

News Release

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BASF Annual Press Conference for the year 2019

BASF Group: EBIT before special items declines despite better development in all downstream segments

- Sales of €59.3 billion (minus 2 percent)
- EBIT before special items of €4.5 billion (minus 28 percent), due mainly to lower earnings in Chemicals and Materials segments
- Cash flows from operating activities of €7.5 billion (minus 6 percent), free cash flow of €3.7 billion
- Proposed dividend of €3.30 for 2019 business year (2018: €3.20)
- Fourth quarter 2019: slight decline in sales (minus 2 percent) and significant increase in EBIT before special items (plus 23 percent)

Outlook 2020:

- Sales growth to between €60 billion and €63 billion
- EBIT before special items of between €4.2 billion and €4.8 billion

EMBARGO PERIOD: 10:30 a.m.

Presentations by

Dr. Martin Brudermüller, Chairman of the Board of Executive Directors, and
Dr. Hans-Ulrich Engel, Chief Financial Officer of BASF SE

The spoken word applies.

Good morning ladies and gentlemen,
Hans Engel and I would like to welcome you here in Ludwigshafen.

Thank you for attending and your interest in BASF.

The phrases that appear in our Report today are familiar to you from last year: trade conflict between the United States and China, global economic slowdown and Brexit. A challenging environment combined with a high level of uncertainty. But one thing definitely has changed: And that is BASF itself.

We used the year 2019 to rigorously implement our corporate strategy. We laid crucial foundations. The new BASF is more dynamic and closer to customers. Our administration is streamlined. Internal roles worldwide have been redefined. We have started to simplify processes and procedures.

As announced, we have turbocharged our Excellence Program. In all areas. And we have energetically further developed our portfolio. Several transactions have been completed. As you know, we have set ourselves ambitious financial and non-financial targets. We are convinced: We are on the right track to accomplishing these goals. At this point, I would like to express our heartfelt thanks especially to BASF's employees. They have all made an incredible effort to implement these changes in 2019.

We have just announced a new target. This relates to the composition of our teams: In 10 years, 30 percent of all leadership roles at BASF should be filled by women. We want to better incorporate women and their abilities in our leadership team.

More on these topics later.

Ladies and gentlemen,

BASF is rapidly transforming itself. Our company performed well, even in difficult times. 2019 was a challenging year with strong global economic headwinds. In addition, there were several one-off effects. The trade conflicts between the United States and China had a negative impact. Key sales markets developed more slowly. This was intensified by the uncertainties related to Brexit.

In 2019, global economic growth was just 2.6 percent. This was considerably below the previous year's figure of 3.2 percent. Development was solid in the

service sector. But growth in industrial and chemical production was significantly slower than expected.

Demand from many of our key customer industries declined considerably. Especially from the automotive industry. Automobile production fell by 5.4 percent worldwide.

Ladies and gentlemen,

There is one thing I want to note before we look more closely at our 2019 results. As you know, we have signed a deal to sell our construction chemicals business to Lone Star. This had an immediate effect on our reporting, so we are therefore presenting adjusted figures. Retroactively as of January 1, 2019, sales and earnings of the Construction Chemicals division are no longer included in the sales, EBITDA, EBIT and EBIT before special items of the BASF Group. The previous year's figures have been adjusted accordingly. Until closing, the earnings of the construction chemicals business will be presented separately under "Income after taxes from discontinued operations."

Now, let's take a look at our performance.

We increased our earnings in all downstream segments. Despite the difficult market environment. Unfortunately, this could not offset the decline in the basic chemicals business. Overall, we cannot be satisfied with the 2019 figures.

BASF Group's 2019 sales amounted to €59.3 billion, slightly below the prior-year level. Owing to the uncertainties in the market, customers were hesitant to place orders. Turnarounds at the steam crackers in Antwerp, Port Arthur and Ludwigshafen had a negative effect on volumes. As a result, sales volumes declined by 3 percent. This was mainly related to the Chemicals and Materials segments.

Prices declined by 3 percent, primarily in the Materials and Chemicals segments due to the current oversupply in the markets. Prices in the Nutrition & Care segment also fell slightly. The Surface Technologies and Agricultural Solutions segments, on the other hand, achieved higher prices.

