



We create chemistry

Keynote Strategy Implementation

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and Chief Technology Officer

BASF Capital Markets Day
Ghent, Belgium, September 27, 2019

Cautionary note regarding forward-looking statements

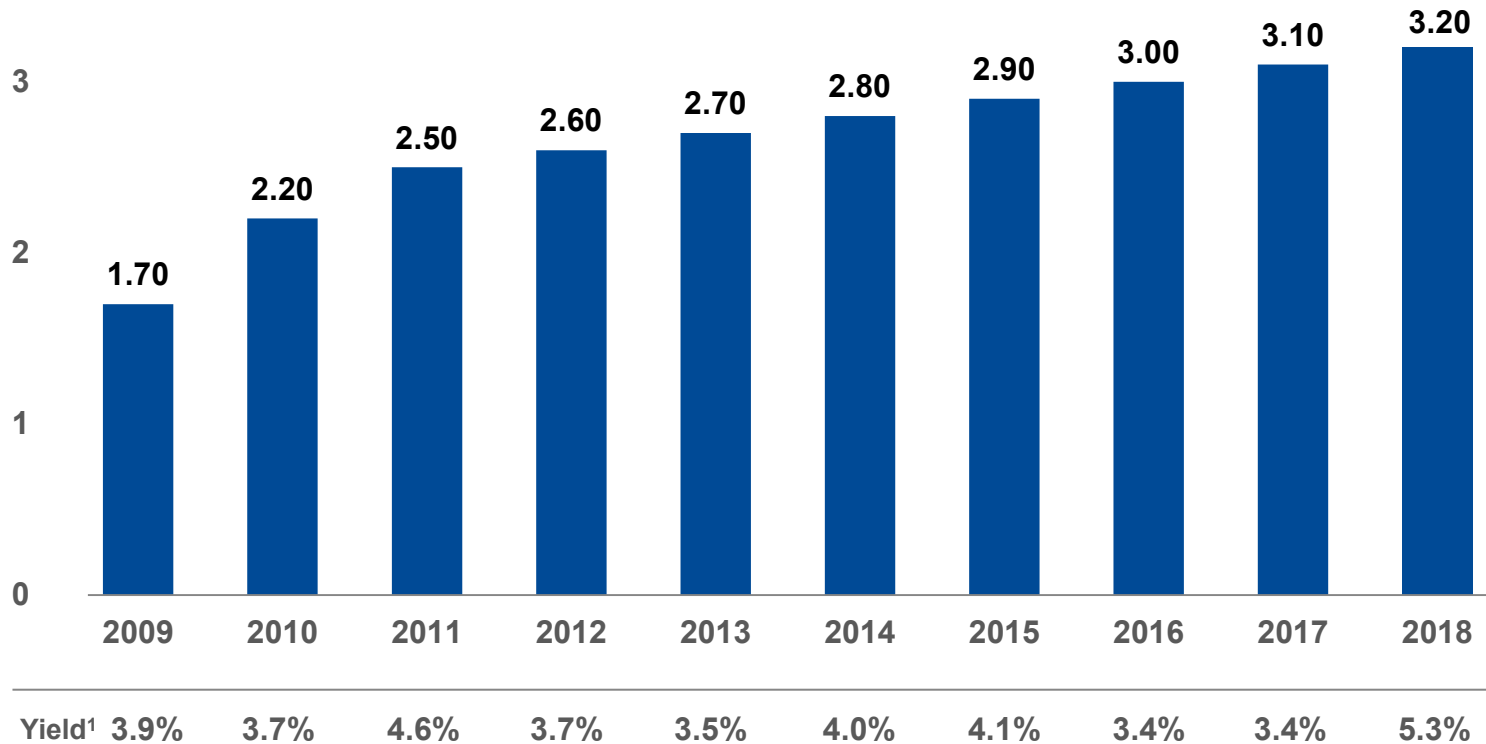
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Attractive shareholder return

– clear commitment to progressive dividend policy

Dividend per share

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Dividend policy

- Increase the dividend per share every year

Key facts

- Dividend of €3.20 per share, an increase of €0.10 compared to 2017
- Dividend yield of 5.3% based on the share price at year end 2018

