BASF makes a strong start to 2005

BASF
The Chemical Company

First-Quarter Results 2005

January – March 2005,
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Overview BASF Group

Million €	1st Quarter 2005	2004	Change in %
Sales	**10,083**	9,051	11.4
Income from operations before interest, taxes amortization and depreciation (EBITDA)	**2,019**	1,614	25.1
Income from operations (EBIT) before special items	**1,563**	1,175	33.0
Income from operations (EBIT)	**1,499**	1,075	39.4
Financial result	**45**	(40)	.
Income before taxes and minority interests	**1,544**	1,035	49.2
Net income	**861**	520	65.6
Earnings per share (€)	**1.60**	0.94	70.2
EBIT before special items in percent of sales	**15.5**	13.0	–
Cash provided by operating activities	**1,104**	988	11.7
Additions to fixed assets*	**362**	518	(30.1)
Amortization and depreciation*	**520**	539	(3.5)
Segment assets (end of period)**	**27,374**	27,673	(1.1)
Personnel costs	**1,277**	1,297	(1.5)
Number of employees (end of period)	**81,335**	85,617	(5.0)

* Tangible and intangible fixed assets (including acquisitions)
** Tangible and intangible fixed assets, inventories and business-related receivables

Starting from January 1, 2005, the accounting and reporting of the BASF Group is performed according to International Financial Reporting Standards (IFRS). The previous year's figures have been restated in accordance with IFRS (see also the explanations on page 15 ff).

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Perfect silicon disks

> “Microchip manufacturers rely on high purity BASF chemicals”
>
> **DR. KARL-RUDOLF KURTZ**
> Head of BASF’s Electronic Materials business unit

The first step is to get silicon (the building material for most microchips) from simple quartz sand. To clean the “dirty” silicon produced, technicians convert it into a clear liquid that is easily purified by multiple distillations. The much cleaner silicon emerging from this process is ready for the next step, in which specialists use the Czochralski method to grow impressive shiny silver crystals up to two meters tall with a perfect interior structure.

Special saws cut these crystals into paper-thin wafers that form the basis of microchip production, but they need to be smoothed down first and polished to a shine. Again, a number of high-purity BASF chemicals such as nitric acid, sulfuric acid and hydrochloric acid are used for the polishing and cleaning process. The finished wafers are round disks measuring up to 30 centimeters across. Their surface has to be absolutely perfect. The tolerance for irregularities is limited to one fifty-thousandth of the diameter of a human hair.

Modern computers have little room to spare

with as many as a billion transistors per square centimeter jostling for position on their processors and memory chips. Imagine the entire population of India holidaying in Washington DC and you’ll have some idea of the density. What makes it possible is that transistors are so small. And that, in fact, is the biggest challenge in their production. Circuits this tiny can be paralyzed by a particle smaller than a flu virus. A single misplaced atom may render a chip useless.

Microchip production is complicated

More than 600 working steps are required to turn the raw material, quartz sand, into a modern processor. Most of these steps require the use of special chemicals, for example to clean and etch silicon chips. “BASF is a leading manufacturer of electronic chemicals,” says Claus Poppe, Director Global Business Management for Electronic Chemicals. “At least one BASF product was used in the production of any microchip manufactured today.”

From silicon disk to microchip

A single particle of dust is one too many: BASF experts test chemicals for microchip manufacture in special clean room labs.

When computers were first produced, technicians were able to solder transistors by hand. Today's tiny circuits call for a different technique. The modern technology for etching transistors onto wafers is called photo-lithography. In this process, specialists first apply a barrier layer to the silicon which they illuminate through a mask. The layer dissolves at the sites exposed to light and the underlying silicon layer is etched. Chip manufacturers treat the etched locations with chemicals and repeat the process a number of times, building up transistors layer by layer, like building houses from layers of blocks.

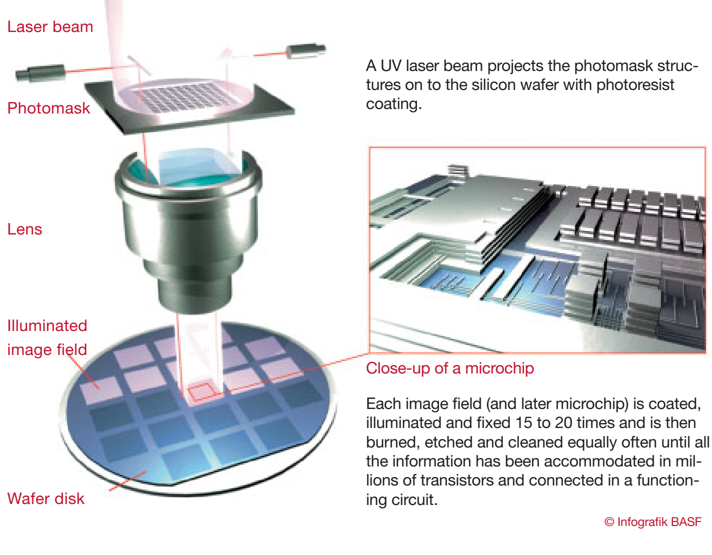
But dirt is everywhere. Metal devices invariably give off unwanted atoms. Humans transmit impurities by a mere touch or breath. That's not counting the approximately half a billion particles of dust floating around a normal room. For this reason every step of chip manufacture takes place in pristine working areas where all the furnishings are plastic and filters are installed to remove the last particle of dust from the ambient air. Anyone entering these facilities must wear a full set of protective gear including gloves and a face mask.

"Finished microchips must be absolutely free of contaminants, so the chemicals that are used in their manufacture have to be extremely pure," explains Dr. Karl-Rudolf Kurtz, head of BASF's Electronic Materials business unit. "BASF currently supplies around 30 chemicals of electronic grade purity." BASF is equipped with cleanroom labs to check the chemicals' purity before they are delivered to chip manufacturers. "We have the technology to detect impurities in trace amounts of less than one microgram per tonne of product."

The Prospects

BASF is a leading supplier of chemicals to the semiconductor industry. The global electronic chemical business acquired from Merck KGaA at the start of 2005 significantly strengthens BASF's market position. Electronic chemicals distribution is organized in a global business management system for easier ordering and shorter delivery times. BASF was conferred the UK gas supplier BOC Edwards' Supplier Quality Award for the reliability and quality of its electronic gases hydrogen chloride and ammonia. BASF is also the world's only supplier of hydroxylamine free base, a highly active solvent for cleaning microchips.

Basis of each microchip:
The paper-thin wafer is smoothed down and polished to a shine with high-purity chemicals.



A UV laser beam projects the photomask structures on to the silicon wafer with photoresist coating.

Each image field (and later microchip) is coated, illuminated and fixed 15 to 20 times and is then burned, etched and cleaned equally often until all the information has been accommodated in millions of transistors and connected in a functioning circuit.

BASF Group Business Review and Outlook

- Sales grow strongly due to higher volumes and prices
- EBIT before special items up 33%
- Cash flow increases further
- Outlook for full year 2005 remains positive

Sales

We increased sales in the first quarter of 2005 by 11% compared with the same period of 2004 to €10.1 billion. Growth was primarily due to price increases. Sales volumes were higher than in the strong first quarter of 2004, in particular in the Chemicals and Plastics segments. Sales rose by 14% if divestitures and currency fluctuations are not taken into account.

