

# 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  
May 6, 2011

 **BASF**  
The Chemical Company

Good morning ladies and gentlemen,  
shareholders of BASF SE,

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

2011 is a very special year for our industry: it is the International Year of Chemistry. For BASF – *The Chemical Company* – this is an added incentive to top the success of the record year of 2010.

And this is looking good: Our swift and decisive action and our efforts to actively shape the future during the crisis years are now paying off. We have emerged stronger from the crisis. This is reflected in the steep upward curve that has led us to new records in the past year. The passion and extraordinary commitment of the entire BASF team worldwide made these results possible. I thank all our employees from the bottom of my heart for their exceptional efforts during the past two years. They deserve a huge round of applause.

For the first time in BASF's history, we are awarding our employees worldwide a special bonus of €50 million as recognition of these efforts.

The good news for all of us, but especially for you, our shareholders, is the performance of our share price. It reached a new all-time high in December and continues to climb. BASF shares were up 37% in 2010, significantly outperforming both German and European stock markets and global industry indices. BASF shares are also a worthwhile long-term investment: If you had bought BASF shares for €1,000 at the end of 2000 and reinvested the dividends every year, you would have had €3,663 by the end of 2010. This translates into an annual return of 13.9%, which is significantly higher than the DAX, EUROSTOXX 50 and MSCI World Chemicals indices. As you can see, your confidence in our long-term strategy pays off.

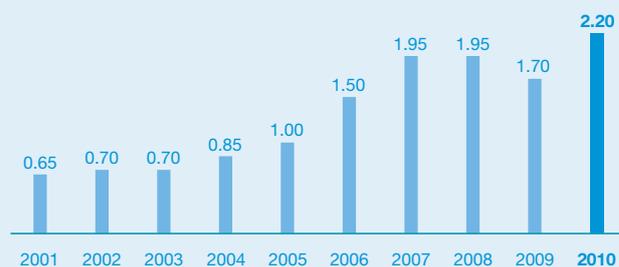
The dividend we are proposing to today's Annual Meeting also reflects this: We want you to benefit from 2010's record result through an attractive dividend of €2.20 per share, an increase of almost 30% over the previous year. You know us well for having ambitious targets: we want to increase our dividend every year or at least maintain it at the previous year's level.

Ladies and gentlemen, I would now like to briefly talk about our business performance in 2010. Further details and figures are contained in our extensive Report 2010, which has been sent to you on request or provided to you today.

The strong economic momentum in 2010 surprised us all. However, BASF was well prepared and was able to benefit fully from the upswing. This was particularly true for our chemicals business, in other words the Chemicals, Plastics, Performance Products and Functional Solutions segments, but also for Agricultural Solutions. This led to record figures: compared with



Dividend per share<sup>1</sup> (€ per share)



<sup>1</sup> Adjusted for two-for-one stock split conducted in the second quarter of 2008

the previous year, sales rose by 26% to around €64 billion. Income from operations (EBIT) improved by 111% to around €7.8 billion. And importantly, we earned a record EBIT after cost of capital of €3.5 billion.

This success is continuing in the first quarter of 2011: BASF had a powerful start to the year. Capacity utilization rates in our plants were good; in particular, demand in our chemicals business increased compared with the same quarter of the previous year. Sales grew by 25% to €19.4 billion. The Cognis businesses acquired in December 2010 made a significant contribution to this substantial sales growth. EBIT increased even more and rose by 39% to more than €2.5 billion. Sales volumes and margins continued to improve. The earthquake off the coast of Japan and its aftermath as well as the tense political situation in North Africa did not have a significant impact on our business in the first quarter of 2011.

Even if these events might negatively affect the global economy over the course of the year, we are optimistic for the current year. We continue to aim to significantly exceed the 2010 record levels in sales and earnings.

