



 **BASF**

We create chemistry

**Analyst Conference Call FY 2019**  
February 28, 2020

# 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 139 to 147 of the BASF Report 2019. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.*

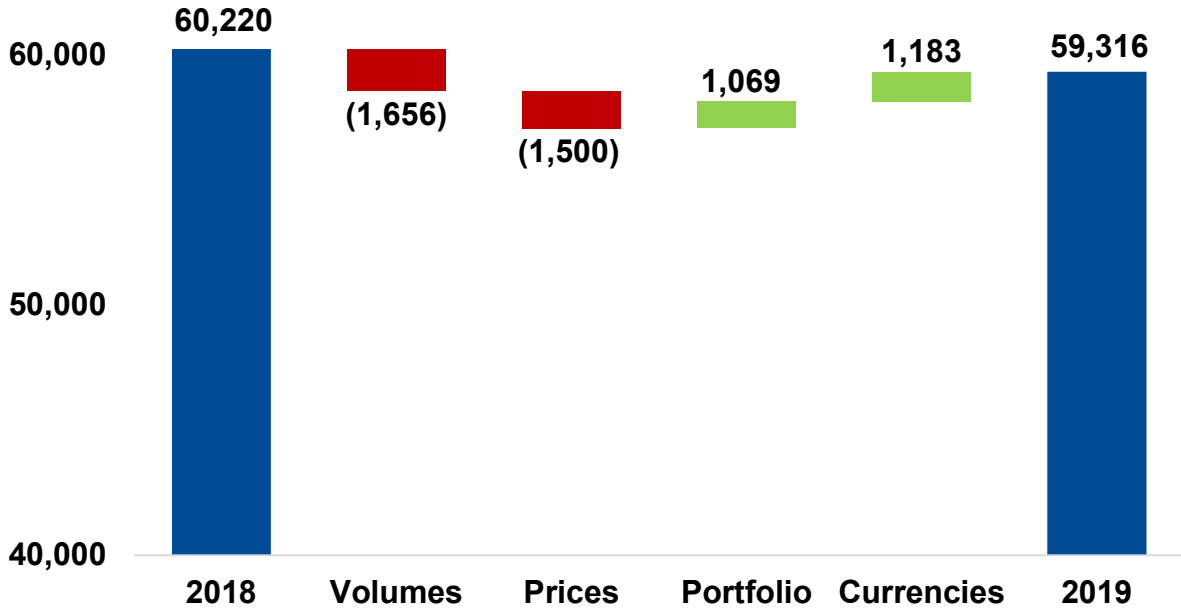
# 2019 was a challenging year for BASF with several one-offs

- **Significant macroeconomic headwinds**
  - Negative impacts from ongoing trade and geopolitical conflicts
  - Slowdown in global GDP, industrial and chemical production
- **Factors weighing on BASF's Chemicals and Materials segments**
  - Oversupplied cracker markets
  - Planned cracker turnarounds
  - Margins for isocyanates declined below long-term averages
- **Factors weighing on BASF's Agricultural Solutions segment**
  - Volumes in North America negatively impacted by extreme weather conditions and distributor destocking
  - Trade conflicts dampened demand in North America
- **Strategy implementation in full swing**
  - Transformation into an agile and customer-focused organization ongoing
  - Active portfolio management towards higher value and more focus
  - Accelerated implementation of the Excellence Program



# BASF Group full year 2019 – Overview

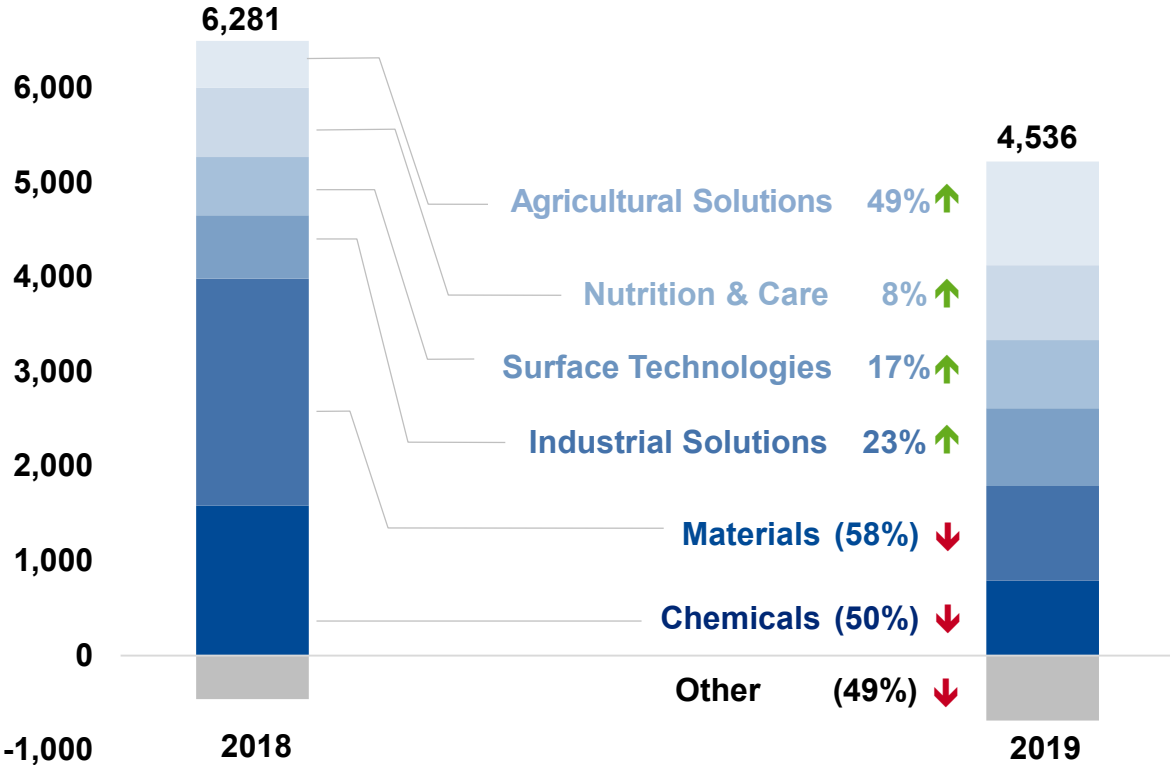
Sales<sup>1</sup> bridge 2019 vs. 2018  
million €



Sales development

2019 vs. 2018	↓ (3%)	↓ (3%)	↑ 2%	↑ 2%
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EBIT before special items<sup>1</sup> by segment 2019 vs. 2018  
million €



# Review of the financial and nonfinancial targets

Grow **sales volumes faster** than **global chemical production** every year



Increase **EBITDA before special items** by **3% to 5%** per year



Achieve a **ROCE<sup>1</sup>** considerably **above the cost of capital percentage** every year



Increase the **dividend per share** every year based on a **strong free cash flow**



Grow **CO<sub>2</sub>-neutrally** until 2030



Achieve **€22 billion** in **Accelerator sales** by 2025



## 2019 target achievement<sup>2</sup>

Sales volumes -3% versus +1.8% global chemical production

EBITDA before special items -11%

ROCE 7.7% versus a cost of capital rate of 10%

Dividend proposal of €3.30 per share, an increase of 10 cents

CO<sub>2</sub>e emissions 20.1 million tons (-8.2% compared to 2018)

Accelerator sales €15.0 billion (compared to €14.3 billion in 2018)

<sup>1</sup> Return on capital employed (ROCE) is a measure of the profitability of our operations. We calculate this indicator as the EBIT generated by the segments as a percentage of the average cost of capital basis

<sup>2</sup> Restated figures due to reporting of construction chemicals as discontinued operation

# Financial profitability by segment 2019 vs. 2018

<b>EBITDA margin before special items</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
	%	%	
Chemicals	17	19	↓
Materials	15	23	↓
Industrial Solutions	15	12	↑
Surface Technologies <sup>1</sup>	13	12	↑
Nutrition & Care	20	19	↑
Agricultural Solutions	23	18	↑

