

# We shape the future



## Stabilization in third quarter

- Upturn in demand, particularly in Asia
- Solid income from operations thanks to operational excellence
- Reduction of net debt due to high cash flow
- Coming out of the trough; recovery slow and uneven

## Interim Report 3rd Quarter Results 2009

July – September 2009

Published on October 29, 2009

 **BASF**  
The Chemical Company

# BASF GROUP

## 3RD QUARTER 2009

Million €

|   | 3rd quarter |        |             | January – September |        |             |
|---|-------------|--------|-------------|---------------------|--------|-------------|
|   | 2009        | 2008   | Change in % | 2009                | 2008   | Change in % |
| Sales   | 12,798      | 15,772 | (18.9)      | 37,519              | 47,998 | (21.8)      |
| Income from operations before depreciation and amortization (EBITDA)          | 1,993       | 2,171  | (8.2)       | 5,156               | 8,159  | (36.8)      |
| Income from operations (EBIT) before special items                            | 1,248       | 1,568  | (20.4)      | 3,373               | 6,330  | (46.7)      |
| Income from operations (EBIT)   | 971         | 1,509  | (35.7)      | 2,671               | 6,171  | (56.7)      |
| Financial result  | (173)       | (39)   | .           | (434)               | (199)  | .           |
| Income before taxes and minority interests                                    | 798         | 1,470  | (45.7)      | 2,237               | 5,972  | (62.5)      |
| Net income  | 237         | 758    | (68.7)      | 955                 | 3,225  | (70.4)      |
| Earnings per share (€)  | 0.26        | 0.82   | (68.3)      | 1.04                | 3.45   | (69.9)      |
| Earnings per share (€), adjusted <sup>1</sup>                                 | 0.61        | 0.96   | (36.5)      | 1.95                | 3.89   | (49.9)      |
| EBITDA margin   | 15.6        | 13.8   | –           | 13.7                | 17.0   | –           |
| Cash provided by operating activities   | 1,729       | 948    | 82.4        | 5,376               | 3,577  | 50.3        |
| Additions to property, plant and equipment and intangible assets <sup>2</sup> | 363         | 602    | (39.7)      | 5,278               | 1,615  | 226.8       |
| Excluding acquisitions  | 520         | 602    | (13.6)      | 1,780               | 1,615  | 10.2        |
| Amortization and depreciation <sup>2</sup>                                    | 1,022       | 662    | 54.4        | 2,485               | 1,988  | 25.0        |
| Segment assets (September 30) <sup>3</sup>                                    | 40,934      | 39,419 | 3.8         | –                   | –      | –           |
| Personnel costs   | 1,825       | 1,604  | 13.8        | 5,160               | 4,766  | 8.3         |
| Number of employees (September 30)  | 105,858     | 96,695 | 9.5         | –                   | –      | –           |

<sup>1</sup> See page 31 for explanation

<sup>2</sup> Intangible assets and property, plant and equipment (including acquisitions); includes adjustment of additions to property, plant and equipment and intangible assets following purchase price allocation for Ciba.

<sup>3</sup> Intangible assets, property, plant and equipment, inventories and business-related receivables

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CHANGE  
compared with  
3rd quarter of 2008

SALES

EBIT  
BEFORE SPECIAL ITEMS

3RD QUARTER  
**2009**

**–19%**

**–20%**

# BASF'S SEGMENTS

## CHEMICALS

→ PAGE 6



In the Chemicals segment, we offer products for customers in the chemical, electronic, construction, textile, automotive, pharmaceutical and agricultural industries and provide other BASF segments with chemicals for the production of higher-value products. Our portfolio ranges from basic chemicals, glues and electronic chemicals for the semiconductor and flat panel display industry, to solvents and plasticizers as well as starting materials for detergents, plastics, textile fibers, paints, coatings and pharmaceuticals.

## PLASTICS

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The Plastics segment offers a comprehensive range of products, system solutions and services. We offer a variety of engineering plastics for the automotive and electric industries as well as for use in household appliances, sport and leisure. Our styrenic foams are used as insulating materials in the construction industry and in the packaging industry. Our polyurethanes are extremely versatile: as soft foams, for example, they are to be found in car seats and mattresses, and as rigid foams they serve as highly efficient insulation in refrigerators.

## PERFORMANCE PRODUCTS

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Our Performance Products help our customers improve their products and processes. They are found in countless everyday products: from diapers, paper, vitamins for food supplements and light stabilizers for sun creams to products for the oil, automotive, coatings and plastics industries and for the manufacture of leather and textiles. The acquisition of Ciba strengthens our existing business, while also adding plastic additives, water treatment products and mining applications to our portfolio.

## FUNCTIONAL SOLUTIONS

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In the Functional Solutions segment we bundle system solutions and innovative products for specific customers and industries, in particular for the automotive and construction sectors. Our portfolio comprises automotive and industrial catalysts, automotive and industrial coatings, concrete admixtures and building products such as tile adhesives and architectural coatings.

## AGRICULTURAL SOLUTIONS

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Our crop protection products guard against fungal diseases, insects and weeds, increase quality and secure crop yields. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, healthier nutrition and for use as renewable raw materials.

## OIL & GAS

→ PAGE 11



As the largest German producer of oil and gas, we focus our exploration and production in oil and gas-rich regions in Europe, North Africa, South America, Russia and the Caspian Sea region. Together with our Russian partner Gazprom, we are active in the trading, transport and storage of natural gas in Europe.

# BASF INNOVATIONS

## MICROCAPSULES AGAINST MALNUTRITION

→ How foods are enriched with vitamin A from BASF

**Vitamin A deficiency is a serious problem in emerging and developing countries. Children under the age of 5 are particularly affected – up to 250 million worldwide according to World Health Organization estimates. People who suffer from this form of malnutrition can go blind and are more susceptible to infections because of their weakened immune system. With its expertise, BASF is supporting the fight against malnutrition. This is done by fortifying staple foods with specially protected vitamin A.**

With the method known as food fortification, staple foods are enriched with vitamins and minerals that they either do not naturally contain or that are present in only small amounts. The vitamin A used to fortify oil, flour and sugar is manufactured by BASF in Ludwigshafen: The starting substance, citral, is converted into high-quality vitamin A in a multistage process. Vitamin A is liquid, fat-soluble and can only be mixed directly with cooking oil.

In order for it to be mixed with solid foods such as flour and sugar, the vitamin A is specially formulated at BASF's Ballerup site in Denmark. Vitamin A droplets are packaged into microscopic spheres and are thus protected against harmful influences, such as high temperatures. In this process known as "microencapsulation", the vitamin A droplets are enveloped in a starch or gelatin powder.

In countries like Brazil, Tanzania or Indonesia, BASF experts explain how to fortify foods with vitamin A to local food producers. Important aspects include modifying production processes and ensuring the correct dosage of the vitamin.



Fortifying staple foods with specially encapsulated vitamin A can prevent people in developing countries from going blind.



A spot test kit developed by BASF allows food producers to check the concentration of the vitamin during the food fortification process.

## INNOVATIONS IN CHEMISTRY HELP PEOPLE AROUND THE GLOBE

- Vitamin A deficiency can lead to blindness and weakening of the immune system, particularly in people in emerging and developing countries
- Malnutrition can be fought by enriching staple foods with vitamins and minerals
- BASF has developed a process that makes it possible to add liquid, fat-soluble vitamin A to foods such as flour and sugar
- BASF experts explain to local food producers how they can fortify foods with vitamin A

# BASF GROUP BUSINESS REVIEW

## 3RD QUARTER 2009

Our business continued to stabilize in the third quarter of 2009. Sales and earnings nevertheless decreased considerably compared with the same quarter of 2008, which was already affected by the emerging economic crisis. At €12.8 billion, sales were 19% lower than in the same quarter of 2008 – primarily due to a decline in prices. Income from operations before special items fell by 20% to €1,248 million. Successful measures to cut costs and increase efficiency, along with improved margins in many business areas, have helped to stabilize earnings. Our cash flow almost doubled compared with the same period of 2008.

Sales volumes were lower than in the third quarter of 2008. In particular, prices declined in almost all divisions. Only Agricultural Solutions, Coatings and Construction Chemicals recorded a slight increase in prices. Portfolio measures, in particular the acquisition of Ciba, led to a 5% increase in sales.

### Factors influencing sales (% of sales)

|                           | 3rd Quarter | January – September |
|---------------------------|-------------|---------------------|
| Volumes                   | (6)         | (15)                |
| Prices                    | (19)        | (12)                |
| Acquisitions/divestitures | 5           | 3                   |
| Currencies                | 1           | 2                   |
|                           | (19)        | (22)                |

Sales decreased in all divisions of the **Chemicals** segment due to significantly lower prices and a decline in volumes. Earnings, however, were almost at the previous year's level and improved compared with the second quarter of 2009. This was due to higher margins resulting from our "value

over volume" pricing strategy, as well as product shortages in some business areas, especially in Europe. Earnings in Petrochemicals and Intermediates increased compared with the third quarter of 2008.

In the **Plastics** segment, sales decreased due to lower volumes and prices. Demand for our products increased compared with the second quarter of 2009, especially in Asia. Despite the decrease in sales, earnings were higher than in the same quarter of 2008. This was mainly due to improved margins in the Performance Polymers division.

### 3rd quarter sales (million €)

|                        |      |       |       |
|------------------------|------|-------|-------|
| Chemicals              | 2009 | 2,000 | (34%) |
|                        | 2008 | 3,033 |       |
| Plastics               | 2009 | 1,967 | (20%) |
|                        | 2008 | 2,452 |       |
| Performance Products   | 2009 | 2,651 | 25%   |
|                        | 2008 | 2,126 |       |
| Functional Solutions   | 2009 | 1,888 | (24%) |
|                        | 2008 | 2,479 |       |
| Agricultural Solutions | 2009 | 623   | (2%)  |
|                        | 2008 | 636   |       |
| Oil & Gas              | 2009 | 2,389 | (25%) |
|                        | 2008 | 3,182 |       |
| Other                  | 2009 | 1,280 | (31%) |
|                        | 2008 | 1,864 |       |

Thanks to the inclusion of the Ciba businesses, sales in the **Performance Products** segment rose significantly compared with the same quarter of 2008 despite a decline in demand. Earnings increased in all divisions due to price discipline and cost reductions.

## BASF GROUP 3RD QUARTER 2009

- Business stabilizes in third quarter, but sales and earnings significantly lower compared with same quarter of 2008
- Sales 19% lower, in particular due to a decline in prices (–19%) and lower volumes (–6%); decline in all segments except Performance Products
- Income from operations before special items down 20%; higher earnings in Plastics and Performance Products compared with same quarter of 2008

In the **Functional Solutions** segment, lower sales volumes and a decline in prices for precious metals led to a drop in sales. Thanks to our successful cost reduction measures and higher margins in the Construction Chemicals division, earnings declined only slightly. Compared with the second quarter of 2009, we increased sales and earnings in all divisions.

Due to a decline in the use of fungicides and herbicides, sales in the **Agricultural Solutions** segment were slightly lower than in the third quarter of 2008. Decreased sales volumes and higher spending on research and development negatively impacted earnings, which were less than in the strong third quarter of 2008. Our business made a successful start to the new growing season in South America.

In the **Oil & Gas** segment, the significant decrease in sales was primarily due the considerable decline in the price of crude oil. In Exploration & Production, we significantly expanded natural gas production as the Yuzhno Russkoye natural gas field reached plateau production. Volumes increased in Natural Gas Trading. Overall, earnings declined significantly compared with the strong third quarter of 2008 due to the drop in sales in Exploration & Production.

Sales in **Other** declined due to lower demand and falling prices for styrenics. Earnings in the Styrenics division rose, however, thanks to improved margins and lower fixed costs. Overall, earnings in Other were lower than in the third quarter of 2008. This was mainly due to expenses for the BASF option program resulting from the higher share price.

Special items of €277 million (third quarter of 2008: €59 million) were incurred primarily due to the integration of Ciba – for example the faster amortization of Ciba's IT system – as well as site restructuring.

### 3rd quarter EBIT before special items (million €)

|                        |      |       |       |
|------------------------|------|-------|-------|
| Chemicals              | 2009 | 364   | (9%)  |
|                        | 2008 | 401   |       |
| Plastics               | 2009 | 216   | 9%    |
|                        | 2008 | 198   |       |
| Performance Products   | 2009 | 286   | 29%   |
|                        | 2008 | 221   |       |
| Functional Solutions   | 2009 | 106   | (9%)  |
|                        | 2008 | 117   |       |
| Agricultural Solutions | 2009 | 21    | (32%) |
|                        | 2008 | 31    |       |
| Oil & Gas              | 2009 | 550   | (37%) |
|                        | 2008 | 870   |       |
| Other                  | 2009 | (295) | (9%)  |
|                        | 2008 | (270) |       |

Compared with the third quarter of 2008, EBIT dropped 36% to €971 million. EBITDA declined by 8% to €1,993 million, whereas the EBITDA margin rose to 15.6% (third quarter of 2008: 13.8%).

At minus €173 million, the financial result was €134 million lower than in the third quarter of 2008, primarily due to a rise in interest expenses and higher expenses for pension obligations.

In the third quarter, income before taxes and minority interests fell 46% to €798 million. At 60%, the tax rate was higher than in the third quarter of 2008.

→ See page 25 for details on the calculation of the tax rate

Net income decreased by 69% to €237 million.

Earnings per share were €0.26 in the third quarter compared with €0.82 in the same period of 2008. The figure adjusted for special items and amortization of intangible assets was €0.61 (third quarter of 2008: €0.96).

