



Speech to the Annual
Shareholders' Meeting of BASF SE
April 26, 2013

 **BASF**
The Chemical Company

Creating Innovations Together

Speech by Dr. Kurt Bock

Chairman of the Board of Executive Directors of BASF SE

The spoken word applies.

Good morning ladies and gentlemen, dear shareholders,

Welcome to our Annual Shareholders' Meeting. I would also like to welcome you on behalf of my colleagues on the Board of Executive Directors.

BASF performed well in 2012. We exceeded the 2011 record levels in sales and income from operations (EBIT) before special items. This success was only possible because we are a good team – the best team. There is a great amount of knowledge and energy at BASF. For that, I would like to express my heartfelt gratitude to our employees. A global survey showed last year that our employees feel very connected to BASF. This is something we are very proud of.

Let us take a closer look at the year 2012. The overall economic trend was considerably weaker than in the previous year. Nevertheless, we increased our sales by 7%. This was due largely to higher demand in the Agricultural Solutions segment and in the natural gas trading business. Furthermore, we were once again able to produce oil throughout the entire year in Libya. In contrast, sales volumes were down by 3% in the chemicals business, which includes the Chemicals, Plastics, Performance Products and Functional Solutions segments. 2012 was a mixed year for the entire chemical industry. Growth in chemical production (excluding pharmaceuticals) declined to 2.6%. In 2011, it was nearly 4%.

The increase in BASF's earnings was mainly attributable to the strong performance by the Agricultural Solutions and Oil & Gas segments. Net income did not match the previous year's level owing to the weaker chemicals business. Cash provided by operating activities was once again high at €6.7 billion. At 40%, the equity ratio remained at a good level. BASF is solidly financed. The rating agencies have just recently confirmed this.

As shareholders, you experienced some market fluctuations during 2012: a strong start to the year, share price drops in the second quarter, but a good year-end result. BASF's shares

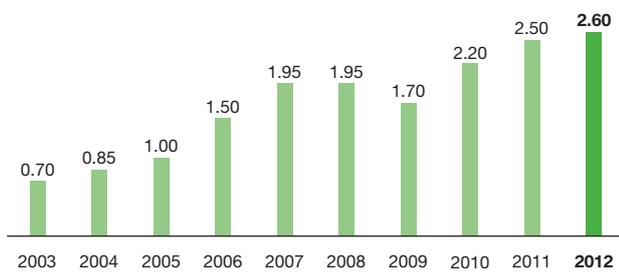


performed well. The share price was around €71 at the end of December 2012 – more than €17 or 32% higher than at the beginning of the year. Our shares are also a good long-term investment. Let us look at a period of ten years: Assuming you had purchased €1,000 in BASF shares at the end of 2002, and reinvested the dividends each year, you would have had an investment worth €5,774 at the end of last year. This equates to an average gain of 19% per year. BASF shares therefore significantly outperformed the German and European stock markets as well as the global chemicals indexes.

We also have a strong record when it comes to our dividend. You know our dividend policy: We aim to increase our dividend each year, or at least maintain it at the previous year's level. We therefore propose to you today that the dividend be raised by 10 cents to €2.60 per share. In total, this represents a dividend payout of nearly €2.4 billion. The remaining profit – provided you agree – will be allocated to retained earnings.

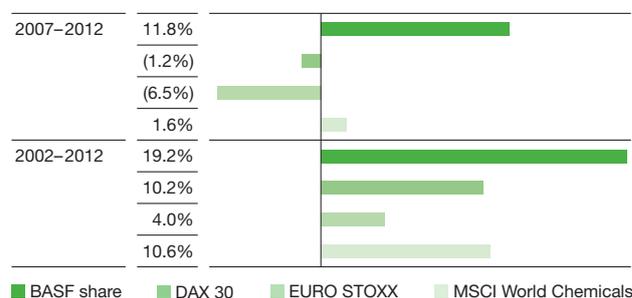
You can find additional information in our Report 2012, which also contains our audited financial statements. We published this report to coincide with our Annual Press Conference on February 26, 2013. If requested, it has been sent to you. It is also available here today.