Challenges ahead

- **Macroeconomic environment remains challenging**
 - Negative impacts from ongoing trade conflicts
 - Slowdown in global GDP, industrial and chemical production
- **Factors weighing on BASF's Chemicals and Materials segments**
 - Oversupplied cracker markets, especially in the United States
 - Isocyanates' autumn peak demand lower than usual
- **Strategy implementation in full swing**
 - Accelerated implementation of the excellence program
 - This year, first benefits will likely be compensated by the implementation costs
- **Outlook 2019**
 - Considerable decline in EBIT before special items of up to 30%



We stick to our ambitious financial and non-financial targets

Financial targets

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

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

Achieve a **return on capital employed (ROCE)**¹ considerably **above the cost of capital percentage** every year

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

Non-financial targets

Grow **CO₂-neutrally** until 2030

Achieve **€22 billion** in **Accelerator sales**² by 2025

Cover **90%** of our relevant spend³ with **sustainability evaluations** by 2025, and have **80%** of our suppliers **improve their sustainability performance** upon re-evaluation

More than **80%** of our **employees** feel that at BASF, they can **thrive and perform at their best**

- ¹ 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
- ² Accelerator products are products that make a substantial sustainability contribution in the value chain
- ³ We understand relevant spend as procurement volumes with relevant suppliers



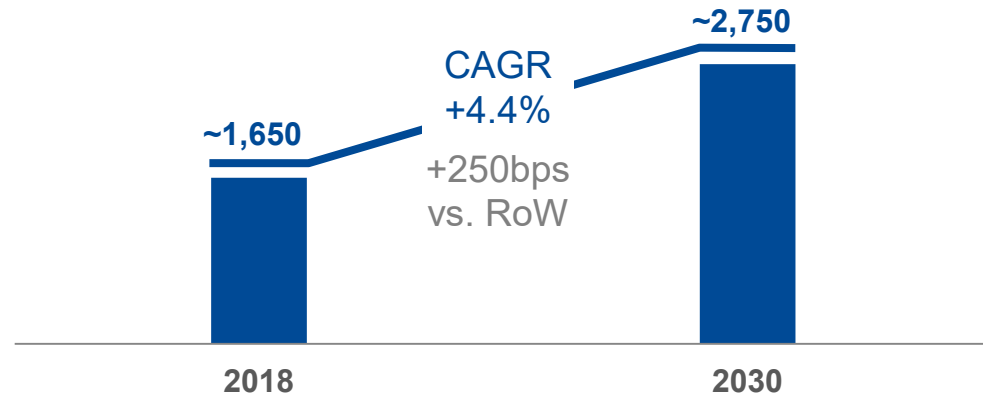
Implementing our strategy

- 1 **Continued investments in strategic growth regions and innovation-driven industries**
- 2 Leverage multiple Verbund strengths across the portfolio
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BASF is well positioned to capture future growth in China

Well positioned in China – the major growth driver for global chemical production

Real chemical production¹ billion US\$



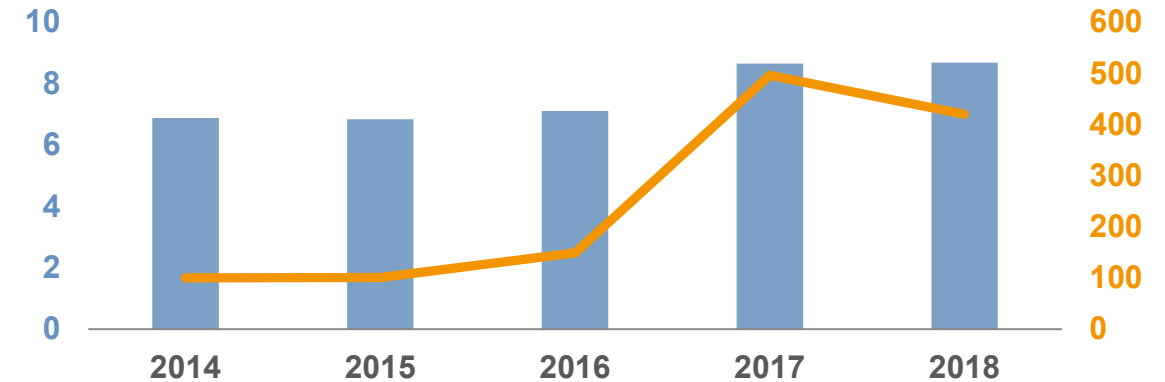
- With ~40%, China is already today the largest chemical market worldwide
- Growing above global chemical production requires a strong participation in China's growth
- BASF is a well-established and highly-recognized company in China with long-standing partnerships

