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BASF Investor Day

Ludwigshafen
September 28, 2015

150 years

BASF

We create chemistry

**We create chemistry
for a sustainable future**

well on track

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This presentation may contain forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realized from the proposals described herein. Forward-looking statements may include, in particular, statements about future events, future financial performance, plans, strategies, expectations, prospects, competitive environment, regulation and supply and demand. BASF has based these forward-looking statements on its views and assumptions with respect to future events and financial performance. Actual financial performance could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated. Given these uncertainties, readers should not put undue reliance on any forward-looking statements. The information contained in this presentation is subject to change without notice and BASF does not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, except to the extent required by applicable laws and regulations.

'We create chemistry for a sustainable future' entering the 5th year

What did we say in 2011?

The chemical market will continue to grow at about 5% p.a. fueled by

- a growing middle class in emerging markets
- demand for innovations for higher living standards and more sustainable solutions

BASF wants to continue to grow above market focusing on

- adding value as One Company
- expansion of product portfolio downstream towards functionalized materials & solutions
- higher capex particularly in emerging markets
- increased investment in R&D

BASF is committed to delivering long-term shareholder value by

- growing EBITDA faster than sales
- earning a substantial EBIT after cost of capital
- steadily increasing its dividend

'We create chemistry for a sustainable future' entering the 5th year

What did we not mention in 2011?

U.S. shale gas

was seen as an opportunity, but not as an industry game changer.

Coal in China

We did not foresee the government's move to incentivize coal over gas for chemical production.

Oil & Gas

We were conspicuously silent about Oil & Gas – maintain its share of Group sales, earnings and capex.

Portfolio pruning

Acquisitions were a strategic lever for growth – we focused on portfolio pruning and smaller acquisitions.

What do we want to achieve today and tomorrow?

- **Enable you to deep dive into our business portfolio and introduce our business leaders to you**
- **Demonstrate how we drive value**
- **Highlight our approach to innovation and showcase specific examples**
- **Provide a medium-term outlook**



▶ **Review of chemical industry's landscape**

▶ **BASF growth and earnings review**

▶ **The way forward: Our priorities**

Fundamental trends intact; environment for chemical industry more challenging

CAGR 2010 - 2015

2011 view

today's view

Global GDP

3.4%

2.6%

Industrial production

4.6%

3.2%

**Chemical production
(excl. pharma)**

4.9%

3.9%

▶ thereof growth contribution of emerging markets

82%

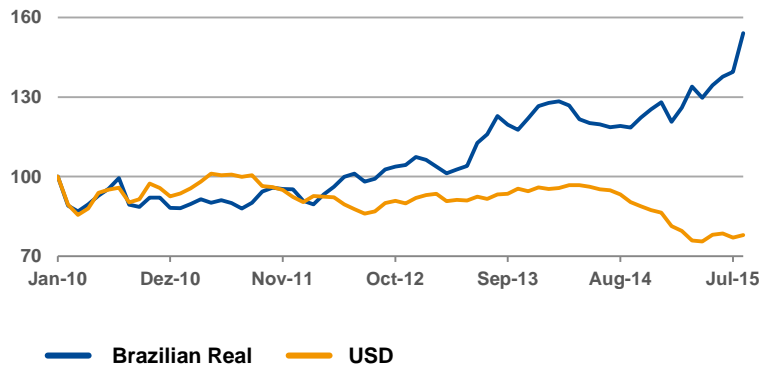
91%

Market dynamics have changed since 2011

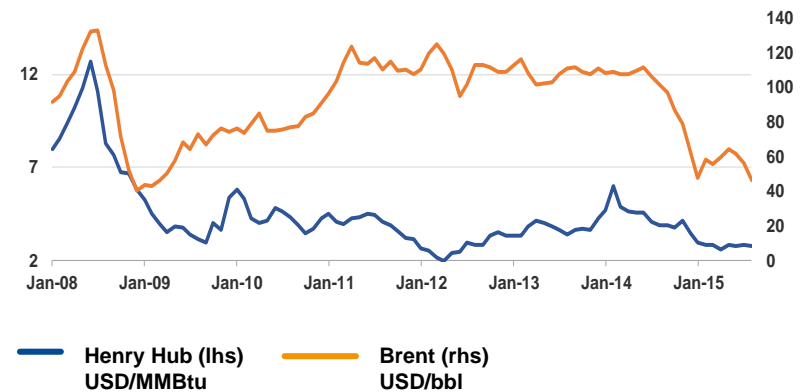
- Low growth in Europe, Japan and the U.S.
- Strong growth stimulus in China with spillover effects to other emerging markets
- Lower feedstock costs
- Proliferation of some technologies resulted in increased competition
- Faster build-up of significant new capacities in China resulted in overcapacities
- Faster than expected commoditization in selected product lines

Lower predictability and higher volatility in the economic environment

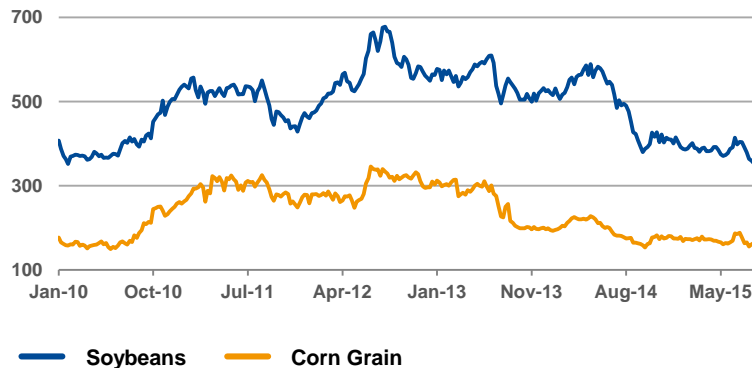
Exchange rates reflect geopolitical situations
(index 2010 = 100)



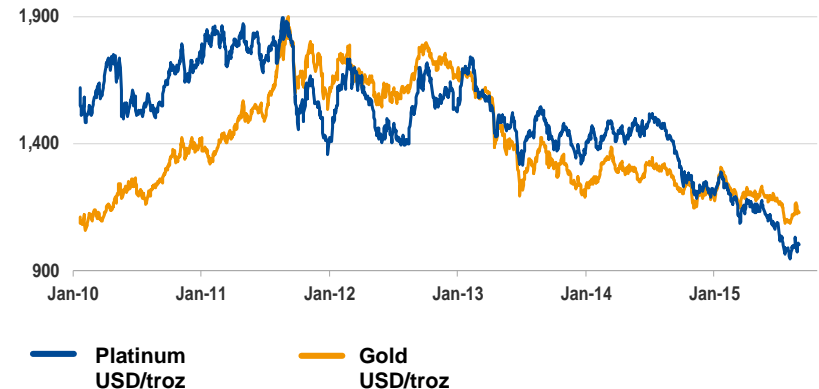
Highly volatile oil and natural gas prices



Soft commodity prices at peak and trough
(index 2007 = 100)



Precious metal prices



Chemicals remains a growth industry



Agriculture



Health & nutrition



Energy & resources



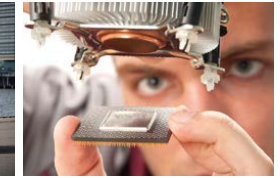
Construction & housing



Consumer goods



Transportation



Electrical & Electronics

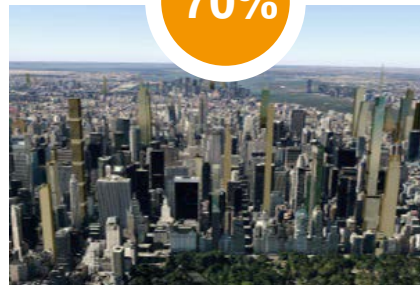
Chemistry as enabler for current and future needs

>9bn



...people
by 2050

70%



...of the world
population will live in
cities by 2050

50%



...more primary energy
consumption
by 2050

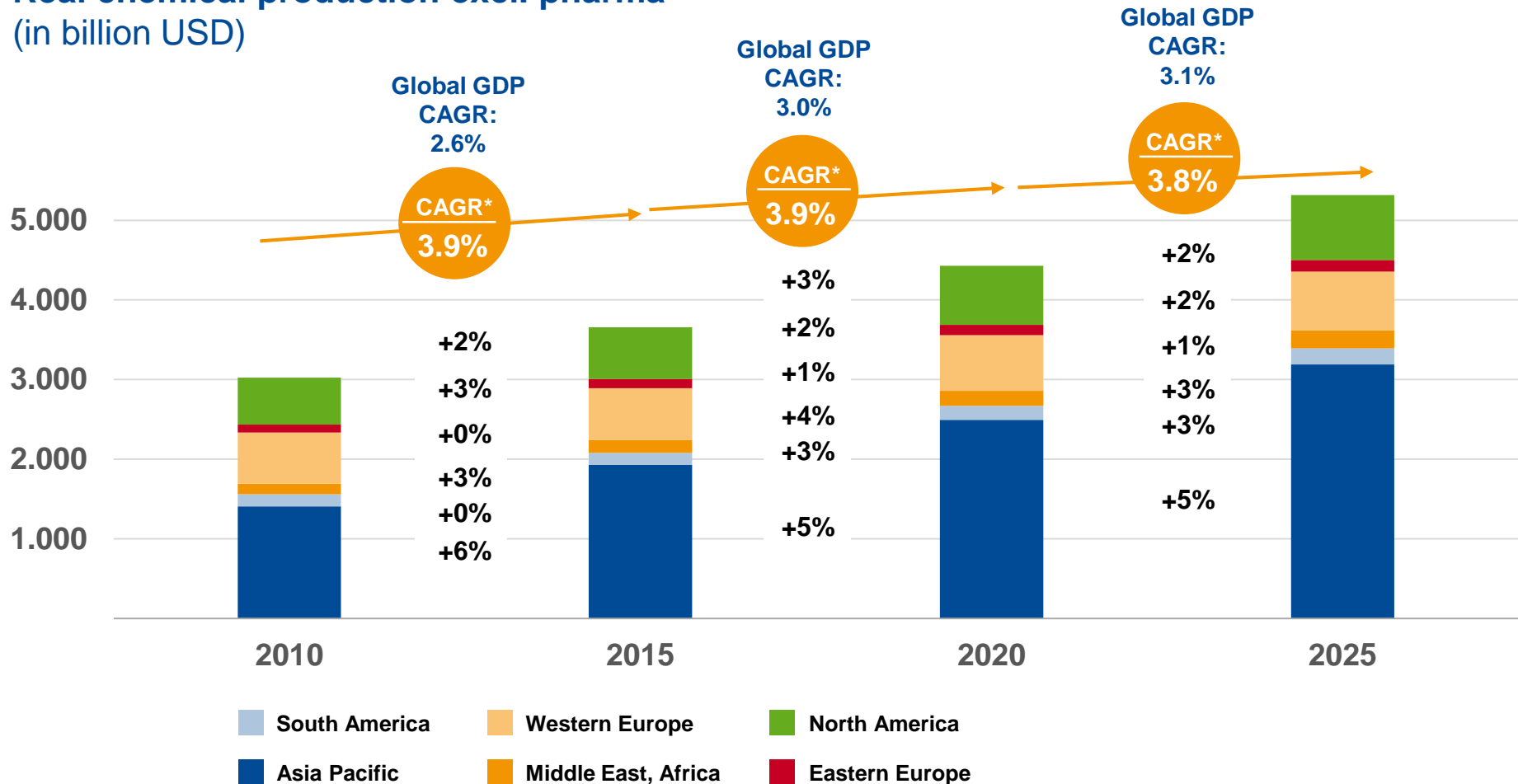
30%



...more food needed
by 2050

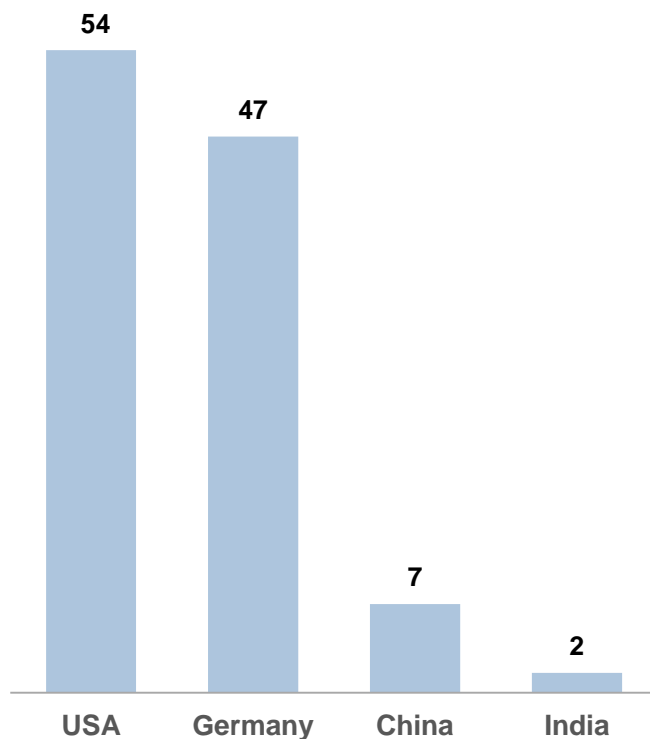
Emerging markets driving chemical production growth above global GDP

Real chemical production excl. pharma
(in billion USD)

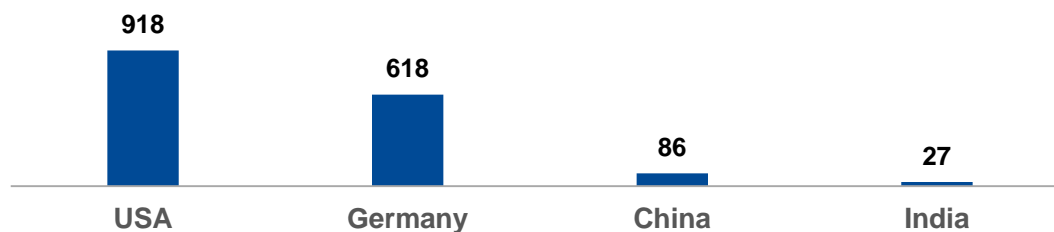


China and India still have a huge economic catch-up potential

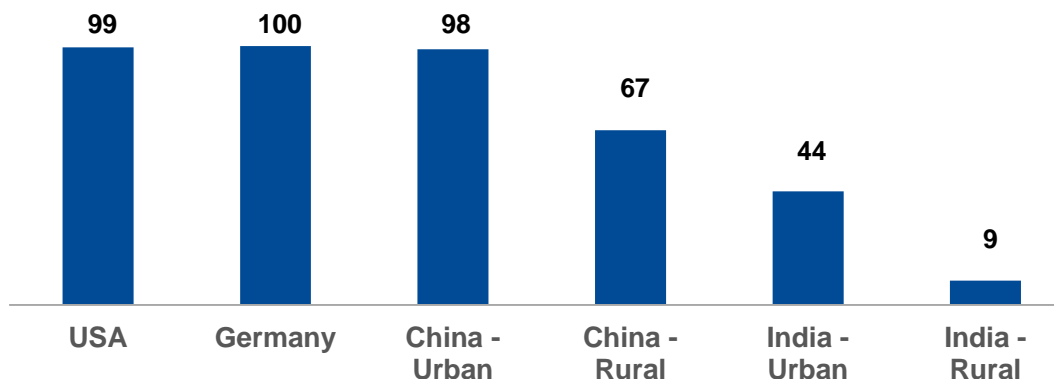
GDP per capita, 2014
(in USD thousands)



