Analyst Conference Call Q3 2018
Speech (including slides)
October 26, 2018

Martin Brudermüller
Chairman of the Board of Executive Directors

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The spoken word applies.

Cautionary note regarding forward-looking statements

This presentation 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 page 111 to 118 of the BASF Report 2017. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.

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Martin Brudermüller

Ladies and gentlemen,

Good morning and thank you for joining us.

Today, we will provide you with the third quarter 2018 figures compared with the prior-year quarter on a restated basis. The restatement was necessary due to the signing of the agreement between BASF and LetterOne to merge Wintershall and DEA on September 27, 2018. As a consequence, sales and EBIT of our oil and gas activities are no longer included in the respective figures of BASF Group – retroactively as of January 1, 2018 and with the prior-year figures restated. Until closing, Wintershall Group’s income after taxes will be presented in the income before minority interests of BASF Group as a separate item “income before minority interests from discontinued operations.” We expect closing to take place in the first half of 2019.

BASF Group Q3 2018

Higher sales, earnings declined mainly due to lower contribution from the Chemicals segment

Financial figures*	Q3 2018	Q3 2017	Change
	€	€	%
Sales	15,606 million	14,516 million	8
EBITDA before special items	2,263 million	2,517 million	(10)
EBITDA	2,190 million	2,655 million	(18)
EBIT before special items	1,470 million	1,702 million	(14)
EBIT	1,395 million	1,824 million	(24)
Net income	1,200 million	1,336 million	(10)
Reported EPS	1.31	1.45	(10)
Adjusted EPS	1.51	1.40	8
Cash flows from operating activities	2,930 million	3,795 million	(23)

Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2018 vs. Q3 2017	↑ 2%	↑ 6%	↑ 1%	↓ (1)%

* Restated figures due to reporting of oil and gas business as discontinued operation

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[Chart 3: BASF Group with higher sales, earnings declined mainly due to lower contribution from the Chemicals segment]

I would like to begin with making a few remarks on the current macroeconomic environment.

In Q3 2018, customer markets of BASF developed below prior expectations. In particular towards the end of the quarter, we experienced a slowdown in demand from automotive – a very important customer industry for BASF. The current forecast from LMC Automotive clearly reflects this development. At the beginning of 2018, their growth assumption for light vehicle production was 2 percent. In October 2018, this figure was revised to 1.1 percent. This development concurs with the increasing uncertainties regarding the world economy in light of the trade conflicts, in particular between the U.S. and China.

Turning to BASF Group's financial figures for Q3 2018 compared to the prior-year quarter in more detail:

- **Sales** in the third quarter of 2018 increased considerably to 15.6 billion euros. We were able to increase prices by 6 percent supported by all segments and divisions. Sales volumes of BASF Group increased by 2 percent, driven by Functional Materials & Solutions. Volumes in the Performance Products segment were still negatively impacted by supply shortages in our citral value chain. Currency effects amounted to minus 1 percent, mainly due to the appreciation of the euro versus currencies in emerging countries such as Brazil. Overall, portfolio measures had a positive effect of 1 percent on sales and were driven by the acquisition of agricultural solutions businesses from Bayer.

- **EBITDA before special items** decreased by 10 percent to 2.3 billion euros in Q3 2018. **EBITDA** amounted to 2.2 billion euros compared to 2.7 billion in the prior-year quarter.

- **EBIT before special items** decreased by 14 percent to 1.5 billion euros in Q3 2018, mainly due to considerably lower earnings in Chemicals. Earnings also decreased considerably in the Functional Materials & Solutions and Agricultural Solutions segments and fell slightly in the Performance Products segment. In Performance Products and Functional Materials & Solutions, we were able to increase prices by 5 percent respectively 4 percent. However, our measures to increase prices were partially offset by higher raw material costs and higher fixed costs. Earnings in Agricultural Solutions were burdened by the seasonally negative contribution from the acquired businesses. In the legacy business, earnings of our Agricultural Solutions segment increased significantly.