¹ Source: BASF, real chemical production excluding pharmaceuticals

² Net sales to 3rd parties by location of customer plus 50% of sales of BASF-YPC Company Ltd. Nanjing

Strong earnings development of BASF in Greater China

Sales² billion €



- Proven track record of strong earnings growth in Greater China thanks to BASF's unique position
- Serving all customer industries of BASF in the region
- State-of-the-art production facilities supported by sustainable Verbund concept

Major investment projects in Asia Pacific on track

Chemical production complex, Mundra

- BASF to partner with Adani to evaluate investments in acrylics value chain
- With a joint investment totaling €2 billion, project would be BASF's largest investment in India
- First CO₂-neutral site to be 100% powered by renewable energy



Nanjing Verbund site

- BASF and Sinopec to expand Verbund site in Nanjing and potentially cooperate in battery materials
- JV BASF-YPC to have 50% in additional steam cracker
- Both projects are in the planning phase and on track



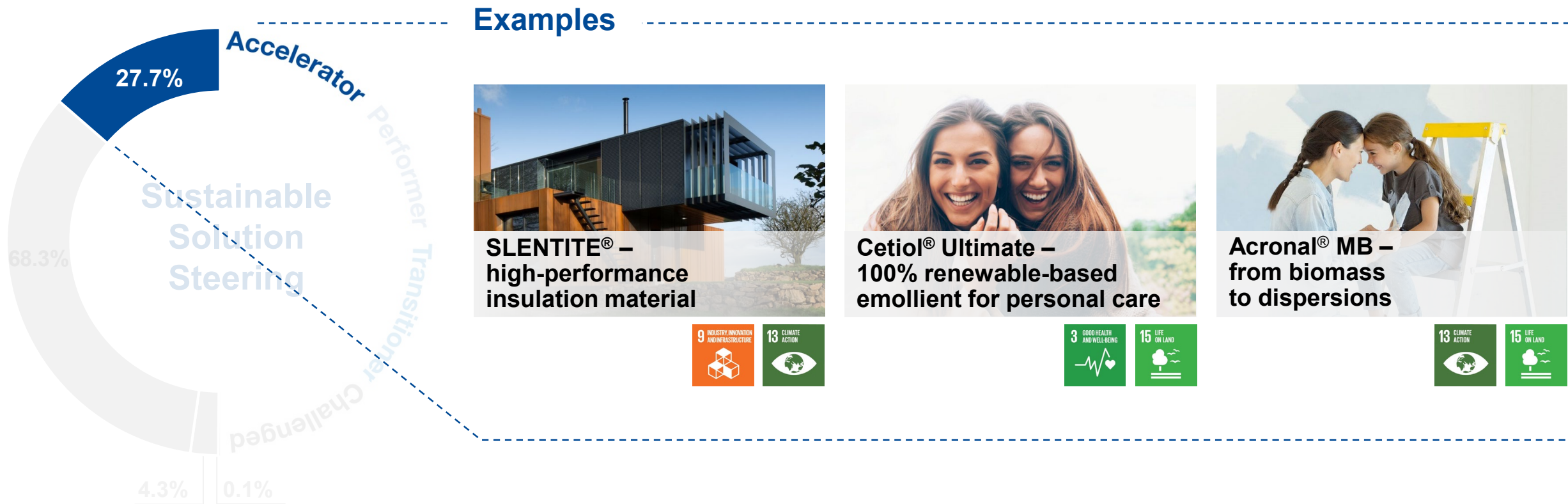
Zhanjiang Verbund site, Guangdong

- Wholly owned and operated by BASF
- Project is currently in the feasibility phase
- First plants expected to be operational in 2022
- US\$10 billion capital expenditures to be implemented in phases until 2030



Leverage BASF's innovation power to achieve €22 billion in Accelerator sales by 2025

