



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

**Financial statements 2012**



**KPMG Audit**  
Document to which our report dated

**21 MAR 2013**

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**FINANCIAL REPORT**



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**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. Due to BASF group guidelines the Board of Managing directors is comprised of two natural persons. One is from the Netherlands company the other from the German parent company, both are male. For future changes of the Board of managing directors the Company will try to comply with 2:166 and 2:276 of the Netherlands civil code.

In 2007, BASF Group decided to increase the financing activities through the Company. The Company takes loans from and issues notes to the market for internal financing purposes. Currency risks for these loans/notes, if any, are passed on to other group companies. All 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). The maximum aggregate principal amount of the notes outstanding at any time under the DIP will not exceed € 15,000,000. 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.

**1.1 Notes overview DIP**

Date	Interest rate	€
September 26, 2007	5.000%	1,000,000
October 31, 2007	5.000%	250,000
June 3, 2008	3.625% CHF 200,000	165,673
December 4, 2008	6.000%	1,250,000
February 9, 2009	5.125%	1,500,000
February 24, 2009	4.500%	150,000
May 29, 2009	5.125%	500,000
Total issued bonds		4,815,673

**1.2 Outside DIP**

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

Date	Interest rate	€
September 24, 2008	3-Month Euribor + 0.600%	500,000
September 24, 2008	3-Month Euribor + 0.600%	54,000

Total issued promissory notes

554,000

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### 1.3 Result

The Company has completed the year with a positive result of € 2,445 (2011: € 2,643).

The fluctuations in exchange rates for the Euro vs. the Swiss Franc (1.2156 at the end of 2011 and 1.2072 at the end of 2012) added € 3 to the result of the Company.

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 financing with floating interest rates were passed on to other BASF group companies with loans with a fixed margin.

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

### 1.4 Risk Report

The risk management goal of the Company is to identify and evaluate risk 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.

#### 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. The liquidity policy is determined by BASF Group.

#### 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 three 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 using derivative instruments.

The fluctuations of the exchange rates for the Euro vs. the Swiss Franc did not have a substantial (€ 3) influence on the result of the Company.

#### Current ratio

The current ratio as per 2012 measured as Current Assets / Current Liabilities amounts to 1.0036 (2011: 1.1083).

#### Solvency ratio

The solvency ratio as per December 31, 2012 measured as **Stockholders' Equity** / Total of Liabilities amounts to 0.001 (2011: 0.002).

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## Outlook 2013

In 2013, the Company plans to keep the current loans and bonds which are not due in 2013 and repay the loans and bonds which are due. This will affect the interest income but not the profitability of the Company. If new applications for financing will be received during the course of 2013, the Company will decide if, how and where to issue new bonds or to take or provide new loans.

The Company conducts no, or plans to conduct, activities regarding researched and development.

The Company doesn't plan to have employees for the next year.

The Company doesn't intend to make investments in 2013.

## 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, as regards financial reporting risks, the internal risk management and control systems:

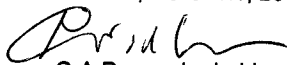
- provide a reasonable level of assurance that the financial reporting in this Annual Report does not contain any errors of material importance;
- have worked properly in 2012.

**1.5 Responsibility statement**

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

- the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the annual report gives a true and fair view of the position as per December 31, 2012 and the development during the financial year of the Company;
- the annual report describes the principal risks the Company is facing.

Arnhem, March 21, 2013

  
G.A.D. van der Lubbe  
Director  
T. Dratt  
DirectorKPMG Audit  
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**FINANCIAL STATEMENTS**



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**1 BALANCE AS PER DECEMBER 31, 2012**  
 (before appropriation of result)

	December 31, 2012		December 31, 2011	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b>Financial fixed assets</b>	(1)			
Loans to group companies		3,567,303		5,367,184
<b>CURRENT ASSETS</b>				
<b>Other receivables</b>	(2)	1,904,619		102,654
		<u>5,471,922</u>		<u>5,469,838</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
	(3)			
Issued capital		2,087		2,087
Share premium reserve		2,513		2,513
Other reserves		682		4,039
Unappropriated result		2,445		2,643
		<u>7,727</u>		<u>11,282</u>
<b>NON-CURRENT LIABILITIES</b>				
	(4)			
Non-current loans		3,566,479		5,365,938
<b>CURRENT LIABILITIES</b>				
	(5)			
Current portion long term loan		1,802,227		-
Corporate income tax		-		54
Accrued liabilities		95,489		92,564
		<u>1,897,716</u>		<u>92,618</u>
		<u>5,471,922</u>		<u>5,469,838</u>



