



BASF Factbook 2010

We create chemistry

Published in June 2010

 **BASF**

The Chemical Company



Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors of BASF SE

Investment Highlights

#1 chemical company worldwide with balanced portfolio and long-term strategy

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

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

Innovator and solution provider for the challenges of the future

Sustainable value creation based on a sound balance sheet and financial strength

Dear Investors and Analysts,

I want to express my appreciation for your support of BASF over the last year and your continued interest in our company.

2009 was without a doubt a very challenging year for all market participants. Market developments placed extraordinary demands on BASF. The early and decisive actions we took helped us deliver strong results. At the same time we implemented long-term measures which support our strategy for sustainable success. We focused on active portfolio management, capital expenditures in growth markets and on innovations. In 2010 we are seeing strong growth in demand from our customers. We are well placed today to continue to supply our customers with the best products and solutions and secure our leading position as [The Chemical Company](#).

Our regular engagement with investors and analysts over the year has been very important to us and your input and analysis have been extremely welcome. We have listened to your feedback and are committed to constantly increase our transparency and to intensify the dialogue with you. The BASF Factbook 2010 is focused on further enhancing and expanding the information that is important to the financial markets. We are providing you with a comprehensive picture of BASF's businesses, the Group's strategic direction as well as its future sales and earnings prospects to help you in your investment decision.

Our aim is to create sustainable value supported through regular and open communication with the capital markets. We look forward to continuing our dialogue with you.

Yours,

A handwritten signature in blue ink that reads "Jürgen Hambrecht". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dr. Jürgen Hambrecht

Chairman of the Board of Executive Directors of BASF SE

Ludwigshafen, June 2010

1 BASF – The Chemical Company



The front cover shows Yvonne Kempf, Dr. Anton Meier and Maurizio Allevalo of the CDon plant in Ludwigshafen, Germany.

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1.1 At a glance

BASF today: We create chemistry

BASF is the world's leading chemical company – **The Chemical Company.**

Our portfolio ranges from chemicals, plastics and performance products to agricultural products, fine chemicals as well as oil and gas. As a reliable partner, we help our customers in virtually all industries to be more successful. Our high-value products and intelligent solutions play an important role in finding answers to global challenges such as climate protection, energy efficiency, nutrition and mobility.

BASF key facts

- About 105,000 employees worldwide – thereof 9,300 in R&D
- Customers in more than 200 countries and in virtually all industries
- Top 3 market position in about 75% of our businesses
- Unique Verbund concept: production plants linked intelligently to save resources and energy; six world-scale Verbund sites worldwide – two Verbund sites in all major regions
- Know-how Verbund with 70 major R&D sites and >1,900 research cooperations with customers, science and partners
- Strong R&D pipeline; No.1 in Patent Asset Index



Key figures

		2009
Sales	€ billion	50.7
EBITDA	€ billion	7.4
EBITDA margin	%	14.6
EBIT before special items	€ billion	4.9
Net income	€ billion	1.4
Operating cash flow	€ billion	6.3
Earnings per share	€	1.54
Adjusted EPS	€	3.01
Dividend	€	1.70
Dividend yield*)	%	3.9

*) Dividend yield based on share price at year-end.

BASF history: successful tradition

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

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

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

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

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

1945-1953 Reconstruction after the severe damage during the Second World War takes a number of years. BASF is reestablished as an independent company in 1952.

1865



1901



1925



1945



BASF – Well balanced portfolio: 6 strategic segments

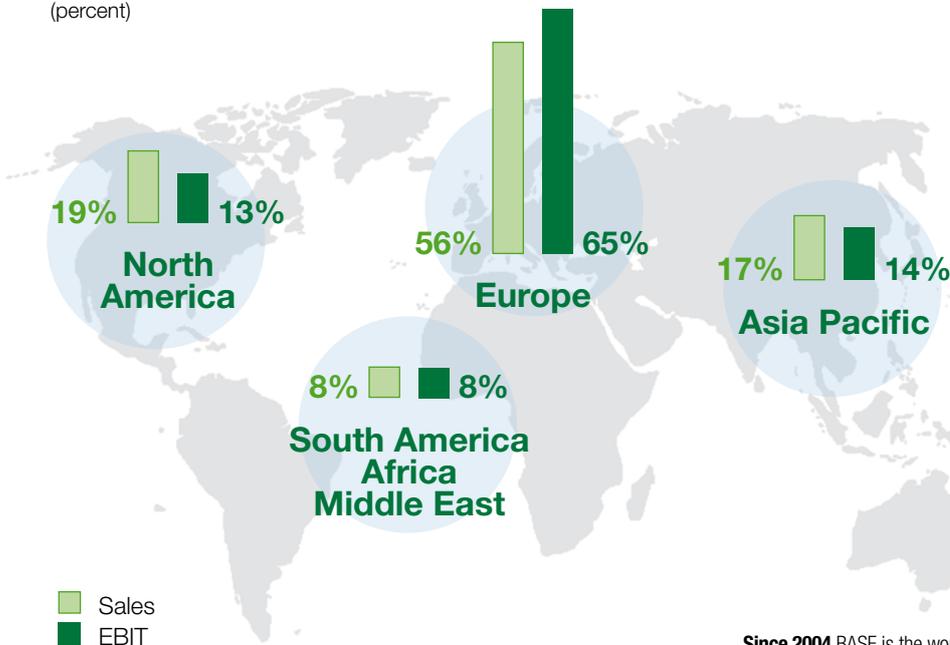
(percentage of sales 2009)

Chemicals	Plastics ^{*)}	Performance Products	Functional Solutions	Agricultural Solutions	Oil & Gas
15%	14%	18%	14%	7%	22%
<ul style="list-style-type: none"> Inorganics Petrochemicals Intermediates 	<ul style="list-style-type: none"> Performance Polymers Polyurethanes 	<ul style="list-style-type: none"> Dispersions & Pigments Care Chemicals Paper Chemicals Performance Chemicals 	<ul style="list-style-type: none"> Catalysts Construction Chemicals Coatings 	<ul style="list-style-type: none"> Crop Protection 	<ul style="list-style-type: none"> Exploration & Production Natural Gas Trading

^{*)} Styrenics reported under Other.

Regional sales^{*)} and EBIT distribution 2009

(percent)



■ Sales
■ EBIT

^{*)} By location of customer.

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

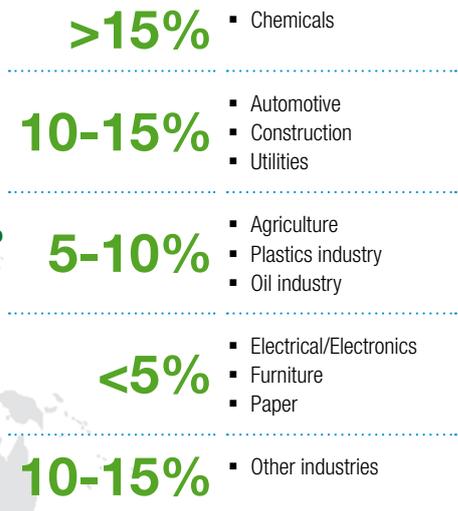
1965-2004 BASF develops into a transnational company with production sites in Europe, North and South America and Asia.

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

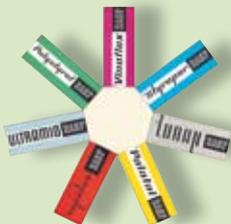
Highlight 2009 In April 2009, BASF acquired Ciba Holding AG, Switzerland, to strengthen its Performance Products segment and expand BASF's leading position in specialty chemicals.

BASF sales by industry

Direct customers, percentage of sales 2009



1953



1965



2004



2009



1.2 Management Board

The Executive Board of BASF SE comprises 8 members



Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors; 63, with BASF for 34 years

Responsibilities:
Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications & Government Relations; Global HR – Executive Management & Development; Investor Relations; Chief Compliance Officer



Dr. Kurt Bock
51, with BASF for 19 years

Responsibilities:
Chief Financial Officer; Catalysts; Market & Business Development North America; Regional Functions North America; Finance; Information Services; Corporate Controlling; Corporate Audit



Dr. Martin Bruder Müller
49, with BASF for 22 years

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



Dr. Hans-Ulrich Engel
50, with BASF for 22 years

Responsibilities:
Oil & Gas; Region Europe; Global Procurement & Logistics

The Supervisory Board consists of 12 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 Aktiengesellschaft and BASF SE

Michael Diekmann
Munich, Germany
Deputy Chairman of the Supervisory Board of BASF SE
Chairman of the Board of Management of Allianz SE

Prof. Dr. François Diederich
Zurich, Switzerland
Professor at the Swiss Federal Institute of Technology Zurich

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 council of BASF Group

Ralf-Gerd Bastian
Neuhofen, Germany
Member of the works council of the Ludwigshafen site of BASF SE

Wolfgang Daniel
Limburgerhof, Germany
Deputy Chairman of the works council of the Ludwigshafen site of BASF SE

■ Shareholder representatives ■ Employee representatives



The Supervisory Board of BASF SE comprises 12 members.

BASF SE is continuing the principle of parity between shareholder representatives and employee representatives.

■ The six shareholder representatives were elected at the Annual Meeting on April 29, 2010.

■ The employee representatives have been appointed directly by the Agreement Concerning the Involvement of Employees with effect from March 18, 2009.



Dr. John Feldmann
60, with BASF for 22 years

Responsibilities:
Construction Chemicals; Dispersions & Pigments; Care Chemicals; Paper Chemicals; Performance Chemicals; Polymer Research



Dr. Andreas Kreimeyer
54, with BASF for 24 years

Responsibilities:
Research Executive Director; Inorganics; Petrochemicals; Intermediates; Chemicals Research & Engineering; BASF Future Business



Dr. Stefan Marcinowski
57, with BASF for 31 years

Responsibilities:
Crop Protection; Coatings; Specialty Chemicals Research; BASF Plant Science; Region South America



Dr. Harald Schwager
50, with BASF for 22 years

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

Franz Fehrenbach

Stuttgart, Germany
Chairman of the Board of Management of Robert Bosch GmbH

Stephen K. Green

London, United Kingdom
Group Chairman of HSBC Holdings plc

Max Dietrich Kley

Heidelberg, Germany
Lawyer, former Deputy Chairman of the Board of Executive Directors of BASF Aktiengesellschaft

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 (IG BCE)

Michael Vassiliadis

Hanover, Germany
Chairman of the Central Board of Executive Directors of the Mining, Chemical and Energy Industries Union (IG BCE)

Transparent corporate management

Effective and transparent corporate governance fosters the confidence of our domestic and international investors, the financial markets, our business partners, employees and the public in the management and supervision of the company. A two-tier administrative system comprised of the Executive Board and Supervisory Board plays a key role in managing and monitoring BASF in a responsible and value-driven manner.

Code of Conduct and compliance

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

1.3 Strategy

BASF is the world's leading chemical company – **The Chemical Company**. We aim to constantly increase the value of our company by profitable growth. With innovation and new technologies, we open up new market opportunities. We continuously increase our competitiveness through active portfolio management and our industry-leading operational excellence. We combine economic success with environmental protection and social responsibility. To realize our goals every day and across the company, the BASF team aligns its activities with four strategic guidelines.

Strategic guidelines	10	Portfolio management	12
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Generating a premium on our cost of capital

(premium on cost of capital, million €)



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 2009

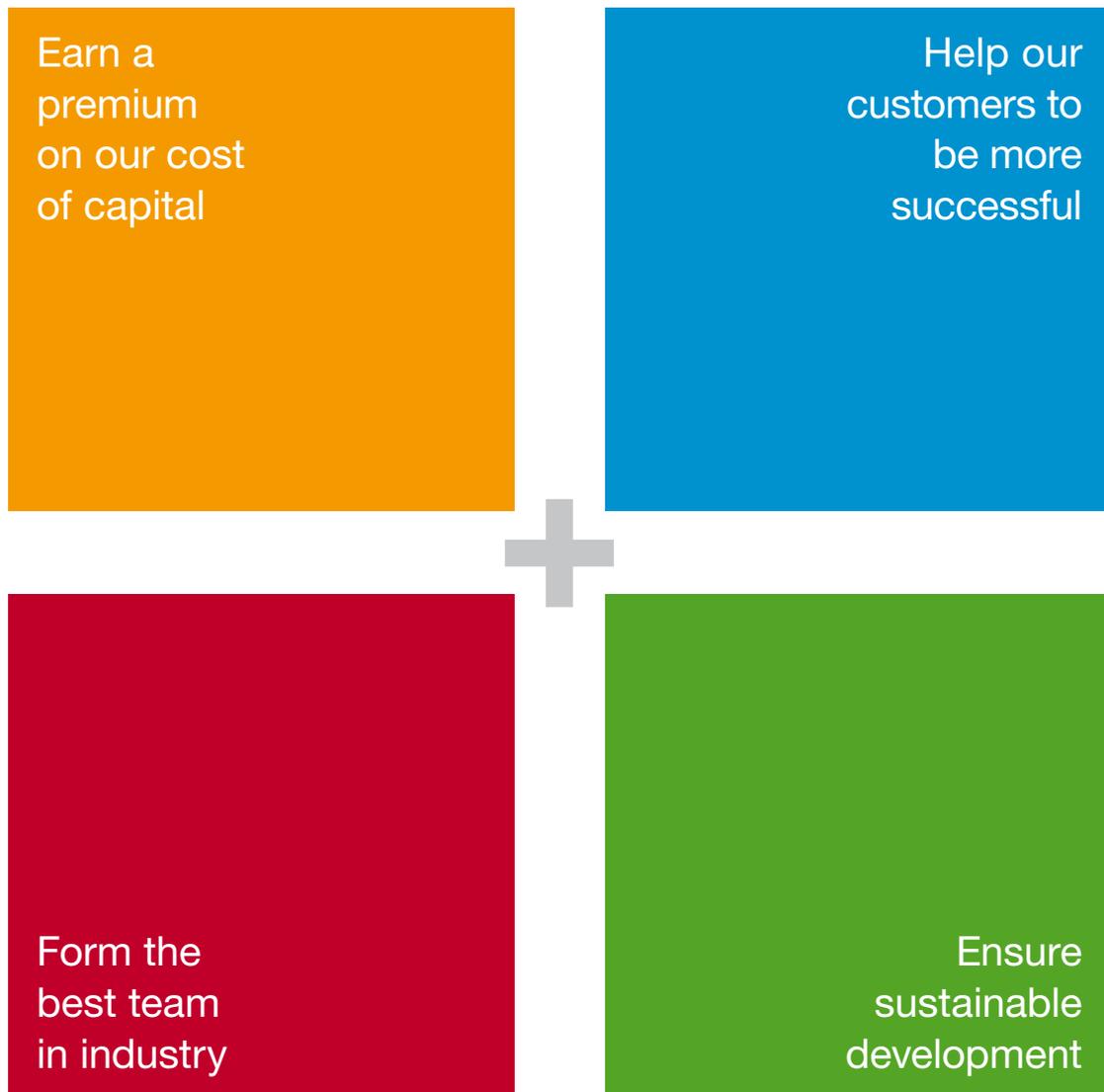
(million €)

EBIT BASF Group	3,677
less EBIT for activities not assigned to the segments ¹⁾	(627)
less noncompensable foreign income taxes for oil production	870
less cost of capital ²⁾	3,660
EBIT after cost of capital	(226)

¹⁾ The projected net expense is already provided for in the cost of capital percentage.

²⁾ In 2009, the cost of capital was 9% on the average operating assets of the segments.

Our strategic guidelines for profitable growth



Strategic guidelines

Our four strategic guidelines form the basis for our activities

We earn a premium on our cost of capital

The prerequisite for long-term success is earning a premium on our cost of capital. Only if we earn our cost of capital we do really generate added value for our shareholders. This is why EBIT after cost of capital is the Group-wide key performance indicator. At present, our cost of capital – including the usual risk premium – is 9% before interest and taxes on operational assets.

- We want to grow profitably above industry average and strive to outperform global chemical production growth by at least two percentage points annually.
- We constantly optimize our portfolio. We concentrate on those business areas that offer the best opportunities in terms of market attractiveness and BASF performance. This is where we will invest and expand.
- We set the benchmark in operational excellence.
- We innovate for future profitable growth.
- We strive for an EBITDA margin of 18% by 2012.

Major achievements in 2009

- Cost of capital: We missed our target by only €226 million despite the difficult business environment and the high one-time special charges related to the Ciba integration.
- Our efficiency improvement program NEXT is well on track and delivered savings of approximately €300 million.
- The EBITDA margin of 14.6% exceeded our target for trough margins.
- Our strict management of net working capital led to a record cash flow of €6.3 billion.

We form the best team in the industry

Our employees are key to our success: their skills, commitment and motivation make BASF competitive and fit for the future. For this reason, we want to recruit, support and retain the best employees.

- We want employees to share in the company's success and be rewarded for their individual performance. We pursue this goal by means of variable remuneration systems which follow the same basic principles for all employees.
- Our Diversity + Inclusion initiative aims to attract and win employees with different cultural backgrounds, experiences and ways of thinking – employees who are willing to use their personal and professional competence to pursue the goals and values of our company.
- We encourage a corporate culture in which everyone plays a part and is appreciated.
- We support our employees with training and other professional development measures as well as programs to help combine work and family life.

Major achievements in 2009

- Our unique Verbund system enabled flexible labor allocation and thus kept short-time working to a minimum.
- Our employees set a new benchmark by operating plants on capacity utilization rates below minimum levels.
- We successfully integrated former Ciba employees in BASF.
- Our highly innovative team is shaping our future through outstanding innovations: BASF was ranked number one in a new overall Patent Asset Index.
- Employees' ideas create value: In 2009, around 54,500 suggestions for improvements were submitted and 32,700 suggestions implemented leading to an overall benefit of about €41.5 million.
- Our systematic development and career planning of executives ensures smooth succession.

Major achievements in 2009

EBITDA margin

2012 Goal: 18%
(minimum ≥ 14%)

14.6%

Senior executives with international experience

77%

We help our customers to be more successful

Customer satisfaction and loyalty are important preconditions for long-term economic success. Our business focuses on the global trends and future challenges of our customers. We therefore concentrate our research and commercial focus on innovative business areas and invest in growth markets in close cooperation with our customers at an early stage.

- Our business models are clearly catering to the needs of our customers. To do so, we implement six different customer interaction models.
- We operate where our customers are – in all the world's important markets.
- We work on solutions for global challenges, focusing particularly on future markets and technologies with high growth potential. These include energy management, raw material change, nanotechnology, plant biotechnology and white biotechnology.

Major achievements in 2009

- We increased our R&D spending to €1.4 billion with a special focus on customer-oriented development.
- We strengthened our market focus through newly implemented industry and customer target groups.
- We have been recognized by many customers, for example winning Procter & Gamble's "Supplier of the Year" award.
- We have established co-operations with leading companies in plant biotechnology (e.g. with Embrapa and CTC in Brazil and KWS in Germany).

We ensure sustainable development

Sustainability is our strategic approach to integrate social and environmental aspects in our business processes to ensure our long-term economic success. It is a value driver to realize opportunities and reduce risks. By integrating sustainability issues in our management systems, we identify intelligent solutions to reduce the environmental impact of our products and operations.

- We create competitive advantages for both BASF and our customers through sustainable products, processes and services.
- Verbund is our unique advantage. Our integrated network of materials, energy and processes translates to cost reductions in logistics, energy, infrastructure and production, while reducing environmental impact by decreasing fossil fuel use, emissions and waste.
- We objectively evaluate the sustainability of products and processes through our globally recognized Eco-Efficiency Analysis and SEEBALANCE® tools.

Major achievements in 2009

- We constantly improve BASF's corporate carbon footprint which was confirmed at 3:1. Our products can save three times more greenhouse gas emissions than the entire amount caused by their production and disposal.
- We started up our new CDOn plant in Ludwigshafen, Germany, based on an innovative, novel technology using laughing gas (N₂O), a heavily climate-relevant waste gas, as a key raw material.
- In India, our agronomists coach soybean farmers throughout the season, helping them select the best agricultural practices, the ideal seed varieties, as well as the best fertilizers and effective plant protection technologies for good harvests.
- We also create value through Social Business: In 2009, we started BASF Grameen Ltd. in Bangladesh to give poor people access to better healthcare and provide them with entrepreneurial opportunities.

R&D spending in 2009

€1.4 billion

Improve energy efficiency in production processes

Baseline year 2002
(2020 Goal: +25%)

+16%

Portfolio management

BASF's successful portfolio optimization

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

Proactive portfolio management 1999 to date



¹⁾ To be divested.
²⁾ Not including styrenic business.

Partnerships

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

Gazprom	<ul style="list-style-type: none"> ▪ Joint ventures for Natural Gas Trading (e.g., WINGAS) ▪ Partner in Exploration and Production (e.g., Achimgaz, Yuzhno Russkoye) 	Oil & Gas	since 1993
Monsanto	<ul style="list-style-type: none"> ▪ Collaboration in plant biotechnology focusing on development of high-yielding and stress-tolerant crops 	BASF Plant Science (currently in Other)	since 2007
Petronas	<ul style="list-style-type: none"> ▪ Joint venture partner in Verbund site Kuantan, Malaysia 	Chemicals	since 1997
Shell	<ul style="list-style-type: none"> ▪ Joint venture for SMPO production (ELLBA) in Singapore and the Netherlands ▪ Partner in world-scale C4 olefins complex in Port Arthur, Texas (Sabina Petrochemicals LLC) 	Plastics	since 1999
Sinopec	<ul style="list-style-type: none"> ▪ Joint venture partner in Verbund site Nanjing, China 	Chemicals	since 2000
Total	<ul style="list-style-type: none"> ▪ Partner in stream cracker in Port Arthur, Texas (Sabina Petrochemicals LLC) ▪ Partner in world-scale C4 olefins complex in Port Arthur, Texas (Sabina Petrochemicals LLC) 	Chemicals	since 1998

Our goal is to acquire businesses that:

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

Financial acquisition criteria:

1. Positive contribution to EPS; accretive by year three at the latest
2. Minimum discount rate: 9% applied on earnings after tax
3. Additional return requirements depending on country risk

**Active portfolio management pays off
Cyclicality exposure reduced**

BASF profitability has proven to be more resilient in the economic downturn.

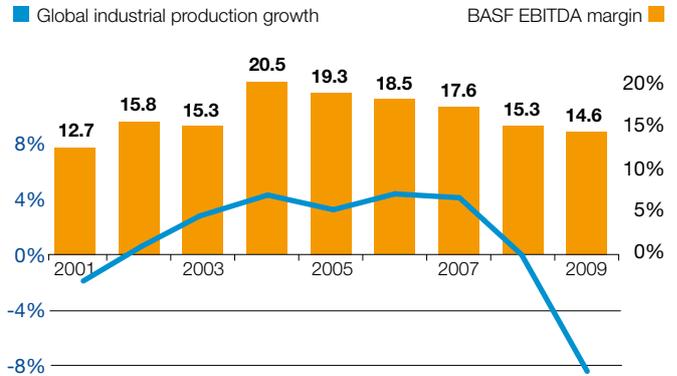
- Our balanced portfolio covering the entire value chain and catering to various customer industries helped us to perform well during the downturn.
- In 2009, we achieved an EBITDA margin above our trough margin target of 14% – despite the sharp downturn of global industrial production.
- Thanks to acquisitions and organic growth our portfolio has become significantly more resilient.

**Active portfolio management pays off
Balanced portfolio – strength through diversity**

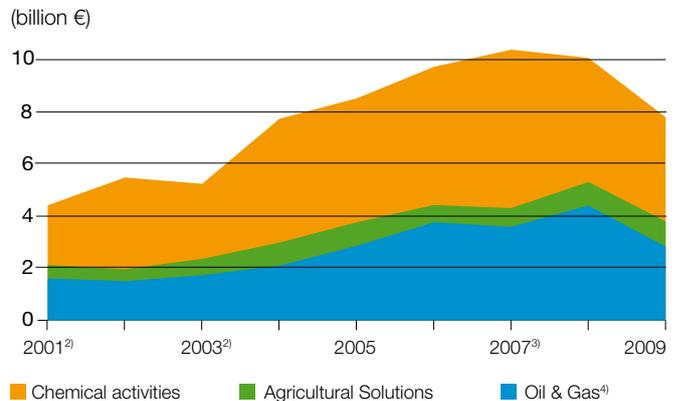
Our portfolio has become significantly more robust thanks to acquisitions in recent years and organic growth.

- In 2009 – in the worst economic downturn for decades – BASF Group was significantly more profitable than in any of the last trough years 2001, 2002 or 2003.
- This is a result of rigorous cost savings and active portfolio management that has led to a healthy and profitable business mix.

