

Reporting Factsheet

Q3 2016



BASF Group (Million €)						
	Q3 2016	Q3 2015	Change (%)	Q3 2016	Q2 2016	Change (%)
Sales	14,013	17,424	(20)	14,013	14,483	(3)
Income from operations before depreciation and amortization (EBITDA)	2,437	2,872	(15)	2,437	2,790	(13)
Income from operations (EBIT) before special items	1,516	1,603	(5)	1,516	1,707	(11)
Income from operations (EBIT)	1,464	1,889	(22)	1,464	1,718	(15)
Financial result	(283)	(175)	(62)	(283)	(177)	(60)
Income before taxes and minority interests	1,181	1,714	(31)	1,181	1,541	(23)
Net income	888	1,209	(27)	888	1,092	(19)
Earnings per share (€)	0.97	1.31	(26)	0.97	1.19	(18)
Adjusted earnings per share (€) ¹	1.10	1.07	3	1.10	1.30	(15)
EBITDA in % of sales	17.4	16.5	-	17.4	19.3	-
Cash provided by operating activities	2,501	3,351	(25)	2,501	2,293	9
Investments ²	992	1,497	(34)	992	1,007	(1)
Amortization and depreciation ³	973	983	(1)	973	1,072	(9)
Segment assets (end of period)	61,565	61,188	1	61,565	62,196	(1)
Personnel costs	2,509	2,447	3	2,509	2,478	1
Number of employees (end of period)	112,055	112,981	(1)	112,055	111,456	1

¹ Adjusted for special items and amortization of intangible assets

² Additions to intangible assets and property, plant and equipment (including acquisitions)

³ Impairments, amortization of intangible assets, and depreciation of property, plant and equipment (including write-ups)

Segments Q3 (Million €)	Sales			EBIT bSI			EBIT		
	2016	2015	Change (%)	2016	2015	Change (%)	2016	2015	Change (%)
Chemicals	3,377	3,640	(7)	497	633	(21)	499	631	(21)
Performance Products	3,771	3,899	(3)	464	319	45	458	315	45
Functional Materials & Solutions	4,660	4,517	3	497	371	34	492	366	34
Agricultural Solutions	1,049	1,077	(3)	97	7	.	93	6	.
Oil & Gas	618	3,606	(83)	194	371	(48)	178	643	(72)
Other ⁴	538	685	(21)	(233)	(98)	.	(256)	(72)	.
BASF Group	14,013	17,424	(20)	1,516	1,603	(5)	1,464	1,889	(22)

⁴ Activities not assigned to a particular division are reported under Other. These include the steering of the BASF Group by corporate headquarters, and corporate research. Earnings from the hedging of raw material prices and foreign currency exchange risks are also reported under Other. Furthermore, income and expenses from the long-term incentive (LTI) program are reported here.

Factors influencing sales changes in % vs. Q3 2015	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	(7)	5	(12)	0	0
Performance Products	(3)	2	(3)	0	(2)
Functional Materials & Solutions	3	8	(3)	(1)	(1)
Agricultural Solutions	(3)	(4)	0	1	0
Oil & Gas	(83)	3	(3) ⁵		(83)
BASF Group	(20)	4	(5)	(1)	(18)

⁵ Mix of price and currency effects

Segments Q3 2016 vs. Q3 2015

Chemicals: Sales declined considerably. This was driven by lower prices, especially in Petrochemicals and Intermediates, following lower raw material prices. We increased volumes, supported by new capacities. Lower margins in Petrochemicals and some intermediates businesses were only partially offset by higher margins in isocyanates. Fixed costs increased, particularly due to the expanded asset base. Overall, EBIT bSI decreased considerably.

