Reporting Factsheet

Q4 2013

BASF
The Chemical Company

BASF Group **(Million €)**	**Q4 2013**	Q4 2012	Change (%)	*Q4 2013*	*Q3 2013*	*Change (%)*
Sales	**18,149**	17,981	0.9	*18,149*	*17,733*	*2.3*
Income from operations before depreciation and amortization (EBITDA)	**2,590**	2,054	26.1	*2,590*	*2,494*	*3.8*
Income from operations (EBIT) before special items	**1,452**	1,229	18.1	*1,452*	*1,692*	*(14.2)*
Income from operations (EBIT)	**1,649**	1,065	54.8	*1,649*	*1,682*	*(2.0)*
Financial result	**(105)**	(287)	63.4	*(105)*	*(167)*	*37.1*
Income before taxes and minority interests	**1,544**	778	98.5	*1,544*	*1,515*	*1.9*
Net income	**1,143**	983	16.3	*1,143*	*1,096*	*4.3*
Earnings per share (€)	**1.24**	1.07	15.9	*1.24*	*1.20*	*3.3*
Adjusted earnings per share (€)*	**1.02**	1.35	(24.4)	*1.02*	*1.28*	*(20.3)*
EBITDA in % of sales	**14.3**	11.4	-	*14.3*	*14.1*	*-*
Cash provided by operating activities	**1,888**	1,577	19.7	*1,888*	*1,952*	*(3.3)*
Additions to long-term assets**	**1,833**	2,408	(23.9)	*1,833*	*2,995*	*(38.8)*
Amortization and depreciation**	**941**	989	(4.9)	*941*	*812*	*15.9*
Segment assets (end of period)***	**55,114**	53,941	2.2	*55,114*	*56,062*	*(1.7)*
Personnel costs	**2,298**	2,103	9.3	*2,298*	*2,352*	*(2.3)*
Number of employees (end of period)	**112,206**	110,782	1.3	*112,206*	*112,617*	*(0.4)*

*) Adjusted for special items and amortization of intangible assets **) Intangible assets and property, plant and equipment (including acquisitions)
***) Intangible assets, property, plant and equipment, inventories and business-related receivables

Segments	**Sales**			**EBIT bef. special items**			**EBIT**		
4th Quarter (Million €)	**2013**	2012	Change (%)	**2013**	2012	Change (%)	**2013**	2012	Change (%)
Chemicals	**4,191**	4,430	(5.4)	**510**	445	14.6	**500**	446	12.1
Performance Products	**3,683**	3,696	(0.4)	**216**	183	18.0	**67**	147	(54.4)
Functional Materials & Solutions	**4,129**	4,165	(0.9)	**238**	228	4.4	**212**	70	202.9
Agricultural Solutions	**890**	877	1.5	**67**	33	103.0	**63**	24	162.5
Oil & Gas	**4,150**	3,783	9.7	**535**	407	31.4	**918**	287	219.9
thereof Exploration & Production	***861***	*650*	32.5	***389***	*310*	25.5	***344***	*190*	81.1
Natural Gas trading	***3,289***	*3,133*	5.0	***146***	*97*	50.5	***574***	*97*	491.8
Other*	**1,106**	1,030	7.4	**(114)**	(67)	(70.1)	**(111)**	91	-
BASF Group	**18,149**	17,981	0.9	**1,452**	1,229	18.1	**1,649**	1,065	54.8

**) "Other" includes the sale of feedstock, engineering and other services, as well as rental income and leases. This item also includes foreign currency results from financial indebtedness and results from hedging for raw material prices that are not allocated to the segments..*

Factors influencing sales changes in % vs. Q4 2012	**Changes in sales Q4 2013**	**Thereof** **Volumes**	**Prices**	**Currencies**	**Acqu./Divest.**
Chemicals	(5)	4	(6)	(3)	0
Performance Products	0	5	(2)	(4)	1
Functional Materials & Solutions	(1)	5	0	(5)	(1)
Agricultural Solutions	1	1	2	(6)	4
Oil & Gas	10	7	(3)*		6
BASF Group	**1**	**5**	**(2)**	**(4)**	**2**

**) mix of price and currency effects*

Segments Q4 2013 vs. Q4 2012

Chemicals: (sales: (5)%; v:+4%; p:(6)%; c:(3)%; s: 0%)* fourth quarter sales decreased as higher sales volumes in all divisions could not compensate for lower prices and adverse currency effects. Fixed costs came down. EBIT before special items rose by 15 percent to 510 million euros, primarily due to Petrochemicals.

- Sales in *Petrochemicals* declined slightly. Lower prices in Europe and North America and negative currency effects could not be offset by higher sales volumes. Cracker margins in North America increased but in Asia Pacific, they remained on an unsatisfactory level. EBIT before special items increased substantially.
- Sales in *Monomers* dropped significantly driven by a decline in ammonia, caprolactam and isocyanates prices. EBIT before special items came in substantially lower.
- Sales in *Intermediates* increased, attributable to higher volumes especially in butanediol and derivatives as well as polyalcohols and specialties. Improved margins for amines and license income from gas treatment solutions led to a significant improvement in EBIT before special items.

Performance Products: (sales 0%; v:+5%; p:(2)%; c:(4)%; s:+1%)* Sales in Performance Products were stable as higher volumes could compensate for lower prices and strong adverse currency effects. EBIT before special items increased by 18 percent to 216 million euros due to higher volumes and better margins. We incurred special items of around 150 million euros, primarily related to our ongoing restructuring program.

- Despite strong volume growth sales in *Dispersions & Pigments* only increased slightly. Higher raw material costs could not be fully passed on. EBIT before special items increased substantially due to higher volumes and lower fixed costs.
- Sales in *Care Chemicals* decreased slightly. Higher volumes for personal and home care products as well as formulation technologies were partly offset by lower volumes in hygiene. Prices declined slightly as we passed through lower raw material costs. EBIT before special items was substantially up as a result of higher volumes and lower fixed costs.
- In *Nutrition & Health*, sales rose primarily due to the inclusion of Pronova BioPharma. Volumes grew in pharma, human nutrition and aroma chemicals but were slightly lower in animal nutrition. Vitamin E prices came down further. EBIT before special items was down substantially.
- In *Paper Chemicals*, demand for graphical paper continued to decline. Sales dropped primarily due to lower prices and negative currency effects. EBIT before special items was almost flat as a result of lower fixed costs.
- *Performance Chemicals*' sales were stable as strong volume growth was offset by adverse currency effects and slightly lower prices. Water, oilfield and mining solutions as well as lubricant solutions showed good volume growth. Plastic additives, however, continued to face low demand. Fixed cost reduction measures led to a substantial increase in EBIT before special items.

Functional Materials & Solutions: (sales: (1)%; v: +5%; p: 0%; c: (5)%; s: (1)%)* Sales decreased slightly. Higher volumes were offset by negative currency effects. Healthy demand from the automotive industry led to volume growth. Demand from the construction industry remained sluggish, particularly in Southern Europe. EBIT before special items went up 4 percent to 238 million euros.

