

June 2008



Sustainable Development Shaping the Future through Chemistry

 **BASF**
The Chemical Company

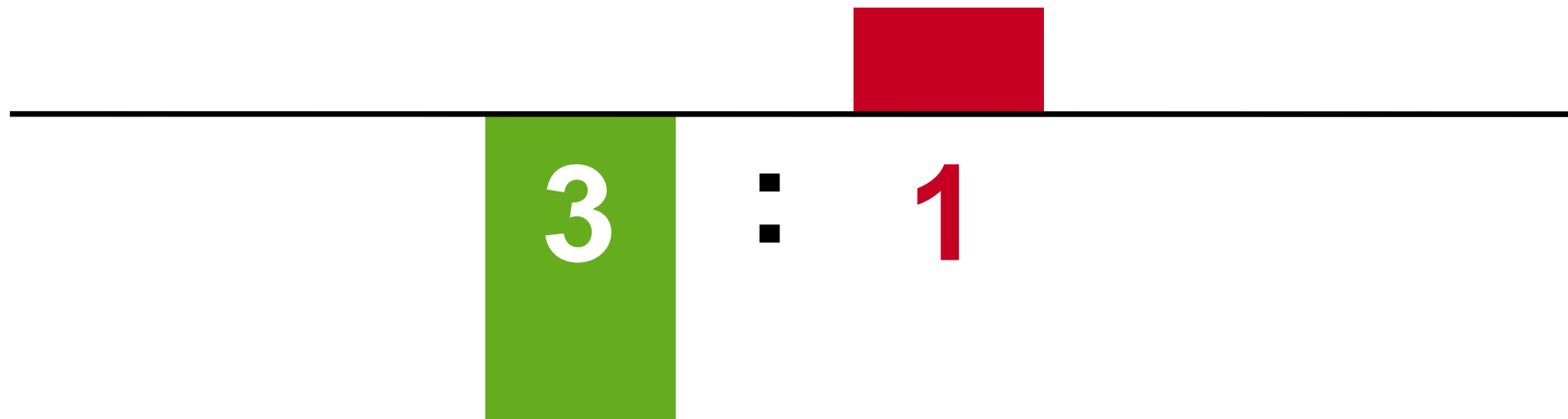
Dr. Lothar Meinzer
Director Sustainability Center




**BASF is the No.1 Chemical Company
with €58 billion sales in 2007**

3:1 for Climate Protection

With our products, technologies and system solutions, our customers and end consumers are saving energy and generating fewer greenhouse gas emissions.



 Savings of CO₂ equivalents

 Emissions of CO₂ equivalents

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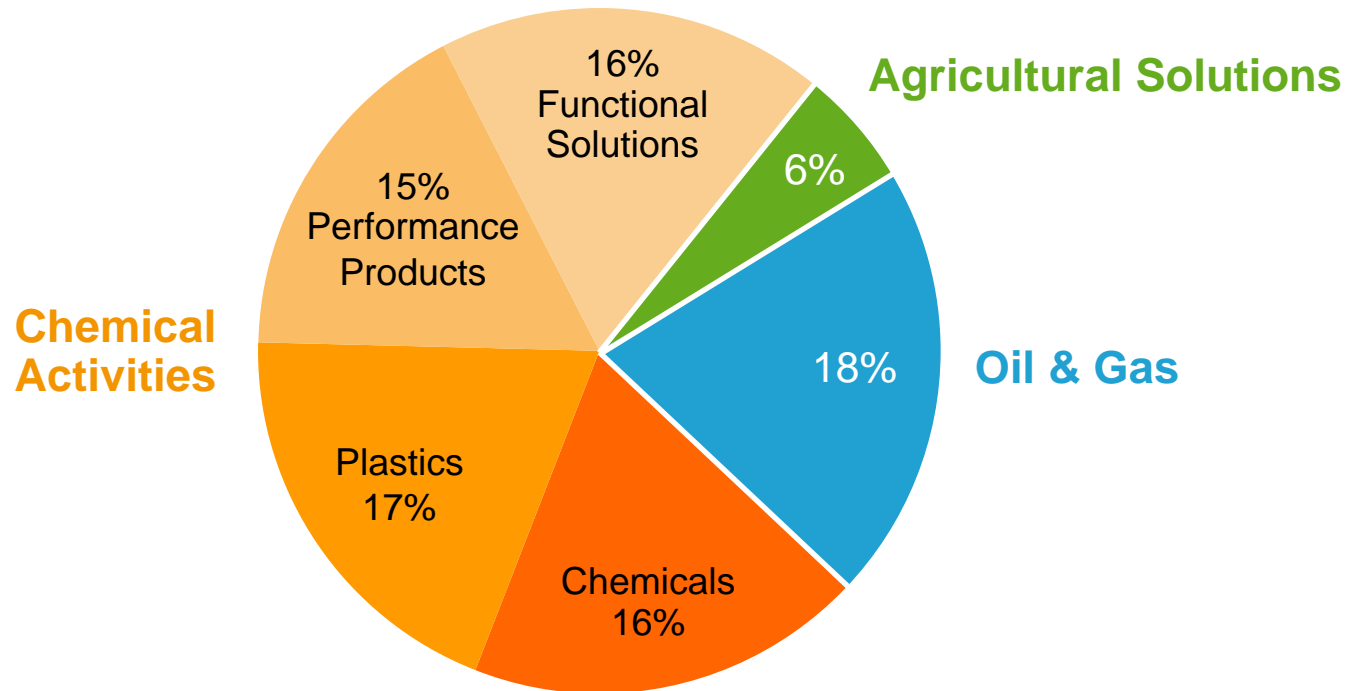
2 | Sustainable Strategy and Global Goals

