BASF

OIL & GAS ROUNDTABLE 2014

Q&A Session

Andreas Heine - Barclays Capital

I have a question on the cash flow. Could you run me through the cash outlook for the big projects this year and next year? As far as I know, the first Statoil deal was split over two years with the tax payment split over two years, and it might be the same with the Statoil deal you have finalised this year and then the pipelines where you start investment. So what is what you have in big projects not the normal exploration spending this year and next year? And secondly only for the reporting, will you continue to have two lines of reporting for the oil and gas division or will it be only one as of next year?

Dr. Rainer Seele

Well Andreas, when we are talking about -- when we compare the two deals with Statoil as I have said we would close the deal with Statoil this year, therefore it will be not split over two years, everything will go into 2014. As we speak about the cash flow, well first of all we have a CapEx spending come with the Aasta Hansteen project. We have that in our investment plans reflected. But we have some positive reductions of our cash flow coming with the $1billion CapEx commitment we have handed over in the deal with the Hungarian MOL. Therefore, we will stay in our investment plan I have shown you in the corridor of the next four years, which is €4billion overall in our portfolio.

But what I also can tell you is, we will have and continue to have active portfolio management, which means that we are going to have a year where we are going to divest CapEx and there will be a transaction where we might acquire CapEx like we did with Statoil. Just taking the numbers of Statoil and the transaction we have signed in April you will see that the $1.8billion for the Aasta Hansteen development is diminished to less than half. So that's more or less what we have in mind as we speak about the CapEx spending. So it's in the framework of the $4billion. And we will stay in our budget.

As we speak about the reporting it's one line.

Michael Rae – Goldman Sachs

Can you just provide a little bit of colour on costs? Are you seeing any deflation from the oil service companies in terms of rig day rates? And what's the benefit of that going to be to you both in terms of OpEx and CapEx?

And then secondly just in terms of the Statoil deal announced last week, it seems to me to kind of generate excess economic value out of that deal you have to believe that either oil and gas prices are going higher or the reserves are greater than Statoil believes, or that you can run the fields more efficiently with lower costs. So which of those is it?

Dr. Rainer Seele

Michael, to your questions, what we do see is that the rig rates especially in Norway are going down right now. There is a cost benefit which will run into our investment projects and into the exploration projects of course. Well, we have committed, as all the others, to the rigs last year so it will not show up in 2015. But as we speak about committing for new rigs I think in 2016 we will benefit from these positive cost developments also in the North Sea.

In general we can say that CapEx spending is increasing in our industry because the rig rates are over in a totally different trend. As I have explained in Norway, Norway we are up high and we are going a little bit down. But in general we can say that rig rates, because of the growing activity in the industry, went up. What I do see is a trend in our industry is that many companies have overcommitted in CapEx spending and that's the reason why one or the other company has to rethink their position whether or not they go for the development of one or the other fields as their cash flow is really not supporting the high CapEx spending.

But what I do see is right now that, especially in the regions of the unconventionals, we see a development that there is, of course, a higher need for rigs that there will be a development where we will not participate. We are mainly locked-in in Russia and we have very stable contracts over there. I don't see any cost increase or decrease as we speak about our projects in Russia. They are more or less stable as we speak about the costs. But as I have said in Norway definitely we will participate from the lower cost.

And on the economic value of the Statoil deal: Well first of all I think taking over operatorship we have really some synergies. I don't want to talk in the first instance now about synergies which are cost-based, but you will understand that the type of operatorship we are taking with Vega is the same type of operatorship we have to train ourselves for the two development projects Maria and Skarfjell. So that's why we are benefiting from getting the know-how that we are going to have better field developments in these two main or biggest CapEx spending we do have in Norway in our portfolio. So you might not see the synergy in the first instance in the Statoil package, but we see some synergies also with our other portfolio measures.

