### BASF GROUP 2010

<table>
<thead>
<tr>
<th>Million €</th>
<th>2010</th>
<th>2009</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>63,873</td>
<td>50,693</td>
<td>26.0</td>
</tr>
<tr>
<td>Income from operations before depreciation and amortization (EBITDA)</td>
<td>11,131</td>
<td>7,388</td>
<td>50.7</td>
</tr>
<tr>
<td>Income from operations (EBIT) before special items</td>
<td>8,138</td>
<td>4,852</td>
<td>67.7</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>7,761</td>
<td>3,677</td>
<td>111.1</td>
</tr>
<tr>
<td>Income before taxes and minority interests</td>
<td>7,373</td>
<td>3,079</td>
<td>139.5</td>
</tr>
<tr>
<td>Net income</td>
<td>4,557</td>
<td>1,410</td>
<td>223.2</td>
</tr>
<tr>
<td>Earnings per share (€)</td>
<td>4.96</td>
<td>1.54</td>
<td>223.2</td>
</tr>
<tr>
<td>Adjusted earnings per share (€)</td>
<td>5.73</td>
<td>3.01</td>
<td>90.4</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>17.4</td>
<td>14.6</td>
<td>-</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>6,460</td>
<td>5,693</td>
<td>13.5</td>
</tr>
<tr>
<td>Additions to long-term assets¹</td>
<td>5,304</td>
<td>5,972</td>
<td>(11.2)</td>
</tr>
<tr>
<td>Excluding acquisitions</td>
<td>2,565</td>
<td>2,356</td>
<td>1.1</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>1,492</td>
<td>1,399</td>
<td>6.7</td>
</tr>
<tr>
<td>Amortization and depreciation¹</td>
<td>3,370</td>
<td>3,711</td>
<td>(9.2)</td>
</tr>
<tr>
<td>Segment assets (as of December 31)²</td>
<td>48,626</td>
<td>40,707</td>
<td>19.5</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>8,228</td>
<td>7,107</td>
<td>15.8</td>
</tr>
<tr>
<td>Number of employees (as of December 31)</td>
<td>109,140</td>
<td>104,779</td>
<td>4.2</td>
</tr>
</tbody>
</table>

¹ Intangible assets and property, plant and equipment (including acquisitions)
² Intangible assets and property, plant and equipment, inventories and business-related receivables

### ABOUT OUR CORPORATE REPORTING

The information contained on the financial position and financial performance of BASF Group is based on the requirements of the German Commercial Code as well as on International Financial Reporting Standards (IFRS), according to which the BASF Group Consolidated Financial Statements are prepared. BASF In Brief 2010 as a short report contains forward-looking statements. These statements are based on current experience, 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. We do not assume any obligation to update the forward-looking statements contained in this short report. The reporting period was the financial year 2010. To ensure that this short report contains the latest information, the report includes relevant information up to the editorial deadline of March 3, 2011. BASF In Brief is published each year in mid-March in English and German.

### BASF GROUP 2010

- Record sales and earnings achieved in 2010
- Cognis acquisition strengthens portfolio with specialty products
- Outlook 2011: BASF aims to significantly increase sales and earnings

### SALES AND EBIT 2010

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>+26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>+111%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The cover shows baby diapers, the first consumer product to carry BASF’s eco-efficiency label. For more on the Eco-Efficiency Analysis developed by BASF, see basf.com/eco-efficiency.
**BASF’S SEGMENTS AT A GLANCE**

### Chemicals  
→ Page 12

In the Chemicals segment, we supply products to customers in the chemical, electronics, construction, textile, automotive, pharmaceutical and agricultural industries as well as many others. Furthermore, we ensure that other BASF segments are supplied with chemicals for the production of downstream products. Our portfolio ranges from basic chemicals, glues and electronic chemicals for the semiconductor and solar cell industries, to solvents and plasticizers, as well as starting materials for products such as detergents, plastics, textile fibers, paints and coatings, and pharmaceuticals.

<table>
<thead>
<tr>
<th>Key data (million €)</th>
<th>2010</th>
<th>2009</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>11,377</td>
<td>7,515</td>
<td>51.4</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>2,310</td>
<td>735</td>
<td>214.3</td>
</tr>
</tbody>
</table>

Sales (%)

1. Inorganics 11
2. Petrochemicals 67
3. Intermediates 22

### Plastics  
→ Page 13

The Plastics segment includes a broad range of products, system solutions and services. We offer a number of engineering plastics for the automotive and electrical industries as well as for use in household appliances and sports and leisure products. Our styrenic foams are used as insulating materials in the construction industry and in packaging. Our polyurethanes are extremely versatile: As soft foams, for example, they improve car seats and mattresses, and as rigid foams they increase the energy efficiency of refrigerators.

<table>
<thead>
<tr>
<th>Key data (million €)</th>
<th>2010</th>
<th>2009</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>9,830</td>
<td>7,128</td>
<td>37.9</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>1,273</td>
<td>554</td>
<td>129.8</td>
</tr>
</tbody>
</table>

Sales (%)

1. Performance Polymers 45
2. Polyurethanes 55

### Performance Products  
→ Page 14

Performance Products lend stability and color to countless everyday items and help to improve their application profile. Our product portfolio includes vitamins and food additives as well as ingredients for pharmaceuticals and for hygiene, home and personal care items. Other Performance Products improve processes in the paper industry, oil and gas production, mining and water treatment. They can also enhance the efficiency of fuels and lubricants, the effectiveness of adhesives and coatings, and the stability of plastics.

<table>
<thead>
<tr>
<th>Key data (million €)</th>
<th>2010</th>
<th>2009</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>12,288</td>
<td>9,356</td>
<td>31.3</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>1,345</td>
<td>(150)</td>
<td>-</td>
</tr>
</tbody>
</table>

Sales (%)

1. Dispersions & Pigments 26
2. Care Chemicals 22
3. Nutrition & Health 12
4. Paper Chemicals 14
5. Performance Chemicals 26
In the Functional Solutions segment, we bundle system solutions and innovative products for specific sectors and customers, in particular for the automotive and construction industries. Our portfolio comprises automotive and industrial catalysts, automotive and industrial coatings and concrete admixtures as well as construction systems such as tile adhesives and architectural coatings.

<table>
<thead>
<tr>
<th>Key data (million €)</th>
<th>2010</th>
<th>2009</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>9,703</td>
<td>7,115</td>
<td>36.4</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>457</td>
<td>107</td>
<td>327.1</td>
</tr>
</tbody>
</table>

Sales (%)
1. Catalysts 52
2. Construction Chemicals 22
3. Coatings 26

€9,703 million

Our crop protection products guard against fungal diseases, insects and weeds and they increase quality and secure crop yields. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, healthier nutrition and for use as renewable raw materials.

<table>
<thead>
<tr>
<th>Key data (million €)</th>
<th>2010</th>
<th>2009</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,033</td>
<td>3,646</td>
<td>10.6</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>749</td>
<td>769</td>
<td>(2.6)</td>
</tr>
</tbody>
</table>

Sales (%)
1. Crop Protection 100

€4,033 million

As the largest German producer of oil and gas, we focus our exploration and production on oil- and gas-rich regions in Europe, North Africa, South America, Russia and the Caspian Sea region. Together with our Russian partner Gazprom, we are active in the transport, storage and trading of natural gas in Europe.

<table>
<thead>
<tr>
<th>Key data (million €)</th>
<th>2010</th>
<th>2009</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>10,791</td>
<td>11,356</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>2,334</td>
<td>2,289</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Sales (%)
1. Exploration & Production 35
2. Natural Gas Trading 65

€10,791 million
The financial year 2010 was both eventful and successful. We took advantage of the strong economic upturn: the result was record sales and earnings. We are again earning a high premium on our cost of capital. At the same time, we put BASF on the right track for future success: We are becoming even stronger thanks to our acquisitions of Ciba and Cognis as well as our innovations in future markets. We are therefore approaching the growing challenges of the future with confidence. This benefits customers, suppliers, employees, shareholders and the public. We are counting on the best team in industry – we create chemistry.
“IN 2011, WE WILL ONCE AGAIN EARN A HIGH PREMIUM ON OUR COST OF CAPITAL”
Interview with Dr. Jürgen Hambrecht, Chairman of BASF SE’s Board of Executive Directors

The year 2010 was both eventful and successful for BASF: The world’s leading chemical company posted record sales and earnings and generated a high premium on the cost of capital. What will 2011 bring? And what challenges are waiting for the new management team? BASF Chairman Dr. Jürgen Hambrecht discusses the company’s acquisitions, future and confidence.

The year 2010 was at last another record year for BASF – is this reflected in the share price?
The BASF team worldwide worked hard to ensure we would emerge stronger from the crisis and take full advantage of the economic upturn – and we have with great success. Happily, this is also reflected by the rise in our share price. BASF shares reached a new all-time high in December. With a gain of 37%, the BASF stock thus significantly outperformed the German and European stock markets. The record results also allow us to propose a dividend of €2.20 per share at the Annual Meeting – an increase of almost 30% compared with the previous year. We continue to stand by our ambitious dividend policy and want to increase the dividend every year, or at least keep it at the previous year’s level.

What do you consider to be the milestones of 2010?
First and foremost, we not only overcame the economic crisis in 2010, we also improved our portfolio at the same time. This was an exceptional accomplishment by the BASF team worldwide. All employees deserve an extra special thank you for this. It was also important that we set the right course for BASF’s future. We rapidly and successfully integrated the former Ciba businesses and completed the purchase of Cognis in December. As well, at the end of 2010, we began the planned divestiture process with the carve-out of a large part of our styrenics activities. Together with INEOS, we plan to establish a 50-50 joint venture company called Styrolution in which we want to combine our businesses, thus creating a leading global styrenics company.

