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BASF Analyst Conference FY2014

February 27, 2015, 15:00 (CET)

Ludwigshafen, Germany

Analyst Conference Call Script

Kurt Bock, CEO

Hans-Ulrich Engel, CFO

The spoken word applies.

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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%)

Kurt Bock

Good afternoon ladies and gentlemen,

Thank you for joining us and welcome to our annual investor and analyst conference.

[Chart "BASF with continued earnings growth"]

In 2014, BASF delivered on its promise to improve EBIT before special items. This was achieved against the backdrop of an overall very challenging and unpredictable economic and geopolitical environment. In particular Q4 showed a strong finish despite considerably lower earnings in our Oil & Gas business. We will again raise our dividend.

- In the fourth quarter, the global economic environment remained challenging and volatile, with ongoing geopolitical tensions and an elevated level of uncertainty.
- Demand in Europe only slightly improved. North America showed the strongest growth of the developed economies. Emerging Asia still grew with solid rates. Growth in China amounted to 7.3 percent compared to 7.5 percent in the fourth quarter 2013. The economic development in South America disappointed. In particular, Brazil remained technically in a recession.
- The average price for Brent crude oil dropped sharply from 109 US dollars per barrel in Q4 2013 to 77 US dollars per barrel in Q4 2014. On a euro basis, the average price for Brent crude was 29 percent lower than in Q4 2013.

- In the fourth quarter, the euro lost around 8 percent of its value against the US dollar. In addition, we experienced strong devaluation of other important currencies such as the Russian Ruble and the Norwegian Krone.
- Before I comment on our results, please be reminded that we restated BASF's quarterly as well as full year 2013 figures and the first three quarters of 2014. As we did not complete the asset swap with Gazprom at the end of last year, it was necessary to dissolve the disposal group and book the depreciation and the equity results, which had been suspended since the end of 2012.
- Sales in Q4 were almost stable at 18.0 billion euros. Slightly higher volumes and positive currency effects could not fully compensate for lower prices, especially in the Oil & Gas segment as a consequence of the significantly lower oil price.
- EBITDA went up considerably by 11 percent to 2.9 billion euros.
- EBIT before special items increased slightly to 1.5 billion euros supported by considerably higher earnings in Chemicals and Agricultural Solutions. Furthermore, results in Other improved significantly due to positive currency effects and the partial dissolution of the provision for our long-term incentive program.
- EBIT rose by seven percent to 1.7 billion euros. In Q4 2014, special items in EBIT amounted to plus 271 million euros mainly attributable to the divestment of our 50 percent share in Styrolution and ELLBA Eastern. Impairment charges particularly in our Oil & Gas segment partly offset these gains.

- In the fourth quarter 2014, the tax rate amounted to 16.5 percent compared to 19.3 percent in the prior year quarter. The decrease was driven by the largely tax-free disposal gains from the sale of our stakes in Styrolution, ELLBA Eastern and VNG (Verbundnetz Gas).
- At 1.4 billion euros, net income came in 26 percent higher than in the prior-year quarter.
- Adjusted earnings per share increased to 1.04 euro compared to 1.00 euro in Q4 2013.
- Operating cash flow reached 2 billion euros, an increase of 4 percent versus a year ago.

Let me now come to the full year 2014.

- The year was characterized by low momentum in the overall economic development and a high level of uncertainty and volatility. Growth in industrial and chemical production was lower than expected. BASF performed well in this environment.
- Sales amounted to 74.3 billion euros. Volumes were up 4 percent, primarily driven by Functional Materials & Solutions and Oil & Gas. Prices declined mainly attributable to lower oil and gas prices. Adverse currency effects also had a negative impact on sales.
- In our chemicals business, sales increased by 1 percent. Higher volumes could compensate for slightly lower prices and overall still negative currency effects. Sales in North America were 6 percent up driven by higher volumes in Petrochemicals.

In Europe and Asia sales were almost stable, while they decreased in South America due to negative currency effects.

