

# Press Conference

Ludwigshafen, November 20, 2018

**Dr. Martin Brudermüller**, Chairman of the Board of Executive Directors and CTO

**Dr. Hans-Ulrich Engel**, Vice Chairman of the Board of Executive Directors and CFO

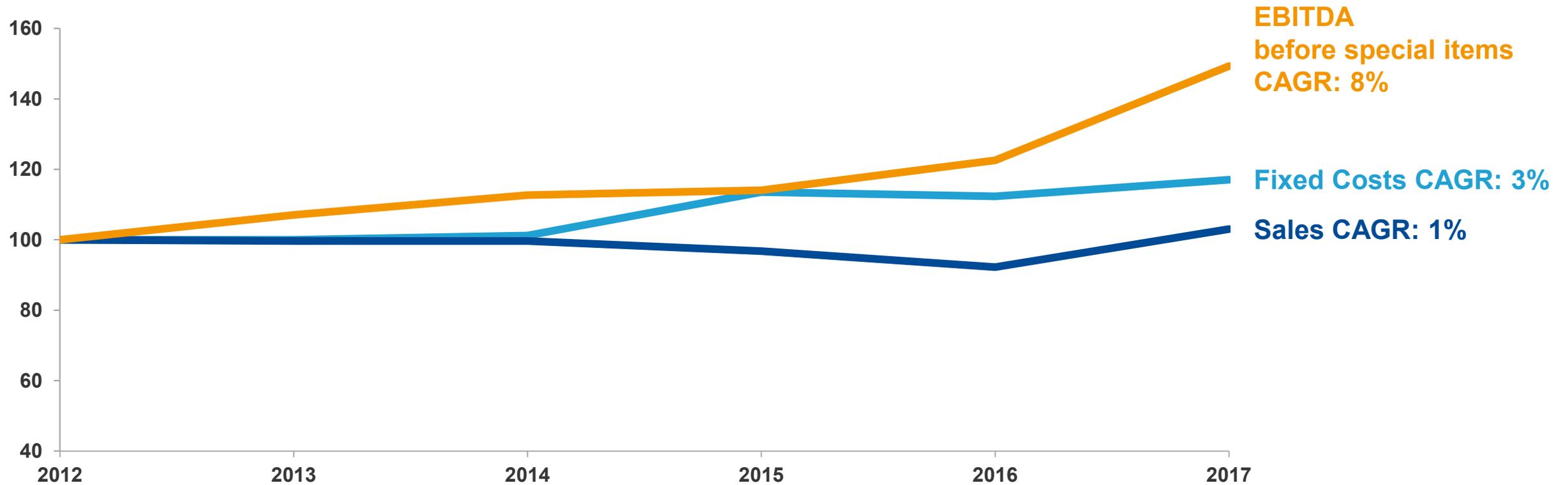


# BASF Corporate Strategy

# EBITDA growth above fixed costs

## BASF Group\* 2012–2017

indexed (2012 = 100), CAGR\*\* 2012–2017



\* Excluding Oil & Gas

\*\* CAGR: Compound Annual Growth Rate

# What will we do differently?

1

**Intensify customer focus to accelerate growth**

2

**Sharpen our portfolio and strengthen the Verbund**

3

**Transform our organization to be more agile  
and customer-focused**

4

**Focus capital allocation on organic growth**

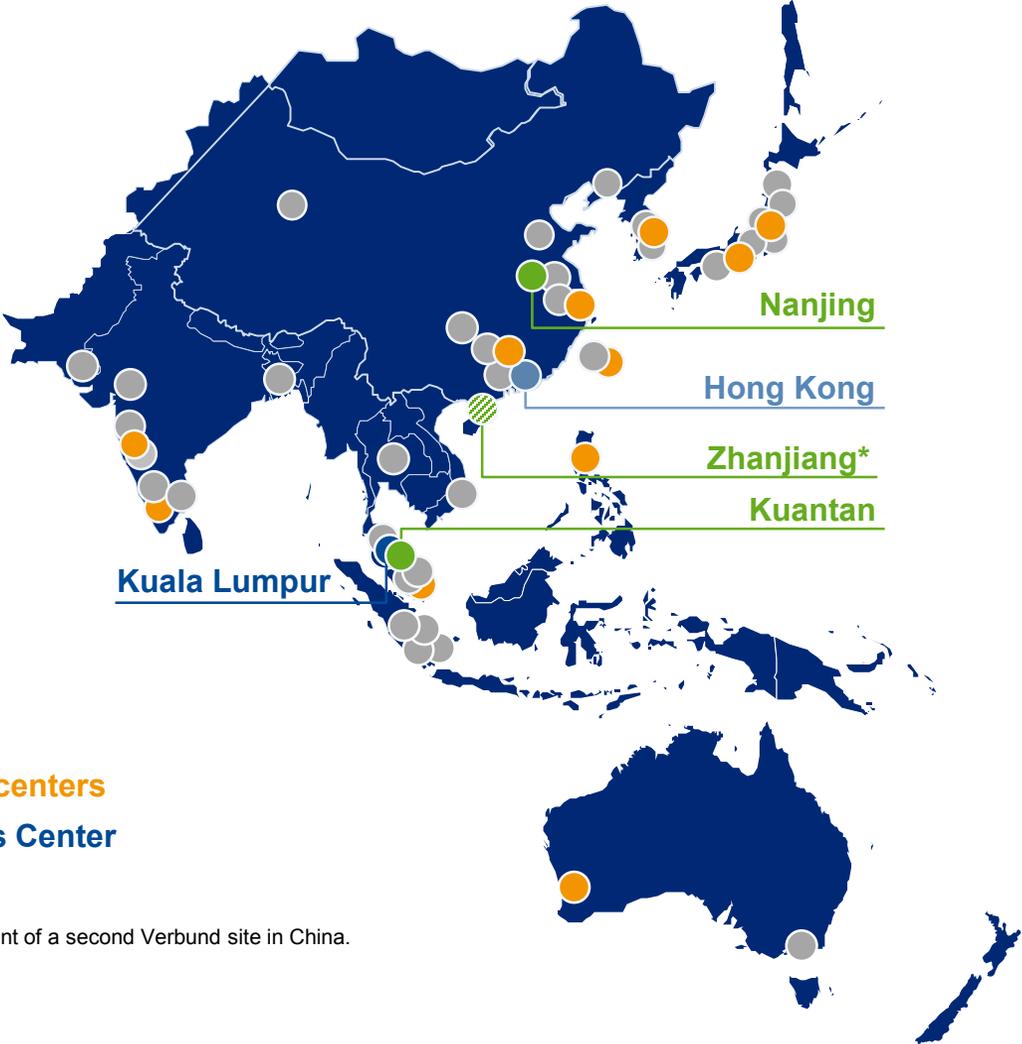
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**Drive growth particularly in largest market China**

6

**Set the tone with CO<sub>2</sub>-neutral growth**

# Established and growing presence in Asia Pacific



- Regional center
- Verbund sites
- Selected sites
- R&D/Technical centers
- Shared Services Center

- **BASF Group** in Asia Pacific (2017)
