BASF Aktiengesellschaft

Annual Meeting
of BASF Aktiengesellschaft
on April 29, 2004

BASF
The Chemical Company

Invitation to the Annual Meeting on April 29, 2004

March 17, 2004

Dear Shareholders,

The 52nd Annual Meeting of BASF Aktiengesellschaft will be held at 10:00 a.m. on Thursday, April 29, 2004, at the Congress Center Rosengarten Mannheim, Rosengartenplatz 2, 68161 Mannheim, Germany. Please accept our cordial invitation to this meeting.

With this letter, you will find the notice of the Annual Meeting which was published in the electronic Federal German Gazette together with the detailed Agenda required by law and reports from the Board of Executive Directors.

We would like to provide the following supplementary information on Items 6, 7, 8 and 9 of the Agenda.
In 2003, we bought back a total of 13,673,000 shares using the buy-back authorizations granted by the Annual Meeting. These shares have been cancelled and the company's share capital has thus been reduced by €35,002,880. From the beginning of this year up to the date of approval of the Consolidated Financial Statements by the Board of Executive Directors, we bought back an additional 640,000 shares. In the event of the buyback of further shares between the date of approval of the Consolidated Financial Statements by the Board of Executive Directors and the day of the Annual Meeting, the number of dividend-bearing shares and thus the dividend payout may decrease again. If necessary, we will announce at the Annual Meeting the number of shares that we have repurchased up to this date and adjust the motion for a resolution on the appropriation of profit accordingly.

In the future, we also want to reduce the equity ratio and increase earnings per share by buying back our own shares. In order to retain this possibility, we need an authorization by the Annual Meeting, which can only be granted for a limited time under law. Under **Item 6** of the Agenda, we therefore propose to renew last year's authorization. As in the previous year, we would simultaneously like to extend the authorization requested to allow the use at a later date of the shares so acquired for purchase by BASF employees and officers of the company in the exercising of their stock option rights. At the same time, the shares may also be used for the acquisition of companies and holdings. In this connection, we also refer to the enclosed report of the Board of Executive Directors in accordance with Section 71 (1) and Section 186 (4) of the German Stock Corporation Act concerning the exclusion of the subscription right.

Under **Item 7** of the Agenda, we propose a supplement to the authorization to buy back our own shares, in order to be able to buy back shares not only through a direct purchase on the stock exchange or in connection with a public buyback offer, but also by using derivative financial instruments such as put and call options. In this way, the company is provided with additional room for maneuver and buybacks can be structured optimally. The use of derivative financial instruments enables the company to take advantage of low share prices and reduce the company's total expenditure on share buybacks. Details are given in the report of the Board of Executive Directors drawn up on this point of the Agenda.

Regarding **Items 8 and 9** of the Agenda, we refer to the detailed reports printed at the end of the notice of meeting. These reports together with the report on the exclusion of the subscription right (Item 6 of the Agenda), the report on Item 7 of the Agenda and the other relevant documents according to Sections 175 (2) and 293 (f), (1) of the German Stock Corporation Act are available for inspection on the premises of the company with immediate effect and will be available for inspection on the day of the Annual Meeting in the room where the meeting is held.

Attendance and proxies

We have a particular interest in shareholders exercising their right to vote at the Annual Meeting and safeguarding their rights in co-administering the company.

Shareholders who do not attend the Annual Meeting personally can exercise their voting rights as usual either through a proxy of their choice with written authorization (for example through a bank or an association of shareholders) or by issuing a written power of attorney to proxies appointed by our company.

In order to make it even easier to exercise your voting right, we offer you for the first time this year the opportunity of issuing a power of attorney or instructions electronically by Internet to proxies appointed by our company.

Authorizing proxies of our company can be of interest to you especially if your depository bank refuses to exercise your right to vote at the Annual Meeting.

Please note, that even if you cannot or do not want to attend the Annual Meeting personally, you need an entrance ticket to authorize in writing or electronically the proxies appointed by our company. You will find further information on proxy in the enclosed leaflet entitled "Information on attending the Annual Meeting and on proxies."

