SHAPING THE FUTURE

BASF remains in top form

- Strong increase in sales and earnings despite challenging business environment
- Confident outlook

Milestone Q2 2008: Market success with biodegradable polymers → More information on page 6

Interim Financial Statements First-Half Results 2008

January – June 2008

Published on July 31, 2008

BASF The Chemical Company

BASF GROUP
FIRST-HALF RESULTS 2008

Million €

	2nd Quarter			1st Half		
	2008	2007	Change in %	**2008**	2007	Change in %
Sales	16,305	14,656	11.3	32,226	29,288	10.0
Income from operations before depreciation and amortization (EBITDA)	3,033	2,663	13.9	5,988	5,336	12.2
EBITDA in percent of sales	18.6	18.2	–	18.6	18.2	–
Income from operations (EBIT) before special items	2,408	2,030	18.6	4,762	4,146	14.9
Income from operations (EBIT)	2,359	2,007	17.5	4,662	4,017	16.1
Financial result	(38)	(65)	41.5	(160)	(159)	(0.6)
Income before taxes and minority interets	2,321	1,942	19.5	4,502	3,858	16.7
Net income	1,297	1,024	26.7	2,467	2,059	19.8
Earnings per share (€)[1]	1.39	1.04	33.7	2.63	2.08	26.4
Cash provided by operating activities	1,540	2,042	(24.6)	2,629	2,743	(4.2)
Additions to long-term assets[2]	590	597	(1.2)	1,013	1,036	(2.2)
Excluding acquisitions	590	597	(1.2)	1,013	1,036	(2.2)
Amortization and depreciation[2]	674	656	2.7	1,326	1,319	0.5
Segment assets (as of June 30)[3]	38,377	37,117	3.4	–	–	–
Personnel costs	1,621	1,677	(3.3)	3,162	3,272	(3.4)
Number of employees (as of June 30)	95,664	94,708	1.0	–	–	–

[1] Values were adjusted for the two-for-one stock split. Information on the calculation of earnings per share can be found in Note 7 on page 27.

[2] Property, plant and equipment and intangible assets

[3] Property, plant and equipment, intangible assets, inventories and business-related receivables. The previous year's values have been adjusted for the new segment structure. More information can be found in the Notes on pages 23 and 24.

Contents

← THE COVER SHOWS **A FILM MADE FROM THE BIODEGRADABLE PLASTIC ECOFLEX®**.

CHANGE
COMPARED WITH
FIRST-HALF 2007

FIRST HALF
2008

SALES

+10%

EBIT
BEFORE SPECIAL ITEMS

+15%

NEWS FROM OUR INNOVATION CENTERS

NEW SOLAR REFLECTING PIGMENTS FROM BASF are used, for example, as the basis for roof coatings. The pigments prevent heat absorption so energy consumption is lower in summer. They also extend the lifetime of the roof.

Innovative pigments from BASF reflect long-wave solar radiation, thus ensuring that dark surfaces stay much cooler on hot days. Depending on the application and substrate Paliogen® Black, Lumogen® Black or Sicopal® Black are used.

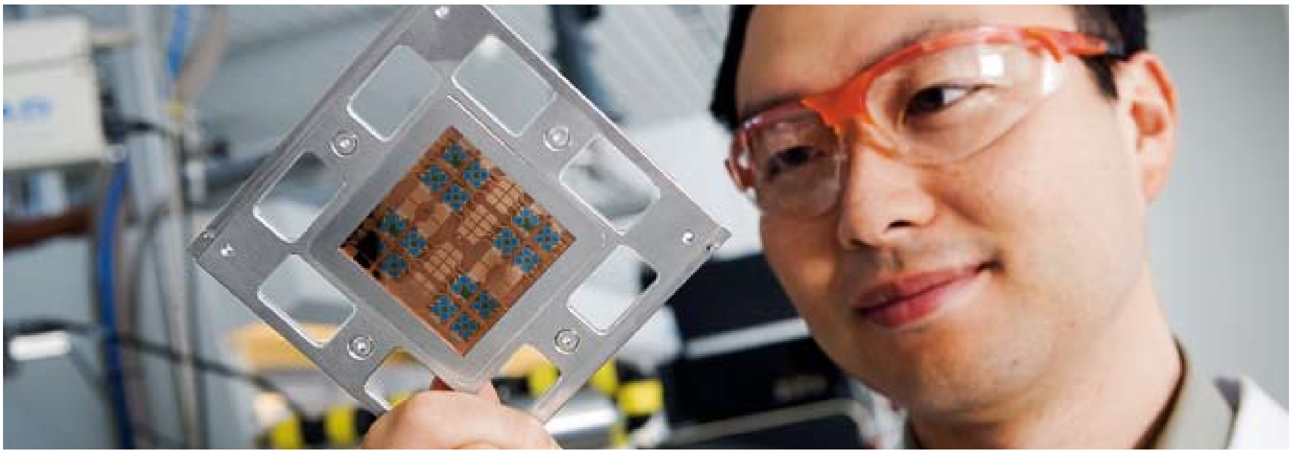
Unlike standard black pigments based on carbon black, the BASF pigments reflect most of the invisible near infrared radiation (NIR), which accounts for more than 50% of the total incident solar energy. Because they swallow the visible light completely like conventional black pigments, the optical impression of blackness is preserved. In this way Paliogen Black and Lumogen Black reflect up to 45% and Sicopal Black up to 30% of the total incident solar radiation energy. This value, known as "total solar reflectance," is less than 5% for carbon black.

In practical trials, the lower NIR absorption compared with other black pigments reduces surface temperatures by up to 20C. This provides benefits not only for humans. The lower temperatures also mean that there is less strain on the material. Besides being used in automotive components such as the leather seats of the new BMW convertible, roofs and building façades are the main applications for these special pigments.

They not only offer heat-reducing benefits as pigments in purely black surfaces: Paints, coatings and plastics in almost all other shades of color contain greater or lesser amounts of black pigments. If the BASF black pigments are used instead of carbon black, these colors also heat up considerably less in the sun. ///

COOL COLORS FOR HOT DAYS

- The field of application for paints and coatings with black pigments reflecting near infrared radiation is very diverse, ranging from innovative roofing through façades to metal shipping containers
- Lumogen Black is highly suitable for coloring plastics because of its high temperature stability: Plastic paneling, window frames and the interior trim of vehicles do not heat up so much.
- Thanks to the "CoolSim" computer tool, BASF experts can determine which pigment composition is optimal for the use intended in order to obtain the coolest possible surface.



ELECTRICITY FROM LIGHT: Organic solar cells are intended to replace the silicon solar cells that are used today in the long term. The more cost-effective production of organic solar cells is an important requirement for the increased use of solar energy for power generation in the future.

Organic photovoltaics is a futuristic field of work at BASF's Joint Innovation Lab. Researchers, together with partners from universities and industry, are working on organic semiconductor materials with high thermal and photochemical stability. In the future, these materials could replace the silicon that is used in today's solar cells.

Organic solar cells are expected to be more efficient and cost effective than their silicon-based counterparts in the long run. The goal is to develop systems that convert at least 10% of the incident light into energy and offer a service life of considerably more than 10 years. The production costs for organic photovoltaics (OPV) must be below €100 per square meter in order for them to be superior to conventional silicon solar cells. The high potential for this technology with its numerous possible applications acts as a great incentive to conduct the further research necessary.

The innovative semiconductor materials make it possible to create transparent and flexible substrates. Their excellent light-absorption properties allow them to be applied in thin layers by printing or vapor deposition. Organic solar cells absorb light, irrespective of the angle of light, and can convert it into electric power even when it is cloudy. They can even produce electricity indoors, for example in hospitals or airports. They can also be used as cell phone chargers that consist only of a foldable film. With increasing efficiency, it will also be possible to use organic solar cells as chargers for laptops. Another possibility would be for a transparent film to be applied to car windows in order to generate the power necessary for the air conditioning. The main field of application will be in the construction industry, where the cells will be used in the form of a thin layer of plastic on roofs, windows or façades. ///

SOLAR CELL TECHNOLOGY BASED ON ORGANIC MATERIALS

- The first solar cells that use dye molecules for light collection and that contain liquid or gel-like electrolytes are expected to enter the market in 2008. They will also use ionic liquids from BASF.
- Plastic-based solar cells that collect light jointly with electrically conductive polymers are also almost ready for commercialization.
- In its research, BASF is focusing on so-called "small molecules" as organic semiconductors. Products making use of this promising technology are expected to be ready for commercialization in 2010.

BASF GROUP BUSINESS REVIEW 2ND QUARTER 2008

BASF Group's business developed successfully in the second quarter of 2008. Sales and income from operations before special items increased significantly compared with the second quarter of 2007.

Sales

Second-quarter sales in 2008 rose by 11% to €16.3 billion compared with the same period of 2007. We increased sales prices in all segments, and sales volumes grew in nearly all divisions. Currency effects, in particular the weak U.S. dollar, negatively impacted sales in euro terms. Disregarding these negative currency effects, sales rose by 19%.

Factors influencing sales (% of sales)

	2nd Quarter
Volumes	5
Prices	15
Acquisitions/divestitures	(1)
Currencies	(8)
	11

Sales grew considerably in the Chemicals segment, above all due to price increases to reflect higher raw material costs as well as thanks to increased sales volumes. Higher sales were posted in all divisions; the most significant increase was recorded in Petrochemicals.

In the Plastics segment, sales increased compared with the second quarter of 2007. Above all, higher sales in the Polyurethanes division due to significant volume increases with slightly higher prices contributed to this.

Sales in the Performance Products segment grew slightly. Negative currency effects and divesture-related declines were more than offset by volume and price increases. Sales increased slightly in Acrylics & Dispersions and Care Chemicals and declined somewhat in Performance Chemicals.

Sales were slightly higher in the Functional Solutions segment due to higher prices. Currency effects, in particular as a result of the weak U.S. dollar, had a negative impact.

A 21% rise in sales was posted in the Agricultural Solutions segment as a result of higher volumes and prices. Sales rose considerably in all regions due to increased demand.

Sales increased considerably in the Oil & Gas segment thanks to the higher oil price and a significant rise in volumes in the Natural Gas Trading business sector.

Sales in "Other" declined due to a value-before-volume strategy in Styrenics and a decrease in raw material trade.

Second-quarter segment sales (million €)

Chemicals	**2008**	**2,863**	+18%
	2007	2,434	
Plastics	**2008**	**2,654**	+4%
	2007	2,541	
Performance Products	**2008**	**2,297**	+1%
	2007	2,268	
Functional Solutions	**2008**	**2,490**	+2%
	2007	2,440	
Agricultural Solutions	**2008**	**1,159**	+21%
	2007	957	
Oil & Gas	**2008**	**3,201**	+41%
	2007	2,269	

BASF GROUP 2ND QUARTER 2008

- Sales plus 11 %; adjusted for currency effects plus 19 %
- EBIT before special items plus 19%
- EBIT plus 18%
- Earnings per share €1.39 compared with €1.04 in second quarter of 2007

Earnings

Compared with the second quarter of 2007, we increased income from operations before special items by 19% to €2,408 million.

