Acquisitions strengthen profitable growth

Third-Quarter Results 2006

July – September 2006
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- **Sales up 28%**
- **EBIT before special items up 22%**
- **Integration of acquisitions proceeding as planned**
- **Outlook confirmed: Sales to increase to more than €50 billion and higher EBIT before special items compared with the previous year's strong level**

Overview

Million €	3rd Quarter 2006	3rd Quarter 2005	Change in %	January – September 2006	January – September 2005	Change in %
Sales	13,299	10,361	28.4	38,136	31,025	22.9
Income from operations before interest, taxes, depreciation and amortization (EBITDA)	2,368	1,843	28.5	7,143	6,011	18.8
Income from operations (EBIT) before special items	1,615	1,327	21.7	5,390	4,547	18.5
Income from operations (EBIT)	1,438	1,262	13.9	5,084	4,348	16.9
Financial result	(133)	176	.	(89)	139	.
Income before taxes and minority interests	1,305	1,438	(9.2)	4,995	4.487	11.3
Net income	613	808	(24.1)	2.483	2.447	1.5
Earnings per share (€)	1.22	1.55	(21.3)	4,91	4,63	6.0
EBIT before special items in percent of sales	12.1	12.8	–	14.1	14.7	–
Cash provided by operating activities	1,355	1,929	(29.8)	3,563	4,010	(11.1)
Additions to fixed assets*	3,922	408	.	9,479	1,620	485.1
Excluding acquisitions	601	408	47.3	1,565	1,252	25.0
Amortization and depreciation*	930	581	60.1	2,059	1,663	23.8
Segment assets (end of period)**	38,994	28,106	38.7	–	–	–
Personnel costs	1,614	1,419	13.7	4,436	4,089	8.5
Number of employees (end of period)	95,518	80,695	18.4	–	–	–

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

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Cover photo:
Andrea Heigenmoser, management assistant in office communication, and Manfred Schuhbeck, chemical engineer, both BASF Construction Chemicals GmbH, in front of the Competence Center in Trostberg, Germany.

News from our innovation centers

Probiotic bacteria fight caries and body odor

BASF develops innovative oral hygiene and personal care products

The concept of using probiotic bacteria to provide natural defense against harmful organisms allows BASF Future Business GmbH to develop innovative products for oral hygiene and personal care. Suitable lactic acid bacteria (lactobacilli) are selected from the extensive collection of cultures from the project partner Organo-Balance GmbH, Berlin, and jointly developed to market. Promising applications for probiotic bacteria include fighting cariogenic microorganisms, preventing body odor and regenerating the skin's protective microbial flora.

Oral hygiene

The bacterium responsible for caries, *Streptococcus mutans,* persistently colonizes the surface of the teeth, where it converts sugar into aggressive acids that break down the enamel. To substantially diminish the risk of caries, it is important to significantly reduce the concentration of harmful bacteria in the oral cavity. With *Lactobacillus anti-caries,* scientists have found an agent that effectively binds to the caries-causing bacteria and prevents them from adhering to the surface of the teeth. The effectiveness has been demonstrated. BASF Future Business expects the first oral hygiene products containing probiotic lactobacilli to appear in 2007.

The first oral hygiene products containing probiotic bacteria are expected to reach the market in 2007.

Personal care

Our skin is naturally populated with different types of microorganisms. Ideally, those with beneficial health effects — known as commensal microorganisms — dominate over likewise occurring harmful bacteria. If this system gets out of balance, the appearance, health and well-being of the skin are adversely affected. This may occur, for example, after washing or showering. In such cases *Lactobacillus stimulans* can promote the rapid regeneration of the skin's protective microbial flora. By secreting growth-promoting substances, it stimulates colonization by its healthful relatives. Because of their major cosmetic relevance, these microorganisms are interesting candidates for use in lotions and creams and in medicinal ointments and plasters.

A third application for beneficial lactobacilli is the prevention of body odor. Bacteria are responsible for creating odor, for example in the armpits or on the feet. *Lactobacillus pes-odoris,* which specifically inhibits the odor-producing bacteria of the feet, and *Lactobacillus ala-odoris,* which prevents the formation of odor in the armpits, provide a remedy for these situations. Both lactobacillus cultures can improve the effectiveness of deodorants, foot sprays and lotions.

Depending on the application, desired effect and formulation required for a cosmetic product, probiotic lactic acid bacteria can be used in either a live encapsulated or in a live or inactivated freeze-dried form. In the exclusive cooperative enterprise between the two project partners, OrganoBalance conducts screening for suitable microorganism cultures in its own collection of microbial strains as well as the fundamental scientific research, while BASF Future Business is responsible for fermentation of the strains and their further processing, customer-specific formulation and marketing.

News from our innovation centers

Chemistry keeps the black gold gushing

Drilling and production island in the Mittelplate oil field in the North Sea. A consortium consisting of RWE Dea and Wintershall has been producing crude oil from the largest German deposit since 1987.

Oilfield chemicals from BASF help increase production efficiency

With its full range of oilfield chemicals BASF plays a major role in the extraction of crude oil. From the first test drill onward, BASF products accompany the entire production process and allow deposits to be accessed much more intensively. Only thanks to these products is it possible to achieve oil extraction levels of 50% and more.

The drill head has to be cooled and lubricated, the cuttings dispersed and flushed upwards: The technical process is optimized by drilling fluid additives circulating in the closed system. Other chemicals prevent the surrounding rock formations from swelling, which could otherwise trap the drill or even damage it. But drilling alone is not the whole story. The boreholes, which are up to 11 kilometers in length, have to be stabilized with a circular jacket of cement dow to the oil-bearing stratum. BASF additives are used to control the flowability and setting time of the cement, allowing it to be ideally adjusted to the prevailing conditions.

And even when the borehole has finally advanced as far as the deposit, the engineers are often called upon to provide ingenious solutions. Oil doesn't just lie around in underground lakes waiting to be pumped to the surface. Rather, it is enclosed in porous rock formations that only grudgingly yield up their riches. To promote the flow of oil, the tiny pores in the stone are widened with the aid of chemicals.

To keep the pores permeable despite the rock formations bearing down on them, special support materials called proppants are required. These include special sands produced by the U.S. manufacturer Engelhard, which was recently acquired by BASF. This specially coated sand consists of perfectly spherical particles, allowing it to be pumped underground like a liquid, while creating a maximum of hollow spaces as permeable pathways through which the oil can flow.

