

# Reporting Factsheet

## Q4 / FY 2016



BASF Group (Million €)	Q4	Q4	Change (%)	FY	FY	Change (%)
	2016	2015		2016	2015	
Sales	14,846	13,880	7	57,550	70,449	(18)
EBITDA before special items	2,320	2,105	10	10,327	10,508	(2)
EBITDA	2,487	1,893	31	10,526	10,649	(1)
Amortization and depreciation <sup>1</sup>	1,260	1,568	(20)	4,251	4,401	(3)
EBIT	1,227	325	278	6,275	6,248	0
Special items	47	(698)	.	(34)	(491)	93
EBIT before special items	1,180	1,023	15	6,309	6,739	(6)
Financial result	(232)	(209)	(11)	(880)	(700)	(26)
Income before taxes and minority interests	995	116	.	5,395	5,548	(3)
Net income	689	339	103	4,056	3,987	2
EBIT after cost of capital	78	(1,252)	.	1,136	194	486
Earnings per share (€)	0.75	0.37	103	4.42	4.34	2
Adjusted earnings per share (€) <sup>2</sup>	0.79	1.01	(22)	4.83	5.00	(3)
Dividend per share (€)	-	-	-	3.00	2.90	3
Research and development expenses	539	497	8	1,863	1,953	(5)
Personnel expenses	2,733	2,264	21	10,165	9,982	2
Assets (end of period)	76,496	70,836	8	76,496	70,836	8
Investments <sup>3</sup>	4,300	1,656	160	7,258	6,013	21
Equity ratio (end of period, %)	42.6	44.5	-	42.6	44.5	-
Net debt (end of period)	14,401	12,935	11	14,401	12,935	11
Cash provided by operating activities	1,877	952	97	7,717	9,446	(18)
Free cash flow	647	(473)	.	3,572	3,634	(2)

<sup>1</sup> Amortization of intangible assets; depreciation of property, plant and equipment; impairments; and write-ups

<sup>2</sup> Adjusted for special items and amortization of intangible assets

<sup>3</sup> Additions to intangible assets and property, plant and equipment (including acquisitions)

Factors influencing sales in Q4 2016 (changes in %)	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	12	6	6	0	0
Performance Products	(1)	0	0	1	(2)
Functional Materials & Solutions	10	11	(1)	0	0
Agricultural Solutions	10	9	(2)	3	0
Oil & Gas	26	23	3		0
<b>BASF Group</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>0</b>

Factors influencing sales in FY 2016 (changes in %)	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	(8)	3	(11)	0	0
Performance Products	(4)	1	(2)	(1)	(2)
Functional Materials & Solutions	1	7	(5)	(1)	0
Agricultural Solutions	(4)	(2)	0	(2)	0
Oil & Gas	(79)	3	(3)		(79)
<b>BASF Group</b>	<b>(18)</b>	<b>2</b>	<b>(4)</b>	<b>(1)</b>	<b>(15)</b>

## Segments

4th Quarter (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %
Chemicals	3,562	3,189	12	928	504	84	635	249	155	549	226	143
Performance Products	3,602	3,627	(1)	414	427	(3)	231	228	1	169	166	2
Functional Materials & Solutions	4,961	4,506	10	925	520	78	458	389	18	724	366	98
Agricultural Solutions	1,281	1,167	10	136	205	(34)	79	144	(45)	66	139	(53)
Oil & Gas	922	731	26	495	344	44	163	127	28	162	(437)	.
Other	518	660	(22)	(411)	(107)	.	(386)	(114)	.	(443)	(135)	.
	<b>14,846</b>	<b>13,880</b>	<b>7</b>	<b>2,487</b>	<b>1,893</b>	<b>31</b>	<b>1,180</b>	<b>1,023</b>	<b>15</b>	<b>1,227</b>	<b>325</b>	<b>278</b>