Earnings in the Chemicals segment declined significantly compared with the second quarter of 2007. This was in particular due to considerably lower margins in the cracker products business in the Petrochemicals division.

In the Plastics segment, earnings decreased above all due to weaker business in North America. Pressure on margins increased in Performance Polymers because of the significant increase in raw material costs.

Earnings in the Performance Products segment rose considerably thanks to the strong rise in earnings in Care Chemicals. We achieved higher margins, in particular for vitamins, and also reduced fixed costs.

In the Functional Solutions segment, especially in the Construction Chemicals division, earnings decreased significantly due to the decline in demand in our key customer industries automotive and construction in North America.

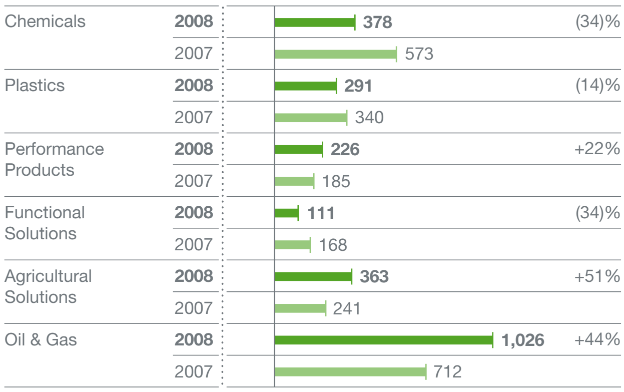
In the Agricultural Solutions segment, earnings grew by 51% compared with the second quarter of 2007. This was due to increased volumes and sales prices and a higher share of innovative, highly profitable products.

Earnings in the Oil & Gas segment also grew considerably. Mainly oil price-related increases led to earnings growth of approximately 50% in the Exploration & Production business sector. Earnings in the Natural Gas Trading business sector decreased as a result of the contractually delayed adjustment of sales prices to purchase prices.

"Other" includes significant earnings resulting from hedging for raw material prices. The improvement in earnings was also due to the valuation of the BASF option program at fair value, which resulted in a high level of expenses in the second quarter of 2007.

→ **More information on "Other" can be found on page 22.**

Second-quarter EBIT before special items (million €)



Special items in income from operations were related to expenses for restructuring that are recorded under "Other" until they are implemented in the course of the year.

Compared with the second quarter of 2007, EBIT climbed 18% to €2,359 million. Income from operations before interest, taxes, depreciation and amortization (EBITDA) increased by 14% to €3,033 million.

The financial result improved by €27 million to minus €38 million due to income from the valuation of derivatives at fair market value.

In the second quarter of 2008, income before taxes and minority interests rose by 20% to €2,321 million.

At 41%, the tax rate was four percentage points lower than in the second quarter of 2007. This was primarily due to lower tax rates in Europe, amongst other things as a result of the reduction in the nominal corporate income tax rate, as part of the German Tax Reform 2008.

Net income rose by 27% to €1,297 million.

Earnings per share were €1.39 in the second quarter compared with €1.04 in the same period of 2007.

SECOND-QUARTER SPECIAL ITEMS (million €)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Full Year	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Income from operations	(51)	(106)	(49)	(23)		(16)		(153)		(298)
Financial result	–	–	–	–		–		–		–
	(51)	**(106)**	**(49)**	**(23)**		**(16)**		**(153)**		**(298)**

BASF GROUP BUSINESS REVIEW 1ST HALF 2008

In a challenging environment, the BASF Group continued to be successful in the first half of 2008. We increased both sales and income from operations before special items significantly compared with the first half of 2007.

Sales

First-half sales in 2008 rose by 10% to €32.2 billion compared with the same period of 2007. Both sales prices and sales volumes increased in all segments compared with the first half of 2007. Currency effects, in particular the weak U.S. dollar, negatively impacted sales in euro terms in all divisions. Disregarding these negative currency effects, sales increased by 18%.

Factors influencing sales (% of sales)

	1st Half 2008
Volumes	7
Prices	11
Acquisitions/divestitures	–
Currencies	(8)
	10

Sales increased significantly due to higher volumes and prices in all divisions of the Chemicals segment. Compared with the first half of 2007, sales in the Petrochemicals division increased considerably mainly as a result of higher raw material prices.

The Plastics segment posted an increase in sales compared with the same period of 2007. In the Polyurethanes division, sales increased significantly due to continued high demand worldwide. In Performance Polymers, sales approximately matched the level reached in the first half of 2007.

Sales in the Performance Products segment matched the level achieved in the first half of 2007. Higher volumes and prices in all divisions offset divestiture-related declines in Care Chemicals, as well as negative currency effects.

Sales in the Functional Solutions segment increased, above all due to higher prices. In the Catalysts division especially, sales increased despite negative currency effects.

Sales in the Agricultural Solutions segment rose considerably compared with the first half of 2007. This was due to higher volumes and price increases. Thanks to high prices for agricultural produce, demand for our innovative crop-protection products increased substantially worldwide.

The strongest sales increase was again posted in the Oil & Gas segment. This was mainly due to higher crude oil prices and sales volume increases in the Natural Gas Trading business sector.

Sales decreased in “Other” in particular as a result of a value-before-volume strategy in Styrenics.

First-half sales by segment (million €)

Chemicals	**2008**	**5,424**	+15%
	2007	4,724	
Plastics	**2008**	**5,201**	+4%
	2007	5,007	
Performance Products	**2008**	**4,503**	+0%
	2007	4,494	
Functional Solutions	**2008**	**4,884**	+4%
	2007	4,718	
Agricultural Solutions	**2008**	**2,105**	+14%
	2007	1,854	
Oil & Gas	**2008**	**6,945**	+33%
	2007	5,239	

BASF GROUP FIRST HALF 2008

- Sales plus 10%; adjusted for currency effects plus 18%
- Higher volumes and prices in all segments
- EBIT before special items plus 15%
- EBIT plus 16%
- Earnings per share €2.63 compared with €2.08 in first half of 2007

Earnings

Compared with the first half of 2007, income from operations before special items increased by approximately 15% to €4,762 million.

The Chemicals segment was not able to equal the excellent earnings level achieved in the first half of 2007. This was the result of a decrease in margins for cracker products due to considerably higher prices for naphtha.

Earnings in the Plastics segment almost matched the level reached in the first half of 2007. Considerably higher earnings in Polyurethanes due to the strong performance in the first quarter of 2008 almost offset the decline in the Performance Polymers division.

In the Performance Products segment, earnings increased considerably. Business developed very positively in the Care Chemicals division. We achieved higher margins, in particular for vitamins, and also reduced fixed costs.

Earnings in the Functional Solutions segment decreased in all three divisions, in particular in Construction Chemicals. This was mainly the result of lower demand from the construction and automotive industries in North America.

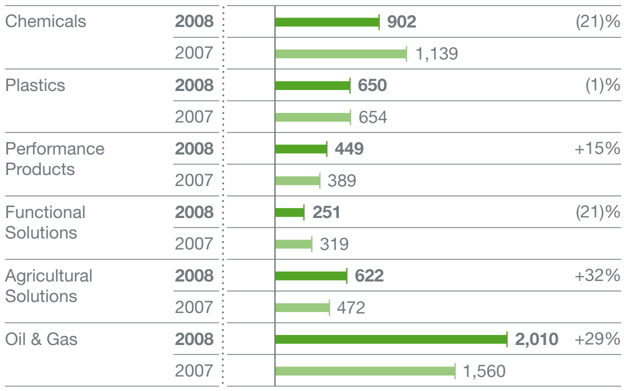
In the Agricultural Solutions segment, earnings increased significantly as a result of higher volumes and sales prices. Earnings increased faster than sales due to the higher proportion of innovative and highly profitable products.

The Oil & Gas segment posted a strong increase in earnings. In the Exploration & Production business sector, earnings increased above all due to higher oil prices. Earnings decreased in the Natural Gas Trading business sector. Margins in this business sector were negatively impacted by the increase in purchase prices for natural gas because higher costs on the supply side can contractually only be passed on to our customers with a time lag.

"Other" includes significant earnings resulting from hedging for raw material prices and the increased earnings from fertilizers and Styrenics. The significant improvement in earnings was also due to the valuation at fair value of the BASF option program, which was associated with high expenses in the first half of 2007.

→ More information on "Other" can be found on page 22.

First-half EBIT before special items (million €)



Special items in income from operations were related in particular to expenses for restructuring that are recorded under "Other" until they are implemented in the course of the year.

In the first half of 2008, EBIT rose 16% to €4,662 million. EBITDA was 12% higher in the first half of 2008 at €5,988 million.

The financial result, at minus €160 million, matched the level reached in the same period of 2007.

Income before taxes and minority interests rose by approximately 17% to €4,502 million.

The tax rate was slightly lower at 41%.

Net income rose by 20% to €2,467 million compared with the first half of 2007. Earnings per share were €2.63 compared with €2.08 in the first half of 2007. ///

FIRST-HALF SPECIAL ITEMS (million €)

	1st Half		2nd Half		Full Year	
	2008	2007	**2008**	2007	**2008**	2007
Income from operations	(100)	(129)		(169)		(298)
Financial result	–	–		–		–
	(100)	**(129)**		**(169)**		**(298)**

BASF SHARES

Overview BASF shares

		2nd Quarter 2008	1st Half 2008
Performance (with dividends reinvested)			
BASF	%	7.2	(9.8)
DAX 30	%	(1.8)	(20.4)
DJ EURO STOXX 50	%	(5.3)	(21.9)
DJ Chemicals	%	7.0	2.5
MSCI World Chemicals	%	10.7	1.0
Share prices and trading (XETRA), adjusted for two-for-one stock split			
Average	€	45.91	45.07
High	€	48.35	52.41
Low	€	42.66	40.26
Close (end of period)	€	43.82	43.82
Average daily trade	Million shares	5.17	6.51
Outstanding shares (end of period)[1]	Million shares	931.89	931.89
Market capitalization (end of period)[1]	Billion €	40.83	40.83

[1] After deduction of 14.1 million shares bought back and earmarked for cancellation

Market trend

In the second quarter of 2008, the BASF share performance was 7% and thereby better than the DAX 30. The DAX 30 and DJ EURO STOXX fell by approximately 2% and 5% respectively, in a market shaken by the financial crisis and the weaker economic outlook. The DJ Chemicals and MSCI World Chemicals global industry indices grew by approximately 7% and almost 11%, respectively, over the same period.

