Reporting Factsheet

Q1 2017

BASF We create chemistry

BASF Group (million €)	**Q1 2017**	Q1 2016	Change (%)	**Q1 2017**	Q4 2016	Change (%)
Sales	**16,857**	14,208	19	**16,857**	14,846	14
EBITDA before special items	**3,507**	2,843	23	**3,507**	2,320	51
EBITDA	**3,502**	2,812	25	**3,502**	2,487	41
Amortization and depreciation[1]	**1,051**	946	11	**1,051**	1,260	(17)
EBIT	**2,451**	1,866	31	**2,451**	1,227	100
Special items	**(6)**	(40)	85	**(6)**	47	.
EBIT before special items	**2,457**	1,906	29	**2,457**	1,180	108
Financial result	**(152)**	(188)	19	**(152)**	(232)	34
Income before taxes and minority interests	**2,299**	1,678	37	**2,299**	995	131
Net income	**1,709**	1,387	23	**1,709**	689	148
EBIT after cost of capital	**987**	571	73	**987**	78	-
Earnings per share (€)	**1.86**	1.51	23	**1.86**	0.75	148
Adjusted earnings per share (€)[2]	**1.97**	1.64	20	**1.97**	0.79	149
Research and development expenses	**424**	455	(7)	**424**	539	(21)
Personnel expenses	**2,641**	2,445	8	**2,641**	2,733	(3)
Assets (end of period)	**79,074**	73,727	7	**79,074**	76,496	3
Investments including acquisitions[3]	**806**	959	(16)	**806**	4,300	(81)
Equity ratio (end of period, %)	**43.7**	41.9	-	**43.7**	42.6	-
Net debt (end of period)	**14,933**	12,745	17	**14,933**	14,401	4
Cash provided by operating activities	**833**	1,046	(20)	**833**	1,877	(56)
Free cash flow	**66**	45	47	**66**	647	(90)

[1] Impairments, amortization of intangible assets, and depreciation of property, plant and equipment (including write-ups)
[2] Adjusted for special items and amortization and impairments of intangible assets
[3] Additions to intangible assets and property, plant and equipment

Factors influencing sales changes in % vs. Q1 2016	**Sales**	**Volumes**	**Prices**	**Currencies**	**Portfolio**
Chemicals	36	10	24	2	0
Performance Products	9	7	2	2	(2)
Functional Materials & Solutions	18	8	3	3	4
Agricultural Solutions	4	2	0	2	0
Oil & Gas	36	12	24[4]		0
BASF Group	**19**	**8**	**8**	**2**	**1**

[4] Mix of price and currency effects

Segments

1st Quarter (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
Chemicals[1]	4,105	3,019	36	1,239	719	72	958	457	110	974	460	112
Performance Products[1]	4,260	3,913	9	714	758	(6)	515	555	(7)	499	543	(8)
Functional Materials & Solutions	5,198	4,408	18	688	594	16	531	456	16	521	452	15
Agricultural Solutions	1,855	1,780	4	595	645	(8)	533	591	(10)	531	590	(10)
Oil & Gas	829	611	36	482	307	57	170	66	158	169	66	156
Other	610	477	28	(216)	(211)	(2)	(250)	(219)	(14)	(243)	(245)	1
	16,857	**14,208**	**19**	**3,502**	**2,812**	**25**	**2,457**	**1,906**	**29**	**2,451**	**1,866**	**31**

[1] Effective January 1, 2017, the Chemicals and Performance Products segments' activities for the electronics industry were merged and allocated to the Performance Products segment as the Electronic Materials global business unit. To facilitate comparability, the 2016 figures for both segments have been adjusted accordingly.

Regions

1st Quarter (million €)

	Sales Location of company			Sales Location of customer			Income from operations (EBIT) Location of company		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
Europe	8,332	7,106	17	7,920	6,766	17	1,421	1,161	22
Thereof Germany	5,235	4,479	17	2,208	1,904	16	825	583	42
North America	4,371	3,756	16	4,230	3,677	15	513	444	16
Asia Pacific	3,317	2,572	29	3,530	2,723	30	496	199	149
South America, Africa, Middle East	837	774	8	1,177	1,042	13	21	62	(66)
	16,857	**14,208**	**19**	**16,857**	**14,208**	**19**	**2,451**	**1,866**	**31**

Segments Q1 2017 vs. Q1 2016

Chemicals: Sales increased considerably. The main drivers were higher prices in Petrochemicals and Monomers as well as increased volumes in all divisions. In a tight market environment, we were able to expand margins, especially in isocyanates, cracker products, and acrylics. Overall, fixed costs went up due to the startup of new plants. Improved margins, higher volumes and an increased contribution from our joint venture BASF-YPC in Nanjing resulted in an EBIT bsi of €958 million, more than doubling the earnings of the prior-year quarter. During Q1, we continued to experience the negative impact associated with insufficient supply of raw materials due to the North Harbor accident. However, this impact was offset by the first insurance payment related to business interruption losses and physical damages incurred in Q4 2016.