A short report on the business year 2003 is enclosed with this letter. It includes key financial data. Once again, we are not sending out copies of the Corporate Report, the Financial Statements of BASF Aktiengesellschaft or the Financial Report 2003 with the complete BASF Group Consolidated Financial Statements this year. All these documents, however, will be sent to any shareholder upon request or they can be viewed together with other information about the Annual Meeting on the company's website at **www.basf.com** via the "Annual Meeting" link.

Very truly yours,

BASF Aktiengesellschaft

Hambrecht Voscherau

We hereby give notice of our

Annual Meeting

on Thursday, April 29, 2004, 10:00 a.m., at the Congress Center Rosengarten Mannheim, Rosengartenplatz 2, 68161 Mannheim, Germany.

Agenda

1. Presentation of the Financial Statements of BASF Aktiengesellschaft and the BASF Group Consolidated Financial Statements for 2003; presentation of Management's Analysis for BASF Aktiengesellschaft and the BASF Group for 2003; presentation of the Report of the Supervisory Board

2. Adoption of a resolution on the appropriation of profit
   The Board of Executive Directors and the Supervisory Board propose to pay a dividend of €1.40 per qualifying share from the profit retained by BASF Aktiengesellschaft in 2003 in the amount of €779,300,744.00. If the shareholders approve this proposal, a total dividend of €778,404,774.00 will be payable on the 556,003,410 qualifying shares as of the date of approval of the Financial Statements for 2003 (March 2, 2004).

   The Board of Executive Directors and the Supervisory Board propose that the remaining profit retained of €896,000.00 be carried forward and the profit carried forward be increased accordingly if the number of shares qualifying for dividend and the total dividend paid out are further reduced in the event that further shares are bought back up to the Annual Meeting.

3. Adoption of a resolution giving formal approval to the actions of the Supervisory Board
   The Board of Executive Directors and the Supervisory Board propose that formal approval be given to the actions of the Supervisory Board in 2003.

4. Adoption of a resolution giving formal approval to the actions of the Board of Executive Directors
   The Board of Executive Directors and the Supervisory Board propose that formal approval be given to the actions of the Board of Executive Directors in 2003.

5. Election of an auditor for the financial year 2004
   The Supervisory Board proposes that Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt (Main), Germany, be appointed auditors of BASF Aktiengesellschaft and the BASF Group for the financial year 2004.

6. Authorization to buy back shares and to put them to further use including the authorization to redeem bought-back shares and reduce capital.
   The Board of Executive Directors and the Supervisory Board propose that the following resolution be adopted:

The company is authorized to purchase shares of the company in an amount of up to 10 percent of the company's share capital. The shares will be purchased at the discretion of the Board of Executive Directors, via the stock exchange or a public purchase offer addressed to all shareholders. The purchase price per share to be paid by the company may not, subject to sentence 5, exceed the highest market price (plus costs and charges) quoted on the floor or electronically on the Frankfurt Stock Exchange on the date of purchase. It must not be less than 75 percent of this highest price. In the event of a public offer to buy back shares, the purchase price offered and paid for each share may exceed by up to 25 percent the highest market price on the third trading day prior to the publication of the share buy-back offer.

Subject to sentences 8 to 11, the Board of Executive Directors may only sell shares purchased on the basis of the authorization after a corresponding additional resolution has been adopted at the Annual Meeting by a majority comprising at least three-quarters of the share capital represented at the meeting. Irrespective of this, the Board of Executive Directors is authorized to redeem the shares purchased on the basis of this authorization without the adoption of a further resolution by the Annual Meeting and to reduce the share capital by the part of the share capital accounted for by the redeemed shares.

The Board of Executive Directors is authorized to use shares acquired on the basis of this authorization to service option rights arising from stock options that have been, or may in the future be, issued in connection with the BASF Stock Option Program (BOP 1999/2000) presented at the Annual Meeting of April 29, 1999 or on the basis of the BASF Stock Option Program presented at the Annual Meeting of April 26, 2001 (BOP 2001/2005). As far as the issue of company shares to the members of the Board of Executive Directors is concerned, these authorizations apply to the Supervisory Board. The Board of Executive Directors is also authorized to use, with the approval of the Supervisory Board, shares acquired by virtue of this authorization for the acquisition of companies, parts of companies or holdings in companies in return for the transfer of shares. The subscription right of shareholders is excluded in respect of these company shares if the shares are sold or transferred under the authorizations specified in preceding sentences 8 to 10.

