Analyst Conference Call Q3 2017
Speech (including slides)
October 24, 2017

We create chemistry

Analyst Conference Call – Speech

Kurt Bock, Chairman of the Board of Executive Directors

Hans-Ulrich Engel, Chief Financial Officer

The spoken word applies.

Cautionary note regarding forward-looking statements

This presentation 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 presentation.

BASF Group Q3 2017

Considerably higher sales and earnings

Financial figures	Q3 2017	Q3 2016	Change
Sales	€15.3 billion	€14.0 billion	9%
EBITDA before special items	€2.8 billion	€2.5 billion	12%
EBITDA	€3.0 billion	€2.4 billion	23%
EBIT before special items	€1.8 billion	€1.5 billion	16%
EBIT	€2.0 billion	€1.5 billion	34%
Net income	€1.3 billion	€0.9 billion	50%
Reported EPS	€1.45	€0.97	49%
Adjusted EPS	€1.40	€1.10	27%
Operating cash flow	€3.8 billion	€2.5 billion	52%

Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2017 vs. Q3 2016	↑ 4%	↑ 7%	↑ 1%	↓ (3%)

Kurt Bock

Ladies and gentlemen, good morning and thank you for joining us.

[Chart 3: BASF Group Q3 2017: Considerably higher sales and earnings]

In the third quarter of 2017, the positive demand development continued. Despite strong comparables in the prior-year quarter, we achieved solid volume growth.

Overall, we considerably increased sales and earnings. Our earnings mix was again characterized by strong results in the Chemicals segment. In contrast, sales price increases in our downstream businesses could only partially offset significantly higher raw material prices; thus margins remained under pressure. Overall, EBIT before special items in our chemicals business – which comprises the Chemicals, Performance Products and Functional Materials & Solutions segments – has improved by 29 percent compared to the prior-year quarter.

Turning to the financial figures compared to Q3 2016 in more detail:

- Sales increased by 9 percent to 15.3 billion euros. This was mainly due to higher volumes and prices. Volumes increased by 4 percent, supported by all segments. We achieved year-on-year volume growth for the sixth consecutive quarter. We raised sales prices by 7 percent, especially in Chemicals. Currency effects amounted to minus 3 percent, while portfolio effects positively impacted sales by 1 percent.
- EBITDA before special items increased by 12 percent to 2.8 billion euros, EBITDA increased by 23 percent to 3.0 billion euros.

- At 1.8 billion euros, EBIT before special items came in 16 percent higher due to considerably higher earnings in our Chemicals segment.
- We received another insurance payment of around 60 million euros related to business interruption losses incurred in Q2 2017 following last year's accident in Ludwigshafen. The hurricanes in the U.S. had a negative earnings impact of around 50 million euros. Both amounts mainly pertained to the Chemicals segment.
- At 2.0 billion euros, EBIT was 34 percent higher than in the same period last year. Special items amounted to plus 198 million euros in total and were mainly related to the closing of the transfer of BASF's leather chemicals business to the Stahl Group; this resulted in a special income of 203 million euros.
- The tax rate was 20.5 percent, compared to 17.3 percent in Q3 2016. The prior-year quarter benefited from the release of tax provisions for previous years. Furthermore, earnings contributions from high-tax countries increased.
- At 1.3 billion euros, net income rose by 50 percent compared with the prior-year quarter. Earnings per share were 1.45 euros in Q3 2017 versus 0.97 euros. Adjusted earnings per share rose by 27 percent and amounted to 1.40 euros.
- Cash provided by operating activities rose from 2.5 billion euros to 3.8 billion euros due to lower net working capital. Furthermore, the operating cash flow was supported by the higher net income. Free cash flow amounted to 2.8 billion euros compared to 1.6 billion euros in the prior-year quarter.

