

# Interim Report

## 1st Quarter 2016

### **BASF with slightly lower earnings before special items; outlook 2016 confirmed**

- Sales considerably down following divestiture of natural gas trading and storage business
- EBIT before special items rises in Performance Products, Functional Materials & Solutions and Agricultural Solutions segments; lower earnings in the Oil & Gas and Chemicals segments
- Outlook 2016: considerable sales decline expected; EBIT before special items forecast to be slightly below prior-year level

 **BASF**  
We create chemistry

# BASF Group

## 1st Quarter 2016

		1st Quarter		
		2016	2015	Change in %
Sales revenue	million €	14,208	20,067	(29)
Income from operations before depreciation and amortization (EBITDA)	million €	2,812	2,890	(3)
Income from operations (EBIT) before special items	million €	1,906	2,070	(8)
Income from operations (EBIT)	million €	1,866	1,995	(6)
Financial result	million €	(188)	(164)	(15)
Income before taxes and minority interests	million €	1,678	1,831	(8)
Net income	million €	1,387	1,174	18
Earnings per share	€	1.51	1.28	18
Adjusted earnings per share <sup>1</sup>	€	1.64	1.43	15
Cash provided by operating activities	million €	1,046	2,390	(56)
Additions to long-term assets <sup>2</sup>	million €	959	1,334	(28)
Research expenses	million €	455	474	(4)
Amortization and depreciation <sup>2</sup>	million €	946	895	6
Segment assets (as of March 31) <sup>3</sup>	million €	61,631	67,050	(8)
Personnel costs	million €	2,445	2,877	(15)
Number of employees (as of March 31)		112,272	113,896	(1)

<sup>1</sup> For more information, see page 33.

<sup>2</sup> Intangible assets and property, plant and equipment (including acquisitions)

<sup>3</sup> Intangible assets, property, plant and equipment, inventories and business-related receivables

### Sales

Change compared with 1st quarter 2015

**-29%**

### EBIT before special items

(Change compared with 1st quarter 2015)  
Million €

**1,906 (-164)**

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<sup>4</sup> This section is not part of the Interim Management's Report.

<sup>5</sup> This section is not part of the Interim Financial Statements.

# BASF's segments



## Chemicals

The Chemicals segment comprises our business with basic chemicals and intermediates. Its portfolio ranges from solvents, plasticizers and high-volume monomers to glues and electronic chemicals as well as raw materials for detergents, plastics, textile fibers, paints and coatings, crop protection and medicines. In addition to supplying customers in the chemical industry and numerous other sectors, we also ensure that other BASF segments are supplied with chemicals for producing downstream products.

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## Performance Products

Our Performance Products lend stability, color and better application properties to many everyday products. Our product portfolio includes vitamins and other food additives in addition to ingredients for pharmaceuticals, personal care and cosmetics, as well as hygiene and household products. Other products from this segment improve processes in the paper industry, in oil, gas and ore extraction, and in water treatment. They furthermore enhance the efficiency of fuels and lubricants, the effectiveness of adhesives and coatings, and the stability of plastics.

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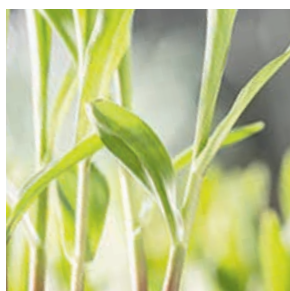


## Functional Materials & Solutions

In the Functional Materials & Solutions segment, we bundle system solutions, services and innovative products for specific sectors and customers, especially the automotive, electrical, chemical and construction industries, as well as for household applications and sports and leisure. Our portfolio comprises catalysts, battery materials, engineering plastics, polyurethane systems, automotive and industrial coatings and concrete admixtures as well as construction systems like tile adhesives and decorative paints.

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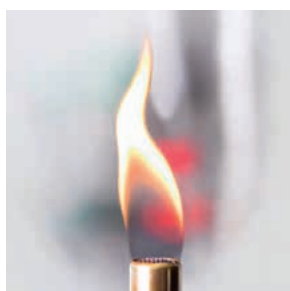


## Agricultural Solutions

The Agricultural Solutions segment provides innovative solutions in the areas of chemical and biological crop protection, seed treatment and water management as well as solutions for nutrient supply and plant stress. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, better nutrition, and use as renewable raw materials.

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## Oil & Gas

We focus on exploration and production in oil and gas-rich regions in Europe, North Africa, Russia, South America and the Middle East. Together with our Russian partner Gazprom, we are also active in the transport of natural gas in Europe.

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## BASF Innovations



### Getting into the flow with MasterEase® concrete admixtures

The flow properties of concrete are a major factor in how efficiently work can progress at a construction site. Our new polymers in the MasterEase® range of concrete additives increase fluidity, making processing considerably easier – especially for challenging construction projects with demanding technical requirements.

#### Saving resources with additives

Concrete is a coarse, viscous mixture that demands great amounts of work, energy and resources to both produce and process. The use of additives like MasterEase® improves how the components interact: Cement provides the binding action while water allows the concrete to react and flow. Admixtures make it possible to considerably reduce the proportion of water needed, while cement – the most expensive raw material, whose production requires great amounts of energy and releases a lot of CO<sub>2</sub> – can also be replaced with energy-efficient alternatives like blast-furnace slag or fly ash. This makes concrete more economical and improves its environmental profile.

#### Fluidity: a key factor

The high viscosity of low-water concrete mixtures can prove problematic for further processing steps. Our patented polymers in the MasterEase® range of additives reduce viscosity by up to 30% compared with previously available products, making the concrete significantly more workable, even when resources are used sparingly.

#### Combined action

MasterEase® is based on the innovative generation of poly aryl ether (PAE) polymers, hybrids that combine different types of monomers. In the past, these monomers had been deployed separately, each delaying the reaction between concrete components in its own way. The hybrid polymers in

MasterEase® pool the talents of these individual monomers, making the additive even more effective at keeping the concrete from binding and becoming viscous too early.

#### Flexible use

There are additional advantages for both production and processing: Easier pumping and reduced wear and tear on equipment mean fewer costs and less energy use; laying the concrete goes faster; and surface finishing is simpler. This provides challenging construction projects in particular with the increased flexibility to fulfill demanding technical requirements.

Photo: Two employees in the Construction Chemicals division examine the rheological properties of freshly mixed concrete in the lab. MasterEase® reduces its viscosity by up to 30%.

# Interim Management's Report

## BASF Group Business Review 1st Quarter 2016

Both sales and earnings in the first quarter of 2016 reflected the lack of contributions to the Oil & Gas segment from the natural gas trading and storage business resulting from the asset swap completed with Gazprom at the end of September 2015. With volumes stable, business development was further weighed down by lower prices in connection with the price of oil. As a consequence, our sales fell considerably, and we posted a slight decrease in income from operations before special items.<sup>1</sup> The Performance Products, Functional Materials & Solutions and Agricultural Solutions segments were able to slightly raise their earnings.

### Sales and income from operations before special items

- Sales decline by 29% to €14.2 billion
- EBIT before special items down by 8% to €1.9 billion

Compared with the first quarter of 2015, our sales decreased by 29% to €14.2 billion. This was largely on account of the divestiture of the gas trading and storage business, which had contributed €4.2 billion to sales in the first quarter of 2015. In addition, the lower price of oil led to declining sales prices in the Chemicals segment in particular as well as in our other chemicals business<sup>2</sup>, and in the Oil & Gas segment.

The significantly smaller contributions from the Oil & Gas and Chemicals segments reduced income from operations before special items by €164 million to €1.9 billion. We were able to slightly raise income from operations before special items in the Performance Products, Functional Materials & Solutions and Agricultural Solutions segments. A considerable earnings improvement in Other was especially the result of valuation effects for the long-term incentive program.

#### Factors influencing sales in 2016 (% of sales)

	1st Quarter
Volumes	0
Prices	(6)
Portfolio	(22)
Currencies	(1)
	(29)













Overall sales volumes matched the level of the previous first quarter. We were able to slightly raise volumes in the Functional Materials & Solutions, Oil & Gas and Performance Products segments, whereas they decreased slightly in the Agricultural Solutions and Chemicals segments. The lower

price of oil led to declining prices, especially in the Chemicals segment. Portfolio measures mainly comprised the divestiture of the natural gas trading and storage business. Currency effects were slightly negative overall.

### Sales and income from operations before special items in the segments

Sales fell considerably in the Chemicals segment, predominantly as a result of price drops brought about by the decline in raw material prices. Sales volumes decreased particularly in the Petrochemicals division in North America. Income from operations before special items was considerably down compared with the first quarter of 2015, which had been marked by high margins. In addition to lower margins, this reduction was also attributable to increased fixed costs arising mainly from the startup of new plants in 2015.

#### First-quarter sales (million €, relative change)

Chemicals	2016	3,149	(19%)	
	2015	3,866		
Performance Products	2016	3,783	(6%)	
	2015	4,038		
Functional Materials & Solutions	2016	4,408	(4%)	
	2015	4,584		
Agricultural Solutions	2016	1,780	(6%)	
	2015	1,898		
Oil & Gas	2016	611	(88%)	
	2015	4,993		
Other	2016	477	(31%)	
	2015	688		

Despite higher volumes, sales in the Performance Products segment were considerably below the level of the previous first quarter, largely on account of lower sales prices. The main factor here was the oil-price-related decline in raw material costs, although ongoing pressure on prices in the hygiene business was additionally responsible. Thanks to reduced fixed costs and higher volumes, we were able to slightly raise income from operations before special items.

Sales in the Functional Materials & Solutions segment declined slightly, mainly due to falling sales prices as a particular result of lower prices in precious metal trading. Our sales volumes increased to the automotive and construction industries, driven primarily by higher demand. Thanks to improved contributions from the Performance Materials and Construction Chemicals divisions, income from operations before special items grew slightly.

<sup>1</sup> With reference to sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. "At prior-year level" indicates no change (+/-0%). For earnings, "slight" means a change of 1–10%, while "considerable" is used for changes of 11% and higher. "At prior-year level" indicates no change (+/-0 %).

<sup>2</sup> Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

In a market environment that remains difficult, we posted a considerable year-on-year sales decline in the Agricultural Solutions segment. Price increases were unable to compensate for lower sales volumes and negative currency effects. Income from operations before special items improved slightly. Our margins rose, partly as a result of higher prices, and fixed costs were reduced.

#### First-quarter EBIT before special items

(Million €, absolute change)

	2016	2015	Change
Chemicals	465	726	(261)
Performance Products	547	515	32
Functional Materials & Solutions	456	431	25
Agricultural Solutions	591	574	17
Oil & Gas	66	437	(371)
Other	(219)	(613)	394

Sales fell considerably in the Oil & Gas segment. The asset swap completed with Gazprom in 2015 meant a lack of contributions from the natural gas trading and storage business in particular. Sales were additionally weighed down by the decline in oil and gas prices. We were able to ramp up our production volumes, especially in Norway. Income from operations before special items declined considerably, predominantly on account of lower prices as well as the discontinued contributions from the gas trading and storage business.

