News Release

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Good start for BASF in 2018

Fourth quarter 2017:

- **Sales of €16.1 billion (plus 8% compared with prior-year quarter)**
- **EBIT before special items of €1.9 billion (plus 58% compared with prior-year quarter)**

Full year 2017:

- **Substantial volume growth in all segments**
- **Earnings per share of €6.62 (plus 50%);
adjusted earnings per share of €6.44 (plus 33%)**
- **Operating cash flow of €8.8 billion (plus 14%);
free cash flow of €4.8 billion (plus 34%)**
- **Proposed dividend of €3.10 for 2017 financial year (2016: €3.00)**

Outlook 2018:

- **Slight sales growth, mainly resulting from higher sales volumes**
- **EBIT before special items expected to be slightly above 2017 level**

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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Good morning ladies and gentlemen,
Welcome to our Annual Press Conference.

Thank you for joining us today as we look back on 2017, a successful financial year for BASF. We significantly exceeded our earnings targets last year. The BASF Board of Executive Directors would like to thank the entire BASF team worldwide for their contributions to this good result. And I would also like to thank you, at what will be my last Annual Press Conference, for your strong interest and your critical and fair journalistic coverage of BASF.

BASF has had a good start to the year 2018. Last year, we achieved significant growth and were able to further increase our profitability. Moreover, we laid important groundwork for the future development of our company – in terms of both people and strategy. We want to further strengthen BASF with the acquisitions announced for 2018, which you have reported on extensively.

BASF in the fourth quarter and full year 2017

Let’s start by looking at the BASF Group’s fourth quarter of 2017. We posted sales of €16.1 billion, which represents growth of 8% compared with the same quarter of 2016. Prices rose by 9%. Our sales volumes increased by 4%; this was driven by all segments with the exception of Oil & Gas. By contrast, negative currency effects were significantly higher and reduced sales by 5%. Income from operations (EBIT) before special items in the fourth quarter was €1.9 billion, up by 58% from the same period of the prior year. The significantly higher earnings in the Chemicals, Agricultural Solutions and Oil & Gas segments as well as in Other compensated for lower earnings in the Functional Materials & Solutions and Performance Products segments.

Economic activity picked up in many countries worldwide in 2017. We took advantage of this upturn and markedly increased our full-year 2017 sales and earnings compared with the previous year. Thanks to good demand, we sold greater volumes in all divisions and considerably increased our profitability. Higher prices, especially in the

Chemicals segment, also contributed to this. Overall, our sales grew by 12% to €64.5 billion. One contributing factor was the Chemetall business acquired at the end of 2016, which offers tailor-made solutions for metals surface treatment.

BASF's earnings rose even more sharply. Our EBIT before special items came in at €8.3 billion, up by 32% versus the prior-year figure. The Chemicals segment made a significant contribution to this. Higher margins and volumes in the basic chemicals and intermediates businesses more than offset the lower margins in some of our specialties businesses. Overall, our earnings in the chemicals business – which comprises the Chemicals, Performance Products and Functional Materials & Solutions segments – were significantly higher than in the previous year. Our EBIT before special items in this business was €7.3 billion, up by 26% versus the prior-year figure.

Now, let's look at development in the regions: We were particularly pleased with our strong growth in Asia, where our investments in recent years have paid off. Thanks to higher margins and increased volumes, we were able to increase our earnings in Asia to €2.2 billion, making it the most profitable region for BASF.

In Europe, economic growth gathered steam. Our EBIT here grew by 31% to reach €4.7 billion. This was chiefly attributable to higher earnings in the Chemicals and Oil & Gas segments. Although growth in the United States was initially subdued at the beginning of 2017, it improved over the course of the year. In North America, we increased our EBIT from €1.1 billion to €1.2 billion.

In South America, Brazil was able to emerge from recession. The country's economy expanded thanks to higher agricultural exports and growth in industrial production. However, BASF's EBIT in South America, Africa and the Middle East fell from €432 million to €335 million.

Proposed dividend of €3.10

At the end of 2017, our shares were trading for €91.74. This represents a 3.9% increase over the closing price in 2016, which was also the high for that year. We plan to propose to the Annual Shareholders' Meeting a dividend of €3.10 per share, €0.10 higher than in the previous year. The BASF share would thus once more offer an attractive dividend yield of 3.4% based on the 2017 year-end share price. In total, we plan to pay out €2.8 billion to BASF SE shareholders.

"We create chemistry" strategy

Ladies and gentlemen,
Our strategy provides direction for how we further develop BASF. At the core is our corporate purpose: "We create chemistry for a sustainable future." We want to reconcile growth and sustainability, and contribute to this with our BASF products and services.

