Successful start to 2006
BASF sets course for future success

First-Quarter Results 2006

January – March 2006
published on May 4, 2006

BASF Group

Million €	1st Quarter 2006	2005	Change in %
Sales	**12,515**	10,083	24.1
Income from operations before interest, taxes, depreciation and amortization (EBITDA)	**2,401**	2,019	18.9
Income from operations (EBIT) before special items	**1,865**	1,563	19.3
Income from operations (EBIT)	**1,849**	1,499	23.3
Financial result	**21**	45	(53.3)
Income before taxes and minority interests	**1,870**	1,544	21.1
Net income	**950**	861	10.3
Earnings per share (€)	**1.87**	1.60	16.9
EBIT before special items in percent of sales	**14.9**	15.5	–
Cash provided by operating activities	**1,448**	1,104	31.2
Additions to fixed assets*	**600**	362	65.7
Excluding acquisitions	**473**	362	30.7
Amortization and depreciation*	**552**	520	6.2
Segment assets (end of period)**	**29,680**	27,374	8.4
Personnel costs	**1,392**	1,277	9.0
Number of employees (end of period)	**79,926**	81,335	(1.7)

* Tangible and intangible fixed assets
** Tangible and intangible fixed assets, inventories and business-related receivables

The interim financial statements have not been audited.

Contents

BASF shares

	1st Quarter 2006	Full Year 2005
Share price (end of period)* (€)	64.70	64.71
High* (€)	65.95	65.33
Low* (€)	61.65	50.11
Average daily trade (million shares)*	3.01	2.70
BASF share performance**	0.0%	26.2%
DAX 30 performance**	10.4%	27.1%
EURO STOXX 50 performance**	7.9%	24.3%
Market capitalization (end of period) (billion €)	33.33	33.33
Number of shares (end of period) (million shares)***	515.06	515.06

* XETRA trading
** With dividends reinvested
*** Including bought-back shares intended for cancellation

Cover photo:
Antonio Germani, delegate from BASF Italy and Director Special Projects Pharma Solutions,
and Verena Bertgen, laboratory assistant at BASF's Competence Center Polymer Research in Ludwigshafen

News from our innovation centers

Environmentally friendly processing of cellulose

BASF and the University of Alabama cooperate on the use of ionic liquids

BASF has set up a research partnership with the University of Alabama to study the dissolution and processing of cellulose by means of ionic liquids. The two partners will further develop practical uses for this innovative application.

Cellulose is the commonest organic compound and is a constituent of virtually all plant cell walls. Of the 40 billion tons formed by nature every year, only 100 million tons is used as a feedstock for further processing. A more widespread use of cellulose as a renewable raw material has to date been prevented by its poor solubility. By means of ionic liquids, however, solutions of cellulose can now be produced for the first time at technically useful concentrations.

BASF is in the process of evaluating a variety of ideas that might improve the use of cellulose. The use of ionic liquids can significantly simplify the production of cellulose fibers, for example.

"We believe ionic liquids have a promising future," says Dr. Matthias Maase, who works in the New Business Development unit of BASF's Intermediates division. "Their properties will open up completely new applications in addition to classical chemical uses. Examples include fluids used in engineering, optical devices, electronic components and heat transfer."

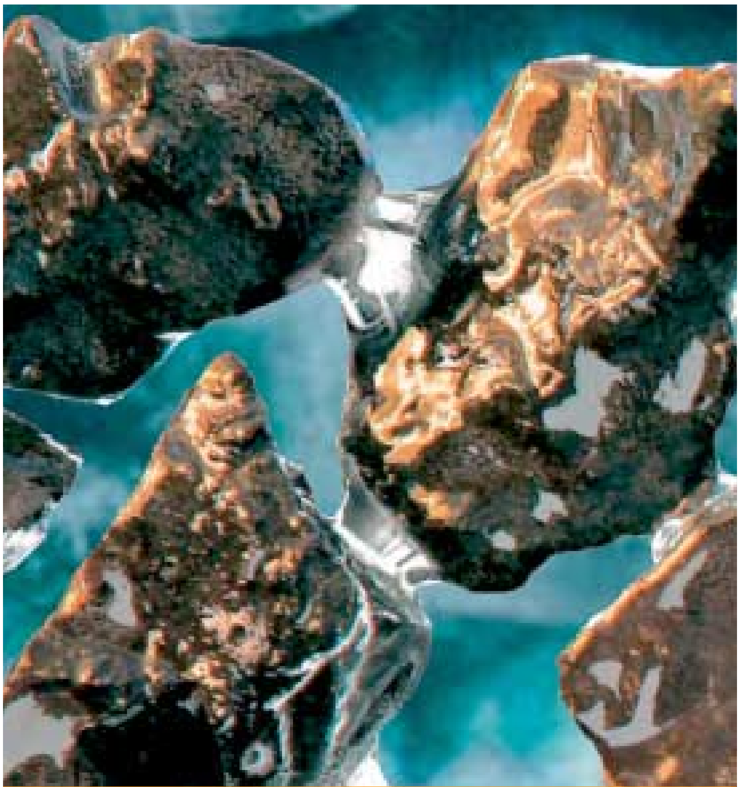
BASF has several years of experience in the fairly recent field of ionic liquids. At its Ludwigshafen site, the company operates the world's first large-scale industrial process that uses ionic liquids. The process allows fast and simple removal of the acids from the desired product, and the ionic liquids employed can be almost completely recycled.

