



Speech to the Annual Meeting
of BASF SE
April 27, 2012

 **BASF**
The Chemical Company

Taking advantage of market opportunities through innovations

Speech of Dr. Kurt Bock

Chairman of the Board of Executive Directors of BASF SE

Good morning ladies and gentlemen, BASF shareholders,

On behalf of the entire Board of Executive Directors, I would like to welcome you to our Annual Shareholders' Meeting.

You can look back on an eventful and, for BASF, a very successful year 2011. We considerably exceeded the previous year's record levels in sales and earnings. This is an exceptional accomplishment, particularly as certain unexpected events had a negative impact on our business. As a result of the political situation in North Africa, we had to suspend our oil production in Libya from February to October 2011. The debt crises in the United States and European countries weighed on financial markets, creating volatility in share prices, ongoing uncertainty among all market participants and led to a weaker business performance in the second half of the year.

Despite these challenges, we were once again able to achieve record results – this demonstrates the trust our customers place in us and, in particular, what a strong BASF team we have. For that, I would like to express my heartfelt gratitude to all BASF employees.

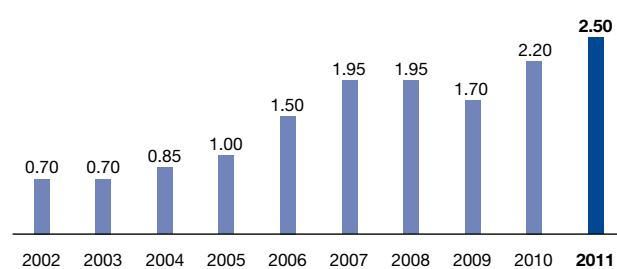
As an employer, we plan to create at least 1,500 new jobs worldwide in 2012. In Germany, we are also investing in vocational training for young people and new jobs – this helps us address the challenge of demographic change as well. We are planning to build a plant to produce TDI (toluene diisocyanate) in Ludwigshafen. This investment of around €1 billion will result in 200 new jobs.



In 2011, we paid out a new record dividend of €2.20 to you, our shareholders. We have thus remained true to our dividend policy: We aim to increase our dividend each year, or at least maintain it at the previous year's level. Therefore, our proposal to you today is to raise the dividend by 13.6% to €2.50. Based on the year-end share price for 2011, BASF shares offer a dividend yield of 4.6%.

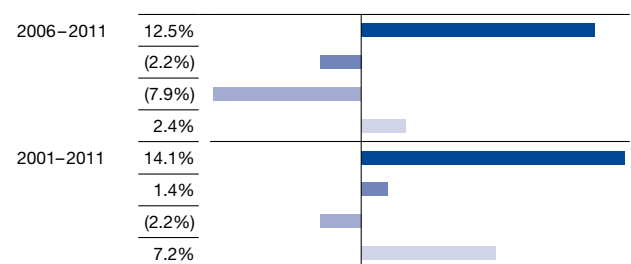
At the end of 2011, BASF shares closed at €53.89, down around 10% from the closing price of the previous year. BASF shares could not escape the sharp downward trend on the stock market last year. Nevertheless, our shares did significantly outperform the German and European stock markets as well as the global chemicals indexes. In the long term, BASF shares are also a worthwhile investment: A person who purchased €1,000 in BASF shares at the end of 2001, and reinvested the dividends each year, would have had an investment worth €3,734 at the end of last year. This is equivalent to an annual return of around 14% and is considerably higher than the returns offered by the DAX, EUROSTOXX 50 and MSCI World Chemicals during this period. The latest share price development shows that investors trust in BASF shares: In the first quarter of 2012, the stock price climbed nearly 22%.

