



The Chemical Company

**BASF Finance Europe N.V.**  
**Arnhem**

**Semi-annual report 2011**

## Semi-annual report 2011

### 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. 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 on the payroll and receives services through other BASF group companies.

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 group internal financing purposes. Currency risks for these loans/notes, if any, are passed on to other group companies. All loan/note programs are conducted under a guarantee of the parent company BASF SE.

On 7 September 2007 the Company established a so-called Debt Issuance Program (hereinafter: DIP)<sup>1</sup>. 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 an aggregate amount of € 10.000.000.000. On 4 September 2009, the maximum aggregate principal amount of the notes outstanding at any time under the DIP was increased to € 15.000.000.000. Notes issued by the Company under the DIP have 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. Notes issued under the DIP can be listed for trading on the regulated market of the Luxembourg Stock Exchange and other European stock exchanges.

### Notes overview DIP

In 2007, 2008 and 2009 the following Notes were issued by the company under the DIP.

<i>Date</i>	<i>Interest rate</i>		<i>€</i>
26/sep/07	5,000%		1.000.000.000
31/okt/07	5,000%		250.000.000
3/jun/08	3,250%	CHF 300.000.000	186.219.739
3/jun/08	3,625%	CHF 200.000.000	124.146.493
4/dec/08	6,000%		1.250.000.000
9/feb/09	5,125%		1.500.000.000
24/feb/09	4,500%		150.000.000
29/mei/09	5,125%		500.000.000
Issued loans			4.960.366.232

The company did not issue any notes in 2010 and during the first half of 2011.

<sup>1</sup> More detailed information can be found on the BASF internet site:  
<http://www.basf.com/group/corporate/en/investor-relations/creditor-relations/index>

## Outside DIP

Outside the DIP program, the following loans were taken in 2008 which are also guaranteed by BASF SE.

<i>Date</i>	<i>Interest rate</i>	€
24/sep/08	3-Month Euribor + 0,600%	500.000.000
24/sep/08	3-Month Euribor + 0,600%	54.000.000
Issued loans		<u>554.000.000</u>

The company did not take other loans or issue other notes.

## Result

The Company has completed the half year with a positive result of € 1.331.000 (2010 € 1.367.000).

The fluctuations in exchange rates for the EURO vs. the Swiss Franc (1,2504 at the end of the year 2010 and 1,2071 at June 30, 2011) did not have a substantial influence on the Company's result.

The development of interest rates had no impact on the result of the Company as the rates on the major part of the financing were fixed. Interest rate risks from financings with floating interest rates were passed on to other BASF Group companies with loans having a fixed margin. In the first half of 2011 the Company did not use financial derivatives.

## Risk Report

The risk management goal of BASF Finance Europe N.V. 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 continued existence of the Company.

### 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 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 variable-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.

### **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 using derivative instruments. The fluctuations of the exchange rates for the EURO vs. the Swiss Franc did not have any substantial influence on the result of the Company.

### **Current ratio**

The current ratio as per June 30, 2011 measured as Current Assets / Current Liabilities amounts to 1,11 (31-12-2010: 1,03). The increase in the ratio is due to the effect of the increase of the interest accrual.

### **Solvency ratio**

The solvency ratio as per June 30, 2011 measured as Stockholders' Equity / Total of Liabilities amounts to 0,00 (31-12-2010: 0,00).

### **Outlook 2011**

In 2011, we plan to keep the current loans and bonds which are not due in 2011 and repay the bonds and taken loans which are due. If new applications for financing will be received during the course of 2011, BASF Finance Europe N.V. will decide if, how and where to issue new bonds or to take or provide new loans.

### **Internal control**

The Board of Management is responsible for the establishment and adequate functioning of internal control in the Company. Consequently, the Board of Management has implemented a range of processes designed to provide control by the Board of Management 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 we have identified and managed the significant risks of the Company and that we meet our operational and financial objectives in compliance with applicable laws and regulations.

While we routinely work towards continuous improvement of our processes and procedures regarding financial reporting, the Board of Management is of the opinion that, as regards financial reporting risks, the internal risk management and control systems:

- provide a reasonable level of assurance that the financial reporting in this 2011 semi-annual report does not contain any errors of material importance.
- have worked properly in the first half year of 2011.

