

Reporting Factsheet Q2 2018

BASF Group (million €)	Q2 2018	Q2 2017	Change (%)	H1 2018	H1 2017	Change (%)
Sales	16,782	16,264	3	33,428	33,121	1
EBITDA before special items	3,295	3,291	0	6,734	6,798	(1)
EBITDA	3,232	3,233	0	6,680	6,735	(1)
Amortization and depreciation ¹	941	1,052	(11)	1,868	2,103	(11)
EBIT	2,291	2,181	5	4,812	4,632	4
Special items	(65)	(70)	7	(56)	(76)	26
EBIT before special items	2,356	2,251	5	4,868	4,708	3
Financial result	(202)	(174)	(16)	(388)	(326)	(19)
Income before taxes and minority interests	2,089	2,007	4	4,424	4,306	3
Net income	1,480	1,496	(1)	3,159	3,205	(1)
EBIT after cost of capital	792	684	16	1,912	1,671	14
Earnings per share (€)	1.61	1.63	(1)	3.44	3.49	(1)
Adjusted earnings per share (€)	1.77	1.78	(1)	3.70	3.75	(1)
Research and development expenses	449	468	(4)	877	892	(2)
Personnel expenses	2,691	2,568	5	5,307	5,209	2
Number of employees (June 30)	116,126	113,763	2	116,126	113,763	2
Assets (June 30)	81,857	75,651	8	81,857	75,651	8
Investments including acquisitions ²	829	907	(9)	1,495	1,713	(13)
Equity ratio (June 30, %)	43.1	42.9	0	43.1	42.9	0
Net debt (June 30)	12,588	15,569	(19)	12,588	15,569	(19)
Cash flows from operating activities	2,224	2,969	(25)	3,455	3,802	(9)
Free cash flow	1,402	2,094	(33)	2,006	2,160	(7)

¹ Amortization of intangible assets and depreciation of property, plant and equipment (incl. impairments and reversals of impairments)

² Additions to intangible assets and property, plant and equipment

Factors influencing sales in Q2 2018 (changes in %)	Sales	Volumes	Prices	Currencies	Portfolio
Chemicals	2	1	5	(4)	0
Performance Products	(5)	(2)	2	(4)	(1)
Functional Materials & Solutions	5	4	6	(5)	0
Agricultural Solutions	(2)	4	1	(7)	0
Oil & Gas	23	5	18		0
BASF Group	3	3	6	(6)	0

Segments

2nd Quarter (million €)

	Sales			Income from operations before depreciation and amortization (EBITDA)			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
Chemicals	4,132	4,045	2	1,330	1,385	(4)	1,074	1,120	(4)	1,064	1,119	(5)
Performance Products	3,949	4,142	(5)	614	609	1	409	405	1	402	363	11
Functional Materials & Solutions	5,540	5,261	5	494	584	(15)	338	422	(20)	326	427	(24)
Agricultural Solutions	1,501	1,526	(2)	321	336	(4)	278	272	2	259	270	(4)
Oil & Gas	998	814	23	593	472	26	391	183	114	391	183	114
Other	662	476	39	(120)	(153)	22	(134)	(151)	11	(151)	(181)	17
BASF Group	16,782	16,264	3	3,232	3,233	0	2,356	2,251	5	2,291	2,181	5

1st Half (million €)

	Sales			Income from operations before depreciation and amortization (EBITDA)			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
Chemicals	8,418	8,150	3	2,716	2,624	4	2,208	2,078	6	2,190	2,093	5
Performance Products	7,940	8,402	(5)	1,308	1,323	(1)	879	920	(4)	884	862	3
Functional Materials & Solutions	10,679	10,459	2	986	1,272	(22)	671	953	(30)	651	948	(31)
Agricultural Solutions	3,229	3,381	(4)	802	931	(14)	701	805	(13)	676	801	(16)
Oil & Gas	1,943	1,643	18	1,180	954	24	756	353	114	783	352	122
Other	1,219	1,086	12	(312)	(369)	15	(347)	(401)	13	(372)	(424)	12
BASF Group	33,428	33,121	1	6,680	6,735	(1)	4,868	4,708	3	4,812	4,632	4

Regions

Regions (million €)

	Sales by location of company			Sales by location of customer			Income from operations (EBIT) by location of company		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
2nd Quarter									
Europe	8,203	7,827	5	7,721	7,481	3	1,475	1,399	5
Thereof Germany	4,954	5,000	(1)	2,116	2,040	4	520	617	(16)
North America	4,079	4,261	(4)	3,957	4,061	(3)	266	337	(21)
Asia Pacific	3,641	3,336	9	3,794	3,513	8	523	498	5
South America, Africa, Middle East	859	840	2	1,310	1,209	8	27	(53)	.
BASF Group	16,782	16,264	3	16,782	16,264	3	2,291	2,181	5
1st Half									
Europe	16,726	16,159	4	15,769	15,401	2	3,055	2,820	8
Thereof Germany	10,303	10,235	1	4,370	4,248	3	1,153	1,442	(20)
North America	8,042	8,632	(7)	7,790	8,291	(6)	583	850	(31)
Asia Pacific	6,997	6,653	5	7,360	7,043	5	1,111	994	12
South America, Africa, Middle East	1,663	1,677	(1)	2,509	2,386	5	63	(32)	.
BASF Group	33,428	33,121	1	33,428	33,121	1	4,812	4,632	4

