



We create chemistry

# Analyst Conference Call Full Year 2018

Ludwigshafen, February 26, 2019



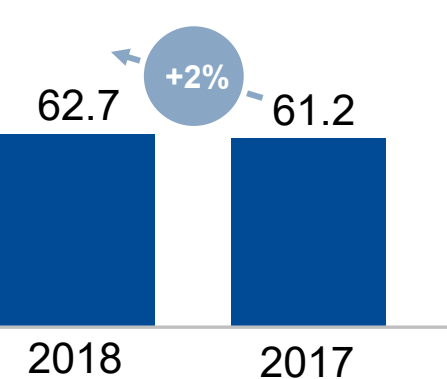
# Cautionary note regarding forward-looking statements

*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.*

# BASF Group full year 2018 – Overview

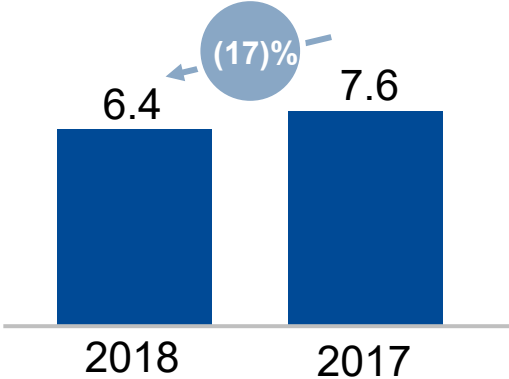
## Sales

billion €



## EBIT before special items

billion €



- Sales increased slightly due to higher prices, volumes and positive portfolio effects
- Earnings decreased by 17%, mainly attributable to the Chemicals segment