### 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 semi-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 semi-annual report gives a true and fair view of the position as per 30 June 2011 and the development during the financial year of BASF Finance Europe N.V. and
- The semi-annual report describes the principal risks BASF Finance Europe N.V. is facing.

Arnhem, August 22, 2011

Board of Management:

  
G.A.D. van der Lubbe

  
T. Dratt

## 2. Financial statements

### 2.1 Balance sheet as at 30 June 2011 (€ x 1.000 before appropriation of result)

		<u>30 June 2011</u>	<u>31 Dec. 2010</u>
<b>NON CURRENT ASSETS</b>			
<b>Financial non-current assets</b>	2.5.1.		
Loans to group companies		5.367.796	5.361.524
<b>CURRENT ASSETS</b>			
<b>Accounts receivable and prepayments</b>	2.5.2.		
Accounts receivable from group companies		115.512	104.336
Loans to group companies		-	239.815
Other receivables		<u>1</u>	<u>7</u>
		115.513	344.158
		<u><u>5.483.309</u></u>	<u><u>5.705.682</u></u>

**Balance sheet as at 30 June 2011**  
(€ x 1.000 before appropriation of result)

		<u>30 June 2011</u>	<u>31 Dec. 2010</u>
<b>SHAREHOLDERS' EQUITY</b>	2.5.3		
Capital Stock		2.087	2.087
Stock premium reserve		2.513	2.513
Other reserves		7.039	4.359
Unappropriated result		<u>1.331</u>	<u>2.680</u>
		12.970	11.639
<b>NON CURRENT LIABILITIES</b>	2.5.4		
Notes/loans payable		5.366.339	5.359.867
<b>CURRENT LIABILITIES</b>	2.5.5		
Income tax	2.5.5.1	124	472
Bonds	2.5.5.2	-	239.794
Accruals	2.5.5.3	<u>103.876</u>	<u>93.910</u>
		104.000	334.176
		<u><u>5.483.309</u></u>	<u><u>5.705.682</u></u>



**2.2 Income statement for the period January 1<sup>st</sup> – June 30,**  
(€ x 1.000)

		<u>2011</u>	<u>2010</u>
Interest and similar income	2.6.1	140.125	138.635
Interest and similar expense	2.6.2	(134.156)	(132.679)
		<u>5.969</u>	<u>5.956</u>
<b>Gross income from financing activities</b>			
General and administrative expenses	2.6.3	(4.187)	(4.146)
		<u>1.782</u>	<u>1.810</u>
Result before taxation			
Income tax expense	2.6.4	(451)	(443)
		<u>1.331</u>	<u>1.367</u>
<b>Net result</b>		<b><u>1.331</u></b>	<b><u>1.367</u></b>

**2.3 Cash flow statement for the period January 1<sup>st</sup> – June 30, 2011**  
(€ x 1.000)

	<u>30-6-2011</u>	<u>31-12-2010</u>
Result before taxation	1.331	3.535
Change in other working capital	<u>(4.174)</u>	<u>(14.974)</u>
	<b>(2.843)</b>	<b>(11.439)</b>
Interest paid	(130.998)	(266.325)
Interest received	134.613	278.721
Corporate income tax paid	<u>(772)</u>	<u>(957)</u>
	<b>2.843</b>	<b>11.439</b>
<b>Net cash flow from operating activities</b>	<b>-</b>	<b>-</b>
<b>Net cash flow from investing activities</b>	<b>-</b>	<b>-</b>
Repayment Financial Assets	245.962	3.114
Issued Financial Assets	<u>-</u>	<u>-</u>
<b>Net cash flow from financing activities</b>	<b>245.962</b>	<b>3.114</b>
Repayment Financial Liabilities	(245.962)	(3.114)
Proceeds Financial Liabilities	<u>-</u>	<u>-</u>
	<b>(245.962)</b>	<b>(3.114)</b>
<b>Changes in cash &amp; cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash &amp; cash equivalents January 1</b>	<b>-</b>	<b>-</b>
<b>Cash &amp; cash equivalents December 31</b>	<b>-</b>	<b>-</b>
<b>Changes in cash &amp; cash equivalents</b>	<b>-</b>	<b>-</b>

## **2.4 Notes to the 2011 semi-annual financial statements**

### **2.4.1 General**

All amounts are in € 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. is included in the group financial statements of BASF SE in Ludwigshafen, Germany which can be found on the following site:

<http://www.basf.com/group/corporate/en/investor-relations/news-publications/reports/index>

#### **2.4.1.2 Activities**

The activities of BASF Finance Europe N.V. 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.

