

Reporting Factsheet Q4 / FY 2017

BASF Group (million €)	Q4 2017	Q4 2016	Change (%)	FY 2017	FY 2016	Change (%)
Sales	16,099	14,846	8	64,475	57,550	12
EBITDA	2,982	2,487	20	12,724	10,526	21
EBITDA before special items	2,936	2,320	27	12,527	10,327	21
Amortization and depreciation ¹	1,050	1,260	(17)	4,202	4,251	(1)
EBIT	1,932	1,227	58	8,522	6,275	36
Special items	72	47	53	194	(34)	.
EBIT before special items	1,860	1,180	58	8,328	6,309	32
Financial result	(211)	(232)	9	(722)	(880)	18
Income before taxes and minority interests	1,721	995	73	7,800	5,395	45
Net income	1,537	689	123	6,078	4,056	50
EBIT after cost of capital	363	78	365	2,727	1,136	140
Return on assets (%)	–	–	–	10.8	8.2	–
Earnings per share (€)	1.68	0.75	124	6.62	4.42	50
Adjusted earnings per share (€) ²	1.29	0.79	63	6.44	4.83	33
Dividend per share (€)	–	–	–	3.10	3.00	3
Research and development expenses	541	539	0	1,888	1,863	1
Personnel expenses	2,692	2,733	(2)	10,610	10,165	4
Assets (end of period)	78,768	76,496	3	78,768	76,496	3
Investments ³	1,669	4,300	(61)	4,364	7,258	(40)
Equity ratio (end of period, %)	44.1	42.6	–	44.1	42.6	–
Net debt (end of period)	11,485	14,401	(20)	11,485	14,401	(20)
Cash provided by operating activities	1,188	1,877	(37)	8,785	7,717	14
Free cash flow	(202)	647	.	4,789	3,572	34

¹ Amortization of intangible assets, depreciation of property, plant and equipment, impairments and reversals of impairments

² Adjusted for special items and amortization of intangible assets

³ Additions to intangible assets and property, plant and equipment (including acquisitions)

Factors influencing sales in Q4 2017 (changes in %)	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	21	6	21	(6)	0
Performance Products	2	7	1	(5)	(1)
Functional Materials & Solutions	7	2	8	(6)	3
Agricultural Solutions	4	14	(3)	(7)	0
Oil & Gas	(7)	(18)		11	0
BASF Group	8	4	9	(5)	0

Factors influencing sales in FY 2017 (changes in %)	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	27	5	23	(1)	0
Performance Products	4	5	1	(1)	(1)
Functional Materials & Solutions	11	4	5	(1)	3
Agricultural Solutions	2	6	(3)	(1)	0
Oil & Gas	17	4		13	0
BASF Group	12	4	8	(1)	1

Segments

4th Quarter (million €)

	Sales			Income from operations before depreciation and amortization (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*	4,158	3,423	21	1,320	917	44	1,053	629	67	1,026	545	88
Performance Products*	3,832	3,741	2	316	425	(26)	111	237	(53)	81	173	(53)
Functional Materials & Solutions	5,311	4,961	7	452	925	(51)	267	458	(42)	240	724	(67)
Agricultural Solutions	1,328	1,281	4	266	136	96	207	79	162	194	66	194
Oil & Gas	862	922	(7)	642	495	30	260	163	60	436	162	169
Other	608	518	17	(14)	(411)	97	(38)	(386)	90	(45)	(443)	90
	16,099	14,846	8	2,982	2,487	20	1,860	1,180	58	1,932	1,227	57

Full Year (million €)

	Sales			Income from operations before depreciation and amortization (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*	16,331	12,905	27	5,374	3,114	73	4,233	2,032	108	4,208	1,953	115
Performance Products*	16,217	15,558	4	2,427	2,577	(6)	1,416	1,777	(20)	1,510	1,678	(10)
Functional Materials & Solutions	20,745	18,732	11	2,251	2,906	(23)	1,617	1,946	(17)	1,545	2,199	(30)
Agricultural Solutions	5,696	5,569	2	1,282	1,305	(2)	1,033	1,087	(5)	1,015	1,037	(2)
Oil & Gas	3,244	2,768	17	2,069	1,596	30	793	517	53	1,043	499	109
Other	2,242	2,018	11	(679)	(972)	30	(764)	(1,050)	27	(799)	(1,091)	27
	64,475	57,550	12	12,724	10,526	21	8,328	6,309	32	8,522	6,275	36

* On January 1, 2017, the Monomers and Dispersions & Pigments divisions' activities for the electronics industry were merged into the global Electronic Materials business unit and allocated to the Dispersions & Pigments division. For better comparability, the affected figures for 2016 have been adjusted accordingly.