In Other, sales were considerably down compared with the previous first quarter. Lower prices and volumes in the raw materials trading business were largely responsible, along with the expiration of supply contracts at the end of 2015 in connection with the disposal of our share in the Ellba Eastern Private Ltd. joint operation in Singapore at the end of 2014. Income from operations before special items improved considerably, especially through valuation effects from the long-term incentive program. The increase was also supported by a positive currency result.

## Income from operations and special items

Special items in EBIT totaled minus €40 million in the first quarter of 2016, compared with minus €75 million in the first quarter of 2015. These particularly contained special charges from restructuring measures. The previous first quarter had included expenses for the employee bonus paid on the occasion of BASF's 150th anniversary.

Compared with the previous first quarter, EBIT declined by €129 million to €1,866 million. EBITDA fell by €78 million to €2,812 million.

#### Special items reported in earnings before taxes (million €)

	2016	2015
1st quarter	(40)	(75)
2nd quarter		8
3rd quarter		286
4th quarter		(687)
Full year		(468)

## Financial result and net income

At minus €188 million, the financial result was below the level of the first quarter of 2015 (minus €164 million), largely owing to the reduced other financial result. The lower level of income from shareholdings was offset by a better interest result.

Income before taxes and minority interests fell by €153 million to €1,678 million. The tax rate was 15.4% (first quarter of 2015: 29.7%), a drop that was mainly attributable to taxes in the Oil & Gas segment.

Net income rose by €213 million to €1,387 million.

Earnings per share were €1.51 in the first quarter of 2016, compared with €1.28 in the same period of 2015. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €1.64 (first quarter of 2015: €1.43).

Information on the calculation of adjusted earnings per share can be found on page 33

#### Adjusted earnings per share (€)

	2016	2015
1st quarter	1.64	1.43
2nd quarter		1.49
3rd quarter		1.07
4th quarter		1.01
Full year		5.00

# BASF on the Capital Market

## Overview of BASF shares

		1st Quarter 2016	Full Year 2015
<b>Performance (with dividends reinvested)</b>			
BASF	%	(6.3)	4.4
DAX 30	%	(7.2)	9.6
DJ EURO STOXX 50	%	(7.8)	6.4
DJ Chemicals	%	(0.5)	(3.3)
MSCI World Chemicals	%	(3.1)	(0.6)
<b>Share prices and trading (XETRA)</b>			
Average	€	62.46	79.28
High	€	70.72	96.72
Low	€	56.70	65.74
Close (end of period)	€	66.30	70.72
Average daily trade	million shares	3.8	3.3
Outstanding shares (end of period)	million shares	918.5	918.5
Market capitalization (end of period)	billion €	60.9	65.0

## Share performance

### ■ BASF shares follow trend of key European benchmark indexes

In an environment marked by weak economic figures from the United States and China – especially at the beginning of the year – as well as by a turbulent crude oil market, BASF shares closed the first quarter at €66.30, 6.3% below the closing price at the end of 2015. The German stock index DAX 30 and the European benchmark index DJ EURO STOXX 50 both fell over the same period by 7.2% and 7.8%, respectively. The global industry indexes DJ Chemicals and MSCI World Chemicals also weakened in the first three months of the year, declining by 0.5% and 3.1%, respectively.

## Dividend increase to €2.90 per share

### ■ Payout of around €2.7 billion to BASF's shareholders

The Board of Executive Directors and the Supervisory Board proposed to the Annual Shareholders' Meeting that a dividend of €2.90 per share be paid for the 2015 business year. We stand by our ambitious dividend policy and plan to pay out around €2.7 billion to our shareholders. Based on the year-end share price for 2015, BASF shares offer a high dividend yield of 4.1%. BASF is part of the DivDAX share index, which contains the fifteen companies with the highest dividend yield in the DAX 30. We aim to increase our dividend each year, or at least maintain it at the previous year's level.

For up-to-date information on BASF shares, see [basf.com/share](http://basf.com/share)  
Contact our Investor Relations team by phone at +49 621 60-48230  
or email [ir@basf.com](mailto:ir@basf.com)

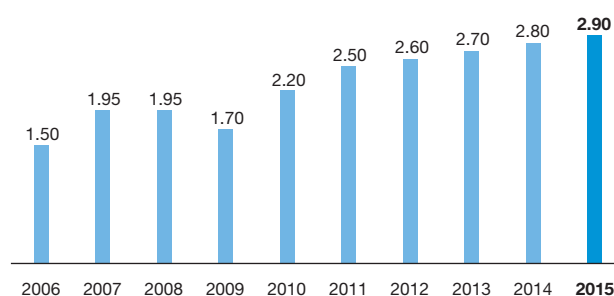
## Good credit ratings and solid financing

BASF has solid financing and good credit ratings, especially in comparison with competitors in the chemical industry. Rating agency Moody's last confirmed their "A1/P-1 outlook stable" rating on November 4, 2015. Standard & Poor's adjusted their BASF rating from "A+/A-1 outlook negative" to "A/A-1 outlook stable" on March 14, 2016. This decision was largely based on the weaker market environment, especially for basic and agricultural chemicals; limited overall volumes growth; and the considerable drop in the price of crude oil. Uncertainty with regard to economic development in China was also taken into consideration.

In the first quarter of 2016, we issued a 15-year bond with a €200 million volume and a coupon of 1.5%. We furthermore tapped our 2013-2021 bond with a 1.875% coupon, increasing its volume by €300 million to €1 billion, effective April 5, 2016. With an issue price of over 100%, the tap resulted in an effective annual interest rate of 0.37%.

Since the beginning of the year, net debt fell by €190 million to €12.8 billion.

### Dividend per share<sup>1</sup> (€ per share)



<sup>1</sup> Adjusted for two-for-one stock split conducted in 2008

## Significant Events

### January – April 2016

- **Adjustment of plant biotechnology portfolio**
- **Agreement to sell polyolefin catalyst business to W.R. Grace & Co.**
- **Plan to acquire automotive refinishing business from Guangdong Yinfan Chemistry Co. Ltd.**
- **Joint operation to be established with Kolon Plastics for polyoxymethylene (POM) production**
- **Furandicarboxylic acid (FDCA) to be produced and marketed together with Avantium**

As part of our regular portfolio review, we are refocusing our plant biotechnology research portfolio and will restructure operations in this area. We will devote even more attention to research projects with high success potential, such as crop herbicide tolerance and fungus resistance in soybeans. Projects associated with extremely high technical hurdles, demanding significant investments of our time and finances, will be suspended. The aim is to adjust our site setup in North America and Europe by the end of 2016. This includes a reduction of approximately 350 positions, 140 of which in North America and 180 in Europe. Around 700 employees currently work in plant biotechnology research and development.

We reached an agreement with W.R. Grace & Co. in April 2016 on the sale of our global polyolefin catalyst business, which is part of the Catalysts division. The transaction is expected to conclude by the end of the third quarter of 2016, subject to the necessary consultation with employee representatives and approval from relevant authorities. The sale involves technologies, patents, brands and the transfer of BASF's production plants in Pasadena, Texas, and Tarragona, Spain. Around 170 employees are expected to transfer to W.R. Grace & Co.

Since the beginning of the year, we have agreed upon two transactions involving the Coatings division. As announced in February 2016, an agreement was reached with AkzoNobel on the disposal of the industrial coatings business. We also signed an agreement in April to acquire the automotive refinishing business of Guangdong Yinfan Chemistry Co. Ltd. ("Yinfan") in China. This will enable us to expand our production capacities in the Coatings division and gain access to a high-tech production facility, and the Yinfan product lines will broaden the range of automotive refinish coatings we offer in Asia Pacific. The acquisition strengthens our position in the rapidly growing market for refinish coatings in China. Provided approval is granted by relevant authorities, we expect the transaction to conclude in the second half of 2016.

We agreed to establish a joint operation with Kolon Plastics for the manufacture of polyoxymethylene (POM), an engineering plastic, in South Korea. Each partner is to hold a 50% share in the company. With an annual capacity of 70,000 metric tons and its location at the existing Kolon Plastics production site in Gimcheon, South Korea, it will be the world's largest POM production complex. After the plant's startup in South Korea in the second half of 2018, we will discontinue production of POM in Ludwigshafen.

We signed a letter of intent to establish a company together with Avantium for the production and marketing of furandicarboxylic acid (FDCA), as well as for the marketing of polyethylenefuranoate (PEF), a new polymer based on it. PEF can seal out carbon dioxide and oxygen more effectively than conventional plastics, making for thinner packaging walls, especially in the beverage industry. Together with Avantium, we intend to construct an FDCA plant at the BASF site in Antwerp, Belgium, with an annual capacity of up to 50,000 metric tons. The aim here is to build up worldwide leading positions in FDCA and PEF and license the technology on an industrial scale.



# Chemicals

## Chemicals segment data (million €)

	1st Quarter		
	2016	2015	Change in %
Sales to third parties	3,149	3,866	(19)
Thereof Petrochemicals	1,196	1,535	(22)
Monomers	1,307	1,599	(18)
Intermediates	646	732	(12)
Income from operations before depreciation and amortization (EBITDA)	733	940	(22)
Income from operations (EBIT) before special items	465	726	(36)
Income from operations (EBIT)	468	726	(36)
Assets (as of March 31)	12,485	13,229	(6)
Research expenses	46	50	(8)
Additions to property, plant and equipment and intangible assets	281	324	(13)

## 1st Quarter 2016

- Sales considerably below prior first-quarter level, mainly owing to price decreases
- Considerable earnings decline from smaller margins and higher fixed costs for new plants

Sales in the Chemicals segment were considerably below the level of the previous first quarter. This was largely due to falling prices on account of further decreases in raw material prices (volumes -3%, prices -16%, portfolio 0%, currencies 0%). Sales volumes especially declined in the Petrochemicals division in North America. Income from operations before special items was considerably down compared with the first quarter of 2015, which had been marked by high margins. In addition to lower margins, this reduction was also attributable to increased fixed costs arising mainly from the startup of new plants in 2015.

## Petrochemicals

Sales fell considerably in the Petrochemicals division. Sharp drops in raw material costs, especially for naphtha, led to declining sales prices in all product lines. Despite the additional volumes provided by new plant startups, sales volumes decreased, mainly as a result of lower capacity utilization of the condensate splitter in North America. Because of lower margins and higher fixed costs, earnings were considerably below the high level of the prior first quarter. An improved margin situation, especially for steam cracker products in Europe and Asia, was contrasted by substantially weaker

margin development in North America. Fixed costs rose primarily from the startup of production plants.

## Monomers

Compared with the previous first quarter, sales in the Monomers division declined considerably. This was largely an effect of lower prices resulting from decreased raw material costs and of intensified competition in the isocyanates business. Our volumes fell, particularly due to lower sales volumes of caprolactam: The startup of our polyamide-6 extrusion plant in Shanghai, China, in May 2015 meant that more caprolactam was required for internal use. We were able to raise volumes of MDI. Earnings declined considerably, predominantly owing to higher fixed costs from the gradual startup of our new production plants and to lower margins, especially for MDI.

## Intermediates

In the Intermediates division, volumes remained stable while we posted a considerable sales decline. This was mostly a consequence of lower sales prices resulting from a sharp drop in prices for many raw materials, along with intense competition, especially for standard products, which put higher pressure on our margins in all regions. Fixed costs rose due to plant startups as well as unscheduled shutdowns. Our earnings were therefore considerably below the high level of the previous first quarter.

