



The Chemical Company

BASF Finance Europe N.V.
Arnhem

Annual Report 2008

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BASF Finance Europe N.V. Arnhem

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1. Directors' report

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. involve the founding, financing of, participating in, managing, to supervise and to contribute services to companies, as well to perform all commercial, industrial and financial operations.

The Company has no employees on the payroll and receives services through another BASF group Company.

In 2007 the BASF Group decided to increase the financing activities through the Company. The Company should take loans from the market for internal financing purposes. Currency risks for these loans, if any, are passed on to the foreign group companies. All loan programs will be conducted under a Guarantee of the ultimate mother Company BASF SE.

On 7 September 2007 the Company established a so-called Debt Issuance Program (hereinafter: DIP)¹. 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). The maximum aggregate principal amount of the Notes outstanding at one time under the DIP will not exceed EUR 10.000.000.000. Notes issued by the Company under the DIP will have also the benefit of a Guarantee given 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, save that the minimum denomination of the Notes will be € 1.000 or an equivalent of that in a different currency.

Application has been made to the Luxembourg Stock exchange for Notes issued under the DIP to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock exchange.

Notes overview DIP

In 2007 and 2008 the following Notes were issued.

<i>Date</i>	<i>Interest rate</i>		<i>€</i>
Total amount DIP			10,000,000,000
26 September 2007	5,000%		1,000,000,000
26 September 2007	5,000%		250,000,000
3 June 2008	3,250%	CHF 300,000,000	186,219,739
3 June 2008	3,625%	CHF 200,000,000	124,146,493
04 December 2008	6,000%		1,250,000,000
Issued loans			<u>2,810,366,232</u>
Total remain DIP			<u>7,189,633,768</u>

On February 9, 2009, the Company issued notes, amounting to € 1,500,000,000 at 5,125% interest. The loan must be repaid on 9 June 2015. The loan is part of the DIP program.

On February 24, 2009, the Company issued notes, amounting to € 150,000,000 at 4,500% interest. The loan must be repaid on 24 February 2016. The loan is part of the DIP program.

¹ More detailed information can be found on the BASF internet site:
http://www.basf.com/group/corporate/en_GB/investor-relations/bonds-and-credit-rating/index

Outside DIP

Outside the DIP program, the following loans were issued in 2007 and 2008.

<i>Date</i>	<i>Interest rate</i>		<i>€</i>
27 June 2007	3-Month Euribor + 0,600%	USD 1,350,000,000	917,057,265
24 September 2008	3-Month Euribor + 0,600%		500,000,000
24 September 2008	3-Month Euribor + 0,600%		54,000,000
Issued loans			1,471,057,265
			5

Result

As a consequence of the increase of issued and provided loans the result of the Company has improved. The Company has completed the year with a positive result of € 1,349,000 (2007 € 300,000).

The fluctuations of the exchange rates for the EURO vs. the US dollar (at the beginning of the year 1,4721 and at the end of 1,3917) and the Swiss Franc (1,6110 at 28 May 2008 and at year-end 2008 1,4850) did not have a substantial influence on the Company's result.

Similarly the development of interest rates had little impact on the Company's results as the rates on the major part of the financing were fixed. Loans with variable interest rates have a fixed margin. In the financial year 2008 the Company did not use financial instruments.

Risk Report

BASF Finance Europe N.V. risk management goal is to identify and evaluate risk as early as possible and limit business losses by taking suitable measures, thus avoiding risks that pose a threat to the Company continued existence.

Financial risk

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

Interest risk

Interest rate risks result from 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 variable-rate-instruments. To hedge these risks the interest rates of the assets and the liabilities have the same base. This will offset most of the interest rate risk. The remaining interest results are due to the timing differences between the date on which financing was received and the date on which the loans were issued to BASF Antwerpen N.V.

Liquidity risk

Risks from cash flow fluctuations are recognized in a timely manner as part of the liquidity planning. The present increased 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.

Foreign currency risk

Financial foreign currency risks result from the translation of receivables, liabilities and other monetary items. These risks are not hedged using derivative instruments. The fluctuations of the exchange rates for the EURO vs. the US dollar and the Swiss Franc did not have any substantial influence on the Company's result.

