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BASF Finance Europe N.V.
Arnhem, The Netherlands

Annual Report 2016

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FINANCIAL REPORT

1 REPORT OF THE BOARD OF MANAGING DIRECTORS

1.1 General information

The Company is having its legal address in the Netherlands, Groningensingel 1, 6835 EA, Arnhem, is listed under number 09041351 in the Trade Register.

All amounts are in € x 1,000 unless otherwise stated.

BASF Finance Europe N.V. (hereinafter: the Company) is a 100% subsidiary of BASF SE, a German based.

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

The Company has no employees and receives services through the staff of other BASF group companies. The Board of Managing Directors comprises of two natural persons. One is based in the Netherlands and the other in Germany.

In 2007, BASF Group decided to increase the financing activities through the Company. The Company takes loans from and issues notes to the market for internal financing purposes. Currency risks for these loans/notes, if any, are passed on to other group companies. All non-group loan/note programs are conducted under a guarantee of the parent company BASF SE.

On September 7, 2007 the Company and BASF SE established a so-called Debt Issuance Program (hereinafter: DIP). Under this DIP, the Company or BASF SE may from time to time issue one or more notes to a specific number of banks (so-called: Dealers). In September 2014, the maximum aggregate principal amount of notes which can be issued and outstanding under the Program was increased from € 15,000,000 to € 20,000,000. Notes issued by the Company under the DIP have the benefit of a guarantee provided by BASF SE. Notes will be issued in such denominations as may be agreed between the issuer and the relevant Dealer and as indicated in the applicable final terms.

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

The DIP prospectus is updated annually.

In November 2016 two new notes were issued for a total nominal value of EUR 1,500,000.

As a consequence of the new issued notes, the Company has filed beginning 2017 the regulation Home Member State with AFM in the Netherlands.

In December 2016 Loan 16 of BASF Antwerpen N.V. in full has been prolonged for one year.

1.2 Current notes overview DIP at nominal value

Date	Interest rate		Carrying amount 12/31/2016
November 10, 2016	0.75%	EUR 500,000	493,703
November 10, 2016	0.00%	EUR 1,000,000	994,705
Total outstanding notes at year end 2016			1,488,408

1.3 Result

The Company has completed the year with a positive result of € 273 (December 31, 2015: € 1,016). The result changed mainly due to reduced interest income because of decrease average loan volume during 2016 compared with 2015. The second reason is an adjustment of amortized costs of receivable internal loans.

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

1.4 Risk report

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

Management is not aware of any significant risks and uncertainties.

Financial risk

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

Interest risk

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

Liquidity risk

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

Credit Risk

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

Foreign currency risk

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

Current ratio

The current ratio as per December 31, 2016 measured as Current Assets / Current Liabilities amounts to 1.0120 (2015: 1.0083).

Solvency ratio

The solvency ratio as per December 31, 2016 measured as Shareholders' Equity / Balance sheet total amounts to 0.003 (2015: 0.002).

The low solvency ratio results from the high amount of total liabilities. However, due to the fact that financial fixed assets and non current liabilities have the same duration with a fixed margin, the Company has no risk with regards to solvency.

Outlook 2017

The Company plans to repay the loans which are due in 2017. If new applications for financing will be received during the course of 2017, the Company will decide if, how and where to issue new notes or to take or provide new loans.

The Company neither conducts nor plans to conduct, activities regarding research and development.

The Company does not plan to have employees for 2017.

The Company does not intend to make investments in 2017.

Corporate Governance

The Board of Managing Directors is responsible for the establishment and adequate functioning of internal control in the Company. Consequently, the Board of Managing Directors has implemented a range of processes designed to provide control by the Board of Managing Directors over the Company's operations. These processes and procedures include measures regarding the general control environment as well as specific internal control measures.

All these processes and procedures are aimed to ensuring a reasonable level of assurance that the Company has identified and managed its significant risks and that it meets the operational and financial objectives in compliance with applicable laws and regulations.

