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BASF AKTIENGESELLSCHAFT
Form 6-K
August 04, 2004

6-K UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

August 4, 2004

BASF AKTIENGESELLSCHAFT
(Exact name of Registrant as Specified in its Charter)

BASF CORPORATION
(Translation of Registrant's name into English)

Carl Bosch Strasse 38, LUDWIGSHAFEN, GERMANY 67056
(Address of Principal Executive Offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover Form 20-F or Form 40-F
Form 20-F Form 40-F

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No

If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b): 82- .

Second-Quarter Results 2004

LUDWIGSHAFEN, Germany--(BUSINESS WIRE)--Aug. 4, 2004--BASF (NYSE:BF) :

Very Successful Second Quarter for BASF

Overview

| BASF Group | 2nd Quarter | | | 1st Half | | |
|------------------------|-------------|-------|-------------|----------|--------|-------------|
| | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % |
| Million euro | | | | | | |
| Sales | 9,314 | 8,249 | 12.9 | 18,365 | 17,081 | 7.5 |
| Income from operations | | | | | | |

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| | | | | | | | | | |
|-------------------------------|--------|--------|--------|-------|-------|--------|--|--|--|
| before interest, taxes | | | | | | | | | |
| Depreciation and amortization | | | | | | | | | |
| (EBITDA) | 1,744 | 1,348 | 29.4 | 3,324 | 2,844 | 16.9 | | | |
| Income from operations before | | | | | | | | | |
| special items | 1,197 | 832 | 43.9 | 2,335 | 1,776 | 31.5 | | | |
| Income from operations (EBIT) | 1,181 | 774 | 52.6 | 2,219 | 1,716 | 29.3 | | | |
| Financial result | (23) | (88) | 73.9 | (83) | (191) | 56.5 | | | |
| Income before taxes and | | | | | | | | | |
| minority interests | 1,158 | 686 | 68.8 | 2,136 | 1,525 | 40.1 | | | |
| Net income | 634 | 195 | 225.1 | 1,149 | 637 | 80.4 | | | |
| Earnings per share (euro) | 1.15 | 0.35 | 228.6 | 2.08 | 1.13 | 84.1 | | | |
| EBIT before special items in | | | | | | | | | |
| percent of sales | 12.9 | 10.1 | - | 12.7 | 10.4 | - | | | |
| Cash provided by operating | | | | | | | | | |
| activities | 1,196 | 984 | 21.5 | 2,159 | 1,878 | 15.0 | | | |
| Additions to fixed assets(a) | 446 | 677 | (34.1) | 939 | 2,208 | (57.5) | | | |
| Amortization and | | | | | | | | | |
| depreciation(a) | 563 | 574 | (1.9) | 1,105 | 1,128 | (2.0) | | | |
| Segment assets (end of | | | | | | | | | |
| period) (b) | 26,559 | 27,563 | (3.6) | - | - | - | | | |
| Personnel costs | 1,394 | 1,412 | (1.3) | 2,745 | 2,804 | (2.1) | | | |
| Number of employees (end of | | | | | | | | | |
| period) | 85,124 | 88,465 | (3.8) | - | - | - | | | |

(a) Tangible and intangible fixed assets (including acquisitions)

(b) Tangible and intangible fixed assets, inventories and business-related receivables

| Segments | Sales | | | Income from operations before special items | | | Income from operations (EBIT) | | |
|------------------|-------|-------|-------------|---|------|-------------|-------------------------------|------|-------------|
| | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % |
| Million euro | | | | | | | | | |
| 2nd Quarter | | | | | | | | | |
| Chemicals | 1,748 | 1,433 | 22.0 | 333 | 134 | 148.5 | 328 | 127 | 158.3 |
| Plastics | 2,522 | 2,177 | 15.8 | 172 | 76 | 126.3 | 163 | 67 | 143.3 |
| Performance | | | | | | | | | |
| Products | 2,029 | 1,911 | 6.2 | 217 | 145 | 49.7 | 214 | 136 | 57.4 |
| Agricultural | | | | | | | | | |
| Products & | | | | | | | | | |
| Nutrition | 1,527 | 1,505 | 1.5 | 241 | 209 | 15.3 | 236 | 181 | 30.4 |
| Oil & Gas | 1,090 | 928 | 17.5 | 339 | 278 | 21.9 | 346 | 278 | 24.5 |
| Other(a) | 398 | 295 | 34.9 | (105) | (10) | . | (106) | (15) | . |
| Thereof | | | | | | | | | |
| costs of | | | | | | | | | |
| exploratory | | | | | | | | | |
| and | | | | | | | | | |
| biotechnological | | | | | | | | | |
| research | - | - | - | 37 | 40 | (7.5) | 37 | 40 | (7.5) |
| | 9,314 | 8,249 | 12.9 | 1,197 | 832 | 43.9 | 1,181 | 774 | 52.6 |
| 1st Half | | | | | | | | | |
| Chemicals | 3,330 | 2,952 | 12.8 | 578 | 279 | 107.2 | 556 | 271 | 105.2 |
| Plastics | 4,829 | 4,460 | 8.3 | 322 | 186 | 73.1 | 312 | 176 | 77.3 |
| Performance | | | | | | | | | |

