Keynote Presentation

Capital Markets Day
Ludwigshafen, November 20, 2018

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BASF Corporate Strategy

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 the Opportunities and Risks Report from page 111 to 118 of the BASF Report 2017. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.

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What will we do differently?

1. Intensify customer focus to accelerate growth
2. Sharpen our portfolio and strengthen the Verbund
3. Transform our organization to be more agile and customer-focused
4. Focus capital allocation on organic growth
5. Drive growth particularly in largest market China
6. Set the tone with CO_2-neutral growth

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Agenda

Part I	Be the leading chemical company for our customers
Part II	A sustainably growing industry in an attractive environment
Part III	Transforming into an agile and customer-focused BASF
Part IV	The Verbund – strengthening our portfolio
Part V	Set the tone with CO_2-neutral growth
Part VI	Disciplined capital allocation and focus on value creation
Part VII	Conclusion

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Part I

Be the leading chemical company for our customers

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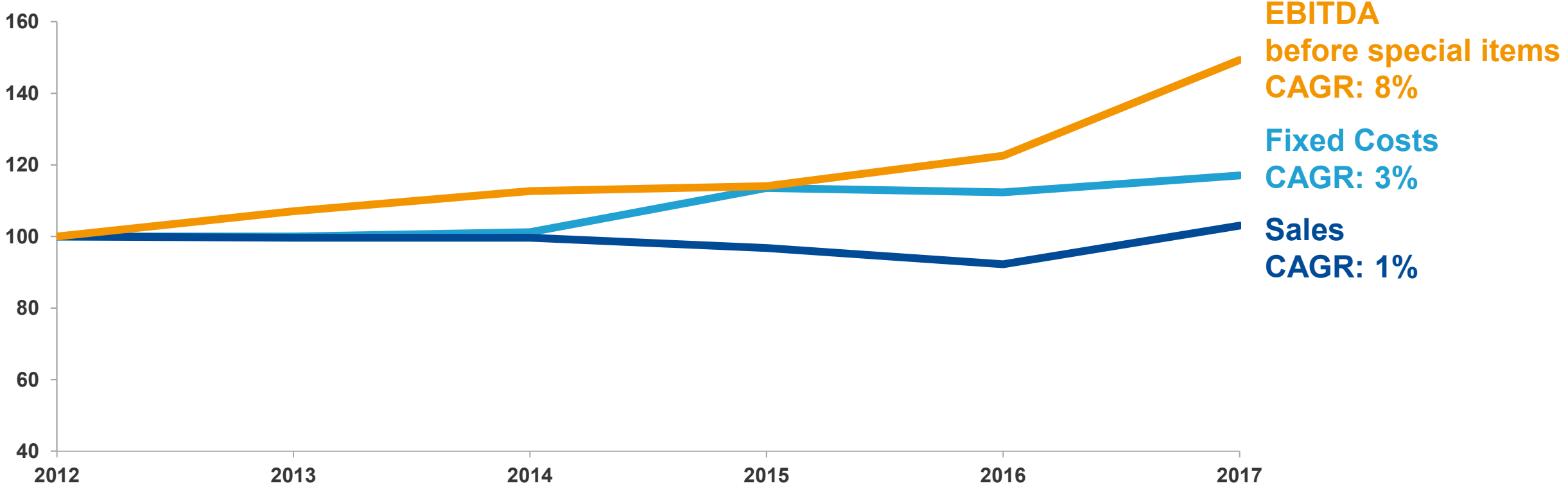
BASF strength

EBITDA growth above fixed costs

BASF Group* 2012–2017
indexed (2012 = 100), CAGR 2012–2017



 * Excluding Oil & Gas

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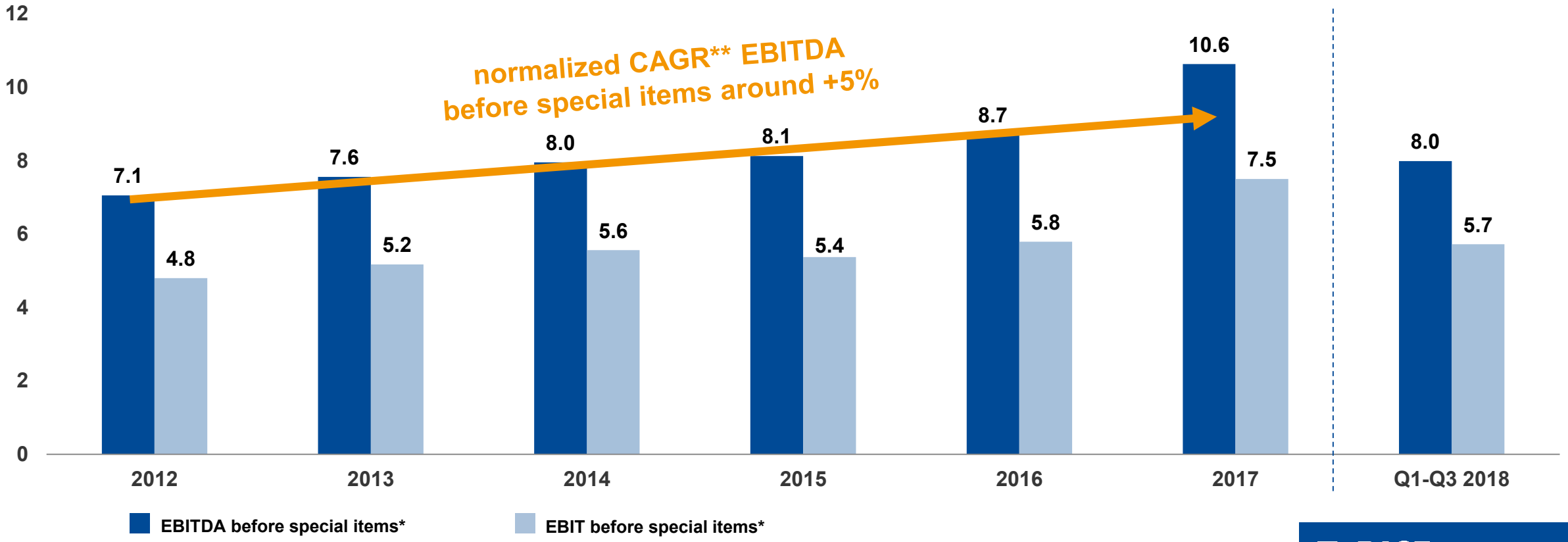
BASF strength

Proven ability to achieve earnings growth above global chemical production of 3.7% per year

EBIT before special items* and EBITDA before special items*

billion €, 2012–2017



* Excluding Oil & Gas ** With normalized margins for isocyanates in 2017

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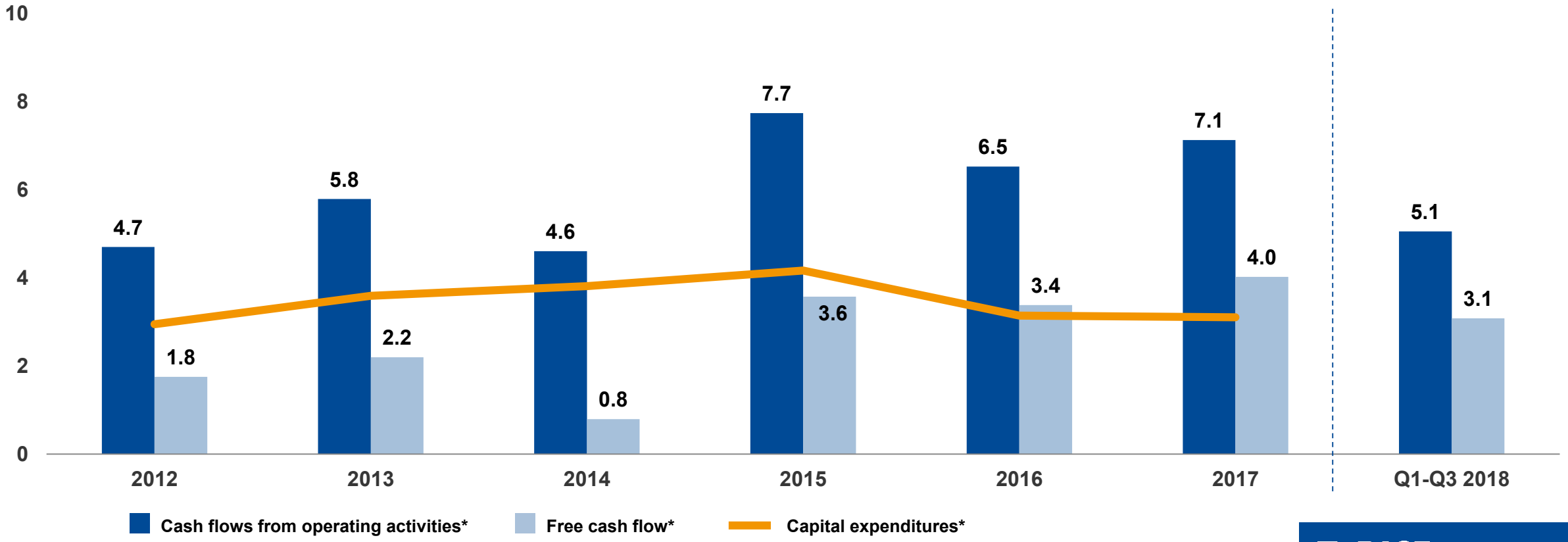
BASF strength

Strong free cash flow development

Cash flows from operating activities and free cash flow

billion €, 2012–2017



 * Excluding Oil & Gas

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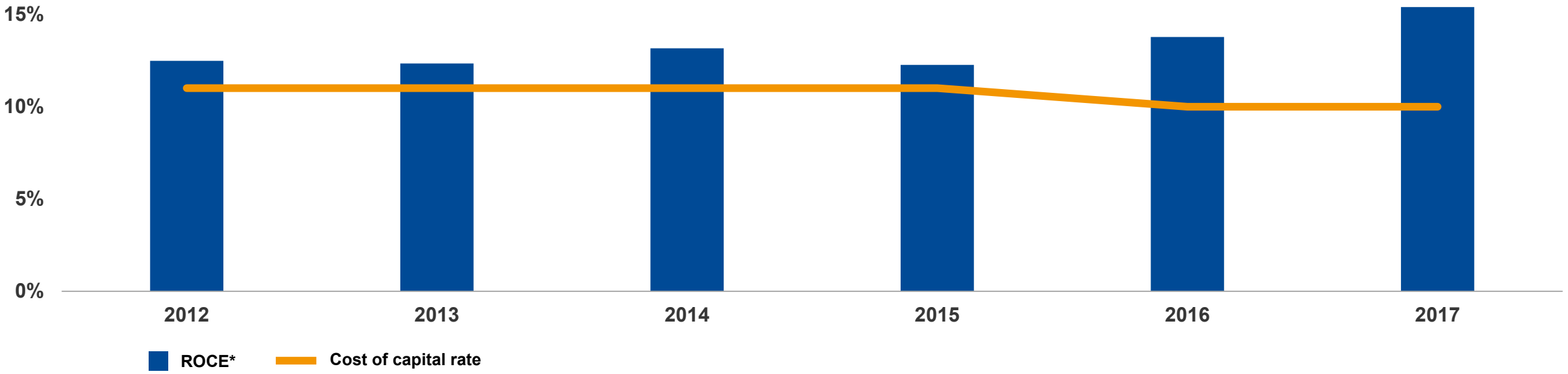
BASF strength

Return on capital employed well above cost of capital

Return on capital employed

%, 2012–2017



	2012	2013	2014	2015	2016	2017
ROCE*	12.5%	12.3%	13.2%	12.3%	13.8%	15.4%

* ROCE: EBIT generated by the operating divisions as a percentage of the average cost of capital basis, excluding Oil & Gas

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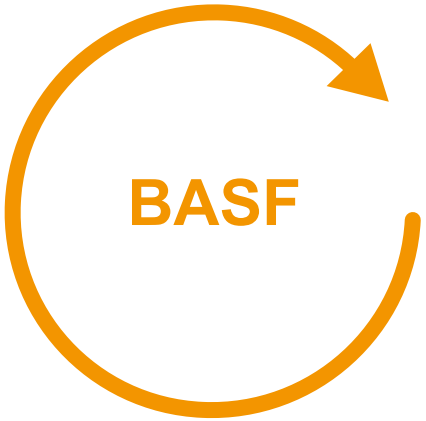
BASF strength

We have refocused our portfolio towards innovative growth businesses*

Acquisitions

- Functional crop care
- Personal care and food ingredients
- Omega-3 fatty acids
- Enzymes
- Battery materials
- Specialty plastics
- Selected assets in Oil & Gas
- Refinish coatings
- Surface treatment
- Seeds and crop protection

~€7.7 billion sales in emerging and innovation-driven businesses



Divestitures

- Styrenics
- Fertilizers
- Selected assets in Oil & Gas
- Natural gas trading and storage
- Custom synthesis business
- Textile chemicals
- Polyolefin catalysts
- Industrial coatings
- Leather chemicals

~€21.1 billion sales in businesses with decreased differentiation potential

 * Selected, closed transactions 2010–today

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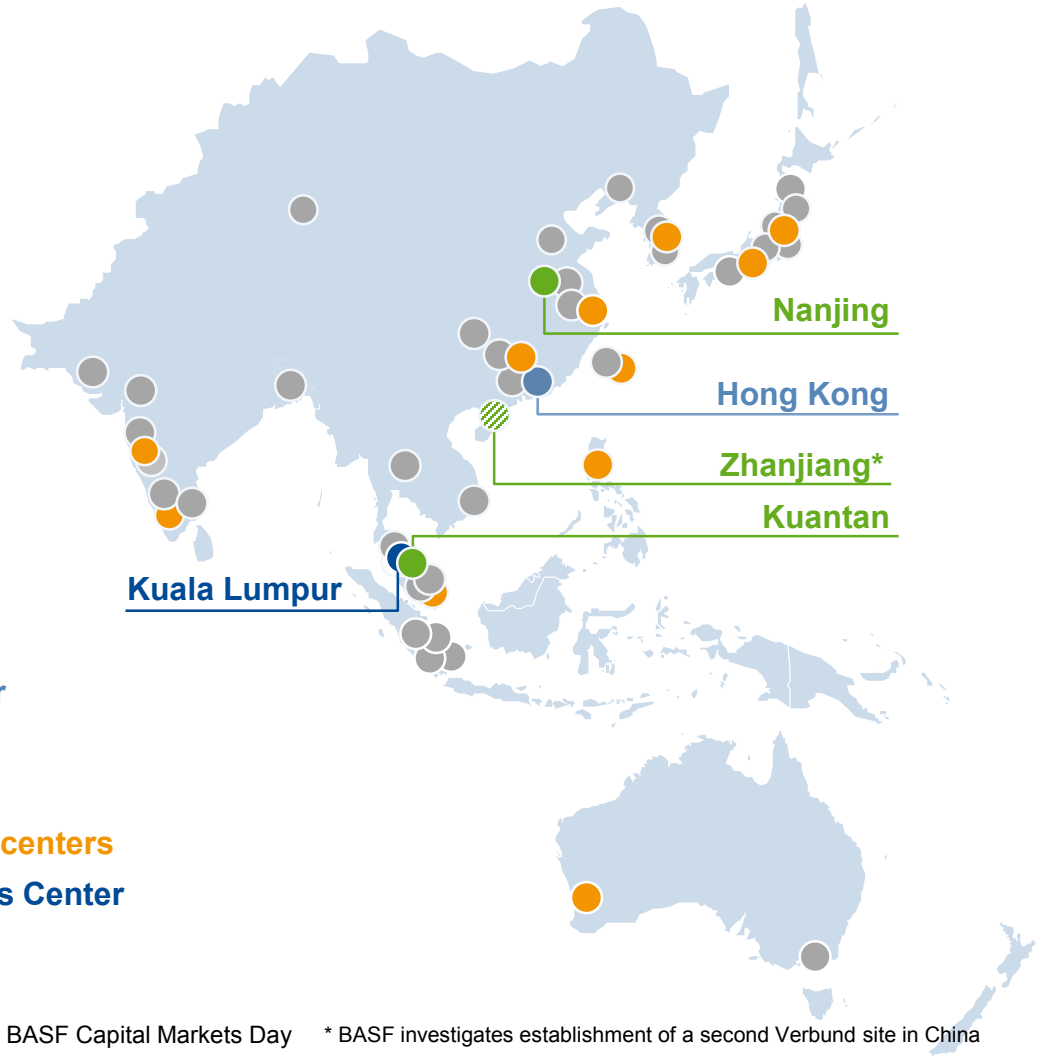
BASF strength