## Sales

Change compared with 1st quarter 2015

# -19%

## EBIT before special items

(Change compared with 1st quarter 2015)  
Million €

# 465 (-261)

## Performance Products

### Performance Products segment data (million €)

	1st Quarter		
	2016	2015	Change in %
Sales to third parties	3,783	4,038	(6)
Thereof			
Dispersions & Pigments	1,136	1,165	(2)
Care Chemicals	1,204	1,299	(7)
Nutrition & Health	488	515	(5)
Performance Chemicals	955	1,059	(10)
Income from operations before depreciation and amortization (EBITDA)	744	724	3
Income from operations (EBIT) before special items	547	515	6
Income from operations (EBIT)	535	491	9
Assets (as of March 31)	14,221	15,552	(9)
Research expenses	89	91	(2)
Additions to property, plant and equipment and intangible assets	175	203	(14)

### 1st Quarter 2016

- **Considerable sales decline, primarily due to price developments and divestitures**
- **Earnings improve slightly through reduced fixed costs and higher volumes**

Despite higher volumes, sales in the Performance Products segment decreased considerably year-on-year (volumes 1%, prices -4%, portfolio -2%, currencies -1%) mainly as a result of lower sales prices. These were largely an effect of oil-price-related declines in raw material costs, although ongoing pressure on prices in the hygiene business was additionally responsible. Sales development was slightly slowed by the divestiture of parts of our pharmaceutical ingredients and services business, the sale of the textile chemicals business and paper hydrous kaolin activities, and negative currency effects. Thanks to reduced fixed costs and higher volumes, we were able to slightly raise income from operations before special items.

### Dispersions & Pigments

In the Dispersions & Pigments division, sales in the first quarter of 2016 were slightly below prior first-quarter levels. This was essentially due to lower prices on account of decreased raw material costs. Currency effects also had a negative impact on sales. Higher sales volumes in the pigments, dispersions and additives businesses boosted growth, and more than compensated for the slight volumes decline in our businesses with paper chemicals and resins. We were able to considerably increase our earnings through higher overall volumes, improved margins, and reduced fixed costs.

#### Sales

Change compared with 1st quarter 2015

**-6%**

#### EBIT before special items

(Change compared with 1st quarter 2015)  
Million €

**547 (+32)**

## Care Chemicals

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Compared with the first quarter of 2015, sales in the Care Chemicals division declined considerably, primarily due to lower prices on account of decreased raw material costs. Intense competition, especially in the hygiene business, also contributed substantially to this development. Negative currency effects and slightly reduced sales volumes additionally weighed down sales. We posted lower volumes in the hygiene business in particular. Earnings saw a considerable margin-related decline compared with the strong first quarter of 2015. We held fixed costs to the prior first-quarter level.

## Nutrition & Health

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Sales declined slightly in the Nutrition & Health division, primarily as a result of the disposal of parts of our pharmaceutical ingredients and services business. We were able to raise volumes in all business areas, especially in the remaining pharmaceuticals business, more than compensating for lower prices and negative currency effects. The lower prices were mainly a consequence of falling raw material costs for aroma chemicals. The successful implementation of restructuring measures enabled us to reduce fixed costs. This, combined with increased volumes, allowed us to considerably improve earnings.

## Performance Chemicals

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Sales in the Performance Chemicals division were considerably below the level of the previous first quarter. This was largely attributable to the sale of the textile chemicals business and paper hydrous kaolin activities, as well as to declining prices as a result of a sharp drop in raw material costs. Negative currency effects and slightly lower volumes additionally reduced sales. The lower price of oil led to particular volume decreases in oilfield chemicals. We were able to raise volumes in other areas, such as plastic additives. Strict fixed cost management enabled us to achieve slight growth in earnings.

## Functional Materials & Solutions

### Functional Materials & Solutions segment data (million €)

	2016	1st Quarter	
		2015	Change in %
Sales to third parties	4,408	4,584	(4)
Thereof Catalysts	1,467	1,589	(8)
Construction Chemicals	533	503	6
Coatings	738	789	(6)
Performance Materials	1,670	1,703	(2)
Income from operations before depreciation and amortization (EBITDA)	594	600	(1)
Income from operations (EBIT) before special items	456	431	6
Income from operations (EBIT)	452	464	(3)
Assets (as of March 31)	13,462	14,291	(6)
Research expenses	96	92	4
Additions to property, plant and equipment and intangible assets	130	281	(54)

### 1st Quarter 2016

- Sales slightly down, mainly due to lower sales prices
- Slight earnings increase through higher contributions from Performance Materials and Construction Chemicals divisions

Sales in the Functional Materials & Solutions segment declined slightly compared with the previous first quarter, mainly due to lower sales prices that were weighed down primarily by declining prices in precious metal trading. Currency effects also negatively impacted sales. We raised our sales volumes, particularly as a result of higher demand from the automotive and construction industries (volumes 5%, prices -7%, portfolio 0%, currencies -2%). Income from operations before special items grew slightly. Improved contributions from the Performance Materials and Construction Chemicals divisions were able to more than offset declines in the Catalysts and Coatings divisions.

### Catalysts

We posted a considerable year-on-year sales decline in the Catalysts division, mainly because of lower precious metal prices. Currency effects also weighed down sales. We were able to raise our volumes overall. Demand increased for mobile emissions catalysts in particular, as well as for battery materials, while sales volumes declined for chemical catalysts. Despite higher volumes in precious metal trading, sales in this business fell to €499 million (first quarter of 2015: €612 million) on account of lower precious metal prices. Earnings fell considerably, primarily owing to the smaller contribution from the chemical catalysts business.

#### Sales

Change compared with 1st quarter 2015

-4%

#### EBIT before special items

(Change compared with 1st quarter 2015)  
Million €

456 (+25)



## Construction Chemicals

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Sales rose considerably in the Construction Chemicals division. Significantly higher sales volumes were able to more than offset negative currency effects and slightly lower prices. With prices stable in North America, we achieved considerable volumes – and thus sales – growth there. We also saw a volumes-driven sales increase in Europe, although it was slowed by negative currency effects. Substantially higher volumes in the Middle East contributed particularly to positive development in the region South America, Africa, Middle East. In Asia, negative currency effects and lower prices led to a considerable sales decline, with demand increasing slightly. We considerably improved earnings compared with the previous first quarter as a result of higher volumes and stronger margins.

## Coatings

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Sales in the Coatings division fell considerably compared with the first quarter of 2015. This resulted predominantly from negative currency effects in all business areas and especially from the depreciation of the Brazilian real. Our sales volumes were slightly below the level of the previous first quarter. In the decorative paints business, the difficult macroeconomic environment in Brazil led to a sharp decline in volumes. In the automotive refinish coatings business, volumes shrank slightly. We were able to raise our sales volumes of automotive OEM coatings, particularly in North America. Our prices remained stable overall. The considerable decline in earnings resulted primarily from a less favorable product mix and the lower volumes.

## Performance Materials

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The slight sales decline in the Performance Materials division resulted primarily from decreased sales prices on account of falling raw material costs. Currency effects and portfolio measures additionally reduced sales. Sales volumes showed positive development, largely supported by our businesses with styrene foams, thermoplastic polyurethanes, biopolymers and Cellasto®. We were able to increase our sales volumes to the automotive industry and in the consumer goods sector. Sales to the construction industry declined, due primarily to the divestiture of our white expandable polystyrene (EPS) business in North and South America. Driven especially by margins, earnings grew considerably, despite higher fixed costs from the startup of production plants.

## Agricultural Solutions

### Agricultural Solutions segment data (million €)

	2016	1st Quarter	
		2015	Change in %
Sales to third parties	1,780	1,898	(6)
Income from operations before depreciation and amortization (EBITDA)	645	626	3
Income from operations (EBIT) before special items	591	574	3
Income from operations (EBIT)	590	573	3
Assets (as of March 31)	9,316	9,496	(2)
Research expenses	114	126	(10)
Additions to property, plant and equipment and intangible assets	77	85	(9)

### 1st Quarter 2016

- Sales declined considerably year-on-year due to lower volumes and negative currency effects
- Earnings increase slightly through improved margins and reduced fixed costs

In a market environment that remains difficult, we posted a considerable sales decline in the Agricultural Solutions segment in the first quarter of 2016. Price increases could not compensate for lower sales volumes and negative currency effects (volumes -5%, prices 2%, currencies -3%).

Sales in **Europe** were slightly below the prior first-quarter levels on account of negative currency effects. These could not be fully offset by the higher volumes and prices achieved particularly for herbicides in Russia and Ukraine and for specialty crop fungicides in southern Europe.

Sales fell considerably in **North America**, due especially to declining demand for herbicides and fungicides. This was mostly owing to high inventory levels and cautious buying patterns on the part of our customers.

Sales in **Asia** were down considerably compared with the previous first quarter, mostly because of lower volumes that were largely an effect of customers' high inventory levels, especially in Japan and China.

We saw a considerable volume and currency-related sales decline in **South America** as demand in Brazil – especially for insecticides and fungicides – fell sharply. This was to a large extent an effect of high inventory levels and the ongoing difficult environment for our customers in Brazil.

Income from operations before special items improved slightly in the Agricultural Solutions segment. Compared with the previous first quarter, our margins rose, partly as a result of higher prices, and fixed costs were reduced.

### Sales

Change compared with 1st quarter 2015

-6%

### EBIT before special items

(Change compared with 1st quarter 2015)  
Million €

591 (+17)

## Oil & Gas

### Oil & Gas segment data (million €)

	2016	1st Quarter	
		2015	Change in %
Sales to third parties	611	4,993	(88)
Income from operations before depreciation and amortization (EBITDA)	307	665	(54)
Income from operations (EBIT) before special items	66	437	(85)
Income from operations (EBIT)	66	436	(85)
Assets (as of March 31)	12,147	14,482	(16)
Exploration expenses	33	49	(33)
Additions to property, plant and equipment and intangible assets	280	418	(33)
Net income	47	359	(87)

### 1st Quarter 2016

- **Considerable sales and earnings decline due to discontinued contribution from gas trading and storage business as well as falling oil and gas prices**

Sales in the Oil & Gas segment were considerably lower compared with the previous first quarter (volumes 2%, prices/currencies -4%, portfolio -86%). This was essentially a result of the asset swap completed with Gazprom at the end of September 2015, which meant that contributions from the natural gas trading and storage business in particular ceased as of the fourth quarter of 2015. In the continuing oil and gas business, volumes grew by 12% compared with the first quarter of 2015, whereas price and currency effects were minus 27%. The price of a barrel of Brent blend crude oil in the first quarter of 2016 was \$34 on average (first quarter of 2015: \$54 per barrel). Gas prices on European spot markets also fell

sharply compared with the previous first quarter. We were able to ramp up our production volumes, especially in Norway.

Income from operations before special items declined considerably, as well. Falling prices were the main reason for this, along with the divestiture of our gas trading and storage business to Gazprom. An additional factor was the reduced earnings contribution from our share in the Yuzhno Russkoye natural gas field. Net income decreased significantly.

