



**BASF**

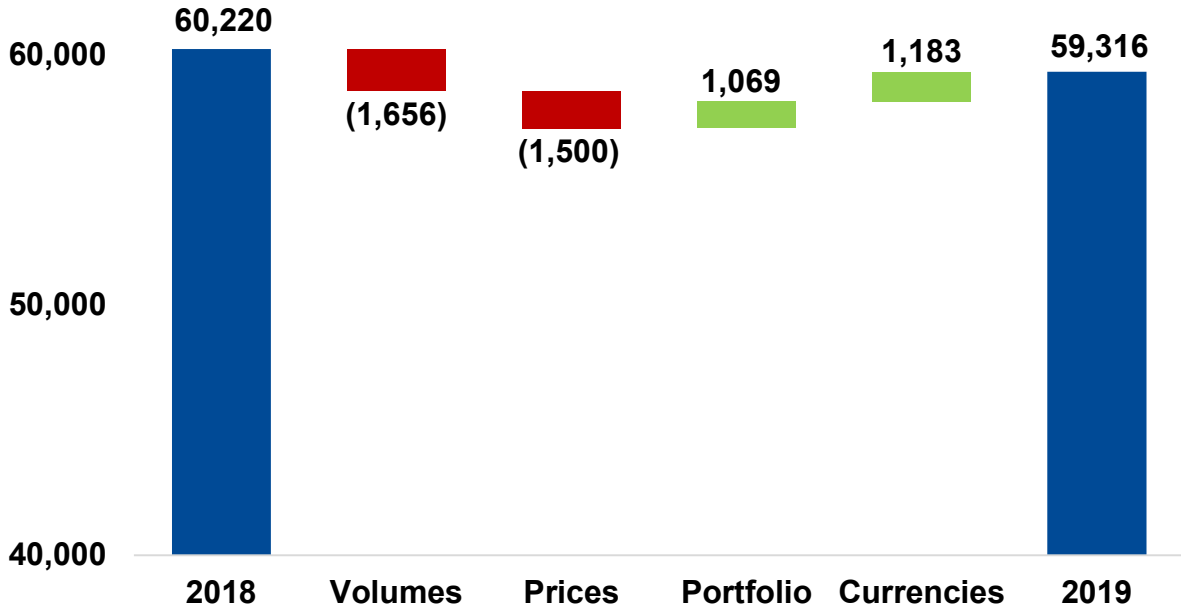
We create chemistry

## Annual Press Conference

Ludwigshafen, Februar 28, 2020

# BASF Group full year 2019 – Overview

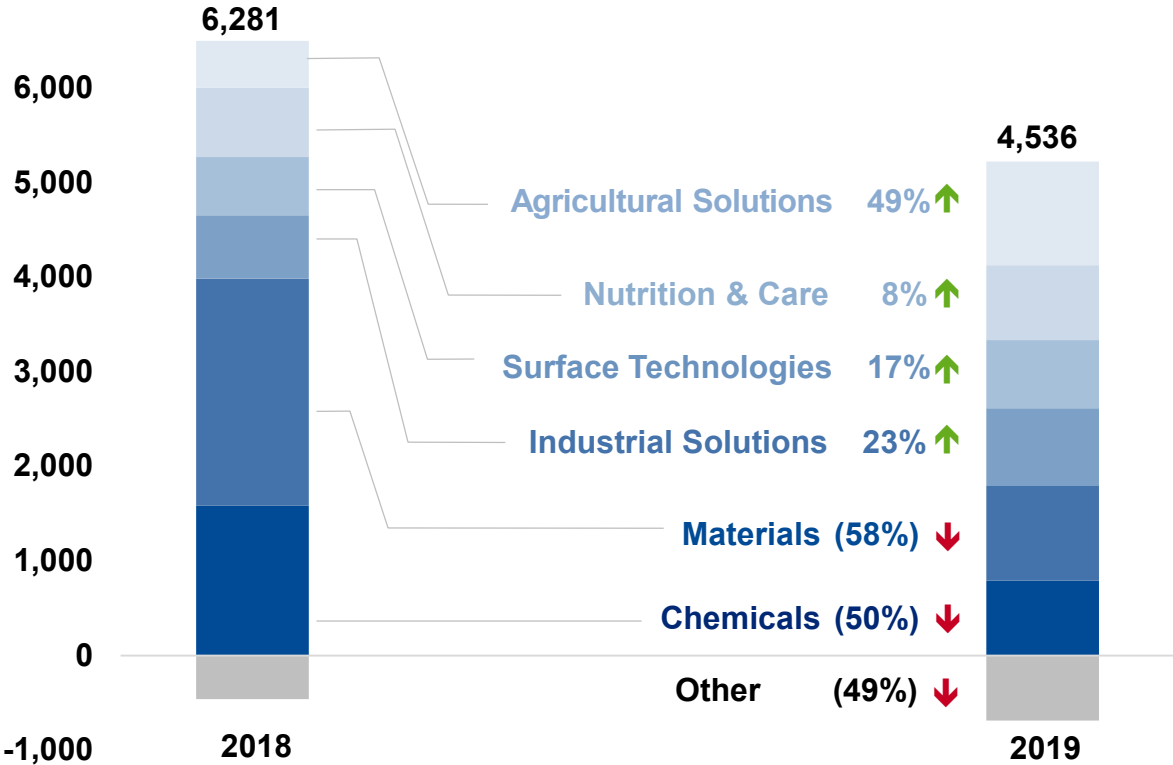
Sales<sup>1</sup> bridge 2019 vs. 2018  
million €



Sales development

2019 vs. 2018	↓ (3%)	↓ (3%)	↑ 2%	↑ 2%
---------------	--------	--------	------	------

EBIT before special items<sup>1</sup> by segment 2019 vs. 2018  
million €



# Achieving the ambitious sustainability goals of BASF

**CO<sub>2</sub> neutral growth until 2030**



**CO<sub>2</sub>e emissions decreased by:**

- -8.2% to 20.1 million tons  
(compared to 2018)

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



**Sales with Accelerator products<sup>1</sup> increased to:**

- €15.0 billion (2018: €14.3 billion)

# Financial profitability by segment 2019 vs. 2018

EBITDA margin before special items	2019	2018	Change
	%	%	
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	↑

