



**Dr. Kurt Bock**  
Chairman  
of the Board of  
Executive Directors

Nomura  
Global Chemical  
Industry Leaders  
Conference  
Rome  
March 23, 2012

 **BASF**  
The Chemical Company

**We add value as *one* company**

# Forward-looking statements

*This presentation includes forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realized from the proposals described herein. This presentation contains a number of forward-looking statements including, in particular, statements about future events, future financial performance, plans, strategies, expectations, prospects, competitive environment, regulation and supply and demand. BASF has based these forward-looking statements on its views with respect to future events and financial performance. Actual financial performance of the entities described herein could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated. Given these uncertainties, readers should not put undue reliance on any forward-looking statements.*

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# **Business review**

**BASF Today**

**Trends**

**Purpose and strategic principles**

**Targets**

**Strategic levers**

**Roadmap 2020**

# Record year 2011



Business performance	FY'11	vs. FY'10
▪ Sales	€73.5 billion	+15%
▪ EBITDA	€12.0 billion	+8%
▪ EBIT before special items	€8.4 billion	+4%
▪ EBIT	€8.6 billion	+11%
▪ Net income	€6.2 billion	+36%
▪ Reported EPS	€6.74	+36%
▪ Adjusted EPS	€6.26	+9%
▪ Operating cash flow	€7.1 billion	+10%

## Sales development




Period	Volumes	Prices	Portfolio	Currencies
FY'11 vs. FY'10	0%	↑ 12%	↑ 5%	↓ (2)%

# Major achievements in 2011


## Investments

- Start-up of Nanjing expansion 
- Commissioning of Nord Stream and the OPAL pipeline 

## Portfolio management

- Completion of Cognis integration 
- Start of business of Styrolution JV with Ineos 
- Divestiture of K+S shares and agreement to sell fertilizer assets (Antwerp) 

## Operational excellence

- Completion of NEXT program – annual earnings contribution of more than €1 billion as of 2012 

# Outlook 2012

## Expectations for global economy

	2011	Forecast 2012
<b>GDP</b>	2.7%	2.7%
<b>Chemicals (excl. Pharma)</b>	4.8%	4.1%
<b>Industrial production</b>	4.7%	4.1%
<b>US\$ / Euro</b>	1.39	1.30
<b>Oil price (US\$ / bbl)</b>	111	110

# Outlook 2012 by region

## Chemical production (excl. pharma)

	2011	Forecast 2012
<b>World</b>	4.8%	4.1%
<b>EU-27</b>	1.6%	0.8%
<b>USA</b>	2.1%	2.2%
<b>Asia (excl. Japan)</b>	11.1%	8.0%
<b>Japan</b>	-3.1%	3.4%
<b>South America</b>	4.7%	3.9%

# Outlook BASF Group 2012



- BASF Group aims to exceed the record levels of sales and EBIT before special items achieved in 2011.
- In H1 2012, BASF will most likely not achieve the exceptionally high results of the comparable period in 2011. However, we aim to outperform H2 2011.
- More specifically, we plan to increase sales and earnings in all our business segments with the exception of the segment Chemicals.
- In 2012, BASF will strive to earn again a high premium on cost of capital.



# Business review

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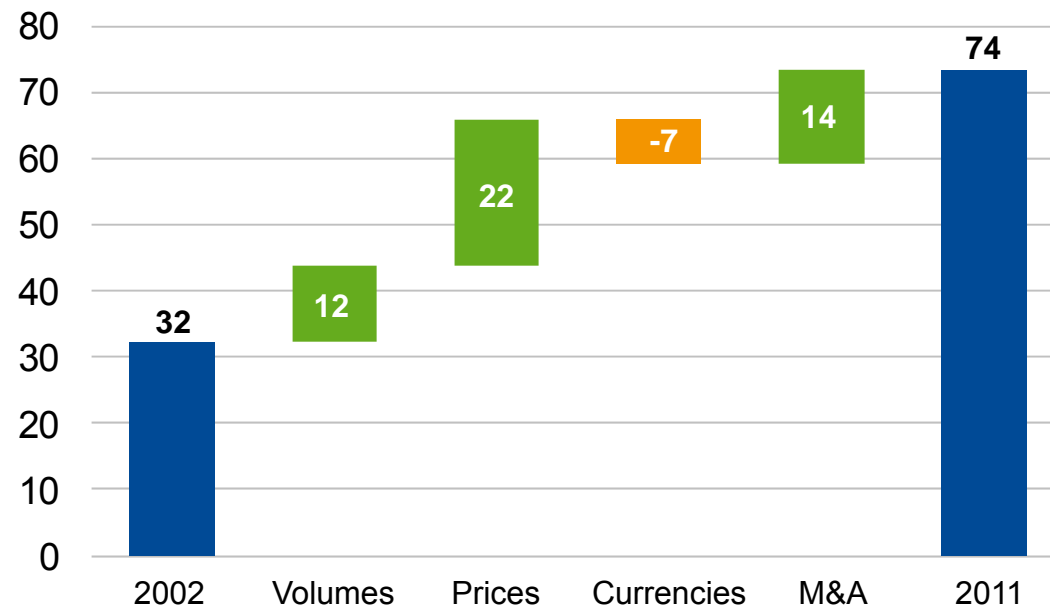
Roadmap 2020

# Outperformed global chemical production by >3 percentage points p.a.



## Sales to third parties

in billion €



## 2002 – 2011

BASF total growth 9.6% p.a.

