BASF – a sustainable investment

Eckhard Koch
Head of BASF Sustainability Center

European Sustainable and Responsible Investment Conference Nomura

Paris
March 15, 2012
1 | BASF – The Chemical Company

2 | Sustainability – an integral part of our strategy

3 | Sustainability issue management

4 | Our strategic goals

5 | Innovation for a sustainable future

6 | BASF tomorrow
BASF – The Chemical Company

BASF facts and figures

- No. 1 chemical company worldwide
  - Sales 2011: €73.5 billion
  - EBIT before special items 2011: €8.4 billion

- Benchmark in operational excellence
  with unique Verbund concept for integrated production

- No. 1-3 market position in 75% of our businesses

- Superior growth opportunities
  through strong positioning in growth markets, acquisitions in core businesses and excellent innovation platform

- Commitment to deliver long-term shareholder value
BASF today – a well-balanced portfolio
Total sales 2011: €73.5 billion

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Subcategories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>18%</td>
<td>Inorganics, Petrochemicals, Intermediates</td>
</tr>
<tr>
<td>Plastics</td>
<td>15%</td>
<td>Performance Polymers, Polyurethanes</td>
</tr>
<tr>
<td>Performance Products</td>
<td>21%</td>
<td>Dispersions &amp; Pigments, Care Chemicals, Nutrition &amp; Health, Paper Chemicals, Performance Chemicals</td>
</tr>
<tr>
<td>Functional Solutions</td>
<td>15%</td>
<td>Catalysts, Construction Chemicals, Coatings</td>
</tr>
<tr>
<td>Agricultural Solutions</td>
<td>6%</td>
<td>Crop Protection</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>16%</td>
<td>Exploration &amp; Production and Natural Gas Trading</td>
</tr>
</tbody>
</table>

* 9% in “Other”
Record year 2011

Business performance

- Sales
- EBITDA
- EBIT before special items
- EBIT
- Net income
- Reported EPS
- Adjusted EPS
- Operating cash flow

<table>
<thead>
<tr>
<th>FY’11</th>
<th>vs. FY’10</th>
</tr>
</thead>
<tbody>
<tr>
<td>€73.5 billion</td>
<td>+15%</td>
</tr>
<tr>
<td>€12.0 billion</td>
<td>+8%</td>
</tr>
<tr>
<td>€8.4 billion</td>
<td>+4%</td>
</tr>
<tr>
<td>€8.6 billion</td>
<td>+11%</td>
</tr>
<tr>
<td>€6.2 billion</td>
<td>+36%</td>
</tr>
<tr>
<td>€6.74</td>
<td>+36%</td>
</tr>
<tr>
<td>€6.26</td>
<td>+9%</td>
</tr>
<tr>
<td>€7.1 billion</td>
<td>+10%</td>
</tr>
</tbody>
</table>

Sales development

<table>
<thead>
<tr>
<th>Period</th>
<th>Volumes</th>
<th>Prices</th>
<th>Portfolio</th>
<th>Currencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY’11 vs. FY’10</td>
<td>0%</td>
<td>↑ 12%</td>
<td>↑ 5%</td>
<td>↓ (2)%</td>
</tr>
</tbody>
</table>
Continuous strong cash flow

Free cash flow
in billion €

-0.1  2.8  2.6  3.3  3.5  3.2  2.5  3.2  3.9  3.7

2002  2003  2004  2005  2006  2007  2008  2009  2010  2011

* Cash provided by operating activities less capex (in 2005 before CTA)
** 2009 adjusted for re-classification of settlement payments for currency derivatives
Outlook BASF Group 2012

Outlook 2012*

- BASF Group aims to exceed the record levels of sales and EBIT before special items achieved in 2011.
- In H1 2012, BASF will most likely not achieve the exceptionally high results of the comparable period in 2011. However, we aim to outperform H2 2011.
- More specifically, we plan to increase sales and earnings in all our business segments with the exception of the segment Chemicals.
- In 2012, BASF will strive to earn again a high premium on cost of capital.

Dividend policy

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

* Published on February 24, 2012; Full Year 2012 Reporting
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Sustainability will become even more important

Nine billion people in 2050 but only one earth

SUPPLY
Annual regenerative capacity of the planet

DEMAND
Earth’s resources
Human beings now demand more from the earth than can be regenerated

Consumption of Earth’s resources
1976 2010
We create chemistry for a sustainable future
We add value as one company.

We innovate to make our customers more successful.

We drive sustainable solutions.