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| | | | | | | | | | |
|---|--------|--------|------|-------|-------|--------|-------|-------|--------|
| Products | 3,958 | 3,818 | 3.7 | 413 | 287 | 43.9 | 403 | 279 | 44.4 |
| Agricultural Products & Nutrition | 2,968 | 2,801 | 6.0 | 510 | 446 | 14.3 | 485 | 417 | 16.3 |
| Oil & Gas | 2,484 | 2,411 | 3.0 | 682 | 682 | 0.0 | 689 | 682 | 1.0 |
| Other (b) | 796 | 639 | 24.6 | (170) | (104) | (63.5) | (226) | (109) | . |
| Thereof costs of exploratory and biotechnological research | - | - | - | 73 | 85 | (14.1) | 73 | 85 | (14.1) |
| | 18,365 | 17,081 | 7.5 | 2,335 | 1,776 | 31.5 | 2,219 | 1,716 | 29.3 |

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

BASF Group Business Review and Analysis

- Sales and EBIT improve in all segments
- Strong increase in EBIT in the Chemicals, Plastics and Performance Products segments
- Cash flow remains at high level
- Earnings per share tripled
- Successful cost-reduction measures will be continued worldwide
- Improved outlook for full year 2004: Significant increase in sales and EBIT before special items

Sales: Second-quarter sales increased by about 13% compared with the same quarter of the previous year. All operating divisions contributed to this growth. We were able to increase sales volumes significantly in a more favorable business environment. Sales prices increased.

Factors influencing sales in comparison with previous year

| | | |
|--|--------------|----------|
| | %2nd Quarter | 1st Half |
|--|--------------|----------|

| | | |
|---------------------------|-----|-----|
| Volumes | 13 | 11 |
| Prices | 2 | 0 |
| Currencies | (3) | (4) |
| Acquisitions/divestitures | 1 | 1 |
| Total | 13 | 8 |

Earnings: At euro 1,197 million, income from operations (EBIT) before special items climbed 44% compared with the same period of 2003. EBIT rose in all segments because we succeeded in increasing sales volumes and simultaneously reducing fixed costs. The Chemicals, Plastics and Performance Products segments showed the strongest earnings growth. Earnings improved in the Agricultural Products &

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Nutrition segment as a result of the successful conclusion of the agricultural products season in Europe and North America. The Oil & Gas segment benefited from an increase in sales volumes as well as higher oil prices.

EBIT after special items increased by 53% to euro 1,181 million in the second quarter.

The financial result was euro (23) million compared with euro (88) million in the second quarter of 2003. This was due, in particular, to a higher level of income from financial assets. Income before taxes and minority interests increased by 69% to euro 1,158 million.

At 42%, the tax rate was considerably lower than in the second quarter of 2003, which contained a one-time tax expense of euro 124 million due to a change in German tax law. Income taxes for oil production that are noncompensable with German taxes were euro 128 million in the second quarter following euro 104 million in the previous year.

Net income more than tripled in the second quarter to euro 634 million. Earnings per share were euro 1.15 compared with euro 0.35 in 2003.

Special items

| Million euro | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter | |
|-----------------------------|----------------|------|----------------|------|----------------|------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Special items | | | | | | | | |
| - in income from operations | (100) | (2) | (16) | (58) | | (29) | | (246) |
| - in financial result | (21) | - | (1) | (3) | | (27) | | (133) |
| Total | (121) | (2) | (17) | (61) | | (56) | | (379) |

Outlook: The positive trend in the first half of 2004 gives us grounds for confidence for the second half of the year. We expect the high demand for our products to continue, however at a more moderate rate of increase compared with the first half. We anticipate that Asia and North America will be the strongest growth drivers. We expect prices of raw materials to remain high, and in some cases to increase even further. We will continue our efforts to adjust our selling prices to this development. We will rigorously continue with our restructuring measures. For the full year 2004, we expect a significant increase in sales and EBIT before special items.