BASF volumes + M&A 6.8% p.a.

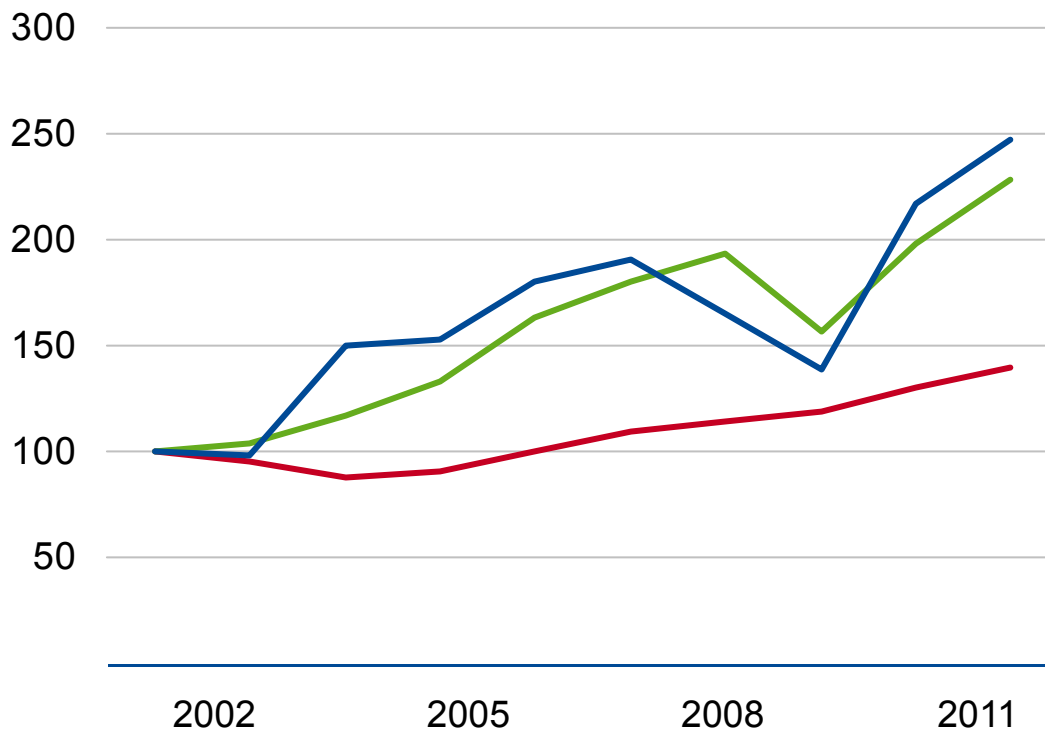
BASF volumes 3.5% p.a.

*Global chemical production* 3.6% p.a.