BASF to acquire Solvay's global polyamide business

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Broader global scope
- Enhanced presence, especially in Asia and South America
- Stronger capabilities to serve global and regional customers

Wider range of engineering plastics
- Technyl®, Ultramid®, Ultradur®, Ultraform®, Ultracom®

Broadening technical skills and innovation capabilities*
- Heat-resistant and high-voltage electrical and electronic parts
- Tailor-made solutions for components in automotive
- Mechanically strong and thermally stable consumer goods

Improved reliability of supply
- Backward integration into all key raw materials for polyamide 6.6
- Fully integrated engineering plastics value chain

 * Application examples

[Chart 4: BASF to acquire Solvay's global polyamide business]

We continue to implement our "We create chemistry" strategy. In addition to organic growth, acquisitions are a key strategic lever to achieve our targets. We want to acquire businesses which generate profitable growth above the industry average, are innovation-driven, offer a special value proposition to our customers, and reduce the earnings cyclicality of BASF. In addition, we have clear financial acquisition criteria in place.

During recent weeks, we announced two major transactions which perfectly meet our criteria:

In September, BASF and Solvay signed an agreement related to the sale of Solvay's integrated global polyamide business to BASF for a purchase price of 1.6 billion euros on a cash and debt-free basis. The acquisition will support BASF's aim to grow profitably in innovation and solution-focused downstream businesses. The acquisition complements BASF's engineering plastics portfolio and expands the company's position as a solution provider for the transportation, construction, industrial applications and consumer industries. Regionally, the transaction enhances access to key growth markets in Asia and South America. At the same time, the purchase will strengthen our polyamide 6.6 value chain through increased polymerization capacities and backward integration into the key raw material ADN.

In 2016, net sales of the business to be purchased from Solvay amounted to 1.3 billion euros and EBITDA to around 200 million euros. According to French law, the intended transaction is subject to consultations with the relevant social bodies of Solvay, following which, both companies will enter a binding purchase agreement.

Solvay and BASF aim to close the transaction in the third quarter 2018, pending customary regulatory approvals and the consent of a joint venture partner.

BASF signed agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses

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Fully enabled seed and trait businesses

- Attractive and sizeable seed portfolio for canola/oilseed rape, soybean and cotton in the Americas and Europe
- Excellent trait research for canola, soybean and cotton
- LibertyLink® technology for herbicide tolerance and related trademarks

Complementary crop protection business

- Global glufosinate-ammonium-based non-selective herbicide business
- State-of-the-art production facilities in the U.S., Canada and Germany

BASF Q3 2017 Analyst Conference Call, October 24, 2017 5

[Chart 5: BASF signed agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses]

In October, BASF signed an agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses. The all-cash purchase price is 5.9 billion euros, subject to certain adjustments at closing. The transaction will be an asset deal. The assets to be acquired include Bayer's global glufosinate-ammonium non-selective herbicide business, commercialized under the Liberty®, Basta® and Finale® brands, as well as its seed businesses for key row crops in select markets:

- canola hybrids in North America under the InVigor® brand using the LibertyLink® trait technology,
- oilseed rape mainly in European markets,
- cotton in the Americas and Europe, as well as
- soybean in the Americas.

The acquisition also includes Bayer's trait research and breeding capabilities for these crops and the LibertyLink® trait and trademark.

In 2016, these businesses generated sales of around 1.3 billion euros and an EBITDA of around 385 million euros. The transaction is subject to the closing of Bayer's acquisition of Monsanto and approval by relevant authorities. It is expected to close in Q1 2018.

With this investment, we are seizing the opportunity to acquire highly attractive assets in key row crops and markets. It will be a strategic complement to BASF's well-established and successful crop protection business as well as to our own activities in biotechnology.

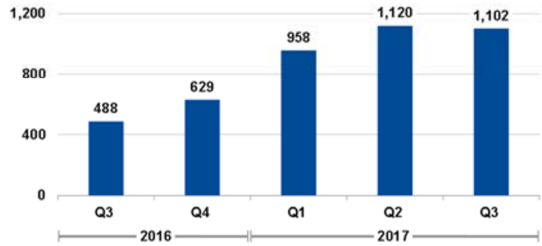
I will now hand things over to Hans, who will provide more details on the development of the segments.

Chemicals

Higher earnings driven by increased margins and higher volumes

Sales Q3 2017 vs. Q3 2016*
million €

EBIT before special items*
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2017 vs. Q3 2016	↑ 6%	↑ 22%	0%	↓ (3%)

* Effective January 1, 2017, the Monomers and Dispersions & Pigments divisions' activities for the electronics industry were combined into the global Electronic Materials business unit and allocated to the Dispersions & Pigments division in the Performance Products segment. The 2016 figures have been adjusted accordingly.

