



Ludwigshafen, February 25, 2014

# Analyst Conference FY2013

 **BASF**

The Chemical Company

# 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 increased sales and earnings

Business performance	Q4'13	vs. Q4'12	FY'13	vs. FY'12
▪ Sales	€18.1 billion	+1%	€74.0 billion	+3%
▪ EBITDA	€2.6 billion	+26%	€10.4 billion	+4%
▪ EBIT before special items	€1.5 billion	+18%	€7.2 billion	+8%
▪ EBIT	€1.6 billion	+55%	€7.3 billion	+8%
▪ Net income	€1.1 billion	+16%	€4.8 billion	0%
▪ Reported EPS	€1.24	+16%	€5.27	0%
▪ Adjusted EPS	€1.02	(24%)	€5.37	(5%)
▪ Operating cash flow	€1.9 billion	+20%	€7.9 billion	+19%

## Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'13 vs. Q4'12	↑ 5%	↓ (2%)	↑ 2%	↓ (4%)
FY'13 vs. FY'12	↑ 5%	0%	↑ 1%	↓ (3%)



# Ongoing portfolio development

## Upstream

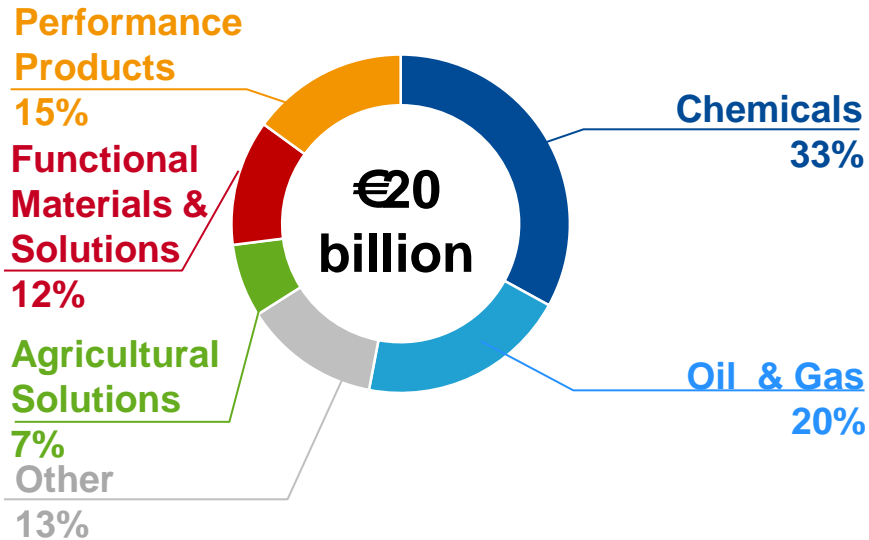


## Downstream

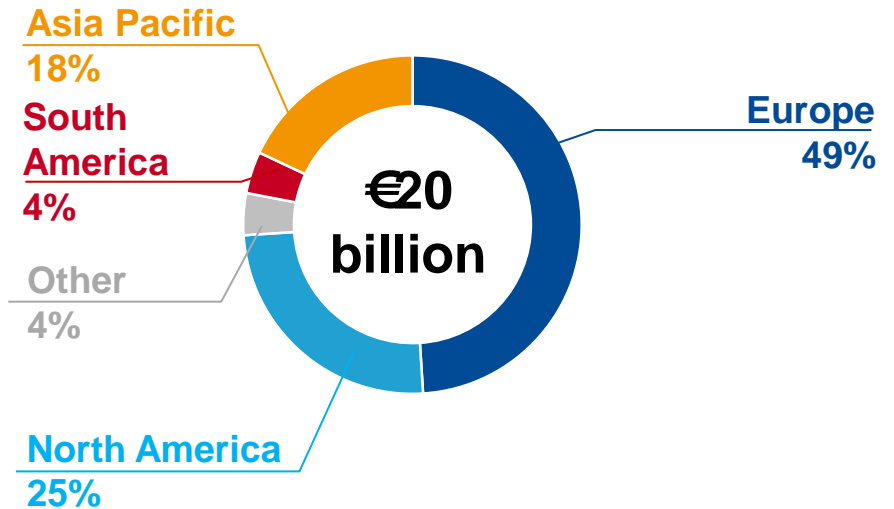


