



We create chemistry

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Martin Brudermüller

Chairman of the Board of Executive Directors

Hans-Ulrich Engel

Chief Financial Officer

The spoken word applies.

Martin Brudermüller

Good afternoon ladies and gentlemen and thank you for joining us. One thing, right at the beginning: The BASF team is doing a remarkable job in transforming into a new BASF for our customers. We are, however, not satisfied with the financial results of the BASF Group in 2019. The better performance in all our downstream segments was not able to compensate for the significant decline in the Chemicals and Materials segments.

[Chart 3: 2019 was a challenging year for BASF with several one-offs]

2019 was a challenging year for BASF. We had to manage significant macroeconomic headwinds and several one-off effects. The trade conflicts between the U.S. and China had severe negative impacts on our key markets. In addition, the continuing uncertainties associated with Brexit reinforced the underlying trend towards an economic slowdown.

In 2019, global economic growth amounted to 2.6 percent and was significantly below the prior-year figure of 3.2 percent. While the service sector developed solidly, industrial and chemical production grew at a significantly lower level than expected.

Demand from key customer industries declined considerably. This was most pronounced in the automotive industry, where global production declined by 5.4 percent.

Beyond macroeconomic headwinds, BASF's upstream business was suffering from significantly lower cracker margins, driven by oversupplied markets. In addition, our planned turnarounds reduced earnings in our Chemicals segment. Earnings in our Monomers

division were negatively impacted by below-long-term-average isocyanates margins.

In our Agricultural Solutions segment, the difficult market environment due to extreme weather conditions and distributor destocking in North America as well as the trade conflicts negatively impacted sales volumes. A good season in South America in the second half of 2019 partially offset this. Overall, Agricultural Solutions, Industrial Solutions and Surface Technologies considerably increased EBIT before special items. Nutrition & Care slightly improved EBIT before special items compared to the prior year.

During the year, we consistently implemented our corporate strategy to become a more responsive and customer-focused organization. We energetically drove our active portfolio management, signing and closing several transactions. We also accelerated the implementation of our Excellence Program.

[Chart 4: BASF Group full year 2019 – Overview]

Before we have a closer look at our performance in 2019, let me remind you that we restated our figures following the agreement between BASF and Lone Star regarding the sale of BASF's construction chemicals business. This had an immediate effect on our reporting. Retroactively as of January 1, 2019, sales and earnings of the Construction Chemicals division are no longer included in sales, EBITDA, EBIT and EBIT before special items of BASF Group. The prior-year figures were restated accordingly. Until closing, earnings of the business will be presented as a separate item "Income after taxes from discontinued operations."

Let's now look at our performance, starting with our sales development:

- **Sales** in 2019 were slightly below the prior-year level and amounted to 59.3 billion euros.
- Overall, sales **volumes** decreased by 3 percent, mainly driven by the Chemicals and Materials segments.

From a regional perspective, sales volumes by location of customer increased in Asia Pacific, and in the region South America, Africa, Middle East. Volumes declined in Europe and in North America.

- **Prices** decreased by 3 percent, especially on account of the Materials and Chemicals segments operating in oversupplied markets for upstream chemicals. Higher prices in Surface Technologies and in Agricultural Solutions could only partially compensate this decline.
- **Portfolio effects** amounted to plus 2 percent and were mainly related to the acquisition of agricultural solutions businesses in August 2018.
- **Currency effects** amounted to plus 2 percent and were mainly due to the appreciation of the U.S. dollar against the euro. All segments and divisions incurred positive currency effects.

Let's move on to the earnings development.

- **EBIT before special items** came in at 4.5 billion euros, 28 percent lower than in 2018. This was mainly driven by the considerably lower contributions of the **Materials** and the **Chemicals** segments. Compared to 2018, earnings of these two segments declined by 2.2 billion euros to 1.8 billion euros. The sharp decline of isocyanate margins, lower cracker margins and the cracker turnarounds considerably weighed on earnings in these segments.