📖 For more on net income in the Oil & Gas segment, see the Notes to the Interim Financial Statements on page 23

### Sales

Change compared with 1st quarter 2015

**-88%**

### EBIT before special items

(Change compared with 1st quarter 2015)  
Million €

**66 (-371)**

## Regional Results

### Overview of regions (million €)

	Sales Location of company			Sales Location of customer			EBIT before special items <sup>1</sup>		
	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %
<b>1st Quarter</b>									
Europe	7,106	11,973	(41)	6,766	11,459	(41)	1,174	1,339	(12)
Thereof Germany	4,479	9,071	(51)	1,904	4,634	(59)	602	549	10
North America	3,756	4,232	(11)	3,677	4,212	(13)	471	470	0
Asia Pacific	2,572	2,915	(12)	2,723	3,073	(11)	199	192	4
South America, Africa, Middle East	774	947	(18)	1,042	1,323	(21)	62	69	(10)
	<b>14,208</b>	<b>20,067</b>	<b>(29)</b>	<b>14,208</b>	<b>20,067</b>	<b>(29)</b>	<b>1,906</b>	<b>2,070</b>	<b>(8)</b>

<sup>1</sup> By location of company

### 1st Quarter 2016

Sales at companies located in **Europe** decreased by 41% compared with the first quarter of 2015. The asset swap with Gazprom meant a lack of contributions in the first quarter of 2016 from the gas trading and storage business in particular. Lower sales prices brought about by reduced raw material costs additionally weighed down sales. Income from operations before special items fell by €165 million to €1,174 million, mainly as a result of smaller contributions from the Oil & Gas and Chemicals segments in particular. Improved earnings in Other had a positive effect.

In **North America**, sales decreased by 13% in local currency terms and by 11% in euros. The decline was largely attributable to a sharp drop in prices resulting from lower raw material costs, especially in the Chemicals segment. At €471 million, earnings matched prior first-quarter levels. Significantly improved contributions from the Agricultural Solutions, Functional Materials & Solutions and Performance Products segments were able to compensate for declines in the Chemicals segment and in Other.

Sales in **Asia Pacific** were down by 10% in local currency and 12% in euro terms. This was mainly due to the substantial decrease in sales prices in our chemicals business<sup>1</sup> – especially in the Chemicals segment – resulting from the price of oil. Earnings grew by €7 million year-on-year, reaching €199 million. This was primarily thanks to considerably higher earnings contributions from the Performance Products and Functional Materials & Solutions segments.

Sales in the region **South America, Africa, Middle East** rose by 1% in local currency terms and fell by 18% in euros. This was mostly due to negative currency effects as well as to lower volumes and the divestiture of the white expandable polystyrene (EPS) business. Substantially higher sales prices helped support sales. Despite significantly larger contributions from the Oil & Gas and Chemicals segments, earnings were down by €7 million year-on-year to €62 million, also as a result of currency effects.

<sup>1</sup> Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.



## Overview of Other Topics

### Research and Development

- Crop Protection division's innovation pipeline boasts new fungicide Revysol®, along with insecticides Inscalis™ and broflanilide
- Acrodur® Power 2750 X binding agent provides for lighter automotive parts based on natural fibers
- High-purity Ultramid® EQ plastics offer more protection from corrosion damage in sensitive micro-electronics

We are strengthening our portfolio in the Crop Protection division with innovative products and solutions in all indications for row and specialty crops. The dossier for approval for a new active ingredient, Revysol®, has been submitted to the European Union, marking a key milestone for the compound's global registration. Revysol® has demonstrated outstanding biological performance against a range of hard-to-control fungal infections and can be used for a number of row and specialty crops worldwide. The first market launches for Revysol® are scheduled for 2019. Two new insecticides are also expected to be available by the end of the decade: Inscalis™ and broflanilide. We project peak sales potential totaling €3 billion in the Crop Protection division for products launched between 2015 and 2025.

Our new Acrodur® Power 2750 X binder allows lightweight automotive composites to comprise up to 75% natural fibers. As a low-emission alternative to formaldehyde-based reactive resins, the product is used in the manufacture of natural-fiber composites. It is not only thermoplastically processable, it also provides components with a high degree of mechanical stability. Compared with traditional plastics, the use of Acrodur® Power 2750 X in natural-fiber components allows for weight savings of up to 40%.

For reliable microelectronics in sensitive automotive applications, we have developed a portfolio of various polyamide-6 and polyamide-66 grades. Thanks to their extreme purity, the various grades of Ultramid® EQ plastics help prevent electric corrosion damage to control unit circuits and safety-related sensors. The plastics ensure that housings and components in fine electronic assemblies do not react with the metals involved, reducing instances of electronic failure.

### Employees

- Number of employees basically constant at 112,272
- Personnel expenses down by 15.0%

Compared with the end of 2015, the number of employees in the BASF Group declined by 163 to a total of 112,272 as of March 31, 2016. On this date, 62.3% were employed in Europe while North America accounted for 15.6% of employees, Asia Pacific for 15.5% and South America, Africa, Middle East for 6.6%.

From January to March 2016, personnel expenses fell by €432 million to €2,445 million compared with the same period of 2015. This was largely attributable to income from the release of provisions for the long-term incentive (LTI) program. The previous first quarter had also included the company anniversary bonus paid to employees.

#### Employees by region

	Mar. 31, 2016	Dec. 31, 2015
Europe	69,941	70,079
Thereof Germany	52,604	52,837
North America	17,498	17,471
Asia Pacific	17,394	17,562
South America, Africa, Middle East	7,439	7,323
	<b>112,272</b>	<b>112,435</b>

## Outlook

For 2016, we anticipate a continuation of the currently challenging conditions along with substantial risks. The global economy is expected to grow at a level approximating that of 2015. We confirm our outlook for the full year: We aim to increase 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 as well as lower oil and gas prices. We expect income from operations 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 oil price developments.

### Opportunities and Risks

- Significant risks and opportunities arise from overall economic developments and volatility in exchange rates and margins

We expect the global economy in 2016 to continue growing at the same pace as the previous year. We continue to see significant risks in a considerable slowdown of the Chinese economy. Such a development would negatively impact demand for intermediate goods and investment goods, and affect emerging markets that export raw materials as well as the advanced economies. Any escalation of geopolitical conflicts also poses risks to the global economy. Important opportunities and risks for our earnings are also associated with uncertainty regarding growth in Europe, the development of key customer industries, and volatility in foreign currency exchange rates and margins.

The other statements on opportunities and risks made in the BASF Report 2015 remain valid, as well.

📖 More detailed information can be found in the BASF Report 2015, in the Opportunities and Risks Report on pages 113–120

### Forecast

- Considerable sales decline due to divestiture of gas trading and storage business
- Income from operations before special items expected at level slightly below 2015

Our expectations for the global economic environment in 2016 remain unchanged:

- Growth of gross domestic product: 2.3%
- Growth in global 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

BASF Group sales will decrease considerably in 2016. As a consequence of the asset swap with Gazprom, the Oil & Gas segment is no longer receiving contributions from the natural gas trading and storage business in particular. In the first three quarters of 2015, these activities had contributed a total of around €10.1 billion to sales. Sales will be furthermore reduced by lower prices for oil and gas. We want to increase sales volumes in all segments, excluding the effects of acquisitions and divestitures. Income from operations before special items is expected to be slightly below 2015 levels. This is an ambitious goal in the current volatile and challenging environment, and is particularly dependent on oil price developments. We anticipate considerably lower contributions from the Chemicals and Oil & Gas segments. In the other segments, we aim to slightly increase earnings.

We expect EBIT to decline slightly overall in 2016. In addition to a lower level of EBIT before special items, this assumption reflects the charges expected to arise from restructuring measures. The contribution from the Oil & Gas segment is expected to shrink significantly in 2016; we anticipate a slight decrease in the chemicals business<sup>1</sup> and a slight gain in the Agricultural Solutions segment. In Other, EBIT is forecast to rise considerably. Yet because EBIT of Other is not factored into the calculation of our EBIT after cost of capital, the BASF Group's EBIT after cost of capital will presumably see a considerable decline. We will still earn a premium on our cost of capital. In the Performance Products, Functional Materials & Solutions, and Agricultural Solutions segments, we anticipate a considerable boost in EBIT after cost of capital.

<sup>1</sup> Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

# BASF Group Interim Financial Statements

## Statement of Income

### Statement of income (million €)

	Explanations in Note	1st Quarter		
		2016	2015	Change in %
<b>Sales revenue</b>		<b>14,208</b>	<b>20,067</b>	<b>(29.2)</b>
Cost of sales		(9,530)	(14,731)	35.3
<b>Gross profit on sales</b>		<b>4,678</b>	<b>5,336</b>	<b>(12.3)</b>
Selling expenses		(1,868)	(1,937)	3.6
General administrative expenses		(326)	(342)	4.7
Research expenses		(455)	(474)	4.0
Other operating income	[5]	428	445	(3.8)
Other operating expenses	[5]	(666)	(1,118)	40.4
Income from companies accounted for using the equity method	[6]	75	85	(11.8)
<b>Income from operations</b>		<b>1,866</b>	<b>1,995</b>	<b>(6.5)</b>
Income from other shareholdings		3	20	(85.0)
Expenses from other shareholdings		(7)	(18)	61.1
Interest income		47	58	(19.0)
Interest expense		(146)	(164)	11.0
Other financial result		(85)	(60)	(41.7)
<b>Financial result</b>	[7]	<b>(188)</b>	<b>(164)</b>	<b>(14.6)</b>
<b>Income before taxes and minority interests</b>		<b>1,678</b>	<b>1,831</b>	<b>(8.4)</b>
Income taxes	[8]	(258)	(543)	52.5
<b>Income before minority interests</b>		<b>1,420</b>	<b>1,288</b>	<b>10.2</b>
Minority interests	[9]	(33)	(114)	71.1
<b>Net income</b>		<b>1,387</b>	<b>1,174</b>	<b>18.1</b>
<b>Earnings per share</b>	[10]			
Basic (€)		1.51	1.28	18.0
Diluted (€)		1.51	1.28	18.0

## Statement of Income and Expense Recognized in Equity

### Income before minority interests and statement of income and expense recognized directly in equity (million €)

	1st Quarter	
	2016	2015
<b>Income before minority interests</b>	<b>1,420</b>	<b>1,288</b>
Remeasurement of defined benefit plans	(2,206)	(2,129)
Deferred taxes for items that will not be reclassified to the statement of income	627	677
<b>Income and expense recognized directly in equity that will not be reclassified to the statement of income at a later date</b>	<b>(1,579)</b>	<b>(1,452)</b>
Unrealized gains/losses from fair value changes in available-for-sale securities	(8)	7
Reclassifications of realized gains/losses recognized in the income statement	-	-
<b>Fair value changes in available-for-sale securities, net</b>	<b>(8)</b>	<b>7</b>
Unrealized gains/losses from future cash flow hedges	(53)	78
Reclassification of realized gains/losses recognized in the income statement	47	(50)
<b>Cash flow hedges, net</b>	<b>(6)</b>	<b>28</b>
Foreign currency translation adjustment	(453)	1,913
Deferred taxes for items that will be reclassified to the statement of income	10	(54)
<b>Income and expense recognized directly in equity that will be reclassified to the statement of income at a later date</b>	<b>(457)</b>	<b>1,894</b>
Minority interests	(31)	111
<b>Total income and expense recognized directly in equity</b>	<b>(2,067)</b>	<b>553</b>
<b>Income before minority interests and income and expense recognized directly in equity</b>	<b>(647)</b>	<b>1,841</b>
Thereof attributable to shareholders of BASF SE	(649)	1,616
Thereof attributable to minority interests	2	225

