Analyst Conference Call
Q2 2017
July 27, 2017

Analyst Conference Call Script

Kurt Bock, Chairman of the Board of Executive Directors
Hans-Ulrich Engel, Chief Financial Officer

The spoken word applies.

Cautionary note regarding forward-looking statements

This presentation contains forward-looking statements. These forward-looking statements are based on current estimates and projections of the Board of Executive Directors and on currently available information. These forward-looking statements are not guarantees of the future developments and results outlined therein. Rather, they depend on a number of factors, involve various risks and uncertainties, and are based on assumptions that may not prove to be accurate. Such risk factors particularly include those discussed on pages 111 to 118 of the BASF Report 2016. The BASF Report is available online at basf.com/report. BASF does not assume any obligation to update the forward-looking statements contained in this presentation.

BASF Group Q2 2017

Considerably higher sales and earnings

Financial figures	Q2 2017	Q2 2016	Change
Sales	€16.3 billion	€14.5 billion	12%
EBITDA before special items	€3.3 billion	€2.7 billion	23%
EBITDA	€3.2 billion	€2.8 billion	16%
EBIT before special items	€2.3 billion	€1.7 billion	32%
EBIT	€2.2 billion	€1.7 billion	27%
Net income	€1.5 billion	€1.1 billion	37%
Reported EPS	€1.63	€1.19	37%
Adjusted EPS	€1.78	€1.30	37%
Operating cash flow	€3.0 billion	€2.3 billion	29%

Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2017 vs. Q2 2016	↑ 3%	↑ 7%	↑ 1%	↑ 1%

Kurt Bock

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

[Chart 3: BASF Group Q2 2017: Considerably higher sales and earnings]

The positive demand development continued in the second quarter of 2017 and we saw solid volume growth. Overall, we considerably increased sales and earnings. Margins in our Chemicals segment remained on a high level. In contrast, Performance Products and Functional Materials & Solutions were negatively affected by higher raw material prices.

Turning to the financial figures compared to Q2 2016 in more detail:

- Sales in Q2 2017 increased by 12 percent to 16.3 billion euros. This was mainly due to higher prices and volumes. We raised sales prices by 7 percent on account of higher raw material prices, especially in Chemicals. Volumes increased by 3 percent. We achieved year-on-year volume growth for the fifth consecutive quarter. In the first half, volumes were 5 percent above last year's level. Currency and portfolio effects slightly positively impacted sales.
- EBITDA before special items increased by 23 percent to 3.3 billion euros, EBITDA increased by 16 percent to 3.2 billion euros.
- At 2.3 billion euros, EBIT before special items came in 32 percent higher, mainly due to considerably higher earnings in our Chemicals and Oil & Gas segments. Lower earnings in Performance Products, Functional Materials & Solutions and Agricultural Solutions partially offset this increase.

- The negative impact at the Ludwigshafen site due to last year's North Harbor accident was offset by another insurance payment of 100 million euros in Q2. This amount predominantly pertained to the Chemicals segment.
- At around 2.2 billion euros, EBIT was 27 percent higher than in the same period last year. Special items amounted to minus 70 million euros and were mainly related to expenses for restructuring measures and divestitures.
- The tax rate was 22 percent, compared to almost 27 percent in the prior second quarter. This decrease was among other things due to deferred tax income arising from currency effects in Norway.
- At 1.5 billion euros, net income rose by 37 percent compared with the prior-year quarter. Earnings per share were 1.63 euros in Q2 2017 versus 1.19 euros in the same period last year. Adjusted earnings per share amounted to 1.78 euros, 48 cents or 37 percent above the prior-year quarter.
- Cash provided by operating activities was 3.0 billion euros in the second quarter of 2017 compared to 2.3 billion euros in the prior-year quarter. Free cash flow rose from 1.3 billion euros to 2.1 billion euros, mainly due to the higher net income and lower payments made for tangible and intangible assets.

Milestones

BASF plans new automotive application center for Asia Pacific

BASF and Kaiima to identify novel herbicide resistance traits

BASF and Norilsk Nickel to cooperate on raw material supply for battery materials production

BASF to invest in ibuprofen capacities in Germany and North America

[Chart 4: Milestones]

We continue to implement our "We create chemistry" strategy. Our commitment to research and development is core to this strategy. During our recent R&D Roundtable in Ludwigshafen, we demonstrated how digitalization will further accelerate BASF's innovation power. Through digital technologies and data, we are increasing the efficiency and effectiveness of our processes and creating additional value for our customers.