# Strong focus on operational excellence

## BASF Group 2002–2011

Index



## CAGR 2002 – 2011

10 %

EBITDA

10 %

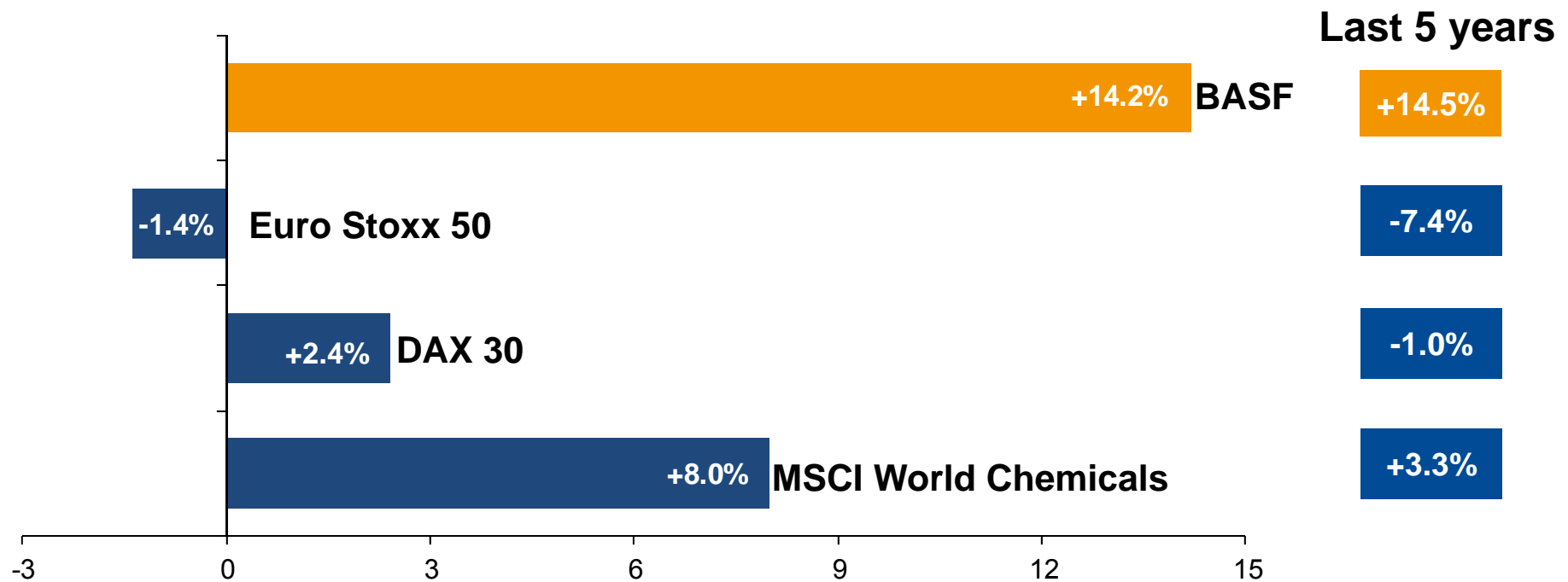
Sales

4 %

Fixed costs

# Delivering consistent, long-term value

**10-year performance** (February 2002 – January 2012)  
(average annual performance with dividends reinvested)



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# Demographic challenges set the stage for the future of the chemical industry

## Nine billion people in **2050** but only one earth



Resources, Environment  
& Climate



Food & Nutrition



Quality of Life

## Chemistry as enabler

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# Our purpose

**We create chemistry  
for a sustainable future.**





# Our strategic principles



We add value  
as one company.



We drive  
sustainable solutions.



We innovate to make  
our customers more  
successful.



We form  
the best team.

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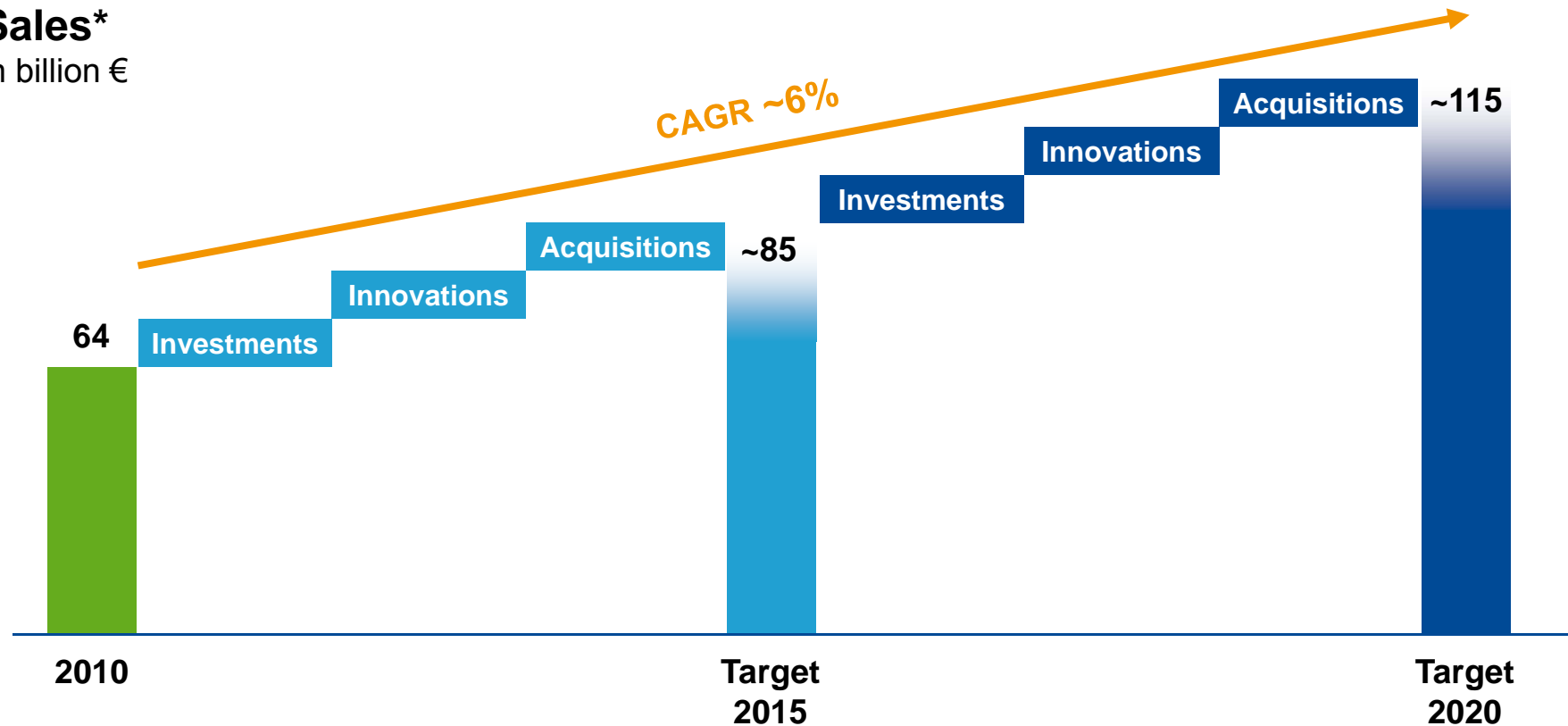
**Strategic levers**

