

BASF Factbook 2012



We create chemistry

Published in August 2012

 **BASF**

The Chemical Company

Investment highlights

#1 chemical company – uniquely positioned with broad market access, portfolio of technologies and expertise

Superior growth opportunities: innovation, sustainability and emerging markets

Competitive advantage based on **Verbund concept** and operational excellence

Long-term value creation based on a sound balance sheet and financial strength

**→ We create chemistry
for a sustainable future**

Dear Analysts and Investors,

This is the 6th issue of our annual BASF Factbook. It has become a key part of our ongoing communications with you and represents our commitment to transparency and openness. Our goal is to help existing and potential investors get a better understanding of the depth and breadth of our business, the key operational highlights and how these developments are reflected in our financial performance.

The last 18 months have been a period of increased uncertainty and volatility. Despite the many challenges, BASF delivered a strong performance in 2011, significantly surpassing the record levels achieved in 2010. Our performance over the years has also demonstrated the strengths of our offering and resilience of our earnings. 2012 has shown a gradual weakening in global demand and a further increase in uncertainty in all regions. BASF's goal is to perform above average under all circumstances. We therefore focus on operational and commercial excellence and on shaping our portfolio towards higher growth and earnings.

Over the course of the last year we have continued to optimize our portfolio, acquiring businesses and entering into partnerships to bring us closer to customers and divesting businesses where we see the opportunity to unlock value. For example, we have announced several acquisitions in battery technology and see this area specifically as a growth field going forward. The joint venture between our styrenics business and INEOS has created a leader in that space. We have also continued to focus on investments in emerging markets such as in China, India and Brazil. Sales to customers in emerging markets have grown rapidly over the last decade and we expect them to contribute just under half of total sales by 2020. This is a significant shift and we are investing approximately €5 billion over the next 4 years to ensure we continue to capture this growth.

To guide our actions and to help you understand our path forward we updated BASF's strategy. We see the chemical industry as uniquely positioned to contribute solutions to the major challenges our societies face in the future. "We create chemistry for a sustainable future" is BASF's answer to move the company further ahead. This is an ambitious strategy in what are certainly demanding times for the global economy, but we see very significant opportunities and believe that BASF is uniquely positioned to take advantage of them. Our "We create



chemistry" strategy is focused on chemistry as an enabler to meet the needs of a growing world population. Sustainability is about utilizing the broad range of expertise within BASF to create new business opportunities and add value for our customers as one company.

In further developing our strategy we asked many of you for input and feedback. It is important to me personally to fully understand your expectations and I appreciate your cooperation. The management team and I look forward to our continued engagement with you as investors and analysts. We see significant growth opportunities ahead for BASF and we remain committed to delivering long-term sustainable value for all stakeholders.

Best regards

Kurt Bock

Chairman of the Board of Executive Directors of BASF SE
Ludwigshafen, August 2012



BASF – The Chemical Company



Business segments



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1.1 At a glance

BASF today: We create chemistry for a sustainable future

BASF is the world's leading chemical company. Our portfolio ranges from oil and gas to chemicals, plastics, performance products, functional solutions and agricultural products. As a reliable partner, we innovate for our customers in virtually all industries to be more successful. Our high-value products and sustainable solutions play an important role in finding answers to global challenges such as climate protection, energy efficiency, nutrition and quality of life.

BASF key facts

- About 111,000 employees worldwide – thereof more than 10,000 in research and development (R&D)
- Customers in more than 200 countries and in virtually all industries
- Top three market position in about 75% of our businesses
- Unique Verbund concept: production plants linked intelligently to save resources and energy; six world-scale Verbund sites
- Know-how Verbund with 70 major R&D sites and around 1,950 research cooperations with customers, science and partners
- Broadest portfolio of technologies in the industry

Key figures

		2011
Sales	€ billion	73.5
EBITDA	€ billion	12.0
EBIT before special items	€ billion	8.4
Net income	€ billion	6.2
Operating cash flow	€ billion	7.1
Earnings per share (EPS)	€/share	6.74
Adjusted EPS	€/share	6.26
Dividend	€/share	2.50
Dividend yield*	%	4.6

* Dividend yield based on share price at year-end

BASF – Well balanced portfolio: six strategic segments

(percentage of sales 2011*)

Chemicals

18%

- Inorganics
- Petrochemicals
- Intermediates

Plastics

15%

- Performance Polymers
- Polyurethanes

Performance Products

21%

- Dispersions & Pigments
- Care Chemicals
- Nutrition & Health
- Paper Chemicals
- Performance Chemicals

Functional Solutions

15%

- Catalysts
- Construction Chemicals
- Coatings

Agricultural Solutions

6%

- Crop Protection

Oil & Gas

16%

- Exploration & Production
- Natural Gas Trading

* Excluding sales in "Other"

BASF history:

Successful tradition

Since 1865, we have been shaping the future with chemistry and combining innovation with tradition. We are proud of who we are and what we do.

BASF – The Chemical Company. Chemistry is our strength. It makes us and our customers successful, today and in the future.



1865-1901 Friedrich Engelhorn founds Badische Anilin & Soda Fabrik to produce coal tar dyes. Soon thereafter, the company gains a leading position in the world dyes market with methylene blue, alizarin and indigo.



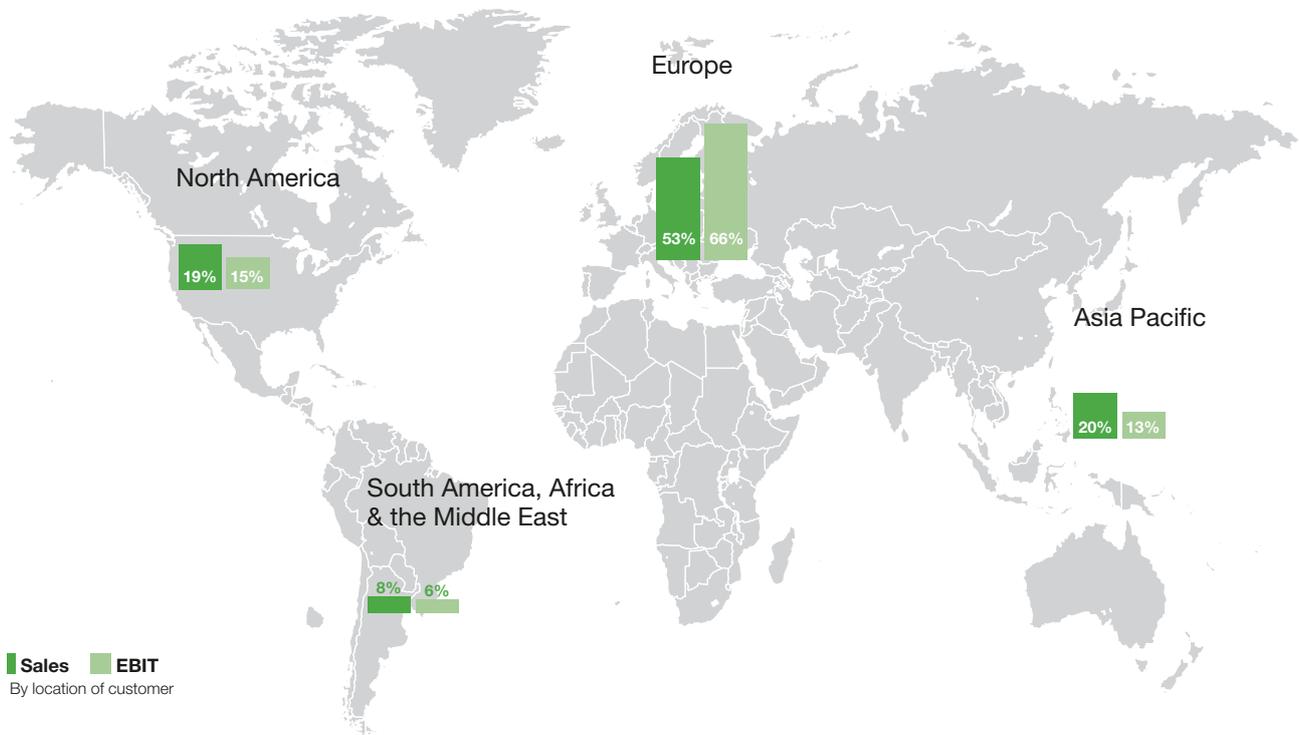
1901-1925 The synthesis of ammonia by the Haber-Bosch process paves the way for the production of synthetic nitrogen fertilizers. In 1919, the Nobel Prize in Chemistry is awarded to Fritz Haber.



1925-1945 BASF becomes part of IG Farbenindustrie AG. Advances in high-pressure technology enable the production of synthetic gasoline and rubber and products from acetylene. In 1931, the Nobel Prize in Chemistry is awarded to Carl Bosch.

1945-1953 Reconstruction of BASF factory after the severe damage during the Second World War. BASF re-established as an independent company in 1952.





BASF sales by industry

(Direct customers, percentage of sales 2011)

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



1953-1965 Germany's economic miracle paves the way for the plastics era. BASF expands into markets with products such as polystyrene, Styropor®, nylon and polyethylene.

1965-2004 BASF develops into a global company with production sites in Europe, North and South America and Asia.

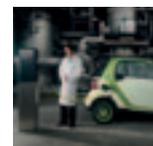


Since 2004 BASF is the world's leading chemical company. In 2005, the new Verbund site in Nanjing, China, begins operation. It represents the largest single investment project in BASF's history. In 2006, BASF buys Engelhard Corporation, United States, its biggest ever acquisition. In 2008, BASF is converted into a European Company (SE).



2009-2010 BASF acquires Ciba and Cognis to further expand its leading position in specialty chemicals (see pages 24 and 25).

2012 Series of expertise-driven acquisitions to establish BASF as a major player in the growth field of batteries for mobility. By 2020 we see a sales potential of more than €500 million for BASF in this market.



1.2 Management Board

The Executive Board of BASF SE comprises eight members



Dr. Kurt Bock

Chairman of the Board of Executive Directors; 54, with BASF for 21 years

Responsibilities:
Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications & Government Relations; Global Executive Human Resources; Investor Relations; Compliance



Dr. Martin Bruder Müller

Vice Chairman; 51, with BASF for 24 years, based in Asia

Responsibilities:
Performance Polymers, Polyurethanes; Market & Business Development Asia Pacific; Regional Functions & Country Management Asia Pacific



Dr. Hans-Ulrich Engel

Chief Financial Officer; 53, with BASF for 24 years, based in the United States

Responsibilities:
Finance; Catalysts; Corporate Controlling; Corporate Audit; Information Services & Supply Chain Management; Market & Business Development North America; Regional Functions North America



Michael Heinz

48, with BASF for 28 years

Responsibilities:
Dispersions & Pigments; Care Chemicals; Nutrition & Health; Paper Chemicals; Performance Chemicals; Advanced Materials & Systems Research



Dr. Andreas Kreimeyer

Research Executive Director; 57, with BASF for 26 years

Responsibilities:
Crop Protection; Coatings; Region South America; Biological & Effect Systems Research; BASF Plant Science; BASF Future Business



Dr. Harald Schwager

52, with BASF for 24 years

Responsibilities:
Oil & Gas; Construction Chemicals; Procurement; Region Europe



Wayne T. Smith

52, with BASF for 8 years

Responsibilities:
Inorganics; Petrochemicals; Intermediates; Chemicals Process Research & Chemical Engineering



Margret Suckale

56, with BASF for 3 years

Responsibilities:
Human Resources; Engineering & Maintenance; Environment, Health & Safety; Verbund Site Management Europe

The Supervisory Board of BASF SE comprises 12 members

Principle of parity between shareholder representatives and employee representatives.

- The six shareholder representatives are elected by the Shareholders' Meeting for a term of 4 years.
- The six employee representatives are appointed directly by the representative body of the employees, the BASF Europa Betriebsrat, also for a term of 4 years.



BASF's Supervisory Board

Shareholder representatives	
<p>Dr. h.c. Eggert Voscherau Wachenheim, Germany Chairman of the Supervisory Board of BASF SE. Former Deputy Chairman of the Board of Executive Directors of BASF SE</p>	<p>Michael Diekmann Munich, Germany Deputy Chairman of the Supervisory Board of BASF SE. Chairman of the Board of Management of Allianz SE</p>
<p>Franz Fehrenbach Stuttgart, Germany Chairman of the Supervisory Board of Robert Bosch GmbH</p>	<p>Prof. Dr. François Diederich Zurich, Switzerland Professor at the Swiss Federal Institute of Technology (ETH) Zurich</p>
<p>Anke Schäferkordt Cologne, Germany Chief Executive Officer of Mediengruppe RTL Deutschland and RTL Television</p>	<p>Max Dietrich Kley Heidelberg, Germany Lawyer</p>

Employee representatives	
<p>Robert Oswald Altrip, Germany Deputy Chairman of the Supervisory Board of BASF SE. Chairman of the works council of the Ludwigshafen site of BASF SE and chairman of the joint works council of BASF Group</p>	<p>Ralf Sikorski Wiesbaden, Germany Regional manager of the Rhineland-Palatinate/Saarland branch of the Mining, Chemical and Energy Industries Union (IG BCE)</p>
<p>Ralf-Gerd Bastian Neuhofen, Germany Member of the works council of the Ludwigshafen site of BASF SE</p>	<p>Michael Vassiliadis Hanover, Germany Chairman of the Central Board of Executive Directors of the Mining, Chemical and Energy Industries Union (IG BCE)</p>
<p>Wolfgang Daniel Limburgerhof, Germany Deputy Chairman of the works council of the Ludwigshafen site of BASF SE</p>	<p>Denise Schellemans Kalmthout, Belgium Full-time trade union delegate</p>

Transparent corporate management

Effective and transparent corporate governance guarantees that BASF is managed and monitored in a responsible manner focused on value creation. This fosters the confidence of our domestic and international investors, the financial markets, our customers and other business partners, employees and the public in the company.

Code of Conduct and compliance

Binding standards of conduct ensure that our values are permanently established in day-to-day business activities. The framework for this is our corporate governance system, which encompasses the management and monitoring of the company. The system includes organizations, commercial principles and guidelines, as well as internal and external control and monitoring mechanisms. The value "responsibility" is the foundation of our Compliance Program.

1.3 Strategy – Global trends

Innovations based on chemistry will play a key role in addressing global challenges

In 2050, around 9 billion people will live on this planet. On the one hand, this population growth is associated with enormous global challenges but we also see many opportunities, especially for the chemical industry. We expect the chemical industry to grow

particularly strongly in the emerging economies. These markets will account for around 60% of global chemical production by 2020. Innovations based on chemistry will play a key role in three areas in particular:



Resources, Environment & Climate

Dramatically rising energy demand is one of the world's most pressing challenges. In addition, access to clean water and other non-renewable resources is becoming increasingly important.



Food & Nutrition

A growing world population needs more food and it will be necessary to enhance nutrition quality.



Quality of Life

Population growth and globalization present further challenges. Aspirations differ greatly from region to region and among different social groups, but there is a common ambition: people want to improve their individual quality of life.

- Humankind are already consuming more of the planet's resources than can be regenerated.
- This gap is due to our carbon fueled economy and to changing nutrition habits of the growing world population.
- By 2050, more than nine billion people will live on our planet. If we don't change our habits, we will consume the resources of almost three of our planets.
- The demand for sustainable solutions will grow significantly. BASF can help to meet this demand with its innovative chemistry.

> 
2010
 Over-consumption
 of Earth's resources

>>> 
2050
 Over-consumption
 of Earth's resources

Key trends for the chemical industry

Growth will accelerate	Innovation gains in importance	Sustainability as strategic driver	Competitive landscape will change
<ul style="list-style-type: none"> • Industrial production > GDP • Chemical production > GDP • Emerging markets will outgrow developed markets 	<ul style="list-style-type: none"> • Chemistry as enabler • Chemical products replace traditional materials • Create innovative sustainable solutions 	<ul style="list-style-type: none"> • Use opportunities • Increase resource efficiency • Renewables as raw materials • Stakeholder dialog 	<ul style="list-style-type: none"> • Integrated chemical companies remain cornerstone • Emerging markets players grow quickly • Raw material players invest further downstream

Chemical industry remains an attractive growth industry

Challenges

Population growth to 9 billion by 2050 poses enormous global challenges:

- Rising energy demand
- Access to clean water and other non-renewable resources
- Nutrition quantity and nutrition quality
- Aspiration to improve overall quality of individual life

Opportunities

We see many opportunities, especially for the chemical industry as enabler to overcome those challenges:

- Innovative sustainable solutions will replace traditional materials
- With increasing resource efficiency, sustainability will be a strategic driver
- Chemical production growth will accelerate and be above GDP. Emerging markets will outgrow developed markets

Our purpose, strategic principles and economic goals

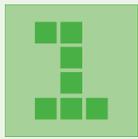
Our purpose

We create chemistry for a sustainable future. We combine economic success, social responsibility and environmental protection. Through science and innovation we enable our customers to meet the current and future needs of society.

BASF's strategic principles

Our unique position as an integrated global chemical company opens up opportunities related to all the three areas of global challenges outlined earlier.

We do this by focusing on four strategic principles:



We add value as *one* company



We innovate to make our customers more successful



We drive sustainable solutions



We form the best team

Key economic goals 2015 / 2020

Growth targets

Grow at least 2 percentage points above global chemical production

2015

Sales

~€85 billion

2020

Sales

~€115 billion

Sustainability

We combine economic success, social responsibility and environmental protection. Through science and innovation, we enable our customers in almost all industries to meet the current and future needs of society. Sustainability is becoming increasingly important as a key factor for growth and value creation. Customers want sustainable products and system solutions, and BASF's employees expect the company to integrate sustainability firmly into its day-to-day activities.



Profitability targets

Earn a premium on cost of capital of at least €2.5 billion on average p.a.

2015

EBITDA

~€15 billion

EPS

~€7.50

2020

Double EBITDA to

~€23 billion

(compared with 2010)

Our strategic levers to achieve our key financial targets

- Portfolio development
- Market approach
- Innovations for a sustainable future
- Investments
- Acquisitions
- Operational excellence

For further information see pages 12-25

Verbund

Our Verbund system is unique in the industry. It extends from the Production Verbund and Technology Verbund to the Know-How Verbund, and provides access to all relevant customer industries worldwide. In production, six Verbund sites in three regions are the foundation of our global competitiveness and innovativeness. Thanks to its highly efficient setup of site logistics, energy and infrastructure the Production Verbund helps save an estimated €1 billion globally in costs per year.



Portfolio management

BASF's successful portfolio optimization

BASF pursues active portfolio management. In recent years, we have continuously optimized our portfolio through acquisitions, divestitures and partnerships.

Proactive portfolio management 2001 to June 2012



Partnerships

Strategic partnerships with leading players are an important pillar in BASF's active portfolio management. These partnerships improve the profitability of the overall portfolio. Among the most important partnerships are:

Gazprom	Joint ventures for Natural Gas Trading (e.g., WINGAS) Partner in Exploration and Production (e.g., Achimgaz, Yuzhno Russkoye)	Oil & Gas	since 1993
Petronas	Joint venture partner in Verbund site Kuantan, Malaysia	Chemicals	since 1997
Total	Partner in stream cracker in Port Arthur, Texas (Sabina Petrochemicals LLC) Partner in world-scale C4 olefins complex in Port Arthur, Texas (Sabina Petrochemicals LLC)	Chemicals	since 1998
Shell	Joint venture for SMPO production (ELLBA) in Singapore and the Netherlands	Plastics	since 1999
Sinopec	Joint venture partner in Verbund site Nanjing, China	Chemicals	since 2000
Monsanto	Collaboration in plant biotechnology focusing on development of high-yielding and stress-tolerant crops	BASF Plant Science (currently in Other)	since 2007

Our goal is to acquire businesses that:

1. Generate profitable growth above the industry average
2. Are innovation-driven
3. Offer a special value proposition to customers
4. Reduce earnings cyclicality

Financial acquisition criteria:

1. Positive contribution to EPS; accretive by year three at the latest
2. Minimum return on investment of 8%
3. Additional return requirements depending on country risk

Active portfolio management pays off

Balanced portfolio – strength through diversity

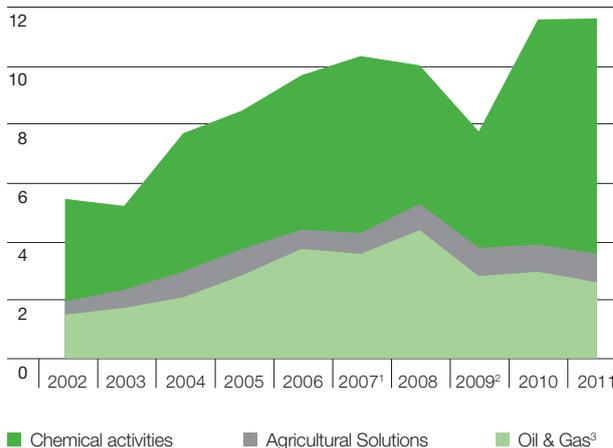
We make acquisitions to build on our strengths and make BASF even more competitive. In recent years, we acquired a number of specialized, close-to-end-user businesses (e.g. Cognis). In turn, we divested more commoditized and cyclical businesses (e.g. fertilizers). Thanks to our active portfolio management BASF has become significantly more resilient.

This is illustrated by the EBITDA development over the last ten-year period. Since 2002, we have more than doubled our EBITDA (excluding 'Other') to almost €12 billion in 2011. This corresponds to a compounded annual growth rate of nearly 9%.

We achieved this excellent result due to the continuous optimization of our portfolio as well as our sustained and relentless efforts to increase operational excellence and reduce costs. Today, BASF is on a new level of performance with substantially reduced earnings volatility. Our well balanced and diversified portfolio is a key strength.

EBITDA by activity

(in € billion, excluding Other)



■ Chemical activities ■ Agricultural Solutions ■ Oil & Gas³
¹ As of 2007 according to new segment structure (excluding Styrenics and corporate costs) ² Including ~€0.8 billion one-time costs for Ciba integration
³ Including non-deductible oil taxes

Portfolio development

Moving downstream towards customer industries

Chemistry will play an increasingly important role in tackling the challenges of the future. The innovation power of a company is becoming one of the most important key success factors. Today, innovation is less about the discovery of new molecules but rather about the improvement of applications and the development of customer solutions.

BASF will cater to this and will continue to develop its portfolio towards downstream industries. By 2020, we aim to generate about 70% of sales with 'customized products' and 'functionalized materials & solutions'. We expect to grow, however, in all our businesses including the 'classical chemicals' which will remain an important cornerstone.



* Agriculture, Construction, Consumer Goods, Health & Nutrition, Electronics, Energy & Resources, Transportation
 ** Sales excluding Oil & Gas

Active portfolio management pays off

- BASF actively manages its portfolio: acquisition of specialized, close-to-end-user businesses and divestment of commoditized, cyclical businesses
- Thanks to its well balanced and diversified portfolio BASF has become more resilient
- EBITDA more than doubled over the last ten years and reached ~€12 billion in 2011

Customized products, functionalized materials & solutions (target 2020)

Increase to **70%**
(sales share)

Market approach

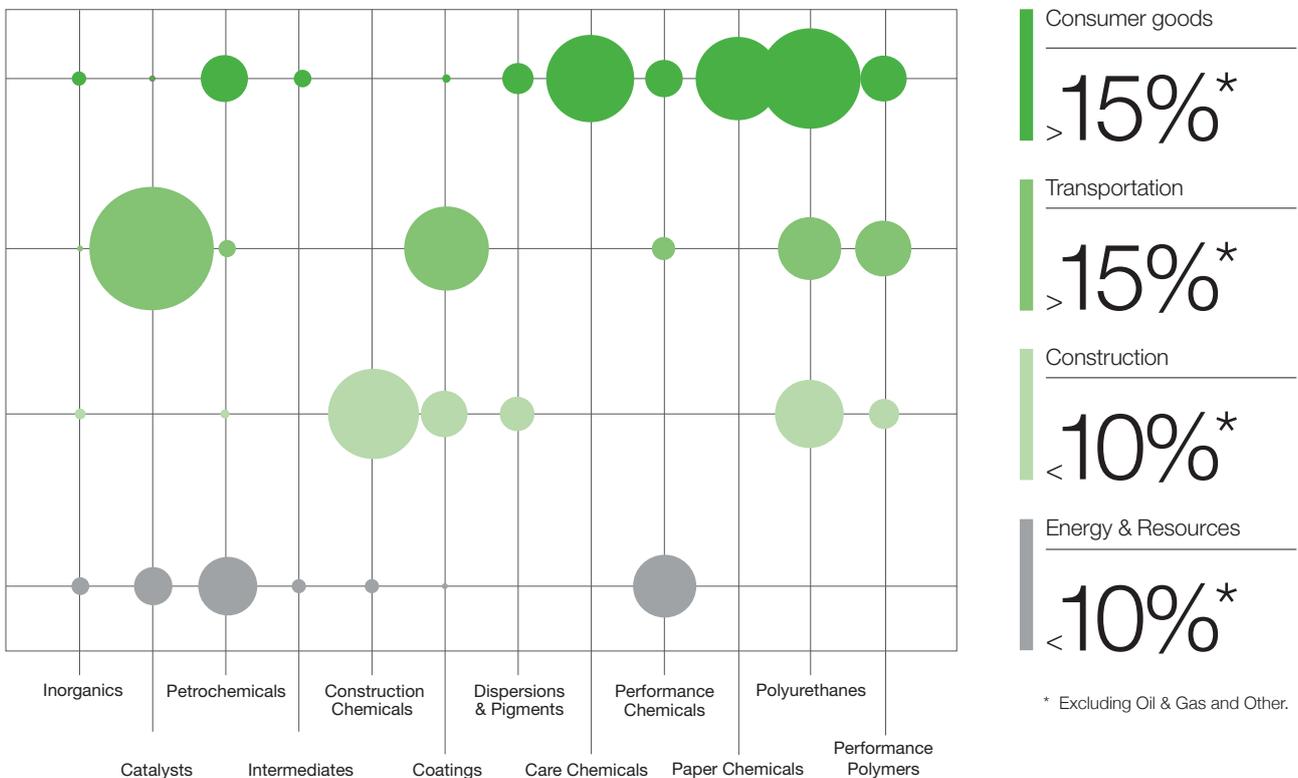
Business excellence through cross-divisional customer approach based on strong industry experience

With this strategic lever we will establish business excellence through a cross-divisional customer approach based on strong industry expertise. We aim to leverage our advantages as one company.

The enhanced cross-divisional approach is a core element of our growth strategy and will take us to the next level of competitiveness. We have identified several key growth industries such as consumer goods, transportation, construction and energy & resources. For most of these industries we already have

a broad portfolio and we want to further strengthen our footprint through a comprehensive cross-divisional approach. Our 2010 sales to these industries already accounted for more than 40% of total sales, excluding Oil & Gas and Other. We share industry knowledge between divisions and systematically build on our industry expertise. With this new structure, we can respond more quickly to market changes. Even more importantly, it brings us much closer to our customers and allows us to tailor solutions that better help them in their industries.

Building on our cross-divisional customer industry approach



Bubble size: BASF divisional sales by first customer industry (2010).
Excluding Agricultural Solutions, Oil & Gas and Other.