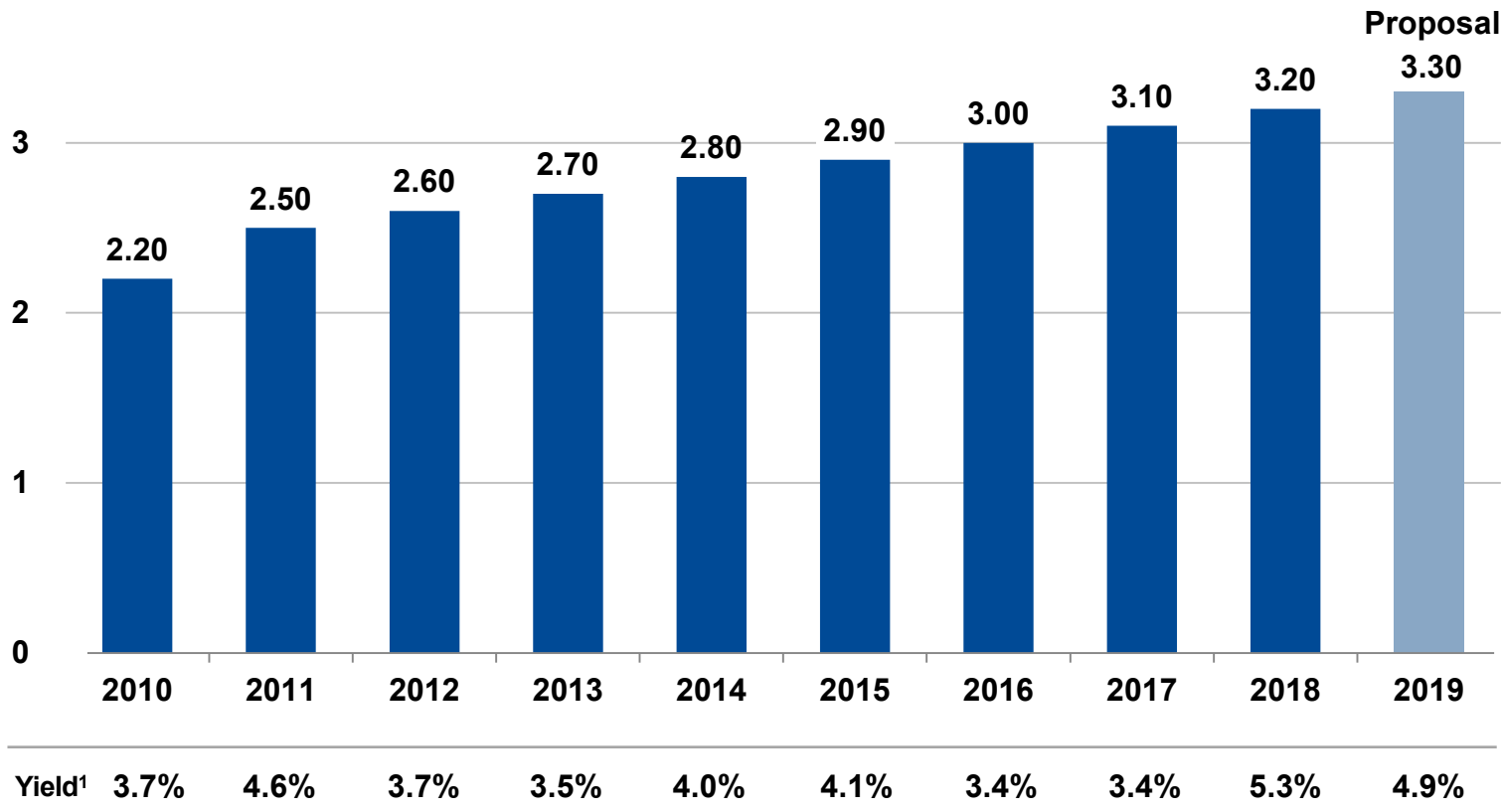
- All downstream segments improved their margins
- The weighted average EBITDA margin before special items of BASF's downstream businesses improved from 15% to 17% in 2019, while the margin of BASF's upstream segments declined from 21% to 16%
