Reporting Factsheet
Q2 2016

BASF
We create chemistry

BASF Group (Million €)	Q2 2016	Q2 2015	Change (%)	*Q2 2016*	*Q1 2016*	*Change (%)*
Sales	**14,483**	19,078	(24.1)	***14,483***	*14,208*	*1.9*
Income from operations before depreciation and amortization (EBITDA)	**2,790**	2,994	(6.8)	***2,790***	*2,812*	*(0.8)*
Income from operations (EBIT) before special items	**1,707**	2,043	(16.4)	***1,707***	*1,906*	*(10.4)*
Income from operations (EBIT)	**1,718**	2,039	(15.7)	***1,718***	*1,866*	*(7.9)*
Financial result	**(177)**	(152)	(16.4)	***(177)***	*(188)*	*5.9*
Income before taxes and minority interests	**1,541**	1,887	(18.3)	***1,541***	*1,678*	*(8.2)*
Net income	**1,092**	1,265	(13.7)	***1,092***	*1,387*	*(21.3)*
Earnings per share (€)	**1.19**	1.38	(13.8)	***1.19***	*1.51*	*(21.2)*
Adjusted earnings per share (€)[1]	**1.30**	1.49	(12.8)	***1.30***	*1.64*	*(20.7)*
EBITDA in % of sales	**19.3**	15.7	-	***19.3***	*19.8*	*-*
Cash provided by operating activities	**2,293**	2,753	(16.7)	***2,293***	*1,046*	*119*
Investments[2]	**1,007**	1,526	(34.0)	***1,007***	*959*	*5.0*
Amortization and depreciation[2]	**1,072**	955	12.3	***1,072***	*946*	*13.3*
Segment assets (end of period)[3]	**62,196**	64,334	(3.3)	***62,196***	*61,631*	*0.9*
Personnel costs	**2,478**	2,394	3.5	***2,478***	*2,445*	*1.3*
Number of employees (end of period)	**111,456**	113,539	(1.8)	***111,456***	*112,272*	*(0.7)*

[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 bSI			EBIT		
Q2 (Million €)	2016	2015	Change (%)	2016	2015	Change (%)	2016	2015	Change (%)
Chemicals	**3,373**	3,975	(15.1)	**467**	548	(14.8)	**467**	548	(14.8)
Performance Products	**3,846**	4,084	(5.8)	**503**	304	65.5	**486**	368	32.1
Functional Materials & Solutions	**4,703**	4,916	(4.3)	**535**	458	16.8	**531**	411	29.2
Agricultural Solutions	**1,459**	1,678	(13.1)	**320**	365	(12.3)	**288**	365	(21.1)
Oil & Gas	**617**	3,668	(83.2)	**94**	431	(78.2)	**93**	430	(78.4)
Other[4]	**485**	757	(35.9)	**(212)**	(63)	(236.5)	**(147)**	(83)	(77.1)
BASF Group	**14,483**	19,078	(24.1)	**1,707**	2,043	(16.4)	**1,718**	2,039	(15.7)

[4] "Other" includes the sale of raw materials, engineering and other services, rental income and leases, the production of precursors not assigned to a particular segment, the steering of the BASF Group by corporate headquarters, and corporate research. Earnings from currency conversion that are not allocated to the segments are also reported under Other, as are earnings from the hedging of raw material prices and foreign currency exchange risks. Furthermore, revenues and expenses from the long-term incentive (LTI) program are reported here.

Factors influencing sales changes in % vs. Q2 2015	Sales	Volumes	Prices	Currencies	Acqu./Divest.
Chemicals	(15)	4	(17)	(2)	0
Performance Products	(6)	2	(3)	(2)	(3)
Functional Materials & Solutions	(4)	5	(6)	(3)	0
Agricultural Solutions	(13)	(8)	1	(6)	0
Oil & Gas	(83)	2	(3)[5]		(82)
BASF Group	**(24)**	**2**	**(7)**	**(3)**	**(16)**

[5] mix of price and currency effects

Segments Q2 2016 vs. Q2 2015

Chemicals: Sales declined considerably. Lower prices in all divisions, resulting from lower raw material prices, and negative FX effects, were the drivers for this development. In all divisions volumes grew – supported by our new capacities. High cracker margins in Europe and a significant improvement of the equity result from our joint venture BASF YPC in Nanjing could not compensate for lower cracker margins in North America and continued margin pressure on key commodity product lines. EBIT bSI therefore decreased considerably compared to the PYQ. Despite the costs for planned turnarounds and the startup of new plants, fixed costs came in at the prior year level.