Despite the challenging market environment, we saw a considerable improvement in our downstream businesses compared to 2018:

- In **Industrial Solutions**, EBIT before special items increased considerably in both divisions, primarily due to lower fixed costs, positive currency effects and higher margins.
- In **Surface Technologies**, EBIT before special items rose considerably, primarily driven by our Coatings division. Earnings in Coatings increased considerably due to lower fixed costs and higher margins. In Catalysts, earnings increased slightly, mainly on account of higher volumes in mobile emissions catalysts.
- In **Nutrition & Care**, EBIT before special items increased slightly due to considerably higher earnings in Care Chemicals on account of higher margins. This was supported by a contractual one-time payment in the personal care solutions business.
- In **Agricultural Solutions**, EBIT before special items rose considerably, mainly as a result of higher sales. The acquired businesses from Bayer significantly contributed to the sales and earnings increase.

In **Other**, EBIT before special items decreased considerably, largely due to valuation effects for our long-term incentive program.

[Chart 5: Review of the financial and nonfinancial targets]

Let's move on to BASF's strategic targets and the status at the end of 2019:

- As mentioned before, our sales volumes declined by 3 percent, mainly driven by the Chemicals and the Materials segments. Global chemical production increased by 1.8 percent.
- EBITDA before special items decreased by 11 percent to 8.2 billion euros, again mainly on account of the upstream businesses.

- ROCE was 7.7 percent, down from 12 percent in 2018. This was due to the lower EBIT of the segments and the increased asset base following the acquisition of agricultural solutions assets as well as the implementation of IFRS 16.
- We stand by our dividend policy and propose to pay a dividend of 3 euros and 30 cents per share, an increase of 10 cents.

Moving on to our nonfinancial targets:

- Compared to 2018, BASF's absolute greenhouse gas emissions decreased by 8 percent to 20.1 million metric tons. This reduction was to a large extent due to the turnarounds of our big petrochemical plants, but we also achieved improvements in production. Please be aware that emissions for 2020 are expected to increase to the 2018 level due to a lower number of planned turnarounds and the acquisition of Solvay's polyamide business.
- A significant lever for the steering of our product portfolio is the Sustainable Solution Steering® method. We have set ourselves an ambitious target to considerably increase sales of Accelerator products to 22 billion euros by 2025. In 2019, these products accounted for around 15 billion euros in sales, compared to 14.3 billion euros in 2018. The Accelerator target reflects our strong commitment to further drive innovation and sustainability. To achieve our goal, we deeply integrate Sustainable Solution Steering® in the R&D pipeline, in business strategies and M&A projects. Already today, the majority of BASF's R&D pipeline represents Accelerator products and solutions. They typically show stronger growth than comparable products in their markets, combined with higher margins.

[Chart 6: Financial profitability by segment 2019 vs. 2018]

In 2019, we significantly improved the performance of our downstream businesses. For the sake of comparison: Excluding precious metal trading, EBITDA before special items of our downstream segments increased by 25 percent to 5.4 billion euros.

This slide shows you the corresponding EBITDA margins before special items by segment compared to 2018. The weighted average margin of our downstream businesses improved from 15 percent to 17 percent in 2019. In Agricultural Solutions, the EBITDA margin before special items increased from 18 percent to 23 percent in 2019.

In contrast, the lower upstream margins and volumes led to a decline in the weighted average EBITDA margin before special items in BASF's Chemicals and Materials segments from 21 percent to 16 percent.

[Chart 7: Attractive shareholder return – clear commitment to progressive dividend policy]

Ladies and gentlemen,

We are committed to increase the dividend per share every year. Returning value to our shareholders is a top priority for us.

At this year's Annual Shareholders' Meeting, we will therefore propose to pay a dividend of 3 euros and 30 cents per share, an increase of 10 cents. In total, we would pay out 3.0 billion euros to our shareholders, which is fully covered by our free cash flow in 2019.

