



The Chemical Company

Performance Products

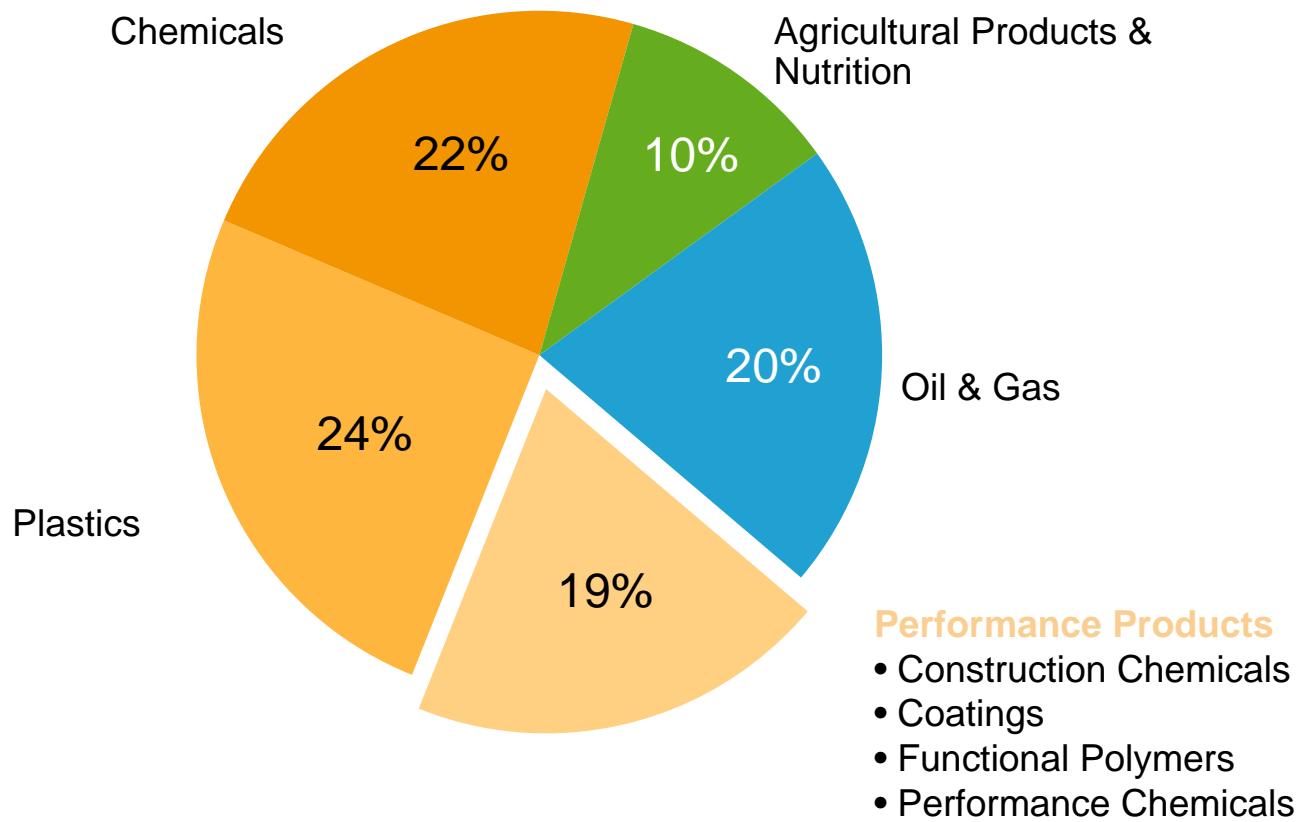
Toward new levels of performance

Andreas Kreimeyer



Performance Products

A solutions providing business



2006 Group sales*: 52.6 billion Euro





*Including other activities: 2.5 billion Euro (5%)

Performance Products

Adding value to every day products



Supplying products and solutions to key sectors

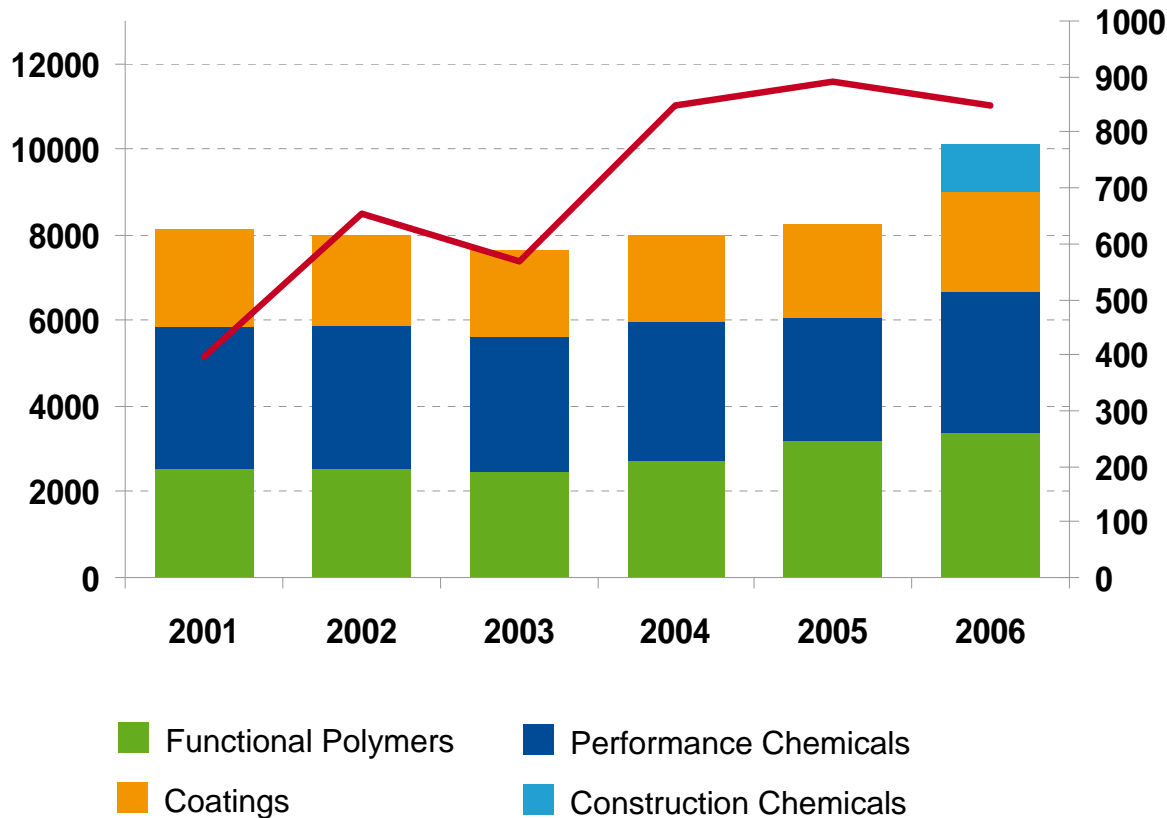
Construction Chemicals	Coatings	Functional Polymers	Performance Chemicals
<ul style="list-style-type: none"> • Admixture systems • Construction systems 	<ul style="list-style-type: none"> • OEM coatings • Refinish coatings • Industrial coatings • Decorative paints 	<ul style="list-style-type: none"> • Acrylic monomers • Superabsorbents • Paper chemicals • Adhesive and construction polymers 	<p>For the following industries:</p> <ul style="list-style-type: none"> • Leather and textile • Plastics and coatings • Automotive and oil • Detergent and formulator
			