EBIT before special items was €4.5 billion, down by €1.7 billion from the prior-year level as a result of lower contributions from the Materials and Chemicals segments. Earnings in these two segments fell by €2.2 billion to €1.8 billion. The

sharp drop in isocyanate prices, lower cracker margins, the scheduled cracker turnarounds and overall weaker demand had a significant negative impact here.

By contrast, we saw a considerable year-on-year improvement in our downstream segments: The Industrial Solutions segment increased EBIT before special items considerably in both divisions. This was primarily due to lower fixed costs, positive currency effects and higher margins.

The Surface Technologies segment likewise saw a considerable improvement in EBIT before special items. Here, our Coatings division significantly increased its earnings thanks to lower fixed costs and higher margins. Earnings rose slightly in the Catalysts division, mainly due to higher sales volumes of mobile emissions catalysts.

In the Nutrition & Care segment, EBIT before special items increased slightly. This was attributable to considerably higher earnings in the Care Chemicals division, where we achieved higher margins. This was supported by a contractual one-off payment in the personal care solutions business.

The Agricultural Solutions segment significantly increased EBIT before special items. The assets and businesses acquired from Bayer performed very satisfactorily. They contributed significantly to the increase in sales and earnings.

In Other, EBIT before special items declined considerably. This was largely attributable to valuation effects for our long-term share-based compensation program.

Now we come to BASF's ambitious sustainability goals. What did we achieve in 2019?

You are aware that we want to achieve CO₂-neutral growth until 2030. This means we aim to keep total greenhouse gas emissions from our sites and our energy purchases steady at the 2018 level while increasing production.

Compared with 2018, BASF's absolute greenhouse gas emissions in 2019 were down by 8 percent to 20 million metric tons. This is primarily attributable to shutdowns of large-scale plants for maintenance work, among other reasons. Moreover, we adjusted our energy supply contracts. And we implemented measures to increase our energy efficiency and optimize processes. For 2020, however, we expect a higher level of emissions. This is because fewer

maintenance shutdowns are planned. And the integration of Solvay's polyamide business will have an effect.

We have also set ourselves the ambitious goal of significantly increasing our sales with Accelerator products. These are products which make a particular contribution to sustainability in the value chain. In 2019, BASF generated sales of around €15 billion with Accelerator products, up from €14 billion in the previous year. In the next five years, this number should increase to €22 billion.

Ladies and gentlemen,

In 2019, we substantially improved the profitability of our downstream activities. If we exclude precious metals trading, our EBITDA before special items amounted to €5.4 billion. This represents an improvement of 25 percent in the downstream segments.

The weighted average EBITDA margin before special items in our downstream businesses improved from 15 percent in the prior year to 17 percent in 2019. The most marked increase compared with 2018 was in the Agricultural Solutions segment, where it rose from 18 to 23 percent.

However, in the Chemicals and Materials segments, the lower margins and sales volumes led to a significant decrease in the EBITDA margin before special items, from 21 to 16 percent.

Ladies and gentlemen,

We want to increase our dividend each year. A predictable and progressive dividend policy is a top priority for us. We will therefore propose to the Annual Shareholders' Meeting a dividend payment of €3.30 per share. This corresponds to an increase of €0.10. At the Annual Shareholders' Meeting, we will propose a total payout of €3.0 billion to our shareholders. This amount is fully covered by our free cash flow in 2019.

We thus once again offer an attractive dividend yield of 4.9 percent, based on the share price of €67.35 at the end of 2019.

Now I'd like to give you a brief update on our strategy.

We used the year 2019 to implement our corporate strategy with energy, passion and speed. We have started off the new year with a reshaped organization, reduced complexity, streamlined administration and simplified processes.

Significant parts of the functional services have been assigned to the divisions. Worldwide, 20,000 employees had completed this step as of October 1.

We established a lean corporate headquarters with around 1,000 employees.

Our new unit Global Business Services has been operational since January 1, 2020. It has around 8,800 employees providing demand-driven internal services worldwide. For example, in the areas of finance, controlling, procurement and supply chain. This will further strengthen the competitiveness of our businesses.