Hans-Ulrich Engel

Good morning ladies and gentlemen,

Let me highlight the financial performance of each segment compared to the third quarter of 2016.

[Chart 6: Chemicals – Higher earnings driven by increased margins and higher volumes]

Sales in **Chemicals** increased considerably. Higher volumes and significantly higher prices in all divisions were the main driver for this development. Currency effects impacted sales negatively. In a continued favorable market environment, we were able to increase margins in isocyanates, acrylic monomers, cracker products in Europe, and butanediol and derivatives. This resulted in an EBIT before special items of 1.1 billion euros, which is more than 600 million euros above the prior-year quarter. All divisions contributed to this significant increase. The hurricanes in the U.S. had a negative impact on earnings.

Performance Products

EBIT before special items declined, EBIT increased due to special income from transfer of leather chemicals business

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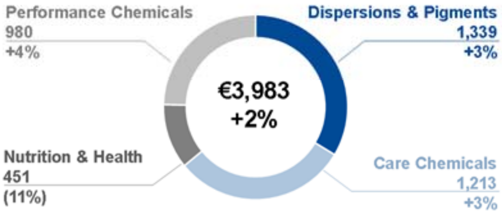
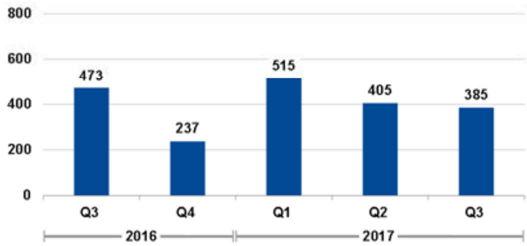
Sales Q3 2017 vs. Q3 2016*
million €



EBIT before special items*
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2017 vs. Q3 2016	↑ 6%	0%	↓ (1%)	↓ (3%)

* Effective January 1, 2017, the Monomers and Dispersions & Pigments divisions' activities for the electronics industry were combined into the global Electronic Materials business unit and allocated to the Dispersions & Pigments division in the Performance Products segment. The 2016 figures have been adjusted accordingly.

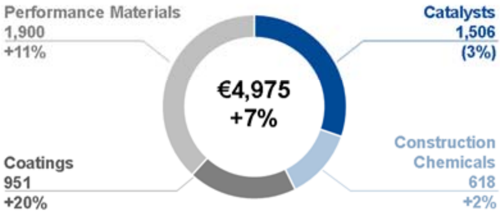
[Chart 7: Performance Products – EBIT before special items declined, EBIT increased due to special income from transfer of leather chemicals business]

Sales in **Performance Products** increased slightly. Higher volumes in all divisions compensated for negative currency and portfolio effects. Higher prices in Dispersions & Pigments and Care Chemicals were largely offset by significantly lower prices in Nutrition & Health, mainly in vitamins. Overall, sales prices were stable. As raw material prices increased, margins remained under pressure. Therefore, EBIT before special items declined considerably. EBIT increased by 21 percent due to the special income in Performance Chemicals attributable to the transfer of BASF's leather chemicals business to Stahl. BASF now holds a 16 percent stake in the Stahl Group.

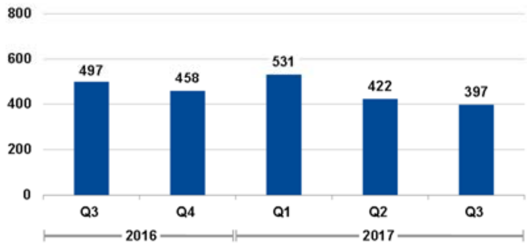
Functional Materials & Solutions

Sales increased on good demand from automotive and construction, earnings declined

Sales Q3 2017 vs. Q3 2016
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2017 vs. Q3 2016	0%	↑ 6%	↑ 4%	↓ (3%)

