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BASF Finance Europe N.V.
Arnhem, The Netherlands

Semi-annual report 2016

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FINANCIAL REPORT

1 REPORT OF THE MANAGING DIRECTORS

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

The activities of BASF Finance Europe N.V. can involve the founding of, financing of, participating in, managing of, supervision of and contribution of services to companies, as well as performing all commercial, industrial and financial operations.

The Company has no employees and receives services through other BASF group companies. In accordance with BASF group guidelines the Board of Managing Directors is comprised of two natural persons.

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 external loan/note programs are conducted under a guarantee of the parent company BASF SE.

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

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) with a maximum aggregate principal amount of € 20,000,000. Notes issued by the Company under the DIP will 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 and other European stock exchanges.

The DIP prospectus is updated annually.

As of June 30, 2016, there are no external loans or notes outstanding.

1.1 Result

The Company has completed the half year with a positive result of € 265 (June 30, 2015: € 1,383). The result reduced due to decreased loan volume in the Company.

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

1.2 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 June 30, 2016 measured as Current Assets / Current Liabilities amounts to 1.0085 (December 31, 2015: 1.0083).

Solvency ratio

The solvency ratio as per June 30, 2016 measured as Stockholders' Equity / Total Liabilities amounts to 0.002 (December 31, 2015: 0.002).

Outlook for the second half of 2016 and 2017

The Company plans to keep the current loans which are not due in 2016 and 2017 and repay the loans which are due. If new applications for financing will be received during the course of 2016 and 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 2016 and 2017.

The Company does not intend to make investments in 2016 and 2017.

Internal control

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 at 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 semi-annual Report does not contain any errors of material importance;
- have worked properly in the first half of 2016.

1.3 Responsibility statement

In accordance with article 5:25d 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 semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the semi-annual report gives a true and fair view of the position as per June 30, 2016 and the development during the financial year of the Company;
- the semi-annual report describes the principal risks the Company is facing;
- the semi-annual report has not been audited by any auditors

Arnhem, September 8, 2016

H.M. Fisch
Director

U.H. Loleit
Director

FINANCIAL STATEMENTS

1 BALANCE AS PER JUNE 30, 2016

	June 30, 2016		December 31, 2015	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
ASSETS				
FIXED ASSETS				
Financial fixed assets and other commitments	(1)			
Loans to group companies		1,650,000		1,650,000
CURRENT ASSETS				
Other receivables	(2)			
Receivables from group companies		1,370,584		1,376,791
Corporate income tax		-		2
		<u>1,370,584</u>		<u>1,376,793</u>
		<u>3,020,584</u>		<u>3,026,793</u>
SHAREHOLDERS' EQUITY				
	(3)			
Issued share capital		2,087		2,087
Share premium reserve		2,513		2,513
Other reserves		2,203		1,188
Unappropriated result		265		1,016
		<u>7,068</u>		<u>6,804</u>
NON CURRENT LIABILITIES	(4)			
		1,654,500		1,654,500
CURRENT LIABILITIES	(5)			
		1,359,016		1,365,489
		<u>3,020,584</u>		<u>3,026,793</u>

2 PROFIT & LOSS ACCOUNT FOR THE FIRST HALF YEAR OF 2016

	1/1/2016 - 6/30/2016		1/1/2015 - 6/30/2015	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Interest receivable and similar income (6)	9,338		58,664	
Interest payable and similar charges (7)	<u>8,926</u>		<u>55,934</u>	
Net financial income		412		2,730
General and administrative expense (8)		58		887
Result from ordinary activities before tax		<u>354</u>		<u>1,843</u>
Tax on result from ordinary activities (9)		<u>-89</u>		<u>-460</u>
Net result		<u><u>265</u></u>		<u><u>1,383</u></u>

3 CASH FLOW STATEMENT FOR THE FIRST HALF YEAR OF 2016

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

	June 30, 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		354		1,357
Adjustment interest result included in result before taxation		-415		-3,196
Adjustment interest result for effective interest rate method		0		13
Change current account with group companies		-356		-630
Change in other current payable		-		-
Change in other working capital		-		-81
		<u>-417</u>		<u>-2,537</u>
Interest paid		-15,354		-118,510
Interest received		15,857		124,458
Corporate income tax paid		-86		-411
		<u>417</u>		<u>5,537</u>
Net cash flow from operating activities		-		-
Issued Financial Assets		-		-
Repayment Financial Assets		-		2,191,829
Net cash flow from investing activities		-		<u>2,191,829</u>
Repayment Financial Liabilities		-		-2,191,829
Dividend payment		-		-3,000
Proceeds Financial Liabilities		-		-
Net cash flow from financing activities		-		<u>-2,188,829</u>
Changes in cash & cash equivalents		-		-
Cash & cash equivalents January 1		-		-
Cash & cash equivalents end of period		-		-
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.