- EBITDA before special items in the Agricultural Solutions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

# Attractive shareholder return

## – clear commitment to a 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



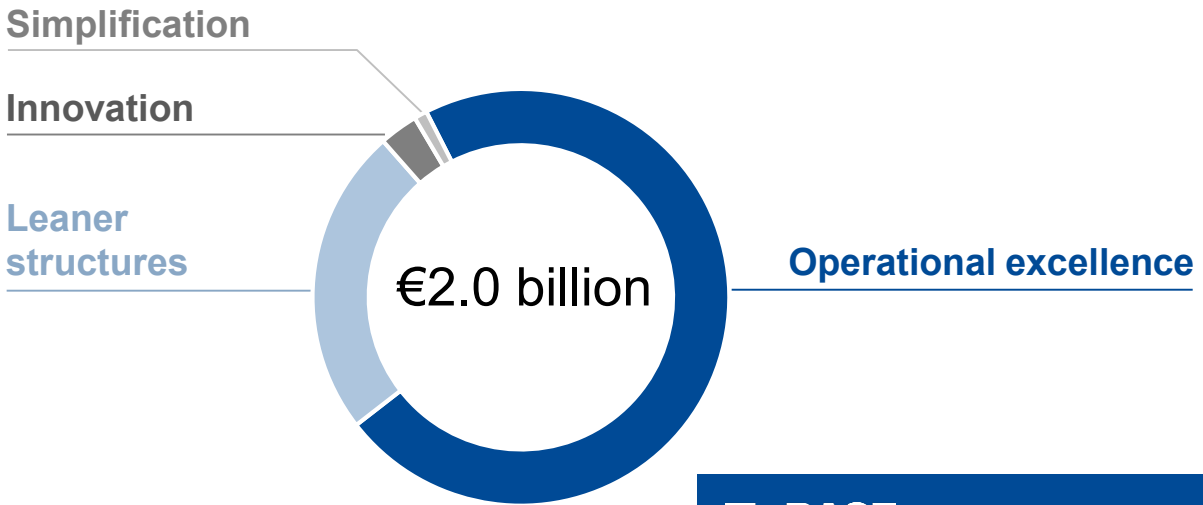
# Update on Excellence Program 2019 – 2021

