



We create chemistry

June 18, 2020

# Speech for the Annual Shareholders' Meeting 2020

Dr. Martin Brudermüller

Chairman of the Board of Executive Directors of BASF SE

The spoken word applies.

---

Media Relations  
Jens Fey  
Phone: +49 621 60-99123  
[jens.fey@basf.com](mailto:jens.fey@basf.com)

Investor Relations  
Dr. Stefanie Wettberg  
Phone: +49 621 60-48002  
[stefanie.wettberg@basf.com](mailto:stefanie.wettberg@basf.com)

BASF SE  
67056 Ludwigshafen  
[www.basf.com](http://www.basf.com)  
[presse.kontakt@basf.com](mailto:presse.kontakt@basf.com)

Dear shareholders,  
ladies and gentlemen,

The film shows you the dedicated efforts of our employees. We are innovative when it comes to finding solutions for our customers. And when it comes to lending a helping hand. Each one of us contributes our strengths. We all pull together. We take action. This is who we are at BASF.

A very warm welcome to our virtual Annual Shareholders' Meeting!

Today, we welcome you from the middle of our site here in Ludwigshafen. We are all at a safe distance from one another. But even more united in our purpose.

No matter where you are watching from: We very much appreciate your interest in BASF.

Anyone who knows BASF, knows: In-person discussions with you are very important to us. Your reaction, your applause, but also your questions and your criticism. We therefore regret that today we cannot come together as we usually do in the Rosengarten conference center. But health comes first. Yours and ours.

We know that this virtual Annual Shareholders' Meeting also means some limitations for you. But, unfortunately, it is the only option at this time. I am very grateful for your support.

Our lives have changed significantly since the outbreak of Covid-19. The pandemic has turned the world upside down. It is challenging for people, societies and business. And this will be the case for some time.

I personally have heard many people's concerns in recent weeks. A customer whose supply chain was disrupted basically overnight. One of our apprentices who was worried whether he would get a job offer during the coronavirus crisis.

Parents who are reaching their limits after several weeks of working from home and homeschooling.

Covid-19 is a huge challenge for everyone. We must rethink some things. Many things are happening differently now and cannot be planned.

But one thing has not changed: You can count on us. At BASF, we stick together. This has always been our strength. This is how we have overcome crises in the past. And it is how we will do this now and in the future.

We know: It only works when we work together. As a team at BASF. And in alliance with policymakers, with society and, most importantly, with our customers.

By sticking together, we are strong. And this strength gives us confidence.

At BASF, we don't just talk about solidarity, we take action. We are doing our part during this crisis. We are giving something back to all those in society who are doing great things right now: for people and their health.

We therefore started our "Helping Hands" aid campaign very early on.

It quickly became clear to everyone that there was a major shortage of hand sanitizer. So we immediately established production capacity at BASF. We purchased the raw materials and started making disinfectant. This is not actually part of BASF's product portfolio. But exceptional situations require exceptional responses.

It took only one week from when we placed the first call to the authorities until we filled the first canister with sanitizer.

We started with several thousand liters in Ludwigshafen. Many BASF sites participated. In the end, we produced nearly one million liters worldwide.

And we decided to provide all of it free of charge. To places where it is desperately needed: hospitals, doctors' offices and care homes. This is our way of saying thanks. We have received a lot of positive feedback about our initiative. We were happy to hear this. It is motivating for us.

As part of our aid initiative, we also procured protective face masks. These were also scarce. The German government asked us to help source masks through our BASF team in China.

We acquired more than 100 million protective masks and donated them to the Federal Republic of Germany and the state of Rhineland-Palatinate.

These are just two examples of the many things we are doing. Numerous employees are creatively and actively lending a helping hand, as you saw in the film.

We have close connections with our neighbors at our sites worldwide. For us, helping is a matter of course. In total, BASF is committing roughly €100 million to fighting the pandemic.

The determined efforts of our employees, their passion and their eagerness to help: This is simply incredible! This is something I am – we are – proud of. And for this, on behalf of the Board of Executive Directors, I want to say thank you very much.

A big thank you also goes out to the public authorities. They quickly granted us the necessary permits.

Ladies and gentlemen,

We are doing everything we can to protect the health of our employees and their families. This is top priority!

Our number one objective is: Prevent infections! Physical distancing is the order of the day. We have flexibly adapted our ways of working. Employees are working from home. Phone and video meetings have replaced face-to-face gatherings.

Our IT experts are doing an amazing job. Almost 40,000 employees are working from home, with almost no disruptions. And it works! BASF works!