Passenger cars, 2014
(per 1,000 driving population)



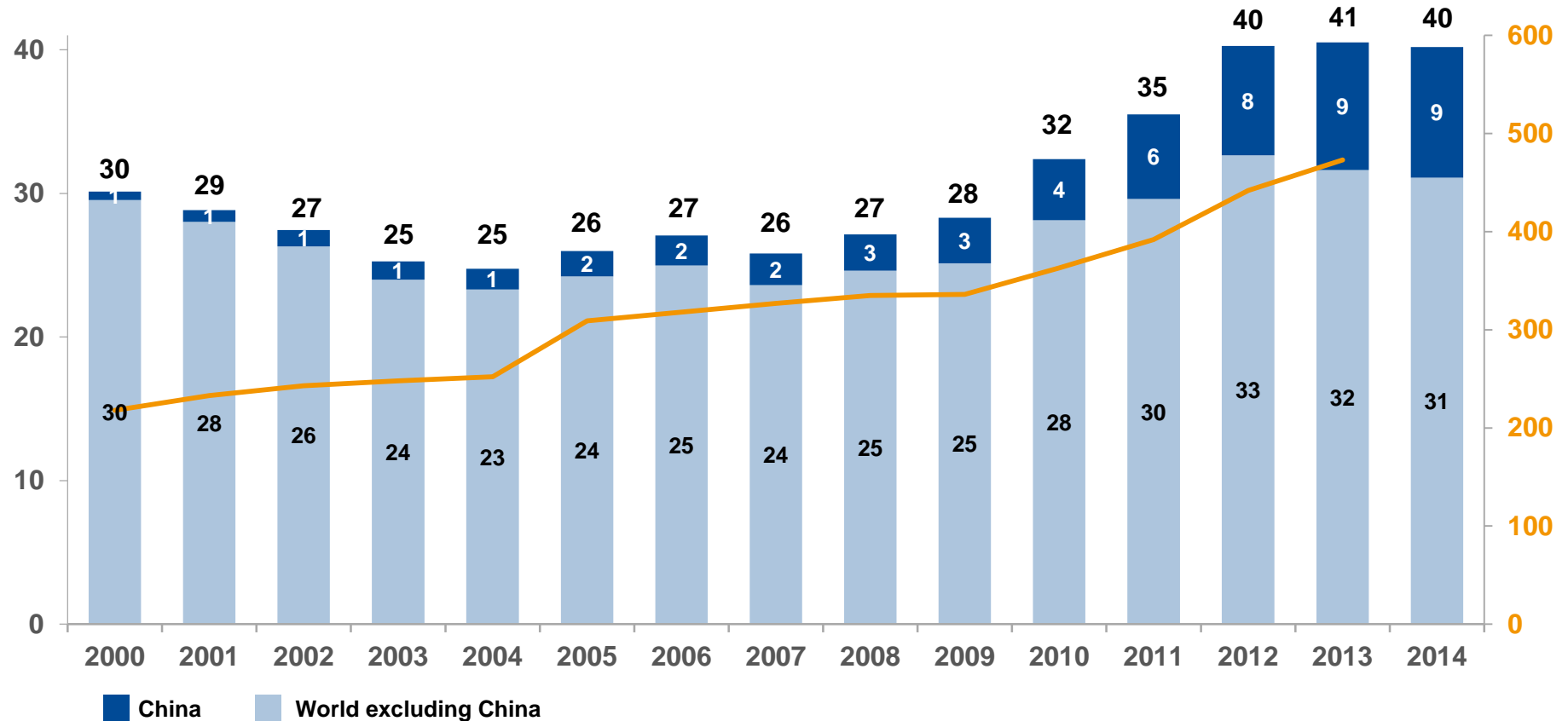
Refrigerator ownership, 2013*
(percent of households)



R&D efforts in chemicals are increasing, strongly driven by China

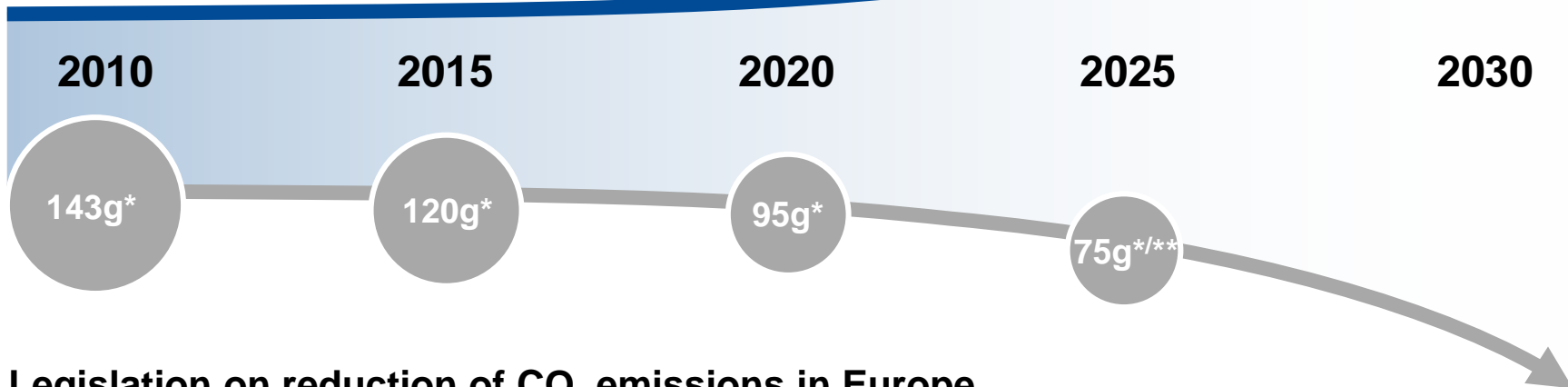
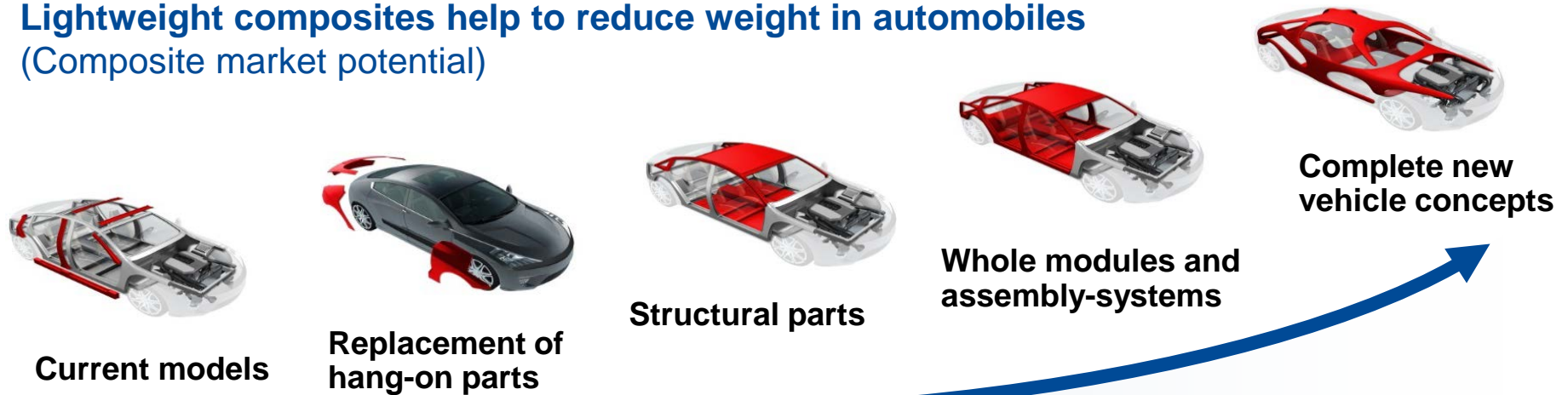
R&D spending* in chemicals excl. pharma
(in billion €)

Number of chemical patents
(in 1,000)



Innovations continue to drive growth

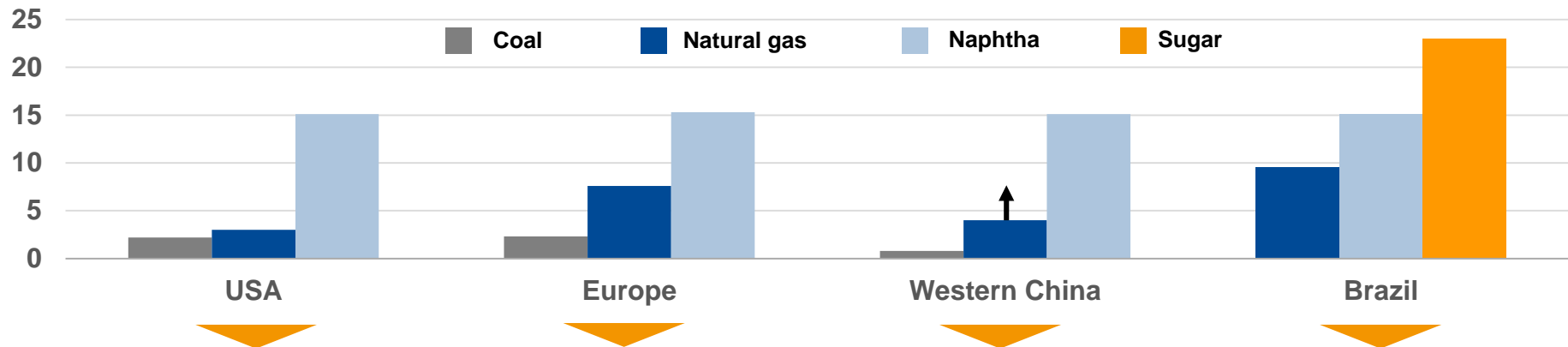
Lightweight composites help to reduce weight in automobiles (Composite market potential)



Legislation on reduction of CO₂ emissions in Europe
(Other countries such as Japan, South Korea, USA, China pursue similar trends)

Raw material specifics drive regional value chains

5-year average 2010-2014
(heating value in €/Gigajoule)



- Shale gas driven projects to supply captive demand and local markets

- No feedstock cost advantage
- Further strengthening of Verbund sites
- Focus on innovations

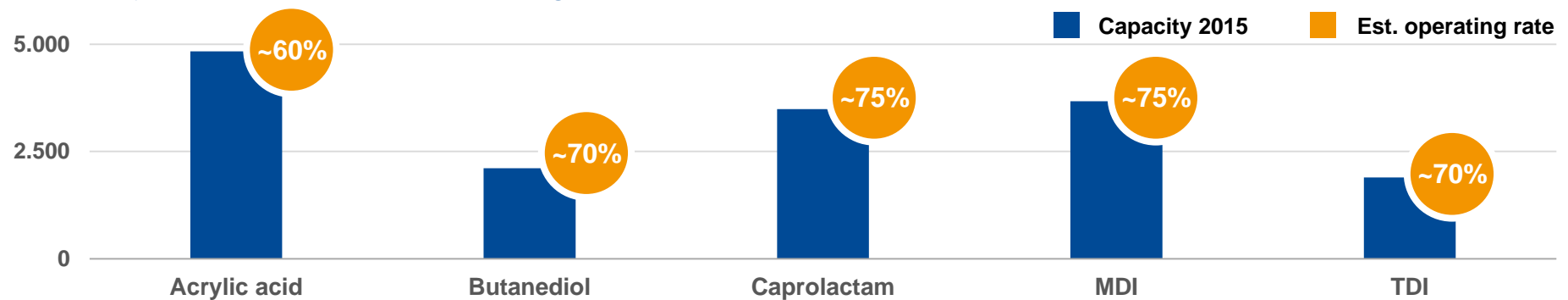
- Evaluation of coal-based projects (e.g. BDO in Korla)
- Investments in differentiated products

- Renewables still with highest costs
- Selected projects provide upside opportunity

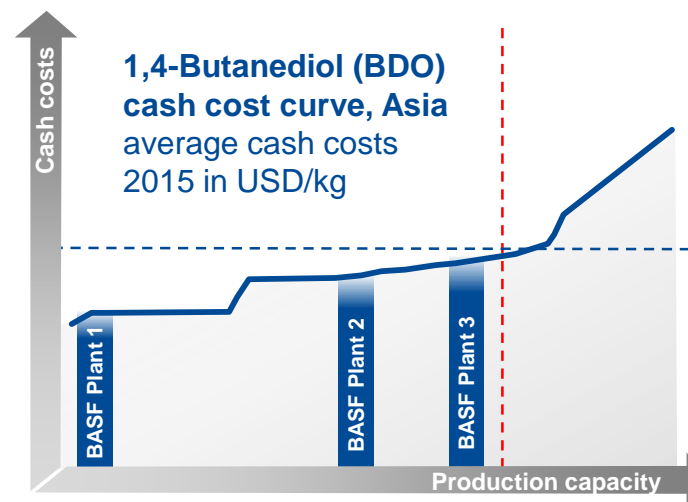
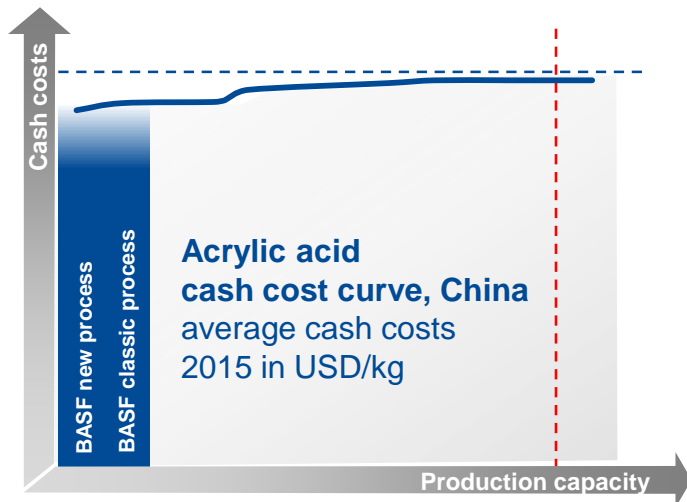
BASF adapts to benefit from local conditions