Dividend per share¹ (€ per share)



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

Performance of BASF shares compared with indices
(average annual performance with dividends reinvested)



■ BASF share ■ DAX 30 ■ EURO STOXX ■ MSCI World Chemicals

Segment overview (million €)

	Sales		Income from operations (EBIT) before special items		Income from operations (EBIT)	
	2011	2010	2011	2010	2011	2010
Chemicals	12,958	11,377	2,441	2,302	2,442	2,310
Plastics	10,990	9,830	1,203	1,284	1,259	1,273
Performance Products	15,697	12,288	1,727	1,554	1,361	1,345
Functional Solutions	11,361	9,703	559	467	427	457
Agricultural Solutions	4,165	4,033	810	749	808	749
Oil & Gas	12,051	10,791	2,111	2,430	2,111	2,334
Other	6,275	5,851	(404)	(648)	178	(707)
	73,497	63,873	8,447	8,138	8,586	7,761

It is also in your interest that we would like to make it possible to buy back company shares. This will give us the opportunity once again, as we had from 1999 to 2008, to optimize our capital structure by repurchasing shares. We are, therefore, asking today for your authorization to buy back our shares.

Developments in 2011

Ladies and gentlemen, I would like to quickly review our business development in 2011. You can find additional information in our Report 2011, which also contains our audited annual financial statements. This year, we published the report earlier to coincide with our Annual Press Conference on February 24, 2012. If requested, it has been sent to you. It is also being distributed here today.

Thanks to the overall positive economic development in 2011, demand grew in the chemicals business in particular. Sales volumes improved in most of our segments. Volumes overall remained stable despite the significant decline in the Oil & Gas segment as a result of the production suspension in Libya for several months. Excluding Oil & Gas, we raised sales volumes by 3%. Compared with 2010, sales grew by 15% to €73.5 billion in 2011. Income from operations (EBIT) before special items improved by 4% to €8.4 billion, while EBIT climbed by nearly 11% to around €8.6 billion. Our 2011 results thus surpassed those of the record year 2010.

Business development in the **Chemicals** segment was very good in the first half of 2011. There was robust demand for our products and margins were attractive in spite of rising raw material costs. In the second half, the market environment weakened more than we had expected. Nevertheless, our sales and earnings in the segment grew.

The situation was similar in the **Plastics** segment, where we increased sales thanks to good demand, especially from the automotive industry. From the middle of the year, the declining TDI business proved particularly challenging, which is why our earnings only matched the previous year's level.

For the **Performance Products** segment, last year was mainly shaped by the integration of Cognis, which was completed as planned by the end of the year. Our sales team raised prices worldwide in response to increasing raw material costs to enable profitable growth. We posted higher sales and earnings in this segment.

The **Functional Solutions** segment is primarily influenced by the development of the construction and automotive industries. While the construction sector continued to stagnate in many countries, the automotive industry returned to pre-crisis levels. We successfully expanded our business thanks to our innovative products, in particular automotive catalysts and coatings.

Innovations are also a key focus in our **Agricultural Solutions** segment. We have increased the peak sales potential of our pipeline of innovative crop protection products by €400 million to €2.8 billion. Our business also grew as both sales and earnings were higher once again.

Sales (million €)

2011	73,497	
2010	63,873	
2009	50,693	
2008	62,304	
2007	57,951	

Income from operations (million €)

2011	8,586	
2010	7,761	
2009	3,677	
2008	6,463	
2007	7,316	

Regions (million €)

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

In the **Oil & Gas** segment, the unrest in Libya led to the suspension of our crude oil production there for several months. We were pleased to see the startup of the Nord Stream pipeline through the Baltic Sea and the Baltic Sea Pipeline Link (OPAL). With these projects, we are helping to increase the security of natural gas supplies in Germany and Europe. Due to the high oil price, sales in the segment rose, but earnings were negatively impacted by the temporary suspension of Libyan operations. Excluding this effect, Oil & Gas also made a larger contribution to earnings.

Sales and earnings in **Other** grew. As of October 1, 2011, we transferred our styrenics business into the Styrolution joint venture, thereby realizing a gain of €593 million.