We are offering an attractive dividend yield of 4.9 percent, based on the share price of 67 euros and 35 cents at the end of 2019.

[Chart 8: Transforming BASF into an agile and customer-focused organization]

Let me now give you a brief strategy update. It's all about our customers – we want our customers to experience a new BASF. Therefore, we are implementing dedicated strategic measures, with full energy, passion and speed to deliver on that promise.

We have reshaped our organization and reduced complexity. We streamlined our administration, sharpened the roles of services and the regions and are simplifying procedures and processes. Already in 2019, we saw cost reduction effects in the P&L, and we received positive feedback from customers on the changes at BASF.

On this slide, you will find details on what we accomplished in 2019. I will get directly to the last and very important point:

- In order to foster an entrepreneurial performance-culture across the whole organization, we have adapted our remuneration system for all senior executives. Still based on ROCE, we implemented a new long-term incentive plan which is tied to our strategic targets to grow faster than global chemical production, to increase profitability and to grow CO₂-neutrally, as well as to our total shareholder return. Thus, the incentive system of the BASF team will be even more closely aligned with the interests of our shareholders.
- We also updated our target to foster a diverse and inclusive culture. By 2030, women shall hold 30 percent of all leadership positions in the BASF Group worldwide.

All these measures have one common goal: To put BASF, with increased customer focus, back on the profitable growth track.

[Chart 9: Update on Excellence Program 2019 – 2021]

Let me also give you an update on our Excellence Program.

We accelerated our Excellence Program and are well on track to achieve the targeted 2 billion euro annual EBITDA contribution by the end of 2021.

We already realized positive EBITDA contributions of 600 million euros in 2019, the associated costs amounted to around 500 million euros. By the end of 2019, 3,100 of the targeted 6,000 positions were already reduced globally.

By the end of 2020, we expect an EBITDA contribution in the range of 1.3 billion euros to 1.5 billion euros. This is a run-rate. The associated one-time costs in 2020 are estimated to be around 300 to 400 million euros. Furthermore, cost inflation must be considered. Both the EBITDA contribution and the one-time costs increased compared to our initial guidance due to the accelerated implementation. We now target to achieve the reduction of the 6,000 positions already by the end of this year. Initially, we targeted end of 2021.

[Chart 10: Strong earnings development of BASF in Greater China over the past years]

Before I touch on our Verbund project in Guangdong province, let me briefly reiterate the strategic relevance of Asia and especially China for BASF and the chemical industry overall.

With a share of 45 percent of the global chemical production in 2019, China is clearly the largest chemical market worldwide. By 2030, this share will increase to around 50 percent. Over the last five years, the compounded annual growth rate of chemical production in Greater China significantly exceeded the average growth rate of global chemical production. Even more importantly, we increased our sales

volumes in Greater China during this period significantly faster than the chemical production in this region.

Most importantly, BASF's growth path in China is a highly profitable one. During the last five years, we have generated strong earnings and healthy margins. EBITDA before special items increased on average by 30 percent per year.

The outbreak of the coronavirus will have a significant impact on demand and production in China this year. Our thoughts are with all those affected by this difficult situation. The long-term trend, however, is intact and we will implement our investment projects in China, even if some years might be tougher.

We are well-placed to further expand our already strong position in this region and accelerate our organic growth. Ultimately, outpacing the global chemical market requires a strong participation in China's growth.

[Chart 11: Guangdong is home of key customers from fast-growing industries]

In November 2019, BASF officially launched its Verbund project in Guangdong province. We expect the first plants to be operational in 2022. These first plants will produce engineering plastics and thermoplastic polyurethane. Implementation of the entire project will take place in phases until 2030. Peak investments will be between 2022 and 2024. In total, we estimate the investment to amount to 10 billion dollars by 2030. When the project is completed in 2030, the site will continue to be a preferred location for future investments in China.