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

- provide a reasonable level of assurance that the financial reporting in this Annual Report does not contain any errors of material importance;
- have worked properly in 2016.

1.5 Responsibility statement

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

- the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the annual report gives a true and fair view of the position as per December 31, 2016 and the development during the financial year of the Company;
- the annual report describes the principal risks the Company is facing.

Arnhem, May 19, 2017

H.M. Fisch (Director)

U.H. Loleit (Director)

FINANCIAL STATEMENTS

1 BALANCE SHEET AS AT DECEMBER 31, 2016
(before appropriation of the profit)

		December 31, 2016		December 31, 2015	
		€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
ASSETS					
FIXED ASSETS					
Financial fixed assets	(1)		3,148,651		1,650,000
CURRENT ASSETS					
Other receivables	(2)		1,376,599		1,376,793
			<u>4,525,250</u>		<u>3,026,793</u>
SHAREHOLDERS' EQUITY (3)					
Issued share capital		2,087		2,087	
Share premium reserve		10,477		2,513	
Other reserves		2,204		1,188	
Retained earnings		<u>273</u>		<u>1,016</u>	
			15,041		6,804
PROVISIONS (4)			2,562		-
LONG-TERM AND CURRENT LIABILITIES (5)					
Non-current loans			3,147,408		1,654,500
CURRENT LIABILITIES (6)					
Other current liabilities			1,360,239		1,365,489
			<u>4,525,250</u>		<u>3,026,793</u>

2 PROFIT AND LOSS ACCOUNT FOR 2016

		2016		2015	
		€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Interest and similar income and interest and similar charges	(7)	19,626		69,982	
Interest and similar charges	(8)	17,679		66,799	
Net financial income			1,947		3,183
General and administrative expense	(9)		1,581		1,826
Result from ordinary activities before tax			366		1,357
Tax on result from ordinary activities	(10)		-93		-341
Net result			273		1,016

3 CASH FLOW STATEMENT FOR 2016

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

	December 31, 2016		December 31, 2015	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Net cash flow from operating activities				
Result before taxation	366		1,357	
Adjustment interest result included in result before taxation	-2,323		-3,196	
Adjustment interest result for effective interest rate method	376		13	
Change current account with group companies	-1,486,372		-630	
Change in other working capital	18		-81	
		-1,487,935		-2,537
Interest paid	-		-118,510	
Interest received	-		124,458	
Corporate income tax paid	-190		-411	
		-190		5,537
Net cash flow from operating activities		-		-
Issued Financial Assets	-		-	
Repayment Financial Assets	-		2,191,829	
Net cash flow from investing activities		-		2,191,829
Repayment Loans/Notes	-		-2,191,829	
Dividend payment	-		-3,000	
Proceeds Loans/Notes	1,488,125		-	
Net cash flow from financing activities		1,488,125		-2,188,829
Changes in cash & cash equivalents		-		-
Cash & cash equivalents January 1		-		-
Cash & cash equivalents December 31		-		-
Changes in cash & cash equivalents		-		-

4 NOTES TO THE FINANCIAL STATEMENTS

GENERAL

BASF Finance Europe N.V. (the Company) has been established per April 22, 1976. The first financial year started on April 22 and ended on December 31, 1976.

The financial year is from January 1, 2016 until December 31, 2016.

Activities

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

Ownership

The financial statements of the Company are consolidated in the consolidated financial statements of BASF SE in Ludwigshafen, Germany, the ultimate parent company, which can be found on the website: <http://www.basf.com>.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE ANNUAL ACCOUNTS

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

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

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

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

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

Management estimates

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

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

Financial instruments

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

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

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

The company has no derivative financial instruments embedded in contracts.

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

Determination of Fair Value

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

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

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

Loans granted, other receivables and cash and cash equivalents

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

Notes issued, loans received and other payables

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

Translation of assets, liability and transactions denominated in foreign currency

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

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

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

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

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Financial fixed assets

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

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

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

Impairment of fixed assets

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

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

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

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

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

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

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

Provisions

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

Long-term and current liabilities

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

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

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

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

Interest and similar income and interest and similar charges

Interest income is recognized in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognized in the period to which they belong.

