

BASF – The Chemical Company

Shaping the future in the crisis

11th Plenary Meeting of the Sector Social Dialogue
Committee of the European Chemical Industry

4th May 2010



The Chemical Company

Mathias Schöttke

HR Governance BASF SE, Ludwigshafen

Agenda

1. BASF at a glance
2. Impacts of the crisis
3. Measures in tough times
4. Conclusion

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BASF – The Chemical Company

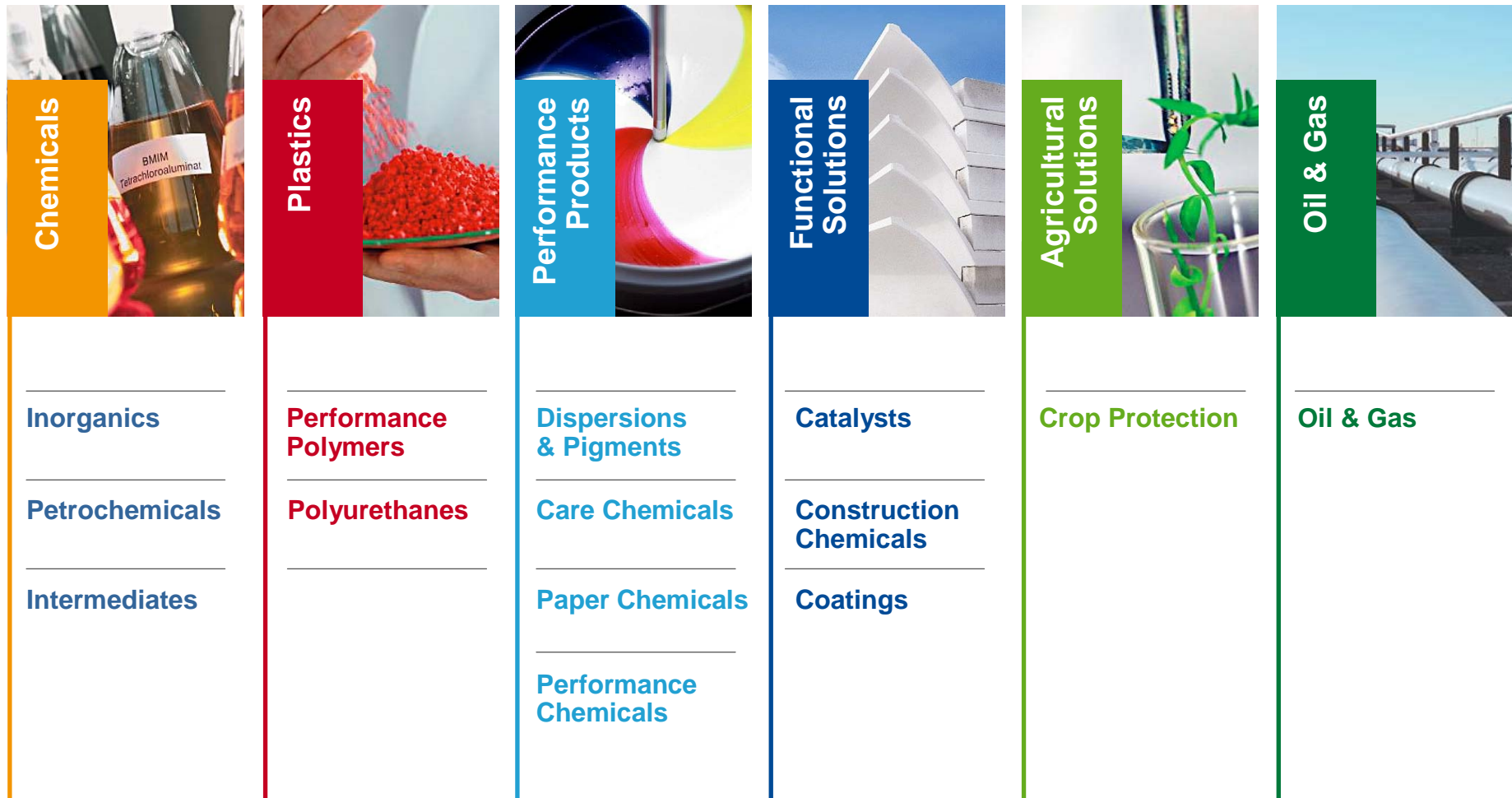
The world's leading chemical company



- Chemistry is about every aspect of life.
- We are connected to deliver intelligent and sustainable solutions.
- Sales 2009: €50,693 mill.
- EBIT 2009: €3,677 mill.
- Employees (December 31, 2009): 104,779
- About 1,300 new patents filed
- 6 Verbund sites and about 380 production sites



BASF Segments focusing on six different areas



Europe – BASF's home market with two Verbund sites

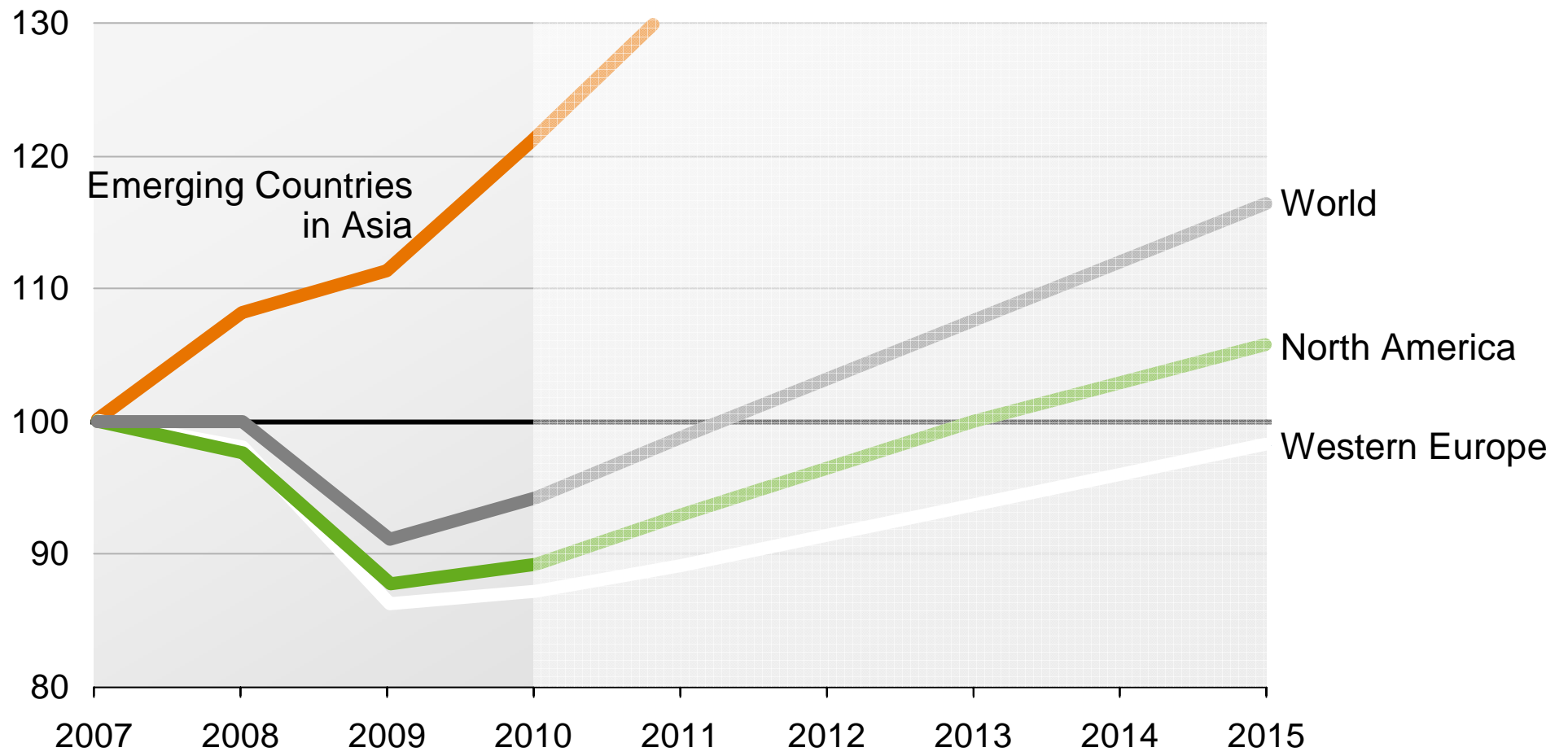
- Sales 2009:
€28.5 billion
by location of customer
- Employees:
67,621
as of December 31, 2009
- Regional facts:
 - ▶ BASF's home market
 - ▶ Ludwigshafen – site of the company's global headquarters
 - ▶ Verbund sites in Ludwigshafen, Germany and Antwerp, Belgium