**Roadmap 2020**

# Striving for strong profitable growth

## Medium- and long-term sales target

**Sales\***  
in billion €



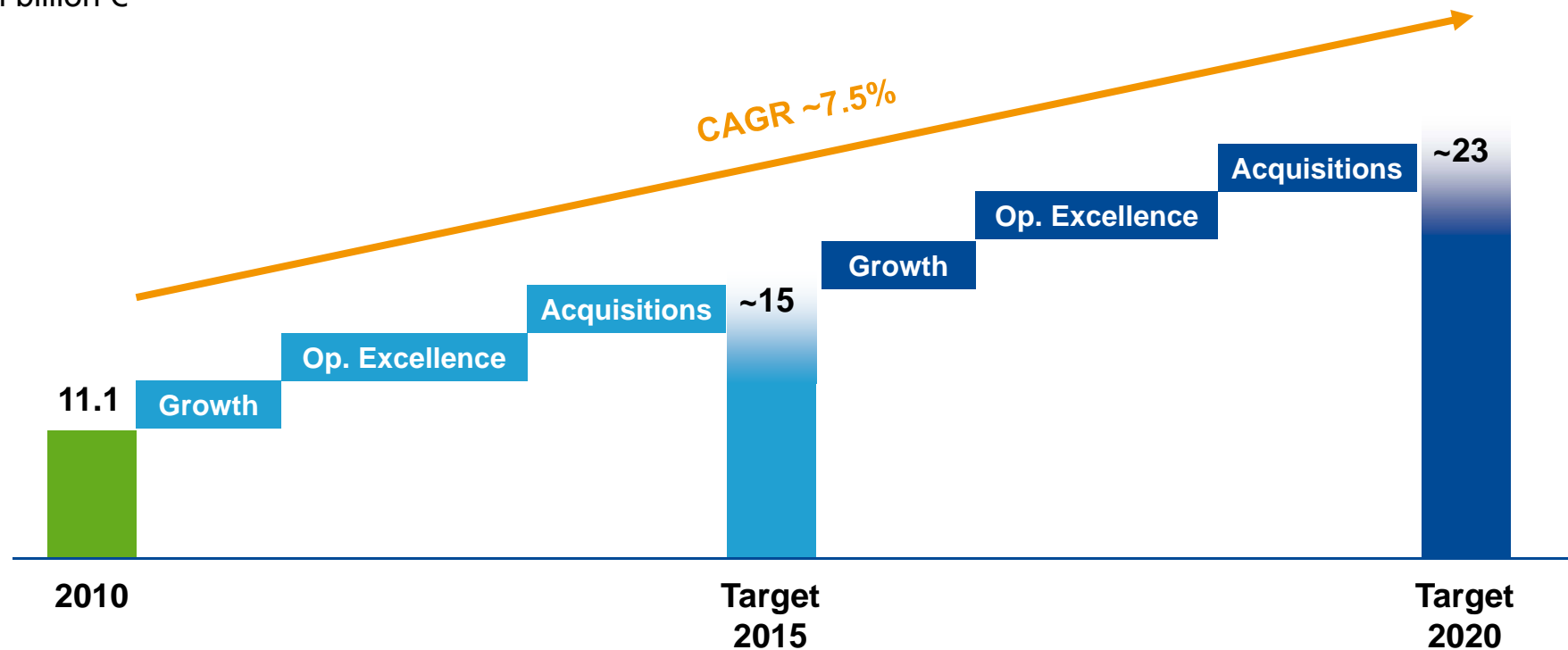
**We will outperform chemical production by 2 percentage points p.a.**