Responsibility statement

In accordance with article 5:25c of the Financial Markets Supervision Act (Wet op het financieel toezicht), the Board of Management 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 BASF Finance Europe N.V.
- The annual report gives a true and fair view of the position as per 31 December 2008 and the development during the financial year of BASF Finance Europe N.V. and
- The annual report describes the principal risks BASF Finance Europe N.V. is facing.

Arnhem, 28 April 2009

Board of Management:

Signed by

G.A.D. van der Lubbe

Signed by

W.D. Starp

2. Financial statements

2.1. Balance sheet as at December 31, 2008 (EUR x 1,000 before appropriation of result)

	Ref.	31 Dec. 2008		31 Dec. 2007	
		€	€	€	€
NON CURRENT ASSETS					
Financial non-current assets					
Loans to group companies	2.5.1		3,562,864		1,565,799*
CURRENT ASSETS					
Accounts receivable and prepayment					
Accounts receivable from group companies	2.5.2	36,366		26,580	
Loans to group companies		147,302		605,258	
Capitalized commission costs		199		307*	
Other receivables		1		4	
			183,868		632,149
Cash and cash equivalents	2.5.3		-		6
			<u>3,746,732</u>		<u>2,197,954</u>

* comparative figures have been adjusted for comparison purposes

	Ref.	31 Dec. 2008		31 Dec. 2007	
		€	€	€	€
STOCKHOLDERS' EQUITY	2.5.4				
Capital stock		2,087		2,087	
Stock premium		2,496		2,496	
Reserve for exchange difference		17		17	
Other reserves		515		215	
Unappropriated result		1,349		300	
			6,464		5,115
NON CURRENT LIABILITIES	2.5.5				
Bonds			3,560,458		*1,559,025
CURRENT LIABILITIES					
Income tax		402		236	
Bonds		147,301		605,258	
Debt to group companies		-		2,220	
Other payables	2.5.6	32,107		26,100	
			179,810		633,814
			<u>3,746,732</u>		<u>2,197,954</u>

* comparative figures have been adjusted for comparison purposes

2.2 Income statement for the year ended 31 December 2008
(EUR x 1,000)

		2008	2007
		€	€
Interest and similar income			
Income	2.6.1	115,032	43,272
Interest and similar expense	2.6.2	-109,906	-40,977
Gross income from financing		<hr/>	<hr/>
Activities		5,126	2,295
General and administrative			
Expenses	2.6.3	-3,340	-1,869
		<hr/>	<hr/>
		1,786	426
Income tax expense	2.6.4	-437	-126
Net income		<hr/> <hr/>	<hr/> <hr/>
		1,349	300

2.3 Cash flow statement for the year ended 31 December 2008
(EUR x 1,000)

	2008		2007	
	€	€	€	€
Net income for the year	<u>1,349</u>	1,349	<u>300</u>	300
Changes in working capital:				
Current assets	448,281		-631,006	
Current liabilities	<u>-274,367</u>		<u>633,480</u>	
Cash flow from operating activities		173,914		2,474
(Investments) / Divestments in financial fixed assets	<u>-175,269</u>		<u>-2,774</u>	
Cash flow from investing activities		-175,269		-2,774
Change in cash and cash equivalents		<u>-6</u>		<u>0</u>
Cash beginning of year		6		6
Cash end of year		<u>-</u>		<u>6</u>
Change in cash and cash equivalents		<u>-6</u>		<u>0</u>

2.4 Notes to the 2008 financial statements

2.4.1 General

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

2.4.1.1 Ownership

BASF Finance Europe N.V. registered Groningensingel 1, Arnhem, the Netherlands, is a wholly-owned subsidiary of BASF SE in Ludwigshafen, Germany.

The financial data of BASF Finance Europe N.V. are included in the group financial statements of BASF SE in Ludwigshafen, Germany.

2.4.1.2 Activities

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

2.4.2 Basis of preparation

The financial statements have been prepared in accordance with Title 9 Book 2 of the Netherlands Civil Code. The principles adopted for the valuation of assets and liabilities and determination of the result are based on the historical cost convention.

Income is the difference between interest revenues and expenses, gains or losses on conversion and expenses for the year on a historical cost basis.

