



Shaping the future responsibly

Speech by Dr. Jürgen Hambrecht,
Chairman of the Board of Executive Directors
of BASF Aktiengesellschaft

 **BASF**

The Chemical Company

53rd Annual Meeting
April 28, 2005



Dr. Jürgen Hambrecht
Chairman of the Board of
Executive Directors

Good morning ladies and gentlemen, shareholders,
On behalf of the Board of Executive Directors of BASF Aktiengesellschaft, I am very pleased to welcome you to our Annual Meeting.

This year, BASF is celebrating its 140th anniversary. And I am especially pleased to say that your company is in top form as we celebrate this milestone:

- with very good results for 2004,
- with a sizable premium on our cost of capital, and
- with an above-average share performance and an attractive dividend.

The entire BASF team gave a top performance in 2004. I would therefore like to thank all of our employees sincerely for their outstanding commitment. In doing so, I am sure that I am also speaking on behalf of you, our shareholders.

We are the world's leading chemical company – *The Chemical Company*. This was recently also confirmed by the respected U.S. business magazine *Fortune*. BASF was voted the most admired company in Germany and also the most admired company worldwide in the chemical industry.

Ladies and gentlemen, this is an achievement of which we can all be proud. At the same time, this is a high standard that we have set for ourselves. It is a standard that we are meeting by responsibly shaping the future. With our chemistry. Day by day. It is what BASF has been doing successfully now for 140 years. And it is a fine tradition that we shall continue.

BASF creates value. For our customers. For our employees throughout the world. For all the countries around the world in which we are active, including Germany. And, of course, for you, our shareholders.

BASF shares increased in value by 23 percent in 2004, performing better than either the EURO STOXXSM 50 index or the DAX 30 index. Our long-term success is convincing: Shareholders who

invested €1,000 in BASF shares at the end of 1994 and reinvested the dividends in additional BASF shares would have increased the value of the holding to €4,429 by the end of 2004. This corresponds to an average annual return of 16 percent.

Of course, we want you, our shareholders, to share in BASF's success. Therefore, we are today proposing to increase the per-share dividend for 2004 by 30 euro cents to €1.70. This is equivalent to an increase of 21 percent.

In 2004, we once again bought back and cancelled shares. We want to continue with this program, and today we are asking for your approval to do so.

BASF is in great shape. However, we cannot and will not rest on our laurels. If we want to responsibly shape the future, we must act with foresight.

Global competition is becoming tougher and tougher. Raw materials prices are rising. Our customer industries are increasingly shifting their production. In this ever faster changing environment it is our task to create the conditions that will allow us to grow even stronger in our markets. We know what must be done. We must:

- continue to improve our *portfolio*,
- fully utilize our *savings potentials*, and
- continue to expand our *future potential*.

Before I speak to you about the future, I would like to briefly describe our *business performance in 2004*. I will limit myself to a few key figures, since extensive details are available in our Financial Report. For the chemical industry, 2004 was an exceptionally good year worldwide. BASF made good use of this tailwind, and grew twice as fast as the industry as a whole.

We increased sales by 13 percent to €37.5 billion. Our income from operations (EBIT) before special items climbed 64 percent to €4.9 billion.

For the first time since 1996 we earned our cost of capital. And not only that, we also achieved a very sizable premium of €1.8 billion. This corresponds to a pre-tax return on operating assets of approximately 17 percent.

In 2004, all of our segments increased their sales and earnings, and thus contributed to our overall business success. All of our divisions posted positive earnings. Our restructuring and cost reduction programs are clearly working.

The *Chemicals* segment was especially successful: Our long-term strategy of investing in our Verbund is paying off.

In the *Plastics* segment, we doubled EBIT before special items despite the significant increase in raw materials prices. New business models and restructuring measures contributed to this success.

In the *Performance Products* segment, we gained additional market share in important industries such as the construction and adhesive industries and in the area of cleansers and detergents. We also permanently reduced our fixed costs.

In the *Agricultural Products & Nutrition* segment, we increased EBIT before special items considerably, in particular thanks to the success of our innovative crop protection products.

Sales and earnings in our *Oil & Gas* segment rose with the price of crude oil and due to the steady expansion of our natural gas business. Together with our partner Gazprom, we are systematically implementing our “Gas for Europe” concept.

Having touched upon the business segments, I would now like to turn to the progress of our business in the various regions. All regions posted significantly higher sales, in particular Asia Pacific and North America (NAFTA). We achieved even higher growth rates with regard to EBIT:

- +78 percent in Europe,
- +44 percent in South America,
- +62 percent in Asia Pacific.
- We have turned the corner in North America, as clearly shown by the rise in EBIT from €10 million in 2004 to €246 million. But we want to and must achieve even more because we also want to ensure sustained profitable growth in this region. New business models as well as ongoing structural and portfolio measures will help us in this.