EBITDA margin versus global industrial production



EBITDA by activity¹⁾



¹⁾ Excluding Other. ²⁾ Based on German GAAP.
³⁾ As of 2007 according to new segment structure (Excluding Styrenics and corporate costs). ⁴⁾ Including non-deductible oil taxes.

Acquisition of Ciba Holding in 2009

Making BASF one of the leading suppliers of specialty chemicals

Acquisition rationale

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



Acquisition of Ciba

Offers world-class chemical solutions

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

Integrates and strengthens attractive niche businesses

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

Creates technology leader

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

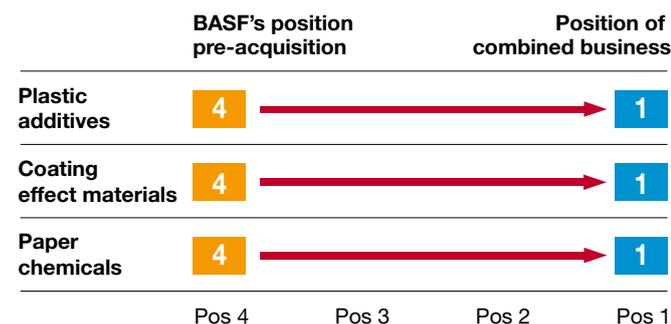
Leverages BASF's Verbund competence and operational excellence

- Complements and extends BASF's value-adding chains
- Broadens market access
- Leverages BASF's business platforms

Meets BASF's acquisition criteria

- BASF will quickly realize Ciba's full growth and earnings potential through integration and consolidation
- EPS-accretive in year 2

Leading positions in important market segments



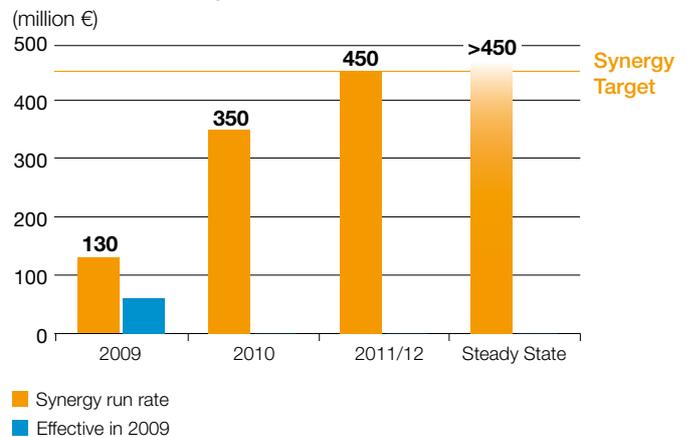
Integration of Ciba

- Acquisition of Ciba Holding AG on April 9, 2009
- Acquired Ciba businesses primarily integrated into the Performance Products segment
- Integration of Ciba faster than planned
- Synergies exceed targets
- By the end of 2012, annual synergies of more than €450 million expected

Ciba integration: synergies exceed targets

- We have largely completed the structural integration of Ciba within one year of the closing date.
- This means we have set up all the organizational structures and integrated the main systems and processes of the former Ciba into BASF Group. We have also already consolidated many company structures and production sites.
- The majority of the integration costs were already booked in 2009.
- We are implementing new strategies and business models to enhance the combined operations.
- The synergies are now gaining momentum. The cost synergy run rate at the end of 2010 is projected at €350 million. Once we have fully completed the integration by 2012, we are confident to achieve more than €450 million of cost synergies per year.

Expected synergy run rate



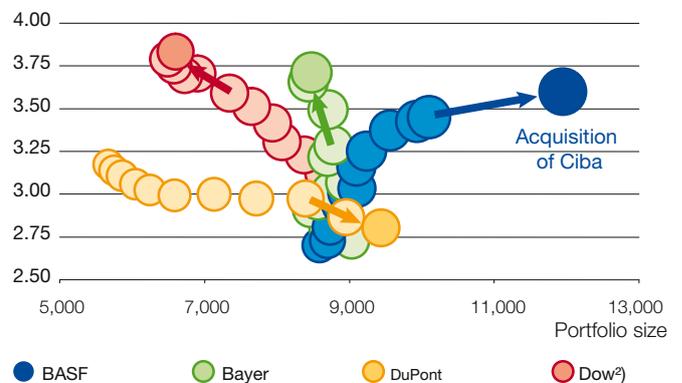
Acquisition of Ciba further enhanced BASF's patent position

- Patents are an important key performance indicator for innovation strength.
- BASF has over the last ten years not only increased its patent portfolio but also the competitive impact of these patents.
- The recent acquisition of Ciba provided an additional boost both in terms of quantity as well as quality.

BASF's patents grew in number and impact

Competitive impact¹⁾ versus size of patent portfolio for chemical peers, development 1998-2008

competitive impact



¹⁾ Defined as market coverage x citations.

²⁾ Including Rohm & Haas.

Source: Otto-Beisheim School of Management (WHU), Germany; study Prof. Ernst.

Ciba integration costs and synergies

Integration costs 2009	€785 million
thereof special items	€718 million
Integration costs 2010-2012E	€300 million
thereof special items	€150 million
Site consolidations	58
Production sites under strategic review	23
Headcount reduction	3,800 positions

Regional strategies

Clear growth strategy in each region

We expect to outgrow global chemical production growth by 2 percentage points annually. This means we aim to reach sales of more than €90 billion by 2020. We strive to earn a premium on our cost of capital in all regions.

North America

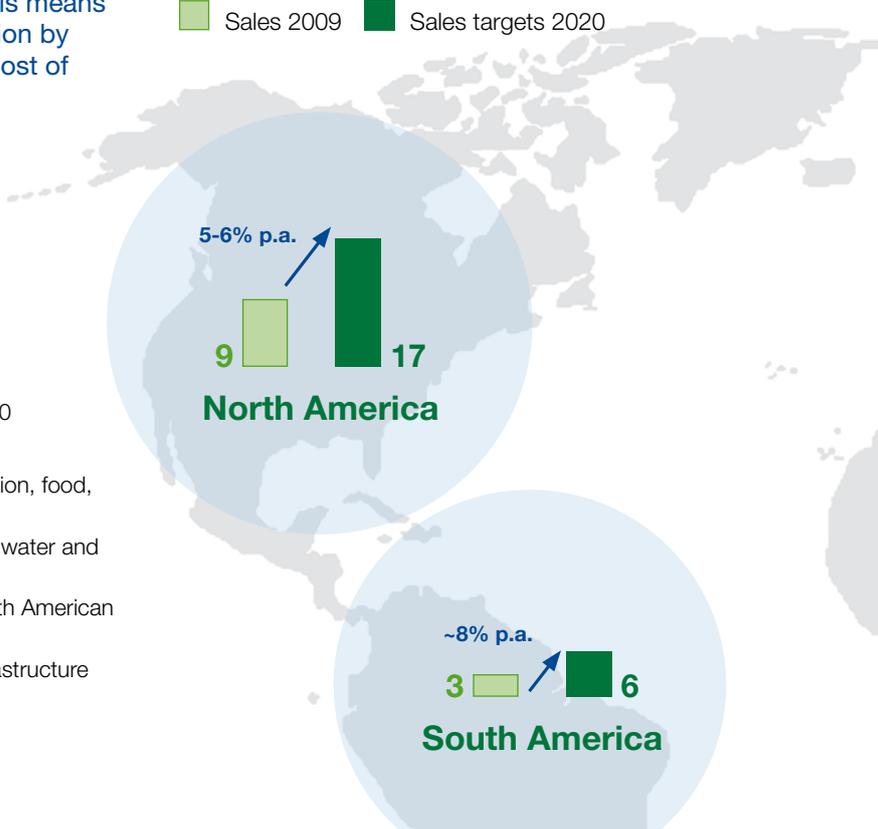
Rediscovering North America

BASF expects to increase sales to €17 billion by 2020

- Expand position within focus industries – construction, food, packaging, pharmaceutical and transportation
- Penetrate emerging industries such as solar, wind, water and advanced battery technology
- Strengthen R&D capabilities by building a new North American R&D platform
- Drive operational excellence in production and infrastructure

Regional sales 2009 and sales targets 2020 (billion €)

■ Sales 2009 ■ Sales targets 2020



South America

Build on strong position in Agricultural Solutions and Coatings

BASF expects to increase sales to €6 billion by 2020

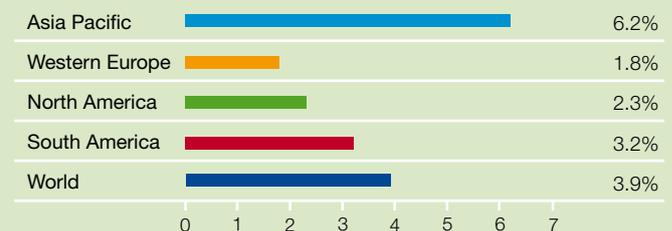
- Grow through innovative crop protection and plant biotechnology products on the back of continuous AgroChemical market growth
- Leverage the strength of our decorative paints business in Brazil; expand local production
- Exploit additional growth potential such as renewable resources
- Accelerate growth in key industries like construction, automotive and mining via a cross-divisional approach

Chemical demand (excluding pharma) 2009*)

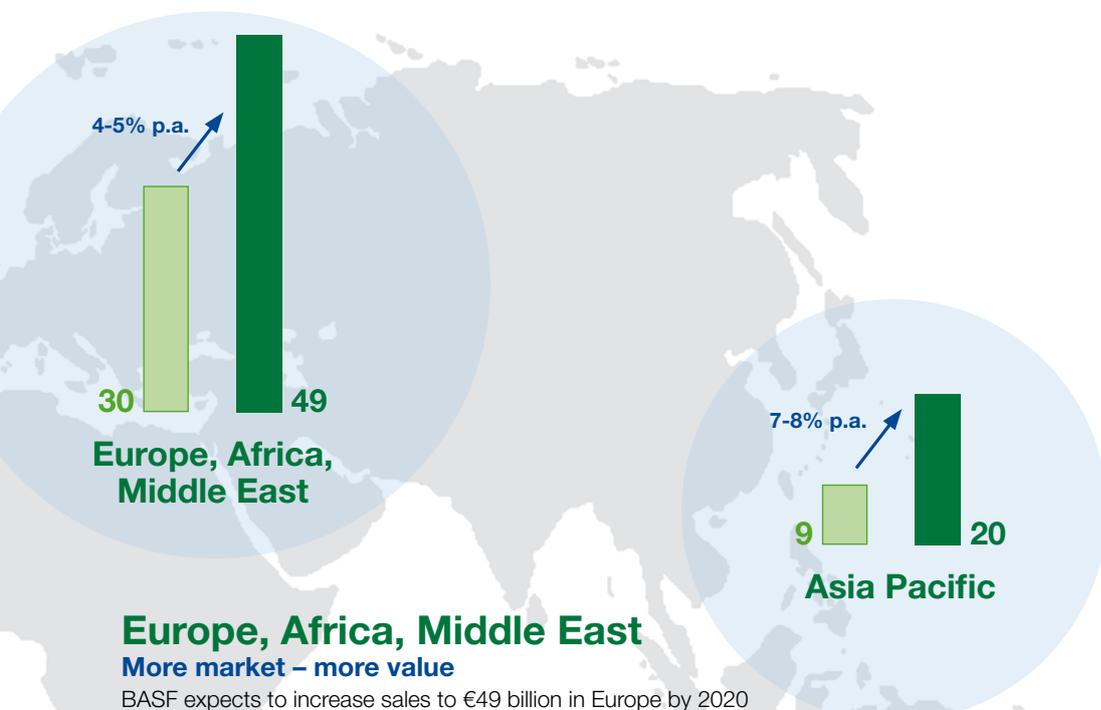


*) Source: BASF.

Chemical demand, expected compounded annual growth rate 2009-2020*)



*) Source: BASF.



Europe, Africa, Middle East

Europe, Africa, Middle East

More market – more value

BASF expects to increase sales to €49 billion in Europe by 2020

- Expand cross-divisional market development:
 - Strengthen existing initiatives in automotive, construction, packaging and pharma
 - Establish new initiatives focusing on agro/food/feed/fuel, clean tech, furniture/wood, and coatings
- Capture potential of fast growing markets like Eastern Europe, Middle East and Africa
- Lead future industry trends like clean-tech energies, new mobility and energy efficiency with innovative solutions
- Continuously improve operational excellence (e.g. reduce structural complexity, optimize production landscape)

Asia Pacific

Asia Pacific

Stronger Asia for a stronger BASF

BASF expects to increase sales to €20 billion by 2020

- Strengthen market focus through industry and customer target groups focusing on automotive, construction, packaging, pharma, paints and coatings
- Develop and market innovations in Asia for Asia
- Invest in Asia to generate >70% of sales in Asia Pacific through local production
- Improve operational excellence delivering earnings contributions of at least €130 million p.a. by 2012

Planned capital expenditures by region 2010-2014



^{*)} Thereof Oil & Gas approx. €4.9 billion.

Number of employees by region

(as of December 31, 2009)

Europe	67,621
North America	15,945
Asia Pacific	14,817
South America, Africa, Middle East	6,396
Total	104,779

1.4 Verbund

Unique Verbund concept for integrated production

Our Verbund is one of BASF's greatest assets when it comes to efficient use of resources. It is the foundation for BASF's competitiveness and innovativeness in all regions. Production plants at large sites are closely interlinked, creating efficient value chains that extend from basic chemicals right through to high-value-added products such as coatings and crop protection agents.



At our Verbund sites, production plants, energy and waste flows, logistics, and site infrastructure are all integrated, so that chemical processes consume less energy, produce higher product yields and conserve resources.

Thanks to its logistically optimized Verbund structure, BASF saves around €500 million each year at its Ludwigshafen site alone.

Types of Verbund

Production Verbund

By linking plants in a Production Verbund, we can create efficient value-adding chains from basic chemicals to higher value products such as aroma chemicals and crop protection products. In addition, by-products from one plant can be used as raw materials elsewhere.

Energy Verbund

The Verbund principle also applies to energy. Our Verbund system links our production and energy demands, thus making a major contribution to energy efficiency. Heat from production processes is not discharged into the environment; rather it is captured to be used at other production plants. Thanks to the Verbund system, BASF saves up to 1.5 million metric tons of oil equivalent per year, equal to a 3.4 million tons annual reduction in CO₂ emissions. Furthermore, networking several production facilities at one site reduces fuel consumption as less transportation is required.

Logistics Verbund

Production plants are connected by an intricate network of pipes which provides an environmentally friendly method of transporting raw materials and energy quickly and safely.

Research and Know-how Verbund

The Verbund principle further extends to research and knowledge management through its network of brains. Close global networking with our operating divisions, partners, customers and industry is a key success factor for efficient and future-oriented research.

Sustainability through the Verbund

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

Size, scale and global positioning

- Cost-efficient production through six world-scale Verbund sites in all major regions
- Preferred partner thanks to proximity to customers
- Know-how Verbund with 70 major or strategic R&D sites and >1,900 research cooperations with customers, science and partners

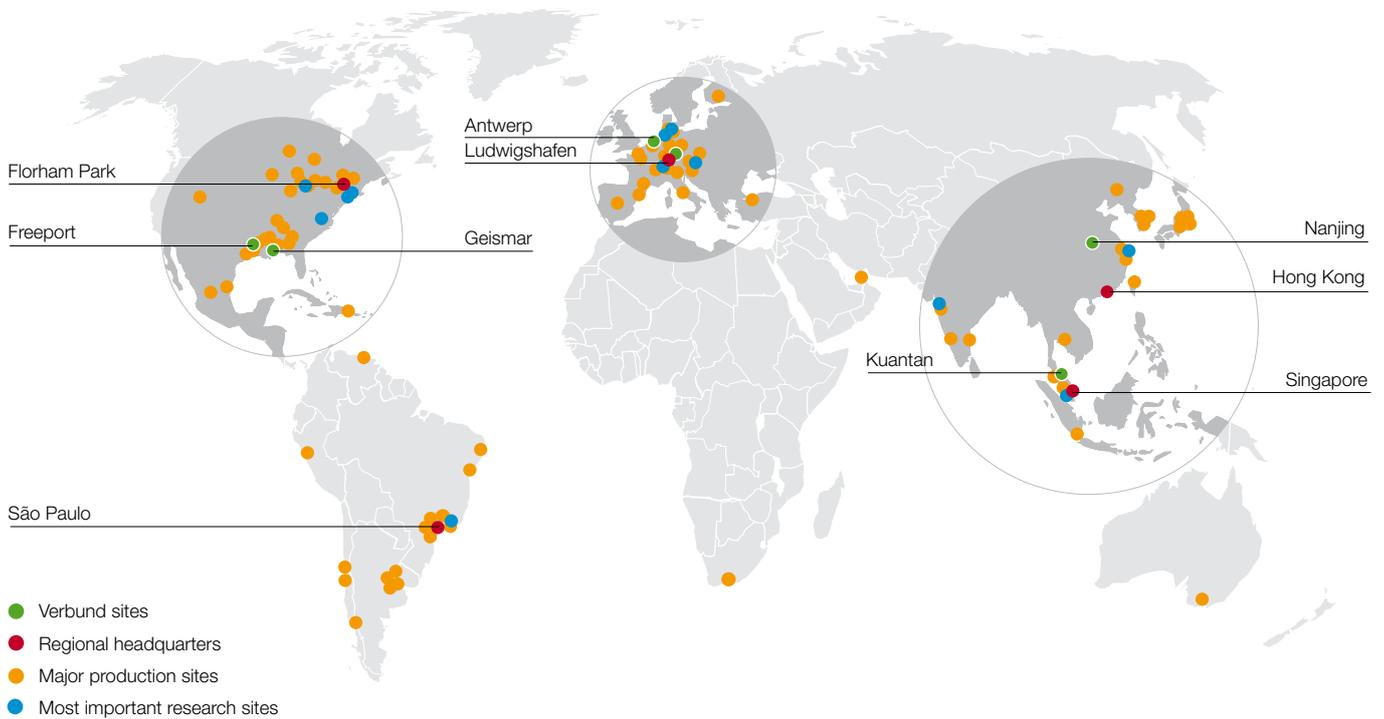
Energy Verbund – efficient use of resources

Value for BASF

1.5 million metric tons of oil equivalent saved per year

Value for the environment

3.4 million metric tons reduction in CO₂ annually



6 Verbund sites worldwide

Ludwigshafen

- The world's largest integrated chemical complex
- BASF's largest Verbund site with a total site area of 1,000 ha
- Company's global headquarters with around 33,000 employees
- More than 160 production plants and two steam crackers

Nanjing

- 50:50 joint venture between BASF and China Petroleum & Chemical Company (SINOPEC)
- 220 ha surface area, around 1,500 employees
- Steam cracker supplying 9 world-scale downstream plants
- Production capacity of 2 million metric tons per year

Freeport

- 164 ha surface area
- Around 1,100 employees
- 10 km of roads, 22 km of railroads, 85 km of pipelines

Antwerp

- Antwerp is the second largest production site
- 600 ha of surface area, around 3,500 employees
- Total quay length of 4.5 km, 152 km of roads, 41 km of railroads, 290 km of above-ground pipelines

Kuantan

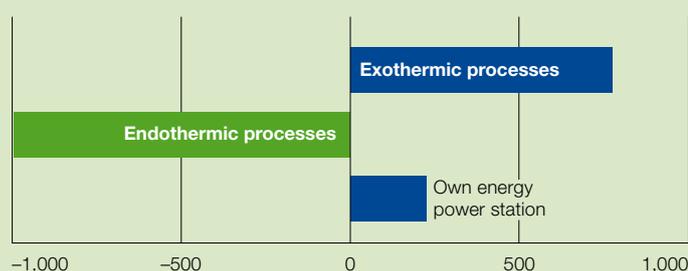
- 12 plants built in three phases producing acrylic monomers, oxo products and butanediol
- Around 600 employees
- 135 ha at Gebeng site, 15 ha at Port Tank Farm

Geismar

- Around 900 ha of surface area
- Around 1,400 employees
- One of the top 5 largest BASF sites in the world

Example: Energy Verbund savings in Antwerp, Belgium

(average tons/hour)



Through intelligent combination of production processes, the additional need for energy at our Antwerp site is minimal.

Unique Verbund concept

BASF's innovative approach to vertical integration and resource efficiency

Linking plants in a Production Verbund to create efficient value-adding chains from basic chemicals to higher value products



Concept
<ul style="list-style-type: none"> - Integrated production - Secured raw material supply - Efficient use of by-products - Minimization of greenhouse gas emissions - Common infrastructure - Combined logistics - Integral research platforms: global R&D Verbund - Integral customer interaction



Benefits
<ul style="list-style-type: none"> - Highly efficient production = cost leadership = significant cost savings: approx. €500 million p.a. in Ludwigshafen alone - Resource efficiency and waste reduction = leadership in sustainability = energy savings: approx. 1.5 million tons of oil equivalent p.a. globally - Integral knowledge management = leadership in innovations (>1,000 patents p.a.) - Customer orientation = supplier of choice

Main raw materials for the Verbund

The major raw materials that feed BASF's Verbund production sites are hydrocarbon-based raw materials such as naphtha and LPG (liquefied petroleum gas). These are feedstocks for the steam crackers that are operated in Ludwigshafen, Germany; Antwerp, Belgium; Port Arthur, Texas; and Nanjing, China. BASF monitors the market for naphtha and hedges its exposure by using swaps and options. Other important hydrocarbon-based raw materials are natural gas, benzene and propylene. Further raw materials for BASF include cyclohexane, ammonia, ethylene and methanol. For its German operations, BASF primarily sources its natural gas from Russia by means of long-term natural gas supply contracts. In the United States, BASF secures its natural gas requirements based on shorter-term supply contracts related to national sources with various suppliers.

Major raw materials

- Ammonia
- Benzene
- Cyclohexane
- Ethylene
- LPG/condensate
- Methanol
- Naphtha
- Natural gas
- Propylene
- Styrene

Advantages for economic performance and the environment

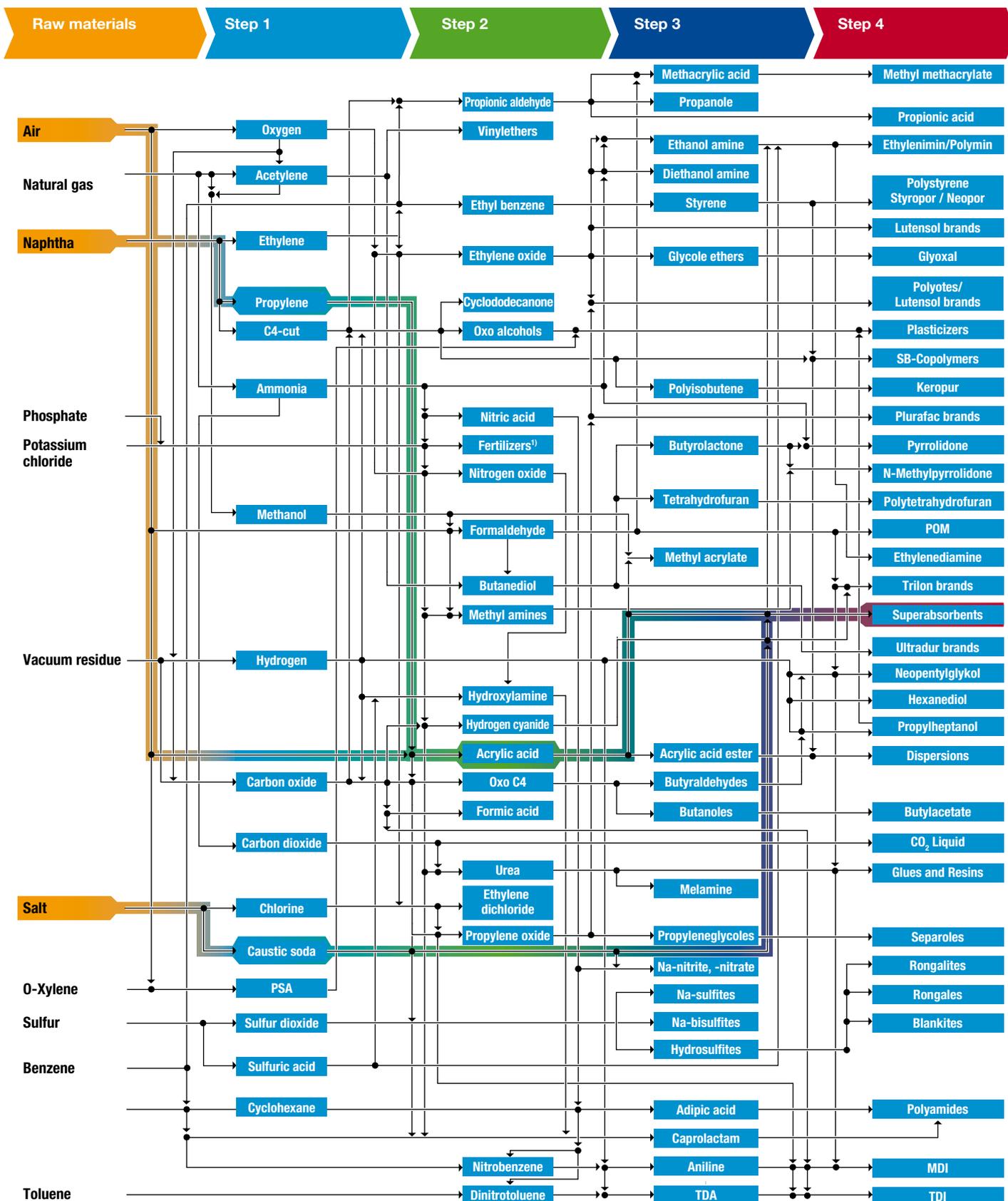
- Most efficient use of raw materials and energy
- Conservation of natural resources
- Reduction of emissions and waste
- Innovations for BASF and our customers

Partners in the Verbund network

- Production plants
- Research units
- Customers
- Site community

Production in the Verbund

This example of a production flow chart demonstrates how different value chains interact in a Verbund network.