How will this benefit investors and customers?
Our major acquisitions have made us more cyclically resilient and even more focused on customers. Furthermore, we have expanded our business with innovative activities that are growing faster than average in our sector. We are therefore creating sustainable value for our customers, employees and shareholders.
Where do you see additional growth opportunities for BASF?

Our investments in growth markets are very important to ensure profitable growth. From 2011 to 2015, we are planning investments of €12.6 billion, including some projects with strong partners. These include the expansion of our Verbund site in Nanjing with Sinopec and joint investments in world-scale production plants for specialty chemicals in Malaysia with PETRONAS. Furthermore, we are also active in exploration and pipeline projects in the Oil & Gas segment, including some with Gazprom. In recent years, we have redeveloped our regional strategies and set ourselves ambitious goals: In Europe, Asia and North and South America, we want to grow faster than the market average and achieve sales of over €90 billion by 2020.

What do you think chemistry’s contribution to future challenges will be?

In order to deal with global challenges such as nutrition, energy demand and mobility, the know-how from the chemical industry will be crucial. For example, we are working with partners to conduct research on materials and components for novel battery systems for electromobility and electricity storage. Other examples include higher-yielding crops, new catalysts and processes to manufacture petrochemicals from alternative raw materials as well as processes to capture and use carbon dioxide as a synthesis building block. Overall, we are investing up to €350 million annually in research projects related to these growth clusters.

Can you quantify your expectations?

Innovations are our strength: We registered 1,100 new patents last year, making us one of the best in our sector worldwide. That is incredibly important for creating sustainable value. After all, in 2015 we aim to generate sales of up to €8 billion with product innovations – new or improved products and applications that have been on the market for less than five years. This will only succeed if we continuously invest in research and development. Therefore, we again increased our expenditures for research and development in 2010.

Will the outstanding results in 2010 be followed by another record year?

Of course, we are doing everything we can to make that happen! In the new economic reality following the global recession, it is now vitally important to act even more flexibly and quickly. We aim to grow two percentage points faster than the chemical market and significantly exceed the record 2010 levels in sales and income from opera-

“...
BOARD OF EXECUTIVE DIRECTORS

DR. JÜRGEN HAMBRECHT, Ludwigshafen
Chairman of the Board of Executive Directors, Chemist, 64, with BASF for 35 years
Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications & Government Relations BASF Group; Global HR – Executive Management & Development; Investor Relations; Chief Compliance Officer

CHANGE AT THE TOP
Following BASF’s Annual Meeting in May 2011, Dr. Kurt Bock will succeed Dr. Jürgen Hambrecht as Chairman of the Board of Executive Directors.

DR. KURT BOCK, Florham Park
Chief Financial Officer, Business economist, 52, with BASF for 20 years
Finance; Catalysts; Market & Business Development North America; Regional Functions North America; Information Services; Corporate Controlling; Corporate Audit

DR. MARTIN BRUDERMÜLLER, Hong Kong
Member of the Board of Executive Directors, Chemist, 49, with BASF for 23 years
Performance Polymers; Polyurethanes; Styrenics; Market & Business Development Asia Pacific; Regional Functions & Country Management Asia Pacific

DR. HANS-ULRICH ENGEL, Ludwigshafen
Member of the Board of Executive Directors, Lawyer, 51, with BASF for 23 years
Oil & Gas; Region Europe; Global Procurement & Logistics

DR. ANDREAS KREIMEYER, Ludwigshafen
Research Executive Director and Member of the Board of Executive Directors, Biologist, 55, with BASF for 25 years
Inorganics; Petrochemicals; Intermediates; Chemicals Research & Engineering; BASF Future Business

DR. STEFAN MARCINOWSKI, Ludwigshafen
Member of the Board of Executive Directors, Chemist, 58, with BASF for 32 years
Crop Protection; Coatings; Specialty Chemicals Research; BASF Plant Science; Region South America

DR. JOHN FELDMANN, Ludwigshafen
Member of the Board of Executive Directors, Chemist, 61, with BASF for 23 years
Construction Chemicals; Care Chemicals; Dispersions & Pigments; Nutrition & Health; Paper Chemicals; Performance Chemicals; Polymer Research

DR. HANS-ULRICH ENGEL, Ludwigshafen
Member of the Board of Executive Directors, Lawyer, 51, with BASF for 23 years
Oil & Gas; Region Europe; Global Procurement & Logistics

DR. STEFAN MARCINOWSKI, Ludwigshafen
Member of the Board of Executive Directors, Chemist, 58, with BASF for 32 years
Crop Protection; Coatings; Specialty Chemicals Research; BASF Plant Science; Region South America

DR. HARALD SCHWAGER, Ludwigshafen
Industrial Relations Director and Member of the Board of Executive Directors, Chemist, 50, with BASF for 23 years
Human Resources; Environment, Health & Safety; Engineering & Maintenance; Verbund Site Management Europe
Supervisory Board

– 12 members, thereof 6 shareholder representatives elected at the Annual Meeting and 6 employee representatives
– Chairman – elected by the Supervisory Board

Board of Executive Directors

– 8 members, appointed by the Supervisory Board
– Chairman – appointed by the Supervisory Board

Changes in the Board of Executive Directors

Following the Annual Meeting of BASF in May 2011, Dr. Kurt Bock will become the new Chairman of the Board of Executive Directors of BASF. He was appointed by the Supervisory Board to succeed Dr. Jürgen Hambrecht, who has chaired the Board since 2003. Dr. Kurt Bock has been with BASF for a total of 20 years and has been a member of the Board of Executive Directors since 2003. Dr. Martin Brudermüller will become the Vice Chairman. In addition to Dr. Jürgen Hambrecht, Dr. John Feldmann is also retiring from the Board of Executive Directors. Therefore, the Supervisory Board appointed two new members to the Board of Executive Directors: At the conclusion of the Annual Meeting on May 6, 2011, Margret Suckale and Michael Heinz will join the new Board team.

DR. h.c. EGGERT VOSCHERAU, Wachenheim, Germany
Chairman of the Supervisory Board

MICHAEL DIEKMANN, Munich, Germany
Deputy Chairman of the Supervisory Board
Chairman of the Board of Management of Allianz SE

ROBERT OSWALD, Altrip, Germany
Deputy Chairman of the Supervisory Board
Chairman of the works council of the Ludwigshafens site of BASF SE and chairman of the joint council of BASF Group

RALF GERD BASTIAN, Neuhofen, Germany
Member of the works council of the Ludwigshafens site of BASF SE

WOLFGANG DANIEL, Limburgerhof, Germany
Deputy Chairman of the works council of the Ludwigshafens site of BASF SE

PROF. DR. FRANÇOIS DIEDERICHT, Zurich, Switzerland
Professor at the Swiss Federal Institute of Technology Zurich

FRANZ FEHRENBACH, Stuttgart, Germany
Chairman of the Board of Management of Robert Bosch GmbH

Group Chairman HSBC Holdings plc (resigned to take up appointment as the United Kingdom’s Minister of State for Trade and Investment)

MAX DIETRICH KLEY, Heidelberg, Germany
Lawyer

DENISE SCHELLEMAN, Kalmthout, Belgium
Full-time trade union delegate

RALF SIKORSKI, Wiesbaden, Germany
Regional manager of the Rhineland-Palatinate/Saarland branch of the Mining, Chemical and Energy Industries Union (IG BCE)

ANKE SCHÄFERKORDT, Cologne, Germany (since December 17, 2010)
Chief Executive Officer, Mediengruppe RTL Deutschland (successor to Stephen K. Green)

MICHAEL VASSILIADIS, Hanover, Germany
Chairman of the Central Board of Executive Directors of Mining, Chemical and Energy Industries Union (IG BCE)

Effective and transparent corporate governance fosters the confidence of our domestic and international investors, the financial markets, our business partners, employees and the public in the management of the company. The Board of Executive Directors is responsible for the management of the company, and represents BASF in business undertakings with third parties. The Board of Executive Directors reports to the Supervisory Board regularly, comprehensively and in a timely manner on all relevant matters concerning the company with regard to planning, business development, risks and risk management, and agrees on corporate strategy with the Supervisory Board. The Supervisory Board appoints the members of the Board of Executive Directors and monitors and advises the Board on management issues. The Board is strictly separated from the Supervisory Board: A member of the Board of Executive Directors cannot simultaneously be a member of the Supervisory Board.
At the end of 2010, the BASF share traded at €59.70, a 37.4% increase over the closing price of the previous year. Assuming that dividends were reinvested, a holding in BASF shares increased in value by 42.7% in 2010. The BASF stock thus significantly outperformed the German and European stock markets: Over the same period, the DAX 30 index rose by 16.1% while the DJ EURO STOXX 50 index lost 2.4% of its value. In 2010, BASF shares also outperformed the global industry indices DJ Chemicals and MSCI World Chemicals, which increased by 28.4% and 19.6%, respectively. The assets of an investor who invested the equivalent of €1,000 in BASF shares at the end of 2000 and reinvested the dividends in additional BASF shares would have increased to €3,663 by the end of 2010. This corresponds to an annual return of 13.9%.

Dividend increased: At the Annual Meeting, the Board of Executive Directors and the Supervisory Board will propose a dividend payment of €2.20 per share. We stand by our ambitious dividend policy and plan to pay out around €2 billion to our shareholders (based on the number of qualifying shares on December 31, 2010). Based on the year-end share price for 2010, BASF shares offer a high dividend yield of 3.69%. We continue to aim to increase our dividend each year, or at least maintain it at the previous year’s level.

Broad base of international shareholders: With over 400,000 shareholders, BASF is one of the largest publicly owned companies with a high free float. An analysis of the shareholder structure carried out in September 2010 showed that, at 15% of share capital, the United States and Canada make up the largest regional group of institutional investors. Institutional investors from Germany account for 12%. Shareholders from the United Kingdom and Ireland also hold 12% of BASF shares, while institutional investors from the rest of Europe hold a further 16% of capital. Approximately 26% of the company’s share capital is held by private investors, most of whom reside in Germany – and around 6% of all investors come from the greater Ludwigshafen area.
Conversion to registered shares: At the beginning of August 2010, BASF shares were converted from bearer shares to registered shares, enabling better and more direct communication with shareholders. This will also simplify the registration process and issuing of proxies for the Annual Meeting.