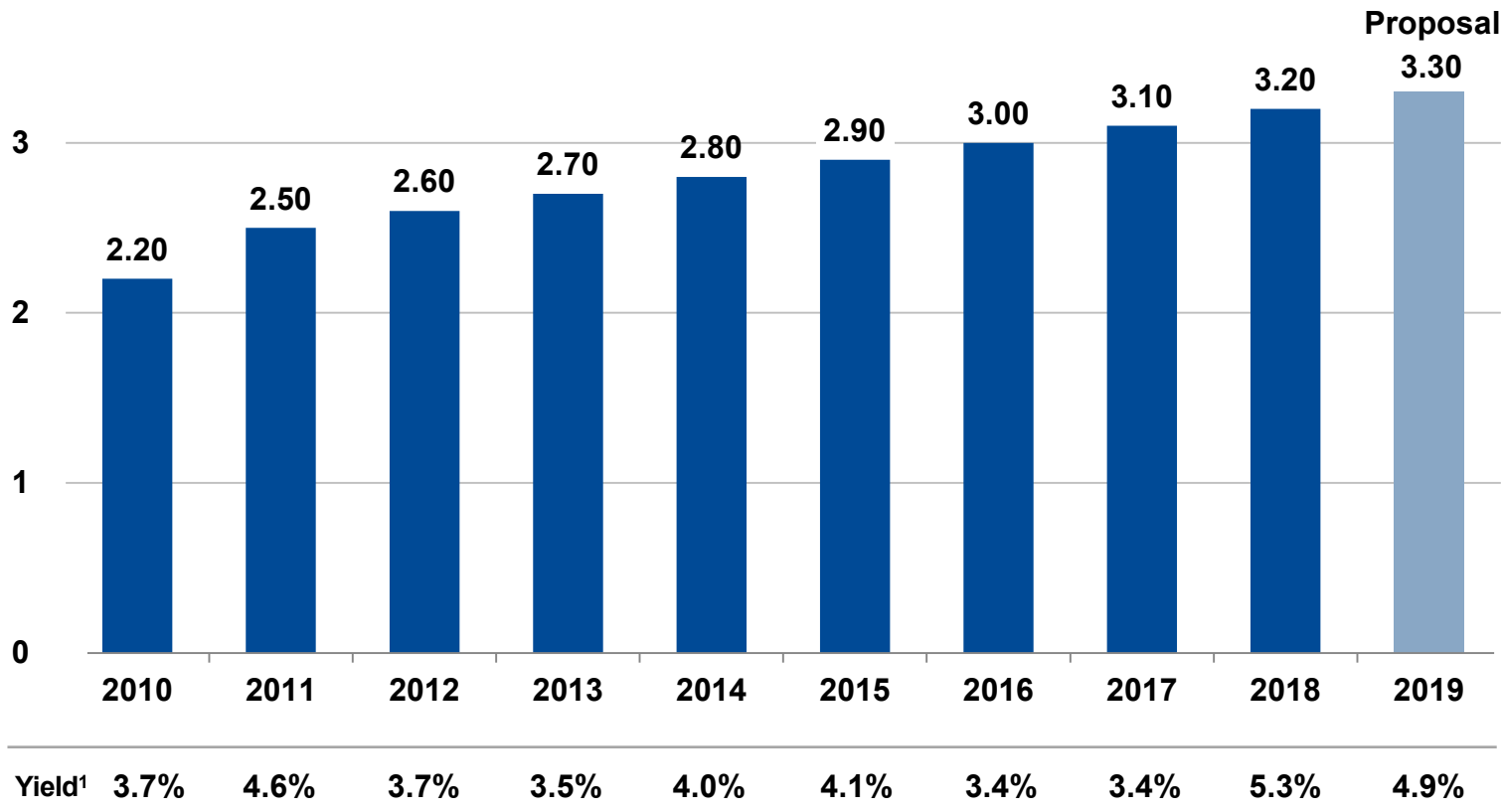
- All downstream segments improved their margins
- The weighted average EBITDA margin before special items of BASF's downstream businesses improved from 15% to 17% in 2019, while the margin of BASF's upstream segments declined from 21% to 16%
- EBITDA before special items in the Agricultural Solutions segment increased from €1.1 billion to €1.8 billion lifting the margin from 18% to 23%

# Attractive shareholder return

## – clear commitment to progressive dividend policy

### Dividend per share

€



### Dividend policy

- Increase the dividend per share every year

### Key facts 2020

- Dividend proposal of €3.30 per share, an increase of 10 cents
- In total, we would pay out €3.0 billion, which is fully covered by our free cash flow of €3.7 billion
- Dividend yield of 4.9% based on the share price of €67.35 at year end 2019

# Transforming BASF into an agile and customer-focused organization

## Action fields

**Embedding** to bring services closer to customers

**Streamlined headquarters and services**

**Regions with sharpened roles** to increase customer focus

**Simplification** of process landscape

People working in an **entrepreneurial performance culture**

## Progress report



On October 1, 2019, we completed the **embedding of around 20,000 employees**



Since January 1, 2020, the **lean corporate center** with ~1,000 employees is operating. In addition, the **Global Business Services unit** with ~8,800 employees was established



Regions with **strengthened customer focus**, supporting and enabling the businesses locally



**Simplification measures on track:** currently >140 projects ongoing, thereof >50 implemented



**Empowering and incentivizing** employees to take ownership in their area of expertise





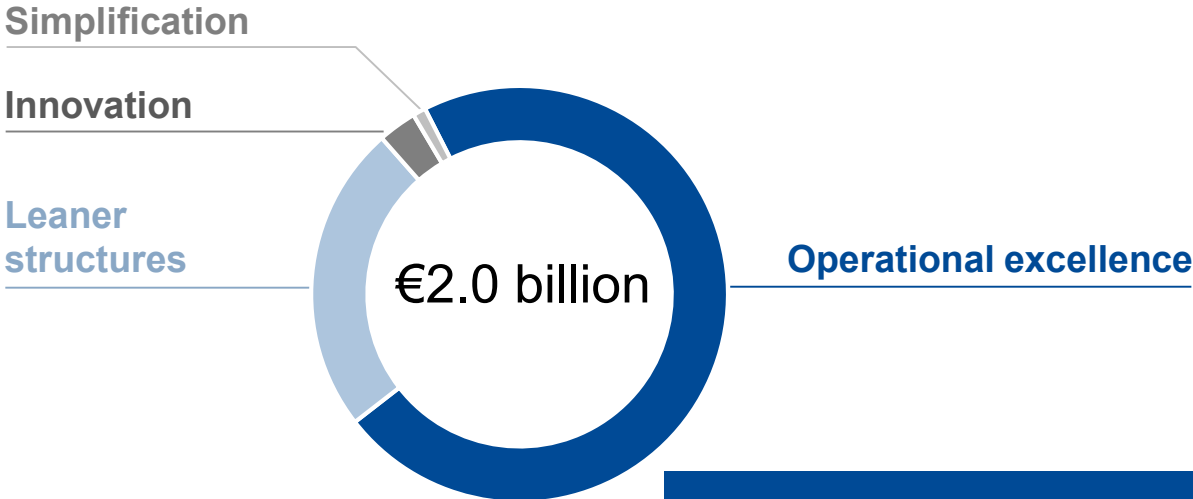
# Update on Excellence Program 2019 – 2021

	2019 actual	2020	2021
<b>Annual EBITDA contribution<sup>1</sup></b>	▪ €0.6 billion	▪ €1.3 – €1.5 billion	▪ €2.0 billion
<b>One-time costs<sup>2</sup></b>	▪ €0.5 billion	▪ €0.3 – €0.4 billion	▪ €0.05 – €0.15 billion

## Category

<b>Operational excellence</b>	Measures focused on production, logistics and planning
<b>Leaner structures</b>	Personnel cost savings; reduction of 6,000 positions targeted globally by end of 2020
<b>Innovation</b>	R&D cost reduction via focusing budgets
<b>Simplification</b>	Increased process efficiency, e.g., in procurement

