|---------------|
| As of Jan. 1 | 13 | 8 | 2 | 1 |
| of which proportionately consolidated | - | - | 1 | - |
| First-time consolidations | 1 | - | - | 1 |
| of which proportionately consolidated | - | - | - | - |
| Deconsolidation | - | - | - | - |
| of which proportionately consolidated | - | - | - | - |
| As of Dec. 31 | 14 | 8 | 2 | 2 |
| of which proportionately consolidated | - | - | 1 | - |

Overview of impact of changes to the scope of consolidation (excluding acquisitions and divestitures)

| | 2018 | | 2017 | |
|--|----------------|------------|----------------|------------|
| | € thou. | % | € thou. | % |
| Revenue | 945 | 0.0 | 2,034 | 0.1 |
| Non-current assets | 99,215 | 0.8 | 343,590 | 2.9 |
| of which property, plant and equipment | 64,990 | 1.0 | 151 | 0 |
| Current assets | 14,562 | 1.1 | 15,443 | 1.6 |
| of which cash and cash equivalents | 6,185 | 2.8 | 188 | 0.2 |
| Assets | 113,777 | 0.8 | 359,033 | 2.8 |
| Equity | -13,457 | 0.4 | 11,267 | 0.4 |
| Non-current liabilities | 8,885 | 0.2 | 108 | 0.0 |
| Current liabilities | 6,125 | 0.1 | 117 | 0.0 |
| Capital | 1,553 | 0.0 | 11,492 | 0.1 |

2.2 Joint operations

A large part of the activities in the Exploration & Production business area are carried out in the context of joint operations which are not managed in separate companies. These are mainly activities in Germany, Norway and Argentina. These are generally accounted for as joint operations in accordance with IFRS 11.

The proportionately consolidated joint operation relates to AO Achimgaz, Novy Urengoy/Russia, which is operated jointly with Gazprom for the production of natural gas and condensate. Wintershall holds a 50% interest in the company and controls the company jointly with Gazprom. The company sells its products

exclusively to Gazprom, which ensures the company's ongoing financing. As a result, the company was classified as a joint operation within the meaning of IFRS 11.

2.3 Joint ventures and associated companies

→ Significant joint ventures accounted for using the equity method

The main joint ventures accounted for using the equity method are W & G Infrastruktur Finanzierungs-GmbH, Kassel (50% interest) and Wintershall Noordzee B.V., Rijswijk/Netherlands (50% interest), both of which are operated with the partner Gazprom.

| Financial information of W & G Infrastruktur Finanzierungs- GmbH, Kassel (Group) | | |
|---|---------------|---------------|
| € m | Dec. 31, 2018 | Dec. 31, 2017 |
| Balance sheet | | |
| Non-current assets | 1,553 | 1,181 |
| Current assets | 458 | 721 |
| of which marketable securities, cash and cash equivalents | 0 | 2 |
| Assets | 2,011 | 1,902 |
| Equity | 445 | 461 |
| Non-current liabilities | 1,393 | 1,342 |
| thereof financial indebtedness | 924 | 923 |
| Current liabilities | 173 | 99 |
| thereof financial indebtedness | 1 | - |
| Capital | 2,011 | 1,902 |
| Statement of income | | |
| Revenue | 841 | 560 |
| Depreciation and amortization | -121 | -147 |
| Interest income | - | 1 |
| Interest expenses | -10 | -8 |
| Income taxes | -14 | -23 |
| Net income for the year | 99 | 114 |
| Carrying amount according to the equity method as of the beginning of the year | 657 | - |
| Proportional net income for the year | 49 | 57 |
| Proportional change in other comprehensive income | - | - |
| Total comprehensive income | 49 | 57 |
| Capital measures/withdrawals/changes in the scope of consolidation/other adjustments | -57 | 608 |
| of which withdrawals (includes profit transfer) | -57 | -62 |
| Other adjustments recognized in profit or loss | -19 | -8 |
| Carrying amount according to the equity method as of the end of the year | 630 | 657 |

The figures also include the effects of the transfer of GASCADE Gastransport GmbH and NEL Gastransport GmbH to W & G Infrastruktur Finanzierungs-GmbH

| Financial information of Wintershall Noordzee B.V. Rijswijk/Netherlands | | |
|---|---------------|---------------|
| € m | Dec. 31, 2018 | Dec. 31, 2017 |
| Balance sheet | | |
| Non-current assets | 1,082 | 1,148 |
| Current assets | 96 | 127 |
| of which marketable securities, cash and cash equivalents | 45 | 75 |
| Assets | 1,178 | 1,275 |
| Equity | 593 | 614 |
| Non-current liabilities | 528 | 594 |
| thereof financial indebtedness | 49 | 162 |
| Current liabilities | 57 | 67 |
| Capital | 1,178 | 1,275 |
| Statement of income | | |
| Revenue | 197 | 149 |
| Depreciation and amortization | -154 | 28 |
| Interest expenses | -1 | -2 |
| Income taxes | 30 | 46 |
| Net loss (income) for the year | -14 | 157 |
| Carrying amount according to the equity method as of the beginning of the year | 307 | 228 |
| Proportional net loss (income) for the year | -7 | 79 |
| Total comprehensive income | -7 | 79 |
| Capital measures/dividends/changes in the scope of consolidation/other adjustments | -3 | - |
| of which dividends (includes profit transfer) | -3 | - |
| Carrying amount according to the equity method as of the end of the year | 297 | 307 |

→ **Material associated companies accounted for using the equity method**

- OAO Severneftegazprom, Krasnoselkup/Russia (Wintershall's share 25%, economic participation 35%)

| Financial information of OAO Severneftegazprom, Krasnoselkup/Russia | | |
|---|----------------------|----------------------|
| € m | Dec. 31, 2018 | Dec. 31, 2017 |
| Balance sheet | | |
| Non-current assets | 743 | 886 |
| Current assets | 204 | 196 |
| of which marketable securities, cash and cash equivalents | 75 | 109 |
| Assets | 947 | 1,082 |
| Equity | 696 | 791 |
| Non-current liabilities | 170 | 190 |
| Current liabilities | 81 | 101 |
| thereof financial indebtedness | - | 15 |
| Capital | 947 | 1,082 |
| Statement of income | | |
| Revenue | 645 | 748 |
| Depreciation and amortization | -70 | -78 |
| Interest income | 6 | 13 |
| Interest expenses | -7 | -8 |
| Income taxes | -11 | -25 |
| Net income for the year | 45 | 88 |
| Carrying amount according to the equity method as of the beginning of the year | 309 | 380 |
| Proportional net income for the year | 13 | 34 |
| Proportional change in other comprehensive income | -37 | -28 |
| Total comprehensive income | -24 | 6 |
| Capital measures/dividends/changes in the scope of consolidation/other adjustments | -14 | -77 |
| of which dividends (includes profit transfer) | -14 | -77 |
| Carrying amount according to the equity method as of the end of the year | 271 | 309 |

- Nord Stream AG, Zug/Switzerland (Wintershall's share 15.5%)

| Financial information of Nord Stream AG, Zug/Switzerland (100%) | | |
|--|----------------------|----------------------|
| € m | Dec. 31, 2018 | Dec. 31, 2017 |
| Balance sheet | | |
| Non-current assets | 5,362 | 5,656 |
| Current assets | 801 | 696 |
| of which marketable securities, cash and cash equivalents | 226 | 337 |
| Assets | 6,163 | 6,352 |
| | | |
| Equity | 2,471 | 2,258 |
| Non-current liabilities | 3,300 | 3,713 |
| thereof financial indebtedness | 2,979 | 3,311 |
| Current liabilities | 392 | 381 |
| thereof financial indebtedness | 379 | 19 |
| Capital | 6,163 | 6,352 |
| | | |
| Statement of income | | |
| Revenue | 1,074 | 1,076 |
| Depreciation and amortization | -295 | -293 |
| Interest income | - | 1 |
| Interest expenses | -170 | -181 |
| Income taxes | -12 | -15 |
| Net income for the year | 466 | 443 |
| | | |
| Carrying amount according to the equity method as of the beginning of the year | 366 | 322 |
| Proportional net income for the year | 73 | 68 |
| Proportional change in other comprehensive income | 11 | 17 |
| Total comprehensive income | 84 | 85 |
| Capital measures/dividends/changes in the scope of consolidation/other adjustments | -52 | -41 |
| of which dividends (includes profit transfer) | -52 | -41 |
| Carrying amount according to the equity method as of the end of the year | 398 | 366 |

- Wintershall AG, Kassel, in which Libyan exploration and production activities are carried out jointly with Gazprom Libyen Verwaltungs GmbH (Wintershall's share 51%)

| Financial information of Wintershall AG, Kassel (100%) | | |
|---|----------------------|----------------------|
| € m | Dec. 31, 2018 | Dec. 31, 2017 |
| Balance sheet | | |
| Non-current assets | 632 | 598 |
| Current assets | 231 | 241 |
| of which marketable securities, cash and cash equivalents | 1 | 3 |
| Assets | 863 | 839 |
| | | |
| Equity | 190 | 190 |
| Non-current liabilities | 528 | 541 |
| Current liabilities | 145 | 108 |
| Capital | 863 | 839 |
| | | |
| Statement of Income | | |
| Revenue | 154 | 152 |
| Depreciation and amortization | -44 | -34 |
| Interest expenses | - | -3 |
| Income taxes | 45 | -68 |
| Net income for the year | - | 8 |
| | | |
| Carrying amount according to the equity method as of the beginning of the year | 97 | 93 |
| Proportional net income for the year | - | 4 |
| Total comprehensive income | - | 4 |
| Carrying amount according to the equity method as of the end of the year | 97 | 96 |

- Wintershall Wolga Petroleum GmbH, Kassel (Wintershall's share 100%)

| Financial Information of Wintershall Wolga Petroleum GmbH, Kassel (50% shareholder of Volgodeminoil LLC) | | |
|---|----------------------|----------------------|
| € m | Dec. 31, 2018 | Dec. 31, 2017 |
| Balance sheet | | |
| Non-current assets | 13 | 26 |
| Current assets | 43 | 53 |
| of which marketable securities, cash and cash equivalents | 25 | 28 |
| Assets | 56 | 79 |
| Equity | 23 | 32 |
| Non-current liabilities | 3 | 3 |
| Current liabilities | 29 | 44 |
| thereof financial indebtedness | 15 | 21 |
| Capital | 56 | 79 |
| Statement of income | | |
| Revenue | 76 | 68 |
| General administrative expenses | -7 | -7 |
| Other interest and similar income | 1 | 2 |
| Income taxes | -5 | -6 |
| Net income for the year | 16 | 15 |
| Carrying amount according to the equity method as of the beginning of the year | 30 | 38 |
| Proportional net income for the year | 18 | 15 |
| Proportional change in other comprehensive income | -6 | -2 |
| Total comprehensive income | 12 | 13 |
| Capital measures/dividends/changes in the scope of consolidation/other adjustments | -15 | -21 |
| of which dividends (includes profit transfer) | -15 | -21 |
| Carrying amount according to the equity method as of the end of the year | 27 | 30 |

The joint stock company Achim Trading, Moscow/Russia (Wintershall's share 18.01%, economic participation 25.01%, partner Gazprom), is used to market the production of blocks IV/V of the Achimov Formation. The investment carrying amount of €768 million, unchanged as against the previous year, resulted from the fair value measurement following the exchange of assets with Gazprom as of September 30, 2015. The company will not commence its economic activity until the start of production of blocks IV/V, which is scheduled for 2020. As a result, no relevant financial information has to be presented for 2018 in accordance with IFRS 12.

2.4 Acquisitions and divestitures

➔ Acquisitions

Ghasha Concessions United Arab Emirates

On November 25, 2018, Wintershall Middle East GmbH signed an accession agreement to the concession agreement with the Abu Dhabi National Oil Company (ADNOC) and the Supreme Petroleum Council of the United Arab Emirates to acquire a 10% stake in the Ghasha concession in the United Arab Emirates. This acquisition will allow the Wintershall Group to further expand its activities in Abu Dhabi. The purchase price of \$151.2 million had not been allocated to the acquired assets and liabilities by the time the consolidated financial statements were prepared.

Wintershall DEA merger

In September 2018, BASF and LetterOne signed a binding agreement to merge their respective oil and gas businesses. The joint venture will operate under the name Wintershall DEA. In the medium term, BASF and LetterOne are aiming for an initial public offering of Wintershall DEA. The transaction is likely to be concluded in the first half of 2019. Up until this date, Wintershall and DEA will continue to operate as independent companies. The merger will be completed by LetterOne transferring all its shares in DEA Deutsche Erdöl AG to Wintershall Holding GmbH and receiving new shares from the latter. The company will then be renamed Wintershall DEA and will have its head offices in Kassel and Hamburg. BASF's share in Wintershall DEA's ordinary shares will initially be 67%, with LetterOne to hold a stake of 33%. These shares reflect the value of the respective exploration and production activities of Wintershall and DEA. In order to reflect the value of Wintershall's gas transport business, BASF will receive additional preferential shares. These preference shares are to be converted into ordinary shares in Wintershall DEA no later than 36 months after the merger and in any event before the IPO. This will increase BASF's stake in Wintershall DEA to 72.7%.

→ Divestitures

Argentina

At the beginning of 2018, Wintershall reduced its stake in the block Aguada Pichana Este (East) by selling its shares in Total Austral S.A., Buenos Aires/Argentina.

3. List of shareholdings of the Wintershall Group pursuant to section 313 (2) HGB

The list of companies included in the consolidated financial statements and the total shareholdings in accordance with section 313 (2) HGB is shown in the list of shareholdings below. The information on the exemption of subsidiaries from accounting and disclosure requirements is part of the audited 2018 consolidated financial statements of BASF SE, which are filed in the electronic Federal Gazette (*Bundesanzeiger*).

I. Companies fully and proportionately consolidated in the consolidated financial statements and included using the equity method

1. Fully consolidated subsidiaries

| Company | Registered office | Share of capital (%) |
|---|-----------------------|----------------------|
| Europe | | |
| Wintershall Holding GmbH | Kassel | 100.00 |
| E & A Internationale Explorations- und Produktions-GmbH | Kassel | 100.00 |
| WIGA Transport Beteiligungs-GmbH & Co. KG | Kassel | 50.02 |
| W & G Transport Holding GmbH | Kassel | 49.97 |
| Untertage-Speicher-Gesellschaft mbH | Kassel | 100.00 |
| Wintershall Vermögensverwaltungsgesellschaft mbH | Kassel | 100.00 |
| Wintershall Middle East GmbH | Kassel | 100.00 |
| OPAL Gastransport GmbH & Co. KG | Kassel | 49.97 |
| Wintershall Nederland Transport & Trading B.V. | Rijswijk, Netherlands | 100.00 |
| Wintershall Oil AG | Zug, Switzerland | 100.00 |
| Wintershall Nederland B.V. | Rijswijk, Netherlands | 100.00 |
| Wintershall Petroleum (E&P) B.V. | Rijswijk, Netherlands | 100.00 |
| Wintershall Norge AS | Stavanger, Norway | 100.00 |

| | | |
|--|----------------------------------|---------------------|
| Gullfaks AS | Stavanger, Norway | 100.00 |
| Russia | | |
| ZAO Gazprom YRGM Trading | Krasnoselkup, Russian Federation | 25.00 ¹⁾ |
| South America | | |
| Wintershall Energía S.A. | Buenos Aires, Argentina | 100.00 |
| Wintershall do Brasil Exploração e Produção Ltda | Rio de Janeiro, Brazil | 100.00 |

1) Fully consolidated in accordance with IFRS 10

2. Proportionately consolidated joint operations

| Company | Registered office | Share of capital (%) |
|-------------|----------------------------------|----------------------|
| Russia | | |
| AO Achimgaz | Novy Urengoy, Russian Federation | 50.00 |

3. Joint ventures accounted for using the equity method

| Company | Registered office | Share of capital (%) |
|--|-----------------------|----------------------|
| Europe | | |
| Wintershall Noordzee B.V. | Rijswijk, Netherlands | 50.00 |
| W & G Infrastruktur Finanzierungs-GmbH | Kassel | 49.97 |

4. Associated companies accounted for using the equity method

| Company | Registered office | Share of capital (%) |
|---|----------------------------------|----------------------|
| Europe | | |
| Wintershall Wolga Petroleum GmbH (50% shareholder of Wolgodeminoil LLC) | Kassel | 100.00 |
| NEL Gastransport GmbH | Kassel | 49.97 |
| Wintershall AG | Kassel | 51.00 |
| GASCADE Gastransport GmbH | Kassel | 49.97 |
| Nord Stream AG | Zug, Switzerland | 15.50 ²⁾ |
| Russia | | |
| Limited Liability Company Achim Development | Novy Urengoy, Russian Federation | 25.01 |
| OAO Severneftegazprom | Krasnoselkup, Russian Federation | 25.00 ³⁾ |
| Joint Stock Company Achim Trading | Moscow, Russian Federation | 18.01 ²⁾ |

2) Wintershall exerts a significant influence over financial and corporate policy

3) Share of results totals 35% via an additional preference share

II. Investees not included due to minor significance

1. Subsidiaries not consolidated due to minor significance

| Company | Registered office | Share of capital (%) |
|---|--------------------------|----------------------|
| Europe | | |
| Wintershall Libyen Oil & Gas GmbH | Kassel | 100.00 |
| Wintershall Exploration and Production International C.V. | Rijswijk, Netherlands | 100.00 |
| Wintershall Global Support B.V. | Rijswijk, Netherlands | 100.00 |
| Wintershall Russland GmbH | Kassel | 100.00 |
| Nordkaspische Explorations- und Produktions GmbH | Kassel | 100.00 |
| WIGA Verwaltungs-GmbH | Kassel | 50.02 |
| Wintershall Lenkoran GmbH | Kassel | 100.00 |
| OPAL Verwaltungs-GmbH | Kassel | 49.97 |
| AWIAG Limited | Birkirkara, Malta | 100.00 |
| South America | | |
| Wintershall do Brasil Servicos Ltda. | Rio de Janeiro, Brazil | 100.00 |
| Wintershall BM-C-19 Ltda. | Rio de Janeiro, Brazil | 100.00 |
| Wintershall BM-ES-1 Ltda. | Rio de Janeiro, Brazil | 100.00 |
| Wintershall Chile Ltda. | Santiago de Chile, Chile | 100.00 |

2. Joint venture not accounted for using the equity method due to minor significance

| Company | Registered office | Share of capital (%) |
|---|-------------------------------|----------------------|
| Europe | | |
| Erdgas Münster GmbH | Münster | 28.76 |
| Russia | | |
| Limited Liability Company Joint Venture "Wolgodeminoil" | Volgograd, Russian Federation | 50.00 |

Notes to the statement of income

4. Functional costs

Functional costs incurred by the operating functions are determined, based on the cost of sales method, on the basis of cost center accounting. In particular, functional costs include the personnel costs incurred by the final cost centers allocated, depreciation and amortization and the cost categories derived from cost and service allocations. Operating expenses that cannot be allocated to the functional costs are reported as other operating expenses

Cost of conversion

The cost of conversion includes all production and purchase costs of the company's own products, as well as merchandise, that have been sold in the period, particularly plant, energy and personnel costs.

Distribution costs

Distribution costs primarily include marketing and advertising costs, freight costs, packaging costs, distribution management costs, commission and licensing costs.

General administrative expenses

General administrative expenses primarily include the costs of the central units, the costs of managing business units and costs of general management and the Board of Directors.

Research and development costs

Research and development expenses include the costs resulting from research projects, as well as the necessary license fees for research activities.

5. Revenue

| € thou. | 2018 | 2017 |
|----------------|------------------|------------------|
| Own products | 2,435,868 | 1,946,996 |
| Merchandise | 1,440,713 | 1,063,839 |
| Commission | 243,538 | 144,786 |
| Other | 587,084 | 506,083 |
| Revenue | 4,707,203 | 3,661,704 |

Other mainly includes services rendered.

6. Other operating income

| € thou. | 2018 | 2017 |
|--|----------------|----------------|
| Income from the translation of transactions denominated in foreign currencies | 5,710 | 10,288 |
| Reversals of impairment losses on non-current assets | - | 165,020 |
| Gains from the disposal of non-current assets | 30,486 | 75,176 |
| Income from refunds, compensation and settlement payments | 44,209 | 110,013 |
| Income from the adjustment and reversal of provisions recognized under other operating expenses. | 7,398 | 2,879 |
| Income from other non-typical transactions | 11,835 | 10,270 |
| Miscellaneous income | 18,799 | 13,434 |
| Other operating income | 118,437 | 387,080 |

Income from the translation of transactions denominated in foreign currencies included income from the translation of companies for which the local currency differs from the functional currency.

In 2018, in contrast to 2017, there were no **reversals of impairment losses on non-current assets**. Accordingly, these amounted to €0 thousand (2017: €165,020 thousand).

Gains from the disposal of non-current assets amounted to €30,486 thousand, down by €44,690 thousand on 2017. They resulted from the sale of shares in oil and gas concessions in Argentina.

Income from refunds, compensation and settlement payments decreased by €65,805 thousand and was mainly based on compensation payments in Norway and Argentina.

Income from other non-typical transactions in the amount of €11,835 thousand (2017: €10,270 thousand) arose from the charging of internal services, from rental and lease agreements, as well as proceeds from the canteen area.

Miscellaneous income includes income from the reversal of provisions, reversals of value adjustments on receivables and bills of exchange, gains from other asset disposals – except financial investments and other income.