Factors influencing sales in comparison with previous year

1st Quarter	% of sales
Volumes	1
Prices	13
Currencies	(2)
Acquisitions/divestitures	(1)
Total	**11**

The Chemicals and Plastics segments increased sales as a result of overall strong volumes and higher sales prices.

Sales by segment, 1st Quarter 2005

Million €			
Chemicals	**2005**	**1,822**	15%
	2004	1,582	
Plastics	**2005**	**2,800**	21%
	2004	2,307	
Performance Products	**2005**	**1,908**	(1)%
	2004	1,929	
Agricultural Products & Nutrition	**2005**	**1,354**	(6)%
	2004	1,441	
Oil & Gas	**2005**	**1,840**	32%
	2004	1,394	

The Performance Products segment also benefited from increased sales prices, although the loss in sales following the divestiture of the printing systems business could not be compensated for completely. Sales in the Agricultural Products & Nutrition segment declined due to weather conditions and lower sales prices in the Fine Chemicals division. The Oil & Gas segment posted the strongest sales growth in percentage terms as a result of high oil prices.

Special items

Million €	1st Quarter 2005	1st Quarter 2004	2nd Quarter 2005	2nd Quarter 2004	3rd Quarter 2005	3rd Quarter 2004	4th Quarter 2005	4th Quarter 2004
Special items in								
Income from operations	(64)	(100)		(16)		(96)		175
Financial result	–	(21)		(1)		(16)		(580)
Income before taxes and minority interests	(64)	(121)		(17)		(112)		(405)

Earnings

Compared with the previous year, we increased income from operations (EBIT) before special items by 33% to €1,563 million.

In the Chemicals and Plastics segments, where capacity utilization was predominantly high, there was a significant improvement in margins and earnings. 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 slightly due to unsatisfactory profitability in the Fine Chemicals division. In the Oil & Gas segment, earnings benefited from high oil prices.

EBIT before special items, 1st Quarter 2005

Million €			
Chemicals	2005	426	70%
	2004	251	
Plastics	2005	269	74%
	2004	155	
Performance Products	2005	225	7%
	2004	210	
Agricultural Products & Nutrition	2005	296	(1)%
	2004	300	
Oil & Gas	2005	484	41%
	2004	343	

First-quarter EBIT after special items climbed 39% to €1,499 million. Special items were related to various restructuring measures that are recorded under “Other” until implementation in the course of the year.

The financial result improved in particular due to higher earnings from our stake in the Basell joint venture, which we are planning to divest. We increased income before taxes and minority interests by 49% to €1,544 million.

The tax rate was 40% compared with 47% in the first quarter of 2004. The decline was due to the higher contribution to earnings from the NAFTA region. In addition, a charge for the tax effect of planned dividend distributions from Group companies was included in the first quarter of 2004. Income taxes contain taxes for oil production that are noncompensable with German corporate income tax. These oil production taxes increased from €138 million to €198 million due to higher income from operations from the exploration and production of oil.

Compared with the first quarter of 2004, net income climbed 66% to €861 million. Earnings per share in the first quarter were €1.60 compared with €0.94 in the same period of the previous year.

Outlook

We continue to expect global chemical production to grow by approximately 3% in 2005, although the growth is likely to vary widely from region to region.

We have increased our forecast for the average price of Brent crude from $35 to $45 per barrel; our forecast for the average euro/dollar exchange rate remains unchanged at $1.30 per euro.

Demand for our products remains strong. We are attempting to counter very high raw materials costs, which are continuing to rise in some cases, with further price increases in accordance with our “value over volume” concept.

The major highlight in the further course of the year will be the startup of our new Verbund site in Nanjing, China. We are rigorously implementing our restructuring measures to ensure our long-term competitiveness.

The strong start in the first quarter gives us grounds for optimism. We expect to achieve higher sales and follow on from the high level of EBIT before special items (IFRS) posted in 2004, if possible exceeding it. Uncertain factors continue to be the development of oil prices and the U.S. dollar, as well as the political situation in regional troublespots.

Significant events

Starting from January 1, 2005, the accounting and reporting of the BASF Group is performed according to International Financial Reporting Standards (IFRS). The previous year’s figures have been restated; the effects of the changes are explained on page 15 ff.

On April 11, BASF and its partner Gazprom announced a memorandum of understanding to further strengthen their partnership. The two partners will jointly develop the Yushno Russkoje natural gas field in western Siberia and jointly participate in the construction of the planned North European Gas Pipeline (NEGP) across the Baltic Sea. In addition, Gazprom will increase its stake in the WINGAS joint venture from currently 35%, and will thus become more heavily involved in the joint marketing of natural gas in Europe.

On April 15, BASF acquired the electronic chemicals business of Merck KGaA, Darmstadt, Germany. The acquisition includes production sites and distribution centers for high-purity chemicals in Asia and Europe. As of this date, these activities will be assigned to the Inorganics division of the Chemicals segment and reported accordingly.

On April 19, BASF announced that it would continue with its share buyback program, and plans to buy back shares for €1.5 billion in 2005.

BASF shares

	1st Quarter 2005	Full year 2004
Share price (end of period)* (€)	54.69	53.00
High* (€)	58.30	53.00
Low* (€)	51.34	40.49
Average daily trade (million shares)*	2.60	2.71
BASF share performance**	3.2%	22.8%
DAX 30 performance**	2.2%	7.3%
EURO STOXX 50 performance**	3.8%	9.4%
Market capitalization (end of period) (billion €)	29.3	28.7
Number of shares (end of period) (million shares)	535.3	541.2

* XETRA trading
** with dividends reinvested

Chemicals

- Higher volumes and sales growth
- Earnings rise strongly by 70%
- High capacity utilization and further reduction of fixed costs

Overview Chemicals

	1st Quarter		
Million €	2005	2004	Change in %
Sales	**1,822**	1,582	15
Thereof Inorganics	**207**	201	3
Petrochemicals	**1,136**	919	24
Intermediates	**479**	462	4
EBITDA	**544**	354	54
EBIT before special items	**426**	251	70
EBIT before special items in percent of sales	**23.4**	15.9	–
EBIT	**426**	234	82

All divisions increased sales and earnings. Price increases to pass on higher raw materials costs were the prime reason for the rise in sales to €1.8 billion (volumes 5%, portfolio 1%, prices 12%, currencies –3%). Earnings increased significantly, in particular due to improved margins, high capacity utilization and a further reduction in fixed costs.

Inorganics

Strong demand for our inorganic specialties, electronic chemicals and catalysts led to an increase in sales. We also improved earnings due to our measures to reduce fixed costs, for example the use of new production technologies for basic chemicals. By acquiring the electronic chemicals business of Merck KGaA, we are further expanding our activities in this high-growth business area.