Good credit ratings and solid financing: With “A/A-1/outlook stable” from rating agency Standard & Poor’s and “A1/P-1/outlook negative” from Moody’s, BASF continues to have good credit ratings, especially when compared with competitors in the chemical industry. At year-end 2010, the financial indebtedness of the BASF Group was €15 billion with liquid funds of €1.5 billion. Our financial indebtedness has an average time to maturity of 3.4 years.

BASF in key sustainability indices: For the tenth year in succession, BASF was included in the world’s most important sustainability index, the Dow Jones Sustainability World Index (DJSI World). We received particular recognition for our risk and crisis management, environmental reporting and our climate strategy. BASF was also once again represented in the prestigious Carbon Disclosure Leadership Index (CDLI), scoring top marks in the materials sector for the second year in a row.

Close dialogue with the capital market: Our corporate strategy aims to create sustainable value. We support this strategy through regular and open communication with all capital market participants. To keep institutional investors and rating agencies informed, we host numerous one-on-one meetings and roadshows worldwide. We also hold events to provide private investors with an insight into the world of BASF. In addition, we held roundtable discussions in important financial centers. For example, at Investor Days that took place in London and New York in June, BASF’s management presented the new organization and goals of the restructured Performance Products segment following the Ciba integration.

Honors for BASF’s Investor Relations: Analysts and investors have confirmed the quality of our communication work – and have ranked BASF Investor Relations as the number one on multiple occasions. In the Thomson Extel Pan-European Survey 2010, BASF’s Investor Relations team was honored as “Best IR Team in Europe” and “Best IR Team in the Chemicals Sector.” BASF won the Investor Relations Award from the business magazine Capital for the fourth time in a row. At the IR Magazine Europe Awards 2010, BASF also picked up three top honors.

BASF SHARE: INCREASE IN VALUE IN 2010

Change in the value of BASF shares in 2010, with dividends reinvested

+42.7%

FOR QUESTIONS ON BASF SHARES

– Phone: +49 621 60-48230
– E-Mail: ir@basf.com
– Internet: basf.com/share
– Online registration: basf.com/share/newsletter
OUR STRATEGY
Strategies for value-adding growth

OUR FOUR GUIDELINES

We earn a premium on our cost of capital
In order to produce even more efficiently, we work on optimization projects in production, maintenance and logistics as well as in sales, planning and procurement processes. We continuously improve and harmonize our business processes. The projects will increase BASF Group’s earnings by several hundred million euro per year.

We help our customers to be more successful
The focus of our work is on our customers’ satisfaction. To achieve this, we respond to market needs. We have various business models where we work closely with our customers. They honored our performance in 2010: In India, BASF received awards from Tata Motors, Mahindra & Mahindra and Honda Motorcycle and Scooter India (HMSI). We received recognition for our quality, supply reliability and product development, among other things.

We form the best team in industry
For BASF, it is important to address employees’ needs for work-life balance. A human resources policy that is oriented to employees’ life phases is an important factor in ensuring a company’s sustainable success. Our flexible working-time models are a good example of this. BASF management also rewarded employees for their work during the crisis with a special payment of €50 million for employees worldwide.

We ensure sustainable development
We work to ensure sustainable development. We expanded on our Eco-Efficiency Analysis to develop SEEBALANCE®. It is a method of analysis that compares the economic benefits of a product to its environmental and social impacts. It considers the entire life cycle of a product – from raw materials extraction to its production, use and disposal.

REVIEW 2010
– Successful integration of Ciba businesses
– Product portfolio expanded by Cognis acquisition
– Goal of reducing specific greenhouse gas emissions in chemical operations by 25% reached for the first time
– U.S. business magazine Fortune once again named BASF as the most admired chemical company in the world

OUTLOOK 2011
– Planned investments of €12.6 billion in growth markets by 2015, including some projects with partners
– BASF and Sinopec invest in expanding Verbund site in Nanjing
– BASF and PETRONAS invest in world-scale production plants for specialty chemicals in Malaysia
– Planned creation of the 50-50 joint venture Styrolution with INEOS
## OUR GOALS

Binding goals for success

[basf.com](http://basf.com)

### 1 ECONOMIC GOALS

**Premium on the cost of capital:** Earn an EBIT of at least 9% (2011: 11%) based on the assets of the operating divisions

<table>
<thead>
<tr>
<th>Goal 2010:</th>
<th>Status at year-end 2010:</th>
<th>Goal 2012:</th>
<th>Status at year-end 2010:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT of (million €)</td>
<td>EBIT of (million €)</td>
<td>EBITDA margin:</td>
<td>EBITDA margin of 18% by 2012</td>
</tr>
<tr>
<td>&gt;4,261</td>
<td>7,761</td>
<td>18%</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

### 2 EMPLOYEES AND SOCIETY

**Occupational safety**

- Goal 2020: Reduction in lost time injuries per million working hours (baseline 2002)
  - Status at year-end 2010: -39%

**Senior executives with international experience**

- Goal 2020: Increase in the proportion of senior executives with international experience
  - Status at year-end 2010: 77.7%

### 3 CUSTOMERS

**Customer satisfaction**

- Goal 2020: High customer satisfaction worldwide
  - Status at year-end 2009*: >70%

**Customer focus**

- Goal 2020: Perceptions of strong customer focus worldwide
  - Status at year-end 2009*: 70%

### 4 ENVIRONMENT AND SAFETY

**Reduction of greenhouse gases**

- Goal 2020: Emissions of greenhouse gases per metric ton of sales product (baseline 2002)
  - Status at year-end 2010: -28.9%

**Transport safety**

- Goal 2020: Reduction in transportation accidents (baseline 2003)
  - Status at year-end 2010: -50%

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*Survey conducted every other year | Not including contributions from the Cognis group acquired on December 9, 2010 | Excluding oil and gas production

### EBITDA MARGIN 2010

Goal: EBITDA margin of 18% by 2012

- **17.4%**

### REDUCTION OF GREENHOUSE GASES 2010

Emissions of greenhouse gases per metric ton of sales product (baseline 2002)

- **-28.9%**
BASF can look back on a long history of many significant innovations. Our research innovations play an important role in helping improve people’s quality of life as well as environmental and resource conservation. With research and development, we are shaping the future and generating new growth opportunities. In 2010, we invested nearly €1.5 billion in R&D projects. BASF has more than 9,600 employees at numerous research sites worldwide, often working together closely with important international research institutes, customers and other partners. With the acquisitions of Ciba and Cognis, our research team and our portfolio have grown again and become more international.

UV protection: BASF’s new light stabilizer Tinuvin® XT 200 extends the life of agricultural film: Tinuvin XT 200 combines an economic improvement in agricultural film with the benefits of UV protection. This innovative light stabilizer is particularly beneficial for greenhouses, which are often built inexpensively using plastic film. Greenhouses are increasingly being used to help secure the world’s food supply.

Transforming carbon dioxide: Formic acid is a versatile intermediate. Conversion of the greenhouse gas carbon dioxide (CO₂) into formic acid is the focus of intense research efforts around the world. BASF researchers are...
developing a highly efficient catalyst system that can make this process economical. The goal is to use CO₂ from off-gas streams in the chemical industry as a raw material.

Future raw material storage: It is now possible to efficiently capture carbon dioxide from industrial flue gas and use it for chemical transformation – thanks to a new technology BASF developed together with RWE and Linde. Compared to processes commonly used today, tests in a coal-fired power plant show the innovative technology using new chemical solvents can reduce energy input by about 20%. The new solvents also feature clearly superior oxygen stability, which reduces solvent consumption significantly. The first demonstration power plants are scheduled to start up in 2015. This technology should allow more than 90% of the CO₂ contained in the waste gas of a power plant to be captured for subsequent sub-surface storage or for chemical transformation.

Silver particles as catalysts: Ancient fossilized diatoms serve an important purpose for BASF: The finely grounded shells of these fossilized algae, also known as diatomaceous earth, can be used as carriers for catalysts. Silver particles are attached to the surface of the diatomaceous earth – this is the real catalyst. Thanks to its numerous tiny cavities, diatomaceous earth has, compared with its volume, a huge surface on which chemical reactions can occur. This allows raw materials such as ethylene oxide to be manufactured.

Better mileage for natural gas vehicles: Natural gas-powered cars may soon be able to travel twice as far on a single tank – thanks to metal-organic frameworks (MOFs). BASF researchers have developed an innovative method for solvent-free industrial-scale manufacture of these materials for better gas storage. The MOFs have a larger specific surface area and high porosity on the nanometer scale. This allows them to store relatively large volumes of gases in natural gas tanks and therefore increase a vehicle’s mileage.

Elastopave prevents puddles: Elastopave®, a polyurethane system developed by BASF, provides a stable and flexible covering for sidewalks and cycle paths, parking lots and schoolyards. When the polyurethane is mixed with gravel or stones, the high proportion of large and small stone pieces creates many connected cavities. This allows the ground to take in around 4,000 liters of water per hour and square meter, preventing the formation of puddles and patches of ice. Elastopave is quick and simple to install and can be subjected to weight again after only twelve hours.

Healthier potatoes: On average, 20% of the world’s annual potato harvest is destroyed by late blight. The world’s most common disease affecting potatoes is caused by the pathogen Phytophthora infestans. Until now, it was only possible to protect against this fungal disease using fungicides. However, in Central America there is a wild potato that is naturally resistant to this dangerous disease. Researchers at BASF Plant Science have identified the genes that protect the potato against late blight and have transferred them to a potato variety for consumption. This newly developed potato is called Fortuna. We plan to introduce it on the market in the middle of this decade.