We form the best team.
Strategy and management
Sustainability as a future growth driver

We drive sustainable solutions.

Enable our customers to develop more sustainable solutions
Connect – in our team and with society
Deliver excellence in our operations

We fully integrate sustainability into our strategic decision making

Creating value
Reducing risk
Strategy and management
Sustainability – a board-level responsibility since 2002

Global Sustainability Council as central decision-making body

Adherence to high sustainability standards in 2011

- ~100 environmental and safety audits at 66 sites
- Occupational medicine and health protection audits at 35 sites
- On-site visits to ~200 raw materials suppliers to assess environmental, health and safety aspects
- ~660 suppliers took part in the monitoring process for labor and social standards
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Strategic issue management
Systematic identification of important sustainability issues

For more information see www.basf.com/materiality

Sustainability issue management

- Assessment of sustainability issues and development of strategic options to deal with them
- Extensive stakeholder survey with about 300 participants conducted in 2010
- 44 material issues identified, for example:
  - Energy and climate
  - Water
  - Product stewardship
  - Human capital development
1. Energy and climate
Helping our customers shrink their carbon footprint

Avoidance of emissions:
330 Mio. t CO₂e/a

We help our customers to shrink their carbon footprint.

Emissions along the entire value chain [Mio. t CO₂e/a]:

<table>
<thead>
<tr>
<th>Source</th>
<th>CO₂e emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>65</td>
</tr>
<tr>
<td>BASF Production</td>
<td>26</td>
</tr>
<tr>
<td>Use of BASF end products</td>
<td>50</td>
</tr>
<tr>
<td>Disposal</td>
<td>30</td>
</tr>
<tr>
<td>Transport</td>
<td>4</td>
</tr>
<tr>
<td>Further Sources</td>
<td>2</td>
</tr>
</tbody>
</table>

Corporative Carbon Footprint 2011

- BASF’s climate protection solutions sold in 2011 enable customers to reduce their CO2 footprint by 330 million tons
- Significant reduction in CO2 emissions from own production achieved in 2011
- Climate protection products account for 9% of BASF Group sales (€6.7 billion in 2011, +5% vs. 2010)*
- Ambitious new goal for reducing specific GHG emissions in chemicals production: - 40% (2002 to 2020)

* Excluding the styrenics business

CO₂e emissions at customers [Mio. t CO₂e/a]:
- Without the use of BASF products: 1768
- With the use of BASF products: 1438

CO₂e emissions BASF Production (GHG Protocol Scope 1&2)

CO₂e emissions along the value chain (GHG Protocol Scope 3)
Global analysis of production sites conducted

- One fifth of sites are located in regions with high water stress
- These sites account for about 6.5% of BASF’s total water demand (but less than 1% of fresh water use)

Ongoing projects and partnerships

- Strategic partnership with the European Water Partnership
- European Water Standard road-tested by BASF at Ludwigshafen and Tarragona site

New, ambitious water goals for 2020
for the use of drinking water in production & sustainable water management at sites in water stress areas
3. Product stewardship
REACH – commitment beyond compliance

Expertise in evaluating substances and processes

- Cost-efficient implementation of REACH* regulations creates competitive advantage
- First registration stage successfully completed in 2010
- Estimated costs for the implementation of REACH: €50 million per year
- At present, we are not expecting REACH to result in any major changes to our portfolio
- We support the development of a common global standard for product safety in cooperation with the ICCA **

* REACH = Registration, Evaluation, Authorization and Restriction of Chemicals
** ICCA = International Council of Chemical Associations
4. Human capital development

BASF’s employees are key to our success

Employee training and development

- More than 92,000 employees participated in training programs worldwide in 2011
- Over 2,500 apprentices in over 60 occupations in 2011
- New employee development program

Competitive advantages through Diversity + Inclusion

- BASF honored in 2011 with the German Diversity Award as “Germany’s Most Diverse Employer”

Tackling the war for talent

- **Generations@Work**: Taking a cross-generational approach to safeguard BASF’s productivity and innovation potential
- **Employer branding**: Implementing systematic processes in order to recruit and retain the best people
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### New and more ambitious sustainability goals

