Trends in key customer industries

Following the previous year’s strong upturn (+7.2%), growth in global industrial production reached a high level in 2011 (+4.7%), but was lower than our forecast (+5.0%). Of all regions, Asia’s emerging markets posted the strongest growth in industrial production (+10.4%). Growth was considerably weaker in the industrialized countries of the OECD (+2.2%), mostly as a result of production outages in Japan following the earthquake and tsunami disaster in March 2011.

The **transportation** sector posted solid growth (+5.2%). The number of automobiles produced worldwide rose substantially (+5.7%), despite major production outages in Japan (–19.0%). Automotive production in the United States continued to show strong growth in 2011 (+9.5%). In the European Union, automotive production on a per-unit basis again grew significantly compared with the previous year (+10.0%).

The **energy and resources** sector also benefited from the general economic development and posted robust growth (+3.1%).

The **construction** sector overall recovered noticeably (+3.9%). But this development varied widely from region to region: In the United States (+1.0%), Japan (+1.2%) and the European Union (+1.1%), the construction industry grew only slowly due to existing overcapacities. By contrast, Asia’s emerging markets posted a considerable increase over the previous year (+7.9%).

The **consumer goods** industry (+5.9%) benefited in 2011 from high demand worldwide in its important subindustries. Production increased sharply in the electrical industry in particular (+9.3%), although growth in Japan slowed down following production outages (+4.2%). Growth in this sector was driven by the electrical industry in Asia’s emerging markets (+14.4%). The textile industry also grew considerably worldwide (+5.5%). Asia (excluding Japan) posted the most substantial rise in textile production (+7.4%). The paper industry grew worldwide (+3.1%), although growth halved compared with the previous year. While growth in Asia’s emerging markets was above average (+10.4%), paper production increased only slightly in the industrialized countries (+0.7%).

Development of industrial production in 2011

– Global industrial production growth at a high level (+4.7%)
– Strongest growth in Asia’s emerging markets
– Significant growth in the electronics industry (+6.6%) and consumer goods industry (+5.9%)

Within the **electronics** industry (+6.6%), information and communication technology posted the strongest growth. In Japan, growth declined due to production outages, especially in semiconductor manufacturing.

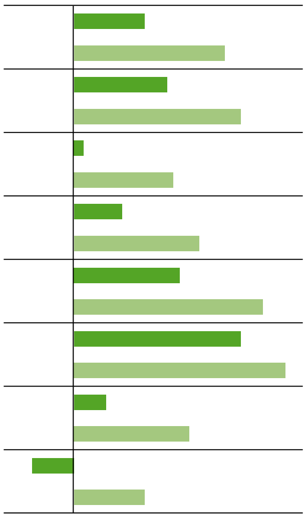
The **health and nutrition** sector grew sharply worldwide (+3.6%). The food industry in particular posted significant growth (+3.6%). Production grew considerably faster in emerging markets (+7.7%) than in the industrialized countries (+1.1%).

Agriculture posted average growth worldwide in 2011 (+2.2%). Production declined slightly in the industrialized countries (–1.3%) as a result of both weather conditions as well as the earthquake and tsunami disaster in Japan. By contrast, favorable weather conditions and higher prices for agricultural products led to a production increase in emerging markets (+3.9%).

→ **For the forecast for the economic environment in 2012, see page 113 onward**

Growth in key customer industries in 2011
Real change compared with the previous year

Industries total	**OECD**	**2.2%**
	World	**4.7%**
Transportation	OECD	2.9%
	World	5.2%
Energy and raw materials	OECD	0.3%
	World	3.1%
Construction industry	OECD	1.5%
	World	3.9%
Consumer goods	OECD	3.3%
	World	5.9%
Electronics	OECD	5.2%
	World	6.6%
Health and nutrition	OECD	1.0%
	World	3.6%
Agriculture	OECD	(1.3%)
	World	2.2%



BASF sales by industry
Direct customers

> 15%	Chemicals and plastics | Energy and resources
10–15%	Consumer goods | Transportation
5–10%	Agriculture | Construction industry
< 5%	Health and nutrition | Electronics

Trends in the chemical industry

2011 was a successful year overall for the chemical industry. Global chemical production (excluding pharmaceuticals) grew by 4.8% – slightly slower than we had originally forecast for 2011 (+5.2%). Following strong development in the first half of the year, economic growth slowed down in the second half. Overall, growth in chemical production (excluding pharmaceuticals) stabilized at a high level.