| Key BASF share data | 2nd Quarter 2004 | 1st Half 2004 2004 |
|--|---------------------|-----------------------|
| Share price (end of period) (a) | euro 43.99 | euro 43.99 |
| High(a) | euro 44.89 | euro 45.63 |
| Low(a) | euro 40.60 | euro 40.49 |
| Average daily trade (number of shares) (a) | 2.70 million | 2.93 million |
| BASF share performance(b) | +9.9 % | +1.9 % |

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| | | |
|-------------------------------|--------|--------|
| DAX 30 performance (b) | +5.1 % | +2.2 % |
| EURO STOXX 50 performance (b) | +2.5 % | +3.7 % |

- (a) XETRA trading
- (b) with dividends reinvested

Significant Events: We announced on July 29, 2004, that we are reviewing strategic alternatives regarding the joint venture Basell, together with our partner Shell. Basell is a global leader in polyolefins. The options being reviewed include the sale of the stakes and an equity transaction.

Chemicals

- Segment with highest increase in sales and earnings
- Good capacity utilization due to increase in sales volumes
- Margins improve despite persistently high raw materials costs

| Overview | 2nd Quarter | | | 1st Half | | |
|---------------------------|----------------|-------|----------------|-------------|-------|----------------|
| Million euro | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % |
| Sales | 1,748 | 1,433 | 22 | 3,330 | 2,952 | 13 |
| Thereof Inorganics | 211 | 184 | 15 | 412 | 367 | 12 |
| Petrochemicals | 1,047 | 806 | 30 | 1,966 | 1,680 | 17 |
| Intermediates | 490 | 443 | 11 | 952 | 905 | 5 |
| EBITDA | 441 | 243 | 81 | 776 | 503 | 54 |
| EBIT before special items | 333 | 134 | 149 | 578 | 279 | 107 |
| EBIT | 328 | 127 | 158 | 556 | 271 | 105 |
| Additions to fixed assets | 141 | 128 | 10 | 307 | 254 | 21 |
| Assets (end of period) | 5,124 | 4,964 | 3 | - | - | - |

Sales increased in all operating divisions compared with the second quarter of 2003 (volumes 15%, portfolio 5%, prices 5%, currencies -3%). In particular, earnings more than doubled thanks to improved capacity utilization, price increases, as well as a reduction in fixed costs.

Inorganics: Sales volumes increased in all product lines. The boron and potassium specialties business, which was acquired in 2003 and is now fully integrated, contributed to this growth. The strong increase in sales volumes resulted in improved earnings in most of the product portfolio.

Petrochemicals: Sales volumes increased for olefins, solvents and plasticizers, as well as alkylene oxides and glycols. Capacity utilization of our steam crackers and other major plants was high. Against a background of product shortages in the markets, selling prices could be increased to pass on higher raw materials costs, and contributed to improved earnings.

Intermediates: In Europe, sales of amines rose in particular. In Asia, sales of butanediol and derivatives as well as polyalcohols and specialties increased. Despite higher raw materials costs, earnings improved due to both price increases and a reduction in fixed costs.

Plastics

- Significant increase in sales in all operating divisions

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- Earnings improve despite increasing raw materials costs
- Successful new products and business models

| Overview | 2nd Quarter | | | 1st Half | | |
|---------------------------|----------------|-------|----------------|-------------|-------|----------------|
| | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % |
| Million euro | | | | | | |
| Sales | 2,522 | 2,177 | 16 | 4,829 | 4,460 | 8 |
| Thereof Styrenics | 1,019 | 891 | 14 | 1,937 | 1,888 | 3 |
| Performance Polymers | 649 | 552 | 18 | 1,262 | 1,120 | 13 |
| Polyurethanes | 854 | 734 | 16 | 1,630 | 1,452 | 12 |
| EBITDA | 280 | 187 | 50 | 545 | 417 | 31 |
| EBIT before special items | 172 | 76 | 126 | 322 | 186 | 73 |
| EBIT | 163 | 67 | 143 | 312 | 176 | 77 |
| Additions to fixed assets | 105 | 256 | (59) | 203 | 342 | (41) |
| Assets (end of period) | 6,032 | 6,292 | (4) | - | - | - |

Sales rose significantly due to higher sales volumes and increased sales prices (volumes 14 %, portfolio 2 %, prices 3 %, currencies -3 %), however pressure on margins persists. Nevertheless, earnings increased in all operating divisions as a result of a reduction in fixed costs and improved capacity utilization.