  - 18,256 employees\*\*
  - ~€14.3 billion sales\*\*\*
  - ~€2.2 billion EBIT
- **China** is the **major growth driver** for global chemical production
- The new **Verbund site** in **Zhanjiang** and the expanded **Nanjing Verbund** will **foster considerable growth in China**

\* BASF investigates establishment of a second Verbund site in China.  
 \*\* As of December 31, 2017.  
 \*\*\* Sales by location of customer.

# Our ambitious financial and non-financial targets

## Growth

Grow sales volumes faster than global chemical production

## Profitability

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

## Return

Achieve a ROCE\* well above the cost of capital percentage every year

## Dividend

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

**€22 billion of sales with Accelerator products\*\* by 2025**

**CO<sub>2</sub>-neutral growth until 2030**

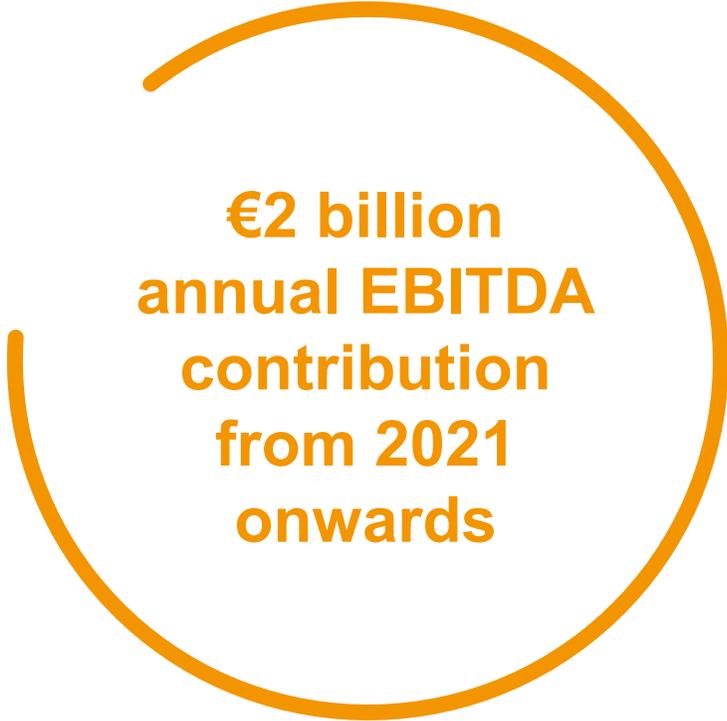
\* Return on capital employed (ROCE) is a measure of the profitability of our operations. We calculate this indicator as the EBIT generated by the operating divisions as a percentage of the average cost of capital basis.

