

BASF GROUP 2008

Economic data (million €)

	2008	2007	Change in %
Sales	62,304	57,951	7.5
Income from operations before depreciation and amortization (EBITDA)	9,562	10,225	(6.5)
Income from operations (EBIT) before special items	6,856	7,614	(10.0)
Income from operations (EBIT)	6,463	7,316	(11.7)
Income before taxes and minority interests	5,976	6,935	(13.8)
Net income	2,912	4,065	(28.4)
Earnings per share (€)	3.13	4.16	(24.8)
Dividend per share (€)	1.95	1.95	–
Cash provided by operating activities	5,023	5,807	(13.5)
Additions to long-term assets ¹	3,634	4,425	(17.9)
Depreciation and amortization	3,099	2,909	6.5
Return on assets (%)	13.5	16.4	–
Return on equity after tax (%)	17.0	22.4	–
Research and development expenses	1,355	1,380	(1.8)

Environment and safety

	2008	2007	Change in %	
Operating costs for environmental protection facilities	Million €	706	640	10.3
Investments in environmental protection	Million €	165	103	60.2
Emissions of greenhouse gases (CO ₂ equivalent) ²	Million metric tons/year	27.1	27.5	(1.5)
Emissions to air (air pollutants) ²	Thousand metric tons/year	36.5	50.6	(27.9)
Emissions to water ² of:				
– Organic substances	Thousand metric tons/year	20.6	31.2	(34.0)
– Nitrogen	Thousand metric tons/year	4.4	5.3	(17.0)
– Heavy Metals	Metric tons/year	27.0	34.0	(20.6)
Transportation accidents	Per 10,000 shipments	0.36	0.28	28.6
Number of environmental and safety audits		86	107	(19.6)

Employees and society

	2008	2007	Change in %	
Employees as of December 31	96,924	95,175	1.8	
Trainees as of December 31	2,171	2,160	0.5	
Personnel costs	Million €	6,364	6,648	(4.3)
Donations and sponsoring	Million €	64.7	75.3	(14.1)
Annual bonus	% of Group companies	74.7	73.7	1.4
Lost time accidents	Per million working hours	1.8	2.2	(18.2)
Occupational diseases	Per million working hours	0.31	0.22	40.9

¹ Including acquisitions

² Excluding emissions from oil and gas production

BASF'S SEGMENTS

CHEMICALS

→ PAGE 50



In the Chemicals segment, we offer products for customers in the chemical, electronic, construction, textile, automotive, pharmaceutical and agricultural industries and provide other BASF segments with chemicals for the production of higher-value products. Our portfolio ranges from basic chemicals, glues and electronic chemicals for the semiconductor and flat panel display industry, to solvents and plasticizers, as well as starting materials for detergents, plastics, textile fibers, paints, coatings and pharmaceuticals.

PLASTICS

→ PAGE 57



The Plastics segment offers a comprehensive range of products, system solutions and services. We offer a variety of engineering plastics for the automotive and electric industries as well as for use in household appliances, sport and leisure. Our styrenic foams are used as insulating materials in the construction industry and in the packaging industry. Our polyurethanes are extremely versatile: as soft foams, for example, they are to be found in car seats and mattresses, and as rigid foams they serve as highly efficient insulation in refrigerators.

PERFORMANCE PRODUCTS

→ PAGE 63



Our Performance Products help our customers improve their products and processes. They are found in countless everyday products: from diapers, paper, vitamins for food supplements and light stabilizers for sun creams to products for the oil, automotive, coatings and plastics industries and for the manufacture of leather and textiles.

FUNCTIONAL SOLUTIONS

→ PAGE 69



In the Functional Solutions segment we bundle system solutions and innovative products for specific customers and industries, in particular for the automotive and construction sectors. Our portfolio comprises automotive and industrial catalysts, automotive and industrial coatings, concrete admixtures and building products such as tile adhesives and architectural coatings.

AGRICULTURAL SOLUTIONS

→ PAGE 75



Our crop protection products guard against fungal diseases, insects and weeds, 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.

OIL & GAS

→ PAGE 80



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

KEY SEGMENT DATA

CHEMICALS

- 1 -- Inorganics: 14%
- 2 -- Petrochemicals: 62%
- 3 -- Intermediates: 24%

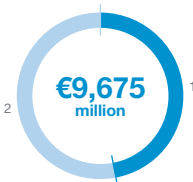


Key data Chemicals

Million €	2008	2007	Change in %
Sales	10,324	9,358	10.3
Income from operations before special items	1,421	1,889	(24.8)
Income from operations (EBIT)	1,376	1,903	(27.7)

PLASTICS

- 1 -- Performance Polymers: 47%
- 2 -- Polyurethanes: 53%



Key data Plastics

Million €	2008	2007	Change in %
Sales	9,675	9,976	(3.0)
Income from operations before special items	544	1,261	(56.9)
Income from operations (EBIT)	530	1,172	(54.8)

PERFORMANCE PRODUCTS

- 1 -- Acrylics & Dispersions: 41%
- 2 -- Care Chemicals: 34%
- 3 -- Performance Chemicals: 25%

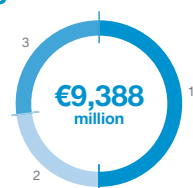


Key data Performance Products

Million €	2008	2007	Change in %
Sales	8,967	8,862	1.2
Income from operations before special items	785	712	10.3
Income from operations (EBIT)	787	681	15.6

FUNCTIONAL SOLUTIONS

- 1 -- Catalysts: 50%
- 2 -- Construction Chemicals: 23%
- 3 -- Coatings: 27%



Key data Functional Solutions

Million €	2008	2007	Change in %
Sales	9,388	9,491	(1.1)
Income from operations before special items	265	557	(52.4)
Income from operations (EBIT)	151	434	(65.2)

AGRICULTURAL SOLUTIONS

- 1 -- Crop Protection: 100%

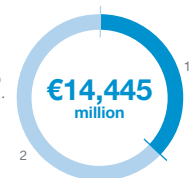


Key data Agricultural Solutions

Million €	2008	2007	Change in %
Sales	3,409	3,137	8.7
Income from operations before special items	706	526	34.2
Income from operations (EBIT)	705	516	36.6

OIL & GAS

- 1 -- Exploration & Production: 37%
- 2 -- Natural Gas Trading: 63%



Key data Oil & Gas

Million €	2008	2007	Change in %
Sales	14,445	10,517	37.3
Income from operations before special items	3,844	3,031	26.8
Income from operations (EBIT)	3,844	3,031	26.8

WE SHAPE THE FUTURE

We combine
economic success
with social
responsibility and
environmental
protection.

