

News Release



BASF conference call on first quarter 2017, Ludwigshafen

BASF: Sales and earnings considerably above prior first quarter

- Sales of €16.9 billion (up 19%)
- Positive volume trend continues (up 8%)
- EBIT before special items of €2.5 billion (up 29%), of which €2.0 billion generated by chemicals business
- Outlook for 2017 confirmed

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Presentations by
Dr. Kurt Bock, Chairman of the Board of Executive Directors, and
Dr. Hans-Ulrich Engel, Chief Financial Officer of BASF SE

The spoken word applies.

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Ladies and gentlemen,

Welcome to our conference call.

BASF has had a good start to the year 2017: We completed the first quarter with a considerable rise in sales and earnings compared to the same quarter of last year. We were able to further increase our volumes. The demand trends we observed over the course of 2016 continued in the first quarter of this year. As a result, the balance between supply and demand improved in important value chains. Let's take a look at what this means in detail.

Sales and earnings of the BASF Group

The BASF Group's sales rose by 19% in the first quarter of 2017 to €16.9 billion. In all segments, we were able to maintain the positive volume trend seen in previous quarters and our sales volumes grew by 8%. We thus increased our volume growth for the fourth quarter in a row. Furthermore, we achieved significantly higher sales prices (up 8%), especially in the Chemicals segment. Currency effects and the Chemetall business acquired from Albemarle in December 2016 also contributed to the increase in sales.

BASF Group's income from operations (EBIT) before special items was 29% higher at €2.5 billion. Of this amount, €2.0 billion was generated by the chemicals business, which comprises the segments Chemicals, Performance Products and Functional Materials & Solutions. Earnings in the chemicals business thus grew by 37%. We received an initial insurance payment of €100 million in connection with the accident that occurred at the North Harbor in Ludwigshafen last October. Around three-quarters of this amount was recognized in the Chemicals segment.

“We create chemistry” strategy: innovation and customer focus

In recent months we have continued to implement our “We create chemistry” strategy.

One of our main strategic goals is to meet the needs of our customers worldwide with innovations. As part of this, in early March in Mumbai

we opened our second Innovation Campus in Asia, after the existing site in Shanghai. In Mumbai, we will work on regional and global research projects in the field of specialty chemicals. The main topic areas will include detergents, personal care, organic synthesis, crop protection and process development.

Furthermore, we will also make greater use of digital technologies in our research activities. To this end, we are working with Hewlett Packard Enterprise on one of the world's largest supercomputers for industrial chemical research in order to make a quantum leap in computer simulation and modeling of experiments.

For our customers in the agriculture sector, we are also focusing increasingly on digital support. A few days ago, we signed an agreement to acquire the U.S. firm ZedX. Based in Bellefonte, Pennsylvania, ZedX is a leader in the development of big-data models for weather, harvests and crop protection which can further increase efficiency in agriculture.

In addition to these investments in research and development, we will continue to expand our production in important markets. For example, in March we doubled our mobile emissions catalyst capacity in Chennai, India. In the same month we expanded our production of the herbicide dicamba in Beaumont, Texas. Dicamba is the main active ingredient in the crop protection product Engenia™, which was granted approval by the U.S. Environmental Protection Agency in December 2016. The herbicide Engenia contains a novel dicamba formulation that is suitable for controlling glyphosate-resistant weeds.

We are also making progress with our portfolio optimization:

- In March, we agreed to combine our leather chemicals business with the Stahl group. In addition to a minority stake of 16% in the Stahl group, BASF will also receive a one-time payment. The two companies complement each other very well and will create a

leading supplier of leather chemicals with a clear focus on innovation.

- A few days ago we announced our takeover of the company THERMOTEK, a leading construction chemicals producer in Mexico. THERMOTEK is the market leader for roof coating systems in Mexico and Central America.
- As well, we announced in April that we have agreed to sell our bleaching clay and mineral adsorbents businesses in Arizona to EP Minerals, a worldwide leader in industrial minerals.

These examples illustrate how we conduct our portfolio management: We acquire businesses that complement our current portfolio, we strengthen existing business areas and we divest activities that do not fit that well in our portfolio.

Now, let's move on to our outlook for the full year.

Outlook for the year 2017

Our expectations for the global economic environment in 2017 remain unchanged:

- Growth in gross domestic product: 2.3%
- Growth in industrial production: 2.3%
- Growth in chemical production: 3.4%
- An average euro/dollar exchange rate of \$1.05 per euro
- An average Brent blend oil price for the year of \$55 per barrel

In light of the political uncertainties, volatility will remain high. The impact of Brexit is still not predictable. It remains difficult to forecast developments in the United States following the change of government and what influence these will have on the global economy; the same is true of the effects of the French election.

Unfortunately, around the world we are seeing a growing trend towards trying to create prosperity through isolation rather than by

cooperation. This is another reason why our strategy of producing as much as possible close to our customers is the right approach.

We remain cautious when it comes to our outlook for the full year. We still see considerable risks with regard to macroeconomic development and the political environment. We confirm our 2017 forecast for BASF Group sales and earnings: We expect considerable sales growth for the BASF Group in 2017. According to our definition, that equates to an increase of at least 6% in sales. We want to achieve slightly higher EBIT before special items compared with 2016. In this case, "slight" means a change of 1-10%; we expect this increase will be toward the top end of the range.

