

News Release



BASF: Market environment remains volatile and challenging

Full year 2015:

- **Sales €70.4 billion (minus 5%)**
- **EBIT before special items €6.7 billion (minus 8%)**
- **EBIT €6.2 billion (minus 18%)**
- **Higher earnings in the chemicals business; Oil & Gas considerably below previous year**
- **Earnings per share €4.34 (minus 23%); Adjusted earnings per share €5.00 (minus 8%)**
- **Record operating cash flow of €9.4 billion (plus 36%)**
- **Dividend proposal of €2.90 for business year 2015**

Outlook 2016:

- **Considerable sales decline due to divestiture of gas trading business**
- **EBIT before special items expected at level slightly below 2015, based on an average oil price of \$40 per barrel**

Ludwigshafen, Germany – February 26, 2016 – The market environment continued to be volatile and challenging. Growth rates for the global economy, industrial production and the chemical industry in 2015 all lagged considerably behind the company's expectations. "Over the course of the year, global economic growth slowed significantly. In this economic environment, we have taken decisive measures: We have significantly reduced our inventories, strengthened our cost management and pruned our portfolio," said Dr. Kurt Bock, Chairman of the Board of Executive Directors of BASF SE at the Annual Press Conference in Ludwigshafen.

February 26, 2016
P117/16e
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

In the fourth quarter of 2015, sales were €13.9 billion, 23% below the level of the same quarter of the previous year. This was mainly due to the asset swap with Gazprom, which was completed at the end of September. As a result of the swap, the sales contribution of roughly €3 billion from the gas trading and storage business ceased in the Oil & Gas segment in the fourth quarter of 2015. In total, portfolio measures in the fourth quarter reduced sales by 19%. Due to lower raw material prices, sales prices declined by 11%; volumes grew by 4%. Positive currency effects contributed 3%.

Income from operations (EBIT) before special items fell by €436 million to about €1 billion in the fourth quarter. The decline was especially due to significantly lower earnings in the Oil & Gas and Chemicals segments compared with the previous fourth quarter. Earnings in Oil & Gas decreased primarily due to lower prices, whereas in the Chemicals segment the decline was mainly attributable to lower margins in the Petrochemicals division.

Sales and earnings in 2015 below previous year mainly due to lower oil and gas prices

For the full year, sales decreased by 5% to €70.4 billion. Sales prices fell in almost all divisions (minus 9%), largely on account of the sharp drop in raw material prices. Sales volumes in 2015 rose slightly overall (plus 3%), mainly as a result of higher volumes in the Oil & Gas segment. Volumes in the chemicals business, which comprises the Chemicals, Performance Products and Functional Materials & Solutions segments, were almost at the same level as the previous year. Volumes and prices rose in the Agricultural Solutions segment. Currency effects positively influenced sales in all segments (plus 6%). The asset swap with Gazprom reduced sales (portfolio: minus 5%).

At €6.7 billion, EBIT before special items was €618 million below the level of the previous year. Major influences here were the oil-price-related decline in sales from oil and gas production activities as well as decreased earnings in Other, mainly brought about by currency effects. Contrasting this was the significant increase in earnings in the Functional Materials & Solutions segment.

At €6.2 billion, EBIT for the BASF Group in 2015 was €1.4 billion lower than the previous year's level. Special items in 2015 resulted in an earnings impact to EBIT of minus €491 million compared to an earnings contribution of plus €269 million in 2014. This was mostly due to impairments of around €600 million on assets in the Oil & Gas segment, as a result of the strong decline in oil and gas prices in past months.

Net income amounted to €4.0 billion, below the previous year's level of €5.2 billion. Earnings per share dipped from €5.61 to €4.34. In 2015, earnings per share adjusted for special items and amortization of intangible assets amounted to €5.00 compared with €5.44 in the previous year.

Record operating cash flow

At a record level of €9.4 billion, cash provided by operating activities in 2015 exceeded the previous year's level by €2.5 billion. This was largely attributable to a decrease in the amount of capital tied down in net working capital. Free cash flow rose by €2.0 billion to €3.6 billion in 2015 despite higher payments for property, plant and equipment and intangible assets.