After returning to pre-crisis levels in 2010, **global chemical production** (excluding pharmaceuticals) continued to develop positively in 2011 as a result of high demand from key customer industries. Chemical production grew in the European Union (+1.6%). Thanks to the close links between the chemical industry and fast-growing, export-oriented customer industries, chemical production increased more sharply in Germany (+2.0%) than in the European Union. Chemical production in Japan, however, posted a significant decline (–3.1%) as a result of the earthquake and tsunami disaster. In the United States, the overall economic situation also led to slower growth in the chemical industry (+2.1%). Chemical production grew strongly once again in South America (+4.7%) and Asia (excluding Japan) (+11.1%).

Chemical production (excluding pharmaceuticals) in 2011
Real change compared with the previous year

World	**4.8%**
E.U.	1.6%
United States	2.1%
Asia (excl. Japan)	11.1%
Japan	(3.1%)
South America	4.7%

The **crude oil price** of Brent blend increased significantly compared with the previous year. This was due on the one hand to increased global demand following the economic recovery, and on the other, to the tense political situation in North Africa and the Middle East which led to cutbacks in oil production. Nevertheless, fluctuations in the crude oil price over the course of the year were relatively low. The average monthly prices ranged from $96 per barrel to $124 per barrel. The average annual oil price was around $110 per barrel, an increase of approximately 40% over the previous year's level and the highest average annual oil price to date.

Average monthly prices for the chemical raw material **naphtha** ranged over the course of the year from a low of $850 per metric ton in January to a high of more than $1,050 per metric ton in April. The average annual price of naphtha was $930 per metric ton, an increase of more than 30% over the previous year's level.

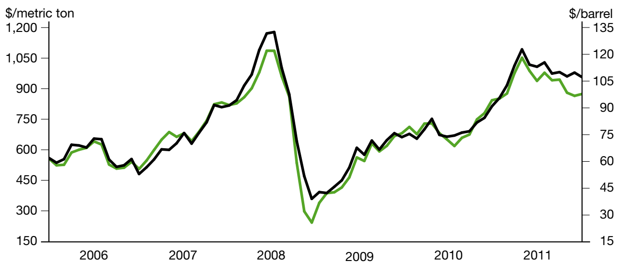
The average annual price of natural gas in the United States was around $4/mbtu, unchanged from the previous year. In the European Union, the average price of natural gas rose to more than $10/mbtu, an increase of about 25% compared with 2010.

→ **For the forecast for the economic environment in 2012, see page 113 onward**

Trends in the chemical industry in 2011

– Global chemical production (excluding pharmaceuticals) grows by 4.8%
– Chemical production increases in the European Union (+1.6%)
– Price of Brent blend crude oil increases significantly year-on-year

Price trends for crude oil (Brent blend) **and naphtha**
($/barrel, $/metric ton)



— Oil spot price (Brent blend) in $/barrel
— Naphtha spot price in $/metric ton

Business review BASF Group

Sales and earnings (million €)

		2011	2010	Change in %
Sales		73,497	63,873	15.1
Income from operations before depreciation and amortization (EBITDA)		11,993	11,131	7.7
EBITDA margin	%	16.3	17.4	–
Income from operations (EBIT) before special items		8,447	8,138	3.8
Income from operations (EBIT)		8,586	7,761	10.6
Financial result		384	(388)	.
Income before taxes and minority interests		8,970	7,373	21.7
Income before minority interests		6,603	5,074	30.1
Net income		6,188	4,557	35.8
Earnings per share	€	6.74	4.96	35.9
Adjusted earnings per share	€	6.26	5.73	9.2

Sales and earnings by quarter 2011 (million €)[1]