Strong industry experience

- Key growth industries for chemicals identified (e.g., consumer goods, transportation, construction, energy & resources)
- Systematic build-up of industry expertise
- Industry knowledge shared between divisions
- Quicker response to market changes

Cross-divisional customer approach

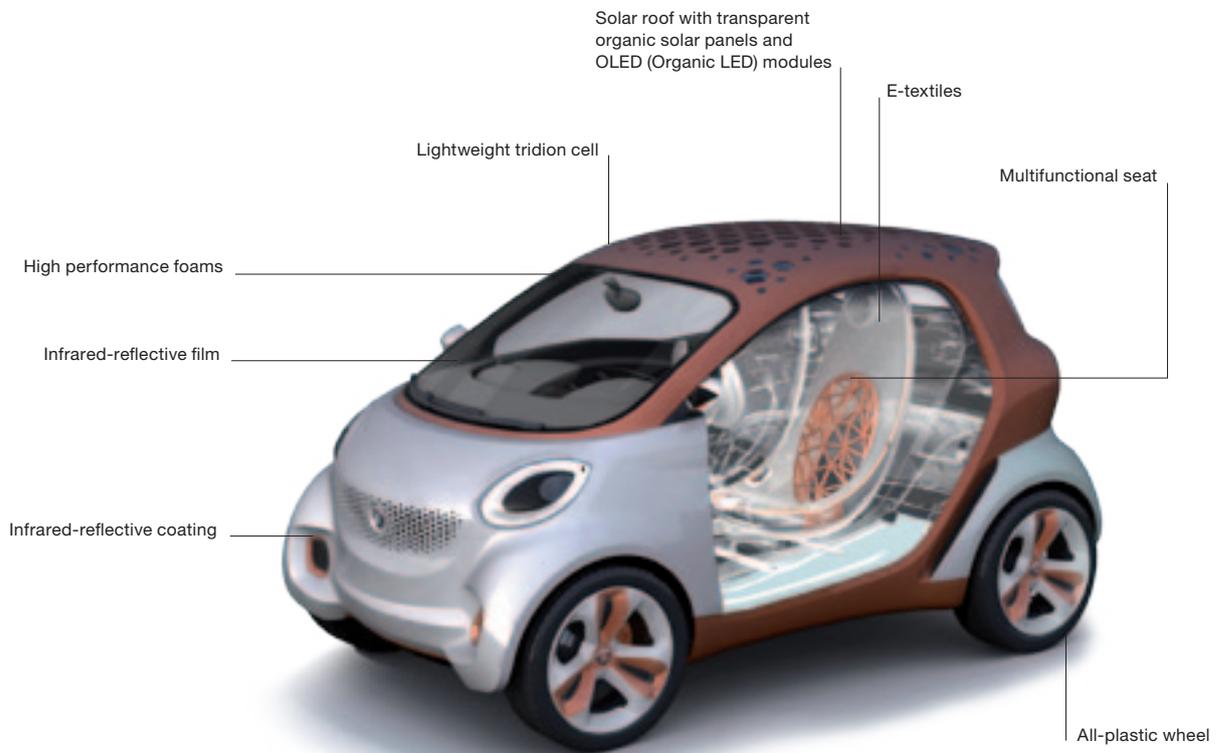
- Leverage entire portfolio to strengthen footprint with customers
- Tailor-made solutions for the success of our customers

Smart forvision – Joint concept car of Daimler and BASF

The Smart forvision is a joint concept car developed by Daimler and BASF, which we presented at the 2011 International Motor Show in Frankfurt. This is a successful example of how many competencies come together from many different divisions and how we create value as *one* company. Thanks to the combination of Smart’s automotive competence and BASF’s material and

system expertise, a vehicle has been created which showcases technologies for sustainable and holistic electric mobility of the future. The Smart forvision’s innovations are based on three main technology platforms:

- Electrical energy efficiency
- Multifunctional lightweight construction
- Integrated temperature management



For more information see: <http://www.smartforvision.basf.com/>

Solutions for wind energy

The wind energy market is highly attractive for BASF as it shows above-average growth and an increasing demand for innovation. Chemistry addresses the industry’s needs for cheaper, higher performing and more sustainable material systems. BASF divisions have been developing numerous innovative products for the wind market ranging from coatings, epoxy resin systems, adhesives, foams, special grouts for on- and off-shore applications and gear oils.



Innovation – Research and development

Solutions for global challenges, developing new areas

Innovation based on research and development is the foundation of BASF's strategy for profitable growth and long-term business success. Highly-qualified employees are working in international and interdisciplinary teams to find answers to the challenges of the future. With our innovative products and processes, we provide solutions for nearly all industrial sectors.

Within the scope of the "We create chemistry" strategy, we have set ourselves ambitious sales and EBITDA targets as KPIs for our R&D activities. To achieve these, we will focus more intently on the market and our customers' needs to further improve time-to-market of innovations. In addition, we are broadening our long-term research activities to encompass the development of new business areas. We have identified thirteen growth fields – such as batteries, water treatment and organic electronics – that represent attractive business opportunities in our target industries.

In addition, we are focusing on three pioneering technology areas that provide the technological basis for the development of future-oriented solutions: Materials, Systems & Nanotechnology; Raw Material Change; and White Biotechnology.

To further increase efficiency and effectiveness of our innovation process, we have redesigned our research processes and structures. Our knowledge and competence centers are the central technology platforms. These are supported by BASF Future Business and BASF Venture Capital, which primarily focus on identifying and promoting new business areas. Together with the development units in our operating divisions, as well as the research facilities in key regions, these platforms form the core of our global Know-How Verbund. This global reach of our R&D network will substantially increase in the future.

The establishment of the first Innovation Campus Asia Pacific is a step forward in our goal to make our research activities more global. This research and development center will accommodate around 450 employees at the site in Shanghai, China, and is scheduled to open in the second half of 2012. It will strengthen our activities in innovation for the Asian market, helping us to serve the needs of this rapidly growing market even better.



Innovation Campus Asia Pacific

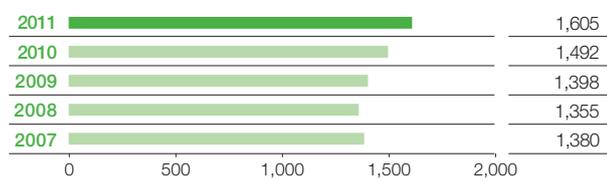
We were further able to expand our Know-How Verbund through the newly-added research and development activities of Cognis where we maintain our research site in Düsseldorf to concentrate on topics pertaining to surfactants, renewable raw materials and lipid biotechnology.

Another integral component of our Know-How Verbund is a network of around 1,950 cooperative partnerships around the world with universities, research institutions, partners in industry and startup companies. For example, we opened the jointly operated BELLA (Battery and Electrochemistry Laboratory) with the Karlsruhe Institute of Technology in 2011. There, we explore innovative materials and functional components for the battery generations of today and tomorrow – because high-performance, affordable batteries for everyday use are the key components for the mobility of the future.

One way in which a company can measure its innovative power is by the number and quality of its patents. In 2011, BASF filed for around 1,050 new patents worldwide. Furthermore, we ranked first in the Patent Asset Index™ for the third time in succession. This method, which compares patent portfolios industry-wide, found BASF to be the world's most innovative company in the chemical industry.

Through our efficient innovation management, we have laid the foundation for even more profitable growth.

R&D expenditures (€ million)



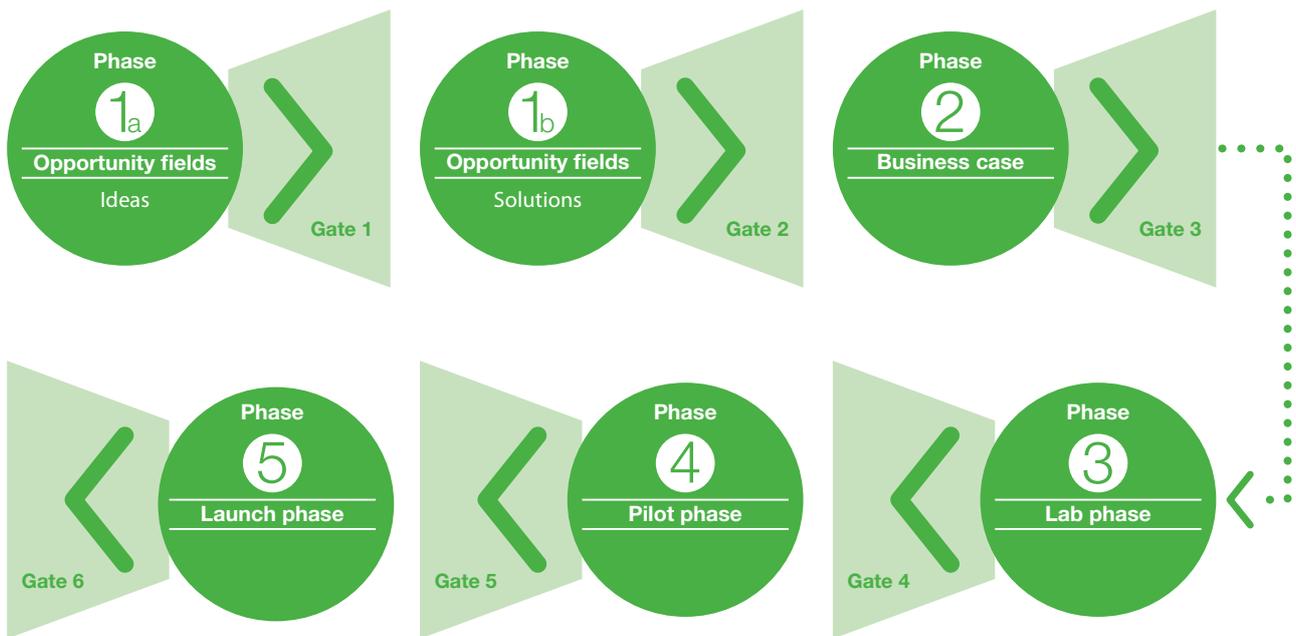
R&D expenditures as percentage of sales (2011; excluding Oil & Gas)

2.6%

PhaseGate process

All innovation projects throughout BASF are managed in the PhaseGate process. This helps to guarantee high R&D output through project management and controlling. PhaseGate consists of defined phases for the entire innovation process: opportunity fields for open idea finding, business cases with consistent project assessment and focused project work in the lab phase, pilot phase and launch. Transparent go/stop

decisions are made at each gate, based on predefined deliverables, defined success criteria and net present value calculations. This process provides numerous benefits: it reduces the time-to-market, increases the transparency of decision-making at the gates and makes project data available instantly to the project team.



Total R&D expenditures 2011

	%
1. Chemicals	8
2. Plastics	9
3. Performance Products	21
4. Functional Solutions	12
5. Agricultural Solutions	26
6. Oil & Gas	1
7. Corporate research, Other	23

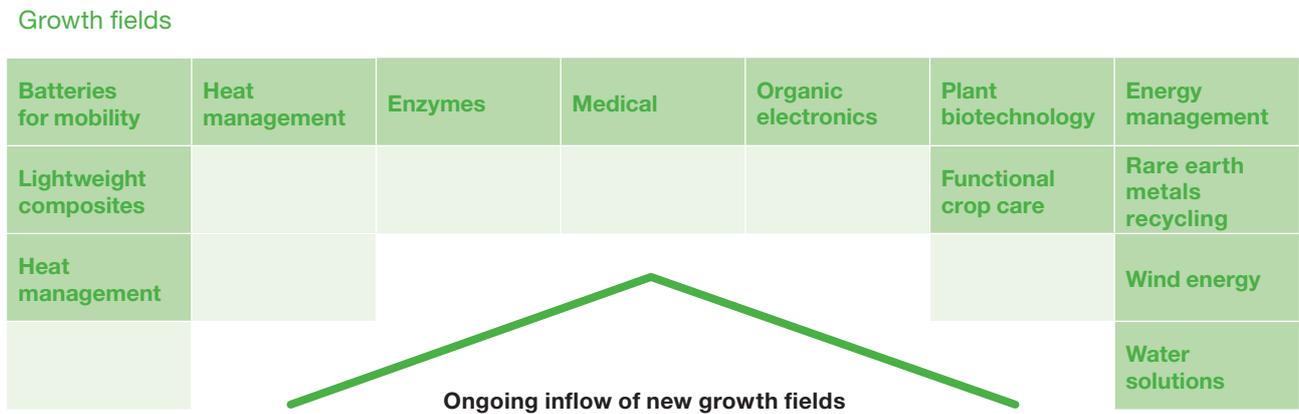
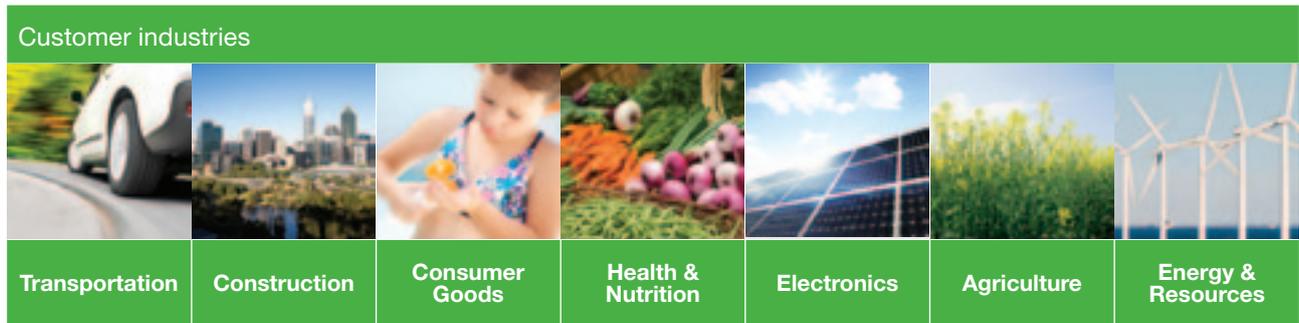


R&D facts and figures 2011

- Around 70 R&D centers with 10,100 employees worldwide
- Pipeline with ~2,800 projects
- 1,950 cooperative partnerships
- 1,050 new patents filed
- Ranked No. 1 in Patent Asset Index™ for third time in succession

Innovations for a sustainable future

Chemistry as an enabler for many customer industries



Sustainability in customer industries will drive our innovative growth fields

7 key customer industries

We have analyzed growth scenarios and trends in our customer industries and focused on seven key customer industries. These industries represent around 30% of the global chemical market and they are markets of major strategic relevance for BASF. All these chemical markets have an attractive size and the majority will grow faster than the customer industries that are related to them.

13 growth fields

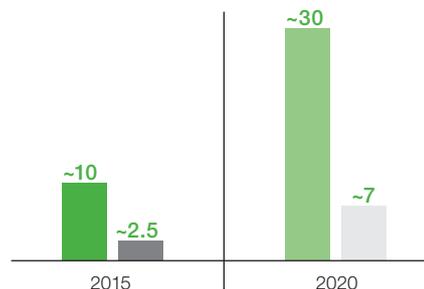
From the future trends, we have identified 13 innovation topics – we call them growth fields – for various industry sectors. We utilize our strength as an integrated, global chemical company to enhance our growth fields and to tap into growth markets. Our R&D competence is closely meshed with our operative excellence, our knowledge of the markets and our customer relations.

Growth field examples	Batteries for mobility	Water solutions	Plant biotechnology
			
Business potential 2020	<ul style="list-style-type: none"> Market size: >€20 billion BASF sales potential: >€500 million 	<ul style="list-style-type: none"> Market size: ~€20 billion BASF sales potential: >€800 million 	<ul style="list-style-type: none"> Market size: ~€11 billion gross trait value BASF sales potential: €1.8 billion gross trait sales before partner share
Existing activities	<ul style="list-style-type: none"> New global business unit for battery chemicals & materials Electrode material plant being built in Ohio. Acquired Novolyte, Merck's electrolytes, Ovonik and equity position in Sion Power R&D network with academia Sites in US, China, Europe 	<ul style="list-style-type: none"> BASF expertise and portfolio (high-performance flocculants, desalination and antifouling chemicals...) Acquired inge water-technologies (membranes) to offer module systems 	<ul style="list-style-type: none"> BASF as Trait Technology Partner of leading trait and seed companies Yield & Stress collaboration with Monsanto (corn (maize), soy, cotton, canola (oil-seed rape) and wheat) Further collaboration with Bayer, Cargill, CTC, Embrapa and KWS
Targets	<ul style="list-style-type: none"> Become the leading supplier of battery materials Target customers: Battery producers 	<ul style="list-style-type: none"> Leading supplier of innovative water solutions Forward integration into membrane technologies 	<ul style="list-style-type: none"> Contribute to more efficient agriculture, healthier nutrition Make Plant Biotechnology an operating division within the Agricultural Solutions segment

Sales and EBITDA targets from innovations

(€ billion)

- Sales from innovations launched within last 5 years
- EBITDA from innovations launched within last 5 years
- Sales from innovations launched within last 10 years
- EBITDA from innovations launched within last 10 years



Growth field example: Plant biotechnology

Targeting the needs of modern agriculture

Plant biotechnology is a key technology of the 21st century and will have a huge role to play in agriculture. The amount of land available for agriculture is limited, and we need more and more food and animal feed as well as renewable resources. With plant biotechnology, we can help to achieve more efficient agriculture and healthier nutrition – both of which are very important considering the continuous growth of the world’s population.

BASF’s commitment and Trait Technology Partner Strategy

1. Focusing on the most attractive next generation of traits
2. Holding an extraordinary technology position for high-throughput gene identification based on a novel combination of “metabolic profiling” and “phenotypic screening”
3. Creating a strong development pipeline identifying highly promising lead genes
4. Commercialization through strong partnerships
5. Implementing a Plant Biotechnology operating division within the Agricultural Solutions segment in the second half of this decade

BASF Plant Science has a strong development pipeline focusing on crops with higher yields and improved stress tolerance

Yield & Stress

- Monsanto collaboration covering yield and stress projects. 2007 agreement focused on corn, soybean, cotton and canola; collaboration extended to wheat in 2010
- Bayer CropScience collaboration to improve hybrid rice productivity through plant biotechnology
- Strategic partnerships covering yield and stress projects for sugarcane (Centro de Tecnologia Canaveira) and sugar beet (KWS SAAT AG)

Specialties

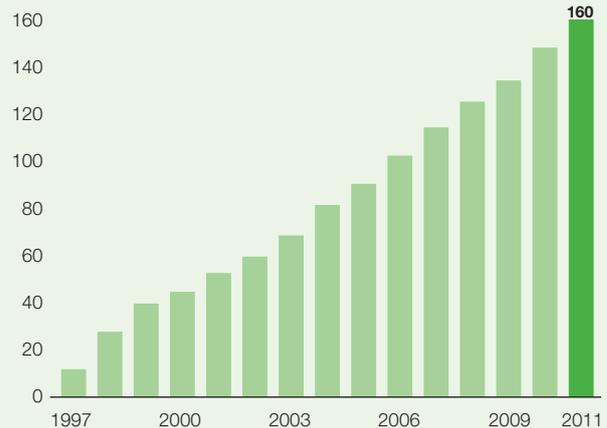
In 2011 BASF and Cargill agreed to jointly develop and commercialize a new dietary source of omega-3 fatty acids (EPA/DHA). This next generation canola oil containing EPA/DHA will enable food, pharmaceutical and nutritional supplement manufacturers to deliver the proven health benefits of omega-3 fatty acids in a wide variety of new, affordable consumer products available by the end of the decade.

Herbicide tolerance

BASF, jointly with Embrapa, developed a new variety of herbicide-tolerant soybean. Market introduction is expected from 2013 onward.

Global GM crop acreage

in million hectares; 1 ha = 2.47 acres



Source: ISAAA 2012

Development of global GM crop acreage

- Biotech crops cover about 10%, or 160 million hectares, of the cultivated land
- In 2011, 16.7 million farmers grew GM crops in 29 countries
- GM crop market growth is mainly driven by the Americas and Asia

BASF Plant Science



BASF Plant Science key facts

- Founded in 1998
- Leading platform for plant biotechnology
- Currently 7 R&D and 13 field site centers
- Around 840 employees worldwide
- Annual R&D spending: ~€150 million

- R&D sites
- Field site center

Plant biotechnology pipeline

Expected gross trait sales 2020: €1.8bn (before partner share)

Trait	Discovery	Stage 1	Stage 2	Stage 3	Stage 4
Total development time 10-12 years	Gene identification & proof of concept	Proof of concept in target crops	Early product development	Advanced product development	Pre-launch
Yield & Stress with Monsanto	Drought-tolerant corn*	2nd		1st	
	Higher-yielding corn*				
	Improved nitrogen utilization in corn*				
	Drought-tolerant cotton*				
	Higher-yielding soybean*	2nd		1st	
	Higher-yielding canola*				
	Higher-yielding wheat*				
Yield & Stress with others	Higher-yielding sugar cane**				
	Higher-yielding sugar beet***				
	Higher-yielding rice†				
Feed	Improved corn feed				
Specialties	Healthy fatty acids in canola††				
Input traits	Nematode-resistant soybean*				
	Herbicide-tolerant soybean†††				
	Fungal-resistant soybean				

Partners: * Monsanto ** Centro de Tecnologia Canavieira (CTC) *** KWS † Bayer †† Cargill ††† Embrapa

■ Product generation

Strategic partnership with Monsanto

BASF is working with Monsanto on genetically optimized plants that have a higher yield and improved tolerance to adverse environmental impacts like drought.

- Global, long-term agreement focusing on corn, soy, cotton, canola and wheat
- Two separate, independent discovery programs
- Key genes from the independent programs are selected for the joint R&D pipeline
- Jointly managed development pipeline
- Use of Monsanto’s infrastructure for development pipeline (transformation, field trials and registration)
- Marketing of jointly developed plant traits by Monsanto
- Value shared 60% Monsanto, 40% BASF

Progress: Drought-tolerant Corn

DroughtGard™ Hybrids, the first products from the drought-resistant corn project, were deregulated by the U.S. Department of Agriculture in December 2011. In 2012 they will undergo large-scale farmer field trials in the U.S.

Global research network at biotech hotspots

- Concentrating plant biotechnology activities on the main markets in North and South America and consolidation of global site structure to strengthen market commercialization
- Extraordinary bundling of diverse, innovative technologies:
 - in-house developments
 - partnering with and founding of startups
 - acquisitions
- 50 collaborations worldwide

Expected gross trait sales from plant biotechnology pipeline in 2020

€1.8 billion
before partner share

Investments

Capex will boost future organic growth

BASF has set itself the goal to grow two percentage points faster than global chemical production. We aim to increase sales by an average of 6% per year until 2020 to €115 billion. Investments will make an important contribution to our future growth.

From baseline 2010, global chemical production is estimated to grow on average by 4% per year. The importance of emerging markets for the chemical industry will further increase. By 2020, emerging markets are expected to account for approximately 60% of the global market – with China representing about 50% of total emerging markets.

BASF's sales to customers in emerging markets have almost tripled in the past ten years and accounted for approximately one-third of total sales (excluding Oil & Gas) in 2011. By 2020, we aim to significantly increase sales to customers in emerging markets to around 45% of total sales (excluding Oil & Gas).

Investments will make an important contribution to our future growth. We will, therefore, significantly increase our capital expenditures in the coming years. Between 2011 and 2020, we plan capital expenditures of €30 billion to €35 billion. More than one-third of this amount will be invested in emerging markets in order to strengthen our leading position.

Key projects are the expansion of our Verbund sites in Asia with particular focus on the downstream area. Here we build on our successful partnerships with Sinopec in China and PETRONAS in Malaysia. In addition, we invest in a new world-scale production plant for MDI in Chongqing, Western China. In South America, we undertake the biggest investment in our century-long history for the construction of a world-scale production site for acrylic acid and superabsorbents. Finally, we strengthen our Verbund site Ludwigshafen through investment into a new world-scale TDI plant. In Oil & Gas, our investments will focus mainly on the development of proven gas and oil as well as the exploration of new oil and gas reserves. Furthermore, we will continue to invest in the expansion of our gas transport and storage infrastructure.

In 2012, we plan investments of €3.5 billion to €3.8 billion.

Investments

- Investments will make an important contribution to our growth
- In 2012, we plan investments of €3.5 billion to €3.8 billion
- Share of sales in emerging markets will increase to 45% by 2020
- Capital expenditures of €30 billion to €35 billion planned between 2011 and 2020

Increase sales share of emerging markets

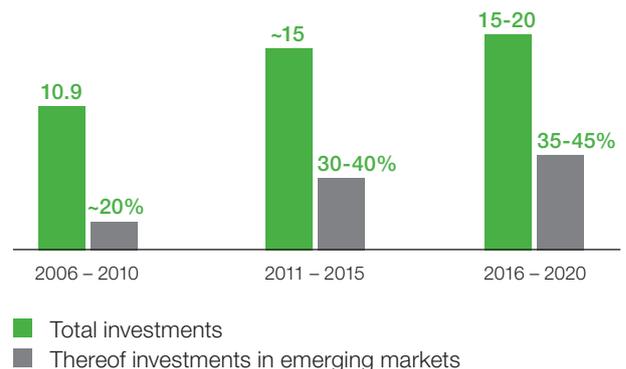


* BASF definition: Developed markets include EU15, Norway, Switzerland, North America, Japan, Australia and New Zealand

** Sales excluding Oil & Gas

Future investments

(€ billion)



Planned capital expenditures 2011-2020

€30–35 billion

Major investment projects

<p>Integrated MDI complex Chongqing, China</p>  <ul style="list-style-type: none"> • World-scale MDI plant (400,000 t/a) • One of the main anchor activities in growth region Western China • Investment: ~€860 million • Startup: planned for 2014 	<p>Expansion Verbund site Nanjing, China</p>  <ul style="list-style-type: none"> • BASF and Sinopec to further expand Nanjing JV (MoU) • Extension of C3 and C4 value chains • Investment: ~\$1 billion planned • Feasibility studies to be completed in 2012 	<p>Expansion joint venture activities in Malaysia</p>  <ul style="list-style-type: none"> • BASF and Petronas intend to further expand its activities in Malaysia (MoU for Kuantan and South Johor) • Extension of C3 value chain • Investment: ~€1 billion planned • Timeline: 2015-2018
<p>Acrylic acid complex Camaçari Brazil</p>  <ul style="list-style-type: none"> • World-scale production site for acrylic acid, butyl acrylate and superabsorbent polymers • Investment: >€500 million • Startup: planned for end of 2014 	<p>Expansion of Oil & Gas activities in Russia</p>  <ul style="list-style-type: none"> • Wintershall and Gazprom intend to expand gas production of Achimov deposits of the Urengoy field to Blocks IV and V • Wintershall to hold a working interest of 25% plus one share 	<p>Integrated TDI plant Ludwigshafen, Germany</p>  <ul style="list-style-type: none"> • World-scale TDI plant (300,000 t/a) • Investment: ~€1 billion including the expansion of pre-cursor plants and infrastructure • Startup: planned for end of 2014

Planned capital expenditures by segment 2012-2016

	%
1. Chemicals	22
2. Plastics	13
3. Performance Products	14
4. Functional Solutions	6
5. Agricultural Solutions	4
6. Oil & Gas	31
7. Other (infrastructure, R&D)	10



Planned capital expenditures by region 2012-2016

	%
1. Europe	65
2. North America	14
3. Asia Pacific	14
4. South America, Africa, Middle East	4
5. Alternative sites under review	3



Acquisition of Ciba in 2009

BASF – Global leader for plastic additives, coating effect materials and paper chemicals

Ciba – Acquisition rationale

We increase our competitiveness through active portfolio management. To become even more cyclically robust, we are expanding our portfolio of specialty chemicals. An important step in this direction was the acquisition of the Swiss company Ciba Holding AG, which we acquired on April 9, 2009. The Ciba businesses strengthened our value-adding chains, making BASF one of the leading suppliers of specialty chemicals. We adopted a sector-specific approach to the integration of Ciba, with a focus on customer industries. Almost all of the Ciba businesses were integrated into the Performance Products segment.



Acquisition of Ciba

Enterprise value: CHF 6.1 billion (€3.8 billion)

Offering world-class chemical solutions

- Gaining leading positions in plastic additives, coating effect materials and paper chemicals
- Repositioning of the paper chemicals business to create a highly efficient supplier to the paper industry

Strengthening attractive niche businesses

- Promising growth opportunities in, for example, oilfield & mining solutions, water treatment, electronics

Creating a technology leader

- Building on BASF's and Ciba's renowned R&D and application know-how
- Strengthening BASF's innovation power

Leveraging BASF's Verbund competence and operational excellence

- Complementing and extending BASF's value-adding chains
- Broadening market access
- Leveraging BASF's business platforms

Meeting BASF's acquisition criteria

- Quickly realizing Ciba's full growth and earnings potential through integration and consolidation
- EPS accretive in year 2

Key figures Ciba 2008

		2008
Sales	CHF billion	5.9
EBITDA*	CHF million	(102)
Employees		~13,000

* Pro forma

Leading positions in important market segments

	BASF's previous position	BASF's position today
Plastic additives	4	1
Coating effect materials	4	1
Paper chemicals	4	1

Integration of Ciba

- Acquisition of Ciba Holding AG on April 9, 2009
- Acquired Ciba businesses primarily integrated into the Performance Products segment
- Structural integration of Ciba completed
- Cost synergies of more than €400 million run-rate achieved by end of 2011
- By the end of 2012, annual cost synergies of more than €450 million expected

Expected synergies (by the end of 2012)

> €450 million
(per year)

Acquisition of Cognis in 2010

BASF – Global leader in personal care, home care and nutrition ingredients

Cognis – Acquisition rationale

A further important step was the acquisition of Cognis Holding GmbH, which we successfully completed on December 9, 2010. With this acquisition, we are strengthening our portfolio with cyclically robust and profitable businesses and are further expanding our position as the world's leading chemical company. The Cognis businesses are perfectly complementing our portfolio with innovative solutions and products based on renewable raw materials for the cosmetics, detergents and cleaners industries as well as the health and nutrition market. It also offers products for a number of other industries, such as mining, lubricants and coatings as well as agriculture.