On the other hand, of course, we have an upside potential in the assets we have acquired. What we have shown to you are there is the status-quo of the reserve

position we do have right now. But as I have said we are exploring together and we have certain appraisal wells which we are going to drill. And we know especially Gjoa and Vega, because we are already participating in these two assets. And that's the reason why I think we are going to generate in the two aspects you have mentioned as we would like to bring down the cost in terms of OpEx. We might have benefits as we speak about training ourselves to reduce CapEx spending in Skarfjell and Maria. And thirdly I think we hopefully benefit also to generate higher reserve numbers in the next years.

Katherine Tubb – Sanford Bernstein

I have one question on enhanced oil recovery. I'm understanding that the industry numbers 33% is the industry average for oil enhanced recovery and then Statoil is the industry leader with 46%, so I was trying to understand how you see Schizophyllan coming in around the industry.

Dr. Rainer Seele

Well, we are talking about a portfolio, when you talk about Statoil you are talking about a portfolio. What we have in mind is that we are looking from field to field. And we are starting that we do have, for example, a recovery rate of I don't know 35% and then we will go up to 45% that's the 10% [additional recovery rate] I have mentioned. So that's more or less on a field to field basis.

If you talk about an entire portfolio you might have a field where you have 5% and another one you are very lucky because you go for $C0_2$ flooding or something and then you have a 25%. So on average I would say yes it's an impressive number but definitely we would like to show that Schizophyllan will have a higher percentage than compared to normal steam flooding for example. And that's more or less the incremental additional production we have in mind.

Albert Gerhardt – Insight Investment Management

I have questions with regards to your Gazprom joint venture. You said you have to set up some Russian companies. Are you at any point concerned that given current sanctions or potential future sanctions you might not be able to fund those joint ventures, in particular since we are hearing that certain asset operators of vessels are unable to get into Russia now? And secondly I'd like to understand a bit more, you said in your opening remarks that mid-term production in Russia could be impacted. Could you elaborate there a little bit more?

Dr. Rainer Seele

When talking about the sanctions, so far we don't see any impact of the existing sanctions on our operator business in Russia as we speak about the cooperation with Gazprom and the joint ventures. We also have no problems that some vessels cannot be imported. As we speak about the investment program, which I have shown

with Area 1A everything is underway. Also the financing is there so we don't lack financing as we speak about our Achimgaz joint venture.

As we speak about Russia by itself we are not directly so far impacted but indirectly like all the other players. And then we are talking about the exchange rate of the Rouble. A very weak Rouble is of course impacting the business. But we are also talking about the industry by itself. What we do see is a slowdown of the economy in Russia. And I'm now making reference to the numbers of the German-Russian Chamber of Commerce, they have published that the economy went down by 10%, the trade volume went down by more than 10% in the first half of this year already. And we do expect that the trade volume between Europe / Germany and Russia will further go down in the second half of this year. Therefore, we do see a very weak economy in Russia. But so far we haven't seen any impact on our production numbers although the market is very weak in Russia.

Talking about the sanctions, I definitely do hope that this sanctions theatre will end as early as possible and that we are going to find a political compromise on everything. I'm not in the front row to decide this, but this is more or less the scenario I would like to see coming up as early as possible, because I think all over Europe - and especially the European economy - needs such a solution as Russia did.

Potential further sanctions, which might be coming, honestly speaking is pure speculation whether or not they are impacting. What we are doing is just taking the sanctions which are coming and are in place, and we are evaluating and we are looking whether or not there is an impact on our business. The main question I have for the next time is more or less what kind of counter-sanctions are coming from Russia. But I definitely don't know what's coming. So when the sanctions are coming, if there are some sanctions coming from Russia, we have to wait and see.

Laurent Favre – Bank of America Merrill Lynch

Going back to your summary line saying ´We are about profitable growth`, and you've talked a lot about de-risking and you've talked a lot about acquisitions. If you take a step back could you help us to understand really what you're trying to do right now? Is it growth? Is it de-risking?

And what are the checks? In a way what is the incentivisation of Wintershall's management in terms of return on capital. Or any kind of metrics that actually tell us that there is some discipline in terms of the targets on return on capital or cash flow generation, not just on CapEx but also given all the investments in acquisitions. It's a long question but basically the question is, apart from profitable growth, how do we measure de-risk or risk adjusted growth?