Two-for-one stock split completed

In April 2008, the Annual Meeting of BASF SE resolved a two-for-one stock split. The adjustment of the securities deposit accounts and the stock exchange listing took place on June 27, 2008. Shareholders received an additional BASF share for each existing share at no added cost.

The proposed share split is intended to increase the attractiveness of BASF shares to a broader group of investors.

Further share buybacks

In June, BASF completed its €3 billion share buyback program for 2007 and 2008, announced in February 2007, ahead of schedule. From the beginning of 2007 until June 2008, BASF bought back shares for approximately €3 billion. Taking the stock split into account, approximately 67.5 million shares, were repurchased at an average price of €44.46. This corresponds to 7.1% of BASF SE's current share capital.

In June 2008, the Board of Executive Directors decided to start a new €3 billion share buyback program. The program began at the beginning of July and is scheduled to be completed by mid-2010.

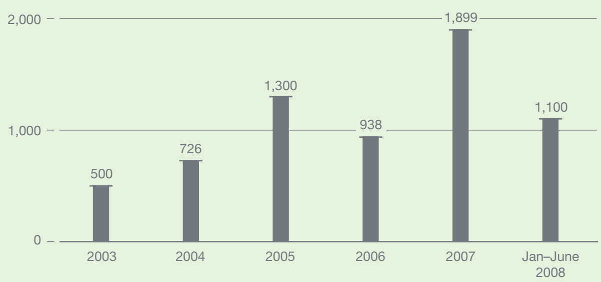
Awards for Investor Relations

Our Investor Relations work was awarded first place in the Capital Investor Relations Prize 2008 among EURO STOXX 50 companies. In a survey conducted by the Institutional Investor magazine, sell-side analysts also ranked BASF first for the best IR work in the European chemical industry. ///

BASF SHARES

- Share buyback program for 2007/2008 completed ahead of schedule
- New share buyback program for €3 billion over a two year period started
- Two-for-one stock split completed

SHARE BUYBACKS (MILLION €)



SIGNIFICANT EVENTS AND ECONOMIC ENVIRONMENT

Significant Events

The BASF Group announced at the beginning of July that it has set itself the goal of achieving an EBITDA margin of 18% for the next five years. 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 an average volume growth two percentage points above the relevant chemical market.

Gazprom export and WIEH, a joint venture between Gazprom and Wintershall, signed an agreement of intent for the extension of the existing gas supply contract to 35 years, until the end of 2043. By extending the contract, WIEH will secure more than 500 billion cubic meters of natural gas from Russia. More than 800 billion cubic meters of natural gas will be made available to the three natural gas trading companies WINGAS, WIEH, WIEE in the next 35 years.

In May, BASF started operations at a new production plant for nitric acid at its Antwerp Verbund site. The facility, which is one of the largest in the world, has a capacity of 500,000 metric tons per year. It replaces a plant that is more than 40 years old. As well as providing significantly higher yields, this is BASF's first nitric acid plant built using exclusively BASF's own technology.

BASF SE will increase its production capacities for eco-efficient polymers at its Ludwigshafen site. Ecoflex® (see cover page) production capacities will rise from the current 14,000 to 74,000 metric tons per year. Production will commence in the third quarter of 2010. At the same time, the production capacity for Ecovio®, a derivative of Ecoflex, will be increased. Ecovio is not only biodegradable, but also largely biobased. The global market for biodegradable and biobased plastics is growing at more than 20 percent per year. As the supplier of the two polymer materials Ecovio and Ecoflex, BASF is already a global market leader in the area of biobased and biodegradable plastics.

Economic Environment

As of mid 2008, the global economy continues to be affected by the financial and property crisis, which has had a negative impact in particular in the United States and several EU countries. Surging energy and food prices are unsettling consumers, precipitating inflation worldwide and reducing purchasing power.

In the first half of 2008, the global gross domestic product grew significantly slower at 2.8% (2007: 3.5%). The U.S. economy has slowed down considerably and the economies in Europe and Japan have cooled off. At 3.9%, global industrial production growth also declined in the first half of 2008 (2007: 4.5%). Industrial activity, in particular outside of Asia, has dampened.

With this in mind, we have adjusted the underlying assumptions made for our forecast for 2008. ///

→ The forecast for the full-year 2008 can be found on page 15.

SIGNIFICANT EVENTS AND ECONOMIC ENVIRONMENT

- BASF sets EBITDA margin target of 18% for the next five years
- Gas supply contract with Gazprom export expected to be extended till 2043
- One of the world's largest nitric acid plants starts operations in Antwerp
- Capacity expansion for biodegradable polymers
- Global economy growth slows as a result of financial and property crisis in the United States

CHEMICALS

Segment data (million €)

	2nd Quarter			1st Half		
	2008	2007	Change in %	**2008**	2007	Change in %
Sales	2,863	2,434	18	5,424	4,724	15
Thereof Inorganics	339	301	13	670	593	13
Petrochemicals	1,868	1,524	23	3,423	2,909	18
Intermediates	656	609	8	1,331	1,222	9
Sales including intersegmental transfers	4,257	3,640	17	8,193	7,148	15
EBITDA	514	693	(26)	1,165	1,379	(16)
EBITDA in percent of sales	18.0	28.5	–	21.5	29.2	–
EBIT before special items	378	573	(34)	902	1,139	(21)
EBIT	378	573	(34)	902	1,139	(21)
Assets	6,146	6,082	1	–	–	–
Research expenses	31	30	3	61	58	5
Additions to property, plant and equipment and intangible assets	154	160	(4)	230	270	(15)

2ND QUARTER 2008

The significant sales growth in the Chemicals segment was mainly due to the passing on of higher raw material costs as well as an increase in sales volumes (volumes 10%, prices 18%, currencies –10%). Earnings declined significantly compared with the second quarter of 2007. This was due in particular to considerably lower margins in the cracker products business.

Inorganics

Sales were substantially higher than in the second quarter of 2007 as a result of increased volumes and prices. In particular, we posted higher sales of inorganic specialties and inorganic basic chemicals. Earnings also increased.

At our Verbund site in Antwerp, Belgium, we started operations at a world-scale nitric acid plant with a production capacity of 500,000 metric tons.

Petrochemicals

Higher sales prices resulted in strong sales growth but were not sufficient to offset dramatically higher naphtha prices. Increased capacities in the Middle East resulted in a surplus of cracker products, particularly in Asia. We recorded strong demand and high margins for plasticizers. However, in total, there was a significant decline in earnings.

Several scheduled maintenance shutdowns, including the shutdown of a cracker in Ludwigshafen, were completed in the second quarter of 2008.

Intermediates

While sales increased, earnings did not quite match the high level recorded in the second quarter of 2007. Business was negatively impacted by scheduled maintenance shutdowns, stagnant demand for PolyTHF® for spandex as well as by new market capacities for butanediol and derivatives. As in the previous quarters, sales and earnings for amines and carboxylic acid continued to develop well, driven by continuing high demand and price increases. ///

CHEMICALS

- Significant sales growth primarily due to passing on higher raw material costs
- Decline in earnings, in particular due to lower margins for cracker products
- World-scale nitric acid plant comes on stream

Q2 2008

COMPARED WITH Q2 2007

SALES

+18%

EBIT before special items

–34%

PLASTICS

Segment data (million €)

	2nd Quarter			1st Half		
	2008	2007	Change in %	**2008**	2007	Change in %
Sales	2,654	2,541	4	5,201	5,007	4
Thereof Performance Polymers	1,259	1,257	–	2,480	2,499	(1)
Polyurethanes	1,395	1,284	9	2,721	2,508	8
Sales including intersegmental transfers	2,819	2,748	3	5,573	5,428	3
EBITDA	392	444	(12)	851	860	(1)
EBITDA in percent of sales	14.8	17.5	–	16.4	17.2	–
EBIT before special items	291	340	(14)	650	654	(1)
EBIT	291	339	(14)	649	652	–
Assets	5,591	5,639	(1)	–	–	–
Research expenses	36	34	6	69	68	1
Additions to property, plant and equipment and intangible assets	111	125	(11)	184	211	(13)

2ND QUARTER 2008

Sales increased in the Plastics segment compared with the same quarter of 2007 due to higher volumes and sales prices (volumes 9%, prices 3%, currencies –8%). Earnings declined, above all as a result of weaker business in North America.

Performance Polymers

In Performance Polymers, sales volume increases and slightly higher prices were absorbed by negative currency effects. Sales reached the same level as in the second quarter of 2007. Volumes rose in Asia and especially in Europe. In North America, demand declined particularly in the automotive and construction industries.

Significantly higher raw material costs increased the pressure on margins in almost all product lines. In addition, higher fixed costs due to the expansion of production plants contributed to the decrease in earnings.

BASF will build a new engineering plastics compounding plant at its production site in Thane, India. This compounding plant is expected to start operations in the second half of 2009.

Polyurethanes

Sales increased in the Polyurethanes division due to significant volume increases and slightly higher prices. In Asia we increased sales significantly and Europe also once again posted considerable gains. In North America, demand decreased noticeably particularly as a result of the slowdown in our key customer industries automotive and construction.

Earnings matched the high level recorded in the second quarter of 2007 despite scheduled plant turnarounds and negative currency effects. ///

PLASTICS

- Sales rise due to higher volumes and prices
- Decline in earnings, in particular due to weaker business in North America
- Sales and earnings development remains robust in Polyurethanes

Q2 2008

COMPARED WITH Q2 2007

SALES

+4%

EBIT
before special items

–14%

PERFORMANCE PRODUCTS

Segment data (million €)

		2nd Quarter			1st Half		
		2008	2007	Change in %	**2008**	2007	Change in %
Sales		**2,297**	2,268	1	**4,503**	4,494	–
Thereof	Acrylics & Dispersions	**929**	901	3	**1,790**	1,753	2
	Care Chemicals	**781**	769	2	**1,544**	1,564	(1)
	Performance Chemicals	**587**	598	(2)	**1,169**	1,177	(1)
Sales including intersegmental transfers		**2,405**	2,348	2	**4,714**	4,664	1
EBITDA		**357**	289	24	**696**	599	16
EBITDA in percent of sales		**15.5**	12.7	–	**15.5**	13.3	–
EBIT before special items		**226**	185	22	**449**	389	15
EBIT		**249**	180	38	**480**	374	28
Assets		**6,317**	6,759	(7)	**–**	–	–
Research expenses		**57**	69	(17)	**113**	136	(17)
Additions to property, plant and equipment and intangible assets		**104**	114	(9)	**180**	195	(8)

2ND QUARTER 2008

Sales in the segment were slightly higher than in the same quarter of 2007. Negative currency effects and divestiture-related declines were more than offset by higher volumes and sales prices (volumes 5%, prices 7%, portfolio –5%, currencies –6%). Earnings increased due to the strong performance of the Care Chemicals division. Special income resulted from the sale of a manufacturing facility in Shreveport, Louisiana, and the related contract manufacturing business for pharmaceuticals.