All regions experienced double-digit sales growth in 2011. Businesses headquartered in **Europe** experienced the most significant year-on-year sales growth thanks to the good development of our chemicals business.

EBIT also grew in all regions, with the exception of **Asia Pacific**. This decline in earnings resulted from higher raw material costs, weaker demand in the fourth quarter and high investments in our future growth – not just in China. By 2020, we aim to generate 70% of sales in Asia Pacific from local production. By last year, this figure had already reached nearly 60%.

Companies in **North America** posted a new record high in income from operations. As a result of our strong business in South America, EBIT in the region **South America, Africa, Middle East** also rose substantially. The previous year's results had been negatively impacted by one-time impairment charges.

Outlook 2012

We have had a solid start to 2012. Compared with the same period of the previous year, our sales in the first quarter rose 6%. Compared with the fourth quarter, we increased volumes, but they were below the level of the very good first quarter of 2011. Prices were above the level of the previous year. As expected, EBIT before special items declined and amounted to €2.5 billion, down €200 million from the same period one year earlier. We were not able to pass on higher raw material costs to our customers in all business areas and this adversely impacted our margins. We achieved significant increases in earnings in the Oil & Gas and Agricultural Solutions segments.

In our full-year outlook for 2012, we expect global economic growth to pick up over the course of the year following the decline in the second half of 2011 and a moderate start to the current year. Growth prospects are dampened by rising raw material prices, the indebtedness of the United States and European countries and discussions on the future of the euro. Positive impetus for the chemical industry will mainly come from the growth markets in Asia and South America. In this context,

Growth target 2020

We want to grow faster than global chemical production annually by at least

2 percentage points

Sales 2020

We aim to increase sales to approximately

€115 bn

we have set ourselves ambitious goals: In 2012, we aim to exceed the 2011 record levels in sales and earnings. Our outlook is supported by the resumption of our crude oil production in Libya and rising volumes in the chemicals business.

Future goals

Ladies and gentlemen, we are very confident that we are well-positioned for success, even in a challenging and volatile environment. Last year, our Board team laid down the foundations for our successful future by further developing our strategy. Some elements of the strategy will be familiar to you, while others are new. We still aim to grow by at least 2 percentage points above global chemical production. This is approximately twice the expected growth rate of the global economy. New elements of the strategy include long-term goals that we want to achieve by 2020:

- **For our economic success:** We aim to achieve sales of €115 billion, of which we want to generate €30 billion with innovations that have been on the market for less than 10 years. This means that we want to increase our sales by €4 to 5 billion each year. At that the same time, we will also continue to improve our profitability.
- **For environmental protection:** We want to reduce the greenhouse gas emissions per metric ton of sales product by 40% compared with 2002 levels and increase our energy efficiency worldwide by 35%. One of our main focuses is the efficient use of water resources. We want to reduce the use of drinking water in production by 50% in comparison to 2010.
- **For our social responsibility:** We never compromise on safety. As just one example: We want to reduce our lost-time injury rate per million working hours by 80% compared with 2002. We take a comprehensive approach to health management. Each year, we measure our achievements using the Health Performance Index.

These are ambitious goals. Our “We create chemistry” strategy also illustrates how we intend to take advantage of long-term opportunities in our markets. Sustainability and innovation are key:

- **Sustainability:** The growing world population needs more food, more energy and access to clean water. People all over the world want to improve their quality of life. At the same time, resources are becoming increasingly scarce. This requires us to use our reserves even more carefully.
- **Innovation:** We are not yet able to meet these challenges with today’s technology and business models. New solutions are urgently needed because by 2050, more than nine billion people will live on our planet. This means that we will have to considerably step up the pace of innovation.

We have, therefore, defined our corporate purpose as “We create chemistry for a sustainable future.” These long-term trends offer numerous opportunities for the chemical industry and for BASF in particular. No other company in this industry has such a wide technology base and is as innovative as we are. Last year, BASF registered 1,050 new patents worldwide and thus is a leading research company. In 2011, we increased our spending on research and development by 7.6% to €1.6 billion. In 2012, we plan to raise our global research spending to €1.7 billion – an important investment in our future.