Regions

million €

	Sales by location of company			Sales by location of customer			EBIT by location of company		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
4th Quarter									
Europe	7,343	6,574	12	6,944	6,274	11	936	686	36
Thereof Germany	4,806	4,260	13	2,101	1,819	16	201	70	187
North America	3,839	3,705	4	3,705	3,462	7	228	12	.
Asia Pacific	3,616	3,287	10	3,760	3,495	8	579	417	39
South America, Africa, Middle East	1,301	1,280	2	1,690	1,615	5	189	112	69
	16,099	14,846	8	16,099	14,846	8	1,932	1,227	57
Full Year									
Europe	30,778	27,221	13	29,214	26,039	12	4,742	3,632	31
Thereof Germany	19,873	17,540	13	8,359	7,412	13	1,913	1,582	21
North America	15,937	14,682	9	15,357	14,042	9	1,236	1,113	11
Asia Pacific	13,658	11,512	19	14,343	12,165	18	2,209	1,098	101
South America, Africa, Middle East	4,102	4,135	(1)	5,561	5,304	5	335	432	(22)
	64,475	57,550	12	64,475	57,550	12	8,522	6,275	36

Segments Q4 2017 vs. Q4 2016

Chemicals

Sales increased considerably. Significantly higher prices in all divisions and overall higher volumes were the main drivers for this development. Currency effects impacted sales negatively in all divisions.

- Sales in Petrochemicals increased substantially in all major businesses and regions due to significantly higher volumes and prices. Our petrochemicals business in Europe also benefited from the fact that the North Harbor infrastructure at our Ludwigshafen site is fully operational again.
- In Monomers, sales increased considerably. Significantly higher prices, especially for MDI and TDI, drove this growth. Volumes in Monomers declined slightly, due in part to turnarounds and the force majeure at our Chongqing plant caused by a natural-gas supply-shortage at our syngas supplier.
- Considerably higher sales in Intermediates were driven by higher prices in all businesses and slightly higher volumes.

In a continued favorable market environment, we were able to increase margins, especially for isocyanates, acids and polyalcohols, cracker products in Europe and acrylic monomers. This resulted in an EBIT bsi of almost €1.1 billion, which is more than €400 million above the prior-year quarter. All divisions contributed to this significant increase.

Performance Products

Sales increased slightly. In all divisions, higher volumes more than compensated for negative currency effects. Overall slightly higher prices were offset by negative portfolio effects, mainly from the transfer of BASF's leather chemicals business.

- Sales in Dispersions & Pigments increased. This primarily resulted from higher volumes, especially in the dispersions business in Europe and Asia Pacific, in electronic specialties and pigments. Prices improved slightly.
- In Care Chemicals, sales grew as well. This was driven by higher volumes, particularly in hygiene and personal care solutions, and slightly increased prices.
- In Nutrition & Health, sales remained on the level of Q4 2016. Volumes increased in animal nutrition and in pharmaceutical products. Following the force majeure declaration for citral and isoprenol-based aroma ingredients as well as for vitamin A, E and several carotenoid products, customers ordered significant portions of their allocated volumes already in Q4 2017. We expect to restart the citral plant in Ludwigshafen end of March 2018.
- Sales in Performance Chemicals declined slightly. Considerably higher volumes could not compensate for negative currency and portfolio effects related to the transfer of the leather chemicals business to the Stahl Group. The good volume development was predominantly driven by plastic additives and fuel and lubricant solutions.

Ongoing sales price increases across the segment were not sufficient to compensate for significantly higher raw material prices. Hence, margins remained under pressure. Fixed costs increased, in part due to the startup of new plants, like the aroma ingredients complex and the fuel and lubricant solutions plant, both in Kuantan, Malaysia. Due to the ongoing margin pressure in all divisions and the shutdown of the citral plant in Ludwigshafen, EBIT bsi of Performance Products declined significantly.

Functional Materials & Solutions

Sales grew significantly. Higher prices were the main driver. The acquisition of Chemetall also contributed to the sales increase. Volumes grew on higher demand from our main customer industries. Currency effects had a significantly negative impact on sales.

- On a divisional level, Catalysts delivered a slight sales increase in Q4 2017 due to higher prices. Despite growth in mobile emissions catalysts and battery materials, volumes decreased. This was due to lower precious metals trading volumes against a strong base of comparison. Sales generated by precious metal trading, however, increased from €669 million in the prior-year quarter to €708 million because of considerably higher prices.
- Construction Chemicals reported higher volumes in all regions, most pronounced in Europe. The region South America, Africa, Middle East also reported solid growth despite challenges in Qatar.
- The Coatings division saw a significant sales increase. The integration of the Chemetall business, which developed positively, was the main driver. Volumes grew slightly, driven by good demand for OEM coatings and refinish coatings. Prices were stable.
- In Performance Materials, we were able to raise prices significantly and experienced solid volume growth. The transportation segment showed the most pronounced volume growth, followed by the consumer segment.

