BASF Report 2011

Economic, environmental and social performance

BASF
The Chemical Company

BASF Group 2011

Economic data

		2011	2010	Change in %
Sales	million €	73,497	63,873	15.1
Income from operations before depreciation and amortization (EBITDA)	million €	11,993	11,131	7.7
Income from operations (EBIT) before special items	million €	8,447	8,138	3.8
Income from operations (EBIT)	million €	8,586	7,761	10.6
Income before taxes and minority interests	million €	8,970	7,373	21.7
Net income	million €	6,188	4,557	35.8
Earnings per share	€	6.74	4.96	35.9
Adjusted earnings per share [1]	€	6.26	5.73	9.2
Dividend per share	€	2.50	2.20	13.6
Cash provided by operating activities	million €	7,105	6,460	10.0
Additions to long-term assets [2]	million €	3,646	5,304	(31.3)
Depreciation and amortization	million €	3,407	3,370	1.1
Return on assets	%	16.1	14.7	–
Return on equity after tax	%	27.5	24.6	–
Research and development expenses	million €	1,605	1,492	7.6

Environment and safety

		2011	2010	Change in %
Emissions of greenhouse gases (CO_2 equivalents)	million metric tons/year	25.8	25.7[4]	0.4
Emissions to air (air pollutants)[3]	thousand metric tons/year	33.8	33.9	(0.3)
Emissions of organic substances to water[3]	thousand metric tons/year	24.3	26.1	(6.9)
Energy efficiency in production processes	metric tons of sales product/MWh	0.63	0.61	2.1
Transportation accidents	per 10,000 shipments	0.18	0.28	(35.7)
Number of environmental and safety audits		97	97	0
Operating costs for environmental protection facilities	million €	850	729	16.6
Investments in environmental protection	million €	190	122	55.7

Employees and society

		2011	2010	Change in %
Employees as of December 31		111,141	109,140	1.8
Apprentices/trainees as of December 31		2,565	2,442	5.0
Personnel expenses	million €	8,576	8,228	4.2
Donations and sponsorship	million €	48.7	49.8	(2.2)
Annual bonus	% of Group companies	93.7	92.9	0.8
Lost time injury rate	per million working hours	1.9	2.0	(5.0)
Health Performance Index[5]		0.86	–	–

[1] For further information, see page 36
[2] Including acquisitions
[3] Excluding emissions from oil and gas production
[4] Variation from Report 2010 (25.2) due to updated basis of calculation
[5] For more information, see page 88

← **The cover photo shows** a Berlin subway during the morning rush hour. The branding motifs shown in this report, taken from BASF's current business campaign, show how BASF contributes to solving global challenges – for example, in the area of sustainable mobility.

BASF's segments

Chemicals → Page 44

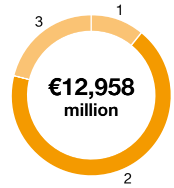
In the Chemicals segment, we supply products to customers in the chemical, electronics, construction, textile, automotive, pharmaceutical and agricultural industries as well as many others. We also ensure that other BASF segments are supplied with chemicals for producing downstream products. Our portfolio ranges from basic chemicals, glues and electronic chemicals for the semiconductor and solar cell industries, to solvents and plasticizers, as well as starting materials for detergents, plastics, textile fibers, paints and coatings, and pharmaceuticals.

Key data Chemicals (million €)

	2011	2010	Change in %
Sales	12,958	11,377	13.9
EBITDA	3,188	3,000	6.3
Income from operations before special items	2,441	2,302	6.0
Income from operations (EBIT)	2,442	2,310	5.7

Sales (%)

1	Inorganics	11
2	Petrochemicals	68
3	Intermediates	21



Plastics → Page 50

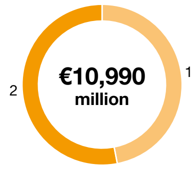
The Plastics segment includes a broad range of products, system solutions and services. We offer a number of engineering plastics for the automotive and electrical industries as well as for use in household appliances and sports and leisure products. Our styrenic foams are used as insulating materials in the construction industry and in packaging. Our polyurethanes are extremely versatile: As soft foams, for example, they improve car seats and mattresses, and as rigid foams they increase the energy efficiency of refrigerators.

Key data Plastics (million €)

	2011	2010	Change in %
Sales	10,990	9,830	11.8
EBITDA	1,678	1,721	(2.5)
Income from operations before special items	1,203	1,284	(6.3)
Income from operations (EBIT)	1,259	1,273	(1.1)

Sales (%)

1	Performance Polymers	47
2	Polyurethanes	53



Performance Products → Page 55

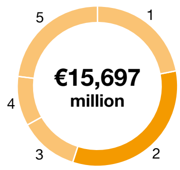
Performance Products lend stability and color to countless everyday items and help to improve their application profile. Our product portfolio includes vitamins and food additives as well as ingredients for pharmaceuticals and for hygiene, home and personal care items. Other Performance Products improve processes in the paper industry, oil and gas production, mining and water treatment. They can also enhance the efficiency of fuels and lubricants, the effectiveness of adhesives and coatings, and the stability of plastics.

Key data Performance Products (million €)

	2011	2010	Change in %
Sales	15,697	12,288	27.7
EBITDA	2,312	2,162	6.9
Income from operations before special items	1,727	1,554	11.1
Income from operations (EBIT)	1,361	1,345	1.2

Sales (%)

1	Dispersions & Pigments	22
2	Care Chemicals	33
3	Nutrition & Health	12
4	Paper Chemicals	10
5	Performance Chemicals	23



Functional Solutions → Page 63

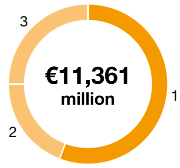
In the Functional Solutions segment, we bundle system solutions and innovative products for specific sectors and customers, in particular for the automotive, chemical and construction industries. Our portfolio comprises automotive and industrial catalysts, automotive and industrial coatings and concrete admixtures as well as construction systems such as tile adhesives and architectural coatings.

Key data Functional Solutions (million €)

	2011	2010	Change in %
Sales	11,361	9,703	17.1
EBITDA	921	861	7.0
Income from operations before special items	559	467	19.7
Income from operations (EBIT)	427	457	(6.6)

Sales (%)

1	Catalysts	56
2	Construction Chemicals	19
3	Coatings	25



Agricultural Solutions → Page 68

Our crop protection products guard against fungal diseases, insects and weeds and they increase quality and secure crop yields. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, healthier nutrition and for use as renewable raw materials.

Research and development expenses, sales, earnings and all other data pertaining to BASF Plant Science are not included in the Agricultural Solutions segment; they are reported in Other.

Key data Agricultural Solutions (million €)

	2011	2010	Change in %
Sales	4,165	4,033	3.3
EBITDA	981	938	4.6
Income from operations before special items	810	749	8.1
Income from operations (EBIT)	808	749	7.9

Sales (%)

1	Crop Protection	100

Oil & Gas → Page 73

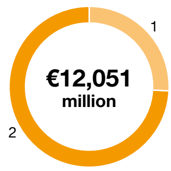
As the largest German producer of oil and gas, we focus our exploration and production on oil- and gas-rich regions in Europe, North Africa, South America, Russia and the Caspian Sea region. Together with our Russian partner Gazprom, we are active in the transport, storage and trading of natural gas in Europe.

Key data Oil & Gas (million €)

	2011	2010	Change in %
Sales	12,051	10,791	11.7
EBITDA	2,616	2,977	(12.1)
Income from operations before special items	2,111	2,430	(13.1)
Income from operations (EBIT)	2,111	2,334	(9.6)
Net income	1,064	923	15.3

Sales (%)

1	Exploration & Production	26
2	Natural Gas Trading	74



Selected prizes and awards

World's Most Admired Companies 2011

BASF honored as the most admired company in the chemical industry

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.

Dow Jones Sustainability World Index

BASF shares listed in the most important sustainability index for past eleven years

BASF shares were again included in the Dow Jones Sustainability 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 and Carbon Performance Leadership Index

In 2011, BASF again achieved the top ranking in the Materials & Energy sector in the Carbon Disclosure Leadership Index. BASF was also once again included in the Carbon Performance Leadership Index, which assesses companies' performance in managing climate change.

China Green Companies Top 100

BASF honored for its efforts

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.

German Diversity Prize & DiversityInc 25 Noteworthy Companies

BASF honored for commitment to diversity

BASF was honored in 2011 with the German Diversity Award as "Germany's Most Diverse Employer" in the category large-scale enterprise. The prize is awarded by Henkel, the business consultancy McKinsey and the German business magazine Wirtschaftswoche. It honors employers, individuals and innovative projects that are committed to establishing a diverse working culture. We have also gained international recognition for our diversity activities: BASF was included in DiversityInc's 2011 ranking of "25 Noteworthy Companies for Diversity."

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→ **More information on the production process, selection of paper and printing of this report can be found at basf.com/report_production**

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Forward-looking statements

This report contains forward-looking statements. These statements are based on current estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in the Opportunities and Risks Report from page 104 to 112. We do not assume any obligation to update the forward-looking statements contained in this report.

Annual Shareholders' Meeting 2012 / Interim Report 1st Quarter 2012

April 27, 2012

Interim Report 1st Half 2012

July 26, 2012

Interim Report 3rd Quarter 2012

Oct. 25, 2012

Full Year Results 2012

Feb. 26, 2013

Annual Shareholders' Meeting 2013 / Interim Report 1st Quarter 2013

April 26, 2013

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

BASF supports the chemical industry's global initiative Responsible Care.

Report 2011

Further information

You can find this and other publications from BASF on the internet at www.basf.com

You can also order the reports:

– by telephone: +49 621 60-99001
– on the internet: basf.com/mediaorders

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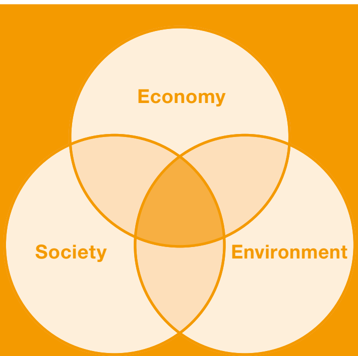
BASF The Chemical Company

BASF is the world's leading chemical company: The Chemical Company. Its portfolio ranges from chemicals, plastics, performance products and crop protection products to oil and gas.

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. Our products and system solutions contribute to conserving resources, ensuring healthy food and nutrition and helping to improve quality of life.

We have summed up this contribution in our corporate purpose:
We create chemistry for a sustainable future.



Report 2011

This integrated report documents BASF's economic, environmental and social performance in 2011. Using specific examples, we illustrate how sustainability contributes to BASF's success and how we as a company create value for employees, business partners, shareholders, neighbors and the public.

sticky loves wet

We encounter innovations in chemistry every day – even where we don't expect to. They improve our quality of life. ACRESIN® is a smart chemical that stays sticky in wet conditions – it doesn't matter if you are at the beach, in the swimming pool or in the shower. We are always improving our existing product portfolio. In 2011, around 1,050 newly registered patents attested to this power of innovation.

→ **For more on innovation, see page 16 onward and page 28 onward**

kids love chemistry

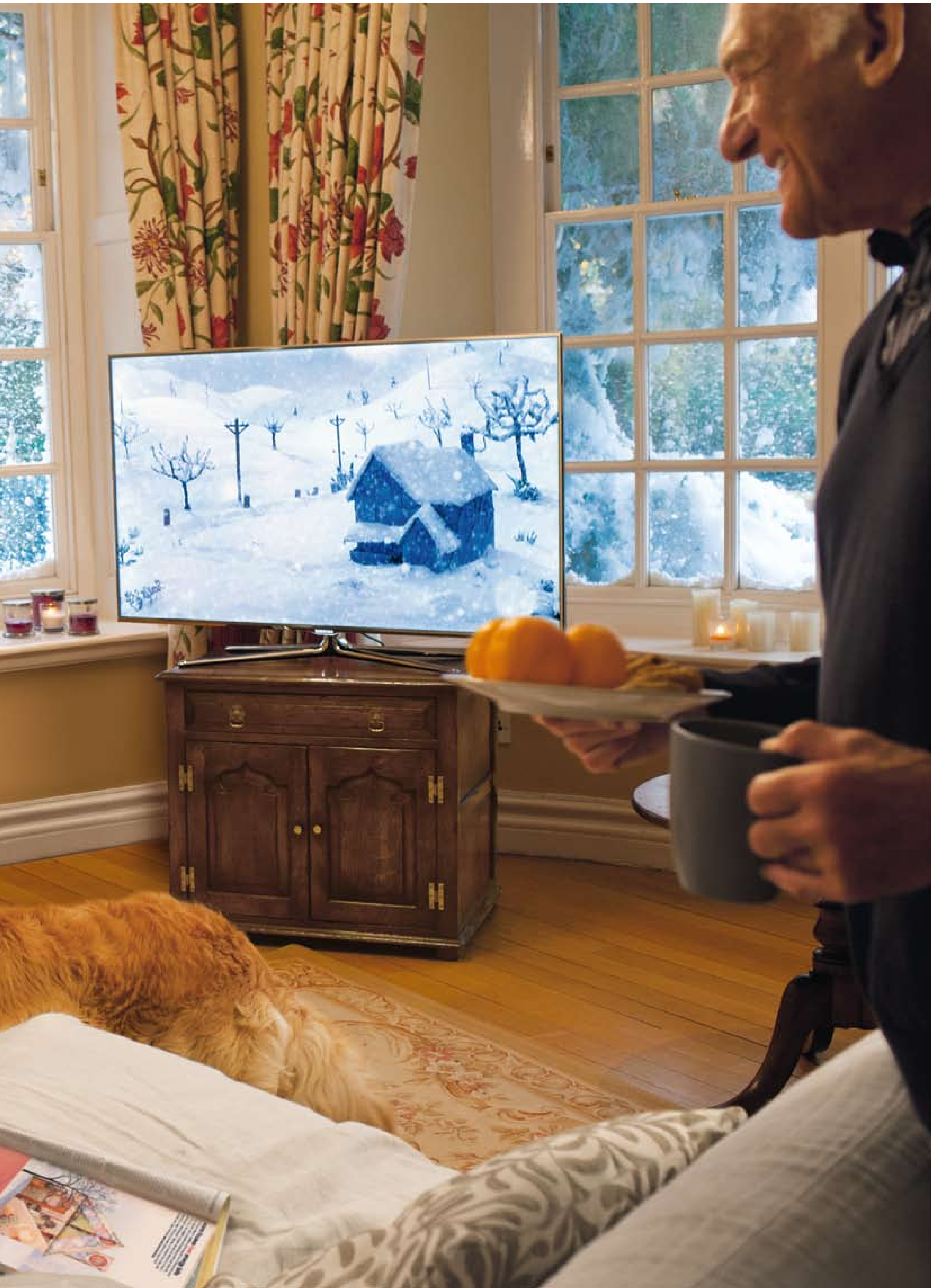
In our society, education is a key resource around the world for economic and social progress. BASF is committed to introducing the next generation to the world of chemistry. In 2011, the International Year of Chemistry, 54,813 young people in 33 countries conducted experiments in BASF's Kids' Labs and Teens' Labs, exploring the scientific phenomena of everyday life.

→ **For more on vocational training and career development, see page 84 onward; for more on education projects, see page 89**

warm houses love energy bills

We at BASF have made it our business to develop sustainable solutions for the construction industry. We offer our customers solutions that help them to build energy-saving, long-lasting structures. BASF's materials and construction solutions are more effective than conventional insulation systems, which saves money in the long term. With products like Neopor® and Elastopor®, houses stay warmer in the winter and waste less energy.

→ For more on climate protection, see page 95 onward



ecology loves economy

With resources becoming scarcer and greenhouse gas emissions increasing, we need a fundamental change in how we approach mobility. Whether subway, automobile or airplane – sustainable transportation solutions are in demand. BASF has recognized this potential and offers, for example, numerous innovations as a development partner for the automotive industry. Whether in the form of advanced plastics for lightweight design, modern emissions control catalysts, materials for safe high-performance batteries in electric cars or innovative concepts for temperature management, BASF makes an essential contribution to the energy efficiency of tomorrow.

→ **For more on mobility, see page 28 onward and page 50 onward**


Alex

BASF Report 2011
Contents

www.basf.com/report
BASF Report 2011 online

This report is also available in HTML format and as a PDF download on our website. Interactive tools enable individual compilation of texts, tables and diagrams, and quick selection according to subject. The direct link to the previous year's report makes it easier to compare statements. Examples from this report demonstrate how we create value – for BASF and for society.

Corporate Governance

Consolidated Financial Statements

Supplementary information on oil and gas producing activities

Overviews

Topics at a glance

About this report

Content and structure

The BASF Report combines our financial and sustainability reporting and is addressed to readers interested in both areas.

In addition to our integrated corporate report, we publish further information about sustainability issues on the internet. Links to this supplementary information are provided in each chapter.

The information in the BASF Report 2011 also serves as a progress report on BASF's implementation of the ten principles of the U.N. Global Compact and takes into consideration the Blueprint for Corporate Sustainability Leadership – an action plan initiated as part of the Global Compact LEAD platform. The symbol indicates information that is relevant to the ten principles and the Blueprint for Corporate Sustainability Leadership. If the symbol appears at the end of a chapter, the entire content of the chapter is relevant. The Global Compact Index on page 225 provides an overview of the topics. In addition to the traditional table of contents, "Topics at a glance" provides an overview of key topics such as business development, global challenges, innovations and other topics of central importance for our business.

→ **The 2011 online report can be found at basf.com/report**

→ **For more on sustainability, see basf.com/sustainability**

→ **For more on the implementation of the Global Compact principles and the Blueprint for Corporate Sustainability Leadership, see basf.com/globalcompact_e**

→ **For more on the Global Compact, Global Compact LEAD and Blueprint for Corporate Sustainability Leadership, see www.globalcompact.org and basf.com/gclead_e**

→ **For information on topic selection and data collection, see page 224**

External audit and evaluation

Our reporting is audited by a third party. KPMG AG Wirtschaftsprüfungsgesellschaft has audited the BASF Group Consolidated Financial Statements and the Management's Analysis and has approved them free of qualification. The audit of the Consolidated Financial Statements including the Notes is based on the audited financial statements of the BASF Group companies.

The audit covers financial information as well as statements and figures pertaining to sustainability, and was conducted in accordance with the relevant International Standard of Assurance Engagements 3000, a standard for sustainability reporting. The additional content provided on the BASF internet sites indicated in this report is not part of the information audited by KPMG.

Our sustainability reporting has been oriented toward the Global Reporting Initiative (GRI) framework since 2003. For the BASF Report 2011, the GRI confirmed that the BASF Group's sustainability reporting fulfills the expanded GRI guideline 3.1 with the highest application level, A+.

→ **The Auditor's report can be found on page 141**

→ **The Assurance Report on sustainability information in the BASF Report 2011 can be found at basf.com/sustainability_information**

→ **The GRI Application Level Check Statement can be found on page 226**

The Global Compact — We Support

Global Compact LEAD Participant

Global Reporting Initiative™ Organizational Stakeholder 2011

Overview

– BASF Report 2011 integrates our financial and sustainability reporting
– HTML version of the report online contains additional information and service features
– Further information on sustainability issues on the internet
– Report serves as a progress report for the U.N. Global Compact

– Financial information as well as figures and statements pertaining to sustainability in the Consolidated Financial Statements and Management's Analysis audited by KPMG AG Wirtschaftsprüfungsgesellschaft
– Audit also in accordance with assurance standards for sustainability reporting
– Level A+ in sustainability reporting confirmed by Global Reporting Initiative

To our shareholders

Letter from the Chairman of the Board of Executive Directors

Dear Shareholder,

One year ago, we predicted moderate global economic growth and considerably higher volatility for 2011. This was the case: Global gross domestic product grew by 2.7% in 2011, compared with 3.9% in 2010, and growth in worldwide chemical production (excluding pharmaceuticals) slowed from 9.3% to 4.8%. Our business was particularly affected by events that were not foreseeable one year ago: The natural disaster in Japan left the world shaken, and Germany saw a shift in its energy policy. In Libya, we had to suspend our crude oil production from February to October 2011. After the economic growth spurt of the first half of the year, the national debt crisis in Europe contributed to a considerable slowdown in the second half.

Nevertheless, we significantly surpassed the record levels of 2010 in sales and earnings, and again earned a high premium on our cost of capital. The BASF team once again showed what it is made of. For that, I would like to express my heartfelt gratitude to all employees.

We successfully implemented a whole range of important projects in 2011. We started up the first leg of the Nord Stream pipeline and began operations following the second expansion phase of our Verbund site in Nanjing. Cognis was successfully integrated into BASF. We continue to optimize our portfolio – with the inclusion of our styrenics business in the Styrolution joint venture, as well as with a contract for the sale of our fertilizer business. Most importantly, we continued to lay the foundation for future profitable growth by increasing expenditures for research and development by 7.6% to €1.6 billion.

“We will integrate sustainability more closely than ever into our business. And innovation is the key.”

Ambitious goals achieved

Despite significantly higher raw material prices, we were able to increase earnings because we continuously strive to lower costs and improve our productivity and internal processes. Our successfully concluded excellence program, NEXT, shows our commitment to operational excellence. We have now started the STEP program, which is also expected to contribute around €1 billion to earnings each year by the end of 2015. Together with important customers, we have begun further joint development projects. These demonstrate BASF’s power of innovation. One example is the smart forvision concept car developed by Daimler and BASF to make electric cars affordable, environmentally friendly and safe.

In 2011, we paid a new record dividend of €2.20 to you, our shareholders. At the Annual Shareholders’ Meeting at the end of April 2012, we will propose a dividend increase of 13.6% to €2.50, representing a dividend yield of 4.64%. This increase also attests to BASF’s financial strength, which has improved once again.

We expect overall global economic growth in 2012 to match the level of the previous year. High raw material costs and uncertainty in the financial markets hamper the outlook and make forecasts difficult. Positive impetus for the chemical industry will come from the emerging markets in particular. We aim to increase sales volumes and exceed the record levels of sales and income from operations that we posted in 2011. Crude oil production in Libya, which we have already resumed, as well as growing volumes in the chemicals businesses, will contribute to the rise in earnings.

Dividend

€2.50

(+13.6%)

We stand by our ambitious dividend policy and propose a dividend of €2.50 per share – an increase of 13.6% compared with the previous year.

Successful strategy updated

Margret Suckale and Michael Heinz joined the Board of Executive Directors in May 2011. The new Board team introduced the updated “We create chemistry” strategy at the end of November. It shows how we intend to take advantage of the long-term opportunities presented by our markets to continue to grow faster than chemical production and, above all, to increase our profitability even further. We have also set ourselves even more ambitious goals for environmental and climate protection. We are convinced that this course will take us in the right direction, even in a volatile environment. Our focus on long-term trends and our strengths will work to our advantage.

Rapid worldwide population growth demands new sustainable solutions. This opens up opportunities for the chemical industry, in particular – for example, in the areas of resources, environment and climate; food and nutrition; and quality of life. That is why we will integrate sustainability more closely than ever into our business. And innovation is the key. In the future, our innovative strength, our market knowledge and our customer relationships will need to be even more tightly interconnected. This is how we will add value as one company and take advantage of new growth opportunities – because no other chemical company has such a broad technology base and such comprehensive access to customer industries.

Our success depends on how we interact with each other, with our partners and with society. In this, we rely on the competence and dedication of each and every one of our employees. We have defined values to guide our actions: We are creative, open, responsible and entrepreneurial. Our values are integral in enabling us to fulfill our corporate purpose: We create chemistry for a sustainable future.

I look forward to pursuing this path with you and thank you for putting your trust in BASF.

Sincerely yours,

Dr. Kurt Bock

Chairman of the Board of Executive Directors of BASF SE

The Board of Executive Directors of BASF SE

Dr. Harald Schwager
51, with BASF for 24 years

- Oil & Gas
- Construction Chemicals
- Procurement
- Region Europe

Margret Suckale
Industrial Relations Director
55, with BASF for 3 years

- Human Resources
- Engineering & Maintenance
- Environment, Health & Safety
- Verbund Site Management Europe

Dr. Hans-Ulrich Engel
Chief Financial Officer
52, with BASF for 23 years

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

Michael Heinz
47, with BASF for 26 years

- Dispersion & Pigments
- Care Chemicals
- Nutrition & Health
- Paper Chemicals
- Performance Chemicals
- Advanced Materials & Systems Research

Dr. Kurt Bock
Chairman of the Board of Executive Directors
53, with BASF for 21 years

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

Dr. Martin Brudermüller
Vice Chairman of the Board of Executive Directors
50, with BASF for 24 years

- Performance Polymers
- Polyurethanes
- Market & Business Development Asia Pacific
- Regional Functions & Country Management Asia Pacific

Dr. Andreas Kreimeyer
Research Executive Director
56, with BASF for 26 years

- Inorganics
- Petrochemicals
- Intermediates
- Process Research & Chemical Engineering
- BASF Future Business

Dr. Stefan Marcinowski
58, with BASF for 33 years

- Crop Protection
- Coatings
- BASF Plant Science
- Biological & Effect Systems Research
- Region South America

BASF on the capital market

Dividend increase, good 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. The BASF share traded at €53.89 at the end of 2011, 9.7% below its closing price one year earlier.

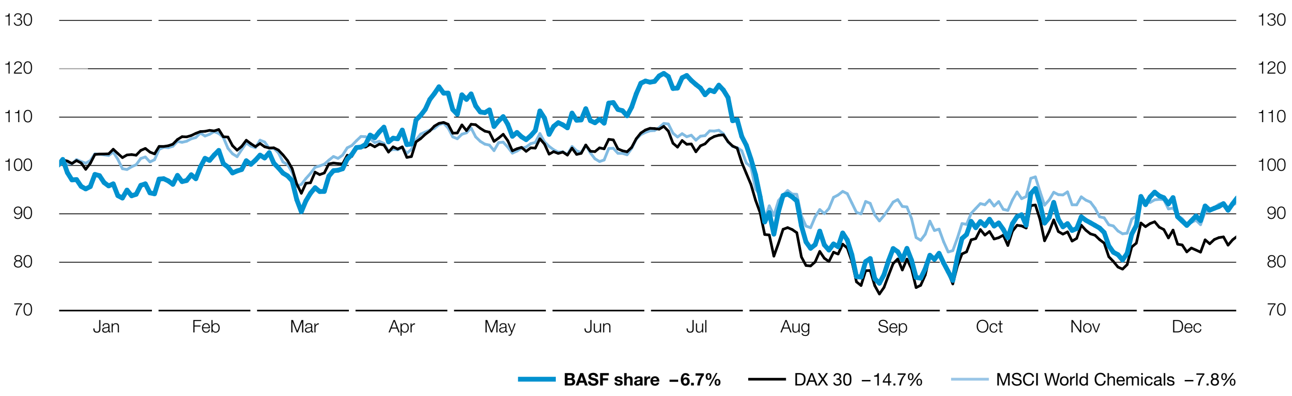
We stand by our ambitious dividend policy and will propose a dividend of €2.50 per share at the Annual Shareholders' Meeting – an increase of 13.6% compared with the previous year. BASF has solid financing and good credit ratings, especially compared with its competitors in the chemical industry.

BASF share 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. From the beginning of August, share prices worldwide declined sharply. This was a result of the further intensification of the national debt crises in Europe and the United States as well as the financial markets' lower growth expectations for the world economy in 2012. The BASF share was not able to escape this negative trend, and traded at €53.89 at the end of 2011, 9.7% below its closing price one year earlier. Assuming that dividends were reinvested, BASF shares lost 6.7% of their value in 2011. The BASF stock thus 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% of their value, 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%).

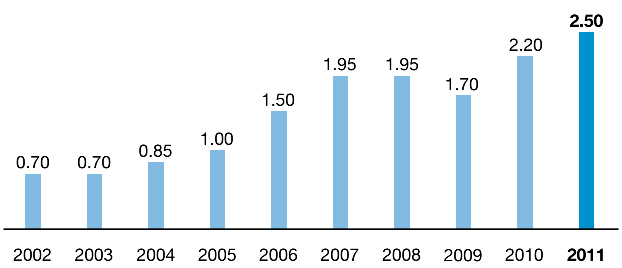
Change in value of an investment in BASF shares 2011
(with dividends reinvested, indexed)



BASF on the capital market

- Stock markets develop positively in first half of 2011, second half increasingly marked by uncertainty
- BASF share outperforms the most important benchmark and industry indices
- Proposed dividend of €2.50 per share; increase of 13.6% compared with previous year

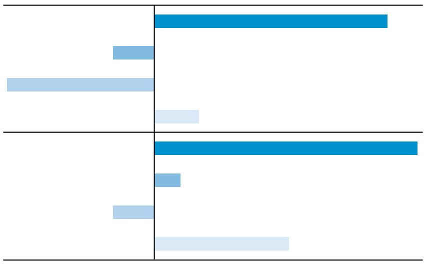
Dividend per share[1] (€ per share)



[1]Adjusted for two-for-one stock split conducted in the second quarter of 2008

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

2006–2011	12.5%
	(2.2%)
	(7.9%)
	2.4%
2001–2011	14.1%
	1.4%
	(2.2%)
	7.2%



BASF share DAX 30 EURO STOXX MSCI World Chemicals

Dividend of €2.50 per share

At the Annual Shareholders' Meeting, the Board of Executive Directors and the Supervisory Board will propose a dividend payment of €2.50 per share. We stand by our ambitious dividend policy and plan to pay out around €2.3 billion to our shareholders (based on the qualifying shares as of December 31, 2011). Based on the year-end share price for 2011, BASF shares offer a high dividend yield of 4.64%. BASF is part of the DivDAX share index, which contains the 15 companies with the highest dividend yield in the DAX 30. We continue to aim to increase our dividend each year, or at least maintain it at the previous year's level.

Broad base of international shareholders

With over 400,000 shareholders, BASF is one of the largest publicly owned companies with a high free float. An analysis of the shareholder structure carried out in December 2011 showed that, at nearly 15% of share capital, the United States and Canada made up the largest regional group of institutional investors. Institutional investors from Germany accounted for 11%. Shareholders from the United Kingdom and Ireland hold around 12% of BASF shares, while institutional investors from the rest of Europe hold a further 18% of capital. Approximately 27% of the company's share capital is held by private investors, most of whom are resident in Germany. BASF is therefore one of the DAX 30 companies with the largest percentage of private shareholders in Germany.

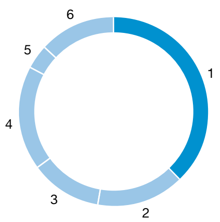
Employees becoming shareholders

In many countries, we offer share purchase programs to encourage our employees to become BASF shareholders. In 2011, more than 19,600 employees (2010: 18,900) purchased employee shares worth around €45 million (2010: €28 million).

→ **For more on employee share purchase programs, see page 86**

Shareholder structure (by region)

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



Percentage of BASF shares in important indices as of December 31, 2011

DAX 30	9.6%
DJ Chemicals	7.2%
MSCI World Index	0.3%

BASF in key sustainability indices

For the eleventh year in succession, BASF has been 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 as well as our risk and crisis management. The DJSI World represents the top 10% of the largest 2,500 companies in the Dow Jones Global Index based on economic, environmental and social criteria.

Furthermore, the international investor group Carbon Disclosure Project has again selected BASF for inclusion in the prestigious Carbon Disclosure Leadership Index (CDLI) and in the Carbon Performance Leadership Index (CPLI). The CDLI contains 52 companies that provide especially transparent and extensive information about their carbon footprint. The CPLI includes 29 companies based on their exemplary performance in terms of climate change – for example, with regard to their climate strategy, stakeholder communication and management system as well as their reduction of greenhouse gas emissions. The inclusion in both indices demonstrates that BASF is one of the world's leading companies when it comes to climate protection. The Carbon Disclosure Project represents 551 institutional investors, with around $71 trillion in assets under management.

→ **For more on the key sustainability indices, see basf.com/sustainabilityindices**

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 in comparison with competitors in the chemical industry.

At the end of 2011, the financial indebtedness of the BASF Group was around €13 billion with liquid funds of approximately €2 billion. The average maturity of our financial indebtedness was 3.1 years. The company's medium- to long-term debt financing is based on corporate bonds with a balanced maturity profile. For short-term debt financing, BASF has a commercial paper program with 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; these are not being used at this time.

→ **For more on financial indebtedness and maturities, see the Notes from page 186 onward**

Analysts' recommendations

Around thirty financial analysts regularly publish reports on BASF. At the end of 2011, 50% of these analysts had a buy rating for our shares (end of 2010: 73%) while 44% of analysts recommended holding our shares (end of 2010: 21%), and 6% had a sell rating (end of 2010: 6%). On December 31, 2011, the average target share price according to analyst consensus estimates was €60.43.

→ **Continuously updated consensus estimates on BASF are available online at basf.com/share**

BASF in sustainability indices

- Once again included in most important sustainability indices
- DJSI World: particular recognition for our product stewardship, environmental management and climate strategy as well as risk and crisis management
- CDLI and CPLI: inclusion in the important sustainability indices shows that BASF is one of the leading companies worldwide when it comes to climate protection

Solid financing

- Financial indebtedness of the BASF Group around €13 billion at year-end 2011; average maturity of 3.1 years
- Commercial paper program with an issuing volume of up to $12.5 billion
- Committed, unused back-up lines of €3 billion and $2.25 billion

Close dialog with the capital markets

Our corporate strategy aims to create long-term value. We support this strategy through regular and open communication with all capital market participants. To keep institutional investors and rating agencies informed, we host numerous one-on-one meetings and roadshows worldwide. We also hold information events to give private investors insight into BASF.

At an investor day in London at the end of November, we introduced our updated "We create chemistry" strategy and showed the opportunities that will open up for the chemical industry as a result of the challenges of the future, such as the growing world population. We want to take advantage of these opportunities in order to reach our ambitious growth targets.

→ **For more on our growth targets, see page 18**

To delve more deeply into certain topics, we also held roundtable talks in 2011. These talks were aimed at giving our investors in the world's important financial centers information about certain key areas of our business. At the Agricultural Solutions roundtable talk in New York in August, BASF management presented the strategic direction and growth opportunities of our crop protection business. Furthermore, we illustrated the progress and prospects of our plant biotechnology activities. In mid-November, our Oil & Gas roundtable in London gave investors and analysts a chance to gain in-depth insight into our oil and gas business; for example, we presented the growth strategy and 2015 goals for the Exploration & Production and Natural Gas Trading business sectors. It is very important to us that analysts and investors have direct contact with BASF management, as we feel that investors should get to know the people who lead our businesses.

We also held roadshows targeted specifically at investors who base their investment decisions on sustainability criteria, where we particularly explained our measures related to climate protection and energy efficiency. In addition, we conducted special creditor relations roadshows in 2011 for the first time, presenting our business and our financing strategy to credit analysts and creditors.

Our website provides investors with comprehensive information about BASF and BASF shares. In recognition of the growing importance of social media, we have expanded our communication activities through social media channels, such as Twitter and Facebook. Interested users can always find up-to-date information about BASF in Web 2.0.

Analysts and investors have confirmed the quality of our communication work – and have ranked BASF Investor Relations number one on many occasions. In the Thomson Extel Pan-European Survey 2011, BASF's Investor Relations team was once again honored as "Best IR Team in Europe" and "Best IR Team in the Chemicals Sector." At the IR Magazine Europe Awards 2011, BASF also won six top awards: Our Investor Relations team again picked up the Grand Prix for large publicly-listed companies in addition to first place in the chemicals sector and for investor relations in Germany. Furthermore, BASF was honored with the Investor Relations Award from the business magazine Capital for the fifth time in a row.

Dialog with the capital markets

- Global roadshows and one-on-one meetings provide information to institutional investors and ratings agencies
- Information events for private investors
- Roundtable talks and investor days provide in-depth information on certain topics
- Special creditor relations roadshows provide information to credit analysts and creditors
- Numerous awards for BASF Investor Relations

Investor Relations

can be contacted at
- Phone: +49 621 60-48230
- Email: ir@basf.com
- Internet: basf.com/share

The Investor Relations team's newsletter keeps you informed about current BASF topics and acts as a useful reminder for important BASF dates.
Subscribe at: basf.com/share/newsletter

Key BASF share data[1]

		2007	2008	2009	2010	2011
Year-end price	€	50.71	27.73	43.46	59.70	53.89
Year high	€	50.81	52.41	43.95	61.73	69.40
Year low	€	35.98	19.95	20.71	39.43	43.66
Year average	€	44.50	38.88	31.62	46.97	57.02
Daily trade in shares[2]						
	million €	298.3	282.1	157.4	197.5	265.7
	million shares	6.7	7.3	5.0	4.2	4.7
Number of shares December 31[3]	million shares	956.4	918.5	918.5	918.5	918.5
Market capitalization December 31	billion €	48.5	25.5	39.9	54.8	49.5
Earnings per share	€	4.16	3.13	1.54	4.96	6.74
Adjusted earnings per share[4]	€	–	3.85	3.01	5.73	6.26
Dividend per share	€	1.95	1.95	1.70	2.20	2.50
Dividend yield[5]	%	3.85	7.03	3.91	3.69	4.64
Payout ratio	%	45	62	111	44	37
Price-earnings ratio (P/E ratio)[5]		12.2	8.9	28.2	12.0	8.0

[1] All values adjusted for two-for-one stock split conducted in the second quarter of 2008
[2] Average, Xetra trading
[3] After deduction of shares earmarked for cancellation
[4] Calculated since 2008
[5] Based on year-end share price

Further information

Securities code numbers	
Germany	BASF11
Great Britain	0083142
Switzerland	323600
United States (CUSIP Number)	055262505
ISIN International Stock Identification Number	DE000BASF111

International ticker symbol	
Deutsche Börse	BAS
London Stock Exchange	BFA
Swiss Exchange	AN

Management's Analysis

2

Strategy and values

BASF aims to strengthen its position as the world's leading chemical company. We describe how we intend to achieve this in our "We create chemistry" strategy, which we presented in November 2011. This strategy builds on our success in recent years and defines ambitious goals for the future.

In 2050, around nine 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, and that 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 and climate
– Food and nutrition
– Quality of life

BASF's products and solutions will contribute to conserving resources, ensuring healthy food and nutrition, and improving quality of life. Sustainability and innovation will be significant driving forces.

Our purpose

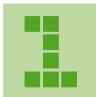
We create chemistry for a sustainable future

We combine economic success, social responsibility and environmental protection. Through science and innovation, we enable our customers 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 the company's employees expect BASF to integrate sustainability firmly into its day-to-day activities. That is why we will integrate sustainability much more closely into our business.

Our position as the leading chemical company opens up unique opportunities for us to contribute to a sustainable future. We act in accordance with four strategic principles.

Our 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

Updated strategy

– Our "We create chemistry" strategy builds on our success in recent years and defines ambitious goals for the future
– Innovations based on chemistry will play a key role in three areas in particular: resources, environment and climate; food and nutrition; and quality of life

Our purpose

– We create chemistry for a sustainable future

We add value as one company. Our Verbund system is unique in the industry. We plan to strengthen this sophisticated and profitable system even further. It extends from the Production Verbund and Technology Verbund to the Know-How Verbund, and provides access to all relevant customer industries worldwide. In this way, we combine our strengths and add value as one company.

We innovate to make our customers more successful. We want to focus our business even more strongly on our customers' needs and contribute to their success with innovative and sustainable solutions. In doing so, the focus of innovation is shifting from individual chemicals to customized products, functionalized materials and system solutions. Through close partnerships with customers and research institutes, we link expertise in chemistry, biology, physics, materials sciences and engineering to create new solutions.

We drive sustainable solutions. In the future, sustainability will increasingly become a starting point for new business opportunities. We therefore value sustainability and innovation as important drivers for profitable growth.

We form the best team. Committed and qualified employees around the world are the key to making our contribution to a sustainable future. That is why we will continue to pursue our goal of building the best team. We offer excellent working conditions and an open leadership culture that fosters mutual trust and respect and encourages high motivation.

Our values

In developing the "We create chemistry" strategy, we have also defined our values more precisely. These were discussed beforehand in workshops around the world with employees from different functions and levels within the organization. It is important that each and every member of the BASF team understands our corporate values and acts accordingly. This is because our values are an integral part of bringing our purpose as a company to life: "We create chemistry for a sustainable future." They guide how we interact with society, with our partners and with each other.

Creative

In order to find innovative and sustainable solutions, we have the courage to pursue bold ideas. We bring together our know-how in many different fields and build partnerships to develop creative, value-adding solutions. We also constantly work to improve our products, services and solutions.

Open

We value diversity – in people, opinions and experience. That is why we foster dialog based on honesty, respect and mutual trust. We continually explore our talents and capabilities.

Responsible

We act responsibly as an integral part of society, strictly adhering to our compliance standards. And we never compromise on safety.

Entrepreneurial

We all contribute to BASF's success, as individuals and as a team. BASF turns market needs into customer solutions. We succeed in this because we take ownership and embrace accountability for our work.

Our 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

Our values

– Creative
– Open
– Responsible
– Entrepreneurial

Ambitious growth and profitability targets

As part of developing our strategy, we have defined goals that we aim to meet by 2020. We forecast that worldwide chemical production will grow faster than global gross domestic product (GDP) through 2020. Based on 2010, we expect GDP to grow by an average of 3% per year, which would be slightly faster than in the past 10 years.

From baseline 2010, chemical production is estimated to grow on average by 4% per year. We continue to aim to grow two percentage points faster than global chemical production and thus increase sales by an average of 6% per year until 2020. We have set ourselves the ambitious goal of earning a premium on our cost of capital of at least €2.5 billion on average each year.

Based on the conditions listed above, we aim to increase sales to approximately €85 billion by 2015 and to approximately €115 billion by 2020. We expect all regions to contribute to this sales growth: Europe with €53 billion in sales in 2020, Asia Pacific with €29 billion, North America with €22 billion and South America, Africa, Middle East with €11 billion. We also want to increase profitability, as well, aiming for an EBITDA of about €15 billion in 2015 and around €23 billion in 2020. Our updated strategy also includes, for the first time, a goal for earnings per share: Our target is to increase earnings to approximately €7.50 per share by 2015.

A new strategic excellence program, STEP, serves to strengthen our competitiveness and profitability. By the end of 2015, STEP is expected to contribute around €1 billion to earnings each year. This program, which follows on from our successfully completed excellence program NEXT, 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.

Innovations for a sustainable future

Innovations will play an important part in enabling us to achieve our growth targets. In 2020, we aim to generate €30 billion of our sales and €7 billion of our EBITDA with innovative products that will have been on the market for less than 10 years. Innovations in the chemical industry are nowadays not just based on the development of new chemicals, but increasingly on new materials and system solutions. These are the result of the combination of expertise from a variety of disciplines. For us, innovations of this kind require a broad portfolio and interdisciplinary cooperation as well as a deep understanding of technology and our customers' value chains.

Based on the three key areas – resources, environment and climate; food and nutrition; quality of life – we have focused on seven primary customer industries in which we use our chemistry to contribute to solutions, and thus continue to grow profitably: transportation, construction, consumer goods, health and nutrition, electronics, agriculture, energy and resources. These industries result in new growth fields in which we can make a decisive contribution to innovative and sustainable solutions for global challenges. Examples of these growth fields include battery materials, plant biotechnology and water treatment.

→ **For more on innovation, see page 28**

Business expansion in emerging markets

BASF's sales to customers in emerging markets have almost tripled in the past 10 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 also make an important contribution to our growth. 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.

→ **For more on growth in emerging markets, see page 31 and page 82**

Growth targets

- At least two percentage points faster than chemical production
- Sales of approximately €85 billion in 2015
- Sales of approximately €115 billion in 2020
- All regions contribute to growth

Profitability targets

- Average premium on cost of capital of at least €2.5 billion on average each year
- EBITDA of approximately €15 billion in 2015
- Doubling EBITDA compared with 2010 to approximately €23 billion in 2020

Global standards

With our "We create chemistry" strategy, we have more precisely defined the values which guide our actions. Based on our value of acting responsibly as an integral part of society, our standards are aligned with internationally recognized principles and fulfill or exceed existing laws and regulations. We respect and promote

- the 10 principles of the U.N. Global Compact,
- the Universal Declaration of Human Rights and both United Nations covenants on human rights,
- the ILO's core labor standards and Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration),
- the OECD Guidelines for Multinational Enterprises,
- the Responsible Care Global Charter, and
- the German Corporate Governance Code.

Numerous international principles outlining responsible corporate actions were revised and adopted in 2011. We took an active part in various initiatives, such as the U.N. Guiding Principles, OECD Guidelines and ISO 26000 on social responsibility. BASF welcomes such efforts to create generally recognized principles. We will continue our constructive contribution to the international discussion and align our internal guidelines and processes accordingly.

We stipulate rules for our employees with standards that apply Group-wide. We set ourselves ambitious goals for observing voluntary commitments and review our environmental, health and safety performance using our Responsible Care Management System. A three-pronged monitoring system ensures our compliance with labor and social standards. Our business partners are expected to align their actions with internationally recognized principles, and we have established management systems to monitor this.

→ **For more on environmental, health and safety management as well as audits, see page 90 onward**
→ **For more on our monitoring system for labor and social standards, see page 25 and page 90 onward**

Code of Conduct and compliance

For us, compliance means the duty to comply with laws and internal corporate directives. This takes place within the framework of our corporate governance system, which encompasses the management and monitoring of the company. The system includes organization, corporate principles and guidelines as well as internal and external control and monitoring mechanisms. Our value "We strictly adhere to our compliance standards" ensures that this standard is a mandatory part of everyday operations for all employees. Observance of this value is a component in our senior executives' target agreements.

Based on our worldwide standards, our Group companies have created Codes of Conduct for the regions, taking into account local laws and rules. These Codes are binding for all employees in the respective countries; they are explained and incorporated into daily business operations. Mandatory compliance training for all employees is an important prerequisite for successful implementation of the Codes of Conduct. Moreover, employees have a number of potential contacts in addition to their supervisors if they want to discuss questions or seek advice and help: our legal and human resources departments, compliance officers and our external compliance hotlines.

→ **For more on compliance, see page 123**

Global standards

- We act according to clearly defined values and standards of conduct that fulfill or go beyond laws and regulations
- We review our performance with monitoring systems and regular audits
- We support the chemical industry's global Responsible Care initiative

Code of Conduct and compliance

- Binding standards of conduct ensure that our values are firmly established in day-to-day business activities
- Mandatory compliance training for all employees
- External compliance hotlines offer advice and assistance to employees around the world

Our goals

Economic goals[1]

	Annual Goals	2015 Goals	2020 Goals	Status at year-end 2011
Growth		Sales of approx. €85 billion	Sales of approx. €115 billion	Sales of €73.5 billion
Profitability	We earn a premium on our cost of capital of at least €2.5 billion on average per year			We earned a premium of €2.6 billion on our cost of capital
		EBITDA of approx. €15 billion	Doubling EBITDA compared with 2010 to approx. €23 billion	EBITDA of €12 billion
		Earnings per share of around €7.50		Earnings per share of €6.74

[1] Our goals are based on the assumptions that we will continue to grow two percentage points faster than global chemical production annually and that global gross domestic product will grow by an average of 3% every year until 2020 and worldwide chemical production by 4% every year.

Environment, safety and product stewardship

	2020 Goals	Status at year-end 2011	More on
Energy and climate protection			
Emissions of greenhouse gases per metric ton of sales product[2] (baseline 2002)	–40%	–34.6%	**page 95**
Improvement of energy efficiency in production processes[2] (baseline 2002)	+35%	+26.2%	**page 98**
Stop the flaring of associated gas that is released during crude oil production by Wintershall (2012 Goal)	100%	>95%	**page 95**
Reduction in emissions from BASF operations (excluding Oil & Gas)			
Emissions of air pollutants[2] (baseline 2002)	–70%	–60.5%	**page 93**
Emissions to water[3] of organic substances (baseline 2002)	–80%	–73.5%	**page 100**
Abstraction of drinking water for production (baseline 2010)	–50%	–20.9%	**page 100**
Introduction of sustainable water management at production sites in water stress areas	100%	2.0%	**page 100**
Transportation safety			
Transportation accidents (baseline 2003)	–70%	–67.9%	**page 93**
Product stewardship			
Risk assessment for all products sold worldwide by BASF in quantities of more than one metric ton per year	>99%	29.5%	**page 102**

[2] Excluding oil and gas production
[3] Assuming comparable product portfolio

EBITDA 2011

(2020 Goal: approximately €23 billion)

€12 billion

Energy efficiency

Improvement in energy efficiency in production processes, baseline 2002 (2020 Goal: +35%)

+26%

Employees and society

	2020 Goals	Status at year-end 2011	More on
Occupational safety			
Lost time injury rate per million working hours (baseline 2002)	–80%	–42.0%	**page 88**
Health protection			
Health Performance Index (annual goal)	>0.9	0.86	**page 88**

Executives	**Long-term Goals**	**Status at year-end 2011**	**More on**
International proportion of senior executives	Increase in the proportion of non-German senior executives (baseline 2003: 30%)	33.0%	**page 84**
Senior executives with international experience	Proportion of senior executives with international experience over 70%	79.7%	**page 84**
Women in executive positions	Increase in the proportion of female executives worldwide	16.2%	**page 84**
Employees	**Long-term Goal**		
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	**page 85**

Occupational safety

Lost time injury rate per million working hours, baseline 2002 (2020 Goal: –80%)

–42%

Executives

International proportion of non-German senior executives, baseline 2003 (Goal: >30%)

33%

Markets, structures and organization

The world's leading chemical company – The Chemical Company

We are the world's leading chemical company: The Chemical Company. Around 111,000 employees work in the BASF Group, helping our customers from nearly all sectors and almost every country in the world to be more successful. Our broad portfolio is arranged into six segments: Chemicals, Plastics, Performance Products, Functional Solutions, Agricultural Solutions and Oil & Gas.

Markets and sites

BASF has subsidiaries in more than eighty countries and supplies products to a large number of business partners in nearly every part of the world. In 2011, we achieved 53% of our sales with customers in Europe, of which 30 percentage points were in the Oil & Gas segment. In addition, 19% of sales were generated in North America; 20% in Asia Pacific; and 8% in South America, Africa, Middle East.

We operate six Verbund sites as well as approximately 370 additional production sites worldwide. Our Verbund site in Ludwigshafen is the largest integrated chemical complex in the world. This was where the Verbund concept was developed and continuously optimized before it was applied to other sites around the world.

The Production Verbund, for example, intelligently links production units and energy demands so that heat from production processes can be used as energy in other plants, saving both primary resources and costs. Another important part of the Verbund concept is the Know-How Verbund. Expert knowledge is pooled in our technology platforms.

→ For more on the Verbund concept, see basf.com/verbund_e

Organization of the BASF Group

BASF's six business segments contain 15 divisions which bear the operational responsibility and manage our 70 global and regional business units. The divisions develop strategies for our 76 strategic business units and are organized according to sectors or products.

The regional divisions contribute to the local development of our business and help to exploit market potential. They are also responsible for optimizing the infrastructure for our business. For financial reporting purposes, our divisions are grouped into the following four regions: Europe; North America; Asia Pacific; and South America, Africa, Middle East.

Three central divisions, five corporate departments and ten competence centers provide Group-wide services such as finance, investor relations, communications, human resources, research, engineering and site management.

Structure of BASF

Segments					
Chemicals	**Plastics**	**Performance Products**	**Functional Solutions**	**Agricultural Solutions**	**Oil & Gas**
Divisions					
– Inorganics – Petrochemicals – Intermediates	– Performance Polymers – Polyurethanes	– Dispersions & Pigments – Care Chemicals – Nutrition & Health – Paper Chemicals – Performance Chemicals	– Catalysts – Construction Chemicals – Coatings	– Crop Protection	– Oil & Gas (Exploration & Production, Natural Gas Trading)

The BASF Group

- Six Verbund sites and around 370 other production sites worldwide; approximately 111,000 employees
- Ludwigshafen is the largest BASF Verbund site and where the Verbund concept was created
- Verbund: intelligent plant networking in the Production Verbund; Know-How and Research Verbund

Organization of the BASF Group

- Six segments contain 15 divisions that manage our global and regional business units
- Regional divisions optimize the infrastructure and support operations
- Corporate divisions and departments as well as competence centers provide Group-wide services

Corporate legal structure

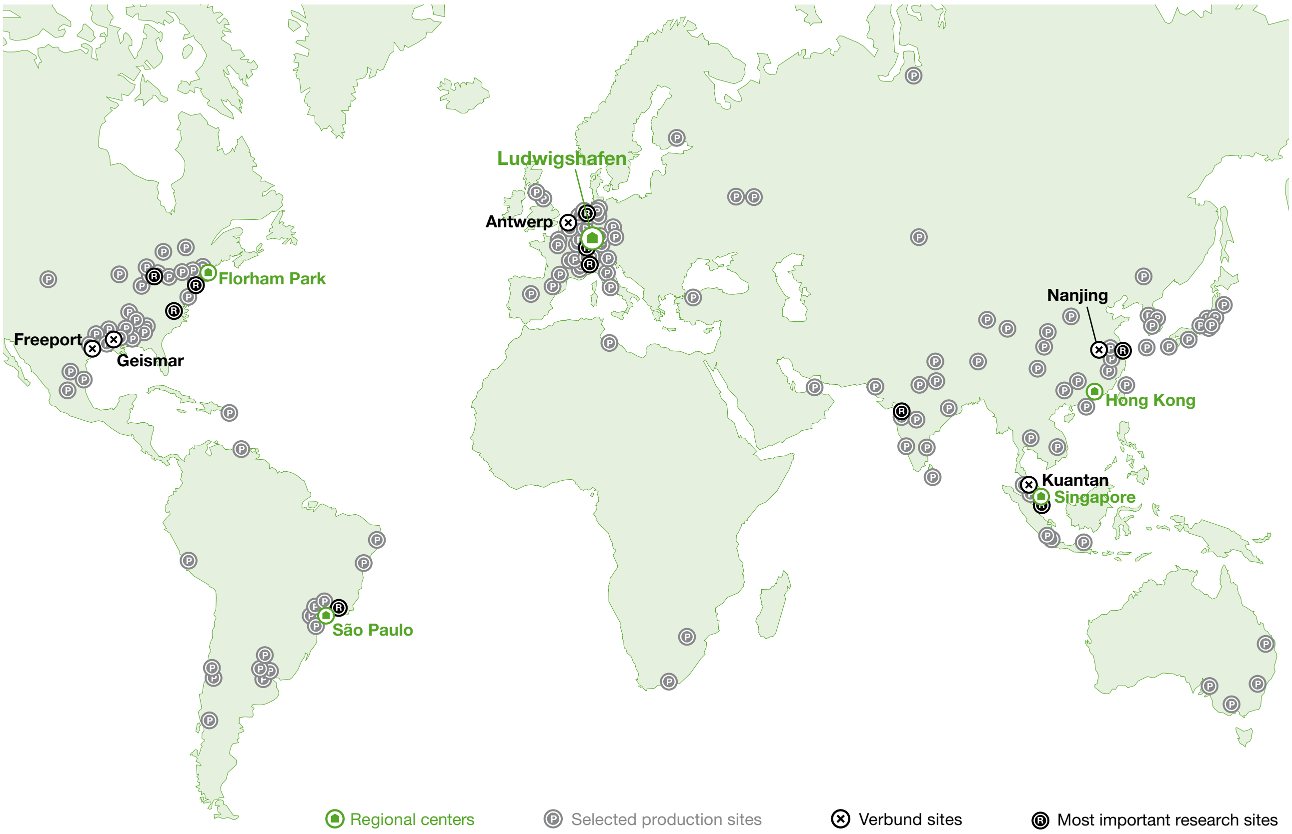
As the publicly-traded parent company of the BASF Group, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also its largest operating company. The majority of Group companies cover a broad spectrum of our business. Some concentrate on specific business areas: the Wintershall Group companies, for example, focus on oil and gas activities. In the BASF Group Consolidated Financial Statements, 292 companies including BASF SE are fully consolidated. We consolidate 24 jointly controlled entities with one or more partners on a proportional basis. We also include 13 companies using the equity method.

→ **For more, see the Notes to the Consolidated Financial Statements from page 156 onward**

Compensation report and disclosures in accordance with section 315 (4) German Commercial Code

→ **The compensation report can be found from page 129 onward, and the disclosures required by takeover law in accordance with section 315 (4) German Commercial Code from page 124 onward. They form part of the Management's Analysis audited by the external auditor.**

BASF sites



Corporate legal structure

– BASF SE is the publicly-traded parent company of the BASF Group
– 292 companies fully consolidated in the Consolidated Financial Statements
– 24 joint ventures included on a proportional basis
– 13 additional companies included using the equity method

Most important research sites

– Europe: Ludwigshafen, Basel, Düsseldorf
– North America: Raleigh, Iselin, Wyandotte
– Asia Pacific: Shanghai, Singapore, Mumbai
– South America: Guaratinguetá

Value-based management

We add value as one company

"We add value as one company" is one of the four principles of our "We create chemistry" strategy. To create value in the long term, a company's earnings must exceed the costs of equity and debt capital. This is why we strive to earn a premium on our cost of capital of at least €2.5 billion on average per year. To secure BASF's long-term success, we encourage all employees to think and act entrepreneurially within the framework of our value-based management concept. Our goal: to create awareness about how every employee can find value-oriented solutions and implement these in an efficient and effective manner in day-to-day business.

EBIT after cost of capital

Earnings before interest and taxes (EBIT) after cost of capital is the key performance and management indicator for our operating divisions and business units. This figure takes into account that BASF's shareholders and creditors expect a return on the capital they provide. The BASF Group creates added value only when EBIT covers at least the cost of capital.

Calculation of the cost of capital percentage

The cost of capital percentage depends primarily on three factors:

– the capital structure of the BASF Group,
– the level of interest rates on debt, and
– the return expected by shareholders.

Borrowing costs comprise interest payments for bank loans and liabilities to the capital markets. The cost of equity corresponds to the returns expected by providers of equity. This is determined by the market value of BASF shares and with the help of the Capital Asset Pricing Model (CAPM).

An EBIT threshold is determined based on the cost of capital and income taxes. Together, the BASF Group's operating units need to reach this threshold in order to earn the cost of capital. The cost of capital percentage is the relationship between this minimum EBIT level and the assets of the BASF Group's operating units. In 2011, the cost of capital percentage was 11%; in 2012, it will be at the same level.

Value-based management throughout the company

Value-based management is only successful if it is firmly rooted in the company. For us, value-based management is the daily value-oriented performance of all our employees. We have identified value drivers that show how each individual business unit can create value. We develop key figures for the individual value drivers that help us to plan and pursue changes.

An important factor in ensuring the successful implementation of value-based management is linking the goals of BASF to the individual target agreements of employees. In the operating units, achievement of positive EBIT after cost of capital is the most important performance indicator. In contrast, the value contribution of the functional units is evaluated on the basis of effectiveness and efficiency.

According to our value-based management concept, all employees can make a contribution in their business to help ensure that we earn the targeted premium on our cost of capital. Around the world, we raise awareness of this topic among our team through numerous training programs, thereby promoting more entrepreneurial thinking at all levels within BASF.

EBIT after cost of capital (million €)
Five-year summary[1]

2011	**2,551**
2010	3,500
2009	(226)
2008	1,621
2007	2,895

[1] Since January 1, 2008, Group corporate costs are no longer allocated to the segments, but rather reported under Other. The previous years' figures were not adjusted.

Calculation of EBIT after cost of capital (million €)

	2011	2010
EBIT BASF Group	8,586	7,761
less EBIT for activities not assigned to the segments[1]	178	(707)
less non-compensable foreign income taxes for oil production	439	983
less cost of capital[2]	5,418	3,985
EBIT after cost of capital	2,551	3,500

[1] The projected net expense is already provided for by an increase in the cost of capital percentage.

[2] In 2010, the cost of capital percentage was 9%; in 2011, it was 11%.

Sustainability management

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.

Strategy

We define sustainability as the balance between economic success, social responsibility and environmental protection. Our sustainability management has three strategic responsibilities: Minimizing risks, taking advantage of business opportunities and establishing strong relationships with our internal and external stakeholders. We minimize risks by identifying relevant issues early on and through operational excellence in our business processes. We take advantage of business opportunities by helping our customers offer innovative and sustainable solutions. We engage in ongoing open dialog with our stakeholders from, for example, business, society and politics.

Minimizing risks

We set ourselves globally consistent standards. We use various systems to monitor whether and how our sites adhere to these standards for environment, safety and product stewardship. Furthermore, we check to make sure they fulfill commitments to labor and social standards as well as compliance. We conduct internal audits on process safety, occupational health and safety, and environmental protection. We review labor and social standards based on a three-part monitoring system. This includes an external compliance hotline, a survey in our Group companies and dialog with employee representatives and global organizations. In addition to economic criteria, our suppliers are selected on the basis of environmental protection, labor and social standards.

→ **For more on standards, on the implementation of requirements related to environment, health, safety and security, and on internal audits, see page 88 and page 90 onward**

→ **For more on compliance, see page 123; for more on our monitoring system for labor and social standards, see basf.com/audits_e**

→ **For more on supply chain management, see page 92**

Stakeholder engagement

We foster an ongoing exchange with our stakeholders. These include employees, customers, suppliers and shareholders, as well as experts in science, industry, politics, society and media. We have a particular responsibility toward our production sites' neighbors, and discuss current issues with them in 85 Community Advisory Panels (CAPs). In 2011, for example, we provided extensive information to the residents of Chongqing, China, about our plans to construct a production facility for diphenylmethane diisocyanate (MDI) and offered them a platform for questions and discussion.

We provide transparent communication about our activities and take on critical questions. Social media is one way in which we are expanding our direct dialog with our stakeholders. An open exchange with consumers, non-governmental organizations, policy makers and the public is very important for the successful introduction of products based on new technologies. For example, we have been involved in international dialogs on nanotechnology since 2004. In 2011, we expanded the number of participants in our Dialog Forum Nano, founded in 2008. In addition to representatives of environmental, consumer and religious groups, we also invited representatives of consumer-oriented businesses.

BASF is actively involved in local Global Compact networks. We have had a representative in the Global Reporting Initiative Stakeholder Council since the beginning of 2012.

→ **For more on the stakeholder dialog, see basf.com/dialog_e**

Business opportunities with sustainability

Our innovative strength and expertise support our customers in developing sustainable products and processes. We measure their satisfaction with our Non Conformance Management system, which centrally records any difficulties customers experience with processes or products. This analysis allows us to learn from mistakes, decrease costs and continually improve our performance.

Strategy

- Sustainability management supports our corporate purpose: "We create chemistry for a sustainable future"
- Strategic responsibilities: minimizing risks, taking advantage of business opportunities and establishing strong relationships with stakeholders

Stakeholder engagement

- BASF fosters ongoing exchange with its stakeholders
- Participants in Dialog Forum Nano expanded to include consumer-oriented businesses
- Engagement in local Global Compact networks

Our business units investigate how they can support customers and suppliers in terms of sustainability. For example, in our S.E.T. (Sustainability, Eco-efficiency, Traceability) initiative, we help food and feed producers to improve the sustainability of their products and processes along the value-adding chain. In 2011, we supported our customers in optimizing the compound feed for farmed salmon. We also help our customers in emerging markets to reduce their greenhouse gas emissions in accordance with the U.N.'s Clean Development Mechanism projects. For this, we offer catalysts that decompose nitrous oxide as well as advice on project implementation.

Since 1996, we have used our Eco-Efficiency Analysis to identify critical parameters for improving the environmental and economic aspects of products and processes – from raw material extraction to disposal. We are also contributing our expertise to the drafting of the international norm ISO 14045, which outlines systems for eco-efficiency analysis. In addition, we use our Socio-Eco-Efficiency Analysis, SEEBALANCE®, to consider social impacts. We used the experience gained from these activities to develop AgBalance®. AgBalance makes it possible to measure and analyze the sustainability of agricultural production along the entire value-adding chain. BASF worked closely with stakeholders in the farming sector, such as interest groups and non-government organizations, in the development of AgBalance.

→ **For more on Eco-Efficiency Analysis and SEEBALANCE, see basf.com/eco-efficiency**

→ **For more on AgBalance, see basf.com/agbalance_e and page 103**

Identifying and assessing important issues

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. These include energy and climate, water, product stewardship, renewable resources, biodiversity and human capital development as well as human and labor rights.

We have already reached our goals for climate protection and energy efficiency ahead of schedule, along with two of our goals for water management, and in 2011 we defined new global targets for these issues. We are advancing our ambitious goals in product stewardship. Based on the materiality analysis and issues identified, our sustainability management is continuously evolving.

→ **For more on materiality analysis, see basf.com/materiality**

→ **For more on renewable resources, see basf.com/resource_conservation**

→ **For more on climate protection, see page 95 onward; for more on water, see page 100 onward; for more on product stewardship, see page 102 onward**

→ **For more on biodiversity, see basf.com/biodiversity and page 103**

Organization

Our globally responsible 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. The Chairwoman of the Council is Board member Margret Suckale. The Council comprises ten heads of functional, operating and regional divisions, including the Climate Protection Officer. 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. The Sustainability Center coordinates the implementation of the sustainability strategy in all core processes, liaising between the Sustainability Council, regional steering committees and specialist units.

→ **For more on the Sustainability Council, see basf.com/sustainability**

Business opportunities with sustainability

– Eco-Efficiency Analysis and SEEBALANCE as strategic tools for evaluating the sustainability of products and processes
– Development of AgBalance, instrument for measuring and evaluating the sustainability of agricultural production

Identifying and assessing important issues

– Sustainability issues identified based on stakeholder survey within the scope of materiality analysis
– Energy and climate, water, product stewardship, renewable resources, biodiversity, human capital development and human and labor rights prioritized as material issues

Value added statement

Our value added statement shows the BASF Group's contribution to both private and public income, and how our economic activities provide value to society.

Value added results from the company's business performance minus goods and services purchased as well as depreciation and amortization. In contrast to the income statement, which is based on the perspective of the owners, the distribution statement takes into account all the stakeholders in this value-adding process: employees, the state, other companies, lenders and shareholders.

BASF Group's value added amounted to €18,652 million in 2011. This was an increase of 12% compared with the previous year (2010: €16,658 million). The rise was primarily attributable to the increase in the business performance. The greatest share of value added was distributed to our employees, who received €8,576 million in the form of wages, salaries and social benefits. In addition, a significant share of value added was distributed to the state as taxes. This amounted to €2,711 million compared with €2,583 million in the previous year.

In 2011, BASF spent a total of €48.7 million on donations, sponsorship and funding for our own projects (2010: €49.8 million). This amount is reported in "other expenses."

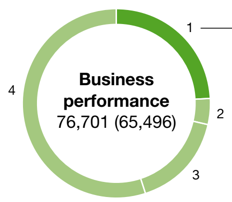
The remaining value added of €6,188 million was available to be paid out as a dividend to BASF SE shareholders or retained.

→ **For more on wages and salaries, see page 83 and page 171 onward; for more on taxes, see page 169 onward; and for more on donations and sponsorship, see page 89**

Value added statement BASF Group 2011

Creation of value added
(million €, previous year's figures in parentheses)

1	Value added	18,652 (16,658)
2	Amortization and depreciation	3,407 (3,370)
3	Services purchased, energy costs and other expenses	12,656 (11,459)
4	Cost of raw materials and merchandise	41,986 (34,009)



Use of value added
(previous year's figures in parentheses)

46.0%	**Employees** (49.4%)
14.5%	**Taxes** (15.5%)
2.2%	**Minority interests** (3.1%)
4.1%	**Creditors** (4.6%)
33.2%	**Remaining for shareholders** (dividend and retention) (27.4%)

Value added statement

– BASF Group's financial contribution to private and public income
– Increase of 12% compared with 2010 to €18,652 million

Use of value added

– €8,576 million for employees
– €2,711 million for taxes
– €6,188 million in remaining value added, to be paid as a dividend to BASF SE shareholders or retained

Innovation

Meeting challenges, developing new business 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.

The rapidly growing world population presents society with special challenges. The demand for food, clean water and energy is growing and society's needs are increasing, but resources are finite. Sustainable solutions are therefore required – and chemistry can make an important contribution.

Our innovative strength rests on our global team of highly qualified employees with various specializations. In 2011, the number of employees involved in research and development rose to around 10,100 (2010: 9,600).

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

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 start-up companies. For example, we opened the jointly operated laboratory 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. Together with automobile manufacturer Daimler, we have developed the smart forvision concept car, which combines our ideas for comprehensive electric mobility. In the smart forvision, special emphasis was placed on energy efficiency, temperature management and lightweight design. In such projects, BASF's innovations set new standards.

→ **For more on the smart forvision, see smartforvision.basf.com**

Our research pipeline included approximately 2,800 projects in 2011. Expenditures on research and development increased by €113 million to €1,605 million (2010: €1,492 million). The operating divisions accounted for 77% of research expenditures, while the remaining 23% was allocated to cross-divisional, strategic corporate research. Around one third of our research and development expenditure was once again invested in projects for increased energy efficiency and climate protection. We aim to achieve sales of around €30 billion in 2020 with innovations – new and improved products or applications that have been on the market for 10 years or less.

One way in which a company measures 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 most innovative company in the chemical industry worldwide.

→ **For a multi-year overview of research and development expenditures, see the Ten-Year Summary on page 221**

BASF's research focus areas

Our forward-looking research projects, in which we search for answers to pressing societal issues, are derived from global megatrends; until the end of 2011, these were grouped into five growth clusters.

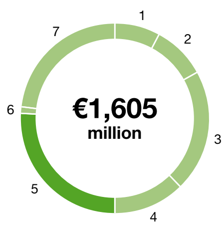
Our goal in the Plant Biotechnology growth cluster is to make targeted improvements to the properties and characteristics of plants. For example, we worked together with Monsanto

Innovation

– Around 10,100 research and development employees worldwide
– Research pipeline with around 2,800 projects
– €1,605 million in research and development expenditures in 2011

Expenditure on research and development by segment

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%



to develop the world's first genetically modified drought-tolerant variety of corn (maize). This corn was approved for cultivation in the United States in December 2011. It will be grown on selected farms in the United States starting in 2012 in order to familiarize farmers with the product.

In the White Biotechnology growth cluster, we use microorganisms and enzymes to synthesize chemical products. We want to conduct extensive research on the suitability of algae, for example, as a production organism for synthesizing specialty chemicals, such as those for the cosmetics and food industries. To this end, we started up a pilot plant for algae cultivation in 2011.

In the Raw Material Change growth cluster, we are researching alternatives and supplements to crude oil as a raw material for the chemical industry. In the future, we want to synthesize important basic chemicals from natural gas or carbon dioxide, as well. One process, in which methane (the main component of natural gas) is turned into benzene at high temperatures, has proven especially promising. In addition, we are looking for ways to produce syngas from the feedstocks methane and carbon dioxide. Syngas is a universal raw material for many chemicals.

The Energy Management growth cluster focuses on solving the energy questions of the future. Cooling systems which use the magnetocaloric effect use only half as much energy as conventional systems. We are working with the Dutch Foundation for Fundamental Research on Matter to find new magnetocaloric materials with improved properties. Together with partners in industry, we are making the first appliances based on this technology ready for series production.