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 closing rates. Foreign exchange gains and losses are included in other income and expenses.

2.4.2.1 Change in accounting principles

Until 1 January 2008, the loans were valued at face value. To align the accounting treatment with Titel 9 BW 2, the loans are now valued at amortized costs. The change in accounting principles does not have any impact on equity, but results only in a presentation difference. Due to this change, as of December 31, 2008 the capitalized commission costs are presented as a deduction from the loans opposed to presenting these costs as a separate balance sheet item. The capitalized commission costs as of January 1, 2008 decreased from EUR 1.809 to EUR 307. Where necessary, comparative figures have been adjusted.

2.4.2.2 Accounting principles

With the exception of the loans the accounting policies have remained unchanged since last year.

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 recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

2.4.3 Loans granted, other receivables and cash and cash equivalents

Loans granted are carried at amortized cost using the effective interest method, less impairment losses.

Accounts receivable from group companies and other receivables are stated at face value, less any necessary provisions.

Cash and cash equivalents are stated at face value.

2.4.4 Bonds issued, loans received and other payables

Bonds issued and loans received which the Company intends to hold to maturity (if the company is capable of doing so), are measured at amortized cost using the effective interest method, less impairment losses.

Other purchased loans and bonds are carried at fair value provided they are listed on a stock exchange. Changes in the fair value are recognized in the profit and loss account. Unlisted purchased loans and bonds are carried at amortized cost using the effective interest method, less impairment losses.

The short term part of the bonds is shown separately in the balance under the accounts payable. The commission costs will be amortized over the term of the loans and added to the book value of the related loans. At maturity date the loans will be stated at their nominal value.

Other payables are stated at of face value.

2.4.5 Income tax

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

2.4.6 Foreign currency transaction

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency 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 euros at the applicable exchange rates on the transaction date. Translation gains and losses are taken to the profit and loss account as expenditure.

BASF Finance Europe N.V. has issued bonds on the stock exchanges of Frankfurt, Luxembourg and Zurich. The financing obtained through some of those bonds is denominated in USD and CHF. BASF Finance Europe N.V. in its turn has issued loans to BASF Antwerpen B.V., for the same amount and denominated in the same currency as the bonds issued on the aforementioned stock exchanges. As such, the foreign currency risks are passed on to BASF Antwerpen B.V. and do not have any impact on the results of BASF Finance Europe N.V. Nevertheless, there is currency exposure due to timing differences between the date on which financing was received and the date on which the loans were issued to BASF Antwerpen N.V.

2.4.7 Notes to the cash flow statement

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

2.5 Notes to the individual items on the balance sheet

2.5.1 Financial non-current assets

2.5.1.1 Loans to group companies

	2008	2007
	€	€
1) BASF Antwerpen N.V.	182,511	311,799
2) BASF Antwerpen N.V.	1,000,000	1,000,000
3) BASF Antwerpen N.V.	250,000	250,000
4) BASF Corporation	-	4,000
5) BASF Antwerpen N.V.	201,416	-
6) BASF Antwerpen N.V.	133,626	-
7) BASF Antwerpen N.V.	499,024	-
8) BASF Antwerpen N.V.	53,932	-
9) BASF Antwerpen N.V.	1,242,355	-
Balance as of 31 December	3,562,864	1,565,799

2.5.1.1.1 BASF Antwerpen N.V.

	2008	2007
	€	€
Balance as of 1 January	917,057	-
Issued	-	952,986
	917,057	952,986
Redemption of loans	-627,793	-
Exchange rate difference	40,548	-35,929
Balance as of 31 December	329,812	917,057
Current portion as at 31 December	147,301	605,258
	182,511	311,799
Long term as at 31 December	182,511	311,799

This loan relates to a subordinated loan that has been issued on 22 October 2007 to BASF group Company BASF Antwerpen N.V. for a total amount of \$ 1,350,000 (€952,986) and a term of 2 years and 9 months. The interest rate will be determined as the sum of 3-Month LIBOR and the applicable spread. The loan shall be repaid in full on 20 July 2010. Early redemption is possible.

