

Reporting Factsheet Q2 2019

BASF Group (million €)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
Sales	15,158	15,783	(4%)	31,335	31,483	0%
EBITDA before special items	1,975	2,709	(27%)	4,638	5,722	(19%)
EBITDA	1,626	2,645	(39%)	4,415	5,640	(22%)
Depreciation and amortization ¹	1,078	739	46%	2,109	1,471	43%
EBIT	548	1,906	(71%)	2,306	4,169	(45%)
Special items	(497)	(66)	.	(471)	(84)	.
EBIT before special items	1,045	1,972	(47%)	2,777	4,253	(35%)
Financial result	(204)	(192)	(6%)	(400)	(373)	(7%)
Income before income taxes	344	1,714	(80%)	1,906	3,796	(50%)
Income after taxes from continuing operations	282	1,361	(79%)	1,448	2,942	(51%)
Income after taxes from discontinued operations	6,153	162	.	6,427	339	.
Net income	6,460	1,480	336%	7,866	3,159	149%
Earnings per share (€)	7.03	1.61	337%	8.56	3.44	149%
Adjusted earnings per share (€)	0.82	1.77	(54%)	2.47	3.69	(33%)
Research and development expenses	526	444	18%	1,037	868	19%
Personnel expenses	2,865	2,691	6%	5,768	5,307	9%
Number of employees (end of period)	118,705	116,126	2%	118,705	116,126	2%
Assets (end of period)	88,759	81,857	8%	88,759	81,857	8%
Investments including acquisitions ²	1,060	829	28%	1,775	1,495	19%
Equity ratio (end of period, %)	46.0	43.1	.	46.0	43.1	.
Net debt (end of period)	18,872	12,588	50%	18,872	12,588	50%
Cash flows from operating activities	1,946	2,224	(13%)	2,319	3,455	(33%)
Free cash flow	965	1,402	(31%)	597	2,006	(70%)

¹ Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)

² Additions to intangible assets and property, plant and equipment

Factors influencing sales in Q2 2019 (changes in %)	Sales	Volumes	Prices	Portfolio	Currencies
Chemicals	(22)	(17)	(6)	0	1
Petrochemicals	(26)	(21)	(6)	0	1
Intermediates	(11)	(6)	(7)	0	2
Materials	(16)	(5)	(12)	0	1
Performance Materials	(8)	(7)	(3)	0	2
Monomers	(22)	(2)	(21)	0	1
Industrial Solutions	(9)	(2)	0	(8)	1
Dispersions & Pigments	(4)	(5)	0	0	1
Performance Chemicals	(15)	4	0	(21)	2
Surface Technologies	9	(4)	11	0	2
Catalysts	18	(4)	18	0	4
Coatings	(2)	(5)	3	0	0
Construction Chemicals	2	(2)	2	0	2
Nutrition & Care	4	5	(3)	0	2
Care Chemicals	(4)	(4)	(1)	0	1
Nutrition & Health	26	30	(7)	0	3
Agricultural Solutions	20	(12)	3	28	1
Other	8	7	(17)	15	3
BASF Group	(4)	(6)	(2)	2	2

Segments

2nd Quarter (million €)

	Sales			EBITDA before special items			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2019	2018	+/-	2019	2018	+/-	2019	2018	+/-	2019	2018	+/-
Chemicals	2,180	2,792	(22%)	302	621	(51%)	119	457	(74%)	(37)	450	.
Materials	2,961	3,506	(16%)	506	916	(45%)	334	765	(56%)	319	757	(58%)
Industrial Solutions	2,141	2,348	(9%)	342	316	8%	243	213	14%	228	207	10%
Surface Technologies	3,841	3,508	9%	341	306	11%	190	178	7%	175	170	3%
Nutrition & Care	1,495	1,439	4%	318	309	3%	220	214	3%	207	212	(2%)
Agricultural Solutions	1,796	1,501	20%	298	340	(12%)	121	278	(56%)	29	259	(89%)
Other	744	689	8%	(132)	(99)	(33%)	(182)	(133)	(37%)	(373)	(149)	.
BASF Group	15,158	15,783	(4%)	1,975	2,709	(27%)	1,045	1,972	-47%	548	1,906	(71%)