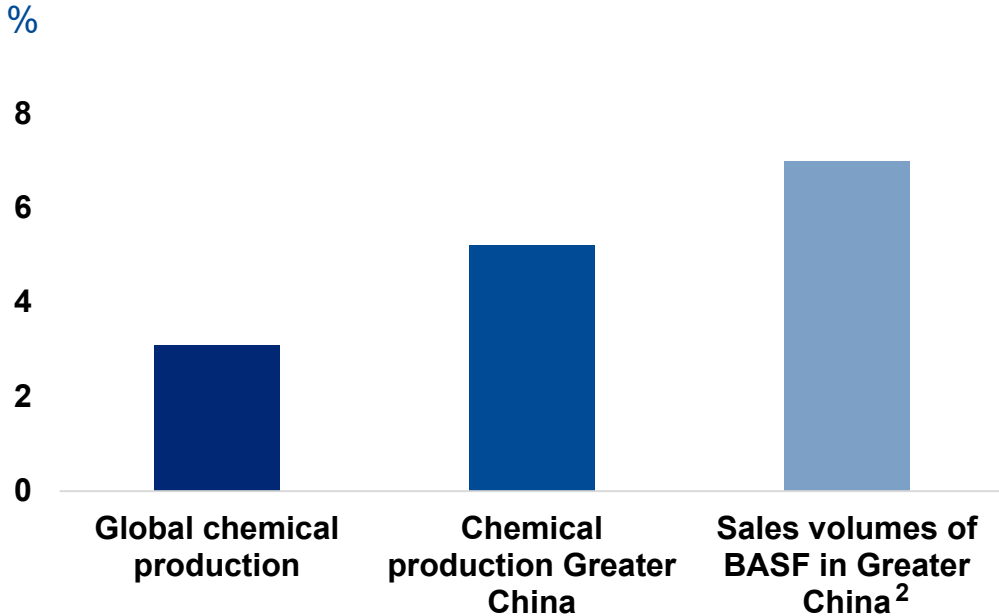
## EBITDA contribution by category



# Strong earnings development of BASF in Greater China over the past years

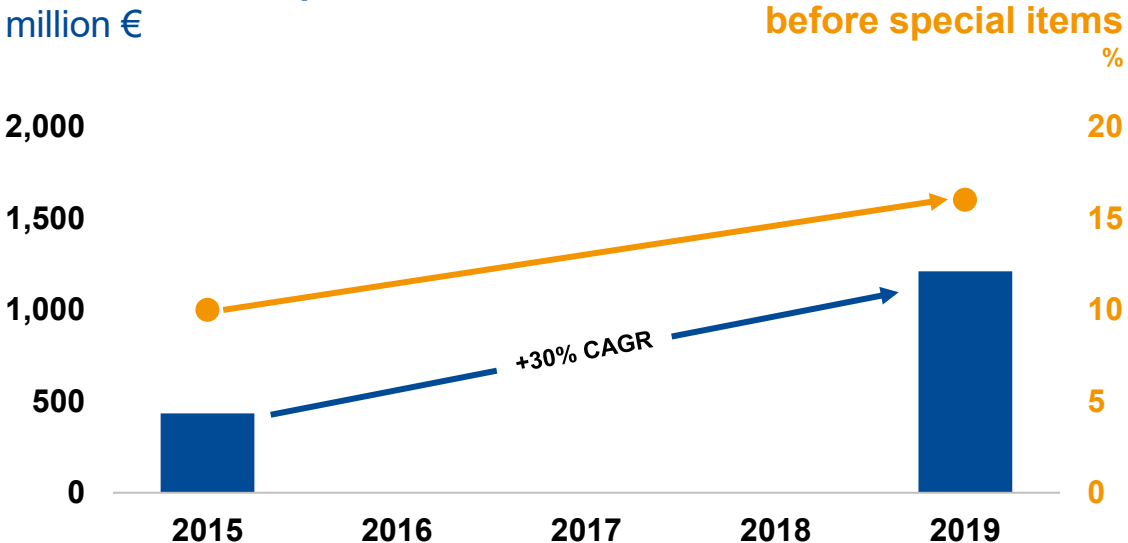
## BASF's sales volumes outgrew Greater China's chemical production during the last five years

Real chemical production growth<sup>1</sup> (CAGR 2015-2019)



## Strong earnings development of BASF in Greater China

EBITDA before special items<sup>2</sup>



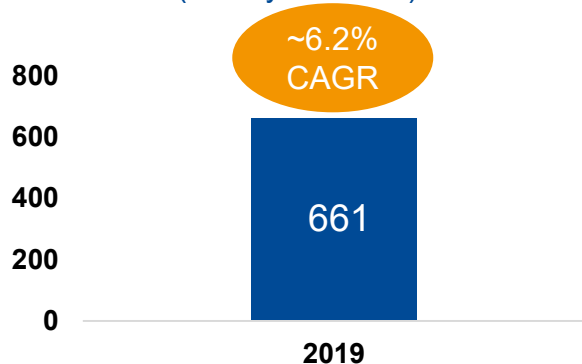
<sup>1</sup> Source: BASF, real chemical production excluding pharmaceuticals (base year 2015)  
<sup>2</sup> Restated figures due to reporting of construction chemicals as discontinued operation



# Guangdong is home of key customers from fast-growing industries

## Strongly growing industrial base<sup>1</sup>

billion US\$ (base year 2015)



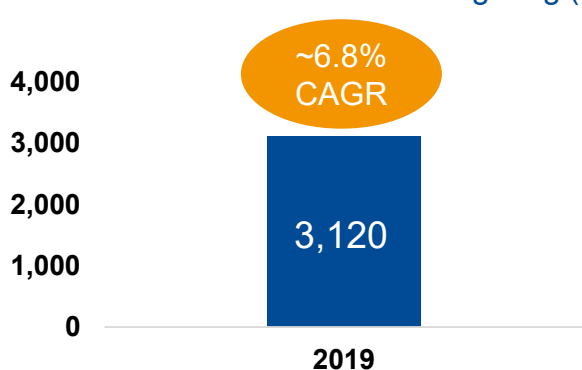
## Largest electronics production, China<sup>2</sup>

billion US\$ (base year 2015)



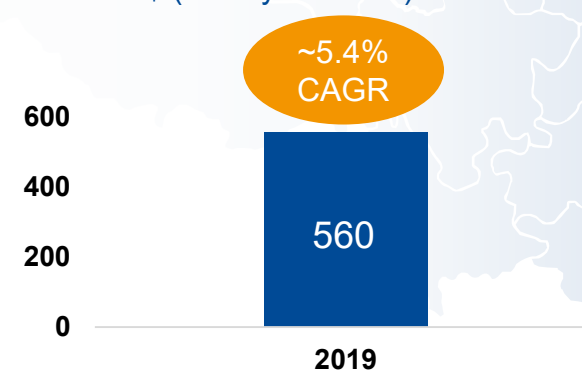
## Largest automotive production, China

# of motor vehicles built in Guangdong (1,000)



## Steady increase of private consumption<sup>3</sup>

billion US\$ (base year 2015)



## Market characteristics

- Around 113 million residents in Guangdong province (2018)
- GDP Guangdong (2018): ~US\$1,470 billion (to reach GDP of South Korea soon)
- Current GDP growth: ~6% p.a. GDP growth until 2035: 5-6% p.a.
- Key customer industries: transportation, consumer goods, home and personal care, electronics
- Chemical products are generally undersupplied from local production

<sup>1</sup> Real value added, manufacturing Guangdong

<sup>2</sup> Real value added, electronic equipment Guangdong; 2019 forecast based on YTD Nov. growth

<sup>3</sup> Real private consumption Guangdong; 2018 and 2019 IHS forecast

# Active portfolio management



## BASF closed acquisition of polyamide business from Solvay

- Sales 2018: ~€1 billion
- BASF acquired the global, non-European PA6.6 business from Solvay including its 50% share in Butachimie's adipodinitrile (ADN) production
- Purchase price of €1.3 billion<sup>1</sup>
- Closing took place on January 31, 2020



## Lone Star Funds to acquire BASF's construction chemicals business

- Sales 2019: ~€2.6 billion
- BASF and Lone Star Funds signed agreement for the acquisition of BASF's construction chemicals business
- Purchase price of €3.17 billion<sup>1</sup>
- Closing is expected in Q3 2020<sup>2</sup>



## DIC to acquire BASF's global pigments business

- Sales 2018: ~€1 billion
- BASF and DIC reached an agreement on the acquisition of BASF's global pigments business
- Purchase price of €1.15 billion<sup>1</sup>
- Closing is expected in Q4 2020<sup>2</sup>