- Sales in *Catalysts* remained flat. Increased volumes in mobile emission catalysts were offset by negative currency effects. Precious and base metal services declined by 92 million euros to 488 million euros. EBIT before special items increased significantly, mainly driven by higher volumes in mobile emission catalysts.
- Sales in *Construction Chemicals* were significantly down mostly due to currency effects. In Europe, sales came down due to divestments as well as ongoing weak demand in Southern Europe. North American sales decreased due to lower volumes and adverse currency effects. EBIT before special items was positive but did not match the prior-year result.
- *Coatings* sales were flat as higher volumes and prices were offset by negative currency effects. OEM coatings grew strongly in all regions. Refinish coatings faced lower demand in Southern Europe, which was compensated by higher demand in Asia Pacific. Sales in decorative paints experienced slightly weaker demand in South America. EBIT before special items increased significantly benefitting from fixed cost reductions.
- Sales in *Performance Materials* increased slightly. Strong volume growth in all regions was almost offset by negative currency effects as well as lower prices. PU systems, engineering plastics and specialties for the automotive industry developed successfully. EBIT before special items decreased mainly due to an increase in fixed costs.

Agricultural Solutions: (sales: +1%; v:+1%; p:+2%; c: (6)%; s:+4%)* Despite significant adverse currency effects, we were able to increase sales in Agricultural Solutions in the seasonally slow fourth quarter. This was driven by the acquisition of Becker Underwood as well as slightly higher volumes and prices. EBIT before special items doubled.

Oil & Gas: (sales: +10%; v:+7%; p/c: (3)%; s: +6%)* Sales grew significantly. This was mainly due to increased volumes in Norway, Russia and Natural Gas Trading. EBIT before special items grew by 31 percent to 535 million euros. Better volumes, a higher contribution from Argentina due to the new gas price scheme as well as price revisions in Natural Gas Trading lifted earnings. Special items amounted to plus 383 million euros, mainly attributable to a one-time gain from the deconsolidation of GASCADE Gastransport GmbH. Net income grew substantially from 260 million euros to 652 million euros.

Other: Sales increased by 7 percent to 1.1 billion euros. The ELLBA joint ventures in Europe and Asia Pacific contributed strongly to sales growth. EBIT before special items declined by 47 million euros to minus 114 million euros.
***v=volume; p=price; c=currency; s=structure**

Financials

Q4 2013:

- Special items Q4 2013: +€197 million (Q4 2012: -€164 million).

  Performance Products: -€149 million, mainly due to restructuring measures

  Oil & Gas: +€383 million, mainly related to the deconsolidation of the GASCADE Gastransport GmbH that led to positive special items of 429 million euros
- Income taxes Q4 2013: €308 million (Q4 2012: -€273 million).

  Tax rate Q4 2013: 19.9% (Q4 2012: -35.1%, due to reversal of tax provisions).
- Financial result Q4 2013: -€105 million (Q4 2012: -€287 million).

FY 2013:

- Cash provided by operating activities in 2013: €7,870 million (2012: €6,602 million). Free cash flow in 2013: €3,210 million (2012: €2,587 million). Decrease in net working capital by €805 million in 2013 (2012: €844 million increase).
- Capex in 2013: €4,660 million (2012: €4,015 million).
- Equity ratio 43.2% (Dec. 31,2013); net debt: €12.6 billion (2012: €11.2 billion).

Dividend

- We will propose a dividend of €2.70 at the Annual Meeting on May 2, 2014.
- We continue to aim to increase our dividend each year, or at least maintain it at the previous year's level.

Outlook

Underlying assumptions for 2014:

- Global GDP: **2.8%** (2013: 2.3%).
- Global industrial production: **3.7%** (2013: 2.5%).
- Global chemical production (excl. pharma): **4.4%** (2013: 4.6%).
- Average US$/€ exchange rate of US$1.30/€.
- Average oil price of US$110 per barrel.

Forecast 2014:

- We aim to increase our sales volumes excluding the effects of acquisitions and divestitures.
- Nonetheless, sales will decline slightly compared with 2013 due to the divestiture of the gas trading and storage business planned for mid-2014.
- We expect a slight increase in EBIT before special items, especially as a result of considerably higher contributions from the Performance Products and Functional Materials & Solutions segments.
- We aim to earn a high premium on our cost of capital once again in 2014.

BASF Group Q4 and full year 2013
(Million €)

Chemicals	Q4 2013	Q4 2012	Change (%)	FY 2013	FY 2012	Change (%)
Sales	**4,191**	4,430	(5.4)	**16,994**	17,887	(5.0)
thereof: Petrochemicals	**1,995**	2,029	(1.7)	**7,785**	8,260	(5.8)
Monomers	**1,488**	1,720	(13.5)	**6,385**	6,772	(5.7)
Intermediates	**708**	681	4.0	**2,824**	2,855	(1.1)
EBITDA	**701**	668	4.9	**2,956**	3,021	(2.2)
EBIT before special items	**510**	445	14.6	**2,182**	2,171	0.5
EBIT	**500**	446	12.1	**2,086**	2,173	(4.0)

Performance Products	Q4 2013	Q4 2012	Change (%)	FY 2013	FY 2012	Change (%)
Sales	**3,683**	3,696	(0.4)	**15,534**	15,713	(1.1)
thereof: Dispersions & Pigments	**806**	793	1.6	**3,557**	3,668	(3.0)
Care Chemicals	**1,155**	1,188	(2.8)	**4,871**	4,898	(0.6)
Nutrition & Health	**511**	482	6.0	**2,088**	1,959	6.6
Paper Chemicals	**345**	371	(7.0)	**1,442**	1,564	(7.8)
Performance Chemicals	**866**	862	0.5	**3,576**	3,624	(1.3)
EBITDA	**331**	354	(6.5)	**1,987**	2,090	(4.9)
EBIT before special items	**216**	183	18.0	**1,365**	1,421	(3.9)
EBIT	**67**	147	(54.4)	**1,100**	1,276	(13.8)

Functional Materials & Solutions	Q4 2013	Q4 2012	Change (%)	FY 2013	FY 2012	Change (%)
Sales	**4,129**	4,165	(0.9)	**17,252**	17,049	1.2
thereof: Catalysts	**1,326**	1,321	0.4	**5,708**	5,568	2.5
Construction Chemicals	**497**	558	(10.9)	**2,120**	2,315	(8.4)
Coatings	**749**	748	0.1	**2,927**	2,961	(1.1)
Performance Materials	**1,557**	1,538	1.2	**6,497**	6,205	4.7
EBITDA	**345**	289	19.4	**1,498**	1,363	9.9
EBIT before special items	**238**	228	4.4	**1,070**	932	14.8
EBIT	**212**	70	202.9	**1,027**	806	27.4

Agricultural Solutions	Q4 2013	Q4 2012	Change (%)	FY 2013	FY 2012	Change (%)
Sales	**890**	877	1.5	**5,227**	4,679	11.7
EBITDA	**108**	70	54.3	**1,375**	1,182	16.3
EBIT before special items	**67**	33	103.0	**1,222**	1,037	17.8
EBIT	**63**	24	162.5	**1,208**	1,026	17.7

