



The Chemical Company

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

**Annual Report 2010**

## Annual Report 2010

### BASF Finance Europe N.V. Arnhem

Index	Page
1. Directors' report.....	3
2. Financial statements .....	7
2.1. Balance sheet as at 31 December 2010 .....	7
2.2 Income statement for the year ended 31 December 2010 .....	9
2.3 Cash flow statement for the year ended 31 December 2010 .....	10
2.4 Notes to the 2010 financial statements .....	11
2.4.1 General .....	11
2.4.2 Basis of preparation .....	11
2.4.3 Financial instruments .....	12
2.4.4 Income tax .....	12
2.4.5 Foreign currency translation .....	13
2.4.6 Notes to the cash flow statement.....	13
2.4.7 Determination of fair value .....	13
2.5 Notes to the individual items on the balance sheet .....	14
2.5.1 Financial non-current assets.....	14
2.5.2 Accounts receivable and prepayment.....	19
2.5.3 Shareholders' equity .....	20
2.5.4 Non current liabilities.....	21
2.5.5 Current Liabilities .....	27
2.6 Notes to the income statement for 2010 .....	28
2.6.1 Interest and similar income .....	28
2.6.2 Interest and similar expense.....	28
2.6.3 General and administrative expenses .....	29
2.6.4 Taxation .....	29
2.6.5 Employees .....	29
2.6.6 Remuneration directors .....	29
2.6.7 Transactions with related parties .....	29
2.6.8 Financial risk management.....	29
2.6.9 Off-balance sheet commitments.....	31
3 Other information .....	32
3.1 Independent auditor's report.....	32
3.2 Statutory rules concerning profit appropriation.....	33
3.3 Proposed profit appropriation for the financial year 2010.....	33

## 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 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 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 a size 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 will 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

### Outside DIP

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

<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>

<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><u>554.000.000</u></u>

## Result

Due to the increase of issued and provided loans/notes in 2009 and the fluctuation in the exchange rate for the Swiss Franc the result of the Company has improved. The Company has completed the year with a positive result of € 2.680.000 (2009 € 2.495.000).

The fluctuations in exchange rates for the EURO vs. the US dollar (1,4406 at the end of the year 2009 and 1,3362 at the end of 2010) and the Swiss Franc (1,4836 at the end of the year 2009 and 1,2504 at year-end 2010) did add € 160.000 on 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 financings with floating interest rates were passed on to other BASF group companies with loans having a fixed margin. In the financial year 2010 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 US dollar and the Swiss Franc did not have any substantial influence on the result of the Company.

### **Current ratio**

The current ratio as per 31 December 2010 measured as Current Assets / Current Liabilities amounts to 1,03 (2009: 1,07). The decrease in the ratio is due to the effect of the loan of CHF 300 million to BASF Antwerpen and on the other hand the 3,25% CHF-bond which has become current.

### **Solvency ratio**

The solvency ratio as per 31 December 2010 measured as Stockholders' Equity / Total of Liabilities amounts to 0,00 (2009: 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 2010 Annual Report does not contain any errors of material importance.
- have worked properly in the year 2010.

## 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 2010 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, April 4, 2011

Board of Management:

G.A.D. van der Lubbe

W.D. Starp

## 2. Financial statements

### 2.1. Balance sheet as at 31 December 2010

(€ x 1.000 before appropriation of result)

		<u>31 Dec. 2010</u>	<u>31 Dec. 2009</u>
<b>NON CURRENT ASSETS</b>			
<b>Financial non-current assets</b>	2.5.1.		
Loans to group companies		5.361.524	5.537.393
<b>CURRENT ASSETS</b>			
<b>Accounts receivable and prepayments</b>	2.5.2.		
Accounts receivable from group companies		104.336	100.003
Loans to group companies		239.815	2.777
Other receivables		<u>7</u>	<u>1</u>
		344.158	102.781
		<u><u>5.705.682</u></u>	<u><u>5.640.174</u></u>