The authorizations to buy back shares and/or to redeem or resell them may be exercised wholly or partially one or more times. The authorizations to buy back company shares and to resell them may also be carried out, at the discretion of the Board of Executive Directors, by companies of the BASF Group or by third parties for the account of the company or Group companies. The authorization to buy back shares will expire on October 28, 2005.

The authorization to buy back company shares granted by the Annual Meeting on May 6, 2003, terminates with the coming into effect of this new authorization as far as the Board of Executive Directors is authorized to purchase shares. The authorizations, granted at the same time, to redeem shares purchased thereunder, to re-issue shares for servicing subscription rights from share options of senior executives and to use the shares for acquiring companies, parts of companies or holdings in companies remain valid.

7. Authorization to acquire our own shares using derivative financial instruments
The Board of Executive Directors and Supervisory Board propose the adoption of the following resolution on the use of derivative financial instruments for the buy-back of shares in addition to the authorization to buy back shares proposed under Item 6 of the Agenda above:

The buy-back of shares on the basis of the authorization decided by the Annual Meeting on April 29, 2004 under Item 6 of the Agenda may also be effected by using put and call options. The acquisition price paid by the company for options must not be more than and the selling price for options received by the company must not be less than the theoretical market value of the options in question determined by recognized time-adjusted methods, in the determination of which, for example, the agreed strike price must be taken into account. When shares are acquired using put and call options, the acquisition price to be paid by the company corresponds to the strike price agreed in the financial instrument. If, for the buy-back of shares, options were used taking into account the preceding sentences 1 to 3, shareholders have no claim, with appropriate application of Section 186, Paragraph 3, sentence 4, of the German Stock Corporation Act, to conclude such option transactions with the company.

8. Resolution on the cancellation of existing and the creation of new authorized capital and amendment of the Articles of Association.
The Board of Executive Directors and the Supervisory Board propose that the following resolutions should be adopted:

a) The authorization granted to the Board of Executive Directors by the Annual Meeting on April 29, 1999 to increase the company's share capital until May 1, 2004 with the approval the Supervisory Board on a one-off basis or in portions on a number of occasions by up to €500,000,000 by issuing new shares against contributions in cash or in kind (authorized capital) is canceled.

b) The Board of Executive Directors is, with the approval of the Supervisory Board, authorized to increase the share capital by a total amount of €500,000,000 by issuing, on a one-off basis or in portions on a number of occasions, new shares in return for contributions in cash or in kind (authorized capital) until May 1, 2009. The new shares may be taken up by a bank appointed by the Board of Executive Directors with instructions to offer them to the shareholders (indirect subscription right).

The Board of Executive Directors is authorized to issue up to 15,000,000 of these new shares to employees of the company and of companies associated with the company. To this extent, the legal subscription right of shareholders is excluded.

The Board of Executive Directors is also authorized, with the approval of the Supervisory Board, to exclude the legal subscription right of shareholders,

(a) in order to acquire companies, parts of companies or holdings in companies in return for the transfer of shares in appropriate individual cases,

(b) as far as this is necessary to prevent dilution in order to grant the owners of option certificates and the creditors of convertible bonds that are issued by the company or its affiliates in connection with an authorization granted to the Board of Executive Directors by the Annual Meeting or to grant the holders of option rights issued in connection with the share option programs for senior executives submitted to the Annual Meetings on April 29, 1999 and April 26, 2001 to the extent that would be due to them after exercising the option of conversion right or after fulfilling conversion obligations, and

(c) in order to use any residual amounts.

In the case of capital increases against cash contributions, the Board of Executive Directors is further authorized to exclude the legal subscription right of shareholders, if the issue price of the new shares is not substantially lower than the stock exchange price and the number of the shares issued as a whole under this authorization is not more than 10 percent of the share capital on the date of issue.

c) Article 3, para. 7, of the Articles of Association shall be worded as follows:

“The Board of Executive Directors shall be authorized, with the approval of the Supervisory Board, to increase the company’s share capital, on a one-off basis or in portions on a number of occasions, by up to a total of €500,000,000 by issuing new shares against contributions in cash or in kind (authorized capital) up to May 1, 2009. The new shares may be taken over by a bank appointed by the Board of Executive Directors with instructions to offer them to the shareholders (indirect subscription right).