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2 PROFIT & LOSS ACCOUNT FOR THE YEAR 2012

		2012		2011	
		€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Interest and similar income	(6)	273,648		280,220	
Interest and similar expense	(7)	262,116		268,355	
<b>Gross income from financing activities</b>			11,532		11,865
General and administrative expenses	(8)		8,263		8,333
<b>Result before taxation</b>			3,269		3,532
Corporate income tax expense	(9)		-824		-889
<b>Net result</b>			2,445		2,643



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### 3 CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31,2012

(According to the indirect method)

	2012		2011	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
<b>Net cash flow from operating activities</b>				
Result before taxation	3,269		3,532	
Adjustment interest result for acc.interest	-12,054		-12,176	
Adjustment interest result for amortization of borrowing costs	472		311	
Change current account with group companies	-40		-2,880	
Change in other current payable	-3,000		0	
Change in other working capital	16		32	
		<b>-11,337</b>		<b>-11,181</b>
Interest paid	-260,535		-271,517	
Interest received	272,774		283,990	
Corporate income tax paid	-902		-1,292	
		<b>11,337</b>		<b>11,181</b>
<b>Net cash flow from operating activities</b>		<b>0</b>		<b>0</b>
<b>Net cash flow from investing activities</b>				
Repayment Financial Assets	0		245,962	
<b>Net cash flow from investing activities</b>		<b>0</b>		<b>245,962</b>
<b>Net cash flow from financing activities</b>				
Repayment Financial Liabilities	0		-245,962	
Dividend payment	-6,000		-3,000	
Proceeds Financial Liabilities	6,000		3,000	
<b>Net cash flow from financing activities</b>		<b>0</b>		<b>-245,962</b>
<b>Changes in cash &amp; cash equivalents</b>		<b>-</b>		<b>-</b>
Cash & cash equivalents January 1	-		-	
Cash & cash equivalents December 31	-		-	
Changes in cash & cash equivalents	-		-	



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**4 NOTES TO THE 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.

**Company relations**

The Company is part of a group of companies led by BASF SE in Ludwigshafen, Germany.

**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 FINANCIAL STATEMENTS**

The financial statement 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 payables, and financial derivatives. For the principles of primary financial instruments, reference is made to the treatment per balance sheet item.

Upon first recognition, financial derivatives are recognised at fair value and then revalued at fair value as at balance sheet date.



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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, receivables and cash and cash equivalents 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 gross 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.

#### 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 has issued bonds and notes. The financing obtained through some of those bonds is denominated in CHF. The Company in its turn has issued loans to group companies, for the same amount and denominated in the same currency as the bonds issued on the aforementioned stock exchanges. 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.

The fluctuation in exchange rates for the Euro vs. the Swiss Franc (1.2072 at the end of 2012 and 1.2156 at the end of 2011) did not have a substantial influence on the result of the Company.



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**Determination of Fair Value**

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

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

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

**PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES****Financial fixed assets**

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

**Other receivables**

Other receivables are stated at amortized cost.

**Liabilities**

Liabilities are valued at amortized cost amounts.

**PRINCIPLES FOR THE DETERMINATION OF THE RESULT****Determination of the result**

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

**Interest and similar income**

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

**Taxation**

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.

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**PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT**

The cash flow statement has been prepared using the indirect method.  
The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered as highly liquid investments.

Cash flows in foreign currencies are translated at an calculated average rate.

Transactions that do not result in exchange of cash and cash equivalents, such as finance lease, are not presented in the cash flow statement.