Acrylics & Dispersions

Sales volumes increased slightly due to continued strong demand. Higher prices could not fully offset the significant increase in raw material and energy costs. Margins, in particular for acrylic monomers and paper binders, remained under pressure. Business with kaolin minerals was weak. The other businesses were flat. Overall, earnings were lower than in the second quarter of 2007.

Care Chemicals

Sales increased slightly compared with the second quarter of 2007 despite the exit from the businesses with lysine, premixes and detergent ingredient LAS (linear alkylbenzene sulfonate) as well as from the contract manufacturing business for pharmaceuticals in Shreveport, Louisiana. Increases in volumes and prices were posted in particular for vitamins as well as for detergents and formulators. A strong growth in earnings was recorded compared with the second quarter of 2007. Reduced fixed costs contributed to this increase.

Performance Chemicals

Sales were slightly lower than in the second quarter of 2007 above all due to currency effects. High growth rates were posted for automotive and refinery chemicals. In North America, sales volumes across almost the entire product range were negatively impacted by the downswing in the economic environment. We countered higher raw material costs and negative currency effects with price increases and cost reduction measures. This enabled us to match the earnings level of the second quarter of 2007.
///

PERFORMANCE PRODUCTS

- Sales slightly higher than in second quarter of 2007 due to increased volumes and prices
- Significant growth in earnings due to strong performance of Care Chemicals
- Sale of a manufacturing facility in Shreveport, Louisiana

Q2 2008

COMPARED WITH Q2 2007

SALES

+1%

EBIT
before special items

+22%

FUNCTIONAL SOLUTIONS

Segment data (million €)

		2nd Quarter			1st Half	
	2008	2007	Change in %	**2008**	2007	Change in %
Sales	2,490	2,440	2	4,884	4,718	4
Thereof Catalysts	1,265	1,226	3	2,578	2,425	6
Construction Chemicals	563	558	1	1,018	1,016	–
Coatings	662	656	1	1,288	1,277	1
Sales including intersegmental transfers	2,550	2,473	3	4,960	4,796	3
EBITDA	193	244	(21)	420	474	(11)
EBITDA in percent of sales	7.8	10.0	–	8.6	10.0	–
EBIT before special items	111	168	(34)	251	319	(21)
EBIT	108	155	(30)	245	292	(16)
Assets	8,811	9,315	(5)	–	–	–
Research expenses	47	45	4	94	91	3
Additions to property, plant and equipment and intangible assets	36	42	(14)	82	79	4

2ND QUARTER 2008

The segment posted a slight increase in sales due to higher prices. Currency effects had a negative impact (volumes –2%, prices 12%, currencies –8%). Earnings decreased significantly, in particular due to the decline in demand in our key customer industries automotive and construction in North America.

Catalysts

In Catalysts, sales increased despite strong negative currency effects. Precious metals trading contributed €628 million (second quarter 2007: €623 million) to sales. A slight increase in earnings was posted in chemical catalysts as well as in precious metals trading. The business with emission-control technologies was negatively impacted by the decline in automotive demand in North America. Refinery catalysts recorded lower margins due to higher raw material costs. Overall, earnings did not match the level reached in the second quarter of 2007.

Construction Chemicals

Sales increased slightly in Construction Chemicals as a result of higher volumes and prices. Growth was driven in particular by North and Eastern Europe, the Middle East and Asia. In North America, sales decreased due to currency and economic effects. Earnings were significantly lower than in the second quarter of 2007 as a result of higher raw material and transport costs as well as the development of sales structures in growth markets.

BASF opened new production plants for concrete admixtures in Calcutta, India, and in Wuhan, China.

Coatings

Coatings posted slightly higher sales than in the second quarter of 2007. Increases in sales of architectural coatings in Brazil and automotive coatings in Europe, Asia and South America offset lower sales of automotive coatings in North America. Earnings almost matched the level reached in the first quarter of 2007.

BASF completed the acquisition of Yasar's shares in the 50-50 joint venture Yasar BASF Automotive Coatings, which markets automotive OEM and refinish coatings in Turkey. BASF has started operations at its new production site for automotive coatings at Pavlovski Posad, Russia.

///

FUNCTIONAL SOLUTIONS

- Slight increase in sales despite negative currency effects
- Earnings negatively impacted by lower demand in key customer industries in North America
- New plants opened for concrete admixtures in India and China as well as for automotive coatings in Russia

Q2 2008

COMPARED WITH Q2 2007

SALES

+2%

EBIT
before special items

–34%

AGRICULTURAL SOLUTIONS

Segment data (million €)

	2nd Quarter			1st Half		
	2008	2007	Change in %	**2008**	2007	Change in %
Sales	1,159	957	21	2,105	1,854	14
Sales including intersegmental transfers	1,164	960	21	2,116	1,860	14
EBITDA	422	290	46	728	564	29
EBITDA in percent of sales	36.4	30.3	–	34.6	30.4	–
EBIT before special items	363	241	51	622	472	32
EBIT	363	241	51	622	467	33
Assets	4,631	4,725	(2)	–	–	–
Research expenses	82	80	3	154	155	(1)
Additions to property, plant and equipment and intangible assets	19	18	6	45	35	29

2ND QUARTER 2008

Sales increased by 21% due to increased volumes and prices; negative currency effects, in particular as a result of the weak U.S. dollar, were more than offset (volumes 24%, prices 6%, currencies –9%). Earnings rose faster than sales due to price increases and a higher share of innovative, highly profitable products.

In **Europe**, high demand and the increased use of crop protection products resulted in strong sales growth. Significant increases were posted in particular for cereal fungicides. Customers bought earlier due to product shortages on the market. In **North America**, our Plant Health fungicide Headline® grew particularly strongly. Demand for herbicides also rose in our business with crop applications. Business with non-crop applications remained under pressure due to, for example, weaker demand for products to combat termites. In **Asia Pacific**, we recorded strong growth, particularly in India and Japan, where our soybean herbicide Pursuit® and our rice fungicide Arashi® are highly successful. In **South America**, there was an early start to the season. Demand for our products for corn (maize) and soybean cultivation was already strong in the second quarter. ///

1st Half 2008 -- Sales by indication

1 -- **Fungicides:** 48.6%
2 -- **Herbicides:** 34.3%
3 -- **Insecticides and other:** 17.1%

1st Half 2008 -- Sales by region (location of customer)

1 -- **Europe:** 51.2%
2 -- **North America:** 27.7%
3 -- **Asia, Pacific:** 8.6%
4 -- **South America, Africa, Middle East:** 12.5%

AGRICULTURAL SOLUTIONS

- Double-digit sales growth in all regions as a result of strong demand
- Earnings increase faster than sales
- Strong growth in Plant Health products and cereal fungicides

Q2 2008

COMPARED WITH Q2 2007

SALES

+21%

EBIT
before special items

+51%

OIL & GAS

Segment data (million €)

	2nd Quarter 2008	2nd Quarter 2007	2nd Quarter Change in %	1st Half 2008	1st Half 2007	1st Half Change in %
Sales	3,201	2,269	41	6,945	5,239	33
Thereof Exploration & Production	1,388	1,144	21	2,771	2,116	31
Natural Gas Trading	1,813	1,125	61	4,174	3,123	34
Sales including intersegmental transfers	3,558	2,547	40	7,558	5,803	30
EBITDA	1,167	839	39	2,285	1,811	26
Thereof Exploration & Production	1,086	749	45	1,996	1,375	45
Natural Gas Trading	81	90	(10)	289	436	(34)
EBITDA in percent of sales	36.5	37.0	–	32.9	34.6	–
EBIT before special items	1,026	712	44	2,010	1,560	29
Thereof Exploration & Production	980	656	49	1,792	1,192	50
Natural Gas Trading	46	56	(18)	218	368	(41)
EBIT	1,026	712	44	2,010	1,560	29
Thereof Exploration & Production	980	656	49	1,792	1,192	50
Natural Gas Trading	46	56	(18)	218	368	(41)
Assets	6,881	4,597	50	–	–	–
Thereof Exploration & Production	4,060	2,228	82	–	–	–
Natural Gas Trading	2,821	2,369	19	–	–	–
Exploration expenses	62	57	9	108	100	8
Additions to property, plant and equipment and intangible assets	143	100	43	258	179	44

2ND QUARTER 2008

Sales rose considerably as a result of higher crude oil prices and significantly higher sales volumes in natural gas trading (volumes 4%, prices/currencies 36%, portfolio 1%). Earnings also increased.

Exploration & Production

Natural gas production increased considerably in Exploration & Production due to the additional volumes from the Yuzhno Russkoye gas field, which more than offset the decline in crude oil production. The average price of crude oil (Brent) rose by $52 per barrel to $121 per barrel compared with the same quarter of 2007.

As a result of the weaker U.S. dollar, the price in euros increased by approximately €27 to nearly €78 per barrel. Oil price-related increases in particular led to an increase in earnings of approximately 50%.

Natural Gas Trading

We increased sales volumes significantly in Natural Gas Trading above all due to new and extended natural gas supply contracts. This partly offset the negative earnings effect of the contractually delayed adjustment of sales prices to purchase prices. Earnings were lower than in the same quarter of 2007. ///

OIL & GAS

- Significant volume and price-related sales growth
- Considerable rise in earnings in Exploration & Production
- Negative impact on earnings due to time-lag effect in Natural Gas Trading

→ **More information on the net income of the Oil & Gas segment can be found in the Notes on page 24.**

Q2 2008

COMPARED WITH Q2 2007

SALES

+41%

EBIT
before special items

+44%

REGIONS

Overview regions (million €)

	Sales by location of company			Sales by location of customer			EBIT before special items		
	2008	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %
2nd Quarter									
Europe	9,881	8,568	15	9,382	8,003	17	1,931	1,520	27
Thereof Germany	6,873	5,796	19	3,405	2,661	28	1,437	1,092	32
North America	3,382	3,302	2	3,349	3,277	2	174	279	(38)
Asia Pacific	2,337	2,144	9	2,540	2,415	5	231	173	34
South America, Africa, Middle East	705	642	10	1,034	961	8	72	58	24
	16,305	**14,656**	**11**	**16,305**	**14,656**	**11**	**2,408**	**2,030**	**19**
1st Half									
Europe	19,961	17,428	15	18,979	16,436	15	3,717	3,111	19
Thereof Germany	14,101	12,340	14	7,180	6,052	19	2,797	2,291	22
North America	6,284	6,338	(1)	6,226	6,325	(2)	443	544	(19)
Asia Pacific	4,589	4,255	8	4,952	4,652	6	454	380	19
South America, Africa, Middle East	1,392	1,267	10	2,069	1,875	10	148	111	33
	32,226	**29,288**	**10**	**32,226**	**29,288**	**10**	**4,762**	**4,146**	**15**

Sales by location of company in **Europe** increased by 15% in the first half of 2008. EBIT before special items rose by €606 million to €3,717 million. 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 the first half of 2008, sales in **North America** increased by 14% in dollar terms and decreased by 1% in euro terms. At €443 million, EBIT before special items was €101 million 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, particularly due to the slowdown in the automotive and construction industries.