→ The cover shows, from left to right, our employees Godwin Mabande (Catalysts Research), Ulrich Schwind (Pressure Vessel Workshop), Talke Schroedter (Project “Diversity + Inclusion”), and Thi-Thu-Trinh Nguyen (Forum “perspectives”).

REPORT 2008



THIS IS AN INTEGRATED REPORT

It documents our economic, environmental and social performance for 2008.

VALUE FOR BASF

Sustainability is an integral part of our strategy. This report therefore combines our financial and sustainability reporting in one publication. We document our financial performance and provide solid examples of how sustainability contributes to the success of our company.

VALUE FOR SOCIETY

This report shows how we create value – for our employees, shareholders, business partners, neighbors and the public. With sustainable products, technologies and services, we contribute to finding answers to global challenges, such as climate protection, resource conservation, nutrition and demographic change. We promote education, our most important future resource, and support projects with long-term value worldwide. This is our contribution to a better future.

ABOUT THIS REPORT

CONTENT AND STRUCTURE


This integrated report combines our financial and sustainability reporting and is addressed to interested readers from all fields. The reporting of the BASF Group has continued to develop: For the second time, the integrated BASF Report replaces the individual financial and sustainability reports. Our dialogue with internal and external stakeholders as well as the positive feedback from our readers survey in 2008 confirmed our reporting approach. This year, we report once again in detail on how we combine economic success, social responsibility and environmental protection, in a single publication. The global reporting of the BASF Group is complemented by BASF In Brief 2008.

Alongside the traditional content index, the cover of this report folds out to provide an index of key topics. It classifies the content according to central themes: information on our strategy, business development, sustainability as well as factors driving our growth and our response to global trends.

TOPICS

The information on the financial position and financial performance of BASF Group is based on the requirements of International Financial Reporting Standards (IFRS), and where applicable, the German Commercial Code and German Accounting Standards (DRS).

After delisting from the NYSE, we retained, in an adjusted form, the internal control system for financial reporting based on the guidelines of the Sarbanes-Oxley Act. Internal control mechanisms ensure the reliability of the information we report. The management of BASF confirmed the effectiveness of the internal control system as well as the compliance with regulations relevant to financial reporting.

Together with our external partners, we regularly analyze and assess the topics of sustainability that are relevant to BASF. We identify topics of global interest and topics which represent risks or opportunities for the BASF Group today or in the future. The results of these processes are incorporated into this report as well as the results from our annual stakeholder survey on reporting and our dialogue with stakeholders. The sustainability reporting follows the international guidelines (G3) of the Global Reporting Initiative (GRI). It also serves as a progress report for the implementation of the ten principles of the United Nations Global Compact. The symbol  within the text of the report indicates the relevance to the principles of the U.N. Global Compact.

ADDITIONAL INFORMATION

- The Online Report 2008 with additional information and interactive service functions can be found at basf.com/report
- BASF In Brief 2008 offers a quick overview of the entire reporting year and provides concise reporting on how BASF is contributing to important issues of the future. More information can be found at basf.com/basf_in_brief
- More information on the subject of sustainability can be found at basf.com/sustainability

- More information on our matrix for sustainability topics can be found on page 28 and at basf.com/materiality
- Information on our contribution to solving global challenges can be found at basf.com/future
- A short GRI- and Global Compact-Index can be found on page 240 and comprehensive information on this subject is available at basf.com/gri_gc_e



THE GLOBAL COMPACT

Our reporting serves as a progress report on the implementation of the ten principles of the U.N. Global Compact.

DATA

All data and bases of calculation in this report are in line with international standards for financial and sustainability reporting. All corporate information is sourced from BASF documents as well as from central queries to the appropriate competence centers and regions. The reporting period is calendar year 2008.

Our data collection methods for environmental protection and safety are based on the recommendations of the European Chemical Industry Council (CEFIC). In the area of emissions and energy, we report on approximately 98% of all emissions from our worldwide production sites. The emissions of joint venture companies are included pro rata based on our stake. Information on work-related accidents is compiled worldwide at our production and administrative sites. Accidents at joint venture sites are compiled and reported in total. In the reporting year 2008, we continued to improve the data collection on environmental protection and safety. In these areas, data processing systems were optimized and the data collection frequency was increased. Unless otherwise indicated, additional information on social responsibility is based on all consolidated Group companies. All employees in the BASF Group as of December 31, 2008 are represented in the information.

To increase the relevance of this report, information available up to the editorial deadline of February 24, 2009 has been included. The report is published each year in mid-March in English and in German.

EXTERNAL AUDITING AND VALIDATION

Our reporting is audited by a third party. KPMG AG Wirtschaftsprüfungsgesellschaft has audited the BASF Group Consolidated Financial Statements, including the Management's Analysis, and has approved them free of qualification. This assurance comprises financial and non-financial information. The verification was also conducted in accordance with assurance standards for sustainability reporting, the International Standard on Assurance Engagements 3000.

The transparency of our reporting was recognized on several occasions in 2008: Based primarily on its environmental and social reporting, BASF was named as chemical sector leader in the global Dow Jones Sustainability Index (DJSI World). Our reporting on our progress in implementing the ten principles of the U.N. Global Compact earned us "Notable Communication on Progress" status in 2008. The sustainability reporting of the BASF Group has again achieved the highest application level A+ from the Global Reporting Initiative.