2.5.1.1.2 BASF Antwerpen N.V.

	<u>2008</u>	<u>2007</u>
	€	€
Balance as of 1 January	1,000,000	-
Issued	-	1,000,000
Balance as of 31 December	<u>1,000,000</u>	<u>1,000,000</u>

This loan relates to a subordinated loan that has been issued on 26 September 2007 to BASF group Company BASF Antwerpen N.V. for a total amount of EUR 1,000,000 and a term of 7 years. The interest rate amounts to 5.09% per annum plus the applicable spread. The loan shall be repaid in full on 26 September 2014.

2.5.1.1.3 BASF Antwerpen N.V.

	<u>2008</u>	<u>2007</u>
	€	€
Balance as of 1 January	250,000	-
Issued	-	250,000
Balance as of 31 December	<u>250,000</u>	<u>250,000</u>

This loan relates to a subordinated loan that has been issued on 31 October 2007 to BASF group Company BASF Antwerpen N.V. for a total amount of EUR 250,000 and a term of 6 years and 11 months. The interest rate amounts to 4.834% per annum plus the applicable spread. The loan shall be repaid in full on 26 September 2014.

2.5.1.1.4 BASF Corporation

	<u>2008</u>	<u>2007</u>
	€	€
Balance as of 1 January	4,000	4,000
Redemption of loans	-4,000	-
Balance as of 31 December	<u>-</u>	<u>4,000</u>

This loan relates to a credit agreement that has been issued to BASF group Company BASF Corporation with a credit facility of EUR 4,000. Unless terminated in writing 30 days before the maturity date by one of the contracting parties this agreement will be automatically prolonged for another year. The interest rate amounts to 3-month EURIBOR plus 0.125%. In 2008 the loan was fully repaid.

2.5.1.1.5 BASF Antwerpen N.V.

	2008	2007
	€	€
Balance as of 1 January	-	-
Issued	186,220	-
Less: disagio	685	-
	<u>185,535</u>	<u>-</u>
Amortization of disagio	130	-
Exchange rate difference	15,751	-
Balance as of 31 December	<u>201,416</u>	<u>-</u>
Cumulative amortization of disagio as at 31 December	<u>130</u>	<u>-</u>

This loan relates to a subordinated loan that has been issued on 3 June 2008 to BASF Group Company BASF Antwerpen N.V. for a total amount of CHF 300,000 less disagio for an amount of CHF 1,100 (€ 186,220 less disagio € 685) and a term of 3 years. The interest rate amounts to 3.26% per annum plus the applicable spread. The loan shall be repaid in full on 3 June 2011.

2.5.1.1.6 BASF Antwerpen N.V.

	2008	2007
	€	€
Balance as of 1 January	-	-
Issued	124,146	-
Less: disagio	1,051	-
	<u>123,095</u>	<u>-</u>
Amortization of disagio	78	-
Exchange rate difference	10,453	-
Balance as of 31 December	<u>133,626</u>	<u>-</u>
Cumulative amortization of disagio as at 31 December	<u>79</u>	<u>-</u>

This loan relates to a subordinated loan that has been issued on 3 June 2008 to BASF group Company BASF Antwerpen N.V. for a total amount of CHF 200,000 less disagio for an amount of CHF 1,688 (€ 124,146 less disagio € 1,051) and a term of 7 years. The interest rate amounts to 3.635% per annum plus the applicable spread. The loan shall be repaid in full on 3 June 2015.

2.5.1.1.7 BASF Antwerpen N.V.

	<u>2008</u>	<u>2007</u>
	€	€
Balance as of 1 January	-	-
Issued	500,000	-
Less: disagio	1,025	-
	<u>498,975</u>	<u>-</u>
Amortization of disagio	49	-
Balance as of 31 December	<u>499,024</u>	<u>-</u>
Cumulative amortization of disagio as at 31 December	<u>49</u>	<u>-</u>

This loan relates to a subordinated loan that has been issued on 24 September 2008 to BASF group Company BASF Antwerpen N.V. for a total amount of EUR 500,000 less disagio for an amount of € 1,025, and a term of 5 years. The interest rate will be determined as the sum of 3-Month EURIBOR and the applicable spread. The loan shall be repaid in full on 24 September 2013.

