



We create chemistry

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

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The spoken word applies.

## Hans-Ulrich Engel

Ladies and gentlemen,

Good morning and thank you for joining us.

Today, we provide you with the restated figures for 2018 and 2017 reflecting our new segment structure. Please note that BASF Group financials such as the statement of income, balance sheet and statement of cash flows are not affected by the restatement.

### **[Chart 4: New segment structure increases transparency and highlights integrated approach]**

As of January 1, 2019, BASF's businesses are grouped into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF's new segment structure increases transparency regarding the results of our segments. Furthermore, it highlights the importance of our integrated value-chain approach. BASF's Verbund remains core to our activities and provides many synergies. On slide 4, you can also see how the various parts of our portfolio are connected:

- **Catalysis** is for example a core technology in the chemical industry that is fundamental to more than 90 percent of our production.
- We have unique **formulation know-how** that is used in many businesses and allows us to support customers in a targeted manner.
- **Biosciences** and the markets for nutritional products connect our Nutrition & Care and Agricultural Solutions segments.

In many cases, different businesses supply the same customer industry. The most prominent example is the automotive industry. By combining the expertise and experience of each business, we can offer better solutions for our customers.

**[Chart 5: Each new segment has a clear and compelling path forward]**

Our new segments are based on business models reflecting the divisions' focal points, their customer groups, their innovation focus, their investment relevance and sustainability aspects. For the development of each segment, we set distinct roadmaps. Capital will be allocated in a very focused manner – according to the specific requirements of a segment. Overall, we want to make the most efficient use of our resources to generate profitable growth.

Let me now quickly walk you through each segment.

- The **Chemicals** segment – comprising the Petrochemicals and the Intermediates divisions – will remain the cornerstone of our Verbund structure. It supplies the other segments with basic chemicals and intermediates, contributing to the organic growth of our key value chains. Alongside internal transfers, it serves primarily the chemical and plastics industries. In this segment, we aim to increase our competitiveness through technological leadership and operational excellence.
- The **Materials** segment consists of the Performance Materials and the Monomers divisions. The portfolio comprises advanced materials and their precursors for new applications and systems. These include isocyanates, polyamides and specialties for the plastics and plastics processing industries as well as inorganic basic products. We focus primarily on organic growth through differentiation via specific technological expertise, industry know-how and customer proximity to maximize value in the isocyanate and polyamide value chains.

- The **Industrial Solutions** segment, with the Dispersions & Pigments and the Performance Chemicals divisions, develops and markets ingredients and additives for industrial applications such as polymer dispersions, pigments, resins, electronic materials, antioxidants and admixtures. We aim to drive organic growth in key industries such as automotive, plastics or electronics and expand our position in value-enhancing ingredients and solutions by leveraging our comprehensive industry expertise and application know-how. During recent years, we completed a number of portfolio pruning measures. One month ago, we announced the start of the divestment process for our global pigments business. We are convinced that a new owner with a strong pigment focus and the willingness to invest into the business will be able to further drive profitable growth and ensure long-term success of the business.
- The **Surface Technologies** segment – with the Catalysts and the Coatings divisions – comprises our businesses that offer chemical solutions for surfaces. The portfolio includes products for the automotive and chemical industries such as coatings, catalysts and battery materials. The aim is to drive organic growth by leveraging our portfolio of technologies and know-how, and to establish BASF as a leading and innovative provider of battery materials as well. For the time being, the Construction Chemicals division is also part of the Surface Technologies segment. In October 2018, we announced plans to evaluate strategic options for our construction chemicals business. Currently, we are preparing the carve out of the business and are structuring the M&A process. Our intention is to sign a transaction agreement in the course of 2019.

- The **Nutrition & Care** segment comprises the Care Chemicals and the Nutrition & Health divisions. We strive to expand our position as a leading provider of nutrition and care ingredients for consumer products in the areas of nutrition, home and personal care. Customers include food and feed producers as well as the pharmaceutical, cosmetics, detergent and cleaner industries. We aim to enhance and broaden our product and technology portfolio. Our goal is to drive organic growth by focusing on emerging markets, new business models and sustainability trends in consumer markets, supported by targeted acquisitions.
- The **Agricultural Solutions** segment aims to further strengthen our market position as an integrated provider of crop protection products and seeds. Its portfolio comprises fungicides, herbicides, insecticides and biological crop protection products, as well as seeds and seed treatment products. We also offer farmers digital solutions combined with practical advice. Following the integration of the assets acquired from Bayer last year, our focus is on innovation-driven organic growth, targeted portfolio expansion and leveraging synergies from the acquired businesses.