Our focus areas in the Nanotechnology growth cluster include formulating active ingredients for the pharmaceutical industry and additives for the construction sector. With the help of nanoformulations and microfluidics, which we are working on as part of the BASF Advanced Research Initiative at Harvard University, we can introduce specific molecules into substrates in order to create new or improve existing properties. This, for example, allows the body to absorb medications better or gives our customers more control over the hardening process of concrete.

We concluded the growth cluster initiative in 2011 and enhanced our research and development activities within the scope of the "We create chemistry" strategy. In the future, we will focus more intently on the market and our customers' needs. We are broadening our long-term research activities to encompass the development of new business areas. We have identified more than ten 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.

We have also redesigned our research processes and structures. Our knowledge and competence centers are the central technology platforms Advanced Materials & Systems Research, Biological & Effect Systems Research, Process Research & Chemical Engineering as well as BASF Plant Science. 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. Through more efficient innovation management, we have laid the foundation for even more profitable growth.

→ **For more on research and development, see basf.com/innovations; for more on innovation in the segments, see page 44 onward**

Enhancing research activities

– Growth cluster initiative concluded in 2011
– Research and development activities developed further in alignment with the "We create chemistry" strategy
– Stronger research orientation on the market and future growth fields

Spotlight on electric mobility

– BASF's innovations reduce energy consumption in electric cars, thereby increasing their range
– Comprehensive approach based on electricity generation, storage and use
– Focus on new battery materials, lightweight design and temperature management
– smart forvision concept car developed in collaboration with Daimler

Trends in the global economy

The strong growth momentum from the previous year continued in the first half of 2011. However, this economic upturn was followed by significantly weaker growth in all regions in the second half of the year. This development was influenced by uncertainty in the financial markets as a result of the intensification of the national debt crises in the eurozone and the United States. Compared with the previous year, global gross domestic product therefore did not rise as sharply (+2.7%) as we had originally forecast for 2011 (+3.3%).

Global gross domestic product growth (+2.7%) at the beginning of 2011 was driven by both the previous year's economic upturn as well as by strong economic growth in the emerging markets. By contrast, negative growth impetus over the course of the year came mainly from the industrialized countries: The intensification of the national debt crises in the eurozone and the United States led to lower growth expectations, despite an overall good level of incoming orders. Consumer confidence decreased. The decline in worldwide demand for goods dampened growth in international trade.

Development by region

While gross domestic product in the **European Union** grew substantially in the first half of 2011, growth weakened in the second half. Private consumption in particular lost momentum. Given the high national debt levels of some European countries, there was considerable variation in growth rates. Overall, gross domestic product grew almost as fast as in the previous year (2010: +1.8%; 2011: +1.6%). Germany in particular benefited from good foreign demand for capital goods and posted a comparatively high level of economic growth (2010: +3.6%; 2011: +3.0%).

In 2011, the **U.S.** economy grew only half as much as in the previous year and was weak overall (2010: +3.0%; 2011: +1.6%). Ongoing high unemployment rates particularly led to lower spending among U.S. consumers. Furthermore, economic growth was negatively impacted by prolonged political debate over raising the debt ceiling and necessary fiscal consolidation measures. The continued low level of construction investment additionally slowed overall economic growth.

Although gross domestic product growth in **Asia (excluding Japan)** was lower in 2011 than in the previous year, the region nevertheless saw comparatively strong growth (2010: +9.2%; 2011: +7.1%). The most important regional growth driver was China (+9.2%), where government investment programs strengthened the domestic economy. However, higher interest rates as well as the creation of overcapacities weakened both consumer demand and investment activities in China. India also posted strong growth (+7.6%).

Economic output fell sharply in **Japan** following the earthquake and tsunami disaster in March 2011; gross domestic product shrank (–0.5%). The appreciation of the yen also negatively impacted the export sector.

Growth slowed in **South America** in 2011 (2010: +6.4%; 2011: +4.0%). While rising raw materials exports initially strengthened economic development, many countries in South America experienced increasing inflation rates. In Brazil in particular, the Central Bank's more restrictive monetary policy at the beginning of the year and higher interest rates dampened private consumption and investment activities.

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

Trends in the global economy in 2011

- Increase in global gross domestic product (+2.7%) weaker than in previous year and lower than our original forecast (+3.3%)
- Significant growth slowdown in the second half of the year
- Uncertainty in the financial markets due to intensification of the national debt crises in the eurozone and the United States

Gross domestic product 2011
Real change compared with the previous year

World	**2.7%**
European Union	1.6%
United States	1.6%
Asia (excl. Japan)	7.1%
Japan	(0.5%)
South America	4.0%

Trends in key customer industries

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

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

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

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

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

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

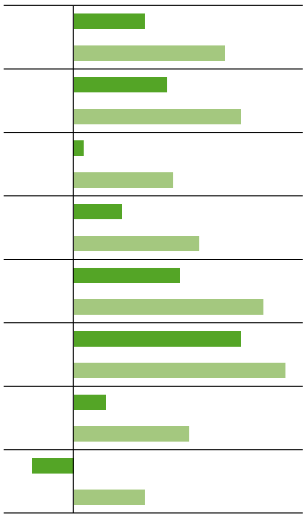
The **health and nutrition** sector grew sharply worldwide (+3.6%). The food industry in particular posted significant growth (+3.6%). Production grew considerably faster in emerging markets (+7.7%) than in the industrialized countries (+1.1%).

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

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

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

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



Development of industrial production in 2011

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

BASF sales by industry
Direct customers

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

Trends in the chemical industry

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

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

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

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

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

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

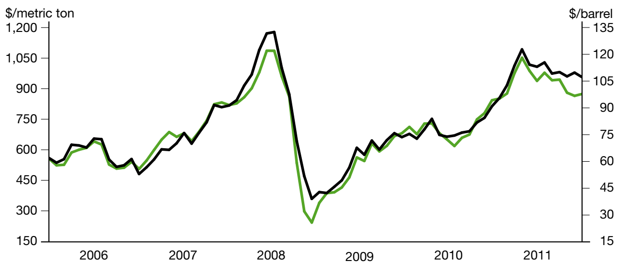
The average annual price of natural gas in the United States was around $4/mbtu, unchanged from the previous year. In the European Union, the average price of natural gas rose to more than $10/mbtu, an increase of about 25% compared with 2010.

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

Trends in the chemical industry in 2011

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

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



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

Business review BASF Group

Sales and earnings (million €)

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

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

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

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

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

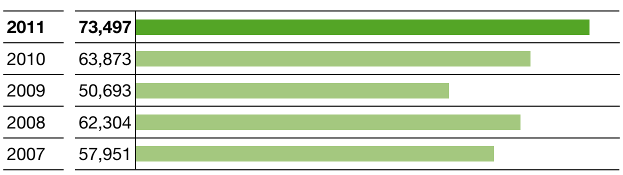
[1] Quarterly results not audited

Sales

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

+15%

Sales (million €)



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

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

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

Sales and income from operations

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

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

Factors influencing sales BASF Group

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

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

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

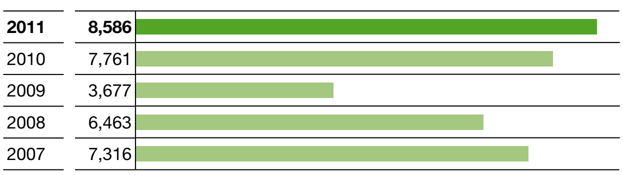
In the **Functional Solutions** segment, higher sales volumes and a significant sales increase were predominantly attributable to high demand from the automotive industry. In the Catalysts division, sales growth was also boosted by a sharp increase in precious metal prices. Sales also rose in the Construction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

Income from operations

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

+11%

Income from operations (million €)



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

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

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

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

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

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

Special items in income from operations

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

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

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

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

Financial result and net income

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

Income from operations

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

Special items (million €)

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

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

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

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

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

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

Cash flow

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

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

Adjusted earnings per share

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

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

Adjusted earnings per share (million €)

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

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

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

Financial result and net income

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

Earnings per share and cash flow

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

Consolidated balance sheets

Assets

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

Equity and liabilities

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

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

Assets

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

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

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

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

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

Equity and liabilities

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

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

Net debt (million €)

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

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

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

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

Assets

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

Equity and liabilities

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

Liquidity and capital resources

Value-based financial management, high cash flow

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

Financing policy and credit ratings

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

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

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

Maturities of financial indebtedness (million €)

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

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

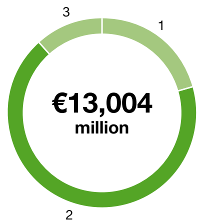
Off-balance-sheet financing tools, such as leasing, are of minimal importance for BASF. BASF Group's most important financial contracts contain no side agreements with regard to specific financial ratios (financial covenants). We are also not obligated to maintain a particular rating.

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

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

Financing instruments (million €)

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



[1] Including promissory notes

Financing principles

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

Consolidated statements of cash flows

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

Financial management in the BASF Group is centralized and 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.

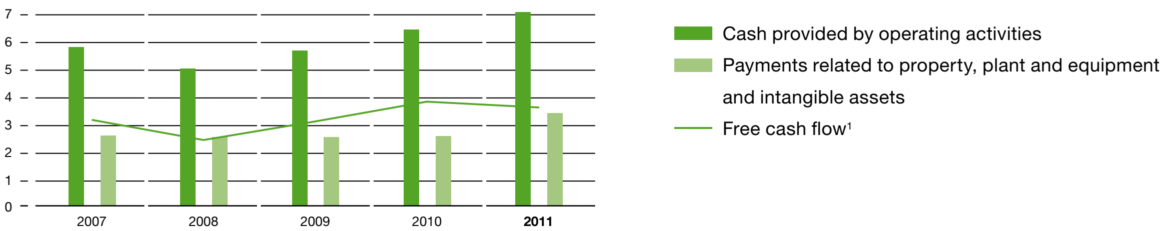
Cash provided by operating activities

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. The negative value for miscellaneous items resulted primarily because the gain of €887 million from the disposal of around 19.7 million shares in K+S Aktiengesellschaft was reclassified into cash flow from investing activities, as was the €593 million gain on the disposal of our styrenics business.

Consolidated statements of cash flows (million €)

	2011	2010
Net income	6,188	4,557
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	3,419	3,393
Changes in working capital	(906)	(1,680)
Miscellaneous items	(1,596)	190
Cash provided by operating activities	**7,105**	**6,460**
Payments related to property, plant and equipment and intangible assets	(3,410)	(2,548)
Acquisitions/divestitures	517	(562)
Financial investments and other items	1,155	394
Cash used in investing activities	**(1,738)**	**(2,716)**
Capital increases/repayments, share repurchases	32	(18)
Changes in financial liabilities	(2,372)	(2,295)
Dividends	(2,478)	(1,931)
Cash used in financing activities	**(4,818)**	**(4,244)**
Net changes in cash and cash equivalents	549	(500)
Cash and cash equivalents as of beginning of year and other changes	1,499	1,993
Cash and cash equivalents as of end of year	**2,048**	**1,493**

Cash flow (billion €)



[1] Cash provided by operating activities less payments related to property, plant and equipment and intangible assets

Cash used in investing activities

At €1,738 million, cash used in investing activities was significantly lower in 2011 than in the previous year. Payments for property, plant and equipment and intangible assets amounted to €3,410 million, exceeding the previous year's level by €862 million. Acquisitions and divestitures, however, resulted in an inflow of €517 million in 2011 – compared with an outflow of €562 million in the previous year – mostly from the cash consideration of €600 million received in connection with the founding of the Styrolution joint venture. The divestiture of various smaller activities led to a further cash inflow of €65 million. Expenditures for acquisitions totaled €148 million in 2011, around half of which was spent on the acquisition of inge watertechnologies AG and inge GmbH, a specialist in ultrafiltration technology. Acquisition expenditures in 2010 were primarily related to the acquisition of Cognis. Compared with the previous year, the cash inflow from financial investments and other items was higher; this is largely attributable to cash received of €972 million from the sale of our shares in K+S Aktiengesellschaft.

→ **For more information on additions to property, plant and equipment, see the Notes from page 175 onward**

Cash used in financing activities

Financing activities led to a cash outflow of €4,818 million, compared with €4,244 million in the previous year. Dividends of €2,021 million were paid to shareholders of BASF SE and €457 million were paid to minority shareholders in Group companies. The 4% euro-denominated bond from 2006 and the 3.25% CHF-denominated bond from 2008 were repaid. In addition, we scaled back the use of BASF SE's commercial paper program. No new long-term capital market liabilities were taken up in 2011. Net debt decreased by €2,590 million compared with the previous year and amounted to €10,956 million as of December 31, 2011.

Overall, cash and cash equivalents rose by €555 million compared with the previous year and amounted to €2,048 million as of December 31, 2011.

Financing 2012

We will continue to adhere to our financing principles in 2012. Our goals continue to be securing liquidity at all times, limiting the risks associated with financing and optimizing our cost of capital, possibly even with share buybacks. We aim to maintain at least a solid A rating.

Cash outflows are expected to result from the scheduled repayment of bonds with a total volume equivalent to €2,942 million. In light of our strong cash flow from operating activities as well as our level of cash and cash equivalents, we currently see no concrete need for additional medium- and long-term financing. However, our unrestricted access to the capital markets allows us flexible use of attractive financing for the BASF Group at any time.

Capital expenditures by region (%)

	2011	2010
Europe	68	63
North America	14	19
Asia Pacific	15	15
South America, Africa, Middle East	3	3
	100	**100**

Financing 2012

- We aim to maintain a minimum rating of a solid A
- Currently no need for medium- to long-term financing thanks to strong cash flow from operating activities
- Unrestricted access to capital markets allows flexible use of attractive financing conditions at any time

Business review by segment

Segment overview (million €)

	Sales		Income from operations before depreciation and amortization (EBITDA)		Income from operations (EBIT) before special items	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Chemicals	12,958	11,377	3,188	3,000	2,441	2,302
Plastics	10,990	9,830	1,678	1,721	1,203	1,284
Performance Products	15,697	12,288	2,312	2,162	1,727	1,554
Functional Solutions	11,361	9,703	921	861	559	467
Agricultural Solutions	4,165	4,033	981	938	810	749
Oil & Gas	12,051	10,791	2,616	2,977	2,111	2,430
Other[1]	6,275	5,851	297	(528)	(404)	(648)
	73,497	**63,873**	**11,993**	**11,131**	**8,447**	**8,138**

Segment overview (million €)

	Income from operations (EBIT)		Assets		Capital expenditures[2]	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Chemicals	2,442	2,310	6,920	6,526	622	535
Plastics	1,259	1,273	5,297	5,114	423	250
Performance Products	1,361	1,345	13,680	13,409	648	3,000
Functional Solutions	427	457	9,725	9,364	359	208
Agricultural Solutions	808	749	5,350	5,063	150	145
Oil & Gas	2,111	2,334	10,232	9,150	1,274	996
Other[1]	178	(707)	9,971	10,767	170	170
	8,586	**7,761**	**61,175**	**59,393**	**3,646**	**5,304**

[1] Information on the composition of "Other" can be found in the Notes to the Consolidated Financial Statements from page 162 onward.
[2] Additions to property, plant and equipment (thereof from acquisitions: €66 million in 2011 and €833 million in 2010) and intangible assets (thereof from acquisitions: €141 million in 2011 and €1,906 million in 2010)

Sales by segment

Chemicals	18%
Plastics	15%
Performance Products	21%
Functional Solutions	15%
Agricultural Solutions	6%
Oil & Gas	16%
Other	9%

Contributions to EBITDA by segment

Chemicals	27%
Plastics	14%
Performance Products	19%
Functional Solutions	8%
Agricultural Solutions	8%
Oil & Gas	22%
Other	2%

Sales (million €)[1]

	1st quarter		2nd quarter		3rd quarter		4th quarter	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Chemicals	3,276	2,588	3,392	2,970	3,168	2,874	3,122	2,945
Plastics	2,788	2,197	2,828	2,584	2,801	2,598	2,573	2,451
Performance Products	3,982	2,871	4,095	3,151	3,991	3,206	3,629	3,060
Functional Solutions	2,818	2,090	2,766	2,453	2,907	2,591	2,870	2,569
Agricultural Solutions	1,230	1,145	1,205	1,211	908	832	822	845
Oil & Gas	3,455	3,225	2,461	2,374	2,195	2,228	3,940	2,964
Other[2]	1,812	1,338	1,714	1,471	1,637	1,452	1,112	1,590
	19,361	**15,454**	**18,461**	**16,214**	**17,607**	**15,781**	**18,068**	**16,424**

Income from operations (EBIT) before special items (million €)[1]

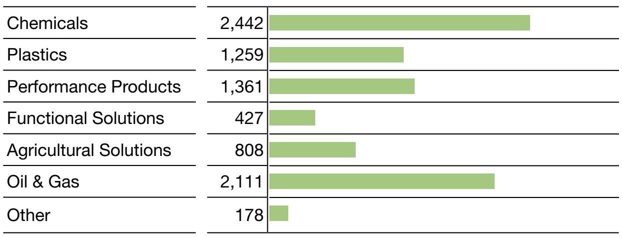
	1st quarter		2nd quarter		3rd quarter		4th quarter	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Chemicals	765	461	674	687	621	617	381	537
Plastics	393	279	383	349	317	371	110	285
Performance Products	554	419	513	471	440	370	220	294
Functional Solutions	142	111	167	165	162	158	88	33
Agricultural Solutions	343	321	331	320	95	66	41	42
Oil & Gas	744	629	332	515	350	573	685	713
Other[2]	(209)	(266)	(163)	(301)	(21)	58	(11)	(139)
	2,732	**1,954**	**2,237**	**2,206**	**1,964**	**2,213**	**1,514**	**1,765**

Income from operations (EBIT) (million €)[1]

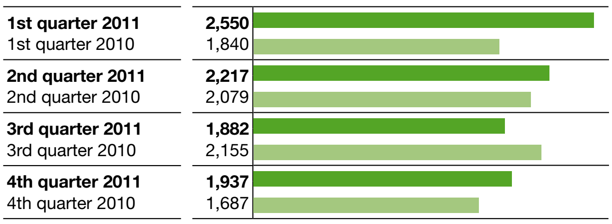
	1st quarter		2nd quarter		3rd quarter		4th quarter	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Chemicals	765	461	686	687	612	619	379	543
Plastics	393	277	383	350	315	371	168	275
Performance Products	407	341	456	450	403	377	95	177
Functional Solutions	142	111	165	164	161	159	(41)	23
Agricultural Solutions	343	321	331	320	95	66	39	42
Oil & Gas	744	629	332	515	350	573	685	617
Other[2]	(244)	(300)	(136)	(407)	(54)	(10)	612	10
	2,550	**1,840**	**2,217**	**2,079**	**1,882**	**2,155**	**1,937**	**1,687**

[1] Quarterly results not audited
[2] Information on the composition of Other can be found in the Notes to the Consolidated Financial Statements from page 162 onward.

Contributions to EBIT by segment (million €)



EBIT BASF Group by quarter (million €)



Chemicals

Excellence in the Verbund, technology and cost leadership

The Chemicals segment consists of the Inorganics, Petrochemicals and Intermediates divisions. In our integrated production facilities – our Verbund – we produce a broad range of basic chemicals and downstream products in Europe, Asia and North America for our internal and external customers.

Segment strategy

We create value by driving growth with an attractive portfolio, investments in future markets and process and product innovations as well as by the competitive and flexible integration of our production into the BASF Verbund structures. We supply the BASF segments with basic chemicals for the production of high-value products. As a reliable supplier, we market our products to customers in downstream industries, primarily in the chemical, electronics, construction, textile, lumber, automotive, pharmaceutical and agrochemical industries. We continually improve our value-adding chains with innovations, capital expenditures and acquisitions in future markets. Technology and cost leadership are among our most important success factors. We achieve them by improving processes, implementing market-oriented business models, and efficiently using the synergy potential of our Verbund. We constantly optimize our portfolio and production structures and align them with regional market requirements.

Innovation

Our research activities are focused on the development of innovative production processes that will make us even more competitive. We are also continuously improving existing products and applications. In developing new products, we look at the needs of our external and internal customers and take advantage of the opportunities offered by value-adding chains in the Verbund and in the markets.

For example, we developed an innovative product line of iron salts based on our proven ultrapure iron technology which can be used to produce active ingredients for the treatment of iron deficiency anemia. Because our new iron salts satisfy the highest purity requirements, they conform to common international guidelines for use in medicines.

Products, customers and applications

Segment	Chemicals		
Division	Inorganics	Petrochemicals	Intermediates
Products	Basic products: ammonia, methanol, caustic soda, chlorine and standard alcoholates as well as sulfuric and nitric acid Specialties: chemicals for the semiconductor industry, salts, metal systems and organometallic compounds	Basic products: ethylene, propylene, butadiene, benzene, alcohols, solvents, plasticizers, alkylene oxides, glycols and acrylic monomers Specialties: special plasticizers such as Hexamoll DINCH, special acrylates	Basic products: butanediol and derivatives, alkylamines and alkanolamines, neopentylglycol, formic acid and propionic acid Specialties: specialty amines such as *tert*-Butylamine, gas scrubbing chemicals, hardeners for epoxy resin systems, vinyl monomers, acid chloride, chloroformate, chiral intermediates
Customer industries and applications	Use within BASF Verbund Specialties for the electronics, pharmaceutical, automotive and other industries	Use within BASF Verbund Chemical and plastics industries; detergent, automotive, packaging and textile industries; production of paints, coatings and cosmetics as well as oil-field, construction and paper chemicals	Use within BASF Verbund Starting materials for coatings, plastics, pharmaceuticals, textile fibers, crop protection products as well as detergents and cleaners

Strategy

- Supplying the value-adding chains in the BASF Verbund and marketing our products to external customers
- Most important success factors are technology and cost leadership
- Product portfolio and regional production structures are continuously optimized

Products

- Inorganics: basic products for our Verbund and specialties for the electronics and other industries
- Petrochemicals: broad range of basic products as well as specialties, for example, for the chemical and plastics industries
- Intermediates: most comprehensive intermediates portfolio in the world, such as starting materials for coatings, plastics or pharmaceuticals

Baxxodur systems
Shortened manufacturing process for wind turbine rotor blades

Value for BASF We aim for	**Value for our customers**
€300 million in **annual sales** in wind energy growth market by 2020	30% **shorter process** for manufacturing wind turbine rotor blades

Value for BASF With our performance portfolio for wind energy, we are shaping one of the most dynamic growth markets in the world; we aim to increase our annual sales in this market to around €300 million by 2020. In addition to Baxxodur systems, we offer our customers coating systems, foams, grouts and concrete admixtures for wind turbine foundations and towers, as well as hydraulic fluids and lubricants for the gearbox.

Value for our customers Our Baxxodur systems help to improve efficiency in the production of wind turbines: Our broad range of hardeners, accelerators and additives for the professional processing of epoxy resin can reduce the manufacturing process of rotor blades by up to 30%.

With the Thomas Alva Edison Patent Award, we received special recognition in 2011 for our new catalyst systems for the purification of exhaust gases in diesel-powered vehicles. This system stands apart from conventional solutions because it works efficiently and reliably even in very low temperatures, thanks in particular to a special adamantylammonium salt that was developed by our Intermediates division and made ready for production in less than a year. The new catalyst system has been produced at various plants in the Verbund in Ludwigshafen and in the United States since 2010 and is marketed by the Catalysts division.

→ For more on catalyst systems, see page 63

Marketing and customer relations

For standard products, our priority is supplying customers reliably and cost-efficiently. Internally, we supply nearly all BASF divisions with our products. We offer organic and inorganic specialties together with the corresponding technical applications know-how. In these areas, our development laboratories work particularly closely with our customers and partners.

In order to further improve our market position in South America and to serve our customers there even better and faster, we started up a sodium methylate production plant in Guaratinguetá, Brazil. Sodium methylate is a reliable and efficient catalyst for the production of biodiesel. The new plant has an annual capacity of 60,000 metric tons.

With more than 300 reference plants, BASF is today one of the world's leading suppliers in the gas treatment business. BASF began the industrial, amine-based separation of carbon dioxide from syngas, which is required for ammonia production, as early as 1971. Our portfolio was extended step by step, incorporating technologies such as the purification of natural gas, refinery off-gas, flue gas and biogas. Today, under the brand name Oase®, we have a comprehensive offering ranging from technology, gas treatment chemicals and technical support services to on-site training of personnel at our customers' plants.

Innovation

- Focus on innovative production processes to strengthen our competitiveness
- New product line of ultrapure iron salts for the treatment of iron deficiency anemia
- Thomas Alva Edison Patent Award for innovative catalyst system

Marketing and customer relations

- Reliable and cost-efficient marketing of standard products
- Marketing of organic and inorganic specialties with the corresponding technical applications know-how
- Our development laboratories collaborate closely with customers and partners

Capital expenditures

Location	Project	Additional annual capacity through expansion (metric tons)	Total annual capacity (metric tons)	Startup
Antwerp, Belgium	Construction: oleum plant	n/a	420,000	2011
Camaçari, Brazil	Construction: acrylic acid complex		160,000	2014
Geismar, Louisiana	Construction: methylamines plant		n/a	2011
Guaratinguetá, Brazil	Construction: sodium methylate plant		60,000	2011
Ludwigshafen, Germany	Construction: ethylene pipeline[1]		n/a	2012
	Construction: Hexamoll DINCH plant	100,000	200,000	2013
Nanjing, China	Construction: *tert*-Butylamine plant		n/a	2013
	Expansion: steam cracker[2]	140,000	740,000	2011
	Construction: 2-propylheptanol plant[2]		80,000	2011
	Expansion: ethylene oxide plant[2]	80,000	330,000	2011
	Construction: butadiene plant[2]		130,000	2011
	Construction: isobutene plant[2]		60,000	2011
	Construction: amine complex[2]		130,000	2011/2012

[1] Participation through investment in Ethylen-Pipeline-Süd GmbH & Co. KG
[2] Operated by a joint venture company in which BASF has a 50% stake and which is proportionally consolidated in the Group Consolidated Financial Statements

Production capacities of significant products[3]

	Sites				
Product	Europe	North America	Asia Pacific	South America, Africa, Middle East	Annual capacity (metric tons)
Acrylic acid	X	X	X		1,190,000
Alkyl amines	X	X	X		250,000
Formic and propionic acid	X		X		255,000 150,000
Ammonia	X				1,525,000
Benzene	X	X	X		820,000
Butadiene	X	X	X		645,000
Butanediol equivalents	X	X	X		535,000
Chlorine	X				385,000
Ethanolamines and derivatives	X		X		400,000
Ethylene	X	X	X		3,375,000
Ethylene oxide	X	X	X		1,395,000
Formaldehyde condensate	X				750,000
Neopentyl glycol	X	X	X		165,000
Oxo-C_4 alcohols (calculated as butyraldehyde)	X	X	X		1,495,000
PolyTHF	X	X	X		185,000
Propylene	X	X	X		2,550,000
Plasticizers	X	X	X		660,000

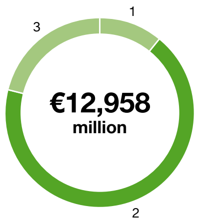
[3] All capacities included at 100%, including plants belonging to joint ventures

Sales – Chemicals
(million €)

2011	**12,958**
2010	11,377
2009	7,515

Sales by division

1	Inorganics	11%
2	Petrochemicals	68%
3	Intermediates	21%



Segment data Chemicals (million €)

		2011	2010	Change in %
Sales to third parties		12,958	11,377	13.9
Thereof Inorganics		1,415	1,255	12.7
Petrochemicals		8,839	7,593	16.4
Intermediates		2,704	2,529	6.9
Intersegmental transfers		6,295	5,476	15.0
Sales including intersegmental transfers		19,253	16,853	14.2
Income from operations before depreciation and amortization (EBITDA)		3,188	3,000	6.3
EBITDA margin	%	24.6	26.4	–
Income from operations (EBIT) before special items		2,441	2,302	6.0
Income from operations (EBIT)		2,442	2,310	5.7
Income from operations (EBIT) after cost of capital		1,686	1,722	(2.1)
Assets		6,920	6,526	6.0
Research and development expenses		132	130	1.5
Additions to property, plant and equipment and intangible assets		622	535	16.3

In the Chemicals segment, we increased sales to third parties in 2011 by €1,581 million to reach €12,958 million. This significant growth was primarily attributable to higher raw material prices, which we were able to pass on in almost all business areas (volumes –1%, prices 16%, portfolio 2%, currencies –3%). Income from operations grew by €132 million to reach €2,442 million. Our programs to reduce costs and increase efficiency contributed to this earnings growth.

We expect sales in 2012 to be higher than in the previous year. Additional capacities will increase pressure on margins, especially for cracker products. Earnings are not expected to match the level of 2011.

Inorganics

Our sales to third parties were €1,415 million in 2011, exceeding the previous year's level by €160 million (volumes 5%, prices 9%, currencies –1%). In addition to increased demand, in particular from the electronics and pharmaceutical industries, higher sales prices for basic products were a major factor driving this significant sales growth.

Our income from operations improved considerably compared with the previous year. Higher margins, especially for ammonia and urea, as well as our strict cost discipline had a positive influence on earnings growth.

In the fourth quarter of 2011, we increased our annual capacity for sodium methylate production by 60,000 metric tons with the startup of a new plant in Guaratinguetá, Brazil. Furthermore, we started operations at a new oleum and sulfur plant in Antwerp, Belgium, raising annual capacity at this site to 420,000 metric tons.

Factors influencing sales – Chemicals

Volumes	(1%)
Prices	16%
Portfolio	2%
Currencies	(3%)
Sales	**14%**

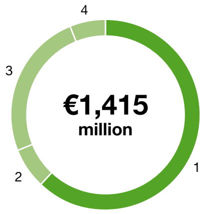
Income from operations – Chemicals
(million €)

2011	**2,442**
2010	2,310
2009	735

We foresee a moderately positive business environment in 2012 and therefore expect many business areas to post higher sales volumes. We aim to significantly increase our sales. As part of the divestiture of our fertilizer business, we plan to sell three nitric acid plants in 2012; this, together with lower margins for some basic products, will likely result in a decrease in earnings.

Inorganics – Sales by region
(Location of customer)

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



Petrochemicals

Mainly as a result of higher prices, sales to third parties in 2011 rose by €1,246 million to reach €8,839 million, thus significantly exceeding the level of the previous year (volumes –3%, prices 20%, portfolio 2%, currencies –3%). Until the third quarter, we benefited in all business areas from strong global demand for our products. As supplies on the market were limited in some cases, we were able to raise prices to pass on higher raw material costs to customers.

Overall, capacity utilization rates at our plants were good. As a result of strong demand, there were temporary supply bottlenecks for some products, in particular acrylates and solvents. Our margins therefore developed positively, especially in the first half of the year. Income from operations was above the level of the previous year.

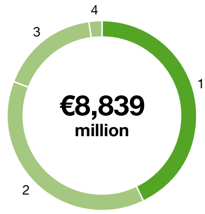
During the third quarter, increasing uncertainty about global economic development began to have a negative impact on our market environment. In the fourth quarter, we were unable to maintain the high levels of the previous quarters due to declining demand.

During the year, we started up several new production plants at our Verbund site in Nanjing, China, including a butadiene extraction plant, an isobutene extraction plant and a 2-propylheptanol production plant. Furthermore, we successfully completed the expansion of the steam cracker. With the development of our Nanjing site, we are further strengthening our market position in China.

We expect our business development to remain good in 2012. Sales are expected to match the high level of the previous year, despite declining prices. According to our forecast, earnings are unlikely to reach the very good 2011 level due to lower margins.

Petrochemicals – Sales by region
(Location of customer)

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



Inorganics

- Sales grow considerably due to increased demand and higher sales prices
- Earnings improve significantly
- Startup of sodium methylate plant in Guaratinguetá, Brazil
- **Outlook 2012:** significant sales increase; decline in earnings due to divestiture of fertilizer business as well as lower margins for some basic products

Petrochemicals

- Sales improve significantly; strong global demand, particularly in the first half of 2011
- Increase in earnings thanks to positive margin development, especially in the first half of the year
- Expansion of the Verbund site in Nanjing, China
- **Outlook 2012:** sales at previous year's level; earnings below very good level of previous year as a result of lower margins

Intermediates

Thanks to higher prices, sales to third parties rose by €175 million in 2011 to €2,704 million (volumes –1%, prices 10%, currencies –2%). In general, demand from our key customer industries, such as the plastics, agricultural and pharmaceutical industries, remained constant in all regions. During the course of the year, however, growing uncertainty regarding global economic development led to inventory destocking, particularly among our Asian customers in the value-adding chains for coatings and textile fibers.

Demand from our customers in 2011 once again exceeded global product supply in some cases, for example, for amines and polyalcohols, and especially for butanediol and derivatives. The scarcity within these product lines was additionally intensified at the end of May as a result of a temporary shutdown for acetylene and its derivatives due to a disruption at the Ludwigshafen site. This limited our ability to deliver these products until the end of September.

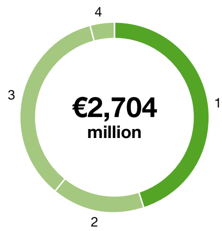
Rising costs for our key raw materials could mostly be passed on to the market through higher sales prices. Thanks to strong sales volumes of our products and high capacity utilization, particularly in the first half of the year, we were once again able to improve income from operations from the very good level of the prior year.

In addition to a methylamines plant in Geismar, Louisiana, we also started up a plant to produce ethanolamines and downstream products in Nanjing, China, in 2011. By contrast, we closed smaller plants producing methylamines and dimethylformamide in Camaçari, Brazil.

In 2012, we expect demand from most customer sectors to slightly exceed the high level of 2011. We therefore assume that our sales will increase. In the product lines amines, acids and polyalcohols, we expect increasing availability on the market to lead to more intense competition. The resulting increased pressure on margins and growing fixed costs will likely lead to earnings below the very good level of 2011.

Intermediates – Sales by region
(Location of customer)

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



Intermediates

- Sales rise in 2011, mainly thanks to higher prices
- Available supply unable to fully meet customer demand, particularly for butanediol and derivatives
- Increase in earnings due to higher prices as well as strong sales volumes and good capacity utilization rates, in particular in the first half of the year
- **Outlook 2012:** sales increase; earnings below the previous year's level due to higher pressure on margins and rising fixed costs

Plastics

Energy-efficient products and system solutions for our customers

BASF is one of the world's leading producers of high-quality plastics. In the Performance Polymers and Polyurethanes divisions, we offer energy-efficient products and customer-oriented system solutions.

Segment strategy

We concentrate on activities which allow us to stand out from our market competitors and offer us profitable growth opportunities. Our customers are primarily in the construction, automotive, electrical and electronics, textile, packaging and furniture industries. The versatility of our products enables us to offer innovative solutions that substitute conventional materials in a wide variety of applications, thus broadening our portfolio to numerous customer industries. Furthermore, we are positioning ourselves to grow faster than the market and become less dependent on the cyclicality of individual industries. We work closely with our customers – with the aim of offering the best solution in terms of cost and functionality.

Innovation

In 2011, we developed numerous innovative products and applications for our customers in the automotive, electrical, electronics and packaging industries.

Together with Daimler, we were able to apply many ideas for comprehensive electric mobility in the smart forvision concept car. We focused especially on lightweight design, temperature management and energy efficiency. The smart forvision's wheel rims, for example, are made of the long-fiber reinforced specialty polyamide Ultramid® Structure and are the first rims made entirely from plastic to be ready for series production. These rims weigh up to 30% less than comparable metal ones, while providing the same degree of stability. As a result, the electric car becomes lighter and requires less electricity to run. Our innovative high-performance foams are fitted into the body panels to help ensure a comfortable climate inside the car. They keep the vehicle pleasantly cool in summer and insulate it against the cold in winter. Thanks to their high efficiency even in thin layers, these foams can be fitted everywhere in the vehicle.

Products, customers and applications

Segment	Plastics	
Division	**Performance Polymers**	**Polyurethanes**
Products	Basic products: caprolactam, adipic acid, polyamides, foams (Styropor/Styrodur), compounded polyamides (Ultramid) and polybutylene terephthalates (Ultradur), Ultraform Specialties: Basotect, Ecoflex, Ecovio, Ultrason, Neopor, E-por, Neopolen, Palusol	Basic products: MDI, TDI, polyols, propylene oxide Specialties: polyurethane systems, specialty elastomers (Cellasto, Elastollan)
Customer industries and applications	Automotive (engineering plastics for multiple components), electrical (engineering plastics for switches, plugs and casings), construction (insulation foams), packaging (extruded polymers, polystyrene), textile (polyamides, monofilaments)	Furnishings (foams), construction (insulation foams), automotive (basic products and specialty elastomers), household appliances (basic products, e.g., for refrigerator insulation), shoe soles and upper materials (basic products and specialty elastomers)

Strategy

- Tapping into new market segments with a diverse and innovative portfolio
- Close cooperation with customers in the development of new products and system solutions
- Our goal: to offer the best solution in terms of cost and functionality

Products

- Performance Polymers: engineering plastics, polyamide and polyamide intermediates as well as foams and specialty plastics for diverse applications
- Polyurethanes: basic products, tailor-made systems and specialties for the construction and automotive industries, and for household appliances

Ecovio: business model for compost bin liners
Biodegradable plastic for collecting and composting organic matter

Value for BASF	Value for the environment
20%	30%
annual market growth for Ecovio in applications for biodegradable bin liners from 2011 to 2020	**reduction in greenhouse gases** thanks to the separate composting of biodegradable waste in Europe

Value for BASF In the future, the European Union will require its member states to collect and dispose of biodegradable waste separately. We therefore expect the demand for biodegradable bin liners made from plastics like Ecovio to grow by approximately 20% every year between 2011 and 2020.

Value for the environment In Europe today, only 30% of compostable waste is separated from the rest – many countries still deposit it in the same landfill with non-compostable waste. This produces methane, which has around twenty times the greenhouse gas potential of CO_2. Sturdy, biodegradable bags make waste collection and separation easier and more hygienic. They help reduce damage to the environment, as composting produces CO_2 rather than methane. If all of Europe collected and composted its biodegradable waste separately, greenhouse gas emissions from waste disposal could be reduced by 30%.

We have developed Ultradur® PRO especially for medical technology applications, such as components for insulin pens or inhalers. It is characterized by particularly high dimensional stability as well as chemical resistance and low water absorption.

The new products Styrodur® Neo and Styrodur® HT have been added to our portfolio of pressure-resistant insulation panels. While Styrodur Neo ensures even better thermal insulation, Styrodur HT withstands high temperatures especially well.

Furthermore, we showed in a pilot project that organic waste bags made from Ecovio® biodegradable plastic are easily degraded in municipal composting facilities. They are also very stable, making the collection of biodegradable waste easier and more hygienic.

Marketing and customer relations

In the Plastics segment, we develop, produce and market standard products and specialties as well as system solutions and compounded polymers. For standard products, which we sell in large quantities, quality and efficiency take top priority. For specialties and customer-specific products, we focus on tailor-made technical marketing that allows us to implement value-based pricing.

Regional development laboratories help us to quickly adapt our products to local needs. In the highly service-oriented polyurethane systems and specialties business, experience, expertise and close collaboration with customers are essential. Through our network of 38 system houses worldwide, we provide fast local support in the development of customized solutions, as well as technical service, sales and marketing.

We work closely with our customers from an early stage of development onward in order to find optimal solutions and contribute to their success in the long term.

Innovation

- smart forvision concept car: Daimler and BASF implement their ideas for the electric mobility of the future
- Ultradur PRO: new plastic for medical technology applications
- Styrodur Neo and Styrodur HT: improved pressure-resistant insulation panels
- Ecovio: biodegradable plastic bags for easier composting of organic waste

Marketing and customer relations

- Quality and efficiency in the marketing of standard products
- Tailor-made technical marketing for specialties and customer-specific products
- Close cooperation with customers for optimal solutions and lasting success

Capital expenditures

Location	Project	Additional annual capacity through expansion (metric tons)	Total annual capacity (metric tons)	Startup
Ansan, South Korea	Expansion: compounding plant for engineering plastics	13,000	30,000	2011
Chongqing, China	Construction: MDI complex		400,000	2014
Ludwigshafen, Germany	Expansion: Neopor	45,000	805,000[1]	2013
	Expansion: Styrodur	7,000	50,000	2012
	Expansion: polyamide	20,000	global: 720,000	2012
	Construction: TDI plant		300,000	2014
Shanghai, China	Expansion: compounding plant for engineering plastics	39,000	global: 560,000	2013
Yeosu, South Korea	Expansion: MDI plant	60,000	250,000	2012

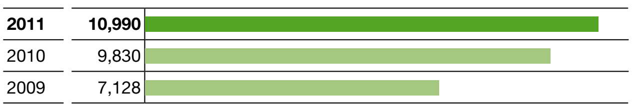
[1] Includes all types of EPS (expandable polystyrene)

Production capacities of significant products

	Sites				
Product	Europe	North America	Asia Pacific	South America, Africa, Middle East	Annual capacity (metric tons)
Isocyanate	X	X	X		1,840,000
Polyamide	X	X			700,000
Polyamide precursors	X	X			1,070,000
Propylene oxide	X		X		925,000[2]

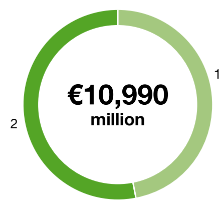
[2] Of which 800,000 metric tons are for polyurethane applications. Contains the full capacity of three joint venture companies for the production of propylene oxide in Belgium, the Netherlands and Singapore, in which BASF has a 50% stake and which are proportionally consolidated in the Group Consolidated Financial Statements.

Sales – Plastics
(million €)



Sales by division

1	Performance Polymers	47%
2	Polyurethanes	53%



Segment data Plastics (million €)

		2011	2010	Change in %
Sales to third parties		10,990	9,830	11.8
Thereof Performance Polymers		5,138	4,389	17.1
Polyurethanes		5,852	5,441	7.6
Intersegmental transfers		694	546	27.1
Sales including intersegmental transfers		11,684	10,376	12.6
Income from operations before depreciation and amortization (EBITDA)		1,678	1,721	(2.5)
EBITDA margin	%	15.3	17.5	–
Income from operations (EBIT) before special items		1,203	1,284	(6.3)
Income from operations (EBIT)		1,259	1,273	(1.1)
Income from operations (EBIT) after cost of capital		674	816	(17.4)
Assets		5,297	5,114	3.6
Research and development expenses		149	141	5.7
Additions to property, plant and equipment and intangible assets		423	250	69.2

In the Plastics segment, our sales to third parties improved from €9,830 million to €10,990 million (volumes 4%, prices 10%, currencies –2%). This significant rise was primarily due to price increases resulting from higher raw material costs. In the first half of the year in particular, we also experienced very high demand from nearly all customer sectors, especially from the automotive industry. However, the pace of growth slowed in the second half of the year. Income from operations amounted to €1,259 million, matching the level of the previous year.

In 2012 we aim to increase sales and earnings in an unchanged market environment.

Performance Polymers

Sales to third parties in 2011 rose by €749 million to reach €5,138 million, thus significantly exceeding the level of the previous year (volumes 4%, prices 16%, currencies –3%). The global economic upturn led to growing demand in nearly all customer sectors. In the engineering plastics business area, we posted considerable growth in sales volumes as demand grew sharply, particularly from the automotive industry in North America and Europe. As a result of the ongoing weakness in the private construction sector in the industrialized countries, however, sales volumes of foams stagnated. In the specialties business, we further strengthened our position in the fast-growing market for biodegradable plastics with the expansion of our production capacity for Ecoflex®.

In addition to an overall improvement in sales volumes, higher prices in all business areas and regions made a significant contribution to sales growth. Particularly for standard products in the polyamide value-adding chain, we raised our prices in response to higher raw material costs. However, the price increases implemented for engineering plastics in North America and Asia were partially offset by negative currency effects.

Income from operations rose considerably as a result of favorable demand development – especially in the automotive and textiles industries – and higher prices.

Factors influencing sales – Plastics

Volumes	4%
Prices	10%
Portfolio	0%
Currencies	(2)%
Sales	**12%**

Income from operations – Plastics
(million €)

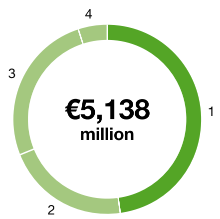
2011	**1,259**
2010	1,273
2009	554

As part of our efforts to increase efficiency in the long term, we successfully expanded our Ecoflex production in Ludwigshafen and closed the less profitable plant in Schwarzheide.

In 2012, we plan to continue the expansion of our business with engineering plastics and specialties. We want these businesses to grow faster than the most important markets and thus significantly improve the division's sales year-on-year. In order to continue implementing our strategy for profitable, lasting growth, we are strengthening our sales and marketing units and investing in research and development as well as in new production facilities. As a result of the costs associated with this, we expect that earnings will not match the level of the previous year.

Performance Polymers – Sales by region
(Location of customer)

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



Polyurethanes

Due to higher prices and volumes, our sales to third parties were €5,852 million, exceeding the previous year's level by €411 million (volumes 5%, prices 5%, currencies –2%). We were able to increase sales in all regions and nearly all product lines.

Demand from key customer sectors, such as the automotive and industrial construction industries, grew sharply in the first half of the year, particularly in Asia and Europe. However, growth began to slow from the middle of the year, especially in the construction industry.

We were able to raise our sales prices for most product lines and thereby largely compensate for higher raw material costs. Nevertheless, due to better availability on the market, prices for TDI decreased.

We successfully expanded our business with specialties, but its earnings were negatively impacted by increased raw material costs. Primarily as a result of lower margins for TDI, income from operations in the Polyurethanes division was below the very good level of the previous year.

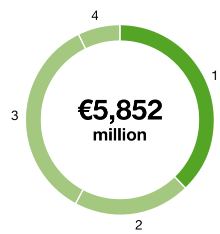
In 2011, we began construction of a new, integrated MDI complex with an annual capacity of 400,000 metric tons in Chongqing, China. This investment will allow us to further strengthen our position in the MDI market in one of the growth regions of Western China. The plant is scheduled to start up in 2014.

As the leading supplier of polyurethane solutions, we are continually expanding our global network of system houses. We have 38 system houses that offer complete solutions which range from swift local support in the development of individual solutions to technical service for our customers. Our system house in Dubai began operations in April 2011. Furthermore, we are planning to construct two polyurethane system houses in Chongqing in Western China and Tianjin in Northern China.

In 2012, we anticipate an unchanged market environment. We expect our sales and earnings to exceed the previous year's level.

Polyurethanes – Sales by region
(Location of customer)

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



Performance Polymers

- Significant sales growth due to higher volumes and prices
- Earnings considerably above previous year's level thanks to favorable demand development and higher prices
- Successful expansion of Ecoflex production in Ludwigshafen
- **Outlook 2012:** significant sales increase; earnings below previous year's level

Polyurethanes

- Sales rise as a result of higher prices and sales volumes
- Earnings below previous year's level, due mainly to lower margins for TDI
- Continuous expansion of our system house network
- **Outlook 2012:** increased sales and earnings

Performance Products

Innovative, fast-growing and cyclically resilient

The Performance Products segment consists of the Dispersions & Pigments, Care Chemicals, Nutrition & Health, Paper Chemicals and Performance Chemicals divisions. Our customers use our products and services to make their production processes more efficient as well as to give their products an improved application profile and special characteristics to design, protect and maintain surfaces. We also offer high-performance products for detergents and cleaners, for cosmetics and for better nutrition.

Segment strategy

Specialties make up a major part of our product range. Key success factors are innovations, close relationships with leading companies in our customer industries as well as special expertise in applications and development. Our products create additional value for our customers, which allows them to set themselves apart from their competitors. We develop new solutions together with our customers and strive for long-term partnerships which create profitable growth opportunities for both sides.

Products, customers and applications

Segment	Performance Products				
Division	**Dispersions & Pigments**	**Care Chemicals**	**Nutrition & Health**	**Paper Chemicals**	**Performance Chemicals**
Products	Polymer dispersions, fiber bonding, pigments (including effect pigments), dyes, preparations, resins, light stabilizers and photoinitiators, formulation additives	Superabsorbents, surfactants, emulsifiers, polymers, emollients, active ingredients, pigments, UV filters, chelating agents, micronutrients, biocides, optical effect products, waxes, esters, amides, silicates and metal surface treatment products	Additives for the food and feed industries, such as vitamins, carotenoids, sterols, enzymes and organic acids Aroma chemicals such as geraniol, citronellol and linalool Active ingredients and excipients for the pharmaceutical industry, like caffeine, ibuprofen and pseudoephedrine as well as binders and coatings for tablets, synthesizing pharmaceutical substances and intermediates for our customers	Dispersions for paper coating, functional chemicals, process chemicals, kaolin minerals	Antioxidants, light stabilizers, pigments and flame retardants for plastic applications Fuel and lubricant additives, engine coolants, brake fluids Process chemicals for the extraction of oil, gas, metals and minerals Chemicals and package solutions for water treatment Auxiliary agents for the production and treatment of leather and textiles
Customer industries and applications	Raw materials for the formulation of varnishes, coatings, printing and packaging inks, adhesives and construction materials	Ingredients for hygiene, personal care, home care and industrial & institutional cleaning businesses as well as for technical applications	Food and feed industries, flavor and fragrance industry and pharmaceutical industry	Paper industry	Plastics processing industry, fuel and lubricant industry, oil and mining industry, municipal and industrial water treatment, leather and textile industry

Strategy

- Specialties: innovation, close relationships with leading customer companies, expertise in applications and development
- Standard products: efficient production structures in the Verbund, technology and cost leadership
- Significantly strengthened market position with Cognis acquisition; now also market leader in personal care ingredients

Cognis integration

- Cognis businesses successfully integrated into the Performance Products segment
- Aiming for additional EBIT of €290 million starting in 2015 through synergies from the Cognis integration
- One-time integration costs of around €300 million expected by the end of 2013; €21 million already incurred in 2010 and €238 million in 2011

We have a different business model for standard products, such as vitamins or dispersions for paper coatings. Here, efficient production structures within the BASF Verbund and capacity management as well as technology and cost leadership are crucial. We support our customers by being a reliable supplier with lean processes, consistent product quality and a good price/performance ratio.

A central element of our value-adding strategy is the active management of our business and product portfolio. We expand the share of innovative, cyclically resilient and fast-growing businesses through acquisitions and divestitures. We completed the structural integration of Ciba in April 2010. By the end of 2012, synergies from the combined businesses will rise to more than €450 million annually. With the acquisition of Cognis on December 9, 2010, we have further strengthened the Performance Products segment and added products to the portfolio that are based on renewable raw materials. This deal has significantly improved our position in some markets, particularly for personal care ingredients. We are now the market leader in this business.

In the Performance Products segment, we aim for long-term profitable growth. While we are actively expanding some business activities, in other areas we are focusing on restructuring and repositioning. To this end, we are defining and implementing new strategies and appropriate business models.

Cognis integration

The Cognis businesses have been successfully integrated into the Performance Products segment. Our goal is to generate additional income from operations (EBIT) of €290 million yearly as a result of the integration. This includes growth synergies to generate an additional EBIT of €145 million annually from 2015 and cost synergies of around €145 million each year, which we expect to achieve starting from the end of 2013.

By the end of 2013, we anticipate one-time integration costs of around €300 million, of which €21 million were already incurred in 2010 and €238 million in 2011. In addition, the full use of inventories stepped up to fair value had resulted in expenses of around €120 million by the first quarter of 2011. The acquired business will already be accretive to earnings per share as of 2012, less than two years after the acquisition. We completed the major parts of the structural integration by the end of 2011.

Innovation

The success of the Performance Products segment is driven by product innovations. We focus on the needs of our customers and on market trends. For example, we recognized the need for effective sun protection products early on. Today's UV filters should not only protect against sunburn, but also offer protection against UVA radiation that can lead to chronic damage. With the launch of our innovative products Tinosorb® M, Tinosorb® S and Uvinul® A Plus, efficient UVA filters are now available for sunscreens and daily skin care products.

UV absorbers are also important in plastics: Our Tinuvin® 1600 is a highly effective UV absorber for engineering plastics which significantly increases the lifetime of end user applications such as modern plastic window glazings or solar panels.

Biologically degradable adhesives will play a decisive role in the development of compostable packaging materials. With Epotal® Eco, we offer the first compostable water-based adhesive certified by the German Technical Inspection Agency TÜV. Epotal Eco is particularly suitable for the production of multilayer films for flexible packaging materials made of biodegradable plastics. These applications can include, for example, granola bar packaging.

Our new synthetic dry-strength agent for use in the paper industry shows how innovations can further improve our customers' production processes. It makes freshly produced wet paper sheets more tear-resistant, enabling a higher throughput speed as well as the use of lower-grade paper fibers. Compared with the starch-based products usually used, our new cationic, vinyl formamide-based polymer offers major cost reduction potential for our customers. Trials with a leading European paper producer have shown that the production costs of wood-free base paper can be reduced by 5%.

Products

- Dispersions & Pigments: raw materials for the formulation of varnishes, coatings, printing and packaging inks, adhesives and construction materials
- Care Chemicals: ingredients for hygiene, personal care, home care and industrial and institutional cleaning businesses as well as for technical applications
- Nutrition & Health: products for the food and feed industries, the flavor and fragrance industry and the pharmaceutical industry
- Paper Chemicals: products for the paper industry
- Performance Chemicals: wide range of system solutions for industrial applications

Starting in summer 2012, we will expand our offering in the aroma chemicals business with L-menthol, a product from our citral value chain. We developed and patented the L-menthol production method. This process allows us to offer a very high level of purity. L-menthol is an ingredient in numerous oral care, flavor and pharmaceutical industry products.

Marketing and customer relations

Our customer portfolio is made up of large and medium-sized enterprises, global and regional customers in almost all areas of the consumer and capital goods industries. We offer our customers direct and individual service and usually maintain long-term business relationships with them. In addition to innovative products, we often offer application services as well. Regional development laboratories allow us to quickly adapt our products to local needs. We follow a value-based pricing strategy that focuses on the overall added benefit that customers gain from our solutions.

We work with specialized distribution partners for certain products and applications and to serve smaller customers. We also supply internal customers, for example BASF's Coatings and Construction Chemicals divisions, which receive important raw materials from the divisions in the Performance Products segment.

Tinuvin 1600

UV absorber for transparent engineering plastics

Value for BASF	Value for our customers
50% **growth in annual sales volumes** from 2006 to 2011	75% **increase in product lifetime** of plastic applications

Value for BASF The plastics industry grows by 3–5% every year, and the growth rate for special applications in the construction, electronics and automotive industries is even higher. Additives considerably improve the performance of plastics and are therefore an important value-adding factor for these industries. We have the world's most comprehensive plastic additives portfolio, and offer products ranging from pigments and antioxidants to high-quality UV absorbers. One example is our UV absorber Tinuvin 1600, with which we increased our sales by 50% per year from 2006 to 2011.

Value for our customers Our UV absorber Tinuvin 1600 increases the lifetime of end applications – such as modern plastic window glazings and solar panels – by up to 75%. At the same time, Tinuvin 1600 allows more efficient processing as well as significantly lower waste in the production process, increasing productivity by up to 15%.

Innovation

- Product innovations: focused on customers' needs and on market trends
- New UVA absorbers offer efficient protection against harmful UVA radiation
- Epotal Eco: the first compostable water-based adhesive certified by the German Technical Inspection Agency TÜV
- L-menthol: new plant to start up in 2012; production method developed and patented by BASF

Marketing and customer relations

- Broad customer portfolio: large and medium-sized global and regional customers from almost all areas of the consumer and capital goods industries
- Development laboratories close to our customers in all regions to enable quick problem solving
- Specialized distribution partners to serve smaller customers as well as for certain products and applications

Capital expenditures

Location	Project	Additional annual capacity through expansion (metric tons)	Total annual capacity (metric tons)	Startup
Antwerp, Belgium	Expansion: superabsorbents	25,000	n/a	2012
Bahrain	Construction: plastic additives		16,000	2012
Camaçari, Brazil	Construction: superabsorbents		60,000	2014
Durban, South Africa	Construction: dispersions	n/a	n/a	2012
Freeport, Texas	Expansion: superabsorbents	35,000	n/a	2011
Huizhou, China	Construction: dispersions (XSB and acrylate)		100,000	2012
Ludwigshafen, Germany	Expansion: methane sulfonic acid	20,000	30,000	2012
	Construction: L-menthol	n/a	n/a	2012
Nanjing, China	Construction: cationic polyacrylamides		20,000	2012
	Construction: quaternized cationic monomers (DMA3/DMA3Q)		40,000	2012
	Construction: polyisobutene		50,000	2011
	Construction: nonionic surfactants		60,000	2011
	Construction: superabsorbents		60,000	2014

Production capacities of significant products

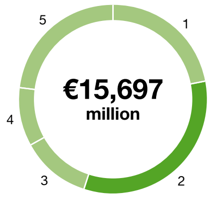
	Sites				
Product	Europe	North America	Asia Pacific	South America, Africa, Middle East	Annual capacity (metric tons)
Anionic surfactants	X	X	X	X	550,000
Citral	X				40,000
Chelating agent	X	X		X	120,000
Methane sulfonic acid	X				10,000
Nonionic surfactants	X	X	X		630,000
Organic pigments	X	X	X	X	n/a
Polyisobutene	X		X		215,000
Superabsorbents	X	X	X		445,000

Sales – Performance Products
(million €)

2011	**15,697**
2010	12,288
2009	9,356

Sales by division

1	Dispersions & Pigments	22%
2	Care Chemicals	33%
3	Nutrition & Health	12%
4	Paper Chemicals	10%
5	Performance Chemicals	23%



Segment data Performance Products (million €)

		2011	2010	Change in %
Sales to third parties		15,697	12,288	27.7
Thereof Dispersions & Pigments		3,509	3,197	9.8
Care Chemicals		5,174	2,755	87.8
Nutrition & Health		1,862	1,482	25.6
Paper Chemicals		1,623	1,713	(5.3)
Performance Chemicals		3,529	3,141	12.4
Intersegmental transfers		490	438	11.9
Sales including intersegmental transfers		16,187	12,726	27.2
Income from operations before depreciation and amortization (EBITDA)		2,312	2,162	6.9
EBITDA margin	%	14.7	17.6	–
Income from operations (EBIT) before special items		1,727	1,554	11.1
Income from operations (EBIT)		1,361	1,345	1.2
Income from operations (EBIT) after cost of capital		(119)	441	.
Assets		13,680	13,409	2.0
Research and development expenses		330	289	14.2
Additions to property, plant and equipment and intangible assets		648	3,000	(78.4)

Sales to third parties grew by €3,409 million to €15,697 million (volumes –1%, prices 6%, portfolio 25%, currencies –2%). This growth was especially supported by the full-year inclusion of the Cognis businesses. While volumes remained generally stable, sales growth was also boosted by higher sales prices resulting from increased raw material costs. Income from operations amounted to €1,361 million, matching the level of the previous year.

In 2012 we expect higher demand and a rise in sales. We aim to increase earnings through growth impetus, mainly from the combined businesses of Cognis and BASF, as well as from lower integration expenses.

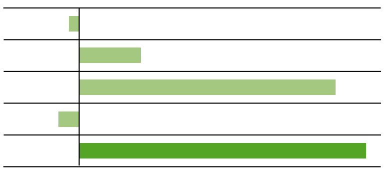
Dispersions & Pigments

In 2011, our sales to third parties were €3,509 million, an increase of €312 million over the previous year (volumes 2%, prices 8%, portfolio 2%, currencies –2%). This sales increase resulted from the generally good economic environment in the first half of the year as well as from the restocking of inventories along the entire value-adding chain. However, at the beginning of the second half, economic growth weakened considerably and our customers began to focus heavily on restrictive inventory management. We were nevertheless able to increase our sales in this period thanks to the inclusion of the Cognis businesses.

Sales in our pigments business area matched the very good level of the previous year and increased significantly in dispersions, resins and additives. We were mostly able to pass on increased raw material costs to the market via higher sales prices, especially in our business with dispersions and resins.

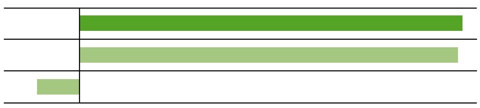
Factors influencing sales – Performance Products

Volumes	(1%)
Prices	6%
Portfolio	25%
Currencies	(2%)
Sales	**28%**



Income from operations – Performance Products
(million €)

2011	**1,361**
2010	1,345
2009	(150)



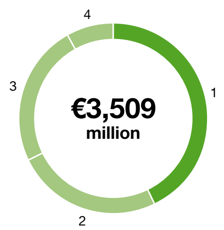
In the resins business, we also benefited from better availability of raw materials as well as the inclusion of the Cognis business. In our additives business, our sales grew thanks in part to the success of our business with specialties for the manufacture of liquid crystal displays, which were in high demand in Asia in the first half of the year. The acquired Cognis activities were also an additional driver of sales growth in this business.

Despite the inclusion of the Cognis business, we have reduced our fixed costs thanks to our continued cost discipline and the realization of further synergies from the Ciba integration. Thanks to strong business performance during the first half of the year, income from operations rose.

We expect demand for our products to continue to grow in 2012. We also expect growth in our key customer industries – automotive, construction and packaging – in the coming year; our sales will likely rise significantly compared with 2011 levels. However, increasing product availability on the market will lead to growing pressure on our margins. Overall, we expect earnings in 2012 to match the previous year's level.

Dispersions & Pigments – Sales by region
(Location of customer)

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



Care Chemicals

Compared with the previous year, we almost doubled our sales in the Care Chemicals division, which rose by €2,419 million to €5,174 million. This considerable growth was mainly attributable to the inclusion of the Cognis businesses (volumes 1%, prices 5%, portfolio 84%, currencies –2%).

In the first half of the year, our business developed successfully thanks to strong demand. In certain product lines we were unable to fully meet demand on account of delivery bottlenecks for precursors. During this time period, we were able to pass on the significant rise in raw material prices to the market through our sales prices. Over the course of the second half of the year, demand from our customer industries weakened, as customers began reducing their inventories in response to growing economic uncertainty. Sales volumes overall matched the high prior-year level. The weaker U.S. dollar had a negative impact on sales.

Despite high special charges, we achieved a significant improvement in income from operations compared with the previous year. The special charges resulted in particular from the integration of Cognis. As expected, they were considerably higher than in the previous year.

The integration of Cognis activities was successful; we reached all important milestones by the end of the year, as planned.

In Nanjing, China, our first nonionic surfactant plant in Asia started up ahead of schedule. Furthermore, we expanded the capacity of our hygiene business in North America.

In 2012, we aim to grow faster than the market and to increase our sales. We expect earnings to grow significantly as expenses for the integration of Cognis decrease and margins remain stable.

Dispersions & Pigments

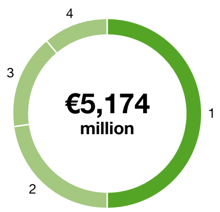
- Sales rise due to good economic environment in first half as well as inclusion of Cognis businesses
- Positive business development, especially in dispersions, resins and additives
- Earnings increase compared with previous year
- **Outlook 2012:** significant sales growth; earnings at previous year's level

Care Chemicals

- Sales improve significantly, mainly thanks to inclusion of Cognis
- Considerable rise in earnings
- Special charges increase due to Cognis integration
- **Outlook 2012:** sales growth; significant increase in earnings with a considerable decline in integration expenses

Care Chemicals – Sales by region
(Location of customer)

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



Nutrition & Health

In the Nutrition & Health division, our sales to third parties increased by €380 million to €1,862 million (volumes 5%, prices –1%, portfolio 23%, currencies –1%). This considerable rise is primarily attributable to the full-year inclusion of the Cognis activities. Demand for our products was high, particularly in the first half of the year. We were able to increase sales volumes in nearly all business areas and regions in 2011. We posted the strongest volume growth in the business areas pharmaceuticals and animal feed. In some product lines, we were unable to keep up with demand because our capacities were already fully utilized, or because of a shortage of key raw materials. The price level for vitamins declined slightly as a result of intense competition. In addition, sales growth was slowed by the weakness of the U.S. dollar.

Despite increasing sales volumes, income from operations did not match the high level of the previous year. This was mainly due to special charges associated with the integration of the acquired Cognis businesses as well as pressure on margins from higher raw material prices and more intense competition.

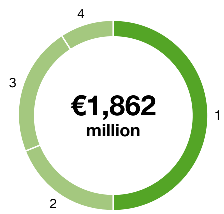
In 2012, we aim to again post an increase in sales volumes and sales. Growth impetus is likely to come from our human nutrition business, which combines the activities of BASF and the former Cognis, as well as our business with customized pharmaceutical specialties and the scheduled startup of the world's largest production facility for the aroma chemical L-menthol. With generally stable margins and lower integration expenses, we expect significantly higher earnings than in the previous year.

Nutrition & Health

– Significant sales growth due mainly to inclusion of Cognis activities
– Substantial volume growth, especially in the pharmaceuticals and animal nutrition business areas
– Earnings below strong prior-year level due in part to special charges
– **Outlook 2012:** sales increase due to higher sales volumes; significant improvement in earnings

Nutrition & Health – Sales by region
(Location of customer)

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



Paper Chemicals

In 2011, we posted sales to third parties of €1,623 million, a decrease of €90 million compared with the previous year (volumes –9%, prices 8%, portfolio –2%, currencies –2%). In addition to restructuring measures, this decline was attributable to the considerably lower demand in almost all regions; particularly in Europe and North and South America, we faced a difficult market and competitive environment. Increased prices could not fully offset the decline. In Asia, our sales volumes matched the previous year's level. Here, we focused on the growth markets of China, India and Indonesia.

We were able to achieve a substantial reduction in our fixed costs through restructuring measures, such as the realignment of global production structures for paper dyes, and exiting the optical brightener business in Europe. Our strict cost management also contributed here. Nevertheless, income from operations declined, mainly on account of the high special charges resulting from restructuring measures.

In 2012, we continue to anticipate a difficult economic environment in the paper industry, especially in the regions Europe and North America. Electronic media will continue to displace printed media and paper, making further consolidation and plant closures necessary in our customer industry. On the other hand, the market for paper packaging material will continue to experience stable growth. Especially in this business environment, we plan to grow faster than the market with environmentally friendly, biodegradable barrier coatings. There are good growth opportunities in the Asian market. Therefore, we

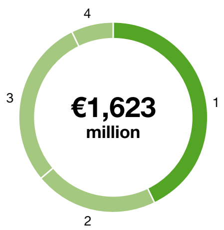
Paper Chemicals

– Sales decrease as a result of restructuring measures as well as lower demand
– Substantial reduction in fixed costs thanks to restructuring measures and strict cost management
– Earnings decline compared with previous year, mainly due to high special charges
– **Outlook 2012:** sales in continuing operations higher than previous year's level; significant increase in earnings

plan to start up plants for cationic polymers and coating binders in China in 2012. We will also focus on introducing new, inexpensive paper dispersions on the market and accelerating the launch of biopolymers. We aim for sales growth in our continuing operations in 2012 and want to significantly increase earnings through rising volumes and further reductions in fixed costs.

Paper Chemicals – Sales by region
(Location of customer)

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



Performance Chemicals

In 2011, our sales to third parties rose by €388 million to €3,529 million (volumes –5%, prices 7%, portfolio 12%, currencies –2%). In the first quarter, there was strong demand for our products, but it then weakened over the course of the year. Due to increasing economic uncertainty, our customers reduced their inventory levels. In order to pass on the high raw material costs to the market, we successfully adapted prices in all business areas in line with our "value over volume" strategy. The overall significant sales growth was driven mainly by our strong business in fuel and lubricant solutions as well as the full-year inclusion of the integrated Cognis businesses, in addition to higher prices.

Income from operations was considerably above the level of the previous year. This development was supported by our strict price management and by the acquired Cognis businesses. In contrast, the weak U.S. dollar, the strong Swiss franc, the demand-related volume decline and the consequences of the earthquake and tsunami disaster in Japan had a negative effect on earnings.

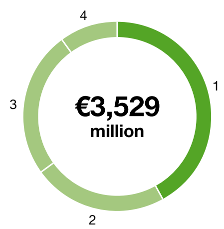
In our plastic additives business, we want to get even closer to our customers in fast-growing regions; to this end, we began construction of a new plant for customized antioxidant blends in the Middle East.

With the acquisition of inge watertechnologies AG, we now offer solutions for ultrafiltration technology, a membrane process used in the treatment of drinking water, process water, wastewater and seawater. This acquisition also strengthens our water treatment chemicals business.

In 2012, we expect sales to rise on account of the startup of new production facilities – for example, plants for polyacrylamide and polyisobutene in Nanjing, China – as well as a slight recovery in demand. Furthermore, despite targeted additional expenditures for research and development, we expect earnings to improve significantly due to price measures already implemented, further price differentiation, measures to increase efficiency and systematic customer management.

Performance Chemicals – Sales by region
(Location of customer)

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



Performance Chemicals

- Considerable improvement in sales in 2011 thanks in part to higher prices; successful business with fuel and lubricant additives
- Earnings significantly above previous year's level thanks to strict price management and the contribution from the acquired Cognis businesses
- **Outlook 2012:** considerable sales growth due in part to the startup of new production facilities; earnings to improve significantly despite increase in targeted additional expenditures for research and development

Functional Solutions

Customer-specific products and system solutions

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

Segment strategy

Our portfolio is made up of innovative products and technologies that allow our customers to set themselves apart from their competitors. The success of the segment is based primarily on specialties and system solutions developed in collaboration with our customers. One focus of our strategy is the ongoing optimization of our product portfolio and structures in accordance with different regional market requirements as well as trends in our customer industries. For example, our new Battery Materials business unit drives solutions for the electric mobility of tomorrow. We aim to strengthen our leading market position in Europe, to profitably expand our position in the North American market and to selectively extend our activities in the growth regions of Asia, South America, Eastern Europe and the Middle East.

Innovation

In the Catalysts division, we have a research and development platform that is unique in the industry. We continuously expand our technological leadership through process and product innovations. Our focus is on improving the performance of our catalysts to conserve resources and meet tightening emission standards. Our SCR (Selective Catalytic Reduction) technology, for example, can remove over 90% of nitrogen oxide emissions from the exhaust flow of diesel engines. This innovation earned us the Thomas Alva Edison Patent Award in 2011.

Construction Chemicals aligns its research and development activities with local customers' needs and construction industry trends. Sustainability – in other words, cost and resource efficiency – is the focus of the division's research. One example is our newly launched Masterflow® special grouts for anchoring wind turbines. These help to make turbine installation more efficient and secure and to ensure long-lasting durability in harsh weather conditions. Other key research topics are organic binders for applications in flooring and waterproofing as well as inorganic binders as an alternative to cement.