		1st quarter	2nd quarter	3rd quarter	4th quarter	2011
Sales		19,361	18,461	17,607	18,068	73,497
Income from operations before depreciation and amortization (EBITDA)		3,365	3,015	2,709	2,904	11,993
Income from operations (EBIT) before special items		2,732	2,237	1,964	1,514	8,447
Income from operations (EBIT)		2,550	2,217	1,882	1,937	8,586
Financial result		830	(121)	(161)	(164)	384
Income before taxes and minority interests		3,380	2,096	1,721	1,773	8,970
Net income		2,411	1,454	1,192	1,131	6,188
Earnings per share	€	2.62	1.59	1.30	1.23	6.74
Adjusted earnings per share	€	1.94	1.75	1.52	1.05	6.26

Sales and earnings by quarter 2010 (million €)[1]

		1st quarter	2nd quarter	3rd quarter	4th quarter	2010
Sales		15,454	16,214	15,781	16,424	63,873
Income from operations before depreciation and amortization (EBITDA)		2,627	2,867	2,934	2,703	11,131
Income from operations (EBIT) before special items		1,954	2,206	2,213	1,765	8,138
Income from operations (EBIT)		1,840	2,079	2,155	1,687	7,761
Financial result		(80)	(93)	(105)	(110)	(388)
Income before taxes and minority interests		1,760	1,986	2,050	1,577	7,373
Net income		1,029	1,183	1,245	1,100	4,557
Earnings per share	€	1.12	1.29	1.35	1.20	4.96
Adjusted earnings per share	€	1.32	1.50	1.52	1.39	5.73

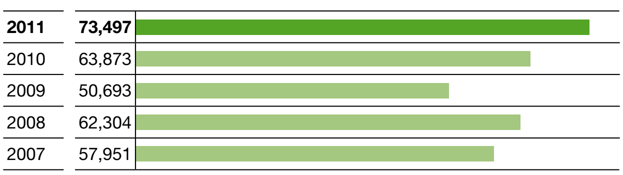
[1] Quarterly results not audited

Sales

Sales increase significantly, sales volumes rise in most divisions; months-long suspension of oil production in Libya negatively impacts sales and earnings growth

+15%

Sales (million €)



BASF significantly increased sales and earnings in 2011. The economic upturn of 2010 continued into 2011, although growth momentum slowed in the second half of the year due to uncertainty in the financial markets. Growing demand was accompanied by increasing raw material costs, which we were largely able to pass on to the market. Sales and earnings were negatively impacted by the months-long suspension of our oil production in Libya.

Compared with 2010, sales increased by 15.1% to €73,497 million. Income from operations improved by 10.6% and amounted to €8,586 million.

→ **For more on the economic environment in 2012, see pages 113–115**

Sales and income from operations

Positive economic development led to an approximately 2.5% increase in demand in the chemicals business[1], and most divisions improved their sales volumes. Prices rose as a result of higher raw material costs, especially in the Petrochemicals and Catalysts divisions. However, we were unable to fully pass on the increased raw material costs to our customers in all product lines, which negatively affected our margins. The integrated Cognis businesses were included for the full year for the first time, which had a positive influence on sales and earnings growth. Our sales and earnings only included the styrenics business until it was transferred to the Styrolution joint venture on October 1, 2011. Other company acquisitions and divestitures had only a small influence on the development of our sales and earnings.

Sales in the **Chemicals** segment rose significantly compared with the previous year mostly as a result of higher prices. We were largely able to pass on increased raw material costs to our customers, especially because market supplies of some products continued to be scarce. The Petrochemicals division in particular benefited from this development. High capacity utilization rates, our cost-cutting programs and good margins all led to an increase in income from operations.

Factors influencing sales BASF Group

	Change in million €	Change in %
Volumes	311	.
Prices	7,800	12
Currencies	(1,372)	(2)
Acquisitions and changes in the scope of consolidation	3,246	5
Divestitures	(361)	.
Total change in sales	**9,624**	**15**

Sales in the **Plastics** segment were considerably above the previous year's level. Especially in the first half of the year, demand from numerous customer industries grew, particularly from the automotive industry. We raised prices in response to increasing raw material costs; they declined only in the TDI business. This prevented income from operations in the Polyurethanes division from matching the level of the previous year. However, significantly increased earnings in the Performance Polymers division were able to mostly compensate for this development.