### **2.4.2 Basis of preparation**

The semi-annual financial statements have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code. The principles adopted for the valuation of assets and liabilities and determination of the results 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.

#### **2.4.2.1 Accounting principles**

The accounting policies have remained unchanged since last year.

The preparation of the semi-annual 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.

### 2.4.3 Financial instruments

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

Financial instruments also include derivative financial instruments (derivatives) embedded in contracts. These derivatives will be separated from the host contract and accounted for as a separate financial instrument if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value with changes in fair value recognized in profit or loss.

If derivatives embedded in contracts are not separated from the host contract they are recognized in accordance with the host contract.

Financial instruments, including stand alone derivatives as well as derivatives separated from the host contracts, are initially recognized at fair value. 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 method, less impairment losses. The loans and receivables with a remaining time to maturity that exceeds 12 months are presented as financial fixed assets. Interest income and expense, based on the effective interest method are accounted for in the net interest margin within the income statement.

#### **Bonds issued, loans received and other payables**

Bonds/notes, loans and other financial commitments are carried at amortized cost using the effective interest rate method. The bonds/notes and loans with a remaining time to maturity that exceeds 12 months are presented as long term liabilities. Interest income/expense, based on the effective interest method, is accounted for under the gross income from financing activities within the income statement.

### 2.4.4 Income tax

Income tax expense comprises current and deferred tax. 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.

#### **2.4.5 Foreign currency translation**

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 and notes. The financing obtained through some of those bonds is denominated in CHF. BASF Finance Europe N.V. in its turn has issued loans to group companies, for the same amount and denominated in the same currency as the bonds mentioned above. 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 BASF Finance Europe N.V.

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 general and administrative expenses.

The fluctuations in exchange rates for the EURO vs. the Swiss Franc (1,2504 at the end of the year 2010 and 1,2071 at June 30, 2011) did not have a substantial influence on the Companies result.

#### **2.4.6 Notes to the cash flow statement**

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet items cash at banks and in hand. Cash flows in foreign currencies have been translated at the weighted average exchange rates. Receipts and payments of interest, dividends received and corporate income tax are included in the cash flow from operating activities.

#### **2.4.7 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. For measurement and disclosure purposes, the fair value is determined.

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.

## 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

	<u>30-6-2011</u>	<u>31-12-2010</u>
1) Loan 2, BASF Antwerpen N.V.	1.000.000	1.000.000
2) Loan 3, BASF Antwerpen N.V.	250.000	250.000
3) Loan 6, BASF Antwerpen N.V.	164.863	159.059
4) Loan 7, BASF Antwerpen N.V.	499.528	499.427
5) Loan 8, BASF Antwerpen N.V.	53.967	53.960
6) Loan 9, BASF Antwerpen N.V.	1.245.952	1.245.186
7) Loan 10a, BASF Antwerpen N.V.	496.888	496.538
8) Loan 10b, BASF SE	993.776	993.076
9) Loan 11, BASF SE	149.637	149.604
10) Loan 12, BASF Nederland B.V.	513.185	514.674
<b>Balance as at balance sheet date</b>	<b><u>5.367.796</u></b>	<b><u>5.361.524</u></b>

#### 2.5.1.1.1 Loan 2, BASF Antwerpen N.V.

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	1.000.000	1.000.000
<b>Balance as at balance sheet date</b>	<b><u>1.000.000</u></b>	<b><u>1.000.000</u></b>

This loan has been issued on 26 September 2007 to BASF group company BASF Antwerpen N.V. for a total amount of € 1.000.000 and a term of 7 years. The interest rate amounts to 5,09% per annum plus the applicable spread of 0,1903% . The effective interest amounts to 5,2803%. The loan shall be repaid in full on 26 September 2014.

