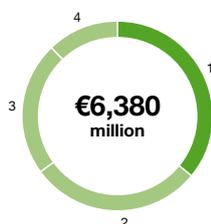


In this favorable market environment, we posted a considerable increase in our income from operations.

We expect our sales to grow significantly once more in 2012. This growth will be driven by the ongoing positive developments in the automotive and chemical industries as well as rising prices for base and precious metals. Our programs to improve operational excellence will continue to contribute to cost reduction and greater efficiency in 2012. We expect earnings to significantly exceed the previous year's level.

Catalysts – Sales by region (Location of customer)

1	Europe	36%
2	North America	29%
3	Asia Pacific	23%
4	South America, Africa, Middle East	12%



Construction Chemicals

Compared with the previous year, we increased our sales to third parties in 2011 to €2,181 million (2010: €2,121 million). Negative currency effects were more than offset by higher volumes (volumes 4%, prices 1%, currencies –2%).

Our business performance varied considerably by region: In China, India, Russia and Saudi Arabia, our sales rose significantly once again thanks to strong demand. Although the market environment in North America remained challenging, we also improved our sales in that market in local-currency terms. Furthermore, our sales grew in the important European markets of France and Germany, as well as in Northern Europe, as a result of the recovery in the construction sector. In contrast, we experienced a sharp drop in sales in Southern Europe; in Spain in particular, the economic conditions in the construction industry worsened again. The tense political situation in North Africa negatively impacted our business in this region.

Income from operations was below the level of the previous year due primarily to the negative development in the construction industry in Spain and North Africa. Furthermore, the market recovery we had forecast in North America failed to materialize. We were therefore only partially able to pass on higher raw material costs to our customers. In Spain, we adapted our sales structures to the weak market environment; the resulting expenses also had a negative impact on earnings.

We expect the following developments in our important markets in 2012: In Northern and Western Europe as well as Japan, growth will continue in the construction sector, while building activity in China will continue to increase at a strong pace. Furthermore, we expect substantial growth in South America, Turkey and Saudi Arabia. Thanks to this economic recovery and based on measures for improving our efficiency, we aim to significantly improve sales and earnings in 2012.

Construction Chemicals – Sales by region (Location of customer)

1	Europe	45%
2	North America	22%
3	Asia Pacific	22%
4	South America, Africa, Middle East	11%



Catalysts

- Sales considerably exceed prior-year level thanks to strong business with automotive and chemical catalysts and higher precious metal prices
- Significant improvement in earnings in a favorable market environment
- **Outlook 2012:** significant sales and earnings growth from ongoing positive development in automotive and chemical industries and higher prices for base and precious metals

Construction Chemicals

- Sales increase due to greater volumes
- Earnings below previous year's level primarily as a result of negative development of construction sector in Spain and North Africa
- **Outlook 2012:** significant sales and earnings increase thanks to economic recovery in key markets as well as to measures for improving our efficiency

Coatings

In 2011, we increased our sales to third parties year-on-year by €223 million to €2,800 million (volumes 6%, prices 4%, currencies -1%). Demand for our products grew in all business areas. The favorable market environment in the global automotive industry, higher demand in South America and our strong business with coatings solutions in Russia made a significant contribution to sales growth.

Our business with automotive coatings was very successful thanks to growing demand from our customers in Europe and Asia, especially in China. Sales in the automotive refinish coatings business also grew thanks to new customers and price increases, but the business environment remained competitive. We were able to achieve a significant increase in sales volumes of coatings for transportation and agricultural machinery. In Europe, we benefited from strong demand for coil coatings from the Russian steel industry. Thanks to new customers, especially in emerging markets, sales volumes of coatings for wind turbines also grew. In the decorative paints business area, sales were higher than in the previous year, particularly in South America. In this region, we not only experienced greater consumer demand, we were also able to gain additional market share with product innovations and targeted advertising measures.

Income from operations was below the level of 2010 owing to special charges which resulted from impairments in connection with the planned sale of our business with Relius® brand decorative paints. Production sites in Memmingen, Germany, and Deurne, Netherlands, are primarily affected by this divestiture. Adjusted for these special charges, earnings exceeded the very good level of the previous year.

Although we expanded our operations, we managed to limit the increase in fixed costs thanks to restructuring projects. The sharp increase in raw material costs could not be fully passed on to the market.

In 2012, we expect demand for decorative paints in South America to stabilize at a high level and demand from the global automotive industry to grow. The emerging markets in particular will be a driving force in this regard. We therefore expect sales to increase in comparison with the 2011 level. After the high special charges in the previous year, earnings are expected to significantly increase in 2012. We will strengthen our presence in the growth markets of Asia and Eastern Europe – particularly in China, India and Russia – and together with our customers, we will continue to grow in these markets.