Products, customers and applications

Segment	Functional Solutions		
Division	**Catalysts**	**Construction Chemicals**	**Coatings**
Products	Automotive and process catalysts Precious and base metal services	Concrete admixtures, cement additives, underground construction solutions, exterior insulation and finishing systems, sealants, repair products, high-performance mortars and grouts, tile-laying systems	Coatings solutions for automotive and industrial applications Decorative paints
Customer industries and applications	Automotive and chemical industries Refineries	Cement and concrete producers, construction companies, craftsmen, builders' merchants Solutions for building envelopes and structure, interior construction in residential and commercial buildings, and for infrastructure	Automotive industry, body shops, steel industry, painting businesses and private consumers

Strategy

- Focus on innovative products and technologies that allow customers to set themselves apart from the competition
- Development of specialties and system solutions in close collaboration with our customers
- Continuous optimization of our product portfolio according to regional market requirements and trends in the customer industries

Innovation

- Especially efficient exhaust gas purification with SCR technology for diesel engines
- Specially designed Masterflow grouts to securely anchor wind turbines
- More efficient coating process for the automotive industry

Capital expenditures

Location	Project	Startup
Clermont de l'Oise, France	Construction: coating resins	2012
Elyria, Ohio	Construction: battery materials	2012
Mangalore, India	Expansion: construction chemicals	2011
Swinton, United Kingdom	Expansion: construction chemicals	2011
Tultitlán, Mexico	Construction: regional laboratory activities	2012
Westonaria, South Africa	Expansion: construction chemicals	2011

SCR (Selective Catalytic Reduction) filter
A single component removes nitrogen oxides and soot

Value for BASF
annual

30%

worldwide **increase in sales volumes** of catalysts for diesel-powered commercial vehicles expected through 2015

Value for our customers
up to

25%

less space needed compared with exhaust gas purification systems with two components

Value for BASF Standards for exhaust gases are becoming increasingly strict; demand is growing for our catalysts for diesel-powered commercial vehicles. We aim for an annual 30% increase in sales volumes for our SCR filters through 2015.

Value for our customers Thanks to our SCR filter, nitrogen oxides and soot can be removed using just one component. This not only saves weight, but also space – up to 25% compared with two-part exhaust gas purification systems, thus allowing more flexibility in the construction of drive train components.

In the Coatings division, we continually work on developing innovative coating systems and intelligent solutions to contribute to our customers' success. We make sure that the coatings of the future will be more scratch-resistant and less sensitive to environmental influences, offering improved corrosion protection and innovative color and design effects. Moreover, we develop coating processes that are more efficient and environmentally friendly. In the automotive sector, for example, we managed to successfully integrate the functionality of two paint layers into one layer. Car body painting thus requires fewer steps and less energy, shortening the overall painting process.

Marketing and customer relations

Our customer portfolio includes everything from major customers to medium-sized regional businesses, to small local businesses and body shops. Our business models and sales channels are aligned with the needs of the specific customer groups and market segments. We provide our major customers with individual service, offering customized research and development and technical services. Regional development laboratories allow us to quickly adapt our products to local needs.

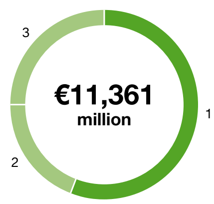
Good cooperation and the regular exchange of ideas and experience have, for example, resulted in Daimler becoming the first customer to use our new, innovative iGloss® clearcoat in serial production. This finish is characterized by especially high scratch resistance, ensuring that cars look like new for longer.

Sales – Functional Solutions
(million €)

2011	**11,361**
2010	9,703
2009	7,115

Sales by division

1	Catalysts	56%
2	Construction Chemicals	19%
3	Coatings	25%



Segment data Functional Solutions (million €)

		2011	2010	Change in %
Sales to third parties		11,361	9,703	17.1
Thereof Catalysts		6,380	5,005	27.5
Construction Chemicals		2,181	2,121	2.8
Coatings		2,800	2,577	8.7
Intersegmental transfers		195	159	22.6
Sales including intersegmental transfers		11,556	9,862	17.2
Income from operations before depreciation and amortization (EBITDA)		921	861	7.0
EBITDA margin	%	8.1	8.9	–
Income from operations (EBIT) before special items		559	467	19.7
Income from operations (EBIT)		427	457	(6.6)
Income from operations (EBIT) after cost of capital		(599)	(356)	(68.3)
Assets		9,725	9,364	3.9
Research and development expenses		192	179	7.3
Additions to property, plant and equipment and intangible assets		359	208	72.6

In the Functional Solutions segment, our sales to third parties increased year-on-year by €1,658 million to €11,361 million (volumes 9%, prices 10%, portfolio 1%, currencies –3%). Demand from the automotive industry for both our mobile emissions catalysts and automotive coatings was strong. At €427 million, income from operations was €30 million below the level of the previous year, mainly as a result of higher special charges, particularly in the Coatings division.

In 2012, we expect growing demand from our key customer sectors, the construction and automotive industries. We expect sales and earnings to exceed the level of the previous year.

Catalysts

Our business benefited in 2011 from the continued upturn in the global automotive industry as well as the considerable recovery in the market for chemical catalysts. Sales to third parties increased by €1,375 million to €6,380 million (volumes 13%, prices 17%, portfolio 1%, currencies –4%). This significant sales growth was supported by rising precious metal prices. For the most part, we were able to pass on higher costs for rare earths to the market.

Our sales volumes of mobile emissions catalysts improved significantly in all regions. While demand for the light duty gas segment in North America and Asia remained consistently strong, the demand for the light and heavy duty diesel segment grew substantially in Europe.

The upswing in the automotive industry positively impacted the performance of our unit Precious and Base Metal Services, whose activities focus mainly on trading. On account of higher precious metal prices, sales rose by €378 million to €2,860 million.

Factors influencing sales – Functional Solutions

Volumes	9%
Prices	10%
Portfolio	1%
Currencies	(3%)
Sales	**17%**

Income from operations – Functional Solutions
(million €)

2011	**427**
2010	457
2009	107

In this favorable market environment, we posted a considerable increase in our income from operations.

We expect our sales to grow significantly once more in 2012. This growth will be driven by the ongoing positive developments in the automotive and chemical industries as well as rising prices for base and precious metals. Our programs to improve operational excellence will continue to contribute to cost reduction and greater efficiency in 2012. We expect earnings to significantly exceed the previous year's level.

Catalysts – Sales by region
(Location of customer)

1	Europe	36%
2	North America	29%
3	Asia Pacific	23%
4	South America, Africa, Middle East	12%

Construction Chemicals

Compared with the previous year, we increased our sales to third parties in 2011 to €2,181 million (2010: €2,121 million). Negative currency effects were more than offset by higher volumes (volumes 4%, prices 1%, currencies –2%).

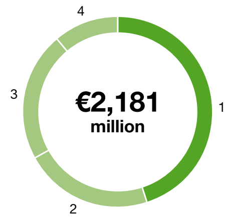
Our business performance varied considerably by region: In China, India, Russia and Saudi Arabia, our sales rose significantly once again thanks to strong demand. Although the market environment in North America remained challenging, we also improved our sales in that market in local-currency terms. Furthermore, our sales grew in the important European markets of France and Germany, as well as in Northern Europe, as a result of the recovery in the construction sector. In contrast, we experienced a sharp drop in sales in Southern Europe; in Spain in particular, the economic conditions in the construction industry worsened again. The tense political situation in North Africa negatively impacted our business in this region.

Income from operations was below the level of the previous year due primarily to the negative development in the construction industry in Spain and North Africa. Furthermore, the market recovery we had forecast in North America failed to materialize. We were therefore only partially able to pass on higher raw material costs to our customers. In Spain, we adapted our sales structures to the weak market environment; the resulting expenses also had a negative impact on earnings.

We expect the following developments in our important markets in 2012: In Northern and Western Europe as well as Japan, growth will continue in the construction sector, while building activity in China will continue to increase at a strong pace. Furthermore, we expect substantial growth in South America, Turkey and Saudi Arabia. Thanks to this economic recovery and based on measures for improving our efficiency, we aim to significantly improve sales and earnings in 2012.

Construction Chemicals – Sales by region
(Location of customer)

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



Catalysts

– Sales considerably exceed prior-year level thanks to strong business with automotive and chemical catalysts and higher precious metal prices
– Significant improvement in earnings in a favorable market environment
– **Outlook 2012:** significant sales and earnings growth from ongoing positive development in automotive and chemical industries and higher prices for base and precious metals

Construction Chemicals

– Sales increase due to greater volumes
– Earnings below previous year's level primarily as a result of negative development of construction sector in Spain and North Africa
– **Outlook 2012:** significant sales and earnings increase thanks to economic recovery in key markets as well as to measures for improving our efficiency

Coatings

In 2011, we increased our sales to third parties year-on-year by €223 million to €2,800 million (volumes 6%, prices 4%, currencies –1%). Demand for our products grew in all business areas. The favorable market environment in the global automotive industry, higher demand in South America and our strong business with coatings solutions in Russia made a significant contribution to sales growth.

Our business with automotive coatings was very successful thanks to growing demand from our customers in Europe and Asia, especially in China. Sales in the automotive refinish coatings business also grew thanks to new customers and price increases, but the business environment remained competitive. We were able to achieve a significant increase in sales volumes of coatings for transportation and agricultural machinery. In Europe, we benefited from strong demand for coil coatings from the Russian steel industry. Thanks to new customers, especially in emerging markets, sales volumes of coatings for wind turbines also grew. In the decorative paints business area, sales were higher than in the previous year, particularly in South America. In this region, we not only experienced greater consumer demand, we were also able to gain additional market share with product innovations and targeted advertising measures.

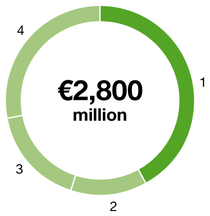
Income from operations was below the level of 2010 owing to special charges which resulted from impairments in connection with the planned sale of our business with Relius® brand decorative paints. Production sites in Memmingen, Germany, and Deurne, Netherlands, are primarily affected by this divestiture. Adjusted for these special charges, earnings exceeded the very good level of the previous year.

Although we expanded our operations, we managed to limit the increase in fixed costs thanks to restructuring projects. The sharp increase in raw material costs could not be fully passed on to the market.

In 2012, we expect demand for decorative paints in South America to stabilize at a high level and demand from the global automotive industry to grow. The emerging markets in particular will be a driving force in this regard. We therefore expect sales to increase in comparison with the 2011 level. After the high special charges in the previous year, earnings are expected to significantly increase in 2012. We will strengthen our presence in the growth markets of Asia and Eastern Europe – particularly in China, India and Russia – and together with our customers, we will continue to grow in these markets.

Coatings – Sales by region
(Location of customer)

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



Coatings

– Sales improve in 2011 thanks in part to favorable market conditions for the global automotive industry as well as increased demand in South America
– Special charges arise from write-downs related to the planned sale of our business with Relius brand decorative paints; earnings therefore below previous year's level
– **Outlook 2012:** sales to grow thanks in part to growing demand from the global automotive industry; significant earnings improvement after high special charges in 2011

Agricultural Solutions

Innovations for the health of crops

The Agricultural Solutions segment consists of the Crop Protection division. We develop and produce innovative active ingredients and formulations for the improvement of crop health and yields, and market them worldwide. BASF Plant Science conducts research in the field of plant biotechnology.

Crop Protection – Strategy

Our strategy has been developed based on long-term market trends. To feed the growing world population, we need a sustainable increase in crop yields. This is only possible with the help of innovations. In order to secure our future growth, we rely on a clear and long-term innovation strategy. We offer our customers a broad portfolio of integrated solutions, continuously invest in our active ingredients pipeline and develop improved formulations. In addition, we make targeted investments in core markets and intensify our investments in growth markets.

Moreover, we want to further strengthen our strategic partnerships with seed companies, benefiting from the technological competence of BASF Plant Science. We develop solutions together with other BASF divisions that go beyond conventional crop protection measures. With the help of the BASF Verbund, we address important issues in agriculture, such as water management or sustainable yield optimization.

Innovation

In 2011, we increased our research and development expenditures to €412 million. This represents around 10% of sales. We make targeted investments to identify novel active ingredients at an early stage and to quickly bring to market the results of our research and development projects. Our pipeline currently has a peak sales potential of €2,800 million, which is €400 million more than in the previous year. Of this, €1,200 million relates to products that will have been launched between 2010 and 2020, including Kixor®, Initium® and Xemium®. Thanks to the continuous and successful expansion of our umbrella brand AgCelence®, we expect our active ingredient F 500® to reach a total peak sales potential of €1 billion.

Xemium is a particularly powerful and widely applicable fungicide for field and specialty crops. Sales already began in France at the end of 2011. In the course of the global market launch, starting in 2012, we plan to offer Xemium in more than 50 countries for use with over 100 different crops. We are also working on the development of two herbicide tolerance projects

Products, customers and applications

Segment	Agricultural Solutions				
Indications and sectors	**Fungicides**	**Herbicides**	**Insecticides**	**Seed treatment**	**Pest control**
Application	Protecting crops from harmful fungal attacks; improving plant health	Reduction of nutrient and water deprivation caused by weeds	Combating insect pests in agriculture	Protecting seeds and young plants from fungal diseases and harmful insects	Non-agricultural applications: public health, professional pest control, landscape maintenance
Product examples	Products for fungicidal applications: boscalid, F 500, Xemium Products for plant health: AgCelence (umbrella brand)	Kixor, imidazoline, imidazolinone, pendimethalin	Fipronil, alpha-cypermethrin, teflubenzuron	Standak Top	Termidor to protect against termite infestation

Sales – Agricultural Solutions
(million €)

2011	**4,165**
2010	4,033
2009	3,646

Strategy and products

- Clear and long-term innovation strategy secures future growth
- Targeted investments in core markets and growth markets
- Our products: fungicides, herbicides, insecticides, seed treatment, crop health products and applications in the non-crop sector

Blockbuster fungicide Xemium
An important component of BASF's fungicide portfolio

Value for BASF

>€200 million

total peak sales potential

Value for our customers

3x

better performance compared with conventional fungicides

Value for BASF Xemium is an important addition to our fungicide portfolio and further strengthens our leading position in the market for carboxamide fungicides. We aim for a peak sales potential of more than €200 million with Xemium.

Value for our customers Xemium outperforms conventional fungicides in three ways: It remains effective longer, can be used more flexibly and disperses extraordinarily well within the plant. For the farmer, this means higher crop yields and improved quality.

and three additional active ingredients, as well as on the establishment of our new Functional Crop Care business area. Here, we will develop solutions in resource and stress management in order to help protect the environment and improve crop yield.

Marketing and customer relations

Innovative, high-value products and services as well as strong local expertise are key to making our collaboration with customers successful.

We see major growth potential in Asia, particularly in China and India. We want to strengthen our support for farmers in these countries with our wide-ranging expertise in agronomic practices and technological solutions.

Acting responsibly is an integral part of BASF's business philosophy. We have invested in the development of a new method to implement sustainable solutions and agricultural practices with our customers. AgBalance® is a way of measuring sustainability in agriculture that reveals where there is room for improvement.

→ **For more, see basf.com/agbalance_e and page 214**

Investments

In 2011, we invested €150 million. A large portion of this amount was directly related to the creation of new production capacities for our fungicide Xemium. Furthermore, we increased capacity for the formulation of our fungicide F 500 in North America. At the Ludwigshafen site, we invested in infrastructure to improve our filling processes.

To be able to meet the high demand for our innovative crop protection products in the future, we will continue to invest in our production capacities. To do this, we plan an average investment volume of approximately €200 million annually over the next few years.

BASF Plant Science
Plant biotechnology at BASF

BASF Plant Science is one of the world's leading suppliers of plant biotechnology solutions for agriculture. More than 750 employees at eight sites help farmers meet the growing demand for increased agricultural productivity as well as better nutrition for people and animals. BASF invests more than €150 million per year to accomplish this. Research and development expenses, sales, earnings and all other data of BASF Plant Science are not included in the Agricultural Solutions segment; they are reported in Other.

Income from operations – Agricultural Solutions
(million €)

2011	**808**
2010	749
2009	769

Innovation

- 2011: research and development expenditures of €412 million; 10% of sales
- Pipeline with peak sales potential of €2,800 million
- Widely applicable fungicide Xemium to be launched globally in 2012
- Creation of new business area, Functional Crop Care

Crop protection pipeline

Product	Market launch 2002-2009	Market launch 2010-2020	Total peak sales potential
F: F 500, orysastrobin, dimoxystrobin, F 500 seed treatment, boscalid, metrafenone			€1,600 million
H: tritosulfuron, topramezone			
I: chlorfenapyr, Metaflumizone			
F: Initium, Xemium, a new fungicide			€1,200 million
H: Kixor, a new herbicide			
I: a new insecticide			
HT systems, for example, Dicamba or Cultivance[1]			
Functional Crop Care			

Abbreviations: F = fungicide, H = herbicide, I = insecticide, HT = herbicide tolerance
[1] Herbicide tolerance project Cultivance is also reported in the BASF biotech pipeline.

Strategy

With a pioneering platform for gene discovery, BASF Plant Science has specialized in the development of plant characteristics such as higher yield, drought tolerance or disease resistance. Our goal is to develop crops like corn (maize), soybeans and rice that provide farmers with higher and secure yields. We also make an important contribution to sustainable agriculture because the cultivation of these plants significantly reduces the amount of land, water and energy required to produce each metric ton of harvested crops. In addition, we develop plants that can improve nutrition or be even better used as renewable raw materials. We market our products together with leading partners in the seed industry.

Starting in 2012, BASF Plant Science will concentrate even more on the main markets of North and South America. The company's headquarters will be moved to the Research Triangle Park site in Raleigh, North Carolina, in order to gain proximity to these markets.

Innovation

BASF Plant Science cooperates with a number of biotechnology companies, research institutes and universities worldwide. Together with Monsanto, we develop higher-yielding and stress-tolerant corn, soybean, canola (oil-seed rape), wheat and cotton plants. The world's first genetically engineered drought-tolerant corn was approved for cultivation in the United States in December 2011. It will be grown on selected farms in the United States starting in 2012 in order to familiarize farmers with the product.

Cargill and BASF Plant Science have been working together to develop healthy canola oil since November 2011. This oil is rich in valuable polyunsaturated omega-3 fatty acids that have been proven to offer health benefits.

All projects aimed solely at the European market will be stopped in 2012. This applies to the amylopectin potatoes Amflora, Amadea and Modena, as well as the late-blight-resistant potato, Fortuna. Approval processes that have already begun will be continued.

BASF Plant Science

– BASF's plant biotechnology company with more than 750 employees worldwide
– Pioneering gene discovery platform
– Development of crops with clear advantages for farmers, consumers and the environment
– Company headquarters to move to the Research Triangle Park site in North Carolina starting in 2012

Innovation

– Cooperation with Monsanto: first genetically modified corn approved for cultivation in the United States
– Cooperation with Cargill: development of healthy canola oil with polyunsaturated omega-3 fatty acids
– Projects aimed solely at the European market to be stopped, including amylopectin potatoes Amflora, Amadea, Modena and Fortuna

Segment data Agricultural Solutions[1] (million €)

		2011	2010	Change in %
Sales to third parties		4,165	4,033	3.3
Intersegmental transfers		27	25	8.0
Sales including intersegmental transfers		4,192	4,058	3.3
Income from operations before depreciation and amortization (EBITDA)		981	938	4.6
EBITDA margin	%	23.6	23.3	–
Income from operations (EBIT) before special items		810	749	8.1
Income from operations (EBIT)		808	749	7.9
Income from operations (EBIT) after cost of capital		242	289	(16.3)
Assets		5,350	5,063	5.7
Research and development expenses		412	393	4.8
Additions to property, plant and equipment and intangible assets		150	145	3.4

[1] Research and development expenses, sales, earnings and all other data of BASF Plant Science are not included in the Agricultural Solutions segment; they are reported in Other.

Compared with the previous year, our sales to third parties grew by €132 million to €4,165 million, thanks to higher volumes. Despite increased investments in research and development as well as in growth markets, income from operations reached €808 million, exceeding the 2010 level by €59 million.

We will continue our successful innovation strategy in 2012 and we aim once again for sales and earnings growth.

Crop Protection

In the Crop Protection division, sales to third parties increased by €132 million to €4,165 million (volumes 6%, prices 0%, currencies –3%). This sales growth was primarily attributable to the positive market environment: Thanks to increased agricultural commodity prices and the resulting high liquidity in the agriculture sector, demand grew for our innovative crop protection products. On the other hand, the depreciation of the U.S. dollar had a negative impact on sales.

At €1,659 million, sales in **Europe** were €93 million higher than in 2010. This increase was driven in particular by strong demand from the growth markets of Eastern Europe as well as by our successful fall business. In addition, our business with herbicides for sunflowers and corn (maize) made a significant contribution to sales growth. However, the extreme drought in our key markets in Western Europe during the first half of the year reduced demand for fungicides.

In **North America**, our sales declined by €34 million to €965 million, in particular due to the depreciation of the U.S. dollar. Furthermore, the cultivated area declined due to flooding during the first half of the year; herbicide demand decreased. These developments could be partially offset by increased sales volumes of our fungicides for plant health, as farmers were more willing to invest in products that offer benefits beyond disease control.

Factors influencing sales – Agricultural Solutions

Volumes	6%
Prices	0%
Portfolio	0%
Currencies	(3%)
Sales	**3%**

Factors influencing sales

- Europe: sales growth mainly driven by strong demand from the growth markets of Eastern Europe
- North America: sales decline, especially as a result of the depreciation of the U.S. dollar
- Asia: sales improve considerably as a result of higher sales volumes
- South America: sales increase thanks to higher prices and volume growth

In **Asia**, our sales improved considerably thanks to higher sales volumes, rising by €49 million to €487 million. This growth was particularly attributable to our successful herbicide business in India as well as to strong demand for products based on F 500® in the growth markets of India and China. In India, we also benefited from our Samruddhi business model, which focuses on training farmers in the proper use of crop protection products and fertilizers in order to increase yields.

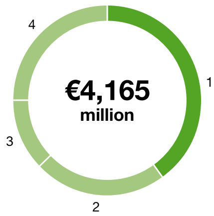
As a result of higher prices and growing volumes, sales in **South America** grew by €24 million to €1,054 million, despite negative currency effects. In particular, our business with the AgCelence® production system – a combined product offering that ranges from seed treatment to foliar applications – grew considerably. Insecticides for sugarcane and seed treatment were in high demand, especially in Brazil. For example, our innovative seed treatment Standak® Top sold very well on the Brazilian market.

In this positive business environment, we achieved income from operations of €808 million, exceeding the high level of the previous year by €59 million. The rise in earnings was limited by negative currency effects as well as our planned increase in investments in research and development and the expansion of our sales team in growth regions.

We expect slight growth in the market for agricultural chemicals in 2012. We anticipate that prices for agricultural commodities will continue to be highly volatile and remain above the historical average. In addition to agricultural commodity prices and weather conditions, the exchange rates of important currencies will play an important role in our business development. In light of our recently launched products and the expansion of our business in growth markets, we want to grow faster than the market in 2012. We aim to improve sales and earnings.

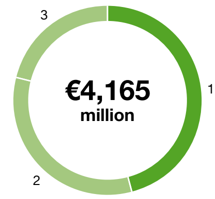
Crop Protection – Sales by region
(Location of customer)

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



Crop Protection – Sales by indication

1	Fungicides	46%
2	Herbicides	33%
3	Insecticides and other	21%



Crop Protection

- Sales increase in 2011 as a result of high demand, particularly in growth markets
- Earnings exceed high level of previous year despite negative currency effects and increased investments in research and development as well as in sales activities
- **Outlook 2012:** slight growth in the agricultural chemical market with crop commodity prices remaining volatile; sales and earnings to improve

Oil & Gas

Exploration and production of oil and natural gas; Trading, transport and storage of natural gas

BASF's oil and gas activities are bundled in the Wintershall Group. Wintershall and its subsidiaries operate in the business sectors Exploration & Production and Natural Gas Trading.

Segment strategy

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/Middle East and South America. To ensure our lasting success, we continuously develop our technological expertise. Our focus here is on measures for increasing the yield from oil-producing deposits as well as the development of technologies for reservoirs with difficult production conditions. By utilizing the synergies resulting from the research expertise available within the BASF Group, we are increasingly able to enhance our position as a partner with exceptional technological expertise.

The long-term increase in demand for natural gas in Western Europe, coupled with the decline in regional production, means that ever-increasing volumes of natural gas will have to be imported. This creates opportunities for our business sectors, which we exploit within the scope of our Gas for Europe strategy. We explore for and produce natural gas in and around Europe and help to establish the necessary infrastructure to deliver the gas to our customers. With our pipeline network and strategically positioned natural gas storage facilities, we make an important contribution to securing gas supplies in Germany and Europe.

We operate in ecologically sensitive areas. Therefore, before our activities start, we carefully examine potential consequences for the environment, such as for water and biodiversity. Together with experts, our contractors and relevant stakeholders, we develop and implement measures to minimize the impact on people and the environment. In so doing, we act in accordance with international agreements, local regulations and our own high standards.

Exploration & Production

Europe: The Mittelplate oil field in the North Sea tidal flats is the cornerstone of our oil production in Germany. Wintershall and RWE-DEA each own a 50% stake in this field, the largest known oil deposit in the country. In 2011, we also drilled the first wells as part of our biopolymer project to increase recovery rates from the Bockstedt oil field in Lower Saxony.

Wintershall is one of the largest producers of natural gas in the southern North Sea, producing approximately 1.0 billion cubic meters annually. In October 2011, we began production at the Wingate platform, the first gas production site operated by Wintershall in the British North Sea. Similarly to 19 other platforms, this is centrally controlled by one of the most modern radio control systems in the world.

Our oil activities in Norway and the United Kingdom also play an important role in our portfolio. For example, in the Catcher field off the east coast of Scotland, three exploration and appraisal wells were successfully drilled in 2011 (Wintershall's stake: 20%). We were also able to expand our resources in Norway in 2011 thanks to exploration projects. The Norwegian Parliament approved our plan for operating the Knarr field in the northern North Sea. This field, in which Wintershall has a 20% stake, has commercially recoverable reserves of more than 70 million barrels of oil equivalent. Furthermore, we were granted two exploration licenses with operatorship for the first time in the Barents Sea.

Russia and the Caspian Sea region: The Yuzhno Russkoye natural gas field in Western Siberia has been operating at plateau production since 2009. We participate with a 35% interest in the economic rewards of this field. In addition, we have a 50% share in the development of a section of the Achimov formation (Block IA, Achimgaz) in the Urengoy field, which is also located in Western Siberia. After the successful completion of the pilot phase in November 2011, we began development of the entire field. Twenty new production wells are planned as part of a first subproject.

Oil & Gas segment

- Two business sectors: Exploration & Production and Natural Gas Trading, bundled in the Wintershall Group
- Success in exploration and production is driven by investments as well as expansion of technological expertise
- We make an important contribution to Europe's supply security with our "Gas for Europe" strategy

Exploration & Production

- Norway and Russia play a central role in enhancing our portfolio
- First Wintershall-operated natural gas production in the United Kingdom
- Expansion of upstream activities with Gazprom in Achimov projects in Russia and in the North Sea

We have signed a Memorandum of Understanding for an asset swap with Gazprom: According to this agreement, Wintershall will hold a 25% stake in the development of Blocks 4 and 5 of the Achimov Formation in the Urengoy field – with the option to raise this stake to 50% in a second step. In return, Gazprom will receive a stake in fields in the British and Dutch North Sea.

In the Caspian Sea region, we are pursuing exploration projects in Turkmenistan.

North Africa/Middle East: In Libya, we operate eight oil fields in the southeastern Sirte Basin in the onshore concessions 96 and 97. Following political tension in Libya, we took the precaution of stopping production in both concessions in February 2011. These facilities have been in operation again since mid-October. Production was stopped from March to September 2011 in the Libyan Al Jurf offshore oil field, in which Wintershall has a minority stake.

In Mauritania, we conduct exploration activities in two onshore concessions. We drilled the first exploration well in Block 4N in Qatar; we also hold a stake in Block 3. In Abu Dhabi, we signed a Memorandum of Understanding with the Abu Dhabi National Oil Company for the development of a natural gas deposit.

South America: We hold shares in 15 fields in Argentina. In the Neuquén Basin, we began three technology projects to explore the potential for shale gas in the Aguada Pichana, Bandurria and San Roque blocks. We hold stakes in two blocks in Chile and have drilled the first exploration well.

→ **For more on current reserves, see pages 77 and 204**

Natural Gas Trading

The WINGAS Group, operated jointly with Gazprom, combines our main activities in natural gas trading, transport and storage.

Natural gas trading: 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.

Nord Stream pipeline

Important role in supplying the European Union with energy

Value for BASF	Value for the environment
Up to 9 billion m^3 **of natural gas** per year secured for the next 25 years	30% **reduction in carbon emissions** per year

Value for BASF Natural gas imports in Europe will increase sharply in the future as a result of growing demand and decreasing domestic production. We help to strengthen and secure energy supplies in the long term with our direct and reliable link to Russia's gas reserves, the largest in the world. The WINGAS Group will procure a total of over 200 billion cubic meters of natural gas through the Nord Stream pipeline over the next 25 years.

Value for the environment Our detailed Eco-Efficiency Analysis has shown that the Nord Stream pipeline is clearly superior to two alternate onshore routes: The shorter distance, higher average transportation pressure and lower number of compressor stations allow an annual saving of up to 1.4 billion cubic meters of fuel gas and 4 million metric tons of carbon emissions.

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.

Gas transport: WINGAS transferred ownership of its gas pipeline network, including the personnel required for its maintenance, operation and development, to WINGAS TRANSPORT

Natural Gas Trading

- The WINGAS Group combines our main activities in natural gas trading, transport and storage
- Expansion of natural gas infrastructure in Germany and Europe together with Gazprom
- Stake acquired in the offshore section of the South Stream pipeline, from Russia through the Black Sea to southeastern Europe

Important developments in 2011

- The first Nord Stream pipeline and the OPAL pipeline (Baltic Sea Pipeline Link) begin operations as planned
- Construction begun on the North European Gas Pipeline (NEL)
- Construction on the Jemgum natural gas storage facility progressing; second expansion phase completed at Haidach natural gas storage facility

Capital expenditures

Location	Project	Total capacity	Completion
Haidach, Austria	Startup and expansion of the natural gas storage facility	>2 billion m³	2007[2]/2011
Haiming, Germany	Startup and expansion of the compressor station	32 MW	2007[2]/2011
	Construction of the onshore pipeline links OPAL and NEL to the Nord Stream natural gas pipeline	55 billion m³	2011/2012
Jemgum, Germany	Startup and expansion of the natural gas storage facility	approximately 1 billion m³	2013[2]/2016
North Sea, Norway	Development of Knarr field	20 million BOE[1]	2014[2]
	Development of Luno field	30 million BOE[1]	2015[2]
Siberia, Russia	Achimgaz, development of the Achimov formation in the Urengoy gas and condensate field	70 million BOE[1]	2008[2]/2018

[1] BOE = Barrel oil equivalent
[2] Year of startup

in 2010, thus fulfilling many of the requirements of the amendment to the German Energy Act (EnWG). In 2012, we will undertake additional legal and organizational unbundling of network and storage operations as required by the EnWG amendment.

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. Nord Stream AG, builder and operator of the offshore pipeline, is consolidated in the BASF Group Consolidated Financial Statements according to the equity method. The shareholders in Nord Stream are: Gazprom (51%), Wintershall (15.5%) and E.ON Ruhrgas (15.5%), as well as N.V. Nederlandse Gasunie and GDF Suez (9% each).

Construction on the Baltic Sea Pipeline Link (OPAL), which starts near Greifswald, Germany, was completed in the middle of 2011. The 470 kilometer natural gas transit pipeline has a transport capacity of more than 35 billion cubic meters and started operations together with the first Nord Stream pipeline in fall 2011.

Construction on the second pipeline link, the North European Gas Pipeline (NEL), was begun in March 2011. Due to safety concerns, however, the Higher Administrative Court in the city of Lüneburg has temporarily halted construction on parts of the NEL. Various solutions are currently being explored. Construction on the other sections of the pipeline is proceeding as planned. The 440 kilometer-long NEL should partly begin operations, together with the second line of the Nord Stream pipeline, at the end of 2012.

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. Apart from Gazprom (50%) and Wintershall (15%), other shareholders in South Stream Transport AG are the Italian oil and energy company Eni (20%) and the French electric power company EdF (15%).

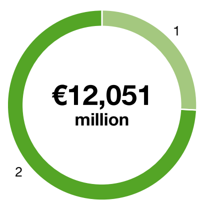
Gas storage: Important components of our storage portfolio include the largest natural gas storage facility in Western Europe, in Rehden, Germany, and the natural gas storage facility in Haidach, Austria. In accordance with our growth strategy, we continue to expand our storage capacity. Construction is progressing on the Jemgum natural gas storage facility in Northern Germany, which is expected to begin operations in 2013. Furthermore, we have completed the second expansion phase of the storage facility in Haidach, Austria.

Sales – Oil & Gas
(million €)

2011	**12,051**
2010	10,791
2009	11,356

Sales by business sector

1	Exploration & Production	26%
2	Natural Gas Trading	74%



Segment data Oil & Gas[1] (million €)

		2011	2010	Change in %
Sales to third parties		12,051	10,791	11.7
Thereof Exploration & Production		3,182	3,819	(16.7)
Natural Gas Trading		8,869	6,972	27.2
Intersegmental transfers		1,015	852	19.1
Sales including intersegmental transfers		13,066	11,643	12.2
Income from operations before depreciation and amortization (EBITDA)		2,616	2,977	(12.1)
Thereof Exploration & Production		2,042	2,428	(15.9)
Natural Gas Trading		574	549	4.6
EBITDA margin	%	21.7	27.6	–
Income from operations (EBIT) before special items		2,111	2,430	(13.1)
Thereof Exploration & Production		1,686	2,014	(16.3)
Natural Gas Trading		425	416	2.2
Income from operations (EBIT)		2,111	2,334	(9.6)
Thereof Exploration & Production		1,686	1,918	(12.1)
Natural Gas Trading		425	416	2.2
Income from operations (EBIT) after cost of capital[2]		667	588	13.4
Assets		10,232	9,150	11.8
Thereof Exploration & Production		5,315	5,158	3.0
Natural Gas Trading		4,917	3,992	23.2
Exploration expenses		184	190	(3.2)
Additions to property, plant and equipment and intangible assets		1,274	996	27.9
Income taxes on oil-producing operations non-compensable with German corporate income tax		439	983	(55.3)
Net income[3]		1,064	923	15.3

[1] Supplementary information on oil and gas producing activities from page 204 onward
[2] In the Oil & Gas segment, non-compensable foreign income taxes for oil production are deducted.
[3] Information on the net income of the Oil & Gas segment can be found in the reconciliation reporting Oil & Gas in the Notes to the Consolidated Financial Statements on page 163.

Factors influencing sales – Oil & Gas

Volumes	(11%)
Prices/currencies	23%
Portfolio	0%
Sales	**12%**

Income from operations – Oil & Gas
(million €)

2011	**2,111**
2010	2,334
2009	2,289

Sales to third parties in the Oil & Gas segment in 2011 increased by €1,260 million to €12,051 million as a result of higher prices (volumes –11%, prices/currencies 23%). However, income from operations declined by €223 million to €2,111 million, due to the lower contribution from activities in Libya. Net income improved by €141 million to €1,064 million.

We expect the oil price in 2012 to remain at the previous year's level. Our planning is based on an average oil price of $110 per barrel and a U.S. dollar exchange rate of $1.30 per euro. Owing to the resumption of oil production in Libya at the end of 2011, we expect to post a rise in sales and earnings.

Exploration & Production

Business development in the Exploration & Production business sector was considerably impaired by the events in Libya. In response to unrest in the country, onshore production was suspended in February and offshore production in March. Offshore production did not resume until September, and onshore production was partially restarted in October and gradually increased. At the end of 2011, the daily onshore production rate was at about 50% of the level of volumes produced before the unrest began. Sales in this business sector therefore declined by €637 million to €3,182 million.

The significant increase in the oil price is partially attributable to decreased production in Libya. Compared with the previous year, the average price of Brent crude rose by $31 per barrel to around $110 per barrel. Due to the weakening of the U.S. dollar compared with the euro, the price of crude oil in euro increased by €20 per barrel to €80 per barrel.

Mainly owing to the production shutdown in Libya for several months, our oil and gas production in 2011 declined by 15% to 113 million barrels of oil equivalent (BOE). This figure includes Gazprom's interests in a German Wintershall subsidiary that holds the Libyan onshore concessions 96 and 97.

Due to the lower contribution from activities in Libya, income from operations declined by €232 million to €1,686 million. This included income taxes on oil production in Libya that are non-compensable with German corporate income tax and which fell by €544 million to €439 million.

In 2011, we completed the drilling of 21 exploration and appraisal wells in the search for new oil and natural gas deposits, of which 10 were successful. Compared with 2010, exploration expenses decreased by €6 million to €184 million.

Proven crude oil and natural gas reserves increased by 3% compared with the end of 2010 to 1,156 million BOE. This increase is primarily a result of the first-time inclusion of volumes from the Achimgaz project, for which we began development of the entire field after successfully completing the pilot phase. The reserve-to-production ratio is 11 years (2010: 10 years). This is based on Wintershall's share of production in 2011 and refers to the reserves at year-end. We replenished 131% of the volumes produced in 2011.

In 2012, we expect our production volumes to rise as a result of the increasingly stable situation in Libya. We therefore expect a significant improvement in sales and earnings.

Oil & Gas segment

- Sales grow in 2011 due to higher prices; earnings decline owing to lower contribution from Libyan activities
- Net income rises significantly despite suspension of production in Libya
- The oil price in 2012 is expected to remain at the level of the previous year; our planning is based on the following annual average assumptions:
  Oil price of $110 per barrel, euro/dollar exchange rate of $1.30 per euro
- **Outlook 2012:** increase in sales and earnings

Natural Gas Trading

Sales to third parties increased by €1,897 million to €8,869 million, due largely to higher prices. At 417 billion kilowatt hours, sales volumes overall were slightly above the level of the previous year; in the international business, we increased our sales volumes by 11% to 184 billion kilowatt hours. WINGAS sold 11% of its volumes to BASF Group companies.

Compared with 2010, income from operations increased by €9 million to €425 million. Sales prices for oil-indexed natural gas generally follow those of oil with a time lag of several months. Increasing oil prices over the course of the year therefore had a negative effect on earnings. On the spot markets, the price level remained relatively low. This led to ongoing pressure on trading margins, which we were partially able to counteract with optimization measures in our purchasing.

We expect sales volumes in the Natural Gas Trading business sector to increase in 2012 despite the continued intense competition. As a result of the ongoing pressure on margins, we anticipate that, while sales will be considerably higher, earnings will nevertheless decline.

Oil & Gas – Sales by region
(Location of customer)

1	Europe	96%
2	South America, Africa, Middle East	4%

Exploration & Production

– Crude oil and natural gas production decline as a result of suspension of activities in Libya for several months
– Decline in sales and earnings moderated by positive price trend
– **Outlook 2012:** significant sales and earnings growth thanks to rising production volumes

Natural Gas Trading

– Sales increase considerably as a result of higher gas prices
– Sales volumes rise slightly compared with previous year
– Earnings above previous year's level
– **Outlook 2012:** significant sales increase, earnings decline as a result of ongoing pressure on margins

Regional results

Regions (million €)

	Sales by location of company			Sales by location of customer			Income from operations (EBIT)		
	2011	2010	Change in %	2011	2010	Change in %	2011	2010	Change in %
Europe	41,036	35,156	16.7	39,124	33,201	17.8	5,668	5,206	8.9
Thereof Germany	28,816	25,426	13.3	14,705	12,225	20.3	3,249	3,769	(13.8)
North America	14,727	13,246	11.2	13,995	12,886	8.6	1,314	1,107	18.7
Asia Pacific	13,316	11,642	14.4	14,410	12,510	15.2	1,133	1,271	(10.9)
South America, Africa, Middle East	4,418	3,829	15.4	5,968	5,276	13.1	471	177	166.1
	73,497	**63,873**	**15.1**	**73,497**	**63,873**	**15.1**	**8,586**	**7,761**	**10.6**

Europe

In 2011, companies headquartered in Europe recorded a significant increase in sales compared with the previous year: Sales rose by 17% to reach €41,036 million. Sales in the chemicals business exceeded the very good level of the previous year and grew by 21% to €23,446 million.

We increased prices and volumes in almost all divisions of the Chemicals, Plastics and Functional Solutions segments; sales in these three segments grew significantly. We also posted a considerable sales increase in the Performance Products segment, resulting from both the inclusion of the acquired Cognis businesses as well as higher prices. The Agricultural Solutions segment developed positively, as well. Sales in this segment surpassed the level of 2010, mainly due to higher sales volumes. Despite the suspension of our oil production in Libya[1] from late February to October 2011, sales in the Oil & Gas segment rose significantly thanks to higher prices.

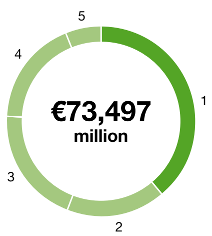
Income from operations amounted to €5,668 million, an improvement of 9% compared with the previous year. This was mainly due to good earnings in the chemicals business – which, at €3,359 million, exceeded the previous year's level by €147 million – as well as to gains on the disposal of our styrenics activities in the amount of around €382 million.

We strengthen our position in Europe through investments. At the Ludwigshafen site, for example, we will start up the world's largest production plant for the aroma chemical L-menthol on schedule in the middle of 2012. L-menthol is an ingredient in numerous oral care, flavoring and pharmaceutical industry products. In addition, construction on the Baltic Sea Pipeline Link, which starts near Greifswald, Germany, was completed in the middle of 2011. The 470 kilometer natural gas transit pipeline has a transport capacity of more than 35 billion cubic meters and started operations together with the first Nord Stream pipeline in fall 2011.

Furthermore, as part of our Strategy 2020 in Europe, we started our new industry-based initiatives Agro/Food/Feed/Fuel, Clean Tech Energy and Furniture/Wood in 2011. This strategy involves looking at value-adding chains, such as wind energy, from a cross-divisional standpoint and position BASF as a sector-specific solution provider. We continued to develop existing industry-based initiatives, such as construction and packaging, and intensified customer and country-based approaches. These cross-segment initiatives will help us to reach our growth targets in the Europe region in 2020.

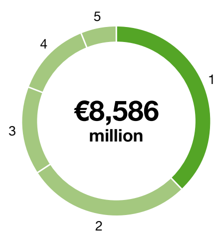
Sales by region (location of company)

1	Germany	39%
2	Europe (excl. Germany)	17%
3	North America	20%
4	Asia Pacific	18%
5	South America, Africa, Middle East	6%



Income from operations by region

1	Germany	38%
2	Europe (excl. Germany)	28%
3	North America	15%
4	Asia Pacific	13%
5	South America, Africa, Middle East	6%



[1] Crude oil production in Libya is operated by branches belonging to European BASF companies; sales and earnings from these activities are reported in the region Europe.

North America

Companies headquartered in North America increased sales by 11% to €14,727 million compared with the previous year. In local currency terms, sales rose by 17%. Sales exceeded the previous year's levels in nearly all segments. In the Performance Products segment, this was mainly driven by the full-year inclusion of the acquired Cognis businesses. Higher prices in particular led to sales growth in the Chemicals, Plastics and Functional Solutions segments. By contrast, sales declined in the Agricultural Solutions segment, primarily as a result of negative currency effects.

We posted record income from operations, which rose by €207 million to €1,314 million thanks mainly to higher prices. Increased raw material costs could largely be passed on through our sales prices. The Chemicals, Plastics and Functional Solutions segments especially contributed to this increase in earnings. In the Performance Products segment, earnings declined due to high special items from restructuring our paper business as well as to expenses related to the Cognis integration. Earnings in the Agricultural Solutions segment were above the previous year's level.

In 2011, we started up a methylamines plant at our Verbund site in Geismar, Louisiana. The construction of our cathode materials plant in Elyria, Ohio, is proceeding on schedule and we aim to begin production in the fourth quarter of 2012. These cathode materials will be used in lithium-ion batteries in hybrid and electric cars. The new plant and our research at the site in Beachwood, Ohio, are steps in the implementation of our North America strategy to enter the future market in electric mobility.

In 2011, we made significant progress in implementing our regional strategy for North America. This strategy focuses on even stronger market and customer orientation. We concentrate on innovation, cross-sector initiatives and attractive customer and market segments. At the same time, we are increasing our operational excellence through ongoing improvements, which include harmonizing our business processes worldwide and improving their efficiency.

Asia Pacific

In Asia Pacific, we were able to exceed the sales level of the record year 2010. Thanks to the full-year inclusion of the acquired Cognis businesses, the startup of new plants, and higher price levels, sales of companies based in this region rose by 14% to €13,316 million. In local currency terms, sales rose by 16%. All divisions contributed to this positive development. Negative currency effects were mainly offset by very strong demand in the first half of the year.

However, income from operations declined by €138 million to €1,133 million due to increased raw material costs and weakening demand in the second half of the year. In addition, as in the previous year, plant shutdowns resulted in high charges.

We continue to rigorously optimize our cost structures and standardize our systems landscapes, for example through the migration of all of our IT systems onto one platform. In 2011, we moved forward with the implementation of our Strategy 2020 in Asia Pacific. Our main goal is to grow on average two percentage points faster than the Asia Pacific chemical market each year. We aim to generate 70% of our sales from local production; in 2011, this figure already stood at around 60%.

Regional development

- Europe: cross-segment initiatives intensified; world's largest production plant for aroma chemical L-menthol to begin operations in Ludwigshafen on schedule in mid-2012
- North America: concentration on innovation, cross-sector initiatives and attractive customer and market segments; production of methylamines begins in Geismar, Louisiana
- Asia Pacific: second expansion of our Verbund site in Nanjing complete; construction of first Innovation Campus Asia Pacific in Shanghai, China
- South America, Africa, Middle East: construction begins of first production complex for acrylic acid and superabsorbents in South America; Africa strategy exploits long-term business opportunities

We stepped up our investing activities in the region. In China, we completed the second expansion of our Verbund site in Nanjing: Along with the successful expansion of the steam cracker, we started up several new plants in 2011 including a butadiene extraction plant and a nonionic surfactants plant. In addition, construction is scheduled to begin on a production complex for superabsorbents in the middle of 2012. With our joint venture partner, Sinopec, we are also planning new investment projects of around $1 billion, including new plants for the production of HPPO, acrylic acid and butyl acrylate. In order to take full advantage of our opportunities in China, we are also investing in the growing markets of the inland provinces. In April 2011, for example, we began construction in Chongqing of a production plant for MDI, a precursor for polyurethanes.

Together with our partner, PETRONAS, we want to expand our specialties business in Malaysia.

We are making targeted investments in successful business areas, such as the expansion of our catalyst plants in Shanghai, China, and in Ibaraki, Japan, and the strengthening of our business with the semiconductor industry in Taiwan. In order to attune our research even better to regional customer needs, we are also building the first Innovation Campus Asia Pacific in Shanghai, where around 450 researchers and developers will work starting at the end of 2012.

South America, Africa, Middle East

In a favorable market environment, sales by companies in the region significantly exceeded the level of the previous year, increasing by 15% to €4,418 million. In local currency terms, sales were 19% higher than 2010.

In South America, sales rose in all segments. In the Agricultural Solutions segment, demand continued to increase for our innovative crop protection products. Our decorative paints business also developed successfully.

Sales by companies in Africa and the Middle East considerably exceeded the previous year's level despite the difficult political conditions in some countries. In the Catalysts division in particular, sales increased significantly in Africa, thanks to strong demand from the automotive industry.

Income from operations increased by €294 million to €471 million due to our strong business in South America.

In November 2011, we began construction of the first production complex in South America for acrylic acid and superabsorbents, which will be located in the Brazilian state of Bahia. With an investment volume of more than €500 million, the construction of several world-scale plants for acrylic acid, butyl acrylate and superabsorbent polymers is the largest investment in BASF's century-long history in South America. The goal of this investment is to secure the supply of important products in South America. These include superabsorbents for diapers and hygiene products, acrylic resins for coatings, textiles and adhesives and products for the construction industry. We also plan to start up the first plant for the production of 2-ethyl-hexyl acrylate in 2015 at the chemical complex in Guaratinguetá, Brazil, BASF's largest site in South America. 2-ethyl-hexyl acrylate is an important raw material for the adhesives and coatings industries.

With our Africa strategy, we tap new long-term business potential. Along with our current activities in Northern and Southern Africa, we are now focusing on Eastern and Western Africa, as well: For example, we have expanded our business with crop protection products and enlarged our team. We aim to further expand our local presence in 2012. Our businesses with yield-increasing crop protection products, construction chemicals and ingredients for end consumer products all help to significantly boost sales in Africa.

Assets by region (share in %)

	Property, plant and equipment		Inventories		Accounts receivable, trade	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Europe	60	59	53	53	50	54
North America	19	21	27	26	17	16
Asia Pacific	17	16	15	15	22	20
South America, Africa, Middle East	4	4	5	6	11	10
	100	**100**	**100**	**100**	**100**	**100**

Emerging markets

As part of our "We create chemistry" strategy, we aim to further strengthen growth in emerging economies in the years ahead and expand our position in future markets. We define emerging markets as the Asia Pacific region (except Japan, Australia and New Zealand), South and Central America, Eastern Europe, the Middle East and Africa. We anticipate that around 60% of the world's chemical production in 2020 will come from today's emerging markets, particularly China. Our strong local presence already allows us to benefit from the significant growth in these regions.

→ **For more on our "We create chemistry" strategy, see page 16**

Emerging markets recorded substantial economic growth in 2011. Supported by global economic momentum during the first half of the year, China's economy in particular experienced noticeable growth. The economies of India and Brazil also grew, thanks to robust domestic trade. Russia benefited from comparatively high raw material prices over the course of the year. By contrast, economies in the Middle East and Northern Africa grew more slowly than expected as a result of the difficult political conditions.

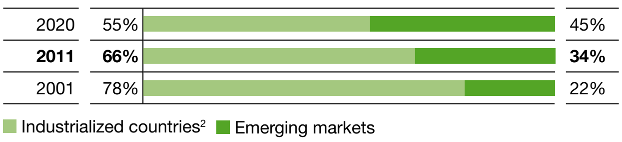
Compared with the previous year, companies headquartered in emerging markets increased sales by 18% to €17,286 million. Nearly all segments made a strong contribution to this growth thanks to high demand and prices. Based on customer location, we increased sales (excluding Oil & Gas) in emerging markets year-on-year by 17% to €21,196 million.

Between 2011 and 2020, we plan capital expenditures of €30 billion to €35 billion; more than a third of this sum will be invested in emerging markets. Important projects already underway include: the expansion of our Verbund site in Nanjing, China; our MDI plant in Chongqing, China; and the acrylic acid and superabsorbents production complex in Brazil. We also aim to enhance our research and development activities in emerging markets, particularly in Asia. That is why we are building the first Innovation Campus Asia Pacific in Shanghai, in addition to our existing research facilities elsewhere in China as well as in Singapore and India.

Growth in emerging markets

- 2020: emerging markets are expected to account for around 60% of world chemical production
- BASF participates in growth through strong local presence
- Sales increase in emerging markets compared with previous year
- Investments of €30 billion to €35 billion between 2011 and 2020, of which more than a third in emerging markets

Sales in emerging markets (% of sales[1])



[1] BASF Group sales excluding Oil & Gas
[2] Comprises EU15, Norway, Switzerland, North America, Japan, Australia, New Zealand

Employees

The best team needs committed, performance-driven employees. We want to recruit and retain the best talent, and in doing so, we value diversity in our teams. We invest in our attractiveness as an employer, offer our employees career development opportunities and support them in achieving work-life balance.

Employees worldwide

At the end of 2011, BASF had 111,141 employees, 2,001 more than at the end of 2010. Of these, 2,565 were apprentices and trainees (2010: 2,442). The acquisitions of Germany's inge watertechnologies AG and China's Ji'Ning Hock Mining & Engineering Equipment Company Limited added to our employee headcount. Reductions in headcount resulted from, for example, the transfer of the styrenics business to a joint venture. As a result of the Cognis integration, 680 positions are being eliminated in the BASF Group due to restructuring. Around 28,500 employees from external companies were contracted to provide services at BASF sites. Worldwide, the percentage of employees who left the company voluntarily during their first three years of employment was on average 1.1%. The rate of employee turnover was 0.4% in Europe, 1.5% in North America, 3.4% in Asia Pacific and 2.1% in South America, Africa, Middle East.

Number of employees by region (as of December 31)

	2011	%	Thereof women %
Europe	70,664	63.6	22.9
Thereof Germany	52,049	46.8	23.0
Thereof BASF SE	33,761	30.4	20.5
North America	16,167	14.5	22.2
Asia Pacific	17,342	15.6	26.6
South America, Africa, Middle East	6,968	6.3	24.4
	111,141	**100**	**23.5**

Personnel expenses and social benefits

In 2011, the BASF Group spent €8,576 million on wages and salaries, social security contributions and expenses for pensions and assistance (2010: €8,228 million). Personnel expenses rose by 4.2%, particularly as a result of the Cognis acquisition. This increase was partially offset by lower provisions for the long-term incentive (LTI) program, our stock price-based compensation program. Compensation for our employees comprises remuneration with fixed and variable components as well as social benefits that often exceed the legal requirements. These benefits include a company pension plan, supplementary health insurance and share programs.

BASF Group personnel expenses (million €)

	2011	2010	Change in %
Wages and salaries	6,856	6,731	1.9
Social security contributions and expenses for pensions and assistance	1,720	1,497	14.9
Thereof for pension benefits	465	408	14.0
Personnel expenses	**8,576**	**8,228**	**4.2**

Competition for talent

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.

We have improved our programs for career beginners in all regions: In Italy and Spain, we started a program for newcomers to the company and in Germany, we combined the existing trainee programs. In South America, BASF started an initiative in 2011 to support young engineers. BASF has been certified as one of "China's Top Employers® 2011" by the Corporate Research Foundation in recognition of our accomplishments in human resources, leadership and strategy. The consulting firm Hay Group included BASF in its top 20 "Best Companies for Leadership" for the first time.

Overview 2011

– 111,141 employees worldwide
– €8,576 million in personnel expenses
– 9,529 new employees hired

New hires 2011

	Total	Thereof women %
Europe	4,612	33.7
North America	1,456	26.4
Asia Pacific	2,615	32.9
South America, Africa, Middle East	846	34.6
	9,529	**32.4**

BASF Group employee age structure (as of December 31)

	Total	Thereof women %
Employees	111,141	23.5
thereof up to and including 25 years	8,087	32.4
thereof between 26 and 39 years	36,809	30.5
thereof between 40 and 54 years	52,742	19.3
thereof 55 years and older	13,503	15.4

The challenge of demographic change

We have a number of measures to address the effects of demographic change. Our focus is on Europe and the United States and we place importance on sharing experience internationally. We have analyzed the age structure of our workforce as well as demographic developments in our host communities to determine site-specific risks.

In Europe, we conducted workshops on the challenges of demographic change together with Econsense and other partners from the areas of politics, industry and science. In North America, a new retirement planning model was introduced in order to ensure that the benefits of employees' knowledge and experience are not lost. Within BASF SE, we have offered health check-ups on a voluntary basis for all employees since 2011. We support our managers with new training seminars on the topic of "leadership in times of demographic change." We used the experience gained from the Generations@Work program in production units to adapt it for non-production units. BASF SE and all German Group companies participating in collective bargaining agreements have contributed €300 annually per non-exempt employee into a company "demography fund" since 2010. The demography fund is being used in nearly all Group companies to finance long-term savings accounts for non-exempt employees, allowing them flexible options for the transition into retirement.

→ **For more, see basf.com/demographic_change**

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. Since this initiative began in 2008, around 7,400 employees have taken part in more than 90 implementation projects, 30 of which took place in 2011. So far, around 3,200 employees have attended Diversity + Inclusion training sessions.

"Inclusion of diversity" is part of the global competence profile used for the assessment and development of employees and managers. In 2011, we developed two special management training seminars on this topic. As an employer, we provide equal opportunities for all employees and are committed to the equal treatment of both men and women. At the end of 2011, the percentage of executive positions in the BASF Group held by women was 16.2% worldwide (2010: 15.5%). Together with all of the other 29 DAX-listed companies, BASF signed a voluntary commitment in 2011. In Germany, we aim to raise the percentage of women in executive positions from 9.8% (baseline 2010) to 15% by the end of 2020. At the end of 2011, the percentage of executive positions held by women in Germany was 10.9%.

The percentage of non-Germans in senior executive positions worldwide was 33.0% in 2011 (2010: 33.4%), while 79.7% of senior executives had international experience (2010: 77.7%). The percentage of non-German candidates for senior executive positions was 38% (2010: 36%). → **For more, see basf.com/diversity**

Vocational training

BASF is currently training 2,565 young people in more than 60 occupations in 15 countries. In 2011, 1,168 young people started apprenticeships and traineeships at German Group companies and in the BASF Training Verbund. Since 2004, BASF and its approximately 500 partner companies in the BASF Training Verbund have been creating additional apprenticeship positions in Germany; together, we are currently training 3,395 young people. After passing their final examination, 99% of the appren-

BASF Group employee structure 2011 (as of December 31)

	Total	Thereof women %
Employees	111,141	23.5
thereof professionals[1]	30,529	27.6
thereof managers[2]	6,653	16.2

[1] Specialists and experts without disciplinary managerial responsibilities
[2] Employees with disciplinary managerial responsibilities

Employee diversity

- More than 90 implementation projects with around 7,400 employees since 2008
- Since 2008, around 3,200 employees have attended Diversity + Inclusion training
- Percentage of executive positions held by women worldwide: 16.2%
- Percentage of non-German senior executives: 33.0%

tices and trainees at BASF SE received a job offer in 2011. In the BASF Training Verbund, this figure was 78%. Worldwide, we invested around €77 million in vocational training in 2011 as well as approximately €24 million in the Training Verbund as part of our social commitment.

→ For more on vocational training, see basf.com/apprenticeship

Further training and personnel development

The continuous development of our employees' skills is an investment in BASF's future. In annual performance reviews, we determine every employee's need for professional development and further training. In addition to seminars and workshops, we also offer a wide range of opportunities worldwide for independent learning via electronic media.

In 2011, we invested around €170 million (2010: €155 million) in vocational training and career development. More than 92,000 employees worldwide participated in training programs, spending on average 3.4 days at professional development seminars (2010: 4.1 days). Our measures for further training are based on the specific learning needs of our employees.

Employee development in North America focused on market orientation, innovation and creating value for our customers. The BASF SE Learning Center was used around 58,000 times in 2011, and a total of more than 107,000 seminar days took place. Our offerings are complemented by international seminars that allow employees to network with each other on a global level. The internal social media network connect.BASF, which was given the International German PR Award in 2011, also provides a forum for exchange between employees all over the world. In 2011, we introduced a mandatory training program for all new managers at BASF SE.

In Asia, we conducted a pilot project to establish an expert career track for sales employees in 2011. Our career development programs in North America included expanded talent reviews and strengthened efforts in development and succession planning.

The goal of our new global project "Employee Development BASF Group" is to establish employee development as a top priority within the company. Professional development should be a shared responsibility between employees and managers, who engage in special in-depth development dialogs. Around 20,000 employees and managers received information or training by the end of 2011.

Work-life balance

Around the world, we are expanding and enhancing our wide range of programs to improve work-life balance. To compete for the best employees, we are responding to the differing needs and life stages of our employees. We offer options such as flexible working-time models and childcare, as well as support for employees who are caring for relatives.

Our regional initiatives meet the individual needs of our employees at a local level. In Hong Kong and Malaysia, we have started a pilot project for making working times and locations more flexible. In Columbia and Italy, we have initiated projects to promote work-life balance. At our sites in Ludwigshafen and Münster, Germany, we are building centers for improved work-life management. These centers will offer childcare, social counseling, counseling and services in terms of eldercare, and health and fitness programs. At the end of 2011, 527 BASF SE employees were on parental leave, of whom 10.4% were fathers. During 2011, 545 employees returned to work following parental leave. The percentage of employees working part-time for BASF SE is 10.8%, of whom 70.2% are women.

BASF Sozialberatung (BASF social counseling) supports employees, particularly at the Ludwigshafen site, who find themselves in difficult personal situations and helps them to remain able to work. In 2011, we launched social counseling hotlines for employees in Asia and South Africa.

→ For more, see basf.com/worklife_balance

Vocational training and career development

- Worldwide 2,565 apprentices and trainees in over 60 occupations
- Around €170 million invested in vocational and further training
- More than 92,000 employees participate in training programs worldwide
- Knowledge transfer through internal social media network connect.BASF

Work-life balance

- Regional initiatives to meet the needs of our employees at a local level
- Flexible working models
- Expansion of services related to work-life management
- Services for employees who are caring for relatives

Employee participation in the company's success

With variable compensation systems, we allow employees to share in the company's success and be rewarded for their individual performance. The same basic principles apply to all employees. The variable component is determined by the economic success of the BASF Group – measured by the return on assets – and the employee's individual performance.

The bonus payment for 2011 will once again exceed the high level of the previous year. In numerous Group companies, employees are able to acquire shares in BASF SE. The *"plus"* share program promotes the long-term participation of our employees in the company through incentive shares, allowing them to invest part of their compensation in BASF shares. In 2011, 19,654 employees around the world purchased 677,480 shares under the *"plus"* program.

Since 1999, BASF has offered its senior executives the opportunity to participate in a stock price-based compensation program. This long-term incentive (LTI) program ties a proportion of their compensation to the long-term performance of BASF shares. In 2011, 94% of the approximately 1,100 senior executives eligible participated in the LTI program worldwide, investing up to 30% of their variable compensation.

→ **For more, see the Notes from page 198 onward**

Feedback from our employees

We have established the global employee survey, including the follow-up process, throughout the entire BASF Group. The results of the global employee survey in 2008, in which a need was identified for improvement in human capital development, have been incorporated into the concept of the "Employee Development BASF Group" Senior Project. The next global employee survey will take place in 2012.

One way in which we further strengthened our culture of dialog was by introducing a "feedback week" in South America in 2011. Our goal is to foster dialog based on honesty, respect and mutual trust.

Dialog with employee representatives

We involve employee representatives in decision-making processes and procedures in our Group companies. If restructuring leads to staff downsizing, as it did in the course of the Cognis integration, we work with employee representatives to develop socially responsible implementation measures. This is done in accordance with the respective legal regulations and agreements reached.

For cross-border matters, the BASF Europa Betriebsrat (European Works Council) has been responsible for employees in Europe since 2008. Network meetings at which company and employee representatives meet regularly for discussions at a regional level take place in South America and Asia. A network meeting was held in Brazil in 2011.

→ **For more, see basf.com/employeerepresentation**

Responsibility for employees – global standards

Compliance with national law and the core labor standards of the International Labor Organization (ILO) is the foundation of our social responsibility. Moreover, 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 our voluntary commitments using a monitoring system implemented Group-wide. It contains three central instruments:

- external compliance hotlines,
- the annual survey in our Group companies to inspect the prevailing working conditions, and
- close dialog with our stakeholders, such as employee representatives and international organizations.

In 2011, our external compliance hotlines received 53 calls (five inquiries and 48 complaints) relating to labor and social standards, of which 13 related to verifiable grievances. The results of the annual survey covered 100% of our employees in 2011. If the survey evaluation indicates that our voluntary commitments are being insufficiently implemented, we investigate this infor-

Participation in the company's success

- *"plus"* share program encourages employees to make long-term investments through incentive shares: in 2011, 19,654 employees purchased 677,480 shares
- Compensation program ties a proportion of senior executives' compensation to the long-term performance of BASF shares: in 2011, 94% of eligible senior executives worldwide participated in the LTI program

Feedback from our employees

- Global employee survey established for the entire BASF Group
- Next global employee survey to take place in 2012

mation and introduce remedial measures. A complaint filed with the OECD in Brazil in 2010 was withdrawn in 2011. Following internal investigations, no infringement of the right to freedom of assembly and collective bargaining could be identified. In order to improve our worldwide adherence to international labor and social standards, we carried out a regional risk analysis for our businesses in 2011.

The compensation of our employees worldwide is based on objective criteria. An analysis of all management-represented employees at our site in Ludwigshafen has shown that there is no systematic difference in compensation of women and men with comparable jobs and qualifications. The difference in income was found to be less than 1%. We have a "virtual sustainability team" in South America in order to raise awareness of sustainability issues among young managers at an early stage. In 2011, the 34 members of this team invested 10% of their working time in the implementation of our sustainability strategy.

In 2011, we again met with our German employee representatives in the "Wittenberg Dialogs" to discuss the Code of Responsible Conduct for Business, which focuses on strengthening the social market economy and encouraging responsible action. We are committed to both success-oriented and value-oriented leadership in accordance with the social market economy.

→ **For more on compliance, see page 19 and page 123**
→ **For more on labor and social standards, see page 19**

Survey of ILO core labor standards / human rights 2011

	Process implemented		Effectiveness of the process	
Prevention of child labor	100%	Verification of age of employee when hired	100%	Employees are over 15 years of age when hired
Prevention of forced labor	100%	Employment contract based on employee's voluntary agreement	100%	Employees have a right to unilateral termination of the employment contract
Prevention of discrimination	100%	Personnel policies based on objective criteria		In 2011, we received 40 calls. Misconduct was identified in 10 cases and countermeasures were taken
Employees' right to freedom of association	100%[1]	No company measures to fundamentally restrict freedom of association	92%	Employees are working at a company in which employee representation exists
Employees' right to collective bargaining	100%[1]	No company measures to fundamentally restrict freedom of collective bargaining	88%	Employees are working at a company in which working conditions are based on a collective contract and employee representation exists
Human rights	**100%**	**Reports investigated**		**In 2011, we received 48 calls (40 of which related to discrimination). Misconduct was identified in 13 cases and countermeasures were taken**

[1] Fewer than 1% of our employees are working in countries that have national legal restrictions with respect to freedom of association and collective bargaining.

Labor and social standards

– National law and International Labor Organization's core labor standards as minimum standard
– Evaluation of adherence to voluntary commitments through a global monitoring system
– We strive to ensure that our working conditions comply with ILO standards, OECD Guidelines for Multinational Enterprises and local requirements such as industry standards

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.

Global goals

We have set ourselves demanding goals in order to continuously increase our performance in terms of occupational safety and health protection. For example, by 2020, we want to reduce our lost-time injury rate per million working hours by 80% compared with the baseline 2002. 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.

2020 Goal
Occupational safety

Reduce work-related accidents[1]
(baseline 2002)

–80%

[1] per million working hours

Occupational safety focus areas

We promote and monitor safety at work through risk assessments, safety rules, seminars and audits. As part of our global safety initiative, we have improved our contractor management with measures for work organization and supervision.

In 2011, 1.9 work-related accidents per million working hours occurred at BASF sites, representing a slight decrease from the previous year (2010: 2.0). Compared with the baseline 2002, the lost-time injury rate declined by 42%. The number of work-related accidents for contractors decreased slightly in 2011 to 2.4 (2010: 2.6).

Unfortunately, there were three fatal accidents in 2011. At the Ludwigshafen site in January, an apprentice in our Training Verbund had a fatal accident on the way to work. An employee working on a BASF contract in Egypt died in a traffic accident in June. An employee of a jointly-controlled entity at our Ludwigshafen site succumbed to the effects of electric shock received while conducting repair work on a crane in November.

→ **For more, see page 90 onward and basf.com/occupational_safety**

Health protection focus areas

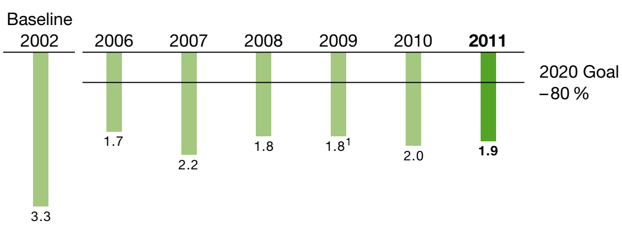
Our global health management serves to promote and protect the health and productivity of our employees. Worldwide standards for occupational medicine and health protection within BASF are specified in a Group Directive, which is implemented by a global network of experts. We regularly conduct occupational medical audits to monitor our performance. We measured the HPI – our new, extended indicator for global health management – for the first time in 2011. With an HPI of 0.86 in 2011, we have not yet been able to reach the ambitious goal of exceeding 0.9 each year.

BASF's fourth worldwide health campaign, carried out in 2011, focused on skin protection. More than 45,000 employees took advantage of the opportunity to be screened for skin cancer or to receive individual consultation. We plan to launch the global "Soundcheck" campaign in 2012 to educate employees about dealing with noise sources both at work and at home. We received the Health Award from the German foundation "Rufzeichen Gesundheit" for our activities promoting occupational health and the prevention of heart disease.

→ **For more on occupational medical audits, see page 90 onward**

→ **For more on occupational medicine, health promotion campaigns and the HPI, see basf.com/health_protection**

Lost time injury rate per million working hours
(reduction compared with baseline 2002: –42%)



[1] Figure differs from Report 2009 (1.7) as a result of intra-year correction due, for example, to changes in categorization.

Components of the Health Performance Index

- The HPI comprises five components: reported cases of occupational disease, medical emergency planning, first aid, preventive medicine and health promotion
- All areas contribute a maximum of 0.2 toward the total score; the highest possible score is an HPI of 1.0
- Goal: HPI greater than 0.9

Social commitment

We assume social responsibility: We are involved in diverse projects worldwide, especially in the communities in which our sites are located. Our main focus is on access to education. In this way, we promote innovation capacity and future viability.

Strategy

In 2011, the BASF Group spent a total of €48.7 million on supporting projects (2010: €49.8 million). Of this amount, we donated 24% (2010: 29.4%). We support initiatives that reach out to many people and have long-lasting impact. We foster education, science, social projects, sports and cultural events in the communities around our sites. We cooperate with universities, schools and non-profit organizations on a regional level. Internationally, we work together with the United Nations through the BASF Sozialstiftung ("BASF Social Foundation"). Since 2005, this has included our strategic partnership with the U.N. Human Settlements Program, UN-HABITAT, presented to U.N. Secretary-General Ban Ki-Moon as a part of Global Compact LEAD at the U.N. Private Sector Forum 2011. BASF joined UN-HABITAT's Urban Private Sector Advisory Board in 2011.

BASF does not support political parties. In the United States, our employees have established the BASF Corporation Employees Political Action Committee. It is an independent, federally registered association of employees which pools donations to political candidates from BASF employees and independently decides how these are used.

Focus on education

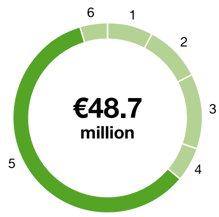
In 2011, 54,813 children and young people in 33 countries visited our Kids' Labs and Teens' Labs. We opened new hands-on, interactive laboratories in 16 countries around the world in 2011, including in South Africa, Hungary and Vietnam.

