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News Release

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BASF: Sales and EBIT before special items decline slightly in difficult environment

3rd quarter 2015:

- Sales €17.4 billion (minus 5%)
- EBIT before special items €1.6 billion (minus 10%)
 - Earnings increase in Chemicals and Functional Materials & Solutions segments
 - Earnings in the remaining segments below prior year quarter
- EBIT €1.9 billion (plus 8%)
- Cash provided by operating activities in the first nine months of the year €8.5 billion (plus €3.6 billion)

Outlook 2015:

- Subdued economy, oil price decline and asset swap with Gazprom to burden sales and earnings in 4th quarter
- Slight decrease now expected in sales and EBIT before special items in 2015

Speech by

Dr. Kurt Bock, Chairman of the Board of Executive Directors, and
Dr. Hans-Ulrich Engel, Chief Financial Officer of BASF SE

The spoken word applies.

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Ladies and Gentlemen,

Welcome to our conference call.

In the third quarter of 2015, BASF's sales and earnings showed a mixed picture. While EBITDA increased, our major performance metric – EBIT before special items – came in 10% below the level of the third quarter of 2014. The main reasons were lower earnings in Oil & Gas and in Agricultural Solutions driven by weak markets for hard and soft commodities. Our chemicals business, which comprises the Chemicals, Performance Products and Functional Materials & Solutions segments, achieved earnings slightly above the level of the prior-year quarter despite lower sales prices, lack of volume growth and higher start-up costs.

After a flat volume development in the second quarter compared with the same period of the previous year, we experienced a pronounced summer lull and – more importantly – no volume momentum in September. This has continued into October, which usually is a strong month for us. Major markets like Brazil are in a recession or face lower growth rates, such as China. Against this background, we now expect global chemical production to grow at 3.5% in 2015, which is below our expectation from earlier this year of 4.2%. In Oil & Gas, the oil price is currently below \$50 per barrel against our expectation from the beginning of this year of \$60 to \$70 on average in 2015.

Business development of BASF Group in the 3rd quarter of 2015

In this market environment, our sales in the third quarter of 2015 were €17.4 billion, 5% below the level of the previous third quarter. The sharp drop in the price of oil led to lower prices (minus 8%), primarily in the Chemicals and Oil & Gas segments. Sales volumes were slightly lower (minus 1%) than in the previous third quarter. Volumes in the chemicals business were below the level of the prior-year quarter, while they rose in the Agricultural Solutions and Oil & Gas segments. We observed positive currency effects (plus 4%) in every division except Crop Protection.

EBITDA increased by €358 million to €2.9 billion, while EBIT before special items declined by €171 million to €1.6 billion. In the Chemicals segment, EBIT before special items rose slightly, while it increased sharply in the Functional Materials & Solutions segment. In the remaining segments, earnings declined significantly. Compared with the previous third quarter, EBIT grew by €147 million to €1.9 billion.

In the first nine months of 2015, sales of BASF Group were around €56.6 billion, 1% higher than in the same period of the previous year. EBIT before special items declined by €182 million to €5.7 billion. At €5.9 billion, EBIT in the first nine months of 2015 reached the same level as in the same period of the previous year.

“We create chemistry” further implemented

In this challenging environment, we continue to implement measures to increase growth and earnings. Our excellence program, STEP, will contribute around €1.3 billion to earnings each year as of the end of 2015. At our Investor Day at the end of September 2015, we announced another program for the years 2016 to 2018. DrivE – Drive Efficiency – aims to contribute €1 billion to earnings each year as of the end of 2018. In uncertain times, it is also important to generate cash. And we have done just that: In the first nine months of 2015, cash provided by operating activities rose year-on-year by €3.6 billion to €8.5 billion – a new record.

Above all, it is important to focus our portfolio on high-growth businesses. We are doing this by divesting activities, such as natural gas trading and parts of our business with pharmaceutical active ingredients, but also by investing. A number of investment projects are currently starting up. A few examples:

- In Chongqing, China, we started the production of methylene diphenyl diisocyanate (MDI) and are ramping up production according to market demand. MDI is a central component of the plastic polyurethane, which improves insulation and makes vehicle parts lighter. With the MDI production, BASF will supply customers in western China.

