

# News Release



## **BASF: Considerably higher earnings in chemicals business, Oil & Gas significantly below prior-year quarter**

### **2nd quarter 2016:**

- **Sales €14.5 billion (minus 24%): higher volumes, lower prices and significantly negative portfolio effects**
- **EBIT before special items €1.7 billion (minus 16%)**
- **Performance Products and Functional Materials & Solutions with considerably higher earnings**
- **Significantly lower sales and earnings in Oil & Gas due to portfolio effects and lower prices**

### **Outlook 2016 for BASF Group confirmed:**

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

Ludwigshafen, Germany – July 27, 2016 – In the second quarter of 2016, BASF saw a slight improvement in the macroeconomic environment. The increase in oil price and pickup in demand since the end of March underline this development. “We experienced robust demand, especially from the automotive and construction industries. However, the macroeconomic situation remains difficult to predict,” said Dr. Kurt Bock, Chairman of the Board of Executive Directors of BASF SE.

Sales of BASF Group decreased by 24% in the second quarter to €14.5 billion compared with the same period of 2015. Two-thirds of this decline were the result of portfolio effects (minus 16%). These were mainly due to the divestiture of the gas trading and storage

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business as part of the asset swap with Gazprom at the end of September 2015. In addition, lower raw material prices, especially in the Chemicals segment, led to a drop in sales prices (minus 7%). Except for Agricultural Solutions, all segments contributed to the slight increase in sales volumes (plus 2%). In the chemicals business, which comprises the Chemicals, Performance Products and Functional Materials & Solutions segments, volumes rose 4%. There were negative currency effects in all divisions (minus 3%).

In the second quarter, income from operations (EBIT) before special items declined by €336 million to €1.7 billion compared with the strong prior-year quarter. Significantly higher earnings in the chemicals business could not compensate for substantially lower contributions from the Oil & Gas segment. Compared with the previous second quarter, EBIT was down by €321 million to €1.7 billion.

Net income decreased by €173 million to €1.1 billion. Earnings per share were €1.19 in the second quarter of 2016, compared with €1.38 in the same period of 2015. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €1.30 (second quarter of 2015: €1.49).

### **Outlook for full year 2016**

For 2016, the company anticipates a continuation of the currently challenging market conditions along with substantial risks. BASF's expectations for the global economic environment in 2016 remain unchanged:

- Growth in gross domestic product: 2.3%
- Growth in industrial production: 2.0%
- Growth in chemical production: 3.4%
- An average euro/dollar exchange rate of \$1.10 per euro
- An average Brent blend oil price for the year of \$40 per barrel

“We confirm our 2016 forecast for BASF Group sales and EBIT before special items: We aim to increase sales volumes. BASF Group sales will decline considerably, however, primarily as a result of the divestiture of the gas trading and storage business as well as lower oil and gas prices. We continue to expect EBIT before special items to be slightly below 2015 levels,” said Bock.

“Our outlook for 2016 remains ambitious in the current volatile and challenging environment, and is particularly dependent on further oil price development. With this in mind, we remain focused on cost-containment and restructuring measures, which have proven effective in the first half of 2016. Our recent portfolio measures will contribute to the mid and long-term success of our company,” explained Bock.

### **Business development in the segments**

At €3.4 billion, sales in the **Chemicals** segment were down 15% compared with the second quarter of 2015. This was mainly due to the lower price levels in all divisions brought about by decreased raw material costs. Sales volumes increased in all divisions, especially in Intermediates. EBIT before special items declined by €81 million to €467 million on account of margins. Fixed costs remained on the level of the prior second quarter. In the first half, sales fell by 17% to €6.5 billion. Mainly due to lower margins, EBIT before special items declined by €342 million to €932 million.

In the **Performance Products** segment, sales declined by 6% to €3.8 billion compared with the prior-year quarter. Prices fell, particularly as a result of reduced raw material costs and also due to ongoing pressure on prices in the hygiene business. Several divestitures in 2015 and negative currency effects also contributed to the lower level of sales. We achieved volumes growth. Due to reduced fixed costs, improved margins in all divisions and higher volumes, EBIT before special items increased by €199 million to €503 million. In the first half, sales were 6% below the same period of the previous year and amounted to €7.6 billion. EBIT before special items increased by €231 million to €1.1 billion.

Compared with the second quarter of 2015, sales in the **Functional Materials & Solutions** segment were down 4% to €4.7 billion. This was also largely the result of declining sales prices, primarily caused by the decrease in precious metal prices. Negative currency effects dampened sales in all divisions. Volumes increased, especially in the automotive and construction industries. EBIT before special items improved by €77 million to €535 million, supported by considerable improvements in all divisions, especially Performance Materials. In the first half, sales declined by 4% to €9.1 billion. EBIT before special items increased by €102 million compared with the first half of 2015 and was €991 million.

In a market environment that remains difficult, second quarter sales in the **Agricultural Solutions** segment declined by 13% to €1.5 billion compared to the same quarter of the previous year. Lower volumes and negative currency effects were the key factors for this development. Prices rose slightly. EBIT before special items fell by €45 million to €320 million, owing primarily to lower sales volumes. In the first half, sales declined by 9% to €3.2 billion. EBIT before special items decreased by €28 million to €911 million.

At €617 million, sales in the **Oil & Gas** segment were 83% lower than in the second quarter of 2015, which had included €3.0 billion in sales from activities discontinued after the asset swap with Gazprom. Sales were additionally constrained by lower oil and gas prices. Production was ramped up overall and especially in Norway. EBIT before special items fell by €337 million to €94 million, predominantly due to lower prices as well as the discontinued contributions from the gas trading and storage business. Compared with the same period of the previous year, sales in the first half decreased by 86% to €1.2 billion. EBIT before special items declined by €708 million to €160 million.

At €485 million, second-quarter sales in **Other** were 36% below the previous second-quarter level. This was mainly due to lower prices and volumes in the raw materials trading business. EBIT before special items declined by €149 million to minus €212 million, largely due to valuation effects for the long-term incentive program.

In the first six months of 2016, sales in Other decreased by 33% to €962 million. EBIT before special items improved by €245 million to minus €431 million, partially due to a higher currency result.

### **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](http://www.basf.com).

You can obtain further information from the internet at the following addresses:

### **Half-Year Financial Report (from 7:00 a.m. CEST)**

[basf.com/halfyearfinancialreport](http://basf.com/halfyearfinancialreport) (English)  
[basf.com/halbjahresfinanzbericht](http://basf.com/halbjahresfinanzbericht) (German)

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

[basf.com/pressrelease](http://basf.com/pressrelease) (English)  
[basf.com/pressemitteilungen](http://basf.com/pressemitteilungen) (German)

### **Live Transmission (from 9:00 a.m. CEST)**

[basf.com/pcon](http://basf.com/pcon) (English)  
[basf.com/pressekonferenz](http://basf.com/pressekonferenz) (German)

### **Speech (from 9:00 a.m. CEST)**

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### **Live Transmission – Telephone Conference for analysts and investors (from 11:00 a.m. CEST)**

[basf.com/share](http://basf.com/share) (English)  
[basf.com/aktie](http://basf.com/aktie) (German)

### **Photos**

[basf.com/pressphotos](http://basf.com/pressphotos) (English)  
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**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.