Reporting Factsheet

Q2 2017

BASF
We create chemistry

BASF Group (million €)	Q2 2017	Q2 2016	Change (%)	H1 2017	H1 2016	Change (%)
Sales	**16,264**	14,483	12	**33,121**	28,691	15
EBITDA before special items	**3,291**	2,674	23	**6,798**	5,517	23
EBITDA	**3,233**	2,790	16	**6,735**	5,602	20
Amortization and depreciation[1]	**1,052**	1,072	(2)	**2,103**	2,018	4
EBIT	**2,181**	1,718	27	**4,632**	3,584	29
Special items	**(70)**	11	.	**(76)**	(29)	.
EBIT before special items	**2,251**	1,707	32	**4,708**	3,613	30
Financial result	**(174)**	(177)	2	**(326)**	(365)	11
Income before taxes and minority interests	**2,007**	1,541	30	**4,306**	3,219	34
Net income	**1,496**	1,092	37	**3,205**	2,479	29
EBIT after cost of capital	**684**	307	123	**1,671**	878	90
Earnings per share (€)	**1.63**	1.19	37	**3.49**	2.70	29
Adjusted earnings per share (€)[2]	**1.78**	1.30	37	**3.75**	2.94	28
Research and development expenses	**468**	443	6	**892**	898	(1)
Personnel expenses	**2,568**	2,478	4	**5,209**	4,923	6
Assets (end of period)	**75,651**	72,159	5	**75,651**	72,159	5
Investments including acquisitions[3]	**907**	1,007	(10)	**1,713**	1,966	(13)
Equity ratio (end of period, %)	**42.9**	40.1	7	**42.9**	40.1	7
Net debt (end of period)	**15,569**	14,086	11	**15,569**	14,086	11
Cash provided by operating activities	**2,969**	2,293	29	**3,802**	3,339	14
Free cash flow	**2,094**	1,315	59	**2,160**	1,360	59

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

Factors influencing sales changes in % vs. Q2 2016	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	25	(1)	25	1	0
Performance Products	4	2	2	1	(1)
Functional Materials & Solutions	12	4	3	2	3
Agricultural Solutions	5	5	(2)	2	0
Oil & Gas	32	22	10[4]		0
BASF Group	**12**	**3**	**7**	**1**	**1**

[4] Mix of price and currency effects

Segments

2nd 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*	4,045	3,236	25	1,385	717	93	1,120	458	145	1,119	458	144
Performance Products*	4,142	3,983	4	609	706	(14)	405	512	(21)	363	495	(27)
Functional Materials & Solutions	5,261	4,703	12	584	756	(23)	422	535	(21)	427	531	(20)
Agricultural Solutions	1,526	1,459	5	336	373	(10)	272	320	(15)	270	288	(6)
Oil & Gas	814	617	32	472	357	32	183	94	95	183	93	97
Other	476	485	(2)	(153)	(119)	(29)	(151)	(212)	29	(181)	(147)	(23)
	16,264	**14,483**	**12**	**3,233**	**2,790**	**16**	**2,251**	**1,707**	**32**	**2,181**	**1,718**	**27**

1st Half (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*	8,150	6,255	30	2,624	1,436	83	2,078	915	127	2,093	918	128
Performance Products*	8,402	7,896	6	1,323	1,464	(10)	920	1,067	(14)	862	1,038	(17)
Functional Materials & Solutions	10,459	9,111	15	1,272	1,350	(6)	953	991	(4)	948	983	(4)
Agricultural Solutions	3,381	3,239	4	931	1,018	(9)	805	911	(12)	801	878	(9)
Oil & Gas	1,643	1,228	34	954	664	44	353	160	121	352	159	121
Other	1,086	962	13	(369)	(330)	(12)	(401)	(431)	7	(424)	(392)	(8)
	33,121	**28,691**	**15**	**6,735**	**5,602**	**20**	**4,708**	**3,613**	**30**	**4,632**	**3,584**	**29**

