



We create chemistry

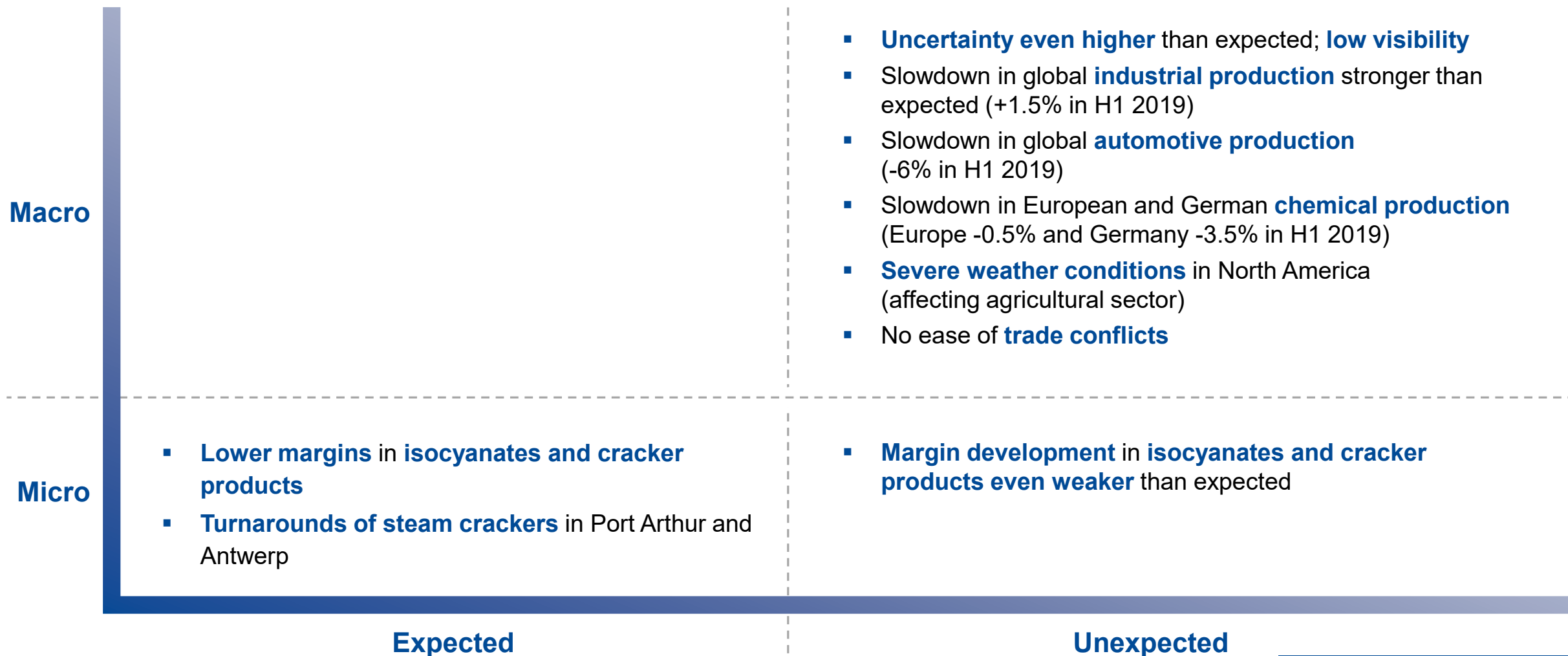
Analyst Conference Call Q2 2019

Ludwigshafen, July 25, 2019

Cautionary note regarding forward-looking statements

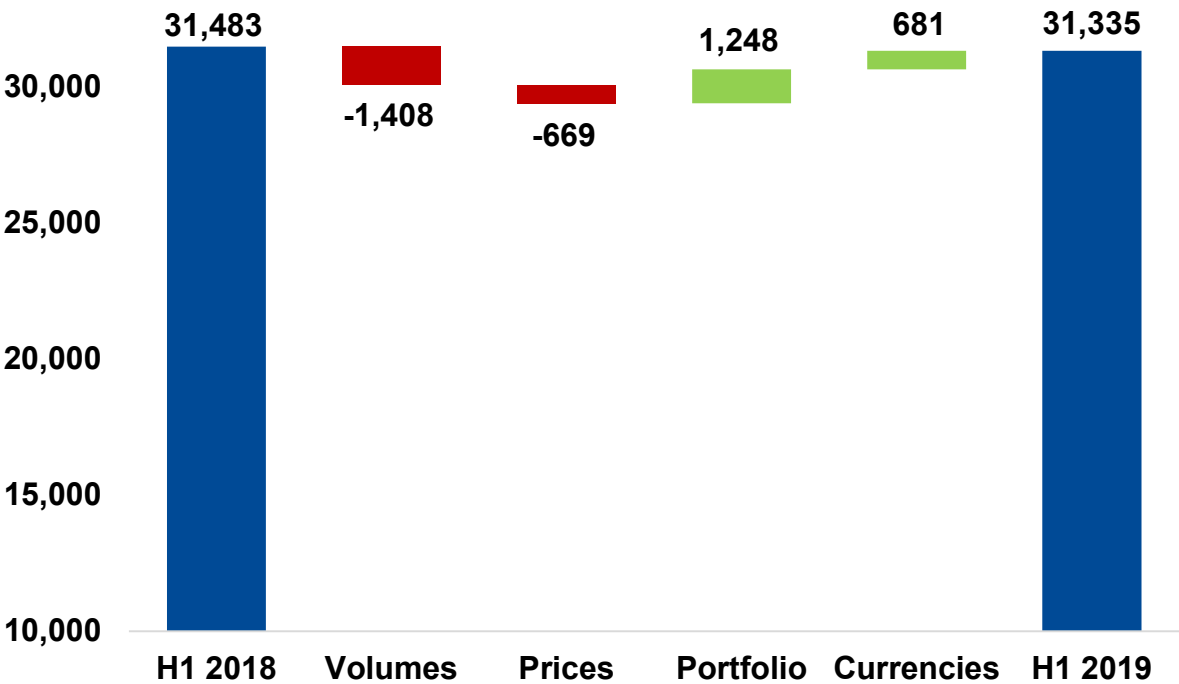
This presentation contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These 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 Opportunities and Risks on pages 123 to 130 of the BASF Report 2018. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.