The Verbund site in Guangdong province will mainly supply customers based in South China and will enhance BASF's presence in this still undersupplied market. There is a fast-growing local demand for innovative chemical products and solutions and BASF is and has been a successful company in China. That's compelling for profitable growth.

And now Hans will give you more details regarding our active portfolio management and the business development in Q4 and full-year 2019.

Hans-Ulrich Engel

Good afternoon ladies and gentlemen,

[Chart 12: Active portfolio management]

With our active portfolio management, we are moving towards higher value and more focus. Let me mention the major, recently closed and agreed upon portfolio measures:

- On January 31, BASF closed the acquisition of Solvay's polyamide business. The purchase price on a cash and debt-free basis amounts to 1.3 billion euros. The business will be integrated into BASF's Performance Materials and Monomers divisions. With a complementary portfolio, a stronger regional presence and improved supply reliability, we will deliver significant benefits to our customers in the polyamide value chain.
- In December, BASF and Lone Star signed an agreement regarding the divestiture of BASF's construction chemicals business. The purchase price on a cash and debt-free basis is 3.17 billion euros. The transaction is expected to close in Q3 2020, subject to the approval of the relevant competition authorities.

- In August, BASF and DIC reached an agreement on the divestiture of BASF's global pigments business. The purchase price on a cash and debt-free basis is 1.15 billion euros. The transaction is expected to close in Q4 2020, subject to the approval of the relevant competition authorities.

[Chart 13: Merger of Wintershall Dea completed, integration on track]

On April 30, 2019, BASF and LetterOne completed the merger of Wintershall and DEA. With Wintershall Dea, we have created the leading independent European exploration and production company with international operations in core regions. BASF holds 72.7 percent and LetterOne 27.3 percent of the company.

The integration is well on track and expected to be completed in December 2020. We expect synergies of at least 200 million euros per year by 2022. The IPO is planned for the second half of 2020, subject to market conditions.

[Chart 14: Acquisition of assets and businesses from Bayer – a successful move]

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 BASF's already strong crop protection portfolio, added an attractive seed and traits business, and strengthened our innovation pipeline. We now also have the foundation to digitally enable our crop protection and seed portfolio to create opportunities

for new digital income streams. This fundamentally changes the way we approach the market.

The integration was completed within one year – with business continuity from Day 1. In 2019, the acquired assets and businesses generated sales of 2.2 billion euros and contributed more than 500 million euros to the EBITDA before special items.

Following the integration, we are now focusing on realizing topline synergies. By 2025, we target a mid-triple-digit million-euro amount in additional sales from the acquisition, and we are well on track to achieve this goal.

[Chart 15: BASF Group Q4 and full year 2019]

Let me turn to the financial figures of BASF Group for Q4 2019 compared to the prior-year quarter in more detail:

- **Sales** in the fourth quarter of 2019 decreased by 2 percent to 14.7 billion euros. Volumes and prices were both down by 1 percent, mainly driven by the Chemicals, Materials and Industrial Solutions segments, as well as Other. Portfolio effects also amounted to minus 1 percent and were related to the transfer of BASF's paper and water chemicals business to Solenis. With plus 1 percent, currency effects had a slightly positive impact on sales overall.
- **EBITDA before special items** increased by 20 percent to 1.7 billion euros. **EBITDA** amounted to 1.5 billion euros compared to 1.3 billion euros in Q4 2018.
- **EBIT before special items** came in at 765 million euros, 23 percent higher than in Q4 2018. Considerably higher earnings in Agricultural Solutions, Nutrition & Care, Industrial Solutions and Surface Technologies drove this increase. Overall, these segments

were able to more than compensate for the considerable earnings decline in Chemicals and Materials. In addition, a better result in Other contributed to the earnings increase.