Dr. Rainer Seele

Laurent, well first of all what are the priorities, profitable growth or de-risking? I think it's a combination of both. The first priority is of course coming with growth, because the growth translates into profitable growth. If I don't grow, I can't show up better

numbers as we speak about all the other key performance indicators you have mentioned. So our priority is on growth.

But we are not excluding the risk management we do have. As I'm not a professor of a university who could give you a better answer, I cannot give you any guidance how to measure and translate into numbers what the de-risking effect is. But I do have a certain interest, given the fact that we are living in a world of uncertainties, that I do have some regions in my portfolio where the probability of production interruption is nearly zero. And that's more or less when we are talking about Europe. That's more or less when we are talking about the United States, for example, or Canada.

So that's why we do think that we have to make some shifting in our portfolio. And you see the effect of the reserve position we built up in Europe, where we are going to have a share of 20% right now and that we are going to have a share in Russia which is diminishing. On the other hand we are very disciplined in our company. If we have a budget we will stick to the budget. And if we are going to promise we will deliver the numbers we are promising to you.

So when I'm talking about the growth story it's underlined that growth by itself is the result of also good cash flow management, it's also a result of good portfolio management. The way the growth is coming in is telling me yes we do have a portfolio structure in 2018 on a much higher production level, which is more or less similar to the structure we do have today. And if I look back, we have run the company through all the years - when we have seen up's and down's - more or less very stable. So, I would like to balance out the regions. Although we are struggling in Libya, the other regions have compensated and we are going smoothly.

Ronald Kohler - MainFirst

In your Factbook you provide sensitivity to the oil price. Obviously you get more and more geared now to natural gas in your business. And clearly -- question number on oil and gas -- on oil sensitivity is that just for your oil production or does it so to say include oil BOE equivalent for natural gas sensitivity?

Second question is when we think about natural gas price sensitivity with German border price or whatever price is there any kind of guidance you can give us on that as well?

Dr. Rainer Seele

The sensitivities of our oil portfolio, is the sensitivity of our oil business because the majority of the gas we are selling is not linked to the oil price. Just take all the gas we are producing for example, in Argentina it's a regulated gas price. And there I give you a positive story. The gas price was increased from $2.5 per MMBTU to $7.5 per MMBTU, so that's positive. Then we have the gas in Russia, it's a regulated gas price for the volumes we are producing in Russia for the Russian market. Then we have the production in Europe, and as we speak about our production in the North Sea it's

mainly not all indexed gas. I think we even have now no oil indexation anymore in our production, so that's the reason why.

I cannot give you a gas-price-sensitivity. We will look into that a little bit more deeply. If we are going to talk about gas price sensitivity I have to see what are really the major impacts because your question focused a little bit on Europe. In Europe, we see these volatilities whereas I see no volatility and an upward trend of the prices in Argentina; I see more or less stability of the price level right now in Russia. I really have to look into that and we might come back with a number of the sensitivity for you.

Jaideep Pandya - Berenberg Bank

If we look at your production costs per barrel average is about $5.7. It's significantly below the super-majors. But then if I compare your net income per barrel it's about $14 or €14, it's roughly the same or even slightly below. So the question is really why -- is West Africa and Brazil the two sort of missing pieces? And why are you not focusing on West Africa at all in your exploration plans or exploration region?

And the second question is really your 190 million barrels of production, how much of that is organic growth and how much of that is really acquisitions?

Dr. Rainer Seele

Why is the low production cost not transferring into the net profit of the barrel? Well it has to do with your portfolio. Especially as I have shown to you in North Africa, I am turning such a big wheel there and at the end if I look to the net profits I really have to count my fingers. So, it is a question of taxation and that's the reason why you have to look into the portfolios. Also if you compare our numbers, which I have shown with our peer groups, it really tells you something about the portfolio. We do have these impressive low numbers as we speak about cost because we have 50% Russia in our portfolio. We do have such low numbers because we have not been heavily engaged in unconventionals. But as we speak about the net profit per barrel, you definitely have to have a different look into the portfolio, you have to look what kind of taxation is coming with the production.