Percentage of sales 2018



BASF and Hymer – co-creating innovation

BASF competence

contributed along the whole development process

More than 20

high-performance
BASF materials inside

Great feedback

from customers
and media

Infinergy®
Steps, bed frame
and slatted base

Chromacool
IR-reflecting
outer coating

Elastocoat®
Abrasion-resistant
surface protection

3D Print
Wheel arch linings,
bodywork parts

The reinvention of the mobile home – thanks to BASF's innovations

SLENTITE®
High-performance insulation

Haptex®
Roof lining

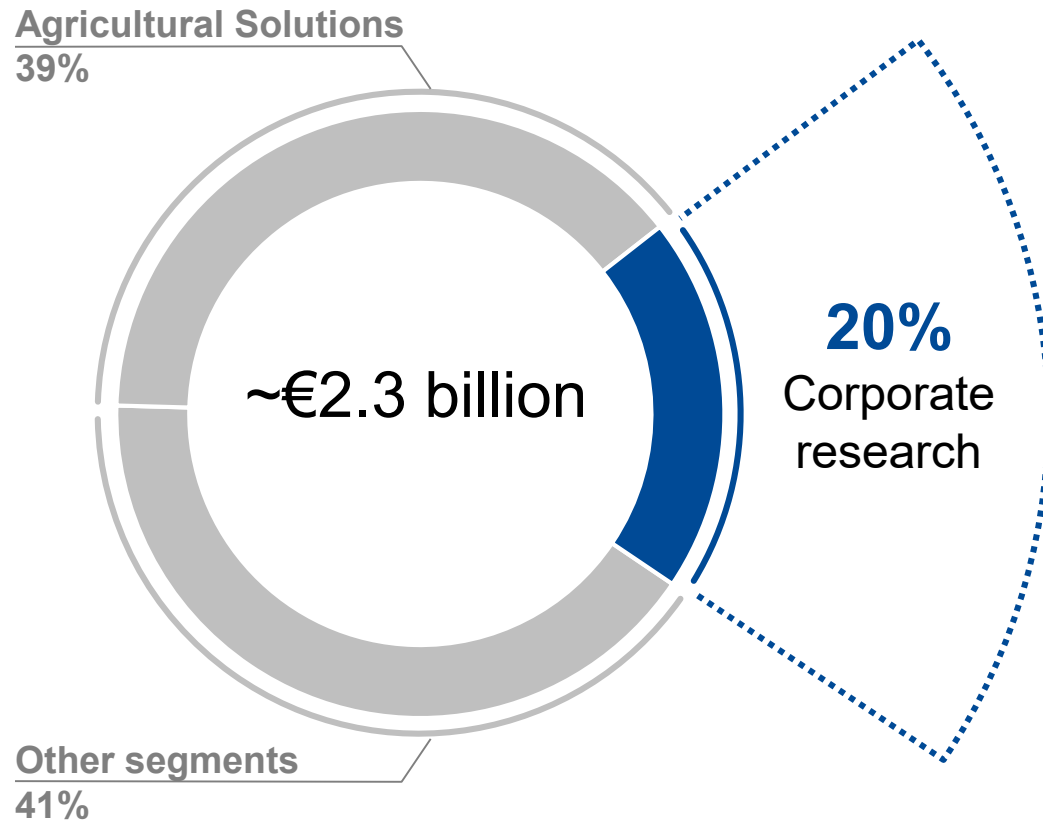
Ultramid® Vision
Pendant lights

Neopolen®
Drawer inlay

Elastoflex®
Decorative surface

