

150 years



We create chemistry

Ludwigshafen, February 27, 2015

**Analyst Conference FY2014**

# Cautionary note regarding forward-looking statements

*This presentation may contain forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realized from the proposals described herein. Forward-looking statements may include, in particular, statements about future events, future financial performance, plans, strategies, expectations, prospects, competitive environment, regulation and supply and demand. BASF has based these forward-looking statements on its views and assumptions with respect to future events and financial performance. Actual financial performance could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated. Given these uncertainties, readers should not put undue reliance on any forward-looking statements. The information contained in this presentation is subject to change without notice and BASF does not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, except to the extent required by applicable laws and regulations.*

# BASF with continued earnings growth

Business performance*	Q4'14	vs. Q4'13	FY'14	vs. FY'13
▪ Sales	€18.0 billion	(1%)	€74.3 billion	0%
▪ EBITDA	€2.9 billion	+11%	€11.0 billion	+6%
▪ EBIT before special items	€1.5 billion	+3%	€7.4 billion	+4%
▪ EBIT	€1.7 billion	+7%	€7.6 billion	+7%
▪ Net income	€1.4 billion	+26%	€5.2 billion	+8%
▪ Reported EPS	€1.54	+25%	€5.61	+7%
▪ Adjusted EPS	€1.04	+4%	€5.44	+2%
▪ Operating cash flow	€2.0 billion	+4%	€7.0 billion	(14%)

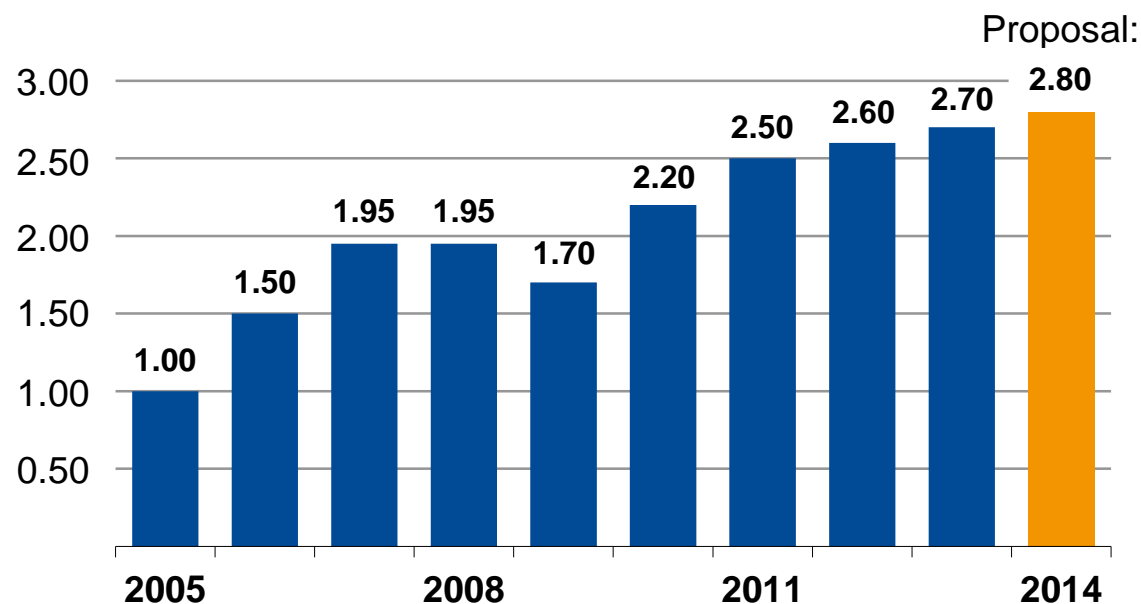
\* Previous year values restated due to dissolution of disposal group "Natural Gas Trading"

## Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'14 vs. Q4'13	↑ 1%	↓ (4%)	0%	↑ 2%
FY'14 vs. FY'13	↑ 4%	↓ (3%)	0%	↓ (1%)

# Attractive shareholder return

## Dividend per share (€)



Yield*	3.1%	4.1%	3.8%	7.0%	3.9%	3.7%	4.6%	3.7%	3.5%	4.0%
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\* Dividend yield based on share price at year-end

## Dividend policy

- We want to grow or at least maintain our dividend

## Key facts

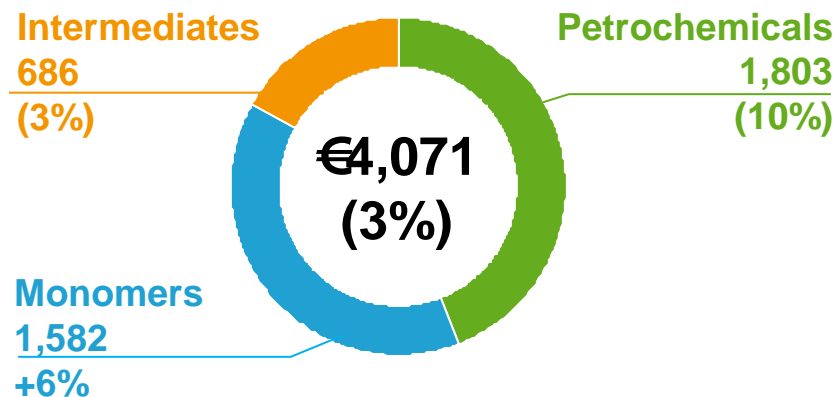
- Dividend proposal of €2.80 per share, an increase of 3.7%
- Average annual dividend increase of approx. 12% (2005-2014)
- Attractive dividend yield of 4.0% in 2014\*\*
- Dividend yield above 3% in any given year since 2005

