



The Chemical Company

**BASF Finance Europe N.V.**  
**Arnhem, The Netherlands**

**Semi-annual report 2014**

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## FINANCIAL REPORT

## 1 REPORT OF THE MANAGING DIRECTORS

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

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

The Company has no employees and receives services through other BASF group companies. In accordance with BASF group guidelines the Board of Managing Directors is comprised of two natural persons. One is based in the Netherlands and the other in Germany, both are male. For future changes of the Board of Managing Directors the Company aims to take into account articles 2:166 of the Netherlands Civil Code.

In 2014 Mr. G.A.D. van der Lubbe retired and was succeeded by Mr. Herbert Fisch as Director.

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) with a maximum aggregate principal amount of € 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 at nominal value

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	164,528
February 9, 2009	5.125%		1,500,000
February 24, 2009	4.500%		150,000
May 29, 2009	5.125%		500,000
Total outstanding notes			3,914,528

### 1.2 Result

The Company has completed the half year with a positive result of € 920 (June 30, 2013: € 1,301). The result decreased mainly due to the redemption of the bond with fixed interest of 6% (note 9) and the promissory notes with floating interest (note 7+8).

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 having a fixed margin.

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

### 1.3 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 increased the result of the Company by € 1.

#### Current ratio

The current ratio as per June 30, 2014 measured as Current Assets / Current Liabilities amounts to 1.006 (December 31, 2013: 1.004). The increase in the ratio is due to the effect of the growth of the balance on the in-house bank account with BASF SE.

#### Solvency ratio

The solvency ratio as per June 30, 2014 measured as Stockholders' Equity / Total Liabilities amounts to 0.002 (December 31, 2013: 0.002).

## Outlook for the second half of 2014 and 2015

The Company plans to keep the current loans and notes which are not due in 2014 and 2015 and repay the loans and notes which are due. If new applications for financing will be received during the course of 2014 and 2015, the Company will decide if, how and where to issue new notes or to take or provide new loans.

The Company conducts no, or plans not to conduct, activities regarding research and development.

The Company does not plan to have employees for 2014 and 2015.

The Company does not intend to make investments in 2014 and 2015.

## Internal control

The Board of Managing Directors is responsible for the establishment and adequate functioning of internal control in the Company. Consequently, the Board of Managing Directors has implemented a range of processes designed to provide control by the Board of Managing Directors over the Company's operations. These processes and procedures include measures regarding the general control environment as well as specific internal control measures.

All these processes and procedures are aimed at ensuring a reasonable level of assurance that the Company has identified and managed its significant risks and that it meets the operational and financial objectives in compliance with applicable laws and regulations.

While the Board of Managing Directors routinely works towards continuous improvement of the processes and procedures regarding financial reporting, the Board of Managing Directors is of the opinion that, regarding financial reporting risks, the internal risk management and control systems:

- provide a reasonable level of assurance that the financial reporting in this semi-annual Report does not contain any errors of material importance;
- have worked properly in the first half of 2014.

### 1.4 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 semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the semi-annual report gives a true and fair view of the position as per June 30, 2014 and the development during the financial year of the Company;
- the semi-annual report describes the principal risks the Company is facing;
- the semi-annual report has not been audited by any auditors

Arnhem, August 27, 2014

H.M. Fisch  
Director

T. Dratt  
Director

## FINANCIAL STATEMENTS

**1 BALANCE AS PER JUNE 30, 2014**  
(before appropriation of the profit)

	June 30, 2014		December 31, 2013	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b>Financial fixed assets</b>	<b>(1)</b>			
Loans to group companies		149,863		2,313,865
<b>CURRENT ASSETS</b>				
<b>Other receivables</b>	<b>(2)</b>			
Receivables from group companies	3,488,295		1,346,107	
Taxes and social securities	39		124	
		3,488,334		1,346,231
		<u>3,638,197</u>		<u>3,660,096</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
	<b>(3)</b>			
Issued share capital	2,087		2,087	
Share premium reserve	2,513		2,513	
Other reserves	2,380		27	
Unappropriated result	920		2,353	
		7,900		6,980
<b>NON-CURRENT LIABILITIES</b>	<b>(4)</b>			
		149,863		2,313,850
<b>CURRENT LIABILITIES</b>	<b>(5)</b>			
		3,480,434		1,339,266
		<u>3,638,197</u>		<u>3,660,096</u>



