

# Quarterly Statement

## 3rd Quarter 2017



### **BASF Group sales and earnings grow considerably in third quarter of 2017**

- Sales up 9% to €15.3 billion
- EBIT before special items increased by 16% to €1.8 billion
- Outlook for 2017: BASF continues to expect considerable growth in sales, EBIT before special items and EBIT

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# Key Figures

## BASF Group 3rd Quarter 2017

		3rd Quarter			January – September		
		2017	2016	Change in %	2017	2016	Change in %
Sales	million €	15,255	14,013	9	48,376	42,704	13
Income from operations before depreciation, amortization and special items	million €	2,793	2,490	12	9,591	8,007	20
Income from operations before depreciation and amortization (EBITDA)	million €	3,007	2,437	23	9,742	8,039	21
Amortization and depreciation <sup>1</sup>	million €	1,049	973	8	3,152	2,991	5
Income from operations (EBIT)	million €	1,958	1,464	34	6,590	5,048	31
Special items	million €	198	(52)	.	122	(81)	.
EBIT before special items	million €	1,760	1,516	16	6,468	5,129	26
Financial result	million €	(185)	(283)	35	(511)	(648)	21
Income before taxes and minority interests	million €	1,773	1,181	50	6,079	4,400	38
Net income	million €	1,336	888	50	4,541	3,367	35
EBIT after cost of capital	million €	693	180	285	2,364	1,058	123
Earnings per share	€	1.45	0.97	49	4.94	3.67	35
Adjusted earnings per share	€	1.40	1.10	27	5.15	4.04	27
Research and development expenses	million €	455	426	7	1,347	1,324	2
Personnel expenses	million €	2,709	2,509	8	7,918	7,432	7
Number of employees (September 30)		115,319	112,055	3	115,319	112,055	3
Assets (September 30)	million €	76,023	73,103	4	76,023	73,103	4
Investments including acquisitions <sup>2</sup>	million €	982	992	(1)	2,695	2,958	(9)
Equity ratio (September 30)	%	43.9	40.7	8	43.9	40.7	8
Net debt (September 30)	million €	12,268	12,296	0	12,268	12,296	0
Cash provided by operating activities	million €	3,795	2,501	52	7,597	5,840	30
Free cash flow	million €	2,831	1,565	81	4,991	2,925	71

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Additions to intangible assets and property, plant and equipment

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# Business Review

## BASF Group 3rd Quarter 2017

### Significant Events

On September 18, 2017, BASF and Solvay signed an agreement on the acquisition of Solvay's global polyamide business by BASF. The purchase price on a cash and debt-free basis is €1.6 billion. According to applicable laws, the intended transaction is subject to consultations with the relevant social bodies of Solvay. Solvay and BASF aim to close the transaction in the third quarter of 2018 after regulatory approvals have been obtained and the consent of a joint venture partner has been received. The acquisition would complement BASF's engineering plastics portfolio and expand the company's position as a solutions provider for the transportation, construction and consumer goods industries as well as for other industrial applications. Solvay's global polyamide business includes some 2,400 employees worldwide. BASF plans to integrate this business into the Performance Materials and Monomers divisions.

On October 2, 2017, BASF and the Stahl group of companies announced the closing of the transfer of BASF's leather chemicals business to the Stahl group. Stahl took over operations as of September 30, 2017. In return, BASF received a 16% share in the Stahl group as well as a payment.

On October 13, 2017, BASF and Bayer signed an agreement on BASF's acquisition of significant parts of Bayer's seed and non-selective herbicide businesses. Bayer intends to divest these assets in connection with the planned acquisition of Monsanto. The purchase price amounts to €5.9 billion<sup>1</sup>, subject to certain adjustments at closing. The agreement involves over 1,800 employees worldwide. The transaction is expected to close in the first quarter of 2018, subject to the closing of Bayer's acquisition of Monsanto and approval by the relevant authorities. With this acquisition, BASF aims to strengthen its herbicide portfolio and enter into its own seed business in key agricultural markets.

### Results of Operations

BASF Group **sales** rose by €1,242 million compared with the prior-year quarter to €15,255 million. This was primarily attributable to good volumes development as well as significantly higher sales prices in the Chemicals segment. Sales were also lifted by the Chemetall business, acquired in December 2016. All segments recorded slightly negative currency effects.

#### Factors influencing BASF Group sales, 3rd Quarter 2017

Volumes	4%	
Prices	7%	
Portfolio	1%	
Currencies	(3%)	
<b>Sales</b>	<b>9%</b>	

The strong contribution from the Chemicals segment lifted **income from operations (EBIT) before special items**<sup>2</sup> by €244 million to €1,760 million. We recorded a slight decrease in EBIT before special items in the Oil & Gas segment and a considerable decline in the remaining segments and in Other. EBIT before special items in the chemicals business<sup>3</sup> grew by

€426 million to €1,884 million. This included insurance payments of €60 million for the accident at the North Harbor of the Ludwigshafen site in October 2016, an amount that predominantly pertained to the Chemicals segment.

**Special items** in EBIT totaled €198 million in the third quarter of 2017, compared with minus €52 million in the prior-year quarter. This was mainly due to special income of €203 million in the Performance Products segment from the transfer of BASF's leather chemicals business to the Stahl group. The figure for the third quarter of 2016 primarily related to expenses for restructuring measures.