The inherent pressure within the crude oil containing formation rapidly decreases, but is usually maintained by forcing water into the deposit through injection boreholes sunk at the edge of the oilfield. The water then mixes with the crude oil – a water content of 95% is completely normal. These resulting water and oil mixtures are very difficult to separate and this is where customized demulsifiers from BASF come in to play. These substances are special surfactants which greatly accelerate the natural separation of oil and water. And this is the case even though as little as 10 to 15 grams are sufficient to separate 1 metric ton of an oil-water mixture.

BASF acts as a raw materials supplier for internationally operating service companies whose experts formulate the required finished product for the major oil companies directly at the borehole. The market for oilfield chemicals has now reached a volume of around $4 billion with an estimated annual growth of 5%. By acquiring the U.S. company Engelhard Corporation and the construction chemicals business of Degussa in 2006, BASF has greatly increased its expertise in the areas of special sands, cement additives and polymers for drilling fluids and can offer its customers an even broader product portfolio.

BASF Group Business Review

- **Sales up 28%**
- **EBIT before special items up 22%**
- **Net income declines due to special items**

Sales

Compared with the same period of 2005, third-quarter sales increased by 28% to €13.3 billion. Sales growth was driven in particular by the acquisition of Engelhard, Degussa's construction chemicals business and Johnson Polymer, as well as by higher sales prices in the chemicals businesses and in the Oil & Gas segment. The following factors led to the increase in sales:

Factors influencing sales in comparison with previous year

% of sales	3rd Quarter	Jan. – Sept.
Volumes	3	6
Prices	9	9
Acquisitions/divestitures	18	7
Currencies	(2)	1
	28	**23**

The Chemicals segment achieved the highest sales growth as a result of the Catalysts division arising from the acquisition of Engelhard Corporation. The other divisions in this segment also increased volumes and prices.

Higher sales prices in the Styrenics division and a rise in sales volumes in the Polyurethanes division were the main reasons for the rise in sales in the Plastics segment.

In the Performance Products segment, sales were driven by the acquisitions that closed on July 1, 2006. The sales growth was due primarily to the activities acquired from Degussa in the new Construction Chemicals division and the Johnson Polymer business that has been assigned to the Performance Chemicals division.

Third-quarter sales by segment

Million €			
Chemicals	**2006**	**3,442**	67%
	2005	2,063	
Plastics	**2006**	**3,256**	10%
	2005	2,957	
Performance Products	**2006**	**2,959**	41%
	2005	2,106	
Agricultural Products & Nutrition	**2006**	**973**	(3)%
	2005	1,008	
Oil & Gas	**2006**	**2,116**	30%
	2005	1,630	

Sales declined in the Agricultural Products & Nutrition segment as a result of lower sales prices and currency effects. In the Agricultural Products division, divestitures to optimize the portfolio also led to a decline in sales. The Fine Chemicals division posted higher sales as a result of the pharma custom synthesis business of the Orgamol Group that was acquired in the fourth quarter of 2005, as well as the personal care products acquired from Engelhard Corporation.

In the Oil & Gas segment, sales increased significantly due to higher prices.

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)	(113)	(70)	(177)	(65)		(109)
– Financial result	–	–	–	–	–	222		–
	(16)	**(64)**	**(113)**	**(70)**	**(177)**	**157**		**(109)**

Earnings

Compared with the same period of 2005, income from operations (EBIT) before special items rose by 22% to €1,615 million.

In the Chemicals segment, we significantly increased EBIT before special items due to higher sales volumes and better margins in the Petrochemicals and Intermediates divisions.

Earnings in the Plastics segment improved above all due to higher margins in the Performance Polymers division.

In the Performance Products segment, the earnings growth was due primarily to the new Construction Chemicals division. In the Functional Polymers division, margins remained under pressure from higher raw material costs.

The Agricultural Products division was severely affected by the extremely difficult situation of customers in Brazil. The loss posted due to the seasonal nature of the business increased.

In the Fine Chemicals division, earnings rose due to a reduction in fixed costs and the contribution of Engelhard's personal care products.

As a result of higher sales prices, the Oil & Gas segment recorded significantly higher earnings in both the exploration and production and the natural gas trading business sectors.

Compared with the same period of 2005, third-quarter EBIT rose by 14% to €1,438 million. Special items in income from operations were related to the mothballing of the THF plant in Caojing, China; the use of step-up on inventory associated with the acquisition of Degussa's construction chemicals business; and restructuring measures in the Fine Chemicals division. Use was made of a provision established in the first half of 2006 for restructuring measures.

Third-quarter EBIT before special items

Million €			
Chemicals	**2006**	**444**	66%
	2005	268	
Plastics	**2006**	**316**	18%
	2005	267	
Performance Products	**2006**	**239**	11%
	2005	216	
Agricultural Products & Nutrition	**2006**	**(46)**	(100)%
	2005	(23)	
Oil & Gas	**2006**	**749**	26%
	2005	594	

The financial result declined by €309 million to €(133) million. Interest expenses rose in connection with financing for the acquisitions. The third quarter of 2005 also included a special gain from the sale of our stake in Basell.

Income before taxes and minority interests declined by 9% to €1,305 million as a result of the significantly lower financial result.

The tax rate was 49% compared with 43% in the third quarter of 2005, which contained the tax-free gain from the Basell sale. The greater share of EBIT from the Oil & Gas segment also contributed to the rise in the tax rate. In the third quarter of 2006, foreign taxes for oil production that are noncompensable with German corporate income tax amounted to €349 million compared with €317 million in the same period of the previous year.

Net income declined by 24% to €613 million. Earnings per share were €1.22 compared with €1.55 in the third quarter of 2005.

BASF Shares

- **BASF shares flat in third quarter**
- **Share buybacks for over €800 million in the first nine months**

BASF shares

	3rd Quarter 2006	January – September 2006
Performance (with dividends reinvested)		
BASF (%)	0.6	0.4
DAX 30 (%)	5.7	11.0
EURO STOXX 50 (%)	7.2	11.4
Shares prices and trading (XETRA trading)		
Average (€)	62.73	63.42
High (€)	64.93	69.49
Low (€)	60.69	58.97
Close (€)	63.15	63.15
Average daily trading (million shares)	2.65	3.01

BASF share performance

At the end of the third quarter, BASF shares were trading at €63.15 or at almost the same price as at the end of the second quarter. As a result, BASF shares did not perform as well as the DAX 30 and EURO STOXX 50 indices, which gained 5.7% and 7.2%, respectively, in the third quarter.

In the first nine months of 2006, BASF shares rose in value by 0.4% (assuming reinvestment of the dividend). The performance of the DAX 30 and EURO STOXX 50 indices in the same period was 11.0% and 11.4%, respectively.

