Reporting Factsheet

Q4 / FY 2015

BASF
We create chemistry

BASF Group (Million €)	Q4 2015	Q4 2014	Change (%)	FY 2015	FY 2014	Change (%)
Sales	**13,880**	18,047	(23)	***70,449***	*74,326*	*(5)*
Income from operations before depreciation and amortization (EBITDA)	**1,893**	2,873	(34)	***10,649***	*11,043*	*(4)*
Income from operations (EBIT) before special items	**1,023**	1,459	(30)	***6,739***	*7,357*	*(8)*
Income from operations (EBIT)	**325**	1,730	(81)	***6,248***	*7,626*	*(18)*
Financial result	**(209)**	65	-	***(700)***	*(423)*	*(65)*
Income before taxes and minority interests	**116**	1,795	(94)	***5,548***	*7,203*	*(23)*
Net income	**339**	1,418	(76)	***3,987***	*5,155*	*(23)*
Earnings per share (€)	**0.37**	1.54	(76)	***4.34***	*5.61*	*(23)*
Adjusted earnings per share (€)[1]	**1.01**	1.04	(3)	***5.00***	*5.44*	*(8)*
EBITDA in % of sales	**13.6**	15.9	(14)	***15.1***	*14.9*	*1*
Cash provided by operating activities	**952**	2,026	(53)	***9,446***	*6,958*	*36*
Additions to long-term assets[2]	**1,656**	3,731	(56)	***6,013***	*7,285*	*(17)*
Amortization and depreciation[2]	**1,568**	1,143	37	***4,401***	*3,417*	*29*
Segment assets (end of period)[3]	**61,204**	61,530	(1)	***61,204***	*61,530*	*(1)*
Personnel costs	**2,264**	2,316	(2)	***9,982***	*9,224*	*8*
Number of employees (end of period)	**112,435**	113,292	(1)	***112,435***	*113,292*	*(1)*

[1] Adjusted for special items and amortization of intangible assets [2] Intangible assets and property, plant and equipment (including acquisitions)
[3] Intangible assets, property, plant and equipment, inventories and business-related receivables

Segments	Sales			EBIT bef. special items			EBIT		
4th Quarter (Million €)	**2015**	2014	Change (%)	**2015**	2014	Change (%)	**2015**	2014	Change (%)
Chemicals	**3,189**	4,071	(22)	**249**	580	(57)	**226**	645	(65)
Performance Products	**3,627**	3,718	(2)	**228**	217	5	**166**	183	(9)
Functional Materials & Solutions	**4,506**	4,444	1	**389**	220	77	**366**	177	107
Agricultural Solutions	**1,167**	1,109	5	**144**	123	17	**139**	122	14
Oil & Gas	**731**	4,005	(82)	**127**	347	(63)	**(437)**	158	-
Other[4]	**660**	700	(6)	**(114)**	(28)	(307)	**(135)**	445	-
BASF Group	**13,880**	18,047	(23)	**1,023**	1,459	(30)	**325**	1,730	(81)

[4] "Other" includes the sale of feedstock, engineering and other services, as well as rental income and leases. This item also includes foreign currency results from financial indebtedness and results from hedging for raw material prices that are not allocated to the segments.

Factors influencing sales changes in % vs. Q4 2014	**Changes in sales Q4 2015**	thereof **Volumes**	**Prices**	**Currencies**	**Acqu./Divest.**
Chemicals	(22)	(5)	(19)	4	(2)
Performance Products	(2)	0	(4)	4	(2)
Functional Materials & Solutions	1	3	(7)	5	0
Agricultural Solutions	5	3	6	(4)	0
Oil & Gas	(82)	3	(4)[5]		(81)
BASF Group	**(23)**	**4**	**(11)**	**3**	**(19)**

[5] mix of price and currency effects

Segments Q4 2015 vs. Q4 2014

Chemicals: (sales: (22)%; v: (5)%; p: (19)%; c: +4%; s: (2)%)[6] Sales declined considerably mainly due to significantly lower prices, reflecting the decline in raw material prices. Volumes came down, while FX provided tailwind in all divisions. EBIT bSI decreased by 57% to €249m. All three divisions did not reach the earnings level of the PYQ. Lower margins especially for cracker products and higher fixed costs related to new plants were the main reasons for the substantial decline.

- Sales in *Petrochemicals* came in considerably lower. Prices decreased primarily due to lower feedstock costs. Volumes declined especially in North America. Cracker margins in Europe and North America came down as a result of improved product availability. The acrylics market remained weak, especially in Asia and South America, and pressure on margins continued. Fixed costs went up due to the enlarged asset base. EBIT bSI decreased strongly.
- Sales in *Monomers* came in considerably lower as prices declined, reflecting lower raw material costs. While sales volumes in MDI and polyamides were up, TDI volumes declined, especially in Asia. Margins in key product lines like isocyanates and caprolactam remained under pressure. EBIT bSI declined considerably due to lower margins and increased fixed costs, which were related to the start-up of new plants.
- Sales in *Intermediates* were slightly down due to substantially lower prices, given the lower oil price. Strong performance in amines and polyalcohols resulted in higher volumes. Margins came down in the commodity product lines, especially in the BDO value chain. However, our business with specialty products developed well and margins remained stable. Fixed costs went up related to the start-up of new plants e.g. the formic acid plant in Geismar. EBIT bSI decreased considerably.

Performance Products: (sales: (2)%; v: 0%; p: (4)%; c: +4%; s: (2)%)[6] Sales were slightly down despite stable volumes. Positive FX effects could not fully offset lower prices and negative portfolio effects from the divestiture of our textile, pharmaceutical ingredients and services and paper hydrous kaolin businesses. Prices came down as lower raw material costs were passed on. Fixed costs remained stable. Restructuring measures offset currency effects and higher costs from plant start-ups. EBIT bSI improved slightly as we realized better margins mainly in the Dispersions & Pigments and Performance Chemicals divisions. Special items amounted to minus €62m related to our ongoing restructuring measures.

- In *Dispersions & Pigments*, sales rose slightly. Volumes increased mainly for resins and additives. Prices declined especially for dispersions and resins on lower raw material costs. EBIT bSI rose considerably due to a positive margin development.
- *Care Chemicals*' sales came in on PY level. Higher volumes and favorable FX effects compensated for lower prices. Volumes were up throughout almost all businesses with the highest growth in personal care and home care. Prices, however, were down on lower raw material costs and increased competitive pressure in the hygiene business. Fixed costs increased due to several plant start-ups and inventory reduction measures. Consequently, EBIT bSI came in considerably lower.
- In *Nutrition & Health*, sales decreased considerably due to negative structural effects as a result of the divestment of parts of our pharmaceutical ingredients and services business as well as lower prices. Overall volumes were flat as higher volumes in human nutrition and aroma ingredients compensated for lower volumes in animal nutrition. Prices declined for vitamin E and A as well as for aroma ingredients. EBIT bSI declined considerably.
- In *Performance Chemicals'* sales declined slightly caused by lower volumes and prices. We saw lower volumes mainly in oil field chemicals, fuel and lubricant solutions as well as paper chemicals. The divestiture of our textile and paper hydrous kaolin businesses negatively impacted sales. However, margins improved and fixed costs declined slightly. As a result, EBIT bSI increased considerably.

Functional Materials & Solutions: (sales: +1%; v: +3%; p: (7)%; c: +5%; s: 0%)[6] Sales grew slightly as FX tailwinds and higher volumes more than offset price declines. The latter was primarily caused by softer precious metals prices. We experienced continued high demand from the automotive industry as well as improved business with the construction industry. EBIT bSI increased by almost 80%. All divisions contributed to this development.

