BASF Analyst Conference Call FY 2016

February 24, 2017, 2:00 p.m. (CET)

Ludwigshafen, Germany

Analyst Conference Call Script – long version

Kurt Bock, Chairman of the Board of Executive Directors

Hans-Ulrich Engel, Chief Financial Officer

The spoken word applies.

Cautionary note regarding forward-looking statements

This presentation 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 presentation.

Fourth quarter sales and earnings significantly above prior-year quarter

Financial figures	Q4 2016	Change Q4 2015	FY 2016	Change FY 2015
Sales	€14.8 billion	7%	€57.6 billion	(18)%
EBITDA	€2.5 billion	31%	€10.5 billion	(1)%
EBIT before special items	€1.2 billion	15%	€6.3 billion	(6)%
EBIT	€1.2 billion	278%	€6.3 billion	0%
Net income	€0.7 billion	103%	€4.1 billion	2%
Reported EPS	€0.75	103%	€4.42	2%
Adjusted EPS	€0.79	(22)%	€4.83	(3)%
Operating cash flow	€1.9 billion	97%	€7.7 billion	(18)%

Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2016 vs. Q4 2015	↑ 6%	↑ 1%	0%	0%
FY 2016 vs. FY 2015	↑ 2%	↓ (4)%	↓ (15)%	↓ (1)%

Kurt Bock

Ladies and gentlemen,

Welcome to our conference call and thank you for joining us. Today, we will provide you with the fourth-quarter and full-year 2016 results and the outlook for 2017.

Overall, the finish of 2016 was much better than the start. We gained considerable volume momentum in the course of 2016 and improved our earnings in the chemicals business year-on-year in every single quarter since Q2 2016. We knew that earnings in Oil & Gas would be significantly below 2015 due to the lower oil and gas prices as well as the asset swap. However, Oil & Gas achieved a positive free cash flow despite very difficult market conditions.

[Chart 3: Fourth quarter sales and earnings significantly above prior-year quarter]

Markets developed pretty much as expected:

- In Europe, the market showed moderate growth. However, the development differed substantially from country to country.
- In Asia, the upward trend since the end of Q1 2016 continued in the fourth quarter. Economic growth in China was lower than in 2015, but slightly higher than we had expected at the beginning of last year.
- Market demand in North America grew at a slightly lower rate than we had assumed, especially in the first half of 2016. However, consumer confidence increased significantly in November and December 2016. We saw continued positive momentum in the automotive and construction industries.

- The economic development in South America was again weak and business confidence continued to be low. Brazil remained in recession.

Let me now address BASF's business performance in **Q4 2016**:

- Sales in the fourth quarter of 2016 increased by 7 percent to 14.8 billion euros. This was mainly due to higher volumes. For BASF Group, as well as for our chemicals business, which comprises the Chemicals, Performance Products and Functional Materials & Solutions segments, volumes rose by 6 percent.
- Sales prices increased slightly by 1 percent. Currency and portfolio effects were both flat.
- EBITDA before special items increased by 10 percent to 2.3 billion euros. EBITDA rose by 31 percent to 2.5 billion euros.
- Income from operations (EBIT) before special items came in at 1.2 billion euros, 15 percent higher than in the prior-year quarter. Considerably higher earnings in Chemicals, Functional Materials & Solutions and Oil & Gas more than compensated for lower earnings in Agricultural Solutions and Other. At 1.3 billion euros, earnings in our chemicals business increased by more than 50 percent.
- Special items in EBIT amounted to plus 47 million euros. The disposal gain following completion of the sale of our industrial coatings business more than compensated for expenses related to restructuring and other measures. In the prior-year quarter, which was burdened by impairment charges in Oil & Gas, special items in EBIT amounted to minus 698 million euros.