**EBIT**<sup>4</sup> rose by €494 million compared with the third quarter of 2016 to €1,958 million.

Compared with the prior-year quarter, **income from operations before depreciation, amortization and special items (EBITDA before special items)**<sup>5</sup> increased by €303 million to €2,793 million and **EBITDA**<sup>5</sup> by €570 million to €3,007 million.

<sup>1</sup> The purchase price does not include the value of net working capital.

<sup>2</sup> For an explanation of this figure, see the BASF Report 2016, page 28.

<sup>3</sup> Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

<sup>4</sup> The calculation of income from operations (EBIT) is shown in the Statement of Income on page 16.

<sup>5</sup> For an explanation of this figure, see the BASF Report 2016, page 53.

**EBITDA before special items, 3rd Quarter** (million €)

	2017	2016
EBIT	1,958	1,464
– Special items	198	(52)
<b>EBIT before special items</b>	<b>1,760</b>	<b>1,516</b>
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets before special items	1,033	974
<b>EBITDA before special items</b>	<b>2,793</b>	<b>2,490</b>

**EBITDA, 3rd Quarter** (million €)

	2017	2016
EBIT	1,958	1,464
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets	1,049	973
<b>EBITDA</b>	<b>3,007</b>	<b>2,437</b>

The **financial result** improved by €98 million to minus €185 million. This was predominantly an effect of lower interest expenses and higher interest income.

**Income before taxes and minority interests** rose by €592 million to €1,773 million. The tax rate increased from 17.3% to 20.5%. This was primarily due to the reversal of provisions for taxes in the previous year as well as an increase in earnings contributions from countries with higher tax rates. Minority interests declined by €16 million to €73 million.

**Net Assets**

At €76,023 million, **total assets** were down on the 2016 year-end figure (€76,496 million). **Noncurrent assets** declined by €2,960 million to €47,590 million, mainly due to lower property, plant and equipment and intangible assets. This was largely the result of amortization, depreciation and impairments

**Net income** rose by €448 million to €1,336 million.

**Earnings per share** were €1.45 in the third quarter of 2017, compared with €0.97 in the prior-year quarter. **Earnings per share adjusted<sup>1</sup>** for special items and amortization of intangible assets amounted to €1.40 (prior-year quarter: €1.10).

**Adjusted earnings per share, 3rd Quarter** (million €)

	2017	2016
Income before taxes and minority interests	1,773	1,181
– Special items	198	(52)
+ Amortization and valuation allowances on intangible assets	134	122
– Amortization and valuation allowances on intangible assets contained in special items	(4)	–
<b>Adjusted income before taxes and minority interests</b>	<b>1,713</b>	<b>1,355</b>
– Adjusted income taxes	353	254
<b>Adjusted income before minority interests</b>	<b>1,360</b>	<b>1,101</b>
– Adjusted minority interests	69	87
<b>Adjusted net income</b>	<b>1,291</b>	<b>1,014</b>
Weighted average number of outstanding shares	918,479	918,479
<b>Adjusted earnings per share</b>	<b>€ 1.40</b>	<b>1.10</b>

that exceeded the level of investments as well as currency effects. The €2,487 million increase in **current assets** to €28,433 million was primarily attributable to higher cash and cash equivalents.

<sup>1</sup> For an explanation of this figure, see the BASF Report 2016, page 53.

## Financial Position

**Equity** increased from €32,568 million to €33,341 million compared with December 31, 2016. Income before minority interests exceeded the dividend payment by €1.8 billion. By contrast, other comprehensive income declined; actuarial gains were more than offset by negative currency translation effects. The equity ratio rose from 42.6% to 43.9%.

**Noncurrent liabilities** declined from €28,611 million to €28,405 million. This was primarily due to the €1,412 million decrease in provisions for pensions and similar obligations, particularly as a result of actuarial gains. Other contributing factors included the decline in deferred tax liabilities and other provisions. The €1,701 million increase in noncurrent financial indebtedness had an offsetting effect. This was predominantly the result of the bonds issued in the first half of the year, which had a nominal value of €1.9 billion.

**Current liabilities** declined from €15,317 million to €14,277 million, mainly due to the €1,799 million decrease in current financial indebtedness. This was primarily brought about by the scaling back of the U.S. dollar commercial paper program and lower liabilities to credit institutions. This development was contrasted especially by higher provisions and other liabilities.

Overall, **financial indebtedness** decreased by €98 million to €16,214 million. **Net debt**<sup>1</sup> declined by €2,133 million as against December 31, 2016, to €12,268 million.

### Net debt (million €)

	Sep. 30, 2017	Dec. 31, 2016
Noncurrent financial indebtedness	14,246	12,545
+ Current financial indebtedness	1,968	3,767
<b>Financial indebtedness</b>	<b>16,214</b>	<b>16,312</b>
– Marketable securities	27	536
– Cash and cash equivalents	3,919	1,375
<b>Net debt</b>	<b>12,268</b>	<b>14,401</b>

At €3,795 million, **cash provided by operating activities** in the third quarter of 2017 was up by €1,294 million on the prior-year figure, predominantly due to the rise in net income as well as the larger amount of released funds from net working capital. The latter was especially driven by the sharper increase in operating liabilities and other provisions.