Oil & Gas	Q4 2013	Q4 2012	Change (%)	FY 2013	FY 2012	Change (%)
Sales	**4,150**	3,783	9.7	**14,776**	12,740	16.0
thereof: Exploration & Production	**861**	650	32.5	**2,929**	2,584	13.4
Natural Gas Trading	**3,289**	3,133	5.0	**11,847**	10,156	16.7
EBITDA	**1.184**	551	114.9	**3,144**	2,445	28.6
thereof: Exploration & Production	**570**	407	40.0	**2,133**	1,775	20.2
Natural Gas Trading	**614**	144	326.4	**1,011**	670	50.9
EBIT before special items	**535**	407	31.4	**1,969**	1,876	5.0
thereof: Exploration & Production	**389**	310	25.5	**1,540**	1,387	11.0
Natural Gas Trading	**146**	97	50.5	**429**	489	(12.3)
EBIT	**918**	287	219.9	**2,516**	1,676	50.1
thereof: Exploration & Production	**344**	190	81.1	**1,659**	1,187	39.8
Natural Gas Trading	**574**	97	491.8	**857**	489	75.3
Net income	**652**	260	150.8	**1,780**	1,201	48.2

Other	Q4 2013	Q4 2012	Change (%)	FY 2013	FY 2012	Change (%)
Sales	**1,106**	1,030	7.4	**4,190**	4,061	3.2
EBITDA	**(79)**	122	-	**(533)**	(92)	(479.3)
EBIT before special items	**(114)**	(67)	(70.1)	**(618)**	(790)	21.8
EBIT	**(111)**	91	-	**(664)**	(215)	(208.8)

BASF Group	Q4 2013	Q4 2012	Change (%)	FY 2013	FY 2012	Change (%)
Sales	**18,149**	17,981	0.9	**73,973**	72,129	2.6
EBITDA	**2,590**	2,054	26.1	**10,427**	10,009	4.2
EBIT before special items	**1,452**	1,229	18.1	**7,190**	6,647	8.2
EBIT	**1,649**	1,065	54.8	**7,273**	6,742	7.9

Excerpt from the BASF Report 2013

BASF
The Chemical Company

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Statement of income

BASF Group

Statement of income (million €)

	Explanations in note	2013	2012 (restated)
Sales revenue	[4]	73,973	72,129
Cost of sales	[6]	(55,483)	(54,266)
Gross profit on sales		**18,490**	**17,863**
Selling expenses	[6]	(7,423)	(7,447)
General and administrative expenses	[6]	(1,366)	(1,359)
Research expenses	[6]	(1,835)	(1,732)
Other operating income	[7]	1,679	1,709
Other operating expenses	[8]	(2,570)	(2,653)
Income from companies accounted for using the equity method	[9]	298	361
Income from operations	**[4]**	**7,273**	**6,742**
Income from other shareholdings		74	75
Expenses from other shareholdings		(70)	(43)
Interest income		160	177
Income expense		(688)	(724)
Other financial income		238	73
Other financial expenses		(274)	(323)
Financial result	**[10]**	**(560)**	**(765)**
Income before taxes and minority interests		**6,713**	**5,977**
Income taxes	[11]	(1,540)	(910)
Income before minority interests		**5,173**	**5,067**
Minority interests	[12]	(331)	(248)
Net income		**4,842**	**4,819**
Earnings per share (€)	**[5]**	**5.27**	**5.25**
Dilution effect	[5]	–	–
Diluted earnings per share (€)	**[5]**	**5.27**	**5.25**

Balance sheet
BASF Group

Assets (million €)

	Explanations in note	December 31, 2013	December 31, 2012 (restated)	January 1, 2012 (restated)
Intangible assets	[14]	12,235	12,193	11,850
Property, plant and equipment	[15]	18,254	16,610	16,182
Investments accounted for using the equity method	[16]	4,137	3,459	3,486
Other financial assets	[16]	630	613	578
Deferred tax assets	[11]	992	1,473	862
Other receivables and miscellaneous noncurrent assets	[18]	876	911	816
Noncurrent assets		**37,124**	**35,259**	**33,774**
Inventories	[17]	9,592	9,581	9,676
Accounts receivable, trade	[18]	9,376	9,506	10,151
Other receivables and miscellaneous current assets	[18]	3,630	3,455	3,679
Marketable securities		17	14	14
Cash and cash equivalents		1,815	1,647	1,903
Assets of disposal groups	[2]	2,828	3,264	295
Current assets		**27,258**	**27,467**	**25,718**
Total assets		**64,382**	**62,726**	**59,492**

Equity and liabilities (million €)

	Explanations in note	December 31, 2013	December 31, 2012 (restated)	January 1, 2012 (restated)
Subscribed capital	[19]	1,176	1,176	1,176
Capital surplus	[19]	3,165	3,188	3,203
Retained earnings	[19]	26,170	23,708	21,168
Other comprehensive income	[20]	(3,400)	(3,461)	(1,372)
Equity of shareholders of BASF SE		**27,111**	**24,611**	**24,175**
Minority interests	[21]	678	1,010	1,040
Equity		**27,789**	**25,621**	**25,215**
Provisions for pensions and similar obligations	[22]	3,709	5,421	3,162
Other provisions	[23]	2,924	2,925	3,223
Deferred tax liabilities	[11]	2,849	2,234	2,301
Financial indebtedness	[24]	11,151	8,704	8,670
Other liabilities	[24]	1,157	1,111	1,171
Noncurrent liabilities		**21,790**	**20,395**	**18,527**
Accounts payable, trade		4,505	4,502	4,827
Provisions	[23]	2,616	2,628	3,115
Tax liabilities	[11]	954	870	841
Financial indebtedness	[24]	3,256	4,094	3,833
Other liabilities	[24]	2,182	2,623	3,047
Liabilities of disposal groups	[2]	1,290	1,993	87
Current liabilities		**14,803**	**16,710**	**15,750**
Total equity and liabilities		**64,382**	**62,726**	**59,492**

Statement of cash flows
BASF Group

Statement of cash flows[1] (million €)

	2013	2012 (restated)
Net income	4,842	4,819
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	3,196	3,288
Changes in inventories	(215)	(672)
Changes in receivables	512	(1,104)
Changes in operating liabilities and other provisions	508	932
Changes in pension provisions, defined benefit assets, net assets of disposal groups and other noncash items	(970)	(223)
Net gains from disposal of noncurrent assets and securities	(3)	(438)
Cash provided by operating activities	**7,870**	**6,602**
Payments related to property, plant and equipment and intangible assets	(4,660)	(4,015)
Payments related to financial assets and securities	(784)	(144)
Payments related to acquisitions	(1,156)	(1,043)
Proceeds from divestitures	63	724
Proceeds from the disposal of noncurrent assets and securities	768	501
Cash used in investing activities	**(5,769)**	**(3,977)**
Capital increases/repayments and other equity transactions	–	(1)
Proceeds from the addition of financial and similar liabilities	5,636	4,904
Repayment of financial and similar liabilities	(4,808)	(5,247)
Dividends paid		
To shareholders of BASF SE	(2,388)	(2,296)
minority shareholders	(314)	(264)
Cash used in financing activities	**(1,874)**	**(2,904)**
Net changes in cash and cash equivalents	**227**	**(279)**
Effects on cash and cash equivalents		
From foreign exchange rates	(60)	21
changes in scope of consolidation	1	2
Cash and cash equivalents at the beginning of the year	**1,647**	**1,903**
Cash and cash equivalents at the end of the year	**1,815**	**1,647**

[1] More information on the Statement of Cash Flows can be found in the Management's Report (Financial Position) from page 57 onward. Other information on cash flows can be found in Note 29 on page 209.