### Solid strategy

Ladies and gentlemen, good business results are not left to chance at BASF, they are the result of a clear, long-term strategy. Planning with foresight and acting reliably has a long tradition here, and each new generation takes this tradition to heart. It is on this solid basis that we shape the future with our four strategic guidelines:

- We earn a premium on our cost of capital.
- We help our customers to be more successful.
- We form the best team in industry.
- We ensure sustainable development.

The recent years have demonstrated how deeply we take these guidelines to heart, in particular in the way we dealt with the global economic crisis.

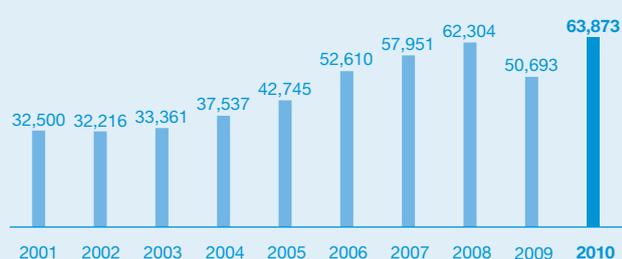
We are therefore looking to the future with confidence. Our primary goal remains to grow profitably and generate sustainable value. Three drivers of growth are crucial to our success:

1. Expanding our presence in growth markets, especially in Asia
2. Continually improving our portfolio and
3. Innovation, innovation, innovation

Let's start with the first point, the **world's growth markets**. With our regional strategies, we are pursuing the ambitious goal of growing on average two percentage points above the market in all chemical markets worldwide.

Asia will contribute close to two-thirds of future growth, making it the most important engine of growth. BASF recognized this potential early on and has invested with foresight in recent years: we are excellently

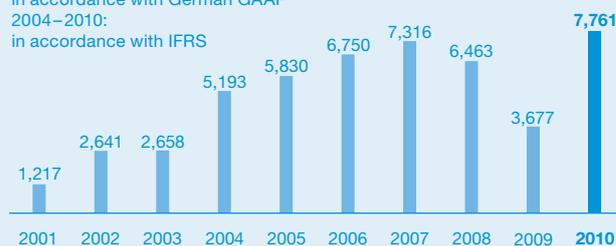
Development of sales 2001–2010 (million €)



Income from operations (EBIT) 2001–2010 (Million €)

2001–2003:  
in accordance with German GAAP

2004–2010:  
in accordance with IFRS



## Regions (million €)

	Sales by location of company			Sales by location of customer			Income from operations (EBIT)		
	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %
Europe	35,156	30,375	15.7	33,201	28,532	16.4	5,206	2,390	117.8
Thereof Germany	25,426	21,543	18.0	12,225	10,666	14.6	3,769	1,855	103.2
North America	13,246	9,404	40.9	12,886	9,480	35.9	1,107	503	120.1
Asia Pacific	11,642	7,997	45.6	12,510	8,706	43.7	1,271	503	152.7
South America, Africa, Middle East	3,829	2,917	31.3	5,276	3,975	32.7	177	281	(37.0)
	<b>63,873</b>	<b>50,693</b>	<b>26.0</b>	<b>63,873</b>	<b>50,693</b>	<b>26.0</b>	<b>7,761</b>	<b>3,677</b>	<b>111.1</b>

positioned in the region with our Verbund sites in Nanjing, China, and Kuantan, Malaysia, as well as several other sites.

By 2020, we want to generate more than 70% of sales from local production in Asia. To achieve this we intend to invest substantially, for example in

- expanding our Chinese Verbund site in Nanjing with our partner Sinopec,
- expanding our specialty chemicals business with our partner PETRONAS in Malaysia,
- building an MDI complex in Chongqing, China, which received approval at the end of March, and
- developing the “Asia Pacific Innovation Campus” in Shanghai, which will strengthen our research network in the region.

These measures will bring us considerably closer to our goal of growing our sales to significantly above €20 billion in Asia by 2020.

The second success lever for profitable growth is the **continuous improvement of our portfolio**. Over the past few years, we have done a lot to generate even stronger growth and innovation, to align our business more closely with our customers’ needs and make it more cyclically resilient.

