BASF Analyst Conference FY2013

February 25, 2014, 15:30 (CET)

Ludwigshafen, Germany

Analyst Conference Call Script

Kurt Bock, CEO

Hans-Ulrich Engel, CFO

The spoken word applies.

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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%)

Kurt Bock

Good afternoon ladies and gentlemen,

Thank you for joining us and welcome to our annual investor and analyst conference for the full year 2013.

[Chart "BASF increased sales and earnings"]

Let me start with the business development in the fourth quarter 2013.

- Despite some first indications of recovery towards the end of last year, the global economic environment remained challenging in Q4. While important markets such as China and the US showed good volume growth and Europe stabilized, we faced strong currency headwinds in various countries, impacting both the top and the bottom line.
- Sales in Q4 increased slightly to 18.1 billion euros. Higher volumes and portfolio effects were almost offset by lower prices and negative currency effects.
- EBITDA rose strongly to 2.6 billion euros, up 26 percent primarily driven by a sharp increase in Oil & Gas.
- EBIT before special items increased by 18 percent to 1.5 billion euros due to a better performance of all five business segments.
- EBIT went up sharply to 1.6 billion euros as a result of higher earnings and a swing in special items year-on-year. While we incurred negative special items of 164 million euros in the fourth quarter of 2012, we recorded positive special items of 197 million euros in Q4 2013. The two main factors were:

Following a change of control of our joint venture GASCADE Gastransport GmbH, the subsequent deconsolidation led to a special gain of 429 million euros in Oil & Gas. This was lowered by negative special items due to the restructuring measures in Performance Products.

- At 1.1 billion euros, net income came in 16 percent higher than the prior-year quarter.
- Adjusted earnings per share were 1.02 euros compared to 1.35 in Q4 2012. The prior-year figure included a reversal of a tax provision.

Before I highlight some of the major milestones we achieved last year, let me briefly review our full year 2013 results.

- Last year, sales and earnings improved despite weaker global economic development and lower industrial production than in 2012.
- Sales increased by 3 percent to 74 billion euros, primarily driven by higher volumes in Oil & Gas and Agricultural Solutions. In our chemical business, sales decreased by 2 percent because volume growth of 2 percent was more than offset by negative currency effects.
- EBITDA improved by more than 400 million euros and amounted to 10.4 billion euros.
- EBIT before special items rose by 8 percent to 7.2 billion euros. This was primarily attributable to an excellent performance of our Crop Protection business, a higher contribution of Functional Materials & Solutions as well as an earnings improvement in Other.

The devaluation of almost all major currencies against the euro had a negative earnings impact of roughly 300 million euros, most pronounced in our Performance Products business.

- Special items in EBIT amounted to plus 83 million euros, almost flat year-on-year. EBIT came in at 7.3 billion euros, an increase of more than 500 million euros compared with 2012.
- Income taxes grew by 630 million euros to 1.5 billion euros. The tax rate increased significantly, from 15.2 percent to 22.9 percent. 2012 included tax credits from impairment charges on a Norwegian oilfield development project as well as the reversal of tax provisions. As a result, net income remained at the prior-year level of 4.8 billion euros.
- Adjusted EPS was 5.37 euros, 5 percent lower than a year ago.
- Operating cash flow reached a record high of 7.9 billion euros, up 1.3 billion euros versus 2012. At 3.2 billion euros, free cash flow exceeded the prior-year figure despite a significant increase in capex.