Batteries, plant biotechnology, water treatment

Investing in our current portfolio will not be sufficient to develop new products and solutions for the future and for our customers. It’s very important that we think and act as *one* company. That is why we will combine our competencies even more closely in the future. By that, I mean our research and development expertise, our technology know-how, our market knowledge and our global access to key industries. In this way, we want to develop growth fields where expertise in chemistry makes a vital contribution to innovative solutions. I would like to give you three examples:

- **Batteries:** As the population grows, so does the number of cars, especially in cities. Electric vehicles will play an important role in future mobility concepts. Experts forecast that, by 2020, batteries for electric mobility will have a market potential of more than €20 billion. For BASF, we estimate the sales potential of battery materials to be more than €500 million.

Environment Goals of the BASF Group	Status at year-end 2011	2020 Goals
Climate protection Emissions of greenhouse gases per metric ton of sales product (baseline 2002)	–34.6%	–40%
Energy efficiency Improvement of energy efficiency in production processes (baseline 2002)	+26.2%	+35%
Water Abstraction of drinking water for production (baseline 2010)	–20.9%	–50%

■ Status at year-end 2011 ■ 2020 Goals

Today, we are researching new battery technologies that will be able to reduce costs considerably and increase the range of electric vehicles. We want to be a leading provider of system solutions in the market for battery materials. An important step in this direction is the construction of our production plant in Elyria, Ohio. At the same time, we are also pursuing investments and acquisitions, such as:

- our investment in Sion Power, the global market leader in the area of lithium-sulfur battery technology,
 - the acquisition of Ovonic Battery Company, which gives us a leading position in the nickel-metal hydride battery technology market, and
 - the acquisition of Merck's electrolytes business, including research and development activities.
- **Plant biotechnology:** A growing global population needs more food, but agricultural land and water resources are limited. Plant biotechnology is one of the key technologies of the 21st century and will make an important contribution to sustainably increasing yields. Ladies and gentlemen, you probably read in the media that we will concentrate our plant biotechnology activities on the main markets in North and South America. This step was the subject of intense discussion by the Board of Executive Directors and the decision was not easy to make. In Germany and many parts of Europe, there is a lack of acceptance of plant biotechnology among consumers, farmers and politicians. Therefore, from an entrepreneurial perspective, it does not make sense to invest in these products here. We are currently relocating these activities to the United States.
- **Water treatment:** The growing world population and rising living standards are leading to increased demand for clean water. Global demand has already grown by a factor of 10 in the past 100 years. BASF's water treatment products and solutions include flocculants and thickening agents for wastewater treatment as well as filtration membranes, which can be used, for example, for drinking water. One way BASF is expanding this business area is through the acquisition of inge watertechnologies in 2011. We estimate the water market to be worth €20 billion and BASF's sales potential in this growth field to be more than €800 million in 2020.

These examples show that with the "We create chemistry" strategy, we are improving our organization and enhancing our portfolio. Today, we are even more closely interconnected with our customers than we were in the past. The successful integration of Cognis shows how we can combine our technological expertise and our access to customers in order to create additional value. In the sun protection products market, for example, our customers now benefit from a considerably broader product range and excellent formulation technologies.

At the same time, we are also divesting business areas where we do not see potential to differentiate ourselves from the competition in the long term. In 2011, we transferred our styrenics business to Styrolution, a joint venture with our partner Ineos. And at the end of the first quarter of 2012, we sold our fertilizer activities in Antwerp to EuroChem. We are convinced that these are good solutions for you, our shareholders, and also for the employees.