Overcapacities in Asia will be absorbed over time

Overcapacities in Asia will persist for some years (Industry capacities in kt, operating rate in percent)



BASF benefits from attractive cost positions



Political environment more challenging, but with opportunities for innovation

Climate change / Greenhouse gas reduction

- G7 call for “Decarbonization” by 2100
- Europe: Ambitious reduction of 40% by 2030 (base 1990)
- USA: Reduction target of 26-28% by 2025 (base 2005)
- China: Announced to stop emissions increase as of 2030
- Emissions trading introduced in South Korea, rollout in China planned for 2016

Chemical industry regulations

- EU: Focus on precautionary principle; regulatory topics such as Endocrine Disruptors
- South Korea and China: Similar regulatory structure as REACH
- USA: Toxic Substances Control Act (TSCA) reform in progress, implementation expected by 2016

Trade

- Upside through bilateral agreements, but...
 - increasingly negative environment (in Europe) regarding TTIP*
 - in the USA, TPP** faces stronger criticism than TTIP



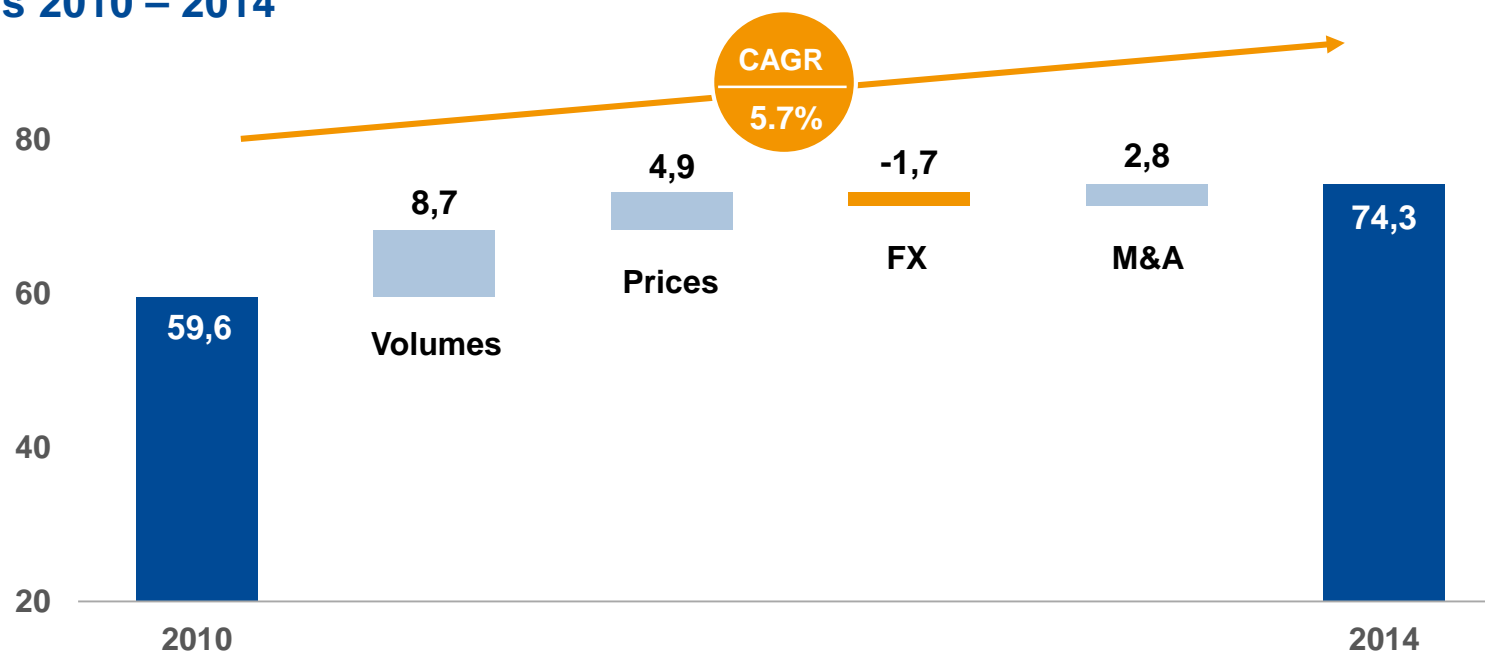
▶ Review of chemical industry's landscape

▶ **BASF growth and earnings review**

▶ The way forward: Our priorities

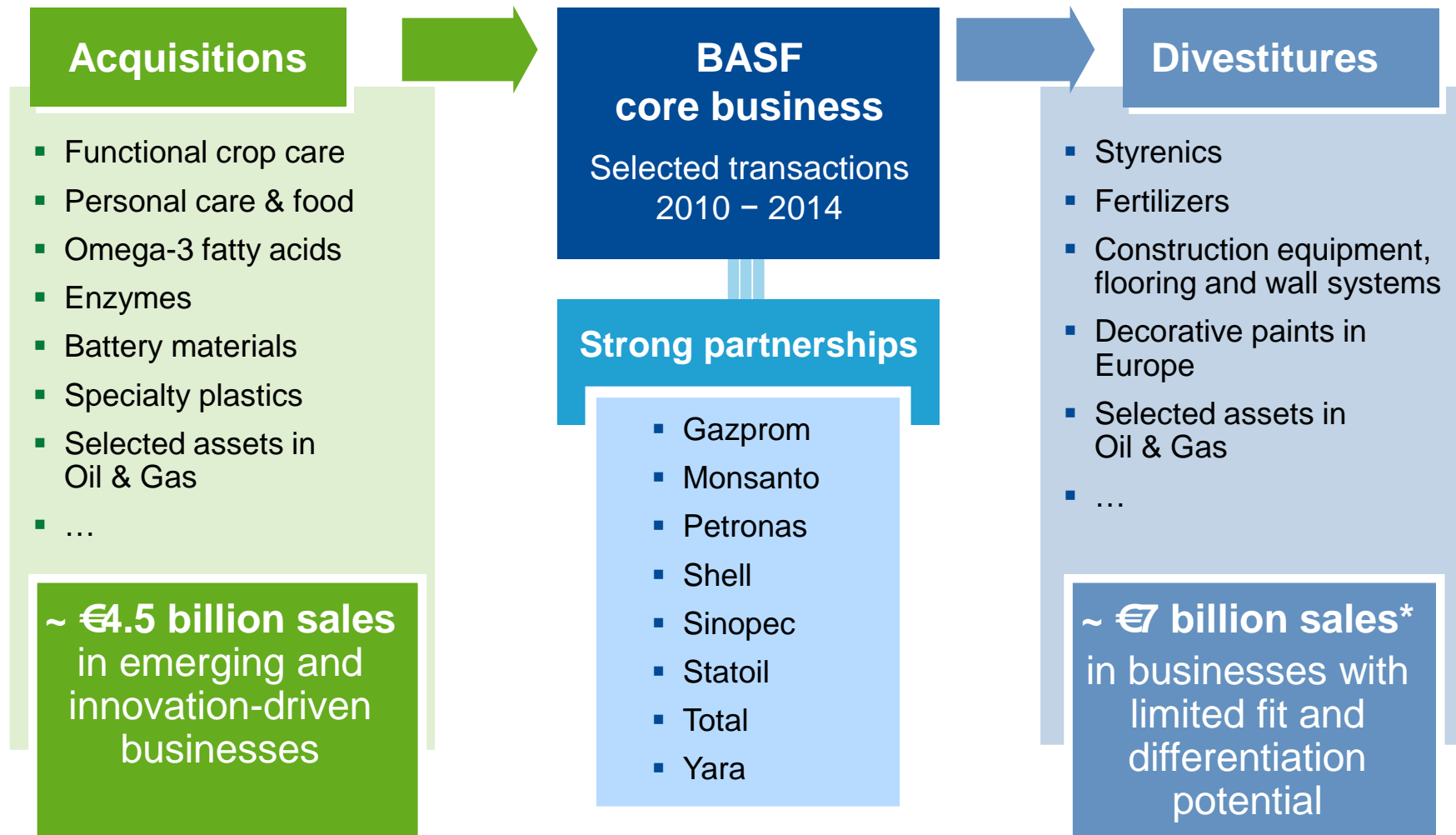
Components of growth

Sales* analysis 2010 – 2014 (in billion €)



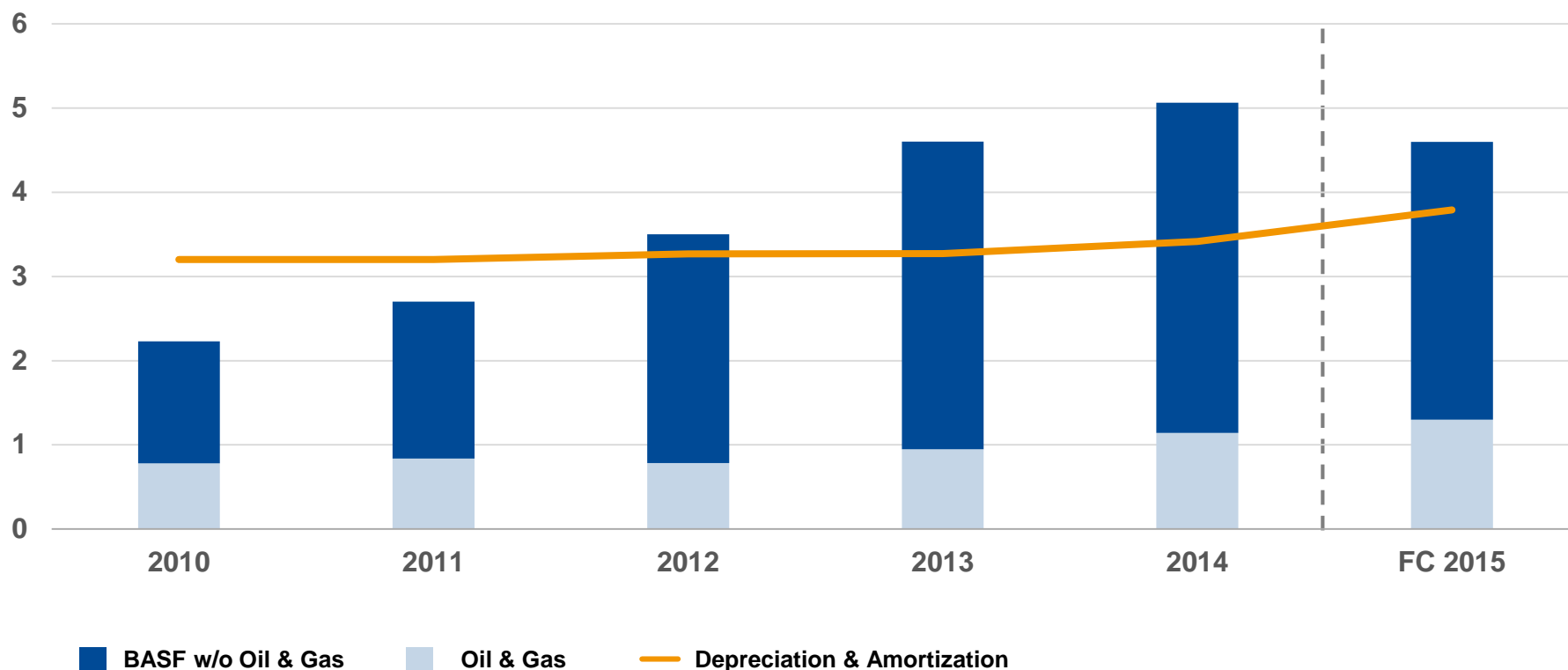
	Net sales 2010	Volumes	Prices	FX	M&A	Sales CAGR 2010 - 2014
BASF Group w/o Oil & Gas	51.4	+3.2 (+1.5% CAGR)	+3.9	-1.6	+2.2	+3.6%
Oil & Gas	8.2	+5.5 (+13.7% CAGR)	+1.0	-0.1	+0.6	+15.7%

Portfolio development towards more market-driven and innovative businesses



Capital expenditures peaked in 2014, reduction in coming years planned

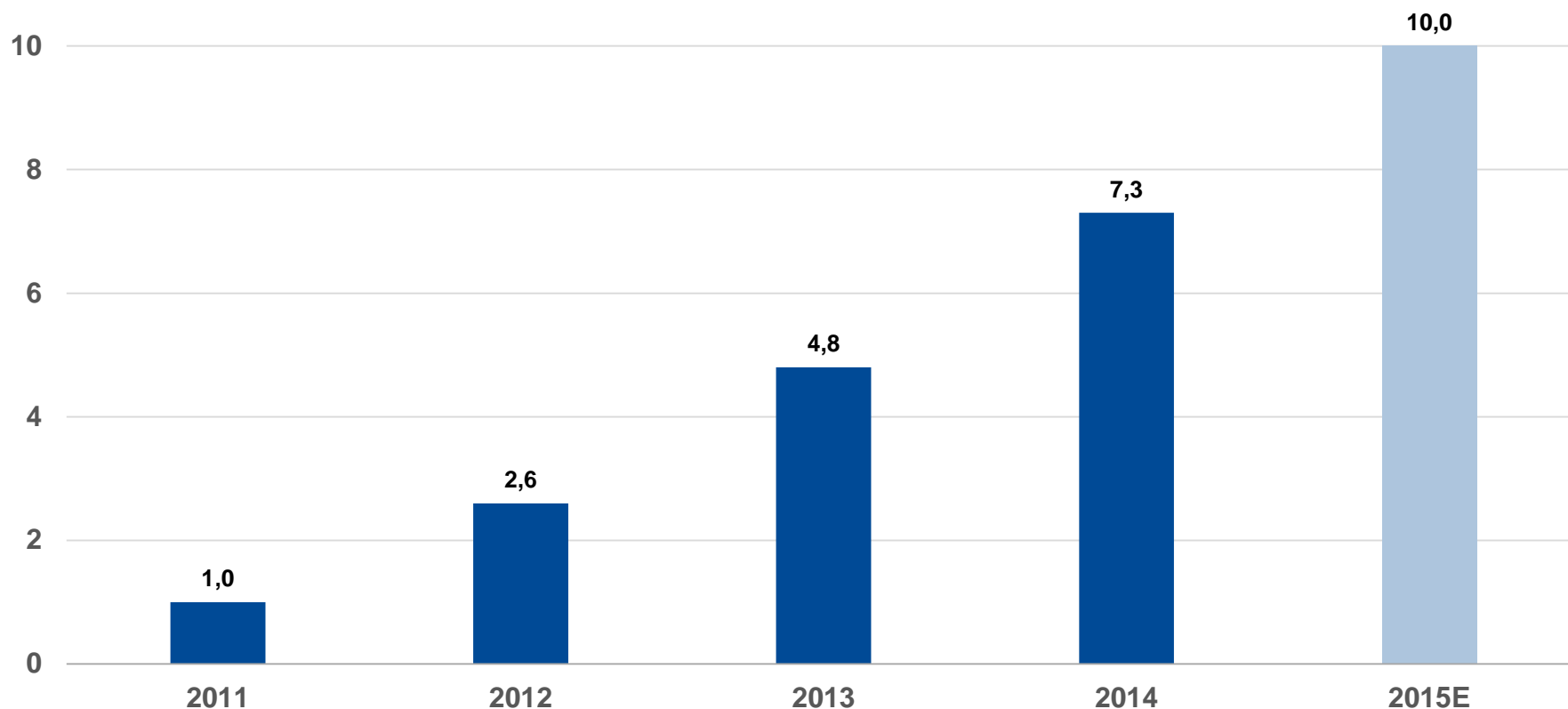
Investments* 2010 – FC 2015 (in billion €)