### Development of income and expense recognized directly in equity of shareholders of BASF SE (million €)

	Other comprehensive income				Total income and expense recognized directly in equity
	Remeasurements of defined benefit plans	Foreign currency translation adjustment	Measurement of securities at fair value	Cash flow hedges	
<b>As of January 1, 2016</b>	<b>(4,084)</b>	<b>652</b>	<b>20</b>	<b>(109)</b>	<b>(3,521)</b>
Changes	(2,206)	(453)	(8)	(6)	(2,673)
Deferred taxes	627	7	1	2	637
<b>As of March 31, 2016</b>	<b>(5,663)</b>	<b>206</b>	<b>13</b>	<b>(113)</b>	<b>(5,557)</b>
<b>As of January 1, 2015</b>	<b>(4,840)</b>	<b>(259)</b>	<b>20</b>	<b>(403)</b>	<b>(5,482)</b>
Changes	(2,129)	1,913	7	28	(181)
Deferred taxes	677	(28)	-	(26)	623
<b>As of March 31, 2015</b>	<b>(6,292)</b>	<b>1,626</b>	<b>27</b>	<b>(401)</b>	<b>(5,040)</b>



## Balance Sheet

### Assets (million €)

	Explanations in Note	Mar. 31, 2016	Mar. 31, 2015	Change in %	Dec. 31, 2015	Change in %
Intangible assets	[11]	12,166	13,961	(13)	12,537	(3)
Property, plant and equipment	[11]	24,858	25,486	(2)	25,260	(2)
Investments accounted for using the equity method	[11]	4,452	3,512	27	4,436	0
Other financial assets	[11]	527	533	(1)	526	0
Deferred tax assets		2,309	3,027	(24)	1,791	29
Other receivables and miscellaneous assets		1,292	1,917	(33)	1,720	(25)
<b>Noncurrent assets</b>		<b>45,604</b>	<b>48,436</b>	<b>(6)</b>	<b>46,270</b>	<b>(1)</b>
Inventories	[12]	9,602	11,066	(13)	9,693	(1)
Accounts receivable, trade	[12]	10,685	12,796	(16)	9,516	12
Other receivables and miscellaneous assets	[12]	3,779	4,423	(15)	3,095	22
Marketable securities	[12]	21	20	5	21	-
Cash and cash equivalents <sup>1</sup>	[12]	4,036	2,317	74	2,241	80
Assets of disposal groups		-	-	-	-	-
<b>Current assets</b>		<b>28,123</b>	<b>30,622</b>	<b>(8)</b>	<b>24,566</b>	<b>14</b>
<b>Total assets</b>		<b>73,727</b>	<b>79,058</b>	<b>(7)</b>	<b>70,836</b>	<b>4</b>

### Equity and liabilities (million €)

	Explanations in Note	Mar. 31, 2016	Mar. 31, 2015	Change in %	Dec. 31, 2015	Change in %
Subscribed capital	[13]	1,176	1,176	-	1,176	-
Capital surplus	[13]	3,141	3,143	0	3,141	-
Retained earnings	[13]	31,508	29,953	5	30,120	5
Other comprehensive income		(5,557)	(5,040)	(10)	(3,521)	(58)
<b>Equity of shareholders of BASF SE</b>		<b>30,268</b>	<b>29,232</b>	<b>4</b>	<b>30,916</b>	<b>(2)</b>
Minority interests		632	745	(15)	629	0
<b>Equity</b>		<b>30,900</b>	<b>29,977</b>	<b>3</b>	<b>31,545</b>	<b>(2)</b>
Provisions for pensions and similar obligations	[14]	8,322	9,582	(13)	6,313	32
Other provisions	[15]	3,329	3,975	(16)	3,369	(1)
Deferred tax liabilities		2,920	3,846	(24)	3,381	(14)
Financial indebtedness	[16]	10,335	12,098	(15)	11,123	(7)
Other liabilities	[16]	862	1,316	(34)	869	(1)
<b>Noncurrent liabilities</b>		<b>25,768</b>	<b>30,817</b>	<b>(16)</b>	<b>25,055</b>	<b>3</b>
Accounts payable, trade		3,831	5,494	(30)	4,020	(5)
Provisions	[15]	2,860	3,377	(15)	2,540	13
Tax liabilities		1,239	1,481	(16)	1,082	15
Financial indebtedness	[16]	6,467	4,006	61	4,074	59
Other liabilities	[16]	2,662	3,906	(32)	2,520	6
Liabilities of disposal groups		-	-	-	-	-
<b>Current liabilities</b>		<b>17,059</b>	<b>18,264</b>	<b>(7)</b>	<b>14,236</b>	<b>20</b>
<b>Total equity and liabilities</b>		<b>73,727</b>	<b>79,058</b>	<b>(7)</b>	<b>70,836</b>	<b>4</b>

<sup>1</sup> For a reconciliation of the amounts in the statement of cash flows with the balance sheet item "cash and cash equivalents," see page 18.

## Statement of Cash Flows

### Statement of cash flows (million €)

	1st Quarter	
	2016	2015
Net income	1,387	1,174
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	946	902
Changes in net working capital	(1,248)	309
Miscellaneous items	(39)	5
<b>Cash provided by operating activities</b>	<b>1,046</b>	<b>2,390</b>
Payments related to property, plant and equipment and intangible assets	(1,001)	(1,278)
Acquisitions/divestitures	–	26
Financial investments and other items	(257)	(250)
<b>Cash used in investing activities</b>	<b>(1,258)</b>	<b>(1,502)</b>
Capital increases/repayments and other equity transactions	5	–
Changes in financial liabilities	1,996	(299)
Dividends	(4)	(101)
<b>Cash used in / provided by financing activities</b>	<b>1,997</b>	<b>(400)</b>
Net changes in cash and cash equivalents	1,785	488
Cash and cash equivalents as of beginning of year and other changes	2,251	1,829
<b>Cash and cash equivalents at end of quarter</b>	<b>4,036</b>	<b>2,317</b>

### 1st Quarter 2016

Compared with same quarter of the previous year, cash provided by operating activities decreased by €1,344 million to €1,046 million in the first quarter of 2016. Cash tied down in net working capital mainly arose from seasonal increases in trade accounts receivable. In the same period of 2015, funds had been released in net working capital by inventory reductions – especially in the gas storage business, which has since been divested – and by higher operating liabilities and provisions.

Investing activities led to a cash outflow of €1,258 million, compared with €1,502 million in the first quarter of 2015. At €1,001 million, payments made for property, plant and equipment and intangible assets were €277 million below the level of the previous first quarter. The first quarter of 2016 contained no cash inflows or outflows from acquisitions and divestitures.

Cash provided by financing activities amounted to €1,997 million; in the first quarter of 2015, €400 million had been used in financing activities. Changes in financial liabilities resulted in a cash inflow of €1,996 million, due particularly to BASF SE's higher utilization of the U.S. dollar commercial paper program and issuance of a 1.5% euro bond with a nominal value of €200 million. Partly counterbalancing this was the repayment of liabilities to banks and other financing-related liabilities. Minority shareholders of Group companies received €4 million in the form of dividends. Cash and cash equivalents amounted to €4,036 million as of March 31, 2016, compared with €2,241 million at the end of 2015.

## Statement of Changes in Equity

### 1st Quarter 2016 (million €)

	Number of shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income <sup>1</sup>	Equity of shareholders of BASF SE	Minority interests	Equity
<b>As of January 1, 2016</b>	<b>918,478,694</b>	<b>1,176</b>	<b>3,141</b>	<b>30,120</b>	<b>(3,521)</b>	<b>30,916</b>	<b>629</b>	<b>31,545</b>
Effects of acquisitions achieved in stages	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(4) <sup>2</sup>	(4)
Net income	–	–	–	1,387	–	1,387	33	1,420
Change in income and expense recognized directly in equity	–	–	–	–	(2,036)	(2,036)	(31)	(2,067)
Changes in scope of consolidation and other changes	–	–	–	1	–	1	5	6
<b>As of March 31, 2016</b>	<b>918,478,694</b>	<b>1,176</b>	<b>3,141</b>	<b>31,508</b>	<b>(5,557)</b>	<b>30,268</b>	<b>632</b>	<b>30,900</b>

### 1st Quarter 2015 (million €)

	Number of shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income <sup>1</sup>	Equity of shareholders of BASF SE	Minority interests	Equity
<b>As of January 1, 2015</b>	<b>918,478,694</b>	<b>1,176</b>	<b>3,143</b>	<b>28,777</b>	<b>(5,482)</b>	<b>27,614</b>	<b>581</b>	<b>28,195</b>
Effects of acquisitions achieved in stages	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(101) <sup>2</sup>	(101)
Net income	–	–	–	1,174	–	1,174	114	1,288
Change in income and expense recognized directly in equity	–	–	–	–	442	442	111	553
Changes in scope of consolidation and other changes	–	–	–	2	–	2	40	42
<b>As of March 31, 2015</b>	<b>918,478,694</b>	<b>1,176</b>	<b>3,143</b>	<b>29,953</b>	<b>(5,040)</b>	<b>29,232</b>	<b>745</b>	<b>29,977</b>

<sup>1</sup> Detailed information can be found in the table "Development of income and expense recognized directly in equity of shareholders of BASF SE" on page 16.