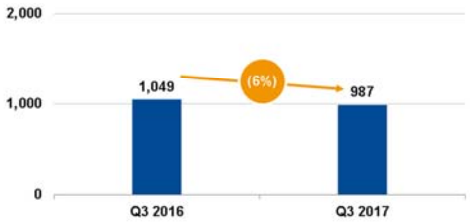
[Chart 8: Functional Materials & Solutions – Sales increased on good demand from automotive and construction, earnings declined]

In **Functional Materials & Solutions** sales rose considerably. This was mainly driven by higher prices and the acquisition of Chemetall. The positive portfolio effects more than compensated the negative currency effects. Volumes rose in every division except Catalysts, where we posted a considerable decline in precious metal trading volumes. We continued to see good demand from the automotive and the construction industries. EBIT before special items did not reach the strong prior-year level, as our initiatives to increase prices could not offset significantly higher raw material prices.

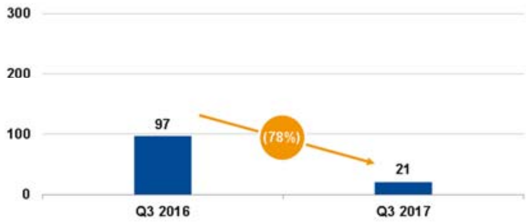
Agricultural Solutions

Earnings decreased, primarily due to the difficult market situation in Brazil

Sales Q3 2017 vs. Q3 2016
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2017 vs. Q3 2016	↑ 5%	↓ (8%)	0%	↓ (3%)

[Chart 9: Agricultural Solutions – Earnings decreased, primarily due to the difficult market situation in Brazil]

The **Agricultural Solutions** segment continues to face challenging market conditions. Sales decreased significantly mainly due to the weak business development in Brazil and negative currency effects. Overall, we were able to increase volumes by 5 percent, largely driven by higher demand for our herbicides.

- Sales rose considerably in **Europe**. This was mainly due to higher herbicide and fungicide volumes, particularly in central and eastern Europe.
- Sales in **North America** were up slightly on the prior-year quarter. We increased herbicide volumes with our innovation Engenia® and fungicide volumes with Xemium®. Negative currency effects slowed sales growth.
- Business in the region **South America, Africa, Middle East** continued to be dominated by the difficult situation in Brazil; sales decreased considerably. With the market environment deteriorating, farmers' economic situation remained strained and competitive pressure was high. This pushed down prices and sales volumes, especially of fungicides and insecticides. Negative currency effects also contributed to the decline in sales.
- We increased sales considerably in **Asia**, mainly due to volume growth with fungicide innovations in India as well as higher volumes in South Korea and Southeast Asia.

Compared with the prior-year quarter, EBIT before special items declined considerably. This resulted primarily from the difficult market situation in Brazil and the lower average margins due to an unfavorable product mix. Furthermore, the recent hurricanes led to shutdowns of our production facilities in Beaumont, Texas, and Manatí, Puerto Rico.

Oil & Gas

Higher oil and gas prices and volumes, EBIT before special items lower due to one-time earnings effects in the prior-year quarter

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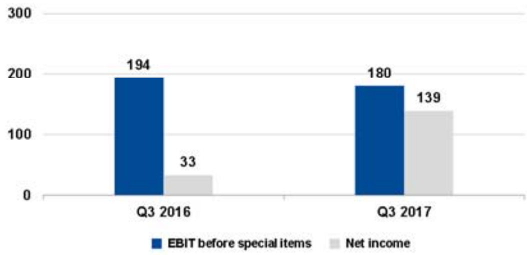
Sales Q3 2017 vs. Q3 2016
million €

EBIT before special items, net income
million €



Sales development	Volumes	Prices/Currencies	Portfolio
Q3 2017 vs. Q3 2016	↑ 9%	↑ 11%	0%

[Chart 10: Oil & Gas – Higher oil and gas prices and volumes, EBIT before special items lower due to one-time earnings effects in the prior-year quarter]

Sales in **Oil & Gas** increased significantly due to higher oil and gas prices and higher volumes. The average price of Brent crude in Q3 2017 was 52 U.S. dollars per barrel compared with 46 U.S. dollars in the prior-year quarter. In addition, gas prices on the European spot markets were significantly above the same period last year. Sales volumes – especially of natural gas – exceeded the level of Q3 2016 by 9 percent. Production volumes were slightly higher compared to the prior-year quarter. The combined price and currency effect amounted to plus 11 percent.