Income from the reversal of provisions mainly related to restoration and remediation, the BOP program (BASF share option program) and personnel obligations. Provisions are reversed or adjusted if circumstances on the balance sheet date indicate that they will no longer be used or will only be used in a reduced amount. In 2018, the figure includes income from the reversal of provisions for the BOP program in the amount of €5,076 thousand. In 2017, income from the BOP program amounted to €1,367 thousand.

7. Other operating expenses

| € thou. | 2018 | 2017 |
|--|----------------|----------------|
| Expenses from foreign currency and hedging transactions | 121,262 | 143,008 |
| Losses from commodity derivatives | 26,909 | - |
| Amortization, depreciation and impairments of non-current assets | 191,219 | 82,693 |
| Cost of production for other non-typical transactions | 10,395 | 8,207 |
| Expenses for project costs not requiring capitalization | 18,292 | 22,539 |
| Expenses from the addition of valuation allowances for trade receivables | 9,296 | 10,310 |
| Expenses for fees, charges, expenses and other services | 18,693 | 27,771 |
| Miscellaneous expenses | 54,290 | 42,444 |
| Other operating expenses | 450,356 | 336,971 |

Expenses from foreign currency and hedging transactions fell from €143,008 thousand in 2017 to €121,262 thousand in 2018. The majority is attributable to expenses in Norway.

Losses from commodity derivatives resulted from pending gas purchase and supply agreements that were recognized for the first time in this reporting period.

Amortization, depreciation and impairments of non-current assets resulted from impairment losses in Norway relating exclusively to property, plant and equipment.

The cost of production for other non-typical transactions increased by €2,188 thousand compared to the previous year.

Expenses for project costs not requiring capitalization and **expenses from the addition of valuation allowances for trade receivables** remained on a par with 2017.

Expenses for fees, charges, expenses and other services arose primarily in Germany and were down by €9,078 thousand year-on-year.

Miscellaneous expenses included losses from other asset disposals (excluding financial investments) (€1,983 thousand; previous year: €544 thousand), additions to/the reversal of write-downs on inventories (€9,048 thousand; previous year: €1,338 thousand), the derecognition of inventories (€370 thousand; previous year: €332 thousand), structural measures, reorganization, closure costs (€7,284 thousand; previous year: €2,818 thousand), additions to BOP provisions (€2 thousand; previous year: €88 thousand), other tax expenses (€255 thousand; previous year: €110 thousand) and other expenses (€20,408 thousand; previous year: €30,935 thousand).

8. Income from companies accounted for using the equity method

| € thou. | 2018 | 2017 |
|--|----------------|----------------|
| Proportional net income for the year | 147,264 | 161,639 |
| of which joint ventures | 42,270 | 41,269 |
| of which associated companies | 104,994 | 120,370 |
| Other adjustments recognized in profit or loss | -18,800 | 85,970 |
| of which joint ventures | -18,800 | 85,970 |
| Income from companies accounted for using the equity method | 128,464 | 247,609 |

Income from companies accounted for using the equity method fell in 2018 compared with 2017. The increase in the previous year was due to write-ups at the joint ventures in the E&P area. The companies accounted for using the equity method in gas transport also recorded a drop in earnings (€-13 million).

9. Financial result

| € thou. | 2018 | 2017 |
|---|----------------|----------------|
| Income from participating interests | 3,195 | 2,582 |
| Income from profit transfer | 480 | 415 |
| Income from the disposal of participating interests | - | 994 |
| Income from other participating interests | 3,675 | 3,991 |
| Cost of loss absorption | -415 | -2,816 |
| Write-downs/losses on participating interests | - | -111 |
| Expenses from other participating interests | -415 | -2,927 |
| Net investment income | 3,260 | 1,064 |
| Interest income from cash and cash equivalents | 14,285 | 14,572 |
| Interest income from loans | 53,036 | 24,462 |
| Interest income from securities | 58 | 1,474 |
| Miscellaneous interest income | 4,491 | 16,279 |
| Interest and dividend income | 71,869 | 56,787 |
| Interest expenses from financial liabilities | -19,877 | -40,380 |
| Miscellaneous interest expenses | -47,867 | -65,673 |
| Interest expenses | -67,744 | -106,053 |
| Net interest income | 4,125 | -49,266 |
| Gains from the disposal of/write-up of securities/loans | 1,003 | 5,426 |
| Capitalization of interest costs during construction | 13,474 | 30,096 |
| Net interest income from overfunded pension plans and similar obligations | 628 | 255 |
| Other financial income | 235,997 | 3,600 |
| Miscellaneous financial income | 251,102 | 39,377 |
| Write-downs/losses from securities and loans | -2,202 | -1,284 |
| Accrued interest on other non-current provisions | -25,317 | -26,832 |
| Miscellaneous interest expenses from discounting | -3,748 | -495 |
| Net interest expenses from overfunded pension plans and similar obligations | -6,285 | -6,142 |
| Other financial expenses | -267,125 | -5,473 |
| Miscellaneous financial expenses | -304,677 | -40,226 |
| Miscellaneous financial result | -53,575 | -849 |
| Financial result | -46,190 | -49,051 |

As a result of higher **interest income** and lower **interest expenses**, net interest income improved by €53,392 thousand year-on-year from €-49,266 thousand to €4,125 thousand. Interest income resulted primarily from loans in connection with the financing of the Nord Stream 2 project. The drop in interest expenses is attributable to the repayment of financial liabilities in Argentina and the drop in liabilities from cash pooling.

The increase in **other financial income** and other **financial expenses** mainly resulted from hedging transactions for loans executed for the first time in the fiscal year under review and dismantling obligations in Norwegian krone.

10. Income taxes

In Germany, a uniform corporate income tax rate of 15.0%, as well as a solidarity surcharge of 5.5% thereon, are levied on all distributed and retained earnings. In addition to corporate income tax, income generated in Germany is subject to a trade tax that varies depending on the municipality in which the company is represented. The weighted average trade tax rate in 2018 was 15.4% (2017: 15.3 %). The 30% rate used to calculate deferred taxes for German group companies remained unchanged in 2018. The income of foreign group companies are assessed using the tax rates applicable in their respective countries. These are also generally used to calculate deferred taxes to the extent that tax rate adjustments for the future have not yet been enacted.

→ Tax expense

| € thou. | 2018 | 2017 |
|--|----------------|----------------|
| Corporate income tax, solidarity surcharge and trade taxes (Germany) | 507,692 | 256,785 |
| Foreign income tax | 65,878 | 37,978 |
| Taxes for previous years | 3,175 | 7,895 |
| Current income tax expense | 576,745 | 302,658 |
| from changes in temporary differences | -39,615 | -187,646 |
| from changes in tax loss carryforwards/unused tax credits | 39,484 | 32,456 |
| from changes in the tax rate | -34 | 10,419 |
| Income taxes | 576,580 | 157,887 |
| Other taxes, as well as sales and consumption taxes | 21,527 | 16,688 |
| Tax expense | 598,107 | 174,575 |

The current tax expense for corporate income tax, solidarity surcharge and trade taxes (Germany) increased as a result of the higher marginal tax rate and higher earnings in Norway at the same time.

The changes in **temporary differences** mainly result from the exchange rate-related adjustment of the tax carrying amounts of fixed assets in Norway and the opposite effect relating to provisions from the adjustment of restoration obligations.

Other taxes, as well as sales and consumption taxes included land tax and other comparable taxes.

Reconciliation to the effective tax expense and the tax rate

| | 2018 | | 2017 | |
|---|------------------|--------------|----------------|--------------|
| | € thou. | % | € thou. | % |
| Earnings before taxes | 1,247,399 | - | 884,785 | - |
| Expected corporate income tax based on German corporate income tax rate (15%) | 187,110 | 15.00 | 132,718 | 15.00 |
| Solidarity surcharge | 999 | 0.08 | 235 | 0.03 |
| Trade income tax | 17,392 | 1.39 | 17,854 | 2.02 |
| Effect of different tax rates on income of foreign group companies | 280,113 | 22.46 | 100,247 | 11.33 |
| Income tax subsidies on investments | -71,897 | -5.76 | -92,062 | -10.41 |
| Tax-neutral translation effects | -25,404 | -2.04 | 19,950 | 2.25 |
| Effects from hedging transactions | 149,436 | 11.98 | 2,050 | 0.23 |
| Balance of tax-exempt income and non-tax-deductible expenses | 1,846 | 0.15 | 2,908 | 0.33 |
| Net income from participating interests accounted for under the equity method | -19,270 | -1.54 | -37,142 | -4.20 |
| Taxes for previous years | 3,175 | 0.25 | 7,895 | 0.89 |
| Taxes abroad | 14,085 | 1.13 | 13,041 | 1.47 |
| Tax rate changes | -34 | 0.00 | 10,419 | 1.18 |
| Other | 39,029 | 3.13 | -20,226 | -2.29 |
| Effective income taxes/tax rate | 576,580 | 46.22 | 157,887 | 17.84 |

The Wintershall Group's tax rate in 2018 was 46.2% (2017: 17.8%).

The impact of different tax rates increased due to improved earnings in countries with high tax rates, particularly Norway.

The income tax subsidies on investments result from additional depreciation on oil and gas production facilities in Norway and led to tax income.

Losses from hedging transactions result from the hedging of loan liabilities and provisions for restoration in Norwegian krone, which are subject to a reduced tax rate.

→ Deferred taxes

Development in 2018

| € thou. | As of Jan. 1, 2018 (net) | Effects recognized in income | Effects recognized in equity (OCI) | Recognized directly in equity | Other | As of Dec. 31, 2018 (net) |
|--|--------------------------|------------------------------|------------------------------------|-------------------------------|-------------|---------------------------|
| Intangible assets | -168,286 | 15,634 | 21,227 | - | -14 | -131,439 |
| Property, plant and equipment | -1,637,618 | -128,386 | -93,406 | - | -398 | -1,859,808 |
| Inventories and receivables | 69,868 | -13,255 | -1,522 | - | 286 | 13,377 |
| Provisions for pensions | 50,660 | 961 | 553 | -2,821 | -3 | 49,350 |
| Miscellaneous provisions and liabilities | 498,165 | 164,419 | 30,204 | - | -61 | 692,727 |
| Other | 434 | 242 | 32 | - | 57 | 765 |
| Tax loss carryforwards | 44,606 | -39,450 | -4,392 | - | - | 764 |
| Total | -1,142,171 | 165 | -47,304 | -2,821 | -133 | -1,192,264 |

Development in 2017

| € thou. | As of Jan. 1, 2017 (net) | Recognized in profit and loss | Currency effect | Recognized directly in equity | Other | As of Dec. 31, 2017 (net) |
|--|--------------------------|-------------------------------|-----------------|-------------------------------|-----------|---------------------------|
| Intangible assets | -218,343 | 30,708 | 19,342 | - | 7 | -168,286 |
| Property, plant and equipment | -1,928,359 | 82,922 | 207,816 | - | 3 | -1,637,618 |
| Financial investments | 97 | -96 | - | - | -1 | 0 |
| Inventories and receivables | 64,730 | 7,167 | -2,026 | - | -3 | 69,868 |
| Provisions for pensions | 53,833 | 851 | -1,252 | -2,773 | 1 | 50,660 |
| Miscellaneous provisions and liabilities | 512,328 | 53,736 | -67,867 | -31 | -1 | 498,165 |
| Other | 114 | 359 | -39 | - | - | 434 |
| Tax loss carryforwards | 81,542 | -30,875 | -6,073 | - | 12 | 44,606 |
| Total | -1,434,058 | 144,772 | 149,901 | -2,804 | 18 | -1,142,171 |

Deferred taxes result from temporary differences between the values recognized in the tax balance sheets and the assets and liabilities accounted for in accordance with IFRS, as well as from tax loss carryforwards and unused tax credits.

Deferred tax income in the amount of €165 thousand was recognized in the income statement in 2018 (previous year: €144,772 thousand).

No deferred tax liabilities were recognized for temporary differences from retained profits of subsidiaries in the amount of €818,811 thousand in 2018, as these profits are not subject to corresponding taxation when distributed, or are to be reinvested for an indefinite period.

→ Tax loss carryforwards

The regional breakdown of deferred tax assets is as follows:

| € thou. | Tax loss carryforwards | | Deferred tax assets | |
|--------------|------------------------|---------------|---------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Germany | 2,543 | - | 764 | - |
| Abroad | - | 81,102 | - | 44,606 |
| Total | 2,543 | 81,102 | 764 | 44,606 |

In the fiscal year under review, there were tax loss carryforwards of €2,543 thousand in Germany, on which deferred taxes (€764 thousand) were recognized. Tax loss carryforwards from the previous year were used in Norway in the amount of €81,102 thousand. No deferred tax assets were recognized in the amount of €23,915 thousand.

→ Tax liabilities

Tax liabilities mainly comprise assessed income taxes and other taxes, as well as unassessed income taxes for the current year. In 2018, tax liabilities amounted to €222,433 thousand (2017: €133,877 thousand).

11. Minority interests

Profit attributable to other shareholders

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|---------------|---------------|---------------|
| Profit shares | 54,731 | 41,280 |

The €13,451 thousand increase in profit shares in 2018 was mainly due to higher revenues in the gas transport business.

The following table shows information on each subsidiary of the Group with significant non-controlling interests after intercompany eliminations:

| € thou. | 2018 | | | 2017 | | |
|--|----------------------------------|--------------------------|----------------------------------|----------------------------------|--------------------------|----------------------------------|
| | WIGA Transport Beteiligungs-GmbH | W&G Transp. Holding GmbH | OPAL Gas-transport GmbH & Co. KG | WIGA Transport Beteiligungs-GmbH | W&G Transp. Holding GmbH | OPAL Gas-transport GmbH & Co. KG |
| Percentage of non-controlling interests | 49.98% | 49.98% | 49.98% | 49.98% | 49.98% | 49.98% |
| Non-current assets | 55 | 1,544,570 | 127 | 55 | 1,599,885 | 131 |
| Current assets | 3,453 | 29,602 | 33,255 | 2,129 | 10,546 | 38,394 |
| Non-current liabilities | -699,463 | -82,167 | -2,285 | -699,046 | -65,686 | -2,857 |
| Current liabilities | -375,466 | -6,664 | -9,350 | -678,893 | -9,117 | -10,895 |
| Net assets/liabilities | -1,071,421 | 1,485,341 | 21,747 | -1,375,755 | 1,535,628 | 24,773 |
| Net assets of the non-controlling interests | -535,496 | 742,373 | 10,869 | -687,602 | 767,507 | 12,382 |
| Revenue | 348 | 20,172 | 216,090 | 88 | 20,173 | 173,284 |
| Profit | 15,362 | 78,516 | 15,631 | 10,399 | 48,025 | 24,170 |
| Other income | 4 | - | 16 | 5 | - | 6 |
| Total comprehensive income | 15,366 | 78,516 | 15,647 | 10,404 | 48,025 | 24,176 |
| Profit attributable to non-controlling interests | 7,676 | 39,242 | 7,812 | 5,197 | 24,003 | 12,080 |
| Other comprehensive income attributable to non-controlling interests | 2 | - | 8 | 3 | - | 3 |

12. Personnel expenses and employees

→ Personnel expenses

In 2018, the Wintershall Group spent a total of €218,802 thousand on wages and salaries, social security contributions and expenses for retirement provision and other benefits (2017: €254,637 thousand). This means that personnel expenses fell by 14.1%.

Personnel expenses

| € thou. | 2018 | 2017 |
|--|----------------|----------------|
| Wages and salaries | 187,096 | 214,569 |
| Social security contributions and expenses for retirement provision and other benefits | 31,706 | 40,068 |
| of which for retirement provision | 23,579 | 23,817 |
| of which for other social security contributions | 8,127 | 16,251 |
| Total | 218,802 | 254,637 |

→ Number of employees

As of December 31, 2018, the Group employed 2,018 people (December 31, 2017: 1,984). The employees of joint operations are included in the number of employees in accordance with the corresponding share of the investment. This relates to a total of 199 employees (2017: 186).

Total employment contracts headcount

| | Dec. 31, 2018 | Dec. 31, 2017 |
|--|---------------|---------------|
| Headcount | 2,018 | 1,984 |
| of which trainees | 57 | 58 |
| of which employees on fixed-term contracts | 167.5 | 92 |

| Annual average | 2018 | 2017 |
|--|--------------|--------------|
| Headcount | 2,020 | 1,989 |
| of which trainees | 50 | 53 |
| of which employees on fixed-term contracts | 153 | 91 |

Notes on statement of financial position

13. Intangible assets

Wintershall's goodwill is allocated to seven globally managed operating segments.

The annual impairment tests were carried out in the fourth quarter on the basis of the operating segments. The recoverable amount was determined using the value in use. The plans approved by the company management and the corresponding cash flows were used for this purpose. The plans are based on experience gleaned in the past, current business results and the best possible management estimate of the future development of individual influencing factors. Oil and gas prices and the WACC are the key input parameters for forecasting cash flows in the current financial plans. Market assumptions, such as economic trends and market growth, are included, taking into account external macroeconomic and industry-specific sources.

Further information on the oil and gas price scenario can be found in Note 1.4 Accounting policies.

The discounting of cash flows required for impairment testing is performed using the weighted cost of capital, which is determined using the capital asset pricing model. Its components are a risk-free interest rate, the market risk premium and an adjustment for credit risk (spread) determined on the basis of the relevant sector-specific peer group. The calculation takes into account both the capital structure and the beta factor for the peer group concerned. The valuation model uses a field-based approach. The observation period spans the planned license terms or production series of the oil and gas fields included. In addition, the weighted average cost of capital takes into account the relevant country risk; this results in a more precise calculation of the recoverable amount. Taking these parameters into account, the cost of capital varied in 2018 in a range from 9.62% to 30.37% (2017: from 11.32% to 36.99%).

After determining the recoverable amount, it was found that deviations from the material assumptions that were deemed possible would not result in the carrying amounts of 6 business units exceeding their recoverable amounts. This does not apply to the goodwill of the Wintershall Norge business unit with regard to a possible change in the forecast oil and gas prices that was applied as a material assumption. In 2018, the recoverable amount of Wintershall Norge exceeded the carrying amount by €566,132 thousand. For the purposes of the impairment test, the current oil and gas price scenario was used, which forecasts an oil price of US\$70/bbl (Brent) and a gas price of around €19.49/MWh (around US\$6.85/mmBtu) for 2019. The recoverable amount would correspond to the carrying amount of the business unit if the oil and gas price forecast were approximately 16% lower.

Goodwill of the operating segments

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|-----------------------------|------------------|------------------|
| Wintershall Holding | 54,202 | 51,748 |
| Wintershall Energia | 118,032 | 116,524 |
| Wintershall Middle East | 10,198 | 9,736 |
| Wintershall Petroleum (E&P) | 10,080 | 9,624 |
| Wintershall Norge | 966,852 | 923,076 |
| Achimgaz | 232,260 | 221,744 |
| Gazprom YRGM Trading | 179,993 | 171,843 |
| Total | 1,571,617 | 1,504,295 |

Cost of capital

| | Dec. 31, 2018 | Dec. 31, 2017 |
|-----------------------------|---------------|---------------|
| Wintershall Holding | 9.62% | 11.32% |
| Wintershall Energia | 16.07% | 20.07% |
| Wintershall Middle East | 15.77% | 18.50% |
| Wintershall Petroleum (E&P) | 30.37% | 36.99% |
| Wintershall Norge | 27.51% | 35.45% |
| Achimgaz | 11.20% | 13.65% |
| Gazprom YRGM Trading | 11.20% | 13.65% |

Development in intangible assets in 2018

| € thou. | Distribution and similar rights | Goodwill | Product rights licenses and trademarks | Other rights and assets | Total |
|---|---------------------------------|------------------|--|-------------------------|------------------|
| Cost | | | | | |
| Balance as of Jan. 1, 2018 | 888,302 | 1,628,305 | 369,382 | 35,216 | 2,921,205 |
| Additions | - | - | 32,644 | 1,692 | 34,336 |
| Disposals | - | -3,771 | -3,195 | -1,359 | -8,325 |
| Reclassifications | - | - | -12,298 | 9 | -12,289 |
| Translation-related changes in value | -115,037 | 76,974 | 8,306 | 55 | -29,702 |
| Balance as of Dec. 31, 2018 | 773,265 | 1,701,508 | 394,839 | 35,613 | 2,905,225 |
| Depreciation and amortization | | | | | |
| Balance as of Jan. 1, 2018 | -329,322 | -124,010 | -135,849 | -24,237 | -613,418 |
| Additions | -34,111 | - | -8,738 | -3,593 | -46,442 |
| Disposals | - | - | - | 1,359 | 1,359 |
| Translation-related changes in value | 45,154 | -5,881 | -2,401 | -39 | 36,833 |
| Balance as of Dec. 31, 2018 | -318,279 | -129,891 | -146,988 | -26,510 | -621,668 |
| Net carrying amount on Dec. 31, 2018 | 454,986 | 1,571,617 | 247,851 | 9,103 | 2,283,557 |

In addition to goodwill, **intangible assets** include acquired and internally generated intangible assets. They also include rights that are amortized using the unit-of-production method. As of December 31, 2018, their cumulative cost amounted to €857,295 thousand and cumulative amortization to €342,390 thousand; amortization in 2018 amounted to €41,421 thousand.

The concessions for oil and gas production included in the **product rights, licenses and trademarks** category, with a net carrying amount of €247,851 thousand in 2018, entitle the holder to carry out oil and gas exploration and production in certain areas. The rights are returned at the end of the term of a concession.