2 PROFIT & LOSS ACCOUNT FOR THE FIRST HALF YEAR OF 2014

	1/1/2014 - 6/30/2014		1/1/2013 - 6/30/2013	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
<b>Interest and similar income</b> (6)	92,073		134,154	
Interest and similar expense (7)	88,099		128,461	
<b>Gross income from financing activities</b>		3,974		5,693
General and administrative expenses (8)		2,747		3,958
<b>Result from general operations before tax</b>		1,227		1,735
Corporate income tax expense (9)		-307		-434
<b>Result after tax</b>		920		1,301

### 3 CASH FLOW STATEMENT FOR THE FIRST HALF YEAR OF 2014

(According to the indirect method)

	June 30, 2014		December 31, 2013	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Net cash flow from operating activities				
Result before taxation	1.227		3.113	
Adjustment interest result for acc.interest	-1.497		-11.530	
Adjustment interest result for amortization of borrowing costs	188		450	
Change current account with group companies	-5,433		425	
Change in other current payable	86		-3.024	
Change in other working capital	-19		-71	
		<b>-5.448</b>		<b>-10.637</b>
Interest paid	-115,201		-255.935	
Interest received	120.894		267.432	
Corporate income tax paid	-245		-860	
		<b>5.448</b>		<b>10.637</b>
<b>Net cash flow from operating activities</b>		<b>-</b>		<b>-</b>
Net cash flow from investing activities				
Repayment Financial Assets	-		1,804,000	
<b>Net cash flow from investing activities</b>		<b>-</b>		<b>1,804,000</b>
Net cash flow from financing activities				
Repayment Financial Liabilities	-		-1,804,000	
Dividend payment	-		-3.100	
Proceeds Financial Liabilities	-		3.100	
<b>Net cash flow from financing activities</b>		<b>-</b>		<b>-1,804,000</b>
Changes in cash & cash equivalents		<b>-</b>		<b>-</b>
Cash & cash equivalents January 1		-		-
Cash & cash equivalents December 31		-		-
Changes in cash & cash equivalents		-		-

## 4 NOTES TO THE FINANCIAL STATEMENTS

### General

BASF Finance Europe N.V. (the Company) has been established per April 22, 1976. The first financial year started on April 22 and ended on December 31, 1976.

### Ownership

The financial statements of the Company are consolidated in the consolidated financial statements of BASF SE in Ludwigshafen, Germany, the ultimate parent company, which can be found on the website: <http://www.basf.com>.

### GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE SEMI-ANNUAL ACCOUNTS

The financial statements have been prepared in accordance with Title 9 Book 2 of the Netherlands Civil Code. These financial statements have been prepared on the basis of the going concern assumption.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

### Financial instruments

Financial instruments are both primary financial instruments, such as receivables payables and derivatives. For the principles of primary financial instruments, reference is made to the treatment per balance sheet item.

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

#### 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 exceeding 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.

#### Notes issued, loans received and other payables

Notes, loans and other financial commitments are carried at amortized cost using the effective interest rate method. The notes and loans with a remaining time to maturity exceeding 12 months are presented as non-current liabilities. Interest expense, based on the effective interest 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 notes. The financing obtained through one of these notes 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 notes issued. As such, except for the applicable margin, foreign currency risks are passed on to group companies and do not have any impact on the results of the Company.

The balance sheet positions denominated in foreign currency are translated at the exchange rate on the balance sheet date.

In the profit and loss account foreign currency amounts are translated at monthly average rates. Foreign exchange gains and losses are included in interest and similar income.

The fluctuation in exchange rates for the Euro vs. the Swiss Franc (1.2156 at the end of June 2014 and 1.2276 at the end of December 2013) increased the result of the Company by € 1.

**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.

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 using the effective interest method, less impairment losses.

**Liabilities**

Liabilities are valued at amortized cost amounts using the effective interest method.

**PRINCIPLES FOR THE DETERMINATION OF THE RESULT****General**

The result is defined as the difference between the revenue from goods delivered and services performed on one hand and, on the other hand, the costs and expenses for that year, valued at historical costs.

**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.

### **Taxes**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the carrying amounts for tax purposes. A deferred tax asset is recognized for future tax benefits arising from temporary differences and for tax loss carry forwards to the extent that the tax benefits are likely to be realized.