2.5.1.1.8 BASF Antwerpen N.V.

	<u>2008</u>	<u>2007</u>
	€	€
Balance as of 1 January	-	-
Issued	54,000	-
Less: disagio	71	-
	<u>53,929</u>	<u>-</u>
Amortization of disagio	3	-
Balance as of 31 December	<u>53,932</u>	<u>-</u>
Cumulative amortization of disagio as at 31 December	<u>3</u>	<u>-</u>

This loan relates to a subordinated loan that has been issued on 24 September 2008 to BASF group Company BASF Antwerpen N.V. for a total amount of EUR 54,000 less disagio for an amount of € 71, and a term of 5 years. The interest rate will be determined as the sum of 3-Month EURIBOR and the applicable spread. The loan shall be repaid in full on 24 September 2013.

2.5.1.1.9 BASF Antwerpen N.V.

	2008	2007
	€	€
Balance as of 1 January	-	-
Issued	1,250,000	-
Less: disagio	7,750	-
	<u>1,242,250</u>	<u>-</u>
Amortization of disagio	105	-
Balance as of 31 December	<u><u>1,242,355</u></u>	<u><u>-</u></u>
Cumulative amortization of disagio as at 31 December	<u><u>105</u></u>	<u><u>-</u></u>

This loan relates to a subordinated loan that has been issued on 4 December 2008 to BASF group Company BASF Antwerpen N.V. for a total amount of € 1,250,000 less disagio for an amount of € 7,750, and a term of 5 years. The interest rate amounts to 6.0% per annum plus the applicable spread. The loan shall be repaid in full on 4 December 2013.

2.5.2 Accounts receivable and prepayment

2.5.2.1 Capitalized commission costs

The capitalized commission costs are € 199 (2007: € 307).

2.5.2.2 Accounts receivable from group companies and other receivables

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

2.5.3 Cash and cash equivalents

Cash and cash equivalents are entirely at the disposal of the Company. The bank account of the Company is part of the cash pool of BASF SE.

2.5.4 Stockholders' equity

The changes in the stockholders' equity are as follows:

	Capital stock	Stock premium	Reserve for exchange difference	Other reserves	Unappropriated result	Total
	€	€	€	€	€	€
1 Jan. 2007	2,087	2,496	17	215	-	4,815
Addition to other reserves	-	-	-	-	-	-
Net income for financial year	-	-	-	-	300	300
Balance at start of financial year	2,087	2,496	17	215	300	5,115
Addition to other reserves	-	-	-	300	-300	-
Net income for financial year	-	-	-	-	1,349	1,349
Closing balance for financial year	2,087	2,496	17	515	1,349	6,464

2.5.4.1 Authorised and issued capital

The authorised and issued capital of the Company amounts to €2,087 (2007: €2,087) consisting of 46,375 ordinary shares with a nominal value of €45 each.

2.5.4.2 Other reserves

The result from the previous financial year has been added to the other reserves.

2.5.4.3 Reserve for exchange difference

At 31 December 2000, the authorised and issued capital consisting of common shares of NLG 100.- was transferred into pieces of EUR 45.-. For the exchange difference, a reserve was created for an amount of EUR 17,531.-.

2.5.5 Non current liabilities

	<u>2008</u>	<u>2007</u>
	€	€
1) Bank of America Securities LLC and Morgan Stanley & Co Inc.	182,511	311,799
2) 5% Euro bond 2007-2014	995,613	994,969
3) 5% Euro bond 2007-2014	251,978	252,257
4) 3.25% CHF bond 2008-2011	201,417	-
5) 3.625% CHF bond 2008-2015	133,627	-
6) Landesbank Baden-Württemberg	499,025	-
7) Landesbank Baden-Württemberg	53,932	-
8) 6% Euro bond 2008-2013	1,242,355	-
Balance as of 31 December	<u><u>3,560,458</u></u>	<u><u>1,559,025</u></u>

Of the total amount of long term liabilities, € 1,999,603 is payable after 2009 and € 1,381,218 is payable after 2013.