	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

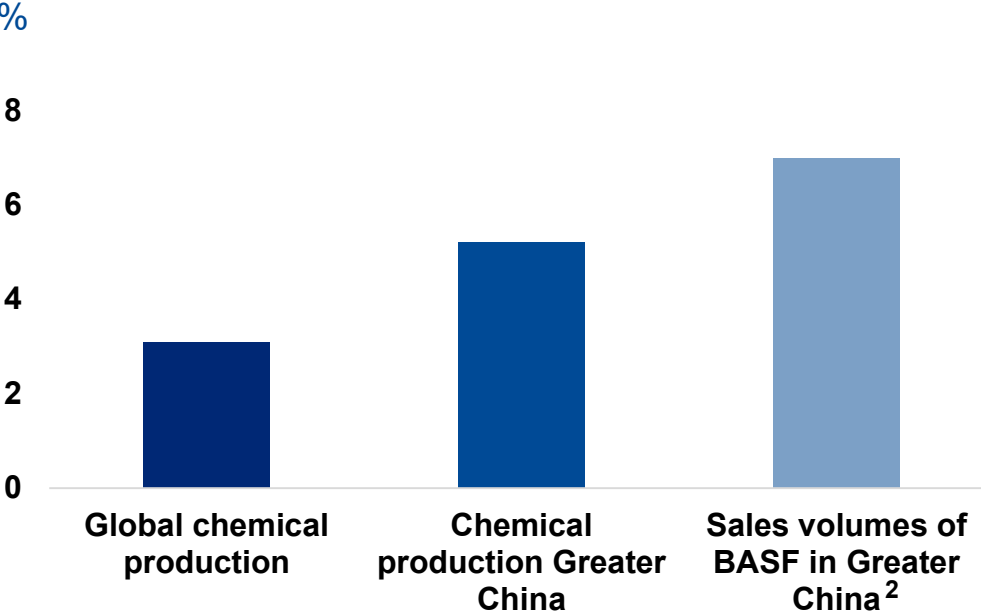


<sup>1</sup> Run rate; <sup>2</sup> One-time costs in the respective year

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

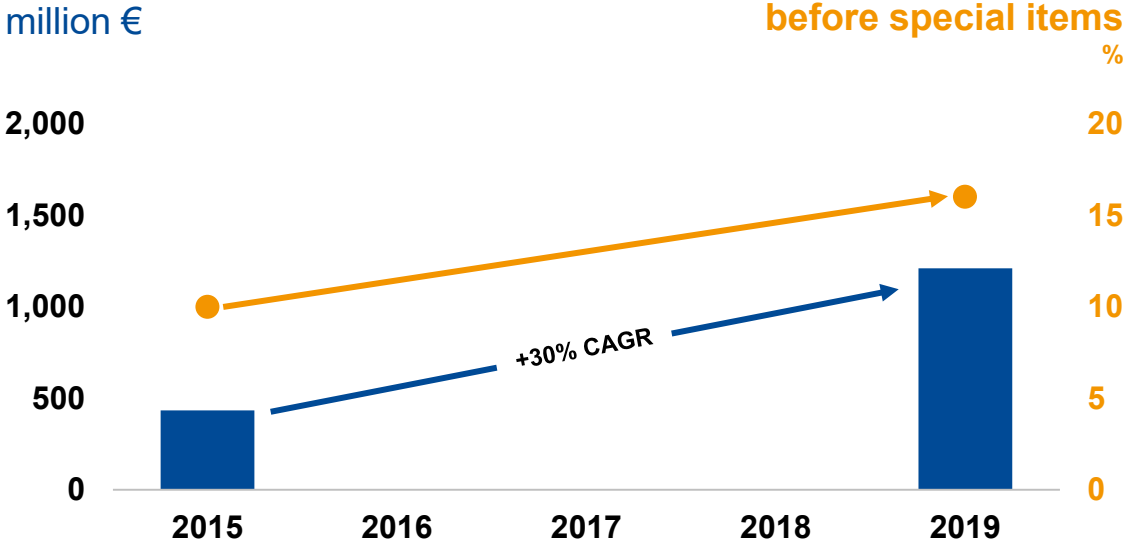
## BASF's sales volumes outgrew Greater China's chemical production during the last five years

