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BASF Finance Europe N.V.
Arnhem, The Netherlands

Annual Report 2017

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FINANCIAL REPORT

1 REPORT OF THE BOARD OF MANAGING DIRECTORS

1.1 General information

BASF Finance Europe N.V. (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, Ludwigshafen, Germany.

The objective of the Company is to optimize the financial activities within BASF group companies in Europe.

The core 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. In accordance with article 16 of the EU Regulation BASF Finance Europe N.V. as a public interest entity, had to appoint a new auditor to carry out the statutory audit for the business year 2017.

For appointing a new auditor Company had to set up an audit committee. Therefore the Company amended the articles of association and incorporated a Supervisory Board.

The recommendation and preference of the Supervisory Board, acting as an audit committee, was to mandate Grant Thornton Accountants en Adviseurs B.V. to carry out the statutory audit for the business year 2017.

The Supervisory Board and the Board of Managing Directors are both comprised of three natural persons, all are male. For future changes of the Boards, the Company aims to take into account article 2:166 and 2:276 of the Netherlands civil code.

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.

1.2 Debt Issuance Program

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 notes were issued for a total nominal value of € 1,500,000. As a consequence of the issued notes, the Company was based on the EU Transparency Directive, obliged to disclose their Home Member State. At the beginning of 2017, the Company has disclosed, the Netherlands as its Home Member State. Therefore the Company falls under the supervision of the Dutch competent authority (AFM).

Current notes overview at nominal value

Date	Interest rate		Carrying amount 12/31/2017
November 10, 2016	0.75%	EUR 500,000	494,317
November 10, 2016	0.00%	EUR 1,000,000	996,075
Total outstanding notes at December 31, 2017			1,490,392

1.3 Result

The Company has completed the year with a negative result of € 1,325 (December 31, 2016: positive result of € 273). The result changed mainly due to depreciation of amortized costs of internal loan receivable, which caused the decrease of interest income of € 2,630.

In December 2017 BASF Antwerpen N.V. repaid Loan 16 with an amount of € 1,350,000 subsequently the Company decided to repay Loan 15 to BASF SE with the same amount.

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. Therefore, there are no improvement measures planned.

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, 2017 measured as Current Assets / Current Liabilities amounts to 3.1795 (2016: 1.0120).

Solvency ratio

The solvency ratio as per December 31, 2017 measured as Shareholders' Equity / Balance sheet total amounts to 0.004 (2016: 0.003).

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 limited risk with regards to solvency.

Outlook 2018

When new applications for financing will be received during the course of 2018, 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 2018. The Company does not intend to make investments in 2018.

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 2017.

The duty of the Board of Supervisory Directors shall be to supervise the policies of the Board of Directors and the general course of affairs of the Company and its affiliated business. It shall give advice to the Board of Directors, asked and un-asked for. When performing their duties, the Supervisory Directors shall be guided by the interests of the Company and its affiliated business. For further details, see also "1.1 General Information".

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, 2017 and the development during the financial year of the Company;
- the annual report describes the principal risks the Company is facing.

Arnhem, March 12, 2018

H.M. Fisch (Director)

R.J. Holtermann (Director)

K.M. Morgenstern (Director)

2 CORPORATE GOVERNANCE STATEMENT 2017

This is a corporate governance statement, as referred to in article 2a of the Dutch Decree on additional requirements for annual reports, as applicable to annual reports issued for fiscal years beginning on or after 1 January 2009 (the Dutch Corporate Governance Code).

The Corporate Governance Code does not apply, since the Company is unlisted.

Internal risk management and control systems

The information concerning the Company's main features of the internal risk management and control systems relating to the financial reporting process, as required by article 3a sub a of the Decree "Besluit nadere voorschriften Inhoud Bestuursverslag (Bib)", can be found in the section of the Report of the Board of Managing Directors Chapter 1 and is deemed to be included and repeated in this statement.

Diversity of the Board of Managing Directors and Supervisory Board

Further disclosure can be found in the section of the Report of the Board of Managing Directors Chapter 1 and is deemed to be included and repeated in this statement.

