

# Reporting Factsheet

## Q3 2017



<b>BASF Group</b> (million €)	<b>Q3</b> <b>2017</b>	Q3 2016	Change (%)	<b>Q1-3</b> <b>2017</b>	Q1-3 2016	Change (%)
Sales	<b>15,255</b>	14,013	9	<b>48,376</b>	42,704	13
EBITDA before special items	<b>2,793</b>	2,490	12	<b>9,591</b>	8,007	20
EBITDA	<b>3,007</b>	2,437	23	<b>9,742</b>	8,039	21
Amortization and depreciation <sup>1</sup>	<b>1,049</b>	973	8	<b>3,152</b>	2,991	5
EBIT	<b>1,958</b>	1,464	34	<b>6,590</b>	5,048	31
Special items	<b>198</b>	(52)	.	<b>122</b>	(81)	.
EBIT before special items	<b>1,760</b>	1,516	16	<b>6,468</b>	5,129	26
Financial result	<b>(185)</b>	(283)	35	<b>(511)</b>	(648)	21
Income before taxes and minority interests	<b>1,773</b>	1,181	50	<b>6,079</b>	4,400	38
Net income <sup>2</sup>	<b>1,336</b>	888	50	<b>4,541</b>	3,367	35
EBIT after cost of capital	<b>693</b>	180	285	<b>2,364</b>	1,058	123
Earnings per share (€)	<b>1.45</b>	0.97	49	<b>4.94</b>	3.67	35
Adjusted earnings per share (€) <sup>3</sup>	<b>1.40</b>	1.10	27	<b>5.15</b>	4.04	27
Research and development expenses	<b>455</b>	426	7	<b>1,347</b>	1,324	2
Personnel expenses	<b>2,709</b>	2,509	8	<b>7,918</b>	7,432	7
Number of employees (end of period)	<b>115,319</b>	112,055	3	<b>115,319</b>	112,055	3
Assets (end of period)	<b>76,023</b>	73,103	4	<b>76,023</b>	73,103	4
Investments including acquisitions <sup>4</sup>	<b>982</b>	992	(1)	<b>2,695</b>	2,958	(9)
Equity ratio (end of period, %)	<b>43.9</b>	40.7	8	<b>43.9</b>	40.7	8
Net debt (end of period)	<b>12,268</b>	12,296	0	<b>12,268</b>	12,296	0
Cash provided by operating activities	<b>3,795</b>	2,501	52	<b>7,597</b>	5,840	30
Free cash flow	<b>2,831</b>	1,565	81	<b>4,991</b>	2,925	71

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> The tax rate increased from 17.3% in Q3 2016 to 20.5% in Q3 2017.

<sup>3</sup> Adjusted for special items and amortization of intangible assets as well as valuation allowances on intangible assets

<sup>4</sup> Additions to intangible assets and property, plant and equipment

<b>Factors influencing sales</b> changes in % vs. Q3 2016	<b>Sales</b>	<b>Volumes</b>	<b>Prices</b>	<b>Currencies</b>	<b>Portfolio</b>
Chemicals	25	6	22	(3)	0
Performance Products	2	6	0	(3)	(1)
Functional Materials & Solutions	7	0	6	(3)	4
Agricultural Solutions	(6)	5	(8)	(3)	0
Oil & Gas	20	9	11 <sup>5</sup>		0
<b>BASF Group</b>	<b>9</b>	<b>4</b>	<b>7</b>	<b>(3)</b>	<b>1</b>

<sup>5</sup> Mix of price and currency effects

## Segments

3rd Quarter (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
Chemicals*	4,023	3,227	25	1,430	761	88	1,102	488	126	1,089	490	122
Performance Products*	3,983	3,921	2	788	688	15	385	473	(19)	567	467	21
Functional Materials & Solutions	4,975	4,660	7	527	631	(16)	397	497	(20)	357	492	(27)
Agricultural Solutions	987	1,049	(6)	85	151	(44)	21	97	(78)	20	93	(78)
Oil & Gas	739	618	20	473	437	8	180	194	(7)	255	178	43
Other	548	538	2	(296)	(231)	(28)	(325)	(233)	(39)	(330)	(256)	(29)
	<b>15,255</b>	<b>14,013</b>	<b>9</b>	<b>3,007</b>	<b>2,437</b>	<b>23</b>	<b>1,760</b>	<b>1,516</b>	<b>16</b>	<b>1,958</b>	<b>1,464</b>	<b>34</b>

