BASF Analyst Conference Call FY 2015

February 26, 2016, 13:00 (CET)

Ludwigshafen, Germany

Analyst Conference Call Script (Long-Version)

Kurt Bock, CEO

Hans-Ulrich Engel, CFO

The spoken word applies.

Cautionary note regarding forward-looking statements

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BASF with lower sales and earnings in difficult economic environment

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Business performance	Q4'15	vs. Q4'14	FY'15	vs. FY'14
▪ Sales	€13.9 billion	(23%)	€70.4 billion	(5%)
▪ EBITDA	€1.9 billion	(34%)	€10.6 billion	(4%)
▪ EBIT before special items	€1.0 billion	(30%)	€6.7 billion	(8%)
▪ EBIT	€0.3 billion	(81%)	€6.2 billion	(18%)
▪ Net income	€0.3 billion	(76%)	€4.0 billion	(23%)
▪ Reported EPS	€0.37	(76%)	€4.34	(23%)
▪ Adjusted EPS	€1.01	(3%)	€5.00	(8%)
▪ Operating cash flow	€1.0 billion	(53%)	€9.4 billion	+36%

Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'15 vs. Q4'14	↑ 4%	↓ (11%)	↓ (19%)	↑ 3%
FY'15 vs. FY'14	↑ 3%	↓ (9%)	↓ (5%)	↑ 6%

Kurt Bock

Good afternoon ladies and gentlemen,
thank you for joining us and welcome to our full year 2015 conference call.

[Chart 3: BASF with lower sales and earnings in difficult economic environment]

On January 27, 2016 we published non-audited full year 2015 figures. The steep decline of the oil and gas prices in December and January led us to revise our price assumptions for 2016 and the following years. This resulted in an impairment of around 600 million euros in our Oil & Gas segment. Today, we will provide you with the fourth quarter as well as the detailed 2015 results and the outlook 2016.

Let's start with the fourth quarter results.

- In the fourth quarter, the global economic environment remained subdued and challenging, with ongoing geopolitical tensions and an increased level of uncertainty.
- Demand in Europe increased moderately, while North America showed lower growth. In Asia, particularly in China, growth slowed down further. The economic development in South America continued to deteriorate. In particular, Brazil remained in a deep recession.
- The average price for Brent crude oil dropped sharply from an average of 77 US dollars per barrel in Q4 2014 to 44 US dollars per barrel in Q4 2015. On a euro basis, the average price for Brent crude was 35 percent lower than in the prior year quarter.

- In the fourth quarter, the euro lost 12 percent of its value against the US dollar and came in on average at 1.10 dollars per euro compared to prior year quarter. While the appreciated US dollar had a positive currency effect on our results, other currencies like the Russian ruble, Brazilian real and the Argentinian peso had sizable negative effects.
- Sales in Q4 2015 came in considerably below the previous year's quarter. Slightly higher volumes, particularly in China, as well as positive currency effects could not compensate for significantly lower prices, as a consequence of the lower oil price. Sales were also negatively impacted by structural effects accounting for almost 20 percent as we completed the asset swap and divested the natural gas trading and storage business to Gazprom at the end of Q3 2015.
- EBITDA dropped by 34 percent to 1.9 billion euros.
- EBIT before special items declined from 1.5 billion euros to 1 billion euros. We significantly increased earnings in Functional Materials & Solutions and in Agricultural Solutions along with slightly improved results in Performance Products. However, this could not offset significantly lower earnings in Chemicals and Oil & Gas. ´Other` also decreased significantly due to currency effects.
- EBIT dropped from 1.7 billion euros to around 300 million euros. Special items in EBIT amounted to almost minus 700 million euros mainly attributable to the impairment charges in Oil & Gas. Please keep in mind, that last year's quarter benefitted with 458 million euros from the divestiture of our share in Styrolution.

- We had tax income of approximately 250 million euros versus a tax expense of 300 million euros a year ago. The main drivers were the asset impairments in Oil & Gas as well as the dissolution of tax provisions.
- Net income declined significantly to 0.3 billion euros compared to 1.4 billion euros in the prior year quarter.
- At 1.01 euro, the adjusted earnings per share came close to the prior year number of 1.04 euro.

Let me now come to the full year results 2015.