Results of operations

Sales and earnings (million €)

		2013	2012	Change in %
Sales		73,973	72,129	2.6
Income from operations before depreciation and amortization (EBITDA)		10,427	10,009	4.2
EBITDA margin	%	14.1	13.9	–
Income from operations (EBIT) before special items		7,190	6,647	8.2
Income from operations (EBIT)		7,273	6,742	7.9
Financial result		(560)	(765)	26.8
Income before taxes and minority interests		6,713	5,977	12.3
Income before minority interests		5,173	5,067	2.1
Net income		4,842	4,819	0.5
Earnings per share	€	5.27	5.25	0.4
Adjusted earnings per share	€	5.37	5.64	(4.8)

Sales and earnings by quarter 2013[1] (million €)

		1st quarter	2nd quarter	3rd quarter	4th quarter	2013
Sales		19,738	18,353	17,733	18,149	73,973
Income from operations before depreciation and amortization (EBITDA)		2,854	2,489	2,494	2,590	10,427
Income from operations (EBIT) before special items		2,214	1,832	1,692	1,452	7,190
Income from operations (EBIT)		2,169	1,773	1,682	1,649	7,273
Financial result		(126)	(162)	(167)	(105)	(560)
Income before taxes and minority interests		2,043	1,611	1,515	1,544	6,713
Net income		1,446	1,157	1,096	1,143	4,842
Earnings per share	€	1.57	1.26	1.20	1.24	5.27
Adjusted earnings per share	€	1.67	1.40	1.28	1.02	5.37

Sales and earnings by quarter 2012[1] (million €)

		1st quarter	2nd quarter	3rd quarter	4th quarter	2012
Sales		18,840	17,836	17,472	17,981	72,129
Income from operations before depreciation and amortization (EBITDA)		3,304	2,510	2,141	2,054	10,009
Income from operations (EBIT) before special items		2,010	1,937	1,471	1,229	6,647
Income from operations (EBIT)		2,598	1,676	1,403	1,065	6,742
Financial result		(158)	(145)	(175)	(287)	(765)
Income before taxes and minority interests		2,440	1,531	1,228	778	5,977
Net income		1,703	1,208	925	983	4,819
Earnings per share	€	1.85	1.32	1.01	1.07	5.25
Adjusted earnings per share	€	1.54	1.59	1.16	1.35	5.64

[1] Quarterly results not audited

Sales

– Slight increase, mostly through higher sales volumes
– Negative currency effects slow down sales growth

+3%

Sales[2] (million €)

2013	**73,973**
2012 (restated)	72,129
2012	78,729
2011	73,497
2010	63,873
2009	50,693

[2] The figures for 2009 to 2011 were not restated according to IFRS 10 and 11 (see page 5). The figures for 2012 are shown before and after the restatement.

Growth in both the world economy and industrial production was slower in 2013 than in the previous year. In this challenging environment, our business developed solidly overall. Sales rose by just under 3% to reach €73,973 million. A considerable, volumes-driven sales increase in the Oil & Gas and Agricultural Solutions segments was largely responsible for this development. Sales slightly declined in the chemicals business[1] despite higher sales volumes. This was mainly on account of negative currency effects.

Income from operations before special items rose by around 8% to €7,190 million. In addition to our successful business with crop protection products and a higher contribution from the Functional Materials & Solutions segment, this increase was also due in large part to the earnings improvement in Other.

Sales and income from operations before special items

We increased sales by just under 3% to €73,973 in 2013, primarily through higher sales volumes. The Oil & Gas and Agricultural Solutions segments posted an especially considerable volumes increase. Sales volumes grew slightly in the chemicals business. The acquisitions of Pronova BioPharma ASA and the Becker Underwood Group, as well as of assets from Statoil ASA, also contributed to sales growth. Sales prices were stable overall. Sales were negatively impacted by currency effects. Income from operations before special items surpassed the 2012 level by around 8%, reaching €7,190 million. This was largely owing to the considerable earnings increase in the Agricultural Solutions and Functional Materials & Solutions segments as well as significantly improved earnings in Other. Partly counteracting this development was a lower contribution from the Performance Products segment.

Sales in the **Chemicals** segment were 5% below the level of 2012 as a result of falling prices and negative currency effects. We increased sales volumes in the Intermediates and Monomers divisions. Volumes declined in the Petrochemicals division, however, due in part to scheduled plant shutdowns. Income from operations before special items rose by 1% overall. This was attributable to the significantly higher contribution from the Petrochemicals division.

Factors influencing sales BASF Group

	Change in million €	Change in %
Volumes	3,732	5
Prices	(467)	0
Currencies	(2,006)	(3)
Acquisitions and changes in the scope of consolidation	793	1
Divestitures	(208)	0
Total change in sales	**1,844**	**3**

In the **Performance Products** segment, sales were down by 1% in 2013 despite higher volumes. Negative currency effects and lower prices resulting from reduced raw material costs were responsible for this decrease. The acquisition of Pronova BioPharma had a positive impact on sales. We posted a 4% decline in income from operations before special items. This was mainly owing to negative currency effects.

We improved sales by 1% in the **Functional Materials & Solutions** segment, especially through higher sales volumes in the Performance Materials and Catalysts divisions. Sales declined considerably in the Construction Chemicals division, due primarily to currency effects. We raised income from operations before special items by 15%. All divisions contributed to this increase.

Sales in the **Agricultural Solutions** segment exceeded the level of 2012 by 12%. In a positive market environment, we raised sales volumes and prices in all regions and indications. The acquisition of Becker Underwood also boosted sales growth; negative currency effects had an adverse impact. Income from operations before special items rose by 18%, thanks in particular to the increase in volumes and prices.

Income from operations before special items

- Slight increase compared with 2012
- Earnings improve, especially in Agricultural Solutions, Functional Materials & Solutions and Other

+8%

Income from operations before special items[2] (million €)

2013	**7,190**
2012 (restated)	6,647
2012	8,881
2011	8,447
2010	8,138
2009	4,852

[2] The figures for 2009 to 2011 were not restated according to IFRS 10 and 11 (see page 5). The figures for 2012 are shown before and after the restatement.