### Sales development

FY 2018 vs. FY 2017

### Volumes

↑ 1%

### Prices

↑ 4%

### Portfolio

↑ 1%

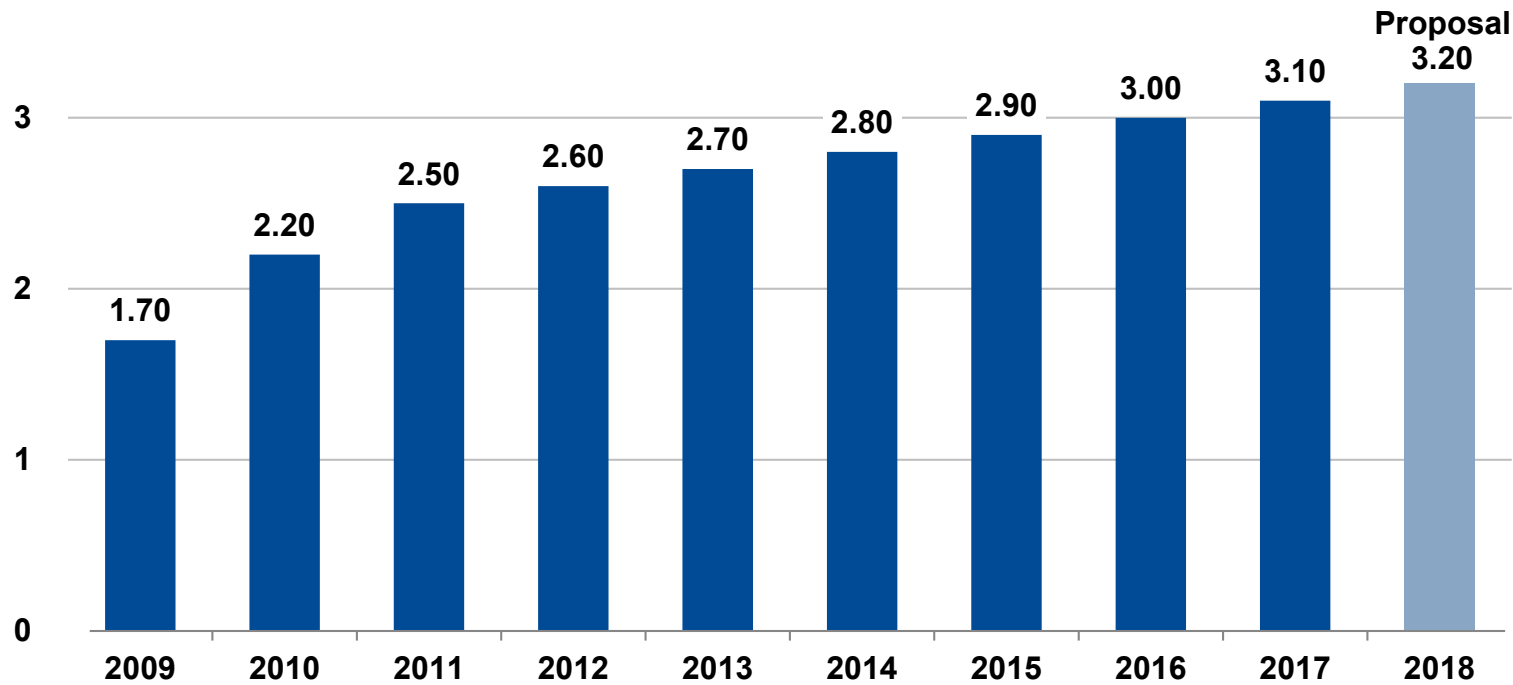
### Currencies

↓ (4)%

# Attractive shareholder return

## Dividend per share

€



Year	Yield*
2009	3.9%
2010	3.7%
2011	4.6%
2012	3.7%
2013	3.5%
2014	4.0%
2015	4.1%
2016	3.4%
2017	3.4%
2018	5.3%

## Dividend policy

- Increase the dividend per share every year

## Key facts

- Dividend proposal of €3.20 per share, an increase of 10 cents
- Dividend yield of 5.3% based on the share price at year end 2018

# Key areas of action to be the leading chemical company for our customers

-  Intensify customer focus to accelerate growth
-  Sharpen our portfolio and strengthen the Verbund
-  Transform our organization to be more agile and customer-focused
-  Focus capital allocation on organic growth
-  Drive growth particularly in largest market China
-  Set the tone with CO<sub>2</sub>-neutral growth

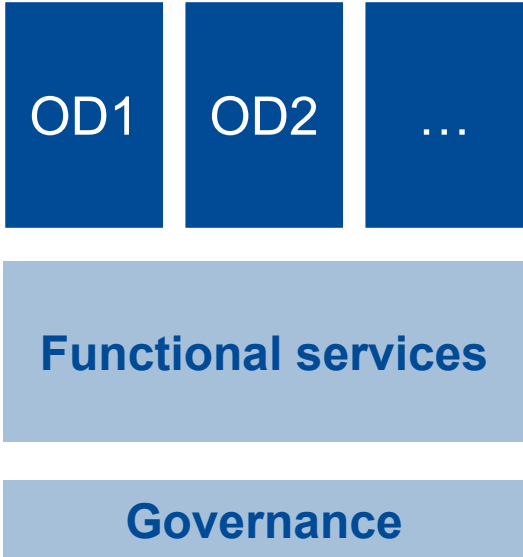
# Update on strategy implementation

We empower our businesses to optimize and differentiate according to customer needs

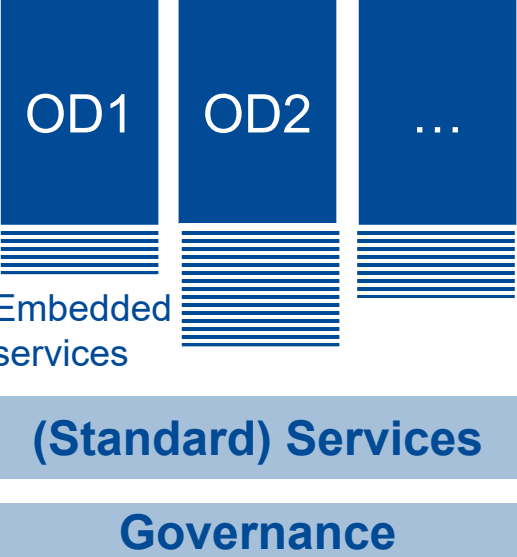
- Empowerment
- Differentiation
- Simplification

## Example: Embedding of business-critical services

### Current structure



### New structure



~70% of around 20,000 employees were already moved closer to customers

# Update on announced M&A activities



## BASF and Solenis completed combination of their paper and water chemicals businesses

- BASF holds a 49% share of the combined entity; funds managed by Clayton, Dubilier & Rice and Solenis management hold 51%
- Closing took place on January 31, 2019
- Effective February 1, 2019, BASF accounts for its share in Solenis using the equity method



## BASF and LetterOne signed agreement to merge Wintershall and DEA

- BASF to initially hold a 67% share of Wintershall DEA. BASF will receive additional preference shares. This will result in a total shareholding of 72.7%
- Closing expected in H1 2019, subject to regulatory approvals



## 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 closing conditions have been fulfilled, including the sale of the remedy package to a third party

# Announced investments in organic growth in Asia



## BASF and SINOPEC signed MoU to expand Joint Venture in Nanjing, China

- JV BASF-YPC to have a 50% stake in an additional steam cracker; SINOPEC to invest the other 50%
- Steam cracker capacity of 1 million metric tons of ethylene p.a. to support further downstream portfolio development