Additions to intangible assets in the amount of €34,336 thousand are mainly attributable to the acquisition of seven exploration licenses in Brazil, which are reported under product rights, licenses and trademarks.

Translation-related changes in the value of the Russian rouble and the US dollar and the associated contrary effects increased intangible assets by €7,131 thousand. These resulted, in particular, from the appreciation of the Russian rouble against the euro and the depreciation of the US dollar against the euro.

Development in intangible assets in 2017

| € thou. | Distribution and similar rights | Goodwill | Product rights, licenses and trademarks | Other rights and assets | Total |
|---|---------------------------------|------------------|---|-------------------------|------------------|
| Cost | | | | | |
| Balance as of Jan. 1, 2017 | 958,648 | 1,852,600 | 572,888 | 63,559 | 3,447,695 |
| Additions | - | - | 10,883 | 3,951 | 14,834 |
| Disposals | - | - | -248 | -28,863 | -29,111 |
| Reclassifications | - | - | -177,439 | - | -177,440 |
| Translation-related changes in value | -70,346 | -224,295 | -36,702 | -3,430 | -334,773 |
| Balance as of Dec. 31, 2017 | 888,302 | 1,628,305 | 369,382 | 35,217 | 2,921,205 |
| Amortization | | | | | |
| Balance as of Jan. 1, 2017 | -316,279 | -141,092 | -106,411 | -51,121 | -614,903 |
| Additions | -38,323 | - | -33,396 | -5,322 | -77,041 |
| Disposals | - | - | 248 | 28,851 | 29,099 |
| Translation-related changes in value | 25,280 | 17,082 | 3,710 | 3,355 | 49,427 |
| Balance as of Dec. 31, 2017 | -329,322 | -124,010 | -135,849 | -24,237 | -613,418 |
| Net carrying amount on Dec. 31, 2017 | 558,980 | 1,504,295 | 233,533 | 10,980 | 2,307,787 |

In addition to goodwill, **intangible assets** include acquired and internally generated intangible assets. They also include rights that are amortized using the unit-of-production method. As of December 31, 2017, their cumulative cost amounted to €962,000 thousand and cumulative amortization to €312,000 thousand; amortization in 2017 amounted to €41,000 thousand.

The concessions for oil and gas production included in the **product rights, licenses and trademarks** category, with a net carrying amount of €233,533 thousand in 2017, entitle the holder to carry out oil and gas exploration and production in certain areas. The rights are returned at the end of the term of a concession.

Disposals of intangible assets in the amount of €29,111 thousand are mainly attributable to the derecognition of fully amortized software in Norway.

The **reclassifications** of €177,440 thousand mainly related to the confirmed oil and gas deposits in the Maria field in Norway. Unconfirmed deposits under acquired concessions are reported as intangible assets under product rights, licenses and trademarks.

In 2017, **amortization** included impairment losses on exploration potential for oil and gas production in Norway in the amount of €26,781 thousand.

Translation-related changes in value reduced intangible assets by €285,346 thousand and resulted in particular from the depreciation of the US dollar and Russian rouble against the euro.

14. Property, plant and equipment

Development in property, plant and equipment in 2018

| € thou. | Land and build-ings | Technical equip-ment and ma-chinery | Other equipment, operating and office equipment | Assets under construction | Total |
|---|---------------------|-------------------------------------|---|---------------------------|------------------|
| Cost | | | | | |
| Balance as of Jan. 1, 2018 | 79,537 | 10,258,717 | 84,395 | 1,567,203 | 11,989,852 |
| Additions | 584 | 625,499 | 4,137 | 397,174 | 1,027,394 |
| Changes in the scope of consolidation | 71,982 | - | - | - | 71,982 |
| Disposals | -3,500 | -51,554 | -3,956 | -126 | -59,136 |
| Reclassifications | 728 | 1,082,749 | 366 | -1,071,554 | 12,289 |
| Translation-related changes in value | -788 | 165,307 | -136 | 61,609 | 225,992 |
| Balance as of Dec. 31, 2018 | 148,543 | 12,080,718 | 84,806 | 954,306 | 13,268,373 |
| Depreciation | | | | | |
| Balance as of Jan. 1, 2018 | -47,132 | -5,322,355 | -65,542 | -193,991 | -5,629,020 |
| Additions | -4,753 | -1,022,300 | -5,136 | -1,483 | -1,033,672 |
| Changes in the scope of consolidation | -3,214 | - | - | - | -3,214 |
| Disposals | 1,678 | 28,353 | 3,513 | - | 33,544 |
| Reclassifications | - | -106,968 | - | 106,968 | 0 |
| Translation-related changes in value | 126 | -124,098 | -427 | -3,600 | -127,999 |
| Balance as of Dec. 31, 2018 | -53,295 | -6,547,368 | -67,592 | -92,106 | -6,760,361 |
| Net carrying amount on Dec. 31, 2018 | 95,248 | 5,533,350 | 17,214 | 862,200 | 6,508,012 |

Property, plant and equipment increased by €147,180 thousand to €6,508,012 thousand in 2018 compared to the previous year.

Additions to property, plant and equipment from investment projects amounted to €1,027,394 thousand in 2018. Major investments related to the construction of oil and gas production facilities and wells in Europe and South America. The **changes in the scope of consolidation** amounting to €71,982 thousand result from land and buildings of Gullfaks AS, which was consolidated for the first time in the 2018 fiscal year. Overall, these additions (€1,099,376 thousand) and currency effects (€97,993 thousand) were largely offset by scheduled depreciation and write-downs (€1,033,672 thousand).

Technical equipment and machinery includes oil and gas deposits including associated wells, production facilities and other infrastructure, which are depreciated using the unit-of-production method.

Depreciation in 2018 included impairment losses of €185,159 thousand. These relate to technical equipment and machinery and result, in particular, from updated operating assumptions for the Maria field in Norway. The recoverable amount corresponded to the value in use, and the weighted average cost of capital before taxes was 7.5%.

Reclassifications mainly related to the assumption of exploration expenses in Norway for Aasta Hansten, with reclassification from assets under construction to technical equipment and machinery.

Development in property, plant and equipment in 2017

| € thou. | Land and build-ings | Technical equip-ment and machin-ery | Other equipment, operating and office equipment | Assets under construction | Total |
|---|---------------------|-------------------------------------|---|---------------------------|------------------|
| Cost | | | | | |
| Balance as of Jan. 1, 2017 | 77,109 | 9,291,103 | 90,558 | 2,472,593 | 11,931,363 |
| Additions | 1,236 | 596,769 | 3,550 | 370,617 | 972,172 |
| Changes in the scope of consolidation | - | 14,060 | - | - | 14,060 |
| Disposals | -490 | -242,617 | -9,363 | -1,595 | -254,065 |
| Reclassifications | 1,682 | 1,183,818 | 1,440 | -1,009,373 | 177,567 |
| Translation-related changes in value | - | -584,416 | -1,790 | -265,039 | -851,245 |
| Balance as of Dec. 31, 2017 | 79,537 | 10,258,717 | 84,395 | 1,567,203 | 11,989,852 |
| Depreciation | | | | | |
| Balance as of Jan. 1, 2017 | -45,224 | -4,929,418 | -70,497 | -210,908 | -5,256,047 |
| Additions | -2,276 | -1,045,438 | -5,453 | -59,231 | -1,112,398 |
| Changes in the scope of consolidation | - | -14,042 | - | - | -14,042 |
| Disposals | 368 | 228,166 | 9,272 | 1,588 | 239,394 |
| Reclassifications | - | 53,484 | - | -53,484 | 0 |
| Translation-related changes in value | - | 325,668 | 1,136 | 22,249 | 349,053 |
| Reversal of impairment losses | - | 59,225 | - | 105,795 | 165,020 |
| Balance as of Dec. 31, 2017 | -47,132 | -5,322,355 | -65,542 | -193,991 | -5,629,020 |
| Net carrying amount on Dec. 31, 2017 | 32,405 | 4,936,362 | 18,853 | 1,373,212 | 6,360,832 |

Property, plant and equipment decreased by €314,484 thousand to €6,360,832 thousand in 2017 compared to 2016.

One major **disposal** of property, plant and equipment related to the sale of Wintershall's stake in the Aguada Pichana Oeste (West) block in Argentina to Pan American Energy (PAE) and YPF S.A. in July 2017. The sale was executed as a result of the decision made by the partner companies PAN, YPF, Total and Wintershall to divide Aguada Pichana and to develop the two blocks separately.

Additions to property, plant and equipment from investment projects amounted to €972,172 thousand in 2017. Major investments related to the construction of oil and gas production facilities and wells in Europe and South America. Overall, these additions from investments were more than offset by scheduled depreciation and write-downs (€1,112,398 thousand), as well as by currency effects (€502,192 thousand) resulting from the depreciation of the US dollar against the euro.

15. Investments accounted for using the equity method and other financial investments

Investments accounted for using the equity method

| € thou. | 2018 | 2017 |
|--|------------------|------------------|
| As of Jan. 1 | 2,556,542 | 2,581,398 |
| Additions | 55,408 | 12,064 |
| Reclassifications | -2,155 | -36,920 |
| Translation-related changes in value | -43,398 | - |
| Net carrying amount as of Dec. 31 | 2,566,397 | 2,556,542 |

The investments accounted for using the equity method showed an increase of €9,855 thousand to €2,566,397 thousand compared with the previous year (€2,556,542 thousand), putting them on a par with the previous year.

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|-----------------------------|---------------|---------------|
| Other financial investments | 1,883 | 73,492 |
| Net carrying amount | 1,883 | 73,492 |

Other financial investments of €1,883 thousand (€73,492 thousand) mainly relate to investments in companies or buildings measured at cost. The change in the fiscal year results from the inclusion of Gullfaks AS in the scope of consolidation of the Wintershall Group. Due to a lack of market liquidity, investments are measured at amortized cost instead of fair value.

16. Inventories

Inventories

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|---|----------------|---------------|
| Raw materials, consumables and supplies | 115,527 | 61,099 |
| Work in process and finished goods, merchandise | 21,061 | 23,260 |
| Inventories | 136,588 | 84,359 |

Compared to 2017, inventories increased by €52,229 thousand to a total of €136,588 thousand (previous year: €84,359 thousand). The increase relates, in particular, to Argentina and results from a change in the presentation of inventories included in the consortium settlement (recognized under item 17 in previous periods).

17. Receivables and other assets

Miscellaneous receivables and other assets

| € thou. | Dec. 31, 2018 | | Dec. 31, 2017 | |
|---|------------------|----------------|----------------|----------------|
| | Non-current | Current | Non-current | Current |
| Loan and interest receivables | 819,535 | 481 | 495,309 | 282 |
| Dividends/profit transfer | - | 41,243 | - | 29,267 |
| Securities | - | - | - | 16,682 |
| Derivatives with a positive fair value | - | 11,250 | - | 4,422 |
| Consortium settlements | 14,632 | 27,741 | 16,611 | 37,034 |
| Operating receivables | 60,530 | 104,135 | 4,539 | 129,824 |
| Entitlements to tax rebates | - | 15,976 | - | 17,275 |
| Receivables from employees | - | 1,135 | 1 | 448 |
| Prepaid expenses | 1,477 | 47,251 | 1,466 | 44,743 |
| Other financial receivables | - | 5,157 | - | 3,152 |
| Total | 896,174 | 254,369 | 517,926 | 283,129 |
| Miscellaneous receivables and other assets | 1,150,543 | | 801,055 | |

The increase in miscellaneous receivables and other assets is primarily due to the increase in the loan provided by Wintershall Nederland Transport und Trading B.V., Rijswijk/Netherlands, to Nord Stream 2 AG.

Valuation allowances for receivables in 2018

| € thou. | Balance as of Jan. 1, 2018 | IFRS Restatement | Addition | Reclassification between stages | Reversal | Translation adjustment | Balance as of Dec. 31, 2018 |
|---------------------------|----------------------------|------------------|----------|---------------------------------|----------|------------------------|-----------------------------|
| Trade receivables | 15,789 | 1,108 | 6,911 | - | -7,044 | -3,663 | 13,101 |
| of which | | | | | | | |
| stage 2 | 1,207 | 676 | 6,439 | 4,594 | -6,846 | -3,006 | 3,064 |
| stage 3 | 14,582 | 432 | 472 | -4,594 | -198 | -657 | 10,037 |
| Miscellaneous receivables | 59,552 | 1,272 | 3,250 | - | -1,462 | - | 62,612 |
| of which | | | | | | | |
| stage 1 | - | 1,126 | 720 | | -11 | | 1,835 |
| stage 2 | 138 | 8 | 1,327 | - | -1,451 | | 22 |
| stage 3 | 59,414 | 138 | 1,203 | | | | 60,755 |
| Total | 75,341 | 2,380 | 10,161 | 0 | -8,506 | -3,663 | 75,713 |

Valuation allowances for receivables in 2017

| € thou. | Balance as of Jan. 1, 2017 | Addition recognized in income | Reversal recognized in income | Addition not recognized in income | Reversal not recognized in income | Effect from currency translation | Balance as of Dec. 31, 2017 |
|---------------------------|----------------------------|-------------------------------|-------------------------------|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------|
| Trade receivables | 9,201 | 10,310 | 1,555 | - | - | -2,167 | 15,789 |
| Miscellaneous receivables | 63,870 | 1,284 | 5,260 | - | 342 | - | 59,552 |
| Total | 73,071 | 11,594 | 6,815 | 0 | 342 | -2,167 | 75,341 |

Changes recognized in income include specific valuation allowances. Changes not affecting income result from changes in the scope of consolidation, translation-related changes in value and the derecognition of impaired receivables.

In the current economic environment, there are no signs of any significant changes in the credit quality of receivables. In 2018, specific valuation allowances of €6,911 thousand were recognized on **trade receivables** and specific valuation allowances of €6,846 thousand were reversed. In the previous year, specific valuation allowances of €10,310 thousand were recognized on trade receivables and specific valuation allowances of €1,555 thousand were reversed. A net amount of €1,586 thousand was allocated to **miscellaneous receivables**.

Maturity analysis of loan and interest receivables

| € thou. | Dec. 31, 2018 | | Dec. 31, 2017 | |
|---------------------------------|---------------|---------------------|---------------|---------------------|
| | Gross value | Valuation allowance | Gross value | Valuation allowance |
| Not yet due | 1,135,946 | 44,148 | 548,861 | 53,392 |
| Past due less than 30 days | 3,762 | - | - | - |
| Past due between 30 and 89 days | - | - | - | - |
| Past due for more than 90 days | 18,262 | 18,262 | 6,160 | 6,010 |
| Total: | 1,157,970 | 62,410 | 555,021 | 59,402 |

Maturity analysis of trade receivables

| € thou. | Dec. 31, 2018 | | Dec. 31, 2017 | |
|---------------------------------|---------------|---------------------|---------------|---------------------|
| | Gross value | Valuation allowance | Gross value | Valuation allowance |
| Not yet due | 534,434 | 2,612 | 499,249 | 8,287 |
| Past due less than 30 days | 35,651 | 620 | 10,120 | - |
| Past due between 30 and 89 days | 11,284 | 218 | 1,481 | 483 |
| Past due for more than 90 days | 34,921 | 9,849 | 7,044 | 7,019 |
| Total: | 616,290 | 13,299 | 517,894 | 15,789 |

There were no material overdue and unimpaired miscellaneous receivables that were financial instruments as of December 31, 2018.

18. Capital, reserves and net retained profit

→ Share capital

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|---------------|---------------|---------------|
| Share capital | 105,000 | 105,000 |

The share capital of Wintershall Holding GmbH as of December 31, 2018 amounts to €105,000 thousand and is divided into 105,000,000 shares with a nominal value of €1.00 each.

→ Capital reserve

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|-----------------|---------------|---------------|
| Capital reserve | 1,265,543 | 415,543 |

In the 2018 fiscal year, a contribution made by BASF SE, Ludwigshafen am Rhein, increased the capital reserve, which was previously distributed from net retained profit, by €850,000 thousand.

→ Retained earnings and net retained profit

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|---|---------------|---------------|
| Retained earnings and net retained profit | 3,133,956 | 3,693,020 |

The IFRS net income for the year amounts to €616,088 thousand (previous year: €685,620 thousand) and was allocated to net retained profit. The 2018 HGB annual result of Wintershall Holding GmbH was transferred to BASF Handels- und Exportgesellschaft mbH in the amount of €323,711 thousand.

→ Other comprehensive income

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|----------------------------|---------------|---------------|
| Other comprehensive income | -1,173,903 | -1,071,791 |

The increase in other comprehensive income of €102,112 thousand is due exclusively to translation adjustments.

19. Non-controlling interests

| Group company | Co-shareholder | Dec. 31, 2018 | | Dec. 31, 2017 | |
|---|----------------------------------|---------------|---------|---------------|---------|
| | | Capital share | | Capital share | |
| | | % | € thou. | % | € thou. |
| WIGA Transport Beteiligungs-GmbH & Co. KG, W & G Transport Holding GmbH, OPAL Gastransport GmbH & Co. KG | Gazprom Germania GmbH, Berlin | 49.97 | 136,260 | 49.97 | 71,678 |
| Capital share in both W & G Transport Holding GmbH and OPAL Gastransport GmbH & Co. KG: 49.97%; share of voting rights and earnings: 50.02% | | | | | |

20. Provisions for pensions and similar obligations

In addition to entitlements to benefits from the statutory pension scheme, most employees are entitled to benefits from defined contribution or defined benefit plans. Benefits generally depend on the length of service, remuneration or contributions of the eligible employees, and take into consideration the overall labor, tax and social security legislation in the individual countries. To limit the risks of changes in financial market conditions as well as demographic developments, employees have, for a number of years now, been almost exclusively offered defined contribution plans for future years of service.

The Group Pension Committee of BASF SE monitors the risks associated with all of the Group's pension plans. In this context, it issues guidelines regarding the governance and risk management of pension plans, particularly with regard to the financing of pension commitments and the portfolio structure of existing plan assets. The organization, responsibilities, strategy, implementation and reporting requirements are documented for the units involved.

→ Economic and legal environment of the plans

Particularly in Germany, there are pension obligations that are subject to state supervision or similar legal restrictions. By way of example, there are minimum funding requirements to cover pension obligations, which are based on actuarial assumptions that may differ from those pursuant to IAS 19. Furthermore, qualitative and quantitative restrictions apply to parts of the pension assets regarding investments in individual asset categories. This could result in annual fluctuations in employer contributions, financing requirements and the assumption of obligations in favor of the pension funds to comply with regulatory requirements.

The obligations and any pension assets in the existing pension plans are exposed to demographic, legal and economic risks. Economic risks arise primarily due to unforeseen developments on commodity and capital markets. They affect, for example, pension adjustments based on the level of inflation in Germany, as well as the impact of discount rates on the amount of the pension obligations. In previous years, measures taken to close plans with defined benefits for future service, especially benefits based on final pay promises, led to a reduction in risk with regard to future benefit levels.

The strategy pursued by the Wintershall Group with regard to financing pension commitments is consistent with the country-specific supervisory and tax regulations.

Particularly in Germany, pension benefits have been granted for which the employer has a subsidiary liability. Pension benefits in Germany also include minimum interest guarantees to a limited extent. If the pension fund cannot generate the income needed to provide the minimum guarantee, this has to be provided by the employer under the subsidiary liability. To the extent that recourse to the employer is unlikely based on the structure and execution of the pension benefits, as well as the financial position of the pension fund, these plans have been treated as defined contribution plans.

→ Description of the defined benefit plans

The typical plan structure in the individual countries is described in the following. Different arrangements may exist, in particular due to the assumption of plans as part of acquisitions; these do not, however, have any material impact on the description of plans in the individual countries.

Germany

For Wintershall Holding GmbH and German group companies, a basic level of benefits is provided by BASF Pensionskasse VVaG, a legally independent plan which is financed by employer and employee contributions, as well as the return on plan assets. Some of the benefits financed via BASF Pensionskasse VVaG are subject to adjustments that must be borne by its member companies to the extent that these cannot be borne by BASF Pensionskasse VVaG due to the regulations imposed by the German supervisory authority. In 2004, the basic benefit plan was closed for newly hired employees at German Wintershall companies and replaced by a defined contribution plan.

Occupational pension commitments that exceed the basic level of benefits are financed via pension provisions at the German group companies. The benefits are largely based on modular plans. Furthermore, employees are given the option of participating in various deferred compensation schemes.

Norway

In Norway, there is a statutory obligation to provide occupational pension benefits. For employees whose remaining length of service until retirement on January 1, 2016 was 15 years or less, a final salary commitment continues to apply after the closure of the plan. Employees whose remaining length of service as of this date was more than 15 years and employees who joined the company after this date are entitled to benefits under a defined contribution pension plan. Both pension plans are funded via Nordea Liv AS.

→ Actuarial assumptions

The valuation of the pension obligations is based on the following key assumptions:

Assumptions used to determine the present value of the entitlements as of December 31

| | Germany | | Norway | | Switzerland | |
|---------------|---------|------|--------|------|-------------|------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Discount rate | 2.00 | 1.90 | 2.60 | 2.30 | 0.9 | 0.50 |
| Pension trend | 1.50 | 1.50 | 0.80 | 0.40 | - | - |

Assumptions used to determine pension expenses in the fiscal year in question

| | Germany | | Norway | | Switzerland | |
|---------------|---------|------|--------|------|-------------|------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Discount rate | 1.90 | 1.80 | 2.30 | 2.10 | 0.50 | 0.60 |
| Pension trend | 1.50 | 1.50 | 0.40 | - | - | - |

The assumptions used to determine the present value of the entitlements as of December 31 are used in the following fiscal year to determine the expenses for pension plans.