- The year was characterized by lower market growth than we had expected. Especially in the second half of the year, we experienced a slowdown in demand and an increased level of uncertainty and volatility. Growth rates of our markets were lower than originally expected.
- In this challenging environment, sales declined 5 percent to 70.4 billion euros. The divestiture of our gas trading and storage business with a structural effect on sales and lower oil and gas prices were the main reasons for this decline. Volumes increased by 3 percent mainly attributable to higher production and sales volumes in Oil & Gas. Currency effects contributed positively to sales.

- Sales in Europe were down considerably by 10 percent and came in at 37 billion euros. The decline was mainly attributable to the asset swap with Gazprom, which was completed end of September 2015. In North America, sales increased and were above 15 billion euros. Lower prices as a result of lower raw material costs were overcompensated by positive currency effects. In Asia sales came in at prior year level and amounted to around 12 billion euros. Positive currency effects offset lower prices and structural effects related to the divestitures of our textile chemicals business and our share in ELLBA Eastern. The sales in the region South America, Africa and Middle East declined slightly to 5.8 billion euros. In South America, price increases could not fully offset negative currency effects.
- EBITDA declined by around 400 million euros and amounted to 10.6 billion euros, a decrease of 4 percent versus prior year, which benefitted from divestiture gains.
- EBIT before special items declined from 7.4 billion euros to 6.7 billion euros. This decline was driven by significantly lower contributions from Oil & Gas and slightly lower results from Chemicals, Performance Products, Agricultural Solutions as well as Other. Functional Materials & Solutions came in considerably above the prior year results.
- Special items amounted to minus 491 million euros. Positive special items due to several divestitures could not offset negative special items mainly attributable to the impairment charges in our Oil & Gas segment and restructuring costs.
- As a result, EBIT declined considerably to 6.2 billion euros.

- Income taxes were 0.5 billion euros lower at 1.2 billion euros. The tax rate decreased from 23.8 percent to 22.5 percent mainly due to lower earnings contributions from high tax countries, such as Norway.
- Net income went down from 5.2 billion to 4.0 billion euros.
- Adjusted EPS declined to 5.00 euros compared to 5.44 euros a year ago.
- Thanks to our strict working capital management operating cash flow reached a record level of 9.4 billion euros, up 36 percent versus 2014.
- Free cash flow more than doubled to 3.6 billion euros.

Attractive shareholder return

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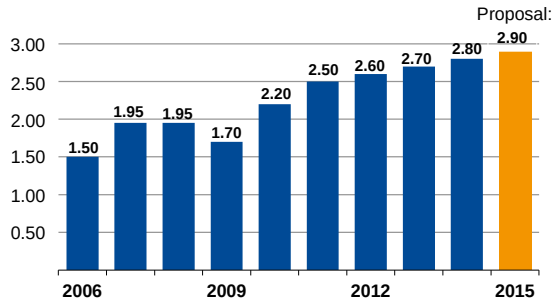
Dividend per share (€)



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

* Dividend yield based on share price at year-end

Dividend policy

- We want to grow or at least maintain our dividend

Key facts 2015

- Dividend proposal of €2.90 per share, an increase of 3.6%
- Dividend yield of 4.1% in 2015
- Dividend yield above 3.5% in any given year since 2006

[Chart 4: Attractive shareholder return]

Ladies and Gentlemen,

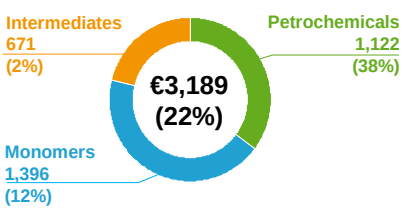
- We are committed to our dividend policy to increase our dividend each year, or at least maintain it at the previous year's level.
- We will propose to the Annual Shareholders' Meeting to pay out a dividend of 2.90 euros per share, an increase of 10 euro-cents or approximately 3.6 percent.
- Based on the share price of 70.72 euro at the end of 2015, we are offering an attractive dividend yield of 4.1 percent.

I will now hand over to Hans, who will give you some more details regarding the Q4 business development of our segments.