¹⁾ Exclusively sold to K+S Nitrogen.

1.5 Innovation

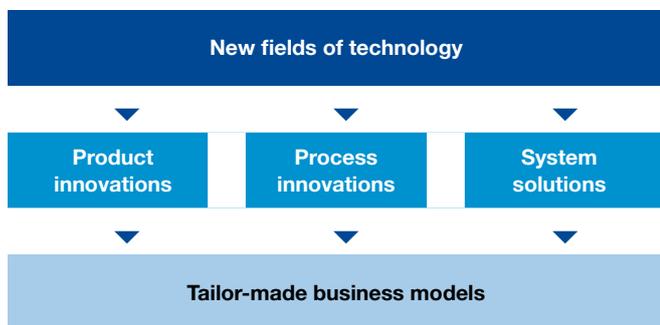
Meeting challenges, developing solutions, shaping the future

Our international and interdisciplinary research teams work on solutions for the challenges of the future. Our commitment to research and development strengthens our position as an innovative company. Our know-how, products and processes are driving forces of innovation in most manufacturing industries. They promote the long-term success of our customers, which in turn ensures our profitable growth and sustainable commercial success.



Focus on market-driven innovations

BASF's innovation projects aim at turning market trends, customer needs and technologies into economic success. This is a challenge for the whole company – not only for research and development, but also for production, logistics, marketing and sales. BASF's innovation projects are divided into three types: product innovations, process innovations and system solutions, each with different goals and results.



Ambitious R&D goals

New sales targets from product innovations

In 2010, we aim to generate sales of up to €6 billion with product innovations – new and improved products or applications that have been on the market for a maximum of five years.

In 2015, we expect sales of between €6 billion and €8 billion from product innovations.

Expectations

Annual sales with product innovations in 2010

↑ **Up to €6 billion**

Annual sales with product innovations in 2015

↑ **€6-€8 billion**

R&D expenditures

(million €)



R&D expenditures based on sales 2009

BASF total

2.8%

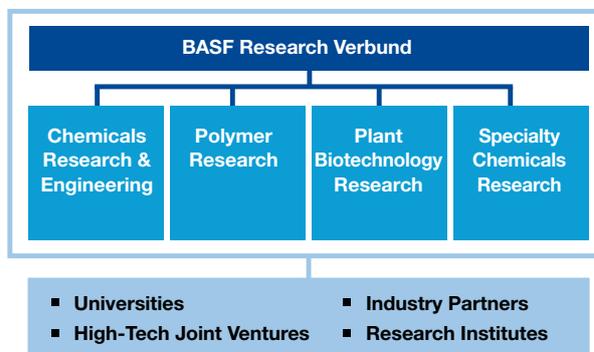
BASF excluding Oil & Gas sales

3.6%

Scientific network

BASF Research is supported by four global technological platforms: Chemicals Research & Engineering; Plant Biotechnology Research; Polymer Research; and Specialty Chemicals Research. We have laboratories and cooperations with universities, customers, start-up and high-tech companies in all regions of the world as our research is present where markets meet expertise.

- More than 9,300 employees working in R&D worldwide
- Expansion of project portfolio to 3,300 projects and topics close to production and markets
- Research Verbund with around 1,900 collaborative partnerships worldwide; thereof 40% with industrial partners, approx. 60% outside Germany



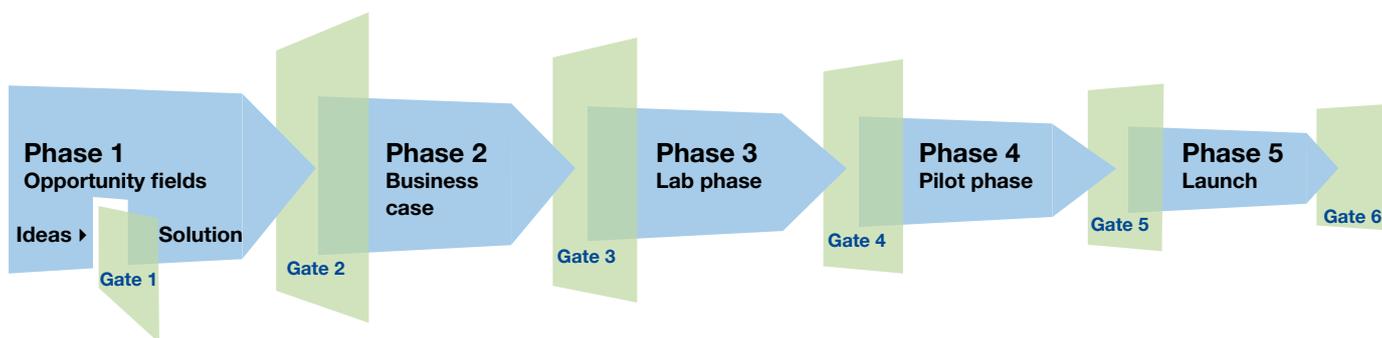
Within these platforms we improve existing and develop new technologies and products for BASF. Their application to developed markets is pushed by marketing and technology platforms together. New business development is responsible for tapping new markets with established technologies. Our exploratory

research opens new technologies for markets in which we are already active. BASF Plant Science, BASF Future Business and BASF Venture Capital together with our five growth clusters open up new technologies for emerging business fields (see pp. 24f.)

PhaseGate process

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

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



Total R&D expenditures 2009



- Around one third of R&D expenditures are invested in products and technologies for increased energy efficiency and climate protection
- Operational units finance approx. 76% of total R&D
- 70% of R&D expenditures in Germany; 15% in North America

Growth clusters

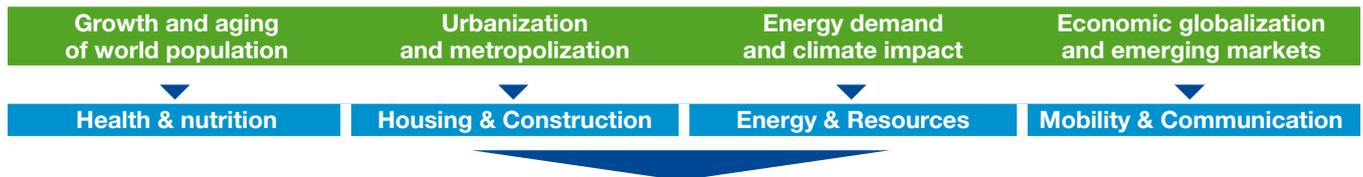
Translating megatrends into business growth

Innovation drivers

How can we produce and distribute enough food for the growing population? What will buildings look like in the future? How can we increase energy efficiency? How can we reduce fuel consumption? The rapidly growing and aging global population, increasing urbanization,

rising demand for energy and climate protection and economic globalization represent global megatrends which we address with innovative solutions and future-oriented projects. These challenges are the driving force behind our innovations, even in times of economic volatility.

Meeting today's megatrends: 5 growth clusters



Growth clusters



Energy Management



Nanotechnology



Plant Biotechnology



White Biotechnology



Raw Material Change

Growth clusters

We will not be able to solve the challenges of tomorrow with the solutions of today or yesterday. Therefore, we address the global megatrends in five growth clusters: plant biotechnology, white biotechnology, raw materials change, energy management, and nanotechnology. In these clusters, the focus is on markets and technologies of the future.

Between 2006 and 2008, BASF invested €925 million in these research activities. Our successes encourage us to continue into the second phase of our growth cluster initiative “We innovate for growth” from 2009 to 2011 with investments of up to €1 billion. With this, we aim to create profitable growth for BASF and contribute to a better future.

Energy management

BASF researchers are developing new technologies and materials in areas such as renewable energy sources, energy storage and energy conversion, for example, for organic solar cells and lithium ion batteries.

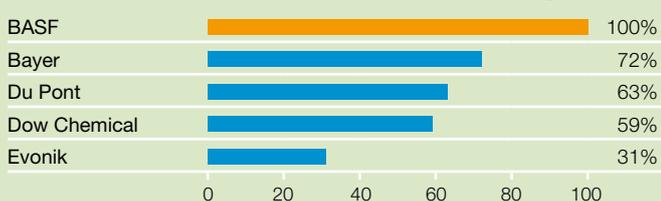


- Development of new business areas based on economically attractive products and system solutions, combining internal know-how and collaboration with competence centers worldwide
- Expenditures 2006-2008: €90 million
- Projects: OLED (organic light emitting displays) for lighting, organic photovoltaics, lithium ion battery materials, thermoelectrics, magnetocaloric materials and membrane electrode assembly for fuel cells

BASF – the leader in the Patent Asset Index

(standardized)

Patent Asset Index is an indicator of innovation strength*



* Based on the portfolio size (number of patent families) and competitive impact (number of citations in other patents and market coverage), as of December 31, 2009. Source: Otto-Beisheim School of Management (WHU), Germany, Prof. Ernst

BASF ranked first compared to other chemical companies (BASF peers) in the Patent Asset Index, which

- measures strength of a company's patent portfolio in global markets
- covers total portfolio of active patents and patent applications
- takes into account relevance of patents (normalized number of citations)
- factors in market size covered by individual inventions (expressed by Gross National Income)

Nanotechnology

BASF is one of the world's leading companies in the field of chemical nanotechnology and already applies it in established areas of activity such as polymer dispersions and catalysts. This expertise is continuously expanded through intensive research into nanomaterials and nanostructures.



- Innovation for construction, medical devices, automotive, electronics and energy
- Expertise in manufacturing and application of nanostructured materials and surfaces, formulations as well as process engineering
- Strategic partnerships to complement own strengths and to increase certainty of success by open innovation
- Development of new markets and clients, competitive advantage through improved product properties
- Expenditures 2006-2008: €185 million
- Projects: Advanced materials for insulation, scratch-resistant coatings, nanocomposites, printed electronics and antimicrobial surfaces

White (industrial) biotechnology

BASF combines its wide-ranging expertise in enzyme catalysis and fermentation technology with its core competencies in chemistry and application know-how to create novel solutions for the chemical industry.



- New sustainable processes and enhanced bio-based products
- Production of chemicals and monomers based on renewable resources
- Expenditures 2006-2008: €135 million
- Projects: Chemicals via biocatalysis, biobased succinic acid, performance biologicals for surface modification, feed additives, biopolymers

Raw material change

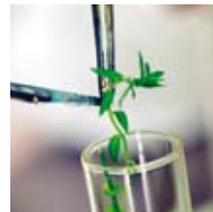
BASF experts are working on identifying cost-effective processes for the utilization of alternative raw materials such as natural gas, coal, renewable resources or carbon dioxide and are evaluating these processes according to technological, economic and environmental criteria.



- Increased usage of alkanes (natural gas = C1-C4) and coal as feedstocks for established value-adding chains and usage of renewable resources (e.g., cellulose) and carbon dioxide as basis for selected products
- Technological leadership with alternative cost-competitive raw material sources, using special in-house competence in the areas of synthesis, catalysis, unit operations and process development
- Expenditures 2006-2008: €105 million
- Projects: Olefins from alkanes and from syngas, benzene from methane, coal to chemicals, and utilization of biomass

Plant biotechnology

Experts from BASF Plant Science are developing plants for more efficient agriculture, improved nutrition and use as renewable raw materials.



- Strategic importance underlined by cooperation with Monsanto: Goals are higher-yielding crops and crops that are more resistant to adverse environmental conditions such as drought for the crops corn (maize), soybeans, cotton and canola (oilseed rape)
- Complements BASF's strong position in agricultural and fine chemicals markets
- Expenditures 2006-2008: €410 million
- Projects: Higher yield and improved stress tolerance, potatoes with improved starch composition, oilseeds with healthy fatty acids, nutritionally enhanced corn

Patent applications (2009)

25 per week

Number of patents and patent applications in the BASF portfolio

158,000

Plant Biotechnology

Targeting the needs of modern agriculture

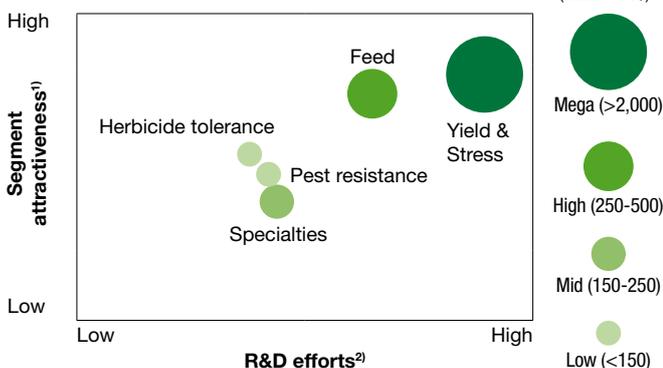


Plant biotechnology is a key technology of the 21st century and will have a huge role to play in agriculture. The amount of land available for agriculture is limited, and we need more and more food and animal feed as well as renewable resources. Through plant biotechnology we can help to achieve more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

BASF’s commitment and strategy in plant biotechnology

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

BASF Plant Science: R&D effort toward segment attractiveness



¹ Based on created value, growth and competitive situation.
² Cumulated R&D investments until market introduction.
³ Expected gross sales in 2020 before partner share.

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

Yield & Stress

- Monsanto collaboration covering yield and stress projects in corn, soybean, cotton and canola
- Strategic partnerships covering yield and stress projects in sugarcane (CTC) and sugar beet (KWS)

Specialties

Amflora potato producing amylopectin: Europe produces about 2 million metric tons of potato starch each year, of which a large portion is used for industrial applications such as paper, yarns or glue. Its pure amylopectin starch makes Amflora a renewable raw material that helps to save material, energy and costs. Market potential: peak licensing income of €20-30 million in five years after market introduction. Amflora was approved for commercial cultivation in the EU in 2010.

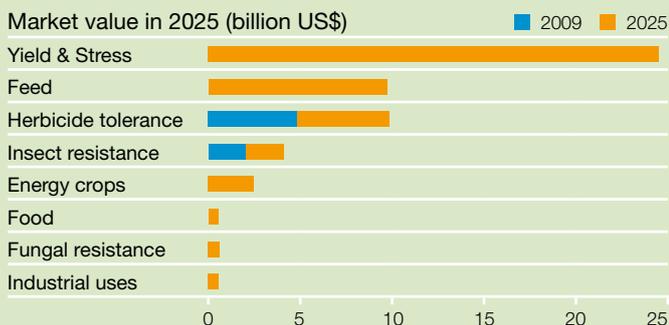
Herbicide tolerance

BASF, jointly with Embrapa, developed a new variety of herbicide-tolerant soybean. First approval was obtained in Brazil in 2009, the first seeds are expected to be available to Brazilian farmers from 2011 onward.

Fungal resistance

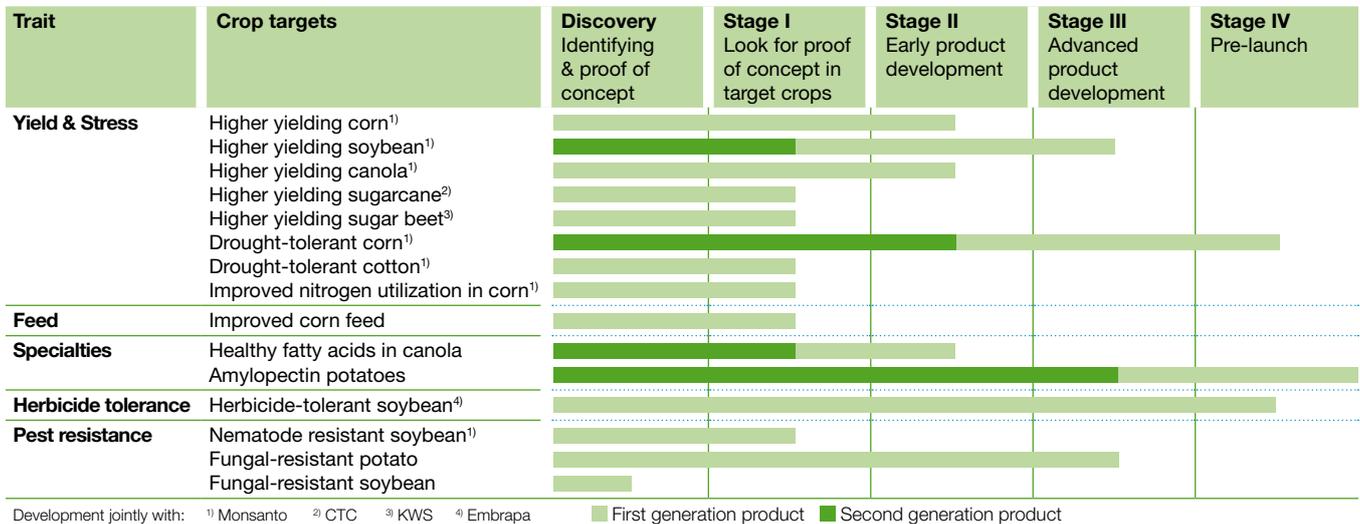
Late blight destroys about 20% of the world’s potato harvest every year. Resistance genes from a wild potato protect cultivated potatoes. Resistance has been proven in field trials.

Expected global market for biotechnological traits 2025



- Estimated market value in 2025: US\$50 billion
- Market is dominated by agronomic traits and commodities
- Yield and stress are the major markets

Strong development pipeline in plant biotechnology



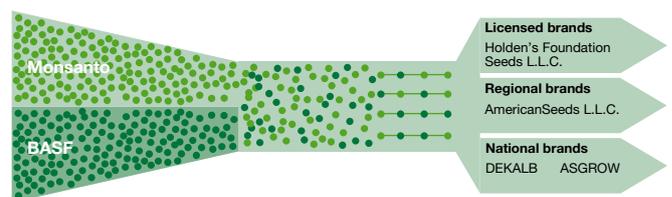
Strategic partnership with Monsanto

In March 2007, BASF and Monsanto started a long-term joint research, development and commercialization collaboration in plant biotechnology, focusing on the development of high-yielding crops and crops that are more tolerant to adverse environmental conditions such as drought.

Target crops are corn, soybean, cotton and canola.

The progress of the collaboration shows the strength of the combined discovery engines:

- First product for launch is a drought-tolerant corn from 2012 onward
- Higher-yielding soybean as a second product on track
- Pipeline fueled by hundreds of new gene constructs from both discovery engines
- More than 90% of gene nominations from Monsanto's and BASF's research programs are unique



Discovery:

- Pairing of complementary discovery engines
- Generating leads for nomination into joint R&D

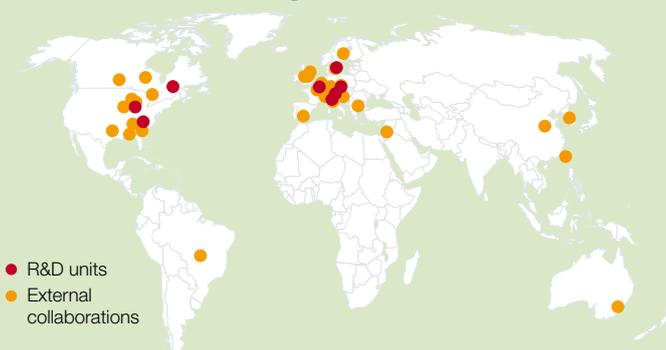
Development:

- 50/50 cost sharing through all phases of development
- Potential overall budget of US\$1.5 billion
- Harnessing Monsanto's infrastructure

Commercialization:

- Using Monsanto's existing commercial channels
- Value shared 60% Monsanto, 40% BASF

BASF Plant Science – global R&D network with 8 sites in 5 countries



- Extraordinary bundling of diverse, innovative technologies:
 - in-house developments
 - partnering with and founding of start-ups
 - acquisitions
- 700 employees in North America and Europe
- 40 collaborations worldwide
- Expenditures in 2009 approx. €150 million

1.6 Sustainability

Minimizing risks, creating new business opportunities

As a globally operating company, we are aware of our responsibilities to the environment and society, which is why we take an active role in shaping sustainable development in our sphere of influence. Sustainability is firmly rooted in our company, both strategically and organizationally, and is therefore a responsibility that cuts across the entire structure of BASF. As an integral part of our value-based management, sustainable development helps us minimize risks, enhance the existing business and create new business opportunities.



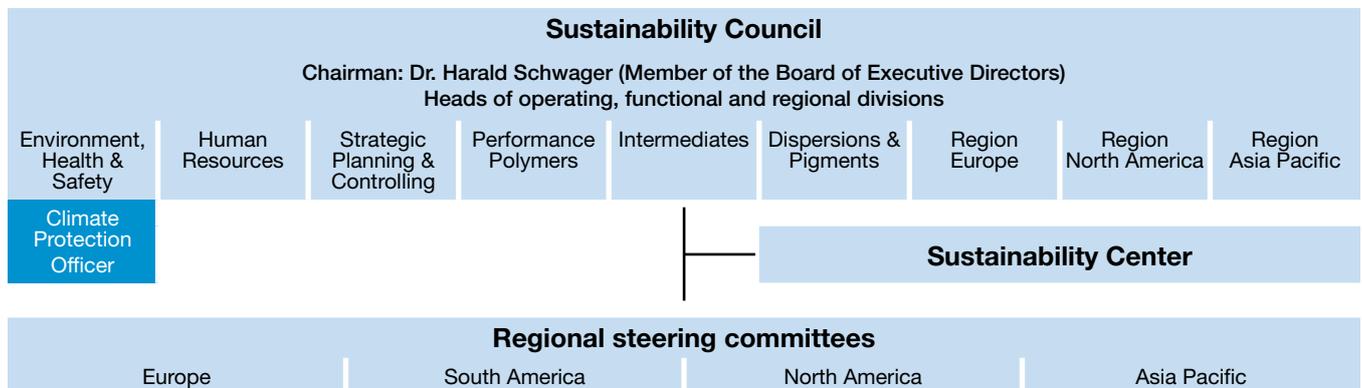
We ensure sustainable development

To take advantage of business opportunities, we offer products that have economic and ecological benefits and provide sustainability services to customers. In this way, we use sustainability to create value – for BASF and for society.

With sustainability management, BASF is implementing its strategic guideline “We ensure sustainable development.” As part of this, we:

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

Sustainability organization



- The Sustainability Council ensures that BASF Group policy is in accordance with the principle of sustainability and develops the sustainability strategy, which is globally implemented by the regional steering committees.
- The Climate Protection Officer coordinates BASF’s activities for climate protection.

- The Sustainability Center is the central Sustainability Coordination unit regarding issues management, stakeholder dialogue and sustainability projects.
- Issues in 2009 included criteria for environmental protection and social responsibility in the innovation process as well as the establishment of a social business.

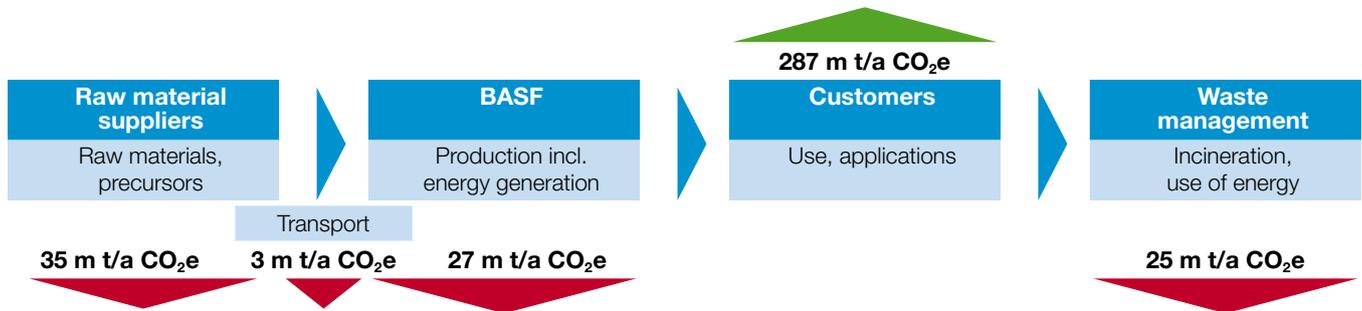
Sustainability strategy

Sustainable development influences our business activities in different areas: It minimizes our risks and helps to create value. To recognize new challenges at an early stage and respond to them, we systematically pursue sustainability issues (e.g., climate protection, demographic change, water availability and quality) that are relevant for us.