In **Asia Pacific**, sales rose by 19% in local currency terms and by 8% in euro terms. EBIT before special items rose by €74 million to €454 million. The Plastics segment made an important contribution as a result of the strong performance of Polyurethanes. Sales 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% higher in local currency terms and 10% higher in euro terms. EBIT before special items increased by €37 million 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 all divisions in the Functional Solutions segment business developed favorably, in particular in Construction Chemicals and Coatings. ///

REGIONS: FIRST-HALF 2008

- Europe: Higher sales and earnings, in particular in the Agricultural Solutions and Oil & Gas segments
- North America: Slight decrease in sales due to currency effects; earnings lower than in previous year primarily due to decreased margins for cracker products in the Chemicals segment and a slowdown in the automotive and construction industries
- Asia Pacific: Higher sales and earnings due to strong performance of Plastics and Performance Products; earnings decline in the Chemicals segment as a result of weaker margins for cracker products
- South America, Africa, Middle East: Strong growth, in particular in the Agricultural Solutions segment and in the Construction Chemicals and Coatings divisions

OVERVIEW OF OTHER TOPICS

Research and development

On April 29, BASF announced the official launch of a collaborative research initiative at Harvard University. Postdoctoral researchers from the United States, France, Italy, Switzerland and China have already started working in Harvard labs. For example, they are studying the interaction between bacteria and surfaces under various conditions. Another project is researching the use of special polymers targeted to release pharmaceutical active ingredients and to increase their bioavailability. Over the next five years, funding will reach up to $20 million.

On May 27, BASF Plant Science and Academia Sinica, the leading research institute in Taiwan, signed a cooperation agreement. The focus lies on the discovery of genes that increase yield and improve stress tolerance in major crops such as rice and corn, as well as grass species, which play a key role in ensuring food and bioenergy for the rapidly growing world population.

An exclusive agreement for a new fungicide seed treatment solution for soybeans in the United States was signed between BASF SE and Monsanto Company on June 23. The new product contains BASF's fungicide F 500®, which both fights fungal diseases and promotes plant health. The treatment is expected to be commercialized in 2009, in conjunction with the launch of Monsanto's Roundup Ready 2 Yield™ soybean seed offering.

Employees

Compared with the end of 2007, the number of BASF Group employees increased by 489 to 95,664 as of June 30, 2008. The regional distribution of BASF Group's employees as of June 30, 2008 was as follows: 64% in Europe; 16% in North America; 14% in Asia Pacific; and 6% in South America, Africa, Middle East. Compared with the same period of 2007, personnel costs in the first half of 2008 decreased by 3.4% to €3,162 million, in particular due to lower expenses for the BASF stock options program BOP and as a result of currency effects due to the depreciation of the U.S. dollar. ///

RESEARCH AND DEVELOPMENT

- Start of collaborative research initiative "BASF Advanced Research Initiative at Harvard University"
- Cooperation agreement between BASF Plant Science and Academia Sinica, Taiwan
- Agreement for a new fungicide seed treatment for soybeans between BASF SE and Monsanto Company

Employees by region

	June 30, 2008	Dec. 31, 2007	Change in %
Europe	61,056	61,020	–
North America	15,309	15,191	1
Asia Pacific	13,298	13,278	–
South America, Africa, Middle East	6,001	5,686	6
	95,664	**95,175**	**1**

OUTLOOK

Opportunities

As the world's leading chemical company we play a decisive role in shaping the future. Innovations are our strength in achieving this, enabling us to make use of challenges and opportunities and in so doing to continue to grow profitabily and sustainably. With our corporate research, we develop growth clusters and ensure the long-term competence of BASF with regard to technology and methods. Here, we focus on five growth clusters that cover the most important approaches for future challenges: energy management, nanotechnology, white (industrial) biotechnology, plant biotechnology, and raw material change. Starting in 2015, we expect additional annual sales of between €2 billion and €4 billion from innovations based on projects in the growth clusters.

The issues of energy efficiency and climate protection are becoming increasingly important. BASF was the first company to appoint an environmental protection officer who coordinates all climate protection activities of BASF. We were also the world's first company to present a comprehensive carbon balance for our operations. The results show that our innovative products help save approximately three times more greenhouse gas emissions than the entire amount caused by the production and disposal of all BASF products. For example, our modern insulating materials can reduce the amount of energy needed to heat residential buildings by more than 70 percent. Cars are also more climate-compatible through the use of BASF products such as plastics, fuel additives and catalysts.

Against the background of an increasingly difficult global economic environment, we will continue to focus our portfolio on profitable growth markets. Specialty products, which are faster growing than commodities, accounted for 58 percent of sales (excluding Oil & Gas, precious metals trading and "Other") in 2007, compared with 54 percent in 2003. As a result, BASF is now in a better position to deal with economic fluctuations than in the past.

Risks

The statements on risks made in the BASF Report 2007 remain valid. Based on currently available information, there are no significant individual risks at the present time or in the foreseeable future. The total sum of individual risks also does not pose a threat to the continued existence of the BASF Group.

→ More details are provided in the BASF Report 2007 from page 106 onward.

Forecast

Our forecast for 2008 is now based on the following conditions:
- Global economic growth of 2.8%
- Chemical production growth (excluding pharmaceuticals) of 2.4%
- An average oil price (Brent) of $120/barrel
- An average euro/dollar exchange rate of $1.55 per euro

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. ///

OPPORTUNITIES

- Innovative products and applications
- Climate protection and energy efficiency with BASF products
- Portfolio optimization focused on specialties

RISKS

- No significant individual risks

FORECAST 2008

- Confident outlook confirmed despite challenging environment
- Higher sales than in 2007
- Slight improvement in EBIT before special items

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

Consolidated statements of income (million €)

	2nd Quarter			1st Half		
	2008	2007	Change in %	**2008**	2007	Change in %
Sales	**16,305**	**14,656**	**11.3**	**32,226**	**29,288**	**10.0**
Cost of sales	11,852	10,519	12.7	23,411	20,874	12.2
Gross profit on sales	**4,453**	**4,137**	**7.6**	**8,815**	**8,414**	**4.8**
Selling expenses	1,434	1,385	3.5	2,792	2,710	3.0
General and administrative expenses	268	276	(2.9)	525	522	0.6
Research expenses	340	337	0.9	667	682	(2.2)
Other operating income	256	183	39.9	593	339	74.9
Other operating expenses	308	315	(2.2)	762	822	(7.3)
Income from operations	**2,359**	**2,007**	**17.5**	**4,662**	**4,017**	**16.1**
Income from companies accounted for using the equity method	3	24	(87.5)	11	42	(73.8)
Other income from participations	37	29	27.6	40	29	37.9
Interest expense	149	159	(6.3)	293	303	(3.3)
Interest income	45	34	32.4	83	66	25.8
Other financial result	26	7	271.4	(1)	7	.
Financial result	**(38)**	**(65)**	**41.5**	**(160)**	**(159)**	**(0.6)**
Income before taxes and minority interests	**2,321**	**1,942**	**19.5**	**4,502**	**3,858**	**16.7**
Income taxes	951	871	9.2	1,849	1,646	12.3
Income before minority interests	**1,370**	**1,071**	**27.9**	**2,653**	**2,212**	**19.9**
Minority interests	73	47	55.3	186	153	21.6
Net income	**1,297**	**1,024**	**26.7**	**2,467**	**2,059**	**19.8**
Earnings per share (€) [1]						
Undiluted	**1.39**	**1.04**	**33.7**	**2.63**	**2.08**	**26.4**
Diluted	1.39	1.04	33.7	2.63	2.08	26.4

[1] Adjusted for two-for-one stock split; Information on the calculation of earnings per share can be found in Note 7 on page 27.

CONSOLIDATED BALANCE SHEETS

Assets (million €)

	June 30, 2008	June 30, 2007	Change in %	Dec. 31, 2007	Change in %
Long-term assets					
Intangible assets	8,997	8,597	4.7	9,559	(5.9)
Property, plant and equipment	13,831	14,799	(6.5)	14,215	(2.7)
Investment accounted for using the equity method	935	663	41.0	834	12.1
Other financial assets	2,776	1,358	104.4	1,952	42.2
Deferred taxes	587	563	4.3	679	(13.5)
Other long-term assets	797	1,615	(50.7)	655	21.7
	27,923	**27,595**	**1.2**	**27,894**	**0.1**
Short-term assets					
Inventories	6,704	6,530	2.7	6,578	1.9
Accounts receivable, trade	9,647	9,089	6.1	8,561	12.7
Other receivables and miscellaneous short-term assets	3,310	2,785	18.9	2,337	41.6
Marketable securities	42	80	(47.5)	51	(17.6)
Cash and cash equivalents	879	734	19.8	767	14.6
Assets of disposal groups	603	–	–	614	(1.8)
	21,185	**19,218**	**10.2**	**18,908**	**12.0**
Total assets	**49,108**	**46,813**	**4.9**	**46,802**	**4.9**

Stockholders' equity and liabilities (million €)

	June 30, 2008	June 30, 2007	Change in %	Dec. 31, 2007	Change in %
Stockholders' equity					
Subscribed capital	1,193	1,256	(5.0)	1,224	(2.5)
Capital surplus	3,218	3,168	1.6	3,173	1.4
Retained earnings	14,042	13,798	1.8	14,556	(3.5)
Other comprehensive income	640	465	37.6	174	267.8
Minority interests	1,074	593	81.1	971	10.6
	20,167	**19,280**	**4.6**	**20,098**	**0.3**
Long-term liabilities					
Provisions for pensions and similar obligations	1,263	1,252	0.9	1,292	(2.2)
Other provisions	2,847	3,151	(9.6)	3,015	(5.6)
Deferred taxes	2,041	1,825	11.8	2,060	(0.9)
Financial indebtedness	6,655	6,718	(0.9)	6,954	(4.3)
Other long-term liabilities	911	984	(7.4)	901	1.1
	13,717	**13,930**	**(1.5)**	**14,222**	**(3.6)**
Short-term liabilities					
Accounts payable, trade	3,825	4,258	(10.2)	3,763	1.6
Provisions	2,669	2,562	4.2	2,697	(1.0)
Tax liabilities	1,279	1,218	5.0	881	45.2
Financial indebtedness	5,198	3,282	58.4	3,148	65.1
Other short-term liabilities	2,235	2,283	(2.1)	1,976	13.1
Liabilities of disposal groups	18	–	–	17	5.9
	15,224	**13,603**	**11.9**	**12,482**	**22.0**
Total stockholders' equity and liabilities	**49,108**	**46,813**	**4.9**	**46,802**	**4.9**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Consolidated Statements of Cash Flows (million €)