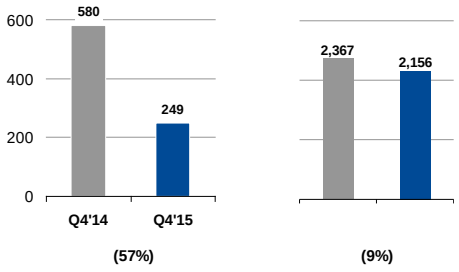
Chemicals

Significant earnings decline due to lower cracker margins

Q4'15 segment sales (million €) **vs. Q4'14**



EBIT before special items (million €)



Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'15 vs. Q4'14	↓(5%)	↓(19%)	↓(2%)	↑ 4%
FY'15 vs. FY'14	↓(2%)	↓(17%)	↓(2%)	↑ 7%

Hans-Ulrich Engel

Good afternoon ladies and gentlemen.

Let me address the financial performance of each segment in Q4 2015 in more detail.

[Chart 5: Significant earnings decline due to lower cracker margins]

In **Chemicals**, sales declined considerably. This was mainly driven by significantly lower prices, reflecting the decline in raw material prices. Volumes came down, while currencies provided tailwind in all divisions. EBIT before special items decreased by 57 percent to 249 million euros. All three divisions did not reach the earnings level of the prior year quarter. 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 before special items 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 before special items 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 butanediol 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, Louisiana. EBIT before special items decreased considerably.

Performance Products

Slightly higher earnings on improved margins

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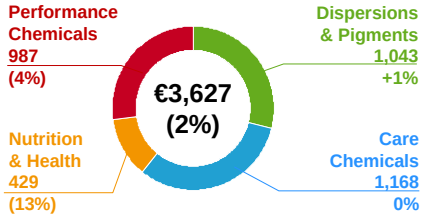
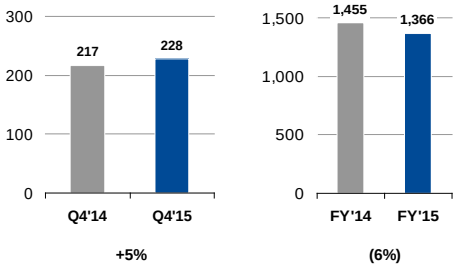
Q4'15 segment sales (million €) **vs. Q4'14**



EBIT before special items (million €)



Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'15 vs. Q4'14	0%	↓(4%)	↓(2%)	↑ 4%
FY'15 vs. FY'14	↓(1%)	↓(4%)	↓(1%)	↑ 7%

[Chart 6: Slightly higher earnings on improved margins]

Sales in **Performance Products** were slightly down despite stable volumes. Positive currency 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 before special items improved slightly as we realized better margins mainly in the Dispersions & Pigments and Performance Chemicals divisions. Special items amounted to minus 62 million euros related to our ongoing restructuring measures.

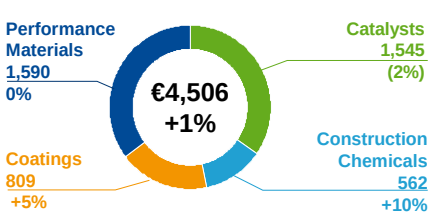
- In **Dispersions & Pigments**, sales rose slightly. Volumes increased mainly for resins and additives. Prices declined especially for dispersions and resins on lower raw material costs. EBIT before special items rose considerably due to a positive margin development.
- **Care Chemicals'** sales came in on prior year level. Higher volumes and favorable currency 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 before special items 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 before special items 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 before special items increased considerably.

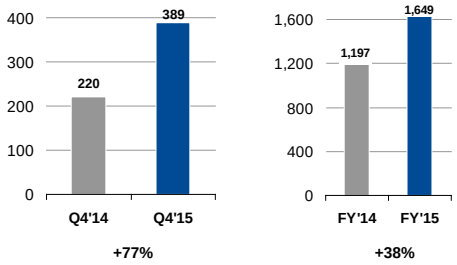
Functional Materials & Solutions

Strong operating performance drives earnings up

Q4'15 segment sales (million €) **vs. Q4'14**



EBIT before special items (million €)



Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'15 vs. Q4'14	↑ 3%	↓(7%)	0%	↑ 5%
FY'15 vs. FY'14	0%	↓(4%)	0%	↑ 9%

[Chart 7: Strong operating performance drives earnings up]

In **Functional Materials & Solutions**, sales grew slightly as currency 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 before special items increased by almost 80 percent. All divisions contributed to this development.