Identifying future topics

We aim to identify topics that could, currently or in the future, present a risk or opportunity for our business. We use the results of this issue management to initiate long-term change processes within the company, to define goals for developing our portfolio and to specify focus points for reporting. One example is the topic of water: Water availability and quality are global challenges. We are currently evaluating the significance of this issue for BASF and examining the sustainability of the water supply at our sites. In 2009, we expanded our portfolio of water treatment products.

BASF's corporate carbon footprint: our products help to protect the climate

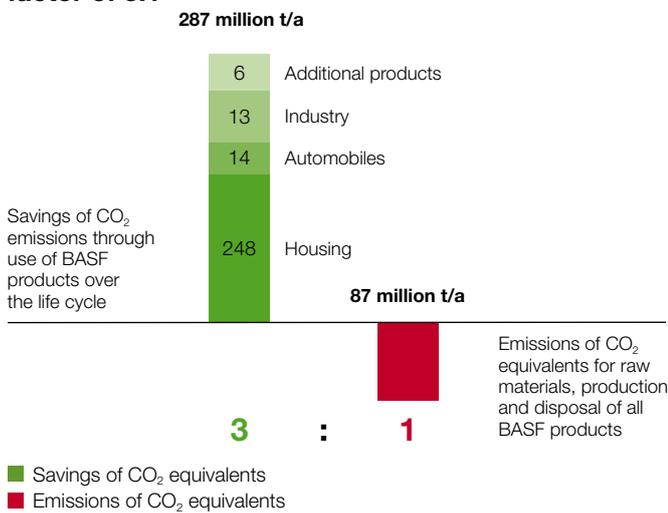


■ Savings of CO₂ equivalents
 ■ Emissions of CO₂ equivalents

BASF was the first chemical company to publish a corporate carbon footprint in 2008, which was updated in October 2009. The corporate carbon footprint not only shows emissions from production and transport at BASF, but for the first time also takes into account emissions from manufacturing and transport of raw materials and precursors as well as the disposal of all products.

For the savings in product use, the analysis takes into account all products that through their use and application by BASF's customers save almost three times the amount of greenhouse gas emissions compared to the amount they emit during their production and disposal. These products account for 10% of the global sales of BASF Group.

CO₂ savings from BASF products outweigh emissions caused during production and disposal by a factor of 3:1



■ Savings of CO₂ equivalents
 ■ Emissions of CO₂ equivalents

Update of our corporate carbon footprint

BASF is the only industrial company to regularly present a comprehensive corporate carbon footprint for its chemical business and have the calculations verified externally.

This corporate carbon footprint covers the entire life cycle of the products. A total of 87 million metric tons CO₂ equivalent emissions from the raw materials, precursors, production and disposal is offset by savings of 287 million metric tons of CO₂ equivalents.

Our aim is to maintain or even improve this factor of 3:1 in the long-term. We have also made our method available to the International Council of Chemical Associations (ICCA) so it could draw up a study for the global chemical industry.

BASF's Eco-Efficiency Analysis

- Strategic tool for evaluating products and processes
- Provides information about the relationship between economic benefits and impact on the environment
- More than 400 Eco-Efficiency Analyses conducted
- Methodology certified by TÜV Berlin
- Certification from National Sanitation Foundation in the United States

Innovation for climate protection

Climate protection products as % of total sales

R&D expenditures for climate protection products (million €)

10%

>400

Our goals

Environment, safety and product stewardship

	2020 Goals	Goals	Status at year-end 2009
Energy and climate protection (baseline 2002)			
Emissions of greenhouse gases per metric ton of sales product ^{1) 2)}	-25%		+0.1%
Improvement of specific energy efficiency of production processes ^{1) 2)}	+25%		+15.7%
Stop the flaring of associated gas that is released during crude oil production by Wintershall (2012 goal)	100%		>95%
Reduction in emissions from chemical operations²⁾			
Emissions of air pollutants ³⁾	-70%		-63.5%
Emissions to water of			
Organic substances ³⁾	-80%		-79.7%
Nitrogen ³⁾	-80%		-83.9%
Heavy metals ³⁾	-60%		-61.4%
Distribution safety⁴⁾			
Reduction in transportation accidents	-70%		-57.0%
Product stewardship			
Review of all products that are sold worldwide by BASF in quantities of more than 1 metric ton per year, based on a risk assessment	>99%		>23%

¹⁾ Excluding oil and gas production.
²⁾ Baseline 2002.

³⁾ Assuming comparable product portfolio.
⁴⁾ Baseline 2003.

Global climate protection goals

Climate protection is one of the main challenges faced by society. We have set ourselves specific implementation goals, which we are rigorously pursuing. These are based on a worldwide action plan for energy efficiency and climate protection. We invest in research and development in order to improve the cost-effectiveness of new climate protection solutions. In 2008, BASF was the first globally operating industrial company to appoint a Climate Protection Officer.

Energy

Energy efficiency is the most important means of combining climate protection, resource conservation and economic benefits. To supply our production sites with energy, we use combined heat and power (CHP) plants to generate both power and steam. They are used to meet around 75% of BASF's electricity demand. Thanks to the environmentally friendly CHP technology, BASF saves almost 1 million metric tons of oil equivalent worldwide each year, thus reducing CO₂ emissions by around 2.2 million metric tons.

Water

The sustainable use of water and the conservation of water resources are important concerns for BASF. We use the Eco-Efficiency Analysis to evaluate products and processes with respect to their emissions to water. We contribute our know-how to partnerships, such as the European Water Partnership. With the acquisition of Ciba, we have considerably expanded our portfolio of water treatment chemicals.

Product Stewardship

We ensure that our products pose no danger to people or the environment when they are used responsibly and in the manner intended. Based on risk assessments, we want to review all substances produced or sold worldwide in the BASF Group in quantities of more than 1 metric ton per year. Our expertise gained in evaluating substances and our existing processes for the implementation of our product stewardship goals help us meet the REACH requirements at the lowest possible cost.

Dow Jones Sustainability Index

For the ninth year in succession, BASF shares were included in the Dow Jones Sustainability Index (DJSI World) – the most important sustainability index worldwide. BASF was recognized for its climate strategy, its risk and crisis management, as well as its practices in human capital development.

Carbon Disclosure Leadership Index

First place in materials sector: In 2009, BASF achieved the top ranking in the materials sector in the Carbon Disclosure Leadership Index. Through this index, the international investor group Carbon Disclosure Project recognizes corporations that excel in addressing the opportunities and risks associated with climate change.

Employees and society

	2020 Goals	Goals	Status at year-end 2009
Occupational safety (baseline 2002)			
Reduction in lost time injuries per million working hours	-80%		-46.5%
Health protection (baseline 2004)			
Reduction in cases of occupational diseases	-80%		+5.0%
Senior executives			
	Long-term goals		State at year-end 2009
International proportion of senior executives	Increase the proportion of non-German senior executives (baseline 2003: 30%)		32.7%
Women in senior executive positions	Increase the proportion of female senior executives (baseline 2003: 5.2%)		6.5%
Senior executives with international experience	Increase the proportion of senior executives with international experience to over 70%		76.8%
Leadership feedback			
	2008 goal		
Mandatory leadership feedback for senior executives worldwide	80% of senior executives have taken part in the standardized leadership feedback process		Management tool successfully introduced
Employee survey			
	2009 goal		
Global employee survey	Implement a global employee survey for the BASF Group		Survey carried out, more than 1,500 follow-up measures introduced

Addressing demographic change with the Generations@Work program

Around the world, demographic change poses major challenges to HR management. In 2006, BASF launched the Generations@Work program as an innovative approach to this issue. We analyze the age structure of our workforces and demographic developments to determine site-specific risks. Health management and training measures help employees to maintain their performance.

Competitive advantages through diversity

The diversity of our employees creates opportunities for BASF. It helps us to react to changing markets and tap into new customer segments. The goal of our Diversity + Inclusion initiative is to recruit and support employees who bring a variety of social and specialized skills to our company and contribute to BASF's success. We aim to encourage a culture in which everyone plays a part.

Samruddhi business model

In 2005, we started our business model "Samruddhi" – a Hindi expression for "prosperity". Our agronomists accompany and coach farmers throughout the season. Today, we are working with more than 100,000 farmers, helping them select the best agricultural practices, the ideal seed varieties, as well as the best fertilizers and effective plant protection technologies for good harvests.

Grameen Social Business

BASF Grameen Ltd., the joint venture between BASF SE and Grameen Healthcare Trust, combines business sense with social needs. Based in Bangladesh, it focuses on two projects: dietary supplement sachets with vitamins and micronutrients and impregnated mosquito nets that offer protection against insect-borne disease. The social business model covers its own costs and recoups the partners' initial investment. Additional profits are fully reinvested.

Global 100

BASF was included in the list of the "Global 100" for the fourth time in succession in 2009 by New York-based investment advisory firm Innovest. This list comprises the world's most successful companies in the areas of environmental protection, social affairs and corporate governance.

Best Corporate Citizenship Award

In 2009, BASF China Co. Ltd. received the Best Corporate Citizenship Award for the fifth time. The prize recognizes achievements in categories such as education and environmental protection, and is awarded by the business magazine *21st Century Business Herald*.

2 Business Segments

Our business portfolio is well balanced and offers strong growth opportunities. It consists of six segments with 14 operating divisions. We always focus our business on the needs of our customers. Our segments are based on related products, customer industries and production processes.

This enables us to more effectively combine our competencies and knowledge and bring our products and system solutions faster to market. In addition, our investors are able to better assess BASF.

1. Chemicals



2. Plastics



3. Performance Products



4. Functional Solutions



5. Agricultural Solutions



6. Oil & Gas



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2.1 Chemicals

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

N₂O-Technology:
New CDon plant
in Ludwigshafen,
Germany

Inorganics 36

Our Inorganics division offers a broad product range comprising basic products and specialties for our Verbund and our business with third parties.

Intermediates 40

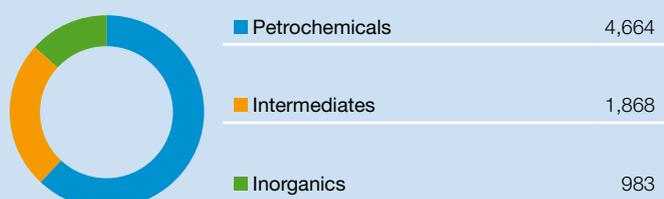
With more than 600 products, our Intermediates division develops, produces and markets the world's most comprehensive range of intermediates.

Petrochemicals 38

The Petrochemicals division, with its broad range of basic chemicals, is the foundation of BASF's value-adding chains. Products such as ethylene, propylene, butadiene and benzene are produced in steam crackers from naphtha or natural gas.

Segment sales 2009

(million €)



Chemicals 2009 vs. 2008

Sales

EBIT
before special items

-33%

-28%



Segment data^{*)}

(million €)	2006	2007	2008	2009
Sales to third parties	9,161	9,358	11,171	7,515
Share of total BASF sales (%)	17.4	16.1	17.9	14.8
Thereof Inorganics	1,134	1,192	1,388	983
Petrochemicals	5,754	5,696	7,271	4,664
Intermediates	2,273	2,470	2,512	1,868
Income from operations before depreciation and amortization (EBITDA)	2,064	2,416	2,053	1,571
EBITDA margin (%)	22.5	25.8	18.4	20.9
Income from operations (EBIT) before special items	1,588	1,889	1,414	1,021
EBIT before special items margin (%)	17.3	20.2	12.7	13.6
Income from operations (EBIT)	1,337	1,903	1,369	735
EBIT margin (%)	14.6	20.3	12.3	9.8

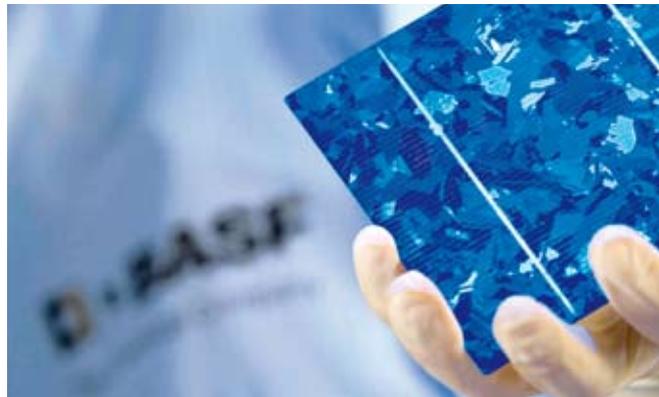
^{*)} As of January 1, 2008, we restructured our segments on the basis of similar products, production processes and customer industries.

The previous years' figures have been adjusted accordingly. As of January 1, 2009, the activities of BASF Fuel Cell GmbH were transferred from Other to the Inorganics division.

Inorganics

Attractive business mix of commodities and specialties

BASF's Inorganics division globally manufactures and markets a broad portfolio of chemical products. The division's main role is to supply the BASF Verbund, about 50% of the commodities produced are used captively. Additionally, the Inorganics division focuses on innovation within the inorganics specialties market, by offering unique products combined with strong market expertise.



Main products

Inorganic chemicals

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

- chlorine,
- sodium hydroxide,
- nitric acid,
- sulfuric acid,
- standard alcoholates,
- ammonium salts.

More than half of these products are for captive use within BASF's Verbund. The remaining products are sold primarily to other chemical companies.

Electronic materials

BASF produces a variety of inorganic specialties in electronic grade such as hydroxylamine free base. Our electronic materials are mainly used in the manufacturing of:

- semiconductors,
- light-emitting diodes,
- solar cells,
- flat and plasma screen displays.

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

Glues and impregnating resins

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

- ammonia,
- urea,
- melamine,
- formaldehyde,
- methanol.

Additionally, BASF focuses on developing new products or applications as for example AdBlue®, a high-purity solution of urea that is used in trucks to reduce the emissions of NOx in diesel engines.

Carbonyl iron powder and metal systems

BASF produces and markets carbonyl iron powder and Catamold® (powder injection molding) for a wide range of applications in existing as well as new markets. Main customer industries are:

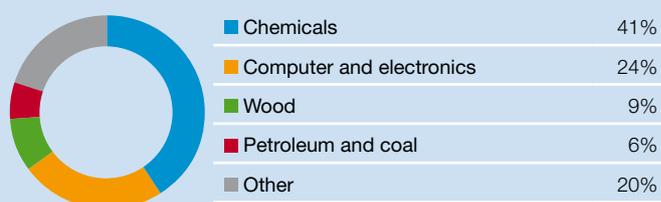
- automotive,
- consumer goods,
- electronics.

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



Inorganic life science chemicals

BASF offers a wide range of inorganic specialties for the life science sector, including:

- boron specialties,
- specialty alcoholates,
- hydroxylamine free base.

BASF's market position

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

Main competitors

Arkema, Air Products, DSM, Evonik, Yara

Focus of R&D

The Inorganics division focuses on innovation within both the commodity and the specialties markets. For commodities, the division concentrates on process innovation. For specialty products, such as electronic materials, the focus is on developing innovative products for future challenges.

Innovation examples

The Smart Particle – CMP Slurry for semiconductors

BASF's Adaptive Organic Slurry greatly enhances the yield of chemical mechanical planarization (CMP) processes for semiconductors.

Kaurit® Light – for light-weight wood-based panels

By using Kaurit® Light technology, our customers are able to reduce the weight of wood-based particle boards by up to 30%.

Basonetic®

BASF's brand for magnetorheological fluids (MRF) has a remarkable and adjustable flow behavior that makes MRF suitable for applications, in which power has to be controlled and transmitted on a continuous, variable basis.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Electronic materials	Start-up of the Electronic Materials Center Europe in Ludwigshafen, Germany	2007
Inorganic chemicals	Start-up of new nitric acid plant in Antwerp, Belgium	2008
	Start-up of new oleum plant in Antwerp, Belgium	2011
	Start-up of new sodium methylate plant in Guaratinguetá, Brazil	2011

Divestitures/Shutdowns (from 2007 onward)

Product group	Description	Year
NPK Fertilizers	Closure of NPK fertilizer production line (50% JV PEC-Rhin) in Ottmarshem, France	2009
Fuel cell components	Closure of Fuel Cell site in Frankfurt, Germany	2010

Major annual capacities of BASF

Product group	Location	Capacity
Ammonia	Ludwigshafen, Germany	875 kt
	Antwerp, Belgium	650 kt
Caustic soda	Ludwigshafen, Germany	360 kt
Chlorine	Ludwigshafen, Germany	385 kt
Formaldehyde condensation products	Ludwigshafen, Germany	750 kt
Methanol	Ludwigshafen, Germany	450 kt
Sulfuric acid	Ludwigshafen, Germany	500 kt
	Antwerp, Belgium	220 kt
Urea	Ludwigshafen, Germany	545 kt

Key drivers of profitability

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

Key capabilities of BASF

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

Petrochemicals

Petrochemicals are the heart of our unique Verbund concept

The Petrochemicals division is the cornerstone of BASF's petrochemical-based value chains throughout the regions. The division manufactures and markets a broad portfolio of basic products, mainly for captive use.



Main products

Cracker products

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

Alkylene oxides and glycols

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

Alcohols and solvents

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

- coatings,
- pharmaceuticals,
- cosmetics.

Plasticizers and plasticizer raw materials

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

Acrylic monomers

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

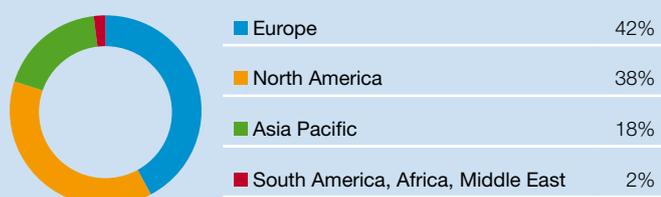
- superabsorbents,
- detergents,
- flocculants,
- fibers.

BASF's market position

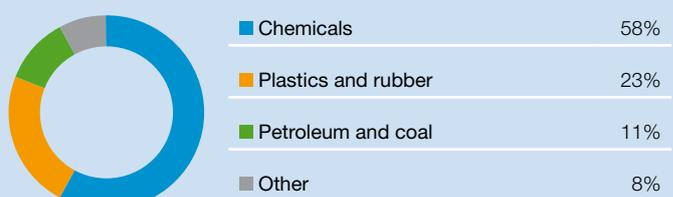
- Oxo alcohols: #1
- Plasticizers: #2
- Solvents: #2 in Europe
- Ethylene oxide and ethylene glycols: #2 in Europe
- Acrylic monomers: #1

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



Main competitors

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

Focus of R&D

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

Innovation examples

Process innovation – New production process for plasticizers

Higher capacities, reduced alcohol loss, reduced wastewater

Product/process innovation – DPHP plasticizer

High-value application properties and cost-effective raw material source

Product/process innovation – Butenes/raffinates

Dedicated production of butenes/raffinates for BASF value chains

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Ethylene, propylene, benzene	Steam cracker expansion in Antwerp, Belgium	2007
Plasticizers	New DPHP plant in Pasadena, Texas	2007
Hexamoll® DINCH	Capacity expansion in Ludwigshafen, Germany	2007
Oxo C4 alcohols	Capacity expansion in Nanjing, China	2008
Acrylic acid	Capacity expansion in Antwerp, Belgium	2008
2-Propylheptanol/INA	Capacity expansion in Ludwigshafen, Germany	2009
Propylene	Propylene pipeline Ludwigshafen – Karlsruhe, Germany	2009
Ethylene	Member of Joint Venture EPS (Ethylene pipeline Southern Germany)	2010
Ethylene, propylene	Steam cracker expansion in Nanjing, China	2011
Butadiene, ethylene oxide, isobutene, 2-propylheptanol	2nd phase in Nanjing, China	2011

Major annual capacities of BASF

Product group	Location									
	Antwerp, Belgium	Cornwall, Canada	Freeport, Texas	Geismar, Louisiana	Kuantan, Malaysia	Ludwigshafen, Germany	Nanjing, China	Pasadena, Texas	Port Arthur, Texas	Tarragona, Spain
Ethylene	1,080 kt	–	–	–	–	620 kt	600 kt ¹⁾	–	935 kt ²⁾	–
Propylene	650 kt	–	–	–	–	350 kt	300 kt	–	830 kt ²⁾	350 kt ³⁾
Butadiene	–	–	–	–	–	105 kt	–	–	410 kt ⁴⁾	–
Benzene	280 kt	–	–	–	–	300 kt	130 kt ¹⁾	–	110 kt ⁴⁾	–
Cyclohexane	–	–	–	–	–	130 kt	–	–	–	–
Ethylene oxide (equivalents)	500 kt	–	–	220 kt	–	345 kt	250 kt ¹⁾	–	–	–
Oxo C4 alcohols	–	–	300 kt	–	250 kt ²⁾	560 kt	305 kt ¹⁾	–	–	–
Plasticizers (incl. Hexamoll® DINCH)	–	35 kt	–	–	100 kt ²⁾	400 kt	–	125 kt	–	–
Acrylic acid	320 kt	–	230 kt	–	160 kt ²⁾	305 kt	160 kt ¹⁾	–	–	–

¹⁾BASF 50% ²⁾BASF 60% ³⁾BASF 51% ⁴⁾BASF 24%

Key drivers of profitability

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

Key capabilities of BASF

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

Intermediates

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

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



Main products

Amines

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

- process chemicals,
- agricultural products,
- detergents and cleaning products,
- pharmaceuticals.

Under the Baxxodur® brand we offer systems of amines and epoxy resins for the efficient manufacture of composite materials, especially for rotor blades of modern wind turbines. We offer our amine-based gas treatment technology for the removal of acid gases such as hydrogen sulphide and CO₂. We license and market the technologies under the aMDEA® and PuraTreat® brands.

Butanediol and its derivatives

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

Polyalcohols and specialties

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

Acids and specialty intermediates

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

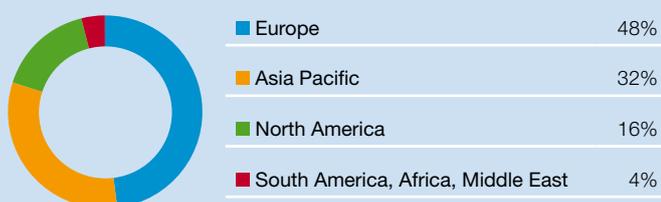
- preservatives for the feed and food industries,
- auxiliaries for textile and leather applications.

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

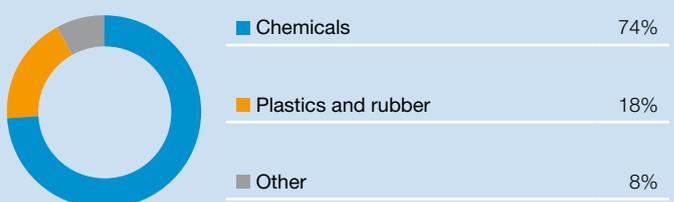
- agricultural products,
- polymers,
- pharmaceuticals,
- paper.

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



BASF's market position

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

Main competitors

- Amines: Taminco, Dow, Huntsman
- Butanediol and derivatives: ISP, LyondellBasell, Dairen, Mitsubishi, Meizhouwan, Shianhua, Yunwei
- Polyalcohols and specialties: Eastman, Perstorp, Ube
- Acids and specialty intermediates: Kemira, Perstorp, Eastman

Focus of R&D

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

Innovation examples

Carbon dioxide (CO₂) scrubbing

Together with RWE Power and the Linde Group, we develop new processes and solvents for CO₂ capture from combustion gases in coal-fired power plants.

Ionic liquids for cellulose fibers

Based on its ionic liquids, BASF developed a new technology for the production of cellulose fibers made from cellulose pulp. The new technology decisively simplifies the production process and contributes to the reduction of process chemicals while the ionic liquids can be recycled.

N₂O-Technology

In 2009, BASF started up a new production plant in Ludwigshafen, Germany, based on a new technology using laughing gas (N₂O), a heavily climate-relevant waste gas, as a reagent. The first commercial products are CDon (cyclododecanone) and CPon (cyclopentanone).

