

News Release



BASF: Sales and earnings in the 4th quarter considerably above prior-year quarter

4th quarter 2016:

- **Sales €14.8 billion (plus 7% compared with prior-year quarter)**
- **EBIT before special items €1.2 billion (plus 15% compared with prior-year quarter)**

Full year 2016:

- **Sales €57.6 billion (minus 18% compared with prior year)**
- **EBIT before special items €6.3 billion (minus 6% compared with prior year)**
- **Significant earnings increase in the chemicals business; considerably lower earnings in Oil & Gas and Other**
- **Earnings per share €4.42 (plus 2%)**
- **Dividend proposal for fiscal year 2016 €3.00 (2015: €2.90)**

Outlook 2017:

- **Considerable sales growth through increases in all segments**
- **Slightly higher EBIT before special items**

Ludwigshafen, Germany – February 24, 2017 – In 2016, BASF achieved the growth and earnings goals it set for itself. The chemicals business grew successfully and profitability improved further. As expected, earnings in Oil & Gas did not match the previous year's level. "As the year progressed, we were able to increase BASF's growth. Our sales volumes rose from quarter to quarter. Particularly in Asia, we continually increased our sales volumes in the chemicals business. This shows that the high investments we made in research

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and development and new production capacity in recent years are paying off,” said Dr. Kurt Bock, Chairman of the Board of Executive Directors of BASF SE, at the Annual Press Conference in Ludwigshafen.

In the fourth quarter of 2016, sales increased by 7% to €14.8 billion compared with the same quarter of 2015, mainly due to higher volumes. For BASF Group, as well as the chemicals business, which comprises the Chemicals, Performance Products and Functional Materials & Solutions segments, volumes rose by 6%. Income from operations (EBIT) before special items was €1.2 billion, €157 million higher than in the prior-year quarter. Considerably higher earnings in Chemicals, Functional Materials & Solutions and Oil & Gas more than compensated for lower earnings in Agricultural Solutions and Other.

For the full year 2016, sales decreased by 18% to €57.6 billion. This was mainly due to the divestiture of the gas trading and storage business as part of the asset swap with Gazprom at the end of September 2015. This business had contributed €10.1 billion to sales in 2015. In total, portfolio effects lowered sales by 15%. In addition, lower raw material prices led to a drop in sales prices (minus 4%). The company was able to continually raise sales volumes over the course of the year. Compared with the previous year, volumes increased by 2%, and in the chemicals business, by 4%. Currency effects slightly dampened sales (minus 1%).

At €6.3 billion, EBIT before special items was €430 million below the prior-year level. This was largely a consequence of a decline of about €850 million in the Oil & Gas segment, mainly resulting from falling prices and the divestiture of the natural gas trading and storage business. The activities transferred to Gazprom had contributed around €260 million to EBIT before special items in 2015. In the Agricultural Solutions segment, EBIT before special items matched the previous year’s level. The chemicals business increased earnings considerably thanks to sharply improved contributions from the Performance Products and Functional Materials & Solutions segments.

At €4.1 billion, net income exceeded the previous year's level of €4.0 billion. Earnings per share increased from €4.34 to €4.42.

Dividend proposal of €3.00

In a volatile market environment, BASF's share price developed very positively, closing out the year at €88.31, around 25% higher than at the end of the previous year. With dividends reinvested, the performance of BASF shares rose by 30%, considerably outperforming the DAX 30 (+7%), the DJ EURO STOXX 50 (+4%) and the MSCI World Chemicals (+11%). "We are continuing our dividend policy and at the Annual Shareholders' Meeting we will propose to raise the dividend again, by €0.10 to €3.00," said Bock. BASF shares thus once again offer a high dividend yield of 3.4% based on the closing share price at the end of 2016.

Outlook for full year 2017

Bock: "We are cautiously optimistic for 2017. We want to grow further, with all segments contributing to this growth. More importantly: We want to increase our earnings again, also in the oil and gas business. The global economy will presumably grow about as fast as in 2016. In light of significant political uncertainty, volatility will remain high." A considerable slowdown in growth in the European Union is expected. For the United States, a slight upturn in growth is anticipated. Growth in China is likely to continue to slow further. And it is expected that the recession in Brazil and Russia will end.

For its outlook, BASF assumes the following economic conditions for 2017 (previous year figures in parentheses):

- Global economic growth: +2.3% (+2.3%)
- Growth in global chemical production (excluding pharmaceuticals): +3.4% (+3.4%)
- An average euro/dollar exchange rate of \$1.05 per euro (\$1.11 per euro)
- An average oil price (Brent) of \$55 per barrel (\$44 per barrel)

In 2017, BASF Group sales are expected to grow considerably. This will be supported by slightly higher sales in the Performance Products segment and by considerable increases in the remaining segments as well as in Other.

Bock: “We want to slightly raise EBIT before special items compared with 2016. We anticipate considerably higher contributions from the Oil & Gas segment. In the Performance Products, Functional Materials & Solutions and Agricultural Solutions segments, we assume EBIT before special items will be slightly higher, while the contribution from the Chemicals segment will match the prior-year level.”