* Investments in fixed assets, according to financial reporting (excl. non-consolidated. JV, financial assets), excluding additions to property, plant and equipment resulting from acquisitions, capitalized exploration, restoration obligation and IT investments

Innovations drive sales

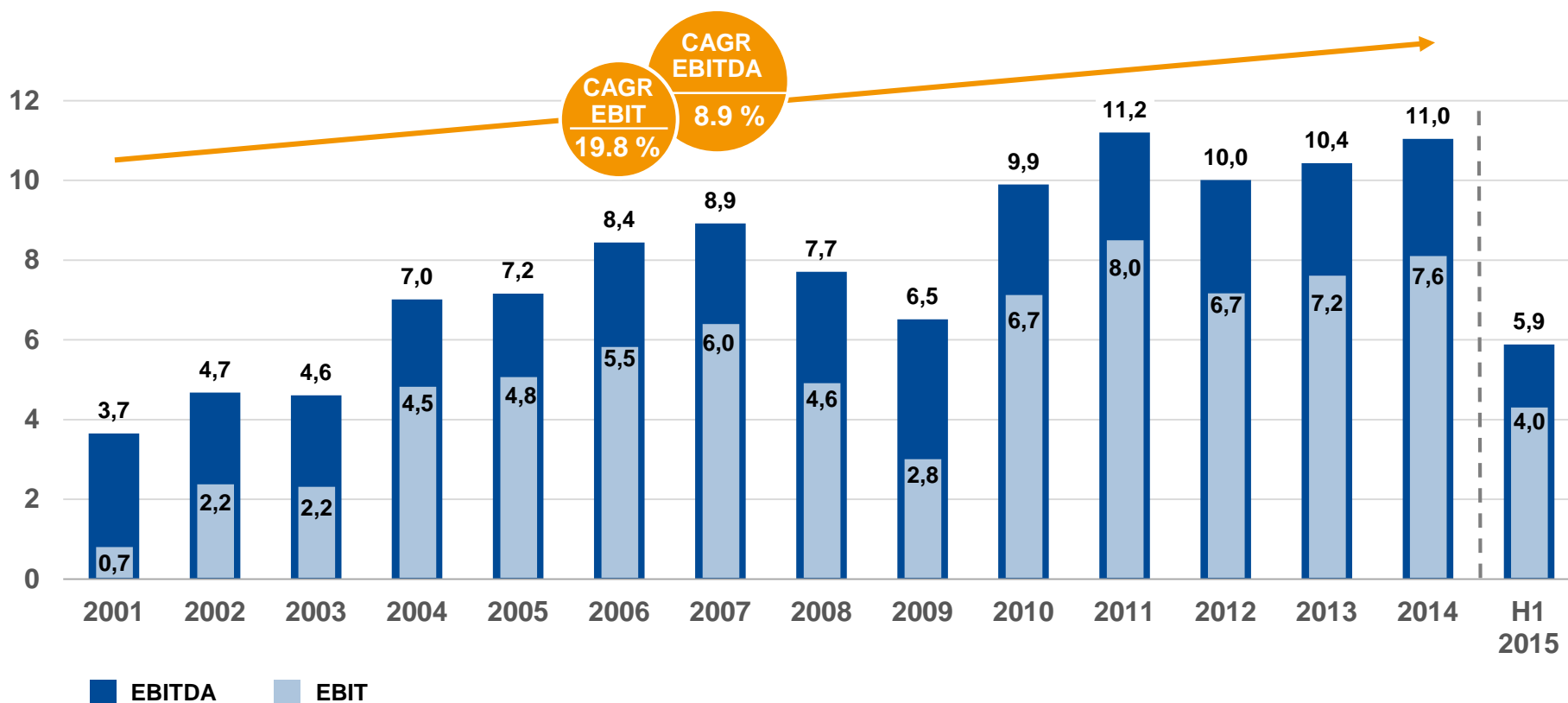
Sales from innovations* (in billion €)



Steady earnings growth

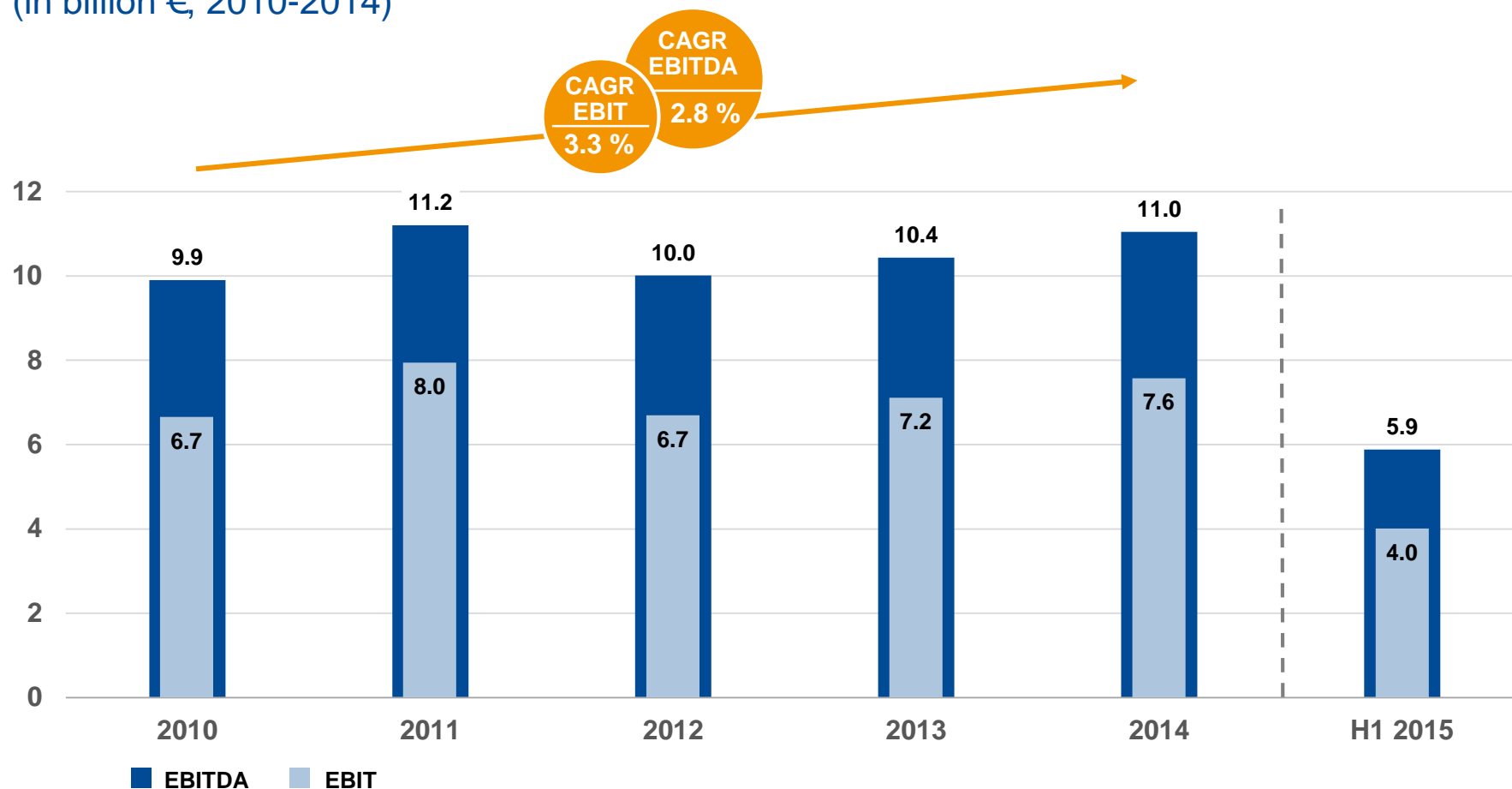
EBIT and EBITDA*

(in billion €, 2001 - 2014)



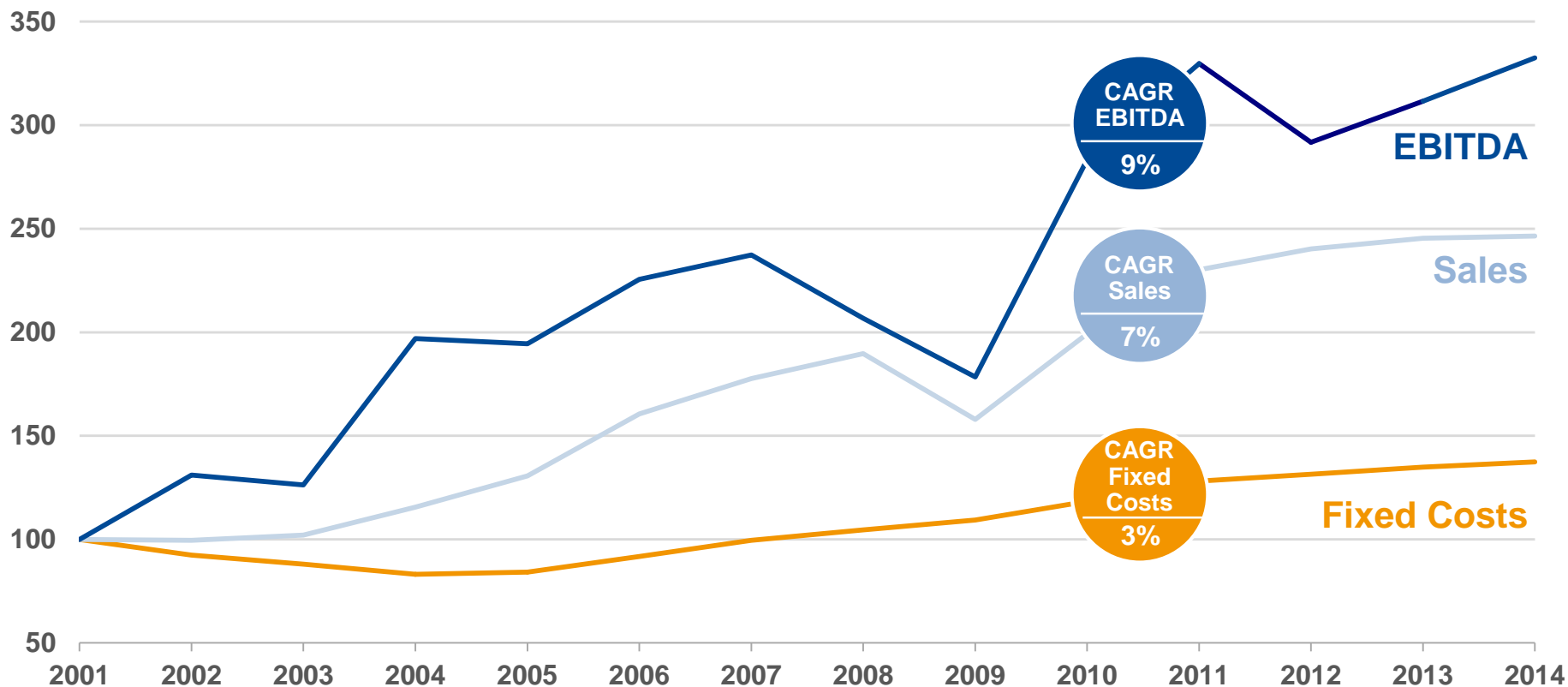
EBITDA peak performance of 2011 again achieved in 2014

EBIT and EBITDA*
(in billion €, 2010-2014)