Acquisition of Cognis

Enterprise value: €3.1 billion

Becoming the preferred partner for leading consumer goods companies

- Achieving world-leading positions for personal and home care ingredients
- Expanding position for nutrition and health

Complementing our portfolio with renewable raw materials

- Becoming major supplier of products based on renewable raw materials

Accelerating profitable and sustainable growth

- Broadening market access and building on long-term partnerships with key customers
- Exploiting growth opportunities in emerging markets through BASF's global reach
- Fueling further growth with attractive additional businesses, e.g. mining chemicals

Leveraging Verbund competence and operational excellence

- Complementing and extending BASF's value chains
- Expanding BASF's technology platforms
- Boosting innovation via marketing and formulation excellence

Meeting BASF's acquisition criteria

- EPS accretive in year 2

Integration of Cognis

- Acquisition of Cognis Holding GmbH on December 9, 2010
- Acquired Cognis businesses primarily integrated into the Performance Products segment
- Synergies to generate €290 million of additional EBIT annually from 2015 onwards
 - Cost synergies: €145 million p.a. by 2013
 - Growth synergies: €145 million p.a. by 2015
- Acquisition accretive as of 2012

Key figures Cognis 2010*

		2010
Sales	€ billion	~3.0
EBITDA	€ million	~550
EBITDA margin	%	~18.0
Employees		~5.500

* Pro forma

Leading positions in important market segments

	BASF's previous position	BASF's position today
Personal care ingredients	3	1
Home care ingredients	1	1
Mining chemicals	3	2
Functional nutrition ingredients	6	3
Coating additives	7	3
Heavy-duty driveline lubricants	>10	3

Expected synergies (by the end of 2015)

€290 million
(per year)

Operational excellence

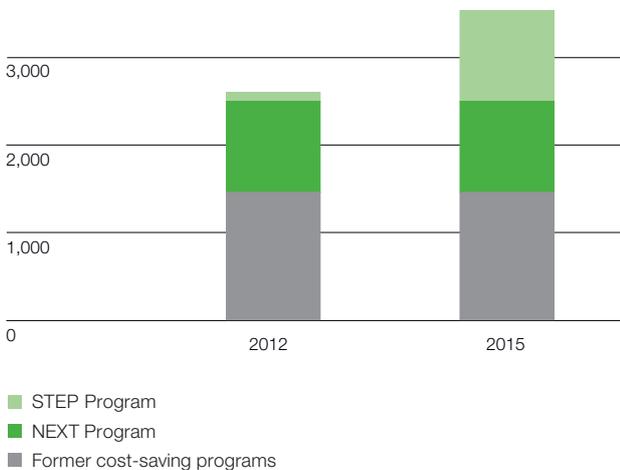
We continuously improve our productivity and efficiency

In order to remain competitive, we continuously improve our operational excellence. We constantly work on improving our sites, plants and production processes and are continuing with our restructuring and cost-cutting measures. At the same time, we are increasing our operational excellence through ongoing improvements by harmonizing our business processes worldwide and improving their efficiency. Our successfully concluded excellence program NEXT will improve earnings by more than €1 billion per year from 2012 onward.

At the end of 2011, we started our new strategic excellence program STEP, which will further strengthen our competitiveness and profitability. By the end of 2015, STEP is expected to contribute around €1 billion to earnings each year. This program includes measures in the areas of production, engineering, maintenance, logistics, procurement and administration. STEP comprises more than 100 projects that are expected to lower fixed costs and raise profit margins.

Annual earnings contribution

(€ million)



Case study: Accelerator



€200 million earnings contribution p.a. by 2012

Our excellence program NEXT comprised of more than 500 individual projects. The project Accelerator was one of the major cornerstones of the NEXT program, which was successfully concluded at the end of 2011. The two main goals of Accelerator were: 1) to serve our customers better and 2) to increase process efficiency levels across BASF Group.

This was achieved by optimizing and harmonizing four key business processes of BASF worldwide: 1) order-to-cash, 2) integrated non-conformance management, 3) purchase-to-pay and 4) planning.

Accelerator was successfully completed at the end of 2010 and will lead to earnings contributions of ~€200 million as of 2012. But not only is BASF benefitting; our customers are benefitting as well, through higher delivery reliability, improved delivery capability and higher transparency and service levels along the order process.

Operational excellence

- Our programs to improve operational excellence will continue to contribute to cost reduction and greater efficiency
- The successfully concluded excellence program NEXT will improve earnings by >€1 billion annually from 2012 onward
- New excellence program STEP expected to contribute around €1 billion each year by the end of 2015

STEP – Targeted annual earnings contribution (by 2015)

~€1 billion
(per year)

1.4 Verbund

Unique Verbund concept – a competitive advantage for BASF

Verbund site Ludwigshafen, Germany

With around 150 world-scale production plants and 34,000 employees the Verbund site Ludwigshafen, Germany is the biggest chemical site in the world.



1.4 Verbund

Unique Verbund concept – a competitive advantage for BASF (continued)

Our unique Verbund concept is one of BASF's greatest assets. The Verbund principle enables us to add value as one company through the efficient use of resources. At our Verbund sites, production plants, energy and waste flows, logistics, and site infrastructure are all integrated. BASF operates six Verbund sites worldwide: two in Europe, two in North America and two in Asia.

The Verbund system creates efficient value chains that extend from basic chemicals right through to consumer products and system solutions. In this system, chemical processes consume less energy, produce higher product yields and conserve resources. Thus, we save on raw materials and energy, minimize emissions, cut logistics costs and exploit synergies.

On a global scale, BASF realizes annual savings of ~€1 billion through its Verbund concept.

Production Verbund

The Production Verbund is BASF's traditional core competency and starting point for multiple value chains. By linking plants, we can create efficient value-adding chains from basic chemicals right through to high-value-added products such as aroma chemicals or crop protection products. In addition, by-products from one plant can be used as raw materials elsewhere. With our closely interlinked production system we reduce our raw material and energy use and cut costs.

Energy Verbund

The Verbund principle also applies to energy. Our Verbund system links our production and energy demands, thus making a major contribution to energy efficiency. Heat from production processes is not discharged into the environment, but is captured to be used as an energy source at other production plants. Thanks to the Verbund system, BASF saves up to 1.5 million metric tons of oil equivalent per year, equal to an annual reduction in CO₂ emissions of 3.4 million metric tons.

Logistics Verbund

The Verbund principle also applies to logistics. Production plants are connected by an extensive network of pipes, which provides an environmentally friendly method of transporting raw materials

What is the Verbund?

Verbund is all about intelligent interlinking of production plants, energy flows and infrastructure. It allows BASF to reduce its raw material and energy use and cut costs.

Verbund combines the advantages of world-scale production plants (economies of scale) while at the same time realizing substantial synergies through optimized logistics (e.g., less transportation, storage, etc.), lower energy requirements and joint infrastructure.

and energy quickly and safely. As a result, BASF significantly reduces its need to use transport on road, rail and sea. This provides not only a significant cost saving for BASF but also reduces our fuel consumption and CO₂ emissions. In addition, the associated costs of handling and storage are eliminated.

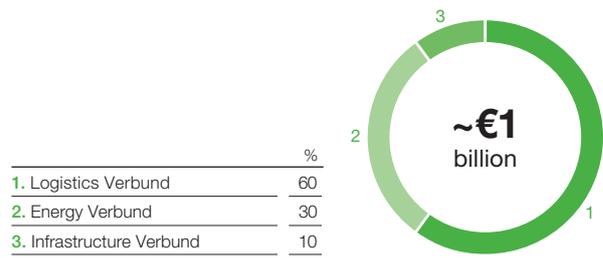
Infrastructure Verbund

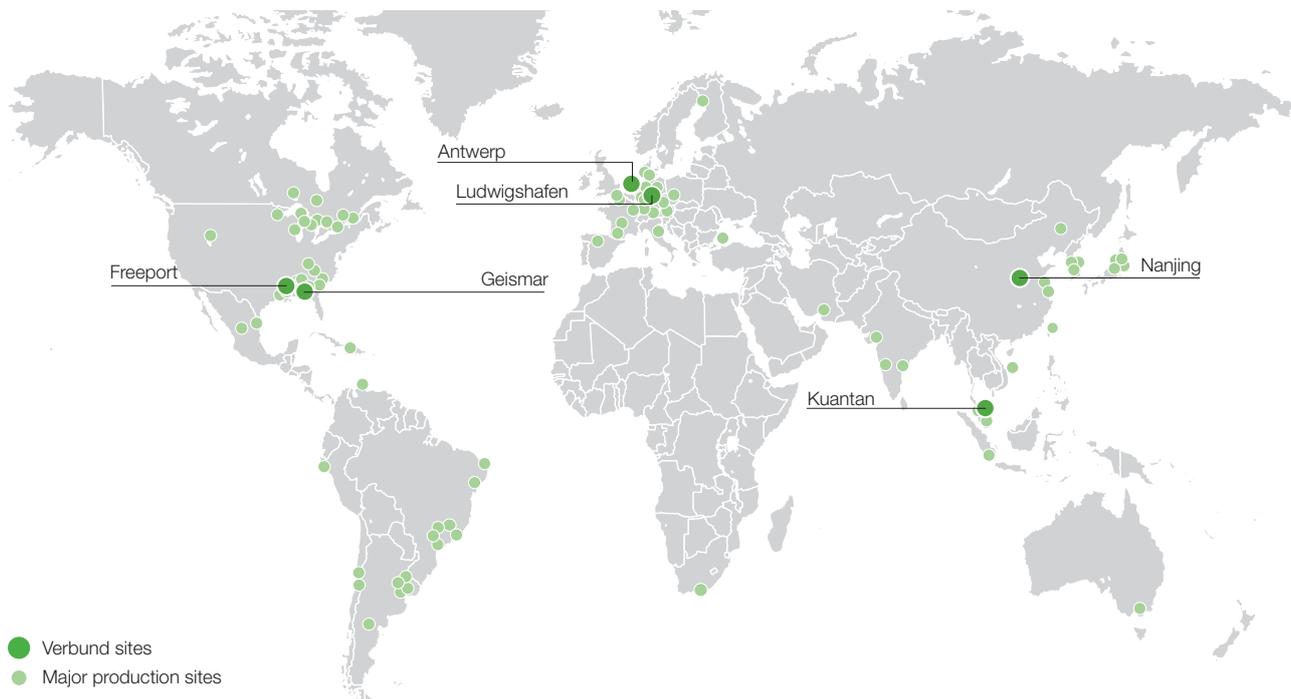
At our Verbund sites we also benefit from shared use of on-site facilities such as fire department, security, waste water treatment and analytics.

Verbund cost advantages worldwide

~€1 billion
(per year)

Verbund cost advantages – breakdown





Six Verbund sites worldwide

Ludwigshafen

- The world’s largest integrated chemical complex
- BASF’s largest Verbund site with a total site area of 10 km²
- BASF’s global headquarters with around 34,000 employees
- Around 150 production plants including two steam crackers

Nanjing

- 50-50 joint venture between BASF and Sinopec
- 2.2 km² surface area, around 1,900 employees
- Steam cracker supplying eighteen world-scale downstream plants
- Production capacity of 3 million metric tons per year

Freeport

- BASF’s first site outside of Europe
- 1.64 km² surface area, more than 700 employees
- 24 production plants
- 10 km of roads, 21 km of railroads, 290 km of pipelines

Antwerp

- Antwerp is BASF’s second largest production site
- 6 km² of surface area, around 3,300 employees
- Around 50 production plants
- Total quay length of 4.5 km, 152 km of roads, 48 km of railroads, 290 km of above-ground pipelines

Kuantan

- 13 production plants
- Around 700 employees
- 1.35 km² at Gebeng site, 1.5 km² at Port Tank Farm

Geismar

- 22 production plants
- Around 9 km² of surface area, more than 800 employees
- 29 km of roads, 24 km of railroads and 1.139 km of pipelines

Size, scale and global positioning

- Cost-efficient production through six world-scale Verbund sites in all major regions
- Focus on proximity to customers
- Know-how Verbund with 70 major or strategic R&D sites and >1,950 research cooperations with customers, science and partners

Sustainability through the Verbund

The Verbund also provides new opportunities for a more flexible response to economic fluctuations. Networks enable speedy and universal implementation of decision-making processes. Moreover, the Verbund opens up ways of reducing emissions and waste and lowering resource consumption. It also minimizes transport distances. Hence, the Verbund is not just an important economic asset but also generates environmental benefits.

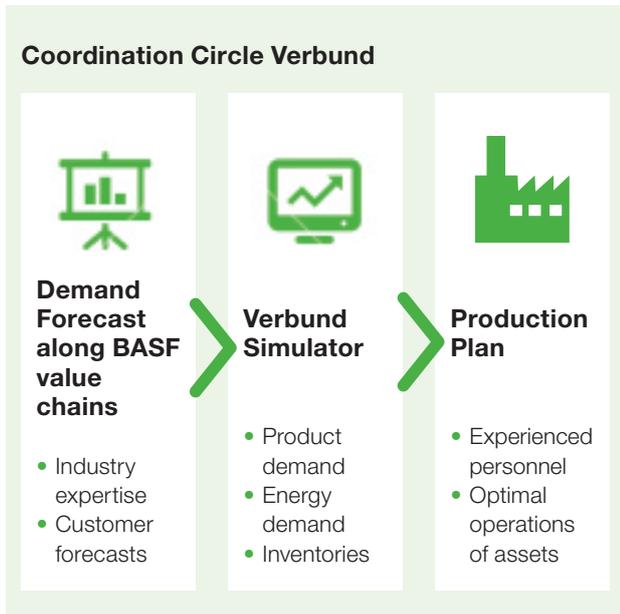
1.4 Verbund

Unique Verbund concept – a key advantage for BASF (continued)

Operating the Verbund

In order to maximize the value from having a number of Verbund sites we also need to apply best-in-class know-how to operate them. In the so-called Coordination Circle Verbund we do just this by bringing together the marketing and operations power of the BASF network and thus ensuring the smooth and profitable operations of our Verbund network, even in challenging and volatile economic environments.

We start by developing demand forecasts for major value chains based on a deep understanding of business sentiment through our close dialog with customers in many industries. We then use the Verbund Simulator, a proprietary planning tool, to establish a production plan for the Verbund value chains taking product demand, chemical recipes, energy demand and inventory levels into account. Finally, our experienced personnel further ensures the optimal operations of our production assets.



Energy Verbund

- Heat from production processes is not discharged but captured and used as energy source for other processes
- Verbund concept leads to a reduction in CO₂ emissions of 3.4 million metric tons per year
- ~€300 million annual cost savings through Energy Verbund

Case study: Energy Verbund



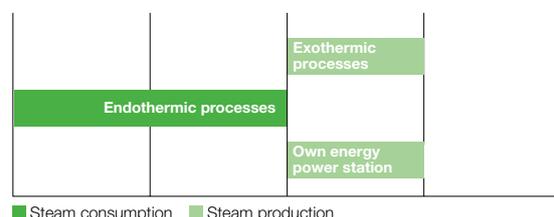
Energy Verbund: €300 million cost savings p.a.

Our Verbund system links our production and energy demands, thus making a major contribution to energy efficiency. Heat from production processes is not discharged into the environment, but is captured to be used as an energy source at other production plants.

A perfect example to illustrate this is our acrylic acid production at our Ludwigshafen Verbund site. The main raw material for acrylic acid is propylene, which is supplied via pipeline from the steam cracker. The reaction of propylene to acrylic acid generates heat. In order to capture this energy, the heat is converted into steam. The major share of the steam is fed into the pipeline network of the Verbund site, where it serves as an important energy source for other production plants.

At our Ludwigshafen site, we operate two acrylic acid plants, which cover around 10% of the steam requirements of the entire Ludwigshafen Verbund site. Thus, the acrylic acid production is not only an important supplier to various downstream facilities (e.g., superabsorbents) but also contributes significantly to the savings of the Energy Verbund.

Example: Energy Verbund in Ludwigshafen, Germany



Steering the Verbund through the crisis

Due to its high degree of integration and complexity the Verbund is easily labeled as “rigid”. Our experience and track record shows a different story:

During the last economic trough in 2008/09, for example, we took drastic measures to react flexibly to severe demand swings while constantly keeping our crackers in operation at our two Verbund sites in Europe.

First of all, an olefin (e.g., ethylene, propylene, butadiene) consumption roadmap was established, based on frequent, short-term and value-chain oriented demand planning by our business units. Our Verbund Simulator tool then validated these numbers within given constraints, e.g., minimum load, and came up with a production plan that kept the crackers up and running. Flexible load balancing between the two sites, e.g., shifting of production or buffering product with the help of inventories further helped us to manage high volatility in demand within the Verbund.

In the end we did not have to shut down our crackers and were able to ramp up our production quickly once demand picked up again.

Investment projects and the Verbund

Next to its ability to cope with demand swings, the Verbund is also highly flexible with respect to integrating new assets into the existing network. While the capacities of investment projects are based on market needs and the requirements for a best-in-class cost position, we determine the implications of an investment on the Verbund network, e.g., for the required precursors, utilities or site infrastructure, with the help of our proprietary Verbund Simulator tool. Our ongoing investment in TDI at the Ludwigshafen site is a perfect example for that. By recalibrating the production Verbund with each major investment we are able to reap maximum synergies from day one and thus help to further underpin BASF's leading cost position in many value chains.

Verbund flexibility

- In spite of its complexity the production Verbund allows for a high degree of flexibility, e.g., in times of volatile demand or during investment decisions.
- The Verbund Simulator is a proprietary IT-tool that helps us to steer the Verbund through different scenarios
- Our track record during the 2008/09 economic crisis speaks for itself: crackers could be kept running.

Case study: Logistics Verbund



Logistics Verbund: €600 million cost savings p.a.

At our Verbund sites the production plants are connected by an extensive network of pipelines. This provides us with an environmentally friendly method of transporting raw materials and intermediates quickly and safely.

At our Verbund site Ludwigshafen we are able to avoid transporting 7 million metric tons of freight every year. This would equal roughly 280,000 fewer loads per truck or more than 3,000 fewer trips per cargo ship. This not only provides a significant cost saving for BASF but also reduces our fuel consumption and CO₂ emissions significantly.

In addition, the Logistics Verbund leads to reduced storage requirements (e.g., less storage capacity needed, lower working capital, etc.) as well as an elimination of associated handling.

Through its Logistics Verbund BASF saves about €600 million per year globally.

Logistics Verbund

- Production plants are connected by extensive network of pipes for raw material and intermediates transport
- Significant reduction in transport, storage and handling requirements
- ~€600 million annual cost savings through Logistics Verbund

1.5 Sustainability

Taking advantage of business opportunities while minimizing risks, and establishing strong relationships with our stakeholders

We define sustainability as the balance between economic success, social responsibility and environmental protection. Sustainability is firmly embedded in our strategy and organization and is integrated into our core processes. Sustainability management supports our strategic principle “We drive sustainable solutions”, helping us to put our company’s purpose – “We create chemistry for a sustainable future” – into practice.

We drive sustainable solutions

To take advantage of business opportunities, we offer products that have economic and ecological and societal benefits and provide sustainability services to customers. In this way, we use sustainability to create value – for BASF and for society. With sustainability management, BASF is implementing its strategic guideline “We drive sustainable solutions”. As part of this, we:

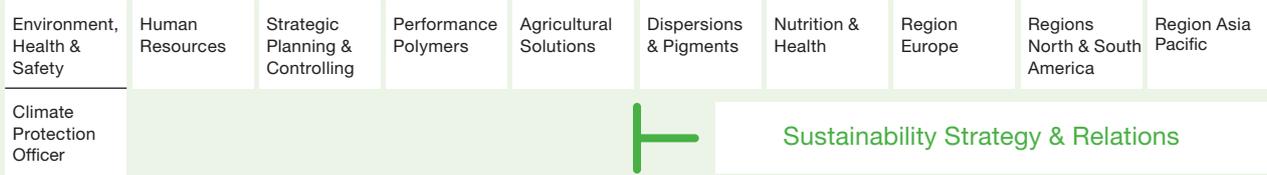
- identify and address material sustainability topics relevant to the future
- implement and monitor environmental, safety and social standards
- develop tools to evaluate and improve the sustainability of products and processes
- conduct an open dialog with relevant stakeholders
- nurture long-term relationships with customers and suppliers

Sustainability organization

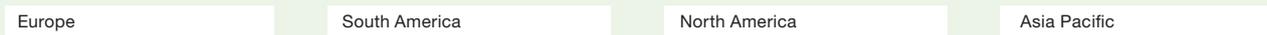
Sustainability Council

Chairperson: Margret Suckale (Member of the Board of Executive Directors)

Heads of operating, functional and regional divisions



Regional steering committees



- The Sustainability Council is the decision-making body for the sustainability issues most important to us. It ensures that our actions are guided by sustainable development.
- Regional steering committees identify focus areas in the regions, propose relevant projects and implement global decisions.

- Operating division units are responsible for the establishment and maintenance of worldwide networks and advance concepts for improved sustainability and product stewardship.
- Sustainability Strategy & Relations facilitate the implementation of the sustainability strategy in all core processes, liaising between the Sustainability Council, regional steering committees and specialist units.

Identifying and assessing important topics

In order to identify areas that could represent opportunities or risks for our business now or in the future, we regularly analyze issues in terms of their significance for society and BASF. In 2010, we surveyed several hundred stakeholders for our materiality analysis. Subsequently, BASF’s experts from several functions assessed the strategic importance of these topics and, in 2011, prioritized the sustainability issues that are of particular significance for BASF.

Sustainability strategy

Our sustainability management has three strategic responsibilities:

- Taking advantage of business opportunities by helping our customers offer innovative and sustainable solutions
- Minimizing risks by identifying relevant issues early on and through operational excellence in our business processes
- Establishing strong relationships with our stakeholders through open dialog

BASF's corporate carbon footprint 2011

Greenhouse gas emissions along the BASF value-adding chain

The use of climate protection products we sold in 2011 reduces our customers' emissions by 330 million metric tons of CO₂ (2010: 322 million metric tons). Our current research activities in areas such as renewable energy and battery materials are expected to further increase our sales of climate protection products. One focus of our research and development is on continually improving the cost effectiveness of climate protection solutions. In addition, we offer a number of products which enable users to address the effects of climate change.

BASF is the only industrial company worldwide to have published a comprehensive corporate carbon footprint since 2008, based on continuously updated calculation methods. We report on all emissions along the value-adding chain and show the volume of emissions avoided through the use of our climate protection products. In order to reduce emissions along the value-adding chain, we analyzed the 65 million metric tons of emissions from our raw material procurement in more detail in 2011. Our goal is to work together with selected raw material suppliers on solutions that help reduce greenhouse gas emissions.

Avoidance of emissions:

330 million metric tons CO₂ equivalents per year



We help our customers to shrink their carbon footprint

Emissions along the entire value chain:

177 million metric tons CO₂ equivalents per year



Raw materials	65
BASF production	26
Use of BASF end products	50
Disposal	30
Transport	4
Further sources	2

CO₂ emissions at customer end:

(million metric tons CO₂ equivalents per year)

- Without the use of BASF products: 1,768
- With the use of BASF products: 1,438

- CO₂ emissions BASF production (GHG Protocol Scope 1&2)
- CO₂ emissions along the value chain (GHG Protocol Scope 3)

Innovation for climate protection

Climate protection products* (sales in € billion)

6.7

R&D expenditures for energy efficiency and climate protection products

~1/3

of total R&D expenditures

Business opportunities with sustainability

We introduced AgBalance as a method to measure and assess sustainability in agriculture. As a global provider of agricultural solutions, BASF strives to enable customers and partners with a fact-based dialog to successfully manage current and future market requirements and foster the sustainability of agricultural production systems.

* Product groups which compared to the alternatives avoid greenhouse gas emissions over their entire life cycle and whose eco-efficiency is at least as good as that of comparable products.

1.5 Sustainability

Our goals

Environment, safety and product stewardship

	2020 Goals	Status at year-end 2011
Energy and climate protection		
Emissions of greenhouse gases per metric ton of sales product ¹ (baseline 2002)	-40%	-34.6%
Improvement of energy efficiency in production processes ¹ (baseline 2002)	+35%	+26.2%
Stop the flaring of associated gas that is released during crude oil production by Wintershall (2012 goal)	100%	>95%
Reduction in emissions from BASF operations (excluding Oil & Gas)		
Emissions of air pollutants ¹ (baseline 2002)	-70%	-60.5%
Emissions to water ² of organic substances (baseline 2002)	-80%	-73.5%
Abstraction of drinking water for production (baseline 2010)	-50%	-20.9%
Introduction of sustainable water management at production sites in water stress areas	100%	2.0%
Transportation safety		
Transportation accidents (baseline 2003)	-70%	-67.9%
Product stewardship		
Risk assessment for all products sold worldwide by BASF in quantities of more than one metric ton per year	>99%	29.5%

¹ Excluding oil and gas production

² Assuming comparable product portfolio

Climate protection

We make an important contribution with our climate protection products and our efforts to further reduce emissions along our value-adding chain. As in the previous year, in 2011 we once again reached our goal of reducing greenhouse gas emissions from our operations per metric ton of sales product by 25% compared with 2002. In 2011, we set ourselves a new goal: by 2020, we want to lower the emissions per metric ton of sales product by 40% compared with 2002.

Water

BASF uses water as a coolant, solvent and cleaning agent, and to produce our products. We aim to use water sparingly and set ourselves global goals to this end. In 2011, we set ourselves two new goals for 2020: we want to reduce the use of drinking water in production processes by half compared with 2010 and establish sustainable water management at all sites in areas of water stress. We offer our customers solutions that help them to purify water, use it more efficiently and reduce pollution.

Energy and raw materials

The conservation of resources is one of our fundamental principles. We focus on efficient energy-generation technologies, energy-efficient production processes and comprehensive energy management. In addition, our products help conserve resources. To generate our own energy we use highly efficient combined heat and power (CHP) plants. In 2011, this allowed us to save more than 12 million MWh of fossil fuels compared to conventional methods of generating steam and electricity.

Product stewardship

We ensure uniform high standards for product stewardship worldwide and our voluntary initiatives go beyond legal requirements. All substances we sell worldwide in quantities of more than one metric ton per year are subject to risk assessment reviews. We began implementing the second registration phase of REACH in 2011. By 2013, BASF will have registered nearly 700 substances with ECHA which are produced or imported in quantities between 100 and 1,000 metric tons per year.

Dow Jones Sustainability World Index

BASF shares were included for the eleventh year in a row in the prestigious Dow Jones Sustainability World Index (DJSI World) in 2011. The company received particular recognition for its product stewardship, environmental management systems and climate strategy, as well as its risk and crisis management.

Carbon Disclosure Project

Carbon Disclosure Leadership Index

In 2011, BASF again achieved the top ranking in the sector Materials in the Carbon Disclosure Leadership Index.

Carbon Performance Leadership Index

BASF was also once again included in the Carbon Performance Leadership Index, which assesses companies' performance in managing risks and opportunities associated with climate change.

Employees and society

	2020 Goals	Status at year-end 2011 ¹
Occupational safety		
Lost time injury rate per million working hours (baseline 2002)	-80%	-42.0%
Health protection		
Health Performance Index (annual goal)	>0.9	0.86

Senior executives

	Long-term Goals	Status at year-end 2011
International proportion of senior executives	Increase the proportion of non-German senior executives (baseline 2003: 30%)	33.0%
Senior executives with international experience	Proportion of senior executives with international experience over 70%	79.7%
Women in executive positions	Increase the proportion of female executives worldwide	16.2%

Employees

	Long-term Goals	Status at year-end 2011
Personnel development	Establish a common understanding that personnel development is a responsibility shared by employees and managers and develop related processes and tools	Implementation has started in all regions

Occupational safety and health protection

We never compromise on safety. Our management systems for occupational safety and health protection are based on extensive preventive measures and the participation of all employees working at our sites. In order to portray BASF's comprehensive health management even more accurately, we developed a new indicator in 2010: the Health Performance Index (HPI). This comprises five components, each of which contributes a maximum of 0.2 to the total score. The highest possible score for the HPI is 1.0. Our goal is to reach a value of more than 0.9 every year.

Competitive advantages through diversity

With the Diversity + Inclusion (D+I) initiative, our goal is to further strengthen the culture of cooperation and appreciation within the company. This helps us to gain the best possible position in the different markets where we are active and to make ourselves even more competitive around the world. As an employer, we provide equal opportunities for all employees and are committed to the equal treatment of both men and women.

Competition for talent

People are key to our success. BASF faces competition worldwide for the best qualified employees and managers. The use of social media is one way we are intensifying our recruitment activities. Our new global employer branding motifs illustrate the wide variety of careers available within BASF. In recognition of our accomplishments in human resources, leadership and strategy, BASF has been certified as one of "China's Top Employers® 2011" by the Corporate Research Foundation.

Responsibility for employees

We aim to harmonize our working conditions worldwide with our voluntary commitments and the relevant ILO conventions and OECD Guidelines for Multinational Enterprises, as well as with local requirements such as industry standards. We evaluate our adherence to voluntary commitments using a global monitoring system containing compliance hotlines, the annual survey in our Group companies to inspect the prevailing working conditions and a close dialog with our stakeholders.

World's Most Admired Companies 2011

The U.S. business magazine *Fortune* again ranked BASF as the most admired chemical company in the world. BASF took first place in numerous categories, including product and service quality, global competitiveness and quality of management.