# Investments for organic growth

## Capex budget 2014-2018 by segment

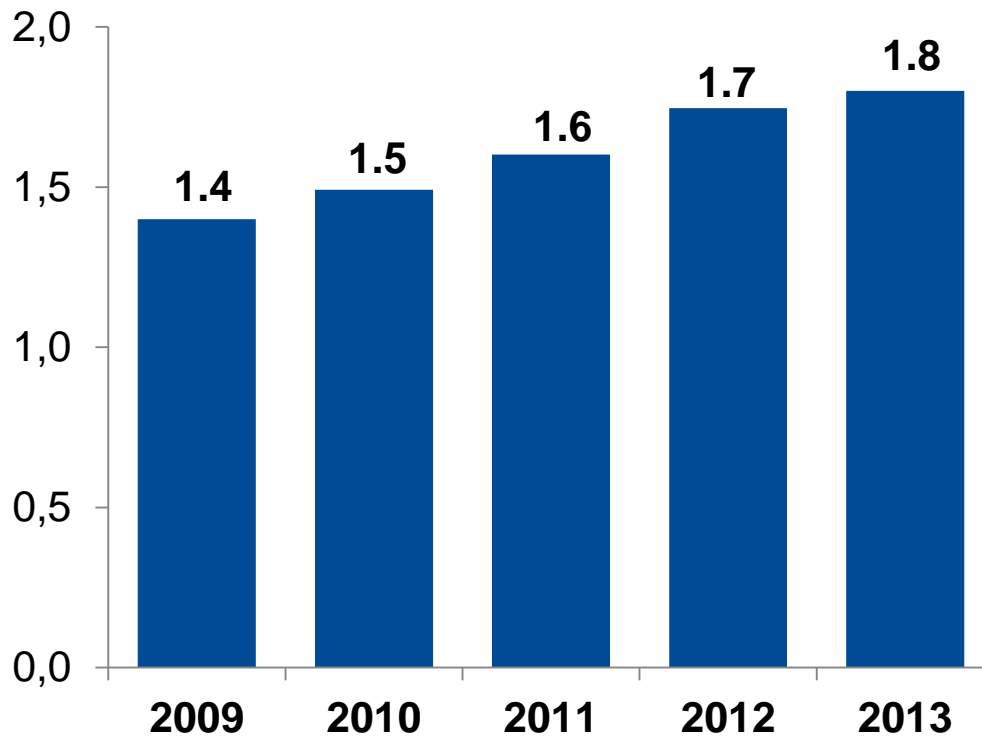


## Capex budget 2014-2018 by region



# Strong commitment to R&D

## R&D expenditure (billion €)



### Key facts

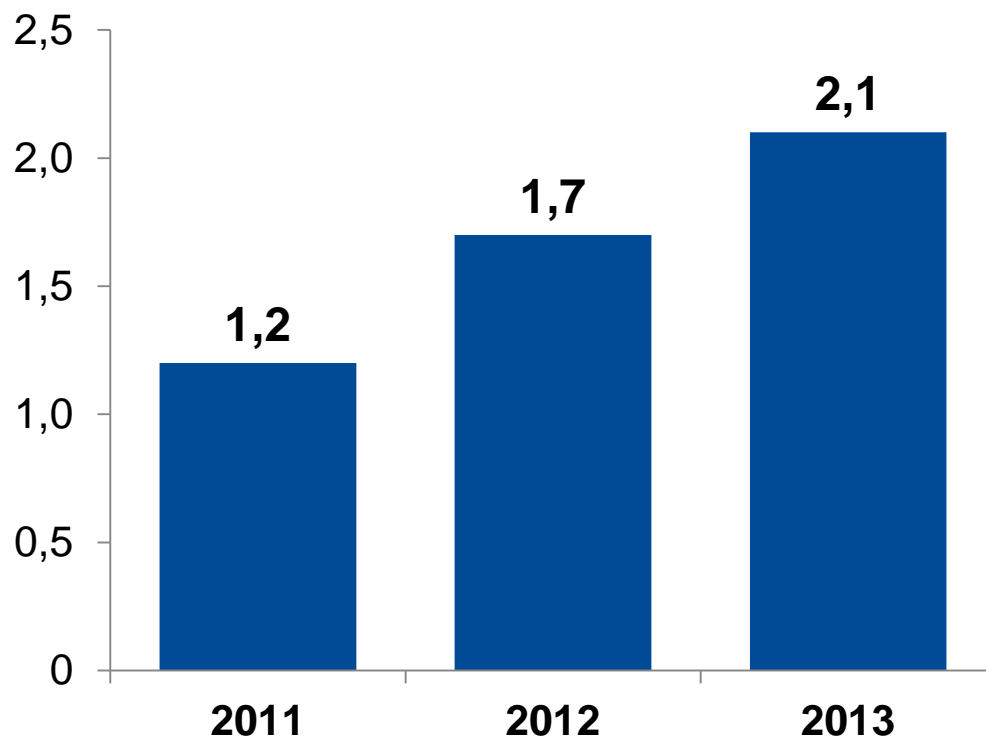
- €1.8 billion R&D expenditure in 2013
- Further increase of R&D spending planned in 2014
- ~10,650 employees in R&D
- ~3,000 projects
- Research Verbund: Cooperations with ~600 excellent partners from universities, start-ups and industry

# Strong increase in pipeline value

## Crop Protection innovation pipeline

### Pipeline peak sales potential\*

(billion €)



### Key facts

- Value of Crop Protection pipeline rose by €400 million for products launched between 2010 and 2020

- Significant increase in peak sales potential of blockbuster crop protection products:

#### Xemium®:

>€600 million (+€200 million)