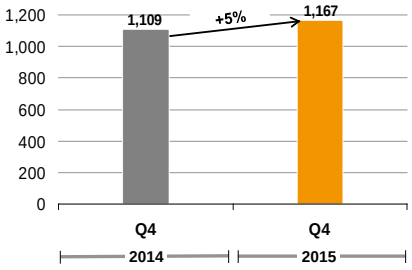
- Sales in **Catalysts** decreased slightly, as higher volumes and positive currency effects could not compensate for significant price decreases caused by softer precious metals pricing. Mobile emissions catalysts saw higher demand especially in North America and Europe. Volumes in refinery catalysts were stable, but demand in chemical catalysts suffered from project delays in Asia. In precious and base metals trading, sales came in at 572 million euros versus 605 million euros 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 before special items 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 before special items improved considerably on higher volumes and favorable currency 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 before special items.
- Sales in **Performance Materials** came in on prior year 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 before special items was up significantly on higher volumes and an improved product mix.

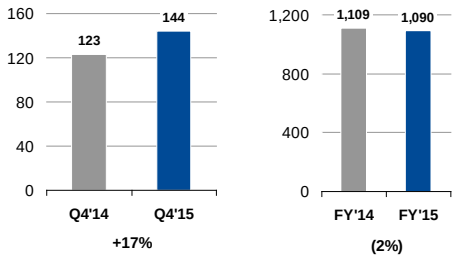
Agricultural Solutions

Strong finish despite tough market environment

Q4'15 segment sales (million €) **vs. Q4'14**



EBIT before special items (million €)



Sales development

Period	Volumes	Prices	Portfolio	Currencies
Q4'15 vs. Q4'14	↑ 3%	↑ 6%	0%	↓ (4%)
FY'15 vs. FY'14	↑ 1%	↑ 5%	0%	↑ 1%

[Chart 8: Agricultural Solutions – Strong finish despite tough market environment]

Sales in **Agricultural Solutions** increased by 5 percent. Higher prices more than offset negative currency effects. Volumes grew particularly in North America. Overall, EBIT before special items went up 17 percent to 144 million euros, mainly as a result of the herbicide business in North America.

- Sales in **South America** decreased. Volumes were down due to high in-field inventories, especially in fungicides, and lower insecticide demand in Brazil. Business in Argentina, on the other side, developed well in an improving business environment for agriculture. The continuing devaluation of local currencies was almost fully offset by price increases.
- **North American** sales were up strongly based on higher volumes and currency effects. Especially our herbicide business showed an excellent performance, driven by Dicamba and Kixor®.
- Sales in **Europe** were stable compared to previous year. Growth in fungicides especially in France and Germany and a good development in Functional Crop Care offset a decrease in herbicides.
- In **Asia Pacific**, business grew driven by higher demand in Japan and Australia as well as positive currency effects.

Despite an even tougher market environment than in the previous year, Agricultural Solutions showed a very solid performance in 2015. We were able to increase volumes and prices, especially in the emerging markets. Sales increased to 5.8 billion euros.

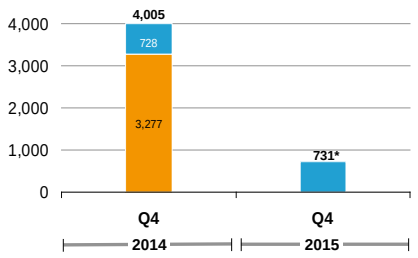
EBIT before special items amounted to 1.1 billion euros, and was almost at the level of 2014. The EBITDA margin came in close to 23 percent.

Furthermore, we updated our innovation pipeline. We increased the peak sales potential from 2.3 billion euros for products launched between 2010 to 2020 to 3 billion euros for products launched from 2015 to 2025.