## BASF signed Framework Agreement to establish Verbund site in Zhanjiang, China

- Total investment of up to \$10 billion, implementation in phases until 2030
- Wholly-owned steam cracker with a capacity of 1 million metric tons of ethylene p.a. and several plants for consumer-oriented products
- Circular economy concepts to be incorporated into the new Verbund site



## BASF to partner with Adani to evaluate investments in acrylics value chain in Mundra, India

- With a joint investment totaling €2 billion, project would be BASF's largest investment in India
- First CO<sub>2</sub>-neutral site to be 100% powered by renewable energy



# BASF Group Q4 and full year 2018

Sales increased slightly, earnings declined mainly due to lower contributions from Chemicals

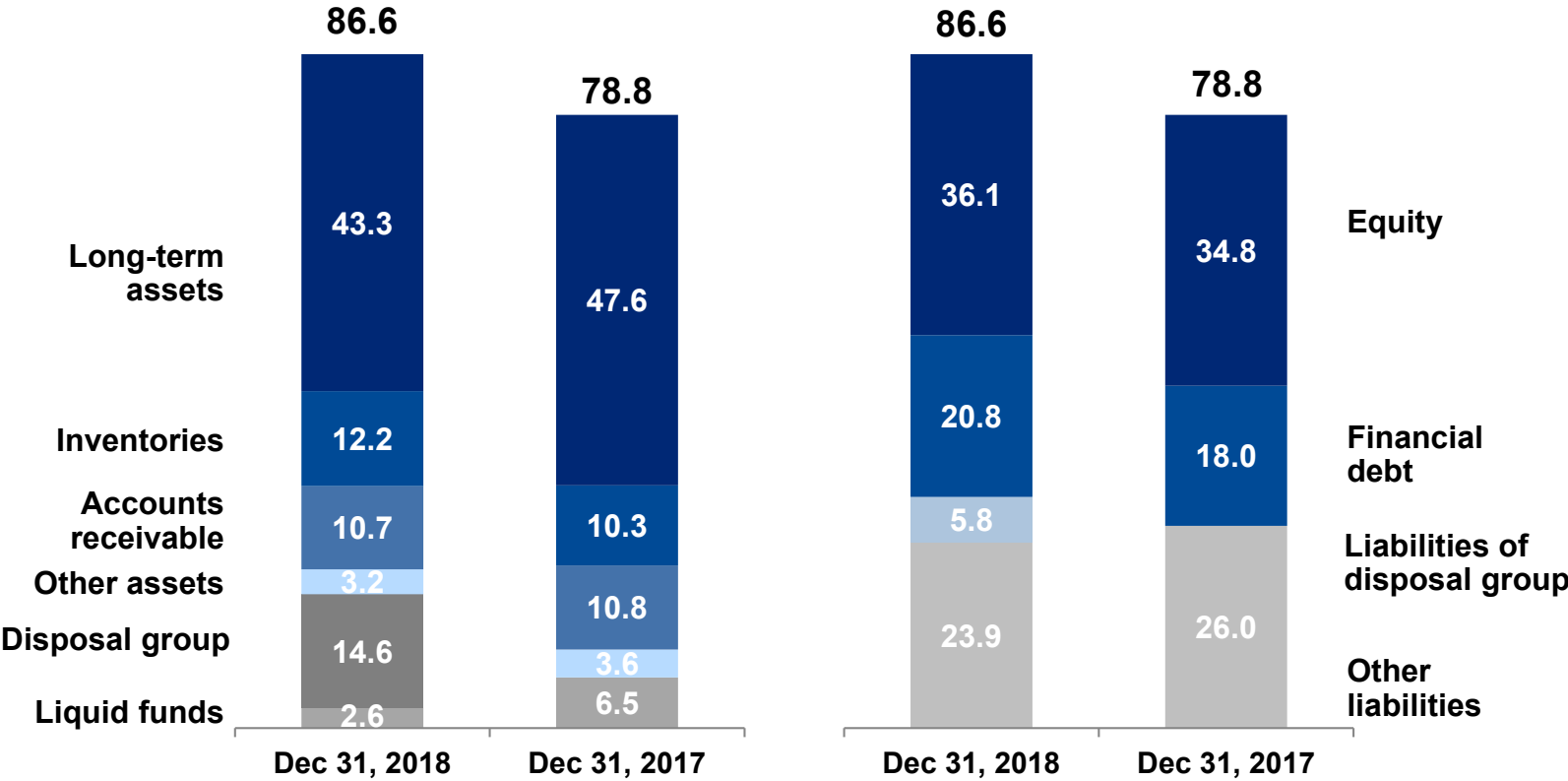
Financial figures*	Q4 2018	Change Q4 2017	FY 2018	Change FY 2017
	€	%	€	%
Sales	15,586 million	2	62,675 million	2
EBITDA before special items	1,496 million	(35)	9,481 million	(12)
EBITDA	1,336 million	(41)	9,166 million	(15)
EBIT before special items	630 million	(59)	6,353 million	(17)
EBIT	469 million	(67)	6,033 million	(20)
Net income	348 million	(77)	4,707 million	(23)
Reported EPS	0.37	(78)	5.12	(23)
Adjusted EPS	0.66	(49)	5.87	(9)
Cash flows from operating activities	1,554 million	31	7,939 million	(10)
<b>Sales development</b>	<b>Volumes</b>	<b>Prices</b>	<b>Portfolio</b>	<b>Currencies</b>
Q4 2018 vs. Q4 2017	↓ (3)%	↑ 2%	↑ 3%	0%
FY 2018 vs. FY 2017	↑ 1%	↑ 4%	↑ 1%	↓ (4)%