- Another important component for polyurethane will soon be produced in Ludwigshafen. BASF is currently starting-up the new toluene diisocyanate (TDI) plant. The new TDI complex including the precursors is the largest single investment of BASF at its site in Ludwigshafen. With this investment, we are strengthening the site as well as our global TDI network in order to optimally serve customers in all relevant markets. We will officially inaugurate the plant on November 17. You will receive your invitation to this event shortly.
- In the Oil & Gas segment, we strive to further grow profitably at the source in our targeted oil and gas-rich regions. BASF and Gazprom have completed the swap of assets of equivalent value at the end of September. With the swap, BASF is further expanding its natural gas and condensate production in western Siberia and has exited the lower margin gas trading and storage business. In addition, Gazprom will hold 50% of Wintershall Noordzee B.V. In the first three quarters of 2015, the activities transferred to Gazprom through the asset swap contributed a total of around €10.1 billion to sales and around €650 million to the EBITDA of the BASF Group. This EBITDA figure includes the special income of €331 million from the asset swap with Gazprom.
- At the beginning of September 2015, we signed an agreement with Gazprom and other shareholders on the expansion of the Nord Stream pipeline. Gazprom will hold a 51% share in the project company, E.ON, OMV, Shell and Wintershall will each hold a share of 10% and ENGIE a share of 9%. Two further lines of the pipeline from Russia through the Baltic Sea to Germany are to be built and will further contribute to securing the supply of natural gas.

Outlook for full year 2015

In the first three quarters of 2015, growth in the global economy remained considerably below our expectations. The economic environment clouded over in important emerging markets, especially

in China. We have further reduced our expectations for the global economy in 2015 (previous forecast in parentheses):

- Gross domestic product growth: 2.3% (2.4%)
- Growth in industrial production: 2.0% (2.9%)
- Growth in chemical production: 3.5% (3.8%)
- An average euro/dollar exchange rate of \$1.12 per euro (\$1.15 per euro)
- An average oil price for the year of \$55 per barrel (\$60 to \$70 per barrel)

As you know, we were still expecting higher growth rates at the beginning of the year: We had assumed growth of 2.8% for the gross domestic product, 3.6% for industrial production and 4.2% for chemical production. Besides weaker economic development, the oil price fell further than expected. In addition, the divestitures concluded in the third quarter of 2015 will put a strain on sales and earnings development. We are therefore adjusting our outlook for 2015.

It is unlikely that the BASF Group will achieve the slight sales growth forecast for 2015. We now expect sales to decline slightly. This assumption is based on the divestiture of the natural gas trading and storage business concluded in the third quarter of 2015 as well as on the lower price of oil. Our continued aim is to raise our sales volumes, excluding the effects of acquisitions and divestitures.

Contrary to expectations, EBIT before special items in 2015 will probably not match the previous year's level and will instead see a slight decrease. We continue to anticipate larger contributions from our chemicals business, whereas earnings in the Oil & Gas segment will decrease considerably. In the crop protection business, the difficult market environment will likely result in earnings that, against expectations, come in slightly below the level of 2014. We still foresee a slight decline in EBIT for the BASF Group. In 2014, higher levels of special income arose primarily from the disposal of our 50% share in Styrolution Holding GmbH.

And now Hans Engel will give further details on the segments, regions and financial figures.

[Presentation Hans-Ulrich Engel]

Business development in the segments in the 3rd quarter

Sales in the **Chemicals** segment were €3.6 billion, 13% below the level of the previous third quarter. This was essentially due to lower prices on account of decreased raw material costs, especially in the Petrochemicals division. Sales were also reduced by the disposal of our share in the Singapore-based Ellba Eastern Private Ltd. joint operation at the end of 2014. These developments were partially countered by positive currency effects and volumes increases in the Intermediates and Monomers divisions. EBIT before special items rose by €17 million to €633 million, mostly as a result of higher margins in the Petrochemicals division.

Compared with the third quarter of 2014, sales in the **Performance Products** segment declined 1% to €3.9 billion. This was due to lower prices, weaker volumes and the lack of sales from the textile chemicals business sold in June 2015. Currency effects had a positive influence on sales in all divisions. Decreased sales volumes were brought about by lower volumes in the pigments business as well as weak demand in the oilfield chemicals business in connection with oil price developments. Intense competition in the vitamin business put pressure on our prices. The market environment for paper chemicals remained difficult. EBIT before special items was down €57 million to €319 million as a consequence of higher fixed costs, stemming particularly from the startup of new plants as well as currency effects.

In the **Functional Materials & Solutions** segment, sales matched the level of the third quarter of 2014 and were €4.5 billion. Positive currency effects counterbalanced lower prices and a slight decline in volumes. Continuing high demand from the automotive and construction industry was not able to fully offset lower sales volumes in precious metal trading. EBIT before special items grew by

€61 million to €371 million, mainly thanks to an earnings increase in the Performance Materials division.

Compared with the previous third quarter, we were able to raise sales by 6% to €1.1 billion in the **Agricultural Solutions** segment through higher volumes and prices. The sharp depreciation of the Brazilian real resulted in negative currency effects. EBIT before special items declined by €36 million to €7 million. This was largely the result of higher costs arising primarily from capacity increases and inventory reduction.