China Green Companies Top 100

For the fourth time in succession, BASF was listed among the China Green Companies Top 100. This award recognizes companies that strengthen their competitiveness through long-term commitment to environmental protection, society, innovation and corporate culture.

Business Segments

Our business portfolio is well balanced and offers strong growth opportunities. It consists of six segments with 15 operating divisions. We always focus our business on the needs of our customers. Our segments are based on related products, customer industries and production processes. This enables us to more effectively combine our competencies and knowledge and bring our products and system solutions to the market faster.



Sales by segment 2011

	%
1. Chemicals	18
2. Plastics	15
3. Performance Products	21
4. Functional Solutions	15
5. Agricultural Solutions	6
6. Oil & Gas	16
7. Other	9



EBIT before special items 2011*

	%
1. Chemicals	28
2. Plastics	14
3. Performance Products	20
4. Functional Solutions	6
5. Agricultural Solutions	9
6. Oil & Gas	23



* Segment share excluding Other; EBIT before special items of Other was minus €404 million in 2011

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– Nutrition & Health	58
– Paper Chemicals	60
– Performance Chemicals	62
2.4 Functional Solutions	64
– Catalysts	66
– Construction Chemicals	68
– Coatings	70
2.5 Agricultural Solutions	72
– Crop Protection	74
2.6 Oil & Gas	76
– Exploration & Production	78
– Natural Gas Trading	80
2.7 Other	82

2

2.1 Chemicals



BASF offers numerous innovative solutions for the wind energy market. Our epoxy resin systems and adhesives for instance are used in the manufacturing of rotor blades for windmills.

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BASF's **Inorganics** division offers a broad product range comprising basic inorganic products and inorganic specialties for our Verbund and business with third parties.

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The **Petrochemicals** division, with its broad range of basic chemicals such as ethylene, propylene, oxo alcohols and acrylic monomers, is the foundation of BASF's value-adding chains.

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With more than 600 products, our **Intermediates** division develops, produces and markets the world's most comprehensive range of intermediates.

Organic and inorganic basic chemicals are the core of BASF's Verbund. They are used to feed our value-adding chains and are marketed to external customers – resulting in high utilization rates. Cost leadership is achieved through integrated production facilities, modern large-scale plants and constant optimization of our production processes within our Research Verbund. We enhance our portfolio of higher-value products and system solutions through innovations and acquisitions.

(€ millions)	2007	2008	2009	2010	2011
Sales to third parties	9,358	11,171	7,515	11,377	12,958
Share of total BASF sales (%)	16.1	17.9	14.8	17.8	17.6
Thereof Inorganics	1,192	1,388	983	1,255	1,415
Petrochemicals	5,696	7,271	4,664	7,593	8,839
Intermediates	2,470	2,512	1,868	2,529	2,704
Income from operations before depreciation and amortization (EBITDA)	2,416	2,053	1,571	3,000	3,188
EBITDA margin (%)	25.8	18.4	20.9	26.4	24.6
Income from operations (EBIT) before special items	1,889	1,414	1,021	2,302	2,441
EBIT before special items margin (%)	20.2	12.7	13.6	20.2	18.8
Income from operations (EBIT)	1,903	1,369	735	2,310	2,442
EBIT margin (%)	20.3	12.3	9.8	20.3	18.8

As of January 1, 2008, we restructured our segments on the basis of similar products, production processes and customer industries. The previous years' figures have been adjusted accordingly. As of January 1, 2009, the activities of BASF Fuel Cell GmbH were transferred from Other to the Inorganics division.

Sales 2011 by segment (€ million)

1. Petrochemicals	8,839
2. Intermediates	2,704
3. Inorganics	1,415



Chemicals 2011 vs. 2010

Sales

+14%

EBIT

before special items

+6%

Inorganics

Attractive business mix of inorganic commodities and specialties

BASF's Inorganics division globally manufactures and markets a broad portfolio of chemical products. About 50% of the commodities produced are for captive use. Innovative inorganic specialties are developed for various industries, e.g., the electronic, food, woodworking and life science industries.

Inorganic chemicals

Inorganic chemicals are the starting materials for plastics, amines and other high-value chemicals. The products range from basic chemicals to inorganic salts:

- chlorine
- caustic soda
- nitric acid
- sulfuric acid
- standard alcoholates
- ammonium salts

More than half of these products are for captive use within BASF's Verbund. The remaining products are sold primarily to other chemical companies. Additionally, we are one of the leading suppliers of sodium nitrate which is used as a component for solar thermal power plant storage media, as well as sodium methylate, used as catalyst for the growing bio-diesel production.

Electronic materials

BASF produces a variety of inorganic specialties in electronic grade. Our electronic materials are mainly used in the manufacturing of:

- semiconductors
- light-emitting diodes
- solar cells
- flat panel displays

The photovoltaics industry product range comprises process chemicals for the manufacturing of wafers as well as an innovative range of metallization pastes.

Glues and impregnating resins

BASF offers a wide variety of tailor-made glues and impregnating resins for the woodworking industry which are used to manufacture many different types of panel boards for the furniture, construction and packaging industries, as well as decorative paper and laminated flooring. Both product ranges are based on raw materials which are produced at the BASF sites in Ludwigshafen and Antwerp:

- ammonia
- urea
- melamine
- methanol
- formaldehyde

Additionally, the portfolio comprises new products and applications such as, for example, AdBlue®, a high-purity solution of urea that is used in trucks to reduce NO_x emissions from diesel engines.

Carbonyl iron powder and metal systems

BASF is the leading producer of carbonyl iron powder (CIP) and Catamold® for metal and ceramic injection molding. CIP is used in a wide range of applications, e.g., for inductor cores in the ICT (Information and Communication Technology) industry. Catamold® is ideal for manufacturing geometrically sophisticated and near-netshaped devices. The main customer industries are automotive, ICT and consumer goods.

Inorganic life science chemicals

Inorganic life science chemicals are special products required to manufacture pharmaceuticals, flavors & fragrances, and electronic chemicals, including:

- boron specialties
- specialty alcoholates
- hydroxylamine free base

Sales by region 2011

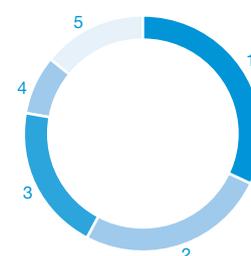
(location of customer)

	%
1. Europe	62
2. Asia Pacific	25
3. North America	7
4. South America, Africa, Middle East	6



Sales by first customer industry 2011

	%
1. Chemicals & Plastics	32
2. Electronics	26
3. Consumer Goods	20
4. Energy & Resources	8
5. Others	14



BASF's market position

- Inorganic chemicals: #1 in inorganic salts in Europe and one of the leading producers of sodium methyrate in a fast-growing market
- Electronic materials: leading market positions in Asia and Europe
- Glues and impregnating resins: #1 in glues in Europe, among top three in impregnating resins and melamine in Europe

Main competitors

- Inorganic chemicals: Evonik, Esseco
- Electronic materials: OMG, ATMI
- Glues and impregnating resins: Dynea, Sadepan, Momentive
- CIP: Yuelong, Sintez
- Inorganic life science chemicals: Evonik

Focus of R&D

For commodities, research activities are focused on process innovation. For specialty products, such as electronic materials, the focus is on developing innovative solutions to meet future challenges.

Key drivers of profitability

- Margins in major commodity products (e.g., ammonia and methanol)
- Efficient and lean processes through integrated production facilities
- Growth and innovation with specialties in customer industries (e.g., electronics and inorganic specialties)

Key capabilities of BASF

- Excellent know-how base in chemical Verbund
- Strong technology platform for developing new specialties and finding new applications for established specialties
- Building partnerships with innovative customers

Acquisitions/JVs/Investments (from 2008 onward)

Product group	Description	Year
Inorganic chemicals	Startup of new nitric acid plant in Antwerp, Belgium	2008
	Startup of new oleum plant in Antwerp, Belgium	2011
	Startup of new sodium methyrate plant in Guaratinguetá, Brazil	2011

Divestitures/Shutdowns (from 2008 onward)

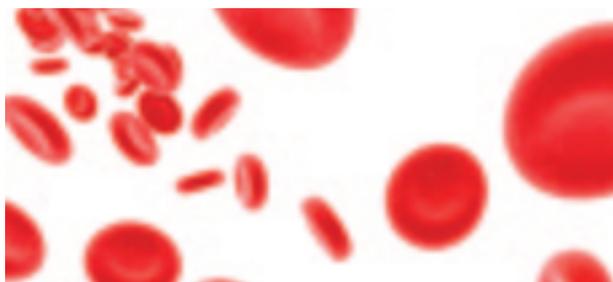
Product group	Description	Year
NPK fertilizers	Closure of NPK fertilizer production line (50% JV PEC-Rhin) in Ottmarsheim, France	2009
Fuel cell components	Closure of fuel cell site in Frankfurt, Germany	2010
Fertilizers	Sale of 50% share in JV PEC-Rhin to GPN	2012
Fertilizers	Sale of fertilizers activities in Antwerp, Belgium to EuroChem	2012

Major annual capacities of BASF

Product group	Description	Capacity
Ammonia	Ludwigshafen, Germany	875 kt
	Antwerp, Belgium	650 kt
Caustic soda	Ludwigshafen, Germany	360 kt
Chlorine	Ludwigshafen, Germany	385 kt
Glues and impregnating resins	Ludwigshafen, Germany	750 kt
Methanol	Ludwigshafen, Germany	450 kt
Sulfuric acid	Ludwigshafen, Germany	500 kt
	Antwerp, Belgium	420 kt
Urea	Ludwigshafen, Germany	545 kt

BASF's High Purity Iron Salts for Pharmaceutical Applications

BASF has developed an innovative portfolio of High Purity Iron Salts that perfectly fits the needs of active pharmaceutical ingredients (API) used in the treatment of chronic kidney disease. The main advantage of the new product line is that trace metal impurities in the iron salts are held to a maximum level of one part per million. BASF's High Purity Iron Salts thus help API manufacturers to be in compliance with current regulatory directives and support drug development from lab to launch.



Petrochemicals

Petrochemicals are the heart of our unique Verbund concept

The Petrochemicals division is the cornerstone of BASF's petrochemical-based value chains throughout the regions. The division manufactures and markets a broad portfolio of high-quality basic chemicals and tailored specialties for internal and external customers.

Cracker products

BASF produces the entire range of cracker products from ethylene and propylene to butadiene, butenes and benzene. Of these, propylene is the most important starting product for BASF's value-adding chains.

Alkylene oxides and glycols

Ethylene oxide derived from ethylene is used mainly to produce surfactants, ethanolamines, glycols, glycol ethers and polyols. Ethylene glycol is a product used in antifreeze by the automotive industry and for the production of fibers, films and PET (polyethylene terephthalate) plastic bottles by polyester manufacturers. Propylene oxide is synthesized from propylene and serves as a base for a wide variety of products, including hydraulic fluids, solvents and propylene glycol.

Alcohols and solvents

BASF offers a wide range of oxygenated, halogen-free solvents that are used to dissolve other chemicals and facilitate chemical reactions. BASF is the world's largest producer of oxo alcohols and is also a major producer of acetates, glycol ethers, glycol ether acetates and specialty solvents. Our major customer industries are:

- coatings
- pharmaceuticals
- cosmetics

Plasticizers and plasticizer raw materials

BASF manufactures standard and specialty plasticizers, which are used in chemical processes to make rigid plastics flexible. BASF also sells the plasticizer precursor phthalic anhydride for use in dyestuffs and unsaturated polyester resins, and markets plasticizers based on higher alcohols. Our latest specialty product is the plasticizer Hexamol[®] DINCH[®], used for sensitive applications (e.g., toys and medical).

Acrylic monomers

BASF is the world's largest producer of acrylic monomers, which are sold to internal and external customers in the form of acrylic acid, acrylic esters and specialty acrylates. Acrylic monomers are used as precursors to manufacture acrylic polymers and polymer dispersions for various applications such as:

- superabsorbents
- detergents
- flocculants
- fibers

BASF's market position

- Ethylene oxide and ethylene glycols: #2 in Europe
- Oxo alcohols: #1 globally
- Solvents: #2 in Europe
- Plasticizers: #2 in Europe
- Acrylic monomers: #1 globally

Main competitors

- Cracker products: Sabic, Dow, ExxonMobil Chemical, Sinopec, LyondellBasell
- Alkylene oxides and glycols: Dow, Sabic, Sinopec, INEOS Oxide, Shell Chemicals
- Alcohols and solvents: Dow, Eastman, ExxonMobil Chemical, Oxea, Sinopec
- Plasticizers: ExxonMobil Chemical, Eastman, Evonik, UPC
- Acrylic monomers: Dow, Nippon Shokubai, Arkema

Focus of R&D

The focus of R&D activities is on developing new and improved processes by adapting and optimizing feedstocks to supply our Verbund value chains at competitive costs. Product innovation is primarily focused on new applications for plasticizers for PVC and other materials and on development of specialty acrylates for specific customer needs.

Sales by region 2011

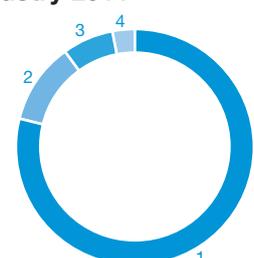
(location of customer)

	%
1. Europe	43
2. North America	38
3. Asia Pacific	17
4. South America, Africa, Middle East	2



Sales by first customer industry 2011

	%
1. Chemicals & Plastics	79
2. Energy & Resources	11
3. Consumer Goods	7
4. Others	3



Key drivers of profitability

- Cost leadership
- Competitive raw material supply
- Leading process technology
- Economies of scale
- Efficient production processes
- High capacity utilization

Key capabilities of BASF

- Strong market position and application know-how
- Production close to customers in growth regions
- World-scale production facilities
- Cost benefits from backward integration (Verbund) and leading technology position

Acquisitions/JVs/Investments (from 2008 onward)

Product group	Description	Year
Oxo C4 alcohols	Capacity expansion in Nanjing, China	2008
Acrylic acid	Capacity expansion in Antwerp, Belgium	2008
	Butyl acrylate; new acrylic acid complex in Camaçari, Brazil	2014
2-Propylheptanol/INA	Capacity expansion in Ludwigshafen, Germany	2009
Propylene	Propylene pipeline Ludwigshafen – Karlsruhe, Germany	2009
Ethylene, propylene	Steam cracker expansion in Nanjing, China	2011
Butadiene, ethylene oxide, isobutene, 2-propylheptanol	2nd phase in Nanjing, China	2011
Ethylene	Member of Joint Venture EPS (Ethylene pipeline Southern Germany)	2012
Hexamoll® DINCH®	Second production plant in Ludwigshafen	2013
Butadiene extraction	Capacity expansion in Antwerp, Belgium	2014

Major annual capacities of BASF

Product group	Location									
	Antwerp, Belgium	Cornwall, Canada	Freeport, Texas	Geismar, Louisiana	Kuantan, Malaysia	Ludwigs-hafen, Germany	Nanjing, China	Pasadena, Texas	Port Arthur, Texas	Tarragona, Spain
Ethylene	1,080 kt	–	–	–	–	620 kt	740 kt ¹	–	935 kt ²	–
Propylene	650 kt	–	–	–	–	350 kt	370 kt ¹	–	830 kt ²	350 kt ³
Butadiene	–	–	–	–	–	105 kt	130 kt ¹	–	410 kt ²	–
Benzene	280 kt	–	–	–	–	300 kt	130 kt ¹	–	110 kt ²	–
Cyclohexane	–	–	–	–	–	130 kt	–	–	–	–
Ethylene oxide (equivalents)	500 kt	–	–	220 kt	–	345 kt	330 kt ¹	–	–	–
Oxo C4 alcohols	–	–	300 kt	–	330 kt ²	560 kt	305 kt ¹	–	–	–
Plasticizers (incl. Hexamoll® DINCH®)	–	35 kt	–	–	100 kt ²	400 kt	–	125 kt	–	–
Acrylic acid	320 kt	–	230 kt	–	160 kt ²	320 kt	160 kt ¹	–	–	–

¹ BASF 50% ² BASF 60% ³ BASF 51%

New acrylate monomer HPCA

For the first time BASF has started production of an enzymatic process to produce a highly functionalized specialty monomer on an industrial scale. This new acrylate monomer, HPCA, can be cross-linked into new polyurethane materials. HPCA shows superior results in clear coating systems (e.g., automotive) and is expected to offer further potential in adhesives and industrial coatings. With this innovation, BASF has combined its broad technological competency in white biotechnology and in acrylates to offer new solutions to our customers.



Intermediates

Well prepared for the future with a strong portfolio and innovation pipeline

The Intermediates division manufactures more than 600 products which are sold worldwide. They are generally quite resilient to economic cycles and are often the result of multi-step production processes within BASF. Customers typically purchase them as precursors for their downstream chemicals. Besides external sales, the division sells its products within BASF, with internal transfers accounting for approximately 25% of the division's total sales.

Amines

Around the world, we offer an outstanding and diverse range of amines. Along with alkyl-, alkanol-, alkoxyalkyl-, di- and polyamines, our portfolio comprises aromatic as well as heterocyclic amines and an expanding portfolio of chiral amines of high optical and chemical purity. In addition to being a reliable source of standard amines, we have also established ourselves as a major supplier and development partner of customized specialty amines. The main applications for our amines are:

- process chemicals
- crop protection agents
- detergents and cleaning products
- pharmaceuticals

Under the Baxxodur® brand we offer systems of amines and epoxy resins for the efficient manufacture of composite materials, especially for rotor blades of modern wind turbines and for weight reduction in automotive applications. We offer our amine-based gas treatment technology for the removal of sour gases such as hydrogen sulfide and CO₂. We license and market the technologies under the OASE® brand.

Butanediol and its derivatives

BASF is the world's largest manufacturer of 1,4-butanediol, which is a chemical building block for products such as polyesters and polyurethanes. Its derivatives are used to manufacture products ranging from fibers to paints and include tetrahydrofuran (THF), PolyTHF®, gamma-butyrolactone and N-methylpyrrolidone.

Polyalcohols and specialties

Being the leading manufacturer of 1,6-hexanediol and neopentylglycol (Neol®) worldwide, we offer these products as well as other polyalcohols mainly for the production of a wide range of coatings. Our specialties portfolio includes carbonates for electrolyte production for the battery industry and various special acetylenics, such as vinyl monomers and higher alkylpyrrolidones.

Acids and specialty intermediates

These product groups comprise both commodity and specialty intermediates. Carboxylic acids such as formic acid, propionic acid and 2-ethylhexanoic acid are primarily used as:

- preservatives for the feed and food industries
- auxiliaries for textile and leather applications

Our specialty intermediates, such as acid chlorides and chloroformates, glyoxal and its derivatives, glutaraldehyde and various other chemicals, such as formamide and triphenylphosphine, are often used in the production of:

- agricultural products
- polymers
- pharmaceuticals
- paper

Sales by region 2011

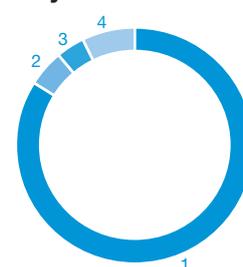
(location of customer)

	%
1. Europe	45
2. Asia Pacific	35
3. North America	16
4. South America, Africa, Middle East	4



Sales by first customer industry 2011

	%
1. Chemicals & Plastics	84
2. Health & Nutrition	5
3. Agriculture	4
4. Others	7



BASF's market position

BASF is among the top three producers worldwide of the main products in all strategic intermediates business units (see previous page).

Main competitors

- Amines: Taminco, Dow, Huntsman
- Butanediol and derivatives: Ashland, LyondellBasell, Dairen
- Polyalcohols and specialties: Eastman, Perstorp, LG
- Acids and specialty intermediates: Kemira, Perstorp, Eastman

Focus of R&D

Innovation in Intermediates is key for all product groups to grow their businesses and improve profitability. Whereas for butanediol and derivatives, the focus lies on process improvements, the focus for amines, polyalcohols, acids and specialties is on new product and new process developments built on value chain integration while leveraging our broad technological strengths and close customer partnerships.

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Cyclododecanone Cyclopentanone	New plant in Ludwigshafen, Germany	2009/10
Methylamines	New plant in Geismar, Louisiana	2011
Amines	New amines complex in Nanjing, China	2011/12
Tert.-Butylamines	New plant in Nanjing, China	2013
Formic acid	New plant in Geismar, Louisiana	2014

Divestitures/Shutdowns (from 2009 onward)

Product group	Description	Year
Butanediol/THF	Closure in Ulsan, Korea	2009
Maleic anhydride	Closure in Feluy, Belgium	2010
Methylamines/DMF	Closure in Camaçari, Brazil	2011

Major annual capacities of BASF

Product group	Capacity
Alkylamines	220 kt
Ethanolamines and derivatives	285 kt
1,4-butanediol equivalents	535 kt
PolyTHF®	185 kt
N-Methylpyrrolidon (NMP)	70 kt
1,6-hexanediol	42 kt
Neopentylglycol (Neol®)	165 kt
Formic acid	255 kt
Propionic acid	150 kt

Key drivers of profitability

- Achieving technological and cost leadership
- Offering customized innovative products and system solutions
- Global production presence
- Market intelligence

Key capabilities of BASF

- Global set-up
- Leading market positions
- Technology leadership
- Economies of scale, cost leader thanks to Verbund sites
- Highly qualified and experienced personnel
- Strong market knowledge and technical capabilities to provide superior solutions to our customers

Solutions for automotive mobility

We develop innovative materials and solutions that provide valuable contributions to making mobility more efficient in the future. Fiber-reinforced epoxy resin systems are used for the manufacturing of high-strength, yet lightweight, structural components that help to bring down the weight of cars. Our high-quality intermediates such as organic carbonates for electrolyte formulations are major components of lithium-ion batteries and help to raise the performance of batteries and thus improve the range of electric vehicles.



2.2 Plastics



Our innovative plastic products and solutions are widely used in daily life – such as polyurethane foams for mattresses.

p48

With our **Performance Polymers** we are one of the world's leading suppliers of engineering plastics, extrusion polymers, specialty plastics and foams.

p50

In **Polyurethanes**, we are among the world's three largest producers. Via our global network we offer ready-to-use, tailor-made systems and specialties.

BASF is one of the world's leading suppliers of plastics – the energy-efficient materials. In standard plastics, we have a portfolio of focused product lines and efficient marketing processes. In our business with specialties, we offer a wide range of high-value products, system solutions and services. In close collaboration with our customers, we are constantly extending this range and adding new applications.

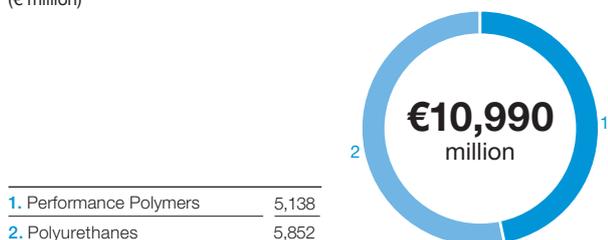
Segment data*

(€ million)	2007	2008	2009	2010	2011
Sales to third parties	9,976	9,116	7,128	9,830	10,990
Share of total BASF sales (%)	17.2	14.6	14.1	15.4	15.0
Thereof Performance Polymers	4,810	3,976	3,005	4,389	5,138
Polyurethanes	5,166	5,140	4,123	5,441	5,852
Income from operations before depreciation and amortization (EBITDA)	1,655	947	994	1,721	1,678
EBITDA margin (%)	16.6	10.4	13.9	17.5	15.3
Income from operations (EBIT) before special items	1,261	553	576	1,284	1,203
EBIT before special items margin (%)	12.6	6.1	8.1	13.1	10.9
Income from operations (EBIT)	1,172	539	554	1,273	1,259
EBIT margin (%)	11.7	5.9	7.8	13.0	11.5

* As of January 1, 2008, we restructured our segments on the basis of similar products, production processes and customer industries. The previous years' figures have been adjusted accordingly.
As of January 1, 2009, the styrene copolymers business in the Performance Polymers division was transferred to Styrenics. Styrenics does not belong to a segment and is reported in Other.

Segment sales 2011

(€ million)



Plastics 2011 vs. 2010

Sales

+12%

EBIT

before special items

-6%

Performance Polymers

Leading supplier of engineering and specialty plastics, polyamides & intermediates and foams

BASF's Performance Polymers division is one of the world's leading suppliers of engineering plastics, extrusion polymers, specialty plastics, biodegradable plastics and foams. It is also a leading global producer of polyamide intermediates, which can be found in a broad spectrum of industries including automotive, electrical and electronics, packaging, textile and carpet fibers, building and construction as well as home and leisure.

PA (polyamide) and intermediates

Ultramid® and Capron®, our engineering plastics based on polyamide 6, polyamide 6,6 and other copolymers, offer excellent toughness and strength as well as both heat and chemical resistance. Their primary applications include:

- automotive
- flame-retardant plastics for electrical components

Ultramid® is also marketed in the fibers and film markets:

- carpets and textiles
- films for food packaging

We also manufacture intermediate products such as caprolactam for polyamide 6 and adipic acid.

PBT (polybutylene terephthalate)

Ultradur®, our engineering plastic based on PBT, features high stiffness, strength and dimensional stability as well as heat and aging resistance. Its primary applications include:

- electrical connectors
- automotive components
- fiber optic cables

POM (polyoxymethylene)

Ultraform®, our POM plastic, offers high stiffness and strength, resilience and low wear. Its primary applications include:

- clips and fasteners
- mechanical and precision engineering devices

Polysulfones

Ultrason® is an amorphous thermoplastic for high-performance engineering parts (reflectors in headlamps, baby nursing bottles) and membranes (e.g., for water treatment).

Styrene-based foams

The expandable polystyrene (EPS) Styropor® and its refinement Neopor® as well as Styrodur®C (XPS) are insulating materials at the forefront of eco-efficient construction. They offer advantages with regard to conservation of resources and cost efficiency. The main applications are:

- eco-efficient construction
- protective packaging

Specialty foams

Basotect® is a flexible, open-cell foam made from melamine resin. It is used for sound and thermal insulation in the building and transportation industry and as a cleaning sponge in the consumer industry.

Biodegradable plastics

Ecoflex® is our biodegradable copolyester mainly used in various packaging applications (shopping bags, organic waste bags) and mulch films. Ecovio® is BASF's first biodegradable and biobased polyester (based on Ecoflex® and polylactic acid).

Sales by region 2011

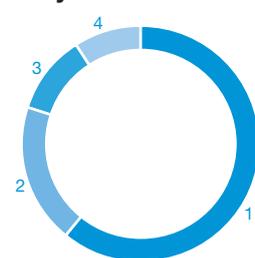
(location of customer)

	%
1. Europe	48
2. Asia Pacific	26
3. North America	21
4. South America, Africa, Middle East	5



Sales by first customer industry 2011

	%
1. Chemicals & Plastics	61
2. Transportation	19
3. Consumer Goods	11
4. Others	9



BASF's market position

- polyamide film: #1
- Engineering plastics: #2
- Expandable polystyrene: #2
- Biodegradable polymers: #1

Main competitors

- Engineering plastics: DuPont, Lanxess, Rhodia, Sabic, Ticona
- Caprolactam: DSM, Ube, Honeywell, CPDC
- Ultramid® (fiber polymers): LiPeng, Zig Shen, Honeywell
- Ultramid® (film polymers): DSM, Ube, Zig Shen
- Expandable polystyrene: Loyal, Wuxi Xingda, INEOS Styrenics

Focus of R&D

Innovations focus on developing new applications for engineering plastics and specialty plastics in close cooperation with customers, as well as developing engineering plastics, specialty plastics, packaging materials and foams with enhanced properties and securing the competitiveness of our value chains.

Key drivers of profitability

- Portfolio shift to higher value-adding products
- Large innovation and R&D capability
- Global optimization along the entire value chain
- Disciplined capital expenditure
- Business-model-focused processes

Key capabilities of BASF

- Operational excellence (reliability, cost leadership)
- Global integration of production and supply patterns
- Close customer relationships and ability to serve customers globally
- Innovation in products, applications, processes and business models
- Technical, engineering and application competence

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Neopor® (EPS)	Capacity expansion in Ludwigshafen, Germany	2009
Compounds	New compounding plant in Thane, India	2009
	Capacity expansion in Ansan, Korea	2011
	Capacity expansion in Pudong, China	2013/15
Biodegradable plastics	Capacity expansion in Ludwigshafen, Germany	2010
Styrodur	Capacity expansion in Ludwigshafen, Germany	2011
PET foams	Acquisition B.C. Foam (extrusion technology)	2012
Neopor® (EPS)	Capacity expansion in Ludwigshafen, Germany	2013
Ultrason®	New plant at Yeosu, Korea	2014

Divestitures/Shutdowns (from 2009 onward)

Product group	Description	Year
Styropor® (EPS)	Shutdown of EPS plant in Tarragona, Spain	2009
Polyamide 6,6	Shutdown of fiber polymer plant in Ludwigshafen, Germany	2009
Polyamide 6	Shutdown of polymer plant in Rudolstadt, Germany	2010

Major annual capacities of BASF

Product group	Capacity
Caprolactam	800 kt
Polyamide	700 kt
PBT	130 kt
POM	55 kt
Ultrason®	12 kt
Compounding	530 kt
Styropor®/Neopor®	774 kt
Ecoflex®	74 kt

Styrodur® Neo

Our new extruded polystyrene rigid foam (XPS) has an around 20% better thermal conductivity than competitive products. BASF researchers made this major leap in insulation performance by integrating finely dispersed graphite particles into the XPS, which absorb the heat radiation and reflect it like a mirror. Because of the higher insulation performance the thickness of the panels can be reduced. Thus, Styrodur Neo is particularly suitable for the insulation of building interiors on walls, floors and ceilings but also for thermal bridges and cavity walls.