- EBIT increased from 325 million euros to 1.2 billion euros in Q4 2016.
- Income taxes amounted to 264 million euros, compared with a tax income of almost 250 million euros in the prior-year quarter, resulting from the impairment charges in Oil & Gas and the dissolution of tax provisions. In Q4 2016, the tax rate was 26.5 percent.
- Net income doubled to 689 million euros.
- Reported earnings per share increased by almost 40 euro cents to 75 euro cents in Q4 2016. Adjusted EPS amounted to 79 euro cents; this compares with 1.01 euros in the prior-year quarter.
- Operating cash flow increased by 925 million euros to 1.9 billion euros in the fourth quarter of 2016. Payments for property, plant, equipment and intangible assets were down by 14 percent and amounted to 1.2 billion euros. Thus, free cash flow came in at 647 million euros.

Let me now comment on the **full year 2016:**

- The global economy grew moderately in 2016 with regional differences. While growth in emerging markets was almost stable, growth in developed markets suffered from the dampening effect of the U.S. economy at the beginning of the year. Overall, growth of the global economy and chemical production matched our expectations for 2016. Transportation grew stronger than we expected. Agriculture as well as energy and resources showed lower than expected growth.

- Sales of BASF Group declined by 18 percent to 57.6 billion euros. The divestiture of our gas trading and storage business at the end of September 2015 as well as lower oil and gas prices were the main reasons for this decline. During the first nine months of 2015, the divested Oil & Gas activities generated sales of 10.1 billion euros. The average price for Brent crude oil in 2016 amounted to 44 U.S. dollars per barrel compared to 52 U.S. dollars in 2015.
- As a result of lower raw material prices, sales prices declined by 4 percent. At minus 1 percent, currency effects had a sligthly negative impact on sales.
- Volume dynamic increased over the course of 2016. For the full year, volumes were up by 2 percent in total. In our chemicals business, volumes increased by 4 percent. Volumes in Asia were up by 5 percent, particularly driven by China, where volumes increased by 12 percent compared to the prior year.
- At 10.3 billion euros, EBITDA before special items was 2 percent lower than in the prior year. EBITDA almost matched the level of the prior year and amounted to 10.5 billion euros.
- EBIT before special items declined from 6.7 billion euros to 6.3 billion euros. Higher earnings in the chemicals business, driven by Performance Products and Functional Materials & Solutions, were offset by lower earnings from Oil & Gas and Other.
- Special items amounted to minus 34 million euros compared with minus 491 million euros a year ago. In 2016, special income from several divestitures could compensate for expenses related to restructuring measures.

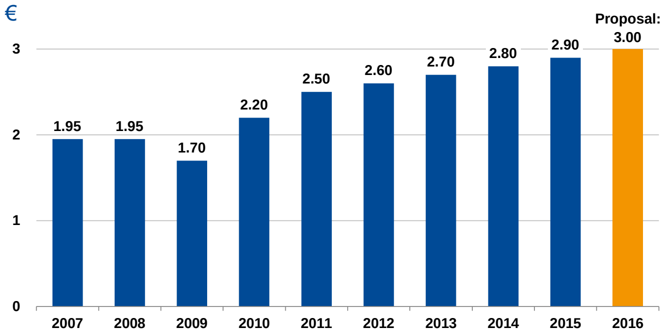
- As a result, EBIT was on the previous year's level and amounted to 6.3 billion euros.
- At 1.1 billion euros, income taxes were around 100 million euros lower. The tax rate decreased from 22.5 percent to 21.1 percent.
- Net income came in at 4.1 billion euros compared to 4.0 billion euros in 2015.
- Reported earnings per share increased from 4.34 euros to 4.42 euros in 2016. Adjusted EPS were 4.83 euros, 17 euro cents below 2015.
- Operating cash flow decreased from a record high of 9.4 billion euros to 7.7 billion euros in 2016. As a result of our measures to reduce net working capital, operating cash flow in 2015 had significantly benefited from one-time effects. Thanks to our strict capital expenditure discipline, free cash flow amounted to 3.6 billion euros and was at the high level of 2015.

Attractive shareholder return

BASF
We create chemistry

Dividend per share*

€



Yield**	3.8%	7.0%	3.9%	3.7%	4.6%	3.7%	3.5%	4.0%	4.1%	3.4%

* Adjusted for two-for-one stock split conducted in 2008 ** 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 €3.00 per share, an increase of 3.4%
- Dividend yield of 3.4% in 2016

[Chart 4: Attractive shareholder return]

Ladies and gentlemen,

- We are committed to our 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 3.00 euros per share, an increase of 10 euro cents or 3.4 percent.
- Based on the share price of 88.31 euros at the end of 2016, we are offering an attractive dividend yield of 3.4 percent.