#### 2.5.1.1.2 Loan 3, BASF Antwerpen N.V.

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	250.000	250.000
<b>Balance as at balance sheet date</b>	<b><u>250.000</u></b>	<b><u>250.000</u></b>

This loan has been issued on 31 October 2007 to BASF group company BASF Antwerpen N.V. for a total amount of € 250.000 and a term of 6 years and 11 months. The interest rate amounts to 4,834% per annum plus the applicable spread of 0,1903% . The effective interest amounts to 5,0243%. The loan shall be repaid in full on 26 September 2014.

### 2.5.1.1.3 Loan 6, BASF Antwerpen N.V.

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	159.060	133.903
Amortization of disagio	93	167
Exchange rate difference	5.710	24.990
<b>Balance as at balance sheet date</b>	<u>164.863</u>	<u>159.060</u>
Cumulative amortization of disagio as at balance sheet date	486	393

This loan 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 of 0,1903%. The effective interest amounts to 3,9404%. The loan shall be repaid in full on 3 June 2015.

### 2.5.1.1.4 Loan 7, BASF Antwerpen N.V.

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	499.427	499.223
Amortization of disagio	101	204
<b>Balance as at balance sheet date</b>	<u>499.528</u>	<u>499.427</u>
Cumulative amortization of disagio as at balance sheet date	553	452

This loan has been issued on 24 September 2008 to BASF group company BASF Antwerpen N.V. for a total amount of € 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 of 0,1903%. The effective interest amounts to 1,5987%. The loan shall be repaid in full on 24 September 2013.

**2.5.1.1.5 Loan 8, BASF Antwerpen N.V.**

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	53.960	53.946
Amortization of disagio	7	14
<b>Balance as at balance sheet date</b>	<u><u>53.967</u></u>	<u><u>53.960</u></u>
Cumulative amortization of disagio as at balance sheet date	38	31

This loan has been issued on 24 September 2008 to BASF group company BASF Antwerpen N.V. for a total amount of € 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 of 0,1903% . The effective interest amounts to 1,5842%. The loan shall be repaid in full on 24 September 2013.

**2.5.1.1.6 Loan 9, BASF Antwerpen N.V.**

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	1.245.186	1.243.727
Amortization of disagio	766	1.459
<b>Balance as at balance sheet date</b>	<u><u>1.245.952</u></u>	<u><u>1.245.186</u></u>
Cumulative amortization of disagio as at balance sheet date	3.702	2.936

This loan 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 of 0,1903% . The effective interest amounts to 6,3070%. The loan shall be repaid in full on 4 December 2013.



**2.5.1.1.7 Loan 10a, BASF Antwerpen N.V.**

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	496.538	495.866
Amortization of disagio	350	672
<b>Balance as at balance sheet date</b>	<u>496.888</u>	<u>496.538</u>
Cumulative amortization of disagio as at balance sheet date	1.593	1.243

This loan has been issued on 9 February 2009 to BASF group company BASF Antwerpen N.V. for a total amount of € 500.000 less disagio for an amount of € 4.705, and a term of 6 years and 4 months. The interest rate amounts to 5,125% per annum plus the applicable spread of 0,2503% . The effective interest amounts to 5,5096%. The loan shall be repaid in full on 9 June 2015.

**2.5.1.1.8 Loan 10b, BASF SE**

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	993.076	991.733
Amortization of disagio	700	1.343
<b>Balance as at balance sheet date</b>	<u>993.776</u>	<u>993.076</u>
Cumulative amortization of disagio as at balance sheet date	3.186	2.486

This loan relates has been issued on 9 February 2009 to BASF SE for a total amount of € 1.000.000 less disagio for an amount of € 9.410, and a term of 6 years and 4 months. The interest rate amounts to 5,125% per annum plus the applicable spread of 0,2503% . The effective interest amounts to 5,5096%. The loan shall be repaid in full on 9 June 2015.

#### 2.5.1.1.9 Loan 11, BASF SE

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	149.604	149.537
Amortization of disagio	33	67
<b>Balance as at balance sheet date</b>	<u>149.637</u>	<u>149.604</u>
Cumulative amortization of disagio as at balance sheet date	154	121

This loan has been issued on 24 February 2009 to BASF SE for a total amount of € 150.000 less disagio for an amount of € 517, and a term of 7 years. The interest rate amounts to 4,5% per annum plus the applicable spread of 0,2503% . The effective interest amounts to 4,7947%. The loan shall be repaid in full on 24 February 2016.