January – September (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
Chemicals*	12,173	9,482	28	4,054	2,197	85	3,180	1,403	127	3,182	1,408	126
Performance Products*	12,385	11,817	5	2,111	2,152	(2)	1,305	1,540	(15)	1,429	1,505	(5)
Functional Materials & Solutions	15,434	13,771	12	1,799	1,981	(9)	1,350	1,488	(9)	1,305	1,475	(12)
Agricultural Solutions	4,368	4,288	2	1,016	1,169	(13)	826	1,008	(18)	821	971	(15)
Oil & Gas	2,382	1,846	29	1,427	1,101	30	533	354	51	607	337	80
Other	1,634	1,500	9	(665)	(561)	(19)	(726)	(664)	(9)	(754)	(648)	(16)
	<b>48,376</b>	<b>42,704</b>	<b>13</b>	<b>9,742</b>	<b>8,039</b>	<b>21</b>	<b>6,468</b>	<b>5,129</b>	<b>26</b>	<b>6,590</b>	<b>5,048</b>	<b>31</b>

\* On January 1, 2017, the Monomers and Dispersions & Pigments divisions' activities for the electronics industry were merged into the global Electronic Materials business unit and allocated to the Dispersions & Pigments division. For better comparability, the affected figures for 2016 have been adjusted accordingly.

## Regions

Regions (million €)

	Sales Location of company			Sales Location of customer			Income from operations Location of company		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
<b>3rd Quarter</b>									
Europe	7,276	6,548	11	6,869	6,390	7	986	731	35
Thereof Germany	4,832	4,310	12	2,010	1,791	12	270	327	(17)
North America	3,466	3,410	2	3,361	3,127	7	158	260	(39)
Asia Pacific	3,389	2,841	19	3,540	2,997	18	636	270	136
South America, Africa, Middle East	1,124	1,214	(7)	1,485	1,499	(1)	178	203	(12)
	<b>15,255</b>	<b>14,013</b>	<b>9</b>	<b>15,255</b>	<b>14,013</b>	<b>9</b>	<b>1,958</b>	<b>1,464</b>	<b>34</b>
<b>January – September</b>									
Europe	23,435	20,647	14	22,270	19,765	13	3,806	2,946	29
Thereof Germany	15,067	13,280	13	6,258	5,593	12	1,712	1,512	13
North America	12,098	10,977	10	11,652	10,580	10	1,008	1,101	(8)
Asia Pacific	10,042	8,225	22	10,583	8,670	22	1,630	681	139
South America, Africa, Middle East	2,801	2,855	(2)	3,871	3,689	5	146	320	(54)
	<b>48,376</b>	<b>42,704</b>	<b>13</b>	<b>48,376</b>	<b>42,704</b>	<b>13</b>	<b>6,590</b>	<b>5,048</b>	<b>31</b>

## Segments Q3 2017 vs. Q3 2016

**Chemicals:** Sales in Chemicals increased considerably. Higher volumes and significantly higher prices in all divisions were the main driver for this development. Currency effects impacted sales negatively. In a continued favorable market environment, we were able to increase margins in isocyanates, acrylic monomers, cracker products in Europe, and butanediol and derivatives. This resulted in an EBIT bsi of €1.1 billion, which is more than €600 million above Q3 2016. All divisions contributed to this significant increase. The hurricanes in the U.S. had a negative impact on earnings.

- In Petrochemicals, sales considerably exceeded the prior-year figure due to higher prices and volumes. Contributing significantly to this development were steam cracker products in Europe, where we achieved higher sales prices and volumes. EBIT bsi increased considerably. This was largely due to a decrease in fixed costs resulting primarily from insurance payments in connection with the accident at the North Harbor in Ludwigshafen. Margins improved worldwide, particularly for acrylic monomers and steam cracker products in Europe.
- Sales in Monomers rose considerably compared with Q3 2016, mostly as a result of strong price increases in the isocyanates business. The isocyanates business also drove considerable volume growth, largely through our new production facilities. There was a considerable increase in EBIT bsi. This was mainly due to higher margins, particularly for isocyanates. Earnings were also positively impacted by the restructuring of our caprolactam production in Europe. Fixed costs were above the level of Q3 2016.
- In Intermediates, we also achieved considerable sales growth. This was due to price increases on the back of higher raw material prices, particularly in the butanediol and derivatives business. Volumes were on a level with Q3 2016. Negative currency effects and the divestiture of the Evans City, Pennsylvania, site in Q1 2017 slightly dampened sales growth. EBIT bsi rose considerably, mainly as a result of improved margins. This was contrasted by higher fixed costs from new plants and the expansion of capacities in the U.S., Asia and Europe.