Milestones Q4 2016

Acquisition of Chemetall closed

Divestiture of industrial coatings business completed

BASF to increase capacity of plastic additives production network

BASF to increase MDI capacity in North America

[Chart 5: Milestones Q4 2016]

We continue to invest in future growth. With the completion of several large projects, capital expenditures were reduced by 1.3 billion euros to 3.9 billion euros in 2016,[1] compared to the 4.2 billion euros forecast we had given one year ago. In our 2017 to 2021 capex plan, average annual capital expenditures will remain at the level of 2016.

Let me highlight a few recent developments:

- On December 14, we completed the acquisition of Albemarle's global surface treatment business, Chemetall. Through this acquisition, our Coatings division expands its portfolio and becomes a complete solutions provider. BASF combines its know-how in chemistry and coatings applications with Chemetall's market-leading expertise in surface treatment. The combined businesses benefit from each other's global footprint, scale and market access, driving new growth opportunities by offering an unmatched solutions competence to customers.
- Also on December 14, we completed the sale of our industrial coatings businesses to AkzoNobel. The transaction included technologies, patents and trademarks, as well as the transfer of dedicated production sites.

[1] Excluding additions to property, plant and equipment resulting from acquisitions, capitalized exploration, restoration obligations and IT investments

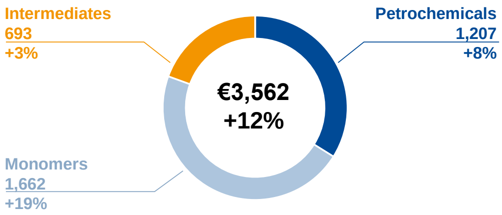
- In early November, we announced our plans to globally invest more than 200 million euros in our plastic additives business during the next five years. Approximately half of the amount will be invested in Asia. With this investment, BASF will further strengthen its plastic additives business to meet the growing demand for antioxidants and light stabilizers.
- In mid-November, we announced our intention to increase the capacity of our North American MDI production. The capacity at our Verbund site in Geismar, Louisiana, will be increased in a stepwise manner, from 300,000 metric tons per year to around 600,000 metric tons per year.

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

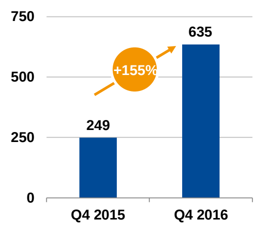
Chemicals

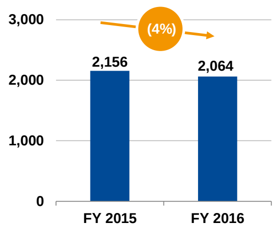
Significantly higher earnings driven by strong volume growth and increased prices

Sales Q4 2016 vs. Q4 2015
million €



EBIT before special items
million €





Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2016 vs. Q4 2015	↑ 6%	↑ 6%	0%	0%
FY 2016 vs. FY 2015	↑ 3%	↓ (11)%	0%	0%

Hans-Ulrich Engel

Good afternoon ladies and gentlemen,

Let me highlight the financial performance of each segment in comparison with the fourth quarter of 2015.

[Chart 6: Chemicals – Significantly higher earnings driven by strong volume growth and increased prices]

In **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 before special items more than doubled compared to a weak prior-year quarter and came in at 635 million euros. Special items of minus 86 million euros were mainly related to restructuring measures, especially in the caprolactam value chain in Europe.

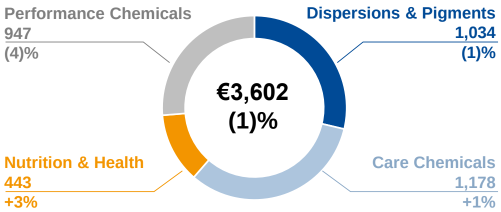
- Sales in **Petrochemicals** increased considerably. Significantly higher prices more than compensated for slightly lower volumes. The volume decline was attributable to the idled condensate splitter in North America and supply limitations related to the accident at the North Harbor in Ludwigshafen. Cracker margins were on decent levels. Acrylic monomers margins improved. EBIT before special items 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 before special items 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 before special items.