[1] Our chemicals business includes the Chemicals, Performance Products and Functional Materials & Solutions segments.

Mainly as a result of increased volumes, sales in the **Oil & Gas** segment grew by 16%. In the Exploration & Production business sector, this growth was particularly attributable to the activities acquired from Statoil in Norway, as well as to higher volumes in Russia and from our offshore field in Libya. Volumes also rose in the Natural Gas Trading business sector. Income from operations before special items surpassed the level of 2012 by 5%. A considerably higher contribution from the Exploration & Production business sector was able to more than offset the margin-related earnings decline in the Natural Gas Trading business sector.

Sales in **Other** grew by €129 million to €4,190 million in comparison with the previous year. This was due to increased sales for precursors not assigned to a particular segment. Income from operations before special items improved to minus €618 million as a result of lower charges, such as those from the long-term incentive program, compared with minus €790 million in 2012.

For more on business reviews by segment, see page 58 onward

Income from operations before special items for the BASF Group includes income from companies accounted for using the equity method. In 2013, this amounted to €298 million compared with €361 million in the previous year. The decline was mainly attributable to lower contributions from the Oil & Gas segment.

Income from operations and special items

At €7,273 million, income from operations before special items for the BASF Group in 2013 was up from the previous year's level (€6,742 million).

Special items in 2013 resulted in an earnings contribution of €83 million (2012: €95 million).

Divestitures of €591 million contributed to this total, which primarily included special income from the reclassification of GASCADE Gastransport GmbH, headquartered in Kassel, Germany, due to loss of control, as well as from the disposal of a 15-percent share in the Edvard Grieg development project in Norway. Divestitures had contributed €605 million to earnings in 2012, especially as a result of disposal gains from the fertilizer business.

Special charges for various restructuring measures fell by €16 million year-on-year to €257 million. By contrast, special charges for the integration of acquired businesses increased to €86 million (2012: €2 million).

Moreover, other special charges totaling €165 million arose in 2013. These primarily concerned impairments related to a plant in the Chemicals segment as well as to a gas field development project in the Oil & Gas segment. Other special charges of €235 million in 2012 were mostly attributable to impairment charges on a Norwegian oilfield development project.

Income from operations after cost of capital grew by €708 million to €1,872 million. This means we once again earned a high premium on our cost of capital.

Financial result and net income

The financial result improved to minus €560 million, compared with minus €765 million in the previous year.

The interest result improved by €19 million to minus €528 million on account of lower interest expenses for financial indebtedness. The bonds redeemed in 2012 and 2013 could be refinanced at more favorable conditions.

Income from shareholdings fell by €28 million to €4 million compared with the previous year.

Other financial expenses and income balanced out to minus €36 million compared with minus €250 million in 2012. This was mostly due to positive effects from the market valuation of options for the disposal of our share in the Styrolution joint venture. As a result, special income of €119 million arose in 2013, compared with the special charge of €88 million in 2012. Income before taxes and minority interests therefore included special items of €202 million, compared with €7 million in 2012.

Income before taxes and minority interests increased year-on-year by €736 million to €6,713 million. Return on assets amounted to 11.6%, compared with 11.0% in the previous year.

Special items (million €)

	2013	2012
Integration costs	(86)	(2)
Restructuring measures	(257)	(273)
Divestitures	591	605
Other charges and income	(165)	(235)
Total special items reported in income from operations (EBIT)	**83**	**95**
Special items reported in financial result	119	(88)
Total special items reported in income before taxes	**202**	**7**

Income taxes grew by €630 million to €1,540 million. The tax rate increased significantly from 15.2% to 22.9%. The previous year had included tax credits from impairment charges on a Norwegian oilfield development project as well as the reversal of tax provisions. Neither the special income from the disposal of a 15-percent share in the Edvard Grieg development project in Norway nor the earnings from the loss of control of the GASCADE Gastransport GmbH resulted in tax burdens in 2013.

Income before minority interests rose by €106 million to €5,173 million. Minority interests increased from €248 million to €331 million. After a negative earnings contribution in the previous year due to the temporary maintenance shutdown of the steam cracker, there were minority interests in profits at BASF Total Petrochemicals LLC in Port Arthur, Texas, in 2013. However, minority interests in profits were lower primarily at WINGAS GmbH because of falling margins in the natural gas trading business and at BASF Petronas Chemicals Sdn. Bhd., Malaysia, due to margin pressure and unscheduled production outages resulting from delivery problems with its main supplier.

Net income amounted to €4,842 million, slightly above the previous year's level of €4,819 million. Earnings per share rose from €5.25 to €5.27.

For information on the tax rate, see the Notes to the Consolidated Financial Statements from page 178 onward

For information on accounting methods, see the Notes to the Consolidated Financial Statements from page 149 onward

Cash flow

At €7,870 million, we increased cash provided by operating activities by €1,268 million compared with the previous year. This was largely due to a reduction in the amount of net capital tied down in net working capital.

At €4,660 million, payments for property, plant and equipment and intangible assets were higher than both the level of depreciation and the level of 2012. At €3,210 million, free cash flow also exceeded the prior-year level (2012: €2,587 million).

Adjusted earnings per share

By adjusting for special items and the amortization of intangible assets, adjusted earnings per share is a key ratio that offers long-term comparability and is more suitable for predicting the company's future profitability.

In 2013, adjusted earnings per share amounted to €5.37 compared with €5.64 in the previous year.

Adjusted earnings per share (million €)

		2013	2012
Income before taxes and minority interests		6,713	5,977
Special items		(202)	(7)
Amortization of intangible assets		635	673
Amortization of intangible assets contained in special items		(4)	(75)
Adjusted income before taxes and minority interests		**7,142**	**6,568**
Adjusted income taxes		(1,878)	(1,130)
Adjusted income before minority interests		**5,264**	**5,438**
Adjusted minority interests		(335)	(256)
Adjusted net income		**4,929**	**5,182**
Weighted average number of outstanding shares	(in thousands)	918,479	918,479
Adjusted earnings per share	**(€)**	**5.37**	**5.64**

Adjusted income before taxes and minority interests, adjusted net income, and adjusted earnings per share are key ratios that are not defined under International Financial Reporting Standards (IFRS). They should therefore be viewed as supplementary information.

For more information on the earnings per share according to IFRS, see the Notes to the Consolidated Financial Statements on page 174

Income from operations (EBIT)

- EBIT before special items, EBIT and EBIT after cost of capital rise
- Premium once again earned on cost of capital
- Special income mainly from reclassification of GASCADE Gastransport GmbH and disposal of share in Edvard Grieg development project

Financial result and net income

- Financial result improves considerably compared with previous year
- Net income increases slightly

Net assets

Assets

	December 31, 2013		December 31, 2012	
	Million €	**%**	**Million €**	**%**
Intangible assets	12,235	19.0	12,193	19.4
Property, plant and equipment	18,254	28.4	16,610	26.5
Investments accounted for using the equity method	4,137	6.4	3,459	5.5
Other financial assets	630	1.0	613	1.0
Deferred taxes	992	1.5	1,473	2.3
Other receivables and miscellaneous noncurrent assets	876	1.4	911	1.5
Noncurrent assets	**37,124**	**57.7**	**35,259**	**56.2**
Inventories	9,592	14.9	9,581	15.3
Accounts receivable, trade	9,376	14.6	9,506	15.2
Other receivables and miscellaneous current assets	3,630	5.6	3,455	5.5
Marketable securities	17	.	14	.
Cash and cash equivalents	1,815	2.8	1,647	2.6
Assets of disposal groups	2,828	4.4	3,264	5.2
Current assets	**27,258**	**42.3**	**27,467**	**43.8**
Total assets	**64,382**	**100.0**	**62,726**	**100.0**

Total assets amounted to €64,382 million, exceeding the level of 2012 by €1,656 million.