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

Taxes

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

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

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

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

PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT

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

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

5 NOTES TO THE BALANCE SHEET AS PER DECEMBER 31, 2016

ASSETS

1. Financial fixed assets

	12/31/2016	12/31/2015
	€ x 1,000	€ x 1,000
Loans to group companies		
Loan 17, BASF Antwerpen N.V.	900,000	900,000
Loan 18, BASF Antwerpen N.V.	750,000	750,000
Loan 20, BASF Antwerpen N.V.	493,700	-
Loan 21, BASF Antwerpen N.V.	1,004,951	-
	<u>3,148,651</u>	<u>1,650,000</u>

Loan 17, BASF Antwerpen N.V.

	2016	2015
	€ x 1,000	€ x 1,000
Balance as at January 1	900,000	-
Initial valuation of issued loan	-	900,000
Balance as at December 31	<u>900,000</u>	<u>900,000</u>

This loan has been granted on April 2, 2015 to BASF group company BASF Antwerpen N.V. for a total amount of €900,000 and a term of 5 years. At the year end, the interest rate amounts to 0.756%, based on 12-months Euribor plus an applicable spread of 0.76% according to the loan agreement. The loan shall be repaid in full on April 2, 2020.

Loan 18, BASF Antwerpen N.V.

Balance as at January 1	750,000	-
Initial valuation of issued loan	-	750,000
Balance as at December 31	<u>750,000</u>	<u>750,000</u>

This loan has been granted on May 7, 2015 to BASF group company BASF Antwerpen N.V. for a total amount of €750,000 and a term of 5 years. At the year end, the interest rate amounts to 0.748%, based on 12-months Euribor plus an applicable spread of 0.76% according to the loan agreement. The loan shall be repaid in full on May 7, 2020.

Loan 20, BASF Antwerpen N.V.

	2016	2015
	€ x 1,000	€ x 1,000
Balance as at January 1	-	-
Initial valuation of issued loan	493,615	-
Amortization of disagio	85	-
Balance as at December 31	493,700	-

Cumulative amortization of disagio as at December 31, 2016 amounts to € 85 (December 31, 2015 € 0)

This loan has been issued on November 10, 2016 to BASF Group company BASF Antwerpen N.V. for a total amount of EUR 500,000 less disagio and bank fees of EUR 6.385 and a term of 10 years. The interest rate amounts to 0.75% per annum plus the applicable spread of 0.68% per annum. The effective interest 2016 amounts to 1.569%. The loan shall be repaid in full on November 10, 2026.

Loan 21, BASF Antwerpen N.V.

Balance as at January 1	-	-
Initial valuation of issued loan	1,005,129	-
Amortization of agio	-178	-
Balance as at December 31	1,004,951	-

Cumulative amortization of agio as at December 31, 2016 amounts to € 178 (December 31, 2015 € 0)

This loan has been issued on November 10, 2016 to BASF Antwerpen N.V. for a total amount of € 1,000,000 less disagio and bank fees of € 5,490 and a term of 4 years. The nominal interest rate amounts to 0.00% per annum plus the applicable spread of 0.68% per annum. The loan shall be repaid in full on November 10, 2020. The loan is recognized initially at fair value plus any directly attributable transaction costs. The fair value is calculated based on the determined market rate of 0.55%. The effective interest 2016 amounts to 0.55%. The adjustment for the difference (€ 10,619) is recorded as share premium reserve, net of taxes.