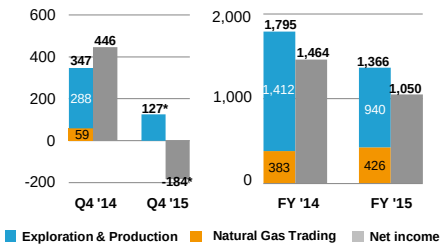
Oil & Gas

Earnings drop due to significantly lower oil and gas prices

Q4'15 segment sales (million €) **vs. Q4'14**



EBIT **before special items / Net income** (million €)



Sales development

* Including transportation business

Period	Volumes	Price/Currencies	Portfolio
Q4'15 vs. Q4'14	↑ 3%	↓(4%)	↓(81%)
FY'15 vs. FY'14	↑ 15%	↓(9%)	↓(20%)

[Chart 9: Oil & Gas – Earnings drop due to significantly lower oil and gas prices]

In **Oil & Gas**, 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 44 US dollars per barrel compared to 77 US dollars a year ago. EBIT before special items declined from 347 million euros to 127 million euros. 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 564 million euros compared to minus 189 million euros a year ago and were attributable to the impairment charges mentioned earlier. As a result, net income declined and came in at minus 184 million euros.

Review of 'Other'

Million €	Q4 2015	Q4 2014	2015	2014
Sales	**660**	**700**	**2,790**	**3,609**
EBIT before special items	**(114)**	**(28)**	**(888)**	**(566)**
Thereof corporate research costs	*(95)*	*(98)*	*(402)*	*(389)*
group corporate costs	*(61)*	*(59)*	*(233)*	*(218)*
currency results, hedges and other valuation effects	*(11)*	*110*	*(220)*	*(2)*
other businesses	*75*	*23*	*170*	*133*
Special items	(21)	473	(97)	433
EBIT	**(135)**	**445**	**(985)**	**(133)**

[Chart 10: Review of ‘Other’]

- Sales in ‘Other’ decreased to 660 million euros due to lower contributions from raw material trading, particularly driven by lower raw material prices.
- EBIT before special items declined to minus 114 million euros in Q4 2015 caused by a swing in the currency result. While in the prior year quarter the currency result amounted to plus 110 million euros we incurred a negative currency result of minus 11 million euros in this year’s quarter.
- Special items in ‘Other’ amounted to minus 21 million euros compared to plus 473 million euros in Q4 2014, because we generated a disposal gain from the sale of our stake in Styrolution.

Cash flow development in 2015

Million €	2015	2014
Cash provided by operating activities	**9,446**	**6,958**
Thereof changes in net working capital	*1,347*	*(623)*
miscellaneous items	*(336)*	*(1,029)*
Cash provided by investing activities	**(5,235)**	**(4,496)**
Thereof payments related to tangible / intangible assets	*(5,812)*	*(5,296)*
acquisitions / divestitures	*436*	*373*
Cash used in financing activities	**(3,673)**	**(2,478)**
Thereof changes in financial liabilities	*(933)*	*288*
dividends	*(2,806)*	*(2,766)*

2015

- Record operating cash flow of €9.4 billion
- Free cash flow more than doubled to €3.6 billion
- High dividend payout in 2015 of €2.8 billion

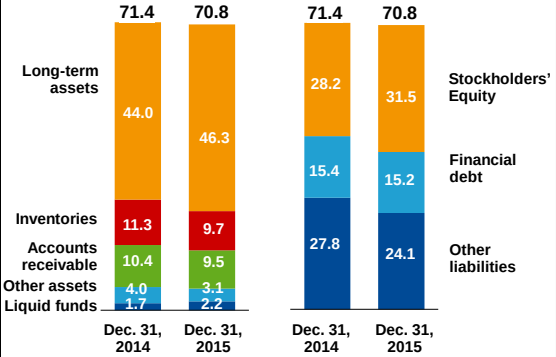
[Chart 11: Cash flow development in 2015]

Let's now turn to our full-year cash flow.

- Cash provided by operating activities increased to a record high of 9.4 billion euros. This was mainly attributable to our strong focus on net working capital. We significantly reduced our inventories and accounts receivable.
- Cash used for investing activities amounted to 5.2 billion euros. Investments related to property, plant, equipment and intangible assets amounted to 5.8 billion euros particularly due to our large investment projects and the appreciation of the US dollar. Net cash from acquisitions and divestments positively contributed 436 million euros.
- At 3.6 billion euros, free cash flow came in nearly 2 billion euros higher.
- Cash used in financing activities amounted to 3.7 billion euros in 2015. We paid 2.6 billion euros in dividends to our shareholders and around 230 million euros to minority shareholders in 2015.