BASF's corporate research ensures long-term growth of BASF Group

Expected annual R&D expenditures



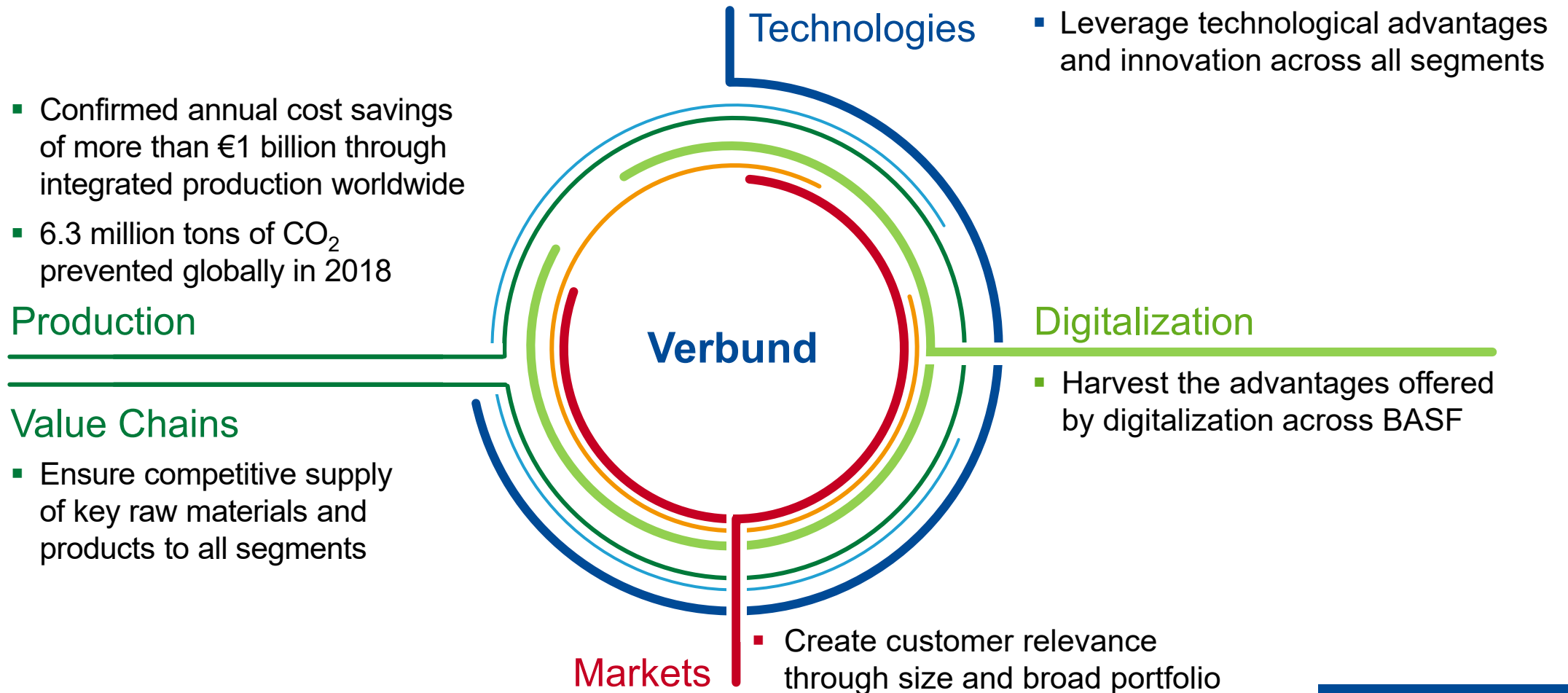
- **New businesses**
 - investment in ventures that target markets and technologies new to BASF, e.g., trinamiX, 3D printing
- **Key technology capabilities**
 - continuous investments in technologies that are decisive for BASF's core businesses, e.g., heterogeneous catalysis, enzyme technology, alternative toxicological methods
- **Corporate projects**
 - overarching topics with special relevance for BASF, e.g., Carbon Management
- **Creativity budget**
 - pragmatic approach to quickly evaluate new and radical ideas in BASF's research divisions



