

Investor Release



Acquisitions strengthen profitable growth

- **Increase in sales (up 28 percent) and EBIT before special items (up 22 percent)**
- **Acquired businesses meet expectations: Synergies of €290 million per year**
- **Additional global program to increase efficiency: Cost savings of €300 million per year by 2008**
- **Outlook for 2006 confirmed: Sales to increase significantly to more than €50 billion and higher EBIT before special items compared with the previous year's strong level**

BASF – *The Chemical Company* is continuing on its profitable growth path: The third quarter of 2006 is the thirteenth quarter in succession in which the company has posted an increase in sales. "We have achieved a new earnings level, and in doing so, three things are important: First, our chemicals businesses were again very successful in the third quarter. Second, the newly acquired businesses have met our expectations. And third, we are continuously improving our sites and business processes," said Dr. Jürgen Hambrecht, Chairman of the Board of Executive Directors of BASF Aktiengesellschaft:

The third quarter of 2006 followed on seamlessly from BASF's strong performance in the first half of the year. Demand for its high-value products and system solutions continued unabated. In its chemicals

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businesses, BASF again recorded higher sales volumes compared with last year's already high level. Despite high and very volatile raw material prices, the company was largely successful in passing on necessary price increases to the market.

Sales climbed 28 percent to €13.3 billion. The newly acquired businesses – Engelhard, Degussa Construction Chemicals and Johnson Polymer – contributed €1.8 billion to this dynamic growth.

Income from operations (EBIT) before special items rose by 22 percent to €1.6 billion in the third quarter.

Cumulative sales in the first nine months of 2006 increased by 23 percent to more than €38 billion. EBIT before special items increased by 19 percent to €5.4 billion in the same period.

BASF confirms optimistic outlook for full-year 2006

In the fourth quarter, BASF expects demand for its products to remain strong. Despite an easing in the oil price, raw material costs remain high and margins are therefore still under pressure. Geopolitical tensions and regional conflicts are continuing to result in highly volatile raw material prices, which are now also impacting agricultural products.

For full-year 2006, Hambrecht continues to expect sales to increase to more than €50 billion and higher EBIT before special items compared with the previous year's strong level.

Strong sales growth in Chemicals segment

In the **Chemicals** segment, BASF posted significantly higher sales (plus 67 percent) and EBIT before special items (plus 66 percent). This was primarily due to the acquired catalysts business, as well as to higher sales volumes and price increases.

BASF also recorded double-digit growth in sales (plus 10 percent) and EBIT before special items (plus 18 percent) in its **Plastics** segment, in particular due to the improvement in earnings in the Performance Polymers division.

Sales (plus 41 percent) and EBIT before special items (plus 11 percent) also rose by double-digit amounts in the **Performance Products** segment. Above all, a decline in margins for acrylic monomers negatively impacted earnings. Due to the contribution of the acquired businesses, EBIT before special items was nevertheless higher than in the third quarter of 2005.

Sales (minus 3 percent) and EBIT before special items (minus 100 percent) declined in the **Agricultural Products & Nutrition** segment. Lower sales prices and currency effects, in particular in Brazil, had a negative impact on the Agricultural Products business.

Due to persistently high crude oil prices, sales (plus 30 percent) and EBIT before special items (plus 26 percent) in the **Oil & Gas** segment were again significantly higher than in the same period of 2005.

€290 million in synergies through integration of new businesses

The number one topic at BASF in 2006 has been acquisitions, and the integration of the new businesses is proceeding as planned. BASF expects the combination of the acquired businesses with its existing ones to result in synergies amounting to €290 million per year by 2010. Of this amount, the largest share of €160 million is anticipated to come from Engelhard; Degussa's construction chemicals and Johnson Polymer are likely to contribute €100 million and €30 million, respectively. These synergies will primarily result from the elimination of overlapping functions and processes, for example in administration, marketing and sales, and logistics. There will be an associated reduction of approximately 1,000 positions worldwide: Approximately 800 are related to former Engelhard activities and approximately 200 to Degussa's construction chemicals business. BASF estimates that one-time integration costs of about €200 million are needed to achieve the annual synergy effects of €290 million.

Greater efficiency to reduce costs by €300 million per year

BASF has established a new global program to further increase efficiency and streamline business processes. The program includes a number of site and plant restructuring measures. The company expects it to result in total savings of €300 million per year by 2008. Implementation of the program will result in total one-time expenditures of €160 million as well as write-downs of €270 million, with the larger part being recorded in 2006. The measures are associated with a reduction of 1,000 positions, primarily in Asia and North America. The large majority of these reductions have already been communicated in the regions.

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 system 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. BASF has over 95,000 employees and posted sales of more than €42.7 billion in 2005. 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. The Annual Report 2005 on Form 20-F will be available on the Internet at corporate.basf.com as of March 14, 2006. We do not assume any obligation to update the forward-looking statements contained in this release.