Key drivers for the earnings decline in H1 2019



BASF Group H1 2019 – Sales and EBIT before special items

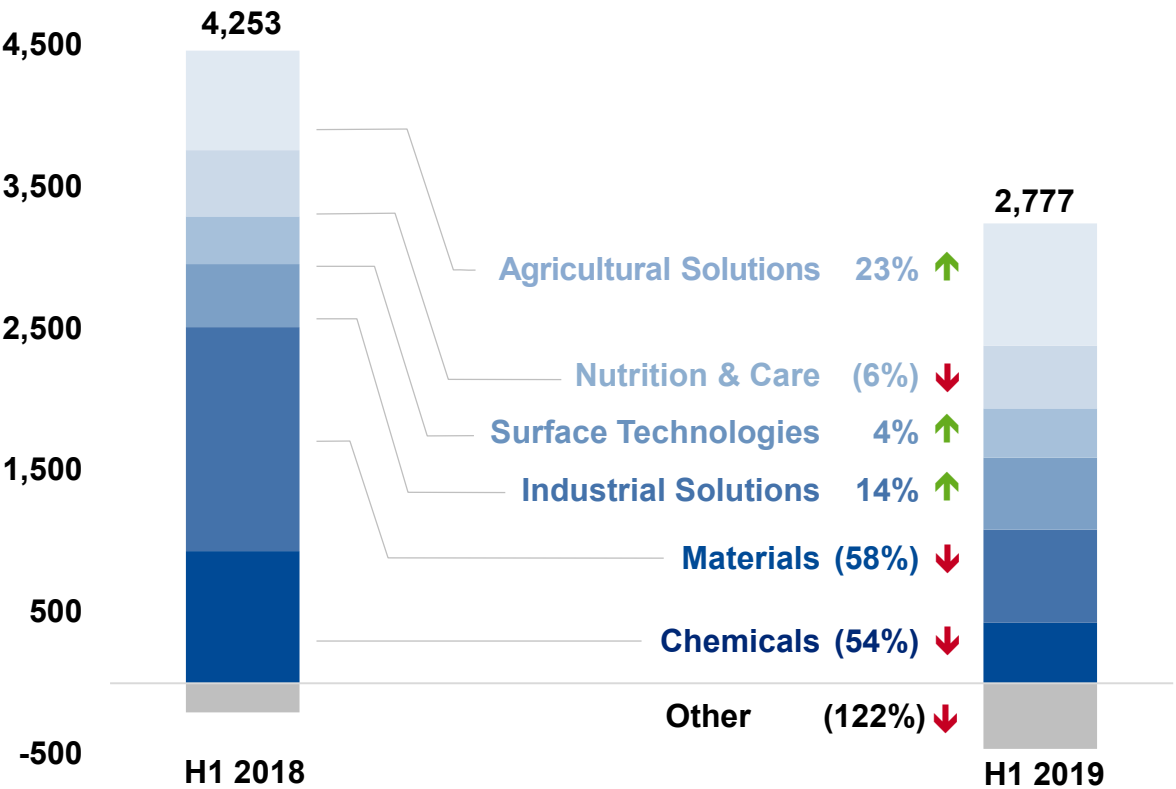
Sales bridge H1 2019 vs. H1 2018
million €



Sales development

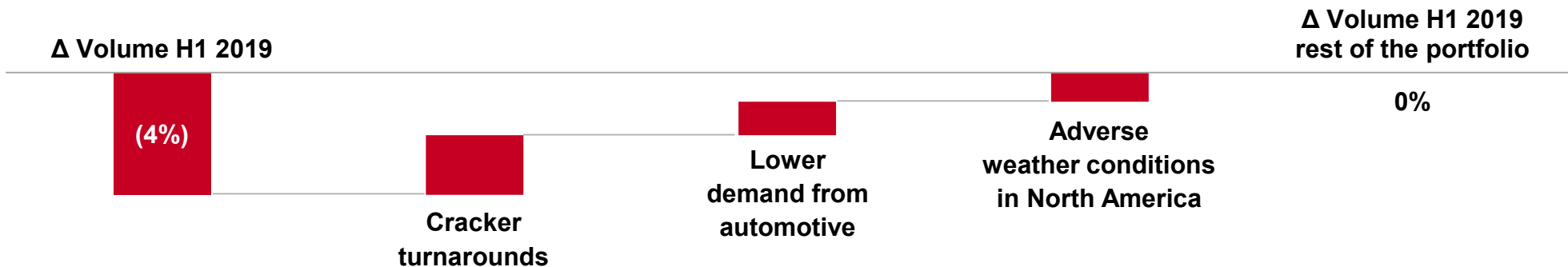
H1 2019 vs. H1 2018	↓ (4%)	↓ (2%)	↑ 4%	↑ 2%
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EBIT before special items by segment H1 2019 vs. H1 2018
million €