But not everyone can work from home. Our production must continue. We therefore divided our shifts into smaller teams. We reorganized shift times at the plants to reduce contact. We have adapted many processes and implemented additional protective measures. We have strict rules for hygiene and physical distancing. Also for our contractors.

We protect our colleagues, no matter which company they are from.

We are managing this crisis. Actively. With both hands on the steering wheel and both feet on the ground. With our crisis response teams – at the global, regional and local levels. These are very experienced and proven teams.

Despite the coronavirus, we also carry on our business operations. Right now in particular, our customers need reliable supplies. This is not just important for them and for us. It is also important for the markets and society. Because we produce many products that are urgently needed: raw materials for hygiene products, for nutrition and for pharmaceuticals.

And many of our products have been deemed essential. This is why we have been able to continue almost all of our operations worldwide.

The advantages of our Verbund are especially apparent in the current crisis. We are constantly coordinating the capacity utilization of the various plants. Based on demand.

And there is no question: We are facing major challenges in our supply chains. We are showing that we are flexible and resilient. We are in close contact with our suppliers and we can react quickly.

How are our customers doing?

The forecasts change almost daily. But a few trends are becoming apparent. The pandemic is affecting our customers to varying degrees. From the pharma, cleaning and care products and nutrition sectors, we have more orders than before. Our crop protection and seeds businesses also performed well in the first quarter.

Other customers are being hit hard by the crisis. The hardest hit is the automotive industry. Demand collapsed, supply chains are disrupted, production came to a halt. In the first quarter of 2020, global production was down by 24 percent year on year. This has major consequences for us. Especially in the second quarter.

As you know, the automotive sector is our most important customer industry. It is among the most innovative in the world. This has been a bond between us for years.

Given these developments, we performed very well in the first quarter:

- BASF Group generated sales of €16.8 billion. This represents an increase of 7 percent compared with the first quarter of the previous year. This was driven by the good development of our sales volumes, which were up by 4 percent in a difficult environment.
- EBIT before special items amounted to €1.6 billion. This was 6 percent lower than in the previous first quarter.
- BASF has solid financing. The equity ratio amounted to 47 percent at the end of March.

As you can see, we demonstrated resilience. Our broad portfolio – which is so often criticized – offers many advantages. In addition, we have a high level of liquidity.

COVID-19 has dominated the past few months. And it is clear to everyone that we will be dealing with the consequences for a long time. We are preparing for this. But the Annual Shareholders' Meeting is also about looking back at our 2019 business year.

We used the year to reshape BASF. One year ago, I presented our new strategy to you. We have worked hard and made very good progress. Even in spite of the strong economic headwinds.

The trade conflicts and political unrest continued. Key sales markets developed more slowly. Our market environment deteriorated. The trade conflict between the United States and China and the Brexit debate were worrying, not only for us.

Due to these uncertainties, our customers were reluctant to place orders. Especially in the automotive sector. In addition: Prices in important markets declined. More sharply than we had expected.

All these factors made things very difficult for us. We therefore had to correct our forecasts in July. That was bitter. Consequently, we did not reach our financial targets in 2019.

Our key performance indicators are:

- We reported sales of €59.3 billion. This was slightly below the prior-year level.
- We generated EBIT before special items of €4.6 billion. This represented a decline of 26 percent.
- Our free cash flow amounted to €3.7 billion.

Overall, we are not satisfied with these results.

We are ambitious, as you know. We had set ourselves ambitious goals for 2019. And we were expecting an upturn in the second half. That did not happen. Even worse: We faced stormy headwinds.

Let's look at a few of our businesses.

In our business with basic chemicals, excess capacity put downward pressure on prices. For example, on isocyanates. These are important basic products that are used, for instance, in the foam in your car's seats or in your mattress. Another affected area was our steam cracker products. The steam cracker is the heart of our Verbund. Here, the overall picture was one of weak demand, excess capacity and low prices.

The good news is: In this difficult environment, we also achieved significant improvements. In all of our four downstream segments.

Our downstream segments are close to consumers, with specialty chemicals such as additives for plastics and coatings. And dispersions for many applications in day-to-day life, including vitamins and enzymes for food or crop protection. The business acquired from Bayer is performing very well.

We achieved very good results in our downstream businesses. Unfortunately, this could not offset the decline in the basic chemicals business.

Dear shareholders,

What does this development mean for your dividend?

We are convinced of BASF's resilience. Even in challenging times. The Board of Executive Directors and the Supervisory Board propose to you a dividend of €3.30 per share for the 2019 business year.



We are increasing the dividend by €0.10 compared with the previous year for a total payout of €3 billion. This is justified by the free cash flow of €3.7 billion in 2019.