At 44.5% (December 31, 2014: 39.5%), the equity ratio was at a very high level. Net debt decreased by €710 million to €13.0 billion.

Dividend proposal of €2.90

BASF stands by its ambitious dividend policy and plans to propose a dividend of €2.90 per share for the business year 2015 at the Annual Shareholders' Meeting (previous year: €2.80). The company would thus pay out around €2.7 billion to its shareholders. "Based on the year-end share price for 2015 of €70.72, BASF shares again offer a high dividend yield of around 4.1%. We continue to aim to increase our dividend each year, or at least maintain it at the previous year's level," said Bock.

Outlook for full year 2016

For its outlook, BASF assumes the following economic conditions for 2016 (previous year figures in parentheses):

- Global economic growth: +2.3% (+2.4%)
- Growth in global chemical production (excluding pharmaceuticals): +3.4% (+3.6%)
- An average euro/dollar exchange rate of \$1.10 per euro (\$1.11 per euro)
- An average oil price (Brent) of \$40 per barrel (\$52 per barrel)

Bock: "The turbulent start to the year on the raw material and stock markets shows just how many uncertainties there are in an outlook for 2016. The year has begun subdued, mainly due to a weak volume development in China. Nonetheless, in 2016 we still expect the global economy to grow at about the same rate as in 2015." Growth in the European Union will remain comparable with prior-year levels. In the United States, growth is expected to slow down somewhat. The company forecasts that economic growth in China will continue to decelerate slightly and that the recession will ease up somewhat in Russia and Brazil. Global chemical production is likely to grow at a slightly slower rate than in 2015.

"Risks continue to rise for the global economy. We nevertheless aim to raise sales volumes in all segments. BASF Group sales will decline considerably, however, especially as a result of the divestiture of the gas trading and storage business. We expect EBIT before special items to be slightly below 2015 levels. This is an ambitious goal in the current volatile and challenging environment, and is particularly dependent on the development of the oil price," said Bock. The company expects a significant decrease in the Oil & Gas segment. In the Chemicals segment, the good earnings of the first three quarters of 2015 will not be matched and a significantly lower contribution is expected. In contrast, BASF aims to increase earnings slightly in the remaining three segments.

In 2015, BASF invested around €5.2 billion in property, plant and equipment, compared with €5.1 billion in the previous year (excluding additions to property, plant and equipment resulting from acquisitions, capitalized exploration, restoration obligations and IT investments). The company presumes that average yearly investment between 2016 and 2020 will be lower compared with 2015, after having started up operations at several major plants. “The investment projects we have completed in the previous months negatively affect our earnings in this weak economic environment. However, they are the basis for future growth – in Europe, in North America and in emerging markets. The emerging markets provide great opportunities for BASF, even if they are growing more slowly than expected at the moment,” said Bock. For 2016, BASF plans total investments of around €4.2 billion. Compared with the previous year, the company thus aims to reduce capital expenditures by €1 billion.

Development of the segments

In the **Chemicals** segment, sales in the fourth quarter fell by 22% to €3.2 billion mainly due to lower prices. EBIT before special items decreased by €331 million to €249 million, mainly as a result of declining margins in Petrochemicals. Full-year sales declined by 14% to €14.7 billion, largely due to lower prices on account of decreased raw material costs, especially in the Petrochemicals division. EBIT before special items fell by €211 million versus the previous year to €2.2 billion. This was primarily attributable to the declining margins in the Monomers division as well as rising fixed costs from the startup of new production plants, such as in Camaçari, Brazil, and Chongqing, China.