And now your question why are we not in West Africa and Brazil? Well, I love these two regions. But I have a limited budget and that's the reason why I've said, okay, if we decide we will double our budget then I might also move into West Africa. But at the end of the day it's not only a question of our budget, we do have available, it's also a question do we have really the know-how to enter into such a country. Just going to West Africa and saying well this is a nice concession I do like it and there we are ending up in a deep water drilling over there, and all you can say is you are paying money. Therefore, if we are going to decide that we are going to enter into a new region it will take time. Just take the example I have shown to you: The Middle East. How long it will take us to come up with the first production.

And your question on the 190million boe, it's all organic growth. It's all organic growth because this chart corresponds to the pipeline I have shown to you. So the 190million boe are coming from the CapEx spending and acquisitions are coming on top. But, I have to say acquisitions might come on top but I also would see divestments, so it's an ongoing process. So, the 190million boe - as we have the portfolio right now with all the projects I have shown to you - is all organic growth.

Markus Mayer - Baader Bank

Last year Dr. Seele you explained how successful you have been in the past in acquiring very good assets in particular coming from the very strong relationship with Gazprom. In this current political situation how easy could it be for further acquisitions than with Gazprom or is then better or easier to focus then on partnerships like the Statoil partnership.

The second question can you remind us of your Russian volumes. How much are sold in Russia and therefore what would be the currency impact here?

Dr. Rainer Seele

Honestly speaking I focus on -- with all my resources to close our deal we do have with Gazprom. So we will focus and we will step into Area IV/V. And right now we don't have any other projects we are discussing. So we are focusing in all our discussions on closing the deal. And I really appreciate that we are doing one step after the other. And definitely when we are going to close the deal we have to implement the deal on both sides and we will be busy with that.

But a clear statement, the partnership with Gazprom is the longest we do have in our history. It goes back to nearly 25 years. And we will keep the partnership in place. And if there are opportunities our partner will discuss with us we are very open to discuss it.

But definitely I do have also in mid that I would like to broaden my portfolio. And broadening my portfolio means that I will build new partnerships, which are needed to get to a stable position in my portfolio. And this is why I think we have now shown that we have developed a very nice partnership with Statoil. The partnership will develop in the future. And I think it's like when you have a young partnership, you did a lot at the beginning, then you have to slowdown a little bit and then you should think about the next baby.

As we speak about the Russian volumes we are selling, it's something between 50% and 70% depending on the field, because we have two fields. And the currency impact is -- you should have to look into the development of the Rouble and then you should translate it and that's more or less the currency impact.

Peter Clark – Societe Generale

You've given the picture obviously that Russia accounts for a lot of the volume growth when we look forward. Just wondering whether in your mind you see Russia go below 50% and remain below 50% in terms of the production volume for the Company. So a simple question but it might not be a simple answer.

Dr. Rainer Seele

Well Peter definitely I have never thought about such a scenario. Maybe the question is too easy what you have said. But below the 50% it depends how the portfolio then will look like definitely. If I am going to see that it will be compensated with something. That's more or less what I would have in mind. So, if I will have a slowdown there I have to find something which is compensating for that. That would be my strategy what I would do. But definitely, as we speak about the share or let's say the production we do generate from Russia it's really determining the success in our upstream business. So, therefore I really need to look around to find a good equivalent for that.

Peter Clark – Societe Generale

But, this will take some time.

Dr. Rainer Seele

Yes. You can't do that one day -- from one day to another. We have shown very quick decision making in the past if you look into our M&A activities. But definitely we will have temporary impacts in your scenario, but we will work hard to compensate for that.

Andrew Stott - Bank of America Merrill Lynch

It's really about your relationship with the centre with BASF overall. So when you set your targets, so the 190million boe when you go into the market and buy assets like you did last week is the overriding principal that BASF Oil & Gas can only be around a quarter of the Group? Is that how it's managed on a long-term basis? So when you think about the portfolio hedge or when the equity market thinks about that portfolio hedge, is it right to think along those lines that you can't be much bigger than a quarter of the Group?

