

Speech to the Annual Shareholders' Meeting

Dr. Kurt Bock

Chairman of the Board of Executive Directors
of BASF SE

The spoken word applies

Annual Shareholders' Meeting BASF SE
on April 30, 2015

150 years

 **BASF**
We create chemistry

Dear ladies and gentlemen, dear shareholders,

Welcome to our Annual Shareholders' Meeting. I would like to wish you a warm welcome on behalf of the entire team on BASF's Board of Executive Directors.

We are pleased to inform you about our business and how BASF has developed. Before we go into detail: We again improved earnings in 2014, even though we faced a strong headwind in the second half of the year. But today, we would also like to tell you about our plans for the future – especially for 2015.

2015 is a special year for us because BASF turned 150 on April 6. We celebrated this with around 1,100 guests and employees in Ludwigshafen exactly one week ago. We are celebrating with our employees at all sites around the world. In September, it will be Ludwigshafen's turn.

150 years of BASF is something special – also for us on the Board of Executive Directors. We are proud to be part of this long and successful history. It is a special accomplishment for a company to reach its 150th anniversary. This would not have been possible without the many hundred thousands of employees who worked for BASF in the past and work for BASF today. Many of them are here today.

We want to make our anniversary something special. We want to use this opportunity to look ahead into the future of chemistry, and thereby to a certain extent, into the future of society. To be successful in this, we are especially focusing on collaboration in 2015.

That in itself is nothing new: The history of BASF is a history of successful partnerships. From the very beginning, we sought out opportunities for exchange, and that's precisely what has contributed to our progress.

A refrigerator that we introduced together with our partners at the International Consumer Electronics Show in Las Vegas at the beginning of the year is just one example of such a collaboration. It looks like a perfectly ordinary wine refrigerator. But inside there is a new, groundbreaking technology. It is especially quiet and economical. And it totally eliminates the need for a

compressor. The cold is generated by a heating pump, which functions according to the principle of magnetic refrigeration. You will likely not be surprised to learn that the first bottle of wine cooled by magnetic refrigeration and drunk in Las Vegas came from the Palatinate. This short video explains how magnetic refrigeration works.

The heating pump is designed for a temperature range of between 8 and 10 degrees Celsius, which is suitable for wine refrigerators. Soon we will be able to reach temperatures significantly below 0 degrees Celsius, so that even freezers will be able to be cooled magnetically in the future. The interesting thing is that the new technology can increase energy efficiency by up to 35%.

There were four cooperation partners. We developed the magnetocaloric materials together with researchers from Delft University of Technology in the Netherlands. And we built the wine refrigerator together with technology company Astronautics Corporation of America and the large Chinese appliance manufacturer Haier. As a result of our close cooperation, we brought the prototype to market very quickly. That is crucial, since an idea itself is not an innovation – the idea also has to prove itself in the market.

What then makes our anniversary year different?

We want to experiment with new forms of cooperation. We are not just organizing one scientific conference. We are holding three symposia and are inviting top scientists to think about the future together with us – about energy, food and urban living. But that is not all: We want to think about the future with customers and partners, with representatives from politics, from special interest groups like NGOs, and with interested citizens. For this reason, we are actively using social media and are travelling with our topics around the globe – with our Creator Space™ tour. We have already been to Mumbai and Shanghai. New York, São Paulo and Barcelona will soon follow. In November, we will end our tour in Ludwigshafen.

Energy, food and urban living are the big challenges facing us in the future, and, at the same time, opportunities for our business. The better we understand the needs of society and markets, the better our innovations will be. In this way, we want to use our anniversary as an opportunity.

Around 114,000 people at BASF are working to this end on a daily basis: in offices, labs, chemical plants and at our customers. Our employees are giving their utmost for their BASF. Thanks to them, we have been able to reach the goals we have set for ourselves with respect to innovation, competitiveness and financial strength. For this, and especially for their performance in 2014, I would like to thank all our employees on behalf of the entire team on the Board of Executive Directors.

In the next 20 minutes of my speech, I would like to answer the following questions: How did BASF Group perform in 2014 and in the first quarter of 2015? How do we steer BASF? What are our expectations for the future?

How did BASF Group perform in 2014 and in the first quarter of 2015?

Ladies and gentlemen, let me start by giving you a review of 2014. We achieved the goals we set for ourselves. We aimed to slightly increase income from operations (EBIT) before special items. And we succeeded. EBIT before special items amounted to €7.4 billion and increased by 4%. Our chemicals business developed particularly well. Our chemicals business includes the Chemicals, Performance Products and Functional Materials & Solutions segments.

Sales amounted to €74.3 billion, roughly the same magnitude as in 2013. We sold more. However, sales prices came under pressure – particularly due to the significantly lower oil price since the middle of 2014. Additionally, negative currency effects dampened sales in almost all divisions.