# Merger of Wintershall Dea completed, integration on track

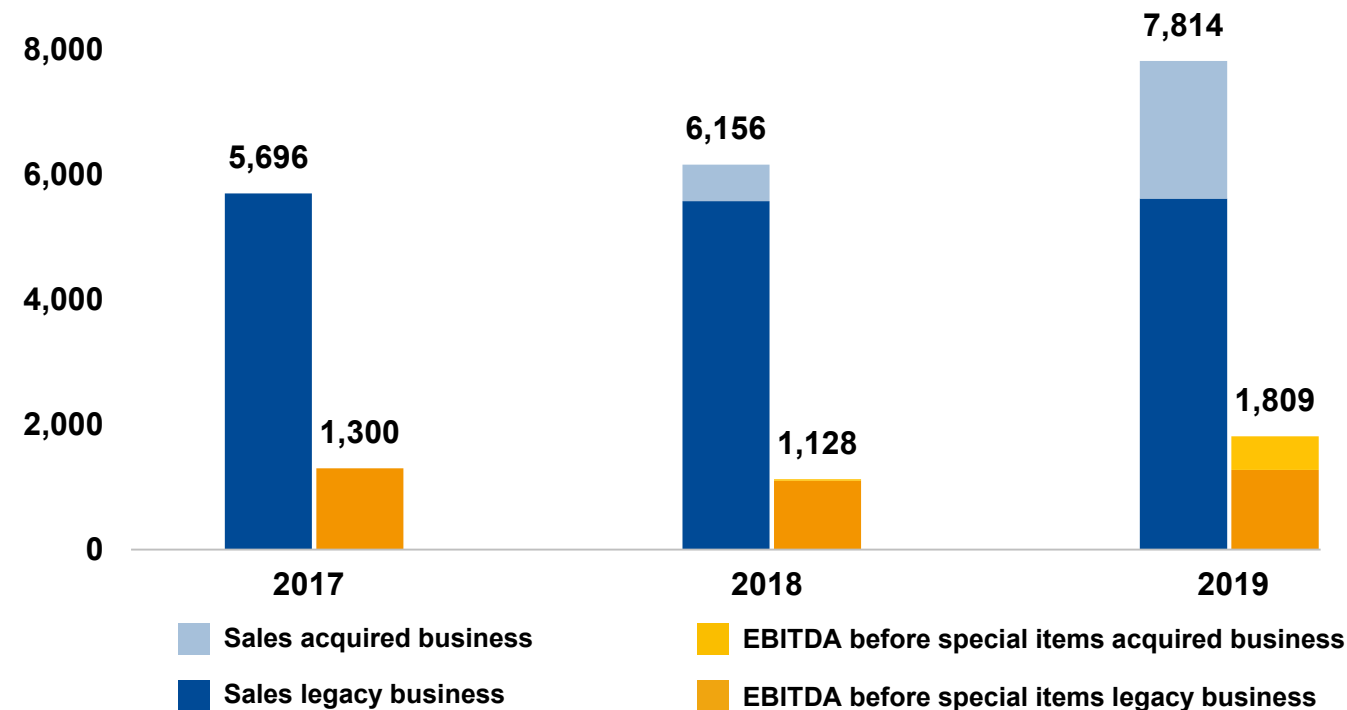
- On April 30, 2019, BASF and LetterOne completed the merger of Wintershall and DEA
- Creation of Europe's leading independent E&P company with BASF holding 72.7% and LetterOne 27.3%
- Wintershall Dea has a regionally balanced footprint with superior growth opportunities
- Integration of Wintershall Dea is well on track and expected to be completed in December 2020
- Synergies of at least €200 million p.a. expected by 2022



# Acquisition of assets and businesses from Bayer

## – a successful move

million €



- BASF's Agricultural Solutions segment transformed from a crop protection company into a provider of agricultural solutions
- BASF provides connected offer of crop protection products, seeds and digital solutions
- EBITDA margin before special items 2019: 23% (2018: 18%)
- Until 2025, target to achieve a mid-triple-digit million-euro amount in additional sales from the acquisition

# BASF Group Q4 and full year 2019

Financial figures <sup>1</sup>	Q4 2019	Change vs. Q4 2018	FY 2019	Change vs. FY 2018
	€	%	€	%
Sales	14,686 million	(2)	59,316 million	(2)
EBITDA before special items	1,740 million	20	8,217 million	(11)
EBITDA	1,491 million	14	8,036 million	(10)
EBIT before special items	765 million	23	4,536 million	(28)
EBIT	460 million	(2)	4,052 million	(32)
Net income	150 million	(57)	8,421 million	79
Reported EPS	0.16	(57)	9.17	79
Adjusted EPS	0.63	(13)	4.00	(32)
Cash flows from operating activities	3,157 million	103	7,474 million	(6)
<b>Sales development</b>	<b>Volumes</b>	<b>Prices</b>	<b>Portfolio</b>	<b>Currencies</b>
Q4 2019 vs. Q4 2018	↓ (1%)	↓ (1%)	↓ (1%)	↑ 1%
FY 2019 vs. FY 2018	↓ (3%)	↓ (3%)	↑ 2%	↑ 2%

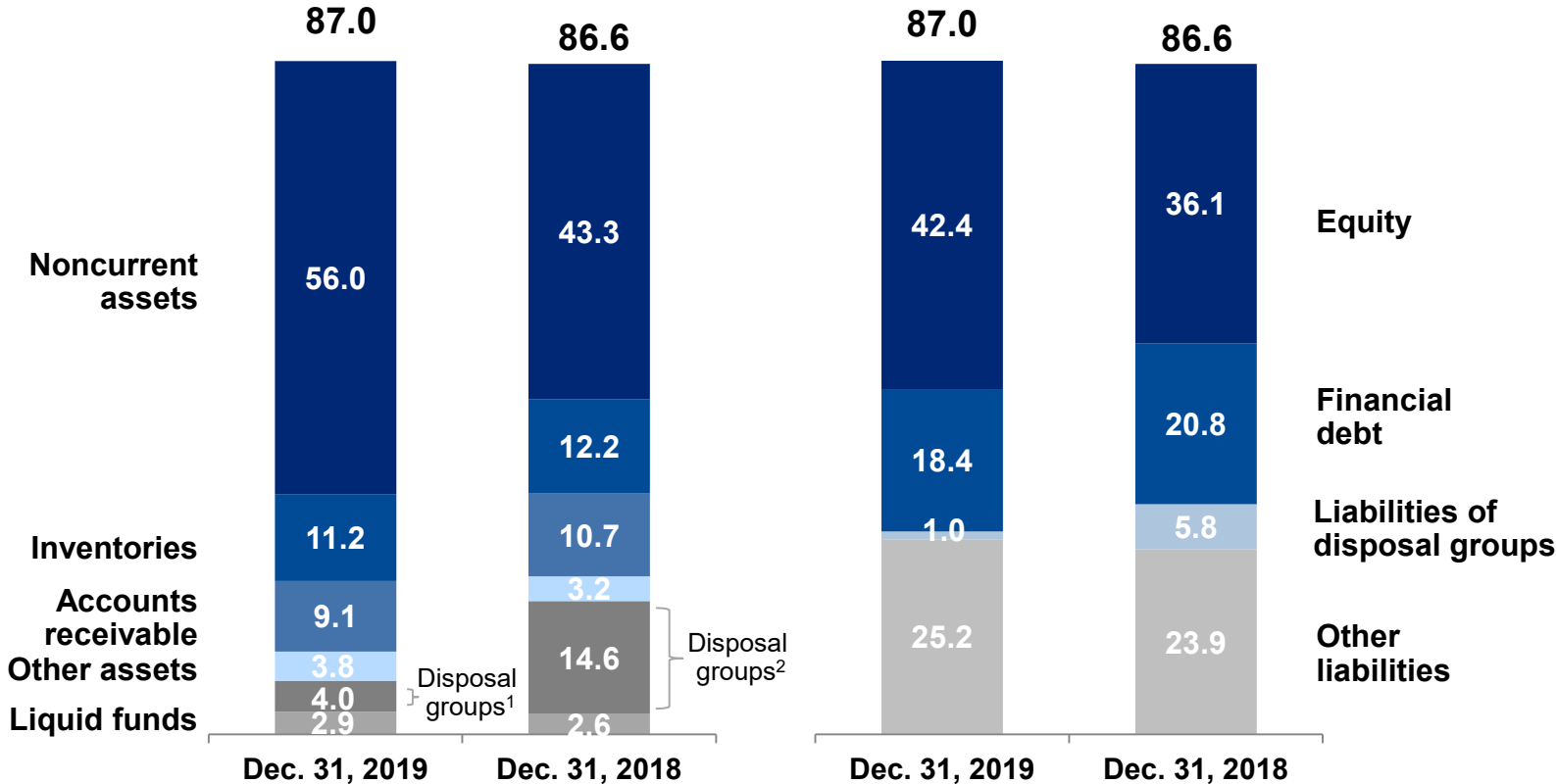
# Cash flow development in 2019

	<b>2019</b>	<b>2018</b>
	<b>million €</b>	<b>million €</b>
<b>Cash flows from operating activities</b>	<b>7,474</b>	<b>7,939</b>
Thereof Changes in net working capital	1,410	(530)
Miscellaneous items	(6,575)	12
<b>Cash flows from investing activities</b>	<b>(1,190)</b>	<b>(11,804)</b>
Thereof Payments made for intangible and tangible assets	(3,824)	(3,894)
Acquisitions / divestitures	2,361	(7,255)
<b>Cash flows from financing activities</b>	<b>(6,405)</b>	<b>(52)</b>
Thereof Changes in financial and similar liabilities	(3,342)	2,966
Dividends	(3,064)	(3,021)
<b>Free cash flow</b>	<b>3,650</b>	<b>4,045</b>



# Balance sheet remains strong

Balance sheet 2019 vs. 2018  
billion €



- Total assets almost stable at €87.0 billion
- Noncurrent assets increased by €12.6 billion, mainly due to the recognition of our participating interests in Wintershall Dea and Solenis
- Net debt decreased by €2.7 billion to €15.5 billion
- The equity ratio increased from 41.7% (Dec. 31, 2018) to 48.7% (Dec. 31, 2019), mainly due to the book gain on the deconsolidation of Wintershall