Dr. Rainer Seele

Andrew, it's an interesting question you are asking. Well, first of all what I'm going to present here and with all our corporate strategy in the segment is fully approved by the BASF Board of course. The question, what kind of share we do have in BASF Group, is also depending how we are going to develop our chemical business over the next year. And this is what I have said also in my last meeting over here in London to all of you: Don't underestimate the potential we do have in chemistry. So

as we speak about the development of our chemical business, it will also determine the share we do have in oil and gas. And I am a sportsman, I am really a sportsman, I am going to be the front runner and I'm sure my chemical colleagues will follow.

Andrew Benson - Citigroup

Can you give us more details on the gas pipelines, the assets employed now and also the percentage between regulated and unregulated? And if it is going to be pretty predictable, perhaps if you can make life easier for me and tell me what sort of return you hope to get out of that, just for modelling purposes.

And secondly on Qatar and Abu Dhabi I guess that's quite a long way off, but if you could just give a bit more detail. I didn't really get much flavour of what you intend to achieve or what you hope to achieve in Qatar for example, but just a bit more detail on both those areas would be great.

Dr. Rainer Seele

Andrew, return on the pipeline business, well as we speak about the regulated pipeline business in Germany we are talking about a single digit percentage rate after return. It's depending a little bit from pipe operator to pipe operator what he can agree with the regulatory authority. It's something between 4% and 6%, I think in the regulated business what I do see after tax.

Well what I'm striving for is easily explained, it's a double-digit number. How can we come up with all what we as BASF Group have promised to the market? It's not a single-digit percentage number. That would weaken our position. And that's the reason why I think that the pipeline business as we speak about future investments, if you ask me right now, are you happy with 4% to 6%, I'm going to tell you forget about it. Maybe a financial investor sees that a bit different. But from my point of view as I am an operator in oil and gas, that's not really the case.

Well, talking about Qatar. In Qatar we have two exploration wells in place and based on the two exploration wells we go for fast-track development plan and we are now working on the development concept. The challenge as I look into the field is really coming from not the reservoir or the data as we have from the appraisal. It's more or less the logistical concept. So the logistics we need onshore, because we have to tie it into Bazan, that's more or less the concept. And then it's a question how and when do we adapt the capacities for the gas treatment facilities especially. That's more or less determining the headache. We do have to come up with a development plan. And at the end of the day we have to negotiate with QP what are the terms we get to come up with the right economics because as I have said also in the pipeline business to you, I need to have a certain rate of return to go for such an investment in Qatar.

Talking about Abu Dhabi, Shuwaihat we have explained to you. It's a huge range. We are talking about 50million to 500million barrels. That was the number of my chart. So we definitely have to wait until the end of the year what the appraisal is telling us.

Out of the seismic we have two huge uncertainties, although there are some wells on Shuwaihat which are pretty old. We have to drill the well and we have to really look into the reservoir and have to make all the checks until the end of the year. I think next year I can tell you a bit more about Shuwaihat, because we are pretty much too early. We have spudded the well and it looks good as we have drilled the well, but it's a long dark way to go until we have meet the target.

In Abu Dhabi, definitely, all counts on our success as an operator of Shuwaihat. I think if we can show up that we are a good, prudent operator who is able to deal with the technology of sour gas drilling and sour gas treatment we definitely will have a perspective in the country. And if this is coming in successfully, Wintershall definitely will go for more in Abu Dhabi. We do like the country very much.

Dominik Frauendienst – Dabroes Management

You added about $1billion in net income since 2009 but the operating cash flow is flat and the free cash flow is actually down since then. Could you shed some light on that development why that is? And how you think about cash flow going forward for oil and gas? And maybe back to Laurent's question how you manage that business, especially in light of the super majors now increasingly focusing on cash flow and cash generation and reducing spending.

And the second one on Russia. Do you see risks, because the gas price in Russia is being regulated, that gas prices could be falling in Russia in an effort maybe to support the economy which you pointed out weakened.