At the beginning of September, BASF shares were included in the Dow Jones Sustainability World Index (DJSI World) for the sixth year in succession. The DJSI World is the most important sustainability index and represents the top 10% of the largest 2,500 companies in the Dow Jones Global Index in terms of sustainability in their respective industries.

Share buybacks

In the third quarter of 2006, BASF Aktiengesellschaft bought back 2.03 million shares on the stock exchange for a total of €127.4 million or an average price of €62.76 per share.

Up to the end of the third quarter, BASF had bought back 7.46 million shares for a total of €469.5 million under the €500 million share buyback program that was announced in February 2006. As a result, BASF bought back shares for more than €800 million in the first nine months of 2006.

We also plan to buy back shares in the future.

Up-to-date information on BASF shares is available on the Internet at **www.basf.de/share.**

You can reach BASF's investor relations team by calling +49 621 60-48230 or by sending an e-mail to **investorrelations@basf.com.**

Significant Events and Outlook

Significant events

On August 18, BASF, Huntsman and their Chinese partners – Shanghai Hua Yi (Group Company), Sinopec Shanghai Gao Qiao Petrochemical Corporation and Shanghai Chloro-Alkali Chemical Co. Ltd. – held an opening ceremony at the Shanghai Chemical Industry Park to celebrate the startup of their integrated isocyanates complex. The project involved a total capital expenditure of $1 billion. The complex has a capacity of 240,000 metric tons per year of crude MDI (diphenylmethane diisocyanate) and 160,000 metric tons of TDI (toluene diisocyanate) per year and will serve the rapidly growing market for polyurethanes in China.

On September 14, BASF and SINOPEC signed an agreement on the preparation of a technical and commercial feasibility study for the planned expansion of their joint Verbund site in Nanjing, China. The agreement advances BASF's and SINOPEC's earlier commitment, announced on July 10, 2006, to invest well above $500 million expanding their production facilities at their 50-50 joint venture in Nanjing – BASF-YPC Co. Ltd. The companies plan to expand the capacity of the steam cracker and invest in additional downstream plants to further strengthen synergies at the site. The new activities are expected to come on stream in 2009.

At BASF's site in Antwerp, Belgium, BASF, Dow and Solvay held a groundbreaking ceremony on September 27 for the first world-scale plant for the production of propylene oxide (PO) on the basis of hydrogen peroxide (HP). The HPPO plant will employ a new technology that has been developed jointly by BASF and Dow. The key advantages of the technology are lower costs and significantly better environmental performance.

Outlook

We continue to expect the following conditions in 2006:

- An average oil price (Brent) of about $65/barrel
- An average euro/dollar exchange rate of $1.25 per euro
- Global economic growth and chemical production growth (excluding pharmaceuticals) of more than 3%

Major risk factors are the political situation in unstable areas and resulting volatility in prices for raw materials.

In the fourth quarter, we expect demand for our products to remain strong. Despite a relaxation in the oil price, raw material costs remain high and continue to put pressure on margins.

For the full year, we continue to expect sales to increase to more than €50 billion and higher EBIT before special items compared with the previous year's strong level.

According to our current estimates, we expect the acquisitions of Engelhard, Degussa's construction chemicals business and Johnson Polymer to result in synergies of €290 million per year by 2010. The integration costs, excluding the use of step-up on inventories, are anticipated to amount to approximately €200 million. Of this amount, €50 million has already been recorded in EBIT as of September 30, 2006.

We want to apply the experience gained from the Ludwigshafen Site Project and our North American restructuring programs in a new global program to increase efficiency. Measures under this new program include the closure of production of high-impact polystyrene in Tarragona, Spain, as well as the restructuring of the butanediol value chain and the Fine Chemicals division. We expect total savings of €300 million per year by 2008. The program will be associated with total one-time expenditures of €160 million as well as write-downs of €270 million. Of the total amount, approximately 60% has already been recorded in EBIT as of September 30, 2006.

Chemicals

- **Strong increase in sales and EBIT before special items**
- **Integration of Engelhard proceeds as planned**
- **EBIT negatively impacted by THF plant in Caojing, China**

Overview Chemicals

Million €	3rd Quarter 2006	3rd Quarter 2005	3rd Quarter Change in %	January – September 2006	January – September 2005	January – September Change in %
Sales	3,442	2,063	67	8,124	5,892	38
Thereof Inorganics	271	251	8	841	690	22
Catalysts	999	19	.	1,279	55	.
Petrochemicals	1,607	1,309	23	4,305	3,672	17
Intermediates	565	484	17	1,699	1,475	15
EBITDA	599	408	47	1,460	1,429	2
EBIT before special items	444	268	66	1,112	1,109	0
EBIT before special items in percent of sales	12.9	13.0	–	13.7	18.8	–
EBIT	229	259	(12)	809	1,030	(21)
Assets	10,703	5,993	79	–	–	–

Third-quarter sales in the Chemicals segment rose significantly (volumes 11%, prices 11%, portfolio 48%, currencies –3%). The sales growth was primarily due to the acquired catalysts business in addition to higher sales volumes and price increases. Although earnings before special items were significantly higher, EBIT was negatively impacted by high special charges in the Intermediates division and was lower than in the same period of the previous year.

Inorganics
We increased both sales volumes and our average sales prices. Sales of inorganic basic chemicals and specialties grew particularly strongly. The division's earnings declined because margins for methane-based derivatives such as ammonia and methanol were particularly negatively affected by significantly higher natural gas prices.

Catalysts
Sales in the new Catalysts division rose in particular due to the business with catalysts for diesel engines in Europe and the global business with process catalysts. The earnings trend is meeting the expectations we placed on the acquisition of Engelhard. The integration is proceeding as planned.

Petrochemicals
Sales increased significantly thanks to strong global demand for cracker products. The Asian and European plasticizers and solvents businesses also contributed to the sales growth. In the third quarter, we largely succeeded in passing on high raw material costs to our customers. Earnings increased significantly compared with the third quarter of 2005, which was negatively impacted by the effects of the hurricanes in the United States.

Intermediates
Demand for intermediates continued to develop well in all regions. In view of strong global demand, we were able to increase prices to counteract high raw material costs. Earnings before special items increased compared with the same period of the previous year, in which capacity utilization rates were lower. The restructuring of the butanediol value chain and the associated mothballing of the THF plant in Caojing, China, is part of our program to increase efficiency; the measure reduced EBIT by €200 million.

