

Speech to the Annual Meeting

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

The spoken word applies!

BASF SE
Annual Meeting BASF SE
April 29, 2010

 **BASF**
The Chemical Company

Good Morning Ladies and Gentlemen,
BASF SE Shareholders,

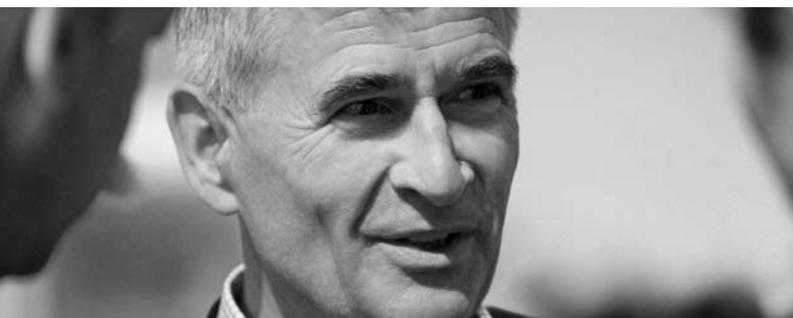
On behalf of the Board of Executive Directors, I would like to wish you a very warm welcome to our Annual Meeting.

Spring is more enjoyable when it follows a long, hard winter. That's true this year in every sense: After a frosty year of crisis in 2009, the economic barometer is now predicting better weather, although dark clouds remain.

The most profound recession since the Second World War hit BASF hard, but swift and resolute action enabled us to master the crisis better than many of our competitors. Our response shows just how strong BASF really is. Through extraordinary commitment, the utmost flexibility and unparalleled solidarity, the BASF team worldwide increased our earnings from quarter to quarter and therefore allowed us to actively shape the future. I thank all our employees from the bottom of my heart – they deserve a huge round of applause for their efforts.

Ladies and gentlemen, the fact that BASF is emerging stronger from the crisis is also apparent from a look at our stock price curve. Following a difficult start in 2009, BASF's share price closed the year at €43.46. This corresponds to an increase in value of more than 67% with dividends reinvested. Analysis of long term performance confirms that it pays to invest in BASF. If you invested €1,000 in BASF stock at the end of 1999 and reinvested the dividends every year, you would have €2,472 in your depot by the end of 2009 – which translates into an annual yield of almost 10%. BASF shares performed considerably better than leading German and European indices both for the full year and over a 10-year period. And BASF also outperformed the global industry indices. As these results show, our long-term strategy is paying off.

We remain committed to our ambitious dividend policy even in times of economic turbulence. Today, we are proposing to pay you a dividend of €1.70 per share. This corresponds to an annual dividend yield of almost 4%. Unfortunately in 2009, we fell just short of achieving our goal to earn our cost of capital, primarily due to the costs associated with the Ciba acquisition and integration. Nevertheless, we have reduced the dividend only slightly because we are confident for 2010 and believe that 2009 was also an exception in this aspect. In future, we want increase our dividend every year or at least maintain it at the previous year's level.



Dividend per share (€ per share) ¹



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

Ladies and gentlemen, I would now like to show you very briefly how we made it through the crisis year of 2009. Further details and figures are contained in our extensive Report 2009, which has been sent to you upon request or provided to you today.

Following a dramatic drop in late 2008 and further downturn in early 2009, capacity utilization in our plants was at a historic low in large parts of our business. Demand recovered in the course of the year, especially in Asia.

We achieved total sales of €50.7 billion in 2009, down almost 19% compared with the previous year. Income from operations (EBIT) before special items fell by around 29% to €4.9 billion.

Systematic crisis management prevented worse. We implemented short and medium-term measures decisively and prudently.

Short-term response included cutting costs wherever possible in order to safeguard earnings and cash flow. We countered the massive slump in demand by idling and mothballing plants. You probably still remember the temporary closure of our steam cracker in Ludwigshafen. We compensated for the associated fluctuations in workload with short-time working and maximum flexibility. That way we were able to retain the highly qualified employees we need in future. We also significantly reduced our working capital at the same time.

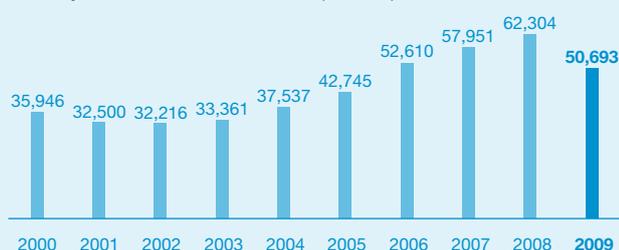
Medium-term measures were implemented to enhance our efficiency and improve our processes and portfolio. These enabled us to achieve our goal of emerging stronger from the crisis. Our global efficiency-enhancement program NEXT is one example. NEXT will bring us more than €1 billion in additional earnings annually by 2012. Another example is our project OPAL 21, through which we aim to increase performance even further at our largest Verbund sites, Ludwigshafen and Antwerp. These measures will help safeguard attractive jobs now and in the future.