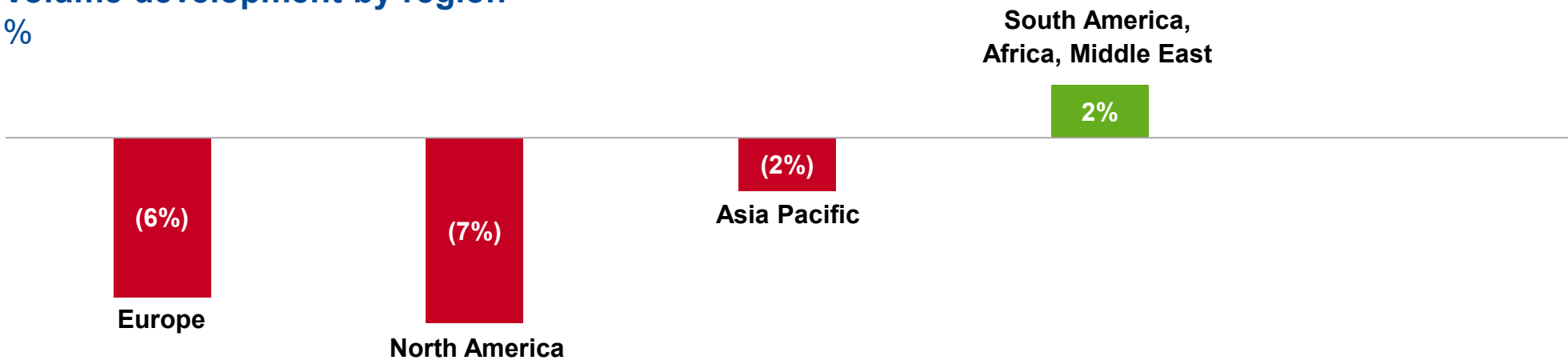


BASF Group H1 2019 – Volume development

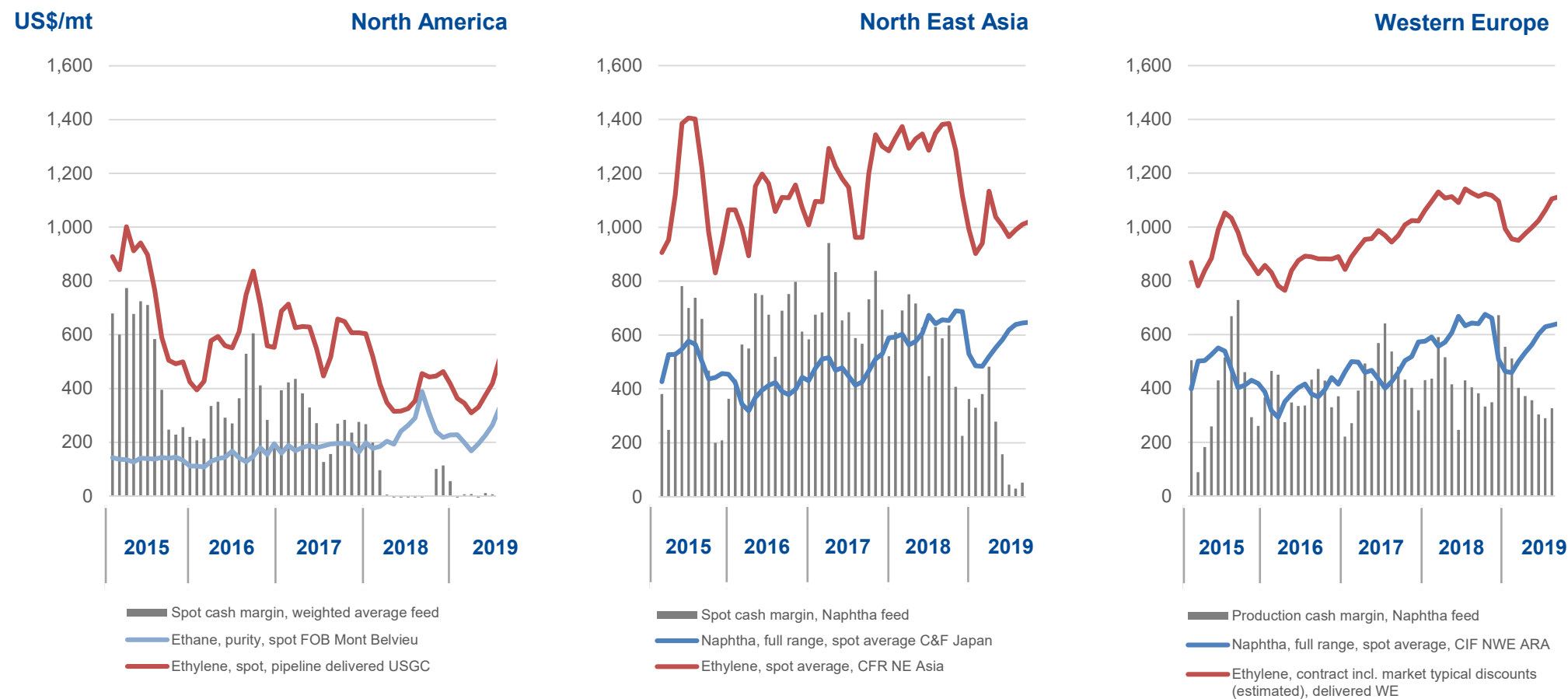
Volume development %



Volume development by region* %

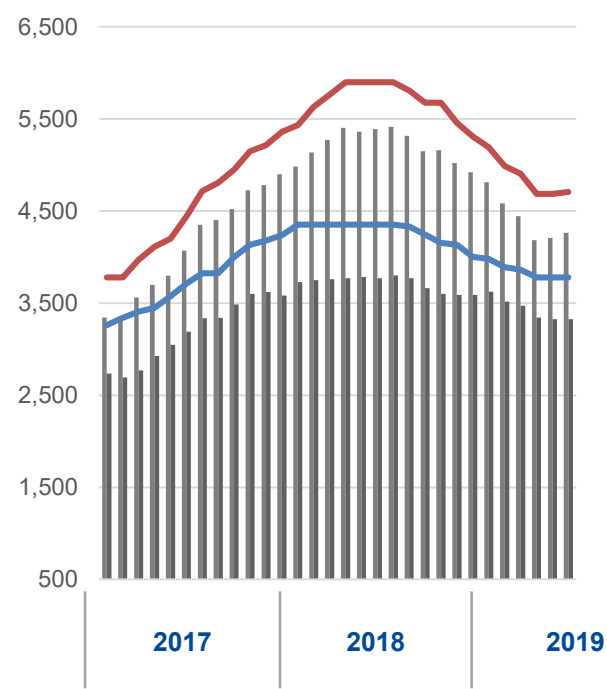


Historically low North American cracker margins with global repercussions*



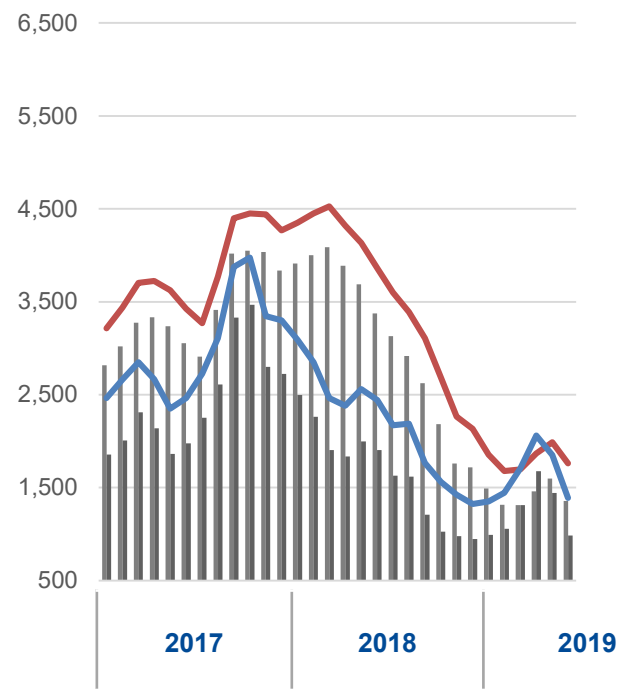
Isocyanate margins on subdued level below historical averages*

US\$/mt North America



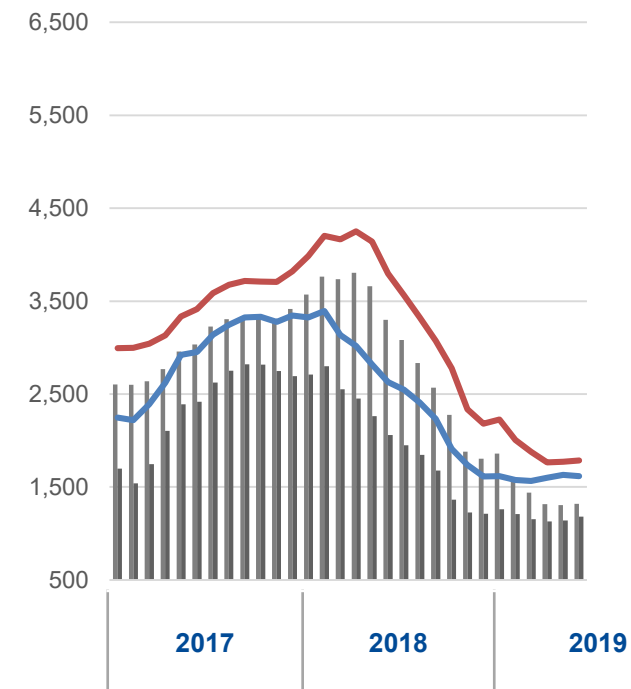
- TDI margin above toluene
- Polymeric MDI margin above benzene
- TDI, bulk, domestic, midpoint
- Polymeric MDI, drummed, domestic, midpoint

Asia



- TDI margin above toluene
- Polymeric MDI margin above benzene
- TDI, CFR South East Asia, spot, midpoint
- Polymeric MDI, CFR China, spot, midpoint

Western Europe



- TDI margin above toluene
- Polymeric MDI margin above benzene
- TDI, Western Europe, contract, midpoint
- Polymeric MDI, Western Europe, contract, midpoint

Strategy announced in November 2018 is being implemented with speed and determination

- **People:** Transform organization to be more agile and customer focused
- **Portfolio:** Sharpen portfolio and strengthen the Verbund
- **Digitalization:** Leverage automation/digitalization across the company and develop new business models
- **Operations:** Improve competitiveness through technological leadership and operational excellence
- **Sustainability:** Drive long-term competitiveness via carbon management and circular economy approaches
- **Innovation:** Innovate with impact for our customers by closely connecting research and development



BASF to reshape organization

– Leaner structures and simplified processes



A lean **Corporate Center** with <1,000 FTE supports the Board of Executive Directors in steering BASF Group (Corporate Development; Finance; Legal, Compliance, Tax & Insurance; EHS; HR; Communications; Investor Relations; Corporate Audit)

Service Units ensure a competitive, demand-driven and effective service delivery (Global Engineering Services, Global Digital Services, Global Business Services, Global Procurement)

Our **Operating Divisions & Technology Platforms** are empowered to drive growth and profitability

The **Regions & Countries** focus on supporting and enabling the businesses locally

Excellence program 2019-2021

Key facts

- **Operational excellence** with focus on production, logistics and planning
- In **digitalization and automation**, smart supply chains and smart manufacturing are major contributors
- **Organizational development** targets leaner structures in the areas of services, R&D and headquarters (~€300 million)
 - ▶ Significant parts of **functional services** embedded in businesses, closer to our customers
 - ▶ **Leaner structures** and **simplification** of process landscape
- Estimated **one-time costs of €0.8 billion** over the 3-year period. This includes **special charges in a mid-triple-digit million-euro-range**



€2 billion
annual EBITDA
contribution from
2021 onward

Active portfolio management

Divestitures and other strategic options

Water and paper chemicals

- Sales 2018: ~€0.8 billion
- Closing took place on January 31, 2019

Oil & Gas

- Sales 2018: ~€4.1 billion
- Merger took place on May 1, 2019
- IPO planned for H2 2020, subject to market conditions

Construction Chemicals

- Sales 2018: ~€2.5 billion
- High interest from various parties; indicative bids received
- Signing expected by the end of 2019

Pigments

- Sales 2018: ~€1 billion
- Divestment process started
- Closing expected by the end of 2020 at the latest