3 | Carbon Balance and Energy Efficiency

4 | Innovative Solutions for the Future

BASF's balanced portfolio

Focusing on our core activities



2007 total sales: €58 billion
(including other activities 2007: €6.6 billion (12%))

Sales of 2007 have been restated according to new segment structure as of January 1, 2008

BASF sales by customer industry



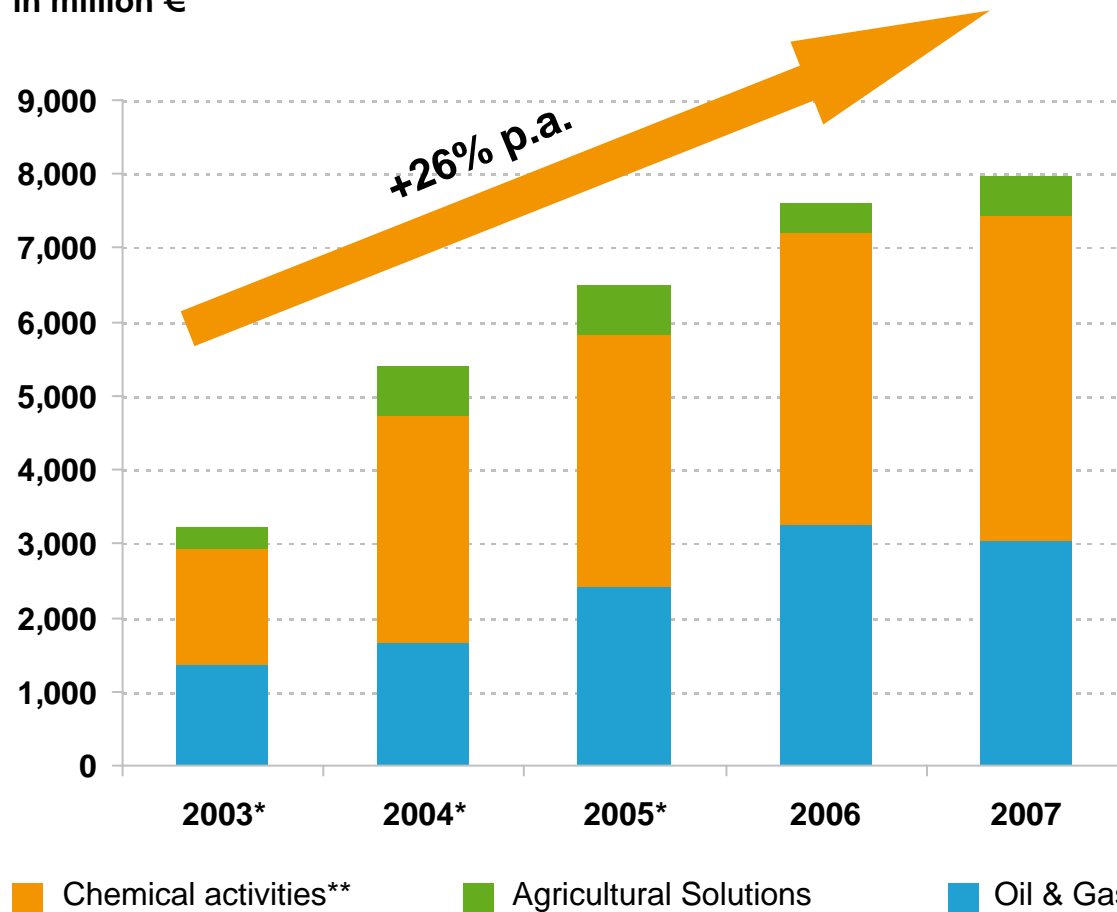
Sales by industry (direct customers) in percentage of sales*

