Investor Release

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3rd Quarter 2009 Analyst Conference Call

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Ludwigshafen

Dr. Jürgen Hambrecht

CEO

Dr. Kurt Bock,

Chief Financial Officer

Analyst Conference Call Script

The spoken word applies.

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Dr. Jürgen Hambrecht

Ladies and Gentlemen,
Good afternoon and thank you for joining us today.

Further improved performance due to operational strength

As already announced in mid October, BASF has demonstrated its operational strength by showing the third consecutive quarterly improvement this year.

Impulses for growth coming from Asia, especially China, as well as from parts of South America. We note that inventory reduction is coming to an end. In addition, economic stimulus packages improved demand. Overall, markets have stabilized at a low level.

The sequential earnings improvement in the third quarter reflects BASF's operational strength and the focus on our value before volume strategy. We are seeing the effects of the extensive measures to adjust capacity, to enhance efficiency, to reduce costs and to maintain margins. The BASF team worldwide has performed extremely well. Flexibility, solidarity and Verbund-thinking are values all our employees stand for.

I assume all of you are already familiar with our Q3 numbers, so I will only highlight some key figures:

- Sales totaled 12.8 billion Euros and thus were 19 percent below previous year but 2 percent higher than in the second quarter 2009.
- EBITDA declined by 8 percent to 2.0 billion Euros compared to Q3 2008 but grew by 26 percent versus previous quarter. Compared with last year depreciation grew by 360 million Euros, mainly as a consequence of acquiring Ciba.

- Third-quarter EBIT before special items amounted to 1.2 billion Euros, down 20 percent versus last year but up 9 percent versus last quarter. If you take into account the drop in non-deductible oil taxes by almost 300 million Euros, EBIT before special items almost achieved the level of last year's third quarter. BASF incurred 277 million Euros of special items related to the Ciba integration and the restructuring of BASF sites.

- Earnings per share dropped 68 percent to 26 Euro cents. Adjusted for special items and amortization on intangible assets, earnings per share amounted to 61 Euro cents, a drop of 36 percent.

Strong cash flow generation

One of the core strengths of BASF is its cash flow generation. Despite lower net-earnings, we realized an operating cash flow of 1.7 billion Euros in the third quarter. In the first nine months, operating cash flow amounted to 5.4 billion Euros, an increase of 50 percent compared with the same period of 2008. Despite improved volumes we were able to further reduce net working capital by about 450 million Euros in the third quarter. Total cash inflow from net working capital in the first nine months amounted to 2.0 billion Euros, double the target we set ourselves at the beginning of the year.

Chemical activities*; I

In the following slides we have summarized the regional sales dynamics of our Chemical Activities over the last four quarters.

Let us start with Europe and North America: In the first quarter, sales in Europe and North America fell by around 40 percent compared to the average sales per quarter in 2008. In Q2 and Q3, Europe and

North America recovered, but remained 20 percent and 30 percent, respectively, below previous year’s level.

Chemical activities*; II

Sales in Asia Pacific fell even more dramatically in the first quarter. From this trough, sales recovered rapidly and are now only 8 percent below previous year.

Chemical activities*; III

In South America the crisis was not as deep as in the other regions as you can see.

Decline in demand softened, but increasing pressure on prices

Let´s now look at the business development in the third quarter in more detail. We have seen the fourth consecutive quarter with volumes below last year’s levels but the rate of decline has softened. Prices declined by 19 percent.

In a more meaningful comparison with Q2 2009, volumes increased by about 3 percent and we managed to keep prices stable. The sequential development of volumes was negatively impacted by the seasonal slowdown in our crop protection business. Specifically with respect to the Chemical Activities, we realized an 8 percent volume increase and a 4 percent price increase. In turn, volumes in Oil & Gas climbed by 9 percent but prices dropped by 15 percent.

Now let me hand over to Kurt who will give you an update on the performance of our segments and our financials.