Let me mention a few more milestones announced in the past weeks:

- At the beginning of June, we communicated plans to build our first regional automotive application center in Asia Pacific, located at the BASF Innovation Campus in Shanghai, China. This investment is a significant step in our strategy to strengthen our R&D footprint in Asia and improve our proximity to customers in the fastest growing region for our automotive coatings solutions.
- In mid-July, Kaiima Bio-Agritech, an Israeli genetics and breeding technology company, and BASF announced their collaboration on the discovery of novel herbicide resistance traits. Together we aim to develop new weed control systems to improve farmer productivity.

Our continued volume growth is largely enabled by the capital expenditures in recent years. We will continue to fill the new capacities. Additional projects will also support our organic growth:

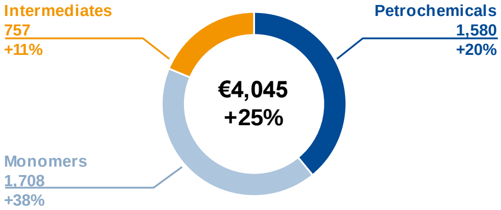
- Norilsk Nickel and BASF signed a Memorandum of Understanding to cooperate on the supply of raw materials, especially cobalt, for cathode materials. In a first step, BASF intends to invest up to 400 million euros in European production plants for cathode materials to be used in lithium-ion batteries. The envisioned cooperation with Norilsk Nickel will provide a solid basis to expand BASF's production of battery materials on a global scale.
- We announced the strengthening of our ibuprofen business with investments of approximately 200 million euros. We will build a new plant in Ludwigshafen. It is scheduled to come on stream in 2021. We are also expanding the capacities at our production site in Bishop, Texas, to fill current supply gaps in the market.

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

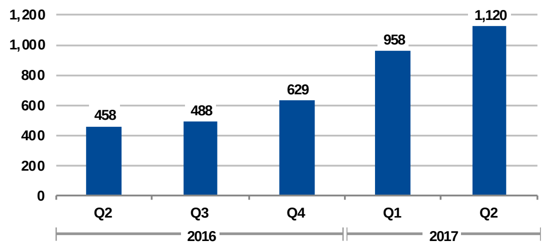
Chemicals

Higher earnings driven by increased margins

Sales Q2 2017 vs. Q2 2016*
million €



EBIT before special items*
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2017 vs. Q2 2016	↓ (1%)	↑ 25%	0%	↑ 1%

* Effective 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 in the Performance Products segment. The 2016 figures have been adjusted accordingly.

Hans-Ulrich Engel

Good morning ladies and gentlemen,
Let me highlight the financial performance of each segment compared to the second quarter of 2016.

[Chart 5: Chemicals – Higher earnings driven by increased margins]

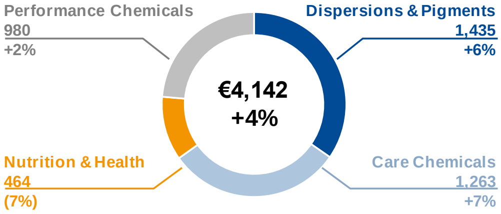
Sales in **Chemicals** increased considerably. Significantly higher prices in all divisions were the main driver for this development. Volumes were almost at last year's level: Higher volumes, e.g., in amines and MDI, could not fully compensate the lower volumes, primarily as a consequence of the still 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 before special items of 1.1 billion euros, which exceeded the result of Q2 2016 by 662 million euros.

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. This week, 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.

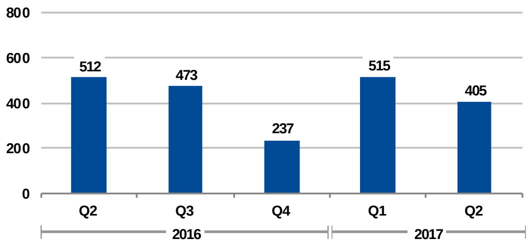
Performance Products

Sales increased, earnings declined due to lower margins

Sales Q2 2017 vs. Q2 2016*
million €



EBIT before special items*
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2017 vs. Q2 2016	↑ 2%	↑ 2%	↓ (1%)	↑ 1%

* Effective 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 in the Performance Products segment. The 2016 figures have been adjusted accordingly.

[Chart 6: Performance Products – Sales increased, earnings declined due to lower margins]

Sales in **Performance Products** 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 before special items. Special items of minus 42 million euros were mainly attributable to restructuring measures in Care Chemicals.