We also sharpened the roles of the regions in order to become more customer-focused. This will support our businesses worldwide in their work with customers.

Have we finished implementing the strategy? Certainly not yet, but the key steps have been initiated. Constant vigilance and further optimizations are necessary. Therefore, we still have a lot of details to work on this year and some tasks are ongoing. For example, simplifying our processes and procedures.

All these measures are designed to bring BASF back on a profitable growth track. With clear customer focus and an agile organization.

Ladies and gentlemen,

BASF promotes an entrepreneurial performance-culture. That is why we have updated the compensation system for our senior executives. The new program will now systematically incentivize the achievement of strategic targets relating to growth, profitability and sustainability. We are thus aligning the incentive system with our strategic objectives and the interests of our shareholders.

Moreover, we have updated our target to foster a diverse culture. By 2030, women should hold 30 percent of all leadership positions within the BASF Group. Our previous target of 22 to 24 percent by the year 2021 was achieved already in 2019 with a rate of 23 percent. We want to better incorporate women and their abilities in BASF's leadership team. Our news release on this topic can be found in your press kit at your seat.

Now, I would like to give you an update on our Excellence Program:

We have accelerated it and we are optimistic we can achieve the targeted annual EBITDA contribution of €2 billion by the end of 2021.

In 2019, we realized positive EBITDA contributions in the range of €600 million. The associated costs were around €500 million.

In the current year, we expect the accelerated implementation to result in an EBITDA contribution of €1.3 billion to €1.5 billion. The associated one-time costs are estimated at around €300 million to €400 million.

We have also accelerated the streamlining of our organization. We had announced that 6,000 positions would be reduced worldwide by the end of 2021. We now want to reach this figure by the end of 2020. Last year, we already reduced 3,100 positions.

Now let us switch from internal measures to external measures. And turn our attention to Asia, especially China.

Ladies and gentlemen,

I have often stressed the strategic importance of this region – for BASF and the chemical industry as a whole.

China is already the world's largest chemical market – accounting for 45 percent of global chemical production. In the coming decade, this share will rise to around 50 percent. Even the current challenges related to the coronavirus will not change this.

Over the past five years, chemical production in China grew annually by 5 percent, significantly faster than the global growth rate of around 3 percent. Meanwhile – and I would like to stress this – BASF's sales volumes rose by 7 percent annually over the same period, outpacing China's chemical production.

BASF's growth in China is highly profitable. EBITDA before special items rose on average by 30 percent per year over the past five years.

Our investment projects therefore put us in a good position. We will continue to expand our already very strong position in this region. And we will accelerate our organic growth. Players who want to grow on the global market must participate in China's growth.

It is therefore only logical to develop our new Verbund site in Guangdong province. With this second Verbund site in China, we ensure that BASF will continue to participate in the growth of the world's largest chemical market.

In November, the groundbreaking ceremony for the first downstream plants took place in the city of Zhanjiang. They are slated to start operations in 2022. These first plants will produce engineering plastics and thermoplastic polyurethanes. We can thus meet the rising demand from various growth industries in the southern Chinese market and across Asia. The entire project will be implemented in phases by 2030.

Zhanjiang will be a Verbund site approximately as large as the Ludwigshafen site. The peak investment period will be between 2022 and 2024. Overall, investments will total around \$10 billion by 2030. Beyond 2030 as well, Zhanjiang will continue to play an important role when it comes to future investments in China.

This is because the southern Chinese province of Guangdong is home to key customer industries. Companies in the automotive production, high-speed trains and aeronautics sectors are strongly represented here. Many internationally operating electronics producers have their production facilities in Guangdong. These markets are growing quickly and require reliable supplies of innovative chemical products and solutions.

Next to Jiangsu, Guangdong is one of the two economic powerhouse regions in China. GDP growth in the province is around 6 percent per year. Its GDP is already larger than Spain's and will soon reach the level of South Korea. The province has more than 110 million residents.

Now I will hand over to Hans Engel. He will provide further details about our portfolio management and earnings development in 2019.