EMPLOYEES IN R&D

9,600

INNOVATION IN NUMBERS IN 2010

– Project portfolio with around 3,000 projects
– Clearly surpassed 2010 aim of generating €6 billion in sales from product innovations
– Expecting sales of up to €8 billion from product innovations in 2015
– Net present value of BASF’s research pipeline: nearly €21 billion
In the Chemicals segment, sales rose by €3,862 million to reach €11,377 million. This high growth can be attributed to both greater demand resulting from the economic upturn as well as higher prices. Income from operations grew by €1,575 million to €2,310 million – a strong increase in comparison with the previous year. Our programs to reduce costs and increase efficiency made a significant contribution to this earnings growth.

In the Inorganics division, 2010 sales grew by €272 million to €1,255 million. All business areas and regions contributed to this rise thanks to higher demand from our customer industries. From the second quarter onward, our business recovery quickened and sales reached pre-crisis levels by the end of 2010. Income from operations was sharply higher than the 2009 level. This was due in part to rising volumes as well as higher margins for basic products.

Sales in the Petrochemicals division in 2010 rose sharply compared with the previous year by €2,929 million to reach €7,593 million. All business areas in the division benefited from strong demand around the world. Owing to limited supplies on the market, we were able to pass on higher raw materials costs to customers. As a result of strong demand, there were temporary delivery bottlenecks for some products, in particular acrylates and solvents. Margins developed positively as a result. Product availability on the market improved again at the beginning of the second half of 2010. This resulted in a decline in margins for cracker products in Asia and North America despite continued good demand. Income from operations in 2010 was far above the level of the previous year.

In the Intermediates division, our sales in 2010 were €2,529 million. Compared with the difficult year in 2009, sales increased by 35%, representing a return to the level reached before the economic crisis. This good performance was mainly attributable to the strong recovery in key customer industries worldwide, such as the plastics, coatings and textiles industries. The available supply could not fully meet the demand of our customers in 2010. While raw materials prices remained generally stable, we were able to increase our sales prices. Income from operations was far above the previous year’s level thanks to higher sales volumes, improved margins in several product lines and good capacity utilization in our plants.

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**PolyTHF does more than make textiles elastic**

PolyTHF® increases the elasticity of textiles and makes in-line skaters satisfied. A classic product from our Verbund, PolyTHF can be used to manufacture highly elastic spandex textile fibers and thermoplastic polyurethane elastomers (TPU). Abrasion-resistant wheels of inline skates are just one application for the material. Machine and automobile manufacturers also like to use TPU to make highly abrasion-resistant cable sheathing, protective coverings and films for dashboards. Furthermore, it can also be used for noise and vibration damping for railways. BASF is the world’s leading producer of PolyTHF.

**Chemicals**

The Chemicals segment consists of the Inorganics, Petrochemicals and Intermediates divisions. In our integrated production facilities – our Verbund – we produce a broad range of basic chemicals and downstream products in Europe, Asia and North America for our internal and external customers.
In the Plastics segment, sales grew sharply compared with the previous year, rising by €2,702 million to €9,830 million. At €1,273 million, income from operations was also far above the 2009 level. This positive development was due to the unexpectedly high demand from nearly all customer industries as well as supply shortages for certain products.

In the Performance Polymers division, sales in 2010 were €4,389 million, a strong increase over the previous year. The pace of global economic recovery quickened in 2010; there was a substantial revival in demand from our key customer industries – the automotive, construction, and electrical industries as well as the Asian textiles industry. Capacity utilization rates at our plants were very high. The engineering plastics business, which had been hardest hit by the economic crisis, benefited from government stimulus programs for the automotive and household appliance industries. Growing interest in thermal insulation for buildings helped lift sales volumes of foams. Increasing volumes and higher prices contributed to sales growth. In particular for standard products such as polyamides and foams, sales prices rose as a result of sharply higher raw materials costs. Thanks to good demand and tight product supplies, we were able to raise prices for engineering plastics. Income from operations increased sharply, owing to the unexpectedly robust economic recovery – especially in the automotive sector – as well as some supply shortages and considerable price increases.

Sales in the Polyurethanes division were €5,441 million, exceeding the previous year’s level by €1,318 million. We posted strong sales growth in all product lines and all regions in 2010 due to higher sales volumes as well as positive currency effects. Demand from key customer industries, such as automotive and construction, recovered faster than expected, especially in Asia and Europe.

Thanks to the strong economic upturn in China, demand for polyurethanes increased considerably compared with the previous year, particularly in Asia. However, we only marginally increased our sales prices in 2010. Our margins did not match the 2009 level as a result of the sharp rise in raw materials prices at the beginning of the year. Nevertheless, income from operations was far above the 2009 level due to higher volumes. In particular, earnings in our specialties business developed positively, as a result of high demand from the automotive sector.

Shock-resistant packaging with E-por
Our foam E-por® is based on a new formulation that makes it considerably more flexible and stable than most packaging materials. It is particularly well-suited for use in packaging for valuable equipment such as flat-screen televisions or solar collectors. The foam’s air-filled cells can absorb the energy of multiple shocks. This ensures that fragile products can be safely delivered to the consumer.
In the Performance Products segment, sales increased by €2,932 million to €12,288 million. This positive business development can be attributed to strong demand and the full-year inclusion of the integrated Ciba businesses as well as the acquisition of Cognis on December 9, 2010. Income from operations rose by €1,495 million to €1,345 million – despite the negative impact of one-time costs at year-end. This was due to our successful measures to integrate Ciba and restructure the combined businesses as well as the considerable increase in volumes.

In the Dispersions & Pigments division, our sales in 2010 were €3,197 million, an increase of €752 million over the previous year. Thanks to strong business performance, income from operations was far above the previous year’s level.

The Care Chemicals division posted very high sales of €2,755 million, a rise of €688 million over the previous year. In this favorable market environment, income from operations increased sharply to reach a high level. This was mainly attributable to the sales growth, improved capacity utilization and the quick and successful integration of the Ciba businesses.

The Nutrition & Health division was established at the beginning of August 2010 to prepare for the integration of the Cognis activities. It includes the business areas Human & Animal Nutrition, Pharma Ingredients & Services and Aroma Chemicals, which all previously belonged to the Care Chemicals division. The Nutrition & Health division posted sales of €1,482 million, an increase of €144 million over 2009. As the market environment improved compared with the previous year, we were able to substantially increase our income from operations.

In 2010, the Paper Chemicals division posted sales of €1,713 million, an increase of €387 million compared with the previous year. Income from operations was sharply higher than the previous year’s level and was positive.

Sales in the Performance Chemicals division in 2010 increased sharply compared with the previous year by €961 million to reach €3,141 million. As a result of higher volumes, income from operations was far above the level of the previous year.

**PERFORMANCE PRODUCTS**

The Performance Products segment consists of the Dispersions & Pigments, Care Chemicals, Nutrition & Health, Paper Chemicals and Performance Chemicals divisions. Our customers use our products and services to make their processes more efficient and to give their products an improved application profile.

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**FULL YEAR 2010**

**compared with previous year**

<table>
<thead>
<tr>
<th>Sales</th>
<th>EBIT (million €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+31%</td>
<td>+1,495</td>
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</table>

**Acronal PRO protects against corrosion**

Metal construction components, such as bridges and pipes, are often exposed to harsh weather conditions. To provide them with efficient and environmentally friendly corrosion protection, BASF researchers have developed the Acronal® PRO product family. These acrylic-modified emulsions enable the formulation of water-based coatings that contain almost no solvents and very low levels of volatile organic compounds (VOC). Acronal PRO offers high-performance corrosion protection and exceptional adhesion. The BASF team that developed Acronal PRO was honored in 2010 with the American Coatings Award.
Sales in the Functional Solutions segment increased sharply compared with the previous year by €2,588 million to reach €9,703 million. Despite one-time costs at the end of 2010, income from operations at €457 million was far above the weak level of the previous year. The main reasons for this improvement were the strong recovery in global automotive production and our measures to increase efficiency.

Our business in the Catalysts division benefited in 2010 from the rapid and considerable recovery in the automotive industry. Sales rose by €2,044 million to reach €5,005 million. This strong increase was partly attributable to higher average annual prices for precious metals. In addition, increased volumes in our business with mobile emissions catalysts contributed significantly to sales growth. In this improved market environment, we posted a strong increase in our income from operations.

While raw materials costs declined, sales in the Construction Chemicals business increased by €130 million to €2,121 million owing to higher volumes and currency effects. Thanks to strong demand, sales grew substantially in China, India, Russia, Egypt and Saudi Arabia. After a considerable decline in sales in 2009, our business in North America and Northern Europe stabilized again in 2010. Our business was robust in the key European markets Germany and France, but sales in Spain fell further. Income from operations was far above the level of the previous year. In particular, our ongoing measures to increase competitiveness had a positive effect on earnings.

In 2010, the Coatings division’s sales at €2,577 million were €414 million higher than in the previous year. All product areas worldwide benefited from the overall recovery in demand. The improved market environment for the global automotive industry and rising consumption in South America were key drivers for the significant growth in sales. These developments more than offset the slight decline in sales resulting from the divestitures of industrial coatings businesses in Japan and North America. Income from operations was far above the 2009 level. Although we expanded our operations, we managed to limit the increase in fixed costs with restructuring projects and to offset the sharp rise in raw materials costs. After recognizing special charges in 2009, we recorded a small amount of positive special income in 2010.

**X-Seed speeds up concrete hardening**

Concrete hardens as crystals grow and bond to each other. Our hardening accelerator X-Seed® contains nanoscale crystal seeds that speed up this process. The concrete therefore hardens more quickly within the first 6 to 12 hours. This eliminates the need for heat application, a commonly used method of accelerating hardening. Furthermore, X-Seed supports the manufacture of concrete with a reduced share of energy- and CO₂-intensive components.
The Crop Protection division increased sales in 2010. At €4,033 million, sales were €387 million higher than in the previous year. Despite increased investments, income from operations reached €749 million, nearly matching the high level of 2009.

