

News Release

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First quarter 2019 / Annual Shareholders' Meeting

BASF Group increases sales; earnings below prior-year quarter, in line with expectations

First quarter 2019:

- **Sales of €16.2 billion (plus 3%)**
- **EBIT before special items of €1.7 billion (minus 24%)**
- **Earnings decline primarily due to lower contributions from Materials and Chemicals segments**
- **Strong earnings development in Agricultural Solutions segment**

Outlook for 2019 confirmed:

- **Slight sales growth**
- **Slight year-on-year increase in EBIT before special items**

“In the first quarter of 2019, BASF Group sales rose by 3% year on year to €16.2 billion,” said Dr. Martin Brudermüller, Chairman of the Board of Executive Directors of BASF SE, at the company’s Annual Shareholders’ Meeting held at Congress Center Rosengarten in Mannheim, Germany. Compared with the first quarter of 2018, income from operations (EBIT) before special items declined by €549 million to €1.7 billion. “As expected, this is primarily due to the considerably lower contributions from the Materials and Chemicals segments. In these segments, we had exceptionally high isocyanates margins and strong cracker margins in the first quarter of the previous year,” said Brudermüller. EBIT before special items also

declined considerably in Other and the Nutrition & Care segment, while earnings matched the level of the previous first quarter in the Surface Technologies segment. By contrast, the Agricultural Solutions and Industrial Solutions segments recorded a considerable improvement in earnings.

Global economic growth in the first quarter of 2019 was shaped by geopolitical developments and trade conflicts, especially between the United States and China. The generally subdued market sentiment was reflected in the wait-and-see attitude of many customers. Consequently, BASF Group experienced weakening demand from key customer industries, especially the automotive sector.

Prices declined by 2% compared with the prior first quarter, which was attributable mainly to the businesses with isocyanates and cracker products. Higher prices in the Surface Technologies, Agricultural Solutions and Industrial Solutions segments could only partially offset the expected price decline in the Materials and Chemicals segments. Owing to the overall cautious ordering behavior of customers, sales volumes at the BASF Group were down by 4%. The sales growth was mainly driven by portfolio effects in the Agricultural Solutions segment resulting from the acquisition of significant businesses and assets from Bayer in August 2018. Currency effects also had a positive impact on sales in all segments.

At €26 million, special items in EBIT were positive overall in the first quarter of 2019, compared with minus €18 million in the prior-year quarter. Special income from divestitures in the Agricultural Solutions and Industrial Solutions segments exceeded integration costs, special charges from restructuring measures and other charges.

EBIT declined by €505 million compared with the first quarter of 2018 to €1.8 billion. Income before income taxes decreased by €520 million to €1.6 billion. The tax rate increased from 24.1% to 25.4%.

Income after taxes from continuing operations declined by €415 million to €1.2 billion. Income after taxes from discontinued operations, which comprise BASF's oil and gas activities, rose by €97 million to €274 million. This was largely attributable to significant volumes growth, especially in Russia, as well as the suspension of depreciation and amortization since the recognition of the disposal group in the third quarter of 2018.

Net income declined by €273 million to €1.4 billion. Earnings per share amounted to €1.53 in the first quarter of 2019 (first quarter of 2018: €1.83). Earnings per share adjusted for special items and amortization of intangible assets amounted to €1.65 (first quarter of 2018: €1.93).

In the first quarter of 2019, cash flows from operating activities amounted to €373 million, €858 million below the figure for the prior-year quarter. Free cash flow declined from €604 million in the prior-year quarter to minus €368 million, mainly as a result of lower cash flows from operating activities.

Merger of Wintershall and DEA

Following the approval of all relevant authorities, BASF and LetterOne completed the merger of Wintershall and DEA on May 1, 2019. “With Wintershall Dea we create the leading independent European exploration and production company with international operations in core regions. By combining the two German-based entities, BASF and LetterOne lay the basis for strong profitable growth for Wintershall Dea,” said Dr. Hans-Ulrich Engel, Vice Chairman of the Board of Executive Directors of BASF SE, in a conference call on the first quarter 2019 results.

Proposed dividend of €3.20 per share

The Board of Executive Directors and the Supervisory Board proposed to the Annual Shareholders’ Meeting that the dividend be raised by €0.10 to €3.20 per share. “The BASF share thus offers an attractive dividend yield of 5.3% based on the 2018 year-end share price of €60.40,” said Brudermüller. Following the adoption of the relevant resolution by the Annual Shareholders’ Meeting, a total of €2.9 billion will be paid out to shareholders of BASF SE on May 8.

Outlook for 2019 confirmed

BASF's expectations for the global economic environment in 2019 remain unchanged:

- Growth in gross domestic product: 2.8%
- Growth in industrial production: 2.7%
- Growth in chemical production: 2.7%
- Average euro/dollar exchange rate of \$1.15 per euro
- Average Brent blend oil price for the year of \$70 per barrel

BASF confirms the sales and earnings forecast for the BASF Group made in the BASF Report 2018 and expects slight sales growth as well as a slight increase in EBIT before special items, which is likely to be at the lower end of the range of 1% to 10%. Return on Capital Employed (ROCE) is expected to be slightly higher than the cost of capital percentage, with ROCE slightly lower than in 2018.

Business development in the segments in the first quarter 2019

Sales in the **Chemicals** segment [comprising Petrochemicals and Intermediates] declined by 13% compared with the first quarter of 2018 to €2.5 billion. The Petrochemicals division in particular saw a considerable decline in sales, while the Intermediates division recorded a slight decrease. Sales development was driven by lower volumes and prices in both divisions.