<sup>2</sup> Including profit and loss transfers

## Segment Reporting

### 1st Quarter (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %
Chemicals	3,149	3,866	(19)	733	940	(22)	465	726	(36)	468	726	(36)
Performance Products	3,783	4,038	(6)	744	724	3	547	515	6	535	491	9
Functional Materials & Solutions	4,408	4,584	(4)	594	600	(1)	456	431	6	452	464	(3)
Agricultural Solutions	1,780	1,898	(6)	645	626	3	591	574	3	590	573	3
Oil & Gas	611	4,993	(88)	307	665	(54)	66	437	(85)	66	436	(85)
Other	477	688	(31)	(211)	(665)	68	(219)	(613)	64	(245)	(695)	65
	<b>14,208</b>	<b>20,067</b>	<b>(29)</b>	<b>2,812</b>	<b>2,890</b>	<b>(3)</b>	<b>1,906</b>	<b>2,070</b>	<b>(8)</b>	<b>1,866</b>	<b>1,995</b>	<b>(6)</b>

### 1st Quarter (million €)

	Research expenses			Assets			Investments <sup>1</sup>			Amortization and depreciation <sup>2</sup>		
	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %	2016	2015	Change in %
Chemicals	46	50	(8)	12,485	13,229	(6)	281	324	(13)	265	214	24
Performance Products	89	91	(2)	14,221	15,552	(9)	175	203	(14)	209	233	(10)
Functional Materials & Solutions	96	92	4	13,462	14,291	(6)	130	281	(54)	142	136	4
Agricultural Solutions	114	126	(10)	9,316	9,496	(2)	77	85	(9)	55	53	4
Oil & Gas	10	12	(17)	12,147	14,482	(16)	280	418	(33)	241	229	5
Other	100	103	(3)	12,096	12,008	1	16	23	(30)	34	30	13
	<b>455</b>	<b>474</b>	<b>(4)</b>	<b>73,727</b>	<b>79,058</b>	<b>(7)</b>	<b>959</b>	<b>1,334</b>	<b>(28)</b>	<b>946</b>	<b>895</b>	<b>6</b>

<sup>1</sup> Investments in intangible assets and property, plant and equipment (including acquisitions)

<sup>2</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including write-ups)

### Other<sup>3</sup> (million €)

	1st Quarter		
	2016	2015	Change in %
<b>Sales</b>	<b>477</b>	<b>688</b>	<b>(31)</b>
<b>EBIT before special items</b>	<b>(219)</b>	<b>(613)</b>	<b>64</b>
Thereof Costs of corporate headquarters	(55)	(55)	-
Corporate research costs	(99)	(101)	2
Foreign currency results, hedging and other measurement effects	68	(382)	.
Other businesses	18	35	(49)
Special items	(26)	(82)	68
<b>EBIT</b>	<b>(245)</b>	<b>(695)</b>	<b>65</b>

<sup>3</sup> Further information on Other can be found in the Notes to the Interim Financial Statements on pages 22 and 23.



# Notes to the Interim Financial Statements

## 1 Basis of presentation


### Selected exchange rates

1 € equals	Closing rates		Average rates 1st Quarter	
	Mar. 31, 2016	Dec. 31, 2015	2016	2015
	Brazil (BRL)	4.12	4.31	4.30
China (CNY)	7.35	7.06	7.21	7.02
Great Britain (GBP)	0.79	0.73	0.77	0.74
Japan (JPY)	127.90	131.07	126.95	134.12
Malaysia (MYR)	4.41	4.70	4.62	4.08
Mexico (MXN)	19.59	18.91	19.89	16.83
Russian Federation (RUB)	76.31	80.67	82.30	70.96
Switzerland (CHF)	1.09	1.08	1.10	1.07
South Korea (KRW)	1,294.88	1,280.78	1,323.65	1,240.16
United States (USD)	1.14	1.09	1.10	1.13

The Consolidated Financial Statements of the BASF Group for the year ending December 31, 2015, were prepared in accordance with the International Financial Reporting Standards (IFRS) valid as of the balance sheet date. The Interim Financial Statements as of March 31, 2016, have been prepared – in line with the rules of International Accounting Standard 34 – in abbreviated form and largely continuing the same accounting policies. The first-time application of the following revised accounting and reporting standards had no material effect on net assets, financial position and results of operations:

- Amendments to IAS 1 (Disclosure Initiative)
- Amendments to IAS 16 and 38 (Clarification of Acceptable Methods of Depreciation and Amortization)
- Amendments to IAS 19 (Employee Contributions to Defined Benefit Plans)
- Amendments to IFRS 11 (Accounting for Acquisitions of Interests in Joint Operations)
- IFRS Annual Improvements: Cycle 2012–2014

The Interim Financial Statements and Interim Management's Report have been neither audited nor have undergone an auditor's review.

 The BASF Report 2015 containing the Consolidated Financial Statements as of December 31, 2015, can be found online at: [basf.com/report](http://basf.com/report)

## 2 Scope of consolidation

In addition to BASF SE, all material subsidiaries are included in the BASF Group Financial Statements on a fully consolidated basis. Joint arrangements that are classified as joint operations according to IFRS 11 are proportionally consolidated. Changes in the number of fully and proportionally consolidated companies are shown in the table.

Since the beginning of the year, BASF Services Americas S.R.L., based in Montevideo, Uruguay, and the joint operation KOLON BASF innoPOM Inc., based in Gimcheon, South Korea, were included in the scope of consolidation for the first time.

### Scope of consolidation

	2016	2015
As of January 1	258	281
Thereof proportionally consolidated	7	7
First-time consolidations	2	5
Thereof proportionally consolidated	1	–
Deconsolidations	–	6
Thereof proportionally consolidated	–	–
<b>As of March 31</b>	<b>260</b>	<b>280</b>
Thereof proportionally consolidated	8	7

### Companies accounted for using the equity method

	2016	2015
As of January 1	32	34
<b>As of March 31</b>	<b>32</b>	<b>35</b>

### 3 Acquisitions and divestitures

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As announced in February 2016, BASF reached an agreement with AkzoNobel on the sale of the Coatings division's industrial coatings business for €475 million. The transaction includes technologies, patents and trademarks along with the transfer of two production sites in England and South Africa, and will

require consultation with employee representatives and certain regulatory approvals. BASF generated around €300 million in sales in the industrial coatings business in 2015. BASF and AkzoNobel intend to complete the transaction by the end of 2016.

### 4 Segment reporting

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BASF's business is conducted by thirteen operating divisions aggregated into five segments for reporting purposes. The divisions are allocated to the segments based on their business models.

The Chemicals segment entails the classical chemicals business with basic chemicals and intermediates. It forms the core of BASF's Production Verbund and is the starting point for a majority of the value chains. In addition to supplying the chemical industry and other sectors, the segment ensures that other BASF divisions are supplied with chemicals for producing downstream products. The Chemicals segment is composed of the Petrochemicals, Monomers and Intermediates divisions.

The Performance Products segment consists of the Dispersions & Pigments, Care Chemicals, Nutrition & Health and Performance Chemicals divisions. Customized products allow customers to make their production processes more efficient or to give their products improved application properties.

The Functional Materials & Solutions segment bundles system solutions, services and innovative products for specific sectors and customers, in particular for the automotive, electronic, chemical and construction industries. It is made up of the Catalysts, Construction Chemicals, Coatings, and Performance Materials divisions.

The Agricultural Solutions segment consists of the Crop Protection division, whose products secure yields and guard crops against fungal infections, insects and weeds, in addition to serving as biological and chemical seed treatments. Plant biotechnology research is not assigned to this segment; it is reported in Other.

The Oil & Gas segment comprises the division of the same name. At the end of the third quarter of 2015, BASF exited the natural gas trading and storage business, previously operated together with Gazprom, and since October 1, 2015, has concentrated on the exploration and production of oil and gas as well as on the transport of natural gas.

Activities not assigned to a particular division are reported under Other. These include the sale of raw materials, engineering and other services, rental income and leases, the production of precursors not assigned to a particular segment, the steering of the BASF Group by corporate headquarters, and corporate research.

With cross-divisional corporate research, BASF is creating new businesses and ensuring its long-term competence with regard to technology and methods. This includes plant biotechnology research.

Earnings from currency conversion that are not allocated to the segments are also reported under Other, as are earnings from the hedging of raw material prices and foreign currency exchange risks. Furthermore, revenues and expenses from the long-term incentive (LTI) program are reported here.

Transfers between the segments are generally executed at adjusted market-based prices which take into account the higher cost efficiency and lower risk of Group-internal transactions. Assets, as well as their depreciation and amortization, are allocated to the segments based on economic control. Assets used by more than one segment are allocated based on the percentage of usage.

In the first quarter of 2016, sales in Other amounted to €477 million compared with €688 million in the first quarter of 2015. Lower prices and volumes in the raw materials trading business were mainly responsible for the decline, along with the expiration of supply contracts in Asia at the end of 2015 in connection with the sale of our share in the Ellba Eastern Private Ltd. joint operation in Singapore at the end of 2014.

Income from operations rose year-on-year by €450 million to minus €245 million in the first quarter of 2016. This was primarily due to valuation effects for the LTI program: Whereas additional provisions had been recognized in the previous first quarter, the first quarter of 2016 included income from the release of provisions. In addition, earnings were supported by factors including positive currency effects.

#### Assets of Other (million €)

	March 31, 2016	March 31, 2015
Assets of businesses included in Other	2,056	2,362
Other financial assets	527	533
Deferred tax assets	2,309	3,027
Cash and cash equivalents / marketable securities	4,057	2,337
Defined benefit assets	17	18
Other receivables / prepaid expenses	3,130	3,731
<b>Assets of Other</b>	<b>12,096</b>	<b>12,008</b>

#### Reconciliation reporting for Oil & Gas (million €)

	1st Quarter	
	2016	2015
<b>Income from operations</b>	<b>66</b>	<b>436</b>
Income from shareholdings	–	–
Other income	(137)	162
<b>Income before taxes and minority interests</b>	<b>(71)</b>	<b>598</b>
Income taxes	122	(194)
<b>Income before minority interests</b>	<b>51</b>	<b>404</b>
Minority interests	(4)	(45)
<b>Net income</b>	<b>47</b>	<b>359</b>

The reconciliation reporting Oil & Gas reconciles the income from operations in the Oil & Gas segment with the contribution of the segment to the net income of the BASF Group.

Income from operations declined considerably. This was essentially a result of lower oil and gas prices as well as the asset swap with Gazprom on September 30, 2015, through which earnings contributions from the divested gas trading and storage business and the 50% share in Wintershall Noordzee B.V., Rijswijk, Netherlands, were discontinued as of the fourth quarter of 2015. Moreover, income from operations was reduced by lower earnings contributions from the share in the Yuzhno Russkoye natural gas field, as the excess amounts received over the last ten years will be compensated in 2016, as contractually agreed with our partner, Gazprom.

The Oil & Gas segment's other income relates to income and expenses not included in the segment's income from operations, interest result and other financial result. As in the previous year, other income largely consisted of currency effects from Group loans.

The change in income taxes was primarily attributable to income from currency-related declines in deferred taxes and lower earnings contributions from heavily taxed oil and gas production in Norway.

## 5 Other operating income and expenses

### Other operating income (million €)

	1st Quarter	
	2016	2015
Income from the adjustment and release of provisions recognized in other operating expenses	53	2
Revenue from miscellaneous revenue-generating activities	40	41
Income from foreign currency and hedging transactions	145	140
Income from the translation of financial statements in foreign currencies	51	104
Gains on the disposal of fixed assets and divestitures	14	60
Income on the reversal of valuation allowances for business-related receivables	11	11
Miscellaneous other income	114	87
<b>Other operating income</b>	<b>428</b>	<b>445</b>

### Other operating expenses (million €)

	1st Quarter	
	2016	2015
Expenses from the LTI program as well as other personnel obligations	17	286
Restructuring measures	44	19
Environmental protection and safety measures, costs of demolition and removal, and project expenses related to capital expenditures that are not subject to mandatory capitalization	96	96
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	13	19
Costs from miscellaneous revenue-generating activities	33	41
Expenses from foreign currency and hedging transactions	101	230
Losses from the translation of financial statements in foreign currencies	16	70
Losses from the disposal of fixed assets and divestitures	5	5
Oil and gas exploration expenses	33	49
Expenses from the addition of valuation allowances for business-related receivables	23	19
Expenses from the use of inventories measured at market value and the derecognition of obsolete inventory	31	44
Miscellaneous other expenses	254	240
<b>Other operating expenses</b>	<b>666</b>	<b>1,118</b>

In the first quarter of 2016, share price development led to income of €48 million from the release of provisions for the long-term incentive (LTI) program. The same period of the previous year had, by contrast, included other operating expenses of €282 million from additions to provisions for the LTI program.