Petrochemicals

Sales climbed significantly thanks to price increases in all product lines, in particular for cracker products. We benefited from strong demand for plasticizers and solvents. As a result of higher margins and very good capacity utilization, earnings increased considerably compared with the same period of 2004. Raw materials costs remain extremely high. In the second quarter, we will start operations at the steam cracker and further world-scale plants at our Verbund site in Nanjing, China.

Intermediates

The previous year's positive trend with regard to sales volumes and prices continued in Europe and North America (NAFTA). Demand for butanediol and its derivatives was particularly strong. We achieved higher margins and earnings by further increasing prices. We successfully started operations at our new plant for PolyTHF® in Caojing, China. PolyTHF® is an important precursor for elastic fibers used, for example, in sportswear.

Plastics

- Strong sales growth primarily due to price increases
- Earnings climb 74%
- Portfolio further optimized

Overview Plastics

Million €	1st Quarter 2005	2004	Change in %
Sales	**2,800**	2,307	21
Thereof Styrenics	**1,136**	918	24
Performance Polymers	**689**	613	12
Polyurethanes	**975**	776	26
EBITDA	**380**	274	39
EBIT before special items	**269**	155	74
EBIT before special items in percent of sales	**9.6**	6.7	–
EBIT	**268**	154	74

Sales again rose significantly due to higher prices and sales volumes (volumes 3%, prices 20%, currencies –2%). Earnings in the Performance Polymers and Polyurethanes divisions increased considerably. In the Styrenics division, earnings were below the level of the first quarter of 2004.

Styrenics

Higher sales prices led to an increase in sales, but this did not compensate for the significant increase in the cost of the division's most important raw material, benzene. This margin pressure resulted in a decline in earnings. We intend to improve profitability by increasing prices and by further optimizing the portfolio.

Performance Polymers

Sales growth resulted from continuous price increases throughout the product portfolio and expansion of the engineering plastics business. Earnings increased significantly. This was due primarily to the realization of synergies from the integration of the engineering plastics businesses acquired in prior years as well as the optimization of production, in particular in Europe and North America (NAFTA).

In the United States, our customer Mann + Hummel Inc. named BASF "Perfect Supplier 2004."

In Asia, we intend to strengthen our engineering plastics business with a new compounding plant in Shanghai, China, and by expanding the compounding plant in Pasir Gudang, Malaysia.

Polyurethanes

Sales increased considerably in all regions. High prices for important raw materials were passed on to the market in the form of price increases, thus allowing the division to achieve further profitable growth. The expansion of MDI capacity at the site in Antwerp, Belgium, from 360,000 to 450,000 metric tons per year is scheduled for completion in early May 2005.

Performance Products

- Higher sales from ongoing business
- Profitable growth in Functional Polymers boosts earnings
- Closer cooperation with customers on innovative products

Overview Performance Products

	1st Quarter		
Million €	2005	2004	Change in %
Sales	**1,908**	1,929	(1)
Thereof Performance Chemicals	**694**	796	(13)
Coatings	**472**	505	(7)
Functional Polymers	**742**	628	18
EBITDA	**304**	294	3
EBIT before special items	**225**	210	7
EBIT before special items in percent of sales	**11.8**	10.9	–
EBIT	**224**	203	10

Sales from ongoing business increased by 5% compared with the previous year due to higher prices (volumes –1%, portfolio –6%, prices 8%, currencies –2%). Earnings also improved.

Performance Chemicals

The decline in sales was due to the divestiture of the printing systems business in the fourth quarter of 2004. Sales from ongoing business increased, in particular due to the contribution from performance chemicals for detergents and formulators and for the automotive and oil industry. Earnings were slightly lower due to the divestiture of the printing systems business. On the basis of ongoing business, however, earnings increased, thanks to a reduction in fixed costs.

Coatings

Sales were below the previous year’s level due to a decline in sales of automotive coatings. Together with a further increase in raw materials costs, this resulted in a decline in earnings. The profitability of the industrial coatings business developed positively due to streamlining of the portfolio and optimization of production.

We have further extended our cooperation with key customers. For example, we act as a system supplier to BMW in China. In the important Japanese automobile market, we have further strengthened our position by acquiring our partner’s shares in the joint venture BASF NOF Coatings.

Functional Polymers

We grew profitably and faster than the market due to our innovative product portfolio and close cooperation with our customers. Sales increased significantly, in particular for acrylic monomers, dispersions for architectural coatings, carpet coatings and paper dispersions. Earnings also increased significantly because we passed on higher raw materials costs to the market by increasing our sales prices. We achieved the strongest earnings growth in North America (NAFTA). We have added cyclohexyl methacrylate (CHM) – a special acrylate to improve automotive coatings – to our product portfolio, and have successfully started production at our Ludwigshafen site.

Agricultural Products & Nutrition

- Agricultural Products: profitability further increased
- Fine Chemicals: earnings situation unsatisfactory

Overview Agricultural Products

	1st Quarter		
Million €	2005	2004	Change in %
Sales	959	983	(2)
EBITDA	332	302	10
EBIT before special items	276	254	9
EBIT before special items in percent of sales	28.8	25.8	–
EBIT	284	234	21

The slight decline in sales (volumes –3%, prices 2%, currencies –1%) was primarily due to weather conditions which reduced the use of crop protection products in Europe and South America. This was partially offset by significantly higher demand for fungicides in North America, where our customers are preparing to combat Asian soybean rust. A higher value product portfolio and improved cost structures led to a further increase in earnings.

We are currently working to develop six new crop protection active ingredients, on a new herbicide tolerance project and on products to protect seeds with established active ingredients. These product innovations have a total peak sales potential of €700 million and will be ready for market in the coming years. A further seven crop protection active ingredients with peak sales of €1 billion are currently being introduced to the market. We have one of the most promising pipelines in the industry.

Overview Fine Chemicals

	1st Quarter		
Million €	2005	2004	Change in %
Sales	395	458	(14)
EBITDA	50	79	(37)
EBIT before special items	20	46	(57)
EBIT before special items in percent of sales	5.1	10.0	–
EBIT	20	46	(57)

The decline in sales (volumes –1%, portfolio –2%, prices –10%, currencies –1%) was primarily due to the severe decline in the price of lysine, the highest volume product in our portfolio. In addition, sales volumes of pharmaceutical active ingredients and premixes were lower than in the first quarter of 2004. Organic acids and aroma chemicals, however, continued to grow strongly. Earnings declined due to the overall negative trend in sales volumes and prices. To some extent, the decline was offset by the reduction of fixed costs. We are addressing the challenging competitive environment through active portfolio management, further cost-reduction measures, a closer focus on innovative products as well as close cooperations with our customers.