	Total	2010 up to and including 2013	2014 and 2015
	<u>€</u>	<u>€</u>	<u>€</u>
1) Bank of America Securities LLC and Morgan Stanley & Co. Inc.	182,511	182,511	-
2) 5% Euro bond 2007-2014	995,613	-	995,613
3) 5% Euro bond 2007-2014	251,978	-	251,978
4) 3.25% CHF bond 2008-2011	201,417	201,417	-
5) 3.625% CHF bond 2008-2015	133,627	-	133,627
6) Landesbank Baden-Württemberg	499,025	499,025	-
7) Landesbank Baden-Württemberg	53,932	53,932	-
8) 6% Euro bond 2008-2013	1,242,355	1,242,355	-
Total	<u><u>3,560,458</u></u>	<u><u>2,179,240</u></u>	<u><u>1,381,218</u></u>

2.5.5.1 Bank of America Securities LLC and Morgan Stanley & Co. Inc.

	<u>2008</u>	<u>2007</u>
	€	€
Balance as of 1 January	917,057	-
Bonds received	-	1,004,614
	<u>917,057</u>	<u>1,004,614</u>
Redemption of loans	-627,793	-
Exchange rate difference	40,548	-87,557
	<u>329,812</u>	<u>917,057</u>
Balance as of 31 December		
Current portion as at 31 December	147,301	605,258
	<u>182,511</u>	<u>311,799</u>
Long term as at 31 December		

On 27 June 2007 BASF Finance Europe N.V. received a loan for a total amount of \$ 1,350,000 (€ 1,004,614) from Bank of America Securities LLC and Morgan Stanley & Co. Inc. First repayment date will be on 18 July 2008 and the last repayment will be on 20 July 2010. Interest will be paid quarterly and for the first time on 20 October 2007. Interest is calculated based on 3-month LIBOR plus a spread. BASF SE is the guarantor for this loan.

2.5.5.2 5% Euro Bond 2007-2014

	<u>2008</u>	<u>2007</u>
	€	€
Balance as of 1 January	994,969	-
Bonds received	-	1,000,000
Less: disagio	-	5,200
	<u>994,969</u>	<u>994,800</u>
Amortization of disagio	644	169
	<u>995,613</u>	<u>994,969</u>
Balance as of 31 December		
Cumulative amortization of disagio as at 31 December	<u>813</u>	<u>169</u>

On 26 September 2007 BASF Finance Europe N.V. issued bonds at the Luxembourg Stock Exchange and the Frankfurter Stock Exchange (planned) for a total amount of € 1,000,000 less disagio for an amount of € 5,200 through Barclays Bank PLC and Deutsche Bank AG as Joint-Lead-Managers for these bonds. The bonds will be repaid on 26 September 2014. The interest amounts to 5% and will be paid annually. BASF SE is the guarantor for these bonds.

2.5.5.3 5% Euro Bond 2007-2014

	2008	2007
	€	€
Balance as of 1 January	252,257	-
Bonds received	-	250,000
Agio	-	2,725
	<u>252,257</u>	<u>252,725</u>
Amortization of agio	279	468
Balance as of 31 December	<u>251,978</u>	<u>252,257</u>
		-
Cumulative amortization of agio as at 31 December	<u>747</u>	<u>468</u>

On 31 October 2007 BASF Finance Europe N.V. issued bonds at the Luxembourg Stock Exchange and Frankfurter Stock Exchange for a total amount of € 250,000 with agio for an amount of € 2,725, from Barclays Bank PLC and Deutsche Bank AG as Joint-Lead-Managers for these bonds. The bonds will be repaid on 26 September 2014. The interest amounts to 5% and will be paid annually. BASF SE is the guarantor for these bonds.

2.5.5.4 3.25% CHF Bond 2008-2011

	2008	2007
	€	€
Balance as of 1 January	-	-
Bonds received	186,220	-
Less: disagio	685	-
	<u>185,535</u>	<u>-</u>
Amortization of disagio	137	-
Exchange rate difference	15,745	-
Balance as of 31 December	<u>201,417</u>	<u>-</u>
		-
Cumulative amortization of disagio as at 31 December	<u>137</u>	<u>-</u>

On 3 June 2008 BASF Finance Europe N.V. issued bonds at the SWX Swiss Exchange for a total amount of CHF 300,000 less disagio for an amount of CHF 1,100 (€ 186,220 less disagio € 685), from Royal Bank of Scotland PLC and ABN AMRO BANK N.V. Amsterdam, Zurich Branch UBS AG as Joint-Lead-Managers for these bonds. The bonds will be repaid on 3 June 2011. The interest amounts to 3.250% and will be paid annually. BASF SE is the guarantor for these bonds.