Dividend per share* (€ per share)



* Adjusted for two-for-one stock split conducted in 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)	
	2012*	2011	2012*	2011	2012*	2011
Chemicals	13,824	12,958	1,717	2,441	1,718	2,442
Plastics	11,402	10,990	873	1,203	874	1,259
Performance Products	15,871	15,697	1,428	1,727	1,286	1,361
Functional Solutions	11,460	11,361	561	559	435	427
Agricultural Solutions	4,679	4,165	1,037	810	1,026	808
Oil & Gas	16,700	12,051	4,104	2,111	3,904	2,111
Other	4,793	6,275	(839)	(404)	(267)	178
	78,729	73,497	8,881	8,447	8,976	8,586

What do we expect in 2013?

We have had a solid start to 2013. Our sales and EBIT before special items increased in the first quarter compared with the same period of the previous year. Sales amounted to €19.7 billion, while EBIT before special items came in at €2.2 billion. Adjusted earnings per share rose from €1.54 to €1.67. In particular, our business with crop protection products continued to be very successful.

We expect global economic growth to pick up only slightly in 2013. The chemical industry will increase production again compared to 2012 because the emerging markets are growing. However, we do not expect a straight-line trend. The market environment remains volatile. We must remember that if the sovereign debt crises in Europe and the United States intensify and demand in Asia declines, economic growth will slow.

Nevertheless, we have ambitious plans: We want to increase sales and EBIT before special items once again in 2013. We want to improve and grow in all of our segments. These are ambitious aims and they will require a lot of effort on our part. We are developing and organizing our business so that we are closely aligned to the needs of our customers. We want to be lean and quick, even though we are a large and complex company. We want to be a technological leader – with state-of-the-art processes and plants. How we want to develop our company is set out in our “We create chemistry” strategy.

What has happened so far in 2013?

We have to continue to develop if we want to remain the world's number one chemical company. We therefore carefully observe the market, speak to our customers and regularly evaluate our business. Changes are often uncomfortable and unpleasant initially – especially when they are accompanied by cutbacks. Three days ago, we announced restructuring measures in Performance Products. They will lead to a reduction of around 500 jobs worldwide in this segment by the end of 2015. Increasing standardization and the entry of new competitors have changed the business environment significantly. This especially applies to the markets for pigments and plastic additives as well as for water, leather and textile chemicals. In order to remain competitive in this area, we are simplifying our processes and organization, and adapting our product portfolio.

A second example of change is the simplified structure of BASF in place since January. We now have five segments, instead of six. There is no longer a stand-alone Plastics segment, but plastics products are still part of our portfolio and remain an important part of our business. The major precursors for plastics, such as MDI, TDI, polyols and caprolactam, are now bundled in the Chemicals segment. Here, it is vital to have very efficient production plants and be cost competitive. Our advantage with basic products is that we can produce them in the tightly-integrated network of our Verbund.

Sales (million €)

2012*	78,729	
2011	73,497	
2010	63,873	
2009	50,693	
2008	62,304	

Income from operations (million €)

2012*	8,976	
2011	8,586	
2010	7,761	
2009	3,677	
2008	6,463	

* Figures are based on the scope of consolidation of BASF Group as of January 1, 2013.

Our business with plastics, which is very close to the customer, is now part of Functional Materials & Solutions. In this segment we have bundled materials, for example, for the automotive and construction industries and for wind energy. One example: We have developed a system of epoxy resins and hardeners that makes the rotor blades of wind turbines especially resilient to wind and weather. In Functional Materials & Solutions, our advantage is that we work especially closely with our customers.

A third example of change: As of January 1, 2013, we are reporting according to the new accounting standards IFRS 10 and 11. IFRS is the abbreviation for International Financial Reporting Standards. These rules do not change our performance, but they change how it is reported in our financial figures. The reported sales and EBIT, for example, will now be lower. This is because businesses that we operate together with a partner in a joint venture are now included differently in our financial reporting. If we had already applied these standards as of 2012, we would have posted sales of €72 billion (instead of about €79 billion) and EBIT of €6.7 billion (instead of approximately €9 billion). The main reason for the change in earnings is that the highly taxed Libyan oil business is no longer fully consolidated. IFRS 10 and 11 do not lead to any changes to net income.