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 SEMI-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.

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.

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.

Upon initial recognition, financial instruments are recognized at fair value.

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

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

Loans granted, other receivables and cash and cash equivalents

Loans and receivables are measured 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 receivable, and similar income within the income statement.

Notes issued, loans received and other payables

Notes, loans and other financial commitments are carried 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 payable 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 issues loans to group companies, for the same amount and denominated in the same currency as the notes 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 and other commitments

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 gross income from financing activities within the income statement.

Other receivables

Other receivables are stated at amortized cost using the effective interest rate method, less impairment losses.

Liabilities

Liabilities resulting from repayment obligation long term debt are valued at amortized cost using the effective interest rate method.

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 receivable and similar income

Interest receivable and similar income are the interest revenues, gains on conversion and gains for the year on a historical cost basis.

Interest payable and similar charges

Interest payable and similar charges are interest expenses, losses on conversion and expenses for the year on a historical cost basis.

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 has been prepared using the indirect method.

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 JUNE 30, 2016

FIXED ASSETS

1. Financial fixed assets and other commitments

	06/30/2016	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
	<u>1,650,000</u>	<u>1,650,000</u>

Loan 17 BASF Antwerpen N.V.

	01/01/2016 - 06/30/2016	01/01/2015 - 12/31/2015
	€ x 1,000	€ x 1,000
Balance as of January 1	900,000	-
Issued loan	-	900,000
Balance as of end of period	<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. The interest rate 2016 amounts to 0.756%, based on 12-months Euribor plus an applicable spread of 0.76% according to the loan agreement.

Loan 18 BASF Antwerpen N.V.

Balance as of January 1	750,000	-
Issued loan	-	750,000
Balance as of end of period	<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. The interest rate 2016 amounts to 0.748%, based on 12-months Euribor plus an applicable spread of 0.76% according to the loan agreement.

2. Other receivables

	06/30/2016	12/31/2015
	€ x 1,000	€ x 1,000
Receivables from group companies		
Interest receivable from group companies	4,836	11,399
Current account with group companies	15,748	15,392
Loan 16 BASF Antwerpen N.V.	1,350,000	1,350,000
	<u>1,370,584</u>	<u>1,376,791</u>

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

The interest rate 2015 loan 16 BASF Antwerpen N.V. amounts to 0.31%, based on 12-months Euribor plus an applicable spread of 0.24%. The loan shall be repaid in full on December 18, 2016.

The Company has a current account with BASF SE. The interest rate is based on Euro Overnight Index Average (EONIA) - 0.03% or + 0.21% depending on a debit or credit balance, with a minimum of 0%.

EQUITY AND LIABILITIES

3. SHAREHOLDERS' EQUITY

	Common shares	
	€ x 1,000	
Balance as of January 1		2,087
Balance as of end of period		2,087
Statutory share capital (x € 1,-)		2,086,875
Shares issued		46,375
Nominal value per share (x € 1,-)		45.00
	01/01/2016 - 06/30/2016	01/01/2015 - 12/31/2015
	€ x 1,000	€ x 1,000
Share premium reserve		
Balance as of January 1	2,513	2,513
Balance as of end of period	2,513	2,513
Other reserves		
Balance as of 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
Miscellaneous movement	-1	-
Balance as of end of period	2,203	1,188
Unappropriated result		
Balance as of January 1	1,016	1,808
Addition to other reserves	-1,016	-1,808
Unappropriated profit	265	1,016
Balance as of end of period	265	1,016

4. NON CURRENT LIABILITIES

	06/30/2016	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 13A BASF Belgium Coordination Center C.V.	4,500	4,500
	<u>1,654,500</u>	<u>1,654,500</u>

	01/01/2016 - 06/30/2016	01/01/2015 - 12/31/2015
	€ x 1,000	€ x 1,000
<i>Loan 14 BASF Nederland B.V.</i>		
Balance as of January 1	900,000	-
Issued loan	-	900,000
Balance as of end of period	<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. The interest rate 2016 amounts to 0.726%, based on 12-months Euribor plus an applicable spread of 0.73% according to the loan agreement.