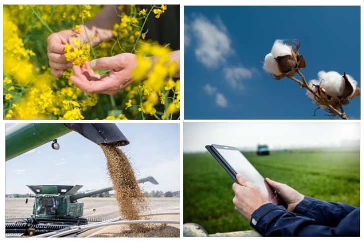
  Earnings of several segments were negatively impacted by the low water levels of the Rhine River. Throughout the third quarter this negatively affected our operations in Ludwigshafen. In fact, currently the Rhine is at its lowest water level ever. This required the reduction of capacity utilization of some of our plants due to restricted raw material supply and insufficient availability of cooling water. In addition, we faced higher transportation costs since we had to switch volumes from barges to other modes of transportation.

- **EBIT** decreased by 24 percent to 1.4 billion euros in Q3 2018. **Special items** in EBIT amounted to minus 75 million euros and were primarily related to the integration of the acquired businesses.

In the prior-year quarter, special items were positive and amounted to 122 million euros. This was mainly attributable to divestiture gains from the transfer of BASF's leather chemicals business to the Stahl Group.

- The **tax rate** decreased from 23 percent to 18 percent. This was particularly due to the decline in taxable income in Germany, as well as the reduced tax rate in Belgium.
- In Q3 2018, **income before minority interests from discontinued operations** increased from 149 million euros to 235 million euros because of higher oil and gas prices and increased production volumes. In the third quarter, the average price of Brent crude was 75 U.S. dollars per barrel – 23 dollars higher than in the same period of 2017. Gas prices on the European spot markets were also significantly above the level of the prior-year quarter. The increase in volumes was furthermore supported by an offshore lifting in Libya. In 2017, the lifting took place in the second quarter.
- **Net income** amounted to 1.2 billion euros compared to 1.3 billion euros in the prior-year quarter.
- **Reported earnings per share** decreased by 10 percent to 1.31 euros in Q3 2018. **Adjusted EPS** amounted to 1.51 euros; this compares with 1.40 euros in the prior-year quarter.
- **Cash flows from operating activities** amounted to 2.9 billion euros in the third quarter of 2018 compared to 3.8 billion euros in the prior-year quarter. The decline was largely driven by a lower cash inflow from changes in net working capital.
- **Free cash flow** decreased from 2.8 billion euros to 2.0 billion euros.

Update on recently announced acquisitions



BASF acquired agricultural solutions businesses and assets from Bayer

- Purchase price*: €7.6 billion
- Sales 2017: ~€2.2 billion
- Sales 2016: ~€2.0 billion
- EBITDA 2016**: ~€550 million
- Closing took place in August 2018

* Subject to certain adjustments
** On a pro-forma adjusted basis

BASF to acquire Solvay's integrated polyamide business

- Purchase price: ~€1.6 billion
- Sales 2016: ~€1.3 billion
- EBITDA 2016: ~€200 million
- On June 26, 2018 the EU Commission opened an in-depth investigation and will likely take a decision in Q1 2019

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[Chart 4: Update on recently announced acquisitions]

- In August, BASF has closed the acquisition of significant businesses and assets from Bayer, which generated combined sales of 2.2 billion euros in 2017. The acquisition comprises businesses and assets from Bayer in the areas of seeds for cotton, canola, soybeans and vegetables, they include non-selective herbicides, products for seed treatment with nematicides, biotechnology and digital farming.

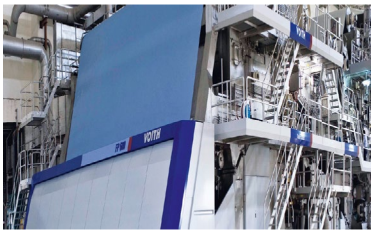
  The integration is well on track. Since closing we have been supplying our new customers without interruption. The cultural fit and motivation of our substantially enhanced Agricultural Solutions team is excellent and we are experiencing additional momentum that will make us even more successful in future. To reflect the expanded scope of our agriculture business, the division has established a new global business unit for seeds and traits, and was renamed from “Crop Protection” to “Agricultural Solutions.”