#### 2.5.1.1.10 Loan 12, BASF Nederland B.V.

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	514.674	517.598
Amortization of disagio	(1.489)	(2.924)
<b>Balance as at balance sheet date</b>	<u>513.185</u>	<u>514.674</u>
Cumulative amortization of disagio as at balance sheet date	(6.105)	(4.616)

This loan has been issued on 29 May 2009 to BASF group company BASF Nederland B.V. for a total amount of € 500.000 plus agio for an amount of € 19.290, and a term of 6 years and 12 days. The interest rate amounts to 5,125% per annum plus the applicable spread of 0,2503% . The effective interest amounts to 4,7904%. The loan shall be repaid in full on 9 June 2015.

#### 2.5.2 Accounts receivable and prepayments

The accounts receivable from group companies and other receivables are due within one year. The accounts receivable from group companies contain interest receivables relating to the loans granted to group companies as well as the repayment within one year of loans granted. On June 3rd, 2011 loan 5 was fully repaid.

### 2.5.3 Shareholders' equity

The changes in the shareholders' equity are as follows:

	Capital stock	Stock premium reserve	Other reserves	Unappro- priated result	Total
<b>1 January 2010</b>	2.087	2.513	1.864	2.495	8.959
Addition to other reserves	-	-	2.495	(2.495)	-
Net result for financial year	-	-	-	2.680	2.680
<b>31 December 2010</b>	2.087	2.513	4.359	2.680	11.639
Addition to other reserves	-	-	2.680	(2.680)	-
Net result for financial year	-	-	-	1.331	1.331
<b>30 June 2011</b>	<b>2.087</b>	<b>2.513</b>	<b>7.039</b>	<b>1.331</b>	<b>12.970</b>

#### 2.5.3.1 Authorized and issued capital

The authorized and issued capital of the Company amounts to € 2.086.825 (2010: € 2.086.825) consisting of 46,375 ordinary shares with a nominal value of € 45 each.

#### 2.5.3.2 Other reserves

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

#### 2.5.4 Non current liabilities

	<u>30-6-2011</u>	<u>31-12-2010</u>
1) Loan 2, 5% Euro bond 2007-2014	997.370	997.003
2) Loan 3, 5% Euro bond 2007-2014	251.173	251.338
3) Loan 6, 3,625% CHF bond 2008-2015	164.858	159.056
4) Loan 7, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	499.530	499.427
5) Loan 8, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	53.967	53.960
6) Loan 9, 6% Euro bond 2008-2013	1.245.960	1.245.194
7) Loan 10, 5,125% Euro bond 2009-2015	1.490.687	1.489.636
8) Loan 11, 4,5% Euro bond 2009-2016	149.639	149.604
9) Loan 12, 5,125% Euro bond 2009-2015	513.155	514.649
<b>Balance as at balance sheet date</b>	<b><u>5.366.339</u></b>	<b><u>5.359.867</u></b>

#### Prepayment schedule 1- 5 years and more than 5 years.

	<u>Total</u>	<u>2012 up to and including 2015</u>	<u>2016 and later</u>
1) Loan 2, 5% Euro bond 2007-2014	997.370	997.370	-
2) Loan 3, 5% Euro bond 2007-2014	251.173	251.173	-
3) Loan 6, 3,625% CHF bond 2008-2015	164.858	164.858	-
4) Loan 7, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	499.530	499.530	-
5) Loan 8, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	53.967	53.967	-
6) Loan 9, 6% Euro bond 2008-2013	1.245.960	1.245.960	-
7) Loan 10, 5,125% Euro bond 2009-2015	1.490.687	1.490.687	-
8) Loan 11, 4,5% Euro bond 2009-2016	149.639	-	149.639
9) Loan 12, 5,125% Euro bond 2009-2015	513.155	513.155	-
<b>Total</b>	<b><u>5.366.339</u></b>	<b><u>5.216.700</u></b>	<b><u>149.639</u></b>

#### 2.5.4.1 Loan 2, 5% Euro Bond 2007-2014

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	997.003	996.290
Amortization of disagio	367	713
<b>Balance as at balance sheet date</b>	<u>997.370</u>	<u>997.003</u>
Cumulative amortization of disagio as at balance sheet date	2.570	2.203

On 26 September 2007 BASF Finance Europe N.V. issued bonds 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% (effective interest 5,0713%) and will be paid annually. BASF SE is the guarantor for these bonds.