<sup>1</sup> BASF's global pigments business and construction chemicals business  
<sup>2</sup> BASF's oil & gas business and the paper and water chemicals business

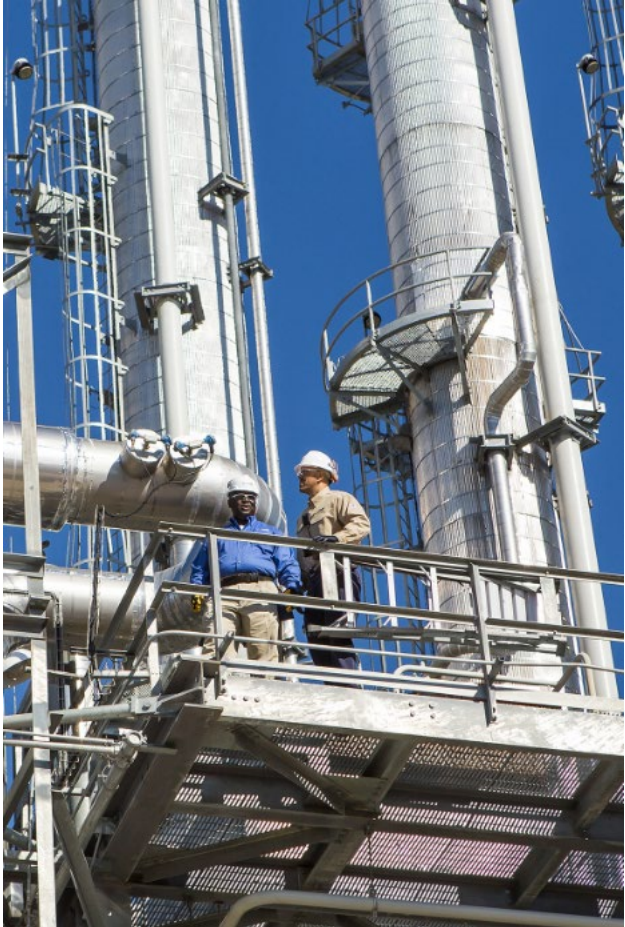
# Outlook 2020 for BASF Group

## Outlook 2020

Sales	€60 billion – €63 billion
EBIT before special items	€4.2 billion – €4.8 billion
ROCE	6.7% – 7.7%

## Underlying assumptions (prior year figures in parentheses)

- GDP growth: +2.0% (2.6%)
- Growth in industrial production: +1.2% (1.5%)
- Growth in chemical production: +1.2% (1.8%)
- Exchange rate: US\$1.15 per euro (US\$1.12 per euro)
- Oil price (Brent): US\$60 per barrel (US\$64 per barrel)

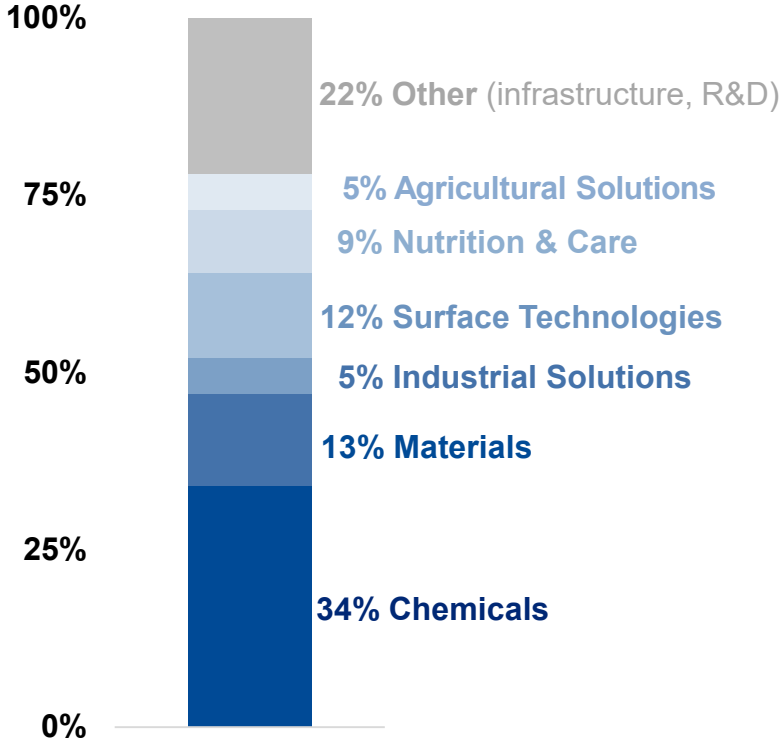


# Investments in organic growth

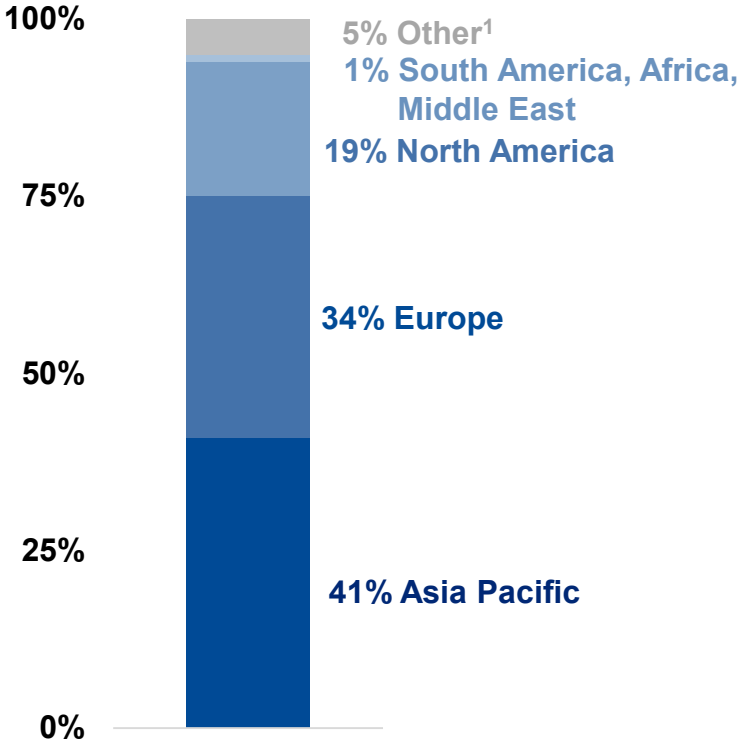
Investments of €3.4 billion planned for 2020

Capex budget 2020–2024: €23.6 billion

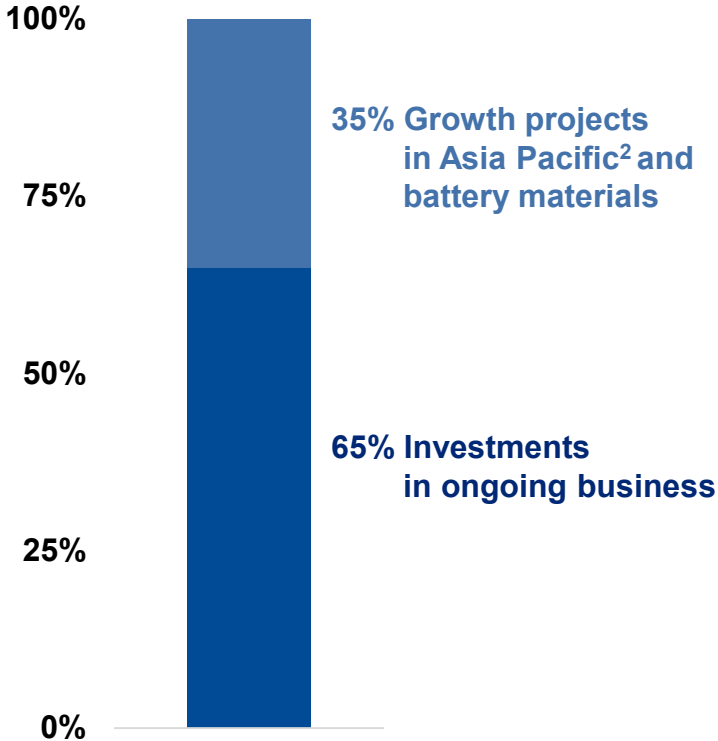
by segment



by region



by type of investment



<sup>1</sup> Alternative sites currently being investigated  
<sup>2</sup> Verbund site Guangdong, China; chemical production complex Mundra, India