\* Potential impact of IFRS changes not included

# Striving for strong profitable growth

## Doubling EBITDA by 2020

**EBITDA\***  
in billion €



\* Assumptions 2010-2020: Exchange rate \$/€ Ø 1.40, Oil price Ø \$110/bbl

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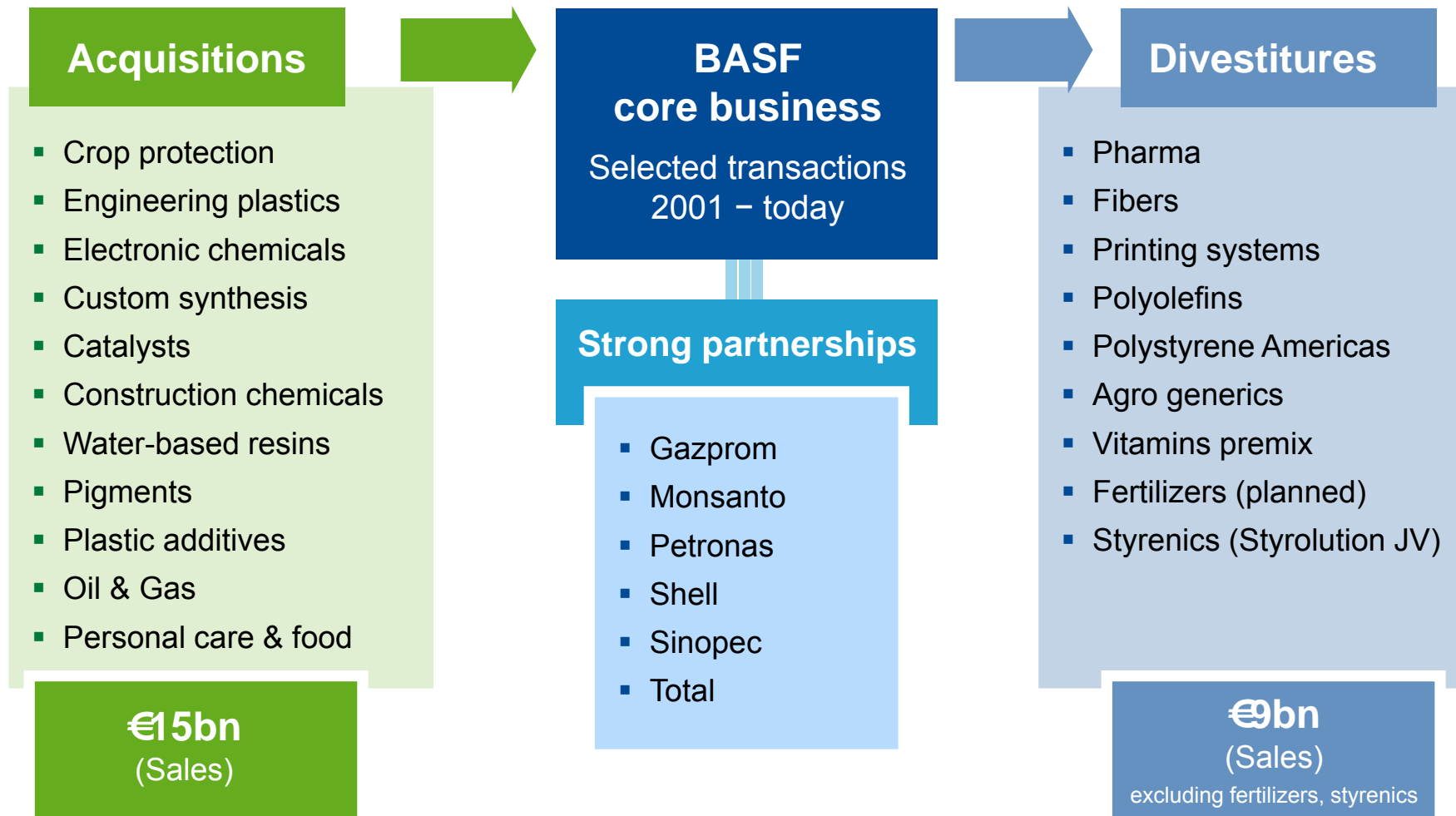
Targets

## **Strategic levers**

- Portfolio development
- Market approach
- Innovations for a sustainable future
- Investments
- Acquisitions
- Operational excellence

Roadmap 2020

# Portfolio development towards more market driven and innovative businesses



# Moving downstream towards customer industries



\* Agriculture, Construction, Consumer Goods, Health & Nutrition, Electronics, Energy & Resources, Transportation  
\*\* Sales excluding Oil & Gas