- EBITDA improved by more than 600 million euros and amounted to 11.0 billion euros.
- With an EBIT before special items of 7.4 billion euros, up 4 percent, we achieved our earnings guidance in this challenging environment. This was primarily driven by the performance of our Chemicals, Performance Products and Functional Materials & Solutions segments as well as Other.
- Special items in EBIT amounted to plus 269 million euros compared to plus 83 million euros in the prior year. The increase was caused especially by the divestiture of our 50 percent share both in Styrolution and ELLBA Eastern, as well as selected Exploration & Production assets on the UK Continental Shelf. This was partly offset by impairment charges mainly in our Oil & Gas segment.
- EBIT amounted to 7.6 billion euros. We achieved an increase of more than 460 million euros compared with 2013 despite the fact that we recognized an overall negative currency impact on EBIT of around 230 million euros for the full year 2014.
- Income tax grew by 224 million euros to 1.7 billion euros. The tax rate increased slightly from 22.5 percent to 23.8 percent as the share of higher-taxed earnings from Oil & Gas in Norway increased.
- Net income was up by 8 percent and came in at 5.2 billion euros.

- Adjusted EPS rose to 5.44 euros compared to 5.31 euros a year ago.
- Operating cash flow reached 7 billion euros, down 1.1 billion euros versus 2013 caused by a swing in net working capital. At 1.7 billion euros, free cash flow generation was reduced due to the lower operating cash flow and higher capital expenditures.

Attractive shareholder return

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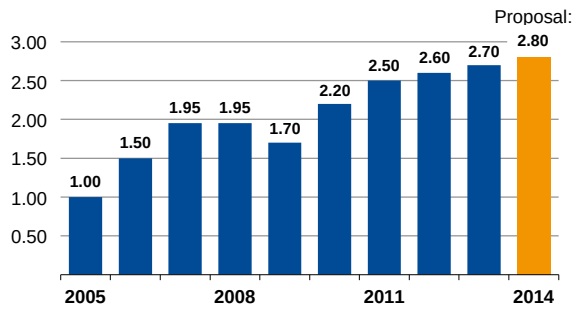
Dividend per share (€)



Yield*	3.1%	4.1%	3.8%	7.0%	3.9%	3.7%	4.6%	3.7%	3.5%	4.0%

* 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

[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.
- We will propose to the Annual Shareholders' Meeting to pay out a dividend of 2.80 euros per share, an increase of 10 euro-cents or approximately 3.7 percent.
- Over the past ten years, we have raised our dividend by an average of almost 12 percent per year.
- Based on the share price of 69.88 euro at the end of 2014, we are once again offering an attractive dividend yield of four percent.

I will now hand over to Hans, who will give you some more details regarding the Q4 business development of our segments.

Chemicals

Petrochemicals drive earnings growth

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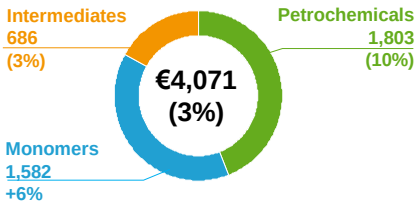
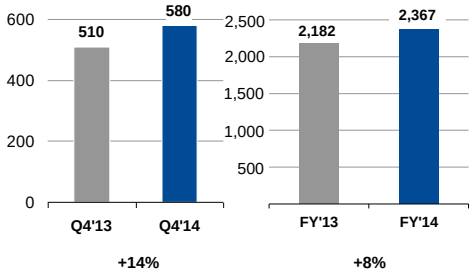
Q4'14 segment sales (million €) **vs. Q4'13**



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%

Hans-Ulrich Engel

Good afternoon ladies and gentlemen.
Let me highlight the financial performance of each segment in more detail.

[Chart "Chemicals – Petrochemicals drive earnings growth"]

In **Chemicals**, sales declined slightly due to lower prices and volumes. Currencies provided some tailwind. EBIT before special items rose by 14 percent to 580 million euros, primarily due to significantly higher earnings in Petrochemicals. We incurred positive special items of 65 million euros, mainly related to the divestiture of our 50 percent stake in ELLBA Eastern.

- Sales in **Petrochemicals** came in significantly lower. Prices decreased due to lower feedstock costs. Volumes declined as additional business from new plants could not compensate for missing volumes in propylene oxide. This was caused by shutdowns of both ELLBA joint operations. In cracker products, we continued to perform well in North America and we were able to improve margins in Europe. While acrylics showed an improvement in Europe and North America, we experienced margin pressure in Asia Pacific. EBIT before special items increased strongly, primarily driven by higher cracker margins.