Sales in the **Performance Products** segment improved, mainly driven by the full-year inclusion of the Cognis businesses as well as by increased prices due to higher raw material costs. Furthermore, our products were in high demand from most customer industries, especially during the first half of 2011. Special items related to the Cognis integration had a negative influence on earnings in some divisions. Overall, however, the integrated Cognis businesses made a positive contribution and played a decisive role in the year-on-year increase in the segment's income from operations.

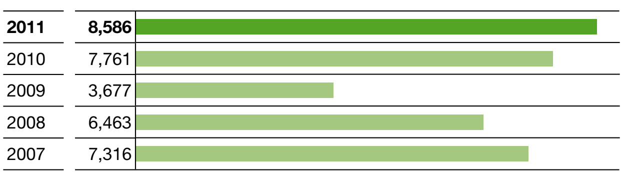
In the **Functional Solutions** segment, higher sales volumes and a significant sales increase were predominantly attributable to high demand from the automotive industry. In the Catalysts division, sales growth was also boosted by a sharp increase in precious metal prices. Sales also rose in the Construction Chemicals and Coatings divisions. The segment's decline in income from operations was mainly a result of special charges

Income from operations

– Considerable earnings increase year-on-year
– High demand from many customer industries
– Higher raw material costs largely passed on to customers

+11%

Income from operations (million €)



[1] Our chemicals business includes the Chemicals, Plastics, Performance Products and Functional Solutions segments.

in the Coatings and Construction Chemicals divisions; even the significantly increased earnings contribution from the Catalysts division could not compensate for this.

Sales in the **Agricultural Solutions** segment grew primarily as a result of high demand. We were able to increase sales volumes in the growth markets of Asia and Eastern Europe in particular. Prices remained stable overall, but the depreciation of the U.S. dollar negatively affected sales growth. Income from operations exceeded the previous year's level despite increases in expenditures for research and development as well as for the expansion of our sales activities in growth markets.

Sales increased significantly in the **Oil & Gas** segment as a result of higher prices. In the Exploration & Production business sector, however, the months-long suspension of oil production in Libya led to a decline in volumes. In contrast, sales volumes in Natural Gas Trading were slightly higher than in the previous year. Income from operations for the segment declined as a result of the lower contribution from Libya.

Sales in **Other** increased to €6,275 million from €5,851 million in the previous year. As of October 1, 2011, our styrenics business was transferred to the Styrolution joint venture; this unit therefore only contributed to the sales and earnings of Other for the first nine months of 2011. During this period, sales in Styrenics significantly exceeded the level of the previous year. Sales also developed positively in the fertilizer business and raw materials trading. Income from operations in Other rose from minus €707 million to €178 million. This increase is predominantly attributable to gains on the disposal of our styrenics business in the amount of €593 million. In addition, special charges as well as expenses for the long-term incentive program were both lower.

EBIT after cost of capital amounted to €2,551 million. This means we once again earned a high premium on our cost of capital.

Special items in income from operations

Special items had a positive influence on income from operations in 2011, amounting to €139 million compared with minus €377 million in 2010. Gains resulting from the transfer of our styrenics business to the Styrolution joint venture were primarily responsible for this significant improvement. The divestiture of various other businesses led to special charges totaling €86 million; in 2010, we posted special income of €31 million.

Special charges for restructuring measures amounted to €181 million in 2011, compared with €100 million in the previous year.

Integration costs of €240 million were almost exclusively related to the Cognis integration. In 2010, costs were incurred for the integration of both Ciba and Cognis.

Other items resulted in special income of €53 million, compared with special charges of €146 million in the previous year. This improvement was in part due to the repeal of the fine imposed by the European Union on the former Ciba in 2009 as well as to income from the settlement of legal disputes in the United States.

Financial result and net income

The financial result was €384 million, significantly above the previous year's value of minus €388 million. This was primarily due to the special item of €887 million in income from participations that resulted from the sale of our stake in K+S Aktiengesellschaft. The overall financial result included special items of €829 million. Special items in income before taxes and minority interests amounted to €968 million.