Coatings – Sales by region
(Location of customer)

1	Europe	42%
2	North America	13%
3	Asia Pacific	17%
4	South America, Africa, Middle East	28%



Coatings

- Sales improve in 2011 thanks in part to favorable market conditions for the global automotive industry as well as increased demand in South America
- Special charges arise from write-downs related to the planned sale of our business with Relius brand decorative paints; earnings therefore below previous year's level

- **Outlook 2012:** sales to grow thanks in part to growing demand from the global automotive industry; significant earnings improvement after high special charges in 2011

Agricultural Solutions

Innovations for the health of crops

The Agricultural Solutions segment consists of the Crop Protection division. We develop and produce innovative active ingredients and formulations for the improvement of crop health and yields, and market them worldwide. BASF Plant Science conducts research in the field of plant biotechnology.

Crop Protection – Strategy

Our strategy has been developed based on long-term market trends. To feed the growing world population, we need a sustainable increase in crop yields. This is only possible with the help of innovations. In order to secure our future growth, we rely on a clear and long-term innovation strategy. We offer our customers a broad portfolio of integrated solutions, continuously invest in our active ingredients pipeline and develop improved formulations. In addition, we make targeted investments in core markets and intensify our investments in growth markets.

Moreover, we want to further strengthen our strategic partnerships with seed companies, benefiting from the technological competence of BASF Plant Science. We develop solutions together with other BASF divisions that go beyond conventional crop protection measures. With the help of the BASF Verbund,

we address important issues in agriculture, such as water management or sustainable yield optimization.

Innovation

In 2011, we increased our research and development expenditures to €412 million. This represents around 10% of sales. We make targeted investments to identify novel active ingredients at an early stage and to quickly bring to market the results of our research and development projects. Our pipeline currently has a peak sales potential of €2,800 million, which is €400 million more than in the previous year. Of this, €1,200 million relates to products that will have been launched between 2010 and 2020, including Kixor®, Initium® and Xemium®. Thanks to the continuous and successful expansion of our umbrella brand AgCelence®, we expect our active ingredient F 500® to reach a total peak sales potential of €1 billion.

Xemium is a particularly powerful and widely applicable fungicide for field and specialty crops. Sales already began in France at the end of 2011. In the course of the global market launch, starting in 2012, we plan to offer Xemium in more than 50 countries for use with over 100 different crops. We are also working on the development of two herbicide tolerance projects

Products, customers and applications

Segment	Agricultural Solutions				
Indications and sectors	Fungicides	Herbicides	Insecticides	Seed treatment	Pest control
Application	Protecting crops from harmful fungal attacks; improving plant health	Reduction of nutrient and water deprivation caused by weeds	Combating insect pests in agriculture	Protecting seeds and young plants from fungal diseases and harmful insects	Non-agricultural applications: public health, professional pest control, landscape maintenance
Product examples	Products for fungicidal applications: boscalid, F 500, Xemium Products for plant health: AgCelence (umbrella brand)	Kixor, imidazoline, imidazolinone, pendimethalin	Fipronil, alpha-cypermethrin, teflubenzuron	Standak Top	Termidor to protect against termite infestation

Sales – Agricultural Solutions (million €)

2011	4,165	
2010	4,033	
2009	3,646	

Strategy and products

- Clear and long-term innovation strategy secures future growth
- Targeted investments in core markets and growth markets
- Our products: fungicides, herbicides, insecticides, seed treatment, crop health products and applications in the non-crop sector

Blockbuster fungicide Xemium

An important component of BASF's fungicide portfolio

Value for BASF

>€200 million
total peak sales potential

Value for our customers

3x
better performance
compared with
conventional fungicides

Value for BASF Xemium is an important addition to our fungicide portfolio and further strengthens our leading position in the market for carboxamide fungicides. We aim for a peak sales potential of more than €200 million with Xemium.

Value for our customers Xemium outperforms conventional fungicides in three ways: It remains effective longer, can be used more flexibly and disperses extraordinarily well within the plant. For the farmer, this means higher crop yields and improved quality.

and three additional active ingredients, as well as on the establishment of our new Functional Crop Care business area. Here, we will develop solutions in resource and stress management in order to help protect the environment and improve crop yield.

Marketing and customer relations

Innovative, high-value products and services as well as strong local expertise are key to making our collaboration with customers successful.