→ More information on emissions can be found in the chapters "Our Goals", "Climate Protection", "Energy", "Water" and "Environmental and Safety Management"

→ More information on work-related accidents can be found on page 95

→ The report of the independent auditors can be found on page 151

→ More information on the U.N. Global Compact can be found at www.globalcompact.org

→ More information on the Global Reporting Initiative can be found at www.globalreporting.org



2008

TO OUR SHAREHOLDERS

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WWW.BASF.COM **The 2008 Report on the internet**

This report is also available as a HTML version and as a PDF download on our internet site. Additional service functions include quick links to key topics and enable a tailor-made compilation of individual text sections, tables and diagrams. A new function enables the direct comparison of elements with last year's report. Through examples from the report and additional information, we also show how we are creating value – for BASF and for society.

HOW WE SHAPE THE FUTURE

We are meeting the challenges of our time. Around the world, almost 97,000 employees are helping our customers to be more successful through their creativity, commitment and performance. We combine economic success and social responsibility with environmental protection. This is our contribution to a better future for us and for coming generations.

In this report, five employees show how we create value – for BASF and for society.

01 Houses that protect the climate

CLAIRE FARRAR is project manager of the BASF low energy house in England. → [Page 7](#)

02 Electricity for the next generation

JAE HYUNG HWANG is researching affordable and simple to produce solar cells of the future. → [Page 23](#)

03 Earning trust

THERESA EGLER is one of over 80 BASF compliance officers worldwide. → [Page 127](#)

04 Harvesting under extreme conditions

FREDY MARISCAL helped to develop the successful umbrella brand AgCelence® for the Latin American crop protection market. → [Page 149](#)

05 Securing energy supplies

THEO BERGERS helped to build a radio control system for gas production platforms. → [Page 221](#)

A woman with short brown hair, wearing a grey pinstriped suit jacket and matching trousers, is sitting on a large grey rectangular block. She is smiling and has her hands clasped on top of a blue sign. The sign has white text that reads '3:1' and 'FOR CLIMATE PROTECTION*'. The background is a bright, modern interior with large windows and light-colored walls.

CLAIRE FARRAR

is project manager of the BASF
low energy house in Nottingham.

* BASF products save three times more greenhouse gas emissions than the entire amount caused by the production and disposal of all the company's products – as shown by our corporate carbon footprint.

3:1

FOR
CLIMATE PROTECTION*

VALUE FOR BASF

Success with products for climate protection



Claire Farrar on site during construction of the low energy house in Nottingham, England, inaugurated in spring 2008.

Innovation for energy efficient building

The BASF low energy house in Nottingham shows how modern construction chemicals and plastics contribute to climate protection. BASF sells, for example, 400,000 metric tons of insulation materials like Styropor® and Neopor® each year. Our corporate carbon footprint proves that BASF products save 252 million metric tons of CO₂ worldwide, in contrast to 87 million metric tons of CO₂ emissions from raw material extraction, production and disposal of all our products.

VALUE FOR SOCIETY

Energy efficient houses that protect the climate



The use of innovative products saves energy and better protects building materials: the BASF low energy house in Nottingham.

Homeowners save energy and protect the environment

BASF products and technologies help save CO₂ in many areas of life. In the BASF low energy house, modern materials like Neopor® and Elastopor® provide energy efficient insulation. The phase change material Micronal® PCM is used as an alternative to air conditioning and accordingly saves on electricity and maintenance costs. Black pigments like Paliogen®, Lumogen® or Sicopal® in roof coatings absorb only a small amount of the sun's infrared radiation and prevent dark surfaces from overheating. In this way, homeowners can save energy, protect their building materials, and at the same time reduce their maintenance costs.

01

TO OUR SHAREHOLDERS

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Dear shareholders, dear friends of BASF,

2008 was a year that brought dramatic change to the world economy and to BASF: a global financial crisis, massive downturns in economies around the world and enormous fluctuations in raw material prices. In the current year, the global recession and shrinking world chemical market will confront us with unprecedented challenges. All forecasts are subject to great uncertainty.

After a very good start to 2008, customer demand declined drastically, particularly in the fourth quarter. Overall, sales increased compared with 2007, while income from operations was below the previous year's very good level. BASF shares were also caught up in the worldwide decline on the stock markets – we are not satisfied with our stock performance. But even in difficult times, we stand by our ambitious dividend policy. We propose to pay a dividend of €1.95 per share.

We responded quickly to the tremendous downturn: Worldwide, we have reduced capacity or temporarily closed production facilities, and adjusted working hours to the new situation. I am impressed with the flexibility and commitment shown by the BASF team in these circumstances and would like to sincerely thank all of our employees. This year, more than ever before, it will be essential to work together to build trusting relationships both internally as well as with our customers, suppliers and other business partners. I am convinced that in tough times like these, the BASF team will show what it is capable of.

Our goal remains to increase value

Despite the immense challenges, the economic environment in the current year also presents new opportunities for our business. We will actively pursue them to assert our position as the world's leading chemical company. We are well equipped to do so thanks to our long-term strategy for sustained growth, our solid financing, and a portfolio that we have developed in the past years to be more robust and competitive.

We are working continually to improve BASF's position, for example with the acquisitions of the Swiss chemical company Ciba and the Norwegian oil and gas company Revus Energy. We completed the acquisition of Revus at the end of 2008. We aim to close the Ciba acquisition in the first quarter of 2009 so that we can start quickly with the integration and restructuring.



“Shaping the future requires determination. Especially in difficult times like the present.”

Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors of BASF SE

Just as high on our agenda is to be quicker, more flexible and more decisive in the face of fierce global competition. We are therefore accelerating the rigorous implementation of our restructuring and efficiency programs. From 2012 onward, we expect a positive earnings contribution of more than €1 billion annually through NEXT – our new global program to improve operational excellence and efficiency in all areas of daily business. A large portion of this amount will be achieved in 2009 and 2010.

Chemistry remains a strong motor for innovation

Despite the strong economic headwind, I firmly believe that chemistry is the motor for innovation when it comes to finding solutions for global challenges like climate protection, nutrition, water, energy, mobility, and an overall better quality of life for the growing world population. In short: BASF wants to shape the future with chemistry, especially in difficult times like the present. And to do so, we need outstanding innovations above all.

For example in new and innovative technologies, like plant biotechnology or nanotechnology, we want to open up new applications. Despite the difficult economic environment, we are therefore maintaining a high level of spending on research and development in 2009.