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>



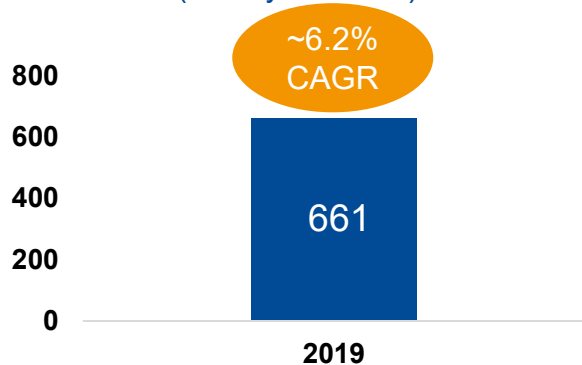
<sup>1</sup> Source: BASF, real chemical production excluding pharmaceuticals (base year 2015)  
<sup>2</sup> Restated figures due to reporting of construction chemicals as discontinued operation



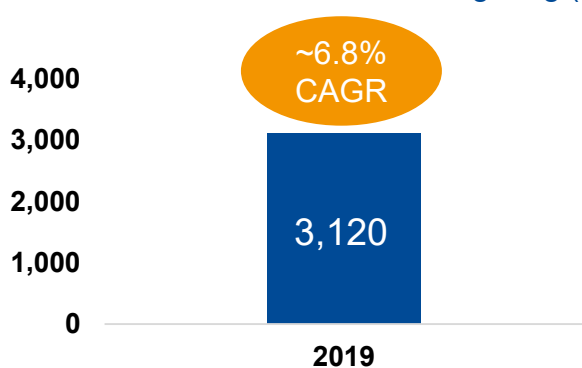


# Guangdong is home of key customers from fast-growing industries

## Strongly growing industrial base<sup>1</sup> billion US\$ (base year 2015)



## Largest automotive production, China # of motor vehicles built in Guangdong (1,000)



## Largest electronics production, China<sup>2</sup> billion US\$ (base year 2015)



## 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

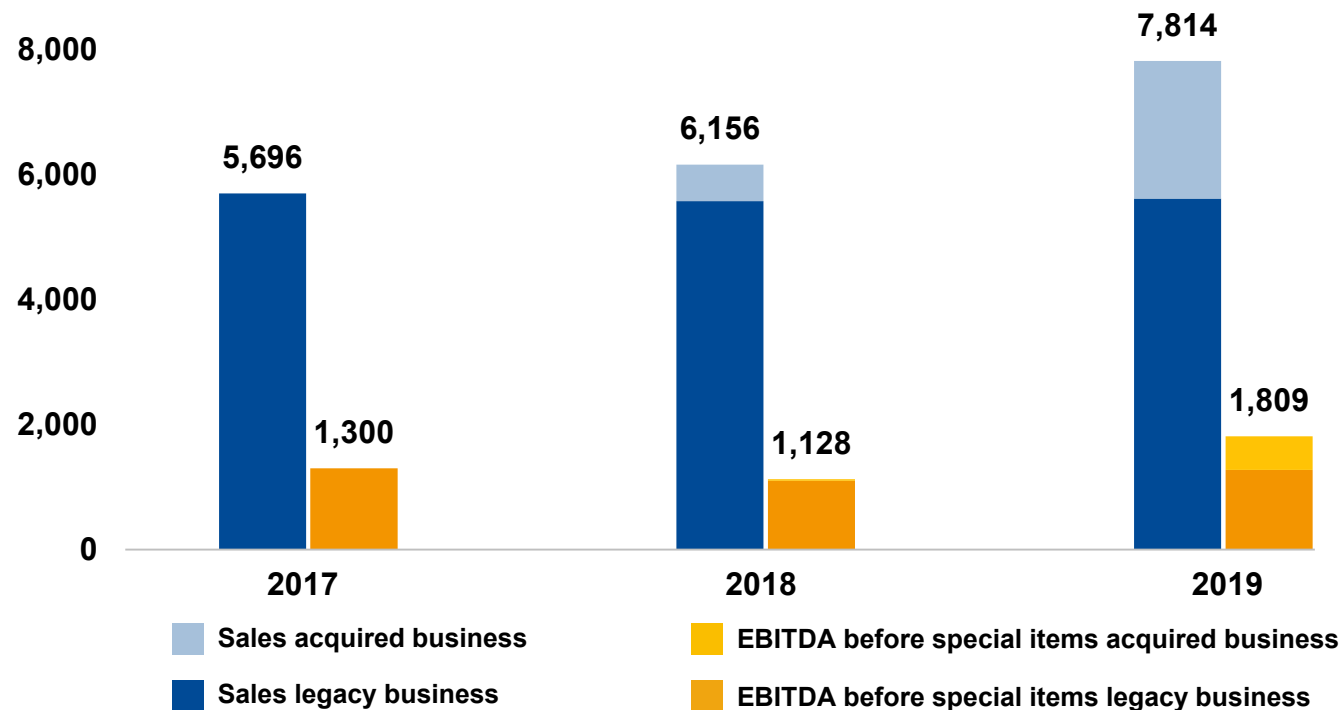
- April 30, 2019, BASF and LetterOne completed the merger of Wintershall and DEA
- Creation of Europe's leading independent E&P company with BASF holding 72.7% and LetterOne 27.3%
- Integration of Wintershall Dea is well on track and expected to be completed in December 2020
- Synergies of at least €200 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>

