

Reporting Factsheet

Q2 2014



BASF Group (Million €)	Q2 2014	Q2 2013	Change (%)	Q2 2014	Q1 2014	Change (%)
Sales	18,455	18,353	0.6	18,455	19,512	(5.4)
Income from operations before depreciation and amortization (EBITDA)	2,714	2,489	9.0	2,714	2,950	(8.0)
Income from operations (EBIT) before special items	2,053	1,832	12.1	2,053	2,140	(4.1)
Income from operations (EBIT)	2,019	1,773	13.9	2,019	2,249	(10.2)
Financial result	(136)	(162)	16.0	(136)	(183)	25.7
Income before taxes and minority interests	1,883	1,611	16.9	1,883	2,066	(8.9)
Net income	1,299	1,157	12.3	1,299	1,477	(12.1)
Earnings per share (€)	1.41	1.26	11.9	1.41	1.61	(12.4)
Adjusted earnings per share (€)*	1.54	1.40	10.0	1.54	1.64	(6.1)
EBITDA in % of sales	14.7	13.6	-	14.7	15.1	-
Cash provided by operating activities	940	1,989	(52.7)	940	1,704	(44.8)
Additions to long-term assets**	1,171	1,119	4.6	1,171	909	28.8
Amortization and depreciation**	695	716	(2.9)	695	701	(0.9)
Segment assets (end of period)***	57,617	54,397	5.9	57,617	57,429	0.3
Personnel costs	2,360	2,356	0.2	2,360	2,324	1.5
Number of employees (end of period)	112,277	111,614	0.6	112,277	112,305	(0.0)

*) 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 2nd Quarter (Million €)	Sales			EBIT bef. special items			EBIT		
	2014	2013	Change (%)	2014	2013	Change (%)	2014	2013	Change (%)
Chemicals	4,298	4,183	2.7	570	495	15.2	536	494	8.5
Performance Products	3,924	4,032	(2.7)	435	394	10.4	454	344	32.0
Functional Materials & Solutions	4,518	4,503	0.3	356	293	21.5	351	283	24.0
Agricultural Solutions	1,666	1,727	(3.5)	433	485	(10.7)	433	485	(10.7)
Oil & Gas	3,194	2,836	12.6	587	382	53.7	585	381	53.5
<i>thereof Exploration & Production</i>	807	525	53.7	477	323	47.7	475	322	47.5
<i>Natural Gas trading</i>	2,387	2,311	3.3	110	59	86.4	110	59	86.4
Other*	855	1,072	(20.2)	(328)	(217)	(51.2)	(340)	(214)	(58.9)
BASF Group	18,455	18,353	0.6	2,053	1,832	12.1	2,019	1,773	13.9

*) "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. Q2 2013	Changes in sales Q2 2014	Thereof			
		Volumes	Prices	Currencies	Acqu./Divest.
Chemicals	3	9	(3)	(3)	0
Performance Products	(3)	1	0	(4)	0
Functional Materials & Solutions	0	6	0	(5)	(1)
Agricultural Solutions	(4)	0	2	(6)	0
Oil & Gas	13	24	(16)*		5
BASF Group	1	6	(2)	(4)	1

*) mix of price and currency effects

Segments Q2 2014 vs. Q2 2013

Chemicals: (sales: +3%; v: +9%; p: (3)%; c: (3)%; s: 0%)* Sales increased slightly compared with the second quarter of 2013. We raised our sales volumes in all divisions. Lower sales prices and negative currency effects reduced sales growth. Earnings considerably surpassed the level of the previous second quarter, mainly as a result of better earnings in Petrochemicals.

- Sales in Petrochemicals increased considerably. Significantly higher volumes, especially in North America, compensated for slightly lower prices and negative currency effects. Cracker margins remained high in North America and were on a satisfactory level in Europe. Global demand for acrylics was high, but the start-up of new capacities in Asia resulted in pressure on prices. Earnings rose considerably. The prior year quarter had been impacted by the cracker turnaround in Antwerp.
- Sales in Monomers decreased slightly. Considerably higher volumes, especially in MDI and polyamides, were offset by adverse currency effects and the impact of lower prices. Lower margins, especially in the Asian business, were partially offset by lower fixed costs. Earnings declined slightly.
- In Intermediates sales volumes increased in all regions, especially for amines. Sales were slightly below the previous second-quarter level as a result of negative currency effects and lower prices. More intense competition put pressure on margins for key products. Reduced fixed costs, however, led to slight earnings improvement.

Performance Products: (sales (3)%; v: +1%; p: 0%; c: (4)%; s: 0%)* Sales declined slightly because of negative currency effects. With prices stable, we slightly increased our volumes; sales volumes rose especially in the Asia Pacific region. Earnings grew considerably compared with the second quarter of 2013. This was mainly the result of lower fixed costs, due in part to restructuring measures.

- In Dispersions & Pigments, sales were stable. Volume growth was offset by negative currency effects and slightly lower prices. Sales of dispersions and pigments increased especially in Asia. Resin volumes were up due to higher demand from the paints and coatings industries in Europe. Fixed costs were reduced as a result of restructuring measures and strict cost discipline. Earnings increased considerably.
- Despite higher prices, Care Chemicals saw a slight, mainly currency-related decline in sales. While we were able to raise sales volumes and prices for personal care ingredients, volumes declined in the hygiene business. In the previous second quarter, we had particularly benefited here from temporarily low capacities in the market. Earnings slightly exceeded the level of the second quarter of 2013 due to reduced fixed costs.
- In Nutrition & Health, sales decreased slightly. Higher prices could not compensate for lower volumes and currency headwinds. In aroma chemicals we faced strongly declining volumes as a result of the force majeure affecting citral-based products. In animal and human nutrition we experienced ongoing competitive pressure on vitamin E prices. Earnings declined substantially.
- Sales in Paper Chemicals decreased considerably, especially due to lower demand and intense competition in Asia. Additionally, lower raw material prices, which were passed through, and negative currency effects adversely affected sales. Significantly lower fixed costs resulted in a considerable increase in earnings.
- Sales in Performance Chemicals decreased slightly. Volume growth in most businesses was more than offset by adverse currency effects and slightly lower prices. The positive volume trend in oilfield and mining continued. Water solutions faced ongoing price pressure. Demand for plastic additives and fuel & lubricant solutions was strong. Fixed cost reduction measures contributed to a considerable increase in earnings.

