BASF sales and earnings grow considerably in third quarter of 2017

3rd Quarter 2017:

- Sales of €15.3 billion (up 9%)
- EBIT before special items of €1.8 billion (up 16%)
- Earnings per share of €1.45 (up 49%), adjusted earnings per share of €1.40 (up 27%)
- Cash provided by operating activities of €3.8 billion (up 52%), free cash flow of €2.8 billion

Outlook for 2017:

- BASF continues to expect considerable growth in sales, EBIT before special items and EBIT

BASF Group recorded significant sales and earnings growth in the third quarter of 2017. “The positive demand development continued in the third quarter of 2017. We achieved solid volume growth, even compared with the strong prior-year quarter,” said Dr. Kurt Bock, Chairman of the Board of Executive Directors of BASF SE.

BASF Group sales rose by 9% compared with the prior-year quarter to €15.3 billion. This was primarily attributable to good volumes development as well as significantly higher sales prices in the Chemicals segment. Sales were also lifted by the Chemetall business, acquired in December 2016. All segments recorded slightly negative currency effects.

The strong contribution from the Chemicals segment lifted income from operations (EBIT) before special items by €244 million to €1.8 billion. BASF recorded a slight decrease in EBIT before special items in the Oil & Gas segment and a considerable decline in the
remaining segments and in Other, mainly as a result of higher raw materials prices.

Third-quarter EBIT included net special items of €198 million, after minus €52 million in the prior-year quarter. This was mainly due to special income in the Performance Products segment from the transfer of BASF’s leather chemicals business to the Stahl group. As a result, EBIT rose from €1.5 billion to €2 billion.

Compared with the prior-year quarter, income from operations before depreciation, amortization and special items (EBITDA before special items) increased by €303 million to €2.8 billion and EBITDA by €570 million to €3 billion.

Net income rose by €448 million to €1.3 billion. Earnings per share were €1.45 in the third quarter of 2017, compared with €0.97 in the prior-year quarter. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €1.40 (prior-year quarter: €1.10).

In the first three quarters of 2017, cash provided by operating activities rose by €1.8 billion year-on-year to €7.6 billion. This is mainly due to the rise in net income. Free cash flow rose from €2.9 billion to €5 billion in the first nine months of 2017.

**Outlook for full-year 2017**

BASF has slightly raised its expectations for the global economic environment in 2017 (forecast from the Half-Year Financial Report 2017 in parentheses):

- Growth of gross domestic product: 2.8% (2.5%)
- Growth in industrial production: 3.1% (2.5%)
- Growth in chemical production: 3.4% (3.4%)
- Average euro/dollar exchange rate of $1.10 per euro ($1.10 per euro)
- Average Brent blend oil price for the year of $50 per barrel ($50 per barrel)
“For the second half of 2017, we now expect the BASF Group’s EBIT before special items to considerably exceed the level of the second half of 2016,” said Bock. “We are maintaining our forecast for sales, EBIT before special items and EBIT for full-year 2017: We expect them to increase considerably. The same now also applies to EBIT after cost of capital, for which we previously anticipated a slight increase.”

Development of the segments

Sales in the Chemicals segment rose by 25% compared with the prior-year quarter to approximately €4 billion. This was largely due to higher prices in all divisions, especially in Monomers. BASF also significantly increased sales volumes. Currency effects slightly dampened sales in all divisions. EBIT before special items rose by over €600 million to €1.1 billion. This was mainly a result of higher margins, especially in the Monomers division. The negative impact on earnings in the third quarter of 2017 caused by the North Harbor accident at the Ludwigshafen site was compensated by insurance payments. Fixed costs rose slightly.

In the Performance Products segment, sales increased by 2% compared with the third quarter of 2016 to just under €4 billion as a result of volumes growth in all divisions. Sales prices were on a level with the prior-year quarter. Price increases in the Dispersions & Pigments and Care Chemicals divisions were largely offset by significant price declines in the Nutrition & Health division. Currency effects, particularly from the U.S. dollar, and portfolio effects dampened sales growth. EBIT before special items declined by €88 million to €385 million. This was largely attributable to a further drop in vitamin prices as well as ongoing pressure on margins in a number of business areas due to higher raw materials prices. EBIT included special income in the Performance Chemicals division from the transfer of the leather chemicals business to Stahl Group.

Sales in the Functional Materials & Solutions segment were up 7% on the third quarter of 2016, at around €5 billion. This was attributable to higher prices as well as the Chemetall business, which was
acquired from Albemarle in December 2016. Sales volumes rose in every division except Catalysts, where BASF posted a considerable decline in precious metal trading volumes. Compared with the third quarter of 2016, sales volumes to the automotive and construction industries were further expanded. Sales were slightly weighed down by currency effects. At €397 million, EBIT before special items was down €100 million on the prior-year quarter. Earnings were dampened primarily by lower margins resulting from higher raw materials prices.

Sales in the **Agricultural Solutions** segment were down 6% on the third quarter of 2016, at €987 million. This was mainly the result of declining prices and volumes in Brazil. Negative currency effects put additional pressure on sales development. BASF was able to slightly increase overall volumes. EBIT before special items decreased by €76 million to €21 million. This was primarily due to the difficult market situation in Brazil. Earnings were also negatively impacted by the shutdowns of the production facilities in Beaumont, Texas, and Manatí, Puerto Rico, because of the hurricanes. Fixed costs were on a level with the prior-year quarter.

Sales in the **Oil & Gas** segment rose by 20% year-on-year to €739 million on the back of higher prices and volumes. The average price of a barrel of Brent blend crude oil in the third quarter of 2017 was $52 (prior-year quarter: $46). Gas prices on the European spot markets also rose compared with the prior-year quarter. Volumes growth was mainly driven by higher gas sales volumes. Production volumes also increased slightly. EBIT before special items decreased by €14 million to €180 million. The prior-year figure included compensation payments from contract renegotiations. Net income nevertheless grew considerably, from €33 million to €139 million. This was mainly due to special income from the sale of shares in a natural gas field concession in Argentina.

At €548 million, sales in **Other** were up 2% on the prior-year quarter, mostly due to higher sales from services. EBIT before special items
declined by €92 million to minus €325 million, partly as a result of valuation effects for BASF’s 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 114,000 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 five segments: Chemicals, Performance Products, Functional Materials & Solutions, Agricultural Solutions and Oil & Gas. BASF generated sales of about €58 billion in 2016. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA) and Zurich (BAS). Further information at www.basf.com.

You can obtain further information from the internet at the following addresses:

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This release 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. BASF does not assume any obligation to update the forward-looking statements contained in this release.