\*\* Based on BASF share price of €69.88 on Dec 30, 2014

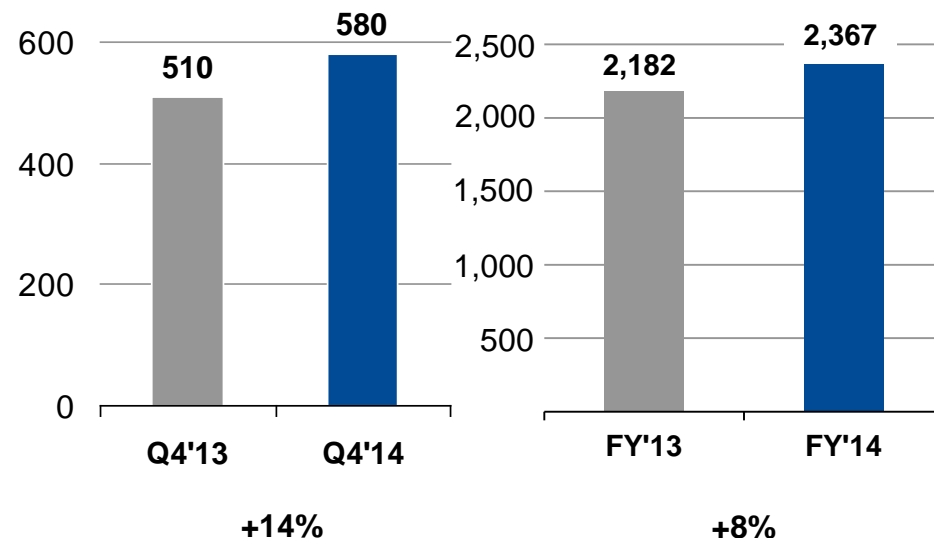
# Chemicals

Petrochemicals drive earnings growth

## Q4'14 segment sales (million €) vs. Q4'13



## EBIT before special items (million €)



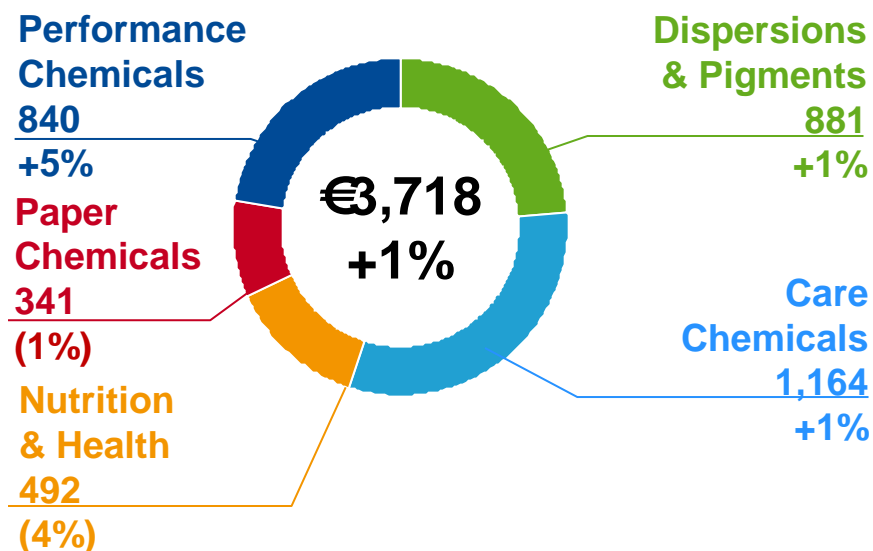
## Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'14 vs. Q4'13	↓ (3%)	↓ (4%)	0%	↑ 4%
FY'14 vs. FY'13	↑ 3%	↓ (3%)	0%	0%