#### Kixor®:

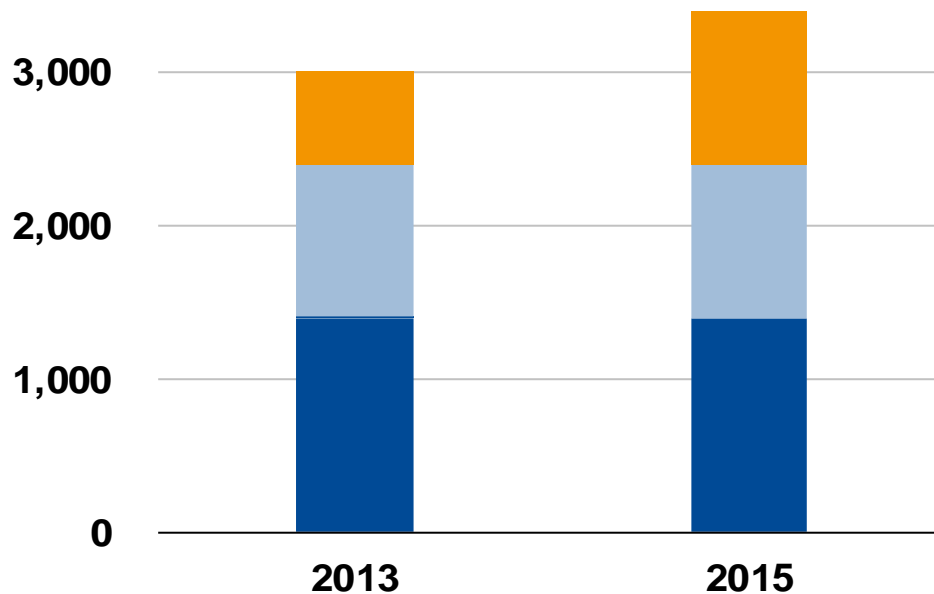
>€300 million (+€100 million)

\* For products launched between 2010 and 2020

# Operational excellence programs

STEP program on track: ~€1 billion earnings contribution by 2015

## Annual earnings contribution in € million



Former cost  
saving programs

NEXT

STEP

## STEP program

- Targeted annual earnings contribution of ~€1 billion by end of 2015
- Project timeline: 2012–2015
- Program is on track
- Total of ~€600 million achieved by the end of 2013
- One-time cost & investments: ~€1 billion