We have been closely following the controversial discussions about dividend payments during the coronavirus crisis. However, the sole deciding factor is BASF's financial situation. Our liquidity is very good. With this liquidity, we can stay the course during the crisis and enable you to participate in the company's success for the year 2019.

Ladies and gentlemen,

Let's look at our strategy work. Our priorities are the same. We want to grow profitably and sustainably. The coronavirus will not change this.

One year ago, we promised you we would implement our strategy quickly. We would not be pre-occupied with ourselves for too long. We would create a new BASF.

And we delivered. In record time.

That was also necessary. Because in recent years we have no longer seen the growth we had envisioned. We therefore changed BASF. From the ground up. To adapt to the new realities.

This reorganization was exactly right. We can see this now in the crisis. We tackled the right issues, even before the coronavirus.

What did we achieve in 2019? Here are five examples:

**First: We sharpened our customer focus and reduced complexity.**

We are now faster, more flexible and more agile. For our customers. To this end, we established a new organizational structure.

With strong business units that have a more flexible market orientation. Compared to one year ago, approximately 20,000 employees are now working closer to customers.

With a lean headquarters. For us, lean means less than 1,000 employees. And with regions whose roles have been sharpened.

Is this paying off? Yes. More and more customers are telling us that something has changed at BASF. They like working with us and they notice that BASF has become more dynamic and agile. Especially during this crisis, our customers experience this directly.

### **Second: We accelerated our Excellence Program.**

We are optimistic: By the end of 2021, we will achieve the targeted annual EBITDA contribution of €2 billion to improve our performance.

It's important to me that we reduce costs. But not only that. It's urgently necessary that we improve processes and we are doing this. We are forgoing anything that does not create value.

But, of course, there were also decisions that were not easy. For example, reducing 6,000 positions worldwide. And doing this faster than originally planned. Now, it will be done by the end of 2020.

I would like to stress once again: We are doing this thoughtfully, transparently and in a socially responsible way. We involve our social partners in this process.

### **Third: We actively manage our portfolio.**

In 2019, we once again signed and completed many projects. The key ones are:

- The integration of the businesses acquired from Bayer in 2018. This is going so well it is like the team has always been part of BASF.
- The purchase and integration of Solvay's polyamide business.

The purchase price was more than €1 billion.

- The sale of the construction chemicals business to Lone Star for more than €3 billion. Coronavirus is making the preparations more difficult, but we are on schedule. And we expect closing in the third quarter of 2020.
- The sale of our pigments business to Japanese chemical company DIC for more than €1 billion. We expect this transaction to close in the fourth quarter.

Despite the pandemic, the teams are all doing a great job!

- Moreover, together with LetterOne, we successfully completed the merger of Wintershall and DEA in May 2019. We created the leading independent gas and oil company in Europe.

In a nutshell: We are divesting businesses that no longer fit with our strategy. And we are strengthening our Verbund. We are selling businesses that are not that closely integrated in the Verbund. And using the proceeds of these divestitures, especially to grow organically.

And that brings me to our **fourth** strategic priority: **We invest to grow organically.**

We had originally budgeted €3.4 billion for investments this year.

In light of the pandemic and its consequences, we are carefully scrutinizing our investments. We are asking: Is now the right time for this particular project, with a view to the change in demand? Do we truly need this investment?

Our new target for this year is €2.8 billion. However, we remain committed to our long-term growth projects. This includes our investment in India. I introduced this project to you one year ago.

We are planning a completely carbon-neutral site in Mundra. We want to finish the feasibility study this year. We also want to do the same for our Verbund site in Guangdong, China, which we remain committed to.

This means: We will optimize our concept by the end of December. And we are planning the project milestones for the coming years. Let me state very clearly: Coronavirus does not change anything about the growth potential in Asia, especially China.

Ladies and gentlemen,

I was on site for the groundbreaking ceremony for our first plant in Zhanjiang in the province of Guangdong. A truly emotional moment for us. We are the first foreign company to build a Verbund site there on our own.

This site will be a model for sustainable, safe and digital chemical production. With the highest standards. Guangdong is also an economic powerhouse. Many of our customers are there.

Our new site is therefore in the right place.

We are also in the right place in Schwarzheide and Harjavalta. At these two sites we are building plants that are all about e-mobility.

There is no doubt: e-mobility is coming.

If you don't yet know Harjavalta in Finland, we are about to change that. In the picture you can only see a construction site. But imagine: A precursor plant is being built here.

In cooperation with the plant in Schwarzheide, we will use these precursors to develop cathode active materials. Enough to equip around 400,000 electric vehicles. Per year!

With these investments, we are strengthening our position in the battery materials market.