**Balance sheet as at 31 December 2010**  
(€ x 1.000 before appropriation of result)

		<u>31 Dec. 2010</u>	<u>31 Dec. 2009</u>
<b>SHAREHOLDERS' EQUITY</b>	2.5.3		
Capital Stock		2,087	2,087
Stock premium		2,513	2,513
Other reserves		4,359	1,864
Unappropriated result		<u>2,680</u>	<u>2,495</u>
		11,639	8,959
<b>NON CURRENT LIABILITIES</b>	2.5.4		
Notes/loans payable		5,359,867	5,535,337
<b>CURRENT LIABILITIES</b>	2.5.5		
Income tax	2.5.5.1	472	440
Bonds	2.5.5.2	239,794	2,777
Accruals	2.5.5.3	<u>93,910</u>	<u>92,661</u>
		334,176	95,878
		<u><u>5,705,682</u></u>	<u><u>5,640,174</u></u>



**2.2 Income statement for the year ended 31 December 2010**

(€ x 1.000)

		<u>2010</u>	<u>2009</u>
Interest and similar income	2.6.1	280,376	267,992
Interest and similar expense	2.6.2	(268,469)	(256,352)
		<u>11,907</u>	<u>11,640</u>
<b>Gross income from financing activities</b>			
General and administrative expenses	2.6.3	(8,372)	(8,306)
		<u>3,535</u>	<u>3,334</u>
Result before taxation			
Income tax expense	2.6.4	(855)	(839)
		<u>2,680</u>	<u>2,495</u>
<b>Net result</b>		<u><u>2,680</u></u>	<u><u>2,495</u></u>

### 2.3 Cash flow statement for the year ended 31 December 2010

(€ x 1.000)

#### Cash flow statement

	<u>2010</u>	<u>2009</u>
Result before taxation	3,535	3,334
Change in other working capital	<u>(14,974)</u>	<u>(11,468)</u>
	<b>(11,439)</b>	<b>(8,134)</b>
Interest paid	(266,325)	(201,205)
Interest received	278,721	210,141
Corporate income tax paid	<u>(957)</u>	<u>(802)</u>
	<b>11,439</b>	<b>8,134</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	3,114	314,548
Issued Financial Assets	<u>-</u>	<u>(2,154,743)</u>
<b>Net cash flow from financing activities</b>	<b>3,114</b>	<b>(1,840,195)</b>
Repayment Financial Liabilities	(3,114)	(314,548)
Proceeds Financial Liabilities	<u>-</u>	<u>2,154,743</u>
	<b>(3,114)</b>	<b>1,840,195</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 2010 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 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 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, 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 USD and 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 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 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 fluctuation in exchange rates for the EURO vs. the US Dollar (1,380344 average of 2010 and 1,3362 at year-end of 2010) and the Swiss Franc (1,325716 average of 2010 and 1,2504 at year-end of 2010) did not have a substantial influence on the result of the Company. The cash position in CHF did have influence. This position will be ended as soon as possible in 2011.

#### **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>2010</u>	<u>2009</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 5, BASF Antwerpen N.V.	-	201.860
4) Loan 6, BASF Antwerpen N.V.	159.059	133.903
5) Loan 7, BASF Antwerpen N.V.	499.427	499.223
6) Loan 8, BASF Antwerpen N.V.	53.960	53.946
7) Loan 9, BASF Antwerpen N.V.	1.245.186	1.243.727
8) Loan 10a, BASF Antwerpen N.V.	496.538	495.866
9) Loan 10b, BASF SE	993.076	991.733
10) Loan 11, BASF SE	149.604	149.537
11) Loan 12, BASF Nederland B.V.	514.674	517.598
<b>Balance as of 31 December</b>	<b><u><u>5.361.524</u></u></b>	<b><u><u>5.537.393</u></u></b>

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	1.000.000	1.000.000
<b>Balance as of 31 December</b>	<b><u><u>1.000.000</u></u></b>	<b><u><u>1.000.000</u></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>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	250.000	250.000
<b>Balance as of 31 December</b>	<b><u><u>250.000</u></u></b>	<b><u><u>250.000</u></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 5, BASF Antwerpen N.V.