When it comes to the valuation of the material pension obligations of the Wintershall Group, the discount rates are derived from the yields on corporate bonds in the relevant currency areas with an issue volume of more than 100 million units of the relevant currency with a minimum rating of "AA-" to "AA+" from at least one of the following three rating agencies: Fitch, Moody's, or Standard & Poor's.

The valuation of the defined benefit obligation is generally performed using the most recent actuarial mortality tables as of December 31 of the reporting year in question, which are derived from the BASF Group population in Germany and were last updated in 2015.

Actuarial mortality tables as of December 31, 2018

| | |
|-------------|--------------------------------------|
| Germany | Heubeck Richttafeln 2005G (modified) |
| Norway | K2013 |
| Switzerland | BVG 2015 generational |

→ **Sensitivity analyses**

A change in the material actuarial assumptions would have the following effects on the amount of the pension obligations:

Sensitivity of the pension obligations as of December 31 (€ m)

| | Increase by 0.5 percentage points | | Decrease by 0.5 percentage points | |
|---------------|-----------------------------------|------|-----------------------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Discount rate | -36 | -37 | 40 | 42 |
| Pension trend | 25 | 28 | -23 | -25 |

An alternative valuation of the pension obligations was performed to determine how changes in the underlying assumptions influence the amount of the pension obligations. A linear extrapolation of these amounts based on alternative changes in the assumptions, as well as an addition of combined changes in the individual assumptions, is not possible

→ **Explanation of the amounts in the statement of income and the statement of financial position**

| Composition of expenses for pension benefits (€ m) | 2018 | 2017 |
|---|-----------|-----------|
| Expenses for defined benefit plans | 15 | 17 |
| Expenses for defined contribution plans | 7 | 7 |
| Expenses for pension benefits (recognized in income from operating activities) | 22 | 24 |
| Net interest cost | 6 | 6 |
| Expenses for pension benefits (recognized in the financial result) | 6 | 6 |

The interest for the net balance sheet amount at the beginning of the year is offset within the financial result. This corresponds to the difference between the interest cost on the present value of the entitlements and the standardized return on the pension assets. The expected contribution payments and benefits paid over the course of the fiscal year are taken into account when determining the interest. The net interest expense for the fiscal year in question is based on the actuarial interest rate and the present value of the entitlements at the beginning of the year.

| Development of the present value of the pension obligations (€ million) | 2018 | 2017 |
|--|-------------|-------------|
| Present value of the entitlements as of January 1 | 489 | 484 |
| Current service cost | 15 | 15 |
| Interest cost on present value of the entitlements | 9 | 9 |
| Pension payments | -16 | -16 |
| Employee contributions | 1 | 1 |
| Actuarial gains/losses | | |
| for adjustments relating to financial assumptions | -14 | - |
| for experience adjustments | -2 | -1 |
| Other changes | - | 2 |
| Currency effects | -1 | -5 |
| Present value of the entitlements as of December 31 | 481 | 489 |

As of December 31, 2018, the weighted average duration of the obligations amounted to 15.8 years (2017: 16.9 years).

| Development of pension assets (€ million) | 2018 | 2017 |
|--|-------------|-------------|
| Pension assets as of January 1 | 176 | 161 |
| Standardized return on pension assets | 3 | 3 |
| Deviation between actual and standardized return on assets | -6 | 7 |
| Employer contributions | 5 | 11 |
| Employee contributions | 1 | 1 |
| Pension payments | -5 | -4 |
| Other changes | - | - |
| Currency effects | - | -3 |
| Pension assets as of December 31 | 174 | 176 |

The standardized return on pension assets is calculated by multiplying the pension assets at the beginning of the year by the actuarial interest rate used to discount the existing obligations at the beginning of the year, taking into account pension and contribution payments to be made during the year.

The contribution payments expected for 2019 amount to around €4 million. A special allocation was made in 2017 to improve the funding level at BASF Pensionskasse VVaG. An amount of €6 million was attributable to the Wintershall Group.

| Development in net balance sheet amount (€ million) | 2018 | 2017 |
|---|-------------|-------------|
| Net balance sheet amount as of January 1 | -313 | -323 |
| Current service cost | -15 | -15 |
| Interest cost on present value of the entitlements | -9 | -9 |
| Standardized return on pension assets | 3 | 3 |
| Deviation between actual and standardized return on assets | -6 | 7 |
| Actuarial gains/losses on the present value of the entitlements | 16 | 1 |
| Benefits paid without using pension assets | 11 | 12 |
| Employer contributions | 5 | 11 |
| Other changes | - | -2 |
| Currency effects | 1 | 2 |
| Net balance sheet amount as of December 31 | -307 | -313 |
| thereof pension provisions | 307 | 313 |

| Regional allocation of defined benefit plans as of December 31 (€ m) | Pension obligations | | Plan assets | | Net balance sheet amount | |
|--|---------------------|------------|-------------|------------|--------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Germany | 440 | 451 | 147 | 149 | -293 | -302 |
| Norway | 39 | 37 | 25 | 26 | -14 | -11 |
| Switzerland | 2 | 1 | 2 | 1 | - | - |
| Total | 481 | 489 | 174 | 176 | -307 | -313 |

→ Explanations regarding plan assets

The target portfolio structure of the pension plans is defined by using asset liability studies and is reviewed on a regular basis. The investments are aligned with the long-term development of the obligations, taking into consideration the risks associated with the specific asset classes and the regulatory provisions relating to the investment of pension assets. The existing portfolio structure is generally based on the target allocation. In addition, current market assessments are taken into consideration. In order to mitigate investment risks and maximize returns, a widely spread global portfolio of individual assets is held. Hedging measures are used for the existing currency risks depending on the return profile of the individual asset classes.

| Structure of plan assets (%) | 2018 | 2017 |
|---|------------------|------------------|
| Equities | 20% (100) | 25% (100) |
| Debt instruments | 56% (85) | 57% (81) |
| thereof vis-à-vis sovereign debtors | 9% (91) | 8% (91) |
| thereof vis-à-vis other debtors | 47% (84) | 49% (82) |
| Real estate | 8% (2) | 6% (-) |
| Alternative investments | 14% (-) | 12% (-) |
| Cash and money market-related investments | 2% (100) | - (100) |
| Total | 100% (70) | 100% (72) |

The amounts shown in brackets denote the part of the asset class for which there is an active market.

The debt instruments asset class comprises promissory notes and covered bonds (*Pfandbriefe*), as well as corporate and government bonds. Government bonds primarily relate to bonds from countries with the highest credit ratings, such as the United States, the United Kingdom, Germany and Switzerland. Corporate bonds mainly comprise bonds from creditworthy debtors, although a conscious decision has been made to also hold high-yield bonds to a limited extent. In connection with the ongoing monitoring of default risk based on a defined risk budget and on the continuous observation of the development of issuer creditworthiness, the pension asset allocation may be adjusted in the event of changes in the market assessment. Alternative investments largely comprise investments in private equity, absolute return funds and secured corporate loans.

A special allocation was made in 2017 to improve the funding level at BASF Pensionskasse VVaG. Beyond this, there were no material transactions between the legally independent pension funds and the companies in the Wintershall Group in 2018 or 2017.

The funding of the plans was as follows:

| Current funding situation of the pension plans as of December 31 (€ m) | 2018 | | 2017 | |
|--|-------------------------------|----------------|-------------------------------|----------------|
| | Present value of entitlements | Pension assets | Present value of entitlements | Pension assets |
| Unfunded pension plans | 233 | - | 236 | - |
| Funded pension plans | 248 | 174 | 253 | 176 |
| Total | 481 | 174 | 489 | 176 |

→ Defined contribution plans and government pensions

The contributions to defined contribution plans recognized in income from operations amounted to €7 million in 2018 and €7 million in 2017.

Contributions to government pension plans were made in the amount of €24 million in 2018 and €23 million in 2017.

21. Other provisions

| € thou. | Dec. 31, 2018 | | Dec. 31, 2017 | |
|--|------------------|-----------------|------------------|-----------------|
| Provisions for | | thereof current | | thereof current |
| Contaminated sites/risks affecting landfill sites | 1 | - | 5 | - |
| Emission rights | 5,197 | 5,197 | 1,041 | 1,041 |
| Employee obligations | 34,935 | 23,824 | 31,510 | 14,777 |
| Litigation risks, damage claims | 1,172 | 972 | 1,259 | 1,059 |
| Procurement risks and other pending losses | - | - | 3,177 | 3,177 |
| Restoration obligations under mining law | 1,510,877 | 23,603 | 1,217,385 | 10,986 |
| Other restoration obligations | 3,430 | 3,430 | 6,121 | 6,121 |
| Miscellaneous | 126,619 | 20,187 | 160,708 | 94,639 |
| Total | 1,682,231 | 77,213 | 1,421,206 | 131,800 |

Restoration obligations pertain mainly to anticipated costs for filling wells and removing production equipment after production activities have come to an end. The utilization of the **restoration obligations under mining law** is based on the commercial exploitation of the field, which can amount to between one and thirty years. The increase in provisions is mainly due to the changes in discount rates as against the previous year. The change in discount rates had a total effect of €278 million on provisions. In order to determine the present value, discount rates of between 1.6% and 8.6% were applied in the fiscal year (previous year: 2%).

The provisions for **contaminated sites/risks affecting landfill sites** cover expected charges associated with the removal of environmental impairments at existing production or storage facilities and similar measures.

Provisions for **employee obligations** include, in particular, obligations to pay long-service bonuses and anniversary bonuses, variable remuneration including the associated social security contributions and provisions for early retirement and phased-in early retirement models.

The provisions for **litigation, damages, warranty and similar obligations** include expected costs from lawsuits in which Wintershall is the defendant and obligations to pay damages from lawsuits against Wintershall, as well as administrative fines.

The underlying cases are set out in Note 24

The **miscellaneous** category mainly includes non-current tax provisions.

The following table shows the development of other provisions by category. Other changes mainly include changes in value due to translation and changes in the scope of consolidation.

Development of other provisions in 2018

| € thou. | Balance as of Jan. 1, 2018 | Addition | Utilization | Reversal | Compounding | Reclassification | Other changes | Balance as of Dec. 31, 2018 |
|---|----------------------------|----------------|-----------------|----------------|---------------|------------------|---------------|-----------------------------|
| Cost | | | | | | | | |
| Contaminated sites/risks affecting landfill sites | 5 | - | -4 | - | - | - | - | 1 |
| Emission rights | 1,041 | 5197 | -738 | -303 | - | - | - | 5,197 |
| Employee obligations | 31,510 | 24,508 | -18,346 | -9,534 | 131 | 7,167 | -501 | 34,935 |
| Litigation risks, damage claims | 1,259 | 406 | - | - | - | - | -493 | 1,172 |
| Procurement risks and other pending losses | 3,187 | - | -2,387 | -800 | - | - | - | 0 |
| Restoration obligations under mining law | 1,217,385 | 306,103 | -19,835 | -27,455 | 25,182 | 33 | 9,464 | 1,510,877 |
| Other restoration obligations | 6,121 | - | -2,586 | -105 | - | - | - | 3,430 |
| Miscellaneous | 160,698 | 58,501 | -85,559 | -1,270 | - | -6,426 | 675 | 126,619 |
| Total | 1,421,206 | 394,715 | -129,455 | -39,467 | 25,313 | 774 | 9,145 | 1,682,231 |

Development of other provisions in 2017

| € thou. | Balance as of Jan. 1, 2017 | Addition | Utilization | Reversal | Compounding | Reclassification | Other changes | Balance as of Dec. 31, 2017 |
|---|----------------------------|----------------|----------------|----------------|---------------|------------------|----------------|-----------------------------|
| Cost | | | | | | | | |
| Contaminated sites/risks affecting landfill sites | 5 | - | - | - | - | - | - | 5 |
| Emission rights | 656 | 1,041 | -561 | -95 | - | - | - | 1,041 |
| Employee obligations | 32,801 | 17,704 | -16,430 | -2,125 | - | 524 | -964 | 31,510 |
| Litigation risks, damage claims | 1,403 | 174 | - | - | - | - | -318 | 1,259 |
| Procurement risks and other pending losses | 5,510 | 897 | -3,220 | - | - | - | - | 3,187 |
| Restoration obligations under mining law | 1,217,033 | 96,029 | -27,744 | -19,445 | 26,832 | -34 | -75,286 | 1,217,385 |
| Other restoration obligations | 6,943 | - | -501 | -321 | - | - | - | 6,121 |
| Miscellaneous | 104,390 | 84,987 | -21,689 | -1,799 | - | -1,506 | -3,685 | 160,698 |
| Total | 1,368,741 | 200,832 | -70,145 | -23,785 | 26,832 | -1,016 | -80,253 | 1,421,206 |

22. Liabilities

→ Trade payables

Trade payables increased by €61,255 thousand to €348,011 thousand. The change is mainly attributable to Germany (€41,250 thousand) and Norway (€14,630 thousand).

→ Liabilities to banks

In general, the Wintershall Group is financed via BASF group financing, which has been subject to an interest rate of 0.0% over the last two years due to the negative key interest rate.

Maturities of liabilities to banks

| € thou. | 2018 | 2017 |
|------------------|----------------|----------------|
| Following year 1 | 10,396 | 100,150 |
| Following year 2 | 499,417 | 2,455 |
| Following year 3 | - | 499,004 |
| Total | 509,813 | 601,609 |

Composition of liabilities to banks

| € thou. | 2018 | 2017 |
|--------------|----------------|----------------|
| EUR | 499,817 | 499,543 |
| ARS | 9,996 | 102,066 |
| Total | 509,813 | 601,609 |

→ Miscellaneous liabilities

Miscellaneous liabilities increased by €122,324 thousand in the period under review, also due to the recognition of existing pending gas purchase and supply contracts which were not recognized in the balance sheet in the previous period as they were subject to the own-use exemption under IAS 39.

| € thou. | 2018 | | 2017 | |
|--|------------------|------------------|------------------|------------------|
| | Non-current | Current | Non-current | Current |
| Loan and interest liabilities | 501,686 | 1,599,577 | 1,356,454 | 1,729,491 |
| Derivatives with a negative fair value | - | 86,715 | - | 1,985 |
| Consortium settlements | 7,389 | 160,807 | 8,746 | 155,089 |
| Liabilities to BASF group companies | - | 3,341,700 | - | 2,394,029 |
| Employee liabilities | - | 9,197 | - | 8,441 |
| Deferred income | 1,346 | 295 | 676 | 168 |
| Other | 7,459 | 90,903 | 14,487 | 15,184 |
| Total | 517,880 | 5,289,194 | 1,380,363 | 4,304,387 |
| Miscellaneous liabilities | 5,807,074 | | 5,684,750 | |

23. Other financial obligations

The following items are carried at nominal value:

| € thou. | Dec. 31, 2018 | Dec. 31, 2017 |
|------------------------------|---------------|---------------|
| Surety bonds | - | 36,952 |
| Other contingent liabilities | 392 | 18 |
| Total | 392 | 36,970 |

The surety bonds in the previous year related to a financial guarantee issued for an external company, which was redeemed in the reporting period. If the amount of the obligation is unlimited, the amount of the principal liability as of the balance sheet date is decisive. In cases involving joint and several liability, the full amount must be stated; in the case of pro rata liability, the corresponding share is to be stated. Other contingent liabilities relate to legal disputes.

→ Obligations from purchase agreements

The obligations from purchase agreements resulted primarily from long-term purchase commitments for natural gas. The following firm purchase commitments existed as of December 31, 2018:

| € thou. | 2018 |
|--|------------------|
| 2019 | 1,337,182 |
| 2020 | 1,175,096 |
| 2021 | 1,062,515 |
| 2022 | 1,000,796 |
| 2023 | 825,909 |
| 2024 and residual maturities extending beyond this | 4,704 |
| Total | 5,406,202 |

Additional disclosures

24. Risks from legal disputes and proceedings

In the arbitration proceedings against Wintershall Energía S.A., Argentina ("WIAR"), Total Austral S.A., Argentina, and Pan American Energy LLC, Argentina, which have been ongoing since May 2013, Metrogas S.A., Chile, is asserting claims for damages worth approximately €227 million due to insufficient gas supplies. The defendants, as the sellers, concluded a natural gas supply contract with Metrogas in 1997, in which WIAR has a 37.5% share. After the chairman of the arbitration panel resigned in mid-2016, the International Court of Arbitration (ICC) appointed a new arbitration panel, which continued the proceedings in 2017. The oral hearing took place in April 2017. On February 2, 2018, the arbitration panel dismissed Metrogas's claim in its entirety and ordered Metrogas to bear the costs of the proceedings.

W & G Transport Holding GmbH, as the beneficiary of a planning permission decision, is a party to proceedings before the Higher Administrative Court (*Oberverwaltungsgericht*) of Bautzen concerning pending lawsuits in connection with an intersection between the OPAL route and a wind farm for electricity generation in southern Saxony. In the "worst case" scenario, if the action is upheld, a route would have to be built outside the wind farm, which would result in new planning and construction costs of around €10-15 million; this is not expected to interrupt operations. The proceedings are currently suspended because the parties are involved in a mediation process. Bilateral negotiations are currently underway between the operator of the pipeline, OPAL Gastransport GmbH & Co. KG, for the co-ownership association comprising W & G Transport Holding GmbH (80%) and Lubmin-Brandov Gastransport GmbH (20%) and the plaintiffs.

OPAL Gastransport GmbH & Co. KG ("OGT"), Gazprom Export, Gazprom and the German Federal Network Agency concluded a settlement agreement ("OPAL Settlement Agreement") in November 2016 with the approval of the European Commission ("Commission"), which amended the ancillary provisions of the exemption from regulation granted in 2009 for the OPAL pipeline. The main content of the change is the replacement of the restriction currently imposed on Gazprom, which caps the latter's access to the OPAL pipeline's release capacities at 50%, with auxiliary provisions which essentially provide for the allocation of 50% of release capacities in the context of the general capacity auctions.

Several legal remedies are being pursued against this agreement: PGNiG SA ("PGNiG") and PGNiG Supply & Trading GmbH ("PGNiG S&T") have filed an appeal against the OPAL Settlement Agreement with the Düsseldorf Higher Regional Court (OLG), as well as applications for interim relief. At the same time, PGNiG, PGNiG S&T, the Republic of Poland and Naftogaz of Ukraine have brought actions for annulment before the European Union's General Court (EGC) against the Commission's approval of the OPAL Settlement Agreement. PGNiG, PGNiG S&T and the Republic of Poland have also applied to the EGC for interim relief. In July 2017, the President of the EGC rejected the applications for interim relief submitted by PGNiG, PGNiG S&T and the Republic of Poland. In December 2017 and March 2018, respectively, the EGC also dismissed the actions for annulment brought by PGNiG S&T, Naftogaz of Ukraine and PGNiG against the Commission's approval of the OPAL Settlement Agreement as inadmissible. PGNiG S&T has lodged an appeal with the European Court of Justice against the EGC's decision on inadmissibility. On October 23, 2018, the EGC held oral proceedings in the action for annulment brought by the Republic of Poland against the European Commission's decision approving the settlement agreement, which is still pending. The decision on this action is still pending. A decision is expected in the first half of 2019. OGT is currently unable to make a statement regarding the chances of success of the action for annulment brought by the Republic of Poland, as OGT is not involved in the proceedings. In October 2017, the Düsseldorf Higher Regional Court dismissed the applications filed by PGNiG and PGNiG S&T for interim relief as unfounded. At the same time, the Düs-

seldorf Higher Regional Court made it clear that, in its opinion, the effectiveness of the OPAL settlement agreement requires effective approval by the Commission, and said that, as a result, it would not make any decision on the complaints lodged by PGNiG and PGNiG S&T in the main case until the EGC had made a decision on the actions for annulment, ruling against the approval granted by the European Commission. If the action brought by the Republic of Poland is dismissed, the prospects of success of the appeals pending before the Düsseldorf Higher Regional Court are considered to be highly improbable.

In addition, Wintershall Holding GmbH and its participating interests are regularly involved as defendants or other parties in judicial and arbitration proceedings, as well as official proceedings. On the basis of the knowledge available at present, these proceedings have no significant impact on Wintershall's economic situation.

The amount of provisions for litigation, damages, warranty and similar obligations is explained in Note 21.

25. Additional disclosures on financial instruments

Detailed information on Wintershall's financial risks and risk management can be found in the "Opportunity and Risk Report".

25.1 Financial risks

→ Currency risks

Changes in exchange rates could lead to losses in the value of financial instruments and adverse changes in future cash flows. Foreign currency risks from financial instruments result from the translation at the closing rate of financial receivables, loans, cash and financial liabilities into the functional currency of the group company in question. Foreign exchange contracts are used to hedge foreign exchange risks from nonderivative financial instruments and planned transactions.

The foreign currency exposure corresponds to the net amount of the nominal volume of the nonderivative and the derivative financial instruments that are exposed to currency risks. In addition, planned purchase and sales transactions for the subsequent year were included in the 2018 reporting period if they fell under the currency risk management system. Long and short positions in the same currency are offset against each other.