# Building on our cross-divisional customer industry approach

**BASF sales by first customer industry\***

**Consumer goods**

> 15 %

**Transportation**

> 15 %

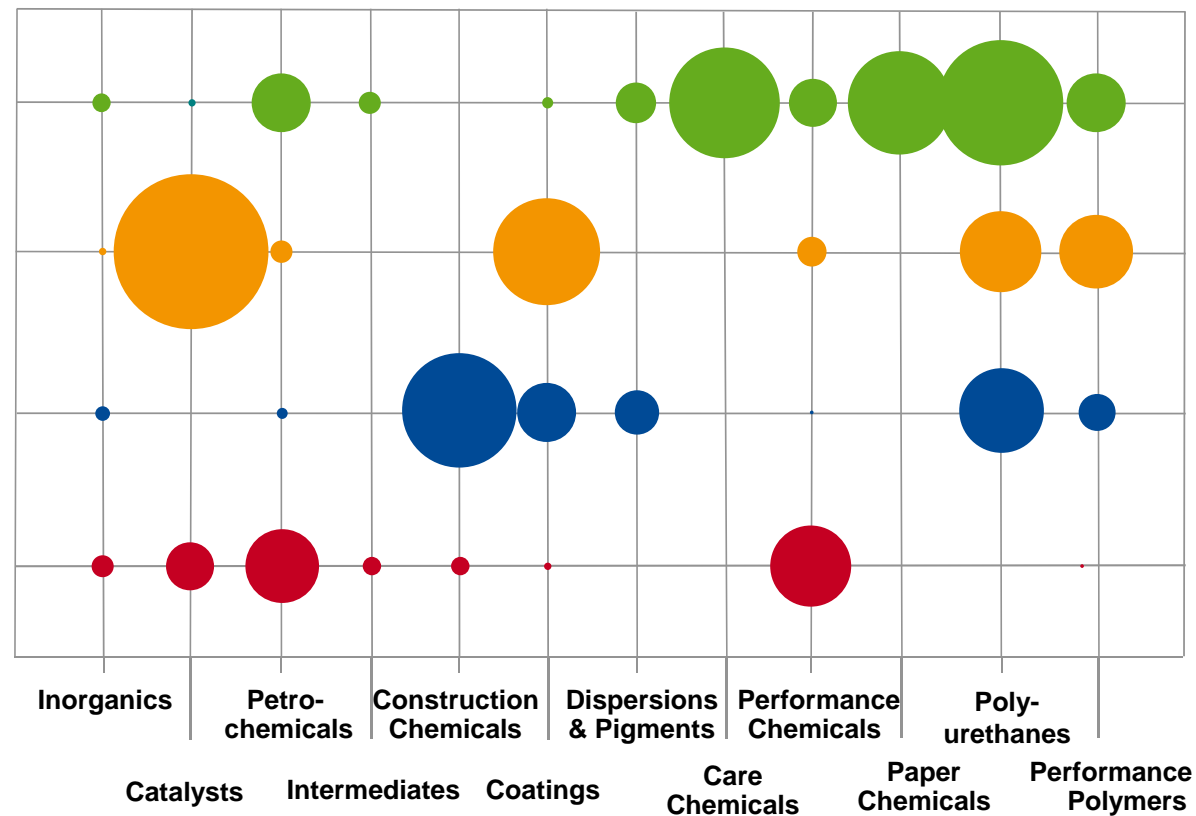
**Construction**

< 10 %

**Energy & Resources**

< 10 %

**Bubble Size: BASF divisional sales by first customer industry (2010)\*\***

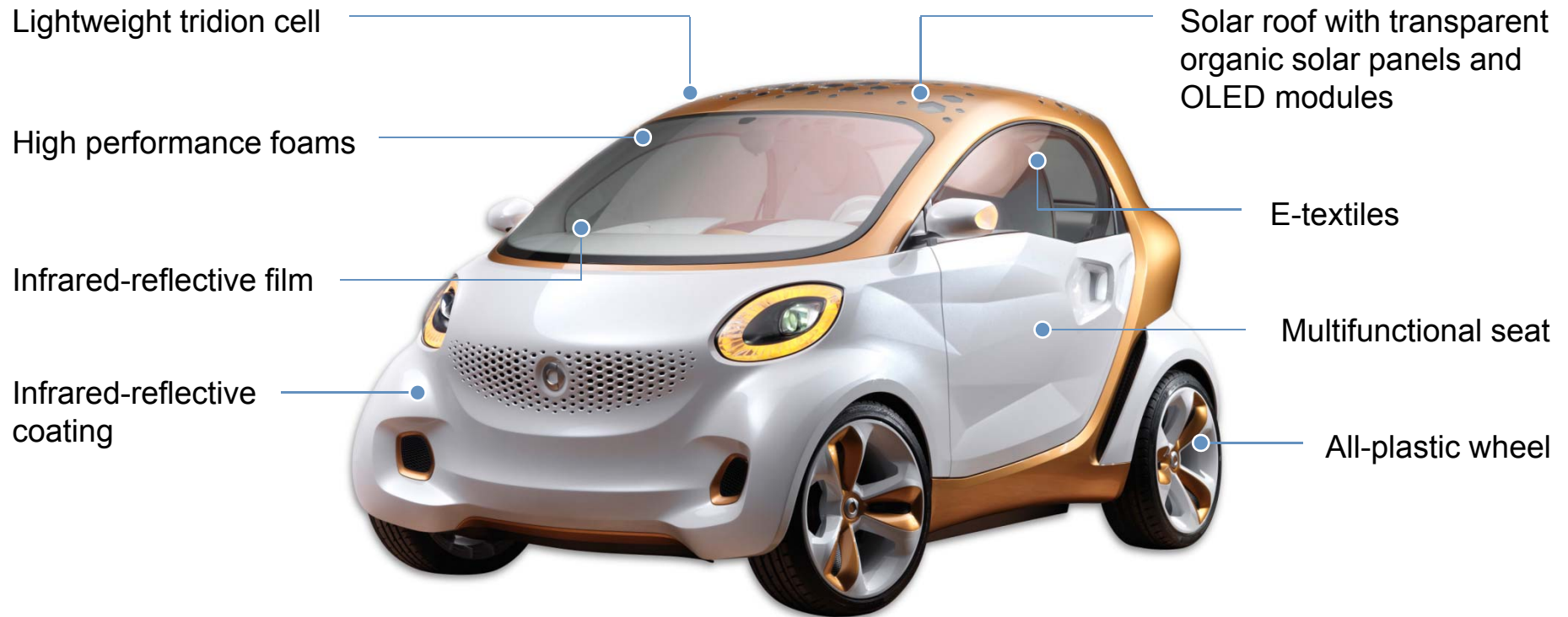


\* Excluding Oil & Gas and Other

\*\* Excluding Agricultural Solutions, Health & Nutrition, Oil & Gas and Other

# Combining cross-divisional technology competencies with customer know-how

## Smart *forvision* – Joint