The Board of Executive Directors shall be authorized to issue up to 15,000,000 of these new shares to employees of the company and of companies associated with the company. To this extent, the legal subscription right of shareholders shall be excluded.

The Board of Executive Directors shall also be authorized, with the approval of the Supervisory Board, to exclude the legal subscription right of shareholders,

(a) in order to acquire companies, parts of companies or holdings in companies in return for the transfer of shares in appropriate individual cases,

(b) as far as this is necessary to prevent dilution in order to grant the owners of option certificates and the creditors of convertible bonds that are issued by the company or its affiliates in connection with an authorization granted to the Board of Executive Directors by the Annual Meeting or to grant the holders of option rights issued in connection with share option programs for senior executives submitted to the Annual Meetings on April 29, 1999 and April 26, 2001 to the extent that would be due to them after exercising the option or conversion right or after fulfilling conversion obligations, and

(c) in order to use any residual amounts.

In the case of capital increases in return for cash contributions, the Board of Executive Directors shall also be able to exclude the legal subscription right of shareholders, if the issue price of the new shares is not substantially lower than the stock exchange price and the number of shares issued as a whole under this authorization is not more than 10 percent of the share capital on the date of issue."

9. Approval of a control and profit and loss transfer agreement

A control and profit and loss transfer agreement has been concluded between BASF Aktiengesellschaft (hereinafter referred to as "BASF") and BASF Plant Science Holding GmbH, 67056 Ludwigshafen, Germany, which is wholly owned by BASF. The object of BASF Plant Science Holding GmbH is to control the worldwide operations of BASF in the areas of plant biotechnology and seed. In addition to its function as a holding, the company provides, in particular, management services for BASF and BASF Plant Science GmbH. In the control and profit and loss transfer agreement, BASF Plant Science Holding GmbH places the management of its company under the control of BASF, which is entitled to issue instructions. The company undertakes, subject to the creation of specific reserves, to transfer its entire annual net income to BASF. BASF undertakes to make good any net losses suffered by the company under the provisions of Section 302 of the German Stock Corporation Act.

Subject to approval by the Annual Meeting, the agreement will become retroactively effective on January 1, 2004 and has been concluded for an indefinite period. It can be terminated at the end of a financial year after three months' notice has been given, but not earlier than December 31, 2008.

The Board of Executive Directors and the Supervisory Board propose that the control and profit and loss transfer agreement be approved.

Participation in the Annual Meeting

Shareholders who deposit their shares at one of the depositories specified below during normal business hours until the end of the Annual Meeting shall be entitled to take part in the Annual Meeting and to exercise their right to vote. Any German notary and any collective securities deposit bank also qualify as a depository. Shares shall also be deemed to have been fully deposited if, with the agreement of a depository, they are held for the latter at a bank until the end of the Annual Meeting.

Deposition shall only be valid if made by April 22, 2004. Deposition with a notary shall only be valid if the attestation in this respect to be issued by the latter is submitted to one of the depositories by April 23, 2004, the serial numbers of the deposited shares to be specified in the attestation.

Depositories in Germany are the company's depository at Carl-Bosch-Str. 38, Ludwigshafen am Rhein, Germany, Building C 100, Room No. 536, and

Deutsche Bank Aktiengesellschaft
Baden-Württembergische Bank Aktiengesellschaft
Bayerische Hypo- und Vereinsbank Aktiengesellschaft
Bayerische Landesbank Girozentrale
Bankhaus Bethmann Maffei AG & Co. KG
Commerzbank Aktiengesellschaft
Delbrück & Co Privatbankiers
Deutsche Bank Saar Aktiengesellschaft
DZ BANK AG Deutsche Zentral-Genossenschaftsbank
Dresdner Bank Aktiengesellschaft
Hauck & Aufhäuser Privatbankiers KGaA
HSBC Trinkaus & Burkhardt KGaA
ING BHF-BANK Aktiengesellschaft
Landesbank Baden-Württemberg
Landesbank Hessen-Thüringen Girozentrale
Landesbank Schleswig-Holstein Girozentrale
Merck Finck & Co.
B. Metzler seel. Sohn & Co KGaA
Norddeutsche Landesbank Girozentrale
Oppenheim (Sal) jr. & Cie. KGaA
Vereins- und Westbank AG
UBS-Warburg AG
M.M. Warburg & CO KGaA
WestLB AG
Westfalenbank AG

Depositories outside Germany are as follows:

Brussels and Antwerp:
KBC Bank N.V.