| | | | |
|----------------------|---|--|--|
| <p>> 15 %</p> | <p>Chemical (not an industry with end users)</p> | | |
| <p>10-15 % each</p> | <p>Automotive</p> | <p>Construction Utilities</p> | |
| <p>5-10 % each</p> | <p>Agriculture</p> | <p>Oil Processing Plastics</p> | |
| <p>< 5 % each</p> | <p>Electrical & Electronics</p> | <p>Furniture Paper</p> | |

* Other industries: approximately 10-15% of total sales in 2007

Strong EBIT growth

EBIT before special items by activity
in million €



CAGR 2003-2007:

- EBIT bef. s. i. BASF Group: 26%
- EBIT bef. s. i. Oil&Gas: 22%
- EBIT bef. s. i. Chemical activities: 30%
- EBIT bef. s.i. Agric. Solutions: 16%

* 2003 based on German commercial code, 2003-2005 incl. Styrenics commodities and corporate costs
** excl. polyolefins

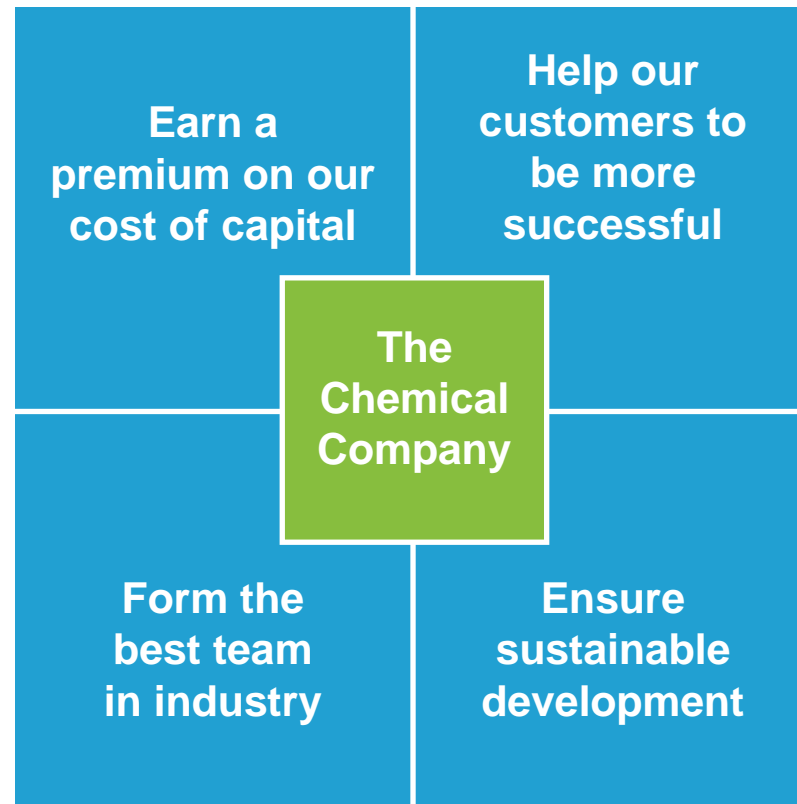
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BASF 2015 - four strategic guidelines for long-term success



Sustainable development as a factor in long-term economic success

BASF 2015: “Ensure sustainable development”