Segments Q2 2018 vs. Q2 2017

Chemicals

Sales in Chemicals slightly exceeded the figure for Q2 2017. This was the result of higher prices, especially in Monomers and Intermediates, as well as volume growth. By contrast, sales were negatively impacted by FX effects, primarily relating to the U.S. dollar. EBIT bsi declined slightly compared with Q2 2017. This was mainly due to significantly higher fixed costs as a result of plant turnarounds.

- Petrochemicals recorded slight sales growth compared with Q2 2017. This was driven by higher volumes, particularly in Europe. Prices rose slightly overall, but declined for steam cracker products in North America. Sales were weighed down by negative FX effects. EBIT bsi was considerably below the strong figure for Q2 2017, mainly as a result of lower margins and higher fixed costs. Steam cracker margins declined significantly in all regions, especially in North America. This could not be offset by higher margins for oxo alcohols and plasticizers, primarily in Europe and North America, as well as for acrylic monomers in Europe in particular. Fixed costs rose significantly due to higher expenses for service and maintenance as well as for catalysts.
- In Monomers, we slightly improved sales compared with Q2 2017. This was due to higher prices, particularly for isocyanates. Negative FX effects and lower sales volumes had an offsetting effect. EBIT bsi grew slightly on the back of higher margins. Fixed costs were significantly higher, primarily from maintenance measures.
- Intermediates considerably increased its sales compared with Q2 2017. This was attributable to higher sales volumes of acetylenics and carbonyl derivatives in particular, as well as to higher prices in all regions, especially for acids and polyalcohols. FX effects had a negative impact on sales. EBIT bsi rose considerably as a result of improved margins and volume growth.

Performance Products

Sales in Performance Products declined slightly year on year. The main driver was negative FX effects in all divisions, mostly relating to the U.S. dollar. Lower volumes in Nutrition & Health and Care Chemicals, as well as portfolio effects in Performance Chemicals and Dispersions & Pigments also had a dampening effect on sales. By contrast, sales were positively impacted by higher sales prices. We slightly increased EBIT bsi compared with Q2 2017 thanks to lower fixed costs and higher margins.

- In Dispersions & Pigments, sales were slightly below Q2 2017. This was mainly attributable to negative FX effects. The divestiture of the production site for styrene butadiene-based paper dispersions in Pischelsdorf, Austria, also reduced sales slightly. Higher sales volumes in dispersions in particular had an offsetting effect. EBIT bsi declined considerably year on year, mainly due to lower margins as a result of FX effects.
- Care Chemicals recorded a considerable year-on-year decline in sales, largely as a result of negative FX effects. Slightly lower sales volumes, particularly in the hygiene business and for oleochemical surfactants and fatty alcohols, also contributed to the sales decrease. By contrast, higher sales prices had a positive impact on sales. EBIT bsi considerably exceeded Q2 2017 due to higher margins and lower fixed costs.
- Sales in Nutrition & Health decreased considerably compared with Q2 2017. This was mainly attributable to lower volumes, primarily because of the lower availability of citral-based products. On October 31, 2017, a fire occurred during startup of the citral plant in Ludwigshafen. As a result, we had to declare Force Majeure for all citral and isoprenol-based aroma ingredients, and consequently for vitamin A, vitamin E and several carotenoid products. We lifted Force Majeure for vitamin A and E products in the animal nutrition business in July 2018. Sales were also reduced by negative FX effects. Prices rose significantly, especially in the animal nutrition business. Fixed costs were lower; EBIT bsi considerably exceeded the figure for Q2 2017.
- In Performance Chemicals, sales declined slightly compared with Q2 2017. This was primarily due to negative FX effects. Sales were also reduced by the transfer of BASF's leather chemicals business to the Stahl group. By contrast, sales were lifted by higher volumes, particularly of mining chemicals, automotive liquids and mineral oil additives. Prices also rose slightly, especially for fuel, lubricant and plastic additives. EBIT bsi declined considerably compared with Q2 2017, mainly due to higher fixed costs.

Functional Materials & Solutions

In Functional Materials & Solutions, we recorded slight sales growth compared with Q2 2017 on the back of higher prices and increased sales volumes. Sales were negatively impacted by FX effects, primarily relating to the U.S. dollar. EBIT bsi was considerably below the figure for Q2 2017, primarily as a result of higher fixed costs and lower margins due to the increase in raw materials prices.

