



We create chemistry

**Conference Call**  
**Restated Figures 2018 and 2017**  
**Reflecting the new segment structure**  
**of the BASF Group**

**Transcript Q&A**  
**March 26, 2019**

**Tony Jones (Redburn):** I have one question on Surface Technologies. Apologies if I missed this; I joined the call slightly late. The 2017 EBIT looks like it has been adjusted slightly versus previous guidance, and then Other has been adjusted as an offset. What caused that change, please?

**Dr. Hans-Ulrich Engel:** Tony, there are a few changes. The major change that we have is the divestiture of our industrial coatings business. That took place in Q4 of 2016.

**Tony Jones (Redburn):** If I may, just one short follow-up. On Construction Chemicals and the carve-out: If we end up with the transaction being a divestment, is there any view or update on what might happen to the proceeds?

**Dr. Hans-Ulrich Engel:** We will, first of all, have to come to an agreement here. I explained – you may not have joined at that point in time – where we are in the process. We are putting together the carve-out financials, we are structuring the M&A process. We will approach potentially interested parties in, what I would call, the immediate future. Then we will have a clearer picture and also think about what to do with the proceeds.

**Andrew Stott (UBS):** A sort of broader question, really away from the new reporting to the concepts of how this has been tied in, if at all, to the new operational excellence programme, to the decentralization push: Are you, e.g., changing the way you are budgeting, through this new business unit structure?

Is there any incentive package if you are a senior manager, again tied to your new business unit? Just only thoughts about what's changing internally, or is it really just different financial reporting and we leave it at that?

**Dr. Hans-Ulrich Engel:** Thanks for your question, Andrew. At the Capital Markets Day we explained what we intend to do with the BASF Group. This is a key piece here. The new segmentation will help you to get a clearer view on BASF. There is significantly more transparency. That, obviously, also increases then the competitive pressure on our businesses, but we are perfectly fine with that. I think this is the right move.

It comes in combination with the excellence programme. You alluded to the fact that we are moving about 20,000 people that we have in what we call functions and service units closer to the businesses. We made a major step there already on January 1. There is more to come by April 1. And with these waves, we should be done by the end of 2019.

So, there are significant things happening as we speak in the BASF Group, all obviously part of one and the same strategy and, thus, also one and the same picture.

**Andreas Heine (MainFirst Bank AG):** Basically, two questions: You moved the superabsorbents from one segment to the other. Does that imply anything for how this business will be managed or is this just that you reallocated the business?

Maybe, as we are so close to the end of the quarter, if you mind adding something on what you have seen in recent weeks on the trends in the chemical markets, please?

**Dr. Hans-Ulrich Engel:** First of all, your question on superabsorbents: Is this just moving parts in the portfolio to move them? No, certainly not. Superabsorbents are part of the acrylic value chain. The acrylic value chain originates in our Petrochemicals division and we came to the conclusion that a value-chain approach makes a lot of sense here.

We have also experienced in the more recent years a commoditization of the superabsorbents business. We need to run it as a commodity business. This is also intended with moving that business into the Petrochemicals division.

On Q1 and the developments there: A month ago, we had our earnings release for the full year, the analyst conference and the press conference. We already explained there what we are seeing, which is a slow start to the year 2019. Developments in Q1 are, I want to say, fully in line with our expectations. We have seen a significant decline in isocyanate prices and, as a result of that, also isocyanate margins.

We are experiencing – we alluded to that already also at the analyst and the press conference a month ago – weak, not to say very weak cracker margins around the globe. Automotive is where we thought automotive would be. In the first two months of the year, global industry sales were down by roughly minus 8 percent. China in automotive – these are industry sales figures, but production figures are in the same order of magnitude, based on everything that I have seen – is down by minus 15 percent in the first two months of the year.

In the meantime, additional announcements were made on certain stimulus measures in China. It remains to be seen when and to what extent they will be implemented and what kind of an impact they will have. At this point in time, it's definitely too early to say. I think it would be fair to say that, at this point in time, we do not see an impact of these stimulus measures that were announced in China.

So, it is the difficult economic environment that we had expected for Q1 that will most probably also then extend into Q2. In our guidance, we are expecting improvement then to come in the second half of the year. As you recall, there are a number of things happening in the BASF portfolio that will have an impact in H2 2019, such as, e.g., the results of the oil and gas business being reported again in our EBIT once we close the transaction, as already explained. We will see the benefit from the businesses that we acquired from Bayer. But all of that is fully in line with what we have explained already a month ago.

To repeat it: Q1 is as weak as we had expected it.

**Markus Mayer (Baader Bank):** Related to Andreas' question, can you remind us on the cracker turnarounds this year? Do I remember correctly that from the phasing of this year these cracker turnarounds are more in the second quarter?

**Dr. Hans-Ulrich Engel:** Yes, Markus, that is correct. We have the heavy load of the cracker turnarounds in Q2 and then also impacts still in Q3. These are the quarters that will be affected by the cracker turnarounds.