→ See page 31 for details on the calculation of adjusted earnings per share

### BASF Group special items (million €)

|                  | 2009  | 2008         |
|------------------|-------|--------------|
| 1st quarter      | (57)  | (51)         |
| 2nd quarter      | (368) | (49)         |
| 3rd quarter      | (277) | (59)         |
| 4th quarter      |       | (234)        |
| <b>Full year</b> |       | <b>(393)</b> |

### Adjusted earnings per share (€)

|                  | 2009 | 2008        |
|------------------|------|-------------|
| 1st quarter      | 0.55 | 1.38        |
| 2nd quarter      | 0.79 | 1.54        |
| 3rd quarter      | 0.61 | 0.96        |
| 4th quarter      |      | (0.05)      |
| <b>Full year</b> |      | <b>3.85</b> |

# BASF ON THE CAPITAL MARKET

## Overview of BASF shares

|  |                | 3rd Quarter 2009 | January – September 2009 |
|--|----------------|------------------|--------------------------|
| <b>Performance (with dividends reinvested)</b> |                |                  |                          |
| BASF   | %              | 27.8             | 39.4                     |
| DAX 30   | %              | 18.0             | 18.0                     |
| DJ EURO STOXX 50                               | %              | 19.9             | 21.0                     |
| DJ Chemicals                                   | %              | 22.7             | 41.6                     |
| MSCI World Chemicals                           | %              | 14.0             | 31.8                     |
| <b>Share prices and trading (XETRA)</b>        |                |                  |                          |
| Average  | €              | 34.10            | 28.88                    |
| High   | €              | 38.13            | 38.13                    |
| Low  | €              | 27.50            | 20.71                    |
| Close (end of period)                          | €              | 36.21            | 36.21                    |
| Average daily trade                            | Million shares | 4.21             | 5.21                     |
| Outstanding shares (end of period)             | Million shares | 918.5            | 918.5                    |
| Market capitalization (end of period)          | Billion €      | 33.3             | 33.3                     |

## Market trend

Stock markets worldwide continued to recover in the third quarter of 2009. However, the market environment for shares is still characterized by high volatility and uncertainty regarding economic developments.

At €36.21, BASF's share price at the end of the third quarter was approximately 28% higher than the closing price at the end of the previous quarter. As a result, the BASF stock outperformed the German and European stock markets, where the key indices DAX 30 and DJ EURO STOXX 50 rose by approximately 18% and 20%, respectively, in the same period. BASF shares also outperformed the global industry indices DJ Chemicals and MSCI World Chemicals, which increased by 23% and 14%, respectively, in the third quarter.

→ Up-to-date information on BASF shares is available on the Internet at [corporate.basf.com/share](http://corporate.basf.com/share)

## Financing

With an "A+/A-1 outlook negative" rating from rating agency Standard & Poor's and "A1/P-1 outlook stable" from Moody's, BASF has good credit ratings, also compared with its competitors in the chemical industry.

→ See page 30 for information on financial indebtedness and its maturities

## BASF a sustainable investment

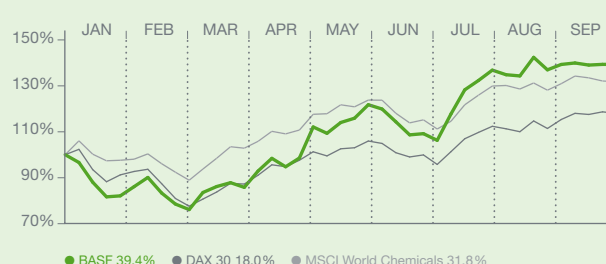
In September, the international investor group Carbon Disclosure Project again included BASF in the prestigious Carbon Disclosure Leadership Index (CDLI). BASF is ranked number one among all companies in the materials sector and is thus among the top performers in the CDLI in the area of climate protection. Furthermore, BASF was included in the Dow Jones Sustainability World Index (DJSI World) for the ninth year in succession: We received special recognition for our climate strategy and our risk management.

## BASF ON THE CAPITAL MARKET

- BASF stock recovers more strongly than German and European share indices in third quarter
- Good credit ratings, also compared with competitors in the chemical industry
- BASF again included in important sustainability indices

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Performance of BASF shares (January – September 2009)  
(with dividends reinvested; indexed)



## SIGNIFICANT EVENTS

The integration of the businesses acquired from Ciba is proceeding smoothly, in some areas faster than planned: The implementation phase, which includes the introduction of BASF IT systems, the bundling of central services and the consolidation of company structures, was started in July. Out of a total of 70 former Ciba non-production sites, 16 have already been integrated into existing BASF structures. All the essential structural integration measures are expected to be completed in April 2010. As of the third quarter of 2009, the Ciba businesses are reported as part of the operating divisions of the Performance Products segment.

BASF outlined its strategy 2020 for Asia Pacific on September 29, 2009. The main aim is to grow on average two percentage points faster than the Asia Pacific chemical market each year. With expected market growth of 4 to 5% per year, this would double regional sales by 2020, whilst earning a premium on cost of capital. Seventy percent of regional sales are to be generated from local production. The strategy also aims to increase the number of employees by at least 5,000 from a current figure of approximately 15,000. Between 2009 and 2013, BASF plans to invest €2 billion in the region and implement measures to increase efficiency. As of 2012, these measures should lead to savings of at least €100 million per year.

The restructuring of the Styrenics division continued with two further divestitures in the styrene value chain: In Brazil, BASF sold the entire polystyrene business, including a production plant, to the petrochemical company Companhia Brasileira de Estireno. Furthermore, in August, BASF sold a styrene monomer site in Ulsan, Korea, to SK Energy, a South Korean refining company.

Production of polyamide 6 in Europe is also being strategically restructured. In the future, production will be bundled at BASF's two Verbund sites in Antwerp, Belgium, and Ludwigshafen, Germany. The production of polyamide 6 at a third European production site in Rudolstadt will be discontinued at the end of 2010. These measures will reduce BASF's annual worldwide polymerization capacity by 40,000 tons to 680,000 tons. This corresponds to a reduction of around 6%. Polyamide is used, for example, in the production of engineering plastics employed in the automotive, electric and electronic industries, as well as in the furniture and leisure industries.

## SIGNIFICANT EVENTS

- Ciba integration making good progress; structural integration to be completed by April 2010
- Asia Pacific Strategy 2020: growth of two percentage points above the chemical market in the region
- Restructuring of Styrenics division continues; divestitures in Brazil and Korea
- European polyamide 6 production reorganized: production bundled at the Antwerp and Ludwigshafen Verbund sites

## OUTLOOK

**Following the global economic downturn at the end of 2008, our business has stabilized at a low level during the course of the year. Positive impulses are coming from Asia, above all from China, as well as from parts of South America. For the fourth quarter of 2009, we expect sales to be at the level of the previous quarter. Income from operations before special items is likely to be higher than in the fourth quarter of 2008, but lower than in the third quarter of this year. Overall, the development in the coming months is difficult to predict. Major risks still exist. The recovery will be slow and uneven.**

### Opportunities and risks

Risks result from the phasing out of economic stimulus packages, corporate insolvencies, rising unemployment, the increasing difficulty of supplying credit to businesses and the weakening U.S. dollar. The temporary non-availability of production capacities supported the market for some chemical products in the third quarter. Overall, however, there are still major structural overcapacities worldwide. Our customers are still placing small orders at very short notice, especially closer to the end of the year. We therefore do not expect our customers to increase their inventories in the fourth quarter.

We have demonstrated our ability to act quickly and decisively even in uncertain times by strictly managing costs, tailoring production to demand, idling plants and introducing flexible working time arrangements including short-time work where necessary. Despite unsatisfactory plant utilization, we have increased our cash flow. All segments are operating profitably.

We are adjusting capital expenditures to the changed market conditions. We are continuing to exploit opportunities in growth markets. We are also maintaining a high level of expenditures for research and development in 2009.

The integration of the businesses acquired from Ciba is proceeding rapidly, and is faster than planned in some areas. As a result, a greater proportion of the integration costs will be incurred in 2009. For the full year 2009, we anticipate a negative impact on earnings of €800 million, of which around €150 million will be cash costs. By 2012 at the latest, we expect the combined business to generate synergies of at least €450 million per year. We expect to achieve recurring savings of €350 million by the end of 2010.

The statements on opportunities and risks made in the BASF Report 2008 remain valid.

→ Current information can be found in the BASF Report 2008, under Risk Report, pages 112–119

### Forecast

We have updated our expectations with regard to the underlying economic conditions worldwide in 2009:

- Decline in gross domestic product (–2.5%)
- Decline in industrial production (–9.1%)
- Decline in chemical production (excluding pharmaceuticals) (–6.1%)
- An average euro/dollar exchange rate of \$1.40 per euro
- Average oil price of \$60 per barrel in 2009

Despite stabilization of the economic environment in the third quarter, we anticipate a significant decline in sales and earnings for full year 2009. Higher integration costs for the integration of Ciba will negatively impact earnings. BASF is therefore unlikely to reach its goal of earning its cost of capital this year.

## OUTLOOK

- Fourth quarter of 2009: sales expected to be at the level of the previous quarter; earnings expected to be higher than in the fourth quarter of 2008, but lower than in the third quarter of 2009
- High cash flow and profitable business in all segments thanks to operational strength and strict cost management
- Rapid integration of Ciba, faster than planned in some areas; integration costs of more than €800 million in 2009, of which around €150 million will be cash costs
- Development difficult to predict due to ongoing risks; recovery will be slow and uneven
- Goal of earning cost of capital is unlikely to be achieved in 2009

# CHEMICALS

Excellence in the Verbund, technology and cost leadership

## Segment data (million €)

|  | 3rd Quarter |       |             | January – September |       |             |
|--|-------------|-------|-------------|---------------------|-------|-------------|
|  | 2009        | 2008  | Change in % | 2009                | 2008  | Change in % |
| Sales to third parties   | 2,000       | 3,033 | (34)        | 5,365               | 8,877 | (40)        |
| Thereof Inorganics   | 262         | 379   | (31)        | 720                 | 1,051 | (31)        |
| Petrochemicals   | 1,238       | 2,003 | (38)        | 3,275               | 5,844 | (44)        |
| Intermediates  | 500         | 651   | (23)        | 1,370               | 1,982 | (31)        |
| Income from operations before depreciation and amortization (EBITDA) | 527         | 558   | (6)         | 1,184               | 1,762 | (33)        |
| Income from operations (EBIT) before special items                   | 364         | 401   | (9)         | 706                 | 1,310 | (46)        |
| Income from operations (EBIT)  | 364         | 401   | (9)         | 705                 | 1,310 | (46)        |
| Assets   | 5,918       | 7,244 | (18)        | –                   | –     | –           |
| Research expenses  | 32          | 38    | (16)        | 98                  | 110   | (11)        |
| Additions to property, plant and equipment and intangible assets     | 117         | 147   | (20)        | 330                 | 421   | (22)        |

### 3rd Quarter 2009

Third-quarter sales in the Chemicals segment declined compared with the same period of 2008 due to lower volumes and prices (volumes –11%, prices –24%, portfolio 0%, currencies 1%). Income from operations before special items, however, was almost at the previous year's level. This was due to higher margins resulting from product shortages in some business areas and our “value over volume” pricing strategy. Our measures to cut costs had a positive effect. Compared with the second quarter of 2009, sales and earnings increased in all divisions.

### Inorganics

In the Inorganics division, falling prices and volumes led to lower sales in almost all business areas. Despite strict cost discipline, earnings declined compared with the strong third quarter of 2008 due to reduced demand and continued low margins for ammonia and methanol. Demand increased sequentially, in particular for electronic chemicals, inorganic salts and specialties.

### Petrochemicals

Sales fell, primarily due to lower prices. Plant shutdowns throughout the industry led to shortages of some products, such as olefins, acrylic acid and butadiene, especially in Europe. As a result, we were able to implement price increases and improve margins compared with the second quarter. Our cost discipline also contributed to an increase in earnings compared with the same quarter of 2008. However, the third quarter of 2008 was negatively impacted by the effects of hurricanes in the United States.

### Intermediates

Demand from the textiles, coatings and plastics industries was weaker than in the third quarter of 2008. Combined with a decline in prices, this resulted in lower sales. After a weak start to the year and a slight improvement in the second quarter, demand picked up in the third quarter, in particular in Asia. Earnings were higher than in the third quarter of 2008; this was primarily due to improved margins in all product areas and measures to cut costs.

## CHEMICALS

- Sales decline due to lower volumes and prices
- Margins improve thanks to “value over volume” pricing strategy and product shortages in Petrochemicals, especially in Europe
- Higher earnings in Petrochemicals and Intermediates

## 3RD QUARTER 2009

Change compared with 3rd quarter 2008

### SALES

–34%

### EBIT

before special items

–9%

# PLASTICS

Energy-efficient materials, innovative solutions

## Segment data (million €)

|  | 3rd Quarter |       |             | January – September |       |             |
|--|-------------|-------|-------------|---------------------|-------|-------------|
|  | 2009        | 2008  | Change in % | 2009                | 2008  | Change in % |
| Sales to third parties   | 1,967       | 2,452 | (20)        | 5,180               | 7,337 | (29)        |
| Thereof Performance Polymers   | 843         | 1,096 | (23)        | 2,190               | 3,260 | (33)        |
| Polyurethanes  | 1,124       | 1,356 | (17)        | 2,990               | 4,077 | (27)        |
| Income from operations before depreciation and amortization (EBITDA) | 333         | 295   | 13          | 658                 | 1,121 | (41)        |
| Income from operations (EBIT) before special items                   | 216         | 198   | 9           | 325                 | 835   | (61)        |
| Income from operations (EBIT)  | 216         | 194   | 11          | 325                 | 830   | (61)        |
| Assets   | 4,592       | 5,591 | (18)        | –                   | –     | –           |
| Research expenses  | 29          | 38    | (24)        | 93                  | 105   | (11)        |
| Additions to property, plant and equipment and intangible assets     | 58          | 120   | (52)        | 185                 | 303   | (39)        |

### 3rd Quarter 2009

The business environment in the Plastics segment remained challenging in the third quarter. Both volumes and sales fell short of the figures for the same quarter of 2008 (volumes –4%, prices –18%, portfolio 0%, currencies 2%). Despite the decline in sales, we increased income from operations before special items compared with the third quarter of 2008. Measures to cut costs and higher margins in Performance Polymers contributed to the rise in earnings. Demand for our products continued to stabilize compared with the previous quarter. Both divisions improved sales and earnings.

### Performance Polymers

In the Performance Polymers division, sales fell significantly compared with the third quarter of 2008. This was mainly due to lower prices as a result of a decline in raw material costs and generally weaker demand. In the third quarter of 2009, the business environment improved slightly worldwide and in Asia considerably. The positive earnings trend seen since the beginning of the year continued in the third quarter: Earnings were significantly higher than in the same period of 2008. This was due to higher margins in almost

all business areas, as well as lower fixed costs resulting from our measures to adjust capacities. In the future, we will concentrate the production of polyamide 6 in Europe at our Antwerp and Ludwigshafen sites and place greater emphasis on high-margin products.

### Polyurethanes

As a result of lower prices, sales in the Polyurethanes division declined compared with the third quarter of 2008. Business with important customer industries, such as automotive and construction, remained difficult. The basic products, MDI and TDI, were subject to strong price competition, which resulted in lower margins. We were able to partly offset the decline in earnings by reducing costs. Our system solutions business posted higher earnings despite a decline in sales. Compared with the second quarter of 2009, sales and earnings increased significantly, especially in Asia.