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	201.860	201.416
Correction bookvalue 2008	-	3
Amortization of disagio	279	247
Exchange rate difference	37.676	194
<b>Balance as of 31 December</b>	<u>239.815</u>	<u>201.860</u>
Current position as at 31 december	239.815	-
<b>Balance as of 31 December</b>	<u><u>-</u></u>	<u><u>201.860</u></u>
Cumulative amortization of disagio as at 31 December	656	377

This loan 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 of 0,1903% . The effective interest amounts to 3,5784 %. The loan shall be repaid in full on 3 June 2011.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	133.903	133.626
Correction bookvalue 2008	-	1
Amortization of disagio	167	147
Exchange rate difference	24.990	129
<b>Balance as of 31 December</b>	<u>159.060</u>	<u>133.903</u>
Cumulative amortization of disagio as at 31 December	393	226

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.

**2.5.1.1.5 Loan 7, BASF Antwerpen N.V.**

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	499.223	499.024
Amortization of disagio	204	199
<b>Balance as of 31 December</b>	<u><u>499.427</u></u>	<u><u>499.223</u></u>
Cumulative amortization of disagio as at 31 December	452	248

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.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	53.946	53.932
Amortization of disagio	14	14
<b>Balance as of 31 December</b>	<u><u>53.960</u></u>	<u><u>53.946</u></u>
Cumulative amortization of disagio as at 31 December	31	17

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.



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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	1.243.727	1.242.355
Amortization of disagio	1.459	1.372
<b>Balance as of 31 December</b>	<u><u>1.245.186</u></u>	<u><u>1.243.727</u></u>
Cumulative amortization of disagio as at 31 December	2.936	1.477

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.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	495.866	-
Issued	-	500.000
Less: disagio	-	4.705
	<u>495.866</u>	<u>495.295</u>
Amortization of disagio	672	571
<b>Balance as of 31 December</b>	<u><u>496.538</u></u>	<u><u>495.866</u></u>
Cumulative amortization of disagio as at 31 December	1.243	571

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.

#### 2.5.1.1.9 Loan 10b, BASF SE

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	991.733	-
Issued	-	1.000.000
Less: disagio	-	9.410
	<u>991.733</u>	<u>990.590</u>
Amortization of disagio	1.343	1.143
<b>Balance as of 31 December</b>	<u><u>993.076</u></u>	<u><u>991.733</u></u>
Cumulative amortization of disagio as at 31 December	2.486	1.143

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.

#### 2.5.1.1.10 Loan 11, BASF SE

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	149.537	-
Issued	-	150.000
Less: disagio	-	517
	<u>149.537</u>	<u>149.483</u>
Amortization of disagio	67	54
<b>Balance as of 31 December</b>	<u><u>149.604</u></u>	<u><u>149.537</u></u>
Cumulative amortization of disagio as at 31 December	121	54

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.

**2.5.1.1.11 Loan 12, BASF Nederland B.V.**

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	517,598	-
Issued	-	500,000
Agio	-	19,290
	<u>517,598</u>	<u>519,290</u>
Amortization of agio	(2,924)	(1,692)
<b>Balance as of 31 December</b>	<u><u>514,674</u></u>	<u><u>517,598</u></u>
Cumulative amortization of agio as at 31 December	(4,616)	(1,692)

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 prepayment**

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. (see note 2.5.1.1.3)

### 2.5.3 Shareholders' equity

The changes in the shareholders' equity are as follows:  
(\* 1.000)

	Capital stock	Stock premium reserve	Other reserves	Unappro- priated result	Total
	€	€	€	€	€
<b>1 January 2009</b>	2,087	2,513	515	1,349	6,464
Addition to other reserves	-	-	1,349	(1,349)	-
Net result for financial year	-	-	-	2,495	2,495
<b>31 December 2009</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>	<b>2,087</b>	<b>2,513</b>	<b>4,359</b>	<b>2,680</b>	<b>11,639</b>