# Cash flow development in 2018

Cash flow development		2018	2017
		million €	million €
<b>Cash flows from operating activities</b>		<b>7,939</b>	<b>8,785</b>
Thereof	Changes in net working capital	(530)	(1,167)
	Miscellaneous items	12	(339)
<b>Cash flows from investing activities</b>		<b>(11,804)</b>	<b>(3,958)</b>
Thereof	Payments made for tangible / intangible assets	(3,894)	(3,996)
	Acquisitions / divestitures	(7,255)	27
<b>Cash flows from financing activities</b>		<b>(52)</b>	<b>394</b>
Thereof	Changes in financial liabilities	2,966	3,248
	Dividends	(3,021)	(2,873)
<b>Free cash flow</b>		<b>4,045</b>	<b>4,789</b>

# Balance sheet remains strong

Balance sheet 2018 vs. 2017  
billion €



- Total assets increased by €7.8 billion, mainly as a result of the acquisition of agricultural solutions businesses and assets from Bayer
- Current assets increased following the signing of the agreement to merge Wintershall and DEA and the establishment of a disposal group
- Net debt increased by €6.7 billion to €18.2 billion due to the purchase price payment to Bayer
- Equity ratio at 41.7% as of Dec 31, 2018

# Outlook 2019 for BASF Group\*

- Slight sales growth, mainly from higher sales volumes and portfolio effects
- EBIT before special items slightly above prior-year level
- ROCE slightly higher than cost of capital percentage, but slightly below the 2018 level

## Underlying assumptions for outlook 2019

Economic environment	2019	2018
GDP growth	+2.8%	+3.2%
Growth in industrial production	+2.7%	+3.2%
Growth in chemical production	+2.7%	+2.7%
Exchange rate	US\$1.15 per euro	US\$1.18 per euro
Oil price (Brent)	US\$70 per barrel	US\$71 per barrel

\* For sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. "At prior-year level" indicates no change (+/–0 %).  
 For earnings, "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 %).  
 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" and no change (+/–0 percentage points) as "at prior-year level."

# Outlook 2019 by segment

million €	2018	Sales	EBIT before special items	
		Forecast 2019*	2018	Forecast 2019*
<b>Chemicals</b> Petrochemicals, Intermediates	11,694	at prior-year level	1,587	slight increase
<b>Materials</b> Performance Materials, Monomers	13,270	slight increase	2,400	considerable decline
<b>Industrial Solutions</b> Dispersions & Pigments, Performance Chemicals	9,120	slight decline	668	considerable increase
<b>Surface Technologies</b> Catalysts, Coatings, Construction Chemicals**	13,655	slight increase	690	considerable increase
<b>Nutrition &amp; Care</b> Care Chemicals, Nutrition & Health	5,940	considerable increase	736	considerable increase
<b>Agricultural Solutions</b>	6,156	considerable increase	734	considerable increase
<b>Other</b>	2,840	considerable increase	(462)	considerable decline
<b>BASF Group</b>	<b>62,675</b>	<b>slight increase</b>	<b>6,353</b>	<b>slight increase</b>

\* For sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. "At prior-year level" indicates no change (+/-0 %).  
For earnings, "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 %).