Oil & Gas

- **Positive sales and earnings development due to considerably higher oil prices**
- **New customers in natural gas trading**
- **Successful cooperation with Gazprom extended further**

Overview Oil & Gas

Million €	1st Quarter 2005	2004	Change in %
Sales	**1,840**	1,394	32
Thereof Exploration and production	**693**	527	31
Natural gas trading	**1,147**	867	32
EBITDA	**590**	429	38
Thereof Exploration and production	**459**	304	51
Natural gas trading	**131**	125	5
EBIT before special items	**484**	343	41
Thereof Exploration and production	**386**	249	55
Natural gas trading	**98**	94	4
EBIT before special items in percent of sales	**26.3**	24.6	–
Exploration and production	**55.7**	47.2	–
Natural gas trading	**8.5**	10.8	–
EBIT	**484**	343	41
Thereof Exploration and production	**386**	249	55
Natural gas trading	**98**	94	4

The considerable increase in oil prices in terms of both dollars and euros compared with the same period of 2004 resulted in significantly higher sales (volumes 4%, prices/currencies 28%).

In the **exploration and production** business sector, production was slightly higher than in the first quarter of 2004 due to increased oil production in Libya and slightly higher gas volumes.

At €36.30 per barrel, the average price of Brent crude was 42% higher than in the same period of the previous year, resulting in a significant increase in earnings.

In the **natural gas trading** business sector, volumes increased further and we acquired new customers. The increase in earnings was due entirely to higher volumes. A gas supply contract was signed with the German energy company Mark-E for a planned combined heat and power plant.

On April 11, 2005, we signed a memorandum of understanding with our partner Gazprom to jointly produce natural gas in western Siberia and market it in Europe.

Regions

- Sales growth in all regions
- North America: earnings triple
- Asia: startup of plants in Nanjing and Caojing proceeds as scheduled

Overview Regions

	Sales (location of company)			Sales (location of customer)			EBIT before special items		
Million €	2005	2004	Change in %	2005	2004	Change in %	2005	2004	Change in %
1st Quarter									
Europe	**6,102**	5,634	8	**5,851**	5,387	9	**1,134**	912	24
Thereof Germany	**4,310**	3,893	11	**2,201**	1,949	13	**742**	654	13
North America (NAFTA)	**2,265**	1,918	18	**2,243**	1,909	17	**271**	90	201
Asia Pacific*	**1,299**	1,099	18	**1,366**	1,192	15	**87**	95	(8)
South America, Africa, Middle East*	**417**	400	4	**623**	563	11	**71**	78	(9)
	10,083	9,051	11	**10,083**	9,051	11	**1,563**	1,175	33

* Effective January 1, 2005, companies in Asia are reported in the region "Asia Pacific." South America, which was previously reported as a separate region, is now reported togther with the African and Middle Eastern companies in the region "South America, Africa, Middle East."

Companies in **Europe** increased sales by 8% in the first quarter of 2005. EBIT before special items rose by €222 million to €1,134 million. This was due in particular to higher margins and a further reduction of fixed costs in the Chemicals and Plastics segments.

In Germany, the increase in sales and earnings was due to the improvement in the Oil & Gas segment.

In **North America (NAFTA),** sales by location of company improved by 24% in dollar terms. EBIT before special items tripled from €90 million to €271 million. All segments contributed to this growth. The Chemicals segment performed particularly strongly due to good capacity utilization of the steam cracker in Port Arthur, Texas, combined with favorable margins for cracker products. The Agricultural Products division also posted significantly higher earnings as a result of strong demand for fungicides.

In **Asia Pacific,** companies increased sales in local currency terms by 19%. The sales growth was due in particular to MDI and polyurethanes systems in the Polyurethanes division. The new plant for PolyTHF® in Caojing, China, successfully started operations, and this will be followed by the THF plant in the second quarter. At our Verbund site in Nanjing, China, the startup of our world-scale plants is also proceeding according to schedule. EBIT before special items was negatively impacted by startup costs for our two new sites.

In **South America, Africa, Middle East,** sales by location of company increased by 4% in local currency terms. EBIT before special items declined by €7 million to €71 million. In South America, sales and earnings in the Agricultural Products division did not reach the previous year's very strong level because dry weather reduced demand for fungicides. The Plastics and Performance Products segments posted higher sales and earnings.

Consolidated Statements of Income

	1st Quarter			Year
Million €	**2005**	**2004**	**Change in %**	**2004**
Sales	**10,083**	**9,051**	**11.4**	**37,537**
Cost of sales	6,845	6,140	11.5	25,537
Gross profit on sales	**3,238**	**2,911**	**11.2**	**12,000**
Selling expenses	1,004	1,111	(9.6)	4,500
General and administrative expenses	164	171	(4.1)	708
Research and development expenses	283	263	7.6	1,182
Other operating income	126	97	29.9	951
Other operating expenses	414	388	6.7	1,381
Income from operations	**1,499**	**1,075**	**39.4**	**5,180**
(Expenses)/income from financial assets	71	13	446.2	(598)
Interest result	(40)	(37)	(8.1)	(162)
Other financial results	14	(16)	.	(117)
Financial result	**45**	**(40)**	**.**	**(877)**
Income before taxes and minority interests	**1,544**	**1,035**	**49.2**	**4,303**
Income taxes	622	483	28.8	2,206
Net income before minority interests	**922**	**552**	**67.0**	**2,097**
Minority interests	61	32	90.6	131
Net income	**861**	**520**	**65.6**	**1,966**
Earnings per share (€)	**1.60**	**0.94**	**70.2**	**3.58**
Number of shares, in million (weighted)	537	555	(3.2)	549

The interim financial statements have not been audited. The financial statements were prepared for the first time in accordance with International Financial Reporting Standards (IFRS); the previous year's figure have been restated (see also the explanations on page 15 ff).

Consolidated Balance Sheets

Assets Million €	March 31, 2005	March 31, 2004	Change in %	Dec. 31, 2004	Change in %
Long-term assets					
Intangible assets	3,543	4,004	(11.5)	3,610	(1.9)
Property, plant and equipment	13,202	13,792	(4.3)	13,007	1.5
Investments accounted for using the equity method	1,165	1,670	(30.2)	1,092	6.7
Other financial assets	930	954	(2.5)	941	(1.2)
Deferred taxes	1,185	1,228	(3.5)	1,067	11.1
Other long-term assets	660	575	14.8	598	10.4
	20,685	**22,223**	**(6.9)**	**20,315**	**1.8**
Short-term assets					
Inventories	4,964	4,470	11.1	4,645	6.9
Accounts receivable, trade	6,589	6,268	5.1	5,861	12.4
Other receivables and miscellaneous short-term assets	2,224	2,143	3.8	2,073	7.3
Liquid funds	3,007	909	230.8	2,291	31.3
	16,784	**13,790**	**21.7**	**14,870**	**12.9**
Total assets	**37,469**	**36,013**	**4.0**	**35,185**	**6.5**