## PLASTICS

- Sales significantly lower than in third quarter of 2008 due to decline in volumes and prices
- Earnings increase overall thanks to successful measures to reduce costs
- Significant improvement in earnings in Performance Polymers as a result of capacity adjustments

## 3RD QUARTER 2009

Change compared with 3rd quarter 2008

### SALES

–20%

### EBIT

before special items

9%

# PERFORMANCE PRODUCTS

Innovative and high-growth specialties

## Segment data (million €)

|   | 3rd Quarter |       |             | January – September |       |             |
|---|-------------|-------|-------------|---------------------|-------|-------------|
|   | 2009        | 2008  | Change in % | 2009                | 2008  | Change in % |
| Sales to third parties  | 2,651       | 2,126 | 25          | 6,771               | 6,211 | 9           |
| Thereof Dispersions & Pigments  | 700         | 607   | 15          | 1,819               | 1,756 | 4           |
| Care Chemicals  | 896         | 919   | (3)         | 2,519               | 2,719 | (7)         |
| Paper Chemicals   | 392         | 271   | 45          | 930                 | 769   | 21          |
| Performance Chemicals   | 663         | 329   | 102         | 1,503               | 967   | 55          |
| Income from operations before depreciation and amortization (EBITDA)          | 481         | 317   | 52          | 703                 | 967   | (27)        |
| Income from operations (EBIT) before special items                            | 286         | 221   | 29          | 489                 | 651   | (25)        |
| Income from operations (EBIT)   | 125         | 221   | (43)        | 34                  | 682   | (95)        |
| Assets  | 9,521       | 6,018 | 58          | –                   | –     | –           |
| Research expenses   | 73          | 58    | 26          | 199                 | 167   | 19          |
| Additions to property, plant and equipment and intangible assets <sup>1</sup> | (151)       | 96    | –           | 3,702               | 232   | –           |

<sup>1</sup> Negative value due to adjustment after purchase price allocation for Ciba; without this effect, the additions to property, plant and equipment and intangible assets were €62 million.

### 3rd Quarter 2009

As a result of the inclusion of the Ciba businesses, sales increased compared with the same quarter of 2008 despite weaker demand (volumes –8%, prices –6%, portfolio 38%, currencies 1%). Income before special items also increased significantly. This was primarily thanks to cost reductions and measures to improve margins. Special charges were related to the Ciba integration, among other things due to the faster amortization of Ciba's IT system.

In **Dispersions & Pigments**, the inclusion of the Ciba businesses with pigments and additives for the coating and paint industry led to an increase in sales. The decline in earnings due to lower volumes was more than offset by improved margins for dispersions and resins, as well as cost reduction measures. Earnings were higher than in the previous quarter and the third quarter of 2008.

Sales in **Care Chemicals** fell slightly, primarily due to lower volumes in the Detergents & Formulators and Nutrition business sectors. Earnings were higher than in the strong third quarter of 2008 and the previous quarter thanks to higher margins and lower fixed costs.

Sales in **Paper Chemicals** increased significantly as a result of the merger of the Ciba and BASF businesses with products for the paper industry, although demand remained unsatisfactory. Despite this, improved margins led to higher earnings compared with the third quarter of 2008 and the previous quarter of this year.

In **Performance Chemicals**, sales more than doubled compared with the same quarter of 2008. The inclusion of the acquired businesses more than offset an overall decline in volumes. Earnings improved primarily as a result of the acquisition. Sales and earnings increased compared with the second quarter thanks to an upturn in business.

## PERFORMANCE PRODUCTS

- Strong sales growth due to Ciba acquisition; unsatisfactory demand in Paper Chemicals
- Significantly higher earnings in all divisions thanks to lower costs and improved margins
- High special charges as a result of Ciba integration

### 3RD QUARTER 2009

Change compared with 3rd quarter 2008

#### SALES

25%

#### EBIT

before special items

29%

# FUNCTIONAL SOLUTIONS

## Customer-specific products and system solutions

### Segment data (million €)

|  | 3rd Quarter |       |             | January – September |       |             |
|--|-------------|-------|-------------|---------------------|-------|-------------|
|  | 2009        | 2008  | Change in % | 2009                | 2008  | Change in % |
| Sales to third parties   | 1,888       | 2,479 | (24)        | 5,211               | 7,363 | (29)        |
| Thereof Catalysts  | 788         | 1,225 | (36)        | 2,116               | 3,803 | (44)        |
| Construction Chemicals   | 543         | 621   | (13)        | 1,527               | 1,639 | (7)         |
| Coatings   | 557         | 633   | (12)        | 1,568               | 1,921 | (18)        |
| Income from operations before depreciation and amortization (EBITDA) | 176         | 200   | (12)        | 352                 | 620   | (43)        |
| Income from operations (EBIT) before special items                   | 106         | 117   | (9)         | 108                 | 368   | (71)        |
| Income from operations (EBIT)  | 86          | 112   | (23)        | 70                  | 357   | (80)        |
| Assets   | 8,087       | 9,170 | (12)        | –                   | –     | –           |
| Research expenses  | 38          | 46    | (17)        | 124                 | 140   | (11)        |
| Additions to property, plant and equipment and intangible assets     | 37          | 56    | (34)        | 113                 | 138   | (18)        |

### 3rd Quarter 2009

Sales fell compared with the third quarter of 2008 (volumes –12%, prices –13%, portfolio 0%, currencies 1%), primarily as a result of lower prices for precious metals and a weaker business environment. In contrast, income from operations before special items declined only slightly overall thanks to cost reduction measures and higher margins in Construction Chemicals. All divisions made a positive contribution to the segment's earnings.

### Catalysts

Sales in the Catalysts division were lower than in the same period of 2008, primarily due to a decline in prices of precious metals. Precious metal trading contributed €352 million to sales (third quarter 2008: €662 million). In the remaining business areas, we recorded a 22% drop in sales. Earnings were lower than in the same quarter of 2008 as a result of weaker demand for chemical catalysts and the smaller contribution from precious metal trading. The division posted positive earnings following a loss in the second quarter of 2009. This was due, among other things, to

the stabilization of demand from the automotive industry and fixed cost reductions.

### Construction Chemicals

Sales decreased as a result of the continued low level of construction activity in Europe and North America. Slightly higher prices and positive currency effects were not sufficient to offset a decline in volumes. Despite the sales decline, we improved earnings compared with the third quarter of 2008. This was primarily due to margin improvements and lower fixed costs. The positive earnings trend of the previous quarter continued.

### Coatings

In the Coatings division, volumes decreased in Europe and North America compared with the same quarter of 2008. Third-quarter sales rose compared with the same period in 2008 only in Asia. We were able to offset weaker volumes thanks to cost reduction measures and predominantly stable margins. Earnings improved compared with both the third quarter of 2008 and the second quarter of 2009.

## FUNCTIONAL SOLUTIONS

- Sales decline due to lower volumes and prices; weak demand from automotive and construction industries
- Decline in earnings limited by cost reduction measures and higher margins
- All divisions post positive earnings

## 3RD QUARTER 2009

Change compared with 3rd quarter 2008

### SALES

–24%

### EBIT

before special items

–9%

# AGRICULTURAL SOLUTIONS

Development of innovative active ingredients and solutions for plant health

## Segment data (million €)

|  | 3rd Quarter |       |             | January – September |       |             |
|--|-------------|-------|-------------|---------------------|-------|-------------|
|  | 2009        | 2008  | Change in % | 2009                | 2008  | Change in % |
| Sales to third parties   | 623         | 636   | (2)         | 2,943               | 2,741 | 7           |
| Income from operations before depreciation and amortization (EBITDA) | 70          | 78    | (10)        | 873                 | 806   | 8           |
| Income from operations (EBIT) before special items                   | 21          | 31    | (32)        | 732                 | 653   | 12          |
| Income from operations (EBIT)  | 21          | 31    | (32)        | 727                 | 653   | 11          |
| Assets   | 4,617       | 4,178 | 11          | –                   | –     | –           |
| Research expenses  | 86          | 82    | 5           | 253                 | 236   | 7           |
| Additions to property, plant and equipment and intangible assets     | 47          | 25    | 88          | 158                 | 70    | 126         |

### 3rd Quarter 2009

In the Agricultural Solutions segment, sales were slightly lower than in the third quarter of 2008. Lower prices for important agricultural products such as corn (maize) and wheat led to more cautious buying behavior by our customers. This resulted in weaker demand, particularly for fungicides and herbicides. Higher overall prices, positive currency effects and the sales contribution of the acquired Sorex Group were not sufficient to fully offset the decline in volumes (volumes –6%, prices 2%, portfolio 1%, currencies 1%). Income from operations before special items was lower than in the strong third quarter of 2008 due to higher marketing and sales expenses and increased research and development expenditures. We expect to achieve an EBITDA margin of more than 25% in 2009.

Sales in **Europe** declined compared with the strong third quarter of 2008. Competition for products for canola (oil-seed rape) cultivation was intense. In the Eastern European growth markets, incoming payments are satisfactory thanks to our strict credit management.

In **North America**, sales increased slightly compared with the third quarter of 2008. Positive currency effects, higher prices, in particular for herbicides, and the Sorex Group's contribution to sales compensated for a decline in the use of crop protection agents.

In **Asia**, sales increased considerably, particularly in the growth markets China and India.

Our business made a successful start to the new growing season in **South America**. In particular, demand was positively affected by relatively high prices for soybeans. However, the continued appreciation of the Brazilian currency against the U.S. dollar led to delayed orders from our customers.

BASF's new Kixor™ herbicide was approved by the U.S. authorities in September. Kixor can be used against difficult-to-control weeds, including those that have developed resistance to the herbicide glyphosate. Approvals have already been granted for various markets in Latin America.

## AGRICULTURAL SOLUTIONS

- Earnings decrease slightly due to higher research and development expenditures
- Good start to the new growing season in South America
- Herbicide Kixor approved for the U.S. market
- EBITDA margin in excess of 25% expected in 2009

## 3RD QUARTER 2009

Change compared with 3rd quarter 2008

### SALES

–2%

### EBIT

before special items

–32%

## OIL & GAS

Exploration and production of crude oil and natural gas;  
trading, transportation, and storage of natural gas

### Segment data (million €)

|   | 3rd Quarter |       |             | January – September |        |             |
|---|-------------|-------|-------------|---------------------|--------|-------------|
|   | 2009        | 2008  | Change in % | 2009                | 2008   | Change in % |
| Sales to third parties  | 2,389       | 3,182 | (25)        | 8,735               | 10,127 | (14)        |
| Thereof Exploration & Production  | 891         | 1,415 | (37)        | 2,874               | 4,186  | (31)        |
| Natural Gas Trading   | 1,498       | 1,767 | (15)        | 5,861               | 5,941  | (1)         |
| Income from operations before depreciation and amortization (EBITDA)                      | 667         | 1,011 | (34)        | 2,131               | 3,296  | (35)        |
| Thereof Exploration & Production  | 551         | 1,011 | (45)        | 1,651               | 3,007  | (45)        |
| Natural Gas Trading   | 116         | -     | -           | 480                 | 289    | 66          |
| Income from operations (EBIT) before special items  | 550         | 870   | (37)        | 1,781               | 2,880  | (38)        |
| Thereof Exploration & Production  | 467         | 905   | (48)        | 1,407               | 2,697  | (48)        |
| Natural Gas Trading   | 83          | (35)  | -           | 374                 | 183    | 104         |
| Income from operations (EBIT)   | 550         | 870   | (37)        | 1,781               | 2,880  | (38)        |
| Thereof Exploration & Production  | 467         | 905   | (48)        | 1,407               | 2,697  | (48)        |
| Natural Gas Trading   | 83          | (35)  | -           | 374                 | 183    | 104         |
| Assets  | 8,199       | 7,218 | 14          | -                   | -      | -           |
| Thereof Exploration & Production  | 4,994       | 4,005 | 25          | -                   | -      | -           |
| Natural Gas Trading   | 3,205       | 3,213 | -           | -                   | -      | -           |
| Exploration expenses  | 25          | 74    | (66)        | 76                  | 182    | (58)        |
| Additions to property, plant and equipment and intangible assets                          | 224         | 140   | 60          | 686                 | 398    | 72          |
| Income taxes on oil-producing operations non-compensable with German corporate income tax | 244         | 531   | (54)        | 624                 | 1,566  | (60)        |
| Net income  | 186         | 169   | 10          | 580                 | 612    | (5)         |

### 3rd Quarter 2009

In the Oil & Gas segment, sales fell significantly, primarily as a result of the considerable decline in the price of crude oil (volume 3%, prices/currencies -29%, portfolio 1%). The decline in sales negatively impacted income from operations before special items, which was significantly lower than the high figure in the same quarter of 2008.

In **Exploration & Production**, the Yuzhno Russkoye natural gas field reached plateau production. As a result, natural gas production could be expanded significantly. In Libya, in particular, production of crude oil decreased due to lower OPEC quotas. Compared with the same

period of the previous year, the average price of Brent crude fell by 41% or \$47 per barrel to \$68.08 per barrel (in euro terms, 38% fall to €47.60 per barrel). Sales and earnings declined accordingly.

In the **Natural Gas Trading** sector, gas sales volumes increased because some customers postponed purchases until the third quarter. However, sales were lower than in the same quarter of 2008 due to significantly lower prices. Improved margins led to considerably higher earnings, which had been negatively affected in the third quarter of 2008 by the delayed adjustment of sales prices to purchase prices.