## Priorities 2020

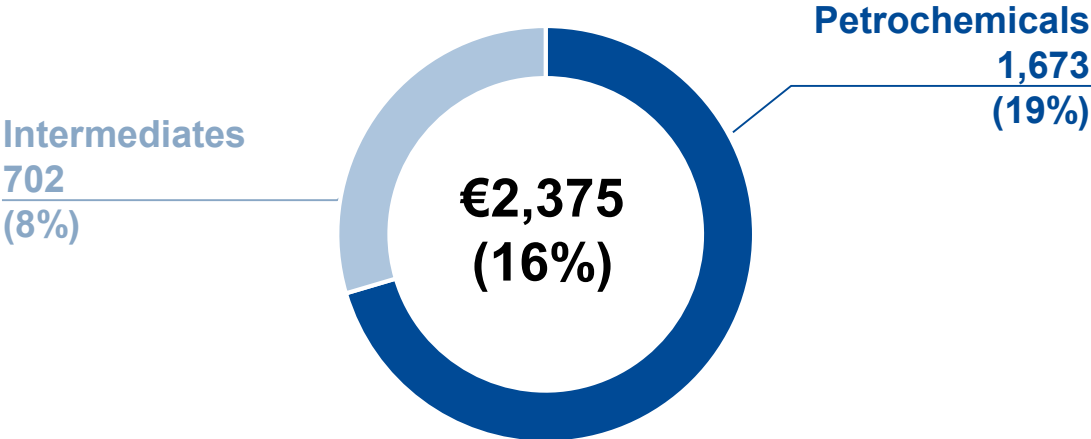
- 1 Implementation of the corporate strategy and transformation into a more agile and customer-focused company
- 2 Actively drive sustainability and innovation with focus of R&D resources on customer needs
- 3 Push positioning in growth markets in Asia and battery materials
- 4 Execution of portfolio measures: closing of the announced transactions and integration of acquired businesses
- 5 Strict capital discipline, focus on cost control and operational excellence by implementing our Excellence Program



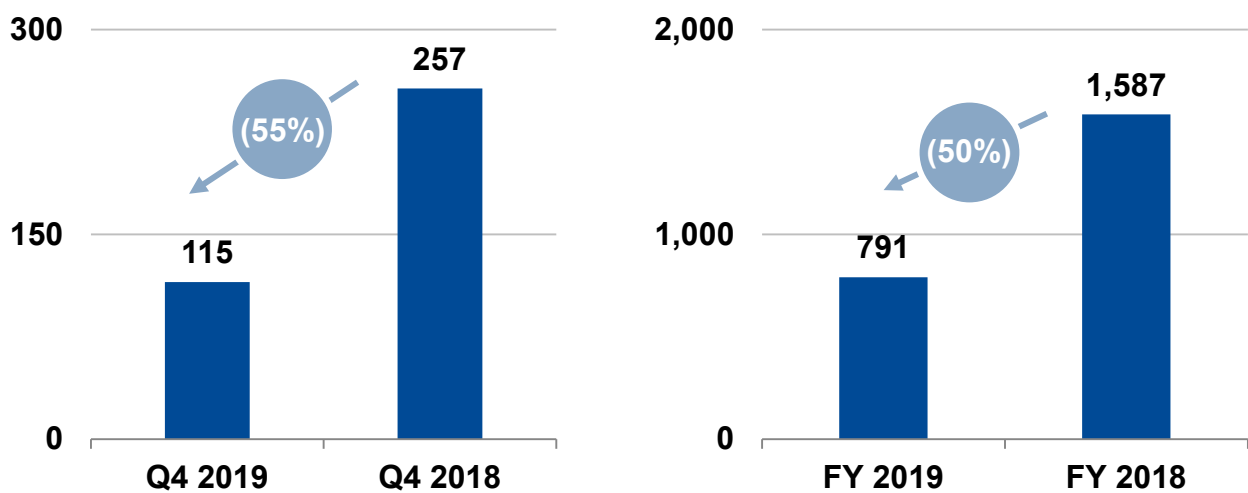
We create chemistry

# Chemicals

**Sales Q4 2019 vs. Q4 2018**  
million €



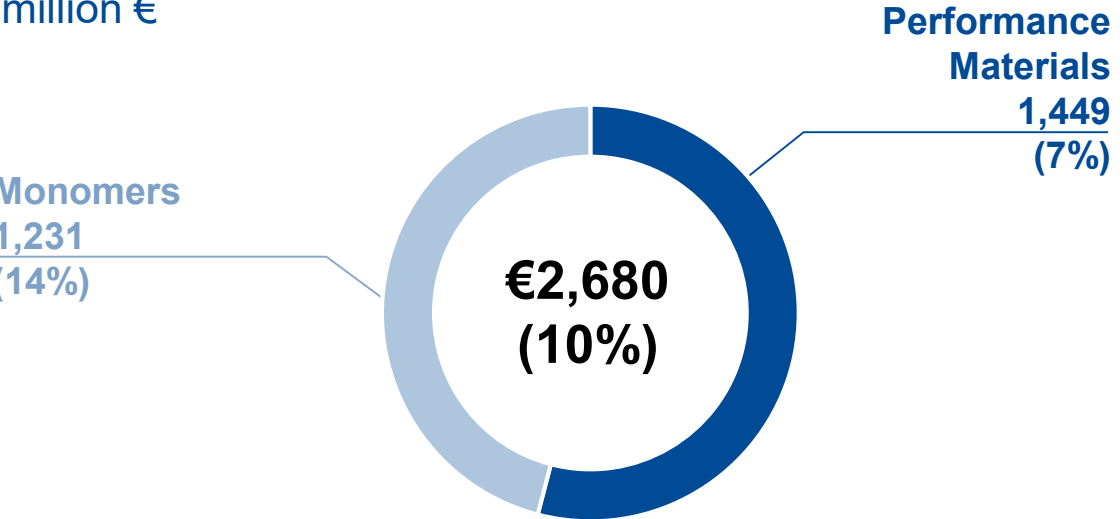
**EBIT before special items**  
million €



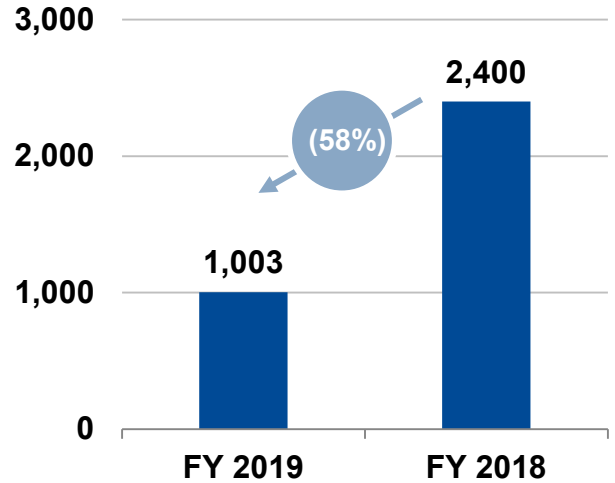
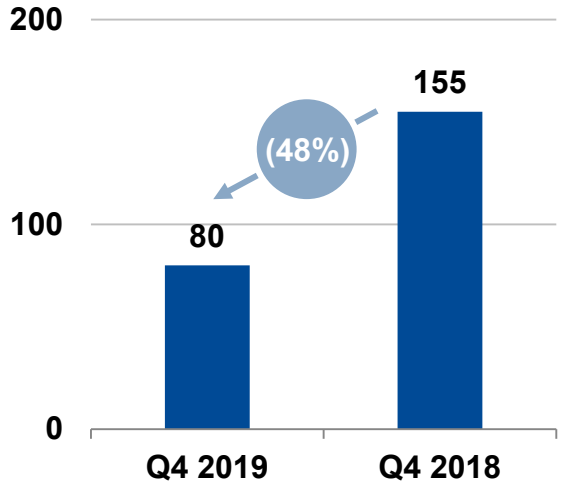
Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2019 vs. Q4 2018	↓ (6%)	↓ (11%)	0%	↑ 1%
FY 2019 vs. FY 2018	↓ (11%)	↓ (9%)	0%	↑ 2%