- 1 | Performance products –
a segment in motion**
- 2 | A strong portfolio based on
performance**
- 3 | Toward new levels of
performance**

2006 acquisitions put Performance Products in a new league

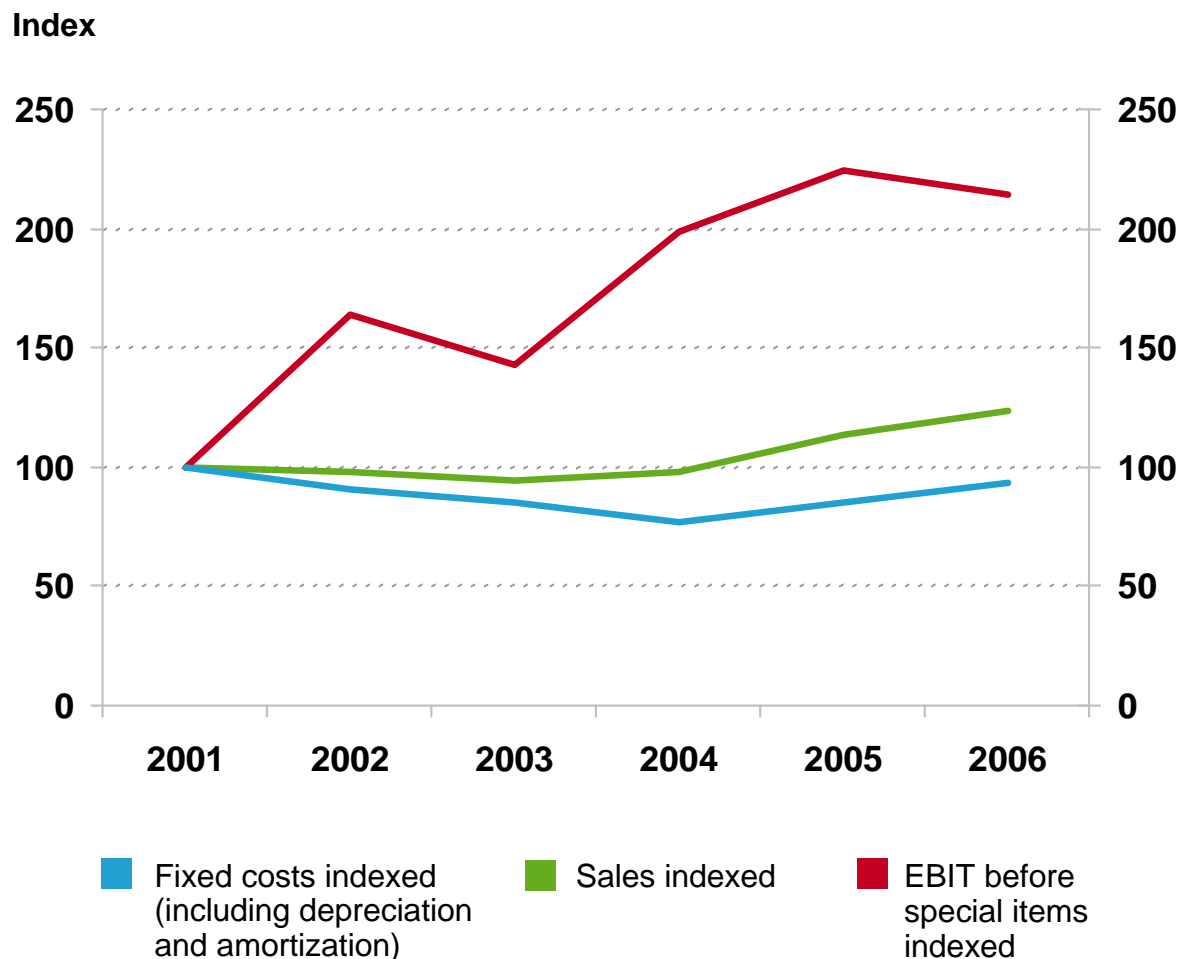
Sales in
million Euro*

EBIT before special
items in million
Euro*



- Substantially improved profitability since 2001: + 16% p.a.
- Sales stable 2001-2005:
 - Consolidation measures
 - Strong growth in continued business
- 2006 acquisitions propelled sales to over 10 billion Euro

Continuously improving cost base



- 2001 – 2005:
Reduction of fixed costs by 15% through restructuring and efficiency improvement
- Increase of fixed costs in 2006 due to acquisitions
- Relative fixed costs on lowest level in 2006

A portfolio aimed at faster growth

Major investments*

Capex

- 27 new plants
- Acrylic monomers (Nanjing, Kuantan)
- Amino resins (Shanghai)
- New SAP technology
- New dispersion technology

Acquisitions

- SAP Chemdal (before 2001)
- Effect pigments
- Construction Chemicals
- Water-based resins
- BASF Coatings Japan

BASF Performance Products

Powerful partnerships

- Sinopec
- Petronas
- Akzo

Major divestitures/ closures*

Closures

- 24 plants/sites

Divestitures

- DyStar textile dyes
- Printing systems
- Masterbatch (selected countries)
- Wibarco**

* Selected transactions in Performance Products since 2001

** Closing pending

Strengthening our portfolio in attractive and fast growing markets

Johnson Polymer

- Leading producer of water-based resins for the graphic arts and coatings industries
- 5% average annual market growth

Engelhard

- Leading effect pigment producer
- Important player in the pigment dispersion market
- 4% average annual market growth

Degussa Construction Chemicals

- Market leader in Construction Chemicals
- Strong consumer brands
- 4-5% average annual market growth