## OIL & GAS

- Sales and EBIT decline due to significantly lower oil prices
- Higher volumes and improved margins in Natural Gas Trading
- Decline in earnings expected in fourth quarter due to negative time-lag effects

→ More information on net income in the Oil & Gas segment can be found in the Notes, on page 23

## 3RD QUARTER 2009

Change compared with 3rd quarter 2008

### SALES

-25%

### EBIT

before special items

-37%

# REGIONS

3rd Quarter 2009

## Overview of regions (million €)

|                                    | Sales<br>by location of company |               |                | Sales<br>by location of customer |               |                | EBIT<br>before special items |              |                |
|------------------------------------|---------------------------------|---------------|----------------|----------------------------------|---------------|----------------|------------------------------|--------------|----------------|
|                                    | 2009                            | 2008          | Change<br>in % | 2009                             | 2008          | Change<br>in % | 2009                         | 2008         | Change<br>in % |
| <b>3rd Quarter</b>                 |                                 |               |                |                                  |               |                |                              |              |                |
| Europe                             | 7,343                           | 9,484         | (23)           | 6,958                            | 8,875         | (22)           | 822                          | 1,260        | (35)           |
| Thereof Germany                    | 5,077                           | 6,524         | (22)           | 2,446                            | 3,139         | (22)           | 576                          | 1,017        | (43)           |
| North America                      | 2,283                           | 3,058         | (25)           | 2,262                            | 3,133         | (28)           | 107                          | 62           | 73             |
| Asia Pacific                       | 2,276                           | 2,319         | (2)            | 2,429                            | 2,482         | (2)            | 206                          | 129          | 60             |
| South America, Africa, Middle East | 896                             | 911           | (2)            | 1,149                            | 1,282         | (10)           | 113                          | 117          | (3)            |
|                                    | <b>12,798</b>                   | <b>15,772</b> | <b>(19)</b>    | <b>12,798</b>                    | <b>15,772</b> | <b>(19)</b>    | <b>1,248</b>                 | <b>1,568</b> | <b>(20)</b>    |
| <b>January – September</b>         |                                 |               |                |                                  |               |                |                              |              |                |
| Europe                             | 22,646                          | 29,445        | (23)           | 21,351                           | 27,854        | (23)           | 2,315                        | 4,976        | (53)           |
| Thereof Germany                    | 16,173                          | 20,625        | (22)           | 8,035                            | 10,319        | (22)           | 1,449                        | 3,813        | (62)           |
| North America                      | 6,984                           | 9,342         | (25)           | 7,042                            | 9,359         | (25)           | 363                          | 505          | (28)           |
| Asia Pacific                       | 5,751                           | 6,908         | (17)           | 6,258                            | 7,434         | (16)           | 452                          | 583          | (22)           |
| South America, Africa, Middle East | 2,138                           | 2,303         | (7)            | 2,868                            | 3,351         | (14)           | 243                          | 266          | (9)            |
|                                    | <b>37,519</b>                   | <b>47,998</b> | <b>(22)</b>    | <b>37,519</b>                    | <b>47,998</b> | <b>(22)</b>    | <b>3,373</b>                 | <b>6,330</b> | <b>(47)</b>    |

Sales in **Europe** were 23% lower in the third quarter of 2009 than in the same quarter of 2008. Earnings declined by €438 million to €822 million. Sales decreased in almost all segments. Only Performance Products recorded higher sales thanks to the acquisition of Ciba. The main reason for the decline in earnings in the region was the lower contribution to earnings from Oil & Gas, primarily due to the fall in oil prices.

Sales in **North America** dropped by 28% in dollar terms and by 25% in euro terms. Earnings, however, rose by €45 million to €107 million. Chemicals, Plastics and Functional Solutions posted lower sales. The increase in earnings in the region was primarily due to improved margins in Intermediates and Performance Polymers, as well as cost reduction measures; in addition, third-quarter earnings in 2008 were negatively affected by the impact of hurricanes.

Sales by companies in **Asia Pacific** declined by 6% in local currency terms and by 2% in euro terms. Higher sales in Performance Products as a result of the Ciba acquisition largely offset declines in Chemicals and Functional Solutions. Earnings in the region rose by €77 million to €206 million, among other things as a result of improved margins in Performance Polymers and cost reduction measures.

In **South America, Africa, Middle East**, sales were only 1% lower in local currency terms and 2% lower in euro terms than in the same period of 2008. Increased sales in Performance Products as a result of the Ciba acquisition compensated for the decrease in Functional Solutions. Earnings declined by €4 million to €113 million, primarily due to lower earnings in the Agricultural Solutions segment.

## 3RD QUARTER 2009

- Europe: Significantly lower sales; earnings decline primarily due to the lower contribution from Oil & Gas
- North America: drop in sales; earnings rise due to higher margins in Intermediates and Performance Polymers, as well as cost reduction measures
- Asia Pacific: sales relatively stable; earnings significantly higher than in the third quarter of 2008 due to lower fixed costs
- South America, Africa, Middle East: sales and earnings only slightly lower than in the third quarter of 2008

## OVERVIEW OF OTHER TOPICS

### Research and development

BASF and IMEC, Europe's leading independent nanoelectronics research center, announced in July 2009 that they would be extending the joint development program that they started in 2007. One goal is to develop process chemicals that will enhance the effectiveness of semiconductor production. The cleaning solutions developed in the first phase of the cooperation, which save one process step in chip manufacturing, will be available on the market starting in 2010. The next phase of the joint development will focus on selective cleaning solutions for the new generation of chips based on 22nm technology.

On August 18, 2009, BASF, Linde and RWE officially started up a pilot plant for cleaning exhaust gas from power plants. The focus of the joint project is on the further development of CO<sub>2</sub> scrubbing, a key technology for more environmentally friendly power generation. The first tests at the pilot plant already delivered promising results in July this year. The pilot plant is capable of capturing roughly 300 kilograms of CO<sub>2</sub> per hour from a partial flow of power plant exhaust gases, which amounts to a capture efficiency of 90%. The project partners will investigate all aspects of CO<sub>2</sub> scrubbing at the plant under realistic conditions in order to gather experience for later large-scale plants that will be retrofitted in modern coal or gas-fired power stations from 2015.

BASF SE and Masdar, an Abu Dhabi-based renewable energy company, announced a strategic partnership agreement for the construction of Masdar City – the world's first carbon-neutral city – in August 2009. As a preferred partner and supplier of construction materials and system solutions, BASF will play an integral role in reducing the demand for energy in Masdar City. Among other things, BASF will supply products made from polystyrene foams and polyurethanes which will be used for the manufacture of insulating foams for thermal insulation of buildings.

In August 2009, BASF and the Brazilian Centro de Tecnologia Canavieira (CTC), a worldwide technology leader in sugarcane cultivation, entered into a cooperation in the area of plant biotechnology. With this agreement, BASF is launching its biotechnology activities in the sugarcane sector. The goal is to develop drought-tolerant sugarcane varieties with yield increases of 25%. Further goals are to reduce production costs for the plants and to investigate the development of sugarcane varieties with herbicide-tolerant characteristics. The first higher-yielding varieties are scheduled to be launched in about 10 years.

### Employees

The number of BASF Group employees increased by 8,934 compared with the end of 2008 and amounted to 105,858 on September 30, 2009; 64.4% of BASF Group employees worked in Europe, 15.3% in North America, 14.2% in Asia Pacific, and 6.1% in South America, Africa, Middle East.

From January to September 2009, personnel costs were €5,160 million, an increase of 8.3% compared to the same period of 2008, primarily due to the acquisition of Ciba.

As of September 30, 2009, short-time work applied to approximately 2,200 employees at nine BASF Group sites in Europe. Outside of Europe, we are also tailoring the working hours of our employees to reduced production in accordance with the respective local requirements. Short-time work at our Ludwigshafen site has been suspended as of September and at our Münster site as of October.

## RESEARCH AND DEVELOPMENT

- BASF and IMEC extend joint program for the further development of process chemicals
- BASF, Linde and RWE officially start up a pilot plant for cleaning exhaust gas from power plants
- BASF and Masdar form strategic partnership for the construction of Masdar City
- BASF and CTC enter cooperation agreement for the development of drought-tolerant sugarcane varieties

## EMPLOYEES BY REGION

|                                       | Sept. 30,<br>2009 | Dec. 31,<br>2008 | Change<br>in % |
|---------------------------------------|-------------------|------------------|----------------|
| Europe                                | 68,251            | 61,889           | 10             |
| North America (NAFTA)                 | 16,184            | 15,168           | 7              |
| Asia Pacific                          | 14,992            | 13,734           | 9              |
| South America, Africa,<br>Middle East | 6,431             | 6,133            | 5              |
|                                       | <b>105,858</b>    | <b>96,924</b>    | <b>9</b>       |

# INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF INCOME

### Consolidated Statements of Income (million €)

|   | 3rd Quarter   |               |                | January – September |               |                |
|---|---------------|---------------|----------------|---------------------|---------------|----------------|
|   | 2009          | 2008          | Change<br>in % | 2009                | 2008          | Change<br>in % |
| <b>Sales</b>  | <b>12,798</b> | <b>15,772</b> | <b>(18.9)</b>  | <b>37,519</b>       | <b>47,998</b> | <b>(21.8)</b>  |
| Cost of sales   | 9,127         | 11,727        | (22.2)         | 27,208              | 35,138        | (22.6)         |
| <b>Gross profit on sales</b>                                | <b>3,671</b>  | <b>4,045</b>  | <b>(9.2)</b>   | <b>10,311</b>       | <b>12,860</b> | <b>(19.8)</b>  |
| Selling expenses  | 1,456         | 1,466         | (0.7)          | 4,210               | 4,258         | (1.1)          |
| General and administrative expenses                         | 297           | 252           | 17.9           | 843                 | 777           | 8.5            |
| Research expenses   | 343           | 334           | 2.7            | 1,020               | 1,001         | 1.9            |
| Other operating income                                      | 175           | 136           | 28.7           | 718                 | 729           | (1.5)          |
| Other operating expenses                                    | 779           | 620           | 25.6           | 2,285               | 1,382         | 65.3           |
| <b>Income from operations</b>                               | <b>971</b>    | <b>1,509</b>  | <b>(35.7)</b>  | <b>2,671</b>        | <b>6,171</b>  | <b>(56.7)</b>  |
| Income from companies accounted for using the equity method | 33            | 21            | 57.1           | 49                  | 32            | 53.1           |
| Other income from participations                            | 8             | 16            | (50.0)         | 81                  | 63            | 28.6           |
| Other expenses from participations                          | 4             | 1             | 300.0          | 8                   | 8             | –              |
| Interest income   | 30            | 39            | (23.1)         | 88                  | 122           | (27.9)         |
| Interest expense  | 199           | 140           | 42.1           | 538                 | 433           | 24.2           |
| Other financial result                                      | (41)          | 26            | .              | (106)               | 25            | .              |
| <b>Financial result</b>                                     | <b>(173)</b>  | <b>(39)</b>   | <b>.</b>       | <b>(434)</b>        | <b>(199)</b>  | <b>.</b>       |
| <b>Income before taxes and minority interests</b>           | <b>798</b>    | <b>1,470</b>  | <b>(45.7)</b>  | <b>2,237</b>        | <b>5,972</b>  | <b>(62.5)</b>  |
| Income taxes  | 482           | 670           | (28.1)         | 1,113               | 2,519         | (55.8)         |
| <b>Income before minority interests</b>                     | <b>316</b>    | <b>800</b>    | <b>(60.5)</b>  | <b>1,124</b>        | <b>3,453</b>  | <b>(67.4)</b>  |
| Minority interests  | 79            | 42            | 88.1           | 169                 | 228           | (25.9)         |
| <b>Net income</b>   | <b>237</b>    | <b>758</b>    | <b>(68.7)</b>  | <b>955</b>          | <b>3,225</b>  | <b>(70.4)</b>  |
| <b>Earnings per share (€)</b>                               |               |               |                |                     |               |                |
| Undiluted   | 0.26          | 0.82          | (68.3)         | 1.04                | 3.45          | (69.9)         |
| Diluted   | 0.26          | 0.82          | (68.3)         | 1.04                | 3.45          | (69.9)         |

# CONSOLIDATED BALANCE SHEETS

## Assets (million €)

|   | Sept. 30,<br>2009 | Sept. 30,<br>2008 | Change<br>in % | Dec. 31,<br>2008 | Change<br>in % |
|---|-------------------|-------------------|----------------|------------------|----------------|
| Intangible assets                                     | 10,841            | 9,227             | 17.5           | 9,889            | 9.6            |
| Property, plant and equipment                         | 16,388            | 14,329            | 14.4           | 15,032           | 9.0            |
| Investments accounted for using the equity method     | 1,292             | 1,011             | 27.8           | 1,146            | 12.7           |
| Other financial assets                                | 1,612             | 1,855             | (13.1)         | 1,947            | (17.2)         |
| Deferred tax assets                                   | 1,214             | 612               | 98.4           | 930              | 30.5           |
| Other receivables and miscellaneous short-term assets | 1,028             | 708               | 45.2           | 642              | 60.1           |
| <b>Long-term assets</b>                               | <b>32,375</b>     | <b>27,742</b>     | <b>16.7</b>    | <b>29,586</b>    | <b>9.4</b>     |
| Inventories   | 6,559             | 7,716             | (15.0)         | 6,763            | (3.0)          |
| Accounts receivable, trade                            | 7,737             | 9,199             | (15.9)         | 7,752            | (0.2)          |
| Other receivables and miscellaneous short-term assets | 2,800             | 3,219             | (13.0)         | 3,948            | (29.1)         |
| Marketable securities                                 | 167               | 45                | 271.1          | 35               | 377.1          |
| Cash and cash equivalents                             | 2,931             | 944               | 210.5          | 2,776            | 5.6            |
| Assets of disposal groups                             | –                 | 656               | –              | –                | –              |
| <b>Short-term assets</b>                              | <b>20,194</b>     | <b>21,779</b>     | <b>(7.3)</b>   | <b>21,274</b>    | <b>(5.1)</b>   |
| <b>Total assets</b>                                   | <b>52,569</b>     | <b>49,521</b>     | <b>6.2</b>     | <b>50,860</b>    | <b>3.4</b>     |