Paris:
BNP Paribas SA
Crédit du Nord
Crédit Lyonnais
Lazard Frères
Société Générale

London:
Deutsche Bank AG London
UBS Warburg

Vienna:
Bank Austria AG

Amsterdam:
ABN AMRO Bank N.V.

Zürich, Basel, Bern and Geneva:
Credit Suisse
UBS AG

If you wish to receive a copy of the Financial Statements of BASF Aktiengesellschaft, the Financial Report 2003 with the BASF Group Consolidated Financial Statements or the Corporate Report, please contact:

BASF Aktiengesellschaft
Media Center, GPB/BS – D 107
67056 Ludwigshafen
Germany
Phone: + 49 621 60-91827
Fax: +49 621 60-20162
E-mail: info.service@basf-ag.de
Internet: **www.basf.de/mediaorders**

The reports mentioned and further information about the 2004 Annual Meeting are published on our Internet page **www.basf.com** via the "Annual Meeting" link and can be viewed there.

Shareholders' motions to be made available according to the German Stock Corporation Act will be published by us on the Internet at **www.basf.com** via the "Annual Meeting" link if they are received at the following address not later than two weeks before the date of the Annual Meeting:

BASF Aktiengesellschaft
Corporate Legal Department, ZRR - D 100
67056 Ludwigshafen
Germany
Fax: +49 621 60-21114
or +49 621 60-41789

Reports of the Board of Executive Directors to the Annual Meeting on April 29, 2004

1. In respect of Item 6 of the Agenda, the Board of Executive Directors submits, in accordance with Section 71 (1) No. 8 in combination with Section 186 (4), sentence 2, of the German Stock Corporation Act and Section 193 (2) No. 4, of the German Stock Corporation Act, the following:

Report on the exclusion of the subscription right in the event of the re-issue of the company's own shares

The resolution proposed to the Annual Meeting under Item 6 of the Agenda (Authorization to buy back shares and on the further use thereof) is intended to enable the Board of Executive Directors and, where shares are assigned to members of the Board of Executive Directors, the Supervisory Board, to use company shares that have been, or may in the future be, purchased under the buy-back authorization to service subscription rights arising from stock options issued under BASF's Stock Option Programs for senior executives submitted to the 47th Annual Meeting held on April 29, 1999 (BOP 1999/2000) and to the 49th Annual Meeting held on April 26, 2001 (BOP 2001/2005). This re-issue authorization definitively determines the group of persons to whom the shares may be sold for the purposes of BASF's Stock Option Programs. It is impossible to apply the legal subscription right of shareholders as a result of this arrangement. The Board of Executive Directors reported in detail on the reasons for introducing Stock Option Programs for the senior executives of the BASF Group and the form of Stock Option Programs BOP 1999/2000 and BOP 2001/2005 to the Annual Meetings of April 29, 1999 and April 26, 2001. The Annual Meetings of April 29, 1999 and April 26, 2001 also approved the creation of additional capital for servicing subscription rights issued in connection with the Stock Option Programs. These approval resolutions also authorized the company to service the subscription rights with existing company shares.

The use of the company's own existing shares to fulfill the subscription rights arising from the stock options granted to participants is an appropriate way of preventing the dilution of capital holdings and share voting rights as would occur in the case of the fulfillment of subscription rights with newly created shares from conditional capital. The Board of Executive Directors and, if subscription rights are exercised by a member of the Board of Executive Directors, the Supervisory Board, will decide whether to fulfill subscription rights by means of the company's own existing shares or by the creation of new shares from conditional capital, and on the extent to which this is to occur, solely on the basis of the interests of the shareholders and the company. According to the option conditions, the company is also entitled to choose a cash settlement instead of supplying shares in exercising options. Up to now, all subscription rights that have been exercised by the company have been compensated by way of a cash settlement.