Polyurethanes

World leader in isocyanates with a strong focus on systems and specialties

BASF's Polyurethanes division is one of the world's three largest global producers of polyurethanes: important versatile specialty plastics used to produce a wide spectrum of rigid, flexible, foamed and compact components for manifold products found in the automotive, construction, footwear and appliance industries.

MDI (diphenylmethane diisocyanate)

MDI is a versatile isocyanate that can be used to make flexible foams as well as semi-rigid and rigid polyurethane plastics. Its primary applications include:

- construction insulation
- consumer appliances
- automotive components
- shoe soles

TDI (toluene diisocyanate)

TDI is an isocyanate used primarily in the manufacture of flexible foams. Its main applications include:

- mattresses
- cushions for furniture
- automotive seating

PEOL (polyether polyols)

Polyether polyols are primarily used together with isocyanates in polyurethane solutions for rigid as well as flexible foams.

PESOL (polyester polyols)

Polyester polyols can be combined with isocyanates to produce manifold polyurethane plastics.

Polyurethane systems

BASF's global network of around 40 system houses offers tailor-made polyurethane (PU) systems for a wide variety of applications. Thanks to their excellent insulation characteristics, PU systems are used extensively in, e.g.:

- construction insulation solutions
- refrigerators and freezers
- automotive interior and exterior parts
- casual and safety shoes
- office furniture
- pipeline insulation

TPU (thermoplastic polyurethanes)

TPU is sold under the trade name Elastollan® and is supplied in granular form to customers who use it for a broad range of innovative plastic applications, e.g.:

- cable solutions for e-mobility
- soft-touch car interior parts
- textile fibers with pleasant haptics

MPU (microcellular polyurethanes)

MPU is sold under the name Cellasto®. Microcellular polyurethane parts are used for antivibration applications and are mainly sold as molded end products for use as shock absorbers and buffers in the automotive industry.

BASF's market position

- TDI: #1
- MDI: #1
- Polyols: #3
- PU Specialties: #1

Main competitors

- MDI: Bayer MaterialScience, Wanhua, Huntsman, Dow
- TDI: Bayer MaterialScience, Dow, Wanhua, Mitsui
- PO/PEOL: Dow, Bayer MaterialScience, Shell
- Specialties: Bayer MaterialScience, Dow, Huntsman, Lubrizol

Sales by region 2011

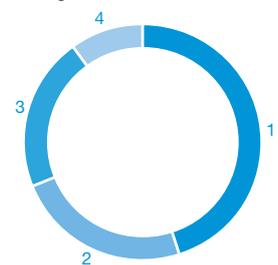
(location of customer)

	%
1. Europe	38
2. Asia Pacific	35
3. North America	20
4. South America, Africa, Middle East	7



Sales by first customer industry 2011

	%
1. Consumer Goods	45
2. Construction	24
3. Transportation	21
4. Chemicals & Plastics	10



Focus of R&D

Process innovation aims to optimize existing production processes and develop new, highly efficient processes offering considerable cost advantages. One example is the innovative HPPO process, developed jointly with Dow. The new world-scale plant at our Verbund site in Antwerp, Belgium has been running successfully since 2008.

In polyurethane product and system development, we work closely with our customers to improve existing solutions and find new ones. Furthermore, we are developing new applications such as the car engine encapsulation concept to cut fuel consumption as well as emissions.

Key drivers of profitability

- Supply and demand balance for MDI, TDI, PO
- Cost leadership along the entire value chain
- Main raw materials benzene, toluene, propylene
- Constant flow of innovative products and system solutions
- Size and set-up of specialty business

Key capabilities of BASF

- Globally balanced strong market position with local production
- Operational excellence in cost (integrated world-scale plants) and technology leadership (isocyanates and HPPO)
- World leader in PU specialties (systems, TPU, Cellasto®) closely catering to customers' specific needs
- Proven capacity to innovate and launch new value-adding products

Acquisitions/JVs/Investments (from 2011 onward)

Product group	Description	Year
HPPO	New HPPO Plant in Nanjing, China; feasibility study	n/a
PEOL	New plant in Dahej, India	2014
PESOL	New plant in Dahej, India	2014
Systems	System house in Dubai (JV with Kanoo)	2011
	System house in Tianjin, China	2012
	Acquisition of ITWC, Malcom, Iowa	2012
	System house in Chongqing, China	2014
	Production hub in Dahej, India	2014
	MPU	New Cellasto® production site in Shanghai, China
MDI	New Cellasto® production site in Dahej, India	2014
	Expansion of MDI production site in Yeosu, Korea	2012
	New MDI complex in Chongqing, China	2014
TDI	New MDI splitter in Dahej, India	2014
	New world-scale TDI plant in Ludwigshafen	2014

Major annual capacities of BASF

Product group	Capacity
MDI	1,280 kt
TDI	560 kt
Polyols	925 kt
Propylene oxide	525 kt

Strong global presence with our PU system houses



Elastopan® Extreme

As the international leading supplier of PU systems for safety and leisure boots, BASF offers Elastopan™ Extreme innovative systems to produce a new generation of boots made entirely of polurethanes. These boots are up to three times more durable, they are cool in summer and warm in winter; they are also extremely slip resistant and at the same time immune to oil and grease. Moreover, they are up to 40 percent lighter than their rubber counterparts and display high wearing comfort – as one would expect of a top-quality boot.



2.3 Performance Products



Our innovative water solutions business helps to ensure the supply of clean drinking water.

[p54](#)

BASF's **Dispersions & Pigments** division comprises of products for the paints and coatings industry.

[p56](#)

Our **Care Chemicals** division is the leading raw material supplier for detergents and cleaners, and to the hygiene industry. We are also the leading supplier of ingredients for the personal care and cosmetics industry.

[p58](#)

The **Nutrition & Health** division supplies a comprehensive range of products for the nutrition and health markets as well as for the flavor and fragrance industry. We also supply high performance and natural-based ingredients for human nutrition.

[p60](#)

The **Paper Chemicals** division offers a comprehensive portfolio for paper manufacturing and paper coating.

[p62](#)

Our **Performance Chemicals** division is an innovative partner for various industrial customer sectors and offers specific system solutions. The division is the leading global supplier for plastic additives.

Our innovative solutions contribute to the functionality and performance of industrial and consumer products produced by virtually all manufacturing industries all over the world. Our solutions also help our customers to run their processes more successfully. We are the preferred partner for developing new products, system solutions and applications in close cooperation with our customers. Our broad range of customer industries and our regional portfolio make us less sensitive to sectoral volatilities. The Cognis acquisition has complemented our portfolio and made us the leading supplier of ingredients based on renewable resources in the Personal Care Industry.

Segment data*

(€ million)	2008	2009	2010	2011
Sales to third parties	8,125	9,356	12,288	15,697
Share of total BASF sales (%)	13.0	18.5	19.2	21.4
Thereof Dispersions & Pigments	2,239	2,445	3,197	3,509
Care Chemicals	3,593	2,067	2,755	5,174
Nutrition & Health	–	1,338	1,482	1,862
Paper Chemicals	1,030	1,326	1,713	1,623
Performance Chemicals	1,263	2,180	3,141	3,529
Income from operations before depreciation and amortization (EBITDA)	1,205	926	2,162	2,312
EBITDA margin (%)	14.8	9.9	17.6	14.7
Income from operations (EBIT) before special items	766	698	1,554	1,727
EBIT before special items margin (%)	9.4	7.5	12.6	11.0
Income from operations (EBIT)	768	(150)	1,345	1,361
EBIT margin (%)	9.5	–	10.9	8.7

* Cognis data is included as of December 9th, 2010. To prepare for the integration, the divisional structure of the segment was modified as of August 1st, 2010: The existing Care Chemicals division was split into the Care Chemicals division and the Nutrition & Health division. The figures for the segment reporting of the previous year have been adjusted accordingly. For the year 2008, there are no restated figures available.

Segment sales 2011

(€ million)

1. Dispersions & Pigments	3,509
2. Care Chemicals	5,174
3. Nutrition & Health	1,862
4. Paper Chemicals	1,623
5. Performance Chemicals	3,529



Performance Products 2011 vs. 2010

Sales

+28%

EBIT

before special items

+11%

Dispersions & Pigments

Leading global supplier of raw materials for the paints and coatings industry

BASF is the leading global supplier of raw materials for the paints and coatings industry. The division Dispersions & Pigments combines all BASF offerings geared toward this industry. The portfolio encompasses dispersions, pigments, resins and a broad range of additives such as light stabilizers and photoinitiators and formulation additives. Further end-use industries include construction materials, adhesives, printing and packaging. Our portfolio is focused on environmentally friendly systems, such as low-VOC water-based coatings.

Dispersions

Polymer dispersions are water-based systems used in the production of adhesives, sealants, architectural coatings, construction chemicals and nonwoven materials. Our strength lies in the backward integration into acrylics and the division's strong technical expertise and application know-how.

Pigments

Pigments are insoluble coloring and iridescent materials used in paints, inks and special applications. BASF is the leading pigment supplier worldwide with a particular strength in high performance pigments. Our product portfolio encompasses a wide range of organic and inorganic pigments, effect pigments, and pigment preparations.

BASF offers a unique portfolio covering the entire color range. The main end-use industries are:

- automotive coatings
- decorative paints and industrial coatings
- printing and packaging

Resins

Resins are film-forming components used in energy-curable coatings, urethane or melamine as well as water-based coatings and inks. The comprehensive product portfolio includes water-based resins, acrylic oligomers, polyisocyanates, amino resins, aldehyde resins, dimers, vinyl chloride copolymers, and high-solid polyols.

We offer customer solutions fulfilling regulatory requirements regarding volatile organic compounds (VOC). The main applications are:

- automotive coatings
- wood coatings
- protective coatings
- printing and packaging

Additives

BASF offers a broad range of additives that significantly improve the quality and performance of many paints and coatings.

BASF is the market leader for:

- photoinitiators
- light stabilizers

Photoinitiators enable coatings to be cured in just fractions of a second. Light stabilizers protect polymers against ultraviolet light and its negative effects.

With the acquisition of Cognis, BASF strengthened its portfolio of formulation additives and has become a leading supplier in this market.

The portfolio comprises:

- dispersing agents
- wetting agents and surface modifiers
- defoamers
- rheology modifiers
- film-forming agents

Dispersing agents enable pigment dispersion capability. Wetting agents and surface modifiers improve colorant compatibility or enhance substrate wetting and flow properties. Defoamers destroy foam and its negative effects. Rheology modifiers adjust the flow behavior of paints while film-forming agents support the film-forming process.

Sales by region 2011

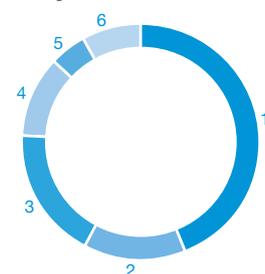
(location of customer)

	%
1. Europe	43
2. North America	25
3. Asia Pacific	24
4. South America, Africa, Middle East	8



Sales by first customer industry 2011

	%
1. Paints & Coatings	44
2. Printing & Packaging	14
3. Construction	18
4. Adhesives	11
5. Electronic Specialties	5
6. Others	8



BASF's market position

- Dispersions: global #2 position for adhesives, construction chemicals, architectural coatings and nonwoven materials
- Pigments: global #1 position, broadest portfolio of colors and chemical product classes
- Resins: global #1 position in water-based resins for printing and packaging, among top three players globally in resins for environmentally friendly industrial coatings
- Additives: global #1 position in photoinitiators and light stabilizers, broad portfolio of formulation additives

Main competitors

- Dispersions: Dow, Celanese, Wacker
- Pigments: Clariant, Altana, DIC
- Resins: Cytec, Dow, Bayer
- Additives: Altana, Evonik, Everlight

Focus of R&D

We significantly invest in R&D for dispersions, pigments, resins and additives to develop innovative, differentiating and sustainable products and solutions. Our innovations allow our customers to offer environmentally friendly solutions with dispersions for application in the coatings, printing, adhesives and construction industries. In addition, they benefit from new and improved resins, pigments, photoinitiators and formulation additives.

Key drivers of profitability

- Superior product performance, quality consistency and reliability
- Technical service and application know-how
- Global production footprint close to relevant markets
- Cost leadership

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Pigments, additives	Acquisition of Ciba	2009
Resins	New plant for water-based resins (Joncryl®) in Wyandotte, Michigan	2009
Additives, resins	Acquisition of Cognis	2010
XSB dispersions	New plant in Huizhou, China	2012
Polymer dispersions	New plant in Dahej, India	2014

Divestitures/Shutdowns (from 2010 onward)

Product group	Description	Year
Pigments	Several restructuring measures to streamline product portfolio and production set-up	2010 to 2012

Major production sites

BASF's dispersions, pigments, resins and additives are produced at 48 sites worldwide. Our most important sites for each product group are listed below.

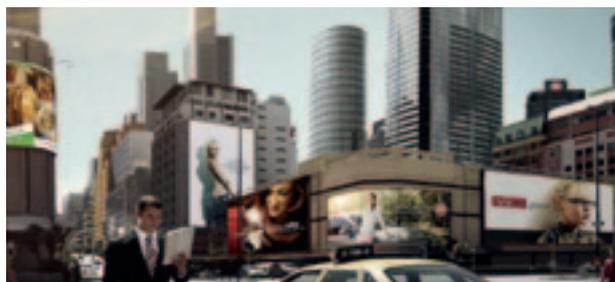
Product group	Site
Dispersions	Ludwigshafen, Germany; Monaca, Pennsylvania; Shanghai, China; Guaratinguetá, Brazil
Pigments	Ludwigshafen, Germany; Besigheim, Germany; Monthey, Switzerland; Newport, Delaware; Ulsan, South Korea
Resins	Ludwigshafen, Germany; Heerenveen, the Netherlands; Wyandotte, Michigan; Shanghai, China
Additives	Heerenveen, the Netherlands; Mortara, Italy

Key capabilities of BASF

- Comprehensive portfolio of raw materials for coatings, printing & packaging inks and varnishes, adhesives and construction materials
- Strong technical and application know-how, professional service, close to our customers
- Leading technology and cost position enables consistent product quality, reliability and competitiveness

Red pigments enhance the film experience

BASF's red pigments may be tiny, but they can have a big impact. In liquid crystal displays they determine the contrast ratio, brightness and color purity of the screen. The market demands constant innovation which BASF provides with pigments of the Irgaphor® Red product line. The newest generation offers an optimum contrast ratio and is highly heat-resistant. We are working on increasing the brightness of our pigments to reduce the power consumption of mobile devices or TVs.



Care Chemicals

Innovating for human well-being

BASF's Care Chemicals division offers a broad range of ingredients for hygiene, personal care, home care, industrial & institutional cleaning, and technical applications. We are the global leading supplier for the hygiene, cosmetics as well as the detergents and cleaners industry and support our customers with innovative and sustainable products, solutions and concepts. Our production and development sites are located in all regions and we are expanding our presence in the emerging markets. We are serving our customers from proximity – all around the world.

Personal Care

We supply high-quality, added-value ingredients for the personal care industry. Our focus on consumer trends, specific industry requirements, and ability to innovate and bring new products rapidly to market contribute strongly to the success of customers. Its wide product range includes:

- surfactants and emulsifiers
- polymers
- emollients
- cosmetic active ingredients
- pigments
- UV filters

Our commitment and business approach is shown through our new brand, Care Creations™ and communication concept, "Inspired by Life" which clearly expresses our strengths of science excellence and market empathy – making BASF Personal Care a valued partner for the personal care industry.

Home Care and Industrial & Institutional Cleaning

We aim to develop sustainable solutions for the detergent manufacturers to address consumer cleaning needs. Our technology portfolio helps to improve the efficiency and sustainability of industrial and institutional cleaning processes. Our extended portfolio enables us to cater optimally to our customers' needs in line with their market positioning. Our main product lines are:

- surfactants (anionic and nonionic)
- water-soluble polymers
- chelating agents

- optical effect products
- biocides
- waxes and wax emulsions
- methanesulfonic acid

Hygiene

With our superabsorbents we are creating chemistry for sustainable solutions for baby diapers, adult incontinence and feminine hygiene products. Our goal is to generate increasing and long-term success through intensive partnerships, profound market and R&D expertise and outstanding innovation. We strengthen existing and foster new customer relationships all over the world, supplying best-in-class solutions tailored to our customers' specific requirements and to strict quality standards.

Formulation Technologies

BASF's Formulation Technologies business has an excellent track record of delivering solutions to a wide range of applications. Key applications are additives for crop protection formulations and process aids that improve chemical reactions and physical-chemical processes. Building blocks with surface active properties are another key area to support our chemical processing customers. We use our product and technology platforms to leverage synergies between the various applications. Our wide product range includes:

- surfactants (anionic and nonionic)
- reactive polyalkyleneglycols
- water-soluble polymers
- chelating agents
- biocides
- waxes and wax emulsions
- methanesulfonic acid
- silicates

Sales by region 2011

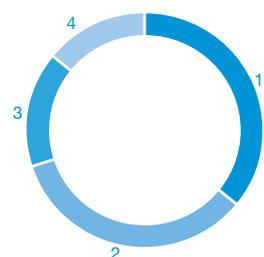
(location of customer)

	%
1. Europe	50
2. North America	23
3. Asia Pacific	16
4. South America, Africa, Middle East	11



Sales by first customer industry 2011

	%
1. Personal Care	36
2. Home Care ¹	34
3. Formulation Technologies	16
4. Hygiene	14



¹ Includes Industrial & Institutional Cleaning

BASF's market position

Leading supplier for home care, hygiene and personal care.

Main competitors

- Hygiene: Evonik, Nippon Shokubai, SanDia
- Personal Care: Croda, Evonik, Stepan
- Home Care, Industrial & Institutional Cleaning and Formulation Technologies: DOW, Sasol, Shell

Focus of R&D

R&D resources are mainly focused on product innovation in addition to process innovation and improving application properties of existing ingredients. We systematically generate ideas for new products in close collaboration with our customers, in that way achieving innovation leadership in key product segments. Continuous process innovation ensures technological and cost leadership in major product lines.

Key drivers of profitability

- Customer proximity and market focus
- Profound understanding of unmet market needs along the value chain
- Innovative customer solutions for premium product segments
- Cost leadership for major products in standard quality

Key capabilities of BASF

- Comprehensive technical application and market know-how to serve unmet market needs
- Innovative and sustainable solutions through BASF's global R&D network
- State-of-the-art formulation technologies
- Strong production position and market presence in major emerging markets and regions
- Supply reliability
- Cost leadership, large volume supply ability

Acquisitions/JVs/Investments (from 2010 onward)

Product group	Description	Year
Products for Personal Care, Home Care and Agro	Acquisition of Cognis	2010
Chelating agents	New plant for chelating agent (Trilon M®) in Ludwigshafen, Germany	2010
Surfactants	New plant for alkyl polyglucoside (APG®) surfactants in Jinshan, China	2010
	New plant for non-ionic surfactants in Nanjing, China	2011
	New plant in Dahej, India	2014
Superabsorbents	Expansion in Freeport, Texas	2011
	Expansion in Antwerp, Belgium	2012
	New plant in Nanjing, China	2014
	New plant in Camaçari, Brazil	2014
Methanesulfonic acid	Expansion in Ludwigshafen, Germany	2012

Divestitures/Shutdowns (from 2009 onward)

Product group	Description	Year
Surfactants	Divestiture of surfactants site in Clear Lake, Texas, to Clear Lake Chemicals LLC	2009
	Transfer of production of surfactants and other products manufactured at Washington, New Jersey to Geismar, Louisiana. Closure of Washington site	2014
Biopolymers	Divestiture of the production site in Tromsø, Norway.	2012

Major production sites

Product group	Location	Capacity
Chelating agents	Europe, North America, South America	120kt
Methanesulfonic acid	Europe	30kt
Non-ionic surfactants	Europe, North America, Asia Pacific	630kt
Anionic surfactants	Europe, North America, South America, Asia Pacific	550kt
Superabsorbents	Europe, North America, Asia Pacific	445kt

Cetiol® RLF

Cetiol® RLF is the first light emollient in our portfolio that is produced via an enzymatic process and solely derived from renewable feedstocks. It is proven to be mild on sensitive skin and kind to the environment. Cetiol® RLF is equally suitable for mild products and products claiming a high content of natural origin ingredients. Other features include a light texture and quick absorption to leave the skin feeling smooth.



Nutrition & Health

Strategic partner of the feed, food, pharma, and flavor & fragrance industry

BASF's Nutrition & Health division develops, produces and markets a comprehensive range of ingredients and solutions for the nutrition and health industry. Our offerings fulfill the highest safety, regulatory and sustainability standards. Together with our customers we play an active part in enhancing the nutrition and health of consumers all over the world for better and more sustainable lives and well-being.

Human Nutrition

BASF food ingredients address multiple needs: from the fortification of staple foods to tasteful nutrition as well as health, convenience and well-being solutions.

We offer health ingredients such as:

- vitamins
- carotenoids
- plant sterols and sterol esters
- conjugated linoleic and marine omega-3 fatty acids

and food and beverage performance ingredients, such as:

- emulsifiers
- enzymes
- specialty compounds
- filtration aids

Our products help our customers to meet the growing demand for modern nutrition.

Animal Nutrition

BASF is a global leading supplier of feed ingredients. The product portfolio for animal nutrition includes:

- vitamins
- carotenoids
- enzymes
- organic acids
- omega-6 and other feed additives like mycotoxin binders

We combine technical services and scientific expertise to meet customer demands and to deliver the best value to the industry. Product innovations are a key strength that has made BASF a leader in the industry. A recent innovation, the enzyme Natugrain® TS, reduces feed costs and optimizes feed conversion.

Pharma Ingredients & Services

BASF is the enabler along the life cycle of pharmaceutical products with high-quality products and services that meet cGMP requirements. We are the leader for highly functional excipients such as:

- solubilizers
- coatings polymers and systems
- binders
- disintegrants

BASF is also the market leader for active pharmaceutical ingredients (API) such as:

- ibuprofen
- caffeine
- pseudoephedrine

With our flexible, multiproduct cGMP plants, chemical research and development skills, BASF offers custom synthesis services using a broad portfolio of technologies.

Aroma Ingredients for Flavor & Fragrance

BASF offers a wide variety of aroma ingredients, such as geraniol, citronellol and linalool which are part of our citral value chain. In 2012, we will enhance this value chain of BASF by starting up manufacturing and sales of L-menthol. Aroma ingredients are sold to the flavor and fragrance industry and are used mainly in home and personal care products and fine fragrances as well as in the food industry.

SET – The sustainability concept for our partners

SET (Sustainability, Eco-Efficiency and Traceability) is a unique sustainability concept, designed as a value-added partnership program. It makes sustainability measurable and helps companies in the nutrition and health industry to increase the sustainability of their products and brands. SET looks at the entire value chain: from the first step in the production process to the final use of the consumer product. The solutions provided by SET help our customers to differentiate with more sustainable products and brands and to grow their business while creating 'more with less'.

Sales by region 2011

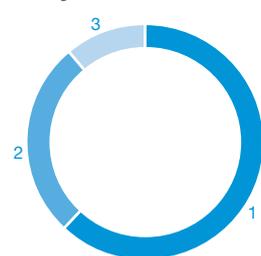
(location of customer)

	%
1. Europe	50
2. Asia Pacific	22
3. North America	19
4. South America, Africa, Middle East	9



Sales by first customer industry 2011

	%
1. Nutrition	62
2. Health	27
3. Others	11



BASF's market position

Among the top three players in all important product groups.

Main competitors

- Human Nutrition: DSM, DuPont, Cargill
- Animal Nutrition: DSM, DuPont, several Chinese players
- Pharma Ingredients & Services: Evonik, Ashland, Lonza
- Aroma Ingredients: DSM, IFF, NHU

Focus of R&D

The R&D resources are focused on product innovation derived from consumer trends and needs. Together with our partners we continuously generate ideas and translate these into innovations. Constant process innovation ensures technological and cost leadership in our major product lines.

Key drivers of profitability

- Cost leadership through integration into the BASF Verbund
- Value-driven asset management of citral value chain
- Market intelligence and customer intimacy
- Customer-need-driven innovation

Key capabilities of BASF

- Value-driven innovation supported by BASF's global R&D network
- Deep understanding of the nutrition and health market
- Translation of customer and consumer needs into ingredients and solutions
- High expertise in a complex regulatory environment
- Benchmark sustainability concepts and quality management

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Pharma Ingredients & Services	Expansion of polyvinylpyrrolidone capacity, Ludwigshafen, Germany	2009
Human Nutrition	Acquisition of Phytosource, Pasadena*, Texas	2009
	Expansion of fish oil bottling line in Illertissen*, Germany	2010
Human Nutrition and Pharma Ingredients & Services	Acquisition of Cognis	2010
Human Nutrition	New plant for food performance ingredients in Jacareí, Brazil	2011
Aroma Ingredients	New plant for L-menthol in Ludwigshafen, Germany	2012
Pharma Ingredients & Services	Acquisition of Equateq, a global leader in highly concentrated omega-3 fatty acids	2012

* by Cognis

Divestitures/Shutdowns (from 2009 onward)

Product group	Description	Year
Human Nutrition	Closure of formulated vitamins manufacturing plant in Wilmington, North Carolina	2009

Major production sites

Product group	Location
Human Nutrition	Germany, Denmark, France, Norway, US, Brazil, Australia, Japan
Animal Nutrition	Germany, China, Korea
Pharma Ingredients & Services	Switzerland, France, Germany, US
Aroma Ingredients	Germany

L-menthol

L-menthol is an aroma ingredient used in numerous oral care, flavor and pharmaceutical products. For instance, it is used in toothpastes and mouthwashes to give a refreshing taste or for peppermint flavored candy and chewing gum. We developed and patented a new L-menthol production method based on the citral value chain, which allows us to offer a very high level of purity. The new plant in Ludwigshafen, Germany, will come on stream in summer 2012.



Paper Chemicals

World market leader in paper chemicals

The BASF division Paper Chemicals as leading global supplier to the paper industry offers a comprehensive range of chemical products for paper manufacturing and coating. This includes process and functional chemicals for the wet end process to optimize costs, increase machine efficiency and lend specific properties to paper as well as coating chemicals to improve printing processes, printability and properties of printed paper and board.

Process chemicals

BASF addresses the major needs of the paper industry by offering solutions for Total Cost of Operations (TCO) reduction, lower grammage, new functionalities and sustainability. The solutions include a unique toolbox that helps our customers reduce Total Cost of Operations by using an optimized fiber mix, providing higher filler content while increasing paper machine productivity. At the core of our offering is the versatile vinylformamide chemistry where BASF is exclusive supplier to the paper industry worldwide. The product portfolio is complemented by a wide range of process chemicals including polyethyleneimine, polyacrylamide, microparticle systems, fixing agents and defoamers.

Our main brands are:

- Catiofast®
- Luredur®
- Percol®
- Polymin®

Functional chemicals

BASF offers a variety of functional chemicals that lend specific properties such as brilliant color reproduction, optimal printability and improved resistance to ink or water to finished paper and paperboard. The functional chemicals portfolio includes coloration solutions, sizing agents and color developers. With Pergafast® 201 BASF provides a unique solution for Bisphenol A- and phenol-free thermal papers.

Our main brands are:

- Afranil®
- Pergafast®

- Pergasol®
- Basazol®
- Basoplastv
- Irgalite®

Coating chemicals

BASF is a leading supplier of paper coating binders and coating additives. Our global expertise combined with our broad product range enable us to provide customer-specific solutions recognizing the trend towards more cost-efficient binders based on styrene acrylics and renewable raw materials.

Our main brands are:

- Acronal®
- Basonal®
- Styronal®

Kaolin

Kaolin minerals are extracted from mines and are primarily used as coating pigments in the paper industry. BASF owns several kaolin reserves in the U.S. state of Georgia. We offer an exceptionally broad line of kaolin-based pigments that give papermakers the coating and filler pigment solution they need to optimize paper properties and maximize value.