As a founding member of the Knowledge Factory, BASF is one of more than 90 companies that support education projects, startup companies and young entrepreneurs. Since it was founded in 2005, the Knowledge Factory has entered into more than 2,300 educational partnerships with schools, reaching around 10,000 teachers and more than 550,000 children.

In Germany, the "Education Initiative Plus" program was even more firmly established in the 230 participating kindergartens and day-care centers. Furthermore, we collaborate with the Pop Academy Baden-Württemberg to promote music education for children. Nearly 7,000 students from over 300 classes are already benefiting from this opportunity.

BASF Group donations, sponsorship and own projects in 2011
(million €)

1	Science	3.9	(8.0%)
2	Social projects	4.7	(9.6%)
3	Culture	6.2	(12.8%)
4	Sports	2.8	(5.8%)
5	Education	28.9	(59.3%)
6	Other	2.2	(4.5%)



International donation projects

We continued to help victims of natural disasters in 2011 and donated more than €2 million for people affected by the earthquake and flooding in Japan. Employees around the world contributed by donating €780,000. These funds are being used to support projects such as trauma counseling and emergency preparedness at schools in Japan. To this end, the BASF Sozialstiftung and BASF Japan are working together with UNESCO for the first time.

In Kenya, BASF gave €200,000 in emergency aid to the U.N. Refugee Agency (UNHCR) to combat malnutrition in the refugee camps of Dadaab. The 2011 Christmas donation campaign is supporting a project to fight famine and the effects of drought in East Africa. BASF SE made a donation of €100,000 to the project as starting capital; employees donated €195,000. For the first time, BASF Sozialstiftung is helping the International Labor Organization to combat unemployment among young people in East Africa.

→ **For more, see basf.com/international_donations**

Principles and criteria for support

- Support for projects that bring long-term benefits
- Fostering education, science, social projects, sports and cultural events in the communities around BASF sites
- Cooperation with expert partners such as the United Nations

Highlights 2011

- New hands-on, interactive laboratories opened in 16 countries
- "Education Initiative Plus" even more firmly established in kindergartens and day-care centers
- €2 million donated worldwide for disaster victims in Japan
- Activities to combat famine and the effects of drought in East Africa

Environmental, safety and security management

We act responsibly as an integral part of society. Our top priorities are the safety of our employees and neighbors and the security of our plants. Our Responsible Care Management System sets out the framework for our voluntary commitments.

Strategy and management systems

BASF's Responsible Care Management System comprises the global rules, standards and procedures for environmental protection, safety and security. Concrete specifications for implementing these measures are laid out in binding directives. These describe the pertinent responsibilities, requirements and assessment methods. We periodically conduct audits to monitor our performance and progress in Responsible Care, and use the findings to continually improve our performance.

We set ourselves ambitious goals for environmental protection, safety and security and regularly report on our progress. Our guidelines and requirements are constantly updated. In 2011, we adopted a new global Group directive on environmental protection with a focus on air, noise, water and waste, and defined several worldwide requirements for occupational safety and site security. These set, for example, mandatory limits on noise in the workplace and regulate the handling of nanomaterials.

We assess risks in areas ranging from research and production to logistics, and how these could affect the safety and security of our employees, the environment or the surrounding community. Collecting and evaluating incident data on a global basis helps us to systematically learn from mistakes and accumulate knowledge gained through experience. In our databases, we document accidents, near-misses and safety-related incidents at our sites as well as on transportation routes. We also gather data on incidents involving external contractors working for BASF.

With our global safety initiative, we foster and encourage awareness of safety and security in the workplace and safe practices for every individual. To further improve our environmental protection and safety and security systems, we also take into account the information derived from our ongoing dialog with stakeholders. BASF received several awards in 2011 for our activities in environmental protection, safety, security and health. At the Geo Responsibility Awards in Sri Lanka, we were distinguished for our safe and environmentally friendly handling of industrial waste.

→ **For more on Responsible Care, see basf.com/responsible-care_e**

→ **For more on occupational safety and health protection, see page 88 and basf.com/occupational_safety**

Audits

Regular audits help ensure uniformly high standards within the BASF Group for environmental protection, safety, security and health protection. We carry out audits at BASF sites and at companies in which BASF is a majority shareholder. In our Group directive for Responsible Care audits, we define, for example, a regular procedure to be followed if standards are not being adhered to. During our audits, we create an environmental, safety and security profile which shows if our performance with regard to environment, safety and security is sufficient to address the existing risk potential. If this is not the case, we stipulate measures and conduct follow-up audits on their implementation soon afterward.

Our internal audit system complies with the standards for external auditing procedures ISO 19011 and OHSAS 18001. Worldwide, 179 BASF production sites are certified in accordance with ISO 14001 (2010: 153); this increase results mainly from the integration of the former Cognis sites.

In 2011, 97 environmental, safety and security audits were carried out in the BASF Group at 66 sites. We carried out 35 audits relating to occupational medicine and health protection at 35 sites. → **For more on certification, see basf.com/certified**

Directives and requirements

– New Group directive on environmental protection with a focus on air, noise, water and waste
– New global requirements for occupational safety and site security

Audits

– Regular audits help ensure uniformly high standards for environmental protection, safety, security and health
– BASF's internal audit system complies with the standards for external auditing procedures ISO 19011 and OHSAS 18001
– 97 audits on safety, security and environment, 35 audits on occupational medicine and health protection

Global safety and security concepts

Our global safety and security concepts serve to protect our employees and neighbors as well as to prevent property damage and protect information. They also aim to prevent production stoppages and damage to the environment. When designing a new facility, we apply a five-step system from conception to start-up that takes into account the most important aspects of environmental protection, safety, security and health protection, and incorporates them early on. We use a risk matrix to assess risks according to estimated probability as well as potential impact, and determine appropriate protective measures. In 2011, around 12,000 employees received training in occupational and process safety.

We closely investigate incidents at all sites which led to fires, explosions or the release of substances. In order to further improve process safety at our plants, we analyze and compare the causes on a global level and continually optimize processes. A new process safety requirement has been in effect since 2011 to increase employees' risk awareness, for example, in situations involving changes made at production plants. Furthermore, we also define the regular intervals at which safety concepts for BASF production plants are reviewed. We can thus address potential risks with appropriate measures.

With our emergency response concepts, we are prepared for potential incidents. This includes specific emergency response plans for our production facilities. Depending on the situation, we involve joint venture companies, partners and suppliers as well as cities, communities and neighboring companies in this process. BASF's central emergency response supports local emergency response units around the clock. Our emergency systems are checked regularly, for example, in drills with our employees and local authorities.

In 2011, we began linking our emergency dispatch centers across Europe. This allows us to work more closely across different sites, and to assess and deal with alarm information within the network more quickly and reliably. After the earthquake in Japan, our experts in research, health and safety spent several weeks supporting local measures at our Japanese sites. We also trained the experts for the Japanese sites in radioactivity measurement and provided them with the appropriate measuring equipment.

In 2011, we continued to implement the requirements set down in 2010 for preventive measures to protect our sites around the world from third-party interference. These measures aim to ensure extensive protection for employees and the company against, for example, criminal behavior, the loss of knowledge or international terrorism. We have incorporated human rights aspects relevant for site security into the training of our security personnel. We made these qualification requirements globally mandatory in 2011 and began implementing and monitoring them in all regions. The respect of human rights is now an obligatory element of new contracts with contractors for whom these aspects apply.

→ **For more on emergency response, see basf.com/emergency_response**

→ **For more on process safety, see basf.com/process_safety**

Safety and security concepts

– Around 12,000 employees trained in occupational and process safety
– New requirements defined for process safety
– We have incorporated human rights aspects relevant for site security into the training of our security personnel and stipulated globally binding qualification requirements

Supply chain management

Both new and existing suppliers are selected and evaluated not only on the basis of economic criteria, but also on standards for environmental protection, occupational safety and social responsibility. Our Code of Conduct for suppliers is based on internationally recognized guidelines: It includes environmental protection and compliance with human rights and labor laws, as well as antidiscrimination and anticorruption policies. In 2012, we aim to include compliance with the Code of Conduct in our supplier contracts.

We conduct risk-based assessments of our suppliers through on-site visits. Risk matrices help us to identify high-risk suppliers based on country and product risks. In response to this country and product risk analysis, we paid on-site visits to a total of 206 raw materials suppliers in 2011 to assess environmental, health and safety aspects. If our audits find need for improvement, we take corrective measures. We perform a follow-up audit a few months later. If we do not see any improvement, we terminate the business relationship. This occurred in eight cases in 2011.

To check their compliance with international labor and social standards, new suppliers from countries outside the OECD are required to fill out a questionnaire. A total of 665 suppliers received our questionnaire on labor and social standards in 2011. In order to do business with us, a company must have completed and signed the survey, with no key issues – such as the elimination of child labor – remaining unresolved. Should we suspect that our labor and social standards are not being met, we retain the right to conduct an external audit and, if necessary, decline a business relationship with that supplier. We did not terminate any business relationships on these grounds in 2011.

BASF is currently participating in an international initiative of the chemical industry to standardize suppliers' self-assessment and self-auditing processes worldwide. This initiative aims to use a globally uniform list of questions modeled after international guidelines like Responsible Care, the International Labor Organization (ILO) standards and the principles of the United Nations' Global Compact, and to develop uniform criteria for auditing suppliers.

In 2011, we provided compliance training to our employees in procurement on topics including sustainability. In order to further minimize supply chain risks and offer information on the opportunities available through sustainable business practices, we held a Supplier Day in 2011 with around 70 suppliers in China. There, we recruited more participants for the "1+3" project begun in 2006, in which suppliers pledge to pass on our sustainability standards to at least three of their cooperation partners in the supply chain.

BASF purchased approximately 500,000 different raw materials and technical goods as well as services for plant construction, maintenance and logistics in 2011. We procured raw materials from over 6,000 suppliers.

→ **For more on supply chain management, see basf.com/supplychain**

2020 Goal
Reduce transportation accidents

–70%

We aim to reduce the rate of transportation accidents worldwide per 10,000 shipments by 70% compared with 2003.

Transportation and warehouse safety

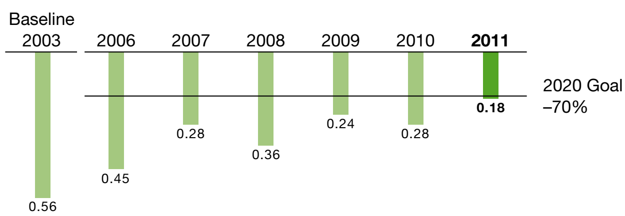
Our regulations and measures for transportation and warehouse safety comprise the delivery, storage and distribution of chemicals among BASF sites, suppliers and customers. Our global directives also set out consistent standards for the transportation and storage of chemical products in rented warehouse facilities.

We expanded our network for transportation, distribution and warehouse safety in 2011. For example, in North Africa, we conducted employee training, reviewed processes, and defined consistent requirements for our logistics companies. In 2011, we introduced a new global directive for the uniform assessment of transportation safety in deep sea tankers. At sites which have joined the BASF Group as a result of acquisitions, we reevaluated

Supply chain management

- Code of Conduct for suppliers includes environmental protection and compliance with human and labor rights, as well as antidiscrimination and anticorruption policies
- Around 70 suppliers participate in Supplier Day in China
- Around 500,000 different raw materials, technical goods and services procured; raw materials purchased from more than 6,000 suppliers

Transportation accidents per 10,000 shipments
(reduction compared with baseline 2003: –68%)



the transportation risks for selected critical products and improved their transport processes, making these safer.

If an incident occurs despite all of our preventive measures worldwide, we provide swift and specially coordinated assistance. Our transportation safety advisors are involved in these processes and procedures, and they subsequently evaluate all of the information. More than 150 employees are active around the world as trained transportation safety advisors. They collaborate within a global network, helping us to establish proper measures and to avoid incidents in the future.

Compared with baseline 2003, we have reduced the number of transportation accidents from 0.56 per 10,000 shipments to 0.18. This number is significantly reduced compared with the previous year (2010: 0.28). We have recorded and evaluated product spillages during transportation on a global level since 2011, continually optimizing our transport processes. In 2011, the number of product spillages amounted to 0.30 per 10,000 shipments.

We also assess our logistics suppliers with regard to safety and quality, and evaluated more than 500 companies worldwide in 2011. For these inspections, our experts use both our own methods as well as internationally approved analysis instruments, such as the European Safety Quality Assessment System. Based on the questionnaire revised by the European Chemical Industry Association (CEFIC) in 2011, we raised our requirements for safety and quality in our logistics partners even higher. If we determine that our standards are not being met, we discuss this with logistics companies in quality and safety briefings and ensure that the necessary measures for improvement are immediately introduced.

We are actively involved in external networks that quickly provide information and assistance in emergencies. These include the International Chemical Environmental (ICE) initiative and the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role. BASF provided assistance with TUIS in around 250 cases in 2011, including assistance to third parties. As a part of TUIS, BASF has started the implementation of a regional risk matrix in Asia, with which we define requirements for emergency response measures and accident information. In 2011, in order to further increase the quality of transportation accident assistance throughout Germany, we provided public fire departments with a training concept on handling dangerous goods. We plan to expand this training concept and introduce it in other countries.

→ **For more, see basf.com/distribution_safety and basf.com/emergency_response**

2020 Goal
Reduce emissions of air pollutants

–70%

We aim to reduce air pollutants from our chemical plants by 70% compared with 2002.

Emissions to air

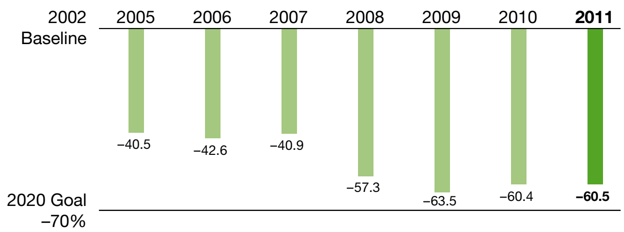
Regular monitoring of our emissions to air is a part of environmental management at BASF. In addition to greenhouse gases, we also measure emissions of other air pollutants. These include inorganic compounds such as carbon monoxide (CO), sulfur dioxide (SO_2), nitrogen oxide, ammonia and other inorganic compounds, dust, heavy metals and non-methane volatile organic compounds (NMVOCs).

Our reporting does not take into consideration air pollutant emissions from oil and gas operations due to their substantial fluctuation during exploration phases. Emissions of ozone-depleting substances as defined by the Montreal Protocol totaled 62 metric tons in 2011 (2010: 93 metric tons), while emissions of heavy metals totaled 3 metric tons (2010: 4 metric tons).

Transportation and warehouse safety

- Regulations and measures for transportation and warehouse safety comprise delivery, storage and distribution of chemicals
- New global directive for transportation safety in deep sea tankers
- More than 150 transportation safety advisors worldwide

Emissions to air
Air pollutants[1] (reduction compared with baseline 2002)



[1] See table on page 94 for the composition of the air pollutants

As our portfolio expands and production volumes increase, we remain committed to our goal of reducing the emission of air pollutants from our chemical plants. By 2020, we want to reduce absolute emissions by 70% in comparison with baseline 2002. In 2011, the decline was 60.5%; we reduced emissions to 33,807 metric tons (2010: 60.4%; 33,940 metric tons).

Emissions to air
Air pollutants (metric tons per year) from BASF operations (excluding Oil & Gas)

	Baseline 2002	2008	2009	2010	2011
CO*	46,208	5,171	3,549	3,964	4,419
NO_x**	15,045	14,207	11,767	12,764	13,003
NMVOC ***	15,005	5,136	5,050	5,550	5,570
SO_x****	6,633	5,918	4,884	4,934	4,483
Dust	1,734	3,273	3,126	3,537	3,069
NH_3/other *****	994	2,812	2,914	3,191	3,263
Total	**85,619**	**36,518**	**31,290**	**33,940**	**33,807**

* Carbon monoxide
** Total NO_2 (nitrogen dioxide) + NO (nitrogen monoxide), calculated as NO_2
*** Non-methane volatile organic compounds
**** Total various sulfur oxides
***** NH_3 (ammonia) and other inorganic substances

Waste management

BASF prevents and reduces waste wherever possible. If no recovery options are available, we dispose of waste in a correct and environmentally responsible manner. We regularly carry out audits to inspect external waste management plants. When making acquisitions, we apply the same standards for the responsible handling of landfills and contaminated sites. After extensive planning, the remediation of two former multi-disposal landfills was largely completed in 2011. These were contaminated areas of former Ciba sites.

Worldwide, around 1.97 million metric tons of waste resulted from production in 2011 (2010: 1.86 million metric tons). Of this, oil and gas exploration accounted for 0.08 million metric tons (2010: 0.06 million metric tons). We were able to recycle or thermally recover 48.9% of our waste (2010: 48.5%). The rest was disposed of by underground storage (9.1%), through incineration (56.8%) or by landfilling (34.1%). According to internationally established categories, around 0.58 million metric tons of the waste we disposed of was classified as hazardous and approximately 0.43 million metric tons as non-hazardous. Our sites sent 0.30 million metric tons of hazardous waste away for professional disposal.

Costs and provisions for environmental protection

The overall costs of operating environmental protection facilities amounted to €850 million in 2011 (2010: €729 million). BASF invested an additional €190 million in new and improved environmental protection plants and facilities (2010: €122 million). These capital expenditures involved both end-of-pipe measures as well as integrated environmental protection measures.

Provisions established for environmental protection measures and remediation amounted to €659 million as of December 31, 2011 (December 31, 2010: €665 million).

Waste management

– Audits at external waste management plants
– Remediation of contaminated areas at two former Ciba sites largely complete
– 1.97 million metric tons of waste from production in 2011

Costs and provisions for environmental protection

– €850 million in overall costs for operating environmental protection facilities
– €190 million invested in new and improved environmental protection plants and facilities
– €659 million in provisions for environmental protection plants and remediation costs

Climate protection

We are committed to global climate protection. We make an important contribution with our climate protection products and our efforts to further reduce emissions along our value-adding chain. In 2011, we set ourselves a new goal for climate protection. One focus of our research and development is on continually improving the cost effectiveness of climate protection solutions. We measure our performance with a transparent corporate carbon footprint.

Strategy

We want to further reduce greenhouse gas emissions in our own production and along the entire value-adding chain. To this end, we implemented numerous measures in our production in 2011. Furthermore, we signed the Manifesto for Energy Efficiency in Buildings laid out by the World Business Council for Sustainable Development (WBCSD), and developed a sustainability guideline for the management of our own office buildings. We offer our customers solutions that help reduce greenhouse gas emissions and improve resource efficiency. About a third of our annual research spending is invested in the development of these products.

Our climate protection activities are based on comprehensive emissions controlling. In 2011, we received an award from the Environmental Investment Organization for our transparent reporting and comprehensive data collection. For the second time in a row, BASF has been selected for inclusion in the Carbon Disclosure Leadership Index (CDLI) and the Carbon Performance Leadership Index (CPLI) – the only chemical company to receive this honor.

→ **Information on emission certificates can be found on page 108; for more on innovation, see page 28 onward**

→ **For more on climate protection, see basf.com/climate_protection**

Global climate protection goals

In 2011, BASF emitted 25.8 million metric tons of greenhouse gases worldwide, measured as CO_2 equivalents (2010: 25.7 million metric tons); of this amount, 23.2 million metric tons were from BASF operations (excluding Oil & Gas) (2010: 23.8 million metric tons). As in the previous year, in 2011 we once again reached our goal of reducing greenhouse gas emissions per metric ton of sales product by 25% compared with 2002. The integration of the Cognis portfolio, the further reduction of nitrous oxide (N_2O) emissions and the further improvement of energy efficiency all contributed to this development. Overall, we have been able to lower our greenhouse gas emissions from BASF operations (excluding Oil & Gas) by 42% and reduce specific emissions by 74% since 1990. In 2011, we set ourselves a new goal: by 2020, we want to lower emissions per metric ton of sales product by 40% compared with 2002.

2020 Goals
Reduce greenhouse gas emissions

Chemical production[1] (baseline 2002)	Natural gas transport[2] (baseline 2010)
–40%	–10%

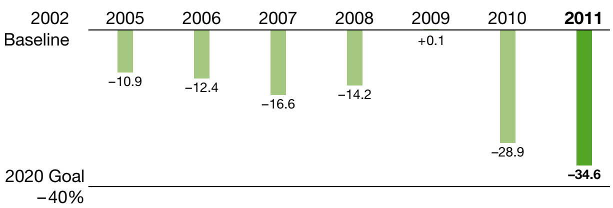
[1] per metric ton of sales product
[2] per amount and distance of transported gas

In the oil and gas business, BASF's subsidiary Wintershall will likely achieve its goal of stopping the continuous flaring of gases associated with crude oil production in routine operations at all its oil production sites by the end of 2012. Wintershall has also set itself the goal of increasing energy efficiency in natural gas transport: By 2020, it aims to reduce carbon emissions related to the amount and distance of transported natural gas by 10% compared with 2010. This will be accomplished through, for example, a more energy-efficient gas pipe layout and the more intensive reuse of waste heat in the WINGAS Group's transportation network.

Strategy and goals

- We invest around one-third of our annual research spending in the development of products for climate protection and resource efficiency
- Goal of reducing greenhouse gas emissions in BASF operations (excluding Oil & Gas) per metric ton of sales product (–25%) exceeded, as in the previous year; new goal (–40%) defined for 2020

Reduction of greenhouse gas emissions in BASF operations (excluding Oil & Gas)[1] per metric ton of sales product (in %)



[1] compared with baseline 2002

Greenhouse gas emissions

We report on greenhouse gases along our entire value-adding chain in accordance with the Greenhouse Gas Protocol Standard. We contribute our expertise to a WBCSD project, in which we work together with other companies to establish a uniform interpretation of this standard for the chemical industry. Our own reporting on emissions from production has been improved accordingly. We report separately on direct emissions and on indirect emissions from the purchase of energy. Scope 1 emissions encompass both direct emissions from production and energy generation, as well as direct emissions from the generation of energy for sale. Scope 2 emissions comprise indirect emissions from the purchase of energy for BASF use.

BASF Group's greenhouse gas emissions according to the Greenhouse Gas Protocol (1,000 metric tons of CO_2equivalent per year)

BASF operations including Oil & Gas	GWP factor *	2002	2009	2010	2011
Scope 1					
CO_2 (carbon dioxide)	1	14,634	17,181	18,787	18,488
N_2O (nitrous oxide)	310	6,407	9,553	1,862	1,124
CH_4 (methane)	21	244	137	94	105
HFC (hydrofluorocarbons)**	140–11,700	61	74	82	85
SF_6 (sulfur hexafluoride)	23,900	0	1	3	2
Scope 2					
CO_2	1	5,243	4,119	4,402	4,879
Total		**26,589**	**31,065**	**25,230**	**24,683**
Sale of energy to third parties (Scope 1)* **					
CO_2	1	347	577	484	1,116
Total		**26,936**	**31,642**	**25,714**	**25,799**
Certificates sold** **		**0**	**0**	**0**	**175**
Total including offsets		**26,936**	**31,642**	**25,714**	**25,974**

* GWP-Factor: global warming potential of the individual gases expressed as a factor of CO_2

** Calculated using the GWP factors of the individual components (Intergovernmental Panel on Climate Change 1995)

*** Also includes sales to BASF Group companies and joint ventures; as a result, emissions reported under Scope 2 can be reported again in some cases

**** Voluntary Carbon Units (VCU) certificates from measures to reduce emissions, which were sold to third parties

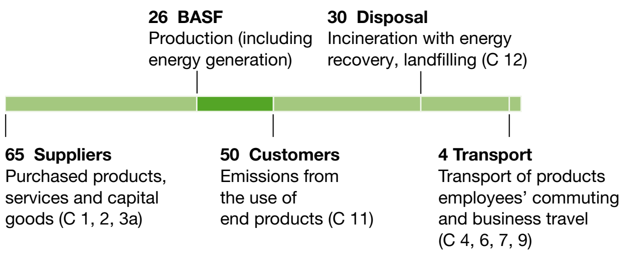
Emissions reporting

– Reporting on emissions from production improved
– Emissions divided into separate groups: direct emissions from production and from energy generation for BASF use (Scope 1 emissions); direct emissions from the generation of energy for sale (Scope 1 emissions); indirect emissions from the purchase of energy for BASF use (Scope 2 emissions)

Our corporate carbon footprint

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.

Significant greenhouse gas emissions along the BASF value-adding chain in 2011[1] (in million metric tons of CO_2 equivalents)



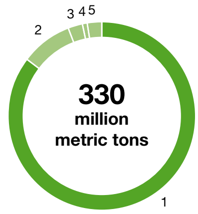
[1] According to Greenhouse Gas Protocol, Scope 1, 2 and 3 (categories within Scope 3 shown in parentheses)

Since 2011, we have defined climate protection products as those product groups which compared to the alternatives avoid greenhouse gas emissions over their entire life cycle – from production and use to disposal – and whose eco-efficiency is at least as good as that of comparable products. The use of climate protection products we sold in 2011 reduces our customers' emissions by 330 million metric tons of CO_2 (2010: 322 million metric tons). Our goal is to continuously increase our contribution to climate protection with these products.

→ **For more on our emissions reporting, see basf.com/corporate_carbon_footprint**

Avoidance of greenhouse gas emissions through the use of BASF products by sector (in million metric tons of CO_2 equivalents)

1	Housing and construction	282
2	Industry	29
3	Transport	8
4	Agriculture	3
5	Other	8



Opportunities with climate protection products

In 2011, we generated sales of around €6.7 billion (9% of BASF Group sales, excluding the styrenics business) with our climate protection products (2010: €7.7 billion), which include building insulation materials and plastic components for the automotive industry. This year-on-year decrease in sales of climate protection products is primarily attributable to the inclusion of the styrenics business in the Styrolution joint venture. The products from this business were not taken into account in calculating our corporate carbon footprint for 2011. In 2010, comparable sales of climate protection products amounted to €6.4 billion. Our current research activities in areas such as renewable energy and battery materials are expected to further increase our sales of climate protection products.

In addition, we offer a number of products which enable users to address the effects of climate change. Elastocoast®, for example, is a composite of BASF specialty plastics and stone ballast which protects dikes against the force of waves.

Corporate carbon footprint

- Comprehensive reporting on greenhouse gas emissions along the value-adding chain
- Use of climate protection products sold in 2011 reduces our customers' emissions by 330 million metric tons of CO_2

Climate protection products

- Around €6.7 billion in sales from climate protection products in 2011
- Product portfolio enables users to address the effects of climate change

Energy and raw materials

The conservation of resources is one of our fundamental principles. We use efficient energy-generation technologies, energy-efficient production processes and comprehensive energy management. We also make products that help conserve resources. In order to continue to increase our energy efficiency, we have set ourselves a new goal.

Strategy

We offer our customers products and technologies that help them conserve resources, save energy and make renewable energies more economical in the long run. Our own production processes focus on energy efficiency and the responsible use of raw materials. As a company in an energy-intensive industry, our success also depends on the long-term security of our energy and raw material supplies. We have therefore created a program to increase our energy efficiency – measured as the volume of sales products produced in relation to the primary energy required for their production – with a global goal for our production processes. We pursue this goal through efficiency in energy generation, savings through our Energy Verbund, and our energy management, which analyzes and further improves energy efficiency at our plants.

→ **For more on energy-efficient products, see page 50 onward**

Global goals

In 2011, we increased the energy efficiency of our production processes by 26.2% in comparison with the baseline 2002 (2010: 23.7%). Thus, ahead of schedule, we have already achieved our goal of improving the energy efficiency of our production processes by 25% compared with 2002. This was accomplished through the use of cogeneration technology and individual projects. At the Ludwigshafen site, for example, we expanded our network for condensate return in 2011. The increased use of condensate saves water and heat.

In order to further increase energy efficiency in BASF operations (excluding Oil & Gas), we have set a new goal for 2020: We want to improve the energy efficiency of our production processes by 35% compared with 2002. We plan to accomplish this by continuing to optimize our facilities and by investing in new plants. To support this goal, we have integrated energy management issues into our global Responsible Care auditing system.

2020 Goal
Increase energy efficiency

35%

We want to improve the energy efficiency of our production processes by 35% compared with 2002.

Energy and resource efficiency

We use highly efficient combined heat and power (CHP) plants to generate our own energy. With this CHP technology, we can meet more than 70% of our electricity needs. In 2011, it allowed us to save more than 12 million MWh of fossil fuels compared to conventional methods of generating steam and electricity.

The Verbund system is an important component of our energy efficiency concept. Waste heat from one plant's production processes is used as energy in other plants. In this way, BASF saves more than 18 million MWh each year, which corresponds to savings of 3.7 million metric tons worth of carbon emissions annually. Furthermore, the by-products of one plant can be used as feedstock elsewhere, thus helping us to use raw materials more efficiently. Our most important raw materials are naphtha, natural gas, methanol, ammonia and benzene.

We are examining the use of renewable energy sources. These can only become a permanent part of our energy mix if they are competitive in terms of supply security and cost. We support the use and generation of renewable energies, and research and develop technologies that can be used in fields such as wind and solar thermal energy. To advance electric

Strategy

- Develop products that help customers conserve resources, save energy and make renewable energies more economic in the long run
- Three-pronged approach: efficient energy production, savings through the Energy Verbund and successful energy management

Goals

- 2020 Goal to increase the energy efficiency of our production processes by 25% compared with 2002 achieved ahead of schedule
- New quantitative goal to increase energy efficiency in our production processes: 35% compared with baseline 2002

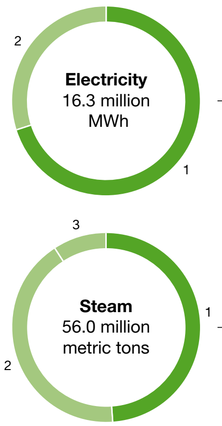
Energy supply of the BASF Group 2011

Electricity supply

1	Internally generated	70%
2	Purchased	30%

Steam supply

1	Internally generated	49%
2	Waste heat	42%
3	Purchased	9%



Fossil and residual fuels used for power generation in BASF's own power plants

85%	**Natural gas** 34.5 million MWh
1%	**Heating oil** 0.3 million MWh
2%	**Coal** 0.9 million MWh
12%	**Residual fuels** 4.9 million MWh
Total:	40.6 million MWh

mobility, BASF began construction in 2011 on the first facility for the large-scale production of battery materials for electric vehicles in Elyria, Ohio.

→ **For more on products that support the use of renewable energies, see page 45**

→ **For more on our Verbund concept, see basf.com/verbund_e**

→ **For more on energy efficiency, see basf.com/resource_conservation**

Renewable raw materials

In 2011, more than 3% of the raw materials we purchased worldwide were from renewable sources. BASF is intensifying research and development activities for products and production processes based on renewable raw materials.

In one research project, for example, we have isolated a bacterium with which succinic acid can be produced from renewable resources. Our Eco-Efficiency Analysis shows that this bio-based process is more ecologically efficient than the production of succinic acid using petrochemicals.

BASF is involved in various projects along the value-adding chain to promote the sustainable cultivation of renewable raw materials. Together with Cargill and GIZ, the German governmental agency for international cooperation, we started a project in 2011 for the economical, environmentally friendly and socially responsible production of coconut oil in the Philippines. Furthermore, BASF will continue to be a member of the Roundtable on Sustainable Palm Oil, which Cognis joined in 2004. Our goal is to use palm and palm kernel oil from certified, sustainable sources by 2015.

→ **For more on the raw material change growth field, see basf.com/raw_material_change**

Mineral raw materials

We performed an analysis in 2011 to discover if we use "conflict minerals." To our current knowledge, this is not the case. To be certain, we plan in 2012 to trace the source of minerals we purchase all the way back to the original mine. Should some cases arise in which the possibility cannot be excluded that materials are taken from critical regions, we reserve the right to conduct an external audit and, if necessary, end our business relationship with that supplier.

→ **For more on our dealings with suppliers, see page 92 onward**

Energy and resource efficiency

- 12 million MWh savings with combined heat and power (CHP) technology
- Savings of more than 18 million MWh per year with the Energy Verbund
- Most important raw materials: naphtha, natural gas, methanol, ammonia, benzene
- Construction begun on the first facility for large-scale production of battery materials for electric vehicles

Renewable raw materials

- More than 3% of raw materials purchased worldwide in 2011 were from renewable sources
- Succinic acid produced from renewable raw materials
- Member in Roundtable on Sustainable Palm Oil

Water

We use 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. We offer our customers solutions that help them to purify water, use it more efficiently and reduce pollution.

Strategy

We want to use water as sparingly as possible at our sites, thus contributing to responsible usage. Water quality and availability vary substantially from region to region; therefore, we have developed a custom-designed water usage plan for each site.

We also show our commitment to sustainable water use in international partnerships and initiatives. As a member of the European Water Partnership (EWP), we played a decisive role in the development of the European Water Stewardship (EWS) standard, a voluntary industry standard. We investigated the applicability of this standard in practice and offered important advice on its improvement. We will apply the EWS standard in water stress areas worldwide starting in 2012. In 2011, we once again participated in the Carbon Disclosure Project survey on the risks and opportunities of water management for companies.

→ For more, see basf.com/water

New global goals

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. In 2011, around 21% of our production sites were located in water stress areas, and around 6.5% of water used by BASF was abstracted from these areas.

In 2011, we already made progress toward our 2020 goal of reducing the use of drinking water in production by half compared with 2010; we achieved a reduction of 20.9%. At our site in Antwerp, Belgium, we have switched to using river water instead of drinking water for cooling purposes.

2020 Goals
Water

Reduce use of drinking water in production processes (baseline 2010)	Sustainable water management in water stress areas
–50%	100%

Fewer emissions

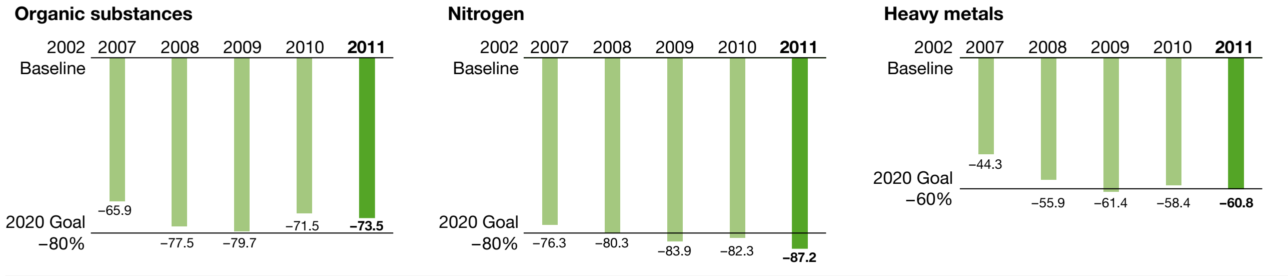
We want to reduce emissions to water of organic substances and nitrogen by 80% and of heavy metals by 60% compared with baseline 2002.

Reducing emissions further

Around 192 million cubic meters of wastewater were discharged from BASF production sites (2010: 197 million cubic meters). At 2,900 metric tons, emissions to water of nitrogen (N total) in 2011 were less than in the previous year (2010: 3,950 metric tons), representing a reduction of 87.2% since 2002. BASF's wastewater contained 24 metric tons of heavy metals (2010: 25 metric tons). Using an optimized procedure for separating heavy metals from wastewater at the Ludwigshafen site, we were able to reduce heavy metal emissions worldwide by 5.6% compared with the previous year and by 60.8% compared with 2002. As a result, we already reached our 2020 goals for reducing emissions of nitrogen and heavy metals to water in 2011. Around 24,300 metric tons of organic substances were emitted in 2011 (2010: 26,100 metric tons). This represents a decline of 73.5% compared with 2002. Phosphorus emissions amounted to 391 metric tons (2010: 458 metric tons).

To avoid errors which lead to unanticipated emissions, we will review our water protection concepts at all production sites by 2015. For example, we will invest more than €2 million in improving the analytical instrumentation of the wastewater treat-

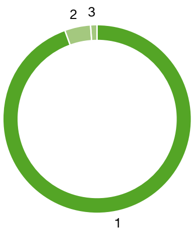
Emissions to water
(2020 Goal: reduction compared with baseline 2002 in %)



Water footprint of the BASF Group in 2011
(Million cubic meters per year)

Supply → **Use** → **Discharge**

Supply



1	Surface water	2,012 (94.5%)
2	Groundwater	94 (4.4%)
3	Drinking water	24 (1.1%)

Total: 2,130

Use

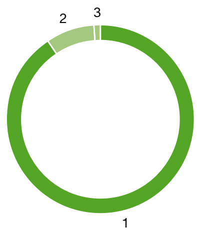
87% **Cooling**
– closed-circuit cooling 3,577
– flow cooling 1,849

13% **Production**[1]
269

Total: 5,695

Discharge

1	Cooling water (uncontaminated)	1,849 (90.6%)
2	Wastewater from production	174 (8.5%)
3	Graywater	19 (0.9%)



Total: 2,042[2]

[1] Total from production processes, graywater, rinsing and purification in production
[2] The difference between the volume of water supplied and discharged is mainly attributable to evaporation losses during closed-circuit cooling.

ment facility at our site in Geismar, Louisiana, in order to identify any unanticipated emissions at an early stage.

BASF not only reduces its own emissions to water – we also want to minimize the risk of water contamination from our products. We have participated in the roundtable Zusammenarbeit von Wasserversorgung und Agrarchemie (Water Supply and Agricultural Chemistry Cooperation) since 2009, which aims to prevent the contamination of drinking water with crop protection products. In 2011, a monitoring database was set up for Germany within the framework of this cooperation.

Water use

In 2011, BASF abstracted 2,130 million cubic meters of water worldwide (2010: 2,125 million cubic meters). Of this amount, 94.5% was drawn from rivers and lakes. Groundwater accounted for 4.4% and drinking water for 1.1%.

BASF uses most of this water as cooling water. Only around 13% of the water comes into contact with products, for example, when used for washing or as a solvent or reaction medium. We recirculate water as much as possible in order to reduce our water usage. We report separately on recirculated water used in flow and closed-circuit cooling. However, we do not want water recirculation to result in increased energy use, for instance, for recooling the water. We have recooling plants at our larger sites to reduce the temperature of the cooling water before it is discharged back into a body of water.

Business opportunities

We supply our customers with products that help them use water efficiently and reduce emissions to water. We are building a new water treatment chemicals plant at our site in Nanjing, China, which will begin production in 2012. With the acquisition of inge watertechnologies AG in 2011, we aim to expand our market position in the water treatment industry and offer our customers solutions based on both chemicals and membrane technologies. → **For more, see basf.com/water**

Use of water

– Commitment to sustainable water usage
– 2020 Goals achieved for reducing emissions of nitrogen and heavy metals to water
– Two new 2020 Goals for water
– BASF abstracted 2,130 million cubic meters of water worldwide in 2011

Highlights 2011

– Participation in the development of the industry's voluntary European Water Stewardship standard
– Antwerp site switches to using river water rather than drinking water for cooling
– Construction begins on a water treatment chemicals plant at Nanjing site

Product stewardship

For us, product stewardship does not end at the factory gates. We review the safety of our products along the entire value-adding chain – from raw material suppliers to our own production and finally to our customers' use of the products. We work continually to ensure that our products pose no risk to people or the environment when they are used responsibly and in the manner intended.

2020 Goal
Risk assessment of all products

>99% Risk assessment of all products that we sell in quantities of more than one metric ton per year

Strategy

We ensure uniform high standards for product stewardship worldwide and our voluntary initiatives go beyond legal requirements. We fulfill the requirements of the European Union's chemicals legislation, including the REACH regulation. Our directives and global goals apply to all of BASF's operative decision makers, who are responsible for implementing them. This implementation is monitored with regular audits.

We provide extensive information to our customers and the public on our chemical products with safety data sheets in more than 30 languages. This is achieved with the help of a global database containing continuously updated environmental, health and safety data on our substances and products. Our global emergency hotline network provides information around the clock. We offer our customers needs-based training in the safe use of our products, such as chemical intermediates or crop protection products.

With our global goals for risk assessment, we are supporting the implementation of initiatives such as the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). GPS is establishing global standards and best practices to improve the safe management of chemical substances. Internationally, we are also involved in workshops and training seminars in developing countries and emerging markets. In 2011, we contributed to GPS training workshops in Africa, Asia and Eastern Europe mainly for smaller and medium-sized enterprises as well as for government and university representatives. We conducted 14 learning events around the world in 2011, bringing the total to 42 since 2008.

→ **For more on auditing of suppliers, see page 92 onward; for more on GPS, see basf.com/gps_e**

Global goals

By 2020, we will review our risk assessments for all substances BASF produces or sells worldwide in quantities of more than one metric ton per year. We already reached 29.5% of this goal in 2011. The risk associated with using a substance is the combination of its hazardous properties and the degree of exposure to people and the environment. We review our sales products, including mixtures, in the same way.

REACH and other legal requirements

We began implementing the second registration phase of REACH in 2011. We have notified the European Chemicals Agency (ECHA) of 4,000 substances for inclusion in the Classification and Labeling Inventory. 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. Nearly a quarter of these substances were added to our portfolio as a result of the integration of the former Cognis businesses. We expect that the cost of implementing REACH will continue to average around €50 million per year.

Product stewardship

- We review product safety throughout the entire value-adding chain
- Global directives with uniform high standards
- Workshops conducted on Global Product Strategy for smaller and medium-sized enterprises as well as for government and university representatives in Africa, Asia and Eastern Europe

REACH implementation

- Second registration phase begins; around 700 substances to be registered by 2013
- Expertise in evaluating substances and our cost-effective processes offer significant competitive advantages in the implementation of REACH

We consider it an important competitive advantage that we have expertise in evaluating substances as well as cost-effective processes, which we can use to implement these regulations. When it comes to REACH, we are in close contact with our customers and suppliers to ensure we have secure supplies of the raw materials we need and to strengthen customer relationships. Another way in which BASF contributes to international chemical safety is through our support of the United Nations' initiative to implement a Globally Harmonized System (GHS) of Classification and Labeling of Chemicals.

Ecological and toxicological testing

Before launching products on the market, we subject them to a variety of ecological and toxicological testing. We apply the most current scientific knowledge in the research and development of our products. As a rule, we only conduct animal studies when we are legally required to do so. In some cases, animal studies are stipulated by REACH and other national legislation outside the European Union in order to obtain more information on the properties and effects of chemical products. Our treatment of animals meets the highest standards. We adhere to the specifications laid down by the German Animal Welfare Act as well as the requirements of the Association for Assessment and Accreditation of Laboratory Animal Care – the highest standard for laboratory animals in the world.

We are continuously developing alternative and complementary methods that we put into practice whenever it is possible and accepted by the authorities. BASF invested approximately €3 million for this in 2011. For tests where it is not permissible or possible to use alternative methods, we are working to further optimize our procedures.

We use alternative and complementary methods in more than a third of our tests. Since 2009, BASF has had a laboratory in which routine toxicological tests are carried out exclusively using alternative methods. Currently, 25 alternative methods are being used in our labs and another 10 are in the development stage.

Biodiversity

In order to preserve and foster biodiversity in agriculture, we participate in initiatives for the protection and conservation of ecosystems. For example, we test various possibilities on a farm in the United Kingdom in order to even better harmonize economic success with the protection of biodiversity. In France, we work with partners in a network promoting bee health and biodiversity. Using our AgBalance® method, we evaluate biodiversity as one of the 16 assessment categories in agricultural production.

Management of new technologies

Innovative technologies such as plant biotechnology or nanotechnology offer solutions for the key challenges our society faces – for instance, in the areas of climate protection or health and nutrition. Products made using new technologies are often subject to higher standards than all other products.

Our Code of Conduct Nanotechnology sets out principles for using nanomaterials. In the past five years, we have taken part in approximately 25 projects, collaborations and partnerships related to safety research. The NanoGEM project, for example, investigates the lifecycle of functionalized nanoparticles and nanocomposite material. In Europe, we participate in endeavors like the MARINA joint project to establish reference methods and a test strategy for nanomaterials safety.

Since 2010, we have been involved in a project coordinated by the Öko-Institut e.V. (Institute for Applied Ecology) to develop an instrument for assessing the sustainability of nanoproducts. We analyzed the concrete admixture X-SEED® in a pilot trial. This test, completed in 2011, demonstrated that X-SEED helps to significantly reduce carbon emissions as well as energy and resource consumption in construction.

→ **For more on nanotechnology and the Nanotechnology Code of Conduct, see basf.com/dialog-nanotechnology**

Use of animal studies

- Products undergo ecological and toxicological testing before they are launched on the market
- BASF uses alternative and complementary methods whenever possible and accepted by the authorities
- Approximately €3 million invested in 2011 in the development of alternative methods

New technologies

- Innovative technologies offer solutions for society's challenges, such as climate protection, health and nutrition
- Instrument for assessing sustainability in nanoproducts developed in a joint project with the Öko-Institut e.V.

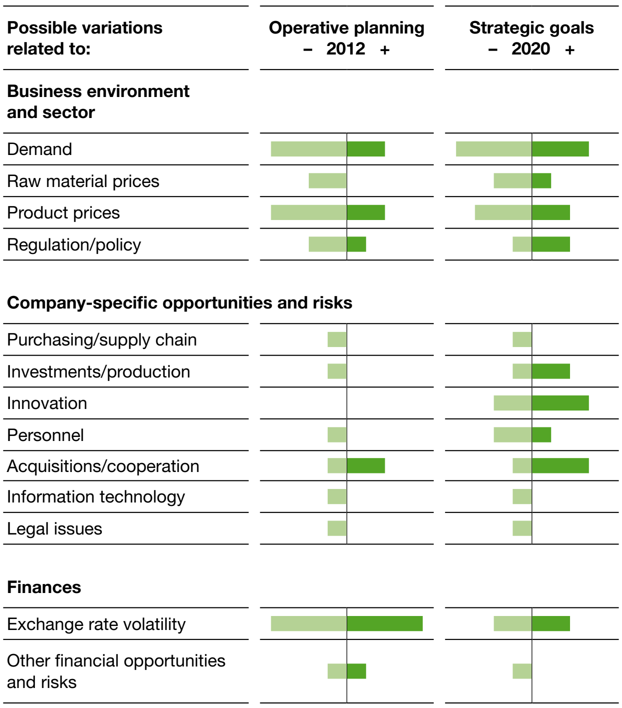
Opportunities and risks report

Identifying, assessing and managing opportunities and risks

The goal of BASF's risk management is to identify and evaluate opportunities and risks as early as possible and to take appropriate measures in order to seize opportunities and limit business losses. The aim here is to avoid risks that pose a threat to BASF's continued existence and to make improved managerial decisions to create lasting value.

We understand risk to be any event that can negatively impact the achievement of our short-term operational or long-term strategic goals. We define opportunities as possible successes that exceed our defined goals.

Short- and long-term effects on earnings of key opportunity and risk factors



Overall assessment

We expect the global economy to continue to grow in the next two years. However, the national debt crises in Europe and the United States as well as inflationary trends in Asia all pose considerable risks. A new economic crisis could result if market uncertainty continues or demand is negatively impacted by extensive fiscal austerity measures. Important opportunities and risks for our earnings are also associated with uncertainty regarding the development of key customer industries and raw material prices, as well as volatility in foreign currency exchange rates and margins.

According to our assessment, there are still no significant individual risks that pose a threat to the continued existence of the BASF Group. The same applies to the sum of individual risks, even in the case of another economic crisis.

Risk management process

The BASF Group's risk management process is based on the international risk management standard COSO II Enterprise Risk Management – Integrated Framework, and has the following key features:

Organization and responsibilities

- Risk management is the responsibility of the Board of Executive Directors, which also determines the processes for approving investments, acquisitions and divestitures.
- The Board of Executive Directors is supported by the corporate divisions Finance, Strategic Planning & Controlling and Legal, Taxes & Insurance, as well as the Corporate Controlling unit and the Chief Compliance Officer. They coordinate the risk management process at a Group level and provide the structure and appropriate methodology. Opportunity and risk management is thus integrated in the strategy, planning and budgeting processes.

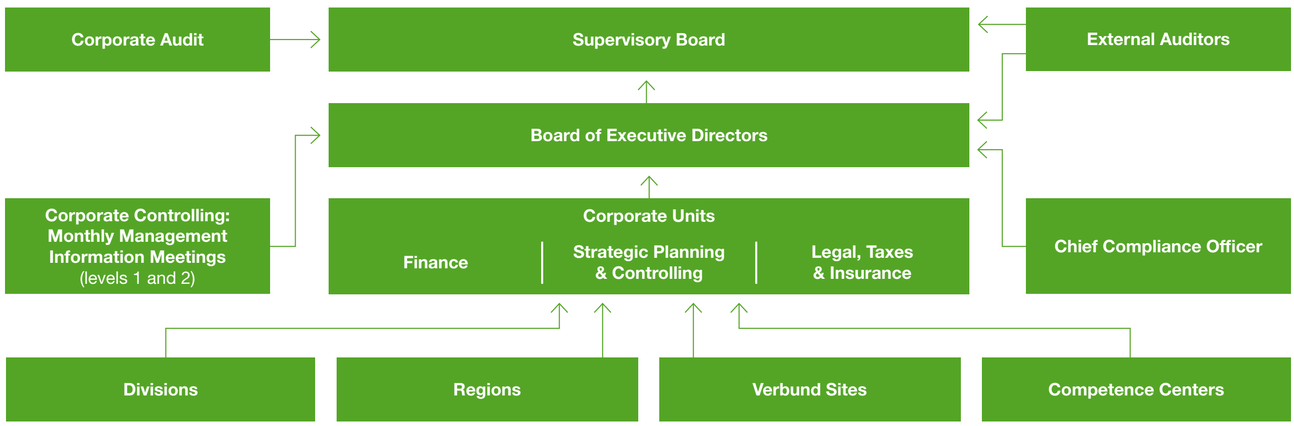
Strategy and goals

- Detect opportunities and risks as early as possible
- Take measures to limit business losses
- Avoid risks that threaten the company's continued existence
- Support managerial decisions

Overall assessment

- The most significant causes of opportunities and risks are the development of the economy and important customer industries as well as the development of raw material prices, and volatility in exchange rates and margins
- Considerable risks arise from the national debt crises in Europe and the United States
- No threat to the continued existence of the BASF Group

Organization of BASF Group's risk management



– A network of risk managers in the business and central units advances the implementation of appropriate risk management practices in daily operations.
– The management of specific opportunities and risks is largely delegated to the business units and is steered at a local level. Risks relating to exchange rates and raw material prices are an exception. In this case, there is an initial consolidation at the Group-wide level before derivative hedging instruments, for example, are used.
– The internal auditing unit is responsible for regularly auditing the risk management system to be established by the Board of Executive Directors in accordance with Section 91 (2) of the German Stock Corporation Act. Furthermore, as part of its monitoring of the Board of Executive Directors, the Supervisory Board considers the effectiveness of the risk management system. An external auditor evaluates the establishment and suitability of an early detection system for risks.

Instruments

– The Risk Management Process Manual, applicable throughout the Group, forms the framework for risk management and is adapted by the business units to suit their particular business conditions.
– A catalog of opportunity and risk categories helps to identify all relevant opportunities and risks as comprehensively as possible.
– Standardized evaluation and reporting tools are available for the identification and evaluation of risks. The aggregation of opportunities, risks and sensitivities at the division and Group level using a Monte Carlo simulation helps us to identify effects and trends across the organization.
– Company management is informed about operational opportunities and risks (observation period of up to one year) in the monthly management report produced by the Corporate Controlling unit. In addition, the corporate divisions Strategic

Internal control and risk management system with regard to the Group financial reporting process

– Uniform, Group-wide guideline that sets accounting policies, processes and deadlines
– Strict adherence to the principles of segregation of duties and dual control and enforcement of access rights rules
– Annual evaluation of the control environment at significant companies and service units using a central risk catalog

Planning & Controlling and Finance provide information twice a year about the aggregated opportunity/risk exposure of the BASF Group. Furthermore, if a new individual risk is identified which has an impact on earnings of more than €10 million, it must be immediately reported.

– As part of our strategy development, the Strategic Planning & Controlling unit conducts strategic opportunity/risk analyses with a ten-year assessment period. These analyses are annually reviewed during the course of the strategic controlling and are adapted if necessary.

When BASF was included in the Dow Jones Sustainability Index in September 2011, the company once again received special recognition for its risk management system.

Significant features of the internal control and risk management system with regard to the Group financial reporting process

The Consolidated Financial Statements are prepared by a unit in the corporate division Finance. BASF Group's accounting process is based on a uniform accounting guideline that sets out accounting policies and the significant processes and deadlines on a Group-wide basis. There are binding directives for the internal reconciliations and other accounting operations. Standard software is used to carry out the accounting processes for the preparation of the individual financial statements as well as for the Consolidated Financial Statements. There are clear rules for the access rights of each participant in these processes.

Employees involved in the accounting and reporting process meet the qualitative requirements and participate in training on a regular basis. There is a clear assignment of responsibilities between the specialist units, companies and regional service units involved. We strictly adhere to the principles of segregation of duties and dual control. Complex actuarial reports and evaluations are produced by specialized service providers or specially qualified employees.

Our internal control system for financial reporting continuously monitors these principles. To this end, methods are provided for the structured and Group-wide uniform evaluation of the internal control system in financial reporting.

A central risk catalog covers the significant risks for the BASF Group regarding a reliable control environment and proper financial reporting. The risk catalog is revised and updated annually.

In a centralized selection process, companies and units are identified that are exposed to particular risks, that have a material impact on the Consolidated Financial Statements of the BASF Group or that provide service processes. The selection process is conducted annually. In the relevant companies and units, one person is given responsibility to coordinate and monitor the execution of the steps.

The annual evaluation process consists of the following steps:

– Evaluation of the control environment
The adherence to internal and external guidelines that are relevant for the maintenance of a reliable control environment is checked by means of a standardized questionnaire. The assessment is performed by checking the rules awareness of employees involved, and is supported by sample taking.

– Identification of the control activities
In order to mitigate the risks to the financial reporting process listed in our central risk catalog, corresponding control activities are conducted.

– Assessment of the control activities
After documentation, a test is performed to verify whether the described controls are capable of adequately mitigating the risks. In the subsequent test phase, samples are taken to test whether the controls were effective in practice.

Risk management process

– Integrated process with standardized tools for identifying, assessing and reporting opportunities and risks
– Decentralized management of specific opportunities and risks
– Aggregation at a Group level
– Regular reporting on operational and strategic opportunity/risk exposure

Annual evaluation process

– Evaluation of the control environment
– Identification of the control activities
– Assessment of the control activities
– Monitoring of control weaknesses
– Internal confirmation of the internal control system

– Monitoring of control weaknesses
The managers responsible receive reports on any control weaknesses identified and their resolution, and an interdisciplinary committee investigates their relevance for the BASF Group. The Board of Executive Directors is informed if control weaknesses have been identified that have a considerable impact on the financial reporting.

– Internal confirmation of the internal control system
The managing director and chief financial officer responsible for each consolidated Group company confirm to the Board of Executive Directors of BASF SE at the end of the annual cycle the effectiveness of the internal control system with regard to accounting as well as the reliability of financial reporting.

Short-term opportunities and risks

Demand fluctuation due to volatility in market growth: The development of demand in our sales markets is one of the strongest drivers of opportunities and risks. More details on our assumptions regarding short-term growth rates for the global economy, regions and key customer industries, such as the chemicals, automotive and construction sectors, can be found from pages 113 to 115. In accordance with this baseline scenario, we are planning to achieve volume growth in nearly all segments. In addition to the baseline scenario, we also consider risk scenarios. These include, for example, an intensification of the national debt crises in Europe and the United States, which would dampen private demand and limit the ability of businesses to get refinancing. There could also be strong negative effects on consumer and industrial demand from extensive fiscal austerity measures in the form of tax increases and cuts to government spending. In these risk scenarios, a demand-driven decline in oil prices can be expected; the dollar/euro exchange rate would remain at a similar level to that in the baseline scenario as both the United States and Europe are similarly indebted.

Our average capacity utilization rate is already at a very high level. However, in some cases, there is still the possibility to take advantage of increased demand as far as our idle production capacities allow.

Gas consumption can fluctuate due to colder or warmer winter weather, which has positive or negative effects on the performance of our gas trading business. Similarly, growing seasons that are wet and warm, or dry and cold, can have positive or negative effects on our crop protection business.

Margin volatility due to fluctuating raw material prices and/or product oversupply/shortage: We anticipate stable margins in 2012. For some products and value-adding chains, however, there is likely to be pressure on margins, which would have a negative effect on our earnings.

The average oil price (Brent crude) in 2011 was around $110 per barrel, which was attributable primarily to high demand from emerging markets, in particular from China. For 2012, we also anticipate an average oil price of $110 per barrel. We therefore expect the price level of the raw materials and petrochemical basic products that are important to our business to remain high. Due to the good demand situation until now, we have largely been able to pass raw material costs on to our customers. If there were a considerable decline in demand, this could lead to significant narrowing of our margins and the need to write down inventories.

Our dependence on the oil price is reduced through the contribution of our Oil & Gas business. Earnings in this business rise by around €30 million for every $1 increase in the average annual barrel price of Brent crude.

Development of demand

- Possible negative effects on demand due to intensification of the national debt crises and extensive fiscal austerity measures
- Taking advantage of opportunities arising from higher demand as far as our production capacities allow

Margin volatility

- Oversupply expected to lead to lower margins in some value-adding chains
- Raw material costs remain high
- If demand declines, increasing risk that raw material costs cannot be passed on to the market

Regulation and political risks: Due to the European chemicals regulation REACH, which came into force in 2007, BASF and our European customers face the risk of being placed at a disadvantage to our non-European competitors due to the cost-intensive test and registration procedures.

Under the E.U. emissions trading scheme, it is likely that the CO_2 certificates allotted to BASF Group will exceed our demand during the current (second) trading period (2008-2012). One major reason for this is that we invested early on in highly efficient gas power plants (combined heat and power, or CHP, plants) for our energy supply infrastructure.

In the third trading period, which begins in 2013, all certificates for industrial electricity supplies will have to be purchased. For chemical production, on the other hand, the number of CO_2 certificates allocated free-of-charge is based on very ambitious benchmarks. As a result of the above-average efficiency, we expect allocation for our chemical plants to be nearly sufficient. However, due to the auctioning of all certificates for electricity generation, we expect that, overall, the BASF Group will face an annual undersupply; the number of certificates we need each year ranges in the middle of the single-digit millions. The extent to which this can negatively affect the global competitiveness of our European sites depends on the trading price of these CO_2 certificates.

Other risks for us include further regulation, for example, of the use of chemicals or in the gas business as well as the intensification of geopolitical tensions, the destabilization of political systems and the erection of trade barriers (for example, Chinese restrictions on exports of rare earths or OPEC quotas for oil production).

On the other hand, regulatory decisions also offer opportunities that we want to exploit: As a result of Germany's decision to phase out the use of nuclear power, as well as global programs to support the expansion of renewable energy and measures to increase energy efficiency, we expect higher demand for our products. Construction of low-emission gas power plants could raise demand for natural gas, which would present an opportunity for our gas trading activities. Our building insulation materials are used in the energy-efficient renovation of housing and office buildings. Furthermore, we offer a diverse range of solutions for the construction and operation of wind turbines, such as intermediates, coatings and foams for rotor manufacturing as well as construction chemicals for the base and supports. Our catalysts business benefits from the tightening of vehicle emissions regulations.

Delivery bottlenecks resulting from interruptions in production or the supply chain and raw material shortages: We try to prevent unplanned plant shutdowns by adhering to high technical standards and continuously improving our plants. We limit the effects of unplanned shutdowns through diversification within our global production Verbund.

China continues to limit the export of rare earths, which are used in the production of our catalysts, for example. We minimize procurement risks through our broad portfolio, our global purchasing activities and the purchase of additional quantities of raw materials on spot markets. If possible, we avoid procuring raw materials from a single supplier. When this cannot be avoided, we try to foster competition or we knowingly enter into this relationship and assess the consequences of potential non-delivery. We continuously monitor the credit risk of important business partners, both customers as well as suppliers.

Information technology risks: BASF relies on a number of IT systems in order to carry out its day-to-day operations. The non-availability of critical IT systems and applications can have a direct impact on production and logistic processes. If data are lost or manipulated, this can negatively affect process safety

Regulation

- Emissions trading: risk of undersupply and additional costs due to need to purchase certificates
- Opportunities arising from regulatory decisions: higher demand for products to increase energy efficiency

Delivery bottlenecks

- Avoidance of unplanned shutdowns through high technical standards and diversification within our global production Verbund
- Procurement risks minimized by a broad portfolio, global purchasing activities and careful selection of suppliers

and the accuracy of our financial reporting. Unauthorized access to sensitive data, such as personnel records, competition-related information or research results, can result in legal consequences or jeopardize our competitive advantage.

To minimize such risks, BASF has implemented application-specific measures such as stable and redundantly designed IT systems, back-up processes, virus and access protection and encryption systems as well as integrated, Group-wide standardized IT infrastructure and applications. The systems used for information security are continuously tested and updated. In addition, our employees receive regular training on information and data protection. IT-related risk management is conducted using Group-wide regulations for organization and application, as well as an internal control system based on these regulations.

Litigation and claims: In order to assess the risks from current legal disputes and proceedings and any potential need to recognize provisions, we prepare our own analysis and assessment of the circumstances and claims considered. In addition, in individual cases, we consider the results of comparable proceedings and independent legal opinions. Furthermore, we make assumptions regarding the probability of claims being successful and their potential financial impact. The actual costs can deviate from these estimates.

We use an internal control system to limit risks from potential wrongdoing or legal infringements. For example, we try to avoid patent and licensing disputes whenever possible with the help of extensive clearance research. As part of our Group-wide Compliance Program, our employees receive regular training.

→ **For more on our Group-wide Compliance Program, see page 19 and page 123 onward**

Financial opportunities and risks

The management of liquidity, currency and interest rate risks is conducted in the Treasury unit. The management of commodity price risks takes place in the Global Procurement & Logistics Competence Center or in the appropriately authorized Group companies. Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of trading and back office functions.

Exchange rate volatility: Our competitiveness on global markets is influenced by fluctuations in exchange rates. For BASF, opportunities and risks arise in particular on the sales side when the U.S. dollar exchange rate fluctuates. A full-year rise in the value of the U.S. dollar/euro exchange rate by $0.01 would result in an increase of around €50 million in BASF's earnings, assuming other conditions remain the same.

On the production side, we mitigate foreign currency risks by having local production sites in the respective currency zones.

Financial foreign currency risks result from the translation of receivables, liabilities and other monetary items in accordance with IAS 21 at the closing rate into the functional currency of the respective Group company. In addition, we incorporate planned purchase and sales transactions in foreign currencies in our financial foreign currency risk management. These risks are hedged using derivative instruments, if required.

Interest rate risks: Interest rate risks result from potential changes in prevailing market interest rates. These can cause a change in the present value of fixed-rate instruments and fluctuations in the interest payments for variable-rate instruments, which would positively or negatively affect earnings. To hedge these risks, interest rate swaps and combined interest rate and currency derivatives are used in individual cases.

In addition to market interest rates, BASF's financing costs are determined by the payable credit risk premiums. These are

Litigation and claims

– Limitation of legal risks with the help of an internal control system
– Estimate of monetary effects from legal disputes and proceedings as realistic as possible
– Regular employee training as part of Group-wide Compliance Program

Financial opportunities and risks

– Exchange rate volatility
– Interest rate risks
– Risks from metal and raw materials trading
– Liquidity risks
– Risk of asset losses
– Impairment risks
– Risks from pension obligations

mainly influenced by our credit rating and the market conditions at the time of issue. In the short to medium term, BASF is largely protected from the possible effects on its interest result thanks to the well-balanced maturity profile of its financial debt.

Risks from metal and raw materials trading: In the catalysts business, BASF employs commodity derivatives for precious metals and trades precious metals on behalf of third parties and on its own account. In addition, we use our knowledge of the markets for crude oil and oil products to generate earnings from the trade of raw materials. To address specific risks associated with these trades, which are not part of our operating business, we set and continuously monitor limits with regard to the type and size of the deals concluded.

Liquidity risks: Risks from fluctuating cash flows are recognized in a timely manner as part of our liquidity planning. We have access to extensive liquidity at any time thanks to our good ratings, the commercial paper program and committed bank credit lines. In the short to medium term, BASF is largely protected against potential refinancing risks thanks to the balanced maturity profile of our financial indebtedness as well as diversification in various financial markets.

→ **For more on financial risks, see the Notes to the Consolidated Financial Statements from page 191 onward**
→ **For more on the maturity profile, see Notes to the Consolidated Financial Statements from page 186 onward**

Risk of asset losses: We limit country-specific risks by internally determining country ratings, which are continuously updated to reflect changing environment conditions. We selectively use export credit insurance and investment guarantees to limit specific country-related risks. We lower credit risks for our financial investments by engaging in transactions only with banks with good credit ratings and by adhering to fixed limits. The credit ratings are continuously monitored and the limits are adjusted accordingly. We reduce the risk of default on receivables by continuously monitoring the creditworthiness and payment behavior of our customers and by setting appropriate credit limits. Thanks to the worldwide activities and diversified customer structure of the BASF Group, there is no large concentration of credit default risk. Risks are also limited through the use of credit insurance and bank guarantees.

Impairment risks: The risk of an asset impairment occurs if the assumed interest rate in an impairment test increases or the forecast cash flows decline. In the current business environment, we consider the risk of impairment of individual assets such as customer relationships, technologies and brands, as well as goodwill, to be low.

Long-term incentive program for executives: Our executives have the opportunity to participate in a stock-price-based compensation program. The need for provisions for this program varies according to the development of the BASF share price; this leads to a corresponding increase or decrease in personnel costs.

Risks from pension obligations: We predominantly finance company pension obligations externally through separate plan assets. In addition to the large pension plans of our Group companies in North America, the United Kingdom and Switzerland, this applies particularly to BASF Pensionskasse VVaG and BASF Pensionstreuhand e.V. in Germany. To address the risk of underfunding due to market-related fluctuations in plan assets, we have investment strategies that align return and risk optimization to the structure of the pension obligations. Stress scenarios are also simulated regularly by means of portfolio analyses. Furthermore, new employees are almost always offered defined contribution plans.

Exchange rate volatility

- Exchange rate volatility a significant risk factor; sales-side opportunities and risks in particular from U.S. dollar exchange rate fluctuations
- Production-related foreign currency risks limited by having local sites
- Net position in foreign-currency-denominated receivables and liabilities as well as planned foreign-currency transactions hedged with derivatives

Risk of asset losses

- Export credit insurance and investment guarantees to hedge country-related risks
- Reduction of credit risks through credit checks and transaction limits
- No concentration of risk of default on receivables at any individual business partner
- Use of credit insurance and bank guarantees

Long-term opportunities and risks

Long-term demand development: In our "We create chemistry" strategy, we expect chemical production (excluding pharmaceuticals) to grow worldwide by 4.0% annually until 2020, faster than global gross domestic product and also more rapidly than in the previous 10 years. We want our sales to increase significantly faster, by an average of 6% annually. We plan to accomplish this with our market-oriented and innovative portfolio, which we will further strengthen in coming years through investments in new production capacity, R&D activities and acquisitions. Our ambitious goal for 2020 is thus to reach sales of €115 billion and we expect to increase income from operations before depreciation and amortization (EBITDA) to €23 billion.

If the current national debt crises result in a long-lasting stagnation in the markets of the West, these goals could prove to be too ambitious. As a result of our high degree of diversification across various customer industries and regions, we would still expect our growth to be above the market average, even under these conditions.

→ For more on the "We create chemistry" strategy, see page 16

Development of the competitive and customer landscape: We expect competitors from emerging markets to become increasingly important in the coming years. Furthermore, we anticipate that many raw material suppliers will broaden their value-adding chains.

We are addressing this risk through active portfolio management. In order to remain competitive, we continuously improve our operational excellence. We exit markets where risks outweigh opportunities, and in which we do not see satisfactory opportunities to stand out from our competitors in the long term. Examples of divestitures and carve-outs in 2011 and 2012 include the styrenics business, which was transferred to a joint venture with INEOS, as well as our fertilizer business.

In order to achieve long-term profitable growth, our research and business focus is on highly innovative business areas, which we sometimes enter into through strategic cooperative partnerships.

Portfolio development through investments: We expect the increase in chemical production in emerging markets in the coming years to be significantly above the global average. This will create opportunities that we want to exploit by expanding our presence in these economies; therefore, at least one-third of our investment volume between 2012 and 2020 will be spent in emerging markets.

Our decisions on the type, size and locations of our investment projects are based on assumptions related to the long-term development of markets, margins and costs, as well as raw material availability and country, currency and technology risks. Opportunities and risks arise when real developments deviate from our assumptions.

In the implementation phase, we make use of our experience in project management and controlling, in order to minimize the risk of cost overruns or missed deadlines.

→ For more on our investment plans, see page 117

Innovation: We are observing a trend toward more sustainability in our customer industries. We want to take advantage of the resulting opportunities with innovations – particularly in the growth fields we have identified. These include battery materials for electric mobility, Functional Crop Care to improve agricultural efficiency, solutions for water treatment and technologies for the use of renewable energy (wind, solar thermal and photovoltaic power).

New products launched on the market during 2011 or later should contribute €30 billion to sales in 2020. To achieve this goal, we continue to invest around 3% of our sales in research and development. We also address the risk of the technical or economic failure of research and development projects by maintaining a balanced and diversified project portfolio.

Long-term development

- Annual growth of 4% in global chemical production expected; growth risks if long-lasting stagnation results from national debt crises
- BASF aims for above-average growth
- Active portfolio management: taking advantage of opportunities with targeted investments in production capacity, R&D activities and acquisitions; minimizing risks with divestitures

Investments

- Investment decisions on the basis of assumptions regarding development of markets, margins and costs, as well as raw material availability and country, currency and technology risks
- Opportunities and risks from deviations from expectations
- Risks minimized in project implementation by making use of experience in project management and controlling

We optimize the effectiveness and efficiency of our research activities through our global Know-How Verbund as well as through collaboration with partners and customers. Furthermore, in a program and project management process, we continuously review the chances of success and the underlying assumptions of research projects; this review includes all phases from idea generation to product launch. The trust of customers and consumers is essential for the successful introduction of new technologies. That is why we enter into dialog with stakeholders at an early stage of development.

→ **For more on innovation, see page 28 and BASF's segments from page 44 onward**

Acquisitions: In the future, we will continue to refine our portfolio through acquisitions that promise above-average profitable growth, are innovation-driven and offer added value for our customers while reducing the cyclicality of our earnings.

The evaluation of opportunities and risks already plays a significant role during the assessment of potential acquisition targets. A detailed analysis and quantification are conducted as part of due diligence. Examples of risks include increased staff turnover, delayed realization of synergies, and the assumption of obligations that were not precisely quantifiable in advance. If our expectations in this regard are not fulfilled, risks could arise, such as the need to impair intangible assets; yet there could also be opportunities, for example, from additional synergies.