Baxxodur®

To provide greater efficiency in manufacturing high-performance wind turbine rotors we are offering new systems based on epoxy resins and curing agents sold under the Baxxodur® brand.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Alkylethanolamines	New plant in Geismar, Louisiana	2007
Cyclododecanone Cyclopentanone	New plant in Ludwigshafen, Germany	2009/10
Methylamines	New plant in Geismar, Louisiana	2011
Amines	New amines complex in Nanjing, China	2011/12

Divestitures/Shutdowns (from 2007 onward)

Product group	Description	Year
Butanediol/THF	Closure in Ulsan, Korea	2009
Maleic anhydride	Closure in Feluy, Belgium	2010

Major annual capacities of BASF

Product group	Capacity
Alkylamines	220 kt
Ethanolamines and derivatives	285 kt
1,4-Butanediol equivalents	535 kt
Tetrahydrofuran (THF)	268 kt
PolyTHF®	185 kt
N-Methylpyrrolidon (NMP)	70 kt
1,6-Hexanediol	42 kt
Neopentylglycol (Neol®)	165 kt
Formic acid	255 kt
Propionic acid	150 kt

Key drivers of profitability

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

Key capabilities of BASF

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

2.2 Plastics

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

Efficient house insulation with BASF's innovative Neopor®

Performance Polymers

44

We are one of the world's leading suppliers of engineering plastics, extrusion polymers, specialty plastics and foams.

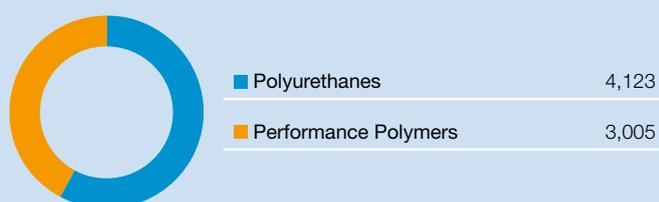
Polyurethanes

46

In Polyurethanes, we are among the world's three largest producers. Via our system houses we offer ready-to-use, tailor-made solutions.

Segments sales 2009

(million €)



Plastics 2009 vs. 2008

Sales

EBIT
before special items

-22%

+4%



Segment data^{*)}

(million €)	2006	2007	2008	2009
Sales to third parties	9,461	9,976	9,116	7,128
Share of total BASF sales (%)	18.0	17.2	14.6	14.1
Thereof Performance Polymers	4,612	4,810	3,976	3,005
Polyurethanes	4,849	5,166	5,140	4,123
Income from operations before depreciation and amortization (EBITDA)	1,597	1,655	947	994
EBITDA margin (%)	16.9	16.6	10.4	13.9
Income from operations (EBIT) before special items	1,196	1,261	553	576
EBIT before special items margin (%)	12.6	12.6	6.1	8.1
Income from operations (EBIT)	1,180	1,172	539	554
EBIT margin (%)	12.5	11.7	5.9	7.8

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

Performance Polymers

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

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



Main products

PA (Polyamide) and intermediates

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

- automotive under-the-hood parts,
- flame-retardant plastics for electrical components.

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

- carpets and textiles,
- films for food packaging.

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

PBT (Polybutylene terephthalate)

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

- electrical connectors,
- automotive components,
- fiber optic cables.

POM (Polyoxymethylene)

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

- clips and fasteners,
- mechanical and precision engineering devices.

Polysulfones

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

Expandable Polystyrene (EPS)

Styropor® and its refinement Neopor® are insulating materials at the forefront of eco-efficient construction and offer advantages with regard to conservation of resources and cost efficiency.

The main applications are:

- eco-efficient construction,
- protective packaging.

Specialty foams

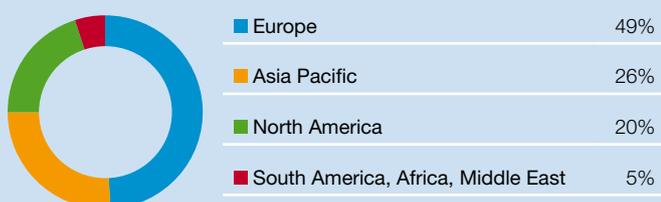
Basotect® is a flexible, open cell foam made from melamine resin. It is used for sound and thermal insulation in the building and transportation industry and as a cleaning sponge in the consumer industry.

Biodegradable plastics

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

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



BASF's market position

- Polyamide film: #1
- Engineering plastics: #2
- Expandable polystyrene: #1
- Biopolymers: #1

Main competitors

- Engineering plastics: DuPont, Lanxess, Rhodia, Sabic, Ticona
- Caprolactam: CPDC, DSM, Ube
- Ultramid® (fiber polymers): Honeywell, LiPeng, Zig Shen
- Ultramid® (film polymers): DSM, Lanxess, Ube
- EPS: Loyal, Taita, Xingda

Focus of R&D

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

Innovation examples

Ecovio® FS

A new biobased and biodegradable plastic optimized for shrink films (serving to easily wrap packaged goods) and for coating paper (e.g., paper cups or cardboard boxes).

Ultrason®

Used in the membranes of a new portable water purification system, which simplifies on-site conversion of large quantities of dirty water into potable water.

Ultramid® CR

Qualified for the innovative lightweight stabilizer for the Porsche Panamera: designed with the help of BASF's ULTRASIM™ simulation package, it both bears high loads and fulfills aesthetic requirements.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Compounds	New compounding plant in Pudong/Shanghai, China	2007
Polyamide 6	New production line for PA 6 polymers in Freeport, Texas	2007
Ultradur®	Acquisition of Sabic Innovation Plastics' shares in the JV for PBT production in Schwarzheide, Germany	2007
Ultraform®, Ultrason®	Expansion of capacities in Ludwigshafen, Germany	2008
Neopor® (EPS)	Capacity expansion in Ludwigshafen, Germany	2009
Compounds	New compounding plant in Thane, India	2009
Biodegradable plastics	Capacity expansion in Ludwigshafen, Germany	2010

Divestitures/Shutdowns (from 2007 onward)

Product group	Description	Year
Polyamide 6	Shutdown of PA 6 production facilities in Enka, North Carolina	2007
Adipodinitril (ADN)	Closure of adipodinitril plant in Seal Sands, UK	2008
Acrylonitrile (AN)	Divestiture of the Seal Sands site, UK	2008
Styropor® (EPS)	Shutdown of EPS plant in Tarragona, Spain	2009
Polyamide 6.6	Shutdown of fiber polymer plant in Ludwigshafen, Germany	2009
Polyamide 6	Shutdown of polymer plant in Rudolstadt, Germany	2010

Major annual capacities of BASF

Product group	Capacity
Caprolactam	800 kt
Polyamide	720 kt
PBT	130 kt
POM	55 kt
Ultrason®	12 kt
Compounding	460 kt
Styropor®/Neopor®	760 kt
Ecoflex®	14 kt

Key drivers of profitability

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

Key capabilities of BASF

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

Polyurethanes

World leader in isocyanates with a strong focus on specialties through system houses

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



Main products

MDI (Diphenylmethane diisocyanate)

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

- construction insulation,
- furniture interiors,
- automotive components,
- shoe soles.

TDI (Toluene diisocyanate)

TDI is an isocyanate used primarily in the manufacture of flexible foams. Its primary applications include foam cushions for furniture and automotive components.

PEOL (Polyether polyols)

Polyether polyols are combined with isocyanates to make virtually all polyurethane products, other than those made with polyester polyols. Its primary applications include:

- rigid foams,
- flexible foams.

Polyester polyols

Polyester polyols are combined with isocyanates to make primarily semi-rigid polyurethane plastics. Its primary applications include:

- cable sheathing,
- shoe soles.

Polyurethane systems

BASF's global network of 38 system houses offers tailor-made polyurethane (PU) products for a wide variety of applications. Thanks to their excellent insulation characteristics, PU rigid foams are used extensively for cold as well as heat insulation. In house construction, PU is used in many roof, wall and floor applications. Moreover, Elastopor® and Elastopir® rigid foams are being applied as the core material of metal-faced sandwich panels, e. g., as façade and roof elements in cold store and storage construction. Furthermore, rigid foam is the preferred material for refrigerators and freezers as well as for the insulation of hot water tanks and for district heating pipeline insulation.

TPU (Thermoplastic polyurethane elastomers)

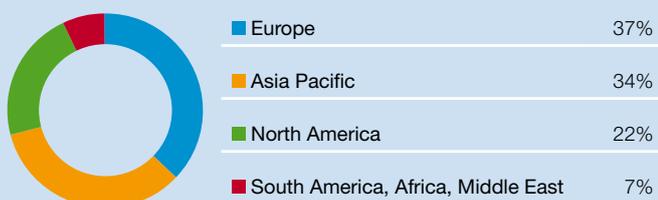
TPU is sold under the trade name Elastollan® and is based on both polyether polyols and polyester polyols. It is supplied in granular form to customers who use it primarily to make flexible plastic cable coverings. Customers for these products are primarily in the automotive and cable and wire industries.

Cellular elastomers

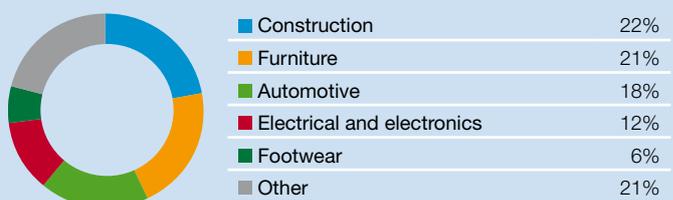
Cellular elastomers sold under the name Cellasto® are shock-absorbing, rigid plastics. Microcellular polyurethane parts for antivibration applications are sold, for example, as molded end products for use as shock absorbers and buffers in the automotive industry.

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



BASF's market position

- MDI: among top 2
- TDI: among top 2
- PEOL: among top 3
- PU Specialties: #1

Main competitors

- MDI: Bayer Material Science, Huntsman Polyurethanes, Dow, Yantai
- TDI: Bayer Material Science, Dow, Borsodchem, Mitsui
- PO/PEOL: Dow, Bayer Material Science, Shell
- Specialties: Bayer Material Science, Dow, Huntsman Polyurethanes, Lubrizol

Focus of R&D

Process innovation aims to optimize existing production processes and develop new, highly efficient processes offering considerable cost advantages. One example is the innovative HPPO process, developed jointly with Dow. The new world-scale plant at our Verbund site in Antwerp, Belgium has been successfully running since 2008. In polyurethane product and system development, we work closely with our customers to improve existing solutions and find new ones. Furthermore, we are developing new applications such as Elastocoast®, a PU-based solution to protect dams and dikes against storms.

Innovation examples

HPPO

Innovative process to produce propylene oxide; smaller plant footprint, smaller specific investment and water as only by-product.

Lupranol Balance®

New polyol on the basis of a renewable raw material for mattresses.

Elastollan®

Printable films with outstanding low-temperature flexibility for decorative protection on skis and snowboards.

Elastopave®

Flexible and porous cover for boardwalks or parking lots, which allows water to drain away quickly.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Systems	Acquisition of PCC, the Netherlands, and other smaller acquisitions and joint ventures	2007/2008
MDI	Expansion investment in Antwerp, Belgium	2007
HPPO	Joint venture investment in Antwerp, Belgium	2008
PEOL	Expansion in Geismar, Louisiana	2008
Systems	Acquisition of polyurethane specialties for car window encapsulation from Recticel	2008
	System house in Malacky, Slovakia	2009
	System house in Srem, Poland	2010
	System house in Cartagena, Colombia	2011
Cellular elastomers	New Cellasto® production site in Shanghai, China	2011
MDI	Investment in Chongqing, China under examination	2013
TDI	Joint venture investment in Europe under examination	n/a

Major annual capacities of BASF

Product group	Capacity
MDI	1,280 kt
TDI	560 kt
Polyols	900 kt
Propylene oxide	525 kt

Strong global presence with our PU system houses



Key drivers of profitability

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

Key capabilities of BASF

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

2.3 Performance Products

Our innovative solutions contribute to the functionality and performance of industrial and consumer products produced by virtually all manufacturing industries all over the world. Our solutions also help our customers to run their processes more successfully. We are the preferred partner for developing new products, system solutions and applications in close cooperation with our customers.

Our broad range of customer industries and our regional portfolio make us less sensitive to sectoral volatilities. The Ciba acquisition complemented our portfolio and made us the leading supplier of performance chemicals.

BASF's UV filters provide reliable protection against sunburn and skin aging

Dispersions & Pigments 50

The new Dispersions & Pigments division comprises products mainly for the paints and coatings industry.

Paper Chemicals 54

The Paper Chemicals division was established in 2009 to focus on the specific challenges of the business with the paper industry.

Care Chemicals 52

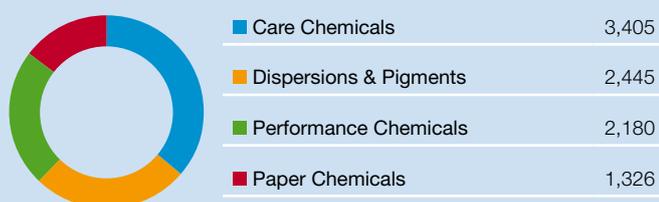
The Care Chemicals division develops, produces and markets a comprehensive range of products for the pharmaceutical, nutrition, hygiene, home and personal care industries, as well as various other applications.

Performance Chemicals 56

The Performance Chemicals division offers innovative, specific solutions for various customer industries. A new and important business area is plastic additives, which was integrated into the division following the Ciba acquisition.

Segment sales 2009

(million €)



Performance Products 2009 vs. 2008

Sales

+15%

EBIT
before special items

-9%



Segment data^{*)}

(million €)	2008	2009
Sales to third parties	8,125	9,356
Share of total BASF sales (%)	13.0	18.5
Thereof Dispersions & Pigments	2,239	2,445
Care Chemicals	3,593	3,405
Paper Chemicals	1,030	1,326
Performance Chemicals	1,263	2,180
Income from operations before depreciation and amortization (EBITDA)	1,205	926
EBITDA margin (%)	14.8	9.9
Income from operations (EBIT) before special items	766	698
EBIT before special items margin (%)	9.4	7.5
Income from operations (EBIT)	768	(150)
EBIT margin (%)	9.5	—

^{*)}Almost all the businesses of Ciba Holding AG acquired on April 9, 2009, were reported as part of the Performance Products segment. In order to accommodate the changes to our portfolio as a result of the Ciba acquisition, the divisions of the Performance Products segment were restructured as of April 1, 2009. The figures for the segment reporting of the previous year have been adjusted accordingly. For the years 2006 and 2007, there are no restated figures available.

Dispersions & Pigments

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

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



Main products

Dispersions

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

Pigments

Pigments are insoluble coloring and iridescent materials used in paints, plastics, inks and special applications. With the acquisition of Ciba, BASF has become the leading pigment supplier worldwide – with a particular strength in high performance pigments. Our product portfolio encompasses a wide range of organic and inorganic pigments, effect pigments, and pigment preparations. BASF offers a unique portfolio covering the entire color range. The main end-use industries are:

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

Resins

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

customer solutions fulfilling volatile organic compound (VOC) regulatory requirements. The main applications are:

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

Additives

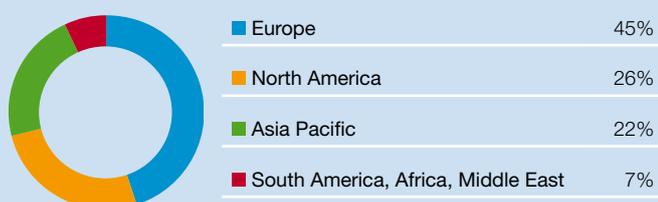
With the acquisition of Ciba, BASF expanded its additives portfolio and became the market leader for photo initiators and light stabilizers. A broad portfolio of additives for coatings and printing strengthens BASF's formulation expertise. The photo initiator portfolio, mainly used in wood coatings, printing inks and overprint, together with the UV resins portfolio varnishes is the perfect match for radiation curable systems. Light stabilizers are protecting additives that preserve automotive and industrial coatings against severe conditions, e.g., extensive sun exposure.

BASF's market position

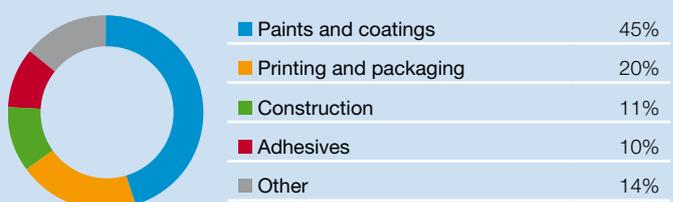
- Dispersions: global #2 position for adhesives, construction chemicals, architectural coatings and nonwoven materials
- Pigments: global #1 position, broadest portfolio of colors and chemical product classes
- Resins: global #1 position in water-based resins for printing & packaging, among top three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

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



Main competitors

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

Focus of R&D

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

Innovation examples

Acrodur® D Grades

A new product class of water-based, formaldehyde-free thermoset binders replacing traditionally used phenolic and amino resins. Ideal for binders for natural fiber and particle composites, e.g., cork flooring.

Joncryl® FLX Line

New product line developed for the highly dynamic flexible packaging market combining good resistance with very good printability in water-based inks. It offers high quality printing, good heat-seal resistance and adhesion to film substrates.

Tinuvin DW Range

The first VOC-free light stabilizer to achieve highest protection levels for waterborne systems. Due to its "Novel Encapsulated Additives Technology", it is the first additive to be used as a stir-in product in water-based coatings without using co-solvents or compromising on stabilization performance.

Paliocrom Brilliant Orange

Paliocrom effect pigments are iron-oxide-coated aluminum flakes that are well known for excellent hiding in combination with high chroma and gloss. One of its main uses is for automotive effect shades in the orange to red shade area.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Resins	Start-up of polyisocyanate plant (Basonat®) in Shanghai, China	2007
	New plant for water-based resins (Joncryl®) in Wyandotte, Michigan	2009
Pigments, Additives	Acquisition of Ciba Holding AG	2009

Divestitures/Shutdowns (from 2007 onward)

Product group	Description	Year
Pigments	Shutdown and relocation of production site at Incheon, South Korea	2007
	Shutdown of facilities in Sylmar, California and transfer of production	2008
Resins	Production stop of Luwipal® in Wyandotte, Michigan	2008
Pigments	Several restructuring measures to streamline product portfolio and production setup	2010-2012

Major production sites of BASF

BASF's dispersions, pigments, resins and additives are produced at 46 sites worldwide. Our most important sites per product group are listed below.

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

Key drivers of profitability

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

Key capabilities of BASF

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

Care Chemicals

Providing essential products and solutions for human well-being

BASF's Care Chemicals division develops, produces and markets a comprehensive range of products for the pharmaceutical, nutrition, hygiene, home and personal care industries, as well as various industrial applications. Our products fulfill the highest safety standards and meet official regulations regarding sustainability and traceability.



Main products

Aroma chemicals, vitamins and carotenoids

BASF's aroma chemicals, the vitamins A and E, and carotenoids originate from the citral value chain, which is integrated into the BASF Verbund. Technology leadership and backward integration form the basis for our leading position in these products. Vitamins and carotenoids are important ingredients for animal and human nutrition. Aroma chemicals are sold to the flavor and fragrance industry and find their use mainly in food, home and personal care products.

Pharmaceutical ingredients and services

BASF supplies the pharmaceutical industry with high-quality products that meet official specifications and cGMP requirements. BASF is the market leader for active pharmaceutical ingredients (API) such as caffeine, ibuprofen, pseudoephedrine and a broad portfolio of smaller volume specialty API.

We also produce highly functional excipients and offer custom synthesis services that are complemented by flexible, multiproduct cGMP plants and BASF's chemical research & development skills.

Water-soluble polymers

The water-soluble polymers product portfolio comprises functional polymers based on BASF's monomers. These products are used as:

- dispersing agents,
- dye transfer inhibitors,
- thickeners in detergents formulations,
- styling and conditioning ingredients for hair care formulations.

Superabsorbents

Superabsorbents are polymers that can absorb and retain extremely large amounts of a liquid relative to their own mass. BASF is one of the major players in the superabsorbent industry. Superabsorbents are mainly used in disposable hygiene products such as:

- baby diapers,
- protective adult underwear,
- feminine care products.

UV filters

With our leading position in UV filters for sun and skin care applications, we offer the full range of UVA and UVB filters.

Non-ionic surfactants

BASF's non-ionic surfactants are derived from various petrochemical-based raw materials, especially ethylene oxide, propylene oxide and aliphatic alcohols. Non-ionic surfactants are widely used, mainly in:

- detergents and cleaners,
- textile manufacture,
- coatings additives.

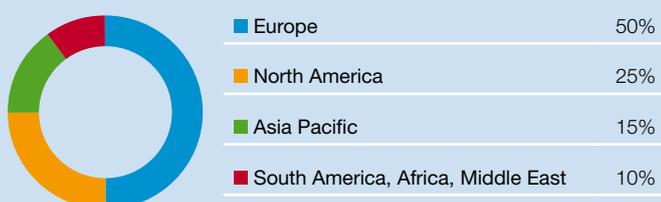
Chelating agents

BASF produces a whole range of highly efficient chelating agents, which distinguish themselves through their performance and their eco-profile. The main applications are:

- dishwashing,
- professional cleaning and various technical applications.

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



BASF's market position

- Among top three players in all important product groups

Main competitors

- Aroma chemicals: DSM, IFF, LyondellBasell, NHU, Innospec
- Vitamins and carotenoids: DSM, several Chinese players
- Personal care ingredients: ISP, DSM, Symrise
- Pharma ingredients & services: Lonza, Evonik, Shasun, ISP
- Superabsorbents: Evonik, Nippon Shokubai
- Care Chemicals for detergents and formulators: Shell, Sasol, Dow, Akzo

Focus of R&D

The R&D resources are mainly focused on product innovation as well as process innovation and improving application properties of existing ingredients. We systematically generate ideas for new products in close collaboration with our customers. Continuous process innovation ensures technological and cost leadership in our major product lines.

Innovation examples

Soluplus®

A new effective solubilizer for effective drug delivery.

Food Fortification

A public-private-partnership business model for growth and markets of tomorrow. BASF and its partners are contributing to stop malnutrition in developing countries by fortifying staple foods with micro-encapsulated vitamin A.

Trilon® M / Lutensol® M

Trilon® M, a high-performing strong chelating agent, and Lutensol® M, a cost-competitive detergent surfactant: sustainable products meeting market needs, especially in the detergents and formulators industry.

Pluracoat Performa® CF20 Additive

Eco-friendly color acceptance additive. It is a multifunctional wetting and dispersing agent for enhanced color development and color acceptance in waterborne coatings, which is APEO (alcohol phenol ethoxylates) free and Zero VOC (volatile organic compounds).

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Superabsorbents	New plant in Freeport, Texas	2007
	Expansion in Antwerp, Belgium	2007
Detergents & Formulators	New plant for polyacrylate polymers (Sokalan®) in Shanghai, China	2008
	New plant for chelating agent (Trilon M®) in Ludwigshafen, Germany	2010
Superabsorbents	New plant for non-ionic surfactants in Nanjing, China	2011/ 2012
	New plant for superabsorbents in Nanjing, China	not yet decided

Divestitures/Shutdowns (from 2007 onward)

Product group	Description	Year
Nutrition ingredients	Several premix companies sold to Nutreco and other buyers	2007
	Closure of lysine production in Gunsan, Korea	2007
	Closure of animal research station Offenbach/Queich, Germany	2007
Detergents & Formulators	Divestiture of Wilbarco, Germany	2007
Superabsorbents	Closure of sites in Aberdeen, Mississippi, and Portsmouth, Virginia	2007
Pharmaceutical ingredients	Sale of contract manufacturing business and related site in Shreveport, Louisiana, to Dr. Reddy's Laboratories	2008
Nutrition ingredients	Closure of formulated vitamins manufacturing plant in Wilmington, North Carolina	2009
Detergents & Formulators	Divestiture of surfactants site in Clear Lake, Texas, to Clear Lake Chemicals LLC	2009

Major annual capacities of BASF

Product group	Location	Capacity
Citral	Europe	40kt
Chelating agents	Europe, North America, South America	120kt
Methanesulfonic acid	Europe	10kt
Non-ionic surfactants	Europe, North America	435kt
Superabsorbents	Europe, North America, Asia Pacific	400kt

Key drivers of profitability

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

Key capabilities of BASF

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

Paper Chemicals

New world market leader in paper chemicals

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



Main products

Process chemicals

For an efficient formation of the paper sheet, BASF sells a wide range of different polymers as retention aids based on polyethylenimine, polyvinylamine and polyacrylamide. Several microparticle systems, either silica or bentonite-based, complement the portfolio. Fixatives neutralize detrimental substances within the papermaking process. BASF is a leading supplier of fixatives and offers a very comprehensive product portfolio including different classes of chemicals. Foam and dispersed air are a threat to the productivity of paper machines. As market leader for defoamers and deaerators, BASF offers innovative and highly effective product solutions.

