



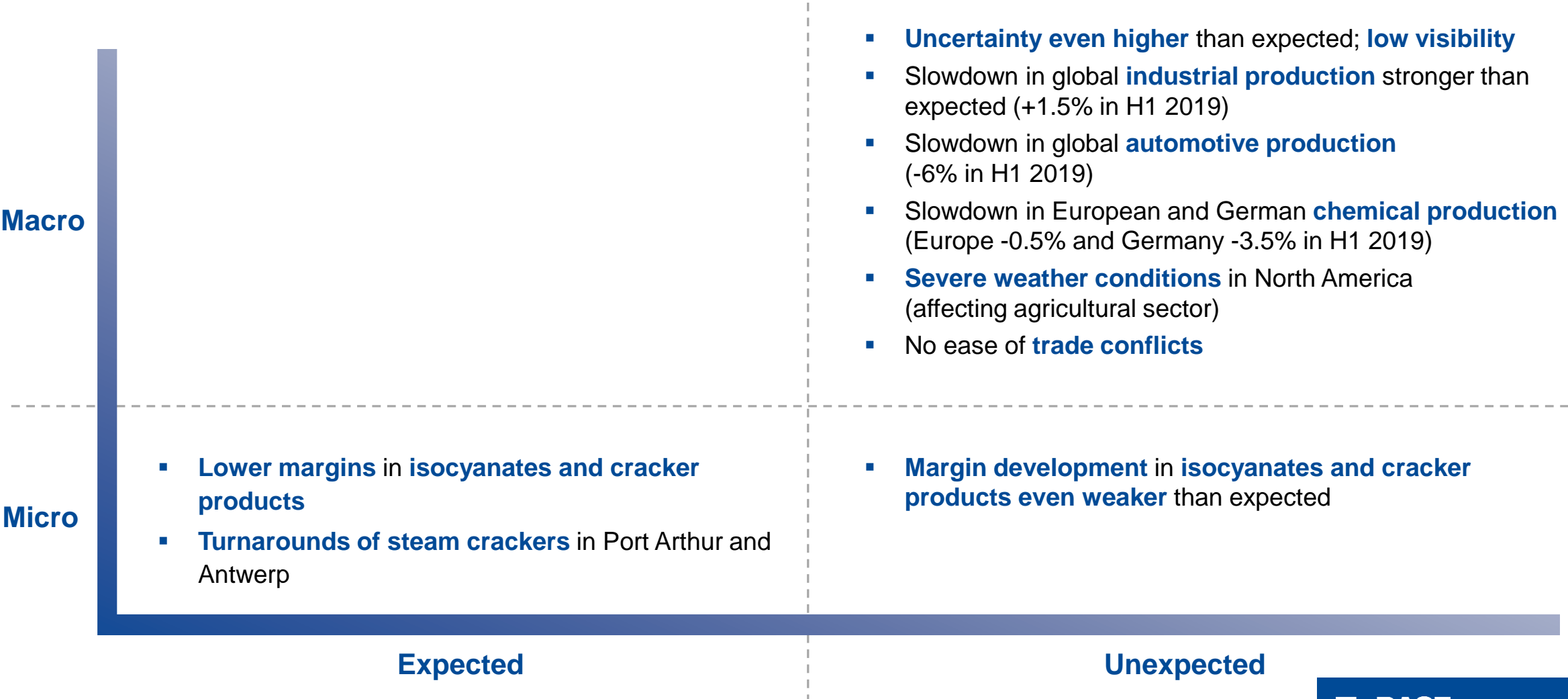
 **BASF**

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Media Telephone Conference Q2 2019