Compared with the prior-year quarter, EBIT before special items decreased by €169 million to €306 million. Both divisions recorded lower earnings, particularly Petrochemicals. The development of EBIT before special items was largely due to lower margins in the Petrochemicals division, especially for steam cracker products, as well as the lower volumes in both divisions. In addition, fixed costs in both divisions rose slightly. In the Petrochemicals division, this was primarily attributable to higher maintenance expenses, while in the Intermediates division, the development of fixed costs was mainly negatively influenced by currency effects.

In the **Materials** segment [comprising Performance Materials and Monomers], sales of €2.9 billion were down by 15% compared with the first quarter of 2018. The sales decline was seen in both the Monomers and Performance Materials divisions and was primarily due to lower isocyanates prices in the Monomers division.

EBIT before special items declined considerably in both divisions, coming in at €323 million compared with €816 million in the previous first quarter. This was mainly a result of lower isocyanates margins in the Monomers division. In the Performance Materials division, higher margins were unable to compensate for the lower volumes, primarily in the automotive sector. In addition, fixed costs in both divisions were slightly higher than in the prior-year quarter. This development was mainly due to currency effects.

In the **Industrial Solutions** segment [comprising Dispersions & Pigments and Performance Chemicals], sales of €2.2 billion were 2% lower than in the prior-year quarter. Sales in the Dispersions & Pigments division were on a level with the first quarter of 2018, while sales in the Performance Chemicals division declined slightly. The year-on-year decrease was primarily due to the transfer of BASF's paper and water chemicals business, which was previously reported under Performance Chemicals, to the Solenis group.

The Industrial Solutions segment increased EBIT before special items by 15% compared with the first quarter of 2018 to €264 million. This was primarily attributable to considerably higher EBIT before special items in the Performance Chemicals division as a result of higher prices, volumes growth and positive currency effects. The Dispersions & Pigments division also slightly increased EBIT before special items, mainly due to higher prices and positive currency effects. The segment's EBIT included special income in the Performance Chemicals division from the transfer of BASF's paper and water chemicals business to the Solenis group.

Compared with the first quarter of 2018, sales in the **Surface Technologies** segment [comprising Catalysts, Coatings and Construction Chemicals] increased by 13% to €3.6 billion. There was particularly strong sales growth in the Catalysts division. Sales also rose considerably in the Construction Chemicals division and were on a level with the prior-year quarter in the Coatings division. The sales increase was attributable to higher prices in all divisions as well as positive currency effects and volumes growth in the Catalysts and Construction Chemicals divisions.

At €159 million, the segment's EBIT before special items was on a level with the prior-year quarter. EBIT before special items in the Construction Chemicals division improved considerably, primarily due to higher margins. In the Catalysts division, earnings rose slightly as a result of sales growth. By contrast, the Coatings division

recorded considerably lower EBIT before special items. This was mainly attributable to a weaker automotive business.

Sales of €1.6 billion in the **Nutrition & Care** segment [comprising Care Chemicals and Nutrition & Health] matched the level of the prior-year quarter. Considerably higher sales in the Nutrition & Health division were offset by slightly lower sales in the Care Chemicals division.

At €222 million, EBIT before special items was 13% below the €254 million reported in the first quarter of 2018. This was mainly attributable to higher fixed costs in the Nutrition & Health division, largely due to an insurance refund received in the prior-year quarter for production outages in 2017. In addition, margins declined in the animal nutrition business; as a result, earnings in the Nutrition & Health division decreased significantly overall. A considerable improvement in earnings in the Care Chemicals division, mainly from higher margins, had an offsetting effect.

Sales of €2.6 billion in the **Agricultural Solutions** segment were 53% higher compared with the first quarter of 2018. This was primarily attributable to portfolio effects from the acquisition of significant businesses and assets from Bayer in August 2018. BASF also achieved a higher price level in the legacy business while sales volumes were considerably lower year on year, mainly due to weather-related factors.

EBIT before special items of €740 million was 75% higher than in the first quarter of 2018. This was largely due to the contribution from the acquired businesses. EBIT included special income from divestitures in accordance with the conditions imposed by antitrust authorities within the scope of the acquisition of the Bayer businesses. In the first quarter of 2019, these exceeded the special charges for the integration of the acquired businesses.

Sales in **Other** increased considerably compared with the prior-year quarter. This was mainly due to the remaining activities of BASF's paper and water chemicals business, which were not part of the transfer to Solenis and have since been reported under Other. EBIT before special items was considerably below the figure for the first quarter of 2018. This was largely attributable to foreign currency results and valuation effects for our long-term incentive program.

About BASF

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 122,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is organized into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of around €63 billion in 2018. BASF shares are traded on the stock exchange in Frankfurt (BAS) and as American Depositary Receipts (BASFY) in the U.S. Further information at www.basf.com.

On Friday, May 3, 2019, you can obtain further information online at the following addresses:

Quarterly Statement (from 7:00 a.m. CEST)

basf.com/quarterlystatement (English)

basf.com/quartalsmitteilung (German)

News Release (from 7:00 a.m. CEST)

basf.com/pressrelease (English)

basf.com/pressemitteilungen (German)

Live-Transmission – Telephone Conference for analysts and investors (from 08:30 a.m. CEST)

www.basf.com/share/conferencecall (English)

www.basf.com/aktie/telefonkonferenz (German)

Live-Transmission – Speech Dr. Martin Brudermüller (from 10:00 a.m. CEST)

basf.com/shareholdermeeting (English)

basf.com/hauptversammlung (German)

Photos

basf.com/pressphotos (English)

basf.com/pressefotos (German)

Current TV footage

tvservice.basf.com/en (English)

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Forward-looking statements and forecasts

This release 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. BASF does not assume any obligation to update the forward-looking statements contained in this release above and beyond the legal requirements.