Functional chemicals

One of the key requirements of packaging producers is a reduction of production costs via increased paper strength and machine speed. BASF meets this demand with innovative dry strength agents, which are based on polyvinylamine or copolymers of vinylformamide and acrylic acid. Sizing agents enhance the print quality and writability of paper products. BASF sells product solutions for wet end and surface treatment of paper and board. BASF offers economic coloration solutions for paper and board. The product portfolio is based on:

- basic dyes,
- acid dyes,
- direct dyes and pigment dyes.

Coating chemicals

BASF is the leading supplier of paper coating binders and coating additives and starch. Our global expertise combined with our broad product range enable us to provide customer-specific solutions.

The main focus of paper coating binders and coating additives is on:

- improvement of print quality,
- optimization of appearance,
- solutions for cost-savings.

The starch products are used in papermaking and in paper coating processes.

Kaolin

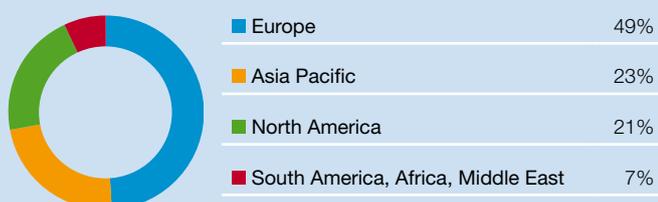
Kaolin minerals are extracted from mines and are primarily used as coating pigments in the paper industry. BASF owns several kaolin reserves in the U.S. state of Georgia. We offer an exceptionally broad line of kaolin-based pigments that give papermakers the coating and filler pigment solution they need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

BASF's market position

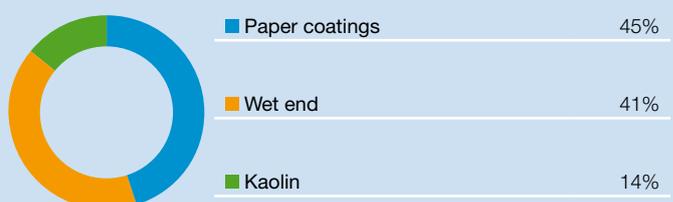
- Leading paper chemicals supplier worldwide
- Coating chemicals: global #1
- Process chemicals: #1 position for retention business
- Functional chemicals: among three leading players

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



Main competitors

- Process chemicals: Nalco, Ashland (Hercules), Kemira, Eka Chemicals
- Functional chemicals: Ashland (Hercules), Clariant, Kemira
- Coating chemicals: Dow, Polymer Latex, Omnova

Focus of R&D

The focus of R&D activities is on improving core portfolio areas, like retention, drainage, fixation and coatings. Furthermore, new innovative solutions for paper customers are an important part of our R&D activities. We thereby look for cost and performance improvement according to customer needs.

Innovation examples

Luredur®

A brand within the polyamine product line, it helps to reduce material costs since the required paper strength can be achieved with thinner layers of paper than before. Furthermore, it saves drying energy during the papermaking process.

Polyvinylamine (PVAm)

An innovative polymer class that increases the strength of recycled paper-based packaging grades, improves the efficiency and operations of paper machines thanks to better dewatering. Chain length and charge density of the polyvinylamine molecule can be varied in such a way that it is possible to tailor paper chemicals for every conceivable application. Unlike many other paper chemicals, PVAm grades are adsorbable organic halogen compounds (AOX) and formaldehyde-free. The products are approved by the German risk assessment authority BfR and the U.S. authority FDA for food-contact paper.

Process innovation – system solutions for paper manufacturing

A number of well-proven and tailor-made system solutions are provided to customers to reduce energy and/or fiber costs and to improve machine operability. Here is one example: a customized combination of a retention and a fixation agent of specific chemistry helps paper producers to save several hundred thousand euro per year by reducing machine breakdowns. This synergistic system solution realizes far greater value for our customers than a simple optimization of an individual chemical application.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Process chemicals, functional chemicals, coating chemicals, starch	Acquisition of Ciba Holding AG	2009

Divestitures/Shutdowns (from 2007 onward)

Product group	Description	Year
Process chemicals	Closure of plant in Kazumi, Japan	2007
Paper starch	Sale of paper starch site in Berwick, Pennsylvania, to Carolina Starches LLC	2010
	Exit from European starch business in Finland (Mietoinen, Kokemäki, Lapua)	2010
Coating chemicals	Closure of XSB paper coatings plants in Guturribay, Spain; Kaipainen, Finland; and Ribécourt, France	2010
Sizing formulations	Closure of production plant in Gron/Sens, France	2010
	Closure or divestment of production plant in Tolosa, Spain	2010
Whiteners	Closure of production plant in Estrada, Brazil	2010

Production locations per product group

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

Key drivers of profitability

- Cost leadership through continued cost savings and reduction of operational complexity
- Competitive product portfolio according to respective business model based on market needs
- Growth and innovation with paper chemicals in key markets

Key capabilities of BASF

- Market leadership and active approach towards reshaping the industry
- Long-term partnerships with key paper producers
- Presence in growth regions
- Part of BASF – The Chemical Company with innovation as core competency

Performance Chemicals

Innovative partner adding value for specific customer industries

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



Main products

Plastic additives

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

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

Oilfield and mining chemicals

We provide products for almost all stages of oil and gas exploration as well as for mineral processing. Our broad range of oilfield chemicals includes drilling fluid additives, cementing additives, stimulation products and production chemicals. Our Mining Chemicals business offers products and technologies for mineral processing applications with today's special focus on solid/liquid separation.

Water solutions

BASF's core business is organic flocculants based on polyacrylamide. The product range includes flocculants and coagulants, a range of corrosion inhibitors for cooling water and boiler feed water, as well as antifoams and defoamers. The main markets are wastewater treatment, sludge treatment and drinking water production.

Chemicals for the automotive and refinery industries

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

- brake fluids,
- engine coolants,
- fuel additives and refinery chemicals,
- process and lubricant additives.

We also produce low molecular weight polyisobutene (PIB), which is a precursor for engine, oil and fuel additives. Applications for our medium and high molecular weight PIB range from adhesives and sealants to a chewing gum base. As a leading producer of PIB, BASF offers a broad, globally available product portfolio.

Textile chemicals

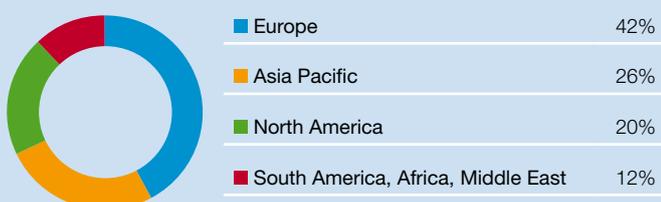
BASF supplies chemicals for all essential textile processing steps. They deliver high quality, comfort and easy care through innovative effects, fulfilling the latest ecological requirements and standards. We offer textile auxiliaries for weaving, pretreatment and dyeing and comprehensive solutions for pigment printing, finishing and textile coating.

Leather chemicals

BASF offers leather chemicals for the entire process of leather production, from the beamhouse and tanning through to finishing. Our eco-efficient products and solutions help customers meet the latest ecological requirements and standards. BASF's expertise covers a broad spectrum of applications such as leathers for shoes, automotive, furniture, garments and accessories.

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



BASF's market position

- Plastic Additives: global #1
- For all other business: among top three players in most relevant industries

Main competitors

- Plastic additives: Songwon, Chemtura, Clariant
- Oilfield and mining chemicals: Nalco, Baker Sytec, SNF
- Water solutions: SNF, Ashland, Kemira
- Automotive and refinery chemicals: Infinium, Petrochem, Chemtura, Artec, Lubrizol
- Textile chemicals: Clariant, Huntsman, CHT
- Leather chemicals: Clariant, Lanxess, TFL

Focus of R&D

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

Innovation examples

Functional Additives

Functional Additives are specialty plastic additives, which upgrade recycling PET and enable new applications for biopolymers.

Uvinul® 5080 H

A new high-performance light stabilizer (HALS) developed with N.V. Recticel S.A., Belgium, the market leader for polyurethane dashboard systems for high-end automotive applications.

Keropur®

A gasoline performance package that helps to keep engines clean by preventing the formation of deposits and removing existing deposits, resulting in better engine performance and longer engine life, reduced fuel consumption and lower emissions.

Zetag® 9000 series

A liquid flocculant technology with superior performance in conditioning substrates for solid/liquid separation processes such as dewatering, thickening and sedimentation, designed to handle a variety of municipal and industrial wastewater and sludge.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Chemicals for the automotive and refinery industries	Start-up of middle distillate flow improver inline blending plant (Keroflux®) in Ludwigshafen, Germany	2007
	Capacity expansions for polyisobutene in Antwerp, Belgium, and Ludwigshafen, Germany	2007/08
Leather chemicals	New plant for specialty chemicals for leather tanning (Basyntan®, Tamol®) in Shanghai, China	2008
Plastic additives, process and lubricant additives, oilfield and mining chemicals, water chemicals	Acquisition of Ciba Holding AG	2009
Chemicals for the automotive and refinery industries	Expansion of polyisobutene plant in Ludwigshafen, Germany	2010
	Construction of a new polyisobutene plant in Nanjing, China	2011/12

Divestitures/Shutdowns (from 2007 onward)

Product group	Description	Year
Leather and textile chemicals	Restructuring of production worldwide	ongoing

Major production sites of BASF

BASF's Performance Chemicals are produced at more than 30 sites worldwide. Our most important sites per product group are listed below.

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

Abbreviations: A = Chemicals for the automotive and refinery industries, L = Leather, O/M = Oilfield / Mining Chemicals, P = Plastic additives, T = Textiles, W = Water Solutions

Key drivers of profitability

- Customer proximity and market focus
- Innovativeness and application know-how
- Focus on industry segments and regions growing above GDP

Key capabilities of BASF

- Strategic alliances with key customers for innovation leadership
- Combined technology platforms (legacy Ciba + BASF) and integration into BASF Know-how and Research Verbund
- Global integration of production and supply patterns
- Highly qualified and experienced team with strong market knowledge and technical capabilities to provide excellent solutions to our customers

2.4 Functional Solutions

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

The new Hyundai concept car i-flow incorporates more than 20 BASF innovations

Catalysts

60

The Catalysts division develops catalysts and adsorbents that help protect the air, produce fuels and efficiently manufacture a number of chemicals and plastics.

Coatings

64

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

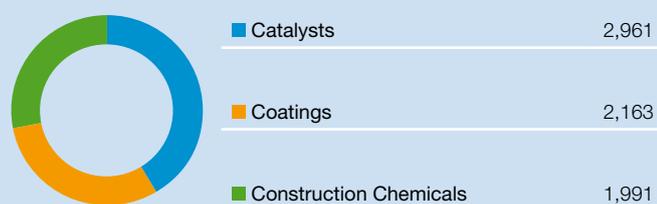
Construction Chemicals

62

BASF's Construction Chemicals division provides chemical systems and formulations for the construction industry.

Segment sales 2009

(million €)



Functional Solutions 2009 vs. 2008

Sales

EBIT
before special items

-24%

-21%



Segment data^{*)}

(million €)	2006	2007	2008	2009
Sales to third parties	5,906	9,491	9,388	7,115
Share of total BASF sales (%)	11.2	16.4	15.1	14.0
Thereof Catalysts	2,411	4,804	4,729	2,961
Construction Chemicals	1,081	2,100	2,163	1,991
Coatings	2,414	2,587	2,496	2,163
Income from operations before depreciation and amortization (EBITDA)	595	876	564	511
EBITDA margin (%)	10.1	9.2	6.0	7.2
Income from operations (EBIT) before special items	473	557	265	209
EBIT before special items margin (%)	8.0	5.9	2.8	2.9
Income from operations (EBIT)	338	434	151	107
EBIT margin (%)	5.7	4.6	1.6	1.5

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

Catalysts

The global leader in catalysis

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



Main products and services

Mobile Emissions Catalysts

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

Process Catalysts & Technologies

Process catalysts & technologies offer innovative, high-quality catalysts for a wide range of end-user applications. The business is the leading manufacturer of catalysts for the chemicals industry with solutions across the chemical value chain, as well as intermediates for pharmaceuticals and fine chemicals. It provides groundbreaking oil refining technology catalysts including Fluid Catalytic Cracking (FCC) catalysts, co-catalysts and additives. It also provides polyolefin catalysts and adsorbents, which offer guard bed and catalyst intermediate technologies for purification, moisture control and sulfur recovery.

Precious and Base Metal Services

Precious and base metal services support the catalysts business and BASF customers with services related to precious and base metals. The business purchases, sells, refines and distributes these metals and provides storage and transportation services. It also provides a variety of pricing and delivery arrangements to meet the logistical, financial and price-risk management requirements of BASF, its customers and suppliers. In addition, the business pro-

duces precious metal salts and solutions. In 2009, precious & base metal services accounted for sales of €1,229 million.

BASF's market position

- Mobile emissions catalysts: #1
- Refinery catalysts: #3
- Chemical catalysts: #1

Main competitors

- Mobile emissions catalysts: Johnson Matthey, Umicore
- Refinery catalysts: Grace, Albemarle
- Chemical catalysts: Süd-Chemie, Haldor Topsøe, LyondellBasell, UOP

BASF is the market leader for automotive catalysts in Asia

- Unrivaled position, strengthened by our joint ventures in Japan and Korea
- Leveraging BASF's regional strength, especially in the rapidly growing Chinese market

Focus of R&D

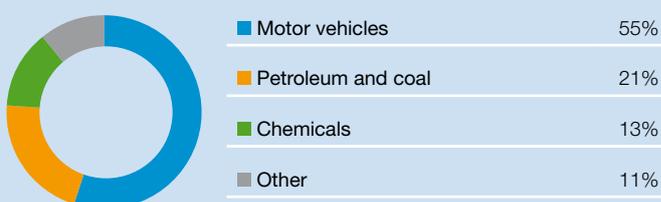
Innovation in Catalysts is crucial for all our product groups. For mobile emissions catalysts, the focus is on improved products to meet new exhaust gas standards, especially for diesel. For process catalysts, priority is given to developing new and improved products.

Sales by region 2009

(location of customer)



Sales by first customer industry 2009*)



*) Excluding precious metals.

Innovation examples

NaphthaMax® III

A vacuum gas oil FCC catalyst providing high bottoms conversion with low coke, and higher yields of valued gasoline and light olefin products when compared to existing technologies.

Stamina™

A distillate maximization FCC catalyst providing measurable improvements in bottoms upgrading, light cycle oil quality and output, while preserving low coke yields.

DOC/LNT and SCR on Filter

Diesel Oxidation Catalyst (DOC)/Lean NOx Trap (LNT) and Selective Catalytic Reduction (SCR) on a particulate filter saves mass, space and cost by combining four functions in just two components and eliminating the urea injection system for diesel engine emissions control.

SCR on Filter

Selective Catalytic Reduction (SCR) on a particulate filter removes NOx (nitrogen oxides) and particulate matter for diesel engine emissions control on a single substrate.

Lean NOx Trap

Patented catalyst technology converts nitrogen oxide to nitrogen.

Novel Metal Zeolites

New high-performance materials for mobile nitrogen oxide reduction.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Mobile emissions catalysts	Acquisition of Guilin REEcat Catalyst Co., Ltd., China's market leader in small engine and motorcycle catalysts	2007
	Capacity expansion in Huntsville, Alabama, and Chennai, India	2008
Polyolefin catalysts	Capacity expansion in Pasadena, Texas, and Tarragona, Spain	2008
Refinery catalysts	Capital investment to update manufacturing sites, improving product quality and manufacturing capacity	2008
	Capacity expansion in Attapulgus, Georgia, and Savannah, Georgia	2008
Chemical catalysts	Capacity expansion in DeMeern, the Netherlands	2008
	New HPPO catalyst plant in Ludwigshafen, Germany	2009
Adsorbents	Capital investment to add a third belt dryer to Sorbead/KC-Trockenperlen production facility in Nienburg, Germany	2009
Mobile emissions catalysts	New manufacturing plant in Moscow region, Russia	2009
	Capacity expansion in Shanghai, China, and Chennai, India	2009
	Capacity expansion for heavy duty diesel in Huntsville, Alabama	2009
	Capacity expansion for heavy duty diesel in Nienburg, Germany, and Shanghai, China	2010
	Increased ownership stake in N.E. Chemcat joint venture, Japan, to 50%	2010

Divestitures/Shutdowns (from 2007 onward)

Product group	Description	Year
Process catalysts	Sale of Nanjing site, China	2009

Emission regulations drive demand for catalysts

■ Light Duty ■ Heavy Duty ■ Motorcycle

	2009	2010	2011	2012	2013	2014	2015	2016
Off Road Tier 4a & 4b			Global, 4a			Global, 4b		
CA LEV III						Phase in →		United States
US 2010		United States						
Euro 6	Japan				Europe	Europe		
Euro 5	South Korea	Europe		Brazil		Russia	Russia	
	Europe					Brazil	China	
Euro 4	Brazil	India	India	Russia				
		China		Europe				
		China		Russia				
Euro 3		China	Thailand					
		India				Vietnam		

Key drivers of profitability

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

Key capabilities of BASF

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

Construction Chemicals

Leading solution provider in construction chemicals

BASF's Construction Chemicals division provides chemical systems and formulations for the construction industry. This business offers major innovation potential – we aim to lead technological development in sustainable building, help the industry to rapidly adopt sustainable construction practices and thus to support the profitable growth of our customers. We will emerge out of the current crisis in global construction as a leading supplier of construction chemicals.



Main products

Admixture systems

BASF technologies for admixture systems optimize the properties of concrete. They enable construction in extreme environments or in complex projects, such as bridges, skyscrapers and tunnels. Our well known admixture brands include: Glenium®, Rheobuild® and Pozzolith®. In underground construction, admixtures and machinery are offered under the Meyco® brand.

Construction systems

Construction systems protect and repair structures. BASF offers:

- tile and floor adhesives (PCI®)
- repair mortars (Emaco®)
- sports and industrial flooring (Conipur®, Ucrete®, Mastertop®)
- sealants (Masterflex®, Sonolastic®)
- waterproofing membranes (Masterseal®),
- wall systems and products for façades (Heck®, Senergy®, Rajasil®).

BASF's market position

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

Main competitors

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

Outpacing construction industry

- Construction industry volume (€4,560 billion in 2009)
 - Biggest industry of national economies
 - Growth depending on macroeconomics
- Construction chemicals market (€28 billion in 2009)
 - Growth 1.5%-3% higher than construction industry growth
 - Chemicals growth driven by demand for materials with improved functionality and sustainability, allowing for differentiated building materials and reduced total construction cost (material and labor)

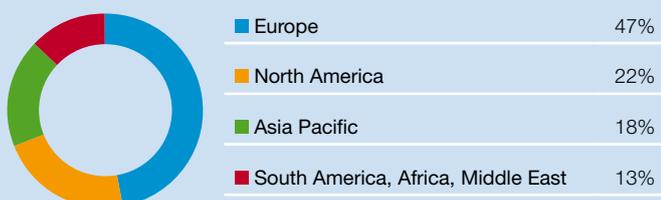
The BASF Construction Chemicals division strives to outperform the construction chemicals market growth rate.

Focus of R&D

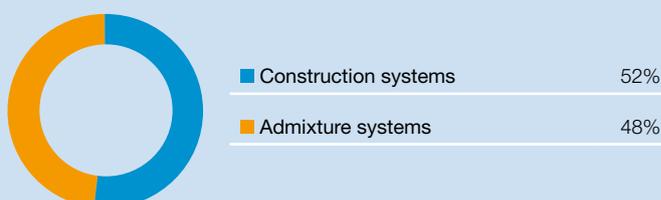
The goal of our R&D activities is to drive construction towards higher productivity and sustainability. In particular, we aim to develop solutions to make construction processes faster with easy-to-apply and robust products. Durability, service life of buildings and eco-efficiency are main drivers for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

Sales by region 2009

(location of customer)



Sales by business area 2009



Construction Chemicals target customers

Business area	Customer industries
Admixture systems ¹⁾	Ready-mix concrete
	Precast concrete
	Manufactured concrete products
	Cement production
	Tunnel building
	Mining
Business area	Customers
Construction systems ²⁾	Construction industry, especially:
	- Contractors and applicators
	- Builders' merchants
	- Owners of buildings

¹⁾ Invisible contribution: Products for improving the workability and final properties of concrete.

²⁾ Visible contribution: Finished products for bonding, protecting and repairing building materials.

Innovation examples**X-SEED®**

A unique concrete hardening accelerator that helps make concrete application more efficient, reduce CO₂ emissions related to concrete production, lower energy consumption and meet high quality specifications.

Dust reduced PCI® system for tiling

A complete set of products needed for a tiling project, all with dust reduced properties.

Meyco® MP 364 Flex

Injection resin that helps to improve efficiency and safety in coal mining by stabilizing coal layers.

Sonolastic®

Next generation sealant and adhesive products with new superior properties.

EMACO® Nanocrete

Easily useable repair mortars with improved shrinkage compensation and adhesive properties.

RheoMATRIX®

Unique stabilizer providing superior robustness in highly fluid concretes, enabling the construction industry to save time and money while increasing concrete durability and quality.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year	
Construction systems – flooring	Investment in tinting concept in Schaffhausen, Switzerland	2007	
Construction systems – sealants	Investment in polyurethane sealants in Colorado	2007	
Construction systems – tile fixing	Investment in tile adhesive systems in Foshan, China	2007	
Concrete admixtures	Acquisition of Hi Con in Sichuan, China	2007	
	Investment in concrete admixtures in Zibo, China	2007	
	Investment in concrete admixtures in Ploiesti, Romania	2007	
	Investment in concrete admixtures in Guaratinguetá, Brazil	2008	
	Investment in concrete admixtures in Wuhan, China	2008	
	Investment in concrete admixtures in Kolkata, India	2008	
	Investment in concrete admixtures in Huzhou, China	2008	
	Acquisition of Kejie Admixture Science & Technology Co. Ltd., Guangdong, China	2008	
	Concrete admixtures & construction systems	Investment in concrete admixtures, waterproofing, precision grouting and other construction systems in Karachi, Pakistan	2008
	Construction Chemicals	Investment in logistics center in Gebze, Turkey	2009
Construction systems	Investment in powder production in Srem, Poland	2009	

Divestitures/Shutdowns (from 2007 onward)

Business area	Description	Year
Concrete admixtures	Divestiture of the admixture systems business of BASF Construction Chemicals (Korea)	2009
Industrial flooring	Closure of production of flooring products and sealants at Altlandsberg, Germany	2009
Concrete admixtures	Closure of production of Melment® for concrete admixtures at Wittenberg, Germany	2010

Key drivers of profitability

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

Key capabilities of BASF

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

Coatings

Coatings combine protection and aesthetics with eco-efficient products and processes

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



Main products

Automotive OEM (Original Equipment Manufacturer) coatings solutions

BASF offers complete automobile coatings solutions, including:

- e-coat (CathoGuard®),
- primer (StarBloc®),
- basecoat (ColorPro®),
- clearcoat (ProGloss®).

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

Automotive refinish/commercial transport coatings solutions

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

Industrial coatings solutions

BASF offers environmentally efficient systems for coating industrial products, such as Coiltec®, an universal chromate-free coil coating primer. Application technologies include:

- precoatings,
- electro-depositio and
- liquid coatings

that are used on household appliances, radiator components, industrial buildings, ships and wind turbines.

Decorative paints

For interior and exterior use in buildings, BASF offers decorative paints, marketed under the well known premium brand Suvinil® in Brazil and sold under the Relius® brand in Europe.

BASF's market position

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

Main competitors

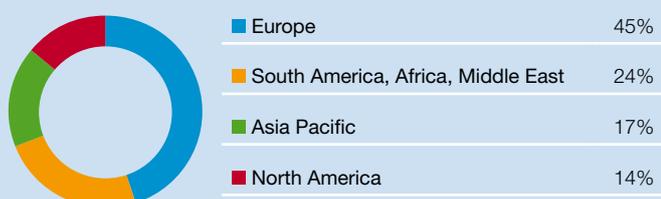
- Automotive OEM coatings: DuPont, PPG, Kansai Paint
- Automotive refinish coatings: DuPont, PPG, Akzo
- Industrial coatings: Akzo, PPG
- Decorative paints South America: Akzo, Sherwin Williams

Focus of R&D

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

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



Innovation examples

Integrated process

Reduction of one process step by integrating the functionality of one layer into another coatings layer, creating synergies for our OEM customers.