<table>
<thead>
<tr>
<th>Greenhouse gases*</th>
<th>Status 2011: -34.6%</th>
<th>Previous 2020 Goal: -25%</th>
<th>New 2020 Goal: -40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy efficiency</td>
<td>+26.2%</td>
<td>+25%</td>
<td>+35%</td>
</tr>
<tr>
<td>CO₂ emissions from natural gas transport*</td>
<td>Being prepared</td>
<td>NEW</td>
<td>-10%</td>
</tr>
<tr>
<td>Drinking water for production</td>
<td>-20.9%</td>
<td>NEW</td>
<td>-50%</td>
</tr>
<tr>
<td>Sustainable water management</td>
<td>+2.0%</td>
<td>NEW</td>
<td>100%</td>
</tr>
</tbody>
</table>

*specific, excluding oil and gas production

**Health: annual goal**

- Previously: 1 criterion
- Now: HPI with 5 criteria
**Strategic goals for 2020**
Energy efficiency: climate protection & resource conservation

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**Energy efficiency of production processes***
(baseline 2002)

**Status 2011: +26%**

**NEW Goal**

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**Increase of energy efficiency through BASF’s unique Verbund system**

- Integration of production plants, energy and waste flows, logistics and site infrastructure
- In 2011, BASF generated 42% of its global steam requirements from waste heat
- Primary energy savings for BASF Group: 3.7 million tons of oil equivalents p.a., which equals almost USD 1 billion

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* Former goal 2020: +25%
Strategic goals for 2020
Ambitious goals for climate protection and emissions to air

<table>
<thead>
<tr>
<th>Chemical activities</th>
<th>Oil &amp; gas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greenhouse gases</strong> (per metric tons of sales product) (baseline 2002)</td>
<td><strong>Greenhouse gases of the Wingas pipeline</strong> (baseline 2010)</td>
</tr>
<tr>
<td>- 40 %</td>
<td>- 10 %</td>
</tr>
<tr>
<td>Status 2011: -35%</td>
<td><strong>NEW Goal</strong></td>
</tr>
<tr>
<td><strong>Air pollutants</strong> (per metric tons of sales product) (baseline 2002)</td>
<td><strong>Flaring of associated gases by Wintershall</strong> (until 2012)</td>
</tr>
<tr>
<td>- 70 %</td>
<td>- 100 %</td>
</tr>
<tr>
<td>Status 2011: -61%</td>
<td>Status 2011: &gt; 95%</td>
</tr>
</tbody>
</table>

* Former goal 2020: -25%
Strategic goals for 2020
Managing water resources sustainably

- Reduction of emissions to water: organic substances* (baseline 2002) - 80%
  Status 2011: -74%

- Abstraction of drinking water for production (baseline 2010) - 50%
  Status 2011: -21%
  NEW Goal

- Sustainable water management at sites in water stress areas + 100%
  Status 2011: +2%
  NEW Goal

*assuming comparable product portfolio
Strategic goals for 2020
Acting responsibly towards employees, customers and suppliers

<table>
<thead>
<tr>
<th>Product stewardship</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review of all products that are sold worldwide in quantities &gt;1 metric ton per year, based on risk assessment</td>
<td>Lost time injuries per 1 million working hours (baseline 2002)</td>
</tr>
<tr>
<td>&gt; 99.9 %</td>
<td>- 80 %</td>
</tr>
<tr>
<td>Status 2011: 30 %</td>
<td>Status 2011: -42 %</td>
</tr>
<tr>
<td></td>
<td>Status 2011: -68 %</td>
</tr>
<tr>
<td></td>
<td>Transportation accidents (baseline 2003)</td>
</tr>
<tr>
<td></td>
<td>- 70 %</td>
</tr>
</tbody>
</table>
Continuous improvement
Parameter: Health Performance Index (HPI), based on 5 criteria. Goal: >0.9 (highest possible score 1.0)

Strategic goals for 2020
Health management through a multidimensional indicator

- First aid
- Preventive medicine
- Reported cases of occupational disease
- Medical emergency planning
- Health promotion
Strategic goals for 2020
Attracting, developing and retaining the best talent

Increase the proportion of female executives worldwide
Status 2011: 16 %

Increase the proportion of non-German executives worldwide
Status 2011: 33 %

Senior executives with international experience
Status 2011: 80 % ✓
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Sustainability check in R&D pipeline
Sustainability needs innovation

- **Screening tool** for innovation projects

- **Questionnaire** with level of detail depending on innovation type and phase

- Quick check to find out about possible strengths or weaknesses regarding sustainability (e.g. alternative use of raw materials, improved value proposition)

- **Trigger** for detailed analysis of selected criteria (e.g. eco-efficiency analysis, discussion with environmental or sustainability experts)

- About **one third** of BASF’s research expenditures are invested into energy efficiency and climate protection
Products and solutions for a sustainable future

