Analyst Conference Call
Full Year 2017
Speech (including slides)
February 27, 2018

Analyst Conference Call – Speech

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 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 pages 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.

BASF with considerable sales and earnings increase in the fourth quarter and the full year 2017

Financial figures	Q4 2017	Change Q4 2016	FY 2017	Change FY 2016
	billion €	%	billion €	%
Sales	16.1	8	64.5	12
EBITDA before special items	2.9	27	12.5	21
EBITDA	3.0	20	12.7	21
EBIT before special items	1.9	58	8.3	32
EBIT	1.9	57	8.5	36
Net income	1.5	123	6.1	50
Operating cash flow	1.2	(37)	8.8	14
Reported EPS (€)	1.68	124	6.62	50
Adjusted EPS (€)	1.29	63	6.44	33

Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2017 vs. Q4 2016	↑ 4%	↑ 9%	0%	↓ (5)%
FY 2017 vs. FY 2016	↑ 4%	↑ 8%	↑ 1%	↓ (1)%

Kurt Bock

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

On January 18, BASF announced preliminary figures for the 2017 business year because earnings exceeded analyst estimates. Today, we will provide you with the detailed fourth-quarter and full-year 2017 results and the outlook for 2018.

In 2017, demand was at a good and healthy level in all regions. We achieved volume growth in all segments and significantly improved our profitability. With 12.5 billion euros in EBITDA before special items and 8.3 billion euros in EBIT before special items, we reached a high earnings level. Free cash flow increased by 34 percent and amounted to 4.8 billion euros. Our Verbund concept and long-term investment strategy once again showed its advantages as we captured value within BASF.

EBIT before special items in our chemicals business – which comprises the Chemicals, Performance Products and Functional Materials & Solutions segments – improved by 1.5 billion euros to 7.3 billion euros. In Agricultural Solutions, we almost reached the earnings level of the prior year, despite the challenging market conditions for crop protection products. Earnings in Oil & Gas improved significantly, mainly as a result of higher oil and gas prices.

At the Annual Shareholders' Meeting, we will propose to pay a dividend of 3.10 euros per share, another increase of 10 cents.

[Chart 3: BASF with considerable sales and earnings increase in the fourth quarter and the full year 2017]

Turning to the financial figures of BASF Group for Q4 2017 compared to the prior-year quarter in more detail:

- Sales in the fourth quarter of 2017 increased by 8 percent to 16.1 billion euros. Prices were up by 9 percent and volumes increased by 4 percent. Volumes in our chemicals business rose by 5 percent. Negative currency effects increased to 5 percent overall, while portfolio measures in total had no impact on sales.
- EBITDA before special items increased by 27 percent to 2.9 billion euros. EBITDA rose by 20 percent to 3.0 billion euros.
- EBIT before special items came in at 1.9 billion euros, 58 percent higher than in the prior-year quarter. Considerably higher earnings in Chemicals, Agricultural Solutions, Oil & Gas and in Other more than compensated for lower earnings in Functional Materials & Solutions and Performance Products. At 1.4 billion euros, earnings in our chemicals business increased by 8 percent.
- Special income in EBIT amounted to 72 million euros compared to 47 million euros in Q4 2016. In Q4 2017, the reversal of impairments in Oil & Gas more than compensated special charges.
- EBIT increased from 1.2 billion euros in Q4 2016 to 1.9 billion euros in Q4 2017.
- The tax rate was 6.6 percent compared to 26.5 percent in the same period last year. The reduction of the statutory U.S. corporate tax rate from 35 percent to 21 percent resulted in a one-time non-cash, deferred tax income of 379 million euros in Q4 2017.
- Net income more than doubled to 1.5 billion euros compared to Q4 2016.

- Reported earnings per share increased by 124 percent to 1.68 euros in Q4 2017. Adjusted EPS amounted to 1.29 euros; this compares with 79 cents in the prior-year quarter.
- In the fourth quarter of 2017, operating cash flow declined by 689 million euros to 1.2 billion euros. This was, among other things, driven by a business-related increase in net working capital. Payments made for property, plant, equipment and intangible assets increased by 160 million euros and amounted to 1.4 billion euros. Thus, free cash flow came in at minus 202 million euros compared to a cash inflow of 647 million euros in Q4 2016.

Sales and earnings in Q4 2017 and going into Q1 2018 were impacted by two factors which were beyond our control – currency changes and severe weather conditions. West China suffered from natural gas shortages related to cold weather, affecting our production there. Furthermore, we had to shut down plants on the U.S. Gulf Coast due to freezing temperatures and a lack of raw material supply. We also had some operational issues in our plants. We are doing our utmost to get those plants up again as fast as possible and are in close contact with our customers.