Established and growing presence in Asia Pacific



- Regional center
- Verbund sites
- Selected sites
- R&D/Technical centers
- Shared Services Center

BASF Group in Asia Pacific (2017)

- BASF is present in **18** markets
- **>100** production sites*
- **~125** sales offices*
- **18,256** employees**
- **~€14.3 billion** sales***
- **~€2.2 billion** EBIT

* Only selected sites and offices are depicted on this chart. Site and office numbers refer to companies of significant size where BASF holds a stake greater than 50%
** As of December 31, 2017
*** Sales by location of customer, without sales of BASF-YPC Company Ltd. Nanjing

 * BASF investigates establishment of a second Verbund site in China

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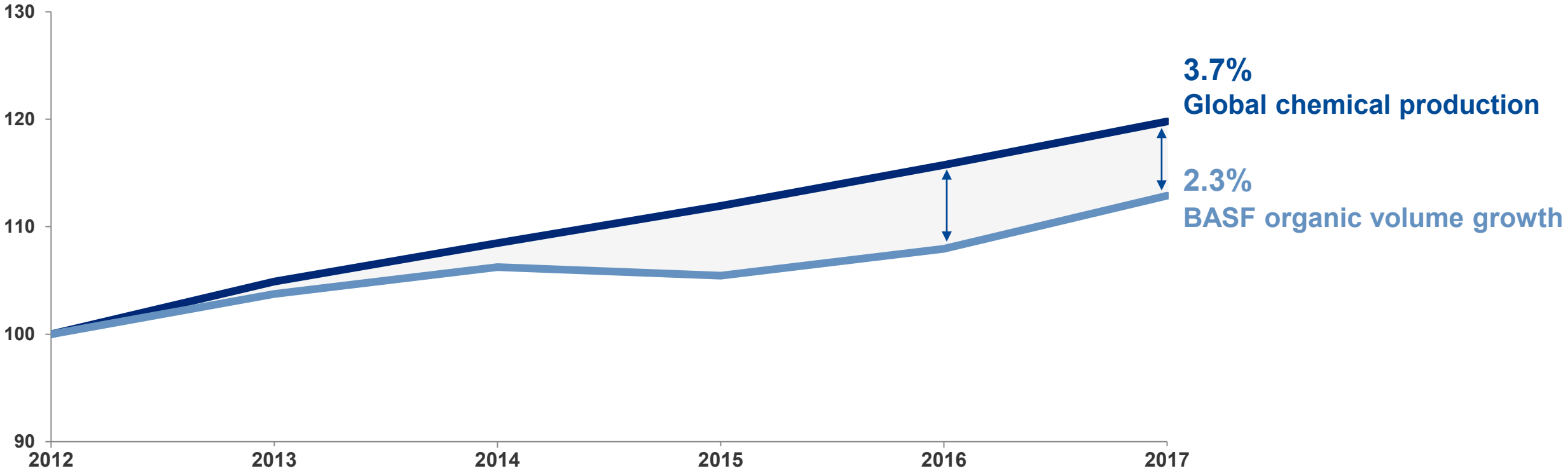
Today's challenge

BASF's business grows below global chemical production

Volume growth*
indexed (2012 = 100); CAGR 2012–2017



 * Excluding Oil & Gas

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Investors and analysts clearly acknowledge strengths and weaknesses

Sell-side

"The biggest advantage is the **Verbund integration** across all of the different businesses."

"The **share price performance** could definitely have been stronger."

Buy-side

Buy side

"**Quality** of the **management** is high and the breadth of the business is impressive."

"They have to **be more agile and nimble** to adjust to changes."

Buy-side

Buy-side

"Long history in operations, experience, **cash generation** and a **global footprint**."

"Is BASF really in a position to grow the **specialty chemicals** businesses?"

Buy-side

Source: "Investor and Analyst Perception Study 2018" based on interviews with financial market participants in March/April 2018

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Focusing our strengths to drive customer success

1

- Innovation – with impact
- Sustainability – live our purpose
- Operations – be the leader
- Digitalization – leverage across the company
- Portfolio – businesses with customer relevance
- People – drive high performance

Our customers will have a new experience with BASF

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Focusing our strengths to drive customer success

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Our ambitious financial and non-financial targets

Growth

Grow sales volumes faster than global chemical production

Profitability

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

Return

Achieve a ROCE* well above the cost of capital percentage every year

Dividend

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

€22 billion of sales with Accelerator products by 2025**

CO_2-neutral growth until 2030

* Return on capital employed (ROCE) is a measure of the profitability of our operations. We calculate this indicator as the EBIT generated by the operating divisions as a percentage of the average cost of capital basis. ROCE is also the key performance indicator for determining the variable compensation for members of the Board of Executive Directors and all employee groups.

** Accelerator products are products that make a particular contribution to sustainable development (sales 2017: ~€15 billion)

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Part II

A sustainably growing industry in an attractive environment

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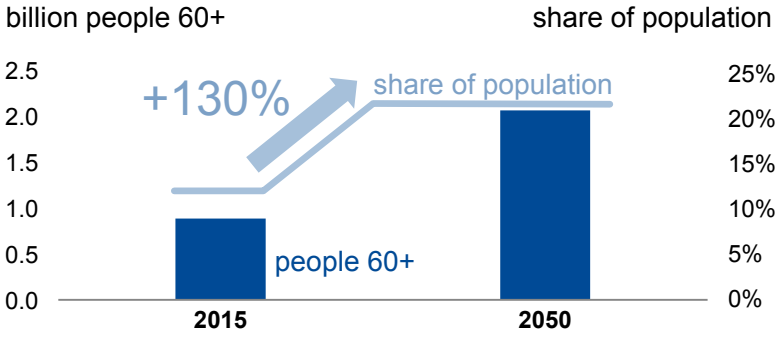
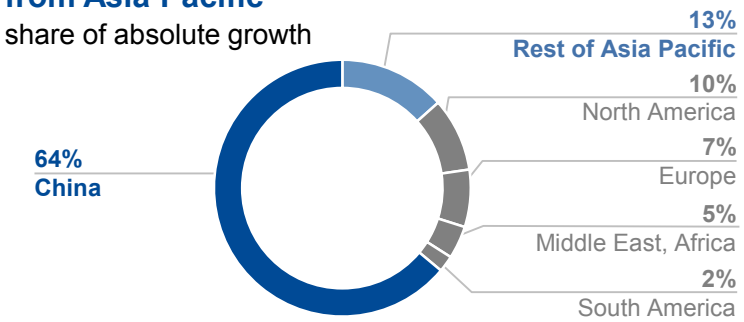
Global trends provide opportunities for growth in the chemical industry

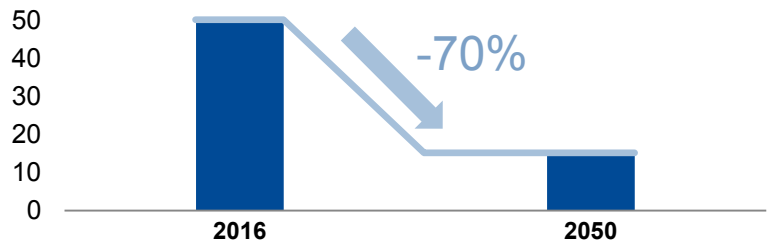
Demographic change: Rising number of seniors



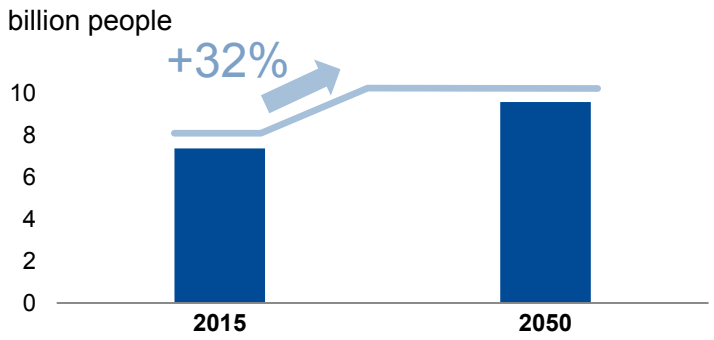
Chemical growth 2017–2030 coming mainly from Asia Pacific



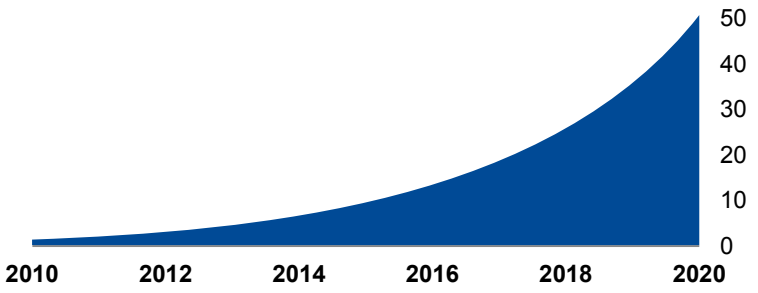
Climate change: Strong reduction of GHG emissions necessary to achieve 2°C global warming target



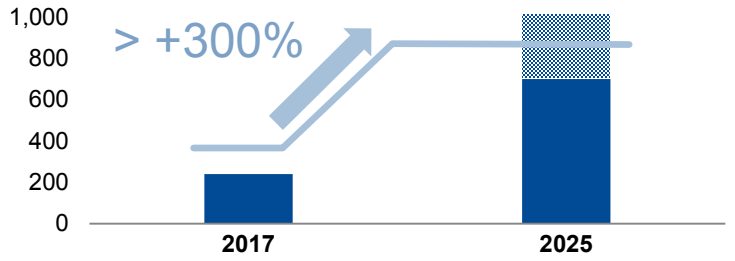
Population growth



Digitalization is surging



Electromobility drives demand for battery materials



 Sources: UN, IEA, UBS foresight, BASF

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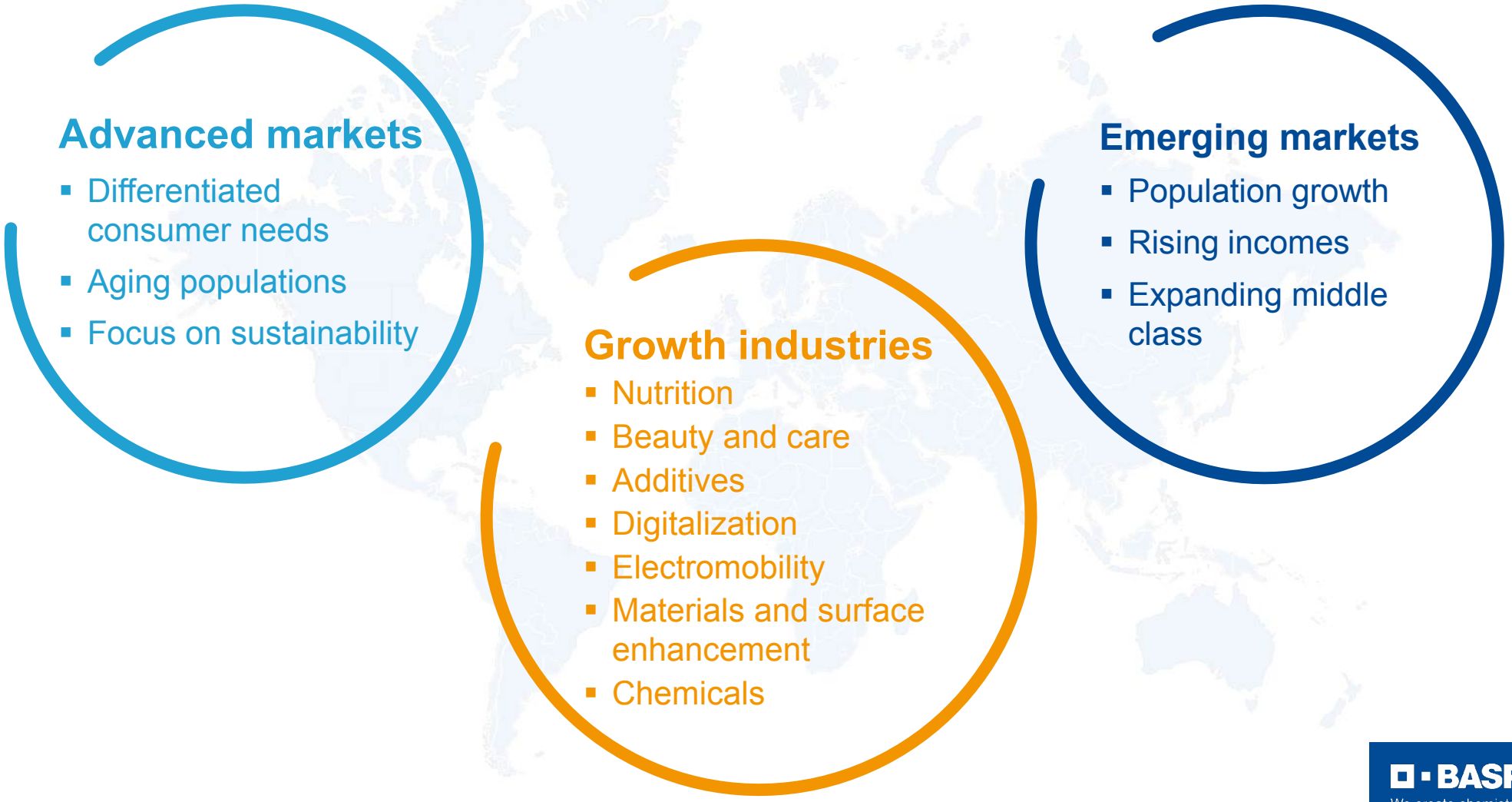
Rising incomes, demand for innovative solutions and digitalization are the main growth drivers for BASF in the future



