

News Release



Despite declining demand, BASF increases sales and earnings in the third quarter of 2014

- **Sales €18.3 billion (plus 3%)**
- **EBIT before special items €1.8 billion (plus 9%)**
- **Chemicals and Oil & Gas segments improve earnings**
- **Earnings dip in Agricultural Solutions segment**
- **Outlook 2014: BASF continues to strive for slight increase in EBIT before special items in challenging environment**

Ludwigshafen, Germany – October 24, 2014 – Sales of BASF Group grew by 3% compared with the previous third quarter, reaching €18.3 billion. A sharp rise in volumes in the Natural Gas Trading business sector was mainly responsible for this growth. Income from operations (EBIT) before special items increased by €150 million to around €1.8 billion. The primary contributors to this development were the Chemicals and Oil & Gas segments, together with Other. The increase was dampened by a considerable earnings decline in the Agricultural Solutions segment.

“The economic environment remained challenging in the third quarter of 2014. Geopolitical tensions and increasing uncertainty about the global economic development significantly dampened demand for chemical products. Nevertheless, sales and earnings of BASF Group increased in the third quarter of 2014,” said Dr. Kurt Bock, Chairman of the Board of Executive Directors of BASF SE.

EBIT grew by €128 million to €1.8 billion compared with the third quarter of the previous year. EBITDA rose by €30 million to €2.5 billion. Income before taxes and minority interests increased by

October 24, 2014
P353/14e
Jennifer Moore-Braun
Phone: +49 621 60-99123
jennifer.moore-braun@basf.com

BASF SE
67056 Ludwigshafen
Phone: +49 621 60-0
<http://www.basf.com>
Media Relations
Phone: +49 621 60-20916
Fax: +49 621 60-92693
presse.kontakt@basf.com

€126 million quarter-on-quarter to €1.6 billion. Because of the higher tax rate and increased minority interests, net income declined by €53 million to €1.0 billion. Earnings per share were €1.14 in the third quarter of 2014, compared with €1.20 in the same quarter of 2013. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €1.27, remaining at the same level as the previous third quarter (€1.28).

Outlook for the full year 2014

For the fourth quarter of 2014, BASF does not anticipate an upturn in demand. The company has adjusted its expectations for the global economy in 2014 as follows (previous forecast in parentheses):

- Growth of gross domestic product: 2.3% (2.5%)
- Growth in chemical production: 4.0% (4.4%)
- An average exchange rate of \$1.35 per euro (unchanged)
- An average oil price (Brent) for the year of \$105 per barrel (\$110 per barrel)

Bock: “We assume that the environment will remain volatile and challenging. We nevertheless still aim to slightly raise our EBIT before special items for the year 2014.” Sales are likely to decrease slightly as a result of the divestiture of the gas trading and storage business planned for this year in addition to negative currency effects.

Strategic sales and earnings targets for 2015

At the telephone conference, the company gave an update on the “We create chemistry” strategy and the related financial targets for 2015, which were originally published in 2011.

From today’s point of view, BASF will not achieve its ambitious financial targets for 2015 (sales: €80 billion; EBITDA: €14 billion). The growth rates for gross domestic product, industry and chemical production for 2010 to 2015 are lower than originally expected:

- BASF now expects the average annual growth of global gross domestic product to be about 0.8 percentage points lower (prior assumption: 3.4% p.a., current assumption: 2.6% p.a.).
- Growth of industrial production is now assumed to be 3.4% p.a., versus a previous assumption of 4.6% p.a.
- The company now assumes the growth of chemical production to be 4.0% p.a. instead of 4.9% p.a. – still growing well above GDP and industrial production.

Bock: “The reasons for this weak global economic development are obvious: reduced growth dynamics of emerging markets and a delayed recovery in the European economy.” In addition, there has been higher than expected margin pressure for some basic products and partially in the Performance Products segment. This is why BASF has initiated a restructuring program in this segment, which will contribute about €500 million to earnings from 2017 onwards.

For 2015, BASF now expects sales and EBITDA to be in line with market expectations. For EBITDA, they are between €10 billion and €12 billion. As usual, the company will provide an outlook for 2015 at its Annual Press Conference on February 27, 2015, and give an update on its long-term targets.

Bock: “With regard to our strategic direction, we are on track. Even in this somewhat more difficult environment, we will continue to grow profitably.”

The operational excellence program STEP is ahead of schedule. “By the end of 2015, we now aim to achieve improvements of €1.3 billion, €300 million more than initially planned,” said Bock.

New set-up of global research platforms

Innovations are an essential pillar in the “We create chemistry” strategy. In 2020, BASF aims to generate €30 billion of sales with products that will have been on the market for less than 10 years. The basis for these innovations is effective and efficient research and development. To achieve this ambitious goal, BASF is further developing the research organization and bundling its competencies in three global platforms:

- **Advanced Materials & Systems Research** with headquarters at BASF's Innovation Campus Asia Pacific in Shanghai by 2016
- **Bioscience Research** headquartered in Research Triangle Park, North Carolina, starting January 2015
- **Process Research & Chemical Engineering** headquartered in Ludwigshafen

The stronger presence outside of Europe will create new opportunities for building up and expanding customer relationships and scientific cooperations. All three research platforms will be established globally to support the R&D needs of BASF's customers. This will strengthen the R&D Verbund and also increase BASF's attractiveness as a partner and an employer in the regions.