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

# Priorities 2019

- Implementation of the corporate strategy and transformation of BASF into a more customer-focused and entrepreneurial company
- Strong commitment to innovation and sustainability with even stronger focus of R&D resources on growth businesses and customers
- Continued portfolio pruning towards higher value and clearer focus; closing of the announced transactions and integration of acquired businesses
- Focus on cost control and operational excellence by implementing BASF's excellence program targeting an annual EBITDA contribution of €2 billion from 2021 onwards



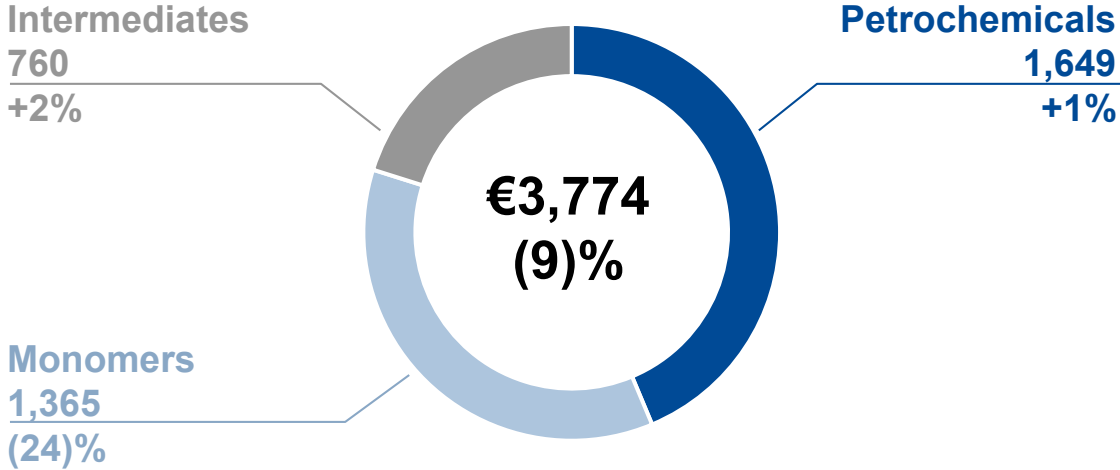


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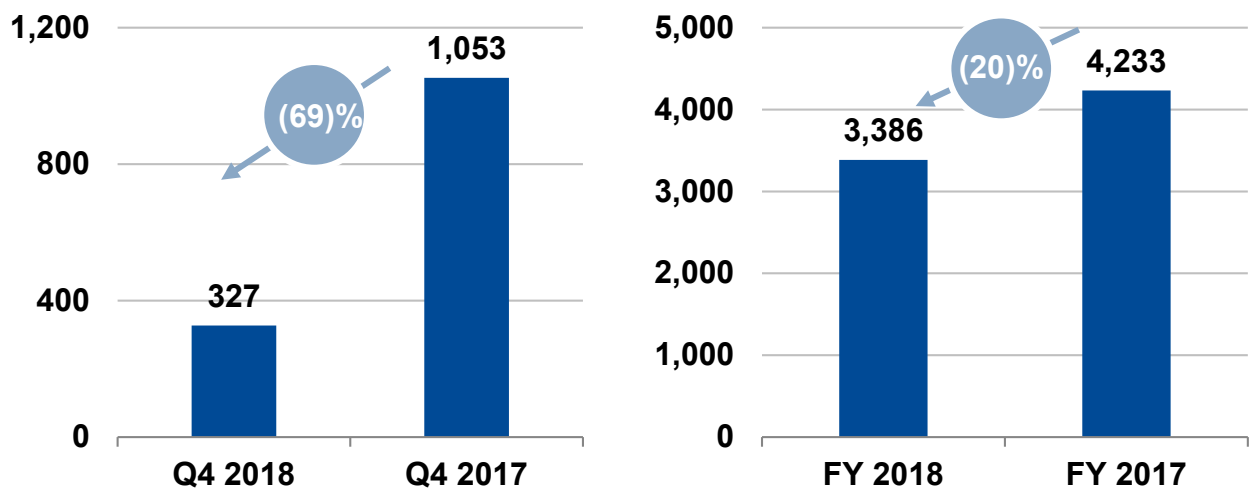
# Chemicals