**Cash used in investing activities** amounted to €1,048 million in the third quarter of 2017, compared with €788 million in the same quarter of the previous year. The lower level of net payments received from acquisitions and divestitures year-on-year was one contributing factor, along with the higher amount of cash tied down in financing-related receivables. At €964 million, payments made for property, plant and equipment and intangible assets were slightly above the level of the third quarter of 2016.

**Cash used in financing activities** amounted to €660 million in the third quarter of 2017, compared with €84 million in the same quarter of the previous year. This was largely due to the increased repayment of financial indebtedness, especially as a result of the scaling back of BASF SE's U.S. dollar commercial paper program.

**Free cash flow** amounted to €2,831 million, compared with €1,565 million in the same quarter of 2016. The increase was attributable to the higher amount of cash provided by operating activities.

### Free cash flow, 3rd Quarter (million €)

	2017	2016
Cash provided by operating activities	3,795	2,501
– Payments made for property, plant and equipment and intangible assets	964	936
<b>Free cash flow</b>	<b>2,831</b>	<b>1,565</b>

Our **ratings** have remained unchanged since the publication of the BASF Report 2016. Rated "A1/P-1/outlook stable" by Moody's, "A/A-1/outlook stable" by Standard & Poor's and "A/S-1/outlook stable" by Scope, BASF enjoys good credit ratings, especially compared with competitors in the chemical industry. These ratings were last confirmed in October 2017 (Moody's: October 17; Standard & Poor's: October 18; Scope: October 18).

<sup>1</sup> For an explanation of this figure, see the BASF Report 2016, page 56.

## Outlook

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We have adjusted our expectations for the **global economic environment in 2017** as follows (forecast from the Half-Year Financial Report 2017 in parentheses):

- Growth of gross domestic product: 2.8% (2.5%)
- Growth in industrial production: 3.1% (2.5%)
- Growth in chemical production: 3.4% (3.4%)
- Average euro/dollar exchange rate of \$1.10 per euro (\$1.10 per euro)
- Average Brent blend oil price for the year of \$50 per barrel (\$50 per barrel)

The **statements on opportunities and risks** made in the BASF Report 2016 continue to apply. For the fourth quarter of 2017, we continue to expect considerable risks from currency and margin volatility. There is still a risk of a global economic slowdown – due in part to the increased tendency toward protectionism – as well as a risk of escalating geopolitical conflicts. Our overall assessment of opportunities and risks remains principally valid.

 For more detailed information, see the BASF Report 2016 in the Opportunities and Risks Report from page 111 to 118

Sales and earnings development<sup>1</sup> in the Chemicals segment in the third quarter of 2017 exceeded our expectations. As a result, we now expect the BASF Group's EBIT before special items for the second half of 2017 to considerably exceed the level of the second half of 2016.

With the exception of the forecast for EBIT after cost of capital, we are maintaining our **2017 forecast** for the BASF Group (previous forecast from the Half-Year Financial Report 2017 in parentheses):

- Considerable sales increase (considerable increase)
- Considerable increase in EBIT before special items and EBIT (considerable increase)
- Significant premium on cost of capital with considerable increase in EBIT after cost of capital<sup>2</sup> (slight increase in EBIT after cost of capital)

 Sales and earnings forecast for the BASF Group presented on page 6 of the Half-Year Financial Report 2017 and page 122 of the BASF Report 2016

<sup>1</sup> With reference to sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. "At prior-year level" indicates no change (+/-0%). 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%).

<sup>2</sup> For an explanation of this figure, see the BASF Report 2016, page 28.

# Chemicals

## Segment data Chemicals<sup>1</sup> (million €)

	3rd Quarter			January – September		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	4,023	3,227	25	12,173	9,482	28
Thereof Petrochemicals	1,525	1,310	16	4,759	3,828	24
Monomers	1,770	1,255	41	5,177	3,666	41
Intermediates	728	662	10	2,237	1,988	13
Income from operations before depreciation and amortization (EBITDA)	1,430	761	88	4,054	2,197	85
Amortization and depreciation <sup>2</sup>	341	271	26	872	789	11
Income from operations (EBIT)	1,089	490	122	3,182	1,408	126
Special items	(13)	2	.	2	5	(60)
EBIT before special items	1,102	488	126	3,180	1,403	127
Assets (September 30)	12,743	12,520	2	12,743	12,520	2
Investments including acquisitions <sup>3</sup>	232	253	(8)	645	845	(24)
Research and development expenses	31	34	(9)	91	106	(14)

<sup>1</sup> 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.

<sup>2</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>3</sup> Additions to intangible assets and property, plant and equipment

## 3rd Quarter 2017

Sales in the Chemicals segment were up significantly on the prior-year quarter. This was largely due to higher prices in all divisions, especially in Monomers. We also significantly increased sales volumes. Currency effects slightly dampened sales in all divisions. Income from operations (EBIT) before special items rose considerably. This was mainly a result of higher margins, especially in the Monomers division. The negative impact on earnings in the third quarter of 2017 caused by the North Harbor accident at the Ludwigshafen site was compensated by insurance payments. Fixed costs rose slightly.