- Sales in **Monomers** rose considerably due to higher prices and positive currency effects. Volumes were flat as higher MDI volumes were offset by lower caprolactam volumes due to a planned turnaround. Margins improved driven by higher prices in ammonia and lower raw material costs in MDI. Caprolactam margins remained stable at a low level. EBIT before special items declined slightly due to increased fixed costs.
- Sales in **Intermediates** were slightly down due to lower volumes and prices. Currencies had a positive impact on sales. While our business with specialty amines developed well, we experienced price pressure in butanediol, particularly in China. Towards the end of the year, we observed de-stocking across various product lines. However, our business with specialty products developed well and margins improved due to lower raw material costs. Consequently, EBIT before special items rose slightly.

Performance Products

Sales slightly up and earnings on prior year level

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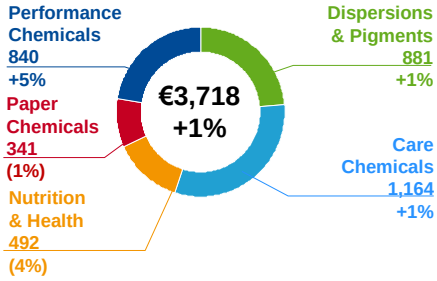
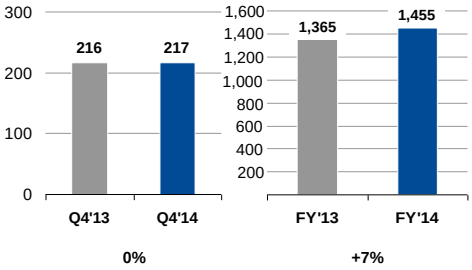
Q4'14 segment sales (million €) **vs. Q4'13**



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%)

[Chart "Performance Products – Sales slightly up and earnings on prior year level"]

Sales in **Performance Products** were slightly up driven by positive currency effects. EBIT before special items came in at prior-year level as higher margins were offset by increased fixed costs primarily due to currency effects. The ongoing restructuring efforts led to special items of minus 34 million euros versus minus 149 million euros a year ago.

- In **Dispersions & Pigments**, sales rose slightly. We saw good volume growth in Asia Pacific but experienced softer demand in Europe and North America. Improved resin volumes could not fully offset lower volumes in pigments and dispersions. We noticed some destocking by our customers. EBIT before special items decreased significantly on lower volumes and higher fixed costs.

- **Care Chemicals'** sales grew slightly. Volumes were slightly down, primarily in hygiene. Demand in home care was lower, while we saw higher volumes in personal care. Fixed costs increased due to unfavorable exchange rates and year-end effects. Hence, EBIT before special items came in slightly lower.

- In **Nutrition & Health**, sales decreased slightly. While we experienced good demand in animal nutrition and aroma chemicals, volumes declined in pharma as well as human nutrition. A further price decline in vitamin E was almost offset by price increases in other product areas such as aroma chemicals and pharma. EBIT before special items was considerably up, primarily due to lower fixed costs.

- In **Paper Chemicals,** sales were almost stable as positive currency effects could compensate for lower volumes. While we experienced a further reduction in demand for graphical paper, we were able to grow volumes in paper packaging. EBIT before special items almost matched the prior-year level.

- **Performance Chemicals'** sales rose slightly, driven by higher volumes in all regions. Fuel and lubricant solutions as well as plastic additives showed good volume growth. Our business with water, oilfield and mining chemicals experienced lower demand. EBIT before special items increased considerably due to improved margins.

Functional Materials & Solutions

Continued robust demand from automotive

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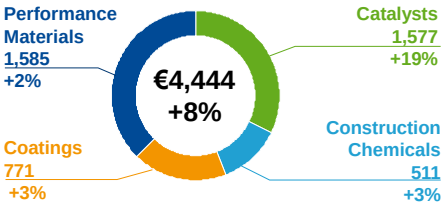
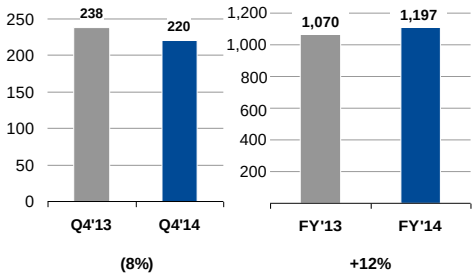
Q4'14 segment sales (million €) **vs. Q4'13**



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%)

[Chart: Functional Materials & Solutions – Continued robust demand from automotive]

In **Functional Materials & Solutions**, sales were considerably up, supported by continued robust demand from the automotive industry. Volumes were up, prices remained stable and we realized positive currency effects. EBIT before special items declined slightly mainly due to lower contributions from Performance Materials and Construction Chemicals. Special items of minus 43 million euros were primarily related to an asset impairment in Construction Chemicals.