Recruitment and long-term retention of qualified employees: The continued improvement in the economic environment in the past two years has also led to an increase in global competition for highly-qualified specialists and managers. This will likely be intensified in the medium to long term due to demographic developments. As a result, there is an increased risk that job vacancies cannot be filled with suitable applicants, or only after a delay.

Business could be negatively affected in the medium and long term by the loss of expertise in North America and Europe due to disproportionately high retirement numbers, as well as by the challenge arising from additional recruitment demand in Asia as a result of our targeted growth.

We address these risks by making BASF an attractive employer and retaining our employees in the long term through our global programs Generations@Work and Diversity + Inclusion, the Employee Development BASF Group project, employer branding and a greater emphasis on human capital development as well as additional regional initiatives.

→ **For more on the individual initiatives and our goals, see page 83 onward**

Sustainability: BASF is committed to integrating environmental protection and socially responsible conduct into its business activities. Infringements of our voluntary commitments and legal violations represent a reputational risk and could lead to operational or strategic risks. We use the results of our global issue management for sustainability to initiate change processes in the company in order to be prepared for any potential risks and to exploit opportunities. We have established global monitoring systems which also include our supply chain – these enable us to ensure adherence to laws and our voluntary commitments in the areas of environment, safety, security and health as well as to labor and social standards. In order to assure society's acceptance of our business activities, we engage in ongoing dialog with relevant stakeholders. Before acquiring a company, we take into account its focus on sustainability and we consider this in the acquisition process.

→ **For more on monitoring tools, see page 124 onward**

Innovation

- Major component of our growth strategy
- Reduction of risks through Know-How Verbund as well as continuous review of the efficiency, chances of success and operating environment of research projects
- Ongoing dialog with partners and customers to improve chances of success

Personnel

- Intensified global competition for highly-qualified specialists and managers
- Danger of loss of expertise from numerous retirements
- More effective personnel recruitment and retention with the help of various measures

Economic environment in 2012

We expect the global economy to continue to grow in 2012. However, uncertainty in the financial markets regarding the development of the national debt crises in the eurozone and the United States dampens growth prospects. Nevertheless, we expect average annual global economic growth to match the previous year's level (+2.7%). Economic growth in the industrialized countries is likely to be significantly weaker (+1.5%). For 2012, we anticipate an average oil price of $110 per barrel, and an average exchange rate of $1.30 per euro. As in previous years, we anticipate highly volatile exchange rates over the course of the year.

Uncertainty regarding the development of the national debt crises in the eurozone dampens the growth outlook for the **European Union** in 2012. Growth in domestic consumption and demand for capital goods will likely weaken compared with the previous year. We anticipate slow growth in gross domestic product (+0.5%). In Germany, we expect economic growth to slacken considerably (+1.0%); as an export-oriented economy, Germany will be affected by the weak growth of its important trading partners. In the medium term, we expect average economic growth for the European Union of 1.2%.

Outlook for gross domestic product 2012
(Real change compared with previous year)

World	**2.7%**
E.U.	0.5%
United States	2.0%
Asia (excl. Japan)	6.6%
Japan	2.4%
South America	3.9%

Trends in gross domestic product 2012–2014
(Average annual real change)

World	**3.1%**
E.U.	1.2%
United States	2.5%
Asia (excl. Japan)	6.9%
Japan	1.9%
South America	4.1%

For the **United States**, we forecast stronger economic growth (+2.0%) in 2012 than in the previous year. We expect the labor market situation to improve and private consumption, which represents more than 70% of gross domestic product, to pick up again. As a result of the high national debt and the very low interest rate level, we do not anticipate any further economic stimulus in the form of expansive fiscal or monetary policy. Strong earnings at U.S. companies and favorable exchange rates will likely help to increase exports and investing activity. In the medium term, we expect the U.S. economy to grow by 2.5% annually.

For the year 2012, we expect the following economic conditions:

- Global economic growth at prior year's level (+2.7%)
- Significantly weaker growth in industrialized countries (+1.5%)
- Slow growth in gross domestic product in the European Union (+0.5%)
- Stronger growth in the United States (+2.0%) compared with prior year; continued high growth in Asia (excluding Japan) (+6.6%); stronger growth in Japan (+2.4%) thanks to substantial economic recovery; growth in South America at previous year's level (+3.9%)
- An average exchange rate of $1.30 per euro
- An average annual oil price of $110 per barrel

We assume that economic growth in **Asia (excluding Japan)** will lose momentum in 2012, but will still remain high (+6.6%). Particularly in China, growth will likely be dampened by lower demand for exports; we also expect a slight appreciation of the Chinese currency. In Asia (excluding Japan) in the medium term, we anticipate annual growth in regional gross domestic product of 6.9%, driven by the strong growth in industrial production.

In **Japan**, we forecast a substantial economic recovery in 2012 due to the clearance of a large part of the damage caused by the earthquake and tsunami disaster. We anticipate that the country will experience substantial economic growth (+2.4%). However, due to slowing global economic growth and the strong Japanese yen, growth in exports is likely to be weaker. In the medium term, we expect annual growth of 1.9% due to the economic recovery.

In **South America**, we anticipate that gross domestic product growth in 2012 will match the level of the previous year (+3.9%). Interest rate hikes are likely to have a negative impact on domestic demand. We expect monetary policy to be shaped by efforts to combat rising inflation. In the medium term, we forecast annual economic growth of 4.1% thanks to positive growth impetus from Brazil.

Outlook for key customer industries

Growth in global industrial production will likely be slightly slower in 2012 (+4.1%) than it was in 2011. In the industrialized countries, we expect the pace of growth in production to match the previous year's level. In the Asian emerging markets, by contrast, we assume that growth will slow down somewhat.

In the **transportation** segment, we expect automotive production to grow more quickly than in 2011. Especially in the emerging markets of Asia, we anticipate increasing demand, which will strengthen local production. In Japan, the unexpected production outage of the previous year is likely to be compensated for. According to our forecasts, automotive production in the United States will continue to grow.

We anticipate that growth in the global **energy and resources** sector will remain robust in 2012.

For the **construction** industry worldwide in 2012, we forecast somewhat stronger growth than in the previous year, driven mainly by the emerging markets of Asia and South America. In Europe and the United States, the construction industry overall is likely to grow only marginally faster than in 2011. We expect reconstruction following the earthquake and tsunami disaster in Japan to provide a boost to the country's building sector.

For 2012, we forecast weaker growth overall for the **consumer goods** industry than in the previous year – despite positive impetus from the electrical industry, which is developing strongly, especially in Asia. We expect ongoing high growth rates for the textiles industry in emerging markets, while growth should continue to weaken in most industrialized countries. Global production in the paper industry is likely to stabilize thanks to rising demand from the emerging markets of Asia.

In the **electronics industry**, we assume that semiconductor production and information and communication technology (ICT) will continue to post solid growth. In Europe and the United States, however, we expect weaker growth than in the previous year.

In the segment **health and nutrition** we anticipate that global production growth will be somewhat stronger than in 2011.

The **agriculture** sector is likely to experience robust production growth worldwide in 2012.

We expect the following developments in key customer industries in 2012:

- Growth in global industrial production (+4.1%) slightly below previous year's level
- Transportation: production volumes in the automotive industry to grow worldwide compared with previous year
- Construction industry: somewhat stronger global growth, thanks largely to positive developments in emerging markets
- Consumer goods sector: year-on-year growth weaker overall despite positive impetus from the electrical industry
- Electronics industry: solid growth in semiconductor and ICT sectors
- Health and nutrition, as well as agriculture: robust growth worldwide

Outlook for the chemical industry

We forecast for 2012 that global chemical production (excluding pharmaceuticals) will continue to experience solid growth (+4.1%). However, following the high growth rates in the past two years, growth in most regions in 2012 will likely slow down. In the medium term, we anticipate average economic growth of 4.4% per year.

In the **European Union**, we expect slight growth in the chemical industry in 2012 (+0.8%). We believe, for example, that the high growth rates seen in the last two years in the consumer goods sector will weaken in 2012. In the medium term, we forecast that European chemical production will grow by 1.6% per year.

The growth rate of chemical production in the **United States** in 2012 will likely be higher (+2.2%) than in other industrialized countries: As a result of the availability of large volumes of unconventionally extracted natural gas, we anticipate positive impetus for the U.S. chemical sector. In the medium term as well, we expect annual growth of 2.2%.

In **Asia (excluding Japan)**, chemical production grew considerably in 2011, driven mainly by the strong contribution from the Chinese chemical industry. As a result of the generally weakening economic trend, year-on-year we expect a lower growth rate in 2012 (+8.0%) in the region. In the medium term, we forecast annual growth of 8.1%.

We anticipate that the chemical industry in **Japan** in 2012 will experience a substantial temporary upturn from the growth in domestic industry as well as from the building sector due to reconstruction efforts. Therefore, we expect a considerable rise in growth (+3.4%). In the medium term, we foresee an annual growth rate of 2.2%.

In **South America**, growth in chemical production in 2012 (+3.9%) is likely to be weaker than in the previous year, thereby following the general growth trend in industrial production. As a supplier industry, the chemical industry in this region will benefit in particular from infrastructure investments in Brazil as well as from the increasing demand for agricultural chemicals. In the medium term, we anticipate average growth of 4.3%.

Outlook chemical production 2012 (excl. pharmaceuticals)
(Real change compared with previous year)

World	**4.1%**
E.U.	0.8%
United States	2.2%
Asia (excl. Japan)	8.0%
Japan	3.4%
South America	3.9%

Trends in chemical production 2012–2014 (excl. pharmaceuticals)
(Average annual real change)

World	**4.4%**
E.U.	1.6%
United States	2.2%
Asia (excl. Japan)	8.1%
Japan	2.2%
South America	4.3%

We expect the following developments in the chemical industry in 2012:

- Continued solid growth in global chemical production (+4.1%)
- European Union: weak growth in the chemical industry (+0.8%)
- United States: stronger growth (+2.2%) than in other industrialized countries
- Asia (excluding Japan): growth to slow compared with 2011, but remain strong (+8.0%)
- Japan: significant growth (+3.4%) thanks to temporary economic upturn in domestic industry
- South America: weaker growth (+3.9%) compared with previous year

BASF Group outlook

Profitable growth with the "We create chemistry" strategy

We expect global economic growth to continue in 2012. However, uncertainty on the financial markets will dampen growth prospects. Positive impetus for the chemical industry will mainly come from the emerging markets.

Excluding the effects of acquisitions and divestitures, we aim to increase our sales volumes. We strive to exceed the 2011 record levels in sales and income from operations. Earnings development will be supported by the resumption of our crude oil production in Libya as well as by growing volumes in the chemicals business. We aim to earn a high premium on our cost of capital once again in 2012.

As presented in detail on pages 113 to 115, we expect the global economy in 2012 to grow at the previous year's level (+2.7%) and anticipate solid growth in chemical production (+4.1%). Our forecast assumes an average exchange rate of $1.30 per euro and an oil price of $110 per barrel. In view of the opportunities and risks described on pages 104 to 112, we want to once again increase earnings. We do not expect to match the extraordinarily good results of the first two quarters of 2011 in the first half of 2012. For the second half, we expect to surpass the levels of the same period of the previous year.

Sales and earnings forecast for the segments

In the **Chemicals** segment, we expect sales in 2012 to be above the level of the previous year. This growth will mainly be driven by the Inorganics and Intermediates divisions. As a result of the sale of several plants in association with the divestiture of our fertilizer business, earnings in the Inorganics division will likely decrease. Furthermore, we expect growing pressure on margins, especially in the Petrochemicals and Intermediates divisions. The segment's earnings are therefore unlikely to match the high level of 2011.

In 2012, we expect sales in the **Plastics** segment to increase. In the Performance Polymers division, we plan to continue the expansion of our business with engineering plastics and specialties. We expect this business to grow faster than the most important markets and thus significantly increase sales for the division. Due to investments in research and development, in sales activities and in new production facilities, earnings in the Performance Polymers division are likely to be below the level of the previous year. In the Polyurethanes division, we aim for an increase in sales and earnings. Overall, we want to improve earnings for the segment compared with 2011.

We anticipate higher demand for our products and higher sales in the **Performance Products** segment in 2012. All divisions will contribute to this sales growth. The economic environment in the paper industry, however, is likely to remain difficult, especially in the Europe and North America regions. Nevertheless, thanks in part to growing demand from the Asian market, we also want to achieve sales growth in our continuing operations in the Paper Chemicals division. We strive to increase the segment's earnings through both lower integration expenses and growth impetus, mainly from the combined businesses of Cognis and BASF. In the Care Chemicals division in particular we expect a significant improvement in earnings.

The **Functional Solutions** segment will likely benefit in 2012 from growing demand from our key customer industries – the construction and automotive industries. We want to increase sales in all divisions. This sales growth will be particularly driven by our activities in emerging markets. We also expect earnings in all divisions to exceed the previous year's level.

Outlook 2012

We expect global economic growth to continue in 2012. Excluding the effects of acquisitions and divestitures, we aim to increase our sales volumes. We strive to exceed the 2011 record levels in sales and income from operations. Earnings development will be supported by the resumption of our crude oil production in Libya as well as by growing volumes in the chemicals business. We aim to earn a high premium on our cost of capital once again in 2012.

Forecast by segment (million €)

	Sales		Income from operations (EBIT)	
	2011	Expected 2012	2011	Expected 2012
Chemicals	12,958	Increase	2,442	Decline
Plastics	10,990	Increase	1,259	Increase
Performance Products	15,697	Increase	1,361	Increase
Functional Solutions	11,361	Increase	427	Increase
Agricultural Solutions	4,165	Increase	808	Increase
Oil & Gas	12,051	Increase	2,111	Increase
Other	6,275	Decline	178	Decline
BASF Group	**73,497**	**Increase**	**8,586**	**Increase**

In the **Agricultural Solutions** segment, we will continue to pursue our successful innovation strategy in 2012. We expect slight growth in the market for agricultural chemicals. We also anticipate that prices for agricultural commodities will continue to be higher than historical averages, in a market characterized by continuing high volatility. In light of our recently launched products and the expansion of our business in growth markets, we aim to improve sales and earnings.

We assume that the oil price in 2012 will remain at the level of the previous year. Our planning is based on an average oil price of $110 per barrel and an average exchange rate of $1.30 per euro. Owing to the resumption of oil production in Libya at the end of 2011, we expect the **Oil & Gas** segment to post a rise in sales and earnings.

On October 1, 2011, we transferred our styrenics business to the Styrolution joint venture. Furthermore, we plan to divest our fertilizer business in the first half of 2012. Sales and earnings in **Other** in 2012 will therefore be below the level of the previous year.

→ **More information on our expectations for business development in the segments and divisions can be found on pages 44 to 78**

Investment planning

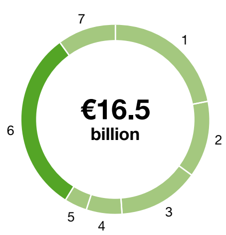
To enhance our chemical activities, we plan capital expenditures of €30 billion to €35 billion between 2011 and 2020; more than a third of this sum will be invested in emerging markets in order to further strengthen our presence in these fast-growing regions.

We are already planning or carrying out the following projects:

- Expansion of our Verbund site in Nanjing, China (joint venture with Sinopec)
- Expansion of our site in Malaysia (joint venture with PETRONAS)
- Construction of an MDI plant in Chongqing, China
- Construction of a TDI plant in Ludwigshafen, Germany
- Construction of an acrylic acid and superabsorbents production complex in Camaçari, Brazil
- Construction of a sodium methylate plant in General Lagos (Rosario), Argentina
- Construction of a production site for antioxidant blends in Bahrain
- Construction of a production site for cathode materials in Elyria, Ohio

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%

In the Oil & Gas segment, our investments of around €5 billion by 2016 will focus mainly on the development of proven gas and oil deposits in Siberia, Argentina and Norway, 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, which includes the construction of the NEL transit pipeline and the Jemgum natural gas storage facility.

We plan investments totaling €3.5 billion to €3.8 billion in 2012. This figure already includes most of the projects named above. Our plans for 2012 include starting up an L-menthol plant in Ludwigshafen, Germany, and a production plant for battery materials in Elyria, Ohio.

Dividend

We stand by our ambitious dividend policy and offer our shareholders an attractive dividend yield. We aim to increase our dividend each year, or at least maintain it at the previous year's level.

→ **Information on the proposed dividend can be found from page 10 onward**

Financing

We will continue to adhere to our financing principles in 2012. Our goals continue to be securing liquidity at all times, limiting the risks associated with financing and optimizing our cost of capital, also possibly through the use of share buybacks. We aim to maintain at least a solid A rating.

Cash outflows are expected to result from the scheduled repayment of bonds with a total volume equivalent to €2,942 million. In light of our strong cash flow from operating activities as well as our level of cash and cash equivalents, we currently see no concrete need for additional medium- and long-term financing. However, our unrestricted access to the capital markets allows us flexible use of attractive financing for the BASF Group at any time.

→ **Information on our financing principles can be found on page 39**

Expectations for 2013

We anticipate that sales and earnings will also increase in 2013. This projection assumes that the national debt crises in the eurozone do not intensify and that the upswing continues in North America. We still aim to grow two percentage points above global chemical production.

Significant events subsequent to the balance sheet date

Since the beginning of the financial year 2012, there have not been any significant changes affecting BASF's situation and industry environment.

Key investments in 2012

- Construction of an MDI plant in Chongqing, China
- Construction of a production complex for acrylic acid and superabsorbents in Camaçari, Brazil
- New production wells in the Achimov deposits (Block IA, Achimgaz in Siberia, Russia)
- Construction of the NEL transit pipeline in Germany

Dividends and financing

- We aim to increase the dividend each year
- We aim to maintain a minimum rating of a solid A
- Currently no need for medium- to long-term financing

Corporate Governance

3

Corporate Governance
of the BASF Group

Corporate governance refers to the entire system for managing and supervising a company, including its organization, its values, business policies and guidelines, as well as all internal and external regulatory and monitoring mechanisms. 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.

Management and supervision

BASF has the legal form of a European Company (Societas Europaea). The legal foundations of its corporate constitution are primarily the SE Council Regulation of the European Union, the German SE Implementation Act and the German Stock Corporation Act. The fundamental elements of BASF SE's corporate governance system correspond to the proven principal components of the German Aktiengesellschaft's corporate constitution: these are the two-tier system consisting of BASF's Board of Executive Directors and the Supervisory Board, the equal representation of shareholders and employees in the Supervisory Board and the shareholders' rights of co-administration and supervision at the Shareholders' Meeting.

Direction and management by the Board of Executive Directors

Under the two-tier management system of BASF SE, the Board of Executive Directors is responsible for the management of the company, and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board: A member of the Board of Executive Directors cannot simultaneously be a member of the Supervisory Board. The Board of Executive Directors agrees on the BASF Group's corporate goals and strategic alignment. It also manages and monitors the business units of the BASF Group through the planning and setting of the corporate budget, the allocation of resources and management capacities, the monitoring and decision-making regarding significant individual measures and the control of the operational management. The Board's actions and decisions are aligned with the company's best interests. It is committed to the goal of sustainably increasing the company's value. Decisions that are reserved for the Board as a whole by law, through the Board of Executive Directors' Rules of Procedure or through resolutions adopted by the Board, are made based on a simple majority. In the case of a tied vote, the casting vote is given by the Chairman of the Board. However, the Chairman of the Board does not have the right to veto the decisions of the Board of Executive Directors. Members of the Board of Executive Directors are authorized to make decisions individually in their assigned business areas.

The Board of Executive Directors informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the company with regard to planning, business development, risk situation, risk management and compliance. Furthermore, the Board of Executive Directors coordinates the company's strategic approach with the Supervisory Board. The Statutes of BASF SE define certain transactions that require the Board of Executive Directors to obtain the Supervisory Board's approval prior to their conclusion. Such cases include the acquisition and disposal of enterprises and parts of enterprises, the issue of bonds or comparable financial instruments, provided the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the last approved Consolidated Financial Statements of the BASF Group.

→ **The members of the Board of Executive Directors, including their memberships on the supervisory bodies of other companies, are listed on page 126. Compensation of the Board of Executive Directors is described in detail in the Compensation Report on pages 129 to 133.**

Supervision of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and supervises and advises the Board on management issues. Members of the Supervisory Board cannot simultaneously be members of the Board of Executive Directors. Structurally, this ensures a high level of autonomy with regard to the supervision of the Board of Executive Directors.

Together with the SE Council Regulation, the relevant statutory foundations for the size and composition of the Supervisory Board are the Statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement). The latter was signed on November 15, 2007 by the company management and the representatives of the BASF Group's European employees upon the conversion of BASF Aktiengesellschaft into BASF SE. The Codetermination Act, which is the relevant statutory foundation regarding the size and composition of the Supervisory Board of a German Aktiengesellschaft, does not apply to the SE.

→ **For more on the Statutes of BASF SE and the Employee Participation Agreement, see basf.com/investor/cg_e**

The Supervisory Board of BASF SE comprises twelve members. Six members are elected by the shareholders at the Shareholders' Meeting. The remaining six members are elected by the BASF Europa Betriebsrat (European Works Council), the European employee representation body of the BASF Group, as agreed to in the Employee Participation Agreement.

→ **The members of the Supervisory Board of BASF SE, including their memberships on the supervisory bodies of other companies, are listed on pages 127 and 128. Compensation of the Supervisory Board is described in detail in the Compensation Report on pages 133 and 134.**

It is very important for good corporate governance that the company ensures that seats on the responsible corporate bodies, the Board of Executive Directors and the Supervisory Board, are appropriately filled. Criteria in this case include professional and personal qualifications, the diversity of the board members and the independence of the Supervisory Board. Seats on the Board of Executive Directors and Supervisory Board should be filled with members who as a group ensure a well-balanced consideration of all the necessary knowledge, skills and personal qualifications necessary to manage and supervise BASF as a large, globally operating, capital market-oriented company in the chemical industry.

The Supervisory Board has agreed upon objectives for the composition of the Supervisory Board in accordance with Section 5.4.1 of the German Corporate Governance Code. According to these objectives, the Supervisory Board shall be composed in such a way that the members as a group possess knowledge, ability and expert experience

- in the management of an internationally operating company,
- in cross-industry value creation along different value-adding chains,
- in the application of accounting principles and internal control procedures, and
- in the field of technical and scientific innovations in the chemical sector and associated industries as well as in the sectors using chemical products.

With regard to diversity, the Supervisory Board shall consider a variety of professional and international experience as well as the participation of women. Individuals who may have a conflict of interest shall not be nominated for election to the Supervisory Board. The same applies to candidates who will have reached the age of 70 by the day of the election.

In accordance with these objectives, the Shareholders' Meeting voted on May 6, 2011, to approve the Supervisory Board's nomination of Anke Schäferkordt as a member of the Supervisory Board. As a result, there are two women among the twelve members of the Supervisory Board. We are committed to maintaining or, if possible, raising the proportion of women at the next scheduled election to the Supervisory Board in 2014. The Nomination Committee will include both appropriately qualified women and candidates with international experience in its selection process. We firmly believe the current formation of the Supervisory Board already largely fulfills the objectives agreed on by the Supervisory Board regarding its composition on October 21, 2010.

Resolutions of the Supervisory Board are passed by a simple majority vote of the participating members. In the event of a tie, the vote of the Chairman of the Supervisory Board, who must always be a shareholder representative, shall be the casting vote. This resolution process is also applicable for the appointment and dismissal of members of the Board of Executive Directors by the Supervisory Board.

BASF SE's Supervisory Board has established a total of three Supervisory Board Committees: the Personnel Committee, the Audit Committee and the Nomination Committee.

The Personnel Committee's duties include, preparing the appointment of members to the Board of Executive Directors by the Supervisory Board and the employment contracts to be entered into with members of the Board of Executive Directors. When making recommendations on appointments to the Board of Executive Directors, the Personnel Committee takes into account their professional qualifications, international experience and leadership skills as well as long-term succession planning, diversity and, in particular, the appropriate consideration of women. It also prepares the resolutions made by the Supervisory Board with regard to the system and determination of the amount of compensation paid to members of the Board of Executive Directors. The committee comprises Supervisory Board Chairman Dr. h.c. Eggert Voscherau (chairman), Supervisory Board Deputy Chairmen Michael Diekmann and Robert Oswald, as well as Michael Vassiliadis.

The Audit Committee prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements and Consolidated Financial Statements, and discusses the quarterly and first-half financial reports with the Board of Executive Directors prior to their publication. It also deals with monitoring the financial reporting process, the annual audit, the effectiveness of the internal control system, the risk management system, and the internal auditing system as well as compliance issues. The Audit Committee is also responsible for business relations with the company's external auditor: It prepares the Supervisory Board's proposal to the Shareholders' Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the focus areas of the audit together with the auditor, negotiates auditing fees and establishes the conditions for the provision of the auditor's non-audit services. The Audit Committee is authorized to request any information that it deems necessary from the auditor or Board of Executive Directors. It can also view all of BASF's business documents and examine these and all other assets belonging to BASF. The Audit Committee can also engage experts such as auditors or lawyers to carry out these inspections. The members of this committee are Max Dietrich Kley (chairman), Ralf-Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. Max Dietrich Kley has particular knowledge and experience in the application of accounting principles and internal audit procedures, as he was Chief Financial Officer of BASF Aktiengesellschaft until April 2003.

According to the recommendation of the German Corporate Governance Code, BASF SE's Supervisory Board established a Nomination Committee that prepares the nominations for the Supervisory Board members to be elected at the Shareholders' Meeting. The members of the Nomination Committee are the members of the Supervisory Board elected at the Shareholders' Meeting: Dr. h.c. Eggert Voscherau, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Max Dietrich Kley and Anke Schäferkordt.

Shareholders' rights

Shareholders exercise their rights of co-administration and supervision at the Shareholders' Meeting. The Shareholders' Meeting elects half of the members of the Supervisory Board and, in particular, decides on the formal discharge of the Board of Executive Directors and the Supervisory Board, the distribution of profits, capital measures, the authorization of share buybacks, changes to the Statutes and the selection of the auditor.

Each BASF SE share represents one vote. Following the conversion of BASF shares to registered shares in August 2010, those BASF shareholders who are listed in the share register are entitled to vote. Shareholders are obliged to provide the information necessary for registration in the share register, in accordance with the German Stock Corporation Act. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Shareholders may exercise their voting rights at the Shareholders' Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote."

All shareholders entered in the share register are entitled to participate in the Shareholders' Meetings, to have their say concerning any item on the agenda and to request information about company issues insofar as it serves to help make an informed judgment about the item on the agenda under discussion. Registered shareholders are also entitled to file motions pertaining to proposals for resolutions made by the Board of Executive Directors and Supervisory Board at the Shareholders' Meeting and to contest resolutions of the Shareholders' Meeting. Shareholders who hold at least €100,000 of the company's share capital are entitled to request that an item be added to the agenda of the Shareholders' Meeting.

German Corporate Governance Code

BASF accords great importance to good corporate governance. Therefore, BASF supports the German Corporate Governance Code, which is regarded as an important tool in the capital market-focused continuing development of corporate governance and control, and advocates responsible corporate governance that focuses on sustainably increasing the value of the company.

BASF SE follows all recommendations of the German Corporate Governance Code in its most recently revised version of May 2010. This also applies to the Code's new recommendations regarding the composition of the Board of Executive Directors and the Supervisory Board as well as in the staffing of executive positions. The joint Declaration of Conformity 2011 of the Board of Executive Directors and Supervisory Board of BASF SE is rendered at the end of this section on page 138.

In the same manner, BASF fulfills nearly all of the non-obligatory suggestions of the German Corporate Governance Code. We have not implemented the suggestion to enable shareholders to follow the proceedings of the entire Shareholders' Meeting online. The Shareholders' Meeting is openly accessible to all via online broadcast until the end of the speech by the Chairman of the Board of Executive Directors. The subsequent discussion of items on the agenda is not accessible online in order to preserve the character of the Shareholders' Meeting as a meeting attended by our shareholders on-site. The Supervisory Board's annual variable compensation component based on earnings per share is aligned with long-term profit increases insofar as the earnings per share required to attain the same variable compensation increase annually. This creates an incentive to devote particular attention to the company's long-term development and sustainably increase its enterprise value in the shareholders' interests.

→ **For more on the Declaration of Conformity 2011, an overview of the implementation of the Code's suggestions and the German Corporate Governance Code, see basf.com/governance_e**

Compliance

Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. The foundations of this program are our value "We strictly adhere to our compliance standards" and the globally established Codes of Conduct, which provide the content framework and show employees possible courses of action in doubtful cases.

Our efforts are principally aimed at preventing violations from the outset. To this end, all employees are required within a prescribed timeframe to take part in basic compliance training, refresher courses and special courses dealing with, for example, antitrust law or trade control regulations. In 2011, more than 73,000 employees worldwide took part in around 78,500 hours of compliance training.

BASF's Chief Compliance Officer (CCO) manages the implementation of the program, supported by around 100 Compliance Managers worldwide. The CCO regularly reports to the Board of Executive Directors on progress in the program's implementation as well as on any significant findings; furthermore, the CCO reports to the Supervisory Board's Audit Committee in at least one of its meetings each year on the status of the Compliance Program as well as any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.

BASF's Corporate Audit department monitors adherence to compliance principles. In 2011, 75 Group-wide audits of this kind were performed (2010: 48).

If violations occur despite preventive measures, we aim to investigate and rectify these as quickly as possible. In 2011, 264 calls and emails were received by our 47 external hotlines worldwide. These related to topics ranging from questions about personnel management to the handling of company property and information on the behavior of business partners. We launch an investigation into all cases of suspected misconduct that we become aware of. Confirmed violations are penalized and can lead to dismissal.

In 2011, we continued the evaluation of our suppliers. We also expanded the checklist-based evaluation of other business partners, in particular agents, distributors and contractors.

Outside of our company as well, we support the fight against corruption and the respect of human rights. We are a member of the U.N. Global Compact as well as Transparency International Deutschland, and are active in the Partnering Against Corruption Initiative (PACI) of the World Economic Forum in Davos, Switzerland. We actively support the implementation of these organizations' objectives.

As a result of the positive experience with the compliance survey carried out in BASF SE in 2010, we have decided to add this topic to our global employee survey in 2012 in order to gain more information that will help to improve our compliance standards and adherence to them.

Disclosure according to Section 315 (4) of the German Commercial Code and the explanatory report of the Board of Executive Directors according to Section 176 (1) Sentence 1 of the German Stock Corporation Act

As of December 31, 2011, the subscribed capital of BASF SE was €1,175,652,728.32, divided into 918,478,694 registered shares with no par value. Each share shall, at a Shareholders' Meeting, entitle the holder to one vote. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties apply to all shares. According to the Statutes, shareholders are not entitled to receive share certificates. There are neither different classes of shares nor shares with preferential voting rights (golden shares).

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, Section 16 of the SE Implementation Act and Sections 84, 85 of the German Stock Corporation Act, as well as Article 7 of the BASF SE Statutes. According to these regulations, members of the Board of Executive Directors are appointed and dismissed by the Supervisory Board. The members of the Board of Executive Directors are appointed for a maximum of five years, and re-appointments are permissible. The Supervisory Board can dismiss a member of the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular, a gross breach of the duties pertaining to the Board of Executive Directors and a vote of no confidence at the Shareholders' Meeting. The Supervisory Board decides on appointments and dismissals according to its own dutiful discretion.

According to Article 59 (1) SE Council Regulation, amendments to the Statutes of BASF SE require a resolution of the Shareholders' Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German stock corporations under the German Stock Corporation Act do not stipulate or allow for larger majority requirements. In the case of amendments to the Statutes, Section 179 (2) of the German Stock Corporation Act requires a majority of at least three quarters of the subscribed capital represented. Pursuant to Article 12 No. 6 of the Statutes of BASF SE, the Supervisory Board is authorized to resolve upon amendments to the Statutes that merely concern their wording. This applies in particular to the alignment of share capital and the number of shares after a BASF share buyback and after a new issue of shares from the authorized capital.

Until April 30, 2014, the Board of Executive Directors of BASF SE is empowered by a resolution passed at the Annual Shareholders' Meeting of April 30, 2009 to increase the subscribed capital by a total amount of €500 million through the issue of new shares (authorized capital). This must have the approval of the Supervisory Board. A right to subscribe to the new shares shall be granted to shareholders. This can also be done by a credit institution acquiring the new shares with the obligation to offer these to shareholders (indirect subscription right). The Board of Executive Directors is authorized to exclude the statutory subscription right of shareholders in certain exceptional cases that are narrowly defined in Section 5 No. 8 of the BASF SE Statutes. This applies in particular if, for capital increases in return for cash contributions, the issue price of the new shares is not substantially lower than the stock market price of BASF shares and the total number of shares issued under this authorization is not more than 10% of the subscribed capital on the date of issue.

In the event of a change of control, members of the Board of Executive Directors shall, under certain additional conditions, receive compensation (details of which are listed in the Compensation Report on page 132). A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% or the increase of such a holding. In addition, employees of BASF SE and its subsidiaries who are classed as 'senior executives' (Obere Führungskräfte) will receive a severance payment if their contract of employment is terminated by BASF within 18 months of the occurrence of a change of control, provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a maximum severance payment of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change-of-control event.

The remaining specifications stipulated in Section 315 (4) of the German Commercial Code refer to situations that are not applicable to BASF SE.

Directors' and Officers' liability insurance

BASF has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (D&O insurance). This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by Section 93 (2) 3 of the German Stock Corporation Act and for the level of deductibles for the Supervisory Board as recommended in Section 3.8, Paragraph 3 of the German Corporate Governance Code.

Share ownership by Members of the Board of Executive Directors and the Supervisory Board

No member of the Board of Executive Directors or the Supervisory Board owns shares in BASF SE and related options or other derivatives that account for 1% or more of the share capital. Furthermore, the total volume of BASF SE shares and related financial instruments held by members of the Board of Executive Directors and the Supervisory Board accounts for less than 1% of the shares issued by the company.

Share dealings of the Board of Executive Directors and Supervisory Board (Directors' Dealings under Section 15a of German Securities Trading Act)

In accordance with Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), all members of the Board of Executive Directors and the Supervisory Board as well as certain members of their families are required to disclose the purchase or sale of BASF shares and other related rights to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €5,000.

In 2011, a total of 18 purchases subject to disclosure as Directors' Dealings by members of the Board of Executive Directors and the Supervisory Board and members of their families subject to disclosure were reported, involving between 130 and 5,000 BASF shares. The price per share was between €44.00 and €65.98. The volume of the individual trades was between €8,577.40 and €220,000.00. The disclosed share transactions are published on the website of BASF SE.

→ **For more on directors' dealings in 2011, see basf.com/governance/sharedealings_e**

Management and Supervisory Boards

Board of Executive Directors

As of December 31, 2011, there were eight members on the Board of Executive Directors of BASF SE.

Dr. Kurt Bock

Chairman of the Board of Executive Directors (since May 6, 2011)

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

First appointed: 2003

Term expires: 2016

Dr. Martin Brudermüller

Vice Chairman of the Board of Executive Directors (since May 6, 2011)

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

First appointed: 2006

Term expires: 2016

Comparable German and non-German controlling bodies:
Styrolution Holding GmbH (Deputy Chairman of Advisory Board since October 1, 2011)

Dr. Hans-Ulrich Engel

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

First appointed: 2008

Term expires: 2016

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:
Wintershall Holding GmbH (Supervisory Board Chairman until May 6, 2011)
Wintershall AG (Supervisory Board Chairman until May 6, 2011)
BASF Personal Care and Nutrition GmbH (formerly Cognis GmbH) (Supervisory Board member)

Comparable German and non-German controlling bodies:
Nord Stream AG, Zug, Switzerland (member of the Shareholders' Committee until September 15, 2011)

Michael Heinz (since May 6, 2011)

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

First appointed: 2011

Term expires: 2014

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:
BASF Coatings GmbH (Supervisory Board member since May 7, 2011)
BASF Personal Care and Nutrition GmbH (formerly Cognis GmbH) (Supervisory Board member since May 7, 2011, Supervisory Board Chairman since May 11, 2011)

Dr. Andreas Kreimeyer

Responsibilities: Inorganics; Petrochemicals; Intermediates; Process Research & Chemical Engineering; BASF Future Business

First appointed: 2003

Term expires: 2015

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:
Wintershall Holding GmbH (Supervisory Board member)

Dr. Stefan Marcinowski

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

First appointed: 1997

Term expires: 2012

Supervisory Board memberships (excluding internal memberships):
DWS Investment GmbH (Supervisory Board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:
Wintershall Holding GmbH (Supervisory Board member)
BASF Coatings GmbH (Supervisory Board chairman)

Dr. Harald Schwager

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

First appointed: 2008

Term expires: 2016

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:
Wintershall Holding GmbH (Supervisory Board Chairman since May 7, 2011)
Wintershall AG (Supervisory Board Chairman since May 7, 2011)

Comparable German and non-German controlling bodies:
BASF Antwerpen N.V. (Chairman of the Administrative Council until May 6, 2011)
Nord Stream AG, Zug, Switzerland (member of the Shareholders' Committee since September 16, 2011)

Margret Suckale (since May 6, 2011)

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

First appointed: 2011

Term expires: 2014

Comparable German and non-German controlling bodies:
BASF Antwerpen N.V. (Chairwoman of the Administrative Council since May 7, 2011)

The following members left the Board of Executive Directors upon conclusion of the Annual Shareholders' Meeting on May 6, 2011:

Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors

Responsibilities: Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications & Government Relations;
Global HR – Executive Management & Development; Investor Relations; Compliance

First appointed: 1997 (Chairman 2003 until 2011)

Term expired: 2011

Supervisory Board memberships (excluding internal memberships):
Daimler AG (Supervisory Board member)
Lufthansa AG (Supervisory Board member)

Dr. John Feldmann

Responsibilities: Construction Chemicals; Dispersions & Pigments; Care Chemicals; Nutrition & Health; Paper Chemicals;
Performance Chemicals; Polymer Research

First appointed: 2000

Term expired: 2011

Supervisory Board memberships (excluding internal memberships):
Bilfinger Berger SE (Supervisory Board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:
BASF Coatings GmbH (Supervisory Board member until May 6, 2011)
BASF Personal Care and Nutrition GmbH (formerly Cognis GmbH) (Supervisory Board Chairman until May 6, 2011)

Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises twelve members. Pursuant to Section 35 Paragraph 1 of the Act on the Participation of Employees in a European Company (SE-Beteiligungsgesetz – "SEBG") and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement) signed on November 15, 2007 by company management and the representatives of BASF Group's European employees, seats on the board are accorded following the principle of parity. The six shareholder representatives on the Supervisory Board of BASF SE are elected by the Shareholders' Meeting. By way of derogation from Section 40 (2) of the Council Regulation (EC) No. 2157/2001, the six employee representatives are not elected by the Shareholders' Meeting, but appointed by the representative body of the employees, the BASF Europa Betriebsrat, in accordance with the Employee Participation Agreement. The term of office of the Supervisory Board commenced following the Annual Shareholders' Meeting on April 30, 2009, in which the shareholder representatives on the Supervisory Board were elected. It terminates upon conclusion of the Annual Shareholders' Meeting which resolves on the discharge of members of the Supervisory Board for the fourth complete financial year after the term of office commenced; this is the Annual Shareholders' Meeting in 2014. Stephen K. Green, Supervisory Board member elected at the Annual Shareholders' Meeting on April 30, 2009, resigned from the Supervisory Board at the close of December 16, 2010, to take on the role as the United Kingdom's Minister of State for Trade and Investment at the beginning of 2011. On May 6, 2011, the Annual Shareholders' Meeting elected Anke Schäferkordt to succeed Stephen K. Green as a member of the Supervisory Board. Anke Schäferkordt had already been appointed to the Supervisory Board, effective December 17, 2010, upon request of the Chairman of the Supervisory Board, by decision of the Ludwigshafen district court on November 18, 2010. The Supervisory Board comprises the following members:

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

Supervisory Board memberships (excluding internal memberships):
Hochtief AG (Supervisory Board member since May 12, 2011)

Comparable German and non-German controlling bodies:
Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW) (Supervisory Board Deputy Chairman)

Michael Diekmann, Munich, Germany

Deputy Chairman of the Supervisory Board of BASF SE

Chairman of the Board of Management of Allianz SE

Supervisory Board memberships (excluding internal memberships):
Linde AG (Supervisory Board Deputy Chairman)
Siemens AG (Supervisory Board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:
Allianz Deutschland AG (Supervisory Board member)
Allianz Global Investors AG (Supervisory Board Chairman)

Comparable German and non-German controlling bodies:
Allianz France S.A. (Deputy Chairman of the Administrative Council)
Allianz S.p.A. (member of the Administrative Council)

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 the BASF Group

Ralf-Gerd Bastian, Neuhofen, Germany

Member of the Works Council of the Ludwigshafen site of BASF SE

Wolfgang Daniel, Heidelberg, Germany

Deputy Chairman of the Works Council of the Ludwigshafen site of BASF SE

Prof. Dr. François Diederich, Zurich, Switzerland

Professor at the Swiss Federal Institute of Technology Zurich

Franz Fehrenbach, Stuttgart, Germany

Chairman of the Board of Management of Robert Bosch GmbH

Comparable German and non-German controlling bodies:
Robert Bosch Corporation (member of the Board of Directors)

Max Dietrich Kley, Heidelberg, Germany

Lawyer

Supervisory Board memberships (excluding internal memberships):
SGL Carbon SE (Supervisory Board Chairman)
HeidelbergCement AG (Supervisory Board member)

Anke Schäferkordt, Cologne, Germany

Chief Executive Officer, Mediengruppe RTL Deutschland and RTL Television

Supervisory Board memberships (excluding internal memberships):
Software AG (Supervisory Board member)

Denise Schellemans, Kalmthout, Belgium

Full-time trade union delegate

Ralf Sikorski, Wiesbaden, Germany

Regional manager of the Rhineland-Palatinate/Saarland branch of the Mining, Chemical and Energy Industries Union

Supervisory Board memberships (excluding internal memberships):
Villeroy & Boch AG (Supervisory Board member)
Villeroy & Boch Fliesen GmbH (Supervisory Board member)
Evonik Power Saar GmbH (Supervisory Board Deputy Chairman)
Evonik New Energies GmbH (Supervisory Board Deputy Chairman)
KSBG Kommunale Verwaltungsgesellschaft mbH (Supervisory Board Deputy Chairman)

Michael Vassiliadis, Hanover, Germany

Chairman of the Central Board of Executive Directors of the Mining, Chemical and Energy Industries Union

Supervisory Board memberships (excluding internal memberships):
K+S AG (Supervisory Board Deputy Chairman)
Henkel AG & Co. KGaA (Supervisory Board member)
Steag GmbH (Supervisory Board Deputy Chairman)

Compensation report

This report outlines the main principles of the compensation for the Board of Executive Directors and discloses the amount and structure of the compensation of each Board member. Furthermore, it provides information on end-of-service undertakings with respect to Board members, as well as information on the compensation of Supervisory Board members.

Compensation of Board members

This report meets the disclosure requirements of the German Commercial Code, supplemented by the additional requirements based on the German Act on Disclosure of Management Board Remuneration (Vorstandsvergütungs-Offenlegungsgesetz) as well as the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung), and is aligned with the recommendations of the German Corporate Governance Code.

Based on a proposal by the Personnel Committee (see page 121), the Supervisory Board (see page 127) determines the amount and structure of compensation of members of the Board. The amount of compensation is determined by the company's size and financial position, as well as the performance of the Board of Executive Directors. Globally operating companies based in Germany and Europe serve as a reference. A review of the structure and amount of compensation of Board members takes place at regular intervals.

The compensation of Board members comprises:
1. a fixed annual salary,
2. an annual variable bonus,
3. a stock price-based long-term incentive (LTI) program,
4. non-monetary compensation and other additional compensation in varying amounts, and
5. company pension benefits.

The compensation of the Board of Executive Directors is designed to promote sustainable corporate development. It is marked by a pronounced variability in relation to the performance of the Board of Executive Directors and BASF Group's return on assets.

The compensation components are shown in detail below:

1. The annual fixed compensation is paid in equal monthly payments.

2. The annual variable compensation (variable bonus) of the Board of Executive Directors is based on the performance of the entire Board and the return on assets. The return on assets is also used to determine the variable compensation of all other employee groups.

   In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the entire Board of Executive Directors that primarily contains medium- and long-term goals.

   The Supervisory Board assesses the achievement of goals in relation to the last three years. A performance factor with a value between 0 and 1.5 is determined on the basis of the goal achievement ascertained by the Supervisory Board. The variable bonus for the prior fiscal year is payable after the Annual Shareholders' Meeting.

   Board members, as other employee groups, may contribute a portion of their annual variable gross bonus into a deferred compensation program. For members of the Board of Executive Directors, as well as for all other senior executives of the German BASF Group, the maximum amount that can be contributed to this program is €30,000. Board members have taken advantage of this offer to varying degrees.

3. A share price-based remuneration program (a long-term incentive, or LTI program) exists for members of the Board of Executive Directors. It is also offered to all other senior executives of BASF Group. Members of the Board of Executive Directors are subject to a stricter set of rules than are contained in the general program conditions: They are required to participate in the LTI program with at least 10% of their gross bonus. This mandatory investment consisting of BASF shares is subject to a holding period of four years. For any additional voluntary investment of up to 20% of the gross bonus, the general holding period of two years applies. Under the LTI program, members of the Board of Executive Directors may only exercise their options at least four years after they have been granted (vesting period). For further details on the LTI program, see page 198.

4. Non-monetary compensation and other additional compensation include: delegation allowances, accident insurance premiums and other similar benefits, as well as the personal use of, or benefit from, communication equipment, company cars and security measures made available by the company. The members of the Board did not receive loans or advances from the company in 2011.

5. For details on the company pension benefits, see page 131.

Based on the principles listed above, individual Board members received the following compensation:

Total compensation of the Board of Executive Directors (thousand €)

	Non-performance related compensation			Performance related compensation		Options granted		
	Year	Fixed salary	Non-monetary compensation and other additional compensation	Variable bonus[1]	Total cash compensation	Number	Market value at option grant date	Total compensation (cash compensation plus options granted)
Dr. Kurt Bock Chairman (since May 6, 2011)	**2011**	**1,044**[2]	**504**[3]	**2,948**	**4,496**	**29,460**	**757**	**5,253**
	2010	695[2]	1,174[3]	1,620	3,489	20,620	384	3,873
Dr. Jürgen Hambrecht Chairman (until May 6, 2011)	**2011**	**423**	**53**	**1,179**	**1,655**	**50,044**	**1,286**	**2,941**
	2010	1,100	129	3,240	4,469	41,244	768	5,237
Dr. Martin Brudermüller Vice Chairman (since May 6, 2011)	**2011**	**767**[2]	**691**[3]	**2,158**	**3,616**	**29,460**	**757**	**4,373**
	2010	578[2]	753[3]	1,620	2,951	20,620	384	3,335
Dr. Hans-Ulrich Engel	**2011**	**635**[2]	**525**[3]	**1,769**	**2,929**	**29,460**	**757**	**3,686**
	2010	550	109	1,620	2,279	20,620	384	2,663
Dr. John Feldmann (until May 6, 2011)	**2011**	**211**	**37**	**590**	**838**	**25,020**	**643**	**1,481**
	2010	550	82	1,620	2,252	20,620	384	2,636
Michael Heinz (since May 6, 2011)	**2011**	**391**	**148**	**1,179**	**1,718**	**9,912**	**255**	**1,973**
	2010	–	–	–	–	–	–	–
Dr. Andreas Kreimeyer	**2011**	**600**	**144**	**1,769**	**2,513**	**29,460**	**757**	**3,270**
	2010	550	105	1,620	2,275	20,620	384	2,659
Dr. Stefan Marcinowski	**2011**	**600**	**111**	**1,769**	**2,480**	**29,460**	**757**	**3,237**
	2010	550	89	1,620	2,259	20,620	384	2,643
Dr. Harald Schwager	**2011**	**600**	**119**	**1,769**	**2,488**	**29,460**	**757**	**3,245**
	2010	550	108	1,620	2,278	20,620	384	2,662
Margret Suckale (since May 6, 2011)	**2011**	**391**	**52**	**1,179**	**1,622**	**7,148**	**184**	**1,806**
	2010	–	–	–	–	–	–	–
	Total 2011	**5,662**	**2,384**	**16,309**	**24,355**	**268,884**	**6,910**	**31,265**
	Total 2010	5,123	2,549	14,580	22,252	185,584	3,456	25,708

1 The basis for the variable bonus is the return on assets adjusted for special items and the performance factor. These include all contributions made to the deferred compensation program.

2 Payment is made in local currency based on a theoretical net salary in Germany (on a pro rata basis, where applicable).

3 Includes payments to cover additional costs of delegates, such as assumption of prevailing local rental fees

The options granted led to expenses (personnel expense) in 2011. This personnel expense refers to the sum of all options from the LTI programs 2003 to 2011. It is calculated as the difference in the value of the options on December 31, 2011, compared with the value on December 31, 2010, considering the options exercised and granted in 2011. The value of the options is based primarily on the development of the BASF share price and its outperformance compared with the benchmark indices specified for the LTI programs 2003 to 2011.

The personnel expenses reported below are purely accounting figures which do not equate with the actual cash gains should options be exercised. The members of the Board may each decide on the timing and scope of the exercise of options of the individual years, while taking into account the general terms and conditions and ceilings of the LTI program. The personnel expenses for the year 2011 relating to all options issued were as follows: Dr. Kurt Bock €182 thousand (2010: €4,919 thousand); Dr. Martin Brudermüller €182 thousand (2010: €4,087 thousand); Dr. Hans-Ulrich Engel €517 thousand (2010: €3,198 thousand); Michael Heinz €748 thousand; Dr. Andreas Kreimeyer €346 thousand (2010: €3,449 thousand); Dr. Stefan Marcinowski €1,897 thousand (2010: €4,034 thousand); Dr. Harald Schwager €385 thousand (2010: €3,105 thousand); and Margret Suckale €107 thousand.

→ **For more on the LTI program, see page 198 onward**

The members of the Board are covered by loss liability insurance concluded by the company (D&O insurance) which includes a deductible.

Pension benefits

Annual pension units are accrued for the members of the Board ("Board Performance Pension"). The method of determination of the amount of the pension benefits generally corresponds to that used for other employee groups. The method is designed such that both the performance of the company and the progression of the individual Board member's career significantly affect the pension entitlement.

The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed compensation above the Social Security Contribution Ceiling by 32% (contribution factor). The resulting amount is converted into a lifelong pension using actuarial factors based on an actuarial interest rate (5%), the probability of death, invalidity and bereavement (Heubeck-Richttafeln, 2005G) and an assumed pension increase (1.5% per annum). This is the amount that is payable upon retirement. The variable component of the pension unit depends on the return on assets in the reporting year and the performance factor, which is also decisive for the bonus. The variable component of the pension unit is based on a return on assets of 12% and on a performance factor of 1.0 at which point the variable component is equal in value to the fixed component. With regard to the return on assets, there is a linear relationship between the variable component and the return on assets figures between 10% and 14%. Should the return on assets exceed 14%, the variable component levels off; should the return on assets fall below 10%, the decline accelerates. With regard to the performance factor, there is a linear relationship between the variable component of the pension unit and a goal achievement of more than 50% and less than 125%. The performance factor ranges between 0 for a goal achievement of 50% or less and 1.5 for a goal achievement of 125% and more. The fixed and the variable components together result in the acquired pension unit for the reporting year. The sum of the pension units accumulated over the reporting years determines the respective Board member's pension benefit in the event of a claim. The pension benefit takes effect at the end of service upon reaching retirement age of 60 years, or disability or death. Pension payments are adjusted on an annual basis, by at least 1% annually, in accordance with changes in the German consumer price index.

The pension units also include survivor benefits. Upon the death of an active or former member of the Board, the surviving spouse receives a survivor pension amounting to 60% of the Board member's pension entitlement. The orphan pension amounts to 10% for each half-orphan, 33% for an orphan, 25% each for two orphans and 20% each for three or more orphans of the pension entitlement of the deceased (former) Board member. The survivor benefits may not exceed 75% of the Board member's total pension entitlement. If the survivor pensions exceed the upper limit, they will be proportionately reduced.

Board members are members of the BASF Pensionskasse VVaG, as are generally all employees of BASF SE. Contributions and benefits are determined by the Statutes of the BASF Pensionskasse VVaG and the General Conditions of Insurance.

The service costs attributable to 2011 include costs for BASF Pensionskasse VVaG as well as for the Performance Pension and are as follows: Dr. Kurt Bock €760 thousand (2010: €430 thousand); Dr. Jürgen Hambrecht (until May 6, 2011) €3 thousand (2010: €9 thousand); Dr. Martin Brudermüller €566 thousand (2010: €414 thousand); Dr. Hans-Ulrich Engel €485 thousand (2010: €439 thousand); Dr. John Feldmann (until May 6, 2011) €60 thousand (2010: €236 thousand); Michael Heinz (since May 6, 2011) €226 thousand; Dr. Andreas Kreimeyer €497 thousand (2010: €456 thousand); Dr. Stefan Marcinowski €500 thousand (2010: €460 thousand); Dr. Harald Schwager €465 thousand (2010: €420 thousand); and Margret Suckale (since May 6, 2011) €256 thousand.

The present value of pension benefits (defined benefit obligation) is an accounting figure for the entitlements that the Board members have accumulated in their years of service at BASF. The defined benefit obligation up to and including 2011 are as follows: Dr. Kurt Bock €8,647 thousand (2010: €7,416 thousand); Dr. Martin Brudermüller €5,768 thousand (2010: €4,884 thousand); Dr. Hans-Ulrich Engel €4,620 thousand (2010: €3,862 thousand); Michael Heinz €3,136 thousand; Dr. Andreas Kreimeyer €7,943 thousand (2010: €6,899 thousand); Dr. Stefan Marcinowski €9,068 thousand (2010: €7,914 thousand); Dr. Harald Schwager €4,277 thousand (2010: €3,566 thousand); and Margret Suckale €975 thousand.

End of service benefits

In the event that a member of the Board of Executive Directors retires from employment before the age of 60, either because his appointment was not extended or was revoked for an important reason, he is entitled to pension benefits if he has served on the Board for at least ten years or if the time needed to reach legal retirement age is less than ten years. The company is entitled to offset compensation received for any other work done against pension benefits until the legal retirement age is reached.

The following applies to end-of-service due to a change-of-control event: A change-of-control event, in terms of this provision, occurs when a shareholder informs BASF of a shareholding of at least 25%, or the increase of such a holding.

If a Board member's position is revoked within one year following a change-of-control event, the Board member will receive the contractually agreed payments for the remaining contractual term of office as a one-off payment (fixed compensation and variable bonus based on a return of assets of 12% as well as target achievement of 100%). Furthermore, the Board member may receive the fair value of the option rights acquired in connection with the LTI program within a period of three months or may continue to hold the existing rights under the terms of the program. For the determination of the accrued pension benefits from the "Board Performance Pension," the time up to the regular expiry of office is taken into consideration.

There is a general limit on severance pay (severance payment cap) for all Board members. Accordingly, payments made to a Board member upon premature termination of their contract, without serious cause, may not exceed the value of two years' compensation nor compensate more than the remaining term of the contract. The severance payment cap is to be calculated on the basis of the total compensation for the past full financial year and, if appropriate, also the expected total compensation for the current financial year. If membership of the Board of Executive Directors is terminated prematurely as the result of a "Change of Control," the payments may not exceed 150% of the severance compensation cap.

Former Board members

Total compensation for previous Board members and their surviving dependents amounted to €12.8 million in 2011 (2010: €13.2 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program and personnel expense for the year 2011 relating to options that previous members of the Board still hold from the time of their active service period. The continuation of the options that have not yet been exercised at the time of retirement, along with the continuation of the associated holding period for individual investment in BASF shares under the conditions of the program, is intended in order to particularly emphasize how sustainability is incorporated into the compensation for the Board members. Pension provisions for previous Board members and their surviving dependents amounted to €116.1 million (2010: €95.4 million).

Compensation of Supervisory Board members

The disclosure of compensation of the Supervisory Board is based on the German Commercial Code and is aligned with the recommendations of the German Corporate Governance Code. The compensation of the Supervisory Board is regulated by the Articles of Association of BASF SE passed by the Shareholders' Meeting.

Each member of the Supervisory Board receives an annual fixed compensation of €60,000 and a performance-oriented variable compensation for each full €0.01 by which the earnings per share of the BASF Group, as declared in the BASF Group Consolidated Financial Statements for the year for which the remuneration is paid, exceeds the minimum earnings per share. The minimum earnings per share figure for the year 2011 is €1.50. The performance-oriented variable remuneration is €800 for each full €0.01 of earnings per share up to an earnings per share of €2.25, €600 for each further €0.01 of earnings per share up to an earnings per share of €2.75, and €400 for each €0.01 beyond this. The performance-oriented variable remuneration is limited to a maximum amount of €120,000. The minimum earnings per share and the corresponding thresholds shall increase by €0.05 for each subsequent financial year. Based on the earnings per share of €6.74 published in the BASF Group Consolidated Statements 2011, the performance-oriented compensation reached the maximum amount of €120,000. The chairman of the Supervisory Board receives two-and-a-half times and a deputy chairman one-and-a-half times the compensation of an ordinary member.

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, shall receive a further fixed compensation for this purpose in the amount of €12,500. For the Audit Committee, the further fixed compensation shall be €50,000 (2010: €25,000). The chairman of a committee shall receive twice and a deputy chairman one-and-a-half times the further fixed compensation.

The company reimburses members of the Supervisory Board for out-of-pocket expenses and value-added tax to be paid with regard to their activities as members of the Supervisory Board or of a committee. The company further grants the members of the Supervisory Board a fee of €500 for attending a meeting of the Supervisory Board or one of its committees to which they belong and includes the performance of the duties of the members of the Supervisory Board in the cover of a loss liability insurance concluded by it (D&O insurance), which includes a deductible.

Total compensation of the Supervisory Board of the company for the activity in 2011, including the attendance fees, was €3.0 million (2010: €2.9 million). The compensation of the individual Supervisory Board members is as follows:

Compensation of the Supervisory Board of BASF SE (thousand €)

	Fixed compensation		Performance-oriented variable compensation		Payment for committee membership(s)		Total compensation	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Dr. h.c. Eggert Voscherau, Chairman of the Supervisory Board[1]	**150.0**	150.0	**300.0**	300.0	**25.0**	25.0	**475.0**	475.0
Michael Diekmann, Vice Chairman of the Supervisory Board[2]	**90.0**	90.0	**180.0**	180.0	**12.5**	12.5	**282.5**	282.5
Robert Oswald, Vice Chairman of the Supervisory Board[2]	**90.0**	90.0	**180.0**	180.0	**12.5**	12.5	**282.5**	282.5
Ralf-Gerd Bastian[4]	**60.0**	60.0	**120.0**	120.0	**50.0**	25.0	**230.0**	205.0
Wolfgang Daniel	**60.0**	60.0	**120.0**	120.0	**–**	–	**180.0**	180.0
Prof. Dr. François Diederich	**60.0**	60.0	**120.0**	120.0	**–**	–	**180.0**	180.0
Franz Fehrenbach[4]	**60.0**	60.0	**120.0**	120.0	**50.0**	25.0	**230.0**	205.0
Stephen K. Green (from April 30, 2009 until Dec. 16, 2010)	**–**	60.0	**–**	120.0	**–**	–	**–**	180.0
Max Dietrich Kley[3]	**60.0**	60.0	**120.0**	120.0	**100.0**	50.0	**280.0**	230.0
Anke Schäferkordt (since December 17, 2010)	**60.0**	5.0	**120.0**	10.0	**–**	–	**180.0**	15.0
Denise Schellemans	**60.0**	60.0	**120.0**	120.0	**–**	–	**180.0**	180.0
Ralf Sikorski	**60.0**	60.0	**120.0**	120.0	**–**	–	**180.0**	180.0
Michael Vassiliadis[2, 4]	**60.0**	60.0	**120.0**	120.0	**62.5**	37.5	**242.5**	217.5
Total	**870.0**	875.0	**1,740.0**	1,750.0	**312.5**	187.5	**2,922.5**	2,812.5

1 Chairman of the Personnel Committee
2 Member of the Personnel Committee
3 Chairman of the Audit Committee
4 Member of the Audit Committee

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Shareholders' Meeting, which approves the Consolidated Financial Statements upon which the variable compensation is based. Accordingly, compensation relating to the year 2011 will be paid following the Annual Shareholders' Meeting on April 27, 2012.

In 2011, as in 2010, the company paid the Supervisory Board member Prof. Dr. François Diederich a total of CHF38,400 (2011: around €31,200; 2010: approximately €27,800) plus value-added taxes and out-of-pocket expenses for consulting work in the area of chemical research based on a consulting contract approved by the Supervisory Board.

Beyond this, no other Supervisory Board members received any compensation in 2011 for services rendered personally, in particular, the rendering of advisory and agency services.

→ **For more on share ownership by members of the Board of Executive Directors and the Supervisory Board, see page 125**

Report of the Supervisory Board

Dear Shareholder,

Despite the ongoing national debt crisis in the eurozone and the related uncertainty in the global financial markets, 2011 was once again a successful year for BASF, with very good results in sales and earnings. With the transfer of the styrenics business to the Styrolution joint venture and the divestiture of the fertilizer business, BASF has continued to successfully focus on fast-growing and innovative business areas. The BASF strategy “We create chemistry” sets out clear guidelines for BASF’s successful future development.

The Board of Executive Directors demonstrated impressive company leadership. BASF continues to occupy an excellent position under its new management and in 2011, took full advantage of the business opportunities which presented themselves. The high-quality, interconnected work of the entire team of the Board of Executive Directors and employees was once again crucial to BASF’s success. Again and again, maintaining continuity while embracing change has proven to be one of BASF’s strengths.

Monitoring and consultation in an ongoing dialog with the Board of Executive Directors

In 2011, the Supervisory Board of BASF SE exercised its duties required by law and the Statutes with the utmost care. We regularly monitored the management of the Board of Executive Directors and provided advice on the company’s strategic development and important individual measures. To this end, the Supervisory Board requested detailed information from the Board of Executive Directors at five meetings, in the form of written and verbal reports. The topics included: business policies and the business situation, as well as the company’s performance, profitability, global HR policy and planning with regard to finances, capital expenditures and human resources at BASF SE and its major subsidiaries. Information was also provided about any deviations of business performance from planning. The Supervisory Board discussed in detail the reports from the Board of Executive Directors and also discussed prospects for the company as a whole and its individual business areas with the Board of Executive Directors. Outside of Supervisory Board meetings, the Chairman of the Supervisory Board also regularly requested information from the Chairman of the Board of Executive Directors regarding current developments and company-relevant items. The Supervisory Board was always involved at an early stage in decisions of major importance. The Supervisory Board discussed and voted on all of those individual measures taken by the Board of Executive Directors, which by law or the Statutes required the approval of the Supervisory Board. In 2011, these related to the expansion of the cooperation with Gazprom through the planned asset swap in the oil and gas business, as well as the divestiture of BASF’s fertilizer business.

The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions. All twelve members took part in all Supervisory Board meetings in 2011.

In all of its meetings, the Supervisory Board discussed the further development of the BASF Group’s business activities through acquisitions, divestitures and investment projects and advised the Board of Executive Directors on these significant questions impacting the future of the company. A highlight for the work of the Supervisory Board was the close consultation with the Board of Executive Directors on July 21, 2011, regarding the update of the BASF Group’s strategy. The Supervisory Board is convinced that the “We create chemistry” strategy contains the right answers to the question of which path BASF should take to master the challenges of a changing world and to continue on its successful track.

Furthermore, in 2011 we also addressed the strategies, status and prospects of individual business areas. These included the Agricultural Solutions segment, with the crop protection business and plant biotechnology activities, during the meeting on July 21, 2011. The Polyurethanes division, where BASF wants to continue to grow with major investments in new production facilities such as the MDI plant in Chongqing, China, and the planned TDI plant in Ludwigshafen, Germany, were topics during the meeting on October 20, 2011. We devoted our attention to the Oil & Gas segment, particularly given the changes in Germany’s energy policy, during the meetings on March 3 and October 20, 2011. At four meetings of the Supervisory Board, we received information, including examples of innovation, about research and development topics and the development of future markets, such as electric mobility, and we discussed these with the Board of Executive Directors. At the meeting on December 15, 2011, we discussed and approved the Board of Executive Directors’ operative and financial planning for 2012. Furthermore, we once again empowered the Board of Executive Directors to procure necessary financing in 2012.

The Supervisory Board thoroughly considered the personnel issues concerning the Board of Executive Directors during the meetings on October 20 and December 15, 2011. At the meeting on October 20, 2011, the Supervisory Board discussed and approved the suitability, composition and level of the compensation for the Board of Executive Directors. At the meeting on December 15, 2011, the Supervisory Board discussed the composition of the Board of Executive Directors and nominated Wayne T. Smith, an American and currently head of the Polyurethanes division, for a three-year appointment as a member of the Board of Executive Directors, effective as of the end of the Annual Shareholders’ Meeting on April 27, 2012. Dr. Stefan Marcinowski will retire from the Board of Executive Directors at this time. The appointment of Dr. Andreas Kreimeyer to the Board of Executive Directors, which was set to expire upon conclusion of the Annual Shareholders’ Meeting 2012, was extended until the conclusion of the Annual Shareholders' Meeting in 2015. Furthermore, at this meeting the Supervisory Board and the Board of Executive Directors discussed and agreed upon the goals for the Board of Executive Directors for 2012 to 2014. In addition, the performance assessment for the Board of Executive Directors for 2011 was decided; this, along with the return on assets of the BASF Group, determines the performance-related component of the compensation of the Board of Executive Directors.

Committees

BASF SE's Supervisory Board has a total of three committees: 1) the committee for personnel affairs of the Board of Executive Directors as well as the granting of loans in accordance with Section 89 (4) of the German Stock Corporation Act (Personnel Committee), 2) the Audit Committee and 3) the Nomination Committee. Following each Committee meeting, the Chairmen of the Committees reported in detail about the meetings and the activities of the Committees at the next meeting of the Supervisory Board.

The **Personnel Committee** comprises Supervisory Board Chairman Dr. h.c. Eggert Voscherau (chairman), Supervisory Board Deputy Chairmen Michael Diekmann and Robert Oswald, as well as Supervisory Board member Michael Vassiliadis. The Personnel Committee met on December 14, 2011. At this meeting, the Committee dealt primarily with new appointments and the extension of mandates on the Board of Executive Directors as well as the target agreement process between the Supervisory Board and Board of Executive Directors, the corresponding target agreements for 2012 to 2014, and the achievement of targets in 2011. The Committee made recommendations to the Supervisory Board regarding all issues discussed at this meeting. The Supervisory Board adopted the recommended proposals at its meeting on December 15, 2011.

The **Audit Committee** consists of Supervisory Board members Max Dietrich Kley, Ralf Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. The Chairman of the Audit Committee is Max Dietrich Kley, who has also been appointed "Audit Committee Financial Expert." The Audit Committee is responsible for all the tasks of an audit committee listed in Section 107 Paragraph (3) Sentence 2 of the German Stock Corporation Act and in subsection 5.3.2 of the German Corporate Governance Code from May 26, 2010. The Audit Committee met five times in 2011. All committee members attended all committee meetings. Following each Committee meeting, the Chairman of the Audit Committee reported on the agenda items and audit work of the Committee at the subsequent Supervisory Board meeting. The core duties were to review BASF SE's Financial Statements and Consolidated Financial Statements, as well as to discuss the quarterly and first-half financial reports with the Board of Executive Directors prior to their publication. Other important activities included advising the Board of Executive Directors on accounting issues, the internal control system and discussing and defining the focus of the annual audit with the auditor. The topics internal auditing system and compliance in the BASF Group were each a focus at one meeting of the Audit Committee. In these meetings, the head of the Corporate Audit department and the Chief Compliance Officer reported to the Audit Committee and answered its questions. The business relations with the auditor, apart from the annual audit, were regulated with the adoption of a resolution allowing the granting of contracts for the provision of non-audit services by the auditor. These kind of services are generally not permitted. The Audit Committee will be informed of any approved individual contracts. The committee also reached an agreement with the auditor on the auditing fees and discussed questions related to the auditor's independence. Furthermore, the Audit Committee recommended to the Supervisory Board that KPMG once again be nominated as the auditor at the Annual Shareholders' Meeting 2012.

The members of the **Nomination Committee** are the members of the Supervisory Board elected at the Annual Shareholders' Meeting: Dr. h.c. Eggert Voscherau, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Max Dietrich Kley and Anke Schäferkordt. The Nomination Committee is responsible for preparing candidate proposals for the election of those Supervisory Board members who are elected by the Shareholders' Meeting. Following Stephen K. Green's resignation from the Supervisory Board as of December 16, 2010, the members of the Nomination Committee discussed his succession and recommended that the Supervisory Board nominate Anke Schäferkordt for election to the Supervisory Board at the Annual Shareholders' Meeting 2011. The Nomination Committee based its recommendation on the objectives for the composition of the Supervisory Board decided by the Supervisory Board at its meeting on October 21, 2010.

Corporate Governance and Declaration of Conformity

In 2011, the Supervisory Board again addressed in detail the corporate governance standards applied by BASF and their implementation in the company. The Corporate Governance Report of the BASF Group provides extensive information on BASF's corporate governance. It also includes the compensation report, containing full details on the structure and amount of the compensation for the Board of Executive Directors and the Supervisory Board, including the pension benefits of the members of the Board of Executive Directors, which can be found on pages 129 to 134.

At its meeting on December 15, 2011, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with Section 161 of the German Stock Corporation Act. BASF complies with the recommendations of the German Corporate Governance Code in its version of May 26, 2010, without exception. The complete wording of the Declaration of Conformity is provided on page 138 and is also available to shareholders on BASF's website.

The Supervisory Board has affirmed the independence of its members and determined that there are no conflicts of interest.

Annual Financial Statements of BASF SE and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the fiscal year 2011, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, including the Management's Analysis and the accounting records from which they were prepared, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under Section 91 (2) of the German Stock Corporation Act in an appropriate way. In particular, it had instituted an appropriate information and monitoring system that met the needs of the company and appeared suitable, both in design and application in practice, to provide early warning of developments that pose a threat to the continued existence of the company.

The documents to be examined and the auditor's reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 22, 2012, as well as the accounts meeting of the Supervisory Board on February 23, 2012, and reported on the main findings of his audit. The auditor also provided detailed explanations of his reports on the day before the accounts meeting of the Supervisory Board.

The Audit Committee reviewed the audits and Management's Analysis at its meeting on February 22, 2012, and discussed them in detail with the auditor. The Chairman of the Audit Committee gave a detailed account of the preliminary review at the Supervisory Board meeting on February 23, 2012.