Styrenics: Sales increased thanks to higher sales prices and strong demand for our products. A severe increase in raw materials prices, in particular in the price of benzene, put margins under pressure in all regions. The optimization of business structures resulted in a reduction in fixed costs and increased earnings.

Performance Polymers: Sales volumes increased significantly worldwide, in particular for engineering plastics for the automotive and electronics industries. Margins for engineering plastics remained under pressure, but we were able to pass on higher raw materials prices for fiber intermediates to the market. Earnings improved due to higher sales volumes and a significant reduction in fixed costs. The new product Ultradur(R) High Speed, which allows our customers in the automotive and electronics industries to reduce their manufacturing costs thanks to shorter production times, has been well received by the market.

Polyurethanes: Volumes and sales increased in almost all product lines worldwide. Prices could increasingly be raised over the course of the quarter. High raw materials prices, in particular for benzene, toluene and propylene, continue to exert pressure on margins. The U.S. systems house Foam Enterprises, which was acquired in March 2004, has been successfully integrated.

Performance Products

- Sales increase in all operating divisions
- Earnings improve significantly thanks to a reduction in fixed costs
- Growth strategy in Asia successful

| Overview | 2nd Quarter | | | 1st Half | | |
|--------------|----------------|------|----------------|-------------|------|----------------|
| | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % |
| Million euro | | | | | | |

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| | | | | | | |
|---------------------------|-------|-------|-----|-------|-------|----|
| Sales | 2,029 | 1,911 | 6 | 3,958 | 3,818 | 4 |
| Thereof Performance | | | | | | |
| Chemicals | 825 | 792 | 4 | 1,621 | 1,598 | 1 |
| Coatings | 520 | 505 | 3 | 1,025 | 1,009 | 2 |
| Functional Polymers | 684 | 614 | 11 | 1,312 | 1,211 | 8 |
| EBITDA | 305 | 235 | 30 | 584 | 479 | 22 |
| EBIT before special items | 217 | 145 | 50 | 413 | 287 | 44 |
| EBIT | 214 | 136 | 57 | 403 | 279 | 44 |
| Additions to fixed assets | 66 | 57 | 16 | 129 | 98 | 32 |
| Assets (end of period) | 4,934 | 5,140 | (4) | - | - | - |

Sales increased as a result of higher volumes in all operating divisions (volumes 8 %, currencies -2 %). Earnings improved significantly, in particular due to cost-reduction measures.

Performance Chemicals: Sales increased in all product lines except performance chemicals for textiles. Earnings improved, in particular due to the contribution from performance chemicals for detergents and formulators. The reduction of fixed costs more than offset negative currency effects and persistent margin pressure.

Coatings: Sales volumes increased, in particular for automotive coatings and decorative paints. Due to a reduction in fixed costs in all product lines, earnings improved despite the pressure on sales prices. The restructuring of the industrial coatings business played an important part in reducing fixed costs. New production capacities are strengthening our position in coil coatings in the growing Chinese market.

Functional Polymers: The global upturn in demand in important customer industries led to an increase in sales, in particular of monomers and dispersions for decorative paints. Compared with the same period of the previous year, earnings almost doubled due to higher sales volumes, price increases and a reduction in fixed costs. The capacity expansion of the dispersions plant in Cengkareng, Indonesia, has strengthened our production network in Asia.

Agricultural Products & Nutrition

- Profitable growth in Agricultural Products
- Earnings in Fine Chemicals below previous year's level

| Overview | 2nd Quarter | | | 1st Half | | |
|----------------------------------|----------------|-------|----------------|-------------|-------|----------------|
| Million euro | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % |
| Sales | 1,527 | 1,505 | 1 | 2,968 | 2,801 | 6 |
| Thereof Agricultural Products | 1,071 | 1,051 | 2 | 2,054 | 1,884 | 9 |
| Fine Chemicals | 456 | 454 | 0 | 914 | 917 | 0 |
| EBITDA | 362 | 319 | 13 | 732 | 668 | 10 |
| EBIT before special items | 241 | 209 | 15 | 510 | 446 | 14 |
| Thereof Agricultural Products | 212 | 171 | 24 | 439 | 367 | 20 |
| Fine Chemicals | 29 | 38 | (24) | 71 | 79 | (10) |
| EBIT | 236 | 181 | 30 | 485 | 417 | 16 |
| Thereof Agricultural Products | 208 | 144 | 44 | 415 | 336 | 24 |
| Fine Chemicals | 28 | 37 | (24) | 70 | 81 | (14) |
| Additions to fixed assets | 49 | 55 | (11) | 102 | 1,186 | (91) |