Arnhem, March 12, 2018

H.M. Fisch (Director)

R.J. Holtermann (Director)

K.M. Morgenstern (Director)

FINANCIAL STATEMENTS

1 BALANCE SHEET AS AT DECEMBER 31, 2017
(before recognition of the loss)

		December 31, 2017		December 31, 2016	
		€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
ASSETS					
FIXED ASSETS					
Financial fixed assets	(1)				
Loans to group companies			3,147,975		3,148,651
CURRENT ASSETS					
Other receivables	(2)		24,857		1,376,599
			<u>3,172,832</u>		<u>4,525,250</u>
SHAREHOLDERS' EQUITY (3)					
Issued share capital		2,087		2,087	
Share premium reserve		10,477		10,477	
Other reserves		2,477		2,204	
Retained earnings		<u>-1,325</u>		<u>273</u>	
			13,716		15,041
PROVISIONS (4)			1,906		2,562
LONG-TERM LIABILITIES (5)					
Non-current loans			3,149,392		3,147,408
CURRENT LIABILITIES (6)					
Other current liabilities			7,818		1,360,239
			<u>3,172,832</u>		<u>4,525,250</u>

2 PROFIT AND LOSS ACCOUNT FOR 2017

		2017		2016	
		€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Interest and similar income	(7)	26,299		19,626	
Interest and similar charges	(8)	27,811		19,086	
Net financial income			-1,512		540
General and administrative expense	(9)		249		174
Result from ordinary activities before tax			-1,761		366
Tax on result from ordinary activities	(10)		436		-93
Net result			-1,325		273

3 CASH FLOW STATEMENT FOR 2017

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

	12/31/2017		12/31/2016	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Net cash flow from operating activities				
Result before taxation	-1,761		366	
Adjustment interest result included in result before taxation	-1,149		-916	
Adjustment interest result for effective interest rate method	2,661		376	
Change current account with group companies	4,919		-544	
Change in other working capital	13		18	
		4,683		- 700
Interest paid	-3,750		-	
Interest received	-		-	
Corporate income tax paid	-265		-190	
		-4,015		-190
Net cash flow from operating activities		668		- 890
Issued Financial Assets	-		-1,488,125	
Repayment Financial Assets	1,350,000		-	
Net cash flow from investing activities		1,350,000		-1,488,125
Repayment Loans/Notes	-1,350,000		-	
Dividend payment	-		-	
Proceeds Loans/Notes	-		1,488,125	
Net cash flow from financing activities		-1,350,000		1,488,125
Changes in cash & cash equivalents		668		-890
Cash & cash equivalents January 1		14,502		15,392
Cash & cash equivalents end of period		15,170		14,502
Changes in cash & cash equivalents		668		-890

All amounts above are adjusted for non-cash items. For comparison reasons the inhouse bank mutation of 2016 has been reclassified in the cashflow statement to cash and equivalents in accordance with RJ 360.102.

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 Company is having its legal address in the Netherlands, Groningensingel 1, 6835 EA, Arnhem, is listed under number 09041351 in the Trade Register. The financial year is from January 1, 2017 until December 31, 2017.

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>. BASF Finance Europe N.V. is a 100% subsidiary of BASF SE, Ludwigshafen, Germany.

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

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 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

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.

The interest income and expense as well as the income tax are allocated to operating cash flows.

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, 2017

ASSETS

1. Financial fixed assets

	12/31/2017	12/31/2016
	€ 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.	494,296	493,700
Loan 21, BASF Antwerpen N.V.	1,003,679	1,004,951
	<u>3,147,975</u>	<u>3,148,651</u>

Loan 17, BASF Antwerpen N.V.

	2017	2016
	€ x 1,000	€ x 1,000
Balance as of January 1	900,000	900,000
Balance as of 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 0.650% (2016: 0.756%), based on 12-months Euribor plus an applicable spread of 0.760% according to the loan agreement. The loan shall be repaid in full on April 2, 2020.

Loan 18, BASF Antwerpen N.V.

	750,000	750,000
Balance as of January 1	750,000	750,000
Balance as of 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 0.635% (2016: 0.748%), based on 12-months Euribor plus an applicable spread of 0.760% according to the loan agreement. The loan shall be repaid in full on May 7, 2020.

Loan 20, BASF Antwerpen N.V.