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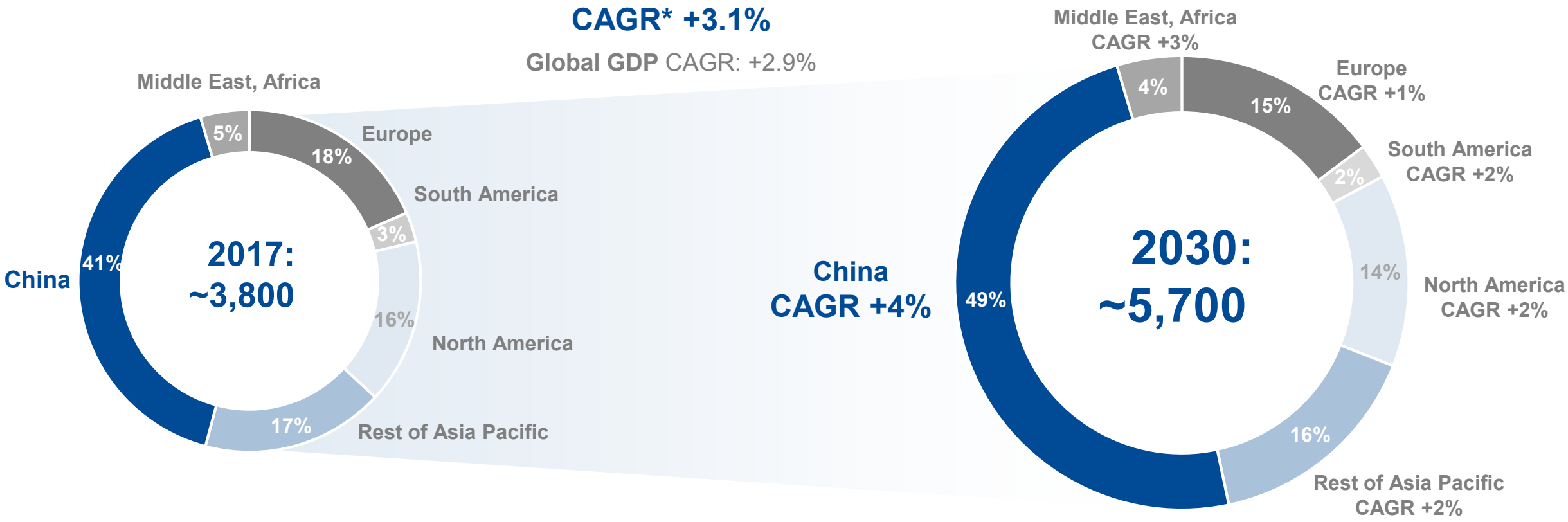
China is the major growth driver for global chemical production

Real chemical production excluding pharmaceuticals
billion US$



Source: BASF * Real chemical production excluding pharmaceuticals

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Part III

Transforming into an agile and customer-focused BASF

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Portfolio transformation towards higher value

2

Portfolio management principles

- Continuous active portfolio management
- Annual review of strategic business units following “best-owner” principle
- Portfolio pruning of businesses with limited differentiation potential
- Selective acquisitions with transformative character for distinct growth businesses or segments

“Best-owner”:

- Asset and technology fit
- Benefit from or contribution to Verbund

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Recently announced portfolio pruning measures

2

Oil & Gas

- Sales 2017: ~€3.2 billion
- Closing expected in first half of 2019, subject to regulatory approvals
- IPO to take place in second half of 2020 at the earliest

Water and paper chemicals

- Sales 2017: ~€0.8 billion
- Closing anticipated for the end of 2018 at the earliest, subject to regulatory approvals

Construction Chemicals

- Sales 2017: ~€2.4 billion
- Review of strategic options announced end of October 2018

Other businesses

- Sales 2017: > €1 billion

Targeted divestiture of ~€8 billion in sales

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Recent acquisitions to upgrade our portfolio

Agricultural solutions businesses and assets from Bayer

- Sales 2017: ~€2.2 billion
- Closing took place in August 2018
- Integration is ongoing

Chemetall surface treatment business

- Sales 2016: ~€0.9 billion
- Closing took place in December 2016

BASF to acquire Solvay's integrated polyamide business

- Sales 2016: ~€1.3 billion
- On June 26, 2018 the EU Commission opened an in-depth investigation and will likely take a decision in Q1 2019

Acquisitions of more than €4 billion in sales to upgrade BASF's portfolio

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BASF will run its businesses in a more transparent segment structure

Current structure

- Chemicals
- Performance Products
- Functional Materials & Solutions
- Agricultural Solutions
- Oil & Gas

Structure as of January 1, 2019

- Chemicals
- Materials
- Industrial Solutions
- Surface Technologies
- Nutrition & Care
- Agricultural Solutions

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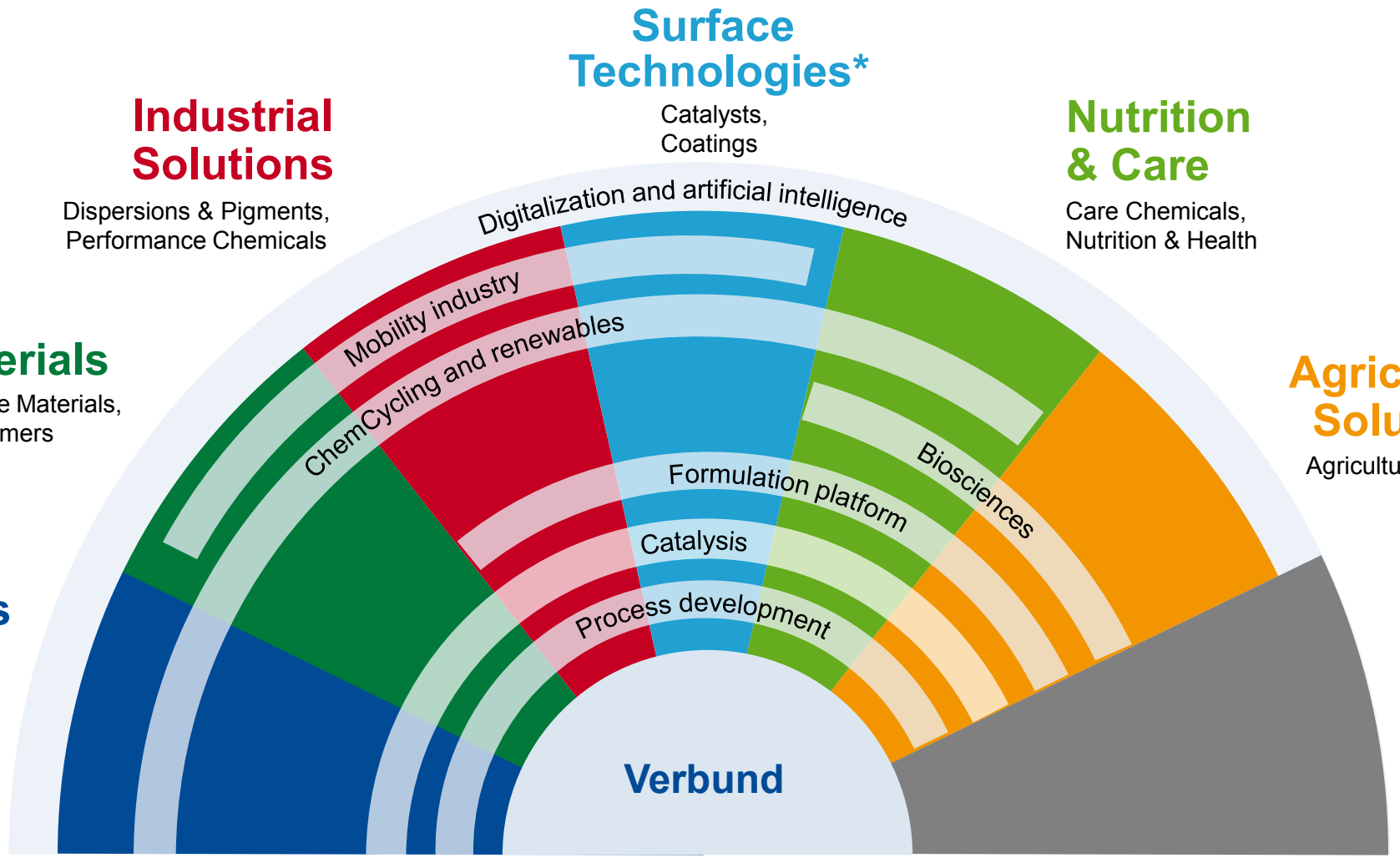
New segment structure strengthens performance- and market-orientation and provides more transparency



 * Target picture, until signing of a transaction agreement, Construction Chemicals will be reported under Surface Technologies

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Each new segment has a clear and compelling path forward

	Chemicals	Materials	Industrial Solutions	Surface Technologies**	Nutrition & Care	Agricultural Solutions
Share*	25%	35%	12%	10%	9%	12%
Core theme	Verbund	Advanced materials	Additives platform	Surface modification platform	Consumer ingredients	Integrated offering of seeds, crop protection, digital
Innovation focus	Improved or new processes	Applications, biomaterials	Formulations	Battery materials, surface effects	Biotechnology, formulations	Crop protection, seeds, digital farming
Capex relevance						
M&A relevance						
Sustainability	ChemCycling	Bio-based materials	More from less	Low-emission mobility	Bio-based and natural, traceability	Better with less

* Percentage of EBITDA before special items in 2017; Other: minus €0.4 billion
** Target picture, until signing of a transaction agreement, Construction Chemicals will be reported under Surface Technologies

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Chemicals

2

Divisions	▪ Petrochemicals ▪ Intermediates
Strategy	▪ Enable organic growth of key value chains by providing flexible supply of raw materials ▪ Maintain high competitiveness through technological leadership and operational excellence
Growth drivers	▪ Emerging markets ▪ Value chain integration/Verbund ▪ Geographical reach/assets in relevant markets
Innovation	▪ Focus R&D on best-in-class process technology
Capex	▪ Build new Verbund site in Zhanjiang, Guangdong province; expand Verbund site in Nanjing; evaluate further expansion in Asia ▪ Strengthen and upgrade existing value chains in advanced markets
Sustainability	▪ Develop low CO_2 technologies like Carbon Management or ChemCycling ▪ Foster Verbund value chain steering to minimize transportation risk and optimize utilization

2017*	
Sales	€11.2 billion
EBITDA before special items	€2.6 billion
EBIT before special items	€2.0 billion
ROCE	23%
Peers	▪ Arkema ▪ Dow ▪ Eastman ▪ LyondellBasell ▪ Nippon Shokubai

 * Pro-forma, unaudited data

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Materials

Divisions	▪ Performance Materials ▪ Monomers
Strategy	▪ Drive organic growth by offering advanced materials for new applications and systems ▪ Differentiate through application know-how, industry knowledge and customer proximity ▪ Generate maximum value in isocyanate and polyamide value chains
Growth drivers	▪ Emerging markets ▪ Consumer comfort ▪ Electromobility
Innovation	▪ Focus on new applications, materials, systems, simulation tools and digital business models ▪ Leverage materials competence for expansion of 3D printing business
Capex	▪ Globally expand engineering plastics capacities close to customers ▪ Focus on isocyanate and polyol value chains in North America and Asia ▪ Drive operational excellence
Sustainability	▪ Strengthen portfolio of bio-based materials ▪ Continuously improve sustainable production of materials

2017*	
Sales	€13.7 billion
EBITDA before special items	€3.7 billion
EBIT before special items	€3.0 billion
ROCE	33%
Peers	▪ Covestro ▪ Huntsman ▪ Lanxess ▪ Solvay ▪ Wanhua

 * Pro-forma, unaudited data

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Industrial Solutions

Divisions	▪ Dispersions & Pigments ▪ Performance Chemicals
Strategy	▪ Drive organic growth in key industrial markets with low cyclicality ▪ Grow value-enhancing ingredients and solutions by building on industry and application know-how
Growth drivers	▪ Resource efficiency ▪ Urbanization and digitalization ▪ Enhancement of product portfolio
Innovation	▪ Increase focus on formulation development ▪ Enhance process innovation focus to maintain cost competitiveness
Capex	▪ Selectively expand into high-growth regions by leveraging the integration into BASF value chains/Verbund
Sustainability	▪ Address resource efficiency as key market driver (“more from less”) ▪ Capture opportunities from societal and regulatory trends

2017*	
Sales	€9.3 billion
EBITDA before special items	€1.3 billion
EBIT before special items	€0.8 billion
ROCE	13%
Peers	▪ Arkema ▪ Clariant ▪ Dow ▪ Lanxess

 * Pro-forma, unaudited data

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Surface Technologies

Divisions	▪ Catalysts ▪ Coatings
Strategy	▪ Drive organic growth by leveraging portfolio of technologies and know-how regarding protection, modification and creation of surfaces on various substrates ▪ Strengthen position as leading and innovative provider of battery materials
Growth drivers	▪ Automotive growth in Asia ▪ Low-emission mobility ▪ Electromobility-driven growing demand for battery materials
Innovation	▪ Support growth trends via new battery materials, advanced coatings, surface treatment and structure films systems and via new process catalysts and mobile emissions catalysts
Capex	▪ Build global asset footprint for battery materials ▪ Increase capacity for mobile emissions catalysts, especially in China
Sustainability	▪ Benefit from trend towards low-emission mobility

2017*	
Sales	€10.6 billion
EBITDA before special items	€1.1 billion
EBIT before special items	€0.7 billion
ROCE	6%
Peers	▪ Axalta ▪ Johnson Matthey ▪ PPG ▪ Umicore

* Pro-forma, unaudited data; target picture excluding Construction Chemicals

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Nutrition & Care

Divisions	▪ Care Chemicals ▪ Nutrition & Health
Strategy	▪ Become a leading provider of nutrition and care ingredients for consumer products ▪ Enhance and broaden the product and technology portfolio ▪ Drive strong organic growth by focusing on emerging markets, new business models and sustainability trends in consumer markets
Growth drivers	▪ Health and well-being, responsible living ▪ Aging populations, expanding middle class, growing consumer base ▪ Digitalization and personalization
Innovation	▪ Develop tailor-made solutions for new functionalities via product and process innovation ▪ Address unmet needs beyond existing chemical solutions with R&D in white biotechnology and fermentation technologies
Capex	▪ Selectively expand capacities and enhance operational excellence ▪ Support further portfolio development and diversification
Sustainability	▪ Build on trends driven by changing consumer behavior, e.g., biodegradable and bio-based products, traceability