I will now quickly comment on the full year 2017:

- Sales of BASF Group increased by 12 percent to 64.5 billion euros on account of higher prices and volumes. The average price for Brent crude oil in 2017 was 54 U.S. dollars per barrel compared to 44 U.S. dollars in 2016.
- To offset higher raw material prices, we implemented numerous price increases. Overall, sales prices increased by 8 percent. For the full year, volumes were up by 4 percent. Volumes in Asia Pacific were up by 7 percent, particularly driven by China, where volumes increased by 8 percent compared to the prior year. Currency effects amounted to minus 1 percent overall, while portfolio effects positively impacted sales by 1 percent.
- At 12.5 billion euros, EBITDA before special items was 21 percent higher than in the prior year. EBITDA amounted to 12.7 billion euros compared to 10.5 billion euros in 2016.
- EBIT before special items increased from 6.3 billion euros to 8.3 billion euros. Higher earnings in Chemicals, Oil & Gas and in Other were the drivers for this increase.
- In total, special items amounted to plus 194 million euros compared with minus 34 million euros a year ago. EBIT increased by 36 percent to 8.5 billion euros.
- The tax rate decreased from 21.1 percent to 18.6 percent, mainly due to the deferred tax income related to the changes in the U.S. corporate tax rate. Net income exceeded the prior-year level by 50 percent and reached 6.1 billion euros. Reported earnings per share increased from 4.42 euros to 6.62 euros in 2017. Adjusted EPS were 6.44 euros, 1.61 euros above 2016.

- Operating cash flow increased from 7.7 billion euros to 8.8 billion euros in 2017. Thanks to higher net income and our capital expenditure discipline, free cash flow amounted to 4.8 billion euros. This is an increase of 34 percent compared to 2016.

BASF grew strongly in all regions

Financial figures	Q4 2017	Change Q4 2016	FY 2017	Change FY 2016
	billion €	%	billion €	%
Sales by location of customer	**16.1**	**8**	**64.5**	**12**
Europe	6.9	11	29.2	12
North America	3.7	7	15.4	9
Asia Pacific	3.8	8	14.3	18
South America, Africa, Middle East	1.7	5	5.6	5
EBIT by location of company	**1.9**	**57**	**8.5**	**36**
Europe	0.9	36	4.7	31
North America	0.2	.	1.2	11
Asia Pacific	0.6	39	2.2	101
South America, Africa, Middle East	0.2	69	0.3	(22)

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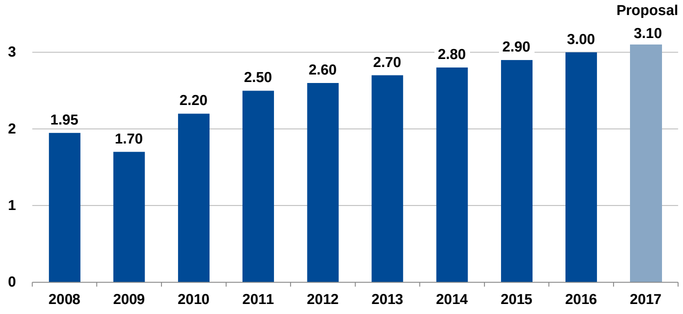
[Chart 4: BASF grew strongly in all regions]

The global economy improved steadily in 2017. Both, advanced economies and emerging markets, grew significantly stronger than in 2016. In the following, I will comment on BASF’s regional results for the full year 2017:

- In **Europe**, the economy gained momentum in almost all countries. BASF’s EBIT in this region increased by 31 percent to 4.7 billion euros, mainly due to higher earnings in Chemicals and Oil & Gas.
- Market growth in the U.S. remained modest at the beginning of 2017. However, it improved over the course of the year. We were able to increase earnings in **North America** from 1.1 billion euros to 1.2 billion euros despite weather-related outages in fall 2017.
- In emerging markets in Asia, GDP growth was slightly higher than in the previous year. On the back of government investment incentives, the Chinese economy grew slightly faster. BASF’s business development reflected this: We experienced strong demand in Asia, especially in China, and we grew well above GDP. In 2017, EBIT in **Asia Pacific** doubled and reached 2.2 billion euros. This was primarily due to higher average margins and volumes growth in all segments as we filled the production capacities we had built up over the past years.
- In **South America**, Brazil overcame the recession. The country’s economy expanded due to higher agricultural exports and an increase in industrial production. However, BASF’s earnings in the region South America, Africa and the Middle East declined from 432 million euros to 335 million euros. The market situation for crop protection products in South America remained challenging for most of the year. However, in Q4 2017, earnings in our agricultural solutions business in Brazil improved considerably.

Attractive shareholder return

Dividend per share
€



Yield*	7.0%	3.9%	3.7%	4.6%	3.7%	3.5%	4.0%	4.1%	3.4%	3.4%

Dividend policy
- We want to grow or at least maintain our dividend at the previous year's level

Key facts
- Dividend proposal of €3.10 per share, an increase of 10 cents
- Dividend yield of 3.4% in 2017

* Dividend yield based on share price at year-end

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[Chart 5: Attractive shareholder return]

Ladies and gentlemen,

- We are committed to our policy to increase or at least maintain our dividend each year.
- At this year's Annual Shareholders' Meeting, we will propose to pay a dividend of 3.10 euros per share, an increase of 10 cents.
- Based on the share price of 91.74 euros at the end of 2017, we are offering an attractive dividend yield of 3.4 percent.