Strengthening our portfolio in attractive and fast growing markets

Johnson Polymer

Engelhard

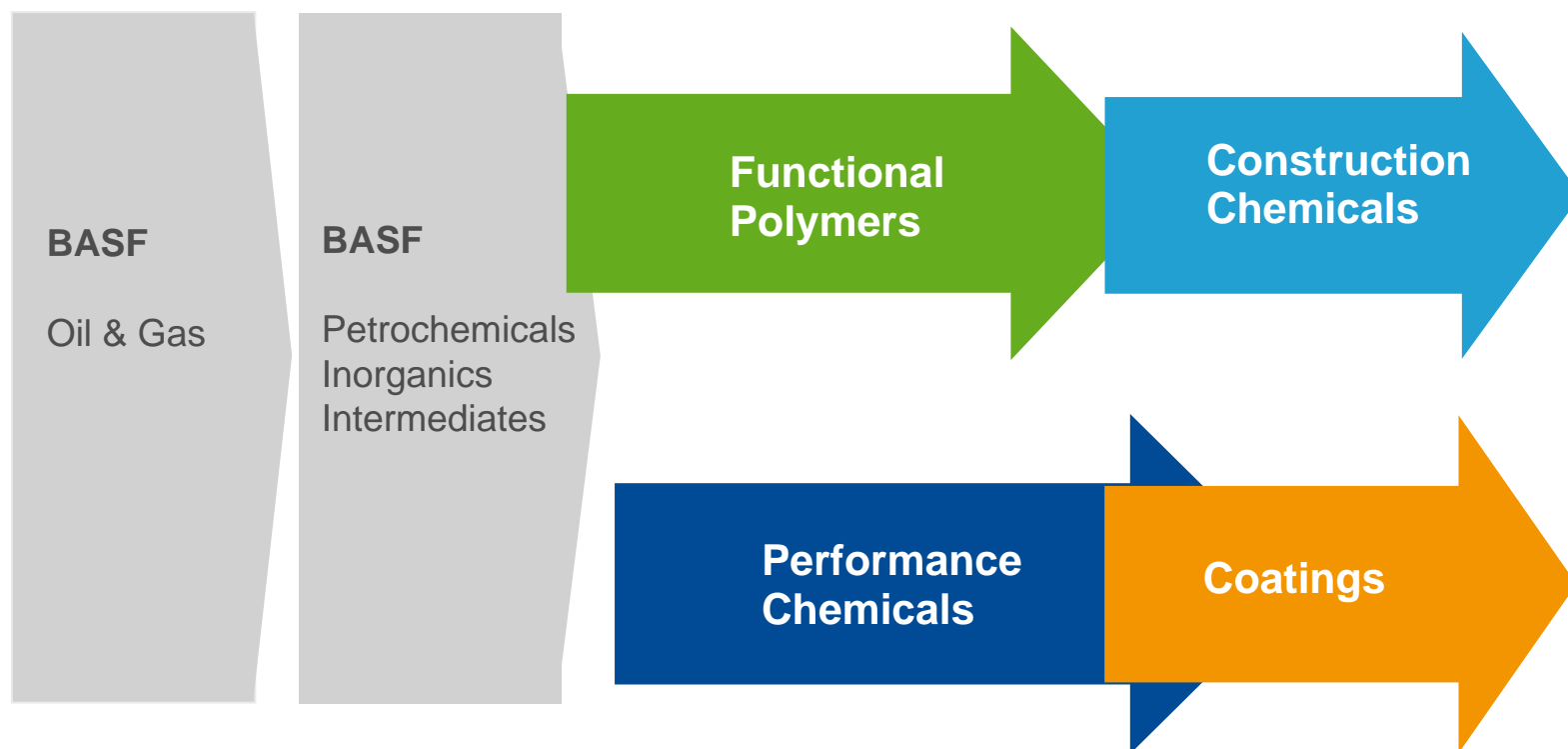
**Degussa Construction
Chemicals**

Excellent strategic fit

- Complementary to BASF's product, technology and customer portfolio
- Combination of strong innovation platforms
- Large and fast growing markets
- Forward integration into highly profitable market segments
- Reduced earnings cyclicalities

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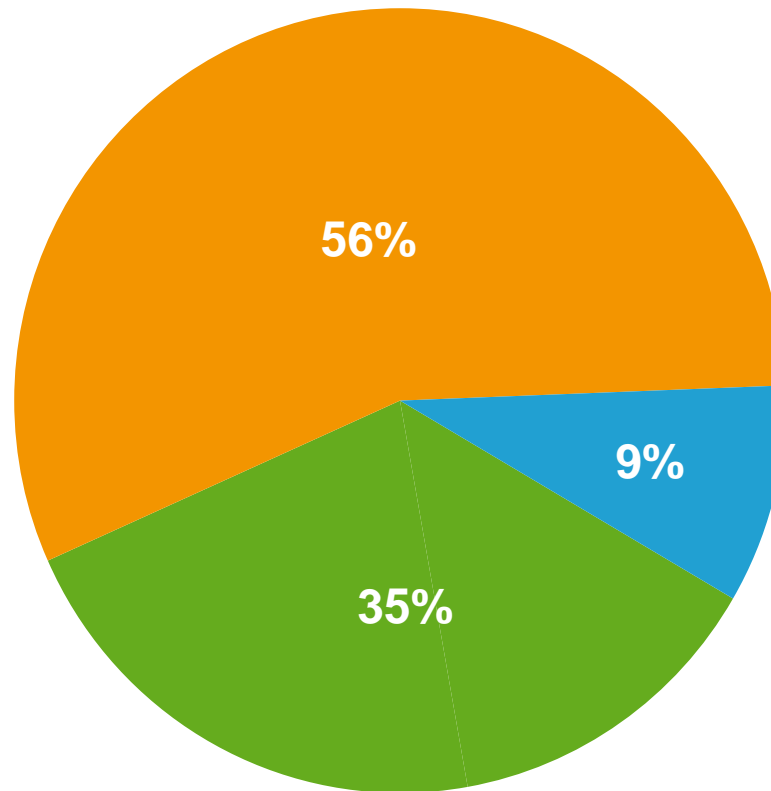
Shift to consumer-driven businesses with strong market fundamentals



Focus on selling innovative materials and system solutions

Estimate 2007 (in % of sales)