We see major growth potential in Asia, particularly in China and India. We want to strengthen our support for farmers in these countries with our wide-ranging expertise in agronomic practices and technological solutions.

Acting responsibly is an integral part of BASF's business philosophy. We have invested in the development of a new method to implement sustainable solutions and agricultural practices with our customers. AgBalance® is a way of measuring sustainability in agriculture that reveals where there is room for improvement.

-> For more, see basf.com/agbalance_e and page 214

Investments

In 2011, we invested €150 million. A large portion of this amount was directly related to the creation of new production capacities for our fungicide Xemium. Furthermore, we increased capacity for the formulation of our fungicide F 500 in North America. At the Ludwigshafen site, we invested in infrastructure to improve our filling processes.

To be able to meet the high demand for our innovative crop protection products in the future, we will continue to invest in our production capacities. To do this, we plan an average investment volume of approximately €200 million annually over the next few years.

**BASF Plant Science
Plant biotechnology at BASF**

BASF Plant Science is one of the world's leading suppliers of plant biotechnology solutions for agriculture. More than 750 employees at eight sites help farmers meet the growing demand for increased agricultural productivity as well as better nutrition for people and animals. BASF invests more than €150 million per year to accomplish this. Research and development expenses, sales, earnings and all other data of BASF Plant Science are not included in the Agricultural Solutions segment; they are reported in Other.

Income from operations – Agricultural Solutions
(million €)

2011	808	
2010	749	
2009	769	

Innovation

- 2011: research and development expenditures of €412 million; 10% of sales
- Pipeline with peak sales potential of €2,800 million
- Widely applicable fungicide Xemium to be launched globally in 2012
- Creation of new business area, Functional Crop Care

Crop protection pipeline

Product	Market launch 2002-2009	Market launch 2010-2020	Total peak sales potential
F: F 500, orysastrobin, dimoxystrobin, F 500 seed treatment, boscalid, metrafenone			€1,600 million
H: tritosulfuron, topramezone			
I: chlorfenapyr, Metaflumizone			
F: Initium, Xemium, a new fungicide			€1,200 million
H: Kixor, a new herbicide			
I: a new insecticide			
HT systems, for example, Dicamba or Cultivance ¹			
Functional Crop Care			

Abbreviations: F = fungicide, H = herbicide, I = insecticide, HT = herbicide tolerance

¹ Herbicide tolerance project Cultivance is also reported in the BASF biotech pipeline.

Strategy

With a pioneering platform for gene discovery, BASF Plant Science has specialized in the development of plant characteristics such as higher yield, drought tolerance or disease resistance. Our goal is to develop crops like corn (maize), soybeans and rice that provide farmers with higher and secure yields. We also make an important contribution to sustainable agriculture because the cultivation of these plants significantly reduces the amount of land, water and energy required to produce each metric ton of harvested crops. In addition, we develop plants that can improve nutrition or be even better used as renewable raw materials. We market our products together with leading partners in the seed industry.

Starting in 2012, BASF Plant Science will concentrate even more on the main markets of North and South America. The company's headquarters will be moved to the Research Triangle Park site in Raleigh, North Carolina, in order to gain proximity to these markets.

Innovation

BASF Plant Science cooperates with a number of biotechnology companies, research institutes and universities worldwide. Together with Monsanto, we develop higher-yielding and stress-tolerant corn, soybean, canola (oil-seed rape), wheat and cotton plants. The world's first genetically engineered drought-tolerant corn was approved for cultivation in the United States in December 2011. It will be grown on selected farms in the United States starting in 2012 in order to familiarize farmers with the product.

Cargill and BASF Plant Science have been working together to develop healthy canola oil since November 2011. This oil is rich in valuable polyunsaturated omega-3 fatty acids that have been proven to offer health benefits.

All projects aimed solely at the European market will be stopped in 2012. This applies to the amylopectin potatoes Amflora, Amadea and Modena, as well as the late-blight-resistant potato, Fortuna. Approval processes that have already begun will be continued.

BASF Plant Science

- BASF's plant biotechnology company with more than 750 employees worldwide
- Pioneering gene discovery platform
- Development of crops with clear advantages for farmers, consumers and the environment
- Company headquarters to move to the Research Triangle Park site in North Carolina starting in 2012

Innovation

- Cooperation with Monsanto: first genetically modified corn approved for cultivation in the United States
- Cooperation with Cargill: development of healthy canola oil with polyunsaturated omega-3 fatty acids
- Projects aimed solely at the European market to be stopped, including amylopectin potatoes Amflora, Amadea, Modena and Fortuna