concept car of Daimler and BASF



# Growth field: Batteries for electromobility

## Business potential 2020

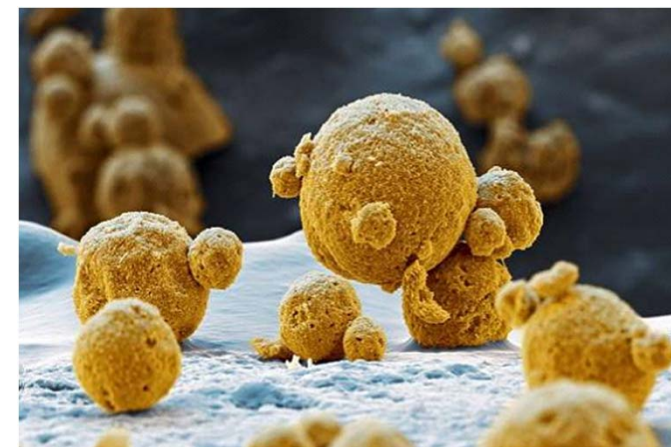
- Market size: > €20 billion
- Sales potential for BASF: > €500 million

## Existing activities

- Chemicals & materials for lithium-ion batteries
- Work on battery concepts for Generation IV
- Intensive collaboration with universities & industry partners

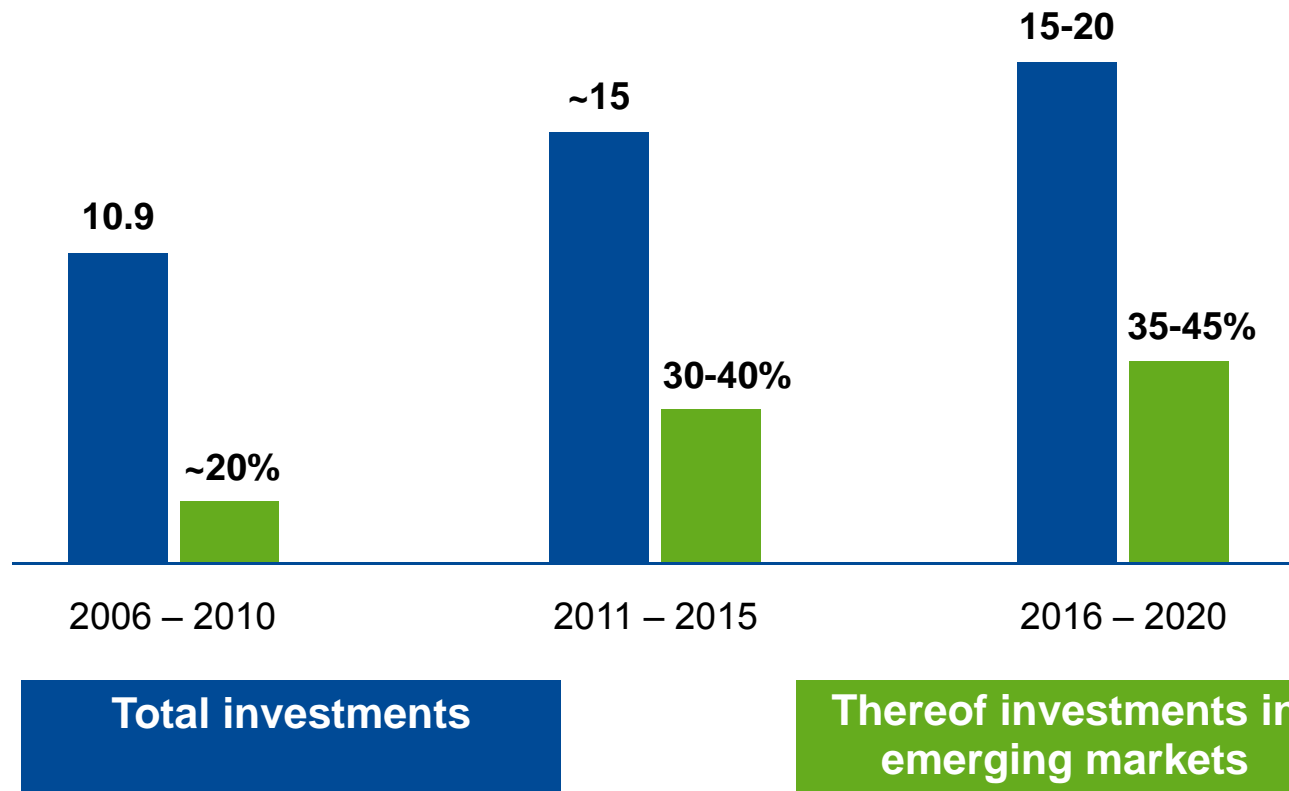
## Targets

- Position BASF as a system supplier for cell manufacturers
- Utilize technology and business synergies
- Expand electrolyte activities