The sensitivity analysis is conducted by simulating a 10% appreciation of the functional currency against the other currencies. The effect on the Wintershall Group's earnings before income taxes would have been €-85,033 thousand as of December 31, 2018, as against €383,553 thousand as of December 31, 2017. The currency exposure as of December 31, 2018 came to €934,258 thousand as against €-2,145,718 thousand as of December 31, 2017. Compared with the previous period, both the currency exposure and the earnings sensitivity were lower due to the full hedging of our NOK loan and restoration obligations using foreign currency forward contracts with matching maturities.

Exposure and sensitivity by currency

| € thou. | Dec. 31, 2018 | | Dec. 31, 2017 | |
|--------------|----------------|----------------|-------------------|----------------|
| | Exposure | Sensitivity | Exposure | Sensitivity |
| RUB | 200,924 | -18,266 | 135,573 | -12,325 |
| ARS | -86,636 | 7,876 | - | - |
| USD | 488,328 | -44,528 | - | - |
| EUR | 848,231 | -77,091 | - | - |
| GBP | 349,368 | -31,741 | - | - |
| NOK | -865,957 | 78,717 | -2,281,291 | 395,878 |
| Total | 934,258 | -85,033 | -2,145,718 | 383,553 |

In order to hedge against currency risks, linear products with symmetrical sensitivity were used in particular. The options used involve a unilateral risk, as only put options are used.

→ **Interest rate risks**

Interest rate risks arise due to potential changes in prevailing market interest rates, which can lead to changes in the fair value of fixed-rate instruments and in interest payment fluctuations for variable-rate instruments. These risks are relevant to Wintershall's financing activities but are not of material significance for Wintershall's operating activities.

Loan exposure and interest rate sensitivity

| € thou. | Dec. 31, 2018 | | Dec. 31, 2017 | |
|--------------|-------------------|----------------|-----------------|---------------|
| | Exposure | Sensitivity | Exposure | Sensitivity |
| Loans | -4,857,793 | -36,213 | -699,920 | -4,247 |
| Total | -4,857,793 | -36,213 | -699,920 | -4,247 |

→ **Commodity price risks**

Commodity price risks arise in the ordinary course of business for contracted gas purchase and supply agreements. Wintershall counters the specific price risks associated with these trading transactions, which result from the valuation of the gas agreements concluded in the event of an adverse change in market prices, by imposing and constantly monitoring limits on the type and scope of the transactions concluded. Any resulting adverse changes in market prices could have a negative impact on Wintershall's earnings and equity.

Wintershall carries out value-at-risk analyses for the existing commodity derivatives. Using the value-at-risk analysis, we continually quantify market risk and forecast the maximum possible loss within a given confidence interval over a defined period. The value-at-risk calculation is based on a confidence interval of 95% and a holding period of one day. Wintershall uses the exponentially weighted variance-covariance approach. Wintershall uses value at risk in conjunction with other risk management tools. Besides value at risk, BASF sets volume-based limits, as well as exposure and stop-loss limits.

| € thou. | Exposure | Value-at-risk |
|-------------|----------|---------------|
| Natural gas | 312 | 343 |

The exposure corresponds to the net amount of all long and short positions in the commodity category in question.

→ Default or credit risks

Default or credit risks arise when contractual partners do not fulfill their obligations. Wintershall regularly analyzes the creditworthiness of all major debtors and grants credit limits on the basis of this analysis. Due to the global activities and diversified customer structure of the Wintershall Group, there is no significant concentration of default risk. The carrying amount of all receivables, loans and interest-bearing securities, plus the nominal value of the other financial obligations subject to a default risk, represents the maximum default risk for Wintershall.

→ Liquidity risks

We promptly recognize any risks from cash flow fluctuations as part of our liquidity planning and ongoing earnings monitoring. Any additional cash and cash equivalents that are required are provided by the shareholders if necessary.

25.2 Maturity analysis

The interest and principal payments as well as other payments for derivative financial instruments are relevant for the presentation of the maturities of the contractual cash flows from financial liabilities. Future cash flows are not discounted here.

Derivatives are included based on their net cash flows, provided they have negative fair values and therefore represent a liability. Commodity derivatives that are generally based on future physical delivery and therefore do not result in an outflow of cash are not included. Derivatives with positive fair values are assets and are therefore not taken into account.

Trade payables are essentially non-interest-bearing and due within one year. As a result, the carrying amount of trade payables corresponds to the sum of future cash flows.

Maturities of contractual cash flows from financial liabilities as of December 31, 2018

| € thou. | Liabilities to banks | Derivative liabilities | Other liabilities | Total |
|-----------------|----------------------|------------------------|-------------------|------------------|
| 2019 | 10,426 | 50,134 | 5,666,190 | 5,726,750 |
| 2020 | 499,587 | - | 303,983 | 803,570 |
| 2021 | - | - | 1,837 | 1,837 |
| 2022 | - | - | 1,552 | 1,552 |
| 2023 | - | - | 1,029 | 1,029 |
| 2024 and beyond | - | - | 547 | 547 |
| Total | 510,013 | 50,134 | 5,975,138 | 6,535,285 |

Maturities of contractual cash flows from financial liabilities as of December 31, 2017

| € thou. | Liabilities to banks | Derivative liabilities | Other liabilities | Total |
|-----------------|----------------------|------------------------|-------------------|------------------|
| 2018 | 100,024 | 2,003 | 5,723,613 | 5,825,640 |
| 2019 | 2,868 | - | 307,650 | 310,518 |
| 2020 | 499,174 | - | 306,996 | 806,170 |
| 2021 | - | - | 1,541 | 1,541 |
| 2022 | - | - | 1,256 | 1,256 |
| 2023 and beyond | - | - | 200,961 | 200,961 |
| Total | 602,066 | 2,003 | 6,542,017 | 7,146,086 |

25.3 Classes and categories of financial instruments

For trade receivables, miscellaneous receivables and other assets, loans, cash and cash equivalents, as well as trade payables and other liabilities, the carrying amount approximates the fair value. The balance sheet item "Other financial investments" includes investments not listed on an active market whose fair value cannot be reliably determined and which are therefore measured at cost.

Carrying amounts and fair values of financial instruments as of December 31, 2018

| € thou. | Carrying amounts | Total carrying amounts within the scope of IFRS 7 | Measurement categories in accordance with IFRS 9 ¹ | Fair value | of which fair value level 1 ² | of which fair value level 2 ³ | of which fair value level 3 ⁴ |
|---|------------------|---|---|------------|--|--|--|
| Participating interests | 1,883 | 1,883 | FVTPL | | | | |
| Trade receivables | 669,783 | 669,783 | AC | 669,783 | | | |
| Derivatives – no hedge accounting | 11,250 | 11,250 | FVTPL | 11,250 | | 11,250 | |
| of which forward foreign exchange transactions | 1,577 | 1,577 | | 1,577 | | 1,577 | |
| of which forward transactions on commodities | 9,673 | 9,673 | | 9,673 | | 9,673 | |
| Loan and interest receivables | 820,016 | 820,016 | AC | 820,016 | | | |
| Miscellaneous receivables and other assets ⁵ | 319,267 | 248,284 | AC/FVTPL | 248,284 | | | |
| Cash and cash equivalents | 218,958 | 218,958 | AC | 218,958 | 218,958 | | |
| Total assets | 2,052,407 | | | | | | |
| Liabilities to banks | 509,813 | 509,813 | AC | 509,813 | | | |
| Trade payables | 348,011 | 348,011 | AC | 348,011 | | | |
| Derivatives – no hedge accounting | 86,715 | 86,715 | FVTPL | 86,715 | | 86,715 | |
| of which forward foreign exchange transactions | 50,133 | 50,133 | | 50,133 | | 50,133 | |
| of which forward transactions on commodities | 36,582 | 36,582 | | 36,582 | | 36,582 | |
| Loan and interest liabilities to third parties | 2,101,263 | 2,101,263 | AC | 2,101,263 | | | |
| Overnight deposit liabilities, affiliated companies | 3,341,700 | 3,341,700 | AC | 3,341,700 | | | |
| Miscellaneous liabilities | 277,396 | 254,864 | AC | 254,864 | | | |
| Total liabilities | 6,751,613 | | | | | | |

¹ AC: amortized cost; FVTPL: fair value through profit or loss;

a detailed description of the categories can be found in Note 1.3 on page 12 onwards.

² The fair value was determined on the basis of listed unadjusted prices on active markets.

³ The fair value was determined based on parameters for which directly or indirectly quoted prices on active markets were available.

⁴ The fair value was determined based on parameters for which there was no observable market data.

⁵ Excluding the derivatives shown separately. If other receivables are measured at fair value through profit or loss, their measurement is generally based on parameters observable on the market. These are adjusted to reflect the valuation-related properties of the individual assets at fair value.

Carrying amounts and fair values of financial instruments as of December 31, 2017

| € thou. | Carrying amounts ⁶ | Total carrying amounts within the scope of IFRS 7 | Measurement categories in accordance with IAS 39 | Fair value | of which fair value level 1 ⁷ | of which fair value level 2 ⁸ | of which fair value level 3 |
|---|-------------------------------|---|--|------------|--|--|-----------------------------|
| Participating interests | 73,492 | 73,492 | AfS | | | | |
| Trade receivables | 502,106 | 502,106 | LaR | 502,106 | | | |
| Derivatives | 4,422 | 4,422 | aFViPL | 4,422 | | 4,422 | |
| of which forward foreign exchange transactions | 4,422 | 4,422 | | 4,422 | | 4,422 | |
| Loan and interest receivables | 495,591 | 495,591 | LaR | 495,591 | | | |
| Miscellaneous receivables and other assets | 301,042 | 132,337 | LaR | 132,337 | | | |
| Cash and cash equivalents | 110,326 | 110,326 | LaR | 110,326 | 110,326 | | |
| Total assets | 1,486,979 | | | | | | |
| Liabilities to banks | 601,609 | 601,609 | AmC | 601,609 | | | |
| Trade payables | 286,756 | 286,756 | AmC | 286,756 | | | |
| Derivatives | 1,985 | 1,985 | aFViPL | 1,985 | | 1,985 | |
| of which forward foreign exchange transactions | 1,985 | 1,985 | | 1,985 | | 1,985 | |
| Loan and interest liabilities to third parties | 3,085,945 | 3,085,945 | AmC | 3,085,945 | | | |
| Overnight deposit liabilities, affiliated companies | 2,394,029 | 2,394,029 | AmC | 2,394,029 | | | |
| Miscellaneous liabilities | 202,791 | 175,681 | AmC | 175,681 | | | |
| Total liabilities | 6,573,115 | | | | | | |

Offsetting of financial assets and financial liabilities as of December 31, 2018

| € thou. | Offset amounts | | | Amounts that cannot be offset | | |
|--|----------------|---------------|------------|----------------------------------|----------------------------------|----------------------|
| | Gross amount | Amount offset | Net amount | Due to global netting agreements | Relating to financial collateral | Potential net amount |
| Derivatives with a positive fair value | 24,615 | -13,365 | 11,250 | -1,577 | - | 9,673 |
| Derivatives with a negative fair value | 100,080 | -13,365 | 86,715 | -1,577 | - | 85,138 |

Offsetting of financial assets and financial liabilities as of December 31, 2017

| € thou. | Offset amounts | | | Amounts that cannot be offset | | |
|--|----------------|---------------|------------|----------------------------------|----------------------------------|----------------------|
| | Gross amount | Amount offset | Net amount | Due to global netting agreements | Relating to financial collateral | Potential net amount |
| Derivatives with a positive fair value | 4,440 | -18 | 4,422 | -1,976 | - | 2,446 |
| Derivatives with a negative fair value | 2,003 | -18 | 1,985 | -1,967 | - | 18 |

The table "Offsetting of financial assets and financial liabilities" shows the extent to which financial assets and financial liabilities were offset in the balance sheet, as well as potential effects from the offsetting of instruments subject to a legally enforceable global netting agreement (primarily in the form of EFET agreements for gas purchase and supply agreements that have been concluded) or a similar agreement.

Net gains and losses from financial instruments comprise the results of valuations, premium and discount amortization, the recognition and reversal of impairments, results from the translation of foreign currencies as well as interest, dividends and all other effects on earnings resulting from financial instruments. The line item "Financial instruments measured at fair value through profit or loss" only contains gains and losses from instruments that are not designated as hedging instruments in accordance with IFRS 9.

Net gains and net losses from financial instruments

⁶ Investments in companies or buildings which were not sold in the year under review and which will be held in the following year. Due to a lack of market liquidity, these are measured at amortized cost instead of fair value.

⁷ The fair value was determined on the basis of listed unadjusted prices on active markets.

⁸ The fair value was determined based on parameters for which directly or indirectly quoted prices on active markets were available.

| € m | 2018 | 2017 |
|---|------|------|
| Receivables and loans | 35 | -54 |
| thereof interest | 76 | 70 |
| Available-for-sale financial assets | 3 | 10 |
| thereof interest | - | 1 |
| Financial liabilities measured at amortized cost | -100 | -391 |
| thereof interest | -33 | -385 |
| Financial instruments measured at fair value through profit or loss | -73 | 4 |

25.4 Derivative instruments and hedge accounting

The use of derivative instruments

Wintershall is exposed to currency, interest rate and commodity price risks during the normal course of business. These risks are hedged using derivative instruments as necessary in accordance with a centrally defined strategy. Hedging is only employed for existing hedged items from the product business, cash investments, restoration obligations and financing, as well as for planned capital measures. The risks associated with the hedged items and the derivatives are constantly monitored. Where derivatives have a positive market value, Wintershall is exposed to credit risks from derivative transactions in the event of nonperformance of the other party. To minimize the default risk on derivatives with positive market values, transactions are exclusively conducted with creditworthy banks and partners and are subject to predefined credit limits.

The contracting and execution of derivative financial instruments for hedging purposes are conducted according to internal guidelines, and are subject to strict control mechanisms.

The fair values of derivative financial instruments are calculated using valuation models that use input parameters observable on the market.

Fair value of derivative instruments

| € thou. | 2018 | 2017 |
|------------------------------|----------------|--------------|
| Foreign currency derivatives | -48,556 | 2,436 |
| Interest rate derivatives | - | - |
| Commodity derivatives | -26,909 | - |
| Total | -75,465 | 2,436 |

26. Leases

→ Lease payments from operating leases

Wintershall is a lessee under operating leases. The resulting obligations in 2018 totaling €144,786 thousand (2017: €234,916 thousand) are to be paid in the following years as follows:

Future minimum lease payments from Wintershall under operating leases

| € thou. | 2018 | 2017 |
|-------------------|----------------|----------------|
| Up to 1 year | 46,765 | 42,569 |
| 1–5 years | 96,064 | 147,644 |
| more than 5 years | 1,957 | 44,703 |
| Total | 144,786 | 234,916 |

Other explanatory information

27. Cash flow statement

The cash flow from operating activities included the following payments:

| € thou. | 2018 | 2017 |
|---------------------|---------|---------|
| Income tax payments | 403,209 | 456,075 |
| Interest payments | 48,726 | 66,642 |
| Dividends received | 70,277 | 70,687 |

Interest payments included €20,167 thousand (2017: €37,727 thousand) in interest received and €68,893 thousand (2017: €104,369 thousand) in interest paid.

As in the previous year, cash and cash equivalents were not subject to any restrictions on disposal due to restrictions.

Reconciliation in accordance with IAS 7:

| € thou. | Dec. 31, 2017 | Cash- effective | Noncash-effective | | | | Dec. 31, 2018 |
|---|------------------|--------------------|--------------------------------|--|------------------|-------------------------|------------------|
| | | | Foreign exchange effects | Change in scope of con- solidation | Other Effects | Change in fair value | |
| Financial liabilities | 601,609 | -92,659 | -14,276 | - | 15,139 | - | 509,813 |
| Loan liabilities | 2,678,629 | -914,989 | -5,693 | - | - | - | 1,757,947 |
| Miscellaneous financing- related liabilities | 2,827,315 | 1,010,897 | 15,649 | -425 | -160,995 | - | 3,692,441 |
| Financial and similar liabilities | 6,107,553 | 3,249 | -4,320 | -425 | -145,856 | - | 5,960,201 |
| As- sets/liabilities from hedging transactions | - | -155,777 | - | - | - | 109,998 | -45,779 |
| Total | 6,107,553 | -152,528 | -4,320 | -425 | -145,856 | 109,998 | 5,914,422 |

The reconciliation shows changes in financial liabilities whose payments and disbursements are shown in the cash flow statement under cash flow from financing activities.

The miscellaneous financial liabilities mainly comprise liabilities from accounts used for cash pooling in the consolidated financial statements of BASF companies. They are reported under other liabilities under the balance sheet item miscellaneous liabilities, which represent financial instruments.

The assets/liabilities from hedging transactions are components of the balance sheet items derivatives with positive/negative market values and only comprise transactions that hedge risks resulting from financial liabilities and financial liabilities by means of micro hedges.

The hedging transactions described here are economic hedging transactions.

28. Capital structure management

The aim of capital structure management is to maintain the financial flexibility needed to further develop the business portfolio and take advantage of strategic opportunities. The objectives of the company's financing policy are to ensure solvency, limit financial risks and optimize the cost of capital.

The equity of the Wintershall Group as reported in the balance sheet amounted to €3,466,856 thousand as of December 31, 2018 (December 31, 2017: €3,213,450 thousand); the equity ratio was 25.37% on December 31, 2018 (December 31, 2017: 24.82%).

The Wintershall Group prefers to borrow capital through BASF in the form of group loans and overnight deposits. The latter is realized through cash pooling at BASF SE, in which all major Wintershall Group companies participate to the extent that is technically and legally possible. Within this context, accounts denominated mainly in Russian roubles and Argentine pesos are excluded from pooling.

29. Share price-based compensation program and BASF incentive share program

➔ Share price-based compensation program

The share price-based compensation program (BASF: long-term incentive (LTI) program/Wintershall: BASF option program (BOP)) that has been in place since 1999 for executives within the BASF Group was continued in 2018.

In particular, the Board of Directors and senior executives are eligible to participate in the BASF option program (BOP). A total of 27 people participated in the 2018 share program, meaning that they hold entitlements under the option program.

The program provides for the granting of virtual options. The option rights are settled in cash when they are exercised.

Participation in the BOP program is voluntary. In order to take part in the program, a participant must make a personal investment: a participant must hold BASF shares amounting to 10% to 30% of his or her individual variable compensation for a two-year period from the granting of the option (holding period). The number of shares to be held is determined by the amount of variable compensation and the volume-weighted average market price for BASF shares on the first trading day after the Annual Shareholders' Meeting of BASF, which was €85.45 on May 7, 2018.

The participant receives four option rights per invested share in BASF. Each option consists of two parts, right A and right B, which may be exercised if defined thresholds have been met:

The threshold of right A is met if the price of the BASF share has increased by more than 30% in comparison with the base price on the option grant date (absolute threshold). The value of right A is the difference between the market price of BASF shares on the exercise date and the base price; it is limited to 100% of the base price. If the cumulative percentage performance of BASF shares exceeds the percentage performance of the MSCI World Chemicals IndexSM (MSCI Chemicals), right B may be exercised (relative threshold). The value of right B is the base price of the option multiplied by twice the percentage by which the BASF share outperforms the MSCI Chemicals Index on the exercise date. It is limited to the closing price on the date of exercise less the nominal value of the BASF share. From the 2013 BOP program onward, right B may only be exercised if the price of the BASF share equals at least the base price. During the exercise period, there are certain times (closed periods) during which the options may not be exercised. Each option can

only be exercised in full. This means that one of the thresholds must be exceeded. If the other threshold is not exceeded and the option is exercised, the other option right lapses. A participant's maximum gain from exercising an option is limited to five times the original individual investment starting with the 2013 BOP program. The maximum gain from exercising an option is limited to 10 times the original individual investment for programs from previous years. Option rights are nontransferable and are forfeited if the option holders no longer work for the BASF Group or have sold part of their individual investment before the expiry of the two-year vesting period. They remain valid in the event of retirement.

The 2010 to 2017 programs were structured in a similar way to the 2018 BOP program.

The models used in the valuation of the option plans are based on the arbitrage-free valuation model according to Black-Scholes. The fair values of the options are determined using the binomial model.

Fair value of options and parameters used as of December 31, 2018

| | | Dec. 31, 2018 | Dec. 31, 2017 |
|---|-----|---------------|---------------|
| Fair value | EUR | 10.5 | 6.25 |
| Dividend yield | % | 5.3 | 5.3 |
| Risk-free rate | % | 0.00 | -0.12 |
| Volatility of BASF shares | % | 25.32 | 23.22 |
| Volatility of MSCI Chemicals | % | 15.97 | 14.14 |
| Correlation BASF share price - MSCI Chemicals | % | 78.27 | 75.24 |

The stated fair values and the valuation parameters as of the balance sheet date of December 31, 2018 relate to the 2018 and 2017 BOP programs. The fair value calculation was based on the assumption that options will be exercised in a manner dependent on their potential gains. For the programs from preceding years, corresponding fair values and valuation parameters were determined/used.

Volatility was determined on the basis of the monthly closing prices over a historical period corresponding to the remaining term of the options.

The number of options held amounted to 292,910 as of December 31, 2018 (previous year: 263,047).

As a result of a resolution passed by the Board of Executive Directors of BASF in 2002 to settle option rights in cash, all outstanding option rights under the 2010 to 2018 BOP programs were measured at fair value as of December 31, 2018. A proportionate provision is recognized for programs in the vesting period. The provision set up for this purpose decreased to €1,092 thousand as of December 31, 2018 due to utilization and lower fair values of the outstanding options (previous year: €6,627 thousand). In 2018, the utilization of the provision amounted to €462 thousand.