Business development in the segments in the third quarter

Sales in the **Chemicals** segment matched the level of the previous third quarter. The market environment in Asia was difficult; in Europe sales volumes declined. There was sharp volumes growth in the Petrochemicals division in North America. With €616 million, earnings in the segment exceeded the prior third-quarter level by €89 million, mainly due to higher margins in the Petrochemicals division.

Sales reached the level of the previous third quarter in the **Performance Products** segment. Volumes and sales prices remained stable while currency effects were negative. Volumes increased significantly in the Performance Chemicals division. In the Paper Chemicals division, however, lower volumes led to a considerable decline in sales. Fixed costs were reduced, thanks in part to restructuring measures. Earnings of €376 million matched the level of the previous third quarter.

In the **Functional Materials & Solutions** segment, sales exceeded the level of the third quarter of 2013 by 2%. Prices could be raised in most business areas, more than compensating for negative currency effects. Demand remained strong from the automotive industry, especially in the Catalysts division. Earnings increased by €10 million

to €310 million, mostly through considerably higher contributions from the Coatings and Catalysts divisions.

In the **Agricultural Solutions** segment, sales were 3% below the level of the third quarter of 2013. Continuously falling crop commodity prices and correspondingly cautious purchasing behavior were noticeable in nearly every market. Price increases in all regions were unable to compensate for a drop in sales volumes. Earnings – in a generally seasonally weak quarter – fell by €129 million to €43 million. In addition to lower volumes, this was largely a result of weaker margins due to a less favorable product mix as well as increased expenses for research and development, production, and distribution.

Sales in the **Oil & Gas** segment grew by 17% compared with the previous third quarter. This was primarily attributable to sharply increased volumes in the Natural Gas Trading business sector. Sales growth was slowed by lower oil and gas prices. Earnings rose by €82 million to €504 million thanks to a higher contribution from the Natural Gas Trading business sector.

Sales rose by 3% in **Other**, mainly through increased raw materials trading. EBIT before special items improved by €98 million to minus €7 million. Valuation effects for the long-term incentive program played a significant role here; the foreign currency result also improved.

Business development in the regions in the third quarter

Sales at companies located in **Europe** grew by 3% compared with the previous third quarter. This was mainly because of the considerably higher volumes in the Natural Gas Trading business sector; sales volumes in the Chemicals and Agricultural Solutions segments declined. Sales and volumes increased considerably in the Catalysts division. In the Petrochemicals division, lower plant availability dampened sales. EBIT before special items rose by €202 million to €1.1 billion, primarily due to considerably improved contributions from Chemicals, Oil & Gas, and Other.

In **North America**, sales rose by 3% in both U.S. dollars and euros. This was mainly attributable to volume and price-related sales growth in the Petrochemicals division. At €342 million, earnings decreased slightly, due in part to a considerably lower contribution from Agricultural Solutions (third quarter of 2013: €355 million).

Sales in **Asia Pacific** increased by 4% in both local-currency and euro terms, predominantly on account of higher volumes, especially in the Catalysts and Performance Chemicals divisions. Slightly declining sales prices and negative currency effects weakened sales growth in the region. At €173 million, earnings were €33 million below the level of the third quarter of 2013. This was largely the result of considerably lower earnings from basic products in the Chemicals segment.

In **South America, Africa, Middle East**, sales grew by 8% in local-currency terms and 4% in euro terms. Negative currency effects could be more than compensated for, mainly through higher prices. Particularly in the Oil & Gas segment, price increases led to a considerable rise in sales. Sales volumes improved considerably in the business with crop protection products in the third quarter. Earnings declined slightly, dipping €6 million to €197 million. In the Agricultural Solutions segment, earnings fell considerably as a consequence of weaker margins and strong competition from generic insecticides.

About BASF

At BASF, we create chemistry – and have been doing so for 150 years. Our portfolio ranges from chemicals, plastics, performance products and crop protection products to oil and gas. As the world's leading chemical company, we combine economic success with environmental protection and social responsibility. Through science and innovation, we enable our customers in nearly every industry to meet the current and future needs of society. Our products and solutions contribute to conserving resources, ensuring nutrition and improving quality of life. We have summed up this contribution in our corporate purpose: We create chemistry for a sustainable future. BASF had sales of about €74 billion in 2013 and over 112,000 employees as of the end of the year. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA) and Zurich (AN). Further information on BASF is available on the Internet at www.basf.com.

You can obtain further information from the internet at the following addresses:

Interim Report (from 7:00 a.m. CEST)

basf.com/interimreport (English)
basf.com/zwischenbericht (German)

Press Release (from 7:00 a.m. CEST)

basf.com/pressrelease (English)
basf.com/pressemitteilungen (German)

Live Transmission (from 9:00 a.m. CEST)

basf.com/pcon (English)
basf.com/pk (German)

Speech – Print version (from 9:00 a.m. CEST)

basf.com/pcon (English)
basf.com/pk (German)

Live Transmission – Telephone conference for analysts and investors (from 11:00 a.m. CEST)

basf.com/share (English)
basf.com/aktie (German)

Press photos

basf.com/pressphoto-database (English)
basf.com/pressefoto-datenbank (German)

TV footage

tvservice.basf.com/en (English)
tvservice.basf.com (German)

Forward-looking statements

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