In light of the major political and economic uncertainties, BASF will continue its strict discipline with respect to expenditures and costs. The strategic excellence program, DriveE, contributes to this aim. Starting at the end of 2018, the company expects this program to contribute around €1 billion in earnings each year compared with the baseline 2015. The earnings contribution amounted to €350 million in 2016.

After a phase of high investments, BASF scaled these back in 2016 by more than €1 billion as previously announced. The company invested a total of €3.9 billion in capital expenditures (excluding additions to property, plant and equipment resulting from acquisitions, capitalized exploration, restoration obligations and IT investments). “In the coming years, we plan to invest at a comparable level. We are now filling the existing capacity in our new plants and thus building on the volume momentum seen last year,” said Bock.

Development of the segments in the 4th quarter and full year 2016

In the **Chemicals** segment, fourth-quarter sales increased by 12% to €3.6 billion, driven by higher volumes and prices. EBIT before special items rose by €386 million to €635 million. This was mainly due to higher margins, especially in isocyanates and cracker products. For the full year, sales decreased by 8% to €13.5 billion. This was

attributable to lower prices as a result of a decline in raw material prices, especially in the Petrochemicals division. Higher volumes could not compensate for this. EBIT before special items fell by €92 million to €2.1 billion, mainly because of higher fixed costs from new production plant startups. Lower margins in the Petrochemicals and Intermediates divisions also dampened EBIT before special items. Higher margins for isocyanates in the Monomers division helped slow the decline.

In the **Performance Products** segment, sales in the fourth quarter declined by 1% to €3.6 billion. EBIT before special items rose slightly to €231 million supported by improved margins. At €15.0 billion, full-year sales were 4% below the level of the previous year. This was primarily attributable to falling sales prices and the divestitures completed in 2015. EBIT before special items increased by €379 million to €1.7 billion. This was mostly due to significantly reduced fixed costs thanks to restructuring measures and strict fixed cost management, in addition to improved margins.

In the **Functional Materials & Solutions** segment, fourth-quarter sales grew by 10% to €5.0 billion driven by higher volumes. EBIT before special items increased by €69 million to €458 million due to volumes growth, a favorable product mix and continued cost discipline. Sales for the full year increased by 1% to €18.7 billion. By increasing volumes in all divisions, lower prices and mildly negative currency effects could be more than compensated for. The volumes growth was mainly attributable to higher demand for products for the automotive industry. Business with the construction industry saw sales volumes at a high level overall. EBIT before special items rose by €297 million to €1.9 billion compared with 2015. All divisions contributed to this considerable earnings increase, particularly the Performance Materials division.

In the **Agricultural Solutions** segment, sales in the fourth quarter rose by 10% to €1.3 billion thanks to higher volumes. EBIT before special items decreased by €65 million to €79 million due to higher fixed costs, partly resulting from new or expanded production facilities,

for example for the herbicide dicamba. For the full year, sales fell by 4% to €5.6 billion as a result of lower sales volumes and negative currency effects. The challenging market environment for crop protection products particularly dampened demand for insecticides in South America and for fungicides in Europe. Prices matched the level of 2015. Strict cost management enabled fixed costs to be reduced in the Agricultural Solutions segment. Thanks to this development, EBIT before special items matched the previous year's level at €1.1 billion despite the sales decline.

In the **Oil & Gas** segment, fourth-quarter sales increased by 26% to €922 million due to higher volumes and prices. EBIT before special items grew by €36 million to €163 million. Sales for the full year decreased by 79% to €2.8 billion year-on-year. Owing to the asset swap with Gazprom completed at the end of September 2015, contributions from the natural gas trading and storage business and from Wintershall Noordzee B.V. ceased as of the fourth quarter of 2015. These activities had contributed €10.1 billion to sales in 2015. In the continuing oil and gas business, volumes grew by 15% compared with 2015, while price and currency effects amounted to minus 15%. EBIT before special items declined by €849 million to €517 million in 2016. This was primarily the result of falling oil and gas prices, in addition to the divestiture of the gas trading and storage business to Gazprom. The activities transferred to Gazprom had contributed around €260 million to EBIT before special items in 2015.

Sales in **Other** decreased by 22% to €518 million in the fourth quarter. EBIT before special items declined to minus €386 million, down from minus €114 million in the fourth quarter of 2015. Full-year sales fell by 28% to €2.0 billion compared with 2015. Lower prices and volumes in the raw materials trading business were primarily responsible, along with the expiration of supply contracts in connection with the disposal of BASF's share in the Ellba Eastern Private Ltd. joint operation in Singapore at the end of 2014. EBIT before special items in Other declined by €162 million to minus €1.1 billion. This was largely

attributable to valuation effects for the long-term incentive program. Positive currency effects helped slow the decline.

About BASF

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 114,000 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 about €58 billion in 2016. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA) and Zurich (BAS). Further information at www.basf.com.

On February 24, 2017, you can obtain further information from the internet at the following addresses:

BASF Report 2016 (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)

Conference call for analysts and investors (from 2:00 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. Future statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. BASF does not assume any obligation to update the forward-looking statements contained in this release.