BASF sells its ionic liquids under the brand name Basionics™, while the corresponding processes are marketed under the name Basil™.

Renewable raw materials: Turning cellulose into fibers.
BASF markets its portfolio of ionic liquids under the brand name Basionics.
The current portfolio consists of 19 different ionic liquids.

News from our innovation centers

Polyurethane composite protects imperiled dikes



The innovative covering of small stones and the Elastocoast polyurethane system is elastic and porous. As a result, it can withstand the force of the water masses particularly well.

Flexible covering with BASF's Elastocoast withstands even harsh storms

During the coming century, scientists predict that global warming will cause a rise in the sea level and increased flooding from rivers. More than ever before, innovative solutions are needed to provide effective and stable coastal protection and river dikes. One of them is a specially developed elastomer polyurethane system from BASF's subsidiary Elastogran: Under the name Elastocoast®, the company is offering a novel plastic for reinforcing stone ballast revetments for dikes. These coverings represent the first line of defense, for example, against the sea. They protect the dike by absorbing the force of the breaking waves and slowing down the water masses.

Elastic and porous – these two properties are the secret of Elastocoast: The ability to yield slightly protects the revetment against the brute force of the water masses crashing down upon them; the interconnecting cavities between the stones absorb their energy. Rigid and solid revetments made from the conventional "adhesives" concrete or asphalt, on the other hand, are often broken down by the pounding force of the waves: starting from an initial, tiny defect, the breakers gradually make deeper and deeper inroads into the revetment.

It could hardly be easier to use: The liquid two-component special plastic polyurethane is stirred on site and then mixed – for example in a concrete mixer – with the crushed stone which it envelops like a thin, transparent film. With relatively little effort, the finished mix of materials can be applied in covering layers about 15 to 30 centimeters thick. The mixture even hardens underwater. Elastocoast also provides benefits for nature: Flora and fauna can find new habitats in the porous structure of the cover layers.

Following its successful use in the redevelopment of a jetty on the bank of the River Elbe in Hamburg, Elastocoast is now facing its biggest challenge on the island of Sylt. Especially in winter, the North Sea gnaws away at the island. In September 2005, a revetment made of Elastocoast has been protecting part of the particularly exposed northern part of the island. Dr. Marcus Leberfinger, project manager for maritime applications at Elastogran, is very satisfied with the results achieved in the first winter: "Even in the breaker zone of the open coast of Sylt, the revetment reliably withstood the high dynamic stresses caused by wave impact, salt water and the effects of frost." A similar pilot project has also been completed on Hamburger Hallig to the north of the German town of Husum.

BASF Group Business Review and Outlook

- **Further increase in volumes, sales climb 24%**
- **EBIT before special items rises 19%**
- **Agreement reached on acquisition of Degussa's construction chemicals business**
- **Positive outlook for 2006:**
  - **Significantly higher sales**
  - **Increase in EBIT before special items**

Sales

At €12.5 billion, first-quarter sales were 24% higher than in the same period of 2005. Growth was driven above all by considerably higher volumes and price increases in our chemical businesses and in the Oil & Gas segment.

Disregarding currency effects, in particular due to the appreciation of the U.S. dollar, sales increased by 20%.

Factors influencing sales in comparison with previous year

% of sales	**1st Quarter**
Volumes	7
Prices	12
Currencies	4
Acquisitions/divestitures	1
Total	**24**

Sales increased in all segments.

Volumes in the Chemicals segment rose in particular due to the startup of the Verbund site in Nanjing, China, in 2005. The electronic chemicals business, which was acquired in April last year, also contributed to the significant increase in sales.

In the Plastics and Performance Products segments we also posted higher volumes while adjusting sales prices to reflect increased raw material costs.

Sales by segment, 1st Quarter 2006

Million €			
Chemicals	**2006**	**2,239**	23%
	2005	1,822	
Plastics	**2006**	**3,091**	10%
	2005	2,800	
Performance Products	**2006**	**2,147**	13%
	2005	1,908	
Agricultural Products & Nutrition	**2006**	**1,376**	2%
	2005	1,354	
Oil & Gas	**2006**	**2,985**	62%
	2005	1,840	

In the Agricultural Products & Nutrition segment, the Fine Chemicals division recorded higher sales thanks to an increase in volumes and the acquisition of Orgamol Group's pharmaceutical contract manufacturing business in the fourth quarter of 2005. Sales in the Agricultural Products division declined slightly compared with the first quarter of 2005 due to lower sales volumes in South America.

With a sales increase of more than €1.1 billion, the Oil & Gas segment accounted for 11 percentage points of the BASF Group's sales growth. This was a consequence of the high oil price and increased sales volumes in the natural gas trading business.