**Customized
solutions**



**Chemicals &
basic materials**

Formulated materials

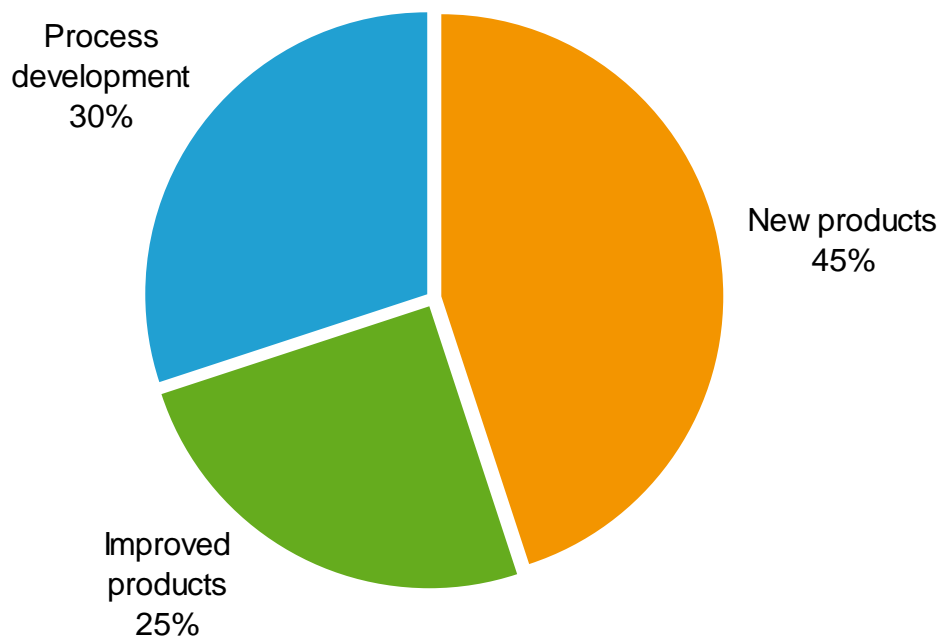
Our business network supports broad customer needs



- Represented at 5 Verbund sites and > 100 sites close to customers
- 40% of sales from Verbund sites and 60% of sales from a multitude of sites close to customers
- 44 technical service centers
- More than 200 sales offices

High investment in R&D with focus on new and improved products

**Average R&D split Performance Products
2000 - 2006 in %***



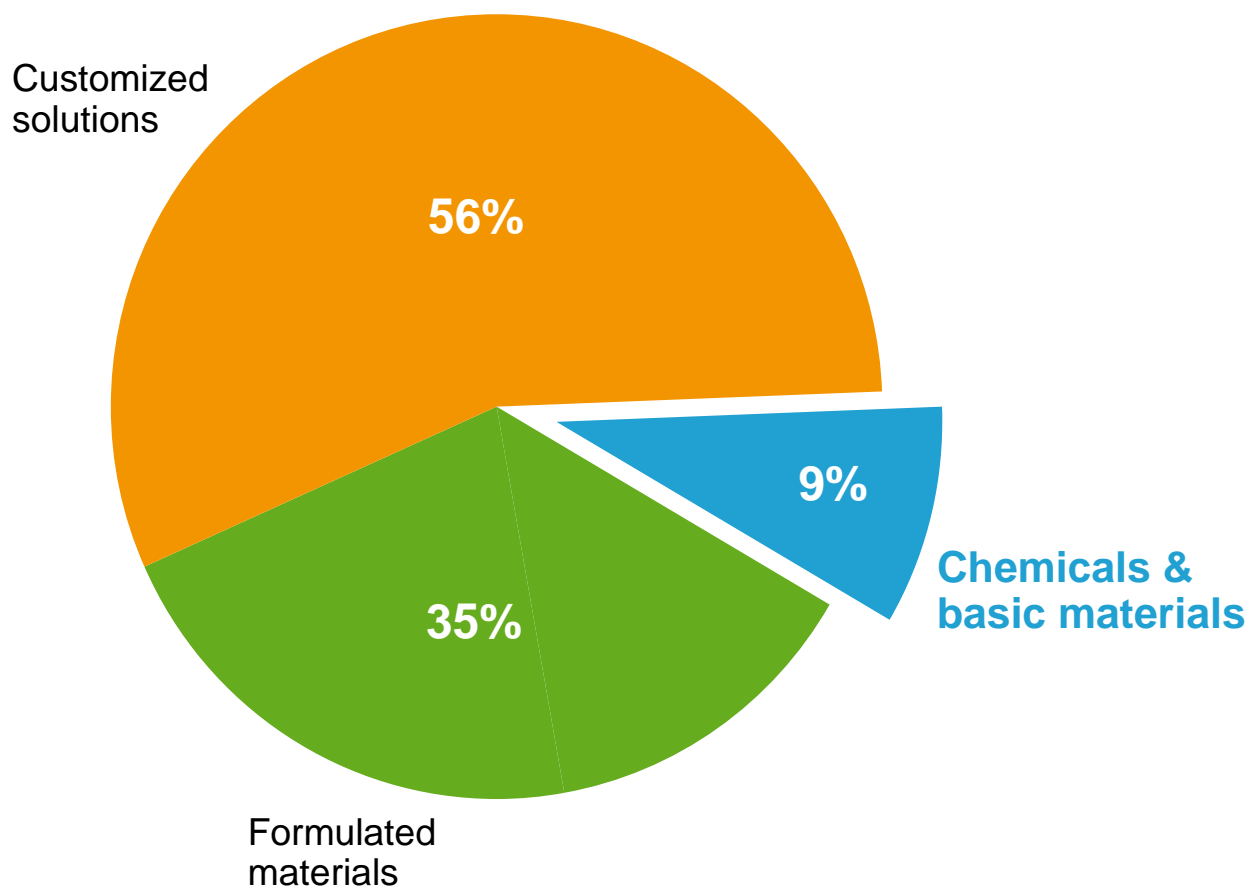
- Strong investment in R&D: ~ 2-4% of sales according to division
- Focus on new and improved products
- Improvement of processes and technologies as permanent task
- 20% of sales generated with new products

Over 240 R&D projects in pipeline

* Without Construction Chemicals

Chemicals & basic materials Technology and cost leadership

Estimate 2007 (in % of sales)