Acquisitions

BASF to acquire Solvay's integrated polyamide business

- On January 18, 2019, the EU Commission granted conditional clearance for BASF to acquire Solvay's polyamide business
- Closing expected in H2 2019 after all remaining conditions have been fulfilled, incl. the sale of the remedy package to a third party

“Best-owner”:

- Asset and technology fit
- Benefit from or contribution to Verbund

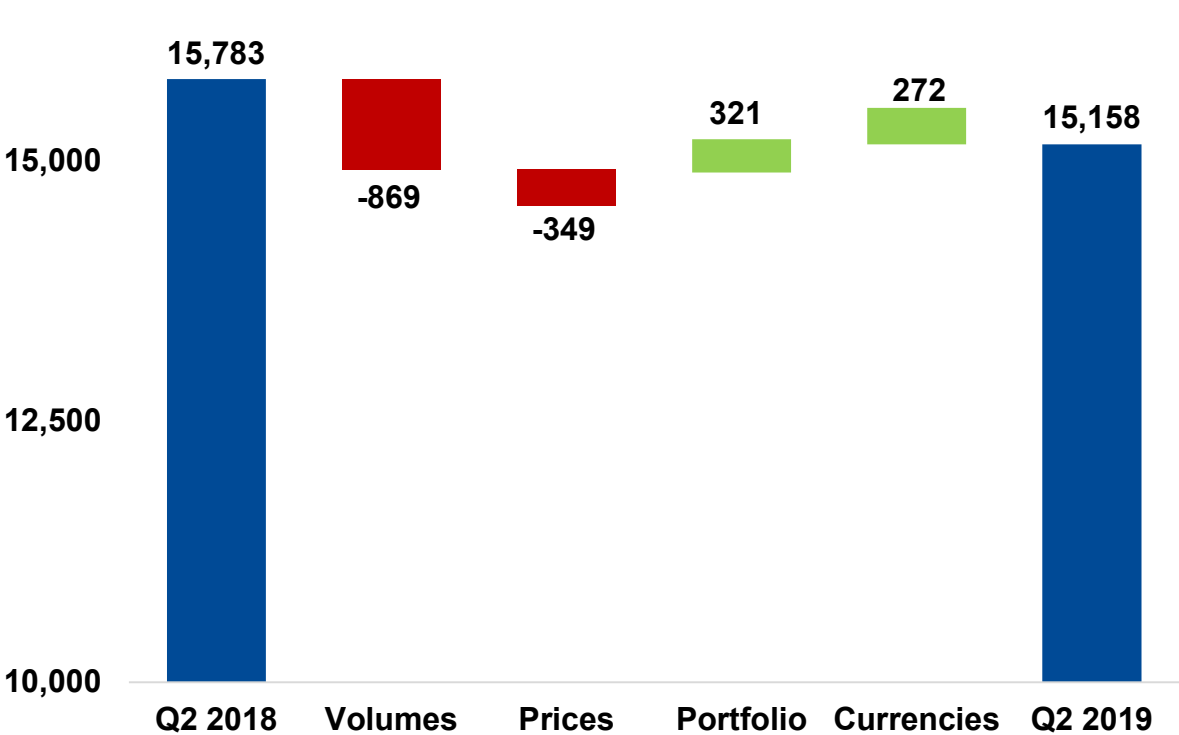
BASF Group Q2 2019 – Sales decreased slightly; EBIT before special items considerably below prior-year quarter

Financial figures	Q2 2019	Q2 2018	Change
	€	€	%
Sales	15,158 million	15,783 million	(4)
EBITDA before special items	1,975 million	2,709 million	(27)
EBITDA	1,626 million	2,645 million	(39)
EBIT before special items	1,045 million	1,972 million	(47)
EBIT	548 million	1,906 million	(71)
Net income	6,460 million	1,480 million	336
Reported EPS	7.03	1.61	337
Adjusted EPS	0.82	1.77	(54)
Cash flows from operating activities	1,946 million	2,224 million	(13)

Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2019 vs. Q2 2018	↓ (6%)	↓ (2%)	↑ 2%	↑ 2%

BASF Group Q2 2019 – Sales and EBIT before special items

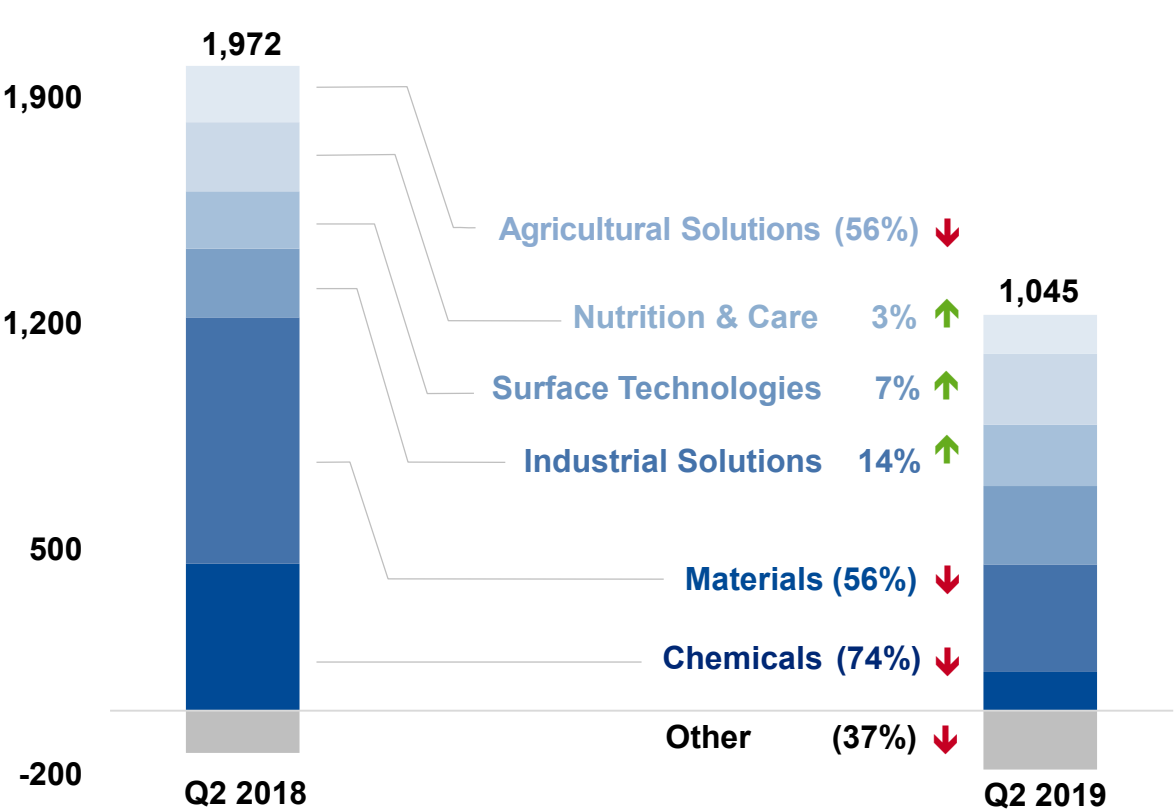
Sales bridge Q2 2019 vs. Q2 2018
million €



Sales development

Q2 2019 vs. Q2 2018	↓ (6%)	↓ (2%)	↑ 2%	↑ 2%
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EBIT before special items by segment Q2 2019 vs. Q2 2018
million €