CURRENT ASSETS

	12/31/2016	12/31/2015
	€ x 1,000	€ x 1,000
2. Other receivables		
Receivables from group companies	1,376,594	1,376,791
Corporate income tax	5	2
	<u>1,376,599</u>	<u>1,376,793</u>

Receivables from group companies

Interest receivable from group companies	11,051	11,399
Current account with group companies	14,502	15,392
Loan 16 BASF Antwerpen N.V.	1,351,041	1,350,000
	<u>1,376,594</u>	<u>1,376,791</u>

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

Loan 16 is recognized initially at fair value plus any directly attributable transaction costs. The estimated market rate is 0.13%. The adjustment for the difference € 1,079 is recorded as share premium reserve, net of taxes. The interest rate 2016 for the Loan 16 BASF Antwerpen N.V. amounts to 0.21%, based on 12-months Euribor plus an applicable spread of 0.29%. The loan shall be repaid in full on December 18, 2017. The cumulative amortization amounts to € 38.

The Company has a current account with BASF SE. The interest rate is based on Euro Overnight Index Average (EONIA) - 0.05% or + 0.26% depending on a debit or credit balance, with a minimum of 0%.

EQUITY AND LIABILITIES

3. SHAREHOLDERS' EQUITY

Issued share capital

	Common shares
	€ x 1,000
Balance as at January 1, 2016	2,087
Balance as at December 31, 2016	2,087
Authorized share capital (x € 1,-), consists of ordinary shares	2,086,875
Ordinary shares issued	46,375
Nominal value per ordinary share (x € 1,-)	45.00

	2016	2015
	€ x 1,000	€ x 1,000
Share premium reserve		
Balance as at January 1	2,513	2,513
Additions	7,964	-
Balance as at December 31	10,477	2,513

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

During 2016 an amount of € 7,964 is added to the share premium reserve due to the adjustment of loan 15,16 and 21. These loans are initially recognized at fair value and the difference between nominal value loans and the calculated fair value is recognized as share premium reserve, net of taxes.

The share premium reserve can be considered as freely distributable share premium as referred in the 2001 Income Tax Act.

Other reserves

Balance as at January 1	1,188	2,380
Allocation of previous financial year net result	1,016	1,808
	2,204	4,188
Paid dividend	-	-3,000
Balance as at December 31	2,204	1,188

Retained earnings

Balance as at January 1	1,016	1,808
Addition to other reserves	-1,016	-1,808
	-	-
Unappropriated profit	273	1,016
Balance as at December 31	273	1,016

4. PROVISIONS

Deferred tax liability

	2016	2015
	€ x 1,000	€ x 1,000
Balance as at January 1	-	-
Additions	2,655	-
Realized in the year	-93	-
Balance as at December 31	2,562	-

This provision concerns the temporary differences between the valuation in the annual account and the tax valuation of assets and liabilities. The provision is calculated based on the applicable tax rate of 25%. The provisions are mostly long-term. The short-term part (less than 1 year) is € 661.

5. LONG-TERM AND CURRENT LIABILITIES

	12/31/2016	12/31/2015
	€ x 1,000	€ x 1,000
Non-current loans		
Loan 14, BASF Nederland B.V.	900,000	900,000
Loan 19, Cognis B.V.	750,000	750,000
Loan 13, BASF Belgium Coordination Center C.V.	9,000	4,500
Note 20, 0.75% EUR bond 2016-2026	493,703	-
Note 21, 0% EUR bond 2016-2020	994,705	-
	<u>3,147,408</u>	<u>1,654,500</u>
	2016	2015
	€ x 1,000	€ x 1,000

Loan 14, BASF Nederland B.V.

Balance as at January 1	900,000	-
Initial valuation of issued loan	-	900,000
Balance as at December 31	<u>900,000</u>	<u>900,000</u>

On April 2, 2015 the Company took a loan from BASF Nederland B.V. for a total amount of €900,000 and a term of 5 years. At the year end, the interest rate amounts to 0.726%, based on 12-months Euribor plus an applicable spread of 0.73% according to the loan agreement. The loan shall be repaid in full on April 2, 2020.

Loan 19, Cognis B.V.