	1st Half	
	2008	2007
Net income	2,467	2,059
Depreciation and amortization of long-term assets	1,329	1,319
Changes in net working capital	(1,186)	(663)
Miscellaneous items	19	28
Cash provided by operating activities	**2,629**	**2,743**
Payments related to property, plant and equipment and intangible assets	(1,049)	(1,056)
Acquisitions/divestitures	35	(17)
Financial investments and other items	(17)	(15)
Cash used in investing activities	**(1,031)**	**(1,088)**
Proceeds from capital increases/repayments	(1,000)	(753)
Changes in financial liabilities	1,497	556
Dividends	(1,988)	(1,568)
Cash used in financing activities	**(1,491)**	**(1,765)**
Net changes in cash and cash equivalents	107	(110)
Cash and cash equivalents as of beginning of year and other changes	772	844
Cash and cash equivalents at end of period	**879**	**734**

Cash provided by operating activities

At €2,629 million, cash provided by operating activities was €114 million lower in the first half of 2008 than in the same period of 2007. This was due to a higher level of net working capital as a result of the expansion of our business.

Cash used in investing activities

A total of €1,031 million was used in investing activities over the first six months of the year. This was compatible with the first half of 2007. Payments related to property, plant and equipment and intangible assets were almost the same as in the same period of 2007 and were significantly lower than amortization and depreciation.

Cash used in financing activities

Financing activities led to a cash outflow of €1,491 million. Dividends amounting to €1,831 million were paid out to shareholders of BASF SE, while minority shareholders in Group companies received €157 million.

We used €1,100 million to buy back shares. Taking the stock split into account, BASF bought back 24.5 million shares at an average price of €44.95 per share in the first half of 2008.

Cash and cash equivalents amounted to €879 million as of June 30, 2008, compared with €767 million at the end of 2007. In the same period, financial indebtedness rose by €1,751 million to €11,853 million. Compared with year-end 2007, net debt increased by €1,639 million to €10,974 million. ///

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSES

Income and expense items (million €)

	1st Half 2008	1st Half 2007
Net income before minority interests	**2,653**	**2,212**
Fair value changes in available-for-sale securities	856	144
Cash-flow hedges	3	47
Change in foreign currency translation adjustments	(384)	(32)
Revaluation due to acquisition achieved in stages	(1)	–
Actuarial gains/losses from pensions and other obligations	.	1,049
Deferred taxes	(48)	(390)
Minority interests	(27)	(7)
Total income and expenses recognized directly in equity	**399**	**811**
Total income and expense for the period	**3,052**	**3,023**
Thereof BASF	2,893	2,877
minority interests	159	146

Development of income and expenses recognized directly in equity (million €)

	Retained earnings	Other comprehensive income					Total income and expenses recognized directly in equity
	Actuarial gains/ losses	Foreign currency translation adjustment	Fair value changes in available-for-sale securities	Cash-flow hedges	Revaluation due to acquisition achieved in stages	Total of other comprehensive income	
As of January 1, 2008	**(874)**	**(497)**	**680**	**(21)**	**12**	**174**	**(700)**
Additions	–	–	856	3	–	859	859
Releases	–	(384)	–	–	(1)	(385)	(385)
Deferred taxes	(40)	6	(13)	(1)	–	(8)	(48)
As of June 30, 2008	**(914)**	**(875)**	**1,523**	**(19)**	**11**	**640**	**(274)**
As of January 1, 2007	**(782)**	**26**	**341**	**(42)**	**–**	**325**	**(457)**
Additions	1,049	–	144	47	–	191	1,240
Releases	–	(32)	–	–	–	(32)	(32)
Deferred taxes	(371)	1	(3)	(17)	–	(19)	(390)
As of June 30, 2007	**(104)**	**(5)**	**482**	**(12)**	**–**	**465**	**361**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

1st Half 2008 (million €)

	Number of subscribed shares outstanding[1]	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income	Minority interests	Stockholders' equity
As of January 1, 2008	**956,370,000**	**1,224**	**3,173**	**14,556**	**174**	**971**	**20,098**
Share buyback and cancellation of own shares including own shares intended to be cancelled	(24,480,000)	(31)	45	(1,114)	–	–	(1,100)
Capital contribution by minority interests	–	–	–	–	–	100	100
Dividends paid	–	–	–	(1,831)	–	(157)	(1,988)
Net income	–	–	–	2,467	–	186	2,653
Income and expense recognized directly in equity	–	–	–	(40)	466	(27)	399
Changes in scope of consolidation and other changes	–	–	–	4	–	1	5
As of June 30, 2008	**931,890,000**	**1,193**	**3,218**	**14,042**	**640**	**1,074**	**20,167**

[1] The number of outstanding shares was adjusted retrospectively because of the two-for-one stock split. More details can be found in note 10 on page 29.

1st Half 2007 (million €)

	Number of subscribed shares outstanding[1]	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income	Minority interests	Stockholders' equity
As of January 1, 2007	**999,360,000**	**1,279**	**3,141**	**13,302**	**325**	**531**	**18,578**
Share buyback and cancellation of own shares including own shares intended to be cancelled	(18,390,000)	(23)	27	(753)	–	–	(749)
Capital contribution by minority interests	–	–	–	–	–	–	–
Dividends paid	–	–	–	(1,484)	–	(84)	(1,568)
Net income	–	–	–	2,059	–	153	2,212
Income and expense recognized directly in equity	–	–	–	678	140	(7)	811
Changes in scope of consolidation and other changes	–	–	–	(4)	–	–	(4)
As of June 30, 2007	**980,970,000**	**1,256**	**3,168**	**13,798**	**465**	**593**	**19,280**

[1] The number of outstanding shares was adjusted retrospectively because of the two-for-one stock split. More details can be found in note 10 on page 29.

BASF GROUP SEGMENT REPORTING

2nd Quarter (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2008	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %
Chemicals	2,863	2,434	17.6	514	693	(25.8)	378	573	(34.0)	378	573	(34.0)
Plastics	2,654	2,541	4.4	392	444	(11.7)	291	340	(14.4)	291	339	(14.2)
Performance Products	2,297	2,268	1.3	357	289	23.5	226	185	22.2	249	180	38.3
Functional Solutions	2,490	2,440	2.0	193	244	(20.9)	111	168	(33.9)	108	155	(30.3)
Agricultural Solutions	1,159	957	21.1	422	290	45.5	363	241	50.6	363	241	50.6
Oil & Gas	3,201	2,269	41.1	1,167	839	39.1	1,026	712	44.1	1,026	712	44.1
Other	1,641	1,747	(6.1)	(12)	(136)	91.2	13	(189)	.	(56)	(193)	71.0
	16,305	**14,656**	**11.3**	**3,033**	**2,663**	**13.9**	**2,408**	**2,030**	**18.6**	**2,359**	**2,007**	**17.5**

2nd Quarter (million €)

	Research expenses			Assets			Additions to long-term assets[1]			Amortization and depreciation[2]		
	2008	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %
Chemicals	31	30	3.3	6,146	6,082	1.1	154	160	(3.8)	136	120	13.3
Plastics	36	34	5.9	5,591	5,639	(0.9)	111	125	(11.2)	101	105	(3.8)
Performance Products	57	69	(17.4)	6,317	6,759	(6.5)	104	114	(8.8)	108	109	(0.9)
Functional Solutions	47	45	4.4	8,811	9,315	(5.4)	36	42	(14.3)	85	89	(4.5)
Agricultural Solutions	82	80	2.5	4,631	4,725	(2.0)	19	18	5.6	59	49	20.4
Oil & Gas	1	1	–	6,881	4,597	49.7	143	100	43.0	141	127	11.0
Other	86	78	10.3	10,731	9,696	10.7	23	38	(39.5)	44	57	(22.8)
	340	**337**	**0.9**	**49,108**	**46,813**	**4.9**	**590**	**597**	**(1.2)**	**674**	**656**	**2.7**

[1] Investment in property, plant and equipment and intangible assets

[2] Depreciation and amortization of property, plant and equipment and intangible assets

1st Half (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2008	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %
Chemicals	5,424	4,724	14.8	1,165	1,379	(15.5)	902	1,139	(20.8)	902	1,139	(20.8)
Plastics	5,201	5,007	3.9	851	860	(1.0)	650	654	(0.6)	649	652	(0.5)
Performance Products	4,503	4,494	0.2	696	599	16.2	449	389	15.4	480	374	28.3
Functional Solutions	4,884	4,718	3.5	420	474	(11.4)	251	319	(21.3)	245	292	(16.1)
Agricultural Solutions	2,105	1,854	13.5	728	564	29.1	622	472	31.8	622	467	33.2
Oil & Gas	6,945	5,239	32.6	2,285	1,811	26.2	2,010	1,560	28.8	2,010	1,560	28.8
Other	3,164	3,252	(2.7)	(157)	(351)	55.3	(122)	(387)	68.5	(246)	(467)	47.3
	32,226	**29,288**	**10.0**	**5,988**	**5,336**	**12.2**	**4,762**	**4,146**	**14.9**	**4,662**	**4,017**	**16.1**

1st Half (million €)

	Research expenses			Assets			Additions to long-term assets[1]			Amortization and depreciation[2]		
	2008	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %	**2008**	2007	Change in %
Chemicals	61	58	5.2	6,146	6,082	1.1	230	270	(14.8)	263	240	9.6
Plastics	69	68	1.5	5,591	5,639	(0.9)	184	211	(12.8)	202	208	(2.9)
Performance Products	113	136	(16.9)	6,317	6,759	(6.5)	180	195	(7.7)	216	225	(4.0)
Functional Solutions	94	91	3.3	8,811	9,315	(5.4)	82	79	3.8	175	182	(3.8)
Agricultural Solutions	154	155	(0.6)	4,631	4,725	(2.0)	45	35	28.6	106	97	9.3
Oil & Gas	5	1	400.0	6,881	4,597	49.7	258	179	44.1	275	251	9.6
Other	171	173	(1.2)	10,731	9,696	10.7	34	67	(49.3)	89	116	(23.3)
	667	**682**	**(2.2)**	**49,108**	**46,813**	**4.9**	**1,013**	**1,036**	**(2.2)**	**1,326**	**1,319**	**0.5**

[1] Investment in property, plant and equipment and intangible assets
[2] Depreciation and amortization of property, plant and equipment and intangible assets

Other (million €)[1]

	2nd Quarter			1st Half		
	2008	2007	Change in %	**2008**	2007	Change in %
Sales	**1,641**	**1,747**	**(6.1)**	**3,164**	**3,252**	**(2.7)**
Thereof Styrenics	862	940	(8.3)	1,638	1,821	(10.0)
EBIT before special items	**13**	**(189)**	**.**	**(122)**	**(387)**	**68.5**
Thereof Group corporate costs	(60)	(54)	(11.1)	(117)	(105)	(11.4)
Corporate research	(85)	(76)	(11.8)	(167)	(168)	0.6
Translation of foreign currency	(25)	(17)	(47.1)	2	(14)	.
Special items	(69)	(4)	.	(124)	(80)	(55)
EBIT	**(56)**	**(193)**	**71.0**	**(246)**	**(467)**	**47.3**
Assets	**10,731**	**9,696**	**10.7**	**10,731**	**9,696**	**10.7**
Thereof Assets of businesses included under “Other”	2,955	3,590	(17.7)	2,955	3,590	(17.7)
Financial assets	3,711	2,021	83.6	3,711	2,021	83.6
Miscellaneous receivables/other assets	3,144	3,271	(3.9)	3,144	3,271	(3.9)
Cash and cash equivalents, marketable securities	921	814	13.1	921	814	13.1

[1] More information about “Other” can be found in Note 3 from page 23 onward.