→ BASF employee participation program

The "plus" employee participation program is open to all employees except the executives who are entitled to take part in the BASF option program. The program was launched in 1999. Employees who participate in the "plus" incentive share program acquire shares in BASF from their variable compensation. For every 10 BASF shares purchased as part of the program, a participant receives one BASF share at no cost after one, three, five, seven and ten years of holding these shares. As a rule, the first and second block of ten shares entitles the participant to receive one BASF share at no extra cost in each of the next 10 years.

The right to receive free BASF shares lapses if a participant sells the individual investment in BASF shares, if the participant stops working for a group company or one year after retirement.

The number of free shares to be granted amounted to 12,319 as of the balance sheet date (previous year: 13,507).

The free shares to be provided are measured at the fair value on the date on which the employees acquire the subscription right by way of their investment. Fair value is determined on the basis of the BASF share price, taking into account the present value of dividends, which are not paid during the term of the program. The weighted-average fair value on the grant date amounted to €87.38 for the 2018 program, and €86.02 for the 2017 program.

30. Compensation paid to the Board of Directors and Supervisory Board

The compensation paid to the management amounted to €3,322 thousand in the 2018 fiscal year (2017: €3,242 thousand). In 2018, 23,028 option rights were granted to active members of the Board of Directors under the BASF share option program. The fair market value of these options came to €30.71 as of July 1, 2018. Together with the option rights granted in previous years, active and former members of the Board of Directors hold a total of 112,506 option rights.

| € thou. | 2018 | 2017 |
|--|--------------|--------------|
| Total compensation paid to the Board of Directors | 3,322 | 3,242 |
| Market value of options granted to the Board of Directors in the fiscal year on the grant date | 707 | 535 |
| Total remuneration paid to the Board of Directors | 4,029 | 3,777 |
| Compensation paid to the Supervisory Board | 61 | 61 |
| Pension expenses for members of the Board of Directors of Wintershall | 1,322 | 1,018 |
| Total compensation paid to former members of the Board of Directors | 1,273 | 911 |
| Pension provisions for former members of the Board of Directors and their surviving dependents | 25,249 | 23,583 |

31. Related party transactions

A related party is a natural person or legal entity that can exert influence on the Wintershall Group or over which the Wintershall Group exercises control, joint control or a significant influence. In particular, related parties include nonconsolidated subsidiaries, joint ventures and associated companies, as well as BASF SE and its subsidiaries. The following tables show the volume of business with related parties that are included in the consolidated financial statements at amortized cost or accounted for using the equity method.

Revenue with related parties

| € thou. | Revenue | |
|------------------------------|----------------|----------------|
| | 2018 | 2017 |
| Nonconsolidated subsidiaries | 3,291 | 5,093 |
| Associated companies | 152,408 | 134,963 |
| Joint ventures | 7,647 | 10,828 |
| Sister companies | 195,481 | 121,315 |
| Parent companies | 417,957 | 288,520 |
| Total | 776,784 | 560,719 |

Trade receivables from, and trade payables to, related parties

| € thou. | Trade receivables | | Trade payables | |
|---|-------------------|---------------|----------------|---------------|
| | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2018 | Dec. 31, 2017 |
| Nonconsolidated subsidiaries | 4,203 | 5,618 | 2,350 | 546 |
| Associated companies | 12,712 | 5,243 | 6 | 63 |
| Joint ventures | 5,173 | 2,608 | 3,740 | 313 |
| Sister companies | 16,435 | 16,039 | 3,328 | 3,477 |
| Parent companies | 50,344 | 28,439 | 2,614 | 8,112 |
| Trade receivables from, and trade payables to, related parties | 88,867 | 57,947 | 12,038 | 12,511 |

Miscellaneous receivables from, and liabilities to, related parties

| € thou. | Miscellaneous receivables | | Miscellaneous liabilities | |
|---|---------------------------|----------------|---------------------------|------------------|
| | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2018 | Dec. 31, 2017 |
| Nonconsolidated subsidiaries | 27,205 | 32,890 | 34 | 3 |
| Associated companies | 1,301 | 867 | 132,739 | 110,781 |
| Joint ventures | 168,457 | 149,350 | 366,645 | 675,974 |
| Sister companies | - | 49 | 1,900,892 | 2,883,955 |
| Parent companies | 1,577 | 4,422 | 2,892,563 | 1,611,036 |
| Miscellaneous receivables and other assets | 198,540 | 187,578 | 5,292,873 | 5,281,749 |

Liabilities from the profit and loss transfer agreement with BASF Handels- und Export GmbH amounted to €342,865 thousand as of December 31, 2018 and €405,236 thousand as of December 31, 2017.

Revenues with, as well as trade receivables from, and trade payables to, related parties mainly comprised transactions with the company's own products, brokerage and licensing transactions, as well as other typical business transactions.

Miscellaneous receivables and liabilities resulted mainly from financing transactions, outstanding dividend payments and profit and loss transfer agreements, as well as other financing-related and operating transactions and scenarios.

The miscellaneous receivables from joint ventures resulted, in particular, from the transfer of the financing function for the regulated gas transportation activities to the joint venture W & G Infrastruktur Finanzierungs-GmbH, Kassel, which was established in 2017.

The outstanding balances with related parties were not secured in general and were settled in cash. The amount of valuation allowances on trade receivables from associated companies fell from €8,146 thousand as of December 31, 2017 to €0 thousand as of December 31, 2018.

Accordingly, the addition to these valuation allowances recognized as an expense amounted to €0 thousand in 2018 (previous year: €8,146 thousand).

The amount of valuation allowances on miscellaneous receivables from nonconsolidated subsidiaries fell from €53,379 thousand as of December 31, 2017 to €54,374 thousand as of December 31, 2018. The addition to these allowances recognized as an expense in 2017 amounted to €995 thousand. In contrast to the previous year (€5,236 thousand), there was no reversal recognized in the income statement.

In 2018, no reportable transactions were concluded with members of the Board of Directors and their related parties.

The following table shows the remuneration paid to key management personnel.

Remuneration paid to key management personnel

| € thou. | 2018 | 2017 |
|--------------------------|--------|--------|
| Short-term benefits | 3,383 | 3,303 |
| Post-employment benefits | 27,844 | 25,512 |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payment | 707 | 535 |

32. Services rendered by the auditor of the annual financial statements

Companies in the Wintershall Group have made use of the following services provided by KPMG AG:

| € thou. | 2018 | 2017 |
|--|------------|------------|
| Audit of the annual financial statements | 784 | 889 |
| Other assurance services | 108 | 106 |
| Total | 892 | 995 |

The auditor's services mainly comprised services for the audit of the financial statements and, to a lesser extent, assurance services.

The audit of the financial statements related to expenses for the audit of the consolidated financial statements of the Wintershall Group, as well as the legally required annual financial statements and the subsidiaries and joint operations included in the consolidated financial statements. Fees for other assurance services mainly comprised project audits in connection with regulatory requirements and other assurance services.

33. Report on post-balance sheet date events

On February 21, 2019, the management announced the planned reduction in the workforce as part of the merger between Wintershall and DEA. Wintershall and DEA currently employ 4,200 people (including joint ventures). The plan is to reduce the number of jobs by 1,100 in a socially responsible manner, with around 800 job cuts affecting Germany, 200 affecting Norway and 100 affecting the rest of the world. A major part of the job cuts will affect the group functions at the Hamburg and Kassel locations. In addition, further job cuts are planned at the production sites, particularly in Germany and Norway. The employee representatives of Wintershall and DEA are currently negotiating a social restructuring plan with the company representatives of both companies. The negotiations are not expected to have been concluded before the end of the first half of 2019. It is not yet possible to quantify the effects on the assets, liabilities, financial position and financial performance of the Wintershall Group.

Kassel, March 29, 2019

Mehren Bachmann Elvermann Wieland

Group Management Report

Basic information about the Group

Group's business model

The Wintershall Group (Wintershall) is a gas and oil producer with international operations. Crude oil and natural gas will continue to make a significant contribution to meeting the rising energy needs of the world's growing population in the future. As a result, we are investing in the exploration and production of gas and oil, particularly in our core regions of Europe, Russia, North Africa and South America. These activities are concentrated in the Exploration and Production (E&P) business area in Europe (Germany, Norway, Netherlands, UK, Denmark), Russia, South America (Argentina, Brazil) and North Africa (Libya). The growth potential available to us is enhanced by our entry into the Brazilian market. The region in the Middle East is becoming another key region in our portfolio as a result of the investments made and planned. We are also involved in the transportation of natural gas in Europe together with our Russian partner Gazprom.

Selected collaborations and strategic partnerships, innovative technologies and the responsible development and production of hydrocarbons form the foundation of our growth-oriented strategy. By continuously optimizing our cost structure and our portfolio of oil and gas activities, we can safeguard our competitive standing even in times when oil and gas prices are lower. In order to strengthen our position, we are also exploiting the opportunities and potential offered by digitalization at all stages in the value chain. This helps us to make our processes more effective and efficient, to identify market opportunities at an early stage and to remain competitive in the long term.

In order to handle hydrocarbons in a responsible manner, we need to take special measures to protect both people and the environment. This is why we assess the possible impact of each and every project carefully and in full before it begins. Together with experts, contractors and the relevant stakeholder groups, we develop processes and implement measures allowing us to use resources even more efficiently and to minimize any environmental impact. Our actions are based on compliance with international conventions, regional legislation and the high standards that we set ourselves.

As the parent company of the Wintershall Group, Wintershall Holding GmbH (WIHO) holds the shares in the companies belonging to the Wintershall Group either directly or indirectly. Wintershall Holding GmbH is a direct (10.29%) and also an indirect (89.71% as a subsidiary of BASF Handels- und Exportgesellschaft mbH) subsidiary of BASF SE, Ludwigshafen am Rhein. Wintershall has concluded a profit and loss transfer agreement with BASF Handels- und Exportgesellschaft mbH. The agreement was concluded in 2006 and can be terminated after a five-year term by giving one month's notice to the end of the fiscal year.

In 2018, a total of 18 companies (16 companies in 2017) were included in the consolidated financial statements. Two of these companies (Wintershall do Brasil Exploração e Produção Ltda and Gullfaks AS) were included in the scope of consolidation for the first time. In the same period of 2017, one company was included in the scope of consolidation for the first time, while one company left the consolidated group as a result of a merger. Although Wintershall does not hold the majority of the shares in ZAO Gazprom YRGM Trading, it is entitled to the company's results on the basis of the profit distribution agreements, meaning that the company is fully consolidated in the consolidated financial statements.

Objectives and strategies

On September 27, 2018, BASF and LetterOne signed a binding agreement to merge their respective oil and gas businesses. The joint venture is to operate under the name Wintershall DEA. Wintershall DEA is to become the leading independent European exploration and production company. The move is designed to create the basis for further profitable growth. The aim is to increase the daily production of Wintershall and DEA, which came to around 590,000 BOE (barrel oil equivalents) in pro forma terms in 2018, to between 750,000 and 800,000 BOE by 2023.

The transaction is likely to be concluded in the first half of 2019. Up until this date, Wintershall and DEA will continue to operate as independent companies. In the medium term, BASF and LetterOne are aiming for an initial public offering of Wintershall DEA.

The merger is to be completed by LetterOne transferring all its shares in DEA Deutsche Erdoel AG to Wintershall Holding GmbH and receiving new shares in Wintershall. Wintershall would then be renamed Wintershall DEA, with its registered office in Kassel and Hamburg. BASF's share in Wintershall DEA's ordinary shares is initially to amount to 67%, with LetterOne to hold a stake of 33%. These shares reflect the value of the respective exploration and production activities of Wintershall and DEA. In order to reflect the value of Wintershall's gas transport business, BASF is to receive additional preferential shares. This is designed to increase BASF's stake in Wintershall DEA to 72.7% following the completion of the merger. These preference shares are to be converted into ordinary shares in Wintershall DEA no later than 36 months after the merger and in any event before the IPO.

All in all, the intended merger with DEA Deutsche Erdoel AG offers significant potential for growth and increased earnings. Within the combined business, the plan is to optimize the portfolio and leverage production and cost synergies amounting to at least EUR 200 million a year. Work on realizing this potential is set to begin as soon as the merger is executed. The synergy potential should have been realized in full within a period of three years at the latest. The integration costs offsetting these synergy effects will be incurred, as a one-off effect, in an amount corresponding to approximately one and a half times the annual savings resulting from the synergies.

Apart from start-up costs, Wintershall's operating activities were not affected by the transaction referred to above in the 2018 reporting year.

Management system and financial performance indicators

We use various key figures to manage our performance with a view to achieving sustainable, value-oriented growth.

For management control purposes, production volume and EBIT are used as key performance indicators. Free cash flow is also an important indicator of the company's ability to finance itself.

For companies that operate in the area of oil and gas production, the availability of a sufficient reserve base is a prerequisite for sustainable business activity. We use the reserve replacement ratio (expressed as a percentage of the volume produced) and reserve life (in years) as performance indicators for management purposes within this context.

In order to ensure the value-oriented management of our company, we use planning and control processes to make key figures and information available to decision-makers at the various management levels. Based on the strategic long-term plan, the relevant budget values are defined as part of a detailed annual plan-

ning process and are tracked during the year using rolling monthly forecasts. This allows any deviations from plan to be detected promptly, analyzed and, in the event of negative developments, eliminated to the greatest extent possible by taking suitable countermeasures.

Economic report

Underlying economic and industry conditions

The commercial success of Wintershall Holding GmbH is influenced to a considerable degree by the development of oil and gas prices and by exchange rates between the euro and the US dollar, as well as the currencies in our core regions (RUB, ARS, NOK).

Due to moves by OPEC and some non-OPEC countries to cut production, and also due to the stable development of the global economy, the price of Brent crude oil recovered in the course of the year to over USD 85 per barrel in some cases. Average revenue in the 2018 reporting year rose by USD 17.13 as against 2017 as a whole to USD 71.31 per barrel.

Despite a good supply situation from Russia and Norway and additional LNG volumes, prices on the gas spot markets (including NBP, TTF, NCG, Gaspool) rose in a year-on-year comparison. The price recovery was driven, in particular, by the sharp increase in Asian LNG demand, the increase in coal and CO₂ prices, and the moderate filling levels of European gas storage facilities. The average day-ahead price for gas at the Dutch gas trading point Title Transfer Facility (TTF) in 2018 came to EUR 22.83 per megawatt hour, an increase of 32% compared with 2017 (EUR 17.28 per megawatt hour).

Looking at the year on average, the US dollar fell slightly against the euro. The average price of one euro was USD 1.18 (previous year: USD 1.13). The rising Brent crude oil prices, however, more than compensated for the negative exchange rate effect of the US dollar, pushing Brent crude oil revenues up by EUR 12.41 per barrel to EUR 60.38 per barrel in euro terms.

The Russian rouble lost significant ground compared to the previous year. On average, one euro cost RUB 74.04, as against RUB 65.92 in the previous year. The Argentine peso also lost significant ground, falling by ARS 14.23 per euro to ARS 32.97 per euro. In 2018, the Norwegian krone stood at NOK 9.60 per euro, slightly down on the level seen in 2017 (NOK 9.33 per euro).

Operational business development

Exploration and production

PRODUCTION

| Crude oil and condensate in BOE million | 2018 | 2017 | Change |
|---|-------------|-------------|------------|
| Europe | 27.3 | 25.8 | +6% |
| Russia | 15.3 | 14.9 | +3% |
| South America | 1.9 | 1.8 | +6% |
| North Africa | 9.8 | 7.2 | +36% |
| TOTAL | 54.3 | 49.7 | +9% |

| Natural gas in BOE million | 2018 | 2017 | Change |
|----------------------------|--------------|--------------|------------|
| Europe | 16.2 | 15.9 | +2% |
| Russia | 76.6 | 74.9 | +2% |
| South America | 23.9 | 24.0 | 0% |
| TOTAL | 116.7 | 114.8 | +2% |

| Total production in BOE million | 2018 | 2017 | Change |
|---------------------------------|--------------|--------------|------------|
| Europe excl. Russia | 43.5 | 41.7 | +4% |
| Russia | 91.9 | 89.8 | +2% |
| South America | 25.8 | 25.8 | 0% |
| North Africa | 9.8 | 7.2 | +36% |
| TOTAL | 171.0 | 164.5 | +4% |

In the reporting period, Wintershall produced 54.3 million BOE of crude oil and condensate and 116.7 million (BOE) of gas. Total production came to 171.0 million BOE. In the previous year, it amounted to 49.7 million BOE of crude oil and condensate and 114.8 million BOE of gas, i.e. to total production of 164.5 million BOE.

Europe

In Europe, Wintershall's **crude oil and condensate production** was up slightly year-on-year, namely by 6%, to total 27.3 million BOE. At 21.5 million BOE, production in Norway was up by 10% on the previous year. This increase is due to year-round production in the new Maria field. In Germany, Wintershall Holding GmbH's crude oil and condensate production fell by 8% year-on-year to 5.6 million barrels. This can be attributed to lower production in the Mittelplate/Dieksand field.

Natural gas production rose by 2% to 16.2 million BOE. In Norway, the year-round production of the Maria field more than compensated for the decline in production in Germany, the Netherlands and the United Kingdom.

In **Norway**, Wintershall was allocated six new exploration licenses on the Norwegian continental shelf from the Ministry of Petroleum and Energy as part of the 2017 APA licensing round. The company acts as the operator for three of these licenses. Four of the licenses are located in the Norwegian North Sea, with one in the Norwegian Sea in the greater vicinity of the Aasta Hansteen natural gas field and one in the Barents Sea.

Wintershall has awarded two major contracts for the Subsea Production System (SPS) and Pipeline and Subsea Construction (PSC) for its Nova field (formerly Skarvfjell) in the Norwegian Sea, which it operates

itself. Together with its partners Capricorn, Spirit Energy, Edison and DEA, Wintershall submitted the Plan for Development and Operation (PDO) to the Norwegian Ministry of Petroleum and Energy. The drilling contract was also awarded. The West Mira mobile drilling platform will be used for a total of six wells in the Nova field from the first half of 2020 onwards.

Wintershall has discovered gas from the Balderbrå well near Aasta Hansteen in the Norwegian Sea and is now looking into ways of developing the source.

In December 2017, oil production started from the Maria field in the Norwegian Sea, which was officially opened in March 2018. An innovative development concept was implemented for this field. A production facility was installed directly on the seabed and was connected underwater to three nearby platforms operated by the company's cooperation partner Equinor. Production volumes to date have not yet met our expectations in full. Extensive analyses have shown that there is little connection between the different geological layers in the deposit. As a result, production volumes, as well as the pressure in the deposit, are being monitored on an ongoing basis, with options for drilling further production wells being examined.

Together with the operator Equinor and partners OMV and ConocoPhillips, production on the Aasta Hansteen platform was launched successfully. This is considered to be one of the largest SPAR platforms ("SPAR: Single Point Anchor Reservoir") in the world. The development of the Aasta Hansteen gas field in the Norwegian Sea is one of the most complex industrial projects in Europe. In addition, the Polarled pipeline, spanning a distance of 480 kilometers, was built and installed to transport the natural gas.

In September, the Brage platform celebrated a quarter of a century of production and five years of operational management by Wintershall.

In **Germany**, the Mittelplate field off the North Sea coast accounts for the lion's share of our crude oil production. Wintershall has a 50% stake in the Mittelplate field, the country's largest known oil deposit. The drilling program in the Bockstedt field was completed. In the Emlichheim concession, 3D seismic measurements were carried out and will form the basis for the development of new oil deposits on the German-Dutch border. Emlichheim is one of the largest and most traditional production sites in Germany. As the operator, Wintershall has been producing crude oil there at a consistently high level for more than 70 years.

In the southern North Sea, the Dutch joint venture with Gazprom, Wintershall Noordzee B.V. (WINZ), operates offshore platforms in the Dutch, German, Danish and southern British North Sea. Production in the fields in the Dutch North Sea, which are already mature, is being optimized on an ongoing basis. Within this context, the dismantling of the Kotter and Logger wells, which were decommissioned back in 2015, is underway.

As the operator, Wintershall Noordzee B.V. was able to successfully overcome initial technical difficulties in Ravn, the first oil field in the Danish North Sea to be operated by the company itself, and reported continuous production in 2018.

Russia

In **Russia**, gas production rose slightly to 76.6 million BOE due to the commissioning of further wells in the Urengoy field. At 15.3 million BOE, crude oil and condensate production was up by 3% on the previous year.

Wintershall has been producing at plateau level in the Yuzhno-Russkoye natural gas field in western Siberia since 2009 via a 35% stake in SNGP (Severneftegazprom). The drilling phase of the Turon project at SNGP

began at the end of 2018. In the first phase, 88 wells will be drilled for production from the Turon horizon. The aim is to maintain plateau production of 25 billion m³/year for as long as possible.

Wintershall has a 50% stake in the development of Block IA of the Achimov Formation in the Urengoy Field in western Siberia via the Achimgaz joint venture. At the beginning of 2018, the joint venture between Wintershall and Gazprom reached a new milestone with total production of 30 billion cubic meters of gas. At the same time, the company has produced more than 14 million tonnes of gas condensate to date. The joint venture celebrated its 15th anniversary in September. The gradual development of the field will continue and is scheduled for completion in 2020.

In May, the Supervisory Board of the Achim Development joint venture, which was established to develop Blocks 4A and 5A of the Achimov Formation and in which Wintershall holds a 25.01% stake, decided that the Achimgaz joint venture should carry out the first development phase as general contractor, thus ensuring rapid and reliable project implementation. In total, more than 20 contracts with a total volume of around seven billion Russian roubles (EUR 100 million) were approved. Production is scheduled to start at the end of 2020.