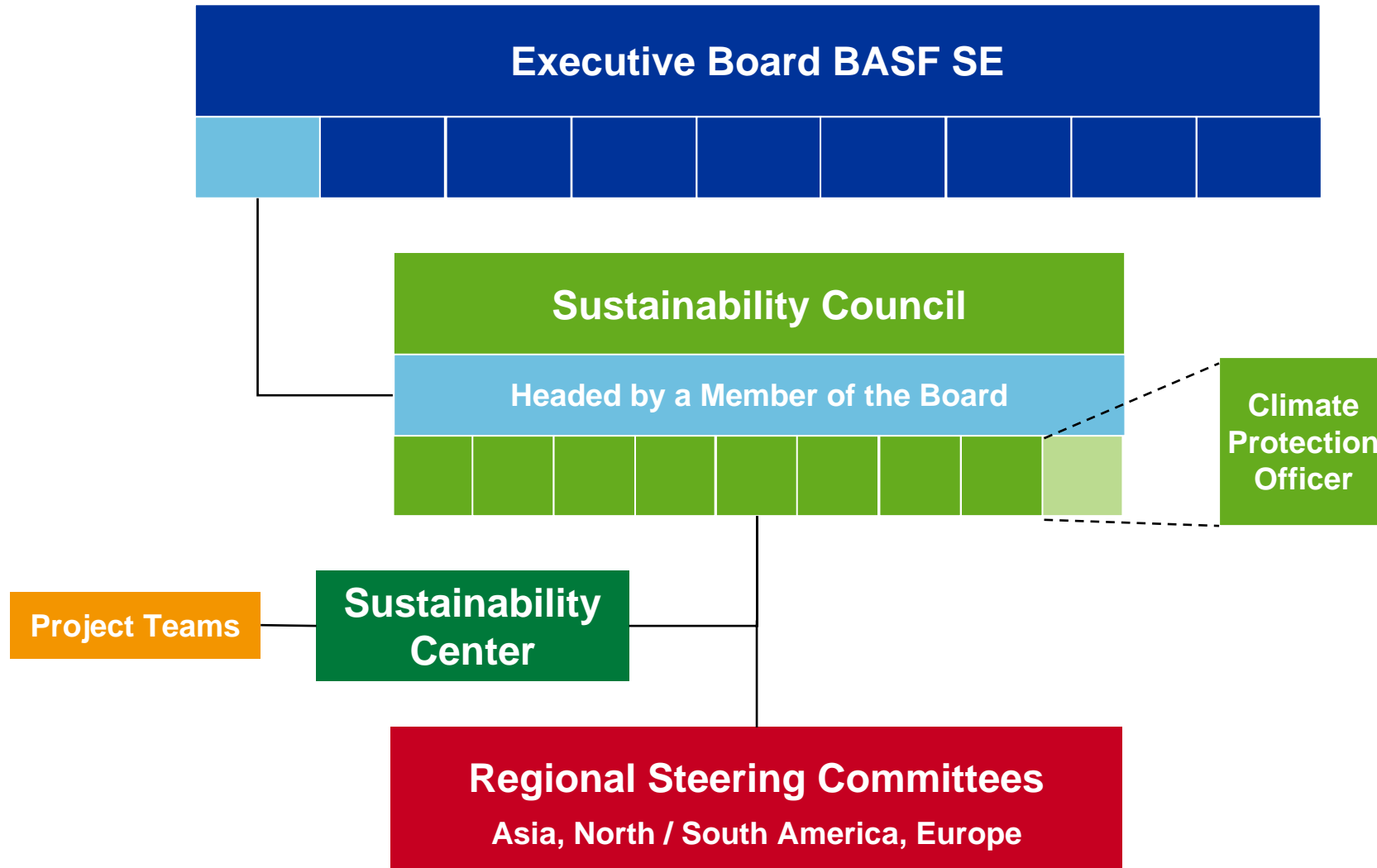
Creating value

- Integrate sustainability in customer relationships
- Develop new target groups and markets

Reducing risk

- Identify relevant sustainability issues
- Develop tailored solutions
- Reduce reputational risks
- Transparent communication

Sustainability: A Board-level responsibility



Global goals

Economic goals

Premium on cost of capital

Earn an EBIT of at least 9% based on the assets of the operating divisions

Goal 2007

Earn at least cost of capital of €3.4 billion

Status 2007

We earned a **premium of €2.9 billion** on our cost of capital

Dividend

Increase dividend per share annually or at least to remain at the previous year's level

Goal 2007

At least €3.00

Status 2007

Increase of 30% to €3.90

Expectations 2008 onwards:

- **We expect to earn at least our cost of capital in any given year.**
- **We strive to earn our cost of capital in all segments in any given year.**