EBIT bsi in Functional Materials & Solutions decreased considerably due to lower earnings in all divisions. This mainly resulted from higher raw material and fixed costs. In particular, in our Performance Materials division, we could not fully pass on higher isocyanates prices.

Agricultural Solutions

Sales increased by 4%. Significantly higher volumes more than offset negative currency and price effects. Volumes grew particularly in the Americas, mainly due to higher herbicide sales in North America and higher fungicide sales in South America. Overall, EBIT bsi increased significantly from €79 million to €207 million in the fourth quarter of 2017. This was mainly due to the higher volumes and improved margins. Lower fixed costs also contributed.

- In Europe, sales declined mainly due to lower volumes in the fungicide business.
- Sales in North America increased significantly, driven by higher volumes. In particular, our herbicide business in the U.S. performed very well, driven by our innovative herbicides Engenia® and Zidua®.
- In South America, we were able to slightly increase our sales. As a result of shifting sales closer to the application, volumes were up significantly.
- Sales in Asia were flat. Higher volumes and prices were offset by negative currency effects. All major countries grew – except for Japan, where the market is facing high channel inventories.

Despite continued challenging market conditions, full-year 2017 sales increased by 2% to €5.7 billion due to higher volumes. At more than €1.0 billion, EBIT bsi almost matched the previous year's level. The EBITDA margin reached 23%.

Oil & Gas

Sales declined significantly, mainly due to an 18% decrease in volumes. In the prior-year fourth quarter, we sold a full lifting from offshore Libya. In 2017, the lifting took place back in the second quarter. In addition, we produced less oil and gas in Norway. In 2018, new fields – such as Maria in Norway – will contribute to higher production levels. In Q4 2017, the average price of Brent crude was US\$61 per barrel – US\$12 higher than in the same period of 2016. Gas prices on the European spot markets were also above the level of the prior-year quarter. The combined price and currency effect was plus 11%. Overall, EBIT bsi increased considerably from €163 million to €260 million, mainly due to higher prices. In Q4 2017, special income amounted to €176 million and was related to the necessary reversal of impairments in Norway and the Netherlands. Net income in Oil & Gas increased from €182 million to €318 million.

In 2017, we doubled net income to €719 million and again generated positive free cash flow in Oil & Gas.

Other

EBIT bsi improved from minus €386 million to minus €38 million. This was mainly driven by a swing of around €190 million related to our long-term incentive (LTI) program. While earnings in Q4 2016 were negatively affected by an increase in provisions, Q4 2017 benefited from the release of provisions for the LTI program.

Outlook 2018 for BASF Group

Underlying assumptions for 2018

- GDP growth: +3.0%
- Growth in global industrial production: +3.2%
- Growth in global chemical production (excluding pharma): +3.4%
- Exchange rate: US\$1.20 per €
- Oil price (Brent): US\$65 per barrel
- Annual impact of US\$ change (€ depreciation) -1 US\$-Cent per €: sales: +€200 million; EBIT: +€50 million
- Annual impact of 1 US\$/bbl rise in average oil price (Brent) on Oil & Gas segment: sales: +€25 million; EBIT: +€20 million

Forecast 2018¹

- We anticipate slightly higher sales in 2018.
- EBIT before special items is expected to be up slightly on the 2017 level.
- EBIT is forecast to decline slightly in 2018.
- We aim to once again earn a significant premium on our cost of capital in 2018. However, EBIT after cost of capital will decrease considerably.

¹ This forecast takes into account the agreed transactions with Bayer and Solvay. In contrast, it does not include the intended merger of our oil and gas activities with the business of DEA Deutsche Erdoel AG and its subsidiaries.

EBIT before special items (million €)	Forecast 2018 ²	2017
Chemicals	considerable decline	4,233
Performance Products	considerable increase	1,416
Functional Materials & Solutions	considerable increase	1,617
Agricultural Solutions	slight decline ³	1,033
Oil & Gas	considerable increase	793
Other	slight increase	(764)
BASF Group	slight increase	8,328

² For EBIT before special items, "slight" represents a change of 1-10%, while "considerable" is used for changes of 11% and higher.

³ Excluding the agreed transaction with Bayer, we expect a slight increase in EBIT before special items in Agricultural Solutions.

Forward-looking statements

This factsheet 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. Such risk factors include those discussed in the Opportunities and Risks Report from pages 111 to 118 of the BASF Report 2017. BASF does not assume any obligation to update the forward-looking statements contained in this factsheet above and beyond the legal requirements.