As in the previous year, the Board of Executive Directors is to be authorized to use, with the approval of the Supervisory Board, company shares acquired under the buy-back authorization for the acquisition of companies or holdings in companies in return for the transfer of shares. This re-issue authorization will significantly increase the company's room for maneuver in company mergers or the acquisition of companies and holdings. Particularly with the increasingly large corporate units that are involved in such transactions, the considerations can frequently not, or not alone, be met with money without putting undue strain on the company's liquidity or raising its indebtedness to an undesirable extent. The Board of Executive Directors will study on a case-by-case basis whether the re-issue or transfer of shares for the purpose of acquiring a company and the associated exclusion of the subscription rights, also taking into consideration the interests of the previous shareholders, is in the well-understood interests of the company.

2. In respect of Item 7 of the Agenda, we submit the following report:

The resolution proposed to the Annual Meeting under Item 7 of the Agenda (Authorization to buy back shares using derivative financial instruments) is intended to authorize the Board of Executive Directors to acquire shares of the company on the basis of the authorization proposed under Item 6 of the Agenda not only via the stock exchange or by means of a public acquisition offer, but to use share capital derivatives in the form of put and call options in acquiring our own shares. Through this additional alternative course of action, the company extends its possibilities of structuring the acquisition of its own shares optimally. The Board of Executive Directors intends to use put and call options only as a supplement to the conventional buy-back of shares.

It can be an advantage to the company to sell put options or acquire call options instead of acquiring company shares directly.

When selling put options, the company grants the acquirer of the put options the right to sell BASF shares to the company at a price laid down in the put option (strike price). As writer, BASF is obligated to acquire the number of BASF shares laid down in the put option at the strike price. In return, when selling the put option, the company receives an option bonus that corresponds to the value of the disposal right taking into consideration the strike price, in the term of the option and the volatility of the BASF share. If the put option is exercised, the option bonus paid by the acquirer of the put option reduces the countervalue rendered as a whole by the company for the acquisition of the share. The acquisition of the put option makes economic sense for the beneficiary when the price of the BASF share is lower than the strike price, since it can then sell the shares to the company at the higher strike price. From the company's point of view, the advantage of the share buyback using put options is that the strike price is fixed on the day that the option is concluded. However, the liquidity does not flow until the exercise date. Furthermore, the acquisition price of the shares for the company is lower than the share price when the option is concluded because of the option bonus collected. In the event that the option is not exercised, since the share price on the exercise date is higher than the strike price, the company is unable to acquire any of its own shares in this way. However, it does have the option bonus collected on the settlement date.

When a call option is acquired, the company, on paying an option bonus, receives the right to buy a previously fixed number of shares at a previously fixed price (strike price) from the seller of the option, the writer. In other words, the company buys the right to acquire its own shares. Exercising the call option makes economic sense for the company, when the price of the BASF share is higher than the strike price, since it can buy back the shares from the writer at the lower strike price. From the company's point of view, the acquisition of call options can make sense if subscription rights from share options are to be serviced with the company's own shares. Beside the conventional share buy-back, there is then the acquisition of call options against payment of an option bonus. The company covers itself against rising share prices and only has to acquire the number of shares that it actually needs to service the subscription rights. In addition, the company's liquidity is not affected, since the fixed acquisition price for the share does not have to be paid until the call options are exercised.

The acquisition price to be paid by the company for the shares is the strike price fixed in the particular put or call option. The strike price can be higher or lower than the BASF share price on the stock exchange when the put option is sold or the call option acquired. The option bonus agreed by the company when selling the put options or acquiring the call options must not be lower than (in the case of put options) or higher than (in the case of call options) the theoretical market value on the settlement day determined by recognized time-adjusted methods, in the determination of which, for example, the agreed strike price is taken into account.