1st Half (million €)

	Sales			EBITDA before special items			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2019	2018	+/-	2019	2018	+/-	2019	2018	+/-	2019	2018	+/-
Chemicals	4,728	5,737	(18%)	791	1,255	(37%)	425	932	(54%)	265	920	(71%)
Materials	5,892	6,966	(15%)	999	1,884	(47%)	657	1,581	(58%)	640	1,568	(59%)
Industrial Solutions	4,327	4,588	(6%)	720	653	10%	507	443	14%	635	455	40%
Surface Technologies	7,443	6,693	11%	643	591	9%	349	337	4%	325	324	0%
Nutrition & Care	3,056	3,007	2%	645	655	(2%)	442	468	(6%)	331	460	(28%)
Agricultural Solutions	4,445	3,229	38%	1,208	827	46%	861	701	23%	801	676	18%
Other	1,444	1,263	14%	(368)	(143)	.	(464)	(209)	.	(691)	(234)	.
BASF Group	31,335	31,483	0%	4,638	5,722	(19%)	2,777	4,253	(35)	2,306	4,169	(45%)

Regions

million €

	Sales by location of company			Sales by location of customer			EBIT by location of company		
	2019	2018	+/-	2019	2018	+/-	2019	2018	+/-
2nd Quarter									
Europe	6,731	7,359	(9%)	6,288	6,879	(9%)	404	1,149	(65%)
Thereof Germany	3,591	4,628	(22%)	1,658	1,790	(7%)	120	512	(77%)
North America	4,163	4,079	2%	4,039	3,957	2%	(190)	266	.
Asia Pacific	3,453	3,641	(5%)	3,636	3,794	(4%)	314	523	(40%)
South America, Africa, Middle East	811	704	15%	1,195	1,153	4%	20	(32)	.
BASF Group	15,158	15,783	(4%)	15,158	15,783	(4%)	548	1,906	(71%)
1st Half									
Europe	14,149	15,072	(6%)	13,185	14,117	(7%)	1,223	2,546	(52%)
Thereof Germany	7,662	9,630	(20%)	3,327	3,700	(10%)	526	1,143	(54%)
North America	8,978	8,042	12%	8,756	7,790	12%	455	583	(22%)
Asia Pacific	6,652	6,997	(5%)	7,059	7,360	(4%)	597	1,111	(46%)
South America, Africa, Middle East	1,556	1,372	13%	2,335	2,216	5%	31	(71)	.
BASF Group	31,335	31,483	0%	31,335	31,483	0%	2,306	4,169	(45%)

Segments Q2 2019 vs. Q2 2018

Chemicals

In the Chemicals segment, sales were considerably lower than in Q2 2018, especially in the Petrochemicals division. Sales also declined considerably in the Intermediates division. Sales development was mainly driven by significantly lower volumes in Petrochemicals as a result of the scheduled turnarounds of our steam crackers in Antwerp, Belgium, and Port Arthur, Texas. Sales volumes also declined considerably in Intermediates, especially in the businesses serving the automotive, coatings, textile and wind turbine industries. Price levels in both divisions were likewise significantly lower than in Q2 2018. In the Petrochemicals division, prices declined for styrene monomers, ethylene glycols and steam cracker products in particular. In the Intermediates division, prices were considerably lower for acids and polyalcohols, among other products. Positive FX effects had a slight offsetting effect in both divisions. EBIT bsi decreased considerably compared with Q2 2018 in both divisions, but especially in Petrochemicals. Contributing factors included the turnarounds of our steam crackers. Margins also declined, in particular for steam cracker products in North America as well as for ethylene glycols in Europe and Asia Pacific due to high product availability on the market. In addition, we had received an insurance refund in Q2 2018. Fixed costs were negatively impacted by FX effects. EBIT bsi in the Intermediates division declined as a result of lower margins and volumes. EBIT includes a special charge from the impairment of a natural gas-based investment on the U.S. Gulf Coast, which BASF is no longer pursuing.