Full Year (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %
Chemicals	13,461	14,670	(8)	3,169	3,090	3	2,064	2,156	(4)	1,983	2,131	(7)
Performance Products	15,002	15,648	(4)	2,522	2,289	10	1,745	1,366	28	1,648	1,340	23
Functional Materials & Solutions	18,732	18,523	1	2,906	2,228	30	1,946	1,649	18	2,199	1,607	37
Agricultural Solutions	5,569	5,820	(4)	1,305	1,321	(1)	1,087	1,090	0	1,037	1,083	(4)
Oil & Gas	2,768	12,998	(79)	1,596	2,587	(38)	517	1,366	(62)	499	1,072	(53)
Other	2,018	2,790	(28)	(972)	(866)	(12)	(1,050)	(888)	(18)	(1,091)	(985)	(11)
	<b>57,550</b>	<b>70,449</b>	<b>(18)</b>	<b>10,526</b>	<b>10,649</b>	<b>(1)</b>	<b>6,309</b>	<b>6,739</b>	<b>(6)</b>	<b>6,275</b>	<b>6,248</b>	<b>0</b>

## Regions

Million €

	Sales Location of company			Sales Location of customer			EBIT Location of company		
	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %
<b>4th Quarter</b>									
Europe	6,574	6,380	3	6,274	5,988	5	686	(14)	.
Thereof Germany	4,260	4,162	2	1,819	1,772	3	70	339	(79)
North America	3,705	3,483	6	3,462	3,415	1	12	185	(94)
Asia Pacific	3,287	2,871	14	3,495	3,021	16	417	90	363
South America, Africa, Middle East	1,280	1,146	12	1,615	1,456	11	112	64	75
	<b>14,846</b>	<b>13,880</b>	<b>7</b>	<b>14,846</b>	<b>13,880</b>	<b>7</b>	<b>1,227</b>	<b>325</b>	<b>278</b>
<b>Full Year</b>									
Europe	27,221	38,675	(30)	26,039	36,897	(29)	3,632	4,174	(13)
Thereof Germany	17,540	28,229	(38)	7,412	13,483	(45)	1,582	2,303	(31)
North America	14,682	15,665	(6)	14,042	15,390	(9)	1,113	1,295	(14)
Asia Pacific	11,512	11,712	(2)	12,165	12,334	(1)	1,098	445	147
South America, Africa, Middle East	4,135	4,397	(6)	5,304	5,828	(9)	432	334	29
	<b>57,550</b>	<b>70,449</b>	<b>(18)</b>	<b>57,550</b>	<b>70,449</b>	<b>(18)</b>	<b>6,275</b>	<b>6,248</b>	<b>0</b>

## Segments Q4 2016 vs. Q4 2015

### Chemicals

Sales increased considerably. This was driven by higher volumes and prices, reflecting the increase in raw material prices and partially tight markets. Margins went up especially in isocyanates and cracker products. EBIT bsi more than doubled compared to a weak prior-year quarter and came in at €635 million. Special items of minus €86 million were mainly related to restructuring measures, especially in the caprolactam value chain in Europe.

- Sales in Petrochemicals increased considerably. Significantly higher prices more than compensated for slightly lower volumes. The volume decline was attributable to the idled condensate splitter in North America and supply limitations related to the accident at the North Harbor in Ludwigshafen. Cracker margins were on decent levels. Acrylic monomers margins improved. EBIT bsi increased considerably, driven by higher margins, lower fixed costs and a strong result from our BASF-YPC joint venture in Nanjing.
- Sales in Monomers came in considerably higher. Temporary supply disruptions in the isocyanate markets resulted in significantly higher prices and offered opportunities to increase sales volumes. Slightly higher fixed costs related to the start-up of plants were more than offset by higher margins and increased volumes. As a result, EBIT bsi increased substantially.
- Sales in Intermediates were up slightly. Considerably higher volumes overcompensated for lower sales prices. Demand for amines remained strong. Margin pressure in the butanediol business continued. Fixed costs increased slightly, due to the enlarged asset base. Lower margins and higher fixed costs resulted in a considerable decline in EBIT bsi.