- Lower sales prices led to a considerable sales decline in Petrochemicals. Sales volumes rose, primarily due to the resumption of operations at the Ellba C.V. joint operation's plant in Moerdijk, Netherlands. Volumes in North America declined mainly as a result of lower capacity utilization of the condensate splitter as well as unscheduled steam cracker shutdowns in Port Arthur, Texas. EBIT bSI was considerably below the level of the third quarter of 2015. In North America, earnings were negatively impacted by the lower levels of volumes and margins for steam cracker products, as well as lower margins for acrylic monomers and oxo alcohols. In Europe, margins for steam cracker products were not as strong as the previous third quarter, leading to a decline in earnings.
- The considerable year-on-year sales decrease in Monomers was primarily price-related. Developments for products in the polyamide value chain were a crucial factor. Here, our sales prices were reduced by a drop in raw material prices, and volumes declined mostly as a result of scheduled and unscheduled plant shutdowns. By contrast, we were able to raise volumes and prices for isocyanates. EBIT bSI grew considerably, thanks especially to the higher margins for isocyanates. Despite new production plant startups, fixed costs only slightly exceeded the level of the previous third quarter.
- Sales fell considerably in Intermediates, as well, largely influenced by price decreases brought about by lower raw material prices. Prices were additionally weighed down by overcapacity on the market, especially for butanediol and its derivatives. We were able to raise volumes in all regions except South America. EBIT bSI was considerably below the level of the previous third quarter, largely because of lower margins for butanediol and its derivatives as well as higher fixed costs. These rose compared with the third quarter of 2015 partly as a result of new production facilities in the U.S., Asia and Europe that have started up since the end of 2015.

Performance Products: Sales declined slightly. Prices decreased as a result of lower raw material costs and continued competitive pressure in the hygiene business. Portfolio effects caused by several divestitures in 2015 also contributed to the sales decline. However, we were able to increase volumes in all operating divisions. EBIT bSI rose considerably, supported by strongly reduced fixed costs, higher volumes and overall improved margins.

- In Dispersions & Pigments, sales were slightly below the level of the previous third quarter. This was essentially due to lower price levels resulting from decreased raw material prices. We were able to slightly raise sales volumes overall. A slight volumes decline in the resins business after the closure of our production plant in Kankakee, Illinois, was more than offset by volumes growth in all other business areas. Reduced fixed costs and overall margin and volumes improvement enabled us to achieve a considerable increase in EBIT bSI.
- Sales in Care Chemicals were slightly down compared with the third quarter of 2015. This was predominantly the result of price declines brought about by lower raw material prices, although intense competition in the hygiene business was also a factor. Sales volumes rose especially through higher volumes of ingredients for the detergents and cleaners industry. Our strict cost discipline contributed decisively toward reducing fixed costs, more than compensating for slightly reduced margins. As a result, we were able to considerably improve EBIT bSI.
- In Nutrition & Health, sales rose slightly compared with the third quarter of the previous year. Volumes grew in all business areas, especially pharmaceuticals and animal nutrition. We were also able to significantly raise price levels overall, particularly through considerable price increases for vitamins in the animal nutrition business. The sale of parts of the pharmaceutical ingredients and services business in October 2015 slowed sales growth. EBIT bSI improved considerably thanks to significantly reduced fixed costs and higher volumes and margins. Restructuring measures were the main driver behind this cost reduction. Improved capacity utilization at our production facilities also contributed.
- Sales were considerably down in Performance Chemicals compared with the previous third quarter. This was largely a consequence of sales price reductions due to a sharp drop in raw material prices, as well as the sale of our paper hydrous kaolin business in the fourth quarter of 2015. Sales volumes rose slightly, and saw particular growth in the plastic additives business. EBIT bSI improved slightly as a result of the higher volumes, as well as of a reduction in fixed costs. We achieved this primarily through restructuring measures and strict cost discipline.

Functional Materials & Solutions: Sales grew slightly, driven by higher volumes. Demand for our products and solutions further increased in the automotive market, and remained on a high level in construction. Lower prices, currency headwinds and portfolio effects negatively affected sales. The positive volume development and fixed cost reductions led to a considerable increase in EBIT bSI.

- Thanks to increased sales volumes, we achieved slight sales growth in Catalysts compared with the previous third quarter. Demand developed especially favorably in the mobile emissions catalysts business. Sales were dampened by lower prices, the divestiture of the polyolefin catalysts business in June 2016, and negative currency effects. In precious metal trading, higher volumes led to a sales increase to €614 million (Q3 2015: €538 million). As a result of improved volumes and reduced fixed costs, EBIT bSI grew considerably overall.
- Sales in Construction Chemicals declined slightly compared with the third quarter of 2015, largely weighed down by price decreases and negative currency effects. Volumes rose slightly, thanks especially to higher volumes in Europe, North America and Asia. Demand fell sharply in the region South America, Africa, Middle East, predominantly in Saudi Arabia, as public construction contracts declined in light of the falling price of oil. EBIT bSI was slightly below the level of the previous third quarter, mainly as a result of valuation allowances on receivables.
- We raised sales slightly in Coatings compared with the third quarter of 2015. This was primarily attributable to higher volumes, supported in large part by the automotive OEM coatings business. Slightly negative currency effects dampened sales development, while prices remained stable. In the automotive OEM coatings business, the increase

in sales volumes in Asia and North America led to sales growth. Sales also rose in the decorative paints business, while they matched prior third-quarter levels for industrial coatings. We observed a slight sales decline in automotive refinish coatings. We were able to considerably raise EBIT bSI, mainly due to the volumes growth.