Income from operations

- Earnings rise compared with the previous year despite months-long suspension of oil production in Libya
- Special income results from transfer of styrenics business to the Styrolution joint venture
- High premium earned on cost of capital

Special items (million €)

	2011	2010
Integration costs	(240)	(162)
Restructuring measures	(181)	(100)
Divestitures	507	31
Other charges and income	53	(146)
Total reported in EBIT	**139**	**(377)**
Special items reported in financial result	829	–
Total reported in income before taxes	**968**	**(377)**

At minus €574 million, the interest result improved compared with the previous year. Other financial expenses and income improved to minus €26 million.

Income before taxes and minority interests increased significantly from €7,373 million to €8,970 million. Return on assets amounted to 16.1%, compared with 14.7% in the previous year.

Despite the strong improvement in income before taxes and minority interests, income taxes increased only slightly, by €68 million to €2,367 million. The tax rate therefore decreased significantly, from 31.2% to 26.4%. This was mostly due to the months-long suspension of oil production in Libya, which is heavily taxed. At €439 million, non-compensable income taxes for oil production in 2011 were €544 million below the level of the previous year. Furthermore, gains from the sale of our shares in K+S Aktiengesellschaft were predominantly tax-free.

Income before minority interests improved by €1,529 million to €6,603 million. Minority interests decreased from €517 million to €415 million. Declines were posted especially at Wintershall AG following the months-long suspension of production in Libya as well as at BASF PETRONAS Chemicals Sdn. Bhd. in Malaysia. Net income grew by €1,631 million to €6,188 million. Earnings per share thus rose from €4.96 to €6.74.

→ **For more on the tax rate, see the Notes on page 169**
→ **For more on the accounting methods, see the Notes on page 148**

Cash flow

At €7,105 million, cash flow from operating activities in 2011 exceeded the level of the previous year by €645 million. Net income contributed significantly to this. In addition to higher price levels, the expansion of our business also led to a rise in receivables and inventories, thus increasing the funds tied down in net working capital.

Payments related to property, plant and equipment and intangible assets were €862 million above the previous year's level. Free cash flow was therefore €217 million lower than in the previous year and amounted to €3,695 million.

Adjusted earnings per share

Earnings per share adjusted for special items and the amortization of intangible assets is a key ratio that offers long-term comparability and is more suitable for predicting the company's future profitability.

In 2011, adjusted earnings per share amounted to €6.26 compared with €5.73 in the previous year.

Adjusted earnings per share (million €)

		2011	2010
Income before taxes and minority interests		8,970	7,373
Special items		(968)	377
Amortization of intangible assets		789	703
Amortization of intangible assets contained in the special items		(97)	(73)
Adjusted income before taxes and minority interests		**8,694**	**8,380**
Adjusted income taxes		(2,513)	(2,596)
Adjusted income before minority interests		**6,181**	**5,784**
Adjusted minority interests		(432)	(523)
Adjusted net income		**5,749**	**5,261**
Weighted average number of outstanding shares	(in thousands)	918,479	918,479
Adjusted earnings per share	**(€)**	**6.26**	**5.73**

Adjusted income before taxes and minority interests, adjusted net income and adjusted earnings per share are key ratios that are not defined under International Financial Reporting Standards (IFRS). They should therefore be viewed as supplementary information.

→ **For more information on the earnings per share under IFRS, see the Notes on page 166**

Financial result and net income

- Financial result improves significantly, special income from sale of shares in K+S Aktiengesellschaft
- Income taxes increase only slightly, despite strong improvement in earnings before taxes and minority interests
- Months-long suspension of oil production in Libya and predominantly tax-free gains from sale of shares in K+S Aktiengesellschaft lead to decline in tax rate

Earnings per share and cash flow

- Earnings per share rise to €6.74
- Adjusted earnings per share increase by €0.53
- At €7,105 million, cash provided by operating activities once again higher compared with previous year
- Free cash flow below previous year's level due to higher expenditures for property, plant and equipment and intangible assets