- Sales in *Catalysts* decreased slightly, as higher volumes and positive FX effects could not compensate for significant price decreases caused by softer precious metals pricing. Mobile emissions catalysts saw higher demand especially in North America and Europe. Volumes in refinery catalysts were stable, but demand in chemical catalysts suffered from project delays in Asia. In precious and base metals trading, sales came in at €572m vs. €605m a year ago. Fixed costs were higher due to the start-ups of the mobile emissions and chemical catalysts plants in Poland and Germany. Despite this, EBIT bSI increased slightly.
- In *Construction Chemicals*, sales came in significantly higher thanks to good demand in the Middle East and Western Europe. Volume growth in North America was flat. EBIT bSI improved considerably on higher volumes and favorable FX effects.
- Sales of our *Coatings* division grew slightly, as volumes increased while prices remained stable. In OEM coatings, we continued to experience healthy demand in all regions except for South America. Refinish coatings sold well in Europe, but saw lower demand in Asia and South America. Industrial coatings developed positively. Sales in decorative paints declined due to weak demand and the currency devaluation of the Brazilian Real. Despite this, we were able to significantly increase EBIT bSI.
- Sales in *Performance Materials* came in on PY level, as higher volumes and currency tailwinds could offset the price decline caused by lower raw material prices. Demand from the transportation and consumer industry was good across most regions. Our business in the construction industry was mainly driven by Europe and North America. Sales volumes particularly of engineering plastics and our specialty Cellasto® increased strongly. EBIT bSI was up significantly on higher volumes and an improved product mix.

Agricultural Solutions: (sales: +5%; v: +3%; p: +6%; c: (4)%; s: 0%)[6] Sales increased by 5%. Higher prices more than offset negative FX effects. Volumes grew particularly in North America. Overall, EBIT bSI went up 17% to €144m, mainly as a result of the herbicide business in North America.

Oil & Gas: (sales: (82)%; v: +3%; p/c: (4)%; s: (81)%)[6] Sales decreased significantly mainly due to the divestiture of the Natural Gas Trading and Storage business to Gazprom as part of the asset swap at the end of Q3 2015. Sales in Exploration & Production were almost stable due to higher production volumes from Norway and Russia, which could not fully offset significantly lower oil and gas prices as well as the effects of the deconsolidation of Wintershall Noordzee B.V. The average price for Brent in Q4 2015 was US$44 per barrel compared to US$77 a year ago. EBIT bSI declined from €347m to €127m. The main reasons were lower oil and gas price levels and the catch up of the depreciation after the reversal of the disposal group caused by the cancellation of the transaction with Tellus Petroleum. The missing earnings contribution from natural gas trading and storage also negatively affected the results. Special items amounted to minus €564m compared to minus €189m a year ago and were attributable to the impairment charges mentioned earlier. As a result, net income declined and came in at minus €184m.

Other: Sales decreased to €660m due to lower contributions from raw material trading, particularly driven by lower raw material prices. EBIT bSI declined to minus €114m in Q4 2015 caused by a swing in the FX result. While in the PYQ the FX result amounted to plus €110m we incurred a negative FX result of minus €11m in this year's quarter. Special items amounted to minus €21m compared to plus €473m in Q4 2014, because we generated a disposal gain from the sale of our stake in Styrolution.

[6] v=volume; p=price; c=currency; s=structure

Note: For sales, "slight" represents a change of 1–5%, while "considerable" applies for changes of 6 % and higher. "At prior-year level" indicates no change (+/–0 %). 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 %).

Financials

Q4 2015:

- Special items Q4 15: minus €698m (Q4 14: plus €271m) mainly attributable to impairment charges in Oil & Gas.
- Income taxes Q4 15: plus €247m (Q4 14: minus €297m).
- Tax income due to impairments in Oil & Gas as well as the dissolution of tax provisions (tax rate Q4 14: 16.5%).
- Free cash flow in Q4 15: minus €473m (Q4 14: plus €317m).

FY 2015:

- Cash provided by operating activities in 2015: €9,446m (2014: €6,958m).
- Payments for property, plant and equipment and intangible assets in 2015: €5,812m (2014: €5,296m).
- Capex[7] 2015: €5.2bn (2014: €5.1bn).
- Free cash flow in 2015: €3,634m (2014: €1,662m).
- Equity ratio 44.5% as of Dec. 31, 2015 (2014: 39.5%); net debt: €13.0bn (2014: €13.7bn).

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

Dividend

- We will propose a dividend of €2.90 at the Annual Shareholders' Meeting on April 29, 2016.
- We want to grow or at least maintain our dividend.

Outlook

Underlying assumptions for 2016:

- Global GDP: **2.3%** (2015: 2.4%).
- Global industrial production: **2.0%** (2015: 2.0%).
- Global chemical production (excl. pharma): **3.4%** (2015: 3.6%).
- Average US$/€ exchange rate of **US$1.10/€**.
- Average oil price of **US$40 per barrel (Brent)**.
- Annual impact of 1 US$/bbl rise in average oil price (Brent) on segment Oil & Gas: Sales: **+€20m**, EBIT: **+€20m**.
- Annual impact of US$ change (€ depreciation) -1 US$-Cent per €: Sales: **+€210m**, EBIT: **+€40m.**

Forecast 2016:

- Sales will be considerably below prior year, due to the divestiture of the natural gas trading and storage activities.
- Excluding the effects of acquisitions and divestitures, we expect higher volumes in all segments supported by our increased capacities.
- We estimate EBIT before special items to be slightly below the previous year. Based on our oil and gas price scenario, we will see a drastic reduction of our Oil & Gas earnings, which cannot be fully compensated by higher earnings in our chemicals business and in Agricultural Solutions.
- We expect also a slightly lower EBIT than in 2015.
- EBIT after cost of capital is expected to be significantly below prior year. However, we still expect to earn a premium on our cost of capital.
- In the volatile and challenging macroeconomic environment, we regard our targets for 2016 as ambitious. Achieving them will become extremely difficult, if the oil and gas prices stay at the current levels.

BASF Group Q4 and full year 2015
(Million €)

Chemicals	Q4 2015	Q4 2014	Change (%)	FY 2015	FY 2014	Change (%)
Sales	**3,189**	4,071	(22)	**14,670**	16,968	(14)
thereof: Petrochemicals	**1,122**	1,803	(38)	**5,728**	7,832	(27)
Monomers	**1,396**	1,582	(12)	**6,093**	6,337	(4)
Intermediates	**671**	686	(2)	**2,849**	2,799	2
EBITDA	**504**	903	(44)	**3,090**	3,212	(4)
EBIT before special items	**249**	580	(57)	**2,156**	2,367	(9)
EBIT	**226**	645	(65)	**2,131**	2,396	(11)

Performance Products	Q4 2015	Q4 2014	Change (%)	FY 2015	FY 2014	Change (%)
Sales	**3,627**	3,718	(2)	**15,648**	15,433	1
thereof: Dispersions & Pigments[8]	**1,043**	1,033	1	**4,629**	4,501	3
Care Chemicals	**1,168**	1,164	0	**4,900**	4,835	1
Nutrition & Health	**429**	492	(13)	**1,998**	2,029	(2)
Paper Chemicals	**-**	341	-	**-**	-	-
Performance Chemicals[8]	**987**	1,029	(4)	**4,121**	4,068	1
EBITDA	**427**	411	4	**2,289**	2,232	3
EBIT before special items	**228**	217	5	**1,366**	1,455	(6)
EBIT	**166**	183	(9)	**1,340**	1,417	(5)

Functional Materials & Solutions	Q4 2015	Q4 2014	Change (%)	FY 2015	FY 2014	Change (%)
Sales	**4,506**	4,444	1	**18,523**	17,725	5
thereof: Catalysts	**1,545**	1,577	(2)	**6,306**	6,135	3
Construction Chemicals	**562**	511	10	**2,304**	2,060	12
Coatings	**809**	771	5	**3,166**	2,984	6
Performance Materials	**1,590**	1,585	0	**6,747**	6,546	3
EBITDA	**520**	352	48	**2,228**	1,678	33
EBIT before special items	**389**	220	77	**1,649**	1,197	38
EBIT	**366**	177	107	**1,607**	1,150	40

Agricultural Solutions	Q4 2015	Q4 2014	Change (%)	FY 2015	FY 2014	Change (%)
Sales	**1,167**	1,109	5	**5,820**	5,446	7
EBITDA	**205**	176	16	**1,321**	1,297	2
EBIT before special items	**144**	123	17	**1,090**	1,109	(2)
EBIT	**139**	122	14	**1,083**	1,108	(2)

Oil & Gas	Q4 2015	Q4 2014	Change (%)	FY 2015	FY 2014	Change (%)
Sales	**731**	4,005	(82)	**12,998**	15,145	(14)
EBITDA	**344**	550	(37)	**2,587**	2,626	(1)
EBIT before special items	**127**	347	(63)	**1,366**	1,795	(24)
EBIT	**(437)**	158	-	**1,072**	1,688	(36)
Net income	**(184)**	446	(141)	**1,050**	1,464	(28)

Other	Q4 2015	Q4 2014	Change (%)	FY 2015	FY 2014	Change (%)
Sales	**660**	700	(6)	**2,790**	3,609	(23)
EBITDA	**(107)**	481	-	**(866)**	(2)	-
EBIT before special items	**(114)**	(28)	(307)	**(888)**	(566)	(57)
EBIT	**(135)**	445	-	**(985)**	(133)	-

BASF Group	Q4 2015	Q4 2014	Change (%)	FY 2015	FY 2014	Change (%)
Sales	**13,880**	18,047	(23)	**70,449**	74,326	(5)
EBITDA	**1,893**	2,873	(34)	**10,649**	11,043	(4)
EBIT before special items	**1,023**	1,459	(30)	**6,739**	7,357	(8)
EBIT	**325**	1,730	(81)	**6,248**	7,626	(18)

[8] Since the dissolution of the Paper Chemicals division on January 1, 2015, we have been continuing its business in the Dispersions & Pigments and Performance Chemicals divisions. The 2014 figures for both divisions have been adjusted accordingly to ensure better comparability.

