

News Release

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BASF Group third-quarter EBIT before special items declines 24% from prior-year quarter; outlook for 2019 confirmed

- **Sales of €15.2 billion (minus 2%); sales volumes match level in prior-year quarter**
- **EBIT before special items declines to €1.1 billion, primarily due to significantly lower earnings contributions from Chemicals and Materials**
- **Surface Technologies, Agricultural Solutions, Industrial Solutions and Nutrition & Care segments post considerable increase in earnings**
- **Outlook for 2019 confirmed: EBIT before special items expected to be up to 30% below prior-year level**

BASF Group sales in the third quarter of 2019 declined slightly year on year and amounted to €15.2 billion. This was mainly attributable to lower prices in the Materials and Chemicals segments. The uncertainties in the market and cautious ordering by customers also played a role. Demand from key customer sectors did not recover. Nevertheless, BASF was able to keep its sales volumes at the level of the prior-year quarter thanks mainly to higher volumes in the Agricultural Solutions and Surface Technologies segments.

Income from operations (EBIT) before special items was €1.1 billion, down by 24% compared with the level of the third quarter of 2018. This was primarily due to significantly lower contributions from the Materials and Chemicals segments. As expected, isocyanate prices declined considerably. In addition, there were scheduled turnarounds at the steam crackers and falling margins for cracker products. These factors had a significant negative impact on earnings in the two

segments. “In our downstream divisions, we were successful despite the difficult market environment and posted a considerable improvement compared with the prior-year quarter,” said Dr. Martin Brudermüller, Chairman of the Board of Executive Directors of BASF SE, at the presentation of the financial results for the third quarter of 2019. In the Industrial Solutions segment, EBIT before special items increased considerably primarily due to lower fixed costs. In the Surface Technologies segment, EBIT before special items also rose considerably in all three divisions. In the Nutrition & Care segment, EBIT before special items grew considerably as a result of significantly higher earnings in the Care Chemicals division. In the Agricultural Solutions segment, EBIT before special items increased considerably, driven mainly by higher sales. One reason for this was the good start to the season in South America.

EBITDA increased to €2.3 billion, compared with €2.2 billion in the third quarter of 2018. EBITDA before special items was down by 8% to €2.1 billion.

EBIT amounted to €1.4 billion, nearly matching the prior-year level. Special items in EBIT totaled €257 million, compared with minus €75 million in the prior-year period. A considerable disposal gain from the sale of BASF’s share of the Klybeck site in Basel, Switzerland, more than offset special charges for restructuring measures, for the integration of the businesses acquired from Bayer and for divestitures.

Net income amounted to €911 million, compared with €1.2 billion in the third quarter of 2018.

Earnings per share in the third quarter of 2019 fell to €1.00 from €1.31 in the prior-year quarter. Adjusted earnings per share were €0.86, compared to €1.51 in the prior-year quarter.

Cash flows from operating activities amounted to €2.0 billion, compared with €2.9 billion in the third quarter of 2018. Free cash flow declined to €1.1 billion as a result of lower cash flows from operating activities.

BASF proceeding rapidly and systematically with strategy implementation

The geopolitical conditions are and will remain challenging for BASF. “In particular, the trade conflict between the United States and China is weighing on our business. Moreover, there are uncertainties related to Brexit,” said Brudermüller. He added: “These events are acting as a drag on the economy – not only in export-oriented

countries in Europe. The United States is also experiencing a noticeable slowdown. Growth continues in China, albeit at a slower pace. Production in the global automotive industry again declined compared with the already low level at the end of the first half of the year.”

“It is not within our power to change the unfavorable underlying conditions,” said Bruder Müller. “However, we know exactly what we have to address within BASF. And we are working on this with speed and determination. We are rapidly and systematically reshaping our organization – toward greater customer focus and leaner structures.”

2019 is a transition year for BASF. Bruder Müller: “We are using the time this year to implement our corporate strategy with energy, passion and speed – step by step. We are streamlining our administration, focusing the roles of services and regions, and simplifying procedures and processes. We have already made good progress in reshaping our organization.”

The implementation of the strategy BASF presented about a year ago is proceeding rapidly. Significant parts of the functional services have been embedded in the operating divisions. As of October 1, BASF completed the organizational reassignment of around 20,000 employees.

Acceleration of excellence program

“We have accelerated our excellence program and are well on our way to reaching the targeted annual EBITDA contribution of €2 billion by the end of 2021,” said Dr. Hans-Ulrich Engel, Chief Financial Officer and Vice Chairman of the Board of Executive Directors of BASF SE. “In the current year, we will achieve the first positive EBITDA contributions amounting to around €500 million,” he added. However, BASF expects the accelerated implementation to result in one-off costs of a similar magnitude. For 2020, the company expects an EBITDA contribution in the range of €1 billion to €1.3 billion. This will be offset by one-off costs estimated at €200 million to €300 million.

The largest contribution from the measures carried out under this program will be achieved in the areas of production, logistics and planning. “Moreover, we are streamlining our organization and creating leaner structures. Around 1,800 positions were reduced globally by the end of September 2019,” Engel said.

BASF Group outlook for 2019

Martin Brudermüller confirmed the 2019 outlook for the BASF Group. Accordingly, BASF still expects a slight decline in sales. For EBIT before special items, BASF expects a considerable decline of up to 30%. Return on capital employed (ROCE) for the full year 2019 is expected to decline considerably compared with 2018.

The company slightly adjusted its underlying planning assumptions for the oil price: For 2019, BASF now expects an average Brent blend oil price for the year of \$65 per barrel (previously \$70).

The other assumptions for the global economic environment remain unchanged (growth in gross domestic product: 2.5%; growth in industrial production: 1.5%; growth in chemical production: 1.5%; average euro/dollar exchange rate of \$1.15 per euro).

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 October 24, 2019, you can obtain further information from the internet 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 (from 9:00 a.m. CEST)

basf.com/pcon (English)

basf.com/pressekonferenz (German)

Speech (from 9:00 a.m. CEST)

basf.com/pcon (English)

basf.com/pressekonferenz (German)

Live Transmission – Telephone Conference for analysts and investors (from 11:00 a.m. CEST)

basf.com/share/conferencecall (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.