At year end, the equity ratio was nearly 40%, thus reaching a very respectable level. BASF is solidly financed.

How did the world economy develop in 2014? The political situation in some parts of the world was uncertain. From an economic perspective, the year was split into two parts. In the first half of the year, the strong euro posed a challenge, as we produce a lot in Europe and export to Asia and the U.S. dollar region. Prices for raw materials were at a high level until the middle of the year. It appeared as if the demand for chemicals would increase somewhat in Europe. The turning point, however, came in the summer and it became clear that Europe would again hardly grow. The euro declined – as

did raw material prices. At the beginning of January 2015, North Sea Brent crude oil fell below \$50 per barrel for the first time since spring 2009.

Only when you bear these developments in mind, does it become clear just how much our employees achieved. We managed to reach our goal despite all these challenges.

The interesting question for you is: How did BASF shares perform under these conditions? You, dear shareholders, also experienced a mixed year. The price of the BASF stock reflected these ups and downs. In June, we were all very pleased about a new record high. By the end of the year, the BASF share had declined in value – in particular in reaction to the decline in oil prices and due to our activities in Russia. We were not satisfied with this development – nor with our share price performance in comparison with the DAX 30 or the global chemical index. Since the beginning of the year, however, BASF's share price has performed very well.

We want to increase the dividend again this year – in accordance with our long-term dividend policy. Once again, we suggest increasing the dividend by 10 euro cents per share. The Board of Executive Directors and the Supervisory Board propose a dividend of €2.80 per share. Based on the year-end share price for 2014, the dividend yield stands at 4%, which is quite respectable.

In total, we would pay out to shareholders just under €2.6 billion. The remaining profit of nearly €3.3 billion will be allocated to retained earnings to shape the future of the company.

You can find further information about the development of our business in the BASF Report 2014, which we published at the end of February for our Annual Press Conference.

Please now allow me to comment on the first three months of 2015. The year started off well for us. We increased sales by 3% to €20.1 billion in the **first quarter of 2015**. This was mainly due to positive currency effects and higher volumes in our oil and gas business.

Our chemicals and our crop protection businesses performed very successfully; earnings in these segments increased significantly. However, overall EBIT before special items declined by 2% to around €2.1 billion. The main reason: We had to make higher provisions for our stock option program due to the strong increase in the share price. In addition, the lower oil price slightly reduced earnings in the Oil & Gas segment. Some had expected a significantly stronger decline due to the halving of the oil price.

As expected: We posted better earnings in our chemicals business and a decline in Oil & Gas. From our point of view, we had an overall successful start to the year and we confirm our outlook for the full year.

At 2.8%, we expect that the world economy will grow slightly stronger than in 2014. Chemical production is forecast to increase by at least 4%. We want to grow just as strongly. However, in the first quarter, we were not able to achieve this growth rate due to the weak market performance. We continue to expect an average price for crude oil of \$60 to \$70 per barrel (Brent) and an average exchange rate of \$1.20 per euro. We aim to achieve EBIT before special items at the same level as in 2014. That is an ambitious goal in view of a weaker oil and gas business.

We deal with costs in a sensible manner. We continually scrutinize work steps and improve processes. Our STEP excellence program alone involves more than 100 projects. Starting at the end of 2015, they will contribute about €1.3 billion annually to earnings – compared with the start of the program in 2011. At the end of 2014, we already achieved a contribution to earnings of €1 billion. We were thus considerably quicker than we anticipated three years ago.

How do we steer BASF?

Ladies and gentlemen, in my review of 2014 you will have seen that our business to some extent depends on factors that are not under our control. Nevertheless, we are masters of our success. How we act is guided by our strategy – the “We create chemistry” strategy. And even a volatile year such as 2014 does not mean that we deviate from this strategy. On the contrary.

I would now like to outline how we are implementing our strategy. We have invested in the future, we have adapted our portfolio to make it fit for the future, and we have structured research and development to make us the right partner for our customers – all over the world.

Investments

In 2014, we invested more in our growth than we have invested for decades. Growth does not come for free. Our founding fathers quickly learned: If you want to enter new markets, you have to invest and convince your customers. They decided to produce dyes in Ludwigshafen and to export them around the world from there – in the beginning especially to the United States and England. The Ludwigshafen site was greatly expanded, processes improved, plants connected with one another, and technical knowledge refined. That is how we were able to produce at the lowest possible costs.

Let us turn to the present: We are investing more than €1 billion in the new TDI complex. It will produce a precursor for polyurethanes. The complex is being built in the middle of our Ludwigshafen site. All our knowledge about TDI – knowledge from around the world – is going into it. And I can tell you: much passion as well – the passion of all the colleagues working on the project. At this moment, employees from Schwarzheide, the United States and Asia are here at our site again to support their colleagues who are preparing the upcoming plant startups.