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The crash of the industrial production



Industry production 2007 = 100
Source: internal

Some figures illustrating the situation in 2009

Minus 10%



Germany

In view of the recession, the German chemical industry is preparing this year for the biggest drop in production for more than 30 years, according to the German Chemical Industry Association (VCI). In 2009, Germany's fourth-largest industry sector is expecting to see a ten per cent fall in production. This would be the steepest drop since 1975, when production shrank by around twelve per cent. In the first quarter of this year, chemical companies produced 17.6 per cent less than in the first quarter of 2008.

460 billion euros



China

The Chinese Central Government is investing the equivalent of around 460 billion euros in an economic recovery package to stimulate the Chinese economy. In the first quarter of 2009, China's economy grew at a slower rate than it has done for at least 17 years. Between January and March, gross domestic product rose by just 6.1 per cent compared with the same period last year. In 2008, the world's third-largest national economy grew by nine per cent, but in previous years rates of growth were more than eleven per cent per year. China's rate of growth has been slowed down primarily because of collapses in exports. By contrast, private consumption has continued to drive the economy.

32% fewer cars

North America

Estimates by independent market research companies suggest that in North America around 32 per cent fewer cars will be made this year compared with the previous year. It is estimated that the decline in Europe will be around 18 per cent, and in Asia about nine per cent.



45% less cement

Spain

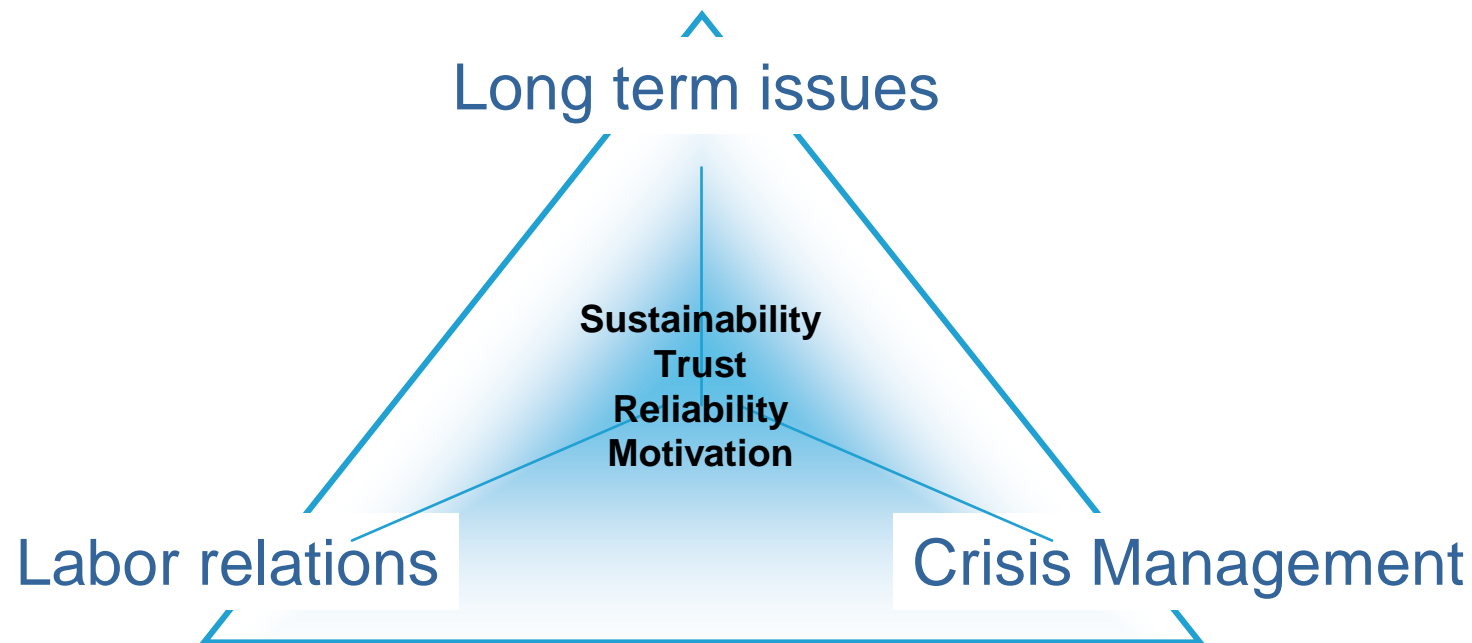
The property bubble in Spain has burst. In the first quarter of 2009, only about half the amount of cement was used in construction in Spain compared with the same quarter last year. The amount of cement used is a key indicator of how the construction industry is faring.



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Crisis management and long term issues rely on strong labor relations



- Balancing crisis management and long term issues
- Enhancing strong labor relations

Gradual crisis management as part of our approach

Our approach: Gradual crisis management

Short-time work / Site Closures

Temporary personnel transfers

Temporary transfer of employees in Antwerp and Ludwigshafen
Qualification of employees

Flexible use of HR-instruments

Reduction of time accounts and annual leave
Reduction of leased workers, contractors and employees with limited contract

Strict cost discipline

Reduction in costs for catering, travelling, events etc.
Reduction in provisions for residual leave and time accounts etc.

Adjust capacities

Plant cutback and shutdowns
Reduction of stock levels

Reduce
costs

Increase
efficiency

Save
employment

Crisis Management at BASF SE in Ludwigshafen



Personnel Measures

- Reduction in number of leased workers, contractors and employees with limited contract
- Flexible use of working-time instruments (e.g. annual leave 2009, overtime)
- Reduction of external hiring
- Personnel transfers