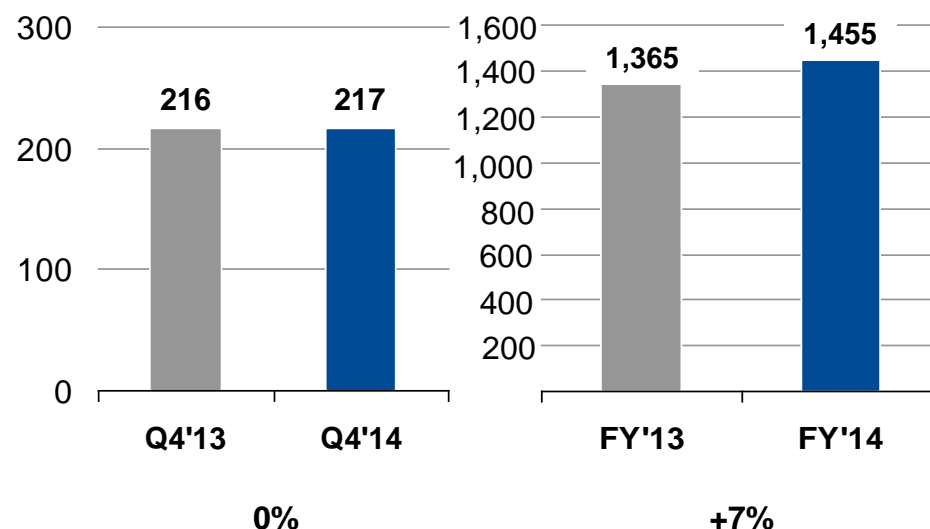
# Performance Products

Sales slightly up and earnings on prior year level

## Q4'14 segment sales (million €) vs. Q4'13



## EBIT before special items (million €)



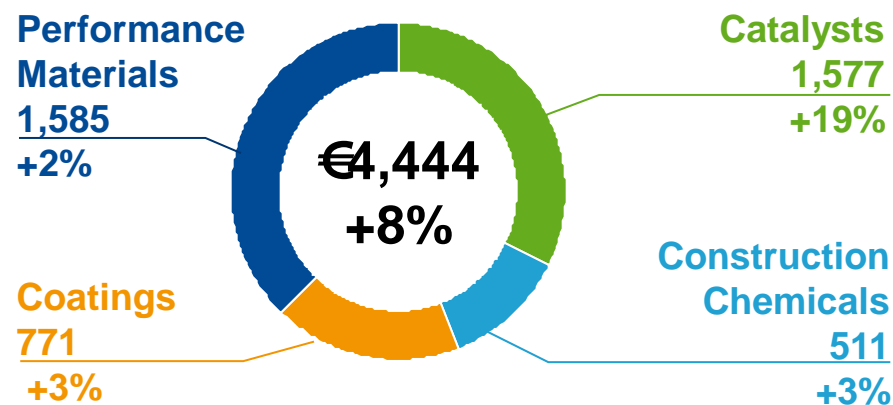
## Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'14 vs. Q4'13	↓ (2%)	0%	0%	↑ 3%
FY'14 vs. FY'13	↑ 1%	0%	0%	↓ (2%)

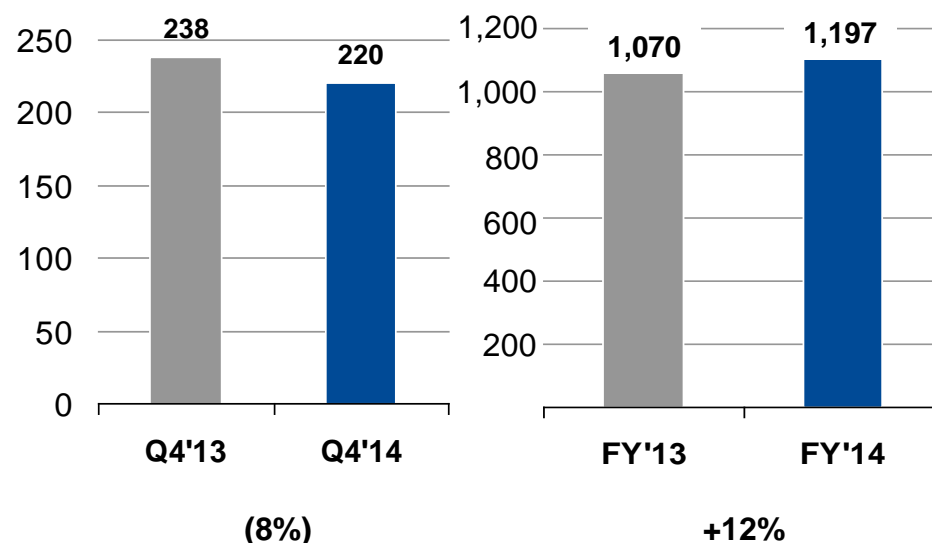
# Functional Materials & Solutions

Continued robust demand from automotive

## Q4'14 segment sales (million €) vs. Q4'13



## EBIT before special items (million €)



## Sales development

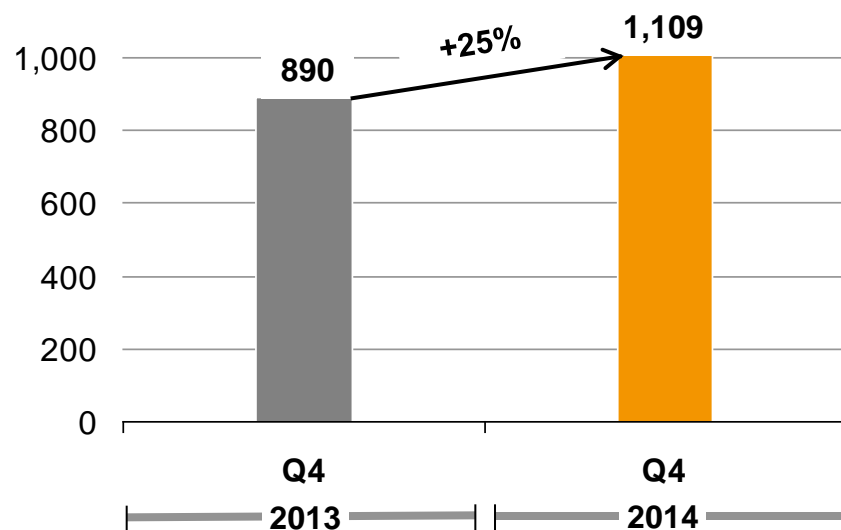
Period	Volumes	Prices	Portfolio	Currencies
Q4'14 vs. Q4'13	↑ 4%	0%	0%	↑ 4%
FY'14 vs. FY'13	↑ 5%	0%	0%	↓ (2%)