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF BASF GROUP

1 -- Basis of presentation

The Consolidated Financial Statements of BASF Group for the year ended December 31, 2007 were prepared according to the International Financial Reporting Standards (IFRS) valid as of the balance sheet date. The current interim financial statements, as of June 30, 2008, were prepared using the same accounting policies.

→ **The BASF Report 2007 with the Consolidated Financial Statements of the BASF Group as of December 31, 2007 can be found on the Internet at: corporate.basf.com/report**

The interim financial statements have not been audited.

2 -- Scope of consolidation

The Consolidated Financial Statements include BASF SE, as well as all material subsidiaries on a fully consolidated basis. Material jointly operated companies are proportionally consolidated. The number of fully and proportionally consolidated companies has developed as follows:

Scope of consolidation

	2008	2007
As of January 1	297	328
Thereof proportionally consolidated	18	19
First-time consolidations	6	15
Thereof proportionally consolidated[1]	1	–
Deconsolidations	12	20
Thereof proportionally consolidated	–	–
As of June 30	**291**	**323**
Thereof proportionally consolidated	19	19

There have been six first-time consolidations since the beginning of 2008 due to the increasing importance of these companies.

Since the start of 2008, 12 companies were deconsolidated either as a result of merger with other BASF companies or decreased significance.

3 -- Segment reporting

As of January 1, 2008 we have newly structured our segments on the basis of similar products, production methods and customer industries. By so doing, we are allowing for the changes in our portfolio as a result of acquisitions, divestitures and restructuring measures over the past few years.

BASF's worldwide business is driven by 13 operating divisions that are aggregated into six segments for reporting purposes.

The Chemicals segment consists of the Inorganics, Petrochemicals and Intermediates divisions. The Catalysts division has been transferred to the new Functional Solutions segment.

The Plastics segment is composed of the Performance Polymers and Polyurethanes divisions. The specialty plastics and foams business units have been transferred from the Styrenics division to the Performance Polymers division. Activities with styrene monomer (SM), polystyrene (PS), styrene-butadiene-copolymer (SBS) and acrylonitrile butadiene styrene (ABS) businesses are reported as disposal group under "Other."

The Performance Products segment comprises the Acrylics & Dispersions, Care Chemicals and Performance Chemicals divisions. The Functional Polymers division has been renamed Acrylics & Dispersions. In the new Care Chemicals division, the activities of the former Fine Chemicals division as well as the detergents and formulators business from the Performance Chemicals division have been merged.

In the Functional Solutions segment, which consists of the operating divisions Catalysts, Construction Chemicals and Coatings, we are bundling the majority of our systems solutions and products for the automotive and construction industries.

The Agricultural Products & Nutrition segment has been renamed Agricultural Solutions and its division Agricultural Products has been renamed Crop Protection.

The Oil & Gas segment is composed of the Oil & Gas division with the Exploration & Production and Natural Gas Trading business sectors.

Activities not allocated to a particular division are reported under "Other" and include, among other things, the Styrenics business that is reported as a disposal group as well as fertilizer activities. In addition, the sale of feedstock, engineering and other services, rental income and leases are reported under "Other."

As of January 1, 2008, Group corporate costs are no longer allocated to the segments but reported under "Other." The previous year's numbers for the segments as well as of "Other" have been adjusted accordingly. Group corporate costs consist of the expenses for the steering of the BASF Group.

With our cross-divisional corporate research, which is also reported under "Other," we develop growth clusters and ensure the long-term competence of BASF with regard to technology and methods.

Amounts from currency conversion reported under "Other" include earnings not allocated to the segments from the hedging of forecasted sales, from currency positions that are macrohedged as well as from the conversion of financial liabilities.

In addition, earnings resulting from hedging for raw material price risks that cannot be allocated to the segments are recorded in "Other." In the first half of 2008, this resulted in significant income. Earnings in fertilizers and Styrenics also improved.

Transfers between the segments are generally executed at market-based prices. The allocation of assets and depreciation to the segments is based on economic control. Assets used by more than one segment are allocated based on the percentage of usage.

Reconciliation reporting Oil & Gas (million €)

	2nd Quarter		1st Half	
	2008	2007	**2008**	2007
Income from operations	**1,026**	**712**	**2,010**	**1,560**
Income from participations	8	19	10	22
Other income	(19)	2	(25)	16
Income before taxes and minority interests	**1,015**	**733**	**1,995**	**1,598**
Income tax	773	530	1,430	1,052
thereof income taxes on oil-producing operations non-compensable with German corporate income tax	577	331	1,035	589
Income before minority interests	**242**	**203**	**565**	**546**
Minority interests	40	11	122	81
Net income	**202**	**192**	**443**	**465**

In the reconciliation reporting Oil & Gas, the income from operations of the Oil & Gas segment is reconciled to the contribution of the companies of this segment to net income of BASF Group.

Other income includes all expenses and revenues not included in income from operations of the segment, in particular the interest result and the miscellaneous financial result.

In the first half of 2008, minority interests increased compared with the first half of 2007. This resulted from Gazprom taking a stake in a German Wintershall subsidiary that holds exploration and production rights to the onshore concessions 96 and 97 in Libya.

4 -- Financial result

Financial result (million €)

	2nd Quarter		1st Half	
	2008	2007	**2008**	2007
Income from companies accounted for using the equity method	3	24	11	42
Other income from participations	37	29	40	29
Income from participations	**40**	**53**	**51**	**71**
Interest expenses	149	159	293	303
Interest income	45	34	83	66
Interest result	**(104)**	**(125)**	**(210)**	**(237)**
Income from write-ups/write downs and from the disposal of securities and loans	(4)	–	(5)	–
Net financing income/(expense) from defined benefit plans and other long-term personnel provisions	.	8	4	17
Interest accrued on other interst-bearing liabilities	(9)	(10)	(17)	(19)
Construction interest	11	13	22	24
Other financial expenses and income	28	(4)	(5)	(15)
Other financial result	**26**	**7**	**(1)**	**7**
Financial result	**(38)**	**(65)**	**(160)**	**(159)**

In the first half of 2008, the interest result improved compared with the same period of 2007 in particular due to interest income from loans granted for the financing of the production company for the Yuzhno Russkoye natural gas field. This company is consolidated using the equity method.

Other financial expenses and income were higher than in the second quarter of 2007 due to income resulting from the fair value valuation of derivative financial instruments. In the first quarter of 2008, similar expenses were incurred so that there was no major effect in the first half of 2008.

5 -- Income taxes

Income before taxes and minority interests (million €)

	2nd Quarter		1st Half	
	2008	2007	**2008**	2007
Germany	538	475	1,173	1,114
Foreign oil production branches of German companies	751	500	1,336	854
Other foreign	1,032	967	1,993	1,890
	2,321	**1,942**	**4,502**	**3,858**

Income taxes (million €)

	2nd Quarter		1st Half	
	2008	2007	**2008**	2007
Germany	67	192	233	483
Foreign oil production branches of German companies	688	459	1,232	790
Thereof noncompensable	577	331	1,035	589
Other foreign	196	220	384	373
	951	**871**	**1,849**	**1,646**
Tax rate (%)	41.0	44.9	41.1	42.7

Foreign income taxes for oil production increased significantly as a result of higher oil prices. The foreign taxes for oil production that are non-compensable with German corporate income tax increased as a result of the reduction in the nominal corporate income tax to 15% as part of the German Corporate Tax Reform 2008. The foreign taxes for oil production that are non-compensable with German corporate tax for the second quarter of 2007 of €331 million (first-half 2007: €589 million) are based on the hitherto existing corporate tax rate of 25%. The comparable value for the second quarter of 2007, calculated with a corporate tax rate of 15% according to the German Corporate Tax Reform 2008, would have amounted to €381 million (first-half 2007: €676 million).

6 -- Minority interests

Minority interests (million €)

	2nd Quarter		1st Half	
	2008	2007	**2008**	2007
Minority interests in profits	75	50	191	161
Minority interests in losses	(2)	(3)	(5)	(8)
	73	**47**	**186**	**153**

Minority interests in profits resulted primarily from Gazprom's stake in natural gas trading companies and the German Wintershall subsidiary that holds exploration and production rights to onshore concessions in Libya.

7 -- Earnings per share

Earnings per share

		2nd Quarter		1st Half	
		2008	2007	**2008**	2007
Net income	Million €	1,297	1,024	2,467	2,059
Number of outstanding shares (weighted average)	1,000	935,760	984,903	939,168	989,802
Earnings per share	**€**	**1.39**	**1.04**	**2.63**	**2.08**

The calculation of earnings per share is based on the weighted-average number of common shares outstanding. The calculation of diluted earnings per common share reflects all possible outstanding common shares and the resulting effect on income of the BASF incentive share program "plus."

In the first half of 2008 and in the corresponding period of 2007, there was no dilutive effect; undiluted earnings per share were the same as the diluted value per share. The calculation for earnings per share took into account the two-for-one stock split retroactive for all periods shown.

