

Reporting Factsheet Q4/FY 2018

BASF Group (million €)	Q4 2018 ¹	Q4 2017 ¹	Change (%)	FY 2018	FY 2017	Change (%)
Sales	15,586	15,231	2	62,675	61,223	2
EBITDA before special items	1,496	2,314	(35)	9,481	10,738	(12)
EBITDA	1,336	2,266	(41)	9,166	10,765	(15)
Depreciation and amortization ²	867	845	3	3,133	3,178	(1)
EBIT	469	1,421	(67)	6,033	7,587	(20)
Special items	(161)	(104)	(55)	(320)	(58)	.
EBIT before special items	630	1,525	(59)	6,353	7,645	(17)
Financial result	(234)	(210)	(11)	(745)	(705)	(6)
Income before income taxes	235	1,211	(81)	5,288	6,882	(23)
Income after taxes from continuing operations	176	1,273	(86)	4,150	5,592	(26)
Income after taxes from discontinued operations	255	334	(24)	829	760	9
Net income	348	1,537	(77)	4,707	6,078	(23)
Earnings per share (€)	0.37	1.68	(78)	5.12	6.62	(23)
Adjusted earnings per share (€)	0.66	1.29	(49)	5.87	6.44	(9)
Dividend per share (€)	-	-	-	3.20	3.10	3
Research and development expenses	651	519	25	2,028	1,843	10
Personnel expenses	2,719	2,692	1	10,659	10,610	0
Assets (end of period)	86,556	78,768	10	86,556	78,768	10
Investments including acquisitions	1,187	1,669	(29)	10,735	4,364	146
ROCE	-	-	-	11.4	15.4	.
Equity ratio (end of period, %)	41.7	44.1	.	41.7	44.1	.
Net debt (end of period)	18,197	11,485	58	18,197	11,485	58
Cash provided from operating activities	1,554	1,188	(31)	7,939	8,785	(10)
Free cash flow	88	(202)	.	4,045	4,789	(16)

¹ Quarterly results not audited

² Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments) excluding depreciation and amortization attributable to the discontinued oil and gas business

Factors influencing sales in Q4 2018 (changes in %)	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	(9)	(8)	(2)	1	0
Performance Products	1	(4)	5	0	0
Functional Materials & Solutions	4	0	4	0	0
Agricultural Solutions	27	(6)	6	(4)	31
Other	21	24	(4)	1	0
BASF Group	2	(3)	2	0	3

Factors influencing sales in FY 2018 (changes in %)	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	1	(1)	4	(2)	0
Performance Products	(2)	(2)	4	(3)	(1)
Functional Materials & Solutions	3	2	5	(4)	0
Agricultural Solutions	8	1	4	(7)	10
Other	24	23	5	(4)	0
BASF Group	2	1	4	(4)	1

Segments

4th Quarter (million €)

	Sales			Income from operations before depreciation and amortization (EBITDA)			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
	Chemicals	3,774	4,158	(9)	604	1,320	(54)	327	1,053	(69)	324	1,026
Performance Products	3,883	3,832	1	334	316	6	137	111	23	106	81	31
Functional Materials & Solutions	5,518	5,311	4	425	452	(6)	289	267	8	247	240	3
Agricultural Solutions	1,684	1,328	27	104	266	(61)	38	207	(82)	(46)	194	.
Other	727	602	21	(131)	(88)	(49)	(161)	(113)	(42)	(162)	(120)	(35)
BASF Group	15,586	15,231	2	1,336	2,266	(41)	630	1,525	(59)	469	1,421	(67)

Full Year (million €)

	Sales			Income from operations before depreciation and amortization (EBITDA)			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
	Chemicals	16,501	16,331	1	4,432	5,374	(18)	3,386	4,233	(20)	3,360	4,208
Performance Products	15,812	16,217	(2)	2,205	2,427	(9)	1,376	1,416	(3)	1,338	1,510	(11)
Functional Materials & Solutions	21,435	20,745	3	1,917	2,251	(15)	1,307	1,617	(19)	1,235	1,545	(20)
Agricultural Solutions	6,156	5,696	8	985	1,282	(23)	734	1,033	(29)	591	1,015	(42)
Other	2,771	2,234	24	(373)	(569)	34	(450)	(654)	31	(491)	(691)	29
BASF Group	62,675	61,223	2	9,166	10,765	(15)	6,353	7,645	(17)	6,033	7,587	(20)