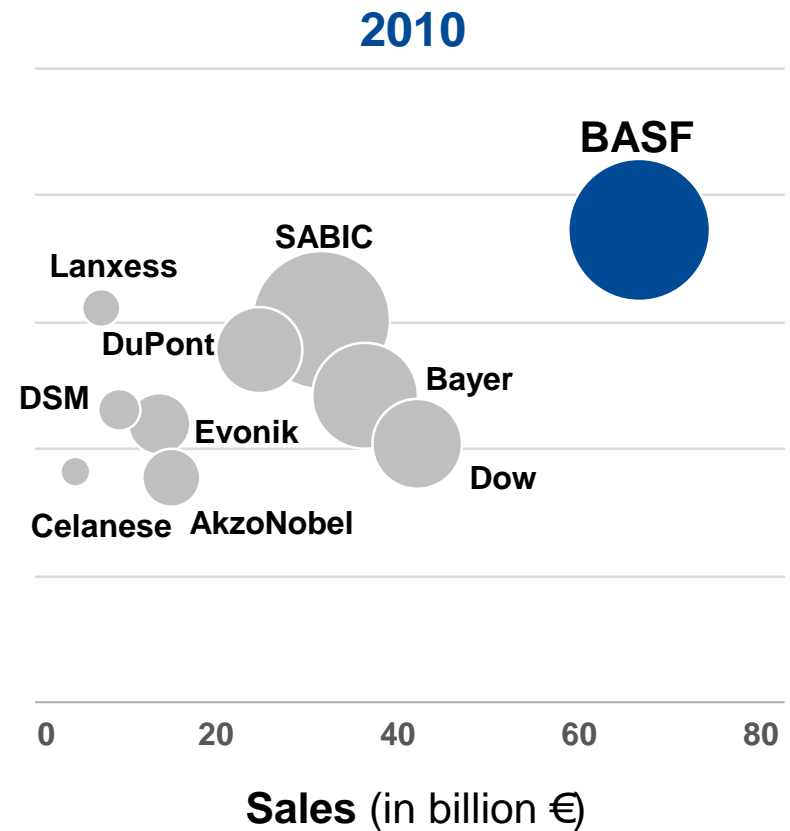
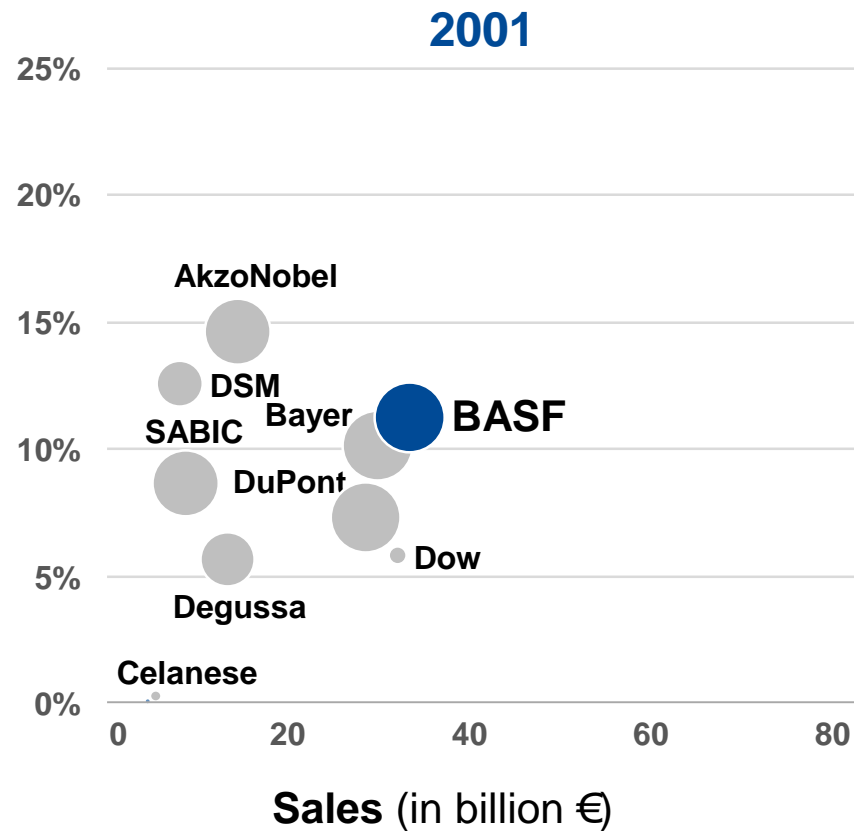
Strong track record in operational excellence

BASF Group* 2001–2014
(Index; CAGR 2001–2014)



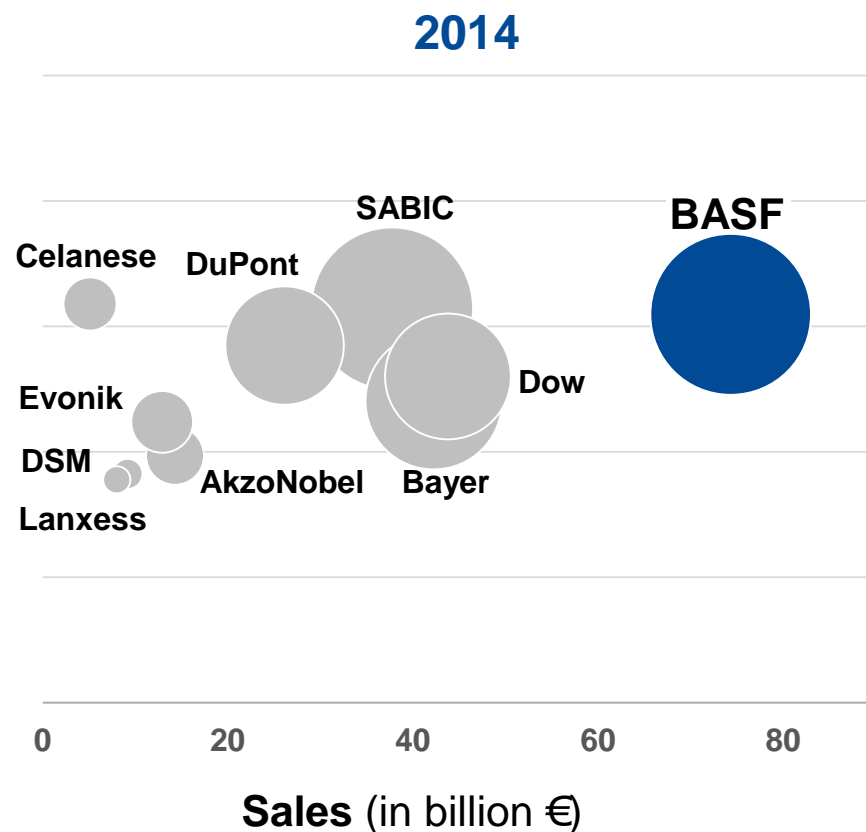
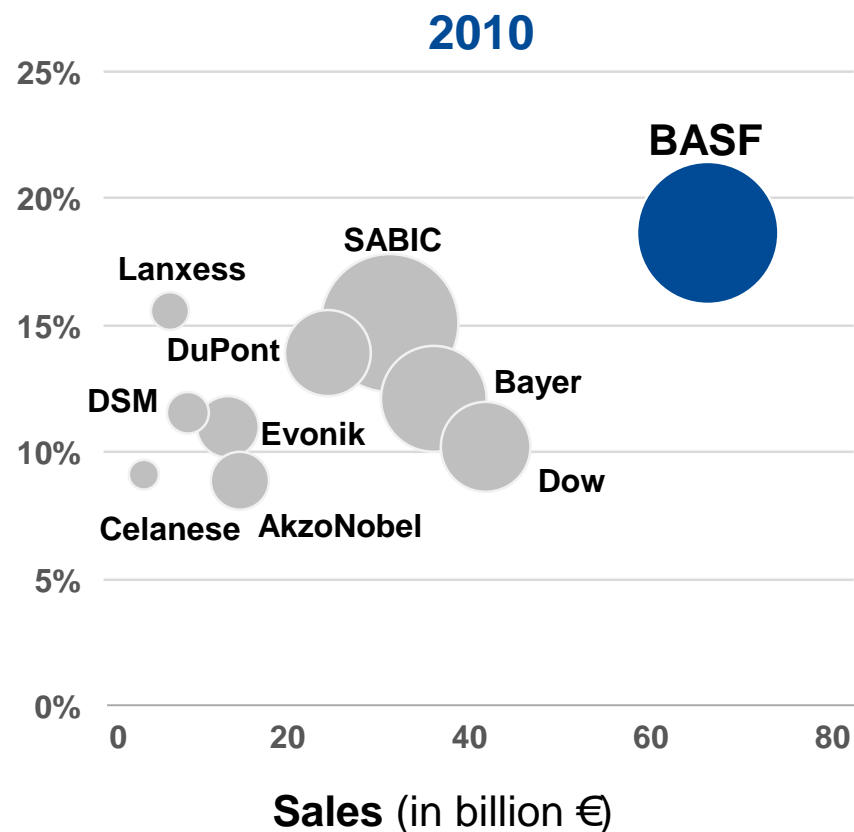
Best-in-class asset profitability – Capital turnover improved by 2% p.a.*

EBITDA on total assets (in %)



Capital turnover slightly down due to margin decline and growth investments

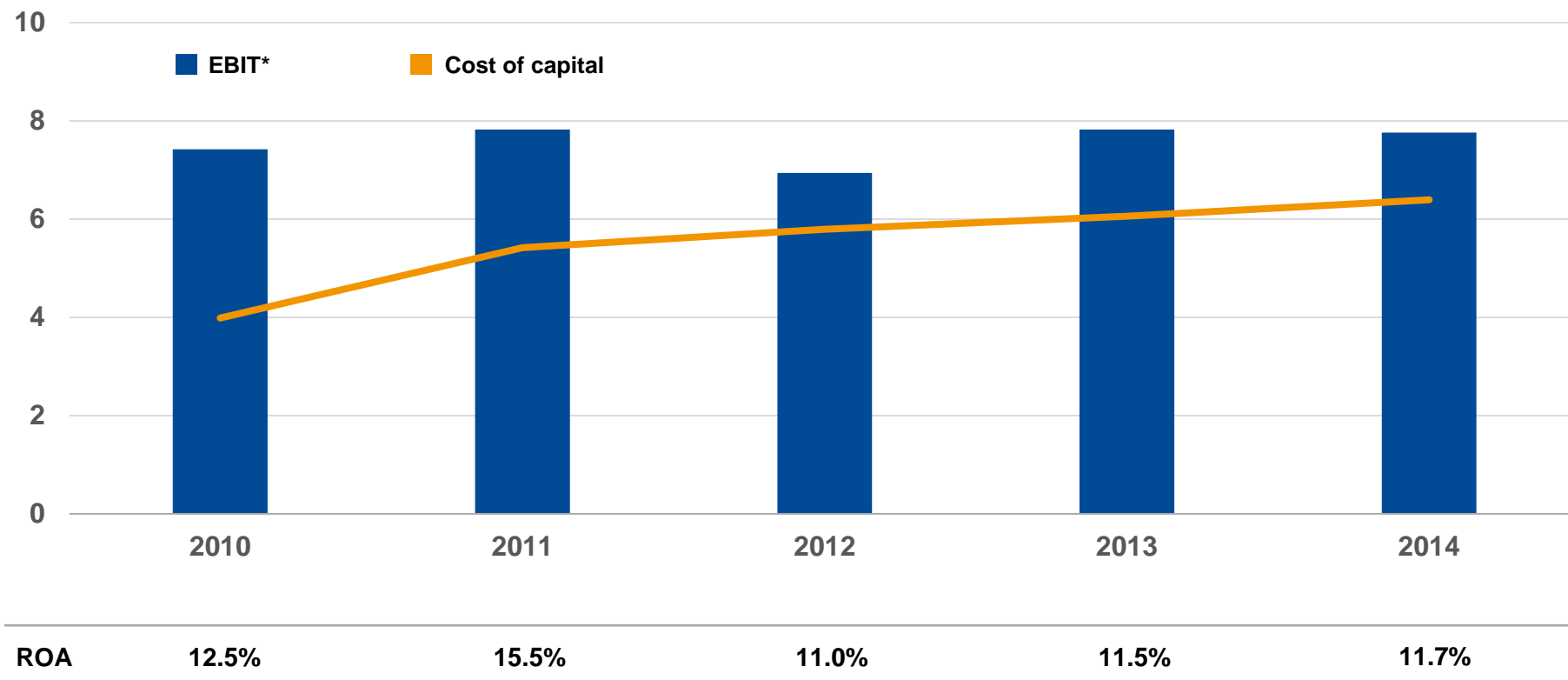
EBITDA on total assets (in %)



● EBIT (amount indicated by size of circle)

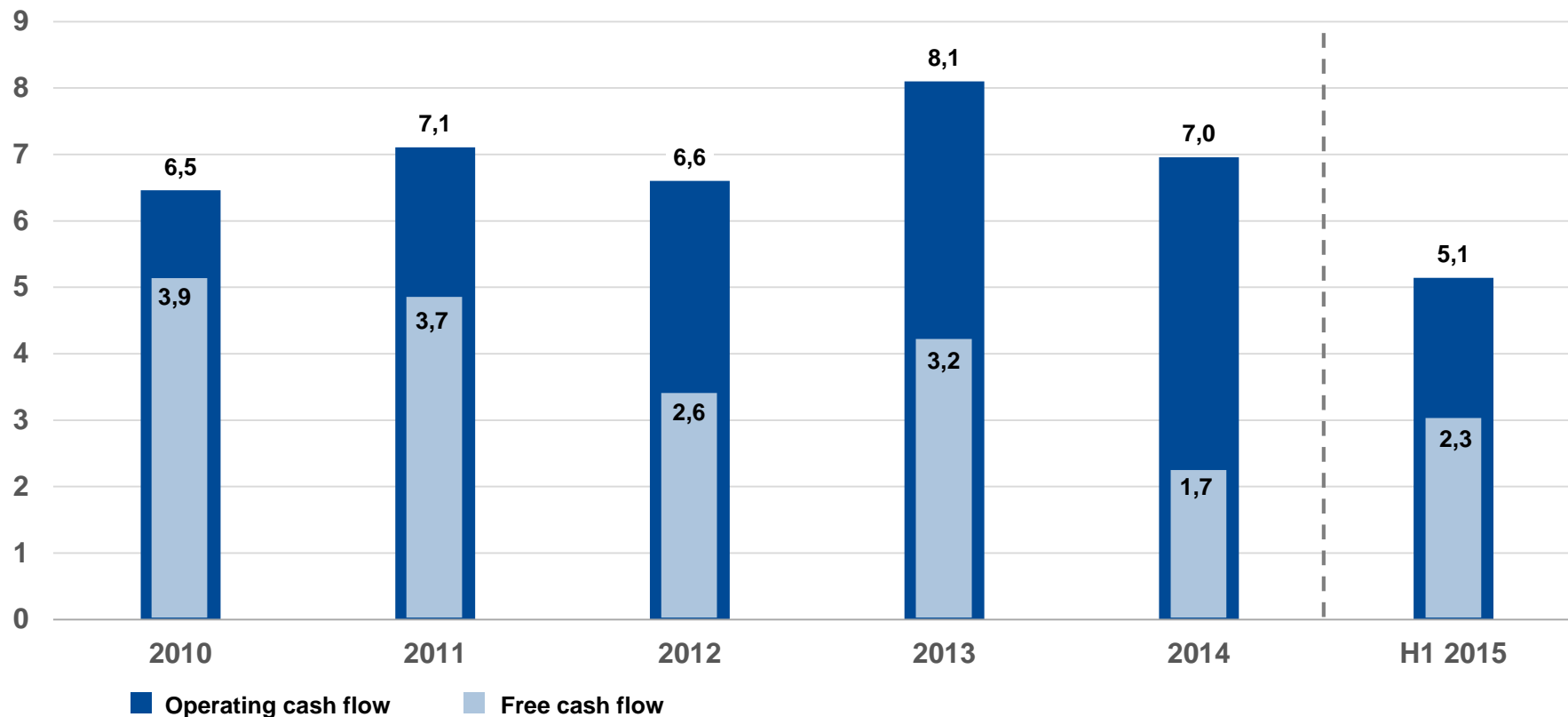
Significant premium despite higher investments

