

Analyst Conference Call Q1 2018 Speech (including slides) May 4, 2018



Analyst Conference Call – Speech

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The spoken word applies.

Cautionary note regarding forward-looking statements

This presentation contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Such risk factors include those discussed in the Opportunities and Risks Report from page 111 to 118 of the BASF Report 2017. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.

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BASF Group with slight earnings increase in Q1 2018

Financial figures	Q1 2018	Q1 2017	Change
	€	€	%
Sales	16,646 million	16,857 million	(1)
EBITDA before special items	3,439 million	3,507 million	(2)
EBITDA	3,448 million	3,502 million	(2)
EBIT before special items	2,512 million	2,457 million	2
EBIT	2,521 million	2,451 million	3
Net income	1,679 million	1,709 million	(2)
Reported EPS	1.83	1.86	(2)
Adjusted EPS	1.93	1.97	(2)
Operating cash flow	1,231 million	833 million	48

Sales development	Volumes	Prices	Portfolio	Currencies
Q1 2018 vs. Q1 2017	↑ 2%	↑ 5%	0%	↓ (8%)

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Hans-Ulrich Engel

Ladies and gentlemen, good morning and thank you for joining us.

[Chart 3: BASF Group with slight earnings increase in Q1 2018]

BASF had a good start to the year and finished the first quarter 2018 with slightly higher earnings compared to a strong prior-year quarter. In most businesses, we implemented further price increases. However, strong currency headwinds, mainly due to the appreciation of the euro versus the U.S. dollar, more than offset these price increases. Sales volumes were up, driven by continued strong demand. Production plant outages negatively impacted available volumes. Please also keep in mind that Q1 2018 had less working days than the prior-year quarter.

Turning to BASF Group's financial figures for Q1 2018 compared to the prior-year quarter in more detail:

- Sales in the first quarter of 2018 decreased by 1 percent to 16.6 billion euros. Prices were up by 5 percent and volumes increased by 2 percent. Currency effects were minus 8 percent. Overall, portfolio measures had no impact on sales.
- EBITDA before special items came in at 3.4 billion euros compared to 3.5 billion euros in Q1 2017. EBITDA decreased by 2 percent and amounted to 3.4 billion euros.
- EBIT before special items increased by 2 percent to 2.5 billion euros in Q1 2018. Considerably higher earnings in Chemicals, Oil & Gas and Other more than compensated for lower earnings in Functional Materials & Solutions, Agricultural Solutions and Performance Products.

- Special items in EBIT amounted to an income of 9 million euros compared to an expense of 6 million euros in Q1 2017.
- EBIT increased by 3 percent to 2.5 billion euros in Q1 2018.
- The tax rate was 24.7 percent compared to 22.9 percent in the same period last year. The increase was mainly driven by higher earnings contributions from high-tax countries such as Norway.
- Net income was slightly lower and came in at almost 1.7 billion euros in Q1 2018.
- Reported earnings per share decreased by 2 percent to 1.83 euros in Q1 2018. Adjusted EPS amounted to 1.93 euros; this compares with 1.97 euros in the prior-year quarter.
- In the first quarter of 2018, the operating cash flow increased by 48 percent and came in at 1.2 billion euros. At 604 million euros, free cash flow was up by 538 million euros compared to Q1 2017.

Update on recently announced M&A activities



BASF to acquire Solvay's integrated global polyamide business

- Purchase price: ~€1.6 billion
- Sales 2016: ~€1.3 billion
- EBITDA 2016: ~€200 million
- Market CAGR: >3.5%
- BASF and Solvay aim for a closing in Q3 2018



BASF to acquire agricultural solutions businesses and assets from Bayer

- Purchase price: ~€7.6 billion
- Sales 2016: ~€2.0 billion
- EBITDA 2016*: ~€550 million
- Subject to the closing of the acquisition of Monsanto by Bayer and regulatory approvals, closing expected in Q2/Q3 2018



BASF and LetterOne intend to merge their oil and gas subsidiaries

- Pro-forma sales 2017: ~€4.7 billion
- Pro-forma EBITDA 2017: ~€2.8 billion
- BASF and LetterOne are conducting a confirmatory due diligence and are negotiating transaction agreements
- Closing could be expected in H2 2018

[Chart 4: Update on recently announced M&A activities]

Let me briefly provide you with an update on our M&A activities.