I would like to summarize the most important highlights of 2010 for you:

- The acquisition of Cognis in December is strengthening BASF with consumer-focused and innovative products in personal care, cosmetics, detergents and cleaners as well as nutrition and health. The integration process is now in full swing. We expect synergies of €275 million by 2015.
- Another important step in 2010 affects the divestiture of large parts of our styrenics business. We have carved out these activities to continue them in the new joint venture Styrolution in collaboration with Ineos. We intend to make Styrolution the world’s leading supplier of styrenics.

## Strategic guidelines

Our four strategic guidelines form the basis of our activities:

- We earn a premium on our cost of capital
- We help our customers to be more successful
- We form the best team in industry
- We ensure sustainable development

### Segment overview (million €)

	Sales		Income from operations (EBIT) before special items		Income from operations (EBIT)	
	2010	2009	2010	2009	2010	2009
Chemicals	11,377	7,515	2,302	1,021	2,310	735
Plastics	9,830	7,128	1,284	576	1,273	554
Performance Products	12,288	9,356	1,554	698	1,345	(150)
Functional Solutions	9,703	7,115	467	209	457	107
Agricultural Solutions	4,033	3,646	749	776	749	769
Oil & Gas	10,791	11,356	2,430	2,289	2,334	2,289
Other	5,851	4,577	(648)	(717)	(707)	(627)
	<b>63,873</b>	<b>50,693</b>	<b>8,138</b>	<b>4,852</b>	<b>7,761</b>	<b>3,677</b>

- Partnerships also play a key role in our portfolio management. The Russian company Gazprom has been our reliable partner in the natural gas business for more than 20 years. We work together to develop, produce and market natural gas – through our subsidiary Wintershall, BASF is the first German company to participate in Russian natural gas production. In March 2011, we signed key memorandums of understanding, on the one hand to significantly expand natural gas production in Russia and, on the other, to take a share in the South Stream gas pipeline, which will supply gas through the Black Sea to be marketed in southern and south-east Europe.

The third success factor for profitable growth is **innovation**. It is of exceptional importance for our future and here too, we cooperate with strong partners. We work closely with around 1,900 partners from science and industry worldwide. In 2010, we further increased our research and development expenditures

to approximately €1.5 billion. And this has proven to be successful: We significantly surpassed our goal of generating sales of €6 billion from product innovations that have been on the market for no more than five years. With 1,100 new patents, we were once again at the forefront of our industry in 2010.

Our innovations help to solve major global challenges. Here are three examples:

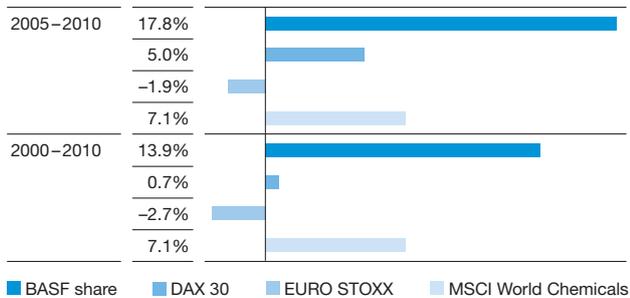
- Sustainable construction: BASF's construction materials and system solutions are used worldwide and ensure greater environmental and climate protection at lower costs and at the same time more comfort. Our broad range includes insulating materials and sealants, coatings, concrete admixtures and much more.
- Sustainable mobility: the future belongs to electromobility. Together with partners from industry and the politics, BASF is participating in Germany's National Platform for Electromobility, which aims to establish Germany as a lead market and top

### Strategy for profitable growth

We are looking to the future with confidence. Our primary goal remains to grow profitably and generate sustainable growth. Three drivers of growth are crucial to our success:

- Expanding our presence in growth markets, especially in Asia,
- Continually improving our portfolio, and
- Innovations that contribute to sustainable solutions for global challenges.

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



provider for electromobility. BASF is carrying out research into new battery systems that will make it possible to reduce costs significantly and increase the range of electric vehicles. Other areas of focus are fuel cells and lightweight construction materials.