But outstanding innovations require more than that: They need a corporate culture that encourages unusual perspectives and creativity. Employees who approach topics from different angles advance our company and reflect the diversity of our customers and markets. In my view, it is therefore especially important that we continue to measurably increase the diversity and internationalism of BASF employees. To achieve this, we started the global project “Diversity + Inclusion” in 2008, and the first pilot projects are now being implemented.

Sustainable development

Difficult times especially show that companies which conduct their business sustainably and responsibly are more successful in the long-term. That is why sustainability is a firm part of BASF’s strategy: Long-term success is not possible unless the environment and society are treated carefully. We are therefore committed to implementing the principles of the U.N. Global Compact.

BASF received a number of awards for its sustainability management in 2008: For example, we lead the Dow Jones Sustainability Index as the best chemical company. Success like this spurs us on: We have set ourselves ambitious goals for the future that you can read more about in this report.

For my fellow Board members and me as well as for the entire BASF team, one thing is certain: Shaping the future requires determination, especially in difficult times like the present. Our highest priorities are to be a reliable partner for our customers, maintain our strong cash flow, reduce costs and continue our restructuring efforts. What is clear is that there are enormous challenges ahead of us. We are ready to face them with our full strength and with trust in your support.

Sincerely yours,



Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors of BASF SE

THE BOARD OF EXECUTIVE DIRECTORS OF BASF SE

With schoolchildren from the Ruprecht Elementary School, Ludwigshafen, Germany



As of March 3, 2009

DR. HANS-ULRICH ENGEL

49, with BASF for 21 years
Board member since March 4, 2008

- Oil & Gas
- Region Europe
- Global Procurement & Logistics

DR. KURT BOCK

Chief Financial Officer
50, with BASF for 18 years

- Catalysts
- Market & Business Development North America
- Regional Functions North America
- Finance
- Information Services
- Corporate Controlling
- Corporate Audit

DR. JÜRGEN HAMBRECHT

Chairman of the Board of Executive Directors
62, with BASF for 33 years

- Legal, Taxes & Insurance
- Strategic Planning & Controlling
- Communications & Government Relations
- Global HR – Executive Management & Development
- Investor Relations
- Chief Compliance Officer

DR. HARALD SCHWAGER

Industrial Relations Director,
48, with BASF for 21 years

- Human Resources
- Engineering & Maintenance
- Environment, Health & Safety
- Verbund Site Management Europe

DR. STEFAN MARCINOWSKI

DR. ANDREAS KREIMEYER

DR. JOHN FELDMANN



DR. MARTIN BRUDERMÜLLER
47, with BASF for 21 years

- Performance Polymers
- Polyurethanes
- Styrenics
- Market & Business Development Asia Pacific
- Regional Functions & Country Management Asia Pacific

DR. STEFAN MARCINOWSKI
56, with BASF for 30 years

- Crop Protection
- Coatings
- Region South America
- Specialty Chemicals Research
- BASF Plant Science

DR. ANDREAS KREIMEYER
Research Executive Director,
53, with BASF for 23 years

- Inorganics
- Petrochemicals
- Intermediates
- Chemicals Research & Engineering
- BASF Future Business

DR. JOHN FELDMANN
59, with BASF for 21 years

- Construction Chemicals
- Acrylics & Dispersions
- Care Chemicals
- Performance Chemicals
- Polymer Research

OUR VALUES

Long-term business success requires clearly defined principles. Our system of values and standards of conduct are laid down in our corporate Values and Principles. We promote these Values and Principles, and through acting responsibly, strengthen our stakeholders' trust in our sustainable development.

Six values constitute the foundation of our business and the means by which we want to achieve our goals:

- Sustainable profitable performance
- Innovation for the success of our customers
- Safety, health and environmental responsibility
- Personal and professional competence
- Mutual respect and open dialogue
- Integrity

Each value is illustrated by principles that govern our conduct in day-to-day business. Together they form a system of values and standards which is binding for all BASF employees. Observance of our Values and Principles is a basic element in the annual target agreements of all senior executives in the BASF Group.

Code of Conduct and compliance

The value "Integrity" forms the basis of our Code of Conduct, which we introduced in 2000 throughout all German-based Group companies. It is binding for all employees of the BASF Group in Germany. BASF Group companies in other countries introduced corresponding codes of conduct, which take local laws and customs into account. Codes of conduct must be explained and applied to our daily business in order for them to be realized. Compliance is the term widely used to describe this. It encompasses the obligation to abide by laws and internal corporate directives as well as signaling the company's activities to

ensure the fulfillment of this obligation. All BASF employees worldwide receive compliance training. Furthermore, we offer our employees points of contact, where they can seek advice and assistance from supervisors, the Legal and Human Resources departments as well as through an anonymous and confidential Compliance Hotline. The Chief Compliance Officer reports directly to the Board of Executive Directors and is responsible for managing, monitoring and developing our Compliance Program. 🌐

→ More information on our Compliance Program can be found on page 30

Dedicated to fighting corruption

An important goal of the BASF Compliance Program is to guard against cases of corruption, and when possible, prevent them. To achieve this, we are also involved in initiatives with external partners. As a member of the United Nations Global Compact (GC), we work actively in implementing the GC principle on fighting corruption. We have been a member of Transparency International Germany e.V. since 2003, and strongly support their work in fighting corruption. Since 2008, we have been a participant in the "Partnering Against Corruption Initiative" (PACI) from the World Economic Forum in Davos, Switzerland.

Since 2002, we have been working with the Indian government, local non-governmental organizations and scientific institutions in the "Million Minds Project," which aims to provide one million people with information on the subject of anti-corruption. 🌐

OUR RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

With the rise of globalization, economic conditions have changed fundamentally. As a globally committed company, our stakeholders expect our decisions and conduct to serve as models for sustainable development. As a founding member of the United Nations Global Compact, we are voluntarily committed to the implementation and advancement of internationally recognized principles on human rights, labor standards, environmental protection and fighting corruption. 🌐

→ More information can be found at basf.com/globalcompact_e and under www.globalcompact.org

Global labor and social standards

We are committed to maintaining and promoting high labor and social standards: We comply with federal laws, adhere to internationally recognized standards and respect generally accepted customs.