- Short-time work

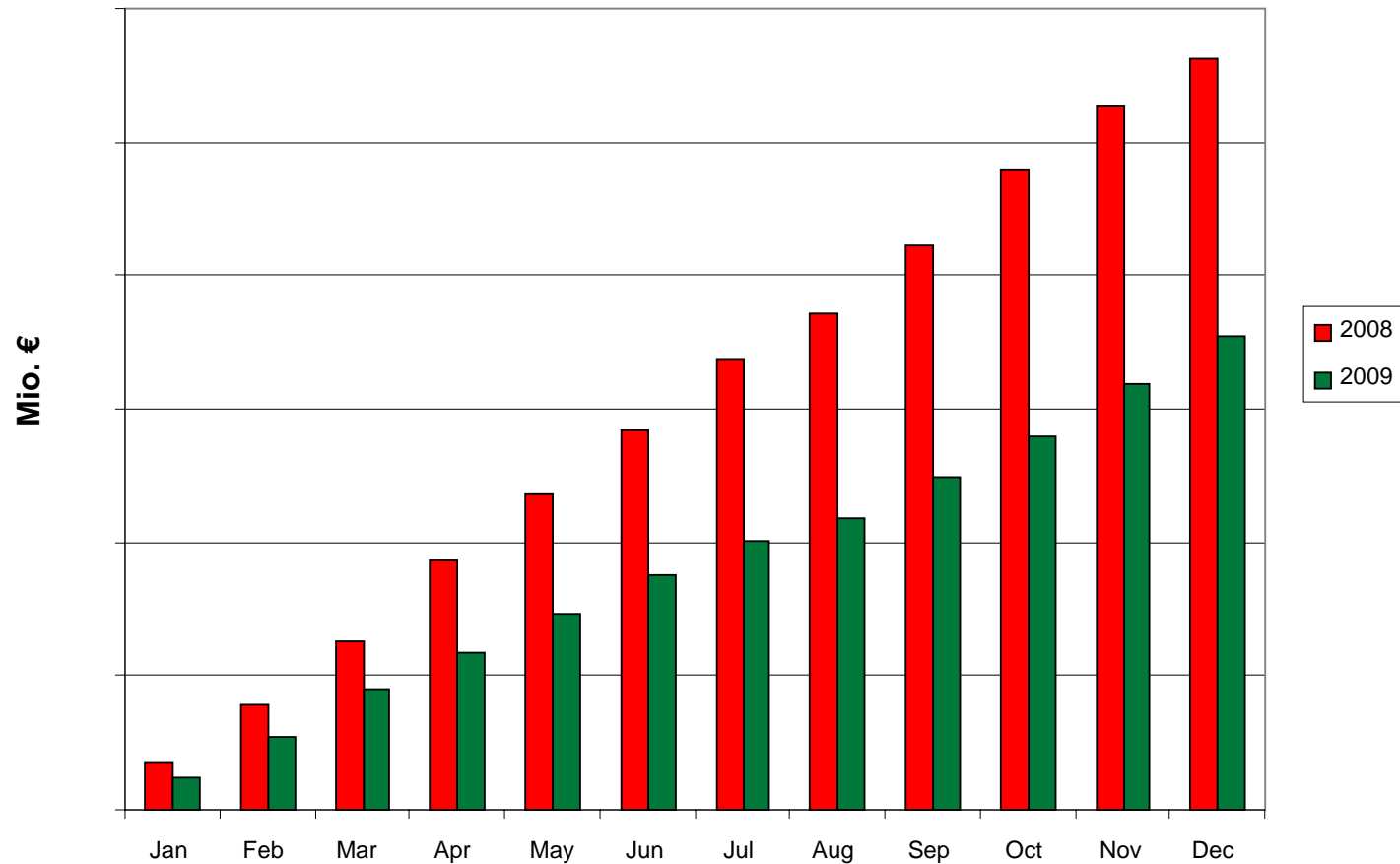
Efficiency Measures

- Reduction in costs for catering
- Strict use of internal service providers
- Reduction in expenditures on events
- Reduction in expenditures on foregoing business trips

- ✓ Reduction in expenditures
- ✓ Reduction in provisions
- ✓ No losses of permanent jobs

