

Report of the Month

ReportWatch e.com

April 2008

BASF

Ludwigshafen, Germany



Dear shareholders, dear friends,



"I am proud of the BASF team that has again put all its energies into continuing the success story of BASF – The Chemical Company."

Dr. Jürgen Hambrecht (Excerpt from the Chairman's Letter)

Report Facts

Company name: BASF SE

Fiscal year end: December 31, 2007

Report title: *Shaping the future*

Chairman of the Board: Dr. Jürgen Hambrecht

Number of books: 1

Report length: 220 pages

Auditors: KPMG Deutsche Treuhand

Design: Strichpunkt

E-mail: medien-service@basf.com

Report Rating: ★★★★★

(Rating scale below)

Profile-Mission (Excerpts, as from the report)

BASF is the world's leading chemical company. We are starting 2008 with new structures. We have reorganized our segments These are Chemicals, Plastics, Performance Products, Functional & Agricultural Solutions, Oil & Gas.

(ifc, p 1, p 12) (Italics are own company's words)

Key Figures

Sales: € 57,951 million

EBIT: € 7,316 million

Net profit: € 4,065 million

Earnings per share: € 8.32

Dividend per share: € 3.90

Return on equity: 22.4%

Return on assets: 16.4%

Equity ratio: 42.9%

Employees: 95,175

(Source: figures sourced from the annual report)

Some Competitors

- BAYER
- DOW CHEMICAL
- DUPONT
- AKZO NOBEL
- SUMITOMO CHEMICAL
- LYONDELL
- DSM

Report Rating: ★★★★★

Very good

- > In spite of its volume (220 pages), this is a well-managed reporting exercise. How? Thanks to a number of reading facilities and facilitators: covers; use of header; footer used for background information, charts, tables; clear tables; glossary; index. Not that many annuals strike a good balance: between length, volume and reader-friendliness; between quantity of information and quality of communication. This one does.
- > Economic, industry and customer trends set up the scene and give an insight into growth drivers.
- > Crystal-clear performance and liquidity analysis, as well as segment reviews (including brief summaries and factors influencing sales).
- > Effects of changes in the consolidation scope and of acquisitions described with transparency.

Good

- > DIY chart or table comparisons made possible on the IR website, which also contains other extra functionalities and adds real value to the printed version (see Selected Page below).
- > Maximized use of all covers -and flaps- especially the inside ones: key figures, segment key data, calendar, contact. Still, the report ending sequence (made of a *Ten-year Summary*) could be more communicative.
- > New employees featured from the cover on, also in a group photo where they make their way with board members.
- > Comprehensive historical figures, also for share data.
- > Group outlook and opportunities, with *planned capital expenditures* by segment and region.

Buts

- > Even managed with such Deutsche efficiency, 220 pages of quite thick paper spirally bound make it heavy.
- > Two *Economic Goals* versus almost 20 other ones. Responsible? Or just overplaying “sustainability” to the detriment of core business and financial objectives? These ones just consisting of *EBIT* and *Dividend*.

Green?

- > *Our goals* set forth more non-economic and financial targets than energy, emissions, safety, employee ones.
- > The company states that the *report combines the financial and sustainability report in one publication* (p 4). There are certainly a few worthwhile indicators and some initiatives, but responsibility-related matters are far from what should be expected –and reported- from a large chemical company.

Rating Scale

★★★★★: First-rate ★★★★★(★): Excellent ★★★★★: Very good ★★★★★(★): Sound ★★★★★: Average
★★(★): Uneven ★★: Common ★(★): Substandard ★: Poor (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment. It may therefore differ from ratings (to be) published in the **Annual Report on Annual Reports**.

How does the company report in key areas? What are the main report pluses and minuses?

*The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

Contact He.com@reportwatch.net

Trends in key customer industries

In 2007, global industrial growth reached 4.6%. Due to the slowdown in the United States, global industrial production eased off compared with the previous year, however, it performed better than expected due to the rapid expansion in Asia.

Industrialized countries recorded growth of 2.3% in industrial production. This was considerably less dynamic than the growth in China, which recorded its highest growth rate since 1992 at 17%.

Global development was driven by the strong demand for capital goods. In contrast, the consumer goods industry and the energy-intensive basic industries had lower growth rates.

