

News Release



BASF: Earnings and volumes increase in chemicals business

- **Sales at €14.0 billion (minus 20%)**
- **Good volumes growth, lower prices, significantly negative portfolio effects**
- **EBIT before special items at €1.5 billion (minus 5%)**
- **Earnings rise in chemicals business due to considerable growth in Performance Products and Functional Materials & Solutions segments**

Outlook 2016 confirmed:

- **Considerable sales decline due to divestiture of gas trading business**
- **EBIT before special items expected at level slightly below 2015**

Ludwigshafen, Germany – October 27, 2016 – In the third quarter of 2016, BASF increased its earnings and volumes in the chemicals business. “Demand from the automotive and construction industries in particular remained robust worldwide. In Europe, we saw moderate growth across all sectors. The summer lull in July and August was less pronounced than in prior years. In Asia, the upward trend continued in the third quarter. Growth in China was slightly higher than we had expected at the beginning of the year. Demand in North America developed modestly; however, we experienced continued positive momentum in the automotive and construction industries. Economic development in South America remained weak and business confidence low. Volumes decreased, especially in Brazil, our largest market in the region,” said Dr. Hans-Ulrich Engel, Chief Financial Officer of BASF SE.

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Jennifer Moore-Braun
Phone: +49 621 60-99123
jennifer.moore-braun@basf.com

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

The BASF Group's sales decreased by 20% in the third quarter of 2016 to €14.0 billion, mainly as a result of the divestiture of the gas trading and storage business as part of the asset swap with Gazprom at the end of September 2015. This business had contributed €2.9 billion to sales in the third quarter of 2015. Portfolio effects were, in total, responsible for 18 percentage points of the decline in sales. Moreover, sales prices were reduced (minus 5%) by lower raw material prices. The volumes increase (plus 4%) was primarily supported by the Functional Materials & Solutions and Chemicals segments.

Income from operations (EBIT) before special items declined by €87 million to €1.5 billion, primarily as a result of smaller contributions from the Oil & Gas segment and from Other. In the chemicals business and the Agricultural Solutions segment, however, EBIT before special items increased.

Net income fell from €1.2 billion to €888 million. Earnings per share were €0.97 in the third quarter of 2016, compared with €1.31 in the same quarter of 2015. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €1.10 (third quarter of 2015: €1.07).

Outlook for 2016

BASF's expectations for the global economic environment in 2016 have only been adjusted in terms of the oil price (previous forecast in parentheses):

- Growth in gross domestic product: 2.3% (2.3%)
- Growth in industrial production: 2.0% (2.0%)
- Growth in chemical production: 3.4% (3.4%)
- Average euro/dollar exchange rate: \$1.10 per euro (\$1.10 per euro)
- Annualized average price of a barrel of oil: \$45 (\$40 per barrel)

BASF assumes that the logistic and supply bottlenecks resulting from the fire at the North Harbor in Ludwigshafen will negatively impact

earnings for the business year. They have not, however, resulted in a change in the BASF Group outlook for 2016.

The company confirms its forecast for sales and EBIT before special items of the BASF Group: Sales will decrease considerably in 2016. As a consequence of the asset swap with Gazprom, contributions to the Oil & Gas segment ceased from the gas trading and storage business in particular. In the first three quarters of 2015, these activities had contributed a total of around €10.1 billion to sales. Sales will be furthermore reduced by lower prices for oil and gas. BASF wants to increase sales volumes, excluding the effects of acquisitions and divestitures.

“We continue to expect EBIT before special items to be slightly below the level of 2015. This remains an ambitious goal in the current volatile and challenging environment, and in light of the fire of October 17 and its consequences,” said Engel.

Development in the segments

Sales in the **Chemicals** segment declined by 7% to €3.4 billion compared with the third quarter of 2015. This was essentially due to lower prices on account of decreased raw material prices, especially in the Petrochemicals and Intermediates divisions. Volumes were raised overall. At €497 million, EBIT before special items was €136 million below the level of the previous third quarter, mostly due to reduced margins in the Petrochemicals and Intermediates divisions. Margins increased in the Monomers division, however. Fixed costs rose as a particular result of the startup of new production facilities.

Sales amounted to €3.8 billion in the **Performance Products** segment, 3% below the previous third quarter's level. Prices fell, owing primarily to the oil-price-related reduction in raw material costs, as well as ongoing pressure on prices in the hygiene business. The 2015 divestiture of parts of the pharmaceutical ingredients and services business and sale of the paper hydrous kaolin business also dampened sales development. All divisions raised their sales

volumes. As a result of this and of significantly reduced fixed costs, as well as improved margins overall, income from operations (EBIT) before special items grew by €145 million to €464 million.

In the **Functional Materials & Solutions** segment, increased volumes led to sales growth of 3%, to €4.7 billion. Volumes especially rose in business with the automotive industry. Demand from the construction industry remained at an overall high level. Lower prices, negative currency effects and the divestiture of the global polyolefin catalysts business slightly dampened sales. As a result of the higher volumes and reduced fixed costs, income from operations (EBIT) before special items grew by €126 million to €497 million.

Sales in the **Agricultural Solutions** segment declined by 3% year-on-year to €1.0 billion. Positive currency effects were unable to compensate for lower volumes. Prices matched the level of the previous third quarter. EBIT before special items rose by €90 million to €97 million compared with the third quarter of 2015. This was mainly an effect of improved margins through a more favorable product mix in Europe, Asia and South America, as well as reduced fixed costs.

At €618 million, sales in the **Oil & Gas** segment were 83% lower than in the same quarter of the previous year, primarily as a result of the divestiture of the gas trading and storage business. In the continuing oil and gas business, production rose by 13% year-on-year, whereas price and currency effects were minus 15%. EBIT before special items fell by €177 million to €194 million. This was mainly attributable to the lower price levels, along with the divestiture of the gas trading and storage business.

Other saw a sales decrease of 21% to €538 million. EBIT before special items fell by €135 million to minus €233 million, primarily because of valuation effects for the long-term incentive (LTI) program. The third quarter of 2016 included additions to provisions for the LTI program, whereas provisions had been released in the same quarter of the previous year.

About BASF

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 112,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is organized into five segments: Chemicals, Performance Products, Functional Materials & Solutions, Agricultural Solutions and Oil & Gas. BASF generated sales of more than €70 billion in 2015. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA) and Zurich (AN). Further information at www.basf.com.

On October 27, 2016, you can obtain further information online at the following addresses:

Quarterly Statement (from 7:00 a.m. CEST)

basf.com/quartalsmitteilung (German)

basf.com/quarterlystatement (English)

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

basf.com/pressemitteilungen (German)

basf.com/pressrelease (English)

Live Transmission (from 10:30 a.m. CEST)

basf.com/pressekonferenz (German)

basf.com/pcon (English)

Live Transmission – Telephone Conference for Analysts and Investors (from 2:00 p.m. CEST)

basf.com/aktie (German)

basf.com/share (English)

Forward-looking statements and forecasts

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