Ongoing portfolio development
BASF
The Chemical Company
Upstream
Downstream
Transaction with Statoil
Pronova BioPharma
Gazprom asset swap
Enzymes
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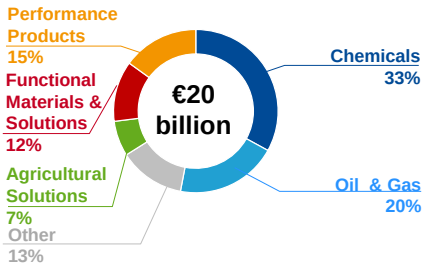
[Chart "Ongoing portfolio development"]

In 2013, we continued to shape our portfolio for future growth:

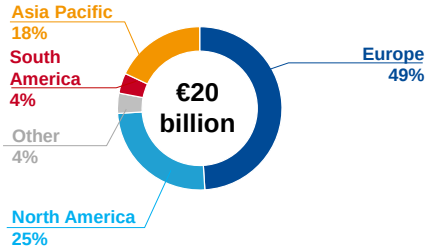
- We strengthened our downstream business through the acquisition of Pronova BioPharma and became a leading player in the attractive growth market of highly concentrated omega-3 fatty acids.
- We made a series of smaller transactions in enzymes to build a technology platform in our strategic growth field. This included the acquisition of Henkel's detergent enzyme technology, a research and licensing agreement with Dyadic International as well as the R&D collaboration agreement with Direvo Industrial Biotechnology for the development of highly efficient feed enzymes for animal nutrition. In October, we successfully completed the acquisition of Verenium, which further strengthened our R&D capabilities in enzymes.
- We also made progress in the development of our Oil & Gas business: We completed the transaction with Statoil, leading to a rise in Wintershall's daily production in Norway from roughly 3,000 BOE to nearly 40,000 BOE. In December, we signed the swap agreement with Gazprom through which Wintershall will further expand its production of oil and gas and exit the gas trading and storage business. We expect to close this transaction in mid-2014. It will take retroactive financial effect as of April 1, 2013. Sales and earnings of BASF's Natural Gas Trading business will continue to be reported in the Oil & Gas segment until closing.

Investments for organic growth

Capex budget 2014-2018 by segment



Capex budget 2014-2018 by region



[Chart "Investments for organic growth"]

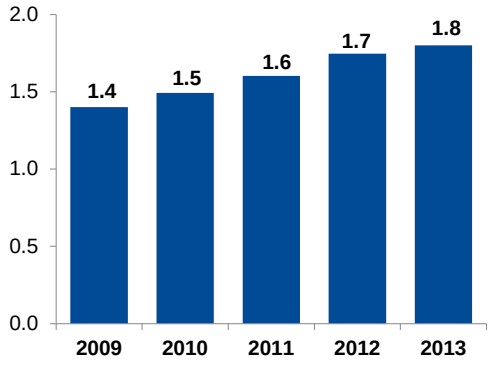
Ladies and Gentlemen,

Last year, we spent a total of 1.5 billion euros for acquisitions, well below our long-term average spending.

- At the same time, we have significantly increased our capex spending. In 2013, we invested 4.4 billion euros in property, plant and equipment. For 2014, we plan capital expenditures in the same ballpark as 2013.
- For the next five year period – 2014 to 2018 – we have earmarked total investments of 20 billion euros, thereof 20 percent for Oil & Gas, and one third each for the Chemicals segment, and our downstream activities. The remainder is for R&D and infrastructure.
- This level of capex reflects our major investments such as TDI in Ludwigshafen, MDI in Chongqing, acrylics in Nanjing and Camaçari as well as aroma chemicals in Kuantan and ammonia on the US Gulf coast. In Oil & Gas, we are investing in the development of our gas and oil fields in Russia, Norway and Argentina as well as in the exploration of new oil and gas reserves.

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

[Chart “Strong commitment to R&D”]

Innovations are an important success factor for BASF’s long-term, profitable growth.

- We, therefore, have increased our R&D expenditure year by year.
- Last year, we stepped up our investments in R&D by roughly 100 million euros to 1.8 billion euros. For 2014, we plan a similar increase.

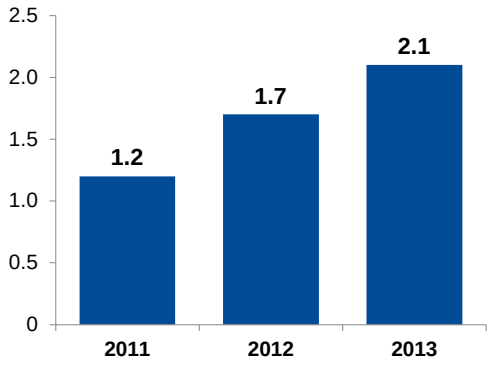
To illustrate that this is money well spent, I’d like to give you an example of Crop Protection.

