

BASF and SINOPEC sign \$500 million agreement to expand Nanjing site

- **Expanding cracker capacity by 25 percent**
- **Extending downstream capacities**
- **Underlining long-term partnership between BASF and SINOPEC**

Berlin, July 10, 2006 – BASF and China Petroleum & Chemical Corporation (Sinopec Corp.) today signed a \$500 million (4 billion RMB) agreement to expand their joint chemical Verbund site in Nanjing.

The agreement was formalized by Mr. Chen Tonghai, President of China Petrochemical Corporation (Sinopec Group) and Chairman of China Petroleum & Chemical Corporation (Sinopec Corp.), and BASF's Chairman of the Board of Executive Directors, Dr. Jürgen Hambrecht, during a signing ceremony in Berlin.

“The expansion of BASF-YPC Co. Ltd. is the result of our continuous successful cooperation during the first phase of the project, and fits the development of both parties, while further strengthening the cooperation between Sino-German enterprises,” said Chen Tonghai.

“The success of this joint venture is symbolic of the strong partnership between BASF and SINOPEC, and between Germany and China,” said Hambrecht. “This latest strategic investment again demonstrates our long-term commitment to China's growing chemical market.”

Following last year's smooth and successful start-up, BASF-YPC Co. Ltd. - the 50:50 joint venture between BASF and SINOPEC - plans to extend its joint operations by expanding the capacity of its steam cracker and investing in additional downstream plants to further strengthen synergies at the site. Major pillars of the investment are:

1. Expansion of steam cracker from 600,000 to around 750,000 metric tons of ethylene per year;
2. Expansion of the ethylene oxide (EO) plant and development of EO derivatives to strengthen the ethylene value chain producing non ionic surfactants for detergents and the solvent butylglycol ether;
3. Development of the C4 value chain including C4-specialties: Butadiene and isobutene as chemical raw materials, 2-propylheptanol for a new generation plasticizer and polyisobutene derivatives as fuel and lubricant additives;
4. Extension of the acrylics value chain to produce super absorbent polymers (SAP) for hygiene and industrial applications.

The new activities are expected to come on stream in 2009.

Both companies also agreed to integrate their second joint operation Yangzi-BASF Styrenics (YBS) in Nanjing into BASF-YPC Co. Ltd. to increase efficiency and make full use of existing synergies.

BASF-YPC Co. Ltd. is an integral part of BASF's strategy for Asia Pacific. The site will make a substantial contribution to BASF's goal of achieving ten percent of its global sales and earnings in the chemical business in China by 2010.

Note to Editors:

Photos of the signing ceremony can be downloaded at corporate.basf.com/photos.

BASF-YPC Co. Ltd. is a 50-50 joint venture between BASF and SINOPEC, founded in 2000, with a total investment of \$2.9 billion in the first phase. The ground breaking for the site, located in Nanjing, Jiangsu Province, took place on September 28, 2001. BASF-YPC Co. Ltd. successfully started commercial production at a steam cracker as well as nine downstream plants in China in June 2005. These plants are interconnected in order to use products, by-products and energy in the most efficient way, to save cost and minimize environmental impact. The 220-hectare site produces 1.7 million metric tons of high-quality chemicals and polymers per year for the rapidly

growing Chinese market. The site also has a gas-fired power plant and an international port on a tributary of the Yangtze River to ensure optimum energy supply and logistics.

BASF has been a committed partner to Greater China since 1885. It is one of the biggest foreign investors in the Chinese chemical industry. The company currently has over 4,000 employees and operates 16 wholly owned subsidiaries and eight joint ventures. In order to stay in tune with local markets, the company maintains eight offices in Hong Kong, Beijing, Shanghai, Guangzhou, Nanjing, Qingdao, Chengdu and Taipei. In 2005, BASF achieved sales of close to EUR 2.8 billion in Greater China.

BASF is the world's leading chemical company: The Chemical Company. Its portfolio ranges from chemicals, plastics, performance products, agricultural products and fine chemicals to crude oil and natural gas. As a reliable partner to virtually all industries, BASF's intelligent system solutions and high-value products help its customers to be more successful. BASF develops new technologies and uses them to open up additional market opportunities. It combines economic success with environmental protection and social responsibility, thus contributing to a better future. In 2005, BASF had approximately 81,000 employees and posted sales of more than €42.7 billion. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA), New York (BF) and Zurich (AN). Further information on BASF is available on the Internet at www.basf.com.

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