Special items

Million €	1st Quarter 2006	1st Quarter 2005	2nd Quarter 2006	2nd Quarter 2005	3rd Quarter 2006	3rd Quarter 2005	4th Quarter 2006	4th Quarter 2005
Special items in:								
Income from operations	(16)	(64)		(70)		(65)		(109)
Financial result	–	–		–		222		–
Income before taxes and minority interests	**(16)**	**(64)**		**(70)**		**157**		**(109)**

Earnings

Compared with the first quarter of 2005, we increased income from operations (EBIT) before special items by 19% to €1,865 million.

In the Chemicals segment, significantly higher raw material and energy prices could not be completely passed on to the market in the form of higher sales prices. It was therefore not possible to match the previous year's very strong first-quarter earnings, in particular in the Petrochemicals division.

Earnings in the Plastics segment rose as a result of higher volumes and improved margins in the global polyurethanes business.

The Performance Products segment posted higher earnings thanks in particular to strong volume growth and stable margins in the Coatings division.

First-quarter earnings in the Agricultural Products division were negatively impacted by the difficult market environment in Brazil and higher research costs.

The profitability of the products lysine and vitamin C remained unsatisfactory in the Fine Chemicals division.

Higher prices and expansion of the natural gas trading business led to very good earnings in the Oil & Gas segment.

First-quarter EBIT after special items rose by 23% to €1,849 million.

Special items in income from operations were related to income from the ongoing portfolio optimization measures in the Agricultural Products division and expenses for restructuring, which are recorded under "Other" until they are implemented in the course of the year.

The financial result declined by €24 million to €21 million. In the first-quarter of 2005, the financial result still contained earnings from our stake in the Basell joint venture, which was sold in the third quarter of 2005.

EBIT before special items, 1st Quarter 2006

Million €			
Chemicals	**2006**	**317**	(26)%
	2005	426	
Plastics	**2006**	**332**	23%
	2005	269	
Performance Products	**2006**	**248**	10%
	2005	225	
Agricultural Products & Nutrition	**2006**	**224**	(24)%
	2005	296	
Oil & Gas	**2006**	**848**	75%
	2005	484	

Income before taxes and minority interests rose by 21% to €1,870 million.

The tax rate was 46% compared with 40% in the first quarter of 2005. This increase was due to the higher contribution to earnings from the Oil & Gas segment. Taxes for oil production that are noncompensable with German corporate income tax amounted to €272 million compared with €198 million in the same period of 2005.

Net income increased 10% to €950 million. Earnings per share were €1.87 compared with €1.60 in the same period of the previous year.

Outlook

We expect the following conditions in 2006:

- Average oil prices (Brent) of about $60/barrel
- An average euro/dollar exchange rate of $1.25 per euro and moderately higher interest rates
- Global economic growth of more than 3%

On this basis, we expect that our business will continue to develop positively in the further course of the year. We plan to increase our sales prices to counter the pressure on margins caused by rising raw material prices. Risk factors continue to be the political situation in regional hotspots and the development of the crude oil price.

The good start in the first quarter confirms our positive outlook for the full year. We expect to post significantly higher sales and higher EBIT before special items compared with the previous year's strong level.

Significant events

On February 28, 2006, BASF reached an agreement with Degussa AG, Düsseldorf, to acquire Degussa's construction chemicals business. The purchase price for equity is just under €2.2 billion. As a result, the transaction value for BASF is €2.7 billion including debt.

Subject to approval by the relevant authorities, the transaction is expected to close by the middle of 2006. We will place Degussa's construction chemicals business in a new operating division – Construction Chemicals – in our Performance Products segment.

On April 27, 2006, BASF and Gazprom agreed on a swap of assets of equivalent value. In accordance with this agreement, BASF's subsidiary Wintershall will receive a total interest of 35% less one share in the Yuzhno Russkoye gas field. In return, Gazprom is to increase its interest in WINGAS GmbH to 50% less one share. In addition, Gazprom will receive a share in a Wintershall subsidiary with interests in exploration and production activities in Libya as well as a 50% share in a company that will be responsible for expanding gas marketing activities in Europe (excluding Germany).

On May 1, 2006, BASF announced that it extended the expiration date of its cash offer to acquire all outstanding shares in Engelhard Corporation until Monday, June 5, 2006. At the same time, the tender offer was increased to $38 per share. BASF is confident that Engelhard's shareholders will accept this offer. Further information is available on the Internet at **corporate.basf.com/tender-offer** and on the SEC's website at **www.sec.gov**

Chemicals

- **Strong sales growth in all operating divisions**
- **Pressure on margins due to high raw material and energy prices**
- **First-quarter earnings below previous year's very high level**

Overview Chemicals

	1st Quarter		
Million €	**2006**	**2005**	**Change in %**
Sales	**2,239**	1,822	23
Thereof Inorganics	**306**	207	48
Petrochemicals	**1,374**	1,136	21
Intermediates	**559**	479	17
EBITDA	**452**	544	(17)
EBIT before special items	**317**	426	(26)
EBIT before special items in percent of sales	**14.2**	23.4	–
EBIT	**317**	426	(26)

Sales in the Chemicals segment increased significantly in the first quarter (volumes 11%, portfolio 3%, prices 4%, currencies 5%). This was due in particular to the volumes from our Verbund site in Nanjing, China, as well as from the electronic chemicals business acquired in April 2005. Higher raw material and energy prices could not be passed on fully to the market in the form of higher prices. Earnings were below the previous year's very strong level.