* 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

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 %
2nd Quarter									
Europe	7,827	6,993	12	7,481	6,609	13	1,399	1,054	33
Thereof Germany	5,000	4,491	11	2,040	1,898	7	617	602	2
North America	4,261	3,811	12	4,061	3,776	8	337	397	(15)
Asia Pacific	3,336	2,812	19	3,513	2,950	19	498	212	135
South America, Africa, Middle East	840	867	(3)	1,209	1,148	5	(53)	55	.
	16,264	**14,483**	**12**	**16,264**	**14,483**	**12**	**2,181**	**1,718**	**27**
1st Half									
Europe	16,159	14,099	15	15,401	13,375	15	2,820	2,215	27
Thereof Germany	10,235	8,970	14	4,248	3,802	12	1,442	1,185	22
North America	8,632	7,567	14	8,291	7,453	11	850	841	1
Asia Pacific	6,653	5,384	24	7,043	5,673	24	994	411	142
South America, Africa, Middle East	1,677	1,641	2	2,386	2,190	9	(32)	117	.
	33,121	**28,691**	**15**	**33,121**	**28,691**	**15**	**4,632**	**3,584**	**29**

Segments Q2 2017 vs. Q2 2016

Chemicals: Sales increased considerably. Significantly higher prices in all divisions were the main driver for this development. Volumes were almost at last year's level: Higher volumes, e.g., in amines and MDI, could not fully compensate the lower volumes, primarily as a consequence of the still limited production of oxo-alcohols and plasticizers in Ludwigshafen. In a continued favorable market environment, we were able to expand margins, especially in isocyanates, cracker products, and acrylic monomers. Improved margins and an increased contribution from our joint ventures in China resulted in an EBIT bsi of €1.1 billion, which exceeded the result of Q2 2016 by €662 million. We continued to experience the negative impact of insufficient raw material supply at the Ludwigshafen site due to the North Harbor accident. However, this impact was offset by a second insurance payment related to business interruption losses incurred in Q1 2017. End of July, we have started commissioning the rebuilt propylene pipeline at our Ludwigshafen site. Restoring the full propylene supply is a major milestone. We expect the logistics infrastructure to be fully operational again by the end of Q3 2017.

- Sales in Petrochemicals increased considerably compared with Q2 2016. Higher prices for raw materials as well as continuing high demand on the market led to a significant spike in sales prices, especially for steam cracker products in Europe. Sales volumes declined slightly overall, primarily as a consequence of the still-limited production of oxo alcohols and plasticizers in Ludwigshafen. Improved margins, especially for steam cracker products, ethylene oxide, glycols and acrylic monomers, led to a considerable increase in EBIT bsi. Fixed costs declined thanks to insurance payments in connection with the accident at the North Harbor.
- Compared with Q2 2016, sales in Monomers grew considerably, mostly as a result of price increases in the isocyanates business. Sales volumes rose slightly, predominantly through higher volumes of MDI, and currency effects provided a slight tailwind. The considerable increase in EBIT bsi arose primarily through the higher levels of prices and volumes. Earnings were also positively influenced by the restructuring of our caprolactam production in Europe. Fixed costs declined compared with Q2 2016.
- The Intermediates division also considerably increased its sales, primarily as a result of price increases in all regions and product lines. Sales volumes remained stable. We achieved higher volumes of amines in addition to polyalcohols and acids, while sales volumes decreased for butanediol and derivatives as well as acetylene and carbonyl derivatives due to more extensive plant maintenance turnarounds. The divestiture of the Evans City, Pennsylvania, site in Q1 2017 slightly dampened sales growth. The turnarounds and the startup of new plants in all regions resulted in higher fixed costs, considerably reducing EBIT bsi.