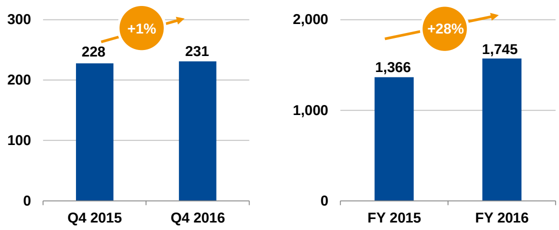
Performance Products

Earnings slightly up due to improved margins

Sales Q4 2016 vs. Q4 2015
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2016 vs. Q4 2015	0%	0%	↓ (2)%	↑ 1%
FY 2016 vs. FY 2015	↑ 1%	↓ (2)%	↓ (2)%	↓ (1)%

[Chart 7: Performance Products – Earnings slightly up due to improved margins]

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

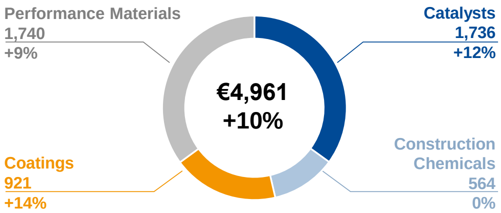
- In the **Dispersions & Pigments** division, sales declined slightly. Higher volumes in dispersions and additives could not offset lower prices, particulary for pigments and resins, and negative portfolio effects. EBIT before special items declined considerably due to higher fixed costs.
- **Care Chemicals'** 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 before special items.
- 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 before special items 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 before special items declined considerably.

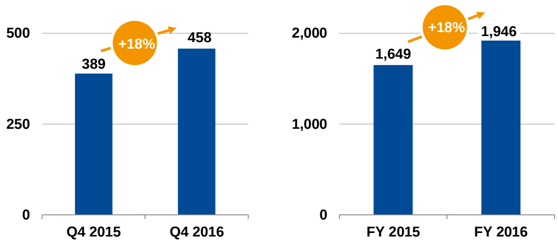
Functional Materials & Solutions

Profitable growth based on continued strong demand from the automotive industry

Sales Q4 2016 vs. Q4 2015
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2016 vs. Q4 2015	↑ 11%	↓ (1)%	0%	0%
FY 2016 vs. FY 2015	↑ 7%	↓ (5)%	0%	↓ (1)%

[Chart 8: Functional Materials & Solutions – Profitable growth based on continued strong demand from the automotive industry]

Sales in **Functional Materials & Solutions** 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 before special items.

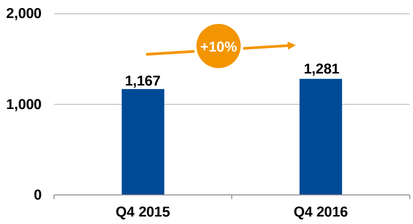
- Sales in **Catalysts** were up significantly. This was driven by higher volumes based on solid demand for mobile emissions, chemical and refinery catalysts. Sales in precious metals trading increased from 572 million euros in Q4 2015 to 669 million euros. Prices were overall stable. We experienced slight currency tailwinds and a negative portfolio effect related to the divestiture of our polyolefin catalysts business. EBIT before special items 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 before special items 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 before special items.
- 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 before special items rose significantly, supported by volume growth as well as a favorable product mix.

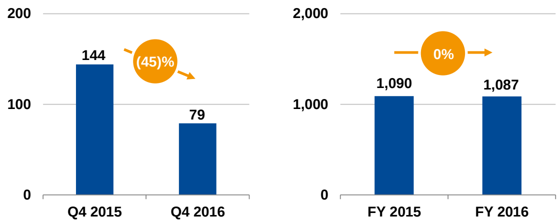
Agricultural Solutions

Sales grew considerably due to higher volumes; earnings burdened by higher fixed costs

Sales Q4 2016 vs. Q4 2015
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2016 vs. Q4 2015	↑ 9%	↓ (2)%	0%	↑ 3%
FY 2016 vs. FY 2015	↓ (2)%	0%	0%	↓ (2)%

[Chart 9: Agricultural Solutions – Sales grew considerably due to higher volumes; earnings burdened by higher fixed costs]

The **Agricultural Solutions** 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 before special items decreased considerably due to higher fixed costs, partly resulting from new or expanded production facilities, for example for the herbicide dicamba.