BASF to acquire Solvay’s global polyamide business

Broader global scope
- Enhanced presence, especially in Asia and South America
- Stronger capabilities to serve global and regional customers

Wider range of engineering plastics
- Technyl®, Ultramid®, Ultradur®, Ultraform®, Ultracom®

Broadening technical skills and innovation capabilities*
- Heat-resistant and high-voltage electrical and electronic parts
- Tailor-made solutions for components in automotive
- Mechanically strong and thermally stable consumer goods

Improved reliability of supply
- Backward integration into all key raw materials for polyamide 6.6
- Fully integrated engineering plastics value chain

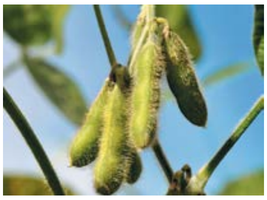
* Application examples

Last year, we agreed on a couple of deals to further improve our portfolio. Aside from the partial exit from our leather chemicals business, the following transactions are noteworthy.

[Chart 6: BASF to acquire Solvay's global polyamide business]

In September, BASF and Solvay agreed on the purchase of Solvay's polyamide business, which is backward-integrated. It will complement BASF's engineering plastics portfolio and expand our offerings for the transportation, construction and consumer goods industries, especially in Asia. The price tag is 1.6 billion euros. We expect the closing in Q3 after regulatory approvals have been obtained.

BASF signed agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses

Fully enabled seed and trait businesses

- Attractive and sizeable seed portfolio for canola/oilseed rape, soybean and cotton in the Americas and Europe
- Excellent trait research for canola, soybean and cotton
- LibertyLink® technology for herbicide tolerance and related trademarks

Complementary crop protection business

- Global glufosinate-ammonium-based non-selective herbicide business
- State-of-the-art production facilities in the U.S., Canada and Germany

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[Chart 7: BASF signed agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses]

In October, BASF signed an agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses. The all-cash purchase price is 5.9 billion euros, subject to certain adjustments at closing. The transaction will be an asset deal.

The assets to be acquired include Bayer's global glufosinate-ammonium non-selective herbicide business and its seed businesses for key row crops in select markets. The acquisition also includes Bayer's trait research and breeding capabilities for these crops and the LibertyLink® trait and trademark.

Since the regulatory approval process for the acquisition of Monsanto by Bayer has been extended, we now expect the closing of the transaction in the first half of 2018.

With this acquisition, we are seizing the opportunity to add highly attractive assets in key row crops and key markets to our portfolio. It will be a strategic complement to our successful crop protection business and our plant biotechnology activities.

BASF and LetterOne signed letter of intent to merge their oil and gas subsidiaries Wintershall and DEA

- Combined business with pro-forma 2016 sales of €4.3 billion, EBITDA of €2.2 billion and net income of €326 million
- Creation of one of the largest independent European exploration and production companies with significant growth potential, optimization of the portfolio footprint of the combined business and realization of synergies
- BASF to initially hold 67% and LetterOne 33% in Wintershall DEA; value of Wintershall's gas transportation business to be reflected through the issuance of a mandatory convertible bond to BASF*
- BASF and LetterOne are currently conducting a confirmatory due diligence and negotiating definitive transaction agreements; closing could be expected in the second half of 2018, subject to customary regulatory approvals
- Initial Public Offering (IPO) envisaged in the medium term

* No later than 36 months after closing, this bond will be converted into new shares in Wintershall DEA, resulting in a higher shareholding ratio for BASF

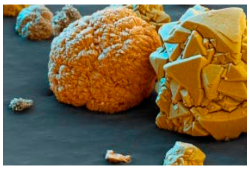
[Chart 8: BASF and LetterOne signed letter of intent to merge their oil and gas subsidiaries Wintershall and DEA]

In December, BASF and LetterOne signed a letter of intent to merge their respective oil and gas businesses. We plan to operate the joint venture under the name Wintershall DEA. By combining these two German-based entities, BASF and LetterOne strive to create a basis for further profitable growth, optimize the portfolio of the combined business and realize synergies. Wintershall DEA would have significant growth potential and be one of the largest independent European exploration and production companies. In the medium term, both partners aim to list Wintershall DEA through an IPO.

Currently, we are conducting a confirmatory due diligence and are negotiating definitive transaction agreements. Closing could be expected in the second half of 2018, subject to customary regulatory approvals.

BASF further invested in its global asset base to serve the automotive industry

BASF to expand its mobile emissions catalysts site in Poland



BASF and TODA to strengthen collaboration in the U.S. and increase investments in CAM

BASF inaugurated automotive coatings plant in Shanghai

BASF opened its first automotive coatings plant in Thailand

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[Chart 9: BASF further invested in its global asset base to serve the automotive industry]

We continue to invest in growth. In Q4 2017, we announced several projects, which will further enhance our position as *the* chemical supplier to the automotive industry. With sales of more than 11 billion euros, this sector is a key customer industry for BASF.

In Catalysts, we announced plans to further expand our mobile emissions catalysts production site in Środa Śląska, Poland.