Noncurrent assets grew by €1,865 million to €37,124 million. At €12,235 million, intangible assets including goodwill matched the previous year's level. The acquisitions-driven increase in intangible assets of €1,158 million was counterbalanced mainly by currency effects and amortization.

The value of tangible fixed assets increased by €1,644 million to €18,254 million, primarily as a result of investments and acquisitions. At €6,220 million, additions to property, plant and equipment considerably exceeded depreciation. Partly counteracting this were the reclassification of GASCADE Gastransport GmbH (headquartered in Kassel, Germany) and transfers from property, plant and equipment resulting from the transfer of a fully consolidated company's assets to an equity-accounted Group company in the Oil & Gas segment.

The €481 million decline in deferred tax assets was mostly due to the use of tax loss carryforwards as well as to actuarial gains on defined benefit plans.

At €27,258 million, current assets were €209 million below the previous year's level. Along with lower trade accounts receivable, the decline in disposal group assets for the natural gas trading business contributed to this development. While inventory levels were comparable with those of 2012, other receivables and miscellaneous assets increased.

At €1,815 million, cash and cash equivalents were €168 million above the level of December 31, 2012.

For more on the composition and development of individual asset items in the balance sheet, see the Notes to the Consolidated Financial Statements from page 181 onward

Assets

– Total assets exceed previous year's level by €1,656 million
– Noncurrent assets rise year-on-year, mainly as a result of investments and acquisitions
– Decline in current assets of €209 million

Financial position

Equity and liabilities

	December 31, 2013		December 31, 2012	
	Million €	**%**	**Million €**	**%**
Subscribed capital	4,341	6.7	4,364	6.9
Retained earnings	26,170	40.7	23,708	37.8
Other comprehensive income	(3,400)	(5.3)	(3,461)	(5.5)
Minority interests	678	1.1	1,010	1.6
Equity	**27,789**	**43.2**	**25,621**	**40.8**
Provisions for pensions and similar obligations	3,709	5.8	5,421	8.6
Other provisions	2,924	4.5	2,925	4.7
Deferred taxes	2,849	4.4	2,234	3.5
Financial indebtedness	11,151	17.3	8,704	13.9
Other liabilities	1,157	1.8	1,111	1.8
Noncurrent liabilities	**21,790**	**33.8**	**20,395**	**32.5**
Accounts payable, trade	4,505	7.0	4,502	7.2
Provisions	2,616	4.1	2,628	4.2
Tax liabilities	954	1.5	870	1.4
Financial indebtedness	3,256	5.0	4,094	6.5
Other liabilities	2,182	3.4	2,623	4.2
Liabilities of disposal groups	1,290	2.0	1,993	3.2
Current liabilities	**14,803**	**23.0**	**16,710**	**26.7**
Total equity and liabilities	**64,382**	**100.0**	**62,726**	**100.0**

Equity grew by €2,168 million compared with the previous year. Net income amounted to €4,842 million, which exceeded dividend payments by €2,454 million. Additionally, the revaluation of defined benefit plans resulted in an increase in equity of €1,127 million. The equity ratio rose to 43.2% (2012: 40.8%).

Compared with the end of 2012, noncurrent liabilities grew by €1,395 million to €21,790 million. Long-term financial indebtedness increased by €2,447 million to €11,151 million. Over the course of 2013, we issued bonds with a nominal value of €2.65 billion and NOK 1.45 billion with maturities between 3 and 30 years as part of our €15 billion Debt Issuance Program. We also issued a U.S. private placement of $1.25 billion consisting of three tranches with maturities between 12 and 21 years. Furthermore, loans and promissory notes in the amounts of €1.87 billion, £0.3 billion, and $0.15 billion were paid back in 2013. A bond due in 2014 with a total volume of €1.25 billion was reclassified to short-term financial indebtedness. Deferred tax liabilities rose by €615 million and other liabilities by €46 million. However, provisions for pensions and similar obligations declined by €1,712 million because of higher discount rates. Other provisions matched the level of the previous year.

Equity and liabilities

– Equity ratio rises to 43.2%
– Increase in long-term and decline in short-term financial indebtedness
– Net debt above prior-year level

Net debt (million €)

	Dec. 31, 2013	Dec. 31, 2012
Cash and cash equivalents	1,815	1,647
Financial indebtedness	14,407	12,798
Net debt	**12,592**	**11,151**

Current liabilities declined by €1,907 million to €14,803 million. This was the result of the €838 million decline in financial liabilities to €3,256 million as well as the €703 million decrease in the liabilities of the natural gas trading disposal group. Other liabilities also fell by €441 million. While tax liabilities rose by €84 million in 2013, trade accounts payable and short-term provisions both matched the prior-year level.

Long-term financial indebtedness increased overall by €1,609 million to €14,407 million. Net debt rose to €12,592 million.

For more on the composition and development of individual liability items in the balance sheet, see the Notes to the Consolidated Financial Statements from page 188 onward

For more on the development of the balance sheet, see the Ten-Year Summary from page 226 onward

For more on the disposal group for the natural gas trading business, see the Notes to the Consolidated Financial Statements on page 169

Financing policy and credit ratings

Our financing policy is aimed at ensuring our solvency at all times, limiting the risks associated with financing and optimizing our cost of capital. We preferably meet our external financing needs on international capital markets.

We strive to maintain at least a solid A rating, which allows us unrestricted access to money and capital markets. Our financing measures are aligned with our operative business planning as well as the company's strategic direction and also ensure the financial flexibility to take advantage of strategic options.

With "A+/A-1/outlook stable" from rating agency Standard & Poor's and "A1/P-1/outlook stable" from Moody's, we have good credit ratings, especially compared with competitors in the chemical industry. Standard & Poor's last confirmed our long-term rating on November 22, 2013; Moody's last confirmed our long-term rating on October 14, 2013, and pronounced the outlook stable. Both agencies maintained BASF's short-term ratings.

Corporate bonds form the basis of our medium to long-term debt financing. These are issued in euros and other currencies with different maturities. Our goal is to ensure a balanced maturity profile and diverse range of investors, and to optimize our debt capital financing conditions.

For short-term financing, we use BASF SE's commercial paper program, which has an issuing volume of up to $12.5 billion. On December 31, 2013, $1.70 billion worth of commercial paper was outstanding under this program. Firmly committed, syndicated credit facilities of €6 billion serve to cover the repayment of outstanding commercial paper, and can also be used for general company purposes.