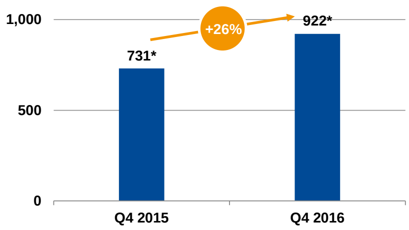
- In **Europe**, sales fell due to lower volumes in the fungicide business as a result of slower demand, mainly in France.
- Sales increased considerably in **North America** driven by higher volumes in our herbicide business.
- Despite the ongoing difficult macroeconomic environment in **South America**, 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 Agricultural Solutions segment showed a solid performance in 2016. Full-year sales slightly decreased to 5.6 billion euros due to lower volumes and currency headwinds. At 1.1 billion euros, EBIT before special items was on prior-year level. The EBITDA margin reached 23.4 percent, compared with 22.7 percent in 2015.

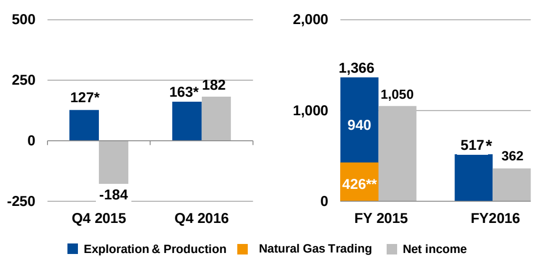
Oil & Gas

Sales and earnings increased significantly, mainly due to higher volumes

Sales Q4 2016 vs. Q4 2015
million €



EBIT before special items / Net income
million €



Sales development	Volumes	Prices / Currencies	Portfolio
Q4 2016 vs. Q4 2015	↑ 23%	↑ 3%	0%
FY 2016 vs. FY 2015	↑ 3%	↓ (3)%	↓ (79)%

* Including transportation business ** Natural Gas Trading divested to Gazprom end of September 2015 as part of the asset swap

[Chart 10: Oil & Gas – Sales and earnings increased significantly, mainly due to higher volumes]

Sales in **Oil & Gas** increased significantly due to higher volumes and prices. In Q4 2016, the average price of Brent crude was 49 U.S. dollars per barrel – 5 U.S. dollars 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 percent, 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 percent.

Overall, EBIT before special items increased from 127 million euros to 163 million euros, supported by higher volumes and prices as well as strict cost management. Net income in Oil & Gas increased from minus 184 million euros to plus 182 million euros. 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.

Review of 'Other'

million €		Q4 2016	Q4 2015	FY 2016	FY 2015
Sales		**518**	**660**	**2,018**	**2,790**
EBIT before special items		**(386)**	**(114)**	**(1,050)**	**(888)**
Thereof	Costs for corporate research	(131)	(95)	(395)	(402)
	Costs of corporate headquarters	(57)	(61)	(222)	(233)
	Foreign currency results, hedging and other measurement effects	(182)	(11)	(331)	(220)
	Other businesses	(12)	75	54	170
Special items		(57)	(21)	(41)	(97)
EBIT		**(443)**	**(135)**	**(1,091)**	**(985)**

[Chart 11: Review of 'Other']

EBIT before special items in Other declined to minus 386 million euros, down from minus 114 million euros. This was mainly driven by a swing of around 200 million euros 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.