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Assets (end of period) 6,933 7,828 (11) - - -

Agricultural Products: Sales rose by 2 % (volumes 6 %, portfolio -3 %, prices 1 %, currencies -2 %), or by 7 % if adjusted for product divestitures and currency fluctuations. The successful conclusion of the crop-protection products season in Europe and North America, as well as the success of our innovative products, especially F 500(R), contributed to this. Thanks to the stronger product portfolio and more favorable cost structures, we were able to post higher earnings despite negative currency effects and divestitures. We significantly reduced inventories and receivables.

Fine Chemicals: Despite an increase in sales volumes, second-quarter sales remained at the previous year's level (volumes 5 %, prices -4 %, currencies -1 %). Sales in the area of human nutrition increased. Vitamin prices remained unsatisfactory overall, in particular in view of rising prices for raw materials. Pharmaceutical active ingredients continued to develop positively. The startup of the new citral plant, the scheduled shutdown of lysine production, and negative currency effects reduced earnings.

Oil & Gas

- Sales and earnings improve further
- Regional growth strategy continued

| Overview | 2nd Quarter | | | 1st Half | | |
|-----------------------------|----------------|-------|----------------|-------------|-------|----------------|
| Million euro | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % |
| Sales | 1,090 | 928 | 17 | 2,484 | 2,411 | 3 |
| Thereof natural gas trading | 506 | 460 | 10 | 1,373 | 1,334 | 3 |
| EBITDA | 440 | 355 | 24 | 866 | 836 | 4 |
| EBIT before special items | 339 | 278 | 22 | 682 | 682 | 0 |
| Thereof natural gas trading | 60 | 62 | (3) | 156 | 156 | 0 |
| EBIT | 346 | 278 | 24 | 689 | 682 | 1 |
| Thereof natural gas trading | 60 | 62 | (3) | 156 | 156 | 0 |
| Additions to fixed assets | 55 | 58 | (5) | 135 | 97 | 39 |
| Assets (end of period) | 3,536 | 3,339 | 6 | - | - | - |

Sales (volumes 16 %, prices/currencies 1 %) and earnings increased significantly.

In natural gas trading, sales volumes rose considerably. Both Germany and the new business in Belgium and the United Kingdom contributed to this growth. Due to the increase in purchasing prices, earnings were at almost the same level as in the second quarter of 2003. A declaration of intent to extend long-term supply agreements until 2030 was signed with Gazprom.

In exploration and production, gas production was increased considerably in the North Sea and in Argentina. Oil production, however, declined slightly, in particular due to the reduction of production quotas by OPEC.

Earnings improved as a result of the overall increase in sales volumes as well as the substantial increase in the price of oil in

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terms of both U.S. dollars and euros.

Regions

- Sales increase in all regions
- Restructuring measures in North America prove successful
- Capital expenditure projects in Asia make good progress

| Overview | Sales (location of customer) | | | Sales (location of company) | | | EBIT before special items (location of company) | | |
|-----------------------|---------------------------------|--------|-------------|--------------------------------|--------|-------------|--|-------|-------------|
| | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % | 2004 | 2003 | Change in % |
| Million euro | | | | | | | | | |
| 2nd Quarter | | | | | | | | | |
| Europe | 5,090 | 4,638 | 10 | 5,545 | 4,966 | 12 | 880 | 698 | 26 |
| | 1,737 | 1,549 | 12 | 3,638 | 3,364 | 8 | 612 | 498 | 23 |
| North America (NAFTA) | 2,240 | 1,998 | 12 | 2,204 | 1,979 | 11 | 204 | 52 | 292 |
| South America | 426 | 368 | 16 | 335 | 302 | 11 | 45 | 51 | (12) |
| Asia, Pacific Area, | | | | | | | | | |
| Africa | 1,558 | 1,245 | 25 | 1,230 | 1,002 | 23 | 68 | 31 | 119 |
| | 9,314 | 8,249 | 13 | 9,314 | 8,249 | 13 | 1,197 | 832 | 44 |
| 1st Half | | | | | | | | | |
| Europe | 10,386 | 9,879 | 5 | 11,166 | 10,505 | 6 | 1,769 | 1,524 | 16 |
| | 3,787 | 3,648 | 4 | 7,531 | 7,268 | 4 | 1,258 | 1,142 | 10 |
| North America (NAFTA) | 4,149 | 3,936 | 5 | 4,122 | 3,939 | 5 | 284 | 81 | 251 |
| South America | 858 | 690 | 24 | 692 | 560 | 24 | 118 | 83 | 42 |
| Asia, Pacific Area, | | | | | | | | | |
| Africa | 2,972 | 2,576 | 15 | 2,385 | 2,077 | 15 | 164 | 88 | 86 |
| | 18,365 | 17,081 | 8 | 18,365 | 17,081 | 8 | 2,335 | 1,776 | 31 |