Within our spheres of influence, we promote the protection and consistent implementation of the principles of the U.N. Global Compact. We respect and support:

- The United Nations' Universal Declaration of Human Rights;
- The International Labor Organization's (ILO) eight core labor standards;
- The OECD Guidelines for Multinational Enterprises.

Our labor conditions conform to internationally recognized labor and social standards. We are committed to the following principles:

- We provide our employees with performance-related compensation based on global principles and in line with the market, that at the very least, matches the current minimum wage. We pass on our economic success to our employees;
- An appropriate limit to the maximum number of working hours;
- Regularly paid vacation for our employees;
- In recruitment, type of work and compensation, we do not discriminate based on nationality, gender, religion or any other personal characteristics;
- We avoid and condemn the exploitation of all forms of child, forced or compulsory labor;
- The principles of freedom of assembly and cooperation with the elected employee representatives.

→ [More information can be found at basf.com/humanrights](https://www.basf.com/humanrights)

We believe that meeting our voluntary commitments is one of our fundamental responsibilities. We have therefore developed and implemented a global monitoring system for labor and social standards. 

→ [More information on monitoring instruments can be found in the chapter "Sustainability Management" on page 29](#)

VALUES AND PRINCIPLES

Our values describe our approach to business. They are supplemented by principles which explain how we implement our values in our day-to-day business.

LABOR AND SOCIAL STANDARDS

- Supporting the ten principles of the United Nations Global Compact
- Labor conditions conform to internationally recognized labor and social standards
- A monitoring system assesses whether our voluntary commitments are being met

OUR STRATEGY

Strategies for value-adding growth

As the world's leading chemical company, we play a decisive role in shaping the future. We base our actions on sustainability. Our goal is to grow profitably on a permanent basis. We achieve this through operational excellence, innovation and investments in growth markets. As a reliable partner, we help our customers to be more successful with our products and intelligent solutions.

We focus our business activities on the challenges of the future. In times of economic difficulty, we continue to concentrate on innovative business areas and profit from our wide portfolio range, operating excellence, solid financing and a high-performance team. We invest early in growth markets and are present in all important markets. Our active portfolio management, acquisitions and divestitures make us economically independent and more competitive. All BASF employees contribute to affirming our number one position in the chemical industry through their creativity, individual responsibility and performance. In order to guarantee this in the future, our personnel policy centers on long-term developments, with a program on demographic change, and a stronger focus on internationality and diversity.

Strong portfolio through acquisitions

We strengthen our position and reduce the cyclical nature of our business through acquisitions. With the takeover of Ciba Holding AG in Switzerland, we continue to expand our leading position in specialty chemicals. In order to efficiently integrate Ciba's activities, we are developing a market-driven positioning for the combined businesses and optimizing our structures. With the acquisition of Revus Energy ASA in Norway, we have strengthened our oil and gas business in Europe.

Value-adding growth through efficiency and effectiveness

At the end of 2008, we adjusted our production at an early stage to meet lowering demand. Our ongoing processes for restructuring and cost-cutting have been strengthened. In October 2008, we started the excellence program NEXT: It unites over 500 individual projects worldwide in all divisions and functions of BASF. Together with our ongoing programs to increase efficiency, we expect a resulting contribution of over €1 billion annually starting in 2012. NEXT creates more value, for example through simplifying processes, resource bundling, energy efficiency and intelligent use of new information technologies. Our goal is to attain the next level of operational excellence.

Innovation creates market opportunities

For us, innovation is key to profitable growth in a competitive global marketplace. Therefore, we maintain our high level of investment in research and development, and network globally with universities, institutes, customers and industrial partners. We work on solutions for global challenges and thereby focus on future markets and technologies with high growth potential. These include:

- Energy management
- Raw material change
- Nanotechnology
- Plant biotechnology
- White (industrial) biotechnology

Success through strategic partnerships

Strong partnerships enable us to develop significant growth markets. Our most important cooperation partners include the biotechnology company Monsanto in the United States, our Chinese joint venture partner Sinopec, PETRONAS in Malaysia, as well as Gazprom in Russia.

OUR POSITIONING

BASF is the world's leading chemical company. We offer intelligent solutions with innovative products and tailor-made services. We open up opportunities for success through trustworthy and reliable partnerships.

WE CREATE VALUE

- Restructuring and cost-cutting
- Excellence program NEXT
- Acquisitions and divestitures
- Innovative business areas
- Presence in growth markets
- Investments in research and development
- Worldwide research cooperations

We earn a premium on our cost of capital

A prerequisite for our long-term success is that we earn a premium on our cost of capital. We therefore concentrate our funds more strongly on attractive business sectors. Income from operations after cost of capital is our key performance and management indicator. We rely on our employees for implementing this guideline. Together they make an important contribution within the framework of our value-based management and make our company more competitive.

We form the best team in industry

Our strategy for value-adding growth relies on having the best team in industry. Every employee can contribute to value-based management. We recognize the benefits of employee diversity: With differing competencies and perspectives, they help us understand customers better and develop tailor-made solutions for them. Our management culture is built on open dialogue and trustworthy cooperation. To attract and keep the best professionals and managers, we offer development opportunities as well as pay linked to company performance.

We help our customers to be more successful

We are there where our customers are: in all important markets around the world. As a reliable partner and advisor, we already want to understand today what our customers need tomorrow. Based on their requirements, we mutually develop innovative products and technologies – because our customers' success is our success.

We ensure sustainable development

At BASF, sustainable development means combining economic success with environmental protection and social responsibility. We are committed to this concept in all business activities. The goal of our sustainability strategy is to minimize risks and open up new business opportunities: for example with sustainable products and services that give us and our customers a competitive advantage. Throughout the world, our products make a contribution to solving global challenges.