Strong increase in pipeline value

Crop Protection innovation pipeline

Pipeline peak sales potential*

(billion €)



* For products launched between 2010 and 2020

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)

[Chart "Strong increase in pipeline value"]

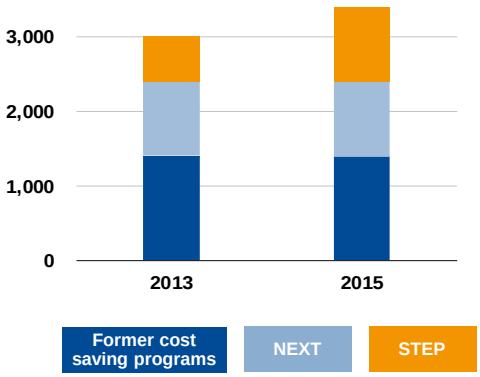
The success of our Crop Protection business is based on highly innovative solutions. Last year, we spent about 470 million euros on R&D, roughly one quarter of our Group's total R&D budget.

- We have continually increased the value of our crop protection innovation pipeline in recent years. For products launched between 2010 and 2020, we now foresee a peak sales potential of 2.1 billion euros, an increase of 400 million euros compared with one year ago.
- Main drivers were our blockbusters Xemium® and Kixor®. For our broadband fungicide Xemium, we now expect peak sales of more than 600 million euros, up 200 million euros versus the prior year. We were also able to raise the peak sales potential for our herbicide Kixor to more than 300 million euros, an increase of 100 million euros.

Operational excellence programs

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

Annual earnings contribution
in € million



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

[Chart “Operational Excellence”]

As you know, at BASF, we continuously work on our cost base and see how we can become leaner, more efficient and more productive.

- Our operational excellence program STEP is well on track to deliver the targeted 1 billion euro earnings contribution by 2015.
- We already achieved a total of roughly 600 million euros by the end of 2013; more than originally forecasted.

Restructuring Performance Products

Announced measures to strengthen competitiveness

	Measures	
Leather and textile chemicals (March 18, 2013)	▪ Establishment of global innovation center in China ▪ Optimization of various functions and relocation to Asia Pacific	**Reduction of ~500 positions by 2015**
Water, oilfield and mining chemicals (March 27, 2013)	▪ Establishment of global business unit to realize synergies ▪ Divestment of industrial water management business	
Plastic additives and pigments (April 23, 2013)	▪ Adjustments at sites in the Basel area to adapt to changed market conditions ▪ Downsizing of R&D activities	
Pigments (October 23, 2013)	▪ Optimization of global production network ▪ Closure, restructuring and evaluation of strategic options for production assets	**Reduction of ~650 positions by 2017**
Paper Chemicals (January 23, 2014)	▪ Shutdown of latex production in Europe ▪ Ongoing portfolio optimization	**Reduction of ~250 positions by 2015**

[Chart "Restructuring Performance Products"]

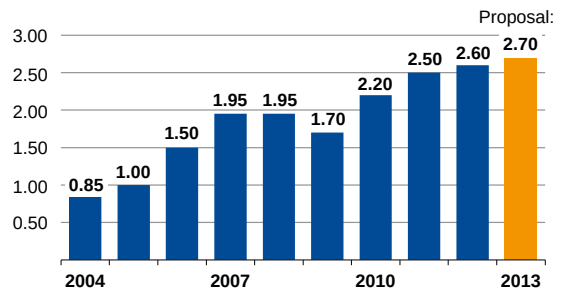
In addition to the Group-wide operational excellence program, we are restructuring the Performance Products segment. In the last twelve months, we have announced a number of measures to strengthen the competitiveness of this segment.