Forward-looking statements
This factsheet may contain forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realized from the proposals described herein. Forward-looking statements may include, in particular, statements about future events, future financial performance, plans, strategies, expectations, prospects, competitive environment, regulation and supply and demand. BASF has based these forward-looking statements on its views and assumptions with respect to future events and financial performance. Actual financial performance could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated. Given these uncertainties, readers should not put undue reliance on any forward-looking statements. The information contained in this factsheet is subject to change without notice and BASF does not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, except to the extent required by applicable laws and regulations.statements. The information contained in this factsheet is subject to change without notice and BASF does not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, except to the extent required by applicable laws and regulations.

Excerpt from the BASF Report 2015

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Statement of income
BASF Group

Statement of income (in million €)

	Explanations in Note	2015	2014
Sales revenue	**[4]**	**70,449**	**74,326**
Cost of sales	[6]	(51,372)	(55,839)
Gross profit on sales		**19,077**	**18,487**
Selling expenses	[6]	(8,062)	(7,493)
General administrative expenses	[6]	(1,429)	(1,359)
Research expenses	[6]	(1,953)	(1,884)
Other operating income	[7]	2,004	2,231
Other operating expenses	[8]	(3,640)	(2,629)
Income from companies accounted for using the equity method	[9]	251	273
Income from operations	**[4]**	**6,248**	**7,626**
Income from other shareholdings		80	303
Expenses from other shareholdings		(71)	(25)
Interest income		213	207
Interest expenses		(638)	(711)
Other financial income		152	158
Other financial expenses		(436)	(355)
Financial result	**[10]**	**(700)**	**(423)**
Income before taxes and minority interests		**5,548**	**7,203**
Income taxes	[11]	(1,247)	(1,711)
Income before minority interests		**4,301**	**5,492**
Minority interests	[12]	(314)	(337)
Net income		**3,987**	**5,155**
Earnings per share (€)	**[5]**	**4.34**	**5.61**
Dilution effect (€)	[5]	(0.01)	(0.01)
Diluted earnings per share (€)	**[5]**	**4.33**	**5.60**

Balance sheet
BASF Group

Assets (in million €)

	Explanations in Note	Dec. 31, 2015	Dec. 31, 2014
Intangible assets	[14]	12,537	12,967
Property, plant and equipment	[15]	25,260	23,496
Investments accounted for using the equity method	[16]	4,436	3,245
Other financial assets	[16]	526	540
Deferred tax assets	[11]	1,791	2,193
Other receivables and miscellaneous assets	[18]	1,720	1,498
Noncurrent assets		**46,270**	**43,939**
Inventories	[17]	9,693	11,266
Accounts receivable, trade	[18]	9,516	10,385
Other receivables and miscellaneous assets	[18]	3,095	4,032
Marketable securities		21	19
Cash and cash equivalents[1]	[1]	2,241	1,718
Current assets		**24,566**	**27,420**
Total assets		**70,836**	**71,359**

Equity and liabilities (in million €)

	Explanations in Note	Dec. 31, 2015	Dec. 31, 2014
Subscribed capital	[19]	1,176	1,176
Capital surplus	[19]	3,141	3,143
Retained earnings	[19]	30,120	28,777
Other comprehensive income	[20]	(3,521)	(5,482)
Equity of shareholders of BASF SE		**30,916**	**27,614**
Minority interests	[21]	629	581
Equity		**31,545**	**28,195**
Provisions for pensions and similar obligations	[22]	6,313	7,313
Other provisions	[23]	3,369	3,502
Deferred tax liabilities	[11]	3,381	3,420
Financial indebtedness	[24]	11,123	11,839
Other liabilities	[24]	869	1,197
Noncurrent liabilities		**25,055**	**27,271**
Accounts payable, trade		4,020	4,861
Provisions	[23]	2,540	2,844
Tax liabilities	[11]	1,082	1,079
Financial indebtedness	[24]	4,074	3,545
Other liabilities	[24]	2,520	3,564
Current liabilities		**14,236**	**15,893**
Total equity and liabilities		**70,836**	**71,359**

[1] For a reconciliation of the amounts in the statement of cash flows with the balance sheet item “cash and cash equivalents,” see page 160

Statement of cash flows
BASF Group

Statement of cash flows[1] (in million €)

	2015	2014
Net income	3,987	5,155
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	4,448	3,455
Changes in inventories	1,094	(606)
Changes in receivables	1,463	173
Changes in operating liabilities and other provisions	(1,210)	(190)
Changes in pension provisions, defined benefit assets and other items	(317)	(773)
Gains (–) / losses (+) from disposal of noncurrent assets and securities	(19)	(256)
Cash provided by operating activities	**9,446**	**6,958**
Payments for property, plant and equipment and intangible assets	(5,812)	(5,296)
Payments for financial assets and securities	(920)	(1,131)
Payments for acquisitions	(215)	(963)
Payments from divestitures	651	1,336
Payments from the disposal of noncurrent assets and securities	1,061	1,558
Cash used in investing activities	**(5,235)**	**(4,496)**
Capital increases/repayments and other equity transactions	66	–
Additions to financial and similar liabilities	6,937	6,048
Repayment of financial and similar liabilities	(7,870)	(5,760)
Dividends paid		
To shareholders of BASF SE	(2,572)	(2,480)
minority shareholders	(234)	(286)
Cash used in financing activities	**(3,673)**	**(2,478)**
Net changes in cash and cash equivalents	**538**	**(16)**
Change in cash and cash equivalents		
From foreign exchange rates	(19)	(90)
changes in scope of consolidation	4	(3)
Cash and cash equivalents at the beginning of the year	**1,718**	**1,827**
Cash and cash equivalents at the end of the year	**2,241**	**1,718**

[1] More information on the statement of cash flows can be found in the Management's Report (Financial Position) from page 60 onward. Other information on cash flows can be found in Note 29 on page 217.

Results of operations

The market environment continued to be volatile and challenging in 2015. Growth rates for the global economy, industrial production and the chemical industry all lagged considerably behind our expectations. The economic environment deteriorated in important emerging markets, especially China. The sharp drop in the price of oil led to falling prices for basic chemicals in particular. The divestitures completed in 2015 also put a strain on both sales and income from operations (EBIT) before special items. Impairments in the Oil & Gas segment resulting from the reduced forecast for oil and gas prices led to considerably lower EBIT. In light of these factors, our overall business development remained behind our expectations.

Sales and income from operations before special items

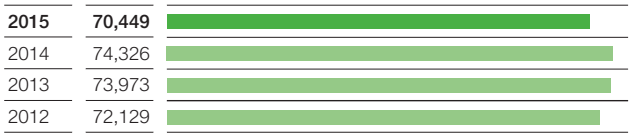
- Sales decline by 5% to €70,449 million
- At €6,739 million, income from operations before special items 8% below prior-year level

Sales decreased by €3,877 million to €70,449 million in 2015, largely on account of the significant drop in prices – especially in the Chemicals segment – in relation to oil price developments. In addition, the asset swap with Gazprom completed at the end of September particularly contributed to the decline. This transaction meant the discontinuation of contributions to the Oil & Gas segment mainly from the natural gas trading and storage business as of the fourth quarter of 2015. We could only partly compensate for this through sales increases in the other three segments.