## Stockholders' equity and liabilities (million €)

|   | Sept. 30,<br>2009 | Sept. 30,<br>2008 | Change<br>in % | Dec. 31,<br>2008 | Change<br>in % |
|---|-------------------|-------------------|----------------|------------------|----------------|
| Subscribed capital                                | 1,176             | 1,176             | –              | 1,176            | –              |
| Capital surplus                                   | 3,247             | 3,247             | –              | 3,241            | 0.2            |
| Retained earnings                                 | 12,744            | 14,065            | (9.4)          | 13,250           | (3.8)          |
| Other comprehensive income                        | (71)              | 196               | .              | (96)             | 26.0           |
| <b>Equity of shareholders of BASF SE</b>          | <b>17,096</b>     | <b>18,684</b>     | <b>(8.5)</b>   | <b>17,571</b>    | <b>(2.7)</b>   |
| Minority interests                                | 1,083             | 1,154             | (6.2)          | 1,151            | (5.9)          |
| <b>Stockholders' equity</b>                       | <b>18,179</b>     | <b>19,838</b>     | <b>(8.4)</b>   | <b>18,722</b>    | <b>(2.9)</b>   |
| Provisions for pensions and similar obligations   | 2,194             | 1,423             | 54.2           | 1,712            | 28.2           |
| Other provisions                                  | 3,252             | 2,831             | 14.9           | 2,757            | 18.0           |
| Deferred tax liabilities                          | 2,289             | 1,900             | 20.5           | 2,167            | 5.6            |
| Financial indebtedness                            | 12,441            | 7,261             | 71.3           | 8,290            | 50.1           |
| Other long-term liabilities                       | 1,080             | 923               | 17.0           | 917              | 17.8           |
| <b>Long-term liabilities</b>                      | <b>21,256</b>     | <b>14,338</b>     | <b>48.2</b>    | <b>15,843</b>    | <b>34.2</b>    |
| Accounts payable, trade                           | 3,196             | 3,749             | (14.8)         | 2,734            | 16.9           |
| Provisions  | 3,020             | 2,873             | 5.1            | 3,043            | (0.8)          |
| Tax liabilities                                   | 1,007             | 1,170             | (13.9)         | 860              | 17.1           |
| Financial indebtedness                            | 3,361             | 4,842             | (30.6)         | 6,224            | (46.0)         |
| Other short-term liabilities                      | 2,550             | 2,691             | (5.2)          | 3,434            | (25.7)         |
| Liabilities of disposal groups                    | –                 | 20                | –              | –                | –              |
| <b>Short-term liabilities</b>                     | <b>13,134</b>     | <b>15,345</b>     | <b>(14.4)</b>  | <b>16,295</b>    | <b>(19.4)</b>  |
| <b>Total stockholders' equity and liabilities</b> | <b>52,569</b>     | <b>49,521</b>     | <b>6.2</b>     | <b>50,860</b>    | <b>3.4</b>     |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

## Consolidated Statements of Cash Flows (million €)

|  | January – September |                |
|--|---------------------|----------------|
|  | 2009                | 2008           |
| Net income   | 955                 | 3,225          |
| Depreciation and amortization of intangible assets, property, plant and equipment and financial assets | 2,503               | 1,997          |
| Changes in net working capital   | 1,975               | (1,619)        |
| Miscellaneous items  | (57)                | (26)           |
| <b>Cash provided by operating activities</b>   | <b>5,376</b>        | <b>3,577</b>   |
| Payments related to property, plant and equipment and intangible assets                                | (1,828)             | (1,643)        |
| Acquisitions/divestitures  | (1,463)             | (25)           |
| Financial investments and other items  | (127)               | 96             |
| <b>Cash used in investing activities</b>   | <b>(3,418)</b>      | <b>(1,572)</b> |
| Capital increases/repayments, share repurchases  | (134)               | (1,496)        |
| Changes in financial liabilities   | 372                 | 1,638          |
| Dividends  | (2,027)             | (1,990)        |
| <b>Cash used in financing activities</b>   | <b>(1,789)</b>      | <b>(1,848)</b> |
| Net changes in cash and cash equivalents   | 169                 | 157            |
| Cash and cash equivalents as of beginning of year and other changes                                    | 2,762               | 787            |
| <b>Cash and cash equivalents at end of period</b>  | <b>2,931</b>        | <b>944</b>     |

### Cash provided by operating activities

At €5,376 million, cash provided by operating activities was €1,799 million higher in the period from January to September 2009 than in the same period of 2008. In the third quarter, cash provided by operating activities of €1,729 million was €781 million higher than in the third quarter of 2008. Depreciation and amortization increased by €0.5 billion to €2,503 million, primarily as a result of the acquisition and integration of Ciba. Almost €2 billion were released by a significant reduction in net working capital. Disregarding the acquisition of Ciba, receivables decreased by €1.9 billion and inventories by around €1.3 billion.

### Cash used in investing activities

Cash used in investing activities amounted to €3,418 million in the first nine months of 2009 compared with €1,572 million in the same period of the previous year. The acquisition of Ciba Holding AG resulted in a cash outflow of €1,746 million with the closing of the transaction on April 9, 2009. At the same time, cash and cash investments of €241 million were obtained from Ciba. Prior to the change of control, Ciba shares were purchased for €88 million in 2009. This amount was shown under financial investments and other items, as were payments of €344 million for Ciba shares in the second half of 2008. The increase in payments related to investing activities was caused primarily by the expansion of our business in

the Oil & Gas segment. Payments related to property, plant and equipment and intangible assets were again clearly below the corresponding level of depreciation and amortization.

### Cash used in financing activities

Cash used in financing activities was €1,789 million. Dividends amounting to €1,791 million and €236 million were paid out to shareholders in BASF SE and minority shareholders in Group companies, respectively. The acquisition of the remaining outstanding shares in Ciba Holding AG following the change of control on April 9, 2009 resulted in a cash outflow of €95 million, which has been treated as an equity transaction between the shareholders. Cash and cash equivalents amounted to €2,931 million on September 30, 2009, compared with €2,776 million at the end of 2008. In the third quarter of 2009, we reduced net debt by €1.4 billion. Net debt as of September 30, 2009 was €12,871 million compared with €11,738 million as of December 31, 2008.

# CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

## Consolidated Statements of Recognized Income and Expense (million €)

|   | January – September |              |
|---|---------------------|--------------|
|   | 2009                | 2008         |
| <b>Income before minority interests</b>                                   | <b>1,124</b>        | <b>3,453</b> |
| Actuarial gains/losses from pensions and other obligations; asset ceiling | 389                 | (218)        |
| Foreign currency translation adjustment                                   | (34)                | (41)         |
| Fair value changes in available-for-sale securities                       | (55)                | 135          |
| Cash flow hedges  | 173                 | (102)        |
| Revaluation due to acquisition of majority of shares                      | (1)                 | (1)          |
| Deferred taxes  | (80)                | 32           |
| Minority interests  | 13                  | 22           |
| <b>Total income and expense recognized in equity</b>                      | <b>405</b>          | <b>(173)</b> |
| <b>Total income and expense for the period</b>                            | <b>1,529</b>        | <b>3,280</b> |
| Thereof BASF  | 1,347               | 3,030        |
| Thereof minority interests  | 182                 | 250          |

## Development of income and expense recognized directly in equity of shareholders of BASF SE (million €)

|                                 | Retained earnings                     | Other comprehensive income              |   |                  |  |                                     | Total income and expense recognized directly in equity |
|---------------------------------|---------------------------------------|---|---|------------------|--|-------------------------------------|--|
|                                 | Actuarial gains/losses; asset ceiling | Foreign currency translation adjustment | Fair value changes in available-for-sale securities | Cash flow hedges | Revaluation due to acquisition of majority of shares | Total of other comprehensive income |  |
| <b>As of January 1, 2009</b>    | <b>(1,511)</b>                        | <b>(637)</b>                            | <b>668</b>  | <b>(137)</b>     | <b>10</b>  | <b>(96)</b>                         | <b>(1,607)</b>   |
| Additions                       | 389                                   | –                                       | –   | 173              | –  | 173                                 | 562  |
| Releases                        | –                                     | (34)                                    | (55)  | –                | (1)  | (90)                                | (90)   |
| Deferred taxes                  | (22)                                  | –                                       | –   | (58)             | –  | (58)                                | (80)   |
| <b>As of September 30, 2009</b> | <b>(1,144)</b>                        | <b>(671)</b>                            | <b>613</b>  | <b>(22)</b>      | <b>9</b>   | <b>(71)</b>                         | <b>(1,215)</b>   |
| <b>As of January 1, 2008</b>    | <b>(874)</b>                          | <b>(497)</b>                            | <b>680</b>  | <b>(21)</b>      | <b>12</b>  | <b>174</b>                          | <b>(700)</b>   |
| Additions                       | –                                     | –                                       | 135   | –                | –  | 135                                 | 135  |
| Releases                        | (218)                                 | (41)                                    | –   | (102)            | (1)  | (144)                               | (362)  |
| Deferred taxes                  | 1                                     | 1                                       | (2)   | 32               | –  | 31                                  | 32   |
| <b>As of September 30, 2008</b> | <b>(1,091)</b>                        | <b>(537)</b>                            | <b>813</b>  | <b>(91)</b>      | <b>11</b>  | <b>196</b>                          | <b>(895)</b>   |

# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

## January – September 2009 (million €)

|  | Number of<br>subscribed<br>shares out-<br>standing | Subscribed<br>capital | Capital<br>surplus | Retained<br>earnings | Other com-<br>prehensive<br>income <sup>2</sup> | Equity<br>of share-<br>holders of<br>BASF SE | Minority<br>interests | Stockhold-<br>ers equity |
|--|--|-----------------------|--------------------|----------------------|---|--|-----------------------|--------------------------|
| <b>As of January 1, 2009</b>                               | <b>918,478,694</b>                                 | <b>1,176</b>          | <b>3,241</b>       | <b>13,250</b>        | <b>(96)</b>                                     | <b>17,571</b>                                | <b>1,151</b>          | <b>18,722</b>            |
| Cancellation of own shares                                 | –  | –                     | 6                  | (6)                  | –   | –  | –                     | –                        |
| Effect of acquisitions achieved in stages                  | –  | –                     | –                  | (26)                 | –   | (26)   | –                     | (26)                     |
| Capital withdrawal/contribution                            | –  | –                     | –                  | –                    | –   | –  | (39)                  | (39)                     |
| Dividends paid   | –  | –                     | –                  | (1,791)              | –   | (1,791)                                      | (236) <sup>3</sup>    | (2,027)                  |
| Net income   | –  | –                     | –                  | 955                  | –   | 955  | 169                   | 1,124                    |
| Change in income and expense recognized directly in equity | –  | –                     | –                  | 367                  | 25  | 392  | 13                    | 405                      |
| Changes in scope of consolidation and other changes        | –  | –                     | –                  | (5)                  | –   | (5)  | 25                    | 20                       |
| <b>As of September 30, 2009</b>                            | <b>918,478,694</b>                                 | <b>1,176</b>          | <b>3,247</b>       | <b>12,744</b>        | <b>(71)</b>                                     | <b>17,096</b>                                | <b>1,083</b>          | <b>18,179</b>            |

## January – September 2008 (million €)

|  | Number of<br>subscribed<br>shares out-<br>standing <sup>1</sup> | Subscribed<br>capital | Capital<br>surplus | Retained<br>earnings | Other com-<br>prehensive<br>income <sup>2</sup> | Equity<br>of share-<br>holders of<br>BASF SE | Minority<br>interests | Stockhold-<br>ers equity |
|--|---|-----------------------|--------------------|----------------------|---|--|-----------------------|--------------------------|
| <b>As of January 1, 2008</b>   | <b>956,370,000</b>  | <b>1,224</b>          | <b>3,173</b>       | <b>14,556</b>        | <b>174</b>                                      | <b>19,127</b>                                | <b>971</b>            | <b>20,098</b>            |
| Share buyback and cancellation of own shares including own shares intended to be cancelled | (37,250,000)  | (48)                  | 74                 | (1,622)              | –   | (1,596)                                      | –                     | (1,596)                  |
| Effect of acquisitions achieved in stages  | –   | –                     | –                  | (46)                 | –   | (46)   | –8                    | (54)                     |
| Capital withdrawal/contribution  | –   | –                     | –                  | –                    | –   | 0  | 100                   | 100                      |
| Dividends paid   | –   | –                     | –                  | (1,831)              | –   | (1,831)                                      | (159) <sup>3</sup>    | (1,990)                  |
| Net income   | –   | –                     | –                  | 3,225                | –   | 3,225  | 228                   | 3,453                    |
| Change in income and expense recognized directly in equity                                 | –   | –                     | –                  | (217)                | 22  | (195)  | 22                    | (173)                    |
| Changes in scope of consolidation and other changes  | –   | –                     | –                  | –                    | –   | –  | –                     | –                        |
| <b>As of September 30, 2008</b>  | <b>919,120,000</b>  | <b>1,176</b>          | <b>3,247</b>       | <b>14,065</b>        | <b>196</b>                                      | <b>18,684</b>                                | <b>1,154</b>          | <b>19,838</b>            |

<sup>1</sup> The number of outstanding shares was adjusted following the two-for-one stock split carried out in the second quarter of 2008.

<sup>2</sup> Details are provided in the Consolidated Statements of Recognized Income and Expense on page 17.

<sup>3</sup> Including profit and loss transfers

# SEGMENT REPORTING

## BASF GROUP

### 3rd Quarter (million €)

|                        | Sales  |        |                | EBITDA |       |                | Income from operations<br>(EBIT) before special items |       |                | Income from<br>operations (EBIT) |       |                |
|------------------------|--------|--------|----------------|--------|-------|----------------|---|-------|----------------|----------------------------------|-------|----------------|
|                        | 2009   | 2008   | Change<br>in % | 2009   | 2008  | Change<br>in % | 2009  | 2008  | Change<br>in % | 2009                             | 2008  | Change<br>in % |
| Chemicals              | 2,000  | 3,033  | (34.1)         | 527    | 558   | (5.6)          | 364   | 401   | (9.2)          | 364                              | 401   | (9.2)          |
| Plastics               | 1,967  | 2,452  | (19.8)         | 333    | 295   | 12.9           | 216   | 198   | 9.1            | 216                              | 194   | 11.3           |
| Performance Products   | 2,651  | 2,126  | 24.7           | 481    | 317   | 51.7           | 286   | 221   | 29.4           | 125                              | 221   | (43.4)         |
| Functional Solutions   | 1,888  | 2,479  | (23.8)         | 176    | 200   | (12.0)         | 106   | 117   | (9.4)          | 86                               | 112   | (23.2)         |
| Agricultural Solutions | 623    | 636    | (2.0)          | 70     | 78    | (10.3)         | 21  | 31    | (32.3)         | 21                               | 31    | (32.3)         |
| Oil & Gas              | 2,389  | 3,182  | (24.9)         | 667    | 1,011 | (34.0)         | 550   | 870   | (36.8)         | 550                              | 870   | (36.8)         |
| Other                  | 1,280  | 1,864  | (31.3)         | (261)  | (288) | 9.4            | (295)   | (270) | (9.3)          | (391)                            | (320) | (22.2)         |
|                        | 12,798 | 15,772 | (18.9)         | 1,993  | 2,171 | (8.2)          | 1,248   | 1,568 | (20.4)         | 971                              | 1,509 | (35.7)         |

### 3rd Quarter (million €)

|                        | Research expenses |      |                | Assets |        |                | Additions to long-term<br>assets <sup>1</sup> |      |                | Amortization and<br>depreciation <sup>2</sup> |      |                |
|------------------------|-------------------|------|----------------|--------|--------|----------------|---|------|----------------|---|------|----------------|
|                        | 2009              | 2008 | Change<br>in % | 2009   | 2008   | Change<br>in % | 2009  | 2008 | Change<br>in % | 2009  | 2008 | Change<br>in % |
| Chemicals              | 32                | 38   | (15.8)         | 5,918  | 7,244  | (18.3)         | 117   | 147  | (20.4)         | 163   | 157  | 3.8            |
| Plastics               | 29                | 38   | (23.7)         | 4,592  | 5,591  | (17.9)         | 58  | 120  | (51.7)         | 117   | 101  | 15.8           |
| Performance Products   | 73                | 58   | 25.9           | 9,521  | 6,018  | 58.2           | (151) <sup>3</sup>                            | 96   | .              | 356   | 96   | 270.8          |
| Functional Solutions   | 38                | 46   | (17.4)         | 8,087  | 9,170  | (11.8)         | 37  | 56   | (33.9)         | 90  | 88   | 2.3            |
| Agricultural Solutions | 86                | 82   | 4.9            | 4,617  | 4,178  | 10.5           | 47  | 25   | 88.0           | 49  | 47   | 4.3            |
| Oil & Gas              | 3                 | 3    | –              | 8,199  | 7,218  | 13.6           | 224   | 140  | 60.0           | 117   | 141  | (17.0)         |
| Other                  | 82                | 69   | 18.8           | 11,635 | 10,102 | 15.2           | 31  | 18   | 72.2           | 130   | 32   | 306.3          |
|                        | 343               | 334  | 2.7            | 52,569 | 49,521 | 6.2            | 363   | 602  | (39.7)         | 1,022   | 662  | 54.4           |

<sup>1</sup> Investments in intangible assets and property, plant and equipment

<sup>2</sup> Depreciation and amortization of intangible assets and property, plant and equipment

<sup>3</sup> Negative value due to adjustment after purchase price allocation for Ciba; without this effect, the additions to property, plant and equipment and intangible assets were €62 million.