In addition to the new segment structure, the composition of some divisions has also changed:

- The propylene oxide and propylene glycol business was transferred from the Petrochemicals to the Monomers division.
- The superabsorbents business was allocated to the Petrochemicals division from the Care Chemicals division.
- The styrene, polystyrene and styrene-based foams business, which previously fell mainly under the Performance Materials division and a small part under Other, were grouped together in the Petrochemicals division.

**[Chart 6: Reporting changes in “Other”]**

With the introduction of the new segment structure, we also made some changes to the items and activities reported under “Other.”

As of January 1, 2019, discontinued operations and all remaining activities after divestitures are now reported under Other. The latter includes, for example, participating interests accounted for using the equity method or supply obligations assumed in the context of divestitures. Reclassification affects the remaining activities for the leather and textile chemicals business, previously recorded in the Performance Products segment, and the remaining activities for the industrial coatings business, previously recorded in the Functional Materials & Solutions segment.

At the end of January 2019, BASF and Solenis completed the transfer of BASF’s paper and water chemicals business to Solenis. Since February 1, 2019, BASF accounts for its 49 percent share in Solenis using the equity method and includes its share of the company’s net income in EBIT before special items of Other. The disposal gain in the order of a low triple digit million-euro amount will be reported as special income in the Industrial Solutions segment in the first quarter of 2019.

**[Chart 7: Key financials 2018 and 2017 reflecting the new segment structure]**

Slide 7 summarizes the key financials of each segment for the years 2018 and 2017. In the restatement brochure you can find a breakdown by quarter and additional figures for assets, investments and R&D expenses by segment.

As mentioned before, the Construction Chemicals division is currently reported under Surface Technologies. Once we have certainty that a transaction will take place, the division will be classified as discontinued operation until closing – with sales and EBIT no longer included in BASF Group's figures. As in the case of the oil and gas business in 2018, the construction chemicals business will then be presented in the "income after taxes from discontinued operations."

The pigments business, however, will be classified as disposal group and not as a discontinued operation due to the lower relevance of this business for the BASF Group. Therefore, the pigments business will remain part of BASF Group's sales and EBIT until a transaction is closed.

To remind you of the size of these businesses: In 2018, we generated sales of around 2.5 billion euros in Construction Chemicals. Sales in our pigments business amounted to around 1 billion euros.

**[Chart 9: Impact of the Wintershall DEA merger on BASF's statement of income]**

On the two following slides, I will explain the impact of the merger between Wintershall and DEA on BASF's statement of income and how we will account for our share in Wintershall DEA in the future.

The signing of the agreement in September 2018 had an immediate effect on the reporting of BASF Group as the oil and gas business had to be classified as discontinued operation: Sales and earnings of the oil and gas business are no longer included in BASF Group's reporting – retroactively as of January 1, 2018 and with the prior-year figures restated. Until closing, which is expected in the second quarter of 2019, earnings are presented in BASF's statement of income in the line "income after taxes from discontinued operations."

From the transaction closing date, BASF will account for its share in the joint venture Wintershall DEA using the equity method and include its share of Wintershall DEA's net income in EBIT before special items of the BASF Group reported under Other. The gain from the transition from full consolidation to the equity method will be shown in income after taxes from discontinued operations as of the closing of the transaction.



**[Chart 10: Impact of the Wintershall DEA merger on BASF's statement of cash flows]**

Until closing of the merger, the cash flow contributions from Wintershall are considered in the respective line-items of BASF's statement of cash flows. Thus, there is no change for the time being.

From the transaction closing date, dividend payments from Wintershall DEA to BASF Group will be considered in BASF's cash flows from operating activities. As we will account for our share in the joint venture Wintershall DEA using the equity method, we have to eliminate the equity result from BASF's cash flows from operating activities. Capital expenditures of Wintershall DEA will not impact the BASF Group's cash flow statement; and as the joint venture will finance itself on the market, the JV's financing will also not be shown in BASF Group's cash flows.

This brings me to the end of my short presentation. Now I am glad to answer your questions.