At the Annual Shareholders' Meeting last year, I showed you our sales and earnings targets for 2015. We have adjusted these goals following the adoption of the new accounting standards. The targets are now:

- Sales of €80 billion (previously: €85 billion),
 - Income from operations before depreciation and amortization (EBITDA) of €14 billion (previously: €15 billion).
 - The earnings per share target for 2015 remains €7.50.
- Achieving this will require significant effort.

– We will increase our investments. This year, we plan to spend around €4.5 billion on new plants, an increase of €400 million compared with 2012. Three examples for investments in emerging markets, where we particularly want to grow: In Nanjing, China, and Camaçari, Brazil, we are currently investing in production for acrylic acid and superabsorbent polymers. And in Chongqing, China, we are building a plant for MDI.

– And we will invest more in our ideas – because we have many good ideas. Last year, we increased R&D spending to €1.7 billion and in 2013 we plan to increase it even further. We are doing this because our “We create chemistry” strategy is based on research and development and very close cooperation with our customers. We will only be able to stay successful if we can repeatedly impress our customers with new products and solutions.

What makes us successful?

We are a science-based company. That is why we are convinced that research can find a solution to every problem. We have been very success with this attitude. In 2015, BASF will be 150 years old. If we look back at BASF in 1865 and at BASF today, it is easy to see that the company has constantly changed and developed.

However, we remain driven by the same thing: We find out what trends are shaping society and what people require, and then we look for ways to meet these needs. This means research, development and testing until we are ultimately able to sell a new product. This is how innovations are created. And this idea is contained in our purpose: “We create chemistry for a sustainable future.”

Innovations based on chemistry have improved people's lives in the past and have spurred economic growth. At BASF it all began with dyes. There was enormous market back then: Color dyes were in high demand, but only a few people could afford the expensive natural dyes. This challenge pushed researchers to the limit – and nearly spelled the end of BASF. The company invested 18 million marks in research, at a time when BASF's share capital was only 21 million marks. Within the Board of Executive Directors, there was intense debate at the time about whether so much research would actually help the company grow. In the end, the supporters won the argument: BASF continued its research and introduced synthetic indigo onto the market. Today, it continues to be used to dye blue jeans.

Sales 2015

We aim to increase sales to approximately

€80 billion

Income from operations before depreciation and amortization (EBITDA) 2015

We aim to increase EBITDA to approximately

€14 billion

Exactly 100 years ago, we achieved another milestone. At the time, the global population was growing quickly and there was a need for more fertilizer so that enough grains, vegetables and fruit could be grown. At the same time, organic fertilizer was becoming scarcer. BASF was able to do something that had been considered technologically impossible: The company produced ammonia, the precursor to synthetic fertilizer, in large-scale plants. This required a catalyst and extremely high pressure, like that found 3,500 meters below sea level. This was no problem in the laboratory, but producing ammonia on a large scale required the development of entirely new processes and equipment. To achieve this, the knowledge of chemists and engineers was needed. The experiment was a success – after more than 6,500 attempts with 2,500 catalysts.

Research is and always has been the key to BASF's success. Three points are important in this regard:

- Finding solutions to difficult problems is only possible through cooperation. Dyes and fertilizer could only be developed because scientists and engineers worked closely together.
- A company benefits in the long term from excellent research and development. The Haber-Bosch process for producing ammonia established the foundation for modern industrial catalysis.
- A company regularly needs new products. It has to develop its portfolio in tune with the needs of its customers.

What products does BASF produce today?

In the past, it was dyes and fertilizer – today we have a much broader range of products. Looking back just over the past twelve years: BASF has changed significantly during this short period of time. We have acquired businesses with €15 billion in sales and sold businesses representing sales of €10 billion. Divesting non-core activities, acquiring new activities and changing existing activities are all part of our “We create chemistry” strategy.