In Europe, sales by location of company increased by 12 % in the second quarter. Following a weak first quarter, sales increased in Germany for the first time. EBIT before special items climbed by euro 182 million to euro 880 million. The upturn in business and the reduction of fixed costs, especially at our site in Ludwigshafen, contributed to this increase.

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Sales by location of company in North America increased by 18 % in dollar terms. In particular, the Chemicals and Plastics segments benefited from the favorable economic climate and from successfully integrated acquisitions. The restructuring program for the service units has almost been completed; the optimization of businesses and sites is being actively pursued. EBIT before special items increased by euro 152 million to euro 204 million as a result of business expansion and cost-reduction measures.

In South America, second-quarter sales by location of company increased in local currency terms by 19 %, in particular due to strong sales in the Plastics and Oil & Gas segments. EBIT before special items declined by euro 6 million to euro 45 million as a result of higher expenses for oil and gas exploration.

In local currency terms, companies in the Asia, Pacific Area, Africa region increased sales by 26 %; in particular, the Chemicals and Plastics segments contributed to this growth. EBIT before special items rose by euro 37 million to euro 68 million. Our capital expenditure projects in Asia - in particular the construction of the Verbund site in Nanjing, China, with our partner SINOPEC - are making good progress.

Finance

-- Cash provided by operating activities significantly increased

-- euro 300 million spent on share buybacks in the first half

Consolidated Statements of Cash Flows

| | 1st Half | |
|--|----------|---------|
| Million euro | 2004 | 2003 |
| Net income | 1,149 | 637 |
| Depreciation and amortization of fixed assets | 1,115 | 1,136 |
| Changes in net working capital | (109) | (56) |
| Miscellaneous items | 4 | 161 |
| Cash provided by operating activities | 2,159 | 1,878 |
| Payments related to tangible and intangible fixed assets | (913) | (967) |
| Acquisitions/divestitures | (66) | (1,398) |
| Financial investments and other items | 23 | 22 |
| Cash used in investing activities | (956) | (2,343) |
| Proceeds from capital increases/(decreases) | (340) | (226) |
| Changes in financial indebtedness | 26 | 1,553 |
| Dividends | (805) | (822) |
| Cash provided by (used in) financing activities | (1,119) | 505 |
| Net changes in cash and cash equivalents | 84 | 40 |
| Cash and cash equivalents as beginning of year and other changes | 540 | 228 |
| Cash and cash equivalents | 624 | 268 |
| Marketable securities | 170 | 127 |
| Liquid funds | 794 | 395 |

Compared with 2003, cash provided by operating activities rose 15% to euro 2,159 million in the first half and by 22% to euro 1,196 million in the second quarter. This was primarily due to the higher level of net income. Despite the expansion of our business, additional financing for net working capital increased only slightly compared with the previous year's level.

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Cash used in investing activities led to a cash outflow of euro 956 million compared with euro 2,343 million in 2003 as a result of the acquisition of the fipronil crop protection business from Bayer as well as Honeywell's engineering plastics business. At euro 913 million, payments related to tangible and intangible fixed assets were lower than the level of amortization and depreciation of fixed assets of euro 1,115 million.

In cash used in financing activities, dividend payments and share buybacks led to a cash outflow of euro 1,119 million. In the first six months of 2004, we bought back 7.2 million shares for euro 300 million or an average of euro 41.81 per share.

Liquid funds increased to euro 794 million, and at euro 3,507 million, financial indebtedness was un-changed compared with the figure at the end of 2003. Net debt therefore declined from euro 2,879 million as of December 31, 2003, to euro 2,713 million.

Interim Financial Statements of BASF Group

(abridged version)

The interim financial statements have not been audited. The valuation methods used in the Consolidated Financial Statements for 2003 remain unchanged. Effective January 1, 2004, the U.S. dollar was defined as the functional currency for companies in Malaysia and Singapore as a result of the increased volume of business from regional production. There were only minor changes in the scope of consolidation in the first half of 2004.