### Factors influencing sales, Chemicals 3rd Quarter 2017

Volumes	6%	
Prices	22%	
Portfolio	0%	
Currencies	(3%)	
<b>Sales</b>	<b>25%</b>	

## Petrochemicals

In the Petrochemicals division, sales considerably exceeded the prior-year figure due to higher prices and volumes. Contributing significantly to this development were steam cracker products in Europe, where we achieved higher sales prices and volumes. EBIT before special items increased considerably. This was largely due to a decrease in fixed costs

resulting primarily from insurance payments in connection with the accident at the North Harbor. Margins improved worldwide, particularly for acrylic monomers and steam cracker products in Europe.

## Monomers

Sales in the Monomers division rose considerably compared with the third quarter of 2016, mostly as a result of strong price increases in the isocyanates business. The isocyanates business also drove considerable volumes growth, largely through our new production facilities. There was a considerable increase in EBIT before special items. This was mainly due to higher margins, particularly for isocyanates. Earnings were also positively impacted by the restructuring of our caprolactam production in Europe. Fixed costs were above the level of the prior-year quarter.

## Intermediates

We also achieved considerable sales growth in the Intermediates division. This was due to price increases on the back of higher raw materials prices, particularly in the butanediol and derivatives business. Volumes were on a level with the prior-year quarter. Negative currency effects and the divestiture of the Evans City, Pennsylvania, site in the first quarter of 2017 slightly dampened sales growth. EBIT before special items rose considerably, mainly as a result of improved margins. This was contrasted by higher fixed costs from new plants and the expansion of capacities in the United States, Asia and Europe.

## Performance Products

### Segment data Performance Products<sup>1</sup> (million €)

	3rd Quarter			January – September		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	3,983	3,921	2	12,385	11,817	5
Thereof						
Dispersions & Pigments	1,339	1,297	3	4,173	3,913	7
Care Chemicals	1,213	1,175	3	3,838	3,557	8
Nutrition & Health	451	504	(11)	1,401	1,489	(6)
Performance Chemicals	980	945	4	2,973	2,858	4
Income from operations before depreciation and amortization (EBITDA)	788	688	15	2,111	2,152	(2)
Amortization and depreciation <sup>2</sup>	221	221	–	682	647	5
Income from operations (EBIT)	567	467	21	1,429	1,505	(5)
Special items	182	(6)	.	124	(35)	.
EBIT before special items	385	473	(19)	1,305	1,540	(15)
Assets (September 30)	14,595	14,677	(1)	14,595	14,677	(1)
Investments including acquisitions <sup>3</sup>	143	199	(28)	516	575	(10)
Research and development expenses	92	95	(3)	282	291	(3)

<sup>1</sup> 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.

<sup>2</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>3</sup> Additions to intangible assets and property, plant and equipment

### 3rd Quarter 2017

Sales in the Performance Products segment increased slightly compared with the third quarter of 2016 as a result of volumes growth in all divisions. Sales prices were on a level with the prior-year quarter: Price increases in the Dispersions & Pigments and Care Chemicals divisions were largely offset by significant price declines in the Nutrition & Health division. Currency effects, particularly from the U.S. dollar, and portfolio effects dampened sales growth. Income from operations (EBIT) before special items declined considerably. This was largely attributable to a further drop in vitamin prices as well as ongoing pressure on margins in a number of business areas due to higher raw materials prices. EBIT included special income in the Performance Chemicals division from the transfer of the leather chemicals business to the Stahl group.

### Dispersions & Pigments

The Dispersions & Pigments division generated slight year-on-year sales growth. This was primarily due to volumes growth in all business areas, particularly in Asia and Europe. Higher raw materials prices pushed up sales prices slightly. Sales were dampened by currency effects and the divestiture of the photoinitiator business in August 2016. EBIT before special items rose slightly.

### Factors influencing sales, Performance Products 3rd Quarter 2017

Volumes	6%	
Prices	0%	
Portfolio	(1%)	
Currencies	(3%)	
<b>Sales</b>	<b>2%</b>	

## Care Chemicals

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In the Care Chemicals division, sales were up slightly on the third quarter of 2016. This was the result of volumes growth and slightly higher prices as a result of increases in raw materials prices. We posted higher sales volumes, particularly of ingredients for the cosmetics as well as for the detergents and cleaners industries. Sales were dampened by negative currency effects. EBIT before special items saw a considerable, margin-related decline compared with the same quarter of the previous year.

## Nutrition & Health

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Sales in the Nutrition & Health division declined considerably as against the prior-year quarter. In addition to lower sales prices, especially for vitamins, this was attributable to portfolio effects and slightly negative currency effects. Virtually all business areas posted slight volumes growth. EBIT before special items was considerably below the level of the strong prior-year quarter, primarily due to lower margins. Higher fixed costs resulted from the gradual startup of the new aroma ingredients complex in Kuantan, Malaysia, as well as the expansion of capacities at our ibuprofen production facility in Bishop, Texas.

## Performance Chemicals

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Sales in the Performance Chemicals division rose slightly compared with the third quarter of 2016. This was driven by higher sales volumes in almost all business areas. We increased volumes for lubricants and additives in particular, as well as for oilfield and mining chemicals. Sales prices were on a level with the prior-year quarter; negative currency effects slightly dampened sales. EBIT before special items was down slightly on the third quarter of 2016. Reduced fixed costs only partially offset the lower margins brought about by higher raw materials prices.