Balance sheet remains strong

Balance sheet 2015 vs. 2014
(billion €)



Highlights 2015

- Total assets almost stable
- Long-term assets up by €2.3 billion as a result of our investment projects
- Short-term assets down by €2.9 billion due to strict working capital management and the asset swap
- Equity grew by €3.4 billion
- Provisions for pensions down by €1.0 billion
- Net debt decreased to €13.0 billion
- Net debt/EBITDA ratio: 1.2
- Equity ratio: 45%

[Chart 12: Balance sheet remains strong]

Let's now have a short look at our balance sheet.

- Total assets declined by 0.5 billion euros to 70.8 billion euros mainly due to the divestment of our natural gas trading and storage activities as well as our strict working capital management.
- Long-term assets were up by 2.3 billion euros. Intangible assets were 430 million euros lower mainly caused by regular amortization and the asset swap with Gazprom. The value of tangible fixed assets increased by 1.8 billion euros to 25.3 billion euros and was driven by our investment projects.
- Equity investments increased by approximately 1.2 billion euros as a result of the asset swap and our new participations in blocks IV/V of the Achimov formation as a financial asset. In addition, our remaining 50 percent share in Wintershall Noordzee B.V. is now accounted for at equity.
- Short-term assets decreased by roughly 2.9 billion euros. Inventories were down by almost 1.6 billion euros and the reduction of accounts receivable amounted to 0.9 billion euros. The reduction in working capital resulted from our strict working capital measures and the asset swap.

- On the liability side, provisions for pension obligations decreased by 1.0 billion euros reflecting adjustments of pension benefit assumptions as well as slightly higher discount rates.
- Financial debt decreased by around 200 million euros to 15.2 billion euros.
- Net debt amounted to around 13.0 billion euros, a decrease of 700 million euros. The net debt-to-EBITDA ratio is 1.2.
- Equity grew by 3.4 billion euros.
- Our equity ratio remained at a healthy level and increased from 39.5 percent to 44.5 percent at the end of 2015.

And with that, back to you Kurt.

Outlook 2016
Expectations for the global economy

	Forecast 2016	2015 (actual)
GDP	2.3%	2.4%
Chemicals (excl. pharma)	3.4%	3.6%
Industrial production	2.0%	2.0%
US$ / Euro	1.10	1.11
Oil price: Brent (US$ / bbl)	40	52

Kurt Bock

[Chart 13: Outlook 2016 – Expectations for the global economy]

I will now come to our expectations for 2016 – the underlying assumptions and our outlook for sales and earnings.

Let me start with the macroeconomic assumptions for 2016.

- We expect the volatile and challenging macroeconomic environment to persist and the economic risks to further increase.
- At 2.3 percent, we foresee that the global economy will grow at almost the same rate as in the previous year. We expect that growth in Europe will remain on the level of 2015. Growth in the US will stay solid, but the growth rate will be lower than in the prior year. China will grow but on a reduced level and Japan is not expected to show an up-tick in its economy. South America and Russia will remain in a recession in 2016.
- We anticipate chemical production to slightly decline from 3.6 percent to 3.4 percent.
- We assume an average oil price of 40 US dollars per barrel of Brent and an average exchange rate of 1.10 US dollars per euro.

Clearly, the lower oil price will negatively affect our Oil and Gas business also in 2016. Contrary to 2015, the US dollar will not provide us with any tailwind. Please keep in mind, that other currencies, which are important for us, like the Russian ruble, the Brazilian real and the Japanese yen, will most likely continue to have a negative impact on our results.

Priorities 2016

- **Focus on capex discipline:**
  - Reduce capital expenditures to €4.2 billion in 2016
- **Cost control and operational excellence:**
  - DrivE targeting ~€1 billion earnings contribution by 2018
- **Portfolio optimization ongoing:**
  - E.g. agreement to sell industrial coatings business to AkzoNobel
- **Strong commitment to innovation:**
  - Maintain R&D spending at ~€1.95 billion in 2016

[Chart 14: Priorities 2016]

