# News Release

February 21, 2008
P 147/08e
Michael Grabicki
Phone: +49 621 60-99938
Fax: +49 621 60-92693
michael.grabicki@basf.com

**Annual Press Conference in Ludwigshafen**

## New record year 2007 gives BASF confidence for 2008

- **Record sales (plus 10 percent) and EBIT before special items (plus 5 percent) in 2007**
- **Further high premium on cost of capital of €2.9 billion**
- **Outlook 2008: Higher sales and slightly higher EBIT before special items**

Ludwigshafen, Germany – February 21, 2008 – For BASF, 2007 was another record year. Thanks to organic growth and the very positive development of the acquired businesses, BASF posted sales of almost €58 billion and income from operations (EBIT) before special items of more than €7.6 billion in 2007. "This is a great achievement," said Dr. Jürgen Hambrecht, Chairman of the Board of Executive Directors of BASF SE, today at the company's Annual Press Conference in Ludwigshafen. "Our employees can be particularly proud of this great achievement because the economic challenges have increased in recent months." Hambrecht nevertheless remains confident with regard to the development of BASF's business in 2008.

In 2007, BASF earned its highest ever premium of €2.9 billion on its cost of capital and again grew profitably and faster than the market. Sales rose by more than 10 percent. The operational integration of

BASF SE
67056 Ludwigshafen
Telefon: +49 621 60-0
http://www.basf.com
Corporate Media Relations
Telefon: +49 621 60-20916
Telefax: +49 621 60-92693
presse.kontakt@basf.com

the acquired businesses is now complete and the activities contributed approximately €3.6 billion to sales in 2007. Overall, EBIT before special items grew by approximately 5 percent.

At €5.8 billion, cash provided by operating activities reached the previous year's very high level. "This solid operating cash flow and our healthy balance sheet are two of BASF's key strengths," said Dr. Kurt Bock, BASF's Chief Financial Officer.

In the fourth quarter of 2007, BASF slightly increased sales by almost 2 percent. EBIT declined by just over 3 percent, primarily due to low capacity utilization rates as a result of turnarounds of key plants that lasted longer than scheduled. Volume demand and the level of orders remained strong in the fourth quarter of 2007.

**BASF is confident for 2008 and sets itself ambitious goals**

"The first weeks of 2008 have run on smoothly from the past year for BASF. The level of orders remains strong and the capacity utilization rates of our plants are high. We therefore expect that BASF's business will also develop positively in 2008," said Hambrecht.

BASF is basing its business planning on the following assumptions:

- A moderate slowdown in global economic growth and global chemical production (excluding pharmaceuticals) to 2.8 percent
- Declining interest rates in the United States in the course of 2008 with moderate knock-on effects in Europe
- An average euro/dollar exchange rate of $1.45 per euro
- An average oil price of $78 per barrel for Brent crude in 2008

The company sees possible risks posed by:

- continuing uncertainty due to the global credit crisis;

- unfavorable developments in customer industries, in particular in the construction and automotive industries;
- an increasing imbalance in exchange rates;
- economic risks due to the continuing high prices of raw materials, in particular oil; and
- an aggravation of geopolitical tensions.

BASF will therefore continue to rigorously implement its measures to optimize its portfolio, increase efficiency and reduce costs. In 2008, it remains the declared goal to improve the productivity of the BASF Group in order to ensure the competitiveness of the company in the long term.

“Assuming that there are no changes to our portfolio, we aim to increase sales and improve income before special items slightly in 2008. We aim to grow faster than the chemical market each year, and we are convinced that BASF will earn at least its cost of capital in any given year,” said Hambrecht.

**Chemicals segment: Double-digit sales and earnings growth**

With sales totaling more than €14 billion, the **Chemicals** segment achieved double-digit sales growth in 2007. This was due primarily to the new Catalysts division, which contributed a first full year of sales for the first time. EBIT before special items increased by more than 18 percent to €2 billion.

Higher volumes and price increases improved sales and EBIT before special items in the **Plastics** segment. Sales rose by approximately 6 percent to €13.5 billion, while earnings increased by 9 percent to €1.3 billion.