# Materials

**Sales Q4 2019 vs. Q4 2018**  
million €



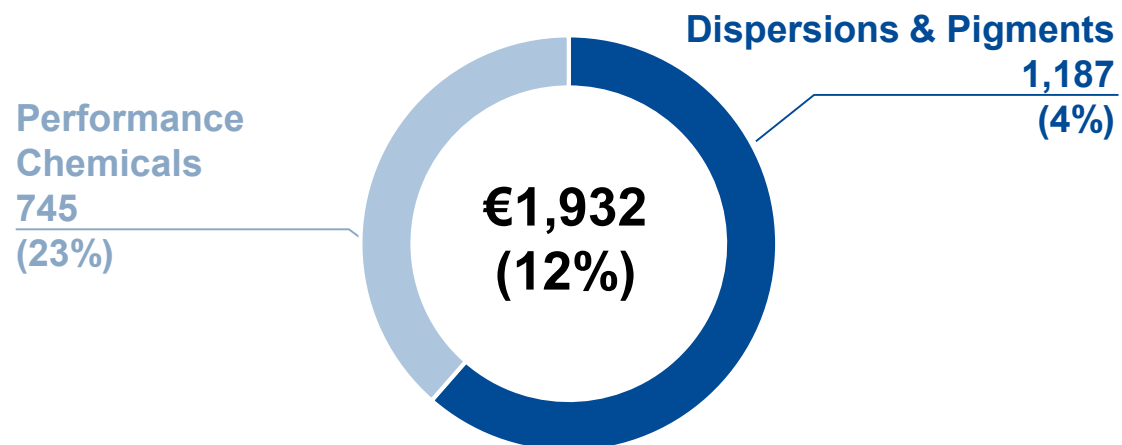
**EBIT before special items**  
million €



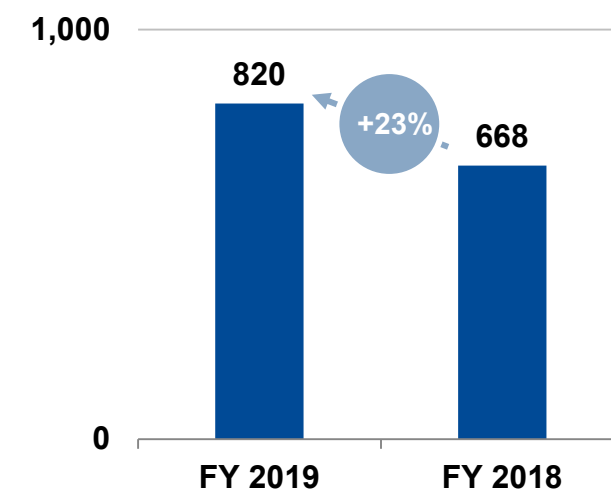
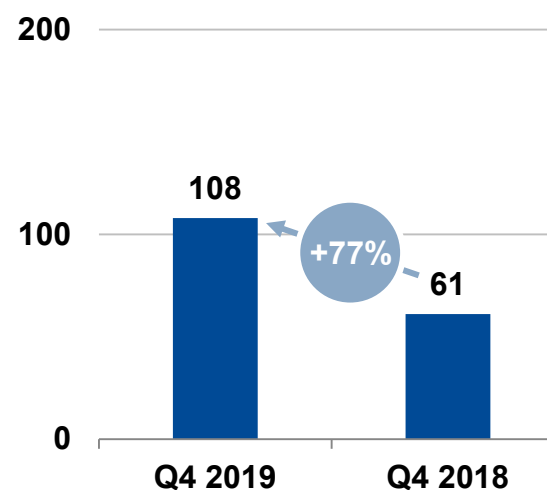
Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2019 vs. Q4 2018	↓ (2%)	↓ (9%)	0%	↑ 1%
FY 2019 vs. FY 2018	↓ (3%)	↓ (12%)	0%	↑ 1%

# Industrial Solutions

**Sales Q4 2019 vs. Q4 2018**  
million €



**EBIT before special items**  
million €



## Sales development

Q4 2019 vs. Q4 2018

FY 2019 vs. FY 2018

## Volumes

↓ (2%)

↓ (1%)

## Prices

↓ (3%)

↓ (1%)

## Portfolio

↓ (9%)

↓ (8%)

## Currencies

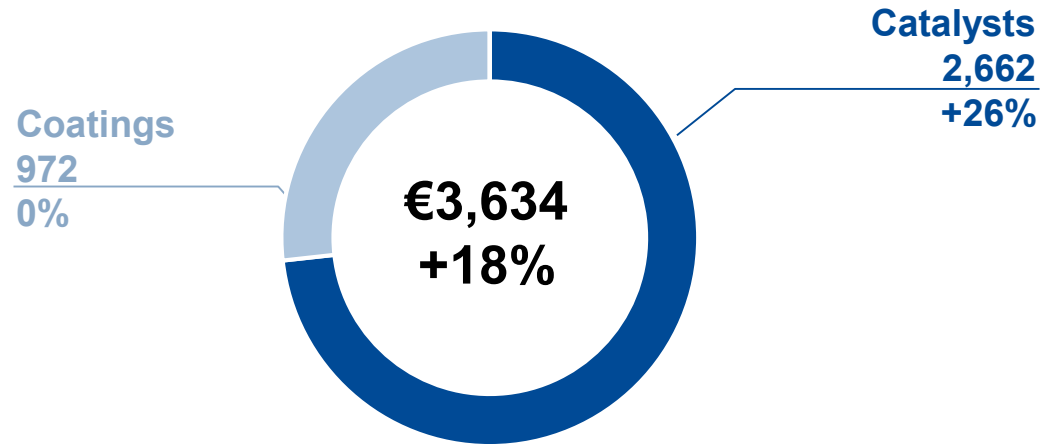
↑ 2%

↑ 2%

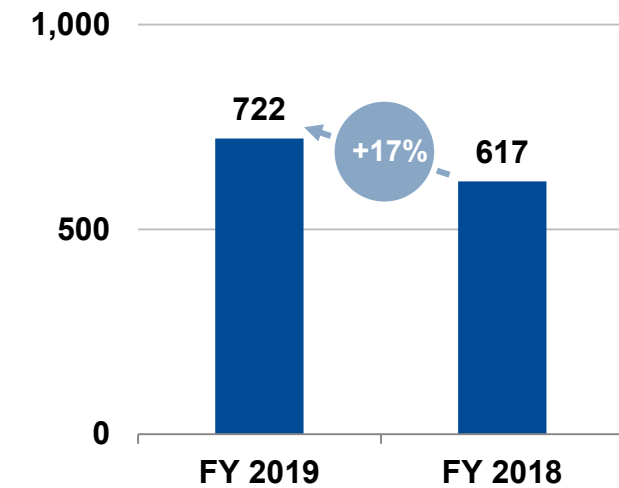
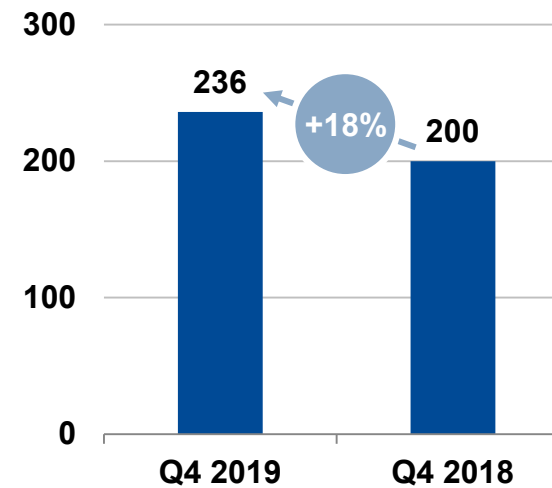


# Surface Technologies

**Sales Q4 2019 vs. Q4 2018**  
million €



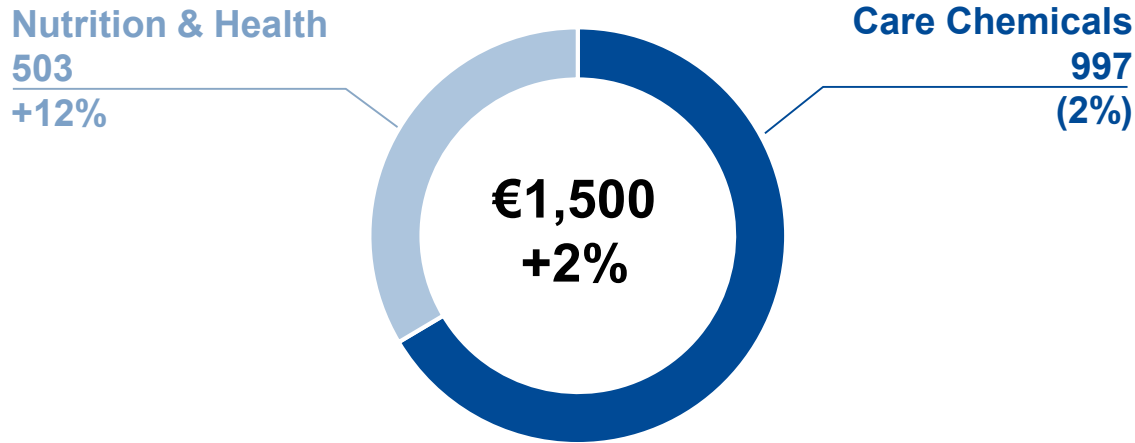
**EBIT before special items**  
million €



