

News Release



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BASF Construction Chemicals **The success story continues**

Speech by Dr. Bernhard Hofmann,
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The spoken word applies!

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Ladies and Gentlemen,

I'm sure you'll agree that the construction industry is not one that many people would consider to be particularly exciting. What I would like to show you today is why it is nevertheless worthwhile to come all the way to a place like Trostberg to hear about construction chemicals.

Trostberg is a site that stands for construction chemicals expertise like no other in Germany. Tradition and future form the special foundation upon which we intend to build our leadership in the growth industry of construction chemicals:

Trostberg can fairly be called the birthplace of construction chemicals in Germany. It was here that scientists developed the "granddaddy" of concrete plasticizers – Melment – in the 1960s.

In early 2007, the Trostberg Construction Chemicals Competence Center was developed into the BASF global research platform "Polymers for Inorganics."

Pioneership and professionalism are what construction chemicals are all about. So, following on from what Andreas Kreimeyer has just said, I would like to tell you more about the products and strategies we intend to use to develop the future of the growth industry of construction chemicals.

[Chart 2] With a workforce of around 7,500, the Construction Chemicals division posted 2006 sales of €2.2 billion. This figure is based on Degussa data for the first half-year and on BASF data as of July 1, 2006.

The BASF Construction Chemicals division operates in five regional business units in North America, South America, Europe and Asia Pacific. The division has sites in 57 countries with more than 130 plants. It sells more than 8,000 product brands and serves more than 100,000 customers worldwide.

[Chart 3] This broad product portfolio and an excellent team equip us to meet the challenges the construction industry will present to us in the future. Four trends can be identified at present. We are aligning our business to meet these trends on a strategic and sustainable basis.

First, the demand for buildings and structures with a longer lifetime is constantly growing. Second, we must be able to tailor our concrete admixture products rapidly to a wider range of cements and additives like sand and gravel. Third, our customers are calling for lower costs in terms of material, energy and capital, coupled with quicker turnaround for building projects. Fourth, all of us want to consume less energy when using the finished buildings.

[Chart 4] What do our customers want? How do we create value? I'd like to answer these questions using a few specific examples.

We make construction more economical and improve the functionality and stability of construction materials. Our finishes enhance the surfaces of buildings, making them more attractive both inside and outside. We help to make structures safe, thereby protecting those who use them. We increase the durability and life span of buildings. And we help to save energy and protect the environment with the aid of innovative technologies.

[Chart 5] Let's look at efficiency. Construction chemicals speed up construction projects, helping to save energy at the same time. Our

products for the manufacture of precast concrete element, GLENIUM ACE[®] for example, accelerate the curing process for concrete. GLENIUM ACE also ensures that concrete is self-compacting. There's also no need for vibration in order to de-air the concrete, which means less noise pollution – and saves outlay on equipment, which in turn helps to make the process more economical.

In addition, the rapid curing of the concrete minimizes the need for steam curing, again helping to save energy as a result.

[Chart 6] Out-of-the-ordinary structures pose special challenges in terms of durability and strength. Reinforcement is therefore a key issue for us. Whether it's the Great Belt Bridge in Denmark or the Tartara Bridge in Japan, you need concrete that has immense compressive strength and is low-maintenance.

In concrete processing, the ratio of water to cement determines the compressive strength of the concrete. Admixtures are needed to obtain a pumpable mixture with the addition of just a little water, which in turn increases the concrete's strength.

The product GLENIUM[®] SKY for ready-mix concrete makes concrete processing easier because of these features. It keeps the construction process flowing smoothly even at widely varying temperatures. And it increases the lifespan of buildings.

[Chart 7] An attractive appearance is one of the criteria for successful surface design.

Our solutions are simple while meeting top standards.

Our finishers meet many requirements. The spa in Bad Blumau, Austria designed by the architect Friedensreich Hundertwasser is an example of our tile adhesives in action.

The demands on products are high, both for new buildings like this one, and for the renovation of old buildings. Products must be suitable for use with a wide range of materials, a variety of tiles, ceramic, natural stone and porcelain stoneware, which have very different properties.

PCI NANOLIGHT[®] is a tile adhesive that meets all these requirements. It's also easy to use and is lightweight in itself. PCI is the flagship corporate brand in this area. The brand has a high recognition value throughout the product range, both via the packaging and the product information we provide.

Decorative flooring is another facet of surface design. Floors need not be soulless, dull and boring. Our MASTERTOP[®] product range allows our customers to realize their own ideas in terms of decorative flooring. Floors can be given a unique individual look and make a building a thing of enduring beauty.

[Chart 8] Safety is a special issue, especially in tunnels. MEYCO[®] FIX FIRESHIELD is an example of how our products help to protect load-bearing primary structures in tunnels. MEYCO FIX FIRESHIELD is a mortar that ensures the stability of concrete for up to 4 hours in the event of a tunnel fire. This can help to save lives in an emergency, since ordinary concrete ruptures at high temperatures.

This product is used for example in the Engstlige tunnel, part of the Lötschberg Base Tunnel in Switzerland.

[Chart 9] A longer life span is a key requirement for buildings and structures in the construction industry today. To help our customers achieve this aim, we have developed and launched a new generation of repair mortars for concrete repair: EMACO[®] Nanocrete for concrete repair offers top quality solutions for buildings and constructions such as reinforced concrete bridges. Nanocrete is convenient both for manual use and for air-placed work, and surpasses all new EN norm requirements, for example in terms of adhesion and frost resistance.