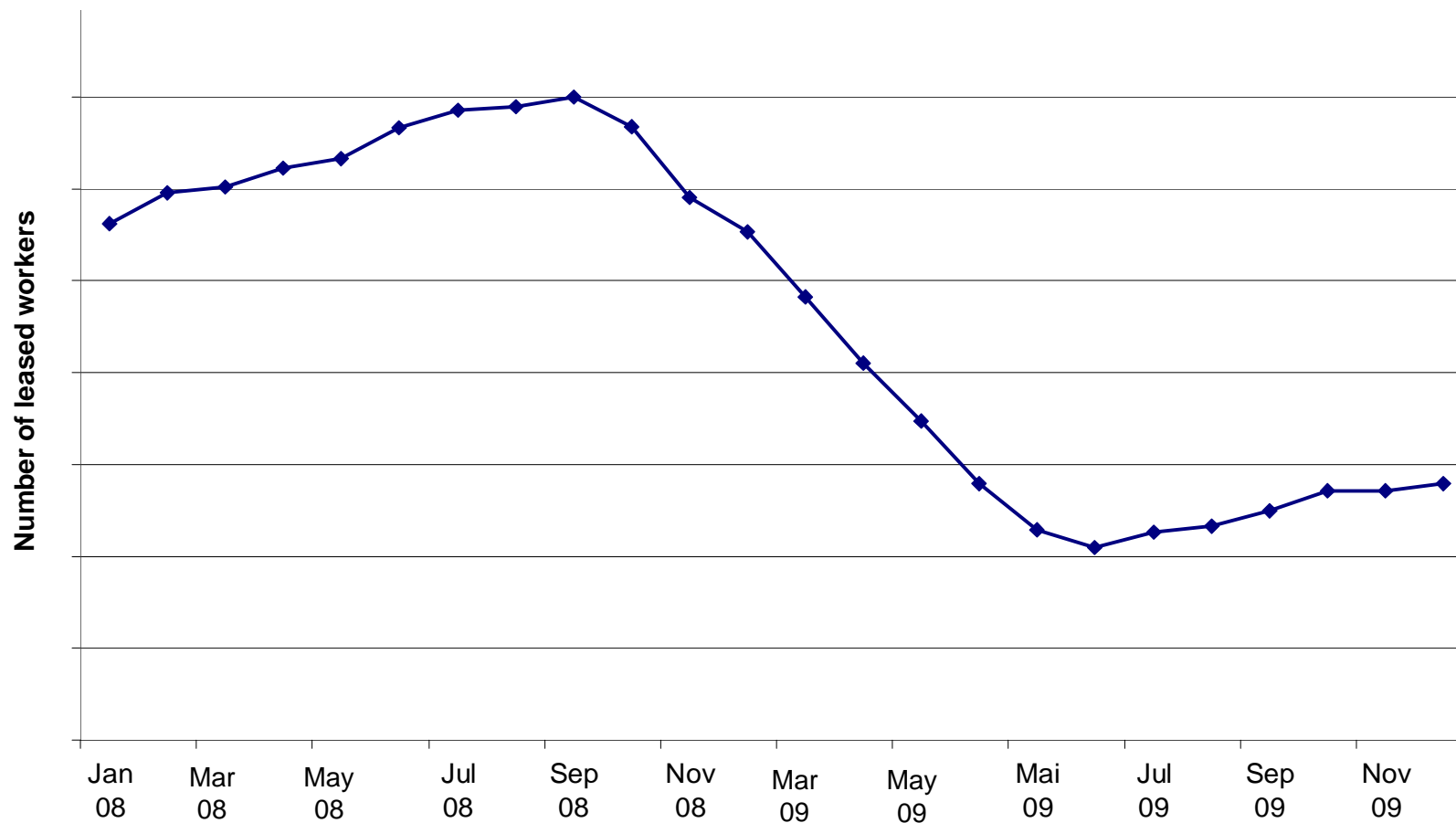
BASF SE Ludwigshafen

37% lower expenditures on business trips in 2009



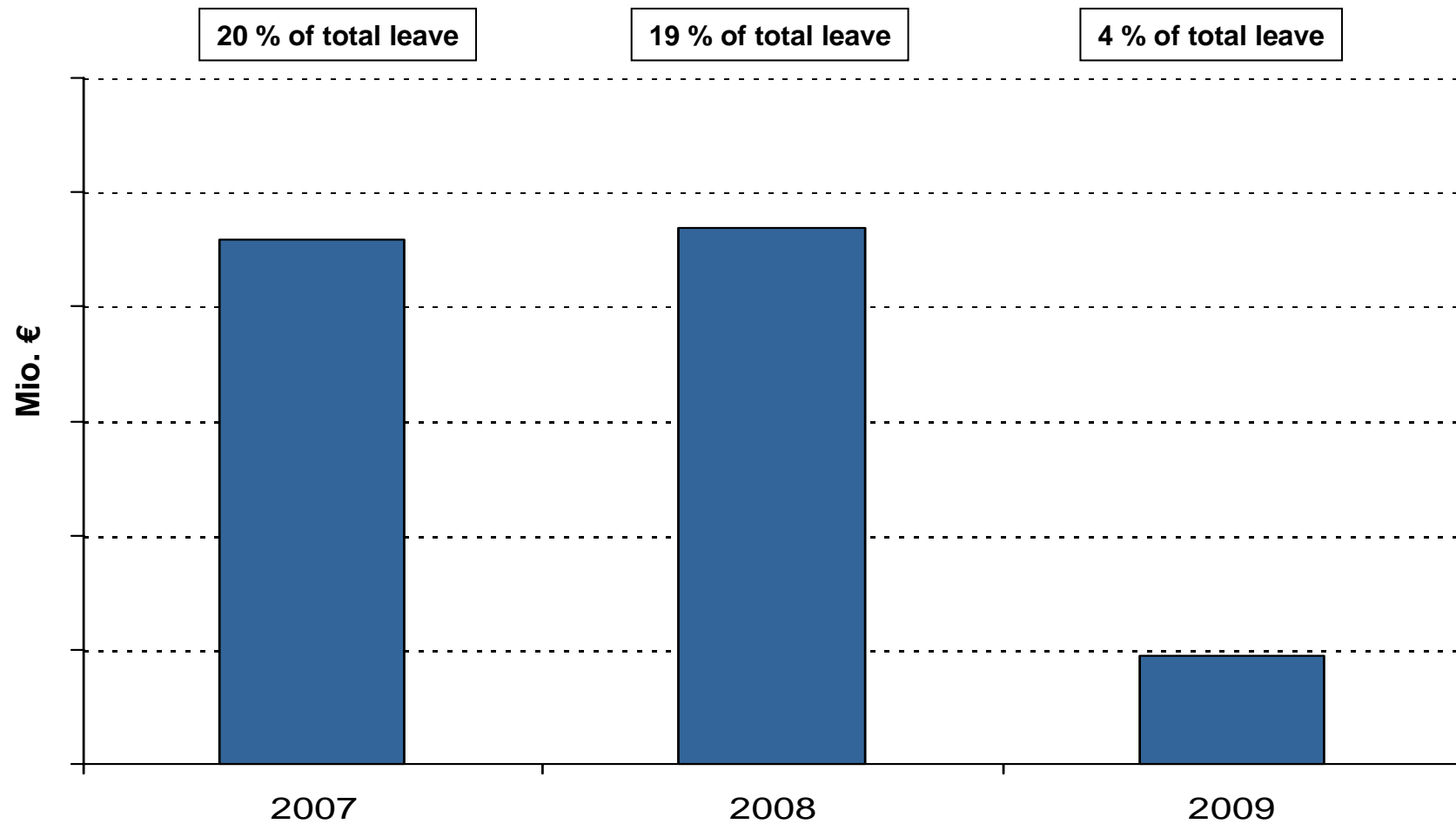
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50% reduction in leased workers in 2009



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80% less provisions for residual leave in 2009



BASF SE Ludwigshafen

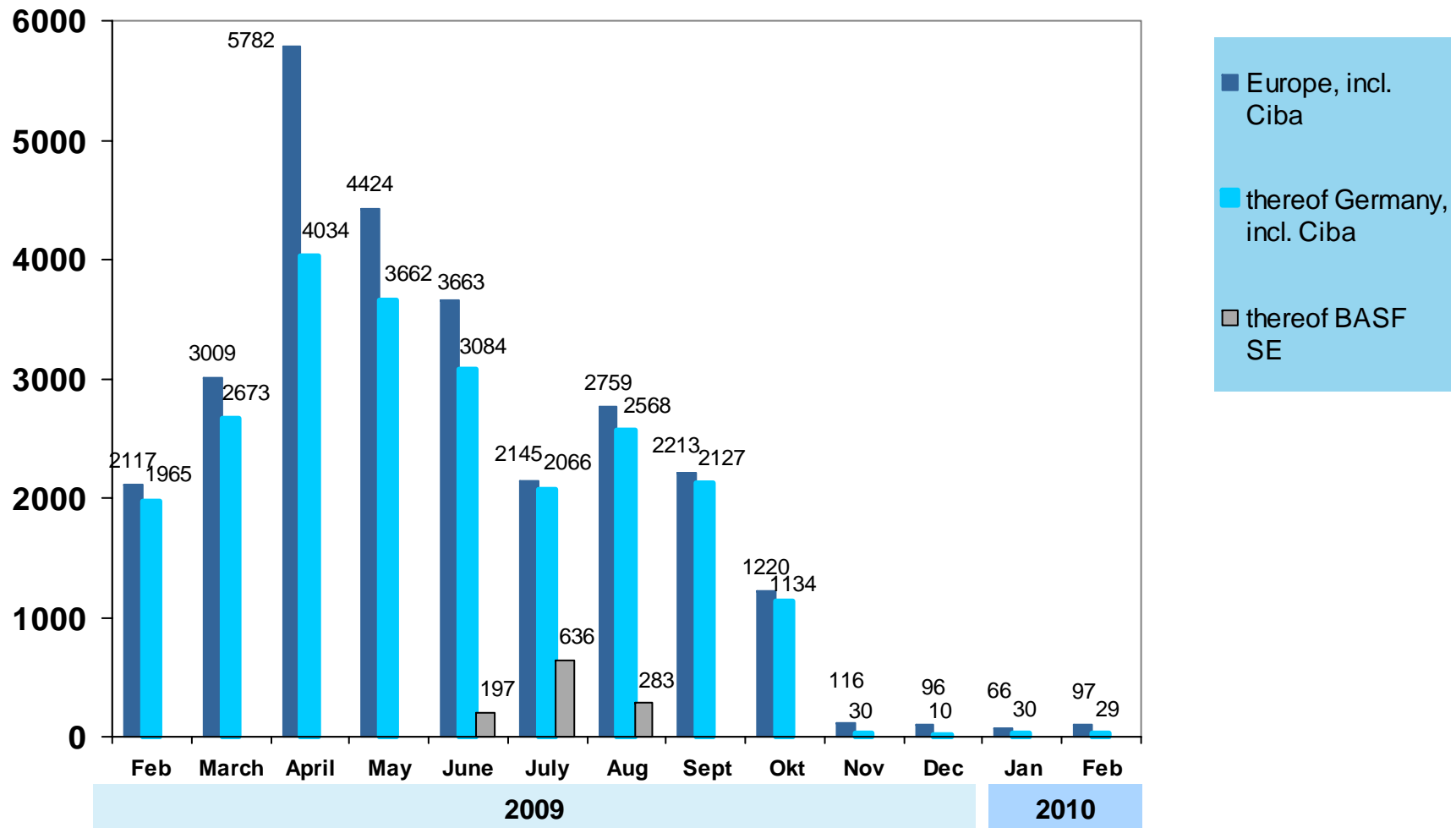
600 personnel transfers at the Verbund Site in 2009



- 600 employees transferred in Ludwigshafen
- 160 production plants belonging to one legal entity
- Verbund Coordination Committee as decision-making body

BASF Group in Europe

Nearly 6000 employees in short-time work in 2009 / 2010



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Shaping the future in the crisis