In doing so, we rely on research and development, organic growth through investments in plants, and the continuous refinement of our portfolio. Operational excellence and cost discipline along our value chains also continue to be essential for our sustainable success.

Take research and development: Around 10,000 dedicated employees worldwide work in research at BASF to develop new products for a sustainable future. We believe that innovation and sustainability are inextricably linked. We often work together with customers and academic partners as well as startups to find solutions.

In 2017, we generated sales of more than €9 billion with products stemming from our R&D activities that we have launched on the market in the past five years. In the long term, we want to continue significantly increasing our sales and earnings generated with new and improved products. Our research and development expenditures last year amounted to around €1.9 billion, just slightly higher than in the prior year. Our research pipeline once again contained around 3,000 projects in 2017.

One example is our new fungicide Revysol®, which will play a key role in many crops for farmers around the world. From 2019, this will give them a new active ingredient that offers exceptional biological performance and provides additional resistance management opportunities in agriculture. We are aiming for a peak sales potential of over €1 billion with Revysol®.

In order to strengthen our capacity for innovation, we also utilize the opportunities offered by digitalization. We are increasingly using digital technologies throughout our value chains. This helps us to design our processes more effectively and efficiently. At our sites, we combine data with modern analytics. At our Verbund site Ludwigshafen, for example, we use predictive maintenance techniques at our steam cracker, the heart of our production. Several thousand sensors record process data, such as temperature and pressure, around the clock. This not only makes it easier for us to optimally manage and monitor the plant. Above all, it enables us to further improve the planning of our maintenance shutdowns. Another example is our digital business models – such as services, platform solutions and licenses that customers obtain from us and use – which create additional value for our customers and for BASF.

In 2017, BASF researchers from the Process Research & Chemical Engineering technology platform demonstrated the great potential that digitalization offers in research. They were able for the first time to conduct a systematic investigation of the available data on catalysts used in the production of the intermediate product ethylene oxide. And they made some valuable discoveries: The correlations found between the formulations and the application properties of the catalysts enable more accurate and faster prediction of their performance and lifetimes.

Last but not least, we also use data mining methods in order to gain new insight from very large existing data sets. In biotechnology, data mining helps in product and process development, for example, by more quickly identifying promising enzymes or suitable bacteria.

Ladies and gentlemen,
In the past year we made important decisions to add fast-growing, cyclically resilient businesses to our portfolio. Innovations play a major role in this, as they enable us to offer our customers specific and sustainable solutions for their particular applications.

As you know, we want to bolster our Agricultural Solutions segment this year with the acquisition of significant parts of Bayer's seed and herbicide businesses. These will be an excellent complement to our well-established and successful crop protection business and our biotechnology activities. With this acquisition we want to expand our offerings for farmers. And we will be entering into the seed business with proprietary assets in key agricultural markets, which will also allow us to more quickly implement the results of our seed research.

We want to acquire Solvay's global polyamide business in 2018. This will expand our range of engineering plastics for the transportation, construction and consumer goods industries and will strengthen our access to raw materials. Furthermore, we expect to improve our access to important growth markets in Asia and South America.

However, we also divest businesses when we believe they could be more successful in a different constellation. For example, we transferred our business with leather chemicals to the Stahl group, a leading producer of process chemicals for leather products, at the end of September 2017. In return, we now hold a 16% share in the Stahl group.

In December 2017, we announced fundamental changes for our oil and gas activities. BASF and the LetterOne group plan to merge their respective oil and gas businesses in a joint venture. The new company, Wintershall DEA, would be one of the largest independent exploration and production companies in Europe, with excellent growth prospects. The medium-term plan is to list the joint venture on the stock exchange.

Further expansion of our offerings for the automotive industry

In addition, a number of our activities in the fourth quarter further strengthened in particular our business with customers in the automotive industry. For example, we are investing in the expansion of our production site for mobile emissions catalysts in Środa Śląska, Poland. The investment includes new production lines and additional infrastructure to equip light duty diesel and gasoline vehicles with BASF's innovative catalyst and filter solutions.

At the end of last year we opened a new automotive coatings plant in Thailand. It is BASF's first coatings manufacturing facility in the ASEAN region. The automotive coatings produced in this plant will meet the growing market demand in the region.

We are strengthening our collaboration with our Japanese partner TODA and increasing investments in cathode materials to enable e-mobility. BASF TODA Battery Materials LLC operates the world's largest calcination facility for high nickel cathode active materials in Japan. Furthermore, we are combining our manufacturing activities in the United States to supply the growing North American battery materials market.