Global goals

Environment

| Energy efficiency and climate protection | 2020 Goals | Status 2007 |
|--|------------|-------------|
| Reduce emissions of greenhouse gases per metric ton of sales product (baseline 2002) | - 25% | - 16.6% |
| Improve specific energy efficiency of production processes (baseline 2002) | + 25% | New goal |
| Stop the flaring of associated gas that is released during crude oil production by Wintershall (2012 goal) | 100% | New goal |

| Reduction in emissions from chemical operations | 2020 Goals | Status 2007 |
|---|------------|-------------|
| Emissions of air pollutants (baseline 2002)* | - 70% | - 40.8% |
| Emissions into water: Organic substances (baseline 2002)* | - 80% | - 65.9% |
| Nitrogen (baseline 2002)* | - 80% | - 76.3% |
| Heavy metals (baseline 2002)* | - 60% | - 44.3% |

*assuming comparable product portfolio

Global goals

Safety and product stewardship

| Distribution safety | 2020 Goal | Status 2007 |
|---|-----------|-------------|
| Reduce transportation accidents (baseline 2003) | – 70% | – 50% |

| Global REACH | 2015 Goal |
|--|-----------|
| Voluntary commitment to test all chemical substances handled or sold by BASF worldwide in quantities of more than 1 metric ton/year based on risk assessments following REACH guidelines | 100% |

Global goals

Employees

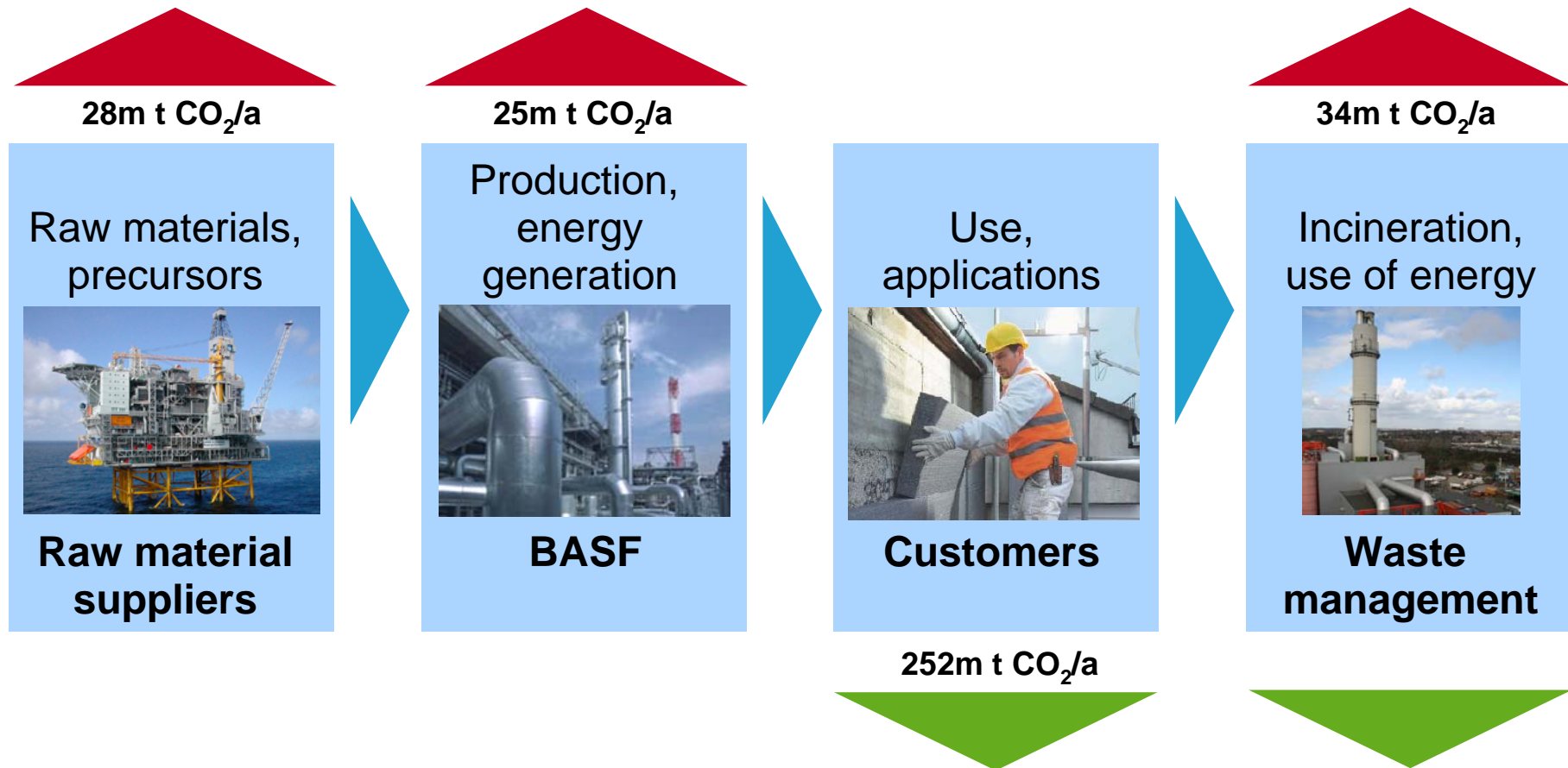
| | | |
|---|------------------------|--------------------|
| Occupational safety | 2020 Goal | Status 2007 |
| Reduce lost time accidents per million working hours (baseline 2002) | – 80% | – 33% |
| Health protection | 2020 Goal | Status 2007 |
| Reduce cases of occupational diseases (baseline 2004) | – 80% | – 45% |
| Senior executives diversity | Long-term goal | |
| Increase the proportion of international senior executives and female senior executives | | |
| Leadership feedback | 2008 Goal | |
| Mandatory leadership feedback for senior executives worldwide | 80% participation rate | |
| Employee survey | 2009 Goal | |
| Implement a global employee survey for the BASF Group | | |