Stockholders' equity and liabilities Million €	March 31, 2005	March 31, 2004	Change in %	Dec. 31, 2004	Change in %
Stockholders' equity					
Subscribed capital	1,371	1,417	(3.2)	1,384	(0.9)
Capital surplus	3,037	2,991	1.5	3,022	0.5
Retained earnings	12,749	12,059	5.7	12,154	4.9
Other comprehensive income	11	113	(90.3)	(166)	.
Minority interests	413	357	15.7	347	19.0
	17,581	**16,937**	**3.8**	**16,741**	**5.0**
Long-term liabilities					
Provisions for pensions and similar obligations	3,869	3,941	(1.8)	3,866	0.1
Other provisions	2,315	2,335	(0.9)	2,385	(2.9)
Deferred taxes	934	653	43.0	817	14.3
Financial indebtedness	1,966	3,071	(36.0)	1,845	6.6
Other liabilities	1,064	1,069	(0.5)	1,043	2.0
	10,148	**11,069**	**(8.3)**	**9,956**	**1.9**
Short-term liabilities					
Accounts payable, trade	2,879	2,568	12.1	2,372	21.4
Provisions	2,547	2,422	5.2	2,508	1.6
Tax liabilities	1,110	897	23.7	644	72.4
Financial indebtedness	1,455	418	248.1	1,453	0.1
Other liabilities	1,749	1,702	2.8	1,511	15.8
	9,740	**8,007**	**21.6**	**8,488**	**14.8**
Total stockholders' equity and liabilities	**37,469**	**36,013**	**4.0**	**35,185**	**6.5**

Consolidated Statements of Cash Flows

	January – March	
Million €	**2005**	**2004**
Net income	861	520
Depreciation and amortization of long-term assets	521	547
Changes in net working capital	(175)	(62)
Miscellaneous items	(103)	(17)
Cash provided by operating activities	**1,104**	**988**
Payments related to tangible and intangible fixed assets	(393)	(458)
Acquisitions/divestitures	139	(73)
Financial investments and other items	38	(71)
Cash used in investing activities	**(216)**	**(602)**
Proceeds from capital increases/(decreases)	(264)	(165)
Changes in financial indebtedness	143	(15)
Dividends	(19)	(16)
Cash used in financing activities	**(140)**	**(196)**
Net changes in cash and cash equivalents	748	190
Cash and cash equivalents as of beginning of year and other changes	2,094	540
Cash and cash equivalents	**2,842**	**730**
Marketable securities	165	179
Liquid funds	**3,007**	**909**

The previous year's figures were restated due to the transition to IFRS. There were no significant changes.

As a result of the higher level of net income, cash provided by operating activities increased by 12% in the first quarter to €1,104 million. Expansion of our business resulted in an increase in inventories and receivables.

Cash used in investing activities led to a cash outflow of €216 million compared with €602 million in the first quarter of 2004. At €393 million, payments related to tangible and intangible fixed assets were below the previous year's level and were significantly lower than the level of amortization and depreciation on fixed assets of €521 million. There was a cash inflow due to past acquisition activities; the first quarter of 2004 contained the acquisition of Sunoco's plasticizers business.

In cash used in financing activities, further share buybacks led to a cash outflow. In the first quarter of 2005, 5,1 million shares were bought back for €274 million or an average of €53.80 per share. In the course of the year, it is planned to buy back shares for a further €1.5 billion.

Liquid funds increased by €716 million to €3,007 million, and at €3,421 million financial indebtedness rose by €123 million compared with the figure at the end of 2004. Net debt declined to €414 million.

Consolidated Statements of Equity

January – March 2005 Million €	Number of subscribed shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income*	Minority interests	Stockholders' equity
As of January 1, 2005	540,440,410	1,384	3,022	12,154	(166)	347	16,741
Share buyback and cancellation of shares including own shares intended to be cancelled	(5,091,410)	(13)	15	(276)	–	–	(274)
Capital injection by minority interests	–	–	–	–	–	10	10
Dividends paid	–	–	–	–	–	(19)	(19)
Net income	–	–	–	861	–	61	922
Change in other comprehensive income	–	–	–	–	177	11	188
Change in scope of consolidation and other changes	–	–	–	10	–	3	13
As of March 31, 2005	**535,349,000**	**1,371**	**3,037**	**12,749**	**11**	**413**	**17,581**

January – March 2004 Million €	Number of subscribed shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income*	Minority interests	Stockholders' equity
As of January 1, 2004	556,643,410	1,425	2,983	11,673	28	403	16,512
Share buyback and cancellation of shares including own shares intended to be cancelled	(3,270,000)	(8)	8	(136)	–	–	(136)
Capital injection by minority interests	–	–	–	–	–	(29)	(29)
Dividends paid	–	–	–	–	–	(16)	(16)
Net income	–	–	–	520	–	32	552
Change in other comprehensive income	–	–	–	–	85	(59)	26
Change in scope of consolidation and other changes	–	–	–	2	–	26	28
As of March 31, 2004	**553,373,410**	**1,417**	**2,991**	**12,059**	**113**	**357**	**16,937**

* Contains income-neutral changes in equity (in particular, translation adjustments and fair-value changes of financial instruments)

Segment Reporting

Segments

Million €	Sales			EBITDA			Income from operations before special items			Income from operations (EBIT)		
1st Quarter	2005	2004	%	2005	2004	%	2005	2004	%	2005	2004	%
Chemicals	1,822	1,582	15.2	544	354	53.7	426	251	69.7	426	234	82.1
Plastics	2,800	2,307	21.4	380	274	38.7	269	155	73.5	268	154	74.0
Performance Products	1,908	1,929	(1.1)	304	294	3.4	225	210	7.1	224	203	10.3
Agricultural Products & Nutrition	1,354	1,441	(6.0)	382	381	0.3	296	300	(1.3)	304	280	8.6
Agricultural Products	959	983	(2.4)	332	302	9.9	276	254	8.7	284	234	21.4
Fine Chemicals	395	458	(13.8)	50	79	(36.7)	20	46	(56.5)	20	46	(56.5)
Oil & Gas	1,840	1,394	32.0	590	429	37.5	484	343	41.1	484	343	41.1
Other*	359	398	(9.8)	(181)	(118)	(53.4)	(137)	(84)	(63.1)	(207)	(139)	(48.9)
	10,083	9,051	11.4	2,019	1,614	25.1	1,563	1,175	33.0	1,499	1,075	39.4

1st Quarter	Research and development expenses			Assets**			Additions to fixed assets***			Amortization and depreciation***		
Chemicals	27	27	0.0	5,416	5,165	4.9	88	175	(49.7)	118	120	(1.7)
Plastics	34	31	9.7	6,530	6,168	5.9	82	102	(19.6)	112	120	(6.7)
Performance Products	50	55	(9.1)	4,711	5,073	(7.1)	54	66	(18.2)	80	91	(12.1)
Agricultural Products & Nutrition	86	82	4.9	6,700	7,479	(10.4)	31	55	(43.6)	78	101	(22.8)
Agricultural Products	68	61	11.5	5,402	6,076	(11.1)	12	19	(36.8)	48	68	(29.4)
Fine Chemicals	18	21	(14.3)	1,298	1,403	(7.5)	19	36	(47.2)	30	33	(9.1)
Oil & Gas	34	25	36.0	4,017	3,788	6.0	94	86	9.3	106	86	23.3
Other*	52	43	20.9	10,095	8,340	21.0	13	34	(61.8)	26	21	23.8
	283	263	7.6	37,469	36,013	4.0	362	518	(30.1)	520	539	(3.5)

* "Other" includes the fertilizers business and other businesses as well as expenses, income and assets not allocated to the segments. This item also includes foreign currency results from financial indebtedness that are not allocated to the segments as well as from currency positions that are macro-hedged.