- In Petrochemicals, sales decreased considerably. Lower raw material costs, particularly for naphtha, led to reduced sales prices in all product lines. Volumes growth was predominantly driven by higher sales volumes from our acrylic acid production complex in Camaçari, Brazil, as well as by the resumption of operations at the plant in our Ellba joint operation in Moerdijk, Netherlands. Primarily as a result of lower margins for cracker products in North America, EBIT bSI was considerably below the high level of Q2 2015. Increased margins in Europe and Asia, especially for cracker products, alkylene oxides and glycols, were not able to compensate for this. Fixed costs shrank slightly.
- Sales in Monomers fell considerably, largely because of lower prices brought about by decreased raw material costs. Higher sales volumes of MDI in all regions were responsible for a boost in volumes. Reduced margins for products from the polyamide value chain, and the scheduled turnaround of the ammonia plant in Antwerp led to a considerable decline in EBIT bSI. Fixed costs rose slightly through increased expenses from the gradual startup of our new production facilities.
- We also experienced a considerable sales decline in Intermediates, mainly as a result of lower prices weighed down by falling raw material costs. All product lines achieved higher sales volumes, especially polyalcohols and amines. A favorable product mix led to slightly higher EBIT bSI compared with the previous second quarter. Yet ongoing market overcapacity decreased margins for butanediol and its derivatives. Fixed costs were brought down slightly.

Performance Products: Sales declined significantly. The slight volume increase was more than offset by lower prices, FX headwinds and negative portfolio effects resulting from the divestiture of several businesses in 2015. Prices decreased due to lower raw material costs. The competitive pressure in the hygiene business also contributed to the lower prices. Despite this, we were able to increase EBIT bSI items by about €200 million or 65%, supported by lower fixed costs, improved margins and higher volumes.

- In Dispersions & Pigments, sales were slightly below Q2 2015. This was essentially due to lower prices on account of decreased raw material costs, coupled with negative FX effects. Higher sales volumes of pigments, dispersions and additives supported growth, and more than compensated for the slight volumes decline in our businesses with resins and paper chemicals. Improved margins overall enabled us to considerably increase EBIT bSI.
- Sales in Care Chemicals were slightly down compared with Q2 2015. This was predominantly the result of price declines brought about by lower raw material costs, although intense competition in our hygiene business was also a factor. Negative FX effects additionally dampened sales. Sales volumes were particularly boosted by substantially higher volumes of ingredients for the detergents and cleaners industry, as well as by greater demand for oleochemical surfactants and fatty alcohols. Higher volumes, stronger margins and reduced fixed costs allowed us to considerably improve EBIT bSI.
- Sales in Nutrition & Health saw a considerable year-on-year decline, mainly due to the sale of parts of the pharmaceutical ingredients and services business. A slight dip in sales volumes was mostly attributable to lower demand in the remaining pharmaceutical business and in the human nutrition business, whereas volumes rose for animal nutrition. FX effects additionally dampened sales. We were able to raise price levels by sharply increasing vitamin prices in the animal nutrition business. Improved margins and substantially reduced fixed costs – thanks especially to restructuring measures – led to a considerable rise in EBIT bSI.
- Performance Chemicals posted a considerable sales decline, largely on account of the divestiture of the textile chemicals business and the sale of the paper hydrous kaolin activities. Decreased sales prices brought about by a sharp drop in raw material prices, along with negative FX effects, also dampened sales development. Volumes matched the level of the previous second quarter. We were primarily able to increase sales volumes in the fuel and lubricant additive business, as well as in plastic additives, whereas demand declined in, for example, oilfield and mining chemicals. EBIT bSI considerably surpassed the level of Q2 2015. This was mostly due to significantly reduced fixed costs thanks to restructuring measures and strict fixed cost management, as well as to improved margins.

Functional Materials & Solutions: Sales slightly decreased. This was mainly driven by lower prices, especially in precious metals trading, as well as negative FX effects. Sales volumes, however, increased by 5% due to continued high demand from the automotive and construction industries. EBIT bSI items rose by 17%. All divisions contributed to this considerable increase, particularly Performance Materials.

- Sales in Catalysts decreased considerably, primarily as a result of lower precious metal prices. FX effects also weighed down sales. We achieved volumes growth overall, predominantly supported by sharply increased sales volumes of mobile emissions catalysts. Lower precious metal prices led to a sales decline in precious metal trading to €554 million (Q2 2015: €666 million). The volumes growth allowed us to considerably raise EBIT bSI.
- In Construction Chemicals, we posted slight sales growth compared with the second quarter of 2015. This was largely attributable to considerably higher sales volumes, especially in North America. Volumes rose in Europe, as well, while they declined slightly in Asia and the region South America, Africa, Middle East. FX effects had a negative impact, particularly in Asia and in South America, Africa, Middle East. Prices fell slightly. We were able to considerably improve EBIT bSI as a result of increased sales volumes and positive margin development.
- Compared with Q2 2015, sales declined slightly in Coatings. This was predominantly the result of negative FX effects in all business areas. Volumes and prices rose slightly. We achieved considerable volumes growth for automotive OEM coatings in Europe and North America, as well as in the industrial coatings business.