Dr. Rainer Seele

Well, I have said that 40% of our free cash flow we will make available to BASF Group. How are we going to manage this? First of all, we are finetuning of course our M&A activities what is the impact on the cash flow. So, we will avoid to come up with negative numbers from BASF Group as we speak about these activities.

As we speak about the cash flow in our oil and gas division I am of course looking into the cash flow very carefully as we speak about the timing of our investment projects. So I can modulate, one of the big components is CapEx spending and how we modulate, and definitely we are shifting also on the CapEx side. On the other hand we also have to see how much of the exploration are we going to have.

We have a little bit reduced the effect because 50% of the exploration I have dedicated to Norway, so the impact is very moderate as we speak about Norway roughly in exploration we have €100million to €150million. So that's more or less explaining to you that we are taking care about the impact of the cash flow over there.

As we speak about 2014 the cash flow is positive and on the same level like the free cash flow we have seen in the first half of 2013. As we look into the future we will have a positive cash flow every year. And it's a little bit depending also on the Group position and Group development how much cash flow do we really need from the oil

and gas segment given the fact that we are generating also positive cash flows from our chemical divisions. So that's more or less how I'm going to fine tune the cash flow. I take always a look on the cash flow development in each year, and I'm going to decide from our CapEx spending whether or not we should shift. That's more or less a flexibility I do have.

But all our investment plans, and I repeat myself that I have said, this is something which is showing you that Wintershall is different. We do not have over-committed to CapEx spending. If I compare us with other peers we are low in CapEx spending. Just take some American companies for example and you will find out that Wintershall, given the growth prognosis, the CapEx spending we do have is really compared to the industry a low number we are talking about.

And the investment and the CapEx spending I have told you I will stay within the budgets we have shown to you. And we do have of course an annual profile coming with the CapEx spending, and this translates that we always have a strong positive free cash flow which we can make available for the Group.

Ronald Kohler - MainFirst

I have also a follow-up question on Russia. You said 50% to 70% of the volumes are domestic and Russian Rouble effect is translation. However, I would assume domestic volumes are much less profitable than your export volumes which means your earnings are potentially very, very different to the number you have said. So from that perspective a bit Rouble impact on EBIT, if you can elaborate on that. And I believe you have a lot of debt in Russia which means your net income impacted potentially even less or perhaps not even meaningful. Can you elaborate a bit on the Rouble FX impact on EBIT and the net income please?

Dr. Rainer Seele

The Rouble effect, Ronald you are right. The economics are not really determined in our investment projects from the gas we are selling to the Russian market. If we take the example of Achimgaz, we have a 30% share of condensate in the production of Achimgaz. And the 30% of condensates are very, very important. This is what I can say. So very, very much profits are coming from the condensate stream we do have in our production in Russia. That's the first part. And this is independent from the regulated gas prices in Russia.

As we speak about the regulated gas prices in Russia, the Russian Government has decided for a stable gas price for the next three years. I don't see anything at the horizon that this decision is being questioned. But right now it was a period of three years when the Russian Government decided for the regulated gas price.

The Rouble effect on EBIT … I would like to leave you alone.

Bob Buhr – Societe Generale

Could you envisage a scenario where the assets in Libya become stranded assets because of just the sheer impossibility of continuing business there?

Dr. Rainer Seele

Let me elaborate on the scenario on Libya. I think the scenario has a low probability which you are asking for. If Libya is without oil, you can say that roughly 90% of the State income is not there anymore. It will be a situation which is a real nightmare. I think your scenario that you say in stranded assets, the problem we do see there is a security issue. We are just talking about the security. And if we have a long standing civil war in Libya, well at a certain point of time we have to think about what is the value of our assets. But I am pretty much convinced the oil will not disappear if you have problems above ground. They are safe in 2,000 metres depth so my oil will not be impacted. Maybe the operating facilities can be affected, but then we are going to rebuild the moment we do have a stable framework in Libya.

So right now I see just the contrary. I see that although we do have a civil war, the production is coming back and the income for the State is coming back. And definitely they do need the income. I think at a certain point of time when the pain for the people living in Libya is so high, everybody will be ready at a certain point of time for a compromise. There is only compromise that they have to export the oil. The best for their country is that they are exporting oil. And with such a view on Libya I would say I have problems to see a scenario that I would like to declare my assets as stranded assets.