UV-curing refinish BaseCoat

Eco-friendly and economical fast curing resulting in high scratch resistance, extreme hardness and durability.

Blade protect

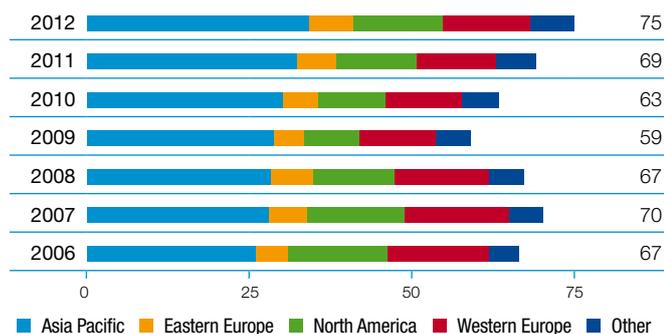
Easily applicable coating that substantially extends lifetime of rotor blades in wind turbines – particularly on the leading edges suffering from abrasion.

Coating as a decorative element

Positioning of decorative paints in South America as aesthetic elements aimed at end consumers by offering small color test products as well as online color environment simulators.

Passenger car and light commercial vehicle sales

(million units)



Source: J.D. Power Associates, December 2009.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Automotive OEM	New plant in Pavlovski Possad, Russia	2007
Decorative paints	Resin expansion in Demarchi, Brazil	2008
Automotive OEM and refinish	Acquisition of remaining 50% of joint venture with Yasar, Turkey	2008
Automotive OEM	Water-based coatings expansion in Würzburg, Germany	2009
Automotive OEM	Acquisition of motorcycle coatings business from NTL and set up of regional platform for ASEAN in Thailand	2009
Automotive refinish	Site consolidation in North America to Windsor, Canada	2010
Automotive OEM	Expansion of technical lab in Mangalore, India	2011

Divestitures/Shutdowns (from 2007 onward)

Business area	Description	Year
Automotive OEM	Closure of powder coatings plant in Morganton, North Carolina	2008
Industrial coatings	Sale of coil coatings business in Belvidere, New Jersey	2008
Industrial coatings	Closure of Decatur site in Alabama	2008
Industrial coatings	Sale of powder coatings plant in Verbania, Italy	2009
Industrial coatings	Sale of coatings plant in Ako, Japan	2009

Key drivers of profitability

- Combination of protection and aesthetics as value indicator
- Managing raw material price pressure, especially solvents and resins
- Value pricing of additional services along the supply chain
- Efficient distribution channels in end-user markets
- Innovation transfer into the market

Key capabilities of BASF

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

2.5 Agricultural Solutions

Our crop protection products safeguard crops and thus protect harvests. We strengthen our competitive position with innovative products. Our research in plant biotechnology focuses on plants for superior agricultural productivity, healthier nutrition and renewable raw materials. BASF Plant Science is working on most attractive agronomic and output traits of the second and third generation with R&D expenditures of approx. €150 million in 2009 mainly reported under Other (see pages 76 to 77).

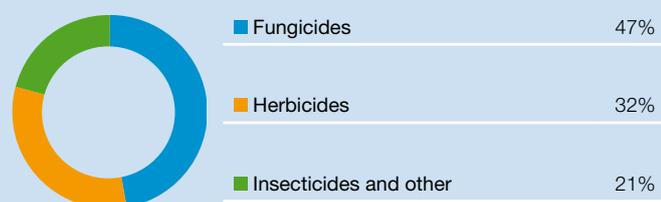
Our products improve the quality and yield of crops like canola

Crop Protection

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The Agricultural Solutions segment consists of the Crop Protection division. We develop and produce innovative active ingredients and formulations for the improvement of crop quality and yields, and market them worldwide.

Segment sales by indication 2009



Agricultural Solutions 2009 vs. 2008

Sales

+7%

EBIT
before special items

+10%



Segment data^{*)}

(million €)	2006	2007	2008	2009
Sales to third parties	3,079	3,137	3,409	3,646
Share of total BASF sales (%)	5.9	5.4	5.5	7.2
Income from operations before depreciation and amortization (EBITDA)	688	718	905	973
EBITDA margin (%)	22.3	22.9	26.5	26.7
Income from operations (EBIT) before special items	402	526	706	776
EBIT before special items margin (%)	13.1	16.8	20.7	21.3
Income from operations (EBIT)	472	516	705	769
EBIT margin (%)	15.3	16.4	20.7	21.1

^{*)}As of January 1, 2008, we restructured our segments on the basis of similar products, production processes and customer industries.

The previous years' figures have been adjusted accordingly. Sales, earnings and all other data of BASF Plant Science are not included in the Agricultural Solutions segment but reported in Other.

Crop Protection

Innovative solutions for modern agriculture

BASF's Crop Protection division directs major resources towards meeting the needs of the high-value agricultural markets in Western and Central Europe, North America, Brazil, Argentina and Japan. The division aims to sustain its role as a leading innovator by continuing its extensive research and development activities. We aim to achieve a 25% EBITDA margin before special items under optimal conditions.



© Grace Winter/PXELIO

Main products

Fungicides

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

F500® (pyraclostrobin)

F500® is a highly effective fungicide, is safe for crops and has a favorable toxicological and ecotoxicological profile. F500® has been approved in more than 60 countries for over 150 crops in over 100 indications. With F500®, we aim to achieve annual sales of €700 million. In 2007, we have launched our global Plant Health umbrella brand AgCelence®.

Boscalid

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

Herbicides

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

The Clearfield® production system

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

Kixor®

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

Insecticides

Insecticides protect crops from insects that cause damage by eating or sucking the juices of plants and transmitting dangerous viruses. Our product portfolio includes:

Fipronil

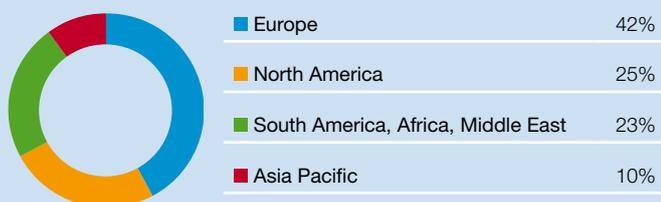
Fipronil is an active ingredient of a unique class of insecticide chemistry. It plays a strategic role in BASF's insecticides portfolio. Furthermore, it gives BASF a strong position in attractive non-crop market segments, such as structural/urban pest control, turf and ornamental plants.

BASF's market position

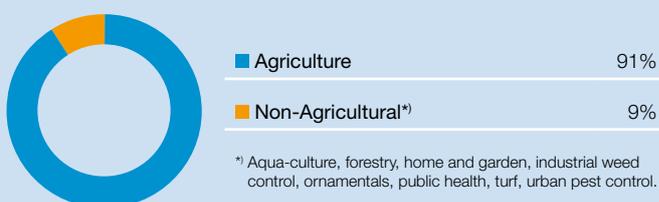
- Fungicides: #2
- Herbicides: #6
- Insecticides: #3

Sales by region 2009

(location of customer)



Sales by first customer industry 2009



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

Main competitors

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

Focus of R&D

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

Powerful agrochemical R&D pipeline

Increased peak sales potential of €2.2 billion due to high demand for our innovative products

Phase (Launch year)	Active ingredients/projects	Market segments	Peak sales potential ¹⁾
Launched (2002-2004)	F500® (F)	Field crops, specialty crops	€1,500 million ²⁾
	Boscalid (F)		
	Dimoxystrobin (F)		
	Tritosulfuron (H)		
In launch (2005-2009)	Chlorfenapyr (I)	Non-crop	€1,500 million ²⁾
	Metrafenone (F)	Field crops, specialty crops	
	Oryastrobin (F)		
	Topramezone (H)	Field crops	
	Metaflumizone (I)	Specialty crops	
In development (2010-2014)	F500® Seed treatment (F)	Field crops, seed treatment	€700 million
	2 Fungicides	Field crops, specialty crops, seed treatment	
	1 Herbicide (Kixor®)	Field crops, specialty crops	
	2 Herbicide-tolerant projects	Field crops	
	1 Insecticide	Specialty crops	

¹⁾ Maximum annual sales potential of selected products.

²⁾ Thereof products launched and in launch reached 70% in 2009.
Abbreviations: F = Fungicide H = Herbicide I = Insecticide

Innovation examples

Plant Health

Pioneering a novel high-value market segment with F500® fungicide.

Boscalid active ingredient

Broad spectrum fungicide in launch with successful expansion of market potential.

F500® seed treatment successfully launched

Introducing Plant Health effects into seed treatment solutions.

Innovative herbicide in development

Kixor® – highly effective herbicide against important broadleaf weeds in key crops and excellent control of major glyphosate-resistant weeds.

New herbicide-tolerant project in development

Next generation of herbicide-tolerant crops in cooperation with Monsanto.

New products from BASF Technology Verbund, such as Interceptor™

The long-lasting insecticide nets for malaria control.

Acquisitions/JVs/Investments (from 2007 onward)

Product group	Description	Year
Non-crop insecticides	Acquisition of Sorex Group pest control business in United States and United Kingdom	2008
Kixor®	New production capacity in United States	2010
F500®, Boscalid, Fipronil, Metazachlor	Capacity expansion in Europe, United States and South America	2010

Divestitures/Shutdowns (from 2007 onward)

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

Key drivers of profitability

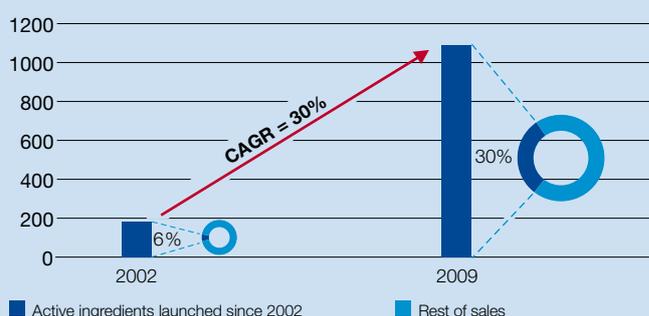
- New products from research pipeline or from acquisitions
- Alignment of resources as well as products and services to customers' needs in high-value and innovation-driven markets
- Effective management of assets and costs

Key capabilities of BASF

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

High share of sales with new active ingredients

(million €)



2.6 Oil & Gas

As the largest German producer of oil and gas, we benefit from our comprehensive expertise in exploration and production. We concentrate on oil and gas-rich regions in Europe, North Africa, South America, Russia and the Caspian Sea region. In our natural gas trading business, together with our partner Gazprom, we are tapping into the growth opportunities arising from the increased import needs for natural gas in Europe and the liberalization of European gas markets through our “Gas for Europe” strategy.

Drilling rig in the
West Siberian
Urengoy field

Exploration & Production

72

Our exploration and production business is carried out by Wintershall Holding GmbH and its subsidiaries. Wintershall has been actively involved in the exploration and production of crude oil and natural gas for more than 75 years, since 1969 as a wholly owned subsidiary of BASF.

Natural Gas Trading

74

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

Segment sales 2009



Oil & Gas 2009 vs. 2008

Sales

EBIT
before special items

-21%

-40%



Segment data

(million €)	2006	2007	2008	2009
Sales to third parties	10,687	10,517	14,445	11,356
Share of total BASF sales (%)	20.3	18.1	23.2	22.4
Thereof Exploration & Production	4,555	4,365	5,308	3,847
Natural Gas Trading	6,132	6,152	9,137	7,509
Income from operations before depreciation and amortization (EBITDA)	3,781	3,592	4,409	2,830
EBITDA margin (%)	35.4	34.2	30.5	24.9
Thereof Exploration & Production	3,023	2,901	3,744	2,188
Natural Gas Trading	758	691	665	642
Income from operations (EBIT) before special items	3,260	3,031	3,844	2,289
EBIT before special items margin (%)	30.5	28.8	26.6	20.2
Thereof Exploration & Production	2,655	2,486	3,319	1,781
Natural Gas Trading	605	545	525	508
Income from operations (EBIT)	3,265	3,031	3,844	2,289
Noncompensable foreign income taxes for oil production	1,282	1,302	1,851	870
Net income	945	789	951	712

Ownership structure



¹⁾ WIEH = Wintershall Erdgas Handelshaus.

²⁾ WIEE = Wintershall Erdgas Handelshaus Zug AG.

Exploration & Production

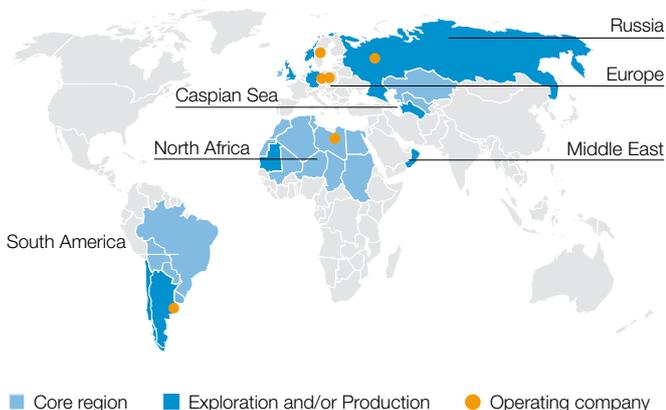
Sustainable earnings through focused E&P activities and selective technology development

Exploration and production is performed by Wintershall Holding GmbH and its subsidiaries. Wintershall focuses its activities on core regions: Europe, North Africa, South America, Russia and the Caspian Sea. Based on current activities in Qatar, Wintershall is evaluating further opportunities in the Middle East.

In Europe, the business is driven by the integration of the E&P business and the gas distribution, storage and trading business, which are combined in our “Gas for Europe” strategy.



Activities by region



Major strengths by core region

Europe	- Traditional strength in oil and gas - Base for technological expertise
Russia/ Caspian Sea	- First German company that produces natural gas in two large E&P projects with Gazprom in Western Siberia - Additional growth opportunities
North Africa/ Middle East	- Well-established E&P activities in Libya since 1958 - Exploration activities in Qatar and Oman - Additional growth opportunities
South America	- Established E&P activities in Argentina for more than 30 years - Exploration in Chile

BASF benefits from E&P business

- Significant cash flow
- Sustainable profitability
- Hydrocarbon hedge
- Synergies in oil field chemicals and enhanced oil recovery activities

Reserves

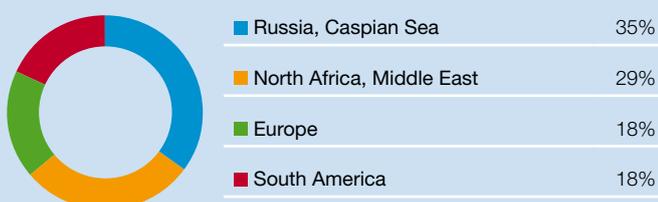
(total proven oil and gas reserves¹: 1,136 million BOE)

Region	Percent
Russia	53
Argentina	22
Libya ²	14
Germany	9
North Sea (NL + UK + N)	2

¹ As of December 31, 2009, without volumes from the Achimgaz project due to contractual and legal stipulations.

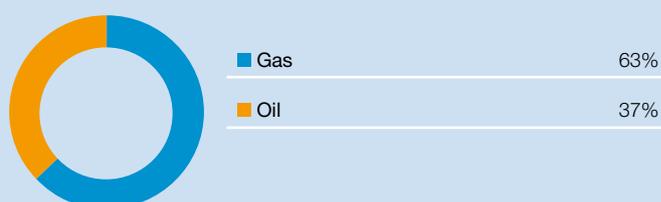
² Wintershall AG (Libya) at 51%.

Production 2009 by core region



Production 2009

(total: 136 million BOE, percent)



Projects

1. Achimgaz

Total reserves: 200 billion m³ gas, 40 million tons condensate; production in 2009: 1 billion m³ gas and 430,000 tons condensate; production startup in July 2008; further field development being planned.

2. Asset swap with Gazprom

600 billion m³ gas reserves in Yuzhno Russkoye, Russia; development cost of about €2 billion (100%), BASF share €0.7 billion; production start in 2007; BASF with 35% economic participation significantly improves its reserve base and long-term production volumes; Gazprom extends its WINGAS participation (50% less one share, up from 35%); Gazprom participates with 49% share in a German Wintershall subsidiary holding Libyan on-shore concessions 96 and 97. The Yuzhno Russkoye natural gas field reached the projected plateau production level earlier than planned with all 142 production wells in operation.

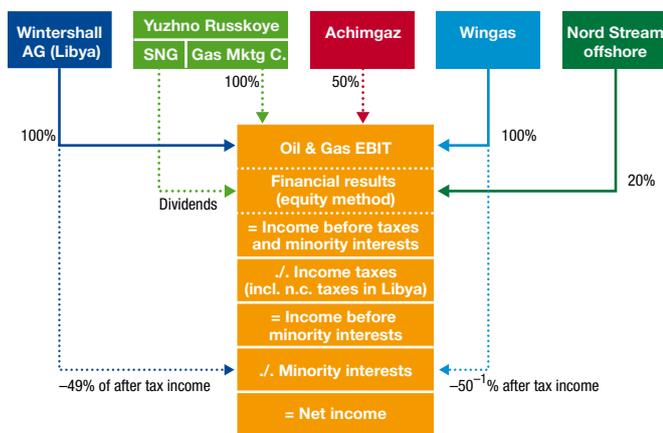
3. Integration of Revus Energy ASA

With the acquisition of Revus Energy ASA, Wintershall now has interests in more than 50 licenses in Norway and more than 30 licenses in the United Kingdom.

Acquisitions/JVs/Investments (from 2007 onward)

Description	Year
Asset swap with Gazprom; farm-in Yuzhno Russkoye, Russia	2007
Exploration license award in Block 3, Qatar	2007
in Block 4N, Qatar	2008
Acquisition of Revus Energy ASA, Norway	2008
Exploration license awards in the North Sea (Norway)	2008
Exploration license award in Chile	2008
in two exploration blocks in Argentina	2008
Oil field development: water flooding project, Libya	2009
Gas field development in E18, The Netherlands	2009
in P9a, The Netherlands	2009
in Aguada Pichana, Argentina	2009
Oil field development Mittelplate, Germany	2009
Gas/condensate field development of Achimov formation in Urengoy, Russia	2005-2015
Gas field development Yuzhno Russkoye, Russia	2007-2013

Projects with Gazprom in E&P and Natural Gas Trading – Impact on BASF’s P&L structure



Divestitures/Shutdowns (from 2007 onward)

Description	Year
49% of a German Wintershall subsidiary holding Libyan concessions 96 and 97 were transferred to Gazprom as part of the Yuzhno Russkoye asset swap	2007

Key drivers of profitability

- Exploration success, successful acquisitions and farm-ins
- Selective technology development and deployment
- Integrated gas business
- Lean organization

Key capabilities of BASF

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

Natural Gas Trading

More energy together. Natural gas supply for Europe

The natural gas trading business is mainly performed by the WINGAS Group. WINGAS is a joint venture of Wintershall Holding GmbH in Kassel, Germany's largest crude oil and natural gas producer, and Russia's Gazprom. Other gas trading joint ventures with Gazprom are WIEH, focusing on sales in Eastern Germany, and WIEE, which is active in Romania and Bulgaria. In 2009, total sales were 39 billion cubic meters, of which 30 billion cubic meters were sold by WINGAS.



Key factors for sustainable growth

- Flexible gas supply portfolio, ranging from long-term supply contracts to spot market supply
- Diversified portfolio of customers in North-Western Europe
- Storage facilities in strategically important locations
- Active at various natural gas trading hubs
- Diversified natural gas portfolio provides swap opportunities to take advantage of different pricing mechanisms in Europe
- Flexible components of our value chain (customers, supply portfolio, storage facilities) are very important tools to react to the current oversupply situation in the European gas market

BASF benefits from natural gas trading business

- Long-term security of gas supply in Europe
- Declining indigenous gas production secures a strong and profitable downstream position
- Part of the value-generating gas chain (upstream/midstream/downstream)

Time-lag effect in natural gas trading

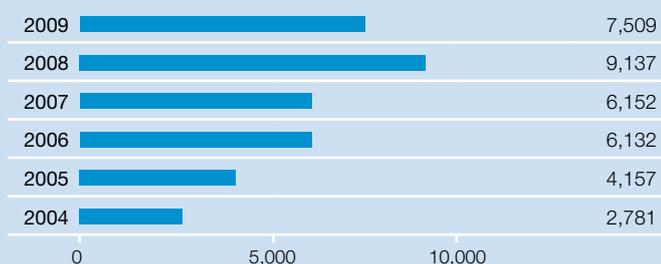
In continental Europe, natural gas prices under long-term contracts are linked to the prices of oil products, e.g., light fuel oil, and therefore fluctuate with the oil price. The general pricing scheme for import gas differs from the pricing scheme for selling the gas to our customers:

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

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

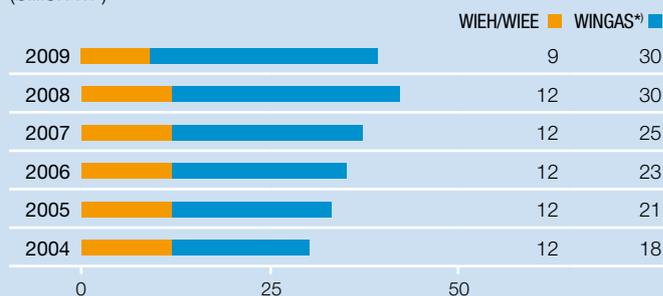
Sales development

(million €)



Natural gas trading (including sales to BASF)

(billion m³)



*WINGAS sales by region 2009: 30 billion m³ (Germany 54%, Rest of Europe 46%), sales to BASF 2009: 3.1 billion m³.

Projects

Nord Stream

Largest single infrastructure project for European supply, Gazprom 51%, E.ON 20%, BASF 20%, Gasunie 9%; total capacity 55 billion m³; total investment offshore €7.4 billion. As all approvals are granted, construction of the first of two pipes has started in April 2010 and gas deliveries are expected as of end September 2011.

(Source: Nord Stream AG)

OPAL

WINGAS 80% and E.ON Ruhrgas 20%, total capacity 36 billion m³. All the permits for the construction of the OPAL natural gas pipeline from Lubmin to Olbernhau have now been received. Construction work on the pipeline is progressing swiftly.

(Source: OPAL NEL Transport GmbH)

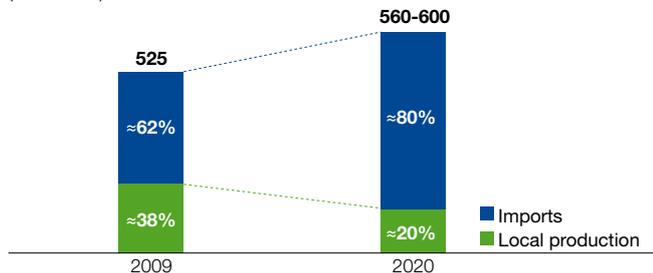
NEL

WINGAS 75% and E.ON Ruhrgas 25%, total capacity >20 billion m³ p.a. It has been agreed that Gasunie will acquire a 15% stake in NEL from E.ON/Ruhrgas and a 5% stake from WINGAS. The approval process begun in 2009. The 440 kilometer long NEL will be used to transport Russian natural gas from the Nord Stream Baltic Sea pipeline landing point in Lubmin near Greifswald towards Rehden in Lower Saxony.

(Source: OPAL NEL Transport GmbH)

Growing import demand for natural gas in Europe

(billion m³)



Divestitures/Shutdowns (from 2007 onward)

Description	Year
15% less one share of WINGAS were transferred from Wintershall to Gazprom as part of the asset swap between Wintershall and Gazprom	2007

Acquisitions/JVs/Investments (from 2007 onward)

Description	Begin	End
Haidach gas storage facility, Austria (first phase)	2005	2007
Ostseepipeline-Anschlussleitung (OPAL) pipeline	2007	2011
Haidach gas storage facility, Austria (second phase)	2007	2011
Nord Stream I+II offshore pipeline project	2007	2012
Jemgum gas storage facility, Germany	2007	2013
Norddeutsche Erdgasleitung (NEL) pipeline	2009	2012
Saltfleetby gas storage, United Kingdom	2010	2012

Pipeline grid



WINGAS Transport pipeline	WINGAS underground storage facility
OPAL NEL Transport pipeline (planned/under construction)	WINGAS underground storage facility (planned/under construction)
Transit pipeline	WINGAS Transport gas compressor station
Transit pipeline (planned/under construction)	WINGAS Transport gas compressor station (planned/under construction)

Key drivers of profitability

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

Key capabilities of BASF

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

Other

Financial data

(million €)	2006	2007	2008	2009 ³⁾
Sales to third parties	5,822	6,610	6,650	4,577
Thereof Styrenics ¹⁾	3,313	3,518	3,478	2,502
Income from operations before depreciation and amortization (EBITDA)	(61)	(175)	(521)	(417)
Income from operations (EBIT) before special items	(333)	(362)	(692)	(717)
Income from operations (EBIT)	(272)	(421)	(913)	(627)
Thereof Group corporate costs ²⁾	(206)	(237)	(243)	(209)
Corporate research costs	(258)	(323)	(312)	(319)
Currency results, hedges and other valuation effects	86	90	(209)	(512)

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

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

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

Business activities not assigned to a particular division are reported in Other and include, among other things:

- Sale of raw materials
- Styrenics and fertilizers businesses
- Engineering and other services
- Rental income and leases

Group corporate costs consist of the expenses for steering the BASF Group and are not allocated to the segments but reported under Other. 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 macrohedged as well as from the conversion of financial liabilities.