Cash flow development in 2016

million €		2016	2015
Cash provided by operating activities		**7,717**	**9,446**
Thereof	Changes in net working capital	104	1,347
	Miscellaneous items	(734)	(336)
Cash used in investing activities		**(6,490)**	**(5,235)**
Thereof	Payments made for tangible / intangible assets	(4,145)	(5,812)
	Acquisitions / divestitures	(2,164)	436
Cash used in financing activities		**(2,160)**	**(3,673)**
Thereof	Changes in financial liabilities	579	(933)
	Dividends	(2,767)	(2,806)
Free cash flow		**3,572**	**3,634**

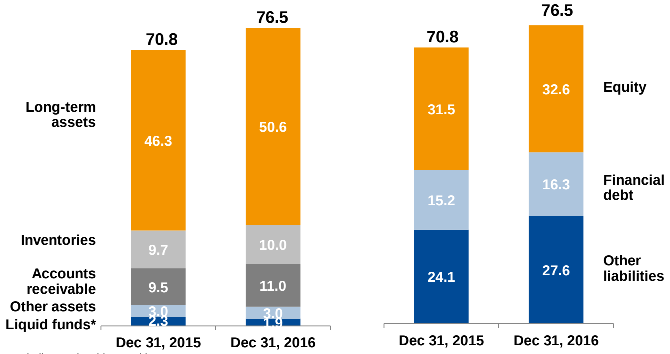
[Chart 12: Cash flow development in 2016]

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

- In line with our expectations, cash provided by operating activities decreased from a record high of 9.4 billion euros to 7.7 billion euros. In 2015, the operating cash flow significantly benefited from the one-time effect caused by our measures to reduce net working capital. In 2016, changes in net working capital led to a cash inflow of 104 million euros compared to 1.3 billion euros in 2015.
- Cash used in investing activities increased from 5.2 billion euros to 6.5 billion euros mainly as a result of the Chemetall acquisition. Payments made for property, plant, equipment and intangible assets decreased by 1.7 billion euros to 4.1 billion euros.
- At 3.6 billion euros, free cash flow matched the high level of 2015.
- Cash used in financing activities amounted to 2.2 billion euros in 2016. We paid 2.7 billion euros in dividends to our shareholders. Around 100 million euros were paid to minority shareholders in 2016, compared to about 230 million euros in 2015.

Balance sheet remains strong

Balance sheet 2016 vs. 2015
billion €



* Including marketable securities

- Total assets increased by €5.7 billion, mainly as a result of the Chemetall acquisition
- Equity ratio at 42.6%
- Provisions for pensions and similar obligations increased by €1.9 billion
- Net debt increased by €1.5 billion to €14.4 billion

[Chart 13: Balance sheet remains strong]

Finally, let's look at our balance sheet:

- Total assets increased by 5.7 billion euros to 76.5 billion euros, mainly as a result of the acquisition of Chemetall.
- Long-term assets were up by 4.3 billion euros. Intangible assets increased from 12.5 billion euros to 15.2 billion euros, especially due to the Chemetall transaction. The value of tangible fixed assets increased by 1.2 billion euros to 26.4 billion euros driven by additions to property, plant and equipment related to our investment projects and due to currency effects.
- Short-term assets amounted to 26.0 billion euros compared to 24.6 billion euros at year-end 2015. While inventories were almost stable, accounts receivable increased by 1.4 billion euros, mainly due to higher sales in Q4 2016 as well as currency effects.
- On the liability side, long-term debt increased by 3.6 billion euros to 28.6 billion euros. This was particularly attributable to higher provisions for pensions and similar obligations. As a result of the lower interest rates, they increased by 1.9 billion euros compared to December 31, 2015. Compared to September 30, 2016, however, provisions for pensions and similar obligations were down by 1.7 billion euros.
- Financial debt increased by around 1.1 billion euros to 16.3 billion euros following the issuance of bonds to finance, among other things, the acquisition of Chemetall.
- Net debt amounted to 14.4 billion euros, an increase of 1.5 billion euros compared to year-end 2015. The net-debt-to-EBITDA ratio is 1.4.

- Our equity ratio remained at a healthy level of 42.6 percent at the end of 2016.

And with that, back to Kurt for the outlook 2017.