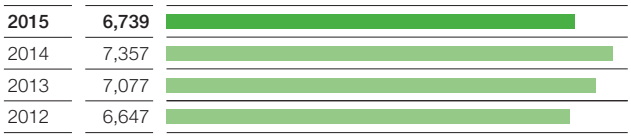
At €6,739 million, income from operations before special items was 8% below the level of the previous year. Major influences here were the oil-price-related decline in sales from our oil and gas production as well as decreased earnings in Other, which was particularly the result of currency effects. Earnings increased slightly in the chemicals business[1] but fell slightly in the Agricultural Solutions segment.

For more information on income from operations, see page 54

Sales (in million €)



Income from operations before special items (in million €)



Factors influencing sales

Sales volumes in 2015 rose slightly overall, mainly as a result of higher volumes in the Oil & Gas segment. Volumes were slightly down overall in the chemicals business. Sales prices fell in nearly all divisions, strongly affected by the sharp drop in raw material prices. We were able to raise volumes and prices in the Agricultural Solutions segment. Currency effects positively influenced sales in all segments. Sales were reduced by the asset swap with Gazprom, through which contributions to the Oil & Gas segment from the gas trading and storage business in particular ceased as of the fourth quarter of 2015.

Factors influencing sales of the BASF Group

	Change in million €	Change in %
Volumes	1,851	3
Prices	(6,339)	(9)
Currencies	4,280	6
Acquisitions	387	1
Divestitures	(3,948)	(6)
Changes in scope of consolidation	(108)	0
Total change in sales	**(3,877)**	**(5)**

Sales and income from operations before special items in the segments

Sales in the **Chemicals** segment declined by 14%, largely due to lower prices on account of decreased raw material costs, especially in the Petrochemicals division. Income from operations before special items fell by 9% compared with the previous year. This was primarily attributable to the declining TDI margins in the Monomers division as well as rising fixed costs from the startup of new production plants, such as in Camaçari, Brazil, and Chongqing, China.

In the **Performance Products** segment, sales were up by 1%. Positive currency effects in all divisions were able to more than compensate for lower sales prices and weaker volumes. Income from operations before special items was 6% below the prior year's level because of higher fixed costs. These resulted from negative currency effects, the startup of new plants – such as those in Camaçari, Brazil, and Freeport, Texas – and inventory reductions.

[1] Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

Sales and earnings (in million €)

		2015	2014	Change in %
Sales		70,449	74,326	(5.2)
Income from operations before depreciation and amortization (EBITDA)[1]		10,649	11,043	(3.6)
EBITDA margin	%	15.1	14.9	–
Income from operations (EBIT) before special items		6,739	7,357	(8.4)
Income from operations (EBIT)		6,248	7,626	(18.1)
Financial result		(700)	(423)	(65.5)
Income before taxes and minority interests		5,548	7,203	(23.0)
Income before minority interests		4,301	5,492	(21.7)
Net income		3,987	5,155	(22.7)
Earnings per share	€	4.34	5.61	(22.6)
Adjusted earnings per share	€	5.00	5.44	(8.1)

Sales and earnings by quarter in 2015[2] (in million €)

		1st quarter	2nd quarter	3rd quarter	4th quarter	Full year
Sales		20,067	19,078	17,424	13,880	70,449
Income from operations before depreciation and amortization (EBITDA)		2,890	2,994	2,872	1,893	10,649
Income from operations (EBIT) before special items		2,070	2,043	1,603	1,023	6,739
Income from operations (EBIT)		1,995	2,039	1,889	325	6,248
Financial result		(164)	(152)	(175)	(209)	(700)
Income before taxes and minority interests		1,831	1,887	1,714	116	5,548
Net income		1,174	1,265	1,209	339	3,987
Earnings per share	€	1.28	1.38	1.31	0.37	4.34
Adjusted earnings per share	€	1.43	1.49	1.07	1.01	5.00

Sales and earnings by quarter in 2014[2,3] (in million €)

		1st quarter	2nd quarter	3rd quarter	4th quarter	Full year
Sales		19,512	18,455	18,312	18,047	74,326
Income from operations before depreciation and amortization (EBITDA)		2,951	2,705	2,514	2,873	11,043
Income from operations (EBIT) before special items		2,112	2,012	1,774	1,459	7,357
Income from operations (EBIT)		2,221	1,933	1,742	1,730	7,626
Financial result		(183)	(136)	(169)	65	(423)
Income before taxes and minority interests		2,038	1,797	1,573	1,795	7,203
Net income		1,464	1,259	1,014	1,418	5,155
Earnings per share	€	1.59	1.37	1.11	1.54	5.61
Adjusted earnings per share	€	1.63	1.53	1.24	1.04	5.44

[1] With EBITDA of €10,649 million achieved in 2015, we confirmed the estimated range of €10 billion to €12 billion we announced in October 2014.

[2] Quarterly figures represent unaudited supplementary information.

[3] The figures for the first three quarters of 2014 were adjusted to reflect the dissolution of the gas trading business disposal group at the end of 2014. For more information, see the "Restated Figures 2013 and 2014" brochure at basf.com/publications.

We raised sales by 5% in the **Functional Materials & Solutions** segment thanks to positive currency effects in all divisions. Prices declined slightly overall, with volumes stable. We improved income from operations before special items by 38%, mainly because of the considerable earnings increase in the Performance Materials and Construction Chemicals divisions.

Sales in the **Agricultural Solutions** segment exceeded the level of 2014 by 7%, primarily driven by higher sales prices. Over the course of the year, we experienced a slowdown in demand for crop protection products, while prices for agricultural products remained low. In emerging markets in particular, our business development was hindered by the volatile environment and depreciation of local currencies. Income from operations before special items was down by 2%. This was primarily attributable to higher fixed costs, mainly through a decrease in plant capacity utilization rates from the startup of new production capacities, along with reductions in inventories.

Sales declined by 14% in the **Oil & Gas** segment in 2015. This was largely a result of the asset swap with Gazprom completed at the end of September, through which contributions from the natural gas trading and storage business, as well as from Wintershall Noordzee B.V., ceased as of the fourth quarter of 2015. The significant drop in the price of oil led to slightly lower sales in the Exploration & Production business sector. Higher volumes in both the Exploration & Production and Natural Gas Trading business sectors had a positive effect on sales. Income from operations before special items declined by 24% as a result of the reduced sales level.

Sales in **Other** shrank by 23%, mainly on account of a reduced contribution from raw materials trading. The decline was also influenced by the disposal of our share in the Ellba Eastern Private Ltd. joint operation in Singapore at the end of 2014, as well as by lower plant availability from the outage at the Ellba C.V. joint operation in Moerdijk, Netherlands. Income from operations before special items dropped by 57% compared with the previous year. Major factors were a lower currency result and higher expenses for provisions for our long-term incentive program.

For more on business reviews by segment, see page 61 onward

Income from operations and special items

- Income from operations declines considerably
- Premium once again earned on cost of capital

At €6,248 million, income from operations for the BASF Group in 2015 was considerably below the previous year's level (€7,626 million).

Included in this figure is income from companies accounted for using the equity method, which declined from €273 million to €251 million.

Special items in 2015 resulted in an earnings contribution to EBIT of minus €491 million (2014: €269 million). This was largely the result of other special charges and income totaling minus €729 million, mostly from impairments on assets in the Oil & Gas segment. In 2014, other special charges and income totaling minus €369 million had especially pertained to impairment charges in the Oil & Gas, Chemicals, and Functional Materials & Solutions segments.

Divestitures in 2015 resulted in an earnings contribution of €476 million (2014: €712 million). This amount included the asset swap with Gazprom as well as the disposal of the white expandable polystyrene (EPS) business, the global textile chemicals business, and parts of the pharmaceutical ingredients and services business.

Compared with 2014, special charges from various restructuring measures rose by €155 million to €223 million and expenses for the integration of acquired businesses by €9 million to €15 million.

We once again earned a premium on our cost of capital in 2015. EBIT after cost of capital amounted to €194 million after €1,368 million in the previous year. Cost of capital increased particularly as a result of the higher amount of fixed assets. Contrasting this was the reduction of inventories and other receivables.