Sales growth in the Crop Protection division was mainly a result of substantially higher sales volumes. Furthermore, we benefited from positive currency effects. In the first half of the year, lower agricultural commodity prices and inventory reduction by distributors put pressure on our sales prices; in the second half, intense competition led to price declines.

At €1,566 million, sales to customers in Europe were slightly above the previous year’s level. After unfavorable weather conditions initially led to a late season start and therefore to lower demand for crop protection products, the fall season turned out to be very successful. In North America, sales increased slightly to €999 million. Growth was driven mainly by the successful market launch of our herbicide Kixor® and a stronger U.S. dollar on average in 2010. In Asia, sales improved significantly to €438 million thanks to higher sales volumes and positive currency effects. In addition, sales were bolstered by high demand for soybean herbicides and fungicides for specialty crops in India. Sales in South America increased substantially to €1,030 million as a result of strong volume growth. The recovery of the sugarcane market led to higher demand for insecticides. In the second half of the year, we selectively lowered prices in response to intense competition.

At €749 million, income from operations nearly matched the high level of the previous year – despite a planned increase of around €100 million in research and development investments as well as the expansion of our sales team in growth regions.

Recognizing crop diseases with Digilab

If crop diseases are threatening the harvest, a farmer must take action quickly. With the handheld digital microscope Digilab, farmers in Latin America can now analyze a leaf of the diseased plant while still in the field. BASF software can identify the disease, pest or weed on-site and immediately recommend appropriate crop protection products. Once the disease has been diagnosed, the farmer enters his location and other data. The data are incorporated into a map on a BASF website showing the affected areas, offering the local farmers a comprehensive overview.

At eight sites in Europe and North America, BASF Plant Science works on developing crops for efficient agriculture, healthier nutrition and for use as renewable raw materials. We cooperate with a number of research institutes, universities and leading seed companies worldwide, such as Monsanto, Bayer CropScience, KWS Saat AG and the Brazilian research center CTC. Research expenditures for BASF Plant Science in 2010 amounted to around €150 million from the corporate research budget.
BASF’S SEGMENTS
Oil & Gas

OIL & GAS

Sales in the Oil & Gas segment in 2010 decreased by €565 million to €10,791 million. In contrast, income from operations improved by €45 million to €2,334 million. Net income increased by €211 million to €923 million.

In the Exploration & Production business sector, sales of €3,819 million matched the previous year’s level. The average price of Brent crude in 2010 rose by around $18 per barrel compared with 2009 to reach about $80 per barrel. As the U.S. dollar also strengthened against the euro, the price of crude oil in euro rose by approximately €16 per barrel to around €60 per barrel. At 133 million barrels of oil equivalent (BOE), crude oil and natural gas production was slightly below the previous year’s level. Income from operations improved by €137 million to €1,918 million, as a result of higher prices. Earnings include income taxes on oil production in Libya of €983 million that are non-compensable with German corporate income tax. Valuation adjustments on oil and gas licenses in the North Sea were recognized as special charges.

Sales in the Natural Gas Trading business sector declined by €537 million to €6,972 million as a result of lower prices. However, the economic recovery and cold winter weather led to an increase of 6% in sales volumes to 413 billion kilowatt hours. In particular, sales volumes within Germany grew by 8% to 247 billion kilowatt hours. WINGAS sold around 11% of its volumes to BASF Group companies. At €416 million, income from operations was €92 million below the level of the previous year. Sales prices for natural gas generally followed those of oil with a time lag of several months. The moderate but steady increase in oil prices over the course of the year therefore had a negative effect on earnings. In addition, trading margins came under strong pressure as a result of the ongoing low price level on the spot markets. A key part of our growth strategy in natural gas trading is our stake in Nord Stream AG. In 2010, this company began constructing a pipeline that will run from Vyborg, Russia, through the Baltic Sea to the German coast. We expect the first gas volumes to be delivered in October 2011. In connection with Nord Stream, construction continued in Germany on the Jemgum natural gas storage facility as well as the OPAL pipeline (Baltic Sea Pipeline Link). By the end of 2010, around 400 kilometers of the OPAL pipeline had been laid. Planning activities for the NEL pipeline (Northern European Gas Link) continued.

Radio monitoring system saves money and improves safety

To develop and economically operate small and medium-sized natural gas fields in the southern sector of the North Sea, Wintershall monitors 19 of its 26 offshore platforms from Den Helder in the Netherlands with one of the most modern radio monitoring systems. By switching to remote controlled operations (RCO), Wintershall saves on production planning, staff planning and logistics. This also reduces the number of helicopter flights to the platforms, making the work of the employees safer.

FULL YEAR 2010
compared with previous year

<table>
<thead>
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<th>EBIT (million €)</th>
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<td>-5%</td>
<td>+45</td>
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BASF’s oil and gas activities are bundled in the Wintershall Group. Wintershall and its subsidiaries operate in the business sectors Exploration & Production as well as the trading, storage and transport of natural gas.
Protecting the climate together
BASF products offer a variety of solutions for climate protection and energy efficiency.

Climate protection is an issue that affects us all. That is why we are committed to ambitious global climate protection. We help by offering products and system solutions that conserve resources. Furthermore, we are continuously reducing emissions along our value-adding chain. In 2010, logistics played a large role in this.

Intermodal transportation terminals reduce emissions:
When shipments are transported by rail instead of by road, the carbon dioxide (CO₂) emissions from freight transport can be reduced by up to 65%. We take advantage of this potential particularly at our large Verbund sites. In March 2010, we inaugurated the new intermodal transportation terminal in Antwerp, Belgium. It is a joint venture of BASF, HUPAC and Inter Ferry Boats. This new logistics terminal has an excellent connection to the rail network and helps to make the transport of containers with our products or deliveries to our sites more environmentally friendly. Thanks to the new terminal, 150,000 fewer trucks are estimated to be on the road per year. This will save about 30,000 metric tons of CO₂ annually. At our BASF site in Ludwigshafen, we also started the expansion of the intermodal transportation terminal, which should be completed in 2012. This will raise the capacity of our transshipment facility from 300,000 to 500,000 loading units per year, increasing the reduction in CO₂ emissions from 45,000 metric tons to 70,000 metric tons.
Reducing greenhouse gas emissions: We are constantly working to reduce greenhouse gas emissions in our production. In 2010, BASF greenhouse gas emissions totaled 25.2 million metric tons worldwide (2009: 31.1 million metric tons). BASF’s proprietary catalysts that we installed in 2009 were a major factor in the reduction of emissions. These catalysts are used in several plants at the Ludwigshafen site to more efficiently decompose the greenhouse gas nitrous oxide (N₂O). Ahead of schedule, we have already reached the goal we set ourselves of reducing greenhouse emissions per metric ton of sales product by 25% by 2020. We are therefore working on new goals for the reduction of greenhouse gas emissions, which we will introduce in 2011.

Products for climate protection: We spend around one third of our research and development expenditures on developing new energy efficiency and climate protection solutions. For example, as an associated partner in the Desertec Industrial Initiative, we are contributing our expertise in chemistry to making solar and wind power generation in the desert regions of North Africa and the Middle East more efficient. We already offer our customers numerous products that help prevent emissions. In 2010, we generated sales of around €7.7 billion (or 12% of sales) with our climate protection products – product groups that when used avoid at least twice as much carbon dioxide as is emitted during their production and disposal. The insulation materials, fuel additives, industrial catalysts and many other products we sold in 2010 enabled CO₂ e* emissions that occur from the use of houses, cars and various industrial processes to be reduced by 322 million metric tons. We aim to continuously increase this contribution to climate protection.

New corporate carbon footprint: Since 2008, BASF has been the only industrial company worldwide to regularly present a comprehensive corporate carbon footprint. In 2010, we recalculated the reduction in emissions from the use of our climate protection products as well as the recording of emissions along the value-adding chain. For the first time, we included emissions from the oil and gas business and took into consideration emissions that arise when our customers burn oil and gas produced by BASF’s subsidiary Wintershall. Our calculations take into account the draft of the new Greenhouse Gas Protocol standard. The standard was developed under the leadership of the World Business Council for Sustainable Development and the World Resource Institute, which we participated in.

BASF’s corporate carbon footprint 2010

Significant greenhouse gas emissions along the BASF value-adding chain

Transport: Transport along the entire value-adding chain and business travel by BASF employees resulted in 4 million metric tons of CO₂ e in 2010.

Supply of raw materials
The production of inputs and raw materials generates 43 million metric tons of CO₂ e emissions.

Production by BASF
Energy efficiency and catalysts for the decomposition of N₂O reduce emissions. CO₂ e emissions total 25 million metric tons.

Customers
Our customers use natural gas and crude oil from BASF as fuels. The direct use of BASF products results in 56 million metric tons of CO₂ e.

Disposal
The thermal recovery in waste-to-energy plants and landfilling of the products result in around 29 million metric tons of greenhouse gases.

Avoidance of greenhouse gas emissions through the use of BASF products

Housing & Construction
Avoidance of 263 million metric tons of CO₂ e

Transportation
Avoidance of 14 million metric tons of CO₂ e

Industry
Avoidance of 28 million metric tons of CO₂ e

Agriculture
Avoidance of 7 million metric tons of CO₂ e

The use of our insulating materials, fuel additives, products for renewable energies, etc. sold in 2010 reduces CO₂ e emissions by our customers by 322 million metric tons of CO₂ e

*CO₂ e = CO₂ equivalent
Sustainable building

BASF’s construction products have advantages for business, society and the environment.

With our products for sustainable housing and construction, we aim for a combination of economic, social and environmental benefits. Construction projects around the world showcase how construction materials and system solutions from BASF can save money and protect the environment.

