Keynote Strategy Implementation

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This presentation contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Such risk factors include those discussed in Opportunities and Risks on pages 123 to 130 of the BASF Report 2018. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.
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

Yield\(^1\) 3.9% 3.7% 4.6% 3.7% 3.5% 4.0% 4.1% 3.4% 3.4% 5.3%

\(^1\) Dividend yield based on share price at year end
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 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) 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 by 2025
- Cover 90% of our relevant spend 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.

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

3. Transforming into an agile and customer-focused organization

4. Set the tone with CO₂-neutral growth

5. Capital allocation framework to maximize long-term shareholder value

6. Active portfolio management based on best-owner principle
BASF is well positioned to capture future growth in China

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

Real chemical production\(^1\)
billion US$

\begin{align*}
\text{2018} & \quad \sim 1,650 \\
\text{2030} & \quad \sim 2,750
\end{align*}

- CAGR +4.4\%
- +250bps vs. RoW

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

Strong earnings development of BASF in Greater China

Sales\(^2\)
billion €

\begin{align*}
\text{2014} & \quad 0 \\
\text{2015} & \quad 2 \\
\text{2016} & \quad 4 \\
\text{2017} & \quad 6 \\
\text{2018} & \quad 8
\end{align*}

EBIT

Indexed (2014 = 100)

\begin{align*}
\text{2014} & \quad 0 \\
\text{2015} & \quad 2 \\
\text{2016} & \quad 4 \\
\text{2017} & \quad 6 \\
\text{2018} & \quad 8
\end{align*}

- 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

\(^1\) 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
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

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

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

Percentage of sales 2018

Examples

SLENTITE® – high-performance insulation material

Cetiol® Ultimate – 100% renewable-based emollient for personal care

Acronal® MB – from biomass to dispersions
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

Agricultural Solutions 39%

Other segments 41%

~€2.3 billion

20% Corporate research

- **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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6. Active portfolio management based on best-owner principle
Our unique Verbund concept is one of BASF’s greatest assets with multiple benefits strengthening the portfolio

- Confirmed annual cost savings of more than €1 billion through integrated production worldwide
- 6.3 million tons of CO₂ prevented globally in 2018
- Ensure competitive supply of key raw materials and products to all segments
- Leverage technological advantages and innovation across all segments
- Harvest the advantages offered by digitalization across BASF
- Create customer relevance through size and broad portfolio
Verbund concept enables BASF to realize synergies via connectors across the segments

1 Until signing of a transaction agreement Construction Chemicals will be reported under Surface Technologies
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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® plant\(^1\) 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

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\(^1\) Lysmeral is an aroma chemical used for example in perfume and laundry powder
Update on excellence program 2019 – 2021

- **Annual EBITDA contribution**
  - 2019: ~€0.5 billion
  - 2020: €1.0 – €1.3 billion
  - 2021: €2.0 billion

- **One-time costs per year**
  - 2019: €0.4 – €0.5 billion
  - 2020: €0.2 – €0.3 billion
  - 2021: €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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1 Run rate; 2 One-time costs in the respective year
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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 produced**
- 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

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1 Based on 22 million tons of CO₂ in 2030 (in line with CO₂-neutral growth target vs. 2018 base year)
Technology workshop in cooperation with the WEF\textsuperscript{1} – accelerating the development of climate-friendly technologies

**Background**
- Industry-wide initiative of WEF\textsuperscript{1} 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

\textsuperscript{1} World Economic Forum
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

- Solvay’s polyamide business\(^1\)
  Sales 2018: ~€1 billion
- Seeds and crop protection
  Sales LTM: ~€2 billion

Divestitures / JVs

- Pigments\(^2\)
  Sales 2018: ~€1 billion
- Oil & Gas
  Sales 2018: ~€4.1 billion
- Water and paper chemicals
  Sales 2018: ~€0.8 billion

Acquisitions

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

Construction Chemicals

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

Ongoing portfolio measures

\(^1\) Closing targeted by the end of 2019; \(^2\) Closing expected in Q4 2020