- In June, the EU Commission started to review the planned acquisition of Solvay’s integrated polyamide business in an in-depth investigation. This merger control process is ongoing. To meet the concerns of the EU Commission, BASF has offered to refrain from acquiring certain parts of Solvay’s European polyamide business. The EU Commission is now examining this offer and submitted it for market testing. By complementing the engineering plastics portfolio, enhancing the access to key growth markets in Asia and South America as well as strengthening the value chain through backward integration into key raw materials, BASF would still achieve its key strategic objectives. The EU Commission will likely take a decision in early 2019. As of now, the transaction has obtained merger clearance in eight of ten jurisdictions globally.

Update on recently announced mergers

BASF and LetterOne signed agreement to merge Wintershall and DEA

- Pro-forma sales 2017: ~€4.7 billion
- Pro-forma EBITDA 2017: ~€2.8 billion
- BASF to initially hold a 67% share of Wintershall DEA. BASF will receive additional preference shares. This will result in a total shareholding of 72.7%
- Closing expected in H1 2019, subject to regulatory approvals



BASF and Solenis to join forces by combining paper and water chemicals

- Pro-forma sales 2017: ~€2.4 billion
- BASF to hold a 49% share of the combined entity; funds managed by Clayton, Dubilier & Rice to hold 51%
- Closing is anticipated for the end of 2018 at the earliest, subject to regulatory approvals

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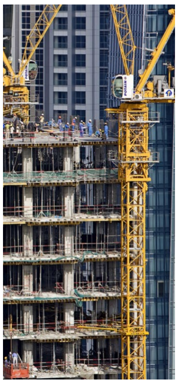
[Chart 5: Update on recently announced mergers]

- At the end of September, BASF and LetterOne signed the agreement to merge their respective oil and gas businesses in a joint venture. Closing is expected to take place in the first half of 2019 subject to approvals of several authorities. This transaction will create significant value for both shareholders by forming the leading independent European E&P company, seizing additional growth opportunities, generating synergies of at least 200 million euros per year and last but not least listing Wintershall DEA. We expect that the IPO will take place in the second half of 2020 at the earliest. The exact timing will obviously depend on market conditions.
- In May, BASF and Solenis signed an agreement to join forces by combining BASF's paper wet-end and water chemicals business with Solenis, a global producer of specialty chemicals for water-intensive industries. Necessary merger control filings have been submitted. Pending approval by the relevant authorities, we continue to expect closing at the end of 2018 at the earliest.

BASF evaluates strategic options for Construction Chemicals

Options include merger with a strong partner or a divestiture



Key facts

- Business focuses on advanced chemical solutions for the construction industry
- Strong emphasis on innovations to rapidly adopt sustainable construction practices
- Sales 2017: €2,412 million
  - Admixture systems: 48%
  - Construction systems: 52%
- Operations in more than 60 countries
- Number of employees: ~7,000
- Target is to reach an agreement on a transaction in the course of 2019

Reasons for evaluating strategic options

- Higher critical mass in construction systems needed to be successful in the long term
- Market continues to offer attractive consolidation opportunities

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[Chart 6: BASF evaluates strategic options for Construction Chemicals]

As part of our active portfolio management, we are continuously evaluating whether businesses could unfold their potential even more in a different set up, e.g., in a joint venture or outside of BASF. In this context, we have decided to evaluate strategic options for our construction chemicals business to ensure a successful future development. The market currently offers attractive consolidation opportunities.

The Construction Chemicals division comprises admixture systems and construction systems. It generated sales of more than 2.4 billion euros in 2017, operates in more than 60 countries, and has around 7,000 employees worldwide.

The outcome of assessing strategic options is open. This means, we consider a merger with a strong partner as well as a divestiture. We strive to reach an agreement on a transaction in the course of 2019.