These credit lines were not used in the course of 2013. Our external financing is therefore largely independent of short-term fluctuations in the credit markets.

Off-balance-sheet financing tools, such as leasing, are of minor importance to us. BASF Group's most important financial contracts contain no side agreements with regard to specific financial ratios (financial covenants) or compliance with a specific rating (rating trigger).

For more on the financing tools used, see the Notes to the Consolidated Financial Statements from page 201 onward

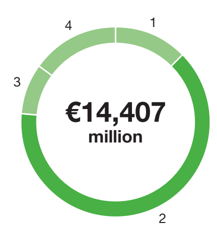
Financial management in the BASF Group is centralized and supported by regional finance units. To minimize risks and exploit internal optimization potential within the Group, we bundle the financing, financial investments and foreign currency hedging of BASF SE's subsidiaries. When possible, this occurs within the BASF Group. Foreign currency risks are primarily hedged centrally by means of derivative financial instruments in the market.

Maturities of financial indebtedness (million €)

2019 and beyond	4,393
2018	1,746
2017	779
2016	1,051
2015	3,182
2014	3,256

Financing instruments (million €)

1	Bank loans	1,812
2	Eurobonds	9,196
3	USD commercial paper	1,232
4	Other	2,167



Statement of cash flows

At €7,870 million, we increased **cash provided by operating activities** by €1,268 million in 2013 compared with the previous year. This was largely due to a reduction in the amount of capital tied down in net working capital.

Cash used in investing activities amounted to minus €5,769 million compared with minus €3,977 million in 2012. At €4,660 million, payments for property, plant and equipment and intangible assets were higher than both the level of depreciation and the prior year. Acquisitions led to a cash outflow of €1,156 million in 2013 (2012: €1,043 million). We received €63 million in cash inflow from divestitures in 2013. This amount totaled €724 million in 2012, predominantly from thedisposal of our fertilizer activities. Cash outflow from financial investments and other items in 2013 was mainly attributable to the increase in financing-related receivables.

For more on investments and acquisitions, see page 36 onward

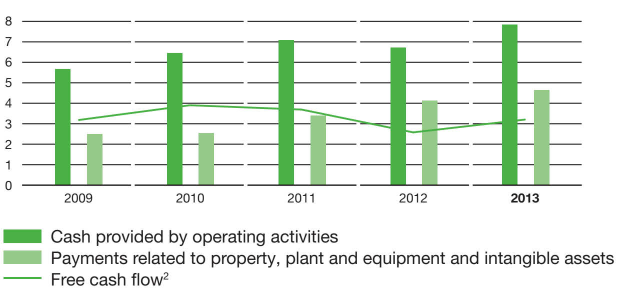
Cash used in financing activities amounted to minus €1,874 million. In comparison with 2012, cash outflow was lower by €1,030 million, which was largely due to lower repayment of bonds and promissory notes; by contrast, the volume of newly issued bonds rose. We paid €2,388 million in dividends to shareholders of BASF SE and €314 million to minority shareholders in Group companies.

In total, cash and cash equivalents rose by €168 million compared with the previous year, amounting to €1,815 million as of December 31, 2013.

Statement of cash flows (million €)

	2013	2012
Net income	4,842	4,819
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	3,196	3,288
Changes in working capital	805	(844)
Miscellaneous items	(973)	(661)
Cash provided by operating activities	**7,870**	**6,602**
Payments related to property, plant and equipment and intangible assets	(4,660)	(4,015)
Acquisitions/divestitures	(1,093)	(319)
Financial investments and other items	(16)	357
Cash used in investing activities	**(5,769)**	**(3,977)**
Capital increases/repayments, share repurchases	–	(1)
Changes in financial liabilities	828	(343)
Dividends	(2,702)	(2,560)
Cash used in financing activities	**(1,874)**	**(2,904)**
Net changes in cash and cash equivalents	227	(279)
Cash and cash equivalents as of beginning of year and other changes	1,588	1,926
Cash and cash equivalents as of end of year	**1,815**	**1,647**

Cash flow[1] (billion €)



Financing and cash flows

– Financing principles remain unchanged
– “A” ratings confirmed
– Cash provided by operating activities above 2012 level
– Payments for investments and acquisitions increase

[1] The figures for the 2009 to 2011 business years were not restated according to the new accounting and reporting standards IFRS 10 and 11 (see page 5).
[2] Cash provided by operating activities less payments related to property, plant and equipment and intangible assets

Outlook 2014

The world economy is expected to grow slightly faster in 2014 than in 2013, despite continuing volatility. For the global chemical industry, we anticipate growth rates comparable with the previous year's level. We forecast somewhat higher growth in key customer industries such as the transportation, consumer goods and electronics industries. This will likely have a positive effect on our business.

Overall, we expect to perform well in a market environment that remains challenging in 2014. We aim to increase our sales volumes excluding the effects of acquisitions and divestitures. Nonetheless, sales are likely to decline slightly compared with 2013, due to the divestiture of the gas trading and storage business planned for the middle of 2014. We expect a slight increase in income from operations before special items, especially as a result of considerably higher contributions from the Performance Products and Functional Materials & Solutions segments. We aim to earn a high premium on our cost of capital once again in 2014.

As presented in detail on pages 115 to 117, we anticipate an increase in global economic growth (+2.8%) and industrial production (+3.7%) in 2014. For the chemical industry, we expect a growth rate of +4.4%, comparable with the level of 2013. We assume an average price for Brent crude oil of $110 per barrel and an average exchange rate of $1.30 per euro.

Sales and earnings forecast for the BASF Group

The divestiture of the gas trading and storage business planned for the middle of 2014 will presumably reduce BASF Group sales considerably in 2014. However, we only expect a slight decrease in sales overall as a result of the slight rise in sales anticipated for the chemicals business[1] and significant sales growth in the Agricultural Solutions segment.

We want to slightly increase income from operations before special items. We anticipate a significant earnings improvement in the Performance Products and Functional Materials & Solutions segments.

We predict considerably higher income from operations for the BASF Group than in 2013. Special income arising from the planned divestiture of our gas trading and storage business is expected to make a significant contribution here. We aim to considerably increase income from operations after cost of capital and therefore earn a high premium on our cost of capital.

The significant risks and opportunities which could affect the attainment of our forecast are explained on pages 106 to 114.

Sales and earnings forecast for the segments

We strive to slightly increase sales in the **Chemicals** segment. In the Petrochemicals and Monomers divisions, we anticipate slight sales growth. Sales in the Intermediates division are likely to rise considerably. We expect higher sales volumes in the Monomers division, particularly for isocyanates, while the startup of new plants will contribute to sales growth in the Petrochemicals division. We forecast higher demand for the Intermediates division from the following key industries: automotive, crop protection and textile fibers. Overall, income from operations before special items is expected to be slightly below the 2013 level due to startup costs for several plants that will begin operations.