Balance as at January 1	750,000	-
Initial valuation of issued loan	-	750,000
Balance as at December 31	<u>750,000</u>	<u>750,000</u>

On May 7, 2015 the Company took a loan from Cognis B.V. for a total amount of €750,000 and a term of 5 years. At the year end, the interest rate amounts to 0.718%, based on 12-months Euribor plus an applicable spread of 0.73% according to the loan agreement. The loan shall be repaid in full on May 7, 2020.

Loan 13, BASF Belgium Coordination Center C.V.

Balance as at January 1	4,500	-
Initial valuation of issued loan	4,500	4,500
Balance as at December 31	<u>9,000</u>	<u>4,500</u>

On December 16, 2016 the Company rolled over the short term part Loan 13 BASF Belgium Coordination Center C.V. to a long term loan. The long term loan is for a total amount of €9,000 and has a term of 5 years. At the year end, the interest rate amounts to 0.579%, based on 12-months Euribor plus an applicable spread of 0.66%. The one half of the loan will be repaid on December 16, 2020 and the other half on December 16, 2021.

	2016	2015
	€ x 1,000	€ x 1,000
<i>Note 20, 0.75% EUR bond 2016-2026</i>		
Balance as at January 1	-	-
Initial valuation of issued loan	493,615	-
Amortization of disagio	88	-
Balance as at December 31	493,703	-

Cumulative amortization of disagio as at December 31, 2016 amounts to €88 (December 31, 2015 €0)

On November 10, 2016 the Company issued notes for a total amount of EUR 500,000 less a disagio and bank fees of EUR 6,385 through the banking group. The notes will be repaid in full on November 10, 2026. The interest amounts to 0.75% per annum (effective interest 0.884% per annum) and is paid annually. BASF SE is the guarantor for these notes.

Note 21, 0% EUR bond 2016-2020

Balance as at January 1	-	-
Initial valuation of issued loan	994,510	-
Amortization of disagio	195	-
Balance as at December 31	994,705	-

Cumulative amortization of disagio as at December 31, 2016 amounts to €195 (December 31, 2015 €0)

On November 10, 2016 the Company issued notes for a total amount of EUR 1,000,000 less a disagio and bank fees of EUR 5,490 through the banking group. The notes will be repaid on November 10, 2020. The interest amounts to 0.00% per annum (effective interest 0.137% per annum). BASF SE is the guarantor for these notes.

6. CURRENT LIABILITIES

	12/31/2016	12/31/2015
	€ x 1,000	€ x 1,000
Other current liabilities		
Accruals and deferred income	9,198	10,989
Loan 13 BASF Belgium Coordination Center CV	-	4,500
Loan 15 BASF SE	1,351,041	1,350,000
	1,360,239	1,365,489

Loan 15 BASF SE, with a principal amount of €1,350,000, is prolonged for the next period until December 18, 2017. The loan is recognized initially at fair value plus any directly attributable transaction costs. The estimated market rate is 0.10%. The adjustment for the difference €1,079 is recorded as share premium reserve, net of taxes.

The interest rate 2016 amounts to 0.18%, based on 12-months Euribor plus an applicable spread of 0.26%.

The cumulative amortization amounts to €38.

The current liabilities are all due within one year.

OFF-BALANCE SHEET COMMITMENTS

Financial instruments

General

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

Credit risk

In 2016, 100.0% (2015: 100.0%) of the receivables of the Company were held with related parties, which are 100.0% (2015: 100.0%) concentrated with BASF Group companies.

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

Interest rate risk

The Company is currently not exposed to interest rate risk regarding floating interest rates on receivables and liabilities. In general, the Company strives to match interest rate risks of its assets and liabilities.

Derivative financial instruments may be used by the entity to hedge interest rate risks, if deemed necessary. Interest rate derivative financial instruments may be used to adjust the fixed or floating nature of the external notes or loans obtained to the desired profile. The interest rate policy is determined by BASF SE. In 2016 no derivative financial instruments are outstanding and no derivative instruments have been used during the reporting period.

Cash flow risk

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

Foreign currency risk

The Company is currently not exposed to foreign exchange risk on loans and receivables denominated in a currency other than Euro. In general, the Company strives to match foreign exchange risks of its assets and liabilities.