### Performance Products

Sales declined slightly. Volumes and prices were flat. Slightly positive currency effects could not compensate for negative portfolio effects. EBIT bsi rose considerably in the Nutrition & Health and Care Chemicals divisions. Overall, EBIT bsi increased slightly, supported by improved margins.

- In the Dispersions & Pigments division, sales declined slightly. Higher volumes in dispersions and additives could not offset lower prices, particularly for pigments and resins, and negative portfolio effects. EBIT bsi declined considerably due to higher fixed costs.
- Care Chemicals' sales came in slightly above the level of Q4 2015. Higher prices, mainly for oleosurfactants and alcohols, as well as favorable currency effects more than compensated for lower volumes, especially in hygiene. Competitive pressure remained high in this business. A favorable product mix and strict fixed cost management resulted in a considerable increase in EBIT bsi.
- In Nutrition & Health, sales increased slightly. Higher prices and volumes could compensate for negative portfolio effects. Prices were up for vitamin E and A compared to the prior-year quarter. Overall, volumes grew in all business areas except for animal nutrition. EBIT bsi increased considerably.
- In Performance Chemicals, sales declined slightly caused by lower prices and negative portfolio effects due to the divestiture of the paper hydrous kaolin business. We saw higher volumes, mainly in plastic additives. Demand for oilfield and mining chemicals as well as lubricants remained weak. Margins were lower due to higher raw material costs. As a result, EBIT bsi declined considerably.

### Functional Materials & Solutions

Sales grew significantly, driven by higher volumes. Demand from the automotive industry remained high, while we saw only a slight volume increase in our construction-related businesses. Slightly lower prices negatively impacted sales. Volume growth, a favorable product mix and continued cost discipline contributed to the considerable increase in EBIT bsi.

- Sales in Catalysts were up significantly. This was driven by higher volumes based on solid demand for mobile emissions, chemical and refinery catalysts. Sales in precious metals trading increased from €572 million in Q4 2015 to €669 million. Prices were overall stable. We experienced slight currency tailwinds and a negative portfolio effect related to the divestiture of our polyolefin catalysts business. EBIT bsi increased strongly, supported by higher volumes and continued strict cost management.
- In Construction Chemicals, sales were on par with the prior-year quarter. Demand grew especially in Asia, while the business experienced a significant sales decrease in the Middle East, particularly in Saudi Arabia. Overall volumes increased slightly, however, this was offset by slightly lower prices and slight currency headwinds. EBIT bsi decreased considerably, mainly due to currency effects.
- Sales of our Coatings division grew significantly, driven by higher volumes. Portfolio effects contributed as well. A slight decrease in prices was offset by positive currency effects. In OEM coatings, demand grew, especially in Asia and North America. Sales in refinish coatings were up slightly due to higher prices and portfolio effects. Sales in our decorative paints business improved due to currency tailwinds and increased prices. Higher volumes drove a significant increase in EBIT bsi.
- In Performance Materials, sales increased significantly. This was driven by a considerable volume growth, which more than offset a slight price decline. Volumes increased in all regions, except for South America. We saw good demand, particularly from the transportation industry. Sales of TPU, engineering plastics, PU systems and biopolymers developed very positively. EBIT bsi rose significantly, supported by volume growth as well as a favorable product mix.

## Agricultural Solutions

The segment continued to face challenging market conditions in the fourth quarter of 2016. Nevertheless, we were able to increase volumes and significantly grow sales. Lower prices were more than offset by positive currency effects, mainly from the appreciation of the Brazilian Real. However, EBIT bsi decreased considerably due to higher fixed costs, partly resulting from new or expanded production facilities, for example for the herbicide dicamba.