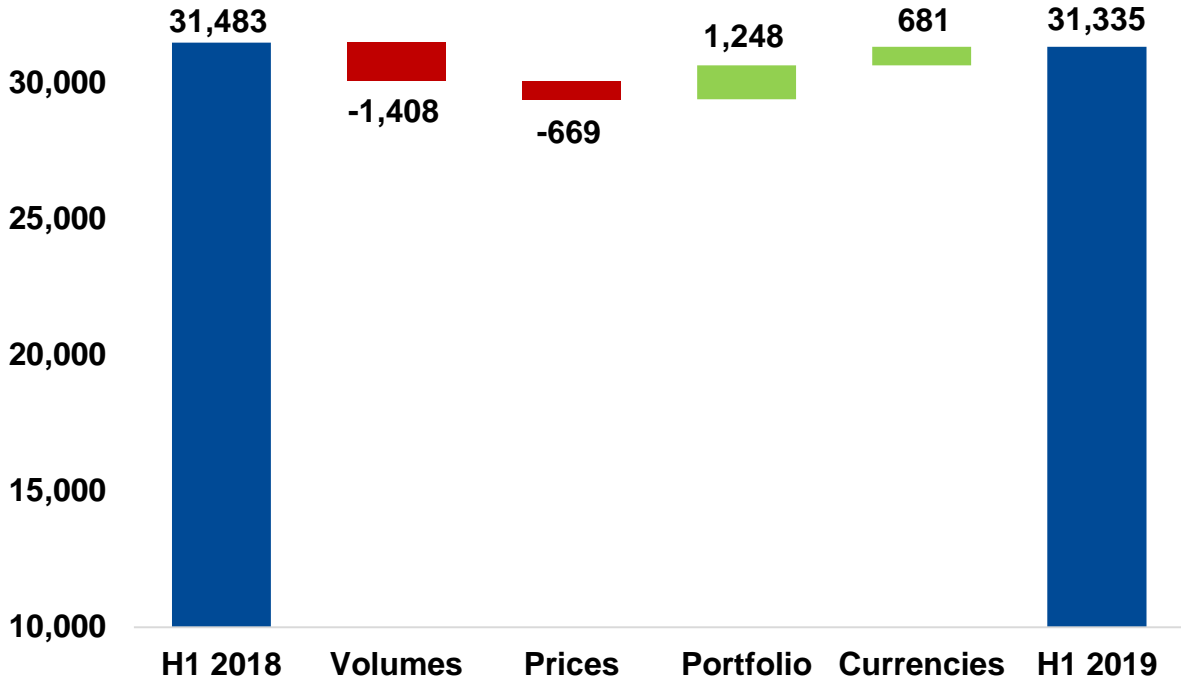
Ludwigshafen, July 25, 2019

Key drivers for the earnings decline in H1 2019



BASF Group H1 2019 – Sales and EBIT before special items

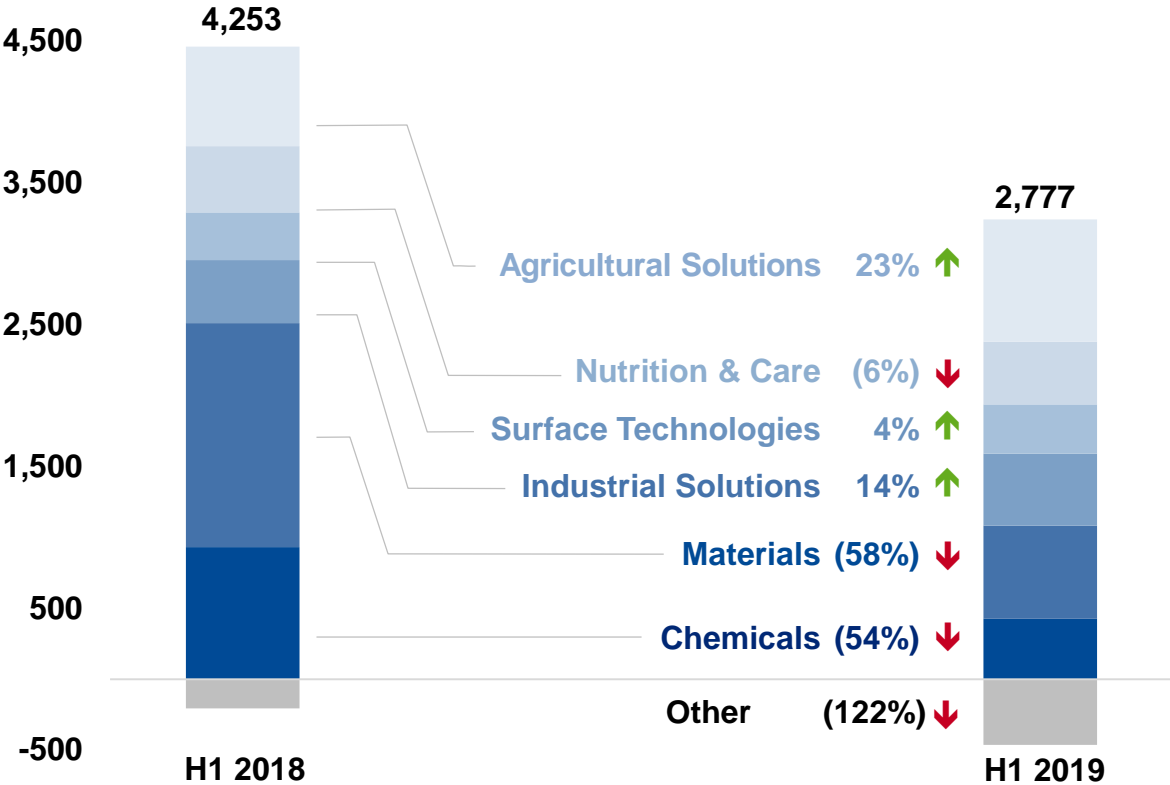
Sales bridge
H1 2019 vs. H1 2018
million €