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Climate protection is an integral part of our sustainability strategy

- We are the first company to present a comprehensive carbon balance.
- We have appointed a Climate Protection Officer to coordinate our climate protection activities around the world.
- We are making a contribution through new and ambitious climate protection goals.
- About €400 million, or one-third of our total R&D budget, go into energy efficiency, climate protection, saving resources, and renewable resources.

BASF's carbon balance over the product lifecycle



■ Emissions of CO₂ equivalents
■ Savings of CO₂ equivalents

BASF's carbon balance 2006

CO₂ savings vs emissions

3

■ ■

1

Emissions for raw materials, production and disposal of all BASF products

87 million t/a

Total savings of CO₂ emissions through use of BASF products over the lifecycle

140

Housing

30

Automobiles



48

Industry

34

Additional products
(e.g. nitrification inhibitors)

252 million t/a

 Emissions of CO₂ equivalents
 Savings of CO₂ equivalents

Unique ‚Verbund‘ concept

Competitive advantage based on BASF’s vertical integration approach

Verbund Locations



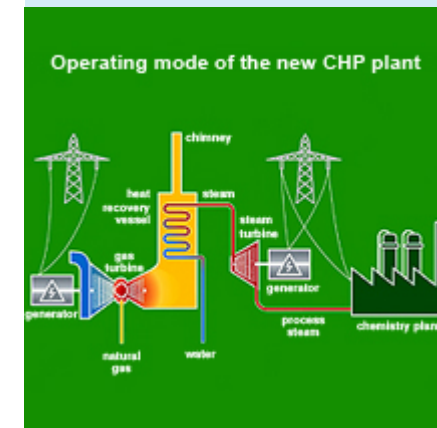
- Linking plants in a production Verbund to create efficient value-adding chains
- Efficient use of by-products and synergies in energy supply, logistics and waste management
- Significant cost and energy savings:
 - Approx. €500 million p.a. in Ludwigshafen alone
 - Generated 45% of own global steam requirements (53.8 million metric tons) from waste heat
 - Approx. 1.6 million tons oil equivalent p.a. globally