Consolidated Statements of Income

| | 2nd Quarter | | Change in % | 1st Half | | Change in % |
|--|----------------|-------|----------------|-------------|--------|----------------|
| Million euro | 2004 | 2003 | | 2004 | 2003 | |
| Sales, net of natural gas taxes | 9,314 | 8,249 | 12.9 | 18,365 | 17,081 | 7.5 |
| Cost of sales | 6,248 | 5,680 | 10.0 | 12,409 | 11,753 | 5.6 |
| Gross profit on sales | 3,066 | 2,569 | 19.3 | 5,956 | 5,328 | 11.8 |
| Selling expenses | 1,152 | 1,127 | 2.2 | 2,269 | 2,244 | 1.1 |
| General and administrative expenses | 179 | 173 | 3.5 | 353 | 336 | 5.1 |
| Research and development expenses | 275 | 262 | 5.0 | 535 | 538 | (0.6) |
| Other operating income | 97 | 88 | 10.2 | 203 | 192 | 5.7 |
| Other operating expenses | 376 | 321 | 17.1 | 783 | 686 | 14.1 |
| Income from operations | 1,181 | 774 | 52.6 | 2,219 | 1,716 | 29.3 |
| (Expenses)/income from financial assets | 26 | (34) | . | 18 | (53) | . |
| Interest result | (49) | (54) | 9.3 | (101) | (138) | 26.8 |
| Financial result | (23) | (88) | 73.9 | (83) | (191) | 56.5 |
| Income before taxes and minority interests | 1,158 | 686 | 68.8 | 2,136 | 1,525 | 40.1 |
| Income taxes | 490 | 484 | 1.2 | 921 | 852 | 8.1 |
| Minority interests | 34 | 7 | 385.7 | 66 | 36 | 83.3 |
| Net income | 634 | 195 | 225.1 | 1,149 | 637 | 80.4 |
| Earnings per share (euro) | 1.15 | 0.35 | 228.6 | 2,08 | 1.13 | 84.1 |
| Number of shares in | | | | | | |

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millions, weighted 551 563 (2.1) 553 565 (2.1)

Consolidated Balance Sheets

| Million euro | June 30, 2004 | June 30, 2003 | Change in % | Dec. 31, 2003 | Change in % |
|---|------------------|------------------|----------------|------------------|----------------|
| Assets | | | | | |
| Intangible assets | 3,701 | 4,155 | (10.9) | 3,793 | (2.4) |
| Property, plant and equipment | 13,139 | 13,534 | (2.9) | 13,070 | 0.5 |
| Financial assets | 2,529 | 3,163 | (20.0) | 2,600 | (2.7) |
| Fixed assets | 19,369 | 20,852 | (7.1) | 19,463 | (0.5) |
| Inventories | 4,194 | 4,848 | (13.5) | 4,151 | 1.0 |
| Accounts receivable, trade | 5,944 | 5,619 | 5.8 | 4,954 | 20.0 |
| Miscellaneous receivables | 3,108 | 3,191 | (2.6) | 3,159 | (1.6) |
| Deferred taxes | 1,234 | 1,154 | 6.9 | 1,247 | (1.0) |
| Liquid funds | 794 | 395 | 101.0 | 628 | 26.4 |
| Current assets | 15,274 | 15,207 | 0.4 | 14,139 | 8.0 |
| Total assets | 34,643 | 36,059 | (3.9) | 33,602 | 3.1 |
| Stockholders' equity and liabilities | | | | | |
| Subscribed capital and capital surplus | 4,408 | 4,408 | 0.0 | 4,408 | 0.0 |
| Retained earnings and other equity | 11,231 | 11,442 | (1.8) | 11,083 | 1.3 |
| Minority interests | 352 | 396 | (11.1) | 388 | (9.3) |
| Stockholders' equity | 15,991 | 16,246 | (1.6) | 15,879 | 0.7 |
| Provisions for pensions and similar obligations | 3,890 | 3,892 | (0.1) | 3,862 | 0.7 |
| Provisions for taxes and other provisions | 5,767 | 5,332 | 8.2 | 5,325 | 8.3 |
| Provisions | 9,657 | 9,224 | 4.7 | 9,187 | 5.1 |
| Financial indebtedness | 3,507 | 5,097 | (31.2) | 3,507 | 0.0 |
| Accounts payable, trade | 2,365 | 2,208 | 7.1 | 2,056 | 15.0 |
| Other liabilities | 3,123 | 3,284 | (4.9) | 2,973 | 5.0 |
| Liabilities | 8,995 | 10,589 | (15.1) | 8,536 | 5.4 |
| Total liabilities | 18,652 | 19,813 | (5.9) | 17,723 | 5.2 |
| Total stockholders' equity and liabilities | 34,643 | 36,059 | (3.9) | 33,602 | 3.1 |