Sales development

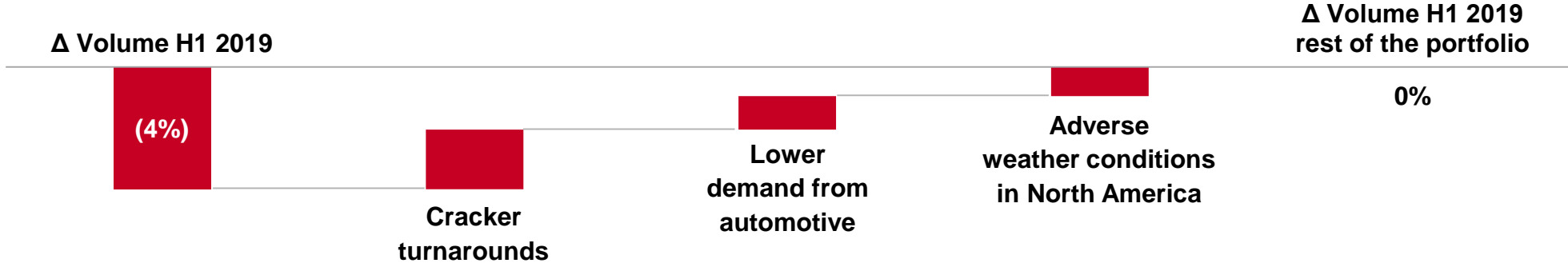
H1 2019 vs. H1 2018	Volumes	Prices	Portfolio	Currencies
	↓ (4%)	↓ (2%)	↑ 4%	↑ 2%