First quarter and outlook 2005

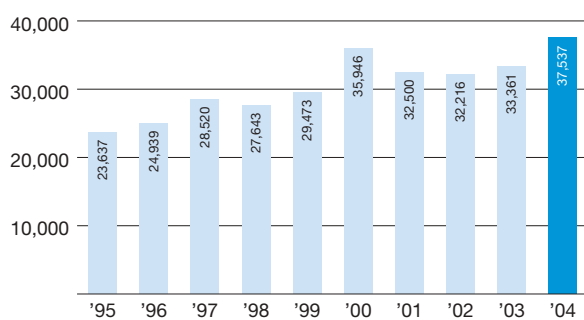
Our performance in the first quarter of 2005 follows on smoothly from our very good 2004 results. We increased sales by 11 percent compared with the first quarter of 2004 to just over €10 billion. And we increased EBIT before special items by 33 percent to a record €1.56 billion.

We recorded the strongest improvement in margins and earnings in the Chemicals and Plastics segments, where volumes were predominantly high. The Performance Products segment increased earnings despite the divestiture of the printing systems business. Further reductions in fixed costs contributed to the positive earnings trend throughout the chemical businesses. Earnings in the Agricultural Products & Nutrition segment declined due to unsatisfactory profitability in the Fine Chemicals division, but continued to improve in the Agricultural Products division. In the Oil & Gas segment, sales and earnings benefited from the further increase in oil prices, which we expect to average \$45 per barrel in 2005.

The strong first quarter gives us grounds for optimism. Demand for our products is strong. We are attempting to counter high raw materials costs with price increases in accordance with our “value over volume” concept. We are also rigorously

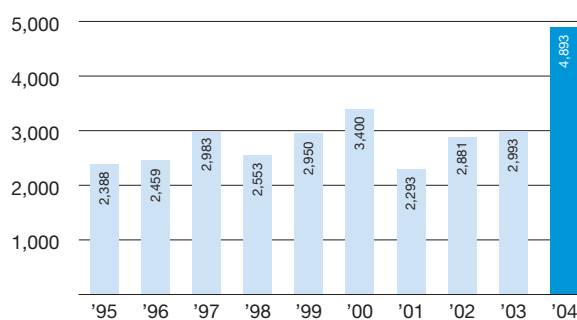
Development of sales 1995 – 2004

Million €



Income from operations (EBIT) before special items 1995 – 2004

Million €, in accordance with German GAAP



implementing our restructuring measures to ensure our long-term competitiveness.

Overall in 2005, we expect to achieve higher sales and follow on from the high level of EBIT before special items posted in 2004. Our ambition is, of course, to perform even better than in 2004. Uncertain factors continue to be the development of oil prices and the U.S. dollar, as well as the political situation in regional hotspots.

Ladies and gentlemen, our success in 2004 and in the first quarter of 2005 is based on our clear strategy that focuses on long-term success: BASF 2015. We are continuously refining this strategy, supported by our four strategic guidelines:

- Earn a premium on our cost of capital.
- Help our customers to be more successful.
- Form the best team in industry.
- Ensure sustainable development.

I would now like to provide you with some examples that illustrate how these guidelines are reflected in concrete projects.

Earn a premium on our cost of capital

We thoroughly satisfied our goal of earning a premium on our cost of capital in 2004. Two factors played a particularly important role in this: the involvement of the entire BASF team in our value-based management concept and the further improvement of our portfolio.

Around the world, we have communicated to all our employees the importance of our strategic guidelines and how they can implement them in their day-to-day work. Today, each member of the BASF team knows how he or she can help create value.

We are constantly improving our portfolio according to the motto "Building strengths and eliminating weaknesses." This creates the conditions that

are needed to ensure that we will continue to earn a premium on our cost of capital in the future. Here are some highlights from the past 12 months:

- Acquisitions: The acquisition of the plasticizers business of Sunoco, United States, which makes our product range more competitive; and the acquisition of Merck's global electronic chemicals business, which will strengthen our position in an extremely interesting growth market.
- Cooperations and capital expenditures: The founding of the Achimgaz joint venture together with our Russian partner Gazprom with the goal of developing a new gas and condensate deposit in western Siberia; and our memorandum of understanding with Gazprom, according to which we will jointly invest in the new gas field Yushno Russkoje in western Siberia and in a new gas pipeline across the Baltic Sea.
- Divestitures: The sale of our printing systems business; and the planned divestiture of Basell, our polyolefins joint venture with Shell, which we intend to complete in the first half of 2005.

Help our customers to be more successful

Ladies and gentlemen, our goal is to make BASF more competitive. Here, we are aided by our second guideline, "Help our customers to be more successful." I would like to give two examples of what this guideline means at BASF: our commitment in China and our innovations through which we contribute to our customers' success.