Inorganics

Sales of electronic chemicals developed very positively, in particular in Asia. We also posted higher sales of inorganic specialties, catalysts and glues and impregnating resins. The division's earnings declined slightly. Margins in the basic products business in particular were adversely affected by high raw material and energy costs.

Petrochemicals

Sales rose thanks to strong demand worldwide. High crude oil prices resulted in significantly higher purchase prices for our main feedstock, naphtha, and impaired margins for cracker products in particular in Europe, but also in Asia. In addition, earnings were negatively impacted by scheduled plant turnarounds as well as by production losses at the cracker in Port Arthur, Texas. Earnings were therefore significantly lower than in the first quarter of 2005. Raw material prices are expected to continue to rise in the second quarter. Sales and earnings in the second quarter will also be impaired by the scheduled turnaround of the crackers in Port Arthur and Ludwigshafen, and by the temporary shutdown of the cracker at the site in Antwerp, Belgium, as the result of a power outage.

Intermediates

Sales increased in all regions and product lines, in particular due to higher volumes. Considerably higher raw material costs put margins under pressure, especially at our new THF plant in Caojing, China. Earnings declined as a result.

The THF and PolyTHF® plants in Yokkaichi, Japan, were closed in the first quarter of 2006 as announced last year.

Plastics

- **Segment earnings increase significantly**
- **Polyurethanes business continues to perform well**
- **Integrated isocyanate site in Caojing, China, to start operations in mid-2006**

Overview Plastics

	1st Quarter		
Million €	**2006**	**2005**	**Change in %**
Sales	**3,091**	2,800	10
Thereof Styrenics	**1,151**	1,136	1
Performance Polymers	**750**	689	9
Polyurethanes	**1,190**	975	22
EBITDA	**456**	380	20
EBIT before special items	**332**	269	23
EBIT before special items in percent of sales	**10.7**	9.6	–
EBIT	**331**	268	24

In the Plastics segment, sales rose thanks to higher volumes, increased sales prices and positive currency effects (volumes 3%, prices 2%, currencies 5%). The significant increase in earnings was primarily due to the Polyurethanes division.

Styrenics
Volumes remained unchanged and sales and earnings increased slightly compared with the first quarter of 2005. The temporary loss of production at the styrene plant in Ludwigshafen and persistently high raw material prices prevented a significant increase in earnings.

To strengthen this division, we plan to acquire Lanxess' business with styrene-acrylonitrile (SAN) copolymers in Europe and South America. The transaction is subject to approval by the relevant antitrust authorities.

Performance Polymers
Although sales increased due to higher volumes, earnings were below the high level posted in the first quarter of 2005. This was due to higher raw material costs, which we were unable to pass on to our customers to a sufficient extent. In addition, earnings were impacted by the startup of the PBT plant in Kuantan, Malaysia, which was constructed in a joint venture with Toray Industries, Inc. Leuna Miramid GmbH, which was acquired in November 2005, made a positive contribution to earnings.

Polyurethanes
The strong business performance recorded in the previous year continued in all regions in the first quarter of 2006. We significantly increased sales and earnings thanks to higher volumes worldwide and higher sales prices.

In Geismar, Louisiana, we acquired a production plant for DNT – precursor for polyurethanes – from Air Products and Chemicals Inc., Pennsylvania.

The integrated isocyanate site in Caojing, China, is scheduled to start operations in mid-2006 as planned.

Performance Products

- **Strong sales growth in all operating divisions**
- **Earnings rise due to strong business with coatings**
- **Agreement with Degussa on the acquisition of the construction chemicals business**

Overview Performance Products

	1st Quarter		
Million €	**2006**	**2005**	**Change in %**
Sales	**2,147**	1,908	13
Thereof Performance Chemicals	**764**	694	10
Coatings	**591**	472	25
Functional Polymers	**792**	742	7
EBITDA	**329**	304	8
EBIT before special items	**248**	225	10
EBIT before special items in percent of sales	**11.6**	11.8	–
EBIT	**247**	224	10

In the Performance Products segment, we recorded significantly higher sales in all divisions as a result of an increase in volumes, higher prices and positive currency effects (volumes 4%, portfolio 1%, prices 3%, currencies 5%). We also posted a further increase in earnings compared with the same period of the previous year. This was due in particular to strong business in the Coatings division.

We reached an agreement with Degussa AG to acquire Degussa's construction chemicals business. Thanks to this forward integration, we will further improve BASF's strong position as a partner to the construction industry. Our goal is to expand the highly profitable construction chemicals business, which is both very innovative and cyclically resilient. We expect the transaction to close by the middle of 2006.