- We are improving the setup of our businesses with plastic additives, pigments, water, leather and textile chemicals, leading to a reduction of about 500 positions worldwide by 2015, primarily in Switzerland and the UK.
- In Pigments, we are optimizing our global production network. This includes the closure, restructuring and evaluation of strategic options for production assets in Europe. As a result, approximately 650 positions will be reduced globally by 2017. At the same time, we will invest 250 million euros to strengthen our production network, with a particular focus on Asia Pacific.
- In Paper Chemicals, we are adjusting production capacities as well as marketing and sales in response to decreasing market demand. As a consequence, approximately 250 positions will be reduced by the end of 2015.

As you can see, we have taken significant actions to improve the profitability of this segment. All in all, the announced measures will lead to a reduction of 1,400 positions globally, of which the lion's share will be in Europe. And, we will continue to analyze further measures to enhance the competitiveness of this segment.

Attractive shareholder return

Dividend per share (€)



Yield*	3.2%	3.1%	4.1%	3.8%	7.0%	3.9%	3.7%	4.6%	3.7%	3.5%

* 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

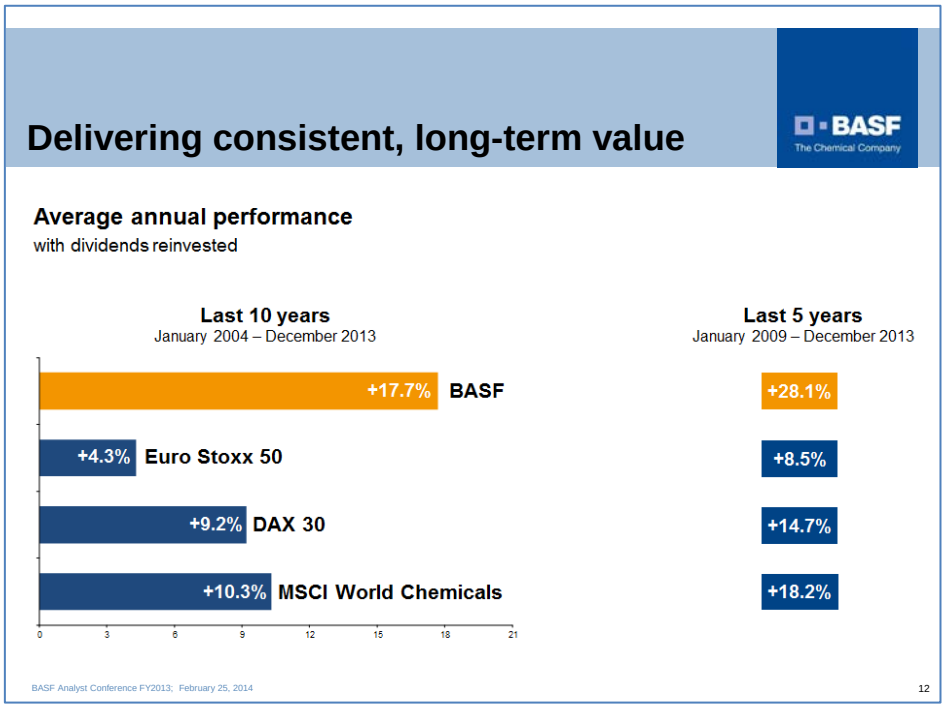
** Based on BASF share price of €77.49 on Dec 30, 2013

[Chart "Attractive shareholder return"]

Ladies and Gentlemen,

- We stand by our dividend policy to increase our dividend each year, or at least maintain it at the previous year's level.
- As announced last Thursday, we will propose to the Annual Shareholders' Meeting to pay out a dividend of 2.70 euros per share, an increase of 10 euro-cents or approximately 4 percent.
- Over the past ten years, we have raised our dividend by an average of almost 14 percent per year.

- Based on the share price of 77.49 euros at the end of 2013, we are once again offering an attractive dividend yield of 3.5 percent.