\*\* Accelerator products are products that make a particular contribution to sustainable development.

# Excellence program 2019–2021

## Key facts

- **Operational excellence** will focus on production, logistics and planning
- In **digitalization and automation**, smart supply chains and smart manufacturing are major contributors
- **Organizational development** targets leaner structures in the areas of services, R&D and governance
  - ▶ Significant parts of **functional services** will be embedded in businesses, closer to our customers
  - ▶ **Simplification** of process landscape



**€2 billion  
annual EBITDA  
contribution  
from 2021  
onwards**

# Focusing our strengths on our customers

**Portfolio –  
businesses with customer relevance**

**People and organisation –  
become more agile and faster**

**Sustainability –  
live our purpose**

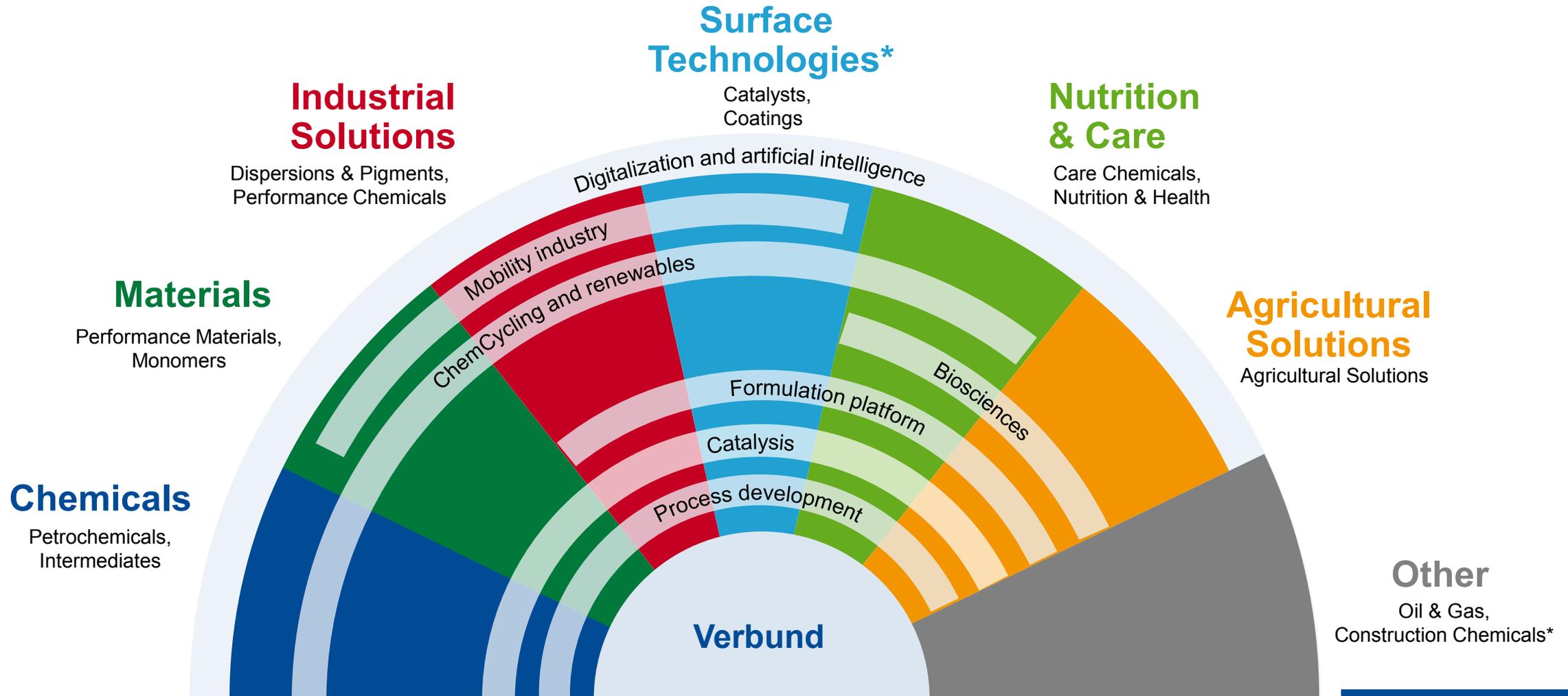


**Digitalization –  
leverage across the company**

**Operations –  
be the leader**

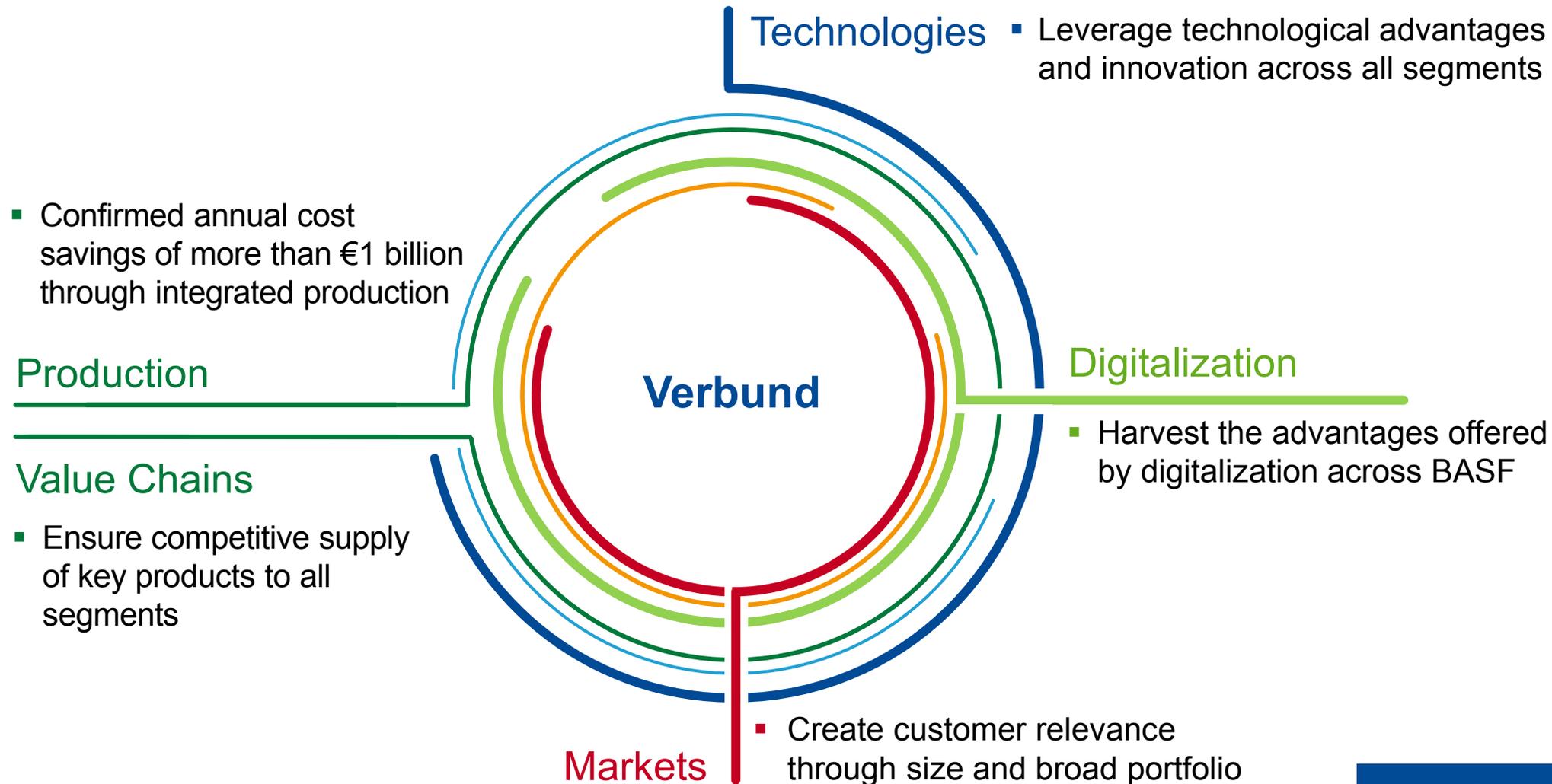
**Innovation –  
with impact**

# New segment structure strengthens performance- and market-orientation and provides more transparency



\* Target picture, until signing of a transaction agreement Construction Chemicals will be reported under Surface Technologies