In September 2017, BASF and Solvay agreed on the purchase of Solvay's backward-integrated polyamide business by BASF. We aim for a closing of the transaction in Q3 2018. Preparations encompass the finalization of ancillary agreements and obtaining regulatory approvals such as merger clearances in several jurisdictions.

In October 2017, BASF signed an agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses. In April 2018, BASF signed an agreement to purchase additional businesses and assets, which Bayer offered to divest in the context of its planned acquisition of Monsanto. The expanded scope includes Bayer's entire vegetable seeds business, its well-established seed treatment business, the R&D platform for hybrid wheat and the complete digital farming platform.

The transactions with Bayer complement BASF's crop protection business and biotechnology activities, adding new capabilities and opportunities for profitable growth and innovation. The all-cash purchase price for the combined acquisition is 7.6 billion euros, subject to certain adjustments at closing. In 2016, the combined businesses generated sales of 2 billion euros and EBITDA of 550 million euros on a pro forma adjusted basis. All transactions remain subject to the closing of Bayer's acquisition of Monsanto, expected in the second quarter of 2018. BASF expects to close most of the acquisitions in Q2 2018, with the vegetable seeds business closing in the third quarter of 2018, of course, subject to the required regulatory approvals.

In December 2017, BASF and LetterOne signed a letter of intent to merge their respective oil and gas businesses. Currently, we are conducting a confirmatory due diligence and are negotiating definitive transaction agreements. If an agreement is reached, closing could be expected in the second half of 2018, subject to regulatory approvals.

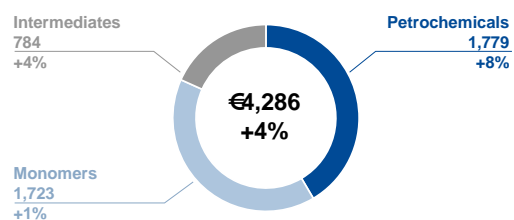
This week, BASF and Solenis have signed an agreement to join forces by combining BASF's paper wet-end and water chemicals business with Solenis. Solenis is a global producer of specialty chemicals for water intensive industries. The combined business with pro-forma sales of around 2.4 billion euros and around 5,000 employees in 2017 aims to deliver additional value for paper and water treatment customers. The goal is to create a customer-focused global solutions provider for the industry. BASF will hold a 49 percent share of the combined entity that will operate under the Solenis name and be headquartered in Wilmington, Delaware, USA. 51 percent of the shares will be held by funds managed by Clayton, Dubilier & Rice. Pending approval by the relevant authorities, closing is anticipated for the end of 2018 at the earliest.

I will now hand things over to Marc to give you some more details regarding the business development of our segments.

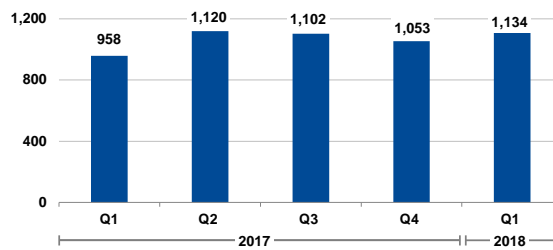
Chemicals

Increased earnings driven by higher margins and volumes

Sales Q1 2018 vs. Q1 2017
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q1 2018 vs. Q1 2017	↑ 3%	↑ 8%	0%	↓ (7%)

Marc Ehrhardt

Good morning ladies and gentlemen,

Let me highlight the financial performance of each segment in the first quarter of 2018 compared with the first quarter of 2017.

[Chart 5: Chemicals – Increased earnings driven by higher margins and volumes]

Sales in **Chemicals** increased slightly. Higher prices in all divisions, particularly in Monomers and Intermediates, compensated the significantly negative currency effects. Volume growth in the segment was slightly positive, driven by Petrochemicals as well as Intermediates. Volume development in the Monomers division was hampered by plant shutdowns due to inclement weather in the U.S., natural gas curtailment in China and the planned turnaround of the TDI plant in Ludwigshafen.