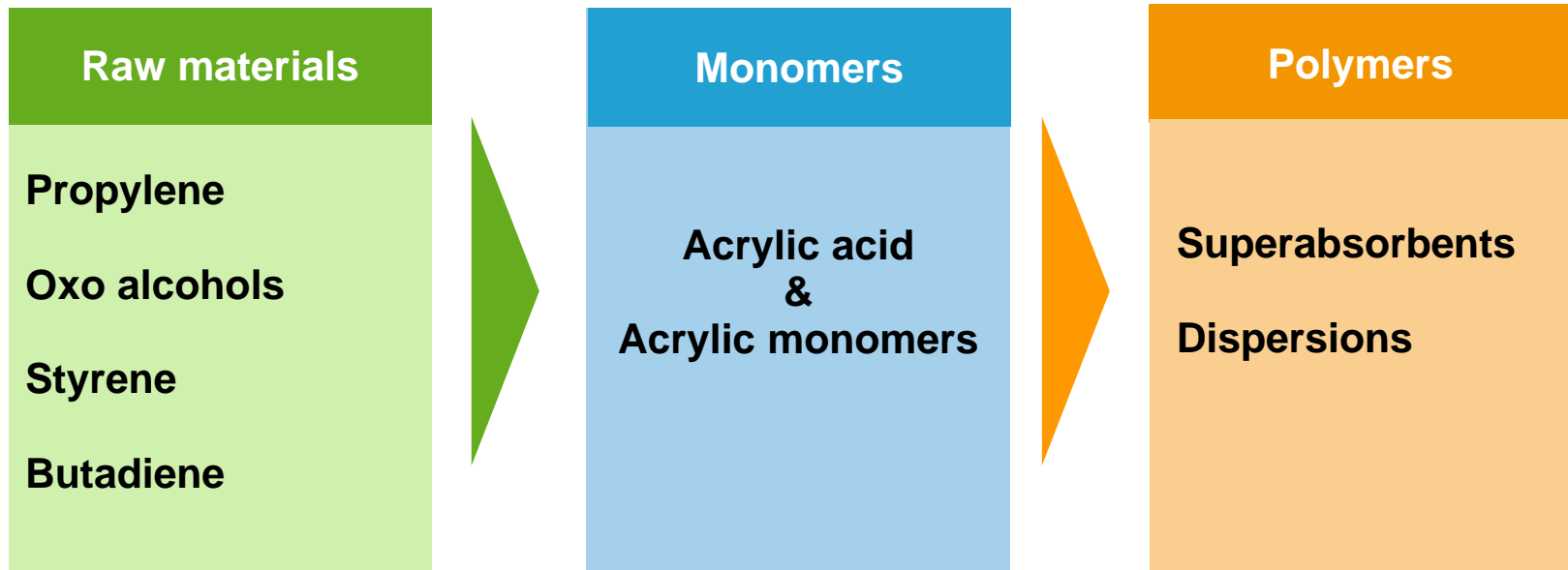


Chemicals & basic materials

How we succeed:

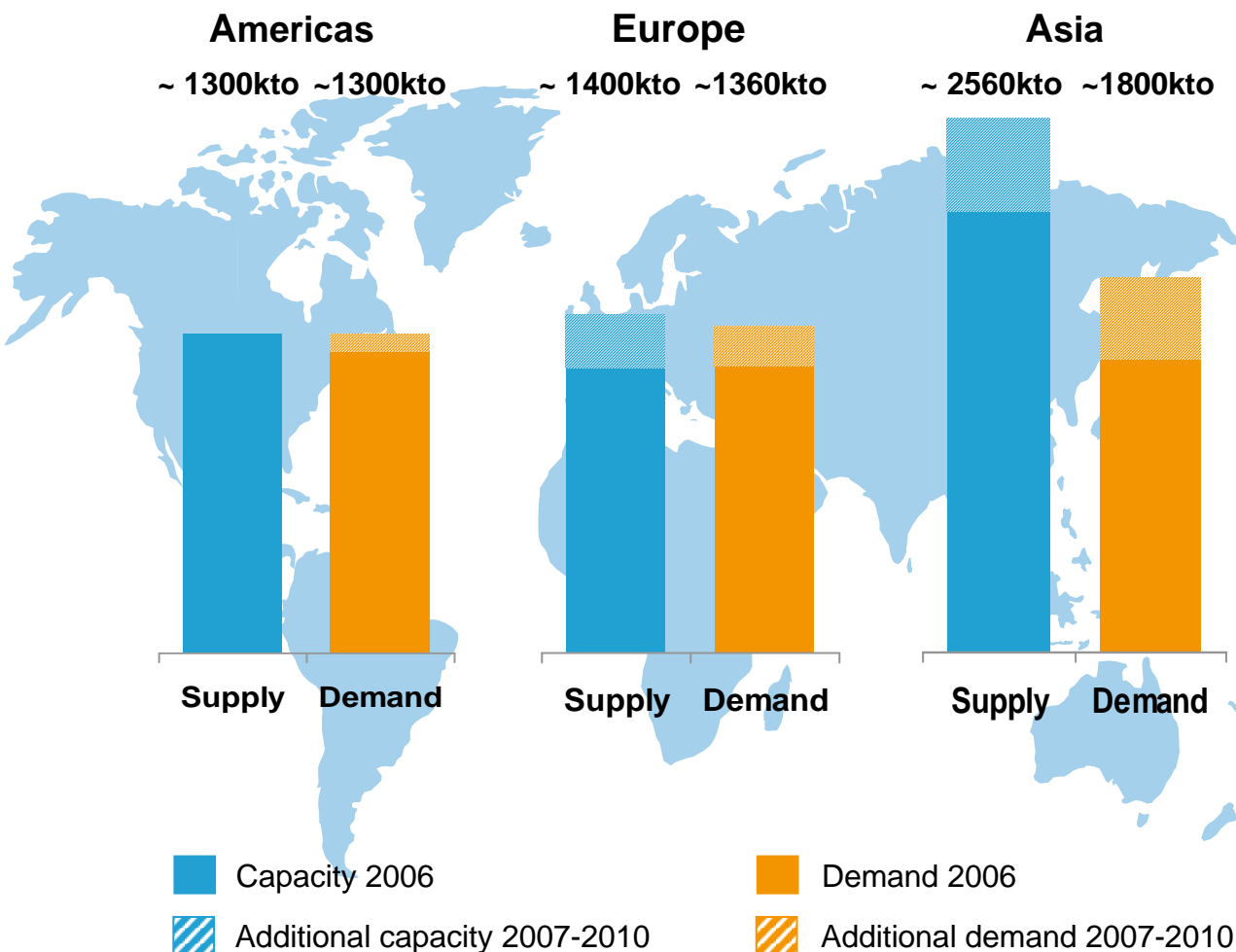
- Full value chain integration
- Global positioning
- Cost and technology leadership with world-scale production plants
- Persistent efficiency improvement through operational excellence

Fully integrated in the entire acrylic acid value chain



A challenging environment in acrylic acid

Acrylic Acid 2010



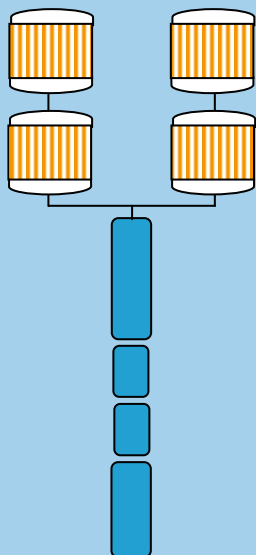
- Today, BASF only player active in all regions
- Supply / demand fairly balanced in Europe and NAFTA
- Excess capacity in Asia due to capacity increase