And now Hans Engel will tell you some more about the segments and financial data.

[Presentation by Hans-Ulrich Engel]

Development of the segments

In the **Chemicals** segment, our sales rose by 36% compared with the previous first quarter to €4.1 billion, largely as a result of higher prices in the Petrochemicals and Monomers divisions. Sales were furthermore supported by the higher level of sales volumes in all divisions. Currency effects slightly boosted sales. Due to higher margins and volumes, EBIT before special items grew by €501 million compared with the first quarter of 2016 and reached €958 million. The negative impact on earnings in the first quarter of 2017 caused by the accident at the North Harbor of the Ludwigshafen site was offset by an initial insurance payment for the damages occurring in the fourth quarter of 2016. Fixed costs were up year-on-year, due primarily to the startup of new plants.

Sales in the **Performance Products** segment grew by 9% versus the first quarter of 2016 and amounted to €4.3 billion. This was mainly the result of increased volumes in the Dispersions & Pigments, Care Chemicals and Performance Chemicals divisions. We experienced positive currency effects in all divisions and slightly raised sales prices overall. Portfolio effects dampened sales development. EBIT before special items declined by €40 million compared with the solid level of the previous first quarter due to lower margins and higher fixed costs and came in at €515 million.

In the **Functional Materials & Solutions** segment, sales were up by 18% year-on-year at €5.2 billion. This was predominantly the result of a sharp rise in sales volumes, primarily driven by higher demand from the automotive industry. Sales development was also supported by the Chemetall business acquired from Albemarle in December 2016, along with slight price increases and currency effects. Compared with the previous first quarter, EBIT before special items rose by €75 million to reach €531 million, thanks in particular to the volume growth and the Chemetall acquisition.

Our **Agricultural Solutions** segment reported a 4% year-on-year increase in sales to €1.9 billion despite a market environment that remained difficult. The main drivers here were higher volumes and positive currency effects, with prices stable. EBIT before special items declined by €58 million to €533 million compared with the strong first quarter of 2016. This was the result of lower average margins due to a different product mix. Fixed costs rose slightly, due in part to the startup of new plants.

Sales of €829 million in the **Oil & Gas** segment were 36% higher than in the first quarter of the prior year, mainly driven by higher prices. The price of a barrel of Brent blend crude oil averaged \$54 in the first quarter of 2017 (first quarter of 2016: \$34). Gas prices on European spot markets also rose sharply compared with the previous first quarter. Production volumes matched the level of the previous first quarter, while sales volumes, especially of gas, exceeded the level of the first quarter of 2016. EBIT before special items also improved considerably, rising by €104 million versus the prior-year period to reach €170 million. This was largely attributable to the rise in prices. Net income grew significantly.

Compared with the first quarter of last year, sales in **Other** rose by €133 million to €610 million, mainly as a result of increased prices in raw materials trading. EBIT before special items fell by €31 million and amounted to minus €250 million. This was predominantly a consequence of valuation effects for our long-term incentive program.

From a regional perspective, BASF was able to considerably improve sales and earnings in Asia Pacific in particular. Volumes there rose substantially in all segments and sales prices increased, especially in the Chemicals segment. Business in China was the main driver of this development. You can read our report on business development in the regions on page 13 of the Quarterly Statement published today.

BASF Group earnings development

EBIT grew by €585 million versus the first quarter of 2016 and amounted to €2.5 billion. In the first quarter of 2017, EBIT contained

special items amounting to minus €6 million, compared with minus €40 million in the same quarter of the previous year. Expenses for restructuring measures, integration costs and other expenses and income were partly offset by gains from divestitures.

Compared with the previous first quarter, income from operations before depreciation, amortization and special items (EBITDA before special items) increased by €664 million to €3.5 billion while EBITDA was up by €690 million to €3.5 billion. At minus €152 million, the financial result was €36 million better than in the first quarter of 2016.

Income before taxes and minority interests rose by €621 million to €2.3 billion. The tax rate increased from 15.4% to 22.9%, mainly due to higher taxes in Norway. Net income rose by €322 million to €1.7 billion.

Earnings per share were €1.86 in the first quarter of 2017, compared with €1.51 in the same quarter of 2016. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €1.97 (first quarter of 2016: €1.64).

Development of cash flow

In the first quarter of 2017, cash provided by operating activities amounted to €833 million, €213 million below the first quarter of 2016. This was largely due to the higher amount of cash tied up in net working capital compared with the previous first quarter, especially in trade accounts receivable.

Cash used in investing activities in the first quarter of 2017 amounted to €1.2 billion, compared with €1.3 billion one year earlier. This was the result of lower payments made for property, plant and equipment and intangible assets, which, at €767 million, were €234 million below the level of the previous first quarter.

Cash provided by financing activities declined from €2.0 billion in the first quarter of 2016 to €831 million. The first quarter of 2017 saw a cash inflow of €811 million resulting from an increase in financial indebtedness and other financing-related liabilities.

Free cash flow amounted to €66 million, compared with €45 million in the same quarter of 2016.

Net debt grew by €532 million to €14.9 billion compared with December 31, 2016. The equity ratio grew from 42.6% to 43.7%.

Ladies and gentlemen,

Kurt Bock and I are now looking forward to taking your questions.