	2017	2016
	€ x 1,000	€ x 1,000
Balance as of January 1	493,700	-
Initial valuation of issued loan	-	493,615
Amortization of disagio	596	85
Balance as of December 31	<u>494,296</u>	<u>493,700</u>

Cumulative amortization of disagio as of December 31, 2017 amounts to € 681 (December 31, 2016 € 85)

This loan has been issued on November 10, 2016 to BASF Group company BASF Antwerpen N.V. for a total amount of € 500,000 less disagio and bank fees of € 6.385 and a term of 10 years. The interest rate amounts to 0.750% per annum plus the applicable spread of 0.680% per annum. The effective interest 2017 amounts to 1.569%. The loan shall be repaid in full on November 10, 2026.

Loan 21, BASF Antwerpen N.V.

Balance as of January 1	1,004,951	-
Initial valuation of issued loan	-	1,005,129
Amortization of agio	-1,272	-178
Balance as of December 31	<u>1,003,679</u>	<u>1,004,951</u>

Cumulative amortization of agio as of December 31, 2017 amounts to € 1,450 (December 31, 2016 € 178)

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 0.000% per annum plus the applicable spread of 0.680% 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 0.550% at issuing date. The effective interest amounts to 0.550%.

At issuing date the adjustment for the difference (€ 10,619) is recorded as share premium reserve, net of taxes.

CURRENT ASSETS

	12/31/2017	12/31/2016
	€ x 1,000	€ x 1,000
2. Other receivables		
Receivables from group companies	24,813	1,376,594
Corporate income tax	44	5
	<u>24,857</u>	<u>1,376,599</u>

Receivables from group companies

Interest receivable from group companies	9,643	11,051
Current account with group companies	15,170	14,502
Loan 16 BASF Antwerpen N.V.	-	1,351,041
	<u>24,813</u>	<u>1,376,594</u>

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

The Loan 16 BASF Antwerpen N.V. with a principal amount € 1,350,000 was fully repaid on December 18, 2017.

The Company has a current account with BASF SE. The interest rate is based on Euro Overnight Index Average (EONIA) - 0.050% or + 0.120% depending on a debit or credit balance, with a minimum of 0%.

EQUITY AND LIABILITIES

3. SHAREHOLDERS' EQUITY

Issued share capital

	Ordinary shares
	€ x 1,000
Balance as of January 1, 2017	2,087
Balance as of December 31, 2017	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

	2017	2016
	€ x 1,000	€ x 1,000
Share premium reserve		
Balance as of January 1	10,477	2,513
Additions	-	7,964
Balance as of December 31	10,477	10,477

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. This loan is initially recognized at fair value and the difference between nominal value loan 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 of January 1	2,204	1,188
Allocation of previous financial year net result	273	1,016
Balance as of December 31	2,477	2,204

Retained earnings

Balance as of January 1	273	1,016
Addition to other reserves	-273	-1,016
	-	-
Unappropriated profit	-1,325	273
Balance as of December 31	-1,325	273

4. PROVISIONS

Deferred tax liability

	2017	2016
	€ x 1,000	€ x 1,000
Balance as of January 1	2,562	-
Additions	-	2,655
Realized in the year	-656	-93
Balance as of December 31	<u>1,906</u>	<u>2,562</u>

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 € 662. The deferred tax liability relates to loan 20 and 21.

5. LONG-TERM LIABILITIES

	12/31/2017	12/31/2016
	€ x 1,000	€ x 1,000
Non-current loans		
Loan 13, BASF Belgium Coordination Center C.V.	9,000	9,000
Loan 14, BASF Nederland B.V.	900,000	900,000
Loan 19, Cognis B.V.	750,000	750,000
Note 20, 0.75% EUR bond 2016-2026	494,317	493,703
Note 21, 0% EUR bond 2016-2020	996,075	994,705
	<u>3,149,392</u>	<u>3,147,408</u>

	2017	2016
	€ x 1,000	€ x 1,000

Loan 13, BASF Belgium Coordination Center C.V.

Balance as of January 1	9,000	4,500
Initial valuation of issued loan	-	4,500
Balance as of December 31, 2017	<u>9,000</u>	<u>9,000</u>

Loan 13 BASF Belgium Coordination Center C.V. is for a total amount of € 9,000 and has a term of 5 years. At the year end, the interest rate amounts to 0.469% (2016: 0.579%), based on 12-months Euribor plus an applicable spread of 0.660%. The one half of the loan will be repaid on December 16, 2020 and the other half on December 16, 2021.

Loan 14, BASF Nederland B.V.

Balance as of January 1	900,000	900,000
Balance as of 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 0.620% (2016: 0.726%), based on 12-months Euribor plus an applicable spread of 0.730% according to the loan agreement. The loan shall be repaid in full on April 2, 2020.