#### 2.5.3.1 Authorized and issued capital

The authorized and issued capital of the Company amounts to € 2.086.825 (2009: € 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>2010</u>	<u>2009</u>
1) Loan 2, 5% Euro bond 2007-2014	997,003	996,290
2) Loan 3, 5% Euro bond 2007-2014	251,338	251,659
3) Loan 5, 3,25% CHF bond 2008-2011	-	201,850
4) Loan 6, 3,625% CHF bond 2008-2015	159,056	133,901
5) Loan 7, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	499,427	499,223
6) Loan 8, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	53,960	53,946
7) Loan 9, 6% Euro bond 2008-2013	1,245,194	1,243,732
8) Loan 10, 5,125% Euro bond 2009-2015	1,489,636	1,487,611
9) Loan 11, 4,5% Euro bond 2009-2016	149,604	149,537
10) Loan 12, 5,125% Euro bond 2009-2015	514,649	517,588
<b>Balance as of 31 December</b>	<b><u>5,359,867</u></b>	<b><u>5,535,337</u></b>

Of the total amount of long term liabilities, € 5.210.263 is payable in the period 2012 up to and including 2015 and € 149.604 is payable after 2015.

	<u>Total</u>	<u>2012 up to and including 2015</u>	<u>2016 and later</u>
1) Loan 2, 5% Euro bond 2007-2014	997,003	997,003	-
2) Loan 3, 5% Euro bond 2007-2014	251,338	251,338	-
3) Loan 5, 3,25% CHF bond 2008-2011	-	-	-
4) Loan 6, 3,625% CHF bond 2008-2015	159,056	159,056	-
5) Loan 7, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	499,427	499,427	-
6) Loan 8, Landesbank Baden-Württemberg (Sole-Lead-Manager) 2008-2013	53,960	53,960	-
7) Loan 9, 6% Euro bond 2008-2013	1,245,194	1,245,194	-
8) Loan 10, 5,125% Euro bond 2009-2015	1,489,636	1,489,636	-
9) Loan 11, 4,5% Euro bond 2009-2016	149,604	-	149,604
10) Loan 12, 5,125% Euro bond 2009-2015	514,649	514,649	-
<b>Total</b>	<b><u>5,359,867</u></b>	<b><u>5,210,263</u></b>	<b><u>149,604</u></b>

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	996.290	995.613
Amortization of disagio	713	677
<b>Balance as of 31 December</b>	<u><u>997.003</u></u>	<u><u>996.290</u></u>
Cumulative amortization of disagio as at 31 December	2.203	1.490

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>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	251,659	251,978
Amortization of agio	(321)	(319)
<b>Balance as of 31 December</b>	<u><u>251,338</u></u>	<u><u>251,659</u></u>
Cumulative amortization of agio as at 31 December	(107)	(428)

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 5, 3,25% CHF Bond 2008-2011

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	201.850	201.417
Amortization of disagio	271	239
Exchange rate difference	37.673	194
<b>Balance as of 31 December</b>	<u>239.794</u>	<u>201.850</u>
Current position	239.794	
<b>Long term as of 31 December</b>	<u><u>-</u></u>	<u><u>201.850</u></u>

Cumulative amortization of disagio as at 31 December	647	376
--	-----	-----

On 3 June 2008 BASF Finance Europe N.V. issued bonds 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, 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 2011. The interest amounts to 3,250% (effective interest 3,3846%) and will be paid annually. BASF SE is the guarantor for these bonds.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	133.901	133.626
Amortization of disagio	165	146
Exchange rate difference	24.990	129
<b>Balance as of 31 December</b>	<u>159.056</u>	<u>133.901</u>

Cumulative amortization of disagio as at 31 December	389	224
--	-----	-----

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.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	499.223	499.025
Amortization of disagio	204	198
<b>Balance as of 31 December</b>	<u><u>499.427</u></u>	<u><u>499.223</u></u>
Cumulative amortization of disagio as at 31 December	452	248

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%.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	53.946	53.932
Amortization of disagio	14	14
<b>Balance as of 31 December</b>	<u><u>53.960</u></u>	<u><u>53.946</u></u>
Cumulative amortization of disagio as at 31 December	31	17

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%.