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5 NOTES TO THE BALANCE SHEET AS PER DECEMBER 31, 2012

ASSETS

1. Financial fixed assets

	12/31/2012	12/31/2011
	€ x 1,000	€ x 1,000
<b>Loans to group companies</b>		
Loan 2, BASF Antwerpen N.V.	1,000,000	1,000,000
Loan 3, BASF Antwerpen N.V.	250,000	250,000
Loan 6, BASF Antwerpen N.V.	165,156	163,810
Loan 7, BASF Antwerpen N.V.	-	499,633
Loan 8, BASF Antwerpen N.V.	-	53,975
Loan 9, BASF Antwerpen N.V.	-	1,246,738
Loan 10a, BASF Antwerpen N.V.	497,996	497,247
Loan 10b, BASF SE	995,992	994,494
Loan 11, BASF SE	149,746	149,673
Loan 12, BASF Nederland B.V.	508,413	511,614
	<u>3,567,303</u>	<u>5,367,184</u>

*Loan 2, BASF Antwerpen N.V.*

	2012	2011
	€ x 1,000	€ x 1,000
Book value as at January 1	1,000,000	1,000,000
Book value as at December 31	<u>1,000,000</u>	<u>1,000,000</u>

This loan has been issued on September 26, 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 September 26, 2014.

*Loan 3, BASF Antwerpen N.V.*

Book value as at January 1	250,000	250,000
Book value as at December 31	<u>250,000</u>	<u>250,000</u>

This loan has been issued on October 31, 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 September 26, 2014.



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*Loan 6, BASF Antwerpen N.V.*

	2012	2011
	€ x 1,000	€ x 1,000
Book value as at January 1	163,810	159,060
Exchange rate difference	1,140	4,556
Amortization of disagio	206	194
Book value as at December 31	<u>165,156</u>	<u>163,810</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 793 (December 31, 2011 € 587)

This loan has been issued on June 3, 2008 to BASF group company BASF Antwerpen N.V. for a total amount of CHF 200,000 less disagio of CHF 1,688 (€ 166,251 less disagio of € 1,403) 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 2012 amounts to 3.9404%. The loan shall be repaid in full on June 3, 2015.

*Loan 7, BASF Antwerpen N.V.*

Book value as at January 1	499,633	499,426
Amortization of disagio	211	207
Reclass. to short term (including cum. amortization)	-499,844	-
Book value as at December 31	<u>-</u>	<u>499,633</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 869 (December 31, 2011 € 658)

This loan has been issued on September 24, 2008 to BASF group Company BASF Antwerpen N.V. for a total amount of € 500,000 less disagio of € 1,025 and a term of 5 years. The interest rate will be determined as the sum of 3-Month EURIBOR with a mark-up of 0.6% and the applicable spread of 0.1903%. The effective interest 2012 amounts to 1.9219%. The loan shall be repaid in full on September 24, 2013.

*Loan 8, BASF Antwerpen N.V.*

Book value as at January 1	53,975	53,960
Amortization of disagio	14	15
Reclass. to short term (including cum. amortization)	-53,989	-
Book value as at December 31	<u>-</u>	<u>53,975</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 59 (December 31, 2011 € 45)

This loan has been issued on September 24, 2008 to BASF group company BASF Antwerpen N.V. for a total amount of € 54,000 less disagio of € 71 and a term of 5 years. The interest rate will be determined as the sum of 3-Month EURIBOR with a mark-up of 0.6% and the applicable spread of 0.1903%. The effective interest 2012 amounts to 1.9066%. The loan shall be repaid in full on September 24, 2013.



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*Loan 9, BASF Antwerpen N.V.*

	2012	2011
	€ x 1,000	€ x 1,000
Book value as at January 1	1,246,738	1,245,186
Amortization of disagio	1,650	1,552
Reclass. to short term (including cum. amortization)	-1,248,388	-
Book value as at December 31	<u>-</u>	<u>1,246,738</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 6,138 (December 31, 2011 € 4,488)

This loan has been issued on December 4, 2008 to BASF group Company BASF Antwerpen N.V. for a total amount of € 1,250,000 less disagio 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 2012 amounts to 6.3070%. The loan shall be repaid in full on December 4, 2013.

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

Book value as at January 1	497,247	496,538
Amortization of disagio	749	709
Book value as at December 31	<u>497,996</u>	<u>497,247</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 2,703 (December 31, 2011 € 1,952)

This loan has been issued on February 9, 2009 to BASF group Company BASF Antwerpen N.V. for a total amount of € 500,000 less disagio 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 2012 amounts to 5.5096%. The loan shall be repaid in full on June 9, 2015.