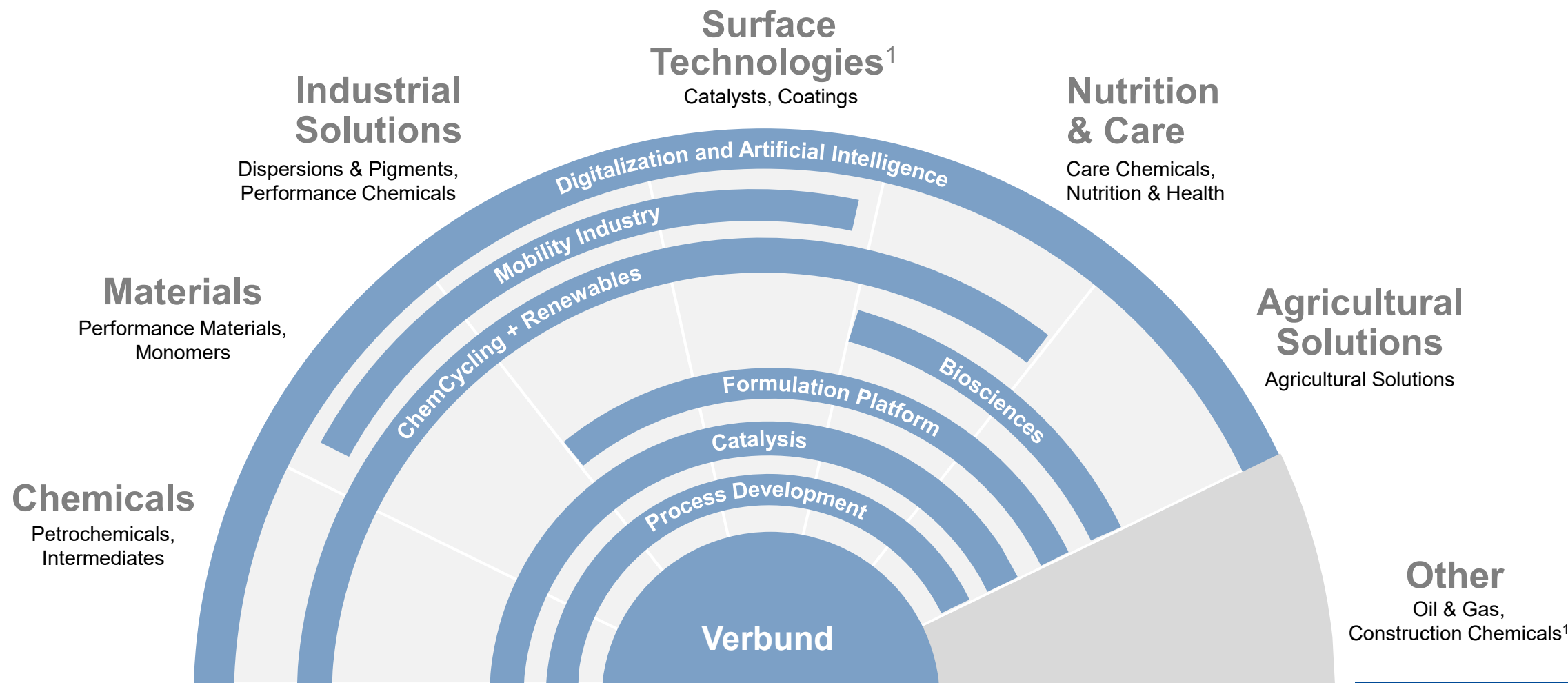
Implementing our strategy

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- 2 **Leverage multiple Verbund strengths across the portfolio**
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Our unique Verbund concept is one of BASF's greatest assets with multiple benefits strengthening the portfolio



Verbund concept enables BASF to realize synergies via connectors across the segments





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Transforming into an agile and customer-focused organization

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 to be **simplified**

People working in an **entrepreneurial performance culture**

Progress report

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

On January 1, 2020, **lean corporate center with <1,000 employees** will go live

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

Simplification measures on track: currently ~110 projects ongoing, ~40 successfully completed

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



Successful embedding example in BASF's Nutrition & Health division – maintenance team as integral part of the operations team



Lysmeral® plant¹ in Lampertheim, Germany

- **Transfer of maintenance people** from central functional unit into the responsibility of the plant organization
- Integrated maintenance team **reduced turnaround duration by 15%**
- Higher plant utilization combined with strong demand for Lysmeral led to a **positive earnings contribution of ~€1 million already**
- Plant strongly benefits from **committed, focused maintenance personnel**, taking full ownership for their “own” plant

Update on excellence program 2019 – 2021

	2019	2020	2021
Annual EBITDA contribution¹	▪ ~€0.5 billion	▪ €1.0 – €1.3 billion	▪ €2.0 billion
One-time costs per year²	▪ €0.4 – €0.5 billion	▪ €0.2 – €0.3 billion	▪ €0.2 – €0.3 billion



Key measures

- Operational excellence with focus on production, logistics and planning
- Organizational development targets leaner structures in the areas of services, R&D and headquarters
 - ▶ Significant parts of functional services embedded in businesses
 - ▶ Leaner structures and simplification of process landscape



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Creating value to society and contributing to sustainable development

CO₂-neutral growth until 2030

- Since 2002: 34% reduction in greenhouse gas emissions per ton produced
- 2018: 0.6 ton CO₂ per ton produced
- **2030 target: 0.4 ton CO₂ per ton produced¹**
- Measures: CO₂-neutral power, operational excellence and new technologies

Accelerator products

- 27.7% of BASF portfolio classified as Accelerator products with substantial sustainability contribution in the value chain
- Accelerator products
 - 2018: €15 billion sales
 - **2025 target: €22 billion sales**
 - On average margins ~6% points above the rest of assessed portfolio