## Functional Materials & Solutions

### Segment data Functional Materials & Solutions (million €)

	3rd Quarter			January – September		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	4,975	4,660	7	15,434	13,771	12
Thereof Catalysts	1,506	1,552	(3)	4,869	4,527	8
Construction Chemicals	618	606	2	1,824	1,768	3
Coatings	951	790	20	2,948	2,328	27
Performance Materials	1,900	1,712	11	5,793	5,148	13
Income from operations before depreciation and amortization (EBITDA)	527	631	(16)	1,799	1,981	(9)
Amortization and depreciation <sup>1</sup>	170	139	22	494	506	(2)
Income from operations (EBIT)	357	492	(27)	1,305	1,475	(12)
Special items	(40)	(5)	.	(45)	(13)	.
EBIT before special items	397	497	(20)	1,350	1,488	(9)
Assets (September 30)	17,135	13,804	24	17,135	13,804	24
Investments including acquisitions <sup>2</sup>	285	184	55	642	446	44
Research and development expenses	106	94	13	315	285	11

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Additions to intangible assets and property, plant and equipment

### 3rd Quarter 2017

In the Functional Materials & Solutions segment, sales grew considerably compared with the third quarter of 2016. This was attributable to higher prices as well as the Chemetall business, which was acquired from Albemarle in December 2016. Sales volumes matched the level of the prior-year quarter: These rose in every division except Catalysts, where we posted a considerable decline in precious metal trading volumes. Compared with the third quarter of 2016, we were able to further expand our sales volumes to the automotive and construction industries. Sales were slightly weighed down by currency effects. Income from operations (EBIT) before special items was considerably below the level recorded in the prior-year quarter. Earnings were dampened primarily by lower margins resulting from higher raw materials prices.

### Catalysts

Sales in the Catalysts division declined slightly as against the prior-year quarter. This was attributable to lower volumes, predominantly in precious metal trading, as well as negative currency effects. Overall, we recorded significantly higher sales prices on the back of an increase in precious metal prices. Sales generated by precious metal trading decreased to €532 million (prior-year quarter: €614 million), mainly due to lower volumes. EBIT before special items declined considerably. This was primarily the result of higher fixed costs, due among other things to new production facilities.

### Factors influencing sales, Functional Materials & Solutions 3rd Quarter 2017

Volumes	0%	
Prices	6%	
Portfolio	4%	
Currencies	(3%)	
<b>Sales</b>	<b>7%</b>	

## Construction Chemicals

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In the Construction Chemicals division, sales rose slightly compared with the third quarter of 2016. The acquisition of Henkel's western European building material business for professional users in early 2017 and the slight growth in volumes were responsible for this development. We increased volumes significantly in Europe as well as in Asia, especially China and Japan. Volumes rose slightly in the region South America, Africa, Middle East and decreased slightly in North America. Prices remained stable overall; sales were reduced by currency effects in all regions. EBIT before special items was down considerably on the level of the prior-year quarter, mainly as a result of higher raw materials prices.

## Coatings

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Sales in the Coatings division rose considerably as against the third quarter of 2016. This was largely attributable to the Chemetall business, which was acquired in December 2016, as well as higher sales volumes. Overall, we recorded slightly negative currency effects. Sales of refinish coatings were lifted slightly by volumes growth in Asia and Europe, while overall sales of automotive OEM coatings remained on a level with the prior-year quarter. EBIT before special items saw a considerable margin-related decline.

## Performance Materials

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Higher prices and volumes led to considerable year-on-year sales growth in the Performance Materials division. In contrast, currency effects had a negative impact. Sales prices increased, particularly in Europe and Asia. Volumes growth was mainly driven by the polyurethane systems, thermoplastic polyurethanes and engineering plastics businesses. Demand from the automotive, consumer goods and construction industries developed positively. There was a considerable decline in EBIT before special items. This was primarily attributable to lower margins as a result of higher raw material prices as well as to a rise in fixed costs, partially in connection with new production facilities.

## Agricultural Solutions

### Segment data Agricultural Solutions (million €)

	3rd Quarter			January – September		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	987	1,049	(6)	4,368	4,288	2
Income from operations before depreciation and amortization (EBITDA)	85	151	(44)	1,016	1,169	(13)
Amortization and depreciation <sup>1</sup>	65	58	12	195	198	(2)
Income from operations (EBIT)	20	93	(78)	821	971	(15)
Special items	(1)	(4)	75	(5)	(37)	86
EBIT before special items	21	97	(78)	826	1,008	(18)
Assets (September 30)	7,454	8,117	(8)	7,454	8,117	(8)
Investments including acquisitions <sup>2</sup>	35	55	(36)	121	206	(41)
Research and development expenses	124	116	7	362	346	5

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Additions to intangible assets and property, plant and equipment

### 3rd Quarter 2017

In the Agricultural Solutions segment, sales were down considerably on the third quarter of 2016, primarily as a result of declining prices and volumes in Brazil. Negative currency effects put additional pressure on sales development. We were able to slightly increase overall volumes.

#### Factors influencing sales, Agricultural Solutions 3rd Quarter 2017

Volumes	5%	
Prices	(8%)	
Portfolio	0%	
Currencies	(3%)	
<b>Sales</b>	<b>(6%)</b>	

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 volumes growth with fungicide innovations in India as well as higher volumes in South Korea and Southeast Asia.