Outlook for the year 2018

Ladies and gentlemen,
In 2018, we expect the global economy and global chemical production will grow roughly at the same rate as in 2017. Further growth is expected in all regions and we forecast a continuation of the recovery already underway in Brazil and Russia. The baseline conditions are therefore generally positive. However, market volatility has risen in some cases and surprises are possible. Furthermore, the U.S. dollar is having a negative impact on sales and earnings.

Our outlook is based on the following economic assumptions for the year 2018 (previous year's values in parentheses):

- Global economic growth of +3.0% (+3.1%)
- Growth in global chemical production of +3.4% (+3.5%)
- An average exchange rate of $1.20 per euro ($1.13 per euro)
- An average oil price (Brent) of $65 per barrel ($54 per barrel)

In this environment, we want to continue to grow profitably. We anticipate slightly higher BASF Group sales in 2018, largely as a result of volumes growth. EBIT before special items is expected to be up slightly on the 2017 level. This will mainly be driven by significantly higher contributions from the Performance Products, Functional Materials & Solutions and Oil & Gas segments. We are forecasting a slight improvement in the earnings generated by Other. After a strong result in 2017, we expect considerably lower EBIT before special items in the Chemicals segment, primarily as a result of lower margins.

Our forecast for 2018 takes into account the agreed acquisition of significant parts of Bayer's seed and non-selective herbicide businesses, which is expected to close in the first half of 2018. Based on the timing of the acquisition, the seasonality of the businesses to be taken over and the anticipated integration costs, this is likely to have a positive impact on sales and a negative impact on earnings for the Agricultural Solutions segment and the BASF Group in 2018. As a result of the integration costs, EBIT before special items in the Agricultural Solutions segment is forecast to decline slightly compared with the prior year.

The intended merger of our oil and gas activities with the business of DEA Deutsche Erdoel AG and its subsidiaries is not taken into account in our forecast. On signature of the transaction agreements, the Oil & Gas segment's earnings would no longer be included in sales and EBIT for the BASF Group – retroactively as of January 1, 2018 and with the prior-year figures restated. Rather, this would be presented in the income before minority interests of the BASF Group as a separate item, "income from discontinued operations." From the transaction closing date, we would presumably account for BASF's share of income generated by the joint venture – Wintershall DEA – using the equity method and include this in EBIT for the BASF Group.

And now Hans Engel will talk to you about the development of the segments and our financial figures.

[Presentation by Hans-Ulrich Engel]

Development of the segments

In a favorable market environment, sales in the **Chemicals** segment grew in the fourth quarter of 2017 by 21% to €4.2 billion, driven by higher prices and volumes. We increased our margins, especially for isocyanates, acids and polyalcohols, cracker products and acrylic monomers. At €1.1 billion, income from operations (EBIT) before special items was 67% higher than in the fourth quarter of 2016. All divisions posted higher earnings.

In the full year, sales in the Chemicals segment rose by €3.4 billion in 2017 to reach €16.3 billion. This was primarily attributable to higher prices, especially in the Monomers division. We also increased volumes in all divisions. EBIT before special items rose by €2.2 billion to €4.2 billion, mainly as a result of higher margins for isocyanates in the Monomers division. Stronger margins in the Petrochemicals and Intermediates divisions also contributed to the increase in earnings; slightly higher fixed costs had an offsetting effect. The negative impact on earnings in 2017 caused by the North Harbor accident at the Ludwigshafen site in October 2016 was compensated by insurance payments.

In the **Performance Products** segment, sales in the fourth quarter of 2017 were up by 2% to €3.8 billion. Increased volumes in all divisions and slightly higher prices overall more than offset the negative currency and portfolio effects. Owing to ongoing pressure on margins, the temporary shutdown of the citral plant in Ludwigshafen and higher fixed costs, EBIT before special items declined from €237 million to €111 million.

At €16.2 billion, full-year sales in the Performance Products segment were €659 million above the prior-year figure. This is mainly attributable to volume growth in all divisions. Higher sales prices in the Care Chemicals and Dispersions & Pigments divisions also had a positive impact on sales. Portfolio measures and negative currency effects in all divisions reduced sales slightly. EBIT before special items declined by €361 million year-on-year to €1.4 billion. This was largely due to lower margins, primarily as a result of higher raw materials prices that could not be fully passed on via sales prices.

In the **Functional Materials & Solutions** segment, sales were up considerably by 7% in the fourth quarter. Primarily as a result of higher prices, we achieved sales of €5.3 billion. Higher raw material costs led to lower margins, causing EBIT before special items to fall 42% to €267 million. Furthermore, higher fixed costs negatively impacted earnings.