- Sales in **Catalysts** increased significantly on higher volumes in mobile emissions, chemical and refinery catalysts. Sales from precious and base metals trading grew to 605 million euros versus 488 million euros a year ago. Fixed costs were higher due to the start-up of two new mobile emissions catalyst plants in Poland and China as well as a zeolite manufacturing plant in Ludwigshafen. EBIT before special items increased considerably driven by higher volumes.
- In **Construction Chemicals**, sales came in slightly higher thanks to improved construction activity in North America and the Middle East. Sales in Europe decreased, mainly as a result of the divestiture of BASF Wall Systems. One-time effects led to higher fixed costs and thus EBIT before special items declined.
- Sales of our **Coatings** division were slightly up due to higher volumes, prices and currency effects. In OEM coatings, we continued to experience strong demand in Europe and North America.

Automotive refinish saw lower market demand in all markets except China. Industrial coatings developed positively. In our Brazilian decorative paints business, we increased sales, primarily in the premium segment. EBIT before special items was slightly lower due to higher fixed costs.

- Sales in **Performance Materials** were slightly up. Sales volumes of specialty and engineering plastics as well as our specialty Cellasto increased strongly due to high demand from the transportation industry. Styrenic foams for construction applications saw lower demand. Plant start-ups and turnarounds led to an increase in fixed costs. EBIT before special items decreased as a result of that.

Agricultural Solutions

Strong finish to the year

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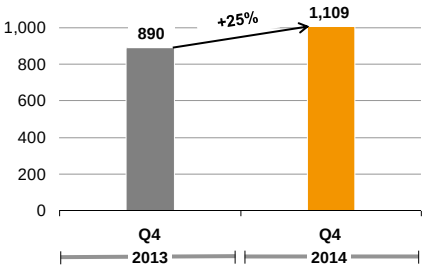
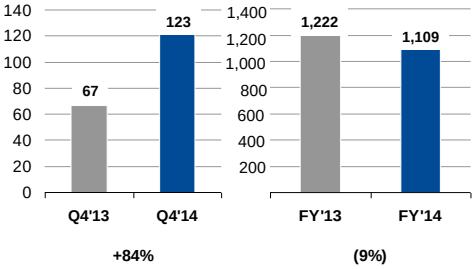
Q4'14 segment sales (million €) **vs. Q4'13**



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%)

[Chart "Agricultural Solutions – Strong finish to the year"]

Sales in **Agricultural Solutions** increased by 25 percent due to higher volumes in all regions, mainly in South America as well as North America. We were able to raise prices in all regions except for South America, where we experienced product mix effects. EBIT before special items jumped to more than 120 million euros.

- In **South America**, sales rose substantially, as the delayed start into the season led to a shift of demand from Q3 to Q4 2014. Our business in Brazil also benefitted from the good performance of our blockbuster fungicide Xemium® in its first full year on the market. The successful launch of three new insecticide formulations contributed to sales growth.
- **North American** sales were up strongly on higher volumes, prices and currency effects. Especially our herbicide business showed an excellent performance, driven by high demand for Kixor® and Dicamba.
- Sales in **Europe** came in higher, as we were able to increase volumes and prices. Fungicide demand benefitted from the mild weather. We also saw good demand for the upcoming season both in Western and Eastern Europe.
- In **Asia Pacific**, we experienced strong business growth, especially in China and Australia.

From a full-year perspective, 2014 was our second-best year ever in Agricultural Solutions. Sales rose by 4 percent to 5.4 billion euros, corresponding to a growth of 7 percent currency adjusted.

Despite a tougher market environment and currency headwinds, full-year EBIT before special items amounted to 1.1 billion euros. At 24 percent, the EBITDA margin came in slightly below our 25 percent target.

Oil & Gas

Lower oil and gas prices impacted earnings

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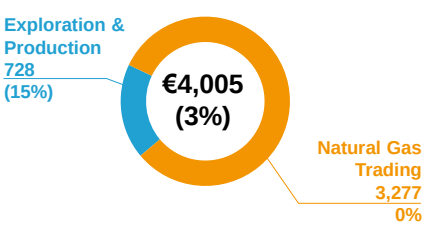
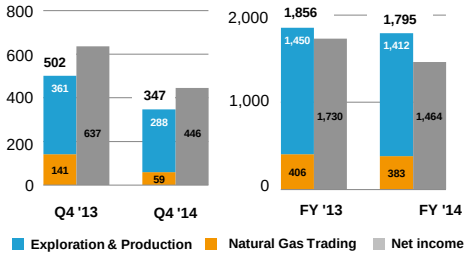
Q4'14 segment sales (million €) **vs. Q4'13**