Regions

million €

	Sales by location of company			Sales by location of customer			EBIT by location of company		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
	4th Quarter								
Europe	6,558	6,598	(1)	6,094	6,203	(2)	5	477	(99)
Thereof Germany	4,062	4,441	(9)	1,446	1,661	(13)	(229)	130	.
North America	4,397	3,839	15	4,264	3,705	15	48	227	(79)
Asia Pacific	3,449	3,616	(5)	3,665	3,760	(3)	228	579	(61)
South America, Africa, Middle East	1,182	1,178	0	1,563	1,563	0	188	138	36
BASF Group	15,586	15,231	2	15,586	15,231	2	469	1,421	(67)
January – December									
Europe	28,502	28,045	2	26,546	26,507	0	3,210	4,090	(22)
Thereof Germany	18,113	18,663	(3)	6,965	7,159	(3)	1,140	1,838	(38)
North America	16,659	15,937	5	16,143	15,357	5	802	1,236	(35)
Asia Pacific	13,886	13,658	2	14,646	14,343	2	1,820	2,209	(18)
South America, Africa, Middle East	3,628	3,583	1	5,340	5,016	6	201	52	287
BASF Group	62,675	61,223	2	62,675	61,223	2	6,033	7,587	(20)

Segments Q4 2018 vs. Q4 2017

Chemicals

Compared to Q4 2017, sales in Chemicals decreased considerably, mainly due to lower volumes in all divisions. In addition, lower prices in Monomers, especially for isocyanates, led to the sales decline. Price increases in Petrochemicals and Intermediates and slightly positive currency effects could only partially offset this.

- Sales in Petrochemicals increased slightly. Higher prices in all major regions – particularly in North America – were offset by lower volumes across all regions. Our European production was additionally impacted by the low water levels on the Rhine River. Currency effects were slightly positive.
- In the Monomers division, sales decreased considerably. Significantly lower prices and volumes in isocyanates were the main driver for this development.
- Sales in Intermediates increased slightly due to higher prices and positive currency effects. Volumes were negatively impacted by the low water levels on the Rhine.

The buying sentiment in key end markets deteriorated as the fourth quarter 2018 progressed. Compared to Q4 2017, all divisions recorded lower earnings; the decline was most pronounced for isocyanates in Monomers and steam cracker products in Petrochemicals. EBIT before special items decreased considerably.

Performance Products

Sales in Performance Products increased slightly. Higher prices in all divisions more than compensated for lower volumes. Portfolio and currency effects had no impact on sales.

- Sales in Dispersions & Pigments increased slightly because of higher prices. However, volumes declined due to weaker and more volatile demand. Limited product availability, partially related to the low water levels on the Rhine, contributed to lower volumes. The divestiture of the production site for styrene butadiene-based paper dispersions in Pischelsdorf, Austria also reduced sales slightly.
- In Care Chemicals, sales declined slightly. Lower volumes, also related to production issues caused by the low water levels on the Rhine, were the main driver for lower sales. Prices went up in all businesses, with the exception of oleo-surfactants.
- Sales in Nutrition & Health increased slightly. Prices increased in all businesses, except for animal nutrition. Volumes declined in almost all businesses compared to a very strong prior-year quarter, which was characterized by pre-buying activities of many customers in the light of a tight market.
- Sales in Performance Chemicals increased considerably, driven by higher prices in almost all businesses. Lower volumes in plastic additives were compensated by higher volumes in oilfield and mining solutions and fuel and lubricant solutions.

Overall higher prices and lower fixed costs resulted in a significant increase in EBIT before special items compared to Q4 2017. This earnings increase was driven by Care Chemicals and Performance Chemicals.

Functional Materials & Solutions

Sales in Functional Materials & Solutions increased slightly driven by higher prices, especially in the Catalysts division. Volumes were stable. Currency and portfolio effects had no impact.

- Catalysts delivered a significant sales increase in Q4 2018 on higher prices and volumes. Sales generated by precious metal trading increased from 708 million euros in the prior-year quarter to 986 million euros due to considerably higher volumes and higher prices. Volumes also increased significantly in chemical catalysts, as well as in battery materials as capacities ramped up on new assets. Volumes in mobile emissions catalysts decreased on weaker demand in automotive.
- Construction Chemicals reported higher sales from higher prices in all regions. Volumes were overall flat: They developed positively in Europe and Asia, while South America, Africa, Middle East and the region North America reported volume declines.
- The Coatings division saw a slight sales decrease. Higher prices were more than offset by negative currency effects and lower volumes. The positive volume development in automotive refinish coatings could not compensate the weak demand for OEM coatings.
- In Performance Materials, sales were significantly down due to lower volumes and slightly lower prices. Overall, volumes decreased on weak demand and de-stocking behavior in key end markets, for example, for polyurethane systems in the construction and transportation markets in Europe and Asia. Higher available volumes of isocyanates contributed to lower sales prices for polyurethane products. For polyamides, we were able to increase prices in all regions.