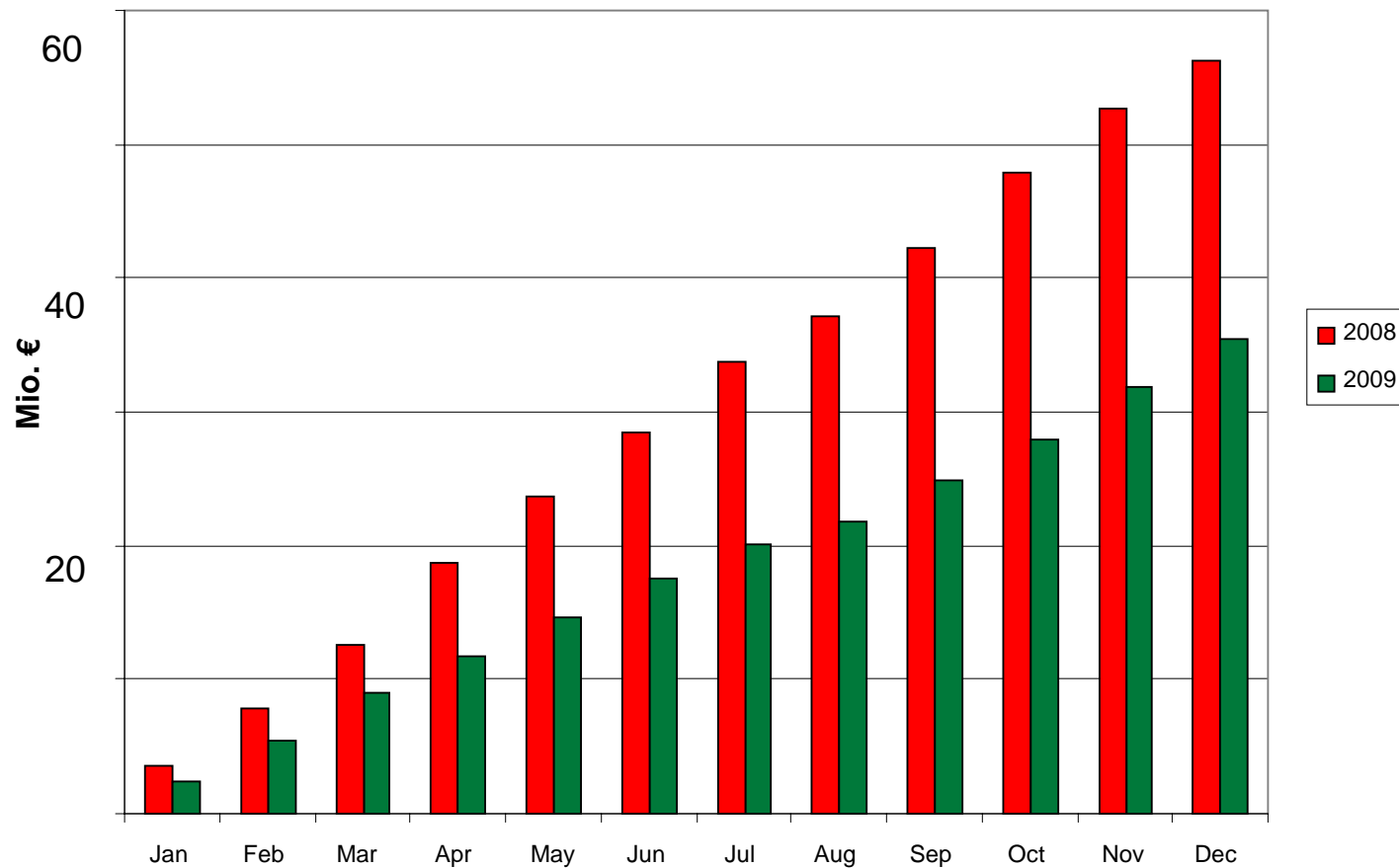
- Measures to adjust capacities and increase efficiency are crucial to tackle economical crisis and have been implemented successfully at BASF.
- However, short-term measures must be in balance with a continuous and long-term oriented improvement of the structures in a company, such as flexible HR-instruments.
- Both – long term topics as well as short term measures in times of crisis – rely on strong labor relations which must be built up and fostered in the long run.

Thank you for your attention

Back Up

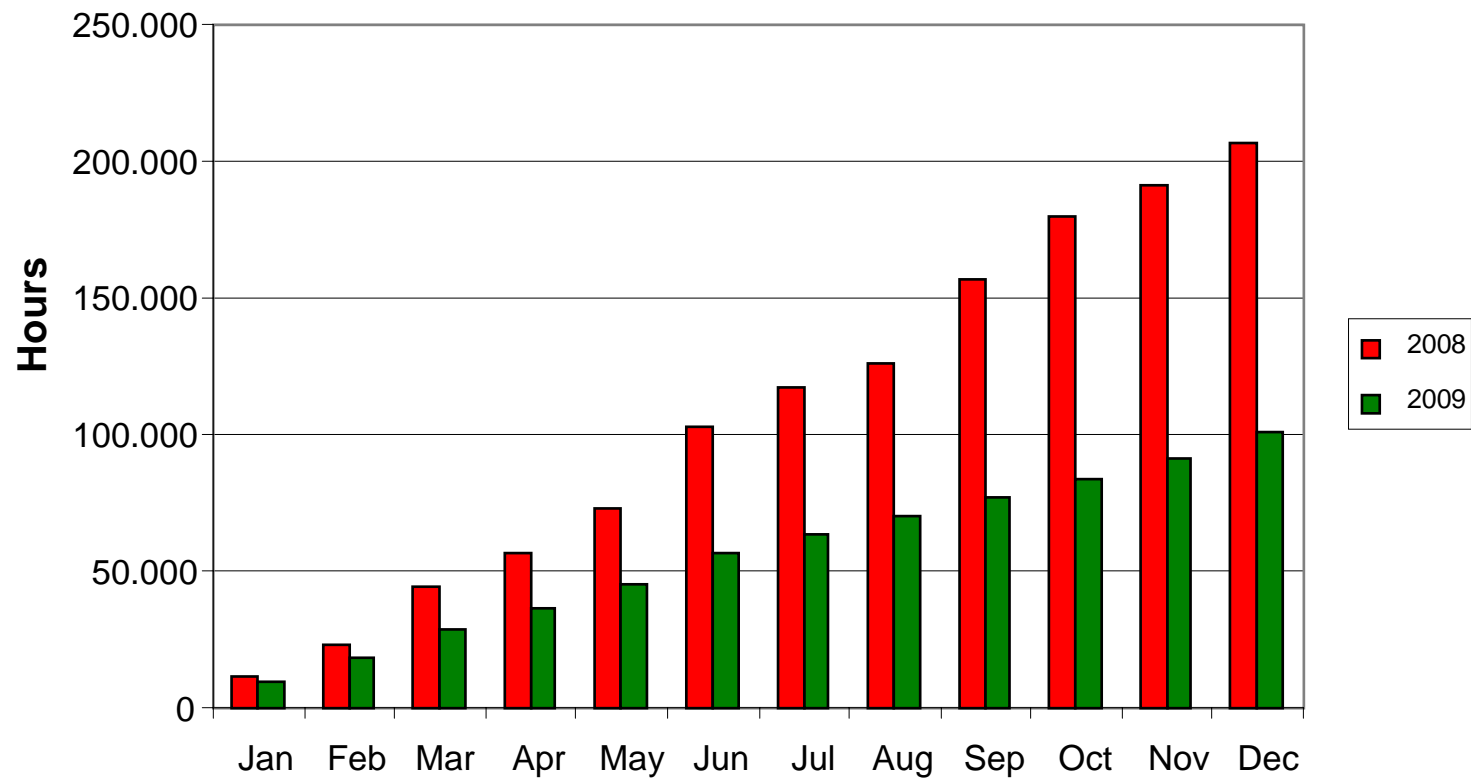
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Reduction in expenditures on foregoing business trips