- In Europe, sales fell due to lower volumes in the fungicide business as a result of slower demand, mainly in France.
- Sales increased considerably in North America driven by higher volumes in our herbicide business.
- Despite the ongoing difficult macroeconomic environment in South America, we increased sales in the region. Higher volumes in fungicides, boosted by our recent launch of the new fungicide Ativum™, were the main reason. Higher herbicide volumes and positive currency effects also contributed to the sales increase.
- We raised our sales in Asia, thanks to sales growth in India, Japan and China. Positive currency effects contributed.

Despite the continuing low prices for crop commodity products and challenging market conditions, the segment showed a solid performance in 2016. Full-year sales slightly decreased to €5.6 billion due to lower volumes and currency headwinds. At €1.1 billion, EBIT bsi was on prior-year level. The EBITDA margin reached 23.4%, compared with 22.7% in 2015.

## Oil & Gas

Sales increased significantly due to higher volumes and prices. In Q4 2016, the average price of Brent crude was US\$49 per barrel – US\$5 higher than in the same period of 2015. Gas prices on the European spot markets were on the level of the prior-year quarter. Volumes rose by 23%, in particular due to higher production in Libya, Norway, Russia and Argentina. In the fourth quarter, we had a full offshore lifting in Libya, while in the same period of last year, we only incurred a shared lifting. The combined price and currency effect was plus 3%. Overall, EBIT bsi increased from €127 million to €163 million, supported by higher volumes and prices as well as strict cost management. Net income in Oil & Gas increased from minus €184 million to plus €182 million. Last year's net income was burdened by the asset impairments already mentioned. As targeted, we were able to generate a positive free cash flow in Oil & Gas in 2016.

## Other

EBIT bsi declined to minus €386 million, down from minus €114 million. This was mainly driven by a swing of around €200 million related to our long-term incentive (LTI) program. While earnings in Q4 2016 were negatively affected by an increase in provisions, the prior-year quarter benefited from the release of provisions for the LTI program.

## Outlook 2017 for BASF Group

### Underlying assumptions for 2017:

- GDP growth: +2.3%; Growth in industrial production: +2.3%; Growth in chemical production (excl. pharma): +3.4%
- Exchange rate: US\$1.05 per €; Oil price (Brent): US\$55 per barrel
- Annual impact of 1 US\$/bbl rise in average oil price (Brent) on Oil & Gas: Sales: +€20 million, EBIT: +€20 million
- Annual impact of US\$ change (€ depreciation) -1 US\$-Cent per €: Sales: +€210 million, EBIT: +€40 million

### Forecast 2017:

- We expect BASF Group sales to grow considerably in the 2017 business year.
- We want to slightly raise EBIT before special items compared with 2016.
- BASF Group EBIT is also expected to grow slightly in 2017.
- We are likely to once again earn a significant premium on our cost of capital in 2017; compared with 2016, however, BASF Group EBIT after cost of capital will decrease considerably.

EBIT before special items (million €)	Forecast 2017*	2016
Chemicals**	at prior-year level	2,032
Performance Products**	slight increase	1,777
Functional Materials & Solutions	slight increase	1,946
Agricultural Solutions	slight increase	1,087
Oil & Gas	considerable increase	517
Other	considerable increase	(1,050)
<b>BASF Group</b>	<b>slight increase</b>	<b>6,309</b>

\* For earnings, "slight" means a change of 1–10%, while "considerable" is used for changes of 11% and higher. "At prior-year level" indicates no change (+/-0%).

\*\* Effective January 1, 2017, the Chemicals and Performance Products segments' activities for the electronics industry were merged and allocated to the Performance Products segment as the Electronic Materials global business unit. To facilitate comparability, the 2016 figures for both segments have been adjusted accordingly.

## Forward-looking statements

This factsheet contains forward-looking statements. These statements are based on current estimates and projections of BASF management and currently available information. Future statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Such factors include those discussed in the Opportunities and Risks Report from pages 111 to 118 of the BASF Report 2016. We do not assume any obligation to update the forward-looking statements contained in this factsheet.