# 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)

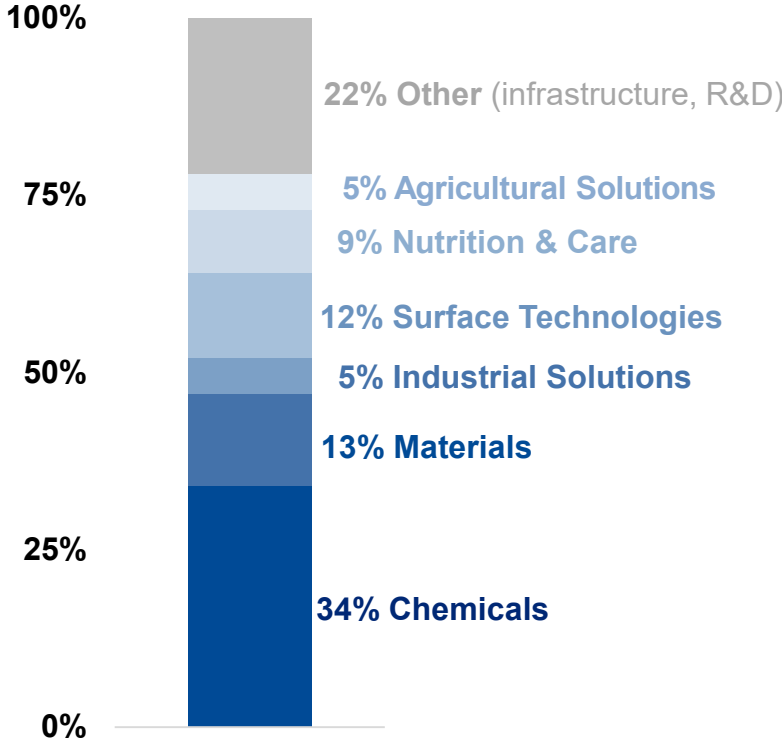


# Investments in organic growth

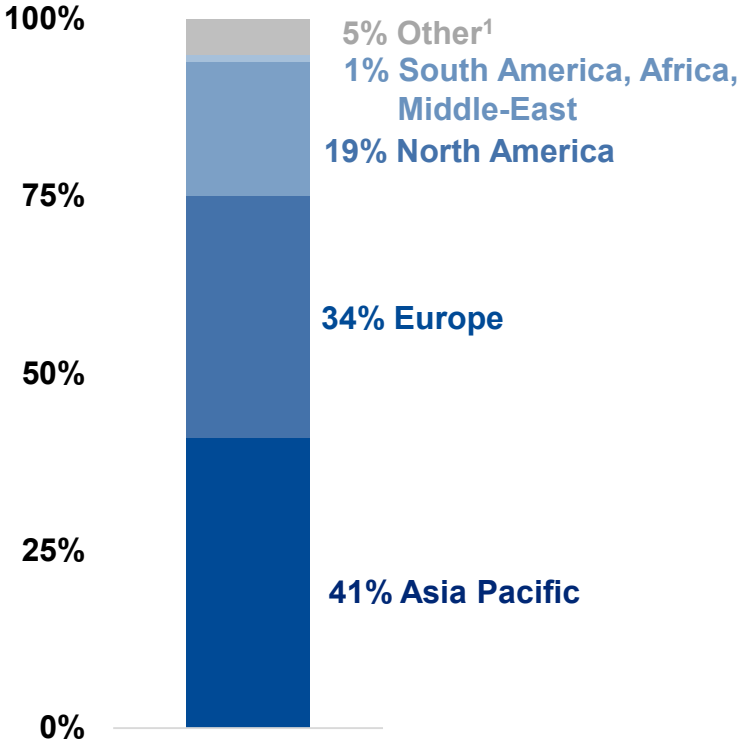
Investments of €3.4 billion planned for 2020

Capex budget 2020–2024: €23.6 billion

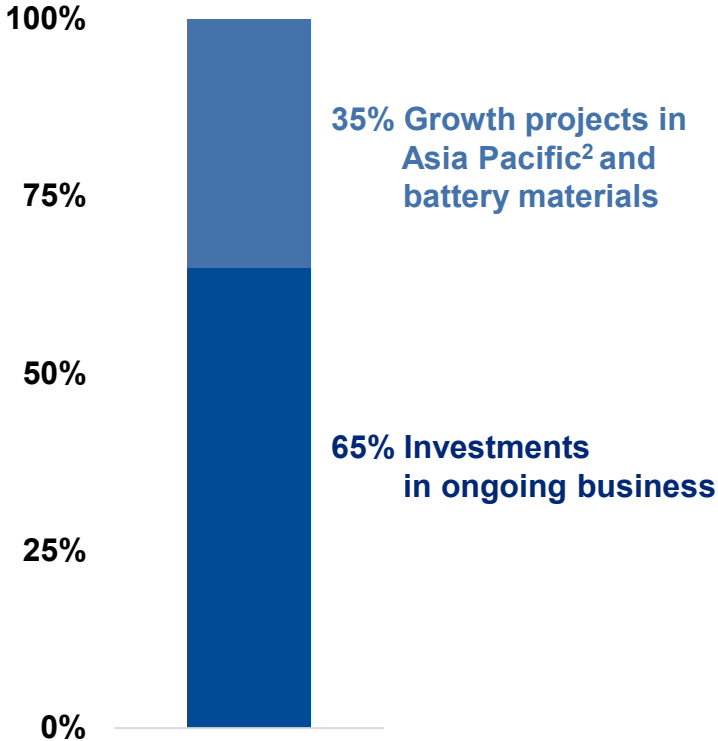
by segment



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