Neil Tyler - Redburn

A couple actually, one on clarification firstly, within the €4billion CapEx number are the Middle Eastern aspirations included, including anything within there? And then secondly, just again clarifying your previous comments on cash flow management and looking at the chart on slide 6: Do the free cash flow numbers include the investments you're making in associates i.e., because there is organic CapEx is obviously one thing, but a lot of investment is made via the associates line.

And with regards to your comments on cash contribution to the Group: Is the oil and gas CapEx budget effectively being managed backwards from what the Group needs you to contribute from a cash flow perspective?

Dr. Rainer Seele

Well, I have to thank you. I get new ideas. Let me elaborate a little bit on your scenario. Well, the investment budget of the €4billion is covering the period until 2018. So everything which will come on track that we start investment activities until 2018 is within the budget. Right now we only have a reserve position for the Middle East in our budget. It's a flexible component as part of the overall budget, because I really don't know whether or not I'm going to invest into these two fields. It will depend. Next year I will have a precise figure and then it will run into the budget. But

as I have shown to you we are talking about a late first oil, so Middle East is really in the €4billion not very much reflected.

Magdalena Moll

Next year you get an update - year by year - in our annual report, where we basically give you the updated five year planning for the CapEx.

Dr. Rainer Seele

Well, next year is even better for me. Then we start talking about 2015 to 2019. CapEx budget backwards, that's not the way we are doing it , definitely not. We take it more flexible within the BASF Group. The way we are going to create our budgets or agree on our budget is that we look into all our projects and then we are going to make a ranking of the projects in terms of how attractive are they, what is the quality of the project, is there really a high profit coming with the project or is there a high strategic value. That's more or less the way we are doing to create our budget.

So we are coming from the projects which are asking for the investment and then we are ranking. And at the end of the day we have a certain idea about what is the total budget compared to the overall performance we would like to show, and then within the ranking we are making an adjustment. That's the way it is.

So there is not a single year where we as Wintershall decided to go for all the investment projects. And that's very healthy, because it's telling you that we are not lacking projects. That's the situation that I don't want to see that I'm drying out because my experts are not bringing good high quality projects. The pipeline is very good. But I have shown you the pipeline of the best projects we do have in our pipeline, but there are other projects where we are thinking about whether or not we are going to develop or whether or not we are going to divest.

If you see the transaction with MOL for example we have divested purely development projects. This was not our number one project. So the pipeline I showed to you is where I have dedicated my heart that I am going to invest into these projects, because these projects are first class with good economics coming in. And I don't think about that I'm going to go for a divestment of my first class projects. So that's what we did with MOL.

And then this is explaining to you, that although I do have an investment opportunity, these projects do have a value. We generated $375million just by selling CapEx commitments. Not a single barrel of producing oil we have sold in the transaction in April. So therefore, given the fact, that there is a CapEx commitment there, I do have it in my portfolio at a certain point of time, but we handle it flexibly, because we can divest also development projects.

Jaideep Pandya - Berenberg

Could you give us some flavour on the exploration and production cost? Will it remain stable? Because your portfolio is going to change quite significantly, especially you're

adding acreage in Norway which is a slightly higher exploration production region and you will lose acreage in Germany which is supposed to be one of your most economical regions.

And secondly, just coming back to your strategy, I appreciate that you are going to grow production significantly through acquisitions and you are selling or de-risking some of the exploration projects. But strategically don't you think that oil companies tend to do the opposite, they are spending or they like to keep optionality. I am just thinking from a Statoil point of view while they are selling current acreage to you and happy to cash-out.

Dr. Rainer Seele

Alright, yes exploration and production costs were slightly increased but not very substantially, because if you look into the structure of our production portfolio, you will see also in 2018 the main portion is from Russia, it's still there. And more or less the main impact on our overall average production and exploration costs will come from Russia. And as the share is not really diminishing below the 50% for example, we are more or less moving into that direction. But you are right, especially as we are increasing the share of Norwegian assets in our portfolio, we will have a slight increase. But still as I have said I am striving for my leading position also in 2018.

