

Investor Release



BASF makes a strong start to 2005

- **Sales grow strongly due to higher volumes and prices**
- **EBIT before special items up 33 percent**
- **Cash flow increases further**
- **Outlook for full year 2005 remains positive**

In the first quarter of 2005, BASF's performance followed on smoothly from the very good fourth quarter of 2004. "We are constantly improving our portfolio according to the motto 'Building strengths and eliminating weaknesses.' This creates the conditions that are needed to ensure that we will continue to earn a premium on our cost of capital in the future," said Dr. Jürgen Hambrecht, Chairman of the Board of Executive Directors, when commenting on the company's first-quarter figures at BASF's 53rd Annual Meeting on April 28, 2005. The good first quarter gives Hambrecht grounds for optimism: "Demand for our products remains strong. We are attempting to counter very high raw materials costs, which are continuing to rise in some cases, with further price increases. We are also rigorously implementing our restructuring measures to ensure our long-term competitiveness."

First-quarter sales increased by 11 percent compared with the strong first quarter of 2004 to over €10 billion. Growth was primarily due to price increases. Sales volumes were higher than in the first quarter of 2004, in particular in the Chemicals and Plastics segments. Sales rose by 14 percent if divestitures and currency fluctuations are not taken into account.

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Compared with the previous year, income from operations (EBIT) before special items climbed 33 percent to €1.6 billion. In the Chemicals and Plastics segments, where capacity utilization was predominantly high, there was a significant improvement in margins and earnings. The Performance Products segment increased earnings despite the divestiture of the printing systems business. Further reductions in fixed costs contributed to the positive earnings trend throughout the chemical businesses. Earnings in the Agricultural Products & Nutrition segment declined slightly due to unsatisfactory profitability in the Fine Chemicals division. In the Oil & Gas segment, earnings benefited from high oil prices.

First-quarter EBIT after special items rose 39 percent to €1.5 billion. Special items were related to various restructuring measures that are recorded under "Other" until implementation in the course of the year.

The financial result improved in particular due to higher earnings from the stake in the Basell joint venture, which BASF is planning to divest. Income before taxes and minority interests increased by 49 percent to €1.5 billion.

The tax rate was 40 percent compared with 47 percent in the first quarter of 2004. The decline was due to the higher contribution to earnings from the NAFTA region. In addition, a charge for the tax effect of planned dividend distributions from Group companies was included in the first quarter of 2004. Income taxes contain taxes for oil production that are noncompensable with German corporate income tax. These oil production taxes increased from €138 million to €198 million due to higher income from operations from the exploration for and production of oil.

Compared with the first quarter of 2004, net income climbed 66 percent to €861 million. Earnings per share in the first quarter were €1.60 compared with €0.94 in the same period of the previous year.

Outlook for 2005 remains positive

In 2005, Hambrecht continues to expect global chemical production to grow by approximately 3 percent, although the growth is likely to vary widely from region to region.

The company has increased its forecast for the average price of Brent crude oil from \$35 to \$45 per barrel; its forecast for the average euro/dollar exchange rate remains unchanged at \$1.30 per euro.

The strong start in the first quarter gives Hambrecht grounds for optimism. The company expects higher sales and to follow on from the high level of EBIT before special items (IFRS) posted in 2004, if possible exceeding it. Uncertain factors continue to be the development of oil prices and the U.S. dollar, as well as the political situation in regional troublespots.

Sales increase in all regions – North America triples EBIT before special items

Companies in **Europe** increased sales by 8 percent in the first quarter of 2005. EBIT before special items rose by €222 million to €1.1 billion. This was due in particular to higher margins and a further reduction of fixed costs in the Chemicals and Plastics segments.

In Germany, the increase in sales and earnings was due to the improvement in the Oil & Gas segment.

In **North America (NAFTA)**, sales by location of company improved by 24 percent in dollar terms. EBIT before special items tripled from €90 million to €271 million. All segments contributed to this growth. The Chemicals segment performed particularly strongly due to good capacity utilization of the steam cracker in Port Arthur, Texas, combined with favorable margins for cracker products.

The Agricultural Products division also posted significantly higher earnings as a result of strong demand for fungicides.

In **Asia Pacific**, companies increased sales in local currency terms by 19 percent. The sales growth was due in particular to MDI and polyurethanes systems in the Polyurethanes division. The new plant for PolyTHF[®] in Caojing, China, successfully started operations, and this will be followed by the THF plant in the second quarter. At the Verbund site in Nanjing, China, the startup of the world-scale plants is also proceeding according to schedule. EBIT before special items was negatively impacted by startup costs for the two new sites.

In **South America, Africa, Middle East**, sales by location of company increased by 4 percent in local currency terms. EBIT before special items declined by €7 million to €71 million. In South America, sales and earnings in the Agricultural Products division did not reach the previous year's very strong level because dry weather reduced demand for fungicides. The Plastics and Performance Products segments posted higher sales and earnings.

BASF is the world's leading chemical company: The Chemical Company. Its portfolio ranges from chemicals, plastics, performance products, agricultural products and fine chemicals to crude oil and natural gas. As a reliable partner to virtually all industries, BASF's intelligent solutions and high-value products help its customers to be more successful. BASF develops new technologies and uses them to open up additional market opportunities. It combines economic success with environmental protection and social responsibility, thus contributing to a better future. In 2004, BASF had approximately 82,000 employees and posted sales of more than €37 billion. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA), New York (BF), Paris (BA) and Zurich (AN). Further information on BASF is available on the Internet at www.basf.com.

Forward-looking statements

This release contains forward-looking statements under the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in BASF's Form 20-F filed with the Securities and Exchange Commission. We do not assume any obligation to update the forward-looking statements contained in this release.