EBIT before special items by segment
H1 2019 vs. H1 2018
million €

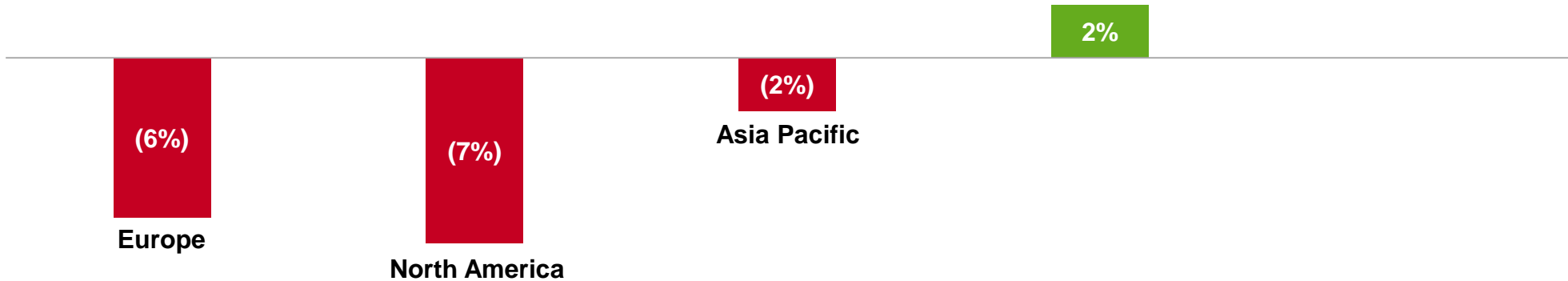


BASF Group H1 2019 – Volume development

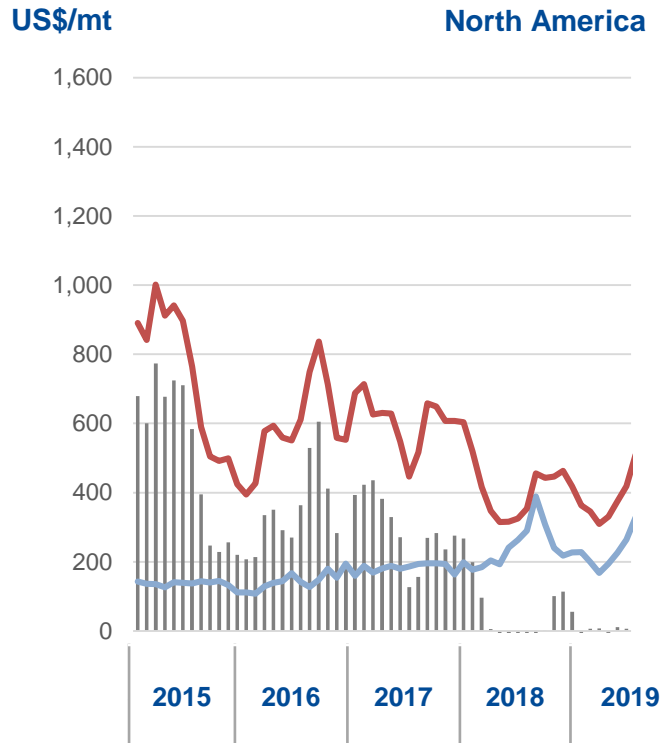
Volume development %



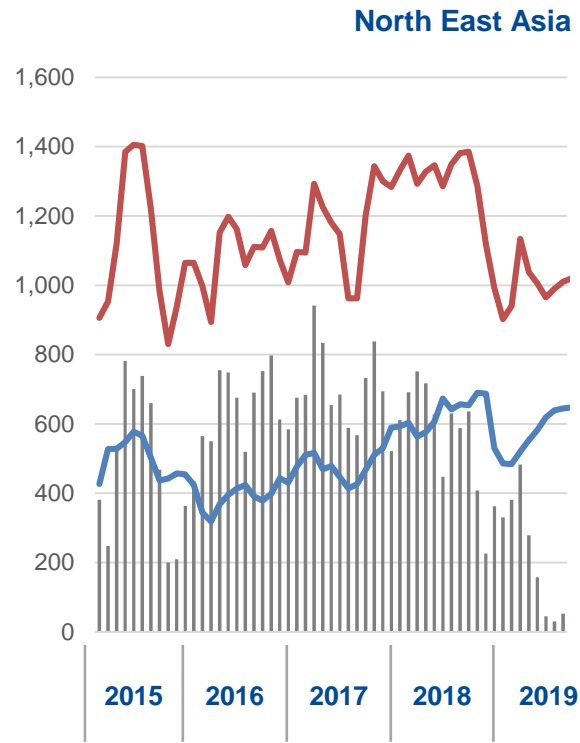
Volume development by region* %



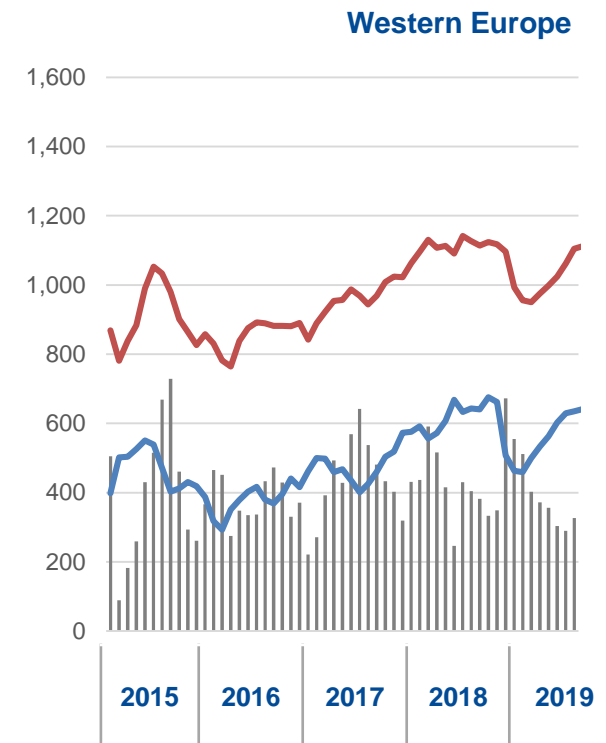
Historically low North American cracker margins with global repercussions*



■ Spot cash margin, weighted average feed
 ■ Ethane, purity, spot FOB Mont Belvieu