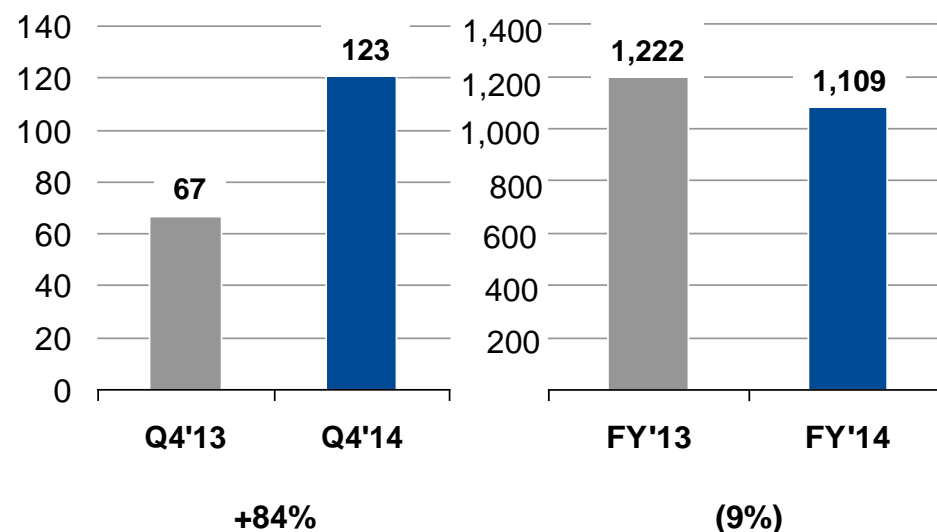
# Agricultural Solutions

Strong finish to the year

## Q4'14 segment sales (million €) vs. Q4'13



## EBIT before special items (million €)



## Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'14 vs. Q4'13	↑ 22%	↓ (3%)	0%	↑ 6%
FY'14 vs. FY'13	↑ 5%	↑ 2%	0%	↓ (3%)

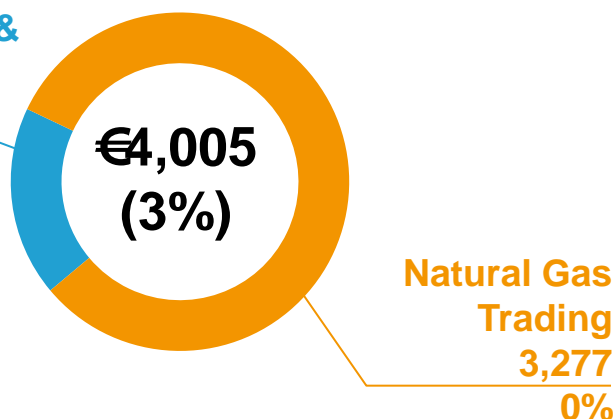


# Oil & Gas

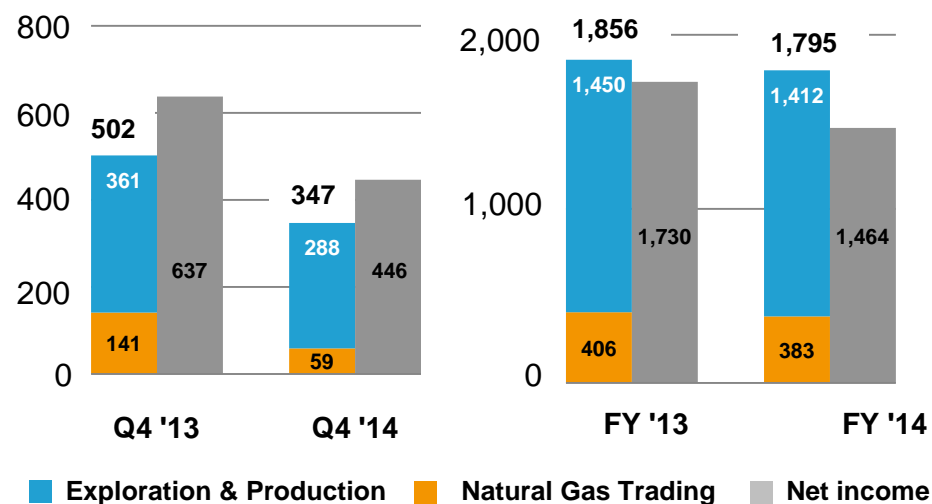
Lower oil and gas prices impacted earnings

## Q4'14 segment sales (million €) vs. Q4'13

Exploration & Production  
728  
(15%)



## EBIT before special items / Net income (million €)\*



\* Previous year values restated due to dissolution of disposal group "Natural Gas Trading"

## Sales development

Period	Volumes	Price/Currencies	Portfolio
Q4'14 vs. Q4'13	↑ 10%	↓ (12%)	↓ (1%)
FY'14 vs. FY'13	↑ 14%	↓ (13%)	↑ 1%