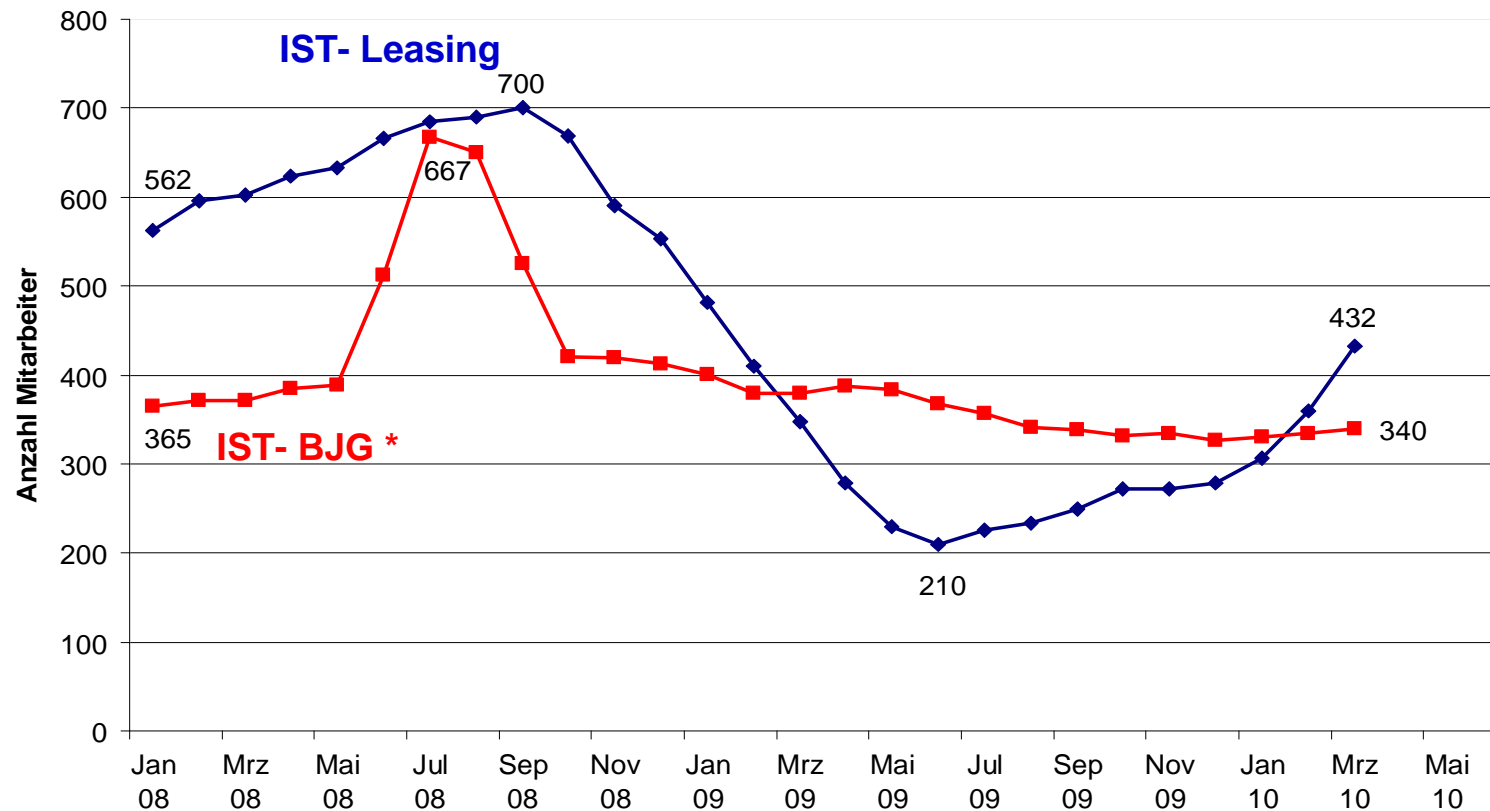
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Reduction in overtime work



Entwicklung BJK & Leasing

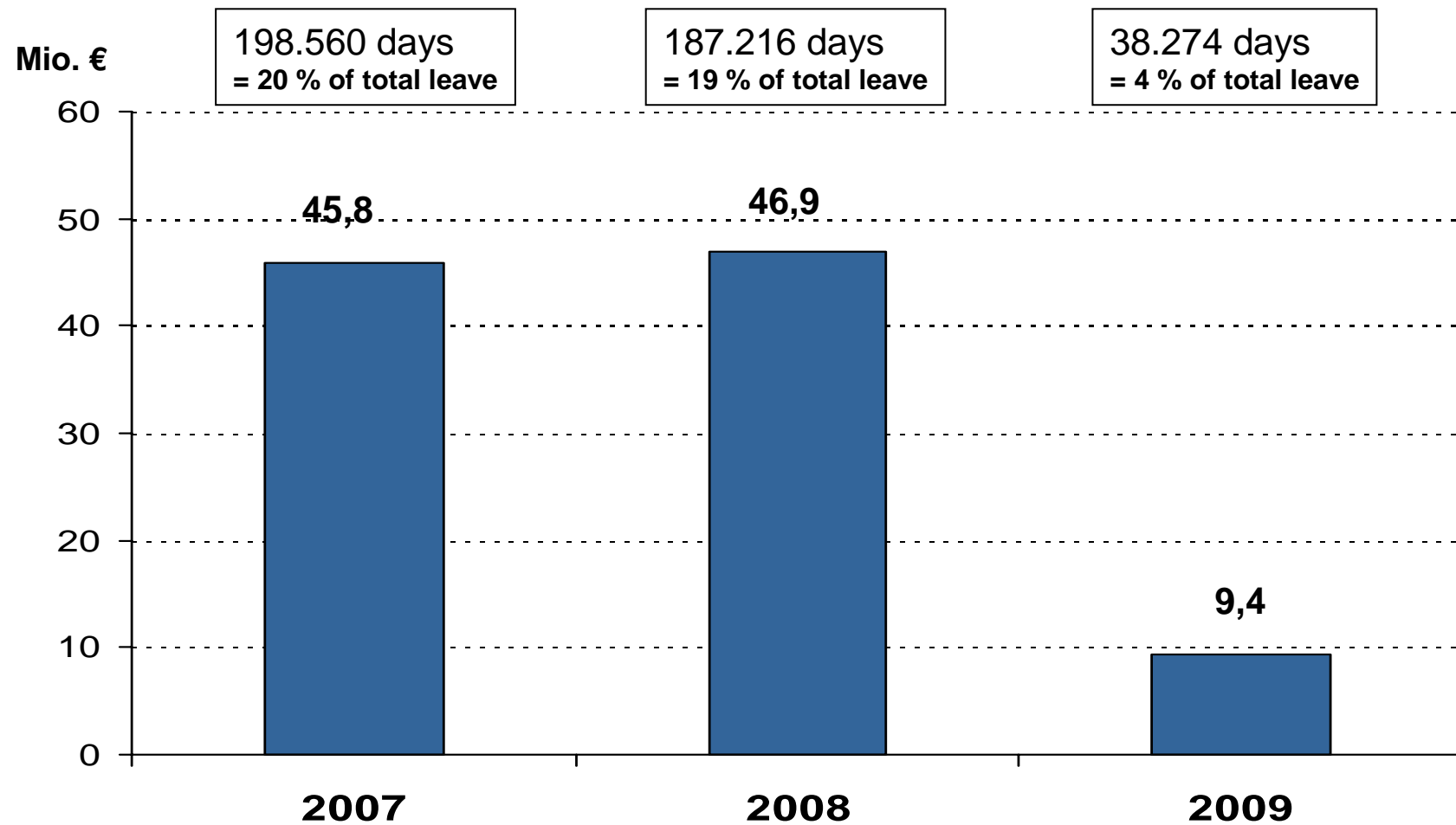
Monatsstände (Stand: 31.03.2010)