Volumes of automotive refinish coatings slightly exceeded the level of the previous second quarter. The difficult environment in Brazil led to a significant decline in demand for decorative paints. Thanks especially to increased volumes of automotive OEM coatings, we were able to considerably raise EBIT bSI.

- Sales in Performance Materials were slightly below the level of Q2 2015. This was largely due to declining sales prices brought about by lower raw material costs as well as to negative FX effects. We were able to improve sales volumes, however. Our businesses with styrene foams, thermoplastic polyurethanes, engineering plastics and Cellasto® saw especially positive development. Demand from the automotive industry grew significantly. Our businesses with the construction industry remained at PYQ levels, whereas sales volumes declined in the consumer goods sector. EBIT bSI rose considerably thanks to higher margins and lower fixed costs.

Agricultural Solutions: The segment continues to face a challenging market environment, particularly in South America. Sales decreased considerably due to lower volumes and negative FX effects, while prices increased slightly. EBIT bSI declined considerably, mainly due to lower volumes.

- Sales declined considerably in Europe, mainly as a result of lower sales volumes. This was particularly true of fungicides in Germany and Poland, where demand was dampened by high customer inventory levels and by the cool, wet weather in broad parts of the region.
- In North America, sales were slightly below the level of Q2 2015 owing to negative FX effects and lower prices. We were able to raise volumes slightly, thanks primarily to increased demand for the fungicides Xemium® and F500® in Canada and the United States.
- Lower volumes in the insecticides and fungicides businesses were primarily responsible for the considerable sales decline in South America. These were largely attributable to high inventory levels and the still critical situation of many customers, especially in Brazil. We were only partly able to offset negative FX effects with price increases.
- Sales in Asia were slightly reduced by negative FX effects, which could not be offset by considerable volumes growth, especially of fungicides in China.

Looking at H1 2016, sales decreased by 9%. EBIT bSI came in 3% lower than in the same period of last year. For the remainder of 2016, we do not foresee a significant improvement in the agricultural market.

Oil & Gas: Sales decreased significantly, mainly due to the missing contributions from the natural gas trading and storage business following the asset swap with Gazprom. In addition, lower oil and gas prices contributed to the drop in sales. Higher production volumes could not offset this price decline. In the continuing oil and gas business, price and FX effects together were minus 18% in Q2 2016. A strong volume increase of 9% driven by higher production in Norway was not able to compensate for this. Overall, EBIT bSI decreased from €431 million to €94 million. Strict cost-containment measures partly counterbalanced this decline. Please keep in mind that throughout 2016 we will have lower earnings from our share in the Yuzhno Russkoye natural gas field. This year, the excess amounts received over the last years will be offset by lower volumes, as contractually agreed with Gazprom. Net income in Oil & Gas decreased from €250 million to €100 million.

Other: Sales decreased to €485 million. This was largely attributable to lower contributions from raw material trading. EBIT bSI declined to minus €212 million, down from minus €63 million. This was driven by a swing of over €200 million related to our long-term incentive (LTI) program. While earnings in Q2 2016 were negatively affected by an increase in provisions, the PYQ benefitted significantly from the release of provisions for our LTI-program. Special items in “Other” amounted to plus €65 million and were mainly related to portfolio measures.

Note: With regard to sales, “slight” represents a change of 1–5%, while “considerable” applies to changes of 6% and higher. 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 Q2/H1 2016

- Special items in EBIT Q2 2016: plus €11 million (Q2 2015: minus €4 million).
  Special items in EBIT H1 2016: minus €29 million (H1 2015: minus €79 million).
- Tax rate Q2 2016: 26.9% (Q2 2015: 26.8%). Income taxes amounted to €414 million (Q2 2015: €506 million).
- Financial result Q2 2016: minus €177 million (Q2 2015: minus €152 million).
  Financial result H1 2016: minus €365 million (H1 2015: minus €316 million).
- Cash provided by operating activities in Q2 2016: €2,293 million (Q2 2015: €2,753 million).
  Cash provided by operating activities in H1 2016: €3,339 million (H1 2015: €5,143 million).
- Investments (including acquisitions) in Q2 2016: €1,007 million (Q2 2015: €1,526 million).
  Investments (including acquisitions) in H1 2016: €1,966 million (H1 2015: €2,860 million).
- Free cash flow in Q2 2016: €1,315 million (Q2 2015: €1,186 million).
  Free cash flow in H1 2016: €1,360 million (H1 2015: €2,298 million).
- Equity ratio on June 30, 2016: 40.1% (Dec. 31,2015: 44.5%).
  Net debt on June 30, 2016: €14.1 billion (Dec. 31, 2015: €13.0 billion).

Outlook 2016 for BASF Group confirmed

Assumptions for 2016

- GDP growth: +2.3%; Growth in industrial production: +2.0%; Growth in chemical production (excl. pharma): +3.4%
- Exchange rate: US$1.10 per €; Oil price (Brent): US$40 per barrel

Outlook 2016

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

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.