Performance Chemicals

Sales rose in particular due to strong business with performance chemicals for the automotive and oil industry and for detergents and formulators. All regions contributed to this sales growth. Earnings improved further despite higher raw material costs.

Coatings

We increased sales and earnings considerably thanks to strong business with automotive (OEM) and automotive refinish coatings, in particular in Asia and North America, and with industrial coatings in Europe and decorative paints in South America. We benefited from the upturn in the automotive industry. We also gained new customers in the automotive refinish coatings business.

Functional Polymers

The increase in sales was due primarily to higher sales volumes of superabsorbents and products for the adhesives and construction industry. Earnings were slightly lower than in the strong first quarter of 2005. With raw material prices remaining high, acrylic monomers were subject to increased price pressure. The business was also negatively impacted by restructuring among customers in the paper industry.

Agricultural Products & Nutrition

- **Earnings down on previous year's quarter despite a slight increase in sales**
- **Portfolio optimization continues in the Agricultural Products division**
- **Fine Chemicals demonstrates growth in aroma chemicals and fat-soluble vitamins**

Overview Agricultural Products

	1st Quarter		
Million €	**2006**	**2005**	**Change in %**
Sales	**928**	959	(3)
EBITDA	**333**	332	–
EBIT before special items	**213**	276	(23)
EBIT before special items in percent of sales	**23.0**	28.8	–
EBIT	**280**	284	(1)

Sales in the Agricultural Products division declined compared with the first quarter of 2005 (volumes –4%, portfolio –1%, prices/currencies 2%). This was due mainly to subdued demand for fungicides to combat soybean rust in Brazil and North America. The appreciation of the real and low prices for agricultural products are putting pressure on our customers in Brazil. Our herbicides business developed positively, especially in North America and Europe. In Asia and Eastern Europe, we posted higher sales in all indications.

Income from operations before special items declined as a result of lower sales volumes of fungicides, higher research costs, and higher expenses associated with the development of new market segments. Our ongoing portfolio optimization measures resulted in special income. In March 2006, we sold the generics business of Micro Flo Company LLC, Memphis, Tennessee, to Arysta LifeScience North America Corporation.

Overview Fine Chemicals

	1st Quarter		
Million €	**2006**	**2005**	**Change in %**
Sales	**448**	395	13
EBITDA	**40**	50	(20)
EBIT before special items	**11**	20	(45)
EBIT before special items in percent of sales	**2.5**	5.1	–
EBIT	**10**	20	(50)

Sales volumes increased, in particular for aroma chemicals and vitamins A and E for animal nutrition. Orgamol Group's contract manufacturing business, which was acquired in October 2005 also contributed to the rise in sales (volumes 7%, portfolio 6%, prices –5%, currencies 5%). Declining prices for lysine and vitamin C and significantly higher raw material costs, for example for crude sugar, increased pressure on margins. Fixed costs in the vitamin C business declined due to the closure of the plant in Grenaa, Denmark, as well as a number of restructuring measures carried out in 2005. Overall, earnings were below the previous year's level but were nevertheless significantly higher than in the fourth quarter of 2005.

Oil & Gas

- **Sales and earnings rise significantly**
- **Exploration and production benefits from higher oil prices**
- **Volumes and margins improve considerably in natural gas trading**

Overview Oil & Gas

	1st Quarter		
Million €	**2006**	**2005**	**Change in %**
Sales	**2,985**	1,840	62
Thereof Exploration and production	**1,081**	693	56
Natural gas trading	**1,904**	1,147	66
EBITDA	**953**	590	62
Thereof Exploration and production	**707**	459	54
Natural gas trading	**246**	131	88
EBIT before special items	**848**	484	75
Thereof Exploration and production	**638**	386	65
Natural gas trading	**210**	98	114
EBIT before special items in percent of sales	**28.4**	26.3	–
Thereof Exploration and production	**59.0**	55.7	–
Natural gas trading	**11.0**	8.5	–
EBIT	**848**	484	75
Thereof Exploration and production	**638**	386	65
Natural gas trading	**210**	98	114

Sales increased significantly due to a considerable rise in the price of oil, a slight increase in natural gas production and the expansion of the natural gas trading business (volumes 11%, prices/currencies 51%). These factors resulted in a strong increase in earnings.

Natural gas production was increased in the **exploration and production** business sector. Crude oil production declined slightly as a result of scheduled maintenance work at production facilities. Compared with the same quarter of 2005, the average price of Brent crude rose by $14/barrel to $62/barrel. In euro terms, this corresponds to an increase of €15/barrel to €51/barrel.

The **natural gas trading** business sector recorded high volumes, in particular because of the long, cold winter in Europe. Compared with the same period of the previous year, sales prices were significantly higher and margins improved. Earnings more than doubled.

Debottlenecking of the STEGAL long-distance gas pipeline through the German regions of Saxony and Thuringia was completed at the end of March 2006, further increasing our east-west transport capacities.