**Performance Products:** Sales in Performance Products increased slightly. Higher volumes in all divisions compensated for negative currency and portfolio effects. Higher prices in Dispersions & Pigments and Care Chemicals were largely offset by significantly lower prices in Nutrition & Health, mainly in vitamins. Overall, sales prices were stable. As raw material prices increased, margins remained under pressure. Therefore, EBIT bsi declined considerably. EBIT increased by 21% due to the special income in Performance Chemicals attributable to the transfer of BASF's leather chemicals business to Stahl. BASF now holds a 16% stake in the Stahl Group.

- Dispersions & Pigments generated slight year-on-year sales growth. This was primarily due to volume growth in all business areas, particularly in Asia and Europe. Higher raw material prices pushed up sales prices slightly. Sales were dampened by currency effects and the divestiture of the photoinitiator business in August 2016. EBIT bsi rose slightly.
- In Care Chemicals, sales were up slightly on Q3 2016. This was the result of volume growth and slightly higher prices as a result of increases in raw material prices. We posted higher sales volumes, particularly of ingredients for the cosmetics as well as for the detergents and cleaners industries. Sales were dampened by negative currency effects. EBIT bsi saw a considerable, margin-related decline compared with Q3 2016.
- Sales in Nutrition & Health declined considerably as against Q3 2016. In addition to lower sales prices, especially for vitamins, this was attributable to portfolio effects and slightly negative currency effects. Virtually all business areas posted slight volume growth. EBIT bsi was considerably below the level of the strong prior-year quarter, primarily due to lower margins. Higher fixed costs resulted from the gradual startup of the new aroma ingredients complex in Kuantan, Malaysia, as well as the expansion of capacities at our ibuprofen production facility in Bishop, Texas.
- Sales in Performance Chemicals rose slightly compared with Q3 2016. This was driven by higher sales volumes in almost all business areas. We increased volumes for lubricants and additives in particular, as well as for oilfield and mining chemicals. Sales prices were on a level with Q3 2016; negative currency effects slightly dampened sales. EBIT bsi was down slightly on Q3 2016. Reduced fixed costs only partially offset the lower margins brought about by higher raw material prices.

**Functional Materials & Solutions:** In Functional Materials & Solutions sales rose considerably. This was mainly driven by higher prices and the acquisition of Chemetall. The positive portfolio effects more than compensated the negative currency effects. Volumes rose in every division except Catalysts, where we posted a considerable decline in precious metal trading volumes. We continued to see good demand from the automotive and the construction industries. EBIT bsi did not reach the strong prior-year level, as our initiatives to increase prices could not offset significantly higher raw material prices.

- Sales in Catalysts declined slightly as against Q3 2016. This was attributable to lower volumes, predominantly in precious metal trading, as well as negative currency effects. Overall, we recorded significantly higher sales prices on the back of an increase in precious metal prices. Sales generated by precious metal trading decreased to €532 million (Q3 2016: €614 million), mainly due to lower volumes. EBIT bsi declined considerably. This was primarily the result of higher fixed costs, due among other things to new production facilities.
- In Construction Chemicals, sales rose slightly compared with Q3 2016. The acquisition of Henkel's western European building material business for professional users in early 2017 and the slight growth in volumes were responsible for this development. We increased volumes significantly in Europe as well as in Asia, especially China and Japan. Volumes rose slightly in the region South America, Africa, Middle East and decreased slightly in North America. Prices remained stable overall; sales were reduced by currency effects in all regions. EBIT bsi was down considerably on the level of Q3 2016, mainly as a result of higher raw material prices.
- Sales in Coatings rose considerably as against Q3 2016. This was largely attributable to the Chemetall business, which was acquired in December 2016, as well as higher sales volumes. Overall, we recorded slightly negative currency effects. Sales of refinish coatings were lifted slightly by volume growth in Asia and Europe, while overall sales of automotive OEM coatings remained on a level with Q3 2016. EBIT bsi saw a considerable margin-related decline.