Our main brands are:

- Ansilex 93®
- Nugloss®
- Miragloss®
- Ultra White® 90

Sales by region 2011

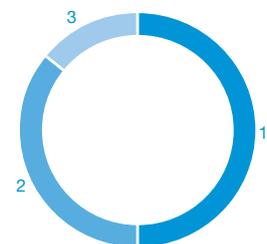
(location of customer)

	%
1. Europe	43
2. Asia Pacific	29
3. North America	21
4. South America, Africa, Middle East	7



Sales by business segment 2011

	%
1. Paper coating	50
2. Wet end	36
3. Kaolin	14



BASF's market position

- Leading paper chemicals supplier worldwide
- Process chemicals: #1 position for retention business
- Functional chemicals: among three leading players
- Coating chemicals: global #2

Main competitors

- Process Chemicals: Ecolab/Nalco, Ashland, Kemira, Eka Chemicals
- Functional Chemicals: Ashland, Clariant, Kemira
- Coating Chemicals: Styron, Synthomer, LG

Focus of R&D

R&D activities fully support BASF's strategy by strengthening the core through technology leadership, by boosting the growth beyond the core through leveraging BASF technologies and competencies and by bolstering BASF's position as solution provider to the entire packaging value chain.

Key drivers of profitability

- Leading market position in process chemicals
- Very comprehensive portfolio combined with strong technical expertise and innovation power
- Solutions for Total-Cost-of-Ownership reduction based on VFA chemistry enabling huge benefits for the customer

Key capabilities of BASF

- Backward integration into key raw materials (butadiene, acrylic monomers)
- Manufacturing footprint close to customers in all regions
- Technical expertise and breadth of portfolio give BASF a leading market position.

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Process chemicals, functional chemicals, coating chemicals	Acquisition of Ciba Holding AG	2009
XSB dispersions	New plant in Huizhou, China	2012
	New plant in Dahej, India	2014
Cationic polyacrylamides	New plant in Nanjing, China	announced for 2012
Paper dyes	Expansion in Ankleshwar, India	2012
Process chemicals VFA	Capacity expansion in Ludwigshafen, Germany	2014

Divestitures/Shutdowns (from 2010 onward)

Product group	Description	Year
Paper starch	Sale of paper starch site in Berwick, Pennsylvania, to Carolina Starches LLC	2010
	Sale of European starch business in Finland (Mietoinen, Kokemäki, Lapua) Management buy-out	2010
Coating chemicals	Closure of XSB paper coatings plants in Guturribay, Spain; Kaipainen, Finland; and Ribécourt, France	2010
Sizing formulations	Closure of production plant in Gron/Sens, France	2010
	Closure or divestment of production plant in Tolosa, Spain	2010
Whiteners	Closure of production plant in Estrada, Brazil	2010
	Exit OBA production in Grenzach, Germany	2011
	Exit OBA business Europe	2011
	Exit OBA production in McIntosh, Alabama	Q3/2012
Dyes	Exit paper dyes production in Ludwigshafen, Germany	2011
	Exit paper dyes production in Grenzach, Germany	Q2/2012

Production locations per product group

Product group	Location
Coating chemicals	North America, South America, Asia, Europe
Process chemicals	Asia, Europe
Functional chemicals	Asia, Europe
Kaolin	North America

Ecovio® FS Paper

Our newly developed biopolymer is based on renewable resources and allows our customers to produce fully compostable drinking cups for hot and cold beverages such as coffee. Ecovio® FS Paper has a very good adhesion to paper and board and provides a barrier against fat, water-based liquids and aromas. The new biopolymer Ecovio® FS Paper replaces traditional PE-coating and combines performance with sustainability and biodegradability.



Performance Chemicals

Innovative partner adding value for specific customer industries

As an innovative partner, BASF's Performance Chemicals division offers specific solutions for defined customer industries including plastics, automotive, refineries, lubricants, oilfield, mining and water treatment as well as leather and textiles. BASF is the leading global supplier for plastic additives.

Plastic additives

BASF is the leading supplier and innovation partner for stabilizers and additive systems to the plastics, rubber and adhesive industries. The product range includes high-performance light stabilizers, antioxidants and process stabilizers, pigments and other specialty additives. The main fields of application are:

- automotive molded parts
- agricultural films
- construction materials
- packaging
- electronics and consumer goods

Fuel and lubricant solutions

BASF is one of the leading suppliers of performance chemicals for the automotive and mineral oil industries. Our portfolio includes:

- brake fluids and engine coolants
- fuel and refinery additives
- low, medium and high molecular weight polyisobutene (PIB)
- lubricant additives and additive packages
- base stocks and metalworking fluid components
- compounded lubricants

Oilfield and mining solutions

For the oilfield industry, we provide chemicals for all stages of oil and gas exploration such as drilling fluid additives, cementing additives, stimulation products and production chemicals. For the mining industry, we offer a broad range of products and technologies for mineral processing applications starting with grinding, flotation, hydrometallurgy, solid-liquid separation and tailings management to material handling. Furthermore, we also offer customer engineering services.

Water solutions

Our core business is organic flocculants based on polyacrylamide. The product range includes flocculants and coagulants, a range of corrosion inhibitors for cooling water and boiler feed water, as well as antifoams and defoamers. The main markets are wastewater treatment, sludge treatment and drinking water production, which we access through a strong platform, bundling the product and service offerings of several BASF divisions. With the acquisition of Inge watechnologies in 2011, BASF has entered the attractive ultrafiltration membrane market. Ultrafiltration membranes provide a reliable means of removing suspended solids, bacteria, germs and viruses from polluted water.

Leather and textile chemicals

BASF supplies chemicals for all leather and essential textile processing steps. In the leather industry, our eco-efficient products and solutions help customers meet the latest ecological requirements and standards. BASF's expertise covers a broad spectrum of applications such as leathers for shoes, automotive, furniture, garments and accessories. Our textile chemicals deliver high quality, comfort and easy care through innovative effects, fulfilling the latest ecological requirements and standards. We offer textile auxiliaries for weaving, pretreatment and dyeing and comprehensive solutions for pigment printing, finishing and textile coating.

BASF's market position

In most businesses we are among the top three players or global market leader, as for example in plastic additives.

Main competitors

- Plastic additives: Songwon, Cytec, Clariant
- Fuel and lubricant solutions: Afton, Artec, Chemtura, Exxon, Oronite, TPC
- Oilfield and mining solutions: Cytec, SNF, Dow, Baker, Nalco, Clariant
- Water solutions: SNF, Ashland, Kemira
- Leather and textile chemicals: Clariant, Lanxess, Huntsman

Sales by region 2011

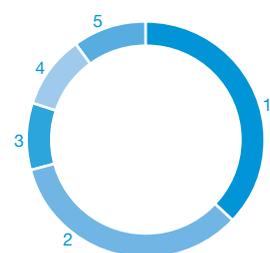
(location of customer)

	%
1. Europe	42
2. Asia Pacific	25
3. North America	23
4. South America, Africa, Middle East	10



Sales by first customer industry 2011

	%
1. Plastic Additives	37
2. Fuel & Lubricant Solutions	34
3. Oilfield & Mining	9
4. Water Solutions	10
5. Others	10



Divestitures/Shutdowns (from 2009 onward)

Product group	Description	Year
Plastic additives	Divestiture of business with hydrophilic melt additives	2010
Water solutions, oilfield and mining solutions	Shutdown of polyacrylamide bead production unit in Suffolk, Virginia	2012

Focus of R&D

Developing intelligent solutions in close cooperation with our customers as well as improving our cost position are key to the success of the Performance Chemicals division. Accordingly, we want to grow our business by aiming at new, fast-growing markets, where we can leverage the variety of our competencies. In addition, we aim to safeguard our margins in already established businesses.

Key drivers of profitability

- Consistent implementation of Customer Interaction Models
- Excellent innovation platform and application know-how
- Customer proximity and market focus
- Focus on industry segments and regions growing above GDP
- Technology leadership and cost competitiveness in production

Key capabilities of BASF

- Strategic alliances with key customers for innovation leadership
- Highly qualified and experienced team with strong market knowledge
- Technological competence to provide excellent solutions to our customers

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Plastic additives, lubricant solutions, oilfield and mining solutions, water solutions	Acquisition of Ciba Holding AG	2009
Mining solutions, base stocks and compounded lubricants	Acquisition of Cognis	2010
Fuel and lubricant solutions	Expansion of polyisobutene plant in Ludwigshafen, Germany	2010
	Construction of a new polyisobutene plant in Nanjing, China	2011/2012
Water solutions	New plants for quaternized cationic monomers and cationic polyacrylamides in Nanjing, China	2012
Water solutions	Acquisition of inge watertechnologies	2011
Plastic additives	New production site for customer-specific antioxidant blend in Bahrain	2012

Major production sites

Region	Location	Product
Europe	Ludwigshafen, Germany	F, L
	Lampertheim, Germany; Pontecchio Marconi, Italy	P
	Kaisten, Switzerland	F, P
	Antwerp, Belgium	F
	Bradford and Grimsby, U.K.	O/M, W
North America	McIntosh, Alabama; Puebla, Mexico	F, P
	Suffolk, Virginia; West Memphis, Arkansas	O/M, W
Asia Pacific	Shanghai, China	F, P, L, T
	Thane and Mangalore, India	F, L, T
	Nanjing, China	F, W
	Singapore	F, P
South America	Guaratinguetá, Brazil	F, T

Abbreviations: F = Fuel and Lubricant solutions, L = Leather, O/M = Oilfield/Mining solutions, P = Plastic additives, T = Textiles, W = Water solutions

Multibore® Membrane

The patented Multibore® membrane technology combines seven individual capillaries in a highly robust fiber – an arrangement that significantly increases the membrane's stability and eliminates the risk of fiber breakage. The membrane provides a secure barrier against suspended solids, bacteria, viruses and other microorganisms and supplies a consistently high level of filtrate quality, even in cases where the composition of the original water varies.



2.4 Functional Solutions



Our mobile emissions catalysts help car manufacturers to lower CO₂ emissions and thus protect the air. In addition, our automotive coatings combine protection and attractive appearance with eco-efficiency.

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BASF's **Catalysts** division develops solutions that help protect the air and efficiently produce fuels, chemicals, plastics and other products, including advanced batteries for electromobility.

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The **Construction Chemicals** division provides chemical systems and formulations for the construction industry.

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Our **Coatings** division is one of the world's largest suppliers of innovative and environmentally friendly coatings solutions for automotive and industrial applications.

The Functional Solutions segment consists of the Catalysts, Construction Chemicals and Coatings divisions. These divisions develop innovative, sector- and customer-specific products and system solutions, in particular for the automotive and construction industries.

Segment data*

(€ million)	2007	2008	2009	2010	2011
Sales to third parties	9,491	9,388	7,115	9,703	11,361
Share of total BASF sales (%)	16.4	15.1	14.0	15.2	15.5
Thereof Catalysts	4,804	4,729	2,961	5,005	6,380
Construction Chemicals	2,100	2,163	1,991	2,121	2,181
Coatings	2,587	2,496	2,163	2,577	2,800
Income from operations before depreciation and amortization (EBITDA)	876	564	511	861	921
EBITDA margin (%)	9.2	6.0	7.2	8.9	8.1
Income from operations (EBIT) before special items	557	265	209	467	559
EBIT before special items margin (%)	5.9	2.8	2.9	4.8	4.9
Income from operations (EBIT)	434	151	107	457	427
EBIT margin (%)	4.6	1.6	1.5	4.7	3.8

* As of January 1, 2008, we restructured our segments on the basis of similar products, production processes and customer industries. The previous years' figures have been adjusted accordingly.

Segment sales 2011

(€ million)

1. Catalysts	6,380
2. Construction Chemicals	2,181
3. Coatings	2,800



Functional Solutions 2011 vs. 2010

Sales

+17%

EBIT

before special items

+20%

Catalysts

The global leader in catalysis

BASF's Catalysts division is the global market leader in catalysis. The division develops and produces mobile emissions catalysts as well as process catalysts and technologies for a broad range of customers worldwide. It also produces advanced battery materials and provides precious metals and related services. BASF expands its leading role in catalyst technology through continuous process and product innovation.

Mobile Emissions Catalysts

BASF's catalysts enable cost-effective regulatory compliance by providing technologies that control emissions from gasoline- and diesel-powered passenger cars, trucks, buses, motorcycles and off-road vehicles.

Process Catalysts and Technologies

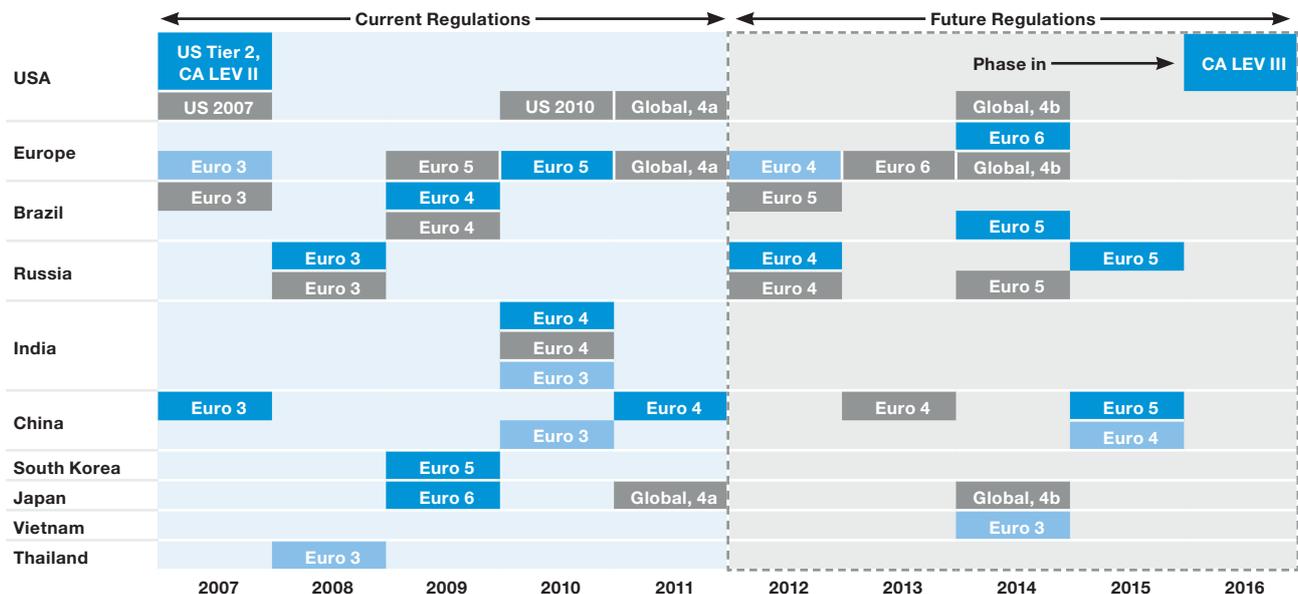
BASF is the leading global manufacturer of catalysts for the chemicals industry with solutions across the chemical value

chain as well as intermediates for pharmaceuticals. The business provides groundbreaking oil refining technology catalysts including fluid catalytic cracking (FCC) catalysts, co-catalysts and additives. It also provides polyolefin catalysts and adsorbents, which offer guard bed and catalyst intermediate technologies for purification, moisture control and sulfur recovery.

Battery Materials

The new global business unit offers advanced cathode materials to allow higher energy density and increased efficiency by enabling more discharge/charge battery cycles. It also offers high-purity customized electrolyte formulations that are ideal for automotive battery applications. BASF is the global leader in nickel-metalhydride (NiMH) technology development and licensing. Additionally, it conducts future-generation battery materials research, working alongside BASF's global R&D network and select third-party development partners.

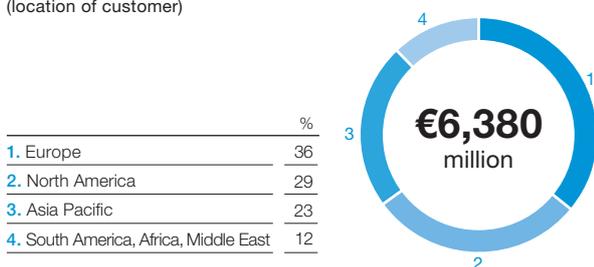
Emissions catalysts market – regulation remains primary demand driver



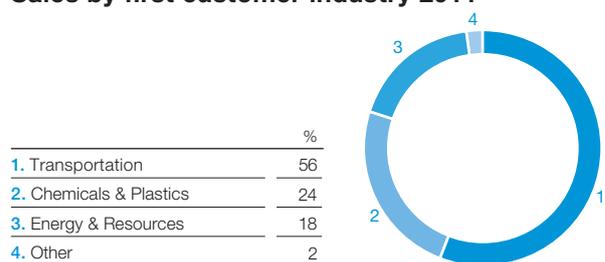
Euro 7: To be decided in 2016 ■ Light Duty ■ Heavy Duty ■ Motorcycle

Sales by region 2011

(location of customer)



Sales by first customer industry 2011*



* Excluding precious metals

Precious and Base Metal Services

The unit supports BASF's catalysts business and its customers with services related to precious and base metals sourcing and management. It purchases, sells and distributes these metals and provides storage and transportation services. It also provides a variety of pricing and delivery arrangements to meet the logistical, financial and price-risk management requirements of BASF, its customers and suppliers. In addition, the business produces precious metal salts and solutions and is a global leader in precious metals recycling and refining.

BASF's market position

- Mobile emissions catalysts: #1
- Chemical catalysts: #1
- FCC gas-oil refinery catalysts: #3

Main competitors

- Mobile emissions catalysts: Johnson Matthey, Umicore
- FCC refinery catalysts: W.R. Grace, Albemarle
- Chemical catalysts: Clariant, LyondellBasell, UOP

Focus of R&D

Innovation in catalysis is crucial for all our product groups. For Mobile Emissions Catalysts, the focus is on improved products to meet new exhaust gas standards, especially for diesel. For Process Catalysts and Technologies, priority is given to developing new and improved products. For Battery Materials, the focus is on delivering solutions that can improve energy density and power.

Key drivers of profitability

- Technology innovation
- Tightening of clean air regulations driving demand for new mobile emissions catalysts
- Rising raw material costs and alternative raw material sources driving process catalyst demand
- Production efficiency
- Strict working capital management

Acquisitions/JVs/Investments (from 2010 onward)

Product group	Description	Year
Mobile Emissions Catalysts	Capacity expansion in Nienburg, Germany; and Shanghai, China	2010
	Increased ownership stake in N.E. Chemcat joint venture, Japan, to 50%	2010
	Capacity expansion in Shanghai, China; Chennai, India; Rayong, Thailand; and Nienburg, Germany	2011
	Increased ownership stake in Heesung Catalysts joint venture, Korea, to 50%	2011
Process Catalysts	Capacity expansion, sulfuric acid catalysts, in Ludwigshafen, Germany	2010
	Capacity expansion, custom catalysts for petrochemical intermediate production, in Erie, Pennsylvania	2010
	Acquisition of CRI/Criterion's styrene catalysts business	2011
Battery Materials	Equity investment in Sion Power (LiS)	2012
	Acquisition of Ovonic Battery Company (NiMH)	2012
	Acquisition of Merck's electrolyte business for high-performance batteries	2012
	Acquisition of Novolyte Technologies' electrolytes business	2012
	New production plant for innovative cathode materials, Elyria, Ohio	2012
Material Services	New precious metal salts and solutions plant, in Shanghai, China	2011

Divestitures/Shutdowns (from 2009 onward)

Product group	Description	Year
Process Catalysts	Nanjing site, China	2009
New Business Development	Surface Technologies business	2011

Key capabilities of BASF

- Technology leadership in mobile emissions and process catalysis
- Recognized precious metals expertise
- Partnerships with industry leaders
- Strong position in Asia through joint ventures
- Largest global R&D capability
- Operational excellence in catalyst production and use

Phthalic anhydride catalyst

Phthalic anhydride is used as a catalyst in the large-scale production of plasticizers. Our newest catalytic solution 04-88 PA offers up to 1.5% higher production yields than the industry standard.

As a result, our customers benefit from higher plant outputs as well as lower raw material and energy requirements, providing them not only with a more sustainable catalytic solution but also an increased earnings potential.



Construction Chemicals

Leading solution provider in construction chemicals

BASF's Construction Chemicals division provides chemical systems and formulations for the construction industry. This business offers major innovation potential – we aim to lead technological development in sustainable building, help the industry to rapidly adopt sustainable construction practices and thus to support the profitable growth of our customers.

Admixture systems

BASF technologies for admixture systems optimize the properties of concrete. They enable construction in extreme environments or in complex projects, such as bridges, skyscrapers and tunnels.

Our well known admixture brands include:

- Glenium®
- Rheobuild®
- Pozzolith®

In underground construction, admixtures and machinery are offered under the Meyco® brand.

Construction systems

Construction systems enhance the performance and quality of buildings and extend their service lives. BASF offers:

- Tile and floor adhesives (PCI®)
- Repair mortars (Emaco®)
- Industrial flooring (Ucrete®, Mastertop®)
- Sealants (Masterflex®, Sonolastic®)
- Waterproofing membranes (Masterseal®)
- Wall systems and products for façades (Heck®, Senergy®, Rajasil®)

BASF's market position

- Admixture systems: global #1
- Construction systems: globally among top three

Main competitors

- Admixture systems: Sika, W.R. Grace, Mapei
- Construction systems: RPM, Mapei, Bostik, Sika

Case study: BASF's concrete admixtures help to construct the world's tallest building – Burj Khalifa, Dubai, United Arab Emirates



Glenium® SKY concrete plasticizers from BASF helped to construct the Burj Khalifa, with more than 800 meters the tallest building in the world. With a construction period of five years, extreme heights and climate conditions, the Burj Khalifa presented a very special challenge to concrete plasticizers which ensure concrete flowability and help to prevent segregation in spite of the high pressure used during the pumping process.

The use of BASF's Glenium® SKY high-performance concrete plasticizers made sure that the concrete was of a consistently high quality. It was thus possible to pump the concrete up to an altitude of 600 meters without interruption. Our innovative plasticizers improved the concrete's early strength so that construction work could be continued quickly. In addition, Glenium® SKY increased the concrete's compressive strength extending the lifespan of the concrete structure and ensuring the long-term use of the tower.

In total, the foundations and the superstructure of the Burj Khalifa required approximately 180,000 m³ concrete with Glenium® plasticizer.

Sales by region 2011

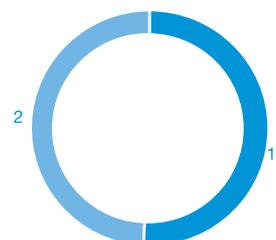
(location of customer)

	%
1. Europe	45
2. North America	22
3. Asia Pacific	22
4. South America, Africa, Middle East	11



Sales by business segment 2011

	%
1. Construction systems	51
2. Admixture systems	49



Outpacing construction industry

- Construction industry volume (~\$6,200 billion in 2011)
- Biggest industry of national economies
- Growth depending on macroeconomics
- Construction chemicals market (€30 billion in 2011)
- Growth 1% higher than construction industry growth
- Chemicals growth driven by demand for materials with improved functionality and sustainability, allowing for differentiated building materials and reduced total construction cost (material and labor)
- The BASF Construction Chemicals division strives to outperform the construction chemicals market growth rate

Focus of R&D

The goal of our R&D activities is to drive construction towards higher productivity and sustainability. In particular, we aim to develop solutions to make construction processes faster with easy-to-apply and robust products. Durability, service life of buildings and eco-efficiency are the main drivers for innovations across all regions. We invest significantly to further strengthen and extend our technology platforms to meet the needs of our customers now and in the future.

Construction Chemicals target customers

Business area	Customer industries
Admixture systems	Ready-mix concrete
	Precast concrete
	Manufactured concrete products
	Cement production
	Tunnel building
	Mining

Business area	Customers
Construction systems	Construction industry, especially:
	– Contractors and applicators
	– Builders merchants
	– Owners of buildings

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Admixture Systems	Investment in concrete admixtures in Swinton, United Kingdom	2011
Construction Chemicals	Investment in logistics center in Gebze, Turkey	2009
	Investment in admixtures and powder production in Mangalore, India	2011
Construction systems	Investment in powder production in Srem, Poland	2009
	Investment in powder production in Westonaria, South Africa	2011

Divestitures/Shutdowns (from 2009 onward)

Business area	Description	Year
Industrial flooring	Closure of production of flooring products and sealants in Altlandsberg, Germany	2009
Concrete admixtures	Divestiture of the admixture systems business of BASF Construction Chemicals, Korea	2009
	Closure of production of Melment® for concrete admixtures in Wittenberg, Germany	2010
Construction Chemicals	Restructuring of production landscape in Spain, closure of Palau site	2011
Construction Systems	Divestiture of CONICA Sports Surfaces (planned)	2012

Key drivers of profitability

- Products matching a broad variety of customer needs
- Reliability of product performance
- Quality of sales and technical service
- Developing customized solutions
- Anticipating future market trends

Key capabilities of BASF

- Customer orientation, proximity to market, experienced staff, high flexibility, established brands
- High-value solutions for our customers
- Focus on growth markets, megatrends and lead customers
- Integration into BASF product, technology, and know-how Verbund

Masterflow® wind turbine grouts

The Masterflow® wind turbine grouts were specifically developed for wind turbines on- and offshore.

The new Masterflow grouts enable our customers to install their wind turbines fast and cost-efficiently. They also ensure a safe anchoring of the wind turbines even under harsh weather conditions and provide long-lasting durability under high dynamic loads.



Coatings

Coatings combines protection and appearance of surfaces with eco-efficient products and processes

BASF's Coatings division offers innovative and environmentally-friendly products for the automotive industry, including both the OEM and refinish markets, and for particular segments of the industrial coatings market. BASF also sells decorative paints, mainly in South America, for interior and exterior use in residential and commercial buildings. We combine protection and aesthetics with eco-efficiency in tailor-made customer products and processes.

Automotive OEM (Original Equipment Manufacturer) coatings solutions

BASF provides complete automotive coatings solutions, including:

- E-coat (CathoGuard®)
- Primer (StarBloc®)
- Basecoat (ColorPro®)
- Clearcoat (ProGloss®)

Furthermore it offers extensive technical and design support to most of the world's leading automobile manufacturers.

Automotive refinish/commercial transport coatings solutions

For the refinishing of cars and coating of commercial vehicles, BASF offers topcoat and undercoat materials under the global brands Glasurit® and R-M® as well as the regional brands Baslac®, LIMCO® and Salcomix®, which are sold to paint distributors and automotive repair shops. BASF is a leader in the field of waterborne coatings as well as high-solid systems, enhanced by value-added services and tools for end users.

Industrial coatings solutions

BASF offers environmentally responsible systems for coating industrial products, such as Coiltec®, an universal chromate-free coil coating primer, or foil coatings, applied to paper and plastic substrates. For the final finish of manufactured products, BASF's portfolio comprises e-coats, spray and dip coatings, which are used on industrial buildings, radiator components and household appliances as well as heavy-duty corrosion protection in ship building and for wind turbines.

Decorative paints

For interior and exterior use in buildings, BASF offers decorative paints, marketed for example under the well known premium brand Suviniil® in Brazil. In China, we are active with our recently developed brand NORBIN™, which addresses the needs of the local market, where environmental friendliness, weathering and dirt resistance, washability and high color fastness are important criteria for decorative paints.

BASF's market position

- Automotive OEM coatings: #2
- Automotive refinish coatings: #3
- Coil coatings: #3 in Europe
- Decorative paints: #1 in South America

Main competitors

- Automotive OEM coatings: PPG, DuPont, Kansai Paint
- Automotive refinish coatings: DuPont, PPG, AkzoNobel
- Industrial coatings: AkzoNobel, PPG
- Decorative paints South America: AkzoNobel, Sherwin Williams

Focus of R&D

Our innovation efforts for the automotive industry are focused on close partnerships with our customers in order to formulate, for instance, new coatings solutions for integrated processes, unique eco-efficient colors, and extremely durable clearcoats by using the latest crosslinking technologies. Additional research topics are improved products for new technology markets (e.g. wind energy) and environmentally responsible applications.

Sales by region 2011

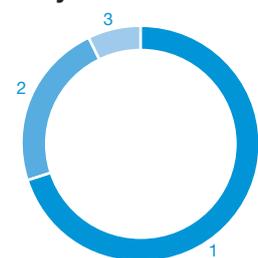
(location of customer)

	%
1. Europe	42
2. South America, Africa, Middle East	28
3. Asia Pacific	17
4. North America	13



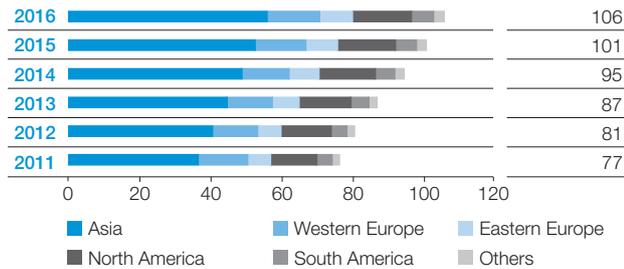
Sales by first customer industry 2011

	%
1. Transportation	70
2. Construction	23
3. Other	7



Passenger Car and Light Commercial Vehicles Production

(million units produced)



Source: LMC Automotive, March 2012

Automotive is the most important customer industry for BASF's coatings business. The number of cars and light vehicles produced globally is expected to grow by almost 30 million units over the next five years. The main growth driver is Asia – in particular China – where BASF is excellently positioned to participate in the tremendous growth opportunities.