Income from operations before special items declined considerably year-on-year. This was primarily due to the difficult market situation in Brazil. Earnings were also negatively impacted by the shutdowns of our production facilities in Beaumont, Texas, and Manatí, Puerto Rico, because of the hurricanes. Fixed costs were on a level with the prior-year quarter.

## Oil & Gas

### Segment data Oil & Gas (million €)

	3rd Quarter			January – September		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	739	618	20	2,382	1,846	29
Income from operations before depreciation and amortization (EBITDA)	473	437	8	1,427	1,101	30
Amortization and depreciation <sup>1</sup>	218	259	(16)	820	764	7
Income from operations (EBIT)	255	178	43	607	337	80
Special items	75	(16)	.	74	(17)	.
EBIT before special items	180	194	(7)	533	354	51
Assets (September 30)	11,870	12,447	(5)	11,870	12,447	(5)
Investments including acquisitions <sup>2</sup>	225	270	(17)	648	820	(21)
Research and development expenses	6	9	(33)	24	28	(14)
Exploration expenses	22	18	22	46	78	(41)
Net income	139	33	321	401	180	123

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Additions to intangible assets and property, plant and equipment

### 3rd Quarter 2017

Sales in the Oil & Gas segment rose considerably year-on-year on the back of higher prices and volumes. The average price of a barrel of Brent blend crude oil in the third quarter of 2017 was \$52 (prior-year quarter: \$46). Gas prices on the European spot markets also rose compared with the prior-year quarter. Volumes growth was mainly driven by higher gas sales volumes. Production volumes also increased slightly.

There was a slight decline in income from operations before special items. The prior-year figure included compensation payments from contract renegotiations. Net income nevertheless grew considerably, mainly due to special income from the sale of shares in a natural gas field concession in Argentina.

### Factors influencing sales, Oil & Gas

#### 3rd Quarter 2017

Volumes	9%	
Prices/currencies	11%	
Portfolio	0%	
<b>Sales</b>	<b>20%</b>	

## Other

### Data on Other (million €)

	3rd Quarter			January – September		
	2017	2016	Change in %	2017	2016	Change in %
Sales	548	538	2	1,634	1,500	9
Income from operations before depreciation and amortization (EBITDA)	(296)	(231)	(28)	(665)	(561)	(19)
Amortization and depreciation <sup>1</sup>	34	25	36	89	87	2
Income from operations (EBIT)	(330)	(256)	(29)	(754)	(648)	(16)
Special items	(5)	(23)	78	(28)	16	.
EBIT before special items	(325)	(233)	(39)	(726)	(664)	(9)
Thereof						
Costs for cross-divisional corporate research	(93)	(77)	(21)	(267)	(264)	(1)
Costs of corporate headquarters	(57)	(54)	(6)	(167)	(165)	(1)
Other businesses	13	15	(13)	6	66	(91)
Foreign currency results, hedging and other measurement effects	(116)	(101)	(15)	(5)	(149)	97
Miscellaneous income and expenses	(72)	(16)	.	(293)	(152)	(93)
Assets (September 30) <sup>2</sup>	12,226	11,538	6	12,226	11,538	6
Investments including acquisitions <sup>3</sup>	62	31	100	123	66	86
Research and development expenses	96	78	23	273	268	2

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Contains assets of businesses accounted for in Other as well as reconciliation with total assets of the BASF Group

<sup>3</sup> Additions to intangible assets and property, plant and equipment

### 3rd Quarter 2017

Sales in Other were up slightly on the prior-year quarter, mostly due to higher sales from services. Income from operations before special items declined considerably, partly as a result of valuation effects for our long-term incentive program.

## Regions

### Regions (million €)

	Sales Location of company			Sales Location of customer			Income from operations Location of company		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
<b>3rd Quarter</b>									
Europe	7,276	6,548	11	6,869	6,390	7	986	731	35
Thereof Germany	4,832	4,310	12	2,010	1,791	12	270	327	(17)
North America	3,466	3,410	2	3,361	3,127	7	158	260	(39)
Asia Pacific	3,389	2,841	19	3,540	2,997	18	636	270	136
South America, Africa, Middle East	1,124	1,214	(7)	1,485	1,499	(1)	178	203	(12)
	<b>15,255</b>	<b>14,013</b>	<b>9</b>	<b>15,255</b>	<b>14,013</b>	<b>9</b>	<b>1,958</b>	<b>1,464</b>	<b>34</b>
<b>January – September</b>									
Europe	23,435	20,647	14	22,270	19,765	13	3,806	2,946	29
Thereof Germany	15,067	13,280	13	6,258	5,593	12	1,712	1,512	13
North America	12,098	10,977	10	11,652	10,580	10	1,008	1,101	(8)
Asia Pacific	10,042	8,225	22	10,583	8,670	22	1,630	681	139
South America, Africa, Middle East	2,801	2,855	(2)	3,871	3,689	5	146	320	(54)
	<b>48,376</b>	<b>42,704</b>	<b>13</b>	<b>48,376</b>	<b>42,704</b>	<b>13</b>	<b>6,590</b>	<b>5,048</b>	<b>31</b>

### 3rd Quarter 2017

Sales at companies located in **Europe** grew by 11% year-on-year, largely due to higher prices, particularly in the Chemicals segment. Volumes increased slightly overall. At €986 million, income from operations exceeded the prior-year figure by €255 million thanks to the considerably higher contribution from the Chemicals segment.