## January – September (million €)

|                        | Sales  |        |             | EBITDA |       |             | Income from operations (EBIT) before special items |       |             | Income from operations (EBIT) |       |             |
|------------------------|--------|--------|-------------|--------|-------|-------------|--|-------|-------------|-------------------------------|-------|-------------|
|                        | 2009   | 2008   | Change in % | 2009   | 2008  | Change in % | 2009   | 2008  | Change in % | 2009                          | 2008  | Change in % |
| Chemicals              | 5,365  | 8,877  | (39.6)      | 1,184  | 1,762 | (32.8)      | 706  | 1,310 | (46.1)      | 705                           | 1,310 | (46.2)      |
| Plastics               | 5,180  | 7,337  | (29.4)      | 658    | 1,121 | (41.3)      | 325  | 835   | (61.1)      | 325                           | 830   | (60.8)      |
| Performance Products   | 6,771  | 6,211  | 9.0         | 703    | 967   | (27.3)      | 489  | 651   | (24.9)      | 34                            | 682   | (95.0)      |
| Functional Solutions   | 5,211  | 7,363  | (29.2)      | 352    | 620   | (43.2)      | 108  | 368   | (70.7)      | 70                            | 357   | (80.4)      |
| Agricultural Solutions | 2,943  | 2,741  | 7.4         | 873    | 806   | 8.3         | 732  | 653   | 12.1        | 727                           | 653   | 11.3        |
| Oil & Gas              | 8,735  | 10,127 | (13.7)      | 2,131  | 3,296 | (35.3)      | 1,781  | 2,880 | (38.2)      | 1,781                         | 2,880 | (38.2)      |
| Other                  | 3,314  | 5,342  | (38.0)      | (745)  | (413) | (80.4)      | (768)  | (367) | .           | (971)                         | (541) | (79.5)      |
|                        | 37,519 | 47,998 | (21.8)      | 5,156  | 8,159 | (36.8)      | 3,373  | 6,330 | (46.7)      | 2,671                         | 6,171 | (56.7)      |

## January – September (million €)

|                        | Research expenses |       |             | Assets |        |             | Additions to long-term assets <sup>1</sup> |       |             | Amortization and depreciation <sup>2</sup> |       |             |
|------------------------|-------------------|-------|-------------|--------|--------|-------------|--|-------|-------------|--|-------|-------------|
|                        | 2009              | 2008  | Change in % | 2009   | 2008   | Change in % | 2009                                       | 2008  | Change in % | 2009                                       | 2008  | Change in % |
| Chemicals              | 98                | 110   | (10.9)      | 5,918  | 7,244  | (18.3)      | 330  | 421   | (21.6)      | 479  | 452   | 6.0         |
| Plastics               | 93                | 105   | (11.4)      | 4,592  | 5,591  | (17.9)      | 185  | 303   | (38.9)      | 333  | 291   | 14.4        |
| Performance Products   | 199               | 167   | 19.2        | 9,521  | 6,018  | 58.2        | 3,702                                      | 232   | .           | 669  | 285   | 134.7       |
| Functional Solutions   | 124               | 140   | (11.4)      | 8,087  | 9,170  | (11.8)      | 113  | 138   | (18.1)      | 282  | 263   | 7.2         |
| Agricultural Solutions | 253               | 236   | 7.2         | 4,617  | 4,178  | 10.5        | 158  | 70    | 125.7       | 146  | 153   | (4.6)       |
| Oil & Gas              | 8                 | 8     | –           | 8,199  | 7,218  | 13.6        | 686  | 398   | 72.4        | 350  | 416   | (15.9)      |
| Other                  | 245               | 235   | 4.3         | 11,635 | 10,102 | 15.2        | 104  | 53    | 96.2        | 226  | 128   | 76.6        |
|                        | 1,020             | 1,001 | 1.9         | 52,569 | 49,521 | 6.2         | 5,278                                      | 1,615 | 226.8       | 2,485                                      | 1,988 | 25.0        |

<sup>1</sup> Investments in intangible assets and property, plant and equipment

<sup>2</sup> Depreciation and amortization of intangible assets and property, plant and equipment

Other <sup>3</sup> (million €)

|  | 3rd Quarter  |              |               | January – September |              |               |
|--|--------------|--------------|---------------|---------------------|--------------|---------------|
|  | 2009         | 2008         | Change in %   | 2009                | 2008         | Change in %   |
| <b>Sales</b>   | <b>1,280</b> | <b>1,864</b> | <b>(31.3)</b> | <b>3,314</b>        | <b>5,342</b> | <b>(38.0)</b> |
| Thereof Styrenics                                    | 696          | 957          | (27.3)        | 1,817               | 2,816        | (35.5)        |
| Thereof Other business reported under "Other"        | 584          | 907          | (35.6)        | 1,497               | 2,526        | (40.7)        |
| <b>EBIT before special items</b>                     | <b>(295)</b> | <b>(270)</b> | <b>(9.3)</b>  | <b>(768)</b>        | <b>(367)</b> | <b>.</b>      |
| Thereof Group corporate costs                        | (54)         | (62)         | 12.9          | (164)               | (179)        | 8.4           |
| Corporate research costs                             | (81)         | (67)         | (20.9)        | (240)               | (227)        | (5.7)         |
| Currency results, hedges and other valuation effects | (92)         | (284)        | 67.6          | (521)               | (48)         | .             |
| Styrenics, fertilizers, other business               | 43           | 36           | 19.4          | 259                 | 171          | 51.5          |
| Special items  | (96)         | (50)         | (92.0)        | (203)               | (174)        | (16.7)        |
| <b>EBIT</b>  | <b>(391)</b> | <b>(320)</b> | <b>(22.2)</b> | <b>(971)</b>        | <b>(541)</b> | <b>(79.5)</b> |

<sup>3</sup> More information on Other can be found in the notes to the interim financial statements on pages 22 and 23

# NOTES TO THE INTERIM FINANCIAL STATEMENTS OF BASF GROUP

## 1 -- Basis of presentation

The Consolidated Financial Statements of the BASF Group for the year ending December 31, 2008 were prepared according to the International Financial Reporting Standards (IFRS) valid as of the balance sheet date. The Interim Financial Statements as of September 30, 2009 have been prepared in line with the rules of International Accounting Standard 34 in abbreviated form and using the same

accounting policies. The Interim Financial Statements and Interim Management's Analysis have been neither audited nor subject to an auditor's review.

→ The BASF Report 2008 containing the Consolidated Financial Statements as of December 31, 2008 can be found on the Internet at: [basf.com/report](http://basf.com/report)

## 2 -- Scope of consolidation

The Consolidated Financial Statements include BASF SE, as well as all material subsidiaries on a fully consolidated basis. Material jointly operated companies are proportionally consolidated. The development of the number of fully and proportionally consolidated companies is shown in the table.

There have been 74 first-time consolidations since the beginning of 2009 – 69 as a result of the acquisition of Ciba Holding AG and 5 due to the increasing importance of these companies.

17 companies have been deconsolidated since the beginning of 2009, as a result of mergers with other BASF companies, sale to third parties or decreased significance.

### Scope of consolidation

|                                     | 2009       | 2008       |
|-------------------------------------|------------|------------|
| As of January 1                     | 293        | 297        |
| Thereof proportionally consolidated | 19         | 18         |
| First-time consolidations           | 74         | 13         |
| Thereof proportionally consolidated | –          | 1          |
| Deconsolidations                    | 17         | 19         |
| Thereof proportionally consolidated | –          | –          |
| <b>As of September 30</b>           | <b>350</b> | <b>291</b> |
| Thereof proportionally consolidated | 19         | 19         |

## 3 -- Acquisitions/Divestitures

### Effect of acquisition of Ciba on BASF Group assets at the time of the acquisition

|   | Million €    | Effect in % |
|---|--------------|-------------|
| Long-term assets                                      | 3,610        | 11.2        |
| Thereof goodwill                                      | 623          | 11.8        |
| other intangible assets                               | 1,095        | 19.7        |
| property, plant and equipment                         | 1,766        | 10.8        |
| Short-term assets                                     | 2,010        | 10.0        |
| Thereof inventories                                   | 1,091        | 16.6        |
| accounts receivable, trade                            | 391          | 5.1         |
| other receivables and miscellaneous short-term assets | 286          | 10.2        |
| <b>Assets</b>   | <b>5,620</b> | <b>10.7</b> |

On April 9, BASF completed the acquisition of Ciba Holding AG. The purchase price was €2,178 million (CHF 3,314 million). In accordance with IFRS 3, a purchase price allocation was performed for the second quarter

based on estimations. The purchase price allocation that has now been completed is used as the basis for the Interim Financial Statements as of September 30, 2009. This is provisional and can be adjusted within one year.

## 4 -- Segments

BASF's worldwide business is managed by operating divisions that are aggregated into six segments for reporting purposes.

Chemicals consists of the Inorganics, Petrochemicals and Intermediates divisions.

Plastics is composed of the Performance Polymers and Polyurethanes divisions. On January 1, 2009, the styrene copolymers business from the Performance Polymers division was transferred to Styrenics. Styrenics does not belong to a segment, but rather is shown under Other due to a planned divestiture.

In the first quarter of 2009, Performance Products included the Acrylics & Dispersions, Care Chemicals and Performance Chemicals operating divisions. The businesses of Ciba Holding AG, which was acquired on April 9, 2009, were managed as a separate division in the Performance Products segment in the second quarter of 2009. As of the third quarter of 2009, the former Ciba businesses have been integrated into the operating divisions of Performance Products.

In order to accommodate the changes to our portfolio as a result of the acquisition of Ciba Holding AG, the divisions in the Performance Products segment have been restructured as of April 1, 2009. This segment has been assigned the new Paper Chemicals division consisting of BASF's paper chemicals and binders business as well as the kaolin minerals business, which were previously part of the Acrylics & Dispersions division. Ciba's business with products for paper manufacturing was integrated into the Paper Chemicals division in the third quarter of 2009.

The Acrylics & Dispersions division has been renamed Dispersions & Pigments. This division consists of BASF's business with raw materials for the coating and paint industry. In addition, the dispersions business has been supplemented by the pigments and resins business of the Performance Chemicals division. The acrylic monomers business has been assigned to the Petrochemicals division, which consequently encompasses the key steps in the propylene value-adding chain. The superabsorbents business has been assigned to the Care Chemicals division. All of Ciba's Coating Effects activities were also integrated into the Dispersions & Pigments division in the third quarter of 2009.

In the Care Chemicals division, BASF combines all businesses in the areas of personal care and hygiene in addition to the human and animal nutrition and pharmaceuticals business areas. The assignment of the superabsorbents business to Care Chemicals has strengthened the division's portfolio with consumer-related products for personal care. Ciba's Home & Personal Care business was integrated into the Care Chemicals division in the third quarter of 2009.

The Performance Chemicals division offers innovative and specific solutions for a broad range of industries including the plastics processing industry, automotive suppliers, refineries, users of oil field and mining chemicals, as well as leather and textiles processors. Ciba's Plastic Additives business and the majority of Ciba's Water Treatment business have also become part of the Performance Chemicals division as of the third quarter of 2009.

Functional Solutions comprises the Catalysts, Construction Chemicals and Coatings divisions.

Agricultural Solutions contains the Crop Protection division.

Oil & Gas is composed of the Oil & Gas division with the Exploration & Production and Natural Gas Trading business sectors.

Activities not allocated to a particular division are reported under Other and include, among other things, Styrenics as well as our fertilizer activities. In addition, the sale of raw materials, engineering and other services, rental income and leases are reported under Other.

Group corporate costs consist of the expenses for steering the BASF Group and are not allocated to the segments but reported under Other.

With our cross-divisional corporate research, which is also reported under Other, we develop growth clusters and ensure the long-term competence of BASF with regard to technology and methods.

Earnings from currency conversion reported under Other include earnings not allocated to the segments from the hedging of forecasted sales, from currency positions that are macrohedged as well as from the conversion of financial liabilities.

In addition, earnings resulting from hedging for raw material price risks that are not allocated to the segments are recorded in Other.

In the third quarter of 2009, sales of Other decreased in comparison to the same quarter of 2008 primarily due to lower demand and decreasing prices in Styrenics. However, the income from operations before special items increased in Styrenics as a result of improved margins and lower fixed costs. Earnings in Other were burdened by losses from hedging against currency and raw material price risks in the third quarter of 2008. Overall, earnings in Other were below the figure for the same period of 2008; the main reason for this was expenses for the BASF option program due to the increased share price.

Transfers between the segments are almost always executed at market-based prices. The allocation of assets and depreciation to the segments is based on economic control. Assets used by more than one segment are allocated based on the percentage of usage.