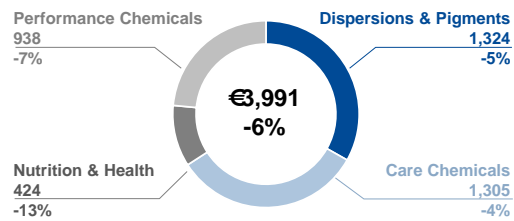
EBIT before special items increased considerably from 958 million euros to 1.1 billion euros. This was driven by higher margins and volumes. In Petrochemicals, earnings were negatively impacted by weaker cracker margins in all regions.

On April 11, Yara and BASF inaugurated the new world-scale ammonia plant in Freeport, Texas, which will strengthen the production Verbund at the site. The new plant allows us to take advantage of world-scale production economics and attractive raw material prices.

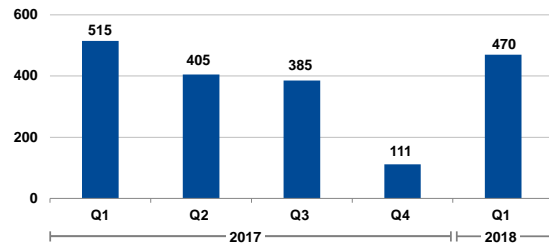
Performance Products

Higher prices could not compensate for negative currency effects and outage-related lower volumes; earnings declined slightly

Sales Q1 2018 vs. Q1 2017
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q1 2018 vs. Q1 2017	↓ (1%)	↑ 2%	↓ (1%)	↓ (6%)

[Chart 6: Performance Products – Higher prices could not compensate for negative currency effects and outage-related lower volumes; earnings declined slightly]

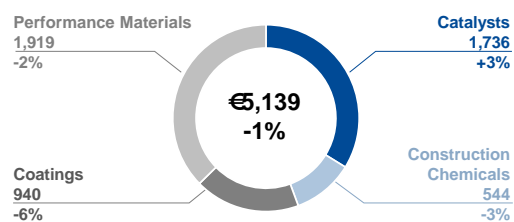
Sales in **Performance Products** decreased by 6 percent, mainly due to negative currency effects. All divisions of the segment were able to increase prices. The unplanned shutdown of the citral plant in Ludwigshafen and the respective force majeure declarations for citral and isoprenol-based aroma ingredients as well as for vitamin A, E and several carotenoid products resulted in a slightly negative volume development for the segment. Citral imports from our new aroma ingredients complex in Kuantan, Malaysia, helped to partially reduce adverse impacts on our customers. Slightly negative portfolio effects were mainly related to the transfer of BASF's leather chemicals business to the Stahl Group.

We raised sales prices and, adjusted for currency effects, increased the average margin compared with the prior year quarter. EBIT before special items nevertheless declined slightly, largely as a result of negative currency effects.

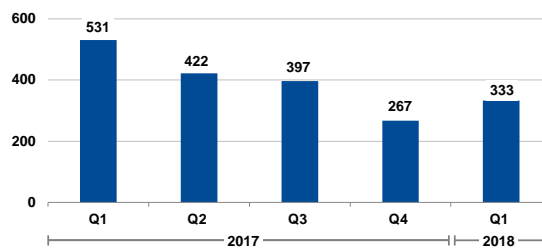
Functional Materials & Solutions

Earnings declined considerably due to lower margins and higher fixed costs

Sales Q1 2018 vs. Q1 2017
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q1 2018 vs. Q1 2017	↑ 1%	↑ 6%	0%	↓ (8%)

[Chart 7: Functional Materials & Solutions – Earnings declined considerably due to lower margins and higher fixed costs]

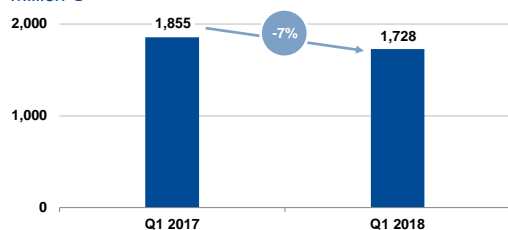
Sales in **Functional Materials & Solutions** decreased slightly, as higher prices, especially in Catalysts, and slightly higher volumes could not fully offset negative currency effects. Some of our businesses, primarily in Performance Materials, were negatively impacted by raw material shortages.