Delivering consistent, long-term value
BASF
The Chemical Company
Average annual performance
with dividends reinvested
Last 10 years
January 2004 – December 2013
Last 5 years
January 2009 – December 2013
+17.7% BASF
+28.1%
+4.3% Euro Stoxx 50
+8.5%
+9.2% DAX 30
+14.7%
+10.3% MSCI World Chemicals
+18.2%
0
3
6
9
12
15
18
21
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[Chart “Delivering consistent, long-term value”]

Despite a below average share price performance in 2013, we continue to deliver consistent long-term value for our shareholders:

- Over the past ten years, the average annual return on BASF stock was almost 18 percent, clearly outperforming the German and European stock markets as well as the MSCI World Chemicals index.

Outlook 2014
Expectations for the global economy

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

[Chart "Outlook 2014 – Expectations for the global economy]

Let's now come to our expectations for 2014.

- At 2.8 percent, we expect the global economy to grow somewhat faster in 2014 than in the previous year. The recent stabilization in the euro zone is most likely to continue.
- At 3.7 percent, we anticipate higher global industrial production, primarily driven by strong growth in the emerging economies.
- We assume an average oil price of 110 dollars per barrel of Brent as well as an average exchange rate of 1.30 dollars per euro and expect exchange rate volatility in emerging markets to continue.

Outlook 2014 by region
Chemical production (excl. pharma)

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

[Chart "Outlook by region – Chemical production"]

Our assumptions for the chemical industry are as follows:

- Stronger growth in key customer industries will presumably lead to solid demand for chemical products. We expect global chemical production (excluding pharma) to grow at 4.4 percent, and thus remain roughly at the same level as 2013.
- In Europe, we do not anticipate a significant upturn and predict growth of 1.1 percent this year. While production in Southern Europe will likely stagnate, we foresee slight growth in Germany, France and the UK.
- Due to robust growth in the automotive industry, the construction sector and other key industries, we estimate the United States to grow at 2.8 percent, a bit slower than last year.
- In Asia (excluding Japan), solid demand from our key customer industries will lead to good growth for the chemical industry in 2014. Nonetheless, we anticipate growth that is somewhat weaker than in 2013 as a consequence of the consolidation expected in China. In Japan, we expect higher growth in the chemical industry as a result of an increase in industrial production.
- Chemical production in South America is predicted to grow somewhat faster than last year. However, Brazil, the largest market in the region, will grow only slightly and continue at a rate below the country's long-term average.

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.

[Chart “Outlook BASF Group 2014”]

Based on these assumptions, our outlook for the year 2014 is as follows:

- 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. Last year, the business to be divested generated sales of 11.7 billion euros.
- 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.

Now, let me give you some color on our outlook for the individual segments.

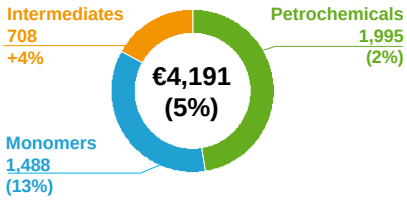
- In Chemicals, EBIT before special items is expected to be slightly below the 2013 level due to startup costs for several new plants that will begin operations during this year.
- As a result of our restructuring efforts and improved demand, we anticipate EBIT before special items in Performance Products to considerably exceed 2013.
- We strive to considerably increase earnings in Functional Materials & Solutions, mainly driven by higher volumes for our specialties and system solutions.
- In Agricultural Solutions, we expect a slight increase in EBIT before special items despite lower crop prices and an increase in R&D costs.
- Despite the missing earnings contribution from our gas trading and storage business in the second half of 2014 due to the planned asset swap with Gazprom, we expect EBIT before special items for our Oil & Gas business to improve slightly. The first full-year inclusion of the Norwegian activities acquired from Statoil and the further expansion of Achimgaz production will support this increase.

- With this, I'd like to hand over to Hans.