Regions

- **Europe: Strong increase in earnings thanks to the Oil & Gas segment**
- **North America (NAFTA): Positive earnings trend continues**
- **Asia: Growth due to Nanjing Verbund site**
- **South America: Difficult market environment in the agricultural products business**

Overview Regions

	Sales (location of company)			Sales (location of customer)			EBIT before special items		
Million €	2006	2005	Change in %	2006	2005	Change in %	2006	2005	Change in %
1st Quarter									
Europe	**7,786**	6,102	28	**7,415**	5,851	27	**1,420**	1,134	25
Thereof Germany	**5,757**	4,310	34	**2,972**	2,201	35	**1,015**	742	37
North America (NAFTA)	**2,637**	2,265	16	**2,617**	2,243	17	**298**	271	10
Asia Pacific	**1,648**	1,299	27	**1,777**	1,366	30	**115**	87	32
South America, Africa, Middle East	**444**	417	6	**706**	623	13	**32**	71	(55)
	12,515	10,083	24	**12,515**	10,083	24	**1,865**	1,563	19

In **Europe,** sales by location of company increased by 28% in the first quarter of 2006. EBIT before special items rose by €286 million to €1,420 million. The higher sales and earnings were primarily due to the contribution of the Oil & Gas segment.

First-quarter sales by location of company in **North America** rose by 7% in dollar terms. The sales growth was due in particular to the Chemicals and Plastics segments. EBIT before special items increased by €27 million to €298 million. In the Chemicals segment, earnings were negatively impacted by the temporary shutdown of the cracker in Port Arthur, Texas. The Plastics segment benefited from strong demand for polyurethanes. We further optimized our portfolio in the Agricultural Products & Nutrition segment by selling the generics business of Micro Flo Company LLC, Memphis, Tennessee.

In **Asia Pacific,** we increased sales in local currencies by 19%. EBIT before special items rose €28 million to €115 million. Growth in the Chemicals segment was due especially to the Verbund site in Nanjing, China, which started operations in the second quarter of 2005. The Performance Products segment additionally benefited from the strengthened Coatings business following the acquisition of remaining shares in a joint venture in Japan in 2005.

Sales by location of company in **South America, Africa, Middle East** declined by 11% in local currency terms. EBIT before special items was €39 million lower than in the same period of 2005 because of the difficult market environment in the agricultural products business in Brazil. The Coatings division recorded strong business, in particular for decorative paints.

Consolidated Statements of Income

	1st Quarter			Full Year
Million €	**2006**	**2005**	**Change in %**	**2005**
Sales	**12,515**	**10,083**	**24.1**	**42,745**
Cost of sales	8,888	6,845	29.8	29,567
Gross profit on sales	**3,627**	**3,238**	**12.0**	**13,178**
Selling expenses	1,103	1,004	9.9	4,330
General and administrative expenses	186	164	13.4	780
Research and development expenses	305	250	22.0	1,064
Other operating income	250	126	98.4	601
Other operating expenses	434	447	(2.9)	1,775
Income from operations	**1,849**	**1,499**	**23.3**	**5,830**
(Expenses)/income from financial assets	15	71	(78.9)	348
Interest result	(48)	(40)	(20.0)	(170)
Other financial result	54	14	285.7	(82)
Financial result	**21**	**45**	**(53.3)**	**96**
Income before taxes and minority interests	**1,870**	**1,544**	**21.1**	**5,926**
Income taxes	853	622	37.1	2,758
Net income before minority interests	**1,017**	**922**	**10.3**	**3,168**
Minority interests	67	61	9.8	161
Net income	**950**	**861**	**10.3**	**3,007**
Earnings per shares (€)	**1.87**	**1.60**	**16.9**	**5.73**
Number of shares, in million (weighted)	509	537	(5.2)	525

The interim financial statements have not been audited.

The previous year’s figures have been adjusted as follows: Expenses in the Oil & Gas segment related to exploration for oil and gas deposits and to dry holes are now recorded as other operating expenses rather than as research and development expenses. In association with the change to standard IAS 19, actuarial gains and losses from the valuation of pension obligations are recognized against retained earnings in the reporting period in which they occur.

Consolidated Balance Sheets

Assets Million €	March 31, 2006	March 31, 2005	Change in %	Dec. 31, 2005	Change in %
Long-term assets					
Intangible assets	3,662	3,543	3.4	3,720	(1.6)
Property, plant and equipment	13,976	13,202	5.9	13,987	(0.1)
Investments accounted for using the equity method	267	1,165	(77.1)	244	9.4
Other financial assets	866	930	(6.9)	813	6.5
Deferred taxes	1,046	1,211	(13.6)	1,255	(16.7)
Other long-term assets	521	585	(10.9)	524	(0.6)
	20,338	**20,636**	**(1.4)**	**20,543**	**(1.0)**
Short-term assets					
Inventories	5,364	4,964	8.1	5,430	(1.2)
Accounts receivable, trade	7,529	6,589	14.3	7,020	7.3
Other receivables and miscellaneous short-term assets	1,694	2,224	(23.8)	1,586	6.8
Liquid funds	3,115	3,007	3.6	1,091	185.5
	17,702	**16,784**	**5.5**	**15,127**	**17.0**
Total assets	**38,040**	**37,420**	**1.7**	**35,670**	**6.6**