- Petrochemicals raised its sales considerably compared with Q1 2016. A sharp increase in prices for raw materials such as naphtha, along with solid demand, led to higher sales prices – especially for steam cracker products. Volumes were slightly up compared with Q1 2016. Margins improved for steam cracker products in all regions as well as for acrylic monomers in Asia. The first insurance payment for the accident at the North Harbor resulted in lower fixed costs. EBIT bsi grew considerably as an effect of the higher margins and a significantly increased earnings contribution from our share in BASF-YPC Company Ltd., based in Nanjing, China.
- Compared with Q1 2016, sales in Monomers increased considerably. This was mainly the result of higher prices, especially for isocyanates. Sales volumes rose sharply, primarily for isocyanates and polyamides. EBIT bsi grew considerably as a consequence of increased margins. Earnings were also positively influenced by the restructuring of our caprolactam production in Europe. Predominantly on account of maintenance measures, fixed costs were higher than in Q1 2016.
- Sales in Intermediates also rose considerably year-on-year, mostly through substantial volume growth in all regions and product lines. Overall, sales prices matched the level of Q1 2016. EBIT bsi fell considerably, largely dampened by higher fixed costs arising from the startup of new facilities in all regions as well as from shutdowns. The ongoing intensely competitive environment and increased raw material prices both weighed down margins, especially for butanediol and derivatives.

Performance Products: Sales increased by 9%, mainly due to higher volumes in Dispersions & Pigments, Care Chemicals and Performance Chemicals. Slightly higher prices and positive currency effects more than compensated for negative portfolio effects. However, higher prices could not fully offset increased raw material prices and higher fixed costs. EBIT bsi therefore declined slightly.

- In Dispersions & Pigments, we achieved considerably higher sales than in the previous first quarter. This was mostly attributable to significant volume growth in all business areas. Currency effects and slightly elevated prices also had a positive impact on sales. Sales were slightly dampened by the divestiture of the photoinitiator business in August 2016. EBIT bsi was considerably below the high level of Q1 2016, owing to lower margins and slightly higher fixed costs. The margin decline was mainly brought about by rising raw material prices as well as the larger proportion of sales from the lower-margin dispersions business for paper coatings.
- Sales in Care Chemicals considerably exceeded the level of the previous first quarter, primarily through increased volumes of ingredients for the detergents and cleaners industry as well as the stronger demand for oleochemical surfactants and fatty alcohols. Higher prices in connection with increased raw material prices, together with currency effects, also supported sales growth. EBIT bsi declined slightly compared with Q1 2016. This was predominantly the result of lower margins in the hygiene business – driven downward by ongoing intense competition – as well as higher maintenance costs.
- Sales in Nutrition & Health matched the level of Q1 2016. Portfolio effects dampened sales development. Volumes fell slightly: Increased volumes in the animal nutrition business were only partly able to offset declines in the other business areas. Sales were supported, however, by higher prices overall – especially for vitamins in the animal nutrition business – as well as by positive currency effects. EBIT bsi improved considerably on account of stronger margins.
- Sales in Performance Chemicals rose considerably compared with Q1 2016. This was largely due to higher volumes in all business areas, especially plastic additives, as well as fuel and lubricant additives. Sales volumes increased in all regions, with Asia showing the fastest growth rates. Currency effects also provided a slight boost to sales, while slightly declining prices slowed sales development. EBIT bsi was considerably down year-on-year; the solid volume growth was only partly able to compensate for lower margins.

Functional Materials & Solutions: Sales increased significantly as a result of considerably higher volumes. This was mainly driven by strong demand from the automotive industry. Slightly higher prices and positive currency effects also contributed to the sales increase. Portfolio effects were overall positive: The acquisitions of Chemetall as well as Henkel's Western European Building Material businesses more than offset the sales impact from the divestment of our industrial coatings and polyolefin catalyst activities. EBIT bsi for the segment was up significantly, in particular due to the volume growth and our acquisition of Chemetall.

- Catalysts achieved considerable sales growth compared with Q1 2016. This was largely attributable to higher volumes, especially in the businesses with mobile emissions catalysts and chemical catalysts. Sales were additionally supported by price increases – especially for precious metals – and by currency effects. The divestiture of the polyolefin catalysts business in June 2016 had a slightly negative impact on sales. In precious metal trading, sales rose to €627 million due to the higher price levels and positive currency effects (Q1 2016: €499 million). EBIT bsi grew considerably, mainly as a result of increased volumes.
- Sales rose slightly in Construction Chemicals. This was primarily the result of acquiring the Henkel Group's western European building material business for professional users at the beginning of 2017, in addition to the slight increase in volumes. Prices declined slightly. In Europe, the mentioned acquisition allowed us to considerably boost sales.