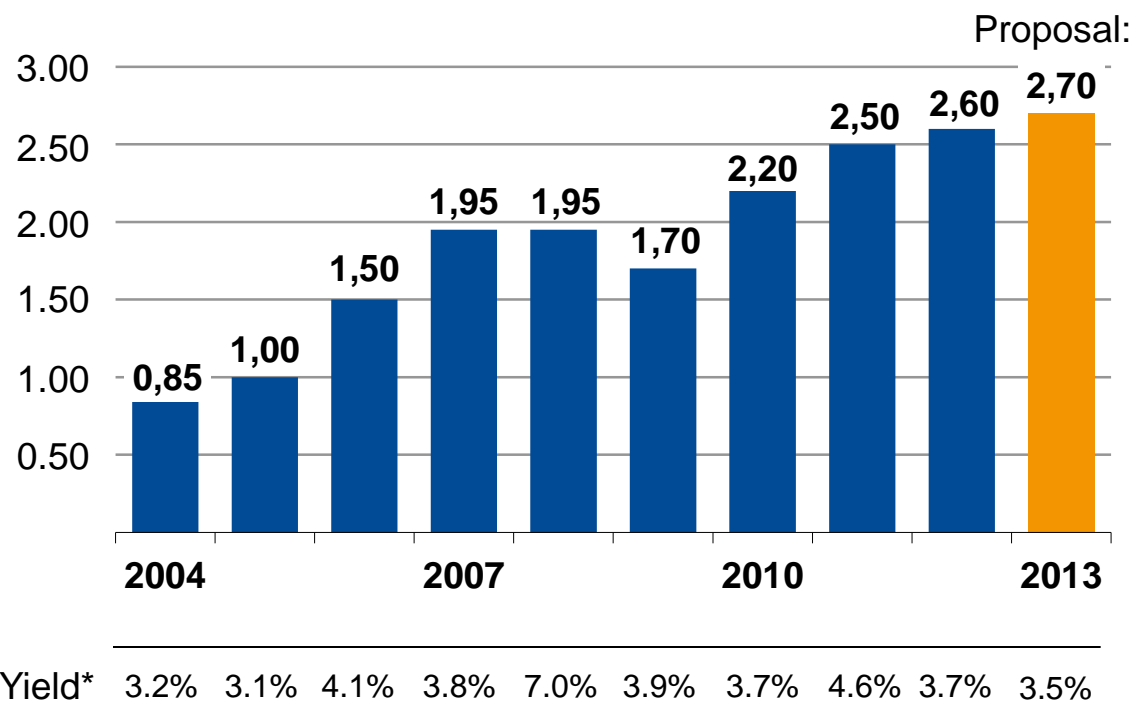
# Restructuring Performance Products

Announced measures to strengthen competitiveness

	Measures	
<b>Leather and textile chemicals</b> (March 18, 2013)	<ul style="list-style-type: none"> <li>Establishment of global innovation center in China</li> <li>Optimization of various functions and relocation to Asia Pacific</li> </ul>	Reduction of ~500 positions by 2015
<b>Water, oilfield and mining chemicals</b> (March 27, 2013)	<ul style="list-style-type: none"> <li>Establishment of global business unit to realize synergies</li> <li>Divestment of industrial water management business</li> </ul>	
<b>Plastic additives and pigments</b> (April 23, 2013)	<ul style="list-style-type: none"> <li>Adjustments at sites in the Basel area to adapt to changed market conditions</li> <li>Downsizing of R&amp;D activities</li> </ul>	
<b>Pigments</b> (October 23, 2013)	<ul style="list-style-type: none"> <li>Optimization of global production network</li> <li>Closure, restructuring and evaluation of strategic options for production assets</li> </ul>	Reduction of ~650 positions by 2017
<b>Paper Chemicals</b> (January 23, 2014)	<ul style="list-style-type: none"> <li>Shutdown of latex production in Europe</li> <li>Ongoing portfolio optimization</li> </ul>	Reduction of ~250 positions by 2015

# Attractive shareholder return

## Dividend per share (€)



\* Dividend yield based on share price at year-end

## Key facts

- Dividend proposal of €2.70 per share, an increase of 3.8%
- Average annual dividend increase of approx. 14% (2004-2013)
- Attractive dividend yield of 3.5% in 2013\*\*
- Dividend yield above 3% in any given year since 2004

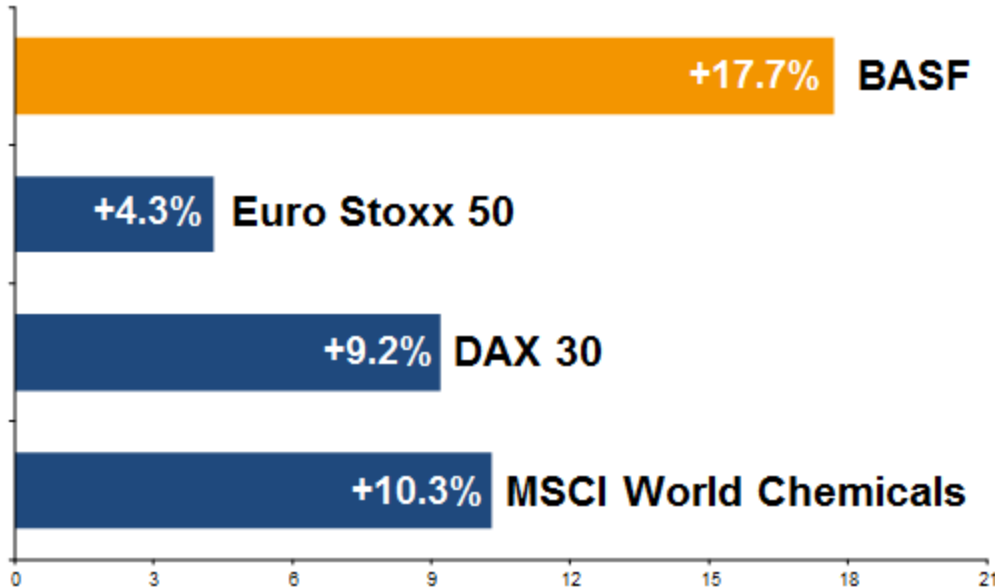
\*\* Based on BASF share price of €77.49 on Dec 30, 2013

# Delivering consistent, long-term value

## Average annual performance with dividends reinvested

### Last 10 years

January 2004 – December 2013



### Last 5 years

January 2009 – December 2013



# Outlook 2014

## Expectations for the global economy

	Forecast 2014	2013
<b>GDP</b>	<b>2.8%</b>	<b>2.3%</b>
<b>Chemicals (excl. pharma)</b>	<b>4.4%</b>	<b>4.6%</b>
<b>Industrial production</b>	<b>3.7%</b>	<b>2.5%</b>
<b>US\$ / Euro</b>	<b>1.30</b>	<b>1.33</b>
<b>Oil price: Brent (US\$ / bbl)</b>	<b>110</b>	<b>109</b>

# Outlook 2014 by region

## Chemical production (excl. pharma)

	Forecast 2014	2013
<b>World</b>	4.4%	4.6%
<b>EU</b>	1.1%	0.0%
<b>USA</b>	2.8%	3.2%
<b>Asia (excl. Japan)</b>	7.2%	8.5%
<b>Japan</b>	2.5%	1.8%
<b>South America</b>	2.4%	1.3%