The results of the short and medium-term measures are impressive:

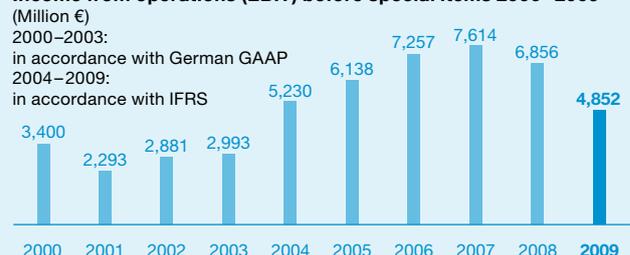
- record cash flow of almost €6.3 billion in the worst year of the crisis
- an EBITDA margin of 14.6%, which surpasses our minimum requirements for crisis situations, and
- largely keeping the workforce intact globally.

This boosted the start of the year. In the **first quarter**, our sales increased by around 26% to €15.5 billion and thus we almost achieved the level of the very good quarters before the crisis. Especially our industry business, that is the Chemicals, Plastics, Performance Products and Functional Solutions segments, grew substantially thanks to renewed demand from almost all customer industries, particularly from the automotive, electric and electronic industries. Agricultural Solutions developed stably at a high level. In Oil & Gas sales, declined due to lower natural gas

Development of sales 2000–2009 (million €)



Income from operations (EBIT) before special items 2000–2009



Regions (million €)

	Sales by location of company			Sales by location of customer			Income from operations (EBIT)		
	2009	2008	Change in %	2009	2008	Change in %	2009	2008	Change in %
Europe	30,375	38,652	(21)	28,532	36,693	(22)	2,390	5,822	(59)
Thereof Germany	21,543	27,497	(22)	10,666	13,796	(23)	1,855	4,744	(61)
North America	9,320	11,937	(22)	9,423	11,932	(21)	495	73	.
Asia Pacific	7,997	8,664	(8)	8,706	9,320	(7)	503	254	98
South America, Africa, Middle East	3,001	3,051	(2)	4,032	4,359	(8)	289	314	(8)
	50,693	62,304	(19)	50,693	62,304	(19)	3,677	6,463	(43)

prices. Regionally, we saw high demand in Asia and South America. North America is also slowly recovering. Europe is bringing up the rear.

We doubled EBIT before special items to €1.95 billion. This was due to substantially higher capacity utilization and our unwavering efforts to improve costs. We almost tripled net income to over €1 billion.

We currently see that the recovery will continue over the next quarters. Due to the basis effect, growth will be slower and uneven. The second quarter will be negatively impacted by planned shutdowns of large plants such as the first general maintenance of our Nanjing Verbund site. We expect that national stimulus programs around the world will wind down. Further recovery is therefore not certain and surprises cannot be ruled out for 2010. Overall, we continue to expect that in 2010 we will grow substantially faster

than the market, increase our sales, significantly improve our income from operations and again earn a premium on our cost of capital.

Ladies and gentlemen, I think this is good news for you. After all, we can continue offering attractive dividends only if we earn our cost of capital. Even more importantly: Earning our cost of capital is essential if we want to actively shape our future in the long term.

Even in a year as difficult as 2009, we did not neglect to shape our future. We implemented **long-term measures** which map out a strategy for sustainable success. I'd like to present three areas of focus:

- our active portfolio management
- our capital expenditures in growth markets, and
- our innovations that create future growth.

Results of BASF's systematic crisis management in 2009:

- a record cash flow of almost €6.3 billion in the worst year of the crisis
- an EBITDA margin of 14.6%, which surpasses our minimum requirements for crisis situations and
- largely keeping the workforce intact globally.

Segment overview (million €)

	Sales		Income from operations (EBIT) before special items		Income from operations (EBIT)	
	2009	2008	2009	2008	2009	2008
Chemicals	7,515	11,171	1,021	1,414	735	1,369
Plastics	7,128	9,116	576	553	554	539
Performance Products	9,356	8,125	698	766	(150)	768
Functional Solutions	7,115	9,388	209	265	107	151
Agricultural Solutions	3,646	3,409	776	706	769	705
Oil & Gas	11,356	14,445	2,289	3,844	2,289	3,844
Other	4,577	6,650	(717)	(692)	(627)	(913)
	50,693	62,304	4,852	6,856	3,677	6,463

The Ciba acquisition has significantly strengthened our **portfolio**. The fact that we accomplished one of the largest acquisitions in BASF history in the midst of an economic crisis is a demonstration of BASF's strength. Through this acquisition, BASF has become the world's leading supplier of plastic additives, coating effects materials and paper chemicals. The integration is progressing successfully and has largely been completed. The increase in earnings of the Performance Products segment in the first quarter of 2010 demonstrates this well. We expect annual synergies of more than €450 million from the combined business no later than the end of 2012.

This acquisition coupled with our earlier acquisitions of Engelhard and Degussa Construction Chemicals have increased the proportion of specialty chemicals to more than two-thirds of our chemicals

portfolio. This has made us more resilient to economic fluctuations. We want to improve this even more and therefore we are working on divestments such as our styrenics business and our leather and textile chemicals.