Sales and earnings declined mainly due to lower margins and lower volumes

**Sales Q4 2018 vs. Q4 2017**  
million €



**EBIT before special items**  
million €



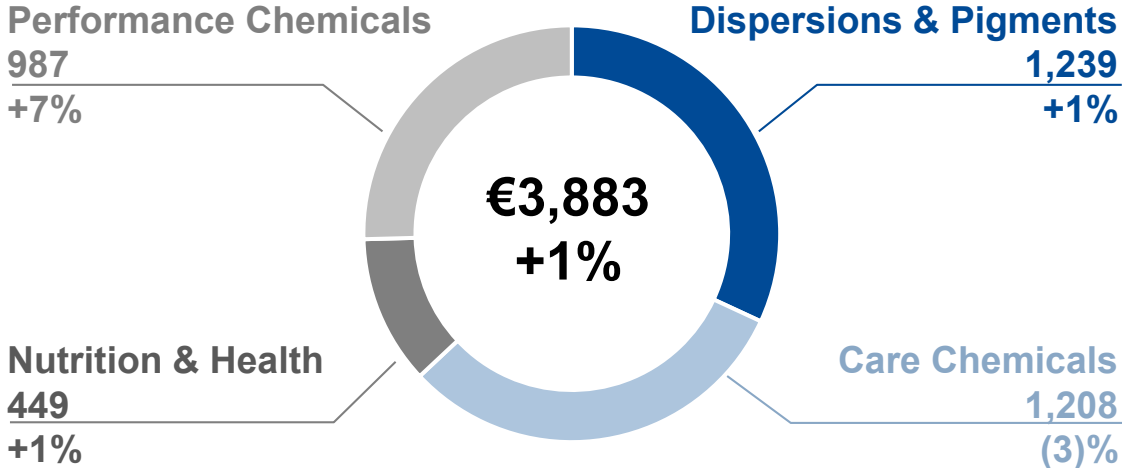
Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2018 vs. Q4 2017	↓ (8)%	↓ (2)%	0%	↑ 1%
FY 2018 vs. FY 2017	↓ (1)%	↑ 4%	0%	↓ (2)%



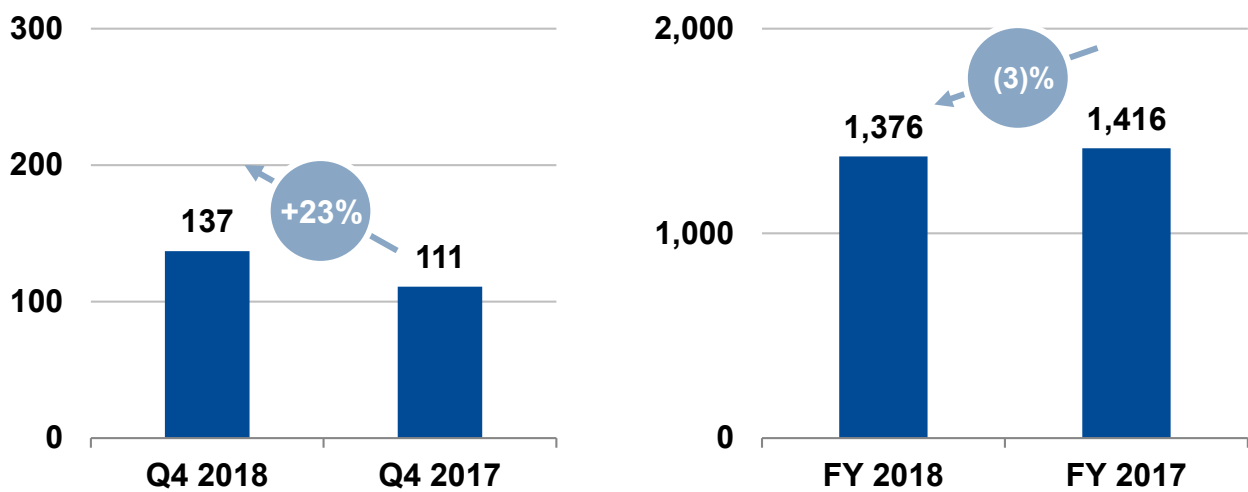
# Performance Products

Higher prices and lower fixed costs led to significantly higher earnings in Q4 2018