*Loan 10b, BASF SE*

Book value as at January 1	994,494	993,076
Amortization of disagio	1,498	1,418
Book value as at December 31	<u>995,992</u>	<u>994,494</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 5,406 (December 31, 2011 € 3,904)

This loan has been issued on February 9, 2009 to BASF SE for a total amount of € 1,000,000 less disagio 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 2012 amounts to 5.5096%. The loan shall be repaid in full on June 9, 2015.



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Loan 11, BASF SE

	2012	2011
	€ x 1,000	€ x 1,000
Book value as at January 1	149,673	149,604
Amortization of disagio	73	69
Book value as at December 31	<u>149,746</u>	<u>149,673</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 264 (December 31, 2011 € 190)

This loan has been issued on February 24, 2009 to BASF SE for a total amount of € 150,000 less disagio 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 2012 amounts to 4.7947%. The loan shall be repaid in full on February 24, 2016.

Loan 12, BASF Nederland B.V.

Book value as at January 1	511,614	514,674
Amortization of agio	-3,201	-3,060
Book value as at December 31	<u>508,413</u>	<u>511,614</u>

Cumulative amortization of agio as at December 31, 2012 amounts to € -10,877 (December 31, 2011 € 7,676)

This loan has been issued on May 29, 2009 to BASF group company BASF Nederland B.V. for a total amount of € 500,000 plus agio 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 2012 amounts to 4.7904%. The loan shall be repaid in full on June 9, 2015.

**CURRENT ASSETS**

	12/31/2012	12/31/2011
	€ x 1,000	€ x 1,000
<b>2. Other receivables</b>		
Receivable group companies	1,904,595	102,588
Corporate income tax	24	-
Prepayments and accrued income	-	66
	<u>1,904,619</u>	<u>102,654</u>

**Receivable group companies**

Interest receivable from group companies	93,587	93,841
Current account with group companies	8,787	8,747
Short term portion Loan 7	499,844	-
Short term portion Loan 8	53,989	-
Short term portion Loan 9	1,248,388	-
	<u>1,904,595</u>	<u>102,588</u>

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

The Company has a current account with BASF SE. The interest rate is based on Euro Overnight Index Average (EONIA) - 0.07% or + 0.19% depending on a debit or credit balance.

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**EQUITY AND LIABILITIES**

**3. SHAREHOLDERS' EQUITY**

**Issued capital**

	Common shares	
	€ x 1,000	
Book value as per January 1, 2012		2,087
Book value as per December 31, 2012		<u>2,087</u>
Statutory share capital (x € 1,-)		2,086,875
Shares issued		46,375
Nominal value (x € 1,-)		45,000
	<u>2012</u>	<u>2011</u>
	€ x 1,000	€ x 1,000
<b>Share premium reserve</b>		
Book value as at January 1	2,513	2,513
Book value as at December 31	<u>2,513</u>	<u>2,513</u>
<b>Other reserves</b>		
Book value as at January 1	4,039	4,359
Appropriation of prior year result	2,643	2,680
	<u>6,682</u>	<u>7,039</u>
Paid dividend	-6,000	-3,000
Book value as at December 31	<u>682</u>	<u>4,039</u>



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	2012	2011
	€ x 1,000	€ x 1,000
<b>Unappropriated result</b>		
Book value as at January 1	2,643	2,680
Unappropriated profit	2,445	2,643
Addition to other reserves	-2,643	-2,680
Book value as at December 31	<u>2,445</u>	<u>2,643</u>

#### 4. NON-CURRENT LIABILITIES

##### Interest-bearing loans

	12/31/2012	12/31/2011
	€ x 1,000	€ x 1,000
<b>Non-current loans</b>		
Loan 2, 5% Euro bond 2007-2014	998,541	997,753
Loan 3, 5% Euro bond 2007-2014	250,649	251,003
Loan 6, 3.625% CHF bond 2008-2015	165,148	163,804
Loan 7, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	-	499,634
Loan 8, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	-	53,974
Loan 9, 6% Euro bond 2008-2013	-	1,246,746
Loan 10, 5.125% Euro bond 2009-2015	1,494,013	1,491,768
Loan 11, 4.5% Euro bond 2009-2016	149,747	149,674
Loan 12, 5.125% Euro bond 2009-2015	508,381	511,582
	<u>3,566,479</u>	<u>5,365,938</u>

The total amount of the long term liabilities is payable in the period 2014 up to and including 2016. No amount is payable after 2016.