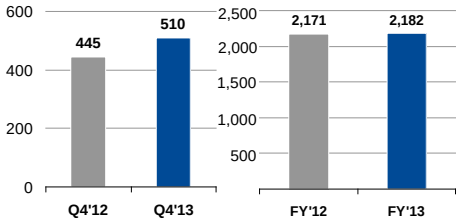
Chemicals

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%)

Hans-Ulrich Engel

Good afternoon ladies and gentlemen.

Let me highlight the financial performance of each segment in more detail. I will focus on the respective business development in comparison to the fourth quarter of 2012.

[Chart "Chemicals – Significantly higher earnings due to better volumes and margins"]

In **Chemicals**, 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 as a result of substantially higher earnings in Petrochemicals.

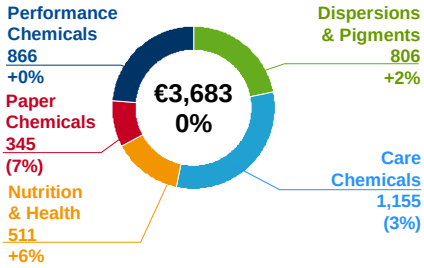
- Sales in **Petrochemicals** declined slightly. Lower prices in Europe and North America and negative currency effects could not be offset by higher sales volumes. Cracker margins in North America increased as a result of the optimization of our Port Arthur cracker towards lighter feed. In Asia Pacific, cracker margins remained at an unsatisfactory level. Margins in the acrylics business improved in Europe but softened in Asia Pacific and North America. Overall, EBIT before special items increased substantially due to better margins.

- Sales in **Monomers** dropped significantly driven by a decline in ammonia, caprolactam and isocyanate prices. Caprolactam margins remained stable at a low level. Ammonia margins and isocyanate margins in Asia Pacific were down due to competitive pressure. Consequently, 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. In the butanediol and derivatives business prices slightly decreased. Improved margins for amines and license income from gas treatment solutions led to a significant improvement in EBIT before special items.

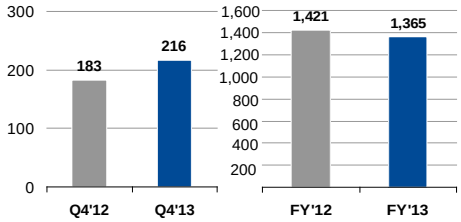
Performance Products

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%)

[Chart "Performance Products – Volume growth and higher earnings despite currency headwinds"]

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.

- In **Dispersions & Pigments**, sales increased slightly. Volumes grew strongly compared to a weak fourth quarter of 2012. 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.

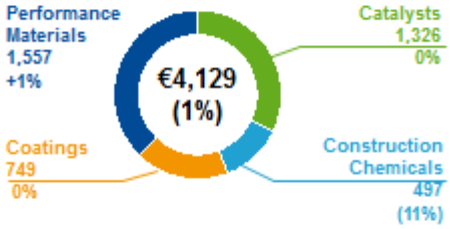
- In **Nutrition & Health**, sales rose primarily due to the inclusion of Pronova BioPharma. Volumes grew in pharma, human nutrition and aroma chemicals but were slightly lower in animal nutrition. Vitamin E prices came down further and were at an unsatisfactory level. EBIT before special items was down substantially.

- In **Paper Chemicals,** the market environment remained challenging as 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.

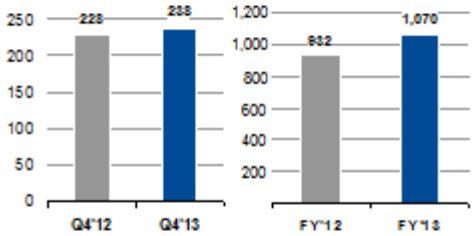
Functional Materials & Solutions

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%)

[Chart "Functional Materials & Solutions – Strong automotive demand lifts volumes"]

Sales in **Functional Materials and Solutions** 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 due to lower prices. We saw good unit growth in mobile emission catalysts. This was driven by strong OEM business in Asia Pacific and North America, which more than offset weaker demand in Europe. While our business with refinery catalysts showed some improvement, chemical catalysts performed below our expectations. EBIT before special items increased significantly, mainly driven by higher volumes in mobile emission catalysts.