**Sales Q4 2018 vs. Q4 2017**  
million €



**EBIT before special items**  
million €

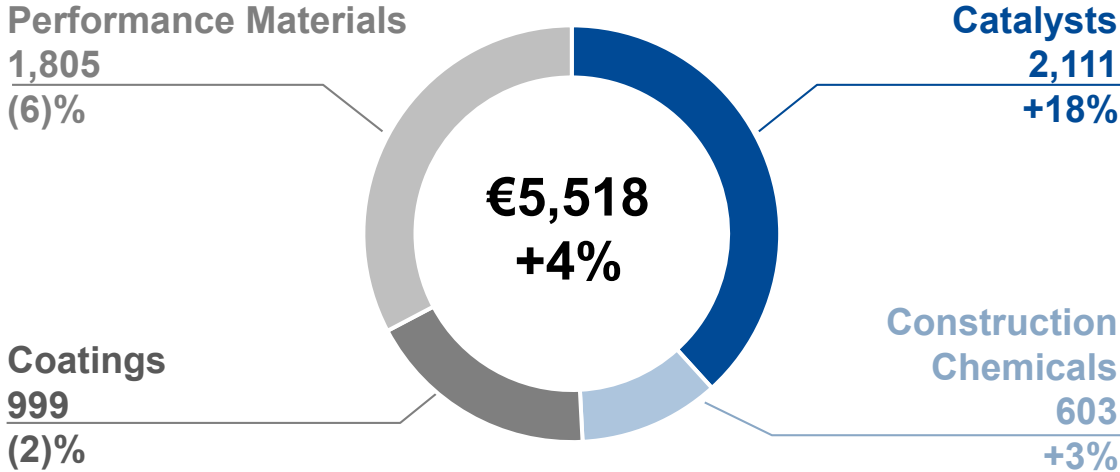


Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2018 vs. Q4 2017	↓ (4)%	↑ 5%	0%	0%
FY 2018 vs. FY 2017	↓ (2)%	↑ 4%	↓ (1)%	↓ (3)%

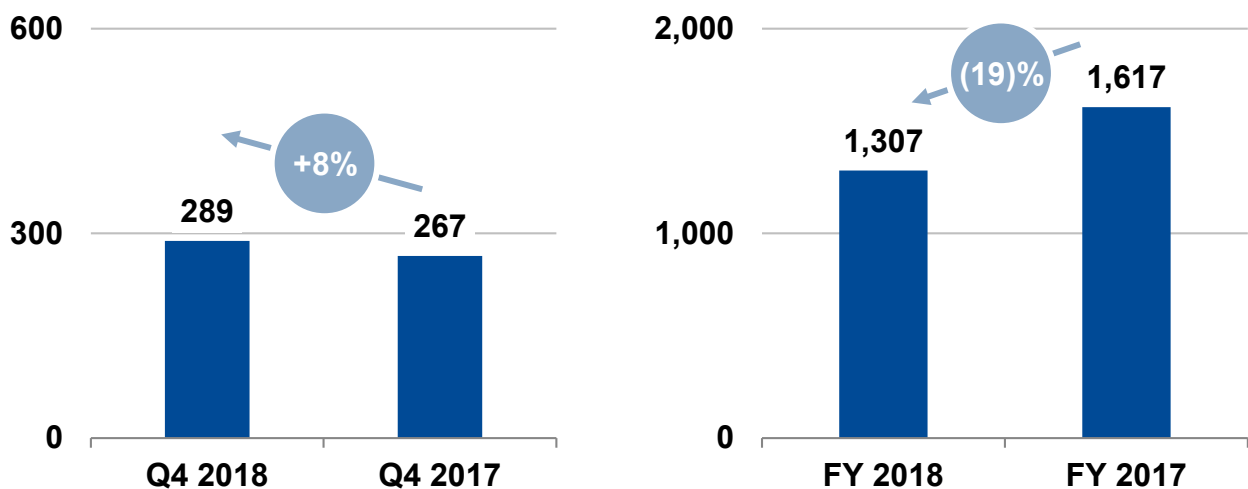
# Functional Materials & Solutions

Slight sales and earnings growth in the fourth quarter despite challenging market conditions

**Sales Q4 2018 vs. Q4 2017**  
million €



**EBIT before special items**  
million €

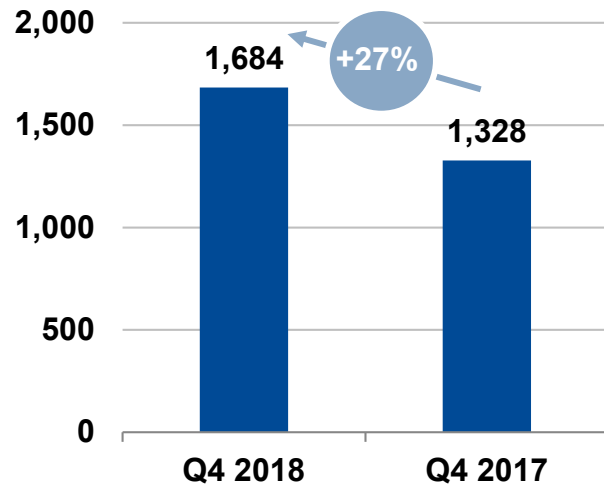


Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2018 vs. Q4 2017	0%	↑ 4%	0%	0%
FY 2018 vs. FY 2017	↑ 2%	↑ 5%	0%	↓ (4)%