Acrylic acid and acrylic monomers

Leading cost and technology position

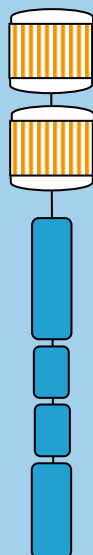
2000

160 kto/a
Kuantan, Malaysia
8 unit operations



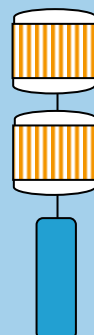
2003

160 kto/a
Nanjing, China
6 unit operations



2006

160 kto/a
Antwerp, Belgium
3 unit operations



- BASF with own best in class process technology and catalysts
- Continuous optimization of processes, catalysts and supply chain
- R&D expenses of 15-20 million Euro p.a. to strengthen technology and cost position



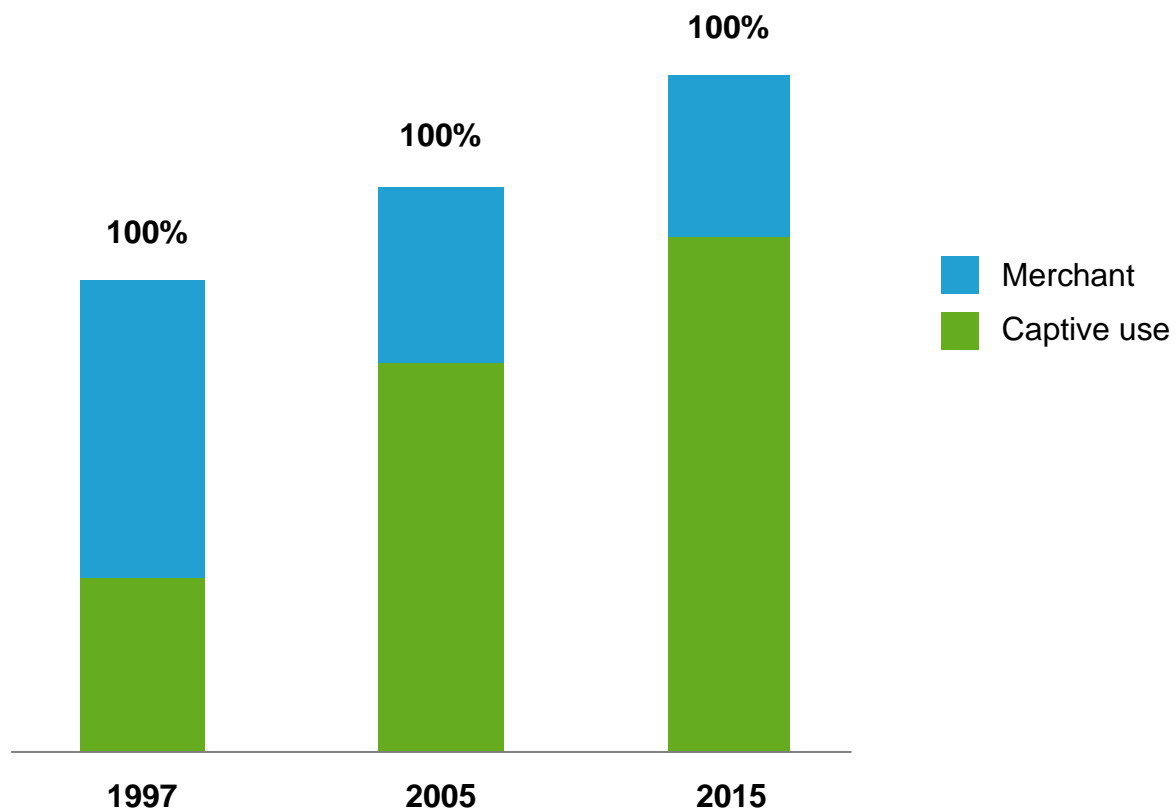
Reactor



Unit operations
for purification

Profitable growth through increased captive use

BASF global acrylic acid consumption

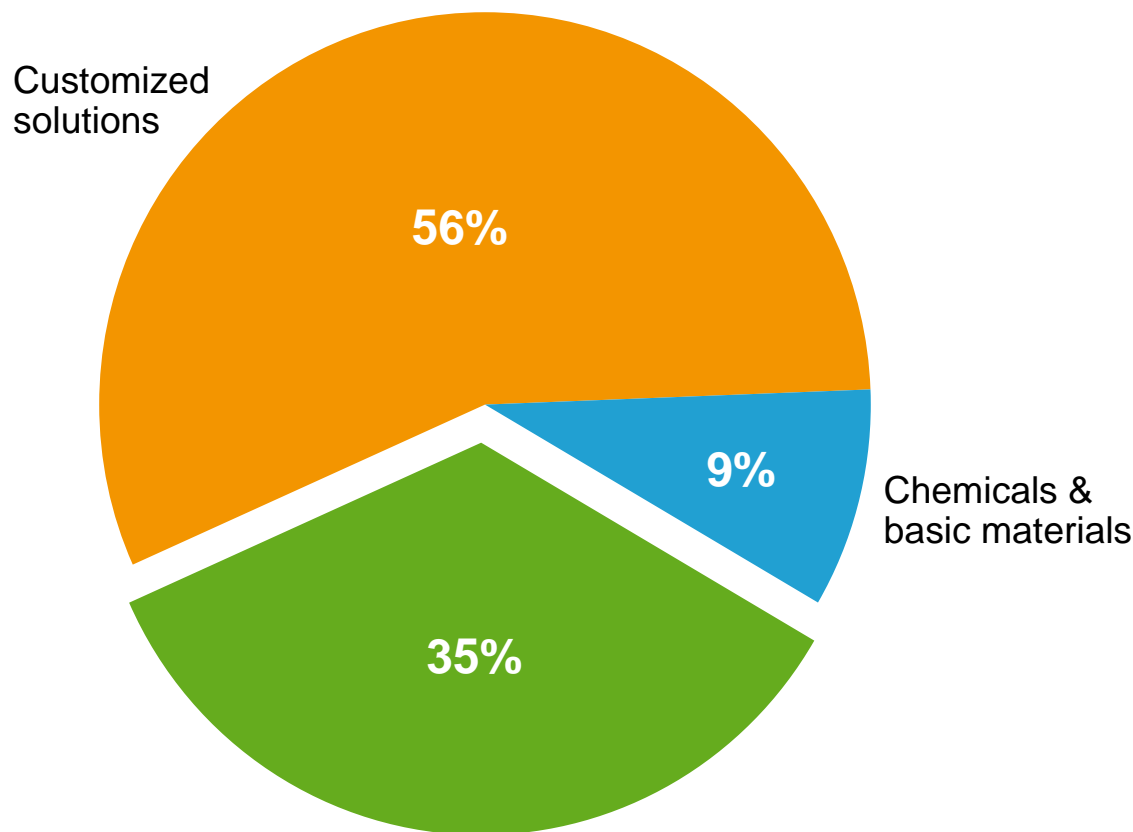


- Deliberate reduction of merchant sales share
- Concentration on and commitment to key accounts in merchant sales
- Systematic growth in captive use through
 - organic growth
 - acquisitions
- Monomers earn their cost of capital