For more on the calculation of EBIT after cost of capital, see page 30

Special items (in million €)

	2015	2014
Integration costs	(15)	(6)
Restructuring measures	(223)	(68)
Divestitures	476	712
Other charges and income	(729)	(369)
Total special items in income from operations (EBIT)	**(491)**	**269**
Special items reported in financial result	23	197
Total special items in earnings before taxes	**(468)**	**466**

Financial result and net income

- Financial result and net income considerably down year-on-year
- Earnings per share declines from €5.61 to €4.34

The financial result fell to minus €700 million in 2015, compared with minus €423 million in the previous year.

Income from shareholdings decreased from €278 million in 2014 to €9 million. The previous year had contained special income of €220 million from the disposal of our shares in VNG – Verbundnetz Gas AG.

The interest result improved from minus €504 million in 2014 to minus €425 million, largely due to lower interest expenses from financial indebtedness as a result of more favorable refinancing conditions.

Other financial result declined from minus €197 million in the previous year to minus €284 million in 2015. The main reason for this was a higher net interest expense from underfunded pension plans and similar obligations, in addition to a higher level of other financial expenses resulting primarily from hedging expenses.

Earnings before taxes decreased by €1,655 million in 2015 to €5,548 million. Return on assets[1] amounted to 8.7%, compared with 11.7% in the previous year.

Income taxes were reduced from €1,711 million in 2014 to €1,247 million in 2015. The tax rate fell from 23.8% to 22.5%, predominantly due to lower earnings contributions in countries with higher tax rates, especially Norway, as compared with the prior year.

Income before minority interests declined from €5,492 million to €4,301 million. Minority interests amounted to €314 million, compared with €337 million in 2014.

Net income amounted to €3,987 million, below the previous year's level of €5,155 million. Earnings per share dipped from €5.61 to €4.34.

For information on the items in the statement of income, see the Notes to the Consolidated Financial Statements from page 183 onward

For information on the tax rate, see the Notes to the Consolidated Financial Statements from page 186 onward

Adjusted earnings per share

- At €5.00, adjusted earnings per share down by €0.44

By eliminating special items and the amortization of intangible assets, adjusted earnings per share serves as a more suitable ratio for long-term comparability and predicting the company's future profitability. In 2015, adjusted earnings per share amounted to €5.00 compared with €5.44 in the previous year.

Adjusted earnings per share (in million €)

		2015	2014
Income before taxes and minority interests		5,548	7,203
Special items		468	(466)
Amortization of intangible assets		801	647
Amortization of intangible assets contained in special items		(200)	(55)
Adjusted income before taxes and minority interests		**6,617**	**7,329**
Adjusted income taxes		(1,716)	(1,973)
Adjusted income before minority interests		**4,901**	**5,356**
Adjusted minority interests		(312)	(357)
Adjusted net income		**4,589**	**4,999**
Weighted average number of outstanding shares	(in thousands)	918,479	918,479
Adjusted earnings per share	**(€)**	**5.00**	**5.44**

Adjusted income before taxes and minority interests, adjusted net income and adjusted earnings per share are key ratios that are not defined under International Financial Reporting Standards (IFRS). They should therefore be viewed as supplementary information.

For more information on the earnings per share according to IFRS, see the Notes to the Consolidated Financial Statements on page 182

[1] Return on assets is calculated as income before taxes and minority interests plus interest expenses as a percentage of average assets.

Forecast/actual comparison[1]

	Sales		Income from operations (EBIT) before special items	
	2015 forecast	2015 actual	2015 forecast	2015 actual
Chemicals	slight decline	considerable decline	slight decline	slight decline
Performance Products	considerable increase	slight increase	considerable increase	slight decline
Functional Materials & Solutions	considerable increase	slight increase	considerable increase	considerable increase
Agricultural Solutions	considerable increase	considerable increase	considerable increase	slight decline
Oil & Gas	slight decline	considerable decline	considerable decline	considerable decline
Other	considerable decline	considerable decline	slight decline	considerable decline
BASF Group	**slight increase**	**slight decline**	**at prior-year level**	**slight decline**

[1] For sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. "At prior-year level" indicates no change (+/–0%). 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%).

Actual development compared with outlook for 2015

For 2015, we had anticipated a slight increase in sales and posted a slight decline. This was predominantly an effect of the sharp drop in oil prices as well as the divestiture of the gas trading and storage business at the end of September 2015. We were able to raise our sales volumes excluding the effects of acquisitions and divestitures, as predicted. Income from operations before special items did not match the previous year's level as expected, but rather decreased slightly. It was especially down in the Performance Products segment, although earnings in the Agricultural Solutions segment and in Other were also weaker than anticipated. The impairments in the Oil & Gas segment made necessary by our reduced oil and gas price forecast particularly contributed to a significant – and therefore unexpectedly sharp – decline in income from operations. The considerably lower EBIT after cost of capital corresponds to our forecast.

Declining considerably rather than slightly, sales in the **Chemicals** segment lagged behind our expectations. This was largely the result of an even lower level of oil and gas prices than we had assumed, which led to a sharp drop in prices in some business areas. Income from operations before special items was slightly below prior-year levels, as predicted.

Sales grew slightly in the **Performance Products** segment, and thus somewhat below our expectations. With positive currency effects and lower sales prices, volumes declined slightly, contrary to our assumptions. Contributing factors here included intense competition in the pigments business; the significant, oil-price-related decrease in demand for oilfield chemicals; and the sale of parts of our pharmaceutical ingredients and services business as well as of our textile chemicals business. The considerable rise expected in income from operations before special items could not be achieved; we posted a slight decline. Earnings were particularly below our expectations in the Care Chemicals and Nutrition & Health divisions.

In the **Functional Materials & Solutions** segment, we raised sales by 5%, which was just below the considerable growth we had predicted. Higher demand, primarily from the automotive industry, was unable to offset lower sales in precious metal trading. Weighed down by the price of oil, prices in the Performance Materials division also put a strain on sales. We achieved a considerable increase in income from operations before special items, as planned.

Sales in the **Agricultural Solutions** segment grew considerably, in line with our expectations. With income from operations before special items slightly below 2014 levels, we did not achieve our ambitious aim of considerable improvement. Dampened demand and higher fixed costs from decreased plant capacity utilization and simultaneous inventory reductions had a more negative impact on our business than expected.

We had anticipated a slight sales decline in the **Oil & Gas** segment. Our 2015 planning had not included the asset swap with Gazprom. The completion of the asset swap at the end of September 2015 resulted in the discontinuation of contributions mainly from the natural gas trading and storage business as of the fourth quarter of 2015, which is usually a seasonally strong quarter. Sales therefore fell considerably. The considerably lower level of income from operations before special items conforms to our expectations.

Sales in **Other** decreased considerably, as predicted. Contrary to our expectations, income from operations before special items declined considerably, owing to a lower currency result not allocated to the segments.

We invested a total of €5.2 billion[1] in property, plant and equipment in 2015, exceeding the forecasted amount of around €4.0 billion. This higher level of investment is partly attributable to currency effects and to expenditures on non-BASF-operated field development projects in the Oil & Gas segment.

For information on our expectations for 2016, see page 124 onward

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

Net assets

Assets

	December 31, 2015		December 31, 2014	
	million €	%	million €	%
Intangible assets	12,537	17.7	12,967	18.2
Property, plant and equipment	25,260	35.7	23,496	32.9
Investments accounted for using the equity method	4,436	6.3	3,245	4.5
Other financial assets	526	0.7	540	0.8
Deferred taxes	1,791	2.5	2,193	3.1
Other receivables and miscellaneous assets	1,720	2.4	1,498	2.1
Noncurrent assets	**46,270**	**65.3**	**43,939**	**61.6**
Inventories	9,693	13.7	11,266	15.8
Accounts receivable, trade	9,516	13.4	10,385	14.6
Other receivables and miscellaneous assets	3,095	4.4	4,032	5.6
Marketable securities	21	.	19	.
Cash and cash equivalents	2,241	3.2	1,718	2.4
Current assets	**24,566**	**34.7**	**27,420**	**38.4**
Total assets	**70,836**	**100.0**	**71,359**	**100.0**

Assets

- **Total assets slightly below prior-year level**
- **Noncurrent assets rise, mostly through investments**
- **Current assets decline, mainly due to asset swap with Gazprom**

Amounting to €70,836 million, the level of total assets was €523 million below that of the previous year.

Noncurrent assets grew by €2,331 million to €46,270 million. The €430 million decline in intangible assets resulted especially from amortization and impairments as well as from the asset swap with Gazprom. Currency effects particularly contrasted this development.