At €3.6 billion, the **Oil & Gas** segment's sales were down by 2% year-on-year, predominantly on account of a price-related sales decline in the Natural Gas Trading business sector. Despite a sharp drop in the price of oil, sales grew in the Exploration & Production business sector thanks to higher volumes and portfolio effects. The smaller contribution from Natural Gas Trading resulted in a considerable decrease in earnings; EBIT before special items declined by €65 million to €371 million.

Sales in **Other** fell by 30% to €685 million compared with the third quarter of 2014. Decreased raw material trading and the disposal of our share in the Ellba Eastern Private Ltd. joint operation at the end of 2014 were primarily responsible for this development. EBIT before special items declined by €91 million to minus €98 million, primarily because of fewer reversals in provisions for the long-term incentive program as compared with the prior third quarter.

Business development in the regions in the 3rd quarter

Sales at companies located in **Europe** decreased by 6% compared with the third quarter of 2014. In the chemicals business and the Oil & Gas segment, lower prices particularly reduced sales. Despite the earnings decline in the Oil & Gas segment, EBIT before special items surpassed the previous third quarter's level by €17 million, amounting to €1.1 billion. This was mainly the result of a considerable earnings increase in the Chemicals segment.

In **North America**, lower raw material costs significantly reduced prices in the chemicals business, especially in the Petrochemicals division. The result was a drop in sales of 17% in local currency terms and 1% in euros. Partially countering this development was a sharp volumes increase in the Agricultural Solutions segment, along with positive currency effects. At €297 million, EBIT before special items was €45 million below the level of the previous third quarter. While we were able to considerably improve earnings in the Functional Materials & Solutions segment, earnings fell considerably in the Chemicals segment.

Sales in **Asia Pacific** dropped by 17% in local currency terms and by 7% in euro terms. Sales prices fell, especially in the Chemicals segment. Lower volumes and the disposal of our share in the Singapore-based Ellba Eastern Private Ltd. joint operation in 2014 also contributed to this decline. Positive currency effects supported sales development in all segments. EBIT before special items decreased by €103 million to €70 million year-on-year; along with start-up costs for new plants and the decline in prices and volumes, this development was mainly brought about by a lower currency result.

In **South America, Africa, Middle East**, sales rose by 14% in local currency terms while matching the previous third quarter's level in euro terms. Higher sales volumes and prices compensated for negative currency and portfolio effects. We were able to raise volumes and prices particularly sharply in the crop protection business. By contrast, we observed a considerable sales decline in our businesses with the automotive industry. EBIT before special items fell by €40 million to €157 million, despite a higher contribution from the Agricultural Solutions segment. Earnings were considerably down in the chemicals business and the Oil & Gas segment.

Development of earnings and cash flow of BASF Group

Special items in EBIT totaled €286 million in the third quarter of 2015, compared with minus €32 million in the third quarter of 2014. This was particularly the result of gains from the asset swap with Gazprom concluded at the end of September 2015.

Compared with the previous third quarter, EBIT grew by €147 million to €1.9 billion. EBITDA grew by €358 million to €2.9 billion. This was largely the result of a €211 million increase in depreciation, particularly in connection with investment projects. At minus €175 million, the financial result was slightly below the level of the third quarter of 2014 (minus €169 million) due to lower income from shareholdings. At €1.7 billion, income before taxes and minority interests was up by €141 million. The tax rate was 26.0% (third quarter of 2014: 27.6%).

Net income rose by €195 million to €1.2 billion. Earnings per share were €1.31 in the third quarter of 2015, compared with €1.11 in the same quarter of 2014. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €1.07 (third quarter of 2014: €1.24).

In the first three quarters of 2015, cash provided by operating activities rose year-on-year by €3.6 billion to €8.5 billion. The release of funds in net working capital in the amount of €2.5 billion in the first three quarters of 2015 arose predominantly from a decrease in inventories. Funds were additionally released by a decline in other operating receivables.

Investing activities led to a cash outflow of around €5.0 billion, compared with €3.8 billion in the first three quarters of 2014. At €4.4 billion, payments related to property, plant and equipment and intangible assets were higher than in the same period of the previous year. Acquisitions and divestitures resulted in net proceeds of €227 million in the first three quarters of 2015.

Financing activities resulted in a cash outflow of €3.5 billion, compared with an outflow of €995 million in the same period of the previous year. Financial liabilities were reduced by €649 million compared with the end of 2014. Dividends of €2.6 billion were paid to shareholders of BASF SE, which was €92 million more than in the previous year.

Cash and cash equivalents rose to €1.8 billion as of September 30, 2015, compared with €1.7 billion at the end of 2014. Since the beginning of the year, net debt has increased by €98 million to €13.8 billion. The equity ratio was around 42% as of September 30, 2015.

Ladies and gentlemen,

Kurt Bock and I look forward to your questions.