Performance Products: Sales increased slightly due to higher prices and volumes. Positive currency effects were offset by negative portfolio effects. The price increases could not fully compensate the higher raw material prices, thus margins decreased, especially for oleochemical surfactants and fatty alcohols. In the animal nutrition business, vitamin prices decreased further. The ongoing intense competition in the hygiene business also impacted earnings. Overall, this led to a considerable decline in EBIT bsi. Special items of minus €42 million were mainly attributable to restructuring measures in Care Chemicals.

- In Dispersions & Pigments, we achieved considerably higher sales compared with Q2 2016. This was especially attributable to higher prices driven up by increased raw material prices, as well as to growth in sales volumes. We raised sales volumes in nearly every business area. In the pigments business, volumes were slightly below the high level of Q2 2016. Currency effects had a positive influence on sales development. Compared with Q2 2016, EBIT bsi declined slightly, mainly due to shrunken margins owing to higher raw material prices.
- Sales in Care Chemicals rose considerably compared with Q2 2016, predominantly driven by price increases resulting from higher raw material prices. Volumes growth and positive currency effects additionally boosted sales. We raised sales volumes in our hygiene business as well as in our business with ingredients for the detergents and cleaners industry. EBIT bsi fell considerably compared with Q2 2016. This was largely a consequence of lower margins for oleochemical surfactants and fatty alcohols. Competition remained intense in the hygiene business.
- Sales in Nutrition & Health were considerably below Q2 2016, mainly due to portfolio effects. The slight decline in sales prices was mostly a result of decreased vitamin prices in the animal nutrition business. Currency effects and higher volumes in our flavor and fragrance business, as well as in human nutrition, provided support for sales development. EBIT bsi fell considerably compared with Q2 2016. This was mostly on account of lower margins in the animal nutrition business as well as higher fixed costs arising from the gradual startup of new plants.
- In Performance Chemicals, sales rose slightly year-on-year. This was largely thanks to a recovery in demand for oilfield chemicals as well as for lubricants and additives in North America. Higher overall sales volumes and positive currency effects were contrasted by slight decreases in sales prices. Lower margins, pushed down by higher raw material prices, were only partly compensated by reduced fixed costs and resulted in EBIT bsi at a level considerably below that of Q2 2016.

Functional Materials & Solutions: Sales rose considerably. This was mainly driven by higher volumes and prices as well as the acquired Chemetall business. Slight currency tailwinds also contributed to the increase in sales. Compared to Q2 2016, sales volumes to the automotive and the construction industries grew slightly. Higher earnings in Catalysts and the contribution of the acquired surface treatment business could not compensate overall lower margins as a result of higher raw material prices, especially for Performance Materials. Fixed costs grew, primarily due to structural effects. EBIT bsi in Functional Materials & Solutions decreased considerably.

- Sales in Catalysts grew considerably year-on-year as a result of higher volumes and prices. The mobile emissions catalysts, precious metal trading, and chemical catalysts businesses all contributed substantially to the increase in volumes. The higher level of sales prices was mainly a consequence of increased precious metal prices. Currency effects had a positive influence on sales, while the divestiture of the polyolefin catalysts business slowed sales growth. In precious metal trading, sales rose to €651 million due to higher prices, increased volumes and positive currency effects (Q2 2016: €554 million). EBIT bsi grew considerably, largely on account of the growth in volumes.