Dr. Kurt Bock

Good afternoon Ladies and Gentlemen,

Our third quarter interim report provides you with in-depth information on our segment results including year-over-year comparisons. Today I will focus only on the highlights and sequential changes between the second and third quarters of 2009, which is more meaningful given the disruptive changes over the last 12 months. Let me start by saying that all our chemical segments showed gratifying earnings improvements over Q2. Two of these segments even beat the strong performance of the third quarter of 2008.

Chemicals Q3 vs. Q2

In Chemicals volumes increased by 4 percent with growth coming particularly from Asia. Prices were up 9 percent. Earnings increased in all divisions reflecting our measures to reduce fixed costs and the successful execution of our value before volume strategy.

In Petrochemicals we reported higher earnings mainly because of stronger demand and improved margins. Given temporary shortages for olefins and acrylic derivatives, we were able to pass on higher raw material costs. Inorganics and Intermediates benefited from higher orders from key customers in the electronics, textile, coatings and plastics industries.

Plastics Q3 vs. Q2

Volumes in Plastics increased by 10 percent while prices rose by 5 percent. As a result of our ongoing cost cutting and margin management programs, earnings improved considerably and were above the level of Q3 2008.

In Performance Polymers we experienced a slight recovery in demand from customers in the construction, automotive and textile industries.

In Polyurethanes there was stronger demand for MDI and TDI in all regions, especially in Asia. Margin improvements for TDI contributed positively to earnings.

Performance Products Q3 vs. Q2

The Performance Products segment changed substantially as a result of the addition of around 800 million Euros in sales from the former Ciba activities. Before integration costs, the former Ciba businesses contributed positively to earnings of the Performance Products segment. EBIT before special items was above the level of Q3 2008.

The segment reported a sequential sales increase of 9 percent with volumes going up by 8 percent and better earnings thanks to improved demand from some customer industries, price/margin containment and comprehensive cost reduction measures.

In Dispersions & Pigments we noted increasing orders from construction while demand for pigments from the automotive industry remained at a low level. In Care Chemicals we had record earnings driven by vitamins and surfactants. Paper Chemicals realized higher volumes and better margins as industry production levels stabilized. The business nevertheless continues to operate in a difficult market environment. Performance Chemicals generated higher volumes and better margins through cost reduction.

Functional Solutions Q3 vs. Q2

Sales and earnings in Functional Solutions improved considerably compared with Q2. Volumes increased by 9 percent. All divisions reported higher earnings but segment profitability still suffered from subdued market conditions in the automotive and construction industries. The earnings increase was mainly attributable to fixed cost reductions and restructuring measures.

In Catalysts sales and earnings improved due to slightly higher volumes of automotive catalysts on a unit basis supported by car scrapping programs. There was stable demand for refinery catalysts but as yet no recovery in chemical catalysts.

The seasonal upturn in construction activity was less pronounced than usual and the Construction Chemicals division reported slightly higher sales in all regions except the Middle East. Earnings were up due to higher prices and lower fixed costs.

Higher volumes in automotive coatings and seasonally higher demand for decorative paints in South America drove sales growth in Coatings. Earnings also benefited from lower fixed costs.

Agricultural Solutions 1-9’09 vs. 1-9’08

In the first nine months of this year, **Agricultural Solutions** showed an excellent performance. Sales of our crop protection products grew by 7 percent. Based on constant exchange rates the increase was 3 percent. EBIT before special items amounted to 732 million Euros, a 12 percent increase year-on-year. The positive business development was triggered by strong demand for our innovative crop protection products, particularly F500 and Boscalid.

Business in Q3, however, was impacted by adverse weather conditions as well as lower commodity prices, especially for corn and wheat. Sales decreased by 2 percent or 5 percent based on constant exchange rates. We made a good start to the growing season in South America, given favorable soy prices and high disease pressure. EBIT before special items amounted to 21 million Euros. This is the second time after 2008, that Crop Protection reported a positive EBIT in the seasonally weak third quarter. Earnings were impacted and will be impacted going forward by higher fixed costs related to R&D, registration costs, as well as intensified marketing and sales activities in Eastern Europe and South America.

We are confident that our Crop Protection business will exceed the EBITDA margin target of 25 percent in 2009.