	2012	2011
	€ x 1,000	€ x 1,000
<i>Loan 2, 5% Euro bond 2007-2014</i>		
Book value as at January 1	997,753	997,003
Amortization of disagio	788	750
Long-term part as per December 31	<u>998,541</u>	<u>997,753</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 3,741 (December 31, 2011 € 2,953)

On September 26, 2007 the Company issued bonds for a total amount of € 1,000,000 less disagio of € 5,200 through Barclays Bank PLC and Deutsche Bank AG as Joint-Lead-Managers for these bonds. The bonds will be repaid on September 26, 2014. The interest amounts to 5% (effective interest 5.0713%) and is paid annually. BASF SE is the guarantor for these bonds.



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	2012	2011
	€ x 1,000	€ x 1,000
<i>Loan 3, 5% Euro bond 2007-2014</i>		
Book value as at January 1	251,001	251,338
Amortization of agio	-352	-335
Long-term part as per December 31	<u>250,649</u>	<u>251,003</u>

Cumulative amortization of agio as at December 31, 2012 amounts to € -1,713 (December 31, 2011 € -1,361)

On October 31, 2007 the Company issued bonds for a total amount of € 250,000 with agio of € 2,725, through Barclays Bank PLC and Deutsche Bank AG as Joint-Lead-Managers for these bonds. The bonds will be repaid on September 26, 2014. The interest amounts to 5% (effective interest 4.8715%) and is paid annually. BASF SE is the guarantor for these bonds.

*Loan 6, 3.625% CHF bond 2008-2015*

Book value as at January 1	163,804	159,056
Exchange rate differences	1,139	4,556
Amortization of disagio	205	192
Long-term part as per December 31	<u>165,148</u>	<u>163,804</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 786 (December 31, 2011 € 581)

On June 3, 2008 the Company issued bonds for a total amount of CHF 200,000 less a disagio of CHF 1,688 (€ 166,251 less disagio € 1,403) 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 June 3, 2015. The interest amounts to 3.625% (effective interest 3.7491%) and is paid annually. BASF SE is the guarantor for these bonds.

*Loan 7, Landesbank Baden-Wuerttemberg (Sole-Lead-Manager) 2008-2013*

Book value as at January 1	499,634	499,427
Reclass to short term (including cum.amortization)	-499,845	-
Amortization of disagio	211	207
Long-term part as per December 31	<u>-</u>	<u>499,634</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 870 (December 31, 2011 € 659)

On September 24, 2008 the Company 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-Wuerttemberg as Sole-Lead-Manager for this loan. The loan will be repaid on September 24, 2013. The interest is based on 3-month Euribor with a mark-up of 0.6% and is paid quarterly. BASF SE is the guarantor for this loan. The effective interest 2012 amounts to 1.7314%.



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	2012	2011
	€ x 1,000	€ x 1,000
<i>Loan 8, Landesbank Baden-Wuerttemberg (Sole-Lead-Manager) 2008-2013</i>		
Book value as at January 1	53,974	53,960
Reclass to short term (including cum.amortization)	-53,989	-
Amortization of disagio	15	14
Long-term part as per December 31	-	53,974

Cumulative amortization of disagio as at December 31, 2012 amounts to € 60 (December 31, 2011 € 45)

On September 24, 2008 the Company received a loan for a total amount of € 54,000 less disagio of € 71 from several participating banks with Landesbank Baden-Wuerttemberg as Sole-Lead-Manager for this loan. The loan will be repaid on September 24, 2013. The interest is based on 3-month Euribor with a mark-up of 0.6% and is paid quarterly. BASF SE is the guarantor for this loan. The effective interest 2012 amounts to 1.7164%.

*Loan 9, 6% Euro bond 2008-2013*

Book value as at January 1	1,246,746	1,245,194
Reclass to short term (including cum.amortization)	-1,248,393	-
Amortization of disagio	1,647	1,552
Long-term part as per December 31	-	1,246,746

Cumulative amortization of disagio as at December 31, 2012 amounts to € 6,143 (December 31, 2011 € 4,496)

On December 4, 2008 the Company issued bonds for a total amount of € 1,250,000 less disagio of € 7,750 through Barclays Bank PLC, Deutsche Bank AG, Societe Generale France, BNP PARIBAS and HSBC Bank plc as Joint-Lead-Managers for these bonds. The bonds will be repaid on December 4, 2013. The interest amounts to 6% (effective interest 6.1170%) and is paid annually. BASF SE is the guarantor for these bonds.