In a market environment that continues to be challenging, we aim to slightly increase sales in the **Performance Products** segment through organic growth. In the Dispersions & Pigments division, we anticipate higher demand from two key industries: automotive and construction. We also expect higher sales volumes in the Care Chemicals and Nutrition & Health divisions. Sales prices are likely to remain under pressure. We want to increase the capacity utilization of our existing plants and achieve high utilization of new plants, such as for superabsorbents and dispersions, from the start. We anticipate income

Outlook 2014

- Somewhat faster growth expected for global economy despite continuing volatility
- BASF business to perform well in market environment that remains challenging
- Increase in sales volumes targeted, excluding effects of acquisitions and divestitures
- Sales likely to be slightly below 2013 levels, due to divestiture of gas trading and storage business planned for middle of 2014
- Slight increase in income from operations (EBIT) before special items targeted
- EBIT expected to considerably exceed 2013 level thanks to special income from divestiture of gas trading and storage business
- Considerable increase in EBIT after cost of capital forecasted

[1] Our chemicals business includes the Chemicals, Performance Products and Functional Materials & Solutions segments.

Forecast by segment[1] (million €)

	Sales		Income from operations (EBIT) before special items	
	2013	Forecast 2014	2013	Forecast 2014
Chemicals	16,994	slight increase	2,182	slight decline
Performance Products	15,534	slight increase	1,365	considerable increase
Functional Materials & Solutions	17,252	slight increase	1,070	considerable increase
Agricultural Solutions	5,227	considerable increase	1,222	slight increase
Oil & Gas	14,776	considerable decline	1,969	slight increase
Other	4,190	considerable decline	(618)	slight decline
BASF Group	**73,973**	**slight decline**	**7,190**	**slight increase**

[1] For sales, "slight" represents a change of 1-5%, while "considerable" applies for changes of 6% and higher. "At prior-year level" indicates no change (+/–0%). For earnings, "slight" means a change of 1-10%, while "considerable" is used for changes of 11% and higher. "At prior-year level" indicates no change (+/–0%).

from operations before special items considerably above the level of 2013. Strict cost discipline and respositioning measures to increase competitiveness in all areas will contribute to this.

In the **Functional Materials & Solutions** segment, we anticipate higher demand from our key customer sectors, especially from the automotive and construction industries. Sales volumes of our innovative specialties and system solutions are therefore likely to rise considerably. While we forecast a slight sales increase in the Catalysts division and a considerable increase in sales in the Coatings and Performance Materials divisions, we are expecting sales in the Construction Chemicals division to match the 2013 levels as a result of portfolio effects. Overall, we strive to increase sales slightly and income from operations before special items considerably, boosted especially by volumes.

In the **Agricultural Solutions** segment, we will continue our strategy of profitable growth with innovative products and solutions. We expect continuing high exchange rate volatility in our most important growth markets. Prices for agricultural products are likely to be lower than in 2013, while nevertheless remaining above the averages of the past five years. We anticipate significant sales growth and a slight increase in income from operations before special items.

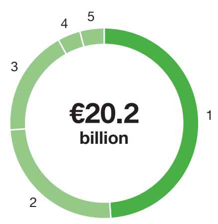
We expect sales in the **Oil & Gas** segment to be significantly below the 2013 level due to the divestiture of the gas trading and storage business planned for the middle of 2014. For income from operations before special items, we anticipate a slight increase. The first all-year inclusion of the Norwegian activities acquired from Statoil ASA and the further expansion of Achimgaz production will drive this increase. We also expect to be able to resume onshore production in Libya. The asset swap planned with Gazprom will have a negative effect on income from operations before special items due to the missing contributions from the current business to be disposed of in 2014.

Planned capital expenditures by segment 2014–2018

1	Chemicals	33%
2	Performance Products	15%
3	Functional Materials & Solutions	12%
4	Agricultural Solutions	7%
5	Oil & Gas	20%
6	Other (infrastructure, R+D)	13%

Planned capital expenditures by region 2014–2018

1	Europe	49%
2	North America	25%
3	Asia Pacific	18%
4	South America, Africa, Middle East	4%
5	Site alternatives currently being investigated	4%



For **Other**, we expect sales to decrease significantly and income from operations before special items to decrease slightly in 2014. Lower sales for precursors and the discontinuation of compensatory payments from the divestiture of the fertilizer business will contribute to this.

Investment planning

To enhance our chemical activities, we are planning capital expenditures of €30 billion to €35 billion for the period between 2011 and 2020; more than a third of this sum will be invested in emerging markets, further strengthening our presence in these growth markets.

In particular, we are already planning or carrying out the following major projects:

Capital expenditures: selected major projects

Location	Project
Camaçari, Brazil	Construction: production complex for acrylic acid and superabsorbents
Chongqing, China	Construction: MDI plant
Geismar, Louisiana	Construction: formic acid plant
Ludwigshafen, Germany	Construction: TDI plant
	Replacement: nitric acid plants
Ludwigshafen and Schwarzheide, Germany	Expansion of capacities for F 500® and Xemium® fungicides
Shanghai, China	Construction: Ultramid® plant
	Construction: coating resins
Środa Śląska, Poland	Construction: mobile emissions catalysts plant
Theodore, Alabama	Construction: chelating agents

In the Oil & Gas segment, our investments of around €4 billion by 2018 will focus mainly on the development of proven gas and oil deposits in Russia, Norway and Argentina, as well as the exploration of new oil and gas reserves.

For 2014, we plan investments of around €4.4 billion[1], particularly for the major projects named above.

Dividends

We stand by our ambitious dividend policy and offer our shareholders an attractive dividend yield. We continue to aim to increase our dividend each year, or at least maintain it at the previous year's level.

Information on the proposed dividend can be found from page 12 onward

Financing

The goals of our financing policy are securing liquidity at all times, limiting risks associated with financing and optimizing our cost of capital. We aim to maintain at least a solid A rating.

Cash outflows are expected to result from the scheduled repayment of bonds with a total volume equivalent of around €1,250 million. To refinance mature bonds and to optimize our maturity profile, we will continue to issue medium to long-term corporate bonds and make use of our commercial paper program. Our access to the capital markets allows us to benefit from attractive conditions for flexible financing for the BASF Group.

Information on our financing policies can be found on page 56

Events after the reporting period

There have been no significant changes in the company's situation or market environment since the beginning of the 2014 business year.

Key investments in 2014

- Construction of a TDI plant in Ludwigshafen, Germany
- Construction of an MDI plant in Chongqing, China
- Construction of production complex for acrylic acid and superabsorbents in Camaçari, Brazil
- Development of Edvard Grieg and Knarr oil deposits in Norwegian North Sea
- Field development of Achimov formation in Siberia, Russia

Dividends and financing

- Annual year-on-year dividend increase targeted
- Targeted rating: at least a solid A
- Flexible use of attractive capital market conditions; continued issue of medium to long-term bonds and use of commercial paper program

[1] Excluding additions to property, plant and equipment resulting from acquisitions, capitalized exploration, restoration obligations and IT investments