- **Special items** in EBIT amounted to minus 305 million euros compared to minus 151 million euros in Q4 2018. Special charges were mainly related to Other and Industrial Solutions. In Other, special charges resulted from the implementation of our Excellence Program. The divestment of BASF's pigments business led to one-offs in the Industrial Solutions segment. **EBIT** decreased by 2 percent to 460 million euros in Q4 2019.
- The tax rate was 19.2 percent compared to 21.8 percent in Q4 2018. **Net income** amounted to 150 million euros compared to 348 million euros in Q4 2018. Reported earnings per share decreased from 37 cents to 16 cents in Q4 2019. Adjusted EPS amounted to 63 cents; this compares with 72 cents in the prior-year quarter.
- **Cash flows from operating activities** increased by 1.6 billion euros to 3.2 billion euros in Q4 2019. This increase was mainly driven by a cash inflow from changes in net working capital of 1.6 billion euros compared to a cash inflow of 123 million euros in Q4 2018. Payments made for intangible assets and property, plant, and equipment decreased by 290 million euros and amounted to 1.2 billion euros. Free cash flow came in at 2.0 billion euros compared to 88 million in Q4 2018.

I will now quickly comment on the earnings development in the full year 2019:

- At 8.2 billion euros, **EBITDA before special items** was 11 percent lower than in the prior year. **EBITDA** amounted to 8.0 billion euros, compared to 9.0 billion euros in 2018.

- **EBIT before special items** decreased by 1.7 billion euros to 4.5 billion euros. **EBIT** decreased from 6.0 billion euros to 4.1 billion euros.
- In total, **special items** amounted to minus 484 million euros compared with minus 307 million euros a year ago. This mainly resulted from the implementation of our Excellence Program and the integration of acquired businesses.
- The tax rate increased from 21.3 percent to 22.9 percent. Income after taxes from continuing operations declined from 4.1 billion euros to 2.5 billion euros. Income after taxes from discontinued operations increased from 863 million euros to 5.9 billion euros. In this line item, we report our construction chemicals business and, until end of April 2019, reported BASF's oil and gas business. The deconsolidation of Wintershall – following the merger with DEA – led to a book gain of around 5.7 billion euros. **Net income** amounted to 8.4 billion euros; this compares to 4.7 billion euros in 2018.

[Chart 16: Cash flow development in 2019]

Let's now turn to our full-year cash flow:

- **Cash flows from operating activities** decreased from 7.9 billion euros to 7.5 billion euros. This was mainly due to lower net income after the reclassification of disposal gains to cash flows from investing activities. In 2019, changes in net working capital resulted in a cash inflow of 1.4 billion euros compared to a cash outflow of 0.5 billion euros in 2018.
- **Cash flows from investing activities** amounted to 1.2 billion euros compared to 11.8 billion euros in 2018. Payments made for intangible assets and property, plant, and equipment decreased by

70 million euros to 3.8 billion euros. In 2019, net cash inflows from acquisitions and divestitures amounted to 2.4 billion euros and were related to the repayment of shareholder loans and capital measures in the context of the merger of Wintershall and DEA. In 2018, net cash outflows of minus 7.3 billion euros were mainly related to the acquisition of assets and businesses from Bayer.

- **Free cash flow** came in at 3.7 billion euros compared to 4.0 billion euros in 2018. Our disciplined working capital management and even stricter prioritization of investments contributed to this.
- **Cash flows from financing activities** amounted to minus 6.4 billion euros compared to minus 52 million euros in 2018. Changes in financial liabilities led to a net cash outflow of 3.3 billion euros due to the repayment of financial debt. In 2019, we paid 2.9 billion euros in dividends to the shareholders of BASF SE and 125 million euros to minority shareholders.

[Chart 17: Balance sheet remains strong]

Turning to our balance sheet at the end of 2019 compared to year end 2018. Following the considerably higher net income and lower net debt, our balance sheet is even stronger than before:

- Net debt decreased by 2.7 billion euros to 15.5 billion euros.
- Our equity ratio increased from 41.7 percent to 48.7 percent at the end of 2019, mainly due to the book gain on the deconsolidation of Wintershall.
- Noncurrent assets increased by 12.6 billion euros. The main driver for this increase was the recognition of our participating interests in Wintershall Dea and Solenis at fair value. The introduction of IFRS 16 led to an increase of property, plant and equipment by 1.3 billion euros.