**Biodegradable Plastics:** Ecovio® and Ecoflex®

**Schizophyllan for enhanced oil recovery**

**Insulation Material: Neopor**

**Hardening accelerator for concrete:** X-Seed

**Light-weight plastics for mobility**

**Eco-efficient diapers**
Sustainability in customer industries
Driving innovation in new growth fields

Sustainability in customer industries will drive our innovative growth fields

<table>
<thead>
<tr>
<th>Growth Fields*</th>
<th>Batteries for mobility</th>
<th>Heat management</th>
<th>Enzymes</th>
<th>Medical</th>
<th>Organic Electronics</th>
<th>Plant biotechnology</th>
<th>Energy management</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lightweight composites</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Heat management</td>
<td></td>
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</tbody>
</table>

Ongoing inflow of new growth fields

* Including growth fields still under evaluation
Growth field: Batteries for electromobility
Energy-efficient mobility

Business potential 2020
- Market size: > €20 billion
- Sales potential for BASF: > €500 million

Existing activities
- Chemicals & Materials for lithium-ion batteries
- Work on battery concepts for Generation IV
- Intensive collaboration with universities & industry partners

Targets
- Position BASF as a system supplier for cell manufacturers
- Utilize technology and business synergies
- Expand electrolyte activities
Growth field: Wind energy
Contributing to renewable energy production

Sales potential by 2020:
~ €300 million

Blades
- Epoxy systems and adhesives (Intermediates)
- Paint (Coatings)
- Core foams (Plastics)

Tower and base
- Grouts and admixtures (Construction Chemicals)
- Paint (Coatings)

Nacelle
- Hydraulic fluids and gear oils (Performance Chemicals)
Growth field: Water solutions
Helping customers to manage water resources more efficiently

**Business potential 2020**
- Market size: €20 billion
- BASF sales potential: > €800 million

**Existing activities**
- High-performance flocculants, desalination and antifouling chemicals & polymers used in membranes (BASF & CIBA)
- Acquired know-how on membrane technologies and module systems (inge watertechnologies)

**Targets**
- Position BASF as the leading supplier of innovative chemical solutions worldwide
- Forward integration into membrane technologies
- Leverage synergies to develop improved additives, flocculants and polymers
Growth field: Biotechnology
Higher yielding agriculture for a growing world population

Business potential:
- Global trait value in 2020: US$16 billion
- Expected gross trait sales potential of plant biotech pipeline before partner share in 2020: €1.8 billion

Existing activities
- Yield & Stress collaboration with Monsanto (corn, soy, cotton, canola and wheat)
- Further collaborations with Bayer Crop Science, Cargill, CTC, Embrapa and KWS

Targets
- Position BASF as “The Trait Technology Partner”
- Achieve more efficient agriculture and healthier nutrition
- Implement a Plant Biotechnology operating division within the Agricultural Solutions segment
Targeted €7 billion of EBITDA from innovations in 2020

Sales and EBITDA from innovations in billion €

- Sales from innovations launched within last 5 years
  - 2015: ~10
  - 2020: ~30

- EBITDA from innovations launched within last 5 years
  - 2015: ~2.5
  - 2020: ~7

- Sales from innovations launched within last 10 years
  - 2020: ~7

- EBITDA from innovations launched within last 10 years
  - 2020: ~30

Targeted spending of ~3% of sales (excluding Oil & Gas) p.a. on R&D
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Our key priorities

- We create chemistry for a sustainable future
- We deliver excellence in our operations
- We connect in our team and with society to hire and retain the best talent and be a good citizen
- We enable our customers to deliver more sustainable solutions
- We are committed to deliver long-term shareholder value
## Key strategic targets for 2020

### Environment
- **Energy & climate protection**
  - Greenhouse gases: -40%
  - Energy efficiency: +35%
  - Gas flaring: -100%
  - GHG emissions from natural gas transport: -10%

- **Emissions to air & water**
  - Air emissions: -70%
  - Organic substances: -80%
  - Drinking water for production: -50%
  - Sust. water mngmt. in water stress areas: +100%

### Social
- **Safety, health and product stewardship**
  - Occup. accidents: -80%
  - Transport accidents: -70%
  - “Safety check” for >99% of products
  - Health Performance Index

- **Diversity of the workforce**
  - Increase the number
    - of female senior executives
    - non-German executives
    - Senior executives with internat. experience: >70%

### Economic
- **Growth targets**
  - Grow at least 2 percentage points above chemical production
  - Sales in 2020: ~€115 billion

- **Profitability targets**
  - Double EBITDA to ~€23 billion in 2020
  - Earn a premium on cost of capital of at least €2.5 billion on average p.a.
Forward-looking statements

This presentation includes forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realized from the proposals described herein. This presentation contains a number of forward-looking statements including, in particular, statements about future events, future financial performance, plans, strategies, expectations, prospects, competitive environment, regulation and supply and demand. BASF has based these forward-looking statements on its views with respect to future events and financial performance. Actual financial performance of the entities described herein could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated. Given these uncertainties, readers should not put undue reliance on any forward-looking statements.