2017*	
Sales	€6.3 billion
EBITDA before special items	€1.0 billion
EBIT before special items	€0.6 billion
ROCE	9%
Peers	▪ Croda ▪ DSM ▪ DuPont ▪ Evonik

 * Pro-forma, unaudited data

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Agricultural Solutions

Division	▪ Agricultural Solutions
Strategy	▪ Further strengthen market position as fully integrated agricultural solutions provider ▪ Focus on innovation-driven organic growth
Growth drivers	▪ Population growth ▪ Increasing demand for high-quality food ▪ Resource limitations (land, water, air)
Innovation	▪ Realize R&D synergies between crop protection, seeds and traits ▪ Leverage BASF's biotechnology research platform ▪ Develop digital business models to provide holistic solutions for the farmer
Capex	▪ Selectively expand capacities for crop protection products
Sustainability	▪ Address demand for efficient food production ("better with less"), triggered by population growth ▪ Respond to changing application volumes and market models via digitalization and precision farming

2017*	
Sales	€5.7 billion
EBITDA before special items	€1.3 billion
EBIT before special items	€1.0 billion
ROCE	12%
Peers	▪ Bayer ▪ Corteva ▪ FMC

 * Pro-forma, unaudited data

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Transforming into an agile and customer-focused organization

3

Guiding principles

- Empowerment
- Differentiation
- Simplification

Action fields

- Embedding to bring services closer to customers
- Functions and headquarters with streamlined back-end organization
- Regions with sharpened roles to increase customer focus
- Process landscape simplified
- People working in an entrepreneurial performance culture

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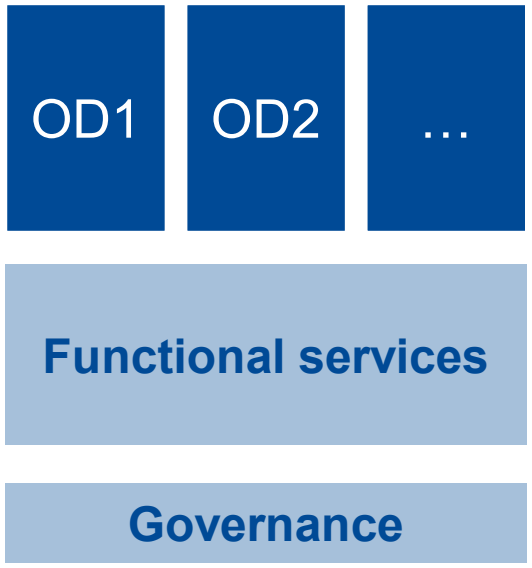
We empower our businesses to optimize and differentiate according to customer needs

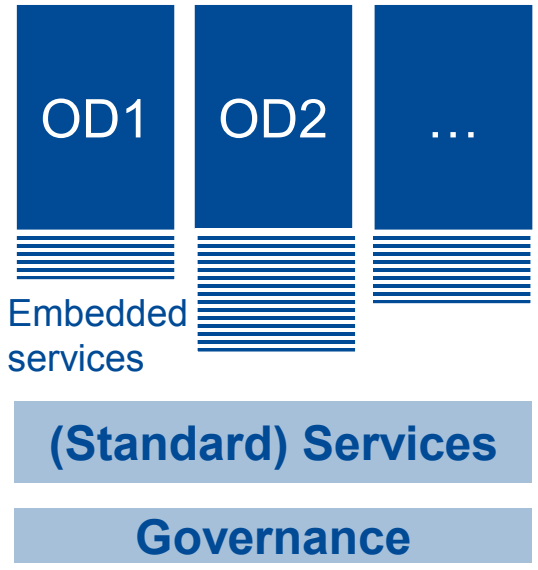
3

Example: Embedding of business-critical services

Current structure



New structure



More than 20,000 employees from services, functions and R&D will move closer to customers

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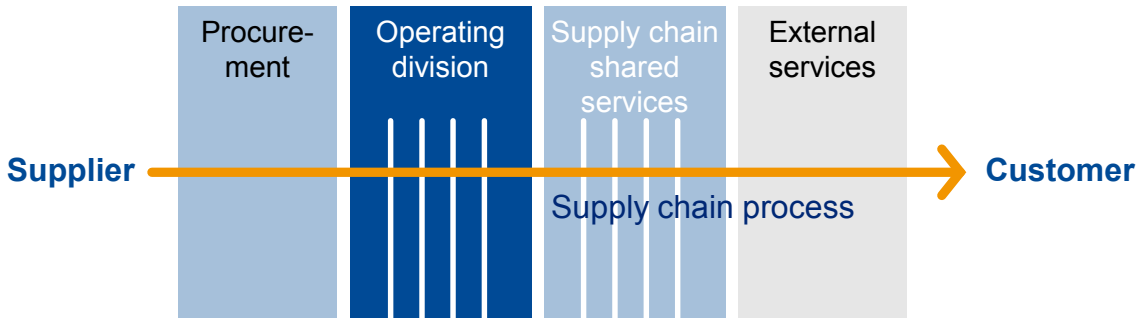
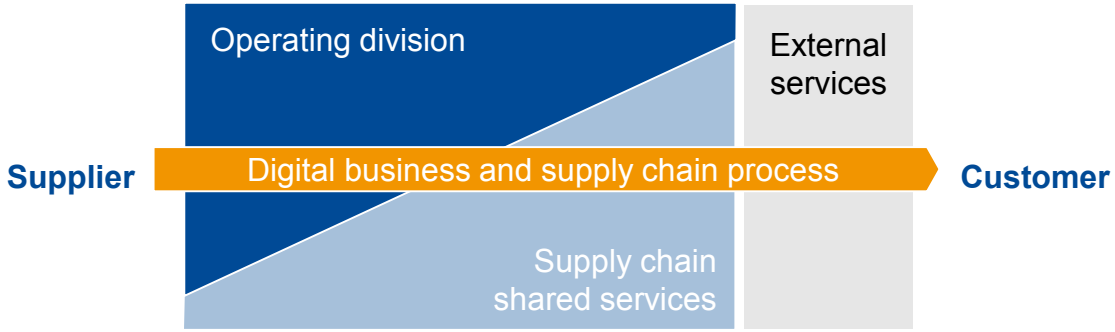
Example: Supply chain becomes an integrated part of BASF's value proposition

3

Today



Target



From functional focus …

- Functional expertise built up
- Efficiency gains realized
- Customer orientation hampered by division of labor

… to customer focus

- Responsiveness, flexibility, reliability
- Business-driven shared services
- Digital integration of customers with supply network

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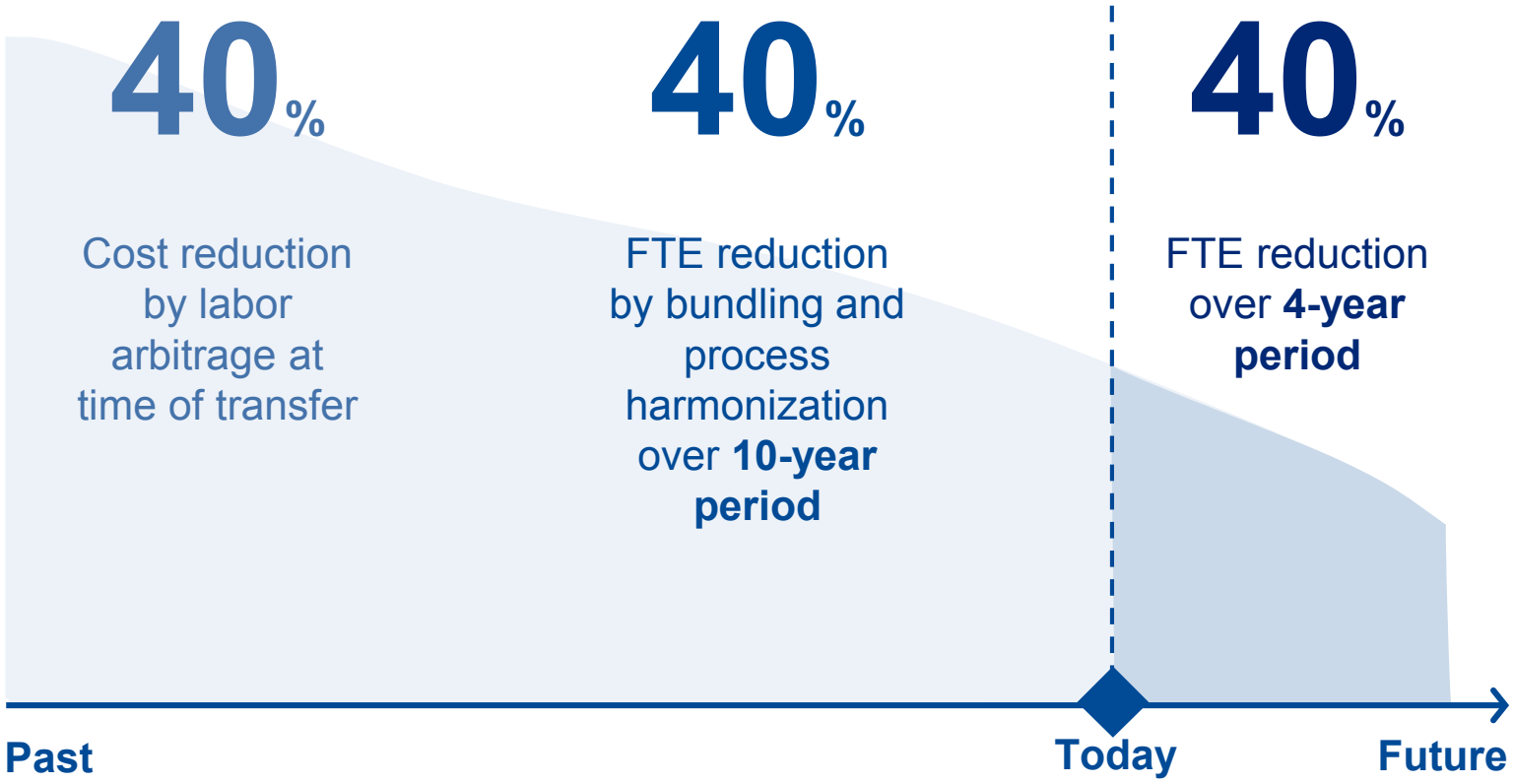
Automation is key enabler for future efficiencies

3

Example: Invoice processing within purchase-to-pay process



- Automated request classification and data extraction by usage of **machine learning**
- Virtual assistance by using **chatbot** technology
- Automated processing by using **robotic process automation**
- **Technologies in implementation** in our global shared services organization

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Part IV

The Verbund – strengthening our portfolio

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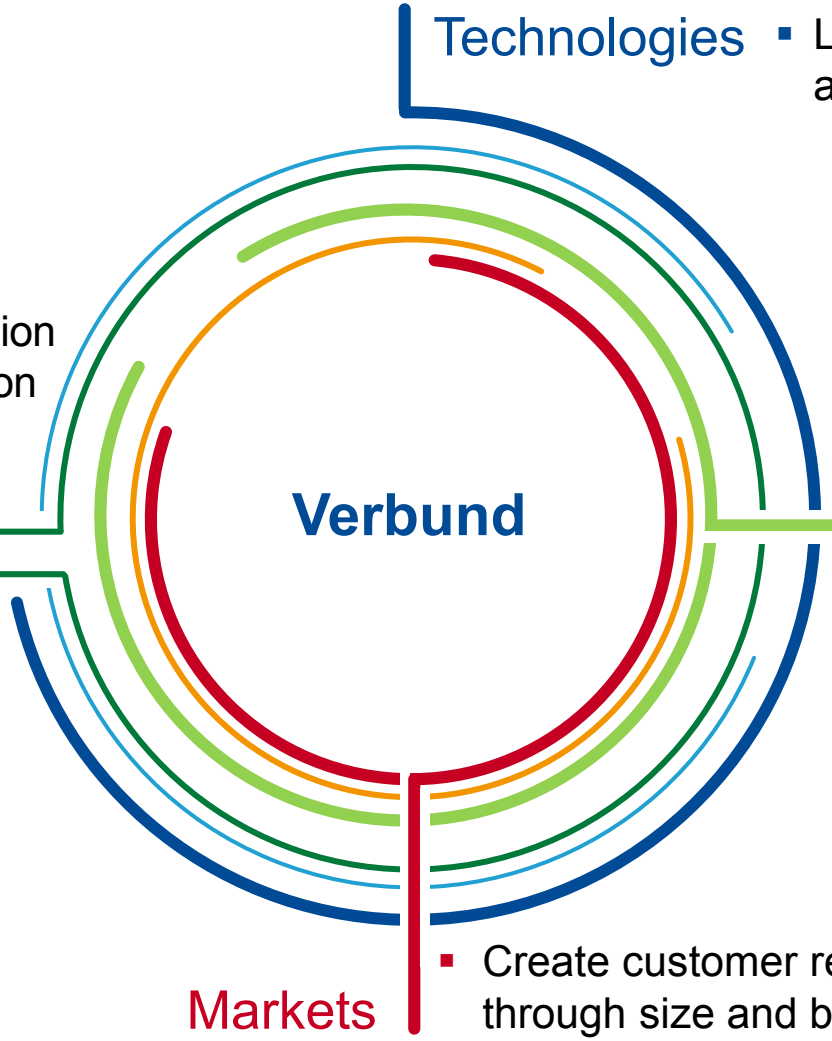
Our portfolio is strengthened by multiple Verbund effects



Technologies

- Leverage technological advantages and innovation across all segments

Production

- Confirmed annual cost savings of more than €1 billion through integrated production