*Loan 10, 5.125% Euro bond 2009-2015*

Book value as at January 1	1,491,768	1,489,636
Amortization of disagio	2,245	2,132
Long-term part as per December 31	1,494,013	1,491,768

Cumulative amortization of disagio as at December 31, 2012 amounts to € 8,128 (December 31, 2011 € 5,883)

On February 9, 2009 the Company issued bonds for a total amount of € 1,500,000 less disagio of € 14,115 through Barclays Bank PLC, Deutsche Bank AG, Societe Generale France, BNP PARIBAS and HSBC Bank PLC as Joint-Lead-Managers for these bonds. The bonds will be repaid on June 9, 2015. The interest amounts to 5.125% (effective interest 5.2600%) and is paid annually. BASF SE is the guarantor for these bonds.



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	2012	2011
	€ x 1,000	€ x 1,000
<i>Loan 11, 4.5% Euro bond 2009-2016</i>		
Book value as at January 1	149,674	149,605
Amortization of disagio	73	69
Long-term part as per December 31	<u>149,747</u>	<u>149,674</u>

Cumulative amortization of disagio as at December 31, 2012 amounts to € 265 (December 31, 2011 € 192)

On February 24, 2009 the Company issued bonds for a total amount of € 150,000 less disagio of € 517 through Commerzbank AG. The bonds will be repaid on February 24, 2016. The interest amounts to 4.5% (effective interest 4.5446%) and is paid annually. BASF SE is the guarantor for these bonds.

*Loan 12, 5.125% Euro bond 2009-2015*

Book value as at January 1	511,582	514,649
Amortization of agio	-3,201	-3,067
Long-term part as per December 31	<u>508,381</u>	<u>511,582</u>

Cumulative amortization of agio as at December 31, 2012 amounts to € -10,909 (December 31, 2011 € -7,708)

On May 29, 2009 the Company issued bonds for a total amount of € 500,000 with agio of € 19,290 through Societe Generale France, BNP PARIBAS and Royal Bank of Scotland as Joint-Lead-Managers for these bonds. The bonds will be repaid on June 9, 2015. The interest amounts to 5.125% (effective interest 4.5374%) and is paid annually. BASF SE is the guarantor for these bonds.

## 5. CURRENT LIABILITIES

	12/31/2012	12/31/2011
	€ x 1,000	€ x 1,000
<b>Current portion long term loan</b>		
Loan 7, Landesbank Baden-Wurtemberg 2008-2013	499,845	-
Loan 8, Landesbank Baden-Wurtemberg 2008-2013	53,989	-
Loan 9, 6% Euro bond 2008-2013	1,248,393	-
	<u>1,802,227</u>	-
<b>Accrued liabilities</b>		
Payable interest	89,486	89,557
Others	3	7
Loan to group companies	6,000	3,000
	<u>95,489</u>	<u>92,564</u>

The current liabilities are all due within one year.



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**OFF BALANCE SHEET COMMITMENTS****Off-balance sheet commitments***Related Parties*

There were no reportable related party transactions with members of the Board of Management. The Company pays no remuneration and has not issued loans to members of the Board of Management. All transactions are at arm's length. There are no transactions with related parties, except or 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 at bank and in hand), interest-bearing long term and current liabilities (including bonds, notes and bank loans).

*Credit risk*

In 2012 100.0% (2011: 100.0%) of the receivables of the company are held with related parties, which are 100.0% (2011: 100.0%) concentrated with companies of BASF Group. In general the management of the Company tends to assess and review credit risk for counter parties within the Group.

*Interest rate risk*

The company is exposed to interest rate cash flow risk regarding floating interest rates on receivables and liabilities. 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 SE. In 2012 no derivative financial instruments are outstanding and no derivative instruments have been used during the reporting period.

*Foreign 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.

The fluctuations in exchange rates for the Euro vs. the Swiss Franc (1.2072 at the end of 2012 and 1.2156 at the end of 2011) added € 3 to the result of the Company.

*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.