Social housing construction in Mexico: Mexico’s population is growing rapidly, leading to the expansion of irregular settlements that lack basic public services like electricity and water. In order to provide formal housing to a greater number of people, the government has created mortgage programs that allow low-income families to finance new homes. The key to the success of these projects is rapid and cost-effective construction – this is the only way to meet the growing demand for affordable housing. BASF products are helping: We are, for example, supplying admixtures to Mexico’s largest ready mix concrete producer Cemex for a project near Mexico City. In the Villa del Rey development, around 10,000 new houses with an average size of 60 square meters each are currently being built with concrete. This is possible thanks in part to the use of BASF’s concrete admixtures Glenium®, Polyheed® and Pozzolith®. These admixtures allow the concrete to set faster and make it very stable. Furthermore, Glenium improves the flowability of concrete through pumps and into forms, and simplifies the surface finishing. This saves time and money. As a result, a basic concrete house structure can be completed in just seven days.
**BASF products in One World Trade Center:** While speed is the key in Mexico, the heart of Manhattan is climbing to new heights. Upon completion in 2013, the tower of the new One World Trade Center (OWTC) will rise 541 meters (1,776 feet) into the sky. The columns made of concrete and steel will have to withstand pressure equivalent to the weight of a small car resting on an area the size of a postage stamp. Concrete producer Eastern Concrete was able to meet these specifications thanks in part to BASF’s Glenium admixtures, which give the concrete durability and strength. In addition to Glenium admixtures, BASF’s Green SenseSM technology is another key factor in the economic and environmental successes at OWTC. Specially developed for the conditions of the North American market, Green Sense is a concrete mixture optimization service only offered by BASF. Recycled materials such as blast furnace slag can be used to replace significant portions of cement clinker, which requires a lot of energy to manufacture. An Eco-Efficiency Analysis performed on the Green Sense concrete mixture being used at OWTC showed a savings of 27% in energy, 42% in carbon dioxide emissions and 21% in resource consumption, relative to a conventional concrete mixture. Depending on the specific requirements of a construction project, the production of Green Sense concrete requires up to 30% less energy to manufacture, causes up to 37% less CO₂ emissions and requires up to 35% less raw materials.

**Insulation for better energy efficiency:** A multi-family dwelling in Ludwigshafen is clad with effective insulation under an attractive facade after being modernized and renovated by BASF’s housing subsidiary LUWOGE. The building was one of the first in Germany to be equipped with a back-ventilated curtain facade with insulation panels made from our plastic Neopor®. The Swiss insulation manufacturer Swisspor developed this system that comprises a curtain wall separated from the underlying insulation by a layer of air. Compared with similar systems using mineral wool, it is impervious to moisture and thus dimensionally stable and resistant to aging. Neopor contains special graphite particles which reflect thermal radiation and thus increase the insulating effect by up to 20%. Our polyurethane plastics Elastopor® H and Elastospray® can be used in sandwich elements, insulation panels and spray foam that are ideal for energy-efficient industrial and housing construction. Polyurethanes are also suitable for insulating cold stores and industrial warehouses, hot water tanks and pipelines for district heating systems.

**BASF products for houses**

- **Palusol®** panels provide effective fire protection, and can be used, for example, in fire-protection doors.
- **Ultradur®** improves the insulation of window frames.
- **Elastospray®** and **Elastopor® H** improve energy efficiency.
- **Masterflex®** sealants are water repellent, watertight and weather resistant.
- **Elastopave®** prevents the formation of puddles on parking lots and paths.
- **Suvinit®** acrylic paint is odorless after three hours.
- **Architectural coatings based on the nanocomposite binder COL.9®** keep facades looking new.
- **Kaurit Light®** technology makes chipboard up to one third lighter for use in furniture and countertops.
- **The Mastertop® flooring solution** is robust, easy to clean and absorbs sound.
- **Glenium®** and other admixtures improve concrete flowability and durability, and make processing more efficient.
The future of mobility

BASF is helping to make electric vehicles suitable for daily use.

Energy-efficient mobility is a future topic we have been working on for many years. In addition to optimizing the classic combustion engine, BASF is also actively working on the development of electromobility. Chemistry plays an important role in making this technology affordable, powerful and safe.

Electromobility is a global trend: The limited availability of fossil fuels such as crude oil and natural gas as well as climate change and increasing urbanization all pose new challenges to mobility. People around the world are working on electromobility so that we will be able to use cars in the future as we do today. In order to take full advantage of the potential of this technology, electromobility must become powerful, safe and, most of all, affordable. Today’s batteries alone are as expensive as a compact car.

Next-generation batteries: BASF researchers are therefore working on new battery systems. Together with partners from science and industry, we started the HE-Lion network to develop new lithium-ion batteries. The project is sponsored with €21 million from the German Ministry of Education and Research (BMBF). Lithium-ion batteries are currently used in laptops, mobile phones and cameras. In order for these batteries to be used for electromobility, there must be a significant reduction in cost and a considerable increase in energy density: The goal is to more than double the range of the electric cars to over 250 kilome-
In the HE-Lion project, for example, BASF experts are working on cathode materials for future lithium-ion batteries that largely determine the range and safety of the battery system. Supported by the U.S. Department of Energy, we began building our first production facility for innovative cathode materials in Elyria, Ohio, in 2010. The combination of lithium with sulfur or air could give batteries an even higher energy density—a car could potentially travel 300 to 400 kilometers on a single charge. However, the lifetime of these batteries must be considerably lengthened. BASF is working on this with an international team of researchers in the network electromobility and batteries.

**Lightweight construction with plastics:** The electric car poses particular challenges for lightweight construction. Not only does the car’s battery add around 200 kilograms of extra weight—in addition, the overall vehicle weight has to be reduced to increase its range. BASF offers tailor-made plastics that can be used in various applications in electric vehicles and cars with combustion engines, ranging from the chassis to the interior to the motor compartment. In 2010, we introduced an especially high-performance polyamide. Ultramid® Structure LF reduces the weight of components that were previously made of metal by up to 50% and can absorb significantly more energy. That is why it is used in crash absorbers that undergo controlled destruction in an accident, absorbing the greatest force of the impact and protecting the rest of the vehicle.

**Energy management with BASF’s material expertise:** When temperatures rise in the summer, a car’s air conditioner requires more power—energy which could otherwise be used to extend its range. BASF has developed solutions for efficient energy management in cars. BASF’s Lumogen® IR pigments can be used in transparent plastic films to reduce the sun’s warming effect in the car interior. When installed on the windshield, they absorb a lot of the near-infrared radiation which creates heat. In winter, high-performance foams such as Elastocool® and Elastopor® offer ideal insulation, not only for electric cars. Insulation is particularly important in electric cars because, unlike combustion engines, the electric propulsion system does not produce any heat that can be used to warm the interior. Our high-performance foams can be used in the car’s interior panels, where they also dampen sound that is created by airflow and rolling noise, especially at high speeds.
Humans need vitamin A from food – a problem for people living in emerging and developing countries. They cannot afford expensive food like high-fat fish and meat which contain vitamin A. Instead, they nourish themselves mainly with cheap staple foods such as oil and flour. Nutrients such as vitamin A can be added to these foods in a process known as food fortification. BASF’s Food Fortification Team operates programs in more than 30 countries. This also includes the “Strategic Alliance for the Fortification of Oil and Other Staple Foods” (SAFO) – a public-private partnership between BASF and Germany’s Gesellschaft für Technische Zusammenarbeit. SAFO has been helping people by enriching the typical staple foods of their country with nutrients at an affordable price in Bolivia, Brazil, Tanzania, Indonesia, Cambodia and Uzbekistan.
Better absorption of medical active ingredients: BASF helps its customers in the pharmaceuticals market to be successful. Soluplus® is an excipient to help make drug substances more soluble, thus improving bioavailability. In a special process, Soluplus is added to the drug substances and the combination is mixed and melted at high temperatures. The process yields what are called solid solutions, enabling poorly soluble drugs to be administered in tablet form, making them bioavailable.

Research cooperation with Harvard University: The formulations of active ingredients are also the focus of the BASF Advanced Research Initiative at Harvard that we established with the university in 2007. One of the research topics is the development of nanoformulations for a range of active substances, especially those that are not readily soluble in water. Nanoformulations have the function of releasing the active substance at a target area where it should take controlled effect. Another project aims at developing a better understanding of how biofilms develop. These films, consisting of various associated microorganisms, are invisible to the naked eye and can pose a serious health risk in hospitals, industrial settings or the home. Therefore, it is important to understand how their formation can be influenced and prevented.

Products to combat malaria: For decades, BASF has been active in fighting malaria, a disease that kills around one million people annually. Our most important contribution is Interceptor®, a mosquito net coated with the insecticide Fendona®. Just a very small dose of the active ingredient used to coat the nets kills the disease-carrying mosquitoes. The amount used on the nets is safe for vertebrates and humans. A further benefit of the nets is that they remain effective even after being washed more than 20 times. The WHO has recommended Interceptor since the end of 2006. The most important customers are international aid organizations. Interceptor nets are just one way to prevent the spread of malaria. BASF also offers Fendona as a spray for interior walls as well as the larvicide Abate®, which can kill mosquito larvae in standing water. In addition, we are researching a new generation of products to fight malaria.

Action plan for fighting malaria

1. **Interceptor® nets** offer protection, especially at night, from mosquitoes that spread malaria. They are treated with Fendona®, an insecticide that kills mosquitoes on contact.

2. The insecticide Fendona® is applied to interior residential walls by trained professionals. The mosquitoes die after touching the treated walls.

3. Residential areas can be protected when standing water is treated with the larvicide Abate® to prevent mosquito larvae from developing.

4. BASF is a partner with various aid organizations that are trying to put an end to malaria and improve health systems in the affected countries.

