June 2008

Sustainable Development
Shaping the Future through Chemistry

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.
1 | The Chemical Company
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*

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 15 %</td>
<td>Chemical (not an industry with end users)</td>
</tr>
</tbody>
</table>
| 10-15 % each | Automotive       
|            | Construction     
|            | Utilities        |
| 5-10 % each | Agriculture      
|            | Oil Processing   
|            | Plastics         |
| < 5 % each | Electrical & Electronics 
|            | Furniture        
|            | Paper            |

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

EBIT before special items by activity
in million €

+26% p.a.

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
1 | The Chemical Company
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BASF 2015 - four strategic guidelines for long-term success

- Earn a premium on our cost of capital
- Help our customers to be more successful
- Form the best team in industry
- Ensure sustainable development

The Chemical Company
Sustainable development as a factor in long-term economic success

BASF 2015:
“Ensure sustainable development”

- Integrate sustainability in customer relationships
- Develop new target groups and markets
- Identify relevant sustainability issues
- Develop tailored solutions
- Reduce reputational risks
- Transparent communication
Sustainability: A Board-level responsibility

Executive Board BASF SE

Sustainability Council
Headed by a Member of the Board

Sustainability Center

Regional Steering Committees
Asia, North / South America, Europe

Climate Protection Officer

Project Teams
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

#### Economic goals

<table>
<thead>
<tr>
<th>Premium on cost of capital</th>
<th>Goal 2007</th>
<th>Status 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earn an EBIT of at least 9% based on the assets of the operating divisions</td>
<td>Earn at least cost of capital of €3.4 billion</td>
<td>We earned a <strong>premium of €2.9 billion</strong> on our cost of capital</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dividend</th>
<th>Goal 2007</th>
<th>Status 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase dividend per share annually or at least to remain at the previous year’s level</td>
<td>At least €3.00</td>
<td>Increase of 30% to €3.90</td>
</tr>
</tbody>
</table>
### Global goals

#### Environment

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

<table>
<thead>
<tr>
<th>Reduction in emissions from chemical operations</th>
<th>2020 Goals</th>
<th>Status 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions of air pollutants (baseline 2002)*</td>
<td>– 70%</td>
<td>– 40.8%</td>
</tr>
<tr>
<td>Emissions into water: Organic substances (baseline 2002)*</td>
<td>– 80%</td>
<td>– 65.9%</td>
</tr>
<tr>
<td>Nitrogen (baseline 2002)*</td>
<td>– 80%</td>
<td>– 76.3%</td>
</tr>
<tr>
<td>Heavy metals (baseline 2002)*</td>
<td>– 60%</td>
<td>– 44.3%</td>
</tr>
</tbody>
</table>

*assuming comparable product portfolio
## Global goals
Safety and product stewardship

<table>
<thead>
<tr>
<th>Distribution safety</th>
<th>2020 Goal</th>
<th>Status 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce transportation accidents (baseline 2003)</td>
<td>– 70%</td>
<td>– 50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Global REACH</th>
<th>2015 Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
<td>100%</td>
</tr>
</tbody>
</table>
## Global goals

### Employees

<table>
<thead>
<tr>
<th>Objective</th>
<th>2020 Goal</th>
<th>Status 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce lost time accidents per million working hours (baseline 2002)</td>
<td>– 80%</td>
<td>– 33%</td>
</tr>
<tr>
<td>Health protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce cases of occupational diseases (baseline 2004)</td>
<td>– 80%</td>
<td>– 45%</td>
</tr>
<tr>
<td>Senior executives diversity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase the proportion of international senior executives and female senior executives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership feedback</td>
<td>2008 Goal</td>
<td></td>
</tr>
<tr>
<td>Mandatory leadership feedback for senior executives worldwide</td>
<td>80% participation rate</td>
<td></td>
</tr>
<tr>
<td>Employee survey</td>
<td>2009 Goal</td>
<td></td>
</tr>
<tr>
<td>Implement a global employee survey for the BASF Group</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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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

- **28m t CO₂/a**
  - Raw materials, precursors
  - Raw material suppliers

- **25m t CO₂/a**
  - Production, energy generation
  - BASF

- **34m t CO₂/a**
  - Use, applications
  - Customers

- **34m t CO₂/a**
  - Incineration, use of energy
  - Waste management

**Savings of CO₂ equivalents**
- 252m t CO₂/a

**Emissions of CO₂ equivalents**
- 28m t CO₂/a
- 25m t CO₂/a
- 34m t CO₂/a
### BASF’s carbon balance 2006

**CO₂ savings vs emissions**

<table>
<thead>
<tr>
<th>Category</th>
<th>Emissions (mT/a)</th>
<th>CO₂ savings (mT/a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>140</td>
<td>87</td>
</tr>
<tr>
<td>Automobiles</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Additional products</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>252</strong></td>
</tr>
</tbody>
</table>

- *3 : 1* Emissions for raw materials, production and disposal of all BASF products.
- **87 million t/a**

**BASF’s carbon balance 2006**

CO₂ savings vs emissions

<table>
<thead>
<tr>
<th>Category</th>
<th>Emissions of CO₂ equivalents</th>
<th>Savings of CO₂ equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Red</td>
<td>Green</td>
</tr>
</tbody>
</table>

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19 million t/a

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

**252 million t/a**
Unique ’Verbund‘ concept
Competitive advantage based on BASF’s vertical integration approach

- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Production volume</th>
<th>Absolute emissions</th>
<th>Specific emissions</th>
<th>GHG emissions per product volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Reduction of greenhouse gas emissions while increased production**
  - +75% Increase in production volumes
  - -31% Absolute greenhouse gas emissions
  - -61% GHG emissions per product volume

Emissions of CO₂ equivalents
Realizing energy savings potential of buildings

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%

Insulation of roof, walls and ceilings with Neopor®

Plaster containing Micronal® PCM for regulating temperature

Heat insulation, resistance to moisture through Styrodur®

Savings of CO₂ equivalents
Lighter cars and less emissions through plastic car components

Light BASF plastic components reduce CO$_2$ emissions of cars

CO$_2$-reductions through:

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

Bumper stiffener

Savings of CO$_2$ equivalents
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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## Innovative solutions for the future
Focus on five growth clusters

<table>
<thead>
<tr>
<th>Technology</th>
<th>Business Model</th>
<th>Product Innovation</th>
<th>Process Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biology</td>
<td></td>
<td>Plant Biotechnology</td>
<td></td>
</tr>
<tr>
<td>Chemistry</td>
<td></td>
<td>White Biotechnology</td>
<td></td>
</tr>
<tr>
<td>Physics</td>
<td></td>
<td>Energy Management</td>
<td>Raw Material Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nano-technology</td>
</tr>
</tbody>
</table>

- 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

Source: VCI campaign
BASF – 3:1 for climate protection
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