The value of property, plant and equipment grew by €1,764 million to €25,260 million. At €5,742 million, additions considerably exceeded depreciation of €3,600 million. Investments amounted to €5,651 million in 2015 and primarily concerned the construction of an integrated TDI complex in Ludwigshafen, Germany; an aroma ingredients plant in Kuantan, Malaysia; an acrylic acid and superabsorbent production complex in Camaçari, Brazil; and field development projects in Argentina, Norway and Russia. Currency effects additionally increased the value of property, plant and equipment. Disposals were mainly attributable to the asset swap with Gazprom.

Investments accounted for using the equity method increased by €1,191 million to €4,436 million. This rise was primarily attributable to the asset swap with Gazprom, where BASF acquired shares in blocks IV and V of the Achimov formation of the Urengoy natural gas and condensate field in western Siberia, and through which Wintershall Noordzee B.V. was reclassified to an investment accounted for using the equity method.

The value of other financial assets fell by €14 million to €526 million in 2015, while deferred tax assets declined from €2,193 million to €1,791 million.

Other noncurrent receivables and miscellaneous assets were up by €222 million to €1,720 million year-on-year. This was mainly due to the increase in the positive fair value of derivatives.

The value of current assets declined by €2,854 million to €24,566 million. In addition to the asset swap with Gazprom, this was largely attributable to the reduction of inventories as well as other receivables and miscellaneous assets.

At €2,241 million, cash and cash equivalents were €523 million above the level of December 31, 2014.

For more on the composition and development of individual asset items in the balance sheet, see the Notes to the Consolidated Financial Statements from page 189 onward

Financial position

Equity and liabilities

	December 31, 2015		December 31, 2014	
	million €	%	million €	%
Paid-in capital	4,317	6.1	4,319	6.1
Retained earnings	30,120	42.5	28,777	40.3
Other comprehensive income	(3,521)	(5.0)	(5,482)	(7.7)
Minority interests	629	0.9	581	0.8
Equity	**31,545**	**44.5**	**28,195**	**39.5**
Provisions for pensions and similar obligations	6,313	8.9	7,313	10.2
Other provisions	3,369	4.8	3,502	4.9
Deferred taxes	3,381	4.8	3,420	4.8
Financial indebtedness	11,123	15.7	11,839	16.6
Other liabilities	869	1.2	1,197	1.7
Noncurrent liabilities	**25,055**	**35.4**	**27,271**	**38.2**
Accounts payable, trade	4,020	5.7	4,861	6.8
Provisions	2,540	3.6	2,844	4.0
Tax liabilities	1,082	1.5	1,079	1.5
Financial indebtedness	4,074	5.7	3,545	5.0
Other liabilities	2,520	3.6	3,564	5.0
Current liabilities	**14,236**	**20.1**	**15,893**	**22.3**
Total equity and liabilities	**70,836**	**100.0**	**71,359**	**100.0**

Equity and liabilities

- Equity ratio rises from 39.5% to 44.5%
- Net debt shrinks slightly

Equity grew by €3,350 million to €31,545 million compared with the previous year. Retained earnings increased by €1,343 million to €30,120 million. Other comprehensive income rose by €1,961 million to minus €3,521 million, primarily because of currency translation effects and the remeasurement of defined benefit plans. The equity ratio was 44.5% (2014: 39.5%).

Compared with the end of 2014, noncurrent liabilities declined by €2,216 million to €25,055 million. All line items contributed to this development. Provisions for pensions and similar obligations were reduced by €1 billion, predominantly as a result of the decline in the projected pension increase and higher discount rates. Long-term financial indebtedness fell by €716 million due to the reclassification into short-term financial indebtedness of three bonds due in 2016 with a nominal value totaling €900 million. Other liabilities declined by €328 million, other provisions by €133 million and deferred taxes by €39 million.

Current liabilities fell by €1,657 million to €14,236 million, predominantly due to the €841 million decline in trade accounts payable and a €1,044 million decline in other liabilities, both of which mainly resulted from the asset swap with Gazprom. In addition, short-term provisions fell by €304 million. Short-term financial indebtedness rose by €529 million, largely on account of the €1,590 million year-on-year increase in outstanding U.S. dollar commercial paper as of December 31, 2015, as well as the previously mentioned reclassification of bonds. Contrasting this was the scheduled repayment of two bonds with a nominal value of €2 billion and CHF 200 million in 2015. Tax liabilities remained at the prior-year level.

Financial indebtedness decreased overall by €187 million to €15,197 million. The average maturity of our financial indebtedness was 5.2 years (2014: 5.7 years). Net debt fell by €710 million to €12,956 million.

For more on the composition and development of individual equity and liability items in the balance sheet, see the Notes to the Consolidated Financial Statements from page 198 onward

For more on the development of the balance sheet, see the Ten-Year Summary on page 236

Net debt (in million €)

	Dec. 31, 2015	Dec. 31, 2014
Cash and cash equivalents	2,241	1,718
Financial indebtedness	15,197	15,384
Net debt	**12,956**	**13,666**

Financing policy and credit ratings

- Financing principles remain unchanged
- "A" ratings confirmed

Our financing policy is aimed at ensuring our solvency at all times, limiting the risks associated with financing and optimizing our cost of capital. We preferably meet our financing needs on international capital markets.

We strive to maintain at least a solid "A" rating, which allows us unrestricted access to money and capital markets. Our financing measures are aligned with our operative business planning as well as the company's strategic direction and also ensure the financial flexibility to take advantage of strategic options.

Maturities of financial indebtedness (in million €)

2016	4,074
2017	1,625
2018	1,865
2019	2,099
2020	303
2021 and beyond	5,231

BASF has good credit ratings, especially in comparison with competitors in the chemical industry. Rating agency Moody's last confirmed their rating of "A1/P-1/outlook stable" on November 4, 2015. Standard & Poor's adjusted the outlook of their "A+/A-1" rating to "negative" on April 10, 2015. This was primarily because of an increase in pension provisions as a result of lower capital market interest rates.

We have solid financing. Corporate bonds form the basis of our medium to long-term debt financing. These are issued in euros and other currencies with different maturities as part of our €20 billion debt issuance program. The goal is to create a balanced maturity profile and diverse range of investors, and to optimize our debt capital financing conditions.

For short-term financing, we use BASF SE's U.S. dollar commercial paper program, which has an issuing volume of up to $12.5 billion. On December 31, 2015, $1,869 million worth of commercial paper was outstanding under this program. Firmly committed, syndicated credit lines of €6 billion serve to cover the repayment of outstanding commercial paper, and can also be used for general company purposes.

These credit lines were not used at any point in 2015. Our external financing is therefore largely independent of short-term fluctuations in the credit markets.

Financing instruments (in million €)

1	Bank loans	2,996
2	Eurobonds	7,635
3	USD commercial paper	1,714
4	Other	2,852

Off-balance-sheet financing tools, such as leasing, are of minor importance to us. BASF Group's most important financial contracts contain no side agreements with regard to specific financial ratios (financial covenants) or compliance with a specific rating (rating trigger).

For more on the financing tools used, see the Notes to the Consolidated Financial Statements from page 210 onward

To minimize risks and exploit internal optimization potential within the Group, we bundle the financing, financial investments and foreign currency hedging of BASF SE's subsidiaries within the BASF Group where possible. Foreign currency risks are primarily hedged centrally by means of derivative financial instruments in the market.

Our interest risk management generally pursues the goal of reducing interest expenses for the Group and minimizing interest risks. Interest rate hedging transactions are therefore conducted with banks in order to turn selected capital market liabilities from fixed interest to variable rate or vice versa.

Statement of cash flows

Cash provided by operating activities and free cash flow significantly exceed prior-year levels

At €9,446 million, **cash provided by operating activities** in 2015 was €2,488 million above the level of the previous year. This was largely attributable to a decrease in the amount of capital tied down in net working capital as a result of reduced inventories and other operating receivables. The line item "miscellaneous items" particularly contained the transfer of gains from the asset swap with Gazprom into cash used in investing activities. In the previous year, this item had primarily included the reclassification of gains from the disposal of our 50% share in Styrolution Holding GmbH.

Cash used in investing activities amounted to minus €5,235 million in 2015 compared with minus €4,496 million in 2014. Payments for property, plant and equipment and intangible assets were at €5,812 million, surpassing both the prior year's level (€5,296 million) and the level of depreciation and amortization (€4,448 million).