** The assets of "Other" includes the assets of the fertilizers business and other businesses as well as assets that are not allocated to the segments (financial assets, liquid funds, financial receivables, deferred taxes; 1st quarter 2005: €8,437 million, 1st quarter 2004: €6,707 million).

*** Tangible and intangible fixed assets

Effects of the Transition to International Financial Reporting Standards (IFRS)

Starting from January 1, 2005, the accounting and reporting of the BASF Group is performed according to IFRS. The effect of retrospective application of IFRS on income and equity of the BASF Group is shown below. The IFRS figures for the year 2004 have not yet been attested by the external auditor.

Overview BASF Group

	1st Quarter 2004		2nd Quarter 2004		3rd Quarter 2004		4th Quarter 2004		Year 2004	
Million €	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP
Income from operations (EBIT)	1,075	1,038	1,250	1,181	1,076	958	1,779	1,679	5,180	4,856
Financial results	(40)	(60)	12	(23)	(127)	(93)	(722)	(661)	(877)	(837)
(Expenses)/income from financial assets*	13	(8)	45	26	(2)	(25)	(654)	(602)	(598)	(609)
Interest result	(37)	(52)	(38)	(49)	(52)	(68)	(35)	(59)	(162)	(228)
Other financial results	(16)	–	5	–	(73)	–	(33)	–	(117)	–
Income before taxes and minority interests	1,035	978	1,262	1,158	949	865	1,057	1,018	4,303	4,019
Income taxes	483	431	514	490	537	482	672	602	2,206	2,005
Minority interests	32	32	34	34	46	46	19	19	131	131
Net income	520	515	714	634	366	337	366	397	1,966	1,883
Earnings per share	0.94	0.93	1.30	1.15	0.67	0.62	0.67	0.73	3.58	3.43

* Including write-downs and losses on sale of participating interests

Million €	Note	Jan. 1, 2004	Mar. 31, 2004	June 30, 2004	Sept. 30, 2004	Dec. 31, 2004
Stockholders' equity in accordance with German GAAP		**15,879**	**16,289**	**15,991**	**16,097**	**15,765**
Capitalization of interest	a	323	326	326	312	314
Capitalization of software developed for internal use	b	114	107	101	96	81
Accounting for pensions*	c	(156)	(139)	(122)	(107)	177
Accounting for provisions	d	175	170	167	164	163
Accounting for financial instruments	e	(10)	4	51	(7)	191
Inventory valuation*	f	102	102	102	132	12
Reversal of goodwill amortization and write-offs due to impairment	g	–	31	58	86	109
Other adjustments	h	(14)	(14)	(14)	(14)	(13)
Tax effects of planned dividend payments and other tax effects	i	46	(5)	(5)	(28)	(58)
Valuation adjustments relating to companies accounted for under the equity method	j	53	66	79	85	–
Adjustments in accordance with IFRS		**633**	**648**	**743**	**719**	**976**
Stockholders' equity in accordance with IFRS		**16,512**	**16,937**	**16,734**	**16,816**	**16,741**

* Including effects of changes in valuation methods in the 2004 German GAAP annual financial statements

Million €	Note	1st Quarter 2004	2nd Quarter 2004	3rd Quarter 2004	4th Quarter 2004	Year 2004
EBIT in accordance with German GAAP		**1,038**	**1,181**	**958**	**1,679**	**4,856**
Capitalization of interest	a	(17)	(16)	(18)	(13)	(64)
Capitalization of software developed for internal use	b	(13)	(10)	(8)	(23)	(54)
Accounting for pensions*	c	27	28	23	(10)	68
Accounting for provisions	d	(7)	(2)	1	21	13
Accounting for financial instruments	e	(14)	14	1	86	87
Inventory valuation*	f	–	–	48	(51)	(3)
Reversal of goodwill amortization and write-offs due to impairment	g	41	35	39	36	151
Other adjustments	h	(18)	(18)	(5)	17	(24)
Net financing cost of pensions		38	38	37	37	150
Adjustments in accordance with IFRS		**37**	**69**	**118**	**100**	**324**
EBIT in accordance with IFRS		**1,075**	**1,250**	**1,076**	**1,779**	**5,180**

Million €	Note	1st Quarter 2004	2nd Quarter 2004	3rd Quarter 2004	4th Quarter 2004	Year 2004
Net income in accordance with German GAAP		**515**	**634**	**337**	**397**	**1,883**
Capitalization of interest	a	1	–	(9)	12	4
Capitalization of software developed for internal use	b	(8)	(6)	(5)	(14)	(33)
Accounting for pensions*	c	17	17	15	(6)	43
Accounting for provisions	d	(3)	(4)	(3)	(2)	(12)
Accounting for financial instruments	e	5	32	(8)	104	133
Inventory valuation*	f	–	–	30	(32)	(2)
Reversal of goodwill amortization and write-offs due to impairment	g	31	27	28	27	113
Other adjustments	h	–	–	(1)	1	–
Tax effects of planned dividend payments and other tax effects	i	(51)	–	(24)	(36)	(110)
Valuation adjustments relating to companies accounted for under the equity method	j	13	13	6	(85)	(53)
Adjustments in accordance with IFRS		**5**	**80**	**29**	**(31)**	**83**
Net income in accordance with IFRS		**520**	**714**	**366**	**366**	**1,966**

* Including effects of changes in valuation methods in the 2004 German GAAP annual financial statements

Explanations of the transition in accounting and valuation methods to IFRS

The accounting and reporting of the BASF Group was done according to German GAAP for the periods up to and including the 2004 annual financial statements. International Financial Reporting Standards (IFRS) were taken into account to the greatest extent possible.

Due to the EU regulation enacted on July 19, 2002, BASF, as a listed company, was required to change its reporting. Effective January 1, 2005, BASF converted its accounting completely to IFRS in compliance with IFRS 1 "First-time Adoption." The previous year's figures were adjusted accordingly. Effects of this transition were netted against equity as of January 1, 2004.

Changes compared with the prior accounting methodology are described below:

(a) Capitalization of construction period interest

For qualifiying assets with a lengthy construction period, interest on the project expenditures up to the point it is placed in service can be capitalized. Construction period interest was previously not capitalized, in conformance with German GAAP.

According to U.S. GAAP, capitalization of construction period interest is required. In order to avoid a difference between IFRS and U.S. GAAP, construction period interest is capitalized in these financial statements.

The amortization of capitalized construction period interest reduced EBIT (first quarter 2004: €17 million, full year 2004: €64 million), whereas the capitalization of construction period interest increased the financial result (first quarter 2004: €17 million, full year 2004: €59 million). The assets of the Chemicals and Plastics segments in particular increased as a result of the capitalization.

(b) Capitalization of internally generated intangible assets

This item contains costs for software that is internally developed and used. These costs are to be capitalized and depreciated as an intangible asset according to IFRS. German GAAP did not allow internally generated intangible fixed assets to be capitalized. IAS 38 "Intangible Assets" covers the capitalization of development costs. Due to the stringent capitalization requirements, there has been no capitalization of development costs to date.