Plastics

- **Further increase in sales and earnings**
- **Higher earnings contribution from Performance Polymers**
- **Groundbreaking for first world-scale HPPO plant**

Overview Plastics	**3rd Quarter**			**January – September**		
Million €	**2006**	**2005**	**Change in %**	**2006**	**2005**	**Change in %**
Sales	3,256	2,957	10	9,515	8,681	10
Thereof Styrenics	1,297	1,135	14	3,680	3,399	8
Performance Polymers	720	743	(3)	2,208	2,164	2
Polyurethanes	1,239	1,079	15	3,627	3,118	16
EBITDA	438	382	15	1,336	1,162	15
EBIT before special items	316	267	18	963	810	19
EBIT before special items in percent of sales	9.7	9.0	–	10.1	9.3	–
EBIT	306	260	18	951	808	18
Assets	6,992	6,440	9	–	–	–

In the Plastics segment, sales increased as a result of higher volumes and prices (volumes 6%, prices 5%, portfolio 1%, currencies –2%). Earnings were significantly higher than in the third quarter of 2005. This was due above all to considerably improved earnings in the Performance Polymers division.

Styrenics
Higher volumes and, in particular, higher sales prices led to an increase in sales. Business was especially strong in Europe, where we benefited from robust demand in the construction sector. Earnings were higher than in the same period of 2005. Margins, however, remain unsatisfactory.

To increase capacity utilization rates, we are ceasing production of high-impact polystyrene in Tarragona, Spain. In the future, European customers will be supplied from plants in Antwerp, Belgium, and Ludwigshafen, Germany. This closure is part of our program to increase efficiency.

Performance Polymers
We succeeded in increasing prices further. Sales were slightly lower than in the same period of the previous year because volumes for some products declined. Earnings, however, were significantly higher.

We have strengthened higher value engineering plastics in our portfolio as a result of smaller acquisitions in 2005 and the startup of the PBT plant in Kuantan, Malaysia, which is now operating at a high capacity utilization rate.

Polyurethanes
We greatly increased volumes and sales due to strong worldwide demand. Increases in raw material costs could only be passed on to the market to a limited extent. Third-quarter earnings were at the previous year's high level.

In September, we started work on a new plant to produce propylene oxide (PO) on the basis of hydrogen peroxide (HP) at our site in Antwerp, Belgium. Dow and Solvay are our partners in the construction and subsequent operation of this first world-scale HPPO plant.

Performance Products

- **Sales and earnings increase significantly due to acquisitions**
- **Margin pressure for acrylic monomers**
- **Integration of Degussa Construction Chemicals and Johnson Polymer proceeds as planned**

Overview Performance Products

Million €	3rd Quarter 2006	3rd Quarter 2005	3rd Quarter Change in %	January – September 2006	January – September 2005	January – September Change in %
Sales	2,959	2,106	41	7,303	6,112	19
Thereof Construction Chemicals	582	–	–	582	–	–
Coatings	578	561	3	1,745	1,588	10
Functional Polymers	899	823	9	2,539	2,374	7
Performance Chemicals	900	722	25	2,437	2,150	13
EBITDA	341	299	14	968	969	0
EBIT before special items	239	216	11	696	713	(2)
EBIT before special items in percent of sales	8.1	10.3	–	9.5	11.7	–
EBIT	180	209	(14)	636	715	(11)
Assets	10,175	4,864	109	–	–	–

Sales in the Performance Products segment increased in particular due to our acquisitions (volumes 3%, prices 2%, portfolio 38%, currencies –2%). We continued to implement our value-over-volume strategy. Even so, the decline in margins for acrylic monomers adversely affected earnings before special items. Due to the contribution of the acquired businesses, earnings before special items were nevertheless higher than in the third quarter of 2005. EBIT was impacted by the use of step-up on inventories from the acquired businesses. Compared with the same period of the previous year, the segment's assets rose by €5.3 billion, primarily as a result of the acquisitions.

Construction Chemicals

The new operating division contains Degussa's construction chemicals business, which was acquired effective July 1, 2006. Sales developed well, in particular in Admixture Systems in Europe and the Middle East and in Construction Systems in Europe and North America. The earnings trend satisfies our expectations. The integration is proceeding according to plan.

Coatings

Sales increased slightly compared with the third quarter of 2005. Although sales of automotive (OEM) coatings were lower as a result of a decline in automotive production in Europe and North America, worldwide sales of refinish coatings and sales of industrial coatings in Europe and South America developed well. Third-quarter earnings were at the previous year's level.

Functional Polymers

Sales increased compared with the third quarter of 2005 due to higher volumes and the paper coatings business acquired from Engelhard. Higher raw material costs combined with unchanged sales prices and a high level of available capacities — in particular for acrylic monomers — led to a decline in margins. It was not possible to increase prices for paper dispersions due to our customers' restructuring activities. Earnings were therefore significantly lower than in the strong third quarter of 2005.

Performance Chemicals

Sales and earnings increased in the Performance Chemicals division as a result of both price increases and higher volumes. Both the acquisition of the Johnson Polymer business with water-based resins for the coatings and printing inks industries and Engelhard's pigment business contributed to the increase in sales and earnings.

Agricultural Products & Nutrition

- **Persistently difficult market environment for agricultural products**
- **Fine Chemicals division steps up measures to increase efficiency**

Overview Agricultural Products

Million €	3rd Quarter 2006	3rd Quarter 2005	Change in %	January – September 2006	January – September 2005	Change in %
Sales	509	576	(12)	2,361	2,578	(8)
EBITDA	(3)	43	.	547	726	(25)
EBIT before special items	(54)	(24)	.	324	547	(41)
EBIT before special items in percent of sales	(10.6)	(4.2)	–	13.7	21.2	–
EBIT	(55)	(12)	.	389	563	(31)
Assets	4,559	5,164	(12)	–	–	–

Third-quarter sales in the Agricultural Products division were significantly lower than in the same period of 2006 (volumes –1%, prices/currencies –6%, portfolio –5%). Sales fell due to the divestiture of large parts of the generics business in North America and as a result of a decline in prices.

The start to the season in South America did not result in a turnaround compared with the first half of the year. The appreciation of the real lowered the export opportunities and hence the liquidity of many farmers in Brazil. There was therefore weaker demand for our high-value fungicides, in particular for soybeans.

Disregarding the effects of divestitures, the fall business in Europe and North America was stronger than in 2005.

The loss posted due to the seasonal nature of the business increased. On the basis of business to date, we expect a decline in sales and earnings for full-year 2006 compared with 2005.