The German-Russian joint venture Wolgodeminoil, based in the southern Russian city of Volgograd, has reached an important milestone: at the beginning of August, the 50:50 joint venture between Wintershall and RITEK, a subsidiary of the Russian energy group LUKOIL, produced the ten millionth tonne of crude oil.

South America

In South America, gas production of 23.9 million BOE and crude oil and condensate production of 1.9 million BOE were on a par with the previous year.

Wintershall Energía has been active in the exploration and production of crude oil and natural gas in **Argentina** for 40 years now, an occasion that was marked with an official ceremony in Buenos Aires. Wintershall currently holds interests in a total of 15 onshore and offshore fields in Argentina.

In addition to successful production in Tierra del Fuego, the company has been involved in the Aguada Pichana and San Roque blocks in western Argentina for more than 20 years. The stake in the Aguada Federal and Bandurria Norte blocks in the promising Vaca-Muerta shale formation opens up further growth opportunities.

Wintershall received seven exploration licenses in the 15th licensing round in Brazil in November 2018. The licenses are located off the north-east and south-east coast of Brazil. Wintershall will act as the operator for four of these licenses. In three others, Wintershall will work together with Chevron and Repsol. Initial exploration activities in the allocated blocks are now being planned and will commence in 2019. Wintershall is currently in the process of setting up a permanent branch office in Brazil.

North Africa and Middle East

Crude oil and condensate production in **North Africa** increased by 36% year-on-year from 7.2 million BOE to 9.8 million BOE. The increase in production can be traced back to what was almost full-year production in concessions 96 and 97 in Libya.

In **Libya**, Wintershall AG operates eight oil fields in onshore concessions 96 and 97 in the south-eastern Sirte Basin. The Gazprom Group holds a 49% stake in this company. With the exception of a two-month interruption in concession 96 and a two-week break in concession 97, onshore production was maintained despite immense government instability and considerable security risks on site. In 2018, production continued under an interim operation agreement, which only provides for sales (lifting) to partially offset the

costs incurred. Negotiations are currently underway with the Libyan National Oil Corporation (NOC) on the framework for future cooperation in onshore concessions 96 and 97.

The Al Jurf oil field in concession C137 off the Libyan coast, in which Wintershall holds an interest via a Dutch subsidiary, was operated without interruption.

In the future, Wintershall will be involved in the extraction of raw materials in one of the world's major oil and gas production centers: in November 2018, the company acquired a 10% stake in the Ghasha concession of the Abu Dhabi National Oil Company (ADNOC) in the **United Arab Emirates**. The offshore sour gas and condensate fields, consisting of the three field groups, Ghasha & Hail, Dalma and Deep Gas, are located in the Al Dhafra region off the coast of the Gulf Emirate. Wintershall's activities in Abu Dhabi will establish a new key region for the company in the Middle East. Over the coming years, the reserves resulting from the successful participation in the development of the Ghasha concession are expected to grow from 250 to 470 million BOE.

In April 2016, Wintershall signed a Memorandum of Understanding (MoU) with the National Iranian Oil Company (NIOC) in Iran on a possible future cooperation and has since analyzed possible oil projects. In the talks with the NIOC, it was not possible to clarify the overall commercial conditions with definitive effect, as the overall political environment (US sanctions) is currently making potential activities in Iran much more difficult. As a result, the MoU was not extended and the representative office in Tehran was closed.

Exploration and reserves

A total of 12 exploration and expansion projects were completed in 2018, four of which were successful. Two wells were drilled at the end of the year or had not yet produced any results.

Wintershall's expenditure for the search for oil and gas deposits rose by EUR 64 million year-on-year to EUR 174 million. This is due to stepped up activities in Norway and the acquisition of studies for future exploration projects in Brazil.

Wintershall's secure crude oil and natural gas reserves have a calculated lifetime of around 11 years. This puts them ahead of our target range of 8 to 10 years. 214% of the volumes produced in 2018 were replaced.

Natural gas transportation

WIGA Transport Beteiligungs-GmbH & Co. KG (WIGA) primarily performs holding and financing functions for our natural gas transportation business. The operating gas transportation companies operate as independent subsidiaries under the umbrella of the holding company. This organizational form takes account of the unbundling requirements set out in the German Energy Industry Act (EnWG).

The gas transportation companies in the WIGA Group operate a pipeline network spanning more than 3,300 kilometers, including the Nord Stream Pipeline, the Baltic Sea Pipeline Link (OPAL) and the North European Gas Pipeline (NEL).

OPAL's capacities had been marketed in full in 2018. Decisions by the European Union's General Court (EGC) and the Düsseldorf Higher Regional Court (*Oberlandesgericht*) in the main proceedings relating to the public-law settlement agreement concluded on May 11, 2016, which amended the ancillary provisions relating to the exemption from regulation granted in 2009 for the OPAL pipeline, are still pending. The main change is the replacement of the restriction currently imposed on Gazprom, which caps the latter's access to the OPAL release capacities at 50%, with auxiliary provisions which essentially provide for the allocation of 50% of release capacities in the context of the general capacity auctions. The Republic of Po-

land has brought an action before the European Court of Justice against the decision of the European Commission approving the settlement agreement. PGNiG SA (PGNiG) and PGNiG Supply & Trading GmbH (PGNiG S&T) have lodged an appeal with the Düsseldorf Higher Regional Court against the settlement agreement. On October 23, 2018, the EGC held oral proceedings in the pending action for annulment brought by the Republic of Poland against the European Commission's decision approving the settlement agreement. OPAL Gastransport GmbH & Co. KG (OGT) is not involved in the proceedings. According to the impression conveyed by the public oral hearing, it appears reasonable overall to assume that there is no overwhelming probability that Poland's action for annulment will be granted. The Düsseldorf Higher Regional Court made it clear that, in its opinion, the effectiveness of the OPAL settlement agreement requires effective approval by the Commission, and said that, as a result, it would not make any decision on the complaints lodged by PGNiG and PGNiG S&T in the main case until the EGC had made a decision on the actions for annulment, ruling against the approval granted by the European Commission.

The binding marketing of capacities on the PRISMA capacity platform in 2017 largely confirmed the need to expand the transportation infrastructure based on the results of the "more capacity" market survey conducted in 2015. As the project sponsor, GASCADE is planning and implementing the construction of the "European Gas Pipeline Link" (EUGAL) as a land-based connection pipeline to the Nord Stream 2 offshore pipeline, which is also in the planning stage, for the co-ownership association¹ comprising Fluxys Deutschland GmbH, Gasunie Deutschland Transport Services GmbH, ONTRAS Gastransport GmbH and GASCADE. The EUGAL pipeline, spanning a distance of around 480 kilometers, is to run largely as a double pipeline, with a maximum transportation capacity of 55 billion cubic meters of natural gas per year, from the German Baltic Sea coast to the Deutschneudorf region. Based on the current plans, the capacities of the first string will be available by the end of 2019, with the second string capacities becoming available a year later. On December 20, 2018, the German Federal Network Agency (BNetzA) confirmed the 2018-2028 Gas Network Development Plan (NEP Gas) based on a change request submitted to the transmission system operators. The EUGAL pipeline is also among the measures confirmed as being commensurate with demand.

Wintershall holds an indirect stake in the existing Nord Stream pipeline via Wintershall Oil AG, which holds 15.5% of the shares in Nord Stream AG. The two pipeline strings, which run from Russia through the Baltic Sea to the German coast, have a total capacity of around 55 billion cubic meters of natural gas per year and will help to strengthen Europe's supply security.

Nord Stream 2 is being developed by the project company Nord Stream 2 AG, in which Gazprom holds a 100% stake. The project envisages the construction of two further offshore pipelines through the Baltic Sea from Russia to Germany with a total annual capacity of around 55 billion cubic meters of gas. Pipeline work began in the summer of 2018. The pipeline is scheduled to be commissioned at the end of 2019. Nord Stream 2 will strengthen both competitiveness and medium and long-term energy security in the European energy markets, especially against the backdrop of the expected decline in production in Europe.

On April 24, 2017, Nord Stream 2 AG concluded financing agreements with five western European energy companies, including Wintershall. The western energy companies have made a commitment to the long-term financing of 50% of the total project costs. The individual companies will each make funds of up to EUR 950 million available. By December 31, 2018, almost EUR 600 million of this amount had been called in

¹ GASCADE holds a 50.5% stake, with the other three partners each holding an interest of 16.5%. The partners have agreed that GASCADE will be responsible for both the construction and operation of the pipeline.

each case. The financial commitment made by the European companies underlines the strategic importance of the project for the European gas market.

Position

In 2018, the Wintershall Group produced a total of 171 million BOE of oil and gas. Total production in the previous year came to 164 million BOE. Due to the price increase for Brent crude oil and the higher prices on the gas spot markets (including NBP, TTF, NCG, Gaspool), the 2018 fiscal year was a successful one overall: the Wintershall Group increased its result from operating activities significantly. The E&P business area made a particularly pronounced contribution to this trend.

Earnings situation

| | 2018 | 2017 | Change |
|---|--------------|--------------|---------------|
| | EUR m | EUR m | % |
| Net revenue | 4,707 | 3,662 | +29% |
| Cost of conversion and purchase costs | -2,910 | -2,716 | +7% |
| Gross earnings from revenue | 1,797 | 946 | +89% |
| Result from operating activities (EBIT) | 1,294 | 934 | +39% |
| Financial result | -47 | -49 | +6% |
| Earnings before taxes | 1,247 | 885 | +41% |
| Income taxes | -576 | -158 | +265% |
| Net income before minority interests | 671 | 727 | -8% |
| Minority interests | 55 | 41 | +34% |
| Net income after minority interests | 616 | 686 | -10% |

Compared to the previous year, net revenue increased significantly, climbing by EUR 1,045 million to EUR 4,707 million. The increase is mainly due to higher oil and gas prices. These were the main driver behind the increase in revenues from oil production of EUR +361 million to EUR 1,621 million, and behind the increase in revenues from natural gas production of EUR +161 million to EUR 1,083 million. Income from the trading business, which mainly comprises the marketing of natural gas supplied by Equinor ASA, improved by EUR +377 million to EUR 1,441 million, mainly due to price-related factors. The natural gas transportation segment generated net revenue of EUR 235 million, predominantly as a result of the marketing of OGT's gas transportation capacities.

The cost of conversion and purchase costs of EUR 2,910 million increased by EUR +194 million to EUR 2,716 million in a year-on-year comparison. The increase was due, in particular, to higher purchase costs for merchandise in Germany (EUR +337 million) due to price-related factors. On the other hand, lower depreciation/amortization (EUR -199 million) on producing Norwegian fields led to a reduction in the cost of conversion and purchase costs. The cost of conversion and purchase costs from the natural gas transportation business in the amount of EUR 98 million (previous year: EUR 77 million) mainly comprise the costs for pipeline servicing and maintenance, including energy consumption.

Compared with the previous period, the result from operating activities improved by EUR +360 million to EUR 1,294 million, driven primarily by the increase in revenues. This was offset by a one-off effect of EUR -168 million (previous year: EUR +252 million) resulting from a write-down in Norway, in particular. The income from companies accounted for using the equity method included in the result from operating activities fell by EUR -119 million to EUR 128 million. The increase in the previous year was due to write-ups at the joint ventures in the E&P area. The gas transportation companies accounted for using the equity method also recorded a drop in earnings (EUR -13 million).

The financial result for 2018 amounted to EUR -47 million, which corresponds to an improvement of EUR +2 million compared to the previous year. In particular, net interest improved by EUR +53 million to EUR 4 million. This is mainly due to higher interest income (EUR +16 million) in connection with the financing of a gas transportation project, in particular. Due to the repayment of financial debt in Argentina, interest expenses also decreased by EUR -38 million.

After income taxes, net income for the year before minority interests amounted to EUR 671 million (previous year: EUR 727 million). The share attributable to the gas transportation business came to EUR 215 million. Income tax expenses increased by EUR -418 million year-on-year to EUR -576 million (previous year: EUR -158 million), primarily owing to higher income taxes in Norway. In the 2018 fiscal year, income tax expenses in the natural gas transportation area totaled EUR -18 million (previous year: -EUR 14 million).

Minority interests rose by EUR 14 million to EUR 55 million due to higher revenues in the gas transportation business.

After taxes and minority interests, the result came to EUR 616 million (previous year: EUR 686 million), of which EUR 456 million (previous year: EUR 526 million) was attributable to the E&P business area and EUR 160 million (previous year: EUR 160 million) to gas transportation.

Financial position

| | 2018 EUR m | 2017 EUR m |
|--|---------------|---------------|
| Net income for the year after non-controlling interests | 616 | 686 |
| Amortization of intangible assets, depreciation of property, plant and equipment and impairment of financial investments | 1,080 | 1,024 |
| Miscellaneous items | 66 | -56 |
| Cash flow from operating activities | 1,762 | 1,654 |
| Payments for property, plant and equipment and intangible assets | -622 | -891 |
| Financial investments and miscellaneous items | -409 | -28 |
| Cash flow from investing activities | -1,031 | -919 |
| Cash flow from financing activities | -601 | -710 |
| Changes in cash and cash equivalents affecting liquidity | 131 | 26 |
| Cash and cash equivalents at the beginning of the period and other changes | 88 | 85 |
| Cash and cash equivalents at the end of the period | 219 | 110 |

In 2018, the Wintershall Group generated a cash flow from operating activities of EUR 1,762 million (previous year: EUR 1,654 million). The improved cash flow from operating activities was due, in particular, to higher operating result, mainly due to price-related factors.

Cash flow from investing activities amounted to EUR -1,031 million compared with EUR -919 million in the previous year. In the year under review, investments in property, plant and equipment fell by EUR -288 million as against the previous year to EUR -588 million. Payments made with regard to financial investments and miscellaneous items mainly related to the acquisition in Abu Dhabi (EUR -133 million) and the financing of gas transportation projects (EUR -275 million).

Cash flow from financing activities amounted to EUR -601 million compared with EUR -710 million in the previous year. The cash outflow in the reporting year mainly resulted from the profit transfer (EUR -401 million) to the shareholder BASF Handels- und Exportgesellschaft mbH on the basis of the profit transfer agreement and dividend payments (EUR -41 million).

Cash and cash equivalents came to EUR 219 million at the end of the fiscal year. This put them above the level seen in the previous year (EUR +109 million).

Assets and liabilities

| Assets | Dec. 31, 2018 | Dec. 31, 2017 | Change |
|---|----------------------|----------------------|---------------|
| | EUR m | EUR m | % |
| Intangible assets | 2,284 | 2,308 | -1% |
| Property, plant and equipment | 6,508 | 6,361 | +2% |
| Investments accounted for using the equity method | 2,566 | 2,557 | +1% |
| Other financial investments | 2 | 73 | -97% |
| Miscellaneous receivables and other assets | 1,025 | 671 | +53% |
| Non-current assets | 12,385 | 11,969 | +3% |
| Inventories | 137 | 84 | +63% |
| Trade receivables | 670 | 502 | +33% |
| Miscellaneous receivables and other assets | 254 | 283 | -10% |
| Cash and cash equivalents | 219 | 110 | +99% |
| Current assets | 1,280 | 980 | +31% |
| Total assets | 13,665 | 12,949 | +6% |

Total assets increased by EUR 716 million to EUR 13,665 million in the year under review.

Noncurrent assets accounted for 91% of total assets and increased by EUR +416 million to EUR 12,385 million in the reporting year.

Intangible assets fell by EUR -24 million to EUR 2,284 million. This was due, among other things, to depreciation and amortization in the fiscal year and reclassifications to property, plant and equipment.

Property, plant and equipment increased by EUR +147 million year-on-year to EUR 6,508 million. Additions from investments of EUR +1,027 million and currency effects (EUR +98 million) were offset by depreciation, amortization and write-downs (EUR -1,034 million).

Investments accounted for using the equity method increased slightly compared with the previous year. Other financial investments decreased by EUR -72 million to EUR 2 million, in particular due to the first-time inclusion of Gullfaks AS in the scope of consolidation of the Wintershall Group. Miscellaneous receivables and other assets increased year-on-year by EUR +354 million to EUR 1,025 million, mainly due to higher loan receivables in connection with the financing of gas transportation projects.

Current assets rose by EUR +300 million to EUR 1,280 million. Inventories of EUR 137 million were EUR 53 million higher than in the previous year, mainly due to higher oil and gas inventories in Argentina (EUR +38 million) and Russia (EUR +13 million). Trade receivables increased by EUR +168 million compared with the previous year, mainly due to higher prices. The EUR -29 million drop in miscellaneous receivables and other assets is due, in particular, to lower receivables in Argentina.

Cash investments mainly related to bank balances.

| Equity & liabilities | Dec. 31, 2018 EUR m | Dec. 31, 2017 EUR m | Change % |
|---|--------------------------------------|--------------------------------------|---------------------------|
| Equity | 3,467 | 3,213 | +8% |
| Provisions for pensions and similar obligations | 307 | 313 | -2% |
| Other provisions | 1,605 | 1,289 | +25% |
| Deferred tax liabilities | 1,321 | 1,295 | +2% |
| Financial liabilities | 499 | 501 | -1% |
| Miscellaneous liabilities | 518 | 1,380 | -62% |
| Non-current liabilities | 4,250 | 4,779 | -11% |
| Trade payables | 348 | 287 | +21% |
| Provisions | 77 | 132 | -42% |
| Tax liabilities | 222 | 134 | +66% |
| Financial liabilities | 10 | 100 | -90% |
| Miscellaneous liabilities | 5,291 | 4,305 | +23% |
| Current liabilities | 5,948 | 4,957 | +20% |
| Total capital | 13,665 | 12,949 | +6% |

The equity ratio of the Wintershall Group came to 25% on the balance sheet date (previous year: 25%). As of December 31, 2018, equity amounted to EUR 3,467 million.

Noncurrent liabilities fell by EUR -529 million year-on-year to EUR 4,250 million. Provisions of EUR 307 million were set up for pensions and similar obligations as of December 31, 2018. Other provisions rose by EUR +316 million to EUR 1,605 million. This was due, in particular, to updated discount rates for restoration obligations under mining law in the E&P business area (EUR +278 million). Noncurrent deferred tax liabilities increased by EUR +26 million year-on-year to EUR 1,321 million. The increase was mainly due to currency effects in Norway (EUR +41 million). At EUR 499 million, noncurrent financial liabilities remained on a par with the previous year. The drop in miscellaneous liabilities can be traced back primarily to the restructuring of financing arrangements. BASF's loans are now reported primarily under current liabilities.

Current liabilities rose by EUR +990 million to EUR 5,947 million. Trade payables increased by EUR +61 million to EUR 348 million, particularly in Germany (EUR +41 million) and Norway (EUR +15 million). The drop in current provisions of EUR -55 million was primarily attributable to Norway (EUR -24 million) and Germany (EUR -36 million). Tax liabilities increased by EUR +89 million in 2018, mainly due to increased tax liabilities in Norway (EUR +52 million) and Argentina (EUR +19 million). The drop in current financial liabilities (EUR -90 million) was almost exclusively attributable to Argentina. Miscellaneous liabilities increased by EUR +986 million compared to the previous year. This is due first and foremost to the restructuring of financing with BASF.

Overall, the assets, liabilities, financial position and financial performance of the Wintershall Group showed positive development. The Wintershall Group was able to significantly increase its revenue and earnings before taxes, improve its operating cash flow and keep its equity ratio at a constant level. Net revenue, the result from operating activities and earnings before taxes were higher than in the previous year, as was the financial result.

Non-financial performance indicators

Employees

Our qualified and committed employees from all over the world, whose actions are guided by a sense of autonomy and quality awareness, as well as by clear target agreements, are a key factor in the success of our company. The company employed an average of 2,020 employees worldwide during the 2018 fiscal year, 153 of whom were employees on fixed-term contracts and 50 of whom were trainees. Our employees working in the exploration and production of crude oil and natural gas complete a series of international assignments in the course of their career development.

Strong teamwork that transcends technical, organizational and national boundaries promotes the continuous optimization of work processes, products and services. In the Technology segment, we work closely with BASF and external research institutes to ensure product and technological developments that focus on the long term. Our own technological developments form a central element of our E+P strategy.

The measures that we take in the area of initial and further training are geared towards individual abilities and operational requirements. We recruit our up-and-coming young talents from leading European universities. With the help of our SPEAD (Special Professional Experts Accelerated Development) program for E+P professionals, the START IN Finance and START IN Procurement programs for commercial employees and the START IN Information Management program in the field of business information technology, we ensure the targeted development of our up-and-coming young talents.

Our employees participate in our company's financial success through a bonus. Senior executives participate in the success of the BASF Group through a bonus that depends on the return on the BASF Group's capital employed and individual performance.

In order to allow our employees to strike the right work-life balance, we are implementing numerous measures to increase the appeal of our sites in the competition for internationally sought-after specialists. These include childcare facilities, flexible working hours models and health promotion programs.

Health, safety and environmental protection

"Everybody counts – we need the commitment of each and every employee in order to be successful in the field of Health, Safety and Environmental Protection (HSE)." This key principle of the Wintershall HSE Policy makes it clear that HSE is an essential component of our corporate philosophy.

In everything we do: commercial interests never take precedence over safety, health and environmental protection. Nothing is so urgent or important that our HSE principles should be disregarded. We play it safe in the operation of our facilities. The technical facilities that we use for exploration and production meet high safety standards worldwide. We make ongoing investments in order to ensure that new facilities have the best equipment possible and to modernize older ones.