Value Chains

- Ensure competitive supply of key products to all segments

Digitalization

- Harvest the advantages offered by digitalization across BASF

Markets

- Create customer relevance through size and broad portfolio

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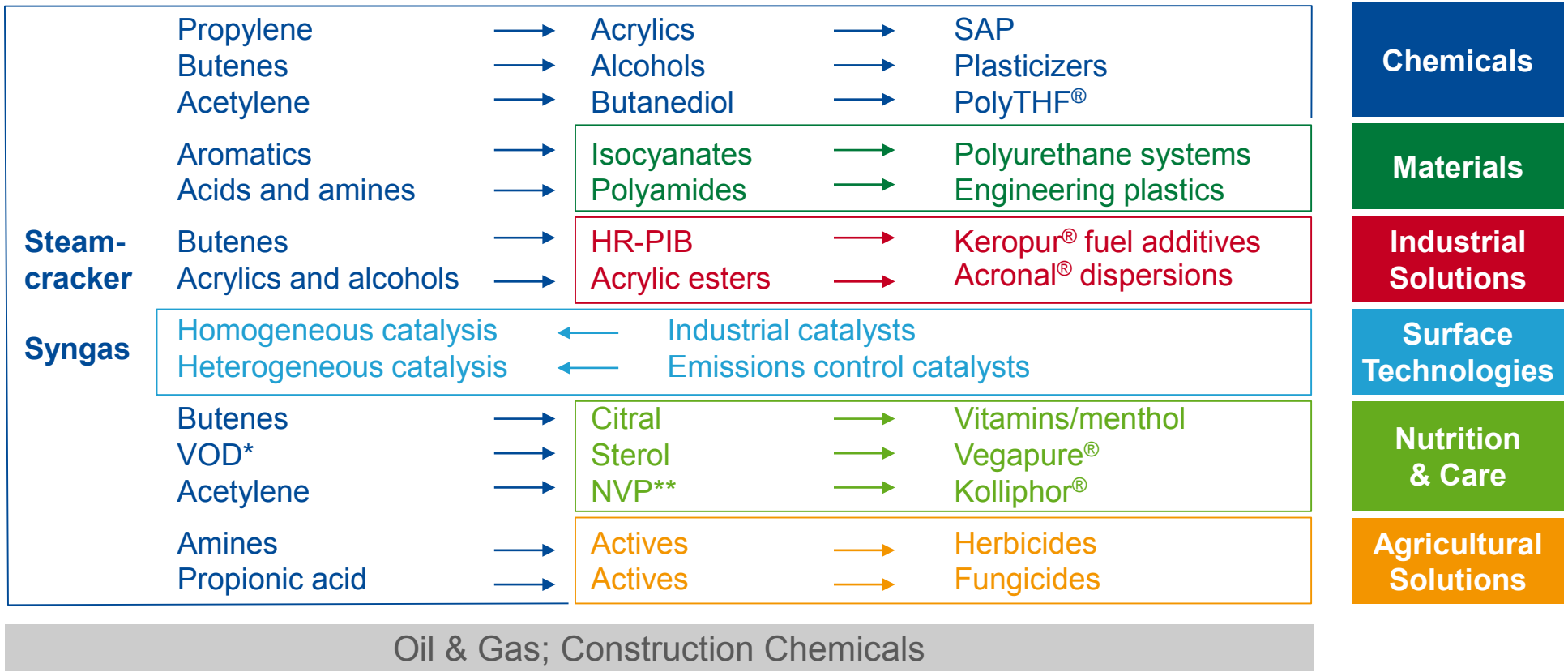
Physical Verbund strengthens each segment through value chains



 * VOD: Vacuum oil distillate ** NVP: N-Vinylpyrrolidone

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In the physical Verbund, we focus our activities and resources to achieve best-in-class operations

Operational excellence	Environmental protection, health and safety	Asset target picture	Site logistics operations	Digitalization
Operational excellence improves our plant availability and efficiency	Professional implementation of high environmental and safety standards ensures our license to operate	Long-term strategy for each site	Dynamic site logistics enable agility in delivering our products	Digitalization enhances our technology leadership

Optimal processes and structures

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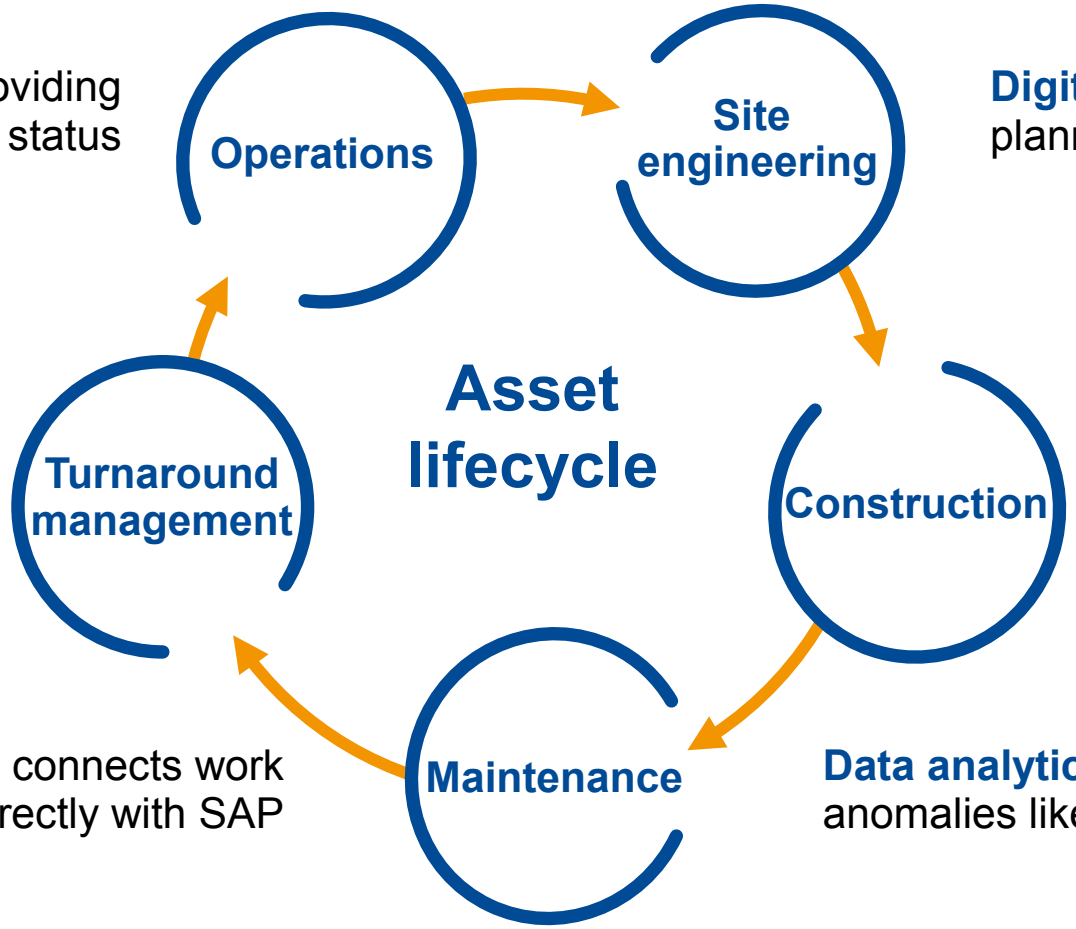
Digital plants create value in operations

High-quality data are recorded, providing real-time information of the plant status

Digital twins are created to optimize planning and minimize investment cost



Turnarounds with **3D support** and **tailored apps** improve uptime

Augmented reality enables the workforce to access key information and receive guidance

Maintenance app connects work orders and notifications directly with SAP

Data analytics detect and predict asset anomalies like wear, fouling, coking

More than 350 digital plants planned until 2022

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Technological Verbund: Leveraging our expertise in catalysis across the company

Catalyst production | Automotive catalysts | Chemical catalysts | Catalyst recycling

Catalyst research platform

BASF has a unique catalyst technology expertise:

- Strong catalysis R&D platform
- Leader in catalyst production
- Business with automotive, chemical and refinery catalysts
- Application of many different process catalysts in BASF operations

90% of BASF's production depends on the use of catalysts

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Technological Verbund: Fermentation processes for bio-based products enable access to new customer groups

Chemical processes | Vitamins | Performance biologicals | Feed additives | Crop protection products | Detergent enzymes

Fermentation technology platform

- Fermentation is a natural process, using fungi or bacteria to make chemicals
- Powerful technology that enables access to complex molecules that are hard to produce with conventional chemistry
- Special requirements, e.g., sterile environment and extraction of pure chemicals from diluted and complex “fermentation broth” needed
- BASF’s fermentation technology platform enables efficient use of this technology in many different businesses

Fermentation technology addresses strategically relevant €15 billion market

* Total fermentation products market: ~€110 billion in 2016

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Technological Verbund: Biodegradability research platform to access an emerging market

Biodegradable plastics (structural applications)

- Consumer bags
- Mulch films
- Packaging

Further applications (functional applications)

- Personal and home care: new biodegradable materials
- Agricultural solutions: biodegradable formulations

Platform for biodegradable and bio-based materials

- Biodegradation: microorganisms metabolize polymeric material completely to CO_2, energy, water and biomass
- Strong understanding of biodegradability in soil, marine and aquatic environments, including modeling of biodegradability
- Innovation platform provides Verbund advantages such as combining know-how in biodegradability and product development, technological leadership and engagement in stakeholder dialogue, global standards for biodegradability
- BASF well positioned to benefit from trend towards biodegradable materials

8 million tons of plastics leak into the ocean each year.

Source: Ellen MacArthur Foundation 2017

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Technological Verbund: ChemCycling enables sustainable growth in the circular economy

Successful business proof in October 2018

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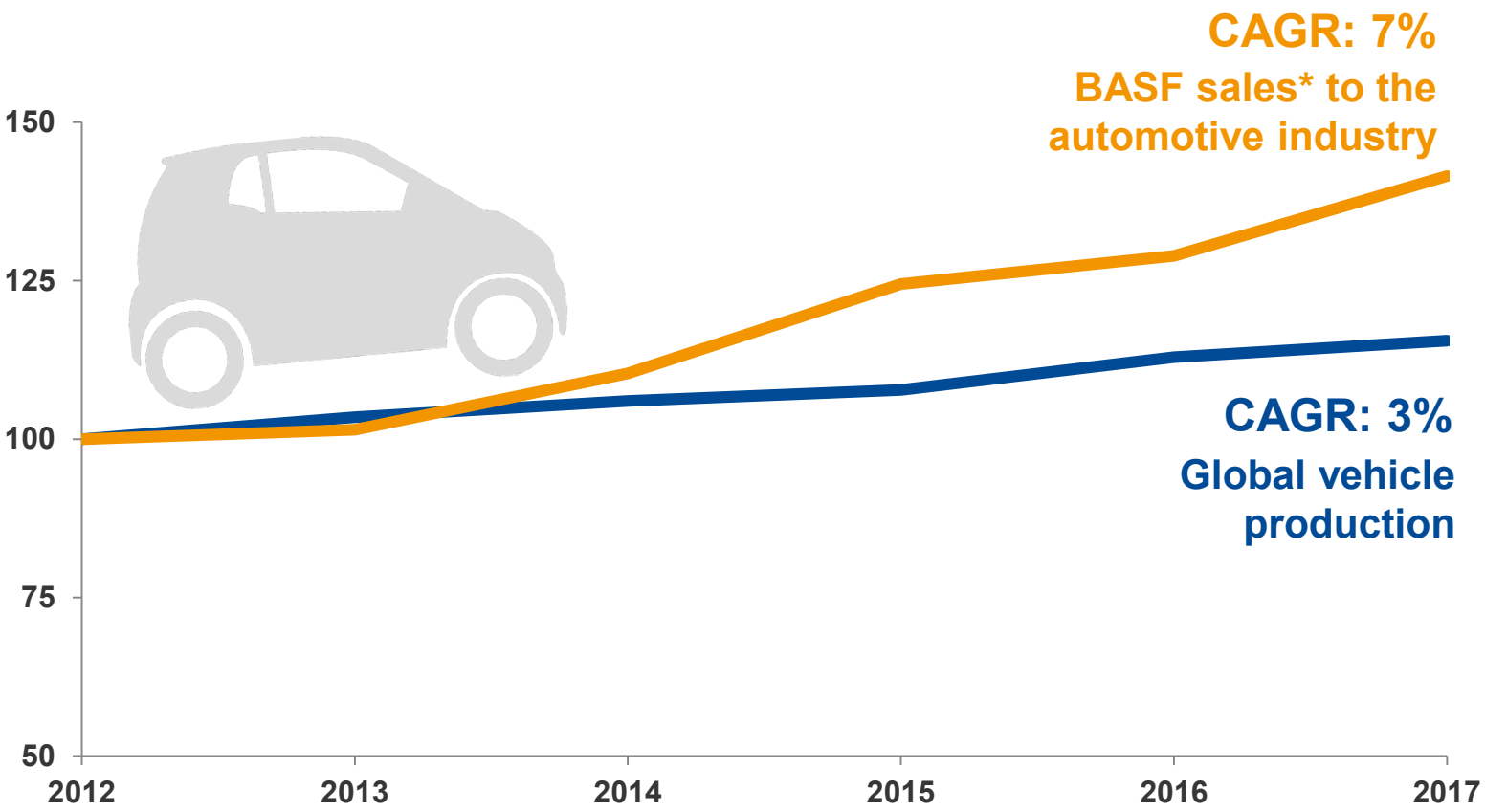
Customer Verbund: BASF's sales to the automotive industry have grown twice as fast as the automotive industry

BASF sales to the automotive industry vs. global vehicle production indexed



With sales of €11.4 billion to the automotive industry, BASF is the #1 chemical supplier

* Excluding precious metals, coatings refinish business; CAGR shown for 2012–2017

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Digital Verbund: BASF's vast amount of data provides the basis for strong future growth

Pool of data → **Artificial intelligence** → **Value creation**

- Digital Verbund connects backend systems and provides structured data sources to digital projects
- Benefits:
  - Pool of data and artificial intelligence allow better and faster product development
  - Offering data-driven services to customers
  - Fostering data-driven business models
  - Optimizing chemical processes by machine learning
  - Data-based predictive maintenance

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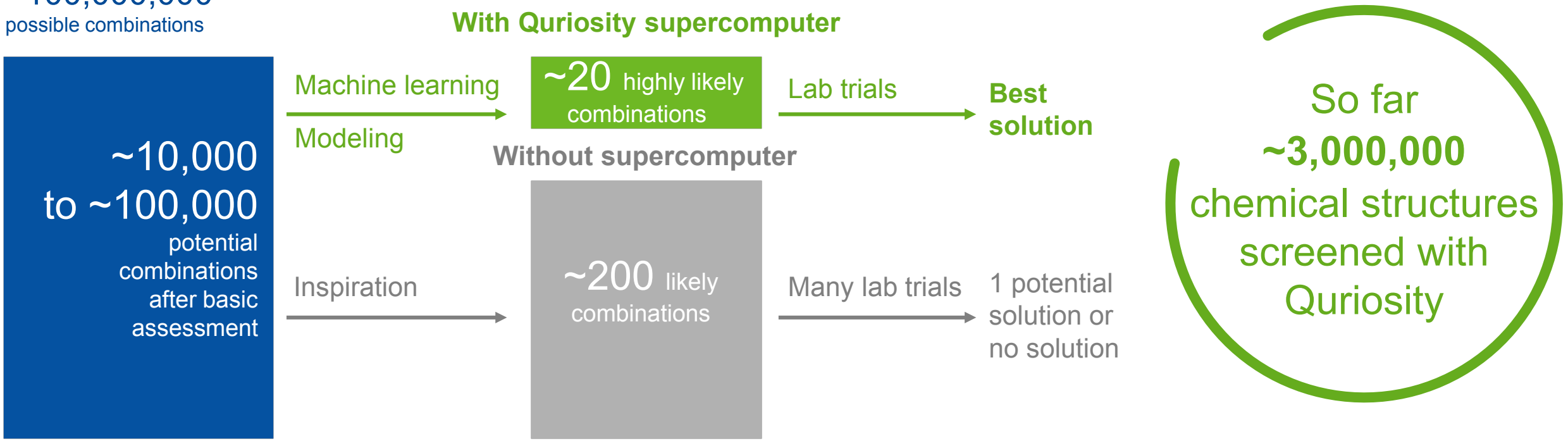
QURIOSITY – Machine learning to develop complex polymer formulations faster and more effectively