Industrial flooring in the food, pharmaceutical and chemical industries must meet special requirements. We develop special floor coverings that are resistant to frost, steam, mechanical and chemical impact, thereby meeting standards in terms of easy cleaning and preserving the value of buildings.

[Chart 10] Energy is becoming more and more expensive all over the world. The importance of saving energy is increasing significantly as a result.

The external insulation and finish systems HECK[®] and SENERGY[®] allow buildings to be heated and cooled using less energy. The product systems are installed on the exterior. They are easy to use and available in a wide range of colors.

Architects using thermal insulation systems thus have a variety of options for creating stylish or unusual exteriors, an example being the “Ginger & Fred” building in Prague.

Exteriors have evolved over time in response to changing building styles over the centuries. Then as now, render beautifies and protects façades from the elements.

COLFIRMIT[®] render systems are ideal for new buildings and renovation work alike, as they combine functionality, appearance and efficiency in one. COLFIRMIT render systems have made a name for themselves, in particular in the renovation of historic buildings such as Schwerin Palace.

[Chart 11] Ladies and gentlemen, our product portfolio is extensive. We cater to the diverse needs of our customers. Broadly speaking, construction chemicals can be divided into two basic categories. Admixture Systems are support customers in the precast concrete and ready-mix concrete industry.

Construction Systems concern interior products such as tiling adhesives, mortars, and industrial and sports flooring. Here's another example of our products in action: The Berlin Olympic Stadium, with a running track made from our CONICA[®] brand.

[Chart 12] BASF acquired Degussa's construction chemicals business because it operates close to the end customers. This applies both to Admixture Systems products and Construction Systems products, but the marketing channels differ depending on the product segment.

We sell the bulk of our products to industrial customers, for example in our business with concrete plasticizers. In the construction systems business, such as tile adhesives and mortars, we mainly sell to wholesale builders' merchants, but we also advise and train workmen – tilers, for instance – who use our products. In this manner, we get to know the needs of the market straight from the user and can supply system solutions for their problems rapidly and with a strong customer focus.

[Chart 13] Brands are very important in this business. They create recognition, product value and corporate value. Corporate brands and product brands are mutually enhancing. Each potentiates the other's impact. The globally recognized corporate brand BASF stands for concepts like "leading," "innovative" and "shaping the future." The construction chemistry brands familiar to our long-standing customers, and which you will see on the shelves in your local DIY store – the PCI brand being an example – stand for product reliability, product quality, and our market leadership in the various segments.

[Chart 14] How can we increase our expertise even more in future? Our application-oriented products bring us close to the end customers, so we have a relatively strong marketing and sales structure.

We have 7,500 employees in our operating division. To achieve our growth targets, we intend to significantly increase employee numbers by 2015.

We will be adding to our strengths in particular in the areas of marketing, sales, research and development, and production.

This applies in particular to growth markets like Asia, Eastern Europe and the Middle East. These regions – some of which are enjoying a real construction boom – are of great interest because of strong demand for the construction of housing, offices, industrial facilities and infrastructure projects. In Dubai – where our products are involved in projects including Burj Dubai, the artificial archipelago The Palm, and the airport – new building projects are announced daily.

In addition, we will also be reinforcing our presence in more mature markets such as Europe, NAFTA and Japan.

[Chart 15] I'd like to take another glimpse into the future in the area of research and development. The construction chemicals industry is an important link between the construction materials industry and the chemicals industry and as such plays a key role.

The building materials industry produces cement, plaster and other commodities which would either be hard to process or limited in performance without the additives we supply, nor would they be good insulators. On the other hand, you have the classical chemical industry with polymers and other organic starting materials. Our business consists of constantly developing new products and improving existing products by using formulations from both raw material sources. In this way, we aim to meet increasing expectations with regard to energy-efficient construction. Innovations create the basis for commercial and marketable solutions in this area.

[Chart 16] As I already mentioned at the outset, the heart of our research is here at the Trostberg site, which is part of BASF's research platform. The Construction Chemicals Competence Center inaugurated here in Trostberg in 2002 was expanded by BASF in early 2007 to form a global "Polymers for Inorganics" research platform. Some 100 new developments every year reinforce the construction chemicals product portfolio. More than 100 employees here contribute their innovative power to the global BASF Research and Know-how Verbund. The experts conduct basic research and develop specific market-driven projects in areas like dispersions, polymer chemicals, and polymer physics.

We also carry out development work at seven central sites in Europe alone and in numerous other local laboratories for adaptations to local requirements. This setup enables us to offer the ideal response to the individual needs of local markets.

[Chart 17] We are working in a variety of research areas here at the Trostberg site.

The next generation of admixtures is coming up. The big theme here is tailored additives as a successor to current MVA (maleic acid vinyl ether acrylate) technologies.

Another research topic is controlled mineral hydration. The issue here is to investigate precisely the interactions between inorganic binders, that is, cement or plaster on the one hand, and our polymer additives on the other hand. The aim is to achieve even better control of the complex curing processes in inorganic binders.

Standards and requirements for surface finishes are increasing constantly. We are therefore working on new construction admixtures for functional coatings that do more than provide protection and color, and are resistant to weather and dirt.

We are also working on improving existing mortar systems. Research in the area of controlled curing is producing a constant stream of new mortar systems that promise even better mortar adhesion, strength, and reduced shrinkage.

[Chart 18] Construction styles change daily. New challenges arise. Innovations will make many things possible that we are unaware of today.

BASF Construction Chemicals will play a leading role in shaping the future of this industry.