(c) Pension accounting

The accounting treatment of direct pension obligations was already performed in accordance with IAS 19 "Employee Benefits" in the 2004 annual financial statements. This led to a new valuation whereby deferred actuarial gains and losses due to deviations from actuarial assumptions were netted out against retained earnings.

In addition, certain pension obligations were financed via legally independent plans, especially BASF Pensionskasse VVaG. Since BASF as the sponsoring entity maintains guarantees, these plans are treated under IFRS as defined benefit plans, and are to be included in the Group financial statements. The inclusion of these pension plans was not possible in the German GAAP financial statements. From now on, they will be accounted for according to IAS 19, retrospective from January 1, 2004. Deferred actuarial gains and losses were not included in accordance with the option under IFRS 1 "First-time Adoption."

In addition, the financing cost for pensions and other personnel obligations was netted against the expected returns on plan assets (first quarter 2004: €38 million, full year 2004: €150 million) and shown in "Other financial results" rather than before EBIT.

(d) Accounting for provisions

These transition items contain the following differences:

- Under German GAAP, provisions were established for omitted maintenance and repairs, and for mandated modifications in connection with the operation of production facilities. According to IFRS, these items are to be expensed as incurred.
- Provisions for certain environmental measures and recultivation measures have to be capitalized under IFRS in the amount of the expected expense, thereby increasing the acquisition costs of the affected assets. According to German GAAP, costs were accrued over the useful life of the asset, in contrast to IFRS, where such costs are depreciated following capitalization.

- According to German GAAP, provisions were accrued for cyclical overhauls, which were to be carried out at specific intervals. According to IFRS, the expenditures are to be capitalized, and depreciated over the interval between cyclical overhauls.
- Long-term provisions are to be discounted according to IFRS, whereas under German GAAP, they were reported at nominal value.

(e) Accounting for financial instruments

Accounting under IFRS requires derivatives to be accounted for at fair value and shown as other assets and liabilities on the balance sheet. Provided that the conditions for hedge accounting are not fulfilled, changes in the fair value will affect income, just as with corresponding gains and losses in the underlying instrument. Gains from swaps and forward contracts were accounted for upon maturity under German GAAP. Unrealized losses, however, were immediately recognized in income within other provisions.

According to German GAAP, long-term receivables and liabilities in foreign currencies were to be valued at the initial exchange rate, or at the exchange rate on the date of the financial statements; the lower rate in the case of receivables, or higher rate in the case of liabilities. According to IFRS, valuation is always made at the exchange rate on the date of the financial statements.

Available-for-sale securities are to be valued at their fair value on the date of the financial statements. Changes in the fair value are shown as a component of equity (Other comprehensive income) up until the point of disposal of the securities. In German GAAP financial statements such securities are valued at acquisition cost, or lower fair value on the date of the financial statements, with valuation changes immediately affecting income.

(f) Inventory valuation

Since the LIFO method is not allowed under IFRS, inventory valuation method was changed for the 2004 annual financial statements to the average cost method, which is allowed under IFRS.

According to German GAAP, raw materials and supplies are to be discounted based on lower replacement costs. According to IFRS, valuation adjustments may only be made in the event of a lower net realizable value of the inventories.

(g) Elimination of goodwill amortization, and impairment-only approach

Goodwill was formerly amortized over its expected useful life, according to German GAAP. According to IFRS 3 “Business Combinations,” goodwill is to be examined annually in accordance with IAS 36 “Impairment of Assets” to determine if a write-down is necessary. Due to IFRS 1 “First-time Adoption,” in conjunction with IFRS 3 “Business Combinations,” annual amortization is no longer permitted effective January 1, 2004. According to impairment tests carried out at the transition date and at year-end 2004, impairment write-downs were not necessary. In particular, earnings in the Agricultural Products division improved as a result of the elimination of goodwill amortization (first quarter of 2004: €25 million, full year 2004: €96 million).

(h) Other adjustments

These relate primarily to the treatment of investment subsidies that may not be immediately credited to income according to IFRS, but instead reduce the acquisition costs of the respective assets, as well as to reclassifications in the income statement.

(i) Tax effects of planned dividend distributions and other tax effects

According to IFRS, in 2004, based on the updated financial plan and taking into account a change in German corporate income tax law (Section 8b KStG), deferred taxes were accrued for the tax effects of planned dividend distributions from Group companies.

(j) Valuation adjustments for companies accounted for under the equity method

The IFRS valuation adjustments especially concern the capitalization and amortization of internally developed and used software, as well as construction period interest for companies accounted for under the equity method. Due to the valuation adjustments, the book value of these financial assets as of January 1, 2004 was higher under IFRS than under German GAAP. The negative reconciliation item to net income under IFRS was associated with write-downs on these financial assets.

Changes in presentation

Presentation of the income statement and balance sheet is made in accordance with IAS 1 “Presentation of Financial Statements.” Certain individual items were combined for clarity, and detailed separately only in the Notes to the Consolidated Financial Statements:

- **Balance sheet**
  IFRS requires a differentiation between long and short-term assets, in contrast to German GAAP, where a breakdown by fixed assets versus current assets was required.
  The item “Investments accounted for using the equity method” contains, in particular, the stake in the Basell joint venture that is scheduled for divestiture.
  In equity, the new item “Other Comprehensive Income” is presented to account for changes that do not affect income. The option under IFRS 1 to net the translation adjustment against retained earnings and net profit as of January 1, 2004 was exercised.
  Liabilities are segmented according to maturity under IFRS, whereas under German GAAP it was segmented by provisions and liabilities.
- **Income statement**
  Financing costs for pensions and other personnel obligations netted against the expected returns from plan assets are presented in an item “Other financial results” according to IFRS, rather than before EBIT. This item also contains the capitalization of construction period interest, the discounting of other provisions as well as changes in fair value of interest derivatives.

Segment reporting in accordance with IFRS

EBITDA	1st Quarter 2004		2nd Quarter 2004		3rd Quarter 2004		4th Quarter 2004		Year 2004	
Million €	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP
Chemicals	354	335	459	441	469	419	575	551	1,857	1,746
Plastics	274	265	292	280	293	268	334	337	1,193	1,150
Performance Products	294	279	321	305	307	283	581	575	1,503	1,442
Agricultural Products & Nutrition	381	370	375	362	86	65	251	249	1,093	1,046
Agricultural Products	302	297	306	300	45	33	234	230	887	860
Fine Chemicals	79	73	69	62	41	32	17	19	206	186
Oil & Gas	429	426	443	440	582	578	644	631	2,098	2,075
Thereof Exploration and production	304	300	351	351	463	459	521	506	1,639	1,616
Natural gas trading	125	126	92	89	119	119	123	125	459	459
Other	(118)	(95)	(75)	(84)	(58)	(53)	189	99	(62)	(133)
	1,614	**1,580**	**1,815**	**1,744**	**1,679**	**1,560**	**2,574**	**2,442**	**7,682**	**7,326**