2.5.5.5 3.625% CHF Bond 2008-2015

	2008	2007
	€	€
Balance as of 1 January	-	-
Bonds issued	124,146	-
Less: disagio	1,051	-
	<u>123,095</u>	<u>-</u>
Amortization of disagio	78	-
	<u>123,174</u>	<u>-</u>
Exchange rate difference	10,453	-
Balance as of 31 December	<u><u>133,627</u></u>	<u><u>-</u></u>
Cumulative amortization of disagio as at 31 December	<u>78</u>	<u>-</u>

On 3 June 2008 BASF Finance Europe N.V. issued bonds at the SWX Swiss Exchange for a total amount of CHF 200,000 less a disagio for an amount of CHF 1,688 (€ 124,146 less disagio € 1,051) through Royal Bank of Scotland PLC and ABN AMRO BANK N.V. Amsterdam, Zurich Branch UBS AG as Joint-Lead-Managers for these bonds. The bonds will be repaid on 3 June 2015. The interest amounts to 3.625% and will be paid annually. BASF SE is the guarantor for these bonds.

2.5.5.6 Landesbank Baden-Württemberg

	2008	2007
	€	€
Balance as of 1 January	-	-
Bonds received	500,000	-
Less: disagio	1,025	-
	<u>498,975</u>	<u>-</u>
Amortization of disagio	50	-
	<u>499,025</u>	<u>-</u>
Balance as of 31 December	<u><u>499,025</u></u>	<u><u>-</u></u>
Cumulative amortization of disagio as at 31 December	<u>50</u>	<u>-</u>

On 24 September 2008 BASF Finance Europe N.V. received a loan for a total amount of € 500,000 less disagio for an amount of € 1,025, from Landesbank Baden-Württemberg as Joint-Lead-Manager for this loan. The loan will be repaid on 24 September 2013. The interest is based on 3-month Euribor with a mark-up of 0,6% and will be paid 3-monthly at first 24 December 2008. BASF SE is the guarantor for this loan.

2.5.5.7 Landesbank Baden-Württemberg

	2008	2007
	€	€
Balance as of 1 January	-	-
Bonds received	54,000	-
Less: disagio	71	-
	<u>53,929</u>	<u>-</u>
Amortization of disagio	3	-
Balance as of 31 December	<u>53,932</u>	<u>-</u>
Cumulative amortization of disagio as at 31 December	<u>3</u>	<u>-</u>

On 24 September 2008 BASF Finance Europe N.V. received a loan for a total amount of € 54,000 less disagio for an amount of € 71, from Landesbank Baden-Württemberg as Joint-Lead-Manager for this loan. The loan will be repaid on 24 September 2013. The interest is based on 3-month Euribor with a mark-up of 0.6% and will be paid annually 3-monthly at first 24 December 2008. BASF SE is the guarantor for this loan.

2.5.5.8 6% Euro Bond 2008-2013

	2008	2007
	€	€
Balance as of 1 January	-	-
Bonds received	1,250,000	-
Less: disagio	7,750	-
	<u>1,242,250</u>	<u>-</u>
Amortization of disagio	105	-
Balance as of 31 December	<u>1,242,355</u>	<u>-</u>
Cumulative amortization of disagio as at 31 December	<u>105</u>	<u>-</u>

On 4 December 2008 BASF Finance Europe N.V. issued bonds at the Luxembourg Stock Exchange and Frankfurter Stock Exchange for a total amount of € 1,250,000 less disagio for an amount of € 7,750, through Barclays Bank PLC, Deutsche Bank AG, Société Générale France, BNP PARIBAS and HSBC Bank plc as Joint-Lead-Manager for these bonds. The bonds will be repaid on 4 December 2013. The interest amounts to 6% annual and will be paid at first 4 December 2009. BASF SE is the guarantor for these bonds.

2.5.6 Current Liabilities

The accounts payable are due within one year. The other payables consist of accrued interest with a short term nature.