# Outlook BASF Group 2014

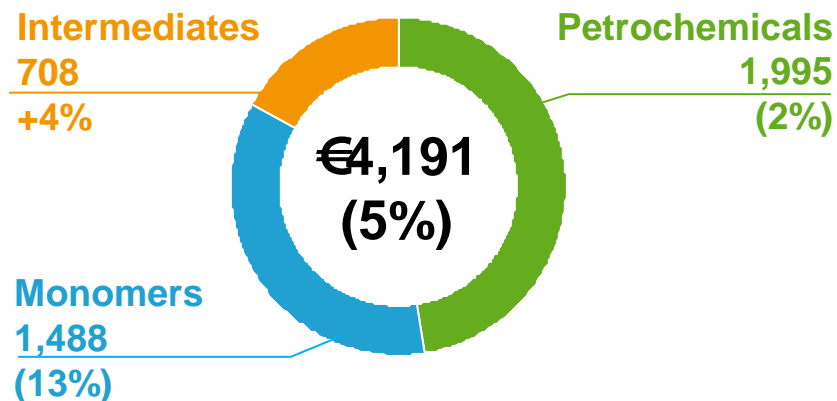
- We aim to increase our sales volumes excluding the effects of acquisitions and divestitures.
- Nonetheless, sales will decline slightly compared with 2013 due to the divestiture of the gas trading and storage business planned for mid-2014.
- We expect a slight increase in EBIT before special items, 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.



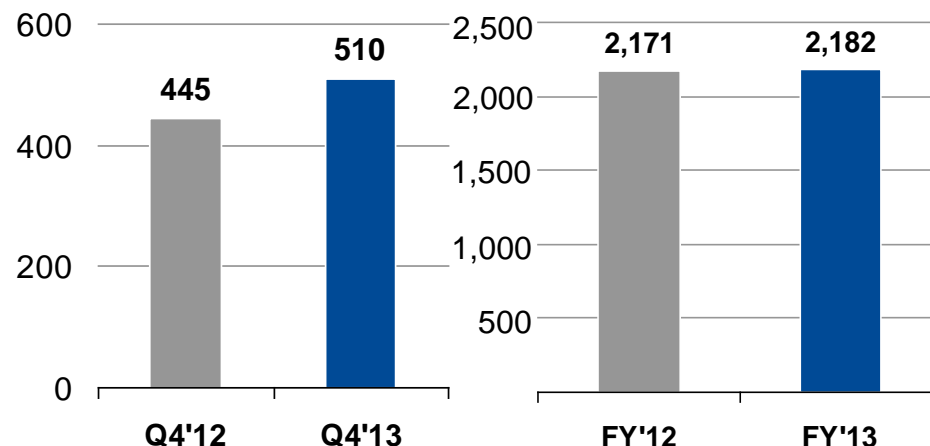
# Chemicals

Significantly higher earnings due to better volumes and margins

## Q4'13 segment sales (million €) vs. Q4'12



## EBIT before special items (million €)



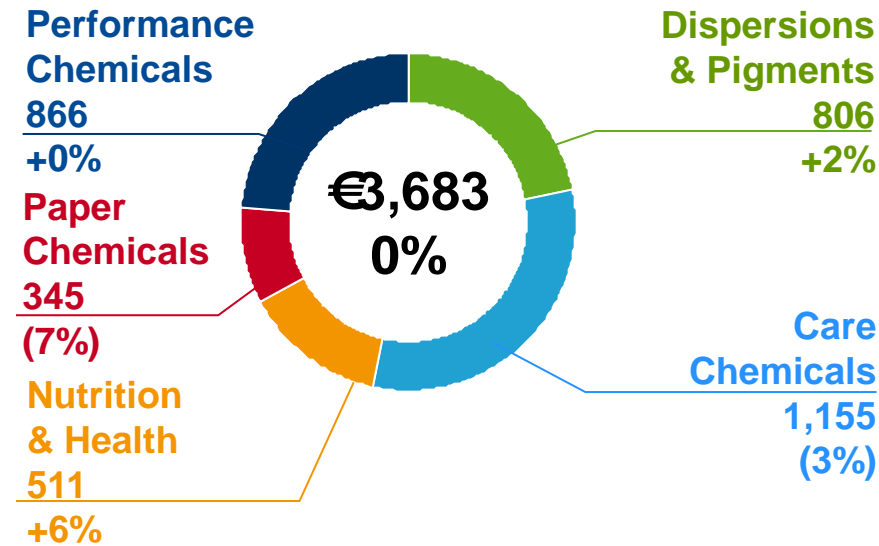
## Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'13 vs. Q4'12	↑ 4%	↓ (6%)	0%	↓ (3%)
FY'13 vs. FY'12	0%	↓ (3%)	0%	↓ (2%)