Income from operations before special items	1st Quarter 2004		2nd Quarter 2004		3rd Quarter 2004		4th Quarter 2004		Year 2004	
Million €	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP
Chemicals	251	245	340	333	367	331	419	425	1,377	1,334
Plastics	155	150	180	172	180	158	237	247	752	727
Performance Products	210	196	233	217	216	192	191	185	850	790
Agricultural Products & Nutrition	300	269	273	241	4	(36)	186	171	763	645
Agricultural Products	254	227	239	212	(11)	(44)	184	161	666	556
Fine Chemicals	46	42	34	29	15	8	2	10	97	89
Oil & Gas	343	343	339	339	459	458	512	507	1,653	1,647
Thereof Exploration and production	249	247	278	279	371	369	418	410	1,316	1,305
Natural gas trading	94	96	61	60	88	89	94	97	337	342
Other	(84)	(65)	(99)	(105)	(54)	(49)	59	(31)	(178)	(250)
	1,175	**1,138**	**1,266**	**1,197**	**1,172**	**1,054**	**1,604**	**1,504**	**5,217**	**4,893**

Income from operations (EBIT)	1st Quarter 2004		2nd Quarter 2004		3rd Quarter 2004		4th Quarter 2004		Year 2004	
Million €	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP
Chemicals	234	228	335	328	338	302	377	383	1,284	1,241
Plastics	154	149	171	163	169	147	200	210	694	669
Performance Products	203	189	230	214	214	190	481	475	1,128	1,068
Agricultural Products & Nutrition	280	249	268	236	(26)	(66)	136	121	658	540
Agricultural Products	234	207	235	208	(29)	(62)	162	139	602	492
Fine Chemicals	46	42	33	28	3	(4)	(26)	(18)	56	48
Oil & Gas	343	343	346	346	459	458	495	490	1,643	1,637
Thereof Exploration and production	249	247	285	286	371	369	401	393	1,306	1,295
Natural gas trading	94	96	61	60	88	89	94	97	337	342
Other	(139)	(120)	(100)	(106)	(78)	(73)	90	–	(227)	(299)
	1,075	**1,038**	**1,250**	**1,181**	**1,076**	**958**	**1,779**	**1,679**	**5,180**	**4,856**

Research and development expenses	1st Quarter 2004		2nd Quarter 2004		3rd Quarter 2004		4th Quarter 2004		Year 2004	
Million €	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP	IFRS	German GAAP
Chemicals	27	28	25	27	26	27	20	22	98	104
Plastics	31	32	33	33	35	36	37	37	136	138
Performance Products	55	56	55	56	61	62	46	47	217	221
Agricultural Products & Nutrition	82	83	85	86	91	92	104	104	362	365
Agricultural Products	61	61	63	64	67	67	81	81	272	273
Fine Chemicals	21	22	22	22	24	25	23	23	90	92
Oil & Gas	25	25	37	37	49	50	88	86	199	198
Thereof Exploration and production	25	25	37	37	49	50	88	86	199	198
Natural gas trading	–	–	–	–	–	–	–	–	–	–
Other	43	36	43	36	47	41	37	34	170	147
	263	**260**	**278**	**275**	**309**	**308**	**332**	**330**	**1,182**	**1,173**

Assets

Million €	1st Quarter 2004 IFRS	1st Quarter 2004 German GAAP	2nd Quarter 2004 IFRS	2nd Quarter 2004 German GAAP	3rd Quarter 2004 IFRS	3rd Quarter 2004 German GAAP	Year 2004 IFRS	Year 2004 German GAAP
Chemicals	5,165	4,911	5,373	5,124	5,374	5,105	5,219	5,008
Plastics	6,168	5,985	6,216	6,032	6,426	6,231	6,187	6,044
Performance Products	5,073	4,919	5,090	4,934	5,082	4,919	4,538	4,426
Agricultural Products & Nutrition	7,479	7,320	7,116	6,933	6,549	6,338	6,293	6,118
Agricultural Products	6,076	5,969	5,693	5,563	5,211	5,053	4,985	4,849
Fine Chemicals	1,403	1,351	1,423	1,370	1,338	1,285	1,308	1,269
Oil & Gas	3,788	3,598	3,726	3,536	3,940	3,743	4,063	3,876
Thereof Exploration and production	1,830	1,761	1,857	1,787	1,897	1,818	1,943	1,829
Natural gas trading	1,958	1,837	1,869	1,749	2,043	1,925	2,120	2,047
Other	8,340	8,336	8,166	8,084	8,732	8,892	8,885	8,444
	36,013	**35,069**	**35,687**	**34,643**	**36,103**	**35,228**	**35,185**	**33,916**

Additions to fixed assets

Million €	1st Quarter 2004 IFRS	1st Quarter 2004 German GAAP	2nd Quarter 2004 IFRS	2nd Quarter 2004 German GAAP	3rd Quarter 2004 IFRS	3rd Quarter 2004 German GAAP	4th Quarter 2004 IFRS	4th Quarter 2004 German GAAP	Year 2004 IFRS	Year 2004 German GAAP
Chemicals	175	166	143	141	114	107	169	141	601	555
Plastics	102	98	110	105	102	100	159	151	473	454
Performance Products	66	63	68	66	62	58	108	99	304	286
Agricultural Products & Nutrition	55	53	56	49	60	54	82	76	253	232
Agricultural Products	19	18	17	15	22	20	42	42	100	95
Fine Chemicals	36	35	39	34	38	34	40	34	153	137
Oil & Gas	86	80	58	55	120	109	124	130	388	374
Thereof Exploration and production	82	77	58	55	105	94	84	91	329	317
Natural gas trading	4	3	–	–	15	15	40	39	59	57
Other	34	33	31	30	33	32	46	44	144	139
	518	**493**	**466**	**446**	**491**	**460**	**688**	**641**	**2,163**	**2,040**

Amortization and depreciation*

Million €	1st Quarter 2004 IFRS	1st Quarter 2004 German GAAP	2nd Quarter 2004 IFRS	2nd Quarter 2004 German GAAP	3rd Quarter 2004 IFRS	3rd Quarter 2004 German GAAP	4th Quarter 2004 IFRS	4th Quarter 2004 German GAAP	Year 2004 IFRS	Year 2004 German GAAP
Chemicals	120	107	124	113	131	117	198	168	573	505
Plastics	120	116	121	117	124	121	134	127	499	481
Performance Products	91	90	91	91	93	93	100	100	375	374
Agricultural Products & Nutrition	101	121	107	126	112	131	115	128	435	506
Agricultural Products	68	90	71	92	74	95	72	91	285	368
Fine Chemicals	33	31	36	34	38	36	43	37	150	138
Oil & Gas	86	83	97	94	123	120	149	141	455	438
Thereof Exploration and production	55	53	66	65	92	90	120	113	333	321
Natural gas trading	31	30	31	29	31	30	29	28	122	117
Other	21	25	25	22	20	20	99	99	165	166
	539	**542**	**565**	**563**	**603**	**602**	**795**	**763**	**2,502**	**2,470**

* Tangible and intangible fixed assets

Forward-looking statements

This report 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 report.

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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