Margins declined as price increases could not fully compensate for higher raw material prices. Overall, fixed costs increased, partly due to maintenance work and new production plants coming on stream. As a result, EBIT before special items decreased significantly.

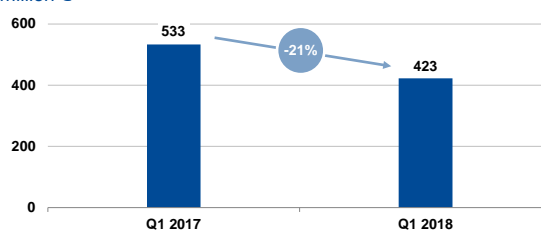
Agricultural Solutions

Earnings negatively impacted by currency headwinds, higher fixed costs and a late start to the season

Sales Q1 2018 vs. Q1 2017
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q1 2018 vs. Q1 2017	↑ 3%	↓ (2%)	0%	↓ (8%)

[Chart 8: Agricultural Solutions – Earnings negatively impacted by currency headwinds, higher fixed costs and a late start to the season]

Sales in the **Agricultural Solutions** segment declined by 7 percent compared with Q1 2017. This was primarily attributable to negative currency effects in all regions. Sales were also reduced by slightly lower prices in North America in particular. By contrast, we increased sales volumes. Business development in the Northern Hemisphere was dampened by the long and cold winter.

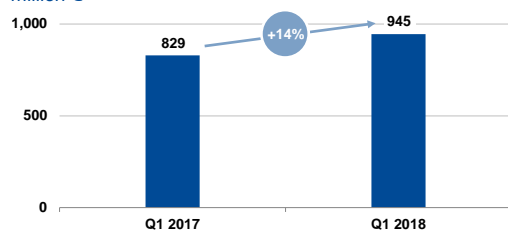
- In **Europe**, sales were down slightly on the prior-year quarter, mainly as a result of negative currency effects. These could not be completely offset by slightly higher sales volumes, particularly in eastern Europe.
- Sales in **North America** decreased considerably, largely due to strongly negative currency effects. Slightly lower prices for herbicides in particular also contributed to the sales decline.
- Sales rose considerably in **Asia**. Significantly higher sales volumes, especially in Japan and China, more than offset the negative currency effects.
- The region **South America, Africa, Middle East** saw slight sales growth, driven in particular by higher volumes of soy fungicides and sugarcane insecticides in Brazil. Sales were weighed down by negative currency effects.

EBIT before special items was considerably lower than in the first quarter of 2017. This was mainly attributable to negative currency effects and higher fixed costs in areas such as production and research.

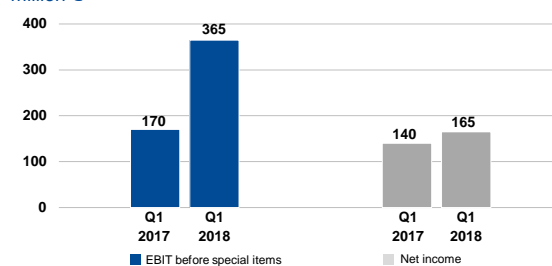
Oil & Gas

Earnings increased considerably, mainly due to higher prices and volumes as well as lower depreciation

Sales Q1 2018 vs. Q1 2017
million €



EBIT before special items / net income
million €



Sales development	Volumes	Prices/Currencies	Portfolio
Q1 2018 vs. Q1 2017	↑ 11%	↑ 3%	0%

[Chart 9: Oil & Gas – Earnings increased considerably, mainly due to higher prices and volumes as well as lower depreciation]

Sales in **Oil & Gas** were up significantly, mainly due to higher oil and gas prices and increased volumes. In Q1 2018, the average price of Brent crude was 67 U.S. dollars per barrel – 13 dollars higher than in the same period of 2017. In euro terms, the increase was 4 euros or 8 percent. Gas prices on the European spot markets were also significantly above the level of the prior-year quarter. The combined price and currency effect was plus 3 percent. The volume increase of 11 percent was driven by higher production in Norway and higher trading volumes.