Consolidated Statements of Stockholders' Equity January - June 2004

| Million euro | Number of shares | Subscribed capital | Capital surplus | Retained earnings |
|--|---------------------|-----------------------|--------------------|----------------------|
| As of January 1, 2004 | 556,643,410 | 1,425 | 2,983 | 12,055 |
| Net income | - | - | - | 1,149 |
| Share buyback and cancellation of shares including own shares intended to be cancelled | -7,170,000 | -18 | 18 | -300 |

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| | | | | |
|---|-------------|-------|-------|--------|
| Dividends paid | - | - | - | -774 |
| (Decrease)/increase of foreign currency translation adjustments | - | - | - | - |
| Capital injection by minority interests | - | - | - | - |
| Changes in scope of consolidation and other changes | - | - | - | 15 |
| As of June 30, 2004 | 549,473,410 | 1,407 | 3,001 | 12,145 |

Consolidated Statements of Stockholders' Equity January - June 2004

| Million euro | Currency translation adjustment | Minority interests | Stockholders' equity |
|--|---------------------------------|--------------------|----------------------|
| As of January 1, 2004 | -972 | 388 | 15,879 |
| Net income | - | 66 | 1,215 |
| Share buyback and cancellation of shares including own shares intended to be cancelled | - | - | -300 |
| Dividends paid | - | -31 | -805 |
| (Decrease)/increase of foreign currency translation adjustments | 58 | -61 | -3 |
| Capital injection by minority interests | - | -41 | -41 |
| Changes in scope of consolidation and other changes | - | 31 | 46 |
| As of June 30, 2004 | -914 | 352 | 15,991 |

Consolidated Statements of Stockholders' Equity January - June 2003

| Million euro | Number of shares | Subscribed capital | Capital surplus | Retained earnings |
|--|------------------|--------------------|-----------------|-------------------|
| As of January 1, 2003 | 570,316,410 | 1,460 | 2,948 | 12,468 |
| Net income | - | - | - | 637 |
| Share buyback and cancellation of shares including own shares intended to be cancelled | -6,930,000 | -18 | 18 | -226 |
| Dividends paid | - | - | - | -789 |
| (Decrease)/increase of foreign currency translation adjustments | - | - | - | - |
| Changes in scope of consolidation and other changes | - | - | - | -2 |
| As of June 30, 2003 | 563,386,410 | 1,442 | 2,966 | 12,088 |

Consolidated Statements of Stockholders' Equity January - June 2003

| Million euro | Currency translation adjustment | Minority interests | Stockholders' equity |
|--------------|---------------------------------|--------------------|----------------------|
|--------------|---------------------------------|--------------------|----------------------|

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| | | | |
|---|------|-----|--------|
| As of January 1, 2003 | -330 | 396 | 16,942 |
| Net income | - | 36 | 673 |
| Share buyback and cancellation of shares | | | |
| including own shares intended to be cancelled | - | - | -226 |
| Dividends paid | - | -33 | -822 |
| (Decrease)/increase of foreign currency translation adjustments | -316 | -5 | -321 |
| Changes in scope of consolidation and other changes | - | 2 | - |
| As of June 30, 2003 | -646 | 396 | 16,246 |

Forward-looking statements

This report contains forward-looking statements under the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in BASF's Form 20-F filed with the Securities and Exchange Commission. (The Annual Report on Form 20-F is available on the Internet at www.basf.com.) We do not assume any obligation to update the forward-looking statements contained in this report.

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Important dates

-- November 11, 2004

Interim Report Third Quarter 2004

-- March 9, 2005

Financial Results 2004

-- April 28, 2005

Annual Meeting, Mannheim

Interim Report First Quarter 2005

-- August 3, 2005

Interim Report Second Quarter 2005

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report to be signed on its behalf by the undersigned, thereunto duly authorized.

BASF Aktiengesellschaft

Date: August 4, 2004

By: /s/ Elisabeth Schick

Name: Elisabeth Schick
Title: Director Site Communications Ludwigshafen
and Europe

By: /s/ Christian Schubert

Name: Christian Schubert
Title: Director Corporate Communications
BASF Group