EBIT* after cost of capital
(in billion €)



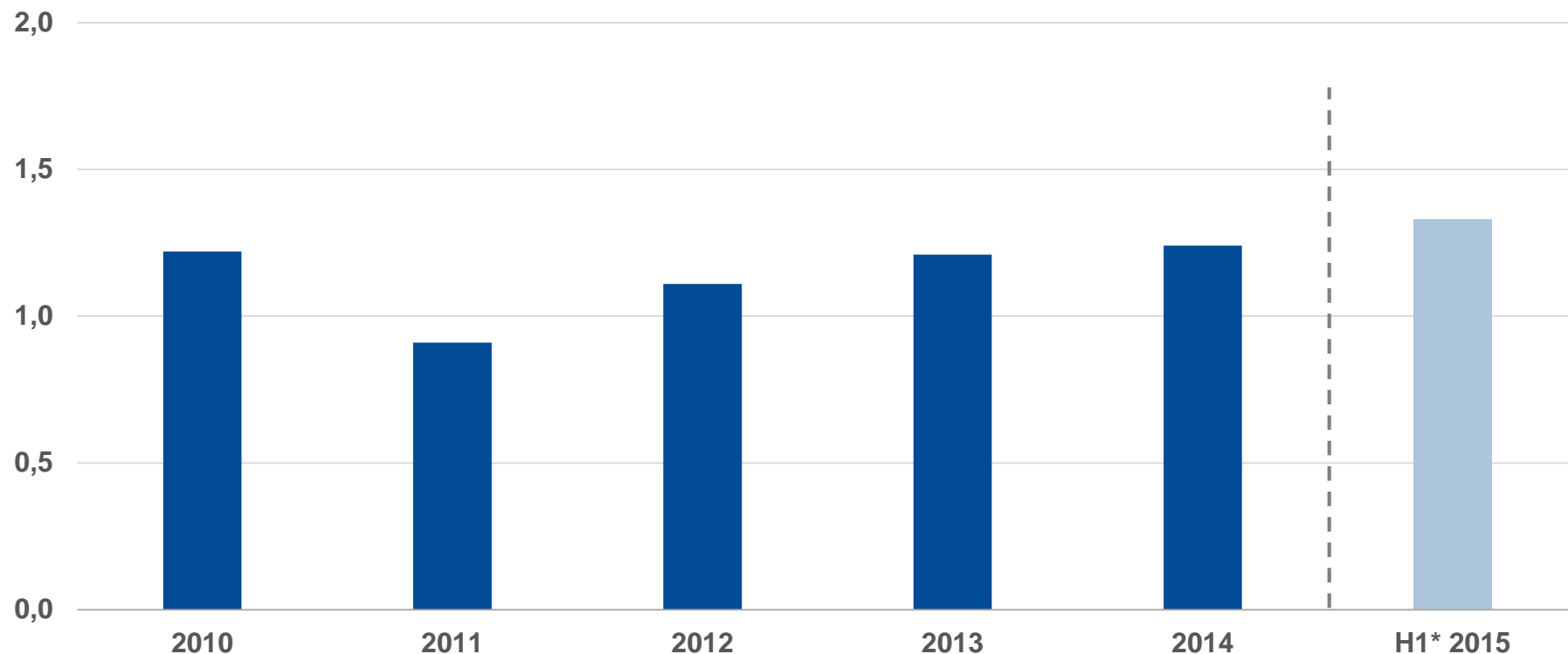
Free cash flow to recover after capex peaked

Cash flow (in billion €)



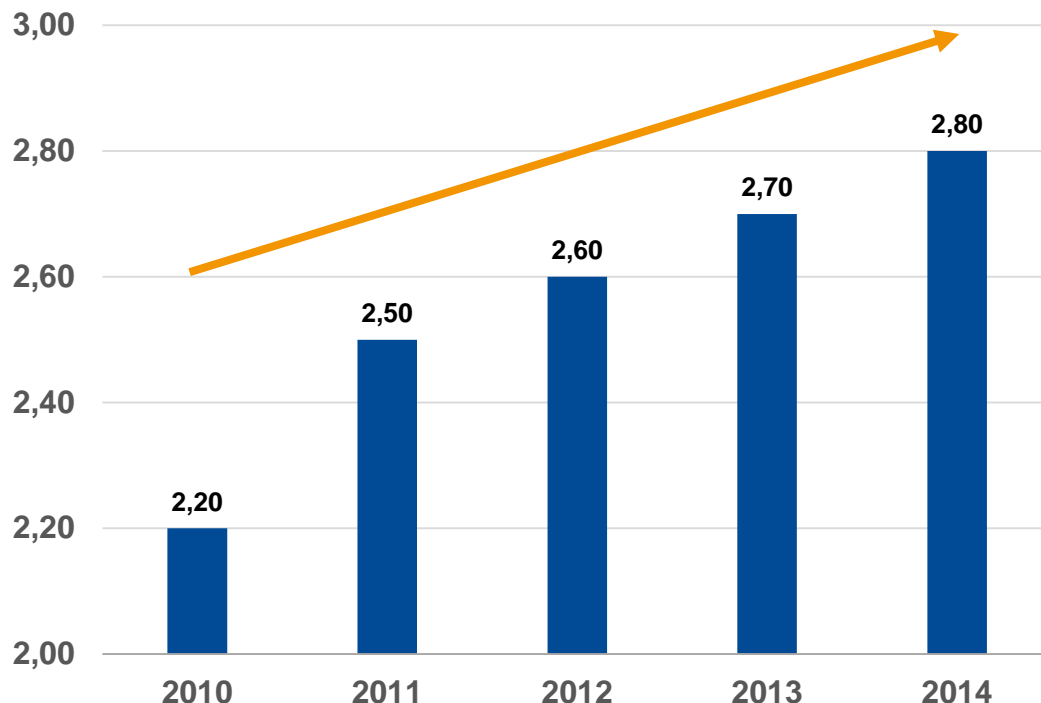
BASF maintains solid A ratings with Standard & Poor's and Moody's

Net debt / EBITDA, as reported



Delivering consistent, long-term shareholder value

Dividend per share (in €)



Progressive dividend policy

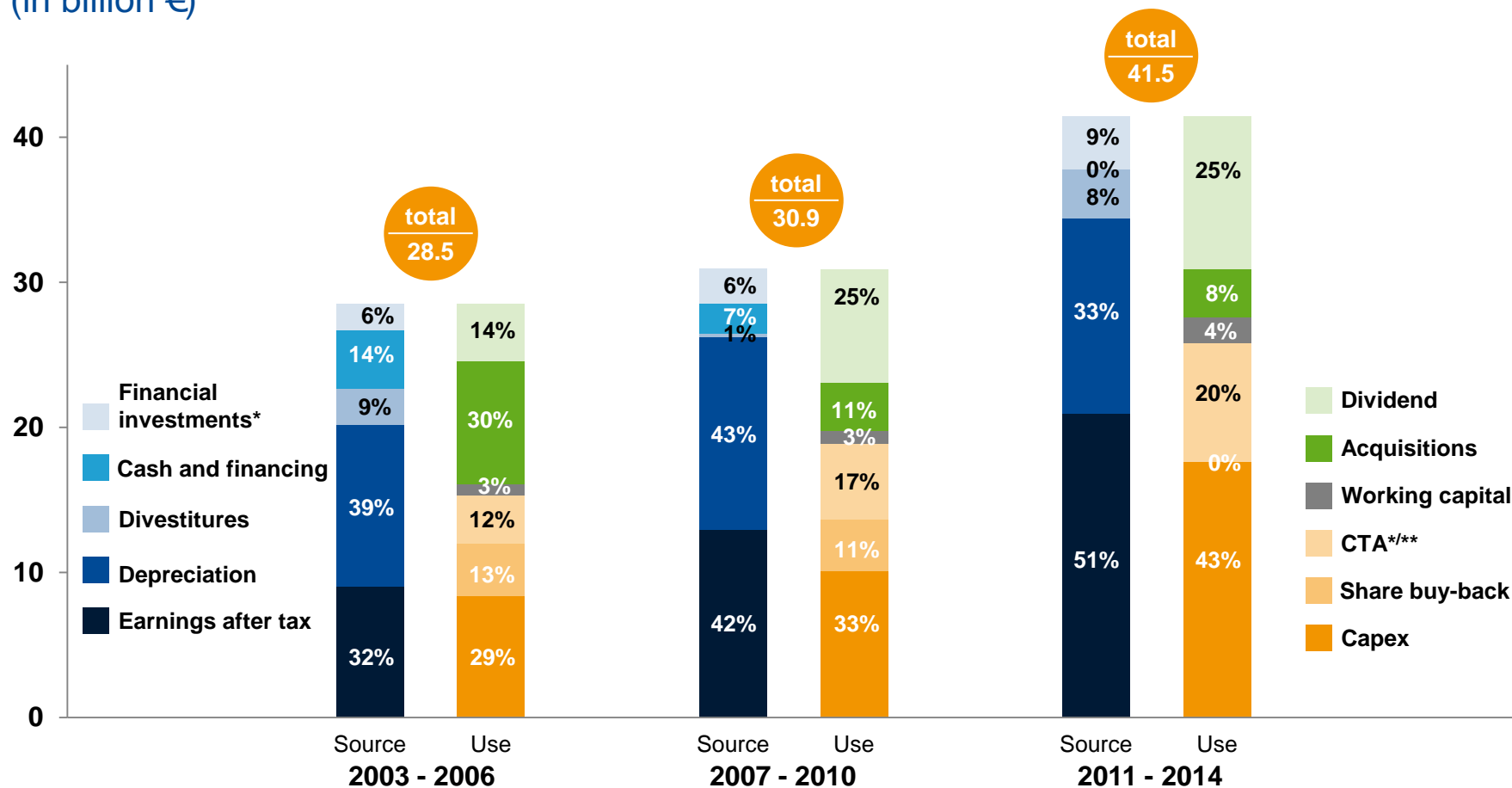
- We want to increase or at least maintain our dividend

Key facts

- Delivered on progressive dividend policy
- Supported by strong cash flow generation
- ~€12 billion dividends paid since 2010
- Dividend yield above 3% in any given year since 2005

Capital allocation: Source and use of funds – 2003-2014

Source and use of funds
(in billion €)





▶ **Review of chemical industry's landscape**

▶ **BASF growth and earnings review**

▶ **The way forward: Our priorities**

Fundamental trends intact; chemical production growing faster than GDP

CAGR 2015 - 2020

2011 view

today's view

Global GDP

3.2%

3.0%

Industrial production

3.7%

3.5%

Chemical production (excl. pharma)

4.0%

3.9%

▶ thereof growth contribution of emerging markets

89%

82%

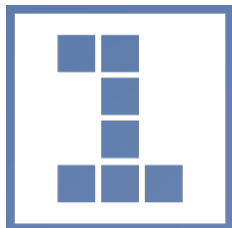
Fundamental growth trends intact; but increased volatility

- Emerging markets with lower growth dynamics
- Potential overcapacities due to shale gas induced US-investments
- Oil price has to go up: when, how much?

This will require constant adaptation:

- Balancing risks through diversified portfolio
- Flexibility of asset base
- Timing of strategic measures

Our strategic principles



**We add value
as one company.**



**We drive
sustainable solutions.**



**We innovate to make
our customers more
successful.**



**We form
the best team.**

The way forward: Our priorities

- **Grow sales and earnings faster than global chemical production, driven by**
 - Continued focus on innovations
 - Capital expenditures
 - Acquisitions
 - Operational excellence and Verbund advantages
- **Continue to prune our portfolio**
- **Maintain industry-leading position in sustainability**
- **Focus on cash generation / conversion**

Verbund remains the cornerstone of BASF

Verbund: the basis

Verbund generates >€1 billion p.a. global cost savings & supports sustainability



Energy Verbund
>€300 million
annual cost savings



Logistics Verbund
>€600 million
annual cost savings

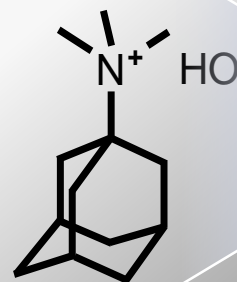


Infrastructure Verbund
>€100 million
annual cost savings

Verbund: a different perspective

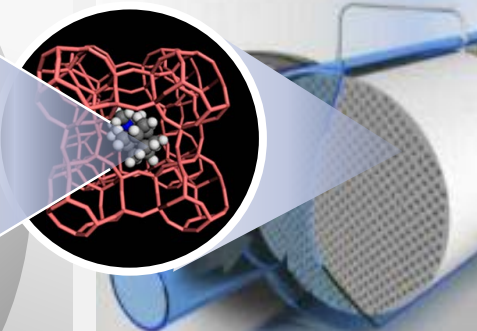
Example: Copper-Chabazite catalysts
Industry-leading technology for NO_x control