Acquisitions and divestitures in 2015 resulted in net payments received of €436 million (2014: €373 million).

Cash inflow of €141 million from financial investments and other items in 2015 was primarily attributable to the decrease in other financial receivables. In 2014, the disposal of financial assets, other financial receivables, and miscellaneous items had led to €427 million in payments received.

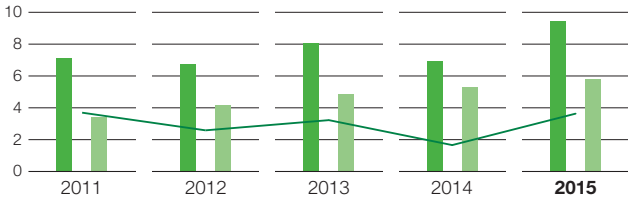
For more on investments and acquisitions, see page 39 onward

Cash used in financing activities amounted to minus €3,673 million in 2015, compared with minus €2,478 million in the previous year. The contribution from minority interests to a capital increase in one Group company was primarily responsible for cash inflow of €66 million in 2015. Cash outflow from the change in financial indebtedness amounted to €933 million. This was largely from the scheduled repayment of two bonds; the expansion of BASF SE's U.S. dollar commercial paper program had a countering effect. In 2015, dividends of €2,572 million were paid to shareholders of BASF SE and €234 million to minority interests.

In total, cash and cash equivalents increased by €523 million compared with the previous year, amounting to €2,241 million as of December 31, 2015.

Free cash flow rose by €1,972 million to €3,634 million in 2015 on account of higher cash provided by operating activities.

Cash flow[1] (in billion €)



Cash provided by operating activities
Payments made for property, plant and equipment and intangible assets[2]
Free cash flow[3]

[1] The figures for the 2011 business year were not restated according to the new accounting and reporting standards IFRS 10 and 11.
[2] Including investments to the extent that they already had an effect on cash
[3] Cash provided by operating activities less payments made for property, plant and equipment and intangible assets

Statement of cash flows (in million €)

	2015	2014
Net income	3,987	5,155
Depreciation and amortization of intangible assets, property, plant and equipment, and financial assets	4,448	3,455
Changes in net working capital[1]	1,347	(623)
Miscellaneous items[1]	(336)	(1,029)
Cash provided by operating activities	**9,446**	**6,958**
Payments for property, plant and equipment and intangible assets	(5,812)	(5,296)
Acquisitions/divestitures	436	373
Financial investments and other items	141	427
Cash used in investing activities	**(5,235)**	**(4,496)**
Capital increases/repayments, share repurchases	66	–
Changes in financial liabilities	(933)	288
Dividends	(2,806)	(2,766)
Cash used in financing activities	**(3,673)**	**(2,478)**
Net changes in cash and cash equivalents	538	(16)
Cash and cash equivalents at the beginning of the year and other changes	1,703	1,734
Cash and cash equivalents at the end of the year	**2,241**	**1,718**

[1] The figures for the 2014 business year were restated. For more information, see the Notes to the Consolidated Financial Statements on page 162.

Business review by segment

Segment overview (in million €)

	Sales		Income from operations before depreciation and amortization (EBITDA)		Income from operations (EBIT) before special items	
	2015	2014	2015	2014	2015	2014
Chemicals	14,670	16,968	3,090	3,212	2,156	2,367
Performance Products	15,648	15,433	2,289	2,232	1,366	1,455
Functional Materials & Solutions	18,523	17,725	2,228	1,678	1,649	1,197
Agricultural Solutions	5,820	5,446	1,321	1,297	1,090	1,109
Oil & Gas	12,998	15,145	2,587	2,626	1,366	1,795
Other[1]	2,790	3,609	(866)	(2)	(888)	(566)
	70,449	**74,326**	**10,649**	**11,043**	**6,739**	**7,357**

Segment overview (in million €)

	Income from operations (EBIT)		Assets		Investments[2]	
	2015	2014	2015	2014	2015	2014
Chemicals	2,131	2,396	12,823	12,498	1,859	2,085
Performance Products	1,340	1,417	14,232	14,502	964	849
Functional Materials & Solutions	1,607	1,150	13,341	12,987	854	650
Agricultural Solutions	1,083	1,108	8,435	7,857	402	391
Oil & Gas	1,072	1,688	12,373	13,686	1,823	3,162
Other[1]	(985)	(133)	9,632	9,829	111	148
	6,248	**7,626**	**70,836**	**71,359**	**6,013**	**7,285**

[1] Information on the composition of Other can be found in the Notes to the Consolidated Financial Statements from page 179 onward.

[2] Additions to property, plant and equipment (thereof from acquisitions: €91 million in 2015 and €1,001 million in 2014) and intangible assets (thereof from acquisitions: €136 million in 2015 and €732 million in 2014).

Contributions to total sales by segment

Chemicals	21%
Performance Products	22%
Functional Materials & Solutions	26%
Agricultural Solutions	8%
Oil & Gas	19%
Other	4%

Contributions to EBITDA by segment

Chemicals	29%
Performance Products	22%
Functional Materials & Solutions	21%
Agricultural Solutions	12%
Oil & Gas	24%
Other	(8%)

Sales[1,2] (in million €)

	1st quarter		2nd quarter		3rd quarter		4th quarter	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Chemicals	3,866	4,398	3,975	4,298	3,640	4,201	3,189	4,071
Performance Products	4,038	3,872	4,084	3,924	3,899	3,919	3,627	3,718
Functional Materials & Solutions	4,584	4,236	4,916	4,518	4,517	4,527	4,506	4,444
Agricultural Solutions	1,898	1,653	1,678	1,666	1,077	1,018	1,167	1,109
Oil & Gas	4,993	4,276	3,668	3,194	3,606	3,670	731	4,005
Other[3]	688	1,077	757	855	685	977	660	700
	20,067	**19,512**	**19,078**	**18,455**	**17,424**	**18,312**	**13,880**	**18,047**

Income from operations (EBIT) before special items[1,2] (in million €)

	1st quarter		2nd quarter		3rd quarter		4th quarter	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Chemicals	726	601	548	570	633	616	249	580
Performance Products	515	427	304	435	319	376	228	217
Functional Materials & Solutions	431	311	458	356	371	310	389	220
Agricultural Solutions	574	510	365	433	7	43	144	123
Oil & Gas	437	466	431	546	371	436	127	347
Other[3]	(613)	(203)	(63)	(328)	(98)	(7)	(114)	(28)
	2,070	**2,112**	**2,043**	**2,012**	**1,603**	**1,774**	**1,023**	**1,459**

Income from operations (EBIT)[1,2] (in million €)

	1st quarter		2nd quarter		3rd quarter		4th quarter	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Chemicals	726	600	548	536	631	615	226	645
Performance Products	491	414	368	454	315	366	166	183
Functional Materials & Solutions	464	311	411	351	366	311	366	177
Agricultural Solutions	573	510	365	433	6	43	139	122
Oil & Gas	436	597	430	499	643	434	(437)	158
Other[3]	(695)	(211)	(83)	(340)	(72)	(27)	(135)	445
	1,995	**2,221**	**2,039**	**1,933**	**1,889**	**1,742**	**325**	**1,730**

EBIT before special items by segment
(in million €)

Chemicals	2,156
Performance Products	1,366
Functional Materials & Solutions	1,649
Agricultural Solutions	1,090
Oil & Gas	1,366
Other[3]	(888)

EBIT before special items BASF Group by quarter[1,2]
(in million €)

1st quarter 2015	**2,070**
2014	2,112
2nd quarter 2015	**2,043**
2014	2,012
3rd quarter 2015	**1,603**
2014	1,774
4th quarter 2015	**1,023**
2014	1,459

[1] Quarterly results not audited.
[2] The figures for the first three quarters of 2014 were adjusted after the dissolution of the natural gas trading business disposal group at the end of 2014. For more information, see the "Restated Figures 2013 and 2014" flyer available at basf.com/publications.
[3] Information on the composition of Other can be found in the Notes to the Consolidated Financial Statements from page 179 onward.