Consolidated balance sheets

Assets

	December 31, 2011		December 31, 2010	
	Million €	%	Million €	%
Intangible assets	11,919	19.5	12,245	20.6
Property, plant and equipment	17,966	29.4	17,241	29.0
Investments accounted for using the equity method	1,852	3.0	1,328	2.2
Other financial assets	848	1.4	1,953	3.3
Deferred taxes	941	1.5	1,112	1.9
Other receivables and miscellaneous long-term assets	561	0.9	653	1.1
Long-term assets	**34,087**	**55.7**	**34,532**	**58.1**
Inventories	10,059	16.5	8,688	14.7
Accounts receivable, trade	10,886	17.8	10,167	17.1
Other receivables and miscellaneous short-term assets	3,781	6.2	3,883	6.6
Marketable securities	19	.	16	.
Cash and cash equivalents	2,048	3.3	1,493	2.5
Assets of disposal groups	295	0.5	614	1.0
Short-term assets	**27,088**	**44.3**	**24,861**	**41.9**
Total assets	**61,175**	**100.0**	**59,393**	**100.0**

Equity and liabilities

	December 31, 2011		December 31, 2010	
	Million €	%	Million €	%
Subscribed capital	4,379	7.2	4,392	7.4
Retained earnings	19,446	31.8	15,817	26.6
Other comprehensive income	314	0.5	1,195	2.0
Minority interests	1,246	2.0	1,253	2.1
Equity	**25,385**	**41.5**	**22,657**	**38.1**
Provisions for pensions and similar obligations	3,189	5.2	2,778	4.7
Other provisions	3,335	5.5	3,352	5.6
Deferred taxes	2,628	4.3	2,467	4.2
Financial indebtedness	9,019	14.7	11,670	19.6
Other liabilities	1,142	1.9	901	1.6
Long-term liabilities	**19,313**	**31.6**	**21,168**	**35.7**
Accounts payable, trade	5,121	8.4	4,738	8.0
Provisions	3,210	5.2	3,324	5.6
Tax liabilities	1,038	1.7	1,140	1.9
Financial indebtedness	3,985	6.5	3,369	5.7
Other liabilities	3,036	5.0	2,802	4.7
Liabilities of disposal groups	87	0.1	195	0.3
Short-term liabilities	**16,477**	**26.9**	**15,568**	**26.2**
Total equity and liabilities	**61,175**	**100.0**	**59,393**	**100.0**

Compared with the previous year, total assets rose by €1,782 million to €61,175 million.

Assets

Long-term assets were reduced by €445 million to €34,087 million, particularly due to the sale of our shares in K+S Aktiengesellschaft. This development was only partly offset by the inclusion of our share in the Styrolution joint venture.

Intangible assets decreased as a result of impairments and scheduled amortization; as of December 31, 2011, intangible assets accounted for 19.5% of total assets (2010: 20.6%). Additions to property, plant and equipment exceeded depreciation and amortization. Thus as a percentage of total assets, property, plant and equipment increased slightly compared with the previous year, comprising 29.4% of total assets (2010: 29.0%).

The value of investments accounted for using the equity method increased in 2011. This development was mainly a result of the addition of our share in the Styrolution joint venture.

Other financial assets decreased significantly year-on-year following the sale of our shares in K+S Aktiengesellschaft.

The rise in short-term assets, in particular inventories and trade accounts receivable, is attributable to the expansion of our business volume as well as higher prices. Cash and cash equivalents grew by €555 million compared with the previous year. The disposal group created for the styrenics business in 2010 was dissolved in October 2011 upon the transfer of these activities to the Styrolution joint venture. The disposal group established for our fertilizer business in 2011 contained assets of €295 million.

Equity and liabilities

Equity once again rose sharply compared with the previous year, predominantly thanks to net income, which, at €6,188 million, was significantly higher than the dividend payments. This development was partially countered by effects recognized directly in equity: Upon the sale of the shares in K+S Aktiengesellschaft, the changes in fair value amounting to around €1 billion, which had been accumulated directly in equity, were derecognized. Actuarial losses from pension obligations reduced equity by €582 million. The equity ratio improved to 41.5% (2010: 38.1%).

Long-term liabilities decreased by €1,855 million. While long-term financial indebtedness was reduced by €2,651 million, provisions for pension obligations increased mainly as a result of lower discount rates.