In the full year 2017, sales to third parties increased by €2 billion to €20.7 billion. This was due to higher prices and volumes as well as the Chemetall business, which was acquired from Albemarle in December 2016; sales were slightly reduced by currency effects. The volumes growth was largely attributable to higher demand for our products for the automotive and construction industries. At €1.6 billion, EBIT before special items was down €329 million on the 2016 figure, primarily due to lower margins and higher fixed costs. Special charges in 2017 mainly related to integration costs in connection with the Chemetall acquisition as well as the acquisition of the western European building material business for professional users from the Henkel group.

Sales in the **Agricultural Solutions** segment rose by 4% in the fourth quarter to €1.3 billion. Significantly higher volumes more than compensated for declining prices and negative currency effects. Compared with the same quarter of the previous year, EBIT before special items grew by 162%, rising by €128 million to €207 million.

Full-year sales in the Agricultural Solutions segment rose by €127 million to €5.7 billion as a result of higher sales volumes. In an ongoing difficult market environment for crop protection products, sales growth was negatively impacted by price declines, especially in South America, and negative currency effects. EBIT before special items was €1 billion, down €54 million on the prior-year figure. The slight decline was mainly due to the lower average margins from a different product mix and the difficult market situation in Brazil. Earnings were also negatively impacted by the shutdowns of our production facilities in Beaumont, Texas, and Manatí, Puerto Rico, because of the hurricanes. Fixed costs rose slightly.

In the **Oil & Gas** segment, fourth-quarter 2017 sales declined by 7% to €862 million as a result of lower volumes. However, higher prices for oil and gas had a positive effect on earnings. EBIT before special items increased by €97 million to €260 million.

In the full year, sales in the Oil & Gas segment increased by €476 million year-on-year to €3.2 billion as a result of higher prices and volumes. The price of a barrel of Brent crude oil averaged $54 in 2017 (previous year: $44). Gas prices on European spot markets rose by 25% compared with the previous year. Volume growth was mainly driven by higher gas sales volumes. Production volumes matched the prior-year level. EBIT before special items grew by €276 million to €793 million in 2017. This is primarily attributable to the increase in oil and gas prices as well as the higher earnings contribution from our share in the Yuzhno Russkoye natural gas field. Comprehensive measures aimed at optimizing exploration and technology projects as well as the successful implementation of operational cost-saving measures also had a positive effect. Net income increased by €357 million to €719 million.

Sales in **Other** grew in the fourth quarter from €518 million to €608 million. EBIT before special items improved from minus €386 million to minus €38 million, mainly because of valuation effects for our long-term incentive program. Full-year sales rose by €224 million compared with 2016 to €2.2 billion, mainly as a result of higher sales prices in the raw materials trading business. At minus €764 million, EBIT before special items in Other was up €286 million on the prior-year figure. This earnings improvement is also attributable to the previously mentioned valuation effects for our long-term incentive program.

BASF Group earnings development in full year 2017

And now to our earnings development. At €8.5 billion, EBIT for the BASF Group in 2017 was considerably higher than the previous year's level (2016: €6.3 billion). Special items in EBIT totaled €194 million in 2017, compared with minus €34 million in the previous year.

EBITDA before special items of €12.5 billion and EBITDA of €12.7 billion in 2017 each exceeded the prior-year figure by €2.2 billion.

The financial result improved to minus €722 million, compared with minus €880 million in the previous year. Income before taxes and minority interests amounted to €7.8 billion, representing an increase of 45%. At 18.6%, the tax rate of the BASF Group in 2017 was below the prior-year level (2016: 21.1%). The reduction of tax rates as a result of the tax reform in the United States led to deferred tax income of €379 million. Income before minority interests rose from €4.3 billion to €6.4 billion. Minority interests amounted to €274 million, compared with €199 million in 2016.

Earnings per share increased from €4.42 to €6.62, equivalent to a rise of 50%. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €6.44, compared with €4.83 in the previous year.

BASF Group cash flow in full year 2017

Cash provided by operating activities improved by €1.1 billion year-on-year to €8.8 billion in 2017. This was due to the 50% increase in net income to €6.1 billion. In contrast with the previous year, the change in net working capital reduced cash flow. This was largely attributable to the higher level of cash tied up in inventories and trade accounts receivable for operational reasons.

Cash used in investing activities amounted to €4 billion in 2017 compared with €6.5 billion in 2016. Payments made for property, plant and equipment and intangible assets amounted to €4 billion, below the prior-year figure (€4.1 billion). At €4.8 billion, free cash flow was 34% above the level of the previous year. The equity ratio was 44.1% (2016: 42.6%). Net debt declined by €2.9 billion to €11.5 billion.

Additional information is available in our Report 2017 that was published today. It also includes the audited financial statements of the BASF Group.

And now we'll be happy to take your questions.