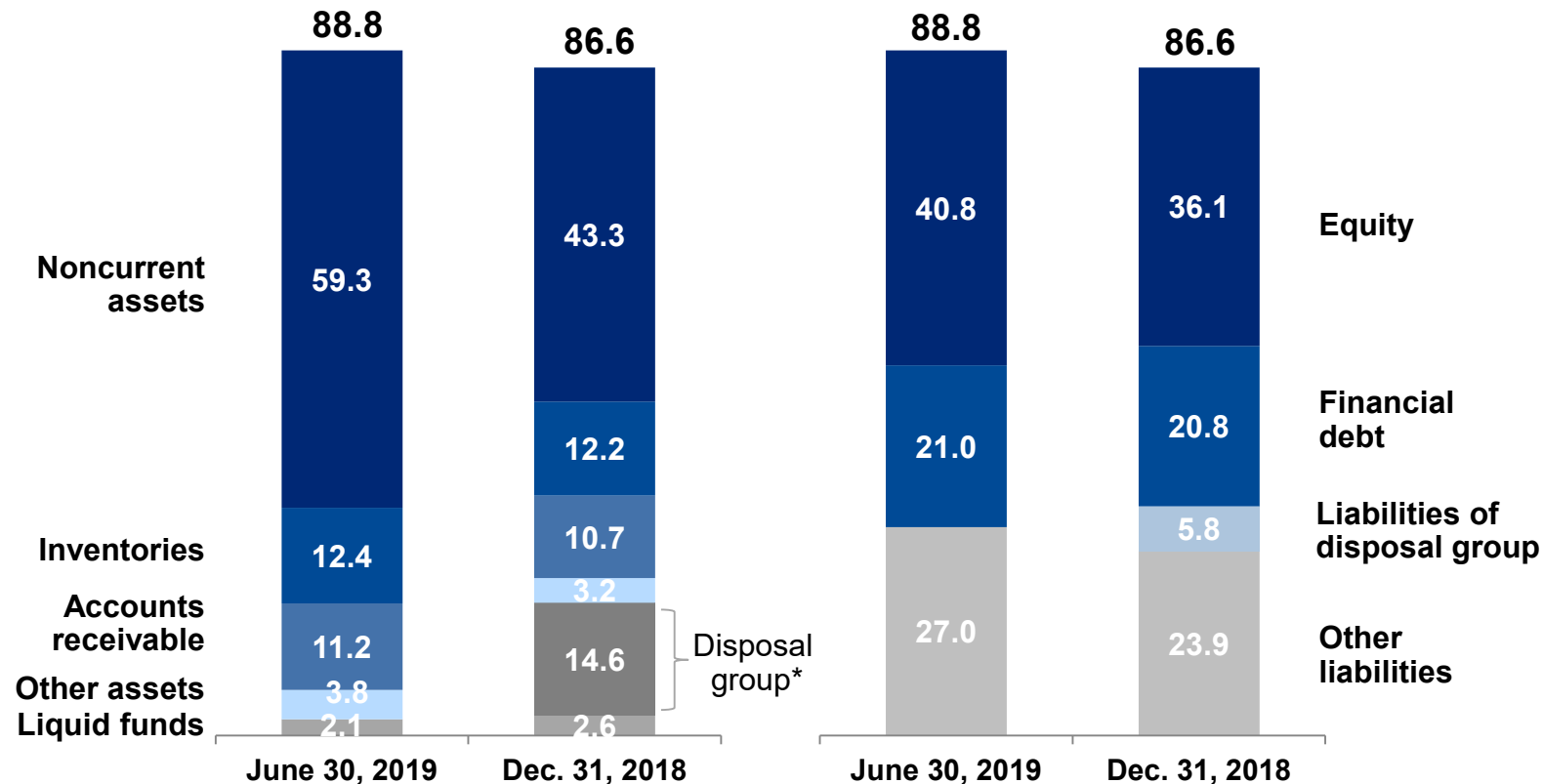
Cash flow development H1 2019

		H1 2019	H1 2018
		million €	million €
Cash flows from operating activities		2,319	3,455
Thereof	Changes in net working capital	(904)	(1,221)
	Miscellaneous items	(6,752)	(351)
Cash flows from investing activities		452	(1,735)
Thereof	Payments made for tangible / intangible assets	(1,722)	(1,449)
	Acquisitions / divestitures	2,292	64
Cash flows from financing activities		(3,227)	(518)
Thereof	Changes in financial and similar liabilities	(215)	2,526
	Dividends	(3,013)	(3,044)
Free cash flow		597	2,006

Balance sheet remains strong

Balance sheet June 30, 2019 vs. December 31, 2018

billion €



- Total assets increased by ~€2.2 billion, mainly due to the new IFRS 16 standard on leases and higher accounts receivables related to the acquired agricultural solutions businesses
- Noncurrent assets increased by €16.0 billion, mainly due to the recognition of our participating interests in Wintershall Dea and Solenis
- Net debt increased by €675 million to €18.9 billion
- Equity ratio: 46% (June 30, 2019)

Underlying assumptions for H2 and full year 2019

Macro

- Continued low growth in **global gross domestic product** (H2 2019 vs. H1 2019: around +1%; FY 2019 vs. FY 2018: around +2.5%)
- Continued low growth in global **industrial production** (H2 2019 vs. H1 2019: around +0.5%; FY 2019 vs. FY 2018: around +1.5%)
- Further slowdown in global **automotive production** (H2 2019 vs. H1 2019: around -2%; FY 2019 vs. FY 2018: around -4.5%)
- Global **chemical production** negatively impacted by further decline in automotive (H2 2019 vs. H1 2019: around -1.5%; FY 2019 vs. FY 2018: around +1.5%)
- No ease of **trade conflicts**, but also no further escalation
- Normal **weather conditions** in the southern hemisphere, particularly in South America

Micro

- **Low margins** in **isocyanates and cracker products** to persist
- **Turnaround of steam cracker** in Ludwigshafen

Expected

Outlook 2019 for BASF Group

Outlook 2019*	Since July 8, 2019	Previous
Sales	Slight decline	Slight increase
EBIT before special items	Considerable decline of up to 30%	Slight increase
ROCE	Considerable decline	Slight decline

Further underlying assumptions for 2019

- Exchange rate: US\$1.15 per euro (unchanged)
- Oil price (Brent): US\$70 per barrel (unchanged)



* 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. At a cost of capital percentage of 10% for 2018 and 2019, we define a change in ROCE of 0.1 to 1.0 percentage points as "slight," a change of more than 1.0 percentage points as "considerable."