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



* Pevious 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%

[Chart "Oil & Gas – Lower oil and gas prices impacted earnings"]

In **Oil & Gas**, sales decreased slightly as a result of the sharp drop in the oil price. Higher volumes both in E&P and Natural Gas Trading partly offset this decline. EBIT before special items declined from 502 million euros to 347 million euros. Special items were minus 189 million euros attributable to write-offs for exploration projects and producing assets. In the prior-year quarter, we reported positive special items of 383 million euros mainly due to the deconsolidation of GASCADE. As a consequence, EBIT came in at 158 million euros versus 885 million euros a year ago. Net income, however, declined by only 191 million euros to 446 million euros. This is due to positive special items of 220 million euros in the financial result from the sale of our stake in VNG as well as positive currency results.

- Sales in **Exploration & Production** decreased significantly due to the sharp drop in oil price. The average price for Brent was 77 US dollars per barrel compared to 109 US dollars a year ago. EBIT before special items decreased substantially due to lower oil and gas prices. Higher production volumes in Norway could only partly compensate for the strong decline in oil price.
- Sales in **Natural Gas Trading** were stable as higher volumes offset lower prices. EBIT before special items came in considerably lower. The prior-year quarter benefitted from price revisions. Adjusted by this one-time effect, EBIT before special items was on a similar level as in Q4 2013.

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Review of 'Other'

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

[Chart “Review of ‘Other’”]

- Sales in ‘Other’ decreased to 700 million euros, as we experienced shutdowns at our ELLBA joint operations.
- EBIT before special items improved by 86 million euros to minus 28 million euros. This was mainly driven by positive currency results and the partial dissolution of the provision for our long-term incentive program.
- Special items in ‘Other’ amounted to plus 473 million euros, primarily related to the disposal gain from the divestiture of our 50 percent stake in Styrolution.

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Operating cash flow development in 2014

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

* 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

[Chart “Operating cash flow development in 2014”]

Let’s now turn to our full-year cash flow.

- Cash provided by operating activities decreased by 1.1 billion euros to 7 billion euros. This was mainly attributable to a swing in net working capital. In Q4, however, operating cash flow was up 4 percent versus prior-year quarter and came in at 2 billion euros.
- In 2014 we experienced an increase in net working capital of 700 million euros. Inventories were up mainly due to higher natural gas storage levels caused by the mild winter as well as in preparation of planned start-ups and maintenance shut-downs.
- Cash used for investing activities totaled 4.5 billion euros. We saw the peak of our capex spend last year and investments related to property, plant, equipment and intangible assets were up by 9 percent to 5.3 billion euros particularly due to our large projects in Europe and Asia. Net cash from acquisitions and divestments positively contributed roughly 370 million euros.
- At 1.7 billion euros, free cash flow generation was significantly down due to a lower operating cash flow and higher capital expenditures. We generated 1.2 billion euros of free cash flow in the second half of 2014.

- Cash used in financing activities amounted to minus 2.5 billion euros in 2014, increasing cash outflow by roughly 600 million euros compared with the previous year. We paid 2.5 billion euros in dividends to our shareholders and around 290 million euros to minority shareholders in Group companies in 2014.

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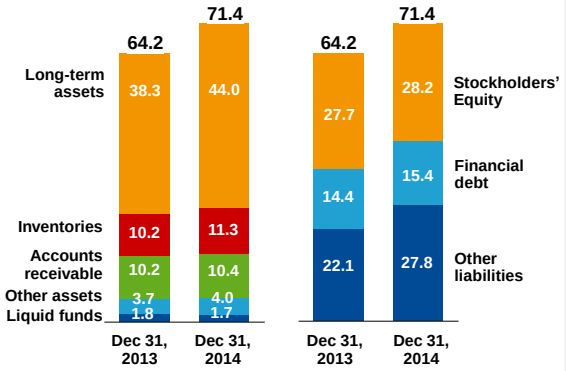
Balance sheet remains strong

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%

[Chart "Balance sheet remains strong"]

Let's now have a short look at our balance sheet.