Loan 19 Cognis B.V.

Balance as of January 1	750,000	-
Issued loan	-	750,000
Balance as of end of period	<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. The interest rate 2016 amounts to 0.718%, based on 12-months Euribor plus an applicable spread of 0.73% according to the loan agreement.

Loan 13A BASF Belgium Coordination Center C.V.

Balance as of January 1	4,500	-
Issued loan	-	4,500
Balance as of end of period	<u>4,500</u>	<u>4,500</u>

On December 16, 2015 the Company split the Loan 13 BASF Belgium Coordination Center C.V. in a short term and long term loan. The long term loan is for a total amount of € 4,500 and a term of 5 years. The interest rate 2016 amounts to 0.72%, based on 12-months Euribor plus an applicable spread of 0.66% for the first year.

	06/30/2016	12/31/2015
	€ x 1,000	€ x 1,000
5. CURRENT LIABILITIES		
Corporate income tax	2	-
Other current liabilities	1,359,014	1,365,489
	<u>1,359,016</u>	<u>1,365,489</u>

The current liabilities are all due within one year.

Other current liabilities

Accruals and deferred income	4,514	10,989
Loan 13 BASF Belgium Coordination Center CV	4,500	4,500
Loan 15 BASF SE	1,350,000	1,350,000
	<u>1,359,014</u>	<u>1,365,489</u>

The interest of the short term part of Loan 13 BASF Belgium Coordination Center CV amounts to 0.27% per annum, based on 12-months Euribor plus an applicable spread of 0.21% per annum until December 16, 2016. The Loan 15 BASF SE with a new principal amount € 1,350,000 is prolonged for the next period until December 18, 2016. The interest rate 2016 amounts to 0.28%, based on 12-months Euribor plus an applicable spread of 0.21%.

The current liabilities are all due within one year.

OFF-BALANCE SHEET COMMITMENTS

Related Parties

There were no reportable related party transactions with members of the Board of Managing Directors. The Company pays no remuneration and has not issued loans to members of the Board of Managing Directors.

All transactions are at arm's length. There are no transactions with related parties, except otherwise disclosed in this report.

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 tends to assess and review 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 the first half of 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.

6 NOTES TO THE PROFIT & LOSS ACCOUNT FOR THE FIRST HALF YEAR OF 2016

	01/01/2016 - 06/30/2016	01/01/2015 - 06/30/2015
	€ x 1,000	€ x 1,000
6. Interest receivable and similar income		
Loan 6 BASF Antwerpen N.V.	-	3,183
Loan 10a BASF Antwerpen N.V.	-	12,088
Loan 10b BASF SE	-	24,179
Loan 12 BASF Nederland B.V.	-	10,148
Loan 16 BASF Antwerpen N.V.	2,116	5,844
Loan 17 BASF Antwerpen N.V.	3,904	2,155
Loan 18 BASF Antwerpen N.V.	3,318	1,066
Interest income others	-	1
	<u>9,338</u>	<u>58,664</u>
7. Interest payable and similar charges		
Note 6, 3.625% CHF bond 2008-2015	-	3,047
Note 10, 5.125% Euro bond 2009-2015	-	34,622
Note 12, 5.125% Euro bond 2009-2015	-	9,612
Loan 13/13A BASF Belgium Coordination Center CV	43	41
Loan 14 BASF Nederland B.V.	3,768	3,157
Loan 15 BASF SE	1,911	4,424
Loan 19 Cognis B.V.	3,204	1,031
	<u>8,926</u>	<u>55,934</u>

Staff

During the first half year of 2016 the Company had no employees.

8. General and administrative expense

The other general expenses include the auditing fees and the foreign exchange result. With reference to Section 2:382a (1) and (2) 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.

9. Tax on result from ordinary activities

Income tax expense consists of current corporate income tax. The effective tax rate of 25.14% (June 30, 2015: 25.02%) 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.

Board of Managing Directors signature for approval

Arnhem, September 8, 2016

BASF Finance Europe N.V.

BASF Finance Europe N.V.

H.M. Fisch

U.H. Loleit

OTHER INFORMATION

1 Statutory appropriation of profit

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.

2 Appropriation of the result for 2015

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.