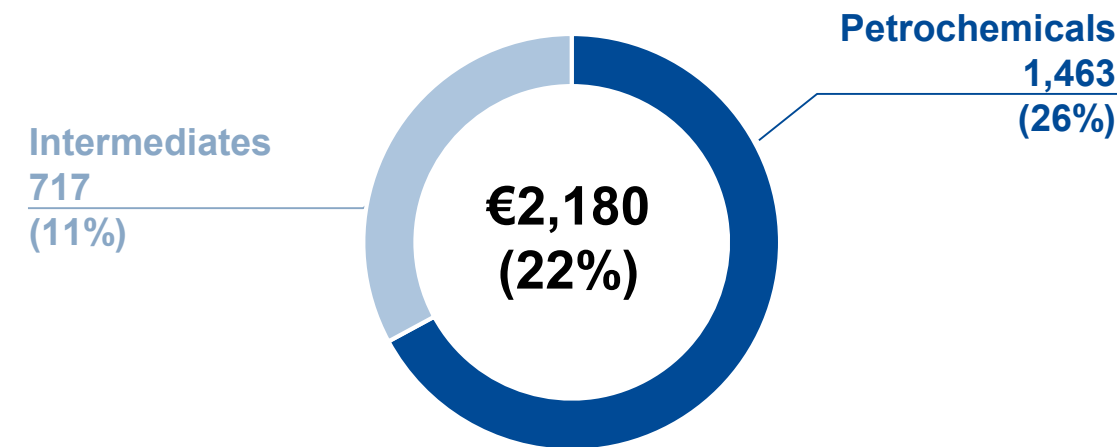


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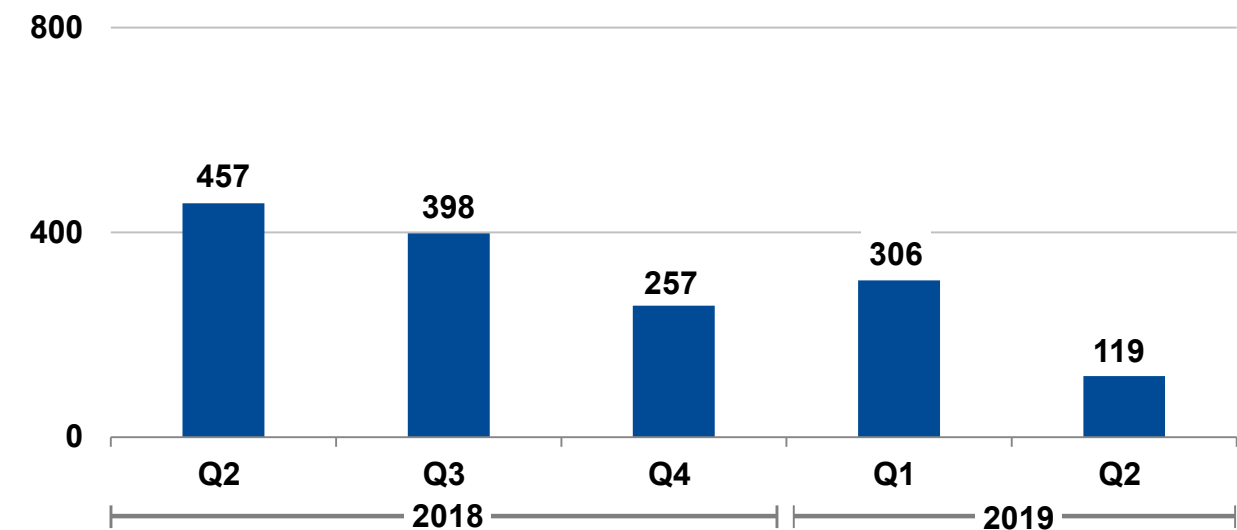
Chemicals

Sales declined on lower volumes and prices; earnings decreased due to lower volumes and margins

Sales Q2 2019 vs. Q2 2018
million €



EBIT before special items
million €

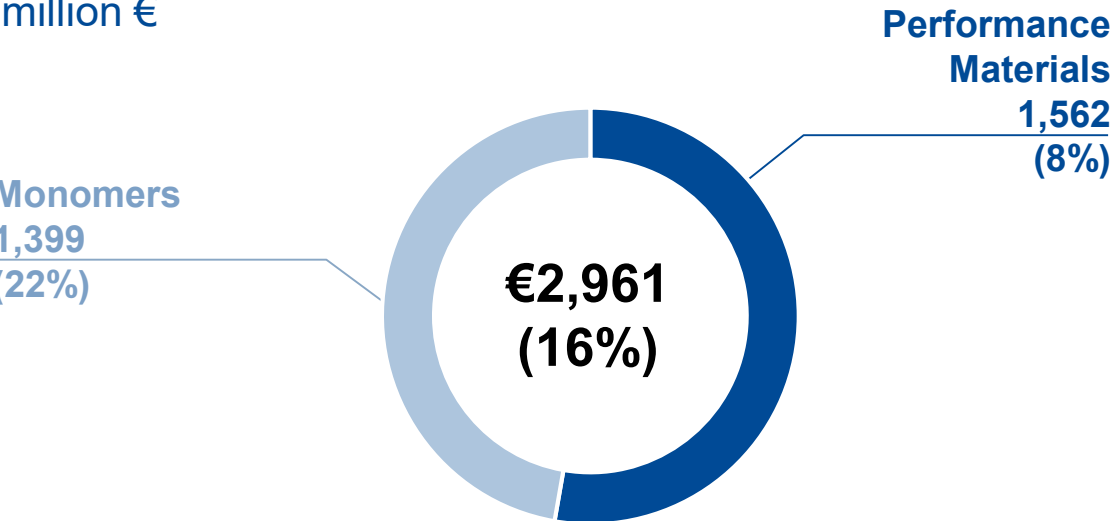


Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2019 vs. Q2 2018	↓ (17%)	↓ (6%)	0%	↑ 1%

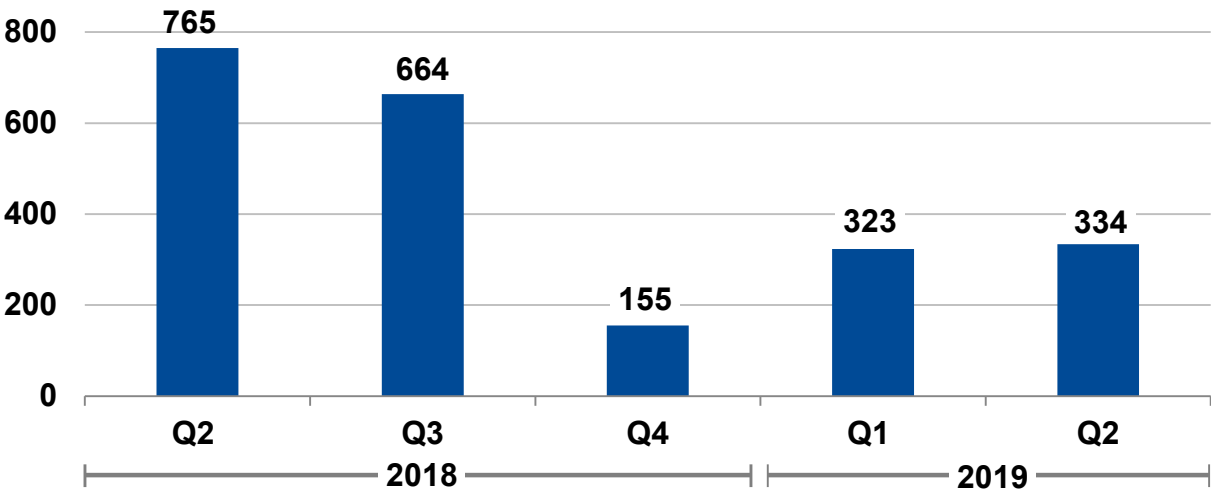
Materials

Sales down on lower prices and volumes; earnings decreased mainly due to lower isocyanate margins

Sales Q2 2019 vs. Q2 2018
million €



EBIT before special items
million €

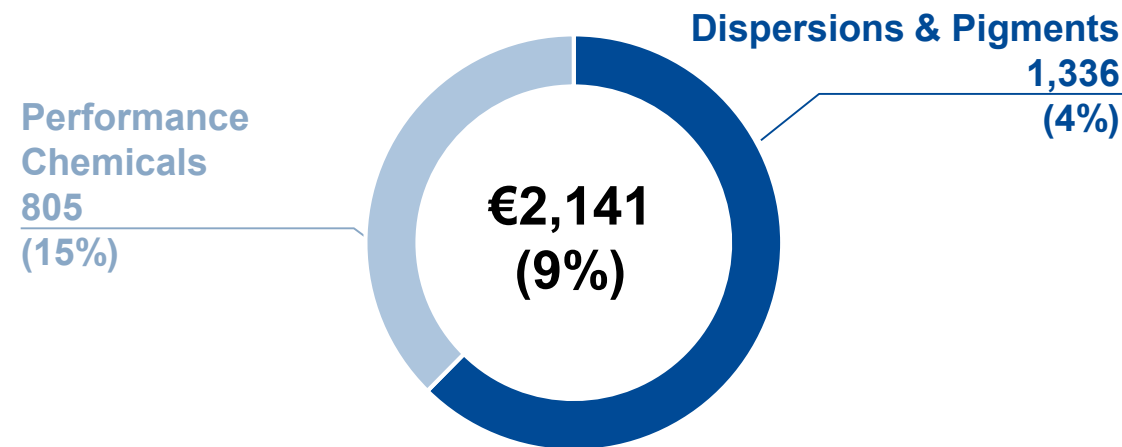


Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2019 vs. Q2 2018	↓ (5%)	↓ (12%)	0%	↑ 1%

