News Release

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BASF Group: EBIT before special items in Q2 2019 considerably below expectations; outlook for full year 2019 lowered

- **EBIT before special items expected to be €1.0 billion (down 47% compared with the second quarter of 2018)**
- **Significantly weaker-than-expected industrial production weighs on volumes and margin development at BASF; weak development of the agricultural sector in North America an additional burden**
- **EBIT expected to be €0.5 billion (down 71% compared with the second quarter of 2018)**
- **Net income expected to be €6.5 billion due to the deconsolidation of Wintershall (up €5.0 billion compared with the second quarter of 2018)**
- **Outlook 2019: EBIT before special items now expected to be up to 30% below prior-year level**

Ludwigshafen – July 8, 2019 – Significantly weaker-than-expected industrial production negatively impacted volumes and margin development at BASF. At around 1.5% according to current estimates, growth in industrial production in the first half of 2019 was much slower than expected. The downturn in growth in the global automotive industry was particularly strong: Globally, production declined by around 6% in the first half of 2019. In China, the world’s largest automotive market, the decrease was more than twice as high, at around 13%. The weak development of the agricultural sector in North America was an additional burden: Due to difficult weather conditions, the planting of key field crops in the region was down from the previous year and far below the historical average. The decrease in earnings prospects for farmers and the trade disputes led to lower demand for crop protection products. To date, the conflicts between the United States and its trading partners,

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particularly China, have not eased – contrary to what was assumed in the BASF Report 2018. In fact, the G20 summit at the end of June has shown that a rapid détente is not to be expected in the second half of 2019. Overall, uncertainty remains high.

In this environment, the preliminary figures for the second quarter of 2019 are significantly below current analyst estimates and BASF's expectations at the beginning of the year. **Sales** declined by 4% in the second quarter of 2019 to €15.2 billion (second quarter of 2018: €15.8 billion). **EBIT before special items** for the second quarter of 2019 is expected to be €1.0 billion, 47% below the figure for the same quarter of the previous year (second quarter of 2018: €2.0 billion). The decline in EBIT before special items was mainly the result of considerably lower earnings in the Materials, Chemicals and Agricultural Solutions segments compared with the prior-year quarter.

As expected, significantly lower isocyanates prices led to a considerable year-on-year decline in the Materials segment's EBIT before special items in the second quarter of 2019. In the Chemicals segment, the decrease was primarily due to the scheduled turnarounds of the steam crackers in Port Arthur, Texas, and Antwerp, Belgium; furthermore, margins for steam cracker products, especially in North America, were considerably lower than BASF forecast. EBIT before special items in the Agricultural Solutions segment was negatively impacted by the weak development of the agricultural sector in North America as a result of unpredictably difficult weather conditions and the trade conflict between the United States and China. In this challenging global economic environment, EBIT before special items in the remaining segments was either considerably (Industrial Solutions) or slightly (Surface Technologies; Nutrition & Care) higher year on year. EBIT before special items attributable to Other declined considerably compared with the prior-year quarter.

The BASF Group's **EBIT** for the second quarter of 2019 is expected to be 71% lower year on year, at €0.5 billion (second quarter of 2018: €1.9 billion). In addition to the decrease in EBIT before special items, this is mainly due to one-time costs for the excellence program and the impairment of a natural gas-based investment on the U.S. Gulf Coast, which BASF is no longer pursuing.

BASF is systematically implementing the measures announced in connection with its strategy, especially regarding portfolio management and cost reduction. The ongoing **excellence program** is expected to deliver a positive contribution to EBITDA of €2 billion annually from the end of 2021 onward. In total, BASF is planning a reduction of around 6,000 positions worldwide by the end of 2021.

Net income is expected to increase to €6.5 billion (second quarter of 2018: €1.5 billion). This is due to the book gain from the deconsolidation of Wintershall with the closing of the merger of Wintershall and DEA on May 1, 2019. It will be shown in income after taxes from discontinued operations.

Outlook for the full year 2019 lowered

As a consequence of the considerably weaker-than-expected business development in the second quarter of 2019 and the slowdown in global economic growth and industrial production, mainly due to the trade conflicts, BASF now anticipates considerably lower EBIT before special items of up to 30% below the prior-year level (previous forecast: slight increase in EBIT before special items of 1–10%). For sales, BASF now expects a slight decline compared with the full year 2018 (previous forecast: slight sales growth of 1–5%). Return on capital employed (ROCE) for the full year 2019 is now expected to decline considerably compared with the previous year (previous forecast: ROCE slightly, i.e. 0.1–1.0 percentage points, lower than in 2018).

Further information

An overview of analyst estimates, which is compiled monthly on behalf of BASF, can be found at: www.basf.com/analysts-estimates.

On Thursday, July 25, 2019 at 07:00 a.m. CEST, BASF will publish its Half-Year Financial Report for the first half of 2019 and will comment on the figures at the telephone conferences for journalists (from 09:00 a.m. CEST) and analysts and investors (from 11:00 a.m. CEST).

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.

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.