Intermediates



Cost efficient,
industrial scale
production for
catalysts template

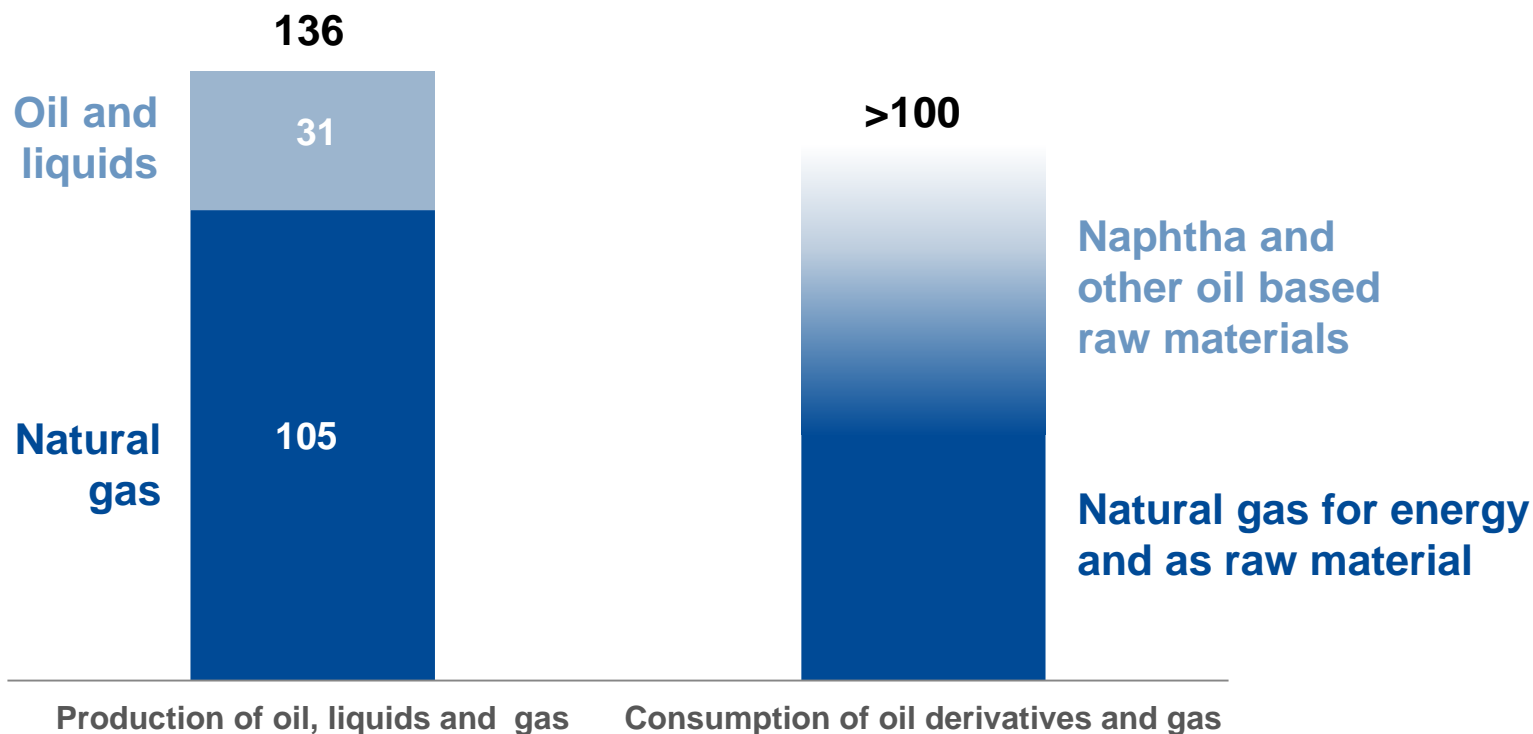
Catalysts



Development,
production and
marketing of NO_x
reduction catalyst

Managing volatility: BASF almost perfectly hedged on hydrocarbon price changes

BASF production and consumption of oil and gas (in million boe, 2014)



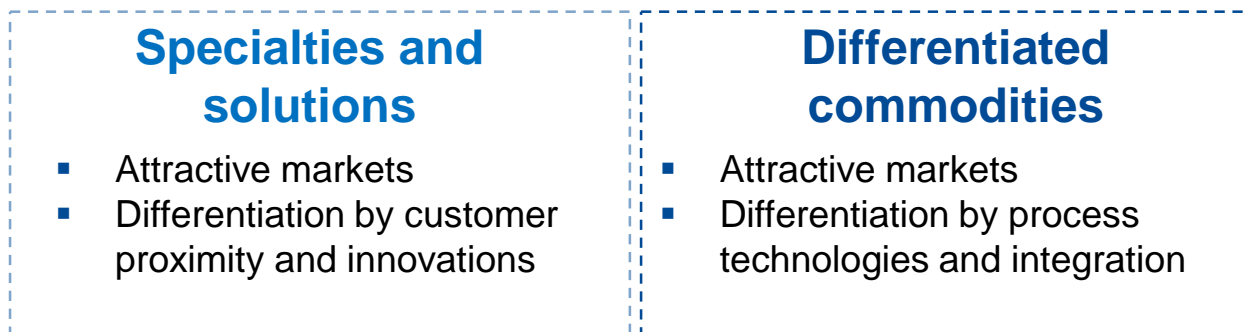
BASF hydrocarbon consumption almost equals hydrocarbon production

Strategic lever: Continuous portfolio development

Growth fields

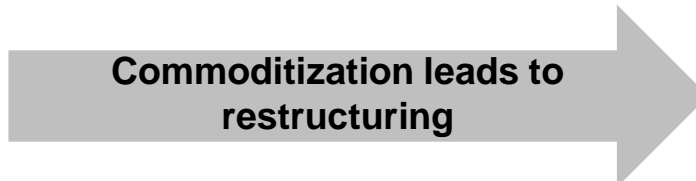
Innovation pipeline

Acquisitions



target
(in % of sales*)

Divestment of businesses
e.g. due to lower market attractiveness



Divestment of businesses
e.g. due to loss of differentiation

Keep a balanced portfolio

Strategic lever: Acquisitions

We want to acquire businesses which ...

- Generate profitable growth above the industry average
 - Are innovation-driven
 - Offer a special value proposition to customers
 - Reduce earnings cyclicality
-
- Provide a minimum return on investment of 8% p.a. after tax
 - Are EPS accretive by year three at the latest

Strategic acquisition criteria

Financial acquisition criteria

Strategic lever: Capital expenditures – our philosophy

Differentiated commodities

- With proprietary technology and/or Verbund advantages
- Focus on:
 - emerging markets
 - backward integration in the US
 - upgrading our asset base in Europe

Specialties and solutions

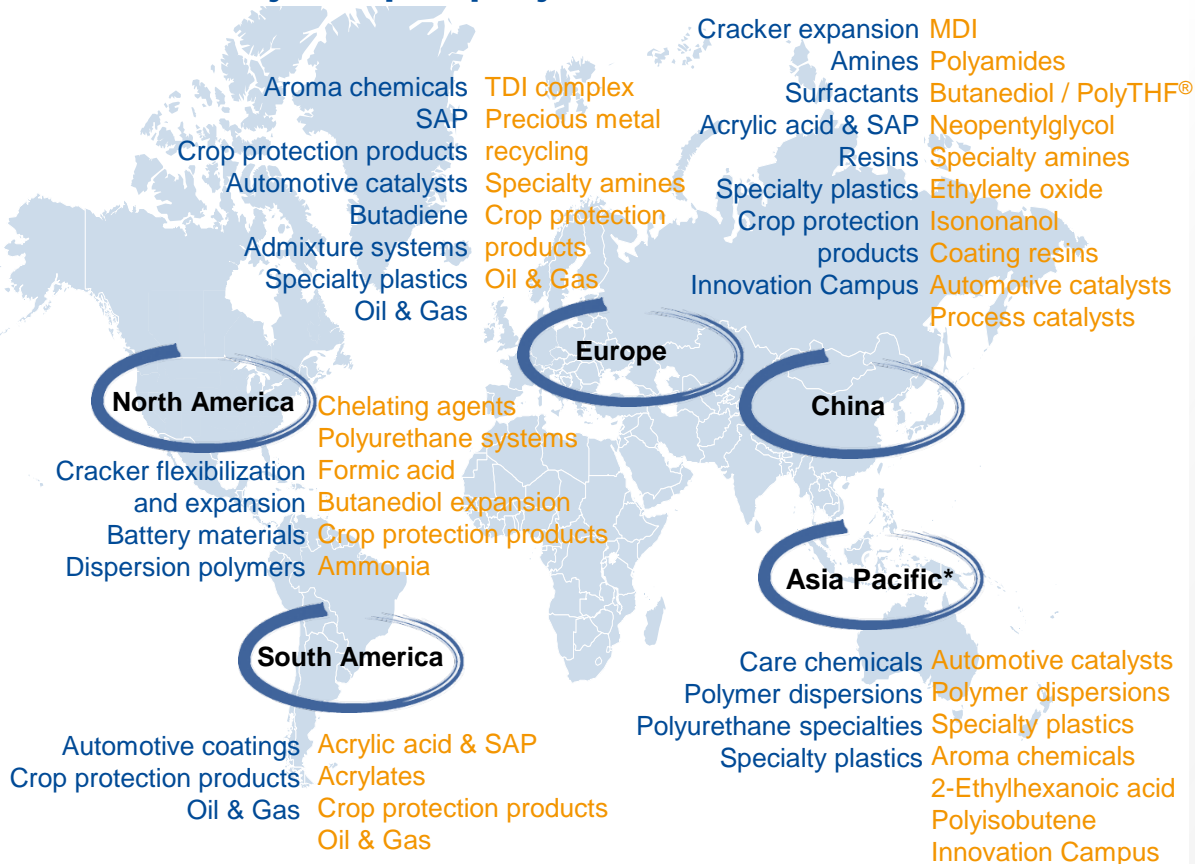
- Incremental investments for new products
- Regional expansion of businesses

Oil & Gas

- Focus investment budget by active portfolio optimization to secure free cash flow
- Keep reserve-to-production ratio of approx. 10 years

Implementation of increased capex program will drive profitable growth

Selected major capex projects



Capex spending

- Temporarily increased capex is necessary
 - to build the base for further growth
 - to strengthen our value chains
 - to increase our footprint in emerging markets
- Capex peaked in 2014 with €5.4 billion**

Start-ups 2011 - 2014

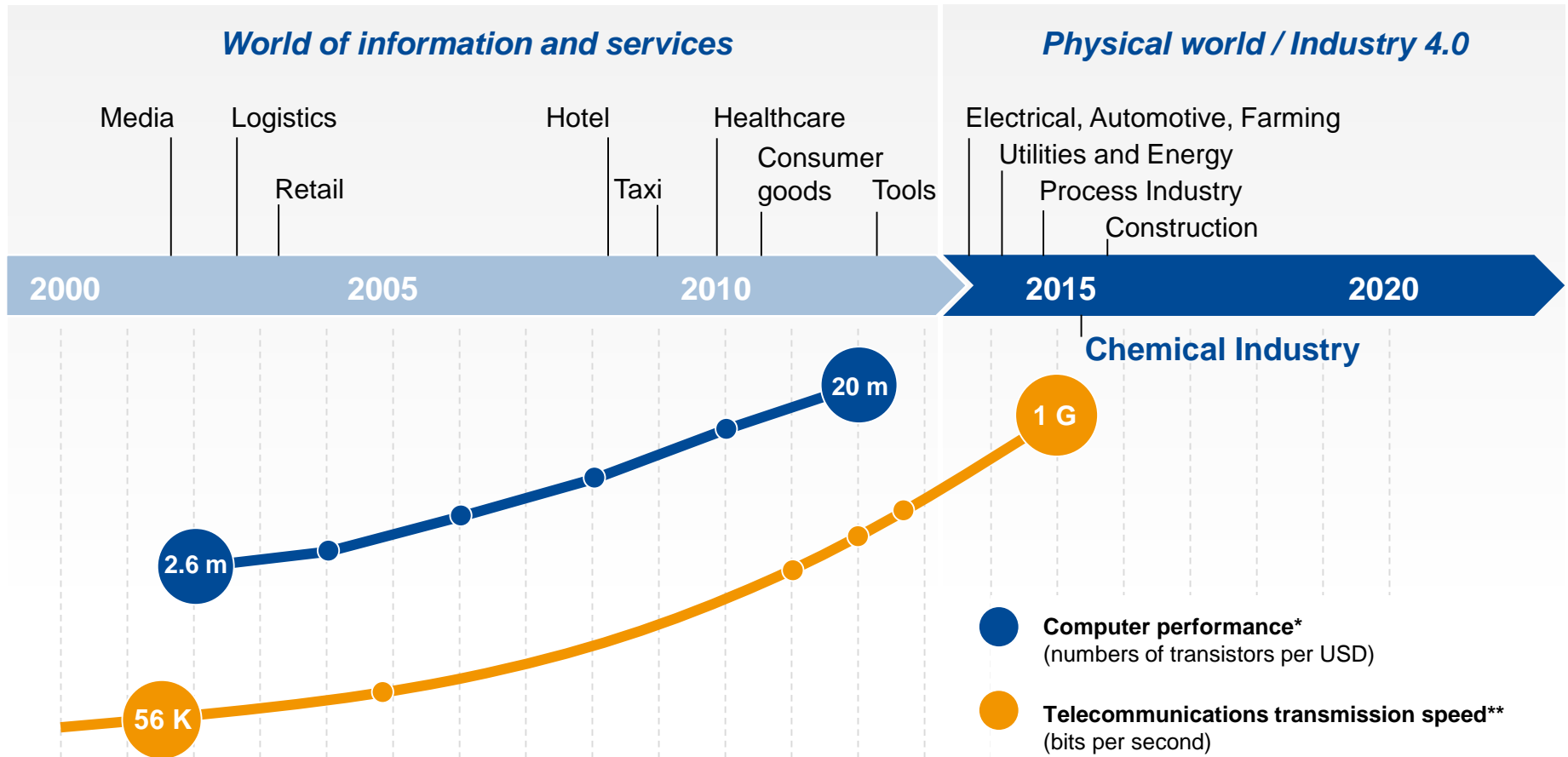
Start-ups planned for 2015 - 2017

Strategic lever: Innovations – our philosophy

- **Allow for creativity**
- **Balance incremental und disruptive innovations**
- **Manage innovation pipeline efficiently on all levels**
- **Build on our global R&D Verbund**
- **Leverage external collaborations even more**
- **Align R&D activities with business models:**
 - Differentiated commodities
 - Focus on improving processes and addressing raw material change
 - Launch selected product innovations
 - Specialties and solutions
 - Develop new, tailored offerings in close collaboration with customers
 - Pursue solution-oriented approach
- **Keep annual R&D spending at ~3% of sales***