Functional Materials & Solutions

Sales growth on good demand, earnings affected by lower margins overall and higher fixed costs

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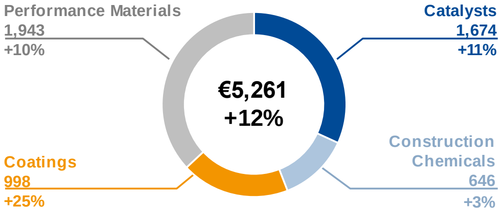
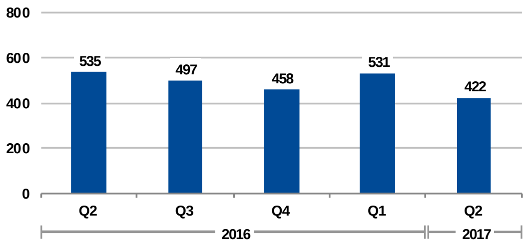
Sales Q2 2017 vs. Q2 2016
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2017 vs. Q2 2016	↑ 4%	↑ 3%	↑ 3%	↑ 2%

[Chart 7: Functional Materials & Solutions – Sales growth on good demand, earnings affected by lower margins overall and higher fixed costs]

In **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 the prior-year quarter, 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 before special items in Functional Materials & Solutions decreased considerably.

Agricultural Solutions

Sales increased, earnings impacted by lower average margins due to different product mix

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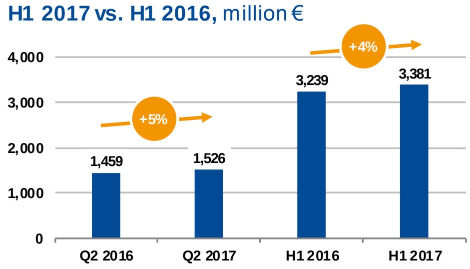
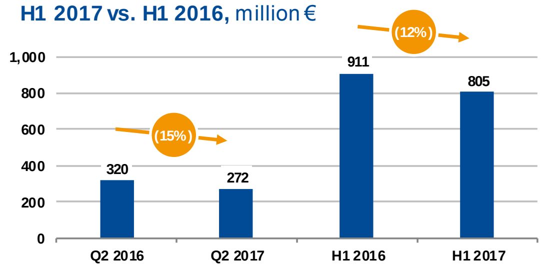
Sales Q2 2017 vs. Q2 2016 and H1 2017 vs. H1 2016, million €



EBIT before special items Q2 2017 vs. Q2 2016 and H1 2017 vs. H1 2016, million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2017 vs. Q2 2016	↑ 5%	↓ (2%)	0%	↑ 2%

[Chart 8: Agricultural Solutions – Sales increased, earnings impacted by lower average margins due to different product mix]

Despite continued difficult market conditions, we were able to increase sales in **Agricultural Solutions.** In Q2 2017, volumes increased by 5 percent, 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 percent.

- 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 the prior-year quarter, EBIT before special items 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 and earnings up, mainly due to higher volumes and prices

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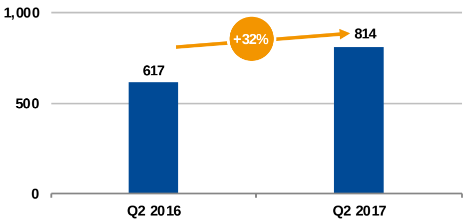

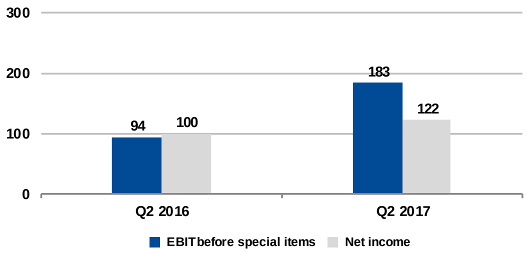

Sales development	Volumes	Prices/Currencies	Portfolio
Q2 2017 vs. Q2 2016	↑ 22%	↑ 10%	0%

[Chart 9: Oil & Gas – Sales and earnings up, mainly due to higher volumes and prices]

Sales in **Oil & Gas** increased significantly due to higher volumes and higher oil and gas prices. While production volumes matched the level of the previous second quarter, sales volumes – especially of natural gas – exceeded the level of Q2 2016 by 22 percent. An offshore lifting in Libya contributed to the volume increase in Q2 2017. Whereas in 2016, the offshore lifting took place in the fourth quarter. The average price of Brent crude in Q2 2017 was 50 U.S. dollars per barrel compared with 46 U.S. dollars in the prior-year quarter. In addition, gas prices on the European spot markets were significantly above the prior-year quarter. The combined price and currency effect amounted to plus 10 percent.