- Sales in Catalysts grew considerably year on year due to higher prices and volumes. The price increases were mainly a consequence of higher precious metal prices. Volumes grew in precious metal trading and in chemical and refining catalysts as well as in battery materials. FX effects had a negative impact on sales. In precious metal trading, sales increased to €801 million (Q2 2017: €651 million) due to the previously mentioned higher prices and volumes. EBIT bsi decreased considerably, mainly due to higher fixed costs. Fixed costs increased due among other factors to the startup of new plants.
- Construction Chemicals recorded a slight increase in sales compared with Q2 2017. This was attributable to higher volumes, as well as the acquisition of the waterproofing systems supplier Grupo Thermotek. Negative FX effects had an offsetting effect; prices were on a level with Q2 2017. In Europe, volume growth in the construction systems business in particular resulted in considerably higher sales. In North America, sales rose considerably due to the acquisition of Thermotek and higher sales volumes. Despite higher volumes, sales declined in Asia and in the region South America, Africa, Middle East, mainly as a result of negative FX effects. EBIT bsi was up slightly on Q2 2017, largely because of lower fixed costs.
- Sales in Coatings were on a level with Q2 2017. Negative FX effects were offset by a slight increase in sales volumes and slightly higher prices. We recorded volume growth, particularly for automotive OEM coatings,

automotive refinish coatings and surface treatments. Volumes in the decorative paints business decreased significantly due to the effects of the truck drivers' strike in Brazil, which lasted almost two weeks. EBIT bsi declined considerably year on year due to higher fixed costs and the increase in raw materials prices.

- Sales in Performance Materials slightly exceeded the figure for the prior-year quarter, primarily due to higher sales prices. Sales prices were increased in the polyurethane systems and engineering plastics businesses in particular. However, this did not match the rise in raw materials prices. Sales volumes also grew, driven by the business with the automotive industry and demand in the consumer goods industry, especially for engineering plastics and thermoplastic polyurethanes. FX effects had a negative impact. EBIT bsi declined considerably compared with Q2 2017. This was attributable to higher fixed costs, due among other factors to the startup of new plants, as well as lower margins as a result of the increase in raw materials prices.

Agricultural Solutions

Sales in Agricultural Solutions declined slightly compared with Q2 2017 due to negative FX effects in all regions. We increased sales volumes in South America and Asia in particular, and raised prices slightly.

- Sales in Europe decreased slightly as a result of negative FX effects. These could not be completely offset by higher volumes, particularly for herbicides in central and eastern Europe.
- In North America, sales were considerably lower than Q2 2017. Sales were reduced by lower volumes, particularly of fungicides in Canada due to the late start to the season and higher inventories at our customers. Negative FX effects also contributed to the decline in sales.
- Sales in Asia grew considerably thanks to higher sales volumes of fungicides in India and China as well as a slight increase in prices in the region. FX effects had a negative impact on sales.
- Sales in the region South America, Africa, Middle East rose considerably, mainly due to higher volumes. Volume growth in Brazil was driven by fungicides and insecticides, while Argentina saw particularly strong increases in herbicide volumes. Significantly negative FX effects had an offsetting effect.

EBIT bsi was slightly higher than in Q2 2017. Despite the negative FX effects, a more favorable product mix lifted our average margin. This more than compensated for the slight increase in fixed costs.

Oil & Gas

In Oil & Gas, sales rose considerably compared with Q2 2017, mainly due to higher prices. Sales were also lifted by increased volumes from Norway following the start of production at new fields and stronger trading volumes. The price of a barrel of Brent crude oil averaged \$74 in Q2 2018 (Q2 2017: \$50). Gas prices on the European spot markets were also significantly higher than in Q2 2017. Sales were reduced by FX effects. We considerably improved EBIT bsi. Oil and gas prices rose. In Norway, we recorded both volume growth and lower depreciation as a result of higher reserves. Net income rose considerably.

Other

Sales in Other were considerably above the figure for Q2 2017, mainly as a result of higher sales volumes and prices in raw materials trading. EBIT bsi rose considerably due to lower contributions to provisions and an improved foreign currency result.

Outlook 2018 for BASF Group

Underlying economic assumptions for 2018

- GDP growth: +3.0% (unchanged)
- Growth in global industrial production: +3.2% (unchanged)
- Growth in global chemical production, excluding pharma: +3.4% (unchanged)
- Exchange rate: US\$1.20 per € (unchanged)
- Oil price Brent crude: US\$70 per barrel (previous assumption: US\$65 per barrel)
- Annual impact of US\$/€ exchange rate change on BASF Group (exchange rate: -US\$0.01 per €): sales: +€200 million; EBIT: +€50 million
- Annual impact of oil price change on Oil & Gas segment (US\$1 per barrel rise in annual average oil price for Brent crude): sales: +€25 million; EBIT: +€20 million

Forecast 2018¹ for BASF Group confirmed

- Slight sales growth
- Slight increase in EBIT before special items
- Slight decline in EBIT
- Significant premium on cost of capital with considerable decline in EBIT after cost of capital

¹ 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.

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

Forward-looking statements

This factsheet contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Such risk factors include those discussed in the Opportunities and Risks Report from page 111 to 118 of the BASF Report 2017. BASF does not assume any obligation to update the forward-looking statements contained in this factsheet above and beyond the legal requirements.