- In Performance Materials, higher prices and volumes led to considerable year-on-year sales growth. In contrast, currency effects had a negative impact. Sales prices increased, particularly in Europe and Asia. Volume growth was mainly driven by the polyurethane systems, thermoplastic polyurethanes and engineering plastics businesses. Demand from the automotive, consumer goods and construction industries developed positively. There was a considerable decline in EBIT bsi. This was primarily attributable to lower margins as a result of higher raw material prices as well as to a rise in fixed costs, partially in connection with new production facilities.

**Agricultural Solutions:** Agricultural Solutions continues to face challenging market conditions. Sales decreased significantly mainly due to the weak business development in Brazil and negative currency effects. Overall, we were able to increase volumes by 5%, largely driven by higher demand for our herbicides.

- Sales rose considerably in Europe. This was mainly due to higher herbicide and fungicide volumes, particularly in central and eastern Europe.
- Sales in North America were up slightly on the prior-year quarter. We increased herbicide volumes with our innovation Engenia® and fungicide volumes with Xemium®. Negative currency effects slowed sales growth.
- Business in the region South America, Africa, Middle East continued to be dominated by the difficult situation in Brazil; sales decreased considerably. With the market environment deteriorating, farmers' economic situation remained strained and competitive pressure was high. This pushed down prices and sales volumes, especially of fungicides and insecticides. Negative currency effects also contributed to the decline in sales.
- We increased sales considerably in Asia, mainly due to volume growth with fungicide innovations in India as well as higher volumes in South Korea and Southeast Asia.

Compared with Q3 2016, EBIT bsi declined considerably. This resulted primarily from the difficult market situation in Brazil and the lower average margins due to an unfavorable product mix. Furthermore, the recent hurricanes led to shutdowns of our production facilities in Beaumont, Texas, and Manatí, Puerto Rico.

**Oil & Gas:** Sales in Oil & Gas increased significantly due to higher oil and gas prices and higher volumes. The average price of Brent crude in Q3 2017 was 52 U.S. dollars per barrel compared with 46 U.S. dollars in Q3 2016. In addition, gas prices on the European spot markets were significantly above the same period last year. Sales volumes – especially of natural gas – exceeded the level of Q3 2016 by 9%. Production volumes were slightly higher compared to Q3 2016. The combined price and currency effect amounted to plus 11%. Overall, EBIT bsi was slightly below the prior-year quarter, which benefited from one-time earnings effects related to contract renegotiations. EBIT increased considerably due to special income from the sale of shares in a concession in Argentina. Net income in Oil & Gas increased from €33 million to €139 million in Q3 2017.

**Other:** EBIT bsi in Other declined to minus €325 million, from minus €233 million in Q3 2016. This was partly due to an increase of provisions for our long-term incentive program.

Note: With regard to 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. "At prior-year level" indicates no change (+/-0%).

## Outlook 2017 for BASF Group

Sales and earnings development in the Chemicals segment in Q3 2017 exceeded BASF's expectations. As a result, we now expect the BASF Group's EBIT before special items for H2 2017 to considerably exceed the level of H2 2016.

**Outlook 2017** (forecast from Half-Year Financial Report 2017 in parentheses)

- Considerable **sales** increase (considerable increase)
- Considerable increase in **EBIT before special items** and **EBIT** (considerable increase)
- Significant premium on cost of capital with considerable increase in **EBIT after cost of capital** (slight increase in EBIT after cost of capital)

**Assumptions for 2017** (assumptions from Half-Year Financial Report 2017 in parentheses)

- GDP growth: +2.8% (+2.5%)
- Growth in industrial production: +3.1% (+2.5%)
- Growth in chemical production (excl. pharma): +3.4% (+3.4%)
- Exchange rate: US\$1.10 per euro (US\$1.10 per euro)
- Oil price (Brent): US\$50 per barrel (US\$50 per barrel)

## Forward-looking statements

This factsheet contains forward-looking statements. These forward-looking statements are based on current estimates and projections of the Board of Executive Directors and on currently available information. These forward-looking statements are not guarantees of the future developments and results outlined therein. Rather, they depend on a number of factors, involve various risks and uncertainties, and are based on assumptions that may not prove to be accurate. Such risk factors particularly include those discussed on pages 111 to 118 of the BASF Report 2016. The BASF Report is available online at [basf.com/report](http://basf.com/report). BASF does not assume any obligation to update the forward-looking statements contained in this factsheet.