Formulated materials

Application and formulation know-how

Estimate 2007 (in % of sales)



Formulated materials

Formulated materials

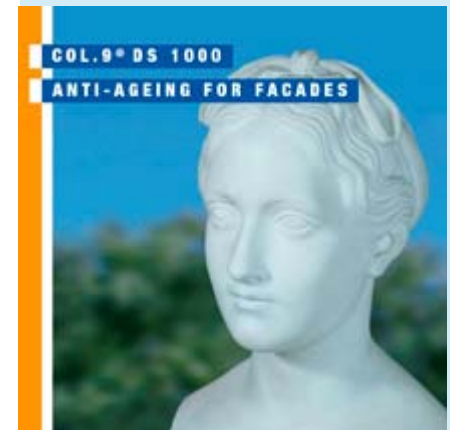
How we succeed:

- Excellent formulation know-how
- Innovative products with superior performance in customer applications
- Raw material supply and cost advantages from Verbund
- Strong focus on application technology

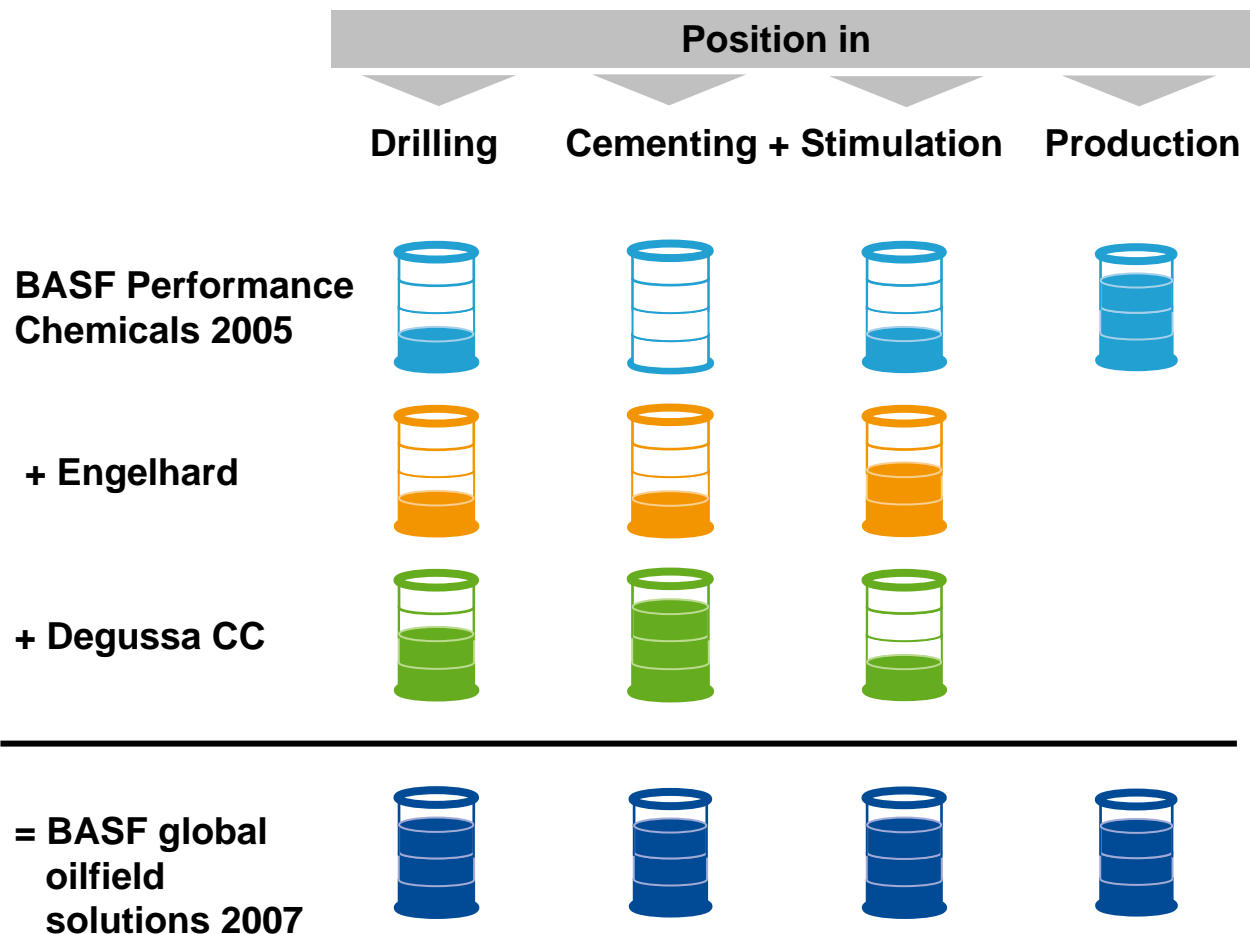
Differentiation by innovation

COL.9® – Environmentally friendly water-based paints with greatly improved dirt-pick-up resistance

- Strong resistance against dirt-pick-up for “ever-clean” facades
- Enhanced recognition through co-branding
- Position BASF as an innovator in a mature market
- Joint development and marketing with customer
- Long-term added value by establishing trade name for high performance product
- Expected sales in 2010: ~ 15 million Euro p.a.