Materials

Sales in the Materials segment were considerably below the level of Q2 2018, especially in the Monomers division. The Performance Materials division also recorded a considerable sales decrease. Sales development was primarily driven by significantly lower isocyanate prices in the Monomers division as a result of higher market supply. Prices in the Performance Materials division declined slightly overall, especially for polyurethane systems, where price levels declined on the back of lower raw materials prices. Slightly lower volumes also dampened sales development at segment level. The significant decrease in sales volumes in the Performance Materials division was mainly due to weaker demand for engineering plastics from the automotive and industrial segments in Europe and Asia. Volumes declined slightly in the Monomers division. FX effects had a slightly positive impact in both divisions. EBIT bsi decreased considerably compared with Q2 2018. This was primarily attributable to the lower isocyanate margins, which considerably reduced EBIT bsi in the Monomers division. In the Performance Materials division, EBIT bsi was slightly below the level of Q2 2018 due to lower volumes.

Industrial Solutions

Sales in the Industrial Solutions segment declined considerably compared with Q2 2018, especially in the Performance Chemicals division. We recorded a slight decrease in sales in the Dispersions & Pigments division. Sales development largely reflected the transfer of BASF's paper and water chemicals business, which was previously reported under Performance Chemicals, to the Solenis group. Volumes were slightly below the level of Q2 2018. Slightly higher sales volumes in the Performance Chemicals division, especially for fuel and lubricant solutions, were offset by slightly lower volumes in the Dispersions & Pigments division. Prices were on a level with Q2 2018. Positive FX effects in both divisions, mainly relating to the U.S. dollar, had a positive impact on sales. We considerably increased EBIT bsi in both divisions compared with Q2 2018, primarily as a result of improved margins and lower fixed costs. In the Dispersions & Pigments division, margins rose due to lower raw materials prices and positive FX effects amid stable sales prices. Lower fixed costs also contributed to the improvement in earnings. Driving factors in the Performance Chemicals division were lower fixed costs due to the transfer of our paper and water chemicals business to the Solenis group and in the remaining business, as well as higher volumes.

Surface Technologies

We considerably increased sales in the Surface Technologies segment compared with Q2 2018. This was mainly attributable to considerably higher sales in the Catalysts division. Sales rose slightly in the Construction Chemicals division and were slightly below the level of the prior-year quarter in the Coatings division. The sales growth was attributable to higher prices in all divisions, especially in the Catalysts division, as well as positive FX effects in the Catalysts and Construction Chemicals divisions. Sales volumes declined slightly in all divisions. Demand was weaker from the automotive industry in particular. The Catalysts division recorded lower volumes, particularly for chemical catalysts and in precious metal trading, while volumes development for refining catalysts was slightly positive. In precious metal trading, sales rose to €1,065 million (Q2 2018: €801 million) as higher prices more than compensated for the decline in volumes. In the Coatings division, sales volumes declined significantly for automotive OEM coatings and surface treatments, and were slightly lower for automotive refinish coatings. By contrast, we recorded considerable volumes growth for decorative paints. The Construction Chemicals division considerably improved sales in North America with better prices and positive FX effects. Sales rose slightly in the region South America, Africa, Middle East due to higher prices and positive FX effects. In Europe, sales remained on a level with the prior-year quarter, with higher prices offsetting lower volumes and negative FX effects. Sales in Asia were likewise flat year on year; negative portfolio effects were offset by positive FX effects. EBIT bsi was slightly higher than in Q2 2018. This was attributable to a significant improvement in EBIT bsi in the Construction Chemicals and Coatings divisions, mainly as a result of lower fixed costs and higher margins. Considerably lower EBIT bsi in the Catalysts division, mainly due to lower volumes, had an offsetting effect.