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

Liquidity risk

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

Fair Value

The fair value of the financial instruments stated on the balance sheet can be specified as follows:

	Fair value 2016	Book value 2016	Fair value 2015	Book value 2015
Financial fixed assets				
Loans to group companies	3,149,190	3,148,651	1,650,000	1,650,000
Financial current assets				
Loans to Group companies	1,351,041	1,351,041	1,350,000	1,350,000
Long term liabilities				
Notes/Loans payable	3,151,800	3,147,408	1,654,500	1,654,000
Current liabilities				
Notes/Loans payable	1,351,041	1,351,041	1,354,500	1,354,500

The fair values represent the clean fair value excluding interest accruals. For the 2016 calculations the discount percentages out of Bloomberg for the secondary market yields were used to reflect BASF risk. The fair value of financial instruments other than the ones stated in the above table is close to the carrying amount.

As per December 31, 2015, no derivative financial instruments were outstanding.

As per December 31, 2016, no derivative financial instruments were outstanding.

6 NOTES TO THE PROFIT AND LOSS ACCOUNT 2016

	2016	2015
	€ x 1,000	€ x 1,000
7. Interest and similar income and interest and similar charges		
Loan 6, BASF Antwerpen N.V.	-	3,183
Loan 10a, BASF Antwerpen N.V.	-	12,088
Loan 10b, BASF SE	-	24,176
Loan 12, BASF Nederland B.V.	-	10,148
Loan 16, BASF Antwerpen N.V.	4,164	9,194
Loan 17, BASF Antwerpen N.V.	7,382	6,562
Loan 18, BASF Antwerpen N.V.	6,185	4,631
Loan 20, BASF Antwerpen N.V.	1,104	-
Loan 21, BASF Antwerpen N.V.	791	-
	<u>19,626</u>	<u>69,982</u>
8. Interest and similar charges		
Note 6, 3.625% CHF bond 2008-2015	-	3,048
Note 10, 5.125% EUR bond 2009-2015	-	34,622
Note 12, 5.125% EUR bond 2009-2015	-	9,612
Loan 13, BASF Belgium Coordination Center CV	46	43
Loan 14, BASF Nederland B.V.	7,108	7,426
Loan 15, BASF SE	3,752	7,567
Loan 19, Cognis B.V.	5,956	4,481
Note 20, 0.75% EUR bond 2016-2026	622	-
Note 21, 0% EUR bond 2016-2020	195	-
	<u>17,679</u>	<u>66,799</u>

Emoluments of directors

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

Staff

During 2016 and 2015 the Company had no employees.

9. General and administrative expense

The other general expenses include the auditing fees and the foreign exchange result.

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

10. Tax on result from ordinary activities

Corporate income tax	-186	-341
Movement of deferred tax assets	93	-
	<u>-93</u>	<u>-341</u>

Income tax expense consists of current and deferred corporate income tax. The effective tax rate of 25.38% (December 31, 2015: 25.13%) is not equal to the prevailing tax rates for 2016 (20% tax rate on the first € 200, 000 of taxable profits, 25% tax rate for the rest) in the Netherlands. This is due to non-deductible interest expenses.

11. Transactions with related parties

There were no reportable related party transactions with members of the Board of Managing Directors. There are no transactions with related parties, except otherwise disclosed in this report.

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

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

7 OTHER DISCLOSURE

Post balance sheet events

No subsequent events occurred.

Appropriation of the result for the 2015 financial year

The annual accounts for 2015 were adopted by the General Meeting of Shareholders. The General Meeting of Shareholders has determined the appropriation of the result as it was proposed.

Appropriation of the profit for 2016

The Board of Managing Directors proposes to add the profit for 2016 of € 273 to the other reserves. Awaiting the approval by the General Meeting of Shareholders, this proposal has not been processed in the annual accounts and is, therefore, included in the unappropriated result.

Signing of the financial statements

BASF Finance Europe N.V.