	2017	2016
	€ x 1,000	€ x 1,000
<i>Loan 19, Cognis B.V.</i>		
Balance as of January 1	750,000	750,000
Movement	-	-
Balance as of December 31, 2017	<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 0.605% (2016: 0.718%), based on 12-months Euribor plus an applicable spread of 0.730% according to the loan agreement. The loan shall be repaid in full on May 7, 2020.

Note 20, 0.75% EUR bond 2016-2026

Balance as of January 1	493,703	-
Initial valuation of issued loan	-	493,615
Amortization of disagio	614	88
Balance as of December 31, 2017	<u>494,317</u>	<u>493,703</u>

Cumulative amortization of disagio as of December 31, 2017 amounts to € 702 (December 31, 2016 € 88)

On November 10, 2016 the Company issued notes for a total amount of € 500,000 less a disagio and bank fees of € 6,385 through the banking group. The notes will be repaid in full on November 10, 2026. The interest amounts to 0.750% 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 of January 1	994,705	-
Initial valuation of issued loan	-	994,510
Amortization of disagio	1,370	195
Balance as of December 31, 2017	<u>996,075</u>	<u>994,705</u>

Cumulative amortization of disagio as of December 31, 2017 amounts to € 1,565 (December 31, 2016 € 195)

On November 10, 2016 the Company issued notes for a total amount of € 1,000,000 less a disagio and bank fees of € 5,490 through the banking group. The notes will be repaid on November 10, 2020. The interest amounts to 0.000% per annum (effective interest 0.138% per annum). BASF SE is the guarantor for these notes.

6. CURRENT LIABILITIES

Other current liabilities

	12/31/2017	12/31/2016
	€ x 1,000	€ x 1,000
Other current liabilities		
Accruals and deferred income	7,818	9,198
Loan 15 BASF SE	-	1,351,041
	<u>7,818</u>	<u>1,360,239</u>

The Loan 15 BASF SE with a principal amount € 1,350,000 was fully repaid on December 18, 2017.
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 2017, 100% (2016: 100%) of the receivables of the Company were held with related parties, which are 100% (2016: 100%) 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 2017 no derivative financial instruments are outstanding and no derivative instruments have been used during the reporting period.

The deviation in a spread of Loan 21, BASF Antwerpen N.V., that caused the negative result, only relates to the share premium and therefore has no cash flow effect.

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 12/31/2017	Book value 12/31/2017	Fair value 12/31/2016	Book value 12/31/2016
Financial fixed assets				
Loans to group companies	3,152,078	3,147,975	3,149,190	3,148,651
Financial current assets				
Loans to Group companies	0	0	1,351,041	1,351,041
Long term liabilities				
Notes/Loans payable	3,157,100	3,149,392	3,151,800	3,147,408
Current liabilities				
Notes/Loans payable	0	0	1,351,041	1,351,041

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, 2016, no derivative financial instruments were outstanding.
As per December 31, 2017, no derivative financial instruments were outstanding.

6 NOTES TO THE PROFIT AND LOSS ACCOUNT 2017

	2017	2016
	€ x 1,000	€ x 1,000
7. Interest and similar income		
Loan 16, BASF Antwerpen N.V.	1,729	4,164
Loan 17, BASF Antwerpen N.V.	6,172	7,382
Loan 18, BASF Antwerpen N.V.	5,125	6,185
Loan 20, BASF Antwerpen N.V.	7,746	1,104
Loan 21, BASF Antwerpen N.V.	5,527	791
	<u>26,299</u>	<u>19,626</u>
8. Interest and similar charges		
Loan 13, BASF Belgium Coordination Center CV	52	46
Loan 14, BASF Nederland B.V.	5,899	7,108
Loan 15, BASF SE	1,329	3,752
Loan 19, Cognis B.V.	4,897	5,956
Note 20, 0.75% EUR bond 2016-2026	4,364	622
Note 21, 0% EUR bond 2016-2020	1,370	195
	<u>17,911</u>	<u>17,679</u>
Guarantee fees to BASF SE	9,900	1,407
	<u>27,811</u>	<u>19,086</u>

In accordance with RJ 273.103 the guarantee fees are a part of the interest and similar charges, the 2016 amounts have been reclassified for purposes of comparability, last year the amount was reflected in the general and administrative expenses.