BASF selected Harjavalta in Finland as the first location for battery materials production serving the European automotive market

- Production plant will be constructed adjacent to the nickel and cobalt refinery owned by Norilsk Nickel
- Co-location of BASF’s new plant will enable unparalleled access to a local nickel and cobalt supply
- Investment is part of BASF’s €400 million multi-step investment plan
- BASF’s high-nickel cathode materials are key to deliver enhanced energy density and vehicle range
- Start-up is planned for late 2020, enabling the supply of approximately 300,000 full electric vehicles per year with BASF battery materials
- BASF will be able to serve the European e-mobility growth strategies of key OEMs and cell suppliers

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[Chart 7: BASF selected Harjavalta in Finland as the first location for battery materials production serving the European automotive market]

This week, BASF announced Harjavalta in Finland as the first location for battery materials production serving the European automotive market. The plant will be constructed adjacent to the nickel and cobalt refinery owned by Norilsk Nickel (Nornickel).

With this investment BASF will be present in all major regions with local production and increased customer proximity further supporting the rapidly growing electric vehicle market. This investment is part of BASF's 400 million euros multi-step investment plan announced last year. Start-up is planned for late 2020, enabling the supply of approximately 300,000 full electric vehicles per year with BASF battery materials.

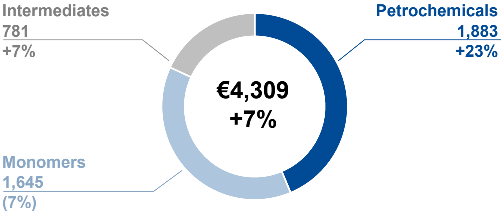
Additionally, BASF and Nornickel have signed a long-term, market-based supply agreement for nickel and cobalt feedstocks from Nornickel's metal refinery in Finland. The agreement will establish a locally sourced and secure supply of raw materials for battery production in Europe.

With this, I hand things over to Hans.

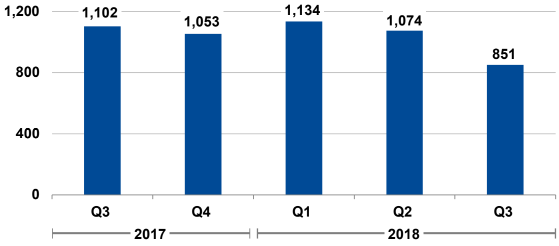
Chemicals

Earnings decreased due to normalizing isocyanate prices and lower cracker margins

Sales Q3 2018 vs. Q3 2017
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2018 vs. Q3 2017	0%	↑ 7%	0%	0%

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Hans-Ulrich Engel

Good morning ladies and gentlemen,

Let me highlight the financial performance of each segment in the third quarter of 2018 compared with the third quarter of 2017.

[Chart 8: Chemicals – Earnings decreased due to normalizing isocyanate prices and lower cracker margins]

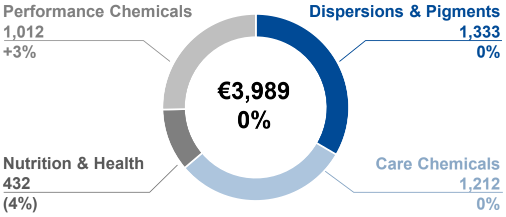
Sales in **Chemicals** increased considerably due to higher prices in all divisions. The price increase was particularly pronounced in the Petrochemicals division given the significantly higher oil price. A favorable demand environment for petrochemicals and intermediates compensated for lower demand in isocyanates. Overall, sales volumes of the segment were stable.

Lower margins for isocyanates and cracker products as well as increased fixed costs, among others, due to higher expenditures for maintenance measures, led to a considerable decrease in EBIT before special items. Higher earnings in the Intermediates division could only partially offset this decline.