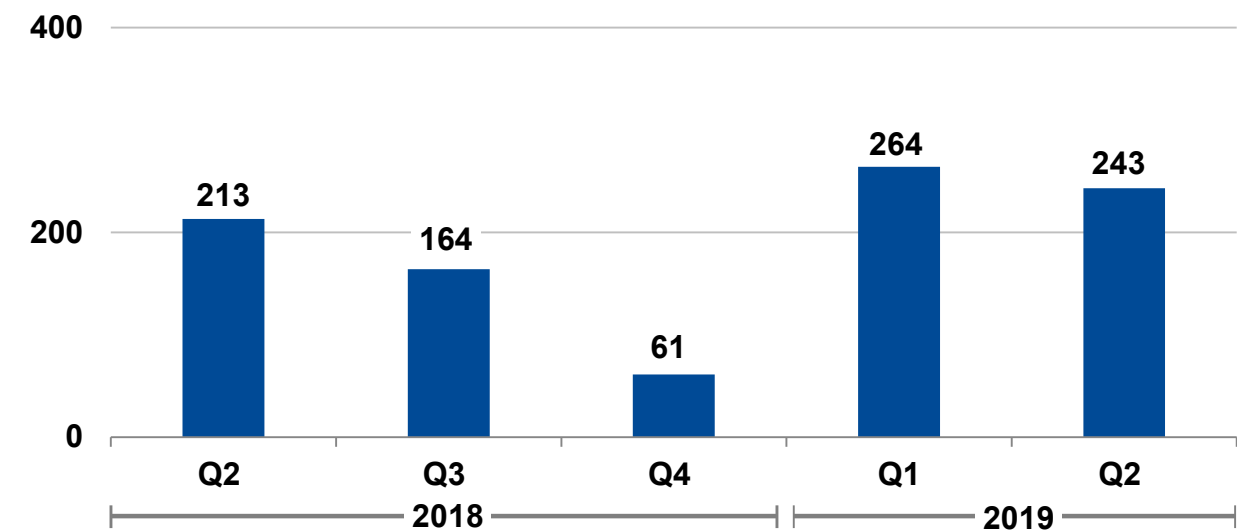
Industrial Solutions

Sales decreased primarily due to portfolio effects; earnings up on higher margins and lower fixed costs

Sales Q2 2019 vs. Q2 2018
million €



EBIT before special items
million €

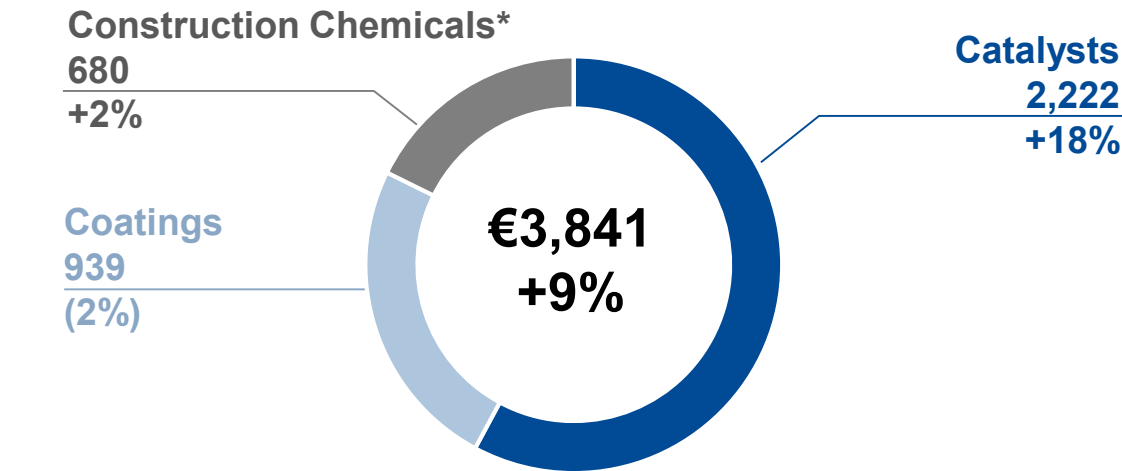


Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2019 vs. Q2 2018	↓ (2%)	0%	↓ (8%)	↑ 1%

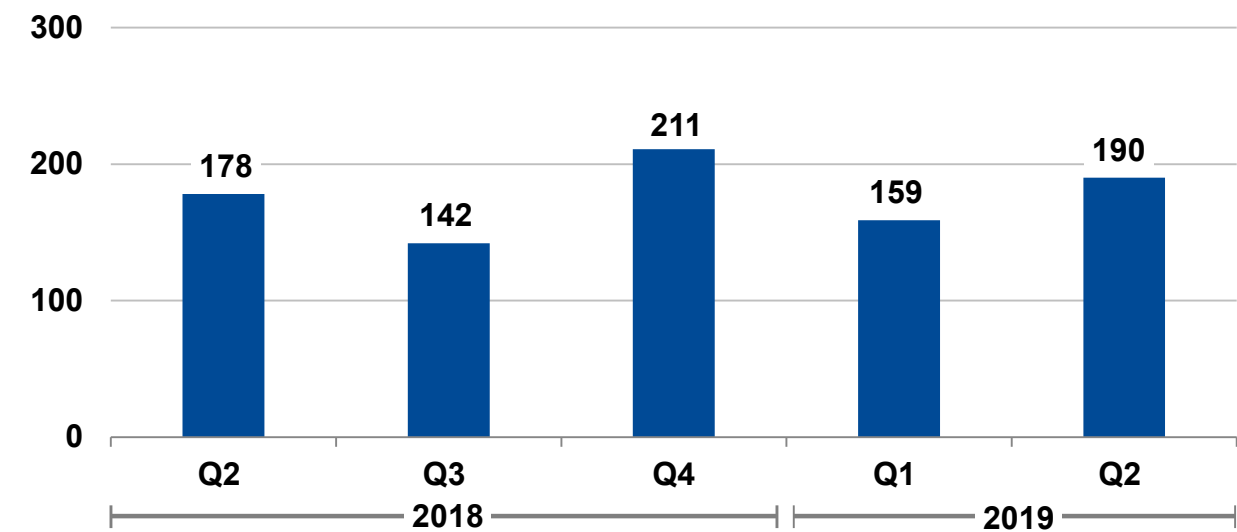
Surface Technologies

Sales increased mainly due to higher prices; earnings up on lower fixed costs and higher margins

Sales Q2 2019 vs. Q2 2018
million €



EBIT before special items
million €



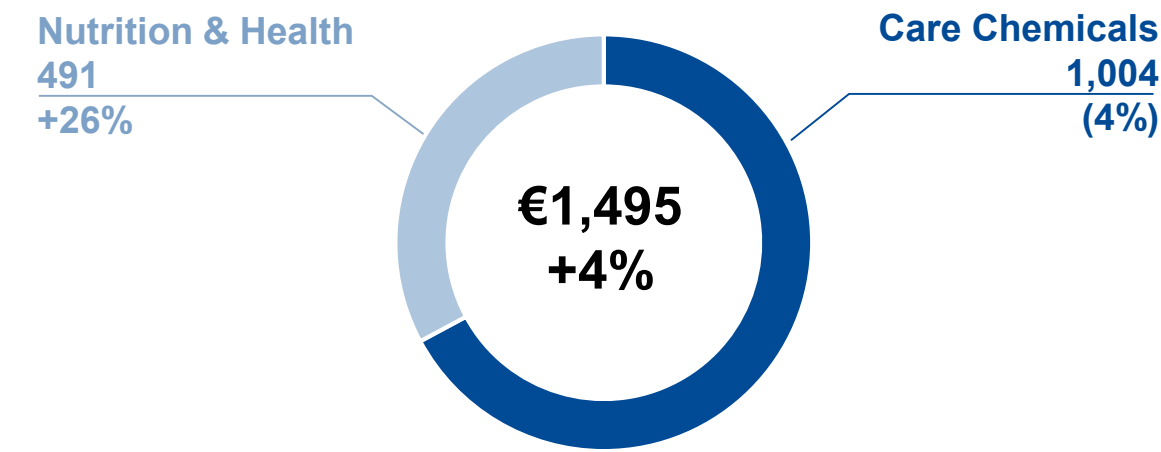
* Until signing of a transaction agreement, Construction Chemicals will be reported under Surface Technologies

Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2019 vs. Q2 2018	↓ (4%)	↑ 11%	0%	↑ 2%

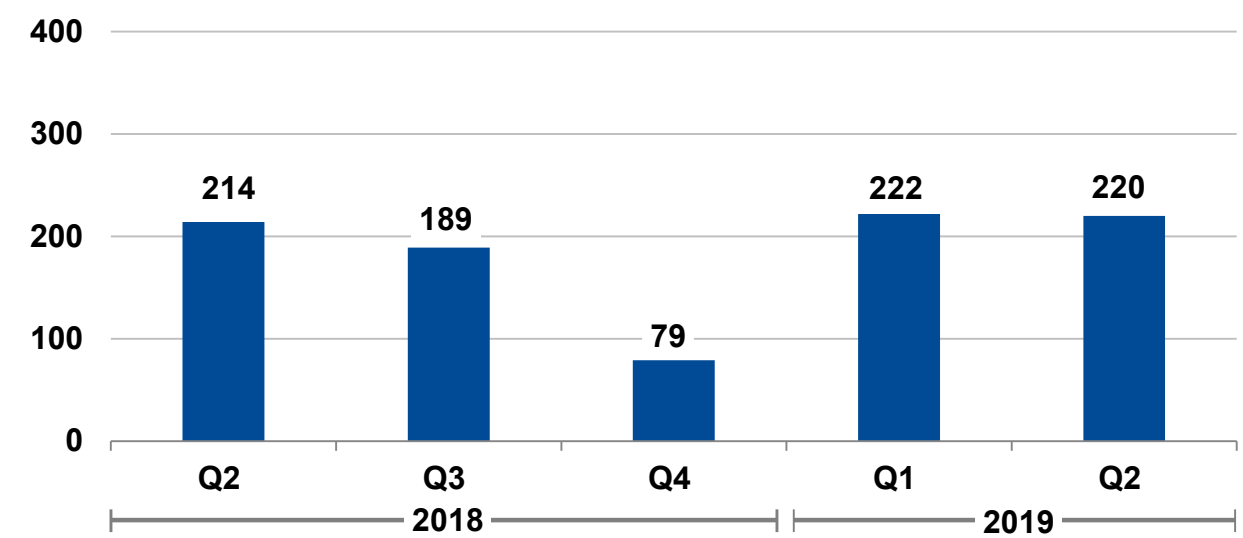
Nutrition & Care

Sales increased primarily due to higher product availability; earnings mainly up on lower fixed costs

Sales Q2 2019 vs. Q2 2018
million €



EBIT before special items
million €



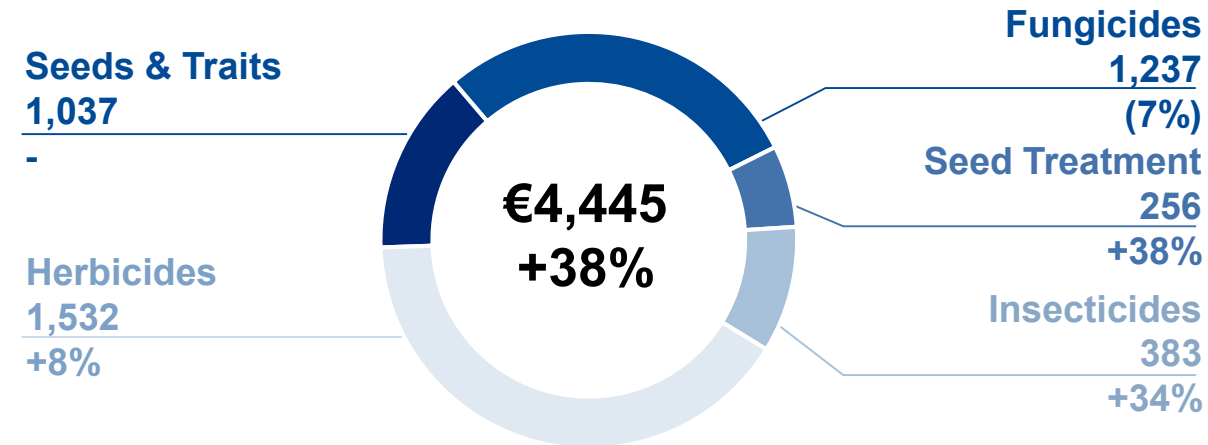
Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2019 vs. Q2 2018	<div> <div></div> <div>5%</div> </div>	<div> <div></div> <div>(3%)</div> </div>	<div> <div></div> <div>0%</div> </div>	<div> <div></div> <div>2%</div> </div>

Agricultural Solutions

Earnings down due to seasonality of the acquired businesses and lower volumes in crop protection

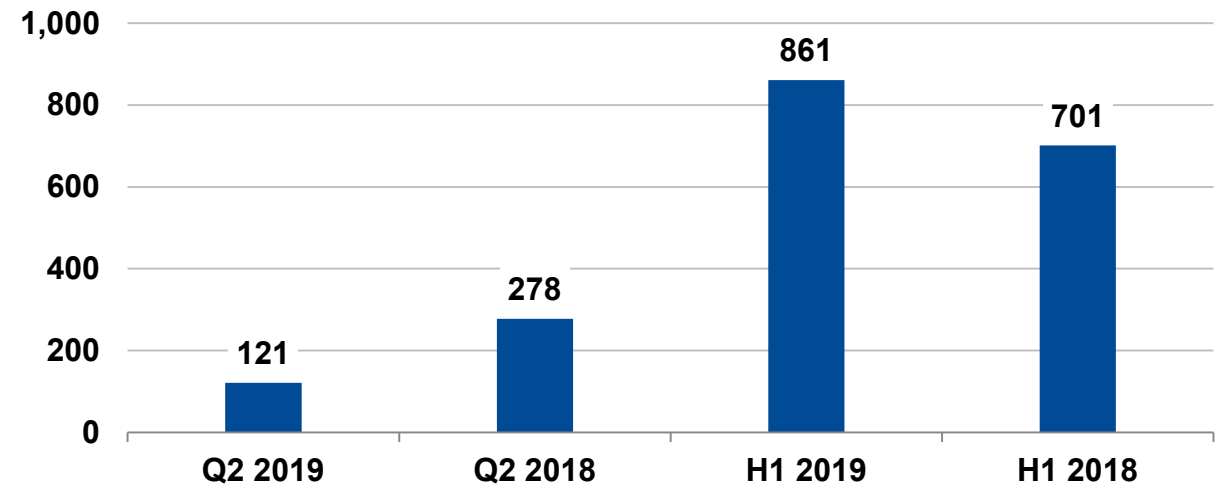
Sales H1 2019 vs. H1 2018

million €



EBIT before special items Q2 2019 vs. Q2 2018 and H1 2019 vs. H1 2018

million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2019 vs. Q2 2018	↓ (12%)	↑ 3%	↑ 28%	↑ 1%
H1 2019 vs. H1 2018	↓ (9%)	↑ 3%	↑ 43%	↑ 1%

Review of “Other”

Financial figures		Q2 2019	Q2 2018
		million €	million €
Sales		744	689
EBIT before special items		(182)	(133)
Thereof	Costs of corporate research	(100)	(90)
	Costs of corporate headquarters	(66)	(66)
	Foreign currency results, hedging and other measurement effects	(13)	32
	Other businesses	39	17
Special items		(191)	(16)
EBIT		(373)	(149)