- Total assets rose by 7.2 billion euros to 71.4 billion euros, especially due to four reasons: higher capex, acquisitions, currency impacts, and higher deferred taxes due to the increase of the pension provisions resulting from lower discount rates.
- Long-term assets were up by 5.7 billion euros. Intangible assets were roughly 640 million euros higher because of an increase in goodwill, in particular attributable to the acquisition of E&P assets from Statoil. The value of tangible fixed assets increased by 4.3 billion euros to 23.5 billion euros and was driven by our investment projects as well as acquisitions. Equity investments decreased by approximately 930 million euros mainly due to the divestment of our 50 percent share in Styrolution.
- Short-term assets increased by roughly 1.5 billion euros. Inventories were up by 1.1 billion euros as already mentioned.
- On the liability side, provisions for pension obligations increased by 3.6 billion euros because of lower discount rates.
- Financial debt rose by approximately 1 billion euros to 15.4 billion euros as we issued several bonds to further optimize our maturity profile and to benefit from the low interest rate environment.
- Net debt amounted to 13.7 billion euros, an increase of roughly 1.1 billion euros. The net debt-to-EBITDA ratio is 1.2.
- At the end of 2014 our equity ratio remained at a healthy level of 40 percent. And with that, back to you Kurt.

Outlook 2015
Expectations for the global economy

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

Kurt Bock

[Chart "Outlook 2015 – Expectations for the global economy"]

I will now talk about our expectations for 2015 – the underlying assumptions and our outlook for sales and EBIT before special items. I will also discuss our strategic drivers. This should give you a better understanding of how we implement our "We create chemistry strategy".

Let me start with the macroeconomic assumptions for 2015.

- In general, we expect the volatile and challenging macroeconomic environment to persist.
- At 2.8 percent, we foresee the global economy to grow somewhat faster than last year. Major growth drivers will be North America and Asia Pacific. Although we expect more moderate growth rates in Asia, absolute growth will remain high.
- At 4.2 percent, we anticipate a slightly faster growth of the chemical production than in 2014.
- We assume an average oil price in the range of 60 to 70 US dollars per barrel of Brent and an average exchange rate of 1.20 US dollars per euro.

Obviously, the lower oil price will negatively affect our Oil and Gas business. On the other hand, the appreciating US dollar will provide us with some relief – essentially in our downstream businesses. Please keep in mind that other currencies, which are important for us, like the Russian Ruble, the Brazilian Real and the Japanese Yen, will have a negative impact, thus resulting overall in only a minor positive currency effect.

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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.

[Chart “Outlook BASF Group 2015”]

- Overall we will continue to grow volumes and sales in 2015.
- Sales are likely to be slightly higher than in 2014, mainly 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, when we had a number of special effects from divestitures.

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

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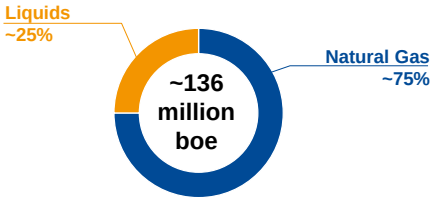
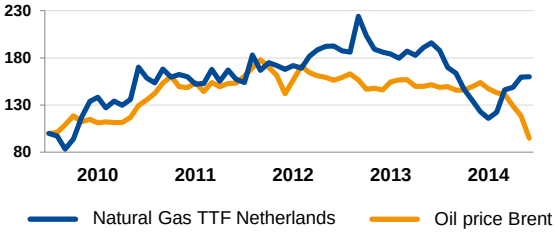
Production split* 2014



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: ±€20 million EBIT per ±$1 per bbl. (Brent)

Measures

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

*Exploration & Production

[Chart "Oil & Gas: Impact of the current oil price and measures"]

In order to help you better understand our segmental guidance, I would like to explain the oil price effects on our Oil & Gas and chemicals business.

On a molecular basis BASF is almost perfectly hedged. Our oil and gas production equals the volume of our oil and gas based feedstock for the chemical production.

However, the negative effect of the lower oil price on the profitability of the Oil & Gas segment is immediate and direct. In upstream chemicals, we expect to benefit temporarily from higher margins as product prices follow lower basic raw material prices with a certain delay. Our downstream businesses should experience slightly higher margins but also with a time lag depending on the length of the respective value chain. Therefore, the total impact for BASF Group under ceteris paribus conditions – no volume growth, no currency effects – will be negative in 2015.