Key drivers of profitability

- Combination of protection and appearance as value indicator
- Managing raw material price pressure, especially solvents and resins
- Value pricing of additional services along the supply chain
- Efficient distribution channels in end-user markets
- Customer-driven product and process innovation

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Automotive OEM	Expansion of water-based coatings capacity in Würzburg, Germany	2009
	Acquisition of motorcycle coatings business from NTL and setup of regional platform for ASEAN in Thailand	2009
	Expansion of technical lab in Mangalore, India	2011
	Consolidation of technical labs to Tultitlan, Mexico	2012
	Expansion of basecoat capacity in Caojing, China	2014
	Automotive Refinish	New training centers in France and Italy
Decorative Paints	Debottlenecking of logistics in São Paulo, Brazil	2012

Divestitures/Shutdowns (from 2009 onward)

Business area	Description	Year
Industrial Coatings	Sale of powder coatings plant in Verbania, Italy	2009
	Sale of coatings plant in Ako, Japan	2009
	Sale of liquid coatings plant in Burago, Italy	2010
Automotive OEM and Refinish	Closure of Belvidere site in New Jersey	2010
	Site consolidation in North America to Windsor, Canada	2010

Key capabilities of BASF

- Strong premium brands in end-user markets
- Innovative long-term cooperation with leading OEM customers
- Technical on-site support at customer locations, creating additional value and long-term relationships
- Services and tools within automotive industry for handling of color complexity
- Leveraging strong market position and application know-how from mature markets into growing markets
- Global production and market presence

iGloss® automotive clearcoat

BASF's new iGloss®, an innovative clearcoat for the automotive industry, sets new standards in scratch resistance.

iGloss permanently reduces the formation of microscratches, caused for example by car wash brushes. Its outstanding mechanical properties ensure long-lasting gloss and greater overall durability. As a result, cars look new longer.

Since 2011, Daimler has been using iGloss in serial production.



2.5 Agricultural Solutions



Our innovative crop protection solutions help farmers to safeguard their harvest and increase the yield.

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BASF's **Crop Protection** division develops and produces innovative active ingredients and formulations for the improvement of crop quality and yields, and markets them worldwide.

Our crop protection products safeguard crops and increase plant health, thus protect harvests. We develop and produce innovative active ingredients and formulations for the improvement of crop quality and yields, and market them worldwide. Our focus is on innovative fungicides, insecticides, herbicides and seed treatments. We concentrate on markets for high-quality applications and continuously optimize our portfolio. Innovations are crucial to our success. Therefore, we are committed to R&D to further strengthen our pipeline.

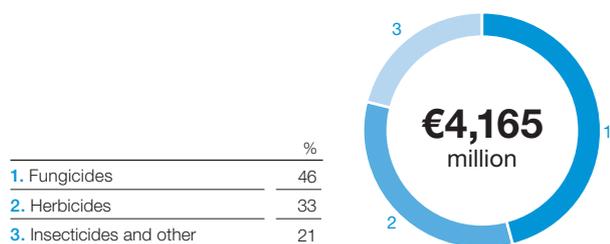
At BASF Plant Science we develop crops with clear advantages for farmers, consumers and the environment using biotechnological methods (see page 20). As our product pipeline flourishes and more products are nearing market introduction, we plan to establish a new Plant Biotechnology operating division as part of the Agricultural Solutions segment in the second half of this decade.

Segment data*

(€ million)	2007	2008	2009	2010	2011
Sales to third parties	3,137	3,409	3,646	4,033	4,165
Share of total BASF sales (%)	5.4	5.5	7.2	6.3	5.7
Income from operations before depreciation and amortization (EBITDA)	718	905	973	938	981
EBITDA margin (%)	22.9	26.5	26.7	23.3	23.6
Income from operations (EBIT) before special items	526	706	776	749	810
EBIT before special items margin (%)	16.8	20.7	21.3	18.6	19.4
Income from operations (EBIT)	516	705	769	749	808
EBIT margin (%)	16.4	20.7	21.1	18.6	19.4

* As of January 1, 2008, we restructured our segments on the basis of similar products, production processes and customer industries. The previous years' figures have been adjusted accordingly. Sales, earnings and all other data of BASF Plant Science are not included in the Agricultural Solutions segment but reported in Other.

Segment sales by indication 2011



Agricultural Solutions 2011 vs. 2010

Sales

+3%

EBIT

before special items

+8%

Crop Protection

Innovative solutions for modern agriculture

BASF's Crop Protection division directs major resources towards meeting the needs of the high-value agricultural markets in Western and Central Europe, North America, Brazil, Argentina and Japan. The division aims to sustain its role as a leading innovator by continuing its extensive research and development activities.

Fungicides

Fungicides protect crops from harmful fungi that reduce vitality by damaging physiological processes. Our product portfolio includes:

F500® (Pyraclostrobin)

F500® is a highly effective fungicide that has a favorable toxicological and ecotoxicological profile. F500® has been approved in more than 60 countries for over 150 crops in over 100 indications. With F500®, we aim to achieve annual sales of more than €1 billion. In 2007, we launched our global Plant Health umbrella brand AgCelence®.

Boscalid

Boscalid was originally developed for the specialty crop market and is now strongly growing in important field crops like cereals and canola (oil-seed rape). It is applied in over 70 countries for more than 100 crops in over 200 indications. Due to this excellent performance, we expect annual sales of more than €300 million.

Herbicides

Herbicides protect crops from weeds that cause damage by competing for nutrients, water and sunlight. Our product portfolio includes:

The Clearfield® production system

The Clearfield® production system combines herbicide-resistant seeds developed by using enhanced plant breeding methods with custom-designed herbicide solutions. Clearfield® crops currently being marketed include canola, sunflower, corn, rice, wheat and lentils.

Kixor®

Kixor® is the most recent herbicide from our research and was launched in North America and Latin America in 2010. Kixor® can be used against broadleaf and difficult-to-control weeds, including those that have developed resistance to the herbicide glyphosate. We aim to achieve annual sales of over €200 million with this product.

Insecticides

Insecticides protect crops from insects that cause damage by eating or sucking the juices of plants and transmitting dangerous viruses. Our most important insecticide is Fipronil.

Fipronil

Fipronil is an active ingredient of a unique class of insecticide chemistry. It plays a strategic role in BASF's insecticides portfolio. Furthermore, it gives BASF a strong position in attractive non-crop market segments, such as structural/urban pest control, turf and ornamental plants.

BASF's market position

- Fungicides: #3
- Herbicides: #5
- Insecticides: #3

Main competitors

- Fungicides: Syngenta, Bayer
- Herbicides: Syngenta, Monsanto, Bayer, Dow
- Insecticides: Bayer, Syngenta, Dow

Sales by region 2011

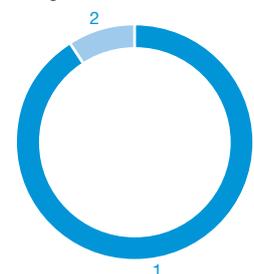
(location of customer)

	%
1. Europe	40
2. South America, Africa, Middle East	25
3. North America	23
4. Asia Pacific	12



Sales by first customer industry 2011

	%
1. Agriculture	91
2. Non-Agriculture*	9



* Aqua-culture, forestry, home and garden, industrial weed control, ornamentals, public health, turf, urban pest control

Focus of R&D

Significant R&D activities focusing on fungicides, insecticides and selective herbicides, where further market growth and high demand for innovation is expected.

Powerful agrochemical R&D pipeline

Increased peak sales potential of €2.8 billion due to high demand for our products.

Key drivers of profitability

- New products from research pipeline or from acquisitions
- Alignment of resources as well as products and services to customers' needs in high-value and innovation-driven markets

Key capabilities of BASF

- Strong R&D engine
- Competitive patent management
- Focus on high-value markets and products
- Strict portfolio management

Acquisitions/JVs/Investments (from 2009 onward)

Product group	Description	Year
Kixor®	New production capacity in the US	2010
F500®, Boscalid, Fipronil, Metazachlor	Capacity expansion in Europe, the US and South America	2010
Xemium®	New capacity in Europe	2011
F500®	Capacity expansion in Europe	2011
Epoxiconazol	Capacity expansion in Europe	2012

Divestitures/Shutdowns (from 2009 onward)

Product group	Description	Year
Manufacturing site	Closure of formulation site in Dadra, India	2009
	Divestiture of Koriyama formulation site	2011

Innovation Pipeline

Product group	Market Launch 2002-2009	Market Launch 2010-2020	Total peak sales potential
F: F 500®, oryzastrobin, dimoxysthingtrobin, F 500® seed treatment, boscalid, metrafenone	[Bar chart showing market launch activity]		€1,600 million
H: tritosulfuron, topramezone	[Bar chart showing market launch activity]		
I: chlorfenapyr, metaflumizone	[Bar chart showing market launch activity]		
F: Initium®, Xemium®, new fungicide	[Bar chart showing market launch activity]		€1,200 million
H: Kixor®, new herbicide	[Bar chart showing market launch activity]		
I: new insecticide	[Bar chart showing market launch activity]		
HT systems, for example, Dicamba or Cultivance® ¹	[Bar chart showing market launch activity]		
Functional Crop Care	[Bar chart showing market launch activity]		

Abbreviations: F = fungicides, H = herbicides, I = insecticides, HT = herbicide tolerance
¹ Herbicide tolerance project Cultivance is also reported in the BASF biotech pipeline.

Xemium®

Xemium® is our first carboxamide fungicide that covers all market segments (row crops, specialty crops and seed treatment) and complements BASF's outstanding fungicide portfolio.

In 2012, Xemium® was launched in several European countries as well as in the US market. It is planned to introduce Xemium® in more than 50 countries and for more than 100 crops.

Peak sales are expected to be more than €200 million per year.



2.6 Oil & Gas



Our exploration and production activities together with our natural gas trading business help secure long-term gas supply in Europe.

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BASF's **Exploration & Production** business is carried out by Wintershall Holding GmbH and its subsidiaries. Wintershall has been actively involved in the exploration and production of crude oil and natural gas for more than 80 years, and since 1969 as a wholly owned subsidiary of BASF.

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Our **Natural Gas Trading** business is operated with our partner Gazprom via various subsidiaries. We supply the German and European gas markets through several joint ventures.

BASF's wholly owned subsidiary Wintershall is Germany's largest producer of crude oil and natural gas. Wintershall has been active in the exploration and production of oil and gas for more than 80 years.

In the exploration and production of crude oil and natural gas, we concentrate on selected oil- and gas-rich regions in Europe, Russia and the Caspian Sea region as well as in North Africa/the Middle East and South America.

In Europe, the WINGAS Group, operated jointly with Gazprom, combines our main activities in natural gas trading, transport and storage. Through our "Gas for Europe" strategy, we are tapping into the growth opportunities arising from the increased import needs for natural gas in Europe and the liberalization of European gas markets.

Segment data

(€ million)	2007	2008	2009	2010	2011
Sales to third parties	10,517	14,445	11,356	10,791	12,051
Share of total BASF sales (%)	18.1	23.2	22.4	16.9	16.4
Thereof Exploration & Production	4,365	5,308	3,847	3,819	3,182
Natural Gas Trading	6,152	9,137	7,509	6,972	8,869
Income from operations before depreciation and amortization (EBITDA)	3,592	4,409	2,830	2,977	2,616
EBITDA margin (%)	34.2	30.5	24.9	27.6	21.7
Thereof Exploration & Production	2,901	3,744	2,188	2,428	2,042
Natural Gas Trading	691	665	642	549	574
Income from operations (EBIT) before special items	3,031	3,844	2,289	2,430	2,111
EBIT before special items margin (%)	28.8	26.6	20.2	22.5	17.5
Thereof Exploration & Production	2,486	3,319	1,781	2,014	1,686
Natural Gas Trading	545	525	508	416	425
Income from operations (EBIT)	3,031	3,844	2,289	2,334	2,111
Non-compensable foreign income taxes on oil production	1,302	1,851	870	983	439
Net income	789	951	712	923	1,064

Segment sales 2011

(€ million)



1. Natural Gas Trading	8,869
2. Exploration & Production	3,182

Oil & Gas 2011 vs. 2010

Sales

+12%

EBIT

before special items

-13%

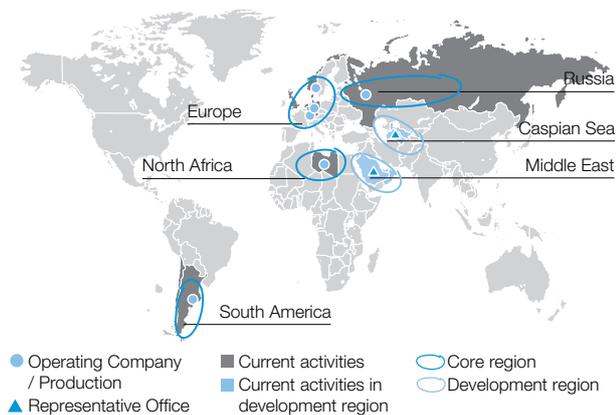
Exploration & Production

Focused E&P activities and selective technology development

Exploration and production of crude oil and natural gas is performed by BASF's wholly owned subsidiary Wintershall. Wintershall focuses on selected oil- and gas-rich regions in Europe, Russia and the Caspian Sea region as well as in North Africa/the Middle East and South America.

In addition to investments in the exploration, development and production of hydrocarbons, we also secure our lasting success by broadening our technological expertise. Our focus is on increasing the yield from producing deposits as well as the development of reservoirs with difficult production conditions.

Activities by region



Europe

Wintershall has been operating in Europe for over 80 years. In addition to exploration and production of oil and natural gas in our home market of Germany, we focus in particular on the North Sea. Through the acquisition of Revus in 2008, we not only significantly strengthened our position in the European North Sea, but also acquired promising licenses in particular for oil. In the Netherlands, Wintershall is one of the largest producers of natural gas, operating 25 offshore platforms. With more than 40 licenses – thereof more than 20 operatorships, we are one of the largest license holders in Norway. In the British North

Sea, we have 20 licenses – thereof 10 operatorships. Since 2009, Wintershall has achieved some impressive successes in exploration: e.g. Grosbeak, Maria and Skarfjell in Norway; Catcher and Cladhan in the United Kingdom. To further expand our successful activities in the North Sea, we plan investments of up to €2 billion in this region by 2015. We aim to increase production from roughly 3,500 BOE (barrels of oil equivalent) per day to 50,000 BOE per day in the Norwegian and British North Sea.

Russia/Caspian Sea

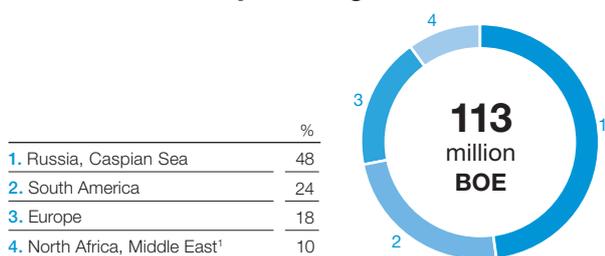
With approximately one quarter of the world's natural gas reserves, Russia is very important for the global energy market. Wintershall has been active in this region for more than 20 years – in particular through its successful cooperation with Gazprom. Together with Gazprom we pursue two joint field development projects for natural gas in Western Siberia: Yuzhno Russkoye and Achimgaz.

Yuzhno Russkoye: Wintershall has a 35% share in the commercial success of the field via Severneftegazprom. The field reached plateau production of 25 billion m³ of natural gas per year in 2009. All 143 production wells are in operation. The field has recoverable reserves of ~600 billion m³ of natural gas.

Achimgaz: 50-50 joint venture between Gazprom and Wintershall for Block IA of the Achimov horizon in Novy Urengoy. Total reserves of Block IA are 200 billion m³ of natural gas and 40 million tons of condensate. Plateau production is estimated to be reached in 2018 with more than 8 billion m³ natural gas per year. In 2011, the joint venture produced ~1.1 billion m³ gas and ~0.5 million metric tons condensate. After the successful completion of the pilot phase in November 2011, we began the development of the entire field.

Wintershall and Gazprom intend to further expand gas production from the Achimov deposits of the Urengoy field through the development of two additional blocks (IV and V). Wintershall will hold a working interest of 25% plus one share with the option to increase this stake to 50% in a second step. In return, Gazprom will receive a stake in fields of Wintershall in the British and Dutch North Sea. Hydrocarbon production in Blocks IV and V is expected earliest 2016. Plateau production is estimated to be at least on the level of Block IA (8 billion m³ natural gas p.a.).

Production 2011 by core region



Reserves

(total proven oil & gas reserves¹)



¹ Oil volumes lower due to suspension of oil production in Libya between end of February and mid of October 2011

¹ As of December 31, 2011

² Wintershall AG (Libya) at 51%

Key initiatives for further profitable growth in Exploration & Production

- Further expand gas production in Western Siberia
- Further strengthen our position in Norway and the UK
- Build on our excellent exploration track record
- Intensify our activities in Middle East

→ Grow production to more than 160 million BOE per year by 2015

North Africa/Middle East

Wintershall has been engaged in exploration and production in Libya since 1958. We operate eight onshore oil fields in the Libyan desert. Gazprom participates with a 49% stake in a German Wintershall subsidiary holding these licenses. We also have a minority interest in the Al Jurf offshore field in the Mediterranean Sea off the Libyan coast. In recent years, Wintershall expanded its operations in the Arabian Peninsula. In Qatar, we have offshore gas exploration activities in Block 4N, located close to the North Field, the largest natural gas field in the world. In June 2012, Wintershall signed a technical evaluation agreement with OMV and the Abu Dhabi National Oil Company to appraise the sour gas and condensate field in Shuwaihat in the Western region of Abu Dhabi. Wintershall as operator will conduct the appraisal phase with OMV as an equal partner.

South America

Wintershall has been active in this region since the late 1970s. In Argentina, the largest gas-producing country in South and Central America, we are involved in 15 gas fields and are one of the country's largest producers of natural gas. Off the coast of Tierra del Fuego, Wintershall produces natural gas and liquids from the Carina and Aries natural gas fields, so far the largest offshore natural gas project in Argentina. Since 2008, we have extended our South American activities into Chile, where we are exploring the Otway and Tranquilo Block of the Magellan Basin.

Acquisitions/JVs/Investments (from 2009 onward)

Description	Year	
Oil field development	Water flooding project, Libya	2009
	Mittelplate, Germany	2009
	Emlichheim, Germany	2010
	Knarr, Norway	2014
	Edvard Grieg (formerly Luno), Norway	2015
Gas field development	E18, The Netherlands	2009
	Aguada Pichana, Argentina	2009
	Wingate, UK	2011
	K18 Golf tight gas development, The Netherlands	2012
	Yuzhno Russkoye, Russia	2007-2013
Gas/condensate field development	Vega Pleyade, Argentina	2015
Gas/condensate field development	Achimov formation (Achimgaz) in Urengoy field, Russia	2008-2018
Exploration license awards	Norway	2011
Exploration license awards	Norway, UK and Argentina	2012
R&D project	Pilot project 'Enhanced oil recovery', Bockstedt, Germany	2012

Key drivers of profitability

- Exploration success
- Active portfolio management (e.g., acquisitions and farm-ins)
- Selective technology development and deployment
- Integrated gas business
- Focus on core regions
- Lean organization

Key capabilities of BASF

- Technology for developing complex oil and gas reservoirs (e.g., extended reach drilling, enhanced oil recovery)
- Partnership with Gazprom: direct involvement in the production of natural gas in Western Siberia
- Integrated upstream/midstream player
- Many years of experience as operator
- Financial strength

Schizophyllan – Biopolymer for enhanced oil recovery

BASF developed a special biopolymer, called Schizophyllan, which helps to increase the oil recovery in mature fields by up to ten percentage points. This proprietary biopolymer was jointly developed by our white biotechnology research and the oil and gas experts. Field tests of Schizophyllan will be conducted in our German oil field Bockstedt starting in 2012.



Natural Gas Trading

More energy together. Natural gas supply for Europe

In Europe, the WINGAS Group, operated jointly with Gazprom, combines our main activities in natural gas trading, transport and storage. Through our “Gas for Europe” strategy, we are tapping into the growth opportunities arising from the increased import needs for natural gas in Europe and the liberalization of European gas markets.

Through the joint venture WINGAS, BASF is also active in natural gas trading. BASF's subsidiary Wintershall holds 50% plus one share and Gazprom 50% minus one share in the joint venture. WINGAS has been active in gas distribution since 1993. We market natural gas from various sources to Germany and other European countries. Our main customers are municipal utilities, larger industrial firms and regional gas suppliers in Germany and other European countries – mainly the United Kingdom, Belgium, France, Austria, the Netherlands and the Czech Republic. We meet our gas needs primarily through long-term supply contracts. In addition, we are increasingly active in international spot trading markets due to their growing importance. The WINGAS companies also market transport, storage and fiber optic capacities and operate gas pipelines and storage facilities. The pipeline network of its subsidiary GASCADE now extends to over 2,100 kilometers. Via our two other joint ventures with Gazprom, we are also active in natural gas trading in Eastern Germany (WIEH) as well as in Romania and Bulgaria (WIEE).

Pipeline and storage infrastructure

The construction of the Nord Stream pipeline from Russia through the Baltic Sea to the German coast and its associated onshore projects for onward transport to the European transportation network will significantly strengthen Europe's natural gas infrastructure. In November 2011, the first of the two Nord Stream offshore pipelines started operations together with the onshore pipeline OPAL. The other onshore pipeline NEL is expected to partly begin operations, together with the second line of the Nord Stream pipeline, at the end of 2012. To participate in the growth opportunities of South East Europe, Wintershall signed shareholders' agreements in September 2011 to join South Stream Transport AG, which will develop, construct and operate the offshore portion of the South Stream pipeline through the Black Sea. (For further details on the pipeline projects, see page 81).

In addition to our pipeline network we operate several gas storage facilities including Rehden, Germany, the largest natural gas storage facility in Western Europe and Haidach, Austria. Construction is progressing on the Jemgum natural gas storage facility in Northern Germany, which is expected to begin operations in 2013.

Time-lag effect in natural gas trading

In continental Europe, natural gas prices under long-term contracts are linked to the prices of oil products, such as light fuel oil, and therefore fluctuate with the oil price. The general pricing scheme for import gas differs from the pricing scheme for selling the gas to our customers:

- For import gas, the price is calculated on the basis of the average oil price of the last nine months with a monthly adaptation.
- The sales price is generally calculated on the basis of the average oil price of only the first six months of that nine-month period with a quarterly adaptation.

As a result, in times of continuously rising oil prices the import price follows the oil price more quickly than the sales price and the margin of the gas trading business is squeezed – leading to a negative time-lag effect. Conversely in times of continuously falling oil prices import prices fall more quickly than sales prices resulting in higher margins – a positive time-lag effect.

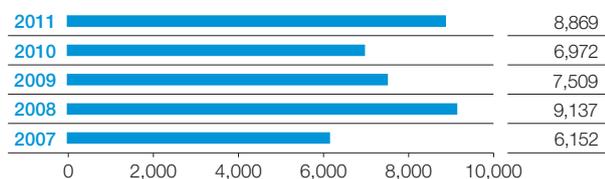
Key initiatives for further profitable growth in Natural Gas Trading

- Maintain strong market position in Germany and expand in selected other European countries
- Participate in excellent growth opportunities in South East Europe
- Expand trading in spot markets
- Focus investments on non-regulated infrastructure

→ Grow sales volumes to more than 45 billion m³ per year by 2015

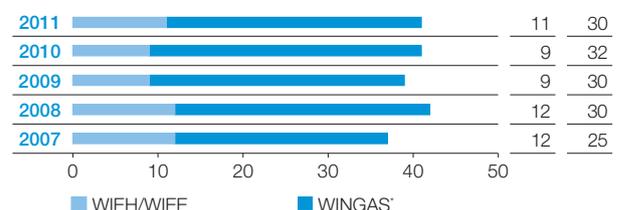
Sales development

(€ million)



Natural gas trading volumes*

(billion m³)



* Including sales to BASF

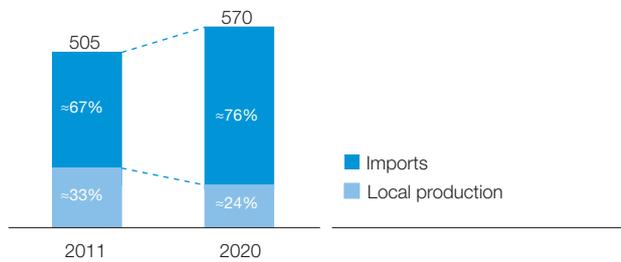
Key drivers of profitability

- Flexibility of the portfolio (supply, customers, storage)
- Long-term access to gas reserves, transport and storage capacity
- Oil price volatility and time-lag effects
- Weather conditions
- Spot market opportunities

Key capabilities of BASF

- Portfolio of supply and sales contracts (diversified in regions, price indexations and customer segments) with integrated storage facilities
- Partnership with Gazprom, largest gas reserve holder worldwide
- Integrated value chain from production in Siberia to infrastructure (pipelines/storage) and gas trading with focus on Western Europe

Growing import demand for natural gas in Europe
(billion m³)



Source: Cera

Gas storage facilities

Location	Capacity	WINGAS share
Rehden, Germany	4.2 billion m ³	100%
Haidach, Austria	2.6 billion m ³	1/3
Jemgum, Germany	~1.0 billion m ³	5/6

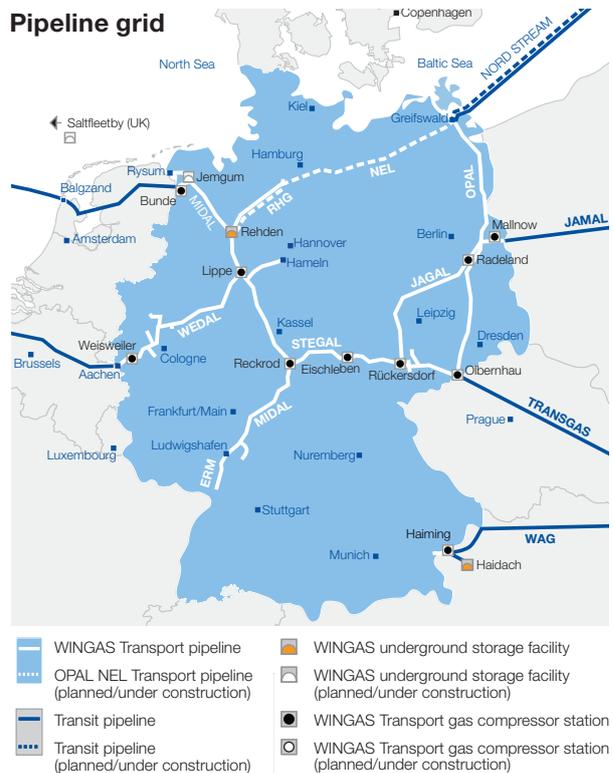
Acquisitions/JVs/Investments (from 2007 onward)

Description	Begin	End
OPAL (Ostseepipeline-Anschlussleitung) pipeline	2007	2011
Haidach gas storage facility, Austria (second phase)	2007	2011
Nord Stream I+II offshore pipeline project	2007	2012
Jemgum gas storage facility, Germany	2007	2013
NEL (Nordeuropäische Erdgasleitung) pipeline	2009	2012

Divestitures/Shutdowns (from 2008 onward)

Description	Year
Sale of 4.5% share of Nord Stream to GDF Suez	2010
Sale of 5% share of NEL to Gasunie	2010
Sale of 1/6 share of Jemgum storage facility to VNG	2010
Sale of 19% share of NEL to Fluxys	2011

Pipeline grid



Major Projects

Nord Stream

Gazprom 51%, BASF 15.5%, E.ON 15.5%, GDFSuez 9%, Gasunie 9%; total capacity 55 billion m³ p.a.; length ~1,200 km. Total investment offshore €7.4 billion. First pipeline operative since November 2011; startup of second pipeline planned for Q4 2012.

NEL

WINGAS 51%, Gasunie 20%, Fluxys 19%, E.ON Ruhrgas 10%, total capacity ~20 billion m³ p.a.; length ~440 km. Pipeline from landing point of Nord Stream Baltic Sea pipeline towards Rehden in Lower Saxony. Partial startup planned together with the second line of the Nord Stream pipeline at the end of 2012.