Oil & Gas Q3'09 vs. Q3'08

The substantial sales and earnings decline in the third quarter versus last year was mainly due to the 38 percent oil price decline in Euros per barrel and the drop in non-deductible oil taxes by 287 million Euros to 244 million Euros. As a result of lower taxes, net income after minority interests of 186 million Euros was 10 percent higher than last year.

Volumes in natural gas production increased by 24 percent thanks to higher production from the Siberian gas field Yuzhno Russkoye. In this quarter, the field reached its plateau-production of 76 million cubic meters per day. Oil production dropped by 12 percent due to the lower OPEC production quota in Libya.

In Natural Gas Trading, sales volumes increased mainly due to supply shifts from customers from the first half year into the third quarter. Despite 26 percent lower sales prices, improved margins led to higher earnings.

Sales and earnings of Oil & Gas, both in Exploration & Production as well as in Natural Gas Trading, are strongly influenced by the increased volatility of crude oil prices we are experiencing. Our Q4 2009 earnings figures are thus expected to be at the level of Q2 and Q3 2009. In E&P, the price of natural gas, which currently accounts for two thirds of our total hydrocarbon production, is linked via price formulas to the price of oil products with a time-lag of six to nine months. Prices for natural gas produced in the fourth quarter therefore will on average reflect the low oil price level of the first quarter 2009 (44.46 US-Dollar per Barrel).

In Natural Gas Trading, we will see negative time lag effects caused by the steep increase in oil prices throughout 2009.

Other

Let me now highlight a few topics in **Other**. Styrenics sales increased by 15 percent compared with the second quarter 2009 as a result of higher styrene, polystyrene and ABS prices. Earnings were at a satisfying level, but slightly below the good results in the second quarter, mainly due to lower margins in China. The fertilizer business experienced a weak third quarter and impacted earnings negatively.

EBIT of “Other” was minus 391 million Euros compared with minus 312 million Euros in Q2 2009 and minus 320 million Euros in Q3 2008. EBIT includes higher accruals for BASF’s option program following the strong share price increase and a provision for restructuring costs, which will be allocated to the affected divisions as soon as the measures are published.

In Q3 special items including restructuring costs totaled 277 million Euros, 218 million Euros more than in Q3 of 2008. Special items included 128 million Euros of amortization of intangible assets, for example the Ciba ERP-system. Total special charges relating to the Ciba integration amounted to 157 million Euros.

Year-to-date special items stand at 702 million Euros. For 2009 we expect special items including Ciba integration costs of more than 1 billion Euros – Jürgen will talk more about this in a just a moment.
When looking at our Q3 numbers it is important to highlight the following additional effects apart from the special items:

First, the financial result, which amounted to minus 173 million Euros. This was substantially lower than in the third quarter of 2008, primarily

due to higher interest and pension obligation expenses also arising from the inclusion of Ciba.
Second, at 60 percent our tax rate was 14 percentage points higher than in the third quarter of 2008. One-time effects related to the Ciba acquisition were responsible for this increase.

Third, we have mostly concluded the purchase-price allocation for Ciba, which will result in an additional amortization and depreciation of mostly intangible assets of about 140 million Euros in 2009. Year-to-date, the effect was 90 million Euros.

Let me conclude by having a quick look at our balance sheet. As of September 30, the Ciba acquisition had an effect of about 4.5 billion Euros on our balance sheet – including an additional goodwill of 623 million Euros and financial debt of 2.9 billion Euros. Since the end of last year, BASF's net debt grew only from 11.7 billion Euros to 12.9 billion Euros, despite acquiring Ciba and paying out dividends of about 2.0 billion Euros. This is another indicator for our strong cash flow generating capability.

Operational excellence

Now let me hand back to Jürgen, who will give you an update on the Ciba integration and our efforts to further improve our operational excellence.

Dr. Jürgen Hambrecht

Ladies and Gentlemen,

As you all know, operational excellence is a core competency of BASF and we strive for further improvements day by day.