Strategic lever: Innovations Industry 4.0

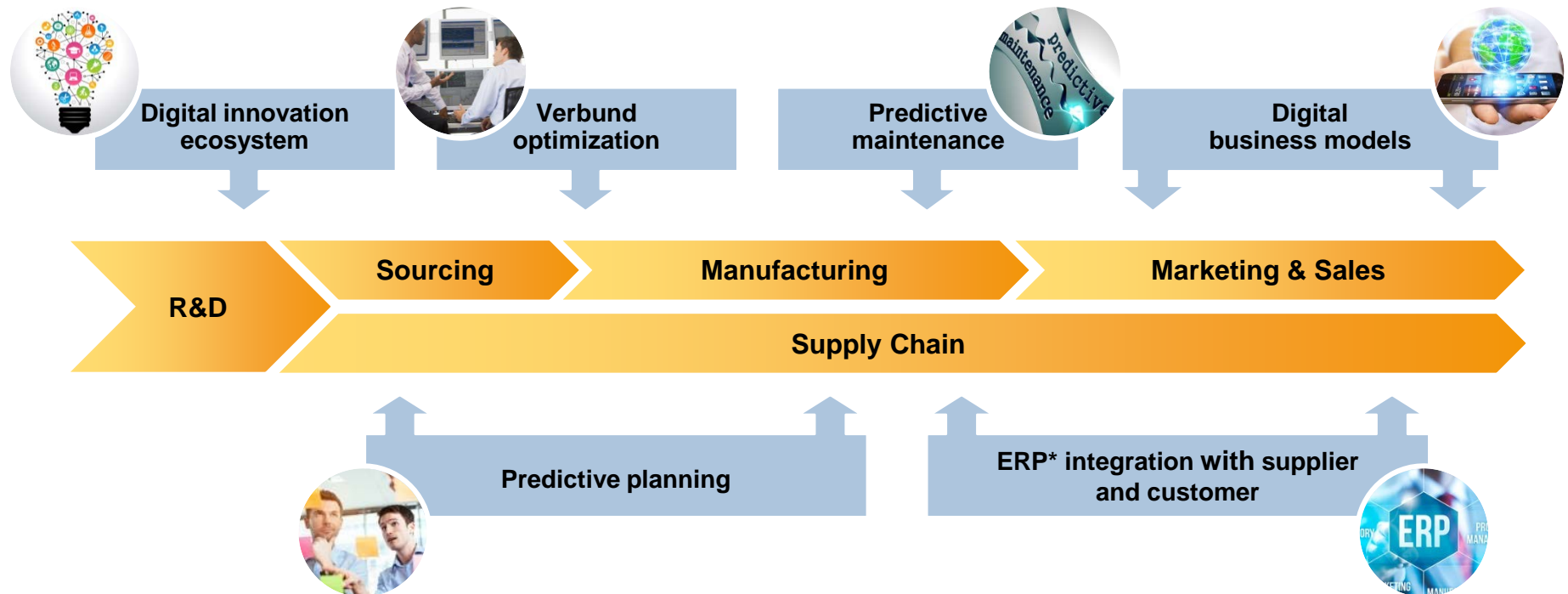
Computer performance and speed of information sufficient to impact physical world





Strategic lever: Innovations Industry 4.0 will benefit BASF in the future

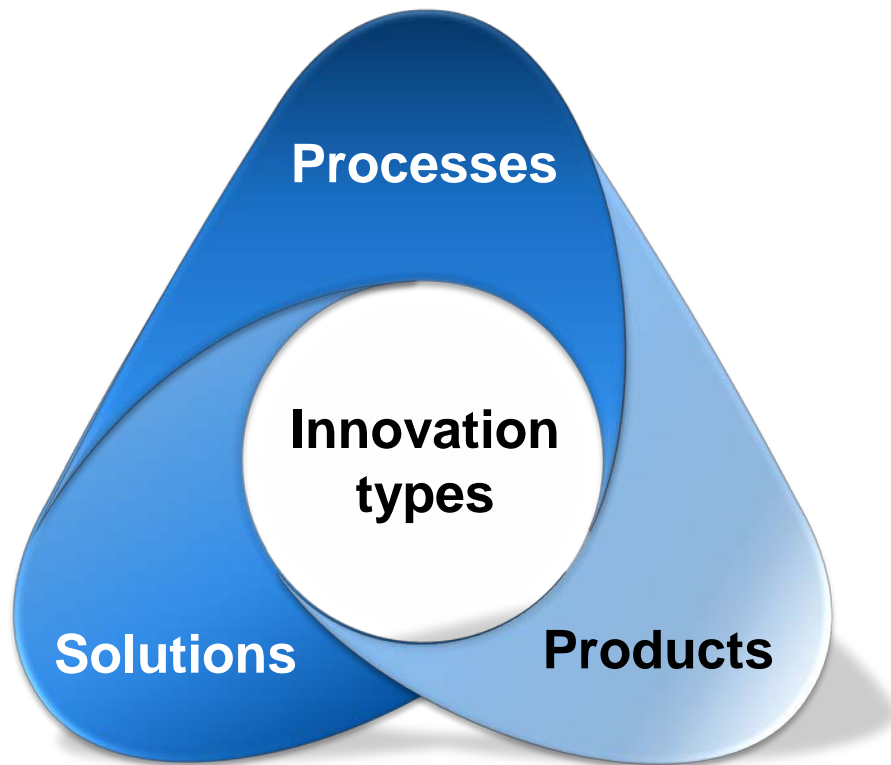
Applications along BASF's value chain



Several opportunities identified at every step of BASF's value chain

Strategic lever: Innovations

Innovation types





Developing solutions for many aspects of life (Innovation examples to be presented tomorrow)



Sustainability and transparency are key to BASF's strategy

Clear sustainability targets, e.g.

	Status 2015	Target 2020
Energy & climate protection		
 <ul style="list-style-type: none"> Greenhouse gases* 	-34%	-40%
Safety, security and health		
 <ul style="list-style-type: none"> Lost-time injuries 	-55%	-80%
Portfolio evaluation completed		

Public recognition for sustainability and transparency**



CDP
CLIMATE DISCLOSURE LEADER 2014

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

STOXX
Global ESG Leaders Indices

Corporate Responsibility
Prime
rated by
oekom research

FTSE4Good

MSCI

2015 Constituent
MSCI Global Sustainability Indexes

EURONEXT vigeo INDICES
Eurozone 120

EURONEXT vigeo INDICES
Europe 120

Strategic lever: Sustainability

Sustainability goals along the value chain

Suppliers

BASF

Customers

Evaluation of 70% of relevant suppliers with regard to their sustainability performance by 2020

Energy & climate protection

- Greenhouse gas reduction* of 40% by 2020 (base 2002)
- Energy efficiency: Introduction of certified energy management system at all major sites by 2020



Water

- Introduction of sustainable water management at all relevant sites by 2025

Safety, health and security

- "Risk assessment" of products by 2020 >99%
- Health Performance Index** (annual goal) >0.9
- Lost-time injuries*** by 2025 0.5
- Process safety incidents*** by 2025 0.5

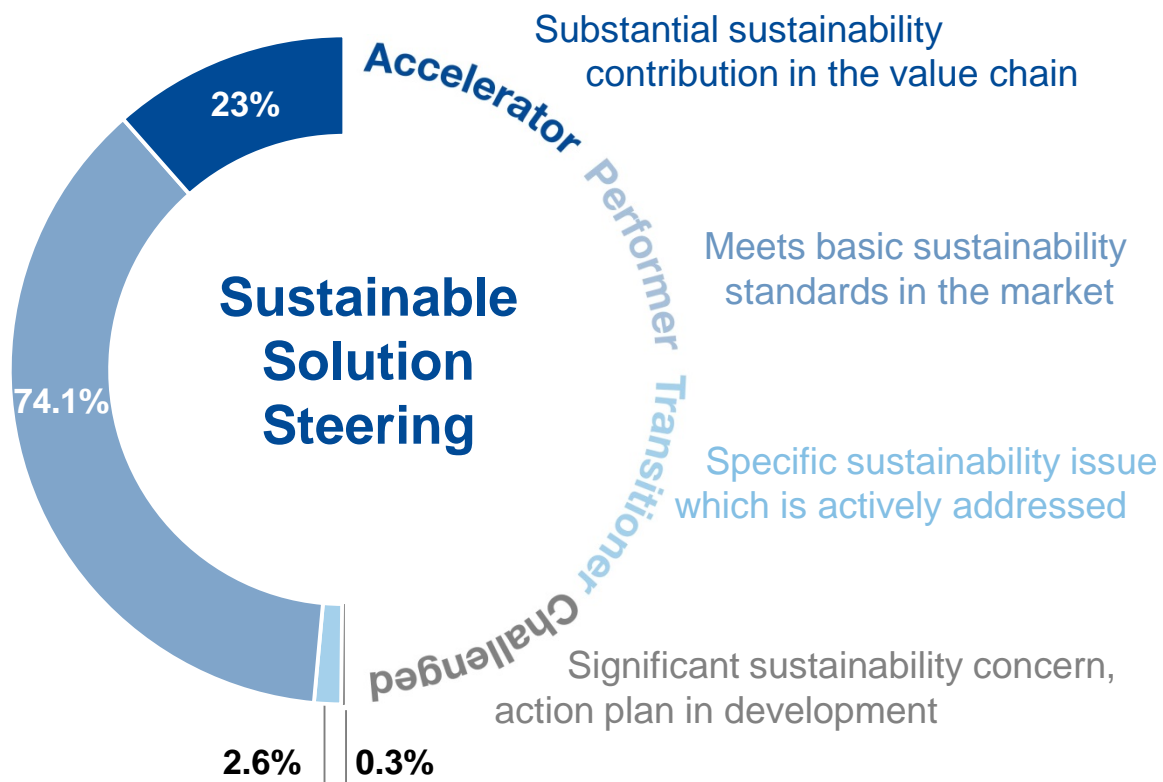
Employees

- Women in leadership positions 
- Non-German senior executives 
- Senior executives with international experience >80%

Increase the share of Accelerators from 23% to 28% by 2020

Strategic lever: Sustainability

Sustainable Solution Steering



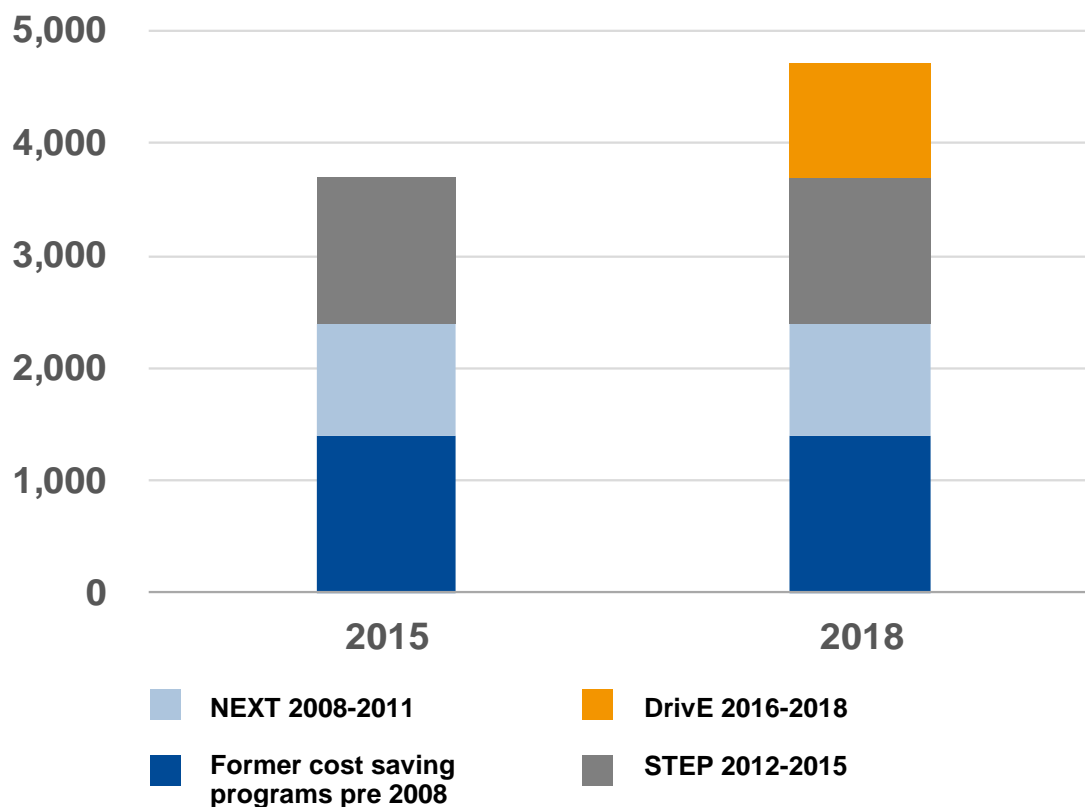
- Novel methodology to screen and steer our portfolio*
- 23% Accelerators:
 - outgrow their markets by 2-10%
 - deliver margins >10% above the average
 - represent >60% of BASF's R&D pipeline
- 74% Performers
- <1% of Challenged products

Increase the share of Accelerators from 23% in 2014 to 28% by 2020

Strategic lever: Operational excellence

DriveE with ~€1 bn earnings contribution

Annual earnings contribution (in million €)



DriveE program

- Targeted annual earnings contribution of €1 billion by end of 2018
- Optimization of processes and structures in all regions, e.g.
 - manufacturing
 - incremental capacities
 - productivity increase
- Project timeline: 2016–2018

Strategic direction chemicals business*: Profitable growth

- **Utilize and expand unique Verbund integration**
- **Flexible business models**
- **Strong operational excellence**
- **Specialties and solutions:**
 - Focus on fast-moving, customer-facing end markets
 - Differentiate through knowledge-based offerings, innovative and sustainable products and solutions
- **Differentiated commodities:**
 - Focus on integrated value chains with competitive advantages
 - Differentiate through process innovations and stringent cost management
 - Focused capex to support growth

Strategic direction Agricultural Solutions: Feeding a growing population

- **Continue profitable growth in all indications**
- **Differentiate through strong innovation pipeline**
- **Continue to expand our portfolio to Innovations beyond Crop Protection**
- **Net sales target of €6 billion in 2015 and €8 billion in 2020**
- **25% average annual EBITDA* margin target**

Strategic direction Oil & Gas: Selective growth in E&P

- **Continue to generate industry-leading profit margins**
- **Continue to provide hydrocarbon hedge**
- **Strengthen E&P activities in core regions and activities with limited exploration risk**
- **Focus on**
 - key partnerships
 - operational excellence
 - active portfolio management
- **Keep ambitious production growth target for 2018 of ~190 million boe**
- **Generate strong free cash flow**

Profitability of BASF will grow faster than global chemical production

Financial targets for next years

- **Sales growth***
Slightly faster than the global chemical production
- **EBITDA growth**
Well above global chemical production
- **Deliver attractive returns**
Earn a significant premium on cost of capital
- **Remain a strong cash provider**
Continuously generate high levels of free cash flow
- **Progressive dividend policy**
We want to grow or at least maintain our dividend

The way forward: Our priorities

- **Grow sales and earnings faster than global chemical production, driven by**
 - Continued focus on innovations (R&D spending about 3% of sales*)
 - Capital expenditures (slightly above depreciation levels)
 - Acquisitions
 - Operational excellence and Verbund advantages (€1 billion program; 2016-2018)
- **Continue to prune our portfolio**
- **Maintain industry-leading position in sustainability**
- **Focus on cash generation / conversion**

5 numbers to take home

>€15 billion free cash flow*

>€18 billion invested into new or expanded capacities*

~€12 billion dividends paid*

~€9 billion investments into R&D*

150 years of excellence

150 years



We create chemistry