5. Mosquitoes are becoming immune to the existing active ingredients. BASF is therefore working on a new generation of products to combat Malaria.

basf.com/future/health
TRUST & RESPONSIBILITY
We integrate social and environmental responsibility into our business activities

basf.com/sustainability

A business cannot be successful in the long term if it does not act responsibly towards the environment and society. That is why sustainability is an integral part of our strategy. With sustainable development, we create value for our partners in industry and society and for us.

Working with experts to identify important topics: We want to recognize topics early on that could represent opportunities or risks for our business now or in the future. Therefore we regularly analyze the importance of sustainability topics for BASF and for society. In 2010, we carried out a new analysis and surveyed several hundred external experts as well as BASF managers. Subsequently, our internal sustainability experts evaluated the economic and strategic importance of these topics for BASF. We are publishing the results online. While topics such as climate protection and demographic change remain very significant, other topics such as biodiversity, renewable raw materials and water are becoming increasingly important.

Stewardship for our products: We ensure that our products are safe and do not pose a danger to people or the environment when they are used responsibly and in the manner intended. Under the European chemicals directive REACH, as of 2010, substances had to be registered with the European Chemicals Agency (ECHA) in order to continue to be available within the European Union. This applied to all substances produced or imported in quantities of more than 1,000 metric tons annually as well as all substances with certain hazardous properties. The registration dossiers also contain an exact description of how the chemicals are to be used safely by the subsequent users. In the first wave of registration, BASF punctually registered almost 600 substances with ECHA. Beyond the statutory requirements, we introduced our own global guidelines for product stewardship and have set ourselves worldwide goals. In addition, we support the implementation of the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). GPS aims to establish global standards to improve the safety of using chemical substances.

In dialogue with our neighbors: At many of our sites we regularly invite our neighbors to discussions on topics such as safety, health and environmental protection. The participants are citizens who are actively involved in the social and cultural life of their communities or in recreational facilities. In 2010, the Community Advisory Panel (CAP) in Tarragona, Spain, celebrated its 15th anniversary while the CAPs in Ludwigshafen, Germany, and Antwerp, Belgium, have been in existence for ten and five years, respectively.

Global disaster assistance: Two major humanitarian catastrophes particularly moved the world in 2010: the earthquake in Haiti and the disastrous flooding in Pakistan. BASF and its employees also did their part to help the victims. In Haiti, BASF provided both immediate emergency aid to the earthquake victims and assistance for long-term rebuilding. BASF Corporation donated $100,000 to the American Red Cross for immediate aid. In addition, BASF Sozialstiftung (“BASF Social Foundation”) provided a €200,000 donation to partner organization UN-HABITAT to rebuild a training facility in Haiti. BASF also provided assistance to the victims of the disastrous flooding in Pakistan: The company and employees in more than 20 countries donated about €785,000 for the flood victims, which was distributed to various UN organizations and the Red Cross.

VALUES CREATE VALUE

“Lasting economic success can only be realized if there is a responsible balance between economic, environmental and social interests.”

DR. JÜRGEN HAMBRECHT
Chairman of the Board of Executive Directors of BASF SE
WORK & LIFE
Commitment to our employees

We want to recruit, retain and develop the best employees because they are the key to BASF’s innovative strength, competitiveness and high performance.

Diverse opportunities for vocational trainees and apprentices: To ensure the future success of our company, we invest in qualified young employees. Around the world, BASF is currently training 2,442 young people in more than 60 occupations in 16 countries. Once again in 2010, 1,115 vocational trainees and apprentices started their careers at German Group companies and in the Training Verbund. With around 700 partner companies at present, the BASF Training Verbund creates additional vocational trainee positions in Germany. After passing their final examination, 96% of the apprentices and vocational trainees of BASF SE received a job offer in 2010. A new image campaign with vocational trainees from Ludwigshafen shows: “At BASF, we create chemistry.” For example, trainees have the opportunity to strengthen their intercultural skills in exchange programs in countries such as Germany, Norway, France and Spain. In 2010, 50 apprentices from BASF SE and BASF Schwarzheide took part in the program.

Work-life balance: In our view, one of the central and strategic tasks of our human resources policy is to become even more responsive to the varying life stages and needs of our employees and offer them appropriate solutions. In doing so, BASF not only wants to recruit new employees, it also wants to retain qualified employees and their expertise by being an attractive employer. In North America, our efforts were honored in 2009 with the Alfred P. Sloan Award for Business Excellence in Workplace Flexibility in recognition of our regional “Designed to Fit” flexible work program introduced in 2008. In Asia, we also have a program to improve work-life balance that is based on flexible working time models, health programs and having managers act as role models. In Ludwigshafen, we developed a seminar for expecting parents to explore their options for returning to work.

The challenge of demographic change: We are making extensive preparations for the effects of demographic change. For example, we started the “Generations@Work” program in 2006 and worked together with employees to develop specific measures for their units related to health promotion, working conditions and further training. Furthermore, as part of the German chemical industry’s collective agreement on working life and demography, BASF SE and all German Group companies participating in collective bargaining are contributing €300 per non-exempt employee annually into a personal long-term account. This account can be used as a means to take early retirement.

DIVERSE VOCATIONAL TRAINING OPPORTUNITIES AT BASF
Vocational training occupations

FOSTERING YOUNG TALENT

“Every year, we offer many young people a good start to their career at BASF and in the BASF Training Verbund. This is important in helping us ensure our future supply of qualified employees in view of demographic change.”

DR. HARALD SCHWAGER
BASF Board member and Industrial Relations Director
BASF IN THE REGIONS
Sales 2010: €63,873 million; EBIT 2010: €7,761 million

SALES EBIT EMPLOYEES

NORTH AMERICA
+41% +120% 16,487

SOUTH AMERICA, AFRICA, MIDDLE EAST
+31% -37% 6,879

NORTH AMERICA
Sales of companies based in North America rose by 41% to €13,246 million or 34% in local currency terms. Nearly all segments posted considerable gains in sales volumes and sales compared with the previous year. Income from operations in 2010 reached a new record of €1,107 million, representing an increase of €604 million over the previous year.

SOUTH AMERICA, AFRICA, MIDDLE EAST
For companies based in South America, Africa, Middle East, sales were far above the 2009 level, increasing by 31% to €3,829 million thanks to the substantial economic recovery. In local currency terms, sales were 19% higher than 2009. Compared with 2009, income from operations declined by €104 million to €177 million. This was due to one-time expenses for valuation adjustments on receivables related to long-term supply agreements.
**EUROPE**

Sales of companies based in Europe grew by 16% compared with the previous year to reach €35,156 million. Sales increased in nearly all segments thanks to improved demand. The Oil & Gas segment posted a decline sales owing to lower natural gas prices. At €5,206 million, income from operations was more than twice as high as in the previous year.

**ASIA PACIFIC**

Sales of companies based in Asia Pacific increased by 46% to €11,642 million, or 35% in local currency terms. Sales increased in all segments, particularly in our chemicals business. We posted record income from operations, which rose by €768 million to €1,271 million thanks mainly to higher volumes.
**BUSINESS DEVELOPMENT**

**BASF GROUP**

basf.com/businessdevelopment_e

### Sales and Earnings (million €)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>63,873</td>
<td>50,693</td>
<td>26.0</td>
</tr>
<tr>
<td>Income from operations before depreciation and amortization (EBITDA)</td>
<td>11,131</td>
<td>7,388</td>
<td>50.7</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>17.4</td>
<td>14.6</td>
<td>–</td>
</tr>
<tr>
<td>Income from operations (EBIT) before special times</td>
<td>8,138</td>
<td>4,852</td>
<td>67.7</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>7,761</td>
<td>3,677</td>
<td>111.1</td>
</tr>
<tr>
<td>Financial result</td>
<td>(888)</td>
<td>(598)</td>
<td>35.1</td>
</tr>
<tr>
<td>Income before taxes and minority interests</td>
<td>7,373</td>
<td>3,079</td>
<td>139.5</td>
</tr>
<tr>
<td>Income before minority interests</td>
<td>5,074</td>
<td>1,655</td>
<td>206.6</td>
</tr>
<tr>
<td>Income before minority interests as a percentage of sales</td>
<td>7.9</td>
<td>3.3</td>
<td>–</td>
</tr>
<tr>
<td>Net income</td>
<td>4,557</td>
<td>1,410</td>
<td>223.2</td>
</tr>
<tr>
<td>Earnings per share (€)</td>
<td>4.96</td>
<td>1.54</td>
<td>223.2</td>
</tr>
<tr>
<td>Earnings per share adjusted for special items and amortization (€)</td>
<td>5.73</td>
<td>3.01</td>
<td>90.4</td>
</tr>
</tbody>
</table>

**Sales** in 2010 increased by 26% to €63.9 billion. As a result of the economic recovery, demand from our key customer sectors increased and sales volumes rose significantly. Prices of many products were higher than the year before. The appreciation of numerous currencies against the euro also helped to boost the already good sales. In addition, the full-year inclusion of the former Ciba businesses had a positive impact on sales growth.

**Income from operations** improved by 111% and amounted to €7,761 million. In a favorable market environment, margins improved for numerous products. In 2010, the negative impact on income from operations from special items was considerably less than in the previous year. The decline in special items was mainly a result of lower costs for the integration of Ciba. The **financial result** improved from minus €598 million in 2009 to minus €388 million. **Income before taxes and minority interests** increased sharply from €3,079 million to €7,373 million.

The **return on assets** thus rose to 14.7% compared with 7.5% in the previous year. Income taxes increased in line with the rise in income before taxes and minority interests, and grew from €1,424 million to €2,299 million. Minority interests increased from €245 million to €517 million.

**Net income** more than tripled, rising from €1,410 million to €4,557 million. **Earnings per share** thus rose from €1.54 to €4.96.