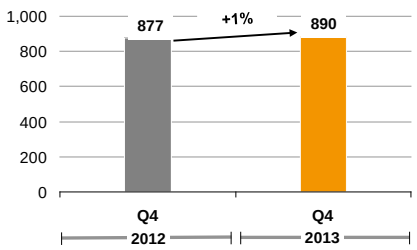
- Sales in **Construction Chemicals** were significantly down. Currency influences accounted for most of the sales decline. In Europe, sales came down due to divestments as well as ongoing weak demand in Southern Europe. Business in Eastern Europe and the Middle East remained at the previous year's level. In Asia Pacific, sales were impacted by negative currency effects while volumes increased slightly. 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 quarter result.

- **Coatings** sales were flat as higher volumes and prices were offset by negative currency effects. OEM coatings grew strongly thanks to higher volumes in all regions, particularly in North America and Asia Pacific. 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 in an overall sluggish Brazilian consumer environment. 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. Our business with PU systems, engineering plastics and specialties for the automotive industry developed successfully. Sales in foams declined as a result of the closure of our EPS plants in India and Malaysia at the end of 2012. EBIT before special items decreased mainly due to an increase in fixed costs.

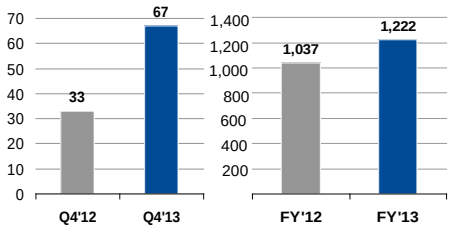
Agricultural Solutions

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%)

[Chart "Agricultural Solutions – Successful fourth quarter; Earnings doubled"]

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.

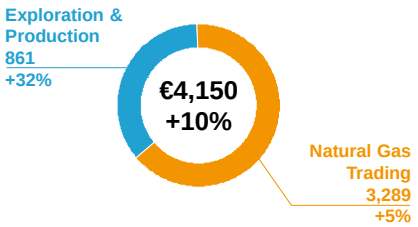
- In **South America** sales decreased slightly, mainly due to currency headwinds. While the recent launch of our blockbuster Xemium® contributed to volume growth in Brazil, the drought in Argentina negatively impacted fungicide demand.
- **North American** sales were significantly up despite the weaker US dollar. The acquisition of Becker Underwood supported this growth, but we also saw higher demand for insecticides in non-crop applications as well as for fungicides.
- Year-end business in **Europe** was good and sales increased driven by higher volumes and prices. Demand, especially for herbicides, benefitted from the mild weather conditions.
- Sales in **Asia Pacific** declined significantly due to pronounced currency effects. While business in China developed very well, demand in Southeast Asia was below expectations.
- From a full-year perspective, 2013 was another record year. Sales rose by 12 percent to 5.2 billion euros. EBIT before special items grew by 18 percent to more than 1.2 billion euros. At 26.6 percent, our long-term average EBITDA margin[1] target of 25 percent was clearly surpassed.

[1] before special items

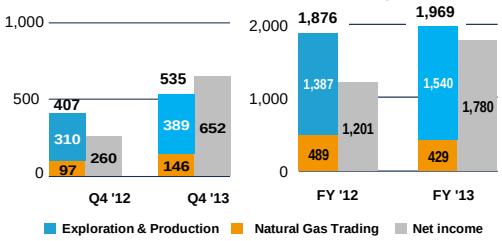
Oil & Gas

Higher earnings due to increased production volumes

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



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%

[Chart "Oil & Gas – Higher earnings due to increased production volumes"]

In the **Oil & Gas** segment, 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. As of December 31, 2013 GASCADE Gastransport GmbH is accounted for using the equity method following a change in the governance structure. BASF continues to hold a 50.02 percent share in GASCADE. As a result of the deconsolidation, we reported a one-time gain in the amount of 429 million euros. This positive effect was reduced by a partial impairment of our exploration activities in Qatar. Hence, net income grew substantially from 260 million euros to 652 million euros.