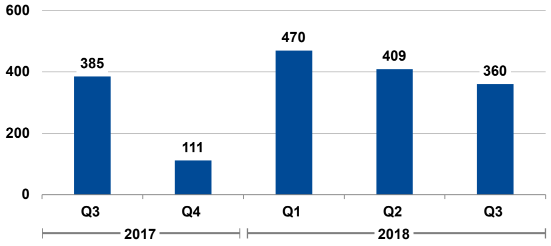
Performance Products

Slightly lower earnings driven by lower volumes and higher costs; stronger margins with offsetting effect

Sales Q3 2018 vs. Q3 2017
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2018 vs. Q3 2017	↓ (3%)	↑ 5%	↓ (1%)	↓ (1%)

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[Chart 9: Performance Products – Slightly lower earnings driven by lower volumes and higher costs; stronger margins with offsetting effect]

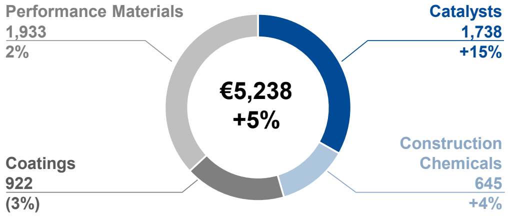
Sales in the **Performance Products** segment were stable. We increased sales prices in all divisions to pass on higher raw material costs and restore margins. Volumes declined, mainly due to limited supply capabilities for nutritional products and aroma ingredients. By October 1, we were able to lift force majeure for all affected products in our animal and human nutrition businesses. For aroma ingredients, we expect to lift force majeure later in Q4 2018 and partly thereafter. Currency and portfolio effects negatively impacted sales.

EBIT before special items declined slightly, mainly driven by lower sales volumes, higher fixed costs and negative currency effects. Stronger margins had an offsetting effect. Excluding the negative currency effects, EBIT before special items was flat year on year.

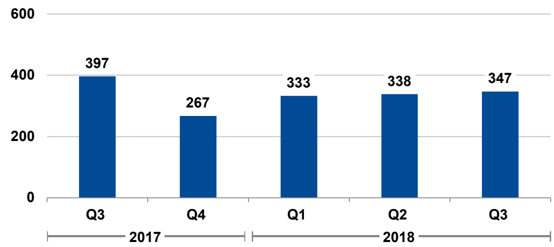
Functional Materials & Solutions

Sales up on higher prices and volumes, earnings declined mainly due to higher fixed costs

Sales Q3 2018 vs. Q3 2017
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2018 vs. Q3 2017	↑ 2%	↑ 4%	0%	↓ (1%)

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[Chart 10: Functional Materials & Solutions – Sales up on higher prices and volumes, earnings declined mainly due to higher fixed costs]

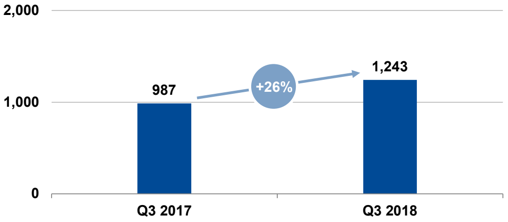
Sales in **Functional Materials & Solutions** grew slightly compared to the prior-year quarter. This was mainly attributable to higher prices in all divisions, especially in Catalysts and Performance Materials. Also, volumes grew in all divisions except for Performance Materials, where primarily a lower demand for polyurethane systems lead to a slight decline. Sales were slightly weighed down by currency effects.

EBIT before special items was considerably below the level of Q3 2017, mainly due to higher fixed costs as well as lower margins in most divisions. However, we increased earnings from quarter to quarter over the course of 2018 and continuously reduced the gap to the prior-year quarter.

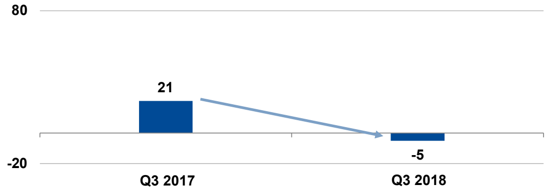
Agricultural Solutions

Sales increased, earnings declined due to acquisition-related effects

Sales Q3 2018 vs. Q3 2017
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2018 vs. Q3 2017	↑ 1%	↑ 17%	↑ 18%	↓ (10%)

[Chart 11: Agricultural Solutions – Sales increased, earnings declined due to acquisition-related effects]

Sales in the **Agricultural Solutions** segment increased significantly compared to Q3 2017. This was due to portfolio effects from the acquisition of businesses from Bayer, higher prices and slightly higher volumes. Strongly negative currency effects partially offset the increase in sales.