A claim by a shareholder to conclude such option transactions with the company is ruled out with the appropriate application of Section 186 (3) of the German Stock Corporation Act. As the result of the laying down of the option bonus and strike price described above, it can be ruled out that shareholders are put at an economic disadvantage in the acquisition of company shares using put and call options. Since the company collects or pays a fair market price, the shareholders involved in the option transactions do not lose any value. This corresponds to the position of shareholders when buying back shares on the stock exchange, where in fact not all shareholders can sell shares to the company. The equal treatment of shareholders is ensured in the same way as with selling shares back via the stock exchange by laying down the fair market price. This is also in line with the regulation of Section 186 (3), sentence 4, of the German Stock Corporation Act, according to which the exclusion of subscription rights is justified if the shareholders' pecuniary interests are safeguarded.

3. In respect of Item 8 of the Agenda, we submit, in accordance with Section 203 (2), sentence 2, in combination with Section 186 (4), sentence 2, of the German Stock Corporation Act, the following:

Report on the exclusion of the subscription right

The Annual Meeting of April 29, 1999 authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase the share capital by up to €500,000,000 by the issue of new shares against contributions in cash or in kind (authorized capital). The possibility of excluding shareholders' legal subscription right in the case of capital increases from this authorized capital is limited to four narrowly defined cases. The company has not made use of the authorized capital to date. The Board of Executive Directors and Supervisory Board propose cancellation thereof.

With the requested authorization of the creation of new authorized capital, the Board of Executive Directors will have a flexible instrument for structuring corporate policy for the next five years.

The purpose of the proposed authorized capital is to enable the Board of Executive Directors to continue to raise at short notice the capital on the capital markets required for developing the company by issuing new shares or to take rapid advantage of any more favorable market conditions for covering future financing requirements. The Board of Executive Directors should also continue to be in a position, without recourse to the capital markets, to acquire companies, parts of companies or holdings in other companies of third parties in return for the issue of shares.

The latter possibility of issuing shares considerably increases the room for maneuver of the Board of Executive Directors in international competition, since, particularly in the case of company mergers or the acquisition of companies, parts of companies and holdings, the consideration is increasingly being met in the form of the acquirer's shares. Particularly with the increasingly large corporate units that are involved in such transactions, the considerations can frequently not be met with money without putting a strain on the company's liquidity or raising its indebtedness to an undesired extent. Using authorized capital for these purposes depends on the possibility of excluding subscription rights. Therefore, the Board of Executive Directors is to be authorized to exclude subscription rights in these cases.

The exclusion in favor of option holders and creditors of convertible bonds permit them to participate in the capital increase to the extent that they would be entitled to participate, if they had bought shares on the basis of their option or conversion rights or the conversion obligations. This counteracts dilution as a result of the capital increase.

Furthermore, the Board of Executive Directors is authorized to exclude the subscription right if the capital increase is in return for cash payment, the issue amount is not substantially less than the stock market price and the number of the shares issued under the authorization does not exceed 10 percent of the share capital at the time of issue. The arrangement is in line with Section 186 (3), sentence 4, of the German Stock Corporation Act. The Board of Executive Directors is also enabled to meet a future financing requirement at short notice and to utilize any favorable capital market conditions to the advantage of the company and the shareholders. This is possible only to a very limited extent when granting the subscription right, because of the time-intensive processing of the subscription rights.

Authorization to exclude the subscription right for residual amounts opens up the possibility of fixing simple and practicable subscription ratios in the capital increase. Residual amounts occur if not all of the new shares can be distributed uniformly among the shareholders as a result of the subscription ratio or the amount of the capital increase. The residual amounts are of minor importance in relation to the whole capital increase. It is also to be possible for the authorized capital to be used for the issue of shares to employees of BASF Aktiengesellschaft and other companies of the BASF Group. This issue of shares can, for example, be in connection with the employee participation program and also for servicing subscription rights from the BASF share option programs. It is imperative that the legal subscription right be excluded in view of the group of addressees of these measures. The Board of Executive Directors will carefully study on a case-by-case basis whether the use of the authorization for a capital increase and any exclusion of subscription rights while considering the interests of shareholders up to now is in the well-understood interests of the company. The Board of Executive Directors will report on every use of the authorized capital in subsequent Annual Meetings.