On the basis of this preliminary review by the Audit Committee, the Supervisory Board has examined the Financial Statements and Management's Analysis of BASF SE for 2011, the proposal by the Board of Executive Directors for the appropriation of profit as well as the Consolidated Financial Statements and Management's Analysis for the BASF Group for 2011. We have reviewed, acknowledged and approved the auditor's reports. The results of the preliminary review by the Audit Committee and the results of our own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management and submitted reports.

At the Supervisory Board's accounts meeting on February 23, 2012, we approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group prepared by the Board of Executive Directors, making the Financial Statements final. We concur with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €2.50 per share.

Composition of the Supervisory Board

The Annual Shareholders' Meeting on May 6, 2011, elected Anke Schäferkordt as a member of the Supervisory Board. Ms. Schäferkordt had previously been legally appointed to the Supervisory Board by the Ludwigshafen am Rhein district court with effect from December 17, 2010.

Thanks

The Supervisory Board thanks the management and all employees of the BASF Group worldwide for the work they performed in 2011.

Ludwigshafen, February 23, 2012

The Supervisory Board

Dr. h.c. Eggert Voscherau
Chairman of the Supervisory Board

Declaration of Conformity 2011
of the Board of Executive Directors and the Supervisory Board of BASF SE

The Board of Executive Directors and the Supervisory Board of BASF SE hereby declare pursuant to § 161 AktG (Stock Corporation Act)

The recommendations of the Government Commission on the German Corporate Governance Code from May 26, 2010, as published by the Federal Ministry of Justice on July 2, 2010, in the official section of the electronic Federal Gazette, are being complied with; furthermore, they have been complied with since the submission of the last Declaration of Conformity on December 16, 2010.

Ludwigshafen, December 15, 2011

The Supervisory Board
of BASF SE

The Board of Executive Directors
of BASF SE

Consolidated Financial Statements

Notes

Other notes

4

Statement by the Board of Executive Directors
and assurance pursuant to Sections 297(2), 315(1) of the German Commercial Code (HGB)

The Board of Executive Directors of BASF SE is responsible for preparing the Consolidated Financial Statements and Management's Analysis of the BASF Group.

The Consolidated Financial Statements for 2011 were prepared according to the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB), London, and have been endorsed by the European Union.

In order to ensure the adherence of the Consolidated Financial Statements of the BASF Group and Management's Analysis to the applicable accounting rules, and the accuracy of reporting, we have established effective internal control systems.

The adherence to uniform, Group-wide accounting and reporting standards, and the reliability and effectiveness of our control systems are continually audited throughout the Group by our internal audit department. The risk management system we have set up is designed to identify material risks in a timely manner, thus enabling the Board of Executive Directors to take appropriate defensive measures as required.

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements of the BASF Group give a true and fair view of the assets, liabilities, financial position and profit situation of the Group, and the Management's Analysis includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Ludwigshafen, February 22, 2012

Dr. Kurt Bock
Chairman of the Board of Executive Directors

Dr. Martin Brudermüller
Vice Chairman of the Board of Executive Directors

Dr. Hans-Ulrich Engel
Chief Financial Officer

Michael Heinz

Dr. Andreas Kreimeyer

Dr. Stefan Marcinowski

Dr. Harald Schwager

Margret Suckale

Auditor's report

We have audited the Consolidated Financial Statements prepared by BASF SE, Ludwigshafen am Rhein, Germany, comprising the statement of income, statement of income and expense recognized in equity, balance sheet, statement of cash flows, statement of equity and the notes to the Consolidated Financial Statements, together with the Management's Analysis for the business year from January 1 to December 31, 2011. The preparation of the Consolidated Financial Statements and the Management's Analysis in accordance with IFRSs as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Management's Analysis based on our audit. In addition, we have been instructed to express an opinion as to whether the Consolidated Financial Statements comply with full IFRS.

We conducted our audit of the Consolidated Financial Statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW).

Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Management's Analysis are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Management's Analysis are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Management's Analysis. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with IFRSs as adopted by the E.U., the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Management's Analysis is consistent with the Consolidated Financial Statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 22, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Joachim Schindler
Wirtschaftsprüfer

Hans-Dieter Krauß
Wirtschaftsprüfer

Consolidated statements of income
BASF Group

Consolidated statements of income (million €)

	Explanations in note	2011	2010
Sales	[4]	73,497	63,873
Cost of sales		(53,986)	(45,310)
Gross profit on sales		**19,511**	**18,563**
Selling expenses		(7,323)	(6,700)
General and administrative expenses		(1,315)	(1,138)
Research and development expenses		(1,605)	(1,492)
Other operating income	[6]	2,008	1,140
Other operating expenses	[7]	(2,690)	(2,612)
Income from operations	**[4]**	**8,586**	**7,761**
Income from companies accounted for using the equity method		48	201
Other income from participations		966	137
Other expenses from participations		(30)	(39)
Interest income		189	150
Interest expense		(763)	(773)
Other financial income		909	866
Other financial expenses		(935)	(930)
Financial result	**[8]**	**384**	**(388)**
Income before taxes and minority interests		**8,970**	**7,373**
Income taxes	[9]	(2,367)	(2,299)
Income before minority interests		**6,603**	**5,074**
Minority interests	[10]	(415)	(517)
Net income		**6,188**	**4,557**
Earnings per share (€)	**[5]**	**6.74**	**4.96**
Dilution effect	[5]	(0.01)	.
Diluted earnings per share (€)	**[5]**	**6.73**	**4.96**

Consolidated statements of income and expense recognized in equity

BASF Group

Statement of income and expense recognized in equity (million €)

	2011	2010
Income before minority interests	**6,603**	**5,074**
Actuarial gains/losses and asset ceiling for defined benefit assets	(763)	(171)
Change in foreign currency translation adjustments	186	756
Fair value changes in available-for-sale securities	(1,014)	315
Cash flow hedges	(71)	(9)
Hedges of net investments in foreign operations	5	(7)
Revaluation due to acquisition of majority of shares	(2)	(2)
Deferred taxes	196	56
Minority interests	(2)	42
Total income and expense recognized directly in equity	**(1,465)**	**980**
Total income and expense for the period	**5,138**	**6,054**
Thereof BASF SE	4,725	5,495
minority interests	413	559

Development of income and expense recognized directly in equity of shareholders of BASF SE (million €)

	Retained earnings	Other comprehensive income						Total income and expense recognized directly in equity
	Actuarial gains/ losses; asset ceiling	Foreign currency translation adjustment	Fair value changes in available-for-sale securi-ties	Cash flow hedges	Hedges of net invest-ments in foreign operations	Revalua-tion due to acquisition of majority of shares	Total of other comprehen-sive income	
As of January 1, 2011	**(1,526)**	**190**	**1,009**	**(3)**	**(7)**	**6**	**1,195**	**(331)**
Additions	(763)	186	–	(71)	–	–	115	(648)
Releases	–	–	(1,014)	–	5	(2)	(1,011)	(1,011)
Deferred taxes	181	(3)	15	3	–	–	15	196
As of December 31, 2011	**(2,108)**	**373**	**10**	**(71)**	**(2)**	**4**	**314**	**(1,794)**
As of January 1, 2010	**(1,425)**	**(555)**	**698**	**5**	**–**	**8**	**156**	**(1,269)**
Additions	(171)	756	315	–	(7)	–	1,064	893
Releases	–	–	–	(9)	–	(2)	(11)	(11)
Deferred taxes	70	(11)	(4)	1	–	–	(14)	56
As of December 31, 2010	**(1,526)**	**190**	**1,009**	**(3)**	**(7)**	**6**	**1,195**	**(331)**

Consolidated balance sheets
BASF Group

Assets (million €)

	Explanations in note	December 31, 2011	December 31, 2010
Intangible assets	[12]	11,919	12,245
Property, plant and equipment	[13]	17,966	17,241
Investments accounted for using the equity method	[14]	1,852	1,328
Other financial assets	[14]	848	1,953
Deferred tax assets	[9]	941	1,112
Other receivables and miscellaneous long-term assets	[16]	561	653
Long-term assets		**34,087**	**34,532**
Inventories	[15]	10,059	8,688
Accounts receivable, trade	[16]	10,886	10,167
Other receivables and miscellaneous short-term assets	[16]	3,781	3,883
Marketable securities		19	16
Cash and cash equivalents		2,048	1,493
Assets of disposal groups	[2]	295	614
Short-term assets		**27,088**	**24,861**
Total assets		**61,175**	**59,393**

Equity and liabilities (million €)

	Explanations in note	December 31, 2011	December 31, 2010
Subscribed capital	[17]	1,176	1,176
Capital surplus	[17]	3,203	3,216
Retained earnings	[18]	19,446	15,817
Other comprehensive income	[18]	314	1,195
Equity of shareholders of BASF SE		**24,139**	**21,404**
Minority interests	[19]	1,246	1,253
Equity		**25,385**	**22,657**
Provisions for pensions and similar obligations	[20]	3,189	2,778
Other provisions	[21]	3,335	3,352
Deferred tax liabilities	[9]	2,628	2,467
Financial indebtedness	[22]	9,019	11,670
Other liabilities	[22]	1,142	901
Long-term liabilities		**19,313**	**21,168**
Accounts payable, trade		5,121	4,738
Provisions	[21]	3,210	3,324
Tax liabilities	[9]	1,038	1,140
Financial indebtedness	[22]	3,985	3,369
Other liabilities	[22]	3,036	2,802
Liabilities of disposal groups	[2]	87	195
Short-term liabilities		**16,477**	**15,568**
Total equity and liabilities		**61,175**	**59,393**

Consolidated statements of cash flows
BASF Group

Consolidated statements of cash flows[1] (million €)

	2011	2010
Net income	6,188	4,557
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	3,419	3,393
Changes in inventories	(1,239)	(1,341)
Changes in receivables	(45)	(1,839)
Changes in operating liabilities and other provisions	378	1,500
Changes in pension provisions, defined benefit assets and other non-cash items	(68)	273
Net gains from disposal of long-term assets and securities	(1,528)	(83)
Cash provided by operating activities	**7,105**	**6,460**
Payments related to intangible assets and property, plant and equipment	(3,410)	(2,548)
Payments related to financial assets and securities	(346)	(480)
Payments related to acquisitions	(148)	(605)
Proceeds from divestitures	665	43
Proceeds from the disposal of long-term assets and securities	1,501	874
Cash used in investing activities	**(1,738)**	**(2,716)**
Capital increases/repayments and other equity transactions	32	(18)
Proceeds from the addition of financial liabilities	2,306	3,679
Repayment of financial liabilities	(4,678)	(5,974)
Dividends paid		
To shareholders of BASF SE	(2,021)	(1,561)
To minority shareholders	(457)	(370)
Cash used in financing activities	**(4,818)**	**(4,244)**
Net changes in cash and cash equivalents	**549**	**(500)**
Effects on cash and cash equivalents		
From foreign exchange rates	9	86
From changes in scope of consolidation	(3)	72
Cash and cash equivalents at the beginning of the year	**1,493**	**1,835**
Cash and cash equivalents at the end of the year	**2,048**	**1,493**

[1] More information on the Consolidated statement of cash flows can be found in the Management's Analysis (Liquidity and capital resources) from page 39 onward. Other information on cash flow can be found in Note 27 on page 198.

Consolidated statements of equity
BASF Group

Consolidated statements of equity (million €)

	Number of subscribed shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income[1]	Equity of shareholders of BASF SE	Minority interests	Total equity
January 1, 2011	**918,478,694**	**1,176**	**3,216**	**15,817**	**1,195**	**21,404**	**1,253**	**22,657**
Effects of acquisitions achieved in stages	–	–	–	34	–	**34**	(2)	**32**
Effects of change of control	–	–	–	–	–	–	2	**2**
Dividend paid	–	–	–	(2,021)	–	**(2,021)**	(457)[2]	**(2,478)**
Net income	–	–	–	6,188	–	**6,188**	415	**6,603**
Income and expense recognized directly in equity	–	–	–	(582)	(881)	**(1,463)**	(2)	**(1,465)**
Changes in scope of consolidation and other changes	–	–	(13)[3]	10	–	**(3)**	37	**34**
December 31, 2011	**918,478,694**	**1,176**	**3,203**	**19,446**	**314**	**24,139**	**1,246**	**25,385**
January 1, 2010	**918,478,694**	**1,176**	**3,229**	**12,916**	**156**	**17,477**	**1,132**	**18,609**
Effects of change of control	–	–	–	–	–	**–**	(53)	**(53)**
Capital withdrawal/contribution	–	–	–	–	–	**–**	(18)	**(18)**
Dividend paid	–	–	–	(1,561)	–	**(1,561)**	(370)[2]	**(1,931)**
Net income	–	–	–	4,557	–	**4,557**	517	**5,074**
Income and expense recognized directly in equity	–	–	–	(101)	1,039	**938**	42	**980**
Changes in scope of consolidation and other changes	–	–	(13)[3]	6	–	**(7)**	3	**(4)**
December 31, 2010	**918,478,694**	**1,176**	**3,216**	**15,817**	**1,195**	**21,404**	**1,253**	**22,657**

[1] Details are provided in “the development of income and expense recognized directly in equity of shareholders of BASF SE” on page 143.
[2] Including profit and loss transfers
[3] Granting of BASF shares under the employee share program *“plus”*

1 – Summary of accounting policies

1.1 – Group accounting principles

Accounting standards applied: The Consolidated Financial Statements of BASF SE as of December 31, 2011, have been prepared in accordance with International Financial Reporting Standards (IFRS) and Section 315a (1) of the German Commercial Code (HGB). BASF SE is a publicly-listed corporation based in Ludwigshafen am Rhein. Its official address is Carl-Bosch-Str. 38, 67056 Ludwigshafen am Rhein, Germany.

The individual financial statements of the companies included in the Consolidated Financial Statements of the BASF Group (hereinafter referred to as "consolidated companies") are generally prepared as of the balance sheet date of the Consolidated Financial Statements. All binding International Financial Reporting Standards (IFRS) and pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) for the 2011 fiscal year were applied. The IFRS are applied as soon as they have been endorsed by the European Union.

The accounting policies applied are the same as those in 2010. Exceptions to this are changes required by the application of new or revised reporting standards. In 2011 there were no significant changes in this regard.

The Consolidated Financial Statements are prepared in euros, and all amounts, including the figures for previous years, are given in million euros unless otherwise indicated.

On February 20, 2012, the Consolidated Financial Statements were prepared and authorized for release by the Board of Executive Directors and submitted for approval by the Audit Committee to the Supervisory Board of BASF SE at its meeting on February 23, 2012.

Scope of consolidation: The Consolidated Financial Statements include BASF SE as well as all material subsidiaries. BASF controls these companies or exercises a majority of the voting rights, either directly or indirectly.

Material, jointly controlled entities are included on a proportional consolidation basis.

Associated companies are accounted for using the equity method. These are companies in which the Company has a participation of at least 20% and can exercise a significant influence over the operating and financial policies.

Subsidiaries whose business is dormant or of low volume and that is insignificant for the presentation of a true and fair view of the net assets, financial position and results of operations as well as the cash flows are not consolidated. These companies are carried at amortized cost and are written down in the case of an impairment. The sum of these subsidiaries' assets and equity amounts to less than 1% of the corresponding value at the Group level.

Consolidation method: Assets and liabilities of consolidated companies are accounted for and valued uniformly in accordance with the principles described herein. For companies accounted for using the equity method, material deviations from our accounting policies are adjusted for.

Transactions between consolidated companies as well as inter-company profits resulting from sales and services rendered between consolidated companies are eliminated in full; for jointly controlled entities, they are proportionally eliminated. Material inter-company profits related to companies accounted for using the equity method are eliminated.

Capital consolidation at the acquisition date is based on the purchase method. Initially, all assets, liabilities and additional intangible assets that are to be capitalized are valued at fair value. Finally, the acquisition cost is compared with the proportionate share of the net assets acquired at fair value. The resulting positive differences are capitalized as goodwill.

The incidental acquisition costs of a business combination are recognized in the income statement.

Translation of foreign currency financial statements: The translation of foreign currency financial statements depends on the functional currency of the consolidated companies. For companies whose functional currency is not the euro, translation into the reporting currency is based on the closing rate method: Balance sheet items are translated into euros at closing rates on the balance sheet date; expenses and income are translated into euros at monthly average rates and accumulated for the year. The translation adjustments due to the use of the closing rate method are shown under currency translation adjustments as a component of other comprehensive income in equity and are recognized in income only upon the disposal of a company.

For certain companies outside the euro or U.S. dollar zone, the euro or U.S. dollar is the functional currency.

Selected exchange rates

	Closing rates		Average rates	
1 EUR equals	Dec. 31, 2011	Dec. 31, 2010	2011	2010
Brazil (BRL)	2.42	2.22	2.33	2.33
China (CNY)	8.16	8.82	9.00	8.97
Great Britain (GBP)	0.84	0.86	0.87	0.86
Japan (JPY)	100.20	108.65	110.96	116.24
Malaysia (MYR)	4.11	4.10	4.26	4.27
Mexico (MXN)	18.05	16.55	17.29	16.74
The Russian Federation (RUB)	41.77	40.82	40.88	40.26
Switzerland (CHF)	1.22	1.25	1.23	1.38
South Korea (KRW)	1,498.69	1,499.06	1,541.23	1,531.82
United States (USD)	1.29	1.34	1.39	1.33

1.2 – Accounting policies

Assets

Goodwill is only written down if there is an impairment. Impairment testing takes place annually or if there is an indication of an impairment. The goodwill impairment test is based on cash-generating units and compares the recoverable amount of the unit with the respective carrying amount. At BASF, cash-generating units are predominantly the business units, in individual cases, the divisions. The recoverable amount is the higher of fair value less costs to sell and the value-in-use. Value-in-use is generally determined using the discounted cash flow method. Impairment testing relies upon the cash-generating unit's long-term earnings forecasts, which are based on economic trends.

The weighted average cost of capital (WACC) based on the Capital Asset Pricing Model plays an important role in impairment testing. The WACC is made up of the risk-free interest rate, the country-specific tax rates, the beta of the BASF share as well as assumptions as to the spread for credit risk and the market risk premium for the cost of equity. Additional important assumptions are the forecasts for the detailed planning period and the terminal growth rates used.

→ **For more information, see Note 12 from page 172 onward**

If the impairment loss is equal to or exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the cash-generating unit. Goodwill impairment losses are reported under other operating expenses.

Acquired intangible assets are valued at cost less scheduled straight-line amortization, except for goodwill and intangible assets with indefinite useful lives. The useful life is determined using the period of the underlying contract and the period of time over which the intangible asset is expected to be used. Impairment losses are recognized if the recoverable amount of the asset is permanently lower than the carrying amount. The recoverable amount is the higher of net realizable value and value-in-use. Impairment losses are reversed if the reasons for the impairment no longer exist.

Depending on the type of intangible asset, the amortization expense is recorded as production cost, cost of sales, research and development expenses or other operating expenses.

Intangible assets with indefinite useful lives are trade names and trademarks that have been acquired as part of acquisitions. They are tested for impairment annually.

Internally generated intangible assets primarily comprise internally developed software. Such software, as well as other internally generated assets for internal use, are valued at cost and amortized over their useful lives. Impairments are recorded if the carrying amount of an asset exceeds the recoverable amount.

In addition to those costs directly attributable to the asset, costs of internally generated intangible assets also include an appropriate allocation of overhead cost. Borrowing costs are capitalized to the extent that they are material and relate to the period over which the asset is generated.

The weighted-average useful lives of intangible assets amounted to:

Average amortization in years

	2011	2010
Distribution, supply and similar rights	13	13
Product rights, licenses and trademarks	17	18
Know-how, patents and production technologies	13	11
Internally generated intangible assets	5	5
Other rights and values	6	5

The estimated useful life and amortization method chosen are based on historical values, plans and estimates. These estimates also consider the period and distribution of future cash inflows. The amortization methods, useful lives and residual values are reviewed at each balance sheet date.

Emission rights: Emission right certificates granted free-of-charge by the German Emissions Trading Authority (Deutsche Emissionshandelsstelle) or a similar authority in other European countries, are recognized at fair value at the time they are credited to the electronic register run by the relevant governmental authority. Purchased emission rights are recorded at cost. Subsequently, they are measured at fair value, up to a maximum of acquisition cost. If the fair value is lower than the carrying amount on the balance sheet date, the emission rights are written down.

Property, plant and equipment are carried at acquisition or production cost less scheduled depreciation over their estimated useful lives. The revaluation method is not used. Low-value assets are fully written off in the year of acquisition and are shown as disposals.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and manufacturing costs, and a share of the general administrative costs of the divisions associated with the construction of the plants. Borrowing costs that are incurred during the period of construction are capitalized. For companies in Germany, borrowing costs were capitalized at 4.5% whereas country-specific rates were used for Group companies outside Germany.

Expenses related to scheduled maintenance turnarounds of large-scale plants are capitalized as part of the asset and depreciated using the straight-line method over the period until the next planned turnaround. The costs for the exchange of components are recognized as assets when an additional future benefit is expected. The book value of the exchanged components is derecognized. The costs for maintenance and repair as part of normal business operations are recognized as an expense.

Both movable and immovable fixed assets are usually depreciated using the straight-line method. The weighted-average depreciation periods used were as follows:

Average depreciation in years

	2011	2010
Buildings and structural installations	22	18
Machinery and technical equipment	10	10
Long-distance natural gas pipelines	25	25
Factory, office equipment and other facilities	7	6

The estimated useful life and depreciation method chosen are based on historical values, plans and estimates. These estimates also consider the period and distribution of future cash inflows. The depreciation methods, useful lives and residual values are reviewed at each balance sheet date. The increase in the weighted-average depreciation period of buildings and structural installations in 2011 is due to acquisitions that took place in 2009 and 2010.

Impairment losses are recognized if the recoverable amount of the asset is lower than the carrying amount. The evaluation is based on the present value of the expected future cash flows. An impairment loss is recorded for the difference between the carrying amount and the value of discounted future cash flows. Impairment losses are reversed if the reasons for the impairment no longer exist.

Investment properties held to realize capital gains or rental income are immaterial. They are valued at the lower of acquisition cost less scheduled depreciation or fair value.

Leases: In accordance with IAS 17, leasing contracts are classified as either finance or operating leases. Assets which are subject to operating leases are not capitalized. Lease payments are charged to income in the year they are incurred.

A lease is classified as a finance lease if it substantially transfers all of the risks and rewards related to the leased asset. Assets subject to a finance lease are recorded at the present value of the minimum lease payments. A leasing liability is recorded in the same amount. The periodic lease payments are divided into principal and interest components. The principal component reduces the outstanding liability, while the interest component represents an interest expense. Depreciation takes place over the shorter of the useful life of the asset or the period of the lease.

BASF acts as a lessor for finance leases in a minor capacity only. Leases can be embedded within other contracts. If IFRS requires separation of an embedded lease, then it is recorded separately from its host contract and each component of the contract is carried and measured in accordance with the applicable regulations.

Borrowing costs: If the production phase of intangible assets or the construction phase of property, plant and equipment extends beyond a period of one year, the interest incurred on borrowed capital directly attributable to that asset is capitalized as part of the cost of that asset. Borrowing costs are capitalized up to the date the asset is ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Investment subsidies: Government grants related to the acquisition or construction of property, plant and equipment reduce the acquisition or construction cost of the respective assets. Other government grants or government assistance are treated as deferred income and recognized as income over the underlying period.

Investments in companies accounted for using the equity method: The carrying amounts of these companies are adjusted annually based on the pro rata share of income, dividends and other changes in equity. Should there be indications of a permanent reduction in the value of an investment, an impairment expense is recognized in the income statement.

Inventories are carried at cost. If the listed, market or fair value of the sales product which forms the basis for the net realizable value is lower, then this is applied and an impairment charge is recorded. The net realizable value is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Production costs include, in addition to direct costs, an appropriate allocation of production overhead costs based on normal utilization rates of the production plants, to the extent they are related to the production process. In addition, pensions, social services and voluntary social benefits are included as well as allocations for administrative costs, provided they relate to the production. Borrowing costs are not included in production costs.

Value adjustments on inventories result from price declines in sales products, lack of saleability and the age of inventory.

IAS 2 "Inventories" does not apply to commodity brokertraders. Accordingly, inventories held exclusively for trading purposes are to be measured at fair value. Changes in fair value are recognized in income.

Deferred taxes: Deferred taxes are recorded for temporary differences between the carrying amount of assets and liabilities in the financial statements and the carrying amounts for tax purposes as well as for tax loss carryforwards and unused tax credits. This also comprises temporary differences arising from business combinations, with the exception of goodwill. Deferred tax assets and liabilities are calculated according to country-specific tax rates. Any changes to the tax rate enacted or substantively enacted on or before the balance sheet date are taken into consideration. The tax rate for corporations based in Germany is 29%. Deferred tax assets are offset against deferred tax liabilities in so far as they are related to the same taxation authority. Surpluses of deferred tax assets are only recognized to the extent that the tax benefits are likely to be realized. The valuation of deferred tax assets depends on the estimated probability of a reversal of the temporary differences and the ability to utilize tax loss carryforwards and unused tax credits. This depends on whether future taxable profits will exist during the period in which temporary differences are reversed and in which tax loss carryforwards and unused tax credits can be claimed. Based on experience and the expected development of taxable income, it is assumed that the benefit of deferred tax assets recognized will be realized. The valuation of deferred tax assets is based on internal projections of the future earnings of the Group company.

Changes made to deferred tax assets or liabilities are recorded as deferred tax expense or income as long as the transaction or event on which they are based is not recognized directly in equity. Deferred tax assets and liabilities for those effects which have been recognized in equity are also recorded outside profit and loss.

No deferred tax liabilities are recognized for differences between the proportional IFRS equity and the taxable book value of participations when a reversal of these differences is not expected in the foreseeable future. Deferred tax liabilities are created for dividend distributions which are planned for the following year insofar as they lead to a reversal of the temporary differences.

→ **For more information, see Note 9 from page 169 onward**

Financial instruments

Financial assets and financial liabilities are recorded on the balance sheet when the BASF Group becomes a party to a financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset, with all risks and rewards of ownership, is transferred. Financial liabilities are derecognized when the contractual obligation expires, is discharged or cancelled. Standard purchases and sales of financial instruments are accounted for using the settlement date, and in precious metals trading using the day of trading.

The fair value of a financial instrument is the amount for which an instrument could be exchanged in an arm's length transaction between knowledgeable, willing parties. When pricing on an active market is available, for example on a stock exchange, this price is used. In other cases, a valuation is based on internal valuation models using current market parameters or external valuations, for example, from banks. These internal valuations predominantly use the net present value method and option pricing models.

If there is objective evidence of a permanent impairment of a financial instrument that is not measured at fair value and recognized through profit or loss, an impairment charge is taken.

If the reason for the impairment of loans and receivables as well as held-to-maturity financial instruments no longer exists, the impairment is reversed up to the amortized cost and recognized as income. Impairment losses on financial instruments are booked separately.

Financial assets and liabilities are divided into the following valuation categories:

– **Financial assets and liabilities that are measured at fair value and recognized through profit or loss** consist of derivatives and other trading instruments. At BASF, this valuation category only includes derivatives. Derivatives are reported in miscellaneous assets or other liabilities. BASF does not make use of the fair value option under IAS 39. The calculation of fair values is based on market parameters or valuation methods based on such parameters. In some exceptional cases, the fair value is calculated using parameters which are not observable on the market.

– **Loans and receivables** comprise financial assets with fixed or determinable payments, which are not quoted on an active market and are not derivatives or classified as available-for-sale. Included in this category are trade accounts receivable, loans classified under other financial assets as well as other receivables and loans classified under other receivables and miscellaneous long-term assets. Initial valuation is done at fair value, which generally matches the nominal value of the receivable or loan. Interest-free and low-interest long-term loans and receivables are recorded at present value. Subsequent valuations are generally made at amortized cost, under consideration of the effective interest method. If there is objective evidence for an impairment of a receivable or loan, an individual valuation adjustment is made. When assessing the need for a valuation adjustment, regional and sector-specific conditions are considered. In addition, use is made of internal and external ratings as well as the assessments of debt collection agencies and credit insurers, when available. A substantial proportion of receivables is covered by credit insurance. Bank guarantees and letters of credit are used to a limited extent. Only those receivables which are not covered by insurance or other collateral are written down. The value adjustments for receivables whose insurance includes a deductible cannot exceed the amount of the deductible. Valuation adjustments are based on historical values on customer solvency and the age, period overdue, insurance policies and customer-specific risks. In addition, an impairment loss occurs when the contractual conditions which form the basis for the receivable or loan need to be changed through renegotiation in such a way that the present value of the future cash flows decreases. If, in a subsequent period, the amount of the valuation adjustment decreases and the decrease can be related objectively to an event occurring after the valuation adjustment was recognized, the previously recognized valuation adjustment loss is to be reversed through profit or loss. Reversals of value adjustments may not exceed amortized cost. Receivables and loans are written off when their uncollectibility is finally determined. Receivables for which no objective indication for an impairment exists may be impaired, if necessary, based on historical default rates. In addition, valuation adjustments on receivables for transfer risks in certain countries are established.
– **Held-to-maturity financial assets** consist of non-derivative financial assets with fixed or determinable payments and a fixed term, for which there is the ability and intent to hold until maturity, and which do not fall under other valuation categories. Initial valuation is made at fair value, which, in most cases, matches the nominal value. Subsequently, measurement is carried out at amortized cost, under consideration of the effective interest method.

  For BASF, there are no material financial assets that fall under this category.
– **Available-for-sale financial assets** comprise financial assets which are not derivatives and do not fall under any of the previously stated valuation categories. This valuation category comprises participations not accounted for using the equity method and long-term securities reported under the item "other financial assets." Securities contained in the item 'marketable securities' also fall under this valuation category. Initial valuation is carried out at fair value. Changes in fair value are booked to equity under the item other comprehensive income and are only recorded in the income statement when the assets are disposed of or have been impaired. Subsequent reversals are not recognized in the income statement, but rather directly in equity (other comprehensive income). Reversals to the amount of the original value adjustment are recognized in income in the case of debt instruments; reversals above this amount are recognized in equity. If the fair value of available-for-sale financial assets drops below acquisition costs, objective evidence is needed to determine whether the asset should be impaired. Objective evidence is said to exist when the decrease is ongoing or significant. The fair values are determined using market prices. Participations whose fair value cannot be reliably determined are carried at amortized cost and are written down in the case of an impairment. When determining the value of these participations, the acquisition costs constitute the best estimate of their fair value. This category of participations includes investments in affiliated companies, investments in associated companies and shares in other participations, insofar as these shares are not publicly traded. There are no plans for a large-scale sale of these participations.
– **Financial liabilities which are not derivatives** are initially measured at fair value. This normally corresponds to the amount payable. Subsequent measurement is carried out at amortized cost, using the effective interest method.
– **Cash and cash equivalents** consist primarily of cash on hand and bank balances.

There were no reclassifications between the valuation categories in 2011 and 2010.

Revenue from interest-bearing assets is recognized on the outstanding receivables at the balance sheet date using interest rates calculated by means of the effective interest method. Dividends from participations not accounted for under the equity method are recognized when the shareholders' right to receive payment is established.

Derivative financial instruments can be embedded within other contracts. If IFRS requires separation, then the embedded derivative is recorded separately from its host contract and shown at fair value.

Financial guarantees of the BASF Group are contracts that require compensation payments to be made to the guarantee holder if a debtor fails to make payment when due under terms of the financial guarantee. Financial guarantees are measured at fair value upon initial recognition. In subsequent periods, financial guarantees are carried at the higher of amortized cost or the best estimate of the present obligation on the financial reporting date.

Cash flow hedge accounting is applied for selected deals to hedge future transactions. The effective portion of the change in fair value of the derivative is thereby recognized directly in equity under other comprehensive income, taking deferred taxes into account. The ineffective portion is recognized immediately in profit or loss. In the case of future transactions that will lead to a non-financial asset or a non-financial debt, the cumulative fair value changes in equity are either charged against the acquisition costs on initial recognition or recognized in profit or loss in the reporting period in which the hedged item is recorded in the income statement. For hedges based on financial assets or debts, the cumulative fair value changes of the hedges are transferred from equity to the income statement in the reporting period in which the hedged item is recognized in the income statement. The maturity of the hedging instrument is based upon the effective date of the future transaction.

To hedge the translation risk from the net investment in a foreign subsidiary, BASF uses hedge accounting in individual cases (**hedge of a net investment in a foreign operation**). The effective portion of the hedge is recognized in equity. If the foreign operation is disposed of, these amounts are reclassified to profit and loss. The ineffective portion of the hedge is immediately recognized in profit and loss.

When **fair value hedges** are used, the asset or liability is hedged against the risk of a change in fair value. Here changes in the market value of the derivative financial instruments are recognized in the income statement. Furthermore, the book value of the underlying transaction is adjusted by the profit or loss resulting from the hedged risk and recognized in the income statement.

The derivatives employed by BASF for hedging purposes are effective hedges from an economic point of view. Changes in the fair value of the derivatives almost completely offset the changes in the value of the underlying contracts.

Debt

Provisions for pensions and similar obligations: Provisions for pensions are based on actuarial computations made according to the projected unit credit method, which applies, among others, the following valuation parameters: future developments in compensation, pensions and inflation, the expected performance of plan assets, employee turnover and the life expectancy of beneficiaries. The resulting obligations are discounted by reference to market yields at the balance sheet date on high quality corporate fixed rate bonds with an AA rating. Actuarial gains and losses are recognized directly in retained earnings. They result from the variance between the actual development in pension obligations and pension assets and the assumptions made at the beginning of the year as well as the updating of actuarial assumptions.

Similar obligations, especially those arising from commitments in North America to pay the healthcare costs and life insurance premiums of retired staff and their dependents, are included in pension provisions.

The calculation of pension provisions is based on actuarial reports.

→ **For more information on provisions for pensions and similar obligations, see Note 20 from page 181 onward**

Other provisions: Other provisions are recognized when there is a present obligation as a result of a past event and when there is a probable outflow of resources whose amount can be reliably estimated. Provisions are recognized at the probable settlement value.

Provisions for German trade income tax, German corporate income tax and similar income taxes are determined and recognized in the amount necessary to meet the expected payment obligations, less any prepayments that have been made. Other taxes assessed are appropriately considered.

Provisions are established for certain environmental protection measures and risks if the measures are considered likely as a result of present legal or constructive obligations arising from a past event. Provisions for restoration obligations primarily concern the filling of wells and the removal of production facilities upon the termination of production in the Oil & Gas segment. The present value of the obligation increases the cost of the respective asset when it is initially recognized.

Other provisions also include expected charges for the rehabilitation of contaminated sites, the recultivation of landfills, the removal of environmental contamination at existing production or storage facilities and other similar measures. If BASF is the only responsible party that can be identified, the provision covers the entire expected claim. At sites operated together with one or more partners, the provision covers only BASF’s share of the expected claim. The determination of the amount of the provision is based on the available technical information on the site, the technology used, legal regulations, and official obligations.

The estimation of future costs is subject to uncertainties. This refers in particular to rehabilitation measures that involve several parties and longer time periods.

Provisions are recognized for expected severance payments or similar personnel expenses as well as for demolition expenses and other charges related to the closing down of operations that have been planned and publicly announced by management.

Provisions for long-service and anniversary bonuses are predominantly calculated based on actuarial principles. For contracts signed under the early retirement programs, provisions for the supplemental payments are recognized in their full amount and the wage and salary payments due during the passive phase of agreements are accrued in installments.

→ **For more information on provisions for the long-term incentive program, see Note 28 from page 198 onward**

Other provisions also cover risks resulting from legal disputes and proceedings. In order to determine the amount of the provisions, the facts related to each case, the size of the claim, claims awarded in similar cases and independent expert advice are considered along with assumptions regarding the probability of a successful claim and the range of possible claims. The actual costs can deviate from these estimates.

→ **For more information, see Note 24 on page 190**

The probable amount required to settle long-term provisions is discounted if the effect of discounting is material. In this case, the provision is recognized at present value. Assumptions have to be made in determining the discount rate to be used in calculating long-term provisions. Financing costs related to the compounding of provisions in subsequent periods are shown in other financial results.

Other accounting policies

Revenue recognition: Revenues from the sale of goods or the rendering of services are recognized upon the transfer of ownership and risk to the buyer. They are valued at the fair value of the consideration received. Sales are reported without sales tax. Expected rebates and other trade discounts are either accrued or deducted. Provisions are made to cover probable risks related to the return of products, estimated future warranty obligations and other claims.

Revenues from the sale of precious metals to industrial customers as well as some revenues from natural gas trading are recognized at the time of shipment and the corresponding purchase price is recorded at cost of sales. In the trading of precious metals and their derivatives with broker-traders, where as a rule there is no physical delivery, revenues are recorded on a net basis. Revenues from the natural gas trading activities of a project company consolidated by BASF are also recorded on a net basis.

In certain cases, customer acceptance is required on delivery. In these cases, revenue is recognized after customer acceptance occurs.

Payments relating to the sale or licensing of technologies or technological expertise are recognized in income according to the contractually agreed transfer of the rights and obligations associated with those technologies.

Foreign currency transactions: The cost of assets acquired in foreign currencies and revenue from sales in foreign currencies are recorded at the exchange rate on the date of the transaction. Foreign currency receivables and liabilities are valued at the exchange rates on the balance sheet date. Foreign exchange gains or losses resulting from the conversion of assets and liabilities are reported as other operating expenses or other operating income under other financial income or expenses; for available-for-sale financial assets, they are reported in other comprehensive income.

Oil and gas exploration and production: Exploration and development expenditures are accounted for using the successful efforts method. Under this method, costs of successful exploratory drilling as well as successful and dry development wells are capitalized as property, plant and equipment.

An exploration well is a well located outside of an area with proven oil and gas reserves. A development well is a well which is drilled to the depth of a reservoir of oil or gas within an area with proven reserves.

Production costs include all costs incurred to operate, repair and maintain the wells as well as the associated plant and ancillary production equipment, including the associated depreciation.

Exploration expenses relate exclusively to the Oil & Gas segment and include all costs related to areas with unproven oil or gas deposits. Included here are costs for the exploration of areas with possible oil or gas deposits, among others. Costs for geological and geophysical investigations are always reported under exploration expenses. In addition, this item includes the impairment charges of exploration wells which did not encounter proven reserves. Scheduled depreciation of successful exploratory drilling is reported under cost of sales.

Exploratory drilling is generally reported under construction in progress until its success can be determined. When the presence of hydrocarbons is proven such that the economic development of the field is probable, the costs remain capitalized as suspended well costs. At least once a year, all suspended wells are assessed from an economic, technical and strategic viewpoint to see if development is still intended. If this is not the case, the well in question is written off. When reserves are proven and the development of the field begins, the exploration wells are reclassified as machinery and technical equipment.

An Exploration and Production Sharing Agreement (EPSA) is a type of contract in crude oil and gas concessions whereby the expenses and profits from the exploration, development and production phases are divided between the state and one or more exploration and production companies using defined keys. The revenue BASF is entitled to under such contracts is reported as sales. Negotiations to convert the Libya concession agreements into EPSA-IV agreements are suspended due to the political situation.

Provisions for required restoration obligations associated with oil and gas operations concern the filling of wells and the removal of production facilities upon the termination of production. When the obligation arises, initial measurement is conducted at the present value of the future restoration costs. An asset of the same value is capitalized as part of the carrying amount of the plant concerned and together they are depreciated. Interest on the provision is accrued annually until the time of the planned restoration.

The unit of production method is used to depreciate assets from oil and gas exploration at the field or reservoir level. In principle, depreciation is calculated on the basis of proven, developed reserves in relation to the production of the period.

In the natural gas trading business, long-distance natural gas pipelines are depreciated using the straight-line method. The weighted-average depreciation period amounted to 25 years in 2011 (2010: 25 years). The intangible asset from the marketing contract for natural gas from the Yuzhno Russkoye natural gas field is amortized based on BASF's share of the produced and distributed volumes.

Intangible assets in the Oil & Gas segment relate primarily to exploration and drilling rights. During the exploration phase, these are not subject to scheduled amortization but are tested for impairment annually. When economic success is determined, the rights are amortized in accordance with the unit of production method.

Assets and liabilities of disposal groups: These comprise those assets and directly associated liabilities shown on the balance sheet whose sale in the context of a single transaction is highly probable. The assets and liabilities of disposal groups are recognized at the lower of the sum of their carrying amounts or fair value less costs to sell. Scheduled depreciation of long-term assets is suspended.

→ **Further information on the assets and liabilities of disposal groups can be found in Note 2 on page 161**

Use of estimates in the preparation of the Consolidated Financial Statements

The carrying amount of assets, liabilities and provisions, contingent liabilities and other financial obligations in the Consolidated Financial Statements depends on the use of estimates and assumptions. Specific estimates or assumptions used in individual accounting or valuation methods are disclosed in their respective sections. They are based on the circumstances and estimates on the balance sheet date and affect the reported amounts of income and expenses during the reporting periods. These assumptions affect the determination of useful lives of property, plant and equipment and intangible assets, the measurement of provisions, the carrying amount of investments, and other similar valuations of assets and obligations. Although uncertainty is appropriately incorporated in the valuation factors, actual results can differ from these estimates.

In **business combinations**, the acquired assets and liabilities are recognized at fair value on the date the acquirer effectively obtains control. The determination of fair value of the acquired intangible assets, property, plant and equipment and liabilities assumed at the date of exchange as well as the useful lives of the acquired intangible assets and property, plant and equipment is based on assumptions. The measurement is largely based on projected cash flows. The actual cash flows can differ significantly from the cash flows used to determine the fair values. The purchase price allocation of material acquisitions is based on external appraisals. When businesses are acquired, measurements are based on the information available on the acquisition date.

Impairment tests on assets are required whenever certain triggering events indicate that an impairment may be necessary. External triggering events include, for example, changes in customer industries, technologies used and economic downturns. Internal triggering events for an impairment include lower product profitability, planned restructuring measures or physical damage to assets. Intangible assets with indefinite useful lives are subject to an annual impairment test.

Impairment tests are based on a comparison of the carrying amount and the recoverable amount. The recoverable amount is the higher of net realizable value and value-in-use. The determination of value-in-use requires the estimation and discounting of cash flows. The estimation of cash flows and the assumptions used consider all information available on the respective balance sheet date on the future development of the operating business. Actual future developments may vary.

IFRSs and IFRICs not yet to be considered in the preparation of the consolidated financial statements

The effects on the BASF Group of the IFRSs and IFRICs not yet in force or not yet endorsed by the European Union in the fiscal year 2011 were reviewed:

Standard/ Interpretation	Published by IASB	Implementation date stipulated by IASB	Endorsed by the European Union	Anticipated impact on BASF
IFRS 9 Financial Instruments	Nov. 12, 2009	Jan. 1, 2015	Postponed	As the first phase of the project to replace IAS 39, Financial Instruments - Recognition and Measurement, this standard introduces new classes, classification criteria and assessment criteria for financial instruments. The potential impact on BASF is currently being analyzed. In addition, on October 28, 2010, new requirements from IFRS 9 were published on the accounting for financial liabilities and the derecognition of financial instruments. In particular these changes will affect those financial liabilities that were optionally measured at fair value. The potential impact on BASF is currently being analyzed.
IFRS 10 Consolidated Financial Statements	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	This new standard comprehensively regulates the mandatory full consolidation of subsidiaries and clarifies which conditions lead to a full consolidation. In contrast to IAS 27, this standard is geared more strongly towards the economic situation as opposed to the legal conditions. The impact on BASF is being analyzed.
IFRS 11 Joint Arrangements	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	The regulations contained within IFRS 11 will bring about considerable changes. BASF currently consolidates jointly controlled entities proportionally. In the future jointly controlled entities will have to be accounted for using the equity method. The option to use proportional consolidation will be abolished. After the standard is endorsed by the E.U., BASF plans to classify the equity result as part of EBIT in its external reporting. The value of investments accounted for using the equity method will be shown as operating assets. Applying this regulation to the year 2011, for example, would result in a decrease in sales of €5,749 million. → **For financial information on proportionally consolidated companies, see Note 2 from page 156 onward**
IFRS 12 Disclosure of Interests in Other Entities	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	This new standard requires more extensive disclosures with respect to fully consolidated companies and companies which are not included in the Consolidated Financial Statements, i.e. the reasons why they were fully consolidated or excluded. This change will impact the Notes to the Consolidated Financial Statements of the BASF Group.
IFRS 13 Fair Value Measurement	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	IFRS 13 will replace the individual regulations governing the determination of fair value. This standard does not introduce any significant new valuation requirements but does require additional notes. The potential impact on BASF is currently being analyzed.
Amendments to IAS 28 Investments in Associates	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	The provision of IAS 28 governing the use of the equity method will be considerably expanded by the adoption of IFRS 11. In the future it will have to be used on shares in jointly controlled entities (see IFRS 11). The use of proportional consolidation for jointly controlled entities will consequently be omitted. The impact on BASF is explained above (IFRS 11). Additionally, remaining shares in associated companies that later become shares of a jointly controlled entity (or vice versa) do not have to be revalued.
Amendments to IAS 1 Presentation of Financial Statements	June 16, 2011	July 1, 2012	Expected in Q1 2012	Components of other comprehensive income (OCI) that are to be, under certain circumstances, reclassified in the profit and loss statement will have to be shown separately from those components which can never be reclassified. The impact on BASF is being analyzed.
IAS 19 Employee Benefits	June 16, 2011	Jan. 1, 2013	Expected in Q1 2012	The most significant change of IAS 19 requires that experience-based adjustments and effects from changes of actuarial assumptions, reported as actuarial gains and losses, will have to be recognized immediately in other comprehensive income. The previous choice between immediate reporting in profit and loss, reporting in other comprehensive income or delayed reporting according to the corridor method will be abolished. The amendment will not have an effect on BASF. Additionally, interest rates on plan assets will no longer be calculated according to expectations but will instead be equal to the discount rate of pension obligations. → **For more information, see Note 20 from page 181 onward** The revised IAS 19 also requires more detailed notes.

Other new standards or amendments of the standards will have no material impact on BASF. Implementing the standards before endorsement by the European Union is not planned.

2 – Scope of consolidation

2.1 – Changes in scope of consolidation

In 2011, the scope of consolidation for the Consolidated Financial Statements encompassed 316 companies (2010: 339). Of this number, 26 companies were first-time consolidations (2010: 46). Since the beginning of 2011, 49 companies were deconsolidated due to merger, sale or immateriality (2010: 52).

First-time consolidations in 2011 comprised:

- a total of four companies in conjunction with the acquisition of inge watertechnologies AG and inge GmbH
- eleven companies as a result of carving out the styrenics activities as of January 1, 2011. These companies were removed from the scope of consolidation as of October 1, 2011 along with two other companies due to their transfer into Styrolution Holding GmbH, which is accounted for using the equity method
- an additional eleven companies which had previously not been consolidated, registered in Germany, China, South Korea, Belgium, Canada and Panama.

First-time consolidations in 2010 comprised:

- a total of 40 companies in conjunction with the acquisition of Cognis Holding GmbH
- an additional six companies due to their increased importance, which had previously not been consolidated, registered in Germany, China, Japan and Algeria.

A list of companies included in the Consolidated Financial Statements and a list of all companies in which BASF SE has a participation as required by Section 313 (2) of the German Commercial Code is provided in the List of Shares Held.

→ **For more information, see Note 3 on page 162**

Scope of consolidation

	Europe	Thereof Germany	North America	Asia Pacific	South America, Africa, Middle East	2011	2010
Consolidated companies as of January 1	203	68	39	71	26	339	345
Thereof proportionally consolidated	11	1	3	7	–	21	19
First-time consolidations	12	9	5	8	1	26	46
Thereof proportionally consolidated	1	–	–	2	–	3	2
Deconsolidations	23	7	6	12	8	49	52
Thereof proportionally consolidated	–	–	–	–	–	–	–
Consolidated as of December 31	**192**	**70**	**38**	**67**	**19**	**316**	**339**
Thereof proportionally consolidated	12	1	3	9	–	24	21

Overview of impact of changes to the scope of consolidation (excluding acquisitions and divestitures)

	2011		2010	
	Million €	%	Million €	%
Sales	**108**	**0.1**	**149**	**0.2**
Long-term assets	(67)	(0.2)	(146)	(0.4)
Thereof property, plant and equipment	44	0.2	46	0.3
Short-term assets	140	0.5	111	0.4
Thereof cash and cash equivalents	(3)	(0.1)	72	4.8
Total assets	**73**	**0.1**	**(35)**	**(0.1)**
Equity	(28)	(0.1)	(126)	(0.6)
Long-term liabilities	6	.	25	0.1
Thereof financial indebtedness	2	.	.	.
Short-term liabilities	95	0.6	66	0.4
Thereof financial indebtedness	47	1.2	1	.
Total equity and liabilities	**73**	**0.1**	**(35)**	**(0.1)**
Contingent liabilities and other financial obligations	12	0.2	28	0.4

2.2 – Proportionally and at equity consolidated companies

Proportionally consolidated joint ventures of major significance are as follows:

- Wintershall Erdgas Handelshaus GmbH & Co. KG, Berlin, Germany, Wintershall Erdgas Handelshaus Zug AG, Zug, Switzerland, as well as ZAO Achimgaz, Novy Urengoy, the Russian Federation, joint ventures with Gazprom through which gas trading activities and the production of natural gas and condensate in Siberia are operated
- ELLBA C.V., Rotterdam, the Netherlands and ELLBA Eastern Private Ltd., Singapore, which are operated jointly with Shell and produce propylene oxide and styrene monomers
- BASF DOW HPPO Production B.V.B.A., Antwerp, Belgium, which is operated jointly with The Dow Chemical Company to produce propylene oxide
- BASF-YPC Company Ltd., a joint venture between BASF and Sinopec, which operates the Verbund site in Nanjing, China
- N.E. Chemcat Corporation, Tokyo, Japan, which is operated jointly with Sumitomo Metal Mining.

On May 31, 2011, BASF increased its stake in Heesung Catalysts Corporation, Seoul, South Korea, to 50%. Therefore, the company is now proportionally consolidated and is no longer consolidated using the equity method. In accordance with IFRS 3, a purchase price allocation has to be carried out following the acquisition of additional shares. The purchase price allocation took place in the second quarter and should be considered provisional. It can be adjusted within a period of one year. The first proportional consolidation of Heesung Catalysts Corporation resulted in goodwill of €1 million. Furthermore, €58 million was charged as a special item to the financial result. Of this amount, €23 million resulted from the recycling into profit and loss of negative currency translation effects on the participation value of Heesung, which had been previously recognized in other comprehensive income in accordance with IAS 21. On the date when the stake increase took place, the previously held stake of 49% had to be revalued, which led to an additional charge of €35 million.

As of August 1, 2011, Shell withdrew from the joint venture Sabina Petrochemicals LLC, Port Arthur, Texas. Since then, the company has been operated together under joint control with TOTAL as the sole remaining partner. BASF's stake in the company was raised from 23% to 60%.

In 2011, 13 companies were accounted for using the equity method (2010: 14). The following associated companies of major significance have been accounted for using the equity method:

- Solvin Group (BASF stake: 25%)
- CIMO Compagnie industrielle de Monthey S.A., Monthey, Switzerland (BASF stake: 50%)
- Nord Stream AG, Zug, Switzerland (BASF stake: 15.5%)
- OAO Severneftegazprom, Krasnoselkup, the Russian Federation (BASF stake: 25%; share of economic rewards: 35%)
- Shanghai Lianheng Isocyanate Co. Ltd., Shanghai, China (BASF stake: 35%)
- Styrolution Holding GmbH, Frankfurt am Main, Germany (BASF stake: 50%). Effective October 1, 2011, the carved-out parts of the styrenics business were transferred to Styrolution, which is jointly operated with INEOS.

→ **For more information, see Note 2.3 from page 159 onward**

A complete listing of all proportionally consolidated companies and companies consolidated using the equity method is available in the List of Shares Held.

→ **For more information, see Note 3 on page 162**

Financial information on proportionally consolidated companies (BASF stake)

Million €	2011	2010
Income statement information		
Sales	5,749	4,602
Income from operations	345	383
Income before taxes and minority interests	371	408
Net income	284	363
Balance sheet information		
Long-term assets	1,674	1,533
Thereof property, plant and equipment	1,498	1,382
Short-term assets	1,642	1,262
Thereof marketable securities, cash and cash equivalents	133	148
Total assets	**3,316**	**2,795**
Equity	1,617	1,385
Long-term liabilities	556	426
Thereof financial indebtedness	349	237
Short-term liabilities	1,143	984
Thereof financial indebtedness	154	105
Total equity and liabilities	**3,316**	**2,795**
Contingent liabilities and other financial obligations	285	158
Consolidated statements of cash flows		
Cash provided by operating activities	395	486
Cash used in investing activities	(194)	(213)
Cash used in financing activities	(234)	(300)
Net changes in cash and cash equivalents	(33)	(27)

Financial information on associated companies of major significance consolidated using the equity method (complete financial statements; 100%)

Million €	2011	2010
Income statement information		
Sales	4,100	3,332
Income from operations	330	712
Income before taxes and minority interests	254	702
Net income	206	554
BASF's share of net income	69	202
Balance sheet information		
Long-term assets	11,739	7,431
Thereof property, plant and equipment	9,949	2,556
Short-term assets	3,483	1,535
Thereof marketable securities, cash and cash equivalents	448	559
Total assets	**15,222**	**8,966**
Equity	5,574	3,871
Long-term liabilities	7,196	2,598
Thereof financial indebtedness	5,996	224
Short-term liabilities	2,452	2,497
Thereof financial indebtedness	937	1,577
Total equity and liabilities	**15,222**	**8,966**
BASF's share of equity	1,786	958

2.3 – Acquisitions and divestitures

Acquisitions

In 2011, BASF acquired the following activities:

- The acquisition of inge watertechnologies AG and inge GmbH, Greifenberg, Germany, a specialist for ultrafiltration technology, which had been announced in April 2011, was successfully completed on August 16, 2011. This acquisition gives BASF access to the technology and market for ultrafiltration, a method of treating drinking water, process water, wastewater and seawater using special Multibore® membranes.
- In October BASF founded BASF Hock Mining Chemical (China) Company Limited (BASF Hock) together with Ji'Ning Hock Mining & Engineering Equipment Company Limited (Hock). BASF holds a majority share of 75% in BASF Hock. In December 2011, the company acquired Hock's business activities in the area of chemical injection and cavity filling products for coal mining and other underground applications.
- Additionally, on November 25, 2011, BASF completed its acquisition of 50% of Zandvliet Power N.V., which had been announced in June. Zandvliet Power N.V. is a jointly controlled entity with the Belgian company Electrabel and runs the gas and steam turbine power plant at the BASF site in Antwerp, Belgium.

BASF acquired the following businesses in 2010:

- On December 9, 2010, BASF acquired Cognis Holding GmbH (Cognis), Monheim, Germany, a specialty chemicals company that produces products based on renewable raw materials for the health and nutrition market as well as the cosmetics, detergents and cleaner industries. The equity purchase price of the shares in Cognis held on the acquisition date amounted to €700 million, plus €4 million in interest. The approval for the acquisition of Cognis from the antitrust authorities contained conditions pertaining to the divestiture of certain businesses and plants located at Cognis' site in Hythe, England (the Cognis hydroxy methacrylates business, the Cognis multifunctional methacrylates [MFM] and adducts business, and plants for the production of polyalkylene glycols [PAG] and PAG-based lubricants.) The remaining business activities of Cognis were completely integrated into the BASF Group, primarily in the Performance Products segment. The preliminary purchase price allocation from 2010 was slightly adjusted in the current reporting year. As a result, goodwill increased by €10 million to €599 million.
- In addition, on December 30, 2010, BASF acquired the styrene catalysts business of CRI/Criterion, a company based in Iselin, New Jersey.

The following shows an overview of the preliminary purchase price allocations of the acquisitions conducted in 2011 and 2010.

Effects of acquisitions in the year of acquisition

	2011		2010	
	Million €	%	Million €	%
Long-term assets	**213**	**0.6**	**2,830**	**8.2**
Goodwill	50	0.8	589	10.0
Other intangible assets	91	1.5	1,317	20.7
Property, plant and equipment	66	0.4	833	4.8
Financial assets	–	–	19	0.6
Other assets	6	0.4	72	4.1
Short-term assets	**23**	**0.1**	**1,189**	**4.8**
Thereof cash and cash equivalents	1	0.1	116	7.8
Total assets	**236**	**0.4**	**4,019**	**6.8**
Equity	**10**	**.**	**3**	**.**
Long-term liabilities	**56**	**0.3**	**843**	**4.0**
Thereof financial indebtedness	–	–	1	.
Short-term liabilities	**21**	**0.1**	**2,452**	**15.7**
Thereof financial indebtedness	–	–	1,920	57.0
Total equity and liabilities	**87**	**0.1**	**3,298**	**5.6**
Payments for acquisitions	**149**		**721**	

Divestitures

In 2011, BASF divested the following activities:

– On April 1, 2011, N.E. Chemcat Corporation, Tokyo, Japan, an entity jointly controlled with Sumitomo Metal Mining, sold the business with chemicals for surface treatment and electroplating to Metalor, an international group based in Switzerland. The divested business activities include solutions for precious metals as well as apparatus engineering for electroplating applications, which are primarily sold to customers in the electrical industry.
– On April 8, 2011, BASF divested its surface technologies business for thermal spray coatings, which had been acquired as part of the Engelhard acquisition in 2006. The business was sold to North American firm Metal Improvement Company LLC, a subsidiary of Curtiss Wright Corporation, based in New Jersey.
– The bisomer-monomer business and the conventional contact lens business of Cognis were sold to GEO Specialty Chemicals Inc. on August 31, 2011, thereby fulfilling the conditions of the acquisition as set out by the European Commission. The transaction included production facilities in Hythe, England.
– On October 1, 2011, BASF transferred its styrenics disposal group activities to the joint venture Styrolution.

→ **For more information on the divestiture of the styrenics business, see page 161**

In 2010, BASF divested the following activities:

– The iron oxides business, marketed under the name Sicovits, was sold to Rockwood Italia S.p.A. on December 1, 2010.
– On November 22, 2010, BASF completed the disposal of the dyes and markers business to John Hogg Technical Solutions Ltd. This business included the Sudan®, Pigmoil, Somalia, Covertrace® and KeroDye® brands.
– In 2010, the business with synthetic dry strength agents used in the paper industry was divested in accordance with the European Commission's conditions for the acquisition of Ciba. In addition, the business with starch production and modification plants was sold to Chemigate Oy. Furthermore, BASF was able to sell major parts of the Ciba Expert Services business to Intertek Group plc, and the businesses with the pigments bismuthvanadate and indanthrone blue to Dominion Colour Corporation, in order to comply with conditions imposed by antitrust authorities.
– On September 28, 2010, the sale of the PIRA business to the Smithers Group was completed.
– On June 7, 2010, BASF concluded the divestiture of its business with hydrophilic melt additives for plastics, marketed under the brand name Irgasurf HL, to Techmer PM, based in Tennessee.

The following overview shows the effects of the divestitures in 2011 and 2010 on the consolidated balance sheet (including the divestiture of the styrenics business). Sales represents the decline in sales due to the divestitures compared with the previous year. The impact on equity relates mainly to gains and losses from divestitures. Any expenditures for restructuring measures connected with divestitures are not included.

Effects of divestitures in the year of divestiture

	2011		2010	
	Million €	%	Million €	%
Sales	**(361)**	**(0.5)**	**(58)**	**.**
Long-term assets	**728**	**2.1**	**(10)**	**.**
Thereof property, plant and equipment	(13)	(0.1)	(9)	(0.1)
Short-term assets	**(735)**	**(2.7)**	**(19)**	**(0.1)**
Thereof cash and cash equivalents	(2)	(0.1)	–	–
Total assets	**(7)**	**.**	**(29)**	**.**
Equity	**586**	**2.3**	**19**	**.**
Long-term liabilities	**148**	**0.8**	**–**	**–**
Thereof financial indebtedness	–	.	–	–
Short-term liabilities	**(74)**	**(0.4)**	**(5)**	**.**
Thereof financial indebtedness	–	.	–	–
Total equity and liabilities	**660**	**1.1**	**14**	**.**
Proceeds from divestitures	**667**		**43**	

Divestiture of styrenics activities

On October 1, 2011, BASF and INEOS transferred their worldwide business activities in the styrene monomer (SM), polystyrene (PS), acrylonitrile butadiene styrene (ABS), styrene-butadiene block copolymer (SBC), copolymer blends and other styrene-based copolymer (SAN, AMSAN, ASA, MABS) business activities into the newly-founded joint venture Styrolution. The 50% share held by BASF is consolidated using the equity method. BASF does not intend to hold this share permanently. To determine the disposal gain, Styrolution was measured at fair value on the basis of discounted cash flows as of October 1, 2011. At this time, the styrenics disposal group was deconsolidated as a disposed net asset. The following table shows the disposed assets and liabilities for the styrenics disposal group as of September 30, 2011:

Styrenics disposal group on the date of disposal (million €)

	Sept. 30, 2011
Intangible assets	42
Property, plant and equipment	216
Inventories	297
Accounts receivable, trade	380
Other receivables and other assets	52
Cash and cash equivalents	49
Assets of the disposal group	**1,036**
Provisions for pensions and similar obligations	4
Other provisions	62
Accounts payable, trade	123
Other liabilities	106
Liabilities of the disposal group	**295**
Net assets	**741**

With the founding of Styrolution, BASF received a cash consideration in the amount of €600 million as compensation for the value difference between the businesses contributed by both joint venture partners. Other expenses and income from the divestiture include options (measured at fair value) in connection with the planned medium-term withdrawal of BASF from the joint venture and deconsolidation effects; previously eliminated receivables and payables between BASF Group companies and Styrolution have been reinstated. The reported disposal gains of €593 million were determined in accordance with the regulations set out by the Standing Interpretations Committee Interpretation (SIC-13). This amount equals the cash consideration less the mutual compensation claims. The initial at-equity book value of the participation in Styrolution, adjusted according to SIC-13, was €734 million.

The following overview shows the individual components of the profit BASF realized as a result of the disposal of its styrenics business:

Profit realization from the deconsolidation of styrenics activities (million €)

Fair value of the 50% share in Styrolution	1,285
Disposed net assets of the disposal group	(741)
Cash consideration	600
Net payment from mutual compensation claims	(7)
Miscellaneous income and expenses	7
Adjustment according to SIC-13	(551)
Disposal gains	**593**

Assets and liabilities of disposal groups

BASF intends to sell large parts of its fertilizer activities. To this end, BASF signed a contract on September 27, 2011, with EuroChem, Moscow, the Russian Federation, to sell its fertilizer activities in Antwerp, Belgium. The sale comprises production facilities for calcium ammonium nitrate and ammonium nitrate fertilizers, Nitrophoska® products, nitrophosphoric acid and the three related nitric acid plants. The sale will result in the transfer of around 330 employees.

The transaction with EuroChem still requires the approval of the antitrust authorities and is expected to be finalized during the first quarter of 2012.

Furthermore, as of the balance sheet date, BASF planned to sell its 50% share in the jointly controlled entity PEC-Rhin, Ottmarsheim, France to its partner GPN. PEC-Rhin owns and operates production facilities for calcium ammonium nitrate and ammonium nitrate fertilizers, as well as production facilities for the intermediates ammonia and nitric acid. This transaction was concluded on January 31, 2012.

The fertilizer activities in Antwerp and Ottmarsheim have a total annual capacity of approximately 2.5 million metric tons of fertilizer and account for less than 1% of BASF Group's total sales. Fertilizer production plants at the Ludwigshafen site are not part of the transaction and will be retained by BASF.

The assets and liabilities have been reclassified into a disposal group. The values of the disposal group are shown in the following table:

Fertilizer disposal group (million €)

	Dec. 31, 2011
Intangible assets	–
Property, plant and equipment	45
Inventories	76
Accounts receivable, trade	172
Other receivables and other assets	1
Cash and cash equivalents	1
Assets of the disposal group	**295**
Provisions for pensions and similar obligations	–
Other provisions	17
Accounts payable, trade	46
Other liabilities	24
Liabilities of the disposal group	**87**
Net assets	**208**

3 – List of Shares Held of the BASF Group in accordance with Section 313 (2) of the German Commercial Code

List of Shares Held

The list of consolidated companies and the complete list of all companies in which BASF SE has a participation as required by Section 313 (2) of the German Commercial Code is an integral component of the audited Consolidated Financial Statements submitted to the electronic Federal Gazette. It is also published on the internet. → **basf.com/en/investor/cg**

4 – Reporting by segment and region

BASF's worldwide business is conducted by 15 operating divisions that are divided into six segments for reporting purposes on the basis of similar products, production processes and customer industries.

Chemicals consists of the Inorganics, Petrochemicals and Intermediates divisions. We produce a wide variety of basic chemicals and downstream products for both internal and external customers in our integrated production facilities.

Plastics, consisting of the Performance Polymers and Polyurethanes divisions, offers a variety of engineering plastics and the associated system solutions and services.

The Performance Products segment offers innovative and specific system solutions for numerous processing industries. These include, for example, the plastics processing industry, the paper industry, the food and animal feed industry, producers of hygiene products, users of oil field and mining chemicals as well as leather and textiles processors. The segment Performance Products consists of the Dispersions & Pigments, Care Chemicals, Nutrition & Health, Paper Chemicals and Performance Chemicals divisions.

Functional Solutions comprises the Catalysts, Construction Chemicals and Coatings divisions. In this segment, we bundle tailor-made system solutions and innovative products for specific industries, in particular for the automotive, chemical and construction sectors.

The Agricultural Solutions segment corresponds to the Crop Protection division, which primarily offers crop protection products that guard against fungal diseases, insects and weeds.

The Oil & Gas segment is composed of the Oil & Gas division with the Exploration & Production and Natural Gas Trading business sectors.

Activities not assigned to a particular division are reported in Other. These include fertilizers, 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.

→ **For more information, see Note 2 from page 156 onward**

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.

Transfers between the segments are almost always executed at market-based prices. The allocation of assets and depreciation to the segments is based on economic control. Assets used by more than one segment are allocated based on the percentage of usage.

Income from operations (EBIT) of Other (million €)

	2011	2010
Corporate research costs	(348)	(323)
Costs of the corporate headquarters	(246)	(226)
Styrenics, fertilizers, other businesses	997	400
Foreign currency results, hedging and other measurement effects	(199)	(460)
Miscellaneous income and expenses	(26)	(98)
	178	**(707)**

The significant increase in income from operations in Other is in particular due to the gain on the disposal of the styrenics business, which amounted to €593 million. The operating earnings contribution from Styrenics declined compared with the previous year. In contrast, earnings in the fertilizer business and other businesses climbed.

The foreign currency result under Other decreased compared with the previous year. Compared with the prior year, expenses arising from the long-term incentive program in 2011 declined by €293 million to €125 million due to the development in the stock price.

Miscellaneous income and expenses in 2011 includes income of €68 million arising from the repeal of the E.U. fine against the former Ciba in 2009. In 2010, miscellaneous income and expenses included charges related to closed sites.

→ **For more information about the disposal of styrenics activities, see Note 2.3 on page 161**

Assets of Other (million €)

	2011	2010
Assets of businesses included under Other	2,272	2,690
Financial assets	2,700	3,281
Deferred tax assets	941	1,112
Cash and cash equivalents/marketable securities	2,067	1,509
Defined benefit assets	128	260
Miscellaneous receivables/prepaid expenses	1,863	1,915
	9,971	**10,767**

The reconciliation reporting Oil & Gas reconciles the income from operations in the Oil & Gas segment with the contribution of the segment to the net income of the BASF Group.

The Oil & Gas segment's miscellaneous earnings relate to income and expenses not included in the income from operations of the segment, the interest result as well as the other financial result.

The decrease in income from operations and the lower income taxes are attributable to the months-long suspension of oil production in Libya.

The decrease in income from participations resulted primarily from lower profits at OAO Severneftegazprom (SNG), Krasnoselkup, the Russian Federation, which is accounted for using the equity method. SNG holds the production license to the Yuzhno Russkoye natural gas field in Western Siberia. BASF has a 35% share in the commercial success of the field.