EBIT before special items increased considerably from 170 million euros to 365 million euros. This was largely attributable to a higher earnings contribution from Norway due to lower depreciation as a result of higher reserves, as well as volumes growth. Higher oil and gas prices also contributed to the earnings increase.

Net income in Oil & Gas increased from 140 million euros to 165 million euros.

Review of “Other”

Financial figures	Q1 2018	Q1 2017
	million €	million €
Sales	557	610
EBIT before special items	(213)	(250)
Thereof Costs of corporate research	(80)	(81)
Costs of corporate headquarters	(53)	(52)
Foreign currency results, hedging and other measurement effects	41	(31)
Other businesses	(8)	5
Special items	(8)	7
EBIT	(221)	(243)

[Chart 10: Review of “Other”]

EBIT before special items in Other improved from minus 250 million euros to minus 213 million euros. This was mainly driven by a swing related to our long-term incentive (LTI) program. While earnings in Q1 2017 were negatively affected by an increase in provisions, Q1 2018 benefited from the release of provisions for the LTI program.

Cash flow development Q1 2018

Cash flow development		Q1 2018	Q1 2017
		million €	million €
Cash provided by operating activities		1,231	833
Thereof	Changes in net working capital	(1,345)	(1,985)
	Miscellaneous items	(30)	58
Cash used in investing activities		(634)	(1,215)
Thereof	Payments made for tangible / intangible assets	(627)	(767)
	Acquisitions / divestitures	34	(22)
Cash provided by financing activities		201	831
Thereof	Changes in financial liabilities	220	811
	Dividends	(19)	6
Free cash flow		604	66

[Chart 11: Cash flow development Q1 2018]

Let's now turn to our cash flow in the first quarter 2018:

- Cash provided by operating activities increased from 833 million euros to 1.2 billion euros in Q1 2018. This was primarily attributable to the lower level of cash tied up in net working capital, largely from receivables.
- Cash used in investing activities decreased from 1.2 billion euros to 634 million euros in Q1 2018, mainly driven by the decline in additions to other financing-related receivables. In addition, payments made for property, plant, equipment and intangible assets were down by 140 million euros to 627 million euros.
- At 604 million euros, free cash flow was up by 538 million euros compared to Q1 2017. Both the higher cash provided by operating activities and the lower payments for property, plant and equipment and intangible assets contributed to the increase.
- Cash provided by financing activities amounted to 201 million euros in Q1 2018 compared to 831 million euros in the prior-year quarter. The decline was largely the result of lower net additions to financial and similar obligations.

And with that, back to Hans for the outlook.

Outlook 2018 for BASF Group confirmed

- We anticipate **slightly*** higher sales in 2018.
- **EBIT before special items** is expected to be **up slightly** on the 2017 level.
- **EBIT is forecast to decline slightly** in 2018.
- We aim to once again earn a **significant premium on our cost of capital** in 2018. However, **EBIT after cost of capital** will **decrease considerably**, mainly due to lower EBIT as well as the additional cost of capital from the planned acquisitions.

* For sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. For earnings, "slight" means a change of 1–10%, while "considerable" is used for changes of 11% and higher. This outlook takes into account the agreed transactions with Bayer and Solvay. The intended merger of our oil and gas activities with the business of DEA Deutsche Erdöl AG and its subsidiaries is not taken into account in this outlook.

Hans-Ulrich Engel

[Chart 12: Outlook 2018 for BASF Group confirmed]

We confirm our outlook 2018 for BASF Group, as provided at the end of February. Based on our assumptions for the economic environment and taking into account the agreed transactions with Bayer and Solvay:

- We anticipate slightly higher sales in 2018, largely as a result of volume growth.
- EBIT before special items is expected to be up slightly on the 2017 level.
- EBIT for the BASF Group is forecast to decline slightly in 2018. We anticipate special charges in the form of integration costs in connection with the agreed acquisitions.
- We aim to once again earn a significant premium on our cost of capital in 2018. However, compared with the previous year, the BASF Group's EBIT after cost of capital will decrease considerably. This will mainly be due to lower EBIT – including M&A-related special charges – as well as the additional cost of capital from the planned acquisitions.

And now, Marc and I are glad to take your questions.