TDI is an important part of BASF's future. Thanks to TDI, you can sit comfortably here in the Rosengarten. TDI is, for example, a key component for flexible foams used in cushions, cars and furniture – a growing market worldwide.

Why is the TDI complex so special? Our plant will be the only one in the world that is capable of producing 300,000 metric tons per year in a single production line. All parts of the plant are arranged one after another like wagons in a train. That sounds very simple but it is actually very difficult from a technical standpoint. The advantage is: Such plants can produce at lower costs and are especially energy efficient – and are safer. When it comes to safety, we can already celebrate one success: Up to 1,800 people were

working on the construction site – per day. Even at the peak, we always applied the principle that we never compromise on safety. In the meantime, there have been two million working hours without any incidents on the construction site. I think that deserves a round of applause.

We are not only building a TDI plant. We are increasing the capacity of several plants for its precursors, we have built a re-cooling plant, and we have expanded our power supply and logistics. We have added nearly 50 kilometers of pipeline at the Ludwigshafen site since the beginning of the project. In this way, we are strengthening the Verbund.

Ladies and gentlemen, we are also starting up further plants at other sites in Asia, and in North and South America. They will all be operating in the coming decades. That is how we achieve profitable organic growth in the chemicals business.

A good part of our investment also went into our oil and gas business. We have acquired further shares in fields in the Norwegian North Sea. Norway, besides Russia, is Europe's most important crude oil and natural gas supplier – and BASF is one of the big license holders there. Good partnerships and cooperation are crucial, especially in the oil and gas business. We work together with Statoil in Norway and with Gazprom in Russia. Our joint projects Achimgaz and Yuzhno Russkoye produced around 26 billion cubic meters of natural gas in the previous year, which represents 30% of the total annual consumption of Germany. One project for 2014 did not go ahead as planned: We wanted to swap our natural gas trading and storage business for shares in Gazprom's oil and gas reserves in Siberia. That was not possible because of the political situation. Now, we will continue with our existing joint ventures in Europe and Russia.

In total, we plan to invest significantly less this year than in 2014 as we have already completed some large projects or are just about to start up plants.

Portfolio

About 90 million barrels of oil are consumed worldwide every day. The major part of that, about 50 million barrels, goes into transportation alone. Electric cars could change that, provided that batteries are more efficient. That is why we have been intensively working on electrolytes and cathode materials for years. These are the key elements of batteries. In 2014, we established a company with TODA KOGYO, a leader in battery chemicals in Japan. This cooperation opens doors to new customers and production capacity. Japan is the most important market for electromobility and is home to well-known manufacturers of battery cells. The scientific research there is first-class. This is where we see opportunities for our chemistry and our know-how.

We look in-depth at each of our businesses and always ask the same questions: Have we got the right products? Is the business developing as profitably as we had expected? Is the business the right fit for us? In the past year, we sold, for example, our 50% share in Styrolution Holding GmbH and thus divested the styrenic plastics business. We altered the Performance Products segment the most. We reorganized our paper chemicals business and integrated it into the Performance Chemicals and Dispersions & Pigments divisions. We can thus lower production and administrative costs. The textile chemicals business, which is managed from Asia, will be sold by the middle of the year.

Innovations

BASF was the first chemical company to hire a research director thereby anchoring research and development firmly in the company. Just three years after its founding, the dye expert Heinrich Caro joined BASF. His task was to improve production processes and develop new products. Shortly afterwards, he invented a new color shade and developed the process to produce benzene from coal gas. BASF was awarded its first patent for this process.

Caro was a gifted scientist who was full of ideas. He stayed in touch with the industry in England, with other scientists and with universities. That was the starting point for our long and successful cooperation in research. And many of our big successes, like the development of the Haber-Bosch process, are the result of such cooperations.

Today, collaboration in research is somewhat different than it was in Caro's time. At the beginning of March, over 600 scientists from all over the world – Nobel laureates, young scientists, bright people from science and industry – were invited to Ludwigshafen to discuss energy and energy storage. At the symposium, they exchanged their ideas about energy – from its conversion, storage and transport to ways of saving energy. For all these things, we need not only an understanding of physics, but materials from chemistry. I think that all the participants were impressed by the inventiveness and creativity evident in these discussions.

We have further developed our research organization in the past year – today, more than 10,000 researchers work at BASF worldwide. The main focus will continue to be in Ludwigshafen, but we will intensify our research and development activities outside of Europe. In Mumbai, we are building a research center. The major focus there will be crop protection. In Shanghai, our Innovation Campus is already our biggest research site in Asia today. We are expanding the laboratories and establishing new projects there. At our Japanese site in Amagasaki, we have opened a research and development lab for battery materials. In Beachwood, Ohio, we have also boosted our research efforts into cathode materials.