Overall, EBIT before special items increased from 94 million euros to 183 million euros, 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 euros compared to 100 million euros in Q2 2016. This disproportionate increase is due to currency effects from Group internal financing that negatively impacted net income of Wintershall.

Review of "Other"

million €		Q2 2017	Q2 2016
Sales		**476**	**485**
EBIT before special items		**(151)**	**(212)**
Thereof	Costs for cross-divisional corporate research	(93)	(88)
	Costs of corporate headquarters	(58)	(56)
	Foreign currency results, hedging and other measurement effects	142	(116)
	Other businesses	(12)	33
Special items		(30)	65
EBIT		**(181)**	**(147)**

[Chart 10: Review of "Other"]

EBIT before special items in Other improved to minus 151 million euros, from minus 212 million euros in the prior-year quarter. 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.

Cash flow development in 1st half 2017

million €		H1 2017	H1 2016
Cash provided by operating activities		**3,802**	**3,339**
Thereof	Changes in net working capital	(1,684)	(1,045)
	Miscellaneous items	178	(122)
Cash used in investing activities		**(2,365)**	**(1,988)**
Thereof	Payments made for tangible / intangible assets	(1,642)	(1,979)
	Acquisitions / divestitures	(65)	51
Cash used in financing activities		**(886)**	**(1,814)**
Thereof	Changes in financial liabilities	1,932	944
	Dividends	(2,837)	(2,768)
Free cash flow		2,160	1,360

[Chart 11: Cash flow development in 1st half 2017]

Let's now turn to our cash flow:

- In the first half of 2017, cash provided by operating activities increased by 463 million euros to 3.8 billion euros. This was largely due to the higher net income. Changes in net working capital amounted to minus 1.7 billion euros compared to minus 1.0 billion euros in the first half of 2016. This was driven by a higher increase in receivables following the strong volume growth and higher prices.
- At 2.4 billion euros, cash used in investing activities was 377 million euros higher than in the first half of 2016. One factor here was an increase in tied-down cash resulting from the rise in financing-related receivables. This was driven by the loan granted to Nord Stream 2 AG. Moreover, fewer payments were received from disposals. Payments made for tangible and intangible assets decreased by 17 percent and amounted to 1.6 billion euros.
- Free cash flow rose from 1.4 billion euros to 2.2 billion euros in the first half of 2017.
- Financing activities led to a cash outflow of 886 million euros, compared to an outflow of 1.8 billion euros in the first six months of 2016. We used the currently favorable market conditions to further reduce the financing costs of BASF Group.

And with that, back to Kurt for the outlook.

Outlook 2017 for BASF Group raised

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Assumptions 2017

GDP growth:	+2.5% (+2.3%)
Growth in industrial production:	+2.5% (+2.3%)
Growth in chemical production*:	+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)

Outlook 2017

We have raised our 2017 forecast as follows (previous forecast in parentheses):

- 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)

* Excluding pharma

Kurt Bock

[Chart 12: Outlook 2017 for BASF Group raised]

Considering the better than expected macroeconomic development in the first half of this year, we have adjusted our underlying assumptions for 2017 as follows:

- Growth in gross domestic product: 2.5% from 2.3%
- Growth in industrial production: 2.5% from 2.3%
- Growth in chemical production: 3.4% – unchanged
- An average exchange rate of 1.10 U.S. dollar from 1.05 U.S. dollar per euro
- An average Brent oil price for the year of 50 U.S. dollars from 55 U.S. dollars per barrel

As announced in April, we reviewed our annual forecast based on the results of the first half 2017. In light of our sales increase of 15 percent and an increase in EBIT before special items of 30 percent, we continue to expect a considerable increase in sales for the full year – by at least 6 percent. For EBIT before special items, we now expect a considerable increase of at least 11 percent for 2017.

For the second half of 2017, we expect a slight increase in EBIT before special items compared to the second half of 2016. This forecast considers the very strong performance of the Chemicals segment in the first half of 2017, which is expected to weaken, as well as the weaker than originally expected oil price and U.S. dollar.

And now, we are happy to take your questions.