In addition to complying with the applicable legislation, we make a commitment to respecting and applying internationally recognized working methods. We also set our own standards out in standard operating procedures and guidelines.

The objective documented in our health, safety and environmental protection management system is to systematically reduce risks to people and nature, and to contribute to sustainable development using innovative ideas and technologies. As far as occupational safety is concerned, we aim to achieve a lost time

incident frequency rate (LTIF) of less than 0.49 per million working hours for our own employees and external personnel by 2020. We aim to achieve a total recordable incident rate (TRIR) of 1.36 for all accidents, which also include minor accidents leading to restricted work cases (RWCs) or medical treatment cases (MTCs). Our long-term vision is that neither our employees nor our facilities, the environment or our image should suffer any damage as a result of our actions.

With regard to lost time incidents, we were able to achieve a slight improvement, recording three accidents in 2018 compared to six in 2017. As a result, the lost time incident frequency rate fell from 0.71 in the previous year to 0.58 accidents per million working hours. This result already brings us close to our target of 0.49 for 2020. The total recordable incident rate of 3.50 in 2018 was higher than the previous year's figure of 3.07.

In 2018, we once again carried out a number of HSE projects and initiatives. By way of example, we forged ahead with incorporating the HSE strategy, which was revamped last year and underscores our vision of "ZERO HARM", into our processes. This involved revising our annual HSE programs, for example, which implemented a large number of measures aimed at improving the safety culture. We also pressed ahead with the "Understanding Your Culture" project, initiated in the previous year to analyze Wintershall's safety culture, in the year under review. Many of the suggestions for improvement from the analysis workshops were summarized in action plans which are also being implemented via the annual HSE programs at global and local level. These include, for example, more systematic HSE communication with the support of HSE ambassadors. The ambassadors give safety issues a face and ensure greater HSE awareness in day-to-day working life.

Report on post-balance sheet date events

After the end of the fiscal year, the management announced the planned reduction in the workforce as part of the merger between Wintershall and DEA. Explanations are provided in Note 33 to the consolidated financial statements.

Report on opportunities and risks

Risk management

Wintershall is integrated into the BASF Group's comprehensive risk management system, which comprises extensive and established planning, approval, reporting and early warning systems.

The risk management process is based on the internationally recognized "COSO II Enterprise Risk Management – Integrated Framework" standard. The aim of risk management is to identify and evaluate opportunities and risks as early on as possible and to take appropriate measures to seize opportunities and limit business losses. This is intended to prevent Wintershall from being put at risk and to create long-term value through improved entrepreneurial decisions.

The system is established on both a centralized and decentralized basis within the subsidiaries and permanent establishments. It is documented and is reviewed on a regular basis by the Internal Audit department to check its adequacy, functionality and efficiency.

Overall assessment

The main economic risk that E&P companies are confronted with lies in low oil and gas prices. The average oil and gas price level in 2018, however, was above the annual average for the previous year. In our opinion, there are still no material individual risks that could jeopardize the survival of the Wintershall Group. The same applies to the overall view of all risks.

The potential merger of Wintershall and DEA is designed to create the leading independent E&P company in Europe. Both companies complement each other in terms of strategy, business areas and international locations. The possible merger with DEA will lead to profitable growth and create synergy potential.

Short-term opportunities and risks

Market developments

Changes in the global economic environment, in the financial markets, overall political conditions or due to social or political instability can have an impact on the development of oil and gas prices due to the resulting fluctuations on the supply and/or demand side. This could result in significant changes compared with our baseline scenario and the assumptions used therein.

The nature of our portfolio, especially with activities in Russia that are subject to special pricing mechanisms, means, however, that we are less affected by declining prices than other companies in the E+P sector. In addition, the natural gas transportation business generates stable earnings contributions with legally regulated grid fees. This means that, thanks to our portfolio of participating interests, we can make a positive contribution to our shareholder's overall earnings even if oil and gas prices are low. An increase in oil and gas prices translates into a substantial improvement in earnings.

Opportunities and risks in production and the provision of services

For a company operating in the E+P sector, the ability to replace produced reserves with competitive exploration and development costs, to tap into new potential and, in doing so, to maintain an appropriate oil and gas reserve life is a fundamental prerequisite for ensuring long-term commercial success.

In order to achieve this goal, we concentrate on core regions in which we have developed a high level of regional and technological expertise. This allows us to pick up on opportunities at an early stage and to identify regions with above-average discovery expectations. We use active portfolio management to try to optimize our license portfolio on an ongoing basis so that we can use the funds available for exploration with the highest possible probability of success. Where we are still in the process of building up our own experience and in order to manage risks, we enter into partnerships with competent companies. Our workforce is continuously adapted to meet the corresponding requirements, receives intensive support and undergoes ongoing further development training in all key technical areas. We use the latest drilling and production techniques, are committed to stringent cost management and focus on the efficiency and profitability of our assets.

Fluctuations in the success of exploration measures can lead to noticeable deviations in results, both compared with the previous year and compared with the planning assumptions.

Political environment/overall regulatory conditions

Larger, unexploited oil and gas reserves are often found in less developed regions of the world. In order to reduce the resulting uncertainties, we pay particular attention to ensuring a balanced overall portfolio when selecting future projects.

Our long-standing cooperation with Gazprom includes projects both inside and outside of Russia. The regulated prices that apply support our investments in Russia. By way of example, we will be developing Blocks IV and V of the Achimov formation in the Urengoy field in Western Siberia together with Gazprom.

In Argentina, macroeconomic turbulence from the second quarter of 2018 onwards led to the marked depreciation of the Argentine peso and a significant increase in the country risk associated with Argentina. As a result, the government agreed a rescue package with the International Monetary Fund (IMF) to ensure state financing in 2018/19. The IMF's strict deficit targets and high interest rates, designed to curb inflation, have plunged the Argentine economy into a recession. Energy subsidies have been reduced further or their payment delayed. The marked depreciation of the Argentine peso led to a decline in gas prices denominated in US dollars. With the upcoming presidential elections in October 2019, we expect to see high volatility in the course of 2019.

In Libya, Wintershall AG and the Libyan National Oil Corporation (NOC) continue to differ in their legal view of the basis for the activities in onshore concessions 96 and 97. Negotiations with the NOC on a permanent contractual solution are ongoing, but proved to be extremely difficult up until the end of the year – particularly due to delays on the part of the NOC. Under an interim arrangement agreed with the NOC in 2017, Wintershall AG is still only receiving a marketing share, the proceeds from which are only sufficient to cover its current costs. Under this agreement, the majority of the crude oil produced is allocated to the NOC as an overlift; however, the value of the existing WIAG claim to subsequent compensation for these quantities (e.g. in the course of the external audit planned under the EPSA) is to be considered questionable due to the NOC's chronically poor financial position. In addition to the shut-down of oil production in concession 96 due to local blockades from the beginning of November 2017 until the end of January 2018, production in both concessions was interrupted again in June/July 2018 due to renewed fighting near the export ports. In addition, serious militia battles in Tripoli and corrosion-related technical problems both in concession 96 and affecting the export infrastructure made it clear that many uncertainties remain. The persistently challenging situation and the associated very limited availability of qualified maintenance and repair service providers also increased the risks hanging over the integrity of the production facilities in 2018. Taking into account the investment protection guarantee provided by the German federal government, however, the investment is considered to be fully secured. Offshore oil production in concession 137 went according to plan in 2018.

In Germany, the topic of fracking has met with a considerable response in political circles, the media and citizens' initiatives. We have looked into this topic in detail and are committed to greater transparency and better communication for all parties involved in this discussion with our "Domestic Promotion" (*Heimische Förderung*) initiative. The new fracking legislation may make it more difficult for our gas projects to be approved in Germany. There are also opportunities and risks associated with service contracts and negotiations with third parties.

Due to its new exploration activities in Brazil, Wintershall is now the official operator in four offshore exploration blocks off the north-east coast of Brazil, for which partners are currently being sought for upcoming

exploration projects. Further exploration potential comes from the participation in three blocks off the south-east coast.

The participation in the Ghasha concession in the United Arab Emirates gives us a long-term presence in the region through long-term contracts for the development of raw material deposits. Once the development phase has been completed, we expect to see a stable earnings situation due to the contractual price mechanisms.

Risks associated with occupational health and safety and environmental protection

Health, occupational safety and environmental protection are a top priority at Wintershall. The exploration and production of oil and gas require activities in increasingly challenging regions with complex reservoir conditions, sensitive habitats and difficult political conditions. Accordingly, the associated risks in the areas of occupational health, safety and environmental protection are becoming increasingly complex. These are minimized by the systematic application of high HSE standards, which are being enhanced and optimized on an ongoing basis as part of our integrated HSE management system.

Financial opportunities and risks

Exchange rate volatility

Wintershall is exposed to exchange rate effects in the ordinary course of business. Opportunities and risks arise primarily from changes in the exchange rates of the US dollar, the Russian rouble, the Norwegian krone and the Argentine peso. We use forward foreign exchange transactions to hedge currency risks. We only do so if these are backed by items arising from our operating business. Transactions are concluded and settled exclusively with BASF SE in accordance with internal guidelines and are subject to strict controls, taking the segregation of functions into account. Information on the nominal and market values of financial instruments is provided in the notes to the consolidated financial statements.

Derivatives in natural gas trading

Risks associated with commodity derivatives are managed and monitored by setting limits in accordance with defined processes. Compliance with these limits is checked on a daily basis.

Risk of asset losses

Country risks are reviewed on a regular basis and evaluated in the form of country ratings, which are continuously adjusted to reflect changing circumstances. To the extent possible, we have taken out protection to cover the political risks that could arise in the course of our involvement in some countries by means of capital protection guarantees issued by the German federal government. We limit the credit risks associated with our investments by only executing transactions with BASF SE or banks with good credit ratings within defined limits. Credit ratings are reviewed on an ongoing basis and limits are adjusted accordingly. We reduce the default risks for receivables by means of a proactive in-house credit management system that employs all of the usual tools for managing such risks, including credit limits, contractual assurances and guarantees.

Impairment risks

Assets are at risk of impairment if the interest rate to be assumed for the purposes of impairment testing increases or if the forecast cash flows fall.

Financing of the current investment program

With regard to the EUGAL pipeline project, which is to create an onshore connection to the Nord Stream 2 pipeline that is currently under construction and enable the onward transportation of natural gas landing on the Baltic Sea coast to the Czech Republic, the subsidiary WIGA has concluded a long-term credit line of EUR 1.65 billion, with a term up to 2020, with an international consortium of banks. The companies WGTB and OGT, as well as the companies GASCADE and NGT, are financed through a group financing arrangement. With a view to the possible merger of WIHO and DEA Deutsche Erdoel AG, the management of WIGA arranged for an amendment to be made to the credit documentation for the EUR 1.65 billion financing arrangement originally concluded in May 2014 with the international consortium of banks. On December 14, 2018, the majority of the management team approved an amendment to the "Change of Control" clause, which will come into effect upon proof of the successful merger of WIHO and DEA Deutsche Erdoel AG. At the end of the reporting period, the WIGA Group's liabilities to banks under the credit line amounted to EUR 1.425 billion. In addition, the two shareholders Wintershall and GAZPROM Germania GmbH are providing financing and, out of the planned allocations to WIGA's capital reserve totaling EUR 300 million, contributed a further EUR 100 million in the year under review (2017: EUR 100 million); a final allocation of a further EUR 100 million is scheduled to be made in 2019.

GASCADE has reduced its investment share accordingly with the establishment of the co-ownership association for the EUGAL pipeline project in 2017 (GASCADE, 50.5% share, Fluxys Deutschland GmbH, Gasunie Deutschland Transport Services GmbH and ONTRAS Gastransport GmbH 16.5% share each). As part of the project, GASCADE is exposed to risks corresponding to its share in the co-ownership association. Any approval risks for the construction of the EUGAL pipeline have been significantly reduced by the granting of planning permission in the federal states of Mecklenburg-Western Pomerania, Brandenburg and Saxony and by its inclusion in the Gas Network Development Plan confirmed by the German Federal Network Agency. Contractual mechanisms have been implemented to mitigate the risks involved.

In connection with Wintershall's role as a lender to Nord Stream 2 AG, Wintershall is exposed to general credit risks, some of which have been mitigated by the corresponding collateralization of the loans and protective clauses in the loan agreements. The current US sanctions legislation/a corresponding introductory directive grants protection of vested rights for the financing agreements with Nord Stream 2 AG and their exercise. The extended US sanctions legislation of August 2, 2017, which has been substantiated by the introductory directive of October 31, 2017, does not affect the disbursements under the financing agreements. Wintershall is keeping a very close eye on how the sanctions legislation develops and bases its decisions and actions on the current legal and statutory situation.

Additional new sanction laws/amendments to existing laws or their implementing directives could change this. Project implementation could be delayed if Denmark does not authorize the laying of the pipeline through its waters. The project company has submitted applications to the Danish authorities for two alternative routes. Nord Stream 2 AG expects to receive planning permission in spring 2019. The subsequent operation of the pipeline by Nord Stream 2 AG is subject to uncertainty as a result of a proposal put forth by the European Commission to amend the Gas Market Directive in order to extend its scope to include import pipelines from third countries, such as Nord Stream or Nord Stream 2.

Long-term opportunities and risks

Merger with DEA Deutsche Erdoel AG

The planned merger with DEA Deutsche Erdoel AG would create significant growth potential for the combined entity, which would become the largest independent European exploration and production company. Additional value is expected to be created thanks to portfolio expansion, cost optimization and the exploitation of synergy potential. In order to manage the risks associated with the future merger that have already been identified – for example in relation to securing independent financing, reorganization or IT integration – plans and strategies are being developed, and measures defined, insofar as possible.

Strategic partnerships

The expansion of existing strategic partnerships, and the establishment of new ones, in our core regions is one of the most important elements of our strategy, which is geared towards achieving value-creating growth in the long run. Cooperation with renowned partners such as Gazprom in Russia, Equinor in Norway and ADNOC in Abu Dhabi gives us access to new projects and allows us to benefit from region-specific expertise and influence and implement joint projects on a significant scale. As a preferred partner, Wintershall benefits from its proven technological expertise in the development and operation of highly complex deposits or in sensitive ecological areas and from its innovative strength in the development of products to improve the production rate.

Further development of the portfolio through investments

A key prerequisite for the implementation of our growth strategy is the systematic economic development of the oil and gas deposits with our participating interests. Opportunities and risks always arise when actual developments deviate from our assumptions with regard to timing, cost developments and the development of the economic environment. In order to minimize the technical risks and risks associated with budget and deadline overruns, we make use of an experienced project management and controlling team.

Optimizing efficiency and profitability

Another key aspect that will allow us to continue on the growth path in the current market environment is our focus on efficiency and profitability in our producing assets. The "Operational Excellence" initiative is being used to call into question and, if necessary, adjust processes, agree on objectives and measures with the assets and then track them. Together, this ensures the necessary flexibility allowing us to respond to opportunities and risks in the operating environment.

Digital transformation

Digitalization is becoming an increasingly influential factor within the value chain of the oil and gas industry. At Wintershall, digital transformation has been identified as having considerable potential for improving existing processes. This potential includes the ability to create faster and better decision bases, as well as to reduce costs and project terms. In addition, digital transformation holds the promise of better cooperation with stakeholders and an increase in HSE performance. The implementation of a dedicated digitalization strategy will secure future opportunities and minimize possible competitive disadvantages.

Acquisitions and divestitures

Acquisitions and divestitures will remain an important tool for value creation in the future, too, as they help us to optimize and stabilize the portfolio by ensuring balanced opportunity and risk profiles. Securing the resource base and optimizing cash flow trends are key objectives in this regard.

When it comes to assessing potential acquisition targets, reviewing the associated opportunities and risks plays a key role. Detailed analysis and quantification is carried out as part of the due diligence process. Risks include, for example, increased staff turnover, the delayed realization of synergy potential or the assumption of obligations that cannot be precisely quantified in advance. If the corresponding expectations are not met, risks, such as a need to recognize impairment losses on intangible assets, may arise. However, opportunities such as additional exploration potential could also arise.

Forecast report

Our outlook for 2019 is based on average revenue for Brent crude oil, the benchmark oil price, of USD 70.00 at an exchange rate of USD 1.15 per euro. The price for gas at the Dutch gas trading point Title Transfer Facility (TTF) is expected to average EUR 19.50 per MWh in 2019. We expect a slight increase in oil and gas production overall in 2019 due to the planned commissioning of new projects. With regard to the reserve life, we still expect Wintershall to be able to stay within the range of 8 to 10 years.

The economic environment continues to present us with major challenges which we have to master in this volatile environment. In times of fluctuating prices, we must continue to reduce costs, optimize our production and implement our projects efficiently and effectively. Looking at the 2019 fiscal year, we expect to see positive contributions from newly commissioned fields in particular, meaning that revenue will increase significantly in a year-on-year comparison. As far as EBIT is concerned, we anticipate a slight increase compared with the year under review. Free cash flow is expected to remain on a par with the previous year.

The outlook set out here does not take into account potential effects resulting from the planned merger of Wintershall and DEA. The management assumes, however, that the intended merger with DEA will be completed during the course of the year, meaning that Wintershall will prepare a closing balance sheet during the year and that the result for the year as a whole will be absorbed by the merged company.

Kassel, March 29, 2019

Mehren Bachmann Elvermann Wieland

Audit opinion of the independent auditor

To **Wintershall Holding GmbH, Celle/Kassel**

Opinion

We have audited the consolidated financial statements of **Wintershall Holding GmbH, Celle/Kassel** and its subsidiaries (the Group) – comprising the consolidated statement of financial position at December 31, 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2018, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of **Wintershall Holding GmbH** for the fiscal year from January 1 to December 31, 2018.

In our opinion, based on our audit findings,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the supplementary requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (HGB) and give a true and fair view of the net assets and financial position of the Group at December 31, 2018, and of its results of operations for the fiscal year from January 1 to December 31, 2018, in accordance with these requirements, and
- the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development.

Pursuant to section 322 (3) sentence 1 HGB, we state that our audit has not led to any reservations with respect to compliance of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and group management report in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under those regulations and guidelines are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and group management report" section of our report. We are independent of the group companies in accordance with the requirements of German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law in accordance with these requirements. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and group management report.

Responsibilities of the statutory representatives and the supervisory board for the consolidated financial statements and the group management report

The statutory representatives are responsible for the preparation of the consolidated financial statements which, in all material respects, comply with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to section 315e (1) HGB, and for ensuring that the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the Group in accordance with these requirements. Furthermore, the statutory representatives are responsible for such internal control as they determine is necessary, in accordance with the generally accepted German accounting principles, to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for using the going concern basis of accounting unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative to doing so.

Moreover, the statutory representatives are responsible for preparing the group management report, which as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development. Furthermore, the statutory representatives are responsible for such arrangements and measures (systems) as they determine are necessary to enable the preparation of a group management report in compliance with the applicable requirements of German commercial law and for providing sufficient and appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for monitoring the Group's financial reporting process for preparing the consolidated financial statements and the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with German statutory requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinion on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB, as well as in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW), will always detect a material misstatement. Misstatements can 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 taken on the basis of these consolidated financial statements and this group management report.

As part of our audit we exercise professional judgment and maintain professional skepticism throughout the audit. In addition

- we identify and assess the risks of material misstatements of the consolidated financial statements and the group management report, 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.
- we obtain an understanding of internal control relevant to the audit of the consolidated financial statements, and of the arrangements and measures relevant to the audit of the group management report, 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 these systems.
- we evaluate the appropriateness of accounting policies used, and the feasibility of accounting estimates and related disclosures made, by the statutory representatives.
- we draw conclusions as to the appropriateness of use of the going concern basis of accounting by the statutory representatives and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and group management report or, if such disclosures are inadequate, to modify our particular 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 Group to cease to continue as a going concern.
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the assets, financial and earnings position of the Group in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to section 315e (1) HGB.
- we obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- we evaluate the consistency of the group management report with the consolidated financial statements, its legal compliance and presentation of the Group's position.
- we perform audit procedures on the prospective information presented by the statutory representatives in the group management report. Based on sufficient and appropriate audit evidence, we hereby understand the significant assumptions used by the statutory representatives to be a basis for the prospective information in particular and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.



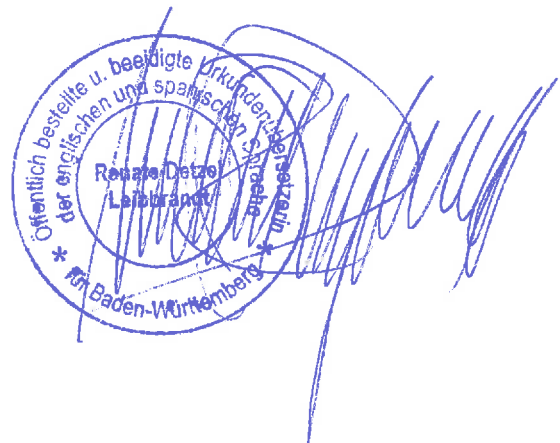
We communicate with the individuals responsible for monitoring, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



I, Renate Detzel Leibbrandt, officially appointed and sworn translator of the English, Spanish and German language in the German federal state of Baden-Württemberg, confirm that this is a true and correct translation of the German / Spanish original document / ~~certified copy~~ / copy

Place and date:

Heidelberg, May 29, 2018



Renate Detzel Leibbrandt