In our Oil & Gas segment, we updated our oil price sensitivity: 1 US dollar change in the average annual Brent oil price impacts the EBIT of our Oil & Gas business by 20 million euros. In 2014, the respective EBIT impact was 15 million euros. Therefore, an oil price decrease of 30 to 40 dollars per Barrel translates into an EBIT reduction of 600 to 800 million euros. This decline in earnings will be partially compensated by higher production volumes, which we foresee for 2015.

The earnings of Wintershall are not as severely affected as those of many other oil and gas companies, because Wintershall's gas-to-oil ratio is 3 to 1.

The pricing of natural gas consumed in our main production regions Russia and Argentina is regulated. Gas prices in Europe have largely decoupled from the oil price in recent years and are predominantly market-driven.

Of course, we evaluate measures on how to mitigate the lower profits in the Oil & Gas business. In the day-to-day exploration and production operations we focus on operational excellence and scrutinize cost. Furthermore, we continuously review our investment projects. Through our portfolio management we are confident to further optimize our capex commitment in the future.

Outlook 2015
Forecast by segment

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

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%).

[Chart "Outlook 2015 – Forecast by segment"]

Against this background we provide the following guidance for our 5 business segments.

- In Chemicals, EBIT before special items is expected to be slightly below the 2014 level due to startup costs for new plants of around 150 to 200 million euros in 2015.
- We anticipate EBIT before special items in Performance Products to be considerably higher than in 2014, as a result of higher sales volumes, our restructuring efforts and continued cost discipline.
- In 2015, we expect a stronger demand for our innovative systems and solutions, especially from the automotive and construction industries. Therefore, we aim to considerably increase earnings in Functional Materials & Solutions.
- In Agricultural Solutions, we expect a considerable increase in EBIT before special items driven by our innovative products and solutions. More favorable exchange rates should provide some tailwind in a volatile market environment.
- In Oil & Gas, we will not be able to offset oil price related lower earnings with higher production volumes in Norway and Russia as well as higher expected earnings in the gas trading business. Therefore, EBIT before special items in our Oil & Gas segment will be considerably lower.
- In Other, we expect a slight decrease in EBIT before special items due to the divestiture of our participations in Styrolution and ELLBA Eastern.

Our planning and guidance for 2015 are obviously based on various assumptions beyond our control. However, there are tools and levers which we use to achieve the best possible result under any given circumstances.

We continue to focus on operational excellence.

In 2014 our excellence program STEP delivered an incremental annual earnings contribution of 400 million euros as promised. With a run rate of 1 billion euros by the end of 2014, we are fully on track to achieve our increased 2015 target of about 1.3 billion euros.

The same holds true for our restructuring efforts in Performance Products, where we want to achieve an earnings contribution of 500 million euros by 2017. In 2015, we are planning with a run rate of 250 million euros.

Furthermore, cash conversion is on top of our agenda. Working capital went up in 2014 due to planned plant shutdowns and the start-up schedule, something which we plan to reverse this year. Free cash flow will be supported by lower spending for investment projects.

Major investment projects will start up in 2015

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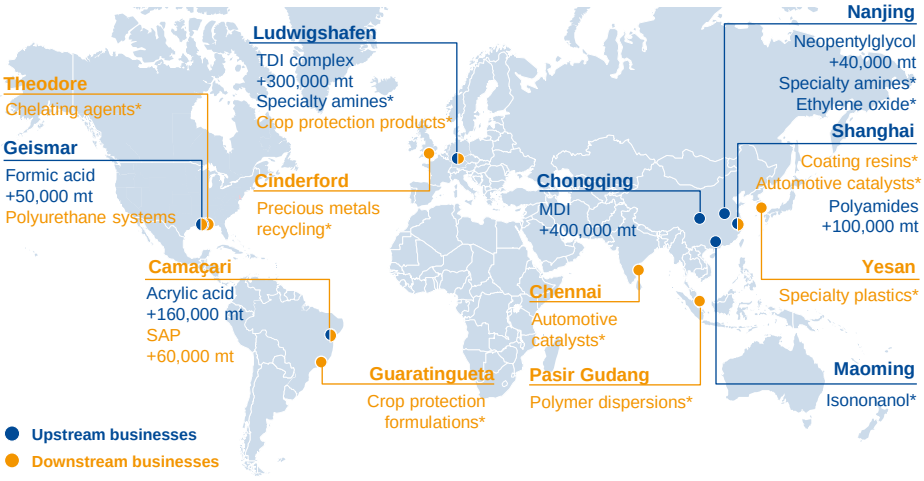
Major capex projects for start-up in 2015



● Upstream businesses
● Downstream businesses

 * Capacity not published

[Chart “Major investment projects will start up in 2015”]

This year we will again conclude a number of major projects. As a consequence, we plan to reduce our capex spending from 5.1 billion euros in 2014 to 4.0 billion euros in 2015. This represents a major reduction after four years of growing capex. Going forward we anticipate this order of magnitude also for the period until 2019, which would correspond with the respective depreciation level. From 2015 to 2019, we plan a total spend of 19.5 billion euros of which downstream chemicals receive 40 percent, upstream chemicals 40 percent and Oil & Gas 20 percent. Upstream chemicals will continue to require a high share of total capex due to its asset intensity.