- Sustainable agriculture: the world's population is growing while arable land and water resources are limited. BASF is looking for solutions to secure food supplies for the future. One example is our partnership with Monsanto. We are working together to develop genetically optimized crops that have higher yields and are also drought tolerant.

A large proportion of BASF's innovations contribute to more climate protection: around one-third of our R&D expenditures go into this area. Overall, the use of insulating materials, fuel additives, products for renewable energies etc. sold by BASF in 2010 led to a reduction of 322 million metric tons of greenhouse gas emissions for our customers. This is more than one third of Germany's total emissions.

### Solid values

Ladies and gentlemen, we take responsibility – for how we produce, what we produce and what we contribute to public welfare – in particular with a view to future generations. That is why sustainability is the basis for all our activities and an integral part of our strategy.

Our company's success is based on a solid foundation of values. These include reliability and transparency in particular.

That is why it is a tradition at BASF to take part in social dialogue:

- as an employer that stands by our social partners, offering attractive jobs and that in 2011 is once again also creating additional jobs in Germany,
- as a company with a role model function that has helped to develop a guideline for responsible corporate behavior,
- as a partner to politicians that is helping to shape sustainable development worldwide to the best of its ability,
- as a good neighbor that champions education, culture and quality of life, for example in the "Wissensfabrik" (Knowledge Factory). And we also help people in distress, for example with our donations to the victims of the earthquake in Japan.

We do all this because we are convinced that values create value.

### Dates

Annual Meeting 2011/Interim report, first quarter 2011	May 6, 2011
Interim report, first half 2011	July 28, 2011
Interim report, third quarter 2011	October 27, 2011
Full year results 2011	February 24, 2012
Annual Meeting 2012/Interim report, first quarter 2012	April 27, 2012

### **Solid outlook**

Ladies and gentlemen, this is why I am absolutely sure that BASF has the strength and confidence to create a successful future.

Playing a constructive part in this during my many years of service with the company and in particular as Chairman of the Board of Executive Directors has been very close to my heart. This job has given me eight challenging and good years. In this time, I was privileged to meet many extraordinary people and learn a tremendous amount. I am thankful for this.

I would like to thank my colleagues on the board for the spirit of constructive cooperation with which we led BASF to success together. My special thanks go to John Feldmann, who will be leaving the executive team with me today.

Kurt Bock, we will be concluding today's Annual Meeting in the knowledge that the duties as Chairman of BASF will be in very good hands. I wish you and the executive team the very best success, in particular our two new board members, Margret Suckale and Michael Heinz.

I would like to thank all the members of the Supervisory Board for their positive and constructive cooperation.

My special thanks go to Eggert Voscherau: as Chairman of the Supervisory Board you were always a vigilant companion and valuable advisor. I am equally grateful to you, Professor Strube. As my predecessor and then as Chairman of the Supervisory Board, you have always been an example to me far beyond your function and on a personal level as well. The same is true for Professor Leibinger, whom I would like to thank for his always good – and I would like to say: fatherly – advice.

I would like to thank all employees worldwide from the bottom of my heart. It is only due to their extraordinary commitment that BASF was able to continue along its path to success even during the difficult period of crisis. I am proud to be part of this team. Constructive dialogue with our employee representatives, and not least the commitment of IG BCE, has made a significant contribution. I would like to express my warmest thanks for this.

Special respect is due to a group that is rarely given public recognition but without which our success would not be possible: the support of our partners and families. I want to thank my wife and children with all my heart for their support and I extend this thanks to the partners and families of my colleagues.

I would also like to thank our business partners for our successful cooperation, as well as the media representatives for their critical, but fair reporting, and the representatives of the associations for our shared efforts.

And finally, ladies and gentlemen, my special thanks go to you, as BASF's shareholders, for the trust you have placed in us. Please also put your trust in my successor Kurt Bock and BASF's new executive team. They deserve it.

### **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.

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