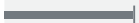
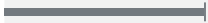
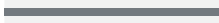
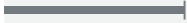
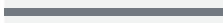
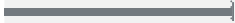
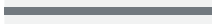
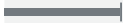

FOUR STRATEGIC GUIDELINES

Our four guidelines form the basis for our activities and make us strong for the future:

- We earn a premium on our cost of capital
- We help our customers to be more successful
- We form the best team in industry
- We ensure sustainable development

OUR GOALS

Economic Goals		Status at year-end 2008	More on
Premium on cost of capital	2008 goals		
Earn an EBIT of at least 10% based on the assets of the operating divisions	At least €4,842 million	We achieved an EBIT of €6,463 million and therefore a premium of €1,621 million on our cost of capital.	> page 27
Dividend			
Dividend per share to be increased annually or at least to remain at the previous year's level	At least €1.95	The Board of Executive Directors and the Supervisory Board will propose a dividend payment of €1.95 per share at the Annual Meeting.	> page 45
EBITDA margin			
EBITDA margin of 18% until 2012	18%	15.3%	> page 39

Environment, Safety and Product Stewardship		Goal	Status at year-end 2008	More on
Energy and Climate Protection	2020 goals			
Emissions of greenhouse gases per metric ton of sales product (baseline 2002)	-25%		-14.2%	> page 100
Improvement of specific energy efficiency of production processes (baseline 2002)	+25%		+22.0%	> page 102
Stop the flaring of associated gas that is released during crude oil production by Wintershall (2012 goal)	100%		>95%	> page 100
Reduction in emissions from chemical operations (baseline 2002)				
Emissions of air pollutants ¹	-70%		-55.3%	> page 107
Emissions to water of				
Organic substances ¹	-80%		-77.5%	> page 104
Nitrogen ¹	-80%		-80.3%	> page 104
Heavy metals ¹	-60%		-55.9%	> page 104
Distribution safety (baseline 2003)				
Reduction in transportation accidents	-70%		-35.7%	> page 108
Product Stewardship				
Review of all products that are sold worldwide by BASF in quantities of more than 1 metric ton per year, based on a risk assessment (2015 goal)	> 99%		>15%	> page 110

¹ Assuming comparable product portfolio



PROPOSED DIVIDEND PER SHARE

€1.95

REDUCTION IN GREENHOUSE GASES

(Greenhouse gas emissions per metric ton of sales product/baseline 2002)

-14%

Employees and Society		Goal	Status at year-end 2008	More on
Occupational safety (baseline 2002)		2020 goals		
Reduction in lost time injuries per million working hours	-80%		-45.5%	> page 95
Health protection (baseline 2004)				
Reduction in cases of occupational diseases	-80%		-23.3%	> page 96
Senior executives		Long-term goals		
International proportion of senior executives	Increase in the proportion of non-German senior executives (baseline 2003: 30%)		30.2%	> page 91
Women in senior executive positions	Increase in the proportion of female senior executives (baseline 2003: 5.2%)		5.7%	> page 91
Senior executives with international experience	Proportion of senior executives with international experience over 70%		73.7%	> page 91
Leadership feedback		2008 goal		
Mandatory leadership feedback for senior executives worldwide	80% of senior executives have taken part in the standardized leadership feedback process		76.9%	> page 91
Employee survey		2009 goal		
Global employee survey	Implement a global employee survey for the BASF Group	Data collected, subsequent process initiated		> page 92

TRANSPORTATION ACCIDENTS
(Per 10,000 shipments / baseline 2003)

-36%

SENIOR EXECUTIVES WITH INTERNATIONAL EXPERIENCE

74%

BASF ON THE CAPITAL MARKET

High dividend yield, good credit ratings

BASF shares could not escape losses on the stock markets as a result of the financial and economic crisis. Even in difficult times, we are committed to our ambitious dividend policy and offer our shareholders a dividend yield of 7%. BASF has solid financing and good credit ratings compared with its competitors in the chemical industry.

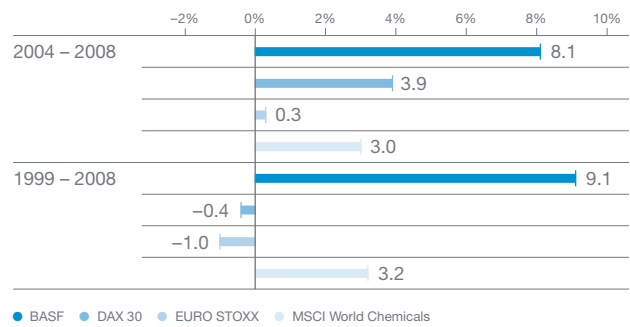
Stock markets gripped by the financial and economic crisis

In 2008, BASF's shares were also caught up in the downward trend on the stock markets and closed the year at a price of €27.73 per share, 45.3% lower than at the end of 2007.

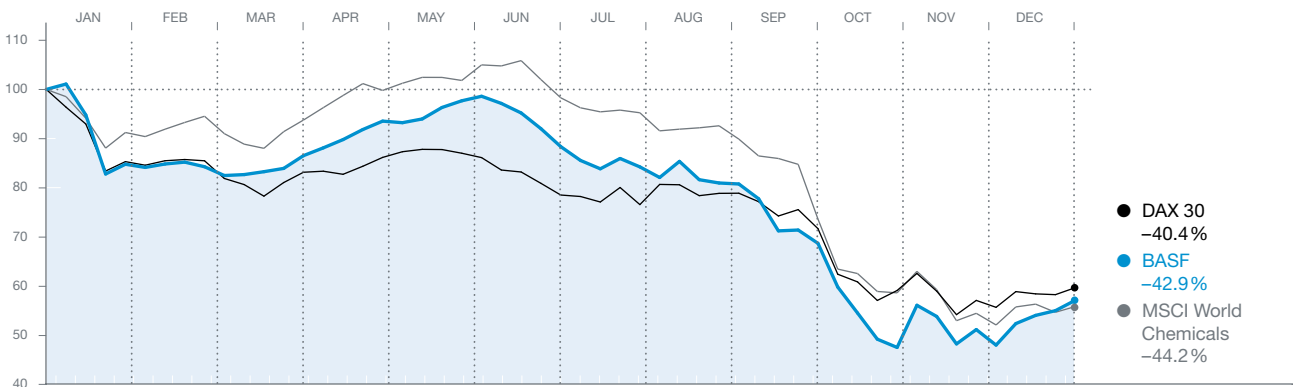
Assuming that dividends were reinvested, a holding in BASF shares declined by 42.9% in value in 2008. The global industry indices, DJ Chemicals and MSCI World Chemicals, also declined by 41.9% and 44.2%, respectively. Over the same period, the DAX 30 and DJ EURO STOXX 50, the key German and European indices, lost 40.4% and 42.4%, respectively.