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Fair Value

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

	Fair value 2012	Book value 2012	Fair value 2011	Book value 2011
<b>Financial fixed assets</b>				
Loans to group companies	3,915,400	3,567,303	5,833,086	5,367,184
<b>Loans and receivables</b>				
Loans to group companies	1,866,527	1,802,221	0	0
<b>Long term liabilities</b>				
Notes/loans payable	3,910,968	3,566,479	5,826,805	5,365,937
<b>Current liabilities</b>				
Loans to group companies	1,866,584	1,802,227	0	0

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

As per December 31, 2011, no derivative financial instruments were outstanding.  
As per December 31, 2012, no derivative financial instruments were outstanding.



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**6 NOTES TO THE PROFIT & LOSS ACCOUNT OVER THE YEAR 2012**

	01/01/2012 12/31/2012	01/01/2011 12/31/2011
	€ x 1,000	€ x 1,000
<b>6. Interest and similar income</b>		
Loan 2, BASF Antwerpen N.V.	52,803	52,803
Loan 3, BASF Antwerpen N.V.	12,561	12,561
Loan 5, BASF Antwerpen N.V.	-	3,564
Loan 6, BASF Antwerpen N.V.	6,554	6,405
Loan 7, BASF Antwerpen N.V.	8,071	10,935
Loan 8, BASF Antwerpen N.V.	864	1,173
Loan 9, BASF Antwerpen N.V.	79,029	78,930
Loan 10a, BASF Antwerpen N.V.	27,625	27,585
Loan 10b, BASF SE	55,250	55,171
Loan 11, BASF SE	7,198	7,195
Loan 12, BASF Nederland B.V.	23,675	23,817
Interest income others	18	81
	<u>273,648</u>	<u>280,220</u>
<b>7. Interest and similar expense</b>		
Loan 2, Interest 5% Euro bond 2007-2014	50,788	50,750
Loan 3, Interest 5% Euro bond 2007-2014	12,148	12,164
Loan 5, Interest 3.25% CHF bond 2008-2011	-	3,395
Loan 6, Interest 3.625% CHF bond 2008-2015	6,236	6,094
Loan 7, Landesbank Baden-Wurtemberg 2008-2013	7,103	9,970
Loan 8, Landesbank Baden-Wurtemberg 2008-2013	759	1,069
Loan 9, Interest 6% Euro bond 2008-2013	76,647	76,552
Loan 10, Interest 5.125% Euro bond 2009-2015	79,120	79,007
Loan 11, Interest 4.5% Euro bond 2009-2016	6,823	6,820
Loan 12, Interest 5.125% Euro bond 2009-2015	22,424	22,558
Others	68	-24
	<u>262,116</u>	<u>268,355</u>

**Staff**

During the 2012 financial year the company had no employees.

**Other operating expenses**

**8. General and administrative expenses**

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. Corporate income tax expense**

Income tax expense consists of current corporate income tax. The effective tax rate of 25.2% (2011: 25.2%) is not equal to the prevailing tax rates for 2012 (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.




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**Board of Managing directors signature for approval**

Arnhem, March 21, 2013

BASF Finance Europe N.V.

  
G.A.D. van der Lubbe

BASF Finance Europe N.V.

  
T. Dratt


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Financial statements 2012

also refers.  
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## OTHER INFORMATION

To: the General Meeting of Shareholders of BASF Finance Europe N.V.

### 1 INDEPENDENT AUDITOR'S REPORT

#### Report on the financial statements

We have audited the accompanying financial statements 2012 of BASF Finance Europe N.V., Arnhem, which comprise the balance sheet as at December 31, 2012, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the report of the managing directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 company'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 company'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 December 31, 2012, 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 Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the managing directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the managing directors, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Arnhem, March 21, 2013  
KPMG Accountants N.V.

J. van Rossen RA



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**2 Statutory appropriation of profit**

The articles of association include that profits of the company shall be at the disposal of the General Meeting of shareholders.

The company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the legal reserves and statutory reserves under the articles of association to be maintained.

**3 Appropriation of the result for the 2011 financial year**

The annual accounts for 2011 were adopted by the General Shareholders Meeting. The General Shareholders Meeting has determined the appropriation of the result as it was proposed.

**4 Appropriation of the profit for 2012**


The board of managing directors proposes to add the profit for 2012 of € 2,445 to the other reserves. Awaiting the approval by the General Shareholders Meeting, this proposal has not been processed in the annual accounts and is, therefore, included in the unappropriated result.



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