#### 2.5.4.2 Loan 3, 5% Euro Bond 2007-2014

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	251.338	251.659
Amortization of agio	(165)	(321)
<b>Balance as at balance sheet date</b>	<u>251.173</u>	<u>251.338</u>
Cumulative amortization of agio as at balance sheet date	58	(107)

On 31 October 2007 BASF Finance Europe N.V. issued bonds 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% (effective interest 4,8715%) and will be paid annually. BASF SE is the guarantor for these bonds.

#### 2.5.4.3 Loan 6, 3,625% CHF Bond 2008-2015

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	159.056	133.901
Amortization of disagio	92	165
Exchange rate difference	5.710	24.990
<b>Balance as at balance sheet date</b>	<u><u>164.858</u></u>	<u><u>159.056</u></u>
Cumulative amortization of disagio as at balance sheet date	481	389

On 3 June 2008 BASF Finance Europe N.V. issued bonds 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, ABN AMRO BANK N.V. Amsterdam, Zurich Branch, and UBS AG as Joint-Lead-Managers for these bonds. The bonds will be repaid on 3 June 2015. The interest amounts to 3,625% (effective interest 3,7491%) and will be paid annually. BASF SE is the guarantor for these bonds.

#### 2.5.4.4 Loan 7, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	499.427	499.223
Amortization of disagio	103	204
<b>Balance as at balance sheet date</b>	<u><u>499.530</u></u>	<u><u>499.427</u></u>
Cumulative amortization of disagio as at balance sheet date	555	452

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 several participating banks with Landesbank Baden-Württemberg as Sole-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%, is paid 3-monthly and was paid for the first time at 24 December 2008. BASF SE is the guarantor for this loan. The effective interest over 2010 amounts to 1,4058%.

#### 2.5.4.5 Loan 8, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	53.960	53.946
Amortization of disagio	7	14
<b>Balance as at balance sheet date</b>	<u>53.967</u>	<u>53.960</u>
Cumulative amortization of disagio as at balance sheet date	38	31

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 several participating banks with Landesbank Baden-Württemberg as Sole-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%, is paid 3-monthly and was paid for the first time at 24 December 2008. BASF SE is the guarantor for this loan. The effective interest over 2010 amounts to 1,3915%.

#### 2.5.4.6 Loan 9, 6% Euro Bond 2008-2013

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	1.245.194	1.243.732
Amortization of disagio	766	1.462
<b>Balance as at balance sheet date</b>	<u>1.245.960</u>	<u>1.245.194</u>
Cumulative amortization of disagio as at balance sheet date	3.710	2.944

On 4 December 2008 BASF Finance Europe N.V. issued bonds 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-Managers for these bonds. The bonds will be repaid on 4 December 2013. The interest amounts to 6% annual (effective interest 6,1170%) and was paid for the first time at 4 December 2009. BASF SE is the guarantor for these bonds.

#### 2.5.4.7 Loan 10, 5,125% Euro bond 2009-2015

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	1.489.636	1.487.611
Amortization of disagio	1.051	2.025
<b>Balance as at balance sheet date</b>	<u>1.490.687</u>	<u>1.489.636</u>
Cumulative amortization of disagio as at balance sheet date	4.802	3.751

On 9 February 2009 BASF Finance Europe N.V. issued bonds for a total amount of € 1.500.000 less disagio for an amount of € 14.115, through Barclays Bank PLC, Deutsche Bank AG, Société Générale France, BNP PARIBAS and HSBC Bank PLC as Joint-Lead-Managers for these bonds. The bonds will be repaid on 9 June 2015. The interest amounts to 5,125% annual (effective interest 5,2600%) and was paid for the first time at 9 June 2009. BASF SE is the guarantor for these bonds.