Furthermore, BASF and our Japanese partner TODA took further steps to enhance our collaboration: BASF TODA Battery Materials Japan has recently tripled its high-nickel cathode active materials capacity at the Onoda site in Japan. With the completion of this expansion, the company is now operating the world's largest calcination facility for high-nickel cathode active materials. Furthermore, BASF and TODA announced their plan to collaborate in the United States. Manufacturing facilities in Elyria, Ohio, and Battle Creek, Michigan, will be combined to form BASF Toda America.

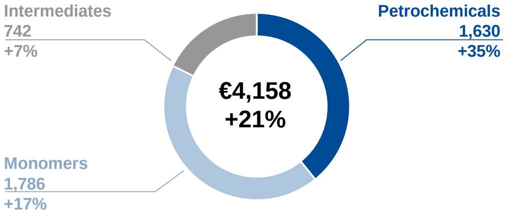
In Coatings, we started up a world-scale automotive coatings plant in Caojing, China, and an automotive coatings plant at our Bangpoo manufacturing site in Thailand. The plant in Thailand is the first BASF automotive coatings manufacturing facility in ASEAN.

I will now hand things over to Hans to give you some more details regarding the development of our segments.

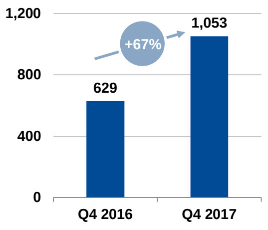
Chemicals

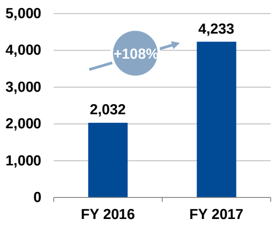
Higher earnings driven by strong margins and higher volumes

Sales Q4 2017 vs. Q4 2016*
million €



EBIT before special items*
million €





Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2017 vs. Q4 2016	↑ 6%	↑ 21%	0%	↓ (6)%
FY 2017 vs. FY 2016	↑ 5%	↑ 23%	0%	↓ (1)%

* Effective January 1, 2017, the Monomers and Dispersions & Pigments divisions' activities for the electronics industry were combined 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.

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Hans-Ulrich Engel

Good afternoon ladies and gentlemen,

Let me highlight the financial performance of each segment in the fourth quarter 2017 compared with the fourth quarter 2016.

[Chart 10: Chemicals – Higher earnings driven by strong margins and higher volumes]

Sales in **Chemicals** increased considerably. Significantly higher prices in all divisions and overall higher volumes were the main drivers for this development. Currency effects impacted sales negatively in all divisions.

Sales in Petrochemicals increased substantially in all major businesses and regions due to significantly higher volumes and prices. Our petrochemicals business in Europe also benefited from the fact that the North Harbor infrastructure at our Ludwigshafen site is fully operational again.

In Monomers, sales increased considerably. Significantly higher prices, especially for MDI and TDI, drove this growth. Volumes in Monomers declined slightly, due in part to turnarounds and the force majeure at our Chongqing plant caused by a natural-gas supply-shortage at our syngas supplier.

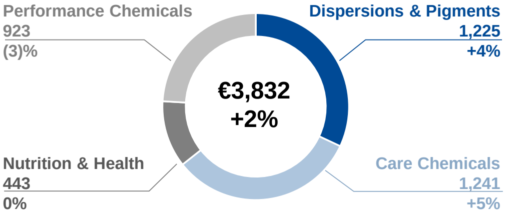
Considerably higher sales in Intermediates were driven by higher prices in all businesses and slightly higher volumes.

In a continued favorable market environment, we were able to increase margins, especially for isocyanates, acids and polyalcohols, cracker products in Europe and acrylic monomers. This resulted in an EBIT before special items of almost 1.1 billion euros, which is more than 400 million euros above the prior-year quarter. All divisions contributed to this significant increase.

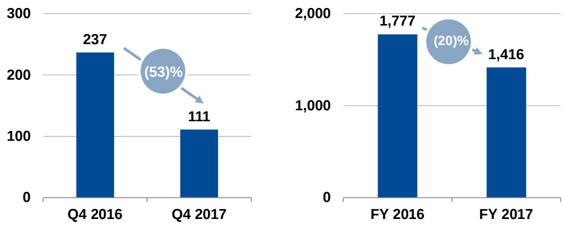
Performance Products

Higher volumes and prices could not offset increased raw materials costs; earnings declined

Sales Q4 2017 vs. Q4 2016*
million €



EBIT before special items*
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2017 vs. Q4 2016	↑ 7%	↑ 1%	↓ (1)%	↓ (5)%
FY 2017 vs. FY 2016	↑ 5%	↑ 1%	↓ (1)%	↓ (1)%

* Effective January 1, 2017, the Monomers and Dispersions & Pigments divisions' activities for the electronics industry were combined 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 11: Performance Products – Higher volumes and prices could not offset increased raw materials costs; earnings declined]

Sales in **Performance Products** increased slightly. In all divisions, higher volumes more than compensated for negative currency effects. Overall slightly higher prices were offset by negative portfolio effects, mainly from the transfer of BASF's leather chemicals business.

Sales in Dispersions & Pigments increased. This primarily resulted from higher volumes, especially in the dispersions business in Europe and Asia Pacific, in electronic specialties and pigments. Prices improved slightly.