Functional Materials & Solutions: (sales: 0%; v: +6%; p: 0%; c: (5)%; s: (1%))* We considerably increased sales volumes, primarily in the Catalysts division. Negative currency effects put a strain on sales development. In the Construction Chemicals division, sales also declined considerably as a result of portfolio effects. We considerably increased our earnings. This was largely due to higher volumes and reduced fixed costs.

- Sales in Catalysts grew slightly, mainly as a result of higher volumes in precious and base metal trading. Whereas sales volumes declined for chemical catalysts, demand rose for refinery and mobile emissions catalysts. Negative currency effects and lower prices reduced sales growth. At €659 million, sales in the precious metal trading business exceeded the level of the prior second quarter (€588 million). Lower precious metal prices were more than offset by higher volumes. We considerably improved our earnings.
- Sales in Construction Chemicals decreased considerably. Higher prices could not compensate for lower volumes, strong currency headwinds, and the impact of divestitures. We continue to face weak construction activities in Southern Europe. In North America, building activities restarted after the cold weather period in the first quarter 2014, but sales were affected by the weakening of the US dollar. Earnings came in substantially lower.
- In Coatings, sales came in slightly above prior year level. Higher volumes and prices were largely offset by strong currency headwinds. Demand for automotive OEM coatings grew in North America, Europe and Asia. Automotive refinish coatings experienced stagnating demand in all regional markets except in China, which showed favorable growth. The decorative paints business in South America developed well, but was affected by strong adverse currency effects. Earnings rose significantly, also benefitting from lower fixed costs.
- Sales in Performance Materials remained stable. We saw higher volumes in engineering plastics, thermoplastic polyurethanes and Cellasto®, which were offset by adverse currency effects. Demand growth was driven by the automotive, building and construction, and consumer industries in North America. Prices remained stable. The start-up of new plants resulted in higher fixed costs. Earnings increased slightly.

Agricultural Solutions: (sales: (4)%; v: 0%; p: +2%; c: (6)%; s: 0%)* Sales declined slightly compared with the second quarter of 2013. This was due to negative currency effects. We were able to raise our sales prices in all regions. Volumes remained stable overall. Earnings were considerably below the previous second-quarter level, predominantly on account of negative currency effects and higher expenditures for research.

Oil & Gas: (sales: +13%; v: +24%; p/c: (16)%; s: +5%)* Sales considerably exceeded the level of the previous second quarter. We posted sharply increased sales volumes, especially in the Exploration & Production business sector. The activities in Norway acquired from Statoil also contributed to sales growth. In the Natural Gas Trading business sector, significantly reduced gas prices dampened sales development. We were able to raise our earnings considerably as a result of the higher volumes.

Other: Sales decreased by 20 percent to 0.9 billion euros. Main reasons were the force majeure at the ELLBA joint venture in Moerdijk, the Netherlands, and lower raw materials trading activities.

Earnings came in at minus 328 million euros. The decline of 111 million euros compared to the second quarter of 2013 was mainly due to negative income from foreign currency transactions as well as provisions for the long-term incentive program.

*v=volume; p=price; c=currency; s=structure

Financials

Q2/H1 2014:

- Special items Q2 2014: minus €34 million (Q2 2013: minus €59 million), mainly in the segments Chemicals and Performance Products.
- Income taxes Q2 2014: €507 million (Q2 2013: €383 million).
- Tax rate Q2 2014: 26.9% (Q1 2013: 23.8%).
- Net income Q2 2014: €1,299 million (Q2 2013: €1,157 million).
- Cash provided by operating activities in Q2 2014: €940 million (Q2 2013: €1,989 million). Increase in net working capital by €323 million in Q2 2014 (Q2 2013: €80 million decrease). Miscellaneous items in Q2 2014 amounted to minus 731 million euros (Q2 2013: plus 31 million euros).
- Cash provided by operating activities in the first half 2014: €2,644 million (1st Half 2013: €4,030 million).
- Capex in the first half 2014: €2,125 million (1st Half 2013: €1,884 million).
- Free cash flow in the first half 2014: €519 million (1st Half 2013: €2,146 million).
- Equity ratio 39.3% (June 30, 2014); net debt: €14.6 billion (FY 2013: €12.6 billion).

Outlook

Underlying assumptions for 2014:

- Global GDP: **2.5%** (previous: 2.8%).
- Global industrial production: **3.7%**.
- Global chemical production (excl. pharma): **4.4%**.
- Average US\$/€ exchange rate of **US\$1.35/€** (previous: US\$1.30/€).
- Average oil price of **US\$110** per barrel Brent.

Outlook 2014 confirmed:

- 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 autumn 2014 and negative currency effects.
- 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.

Forward-looking statements

This Factsheet contains forward-looking statements. These statements are based on current estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. BASF does not assume any obligation to update the forward-looking statements contained in this Factsheet.

For further information on opportunities and risks, please refer to the BASF Report 2013 (opportunities and risks report, pages 106-114).