Economic environment 2017

	2017 (forecast)	2016 (actual)
GDP (%)	2.3	2.3
Chemical production excl. pharma (%)	3.4	3.4
Industrial production (%)	2.3	1.9
US$/Euro	1.05	1.11
Oil price: Brent (US$/bbl)	55	44

Kurt Bock

[Chart 14: Economic environment 2017]

Let me now come to our expectations for 2017. I will explain our assumptions for the macroeconomic environment, BASF's priorities and our outlook for sales and earnings of BASF Group and its segments in 2017.

Let's start with the macroeconomic assumptions for 2017:

- We expect the volatile macroeconomic environment to persist and regard political risks to be higher than last year.
- With 2.3 percent, we assume that the global economy will grow at the same rate as in 2016. We expect that growth in Europe will slow down compared to 2016. Growth in the U.S. will likely increase slightly. Asia Pacific will continue to grow, however, we expect growth rates to slightly decline due to lower economic momentum in China. In South America, recessions in Brazil and Argentina will likely come to an end in 2017.
- We anticipate global chemical production to grow at 3.4 percent and thus at the same rate as in 2016.
- We assume an average oil price of 55 U.S. dollars per barrel Brent and an average exchange rate of 1.05 U.S. dollars per euro.

Our priorities

We aim to grow sales and earnings faster than global chemical production in the coming years, driven by

- **Innovations** for a **sustainable future**
- **Investments** in organic growth
- **M&A** opportunities and **portfolio pruning** measures
- **Cost discipline** and **operational excellence**

[Chart 15: Our priorities]

Given the uncertain macroeconomic and political environment, we will continue to focus our efforts on areas we can directly influence. Our priorities remain unchanged:

- Our commitment to research and development is core to our strategy. Innovation will contribute to the achievement of our growth targets. R&D expenditures will remain on the high level of prior years. We target to increase the efficiency and effectiveness of our R&D activities. We are evaluating and applying new technologies to accelerate the development process and realize new ideas for a sustainable future.
- Investments will further support our organic growth. We target to maintain the 2016 capex level also in 2017. For the next five-year period – 2017 to 2021 – we plan total investments of 19.0 billion euros.
- We are constantly evaluating M&A opportunities and pruning measures to further optimize our portfolio. Our M&A criteria remain unchanged.
- We will continue to strongly focus on cost discipline and operational excellence and thus on self-help measures. In 2015, we have initiated our operational excellence program DrivE. With this program, we want to achieve additional earnings contributions of around 1 billion euros from the end of 2018 on. The earnings impact in 2016 amounted to 350 million euros. Our restructuring program in Performance Products is on track to achieve the targeted earnings contribution of 500 million euros by the end of this year. At the end of 2016, we reached 400 million euros already.

Outlook 2017 for BASF Group

- 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.

[Chart 16: Outlook 2017 for BASF Group]

Based on the described assumptions for the economic environment and our priorities, we provide the following outlook:

- We expect BASF Group **sales** to grow considerably in 2017. This will be supported by slightly higher sales in the Performance Products segment and by considerable increases in the other segments.
- We want to slightly raise **EBIT before special items** compared with 2016. We anticipate considerably higher contributions from the Oil & Gas segment. In the Performance Products, Functional Materials & Solutions and Agricultural Solutions segments, we assume EBIT before special items will be slightly higher, while the contribution from the Chemicals segment should match the prior-year level.
- BASF Group **EBIT** is also expected to grow slightly in 2017. A significantly higher contribution from the Oil & Gas segment and slight increases in the Chemicals, Performance Products and Agricultural Solutions segments are expected to more than offset the slight decline in the Functional Materials & Solutions segment. In 2016, EBIT of the Functional Materials & Solutions segment contained special income from divestitures.
- We strive to once again earn a significant premium on our cost of capital in 2017. However, BASF Group **EBIT after cost of capital** will decrease considerably due to higher cost of capital, mostly from the acquisition of Chemetall at the end of 2016.

Outlook 2017 by segment

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)
BASF Group	**slight increase**	**6,309**

* 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%).
** 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.

[Chart 17: Outlook 2017 by segment]

This slide summarizes our forecasts for the development of EBIT before special items for the segments.

Additional information is available in the BASF Report 2016 that was published today.

And now, we are glad to take your questions.