- In the expected challenging environment in 2016 we will continue to apply self help measures to compensate for slow economic growth and margin pressure. Let me go through some of these measures.
- Strict discipline in capex spending will be a focus. After major investment projects have been concluded in 2015, we will reduce our capital expenditures by 1 billion euros to 4.2 billion euros in 2016. For the next five year period – 2016 to 2020 – we plan total investments of 19.5 billion euros thereof more than 25 percent in emerging markets. With respect to the Oil & Gas investments it goes without saying that they will depend on the development of the oil and gas prices and may have to be adjusted, if the low price environment persists.
- We will continue to focus on cost control and operational excellence. In 2015, we concluded our STEP program. With savings of around 1.3 billion euros we exceeded our target by 300 million euros. In addition, we have initiated our operational excellence program DrivE. Here, we want to achieve additional contributions to our earnings of about 1 billion euros by 2018 compared to 2015 as the base year.
- Our restructuring efforts in Performance Products are ongoing and we are on track to achieve an earnings contribution of 500 million euros by the end of 2017. In 2015, we have already reached a run rate of 250 million euros.

- We will also continue to optimize our portfolio. For example last week, we agreed with AkzoNobel on the sale of our industrial coatings business for a purchase price of 475 million euros.
- As a global player in the coatings business, we will focus on the global automotive, OEM and refinish business as well as the decorative paint business in Brazil.
- Our commitment to research and development is core to our strategy. In 2015, we have achieved our target of 10 billion euros in sales with products younger than five years. We filed around 1,000 patents and for the 7th time in a row we are number one in the Patent Asset Index™. This year we will maintain our R&D budget, supported by refocusing some of our projects, for instance in plant biotechnology, where we plan to reduce the number of positions by 50 percent to 350. We will focus on the most promising areas like herbicide and fungal resistance.

Outlook BASF Group 2016

- Sales will be considerably below prior year, due to the divestiture of the Natural Gas Trading and Storage activities and the lower oil & gas prices.
- Excluding the effects of acquisitions and divestitures, we expect higher volumes in all segments.
- We expect EBIT before special items to be slightly below the previous year driven by drastically lower earnings of Oil & Gas. We plan higher earnings in our chemicals business and in the Agricultural Solutions segment.
- 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 depend on the development of the oil price.

[Chart 15: Outlook BASF Group 2016]

- What does all this mean for our business in 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 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.

Outlook 2016
Forecast by segment

	EBIT before special items	
Million €	2015	Forecast 2016
Chemicals	**2,156**	considerable decrease
Performance Products	**1,366**	slight increase
Functional Materials & Solutions	**1,649**	slight increase
Agricultural Solutions	**1,090**	slight increase
Oil & Gas	**1,366**	considerable decrease
Other	**(888)**	considerable increase
BASF Group	**6,739**	**slight decrease**

With respect to EBIT before special items, "slight" means a change of 1-10%, while "considerable" is used for changes greater than 11%.
"At prior-year level" indicates no change (+/-0%).

[Chart 16: Outlook 2016 – Forecast by segment]

Based on the described outlook for the global economy, our business and priorities, we provide the following guidance for our business segments.

- In Chemicals, we expect continued competitive pressure especially for MDI, TDI, acrylic acid and caprolactam. While cracker margins will come down to long-term average levels, fixed costs will increase due to several new plant start-ups in 2015 and 2016. As a result, EBIT before special items is expected to decrease considerably.
- We anticipate EBIT before special items in Performance Products to be slightly higher than in 2015. Higher volumes as well as benefits from restructuring efforts and continued cost discipline will contribute to this goal.
- In 2016, we expect a continued good demand for our innovative systems and solutions, especially from the automotive and construction industries. We aim to slightly increase earnings in Functional Materials & Solutions compared to the already high level we achieved in 2015.
- Despite a subdued market environment in Agricultural Solutions we project to slightly grow our earnings in 2016 supported by higher volumes of our innovative products and strict cost management.
- In Oil & Gas, we will incur drastically lower EBIT before special items caused by the collapsed oil and gas prices as well as lower earnings contributions from Yuzhno Russkoye.

The surplus quantities at Yuzhno Russkoye, which we produced over the last ten years, need to be compensated in 2016 as contractually agreed with our partner Gazprom. There will also be no contributions from our natural gas trading and storage activities anymore.

In Other, we expect a strong increase in EBIT before special items due to improved non-operational effects.

- Furthermore, cash conversion remains a key priority for us. Last year net working capital was managed rigourously leading to a high free cash flow. In 2016, free cash flow will be supported by lower spending for investment projects.

And now, we are happy to take your questions.


BASF
We create chemistry