* BASF Jobmarkt GmbH – Befristet Beschäftigte (BASF SE)

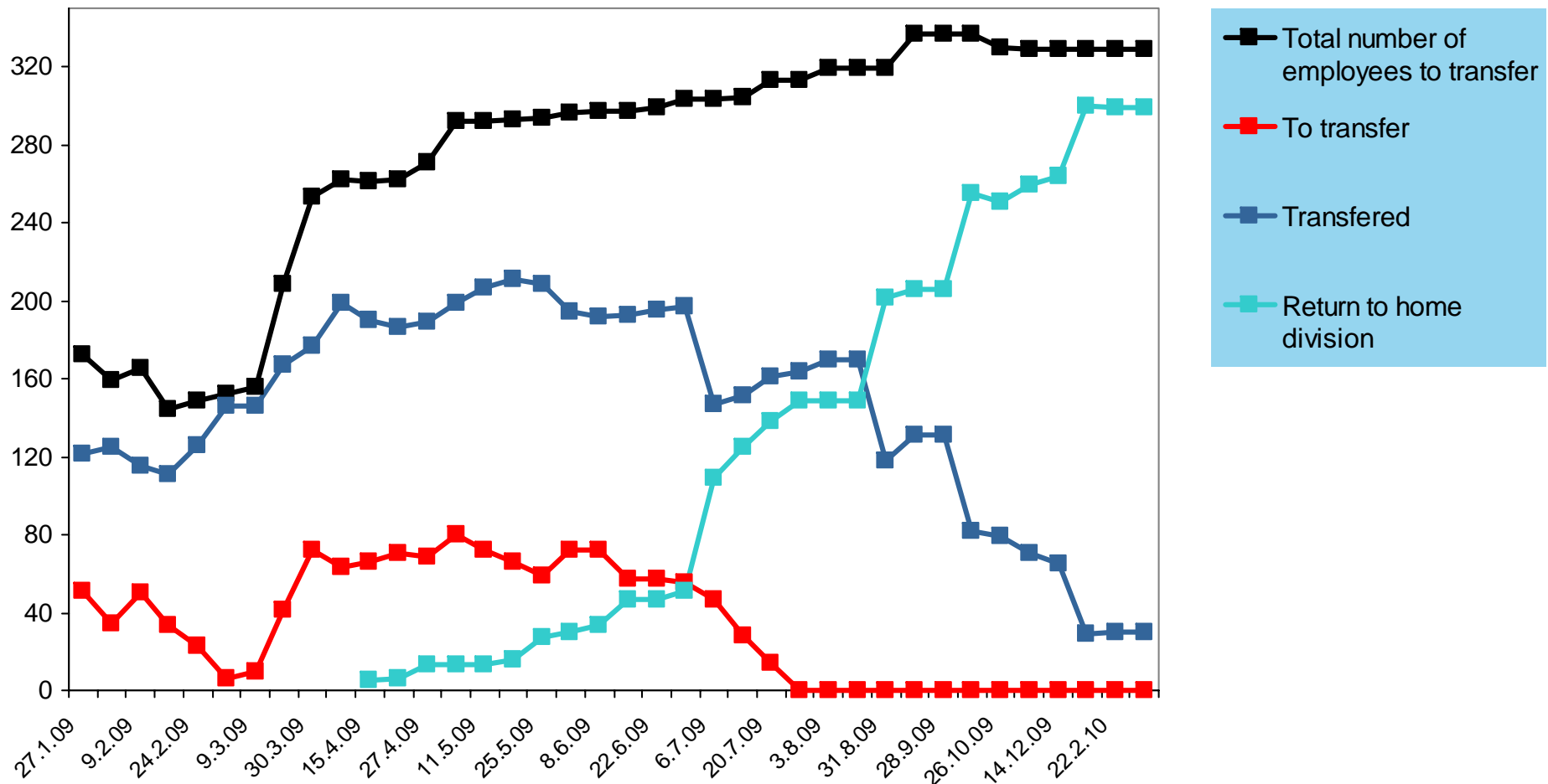
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Reduction in provisions for residual leave