Overview Fine Chemicals

Million €	3rd Quarter 2006	3rd Quarter 2005	Change in %	January – September 2006	January – September 2005	Change in %
Sales	464	432	7	1,377	1,249	10
EBITDA	12	34	(65)	148	96	54
EBIT before special items	8	1	.	37	28	32
EBIT before special items in percent of sales	1.7	0.2	–	2.7	2.2	–
EBIT	(26)	1	.	47	2	.
Assets	1,705	1,289	32	–	–	–

Sales in the Fine Chemicals division increased as a result of both the pharma custom synthesis business acquired in October 2005 and Engelhard’s personal care business (volumes 2%, prices/currencies –6%, portfolio 11%). We again increased volumes of aroma chemicals. Lysine prices remained under pressure and we significantly reduced sales volumes.

EBIT before special items was higher than in the same period of 2005. This was due to the reduction in fixed costs as well as the contribution of the acquired personal care activities.

With effect from November 1, 2006, we have combined our human nutrition and animal nutrition businesses in a single Nutrition unit to optimally utilize synergies and serve the market more efficiently. In the third quarter, we initiated further measures to reduce costs and increase efficiency and flexibility at our site in Minden, Germany. These measures negatively impacted EBIT.

Oil & Gas

- **Further increase in sales and earnings**
- **Baltic Sea pipeline: Priority project to secure European gas supplies**

Overview Oil & Gas

Million €	3rd Quarter 2006	3rd Quarter 2005	Change in %	January – September 2006	January – September 2005	Change in %
Sales	2,116	1,630	30	7,582	5,120	48
Thereof Exploration and production	1,120	904	24	3,420	2,459	39
Natural gas trading	996	726	37	4,162	2,661	56
EBITDA	894	697	28	2,820	1,973	43
Thereof Exploration and production	785	644	22	2,327	1,712	36
Natural gas trading	109	53	106	493	261	89
EBIT before special items	749	594	26	2,465	1,657	49
Thereof Exploration and production	672	572	17	2,076	1,491	39
Natural gas trading	77	22	250	389	166	134
EBIT before special items in percent of sales	35.4	36.4	–	32.5	32.4	–
Thereof Exploration and production	60.0	63.3	–	60.7	60.6	–
Natural gas trading	7.7	3.0	–	9.3	6.2	–
EBIT	754	594	27	2,470	1,657	49
Thereof Exploration and production	677	572	18	2,081	1,491	40
Natural gas trading	77	22	250	389	166	134
Assets	4,860	4,356	12	–	–	–
Thereof Exploration and production	2,253	2,005	12	–	–	–
Natural gas trading	2,607	2,351	11	–	–	–

Sales and earnings were again significantly higher than in the same period of 2005 as a result of persistently high crude oil prices (prices/currencies 30%).

Volumes in the **exploration and production** business sector declined slightly. Sales and earnings nevertheless increased compared with the third quarter of the previous year due to persistently high crude oil prices. Compared with the third quarter of 2005, the average price of Brent crude rose by approximately $8/barrel to just under $70/barrel. In euro terms, this corresponds to an increase of €4/barrel to approximately €55/barrel.

Sales volumes in the **natural gas trading** business sector were slightly higher than in the third quarter of 2005. Sales prices improved, resulting in a significant increase in sales and earnings.

WINGAS continued to expand its pipeline system and put a new compressor station into operation. This capital expenditure has increased the transport capacity of the WEDAL gas pipeline by around 30%.

At the end of August 2006, the final shareholder agreement for the planned gas pipeline through the Baltic Sea was signed by Gazprom, Wintershall and E.ON Ruhrgas. The EU Commission recently classified the planned pipeline as a priority project for securing Europe's future energy supplies.

Regions

- **Europe: Significant increase in sales and earnings**
- **North America: Sales boosted by acquisitions, significantly stronger earnings**
- **Asia: High earnings contribution from petrochemicals**

Overview Regions

Million €	Sales (location of company)			Sales (location of customer)			EBIT before special items		
	2006	2005	Change in %	2006	2005	Change in %	2006	2005	Change in %
3rd Quarter									
Europe	7,426	5,802	28	6,922	5,436	27	1,242	1,015	22
Thereof Germany	5,297	3,927	35	2,374	2,097	13	985	703	40
North America (NAFTA)	3,206	2,291	40	3,263	2,266	44	175	110	59
Asia Pacific	1,987	1,645	21	2,145	1,820	18	125	113	11
South America, Africa, Middle East	680	623	9	969	839	15	73	89	(18)
	13,299	**10,361**	**28**	**13,299**	**10,361**	**28**	**1,615**	**1,327**	**22**
January – September									
Europe	22,711	18,082	26	21,388	17,116	25	4,175	3,348	25
Thereof Germany	16,598	12,378	34	7,785	6,351	23	3,125	2,217	41
North America (NAFTA)	8,563	7,141	20	8,618	7,097	21	736	732	1
Asia Pacific	5,342	4,395	22	5,793	4,746	22	365	295	24
South America, Africa, Middle East	1,520	1,407	8	2,337	2,066	13	114	172	(34)
	38,136	**31,025**	**23**	**38,136**	**31,025**	**23**	**5,390**	**4,547**	**19**

Sales by location of company in **Europe** climbed 28% in the third quarter of 2006. EBIT before special items rose by 22% to €1,242 million. The sales and earnings growth was due in particular to the Oil & Gas segment and the new Catalysts and Construction Chemicals divisions.

Companies in **North America** increased sales in dollar and euro terms by 45% and 40%, respectively. Sales were boosted in particular by the newly acquired businesses. The Petrochemicals and Polyurethanes divisions posted significantly higher sales and earnings thanks to higher volumes. At €175 million, EBIT before special items was 59% higher than in the same period of 2005.

Sales by location of company in **Asia Pacific** increased by 24% in local currency terms and by 21% in euro terms. EBIT before special items rose 11% to €125 million. In particular, the Petrochemicals division significantly increased margins and earnings at the Verbund sites in Nanjing, China, and Kuantan, Malaysia, due to higher sales prices for cracker products and oxo alcohols.

In **South America, Africa, Middle East,** third-quarter sales by location of company increased by 11% in local currencies and by 9% in euros. EBIT before special items was negatively impacted by the difficult market environment for the Agricultural Products division in Brazil.

Overview of Other Topics

Research and development

Innovative products, processes and business models play a major part in ensuring the sustainability of BASF's economic success.

Hexamoll® DINCH, an innovative plasticizer, was recently honored with the ICIS Publications Innovation Award 2006 as best product innovation. BASF's developers specially designed Hexamoll DINCH for use in sensitive applications such as toys and medical devices. The product has been approved by the European Food Safety Authority, and production capacity is now being expanded.