	<u>2008</u>	<u>2007</u>
	€	€
Other payables		
Payable interest	32,102	26,083
Creditors	-	10
Other payables	5	7
	<u>32,107</u>	<u>26,100</u>

2.6 Notes to the income statement for 2008

2.6.1 Interest income

	2008	2007
	€	€
1) Interest income BASF Antwerpen N.V.	27,781	9,732
2) Interest income BASF Antwerpen N.V.	52,803	13,994
3) Interest income BASF Antwerpen N.V.	12,561	2,128
4) Interest income BASF Corporation	-	17,247
5) Interest income BASF Antwerpen N.V.	4,003	-
6) Interest income BASF Antwerpen N.V.	2,939	-
7) Interest income BASF Antwerpen N.V.	7,915	-
8) Interest income BASF Antwerpen N.V.	853	-
9) Interest income BASF Antwerpen N.V.	6,041	-
10) Interest income others	136	171
Total interest income	115,032	43,272

2.6.2 Interest and similar expense

	2008	2007
	€	€
1) Interest Bank of America Securities LLC and Morgan Stanley & Co. Inc.	26,218	25.311
2) Interest 5% Euro bond 2007-2014	50,610	13.490
3) Interest 5% Euro bond 2007-2014	12,195	2.047
4) Interest 3.25% CHF bond 2008-2011	3,733	-
5) Interest 3.625% CHF bond 2008-2015	2,757	-
6) Interest Landesbank Baden-Wurtemberg	7,657	-
7) Interest Landesbank Baden-Wurtemberg	825	-
8) Interest 6% Euro bond 2008-2013	5,859	-
9) Interest expense others	52	129
Total interest expense	109,906	40,977

2.6.3 General and administrative expenses

The general and administrative expenses include the auditing fees.

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated entities:

Fees of the auditor	2008	2007
	€	€
Statutory audit of annual accounts	4	4
Other assurance services	-	-
Tax advisory services	-	-
Other non-auditing services	-	-
	<u>4</u>	<u>4</u>

2.6.4 Taxation

Taxations consist of current income tax. The effective tax rate of 24.5% (2007: 29.6%) is equal to the prevailing tax rates for 2008 in The Netherlands (20% over profits up till and including EUR 275,000 and 25.5% for profit in excess of EUR 275,000).

2.6.5 Employees

The average number of employees during the year, converted to full-time equivalents, is 0 (2007: 0) .

2.6.6 Transactions with related parties

Transactions with related parties include only the loans as presented under financial fixed assets. Other than that there are no transactions with related parties.

2.6.7 Remuneration directors

During the year the directors did not receive any remuneration.

Prepared on 28 April 2009

Management Board:

Signed by

Signed by

G.A.D. van der Lubbe

W.D. Starp

3 Other information

3.1 Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of BASF Finance Europe N.V., Arnhem, which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BASF Finance Europe N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Arnhem, 28 April 2009

KPMG ACCOUNTANTS N.V.

J.G.R. Wilmink RA

3.2 Subsequent events

Loans to group companies

On February 9, 2009, the Company issued two subordinated loans to BASF Antwerpen N.V. for a total amount of EUR € 1,500,000 (€ 500,000 and € 1,000,000) at 5,125% interest per annum plus the applicable spread. The loans must be repaid in full on June 9, 2015.

On February 24, 2009, the Company issued a subordinated loan at BASF Antwerpen N.V. for a total amount of EUR € 150,000 at 5,125% interest per annum plus the applicable spread. The loan must be repaid in full on February 24, 2016.

Bonds

On February 9, 2009, the Company has received a loan, amounting to € 1,500,000 at 5,125% interest. The loan must be repaid on 9 June 2015. The loan is part of the DIP program.

On February 24, 2009, the Company has received a loan, amounting to € 150,000 at 4,500% interest. The loan must be repaid on 24 February 2016. The loan is part of the DIP program.

3.3 Provisions in the articles of association governing the appropriation of profit

Article 20 of the Articles of Association states the following concerning the appropriation of profit:

The profit will be at the disposal of the General Meeting of Shareholders. The General Meeting of Shareholders can decide to pay an interim dividend.

3.4 Proposed profit appropriation for the financial year 2008

The Annual General Meeting of Shareholders will be recommended to add the entire profit after tax for 2008 to the other reserves.