In accordance with our customer guideline, we want to be wherever our customers are. That is the focus of our capital expenditures on China. And that is why BASF is one step ahead of the game in tapping into new growth markets.

Dividend

Year	Dividend (€)	Special dividend (€)	Total (€)
2004	1.70	0.00	1.70
2003	1.40	0.00	1.40
2002	1.40	0.00	1.40
2001	1.30	0.00	1.30
2000	2.00	0.00	2.00

■ Dividend
 ■ Special dividend

Our activities in China are part of our overall strategy in Asia. By 2010, we aim to achieve 20 percent of our total sales in the chemicals business in Asia, and for local production to account for 70 percent of these sales. China will contribute about half of this.

The jewel in the crown of our capital expenditures in China is our new Verbund site in Nanjing, which we are currently putting into operation step by step.

Nanjing represents an investment of \$2.9 billion and is synonymous with cutting edge technology. A steam cracker with an annual capacity of 600,000 metric tons of ethylene and nine further production plants have been constructed on 220 hectares (543 acres) of land. More than 1,500 people will work at the site. The new Verbund site will make it easier for us to serve our customers locally for their local market. We are well on course to starting operations at the site as planned in mid-2005.

Physical closeness to our customers is just one aspect of our approach to customer orientation. The other crucial aspect is technical closeness. We can achieve this by providing innovative solutions based on chemistry that promote our customers' success.

Energy is one topic that is very important when we think about the future. One example of an intelligent energy-saving solution is our phase change materials Micronal[®] PCM. This product regulates room temperature with the aid of tiny particles of wax: They melt as the temperature increases, absorbing heat. When the temperature drops, the wax solidifies and gives off heat.

These intelligent temperature managers are extremely small and are incorporated into building materials. This innovation can eliminate the need for air conditioning systems – in both new and old buildings. Micronal[®] PCM will certainly soon be attracting

the interest of many property developers throughout the world.

Form the best team in industry

In order to contribute to the success of our customers, we also need a great team: the best team. The excellent results posted in 2004 and the successful start to 2005 show the outstanding performance of which the BASF team is capable.

Our guideline "Form the best team in industry" looks to the future, because this is where new challenges for BASF's team lie.

Challenges like the Nanjing site in China, which is the largest single capital expenditure project in the history of BASF. That is why we are calling upon the experience of our experts from all over the world: From skilled workmen and shift supervisors, to specialist technicians and plant managers. And I can assure you that the entire on-site team wants to show that we are the best – not only with regard to starting up and operating plants, but also with regard to turning investments into sustainable market success.

Our major future challenge lies in developing innovative ideas. To succeed in this, we need the best talents. That is why we are placing more importance on self-learning and learning on the job. Entrepreneurial behavior especially is something that we want to foster in our team at all levels and in all regions.

Ensure sustainable development

Ladies and gentlemen, I have given you some examples of what BASF has done and will continue to do to implement our strategy in the long term: by earning a premium on our cost of capital, helping our customers to be more successful and ensuring that we have the best team. All these three guidelines feed

Regions	Sales by location of company			Sales by location of customer			Income from operations (EBIT)*		
	2004	2003	Change in %	2004	2003	Change in %	2004	2003	Change in %
Million €									
Europe	22,482	20,372	10.4	20,967	19,120	9.7	3,961	2,224	78.1
Thereof Germany	15,216	14,070	8.1	7,382	7,073	4.4	2,903	1,642	76.8
North America (NAFTA)	8,165	7,214	13.2	8,182	7,163	14.2	246	10	.
South America	1,733	1,472	17.7	2,064	1,765	16.9	296	206	43.7
Asia, Pacific Area, Africa	5,157	4,303	19.8	6,324	5,313	19.0	353	218	61.9
	37,537	33,361	12.5	37,537	33,361	12.5	4,856	2,658	82.7

* In accordance with German GAAP

into our fourth guideline: “Ensure sustainable development.”

Sustainable economic success is an essential driver for positively shaping the future. It creates the necessary foundation for investing in research and development, thus making it possible to use chemistry to shape the future for coming generations successfully and responsibly.

The potential for tomorrow’s innovations is to be found in materials science, in biotechnology, in nanomaterials, and in new approaches to mobility and energy management.

Only chemistry can provide us with answers to the key issues of the future:

- How will we be able to feed the nine billion people who will soon make up the world’s population? Crops optimized through genetic engineering can help. Plants that thrive in dry conditions, that resist pests, or that contain significantly more essential vitamins and nutrients.
- How will we meet our increasing energy needs in the future? The use of hydrogen in fuel cells offers one solution. With regard to fuel cells, many promising advances are being made in the field of nanotechnology.
- How will we meet our increasing demand for raw materials in the future? Renewable raw materials can be part of the solution. Only with the aid of white and green genetic technology can we make these materials available in adequate amounts and in adequate quality.