In Care Chemicals, sales grew as well. This was driven by higher volumes, particularly in hygiene and personal care solutions, and slightly increased prices.

In Nutrition & Health, sales remained on the level of Q4 2016. Volumes increased in animal nutrition and in pharmaceutical products. Following the force majeure declaration for citral and isoprenol-based aroma ingredients as well as for vitamin A, E and several carotenoid products, customers ordered significant portions of their allocated volumes already in Q4 2017. We expect to restart the citral plant in Ludwigshafen end of March 2018.

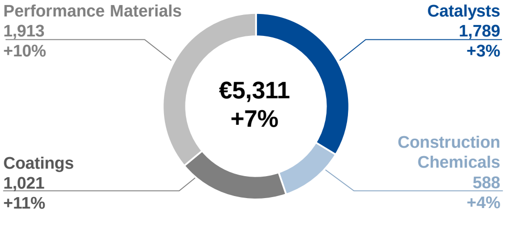
Sales in Performance Chemicals declined slightly. Considerably higher volumes could not compensate for negative currency and portfolio effects related to the transfer of the leather chemicals business to the Stahl Group. The good volume development was predominantly driven by plastic additives and fuel and lubricant solutions.

Ongoing sales price increases across the segment were not sufficient to compensate for significantly higher raw material prices. Hence, margins remained under pressure. Fixed costs increased, in part due to the startup of new plants, like the aroma ingredients complex and the fuel and lubricant solutions plant, both in Kuantan, Malaysia. Due to the ongoing margin pressure in all divisions and the shutdown of the citral plant in Ludwigshafen, EBIT before special items of Performance Products declined significantly.

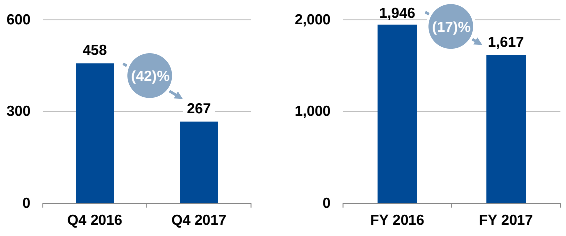
Functional Materials & Solutions

Sales growth on continued good demand; raw material price pressure led to earnings decrease

Sales Q4 2017 vs. Q4 2016
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2017 vs. Q4 2016	↑ 2%	↑ 8%	↑ 3%	↓ (6)%
FY 2017 vs. FY 2016	↑ 4%	↑ 5%	↑ 3%	↓ (1)%

[Chart 12: Functional Materials & Solutions – Sales growth on continued good demand; raw material price pressure led to earnings decrease]

Sales in **Functional Materials & Solutions** grew significantly. Higher prices were the main driver. The acquisition of Chemetall also contributed to the sales increase. Volumes grew on higher demand from our main customer industries. Currency effects had a significantly negative impact on sales.

On a divisional level, Catalysts delivered a slight sales increase in Q4 2017 due to higher prices. Despite growth in mobile emissions catalysts and battery materials, volumes decreased. This was due to lower precious metals trading volumes against a strong base of comparison. Sales generated by precious metal trading, however, increased from 669 million euros in the prior-year quarter to 708 million euros because of considerably higher prices.

Construction Chemicals reported higher volumes in all regions, most pronounced in Europe. The region South America, Africa, Middle East also reported solid growth despite challenges in Qatar.

The Coatings division saw a significant sales increase. The integration of the Chemetall business, which developed positively, was the main driver. Volumes grew slightly, driven by good demand for OEM coatings and refinish coatings. Prices were stable.

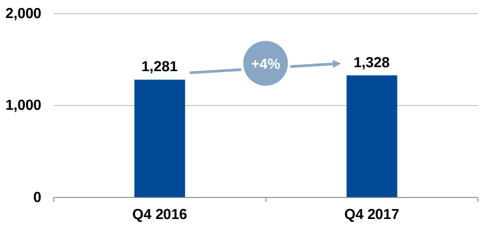
In Performance Materials, we were able to raise prices significantly and experienced solid volume growth. The transportation segment showed the most pronounced volume growth, followed by the consumer segment.

EBIT before special items in Functional Materials & Solutions decreased considerably due to lower earnings in all divisions. This mainly resulted from higher raw material and fixed costs. In particular, in our Performance Materials division, we could not fully pass on higher isocyanates prices.

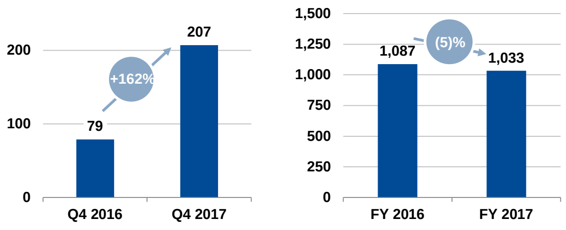
Agricultural Solutions

Earnings increase due to higher volumes and improved margins

Sales Q4 2017 vs. Q4 2016
million €



EBIT before special items
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2017 vs. Q4 2016	↑ 14%	↓ (3)%	0%	↓ (7)%
FY 2017 vs. FY 2016	↑ 6%	↓ (3)%	0%	↓ (1)%

[Chart 13: Agricultural Solutions – Earnings increase due to higher volumes and improved margins]

Sales in **Agricultural Solutions** increased by 4 percent. Significantly higher volumes more than offset negative currency and price effects. Volumes grew particularly in the Americas, mainly due to higher herbicide sales in North America and higher fungicide sales in South America. Overall, EBIT before special items increased significantly from 79 million euros to 207 million euros in the fourth quarter of 2017. This was mainly due to the higher volumes and improved margins. Lower fixed costs also contributed.