The improvement in the balance from hedging transactions from minus €3 million in the first quarter of 2015 to €104 million in the first quarter of 2016 resulted primarily from the valuation of forward contracts for emissions certificates.

Countering this were miscellaneous other expenses from negative effects in connection with inventory valuation for emissions certificates. In the previous year, miscellaneous other expenses had contained the bonus paid to employees on the occasion of BASF's 150th anniversary.

The balance of foreign currency transactions rose year-on-year from minus €87 million to minus €60 million. This was largely attributable to the negative effects from the appreciation of the U.S. dollar in the first quarter of 2015.

The level of gains on the disposal of fixed assets and divestitures fell because the previous first quarter had included disposal gains from the sale of the white expandable polystyrene (EPS) business to Alpek S.A.B. de C.V., based in Monterrey, Mexico.

## 6 Income from companies accounted for using the equity method

Substantial earnings contributions in the first quarter of 2016 were made by BASF-YPC Company Ltd., Nanjing, China; Nord Stream AG, Zug, Switzerland; GASCADE Gastransport GmbH, Kassel, Germany; and OAO Severneftegazprom, Krasnoselkup, Russia.

Income from investments accounted for using the equity method was lower than in the same quarter of the previous year, mainly in the Oil & Gas segment.

## 7 Financial result

Million €	1st Quarter	
	2016	2015
Dividends and similar income	1	10
Income from the disposal of shareholdings	1	8
Income from profit transfer agreements	1	2
Income from tax allocation to participating interests	–	–
<b>Income from other shareholdings</b>	<b>3</b>	<b>20</b>
Expenses from profit transfer agreements	(7)	(2)
Write-downs on / losses from the sale of shareholdings	–	(16)
<b>Expenses from other shareholdings</b>	<b>(7)</b>	<b>(18)</b>
Interest income from cash and cash equivalents	42	52
Interest and dividend income from securities and loans	5	6
<b>Interest income</b>	<b>47</b>	<b>58</b>
<b>Interest expenses</b>	<b>(146)</b>	<b>(164)</b>
Net interest income from overfunded pension plans and similar obligations	1	1
Net interest income from other long-term employee obligations	–	–
Income from the capitalization of construction interest expenses	25	42
Miscellaneous financial income	–	–
<b>Other financial income</b>	<b>26</b>	<b>43</b>
Write-downs on / losses from the disposal of securities and loans	(1)	(1)
Net interest expense from underfunded pension plans and similar obligations	(43)	(49)
Net interest expense from other long-term employee obligations	(1)	(3)
Interest accrued on other noncurrent liabilities	(10)	(16)
Miscellaneous financial expenses	(56)	(34)
<b>Other financial expenses</b>	<b>(111)</b>	<b>(103)</b>
<b>Financial result</b>	<b>(188)</b>	<b>(164)</b>

At minus €4 million, the balance from shareholdings in the first quarter of 2016 was €6 million lower than in the same quarter of 2015.

The interest result improved by €7 million, from minus €106 million in the first quarter of 2015 to minus €99 million in the first quarter of 2016. This came primarily from more favorable refinancing conditions.

Compared with the previous year's first quarter, income from the capitalization of construction interest expenses decreased considerably, as major investment projects partially or fully began operations in 2015. These particularly included the TDI complex in Ludwigshafen, Germany; the production complex for acrylic acid and superabsorbents in Camaçari, Brazil; and the MDI plant in Chongqing, China.

The year-on-year decline in the net interest expense from underfunded pension plans resulted predominantly from adjusted assumptions for the discount rate and projected pension increase.

As in the previous year, miscellaneous financial expenses mostly contained hedging costs from the hedging of loans in U.S. dollars.



## 8 Income taxes

### Income before taxes and minority interests (million €)

	1st Quarter	
	2016	2015
Germany	488	400
Foreign	1,190	1,431
<b>Income before taxes and minority interests</b>	<b>1,678</b>	<b>1,831</b>

### Income taxes

		1st Quarter	
		2016	2015
Germany	million €	130	102
Foreign	million €	128	441
<b>Income taxes</b>	<b>million €</b>	<b>258</b>	<b>543</b>
Tax rate	%	15.4	29.7

The decline in the tax rate in the first quarter of 2016 was particularly the result of lower deferred taxes in the Oil & Gas segment due to the currency-driven decrease in temporary differences to the values used for the calculation of taxable income in Norway.

The smaller earnings contributions from abroad, especially Norway, additionally contributed to the lower tax rate.

## 9 Minority interests

Million €	1st Quarter	
	2016	2015
Minority interests in profits	39	118
Minority interests in losses	(6)	(4)
<b>Minority interests</b>	<b>33</b>	<b>114</b>

In the first quarter of 2016, lower minority interests in profits year-on-year were mainly the result of the disposal of shares in companies active in the gas trading and storage business in connection with the asset swap completed with Gazprom on September 30, 2015. Also responsible were decreased margins and lower volumes from the reduced capacity utilization of BASF TOTAL Petrochemicals LLC's condensation splitter in Port Arthur, Texas.

After a positive earnings contribution in the previous first quarter, BASF PETRONAS Chemicals Sdn. Bhd., based in Shah Alam, Malaysia, contributed substantially to increased minority interests in losses in the first quarter of 2016 due to plant shutdowns and lower sales prices.

## 10 Earnings per share

		1st Quarter	
		2016	2015
Net income	million €	1,387	1,174
Number of outstanding shares (weighted average)	thousands	918,479	918,479
<b>Earnings per share</b>	<b>€</b>	<b>1.51</b>	<b>1.28</b>

The calculation of earnings per share is based on the weighted average number of common shares outstanding. The calculation of diluted earnings per common share reflects all possible outstanding common shares and the resulting effect on income of the BASF employee incentive share program "plus."

In the first quarter of 2016, and in the corresponding period of 2015, there was no dilutive effect; basic earnings per share were the same as the diluted value per share.

## 11 Noncurrent assets

### First-quarter development of intangible assets and property, plant and equipment (million €)

	Intangible assets		Property, plant and equipment	
	2016	2015	2016	2015
<b>Acquisition costs</b>				
Balance as of January 1	16,373	16,325	67,234	64,414
Additions	16	87	943	1,247
Disposals	(33)	(42)	(97)	(148)
Transfers	(3)	64	2	53
Exchange differences	(294)	1,217	(1,100)	2,995
<b>Balance as of March 31</b>	<b>16,059</b>	<b>17,651</b>	<b>66,982</b>	<b>68,561</b>
<b>Amortization and depreciation</b>				
Balance as of January 1	3,836	3,358	41,974	40,918
Additions	132	149	814	746
Disposals	(31)	(42)	(73)	(128)
Transfers	–	3	(1)	(8)
Exchange differences	(44)	222	(590)	1,547
<b>Balance as of March 31</b>	<b>3,893</b>	<b>3,690</b>	<b>42,124</b>	<b>43,075</b>
<b>Net carrying amount as of March 31</b>	<b>12,166</b>	<b>13,961</b>	<b>24,858</b>	<b>25,486</b>

Significant investments in the first quarter of 2016 were particularly related to the construction of the aroma ingredients complex in Kuantan, Malaysia; the TDI complex in Ludwigshafen, Germany; and oil and gas production facilities and wells in Europe and South America. Investments for expansion purposes were made especially at the sites in Ludwigshafen, Germany; Geismar, Louisiana; Freeport, Texas; Beaumont, Texas; and Antwerp, Belgium.

Exchange differences in the first quarter of 2016 arose to a large extent from the depreciation of the U.S. dollar relative to the euro.

**First-quarter development of investments accounted for using the equity method (million €)**

	2016	2015
<b>Balance as of January 1</b>	<b>4,436</b>	<b>3,245</b>
Additions	15	35
Disposals	–	(5)
Transfers	34	65
Exchange differences	(33)	172
<b>Balance as of March 31</b>	<b>4,452</b>	<b>3,512</b>

**Other financial assets (million €)**

	March 31, 2016	December 31, 2015	March 31, 2015
Other shareholdings	418	420	445
Long-term securities	109	106	88
<b>Other financial assets</b>	<b>527</b>	<b>526</b>	<b>533</b>

**12 Current assets**

Million €	March 31, 2016	December 31, 2015	March 31, 2015
Raw materials and factory supplies	2,996	2,944	3,399
Work-in-process, finished goods and merchandise	6,509	6,680	7,554
Advance payments and services-in-process	97	69	113
<b>Inventories</b>	<b>9,602</b>	<b>9,693</b>	<b>11,066</b>
<b>Accounts receivable, trade</b>	<b>10,685</b>	<b>9,516</b>	<b>12,796</b>
Other receivables and miscellaneous current assets	3,779	3,095	4,423
Marketable securities	21	21	20
Cash and cash equivalents	4,036	2,241	2,317
Assets of disposal groups	–	–	–
<b>Other current assets</b>	<b>7,836</b>	<b>5,357</b>	<b>6,760</b>
<b>Current assets</b>	<b>28,123</b>	<b>24,566</b>	<b>30,622</b>

Work-in-process, finished goods and merchandise are combined into one item due to the production conditions in the chemical industry. Work-in-process primarily relates to services not invoiced as of the balance sheet date. Inventories are valued using the weighted average cost method.

Inventories decreased in comparison with December 31, 2015, partly as a result of seasonal effects in the Agricultural Solutions segment.

The increase in trade accounts receivable since December 31, 2015, was primarily attributable to seasonal effects in the Agricultural Solutions segment.

## 13 Equity

### Authorized capital

At the Annual Shareholders' Meeting of May 2, 2014, shareholders authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase subscribed capital by issuing new registered shares up to a total of €500 million against cash or contributions in kind through May 1, 2019. The Board of Executive Directors is empowered, following the approval of the Supervisory Board, to decide on the exclusion of shareholders' subscription rights for these new shares in certain predefined cases covered by the enabling resolution. Until now, this option has not been exercised and no new shares have been issued.

### Retained earnings

Transfers from other retained earnings increased legal reserves by €7 million in the first quarter of 2016.

#### Reserves (million €)

	Mar. 31, 2016	Dec. 31, 2015
Legal reserves	601	594
Other retained earnings	30,907	29,526
<b>Retained earnings</b>	<b>31,508</b>	<b>30,120</b>

## 14 Provisions for pensions

#### Assumptions used to determine the defined benefit obligation (in %)

	Germany		United States		Switzerland		United Kingdom	
	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2016	Dec. 31, 2015
Discount rate	1.90	2.50	3.80	4.20	0.40	0.80	3.60	4.00
Projected pension increase	1.50	1.50	-	-	-	-	2.90	2.90

#### Assumptions used to determine expenses for pension benefits (from January 1 through March 31 of the respective year in %)

	Germany		United States		Switzerland		United Kingdom	
	2016	2015	2016	2015	2016	2015	2016	2015
Discount rate	2.50	2.40	4.20	3.90	0.80	1.00	4.00	3.70
Projected pension increase	1.50	1.75	-	-	-	-	2.90	2.90

The assumptions used to determine the defined benefit obligation as of December 31, 2015, are to be used in the 2016 reporting year to determine the expenses for pension plans.