#### 2.5.4.8 Loan 11, 4,5% Euro bond 2009-2016

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	149.604	149.537
Amortization of disagio	35	67
<b>Balance as at balance sheet date</b>	<u>149.639</u>	<u>149.604</u>
Cumulative amortization of disagio as at balance sheet date	156	121

On 24 February 2009 BASF Finance Europe N.V. issued bonds for a total amount of € 150.000 less disagio for an amount of € 517, through Commerzbank AG. The bonds will be repaid on 24 February 2016. The interest amounts to 4,5% annual (effective interest 4,5446%) and will be paid for the first time at 24 February 2010. BASF SE is the guarantor for these bonds.



#### 2.5.4.9 Loan 12, 5,125% Euro bond 2009-2015

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>Balance as of 1 January</b>	514.649	517.588
Amortization of disagio	(1.494)	(2.939)
<b>Balance as at balance sheet date</b>	<u>513.155</u>	<u>514.649</u>
Cumulative amortization of disagio as at balance sheet date	(6.135)	(4.641)

On 29 May 2009 BASF Finance Europe N.V. issued bonds for a total amount of € 1.500.000 with agio for an amount of € 19.290, through Société Générale France, BNP PARIBAS and Royal Bank of Scotland as Joint-Lead-Managers for these bonds. The bonds will be repaid on 9 June 2015. The interest amounts to 5,125% annual (effective interest 4,5374%) and was paid for the first time at 9 June 2009. BASF SE is the guarantor for these bonds.

#### 2.5.5 Current liabilities

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

On June 3rd, 2011 loan 5 was fully repaid.

	<u>30-6-2011</u>	<u>31-12-2010</u>
<b>2.5.5.1</b>		
<b>Income tax</b>		
Balance as of 1 January	472	440
To be paid for the year	435	855
To be paid for previous years	(11)	134
Paid	<u>(772)</u>	<u>(957)</u>
Balance as of 31 December	124	472
<b>2.5.5.2</b>		
<b>Bonds</b>		
Loan 5	<u>-</u>	<u>239.794</u>
	-	239.794
<b>2.5.5.3</b>		
<b>Accruals</b>		
Payable interest	103.870	93.910
Other payables	<u>6</u>	<u>-</u>
	103.876	93.910
<b>Total current liabilities</b>	<u>104.000</u>	<u>334.176</u>

## 2.6 Notes to the income statement for the period January 1<sup>st</sup> until June 30,

### 2.6.1 Interest and similar income

	<u>2011</u>	<u>2010</u>
1) Loan 1, Interest income BASF Antwerpen N.V.	-	8
2) Loan 2, Interest income BASF Antwerpen N.V.	26.185	26.185
3) Loan 3, Interest income BASF Antwerpen N.V.	6.229	6.229
4) Loan 5, Interest income BASF Antwerpen N.V.	3.564	3.736
5) Loan 6, Interest income BASF Antwerpen N.V.	3.106	2.743
6) Loan 7, Interest income BASF Antwerpen N.V.	4.913	3.782
7) Loan 8, Interest income BASF Antwerpen N.V.	527	405
8) Loan 9, Interest income BASF Antwerpen N.V.	39.137	39.091
9) Loan 10a, Interest income BASF Antwerpen N.V.	13.677	13.659
10) Loan 10b, Interest income BASF SE	27.355	27.318
11) Loan 11, Interest income BASF SE	3.568	3.566
12) Loan 12, Interest income BASF Nederland B.V.	11.839	11.905
13) Interest income others	25	8
<b>Total interest income</b>	<u><u>140.125</u></u>	<u><u>138.635</u></u>

### 2.6.2 Interest and similar expense

	<u>2011</u>	<u>2010</u>
1) Interest Bank of America Securities LLC and Morgan Stanley & Co. Inc.	-	5
2) Loan 2, Interest 5% Euro bond 2007-2014	25.161	25.143
3) Loan 3, Interest 5% Euro bond 2007-2014	6.034	6.041
4) Loan 5, Interest 3,25% CHF bond 2008-2011	3.371	3.534
5) Loan 6, Interest 3,625% CHF bond 2008-2015	2.955	2.610
6) Loan 7, Interest Landesbank Baden-Wurtemberg 2008-2013	4.435	3.304
7) Loan 8, Interest Landesbank Baden-Wurtemberg 2008-2013	475	353
8) Loan 9, Interest 6% Euro bond 2008-2013	37.958	37.913
9) Loan 10, Interest 5,125% Euro bond 2009-2015	39.173	39.120
10) Loan 11, Interest 5,125% Euro bond 2009-2015	3.381	3.380
11) Loan 12, Interest expense others (due to payable taxes)	11.213	11.276
<b>Total interest expense</b>	<u><u>134.156</u></u>	<u><u>132.679</u></u>

### 2.6.3 General and administrative expenses

	<u>30-6-2011</u>	<u>30-6-2010</u>
Guarantee fees	4.115	4.165
Other	72	(19)
	<u>4.187</u>	<u>4.146</u>

The other general and administrative expenses include the auditing fees and the exchange rate differences.