Sales grew slightly in North America and considerably in Asia. In the region South America, Africa, Middle East, we posted a considerable sales decline due to reduced volumes in the Middle East and to negative currency effects. EBIT bsi was considerably below Q1 2016. This resulted in part from lower margins on account of higher raw material prices.

- Sales in Coatings grew considerably compared with Q1 2016. This was predominantly attributable to the Chemetall business acquired from Albemarle in December 2016, as well as a sharp increase in sales volumes, primarily of automotive OEM coatings. We experienced positive currency effects and slightly lower prices overall, with price developments varying by region. In the automotive OEM coatings business, volume growth in Asia, Europe and North America led to a considerable increase in sales. Sales were also considerably up in the automotive refinish coatings and decorative paints businesses. We were able to considerably increase EBIT bsi as a result of the acquired Chemetall business and the growth in sales volumes.
- In Performance Materials, sales were considerably above the level of Q1 2016. This was mostly the result of higher sales volumes arising from stronger demand from both the automotive industry and the consumer goods sector in Europe and Asia. In Asia, volumes also increased to the construction sector; higher demand in North America came from the automotive industry in particular. Worldwide, business development was especially positive for polyurethane systems, engineering plastics, thermoplastic polyurethanes and styrene foams. Rising raw material prices led to sales price increases; currency effects, too, helped support sales development. Year-on-year, we slightly raised EBIT bsi as a result of this volume growth.

Agricultural Solutions: Despite continued difficult market conditions, sales came in slightly higher than the prior-year quarter. Higher volumes and positive currency effects contributed to this, while prices were flat.

- Sales to customers in Europe nearly matched the prior-year level. Sales grew considerably in central and eastern Europe. In western Europe, we saw a volume decline.
- Sales in North America increased considerably as a result of positive currency effects and higher volumes. Volumes were up due to higher demand for herbicides, especially for our new solutions Engenia™ and Zidua® PRO.
- Sales in Asia rose considerably. Volumes grew in fungicides due to earlier demand in China and the successful market-launch of Seltima® in India, as well as solid herbicide sales volumes in Indonesia and Australia.
- In the region South America, Africa, Middle East sales increased considerably mainly driven by positive currency effects resulting from the Brazilian real. Higher volumes partially offset lower prices. Especially in Argentina, we have seen strong demand for herbicides. For insecticides, we experienced strong demand in Africa and the Middle East.

In comparison to the very strong prior-year quarter, EBIT bsi declined slightly. This was the result of lower average margins due to a different product mix. Fixed costs rose slightly, among others because of the startup of new plants.

Oil & Gas: Sales increased significantly mainly due to higher oil and gas prices. In Q1 2017, the average price of Brent crude was US$54 per barrel, in the range of our expectations and US$20 higher than in Q1 2016. In addition, gas prices on the European spot markets were significantly above the prior-year quarter. The combined price and currency effect amounted to plus 24%. Sales volumes increased by 12%. While production volumes matched the level of the previous first quarter, sales volumes – especially of natural gas – exceeded the level of Q1 2016. Overall, EBIT bsi increased from €66 million to €170 million, mainly due to higher prices. Higher earnings from our participation in the Yuzhno Russkoye gas field also contributed. Net income in Oil & Gas amounted to €140 million compared to €47 million in Q1 2016.

Other: EBIT bsi declined to minus €250 million, from minus €219 million in the prior-year quarter. This was mainly driven by our long-term incentive (LTI) program: While earnings in Q1 2017 were negatively affected by an increase in provisions, the prior-year quarter benefited from the release of provisions for the LTI program.

Note: With regard to sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. For earnings, "slight" means a change of 1–10%, while "considerable" is used for changes of 11% and higher. "At prior-year level" indicates no change (+/–0%).

Outlook 2017 for BASF Group confirmed

Assumptions for 2017:

- GDP growth: +2.3%
- Growth in industrial production: +2.3%
- Growth in chemical production (excl. pharma): +3.4%
- Exchange rate: US$1.05 per euro
- Oil price (Brent): US$55 per barrel

Outlook 2017:

We confirm the sales and earnings forecast 2017 for the BASF Group made in the BASF Report 2016:

- Considerable (i.e., at least 6%) sales increase
- Slight (i.e., up to 10%) increase in EBIT before special items and in EBIT
- Significant premium on cost of capital with considerable decline in EBIT after cost of capital