EBIT before special items increased slightly, largely driven by the Catalysts and Construction Chemicals divisions. The Coatings and Performance Materials divisions faced significant challenges from softness in demand in the transportation, construction and consumer markets.

Agricultural Solutions

Sales in Agricultural Solutions increased considerably compared to Q4 2017, mainly due to the contribution of the businesses acquired from Bayer. In addition, higher prices contributed to the sales increase. Lower volumes in all indications, except herbicides, and negative currency effects, especially in South America, had a counteracting effect.

- In Europe, sales increased considerably due to portfolio effects, higher volumes and higher prices. Currency effects had a negative impact. The legacy business generated higher sales than in Q4 2017 due to both higher volumes and prices.
- Sales in North America increased considerably driven by portfolio effects, higher volumes and positive currency effects. Sales in the legacy business were slightly below the prior-year quarter. Lower prices could not be offset by higher sales volumes in Canada, especially for herbicides and fungicides, and the positive currency effects.
- In South America, we were able to increase sales considerably due to positive portfolio effects and higher prices. Lower volumes and strongly negative currency effects dampened this increase. Sales in our legacy business developed weaker than in Q4 2017. Higher prices could not compensate the lower volumes and strongly negative currency effects.
- Sales in Asia went up considerably as a result of portfolio effects. Our legacy business was slightly below the prior-year quarter. Both weaker volumes and lower prices contributed to this.

Despite the increase in sales, EBIT before special items decreased considerably compared to Q4 2017. Earnings were negatively impacted by lower margins and volumes and the seasonality of the seeds businesses acquired in August 2018 as well as associated integration costs.

Other

EBIT before special items decreased from minus 113 million euros to minus 161 million euros in Q4 2018. This was mainly driven by lower earnings contributions from “other businesses” and higher costs for corporate research. Overall, the positive effect from the release of provisions for the LTI program was more than offset.

Outlook 2019 for BASF Group

Underlying assumptions for 2019

- GDP growth: +2.8% (2018: +3.2%)
- Growth in global industrial production: +2.7% (2018: +3.2%)
- Growth in global chemical production: +2.7% (2018: +2.7%)
- Average exchange rate: US\$1.15 per € (2018: US\$1.18 per €)
- Average oil price (Brent): US\$70 per barrel (2018: US\$71 per barrel)
- Annual impact of US\$ change (€ depreciation) -1 US\$-Cent per €: sales: +€190 million; EBIT: +€45 million

Forecast 2019¹

- Slight sales growth, mainly from higher sales volumes and portfolio effects
- EBIT before special items slightly above prior-year level
- ROCE slightly higher than cost of capital percentage, but slightly below the 2018 level

Outlook by segment	Sales million €		EBIT before special items	
	2018	Forecast 2019 ¹	2018	Forecast 2019 ¹
Chemicals (Petrochemicals, Intermediates)	11,694	at prior-year level	1,587	slight increase
Materials (Performance Materials, Monomers)	13,270	slight increase	2,400	considerable decline
Industrial Solutions (Dispersions & Pigments, Performance Chemicals)	9,120	slight decline	668	considerable increase
Surface Technologies (Catalysts, Coatings, Construction Chemicals ²)	13,655	slight increase	690	considerable increase
Nutrition & Care (Care Chemicals, Nutrition & Health)	5,940	considerable increase	736	considerable increase
Agricultural Solutions	6,156	considerable increase	734	considerable increase
Other	2,840	considerable increase	(462)	considerable decline
BASF Group	62,675	slight increase	6,353	slight increase

¹ For 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%). At a cost of capital percentage of 10% for 2018 and 2019, we define a change in ROCE of 0.1 to 1.0 percentage points as “slight,” a change of more than 1.0 percentage points as “considerable” and no change (+/-0 percentage points) as “at prior-year level.”

² Until signing of a transaction agreement, Construction Chemicals will be reported under Surface Technologies.

Forward-looking statements

This factsheet 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 Opportunities and Risks on pages 123 to 130 of the BASF Report 2018. BASF does not assume any obligation to update the forward-looking statements contained in this factsheet above and beyond the legal requirements.