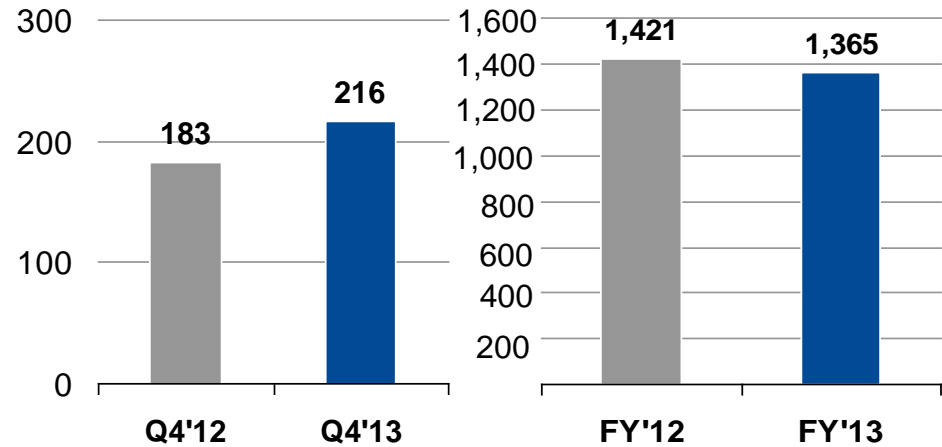
# Performance Products

Volume growth and higher earnings despite currency headwinds

## Q4'13 segment sales (million €) vs. Q4'12



## EBIT before special items (million €)



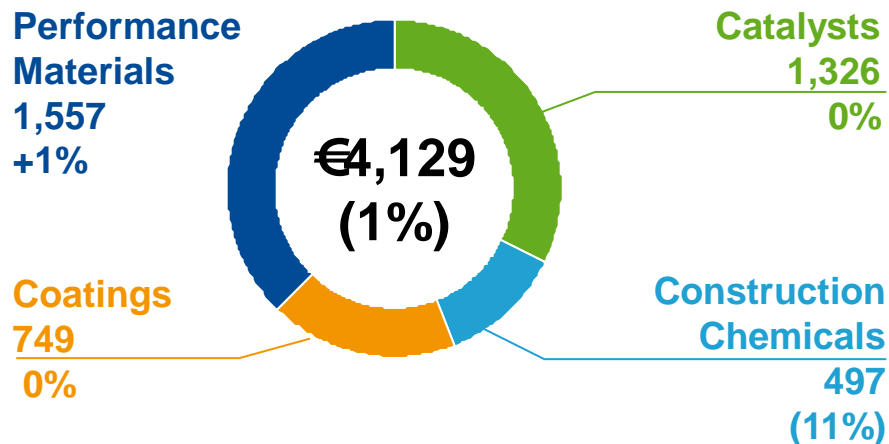
## Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'13 vs. Q4'12	↑ 5%	↓ (2%)	↑ 1%	↓ (4%)
FY'13 vs. FY'12	↑ 3%	↓ (2%)	↑ 1%	↓ (3%)

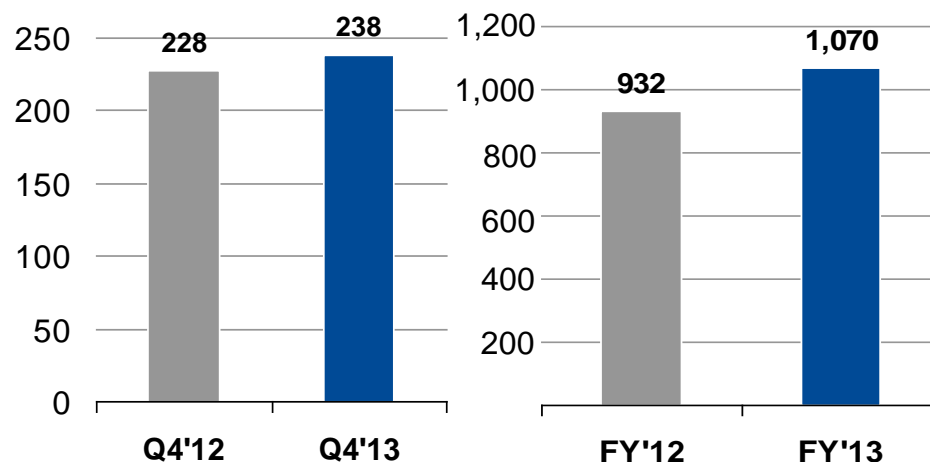
# Functional Materials & Solutions

Strong automotive demand lifts volumes

Q4'13 segment sales (million €) vs. Q4'12



EBIT before special items (million €)



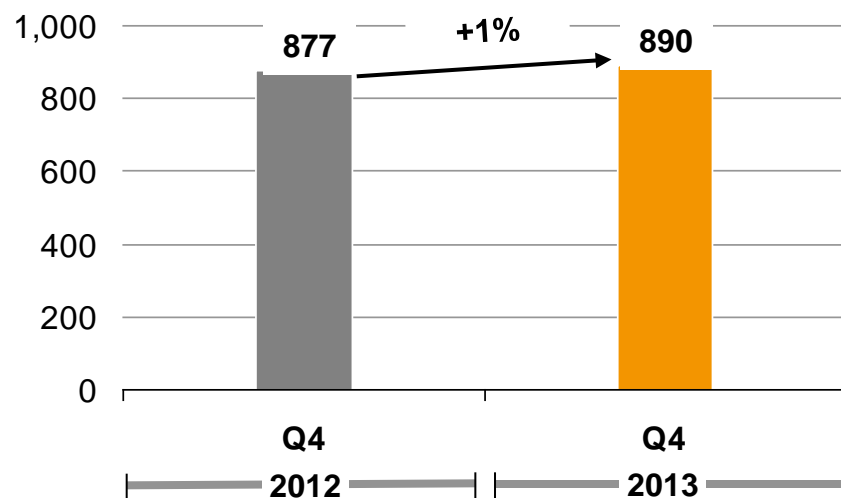
## Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'13 vs. Q4'12	↑ 5%	0%	↓ (1%)	↓ (5%)
FY'13 vs. FY'12	↑ 4%	↑ 1%	0%	↓ (4%)