### 2.6.4 Taxation

Income tax expense consists of current income tax. The effective tax rate of 25,3% (30-06-2010: 24,2%) is not equal to the prevailing tax rates for 2010 (20% first € 200.000, 25% over the rest) in The Netherlands. This is due to a repayment over previous years.

### 2.6.5 Employees

The average number of employees during this half year, converted to full-time equivalents, is 0 (2010: 0).

### 2.6.6 Remuneration directors

During the first half year the directors did not receive any remuneration.

### 2.6.7 Transactions with related parties

Transactions with related parties include the loans as presented under financial fixed assets, interest and guarantee fees. All transactions are at arm's length. There are no other transactions with related parties. The Company has not issued loans to members of the Management board.

### 2.6.8 Financial risk management

#### 2.6.8.1 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 at bank and in hand), interest-bearing long term and current liabilities (including bonds, notes and bank loans) as well as derivative financial instruments.

The Company does not trade financial derivatives and follows procedures and lines of conduct to limit the size of the credit risk with each counterparty and market. If a counter party fails to meet its payment obligations to the Company, the expected losses are limited to the fair value of the instruments in question. The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit or market risks.

#### 2.6.8.2 Credit risk

All of the receivables of the Company are held with related parties, which are all concentrated with group companies.

In general the management of the Company tends to assess and review credit risk for counterparties within the Group.

### **2.6.8.3 Interest rate risk**

The Company is exposed to interest rate cash flow risk regarding floating interest rates on receivables and liabilities. For fixed rate interest bearing receivables and liabilities the Company is exposed to fair value interest rate risk. 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 loans obtained to the desired profile. The interest rate policy is determined by BASF Group. Derivative financial instruments are not used for speculative purposes. Per June 30, 2011 no derivative financial instruments are outstanding.

### **2.6.8.4 Currency risk**

The Company is exposed to foreign exchange risk on loans and receivables denominated in a currency other than Euro. 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. Forward exchange contracts and currency swap contracts may be entered into to adjust the currency of the payables and receivables to the desired currency. Derivative financial instruments are not used for speculative purposes.

The fluctuations in exchange rates for the EURO vs. the Swiss Franc (1,2504 at the end of the year 2010 and 1,2071 at June 30, 2011) did not have a substantial influence on the Companies result.

### **2.6.8.5 Liquidity risk**

Due to a cash-pooling agreement with BASF SE, BASF Finance Europe N.V. currently has access to sufficient liquidity reserves so that there is no danger of liquidity risk even if an unexpected and substantial cash-outflow occurs.


## **2.6.9 Off-balance sheet commitments**

### **2.6.9.1 Guarantees**

The ultimate mother company BASF SE is guarantor for all debt financing programs the Company enters into.

Prepared on August 22, 2011

Board of Management:

  
G.A.D. van der Lubbe

  
T. Dratt

### **3 Other information**

#### **3.1 Statutory rules concerning profit appropriation**

Article 24 of the articles of association includes that profits of the Company shall be at the disposal of the General Meeting. At the same time the article includes that the Company may distribute profits only if and to the extent that its shareholders' equity is greater than the aggregate of the paid and called-up part of the issued capital and the reserves, which must be maintained by law.

#### **3.2 Proposed profit appropriation for the financial year 2011**

At may 17<sup>th</sup>, 2011 the Annual General Meeting of Shareholders approved the annual accounts of 2010 and decided to add the entire result after tax for 2010 to the other reserves.  
The result after tax for the first half of 2011 is recognized under the unappropriated result in the shareholders' equity.

#### **3.3 Subsequent events**

There were no subsequent events known at the time of finalizing the semi-annual report.