- Increased volumes in all business areas, especially in Asia, led to slight sales growth in Performance Materials. Our business with the automotive and construction industries contributed significantly to the positive volumes development, while demand matched prior third-quarter levels in the consumer goods sector. We observed lower sales prices in all regions on account of falling raw material prices. Currency effects and portfolio measures also slightly dampened sales growth. EBIT bSI rose considerably thanks to higher volumes and margins, as well as reduced fixed costs.

Agricultural Solutions: The segment continues to face challenging market conditions. Sales decreased slightly as lower volumes in South America could not be offset by higher volumes in all other regions. Prices were stable and currency effects slightly positive.

- In Europe, sales fell slightly, mainly as a result of negative currency effects from the British pound and slightly lower sales prices. Sales volumes grew especially in the herbicides business in western and northern Europe.
- Sales decreased considerably in North America, essentially on account of lower sales prices. We were able to raise volumes, especially of the herbicides Kixor® and dicamba.
- Sales also declined considerably in South America as a result of the ongoing difficult macroeconomic environment. High customers inventory levels, the weakened market for insecticides and the still-tense economic situation for farmers, especially in Brazil, all contributed to a considerable decline in sales volumes. Substantial price increases and currency effects both helped support sales.
- We raised our sales considerably in Asia, thanks in particular to higher volumes in India. There – after a weak third quarter in 2015 – an increase in sales volumes for herbicides was the primary driver for sales growth.

EBIT bSI came in significantly higher than in the same period of last year. Improved margins through a more favorable product mix in Europe, Asia and South America and lower fixed costs contributed to this result.

Oil & Gas: Sales decreased significantly, mainly due to the lack of contributions from the natural gas trading and storage business following the asset swap with Gazprom. In addition, lower oil and in particular lower gas prices contributed to the drop in sales. The average price of Brent crude in Q3 2016 was US\$46 per barrel compared with US\$50 in the prior-year quarter. Gas prices on the European spot markets fell sharply compared with the same period in 2015. In the continuing oil and gas business, price and currency effects together were minus 15 percent in the third quarter 2016. Production rose by 13 percent year-on-year, mainly driven by higher production in Russia and Norway. Compared to the prior-year period, there was no offshore lifting in Libya in Q3 2016. This year, the lifting took place in October. Overall, EBIT bSI decreased from €371 million to €194 million. Net income in Oil & Gas decreased from €625 million to just €33 million. As a result of the asset swap with Gazprom, the prior-year quarter benefited from disposal gains of €331 million.

Other: EBIT bSI declined to minus €233 million, down from minus €98 million. This was driven by lower sales but also by a swing of over €100 million related to our long-term incentive (LTI) program. While earnings in Q3 2016 were negatively affected by an increase in provisions, the prior-year quarter benefited from the release of provisions for our LTI program.

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 Q3 2016

- Special items in EBIT Q3 2016: minus €52 million (Q3 2015: plus €286 million).
- Tax rate Q3 2016: 17.3% (Q3 2015: 26.0%). Income taxes amounted to €204 million (Q3 2015: €445 million).
- Financial result Q3 2016: minus €283 million (Q3 2015: minus €175 million).
- Cash provided by operating activities in Q3 2016: €2,501 million (Q3 2015: €3,351 million).
- Investments (including acquisitions) in Q3 2016: €992 million (Q3 2015: €1,497 million).
- Free cash flow in Q3 2016: €1,565 million (Q3 2015: €1,809 million).
- Equity ratio on September 30, 2016: 41% (Dec. 31, 2015: 45%).
Net debt on September 30, 2016: €12.3 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\$45 per barrel (previous forecast: US\$40 per barrel)

Outlook 2016

- Sales will be considerably below prior year due to the divestiture of the natural gas trading and storage activities and the lower oil and gas prices.
- We expect EBIT bSI to be slightly below the previous year level due to significantly lower earnings in Oil & Gas. This remains an ambitious goal in the current volatile and challenging environment, and in light of the fire of October 17 and its consequences.

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.