- In **Europe**, sales declined slightly, mainly as a result of lower sales volumes for herbicides and fungicides following the extreme weather conditions and long dry period in central and western Europe in particular.
- In **North America**, sales considerably exceeded the prior-year figure. This was primarily due to portfolio effects from the acquired businesses as well as to a higher price level.
- Sales in **Asia** were up slightly year on year as a result of positive portfolio effects and higher prices. Sales growth was tempered by negative currency effects.
- The region **South America, Africa, Middle East** posted considerable sales gains. This was mainly driven by higher prices and sales volumes, particularly for fungicides and insecticides. The acquired businesses contributed to the increase in sales. Negative currency effects had an offsetting impact.

Despite the seasonally strongly negative results of the businesses acquired from Bayer, EBIT before special items was down only 26 million euros on the prior-year quarter. Income generated by the legacy BASF business rose considerably compared with the third quarter of 2017. Excluding the negative currency effects, EBIT before special items for the entire business also increased slightly.

Review of “Other”

Financial figures		Q3 2018	Q3 2017*
		million €	million €
Sales		**827**	**548**
EBIT before special items		**(83)**	**(203)**
Thereof	Costs of corporate research	(96)	(93)
	Costs of corporate headquarters	(64)	(57)
	Foreign currency results, hedging and other measurement effects	31	6
	Other businesses	26	13
Special items		(14)	(6)
EBIT		**(97)**	**(209)**

* Restated figures due to reporting of oil and gas business as discontinued operation

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[Chart 12: Review of “Other”]

EBIT before special items in Other improved from minus 203 million euros to minus 83 million euros in Q3 2018, mainly due to the release of provisions for our long-term incentive program.

Cash flow development Q1 – Q3 2018

Cash flow development		Q1 – Q3 2018	Q1 – Q3 2017
		million €	million €
Cash flows from operating activities		**6,385**	**7,597**
Thereof	Changes in net working capital	(653)	94
	Miscellaneous items	(204)	(190)
Cash flows from investing activities		**(10,036)**	**(3,413)**
Thereof	Payments made for tangible / intangible assets	(2,428)	(2,606)
	Acquisitions / divestitures	(7,120)	(44)
Cash flows from financing activities		**(127)**	**(1,546)**
Thereof	Changes in financial liabilities	2,926	1,276
	Dividends	(3,057)	(2,841)
Free cash flow		**3,957**	**4,991**

[Chart 13: Cash flow development Q1–Q3 2018]

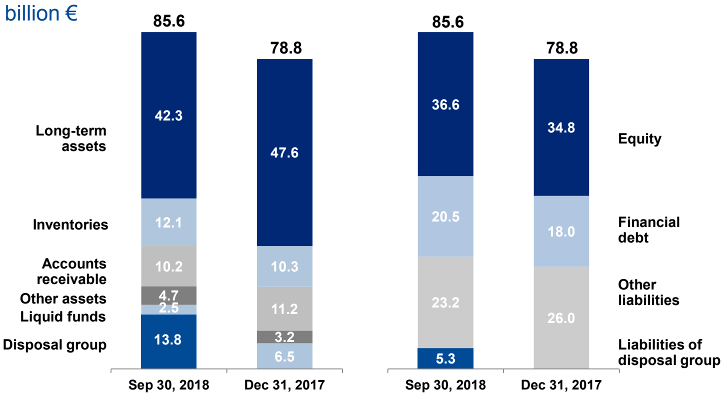
Let’s now turn to the cash flow development:

- In the first nine months of 2018, **cash flows from operating activities** decreased by 1.2 billion euros to 6.4 billion euros. This was largely due to a negative swing in changes in net working capital.
- At 10 billion euros, cash outflows from investing activities were 6.6 billion euros higher than in the first nine months of 2017. The increase was driven by the businesses acquired from Bayer.
- **Free cash flow** came in at 4 billion euros compared to 5 billion euros in the same period last year. The decrease was caused by the lower cash flows from operating activities.
- Financing activities led to cash outflows of 127 million euros, compared to 1.5 billion euros in the first nine months of 2017.