In September, we opened a Joint Innovation Lab for organic electronics at our Ludwigshafen site. At this facility, BASF employees will work together with industrial and academic partners. At present, the researchers are concentrating on organic light-emitting diodes (OLEDs) and organic photovoltaics. OLEDs are flat, thin light-emitting devices made from organic semiconductive materials. As lighting panels, they open up completely new possibilities in lighting technology.

Employees

Compared with the end of 2005, the number of BASF Group employees rose by 14,573 to 95,518 as of September 30, 2006. The increase was due entirely to acquisitions, in particular of Engelhard and Degussa's construction chemicals business.

As a result of the acquisitions, the number of employees increased in all regions. At 58.3%, the largest increase was in North America. Employee numbers rose by 30.6% in Asia Pacific; by 16.4% in South America, Africa, Middle East; and by 9% in Europe.

Employees by region	**Sept. 30, 2006**	**Dec. 31, 2005**
Europe	61,705	56,614
North America (NAFTA)	15,559	9,826
Asia Pacific	12,626	9,669
South America, Africa, Middle East	5,628	4,836
	95,518	**80,945**

As a result of the acquisitions, personnel costs rose by 8.5% to €4,436 million in the first nine months of 2006.

Consolidated Statements of Income

Million €	3rd Quarter 2006	3rd Quarter 2005	Change in %	January – September 2006	January – September 2005	Change in %
Sales	13,299	10,361	28.4	38,136	31,025	22.9
Cost of sales	9,613	7,277	32.1	27,159	21,205	28.1
Gross profit on sales	**3,686**	**3,084**	**19.5**	**10,977**	**9,820**	**11.8**
Selling expenses	1,325	1,083	22.3	3,571	3,172	12.6
General and administrative expenses	238	194	22.7	631	551	14.5
Research and development expenses	327	268	22.0	910	774	17.6
Other operating income	169	96	76.0	587	278	111.2
Other operating expenses	527	373	41.3	1,368	1,253	9.2
Income from operations	**1.438**	**1.262**	**13.9**	**5.084**	**4.348**	**16.9**
(Expenses)/Income from financial assets	19	219	(91.3)	64	332	(80.7)
Interest result	(141)	(40)	.	(244)	(131)	(86.3)
Other financial result	(11)	(3)	.	91	(62)	.
Financial result	**(133)**	**176**	**.**	**(89)**	**139**	**.**
Income before taxes and minority interests	**1,305**	**1,438**	**(9.2)**	**4,995**	**4,487**	**11.3**
Income taxes	645	622	3.7	2,364	1,941	21.8
Income before minority interests	**660**	**816**	**(19.1)**	**2,631**	**2,546**	**3.3**
Minority interests	47	8	487.5	148	99	49.5
Net income	**613**	**808**	**(24.1)**	**2,483**	**2,447**	**1.5**
Earnings per share (€)						
Number of shares, in million (weighted)	504	521	(3.3)	506	528	(4.2)
Dilutive effect	–	–	–	–	–	–
Earnings per share (€)						
Undiluted	1.22	1.55	(21.3)	4.91	4.63	6.0
Diluted	1.22	1.55	(21.3)	4.91	4.63	6.0

Consolidated Balance Sheets

Million €	Sept. 30, 2006	Sept. 30, 2005	Change in %	Dec. 31, 2005	Change in %
Long-term assets					
Intangible assets	9,626	3,710	159.5	3,720	158.8
Property, plant and equipment	15,133	13,659	10.8	13,987	8.2
Investments accounted for using the equity method	269	241	11.6	244	10.2
Other financial assets	1,247	936	33.2	813	53.4
Deferred taxes	1,087	1,312	(17.1)	1,255	(13.4)
Other long-term assets	616	334	84.4	524	17.6
	27,978	**20,192**	**38.6**	**20,543**	**36.2**
Short-term assets					
Inventories	6,594	5,354	23.2	5,430	21.4
Accounts receivable, trade	7,833	6,306	24.2	7,020	11.6
Other receivables and miscellaneous short-term assets	2,463	1,804	36.5	1,586	55.3
Liquid funds	872	4,311	(79.8)	1,091	(20.1)
	17,762	**17,775**	**(0.1)**	**15,127**	**17.4**
Total assets	**45,740**	**37,967**	**20.5**	**35,670**	**28.2**

Million €	Sept. 30, 2006	Sept. 30, 2005	Change in %	Dec. 31, 2005	Change in %
Stockholders' equity					
Subscribed capital	1,284	1,330	(3.5)	1,317	(2.5)
Capital surplus	3,135	3,084	1.7	3,100	1.1
Retained earnings	12,669	11,922	6.3	11,928	6.2
Other comprehensive income	354	572	(38.1)	696	(49.1)
Minority interests	520	444	17.1	482	7.9
	17,962	**17,352**	**3.5**	**17,523**	**2.5**
Long-term liabilities					
Provisions for pensions and similar obligations	1,514	4,685	(67.7)	1,547	(2.1)
Other provisions	2,892	2,455	17.8	2,791	3.6
Deferred taxes	1,960	829	136.4	699	180.4
Financial indebtedness	5,906	3,561	65.9	3,682	60.4
Other long-term liabilities	967	954	1.4	1,043	(7.3)
	13,239	**12,484**	**5.3**	**9,762**	**34.7**
Short-term liabilities					
Accounts payable, trade	3,591	2,332	54.0	2,777	29.3
Provisions	2,710	2,896	(6.4)	2,763	(1.9)
Tax liabilities	832	969	(14.1)	887	(6.2)
Financial indebtedness	5,058	318	.	259	.
Other short-term liabilities	2,348	1,616	45.3	1,699	38.2
	14,539	**8,131**	**79.9**	**8,385**	**74.5**
Total stockholders' equity and liabilities	**45,740**	**37,967**	**20.5**	**35,670**	**28.2**

Consolidated Statements of Cash Flows

	January – September	
Million €	**2006**	**2005**
Net income	2,483	2,447
Depreciation and amortization of long-term assets	2,059	1,663
Changes in net working capital	(755)	199
Miscellaneous items	(224)	(299)
Cash provided by operating activities	**3,563**	**4,010**
Payments related to tangible and intangible assets	(1,580)	(1,285)
Acquisitions/divestitures	(6,978)	1,017
Financial investments and other items	84	109
Cash used in investing activities	**(8,474)**	**(159)**
Proceeds from capital increases/repayments	(790)	(1,115)
Changes in financial liabilities	6,699	230
Dividends	(1,141)	(945)
Cash provided by/used in financing activities	**4,768**	**(1,830)**
Net changes in cash and cash equivalents	(143)	2,021
Cash and cash equivalents as of beginning of year and other changes	902	2,125
Cash and cash equivalents	**759**	**4,146**
Marketable securities	113	165
Liquid funds	**872**	**4,311**

At €3,563 million, cash provided by operating activities was €447 million lower than in the third quarter of 2005. This change was primarily due to the payment of liabilities of the acquired companies.