Outlook 2016

We expect conditions to remain challenging in 2016. The global economy and industrial production will presumably grow at a level approximating that of 2015. Chemical production is likely to grow at a slower rate than in 2015. For 2016, we assume an average price of $40 for a barrel of Brent blend crude oil and an exchange rate of $1.10 per euro. The global economy continues to face increasing risks. We nevertheless aim to raise sales volumes in all segments. BASF Group sales will decline considerably, however, especially as a result of the divestiture of the gas trading and storage business as well as lower oil and gas prices. We expect income from operations before special items to be slightly below 2015 levels. This is an ambitious goal in the current volatile and challenging environment, and is particularly dependent on oil price developments.

For more information on our expectations for the economic environment in 2016, see page 121 onward

Sales and earnings forecast for the BASF Group

- Considerable sales decline due to divestiture of gas trading and storage business
- Income from operations before special items expected at level slightly below 2015

BASF Group sales will decrease considerably in 2016. As a consequence of the asset swap with Gazprom, contributions to the Oil & Gas segment have ceased from the natural gas trading and storage business in particular. In the first three quarters of 2015, these activities contributed a total of around €10.1 billion to sales. Sales will be furthermore reduced by lower prices for oil and gas. We want to increase sales volumes in all segments, excluding the effects of acquisitions and divestitures. Income from operations before special items is expected to be slightly below 2015 levels. This is an ambitious goal in the current volatile and challenging environment, and is particularly dependent on oil price developments. We anticipate considerably lower contributions from the Chemicals and Oil & Gas segments. In the other segments, we aim to slightly increase earnings.

We expect EBIT to decline slightly overall in 2016. In addition to a lower level of EBIT before special items, this assumption reflects the charges expected to arise from restructuring measures. The contribution from the Oil & Gas segment is likely to shrink considerably in 2016; we anticipate a slight decrease in the chemicals business[1] and a slight gain in the Agricultural Solutions segment. In Other, EBIT is forecast to rise considerably. Yet because EBIT of Other is not factored into the calculation of our EBIT after cost of capital, the BASF Group's EBIT after cost of capital will presumably see a considerable decline. We will still earn a premium on our cost of capital. In the Performance Products, Functional Materials & Solutions, and Agricultural Solutions segments, we anticipate a considerable boost in EBIT after cost of capital.

The significant risks and opportunities that could affect our forecast are described on pages 113 to 120.

For more on the cost of capital percentage, see page 30

Sales and earnings forecast for the segments

Sales in the **Chemicals** segment are likely to decline slightly in 2016. Higher volumes in the Monomers and Intermediates divisions due to the startup of plants will not be able to offset the lower prices resulting from decreased raw material costs. We continue to anticipate intense competitive pressure, especially in the markets for MDI, TDI, acrylic acid and caprolactam. Income from operations before special items is expected to fall considerably. We foresee higher fixed costs in the Monomers and Intermediates divisions from plant startups and shrinking margins, especially in the Petrochemicals division.

In an environment that remains challenging, we plan on sales in the **Performance Products** segment that match prior-year levels, despite lower prices. We want to raise sales volumes in all divisions. Factors supporting this endeavor include new production capacities in the Dispersions & Pigments and Care Chemicals divisions. Income from operations before special items should slightly exceed the level of 2015, supported by strict cost discipline and measures to increase competitiveness in all divisions.

In the **Functional Materials & Solutions** segment in 2016, we expect demand to remain high from our key customer sectors, the automotive and construction industries, and aim to raise sales volumes in all divisions. We nevertheless foresee negative effects from the continuing decrease in precious metal prices and overall sales that remain at a prior-year level. We aim to slightly raise our income from operations before special items.

[1] Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

Forecast by segment[1] (in million €)

	Sales		Income from operations (EBIT) before special items	
	2015	Forecast 2016	2015	Forecast 2016
Chemicals	14,670	slight decrease	2,156	considerable decrease
Performance Products	15,648	at prior-year level	1,366	slight increase
Functional Materials & Solutions	18,523	at prior-year level	1,649	slight increase
Agricultural Solutions	5,820	slight increase	1,090	slight increase
Oil & Gas	12,998	considerable decrease	1,366	considerable decrease
Other	2,790	considerable decrease	(888)	considerable increase
BASF Group	**70,449**	**considerable decrease**	**6,739**	**slight decrease**

[1] For sales, "slight" represents a change of 1–5%, while "considerable" applies for changes of 6% and higher. "At prior-year level" indicates no change (+/–0%). 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%).

For 2016, we are anticipating continued slow market growth in the **Agricultural Solutions** segment and high exchange rate volatility in some of our key growth markets. Despite this difficult economic environment, we aim to increase our sales volumes, especially of innovative herbicides. Through increased sales and continued strict cost management, sales and income from operations before special items should both improve slightly.

The **Oil & Gas** segment is likely to see expanded production, but a considerable drop in sales and income from operations before special items compared with 2015. Lower prices for oil and gas, together with the divestiture of our gas trading and storage business, are the major factors behind this forecast. Moreover, we will achieve lower sales and earnings from our share in the Yuzhno Russkoye natural gas field: In 2016, the excess amounts produced over the last ten years will be compensated, as contractually agreed with our partner, Gazprom.

In **Other**, sales are likely to decline considerably due to supply contracts in Asia that expired at the end of 2015. A considerable rise is expected in income from operations before special items, which should result in part from an improved currency result.

Investments[1]

Investments of around €4.2 billion planned for 2016

The bulk of our spending in 2015 was on major facilities that started operations during the reporting period, such as parts of the TDI production complex in Ludwigshafen, Germany; production plants for acrylic acid and superabsorbents in Camaçari, Brazil; and an MDI plant in Chongqing, China. We have planned capital expenditures totaling €19.5 billion for the period from 2016 to 2020 and will invest more than a quarter of this amount in emerging markets.

Projects currently being planned or underway include:

Capital expenditures: Selected major projects

Location	Project
Antwerp, Belgium	Modification for new superabsorbent technology platform
Beaumont, Texas	Expansion: dicamba and dimethenamid-P
Caojing, China	Construction: automotive coatings
	Construction: chemical catalysts
Geismar, Louisiana	Expansion: butanediol
Kuantan, Malaysia	Construction: aroma chemicals
	Construction: polyisobutene
	Construction: 2-ethylhexanoic acid
Rayong, Thailand	Construction: mobile emissions catalysts
Schwarzheide, Germany	Capacity expansion: compounding plant for Ultramid® and Ultradur®

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

In the Oil & Gas segment, our currently planned investments of around €4.8 billion between 2016 and 2020 will focus mainly on the development of proven gas and oil deposits in Argentina, Norway and Russia. The actual amount of expenditure will depend on oil and gas price developments and be reduced as needed.

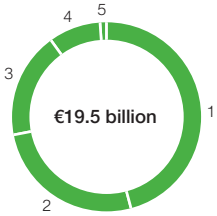
For 2016, we plan total investments of around €4.2 billion, particularly for the major projects in the countries listed above.

Capital expenditures by segment, 2016–2020

1	Chemicals	30%
2	Performance Products	16%
3	Functional Materials & Solutions	12%
4	Agricultural Solutions	4%
5	Oil & Gas	24%
6	Other (infrastructure, R&D)	14%

Capital expenditures by region, 2016–2020

1	Europe	46%
2	North America	26%
3	Asia Pacific	18%
4	South America, Africa, Middle East	9%
5	Alternative sites currently being investigated	1%



Dividend

We stand by our ambitious dividend policy and offer our shareholders an attractive dividend yield. We continue to aim to increase our dividend each year, or at least maintain it at the previous year's level.

Information on the proposed dividend can be found from page 14 onward

Financing

Our financing policy is aimed at ensuring our solvency at all times, limiting the risks associated with financing and optimizing our cost of capital. We strive to maintain at least a solid "A" rating, which allows the BASF Group unrestricted access to money and capital markets.

From the scheduled repayment of bonds, we expect cash outflows in the equivalent amount of around €900 million in 2016. To refinance mature bonds and to optimize our maturity profile, we continue to have medium to long-term corporate bonds and our U.S. dollar commercial paper program at our disposal.

Information on our financing policies can be found on page 59

Events after the reporting period

On February 17, 2016, we announced that a general agreement had been reached with AkzoNobel on the sale of the Coatings division's industrial coatings business for €475 million. The transaction would include technologies, patents and trademarks, as well as the transfer of two production sites in England and South Africa. The planned transaction is subject to the required consultation with employee representatives and certain regulatory approvals. Our industrial coatings business generated sales of approximately €300 million in 2015. We intend to complete the transaction by the end of 2016.