We need a strong research presence in the regions because our customers want to be able to work with us at a very early stage. We can no longer meet these needs from Ludwigshafen alone. Our customers in Japan, for example, want to be involved in the development of battery chemicals. They want to know why a technology works and what advantages it has.

We discovered early on that is not sufficient just to invent a new product and produce it. In the year 1900, at the Paris World's Fair, we showed a large crystal bowl filled with synthetically produced indigo. That was nothing short of

a sensation. But the objective was not only to impress customers, but convince them of the benefits of the dye.

That was not very easy, especially in China, which presented an unbelievably attractive market due to its large population. Natural indigo sold very well there. BASF held countless discussions and negotiations with traders, dyers and guilds to convince them of the benefits of the new, synthetically produced dyes. That was not enough, however. BASF set up dye-works, in which cloth was dyed at our expense. This allowed potential customers to see just how much faster and simpler dyeing could be. On top of that, costs were lower and the color quality was better.

Customer service was therefore one of BASF's strengths from early on. To that end, a technical dye-works was established in Ludwigshafen already as early as 1891. This was the forerunner of BASF's Application Technology department, which is known as Aweta. A basic strategic principle was thus born that still applies today: We innovate to make our customers more successful. We understand how our products function at our customers and how we can further improve them. The new wine refrigerator is an example of how we can make our customers, in this case producers of refrigerators, more successful.

In the 1920s, we developed one of our first products for the automotive industry, which is now our most important customer industry. Today, it is unimaginable, but back then, car drivers had to drain the cooling water every evening during the winter, so that it did not freeze. BASF introduced a product onto the market that was a mixture of ethylene glycol and polyglycol ether. Later, corrosion protection was added to the mixture and it was given the name Glysantin. Glysantin still exists today – of course with a new recipe, as we have further developed it to meet the requirements of modern engines. In 2014, Glysantin contributed to the setting of a world record: Rainer Zietlow, from Mannheim, drove from the North Cape in Norway to the Cape of Good Hope in South Africa in just 21 days and 16 hours – with our coolant. Glysantin mastered the cold temperatures of Europe, the heat of Africa and the sudden change in Istanbul from one climate zone to another.

There are a number of our first products that also continue to play a role today, such as sodium nitrate, which BASF has been producing since 1910. In those days, the salt was used as an agricultural fertilizer. We no longer have fertilizers in our portfolio, although we continue to produce sodium nitrate, which happens to be ideal for heat transfer and heat storage. That is why it is used in solar thermal power plants today. Sodium nitrate helps to store solar energy as thermal energy. The advantage is that the energy is even available when the sun no longer shines. We are using the varied properties of a tried and tested product and are thus able to meet completely new requirements from other industries.

What are our expectations for the future?

Based on the number of registered patents, BASF belongs to the 10 most innovative companies in the world. This was confirmed by the European Patent Office just a few weeks ago. We will continue to research and develop, as the challenges stemming from an increasing population are far from being resolved. This is especially true for energy. We are looking for entirely new materials to help make Germany's energy transition successful. We are working at full power on battery chemicals, so that electric cars will have a greater range and be less expensive. We are developing lightweight plastic components to make cars lighter and reduce fuel consumption.

There is enormous potential for us in research and development. In 2015, we want to increase our spending again, in particular to expand our research in Asia and North America.

I started by showing you the wine refrigerator. The new technology is an example of how we envision the future. In the foyer, you can find out more about it or have a look at our history and learn more about 150 years of BASF. We also want to show you how we are using the anniversary year as an opportunity to generate and drive ideas forward. And we will show you how we are celebrating.

Ladies and Gentlemen, Mr. Hambrecht has already informed you about changes on the Board of Executive Directors and introduced our new Board member Sanjeev Gandhi. Sanjeev studied chemical engineering and business administration in Pune, India. He joined BASF in 1993 and quickly advanced in the company. Talent development is of special interest to him and when he holds a talk about it, he illustrates his points by using examples from his own career. He shows the various business cards he has already had at BASF.

Today, we also have to bid farewell: Andreas Kreimeyer is retiring – after 29 years at BASF. He was a member of the Board of Executive Directors for 12 of those years and also Research Executive Director since 2008. We wish that he will finally have more time for his hobby: Andreas is not only an outstanding biologist but also a very good guitarist. I thank you very sincerely Andreas.

I would also like to thank you, dear shareholders, for placing your trust in BASF. I would be glad, if you continued to accompany us into BASF's future.

Forward-looking statements

This document 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. BASF does not assume any obligation to update the forward-looking statements contained in this document.

Contact

General inquiries

Phone: +49 621 60-0

Media Relations

Jennifer Moore-Braun, phone: +49 621 60-99123

Investor Relations

Magdalena Moll, phone: +49 621 60-48230

Internet

basf.com