In **North America**, sales improved by 7% in local currency terms and 2% in euros compared with the prior-year quarter. This was mainly due to higher sales prices in the chemicals business<sup>1</sup> and volumes growth, particularly in the Chemicals segment. Income from operations declined by €102 million to €158 million, primarily as a result of the considerable decline in the Functional Materials & Solutions segment and in Other.

Sales in **Asia Pacific** rose by 26% in local currency terms and 19% in euros. The change was primarily due to the significant price increase in the chemicals business and improved sales volumes in all segments. Income from operations was up €366 million on the third quarter of 2016, at €636 million. All segments achieved considerable growth, especially the Chemicals segment.

The region **South America, Africa, Middle East** saw a sales decrease of 3% in local currency terms and 7% in euros. Sales were negatively impacted by these currency effects, as well as by lower prices and volumes in the Agricultural Solutions segment in particular. At €178 million, income from operations was €25 million short of the previous third quarter's level. This was primarily due to the considerable decline in the Agricultural Solutions segment.

<sup>1</sup> Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

# Selected Financial Data

## Statement of Income

### Statement of income (million €)

	3rd Quarter			January – September		
	2017	2016	Change in %	2017	2016	Change in %
<b>Sales revenue</b>	<b>15,255</b>	<b>14,013</b>	<b>9</b>	<b>48,376</b>	<b>42,704</b>	<b>13</b>
Cost of sales	(10,421)	(9,674)	(8)	(33,101)	(29,014)	(14)
<b>Gross profit on sales</b>	<b>4,834</b>	<b>4,339</b>	<b>11</b>	<b>15,275</b>	<b>13,690</b>	<b>12</b>
Selling expenses	(2,015)	(1,900)	(6)	(6,101)	(5,691)	(7)
General administrative expenses	(351)	(324)	(8)	(1,067)	(984)	(8)
Research and development expenses	(455)	(426)	(7)	(1,347)	(1,324)	(2)
Other operating income	731	388	88	1,639	1,136	44
Other operating expenses	(884)	(677)	(31)	(2,165)	(2,016)	(7)
Income from companies accounted for using the equity method	98	64	53	356	237	50
<b>Income from operations (EBIT)</b>	<b>1,958</b>	<b>1,464</b>	<b>34</b>	<b>6,590</b>	<b>5,048</b>	<b>31</b>
Income from other shareholdings	5	12	(58)	29	33	(12)
Expenses from other shareholdings	(6)	(51)	88	(19)	(62)	69
<b>Net income from shareholdings</b>	<b>(1)</b>	<b>(39)</b>	<b>97</b>	<b>10</b>	<b>(29)</b>	<b>.</b>
Interest income	55	41	34	167	138	21
Interest expenses	(128)	(184)	30	(418)	(501)	17
<b>Interest result</b>	<b>(73)</b>	<b>(143)</b>	<b>49</b>	<b>(251)</b>	<b>(363)</b>	<b>31</b>
Other financial income	16	23	(30)	54	73	(26)
Other financial expenses	(127)	(124)	(2)	(324)	(329)	2
<b>Other financial result</b>	<b>(111)</b>	<b>(101)</b>	<b>(10)</b>	<b>(270)</b>	<b>(256)</b>	<b>(5)</b>
<b>Financial result</b>	<b>(185)</b>	<b>(283)</b>	<b>35</b>	<b>(511)</b>	<b>(648)</b>	<b>21</b>
<b>Income before taxes and minority interests</b>	<b>1,773</b>	<b>1,181</b>	<b>50</b>	<b>6,079</b>	<b>4,400</b>	<b>38</b>
Income taxes	(364)	(204)	(78)	(1,334)	(876)	(52)
<b>Income before minority interests</b>	<b>1,409</b>	<b>977</b>	<b>44</b>	<b>4,745</b>	<b>3,524</b>	<b>35</b>
Minority interests	(73)	(89)	18	(204)	(157)	(30)
<b>Net income</b>	<b>1,336</b>	<b>888</b>	<b>50</b>	<b>4,541</b>	<b>3,367</b>	<b>35</b>
<b>Earnings per share</b>						
Basic	€ 1.45	0.97	49	4.94	3.67	35
Diluted	€ 1.45	0.97	49	4.94	3.67	35

## Balance Sheet

### Assets (million €)

	Sep. 30, 2017	Sep. 30, 2016	Change in %	Dec. 31, 2016	Change in %
Intangible assets	14,057	12,089	16	15,162	(7)
Property, plant and equipment	24,523	25,335	(3)	26,413	(7)
Investments accounted for using the equity method	4,726	4,443	6	4,647	2
Other financial assets	603	525	15	605	0
Deferred tax assets	2,295	2,877	(20)	2,513	(9)
Other receivables and miscellaneous assets	1,386	1,186	17	1,210	15
<b>Noncurrent assets</b>	<b>47,590</b>	<b>46,455</b>	<b>2</b>	<b>50,550</b>	<b>(6)</b>
Inventories	10,015	9,827	2	10,005	0
Accounts receivable, trade	10,624	9,842	8	10,952	(3)
Other receivables and miscellaneous assets	3,848	3,478	11	3,078	25
Marketable securities	27	41	(34)	536	(95)
Cash and cash equivalents <sup>1</sup>	3,919	3,460	13	1,375	185
<b>Current assets</b>	<b>28,433</b>	<b>26,648</b>	<b>7</b>	<b>25,946</b>	<b>10</b>
<b>Total assets</b>	<b>76,023</b>	<b>73,103</b>	<b>4</b>	<b>76,496</b>	<b>(1)</b>