Strong product and technology portfolio in oilfield chemicals



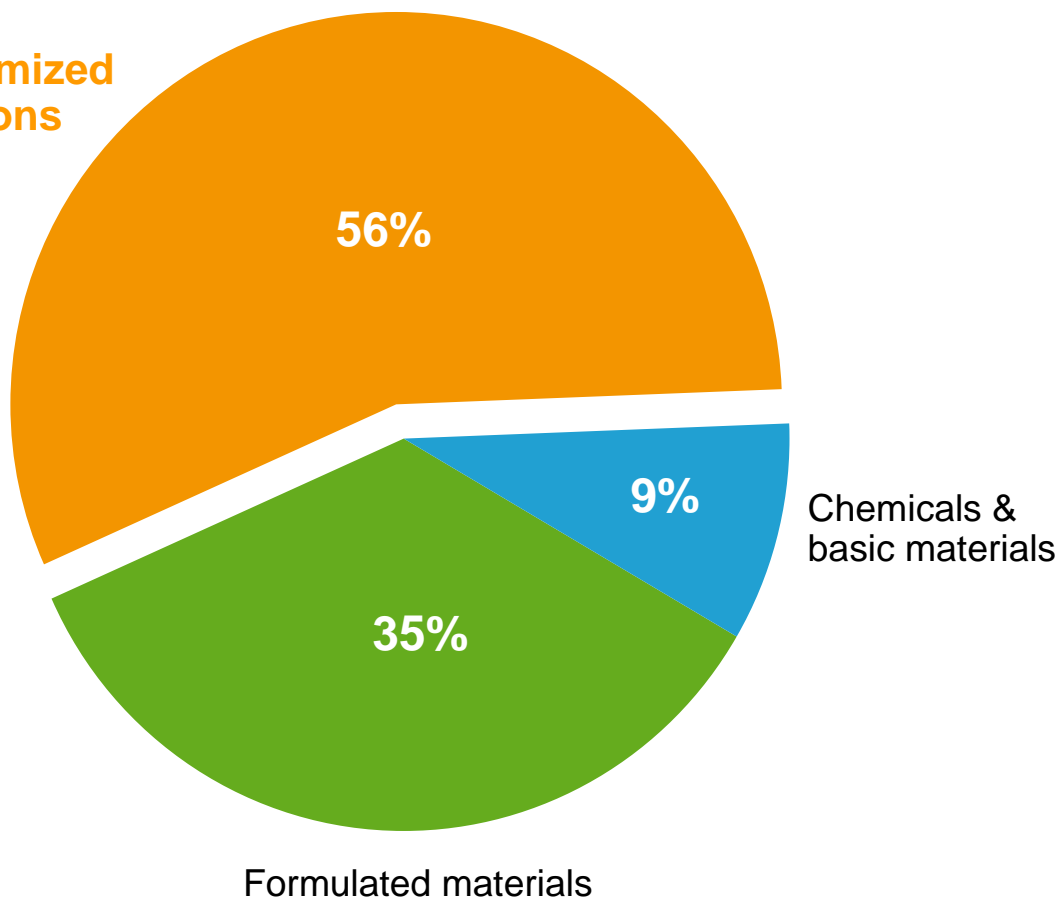
- New, innovative application area
- Synergies from acquisitions
- Expected market growth of 4-6% p.a.
- Increasing focus on ecologically friendly products
- Sales potential in 2010:
~ 100 million Euro p.a.

Customized solutions

Growing with innovative system solutions

Estimate 2007 (in % of sales)

Customized solutions



Customized solutions

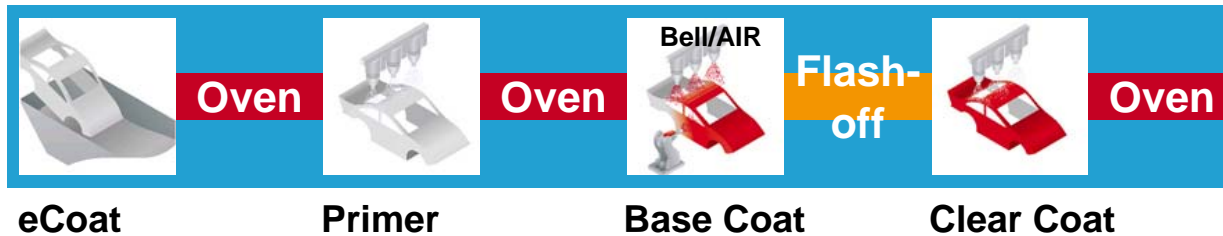
How we succeed:

- Close partnerships with customers
- Integration into customer processes
- Excellent sales and technical service network
- Development of innovative performance packages

Innovative system supplier

Example BMW Mini

Standard Coating-Process



“Integrated Process II”



- Elimination of 1 process step
- Functionality of primer integrated into new base coat

Customer benefits:

- Reduced investment
- Higher production rate at lower process costs
- Reduction waste and emissions
- Cost savings up to 30%

Innovative sports system supplier

Re-topping athletic track

Customer specific solution

Benefits Customers

- Top quality track
- Environment-friendly > reduction waste
- Cost savings up to 50%
- Reduced investment

Benefits BASF

- Long term partnership
- Additional market potential
- Significant advantage in competitiveness through technical service & know-how



Improving underperforming businesses

Leather and textile chemicals

Challenges

- New competitors
- Market consolidation
- Market shift to Asia

BASF Measures

- Adaptation of business structures and investment strategy
- Improved portfolio through innovation

Paper chemicals

Challenges

- Overcapacities paper industry
- Quality downgrading
- Market shift to Asia

BASF Measures

- Optimization of sales/production network and capacity utilization
- Cooperation with successful, innovative paper producers

Industrial coatings

Challenges

- Competitive environment in
 - Powders
 - NAFTA

BASF Measures

- Continued improvement of operational excellence
- Optimization of product and technology portfolio

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Our strategy for profitable growth

Good position in innovative growth markets

- Construction Chemicals
- Adhesives & Coatings raw materials
- Superabsorbents
- Detergents
- Improve overall position in Asia
- Capex budget 2007–2011:
1.9 billion Euro

Active portfolio optimization

- Continued screening for acquisition candidates
- Restructuring and increased efficiency in challenging businesses

Excellent innovation platform

- Innovation pipeline filled with > 240 promising projects
- R&D spending average 2007 – 2011:
> 300 million Euro p.a.

Targets Performance Products 2010

2006	2010
Top 3 position in 80% of our businesses	→ Top 3 position in all our businesses
Sales of 10.1 billion Euro	→ Sales of >13 billion Euro
EBIT after cost of capital of (71) million Euro	→ Earning a premium on our cost of capital

BASF Performance Products

Our unique strengths

- We are the solution provider to our customers
- We add essential value to every day products
- We deliver competence in applied chemistry
- We have best-in-class technology and an excellent cost position
- We pursue ambitious competitive and financial targets

Disclaimer

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The Chemical Company

Glossary

- CC: Construction Chemicals
- OEM: Original equipment manufacturer
- SAP: Superabsorbent polymers