And Europe is looking to us. The European Commission is supporting these investments in Schwarzheide and Harjavalta. Because the establishment of a value chain for batteries has been recognized as an Important Project of Common European Interest.

This brings me to our **fifth** strategic focus area: **We are further developing our culture at BASF.**

This means: Employees having more personal responsibility and greater decision-making autonomy. More than 80 percent of our employees should feel: “At BASF, I can thrive and perform at my best.” This is our goal. We surveyed our employees about this in 2019. In the midst of reshaping the company!

And the result? 79 percent of respondents agreed with the statement.

79 percent!

We are proud of this very good result. It means that, even in the midst of change, our employees feel connected to BASF and they are helping to realize the transformation.

Change also means leaving your comfort zone. It often takes time before we internalize things in our minds and hearts.

We have set ourselves yet another important goal. By 2030, we want women to hold 30 percent of top leadership positions.

In 2019, we achieved our previous target of 23 percent. Two years ahead of schedule. But, in our view, that is not enough!

Because it is clear that we need women’s competencies in all our leadership teams. Diverse teams make us stronger.

As you can see: In 2019, we tackled the things we have control over. And we were successful.

Does this mean we are finished with our strategy? No, of course not. But we have initiated many things. And this is exactly where we will take the next steps.

On behalf of the Board of Executive Directors, I would like to extend heartfelt thanks to all employees for their efforts in 2019. Especially for how they helped to shape the transformation. Thank you very much! For your persistence, your dedication and your positive attitude!

Dear shareholders,

There is one question that I am constantly asked: “What are you at BASF actually doing for the climate?”

Our answer is clear: We are doing a lot. It is all about how BASF can contribute to a better future. Climate protection is also very important to me personally.

But, after the coronavirus, what will happen with climate protection and sustainability? Will we be putting things on the back burner for the foreseeable future?

To that I can adamantly say: No! For us, sustainability and innovation go hand in hand. Both are at the core of our strategy.

Let me say this clearly: Sustainability for us is not just a bit of environmental protection, buying some renewable energy, or having a few social standards. No, for us it is important to combine the three pillars of sustainability: economic success, social responsibility and environmental protection.

And we have been doing this for a long time. For 25 years, sustainability has been our guiding principle. It has been embedded in our corporate purpose since 2011.

“We create chemistry for a sustainable future.”

As you can tell: For us, sustainability means social responsibility. At the same time, it is also an excellent opportunity for profitable growth.

Because innovations based on chemistry are essential. For protecting the climate. And for the other challenges, such as clean water, future mobility and nutrition for all.

I would like to present to you three innovations we are working on.

A key question for us is: **How can we reduce our CO<sub>2</sub> emissions?**

We stand by our ambitious goal. We want to grow CO<sub>2</sub>-neutrally until 2030. While increasing our production by around 50 percent.

We are trailblazers. We did pioneer work two years ago when we defined our climate target. We were the only producer of basic chemicals to do this. And the only one to take such a proactive approach.

What is it that makes this so difficult?

It is the high energy requirements in chemical production. We have to revamp very energy-intensive processes. To accomplish this, we need more electricity. From renewable sources. At affordable prices.

You might say: It sounds like this involves major changes! And, yes, you are right!

We are changing the key processes in our production. Fundamentally. This is the only viable approach for our industry.

We are doing this with our Carbon Management Program. This means new technologies, renewable energy and alternative raw material routes.

One example of this is our research into an electrical heating concept for our steam crackers. With this concept, we want to use renewable solar and wind energy instead of natural gas. This could reduce CO<sub>2</sub> by as much as 90 percent.

What else are we working on? **We ask ourselves: How can we help our customers to avoid CO<sub>2</sub>?**

To do this, we are constantly developing new products that make a major contribution to sustainability. These are our “Accelerator” products.

We call them this because they help our customers accelerate progress towards their sustainability goals. Some prominent examples are our battery materials and our insulation materials for buildings. Both reduce CO<sub>2</sub> emissions.

Accelerator products are important for our strategy. They are more profitable than other products in our portfolio. And they are growing much faster. This reflects the interest from our customers. This differentiates us. That is why we are increasing the share of Accelerators. By the year 2025, we want to generate €22 billion in sales with these products.

Accelerator products show the innovative power of BASF.

Another question we want to answer is: **How can we advance the circular economy?**

We are conducting research on innovations that will create a circular economy for plastics. We have made great progress with “ChemCycling.”

This is chemical recycling. We transform waste plastic back into an oil.

With this recycled oil, we make brand-new products in our existing plants. For example, packaging for food. Just a few years ago, people were saying: “Recycled plastics will never be used for food packaging!”