Sales in **Exploration & Production** were up, because of a higher contribution from Norway as well as increased production volumes from Achimgaz. The average price for Brent crude oil decreased by 5 euros to 80 euros per barrel in the fourth quarter of 2013. Our onshore production in Libya, which is consolidated at-equity, was suspended for the entire quarter. However, EBIT before special items rose substantially due to higher production volumes and a stronger contribution from Argentina.

Sales in **Natural Gas Trading** were up benefiting from spot trading activities. EBIT before special items grew substantially due to price revisions with customers.

Review of 'Other'

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

[Chart “Review of ‘Other’”]

Sales in ‘Other’ 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. Corporate research and group corporate costs remained fairly stable. We generated 99 million euros in earnings from other businesses, an increase of 74 million euros compared with the previous year. In the fourth quarter 2012, BASF reported the dissolution of provisions, which positively impacted the EBIT before special items development in Q4 2012.

Special items in Other amounted to plus 3 million euros in Q4 2013. In the prior-year quarter, the allocation of special items to the operating divisions resulted in a positive contribution of approximately 160 million euros to special items in Other.

Record operating cash flow in 2013

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

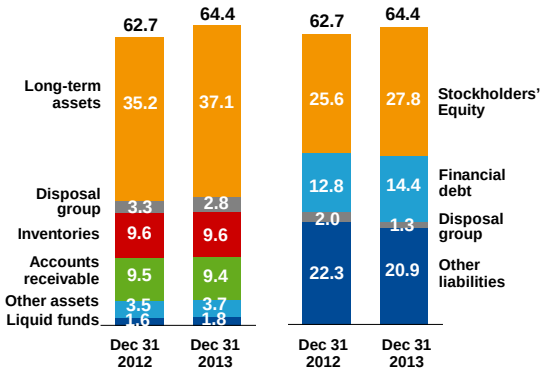
[Chart “Record operating cash flow in 2013”]

Let’s now come to cash flow.

- At 7.9 billion euros, we once again generated strong cash flow from operations in 2013, 1.9 billion euros of which in Q4.
- We stepped up capital expenditure. In 2013, we spent 4.7 billion euros, an increase of more than 600 million euros versus 2012.
- At 3.2 billion euros, free cash flow generation was again excellent.
- The net amount of acquisitions and divestments resulted in a use of cash in the amount of 1.1 billion euros.
- The issuance of several bonds as well as the 1.25 billion dollar US private placement in October 2013 led to changes in financial liabilities of approximately 800 million euros.
- Dividends paid to our shareholders and minority interest holders amounted to 2.7 billion euros.

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%)

[Chart “Balance sheet remains strong”]

Finally let’s now have a look at our balance sheet.

- Total assets rose by 1.7 billion euros to 64.4 billion euros.
- Long-term assets increased by 1.9 billion euros, mainly as a result of capital expenditures and acquisitions.
- Short-term assets declined by roughly 200 million euros mainly attributable to lower assets of the disposal group Natural Gas Trading.
- Provisions for pension obligations declined by 1.7 billion euros as a result of increased discount rates.
- Our financial indebtedness rose by approximately 1.6 billion euros to 14.4 billion euros reflecting the issuance of several bonds and private placements in the US and Europe.
- Net debt amounted to 12.6 billion euros, an increase of roughly 1.4 billion euros compared with the end of 2012. Our net debt-to-EBITDA ratio was at 1.2.
- Equity grew by 2.2 billion euros. Net income amounted to 4.8 billion euros which exceeded dividend payments by 2.5 billion euros.
- Our equity ratio remained at a healthy level and increased from 40.8 percent to 43.2 percent at the end of 2013.

Thank you for your attention. We will now be happy to take your questions.