 ■ Ethylene, spot, pipeline delivered USGC



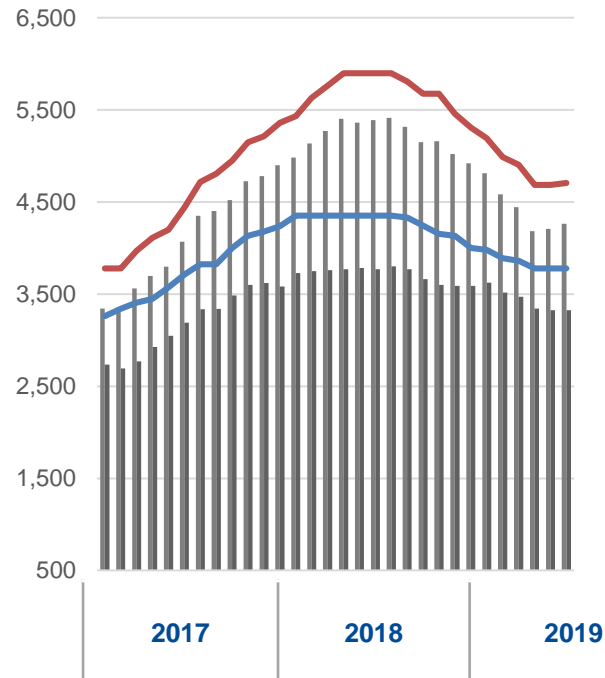
■ Spot cash margin, Naphtha feed
 ■ Naphtha, full range, spot average C&F Japan
 ■ Ethylene, spot average, CFR NE Asia



■ Production cash margin, Naphtha feed
 ■ Naphtha, full range, spot average, CIF NWE ARA
 ■ Ethylene, contract incl. market typical discounts (estimated), delivered WE

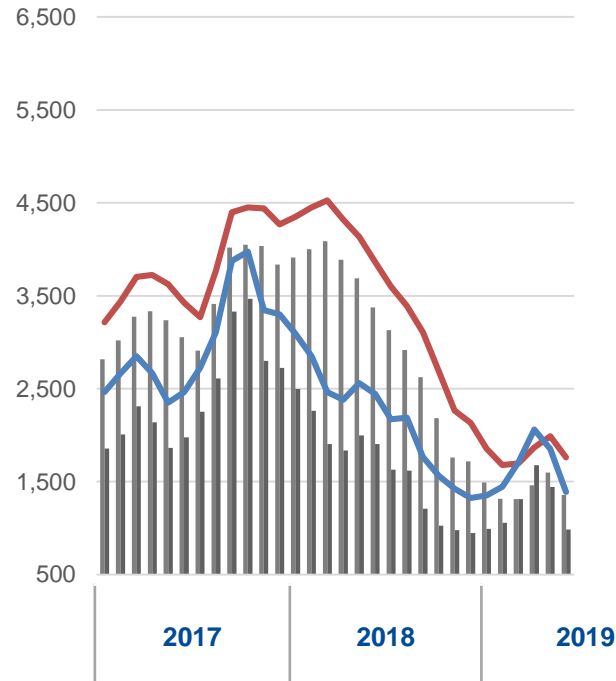
Isocyanate margins on subdued level below historical averages*