Stockholders' equity Million €	March 31, 2006	March 31, 2005	Change in %	Dec. 31, 2005	Change in %
Stockholders' equity					
Subscribed capital	1,301	1,371	(5.1)	1,317	(1.2)
Capital surplus	3,118	3,043	2.5	3,100	0.6
Retained earnings	12,525	12,533	(0.1)	11,928	5.0
Other comprehensive income	680	11	.	696	(2.3)
Minority interests	478	413	15.7	482	(0.8)
	18,102	**17,371**	**4.2**	**17,523**	**3.3**
Long-term liabilities					
Provisions for pensions and similar obligations	1,419	4,133	(65.7)	1,547	(8.3)
Other provisions	2,788	2,315	20.4	2,791	(0.1)
Deferred taxes	640	831	(23.0)	699	(8.4)
Financial indebtedness	3,629	1,966	84.6	3,682	(1.4)
Other long-term liabilities	1,033	1,064	(2.9)	1,043	(1.0)
	9,509	**10,309**	**(7.8)**	**9,762**	**(2.6)**
Short-term liabilities					
Accounts payable, trade	2,770	2,879	(3.8)	2,777	(0.3)
Provisions	3,046	2,547	19.6	2,763	10.2
Tax liabilities	1,252	1,110	12.8	887	41.1
Financial indebtedness	1,719	1,455	18.1	259	.
Other short-term liabilities	1,642	1,749	(6.1)	1,699	(3.4)
	10,429	**9,740**	**7.1**	**8,385**	**24.4**
Total stockholders' equity and liabilities	**38,040**	**37,420**	**1.7**	**35,670**	**6.6**

Consolidated Statements of Cash Flows

	January – March	
Million €	**2006**	**2005**
Net income	950	861
Depreciation and amortization of long-term assets	552	521
Changes in net working capital	61	(175)
Miscellaneous items	(115)	(103)
Cash provided by operating activities	**1,448**	**1,104**
Payments related to tangible and intangible assets	(493)	(393)
Acquisitions/divestitures	(7)	139
Financial investments and other items	195	38
Cash using in investing activities	**(305)**	**(216)**
Proceeds from capital increases/repayments	(377)	(264)
Changes in financial liabilities	1,407	143
Dividends	(85)	(19)
Cash used in financing activities	**945**	**(140)**
Net changes in cash and cash equivalents	2,088	748
Cash and cash equivalents as of beginning of year and other changes	911	2,094
Cash and cash equivalents	**2,999**	**2,842**
Marketable securities	116	165
Liquid funds	**3,115**	**3,007**

At €1,448 million, cash provided by operating activities was €344 million higher than in the first quarter of 2005. This was due to higher earnings as well as a reduction in net working capital.

Cash used in investing activities amounted to €305 million compared with €216 million in the same period of 2005. Payments related to tangible and intangible fixed assets were below the level of depreciation and amortization on fixed assets.

We spent €396 million on share buybacks. Of this amount, €339 million was associated with the €1.5 billion share buyback program that was completed in mid-February 2006. €57 million was associated with the new €500 million program that is scheduled to run until the Annual Meeting in 2007. In the first quarter, a total of 6.3 million shares were bought back for an average price of €63.20 per share.

Liquid funds rose by €2,024 million to €3,115 million. At €5,348 million, financial indebtedness was €1,407 million higher than on December 31, 2005. Net debt declined by €617 million to €2,233 million. The equity ratio at the end of the first quarter was 47.6%.

Consolidated Statements of Recognized Income and Expense

Income and expense items

Million €	January – March 2006	2005
Net income before minority interests	**1,017**	**922**
Fair value changes in available-for-sale securities	56	(15)
Cash-flow hedges	16	16
Change in foreign currency translation adjustments	(83)	77
Actuarial gains/losses from pensions and other obligations	55	39
Deferred taxes	(14)	(22)
Minority interests	(5)	11
Total income and expenses recognized in equity	**25**	**106**
Total income and expense for the period	**1,042**	**1,028**
Thereof BASF	979	956
Thereof minority interests	63	72

Development of income and expense recognized directly in equity

	Retained earnings	Other comprehensive income				Total income and expense recognized directly in equity
Million €	Actuarial gains/losses	Foreign currency translation adjustment	Fair value changes in available-for-sale securities	Cash-flow hedges	Total of other comprehen-sive income	
As of January 1, 2006	**(894)**	**475**	**258**	**(37)**	**696**	**(198)**
Additions	55	–	56	16	72	127
Releases	–	(83)	–	–	(83)	(83)
Deferred taxes	(9)	2	(1)	(6)	(5)	(14)
As of March 31, 2006	**(848)**	**394**	**313**	**(27)**	**680**	**(168)**
As of January 1, 2005	**(234)**	**(226)**	**193**	**(27)**	**(60)**	**(294)**
Additions	39	77	–	16	93	132
Releases	–	–	(15)	–	(15)	(15)
Deferred taxes	(15)	(1)	–	(6)	(7)	(22)
As of March 31, 2005	**(210)**	**(150)**	**178**	**(17)**	**11**	**(199)**