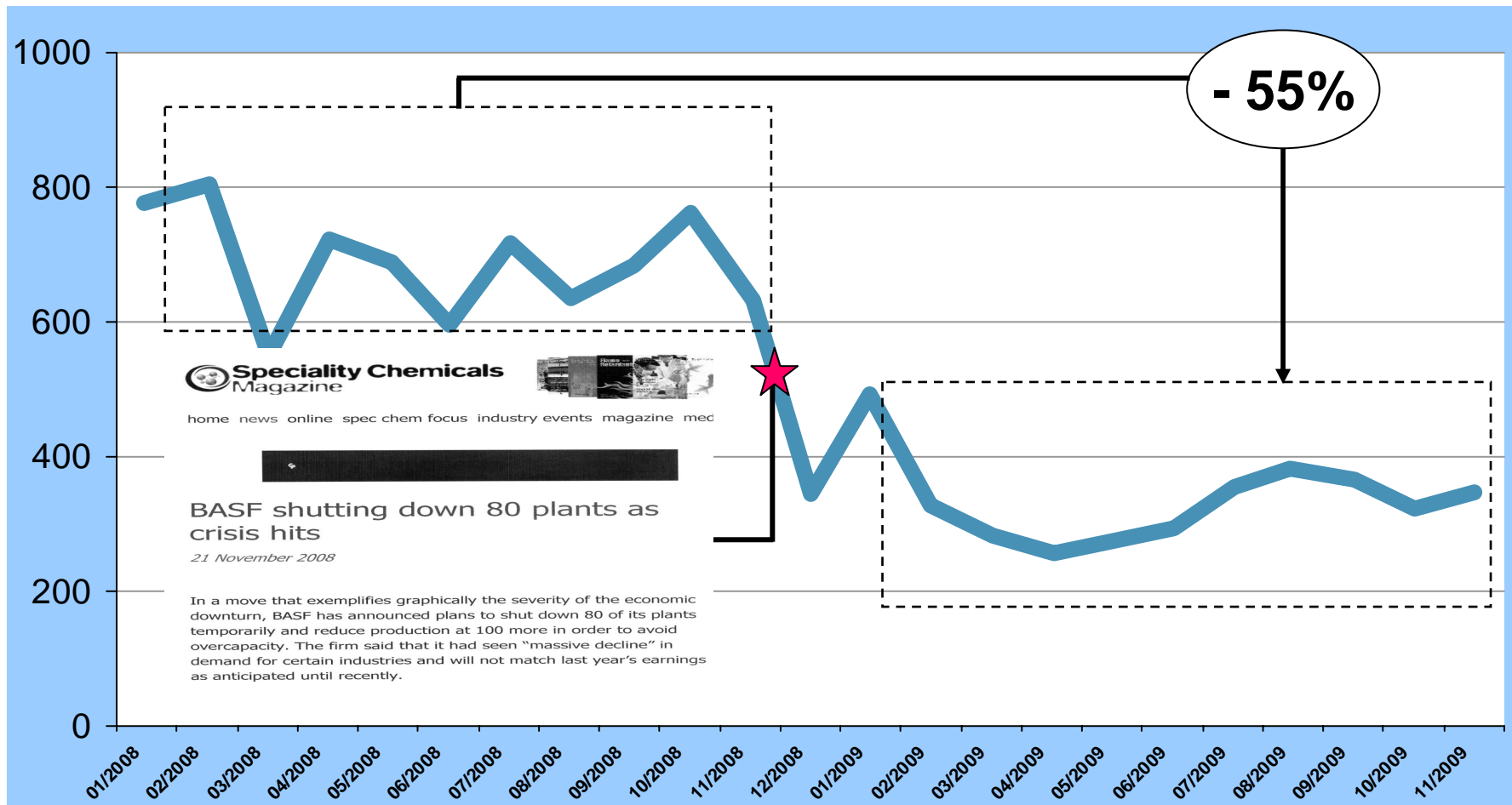
BASF SE Ludwigshafen

Personnel transfers across divisions



Effects of the crisis for BASF

Reduction of unsolicited applications at BASF SE



Our six values

- 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



Strong start to 2010

- Business recovery continues
- Considerably higher sales and earnings in the industrial business
- Sustainable increase in earnings in Performance Products
- Full year 2010: Sales growth and significantly improved earnings

Sales and earnings: BASF Group

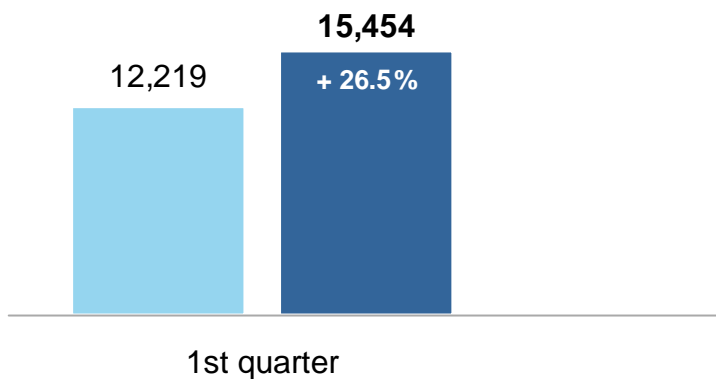
1st quarter 2010



Sales

million €

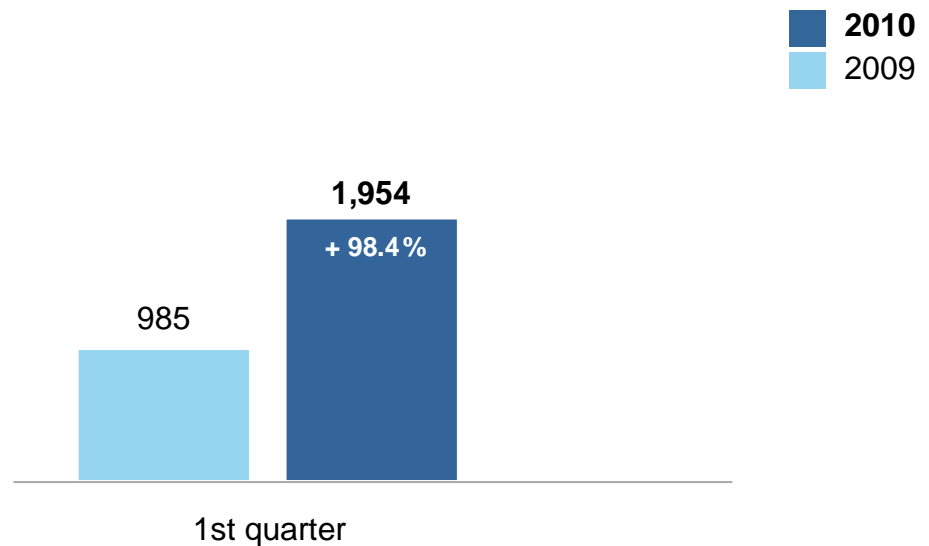
- Sales rise by 26% to €15.5 billion
- Strong increase in sales volumes in almost all segments while prices generally lie marginally below the level of the first quarter of the previous year



EBIT before special items

million €

- Earnings improve substantially by 98% to €1.9 billion
- Significantly higher earnings in almost all divisions
- Earnings in the Oil & Gas segment negatively impacted by lower natural gas prices



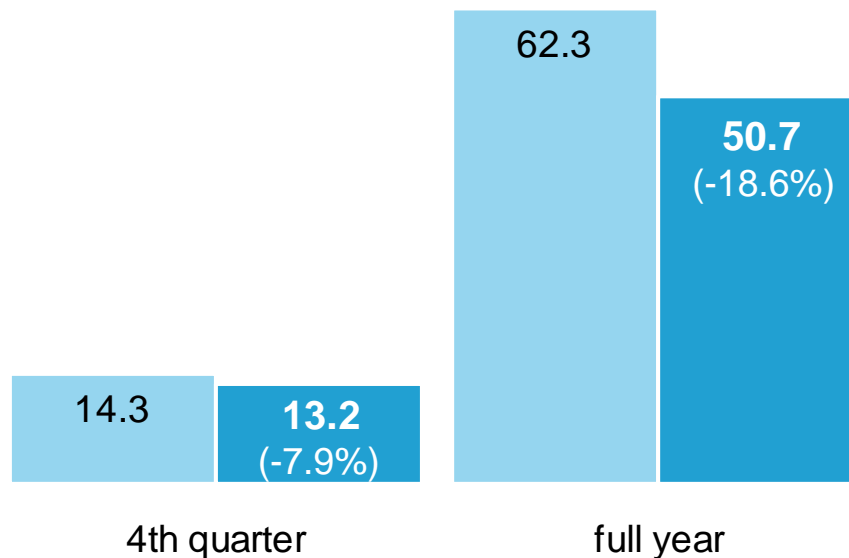
Effects of the crisis for BASF

Reduction of sales and earnings

Sales

billion €

2008
2009

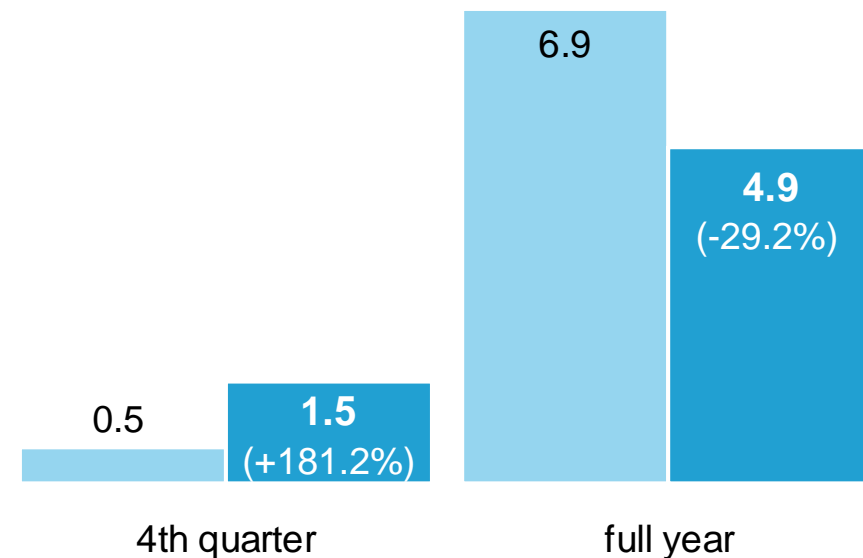


- Sales decline significantly
- Lower prices and volumes due to crisis in key customer industries

EBIT before special items

billion €

2008
2009



- Decline in earnings due to weak demand
- High one-time expenses for Ciba integration