Ladies and gentlemen, energy, electricity and also oil and gas are of utmost importance for the chemical industry. We are expanding our oil and gas business with partnerships playing a key role as well. Gazprom, for example, has been a reliable partner in the natural gas business for over 20 years. The aim of our Oil & Gas strategy is to continuously increase exploration and production in our core regions and grow our gas trading business in Europe. We are doing this, for example, through our expanded exploration and production activities in Siberia and the North Sea as well as our stake in the Nord Stream pipeline through the Baltic Sea and our recently acquired stake in South Stream, a pipeline that will run through the Black Sea.

The shift in energy policy in Germany offers opportunities that we want to seize. Solutions from the chemical industry are necessary to save energy and to use it more efficiently. Innovative insulation or plastics that make cars lighter and more efficient are just two examples. It's nice to imagine a future with 100% renewable energy, but it will take many years until private households and industry will have access to reliable and affordable electricity from renewables. Currently, we still don't have competitive technologies, energy storage capabilities and high-performance electricity transmission networks.

Innovations in growth fields

Chemistry will play an important part in driving innovative solutions in growth fields such as

- batteries
 - plant biotechnology
 - water treatment
-

Growth in emerging markets

By 2020, we aim to significantly increase sales to customers in emerging markets to around 45 % of total sales (excluding Oil & Gas)

Industry needs electricity and energy at competitive prices in order to produce top-quality products in Germany for the global market. And this is particularly true for energy-intensive industries, such as the chemical industry. Therefore, the necessary regulations have to be approved rapidly. The change in energy policy in Germany has to be done in a way that does not negatively affect industry or jobs. Thus, it is important to continually check that we are on the right path and make adjustments if necessary. One thing is clear: other countries are closely watching what we do – especially the emerging markets in Asia.

Growth in emerging markets

We plan to focus more closely in the future on our customers in the emerging markets. By 2020, we want our sales in these regions to grow substantially and make up around 45% of our total sales (excluding Oil & Gas). We recognized early on that the emerging markets are growing faster than industrialized countries and we have made forward-looking investments:

- We further expanded our Verbund site in Nanjing, China, last year. In addition to the expansion of the cracker, we enlarged or built several new plants.
- In February 2012, we started up a new sodium methylate production plant in Brazil. We have also started construction on new production facilities for acrylic acid, acrylates and superabsorbents there. With a volume of more than €500 million, this is the largest investment in BASF's 100-year history in South America.
- Recently, we announced that we will be strengthening our partnership with Petronas in Malaysia by expanding the Kuantan Verbund site and developing a new site. This will allow us to better supply specialty chemicals to our customers in the Asia Pacific region.

We want our business to contribute to a sustainable future. With research and innovation, we help our customers to meet society's needs, both today and in the future. This can only be done with a highly motivated team that brings to life the "We create chemistry" strategy.

Ladies and gentlemen, with this strategy the Board has set BASF on the right track for future success. Today we would like to give special thanks to Stefan Marcinowski, who is retiring from the management team and BASF. He has been with the company for 33 years: starting as a chemist in the main lab, then heading up the public relations department and spending three years abroad in Brazil, and then 15 successful years on our Board of Executive Directors. Once again, thank you very much, Stefan.

I would like to wish our new colleague on the Board, Wayne Smith, much success. Wayne has been with BASF for 8 years and his posts have included leading the Catalysts division, based in the United States, and the Polyurethanes division, based in Brussels.

And I would like to thank you, ladies and gentlemen, for your trust in BASF. I would be very happy if you continue to accompany and support us as we follow the path I have described today into a sustainable future.

The spoken word applies

Forward-looking statements

This speech 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 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 the BASF Report 2011 from page 104 to 112. The BASF Report is available in the internet under basf.com/report. We do not assume any obligation to update the forward-looking statements contained in this report.

Our purpose

We create chemistry for a sustainable future

Interim Report 1st Half 2012

July 26, 2012

Interim Report 3rd Quarter 2012

Oct. 25, 2012

Full Year Results 2012

Feb. 26, 2013

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

April 26, 2013

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