Consolidated Statements of Stockholders' Equity

January – March 2006 **Million €**	**Number of subscribed shares outstanding**	**Subscribed capital**	**Capital surplus**	**Retained earnings**	**Other comprehensive income**	**Minority interests**	**Stockholders' equity**
As of January 1, 2006	514,379,000	1,317	3,100	11,928	696	482	17,523
Share buy-back and cancellation of own shares including own shares intended to be cancelled	(6,259,000)	(16)	18	(398)	–	–	(396)
Capital injection by minority interests	–	–	–	–	–	18	18
Dividends paid	–	–	–	–	–	(85)	(85)
Net income	–	–	–	950	–	67	1,017
Income and expense recognized directly in equity	–	–	–	46	(16)	(5)	25
Change in scope of consolidation and other changes	–	–	–	(1)	–	1	–
As of March 31, 2006	**508,120,000**	**1,301**	**3,118**	**12,525**	**680**	**478**	**18,102**

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	3,028	11,923	(60)	328	16,603
Share buy-back and cancellation of own 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
Income and expense recognized directly in equity	–	–	–	24	71	11	106
Change in scope of consolidation and other changes	–	–	–	1	–	22	23
As of March 31, 2005	**535,349,000**	**1,371**	**3,043**	**12,533**	**11**	**413**	**17,371**

Segment Reporting

Segments Million € 1st Quarter	Sales			EBITDA			Income from operations before special items			Income from operations (EBIT)		
	2006	2005	in %	2006	2005	in %	2006	2005	in %	2006	2005	in %
Chemicals	2,239	1,822	22.9	452	544	(16.9)	317	426	(25.6)	317	426	(25.6)
Plastics	3,091	2,800	10.4	456	380	20.0	332	269	23.4	331	268	23.5
Performance Products	2,147	1,908	12.5	329	304	8.2	248	225	10.2	247	224	10.3
Agricultural Products & Nutrition	1,376	1,354	1.6	373	382	(2.4)	224	296	(24.3)	290	304	(4.6)
Agricultural Products	928	959	(3.2)	333	332	0.3	213	276	(22.8)	280	284	(1.4)
Fine Chemicals	448	395	13.4	40	50	(20.0)	11	20	(45.0)	10	20	(50.0)
Oil & Gas	2,985	1,840	62.2	953	590	61.5	848	484	75.2	848	484	75.2
Other*	677	359	88.6	(162)	(181)	10.5	(104)	(137)	24.1	(184)	(207)	11.1
	12,515	10,083	24.1	2,401	2,019	18.9	1,865	1,563	19.3	1,849	1,499	23.3

1st Quarter	Research and development expenses			Assets**			Additions to fixed assets***			Amortization and depreciation***		
Chemicals	31	27	14.8	6,198	5,416	14.4	162	88	84.1	135	118	14.4
Plastics	41	34	20.6	6,894	6,530	5.6	218	82	165.9	125	112	11.6
Performance Products	60	50	20.0	4,936	4,711	4.8	81	54	50.0	82	80	2.5
Agricultural Products & Nutrition	97	86	12.8	6,854	6,700	2.3	37	31	19.4	83	78	6.4
Agricultural Products	80	68	17.6	5,365	5,402	(0.7)	15	12	25.0	53	48	10.4
Fine Chemicals	17	18	(5.6)	1,489	1,298	14.7	22	19	15.8	30	30	0.0
Oil & Gas	–	1	–	4,798	4,017	19.4	75	94	(20.2)	105	106	(0.9)
Other*	76	52	46.2	8,360	10,046	(16.8)	27	13	107.7	22	26	(15.4)
	305	250	22.0	38,040	37,420	1.7	600	362	65.7	552	520	6.2

* "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, hedging of forecasted sales as well as from currency positions that are macro-hedged [€55 million in the first quarter (first quarter 2005 €(45) million)].

** 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; first quarter 2006: €6,685 million, first quarter 2005: €8,388 million).

*** 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 corporate.basf.com/20-f-report.] We do not assume any obligation to update the forward-looking statements contained in this report.

Important Dates

- August 2, 2006
  Interim Report Second Quarter 2006
- November 2, 2006
  Interim Report Third Quarter 2006

Annual Meetings

- May 4, 2006, Mannheim
- April 26, 2007, Mannheim

Contacts

- Corporate Media Relations:
  Michael Grabicki
  Phone: +49 621 60-99938
  Fax: +49 621 60-92693
- Investor Relations:
  Magdalena Moll
  Phone: +49 621 60-48230
  Fax: +49 621 60-22500
- General inquires:
  Phone: +49 621 60-0
  Fax: +49 621 60-42525
- Internet: corporate.basf.com
- BASF Aktiengesellschaft
  67056 Ludwigshafen
  Germany

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