Reconciliation reporting Oil & Gas (million €)

	2011	2010
Income from operations	**2,111**	**2,334**
Income from financial assets	100	226
Miscellaneous earnings	(92)	(69)
Income before taxes and minority interests	**2,119**	**2,491**
Income taxes	896	1,340
Thereof income taxes on oil-producing operations non-compensable with German corporate income tax	439	983
Income before minority interests	**1,223**	**1,151**
Minority interests	159	228
Net income	**1,064**	**923**

Segments 2011 (million €)

	Chemicals	Plastics	Perfor-mance Products	Functional Solutions	Agri-cultural Solutions	Oil & Gas	Thereof Explora-tion & Production	Other	BASF Group
Sales	12,958	10,990	15,697	11,361	4,165	12,051	3,182	6,275	73,497
Change (%)	13.9	11.8	27.7	17.1	3.3	11.7	(16.7)	7.2	15.1
Intersegmental transfers	6,295	694	490	195	27	1,015	2	411	9,127
Sales including intersegmental transfers	19,253	11,684	16,187	11,556	4,192	13,066	3,184	6,686	82,624
Income from operations	2,442	1,259	1,361	427	808	2,111	1,686	178	8,586
Change (%)	5.7	(1.1)	1.2	(6.6)	7.9	(9.6)	(12.1)	.	10.6
Assets	6,920	5,297	13,680	9,725	5,350	10,232	5,315	9,971	61,175
Thereof goodwill	25	122	1,946	2,023	1,410	389	389	47	5,962
intangible assets	89	104	2,079	1,645	165	1,806	1,760	69	5,957
property, plant and equipment	3,500	2,353	3,844	1,718	669	5,062	2,246	820	17,966
Debt	1,849	1,349	3,321	2,309	1,123	3,267	1,335	22,572	35,790
Research and development expenses	132	149	330	192	412	23	23	367	1,605
Additions to property, plant and equipment and intangible assets	622	423	648	359	150	1,274	692	170	3,646
Amortization of intangible assets and depreciation of property, plant and equipment	746	419	951	494	173	505	356	119	3,407
Thereof impairments	87	4	131	109	–	–	–	14	345

Segments 2010 (million €)

	Chemicals	Plastics	Perfor-mance Products	Functional Solutions	Agri-cultural Solutions	Oil & Gas	Thereof Explora-tion & Production	Other	BASF Group
Sales	11,377	9,830	12,288	9,703	4,033	10,791	3,819	5,851	63,873
Change (%)	51.4	37.9	31.3	36.4	10.6	(5.0)	(0.7)	27.8	26.0
Intersegmental transfers	5,476	546	438	159	25	852	41	275	7,771
Sales including intersegmental transfers	16,853	10,376	12,726	9,862	4,058	11,643	3,860	6,126	71,644
Income from operations	2,310	1,273	1,345	457	749	2,334	1,918	(707)	7,761
Change (%)	214.3	129.8	.	327.1	(2.6)	2.0	7.7	(12.8)	111.1
Assets	6,526	5,114	13,409	9,364	5,063	9,150	5,158	10,767	59,393
Thereof goodwill	22	118	1,859	2,041	1,394	389	389	50	5,873
intangible assets	120	116	2,286	1,735	243	1,756	1,706	116	6,372
property, plant and equipment	3,484	2,287	3,983	1,676	619	4,414	2,005	778	17,241
Debt	1,900	1,289	3,723	2,154	1,123	2,825	1,279	23,722	36,736
Research and development expenses	130	141	289	179	393	15	15	345	1,492
Additions to property, plant and equipment and intangible assets	535	250	3,000	208	145	996	478	170	5,304
Amortization of intangible assets and depreciation of property, plant and equipment	690	448	817	404	189	643	510	179	3,370
Thereof impairments	2	3	89	11	–	96	96	1	202

Regions 2011 (million €)

	Europe	Thereof Germany	North America	Asia Pacific	South America, Africa, Middle East	BASF Group
Location of customers						
Sales	39,124	14,705	13,995	14,410	5,968	73,497
Change (%)	17.8	20.3	8.6	15.2	13.1	15.1
Share (%)	53.3	20.0	19.0	19.6	8.1	100.0
Location of companies						
Sales	41,036	28,816	14,727	13,316	4,418	73,497
Sales including interregional transfers	47,347	33,974	17,057	13,796	4,652	82,852
Income from operations	5,668	3,249	1,314	1,133	471	8,586
Assets	36,058	21,337	12,209	9,492	3,416	61,175
Thereof property, plant and equipment	10,700	6,853	3,483	3,098	685	17,966
Additions to property, plant and equipment and intangible assets	2,467	1,462	504	551	124	3,646
Amortization of intangible assets and depreciation of property, plant and equipment	2,036	1,204	795	463	113	3,407
Employees as of December 31	70,664	52,049	16,167	17,342	6,968	111,141

Regions 2010 (million €)

	Europe	Thereof Germany	North America	Asia Pacific	South America, Africa, Middle East	BASF Group
Location of customers						
Sales	33,201	12,225	12,886	12,510	5,276	63,873
Change (%)	16.4	14.6	35.9	43.7	32.7	26.0
Share (%)	51.9	19.1	20.2	19.6	8.3	100.0
Location of companies						
Sales	35,156	25,426	13,246	11,642	3,829	63,873
Sales including interregional transfers	41,312	30,197	15,205	12,098	4,037	72,652
Income from operations	5,206	3,769	1,107	1,271	177	7,761
Assets	35,494	21,494	11,885	8,411	3,603	59,393
Thereof property, plant and equipment	10,134	6,424	3,569	2,853	685	17,241
Additions to property, plant and equipment and intangible assets	3,364	2,273	981	788	171	5,304
Amortization of intangible assets and depreciation of property, plant and equipment	2,137	1,140	697	432	104	3,370
Employees as of December 31	69,809	50,801	16,487	15,965	6,879	109,140

5 – Earnings per share

Earnings per share

		2011	2010
Net income	million €	6,188	4,557
Weighted-average number of outstanding shares	1,000	918,479	918,479
Earnings per share	**€**	**6.74**	**4.96**
Diluted earnings per share	€	6.73	4.96

In accordance with IAS 33, a potential dilutive effect must be considered in the diluted earnings per share for those BASF shares which will be granted in the future as a part of the BASF employee participation program *"plus."* This applies regardless of the fact that the necessary shares are acquired by third parties on the market on behalf of BASF, and the fact that there are no plans for the issuance of new shares. In 2010, the dilutive effect was less than €0.01.

6 – Other operating income

Million €	2011	2010
Reversal and adjustment of provisions	170	244
Revenue from miscellaneous revenue-generating activities	207	142
Income from foreign currency and hedging transactions	170	136
Income from the translation of financial statements in foreign currencies	42	76
Gains on the disposal of property, plant and equipment and divestitures	666	101
Reversal of impairments of property, plant and equipment	–	40
Gains on the reversal of allowances for doubtful business-related receivables	77	36
Other	676	365
	2,008	**1,140**

The **reversal and adjustment of provisions** was primarily related to shutdowns and restructuring measures, employee obligations, risks from lawsuits and damage claims as well as various other items as part of the normal course of business. Provisions were reversed or adjusted if the circumstances on the balance sheet date were such that utilization was no longer expected or expected to a lesser extent.

Revenue from miscellaneous revenue-generating activities primarily includes income from rentals, property sales and logistics services.

Income from foreign currency and hedging transactions concerned foreign currency transactions, the measurement at fair value of receivables and payables in foreign currencies as well as currency derivatives and other hedging transactions.

Income from the translation of financial statements in foreign currencies includes gains arising from the translation of subsidiaries outside of the eurozone that use the euro as their functional currency.

Gains on the disposal of property, plant and equipment and divestitures arose in particular from the transfer of the styrenics business into the joint venture Styrolution, which resulted in gains of €593 million.

In 2010, **reversals of impairments of property, plant and equipment** related to the site in Altamira, Mexico.

Gains on the reversal of allowances for doubtful business-related receivables resulted mainly from doubtful receivables that had been written off but that were settled in 2011.

Other income includes refunds and settlements totaling €186 million, including two payments to resolve contractual disputes in the United States. Income of €68 million resulting from the repeal of an E.U. fine imposed on the former Ciba is also included in this item. Further income resulted from insurance settlements, the sale of emissions certificates, gains from precious metal trading as well as from a number of other items.

7 – Other operating expenses

Million €	2011	2010
Restructuring measures	233	276
Environmental protection and safety measures, costs of demolition and removal, and planning expenses related to capital expenditures that are not subject to mandatory capitalization	203	98
Valuation adjustments on tangible and intangible assets	366	247
Costs from miscellaneous revenue-generating activities	220	180
Expenses from foreign currency and hedging transactions as well as market valuation	399	601
Losses from the translation of the financial statements in foreign currencies	56	63
Losses from the disposal of property, plant and equipment and divestitures	40	24
Oil and gas exploration expenses	184	190
Expenses from additions to allowances for business-related receivables	124	107
Expenses from the use of inventories measured at market value and the derecognition of obsolete inventory	233	188
Other	632	638
	2,690	**2,612**

In 2011, expenses for **restructuring measures** arose primarily as a result of the Cognis integration in the amount of €157 million and the restructuring of several sites in the Construction Chemicals division in the amount of €13 million. In 2010, these expenses primarily concerned the Ciba integration in the amount of €113 million and the Grenzach site in the amount of €24 million as well as the Cognis integration to a minor degree.

Further expenses were related to **environmental protection and safety measures, costs of demolition and removal, and planning expenses related to capital expenditures that are not subject to mandatory capitalization** according to IFRS. In 2011, expenses of €50 million were incurred for setting up provisions for the removal of several landfill sites. Additionally, expenses of €60 million resulted from demolition and removal measures at the Ludwigshafen site.

Valuation adjustments on tangible and intangible assets included an amount of €79 million in connection with the planned disposal of Relius' decorative paints business and an amount of €83 million for property, plant and equipment in the Petrochemicals division at the Port Arthur, Texas site. Impairments in 2011 also included €46 million for assets taken over as part of the Cognis acquisition and €54 million for property, plant and equipment in the Paper Chemicals division at a site in the United States. Further impairments were also made on property, plant and equipment at the restructured Grenzach site, amounting to €14 million in 2011 and €40 million in 2010. In 2010, an impairment loss of €96 million was recognized on property, plant and equipment as well as on concessions for oil and gas production in the British and Norwegian North Sea.

Costs from miscellaneous revenue-generating activities were related to the respective items presented in other operating income.

→ **For more information, see Note 6 on page 166**

Expenses from foreign currency and hedging transactions as well as market valuation concerned foreign currency translations of receivables and payables as well as changes in the fair value of currency derivatives and other hedging transactions. Furthermore, expenses of €125 million resulted from the long-term incentive program (LTI program). In 2010, expenses of €418 million resulted from the LTI program.

Losses from the disposal of property, plant and equipment and divestitures in 2011 included losses of €12 million from the sale of individual businesses and plants at the Hythe, England site.

Compared with 2010, there was an increase in **expenses from additions to allowances for business-related receivables** which related to an insolvent customer in the Oil & Gas segment.

Expenses from the use of inventory measured at market value and the derecognition of obsolete inventory were primarily due to the latter and amounted to €168 million in 2011 and €126 million in 2010. In addition, the use of inventories measured at market values from the Cognis acquisition resulted in charges of €58 million in 2011 as well as in 2010.

Other expenses were the result of a legal settlement in the United States, the implementation of various projects and the recognition of provisions for outstanding invoices and onerous contracts. Further expenses related to the introduction of REACH as well as to a number of other items. Other expenses in 2010 were attributable to the recognition of a provision for risks arising from legal disputes in relation to the closed site in Paulinia, Brazil; for the recognition of a provision for anticipated losses for a supply contract of BASF SE; and to long-term supply contracts in South America.

8 – Financial result

Million €	2011	2010
Income from companies accounted for using the equity method	**48**	**201**
Income from participations in affiliated and associated companies	56	59
Income from the disposal of participations	890	48
Income from profit transfer agreements	15	24
Income from tax allocation to participating interests	5	6
Other income from participations	**966**	**137**
Losses from loss transfer agreements	(7)	(5)
Write-down of/losses from the sales of participations	(23)	(34)
Other expenses from participations	**(30)**	**(39)**
Interest income from cash and cash equivalents	177	131
Interest and dividend income from securities and loans	12	19
Interest income	**189**	**150**
Interest expenses	**(763)**	**(773)**
Write-ups/profits from the sale of securities and loans	1	1
Expected income from plan assets to cover pensions and similar obligations	819	765
Income from plan assets to cover other long-term employee obligations	14	18
Income from the capitalization of construction interest	73	65
Miscellaneous financial income	2	17
Other financial income	**909**	**866**
Write-downs/losses from the disposal of securities and loans	(3)	(5)
Interest cost on pension obligations and other similar obligations	(833)	(819)
Expenses from/interest cost on other long-term employee obligations	(32)	(47)
Interest cost on other long-term debts	(67)	(59)
Miscellaneous financial expenses	–	–
Other financial expenses	**(935)**	**(930)**
Financial result	**384**	**(388)**

The decline in **income from companies accounted for using the equity method** resulted primarily from the lower income contribution from OAO Severneftegazprom as well as from the earnings effects from the final application of the equity method for the South Korean company Heesung Catalysts Corporation.

→ **For more information, see Note 2 from page 156 onward**

Income from the disposal of participations was primarily attributable to the sale of 19.7 million shares in K+S Aktiengesellschaft, which resulted in a gain of €887 million.

The interest result improved compared with the previous year due to higher **interest income** and declining **interest expenses**. The increase in interest income is primarily attributable to income from interest and currency swaps as well as higher interest rates compared with the previous year. The repayment of two bonds led to lower interest expenses.

Miscellaneous financial income and miscellaneous financial expenses relate to gains and losses from the translation of individually hedged financing-related receivables and payables and the associated hedging instruments. Furthermore, these items include expense and income from the compounding and discounting of long-term liabilities and receivables as required by IFRS.

9 – Income taxes

Million €	2011	2010
German corporate income tax, solidarity surcharge, trade taxes (Germany)	340	616
Foreign income tax	1,420	1,603
Taxes for prior years	28	(147)
Current taxes	**1,788**	**2,072**
Deferred tax expense (+)/income (–)	579	227
Income taxes	**2,367**	**2,299**
Thereof income taxes on oil-producing operations	520	1,175
Other taxes as well as sales and consumption taxes	344	284
Tax expense	**2,711**	**2,583**

Income before taxes and minority interests is broken down into domestic and foreign as follows:

Million €	2011	2010
Germany	3,343	2,415
Foreign oil production branches of German companies	564	1,277
Foreign	5,063	3,681
	8,970	**7,373**

In Germany, a uniform corporate tax rate of 15.0% as well as a solidarity surcharge of 5.5% thereon is levied on all paid out and retained earnings. In addition to corporate income tax, income generated in Germany is subject to a trade tax that varies depending on the municipalities in which the company is represented. In 2011, the weighted average tax rate amounted to 12.9% (2010: 12.8%). The profits of foreign Group companies are assessed using the tax rates applicable in their respective countries.

Deferred tax assets and liabilities in the Consolidated Financial Statements must be valued using the tax rates applicable for the period in which the asset or liability is realized or settled.

For German Group companies, deferred taxes were calculated using a uniform 29.0% rate.

For foreign Group companies, deferred taxes were calculated using the tax rates applicable in the individual foreign countries. These rates averaged 28.5% in 2011 and 23.1% in 2010.

Income taxes on foreign oil-producing operations in certain regions are compensable up to the level of the German corporate income tax on this foreign taxable income. The non-compensable amount is shown separately in the following table. Non-compensable foreign income taxes for oil production amounted to €439 million. This calculation is based on a corporate income tax rate of 15.0%.

Other taxes include real estate taxes and other comparable taxes in the amount of €95 million in 2011, and €99 million in 2010; they are allocated to the appropriate functional costs.

Changes in valuation adjustments to deferred tax assets for tax loss carryforwards resulted in an expense of €10 million in 2011 and in income of €4 million in 2010.

Reconciliation from the statutory tax rate in Germany to the effective tax rate

	2011		2010	
	Million €	%	Million €	%
Income before taxes and minority interests	8,970	–	7,373	–
Expected tax based on German corporate income tax (15%)	1,346	15.0	1,106	15.0
Solidarity surcharge	8	0.1	15	0.2
German trade income tax	334	3.7	347	4.7
Foreign tax-rate differential	684	7.6	299	4.1
Tax exempt income	(366)	(4.1)	(137)	(1.9)
Non-deductible expenses	60	0.7	71	1.0
Income after taxes of companies accounted for using the equity method	(7)	(0.1)	(30)	(0.4)
Taxes for prior years	28	0.3	(147)	(2.0)
Income taxes on oil-producing operations non-compensable with German corporate income tax	439	4.9	983	13.3
Deferred tax liabilities for the future reversal of temporary differences associated with shares in participations	(23)	(0.2)	77	1.1
Other	(136)	(1.5)	(285)	(3.9)
Income taxes/effective tax rates	**2,367**	**26.4**	**2,299**	**31.2**

For planned dividend distributions of Group companies and planned disposals, the resulting future income taxes and withholding taxes are recognized as deferred tax liabilities as long as they are expected to lead to a reversal of temporary differences. In the past, a planning horizon of three years was used for planned distributions of dividends. This time frame was reduced to one year in 2011, leading to deferred tax income of €81 million. An increase in planned dividend distributions led to a deferred tax expense of €23 million in 2011 (2010: €77 million).

The decrease in non-compensable foreign income taxes for oil-producing operations is attributable to the suspension of oil production in Libya, which lasted for several months.

Tax-exempt income primarily includes effects from the disposal of shares in K+S Aktiengesellschaft and the transfer of business activities to the joint venture Styrolution.

The increased influence of the foreign tax rate differential for income from foreign group companies resulted from higher earnings of Group companies in Europe.

Deferred tax assets and liabilities (million €)

	Deferred tax assets		Deferred tax liabilities	
	2011	2010	2011	2010
Intangible assets	184	209	1,840	1,710
Property, plant and equipment	304	250	2,127	2,163
Financial assets	18	13	99	116
Inventories and accounts receivable	343	301	732	504
Provisions for pensions	1,246	1,278	459	529
Other provisions and liabilities	1,056	939	59	38
Tax loss carryforwards	620	794	–	–
Other	163	293	181	246
Netting	(2,869)	(2,839)	(2,869)	(2,839)
Valuation allowances for deferred tax assets	(124)	(126)	–	–
Thereof for tax loss carryforwards	(107)	(86)	–	–
Total	**941**	**1,112**	**2,628**	**2,467**
Thereof short-term	392	507	404	370

Deferred taxes result primarily from temporary differences between tax balances and the valuation of assets and liabilities according to IFRS as well as from tax loss carryforwards and unused tax credits. The revaluation of all the assets and liabilities associated with acquisitions according to IFRS 3 has resulted in significant deviations between fair values and the values in the tax accounts. This leads primarily to deferred tax liabilities.

Deferred tax assets were offset against deferred tax liabilities of the same maturity if they were related to the same taxation authority.

Deferred tax liabilities for undistributed earnings of subsidiaries in the amount of €5,281 million in 2011 and €3,576 million in 2010 were not recognized, as they are either not subject to taxation on payout or they are expected to be reinvested for indefinite periods of time.

The regional distribution of tax loss carryforwards is as follows:

Tax loss carryforwards (million €)

	Tax loss carryforwards		Deferred tax assets	
	2011	**2010**	**2011**	**2010**
Germany	17	19	2	3
Foreign	2,808	3,004	511	705
	2,825	**3,023**	**513**	**708**

German tax losses may be carried forward indefinitely. Foreign tax loss carryforwards exist primarily in North America, where they will first expire starting in 2021, and in Europe, where they will first expire in 2016. Tax loss carryforwards in North America were reduced in 2011 as a result of high earnings. Valuation allowances on deferred tax assets were recognized for tax loss carryforwards of €48 million. In 2010, valuation allowances on deferred tax assets were reversed for tax loss carryforwards of €78 million.

Tax obligations comprise both tax liabilities and short-term tax provisions. Tax liabilities primarily concern the assessed income taxes and other taxes. Tax provisions include estimated income taxes not yet assessed for the current and previous years.

Tax liabilities (million €)

	2011	**2010**
Tax provisions	434	499
Tax liabilities	604	641
	1,038	**1,140**

10 – Minority interests

Million €	**2011**	**2010**
Minority interests in profits	420	517
Minority interests in losses	(5)	–
	415	**517**

Lower minority interests in profits resulted primarily from natural gas trading companies as well as Gazprom's stake in a Wintershall subsidiary that holds production and exploration rights in Libya. In contrast, higher minority interests in profits resulted from BASF FINA Petrochemicals L.P., Port Arthur, Texas.

→ **For more information on minority interests in consolidated companies, see Note 19 on page 181**

11 – Personnel expenses and employees

Personnel expenses

Personnel expenses increased by 4.2%, from €8,228 million in 2010 to €8,576 million in 2011. This resulted in particular from the acquisition of Cognis. The increase was partially offset by lower additions to provisions for the stock price-based compensation program (long-term incentive program) due to decreased fair values as well as to the lower number of outstanding options.

Personnel expenses (million €)

	2011	**2010**
Wages and salaries	6,856	6,731
Social security contributions and expenses for pensions and assistance	1,720	1,497
Thereof for pension benefits	465	408
	8,576	**8,228**

Number of employees

The number of employees was 111,141 as of December 31, 2011 (December 31, 2010: 109,140).

Number of employees by contract type (as of December 31)

	Total	**Thereof women** (in %)
Permanent staff	105,756	22.7
Temporary staff	2,820	44.3
Apprentices and trainees	2,565	31.7
	111,141	**23.5**

The number of employees in proportionally consolidated companies is included in full in the table below. Considered pro-rata, the average number of employees in the BASF Group was 110,403 in 2011 and 104,043 in 2010.

Average number of employees

	Consolidated companies		Proportionally consolidated companies		BASF Group	
	2011	2010	2011	2010	2011	2010
Europe	70,180	66,772	450	431	70,630	67,203
Thereof Germany	51,395	48,620	15	16	51,410	48,636
North America	16,104	15,517	497	476	16,601	15,993
Asia Pacific	15,143	13,776	3,139	2,137	18,282	15,913
South America, Africa, Middle East	6,933	6,456	–	–	6,933	6,456
BASF Group	**108,360**	**102,521**	**4,086**	**3,044**	**112,446**	**105,565**
Thereof apprentices and trainees	2,236	2,113	2	3	2,238	2,116
temporary staff	2,766	2,214	134	105	2,900	2,319

12 – Intangible assets

The **goodwill** of BASF is allocated to 32 cash-generating units which are defined either on the basis of business units or on a higher level.

The annual impairment testing took place in the fourth quarter of the year on the basis of the cash-generating units. The recoverable amount was determined based on the value-in-use; this was done using five-year plans and their respective cash flows that had been approved by corporate management. For the time period after the fifth year, a terminal value is calculated using a forward projection from the last detailed planning year. In accordance with IAS 36, the applied growth rates do not factor in capacity-increasing investments for which no cash outflows have taken place. The planning is based on experience, current performance and best possible corporate management estimates on the future development of individual parameters such as raw material prices and profit margins. Market assumptions regarding, for example, economic development and market growth are included based on external macroeconomic sources as well as sources specific to the industry.

The weighted average cost of capital rate after tax required for the impairment tests is determined using the Capital Asset Pricing Model. It comprises a risk-free rate, the market risk premium and the spread for the credit risk. The calculation also takes into account the capital structure and the volatility of the BASF share in comparison to the capital market (beta) as well as the average tax rate of each cash-generating unit. The impairment tests were conducted assuming a weighted average cost of capital rate between 7.03% and 7.27% (2010: 6.96% to 7.28%). For the cash generating unit Exploration & Production in the Oil & Gas division, a cost of capital rate of 8.49% was applied, which takes country-specific risks into account.

In determining the value-in-use of a cash-generating unit, BASF anticipates that a reasonably possible change in key assumptions will not lead to the carrying amount exceeding its respective recoverable amount.

The impairment tests in the financial year 2011 resulted in an overall impairment loss on goodwill of €11 million. These impairments occurred in relation to the planned sale of the European decorative paints business and were allocated to the Coatings division in the Functional Solutions segment.

In 2010, the impairment tests resulted in no impairment losses on goodwill.

Goodwill of cash-generating units (million €)

	2011		2010	
Cash-generating unit	Goodwill	Growth rates[1]	Goodwill	Growth rates[1]
Crop Protection division	1,410	2.0%	1,394	1.0%
Catalysts division	1,322	2.0%	1,342	2.0%
Construction Chemicals division	698	1.5%	685	1.5%
Personal Care Ingredients in the Care Chemicals division	461	2.0%	465	2.0%
Exploration & Production in the Oil & Gas division	389	0.0%	389	0.0%
Pigments in the Dispersions & Pigments division	371	2.0%	360	2.0%
Other 26 cash-generating units	1,311	0.0–2.0%	1,238	0.0–2.0%
Goodwill as of December 31	**5,962**		**5,873**	

[1] Growth rates of impairment tests to determine terminal values according to IAS 36.

Development of intangible assets 2011 (million €)

	Distribution, supply and similar rights	Product rights, licenses and trademarks	Know-how, patents and production technology	Internally generated intangible assets	Other rights and values[2]	Goodwill	Total
Cost							
Balance as of January 1, 2011	4,791	1,699	1,967	83	819	5,873	15,232
Changes in scope of consolidation	8	(2)	–	–	–	–	6
Additions	77	155	72	17	74	52	447
Disposals	(113)	(195)	(55)	(22)	(238)	(15)	(638)
Transfers	36	(28)	5	4	(46)	10	(19)
Exchange differences	30	(1)	13	(1)	2	42	85
Balance as of December 31, 2011	4,829	1,628	2,002	81	611	5,962	15,113
Accumulated valuation adjustments							
Balance as of January 1, 2011	1,140	693	635	47	472	–	2,987
Changes in scope of consolidation	–	(2)	–	–	–	–	(2)
Additions	369	132	175	16	86	11	789
Disposals	(113)	(191)	(44)	(17)	(237)	(11)	(613)
Transfers	29	(24)	–	3	(1)	–	7
Exchange differences	21	(4)	7	–	2	–	26
Balance as of December 31, 2011	1,446	604	773	49	322	–	3,194
Net carrying amount as of December 31, 2011	**3,383**	**1,024**	**1,229**	**32**	**289**	**5,962**	**11,919**

[2] Including licenses on such rights and values

In connection with the acquisition of inge watertechnologies AG and inge GmbH, in 2011 there were additions to intangible assets of €21 million and to goodwill of €50 million. Additions to intangible assets in the amount of €70 million resulted from the acquisition of business activities in the area of chemical injection and cavity filling products from Hock.

Concessions for oil and gas production under the category product rights, licenses and trademarks with a net carrying amount of €498 million in 2011 (2010: €350 million) authorize the exploration and production of oil and gas in certain areas. To a limited extent, these rights entail obligations to deliver a portion of the produced amount to local companies. At the end of the term of a concession, the rights are returned. The additions in 2011 primarily concerned the acquisition of concessions for oil and gas production in the Norwegian North Sea.

Reclassifications under goodwill resulted from the adjustment of the preliminary purchase price allocation related to the acquisition of Cognis.

The market value adjustments of emission rights as of the balance sheet day which are recognized in equity are reported in the column “other rights and values” under “transfers.”

Disposals primarily concerned the derecognition of fully amortized intangible assets.

In 2011, impairments of €114 million were recognized, which included €11 million in goodwill. Impairments are reported under other operating expenses. A significant portion of the impairment occurred in relation to the planned sale of the European decorative paints business.

There were no material reversals of impairments in 2011.

Development of intangible assets 2010 (million €)

	Distribution, supply and similar rights	Product rights, licenses and trademarks	Know-how, patents and production technology	Internally generated intangible assets	Other rights and values[1]	Goodwill	Total
Cost							
Balance as of January 1, 2010	3,822	1,666	1,761	128	857	5,069	13,303
Changes in scope of consolidation	34	–	(39)	–	2	–	(3)
Additions	809	93	434	15	70	589	2,010
Disposals	(71)	(90)	(184)	(55)	(190)	–	(590)
Transfers	(50)	12	(58)	(7)	45	(22)	(80)
Exchange differences	247	18	53	2	35	237	592
Balance as of December 31, 2010	4,791	1,699	1,967	83	819	5,873	15,232
Accumulated valuation adjustments							
Balance as of January 1, 2010	881	603	723	87	560	–	2,854
Changes in scope of consolidation	(6)	(2)	(63)	–	(1)	–	(72)
Additions	313	136	167	17	70	–	703
Disposals	(69)	(86)	(183)	(55)	(185)	–	(578)
Transfers	(32)	30	(28)	(3)	2	–	(31)
Exchange differences	53	12	19	1	26	–	111
Balance as of December 31, 2010	1,140	693	635	47	472	–	2,987
Net carrying amount as of December 31, 2010	**3,651**	**1,006**	**1,332**	**36**	**347**	**5,873**	**12,245**

[1] Including licenses on such rights and values

In connection with the Cognis acquisition and its preliminary purchase price allocation, in 2010 there were additions of €1,301 million for production technologies, brands, customer relationships and other intangible assets; goodwill amounted to €589 million.

In 2010, impairments of €74 million were recognized. A significant portion of the impairment losses related to concessions for oil and gas production in the British and Norwegian North Sea as well as to intangible assets from the Ciba acquisition in 2009.

The amounts recorded under transfers resulted primarily from the reclassification of intangible assets to assets of disposal groups.

The market value adjustments of emission rights as of the balance sheet date are included in the line item transfers in the column “other rights and values.”

Changes in the scope of consolidation related primarily to N.E. Chemcat Corporation, Tokyo, Japan, which was proportionally consolidated for the first time, and to the deconsolidation of BASF Fuel Cell, Frankfurt am Main, Germany.

There were no material reversals of impairments in 2010.

13 – Property, plant and equipment

Development of property, plant and equipment 2011 (million €)

	Land, land rights and buildings	Machinery and technical equipment	Miscellaneous equipment and fixtures	Construction in progress	Total
Cost					
Balance as of January 1, 2011	8,793	39,849	3,045	3,045	54,732
Changes in scope of consolidation	24	57	8	18	107
Additions	112	1,000	145	1,942	3,199
Disposals	(108)	(591)	(127)	(51)	(877)
Transfers	6	1,669	79	(2,132)	(378)
Exchange differences	107	459	27	27	620
Balance as of December 31, 2011	8,934	42,443	3,177	2,849	57,403
Accumulated valuation adjustments					
Balance as of January 1, 2011	4,918	30,086	2,482	5	37,491
Changes in scope of consolidation	5	11	5	8	29
Additions	299	2,114	195	10	2,618
Disposals	(73)	(547)	(119)	–	(739)
Transfers	(125)	(238)	8	–	(355)
Exchange differences	44	327	20	2	393
Balance as of December 31, 2011	5,068	31,753	2,591	25	39,437
Net carrying amount as of December 31, 2011	**3,866**	**10,690**	**586**	**2,824**	**17,966**

Additions to fixed assets in 2011 amounted to €3,199 million. A total of €66 million of property, plant and equipment resulted from acquisitions, primarily from BASF's stake in the cogeneration power plant of Zandvliet Power N.V., Antwerp, Belgium. Further continuing investments related particularly to: the construction of the intermodal transportation terminal in Ludwigshafen, Germany; the construction of a new oleum/sulfuric acid plant in Antwerp, Belgium; the construction of natural gas pipelines in Europe (particularly OPAL and NEL); and the construction of a production plant for methylamines in Geismar, Louisiana.

The amounts recorded under transfers were primarily related to fertilizer activities. Property, plant and equipment belonging to fertilizer activities were reclassified to assets of disposal groups.

→ **For more on disposal groups, see Note 2 on page 161**

In 2011, impairments of €231 million were recognized in valuation adjustments. A significant portion of the impairments related to production facilities in the Petrochemicals division at the Port Arthur, Texas site as well as to property, plant and equipment in the Paper Chemicals division at a site in the United States.

Changes in the scope of consolidation related primarily to Heesung Catalyst Corporation, which was proportionally consolidated for the first time.

There were no reversals of impairment recorded in 2011.

Development of property, plant and equipment 2010 (million €)

	Land, land rights and buildings	Machinery and technical equipment	Miscellaneous equipment and fixtures	Construction in progress	Total
Cost					
Balance as of January 1, 2010	8,071	38,833	2,936	2,103	51,943
Changes in scope of consolidation	34	(2)	21	(7)	46
Additions	368	983	142	1,801	3,294
Disposals	(57)	(464)	(107)	(36)	(664)
Transfers	96	(507)	(28)	(857)	(1,296)
Exchange differences	281	1,006	81	41	1,409
Balance as of December 31, 2010	8,793	39,849	3,045	3,045	54,732
Accumulated valuation adjustments					
Balance as of January 1, 2010	4,561	28,725	2,359	13	35,658
Changes in scope of consolidation	14	(20)	17	(7)	4
Additions	276	2,192	199	–	2,667
Disposals	(26)	(399)	(98)	–	(523)
Transfers	(12)	(1,057)	(56)	–	(1,125)
Exchange differences	105	645	61	(1)	810
Balance as of December 31, 2010	4,918	30,086	2,482	5	37,491
Net carrying amount as of December 31, 2010	**3,875**	**9,763**	**563**	**3,040**	**17,241**

Additions to property, plant and equipment in 2010 arose primarily from the Cognis acquisition and the associated preliminary purchase price allocation. Additions to fixed assets from the acquisition amounted to €833 million. Further investments in 2010 primarily related to: the expansion of the Ecoflex/Ecovio plant in Ludwigshafen, Germany; the construction of natural gas pipelines in Europe (in particular OPAL and NEL); expansion measures at the site in Nanjing, China; construction of an oleum/sulfuric acid plant in Antwerp, Belgium; and the construction of a production plant for methylamines in Geismar, Louisiana.

The amounts recorded under transfers resulted in particular from the reclassification of selected items of property, plant and equipment from the styrenics plastics business to assets of disposal groups.

In 2010, impairments of €128 million were recognized. Impairment charges of €68 million were recognized in connection with the restructuring of Ciba, which had been acquired in 2009, in particular at the site in Grenzach, Germany.

Changes in the scope of consolidation related primarily to the N.E. Chemcat Corporation, Tokyo, Japan, which was proportionally consolidated for the first time.

An impairment loss taken in 2008 for our site in Altamira, Mexico, was reversed in 2010 following significantly improved business development. The €40 million reversal was recorded under transfers.

14 – Investments accounted for using the equity method and other financial assets

Investments accounted for using the equity method (million €)

	2011	2010
Balance as of January 1	1,328	1,340
Changes in scope of consolidation	(138)	(280)
Additions	774	93
Disposals	–	(84)
Transfers/changes in market value	(86)	219
Exchange differences	(26)	40
Balance as of December 31	1,852	1,328
Accumulated valuation adjustments	**–**	**–**
Net carrying amount as of December 31	**1,852**	**1,328**

Other financial assets (million €)

	2011	2010
Investments in other affiliated companies	308	309
Investments in other associated companies	82	86
Shares in other participations	164	1,277
Participations	**554**	**1,672**
Loans to affiliated companies	80	20
Loans to associated companies	72	105
Other loans	102	119
Loans	**254**	**244**
Long-term securities	**40**	**37**
	848	**1,953**

The founding of Styrolution resulted in additions to investments accounted for using the equity method in the amount of €734 million in 2011. The acquisition of additional shares in the Heesung Catalysts Corporation led to a proportional consolidation of said company and to the changes in the scope of consolidation in 2011.

BASF has a stake of 15.5% and continues to exercise significant influence over Nord Stream AG, as BASF's approval is required for relevant board resolutions.

In 2010, the decline under changes in the scope of consolidation included the shares in N.E. Chemcat Corporation, which has been proportionally consolidated since then.

Shares in other participations declined in 2011 due to the disposal of the shares in K+S Aktiengesellschaft. These shares were included in other participations in the amount of €1,111 million as of December 31, 2010.

At the end of 2011, impairment losses of €11 million were recognized in participations.

15 – Inventories

Million €	2011	2010
Raw materials and factory supplies	2,922	2,427
Work-in-process, finished goods and merchandise	7,034	6,171
Advance payments and services-in-process	103	90
	10,059	**8,688**

Work-in-process and finished goods and merchandise are combined into one item due to production conditions in the chemical industry. Services-in-process relate primarily to services not invoiced on the balance sheet date.

Inventories are valued using the weighted average cost method. Impairments are reversed if the reasons for the impairments no longer apply.

Write-downs on inventories amounted to €8 million in 2011 and €29 million in 2010. The valuation adjustment rates for the use of technical materials were reduced based on the experience of recent years. This resulted in the reversal of write-downs amounting to €36 million in 2011.

Of the total inventory, €2,154 million was valued at net realizable value in 2011 (2010: €1,520 million).

16 – Receivables and miscellaneous assets

Other receivables and miscellaneous assets (million €)

	2011		2010	
		Thereof short-term		Thereof short-term
Receivables from affiliated companies	279	279	273	273
Receivables from associated companies and other participating interests	449	443	289	285
Loans and interest receivables	19	19	61	61
Derivatives with positive fair values	561	545	424	421
Receivables from finance leases	22	2	18	1
Insurance claims	72	59	65	54
Receivables from partners in jointly controlled entities	–	–	8	8
Other	614	437	522	368
Other receivables, financial instruments	**2,016**	**1,784**	**1,660**	**1,471**
Prepaid expenses	222	198	181	162
Defined benefit assets	128	–	260	–
Tax refund claims	825	792	780	766
Employee receivables	54	37	42	27
Precious metal trading positions	723	723	1,082	1,082
Other	374	247	531	375
Other receivables, non-financial instruments	**2,326**	**1,997**	**2,876**	**2,412**
Total	**4,342**	**3,781**	**4,536**	**3,883**

In 2011 **receivables from associated companies and other participating interests** resulted primarily from the sale of goods and services as well as compensation payments from Styrolution companies, which are accounted for using the equity method in the consolidated financial statements.

The increase in **derivatives with positive fair values** is primarily due to commodity derivatives.

Prepaid expenses include prepayments for operating expenses of €67 million in 2011, compared with €23 million in 2010, as well as prepayments for insurance premiums of €22 million in 2011, compared with €25 million in 2010.

Defined benefit assets decreased, as the increase of pension obligations exceeded the increase of pension assets.

Tax refund claims were primarily related to corporate income tax and sales tax.

Precious metal trading positions primarily comprise physical positions and precious metal accounts as well as long positions in precious metals, which are largely hedged through sales or derivatives. Drops in precious metal prices and lower inventories in 2011 led to a decrease compared with the previous year. Derivatives included in the previous year's precious metal trading positions amounting to €16 million were reclassified into derivatives with positive fair values. The previous year's figures have been adjusted accordingly.

Included under **Other** are primarily financial receivables as well as rents and deposits. In the previous year, rents and deposits, including finance leases, were listed separately.

Valuation allowances for doubtful receivables 2011 (million €)

	Balance as of January 1, 2011	Additions affecting income	Reversals affecting income	Additions not affecting income	Reversals not affecting income	Balance as of December 31, 2011
Accounts receivable, trade	398	121	74	25	45	425
Other receivables	111	8	3	1	71	46
	509	**129**	**77**	**26**	**116**	**471**

Valuation allowances for doubtful receivables 2010 (million €)

	Balance as of January 1, 2010	Additions affecting income	Reversals affecting income	Additions not affecting income	Reversals not affecting income	Balance as of December 31, 2010
Accounts receivable, trade	348	108	42	79	95	398
Other receivables	33	2	1	84	7	111
	381	**110**	**43**	**163**	**102**	**509**

In 2011, the addition to allowances for doubtful receivables recognized in profit or loss was mainly related to receivables from a customer in the Oil & Gas segment.

A significant portion of receivables is covered by credit insurance.

The changes not affecting income were primarily related to changes in the scope of consolidation, translation adjustments and derecognition of uncollectible receivables.

Even in the current economic environment, BASF does not note any material changes in the credit quality of its receivables. In 2011, after being individually assessed for impairment, valuation allowances of €91 million were recognized for trade accounts receivable (reversals: €40 million) and €8 million for miscellaneous receivables (reversals: €3 million). In 2010, after being individually assessed for impairment, valuation allowances of €106 million were recognized for trade accounts receivable (reversals: €36 million) and €2 million for miscellaneous receivables (reversals: €1 million). Contractual conditions of receivables were not renegotiated to any major extent in 2011 and 2010.

Overdue trade accounts receivables which have not been individually assessed for impairment were included in credit insurance policies in the amount of €281 million on December 31, 2011 (December 31, 2010: €216 million).

Aging analysis of trade accounts receivable (million €)

	2011		2010	
	Gross value	Valuation allowances	Gross value	Valuation allowances
Not yet due	10,050	84	9,411	60
Past due less than 30 days	627	23	572	14
Past due between 30 and 89 days	179	11	151	13
Past due more than 90 days	455	307	431	311
	11,311	**425**	**10,565**	**398**

As of December 31, 2011, there were no material other receivables classified as financial instruments that were overdue and for which no valuation allowance was made.

17 – Capital and reserves

Conditional capital

A residual amount of less than €10,000 is reserved to meet compensation claims of former shareholders of Wintershall. These compensation claims expired in 2004. BASF SE will therefore issue no more shares from conditional capital nor fulfill compensation claims.

Authorized capital

At the Annual Shareholders' Meeting of April 30, 2009, shareholders authorized the Board of Executive Directors to increase the subscribed capital by issuing new shares in an amount of up to €500 million against cash with the approval of the Supervisory Board through April 30, 2014. The Board of Executive Directors is empowered, following the approval of the Supervisory Board, to decide on the exclusion of shareholders' subscription rights for these new shares in certain predefined cases covered by the enabling resolution. Until now, this option has not been exercised and no new shares have been issued.

Capital surplus

Capital surplus includes share premiums from the issuance of shares, the consideration for warrants and negative goodwill from the capital consolidation resulting from acquisitions of subsidiaries in exchange for the issue of BASF SE shares at par value.

18 – Retained earnings and other comprehensive income

Million €	2011	2010
Legal reserves	383	436
Other retained earnings	19,063	15,381
	19,446	**15,817**

In 2011, changes in the scope of consolidation led to a decrease of €6 million in the legal reserves (2010: €11 million). Transfers from other retained earnings reduced legal reserves by €30 million in 2011 and raised them by €18 million in 2010.

The acquisition of shares in companies which BASF already controls or includes as a jointly controlled entity in the Consolidated Financial Statements is treated as a transaction between shareholders, as long as this does not lead to a change in the consolidation method. Additional interests in BASF Pakistan (Private) Ltd., Karachi, Pakistan, and in the jointly controlled entity Sabina Petrochemicals LLC, Houston, Texas, were acquired in 2011. The amount of €34 million resulting from the difference between the acquisition price and the proportionate value of the net assets received was netted against retained earnings. In 2010, there were no acquisitions of shares in companies which BASF controlled or included as a jointly controlled entity in the Consolidated Financial Statements.

The offsetting of actuarial gains and losses resulted in a decrease in retained earnings of €582 million in 2011 and a decrease of €101 million in 2010.

Payment of dividends

In accordance with the resolution of the Annual Shareholders' Meeting on May 6, 2011, BASF SE paid a dividend of €2.20 per share from the retained profit of the 2010 fiscal year. With 918,478,694 shares entitled to dividends, this amounts to a total dividend payout of €2,020,653,126.80.

Other comprehensive income

In accordance with IFRS, certain expenses and income have been recorded in 'other comprehensive income.' This includes translation adjustments, the valuation of securities at fair value, changes in the fair value of derivatives held to hedge future cash flows and net investments in a foreign operation and effects from the revaluation of assets and liabilities due to acquisition of a majority interest.

Translation adjustments

The translation adjustments due to the use of the closing rate method are shown under currency translation adjustments as a component of other comprehensive income in equity (translation adjustments) and are recognized in the income statement only upon the disposal of a company.

Valuation of securities at fair value

For fully and proportionally consolidated companies, as well as those companies which are accounted for using the equity method, changes in value of available-for-sale securities in excess of their acquisition costs are accounted for in other comprehensive income, without impacting the income statement, until the securities are disposed of. Upon disposal, the changes accumulated in other comprehensive income are recognized in the income statement.

The decrease of €1,014 million in 2011 is primarily due to the sale of shares in K+S Aktiengesellschaft.

Cash flow hedge

Derivatives are used to hedge future cash flows. The effective portion of the change in value of these derivatives is recognized in equity. This also comprises equity effects from the hedging of future cash flows at companies accounted for using the equity method.

Hedging future cash flows at Nord Stream AG, Zug, Switzerland, a company accounted for using the equity method, resulted in a change of minus €44 million.

Net investments in foreign operations

Hedge accounting can be used to hedge the translation risk from the net investment in a foreign operation. Effects recorded in equity are recognized in the income statement upon sale of the operation or return of the investment.

Revaluation due to acquisition of majority of shares

Until 2008, effects from the revaluation of net assets were recorded in equity when they arose due to the acquisition of a majority of shares in a previously proportionally consolidated company. Additional depreciation of these revalued assets leads to a reversal of the corresponding item in equity; this does not affect income.

19 – Minority interests

		2011		2010	
Group company	Partner	Equity stake (%)	Million €	Equity stake (%)	Million €
WINGAS GmbH & Co. KG, Kassel, Germany	Gazprom Group, Moscow, Russia	49.98	241	49.98	310
WINGAS TRANSPORT GmbH, Kassel, Germany	Gazprom Group, Moscow, Russia	49.98	139	49.98	103
Wintershall AG, Kassel, Germany	Gazprom Group, Moscow, Russia	49.00	148	49.00	136
BASF India Ltd., Mumbai, India	Shares are publicly traded	26.67	39	28.31	46
BASF PETRONAS Chemicals Sdn. Bhd., Shah Alam, Malaysia	PETRONAS (Petroliam Nasional Bhd.), Kuala Lumpur, Malaysia	40.00	117	40.00	135
BASF Sonatrach PropanChem S.A., Tarragona, Spain	SONATRACH, Algiers, Algeria	49.00	48	49.00	49
BASF FINA Petrochemicals L.P., Port Arthur, Texas	Total Petrochemicals Inc., Houston, Texas	40.00	262	40.00	263
Shanghai BASF Polyurethane Company Ltd., Shanghai, China	Shanghai Hua Yi (Group) Company, Shanghai, China, and Sinopec Shanghai GaoQiao Petrochemical Corporation, Shanghai, China	30.00	84	30.00	92
Other			168		119
			1,246		**1,253**

20 – Provisions for pensions and similar obligations

In addition to state pension plans, most employees are entitled to Company pension benefits from either defined contribution or defined benefit plans. Benefits generally depend on years of service, contributions or compensation, and take into consideration the legal framework of labor, tax and social security laws of the countries where the companies are located. To limit the risks of changing market conditions as well as demographic developments, employees have been almost exclusively offered defined contribution plans in recent years.

For BASF SE and German Group companies, a basic level of benefits is provided by BASF Pensionskasse VVaG, a legally independent funded plan which is financed by contributions of employees and the employer and the return on its assets. BASF SE will ensure the necessary contributions to adequately finance the benefits promised by BASF Pensionskasse VVaG. Some of the benefits financed via the BASF Pensionskasse VVaG are subject to adjustments that must be borne by the companies to the extent that these cannot be borne by

BASF Pensionskasse VVaG due to the regulations imposed by the German supervisory authority. Additional occupational pension commitments at German Group companies are financed almost exclusively via pension provisions.

In the case of non-German subsidiaries, defined pension benefits are covered in some cases by pension provisions, but mainly by external insurance companies or pension funds.

The measurement date for the pension plans is set as December 31. The most recent actuarial mortality tables are used, which in Germany are derived from the BASF Group population.

The valuations using the projected unit credit method per IAS 19 were carried out under the following assumptions:

Assumptions used to determine the defined benefit obligation as of December 31 (weighted average in %)

	Germany		Foreign	
	2011	**2010**	**2011**	**2010**
Discount rate	5.00	5.00	4.34	4.74
Projected increase of wages and salaries	2.75	2.75	3.71	3.79
Projected pension increase	2.00	1.75	0.70	1.00

Assumptions used to determine expenses for pension plans (weighted average in %)

	Germany		Foreign	
	2011	**2010**	**2011**	**2010**
Discount rate	5.00	5.50	4.74	5.17
Projected increase of wages and salaries	2.75	2.75	3.79	3.91
Projected pension increase	1.75	2.00	1.00	0.92
Expected return on plan assets	5.28	5.13	5.49	6.28

The assumptions used to ascertain the defined benefit obligation as of December 31 are used in the following year to determine the expenses for pension plans.

Similar obligations for North American Group companies from assuming health care and life insurance costs for retired employees and their dependents were measured using actuarial principles and are included in the overall value. The assumed rate of increase in health care costs is 8% per year (2010: 8%) until 2012, followed by a straight-line reduction until a rate of increase of 5% per year is reached by 2018 (2010: 5%). A change in the underlying rate of increase in health care costs by one percentage point would have the following effects:

Sensitivity of health care costs (million €)

	Increase by one percentage point	Decrease by one percentage point
Accumulated post-employment benefit obligation	17	(31)
Effect on pension cost	1	(2)

The assumptions regarding the overall expected long-term rate of return are based on forecasts of expected individual asset class returns and the desired portfolio structure. The forecasts are based on long-term historical average returns and take into consideration the current yield level and the inflation trend. In 2011, the discount rate used in this calculation was adjusted to account for developments in the capital markets.

The target asset allocation has been defined by using asset liability studies and is reviewed regularly. Accordingly, plan assets are aligned with long-term pension liabilities, taking into consideration investment risks and adherence to government regulations. The existing portfolio structure is oriented towards the target asset allocation. In addition, current market assessments are taken into consideration. In order to mitigate risks and maximize returns, a widely spread global portfolio of individual asset classes is held.

Portfolio structure of plan assets (%)

	Target allocation	Share of plan assets	
	2012	**2011**	**2010**
Shares	27	28	31
Bonds	61	63	60
Property	5	4	4
Other	7	5	5
Total	**100**	**100**	**100**

Development of defined benefit obligation (million €)

	2011	2010
Defined benefit obligation as of January 1	17,695	15,264
Service cost	250	220
Interest cost	832	819
Benefits paid	(914)	(890)
Participants' contributions	55	53
Actuarial losses	464	941
Acquisition-related effects	–	800
Settlements and other plan changes	5	(96)
Exchange differences	226	584
Defined benefit obligation as of December 31	**18,613**	**17,695**

Development of plan assets (million €)

	2011	2010
Plan assets as of January 1	15,226	13,810
Expected return on plan assets	818	765
Actuarial losses/gains	(328)	569
Employer contributions	180	181
Participants' contributions	55	53
Benefits paid	(560)	(801)
Acquisition-related effects	–	249
Other changes	2	(62)
Exchange differences	179	462
Plan assets as of December 31	**15,572**	**15,226**

The actual return on plan assets amounted to €490 million in 2011 and €1,334 million in 2010. On December 31, 2011, plan assets contained securities issued by BASF Group companies with a market value of €27 million (December 31, 2010: €14 million). The market value of the properties of legally independent pension funds rented to BASF Group companies amounted to €48 million on December 31, 2011, and €49 million on December 31, 2010.

In 2010, BASF Pensionskasse was granted profit participation capital of €80 million to strengthen its financing. This does not represent a plan asset. No material transactions took place between the legally independent pension funds and BASF Group companies in 2011.

Reconciliation of funded status to provisions for pensions and similar obligations (million €)

	2011	2010
Plan assets as of December 31	15,572	15,226
Less defined benefit obligation as of December 31	18,613	17,695
Funded status	**(3,041)**	**(2,469)**
Unrecognized past service cost	(19)	(19)
Asset ceiling in accordance with IAS 19.58	(1)	(30)
Net obligation recognized on the balance sheet	**(3,061)**	**(2,518)**
Thereof defined benefit assets	128	260
pension provisions	(3,189)	(2,778)

Actuarial gains and losses are recognized directly in retained earnings in the reporting period in which they occur. Past service costs are amortized over the average service period of the entitled employees until the benefits become vested. Actuarial losses of €792 million in 2011 and €372 million in 2010 were recognized directly in retained earnings. Since the introduction of this accounting policy in 2004, total actuarial losses of €2,972 million have been recognized directly in retained earnings, not taking deferred taxes into account.

Current funding situation of the plans (million €)

	2011		2010	
	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
Unfunded pension plans	2,157	–	2,003	–
Partially funded pension plans	10,633	9,363	5,130	4,374
Total of pension plans that are not fully funded	**12,790**	**9,363**	**7,133**	**4,374**
Fully funded pension plans	5,823	6,209	10,562	10,852
	18,613	**15,572**	**17,695**	**15,226**

The shift between plans with partial and full funding is caused by updated actuarial assumptions used to determine the defined benefit obligation and by the lower than expected plan assets.

Deviation between actuarial assumptions and the actual development (million €)

	2011	2010	2009	2008	2007
Defined benefit obligation	18,613	17,695	15,264	11,814	12,348
Thereof impact of experience adjustments	33	21	(2)	36	(172)
Plan assets	15,572	15,226	13,810	10,325	12,038
Thereof impact of experience adjustments	(328)	569	1,120	(2,163)	(121)
Funded status	**(3,041)**	**(2,469)**	**(1,454)**	**(1,489)**	**(310)**

Expected payments resulting from pension obligations existing as of December 31, 2011 (million €)

2012	963
2013	992
2014	997
2015	1,026
2016	1,098
2017 until 2021	5,932

Composition of expenses for pension plans (million €)

	2011	2010
Service cost	250	220
Amortization of past service cost	(6)	(2)
Settlement losses/gains	5	(4)
Expenses for defined benefit plans charged to income from operations	**249**	**214**
Expenses for defined contribution plans charged to income from operations	216	194
Expenses for pension benefits charged to income from operations	**465**	**408**
Interest cost	832	819
Expected return on plan assets	(818)	(765)
Expenses for pension benefits in the financial result	**14**	**54**

In 2011, contributions to public pension plans were €550 million (2010: €473 million). The estimated contribution payments for defined benefit plans for 2012 are €174 million.

21 – Other provisions

Million €	2011	Thereof short-term	2010	Thereof short-term
Restoration obligations	983	18	869	5
Environmental protection and remediation costs	659	150	665	192
Employee obligations	1,876	1,395	2,043	1,380
Sales and purchase risks	665	651	730	692
Restructuring measures	198	180	234	214
Legal, damage claims, guarantees and related commitments	190	90	249	125
Other	1,974	726	1,886	716
	6,545	**3,210**	**6,676**	**3,324**

Restoration obligations primarily relate to the estimated costs for the filling of wells, the removal of production equipment after the end of production and the removal of natural gas pipelines. The increase in long-term provisions for restoration obligations is primarily a result of provisions added in connection with the construction of natural gas pipelines and the expansion of natural gas storage facilities in Germany.

Provisions for **environmental protection and remediation costs** cover expected costs for rehabilitating contaminated sites, recultivating landfills, removal of environmental contamination at existing production or storage sites and similar measures. In addition, provisions are recognized in connection with the allocation of emissions certificates from the German Emissions Trading Authority or other similar bodies in the European Union.

Provisions for **employee obligations** include obligations for the granting of long-service bonuses and anniversary payments, variable compensation including the associated social security contributions, and other accruals as well as provisions for early retirement programs for employees nearing retirement.

The decrease in the long-term employee obligation provisions resulted primarily from the utilization of provisions for the BASF stock price-based compensation program (long-term incentive program).

→ **For more information on provisions for the long-term incentive program, see Note 28 from page 198 onward**

The **sales and purchase risks** provisions include warranties, product liability, customer rebates, payment discounts and other price reductions, sales commissions and provisions for expected losses on committed purchases as well as provisions for onerous contracts.

The **restructuring measures** provisions include severance payments to employees as well as expected costs for site closures, including the costs for demolition and similar measures.

Provisions for **legal, damage claims, guarantees and related commitments** include the expected costs of litigation, obligations under damage claims, and other guarantees.

Other includes long-term tax provisions as well as further present obligations and accruals.

The following table shows the development of other provisions by category. **Other changes** relate to changes in the scope of consolidation, currency effects and the transfer of obligations to liabilities, where these obligations have become more concrete as to their amount and timing.

Development of other provisions in 2011 (million €)

	January 1, 2011	Additions	Interest compounding	Utilization	Reversals	Other changes	December 31, 2011
Restoration obligations	869	100	41	(16)	(16)	5	983
Environmental protection and remediation costs	665	142	1	(165)	(19)	35	659
Employee obligations	2,043	1,302	17	(1,322)	(115)	(49)	1,876
Sales and purchase risks	730	409	1	(318)	(91)	(66)	665
Restructuring measures	234	98	–	(115)	(18)	(1)	198
Legal, damage claims, guarantees and related commitments	249	72	11	(32)	(106)	(4)	190
Other	1,886	804	1	(534)	(177)	(6)	1,974
	6,676	**2,927**	**72**	**(2,502)**	**(542)**	**(86)**	**6,545**

22 – Liabilities

Financial indebtedness (million €)

			Carrying amounts based on effective interest method	
	Nominal volume (million, currency of issue)	Effective interest rate	2011	2010
4% Euro Bond 2006/2011 of BASF SE	1,000	4.05 %	–	1,000
3.375% Euro Bond 2005/2012 of BASF SE	1,400	3.42 %	1,400	1,399
3.75% Euro Bond 2009/2012 of BASF SE	1,350	3.97 %	1,356[1]	1,345
4.5% Euro Bond 2006/2016 of BASF SE	500	4.62 %	498	497
4.25% Euro Bond 2009/2016 of BASF SE	200	4.40 %	199	199
5.875% GBP Bond 2009/2017 of BASF SE	400	6.04 %	475	461
4.625% Euro Bond 2009/2017 of BASF SE	300	4.69 %	299	299
3.25% CHF Bond 2008/2011 of BASF Finance Europe N.V.	300	3.39 %	–	240
6% Euro Bond 2008/2013 of BASF Finance Europe N.V.	1,250	6.15 %	1,247	1,245
5% Euro Bond 2007/2014 of BASF Finance Europe N.V.	1,000	5.09 %	998	997
5% Euro Bond 2007/2014 of BASF Finance Europe N.V.	250	4.83 %	251	251
3.625% CHF Bond 2008/2015 of BASF Finance Europe N.V.	200	3.77 %	164	159
5.125% Euro Bond 2009/2015 of BASF Finance Europe N.V.	1,500	5.30 %	1,492	1,489
5.125% Euro Bond 2009/2015 of BASF Finance Europe N.V.	500	4.38 %	511	515
4.5% Euro Medium Term Note 2009/2016 of BASF Finance Europe N.V.	150	4.56 %	150	150
3.25% CHF Bond 2006/2012 of Ciba Spezialitätenchemie Finanz AG	225	3.32 %	184	177
4.875% Euro Bond 2003/2018 of Ciba Spec. Chem. Finance Luxemb. S.A.	477	4.88 %	409	401
USD commercial paper			–	1,384
Other bonds			667	696
Bonds and other liabilities to the capital markets			**10,300**	**12,904**
Liabilities to credit institutions			2,704	2,135
			13,004	**15,039**

[1] Interest rate swaps were concluded in July 2011 to hedge against interest rate risks for the 3.75% Euro Bond of BASF SE. Fair value hedge accounting is applied in this context, resulting in an adjustment of the carrying amount of the bond by €8 million.

Breakdown of financial indebtedness by currency (million €)

	2011	2010
Euro	10,411	10,980
U.S. dollar	752	2,177
British pound	560	543
Chinese renminbi	557	391
Swiss franc	347	576
Brazilian real	144	205
South Korean won	51	–
Turkish lira	40	18
South African rand	39	28
Argentinean peso	26	30
Other	77	91
	13,004	**15,039**

Maturities of financial indebtedness (million €)

	2011	2010
Following year 1	3,985	3,369
Following year 2	1,513	3,112
Following year 3	1,964	2,100
Following year 4	2,234	1,321
Following year 5	1,541	2,539
Following year 6 and thereafter	1,767	2,598
	13,004	**15,039**

Bonds and other liabilities to the capital markets

Other bonds consist primarily of industrial revenue and pollution control bonds of the BASF Corporation group that are used to finance investments in the United States. The weighted-average interest rate of these bonds was 2.2% in 2011 (2010: 2.2%). The weighted-average effective interest rate amounted to 2.2% in 2011 and 2010 and their average residual term amounted to 211 months as of December 31, 2011, and 222 months as of December 31, 2010.

Liabilities to credit institutions

In order to finance investments in natural gas infrastructure, €643 million was borrowed at an interest rate of 3.5% by WINGAS GmbH & Co. KG. The weighted-average interest rate on loans was 4.4% in 2011 (2010: 3.6%).

BASF SE had committed and unused credit lines with variable interest rates of €4,739 million as of December 31, 2011, and €4,490 million as of December 31, 2010.

Other liabilities

The increase in other liabilities in 2011 related, among other things, to negative fair values of derivatives concluded to hedge against currency fluctuations and rising raw material prices.

Other liabilities included the non-consolidated proportionate amount of liabilities to companies accounted for using the proportional consolidation method of €259 million in 2011, and €195 million in 2010, thereof miscellaneous liabilities of €96 million in 2011, and €57 million in 2010. Further miscellaneous liabilities relating to participations accounted for using the equity or cost method amounted to €258 million in 2011, and €261 million in 2010. Precious metal derivatives that were contained in miscellaneous liabilities amounting to €74 million in 2010 were reclassified into derivatives with negative market values. The previous year's figures have been adjusted accordingly.

→ **For more information on financial risks and derivative financial instruments, see Note 25 from page 191 onward**

→ **For more information on finance lease payables, see Note 26 on page 197**

Other liabilities (million €)

	2011		2010	
	Short-term	Long-term	Short-term	Long-term
Liabilities on bills	46	4	73	2
Non-trade liabilities to partners in jointly controlled entities	221	431	314	433
Derivatives with negative fair values	582	176	443	7
Liabilities arising from finance leases	10	50	10	49
Accrued interest on bonds and other loans	202	1	247	–
Miscellaneous liabilities	786	90	450	70
Other liabilities which qualify as financial instruments	**1,847**	**752**	**1,537**	**561**
Advances received on orders	272	–	283	–
Liabilities related to social security	152	23	166	26
Employee liabilities	299	159	328	94
Deferred income	128	173	154	203
Miscellaneous liabilities	338	35	334	17
Other liabilities which qualify as non-financial instruments	**1,189**	**390**	**1,265**	**340**
Total	**3,036**	**1,142**	**2,802**	**901**

Secured liabilities (million €)

	2011	2010
Liabilities to credit institutions	3	14
Miscellaneous liabilities	20	26
	23	**40**

Liabilities to credit institutions were secured primarily with registered land charges. Secured contingent liabilities do not exist.

23 – Contingent liabilities and other financial obligations

The contingencies listed below are stated at nominal value:

Contingent liabilities (million €)

	2011	2010
Bills of exchange	8	7
Thereof to affiliated companies	–	–
Guarantees	153	510
Thereof to affiliated companies	19	8
Warranties	103	96
Collateral granted on behalf of third-party liabilities	4	14
	268	**627**

The decline in guarantees compared with the previous year was primarily the result of the expiry of the financial guarantee for the financing of OAO Severneftegazprom on March 31, 2011.

BASF has a stake of 15.5% in the project company Nord Stream AG, Zug, Switzerland, whose purpose is to construct a natural gas pipeline through the Baltic Sea from Vyborg, the Russian Federation, to Greifswald, Germany. To finance the two lines of the pipeline, project financing was arranged in 2011 and 2010. As is normal in such financing, the stockholders issued guarantees in favor of the banks giving the loans. The risk from the guarantees issued by BASF is limited to a proportionate share of the project volume. As of December 31, 2011, it is assumed that no claims will be made against these guarantees issued by BASF. The shares in Nord Stream AG and the subordinated loan receivables of €19 million granted to Nord Stream AG were given as collateral to the banks extending the loans.

After the completion of the approval process and the laying of the first pipeline, operations started in 2011. By 2012, a second line will be built parallel to the first line. Upon completion of the second line in 2012, the full capacity of 55 billion cubic meters of natural gas per year will be reached.

In accordance with the provisions of Section 17 of the Republic of Ireland Companies (Amendments) Act 1986, BASF SE gives irrevocable guarantees with respect to the liabilities, as referred to in Section 5 (c) (ii) of that Act, of the subsidiary company BASF Ireland Ltd., Dublin, Republic of Ireland. As of December 31, 2011, the liabilities of BASF Ireland Ltd. totaled €20 million.

Other financial obligations (million €)

	2011	2010
Construction in progress	5,280	4,642
Thereof purchase commitments	969	752
for the purchase of intangible assets	14	8
Obligation arising from long-term leases (excluding finance leases)	1,801	1,679
Payment and loan commitments and other financial obligations	7	3
	7,088	**6,324**

Assets used under long-term leases

Assets used under long-term leases primarily concern buildings and IT infrastructure.

→ **For more information on leasing liabilities, see Note 26 on page 197**

Obligations arising from long-term leases (Excluding finance leases) (million €)

2012	620
2013	225
2014	198
2015	176
2016	132
2017 and thereafter	450
	1,801

Purchase obligations from long-term natural gas and raw material supply contracts

The Company has entered into long-term purchase contracts for natural gas in the Natural Gas Trading business sector, which are subject to continual price adjustments. These purchase obligations mainly relate to long-term supply contracts with customers with terms between one and nineteen years.

The Company purchases raw materials via long-term contracts and on spot markets. The fixed purchase obligations of long-term purchase contracts with a remaining term of more than one year as of December 31, 2011, are as follows:

Purchase obligations from natural gas and raw material supply contracts (million €)

2012	12,313
2013	9,528
2014	7,908
2015	7,257
2016	7,275
2017 and thereafter	92,808
	137,089

24 – Risks from litigation and claims

Since 2005, a total of 38 class action lawsuits have been filed in U.S. courts against urethane and polyurethane producers, including BASF SE and BASF Corporation. It was alleged that sales of TDI, MDI and polyether polyols had violated antitrust laws on price fixing. In addition, two plaintiffs have opted out of the class action process and are pursuing their claims in parallel suits. At the end of 2007, the U.S. Department of Justice ceased its inquiry into alleged price fixing. BASF settled the class action lawsuits on September 17, 2011 and agreed to pay $51 million. The settlement was conclusively approved by the courts in December 2011. It does not include the two parallel claims currently being pursued. BASF is defending itself against these lawsuits.

BASF S.A., Brazil, and Shell are defendants in several individual lawsuits and one class action lawsuit regarding existing and potential health damage to former employees (including employees of external companies), their families and descendants due to their employment at a site in Paulinia, Brazil, which was significantly contaminated by the production of crop protection products. BASF acquired the site from American Cyanamid in 2000, who had in turn acquired it from Shell in 1995. The contamination stems from the period before 2000. In August 2010, BASF S.A. and Shell were jointly ordered to pay damages for medical treatment and personal suffering equivalent to approximately €490 million, not including interest. The appeal against this first-instance judgment was rejected on April 4, 2011. BASF S.A. has applied for the right to appeal to a higher court. On March 30, 2011, BASF S.A. brought a suit for a declaratory judgment against Shell to determine that Shell is responsible for the full amount of damages resulting from the contamination at the Paulinia site, which had been caused by Shell. Currently BASF S.A. and Shell are in settlement talks with one another and with the plaintiffs.

In addition, BASF SE and its affiliated companies are defendants in or parties to further judicial and arbitrational proceedings. Based on the current state of knowledge, these proceedings will have no material influence on the economic situation of BASF.

25 – Supplementary information on financial instruments

25.1 – Financial risks

Market risks

Foreign currency risks: Changes in exchange rates could lead to negative changes in the value of financial instruments and adverse changes in future cash flows from planned transactions. Foreign currency risks from financial instruments result from the translation at the closing rate of financial receivables, loans, securities, cash, and financial liabilities into the functional currency of the respective Group company. Foreign currency contracts in a variety of currencies are used to hedge foreign exchange risks from primary financial instruments and planned transactions.

The foreign currency risk exposure corresponds to the net amount of the nominal volume of the primary and the derivative financial instruments which are exposed to currency risks. In addition, planned purchase and sales transactions of the respective following year are included, if they fall under the currency risk management system. Opposite positions in the same currency are offset against each other.

The sensitivity analysis is conducted by simulating a 10% depreciation in all currencies against the respective functional currency. The effect on BASF's income before taxes and minority interests would have been minus €243 million as of December 31, 2011, and minus €157 million as of December 31, 2010. The effect from the items designated under hedge accounting would have decreased the equity of the shareholders of BASF SE before income taxes by €5 million on December 31, 2011 (December 31, 2010: an increase of €11 million). This refers to transactions in U.S. dollars and British pounds. The currency exposure amounted to €1,574 million on December 31, 2011 (December 31, 2010: €1,058 million).

Exposure and sensitivity by currency (million €)

	Exposure 2011	Sensitivity 2011	Exposure 2010	Sensitivity 2010
U.S. dollar	1,706	(237)	1,141	(132)
Other	(132)	(11)	(83)	(14)
Total	**1,574**	**(248)**	**1,058**	**(146)**

Due to the use of options to hedge currency risks, the sensitivity analysis is not a linear function of the assumed changes in exchange rates.

Interest rate risks: Interest rate risks result from changes in prevailing market interest rates, which can cause a change in the fair value of fixed-rate instruments, and changes in the interest payments of variable-rate instruments. To hedge these risks, interest rate swaps and combined interest rate and currency derivatives are used. While these risks are relevant to the financing activities of BASF, they are not of material significance for BASF's operating activities.

The variable interest exposure, which also includes fixed-rate bonds set to mature in the following year, amounted to minus €4,070 million at the end of 2011, compared with minus €3,658 million at the end of 2010. An increase in all relevant interest rates by one percentage point would have lowered income before taxes and minority interests by €10 million as of December 31, 2011 and €23 million as of December 31, 2010. The sensitivity of the equity of the shareholders of BASF SE to changes in interest rates is not material.

Carrying amount of non-derivative interest-bearing financial instruments (million €)

	2011		2010	
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
Loans	218	36	169	75
Securities	35	5	28	5
Financial indebtedness	11,012	1,992	13,309	1,730

Nominal and fair value of interest rate and combined interest and cross currency swaps (million €)

	2011		2010	
	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps	**2,711**	**48**	**1,061**	**52**
Thereof payer swaps	1,361	39	1,061	52
receiver swaps	1,350	9	–	–
Combined interest and cross currency swaps	**722**	**34**	**928**	**60**
Thereof fixed rate	722	34	920	61
variable rate	–	–	8	(1)

Equity price risks: BASF holds shares in listed companies and mutual stock funds as a vehicle for investing liquid funds and, to a limited extent, with a view to taking strategic stakes in companies. They are included under participations, long-term and short-term securities, and are classified as available-for-sale in the BASF Group. A decline in all relevant share prices by 10% would have lowered equity by €6 million on December 31, 2011 (December 31, 2010: €117 million), before taking income taxes into consideration. The significant decline in sensitivity is due to the sale of the shares in K+S Aktiengesellschaft.

Options for disposal of participations: BASF and INEOS have agreed upon options for BASF's withdrawal from the joint venture Styrolution. These options are classified as derivatives according to IAS 39. A significant risk variable which is decisive for the valuation of both options is the value of the company. An additional negative impact on earnings of €26 million would have resulted had the value of Styrolution been 10% higher as of December 31, 2011. Had the company value been 10% lower as of December 31, 2011, increased earnings of €33 million would have resulted.

Commodity price risks: Some of BASF's divisions are exposed to strong fluctuations in raw material prices. These result primarily from the following raw materials: naphtha, propylene, benzene, lauric oils, titanium dioxide, cyclohexane, methanol, natural gas, butadiene, LPG condensate, ammonia and precious metals. BASF takes the following measures to reduce price risks associated with the purchase of raw materials:

- BASF uses commodity derivatives to hedge the risks from the volatility of raw material prices. These are primarily options and swaps on crude oil, oil products and natural gas.
- In order to secure margins, the Oil & Gas segment uses commodity derivatives, primarily swaps on oil products, in the Natural Gas Trading business sector. Risks to margins arise in volatile markets when purchase and sales contracts are priced differently.
- The Catalysts division enters into both short-term and long-term purchase contracts with precious metal producers. It also buys precious metals on spot markets from a variety of business partners. The price risk from precious metals purchased to be sold on to third parties, or for use in the production of catalysts, is hedged using derivative instruments. Forward contracts are primarily used and they are settled by either entering into offsetting contracts or by delivering the precious metals.
- In the Crop Protection division, the sales prices of products are partially coupled to the price of certain agricultural commodities. To hedge the resulting risks, derivatives on agricultural commodities are concluded.

In addition, BASF holds limited unhedged precious metal and oil product positions, which could also include derivatives, for trading on its own account. The value of these positions is exposed to market price volatility and is subject to constant monitoring.

In connection with CO_2 emissions trading, various types of CO_2 certificates are purchased and sold forward. The goal of these transactions is to benefit from market price differences. These deals are settled by physical delivery.

By holding commodity derivatives and precious metal trading positions, BASF is exposed to price risks. The valuation of commodity derivatives and precious metal trading positions at fair value means that adverse changes in market prices could negatively affect the earnings and equity of BASF.

BASF performs value-at-risk analyses for all commodity derivatives and precious metals trading positions. Using the value-at-risk analysis, we continually quantify market risk and forecast the maximum possible loss within a given confidence interval over a defined period. The value-at-risk calculation is based on a confidence interval of 95% and a holding period of one day. A confidence interval of 95% means that there is a 95% probability that the maximum loss does not exceed the value at risk within a one-day period. The value-at-risk calculation for precious metals is based on a confidence interval of 99%. BASF uses the variance-covariance approach.