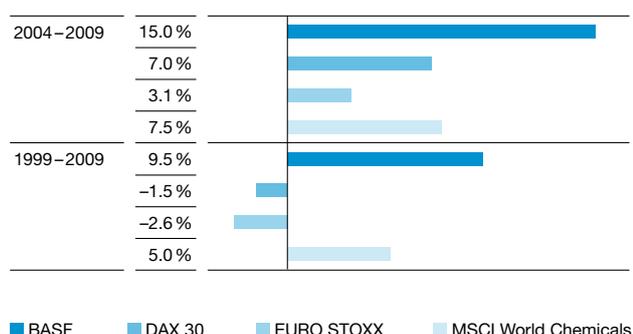
Let's move on to the second focus of our efforts to shape the future, our **capital expenditures**. We plan to invest €11.8 billion in the coming five years.

More than 50% of future chemical industry growth will be in Asia. That is why we are, for example, expanding our Nanjing Verbund site in China with an investment of US\$1.4 billion. We have set ourselves ambitious goals for Asia Pacific in our Strategy 2020: we intend to grow two percentage points faster than the market every year. And we want to achieve 70% of sales in this region from local production.

BASF maps out a strategy for sustainable success and actively shapes its future:

- through our active portfolio management
- through our capital expenditures in growth markets, and
- through our innovations that create future growth.

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



The gas market in Europe also promises further growth and we want to participate in it. An example is the Baltic Sea pipeline Nord Stream, our joint venture with Gazprom, E.ON Ruhrgas and Gasunie. Construction began a short while ago. The syndicate is investing at total of €7.4 billion in the more than 1,200 km-long pipeline, which will contribute significantly toward securing Europe's energy supply.

The biofuels market is growing in South America, especially Brazil. Sodium methylate is a key chemical for the production of biodiesel. In February we laid the foundation stone for a new sodium methylate plant with an annual capacity of 60,000 tonnes at our largest Brazilian site in Guaratinguetá in order to serve this growth market from local production.

Finally, our third area of focus: **innovations**. Here we are spending €1.4 billion again this year. The success of our innovations is crucial to shaping our future. Globally, certain megatrends are becoming apparent. These are changing our needs, lifestyle and consumer choices. More and more people want to eat well and stay healthy, more and more are using water and generating waste, want to work and travel, communicate and enjoy their leisure time. This presents us all with huge challenge and, at the same time, it also opens up new market opportunities. At BASF, we are helping to solve those challenges. And we have already taken steps to meet these trends with our focus on five growth clusters.

Investing in the future

- c. €11.8 billion for capital expenditures (2010–2014)
- c. €1.4 billion for research and development (2010)

Important dates

- Interim report first half 2010: July 29, 2010
- Interim report third quarter 2010: October 28, 2010
- Full year results 2010: February 24, 2011
- Annual meeting 2011/
- Interim report first quarter 2011: May 6, 2011

Let me give you three examples of BASF innovations:

- Our genetically enhanced starch potato, Amflora, has been granted European Commission approval after a more than 13-year regulatory marathon. It is now being planted commercially for the first time. The potato is designed for use as a renewable raw material, mainly for resource-sparing paper manufacture. Amflora has been tested many times over by the responsible authorities. The outcome is conclusive and unequivocal: Amflora is safe.
- The second example is lithium-ion batteries. Lithium-ion rechargeable batteries are genuine powerhouses with long run times and comparably short charging times. They are ideal for mobile applications such as electrically powered cars. This is a growth market that also brings more energy efficiency and climate protection.
- Elastopave is a novel polyurethane product. It is used for instance to give sidewalks, cycle paths and schoolyards a stable but flexible and water-permeable surface. Potholes, puddles and black ice stand no chance against Elastopave. This is an intelligent solution which conserves resources and protects the environment and at the same time provides more safety.

Ladies and gentlemen, you've seen from the examples just how productive and diverse BASF innovations are. Innovation is one of our long-standing traditions. BASF was founded on the basis of innovation and it is the foundation for our growth. As the world's leading chemical company, we are committed to the spirit of innovation today more than ever. We create chemistry. You will have noticed the images from our new global campaign at this Annual Meeting. The campaign's aim is to make BASF even better known as a reliable partner all over the world.

Our claim and promise is: Our intelligent solutions help to shape the future. And we keep our promises. Our customers know that. Our business associates know that. And you, our shareholders, know that. BASF is an attractive investment. And very future-minded! We take action today so that we are also well positioned for tomorrow.

Thank you for your trust in BASF. And please continue to accompany and support us on the path to the future!

Forward-looking statements

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

Further information

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

You can also order the reports:

- by telephone: +49 621 60-91827
- on the Internet: basf.com/mediaorders

Contacts

General inquiries

Phone: +49 621 60-0, Fax: +49 621 60-42525

Corporate Media Relations

Jennifer Moore-Braun, Phone: +49 621 60-99123,
Fax: +49 621 60-92693

Investor Relations

Magdalena Moll, Phone: +49 621 60-48230, Fax: +49 621 60-22500

Internet

www.basf.com

BASF SE, 67056 Ludwigshafen, Germany