The assets of an investor who invested €1,000 in BASF shares at the end of 1998 and reinvested the dividends in additional BASF shares would have increased to €2,395 by the end of 2008. This average annual return of 9.1% places BASF shares substantially above the corresponding returns for the EURO STOXX 50 (minus 1.0%) and DAX 30 (minus 0.4%) and MSCI World Chemicals at 3.2%.

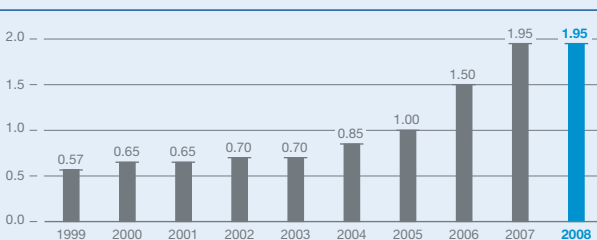
Long-term performance of BASF shares compared with indices (average annual performance with dividends reinvested)



Change in value of an investment in BASF shares 2008 (with dividends reinvested, indexed)



Dividend per share ¹ (€ per share)



¹ Adjusted for two-for-one stock split, conducted in the second quarter of 2008.

DIVIDEND

- Proposed dividend of €1.95 per share matches last year
- Aim to continuously increase the annual dividend, or at least maintain it at the level of the previous year

Proposed dividend of €1.95 per share

At the Annual Meeting, the Board of Executive Directors and the Supervisory Board will propose to distribute a dividend of €1.95 per share as in the previous year. This means that, even in difficult economic times, we stand by our ambitious dividend policy and will pay out €1.8 billion to our shareholders (based on the number of qualifying shares on December 31, 2008). Based on the year-end share price for 2008, BASF shares offer a high dividend yield of 7%. BASF belongs to the DivDAX share index, which contains the 15 companies with the highest dividend yield in the DAX 30. We aim to increase our dividend each year, or at least maintain it at the previous year's level.

Share buybacks for €1.6 billion in 2008

In June 2008, BASF concluded ahead of schedule the €3 billion share buyback program for 2007 and 2008 that it announced in February 2007. A new share buyback program that began in July was stopped in the fourth quarter due to the financial and economic crisis.

In 2008, BASF bought back 37.9 million shares for approximately €1.6 billion at an average price of €42.70 per share. The majority of the repurchased shares have already been cancelled and the share capital of BASF SE reduced accordingly.

Following the deduction of 4.6 million shares that are earmarked for cancellation, the total number of outstanding shares was 918.5 million on December 31, 2008. Based on a year-end share price of €27.73, the market capitalization was €25.5 billion at the end of the year.

Broad base of international shareholders

BASF is one of the largest publicly owned companies with around 460,000 shareholders and a high free float. An analysis of the shareholder structure carried out in September 2008 showed that, at 22% of share capital, the United States and Canada made up the largest regional group of institutional investors. Institutional investors from Germany made up 13%. Shareholders from the United Kingdom and Ireland held 14% of BASF shares, while a further 14% are held by institutional investors from the rest of Europe. Around 28% of the company's share capital is held by private investors, most of whom are residents in Germany.

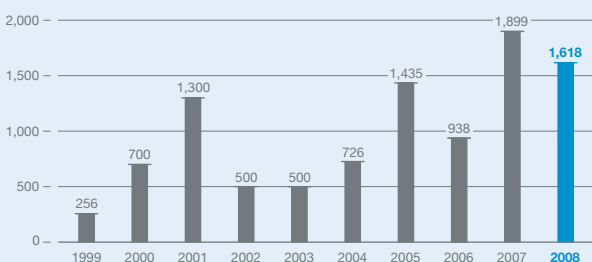
Shareholder structure (by region)



Employees becoming shareholders

In many countries, we offer employee stock ownership plans to encourage our employees to become BASF shareholders. More than 19,400 employees bought employee shares in 2008, worth a total of approximately €44 million.

Share buybacks (million €)

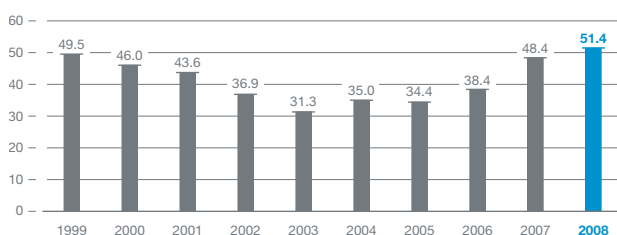


- Shares bought back for €1.6 billion in 2008
- €3 billion share buyback program for 2007 and 2008 concluded ahead of schedule in June 2008
- New share buyback program started in July 2008 stopped in the fourth quarter due to the financial and economic crisis

Increased attendance again at the Annual Meeting

The Annual Meeting was held in Mannheim on April 24, 2008. With over 51% of the share capital represented, attendance was 3 percentage points higher than in the previous year.

Attendance at the Annual Meeting



BASF shares in key sustainability indices

BASF was named the leading chemical company in the Dow Jones Sustainability Index (DJSI World), the most important sustainability index worldwide. BASF was recognized for its climate strategy, its environmental and social reporting and for developing innovative and eco-efficient products. BASF was included in the DJSI World for the eighth year in succession.

In addition, BASF is the worldwide number 1 in the renowned Carbon Disclosure Leadership Index (CDLI) in the category carbon-intensive sectors. This index provides investors with a tool to evaluate companies who distinguish themselves in addressing the challenges of climate change and transparent disclosure practices. The Carbon Disclosure Project represents 385 institutional investors with \$57 trillion in assets under management.

→ More information can be found at basf.com/sustainabilityindices

Good credit ratings and solid financing

Thanks to its excellent business profile and good financial position, BASF has good credit ratings compared with its competitors in the chemical industry. At year-end, the rating agency Standard & Poor's valued BASF's creditworthiness at "AA- /A-1+/outlook negative" and the rating agency Moody's at "Aa3/P-1/outlook under review for downgrade." At the beginning of 2009, Standard & Poor's downgraded BASF's rating to a level of "A+/A-1/outlook negative" and Moody's reduced its rating to "A1/P-1/outlook stable."