We want to expand our business with products that are close to the customer. This will make us less dependent on economic cycles. Nevertheless, we also need the classical basic chemicals as they are important in our Verbund. In our chemicals business, it is vital to be lean and flexible, to have efficient production plants and the newest technologies, and to procure raw materials at favorable prices. This is the only way to remain competitive.

We have sold our business with textile dyes as well as our fertilizer activities. These products had become less relevant for us over time. Other products have been added, such as omega-3 fatty acids. They are essential for life and an important part of nutrition. The world's population is growing and so is demand for healthy food. Therefore the market for omega-3 fatty acids is also expanding and we want to be part of that. Equateq, a Scottish manufacturer, has been part of BASF since last year. In early 2013, we acquired the Norwegian company Pronova BioPharma for €526 million. With the expertise of these two companies, we are one of the world's leading suppliers of omega-3 fatty acids.

We have also expanded our crop protection activities with the purchase of U.S. company Becker Underwood for €748 million. This move brought us new expertise: technologies for biological seed treatment. Farmers can now also get products for biological crop protection from BASF.

The growing world population needs more energy. That is why we will continue to rely on natural gas and crude oil in the future; they will remain our most important fuels. We are therefore expanding the Oil & Gas segment. We will focus on developing new sources and producing oil and gas – in Europe, North Africa, South America, Russia, the Middle East and in the Caspian Sea region. We reached an agreement with the Norwegian oil and gas group Statoil under which we will receive shares in three fields in the Norwegian North Sea that are already producing oil and gas in exchange for \$1.35 billion and shares in one of our development projects. This transaction should be completed by the middle of the year.

We want to enter into an asset swap with our Russian partner Gazprom. For over 20 years, we have worked together in the natural gas trading and storage business. Under the swap, Gazprom will fully take over these activities and BASF will exit the gas trading business. In return, we will receive additional shares in the Urengoy gas field in Western Siberia, one of the largest natural gas fields in the world. This transaction is expected to be concluded at the end of 2013.

Structure of BASF Group as of January 1, 2013

Segments

Chemicals	Performance Products	Functional Materials & Solutions	Agricultural Solutions	Oil & Gas
Divisions – Petrochemicals – Monomers – Intermediates	– Dispersions & Pigments – Care Chemicals – Nutrition & Health – Paper Chemicals – Performance Chemicals	– Catalysts – Construction Chemicals – Coatings – Performance Materials	– Crop Protection	– Oil & Gas (Exploration & Production, Natural Gas Trading)



Daimler and BASF jointly developed a concept car that combines innovations in the areas of energy efficiency, lightweight construction and temperature management.

What role do catalysts play?

In just 12 years, we have dramatically changed our company. But even today we still benefit from the excellent research and development work carried out 100 years ago. Consider the industrial production of ammonia: Fritz Haber and Carl Bosch won Nobel Prizes for this in 1918 and 1931. Industrial production of ammonia is only possible with the use of catalysts. Back then, these two researchers laid the foundation for what has made BASF the leading catalyst company in the world today. In modern chemistry, almost everything relies on catalysts. There would not be any crop protection products, aroma chemicals or plastics without catalysis. Catalysts play a role in the production of more than 80% of all chemicals. You probably think of emission-control catalysts in cars. In vehicles, catalysts remove the pollutants carbon monoxide, nitrogen oxide, hydrocarbon and soot from the exhaust gas. We took a major step in expanding this business with the 2006 acquisition of U.S.-based Engelhard Corporation.

There also would not be any Verbund sites without catalysis because these large-scale processes are only economical when catalysts are used. If we want to make substantial improvements in our basic chemicals business, we need new and better catalysts. They use feedstock optimally, which results in more product in the end. But catalysts not only improve yields: They also reduce the environmental impact of chemical reactions because less greenhouse gases are emitted.