Strong commitment to innovation

Innovations for a sustainable future

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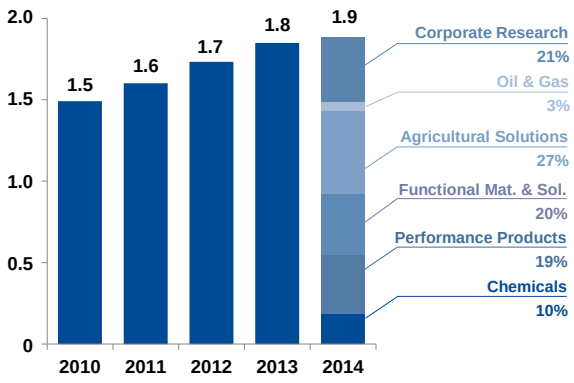
R&D expenditures
(billion €)



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

[Chart “Strong commitment to innovation”]

From 2010 to 2014 we have increased our annual R&D spending by 400 million euros to 1.9 billion euros. For 2015, we plan a slight further increase reflecting the growing share of our more R&D-intensive downstream businesses and the ongoing globalization of our activities.


SAVIVA™
The next generation of
super-
absorbent
polymers

[Chart "SAVIVA™"]

I know that for some of you our R&D efforts are a kind of a black box. To make this a bit more tangible we would like to show you a real-world example of an innovation which we are currently introducing into the market:

BASF will launch a new generation of highly innovative superabsorbent polymers under the trademark SAVIVA™. BASF researchers have worked intensively for more than a decade to develop a new breakthrough technology and optimize the corresponding production processes. Based on its round-shaped particles with micro-pores, SAVIVA™ has an innovative liquid distribution mechanism, making it a highly efficient superabsorbent polymer in a diaper core. The launch is scheduled sequentially in the different regions, starting end of 2016.

[Show SAVIVA™ demonstration against regular superabsorbent polymer]

With innovations like SAVIVA™, we are well on-track to achieve our 2015 target to have sales of 10 billion euros from innovations launched within the last 5 years.

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[Chart "BASF – We create chemistry"]

Finally, we will continue to carefully prune our business portfolio. Examples from 2014 are the sale of PolyAd Services and our share in Styrolution and we announced the divestiture of our textile chemicals business. We will also further optimize our Oil & Gas E&P portfolio, but we neither see a need nor an opportunity to divest our gas trading business in 2015.

Overall, we strongly believe, that we have laid the foundation for further profitable growth: Participating in the emerging growth regions of our industry, using opportunities to strengthen our core value chains in established markets – e.g. shale gas in North America – and driving innovations in our downstream businesses.

All of this will help to grow our earnings and to make them even more resilient.

And now, we are happy to take your questions.

ATTACHMENT

Outlook 2015 by region
Chemical production (excl. pharma)

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	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

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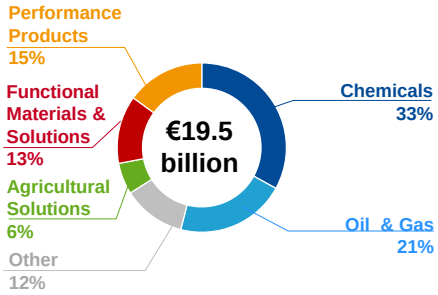
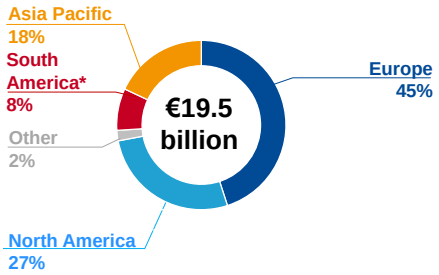
Capex budget 2015-2019 by segment



Capex budget 2015-2019 by region



* Includes also regions Africa and Middle East