Taxes on income are based on the result in the financial statements, taking into account the permanent differences between determinations of result according to the financial statements on the one hand and according to the fiscal determination of result on the other. Calculation is based on current tax rate.

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

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

The 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 a calculated average rate.

Transactions that do not result in exchange of cash and cash equivalents are not presented in the cash flow statement.

5 NOTES TO THE BALANCE SHEET AS PER JUNE 30, 2014

1. Financial fixed assets

	6/30/2014	12/31/2013
	€ x 1,000	€ x 1,000
<b>Loans to group companies</b>		
Loan 6, BASF Antwerpen N.V.	-	162,621
Loan 10a, BASF Antwerpen N.V.	-	498,786
Loan 10b, BASF SE	-	997,571
Loan 11, BASF SE	149,863	149,823
Loan 12, BASF Nederland B.V.	-	505,064
	<u>149,863</u>	<u>2,313,865</u>

*Loan 6, BASF Antwerpen N.V.*

	01/01/2014 06/30/2014	01/01/2013 12/31/2013
	€ x 1,000	€ x 1,000
Book value as per beginning of period	162,621	165,156
Exchange rate difference	1,606	-2,744
Amortization of disagio	109	209
Reclassification to short term	-164,336	-
Book value as per end of period	<u>-</u>	<u>162,621</u>

Cumulative amortization of disagio as at June 30, 2014 amounts to € 1,112 (December 31, 2013 € 1,003)

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 2014 amounts to 3.9404%. The loan shall be repaid in full on June 3, 2015.

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

Book value as per beginning of period	498,786	497,996
Amortization of disagio	411	790
Reclassification to short term	-499,197	-
Book value as per end of period	<u>-</u>	<u>498,786</u>

Cumulative amortization of disagio as at June 30, 2014 amounts to € 3,903 (December 31, 2013 € 3,492)

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 2014 amounts to 5.5096%. The loan shall be repaid in full on June 9, 2015.

*Loan 10b, BASF SE*

	01/01/2014 06/30/2014	01/01/2013 12/31/2013
	€ x 1,000	€ x 1,000
Book value as per beginning of period	997,571	995,992
Amortization of disagio	824	1,579
Reclassification to short term	-998,395	-
Book value as per end of period	<u>-</u>	<u>997,571</u>

Cumulative amortization of disagio as at June 30, 2014 amounts to € 7,808 (December 31, 2013 € 6,984)

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 2014 amounts to 5.5096%. The loan shall be repaid in full on June 9, 2015.

*Loan 11, BASF SE*

Book value as per beginning of period	149,823	149,746
Amortization of disagio	40	77
Book value as per end of period	<u>149,863</u>	<u>149,823</u>

Cumulative amortization of disagio as at June 30, 2014 amounts to € 380 (December 31, 2013 € 340)

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 2014 amounts to 4.7947%. The loan shall be repaid in full on February 24, 2016.

*Loan 12, BASF Nederland B.V.*

Book value as per beginning of period	505,064	508,413
Amortization of agio	-1,706	-3,349
Reclassification to short term	-503,358	-
Book value as per end of period	<u>-</u>	<u>505,064</u>

Cumulative amortization of agio as at June 30, 2014 amounts to € -15,932 (December 31, 2013 € -14,226)

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 2014 amounts to 4.7904%. The loan shall be repaid in full on June 9, 2015.

**CURRENT ASSETS**

**2. Other receivables**

	6/30/2014	12/31/2013
	€ x 1,000	€ x 1,000
<b>Receivables from group companies</b>		
Interest receivable from group companies	59,215	87,745
Current account with group companies	13,794	8,362
Short term portion Loan 2	1,000,000	1,000,000
Short term portion Loan 3	250,000	250,000
Short term portion Loan 6	164,336	-
Short term portion Loan 10A	499,197	-
Short term portion Loan 10B	998,395	-
Short term portion Loan 12	503,358	-
	<u>3,488,295</u>	<u>1,346,107</u>

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.

Loan 2 and 3 will be fully repaid on September 26, 2014.

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.