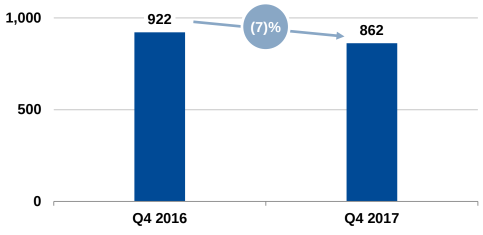
- In **Europe**, sales declined mainly due to lower volumes in the fungicide business.
- Sales **in North America** increased significantly, driven by higher volumes. In particular, our herbicide business in the U.S. performed very well, driven by our innovative herbicides Engenia® and Zidua®.
- In **South America**, we were able to slightly increase our sales. As a result of shifting sales closer to the application, volumes were up significantly.
- Sales in **Asia** were flat. Higher volumes and prices were offset by negative currency effects. All major countries grew – except for Japan, where the market is facing high channel inventories.

Despite continued challenging market conditions, full-year 2017 sales increased by 2 percent to 5.7 billion euros due to higher volumes. At more than 1.0 billion euros, EBIT before special items almost matched the previous year’s level. The EBITDA margin reached 23 percent.

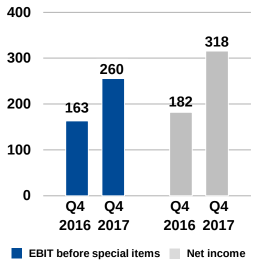
Oil & Gas

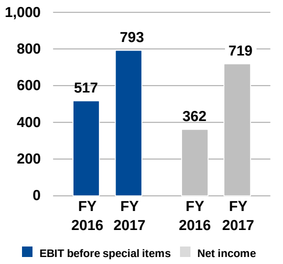
Higher oil and gas prices led to earnings increase

Sales Q4 2017 vs. Q4 2016
million €



EBIT before special items / net income
million €





Sales development	Volumes	Prices / Currencies	Portfolio
Q4 2017 vs. Q4 2016	↓ (18)%	↑ 11%	0%
FY 2017 vs. FY 2016	↑ 4%	↑ 13%	0%

[Chart 14: Oil & Gas – Higher oil and gas prices led to earnings increase]

Sales in **Oil & Gas** declined significantly, mainly due to an 18 percent decrease in volumes. In the prior-year fourth quarter, we sold a full lifting from offshore Libya. In 2017, the lifting took place back in the second quarter. In addition, we produced less oil and gas in Norway. In 2018, new fields – such as Maria in Norway – will contribute to higher production levels.

In Q4 2017, the average price of Brent crude was 61 U.S. dollars per barrel – 12 dollars higher than in the same period of 2016. Gas prices on the European spot markets were also above the level of the prior-year quarter. The combined price and currency effect was plus 11 percent.

Overall, EBIT before special items increased considerably from 163 million euros to 260 million euros, mainly due to higher prices. In Q4 2017, special income amounted to 176 million euros and was related to the necessary reversal of impairments in Norway and the Netherlands. Net income in Oil & Gas increased from 182 million euros to 318 million euros.

In 2017, we doubled net income to 719 million euros and again generated positive free cash flow in Oil & Gas.

Review of “Other”

Financial figures		Q4 2017	Q4 2016	FY 2017	FY 2016
		million €	million €	million €	million €
Sales		**608**	**518**	**2,242**	**2,018**
EBIT before special items		**(38)**	**(386)**	**(764)**	**(1,050)**
Thereof	Costs of corporate research	(112)	(131)	(379)	(395)
	Costs of corporate headquarters	(57)	(57)	(224)	(222)
	Foreign currency results, hedging and other measurement effects	(23)	(182)	(28)	(331)
	Other businesses	54	(12)	60	54
Special items		(7)	(57)	(35)	(41)
EBIT		**(45)**	**(443)**	**(799)**	**(1,091)**

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[Chart 15: Review of “Other”]

EBIT before special items in Other improved from minus 386 million euros to minus 38 million euros. This was mainly driven by a swing of around 190 million euros related to our long-term incentive (LTI) program. While earnings in Q4 2016 were negatively affected by an increase in provisions, Q4 2017 benefited from the release of provisions for the LTI program.