Formulation development



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Part V

Set the tone with CO_2-neutral growth

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Sustainability is society's key challenge – BASF helps find solutions

- Relevant sustainability topics as identified in BASF's materiality analysis:
  - Energy and climate
  - Water
  - Resources and ecosystems
  - Responsible production
  - Employment and employability
- We matched the material aspects of BASF's businesses with the 17 UN Sustainable Development Goals to identify focus areas for our strategic steering
- BASF contributes to a wide range of the SDGs, living up to our company purpose "We create chemistry for a sustainable future"
- We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

BASF particularly contributes to:

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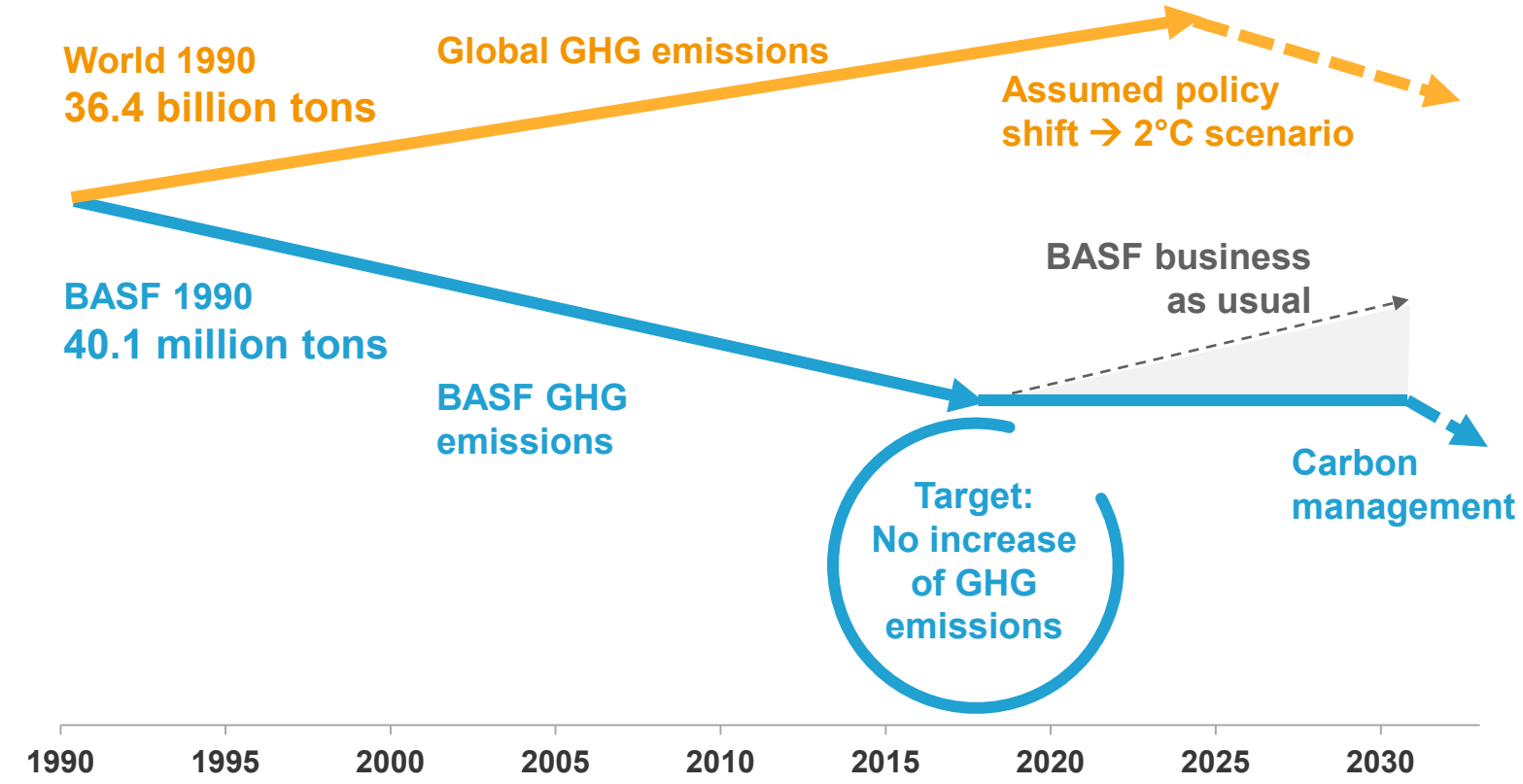
CO_2-neutral growth until 2030: Creating value to society and protecting our climate

Absolute greenhouse gas (GHG) emissions
indexed (1990 = 100)



- BASF is committed to contributing to the Paris Climate Agreement
- BASF uses carbon raw materials responsibly: 82% of carbon converted to products, 17% consumed for process energy and converted to CO_2, 1% waste
- 22 million tons of CO_2 emissions by BASF worldwide expected in 2018* compared to 10–30 million tons per year for one coal-fired power plant
- Development of new, breakthrough technologies with impact beyond 2030

* Preliminary figure 2018; final figure to be published separately in 2019

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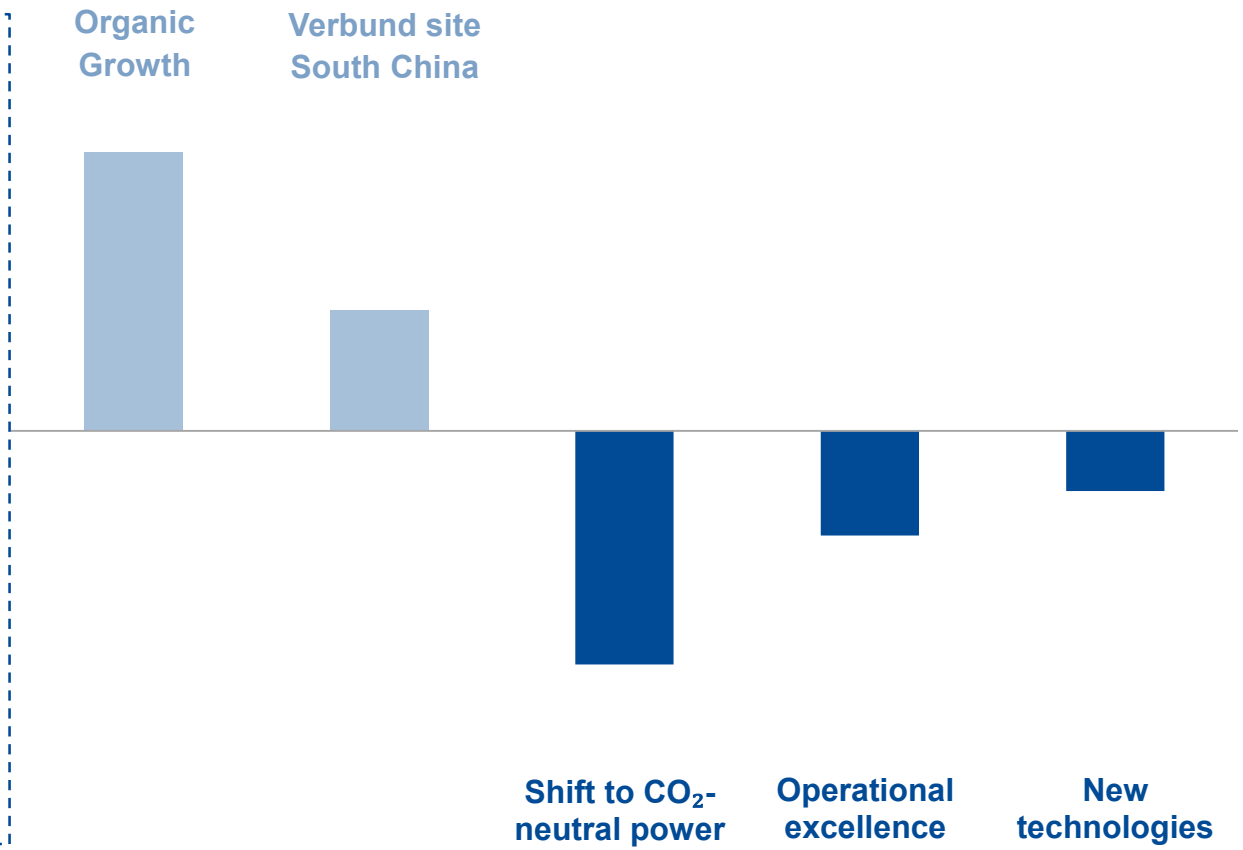
Key measures to implement CO_2-neutral growth

6

GHG emissions (million tons CO_2 equivalent), scope 1 and 2

22
million tons*
BASF 2018/ 2030



- Significant organic growth targeted
- Carbon intensity to be reduced by 30%
- Key measures:
  - Process improvements
  - Operational excellence measures
  - Shift to CO_2-neutral power
  - Portfolio development

* Preliminary figure 2018; final figure to be published separately in 2019

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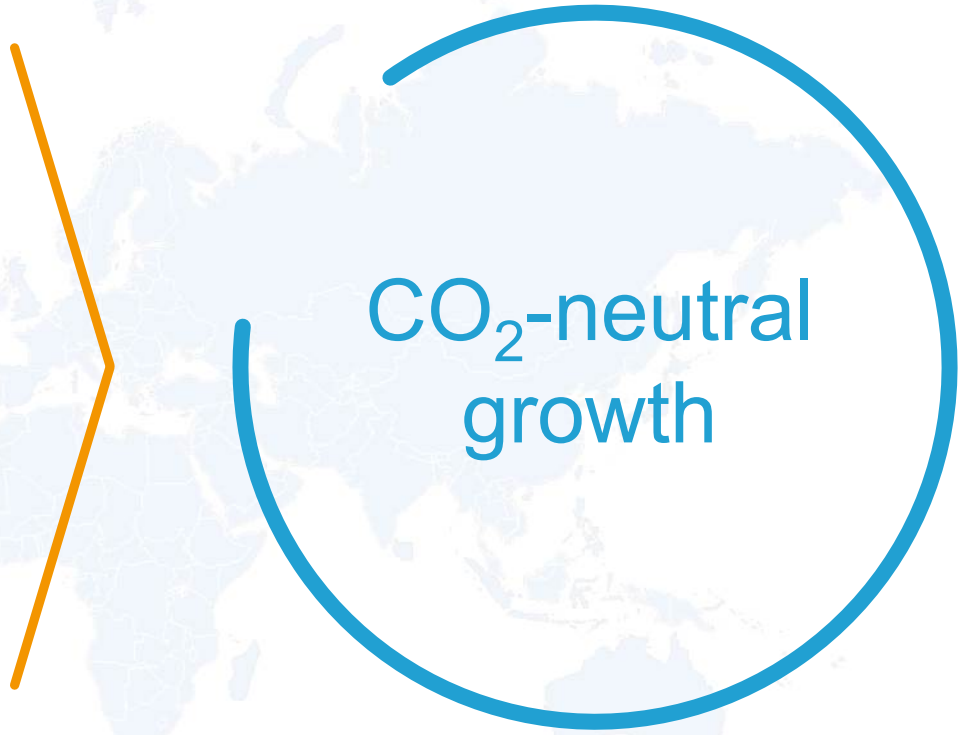
To achieve CO_2-neutral growth, we will consistently include greenhouse gas emissions into our decision making

6

- Sourcing
- Asset improvements
- Investments and acquisitions
- Business models



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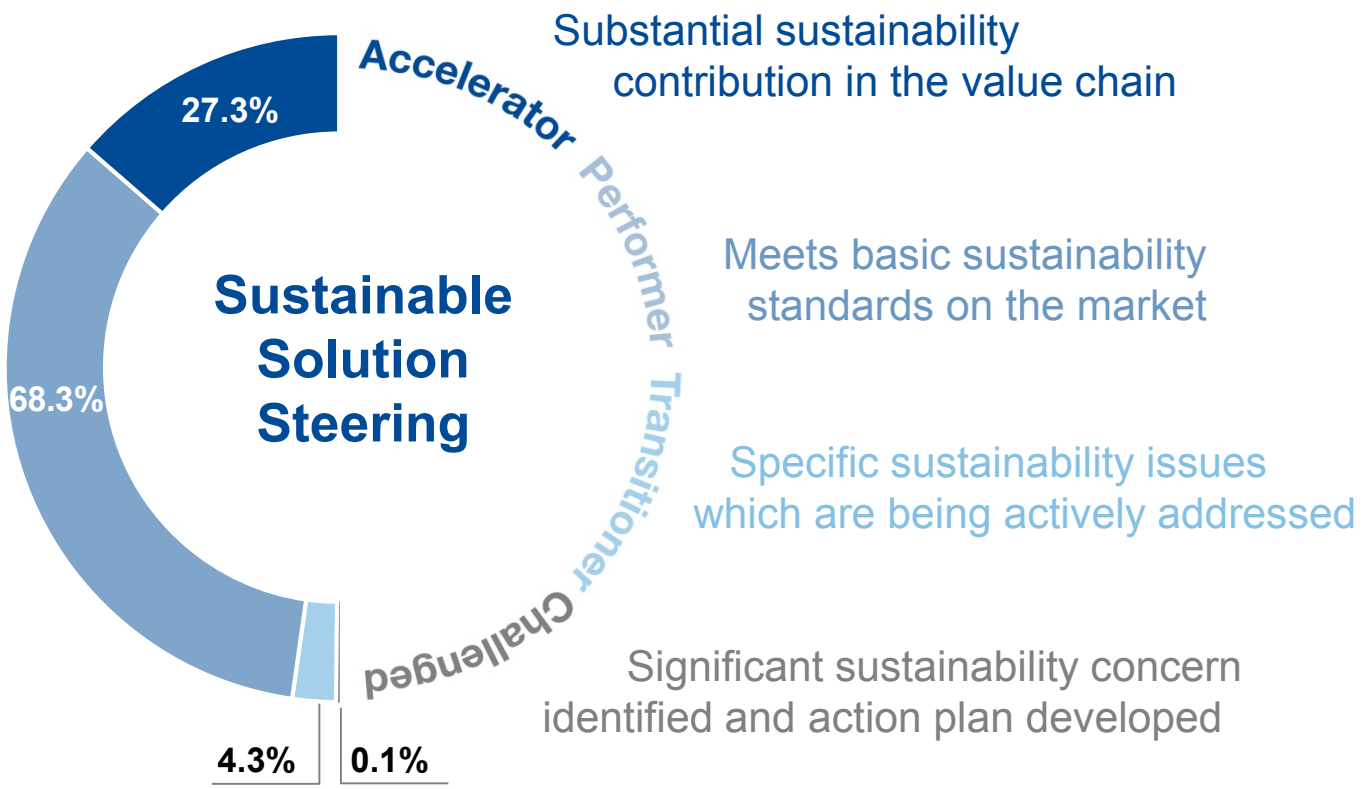
€22 billion sales with Accelerator products by 2025 through innovation