[Hans-Ulrich Engel]

Good morning ladies and gentlemen,

We closed the acquisition of the polyamide business from Solvay a few weeks ago. The purchase price was €1.3 billion. This business will be integrated in our Performance Materials and Monomers divisions. Our customers will benefit from this, as we now offer a complementary portfolio, a stronger regional presence and improved supply reliability.

We have agreed to divest our construction chemicals business to Lone Star for €3.17 billion. Closing is expected in the third quarter of 2020.

Our global pigments business is becoming part of the Japanese specialty company DIC for a purchase price of €1.15 billion. We expect this transaction to close in the fourth quarter of 2020.

On April 30, 2019, together with LetterOne we concluded the merger between Wintershall and DEA. This creates the leading independent European exploration and production company. BASF holds 72.7 percent and LetterOne holds 27.3 percent in Wintershall Dea.

The integration is progressing well and should be completed in December 2020. We expect synergies of at least €200 million annually as of 2022. The IPO is planned for the second half of 2020, subject to market conditions.

The acquisition of assets and businesses from Bayer was a successful move. It enabled us to evolve from a producer of crop protection products to a supplier of agricultural solutions. BASF now supports farmers to optimize their yields and profitability by connecting crop protection, seeds and digital solutions. The acquired assets complemented our existing strong crop protection portfolio. We added an attractive seeds and traits business and strengthened our innovation pipeline.

The integration of the businesses was completed within one year. They generated sales of €2.2 billion in 2019 and contributed more than €500 million to EBITDA before special items.

Following the integration, we are now focusing on realizing synergies. For example, global cross-selling opportunities between seeds, crop protection and digital solutions. By 2025 we want the acquisition to result in additional sales in the mid-triple-digit million-euro range. We believe we are well on track to reach this target.

Ladies and gentlemen,

Let us now review the earnings of the BASF Group in the fourth quarter of 2019 compared with same quarter of 2018.

Sales in the fourth quarter of 2019 declined by 2 percent compared with the prior-year quarter to €14.7 billion. Volumes and prices each decreased by 1 percent.

The portfolio effects resulting from the transfer of our business with paper and water chemicals to Solenis amounted to minus 1 percent.

Currency effects had a slightly positive influence of plus 1 percent on sales development.

EBIT before special items amounted to €765 million, up by 23 percent compared with the fourth quarter of 2018. This increase was driven by significantly higher earnings in the Agricultural Solutions, Nutrition & Care, Industrial Solutions and Surface Technologies segments. Overall, these segments were able to more than compensate for the considerable decline in the Chemicals and Materials segments in the fourth quarter. A better result in Other also contributed to the increase.

Special items in EBIT amounted to minus €305 million, as compared with minus €151 million in the fourth quarter of 2018. Special charges were recorded in particular in Other and the Industrial Solutions segment. In Other, these resulted from the implementation of the Excellence Program. The divestment of our pigments business led to one-off effects in our Industrial Solutions segment.

In the fourth quarter of 2019, EBIT declined by 2 percent to €460 million.

Ladies and gentlemen,

Now we come to the full year 2019.

In the business year 2019, EBITDA before special items decreased by 11 percent compared with 2018 to €8.2 billion. EBITDA amounted to €8 billion, compared with €9 billion in 2018.

EBIT before special items was down by 28 percent to €4.5 billion. EBIT decreased from €6 billion to €4.1 billion.

Special items totaled minus €484 million, compared with minus €307 million in the previous year. This mainly resulted from the implementation of our Excellence Program and the integration of acquired businesses.

Net income amounted to €8.4 billion, compared with €4.7 billion in the previous year. This contained a book gain of around €5.7 billion resulting from the deconsolidation of Wintershall following the merger with DEA.

Ladies and gentlemen, we will now look at cash flow.

Cash flows from operating activities amounted to €7.5 billion, representing a decline of €465 million versus 2018.

Cash flows from investing activities were minus €1.2 billion, compared with minus €11.8 billion. Payments made for intangible assets and property, plant and equipment were slightly below the prior-year level at €3.8 billion. In 2019, payments received for divestitures were around €2.5 billion higher than in the prior year. This was mainly the result of cash inflows in connection with the merger of Wintershall and DEA. Payments made for acquisitions in 2019 amounted to €239 million, compared with €7.4 billion in the previous year. In the previous year, these mainly contained the payment of the purchase price to Bayer.