Cash flow development in 2017

Cash flow development		2017	2016
		million €	million €
Cash provided by operating activities		**8,785**	**7,717**
Thereof	Changes in net working capital	(1,167)	104
	Miscellaneous items	(339)	(734)
Cash used in investing activities		**(3,958)**	**(6,490)**
Thereof	Payments made for tangible / intangible assets	(3,996)	(4,145)
	Acquisitions / divestitures	27	(2,164)
Cash provided by financing activities		**394**	**(2,160)**
Thereof	Changes in financial liabilities	3,248	579
	Dividends	(2,873)	(2,767)
Free cash flow		**4,789**	**3,572**

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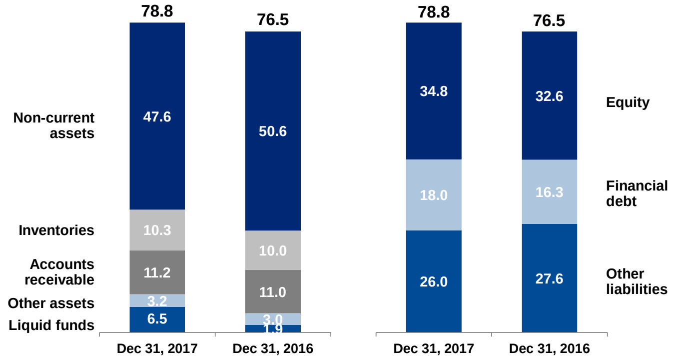
[Chart 16: Cash flow development in 2017]

Let’s now turn to our full-year cash flow:

- Cash provided by operating activities increased from 7.7 billion euros to 8.8 billion euros due to higher net income. In 2017, changes in net working capital reduced the cash flow by 1.2 billion euros, mainly due to business-driven higher inventories and accounts receivable. In 2016, changes in net working capital led to a cash inflow of 104 million euros.
- Cash used in investing activities decreased from 6.5 billion euros to 4.0 billion euros. In 2016, net payments for acquisitions and divestitures amounted to 2.2 billion euros, mainly due to the Chemetall acquisition. In 2017, we only had a minor cash inflow from acquisitions and divestitures. Payments made for property, plant, equipment and intangible assets decreased by 149 million euros to 4.0 billion euros.
- At 4.8 billion euros, free cash flow was up by 1.2 billion euros compared to 2016.
- Cash provided by financing activities amounted to plus 394 million euros in 2017. Changes in financial liabilities led to a net cash inflow of 3.2 billion euros mainly due to the issuance of bonds.
- We paid 2.8 billion euros in dividends to the shareholders of BASF SE and almost 120 million euros were paid to minority shareholders.

Balance sheet remains strong

Balance sheet 2017 vs. 2016
billion €



- Total assets increased by €2.3 billion due to higher cash and cash equivalents related to the financing of the announced acquisitions
- Equity ratio at 44.1%
- Provisions for pensions and similar obligations decreased by €1.9 billion
- Net debt decreased by €2.9 billion to €11.5 billion

[Chart 17: Balance sheet remains strong]

Finally, let’s look at our balance sheet at the end of the year 2017 compared to the year end 2016:

- Total assets increased by 2.3 billion euros to 78.8 billion euros due to higher cash and cash equivalents in preparation of the financing of the announced acquisitions.
- Non-current assets decreased by 2.9 billion euros. Intangible assets decreased from 15.2 billion euros to 13.6 billion euros, especially due to currency effects. Tangible fixed assets decreased by 1.2 billion euros to 25.3 billion euros, also mainly driven by currency effects.
- Current assets amounted to 31.1 billion euros compared to 25.9 billion euros at year end 2016 due to higher cash and cash equivalents. Inventories and accounts receivable increased slightly following the business growth in 2017.
- Total liabilities remained stable at around 44.0 billion euros. Non-current liabilities increased by around 520 million euros to 29.1 billion euros. Lower provisions for pensions and similar obligations were more than offset by higher long-term financial debt following the issuance of bonds to finance, among other things, the announced acquisitions. Current liabilities decreased by 437 million euros to 14.9 billion euros.
- Financial debt went up by 1.7 billion euros to 18.0 billion euros following the issuance of bonds. More importantly, net debt amounted to 11.5 billion euros, a decrease of 2.9 billion euros.
- Our equity ratio was 44.1 percent at the end of 2017.

And with that, back to Kurt for the outlook.

Underlying assumptions for outlook 2018

Economic environment	2018	2017
GDP growth	+3.0%	+3.1%
Growth in industrial production	+3.2%	+3.3%
Growth in chemical production*	+3.4%	+3.5%
Exchange rate	US$1.20 per euro	US$1.13 per euro
Oil price (Brent)	US$65 per barrel	US$54 per barrel

Transactions	Consideration in the 2018 outlook	Expected closing	Financial impact
Acquisition of Solvay's global polyamide business	included	Q3 2018	No material effect on sales and earnings in 2018 expected
Acquisition of significant parts of Bayer's seed and non-selective herbicide businesses	included	H1 2018	Likely to have a positive impact on sales and a negative impact on earnings for the Agricultural Solutions segment and BASF Group in 2018
Merger of BASF's and LetterOne's oil and gas activities into Wintershall DEA	not included	H2 2018	Deconsolidation only after signing of definitive transaction agreements

* Excluding pharma

Kurt Bock

[Chart 18: Underlying assumptions for outlook 2018]

Let me now come to our expectations for this year. I will first explain our assumptions for the economic environment, which is the basis for our outlook:

- At 3.0 percent, we assume that the global economy will grow at almost the same rate as in 2017. We expect economic momentum in Europe to ease slightly. The U.S. will presumably grow slightly stronger. Asia Pacific will continue to grow, but we expect growth rates to slightly decline due to lower economic momentum in China. In South America, we assume a continuation of the slow recovery in Brazil and Argentina.
- We anticipate global chemical production to grow at 3.4 percent compared with 3.5 percent in 2017. We expect a slightly weaker growth rate in the advanced economies, while growth in emerging markets should pick up slightly.
- We assume an average exchange rate of 1.20 U.S. dollars per euro and an average oil price of 65 U.S. dollars per barrel Brent.