## EQUITY AND LIABILITIES

### 3. SHAREHOLDERS' EQUITY

#### Issued share capital

	Common shares
	€ x 1,000
Book value as of January 1, 2014	2,087
Book value as of June 30, 2014	2,087
Statutory share capital (x € 1,000)	2,087
Shares issued	46,375
Nominal value per share (x € 1,-)	45.00

01/01/2014 06/30/2014	01/01/2013 12/31/2013
€ x 1,000	€ x 1,000

#### Share premium reserve

Book value as per beginning of period	2,513	2,513
Book value as per end of period	2,513	2,513

#### Other reserves

Book value as per beginning of period	27	682
Allocation of previous financial year net result	2,353	2,445
Paid dividend	-	-3,100
Book value as per end of period	2,380	27

#### Unappropriated result

Book value as per beginning of period	2,353	2,445
Addition to other reserves	-2,353	-2,445
Unappropriated profit	920	2,353
Book value as per end of period	920	2,353

#### 4. NON-CURRENT LIABILITIES

	6/30/2014	12/31/2013
	€ x 1,000	€ x 1,000
<b>Non-current loans</b>		
Note 6, 3.625% CHF bond 2008-2015	-	162,610
Note 10, 5.125% Euro bond 2009-2015	-	1,496,377
Note 11, 4.5% Euro bond 2009-2016	149,863	149,824
Note 12, 5.125% Euro bond 2009-2015	-	505,039
	<u>149,863</u>	<u>2,313,850</u>

The total amount of the long term liabilities is payable in the period 2015 up to and including 2016. No amount is payable after 2016.

	01/01/2014 06/30/2014	01/01/2013 12/31/2013
	€ x 1,000	€ x 1,000
<i>Note 6, 3.625% CHF bond 2008-2015</i>		
Book value as per beginning of period	162,610	165,148
Exchange rate differences	1,606	-2,745
Reclassification to short term	-164,323	-
Amortization of disagio	107	207
Long-term part as per end of period	<u>-</u>	<u>162,610</u>

Cumulative amortization of disagio as at June 30, 2014 amounts to € 1,100 (December 31, 2013 € 993)

On June 3, 2008 the Company issued notes 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 notes. The notes 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 notes.

#### *Note 10, 5.125% Euro bond 2009-2015*

Book value as per beginning of period	1,496,377	1,494,013
Reclassification to short term	-1,497,604	-
Amortization of disagio	1,227	2,364
Long-term part as per end of period	<u>-</u>	<u>1,496,377</u>

Cumulative amortization of disagio as at June 30, 2014 amounts to € 11,719 (December 31, 2013 € 10,492)

On February 9, 2009 the Company issued notes 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 notes. The notes 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 notes.

	01/01/2014 06/30/2014	01/01/2013 12/31/2013
	€ x 1,000	€ x 1,000
Book value as per beginning of period	149,824	149,747
Amortization of disagio	39	77
Long-term part as per end of period	<u>149,863</u>	<u>149,824</u>

*Note 11, 4.5% Euro bond 2009-2016*

Book value as per beginning of period  
Amortization of disagio  
Long-term part as per end of period

Cumulative amortization of disagio as at June 30, 2014 amounts to € 381 (December 31, 2013 € 342)

On February 24, 2009 the Company issued notes for a total amount of € 150,000 less disagio of € 517 through Commerzbank AG. The notes 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 notes.

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

Book value as per beginning of period	505,039	508,381
Reclassification to short term	-503,340	-
Amortization of agio	-1,699	-3,342
Long-term part as per end of period	<u>-</u>	<u>505,039</u>

Cumulative amortization of agio as at June 30, 2014 amounts to € -15,950 (December 31, 2013 € -14,251)

On May 29, 2009 the Company issued notes 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 notes. The notes 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 notes.

	6/30/2014	12/31/2013
	€ x 1,000	€ x 1,000

## 5. CURRENT LIABILITIES

Repayment obligation long-term debt	3,415,153	1,249,650
Accruals and deferred income	65,281	89,616
	<u>3,480,434</u>	<u>1,339,266</u>

The current liabilities are all due within one year.

### Repayment obligation long-term debt

Note 2, 5% Euro bond 2007-2014	999,795	999,369
Note 3, 5% Euro bond 2007-2014	250,091	250,281
Note 6, 3.625% Euro bond 2008-2015	164,323	-
Note 10, 5.125% Euro bond 2009-2015	1,497,604	-
Note 12, 5.125% Euro bond 2009-2015	503,340	-
	<u>3,415,153</u>	<u>1,249,650</u>

Notes 2 and 3 will be fully repaid on September 26, 2014.