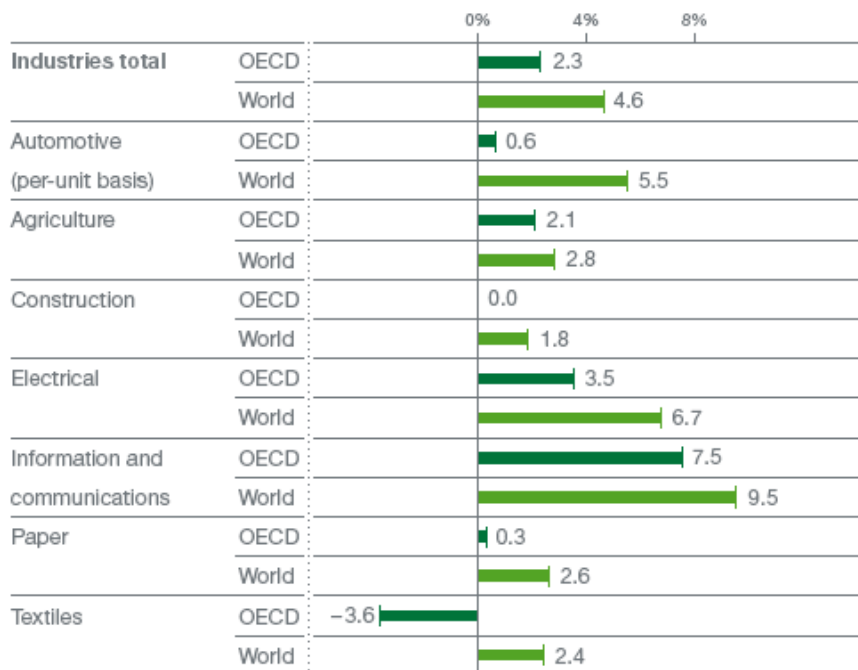
In total, automotive production increased by 5.5%. In the industrialized countries, this was negatively impacted by oil price increases. As a result of falling demand, sales volumes in the United States and in Japan decreased, while they stagnated in Western Europe. In North America, Ford, General Motors and Chrysler reduced their production capacity. This adverse development was offset by strong growth of 14% in Asia (excluding Japan). In Europe, production grew by 5.0% due to the favorable export situation.

At 2.8%, global growth in agricultural production was significantly stronger than in 2006, when production only increased by 0.8% due to unfavorable weather conditions. In the industrialized countries production grew by 2.1%, in the emerging countries by 3%. Growing demand for agricultural commodities resulted in historically low inventory levels, and increased prices were due, among other things, to the increased use of corn (maize), sugarcane and oilseeds for the production of biofuels.

Despite the housing crisis in the United States, the global construction industry grew by 1.8%. While production in industrialized nations stagnated as a result of the recession in the U.S. construction industry, the building boom in Asia continued unabated, with a growth of more than 7%.

Growth in key customer industries in 2007

Real change compared with previous year



BASF sales by industry* (percentage of sales in 2007)

* Distribution by direct customers of BASF

> 15%	Chemicals
10 – 15%	Automotive Construction Utilities
5 – 10%	Agriculture Plastics industry Oil industry
< 5%	Electrical/Electronics Furniture Paper
10 – 15%	Other industries

Significant capital investment in Asia and Europe helped the electrical and electronics industry to grow globally by 6.7%. In Western Europe, the industry grew by 4.5%. At 12.4%, Asia (excluding Japan) benefited from the trend to shift production from other regions.

Growth in the information and communication industry (ICT) of 9.5% was weaker than in the previous year and for the first time in many years did not record double-digit growth rates. In Europe, in particular, growth slowed strongly while Asia and the United States recorded robust growth.

The worldwide paper industry grew by 2.6%. The strong growth in the emerging nations compensated for the stagnation in industrialized nations.

The global growth of the textile industry of 2.4% was primarily achieved in Asia where an increase of 9.4% was reached. Markets in industrialized countries were strongly impacted by higher imports from Asia; only Europe posted slight growth.

INDUSTRIAL PRODUCTION DEVELOPMENT

- Global industrial growth of 4.6% thanks to strong demand for capital goods
- Slightly weaker increase in consumer goods and basic industries
- With 9.5% growth, information and communication industry remains the strongest of our customer industries