Despite the generally favorable market environment, risks remain. Among others, rising interest rates in the U.S., a volatile U.S. dollar/euro exchange rate, protectionist tendencies and imbalances in China could negatively impact economic growth in 2018.

Moving on to the outlook for the BASF Group:

Our outlook takes into account the agreed transaction with Bayer. Based on the timing of the acquisition, the seasonality of the businesses and the anticipated integration costs, the transaction is likely to have a positive impact on sales and a negative impact on earnings for the Agricultural Solutions segment and the BASF Group in 2018.

This forecast also includes the intended acquisition of Solvay's integrated polyamide business in the third quarter of 2018. However, we do not expect this transaction to have any material effect on sales and earnings for 2018.

We have not yet included the intended merger of our oil and gas activities with DEA. After the signing of definitive transaction agreements, the Oil & Gas segment's results would no longer be included in sales and EBIT for the BASF Group retroactively as of January 1, 2018. Rather, they would be presented in the income before minority interests of the BASF Group as a separate item, namely "income from discontinued operations". From the transaction closing date, we would presumably account for BASF's share of income before minority interests generated by the joint venture – Wintershall DEA – using the equity method and include this in EBIT for the BASF Group. The gain from the change from full consolidation to the equity method would be shown in income before minority interests from discontinued operations.

Outlook 2018 for BASF Group*

- We anticipate **slightly higher sales** in 2018.
- **EBIT before special items** is expected to be **up slightly** on the 2017 level.
- **EBIT is forecast to decline slightly** in 2018.
- We aim to once again earn a **significant premium on our cost of capital** in 2018. However, **EBIT after cost of capital** will **decrease considerably**.

* With respect to EBIT before special items, “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%). This outlook takes into account the agreed transactions with Bayer and Solvay. The intended merger of our oil and gas activities with the business of DEA Deutsche Erdoel AG and its subsidiaries is not taken into account in this outlook.

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[Chart 19: Outlook 2018 for BASF Group]

Based on the described assumptions for the economic environment and taking into account the agreed upon transactions with Bayer and Solvay, we provide the following outlook for the BASF Group:

- We anticipate slightly higher sales in 2018, largely as a result of volume growth.
- EBIT before special items is expected to be up slightly on the 2017 level.
- EBIT for the BASF Group is forecast to decline slightly in 2018. We anticipate special charges in the form of integration costs in connection with the agreed acquisitions.
- We aim to once again earn a significant premium on our cost of capital in 2018. However, compared with the previous year, the BASF Group's EBIT after cost of capital will decrease considerably. This will mainly be due to lower EBIT – including M&A-related special charges – as well as the additional cost of capital from the planned acquisitions.

We are planning total capital expenditures of around 4.0 billion euros in 2018. For the period from 2018 to 2022, we plan capital expenditures totaling 19.0 billion euros.

In the Oil & Gas segment, our currently planned investments for the next five years are forecast with around 3.5 billion euros. If the merger of our oil and gas activities with DEA is consummated as intended, these capital expenditures will no longer be reported as investments by the BASF Group.

Outlook 2018 by segment

EBIT before special items	Forecast 2018*	2017
		million €
Chemicals	Considerable decline	4,233
Performance Products	Considerable increase	1,416
Functional Materials & Solutions	Considerable increase	1,617
Agricultural Solutions	Slight decline**	1,033
Oil & Gas	Considerable increase	793
Other	Slight increase	(764)
BASF Group	**Slight increase**	**8,328**

* With respect to EBIT before special items, "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%).
** Excluding the agreed transaction with Bayer, we expect a slight increase in EBIT before special items in the Agricultural Solutions segment.

[Chart 20: Outlook 2018 by segment]

This slide summarizes the outlook 2018 for EBIT before special items by segment. As described previously, EBIT before special items of BASF Group is expected to be up slightly on the 2017 level. This will mainly be driven by significantly higher contributions from the Performance Products, Functional Materials & Solutions and Oil & Gas segments. We are forecasting a slight improvement in the earnings generated by Other.

After an extraordinary result in 2017, we expect considerably lower EBIT before special items in the Chemicals segment, primarily as a result of lower margins. Due to the aforementioned specifics of the agreed transaction with Bayer, we anticipate a slight decrease in Agricultural Solutions. Excluding this transaction, we want to grow EBIT before special items in this segment slightly.

Additional information is available in the BASF Report 2017 that was published today.

And now, we are glad to take your questions.