- In Construction Chemicals, sales rose slightly year-on-year owing to the acquisition of Henkel's western European building material business for professional users at the beginning of 2017. Volumes and prices remained stable. Sales in Europe grew considerably due to the acquisition and to an increase in volumes. In Asia, volumes growth was the main driver behind a considerable increase in sales. With prices stable, lower volumes in North America resulted in a slight decline in sales. Sales fell considerably in the region South America, Africa, Middle East, due primarily to decreased demand in the Middle East as well as to negative currency effects. EBIT bsi was considerably down on account of higher fixed costs and lower margins brought about by rising raw material prices.
- In Coatings, sales grew considerably compared with Q2 2016 mainly as a result of the Chemetall business acquired from Albemarle in December 2016. We raised sales volumes, primarily for automotive OEM coatings, and experienced positive currency effects overall. Sales prices declined slightly. In the automotive OEM coatings business, significantly higher volumes in Asia and North America led to slight growth in sales. Sales of automotive refinish coatings dipped slightly. EBIT bsi was considerably below Q2 2016, largely owing to shrunken margins and the divestiture of the industrial coatings business at the end of 2016. This was contrasted by the earnings contribution from the Chemetall business.
- Sales in Performance Materials grew considerably year-on-year, driven predominantly by higher prices and volumes. In Europe and Asia, we raised sales prices in response to the sharp increase in raw material prices. Slight volumes growth was primarily supported by our business with thermoplastic polyurethanes and engineering plastics. Demand from the consumer goods sector increased substantially while volumes to the construction and automotive industries rose slightly. Currency effects had a positive influence on sales. EBIT bsi was considerably below Q2 2016, largely owing to lower margins caused by higher raw material prices.

Agricultural Solutions: Despite continued difficult market conditions, we were able to increase sales in Agricultural Solutions. In Q2 2017, volumes increased by 5%, mainly driven by higher demand in North America and eastern Europe. Slightly lower prices partially offset this increase. Currency effects had a positive effect on sales of 2%.

- Sales rose slightly in Europe, driven mainly by higher volumes. Considerable growth in the herbicides and fungicides businesses in eastern Europe more than offset lower volumes in western Europe in particular.
- Sales in North America increased considerably, driven primarily by higher volumes of herbicides in the U.S. and fungicides in Canada. Higher prices and positive currency effects also boosted sales.
- Sales grew considerably in Asia. This was predominantly an effect of higher volumes, especially of herbicides in India and fungicides in Southeast Asia. Contrasting this development were declining prices in the fungicides business in China and lower volumes in Japan.
- Lower volumes were responsible for a considerable sales decline in South America, primarily in the fungicides business. In Brazil, the liquidity bottlenecks for farmers persisted in a challenging environment.

Compared with Q2 2016, EBIT bsi declined considerably. This was the result of higher fixed costs, partly related to the startup of new plants, as well as lower average margins due to a different product mix.

Oil & Gas: Sales increased significantly due to higher volumes and higher oil and gas prices. While production volumes matched the level of Q2 2016, sales volumes – especially of natural gas – exceeded the level of Q2 2016 by 22%. An offshore lifting in Libya contributed to the volume increase in Q2 2017. Whereas in 2016, the offshore lifting took place in Q4. The average price of Brent crude in Q2 2017 was US$50 per barrel compared with US$46 per barrel in Q2 2016. In addition, gas prices on the European spot markets were significantly above Q2 2016. The combined price and currency effect amounted to plus 10%. Overall, EBIT bsi increased from €94 million to €183 million, mainly due to higher prices and the offshore lifting in Libya. The return to the regular earnings scheme in our participation in the Yuzhno Russkoye gas field and lower exploration expenses also contributed. Net income in Oil & Gas amounted to €122 million compared to €100 million in Q2 2016. This disproportionate increase is due to currency effects from Group internal financing that negatively impacted net income of Wintershall.

Other: EBIT bsi improved to minus €151 million, from minus €212 million in Q2 2016. This was mainly driven by a release of provisions for our long-term incentive program, while earnings in Q2 2016 were negatively affected by an increase in provisions.

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 raised (previous forecast in parentheses)

Outlook 2017:

- Considerable **sales** increase (considerable increase)
- Considerable increase in **EBIT before special items** and in **EBIT** (slight increase)
- Significant premium on cost of capital with slight increase in **EBIT after cost of capital** (considerable decline in EBIT after cost of capital)

Assumptions for 2017:

- GDP growth: +2.5 (+2.3%)
- Growth in industrial production: +2.5% (+2.3%)
- Growth in chemical production (excl. pharma): +3.4% (+3.4%)
- Exchange rate: US$1.10 per euro (US$1.05 per euro)
- Oil price (Brent): US$50 per barrel (US$55 per barrel)