Cash used in investing activities amounted to €8,474 million. At €1,580 million, payments related to tangible and intangible assets were higher than in the same period of the previous year but were significantly below amortization and depreciation. Acquisitions, in particular of Engelhard, Degussa's construction chemicals business and Johnson Polymer, resulted in a cash outflow of €7 billion, whereas the third quarter of 2005 contained the proceeds from the sale of our stake in Basell.

In cash provided by financing activities, share buybacks and dividend payments led to a cash outflow of €1,949 million. In the first three quarters of 2006, we bought back 12.8 million shares for €808 million or an average of €63.00 per share.

At €10,964 million, financial indebtedness was €7,023 million higher than on December 31, 2005. To finance the acquisitions, we issued bonds with a total volume of €2 billion in the second quarter as well as commercial paper equivalent to €4.5 billion.

As of September 30, 2006, net debt was €10,092 million and the equity ratio was 39.3%.

Consolidated Statements of Recognized Income and Expense

Income and expense items

Million €	January – September 2006	2005
Net income before minority interests	**2,631**	**2,546**
Fair value changes in available-for-sale securities	(4)	32
Cash-flow hedges	(20)	17
Change in foreign currency translation adjustments	(332)	595
Actuarial gains/losses from pensions and other obligations	109	(673)
Deferred taxes	(24)	244
Minority interests	(13)	27
Total income and expense recognized in equity	**(284)**	**242**
Total income and expense for the period	**2,347**	**2,788**
Thereof BASF	2,212	2,662
Thereof minority interests	135	126

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 adjustments	Fair value changes in available-for-sale securities	Cashflow hedges	Total of other comprehen-sive income	
As of January 1, 2006	**(894)**	**475**	**258**	**(37)**	**696**	**(198)**
Additions	109	–	30	(26)	4	113
Releases	–	(332)	(34)	6	(360)	(360)
Deferred taxes	(38)	6	1	7	14	(24)
As of September 30, 2006	**(823)**	**149**	**255**	**(50)**	**354**	**(469)**
As of January 1, 2005	**(234)**	**(226)**	**193**	**(27)**	**(60)**	**(294)**
Additions	(673)	595	43	14	652	(21)
Releases	–	–	(11)	3	(8)	(8)
Deferred taxes	256	(11)	5	(6)	(12)	244
As of September 30, 2005	**(651)**	**358**	**230**	**(16)**	**572**	**(79)**

Consolidated Statements of Stockholders' Equity

January – September 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 buyback and cancellation of own shares including own shares intended to be cancelled	(12,829,000)	(33)	35	(810)	–	–	(808)
Capital injection by minority interests	–	–	–	–	–	18	18
Dividends paid	–	–	–	(1,014)	–	(127)	(1,141)
Net income	–	–	–	2,483	–	148	2,631
Income and expense recognized directly in equity	–	–	–	71	(342)	(13)	(284)
Change in scope of consolidation and other changes	–	–	–	11	–	12	23
As of September 30, 2006	**501,550,000**	**1,284**	**3,135**	**12,669**	**354**	**520**	**17,962**

January – September 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 buyback and cancellation of own shares including own shares intended to be cancelled	(20,902,229)	(54)	56	(1,126)	–	–	(1,124)
Capital injection by minority interests	–	–	–	–	–	10	10
Dividends paid	–	–	–	(904)	–	(41)	(945)
Net income	–	–	–	2,447	–	99	2,546
Income and expense recognized directly in equity	–	–	–	(417)	632	27	242
Conditional capital: Exercise of conversion rights by former Wintershall shareholders	819	–	–	–	–	–	–
Change in scope of consolidation and other changes	–	–	–	(1)	–	21	20
As of September 30, 2005	**519,539,000**	**1,330**	**3,084**	**11,922**	**572**	**444**	**17,352**

Segment Reporting

3rd Quarter	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
Million €	2006	2005	Change in %	2006	2005	Change in %	2006	2005	Change in %	2006	2005	Change in %
Chemicals	3,442	2,063	66.8	599	408	46.8	444	268	65.7	229	259	(11.6)
Plastics	3,256	2,957	10.1	438	382	14.7	316	267	18.4	306	260	17.7
Performance Products	2,959	2,106	40.5	341	299	14.0	239	216	10.6	180	209	(13.9)
Agricultural Products & Nutrition	973	1,008	(3.5)	9	77	(88.3)	(46)	(23)	(100.0)	(81)	(11)	.
Thereof Agricultural Products	509	576	(11.6)	(3)	43	.	(54)	(24)	.	(55)	(12)	.
Fine Chemicals	464	432	7.4	12	34	(64.7)	8	1	.	(26)	1	.
Oil & Gas	2,116	1,630	29.8	894	697	28.3	749	594	26.1	754	594	26.9
Other*	553	597	(7.4)	87	(20)	.	(87)	5	.	50	(49)	.
	13,299	**10,361**	**28.4**	**2,368**	**1,843**	**28.5**	**1,615**	**1,327**	**21.7**	**1,438**	**1,262**	**13.9**

3rd Quarter	Research and development expenses			Assets**			Additions to fixed assets***			Amortization and depreciation***		
Million €	2006	2005	Change in %	2006	2005	Change in %	2006	2005	Change in %	2006	2005	Change in %
Chemicals	46	34	35.3	10,703	5,993	78.6	155	77	101.3	370	149	148.3
Plastics	38	33	15.2	6,992	6,440	8.6	103	113	(8.8)	132	122	8.2
Performance Products	84	55	52.7	10,175	4,864	109.2	3.422	61	.	161	90	78.9
Agricultural Products & Nutrition	103	98	5.1	6,264	6,453	(2.9)	20	33	(39.4)	90	88	2.3
Thereof Agricultural Products	82	80	2.5	4,559	5,164	(11.7)	1	22	(95.5)	52	55	(5.5)
Fine Chemicals	21	18	16.7	1,705	1,289	32.3	19	11	72.7	38	33	15.2
Oil & Gas	–	–	–	4,860	4,356	11.6	178	106	67.9	140	103	35.9
Other*	56	48	16.7	6,746	9,861	(31.6)	44	18	144.4	37	29	27.6
	327	**268**	**22.0**	**45,740**	**37,967**	**20.5**	**3.922**	**408**	**.**	**930**	**581**	**60.1**