Net debt (million €)

	Dec. 31, 2011	Dec. 31, 2010
Cash and cash equivalents	2,048	1,493
Financial indebtedness	13,004	15,039
Net debt	**10,956**	**13,546**

Short-term liabilities increased compared with the previous year, primarily on account of short-term financial indebtedness, which rose by €616 million. This was mostly because bonds due in 2012 with a value of around €2.9 billion were reclassified from long-term financial indebtedness. In 2011, bonds amounting to around €1.2 billion were repaid and the use of the commercial paper program was scaled back. Overall, financial indebtedness decreased by €2,035 million; net debt declined by €2,590 million.

Overall, trade accounts payable, short-term provisions and other liabilities were at the level of the previous year.

→ **For more on the composition and development of individual balance sheet items, see the Notes from page 172 onward**
→ **For more on the development of the balance sheet, see the Ten-Year Summary from page 221 onward**
→ **For more on the fertilizer business disposal group, see the Notes on page 161**

Assets

– Total assets slightly increase
– Decline in long-term assets, due in particular to the sale of shares in K+S Aktiengesellschaft
– Rise in inventories and trade accounts receivable due to expansion of business volume and higher price levels

Equity and liabilities

– Equity increases sharply due to high net income
– Long-term liabilities decline
– Net debt significantly reduced

Liquidity and capital resources

Value-based financial management, high cash flow

Our value-based financing principles are aimed at securing liquidity at all times, limiting the risks associated with financing and optimizing our cost of capital. We preferably meet our financing needs on international capital markets.

Financing policy and credit ratings

We continue to aim for at least a solid A rating, which allows us unrestricted access to money and capital markets. Our financing measures are aligned with our operative business planning as well as the company's strategic direction and also ensure the financial flexibility to take advantage of strategic options.

Corporate bonds form the basis of our medium- to long-term debt financing. These are issued in euros and other currencies with different maturities to ensure a balanced maturity profile and diverse range of investors, and to optimize our debt capital financing conditions.

For short-term financing we use our well-established commercial paper program, which has an issuing volume of up to $12.5 billion. As back-up for the commercial paper program, we have access to committed, broadly syndicated credit lines: By signing a credit line of €3 billion expiring in 2016 to replace a credit line of $3.75 billion expiring in 2012, we were able to improve both our maturity profile and creditor structure. An additional credit line of $2.25 billion expiring in 2014 remains unchanged.

Maturities of financial indebtedness (million €)

2017 and beyond	1,767
2016	1,541
2015	2,234
2014	1,964
2013	1,513
2012	3,985

None of the credit lines were, or are currently being tapped. BASF's external financing is therefore largely independent of short-term fluctuations in the credit markets.

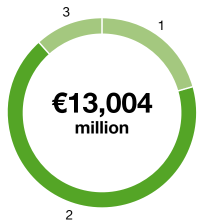
Off-balance-sheet financing tools, such as leasing, are of minimal importance for BASF. BASF Group's most important financial contracts contain no side agreements with regard to specific financial ratios (financial covenants). We are also not obligated to maintain a particular rating.

→ **For more on the financing tools used, see the Notes from page 191 onward**

On May 10, 2011, Standard & Poor's raised its long-term rating for BASF by one notch from "A" to "A+," maintaining a stable outlook. Moody's last confirmed BASF's A1 long-term rating on December 6, 2011, and rated the outlook as stable. BASF's short-term ratings were confirmed by both agencies. With "A+/A-1 outlook stable" from rating agency Standard & Poor's and "A1/P-1 outlook stable" from Moody's, BASF has good credit ratings, also compared with its competitors in the chemical industry.

Financing instruments (million €)

1	Bank loans[1]	2,704
2	Eurobonds	8,810
3	Other bonds	1,490



[1] Including promissory notes

Financing principles

- Value-based financing principles to secure liquidity at all times, limit financial risks and optimize cost of capital
- Balanced maturity profile and diverse range of investors
- BASF's external financing is largely independent of short-term fluctuations in the credit markets thanks to good credit ratings

Consolidated statements of cash flows

- High cash flow from operating activities
- Net working capital increases by €906 million, mostly as a result of high prices
- Free cash flow of €3,695 million
- Payments related to property, plant and equipment and intangible assets of €3,410 million
- Net debt reduced by €2,590 million compared with the previous year