In the **Performance Products** segment, sales climbed by more than 15 percent to €11.7 billion. This was due in particular to the acquired businesses. The rise in earnings in the Construction Chemicals and Performance Chemicals divisions more than compensated for the decline in the Coatings and Functional Polymers divisions.

In the **Agricultural Products & Nutrition** segment, the Agricultural Products division posted higher sales and the Fine Chemicals division almost matched the previous year's sales level despite divestitures. Higher sales prices in the Agricultural Products division and successful restructuring measures in the Fine Chemicals division resulted in significantly higher earnings in both divisions.

Sales and earnings declined in the **Oil & Gas** segment. Sales from Exploration and Production declined, but rose in Natural Gas Trading thanks to higher volumes. By contrast, earnings in the natural gas trading business were significantly lower than in the previous year because of the lag in adjusting sales prices to reflect purchasing prices that are based on the price of oil.

**Further sales growth in all regions**

In **Europe,** sales by location of company rose by 9 percent. The sales growth was driven by the Catalysts and Construction Chemicals divisions as well as higher sales volumes and prices in the Intermediates and Inorganics divisions. Compared with 2006, income from operations declined slightly by 1.3 percent as a result of the Oil & Gas segment.

Sales in **North America** rose 13 percent in local currency terms and by 5 percent in euro terms. The Chemicals and Performance Products segments posted significantly higher sales. This was due in particular to

the contribution of the activities acquired in 2006. Sales declined in the Plastics segment and in the Agricultural Products division, also as a result of currency effects. Income from operations amounted to €762 million and was 12 percent lower than in 2006. This decline in earnings was due to one-time effects such as the scheduled plant turnarounds in the Petrochemicals division and the shutdown of the TDI plant in Geismar, Louisiana, for a number of weeks, as well as weaker demand from the automotive and construction industries and higher special items.

BASF remains very dynamic growth in **Asia Pacific:** Sales rose by more than 25 percent in local currency terms and by 18 percent in euro terms. The greatest contribution was made by the Chemicals segment, in particular due to the new Catalysts division. New plant startups in the Plastics and Performance Products segments benefited from the above-average growth in the Asian markets. Income from operations amounted to €828 million and was thus more than four times higher than in the previous year. This was due to strong earnings growth in the Chemicals and Plastics segments as well as significantly lower special items.

In the region **South America, Africa, Middle East,** sales increased by 28 percent in local currency terms and by 24 percent in euro terms. Income from operations rose by 45 percent to €311 million. This was due in particular to higher volumes and prices for agricultural products in South America, especially in Brazil. In a positive market environment with persistently high prices for soybeans and strong demand for sugar cane, export-oriented customers invested more strongly in high-value crop protection products. Sales of architectural coatings and to the automotive industry also increased. The successful integration of the catalysts business in South Africa also contributed to the rise in earnings.

**About BASF**

BASF is the world's leading chemical company: The Chemical Company. Its portfolio ranges from oil and gas to chemicals, plastics, performance products, agricultural products and fine chemicals. As a reliable partner BASF helps its customers in virtually all industries to be more successful. With its high-value products and intelligent solutions, BASF plays an important role in finding answers to global challenges such as climate protection, energy efficiency, nutrition and mobility. BASF has more than 95,000 employees and posted sales of almost €58 billion in 2007. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA) and Zurich (AN). Further information on BASF is available on the Internet at www.basf.com.

On February 21, 2008, you can obtain further information from 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)

**Photos (from 7:30 a.m. CET)**
corporate.basf.com/photos (English)
corporate.basf.com/fotos (German)

**Live Transmission Telephone Conference for journalists and analysts (from 10:30 a.m. CET)**
corporate.basf.com/pcon (English)
corporate.basf.com/pk (German)

**Speech by Dr. Jürgen Hambrecht/Dr. Kurt Bock – print version (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:**
As of February 21, 2008 you can also access our Corporate Press Photo DVD on the Internet:
corporate.basf.com/pressphoto-dvd (English)
corporate.basf.com/pressefoto-dvd (German)

**Forward-looking statements**
This release contains forward-looking statements based on current experience, 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. We do not assume any obligation to update the forward-looking statements contained in this release.