<sup>1</sup> For a reconciliation of the amounts in the statement of cash flows with the balance sheet item "cash and cash equivalents," see page 18.

### Equity and liabilities (million €)

	Sep. 30, 2017	Sep. 30, 2016	Change in %	Dec. 31, 2016	Change in %
Subscribed capital	1,176	1,176	–	1,176	–
Capital surplus	3,130	3,141	0	3,130	–
Retained earnings	33,315	30,823	8	31,515	6
Other comprehensive income	(5,148)	(6,099)	16	(4,014)	(28)
<b>Equity of shareholders of BASF SE</b>	<b>32,473</b>	<b>29,041</b>	<b>12</b>	<b>31,807</b>	<b>2</b>
Minority interests	868	696	25	761	14
<b>Equity</b>	<b>33,341</b>	<b>29,737</b>	<b>12</b>	<b>32,568</b>	<b>2</b>
Provisions for pensions and similar obligations	6,797	9,865	(31)	8,209	(17)
Other provisions	3,491	3,337	5	3,667	(5)
Deferred tax liabilities	2,819	2,825	0	3,317	(15)
Financial indebtedness	14,246	10,478	36	12,545	14
Other liabilities	1,052	874	20	873	21
<b>Noncurrent liabilities</b>	<b>28,405</b>	<b>27,379</b>	<b>4</b>	<b>28,611</b>	<b>(1)</b>
Accounts payable, trade	4,352	3,875	12	4,610	(6)
Provisions	3,252	2,834	15	2,802	16
Tax liabilities	1,521	1,479	3	1,288	18
Financial indebtedness	1,968	5,319	(63)	3,767	(48)
Other liabilities	3,184	2,480	28	2,850	12
<b>Current liabilities</b>	<b>14,277</b>	<b>15,987</b>	<b>(11)</b>	<b>15,317</b>	<b>(7)</b>
<b>Total equity and liabilities</b>	<b>76,023</b>	<b>73,103</b>	<b>4</b>	<b>76,496</b>	<b>(1)</b>

## Statement of Cash Flows

### Statement of cash flows (million €)

	3rd Quarter		January – September	
	2017	2016	2017	2016
Net income	1,336	888	4,541	3,367
Amortization and depreciation of intangible assets, property, plant and equipment and financial assets	1,049	1,011	3,152	3,038
Changes in net working capital	1,778	652	94	(393)
Miscellaneous items	(368)	(50)	(190)	(172)
<b>Cash provided by operating activities</b>	<b>3,795</b>	<b>2,501</b>	<b>7,597</b>	<b>5,840</b>
Payments made for property, plant and equipment and intangible assets	(964)	(936)	(2,606)	(2,915)
Acquisitions/divestitures	21	161	(44)	212
Financial assets and miscellaneous items	(105)	(13)	(763)	(73)
<b>Cash used in investing activities</b>	<b>(1,048)</b>	<b>(788)</b>	<b>(3,413)</b>	<b>(2,776)</b>
Capital increases/repayments and other equity transactions	–	8	19	18
Changes in financial liabilities	(656)	(107)	1,276	837
Dividends	(4)	15	(2,841)	(2,753)
<b>Cash used in financing activities</b>	<b>(660)</b>	<b>(84)</b>	<b>(1,546)</b>	<b>(1,898)</b>
Changes in cash and cash equivalents affecting liquidity	2,087	1,629	2,638	1,166
Cash and cash equivalents at the beginning of the period and other changes	1,832	1,831	1,281	2,294
<b>Cash and cash equivalents at the end of the period</b>	<b>3,919</b>	<b>3,460</b>	<b>3,919</b>	<b>3,460</b>

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**BASF Report 2017**

# February 27, 2018

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**Quarterly Statement 1st Quarter 2018 / Annual Shareholders' Meeting 2018**

# May 4, 2018

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**Half-Year Financial Report 2018**

# July 27, 2018

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**Quarterly Statement 3rd Quarter 2018**

# October 26, 2018

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## **Forward-Looking Statements and Forecasts**

This quarterly statement 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](http://basf.com/report). We do not assume any obligation to update the forward-looking statements contained in this quarterly statement.

## **Further information**

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You can find this and other publications online at [basf.com/publications](http://basf.com/publications)

## **Contact**

### **General inquiries**

Headquarters, phone: +49 621 60-0

### **Media Relations**

Jens Fey, phone: +49 621 60-99123

### **Investor Relations**

Dr. Stefanie Wettberg, phone: +49 621 60-48002

### **Internet**

[basf.com](http://basf.com)

**BASF SE**, 67056 Ludwigshafen, Germany