

News Release



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BASF on course for further success:

Record earnings in 2006 – optimistic for 2007

- **Record sales (plus 23 percent) and EBIT before special items (plus 18 percent) in 2006**
- **Premium of €2.1 billion earned on cost of capital**
- **New business areas strengthen BASF**
- **Outlook: BASF confident for full-year 2007**

In 2006, BASF – *The Chemical Company* reached important goals. For the first time in the company's history, sales passed the €50 billion mark, and income from operations (EBIT) before special items climbed to a new record of more than €7.2 billion.

“Our ambitious team has achieved this using its own strength. The economic tailwind also aided us. Our value-enhancing acquisitions in the areas of catalysts, construction chemicals and resins for paint and printing systems have helped us to grow in highly innovative areas and have brought us closer to our customers. At the same time, we have broadened our competence and have become more resilient to cyclicity,” said BASF's Chairman, Dr. Jürgen Hambrecht, at the company's Annual Press Conference in Ludwigshafen, Germany.

In 2006, BASF again earned a high premium of €2.1 billion on its cost of capital and grew faster than the market. Sales increased by

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23 percent to almost €53 billion. The businesses acquired in 2006 contributed €4.2 billion to this amount. EBIT before special items climbed 18 percent to more than €7.2 billion.

BASF is making good progress in integrating the businesses it acquired in 2006 and is on track to largely complete the process as planned by the middle of 2007. The company expects to achieve full synergies of approximately €290 million per year by 2010. This amount is significantly higher than expected.

Optimistic outlook for 2007: Strong sales growth

Hambrecht's outlook for the further course of 2007 was positive. BASF is basing its business planning for 2007 on the following assumptions:

- Global economic growth of 3.2 percent and a similar increase in global chemical production (excluding pharmaceuticals)
- An average oil price of around \$55/barrel for Brent crude with a downward trend in the following years
- An average euro/dollar exchange rate of \$1.30 per euro
- Moderately higher interest rates in the course of the year, primarily in Europe

"In 2007, we want to further expand our position as the world's leading chemical company. We want to further increase BASF's value and again earn an attractive premium on our cost of capital. We will derive additional energy from the newly acquired businesses, from our investments in growth markets and from our broadened research and development activities," said Hambrecht.

For the full year, BASF expects significantly higher sales in 2007 compared with 2006. This will be driven by both the businesses acquired in 2006 as well as organic growth in the company's existing businesses.

Despite the significant decline in the price of oil and the associated impact on the earnings of the Oil & Gas segment, BASF has set itself the ambitious goal of at least matching the record level of EBIT before special items that it posted in 2006. Due to the sustained strengthening of its earnings power, BASF expects to at least earn its cost of capital in any given year, irrespective of the economic situation.

BASF's Chief Financial Officer, Dr. Kurt Bock, noted that BASF improved earnings at all levels of the income statement compared with its strong performance in 2005. "The company's financial strength – measured in terms of cash provided by operating activities – increased further. In combination with a solid balance sheet, this provides us with the financial leeway we need," he said. Bock also pointed out that BASF bought back shares for almost €1 billion in 2006.

Chemicals segment posts record sales

The **Chemicals** segment posted record sales of €11.6 billion. This 43 percent increase was due in particular to the first-time inclusion of the new Catalysts division. EBIT before special items reached a new high of €1.7 billion.

Higher volumes and price increases led to an improvement in sales and EBIT before special items in the **Plastics** segment. Sales rose by 9 percent to €12.8 billion, while EBIT before special items climbed 18 percent to €1.2 billion.

Sales in the **Performance Products** segment rose by 23 percent to more than €10 billion as a result of the newly acquired businesses. EBIT before special items declined, however, due to integration and restructuring costs and declining margins, in particular for acrylic monomers.

Sales in the **Agricultural Products & Nutrition** segment were at approximately the previous year's level segment (minus 2 percent), while EBIT before special items declined (minus 37 percent).

Unfavorable weather conditions for the use of fungicides, low prices for agricultural produce and high energy costs negatively impacted BASF's business with crop protection products in important agricultural regions.

Sales and EBIT before special items rose in the Fine Chemicals division, but EBIT declined as a result of extensive restructuring measures.

BASF expects this segment's earnings to improve significantly in 2007 thanks to its portfolio of innovative crop protection products and its restructuring efforts in the Fine Chemicals division.

The increase in prices for crude oil and natural gas and the expansion of the gas trading business meant that sales and EBIT before special items in the **Oil & Gas** segment reached new record levels of €10.7 billion and €3.2 billion, respectively.

BASF will publish its Financial Report and Corporate Report on March 14, 2007.

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 high-value products and intelligent system solutions help its customers to be more successful. BASF develops new technologies and uses them to meet the challenges of the future and 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 €52.6 billion in 2006. 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.

On February 22, 2007 you can obtain further information on the Internet at the following addresses:

Annual press conference report (from 7:30 a.m. CET)

corporate.basf.com/pcon-report (English)
corporate.basf.com/pk-bericht (German)

Press release (from 7:30 a.m. CET)

corporate.basf.com/pressrelease (English)
corporate.basf.com/pressemitteilungen (German)

**Live transmission Annual Press Conference
(from 10:30 a.m. CET)**

corporate.basf.com/pcon (English)
corporate.basf.com/pk (German)

**Speech Dr. Jürgen Hambrecht/Dr. Kurt Bock
(from 10:30 a.m. CET)**

corporate.basf.com/pcon (English)
corporate.basf.com/pk (German)

**Photos from the Annual Press Conference
(from 1:00 p.m. CET)**

corporate.basf.com/photos (English)
corporate.basf.com/fotos (German)

Live transmission Analyst Conference (from 3:00 p.m. CET)

corporate.basf.com/share (English)
corporate.basf.com/aktie (German)

Information about BASF shares

corporate.basf.com/share (English)
corporate.basf.com/aktie (German)

Note to Editors:

You can also access our Corporate Press Photo DVD on the Internet:

corporate.basf.com/pressphoto-cd (English)
corporate.basf.com/pressefoto-cd (German)

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.