# Review of 'Other'

Million €	Q4 2014	Q4 2013	2014	2013
<b>Sales</b>	<b>700</b>	<b>1,106</b>	<b>3,609</b>	<b>4,190</b>
<b>EBIT before special items</b>	<b>(28)</b>	<b>(114)</b>	<b>(566)</b>	<b>(618)</b>
<i>Thereof corporate research costs</i>	(98)	(102)	(389)	(386)
<i>group corporate costs</i>	(59)	(66)	(218)	(237)
<i>currency results, hedges and other valuation effects</i>	110	(109)	(2)	(190)
<i>other businesses</i>	23	99	133	254
Special items	473	3	433	(46)
<b>EBIT</b>	<b>445</b>	<b>(111)</b>	<b>(133)</b>	<b>(664)</b>

# Operating cash flow development in 2014

Million €	2014	2013*
<b>Cash provided by operating activities</b>	<b>6,958</b>	<b>8,100</b>
<i>Thereof changes in net working capital</i>	<i>(699)</i>	<i>714</i>
<i>miscellaneous items</i>	<i>(953)</i>	<i>(720)</i>
<b>Cash provided by investing activities</b>	<b>(4,496)</b>	<b>(5,994)</b>
<i>Thereof payments related to tangible / intangible assets</i>	<i>(5,296)</i>	<i>(4,873)</i>
<i>acquisitions / divestitures</i>	<i>373</i>	<i>(1,093)</i>
<b>Cash used in financing activities</b>	<b>(2,478)</b>	<b>(1,874)</b>
<i>Thereof changes in financial liabilities</i>	<i>288</i>	<i>828</i>
<i>dividends</i>	<i>(2,766)</i>	<i>(2,702)</i>

\* Previous year values restated due to dissolution of disposal group "Natural Gas Trading"

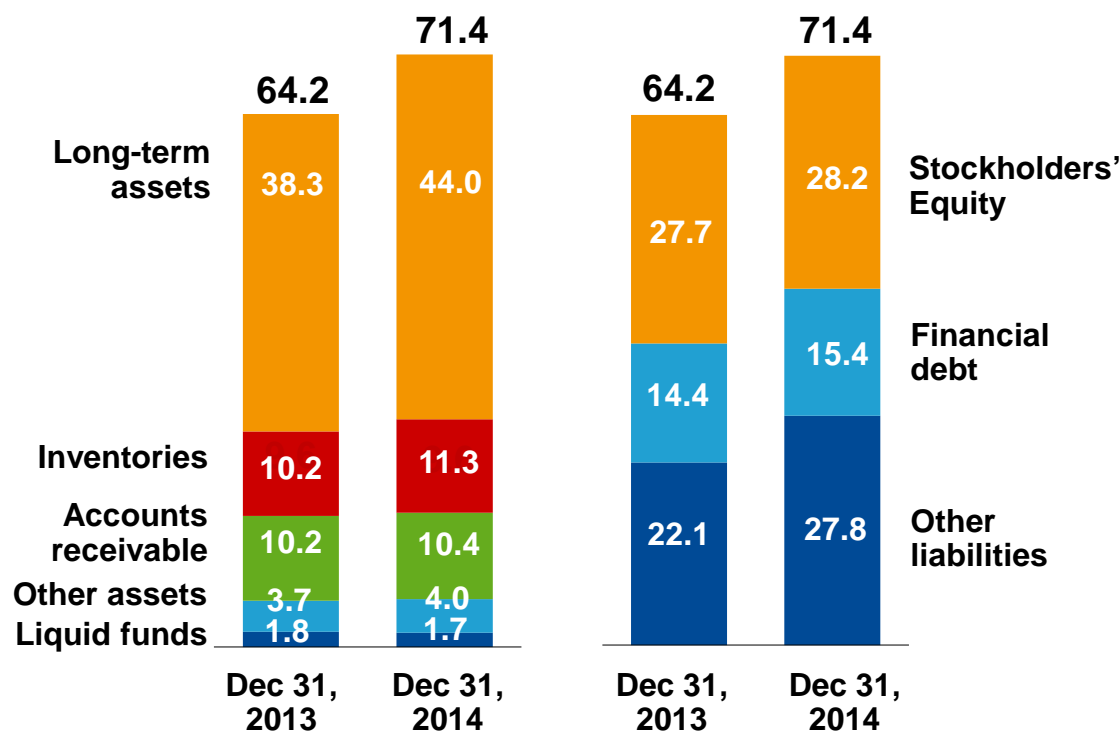
## 2014

- Free cash flow decreased to €1.7 billion; reduction due to a swing in net working capital and higher capex
- Payments related to tangible/intangible assets amounted to €5.3 billion (+€423 million)
- Continued high dividend payout in 2014: ~€2.8 billion

# Balance sheet remains strong

## Balance sheet 2014 vs. 2013

(billion €)



(Previous year values restated due to dissolution of disposal group "Natural Gas Trading")

## Highlights 2014

- Increase in long-term assets by €5.7 billion, due to capex and acquisitions
- Increase of pension provisions by €3.6 billion due to continued decline of discount rates
- Financial debt increased by €1.0 billion reflecting issuance of bonds
- Net debt: €13.7 billion
- Net debt/EBITDA ratio: 1.2
- Equity ratio: 40%