H.M. Fisch (Director)

U.H. Loleit (Director)

OTHER INFORMATION

1 Provisions of the Articles of Association relating to profit appropriation

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

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

- 1 the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and;
 - 1 the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test).
- If not, management of the Company shall not approve the distribution.

2 INDEPENDENT AUDITOR'S REPORT

To: the general meeting of shareholders of BASF Finance Europe N.V.

Report on the accompanying financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of BASF Finance Europe N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code;

What we have audited

We have audited the financial statements 2016 of BASF Finance Europe N.V., based in Arnhem.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2016;
- 2 the profit and loss account for 2016;
- 3 the cash flow statement for 2016; and
- 4 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of BASF Finance Europe N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

- Unqualified audit opinion
- Materiality of EUR 1 million, 0.02% of total assets
- Key audit matter: initial valuation of loans

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 1 million (2015: EUR 1 million). The materiality is determined with reference to the total assets (0.02%).

We consider total assets as the most appropriate benchmark as BASF Finance Europe N.V. is asset-driven as the main function of the entity is providing financing activities within the global BASF Group. When determining materiality, we have also taken into account the amount of total equity and the results for the year.

Furthermore, we have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Managing Directors that misstatements in excess of EUR 50,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Board of Managing Directors. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Initial valuation of loans

Description

During 2016 BASF Finance Europe N.V. received and issued new loans. Interest rates for loans from the external market are deemed to be market-based by BASF. Interest rates for loans from or to related parties are based on the BASF Guidelines for pricing of intragroup financing. Based on Dutch GAAP requirements, initial valuation of these new intercompany loans should be fair value, i.e. based on market data.

BASF Finance Europe N.V. determined the fair value for initial valuation of these loans based on market data (i.e. Bloomberg data for comparable loans in the same period and / or with a comparable maturity date). When the applied interest rate is not within the band width of market loans, an adjustment to fair value is recorded for the initial valuation.

Due to the significance of new intercompany loans during 2016 and complexity of accounting of fair value adjustments for applied interest rates that do not fall within the band width of market loans, this is considered as a key audit matter.

Our response

We performed the following substantive audit procedures with respect to management's assessment of required fair value adjustments for new intercompany loans during 2016:

- We inquired with the management of the Company about procedures performed by BASF Finance Europe N.V. in determining the fair value of new loans.
 - We assessed BASF Finance Europe N.V.'s assumptions for determining the fair value of new loans based on market data and the methodology used by BASF Finance Europe N.V.'s to assess the band width for the interest rates in the market.
 - We assessed that in case the applied interest rate is not in the band width of comparable loans in the market, the fair value adjustment for initial valuation of the loan is calculated by BASF Finance Europe N.V.'s by using a percentage in the band width of the market loans.
 - For applied interest rates that fall outside the band width of market interest rates, we evaluated the correctness of the calculation of the fair value adjustment regarding initial valuation of new intercompany loans and the correctness of the fair value adjustment recorded in the financial statements.
- We involved our corporate finance specialist for performing these substantive procedures.

In addition, we evaluated the adequacy of the disclosures in the financial statements regarding fair value adjustments for new intercompany loans.

Our observation

The approach taken by BASF Finance Europe N.V. is an acceptable approach for accounting of new loans. For calculating the fair value adjustment for initial valuation of loans, BASF Finance Europe N.V. used the higher end of the acceptable range of market interest rates.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the Board of managing directors;
- other information;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report of the Managing Director, in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements**Engagement**

We were engaged by the General Meeting of Shareholders as auditor of BASF Finance Europe N.V. in 2006, as of the audit for year 2006 and have operated as statutory auditor since then.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Managing Directors for the financial statements

The Board of Managing Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Managing Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Managing Directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) https://www.nba.nl/Documents/Tools20Vaktechniek/Standaardpassages/Standandaardpassage_nieuwe_controletekst_oob_variant_%20Engels.docx

Arnhem, May 19, 2017
KPMG Accountants N.V.

E.J. Preuter RA

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