The standardized return on plan assets is ascertained by multiplying plan assets at the beginning of the year with the discount rate used for existing obligations at the beginning of the year. This takes into account expected benefit and contribution payments made during the year.

The considerable drop in the discount rate due to capital market developments in the first quarter of 2016 in all relevant countries was primarily responsible for actuarial losses in the defined benefit obligation. Including the deviation between the actual and standardized return on plan assets, a negative remeasurement occurred in the amount of €2,206 million. This was recognized in other comprehensive income (OCI), taking into account deferred taxes of €627 million. This valuation effect was the main reason for the €2,009 million increase in pension provisions.

## 15 Other provisions

### Development of other provisions from January to March 2016 (million €)

	Jan. 1, 2016	Additions	Unwinding of discount	Utilization	Reversals	Other changes	Mar. 31, 2016
Restoration obligations	1,266	38	7	(15)	(13)	(16)	1,267
Environmental protection and remediation costs	538	24	1	(16)	(1)	(9)	537
Employee obligations	1,569	344	–	(238)	(49)	(12)	1,614
Obligations from sales and purchase contracts	775	430	–	(131)	(17)	(22)	1,035
Restructuring measures	196	19	–	(18)	(1)	(3)	193
Litigation, damage claims, warranties and similar obligations	86	5	–	(3)	(1)	1	88
Other	1,479	42	–	(47)	(5)	(14)	1,455
<b>Total</b>	<b>5,909</b>	<b>902</b>	<b>8</b>	<b>(468)</b>	<b>(87)</b>	<b>(75)</b>	<b>6,189</b>

On March 31, 2016, other provisions had risen by €280 million compared with year-end 2015. Currency effects were responsible for a reduction of €76 million.

In provisions for employee obligations, proportional additions for variable compensation components in the current business year exceeded the utilizations up to that point for the previous year. The bulk of the payout for variable compensation for 2015 will take place in the second quarter of 2016. Provisions for the long-term incentive program were reduced by a total of €52 million in the first quarter of 2016, including the influence of currency effects.

Accruals and deferrals for discounts that exceeded the utilization of provisions from the previous year led to a seasonal increase in provisions for sales risks. Generally, the largest amount of provision utilizations for rebates takes place in the fourth quarter of the business year.

## 16 Liabilities

### Liabilities (million €)

	March 31, 2016		December 31, 2015		March 31, 2015	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
<b>Accounts payable, trade</b>	<b>3,831</b>	<b>–</b>	<b>4,020</b>	<b>–</b>	<b>5,494</b>	<b>–</b>
Bonds and other liabilities to the capital market	5,028	8,757	2,696	9,505	2,609	10,443
Liabilities to credit institutions	1,439	1,578	1,378	1,618	1,397	1,655
<b>Financial indebtedness</b>	<b>6,467</b>	<b>10,335</b>	<b>4,074</b>	<b>11,123</b>	<b>4,006</b>	<b>12,098</b>
<b>Tax liabilities</b>	<b>1,239</b>	<b>–</b>	<b>1,082</b>	<b>–</b>	<b>1,481</b>	<b>–</b>
Advances received on orders	174	–	447	–	183	–
Negative fair values from derivatives and liabilities for precious metal obligations	445	72	361	75	1,215	58
Liabilities related to social security	69	94	73	95	167	25
Miscellaneous liabilities	1,914	533	1,568	536	2,122	1,040
Deferred income	60	163	71	163	219	193
<b>Other liabilities</b>	<b>2,662</b>	<b>862</b>	<b>2,520</b>	<b>869</b>	<b>3,906</b>	<b>1,316</b>
<b>Liabilities</b>	<b>14,199</b>	<b>11,197</b>	<b>11,696</b>	<b>11,992</b>	<b>14,887</b>	<b>13,414</b>

## Financial indebtedness (million €)

				Carrying amounts based on effective interest method			
		Currency	Nominal value (million, in issuing currency)	Effective interest rate	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2015
<b>BASF SE</b>							
Commercial paper		USD	3,730		3,264	1,714	372
4.5%	Bond 2006/2016	EUR	500	4.62%	500	500	499
variable	Bond 2013/2016	EUR	200	variable	200	200	200
4.25%	Bond 2009/2016	EUR	200	4.40%	200	200	200
variable	Bond 2014/2017	EUR	300	variable	300	300	300
5.875%	Bond 2009/2017	GBP	400	6.04%	505	544	548
4.625%	Bond 2009/2017	EUR	300	4.69%	300	300	300
1.375%	Bond 2014/2017	GBP	250	1.46%	315	340	343
variable	Bond 2013/2018	EUR	300	variable	300	300	300
1.5%	Bond 2012/2018	EUR	1,000	1.51%	999	1,000	1,000
1.375%	Bond 2014/2019	EUR	750	1.44%	749	749	748
variable	Bond 2013/2020	EUR	300	variable	300	300	300
1.875%	Bond 2013/2021 <sup>1</sup>	EUR	700	1.94%	698	698	697
2%	Bond 2012/2022	EUR	1,250	1.93%	1,256	1,256	1,257
2.5%	Bond 2014/2024	EUR	500	2.60%	497	496	496
3.675%	Bond 2013/2025	NOK	1,450	3.70%	154	151	166
1.5%	Bond 2016/2031	EUR	200	1.58%	198	–	–
3%	Bond 2013/2033	EUR	500	3.15%	490	490	490
2.875%	Bond 2013/2033	EUR	200	3.09%	198	198	198
3.25%	Bond 2013/2043	EUR	200	3.27%	199	199	199
3.89%	U.S. private placement series A 2013/2025	USD	250	3.92%	219	229	232
4.09%	U.S. private placement series B 2013/2028	USD	700	4.11%	613	641	649
4.43%	U.S. private placement series C 2013/2034	USD	300	4.45%	263	275	278
<b>BASF Finance Europe N.V.</b>							
3.625%	Bond 2008/2015	CHF	200	3.77%	–	–	191
5.125%	Bond 2009/2015	EUR	2,000	5.07%	–	–	1,499
4.5%	Bond 2009/2016	EUR	150	4.56%	–	–	501
<b>Ciba Specialty Chemicals Finance Luxembourg S.A.</b>							
4.875%	Bond 2003/2018	EUR	477	4.88%	452	449	441
<b>Other bonds</b>					<b>616</b>	<b>672</b>	<b>648</b>
<b>Bonds and other liabilities to the capital market</b>					<b>13,785</b>	<b>12,201</b>	<b>13,052</b>
Liabilities to credit institutions					3,017	2,996	3,052
<b>Financial indebtedness</b>					<b>16,802</b>	<b>15,197</b>	<b>16,104</b>

<sup>1</sup> The 1.875% EUR bond from 2013 was tapped on March 29, 2016; its volume was increased by €300 million, effective April 5, 2016.



## 17 Related-party transactions

The BASF Group maintains relationships with several related parties that can exert influence on the BASF Group or over which the BASF Group exercises control or joint control, or a significant influence. The following tables show the scope of the Group's transactions with related parties.

Sales and trade accounts receivable from and trade accounts payable to related parties mainly included business with own products, merchandise, agency and licensing businesses, and other operating business.

Other receivables and liabilities primarily arose from financing activities, outstanding dividend payments, profit-and-loss transfer agreements, and other finance-related and operating activities and events.

Compared with the same quarter of the previous year, sales to associated companies fell by €80 million in the first quarter of 2016. This was largely the result of a price and volumes-related decline in sales to associated companies in the Oil & Gas segment.

There were no reportable related-party transactions with members of the Board of Executive Directors or the Supervisory Board and their related parties during the reporting period.

### Sales to related parties (million €)

	1st Quarter	
	2016	2015
Nonconsolidated subsidiaries	137	135
Joint ventures	70	97
Associated companies	57	137

### Trade accounts receivable from and trade accounts payable to related parties (million €)

	Accounts receivable, trade		
	March 31, 2016	December 31, 2015	March 31, 2015
Nonconsolidated subsidiaries	178	139	166
Joint ventures	85	71	247
Associated companies	34	34	92

	Accounts payable, trade		
	March 31, 2016	December 31, 2015	March 31, 2015
Nonconsolidated subsidiaries	54	60	54
Joint ventures	54	54	550
Associated companies	25	44	47

### Other receivables from and other liabilities to related parties (million €)

	Other receivables		
	March 31, 2016	December 31, 2015	March 31, 2015
Nonconsolidated subsidiaries	157	161	171
Joint ventures	173	229	210
Associated companies	519	517	815

	Other liabilities		
	March 31, 2016	December 31, 2015	March 31, 2015
Nonconsolidated subsidiaries	170	180	117
Joint ventures	100	120	145
Associated companies	229	203	422

## Calculation of Adjusted Earnings per Share

		1st Quarter	
		2016	2015
Income before taxes and minority interests	million €	1,678	1,831
Special items	million €	40	75
Amortization of intangible assets	million €	132	149
Amortization of intangible assets contained in special items	million €	–	–
<b>Adjusted income before taxes and minority interests</b>	<b>million €</b>	<b>1,850</b>	<b>2,055</b>
Adjusted income taxes	million €	(313)	(623)
<b>Adjusted income before minority interests</b>	<b>million €</b>	<b>1,537</b>	<b>1,432</b>
Adjusted minority interests	million €	(32)	(115)
<b>Adjusted net income</b>	<b>million €</b>	<b>1,505</b>	<b>1,317</b>
Weighted average number of outstanding shares	in thousands	918,479	918,479
<b>Adjusted earnings per share</b>	<b>€</b>	<b>1.64</b>	<b>1.43</b>

The earnings per share figure adjusted for special items and amortization of intangible assets has become internationally established as a key figure that can be compared over the course of time and is particularly suitable for forecasts of future earnings.

Special items arise from the integration of acquired businesses, restructuring measures, impairments, gains or losses resulting from divestitures and sales of shareholdings, and other expenses and income that do not arise in conjunction with ordinary business activities.

Intangible assets primarily result from the purchase price allocation following acquisitions. The amortization of intangible assets is therefore of a temporary nature.

The calculation of earnings per share in accordance with the International Financial Reporting Standards (IFRS) is presented in the Notes on page 27. Adjusted income before taxes and minority interests, adjusted net income and adjusted earnings per share are key ratios that are not defined under IFRS. They should not be viewed in isolation, but rather treated as supplementary information.

### Forward-Looking Statements

This report 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. Rather, future developments and results are dependent on a number of factors; they involve various risks and uncertainties and are based upon assumptions that may not prove to be accurate. Such factors include those discussed on pages 113 to 120 of the BASF Report 2015. The BASF Report can be found online at: [basf.com/report](http://basf.com/report). We do not assume any obligation to update the forward-looking statements contained in this report.

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**Interim Report 1st Half 2016**

**July 27, 2016**

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**Interim Report 3rd Quarter 2016**

**October 27, 2016**

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**Full-Year Results 2016**

**February 24, 2017**

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**Interim Report 1st Quarter 2017 / Annual Shareholders' Meeting 2017**

**April 27, 2017 / May 12, 2017**

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#### **Further information**

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