But we have shown it can be done. On a small scale, this already works very well. Now it has to be proven on an industrial scale.

I am confident that this will result in new business models for BASF.



As you can see: We know how to do sustainability and innovation. We have innovations for the global questions of the future.

I presented three examples to you today. The BASF team has developed many innovations of this kind. And they are always coming up with new ones.

Ladies and gentlemen,

Recent weeks have shown us once again that we can only overcome global challenges together. Politics, business and society standing shoulder to shoulder. To achieve this, we must break free from our silos! Only together will we find powerful solutions to the global issues of the future.

Companies now need to “repower” following the coronavirus crisis. It must be a sustainable “repowering.” But it cannot be based solely on environmental considerations. Our shared task is to find the right balance: between economic, social and environmental aspects.

Think, for example, about renewable energy. The transformation to a lower-carbon society will succeed only if enormous new capacity is provided. And it must be available at competitive prices. A high EEG energy surcharge is applied to every kilowatt hour.

This is not helpful! To remain competitive, we need electricity prices to be below €0.05 per kilowatt hour.

Policymakers must therefore create the framework to make this a reality. At the European level. The German E.U. Council Presidency offers a good opportunity for this. New capacity for renewable energy at low prices is needed. Without the EEG surcharge. And without electricity tax.

This will combine the necessary with the possible. And you can count on us then.

Now, I come to the conclusion of my speech.

We started off the year 2020 robustly. But we all know: The first quarter was not a normal quarter. Nobody can reliably predict how the situation will develop.

Therefore, I am not providing you with any figures for our outlook today. Instead, it will be a qualitative assessment. The influence of the pandemic will be very noticeable for BASF in the second quarter. We expect in the best-case scenario an operating result in the low three-digit million-euro range. It could also be zero or negative.

One key reason for this is the global standstill in the automotive industry. Another is the subdued demand from consumers worldwide. We do not know if and when the markets will return to normal. Or how they will develop in the future.

Even strong demand in the other segments will not enable us to offset the decrease in the automotive market.

We expect an improvement over the course of the year. But not a complete recovery. We hope to be able to give you specific figures in the third quarter.

Dear shareholders,

We have mobilized all our resources and we will overcome this crisis. At the same time, we are turning our attention to the future of BASF. We have ambitious goals. With our strategy, we are heading in the right direction. And we are staying the course in the long term: for profitable and sustainable growth.

Our solidarity makes us strong. With this strength, we are optimistically looking to the future.

And what motivates us is the feedback we receive from our customers. Especially now during the coronavirus crisis. One customer told us a week ago: “It is reassuring to know that we can fully and completely rely on BASF. Especially when times get tougher.”

This encourages us as we follow our path.

We are systematically addressing the things we have control over. Exactly as you would expect from BASF. With strength, courage and determination.

I hope you will continue to stand by BASF.

Strength, courage and determination. These words also describe Jürgen Hambrecht. After 44 years at BASF, his term is ending today.

As attendees at our Annual Shareholders’ Meeting, you all know him already. As Chairman of the Supervisory Board, he has chaired the Annual Shareholders’ Meeting for the past five years. And today he is doing so for the last time. Just as we expect from him: confident, with the necessary rigor, but always fair. And now, in a virtual format, too.

Without Jürgen Hambrecht, BASF’s success story would be unimaginable. I will mention three of his successes, as just some examples among many.

Jürgen Hambrecht was our first board member to be based in Asia. From there, he expanded our Asian business. A highlight and a pioneering accomplishment was the construction of our Verbund site in Nanjing.

He was our top crisis manager during the financial crisis and led BASF back into safe waters.

And he has passionately and tirelessly represented the interests of our industry to policymakers and society.

Jürgen Hambrecht is a thought leader and a man of action. And he is always trustworthy and fair. He is also impatient and demanding. You can trust me on that.

Dear Mr. Hambrecht, I want to extend my heartfelt thanks, also on behalf of the Board of Executive Directors: Thank you for your trust, the close collaboration and your reliable support.

I hope that you now have more time for your family, who mean so much to you. As well as for your sports activities in the mountains. And for pursuing your curiosity about new technologies and startup companies. You have incredible drive! We wish you much joy and many more years of excellent health! All the best wishes to you and your family!

Unfortunately, at this virtual Annual Shareholders' Meeting, we cannot give you the applause you deserve. But I assure you: The shareholders and shareholders' associations are very appreciative of the work you have done! Some of them would have liked to be able to express that in person today.

Dear shareholders,

I look forward to seeing you again next year. Hopefully, in person once again at Rosengarten. Stay healthy!

Thank you very much for your support and your trust.