South Stream

Gazprom 50%, Eni 20%, BASF 15%, EdF 15%; total capacity ~63 billion m³ p.a.; length >900 km. 4 offshore pipeline strings through the Black Sea. Investment decision and construction start planned for Q4 2012. First pipeline to come on stream earliest in 2015.

2.7 Other

Activities not assigned to a particular division are reported in 'Other'. These include the sale of raw materials, engineering and other services, rental income and leases.

On January 1, 2011, we carved out our styrenics business and from then onward the carved-out activities were included in Styrenics as reported under Other. The activities that were not affected by the carve-out are still reported under Other, but not as part of Styrenics. On October 1, 2011, BASF transferred its carved-out styrenics business into the joint venture Styrolution. BASF's share in this joint venture is reported at equity in the Consolidated Financial Statements. Styrenics therefore contributed to sales and income from operations only for the first nine months of 2011.

On March 31, 2012, BASF completed the sale of its fertilizer activities, which were reported under Other. BASF sold its fertilizer activities in Antwerp, Belgium, to EuroChem end of the first quarter 2012. The total purchase price amounts to around €830 million. In addition, BASF divested its 50% share in the fertilizer producer PEC-Rhin in Ottmarsheim, France, to its joint venture partner, GPN. The transactions led to pre-tax disposal gains totaling €645 million in the first quarter of 2012.

Group corporate costs consist of the expenses for steering the BASF Group and are not allocated to the segments, but rather reported under Other.

With our corporate research, which is also reported under Other, we develop cross-division and cross-segment growth fields and ensure the long-term competence of BASF with regard to technology and methods, including plant biotechnology.

Earnings from currency conversion reported under Other include earnings not allocated to the segments from the hedging of forecasted sales, from currency positions that are macro-hedged as well as from the conversion of financial liabilities. In addition, Other also includes income and expenses from the BASF long-term incentive (LTI) program as well as the results of the hedging of raw material price risks that were not allocated to the segments.

Financial data

(€ million)	2007 ¹	2008 ²	2009 ³	2010	2011 ⁴
Sales to third parties	6,610	6,650	4,577	5,851	6,275
Thereof Styrenics	3,518	3,478	2,502	2,848	2,414
Income from operations before depreciation and amortization (EBITDA)	(175)	(521)	(417)	(528)	297
Income from operations (EBIT) before special items	(362)	(692)	(717)	(648)	(404)
Income from operations (EBIT)	(421)	(913)	(627)	(707)	178
Thereof Group corporate costs	(237)	(243)	(209)	(226)	(246)
Corporate research costs	(323)	(312)	(319)	(323)	(348)
Currency results, hedges and other valuation effects	90	(209)	(512)	(460)	(199)

¹ As of December 31, 2007, BASF's styrene (SM), polystyrene (PS), styrene-butadiene-copolymer (SBC) and acrylonitrile butadiene styrene (ABS) businesses, which are managed under the name Styrenics, are reported under Other.

² As of January 1, 2008, costs of the corporate center, which consist of the expenses for steering the BASF Group, are no longer allocated to the segments but reported in Other.

³ As of January 1, 2009, the activities of BASF Fuel Cell GmbH were transferred from Other to the Inorganics division and the styrene copolymers business in the Performance Polymers division was transferred to Styrenics.

⁴ As of October 1, 2011 BASF transferred its carved-out styrenics business to the joint venture Styrolution. BASF's share in the joint venture is reported at equity in the Consolidated Financial Statements.

Composition of assets

(€ million)	2007	2008	2009	2010	2011
Assets of businesses included under Other	3,045	3,232	2,647	2,690	2,272
Financial assets	2,786	3,093	2,960	3,281	2,700
Deferred tax assets	679	930	1,042	1,112	941
Cash and cash equivalents/marketable securities	818	2,811	1,850	1,509	2,067
Defined benefit assets	417	165	549	260	128
Miscellaneous receivables/prepaid expenses	1,140	2,512	1,513	1,915	1,863
Total assets of Other	8,885	12,743	10,561	10,767	9,971

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3.1 BASF on the capital market

Dividend increase, strong credit ratings

After developing positively in the first half of 2011, stock markets were increasingly characterized by uncertainty in the second half of the year. At the end of 2011, the BASF share traded at €53.89, 9.7% below its closing price one year earlier. BASF has solid financing and strong credit ratings, especially compared with its competitors in the chemical industry. Once again, BASF has been included in the world's most important sustainability index, the Dow Jones Sustainability World Index. We stand by our ambitious dividend policy and paid our shareholders a dividend of €2.50 per share – an increase of 13.6% compared with the previous year.

Broad base of international shareholders

With more than 400,000 shareholders, BASF is one of the largest publicly owned companies in Germany with a high free float. According to an analysis of the shareholder structure carried out in December, 2011, our shareholder distribution is as follows:

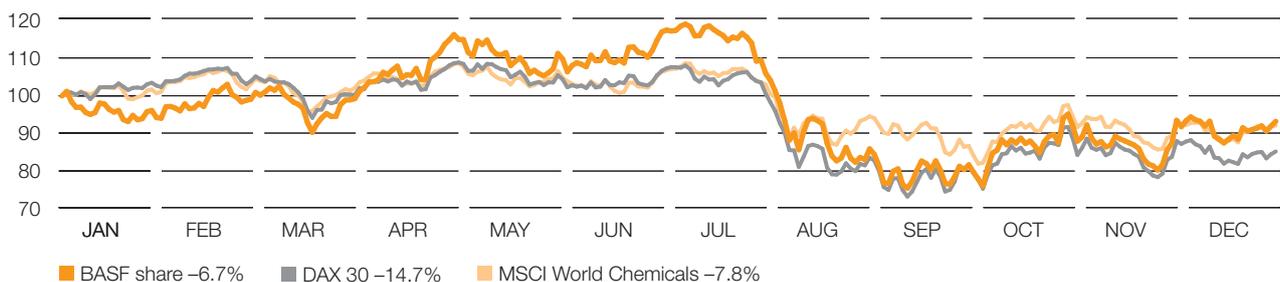
- Institutional investors
- 18% Rest of Europe
 - 15% USA/Canada
 - 12% UK/Ireland
 - 11% Germany
- Retail investors Germany
- 27%
- Unidentified
- 13%

BASF in key sustainability indices

For the eleventh year in succession, BASF was included in the world's most important sustainability index, the Dow Jones Sustainability World Index (DJSI World). We received particular recognition for our product stewardship, environmental management and climate strategy. BASF is also once again represented in the prestigious Carbon Disclosure Leadership Index (CDLI) and in the Carbon Performance Leadership Index (CPLI). The CDLI contains companies that provide transparent and extensive information about their carbon footprint. The CPLI includes companies based on their exemplary performance in terms of climate change. The inclusion in both indices demonstrates that BASF is one of the world's leading companies when it comes to climate protection.

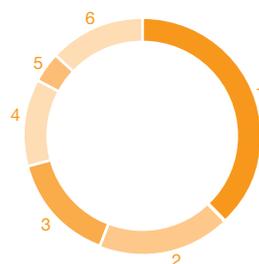
Change in value of an investment in BASF shares 2011

(With dividends reinvested, indexed)



Shareholder structure by region 2011

	%
1. Germany	38
2. Rest of Europe	18
3. United States/Canada	15
4. United Kingdom/Ireland	12
5. Rest of the world	4
6. Unidentified	13



BASF share: change in value

Change in the value of BASF shares with dividends reinvested



Share price performance

Stock markets made significant gains in the first half of 2011 – the BASF share reached a new all-time high of €69.40 – but uncertainty increasingly began to dominate the markets in the second half of the year. The BASF share was not able to escape this negative trend, and traded at €53.89 at the end of 2011. Assuming that dividends were reinvested, BASF shares lost 6.7% of their value in 2011. Yet, the BASF stock outperformed the German and European stock markets: Over the same period, the DAX 30 index fell by 14.7% while the DJ EURO STOXX 50 index lost 14.5%. In 2011, BASF shares also performed better than the global industry indices DJ Chemicals and MSCI World Chemicals, which shed 10.6% and 7.8%, respectively.

The assets of an investor who invested the equivalent of €1,000 in BASF shares at the end of 2001 and reinvested the dividends in additional BASF shares would have increased to €3,734 by the end of 2011. This average annual return of 14.1% places BASF shares substantially above the returns for the DAX 30 (1.4%), EURO STOXX 50 (-2.2%) and MSCI World Chemicals (+7.2%).

Dividend

For 2011, BASF paid a dividend of €2.50 per share, up 13.6% versus last year. We stand by our ambitious dividend policy and paid out around €2.3 billion to our shareholders (based on the number of qualifying shares on December 31, 2011). Based on the year-end share price for 2011, BASF shares offer a high dividend yield of 4.6%. BASF belongs to the DivDAX share index, which contains the 15 companies with the highest dividend yield in the DAX 30.

Dividend policy

We aim to continuously increase the annual dividend, or at least maintain it at the level of the previous year.

Analyst consensus

Around thirty financial analysts regularly publish reports on BASF. Since 2009, we have been publishing a dynamic analyst consensus on our website that is updated whenever there is a new analyst estimate.

You can find more information on the internet at basf.com/share.

Shareholder return

(€ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Share buybacks	500	500	726	1,435	938	1,899	1,618	–	–	–
Dividends	789	774	904	1,015	1,484	1,831	1,791	1,561 ¹	2,021	2,296
Total	1,289	1,274	1,630	2,450	2,422	3,730	3,409	1,561	2,021	2,296
Dividend per share (€) ²	0.70	0.70	0.85	1.00	1.50	1.95	1.95	1.70	2.20	2.50
Share price at year-end (€/share) ²	18.04	22.29	26.50	32.36	36.93	50.71	27.73	43.46	59.70	53.89
Dividend yield (%)	3.9	3.1	3.2	3.1	4.1	3.9	7.0	3.9	3.7	4.6
Payout ratio (%) ³	52	85	45	34	46	45	62	111	44	37
Price/Earnings ratio (P/E ratio)	13.9	27.5	14.5	11.3	11.6	12.2	8.9	28.2	12.0	8.0
Free cash flow yield (%) ⁴	(0.5)	11.3	9.0	9.4	9.6	6.7	9.8	8.0	7.1	7.5

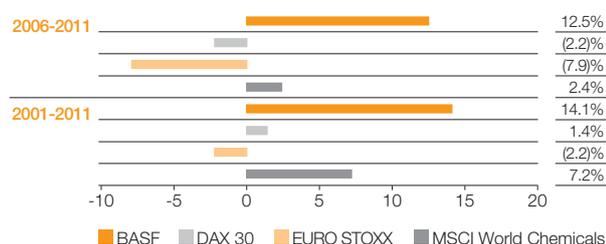
¹ With regard to the qualifying shares on December 31, 2010

² Adjusted for 2-1 stock split 2008

³ BASF Group

⁴ Free cash flow per share at year-end divided by share price at year-end

Long-term performance of BASF shares compared with indices (average annual performance with dividends reinvested)



Attractive dividend

Dividend per share

€2.50

Dividend yield

based on share price at year-end

4.6%

3.2 Ten-year summary

Ten-year summary

(€ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales and earnings¹										
Sales	32,216	33,361	37,537	42,745	52,610	57,951	62,304	50,693	63,873	73,497
Income from operations before depreciation and amortization (EBITDA)	5,105	5,110	7,685	8,233	9,723	10,225	9,562	7,388	11,131	11,993
EBITDA margin (%)	15.8	15.3	20.5	19.3	18.5	17.6	15.3	14.6	17.4	16.3
Income from operations (EBIT) before special items	2,881	2,993	5,230	6,138	7,257	7,614	6,856	4,852	8,138	8,447
EBIT before special items margin (%)	8.9	9.0	13.9	14.4	13.8	13.1	11.0	9.6	12.7	11.5
Income from operations (EBIT)	2,641	2,658	5,193	5,830	6,750	7,316	6,463	3,677	7,761	8,586
EBIT margin (%)	8.2	8.0	13.8	13.6	12.8	12.6	10.4	7.3	12.2	11.7
Income from ordinary activities	2,641	2,168	4,347	5,926	6,527	6,935	5,976	3,079	7,373	8,970
Extraordinary income	-	-	-	-	-	-	-	-	-	-
Income before taxes and minority interests	2,641	2,168	4,347	5,926	6,527	6,935	5,976	3,079	7,373	8,970
Income before minority interests	1,599	976	2,133	3,168	3,466	4,325	3,305	1,655	5,074	6,603
Net income	1,504	910	2,004	3,007	3,215	4,065	2,912	1,410	4,557	6,188
Capital expenditures and depreciation¹										
Additions to tangible and intangible assets	3,055	3,415	2,163	2,523	10,039	4,425	3,634	5,972	5,304	3,646
Thereof property, plant and equipment	2,677	2,293	2,022	2,188	4,068	2,564	2,809	4,126	3,294	3,199
Depreciation of tangible/intangible assets	2,464	2,452	2,492	2,403	2,973	2,909	3,099	3,711	3,370	3,407
Thereof property, plant and equipment	2,012	1,951	2,053	2,035	2,482	2,294	2,481	2,614	2,667	2,618
Number of employees										
At year-end	89,389	87,159	81,955	80,945	95,247	95,175	96,924	104,779	109,140	111,141
Annual average	90,899	88,167	85,022	80,992	88,160	94,893	95,885	103,612	104,043	110,403
Personnel costs¹										
	5,975	5,891	5,615	5,574	6,210	6,648	6,364	7,107	8,228	8,576
Key data¹⁾										
Earnings per share (€) ²	1.30	0.81	1.83	2.87	3.19	4.16	3.13	1.54	4.96	6.74
Cash provided by operating activities	2,313	4,878	4,634	5,250 ⁴	5,940	5,807	5,023	5,693	6,460	7,105
Payments related to intangible assets and property, plant and equipment	2,410	2,071	2,057	1,948	2,411	2,562	2,521	2,507	2,548	3,410
Free cash flow ⁵	(97)	2,807	2,577	3,302 ⁴	3,529	3,245	2,502	3,186	3,912	3,695
Return on assets (%)	8.4	7.4	13.2	17.7	17.5	16.4	13.5	7.5	14.7	16.1
Return on equity after tax (%)	9.3	6.0	12.9	18.6	19.2	22.4	17.0	8.9	24.6	27.5
Free cash flow/sales (%)	(0.3)	8.4	6.9	7.7	6.7	5.6	4.0	6.3	6.1	5.0
Reported tax rate (%)	39.5	55.0	50.9	46.6	46.9	37.6	44.7	46.2	31.2	26.4
Underlying tax rate ⁶ (%)	27.8	41.3	42.0	34.7	33.9	23.2	19.9	25.1	20.6	22.6
Number of shares as of December 31² (in thousands)										
	1,140,632	1,113,286	1,080,880	1,028,758	999,360	956,370	918,479	918,479	918,479	918,479

¹ Starting in 2005, the accounting and reporting of the BASF Group have been performed in accordance with International Financial Reporting Standards (IFRS). The 2004 figures have been reported in accordance with IFRS. The figures for the years up to and including 2003 were prepared according to the German Commercial Code.

² Adjusted for 2-1 stock split 2008

³ Including extraordinary income

⁴ Before external financing of pension obligations

⁵ Cash provided by operating activities less capex

⁶ Without non-compensable oil taxes

3.3 Regional results

Sales by location of company¹

(€ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Europe	18,987	20,372	22,536	25,093	31,444	34,316	38,652	30,375	35,156	41,036
Thereof Germany	13,315	14,070	15,216	17,100	22,963	24,312	27,497	21,543	25,426	28,816
North America	7,932	7,214	8,165	9,542	11,415	12,007	11,937	9,404	13,246	14,727
Asia Pacific	3,950 ²	4,303 ²	4,911	6,042	7,450	8,785	8,664	7,997	11,642	13,316
South America, Africa, Middle East	1,347 ³	1,472 ³	1,925	2,068	2,301	2,843	3,051	2,917	3,829	4,418
Total	32,216	33,361	37,537	42,745	52,610	57,951	62,304	50,693	63,873	73,497

Sales by location of customer¹

(€ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Europe	17,697	19,120	21,343	23,755	29,529	32,347	36,693	28,532	33,201	39,124
Thereof Germany	6,944	7,073	7,382	8,865	11,062	11,967	13,796	10,666	12,225	14,705
North America	7,808	7,163	8,182	9,479	11,522	11,928	11,932	9,480	12,886	13,995
Asia Pacific	5,051 ²	5,313 ²	5,309	6,500	8,102	9,579	9,320	8,706	12,510	14,410
South America, Africa, Middle East	1,660 ³	1,765 ³	2,703	3,011	3,457	4,097	4,359	3,975	5,276	5,968
Total	32,216	33,361	37,537	42,745	52,610	57,951	62,304	50,693	63,873	73,497

Income from operations (EBIT)¹

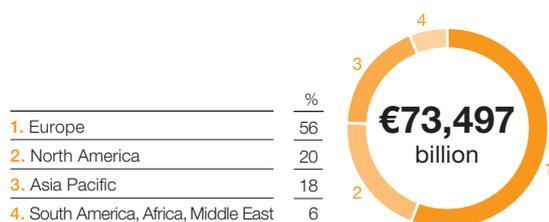
(€ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Europe	2,357	2,224	4,236	4,385	5,485	5,415	5,822	2,390	5,206	5,668
Thereof Germany	1,690	1,642	3,131	3,019	4,125	4,226	4,744	1,855	3,769	3,249
North America	23	10	286	855	869	762	73	503	1,107	1,314
Asia Pacific	203 ²	218 ²	361	297	181	828	254	503	1,271	1,133
South America, Africa, Middle East	58 ³	206 ³	310	293	215	311	314	281	177	471
Total	2,641	2,658	5,193	5,830	6,750	7,316	6,463	3,677	7,761	8,586

¹ Starting in 2005, the accounting and reporting of the BASF Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The 2004 figures have been restated in accordance with IFRS. The figures for years up to and including 2003 were prepared according to the German Commercial Code. Effective January 1, 2005, companies in Asia are reported in the "Asia Pacific" region. South America, which was previously reported separately, is now reported together with the geographic regions of Africa and Middle East in the "South America, Africa, Middle East" region. The 2004 figures have been reported in accordance with this.

² Including Africa

³ South America only

Sales by location of company 2011



Sales by location of customer 2011



Income from operations (EBIT) 2011



3.4 Factors influencing sales

Factors influencing sales – Contribution to sales growth (percent)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Volumes	7.8	7.6	9.4	2.5	5.5	4.9	0.3	(9.4)	11.3	0.5
Prices	(5.2)	2.1	6.6	11.0	8.3	2.5	11.7	(13.7)	7.7	12.2
Currencies	(2.9)	(7.3)	(4.4)	1.0	(0.2)	(3.8)	(4.4)	0.6	4.7	(2.1)
Acquisitions/divestitures	(0.6)	1.2	0.9	(0.6)	9.5	6.6	(0.1)	3.9	2.3	4.5
Total	(0.9)	3.6	12.5	13.9	23.1	10.2	7.5	(18.6)	26.0	15.1

Factors influencing sales 2011

Positive economic development led to an approximately 2.5% increase in demand in the chemicals business, and most divisions improved their volumes. Prices rose as a result of higher raw material costs. The integrated former Cognis businesses were included for the full year for the first time, which had a positive influence on sales growth. Our sales only included the styrenics business until it was transferred to the Styrolution joint venture on October 1, 2011. Other acquisitions and divestitures had only a small influence on the development of our sales.

Sensitivities

Currency impact on BASF Group

The dollar sensitivity on a sales level comprises BASF Group sales in US dollars. On an EBIT level, compensating effects result from the exchange rate impact on raw material purchases and on non-European fixed costs.

Annual impact of \$ change

(\$ exchange rate: -\$0.01 per €)

	€ million
Sales	+200
EBIT	+50

Oil price impact on the Oil & Gas segment

Oil price changes affect the segment's sales and EBIT almost immediately in oil production and with a certain time-lag in gas production and trading.

Annual impact of oil price change

(1 US\$/bbl rise in annual average Brent oil price)

	€ million
Sales	+60
EBIT	+30

3.5 Financing

Value-based financial management, high cash flow

Our value-based financing principles are aimed at securing liquidity at all times, limiting financial risks and optimizing our cost of capital. We preferably meet our financing needs on the capital markets. We continue to aim for a solid A rating, which allows us unrestricted access to 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.

Financing policy

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

For short-term financing we use our commercial paper program, which has an issuing volume of up to \$12.5 billion. As back-up for the commercial paper program, there are committed, broadly syndicated credit lines of €3 billion and \$2.25 billion available. BASF’s external financing is therefore largely independent of short-term fluctuations in the credit markets. None of the credit lines were tapped as of December 31, 2011.

Financial management in the BASF Group is centralized and is supported by regional finance units. To minimize risks and exploit internal optimization potential within the Group, we bundle the financing, financial investments and foreign currency hedging of BASF SE’s subsidiaries. When possible, this occurs within the BASF Group. Foreign currency risks are primarily hedged centrally by means of derivative financial instruments in the market. Off-balance sheet financing tools, such as leasing, are of minimal importance for BASF.

Cash flow

At €7,105 million, cash flow from operating activities in 2011 once again exceeded the high level of the previous year, due largely to higher net income. In addition to higher price levels, the expansion of our business volume led to increased receivables and inventories, tying down additional funds in net working capital. Payments related to property, plant and equipment and intangible assets were significantly above the previous year’s level. Despite this we were able to generate a strong free cash flow.

Good credit ratings and solid financing

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, especially when compared with competitors in the chemical industry.

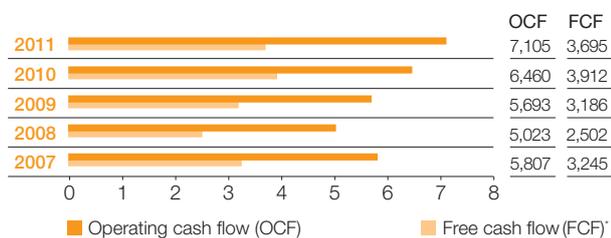
At year-end 2011, the financial indebtedness of the BASF Group was €13 billion with liquid funds of approximately €2 billion resulting in a net debt of €11 billion. The average time to maturity of our financial indebtedness was 3.1 years. Our medium to long-term debt financing is based on corporate bonds with a balanced maturity profile.

Credit Ratings

Standard & Poor’s	A+/A-1/outlook stable
Moody’s	A1/P-1/outlook stable

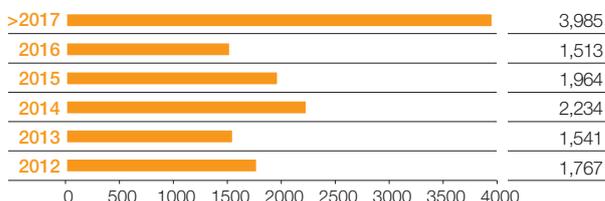
Strong history of cash flow generation

(€ million)



Balanced maturities of financial liabilities

(€ million)



* Cash provided by operating activities less capex (in 2005 before CTA)

3.6 Balance sheet

Balance sheet (German Commercial Code)

(€ million)	2002	2003
Intangible assets	3,464	3,793
Thereof goodwill	2,073	2,038
Tangible assets	13,745	13,070
Financial assets	3,249	2,600
Fixed assets	20,458	19,463
Inventories	4,798	4,151
Accounts receivable, trade	5,316	4,954
Other receivables	2,947	3,159
Deferred taxes	1,204	1,247
Marketable securities	132	147
Cash and cash equivalents	231	481
Current assets	14,628	14,139
Total assets	35,086	33,602
Subscribed capital	1,460	1,425
Capital surplus	2,948	2,983
Paid-in capital	4,408	4,408
Retained earnings	12,468	12,055
Currency translation adjustment	(330)	(972)
Minority interests	396	388
Stockholders' equity	16,942	15,879
Pensions and other long-term provisions	6,233	6,205
Tax and other short-term provisions	2,764	2,982
Provisions	8,997	9,187
Financial indebtedness	3,610	3,507
Accounts payable, trade	2,344	2,056
Other liabilities	3,193	2,973
Liabilities	9,147	8,536
Provisions and liabilities	18,144	17,723
Thereof long-term liabilities	9,211	10,285
Total stockholders' equity and liabilities	35,086	33,602
Equity ratio (%)	48	47
Gearing ratio (%)	107	112
Net debt	3,379	3,026

Balance sheet (IFRS)*

(€ million)	2004	2005	2006	2007	2008	2009	2010	2011
Intangible assets	3,607	3,720	8,922	9,559	9,889	10,449	12,245	11,919
Thereof goodwill	1,972	2,139	4,713	4,305	4,748	5,069	5,873	5,962
Property, plant and equipment	13,063	13,987	14,902	14,215	15,032	16,285	17,241	17,966
Investments accounted for using the equity method	1,100	244	651	834	1,146	1,340	1,328	1,852
Other financial assets	938	813	1,190	1,952	1,947	1,619	1,953	848
Deferred taxes	1,337	1,255	622	679	930	1,042	1,112	941
Other receivables and miscellaneous long-term assets	473	524	612	655	642	946	653	561
Long-term assets	20,518	20,543	26,899	27,894	29,586	31,681	34,532	34,087
Inventories	4,645	5,430	6,672	6,578	6,763	6,776	8,688	10,059
Accounts receivable, trade	5,861	7,020	8,223	8,561	7,752	7,738	10,167	10,886
Other receivables and miscellaneous short-term assets	2,133	1,586	2,607	2,337	3,948	3,223	3,883	3,781
Marketable securities	205	183	56	51	35	15	16	19
Cash and cash equivalents	2,086	908	834	767	2,776	1,835	1,493	2,048
Assets of disposal groups	-	-	-	614	-	-	614	295
Short-term assets	14,930	15,127	18,392	18,908	21,274	19,587	24,861	27,088
Total assets	35,448	35,670	45,291	46,802	50,860	51,268	59,393	61,175
Subscribed capital	1,383	1,317	1,279	1,224	1,176	1,176	1,176	1,176
Capital surplus	3,028	3,100	3,141	3,173	3,241	3,229	3,216	3,203
Retained earnings	11,923	11,928	13,302	14,556	13,250	12,916	15,817	19,446
Other comprehensive income	(60)	696	325	174	(96)	156	1,195	314
Minority interests	328	482	531	971	1,151	1,132	1,253	1,246
Stockholders' equity	16,602	17,523	18,578	20,098	18,722	18,609	22,657	25,385
Provisions for pensions and similar obligations	4,124	1,547	1,452	1,292	1,712	2,255	2,778	3,189
Other provisions	2,376	2,791	3,080	3,015	2,757	3,289	3,352	3,335
Deferred taxes	948	699	1,441	2,060	2,167	2,093	2,467	2,628
Financial indebtedness	1,845	3,682	5,788	6,954	8,290	12,444	11,670	9,019
Other liabilities	1,079	1,043	972	901	917	898	901	1,142
Long-term liabilities	10,372	9,762	12,733	14,222	15,843	20,979	21,168	19,313
Accounts payable, trade	2,372	2,777	4,755	3,763	2,734	2,786	4,738	5,121
Provisions	2,364	2,763	2,848	2,697	3,043	3,276	3,324	3,210
Tax liabilities	644	887	858	881	860	1,003	1,140	1,038
Financial indebtedness	1,453	259	3,695	3,148	6,224	2,375	3,369	3,985
Other liabilities	1,641	1,699	1,824	1,976	3,434	2,240	2,802	3,036
Liabilities of disposal groups	-	-	-	17	-	-	195	87
Short-term liabilities	8,474	8,385	13,980	12,482	16,295	11,680	15,568	16,477
Total stockholders' equity and liabilities	35,448	35,670	45,291	46,802	50,860	51,268	59,393	61,175
Equity ratio (%)	47	49	41	43	37	36	38	41
Gearing ratio (%)	114	104	144	133	172	176	162	141
Net debt	1,212	3,033	8,649	9,335	11,738	12,984	13,546	10,956

* Starting in 2005, the accounting and reporting of the BASF Group have been performed in accordance with International Financial Reporting Standards (IFRS).

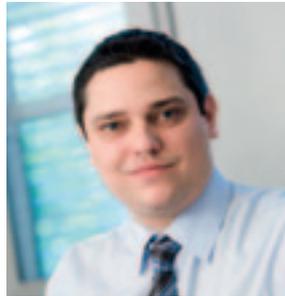
The 2004 figures have been reported in accordance with IFRS. The figures for the years up to and including 2003 were prepared in accordance with German Commercial Code.

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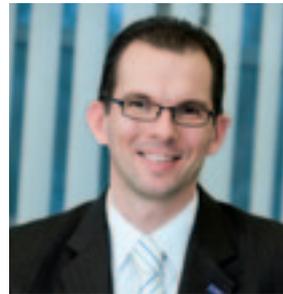
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