**Assets of Other** (million €)

|  | Sept. 30, 2009 | Sept. 30, 2008 |
|--|----------------|----------------|
| Assets of business included under Other          | 2,360          | 3,387          |
| Financial assets                                 | 2,904          | 1,855          |
| Deferred tax assets                              | 1,214          | 612            |
| Cash and cash equivalents, marketable securities | 3,098          | 989            |
| Defined benefit assets                           | 479            | 443            |
| Miscellaneous receivables/prepaid expenses       | 1,580          | 2,816          |
|  | <b>11,635</b>  | <b>10,102</b>  |

**Reconciliation reporting for Oil & Gas** (million €)

|   | 3rd Quarter |            | January – September |              |
|---|-------------|------------|---------------------|--------------|
|   | 2009        | 2008       | 2009                | 2008         |
| <b>Income from operations</b>   | <b>550</b>  | <b>870</b> | <b>1,781</b>        | <b>2,880</b> |
| Income from participations  | 26          | 13         | 50                  | 23           |
| Other income  | (14)        | (14)       | (225)               | (39)         |
| <b>Income before taxes and minority interests</b>   | <b>562</b>  | <b>869</b> | <b>1,606</b>        | <b>2,864</b> |
| Income taxes  | 320         | 678        | 910                 | 2,108        |
| thereof income taxes on oil-producing operations non-compensable with German corporate income tax | 244         | 531        | 624                 | 1,566        |
| <b>Income before minority interests</b>   | <b>242</b>  | <b>191</b> | <b>696</b>          | <b>756</b>   |
| Minority interests  | 56          | 22         | 116                 | 144          |
| <b>Net income</b>   | <b>186</b>  | <b>169</b> | <b>580</b>          | <b>612</b>   |

In the reconciliation reporting for Oil & Gas, the income from operations of the Oil & Gas segment is reconciled to the contribution of the companies in this segment to the net income of the BASF Group.

Other income includes all expenses and income not included in income from operations of the segment, the interest result and the miscellaneous financial result.

The increase in income from participations in the third quarter resulted chiefly from foreign currency gains on loans denominated in U.S. dollars and euros at OAO

Severneftegazprom (which is accounted for using the equity method) due to the appreciation of the Russian ruble.

The non-compensable income taxes on oil-producing operations fell in the third quarter of 2009 compared with the same period of 2008 due to the lower oil price. At 57%, the tax rate was significantly below the figure of 78% for the third quarter of 2008, due to the higher share of Natural Gas Trading in income before taxes and minority interests.

**5 -- Other operating income**

| Million €   | 3rd Quarter |            | January – September |            |
|---|-------------|------------|---------------------|------------|
|   | 2009        | 2008       | 2009                | 2008       |
| Income from currency conversion and foreign currency transactions | (16)        | 7          | 83                  | 133        |
| Disposal of property, plant and equipment                         | 6           | 9          | 28                  | 29         |
| Reversal/usage of provisions                                      | 9           | 6          | 18                  | 10         |
| Reversal of allowances for doubtful receivables                   | 16          | 6          | 49                  | 31         |
| Revenue from miscellaneous typical business activities            | 36          | 19         | 70                  | 53         |
| Miscellaneous   | 124         | 89         | 470                 | 473        |
| <b>Other operating income</b>                                     | <b>175</b>  | <b>136</b> | <b>718</b>          | <b>729</b> |

The decrease in income from currency conversion and foreign currency transactions in the first three quarters of 2009 was a result of currency fluctuations with regard to the U.S. dollar and the British pound. The increase in Mis-

cellaneous in the third quarter of 2009 resulted from income from divestitures of €18 million (third quarter of 2008: €0 million).

## 6 -- Other operating expenses

| Million €   | 3rd Quarter |            | January – September |              |
|---|-------------|------------|---------------------|--------------|
|   | 2009        | 2008       | 2009                | 2008         |
| Losses from currency conversion and foreign currency transactions | (30)        | 67         | 348                 | 164          |
| Oil and gas exploration expenses                                  | 25          | 74         | 76                  | 182          |
| Miscellaneous   | 784         | 479        | 1,861               | 1,036        |
| <b>Other operating expenses</b>                                   | <b>779</b>  | <b>620</b> | <b>2,285</b>        | <b>1,382</b> |

In the first three quarters of 2009, Miscellaneous included special charges of €739 million (same period of 2008: €201 million), €302 million of which were in the third quarter (third quarter of 2008: €64 million). This was primarily the result of the integration of Ciba, mostly due to the amortization of the

Ciba IT system, the use of inventory valued at market prices at the time of the acquisition and the restructuring of sites. Due to the higher share price, additions were made to provisions for the BASF option program under Miscellaneous in the third quarter of 2009.

## 7 -- Financial result

| Million €  | 3rd Quarter  |              | January – September |              |
|--|--------------|--------------|---------------------|--------------|
|  | 2009         | 2008         | 2009                | 2008         |
| <b>Income from companies accounted for using the equity method</b>         | <b>33</b>    | <b>21</b>    | <b>49</b>           | <b>32</b>    |
| Income from participations in affiliated and associated companies          | 4            | 13           | 72                  | 52           |
| Income from the disposal of participations                                 | 1            | 1            | 1                   | 5            |
| Income from profit transfer agreements                                     | 3            | 2            | 7                   | 5            |
| Income from tax allocation to participating interests                      | –            | –            | 1                   | 1            |
| <b>Other income from participations</b>                                    | <b>8</b>     | <b>16</b>    | <b>81</b>           | <b>63</b>    |
| Losses from loss transfer agreements                                       | (1)          | 6            | (2)                 | (1)          |
| Write-downs/losses from the sale of participations                         | (3)          | (7)          | (6)                 | (7)          |
| <b>Other expenses from participations</b>                                  | <b>(4)</b>   | <b>(1)</b>   | <b>(8)</b>          | <b>(8)</b>   |
| Interest income from cash and cash equivalents                             | 24           | 30           | 68                  | 83           |
| Interest and dividend income from securities and loans                     | 6            | 9            | 20                  | 39           |
| <b>Interest income</b>   | <b>30</b>    | <b>39</b>    | <b>88</b>           | <b>122</b>   |
| <b>Interest expense</b>  | <b>(199)</b> | <b>(140)</b> | <b>(538)</b>        | <b>(433)</b> |
| Expected income from plan assets to cover pensions and similar obligations | 168          | 170          | 490                 | 510          |
| Income from plan assets to cover other long-term personnel obligations     | 8            | 4            | 14                  | 17           |
| Income from capitalization of construction-period interest                 | 16           | 10           | 44                  | 32           |
| Write-ups/profits from the sale of securities and loans                    | (2)          | –            | 14                  | –            |
| <b>Other financial income</b>  | <b>190</b>   | <b>184</b>   | <b>562</b>          | <b>559</b>   |
| Interest accrued on pension obligations and similar obligations            | (206)        | (163)        | (567)               | (488)        |
| Interest accrued on other long-term personnel provisions                   | (11)         | (9)          | (32)                | (27)         |
| Expenses from other long-term personnel obligations                        | (14)         | (9)          | (34)                | (33)         |
| Write-downs/losses from the disposal of securities and loans               | –            | (2)          | (10)                | (7)          |
| Other financial expenses   | –            | 25           | (25)                | 21           |
| <b>Other financial result</b>  | <b>(231)</b> | <b>(158)</b> | <b>(668)</b>        | <b>(534)</b> |
| <b>Financial result</b>  | <b>(173)</b> | <b>(39)</b>  | <b>(434)</b>        | <b>(199)</b> |

The positive result from companies accounted for using the equity method primarily resulted from gains on loans in U.S. dollars and euros at OAO Severneftegazprom due to the appreciation of the Russian ruble.

The higher interest expenses can be attributed to the higher level of debt. Lower interest levels in the United

States and in Europe had an offsetting effect. The decline in interest income was due in particular to the partial repayment of the loan granted to OAO Severneftegazprom in the previous year.

The lower level of expected income from pension plan assets can be attributed to the decline in pension plan assets compared with the previous year.

Additional pension obligations occurred due to the acquisition of Ciba. As a result, expenses for interest accrued on pension obligations and similar obligations increased.

## 8 -- Income taxes

### Income before taxes and minority interests (million €)

|   | 3rd Quarter |              | January – September |              |
|---|-------------|--------------|---------------------|--------------|
|   | 2009        | 2008         | 2009                | 2008         |
| Germany   | 90          | 230          | 206                 | 1,403        |
| Foreign oil production branches of German companies | 314         | 685          | 809                 | 2,021        |
| Other foreign                                       | 394         | 555          | 1,222               | 2,548        |
|   | <b>798</b>  | <b>1,470</b> | <b>2,237</b>        | <b>5,972</b> |

### Income taxes (million €)

|   | 3rd Quarter |            | January – September |              |
|---|-------------|------------|---------------------|--------------|
|   | 2009        | 2008       | 2009                | 2008         |
| Germany   | 43          | (21)       | 88                  | 212          |
| Foreign oil production branches of German companies | 291         | 634        | 744                 | 1,866        |
| Thereof non-compensable                             | 244         | 531        | 624                 | 1,566        |
| Other foreign                                       | 148         | 57         | 281                 | 441          |
|   | <b>482</b>  | <b>670</b> | <b>1,113</b>        | <b>2,519</b> |
| Tax rate (%)  | 60.4        | 45.6       | 49.8                | 42.2         |

Foreign income taxes for oil production decreased as a result of the lower oil price. The increased tax rate in the third quarter resulted from one-off effects caused by the integration of Ciba. The use of tax loss carryforwards led to increased tax expenses due to the derecognition of

deferred tax assets. Furthermore, integration costs that were incurred in Switzerland could only be deducted with an income tax rate below the Group average.

In the previous year, the tax rate was reduced as a result of higher tax-free income.

## 9 -- Minority interests

### Million €

|                               | 3rd Quarter |           | January – September |            |
|-------------------------------|-------------|-----------|---------------------|------------|
|                               | 2009        | 2008      | 2009                | 2008       |
| Minority interests in profits | 66          | 41        | 172                 | 232        |
| Minority interests in losses  | 13          | 1         | (3)                 | (4)        |
|                               | <b>79</b>   | <b>42</b> | <b>169</b>          | <b>228</b> |

Minority interests in profits resulted primarily from natural gas trading companies as well as Gazprom's stake in the German Wintershall subsidiary that holds production and exploration rights in Libya.

## 10 -- Earnings per share

|   |           | 3rd Quarter |             | January – September |             |
|---|-----------|-------------|-------------|---------------------|-------------|
|   |           | 2009        | 2008        | 2009                | 2008        |
| Net income                                      | million € | 237         | 758         | 955                 | 3,225       |
| Number of outstanding shares (weighted average) | 1,000     | 918,479     | 923,596     | 918,479             | 933,978     |
| <b>Earnings per share</b>                       | <b>€</b>  | <b>0.26</b> | <b>0.82</b> | <b>1.04</b>         | <b>3.45</b> |

The calculation of earnings per share is based on the weighted average number of common shares outstanding. The calculation of diluted earnings per common share reflects all possible outstanding common shares and the resulting effect on income of the BASF incentive share program “Plus”.

In the first three quarters of 2009, and in the corresponding period of 2008, there was no dilutive effect; undiluted earnings per share were the same as the diluted value per share.

## 11 -- Long-term assets

### Development (million €)

|  | January – September 2009 |                               |  |
|--|--------------------------|-------------------------------|--|
|  | Intangible assets        | Property, plant and equipment | Investments accounted for using the equity method and other financial assets |
| <b>Acquisition costs</b>                 |                          |                               |  |
| Balance as of January 1                  | 12,408                   | 49,147                        | 3,424  |
| Additions                                | 1,850                    | 3,428                         | 403  |
| Disposals                                | 319                      | 596                           | 158  |
| Transfers                                | (64)                     | 29                            | (474)  |
| Exchange differences                     | (208)                    | (455)                         | (15)   |
| <b>Balance as of September 30</b>        | <b>13,667</b>            | <b>51,553</b>                 | <b>3,180</b>   |
| <b>Amortization and depreciation</b>     |                          |                               |  |
| Balance as of January 1                  | 2,519                    | 34,115                        | 331  |
| Additions                                | 636                      | 1,849                         | 18   |
| Disposals                                | 309                      | 532                           | 72   |
| Transfers                                | (1)                      | (8)                           | (1)  |
| Exchange differences                     | (19)                     | (259)                         | –  |
| <b>Balance as of September 30</b>        | <b>2,826</b>             | <b>35,165</b>                 | <b>276</b>   |
| <b>Net book value as of September 30</b> | <b>10,841</b>            | <b>16,388</b>                 | <b>2,904</b>   |

**Development** (million €)

|  | January – September 2008 |                               |  |
|--|--------------------------|-------------------------------|--|
|  | Intangible assets        | Property, plant and equipment | Investments accounted for using the equity method and other financial assets |
| <b>Acquisition costs</b>                 |                          |                               |  |
| Balance as of January 1                  | 11,517                   | 45,757                        | 3,101  |
| Additions                                | 45                       | 1,570                         | 276  |
| Disposals                                | 98                       | 745                           | 331  |
| Transfers                                | 40                       | 27                            | 129  |
| Exchange differences                     | 44                       | 291                           | 9  |
| <b>Balance as of September 30</b>        | <b>11,548</b>            | <b>46,900</b>                 | <b>3,184</b>   |
| <b>Amortization and depreciation</b>     |                          |                               |  |
| Balance as of January 1                  | 1,958                    | 31,542                        | 315  |
| Additions                                | 415                      | 1,573                         | 9  |
| Disposals                                | 97                       | 689                           | 6  |
| Transfers                                | 23                       | (4)                           | (1)  |
| Exchange differences                     | 22                       | 149                           | 1  |
| <b>Balance as of September 30</b>        | <b>2,321</b>             | <b>32,571</b>                 | <b>318</b>   |
| <b>Net book value as of September 30</b> | <b>9,227</b>             | <b>14,329</b>                 | <b>2,866</b>   |

Additions to property, plant and equipment from January to September 2009 arose from a number of investments. The most significant additions to property, plant and equipment and intangible assets resulted from the acquisition of Ciba Holding AG. Other additions are the expansion

of synthesis gas plants in Ludwigshafen, the construction of natural gas pipelines, the construction of a resins plant in Wyandotte, Michigan, and a polyol plant in Geismar, Louisiana.