US\$/mt North America



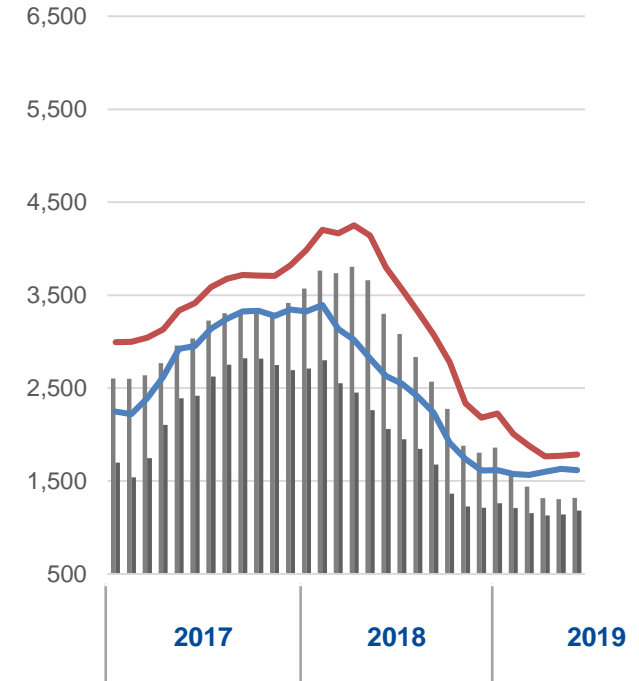
- TDI margin above toluene
- Polymeric MDI margin above benzene
- TDI, bulk, domestic, midpoint
- Polymeric MDI, drummed, domestic, midpoint

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** supports the Board of Executive Directors in steering BASF Group

Service Units ensure a competitive, demand-driven and effective service delivery

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

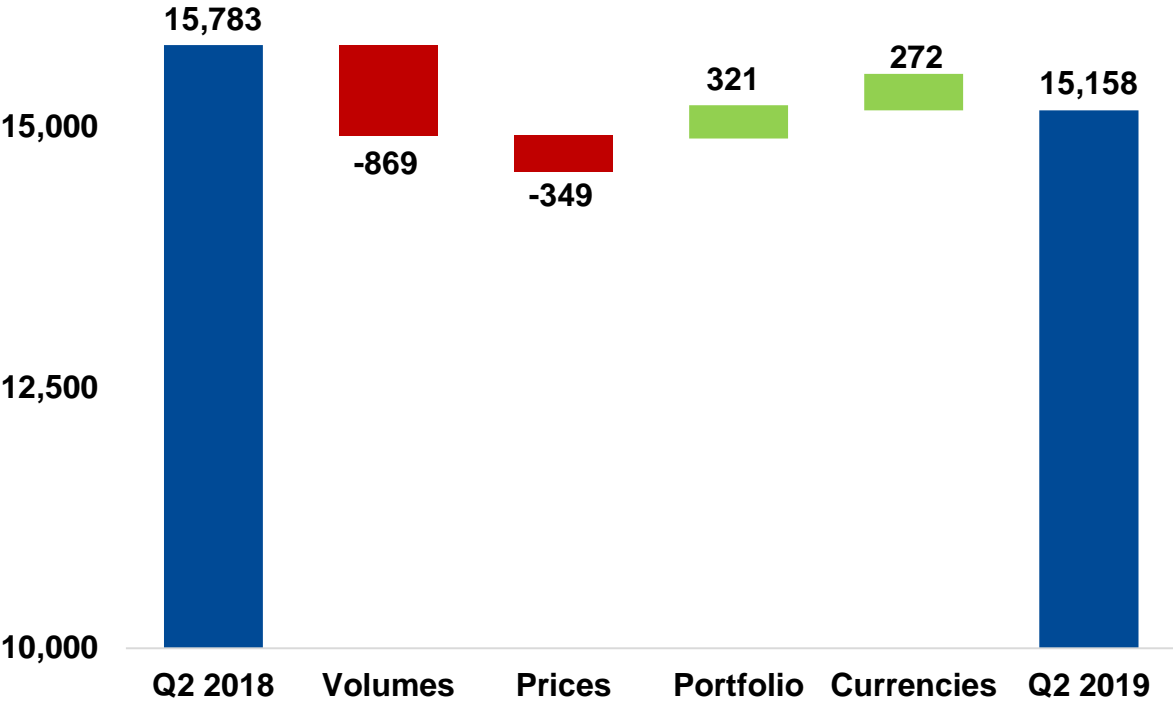
BASF Group Q2 2019 – Sales decreased slightly; EBIT before special items considerably below prior-year quarter