# Outlook 2015

## Expectations for the global economy

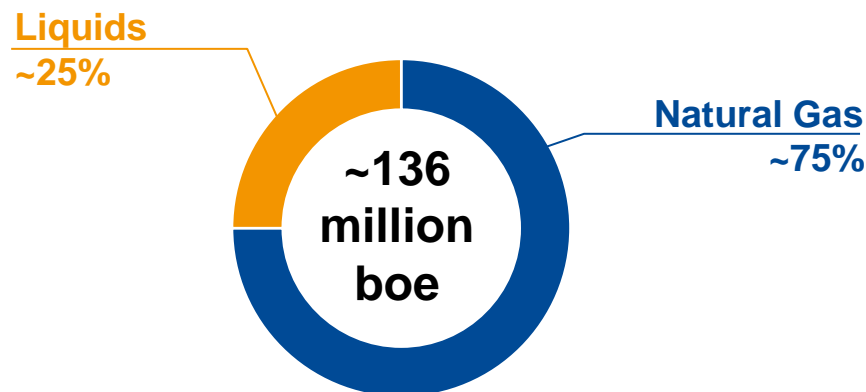
	Forecast 2015	2014 (actual)
<b>GDP</b>	<b>2.8%</b>	<b>2.5%</b>
<b>Chemicals (excl. pharma)</b>	<b>4.2%</b>	<b>4.0%</b>
<b>Industrial production</b>	<b>3.6%</b>	<b>3.4%</b>
<b>US\$ / Euro</b>	<b>1.20</b>	<b>1.33</b>
<b>Oil price: Brent (US\$ / bbl)</b>	<b>60-70</b>	<b>99</b>

# Outlook BASF Group 2015

- We aim to increase volumes and sales excluding the effects of acquisitions and divestitures.
- Sales are likely to be slightly higher than in 2014, driven by higher sales in the Functional Materials & Solutions and Performance Products segments.
- We expect EBIT before special items to be on the level of 2014. Higher earnings in our chemicals business and in the Agricultural Solutions segment are anticipated to compensate for considerably lower earnings in Oil & Gas.
- We aim to earn again a substantial premium on our cost of capital, but on a lower level than in 2014.

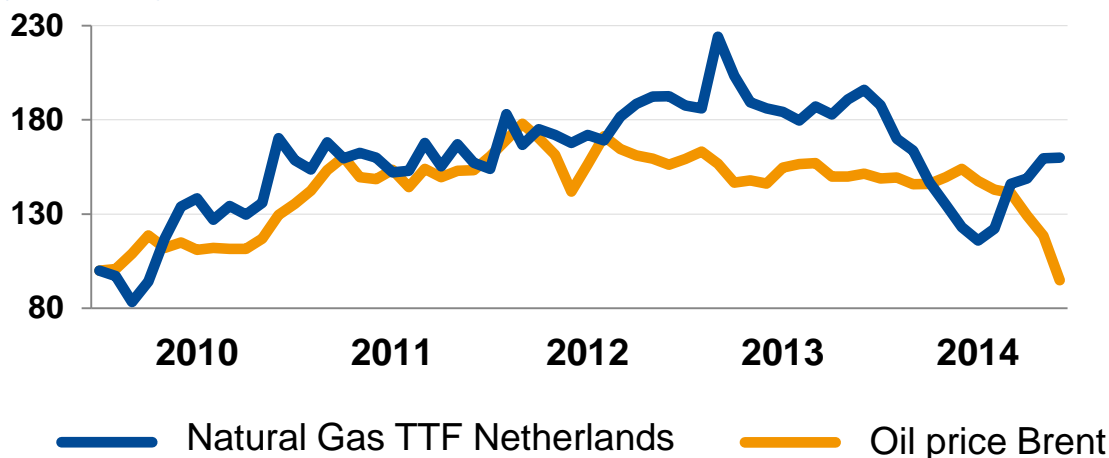
# Oil & Gas: Impact of the current oil price and measures

## Production split\* 2014



## Oil price vs. Western European gas price

(2010 = 100)



## Key Facts

- Western European gas prices predominantly market-driven
- Gas markets outside of Europe partially regulated (e.g. Russia, Argentina)
- Annual oil price sensitivity for O&G segment:  $\pm \text{€}20$  million EBIT per  $\pm \$1$  per bbl. (Brent)

## Measures

- Operational excellence
- Cost optimization
- CAPEX optimization
- Active portfolio management