At year-end 2008, the financial indebtedness of the BASF Group was €14.5 billion with a liquidity of €2.8 billion. Approximately 57% of financial indebtedness was long-term debt with a maturity of over one year.

Our medium to long-term debt financing is based on corporate bonds with a balanced maturity profile. BASF issued several bonds totaling €1.6 billion as well as promissory notes for €553 million in 2008.

Despite the tense situation on the credit markets, BASF was able to finance itself with commercial paper without any difficulty. In October 2008, we increased the maximum potential issuing volume of our commercial paper program from \$7.5 billion to \$12.5 billion. As of December 31, 2008, BASF had used approximately \$6.1 billion of this program. As back-up for the program, committed and unused credit lines of \$6 billion are available as well as a credit line of CHF 3.5 billion to finance the acquisition of Ciba.

→ More information on financial indebtedness and their maturities can be found on page 206

SUSTAINABILITY INDICES

- BASF: Chemical sector leader in the world's leading sustainability index, the Dow Jones Sustainability Index
- BASF: Worldwide number 1 in the renowned Carbon Disclosure Leadership Index (CDLI) in the category carbon-intensive sectors

SOLID FINANCING

- Year-end 2008, BASF Group financial indebtedness of €14.5 billion, approximately 57% of which was long-term with a maturity of over one year
- No difficulties in financing through commercial papers in 2008, commercial paper program increased to \$12.5 billion
- Liquidity at year-end 2008: €2.8 billion

Key BASF share data ¹

		2004	2005	2006	2007	2008
Year-end price	€	26.50	32.36	36.93	50.71	27.73
Year high	€	26.50	32.67	37.12	50.81	52.41
Year low	€	20.25	25.06	29.49	35.98	19.95
Year average	€	22.59	28.57	32.41	44.5	38.88
Daily trade in shares ²						
– million €		121.7	154.0	198.6	298.3	282.1
– million shares		5.4	5.4	6.2	6.7	7.26
Number of shares as of December 31 ³						
million shares		1,080.80	1,028.80	999.4	956.4	918.5
Market capitalization December 31	billion €	28.6	33.3	36.9	48.5	25.5
Earnings per share ⁴	€	1.83	2.87	3.19	4.16	3.13
Dividend per share	€	0.85	1.00	1.50	1.95	1.95
Dividend yield ⁵	%	3.21	3.09	4.06	3.85	7.03
Payout ratio ⁴	%	45	34	46	45	62 ⁶
Price-earnings ratio (P/E ratio) ^{4,5}		14.5	11.3	11.6	12.2	8.9

¹ All values adjusted for two-for-one stock split, conducted in the second quarter of 2008

² Average, Xetra trading

³ After deduction of shares earmarked for cancellation

⁴ Starting in 2005, the accounting and reporting of the BASF Group has been performed in accordance with International Financial Reporting Standards (IFRS). The previous year's figure has been restated accordingly. The figures up to and including 2003 were prepared according to German Commercial Code.

⁵ Based on year-end share price

⁶ With regard to the number of qualifying shares as of December 31, 2008

Percentage of BASF shares in important indices as of December 31, 2008

	%
DAX 30	5.8
DJ STOXX 50	1.3
DJ EURO STOXX 50	2.0
DJ Chemicals	7.1
MSCI World Index	0.2
S&P Global 100	0.6

Further information

Securities code numbers

Germany	515100
Great Britain	0083142
Switzerland	323600
USA (CUSIP-Number)	055262505
ISIN International Stock Identification Number	DE0005151005

International ticker symbol

Deutsche Börse	BAS
London Stock Exchange	BFA
Swiss Exchange	AN

Analysts' recommendations

Approximately thirty financial analysts regularly publish reports on BASF. At the end of 2008, 48% of analysts recommended buying our shares, 28% of analysts recommended keeping our shares, and 24% graded them to sell. On December 31, 2008, analysts estimated the average target price of BASF shares to be €31.09.

→ Analyst's current forecasts about BASF can be found at basf.com/share

Close dialogue with the capital markets

For our corporate strategy that is aimed to create sustainable value, the continual and open communication with all participants in the capital market is important. We inform institutional investors and rating agencies through numerous individual meetings and road shows worldwide, while also holding information events to provide private investors with an insight into the world of BASF.

In 2008, we hosted a series of presentations each focusing on a different BASF Group segment. On these Segment Days, we informed analysts and investors of the performance, strategy and growth potential of the respective segments. In 2008, we presented the Chemicals, Agricultural Solutions, and Oil & Gas segments as well as the biotechnology growth cluster.

Furthermore, we discussed our contributions to such sustainability topics as climate protection and energy efficiency with the financial analysts and investors. Information on the strategic benefit of sustainability and its full implementation within our company is in demand from our investors particularly within the framework of "Socially Responsible Investment" (SRI).

Analysts and investors confirm the quality of our communication work and have ranked BASF Investor Relations as the number one on many occasions. In June, BASF was awarded first place in the Capital Investor Relations Prize 2008. In this ranking conducted by the German business magazine Capital, and the Society of Investment Professionals in Germany (DVFA), BASF ranked first among EURO STOXX 50 companies as in the previous year, and for the first time was the overall winner among the approximately 200 participants. In the Thomson Extel Survey as well as with a survey of financial analysts conducted by the trade journal Institutional Investor, BASF won first place for the best Investor Relations work in the European chemical industry. BASF also received first place for having the best Investor Relations website of all companies in the DAX, MDAX and TEC DAX in the NetFed IR-Benchmark 2007/2008.

Our new reporting concept also received praise on the capital markets. The IR Society awarded BASF first place in the category "Best Practice Communication Through The Annual Report."

INVESTOR RELATIONS NEWSLETTER

The Investor Relations Team's newsletter provides current information of new topics concerning BASF and reminds the reader about important BASF dates. Registration at: basf.com/aktie/newsletter

INVESTOR RELATIONS

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- e-mail: investorrelations@basf.com
- Internet: basf.com/share