- Current assets declined, largely due to the derecognition of the disposal groups for the oil and gas business and the paper and water chemicals business. At the end of 2019, we have disposal groups for our construction chemicals and pigments businesses.

And with that, back to Martin for the outlook.

Martin Bruder Müller

[Chart 18: Outlook 2020 for BASF Group]

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. For the global chemical production, we forecast a growth of 1.2 percent, which is significantly below the level of 2019. This would be by far the lowest growth rate since the financial crisis 2008/2009.

We assume an average exchange rate of 1.15 U.S. dollars per euro and an average oil price of 60 U.S. dollars per barrel Brent.

We expect slight growth in most of our customer industries. For the automotive industry, one of our most important customer industries, however, we anticipate a production decline compared to the already low level of 2019. The main reason for this is lower demand, extended production downtimes in China and possible interruptions in highly interconnected global supply chains.

Based on these assumptions and due to the high level of global economic uncertainty, we have decided to provide ranges for our forecast 2020:

- We strive to increase BASF Group sales to between 60 and 63 billion euros.
- EBIT before special items is expected to reach between 4.2 and 4.8 billion euros. Compared to the situation before the outbreak of the coronavirus, it will be much more difficult to achieve significant volume growth. The risk that the average upstream margins for 2020 will be below the 2019 averages has increased considerably.
- We expect the BASF Group's ROCE to reach between 6.7 and 7.7 percent and thus be below the cost of capital percentage of 9 percent. The average cost of capital basis will increase in 2020 due to the inclusion of the assets acquired from Solvay.

Additional information on the forecasts for the segments is available in the BASF Report 2019 on page 137.

[Chart 19: Investments in organic growth]

For the next five years, we are planning capital expenditures of 23.6 billion euros. We will allocate 41 percent of our investments to Asia Pacific and 34 percent to Europe. In last year's capex planning for the coming five years, Asia Pacific accounted for only 27 percent and Europe for 43 percent of the rolling investment guidance.

Thus, you can clearly see the shift of our investments towards the growth region Asia. We focus our investments on growth opportunities – the expansion of our Asian business with our large investment projects in Guangdong and Mundra and battery materials. Of the overall 23.6 billion euros, 8.2 billion euros are budgeted for this.

For 2020, we are planning capital expenditures of 3.4 billion euros. For 2019, our initially planned capital expenditures of 3.8 billion have been reduced to finally only 3.3 billion euros in additions to property, plant and equipment. The reclassification of assets to the disposal groups supported this reduction.

[Chart 20: Priorities 2020]

Ladies and gentlemen,

Let me conclude with our priorities for 2020:

- Despite the increased challenges in the macroeconomic environment, we will persistently implement our corporate strategy and transform BASF into a more agile and customer-focused company.
- We will actively drive sustainability and innovation. We moved R&D closer to the businesses to better align customer needs and R&D projects.
- We will push our positioning in growth markets in Asia and battery materials to outgrow global chemical production. The recent investment decision to build plants for cathode active materials in Harjavalta, Finland, and Schwarzheide, Germany is an important milestone and reinforces our commitment to support electromobility.

- We are executing the announced portfolio measures. We are integrating the polyamide business from Solvay. The major upcoming portfolio changes in 2020 will be the closing of the divestitures of BASF's construction chemicals and pigments businesses, and the preparation of the IPO of Wintershall Dea.
- We will continue to implement our Excellence Program at full speed.

Our corporate strategy is first and foremost a growth strategy. We are committed to implementing the defined strategic measures to achieve profitable and sustainable growth – even in a challenging market environment.

And now, we are glad to take your questions.