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Corporate Governance
The Board of Executive Directors
(as of May 6, 2011)

Dr. Kurt Bock
52, with BASF for 20 years

Dr. Martin Brudermüller
50, with BASF for 23 years

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

Michael Heinz
47, with BASF for 24 years

Dr. Stefan Marcinowski
58, with BASF for 32 years

Dr. Andreas Kreimeyer
56, with BASF for 25 years

Dr. Harald Schwager
50, with BASF for 23 years

Margret Suckale
54, with BASF for 2 years
Management and supervision in BASF SE

Supervisory Board – 12 members
12 members, thereof 6 shareholder representatives elected at the Annual Meeting and 6 employee representatives elected by European works council (Europa Betriebsrat)

Chairman – elected by the Supervisory Board

Executive Board
8 members
Chairman – appointed by the Supervisory Board

- Principle of parity between shareholder representatives and employee representatives
- Two-tier administrative system
- BASF SE’s Supervisory Board has three Committees: Personnel, Audit and Nomination Committee
- Diversity: We are committed to maintaining or raising the proportion of women (currently two) on the Supervisory Board and consider a variety of professional and international experience
Management Compensation
German Act on the Appropriateness of Mgmt Board Remuneration

- The compensation of the Board of Executive Directors is designed to promote sustainable corporate development

- The compensation of Board members comprises:
  1. a fixed annual salary
  2. an annual variable bonus (based on Group return on assets as well as target achievements)
  3. a stock price-based long-term incentive program
  4. non-monetary compensation; and
  5. company pension benefits

- The amount of the variable bonus is capped

- In addition, each member of the Executive Board is required to participate in the long-term incentive program with at least 10% of their gross bonus and retain these shares for at least four years
Shareholders’ rights
One share, one vote

Shareholder structure (400,000 shareholders) as of December 2011

- At the Annual Meeting, shareholders perform their rights of co-administration and supervision
- All shareholders entered in the share register are entitled to vote
- Neither voting caps to limit the number of votes nor special voting rights
- No member of the Board of Executive Directors or the Supervisory Board owns 1% or more of BASF’s share capital
BASF Compliance Program

- Zero tolerance for legal violations and corruption for integrity and BASF’s Code of Conduct

- Beginning in 2002 Chief Compliance Officer and compliance officers (currently approx. 100)

- Compulsory training for employees: 2011 = 73,000 participants

- Hotline for employees: 2011 = 264 calls or e-mails

- Audit department performed 75 audits in 2011
Worldwide public recognition for sustainability and transparency

- **Dow Jones Sustainability Index (DJSI)**
  BASF is listed for the 11th year in a row as one of the 10% leading companies in the chemical industry

- **Advanced Sustainability Performance Indices**
  BASF is listed since 2001 as one of the 120 most sustainable companies of the DJ EURO STOXX

- **Carbon Disclosure Leadership Index (CDP)**
  BASF is listed for the sixth year in succession
  → BASF is a leader in transparent climate reporting since 2010 and is also listed in the Carbon Disclosure Performance Leadership Index
  → Since 2009 BASF also participates in CDP Water

- **STOXX Global ESG Leaders Indices**
  Launch in 2011, BASF is listed in the STOXX ESG Social Leaders Index as one of the top 25% of socially responsible companies
Worldwide public recognition for sustainability and transparency

- **FTSE4Good Index Series**
  BASF included since 2001

- **Sustainalytics**
  Evaluation of the Sustainability Performance of the DAX30 companies in 2009, BASF ranked on 6th position

- **Oekom research**
  Participation since 2002
  BASF in 2009 ranked top position of 24 most important chemical companies

- **IÖW/Future Ranking**
  BASF received the award for the „Best German Sustainability Report 2008“
  → BASF is in top position of 150 German companies regarding sustainability reporting,
  next ranking to come in 2011