Great opportunities are to be found in all of these areas. BASF wants to utilize them. But wanting to do something will not help if we are not allowed to do so. We need a greater appetite for innovation in all areas of society.

Joint responsibility for Germany as a location for business

Ladies and gentlemen, as the world’s leading chemical company, we are at home in all the world’s markets and defend our position against international competition as part of our daily business. Even so, our roots are in Europe, and in Germany in particular.

This is where our headquarters are located. This is where we come together to develop our strategy. This is where we conduct research for the entire world – we carry out nearly 90 percent of all our research and development here in Germany.

Here in Ludwigshafen we operate the world’s largest chemical site and invest almost €2 billion each year.

This is where we maintain jobs and even create new ones: This is what we are doing with our new Shared Service Center in Berlin, where 500 to 600 people will soon be providing services for BASF in Europe. The center is based on an innovative collective bargaining agreement – evidence that social partnership is very much a reality in the chemical industry.

Here in Germany, BASF is investing in the minds of the future. For example, through the “Knowledge Factory” project that we initiated together with other German companies.

Ladies and gentlemen, global change requires both societies and businesses to give of their best.

In his landmark speech in March, the Federal President clearly laid out what is now needed if we are to embrace innovation. The responsibility lies with all of us. And everyone must play a part:

Segments	Sales		Income from operations (EBIT) before special items*		Income from operations (EBIT)*	
	2004	2003	2004	2003	2004	2003
Million €						
Chemicals	7,020	5,752	1,334	500	1,241	393
Plastics	10,532	8,787	727	363	669	296
Performance Products	8,005	7,633	790	568	1,068	478
Agricultural Products & Nutrition	5,147	5,021	645	427	540	359
Thereof Agricultural Products	3,354	3,176	556	294	492	234
Fine Chemicals	1,793	1,845	89	133	48	125
Oil & Gas	5,263	4,791	1,647	1,365	1,637	1,365
Other	1,570	1,377	(250)	(230)	(299)	(233)
	37,537	33,361	4,893	2,993	4,856	2,658

* In accordance with German GAAP

- our employees, whose ideas and commitment create value;
- businesspeople like myself, to ensure greater competitiveness and to address risks and seize opportunities in good time; and, above all,
- our politicians, who should put innovation ahead of ideology and avoid the bureaucracy and overregulation exemplified by the European chemical regulations REACH, the new German renewable energy law, emissions trading, and Germany's law on green genetic engineering.

I am convinced that people in Germany are ready to embrace innovation. That they are also ready for more personal responsibility, more optimism, more future.

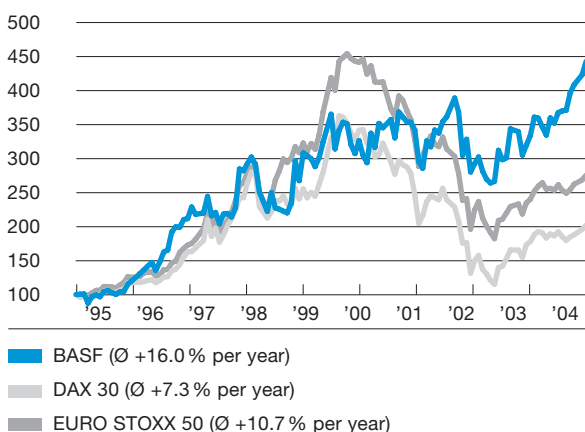
Ladies and gentlemen, in its 140-year history BASF has demonstrated that it responsibly shapes the future with chemistry. We want to continue this recipe for success worldwide.

As we see it, our responsibility lies in creating sustainable value:

- for you, as the owners of our company;
- for our customers and business partners;
- for our employees; and
- for a society that takes its future into its own hands with optimism, courage and energy – everywhere in the world.

I want to thank all of you for your support and for helping to write part of the 140-year success story that is BASF. We intend to contribute further successes. Together with you, the Board of Executive Directors and BASF's global team is looking forward to proceeding on its well-laid path to the future. We invite you to support us. It will surely be worth your while.

**Change of value of an investment in BASF shares
1995–2004** (with dividends reinvested; indexed)



Forward-looking statements

This release contains forward-looking statements under the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in BASF's Form 20-F filed with the Securities and Exchange Commission. [The Annual Report on Form 20-F is available on the Internet at www.basf.com.] We do not assume any obligation to update the forward-looking statements contained in this release.

■ Important Dates

- August 3, 2005
Interim Report Second Quarter 2005
- November 2, 2005
Interim Report Third Quarter 2005
- February 22, 2006
Financial Results 2005
- May 4, 2006
Annual Meeting, Mannheim
Interim Report First Quarter 2006

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