BASF uses value-at-risk as a supplement to other risk management tools and also sets volume-based, exposure and stop loss limits.

Exposure to commodity derivatives (million €)

	2011		2010	
	Exposure	Value at Risk	Exposure	Value at Risk
Crude oil, oil products and natural gas	(259)	13	(230)	6
Precious metals	31	2	4	1
CO_2 emissions certificates	4	1	3	.
Agricultural commodities	(209)	1	(95)	.
	(433)	**17**	**(318)**	**7**

The exposure corresponds to the net amount of all long and short positions of the respective commodity category.

→ **For more information regarding financial risks and BASF's risk management, see BASF Management's Analysis, Opportunities and risks report, from page 104 onward**

Default and credit risk

Default and credit risks arise when counterparties do not fulfill their contractual obligations. BASF regularly analyzes the creditworthiness of each significant debtor and grants credit limits on the basis of this analysis. Due to the global activities and diversified customer structure of the BASF Group, there is no significant concentration of default risk. The carrying amount of all receivables, loans and interest-bearing securities plus the nominal value of contingent liabilities excluding potential warranty obligations represents the maximum default risk for BASF.

→ **For more information on credit risks, see Note 16 from page 178 onward**

Liquidity risks

BASF promptly recognizes any risks from cash flow fluctuations as part of the liquidity planning. BASF has ready access to sufficient liquid funds from our ongoing commercial paper program and confirmed lines of credit from banks.

25.2 – Maturity analysis

The interest and principal payments as well as other payments for derivative financial instruments are relevant for the presentation of the maturities of the contractual cash flows from financial liabilities. Future cash flows are not discounted here.

Derivatives are included using their net cash flows, provided they have a negative fair value and therefore represent a liability. Derivatives with positive fair values are assets and are therefore not considered.

Trade accounts payable are generally interest free and are due within one year. Therefore the carrying amount of trade accounts payable equals the sum of future cash flows.

Maturities of contractual cash flows from financial liabilities 2011 (million €)

	Bonds and other liabilities to the capital markets	Liabilities to credit institutions	Liabilities resulting from derivative financial instruments	Miscellaneous liabilities	Total
2012	3,410	1,117	532	973	6,032
2013	1,805	750	18	83	2,656
2014	1,516	119	6	21	1,662
2015	2,324	745	22	22	3,113
2016	956	59	–	22	1,037
2017 and thereafter	1,840	125	–	425	2,390
	11,851	**2,915**	**578**	**1,546**	**16,890**

Maturities of contractual cash flows from financial liabilities 2010 (million €)

	Bonds and other liabilities to the capital markets	Liabilities to credit institutions	Liabilities resulting from derivative financial instruments	Miscellaneous liabilities	Total
2011	3,616	795	437	942	5,790
2012	3,396	235	62	80	3,773
2013	1,799	686	1	14	2,500
2014	1,518	53	–	11	1,582
2015	2,320	382	–	12	2,714
2016 and thereafter	2,819	102	7	388	3,316
	15,468	**2,253**	**507**	**1,447**	**19,675**

25.3 – Classes and categories of financial instruments

For trade accounts receivable, other receivables and miscellaneous assets, loans, cash and cash equivalents, as well as trade accounts payable and other liabilities, the carrying amount approximates the fair value. Participations which are not traded on an active market and whose fair value could not be reliably determined are recognized at amortized cost and are reported in "other financial assets".

The carrying amount of participations which are traded on an active market and therefore recognized at fair value amounted to €1 million as of December 31, 2011 (December 31, 2010: €1,116 million). They are included in the item "shares in other participations." The decline is due to the sale of the shares in K+S Aktiengesellschaft.

→ **For more information, see Note 14 on page 177**

The carrying amount of financial indebtedness amounted to €13,004 million on December 31, 2011 (December 31, 2010: €15,039 million). The fair value of financial indebtedness amounted to €13,819 million at the end of 2011 (end of 2010: €15,995 million). The fair value of financial indebtedness is determined on the basis of interbank interest rates. The difference between carrying amounts and fair values results primarily from changes in market interest rates.

Carrying amounts and fair values of financial instruments as of December 31, 2011 (million €)

	Carrying amount	Total carrying amount within scope of application of IFRS 7	Valuation category in accordance with IAS 39[2]	Fair value	Thereof fair value level 1[3]	Thereof fair value level 2[4]	Thereof fair value level 3[5]
Participations[1]	554	554	Afs	1	1	–	–
Receivables from finance leases	22	22	n/a	22	–	–	–
Loans	254	254	LaR	254	–	–	–
Accounts receivable, trade	10,886	10,886	LaR	10,886	–	–	–
Derivatives without hedging relationships	526	526	aFVtPL	526	91	421	14
Derivatives with hedging relationships	35	35	n/a	35	–	35	–
Other receivables and miscellaneous assets[6]	3,759	1,433	LaR	1,433	–	–	–
Securities	59	59	Afs	59	59	–	–
Cash and cash equivalents	2,048	2,048	Afs	2,048	2,048	–	–
Total assets	**18,143**	**15,817**		**15,264**	**2,199**	**456**	**14**
Bonds	10,300	10,300	AmC	11,115	–	–	–
Commercial paper	–	–	AmC	–	–	–	–
Liabilities to credit institutions	2,704	2,704	AmC	2,704	–	–	–
Liabilities from finance leases	60	60	n/a	60	–	–	–
Accounts payable, trade	5,121	5,121	AmC	5,121	–	–	–
Derivatives without hedging relationships	713	713	aFVtPL	713	49	503	161
Derivatives with hedging relationships	45	45	n/a	45	–	45	–
Other liabilities[6]	3,360	1,781	AmC	1,781	–	–	–
Total liabilities	**22,303**	**20,724**		**21,539**	**49**	**548**	**161**

Carrying amounts and fair values of financial instruments as of December 31, 2010 (million €)

	Carrying amount	Total carrying amount within scope of application of IFRS 7	Valuation category in accordance with IAS 39[2]	Fair value	Thereof fair value level 1[3]	Thereof fair value level 2[4]	Thereof fair value level 3[5]
Participations[1]	1,672	1,672	Afs	1,116	1,116	–	–
Receivables from finance leases	18	18	n/a	18	–	–	–
Loans	244	244	LaR	244	–	–	–
Accounts receivable, trade	10,167	10,167	LaR	10,167	–	–	–
Derivatives without hedging relationships	396	396	aFVtPL	396	34	362	–
Derivatives with hedging relationships	28	28	n/a	28	–	28	–
Other receivables and miscellaneous assets[6]	4,094	1,218	LaR	1,218	–	–	–
Securities	53	53	Afs	53	53	–	–
Cash and cash equivalents	1,493	1,493	Afs	1,493	1,493	–	–
Total assets	**18,165**	**15,289**		**14,733**	**2,696**	**390**	**–**
Bonds	11,520	11,520	AmC	12,476	–	–	–
Commercial paper	1,384	1,384	AmC	1,384	–	–	–
Liabilities to credit institutions	2,135	2,135	AmC	2,135	–	–	–
Liabilities from finance leases	59	59	n/a	59	–	–	–
Accounts payable, trade	4,738	4,738	AmC	4,738	–	–	–
Derivatives without hedging relationships	424	424	aFVtPL	424	58	366	–
Derivatives with hedging relationships	26	26	n/a	26	–	26	–
Other liabilities[6]	3,194	1,589	AmC	1,589	–	–	–
Total liabilities	**23,480**	**21,875**		**22,831**	**58**	**392**	**–**

[1] The difference between carrying amount and fair value results from participations measured at acquisition cost, for which the fair value could not be reliably determined (2011: €553 million, 2010: €556 million).

[2] Afs: Available-for-sale; LaR: Loans and receivables; aFVtPL: at-fair-value-through-profit-or-loss; AmC: Amortized Cost; a more detailed description of the categories can be found in Note 1 from page 147 onward.

[3] Determination of the fair value based on quoted, unadjusted prices on active markets.

[4] Determination of the fair value based on parameters for which directly or indirectly quoted prices on active markets are available.

[5] Determination of the fair value based on parameters for which there is no observable market data.

[6] Not including separately shown derivatives as well as receivables and liabilities from finance leases; the categorization for the 2010 fiscal year has been adjusted for purposes of comparison.

Derivatives whose fair value is calculated using parameters not observable on the market (level 3) only include the options agreed upon with INEOS regarding the sale of BASF's share in Styrolution Holding GmbH. The sale and purchase options are shown on the balance sheet under other long-term receivables or other long-term liabilities. As of October 1, 2011, the market value of these options amounted to minus €139 million and to minus €147 million as of December 31, 2011. The resulting difference of €8 million was recorded in the financial result.

Net gains and losses of financial instruments comprise the results of valuations, the amortization of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies as well as interest, dividends and all other effects on the earnings resulting from financial instruments. The item "financial instruments at fair value through profit or loss" contains only those gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39. Net gains or net losses from available-for-sale financial assets contain income from write-downs/write-ups, interest, dividends and the reclassification of valuation effects from equity on the sale of the securities and participations.

The net loss from loans and receivables, and net gains from financial liabilities measured at amortized cost relate primarily to results from the translation of foreign currencies.

→ **The gains and losses from the valuation of securities and participations recognized in the equity of the shareholders of BASF SE are shown in the Consolidated statements of income and expense recognized in equity on page 143**

Net gains and losses from financial instruments (million €)

	2011	2010
Loans and receivables	399	(320)
Thereof interest result	121	65
Available-for-sale financial assets	871	7
Thereof interest result	4	2
Liabilities measured at amortized cost	(822)	(910)
Thereof interest result	(556)	(603)
Financial instruments at fair value through profit or loss	(193)	302

25.4 – Derivative instruments and hedge accounting

The use of derivative instruments

The Company is exposed to foreign currency, interest rate and commodity price risks during the normal course of business. In addition, publicly listed financial assets are also exposed to equity price risks. These risks are hedged through a centrally determined strategy employing derivative instruments. In addition, derivative instruments are used to replace primary financial instruments, such as fixed-interest securities. Hedging is only employed for underlying positions from the operating business, cash investments, financing and the net investment in a foreign operation as well as for planned sales and raw material purchases. The risks from the underlying transactions and the derivatives are constantly monitored. Where derivatives have a positive market value, the Company is exposed to credit risks in the event of nonperformance of their counterparts. This credit risk is minimized by trading contracts exclusively with creditworthy banks and partners within predefined credit limits.

To ensure effective risk management, risk positions are centralized at BASF SE and certain Group companies. Contracting and execution of derivative financial instruments for hedging purposes is conducted according to internal guidelines, and is subject to strict control mechanisms.

The fair values of derivative financial instruments are calculated using valuation models which use input parameters observable on the market. Exceptions to this are some commodity derivatives, whose valuation is based directly on market prices and the options agreed upon with INEOS, whose fair values are determined based on parameters not observable on the market.

Fair value of derivative instruments (million €)

	2011	2010
Foreign currency forward contracts	(264)	(151)
Foreign currency options	64	109
Foreign currency derivatives	**(200)**	**(42)**
Thereof designated hedging instrument as defined by IAS 39 (Hedge accounting)	6	3
Interest rate swaps	48	52
Thereof designated hedging instrument as defined by IAS 39 (Hedge accounting)	9	–
Combined interest and cross currency swaps	34	60
Interest derivatives	**82**	**112**
Options for disposal of participations	**(147)**	**–**
Commodity derivatives	**68**	**(96)**
Thereof designated hedging instrument as defined by IAS 39 (Hedge accounting)	(25)	(1)
Derivative financial instruments	**(197)**	**(26)**

Cash flow hedge accounting

Some of the planned purchases of naphtha are hedged using swaps and options on oil and oil products. Some of these hedges were shown in the Consolidated Financial Statements of the BASF Group by means of cash flow hedge accounting, where gains and losses from hedges were initially recognized directly in equity. Gains and losses from hedges are included in cost of sales at the point in time at which the hedged item is recognized in the consolidated statements of income.

Cash flow hedge accounting is applied in the Natural Gas Trading business sector for swaps on crude oil concluded in order to hedge price risks from purchase contracts for natural gas. The purchase contracts have variable prices and the price formula is coupled with the oil price.

Furthermore, cash flow hedge accounting was used to a minor extent for natural gas purchases in 2011.

The majority of the planned transactions and their effect on earnings occur in the year following the balance sheet date. A small part relates to the period between 2013 and 2014. In 2011, effective changes in the fair value of hedging instruments of minus €26 million were recognized in the equity of the shareholders of BASF SE. In 2010, the effective changes in values across all subsidiaries balanced each other out in the equity of the shareholders of BASF SE. In 2011, €5 million was derecognized from the equity of the shareholders of BASF SE and recorded as a gain in cost of sales. In 2010, there was a gain of €11 million in this regard. The ineffective part in the change in value of the hedge was minus €4 million in 2011 (2010: €12 million). This amount was reported in the income statement in costs of sales, in other operating income and in other operating expenses.

In 2004 and 2005, fair value changes from forward interest swaps entered into to hedge interest-rate risks from the refinancing of an expiring bond were recognized directly in equity using cash flow hedge accounting. The hedge was closed in 2005 as a new bond was issued to refinance the expiring bond. The new bond is due in 2012. Over the maturity of the bond, the changes in fair value of interest rate swaps recognized in the equity are reclassified proportionally from equity of the shareholders of BASF SE to the consolidated statements of income. In both 2011 and 2010, €8 million was derecognized from other comprehensive income and recorded as interest expense.

Cash flow hedge accounting is applied for the effects of foreign currency derivatives contained in supply contracts. The impact on earnings from the underlying transactions occurs primarily in 2012, with a smaller impact in the period between 2013 and 2015. In 2011, the effective change in values of the hedges was €10 million (2010: minus €12 million), which was recognized in the equity of the shareholders of BASF SE. In 2011, the amounts derecognized from the equity of the shareholders of BASF SE reduced costs of sales by €16 million. In 2010 there was an increase of €16 million in this regard. There were no ineffective parts.

Fair value hedge accounting

In 2011, in order to hedge interest rate risks, BASF converted the 3.75% fixed-interest rate euro bond of BASF SE (nominal volume €1,350 million, maturity 2012) into a variable rate bond using interest rate swaps. The bond and the derivatives were designated as a fair value hedge.

In 2011, a gain of €8 million resulted from the hedging instrument. The book value of the bond was adjusted for €8 million of interest rate-related losses.

Hedge of a net investment in a foreign operation

The currency translation risk from an investment in a foreign operation is hedged using foreign currency forward contracts. The hedge was completely effective and increased the equity of the shareholders of BASF SE by €5 million (2010: a reduction of €7 million).

26 – Leasing

Leased assets

Property, plant and equipment include those assets which are considered to be economically owned through a finance lease. They primarily concern the following items:

Leased assets (million €)

	2011		2010	
	Acquisition cost	Net book value	Acquisition cost	Net book value
Land, land rights and buildings	47	27	46	29
Machinery and technical equipment	218	60	275	79
Miscellaneous equipment and fixtures	64	13	69	13
	329	**100**	**390**	**121**

Liabilities from finance leases (million €)

	2011			2010		
	Minimum lease payments	Interest portion	Leasing liability	Minimum lease payments	Interest portion	Leasing liability
Following year 1	28	7	21	35	8	27
Following year 2	21	6	15	25	6	19
Following year 3	18	5	13	15	3	12
Following year 4	13	4	9	12	4	8
Following year 5	13	3	10	10	2	8
Over 5 years	52	19	33	27	5	22
	145	**44**	**101**	**124**	**28**	**96**

In the current business year and in 2010, no additional lease payments arising from contractual obligations for finance leases were recognized in income above the minimum lease payments for finance leases.

In 2011, leasing liabilities were not offset by any significant minimum lease payments from sub-leases.

In addition, BASF is a lessee under operating lease contracts. The resulting lease obligations totaling €1,801 million in 2011 (2010: €1,679 million) are due in the following years:

Commitments due to operating lease contracts (million €)

	Nominal value of the future minimum payments	
	December 31, 2011	December 31, 2010
Less than 1 year	620	521
1–5 years	731	807
Over 5 years	450	351
	1,801	**1,679**

In 2011, commitments due to operating lease contracts of less than one year included leases of precious metals of €334 million (2010: €203 million). These metals were immediately leased to third parties. Offsetting the other leasing commitments were expected minimum lease payments from subleases of €9 million in 2011 (2010: €16 million).

In 2011, minimum lease payments of €313 million were included in income from operations (2010: €311 million). In 2011, this also included conditional lease payments of €2 million (2010: €1 million). Furthermore, €3 million in lease payments from sub-leases was included in income from operations in 2011 (2010: €4 million).

BASF as lessor

BASF acts as a lessor for finance leases in a minor capacity only. Receivables on finance leases were €22 million in 2011 (2010: €18 million).

In 2011, nominal minimum payments arising from operating leases amounted to €345 million within one year (2010: €222 million) and €42 million for more than one year (2010: €72 million).

In 2011, precious metal accounts of €813 million (2010: €706 million) were held for customers where the metals are stored physically at BASF.

27 – Consolidated statements of cash flows and capital structure management

Consolidated statements of cash flows

Cash provided by operating activities includes the following cash flows:

Million €	2011	2010
Income tax payments	1,710	2,051
Interest payments	588	639
Dividends received	188	75

Interest payments comprise interest received of €179 million (2010: €106 million) and interest paid of €767 million (2010: €745 million).

Capital structure management

The aim of capital structure management is to maintain the financial flexibility needed to continually develop our business portfolio and take advantage of strategic opportunities. The objectives of our financing policy are to secure liquidity, limit financial risks and optimize the cost of capital by means of an appropriate capital structure. The capital structure is orientated to the needs of the operational business and the company's strategic direction.

It focuses on meeting the requirements needed to ensure a solid A rating and unrestricted access to capital markets; these include dynamic debt and equity ratio requirements. The capital structure of BASF is managed using selected financial ratios, within the framework of our financial management. Equity as reported on the balance sheet amounted to €25,385 million as of December 31, 2011 (December 31, 2010: €22,657 million). The equity ratio amounted to 41.5% on December 31, 2011 (December 31, 2010: 38.1%).

BASF prefers to access external financing via the capital markets. A commercial paper program is used for short-term financing, while corporate bonds are used for financing in the medium and long-term. These are issued in euros and other currencies with different maturities. This ensures a balanced maturity profile, a diverse range of investors and advantageous financing conditions for BASF.

As part of its interest rate risk management, BASF pursues a strategy of reducing the Group's interest expense by turning selected capital market liabilities with fixed interest into variable rate receiver swaps.

Currently, BASF has the following ratings:

	December 31, 2011		December 31, 2010	
	Moody's	Standard & Poor's	Moody's	Standard & Poor's
Long-term financial indebtedness	A1	A+	A1	A
Short-term financial indebtedness	P-1	A-1	P-1	A-1
Outlook	stable	stable	negative	stable

Moody's last confirmed BASF's A1 long-term rating on December 6, 2011, and rated the outlook as stable. On May 10, 2011, Standard & Poor's upgraded BASF's long-term rating by one notch from A to A+, also with a stable outlook. BASF's short-term ratings were confirmed by both agencies.

BASF continues to aim for at least a solid A rating, which ensures unrestricted access to financial and capital markets.

→ **For more information on financing policy and consolidated statements of cash flows, see Management's Analysis from page 39 onward**

28 – Stock price-based compensation program and BASF incentive share program

Stock price-based compensation program

In 2011, BASF continued its stock price-based compensation program (the long-term incentive, or LTI program) for senior executives of the BASF Group. This program has been in place since 1999. Approximately 1,100 senior executives, including the Board of Executive Directors, are currently entitled to participate in the LTI program. This program provides for the granting of virtual options, which are settled in cash when exercised.

Participation in the LTI program is voluntary. The condition for taking part in the program is the participant's own investment: A participant must hold BASF shares in the amount of 10% to 30% of his or her individual variable compensation for a two-year period from the granting of the option (holding period). The number of shares to be held is determined by the amount of variable compensation and the weighted-average market price for BASF shares on the first business day after the Annual Shareholders' Meeting, which was €65.98 on May 9, 2011.

The participant receives four option rights per invested share. Each option consists of two parts, right A and right B, which may be exercised if defined thresholds have been met: The threshold of right A is met if the price of the BASF share has increased by more than 30% in comparison to the base price (absolute threshold). The value of right A will be the difference between the market price of BASF shares on the exercise date and the base price; it is limited to 100% of the base price. Right B may be exercised if the cumulative percentage performance of BASF shares exceeds (relative threshold) the percentage performance of the MSCI World Chemicals Index[SM] (MSCI Chemicals). The value of right B will be the base price of the option multiplied by twice the percentage outperformance of BASF shares compared to the MSCI Chemicals Index on the exercise date. It is limited to the closing price on the date of exercise minus the computed nominal value of BASF shares. The options were granted on July 1, 2011, and may be exercised following a two-year vesting period, between July 1, 2013, and June 30, 2019. During the exercise period, it is not possible to exercise options during certain periods (closed periods). Each option right can only be exercised in full, meaning that it may only be exercised if one of the performance targets is achieved and may only be exercised once, i.e., if only one performance target is met and that option is exercised, the other option right lapses. The maximum gain for a participant is limited to 10 times the original individual investment. Option rights are non-transferable and are forfeited if the option holders no longer work for BASF or have sold part of their individual investment before the expiry of the two-year vesting period. They remain valid in the case of retirement.

For the members of the Board of Executive Directors, the long-term direction of the program is significantly strengthened compared to the conditions applying to the other participants. The members of the Board of Executive Directors are required to participate in the LTI program with at least 10% of their gross bonus. In view of this binding own investment (in the form of BASF shares), an extended holding period of four years applies. Under the LTI program, members of the Board of Executive Directors may only exercise their options at least four years after they have been granted (vesting period).

The 2004 to 2010 programs were structured in a similar way to the LTI program 2011.

The benchmark index used to determine the value of right B for the 2004 program is the Dow Jones Chemicals Total Return Index (DJ Chemicals). This index was replaced by the MSCI Chemicals starting with the 2005 program. The MSCI Chemicals is a global industry index for the chemical industry that measures the performance of the companies contained within it in their respective local currencies, which significantly reduces currency effects.

The models used in the valuation of the option plans are based on the arbitrage-free valuation model according to Black-Scholes.

Due to the complexity of the programs, a numerical solution method was used (Monte Carlo simulation).

Fair value of options and parameters used as of December 31, 2011[1]

		LTI program of the year	
		2011	2010
Fair value	€	12.72	27.48
Dividend yield	%	4.08	4.08
Risk-free interest rate	%	1.49	1.26
Volatility BASF share	%	27.86	29.26
Volatility MSCI Chemicals	%	19.45	20.40
Correlation BASF share price: MSCI Chemicals	%	80.20	80.01

[1] It is assumed that the options will be exercised based upon the potential gains.

As of December 31, 2011, the fair values and the valuation parameters relate to the LTI programs 2011 and 2010. For the programs from preceding years, corresponding fair values were computed and valuation parameters were used.

The number of options granted amounted to 2,357,424 in 2011 (2010: 1,833,760).

Volatility was determined on the basis of the monthly closing prices over a historical period corresponding to the remaining term of the options.

As a result of a resolution by the Board of Executive Directors in 2002 to settle options in cash, options outstanding from the programs 2004 to 2011 were valued with the fair value as of the balance sheet date December 31, 2011. This amount is recognized proportionally as a provision over the respective vesting period. This provision decreased from €411 million as of December 31, 2010, to €269 million as of December 31, 2011, due to lower fair values of the options as well as to the lower number of outstanding options. The utilization of provisions amounted to €267 million in 2011 (2010: €263 million). Personnel expenses amounted to €125 million in 2011 and €418 million in 2010.

The total intrinsic value of exercisable options amounted to €167 million as of December 31, 2011, and €266 million as of December 31, 2010.

BASF incentive share program

All employees are entitled to participate in the *"plus"* incentive share program, with the exception of those senior executives entitled to participate in the LTI program. The *"plus"* program was introduced in 1999 and is currently offered in Germany, other European countries and Mexico. Each participant must make an individual investment in BASF shares from his or her variable compensation. For every ten BASF shares purchased in the program, a participant receives one BASF share at no cost after one, three, five, seven and ten years of holding the BASF shares. As a rule, the first and second block of ten shares entitles the participant to receive one BASF share at no extra cost in each of the next ten years.

The right to receive free BASF shares lapses one year after retirement if a participant sells the individual investment in BASF shares, or if the participant stops working for the Company. The number of free shares to be granted has developed as follows:

Number of free shares to be granted

	2011	2010
As of January 1	3,085,075	3,296,361
Newly acquired entitlements	512,745	485,080
Bonus shares issued	(511,338)	(557,001)
Lapsed entitlements	(101,329)	(139,365)
As of December 31	**2,985,154**	**3,085,075**

The free shares to be provided by the Company are valued at the fair value on the grant date. Fair value is determined on the basis of the stock price of BASF shares, taking into account the present value of dividends, which are not paid during the term of the program. The weighted-average fair value on the grant date amounted to €53.29 for the 2011 program, and €32.93 for the 2010 program.

The fair value of the free shares to be granted is booked through the income statement against capital surplus over the period until the shares are issued.

Provisions for the costs of the 2002 program continue to be accrued proportionally on the basis of the BASF closing stock price.

Personnel expenses of €17 million were recorded in 2011 for the BASF incentive share program (2010: €16 million).

29 – Compensation for the Board of Executive Directors and Supervisory Board of BASF SE

Million €	2011	2010
Performance-related and fixed payments to the Board of Executive Directors	24.4	22.2
Market value of options granted to the Board of Executive Directors in the fiscal year on date of grant	6.9	3.5
Total compensation for the Board of Executive Directors	**31.3**	**25.7**
Service costs of the Board of Executive Directors	3.8	2.9
Compensation for the Supervisory Board	3.0	2.9
Total compensation for former members of the Board of Executive Directors and their surviving dependents	12.8	13.2
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	116.1	95.4
Guarantees to members of the Board of Executive Directors and the Supervisory Board	–	–

Performance-related compensation for the Board of Executive Directors is based on the return on assets, as well as the performance of the entire Board. Return on assets corresponds to earnings before taxes plus borrowing costs as a percentage of average assets.

Moreover, in 2011, the members of the Board of Executive Directors were granted 268,884 options under the long-term incentive (LTI) program.

The options of active and former members of the Board resulted in personnel expenses of €7.6 million in 2011 (2010: €46.4 million).

A member of the Board of Executive Directors had a remaining debt of €97,000 in building loans from the BASF Pensionskasse VVaG as of December 31, 2011 (January 1, 2011: €194,000). The conditions of the loan are no different than those offered to other employees.

→ **For more information on the compensation of members of the Board of Executive Directors, see the Compensation report from page 129 onward**

→ **For more information on the members of the Supervisory Board and Board of Executive Directors, including their memberships on other boards, see page 126 onward**

30 – Related party transactions

IAS 24 requires the disclosure of transactions with related parties.

A related party is a person or entity where the BASF Group can exercise influence or significant influence, or which is controlled by the BASF Group. In particular, this relates to non-consolidated subsidiaries, jointly controlled entities, associated companies and other participations.

The following table shows the volume of business with related parties that are included in the financial statements at amortized cost or using the equity method or proportional consolidation.

Million €	2011			2010		
	Sales	Accounts receivable, trade	Accounts payable, trade	Sales	Accounts receivable, trade	Accounts payable, trade
Non-consolidated subsidiaries	878	205	47	1,056	266	48
Jointly controlled entities	673	84	170	536	82	145
Associated companies and other participations	1,994	467	64	1,391	189	17

Sales from jointly controlled entities related primarily to sales with Ellba C.V., Rotterdam, the Netherlands; Ellba Eastern Private Ltd., Singapore; Heesung Catalysts Corporation, Seoul, South Korea; and Wintershall Erdgas Handelshaus GmbH & Co. KG, Berlin, Germany. The unconsolidated portion of the sales with these companies amounted to €422 million in 2011, and €304 million in 2010.

Sales with associated companies and other participations resulted primarily from business with Erdgas Münster GmbH, Münster, Germany; VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, Germany; Styrolution GmbH, Ludwigshafen, Germany; Styrolution Belgium N.V., Antwerp, Belgium; and Styrolution South East Asia Pte. Ltd., Singapore. The non-consolidated portion of the sales with these companies amounted to €1,774 million in 2011, and €1,291 million in 2010.

There were no reportable related party transactions with members of the Board of Executive Directors or the Supervisory Board and their related parties in 2011.

→ **For more information on subsidiaries, jointly controlled entities, associated and affiliated companies, see the List of shares held of the BASF Group 2011 on page 162**

→ **For more information on the Board of Executive Directors and the Supervisory Board, see Management and Supervisory Boards and Compensation report from page 126 onward**

31 – Services provided by the external auditor

BASF Group companies have used the following services from KPMG:

Million €	2011	2010
Annual audit	24.6	24.5
Thereof domestic	7.4	7.6
Audit-related services	0.6	0.4
Thereof domestic	0.2	0.1
Tax consultation services	.	.
Thereof domestic	–	–
Other services	0.2	0.3
Thereof domestic	0.1	0.3
	25.4	**25.2**

The annual audit related to the audit of the consolidated annual financial statements of the BASF Group as well as the legally required financial statements of BASF SE and its consolidated subsidiary companies and jointly controlled entities.

32 – Declaration of Conformity with the German Corporate Governance Code

Statement of compliance according to § 161 AktG (Stock Corporation Act)

The annual Declaration of Conformity with the German Corporate Governance Code according to Section 161 of the German Stock Corporation Act was signed by the Board of Executive Directors and the Supervisory Board of BASF SE on December 15, 2011, and is published online at: → **basf.com/governance_e**

Supplementary information on oil and gas producing activities

5

Supplementary information on oil and gas producing activities (unaudited)

The following tables provide supplementary information on the Exploration & Production business sector of the Oil & Gas segment. In the absence of detailed disclosure rules in this area under IFRS, the Group has elected to voluntarily disclose the following information, which would have been required under SFAS No. 69 (Disclosure of Oil and Gas Producing Activities) and by the Securities and Exchange Commission. In order to present an economically meaningful report of the cooperation with Gazprom in the projects Yuzhno Russkoye and Achimgaz, SFAS 69 is applied with several modifications. BASF has an interest of 35% in the economic rewards of the Yuzhno Russkoye field through Severneftegazprom (SNG), the company which holds the production license. SNG is accounted for using the equity method. A project company, which is fully consolidated, was established for these operations. The Achimgaz project is being included in the supplementary information on oil and gas producing activities for the first time because, following the conclusion of the pilot phase in 2011, a decision was made to develop the field jointly. BASF has a 50% stake in Achimgaz, which is proportionally consolidated.

In the following overviews, BASF's stake in both projects is included under 'Russia.' In addition, the values for SNG, which is accounted for using the equity method, are presented separately.

All fully consolidated subsidiaries are included with 100%. To the extent that other investors have a stake in these companies, their share is presented separately. This relates to a stake in a German Wintershall subsidiary which was part of the asset swap with Gazprom in 2007. This company holds the production and exploration rights to the Libyan onshore concessions 96 and 97.

The following table provides an overview of the most important differences between the information given for the Exploration & Production business sector in the Consolidated Financial Statement of the BASF Group and the supplementary information on the oil and gas producing activities.

	BASF reporting	Supplementary information on oil and gas activities
Other activities in Exploration & Production (e.g., trading business and joint venture services)	included	not included
Activities accounted for using the equity method (Severneftegazprom and Volgodeminoil)	earnings from the equity method included in financial result	included
Corporate overhead costs and financing costs	included	not included

The regions include the following countries with operational activities:

Region	Exploration & Production	Exploration
Russia/Caspian Sea region	Russia	Turkmenistan
Rest of Europe	United Kingdom, the Netherlands, Norway	Denmark
North Africa/Middle East	Libya	Abu Dhabi, Qatar, Mauritania
South America	Argentina	Chile

Statistical information on the concession areas or the number of wells has limited informative value and is therefore not reported.

Oil and gas reserves

Proven oil and gas reserves are the estimated volumes of crude oil, natural gas and natural gas liquids that are shown by geological and engineering data with reasonable certainty to be recoverable in future years from known reserves under existing economic and operating conditions. Accordingly, reserve estimates could be materially different from the quantities of oil and natural gas that are ultimately recovered. To reduce uncertainties, Wintershall uses independent, internationally recognized reserve auditors to perform recurring reserves audits of its major oil and gas fields.

The tables below show the estimated net quantities as of December 31, 2010 and 2011, of the company's proven oil and gas reserves and proven developed oil and gas reserves as well as changes in estimated proven reserves as a result of production and other factors.

Oil 2011

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Proven developed and undeveloped oil reserves as of January 1, millions of barrels (MMbbl)	**54**	**4**	**9**	**268**	**27**	**362**
Revisions and other changes	14	3	–	–	–	17
Extensions and discoveries	–	5	–	–	–	5
Purchase/sale of reserves	–	–	32	–	–	32
Production	7	2	1	10	3	23
Proven reserves as of December 31	**61**	**10**	**40**	**258**	**24**	**393**
Minority interests	–	–	–	118	–	118
Proven reserves after minority interests	**61**	**10**	**40**	**140**	**24**	**275**
Thereof at-equity companies	–	–	8	–	–	8
Proven reserves after minority interests and at-equity companies	**61**	**10**	**32**	**140**	**24**	**267**
Minority interests in production	–	–	–	*5*	–	*5*
Proven developed reserves as of December 31	*43*	*3*	*21*	*237*	*19*	*323*

Gas 2011

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Proven developed and undeveloped gas reserves as of January 1, Billion Standard Cubic Feet (BSCF)[1]	**249**	**101**	**3,645**	**195**	**1,210**	**5,400**
Revisions and other changes	7	26	2	–	30	65
Extensions and discoveries	–	20	–	–	–	20
Purchase/sale of reserves	–	–	428	–	–	428
Production	31	37	314	5	143	530
Proven reserves as of December 31	**225**	**110**	**3,761**	**190**	**1,097**	**5,383**
Minority interests	–	–	–	93	–	93
Proven reserves after minority interests	**225**	**110**	**3,761**	**97**	**1,097**	**5,290**
Thereof at-equity companies	–	–	3,335	–	–	3,335
Proven reserves after minority interests and at-equity companies	**225**	**110**	**426**	**97**	**1,097**	**1,955**
Minority interests in production	–	–	–	*3*	–	*3*
Proven developed reserves as of December 31	*199*	*100*	*3,501*	*153*	*895*	*4,848*

[1] The natural gas volumes can be converted with the factor 6 BSCF per MMBOE (Million Barrel Oil Equivalent).

Oil 2010

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Proven developed and undeveloped oil reserves as of January 1, millions of barrels (MMbbl)	**54**	**3**	**11**	**274**	**30**	**372**
Revisions and other changes	6	3		23	1	33
Extensions and discoveries	–	–	–	–	–	–
Purchase/sale of reserves	–	–	–	–	–	–
Production	6	2	2	29	4	43
Proven reserves as of December 31	**54**	**4**	**9**	**268**	**27**	**362**
Minority interests	–	–	–	123	–	123
Proven reserves after minority interests	**54**	**4**	**9**	**145**	**27**	**239**
Thereof at-equity companies	–	–	9	–	–	9
Proven reserves after minority interests and at-equity companies	**54**	**4**	**–**	**145**	**27**	**230**
Minority interests in production	–	–	–	*14*	–	*14*
Proven developed reserves as of December 31	*42*	*3*	*9*	*246*	*22*	*322*

Gas 2010

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Proven developed and undeveloped gas reserves as of January 1, Billion Standard Cubic Feet (BSCF)[1]	**278**	**101**	**3,562**	**202**	**1,317**	**5,460**
Revisions and other changes	5	38	391	13	29	476
Extensions and discoveries	–	5	–	–	–	5
Purchase/sale of reserves	–	–	–	–	–	–
Production	34	43	308	20	136	541
Proven reserves as of December 31	**249**	**101**	**3,645**	**195**	**1,210**	**5,400**
Minority interests	–	–	–	96	–	96
Proven reserves after minority interests	**249**	**101**	**3,645**	**99**	**1,210**	**5,304**
Thereof at-equity companies	–	–	3,645	–	–	3,645
Proven reserves after minority interests and at-equity companies	**249**	**101**	**–**	**99**	**1,210**	**1,659**
Minority interests in production	–	–	–	*9*	–	*9*
Proven developed reserves as of December 31	*223*	*80*	*3,517*	*158*	*1,007*	*4,985*

[1] The natural gas volumes can be converted with the factor 6 BSCF per MMBOE (Million Barrel Oil Equivalent).

Operating results of operations from oil and gas producing activities

This represents only those revenues and expenses directly associated with Wintershall's oil and gas production. These amounts do not include financing costs (such as interest expenses) or corporate overheads and do not correspond to the contributions to the Oil & Gas segment. The differences in sales compared to the segment reporting results from sales for merchandise and services. Estimated income taxes were calculated by applying the statutory income tax rates to the pretax income from producing activities.

2011 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Sales crude oil (incl. condensate and LPG)	489	118	115	839	168	1,729
Sales natural gas	170	244	760	1	228	1,403
Local duties (royalties, export, etc.)	118	2	91	32	99	342
Total sales (net of duties)	**541**	**360**	**784**	**808**	**297**	**2,790**
Production costs	110	116	68	104	82	480
Exploration expenses	16	144	7	36	9	212
Depreciation, amortization and impairment	57	70	33	80	46	286
Other	7	6	17	24	(8)	46
Operating income before taxes	**351**	**24**	**659**	**564**	**168**	**1,766**
Income taxes	102	(23)	130	571	27	807
Operating income after taxes	**249**	**47**	**529**	**(7)**	**141**	**959**
Minority interests	–	–	–	21	–	21
Operating income after taxes and minority interests	**249**	**47**	**529**	**(28)**	**141**	**938**
Thereof at-equity companies	–	–	100	–	–	100
Operating income after taxes, minority interests and at-equity companies	**249**	**47**	**429**	**(28)**	**141**	**838**

2010 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Sales crude oil (incl. condensate and LPG)	339	105	57	1,734	171	2,406
Sales natural gas	182	222	680	6	171	1,261
Local duties (royalties, export, etc.)	88	2	58	94	82	324
Total sales (net of duties)	**433**	**325**	**679**	**1,646**	**260**	**3,343**
Production costs	109	124	43	202	79	557
Exploration expenses	8	120	21	49	8	206
Depreciation, amortization and impairment	56	213	87	55	40	451
Other	2	(10)	14	19	13	38
Operating income before taxes	**258**	**(122)**	**514**	**1,321**	**120**	**2,091**
Income taxes	74	(113)	101	1,211	20	1,293
Operating income after taxes	**184**	**(9)**	**413**	**110**	**100**	**798**
Minority interests	–	–	–	51	–	51
Operating income after taxes and minority interests	**184**	**(9)**	**413**	**59**	**100**	**747**
Thereof at-equity companies	–	–	193	–	–	193
Operating income after taxes, minority interests and at-equity companies	**184**	**(9)**	**220**	**59**	**100**	**554**

Costs incurred in oil and gas property acquisition, exploration and development activities

Costs incurred represent amounts capitalized or charged against income as incurred in connection with oil and gas property acquisition, exploration and development activities.

2011 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Acquisitions	–	–	–	–	–	–
Exploration	19	212	12	54	15	312
Development	83	202	37	8	30	360
Total net costs	**102**	**414**	**49**	**62**	**45**	**672**

2010 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Acquisitions	–	–	–	–	–	–
Exploration	8	160	8	82	12	270
Development	54	132	34	75	23	318
Total net costs	**62**	**292**	**42**	**157**	**35**	**588**

Capitalized costs relating to oil and gas producing activities

Capitalized costs represent total expenditures on proven and unproven oil and gas properties with related accumulated depreciation, depletion and amortization.

2011 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Proven properties	678	928	2,272	1,414	970	6,262
Unproven properties	37	915	10	103	33	1,098
Other equipment	660	728	4	40	–	1,432
Total gross costs	**1,375**	**2,571**	**2,286**	**1,557**	**1,003**	**8,792**
Accumulated depreciation	985	1,368	392	922	691	4,358
Total net costs	**390**	**1,203**	**1,894**	**635**	**312**	**4,434**

2010 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Proven properties	637	867	2,168	1,414	952	6,038
Unproven properties	19	848	6	93	–	966
Other equipment	638	636	4	42	–	1,320
Total gross costs	**1,294**	**2,351**	**2,178**	**1,549**	**952**	**8,324**
Accumulated depreciation	952	1,477	280	916	634	4,259
Total net costs	**342**	**874**	**1,898**	**633**	**318**	**4,065**

Capitalized exploration well-drilling costs: Suspended well costs

Exploratory drilling costs are capitalized until the drilling of the well is complete. If hydrocarbons are found, and, subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development, the costs continue to be carried under construction in progress. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If proven reserves of oil or natural gas are determined and development is sanctioned, the relevant expenditure is transferred to machinery and technical equipment. Unsuccessful exploration wells are impaired in exploration expenses.

The following table indicates the changes to the company's capitalized exploration well-drilling costs.

Capitalized exploration well-drilling costs (million €)[1]

	2011	2010
As of January 1	**254**	**175**
Additions pending determination of proven reserves	120	112
Capitalized exploratory well costs charged to expense	(26)	(29)
Reclassifications to wells, facilities and equipment	(34)	(4)
As of December 31	**314**	**254**

[1] Only fully consolidated companies

The following table provides an aging of capitalized well costs, the amounts capitalized and, on the last line, the number of suspended exploration wells.

Capitalized exploration well-drilling costs (million €)[1]

	2011	2010
Wells for which drilling is not complete	33	54
Wells capitalized less than one year	63	30
Wells capitalized more than one year	218	170
Total	**314**	**254**
Number of suspended wells	**32**	**29**

[1] Only fully consolidated companies

Standardized measure of discounted future net cash flows relating to proven oil and gas reserves (SMOG)

The following information has been prepared in accordance with SFAS 69 and the regulations of the Securities and Exchange Commission, which require the standardized measure of discounted future cash flows based on sales prices, costs and statutory interest rates. The proven reserves are valued at the average price calculated from the prices on the first day of the month. The values calculated in this way are subject to a 10% annual discount rate.

The projection should not be viewed as realistic estimates of future cash flows nor should the "standardized measure" be interpreted as representing current value to the company.

Material revisions of estimates of proven reserves may occur in the future, development and production of the reserves may not occur in the period assumed, actual prices realized are expected to vary significantly from those used and actual costs may also vary.

The company's investment and operating decisions are not based on the information presented below, but rather on a wide range of reserve estimates, and on different price and cost assumptions from those reflected in this information.

Beyond the above considerations, the "standardized measure" is also not directly comparable with asset balances appearing elsewhere in the Consolidated Financial Statements because any such comparison would require a reconciling adjustment.

Standardized measure of discounted future cash flows 2011 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Future revenues	4,671	1,519	7,989	19,765	1,985	35,929
Future production/development costs	1,914	1,127	1,260	3,320	989	8,610
Future income taxes	666	255	1,062	13,780	109	15,872
Future net cash flows	2,091	137	5,667	2,665	887	11,447
Discounted to present value at a 10% annual rate	764	(18)	2,223	892	339	4,200
Standardized measures of discounted future cash flows	**1,327**	**155**	**3,444**	**1,773**	**548**	**7,247**
Minority interests	–	–	–	738	–	738
Standardized measures of discounted future cash flows after minority interests	**1,327**	**155**	**3,444**	**1,035**	**548**	**6,509**
Thereof at-equity companies	–	–	832	–	–	832
Standardized measures of discounted future cash flows after minority interests and at-equity companies	**1,327**	**155**	**2,612**	**1,035**	**548**	**5,677**

Standardized measure of discounted future cash flows 2010 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Future revenues	3,470	862	6,647	16,250	2,306	29,535
Future production/development costs	1,980	687	1,364	3,372	1,377	8,780
Future income taxes	326	84	723	10,153	120	11,406
Future net cash flows	1,164	91	4,560	2,725	809	9,349
Discounted to present value at a 10% annual rate	378	30	1,739	925	274	3,346
Standardized measures of discounted future cash flows	**786**	**61**	**2,821**	**1,800**	**535**	**6,003**
Minority interests	–	–	–	770	–	770
Standardized measures of discounted future cash flows after minority interests	**786**	**61**	**2,821**	**1,030**	**535**	**5,233**
Thereof at-equity companies	–	–	1,340	–	–	1,340
Standardized measures of discounted future cash flows after minority interests and at-equity companies	**786**	**61**	**1,481**	**1,030**	**535**	**3,893**

Summary of changes in standardized measure of discounted future net cash flows 2011 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Balance as of January 1	**786**	**61**	**2,821**	**1,800**	**535**	**6,003**
Sales and transfers of oil and gas produced, net of production costs	(432)	(249)	(784)	(710)	(214)	**(2,389)**
Net changes in price and in development and production costs	600	195	956	2,667	163	**4,581**
Extension, discoveries and improved recovery, less related costs	–	6	–	–	–	**6**
Revisions of previous quantity estimates	413	250	31	25	61	**780**
Development costs incurred during the period	83	153	36	8	28	**308**
Changes in estimated future development costs	(19)	(132)	(31)	7	(80)	**(255)**
Purchase/sale reserves	–	–	395	–	–	**395**
Net change in income taxes	(196)	(135)	(206)	(2,504)	1	**(3,040)**
Accretion of discounts	93	6	226	480	54	**859**
Other	(1)	–	–	–	–	**(1)**
Balance as of December 31	**1,327**	**155**	**3,444**	**1,773**	**548**	**7,247**
Minority interests	–	–	–	738	–	**738**
Standardized measures of discounted future cash flows (SMOG) after minority interests	**1,327**	**155**	**3,444**	**1,035**	**548**	**6,509**
Thereof at-equity companies	–	–	832	–	–	**832**
Standardized measure of discounted future cash flows after minority interests and at-equity companies	**1,327**	**155**	**2,612**	**1,035**	**548**	**5,677**

Summary of changes in standardized measure of discounted future net cash flows 2010 (million €)

	Germany	Rest of Europe	Russia, Caspian Sea region	North Africa, Middle East	South America	Total
Balance as of January 1	**692**	**88**	**3,235**	**953**	**513**	**5,481**
Sales and transfers of oil and gas produced, net of production costs	(324)	(201)	(636)	(1,444)	(181)	**(2,786)**
Net changes in price and in development and production costs	277	(13)	(403)	3,575	83	**3,519**
Extension, discoveries and improved recovery, less related costs	–	–	–	–	–	**–**
Revisions of previous quantity estimates	109	169	160	1,054	77	**1,569**
Development costs incurred during the period	53	109	34	76	23	**295**
Changes in estimated future development costs	(56)	(136)	(54)	3	(51)	**(294)**
Purchase/sale reserves	–	–	–	–	–	**–**
Net change in income taxes	(42)	41	131	(2,851)	14	**(2,707)**
Accretion of discounts	79	9	354	434	57	**933**
Other	(2)	(5)				**(7)**
Balance as of December 31	**786**	**61**	**2,821**	**1,800**	**535**	**6,003**
Minority interests	–	–	–	770	–	**770**
Standardized measures of discounted future cash flows (SMOG) after minority interests	**786**	**61**	**2,821**	**1,030**	**535**	**5,233**
Thereof at-equity companies	–	–	1,340	–	–	**1,340**
Standardized measure of discounted future cash flows after minority interests and at-equity companies	**786**	**61**	**1,481**	**1,030**	**535**	**3,893**

Overviews

6

Glossary

A

AgBalance

AgBalance® is an assessment methodology developed by BASF for the holistic measurement and analysis of sustainability in agriculture and food production. Ecological, economic and social indicators are employed to create specific recommendations for sustainable production methods. AgBalance received independent validation from global auditors in 2011.

Audits

Audits are a strategic tool for managing safety and environmental protection standards. During a site or plant audit, a profile is created using clearly defined environmental, safety or health criteria.

B

Back-up line

A back-up line is a confirmed line of credit that can be drawn upon in connection with the issue of commercial paper if market liquidity is not sufficient, or for the purpose of general corporate financing. It is one of the instruments BASF uses to ensure it is able to make payments at all times.

Barrel of Oil Equivalent (BOE)

A Barrel of Oil Equivalent is an international standard for comparing the thermal energy of different fuels. A BOE is the equivalent of one barrel of crude oil or 6,000 cubic feet or 169 cubic meters of natural gas.

Biotechnology

This term covers all processes and products that use living organisms, for example bacteria and yeasts, or their cellular constituents.

C

CO_2 equivalent

CO_2 equivalent is a parameter describing the effect of greenhouse gas emissions. A factor known as the global warming potential (GWP) shows the effect of the individual gases compared with CO_2 as the reference value.

Coil coatings

Coil coatings are specialty coatings that can be applied to steel and aluminum bands creating a composite material that incorporates the traits of the metal and the coating material. The composite material is especially resistant to corrosion and can be easily formed, for instance. Coil coating sheets are mainly used in the construction industry.

Commercial paper program

The commercial paper program is a framework agreement between BASF and banks regarding the issuing of debt obligations on the financial market (commercial paper). The commercial paper is issued under a rolling program for which the terms can be determined individually. This requires a good rating.

Compliance

Compliance is an important element of corporate governance. It refers to the company's behavior in accordance with laws, guidelines and voluntary codices.

Conflict minerals

Conflict minerals describe minerals listed in the U.S. Conflict Minerals Trade Act. These include tantalite (coltan), cassiterite (tin ore), wolframite, gold, or their derivatives, by which conflicts in the Democratic Republic of Congo or neighboring states are financed.

Consumer goods sector

The consumer goods sector includes, for example, the textiles and leather industry, the electric industry and domestic appliance manufacturing, as well as the paper industry and the personal care and cleaners sector.

D

Dow Jones Sustainability World Index (DJSI World)

The Dow Jones Sustainability World Index (DJSI World) is the world's most important sustainability index. It lists the top 10% of the largest 2,500 companies which appear in the Dow Jones Global Index in terms of economic, ecological and social criteria.

Drilling

Drilling describes the creation of boreholes to explore for and develop deposits.

E

EBIT

Earnings before Interest and Taxes (EBIT) – at BASF, EBIT corresponds to the income from operations.

EBIT after cost of capital

EBIT after cost of capital is calculated by deducting the cost of capital from the EBIT. The cost of capital thereby reflects the shareholders' expectations regarding return (in the form of dividends or share price increases) and interest payable to creditors. If the EBIT after cost of capital has a positive value, BASF has earned a premium on the return expected by its creditors and investors.

EBITDA

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) – at BASF, EBITDA corresponds to the income from operations before depreciation and amortization.

EBITDA margin

The EBITDA margin is the margin that we earn on sales from our operating activities before depreciation and amortization. It is calculated as income from operations before depreciation and amortization as a percentage of sales.

Eco-Efficiency Analysis

The Eco-Efficiency Analysis is a method for the evaluation of products and processes considering economic and environmental aspects. The aim is to compare products with regard to profitability and environmental performance.

Econsense

Econsense, Forum for Sustainable Development of German Business e.V., is an association of leading, globally active companies and organizations in German business specializing in sustainable development and corporate social responsibility (CSR). BASF is one of the forum's founding members. Econsense's top concern is to encourage a political framework that fosters sustainable innovation related to business, environment and society.

Emerging markets
According to our definition, emerging markets comprise the region Asia Pacific (excluding Japan, Australia and New Zealand), South and Central America, Eastern Europe, the Middle East and Africa.

Emollient
Emollients are nurturing oil components that give skin a velvety feel. They are a common ingredient in skin and hair care products, such as creams and hair masks.

EPSA
An Exploration and Production Sharing Agreement (EPSA) is one of the prevalent types of contract between a national oil company and an international oil company in the exploration and production of hydrocarbons.

Equity method
The equity method is an accounting technique used to include BASF's investments in companies in which it has significant influence in the Consolidated Financial Statements. The book value of the investment changes depending on the equity of the company in question.

European Water Stewardship (EWS) Standard
The European Water Stewardship Standard enables businesses and agriculture to assess the sustainability of their water management practices. The criteria are: water abstraction volumes, water quality, conservation of biodiversity and water governance. The EWS Standard was developed together with NGOs, governments and businesses.

Exploration
Exploration refers to the exploration and investigation of an area in the search for mineral resources such as crude oil or natural gas. The exploration process involves using suitable geophysical processes to find structures that may contain oil and gas then proving a possible find by means of exploratory drilling.

F

Field development
Field development is the term for the installation of production facilities and the drilling of production wells for the commercial exploitation of oil and natural gas deposits.

Free cash flow
Free cash flow is cash provided by operating activities less payments related to property, plant and equipment and intangible assets.

G

Global Product Strategy (GPS)
The Global Product Strategy aims to establish global product stewardship standards and practices for companies. The program, initiated by the International Council of Chemical Associations (ICCA), strives to ensure the safe handling of chemicals by reducing existing differences in risk assessment.

Greenhouse Gas Protocol (GHG Protocol)
The Greenhouse Gas Protocol, used by companies from different sectors, NGOs and governments, is a globally recognized standard to quantify and manage greenhouse gas emissions. The reporting standards and recommendations for the implementation of projects to reduce emissions are jointly developed by companies, governments and NGOs under the guidance of the World Resources Institute and the World Business Council for Sustainable Development.

H

Health Performance Index (HPI)
The Health Performance Index (HPI) is an indicator developed by BASF to provide a more detailed insight into the application of health management. It comprises five components: reported cases of occupational disease, medical emergency planning, first aid, preventive medicine and health promotion

HPPO
HPPO is the acronym describing technology to produce propylene oxide (PO) from hydrogen peroxide (HP). HPPO technology is more environmentally friendly and economically viable than conventional PO methods of production, because no by-products are produced besides water. PO is an intermediate, for example, in the production of polyurethane.

I

IAS
IAS stands for International Accounting Standards (see also IFRS).

IFRS
International Financial Reporting Standards (IFRS) (until 2001: International Accounting Standards, IAS) are developed and published by the International Accounting Standards Board (IASB) headquartered in London, United Kingdom. In accordance with the IAS Regulations, IFRS are mandatory for listed companies headquartered in the European Union since 2005.

ILO Core Labor Standards
The ILO Core Labor Standards are laid out in a declaration of the International Labor Organization (ILO). It comprises eight conventions which set minimum requirements for decent working conditions. BASF has a Group-wide system to monitor employees' and suppliers' adherence to these labor standards.

ISAE 3000
The International Standard on Assurance Engagements 3000 (ISAE 3000) is published by the International Audit and Assurance Standards Board (IAASB). It provides guidelines for comprehensive audits, which contain non-financial data, for example for the audits of sustainability reports.

ISO 14001
ISO 14001 is an international standard developed by the International Organization for Standardization (ISO) that determines the general requirements for an environmental management system for voluntary certification.

ISO 14045
ISO 14045 is an international standard developed by the International Organization for Standardization (ISO) that determines the general requirements for the eco-efficiency analysis.

ISO 19011
ISO 19011 is an international standard developed by the International Organization for Standardization (ISO) that determines requirements for audits of quality management and environmental management systems.

ISO 26000 SR
ISO 26000 SR is a guideline that provides organizations with recommendations and guidance on social responsibility (SR).

J

Joint Venture
We define joint ventures as all activities in which other partners besides BASF hold a stake. The accounting method applied for those activities depends on the circumstances of the respective investment.

M

Materiality analysis
BASF uses materiality analysis to analyze and evaluate societal interest in sustainability topics as well as their potential significance for the company. The aim is to develop strategies at an early stage to address potential new risks and opportunities.

MDI
MDI stands for diphenylmethane diisocyanate and is one of the most important raw materials for the production of the plastic polyurethane. This plastic is used for applications ranging from the soles of high-tech jogging shoes, to car shock-absorbers, refrigerator insulation and even insulation for buildings.

Monitoring system
Monitoring systems and tools serve to measure and ensure the adherence to standards. One area that is monitored is our voluntary commitments, such as the adherence to human rights and internationally recognized labor standards.

MSCI World Chemicals Index
The MSCI World Chemicals Index is a stock index that includes the world's biggest chemical companies. It measures the performance of the companies in the index in their respective national currencies, thus considerably reducing currency effects.

N

Nanomaterials
Definitions vary worldwide for nanomaterials. For regulatory purposes, BASF supports the definition given by the International Council of Chemical Associations (ICCA). This states that nanomaterials are solid, particulate substances which are intentionally manufactured and have a weight-based cutoff of either 10 weight% or more of nano-objects or 50 weight% or more of aggregates or agglomerates consisting of nano-objects.

Naphtha
Naphtha is petroleum that is produced during oil refining. Heavy naphtha is the starting point for gasoline production. Light naphtha is the most important feedstock for steam crackers.

NMVOCs (non-methane volatile organic compounds)
VOCs (volatile organic compounds) are organic substances that, at low temperatures, are present in the air as gas. These include some hydrocarbons, alcohols, aldehydes and organic acids. NMVOCs are VOCs from which methane is excluded.

O

OHSAS 18001
The Occupational Health and Safety Assessment Series (OHSAS) comprises, among other things, the standard OHSAS 18001 which includes a management system for occupational safety. This system can be integrated into an existing quality and environmental protection management system and certified accordingly.

P

Patent Asset Index
The Patent Asset Index measures the strength of a company's patent portfolio. It is made up of two factors: (1) portfolio size (the number of worldwide active patent families) and (2) competitive impact, which is the combination of technology relevance and market coverage (weighted by market size).

PolyTHF
THF stands for tetrahydrofuran and is a starting compound for Polytetrahydrofuran (PolyTHF®), an important component for the production of elastomer fibers for textiles. Elastomer fibers are used in sports clothing, for example.

R

REACH
REACH is an E.U. regulatory framework for the registration, evaluation and authorization of chemicals.

Responsible Care
Responsible Care refers to a worldwide initiative by the chemical industry to continuously improve its performance in the fields of environmental protection, health and safety.

Retention
There are two applications for generated profits: distribution to shareholders or retention in the company.

Return on assets
Return on assets describes the return we make on the average assets employed during the year. It is calculated as income before taxes and minority interests plus interest expenses as a percentage of average assets.

S

SCR technology
Selective Catalytic Reduction (SCR) technology is used to convert harmful nitrogen oxide, which is found in the exhaust flow of heavy duty diesel engines, into water vapor and nitrogen, a natural constituent of the air.

SEEBALANCE
SEEBALANCE refers to the Socio-Eco-Efficiency Analysis developed by BASF. This analysis considers the three dimensions of sustainability: economy, environment and society. This tool allows the assessment of environmental impact and costs as well as the societal impacts of products and processes.

Seed treatment products
Seed treatment products include crop protection agents and are applied with specific technologies directly onto the seed. This protects crops in the emerging stages against fungal diseases and harmful insects.

S.E.T. Initiative
BASF's S.E.T. initiative helps customers to quantify and improve the sustainability, eco-efficiency and traceability of products in their value-adding chain. This comprehensive offer includes strategic sustainability consulting, an eco-efficiency analysis and the implementation of a traceability system along the entire value-adding chain.

Special items
Special items describe one-time charges or one-time income that significantly affect the earnings of a segment or the BASF Group. Special items include, for example, charges arising from restructuring measures or earnings from divestitures.

Spot market
A spot market is a market where an agreed deal including delivery, acceptance and payment occurs immediately. In contrast to forward contracts where the delivery, acceptance and payment occurs at a point in time after the conclusion of the deal.

Stakeholder
Stakeholder is the term referring to persons or groups whose interests are interlinked with those of a company in a variety of ways. BASF's stakeholders include shareholders, business partners, employees, neighbors and society.

Steam cracker
A steam cracker is a plant in which steam is used to "crack" naphtha (petroleum) or natural gas. The resulting petrochemicals are the starting materials used to produce most of BASF's products.

Styrenics
Styrenics is a term describing the styrenic plastics business. The precursor styrene is primarily for captive use (backward integration). Styrenic plastics are used in many areas, for example, in the construction, packaging, automotive, electrical and leisure industries.

Sustainability
The objective of sustainable development is to meet the economic, environmental and social needs of society without harming the development opportunities of future generations.

Swap
A swap is an agreement between two parties to exchange goods or payment flows in the future. In an interest swap, a fixed (variable) interest rate is exchanged for a floating (fixed) rate for an agreed nominal amount.

T

TDI
Toluene diisocyanate is a starting material for the production of polyurethane. It is used primarily in the automotive industry (for example, in seat cushions and interiors) and the furniture industry (for example, for flexible foams for mattresses or cushioning, or in wood coating).

TUIS
TUIS is a German transport accident information and emergency response system jointly operated by around 130 chemical companies. The member companies can be reached by the public authorities at any time and provide assistance over the telephone, expert on-site advice or special technical equipment.

V

Value-adding chain
A value-adding chain describes the successive steps in a production process, from the raw materials through various intermediate steps to the finished product.

Verbund
In the BASF Verbund, production facilities, energy flow, logistics and infrastructure are intelligently networked with each other, in order to increase production yields, save resources and energy and reduce logistic costs. A significant factor in the Verbund concept is the Know-How Verbund. In the latter, know-how is shared among BASF employees worldwide and expert knowledge is pooled in technology platforms.

W

Water stress areas
Water stress areas are areas in which water represents a scarce resource, and where people abstract more than 60 percent of the water available. The most important factors leading to water scarcity are: low precipitation, high temperatures, low air humidity, unfavorable soil properties and high water abstraction rates.

White biotechnology
White technology is an area of biotechnology, also called industrial biotechnology, that uses microorganisms and/or enzymes to produce chemical products, utilized in many levels of the value-adding chain in the chemical industry. This involves, for example, the biotechnological production of chiral intermediates.

Index

Registered trademarks[1]

ACRESIN	reg. trademark of BASF
AgBalance	reg. trademark of BASF
AgCelence	reg. trademark of BASF
AMFLORA	reg. trademark of BASF
BASOTECT	reg. trademark of BASF
BAXXODUR	reg. trademark of BASF
CELLASTO	reg. trademark of BASF
COVERTRACE	reg. trademark of BASF
CULTIVANCE	reg. trademark of BASF
ECOFLEX	reg. trademark of BASF
ECOVIO	reg. trademark of BASF
ELASTOCOAST	reg. trademark of BASF
ELASTOLLAN	reg. trademark of BASF
ELASTOPOR	reg. trademark of BASF
E-por	reg. trademark of BASF
EPOTAL	reg. trademark of BASF
F 500	reg. trademark of BASF
HEXAMOLL	reg. trademark of BASF
iGloss	reg. trademark of BASF
INITIUM	reg. trademark of BASF
KeroDye	reg. trademark of BASF
KIXOR	reg. trademark of BASF
MASTERFLOW	reg. trademark of BASF
MULTIBORE	reg. trademark of inge watertechnologies AG
NEOPOLEN	reg. trademark of BASF
NEOPOR	reg. trademark of BASF
OASE	reg. trademark of BASF
PALUSOL	reg. trademark of BASF
Patent Asset Index	trademark of PatentSight GmbH
POLYTHF	reg. trademark of BASF
RELIUS	reg. trademark of BASF
RESPONSIBLE CARE	reg. trademark of the Conseil Européen de l'Industrie Chimique
SEEBALANCE	reg. trademark of BASF
STANDAK	reg. trademark of BASF
STYRODUR	reg. trademark of BASF
STYROPOR	reg. trademark of BASF
SUDAN	reg. trademark of BASF
TERMIDOR	reg. trademark of BASF
TINOSORB	reg. trademark of BASF
TINUVIN	reg. trademark of BASF
ULTRADUR	reg. trademark of BASF
ULTRAFORM	reg. trademark of BASF
ULTRAMID	reg. trademark of BASF
ULTRASON	reg. trademark of BASF
UVINUL	reg. trademark of BASF
XEMIUM	reg. trademark of BASF
X-SEED	reg. trademark of BASF

[1] Trademarks are not necessarily registered in all countries

Ten-year summary

Million €		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales and earnings[1]											
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
Income from operations (EBIT)		2,641	2,658	5,193	5,830	6,750	7,316	6,463	3,677	7,761	8,586
Income before taxes		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 depreciation[1]											
Additions to property, plant and equipment 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 and amortization of property, plant and equipment and 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 expenses[1]		**5,975**	**5,891**	**5,615**	**5,574**	**6,210**	**6,648**	**6,364**	**7,107**	**8,228**	**8,576**
Research and development expenses[1]		**1,135**	**1,105**	**1,173**	**1,064**	**1,277**	**1,380**	**1,355**	**1,398**	**1,492**	**1,605**
Key data[1]											
Earnings per share[6,7]	€	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]		2,313	4,878	4,634	5,250[3]	5,940	5,807	5,023	5,693	6,460	7,105
EBITDA margin	%	15.8	15.3	20.5	19.3	18.5	17.6	15.3	14.6	17.4	16.3
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
Appropriation of profits											
Net income of BASF SE[4]		1,045	1,103	1,363	1,273	1,951	2,267	2,982	2,176	3,737	3,506
Transfer to retained earnings[4]		247	334	449	–	–	–	–	–	–	–
Dividend		789	774	904	1,015	1,484	1,831	1,791	1,561	2,021	2,296
Dividend per share[6]	€	0.70	0.70	0.85	1.00	1.50	1.95	1.95	1.70	2.20	2.50
Number of shares as of December 31[5,6]	million	**1,140.6**	**1,113.3**	**1,080.9**	**1,028.8**	**999.4**	**956.4**	**918.5**	**918.5**	**918.5**	**918.5**

[1] Starting in 2005, the accounting and reporting of the BASF Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The previous year's figures have been restated in accordance with IFRS. The figures for the years up to and including 2003 were prepared according to German GAAP.

[2] Includes the change in reporting from 2009 onward of the effects of regular extensions of U.S. dollar hedging transactions.

[3] Before external financing of pension obligations

[4] Calculated in accordance with German GAAP

[5] After deduction of repurchased shares earmarked for cancellation

[6] In the second quarter of 2008, we conducted a two-for-one stock split. The previous years' figures for earnings per share, dividend per share and number of shares have been adjusted accordingly.

[7] Adjusted for special items and impairment of intangible assets, earnings per share were €6.26 in 2011 and €5.73 in 2010.

Consolidated balance sheets (German GAAP)

Million €	2002	2003
Intangible assets	3,464	3,793
Property, plant and equipment	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
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 equity and liabilities	**35,086**	**33,602**

Consolidated balance sheets (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
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
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 equity and liabilities	**35,448**	**35,670**	**45,291**	**46,802**	**50,860**	**51,268**	**59,393**	**61,175**

Requirements and topics

The information on the financial position and performance of the BASF Group is based on the requirements of International Financial Reporting Standards (IFRS), and, where applicable, the German Commercial Code as well as the German Accounting Standards (GAS). After delisting from the NYSE, we have retained a modified form of the control system for financial reporting based on the guidelines of the Sarbanes-Oxley Act. Internal control mechanisms ensure the reliability of the information presented in this report. BASF's management confirmed the effectiveness of the internal control measures and compliance with the regulations for financial reporting.

Our sustainability reporting is aligned with the international guidelines (G3.1) of the Global Reporting Initiative (GRI) as well as with the principles of the UN Global Compact and the Blueprint for Corporate Sustainability Leadership. We want to identify and evaluate sustainability issues relevant for BASF at an early stage. To this end, we engage in constant dialog with our stakeholders. We evaluate and analyze sustainability issues together with experts in our materiality analysis in order to develop strategies well in advance for dealing with potential opportunities and risks. In 2011, we updated the analysis again and portrayed the results in a materiality matrix, which considers the degree of societal interest as well as the significance of these issues for BASF. We used this analysis as the basis for indentifying key topics for the report.

→ **For more on the Global Reporting Initiative, see www.globalreporting.org**

→ **For more on the selection of sustainability topics, see page 25 onward and basf.com/materiality**

→ **A short GRI and Global Compact index can be found on page 225; for a more comprehensive version, see basf.com/gri_gc_e**

Data

All information and bases for calculation in this report are based on national and international standards for financial and sustainability reporting. All of the data and information for the reporting period were sourced from the responsible units using representative methods. The reporting period was the financial year 2011. BASF Group's reporting includes BASF SE, the parent company, with its headquarters in Ludwigshafen, Germany, as well as all of its material subsidiaries. All employees of the BASF Group as of December 31, 2011, are represented in the information contained in the chapter Employees.

Our data collection methods for environmental protection and occupational safety are based on the recommendations of the European Chemical Industry Council (CEFIC). In the area of emissions (air, water, waste) and energy, we report on approximately 98% of all emissions from our production sites worldwide. Data for our styrenics business was only collected until September 30, 2011. The emissions of joint venture companies are included pro rata, based on our stake. We compile information on work-related accidents at all Group company sites worldwide. Accidents at joint venture sites are compiled and reported, as well. Further data on social responsibility and transportation safety apply to all consolidated Group companies, unless otherwise indicated.

To make this report as current as possible, we have included relevant information available up to the editorial deadline of February 22, 2012. The report is published each year in English and in German.

→ **More information on emissions can be found in the chapters Our Goals, Climate Protection, Energy and Raw Materials, Water and Environmental and Safety Management**

→ **The Consolidated Financial Statements begin on page 140**

Topics

- Financial reporting is based on requirements of International Financial Reporting Standards, German Commercial Code and German Accounting Standards
- Sustainability reporting follows guidelines of the Global Reporting Initiative
- Dialog with sustainability experts and stakeholders regarding relevant topics

Data

- Information and bases for calculation based on international standards for financial reporting and sustainability reporting
- Data collection methods for environmental protection and safety based on recommendations of the European Chemical Industry Council
- Relevant information included up to the editorial deadline of February 22, 2012

GRI and Global Compact Index

The complete GRI Index with core and additional indicators as well as the ten principles of the Global Compact can be found at
→ **basf.com/gri_gc_e**

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Since 2003, BASF has been participating in the feedback meetings of the Global Reporting Initiative (GRI) and has been working to further develop the guidelines together with experts from industry, non-governmental organizations, analysts and financial auditors. GRI aims to improve the comparability of sustainability reporting. We reported on the basis of the GRI for the first time in our Corporate Report 2003. Since 2005, we have been supporting the Global Reporting Initiative as an Organizational Stakeholder. This report has been aligned with the indicators of the current GRI guideline G3.1.

This short index shows where to find information on the GRI core and additional indicators as well as topics relevant to the principles of the Global Compact in this report. An extended overview is available online at basf.com/gri_gc_e. The online index contains all GRI reporting elements as well as all GRI core and additional indicators and shows where details are to be found in our printed and online reporting. We also give a brief explanation if no data is available for a given indicator.

→ **More information on GRI can be found at www.globalreporting.org**

Statement GRI Application Level Check

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **BASF SE** has presented its report "BASF Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, February 15th 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+
GRI REPORT
GRI CHECKED

The "+" has been added to this Application Level because **BASF SE** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on the February 8th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*