#### 2.5.4.7 6% Loan 9, Euro Bond 2008-2013

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	1.243.732	1.242.355
Amortization of disagio	1.462	1.377
<b>Balance as of 31 December</b>	<u>1.245.194</u>	<u>1.243.732</u>
Cumulative amortization of disagio as at 31 December	2.944	1.482

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.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	1.487.611	-
Bonds issued	-	1.500.000
Less: disagio	-	14.115
	<u>1.487.611</u>	<u>1.485.885</u>
Amortization of disagio	2.025	1.726
<b>Balance as of 31 December</b>	<u>1.489.636</u>	<u>1.487.611</u>
Cumulative amortization of disagio as at 31 December	3.751	1.726

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.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	149.537	-
Bonds issued	-	150.000
Less: disagio	-	517
	<u>149.537</u>	<u>149.483</u>
Amortization of disagio	67	54
<b>Balance as of 31 December</b>	<u><u>149.604</u></u>	<u><u>149.537</u></u>
Cumulative amortization of disagio as at 31 December	121	54

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.

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

	<u>2010</u>	<u>2009</u>
<b>Balance as of 1 January</b>	517,588	-
Bonds issued	-	500,000
Agio	-	19,290
	<u>517,588</u>	<u>519,290</u>
Amortization of agio	(2,939)	(1,702)
<b>Balance as of 31 December</b>	<u><u>514,649</u></u>	<u><u>517,588</u></u>
Cumulative amortization of agio as at 31 December	(4,641)	(1,702)

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.

	<u>2010</u>	<u>2009</u>
<b>2.5.5.1</b>		
<b>Income tax</b>		
Balance as of 1 January	440	402
To be paid for the year	855	839
To be paid for previous years	134	-
Paid	<u>(957)</u>	<u>(801)</u>
Balance as of 31 December	472	440
<b>2.5.5.2</b>		
<b>Bonds</b>		
Loan 1	-	2,777
Loan 5	<u>239,794</u>	<u>-</u>
	239,794	2,777
<b>2.5.5.3</b>		
<b>Accruals</b>		
Payable interest	93,910	92,654
Other payables	<u>-</u>	<u>7</u>
	93,910	92,661
<b>Total current liabilities</b>	<u><u>334,176</u></u>	<u><u>95,878</u></u>

## 2.6 Notes to the income statement for 2010

### 2.6.1 Interest and similar income

	<u>2010</u>	<u>2009</u>
1) Loan 1, Interest income BASF Antwerpen N.V.	9	3.685
2) Loan 2, Interest income BASF Antwerpen N.V.	52.803	52.841
3) Loan 3, Interest income BASF Antwerpen N.V.	12.561	12.570
4) Loan 5, Interest income BASF Antwerpen N.V.	7.782	7.105
5) Loan 6, Interest income BASF Antwerpen N.V.	5.713	5.215
6) Loan 7, Interest income BASF Antwerpen N.V.	7.993	12.334
7) Loan 8, Interest income BASF Antwerpen N.V.	855	1.324
8) Loan 9, Interest income BASF Antwerpen N.V.	78.838	78.751
9) Loan 10a, Interest income BASF Antwerpen N.V.	27.548	24.576
10) Loan 10b, Interest income BASF SE	55.097	49.153
11) Loan 11, Interest income BASF SE	7.192	6.126
12) Loan 12, Interest income BASF Nederland B.V.	23.952	14.287
13) Interest income others	33	25
<b>Total interest income</b>	<b><u><u>280.376</u></u></b>	<b><u><u>267.992</u></u></b>