6

Percentage of sales 2017*



- Accelerators are characterized by
  - strong growth in their markets
  - margins ~7 percentage points above the remaining product portfolio
- More than 13,000 Accelerator products and solutions
- Accelerator sales 2017: €15 billion
- BASF's R&D pipeline contains mainly Accelerator products

* >60,000 product applications analyzed

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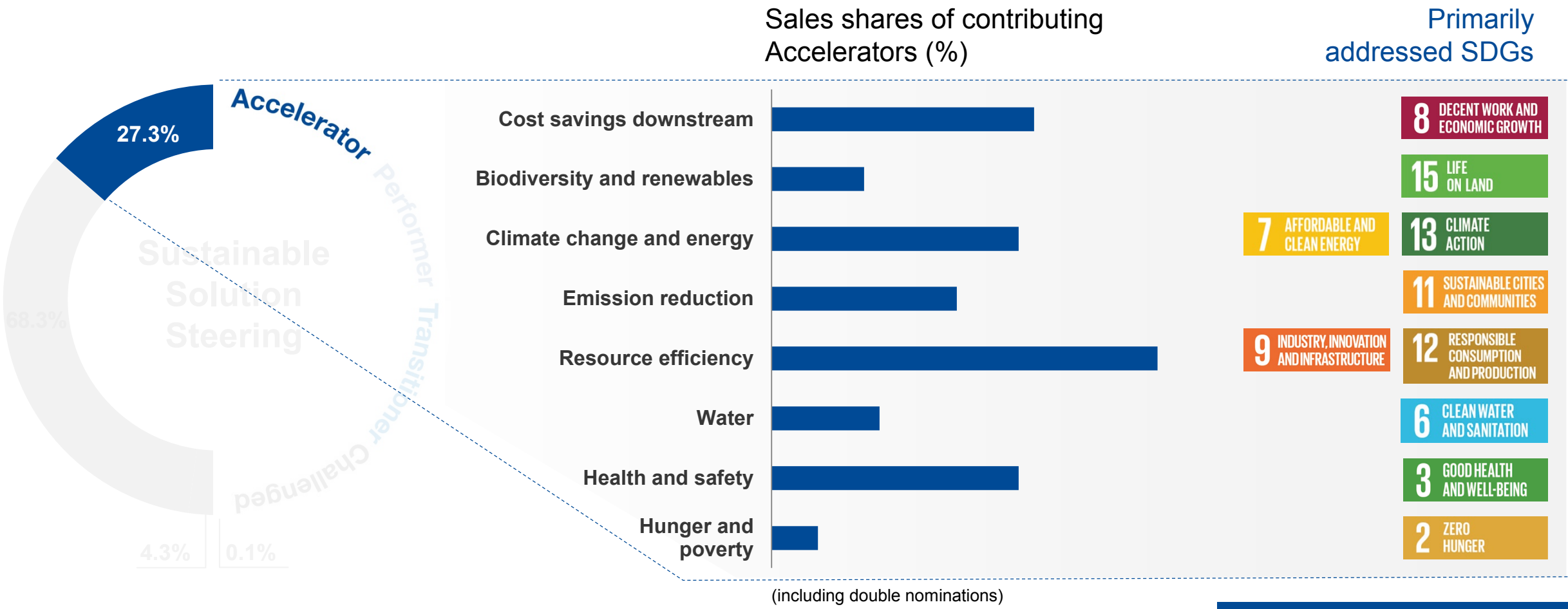
BASF's Accelerators contribute to a wide range of the UN Sustainable Development Goals



(including double nominations)

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Part VI

Disciplined capital allocation and focus on value creation

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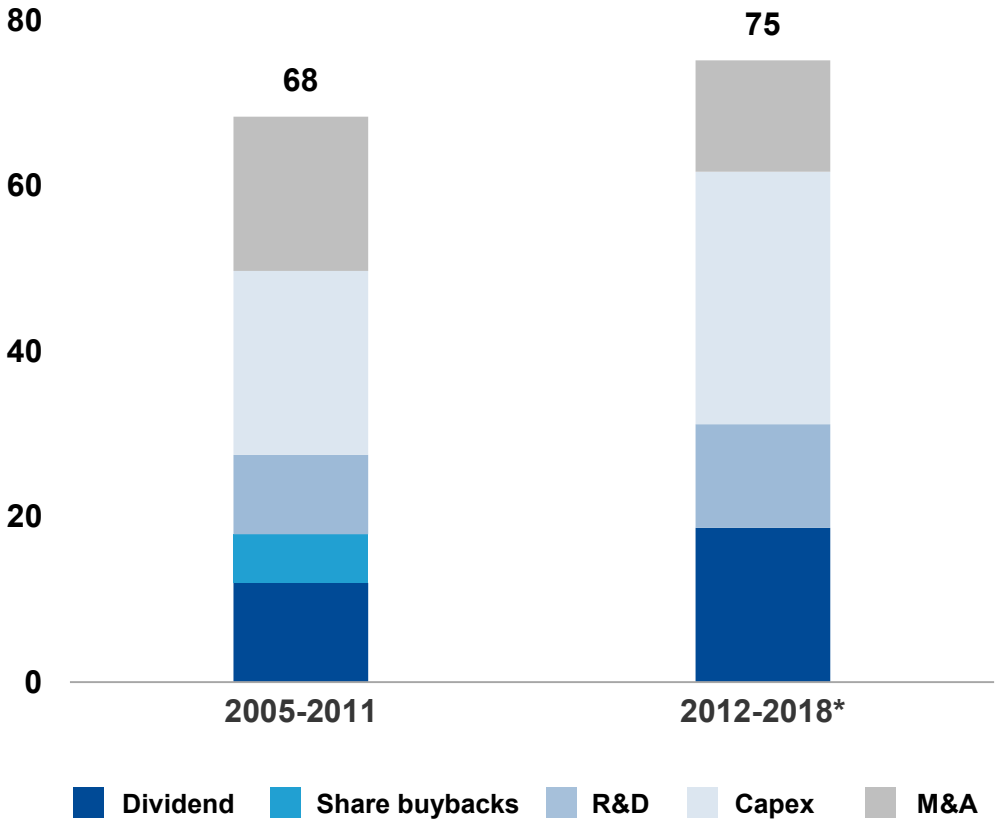
Guidance on the use of cash

Use of cash of BASF Group 2005-2018*
billion €



1 Organic growth

We strive to organically grow above global chemical production via innovation and capital expenditures.

2 Progressive dividend policy

We aim to increase our dividend per share every year.

3 Portfolio upgrading

We strive to enhance BASF's portfolio through selective acquisitions with transformative character for distinct growth businesses or segments, and further focus the portfolio through continued pruning measures.

4 Share buybacks

We will also consider share buybacks to return cash to our shareholders, thus maintaining an efficient capital structure.

 * 2018 figure includes Q1–Q3

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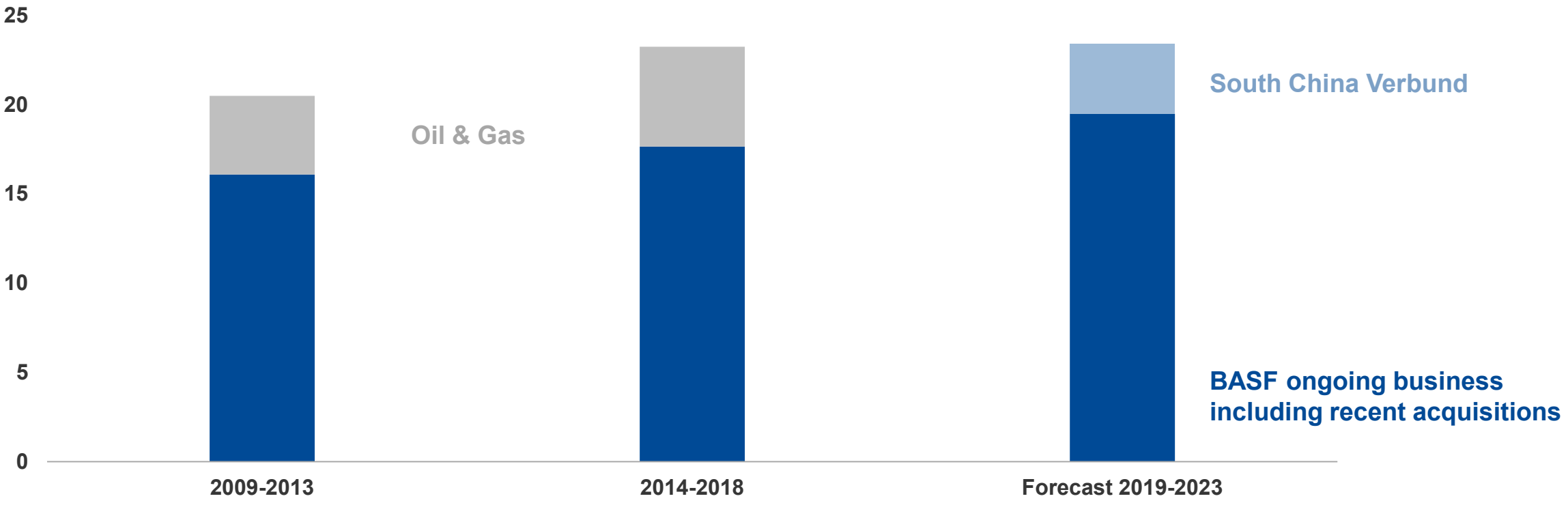
Capital expenditures for organic growth, particularly in China

Capital expenditures
billion €



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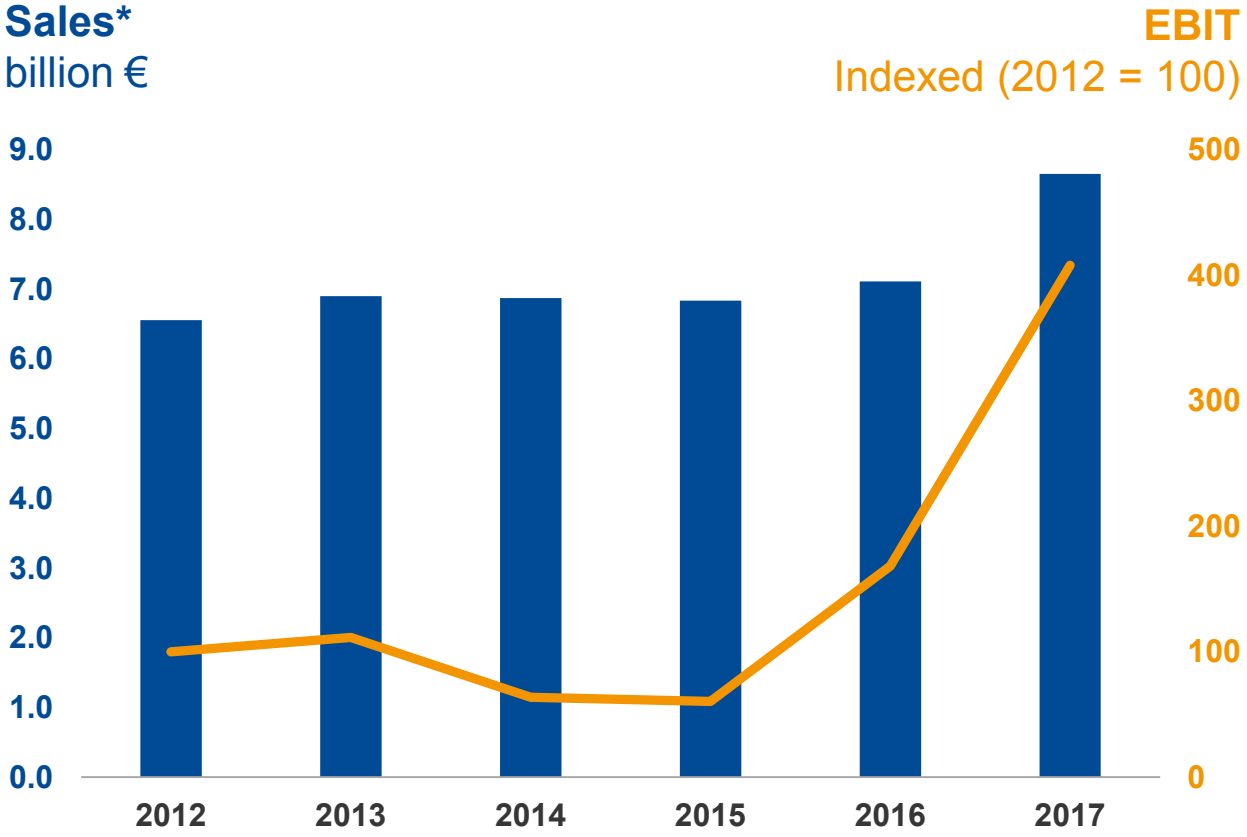
The new Verbund site in Zhanjiang and the expanded Nanjing Verbund will foster considerable growth in China

BASF sales and earnings in Greater China



BASF in China 2000–2018:
- Area ~7 km²
- Capex ~US$11 billion

New Verbund site in Zhanjiang:
- Area ~9 km²
- Capex ~US$10 billion

Ludwigshafen
- Area ~10 km²

Antwerp
- Area ~6 km²

* Net sales to 3rd parties by location of customer plus 50% of sales of BASF-YPC Company Ltd. Nanjing