Overall, EBIT before special items was slightly below the prior-year quarter, which benefited from one-time earnings effects related to contract renegotiations. EBIT increased considerably due to special income from the sale of shares in a concession in Argentina. Net income in Oil & Gas increased from 33 million euros to 139 million euros in Q3 2017.

Review of "Other"

million €		Q3 2017	Q3 2016
Sales		**548**	**538**
EBIT before special items		**(325)**	**(233)**
Thereof	Costs of corporate research	(93)	(77)
	Costs of corporate headquarters	(57)	(54)
	Foreign currency results, hedging and other measurement effects	(116)	(101)
	Other businesses	13	15
Special items		(5)	(23)
EBIT		**(330)**	**(256)**

[Chart 11: Review of “Other”]

EBIT before special items in Other declined to minus 325 million euros, from minus 233 million euros in the prior-year quarter. This was partly due to an increase of provisions for our long-term incentive program.

Cash flow development Q1 – Q3 2017

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million €		Q1 – Q3 2017	Q1 – Q3 2016
Cash provided by operating activities		**7,597**	**5,840**
Thereof	Changes in net working capital	94	(393)
	Miscellaneous items	(190)	(172)
Cash used in investing activities		**(3,413)**	**(2,776)**
Thereof	Payments made for tangible / intangible assets	(2,606)	(2,915)
	Acquisitions / divestitures	(44)	212
Cash used in financing activities		**(1,546)**	**(1,898)**
Thereof	Changes in financial liabilities	1,276	837
	Dividends	(2,841)	(2,753)
Free cash flow		**4,991**	**2,925**

[Chart 12: Cash flow development Q1 – Q3 2017]

Let’s now turn to our cash flow development for the first nine months of 2017:

- Cash provided by operating activities increased by 1.8 billion euros to 7.6 billion euros. This was largely due to the higher net income.
- At 3.4 billion euros, cash used in investing activities was 637 million euros higher than in the first nine months of 2016. One factor here was the increase in financing-related receivables. Moreover, fewer payments were received from the disposal of assets and divestitures. Payments made for tangible and intangible assets decreased by 11 percent and amounted to 2.6 billion euros.
- Free cash flow rose from 2.9 billion euros to 5.0 billion euros in the first nine months of 2017.
- Financing activities led to a cash outflow of 1.5 billion euros, compared to an outflow of 1.9 billion euros in the first nine months of 2016.

And with that, back to Kurt for the outlook.

Outlook 2017 for BASF Group

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Outlook 2017	Now	Previous
Sales	Considerable increase	Considerable increase
EBIT before special items and EBIT	Considerable increase	Considerable increase
EBIT after cost of capital	Considerable increase	Slight increase

Assumptions 2017	Now	Previous
GDP growth	+2.8%	+2.5%
Growth in industrial production	+3.1%	+2.5%
Growth in chemical production*	+3.4%	+3.4%
Exchange rate	US$1.10 per euro	US$1.10 per euro
Oil price (Brent)	US$50 per barrel	US$50 per barrel

BASF Q3 2017 Analyst Conference Call, October 24, 2017 * Excluding pharma 13

Kurt Bock

[Chart 13: Outlook 2017 for BASF Group]

Today, we are confirming our 2017 outlook for sales, EBIT before special items, and EBIT of the BASF Group:

- We expect BASF Group **sales** to grow considerably in 2017.
- We target to considerably raise **EBIT before special items** compared with 2016. This forecast considers the very strong performance of the Chemicals segment during the first three quarters of this year.
- **EBIT** is also expected to grow considerably in 2017.
- We strive to once again earn a significant premium on our cost of capital in 2017. Deviating from our forecast at the end of July, we expect **EBIT after cost of capital** to increase considerably and not only slightly.

For the second half of 2017, we now expect that EBIT before special items will considerably surpass the level of the second half of 2016. As shown on the slide, we slightly increased our underlying assumptions for the GDP growth and the growth in industrial production. We did not adapt our exchange rate and oil price assumptions. This implies a slight upside potential from the oil price and a slight downside potential from the euro/dollar exchange rate.

And now, we are happy to take your questions.