	6/30/2014	12/31/2013
	€ x 1,000	€ x 1,000
<b>Accruals and deferred income</b>		
Payable interest	59,281	83,616
Loan from group companies	6,000	6,000
	<u>65,281</u>	<u>89,616</u>

## OFF BALANCE SHEET COMMITMENTS

### Off-balance sheet commitments

#### *Related Parties*

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

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

### Financial instruments

#### General

During the normal course of business, the company uses various financial instruments that expose the company to market, credit and liquidity risks. The Company is exposed to these risks given the portfolio of interest-bearing receivables (mainly taken up in financial fixed assets and cash at bank and in hand), interest-bearing long term and current liabilities (including bonds, notes and bank loans).

#### *Credit risk*

In 2014, 100.0% (2013: 100.0%) of the receivables of the Company are held with related parties, which are 100.0% (2013: 100.0%) concentrated with BASF Group companies.

In general, the management of the Company tends to assess and review credit risk for counter parties within BASF 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. As per June 30, 2014 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 fluctuation in exchange rates for the Euro vs. the Swiss Franc (1.2156 at the end of June 2014 and 1.2276 at the end of December 2013) did not have a substantial influence on 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.

## 6 NOTES TO THE PROFIT & LOSS ACCOUNT FOR THE FIRST HALF YEAR OF 2014

	01/01/2014 06/30/2014	01/01/2013 06/30/2013
	€ x 1,000	€ x 1,000
<b>6. Interest and similar income</b>		
Loan 2, BASF Antwerpen N.V.	26,185	26,185
Loan 3, BASF Antwerpen N.V.	6,230	6,229
Loan 6, BASF Antwerpen N.V.	3,240	3,214
Loan 7, BASF Antwerpen N.V.	-	2,591
Loan 8, BASF Antwerpen N.V.	-	276
Loan 9, BASF Antwerpen N.V.	-	39,237
Loan 10a, BASF Antwerpen N.V.	13,738	13,718
Loan 10b, BASF SE	27,478	27,435
Loan 11, BASF SE	3,574	3,571
Loan 12, BASF Nederland B.V.	11,622	11,698
Interest income others	6	-
	<u>92,073</u>	<u>134,154</u>
<b>7. Interest and similar expense</b>		
Note 2, Interest 5% Euro bond 2007-2014	25,220	25,200
Note 3, Interest 5% Euro bond 2007-2014	6,009	6,018
Note 6, Interest 3.625% CHF bond 2008-2015	3,083	3,058
Loan 7, Landesbank Baden-Wurttemberg 2008-2013	-	2,113
Loan 8, Landesbank Baden-Wurttemberg 2008-2013	-	224
Note 9, Interest 6% Euro bond 2008-2013	-	38,055
Note 10, Interest 5.125% Euro bond 2009-2015	39,348	39,287
Note 11, Interest 4.5% Euro bond 2009-2016	3,387	3,385
Note 12, Interest 5.125% Euro bond 2009-2015	11,008	11,079
Others	44	42
	<u>88,099</u>	<u>128,461</u>

### Staff

During the first half year of 2014 the Company had no employees.

### 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 25.02% (June 30, 2013: 25.2%) is not equal to the prevailing tax rates for 2014 (20% tax rate on the first € 200,000 of taxable profits, 25% tax rate for the rest) in the Netherlands. This is due to non-deductible interest expenses.

**Board of Managing Directors signature for approval**

Arnhem, August 27, 2014

BASF Finance Europe N.V.

BASF Finance Europe N.V.

H.M. Fisch

T. Dratt

## OTHER INFORMATION

### 1 Statutory appropriation of profit

In the articles of association it is stated that profits of the company shall be at the disposal of the General Meeting of Shareholders. At the same time, the articles state that the Company may distribute profits only if and to the extent that its shareholders' equity is higher than the aggregate of the paid and called-up part of the issued capital and the reserves, which must be maintained by law.

The Company can only make payments to the shareholders insofar as:

- the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and;
- the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test).

If not, management of the Company shall not approve the distribution.

### 2 Appropriation of the result for 2013

The annual accounts for 2013 were adopted by the General Meeting of Shareholders. The General Meeting of Shareholders has determined the appropriation of the result as it was proposed.