

News Release



BASF remains in top form:

Sales and earnings increase despite challenging business environment

- Strong increase in sales (plus 10 percent) and EBIT before special items (plus 15 percent) in first half of 2008
- Agricultural Solutions: strong growth in all regions
- Confident outlook for full-year 2008:
BASF aims to increase sales and post slightly higher EBIT before special items compared with 2007

Ludwigshafen, Germany – July 31, 2008 – BASF – *The Chemical Company* – is in top form. In both the second quarter and the first half of 2008, the company has again increased sales and income from operations (EBIT) before special items and achieved new records. First-half sales amounted to €32.2 billion, 10 percent more than in the same period of 2007. EBIT before special items in the first six months of 2008 rose by 15 percent to around €4.8 billion. In the second-quarter, BASF increased sales by 11 percent to €16.3 billion, while EBIT before special items climbed approximately 19 percent to €2.4 billion.

“Demand for our products remains strong, and the summer lull does not seem to be very pronounced. However, sales prices have to be increased considerably in some cases in order to pass on significantly higher raw material costs. Our strong figures show once again that we have chosen the right strategy of sharpening our customer focus, increasing our cyclical resilience and concentrating on growth

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markets,” said Dr. Jürgen Hambrecht, Chairman of the Board of Executive Directors of BASF SE, during his presentation of the company’s latest results.

BASF confirms confident outlook for full-year 2008

Despite a slight decline, BASF’s chairman said that he was still expecting global chemical production to grow at 2.4 percent in the current year, and that he anticipated global economic growth of 2.8 percent. BASF has increased its forecast for the average price of Brent crude to \$120 per barrel in 2008 and expects an average exchange rate of \$1.55 per euro. In addition to extremely high and volatile raw material prices and the weak U.S. dollar, Hambrecht sees risks posed by a growing trend to stagflation and the aggravation of geopolitical tensions.

“Despite the challenging economic environment with high raw material costs, we are confident that we will achieve the goals we have set for 2008. Assuming that there are no changes to BASF’s portfolio, we aim to increase sales and to improve EBIT before special items slightly,” said Hambrecht.

BASF has also set itself long-term financial goals: In each of the next five years, the BASF Group aims to achieve an EBITDA margin of 18 percent. Even under tough conditions, the company expects to realize an EBITDA margin of more than 14 percent. This goal is based on the following long-term assumptions: an unchanged portfolio, an oil price (Brent) of \$100 per barrel and an exchange rate of \$1.40 to \$1.50 per euro. In the same period, BASF aims to post average volume growth two percentage points above the relevant chemical market.

BASF's Chief Financial Officer Dr. Kurt Bock spoke in his presentation about the company's share buyback program. In the first half of 2008, BASF bought back shares for €1.1 billion and thus completed the €3 billion buyback program that it announced in February 2007 six months ahead of schedule. "In June, we decided that we would repurchase further shares for a total of €3 billion. This program was already started in July and is scheduled to be completed by mid-2010," said Bock. The goal of the share repurchase is to further optimize BASF's balance sheet structure and increase earnings per share. All of the shares repurchased are therefore cancelled, and BASF SE's share capital is reduced accordingly.

Higher sales in all segments

In the **Chemicals** segment, BASF significantly increased sales by 18 percent thanks to higher volumes and prices. EBIT before special items declined by 34 percent compared with the second quarter of 2007. This was due in particular to considerably lower margins for cracker products.

Second-quarter sales in the **Plastics** segment rose by 4 percent due to higher volumes and prices. The Polyurethanes division especially contributed significantly higher volumes. EBIT before special items declined by 14 percent, above all due to weaker business in North America.

Sales in the **Performance Products** segment were 1 percent higher than in the second quarter of 2007. Negative currency effects and the effect of divestments were more than offset by higher volumes and sales prices. EBIT before special items increased by 22 percent, in particular thanks to the strong performance of the Care Chemicals division.

The **Functional Solutions** segment posted a 2 percent increase in sales due to higher prices. EBIT before special items fell by 34 percent, above all because of a decline in demand from the key customer industries construction and automotive in North America.

Sales in the **Agricultural Solutions** segment rose by 21 percent in the second quarter thanks to higher volumes and prices. EBIT before special items climbed 51 percent due to higher volumes and sales prices and the higher proportion of innovative and highly profitable products.

Sales in the **Oil & Gas** segment rose strongly by 41 percent as a result of higher natural gas production, higher volumes in natural gas trading and higher oil prices. EBIT before special items rose significantly by 44 percent. Earnings in the natural gas trading business declined, however, because as contractually agreed, BASF can only adjust sales prices to reflect higher purchase prices after a certain time lag.

Sales growth in all regions

Sales grew in all regions in the first half of 2008, and declined only in North America in euro terms.

Sales by location of company in **Europe** increased by 15 percent in the first half of 2008. EBIT before special items rose by more than €600 million to €3.7 billion. The Oil & Gas segment posted higher sales and earnings mainly due to the rise in oil prices. Business in the Agricultural Solutions segment, particularly in cereal fungicides, developed well as a result of favorable market conditions. Earnings decreased in the Chemicals segment, in particular due to weaker margins for cracker products.

In **North America**, sales by location of company increased by 14 percent in dollar terms and decreased by 1 percent in euro terms. At €443 million, EBIT before special items was 19 percent lower than in the first half of 2007. Above all, lower margins for cracker products in the Chemicals segment resulted in a decline in earnings. Business in Plastics and Functional Solutions weakened, primarily due to the increasing slowdown in the automotive and construction industries.

In **Asia Pacific**, sales rose by 19 percent in local currency terms and by 8 percent in euro terms. EBIT before special items rose by 19 percent to €454 million. The Plastics segment made an important contribution as a result of the strong performance of Polyurethanes. Sales and earnings in the Performance Products segment rose due to increasing demand and higher sales prices for vitamins. In the Chemicals segment, earnings declined as a result of weaker margins for cracker products.

Sales in **South America, Africa, Middle East** were 16 percent higher in local currency terms and 10 percent higher in euro terms. EBIT before special items increased by 33 percent to €148 million. Sales and earnings for fungicides and herbicides grew considerably in the Agricultural Solutions segment, in particular due to the increased share of highly profitable products. In the Functional Solutions segment business developed favorably, in particular in Construction Chemicals and Coatings.

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 July 31, 2008, you can obtain further information from the Internet at the following addresses:

Interim Report (from 7:30 a.m. CEST)

corporate.basf.com/interimreport (English)
corporate.basf.com/zwischenbericht (German)

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

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

Live Transmission (from 10:30 a.m. CEST)

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

Speech Dr. Jürgen Hambrecht/Dr. Stefan Marcinowski/Dr. Kurt Bock – print version (from 10:30 a.m. CEST)

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

Live Transmission-Telephone Conference for Analysts (from 3:00 p.m. CEST)

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

Photos (from 7:30 a.m. CEST)

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

Information about BASF shares

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