8 -- Long-term assets

Developments (million €)

	1st Half 2008		
	Intangible assets	Property, plant and equipment	Investments accounted for using the equity method and other financial assets
Acquisition costs			
Balance as of January 1	11,517	45,757	3,101
Additions	73	997	1,070
Disposals	67	312	103
Exchange differences	(360)	(699)	(45)
Balance as of June 30	**11,163**	**45,743**	**4,023**
Amortization and depreciation			
Balance as of January 1	1,958	31,542	315
Additions	313	1,042	3
Disposals	65	273	6
Exchange differences	(40)	(399)	–
Balance as of June 30	**2,166**	**31,912**	**312**
Net book value as of June 30	**8,997**	**13,831**	**3,711**

Developments (million €)

	1st Half 2007		
	Intangible assets	Property, plant and equipment	Investments accounted for using the equity method and other financial assets
Acquisition costs			
Balance as of January 1	10,624	46,631	2,127
Additions	78	1,080	236
Disposals	167	212	45
Exchange differences	(129)	(231)	(19)
Balance as of June 30	**10,406**	**47,268**	**2,299**
Amortization and depreciation			
Balance as of January 1	1,702	31,729	286
Additions	268	1,055	–
Disposals	149	184	8
Exchange differences	(12)	(131)	–
Balance as of June 30	**1,809**	**32,469**	**278**
Net book value as of June 30	**8,597**	**14,799**	**2,021**

Additions to property, plant and equipment in the first half of 2008 related to a number of investments. Among the most significant are the expansion of plants to scrub synthesis gases in Ludwigshafen; the construction of the HPPO plant as well as an acrylic acid and superabsorbents plant in Antwerp, Belgium; the construction of the OPAL pipeline; the construction of a resins plant in Wyandotte, Michigan; and the expansion of the polyol plant in Geismar, Louisiana.

Additions to investments accounted for using the equity method and to other financial assets were primarily due to the market valuation of other financial assets, the effects of which are recognized directly in equity. This applies in particular to BASF's investment in K+S Aktiengesellschaft.

9 -- Inventories

Inventories (million €)

	June 30, 2008	Dec. 31, 2007
Raw materials and factory supplies	1,821	1,800
Work-in-process, finished goods and merchandise	4,801	4,708
Advance payments and services-in-process	82	70
	6,704	6,578

Work-in-process, finished goods and merchandise are combined into one item due to the production conditions in the chemical industry. Services-in-process relate primarily to inventory not invoiced at the balance sheet date. Inventories are valued using the weighted average cost method.

10 -- Stockholders' equity

Subscribed capital (million €)

	Outstanding shares	Subscribed capital	Capital reserves
Outstanding shares as of Dec. 30, 2007	490,485,000	1,256	3,173
Shares cancelled by June 27, 2008	17,470,000	(45)	45
New shares issued as part of stock split	473,015,000	–	–
Outstanding shares as of June 30, 2008	**946,030,000**	**1,211**	**3,218**
Repurchased shares intended to be cancelled	(14,140,000)	(18)	–
Outstanding shares as disclosed in the financial statements	**931,890,000**	**1,193**	**3,218**

On April 24, 2008, the Annual Meeting of BASF SE resolved a two-for-one stock split. Shareholders received an additional BASF share for each existing share at no additional cost. The adjustment of the securities deposit accounts and the stock exchange listing took place on June 27, 2008.

The Board of Executive Directors received approval at the Annual Meeting on April 24, 2008 to buy back BASF shares to a maximum amount of 10% of subscribed capital by October 23, 2009. The shares shall be purchased on the stock exchange or through a public purchase offer open to all shareholders. The price paid per share may not be higher than the highest market price on the buying day and may not be lower than 25% of that market price. In the case of a public purchase offer, the price offered by BASF may be a maximum of 10% higher than the highest market price on the third trading day prior to the publishing of the public purchase offer. This authorization superseded the validity of the prior authorization to repurchase BASF shares granted by the Annual Meeting on April 26, 2007.

The Board of Executive Directors is authorized to cancel the repurchased shares without the approval of a further resolution at an Annual Meeting. A sale of repurchased BASF shares requires the respective authorization through the Annual Meeting unless the shares are used with the authorization of the Supervisory Board, to acquire companies, parts of companies or holdings in companies in return for the transfer of shares.

Taking into account the stock split, BASF acquired a total of 24,480,000 shares, or 2.59% of the issued shares, at an average purchase price of €44.95 per share in the first six months of 2008. In the first half of 2008, BASF bought back shares for a total of €1,100 million.

On February 12, 2008, the Board of Executive Directors of BASF SE approved the cancellation of 17,470,000 BASF shares that were bought back after the last cancellation in July 2007 and cancelled by the end of February.

As of June 30, 2008, a total of 14,140,000 shares of BASF stock were held by BASF SE. These were acquired for the purpose of cancellation and reduced equity.

Changes in the scope of consolidation led to an increase of €3 million in the legal reserves in the first half of 2008. Transfers from other retained earnings increased legal reserves by €29 million. The offsetting of actuarial gains and losses, as well as the asset ceiling, resulted in a decrease in retained earnings of €40 million.

Reserves (million €)

	June 30, 2008	Dec. 31, 2007
Legal reserves	399	354
Other retained earnings	13,643	14,202
	14,042	**14,556**

11 -- Provisions for pensions

Assumptions used to determine the defined benefit obligation (weighted average in %)

	Germany		Foreign	
	June 30, 2008	Dec. 31, 2007	June 30, 2008	Dec. 31, 2007
Discount rate	6.00	5.25	6.07	5.82
Projected increase of wages and salaries	2.75	2.75	4.50	4.50
Projected pension increase	2.00	2.00	0.68	0.68

Assumptions used to determine expenses for pension benefits (from January 1 through June 30 of the respective year, weighted average in %)

	Germany		Foreign	
	June 30, 2008	Dec. 31, 2007	June 30, 2008	Dec. 31, 2007
Discount rate	5.25	4.50	5.82	5.31
Projected increase of wages and salaries	2.75	2.50	4.50	4.46
Projected pension increase	2.00	1.75	0.68	0.56
Expected return on plan assets	5.18	4.93	7.20	7.35

The assumptions regarding the overall expected long-term rate of return are based on the desired portfolio structure and forecasts of expected individual asset class returns. The forecasts are based on long-term historical average returns and take into consideration the current yield level and the inflation trend.

In the first half of 2008, developments in the capital markets resulted in a higher discount rate for the valuation of pension obligations and in lower pension plan assets.

12 -- Other provisions

Other provisions (million €)

	June 30, 2008	June 30, 2007	Dec. 31, 2007
Other long-term provisions	2,847	3,151	3,015
Other short-term provisions	2,669	2,562	2,697
	5,516	**5,713**	**5,712**

Other provisions declined slightly in the first half of 2008 compared with the end of 2007. This decrease is above all due to lower personnel provisions. The increase in provisions for restructuring measures had a reverse effect.

13 -- Liabilities

Liabilities (million €)

	June 30, 2008		June 30, 2007		Dec. 31, 2007	
	Less than one year	More than one year	Less than one year	More than one year	Less than one year	More than one year
Accounts payable, trade	**3,825**	**–**	**4,258**	**–**	**3,763**	**–**
Bonds and other liabilities to the capital market	4,695	6,170	2,887	5,984	2,483	6,498
Liabilities to credit institutions	503	485	395	734	665	456
Financial indebtedness	**5,198**	**6,655**	**3,282**	**6,718**	**3,148**	**6,954**
Tax liabilities	**1,279**	**–**	**1,218**	**–**	**881**	**–**
Advances received on orders	55	–	42	–	111	–
Liabilities on bills	20	26	60	11	11	5
Liabilities related to social security	131	17	132	27	148	17
Miscellaneous liabilities	1,857	697	1,815	763	1,571	717
Deferred income	172	171	234	183	135	162
Other liabilities	**2,235**	**911**	**2,283**	**984**	**1,976**	**901**

Financial indebtedness (million €)

	Nominal value	Effective interest rate	Carrying amounts based on effective interest method June 30, 2008	Dec. 31, 2007	June 30, 2007
3.5% Euro Bond 2003/2010 of BASF SE	1,000	3.63 %	997	997	996
3.375% Euro Bond 2005/2012 of BASF SE	1,400	3.42 %	1,398	1,397	1,397
4% Euro Bond 2006/2011 of BASF SE	1,000	4.05 %	999	999	998
4.5% Euro Bond 2006/2016 of BASF SE	500	4.62 %	496	496	496
3-Month EURIBOR Bond 2006/2009 of BASF SE	500	variable	500	500	500
3.25% CHF Bond 2008/2011 of BASF Finance Europe N.V.	300	3.39 %	186	–	–
3.625% CHF Bond 2008/2015 of BASF Finance Europe N.V.	200	3.78 %	124	–	–
5% Euro Bond 2007/2014 of BASF Finance Europe N.V.	1,000	5.09 %	996	996	–
5% Euro Bond 2007/2014 of BASF Finance Europe N.V.	250	4.83 %	253	253	–
Extendible Floating Rate Notes of BASF Finance Europe N.V.		variable	856	917	1,000
Other bonds			515	548	597
USD Commercial Papers			3,545	1,878	2,887
Bonds and other liabilities to the capital markets			**10,865**	**8,981**	**8,871**
Liabilities to credit institutions			988	1,121	1,129
			11,853	10,102	10,000

14 -- Related-party transactions

Material supply relationships for oil and gas exist between the proportionally consolidated joint venture companies Wintershall Erdgas Handelshaus GmbH & Co. KG, Berlin, Germany; Wintershall Erdgas Handelshaus Zug AG, Zug, Switzerland; and other companies of the BASF Group. These transactions are conducted at arm's length prices and business terms. The unconsolidated portion of these supplies amounted to €798 million in the first half of 2008 and €300 million in the same period of 2007. Several members of the Supervisory Board and of the Board of Executive Directors also serve on the boards of executive directors or supervisory boards of companies with which BASF maintains business relations. These transactions are conducted at arm's length prices and business terms. Furthermore, no transactions that are subject to reporting have been entered into with the members of the Board of Executive Directors or members of the Supervisory Board or with companies or persons affiliated with them.

BASF has not issued loans to members of the Board of Executive Directors or the Supervisory Board.

Statement in accordance with Section 37y No. 1 of the German Securities Trading Act

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Ludwigshafen, July 25, 2008

BASF SE
Board of Executive Directors

INTERIM REPORT THIRD-QUARTER 2008

Oct. 30, 2008

FULL-YEAR RESULTS 2008

Feb. 26, 2009

ANNUAL MEETING 2009 / INTERIM REPORT FIRST-QUARTER 2009

April 30, 2009

INTERIM REPORT FIRST-HALF 2009

July 30, 2009

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. These statements are based on current 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 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 from pages 106 to 107 in the BASF Report 2007. The BASF Report can be found on the internet at: corporate.basf.com/report. We do not assume any obligation to update the forward-looking statements contained in this report.

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