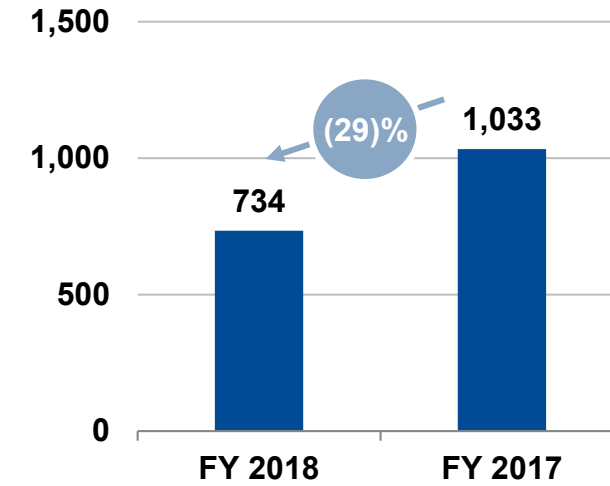
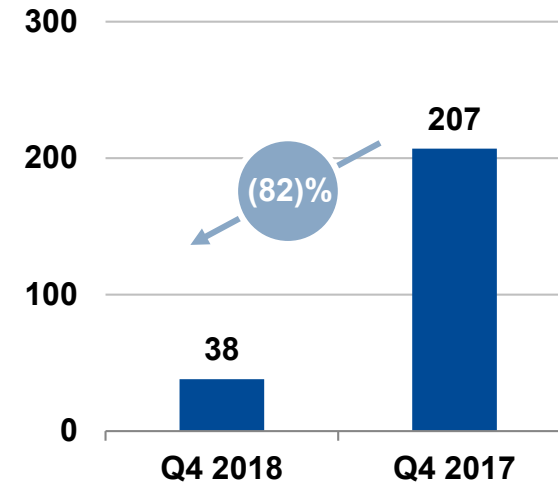
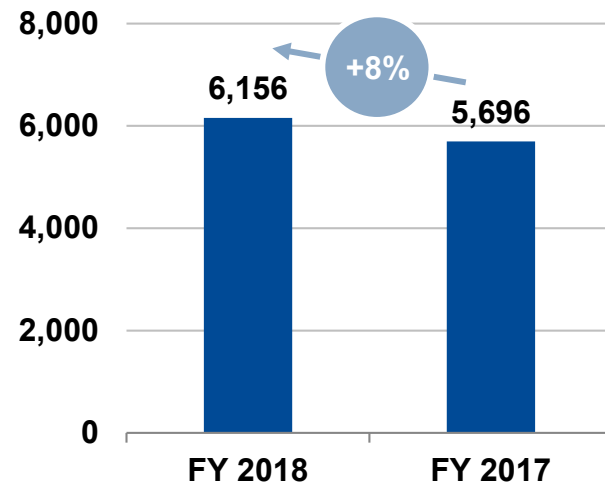
# Agricultural Solutions

Sales increased, earnings negatively impacted by the seasonality of the businesses acquired from Bayer

**Sales Q4 2018 vs. Q4 2017**  
million €



**EBIT before special items**  
million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2018 vs. Q4 2017	↓ (6)%	↑ 6%	↑ 31%	↓ (4)%
FY 2018 vs. FY 2017	↑ 1%	↑ 4%	↑ 10%	↓ (7)%

# Review of “Other”

Financial figures	Q4 2018	Q4 2017*	FY 2018	FY 2017*
	million €	million €	million €	million €
<b>Sales</b>	<b>727</b>	<b>602</b>	<b>2,771</b>	<b>2,234</b>
<b>EBIT before special items</b>	<b>(161)</b>	<b>(113)</b>	<b>(450)</b>	<b>(654)</b>
Thereof Costs of corporate research	(148)	(112)	(414)	(379)
Costs of corporate headquarters	(66)	(57)	(249)	(224)
Foreign currency results, hedging and other measurement effects	88	(91)	327	88
Other businesses	7	53	43	60
Special items	(1)	(7)	(41)	(37)
<b>EBIT</b>	<b>(162)</b>	<b>(120)</b>	<b>(491)</b>	<b>(691)</b>

# Oil & Gas\*

Strong financial and operational performance in 2018

<b>Financial figures</b>	<b>FY 2018</b> <b>million €</b>	<b>FY 2017</b> <b>million €</b>	<b>Change</b> <b>%</b>
Sales	4,094	3,252	26
EBITDA	2,350	1,959	20
EBIT before special items	1,745	683	155
EBIT	1,733	935	85
Income after taxes from discontinued operations	829	760	9
Total assets	14,088	11,967	18

<b>Operational figures</b>	<b>FY 2018</b> <b>million</b>	<b>FY 2017</b> <b>million</b>	<b>Change</b> <b>%</b>
Production boe	171	164	4
1 P reserves boe	1,871	1,676	12
R/P ratio years	~11	~10	7