In the **Performance Products** segment, fourth-quarter sales declined by 2% to €3.6 billion due to prices and portfolio effects. Compared with the previous fourth quarter, EBIT before special items rose by €11 million to €228 million due to higher contributions from the Performance Chemicals and Dispersions & Pigments divisions. In the full year, sales were up by 1% to €15.6 billion. Positive currency effects in all divisions were able to more than compensate for lower

sales prices and weaker volumes. At €1.4 billion, EBIT before special items was €89 million below the prior year's level because of higher fixed costs. These resulted from negative currency effects, the startup of new plants – such as those in Camaçari, Brazil, and Freeport, Texas – and inventory reductions.

In the **Functional Materials & Solutions** segment, sales in the fourth quarter increased by 1% to €4.5 billion due to higher volumes and positive currency effects. EBIT before special items grew by €169 million to €389 million, especially due to a higher earnings contribution from Performance Materials. Full-year sales rose by 5% to €18.5 billion. Prices declined slightly overall, with volumes stable; currency effects were positive. EBIT before special items increased by €452 million to €1.6 billion, mainly because of the considerable improvement in earnings in the Performance Materials and Construction Chemicals divisions.

In a challenging and highly competitive business environment, sales in the **Agricultural Solutions** segment increased in the fourth quarter by 5% to €1.2 billion due to prices and volumes. EBIT before special items rose by €21 million to €144 million, especially due to the good business with herbicides in North America. Sales in 2015 exceeded the level of 2014 by 7% and reached €5.8 billion, primarily driven by higher sales prices. Over the course of the year, there were continued low prices for agricultural products and therefore a slowdown in demand for crop protection products. In emerging markets in particular, business development was hindered by the volatile environment and depreciation of local currencies. At €1.1 billion, EBIT before special items almost reached the previous year's level (minus 2%).

In the **Oil & Gas** segment, fourth-quarter sales decreased by 82% to €731 million. This was largely a result of the asset swap with Gazprom completed at the end of September, through which contributions from the natural gas trading and storage business ceased. EBIT before special items was down by €220 million to €127 million. For the full year, sales declined by 14% to €13.0 billion. This was mainly due to

the portfolio changes, but also due to the dramatic drop in the price of oil. Higher volumes in both the Exploration & Production and Natural Gas Trading business sectors had a positive effect on sales. EBIT before special items declined by €429 million to €1.4 billion as a result of the lower sales.

Sales in **Other** in the fourth quarter were €660 million, 6% below the same quarter of the previous year, especially due to lower prices in raw materials trading as well as the disposal of BASF's share in Ellba Eastern Private Ltd., Singapore, at the end of 2014. EBIT before special items in the fourth quarter declined by €86 million to minus €114 million, mainly due to negative currency effects. For the full year, sales in Other shrank by 23% to €2.8 billion, mainly on account of a reduced contribution from raw materials trading. EBIT before special items dropped by €322 million compared with the previous year and was minus €888 million. Major factors were a lower currency result and higher expenses for provisions for the long-term incentive program.

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 February 26, 2016, you can obtain further information from the internet at the following addresses:

BASF Report 2015 (from 7:00 a.m. CET)

basf.com/overview (English)
basf.com/uebersicht (German)

Press Release (from 7:00 a.m. CET)

basf.com/pressrelease (English)
basf.com/pressemitteilungen (German)

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

basf.com/pcon (English)
basf.com/pressekonferenz (German)

Speech (from 10:30 a.m. CET)

basf.com/pcon (English)
basf.com/pressekonferenz (German)

**Live Transmission – Conference for analysts and investors
(from 1:00 p.m. CET)**

basf.com/share (English)
basf.com/aktie (German)

Pressphoto highlights

basf.com/pressphotos (English)
basf.com/pressefotos (German)

Current TV footage

tvservice.basf.com/en (English)
tvservice.basf.com (German)

**Current photos of the Annual Press Conference
(from 1:00 p.m. CET)**

basf.com/Pressphoto-Database/pc (English)
basf.com/Pressefoto-Datenbank/pk (German)

TV interview with Dr. Kurt Bock (from 2:00 p.m. CET)

basf.com/group/tv-interviews_en (English)
basf.com/group/tv-interviews_de (German)

Forward-looking statements

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.