**12 -- Inventories**

| Million €                                       | Sept. 30, 2009 | Dec. 31, 2008 |
|---|----------------|---------------|
| Raw materials and factory supplies              | 1,774          | 1,769         |
| Work-in-process, finished goods and merchandise | 4,680          | 4,924         |
| Advance payments and services-in-process        | 105            | 70            |
|   | <b>6,559</b>   | <b>6,763</b>  |

Work-in-process and finished goods and merchandise are combined into one item due to the production conditions in the chemical industry. Services-in-process relate primarily to services not invoiced at the balance sheet date. Inventories are valued using the weighted average cost method.

**13 -- Stockholders' equity****Subscribed capital** (million €)

|   | Outstanding shares | Subscribed capital |
|---|--------------------|--------------------|
| Outstanding shares as of December 31, 2008                    | 923,128,567        | 1,182              |
| Shares cancelled by September 30, 2009                        | (4,649,873)        | (6)                |
| <b>Issued shares as disclosed in the financial statements</b> | <b>918,478,694</b> | <b>1,176</b>       |

The Board of Executive Directors received approval at the Annual Meeting on April 24, 2008 to buy back BASF shares to a maximum amount of 10% of subscribed capital by October 23, 2009. The shares were to be purchased on the stock exchange or through a public purchase offer addressed to all shareholders. The price paid per share may not be higher than the highest market price on the buying day and may not be lower than 25% of that market price. In the case of a public purchase offer, the price offered by BASF may be a maximum of 10% higher than the highest market price on the third trading day prior to the publishing of the public purchase offer. This authorization superseded the prior authorization to repurchase BASF shares granted by the Annual Meeting on April 26, 2007.

The Board of Executive Directors is authorized to cancel the repurchased shares without the approval of a further resolution at the Annual Meeting. A sale of treasury shares is only authorized after a corresponding resolution at the Annual Meeting, except when, with the approval of the Supervisory Board, the shares are used to acquire companies, parts of companies or participations in companies in return for shares.

Share buybacks were stopped in the fourth quarter of 2008 due to the financial and economic crisis.

In the second quarter of 2009, the treasury shares held by BASF SE were cancelled. The amount of the calculated par value of the cancelled shares was reclassified from the retained earnings to the capital surplus. On September 30, 2009, no treasury shares were held by BASF SE.

Transfers to Other retained earnings decreased legal reserves by €14 million in the first three quarters. The offsetting of actuarial gains and losses, as well as the asset ceiling, resulted in an increase in retained earnings of €367 million.

#### Reserves (million €)

|                         | Sept. 30, 2009 | Dec. 31, 2008 |
|-------------------------|----------------|---------------|
| Legal reserves          | 408            | 420           |
| Other retained earnings | 12,336         | 12,830        |
|                         | <b>12,744</b>  | <b>13,250</b> |

## 14 -- Provisions for pensions

#### Assumptions used to determine the defined benefit obligation (weighted average in %)

|  | Germany        |               | Foreign        |               |
|--|----------------|---------------|----------------|---------------|
|  | Sept. 30, 2009 | Dec. 31, 2008 | Sept. 30, 2009 | Dec. 31, 2008 |
| Discount rate                            | 5.75           | 6.00          | 5.12           | 5.84          |
| Projected increase of wages and salaries | 2.75           | 2.75          | 3.67           | 4.37          |
| Projected pension increase               | 2.00           | 2.00          | 0.80           | 0.57          |

#### Assumptions used to determine expenses for pension benefits (from January 1 through September 30 of the respective year; weighted average in %)

|  | Germany        |               | Foreign        |               |
|--|----------------|---------------|----------------|---------------|
|  | Sept. 30, 2009 | Dec. 31, 2008 | Sept. 30, 2009 | Dec. 31, 2008 |
| Discount rate                            | 6.00           | 5.25          | 5.56           | 5.82          |
| Projected increase of wages and salaries | 2.75           | 2.75          | 3.73           | 4.50          |
| Projected pension increase               | 2.00           | 2.00          | 0.82           | 0.68          |
| Expected return on plan assets           | 5.42           | 5.18          | 6.59           | 7.20          |

The assumptions regarding the overall expected long-term rate of return are based on the desired portfolio structure and forecasts of expected individual asset class returns. The forecasts are based on long-term historical average returns and take into consideration the current yield level and the inflation trend.

The first-time recognition of the pension obligations taken over from Ciba, the majority of which are denominated in Swiss francs, and decreasing interest rates, in the dollar currency zone in particular, led to a reduction of the average weighted discount rate as of September 30, 2009.

## 15 -- Other provisions

| Million €                  | Sept. 30, 2009 | Sept. 30, 2008 | Dec. 31, 2008 |
|----------------------------|----------------|----------------|---------------|
| Other long-term provisions | 3,252          | 2,831          | 2,757         |
| Short-term provisions      | 3,020          | 2,873          | 3,043         |
|                            | <b>6,272</b>   | <b>5,704</b>   | <b>5,800</b>  |

In the first three quarters of 2009, other provisions increased compared with the end of 2008. This increase can primarily be attributed to provisions for environmental protection, restructuring measures and personnel obligations, mostly resulting from the acquisition of Ciba Holding AG.

## 16 -- Liabilities

### Liabilities (million €)

|   | Sept. 30, 2009     |                    | Sept. 30, 2008     |                    | Dec. 31, 2008      |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | Less than one year | More than one year | Less than one year | More than one year | Less than one year | More than one year |
| <b>Accounts payable, trade</b>                    | <b>3,196</b>       | <b>–</b>           | <b>3,749</b>       | <b>–</b>           | <b>2,734</b>       | <b>–</b>           |
| Bonds and other liabilities to the capital market | 2,443              | 11,264             | 3,844              | 6,173              | 5,346              | 7,227              |
| Liabilities to credit institutions                | 918                | 1,177              | 998                | 1,088              | 878                | 1,063              |
| <b>Financial indebtedness</b>                     | <b>3,361</b>       | <b>12,441</b>      | <b>4,842</b>       | <b>7,261</b>       | <b>6,224</b>       | <b>8,290</b>       |
| <b>Tax liabilities</b>                            | <b>1,007</b>       | <b>–</b>           | <b>1,170</b>       | <b>–</b>           | <b>860</b>         | <b>–</b>           |
| Advances received on orders                       | 68                 | –                  | 57                 | –                  | 116                | –                  |
| Liabilities on bills                              | 62                 | 24                 | 18                 | 28                 | 11                 | 27                 |
| Liabilities related to social security            | 163                | 15                 | 133                | 17                 | 151                | 16                 |
| Miscellaneous liabilities                         | 2,032              | 858                | 2,313              | 700                | 3,018              | 711                |
| Deferred income                                   | 225                | 183                | 170                | 178                | 138                | 163                |
| <b>Other liabilities</b>                          | <b>2,550</b>       | <b>1,080</b>       | <b>2,691</b>       | <b>923</b>         | <b>3,434</b>       | <b>917</b>         |

**Financial indebtedness (million €)**

|  | Nominal value | Effective interest rate | Carrying amounts based on effective interest method |               |                |
|--|---------------|-------------------------|---|---------------|----------------|
|  |               |                         | Sept. 30, 2009                                      | Dec. 31, 2008 | Sept. 30, 2008 |
| 3.5% Euro Bond 2003/2010 of BASF SE                                    | 1,000         | 3.63 %                  | 999   | 998           | 997            |
| 4% Euro Bond 2006/2011 of BASF SE                                      | 1,000         | 4.05 %                  | 999   | 999           | 999            |
| 3.375% Euro Bond 2005/2012 of BASF SE                                  | 1,400         | 3.42 %                  | 1,398   | 1,398         | 1,398          |
| 3.75% Euro Bond 2009/2012 of BASF SE                                   | 1,350         | 3.97 %                  | 1,342   | –             | –              |
| 4.5% Euro Bond 2006/2016 of BASF SE                                    | 500           | 4.62 %                  | 497   | 496           | 496            |
| 4.25% Euro Bond 2009/2016 of BASF SE                                   | 200           | 4.40 %                  | 198   | –             | –              |
| 5.875% GBP Bond 2009/2017 of BASF SE                                   | 400           | 6.04 %                  | 436   | –             | –              |
| 4.625% Euro Bond 2009/2017 of BASF SE                                  | 300           | 4.69 %                  | 299   | –             | –              |
| 3-Month EURIBOR Bond 2006/2009 of BASF SE                              | 500           | variable                | –   | 500           | 500            |
| 3.25% CHF Bond 2008/2011 of BASF Finance Europe N.V.                   | 300           | 3.39 %                  | 199   | 201           | 190            |
| 6% Euro Bond 2008/2013 of BASF Finance Europe N.V.                     | 1,250         | 6.15 %                  | 1,243   | 1,242         | –              |
| 5% Euro Bond 2007/2014 of BASF Finance Europe N.V.                     | 1,000         | 5.09 %                  | 996   | 996           | 995            |
| 5% Euro Bond 2007/2014 of BASF Finance Europe N.V.                     | 250           | 4.83 %                  | 252   | 252           | 252            |
| 3.625% CHF Bond 2008/2015 of BASF Finance Europe N.V.                  | 200           | 3.77 %                  | 132   | 134           | 126            |
| 5.125% Euro Bond 2009/2015 of BASF Finance Europe N.V.                 | 1,500         | 5.30 %                  | 1,487   | –             | –              |
| 5.125% Euro Bond 2009/2015 of BASF Finance Europe N.V.                 | 500           | 4.38 %                  | 518   | –             | –              |
| 4.5% Euro Medium Term Note 2009/2016 of BASF Finance Europe N.V.       | 150           | 4.56 %                  | 149   | –             | –              |
| USD Extendible Floating Rate Notes of BASF Finance Europe N.V.         |               | 0.53 %                  | 242   | 330           | 426            |
| 3.25% CHF Bond 2006/2012 of Ciba Spezialitätenchemie Finanz AG         | 225           | 3.32 %                  | 145   | –             | –              |
| 4.875% Euro Bond 2003/2018 of Ciba Spec. Chem. Finance Luxembourg S.A. | 500           | 4.88 %                  | 391   | –             | –              |
| USD Commercial Papers  | 1,758         |                         | 1,198   | 4,406         | 3,070          |
| Other bonds  |               |                         | 587   | 621           | 568            |
| <b>Bonds and other liabilities to the capital market</b>               |               |                         | <b>13,707</b>                                       | <b>12,573</b> | <b>10,017</b>  |
| Liabilities to credit institutions                                     |               |                         | 2,095   | 1,941         | 2,086          |
|  |               |                         | <b>15,802</b>                                       | <b>14,514</b> | <b>12,103</b>  |

**17 -- Related-party transactions**

Material supply relationships exist for the supply of oil and gas between companies of the BASF Group and the proportionally consolidated joint venture companies Wintershall Erdgas Handelshaus GmbH & Co. KG, Berlin, and Wintershall Erdgas Handelshaus Zug AG, Zug, Switzerland. These transactions are conducted at arm's length prices and business terms. The unconsolidated portion of these supplies amounted to €622 million in the first three quarters of 2009 and €1,130 million in the same period of 2008.

In addition, there are material supply relationships with Ellba C.V., Netherlands, and Ellba Eastern Private Ltd., Singapore. The unconsolidated portion of these supplies amounted to €204 million in the first three quarters of 2009 and €387 million in the same period of 2008.

There were no reportable related party transactions with members of the Board of Executive Directors or the Supervisory Board. BASF has not issued loans to members of the Board of Executive Directors or the Supervisory Board.

## Calculation of adjusted earnings per share

|  | 3rd Quarter  |              | January – September |              |
|--|--------------|--------------|---------------------|--------------|
|  | Million €    | Million €    | Million €           | Million €    |
|  | 2009         | 2008         | 2009                | 2008         |
| Income before taxes and minority interests                       | 798          | 1,470        | 2,237               | 5,972        |
| Special items  | 277          | 59           | 702                 | 159          |
| Amortization of intangible assets                                | 301          | 129          | 636                 | 415          |
| Amortization of intangible assets contained in the special items | (128)        | –            | (187)               | –            |
| <b>Adjusted income before taxes and minority interests</b>       | <b>1,248</b> | <b>1,658</b> | <b>3,388</b>        | <b>6,546</b> |
| Adjusted income taxes  | 606          | 726          | 1,418               | 2,683        |
| <b>Adjusted income before minority interests</b>                 | <b>642</b>   | <b>932</b>   | <b>1,970</b>        | <b>3,863</b> |
| Adjusted minority interests                                      | 82           | 43           | 176                 | 232          |
| <b>Adjusted net income</b>                                       | <b>560</b>   | <b>889</b>   | <b>1,794</b>        | <b>3,631</b> |
| Weighted average number of outstanding shares (thousands)        | 918,479      | 923,596      | 918,479             | 933,978      |
| <b>Adjusted earnings per share (€)</b>                           | <b>0.61</b>  | <b>0.96</b>  | <b>1.95</b>         | <b>3.89</b>  |

The earnings per share figure adjusted for special items and amortization of intangible assets has established itself internationally as a key figure that can be compared over the course of time and is particularly suitable for forecasts of future earnings.

The special items are primarily the result of the integration of acquired businesses, restructuring measures, impairment losses and gains or losses resulting from divestitures. This involves expenses and income that do not arise in conjunction with ordinary business activities. Intangible assets primarily result from purchase price allocation following acquisitions. The amortization of intangible assets is therefore of a temporary nature.

The special items and amortization of intangible assets in the reporting period were primarily incurred in Group companies with a tax rate that is lower than the average tax rate of the BASF Group. The adjustment of these expenses therefore caused a relatively low tax effect. As a result, the tax rate based on the adjusted earnings is below the tax rate determined in accordance with International Financial Reporting Standards (IFRS).

The calculation of earnings per share in accordance with IFRS is presented in the Notes on page 26. The adjusted income before taxes and minority interests, the adjusted net income and the adjusted earnings per share are not defined in IFRS. They should not be viewed in isolation, but rather treated as supplementary information.

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FULL-YEAR RESULTS 2009

**Feb. 25, 2010**

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ANNUAL MEETING 2010 / 1ST QUARTER RESULTS 2010

**April 29, 2010**

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1ST HALF RESULTS 2010

**July 29, 2010**

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3RD QUARTER RESULTS 2010

**Oct. 28, 2010**

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## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. These statements are based on current 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 from pages 112 to 119 in the BASF Report 2008. The BASF Report can be found on the Internet at: [basf.com/report](http://basf.com/report). We do not assume any obligation to update the forward-looking statements contained in this report.



## FURTHER INFORMATION

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