# Outlook 2015

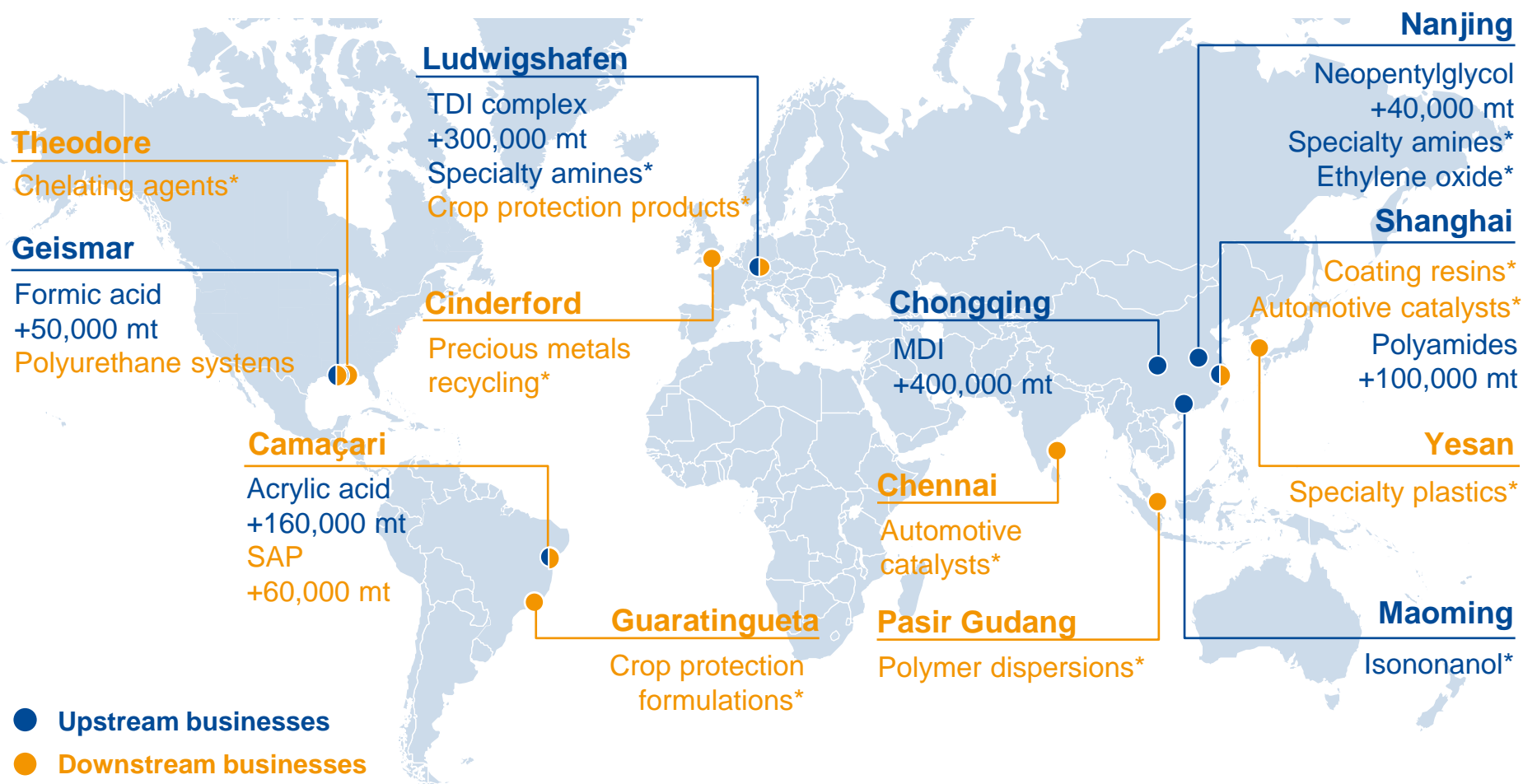
## Forecast by segment

	EBIT before special items	
Million €	2014	Forecast 2015
<b>Chemicals</b>	<b>2,367</b>	slight decrease
<b>Performance Products</b>	<b>1,455</b>	considerable increase
<b>Functional Materials &amp; Solutions</b>	<b>1,197</b>	considerable increase
<b>Agricultural Solutions</b>	<b>1,109</b>	considerable increase
<b>Oil &amp; Gas</b>	<b>1,795</b>	considerable decrease
<b>Other</b>	<b>(566)</b>	slight decrease
<b>BASF Group</b>	<b>7,357</b>	<b>at prior-year level</b>

With respect to EBIT before special items, “slight” means a change of 1-10%, while “considerable” is used for changes greater than 11%. “At prior-year level” indicates no change (+/-0%).

# Major investment projects will start up in 2015

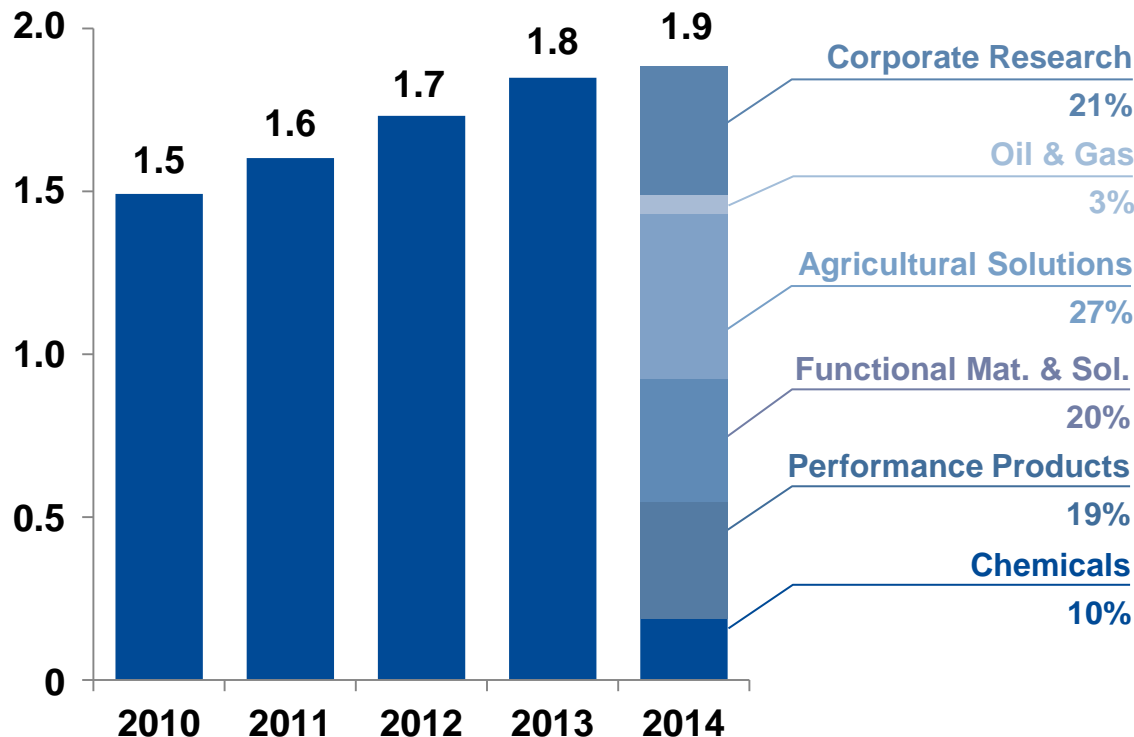
## Major capex projects for start-up in 2015