Nutrition & Care

We slightly increased sales in the Nutrition & Care segment. This was driven by considerable sales growth in the Nutrition & Health division, while sales in the Care Chemicals division declined slightly. The sales increase was primarily attributable to significantly higher volumes in the Nutrition & Health division as a result of improved product availability in the animal nutrition and aroma ingredients businesses at our plants in Kuantan, Malaysia, and Ludwigshafen, Germany. By contrast, sales in the Care Chemicals division declined slightly due to lower volumes. Sales in both divisions were lifted by slightly positive FX effects. Overall, prices were slightly below the prior-year level, mainly from significantly lower prices for vitamins in the Nutrition & Health division's animal nutrition business. Prices declined slightly in the Care Chemicals division: Significantly lower sales prices in the oleo surfactants and alcohols business could only be partially offset by higher prices in home care, industrial and institutional cleaning, and industrial formulators business. EBIT bsi rose slightly compared with Q2 2018 due to a considerable increase in Care Chemicals. The main driver was lower fixed costs, mainly owing to a contractual one-off payment in the personal care solutions business. We also achieved higher margins, primarily as a result of lower raw materials prices. EBIT bsi declined considerably in the Nutrition & Health division. Fixed costs rose as a result of an insurance refund received in Q2 2018 for production outages in 2017 and 2018. This could not be completely offset by the positive earnings contribution from the increase in sales volumes.

Agricultural Solutions

The Agricultural Solutions segment recorded considerable sales growth compared with Q2 2018. This was primarily attributable to portfolio effects from the acquisition of significant businesses and assets from Bayer in August 2018. In addition, we achieved a slightly higher price level in the legacy business. Sales were also lifted by positive FX effects. Sales volumes were well below Q2 2018, mainly due to significantly lower volumes in North America. In Europe, we considerably increased sales compared with Q2 2018. This was due to portfolio effects, which more than compensated for the significant decline in fungicide, seed treatment and herbicide volumes in northern and eastern Europe. Sales in North America were considerably higher than in Q2 2018, mainly as a result of portfolio effects. Positive FX effects and a slightly higher price level also contributed to the sales increase. This was partially offset by lower fungicide and herbicide volumes, especially in the U.S. and Canada due to distributor destocking and challenges relating to weather conditions and the trade conflicts. We considerably improved sales in Asia, mainly due to portfolio effects. Slightly positive FX effects also had a positive impact. Sales were reduced by lower fungicide volumes. Sales in the region South America, Africa, Middle East rose considerably. We significantly increased sales volumes, especially in Brazil for seed treatment and fungicides. A significantly higher price level and portfolio effects also contributed to the positive sales development. Negative FX effects had an offsetting impact. EBIT bsi was considerably weaker than in Q2 2018. Negative earnings from the acquired businesses due to their seasonality contributed to this development. Moreover, earnings in the legacy business were lower due to distributor destocking and challenges relating to weather conditions and the trade conflicts in North America. EBIT includes special charges, primarily for the integration of the acquired businesses.

Other

Sales in Other rose considerably compared with Q2 2018. This was primarily attributable to the remaining activities of the paper and water chemicals business, which have been reported under Other since February 2019 following the divestiture. Lower sales in the raw materials trading business had an offsetting effect. EBIT bsi was considerably below Q2 2018. This was largely due to foreign currency results and valuation effects for our long-term incentive program. Special items mainly related to one-time costs for the excellence program.

Outlook 2019 for BASF Group

Underlying assumptions for 2019 (previous assumption in parentheses)

- GDP growth: around +2.5% (+2.8%)
- Growth in global industrial production: around +1.5% (+2.7%)
- Growth in global chemical production (excluding pharma): around +1.5% (+2.7%)
- Average exchange rate: US\$1.15 per € (unchanged)
- Average oil price (Brent): US\$70 per barrel (unchanged)

Forecast 2019¹ adjusted on July 8, 2019

- Slight decline in sales (slight increase)
- Considerable decline in EBIT before special items of up to 30% (slight increase)
- Considerable decline in ROCE compared with the previous year (slight decline)

¹ 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.

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."

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 the Opportunities and Risks Report from page 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.