Sustainable improvement of cost base

In mid 2008, we implemented another worldwide efficiency program called “NEXT” – which stands for New EXcellence Targets. Currently, NEXT is running at full speed: we estimate that the program will already lead to cost savings of about 300 million Euros in 2009. By 2012, we target a sustainable annual earnings contribution of more than 1 billion Euros. With NEXT we will enter a new level of operational excellence which will be the benchmark in our industry.
And as always, we are acting quickly and decisively: for example this year we close or divest at least 20 plants and sites excluding the Ciba integration. And there is still more to come.

Ciba integration –
Increased synergy target of at least €450 million

This leads me to the update on our Ciba integration.

At the beginning of the discovery phase we announced target cost synergies of at least 400 million Euros per year or 10 percent of Ciba’s 2008 sales.

From today’s perspective, we expect even higher cost synergies. The additional identified synergies are mainly related to corporate functions and procurement. All in all, we are now confident to achieve at least 450 million Euros of cost synergies by 2012. In 2009, we expect to realize already 60 million Euros in synergies, 50 percent more than indicated at the end of the second quarter. By the end of 2009, the 12-month cost synergy run rate will amount to 120 million Euros. The annual cost synergy run rate for the integration of Ciba will increase to 350 million Euros by the end of 2010.

Ciba – Increased synergy potential and implementation ahead of schedule

To fully exploit the potential of the joint businesses, extensive restructuring measures are required. As you can see, we made significant progress over the last 3 months:

- Cost synergies are higher and they will come in earlier than originally planned.
- The restructuring plans now include a reduction of approximately 3,800 positions. The majority of these positions will be eliminated by the end of 2010.
- Until year-end, we will complete 33 of the planned 56 closures of Ciba sales and administrative offices and research sites.
- Final decisions concerning the 23 production sites under strategic review will be made in the first quarter of 2010.

Ciba integration costs

The accelerated integration results in a steeper ramp-up of cost synergies. This also means that integration costs become more front end loaded. Total integration costs, however, will increase only slightly to approximately 1.1 billion Euros.

- By the end of September, we incurred 470 million Euros of integration costs, the majority of which was booked as special item.
- For the full year 2009, we expect total integration costs of 800 million Euros. of which 720 million Euros in special items. Cash-out will amount to approximately 150 million Euros, mainly in the fourth quarter. In 2010 cash-out will be higher due to severance payments.

Outlook

Now to the outlook:

The economic recovery remains slow and fragile

The economic environment in Asia is improving and business conditions in the U.S. and Europe are stabilizing at very low levels. However, economic developments in the coming months remain difficult to predict. Although the mood is slightly brighter and we are climbing out of the trough, the recovery remains slow and fragile. A persistent shortfall in demand will weigh on supply. Stimulus packages are running out, unemployment is increasing and banks remain cautious about lending, all of which may slow down the recovery. A sustained upturn is not yet in sight.

We updated our expectations for the entire year 2009: We now project global chemical production (excluding pharma) to decrease by 6 percent compared to our earlier forecast of minus 8 percent. For the full year 2009, we raised our average oil price assumption from USD 55 to USD 60 per barrel and the euro/dollar exchange rate from 1.35 to 1.40.

Outlook 2009

How does this translate into BASF-figures in 2009.

In view of the ongoing challenging business environment, we expect fourth quarter 2009 sales at the level of the third quarter of 2009. EBIT before special items is expected to be higher than in the weak fourth quarter of 2008 but lower than in the third quarter of 2009, as we are likely to see a slowdown in demand towards year end and Chinese New Year.

For the full year 2009, we anticipate a significant decline in sales and earnings.

The Ciba integration has been accelerated and higher integration costs will negatively impact earnings. BASF is therefore unlikely to reach its goal of earning its cost of capital this year. Excluding the Ciba integration, however, BASF would earn its cost of capital also in the crisis year 2009. This demonstrates the underlying operational strength of our businesses and shows that we are pursuing the right strategy.

Thank you for your attention. We are now happy to take you questions.

Forward-looking statements

This release may contain forward-looking statements. 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 Report 2008 on pages 112ff. We do not assume any obligation to update the forward-looking statements contained in this release.