# Investments will boost future organic growth

## Future investments in € billion



# Major investment projects



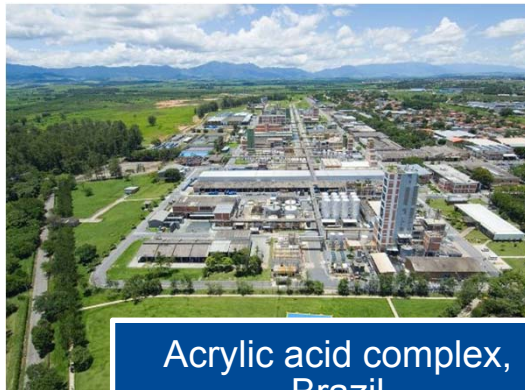
MDI plant Chongqing,  
China



Expansion Verbund site  
Nanjing, China\*



Expansion joint venture  
activities in Malaysia\*



Acrylic acid complex,  
Brazil



Expansion oil & gas  
activities



TDI plant Ludwigshafen,  
Germany

# Acquisitions will contribute to profitable growth in the future

## We want to acquire businesses which ...

- Generate profitable growth above the industry average
  - Are innovation-driven
  - Offer a special value proposition to customers
  - Reduce earnings cyclicity
- Provide a minimum return on investment of 8% after tax
  - Are EPS accretive by year three at the latest

### Strategic acquisition criteria

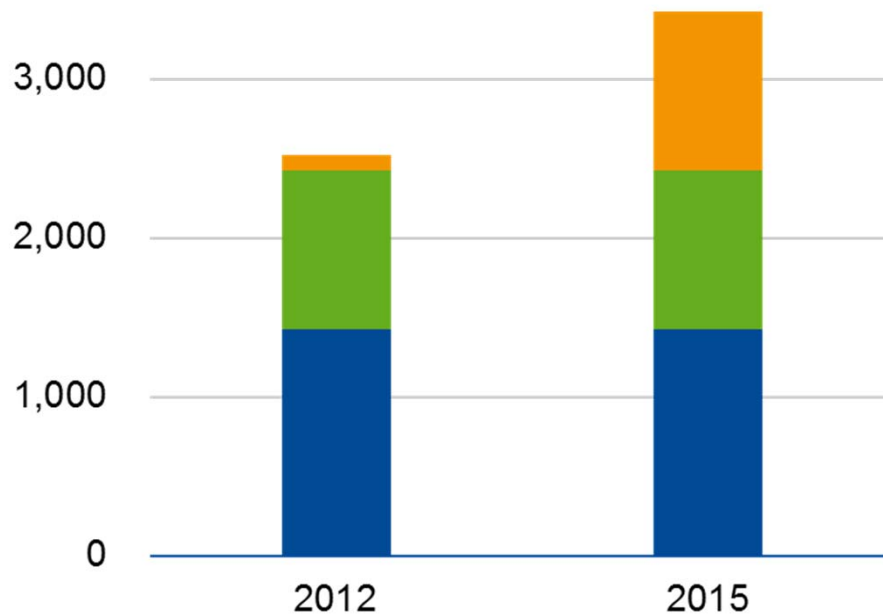
### Financial acquisition criteria

# New operational excellence program

## STEP: Earnings contribution ~€1 billion

### Annual earnings contribution

in € million



Former cost saving programs

NEXT

STEP

### NEXT Program

- Annual earnings contribution of €1 billion will be achieved in 2012
- Achieved by end 2011: >€ 800 million

### Strategic Excellence Program 'STEP'

- Project timeline: 2012–2015
- Measures to optimize processes and structures in all regions, e.g.
  - manufacturing, maintenance
  - supply chain
  - engineering, best cost country sourcing (CapEx)
- Fixed cost savings and margin improvements
- One-time costs & investments: ~€1 billion
- Targeted annual earnings contribution: ~€1 billion by end of 2015

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# Fit for 2012 and beyond

- We add value as “One company”
- Continued top and bottom line growth with key focus on emerging markets
- Expansion of portfolio downstream towards functionalized materials and solutions
- Strong focus on sustainability and innovation
- Commitment to deliver long-term shareholder value

# Key financial targets 2015 / 2020

	Growth targets	Profitability targets
	<ul style="list-style-type: none"><li>■ Grow at least 2 percentage points above chemical production</li></ul>	<ul style="list-style-type: none"><li>■ Earn a premium on cost of capital of at least €2.5 billion on average p.a.</li></ul>
2015	<ul style="list-style-type: none"><li>■ Sales ~€85 billion</li></ul>	<ul style="list-style-type: none"><li>■ EBITDA ~€15 billion</li><li>■ EPS ~€7.50</li></ul>
2020	<ul style="list-style-type: none"><li>■ Sales ~€115 billion</li></ul>	<ul style="list-style-type: none"><li>■ Double EBITDA to ~€23 billion (compared with 2010)</li></ul>



The Chemical Company