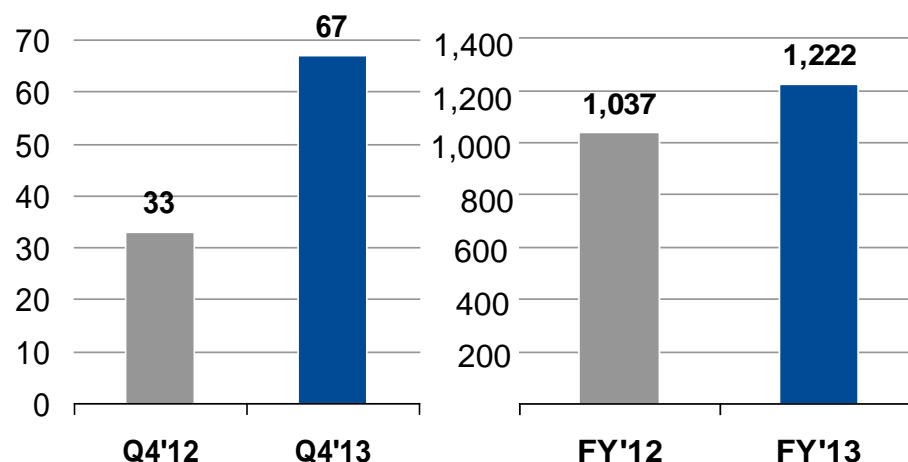
# Agricultural Solutions

Successful fourth quarter: Earnings doubled

Q4'13 segment sales (million €) vs. Q4'12



EBIT before special items (million €)



## Sales development

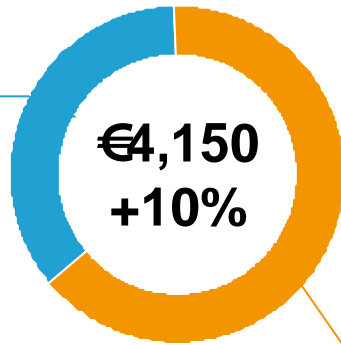
Period	Volumes	Prices	Portfolio	Currencies
Q4'13 vs. Q4'12	↑ 1%	↑ 2%	↑ 4%	↓ (6%)
FY'13 vs. FY'12	↑ 10%	↑ 3%	↑ 4%	↓ (5%)

# Oil & Gas

Higher earnings due to increased production volumes

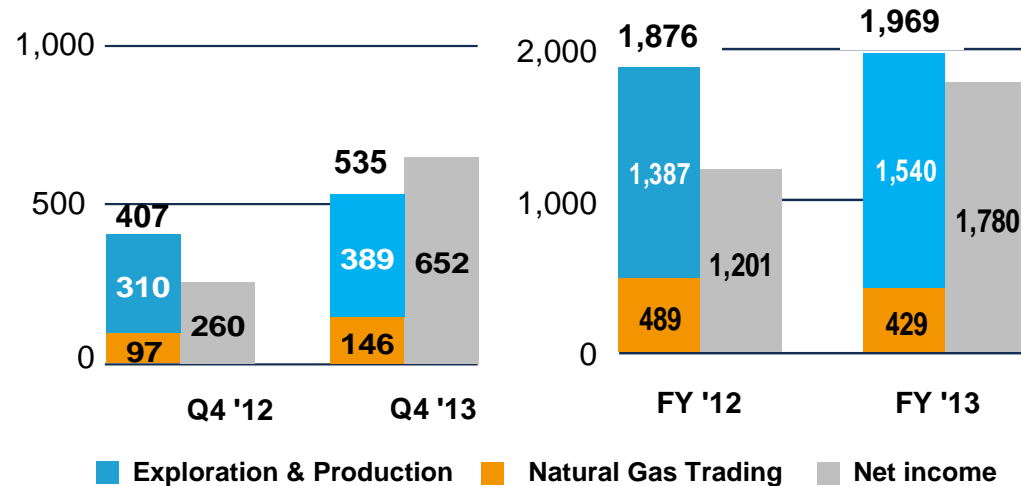
## Q4'13 segment sales (million €) vs. Q4'12

Exploration & Production  
861  
+32%



Natural Gas Trading  
3,289  
+5%

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



## Sales development

Period	Volumes	Price/Currencies	Portfolio
Q4'13 vs. Q4'12	↑ 7%	↓ (3%)	↑ 6%
FY'13 vs. FY'12	↑ 14%	↓ (1%)	↑ 3%