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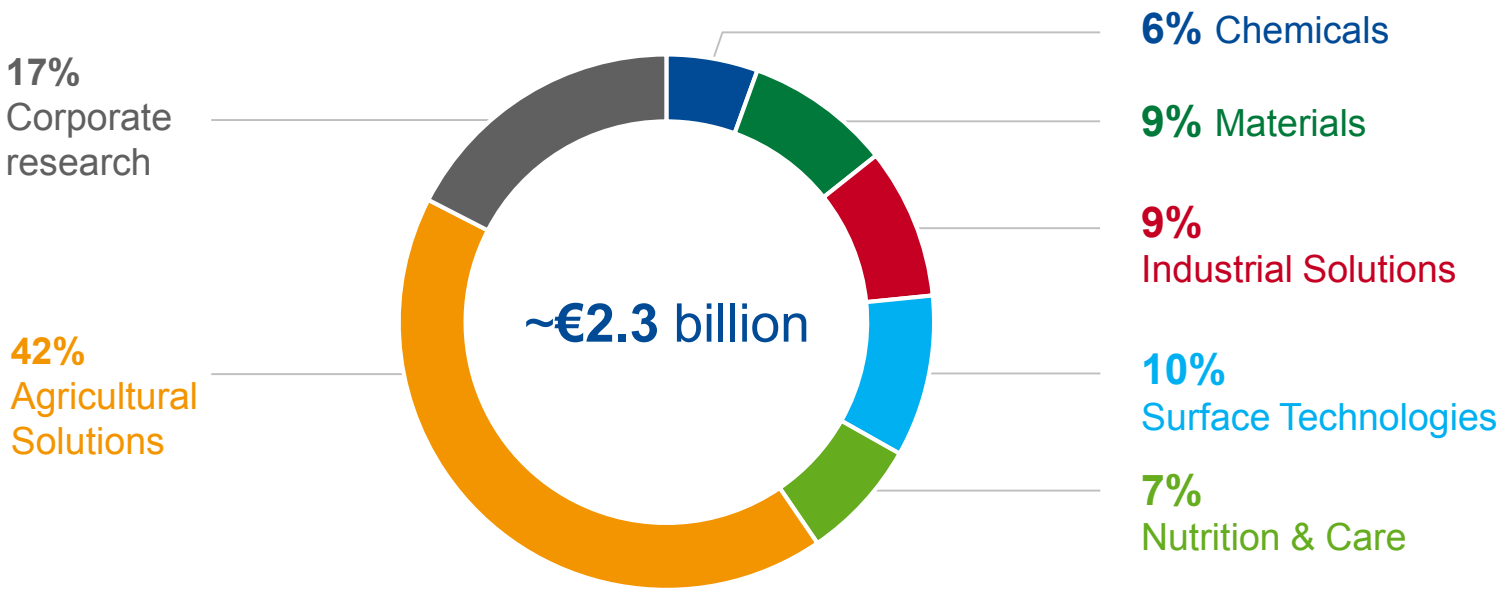
BASF's R&D is highly competitive, ensures long-term growth and generates a net benefit to earnings every year

4

Expected annual R&D expenditures



Measures to boost innovation power

- Capitalize on innovation mindset
- Focus R&D resources on growth businesses
- Increase customer centricity
  - Stronger alignment of customer needs and R&D projects
  - Establish rapid prototyping
  - Move R&D closer to businesses
- Fully leverage artificial intelligence
- Cross-divisional corporate research strengthens existing and develops new key technologies

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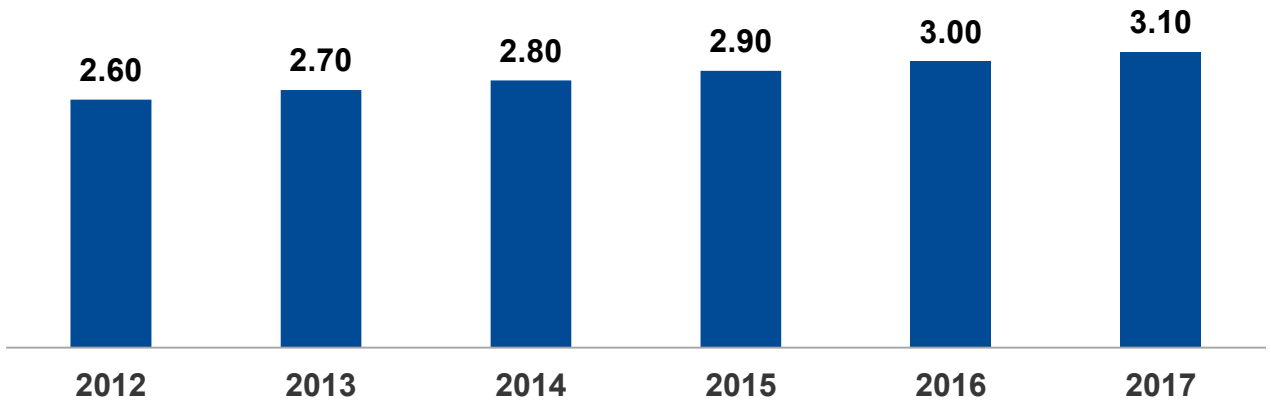
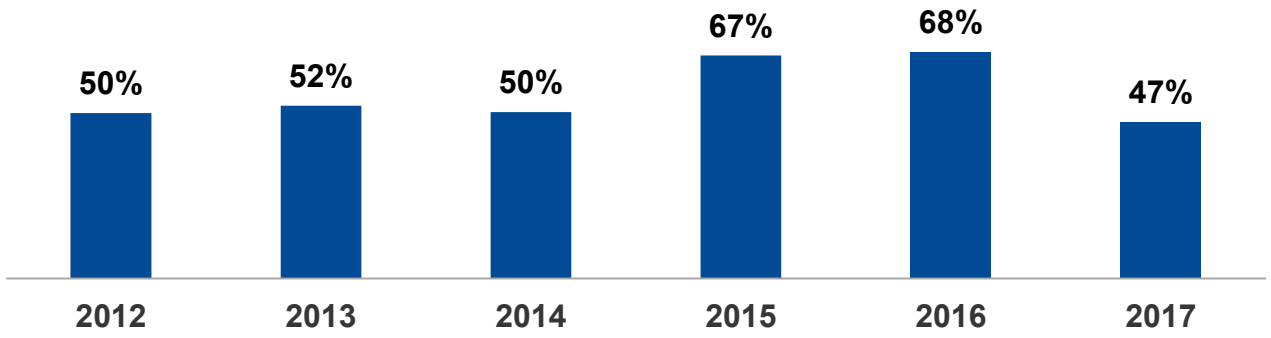
Industry-leading progressive dividend policy

BASF dividend per share, € per share



BASF payout ratio



Average dividend yield* 2012–2017: 3.7%

#1 dividend yield in chemicals sector**

* % of closing price on the last trading day of the respective year

** AkzoNobel, Arkema, Bayer, Clariant, Covestro, Croda, DowDuPont (Dow), DSM, Eastman, Evonik, Huntsman, Lanxess, Lyondell Basell, Solvay, Umicore

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Clear acquisition criteria

Strategic acquisition criteria

We want to acquire businesses which …

- create more value as part of BASF's Verbund
- help achieve relevant market positions
- drive innovation or technological differentiation
- enable new and sustainable business models

Financial acquisition criteria

We want to acquire businesses which …

- provide a return on capital employed above the WACC after full integration into BASF Group
- are EPS accretive by year three at the latest
- contribute to growth of EBITDA before special items

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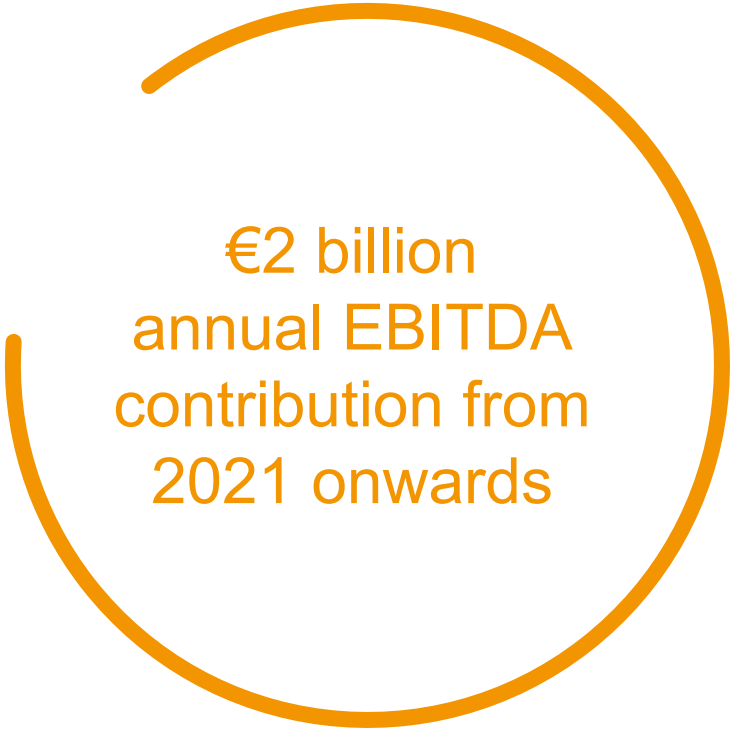
Excellence program 2019–2021

Key facts

- **Operational excellence** will focus on production, logistics and planning
- In **digitalization and automation,** smart supply chains and smart manufacturing are major contributors
- **Organizational development** targets leaner structures in the areas of services, R&D and governance
  - Significant parts of **functional services** will be embedded in businesses, closer to our customers
  - **Simplification** of process landscape
- Estimated **one-time costs of €0.8 billion** and **capital expenditures of €1 billion** (included in current capex planning)



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Part VII

Conclusion

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What will we do differently?

1. Intensify customer focus to accelerate growth
2. Sharpen our portfolio and strengthen the Verbund
3. Transform our organization to be more agile and customer-focused
4. Focus capital allocation on organic growth
5. Drive growth particularly in largest market China
6. Set the tone with CO_2-neutral growth

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Our ambitious financial and non-financial targets

Growth

Grow sales volumes faster than global chemical production

Profitability

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

Return

Achieve a ROCE* well above the cost of capital percentage every year

Dividend

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

€22 billion of sales with Accelerator products by 2025**

CO_2-neutral growth until 2030

* Return on capital employed (ROCE) is a measure of the profitability of our operations. We calculate this indicator as the EBIT generated by the operating divisions as a percentage of the average cost of capital basis. ROCE is also the key performance indicator for determining the variable compensation for members of the Board of Executive Directors and all employee groups.

** Accelerator products are products that make a particular contribution to sustainable development (sales 2017: ~€15 billion)

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Numbers to take home

- **€2 billion** annual EBITDA contribution from 2021 onwards through new excellence program
- **~20,000** employees will move closer to customers
- **~€8 billion** sales to be divested
- **Zero** additional CO_2 until 2030

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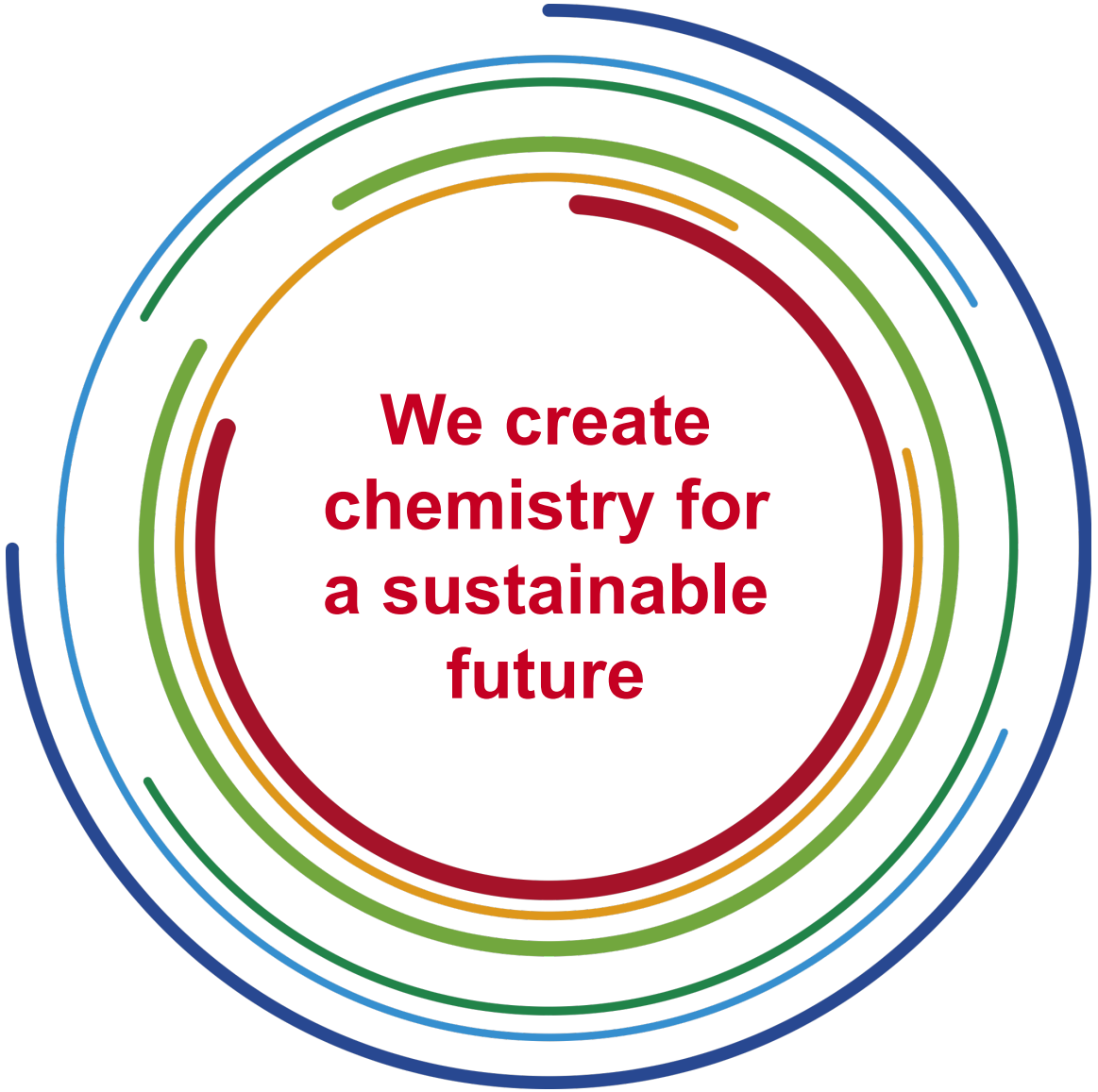

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Key facts of new segments

	Chemicals	Materials	Industrial Solutions	Surface Technologies**	Nutrition & Care	Agricultural Solutions
Business units	▪ Petrochemicals ▪ Intermediates	▪ Performance Materials ▪ Monomers	▪ Dispersions & Pigments ▪ Performance Chemicals	▪ Catalysts ▪ Coatings	▪ Nutrition & Health ▪ Care Chemicals	▪ Agricultural Solutions
Portfolio adjustments	+ Superabsorbent polymers + Styrene – Propylene oxide	+ Propylene oxide – Styrene			– Superabsorbent polymers	
Sales 2016*	€9.2 billion	€11.3 billion	€8.9 billion	€9.5 billion	€6.1 billion	€5.6 billion
EBITDA bsi 2016*	€2.2 billion	€2.2 billion	€1.4 billion	€1.0 billion	€1.2 billion	€1.3 billion
EBIT bsi 2016*	€1.5 billion	€1.5 billion	€1.0 billion	€0.7 billion	€0.8 billion	€1.1 billion
Sales 2015*	€10.5 billion	€11.6 billion	€9.3 billion	€9.5 billion	€6.2 billion	€5.8 billion
EBITDA bsi 2015*	€2.4 billion	€1.8 billion	€1.3 billion	€0.9 billion	€1.0 billion	€1.3 billion
EBIT bsi 2015*	€1.9 billion	€1.2 billion	€0.8 billion	€0.6 billion	€0.6 billion	€1.1 billion

* Pro-forma, unaudited data
** Target picture, until signing of a transaction agreement Construction Chemicals will be reported under Surface Technologies

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