Efficient generation of energy through gas turbine plants

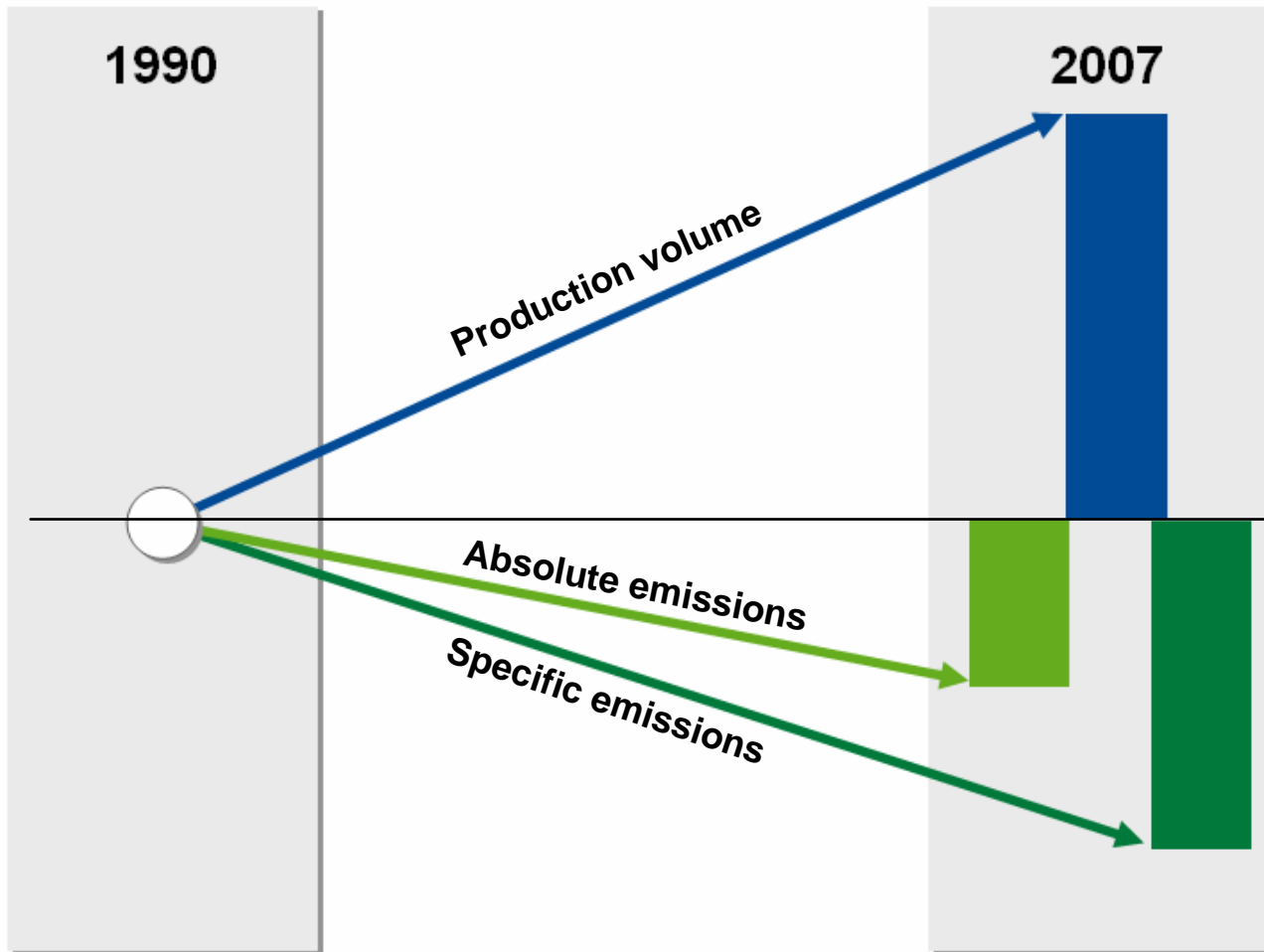
- Combined cycle heat and power plants – state of the art technology, front runner among energy conversion methods
- Two new gas turbine plants in Ludwigshafen generate 3.5 times more electricity than conventional cogeneration plants and save 500,000 metric tons of CO₂ per year

In 2007, BASF

- operated 16 cogeneration gas turbine plants worldwide, further 7 operated by partners
- generated more than 95% of its electrical power at its Ludwigshafen site – and more than 75% globally – using cogeneration technology



'Energy-Verbund' for high energy efficiency



Reduction of greenhouse gas emissions while increased production

+75%
Increase in production volumes

-31%
Absolute greenhouse gas emissions

-61%
GHG emissions per product volume

Realizing energy savings potential of buildings

Insulation of roof, walls and ceilings with Neopor®

Plaster containing Micronal® PCM for regulating temperature



Heat insulation, resistance to moisture through Styrodur®

Energy efficiency effects in 3-liter houses

- The 3-liter houses are already realized in Germany, Poland, Korea, USA, France, Italy
- Consumption for heating reduced by 80% to 30 Kwh/m²/a, corresponding to 3 liters of oil for heating or about 3 m³ of gas
- Emissions of carbon dioxides (CO₂) reduced by 80%