As of January 1, 2009, the activities of BASF Fuel Cell GmbH were transferred from Other to the Inorganics division. The styrene copolymers business in the Performance Polymers division was transferred to Styrenics. Styrenics does not belong to a segment and is reported in Other.

The income from operations recorded under Other also includes the cost of our cross-divisional corporate research predominantly for the growth clusters described on page 24. In addition, Other also includes income and expenses from the BASF options program as well as the results of the hedging of raw material price risks that were not allocated to the segments.

Composition of assets

(million €)	2006	2007	2008	2009
Assets of businesses included under Other	3,523	3,045	3,232	2,647
Financial assets	1,841	2,786	3,093	2,960
Deferred tax assets	622	679	930	1,042
Cash and cash equivalents/marketable securities	890	818	2,811	1,850
Defined benefit assets	367	417	165	549
Miscellaneous receivables/prepaid expenses	922	1,140	2,512	1,513
Total assets of Other	8,165	8,885	12,743	10,561

3 Financials

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You
are
here

3.1 Share

High dividend yield, above-average share performance

At year-end 2009, BASF's share performance significantly outperformed the most important benchmark and industry indices. We stand by our ambitious dividend policy, even in very difficult times: We offered our shareholders a dividend of €1.70 in 2009, which represents a dividend yield of nearly 4%.

BASF is listed on the Frankfurt, London and Zurich stock exchanges. We were once again included in the most important sustainability index worldwide, the Dow Jones Sustainability World Index.



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Broad base of international shareholders

With around 460,000 shareholders, BASF is one of the largest publicly owned companies with a high free float. According to an analysis of the shareholder structure carried out in December, 2009, our shareholder distribution is as follows:

- 18% from the United States and Canada
- 11% institutional investors from Germany
- 11% from the United Kingdom and Ireland
- 18% from the rest of Europe
- 4% from the rest of world
- 28% held by private investors, most of whom are resident in Germany
- 10% not identified

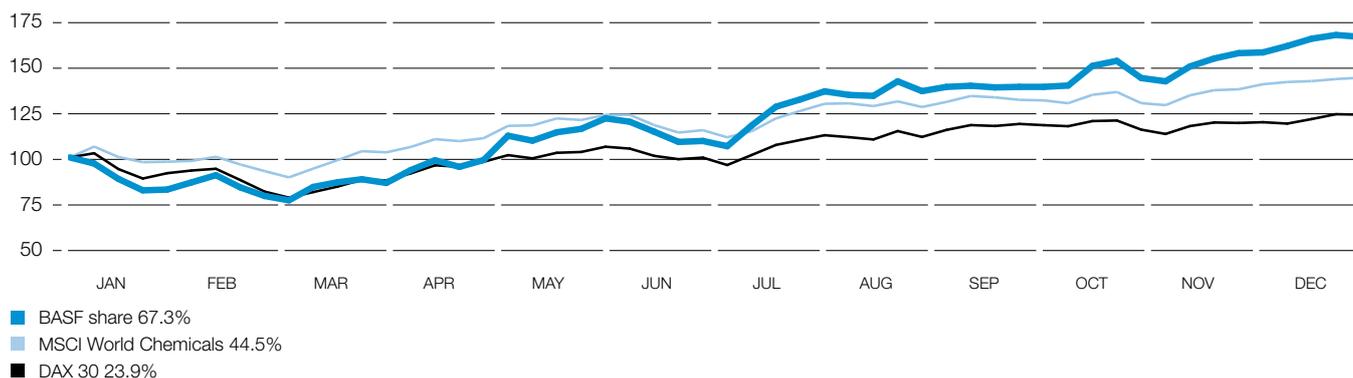
BASF in the important sustainability indices

For the ninth year in succession, BASF was included in the world's most important sustainability index, the Dow Jones Sustainability World Index (DJSI World). We received special recognition for our climate protection strategy and our risk management.

In September, the international investor group Carbon Disclosure Project again included BASF in the prestigious Carbon Disclosure Leadership Index (CDLI). BASF is ranked number one among all companies in the materials sector and is thus among the top performers in the area of climate protection. The Carbon Disclosure Project represents 475 institutional investors, with over \$55 trillion in assets under management.

Change in value of an investment in BASF shares 2009

(With dividends reinvested, indexed)



Percentage of BASF shares in important indices

(as of December 31, 2009)

Indices	%
DAX 30	7.5
DJ STOXX 50	1.6
DJ EURO STOXX 50	2.5
DJ Chemicals	7.4
MSCI World Index	0.26

BASF in sustainability indices

- BASF again included in the most important sustainability indices
- DJSI World: special recognition for BASF's climate protection strategy and risk management
- CDLI: BASF ranked first in the materials sector, making it one of the top performers in the CDLI

Shareholder returns

(million €)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Share buybacks	700	1,300	500	500	726	1,435	938	1,899	1,618	–
Dividends	789	758	789	774	904	1,015	1,484	1,831	1,791	1,561 ¹⁾
Special dividends	425									
Total	1,914	2,058	1,289	1,274	1,630	2,450	2,422	3,730	3,409	1,561
Dividend per share (€) ²⁾	0.65	0.65	0.70	0.70	0.85	1.00	1.50	1.95	1.95	1.70
	+0.35 ³⁾									
Share price at year-end (€/share) ²⁾	24.09	20.88	18.04	22.29	26.50	32.36	36.93	50.71	27.73	43.46
Dividend yield (%)	4.2 ⁴⁾	3.1	3.9	3.1	3.2	3.1	4.1	3.9	7.0	3.9
Payout ratio (%)	98 ⁴⁾	13 ⁵⁾	52	85	45	34	46	45	62	111
Price/Earnings ratio (P/E ratio)	23.8	4.3 ⁵⁾	13.9	27.5	14.5	11.3	11.6	12.2	8.9	28.2
Free cash flow yield (%) ⁶⁾	0.3	(2.0)	(0.5)	11.3	9.0	9.4	9.6	6.7	9.8	9.4

¹⁾With regard to the qualifying shares on December 31, 2009.

²⁾Adjusted for 2:1 stock split 2008.

³⁾Special dividend of stockholders' equity charged with 45% corporate income tax.

⁴⁾Including special dividend of stockholders' equity charged with 45% corporate income tax.

⁵⁾Including extraordinary income.

⁶⁾Free cash flow per share at year-end divided by share price at year-end.

Share price performance

At year-end 2009, BASF shares had a price of €43.46 per share, 57% above the previous year. In 2009, shareholders who reinvested dividends increased the value of their holding by 67.3%. This means that in 2009 BASF shares outperformed the German and European stock markets. Their key indices, DAX 30 and DJ EURO STOXX 50, rose by 23.9% and 25.5% respectively in the same time period – while the global industry indices DJ Chemicals and MSCI World Chemicals also gained 53.7% and 44.5% respectively. The assets of a long-term investor who invested the equivalent of €1,000 in BASF shares at the end of 1999, and reinvested the dividends in additional BASF shares, would have increased to €2,472 by the end of 2009. This average annual return of 9.5% places BASF shares substantially above the corresponding returns for the EURO STOXX 50 (–2.6%), DAX 30 (–1.5%) and MSCI World Chemicals (5.0%).

Dividend

For 2009, BASF paid a dividend of €1.70 per share. This means that, even in very difficult economic times, we stand by our ambitious dividend policy and have paid out €1.6 billion to our shareholders (based on the number of qualifying shares on December 31, 2009). Based on the year-end share price for 2009, BASF shares offer a high dividend yield of 3.91%.

Dividend policy

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

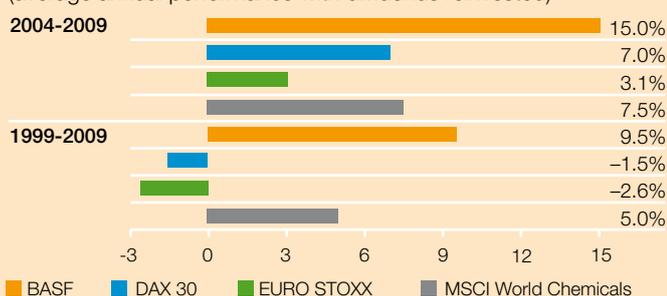
Analyst consensus

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

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

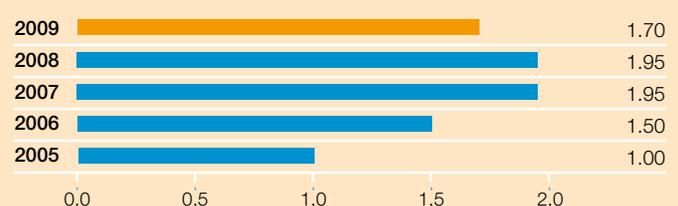
Long-term performance of BASF shares compared with indices

(average annual performance with dividends reinvested)



Dividend per share

(€)



3.2 Ten-year summary

Ten-year summary

(million €)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sales and earnings¹⁾										
Sales	35,946	32,500	32,216	33,361	37,537	42,745	52,610	57,951	62,304	50,693
Income from operations before depreciation and amortization (EBITDA)	5,986	4,142	5,105	5,110	7,685	8,233	9,723	10,225	9,562	7,388
EBITDA margin (%)	16.6	12.7	15.8	15.3	20.5	19.3	18.5	17.6	15.3	14.6
Income from operations (EBIT) before special items	3,400	2,293	2,881	2,993	5,230	6,138	7,257	7,614	6,856	4,852
EBIT before special items margin (%)	9.5	7.1	8.9	9.0	13.9	14.4	13.8	13.1	11.0	9.6
Income from operations (EBIT)	3,070	1,217	2,641	2,658	5,193	5,830	6,750	7,316	6,463	3,677
EBIT margin (%)	8.5	3.7	8.2	8.0	13.8	13.6	12.8	12.6	10.4	7.3
Income from ordinary activities	2,827	609	2,641	2,168	4,347	5,926	6,527	6,935	5,976	3,079
Extraordinary income	–	6,121	–	–	–	–	–	–	–	–
Income before taxes and minority interests	2,827	6,730	2,641	2,168	4,347	5,926	6,527	6,935	5,976	3,079
Income before minority interests	1,282	5,826	1,599	976	2,133	3,168	3,466	4,325	3,305	1,655
Net income	1,240	5,858	1,504	910	2,004	3,007	3,215	4,065	2,912	1,410
Capital expenditures and depreciation¹⁾										
Additions to tangible and intangible assets	6,931	3,313	3,055	3,415	2,163	2,523	10,039	4,425	3,634	5,972
Thereof property, plant and equipment	3,631	3,037	2,677	2,293	2,022	2,188	4,068	2,564	2,809	4,126
Depreciation of tangible/intangible assets	2,916	2,925	2,464	2,452	2,492	2,403	2,973	2,909	3,099	3,711
Thereof property, plant and equipment	2,245	2,307	2,012	1,951	2,053	2,035	2,482	2,294	2,481	2,614
Number of employees										
At year-end	103,273	92,545	89,389	87,159	81,955	80,945	95,247	95,175	96,924	104,779
Annual average	105,784	94,744	90,899	88,167	85,022	80,992	88,160	94,893	95,885	103,612
Personnel costs¹⁾										
	6,596	6,028	5,975	5,891	5,615	5,574	6,210	6,648	6,364	7,107
Key data¹⁾										
Earnings per share (€) ²⁾	1.01	4.86 ³⁾	1.30	0.81	1.83	2.87	3.19	4.16	3.13	1.54
Cash provided by operating activities	2,992	2,319	2,313	4,878	4,634	5,250 ⁴⁾	5,940	5,807	5,023	6,270
Payments related to intangible assets and property, plant and equipment	2,906	2,811	2,410	2,071	2,057	1,948	2,411	2,562	2,521	2,507
Free cash flow	86	(492)	(97)	2,807	2,577	3,302 ⁴⁾	3,529	3,245	2,502	3,763
Return on assets (%)	9.9	3.1	8.4	7.4	13.2	17.7	17.5	16.4	13.5	7.5
Return on equity after tax (%)	9.0	36.6 ³⁾	9.3	6.0	12.9	18.6	19.2	22.4	17.0	8.9
Free cash flow/sales (%)	0.2	(1.5)	(0.3)	8.4	6.9	7.7	6.7	5.6	4.0	7.4
Number of shares as of December 31²⁾ (in thousands)⁵⁾	1,214,798	1,166,802	1,140,632	1,113,286	1,080,880	1,028,758	999,360	956,370	918,479	918,479

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

²⁾ Adjusted for 2:1 stock split 2008.

³⁾ Including extraordinary income.

⁴⁾ Before external financing of pension obligations.

⁵⁾ After deduction of repurchased shares earmarked for cancellation.

3.3 Regional results

Sales by location of company¹⁾

(million €)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Europe	22,203	19,399	18,987	20,372	22,536	25,093	31,444	34,316	38,652	30,375
Thereof Germany	14,457	13,417	13,315	14,070	15,216	17,100	22,963	24,312	27,497	21,543
North America	8,441	7,772	7,932	7,214	8,165	9,542	11,415	12,007	11,937	9,320
Asia Pacific	3,175 ²⁾	3,487 ²⁾	3,950 ²⁾	4,303 ²⁾	4,911	6,042	7,450	8,785	8,664	7,997
South America, Africa, Middle East	2,127 ³⁾	1,842 ³⁾	1,347 ³⁾	1,472 ³⁾	1,925	2,068	2,301	2,843	3,051	3,001
Total	35,946	32,500	32,216	33,361	37,537	42,745	52,610	57,951	62,304	50,693

Sales by location of customer¹⁾

(million €)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Europe	20,103	17,984	17,697	19,120	21,343	23,755	29,529	32,347	36,693	28,532
Thereof Germany	7,897	7,212	6,944	7,073	7,382	8,865	11,062	11,967	13,796	10,666
North America	8,419	7,654	7,808	7,163	8,182	9,479	11,522	11,928	11,932	9,423
Asia Pacific	4,924 ²⁾	4,674 ²⁾	5,051 ²⁾	5,313 ²⁾	5,309	6,500	8,102	9,579	9,320	8,706
South America, Africa, Middle East	2,500 ³⁾	2,188 ³⁾	1,660 ³⁾	1,765 ³⁾	2,703	3,011	3,457	4,097	4,359	4,032
Total	35,946	32,500	32,216	33,361	37,537	42,745	52,610	57,951	62,304	50,693

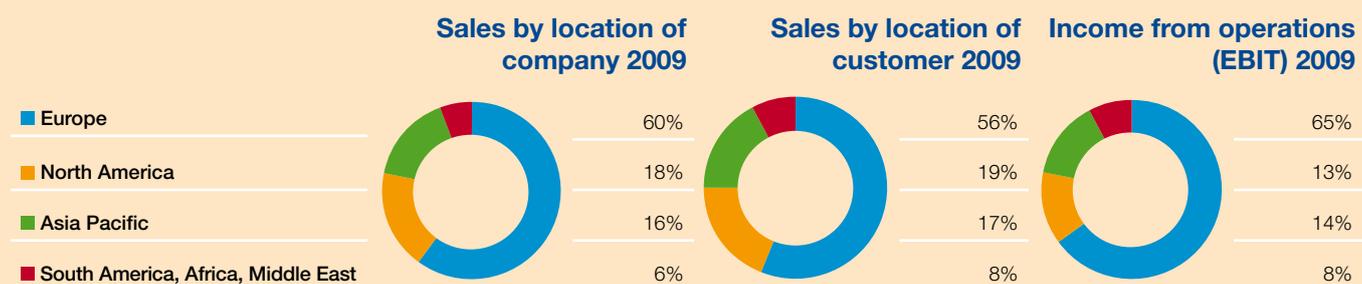
Income from operations (EBIT)¹⁾

(million €)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Europe	2,577	1,926	2,357	2,224	4,236	4,385	5,485	5,415	5,822	2,390
Thereof Germany	1,864	1,347	1,690	1,642	3,131	3,019	4,125	4,226	4,744	1,855
North America	99	(678)	23	10	286	855	869	762	73	495
Asia Pacific	161 ²⁾	(28 ²⁾)	203 ²⁾	218 ²⁾	361	297	181	828	254	503
South America, Africa, Middle East	233 ³⁾	(3 ³⁾)	58 ³⁾	206 ³⁾	310	293	215	311	314	289
Total	3,070	1,217	2,641	2,658	5,193	5,830	6,750	7,316	6,463	3,677

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

²⁾ Including Africa.

³⁾ South America only.



3.4 Factors influencing sales

Factors influencing sales – Contribution to sales growth (percent)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Volumes	6.5	(0.3)	7.8	7.6	9.4	2.5	5.5	4.9	0.3	(9.4)
Prices	11.3	(1.4)	(5.2)	2.1	6.6	11.0	8.3	2.5	11.7	(13.7)
Currencies	6.6	(0.5)	(2.9)	(7.3)	(4.4)	1.0	(0.2)	(3.8)	(4.4)	0.6
Acquisitions/divestitures	(2.4)	(7.4)	(0.6)	1.2	0.9	(0.6)	9.5	6.6	(0.1)	3.9
Total	22.0	(9.6)	(0.9)	3.6	12.5	13.9	23.1	10.2	7.5	(18.6)

Factor influencing sales 2009

Sales volumes in the first half of 2009 were significantly below the level achieved in the same period of 2008, but demand recovered in the second half of the year. The fourth quarter of 2009 was the first in which volumes exceeded the same period of the previous year; however, volumes in the fourth quarter of 2008 had already been severely impacted by the onset of the economic crisis. Prices declined significantly in nearly all divisions.

Currency effects had a positive impact on sales. The average euro/dollar exchange rate in 2009 was \$1.39 per euro, compared with \$1.47 per euro in 2008. Acquisitions contributed €2,451 million to sales. This was primarily due to the acquisition of Ciba Holding AG on April 9, 2009. Divestitures reduced sales by €35 million.

Sensitivities

Currency impact on BASF Group

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

Annual impact of US\$ change
(US\$ exchange rate: -\$0.01 per €)

	million €
Sales	+200
EBIT	+40

Sensitivities

Oil price impact on Oil & Gas segment

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

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

	million €
Sales	+100
EBIT	+35
Net income before minority interests	+12

3.5 Financing

Value-based financial management, high cash flow

With our value-based financial management, we aim to secure the financial flexibility needed to continuously develop our business portfolio and take advantage of strategic options. Priority is placed on an appropriate capital structure while maintaining liquidity and limiting financial risks. We aim for a solid A rating which is supported by sustainably good cash flow.

Financing policy

The objectives of our financing policy are to ensure liquidity, limit financial risks and optimize the cost of capital. Our financial activities are conducted in line with the needs of the operational business and the company's strategic direction. We will maintain our financing policy in 2010.

We aim to maintain a solid A rating. This goal is the basis for BASF's capital structure and financing. We manage the capital structure of BASF by taking into account selected financial ratios. Our A ratings have allowed us, and continue to allow us, to access the capital market to issue bonds. Corporate bonds form the basis of our mid- to long-term debt financing. These are issued in euro and other currencies with different maturities to ensure a diverse range of investors and a balanced maturity profile.

Short-term debt financing is primarily secured by our commercial paper program, which has an issuing volume of up to \$12.5 billion. BASF always enjoyed full access to the commercial paper market on attractive terms, also during the financial crisis. BASF's external financing is therefore largely independent of short-term fluctuations in the credit markets. As back-up for the commercial paper program, there are committed, broadly syndicated credit lines of \$6 billion available.

Cash flow

Despite the economic crisis, we generated cash from operating activities of €6.3 billion. This record high was reached thanks to a significant reduction in net working capital and rigorous measures to increase efficiency. At €3.8 billion, our free cash flow was also high.

Good credit ratings and solid financing

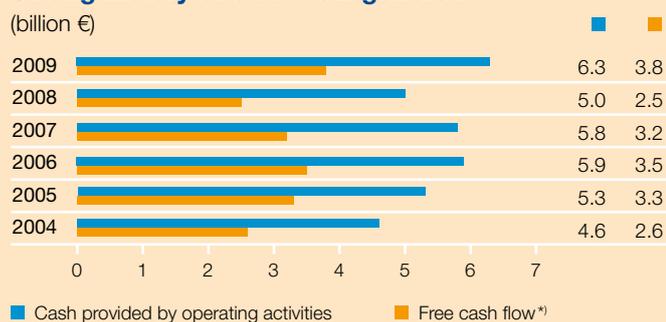
With "A+/A-1/outlook negative" from rating agency Standard & Poor's and "A1/P-1/outlook stable" from Moody's, BASF has good credit ratings, especially when compared with competitors in the chemical industry. Thanks to our solid financial position, we continued to have unrestricted access to international financial and capital markets in 2009.

In 2009, BASF issued medium and long-term bonds and promissory notes worth over €4.4 billion to finance the acquisition of Ciba and to optimize our financing structure. At year-end, the financial indebtedness of BASF Group was €14.8 billion with a liquidity of €1.8 billion. Around 84% of financial indebtedness has a maturity of more than one year. As of December 31, 2009, short-term commercial paper in the value of approximately \$0.5 billion was outstanding.

Credit Ratings

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

Strong history of cash flow generation



Balanced maturities of financial liabilities



3.6 Balance sheet

Balance sheet (German Commercial Code)

(million €)	2000	2001	2002	2003
Intangible assets	4,538	3,943	3,464	3,793
Thereof goodwill	2,629	2,504	2,073	2,038
Tangible assets	13,641	14,190	13,745	13,070
Financial assets	3,590	3,360	3,249	2,600
Fixed assets	21,769	21,493	20,458	19,463
Inventories	5,211	5,007	4,798	4,151
Accounts receivable, trade	6,068	5,875	5,316	4,954
Other receivables	3,369	2,384	2,947	3,159
Deferred taxes	1,270	1,373	1,204	1,247
Marketable securities	364	383	132	147
Cash and cash equivalents	506	360	231	481
Current assets	16,788	15,382	14,628	14,139
Total assets	38,557	36,875	35,086	33,602
Subscribed capital	1,555	1,494	1,460	1,425
Capital surplus	2,746	2,914	2,948	2,983
Paid-in capital	4,301	4,408	4,408	4,408
Retained earnings	8,851	12,222	12,468	12,055
Currency translation adjustment	662	532	(330)	(972)
Minority interests	481	360	396	388
Stockholders' equity	14,295	17,522	16,942	15,879
Pensions and other long-term provisions	6,209	6,809	6,233	6,205
Tax and other short-term provisions	3,334	3,332	2,764	2,982
Provisions	9,543	10,141	8,997	9,187
Financial indebtedness	7,892	2,835	3,610	3,507
Accounts payable, trade	2,848	2,467	2,344	2,056
Other liabilities	3,979	3,910	3,193	2,973
Liabilities	14,719	9,212	9,147	8,536
Provisions and liabilities	24,262	19,353	18,144	17,723
Thereof long-term liabilities	9,059	9,955	9,211	10,285
Total stockholders' equity and liabilities	38,557	36,875	35,086	33,602
Equity ratio (%)	37	48	48	47
Gearing ratio (%)	170	110	107	112
Net debt	7,386	2,475	3,379	3,026

Balance sheet (IFRS)*)

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

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

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Forward-looking statements

This publication may contain forward-looking statements. These statements are based on current expectations, 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 prove to 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 BASF's Report 2009 on pages 103ff. We do not assume any obligation to update the forward-looking statements contained in this publication.



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Important dates

- Interim report 2nd Quarter 2010
July 29, 2010
- Interim report 3rd Quarter 2009
October 28, 2010
- Full Year Results 2010
February 24, 2011
- Interim report 1st Quarter 2011 and Annual Meeting
May 6, 2011, Mannheim

The following publications are also available

- BASF In Brief 2009
- BASF Report 2009
- Quarterly Reports
- Capital Market Story



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