Despite the considerable decline in cash flows from operating activities, **free cash flow** amounted to around €3.7 billion, compared with €4 billion in 2018. In particular, our disciplined working capital management and even stricter prioritization of investments contributed to this.

In 2019, we paid out dividends of €2.9 billion to shareholders of BASF SE and €125 million to minority shareholders.

Our equity ratio increased from 41.7 to 48.7 percent as of the end of 2019. This rise is primarily due to the book gain resulting from the deconsolidation of Wintershall.

You can find additional information in our Report 2019 that was published today. It also includes the audited financial statements of the BASF Group.

And now back to Martin Brudermüller for the outlook.

[Martin Brudermüller]

Ladies and gentlemen,

In the first two months of this year, we are already experiencing a high level of uncertainty in the global economy. The coronavirus has added a new factor that is

considerably hampering growth at the beginning of the year, especially in China. Lower demand and production outages in many industries are already visible consequences of the measures taken to prevent the further spread of the virus.

We anticipate that the negative effects of the coronavirus will have a significant impact worldwide, particularly in the first and second quarters of 2020. Our assumptions currently do not consider a worldwide spread of the virus that would lead to significant adverse effects on the global economy beyond the first half of this year. However, we do not expect the corona effects to be fully offset during the course of the year.

The global economy is therefore expected to grow by 2.0 percent, considerably slower than in 2019. We forecast global chemical production to grow by 1.2 percent, well below the 2019 level. This would be by far the lowest growth since the financial crisis of 2008/2009.

We anticipate an average oil price of \$60 for a barrel of Brent crude and an exchange rate of \$1.15 per euro.

We strive to increase our sales to between €60 billion and €63 billion – even though the environment remains challenging and characterized by a high level of uncertainty. The BASF Group's EBIT before special items is expected to reach between €4.2 billion and €4.8 billion.

The return on capital employed (ROCE) is expected to be between 6.7 percent and 7.7 percent and thus below the cost of capital percentage of 9 percent.

We expect slight growth in most of our customer industries. For the automotive industry, however, we anticipate a continued decline in production. Our outlook assumes that there will be no further easing of the trade conflicts between the United States and its trading partners. Moreover, we assume that Brexit will not have any larger economic repercussions during the transition phase.

Ladies and gentlemen,

For the next five years, we are planning capital expenditures of €23.6 billion. More than one-third of this will be allocated between 2020 and 2024 to our growth focus areas. These are the large-scale projects in Asia – the Verbund site in Guangdong

and the chemical complex in Mundra, India – as well as the battery materials business.

This will mean, in particular, a shift in our regional focus. In the next five years, we are planning to allocate 41 percent of our investments in the Asia Pacific region and 34 percent in Europe.

By comparison: In the planning period 2019-2023, the figure was 27 percent for Asia Pacific and 43 percent for Europe. You can thus clearly see the shift of our investments towards the growth region Asia.

For 2020, we are planning capital expenditures of €3.4 billion, as compared to €3.3 billion in 2019.

Ladies and gentlemen,

Let me conclude with our priorities for 2020:

Especially in this still-challenging macroeconomic environment, we will systematically pursue our strategy. With a clear emphasis on agility and customer focus.

We will actively drive sustainability and innovations. That is why we have positioned our R&D teams in the divisions, closer to our customers. They can now even better align customer needs and R&D projects.

We will strengthen BASF's positioning in the growth markets of Asia in order to grow faster than global chemical production. We will further expand our market position in the battery materials business. The recent investment decisions to build cathode active materials plants in Schwarzheide, Germany, and in Harjavalta, Finland are important milestones in this regard.

We are integrating the polyamide business acquired from Solvay. And we are concluding the most important portfolio changes in 2020: the divestment of our construction chemicals and pigments businesses and the preparation for an initial public offering of Wintershall Dea.

Our Excellence Program also continues to run full steam ahead.

Ladies and gentlemen,

BASF's corporate strategy is first and foremost a sustainable growth strategy. We are committed to this strategy for profitable and sustainable growth, even in a very challenging market environment.

And now Hans Engel and I will be happy to answer your questions.