# Strong commitment to innovation

Innovations for a sustainable future

## R&D expenditures (billion €)



## Key facts

- €1.9 billion R&D expenditure in 2014
- Further increase of R&D spending in 2015
- ~10,700 employees in R&D
- ~3,000 projects
- Research Verbund: Cooperations with more than 600 excellent partners from universities, start-ups and industry
- Target 2015:
  - €10 billion of sales from innovations launched within the last 5 years

# SAVIVA™

The next generation of  
super-  
absorbent  
polymers



150 years



We create chemistry

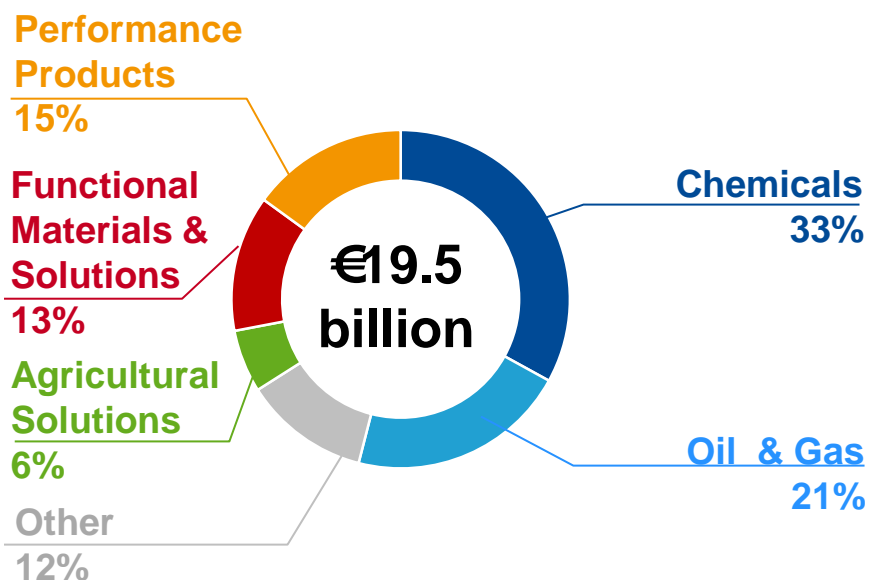
# Outlook 2015 by region

## Chemical production (excl. pharma)

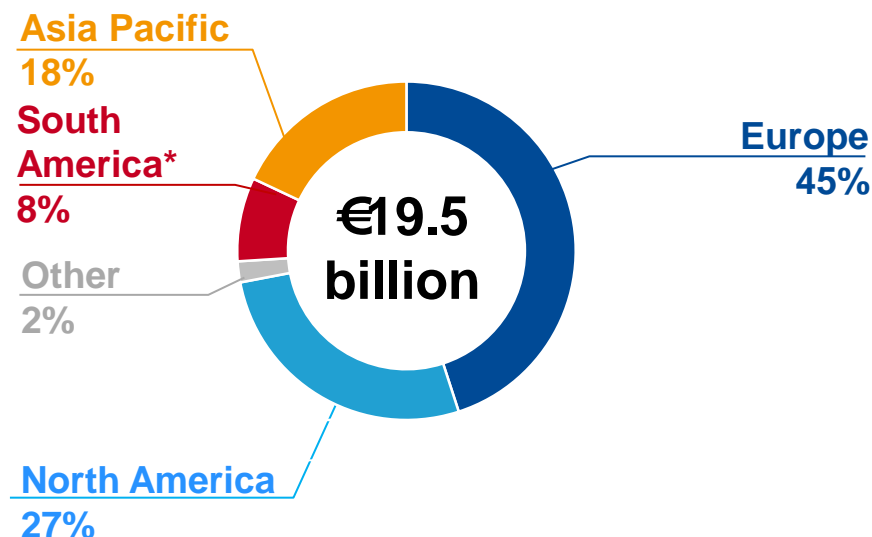
	Forecast 2015	2014 (actual)
World	4.2%	4.0%
EU	1.5%	1.2%
USA	3.5%	2.7%
Asia (excl. Japan and South Korea)	6.9%	7.8%
Japan	1.0%	-0.8%
South America	1.3%	-2.0%

# Investments for organic growth

Capex budget 2015-2019  
by segment



Capex budget 2015-2019  
by region



\* Includes also regions Africa and Middle East