# A multiple of Verbund effects strengthens our portfolio



# Each new segment has a clear and compelling path forward

	Chemicals	Materials	Industrial Solutions	Surface Technologies**	Nutrition & Care	Agricultural Solutions
Share*	25%	35%	12%	10%	9%	12%
Core theme	Verbund	Advanced materials	Additives platform	Surface modification platform	Consumer ingredients	Integrated offering of seeds, crop protection, digital
Innovation focus	Improved or new processes	Applications, biomaterials	Formulations	Battery materials, surface effects	Biotechnology, formulations	Crop protection, seeds, digital farming
Capex relevance						
M&A relevance						
Sustainability	ChemCycling	Bio-based materials	More from less	Low emission mobility	Bio-based and natural, traceability	Better with less

\* Percentage of EBITDA before special items in 2017; Other: minus €0.4 billion.

\*\* Target picture, until signing of a transaction agreement Construction Chemicals will be reported under Surface Technologies

# People and organisation



**We will change our internal processes and the way we work together by...**

...equipping employees with tools and skills

...simplifying structures and processes

...transforming our organisation

...setting up a Task Force Process Simplification



## We want to develop the most attractive innovations for our customers and significantly increase our sales through innovations by

- adjusting our R&D setup to better align R&D activities with business and customer's needs.
- increasing the excellence of our innovation processes – starting from the lab and continuing up the chain, all the way to the customer.
- developing and executing better innovation strategies as a key element of our business strategies.
- intensifying our collaboration with external partners.

# ChemCycling enables sustainable growth in the circular economy

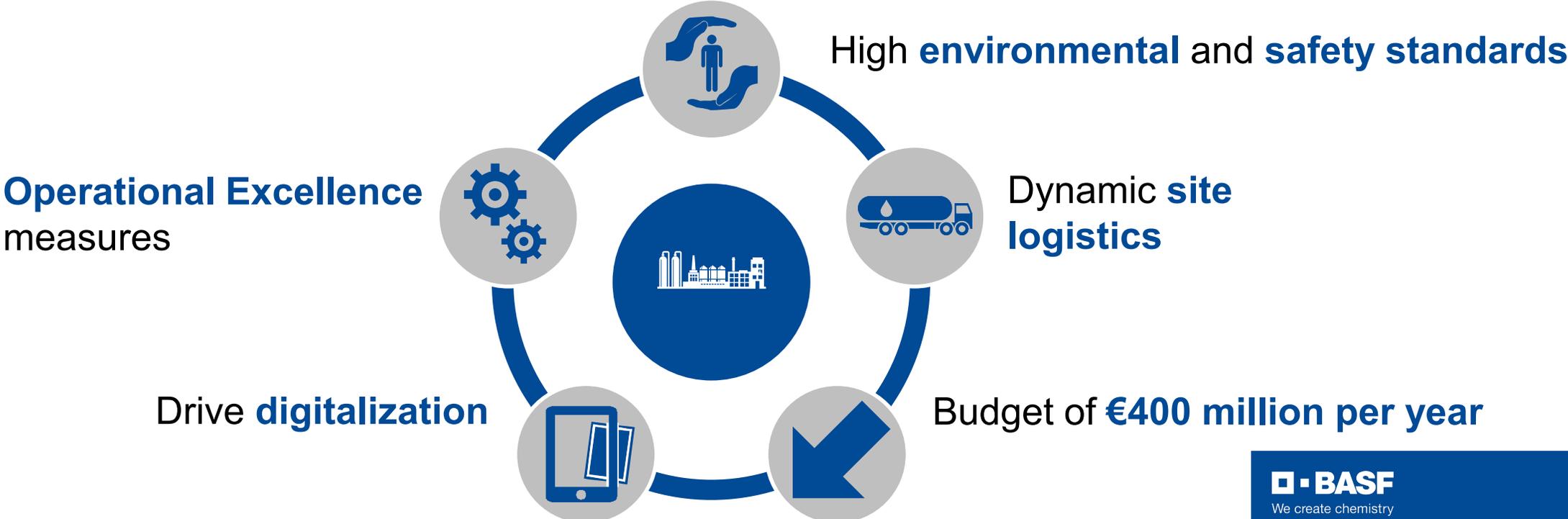


Successful business proof in October 2018

# Operations



**We want to achieve best-in-class operations to continue supplying our customers with high quality products in the most reliable way.**



# Digitalization

**With digital technologies and services we will create new exciting customer experiences and business growth as well as drive efficiencies in processes.**

Availability and quality  
350 plants until 2022 of data faster IT  
Digital capabilities processes  
Digital roadmaps Digital officers



# BASF Corporate Strategy



We create chemistry