Emoluments of directors and supervisory directors

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

Staff

During 2017 and 2016 the Company had no employees.

9. General and administrative expense

Other general expenses	<u>249</u>	<u>174</u>
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The other general expenses substantially comprise consulting costs related to accounting, legal, finance and bank charges. They also comprise auditor's fees, non-recoverable VAT and other professional charges as well as service charges from BASF Nederland B.V.

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.

	01/01/2017 - 12/31/2017	01/01/2016 - 12/31/2016
	€ x 1,000	€ x 1,000
10. Tax on result from ordinary activities		
Corporate income tax	-220	-186
Movement of deferred tax assets	656	93
	<u>436</u>	<u>-93</u>

Income tax expense consists of current and deferred corporate income tax. The effective tax rate of - 24.86% (December 31, 2016: 25.38%) is not equal to the prevailing tax rates for 2017 (20% tax rate on the first € 200,000 of taxable profits, 25% tax rate for the rest) in the Netherlands.

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 2016 financial year

The annual accounts for 2016 were adopted by the General Meeting of Shareholders. The General Meeting of Shareholders has determined the appropriation of the result as it was proposed.

Recognition of the loss for 2017

The Board of Managing Directors proposes to add the 2017 result to the other reserves for an amount of € 1,325. The General Meeting of Shareholders will be asked to approve the appropriation of the 2017 result.

Signing of the financial statements

Arnhem, March 12, 2018

Board of Managing Directors for approval

H.M. Fisch (Director)

R.J. Holtermann (Director)

K.M. Morgenstern (Director)

Supervisory Board for approval

O. Nussbaum (Chairman of the Supervisory Board)

U.H. Loleit (Member of the Supervisory Board)

C.M. Becx (Member of the Supervisory Board)

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:

- the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and;
 - 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.

To: the shareholder and Supervisory Board of
BASF Finance Europe N.V.

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INDEPENDENT AUDITOR'S REPORT

A. Report on the Audit of the Financial Statements

Our opinion

We have audited the financial statements 2017 of BASF Finance Europe N.V., based in Arnhem as set out on pages 8 to 25.

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 December 31, 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at December 31, 2017;
2. the profit and loss account for 2017; and
3. the notes comprising a summary of the significant 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 EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 1 million. The materiality is based on our assessment of the balance sheet composition and profit and loss account for the year, where we specifically refer to the total assets (0.03%). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 50 thousand, 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 Supervisory Board. The key audit matter is not a comprehensive reflection of all matters discussed.

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

Valuation of the loans issued

We consider the valuation of the loans issued to the affiliated party BASF Antwerpen N.V., as disclosed in notes 1 and 2 to the financial statements for a total amount of EUR 3,147,975 thousand respectively EUR 9,643 thousand, as a key audit matter. This is due to the size of the loans and given that an impairment may have a material effect on the income statement.

Management did not identify any impairment triggers regarding the loans issued to the affiliated party, initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method.

We have performed detailed audit work addressing valuation as well as existence of the loans issued to the affiliated party, through obtaining sufficient appropriate audit evidence regarding opening balances, including the selection and application of accounting principles as well as inter-group confirmation procedures, audit of data input to calculate the amortized cost and reconciliation with the general ledger, testing the movements on the loans to the contracts and bank statements and analysis of the financial position of the counterparty and assessed whether there were any impairment triggers.

We concur with the position taken by the Board of Managing Directors as set out in the financial statements with respect to the valuation of the loans issued to affiliated parties.

B. 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 as required by Part 9 of Book 2 of the Dutch Civil Code;

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 Dutch 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 Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Managing Directors is responsible for the preparation of the Report Board of Managing Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

We were engaged by the Supervisory Board as auditor of BASF Finance Europe N.V. on October 6, 2017 as of the audit for year 2017 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

D. Description of responsibilities regarding the financial statements**Responsibilities of Board of Managing Directors and the Supervisory Board 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 Dutch Civil Code, and for the preparation of the report of the board of managing directors as set out on pages 4 to 7 in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore the Board of Managing Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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, the Board of Managing Directors should prepare the financial statements using the going concern basis of accounting unless the board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Managing Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern.

The Supervisory Board 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 errors and fraud during our audit.

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 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.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements . We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March 12, 2018

Grant Thornton Accountants en Adviseurs B.V.

drs. P.N. van Vuure RA