Oil and gas companies are hungry to keep optionalities. Me too, I'd love to have it. But that's what I have said when we are very disciplined. At the end of the day I'm not driving my business because I love to have lots of optionalities, I am driving the business because we want to meet certain financial key performance indicators. And if we need to come up with impressing figures and we have to make portfolio adjustments we are certainly going to do that. And definitely I think that optionalities per se only have a value if you really can see a value in the optionalities. If this is a sleeping asset with stranded gas somewhere on our planet definitely I have to ask myself what shall I do for that. If it's going to cost me money I really will start thinking about it. So I also like optionalities as all the others, but I really be disciplined as we speak, my priorities are totally different then.

Martin Evans – JP Morgan

My first question was just on in terms of sort of exchanging longer term cash flows for more near-term cash flows. What's the thinking behind that? And is that based on a long-term view on oil and gas pricing?

Secondly, could you just highlight what your expectations are for Libya in your 2015 targets and 2018 targets? And the new Statoil Oil assets, are they included in there?

And then finally just on the South Stream project growing pressure from Brussels on e.g. Bulgaria and actually the build, what gives you confidence that that's going to be in place by the end of next year? Thanks.

Dr. Rainer Seele

Our cash flows are really based on certain gas and oil price assumptions for the future. But I don't tell about my future oil price right now that's certain. But definitely you are right the methodology we are applying for the cash flow we do have a certain price assumption in place for the oil and for the gas prices and then the cash flow curve is translating as we have presented.

As we speak about 2015 production we have in our numbers the full production from Norway also coming with the addition of Statoil assets, because as I have said we are going to close the deal end of this year, so in 2015 this is coming on top on our Norwegian production.

For Libya we are a bit cautious. We have in our plans that Libya will come back on stream next year, but not with full capacity. And the reason is that we cannot go to full capacity, if the security situation doesn't allow to send the ex-pats into the country. And right now, honestly speaking, I don't see it really upcoming that I can send my experts to Libya. That's the reason why we have a reduced figure for Libya in our plans for next year.

Now South Stream, well, I only can say we want to build the pipeline. We want to build the pipeline and we have dedicated ourselves to the pipeline. We are a prudent investor. We are a prudent partner. I see the same view coming with our European partners also EDF and Eni are really behind the project. So as a group of investors we definitely would like to build the pipeline, because we think it's also in the interests of Europe.

The pipeline system in the Ukraine is really technically not in a good shape. You need to go for huge investments to come up with reliable capacities for the transit in the Ukraine. I don't see any investor showing up who is now hungry to jump into Ukraine and to invest into the pipeline capacities over there. And I can't ignore that, because we in Europe do need the gas coming we don't have any alternative. And that's the reason why I think that also in the long-term the European Union will appreciate - especially also in Brussels the Commission - that we will have such a pipeline in place. It will increase security of supply. And that's the reason why I am very much supporting this pipeline.

As we speak about, as we speak of the pipeline by itself, we have to say that BASF is participating purely in the offshore pipeline. So, as we speak about my investment commitment, we are talking about the pipeline running through the Black Sea. I am not talking about the pipeline sections onshore, which has to be built, for example, in Bulgaria. And all the headlines which are concerning a lot of people about the situation in Bulgaria is the onshore pipeline in Bulgaria.

And it has to do with regulation. And I can understand that this is an issue which is of importance to the main shipper Gazprom, because if you are going to build a pipeline and you have a certain need of capacities, given the framework we have with the EU Directive you cannot count on 100% capacities. And the capacity utilisation is more or less the issue they are discussing when it comes to the problems now for Bulgaria. And I am really not involved in these discussions. I cannot give you an idea whether

or not they are going to be successful. But, I definitely think that we –should not have any exemption from the rules in Europe for anybody, therefore, we are really a good democracy over here in Europe and definitely if we do have certain rules in place it should be applied to everyone.