Value balancing alliance

- BASF is founding member of the cross-industry value balancing alliance established in August 2019
- Aim to standardize approaches to **make societal impact** results **comparable** across companies
- Value-to-society program to make monetary impact assessment of economic, social and environmental contribution

Technology workshop in cooperation with the WEF¹ – accelerating the development of climate-friendly technologies



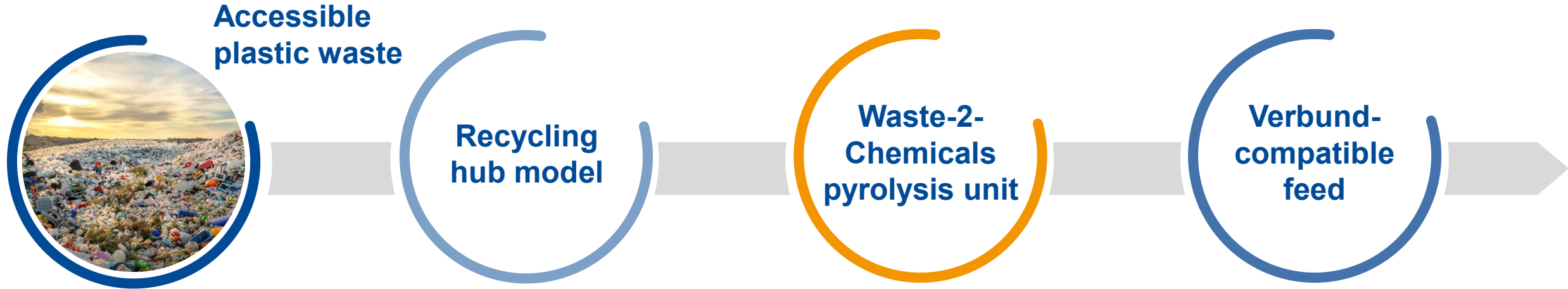
Background

- Industry-wide initiative of WEF¹ and BASF
- Kick-off workshop on July 18, 2019 in Ludwigshafen
- Focus topics included electrification, green hydrogen, plastics refineries

Next steps

- Derive workplans from project ideas
- Regular progress reports at the WEF Chemical Governors Meetings

Waste-2-Chemicals Nigeria – repurposing Nigerian plastic waste



- Lagos releases 750,000 tons of plastic waste per year, ending up on the street and in the Atlantic Ocean. Project initiated by BASF aims to demonstrate the feasibility of building a cost-effective value chain for transforming selective plastic waste into feeds for BASF's value chains
- Partnering with social entrepreneurs to deploy a scalable model to aggregate and sort plastic wastes. In a later stage of the project, ~100,000 tons of plastic waste could be recycled per year
- Enabling a circular economy by swapping pyrolysis oil against compatible cracker feeds that can be used in BASF's value chains
- Traceability of collection and sorting of plastic wastes will also allow for mass balance certificates to be generated and transferred to final products manufactured from feeds generated from this process



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Guidance on the use of cash

– targeting capex below budgeted level of €3.8 billion in 2019

Organic growth

- ~€21.3 billion capex budget 2019-2023
- Around €2.3 billion R&D expenditures annually

Progressive dividend

- Aim to increase dividend per share every year
- Strong balance sheet supports dividend policy in times of slower free cash flow generation driven by weak macro environment

Portfolio upgrading

- Strengthen portfolio by selective M&A opportunities while maintaining price discipline

Share buybacks

- We will also consider share buybacks, e.g., to return disposal proceeds to shareholders



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Ongoing portfolio management based on best-owner principle

Successful execution of recent M&A

Acquisitions

- Solvay's polyamide business¹
Sales 2018: ~€1 billion
- Seeds and crop protection
Sales LTM: ~€2 billion

Divestitures / JVs

- Pigments²
Sales 2018: ~€1 billion
- Oil & Gas
Sales 2018: ~€4.1 billion
- Water and paper chemicals
Sales 2018: ~€0.8 billion

Construction Chemicals

- Sales 2018: ~€2.5 billion
- Confirmatory bids received
- Signing expected by end of 2019

Oil & Gas IPO

- Stand-alone financing secured
- IPO targeted in H2 2020, banks mandated

Ongoing portfolio measures



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