

Investor Release



BASF continues to grow profitably

- **Higher sales (plus 11 percent) and EBIT before special items (plus 13 percent)**
- **Earnings impacted by high raw material prices and hurricanes in the United States**
- **Cost saving goals increased in North America**
- **Outlook for full year 2005 improved further:**
 - **Significant increase in sales and EBIT before special items**
 - **Further increase in premium on cost of capital**

BASF continued on its growth path in the third quarter of 2005. This was confirmed by a further improvement in the figures presented at the company's Fall Press Conference in Ludwigshafen. The strong business performance seen in the first half of the year maintained its momentum in the third quarter. The summer lull was less pronounced than expected. With strong demand on the one hand, and very high and very volatile oil prices on the other, necessary price increases could be passed on to the market only to a limited degree.

Compared with the same quarter of 2004, sales increased by 11 percent to €10.4 billion. Income from operations (EBIT) before special items rose by 13 percent to more than €1.3 billion.

Cumulative sales for the first nine months of the year rose by more than 12 percent to €31 billion. BASF's profitable growth is underlined

November 2, 2005

Investor Relations Contact
Magdalena Moll
Dr. Marcus Vossen
Christoph Beumelburg
Thilo Bischoff
Dr. Birka Benecke
Phone: +49 621 60-48230
Fax: +49 621 60-22500
investorrelations@basf-ag.de

BASF Aktiengesellschaft
67056 Ludwigshafen
Investor Relations
Phone: +49 621 60-48230
Fax: +49 621 60-22500
investorrelations@basf-ag.de
<http://www.basf.de/share>

by the fact that EBIT before special items increased by 26 percent to €4.5 billion.

Optimistic outlook for the full year 2005

Demand for BASF's products remains strong. Further increases in raw materials and energy costs continue to put pressure on margins. For the full year 2005, Dr. Jürgen Hambrecht, Chairman of the Board of Executive Directors of BASF Aktiengesellschaft, expects significantly higher sales and EBIT before special items compared with the previous year's strong level. "We therefore expect to further increase the premium earned on our cost of capital," he said.

In the fourth quarter of 2005, BASF does not anticipate earnings to reach the strong level posted in 2004. Reasons for this include:

- Expected earnings impairments of €120 million as a result of production losses due to the hurricanes in the United States.
- The lack of gains of €80 million posted in the fourth quarter of 2004 as a result of mark-to-market accounting for derivatives associated with the weak U.S. dollar.

Necessary price increase in all chemical segments

BASF's Chief Financial Officer, Dr. Kurt Bock, took special note of the company's net income of €808 million: "That is more than double the figure of €366 million that we posted in the same quarter of 2004." At €2.5 billion, net income in the first nine months of 2005 exceeded the strong level for full year 2004 by almost half a billion euros.

The sales growth was primarily due to necessary and, in some cases, overdue price increases in all the company's chemical segments. With these price increases, BASF responded to massively

higher raw material prices, which resulted in additional costs of more than €1 billion in the first nine months of the year.

After special items of €65 million, third quarter EBIT rose by 17 percent to €1,262 million. The level of special items was comparable to that in previous quarters. Special items were related to restructuring measures and programs to increase efficiency at a number of sites.

The financial results increased by €303 million to €176 million. About two-thirds of this increase was due to special income from the sale of the stake in Basell, which was completed on August 1, 2005.

The increase in earnings per share to €1.55 from €0.67 was also due to the company's continued share buyback program and the associated reduction in the number of shares outstanding.

In the third quarter of 2005, BASF bought back shares for €250 million. From January through to the end of October 2005 (cutoff: October 27), the company bought back shares for €1,228 million at an average share price of €54.24. As a result, BASF has repurchased 19.3 percent of its shares since starting its share buyback program in 1999.

At €1,285 million, payments related to tangible and intangible fixed assets in the first nine months of 2005 were lower than in the same period of 2004 and, as planned, below the corresponding level of depreciation and amortization.

Link between gas and oil prices reasonable and logical

BASF board member Dr. John Feldmann noted in his remarks that it was both reasonable and logical to link gas prices to the price of oil. "Oil and gas compete with one another in their most common applications. Because oil is a globally traded commodity, its price is

therefore the most suitable basis for long-term gas contracts. Such long-term contracts are essential for ensuring supply security for Western Europe.” Furthermore, gas markets in which prices were not linked to the price of oil, such as the United Kingdom and the United States, demonstrated much greater volatility and higher average prices, said Feldmann.

At the same time, Feldmann also stressed that BASF provides its customers with very flexible contracts via its WINGAS joint venture with the Russian gas company Gazprom: “We offer different pricing formulas that include prices based on spot markets, for example in Zeebrugge, Belgium, or fixed-price components as well as prices linked to the price of oil. The majority of our customers, however, opt for a link to the price of oil as the key pricing component.”

Higher sales in all regions

In the third quarter of 2005, BASF recorded higher sales in all regions. Asia remained dynamic, and the economic environment in North America was robust despite the hurricanes. In parts of Europe, however, economic growth was weak, especially in Germany.

BASF’s chairman stressed the company’s successful restructuring measures in North America, which, he said, were highlighted by the 25 percent increase in third-quarter EBIT before special items to €110 million. BASF has also identified additional savings potential of \$150 million per year in the region that are to be achieved by mid-2007. This would incur one-time costs of around \$80 million, said Hambrecht.

On top of this, the company has initiated steps to increase its EBIT in North America by \$200 million per year by the end of 2007. It aims to use a Commercial Effectiveness program to increase the efficiency of its marketing activities and reduce the complexity of its business.

This will be done by adjusting price structures, logistics, warehousing and business models to reflect altered market conditions.

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) 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.