4. In respect of Item 9 of the Agenda, the Board of Executive Directors provides the following:

Report on an agreement between business enterprises (control and profit and loss transfer agreements)

On August 8/12, 2003, BASF Aktiengesellschaft (herinafter referred to as “BASF”) and its wholly owned subsidiary BASF Plant Science Holding GmbH (hereinafter referred to as “BPH”) concluded a written control and profit and loss agreement with effect from January 1, 2004.

The object of BPH is to control the worldwide operations of BASF in the areas of plant biotechnology and seed. In addition to its function as a holding, the company provides, in particular, management services for BASF and BASF Plant Science GmbH.

BPH discloses the following annual net profits (rounded) for the financial years 2001 to 2003:

2001: €0.03 million
2002: €0.10 million
2003: €0.10 million

The main contents of the Agreement are as follows:

BPH places its management under the control of BASF, which is entitled to issue instructions. BPH shall conduct its business as a dependant enterprise of BASF, but in its own name.

BPH undertakes, subject to the creation of reserves specified in greater detail, to transfer its entire net income to BASF. Furthermore, certain reserves are to be dissolved and used to offset a net loss of distributed as profit at the request of BASF. The transfer of reserves in existence prior to the Agreement is excluded. BASF undertakes to make good losses suffered by BPH under the provisions of Section 302 of the German Stock Corporation Act if such losses are not offset by the withdrawal from retained earnings according to Section 272 (3) of the German Commercial Code and capital surpluses resulting from shareholder contributions under Section 272 (2) No. 4 of the German Commercial Code, which amounts were allocated to these reserves during the term of the Agreement. Since BASF has a 100 percent holding in BPH, there is no agreement on an indemnification of compensation for outside shareholders.

The Agreement is effective from January 1, 2004, but, for the purposes of the right to issue instructions, not until it has been entered in the Commercial Register. It is concluded for an indefinite period and may be terminated by either party at the end of the financial year of BPH after notice of three months has been given, but not earlier than December 31, 2008.

To become effective, the Agreement requires the approval of the Annual Meeting of BASF and the shareholders' meeting of BPH. To be passed by the Annual Meeting of BASF, the resolution must be approved by a majority of at least three-quarters of the shares capital represented when the resolution is voted on. The shareholders' meeting of BPH approved the conclusion of the Agreement with the notarized shareholders' resolution of September 2, 2003.

There are the following reasons for the conclusion of the Agreement:

As the result of future research commissions, BPH will incur considerable research and development costs, not all of which can receive tax benefit. However, in order to obtain the tax benefit, current tax law offers the foundation of an "affiliation" between BPH (subordinated company) and BASF (parent company), which enables the tax results to be consolidated between the two companies.

A condition for the foundation of the affiliation is, apart from financial, organizational and economic integration in BASF that has existed since the foundation, the conclusion of a control and profit and loss transfer agreement. In the event that the control and profit and loss transfer agreement were approved by the Annual Meeting and recorded in the Commercial Register in 2004, the affiliation would come into effect on January 1, 2004 and effect a consolidation of the results from this date.

No corporate risks are evident in this that exceed normal business risks.

We therefore recommend that the Annual Meeting of BASF Aktiengesellschaft approves the control and profit and loss transfer agreement with BASF Plant Science Holding GmbH.

Ludwigshafen am Rhein, March 17, 2004

BASF Aktiengesellschaft

The Board of Executive Directors

Key data BASF Group 2003

Sales (million €)	
BASF Group sales	33,361
Sales by segment	
Chemicals	5,752
Plastics	8,787
Performance Products	7,633
Agricultural Products & Nutrition	5,021
Oil & Gas	4,791
Other	1,377
Sales by region (location of customer)	
Europe	19,120
Thereof Germany	7,073
North America (NAFTA)	7,163
South America	1,765
Asia, Pacific Area, Africa	5,313

Income (million €)	
Income from operations (EBIT)	2,658
Income before taxes and minority interests	2,168
Net income	910
Net income in accordance with U.S. GAAP	1,338

Other key data	
Equity ratio (%)	47
Return on assets (%)	7.4
Research and development expenses (million €)	1,105
Additions to fixed assets (million €)	3,541
Number of employees (Dec. 31, 2003)	87,159

Key BASF share data (€)	
Year-end share price	44.58
High	44.58
Low	28.41
Per share information:	
Dividend	1.40
Earnings per share	1.62

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