Segment Reporting

January – September	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
Million €	**2006**	**2005**	**Change in %**	**2006**	**2005**	**Change in %**	**2006**	**2005**	**Change in %**	**2006**	**2005**	**Change in %**
Chemicals	8,124	5,892	37.9	1,460	1,429	2.2	1,112	1,109	0.3	809	1,030	(21.5)
Plastics	9,515	8,681	9.6	1,336	1,162	15.0	963	810	18.9	951	808	17.7
Performance Products	7,303	6,112	19.5	968	969	(0.1)	696	713	(2.4)	636	715	(11.0)
Agricultural Products & Nutrition	3,738	3,827	(2.3)	695	822	(15.5)	361	575	(37.2)	436	565	(22.8)
Thereof Agricultural Products	2,361	2,578	(8.4)	547	726	(24.7)	324	547	(40.8)	389	563	(30.9)
Fine Chemicals	1,377	1,249	10.2	148	96	54.2	37	28	32.1	47	2	.
Oil & Gas	7,582	5,120	48.1	2,820	1,973	42.9	2,465	1,657	48.8	2,470	1,657	49.1
Other*	1,874	1,393	34.5	(136)	(344)	60.5	(207)	(317)	34.7	(218)	(427)	48.9
	38,136	**31,025**	**22.9**	**7,143**	**6,011**	**18.8**	**5,390**	**4,547**	**18.5**	**5,084**	**4,348**	**16.9**

January – September	Research and development expenses			Assets**			Additions to fixed assets***			Amortization and depreciation***		
Million €	**2006**	**2005**	**Change in %**	**2006**	**2005**	**Change in %**	**2006**	**2005**	**Change in %**	**2006**	**2005**	**Change in %**
Chemicals	112	89	25.8	10,703	5,993	78.6	3,550	534	.	651	399	63.2
Plastics	111	102	8.8	6,992	6,440	8.6	437	315	38.7	385	354	8.8
Performance Products	203	152	33.6	10,175	4,864	109.2	4,424	249	.	332	254	30.7
Agricultural Products & Nutrition	299	276	8.3	6,264	6,453	(2.9)	339	97	249.5	259	257	0.8
Thereof Agricultural Products	245	223	9.9	4,559	5,164	(11.7)	53	48	10.4	158	163	(3.1)
Fine Chemicals	54	53	1.9	1,705	1,289	32.3	286	49	483.7	101	94	7.4
Oil & Gas	–	1	–	4,860	4,356	11.6	368	356	3.4	350	316	10.8
Other*	185	154	20.1	6,746	9,861	(31.6)	361	69	423.2	82	83	(1.2)
	910	**774**	**17.6**	**45,740**	**37,967**	**20.5**	**9,479**	**1,620**	**485.1**	**2,059**	**1,663**	**23.8**

* "Other" contains the fertilizers business and other businesses as well as expenses, income and assets not allocated to the segments. This item also contains foreign currency results from financial indebtedness that are not allocated to the segments, from hedging of forecasted sales as well as from currency positions that are macro-hedged [€(30) million in the third quarter (2005: €19 million) and €63 million in the first nine months (2005: €(120) 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; September 30, 2006: €4,827 million, September 30, 2005: €8,194 million).

*** Intangible and tangible fixed assets

Explanations to the Interim Financial Statements

1. Basis of presentation

The Consolidated Financial Statements of BASF Group for the year ended December 31, 2005 were prepared according to the International Financial Reporting Standards (IFRS) valid as of the balance sheet date. The current interim financial statements were prepared using the same accounting policies. BASF's Financial Report for fiscal 2005 is available on the Internet at **corporate.basf.com/financial-report.**

The previous year's figures have been adjusted as follows in accordance with the changes made effective December 31, 2005: 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 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.

Compared with the end of 2005, the assumptions used to determine expenses for pension benefit were changed as follows with effect from September 30, 2006: The interest rate was increased from 4.25% to 4.50% and the expected pension increase from 1.50% to 1.75%.

The interim financial statements have not been audited.

2. Scope of consolidation

The Consolidated Financial Statements include BASF Aktiengesellschaft, the parent company, as well as all material subsidiaries on a fully consolidated basis. Material jointly operated companies are proportionally consolidated. The number of fully and proportionally consolidated companies has developed as follows:

	2006	2005
As of January 1	180	160
Thereof proportionally consolidated	15	12
First-time consolidations	167	28
Thereof proportionally consolidated	–	4
Thereof changes in the consolidation method	1	(1)
Deconsolidations	4	8
Thereof proportionally consolidated	–	–
As of September 30/December 31	**343**	**180**
Thereof proportionally consolidated	15	15

First-time consolidations since January 1, 2006 comprised:

- A total of 79 companies associated with the acquisition of Engelhard Corporation;
- A total of 70 companies from the acquisition of Degussa's construction chemicals business;
- A total of three companies from the acquisition of Johnson Polymer;
- The biotechnology company CropDesign N.V., Belgium, acquired in May;
- BASF Services Europe GmbH, Berlin, and BASF Asia Pacific Service Centre Sdn. Bhd., Malaysia, which, respectively, perform finance and human resources services for BASF companies in Europe and Asia; and
- Twelve previously unconsolidated companies with headquarters in Germany, Spain, Australia, China, Malta and Switzerland due to their increased importance.

Four companies have been deconsolidated since the beginning of 2006 due to their decreased significance or merger with other BASF companies.

Companies accounted for using the equity method were as follows:

	Sept. 30, 2006	Dec. 31, 2005
Affiliated companies	10	11
Joint ventures	2	2
Other associated companies	3	3
	15	**16**

3. Acquisitions/divestitures

Effect of acquisitions and divestitures on BASF Group assets

	September 30, 2006	
	Million €	**%**
Long-term assets	8,344	70.4
Thereof goodwill	2,879	24.3
Intangible assets	3,249	27.4
Property, plant and equipment	1,759	14.8
Short-term assets	3,504	29.6
Thereof inventories	962	8.1
Accounts receivable, trade	1,043	8.8
Other receivables and miscellaneous short-term assets	1,357	11.5
Assets	**11,848**	**100**

The provisional purchase price allocations for Engelhard Corporation, Degussa's construction chemicals business and Johnson Polymer are included in the above table under the respective balance sheet items.

Important Dates

- February 22, 2007
  Annual Results 2006
- April 26, 2007
  Interim Report First Quarter 2007
  and Annual Meeting
- August 1, 2007
  Interim Report Second Quarter 2007
- October 30, 2007
  Interim Report Third Quarter 2007

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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 2005 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.

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