**Outlook:** We expect economic growth to slow down in 2011. Excluding the effects of acquisitions and divestitures, we aim for a slight increase in sales volumes and sales. Sales will additionally be boosted by the inclusion of the Cognis businesses. Overall, we aim to significantly exceed the 2010 record level in sales and income from operations. We expect to earn a high premium on our cost of capital once again in 2011.
## CONсоліdated Balance Sheets

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2010</th>
<th>2009</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>million €</td>
<td>%</td>
<td>million €</td>
<td>%</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>12,245</td>
<td>20.6</td>
<td>10,449</td>
<td>20.4</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>17,241</td>
<td>29.0</td>
<td>16,285</td>
<td>31.8</td>
</tr>
<tr>
<td>Financial assets</td>
<td>3,281</td>
<td>5.5</td>
<td>2,959</td>
<td>5.8</td>
</tr>
<tr>
<td>Miscellaneous long-term assets</td>
<td>1,765</td>
<td>3.0</td>
<td>1,988</td>
<td>3.8</td>
</tr>
<tr>
<td>Long-term assets</td>
<td>34,532</td>
<td>58.1</td>
<td>31,681</td>
<td>61.8</td>
</tr>
<tr>
<td>Inventories</td>
<td>8,688</td>
<td>14.7</td>
<td>6,776</td>
<td>13.2</td>
</tr>
<tr>
<td>Receivables and miscellaneous short-term assets</td>
<td>14,050</td>
<td>23.7</td>
<td>10,961</td>
<td>21.4</td>
</tr>
<tr>
<td>Marketable securities, cash and cash equivalents</td>
<td>1,509</td>
<td>2.5</td>
<td>1,850</td>
<td>3.6</td>
</tr>
<tr>
<td>Assets of disposal groups</td>
<td>614</td>
<td>1.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Short-term assets</td>
<td>24,861</td>
<td>41.9</td>
<td>19,587</td>
<td>38.2</td>
</tr>
<tr>
<td>Total assets</td>
<td>59,393</td>
<td>100.0</td>
<td>51,268</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Stockholders’ equity and liabilities

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2010</th>
<th>2009</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>million €</td>
<td>%</td>
<td>million €</td>
<td>%</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>22,657</td>
<td>38.1</td>
<td>18,609</td>
<td>36.3</td>
</tr>
<tr>
<td>Provisions</td>
<td>6,130</td>
<td>10.3</td>
<td>5,544</td>
<td>10.8</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>2,467</td>
<td>4.2</td>
<td>2,093</td>
<td>4.1</td>
</tr>
<tr>
<td>Financial indebtedness</td>
<td>11,670</td>
<td>19.6</td>
<td>12,444</td>
<td>24.3</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>901</td>
<td>1.6</td>
<td>898</td>
<td>1.7</td>
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<tr>
<td>Long-term liabilities</td>
<td>21,168</td>
<td>35.7</td>
<td>20,979</td>
<td>40.9</td>
</tr>
<tr>
<td>Accounts payable, trade</td>
<td>4,738</td>
<td>8.0</td>
<td>2,786</td>
<td>5.4</td>
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<tr>
<td>Provisions</td>
<td>3,324</td>
<td>5.6</td>
<td>3,276</td>
<td>6.4</td>
</tr>
<tr>
<td>Financial indebtedness</td>
<td>3,369</td>
<td>5.7</td>
<td>2,375</td>
<td>4.6</td>
</tr>
<tr>
<td>Other liabilities and tax liabilities</td>
<td>3,942</td>
<td>6.8</td>
<td>3,243</td>
<td>6.4</td>
</tr>
<tr>
<td>Liabilities of disposal groups</td>
<td>195</td>
<td>0.3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Short-term liabilities</td>
<td>15,568</td>
<td>26.2</td>
<td>11,680</td>
<td>22.8</td>
</tr>
<tr>
<td>Total stockholders’ equity and liabilities</td>
<td>59,393</td>
<td>100.0</td>
<td>51,268</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### ASSETS
- Total assets rise by €8,125 million
- Increase in long-term assets largely due to the acquisition of Cognis
- Increase in inventories and trade accounts receivable attributable to significant expansion of the business and inclusion of Cognis

### STOCKHOLDERS’ EQUITY AND LIABILITIES
- Stockholders’ equity grows significantly due to high net income
- Equity ratio increases despite Cognis acquisition
- Liabilities rise mainly as a result of Cognis acquisition
We increased cash provided by operating activities from the good level of €5,693 million in 2009 to €6,460 million in 2010. This was largely a result of high after-tax earnings. Furthermore, the rise in net working capital was relatively small compared to the increase in business volume. Payments related to property, plant and equipment and intangible assets were slightly above the previous year’s level. This resulted in a substantial increase overall in free cash flow, which rose to €3,912 million in 2010 from €3,186 million in 2009.

Consolidated statements of cash flows (million €)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>4,557</td>
<td>1,410</td>
</tr>
<tr>
<td>Depreciation and amortization of intangible assets, property, plant and equipment and financial assets</td>
<td>3,393</td>
<td>3,740</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>(1,680)</td>
<td>990</td>
</tr>
<tr>
<td>Miscellaneous items</td>
<td>190</td>
<td>(447)</td>
</tr>
<tr>
<td><strong>Cash provided by operating activities</strong></td>
<td><strong>6,460</strong></td>
<td><strong>5,693</strong></td>
</tr>
<tr>
<td>Payments related to property, plant and equipment and intangible assets</td>
<td>(2,548)</td>
<td>(2,507)</td>
</tr>
<tr>
<td>Acquisitions/divestitures</td>
<td>(562)</td>
<td>(1,447)</td>
</tr>
<tr>
<td>Financial investments and other items</td>
<td>394</td>
<td>(128)</td>
</tr>
<tr>
<td><strong>Cash used in investing activities</strong></td>
<td><strong>(2,716)</strong></td>
<td><strong>(4,082)</strong></td>
</tr>
<tr>
<td>Capital increases/repayments, share repurchases</td>
<td>(18)</td>
<td>(134)</td>
</tr>
<tr>
<td>Changes in financial liabilities</td>
<td>(2,295)</td>
<td>(333)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(1,931)</td>
<td>(2,089)</td>
</tr>
<tr>
<td><strong>Cash used in financing activities</strong></td>
<td><strong>(4,244)</strong></td>
<td><strong>(2,556)</strong></td>
</tr>
<tr>
<td>Net changes in cash and cash equivalents</td>
<td>(500)</td>
<td>(945)</td>
</tr>
<tr>
<td>Cash and cash equivalents as of beginning of year and other changes</td>
<td>1,993</td>
<td>2,780</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as of end of year</strong></td>
<td><strong>1,493</strong></td>
<td><strong>1,835</strong></td>
</tr>
</tbody>
</table>

Cash provided by operating activities\(^1\)
Payments related to property, plant and equipment and intangible assets
Free cash flow\(^2\)

\(^1\) The figures for 2009 and 2010 take into account the change in presentation with regard to the effects of the regular renewal of U.S. dollar hedging transactions.

\(^2\) Cash provided by operating activities minus payments related to property, plant and equipment and intangible assets.
## TEN-YEAR SUMMARY

### Ten-Year Summary (million €)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Income from operations before depreciation and amortization (EBITDA)</th>
<th>Income from operations (EBIT)</th>
<th>Income from ordinary activities</th>
<th>Extraordinary income</th>
<th>Income before taxes and minority interests</th>
<th>Income before minority interests</th>
<th>Net income</th>
<th>Capital expenditures and depreciation</th>
<th>Additions to property, plant and equipment</th>
<th>Depreciation and amortization of property, plant and equipment</th>
<th>Thereof property, plant and equipment</th>
<th>Number of employees at year-end</th>
<th>Personnel expenses</th>
<th>Earnings per share (€)</th>
<th>Cash provided by operating activities</th>
<th>EBITDA margin (%)</th>
<th>Return on assets (%)</th>
<th>Return on equity after taxes (%)</th>
<th>Shares</th>
<th>Year-end price (€)</th>
<th>Dividend per share (€)</th>
<th>Number of shares as of December 31 (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>32,500</td>
<td>4,142</td>
<td>1,217</td>
<td>609</td>
<td>6,121</td>
<td>6,730</td>
<td>5,826</td>
<td>5,858</td>
<td>3,313</td>
<td>3,037</td>
<td>2,925</td>
<td>2,307</td>
<td>92,545</td>
<td>6,028</td>
<td>4.86</td>
<td>2,319</td>
<td>12.7</td>
<td>3.1</td>
<td>36.6</td>
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1 Starting in 2005, the accounting and reporting of the BASF Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The previous year’s figures have been restated in accordance with IFRS. The figures for the years up to and including 2003 were prepared according to German GAAP.

2 In the second quarter of 2008, we conducted a two-for-one stock split. The previous years’ figures for earnings per share and number of shares have been adjusted accordingly.

3 Adjusted for special items and impairment of intangible assets, earnings per share were €5.73 in 2010 and €3.01 in 2009.

4 Including extraordinary income

5 Includes the change in reporting from 2009 onward of the effects of regular extensions of U.S. dollar hedging transactions

6 Before external financing of pension obligations

7 After deduction of shares earmarked for cancellation


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Sustainable development is anchored in BASF’s corporate strategy. For us, environment, health, safety and security are central elements of sustainable business management. Responsible Care combines these in the chemical industry’s initiative and is an important part of BASF’s sustainability management.

→ For more, see basf.com/sustainability

BASF is supporting the International Year of Chemistry with a host of activities

Children and young people discovering the world of chemistry in BASF Kids’ Labs. Neighbors and interested visitors learning about BASF at open houses in numerous countries. Exhibits and cooperation with schools and museums to raise interest in chemistry. These are just a few of the many examples of how BASF is supporting and participating as an official sponsor of the United Nations’ International Year of Chemistry 2011.

→ For more, see basf.com/IYC

BASF's Annual Meeting 2011: May 6, 2011
BASF's Annual Meeting 2012: April 27, 2012

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