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

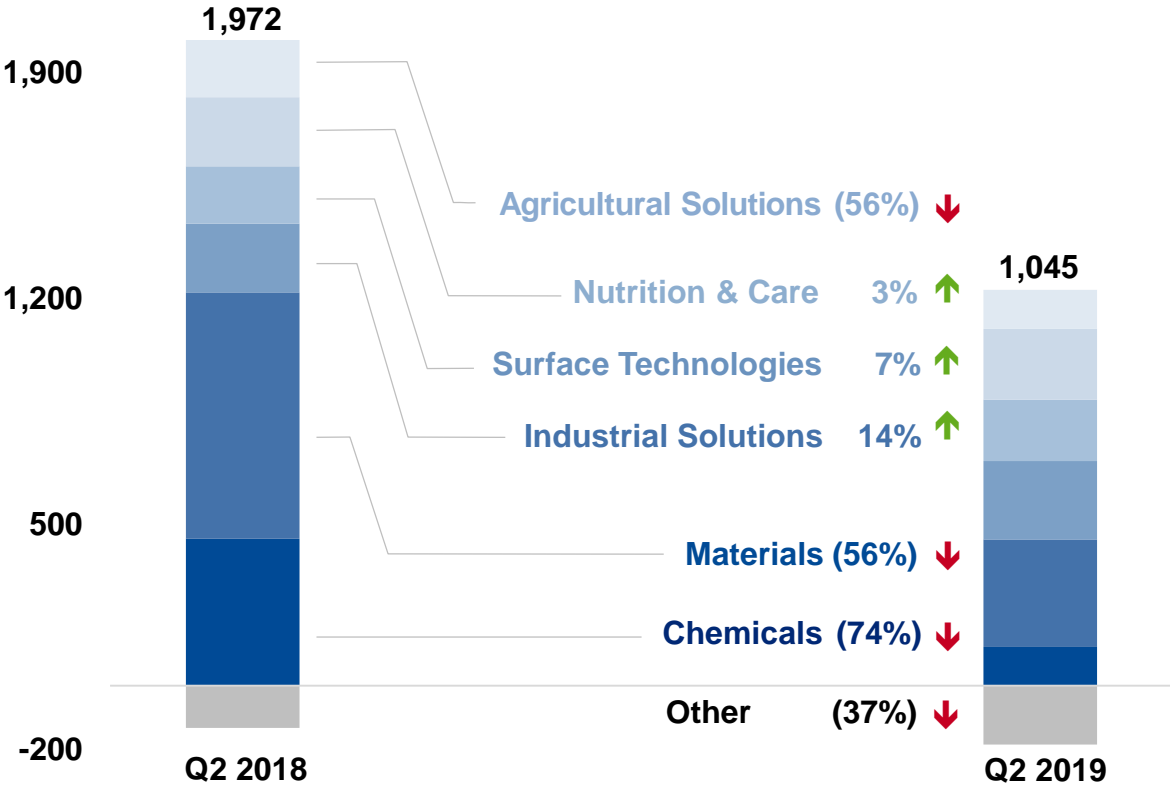
Sales bridge
Q2 2019 vs. Q2 2018
million €



Sales development

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

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

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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