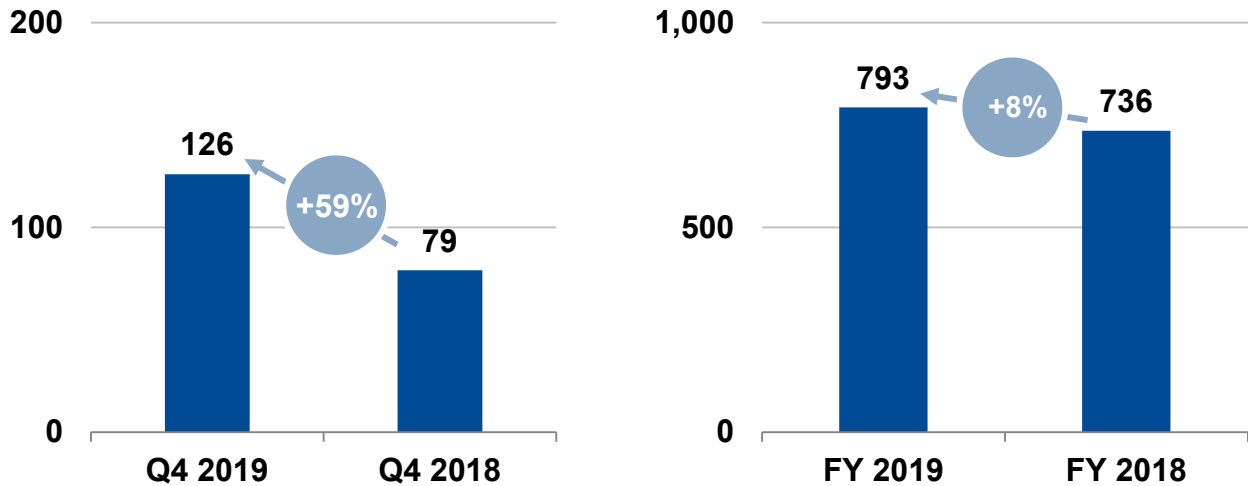
Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2019 vs. Q4 2018	↑ 1%	↑ 15%	0%	↑ 2%
FY 2019 vs. FY 2018	↑ 1%	↑ 13%	0%	↑ 3%

# Nutrition & Care

**Sales Q4 2019 vs. Q4 2018**  
million €



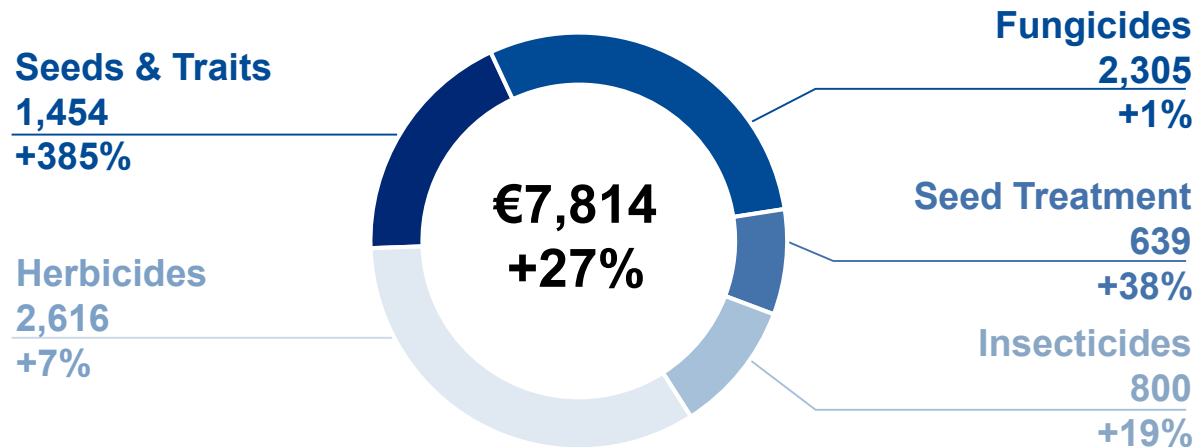
**EBIT before special items**  
million €



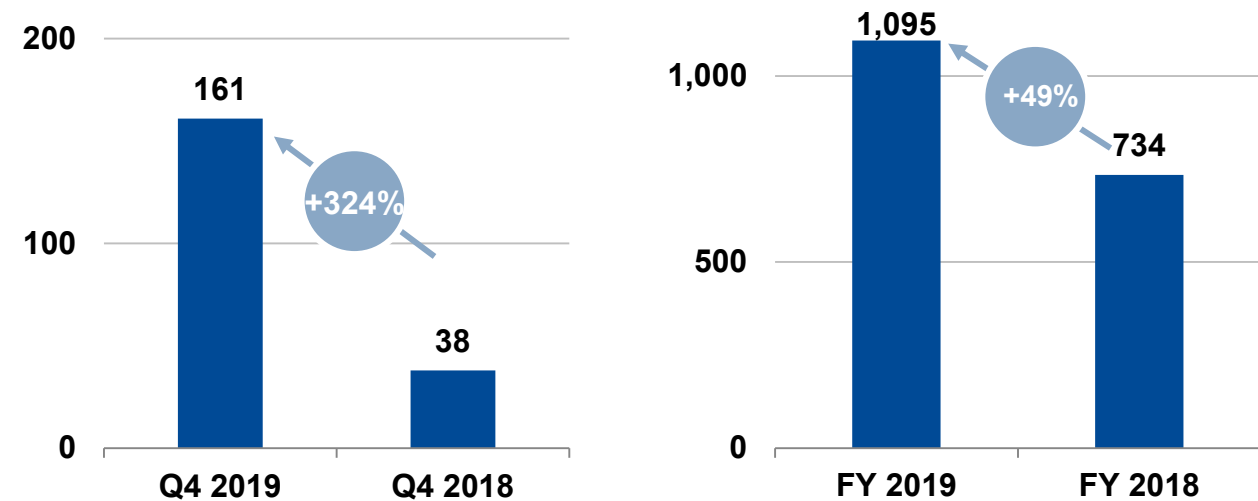
Sales development	Volumes	Prices	Portfolio	Currencies
Q4 2019 vs. Q4 2018	↑ 3%	↓ (2%)	0%	↑ 1%
FY 2019 vs. FY 2018	↑ 2%	↓ (2%)	0%	↑ 2%

# Agricultural Solutions

## Sales 2019 vs. 2018 million €



## EBIT before special items million €



### Sales development

### Volumes

### Prices

### Portfolio

### Currencies

Q4 2019 vs. Q4 2018

↑ 1%

↑ 6%

0%

0%

FY 2019 vs. FY 2018

↓ (1%)

↑ 3%

↑ 24%

↑ 1%

# Review of “Other”

Financial figures	Q4 2019	Q4 2018	FY 2019	FY 2018
	million €	million €	million €	million €
<b>Sales</b>	<b>757</b>	<b>734</b>	<b>2,898</b>	<b>2,841</b>
<b>EBIT before special items</b>	<b>(61)</b>	<b>(169)</b>	<b>(688)</b>	<b>(461)</b>
Thereof Costs of corporate research	(109)	(148)	(397)	(414)
Costs of corporate headquarters	(50)	(66)	(231)	(249)
Foreign currency results, hedging and other measurement effects	(36)	88	(89)	324
Other businesses	(35)	(3)	73	25
Special items	(81)	(1)	21	(45)
<b>EBIT</b>	<b>(142)</b>	<b>(170)</b>	<b>(667)</b>	<b>(506)</b>

# Outlook 2020 by segment<sup>1</sup>

million €	Sales		EBIT before special items		ROCE	
	2019	Forecast 2020	2019	Forecast 2020	2019	Forecast 2020
Chemicals	9,532	slight increase	791	considerable decline	6.8%	slight increase
Materials	11,466	considerable increase	1,003	considerable decline	10.7%	considerable decline
Industrial Solutions	8,389	slight increase	820	considerable increase	12.5%	considerable decline
Surface Technologies	13,142	slight increase	722	slight increase	5.7%	at prior-year level
Nutrition & Care	6,075	considerable increase	793	slight increase	10.0%	considerable increase
Agricultural Solutions	7,814	considerable increase	1,095	slight increase	5.3%	slight increase
Other	2,898	at prior-year level	(688)	considerable increase	-	-
<b>BASF Group</b>	<b>59,316</b>	<b>€60 – €63 billion</b>	<b>4,536</b>	<b>€4.2 – €4.8 billion</b>	<b>7.7%</b>	<b>6.7% – 7.7%</b>

<sup>1</sup> 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 9% for 2020, 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."