Catalysts also play a role in a major project at the Ludwigshafen site: The new TDI plant is currently being built on an area the size of four soccer fields. TDI is a key starting material for polyurethane plastic, which is used in upholstery, mattresses, and cars, for example. In the future, our customers in Europe,

the Middle East and Africa will have an increasing demand for TDI. We are preparing for this. In total, we are investing €1 billion in the construction of the new plant and in modernizing and expanding other plants. Thanks to catalysts, we will be able to optimize our use of feedstocks and reduce our specific greenhouse gas emissions.

“We create chemistry for a sustainable future” means that we want to make our production more sustainable. In other words: more cost-efficient and environmentally friendly, with high occupational safety standards around the world. In this regard, we have also set ourselves ambitious and measurable goals:

- By 2020, we aim to reduce greenhouse gas emissions by 40% per metric ton of sales product, compared with 2002 levels. As of the end of 2012, we had reached about 32%.
- And by 2020, we want to reduce the lost time injury rate per million working hours by 80% in comparison with 2002. The reduction right now is around 48%.

How are innovations created today?

Ladies and gentlemen, the combination of science and technology has historically been one of BASF’s strengths, and remains so today. Close cooperation and a strong team are key factors in our success.

In our strategy, we have summarized this idea as: “We add value as *one* company.” Today, the people working together at BASF have a variety of educational and training backgrounds. We have chemists, business majors, physicists, technicians, engineers, biologists, agronomists, social scientists and many more. Compared to the past, we not only have greater expertise today, it is also more varied. We have to combine this expertise

because together we will be able to make connections between things that seem at first glance to have nothing to do with each other. This is how innovations are created.

One example of how this cooperation works is demonstrated by the smart forvision, which is on display here in the congress center today. This concept car from Daimler contains many ideas from BASF researchers:

- Transparent organic solar cells convert sunlight into electricity.
- Light-emitting diodes illuminate the interior.
- Wheel rims completely made of plastic make the vehicle lighter.
- Insulation materials protect the interior from the cold or heat.
- A film in the windshield reflects the sun's rays, so the car's interior does not get as hot.

Most of our researchers currently work in Germany as Europe remains our largest market. In the coming years, we want to grow further in North and South America and in Asia. By 2020, emerging markets are expected to contribute around 60% to global chemical production. Therefore, we will increase our research activities there. Last year, we opened our first research center in Shanghai, China, where more than 450 employees will work together to develop innovations.

How are we affected by our market environment?

I have explained to you what drives us. All of this is incorporated in our "We create chemistry" strategy.

But we are also affected by many external factors that influence our decisions. There are plenty of examples these days of pressure for change. In Europe, particularly in Germany, energy costs are soaring. You can all easily see that your electricity bills have gone way up. This is due to the "Energiewende," the turnaround in German energy policy. Consumers and industry have to pay a lot of money to support energy from renewable sources, such as solar or wind energy. The intentions may be good, but the actions are not. We have to ensure that the competitiveness of German industry is not impeded further.

In the United States, we are also seeing a turnaround on the energy market – but of a very different nature. The production of shale gas there has increased enormously. Natural gas in the United States now only costs about one-third as much as we pay in Europe. Germany also has shale gas resources. Renewable raw materials will definitely increase in importance. However, all experts agree that oil and natural gas will remain the key raw materials for the chemical industry in the coming years. Vehicles, heating and power plants will all also continue to use fossil fuels in the coming decades.

We should be starting in Germany now to carefully examine the shale gas reserves. In addition, we need to analyze if shale gas can be produced economically and in an environmentally friendly way. This will only work with the support of policy-makers and society. Instead, fears are being stoked. We believe it would be smarter to undertake a scientific investigation of the unanswered questions and find answers. This is exactly what we have done in the past: We have provided sustainable solutions for challenging problems.

Dear shareholders, we hope that you will continue to accompany our progress and place your trust in us and our good performance for many years to come. We need you – because innovations can only be created together: between companies, their employees and owners, policy-makers and a society that welcomes progress.

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 2012 from page 107 to 115. 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 2013

July 25, 2013

Interim Report 3rd Quarter 2013

Oct. 25, 2013

Full Year Results 2014

Feb. 25, 2014

Annual Shareholders' Meeting 2014 / Interim Report 1st Quarter 2014

May 2, 2014

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