Balance sheet remains strong

Balance sheet September 30, 2018 vs. December 31, 2017

billion €



- Total assets increased by €6.8 billion, mainly as a result of the acquisition of agricultural solutions businesses and assets from Bayer
- Current assets increased following the signing of the agreement to merge Wintershall and DEA and the establishment of a disposal group
- Net debt up by €6.5 billion to €18.0 billion due to purchase price payment to Bayer
- Equity ratio at 43% as of September 30, 2018

[Chart 14: Balance sheet remains strong]

Finally, let’s look at our balance sheet on September 30, compared to the year end 2017:

- Total assets increased by 6.8 billion euros to 85.6 billion euros. The acquisition of a range of businesses and assets from Bayer contributed 8 billion euros to this increase.
- Non-current assets decreased by 5.4 billion euros, mainly attributable to the reclassification of the fixed assets in our oil and gas business to current assets following the signing of the agreement to merge Wintershall and DEA.
- Current assets amounted to 43.3 billion euros compared to 31.1 billion euros at year end 2017 due to the reporting of our oil and gas assets as a disposal group.
- Total liabilities increased by 4.9 billion euros to 48.9 billion euros. Current liabilities were up by 7.2 billion euros to 22.1 billion euros, primarily because of the reclassification of the non-current liabilities and provisions of our oil and gas activities to the liabilities of the disposal group.
- Financial debt was up by 2.5 billion euros to 20.5 billion euros. Net debt amounted to 18 billion euros compared to 11.5 billion euros at the end of 2017, due to the purchase price payment to Bayer.
- Our equity ratio was 43 percent at the end of September 2018.

And with that, back to Martin for the outlook.

Outlook 2018 for BASF Group*

Outlook 2018	Since September 27, 2018	Previous
Sales	Slight increase	Slight increase
EBIT before special items	Slight decline	Slight increase
EBIT	Considerable decline	Slight decline

Underlying economic assumptions for 2018

- GDP growth: +3.0% (unchanged)
- Growth in global industrial production: +3.1% (previous assumption: +3.2%)
- Growth in global chemical production: +3.1% (previous assumption: +3.4%)
- Exchange rate: US$1.20 per € (unchanged)
- Oil price (Brent): US$70 per barrel (unchanged)

* Following the changed reporting of Wintershall Group after the signing of the definitive transaction agreement between BASF and LetterOne on September 27, 2018.
For 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.

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[Chart 15: Outlook 2018 for BASF Group]

Global economic risks increased over the course of 2018, driven by geopolitical developments and the trade conflict, in particular between the U.S. and China. They are causing a slowdown in economic growth in Asia, in particular in China.

Our GDP forecast remains unchanged. Despite a slight softening in Europe and volatile developments in many emerging economies, we maintain our assumption of 3 percent for GDP growth in 2018. Stronger growth in the U.S. compensates for the slowdown in other regions.

Overall, industrial production and especially the global automotive production developed below prior expectations. In Europe, particularly the introduction of new vehicle emission standards weighed on automotive production. While most of this impact is expected to be temporary, we have reduced our 2018 growth expectations for global industrial production from 3.2 percent to 3.1 percent and for chemical production from 3.4 percent to 3.1 percent.

As a result of the changed reporting of Wintershall Group following the signing of the agreement to merge Wintershall and DEA, BASF Group's outlook for the full year 2018 was adjusted on September 27. We continue to expect a slight increase in sales compared to the adjusted 2017 figure. We expect a slight decline in EBIT before special items compared to the adjusted 2017 figure, while EBIT is expected to decline considerably.

To conclude: The macroeconomic environment is becoming more challenging. The continued low water levels of the Rhine are also a challenge. Our third-quarter results clearly reflect this. We are neither satisfied with our current business performance nor with our share price development. At our Capital Markets Day on November 20, we will focus on how we will better position BASF and explain specific measures we are taking. Hans and I look forward to welcoming you on that occasion in Ludwigshafen.

And now we are happy to take your questions.