# Review of 'Other'

(million €)	Q4 2013	Q4 2012	2013	2012
<b>Sales</b>	<b>1,106</b>	<b>1,030</b>	<b>4,190</b>	<b>4,061</b>
<b>EBIT before special items</b>	<b>(114)</b>	<b>(67)</b>	<b>(618)</b>	<b>(790)</b>
<i>Thereof corporate research</i>	<i>(102)</i>	<i>(105)</i>	<i>(386)</i>	<i>(391)</i>
<i>group corporate costs</i>	<i>(66)</i>	<i>(73)</i>	<i>(237)</i>	<i>(255)</i>
<i>currency results, hedges and other valuation effects</i>	<i>(109)</i>	<i>(91)</i>	<i>(190)</i>	<i>(454)</i>
<i>other businesses</i>	<i>99</i>	<i>25</i>	<i>254</i>	<i>224</i>
Special items	3	158	(46)	575
<b>EBIT</b>	<b>(111)</b>	<b>91</b>	<b>(664)</b>	<b>(215)</b>



# Record operating cash flow in 2013

Million €	2013	2012
<b>Cash provided by operating activities</b>	<b>7,870</b>	<b>6,602</b>
<i>Thereof changes in net working capital</i>	805	(844)
<i>miscellaneous items</i>	(973)	(661)
<b>Cash provided by investing activities</b>	<b>(5,769)</b>	<b>(3,977)</b>
<i>Thereof payments related to tangible / intangible assets</i>	(4,660)	(4,015)
<i>acquisitions / divestitures</i>	(1,093)	(319)
<b>Cash used in financing activities</b>	<b>(1,874)</b>	<b>(2,904)</b>
<i>Thereof changes in financial liabilities</i>	828	(343)
<i>dividends</i>	(2,702)	(2,560)

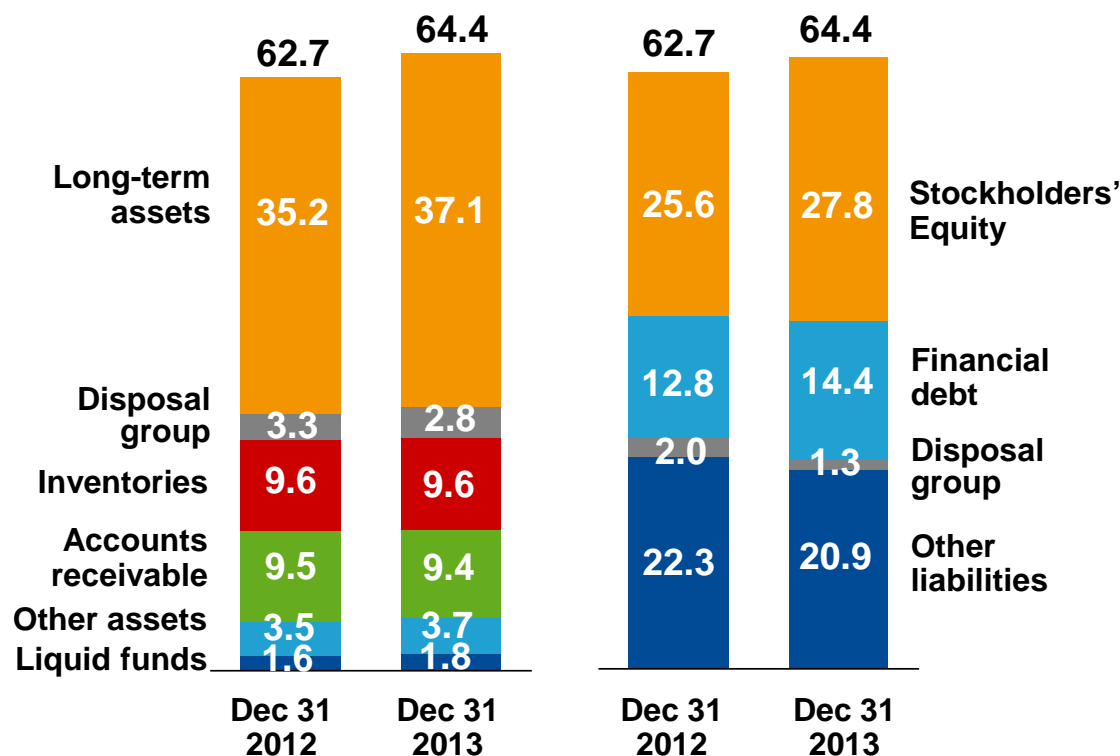
## 2013

- Strong free cash flow of €3.2 billion, despite higher capex (+€0.6 billion)
- High shareholder remuneration; €2.7 billion paid in dividends to our shareholders and minority interest holders
- Changes in financial liabilities of ~€0.8 billion due to the issuance of several bonds as well as the \$1.25 billion US private placement at attractive rates

# Balance sheet remains strong

## Balance sheet 2013 vs. 2012

(billion €)



## Highlights 2013

- Increase in long-term assets by €1.9 billion, due to capex and acquisitions
- Decline in pension provisions by €1.7 billion due to increased discount rates
- Financial debt increased by €1.6 billion reflecting issuance of bonds and private placements
- Net debt: €12.6 billion
- Net debt/EBITDA ratio: 1.2
- Equity ratio: 43.2% (2012: 40.8%)



The Chemical Company