Lighter cars and less emissions through plastic car components



Light BASF plastic components reduce CO₂ emissions of cars

CO₂-reductions through:

- Higher share of plastics in cars to 18% from 14%
- 10% less weight = reduction of fuel consumption by 5%

Reduction of emissions in industry

Catalysts for laughing gas reduction

BASF catalyst converts laughing gas from adipic and nitric acid production into nitrogen and oxygen

Measures:

- Modernize own production plants
- Provide technology to customers
- Transfer technology to emerging economies, e.g. retrofitting plant of Chinese company (emissions reduced by yearly 10 million tons of CO₂ equivalents)



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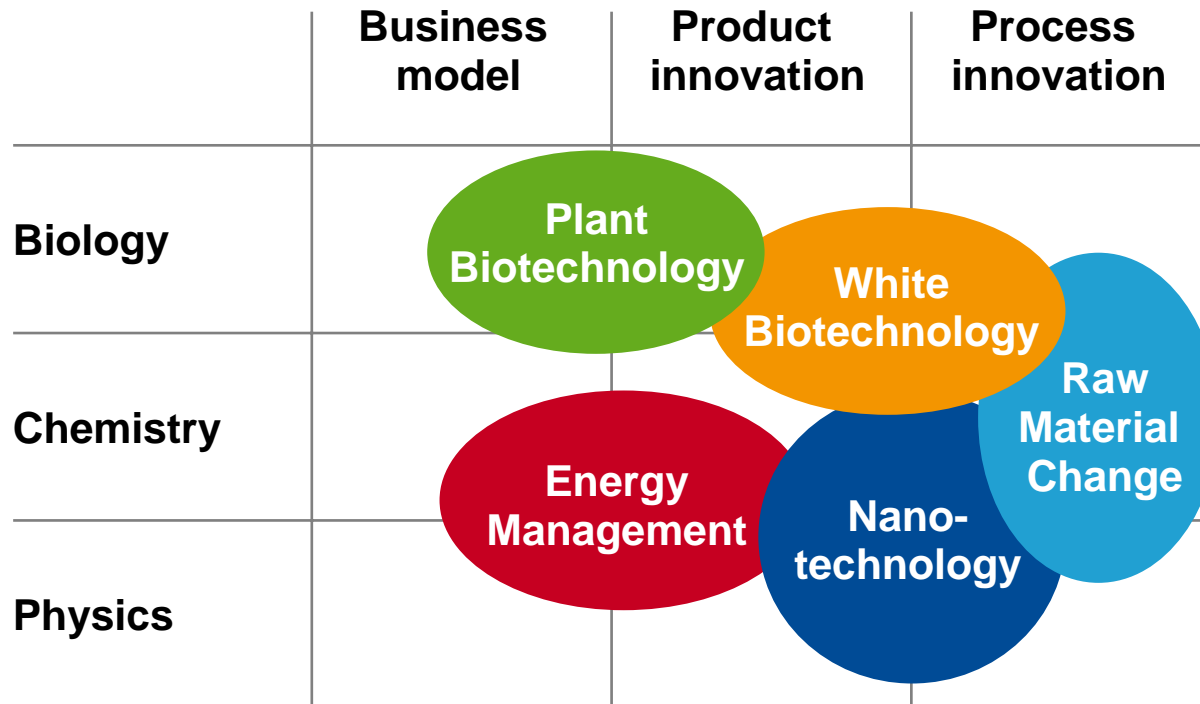
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Innovative solutions for the future

Focus on five growth clusters



- Cross sectional technologies
- Interdisciplinary and international co-operations
- R&D expenditures for growth clusters at more than €900 million from 2006 – 2008

Targeted annual sales from growth clusters

2010: €500 – €1,000 million

2015: €2,000 – €4,000 million

Growth cluster 'Nanotechnology'

Example: Organic Light-Emitting Diodes (OLEDs)



OLEDs are light-emitting diodes with a layer composed of organic compounds

- Thin, luminous and flexible
- Expected to consume only half as much electricity as conventional energy-saving lamps
- Long lifetime

Applications

- Ultra-thin flat screens
- Flexible displays
- Decorative lighting panels, e.g. luminous wallpaper



Invisible Contribution. Visible Success.

BASF – 3:1 for climate protection



The Chemical Company

Disclaimer

This presentation may contain forward-looking statements. These statements are based on current expectations, 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.

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