### 2.6.2 Interest and similar expense

	<u>2010</u>	<u>2009</u>
1) Interest Bank of America Securities LLC and Morgan Stanley & Co. Inc.	5	3,124
2) Loan 2, Interest 5% Euro bond 2007-2014	50,713	50,677
3) Loan 3, Interest 5% Euro bond 2007-2014	12,178	12,181
4) Loan 5, Interest 3,25% CHF bond 2008-2011	7,361	6,717
5) Loan 6, Interest 3,625% CHF bond 2008-2015	5,436	4,961
6) Loan 7, Interest Landesbank Baden-Wurttemberg 2008-2013	7,029	11,367
7) Loan 8, Interest Landesbank Baden-Wurttemberg 2008-2013	751	1,220
8) Loan 9, Interest 6% Euro bond 2008-2013	76,462	76,377
9) Loan 10a, Interest 5,125% Euro bond 2009-2015	78,900	70,387
10) Loan 10b, Interest 4,5% Euro bond 2009-2016	6,817	5,806
11) Loan 11, Interest 5,125% Euro bond 2009-2015	22,687	13,532
12) Loan 12, Interest expense others (due to payable taxes)	130	3
<b>Total interest expense</b>	<b><u><u>268,469</u></u></b>	<b><u><u>256,352</u></u></b>

### 2.6.3 General and administrative expenses

	<u>2010</u>	<u>2009</u>
Guarantee fees	8.393	7.906
Other	(33)	400
	<u>8.360</u>	<u>8.306</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 24,1% (2009: 25.2%) is not equal to the prevailing tax rates for 2010 (20% first € 200.000, 25.5% 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 the year, converted to full-time equivalents, is 0 (2009: 0).

### 2.6.6 Remuneration directors

During the 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

Approximately 100.0% (2009: 100.0%) of the receivables of the company are held with related parties, which are 100.0% (2009: 100.0%) 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 year end 2010 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 are 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 US dollar (1,4406 at the end of the year 2009 and 1,3362 at the end of 2010) and the Swiss Franc (1,4836 at the end of the year 2009 and 1,504 at year-end 2010) did add € 160.000 on the result of the Company.

### **2.6.8.5 Liquidity risk**

Due to a cash-pooling agreement with BASF SE, BASF Finance Europe N.V. 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.

The finance department of BASF SE accounts for these risks by defining a benchmark for the relationship between variable and fixed-interest on a BASF Group level. Potential risk positions are covered through the service agreement with BASF SE where a certain interest spread is guaranteed.

### 2.6.8.6 Fair value

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

	<b>Note Ref.</b>	<b>Fair value 2010</b>	<b>Book value 2010</b>	<b>Fair value 2009</b>	<b>Book value 2009</b>
<b>Financial fixed assets</b>					
Loans to BASF SE group companies	2.5.1.1	5.988.739	5.361.524	5.980.098	5.537.393
<b>Loans and receivables</b>					
Loans to BASF SE group companies	2.5.1.1.1	247.931	239.815	2.777	2.777
<b>Long term liabilities</b>					
Notes/loans payable	2.5.4	5.836.606	5.359.867	5.923.144	5.535.337
<b>Current liabilities</b>					
Loans to group companies	2.5.4.1	241.170	239.794	2.777	2.777

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 31 December 2010, no derivative financial instruments were outstanding.

### 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 April 4, 2011

Board of Management:

G.A.D. van der Lubbe

W.D. Starp

### 3 Other information

#### 3.1 Independent auditor's report

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

##### **Report on the financial statements**

We have audited the accompanying financial statements 2010 of BASF Finance Europe N.V., Arnhem, which comprise the balance sheet as at 31 December 2010, the profit and loss account and the statement of cash flows 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 the financial statements and for the preparation of the Directors' report, 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 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 2010 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 requirements 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 management board report, 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 Directors' report, 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.

Rotterdam, 4 April, 2011  
KPMG ACCOUNTANTS N.V.

A.H. Gardien RA



### **3.2 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.

### **3.3 Proposed profit appropriation for the financial year 2010**

The Annual General Meeting of Shareholders will be recommended to add the entire result after tax for 2009 to the other reserves.

The result after tax for 2010 is recognized under the unappropriated result in the shareholders' equity.

### **3.4 Subsequent events**

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