

News Release

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BASF posts slight increase in 2018 sales and decline in earnings due mainly to lower contributions from Chemicals

- Sales of €62.7 billion (plus 2%)
- EBIT before special items of €6.4 billion (minus 17%)
- Cash flows from operating activities of €7.9 billion (minus 10%), free cash flow of €4 billion
- Proposed dividend of €3.20 for 2018 financial year (2017: €3.10)

Outlook 2019:

- Slight sales growth expected, mainly from higher sales volumes and portfolio effects
- EBIT before special items slightly above 2018 level anticipated

EMBARGO PERIOD: 10.30 a.m.

Presentations by

Dr. Martin Brudermüller, Chairman of the Board of Executive Directors, and
Dr. Hans-Ulrich Engel, Chief Financial Officer of BASF SE

The spoken word applies.

Good morning ladies and gentlemen,
Hans Engel and I would like to welcome you to our press conference presenting our 2018 financial results. Last year was not an easy year. Global economic growth slowed considerably over the course of the year. Geopolitical developments and trade conflicts negatively affected the economic environment. Even the Rhine River caused us trouble. We are tackling these challenges. With our new corporate strategy, we will use 2019 as a transitional year to emerge even stronger. This year, we are adapting our structures and processes, and focusing our organization clearly on the needs of our customers.

Full year 2018 results

First, let us take a look at 2018. In the second half of the year, we felt an economic slowdown in our key markets, especially in the automotive industry, our largest customer sector. In particular, demand from Chinese customers declined significantly. The trade conflict between the United States and China contributed to this. Around the world, uncertainties grew. Many market participants therefore acted very cautiously.

In this environment, we achieved sales of €62.7 billion in 2018. This represents an increase of 2% compared with the previous year. We implemented price increases in all segments and divisions. Volumes rose slightly compared with 2017: Higher volumes in the Functional Materials & Solutions and Agricultural Solutions segments were partially offset by lower volumes in the Performance Products and Chemicals segments. The main reason for the lower volumes in the Performance Products segment was the outage at the citral plant in Ludwigshafen, which started production again in the second quarter. Sales volumes in the Chemicals segment were negatively influenced by the low water levels on the Rhine River. Currency effects were minus 4% overall, while portfolio effects were plus 1%.

Our income from operations (EBIT) before special items declined by 17% year on year to €6.4 billion. This decrease was mainly attributable to the Chemicals segment, which accounted for around two-thirds of the total decline in earnings. Isocyanate margins fell sharply in the second half of the year. Furthermore, cracker margins were lower than expected in all regions in 2018.

Lower earnings in the Functional Materials & Solutions, Agricultural Solutions and Performance Products segments also contributed to the decline in EBIT before special items. In the Agricultural Solutions segment, negative currency effects in all regions dampened earnings. In addition, there was a strongly negative contribution from the businesses acquired from Bayer, which we only took over in August. This timing was a disadvantage for us because of the seasonality of the seeds business, which primarily generates income in the first half of the year. Moreover, there were costs for integrating the acquired activities.

As well, the unusually long period of low water levels on the Rhine River posed a challenge for us. At the Ludwigshafen site, for much of the third and fourth quarter, we were barely able to receive deliveries of raw materials via ship. Consequently, we were forced to reduce our plant capacity utilization rates in Ludwigshafen. This lowered our 2018 earnings by around €250 million.

Proposed dividend of €3.20

What do these developments mean for our dividend? BASF wants to increase its dividend even in challenging times. That is why we will propose to the Annual Shareholders' Meeting a dividend of €3.20 per share, €0.10 higher than in the previous year. The BASF share would thus offer a very attractive dividend yield of 5.3% based on the 2018 year-end share price.

Implementation of BASF's strategy

Ladies and gentlemen,

We have further developed our strategy and we are systematically implementing it. We are addressing our less than satisfactory business development in 2018 with a number of measures. 2019 will be a year of transition and change. We are adapting structures and processes, and introducing organizational changes where necessary. This is all being done with the overarching goal of being the leading chemical company for our customers.

That is why we have undertaken a first step as of January 1 and changed the organizational allocation of around 14,000 employees who previously worked in central units. This transfer into our operating divisions went very smoothly. The entire process will be completed by the end of the third quarter 2019 and around 20,000 colleagues will then be working closer to our customers. This will enable us

to better recognize our customers' needs, develop ideas and implement them faster. The changes to the organization affect areas such as research and development, engineering, supply chain, purchasing, human resources, information services and environment, health and safety.

Along with these structural details, we are also making changes to BASF's segments. As of January 1, 2019, we adapted our segment structure. We now have six segments instead of four: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. This will make our reporting more transparent and easier to compare with that of our competitors.

Active portfolio management

We have undertaken a number of measures to further develop our portfolio. Let me briefly touch on these.

We have completed the transfer of BASF's business with paper and water chemicals to Solenis. As of February 1, 2019, the combined business has been operating under the name Solenis. In 2017, this business reported pro forma sales of around €2.4 billion and had approximately 5,200 employees. Today it offers an expanded product portfolio for customers in the paper and water treatment industries. BASF holds 49% of the shares and 51% are held by funds managed by Clayton, Dubilier & Rice and the Solenis management.

On January 18, 2019, the European Commission gave BASF clearance to acquire Solvay's polyamide business. This conditional clearance is a key milestone. BASF has committed to addressing the European Commission's competition concerns. We must therefore divest parts of the original transaction scope to a third-party buyer, namely manufacturing assets and innovation capabilities of Solvay's polyamide business in Europe. With this acquisition, BASF can still achieve its strategic goals and considerably strengthen the business with polyamide 6.6. The transaction is expected to conclude in the second half of 2019 once all of the other closing conditions have been fulfilled.

Now, to Wintershall: At the end of September 2018, we signed an agreement with LetterOne to bring our respective oil and gas businesses into a joint venture. We are now expecting the necessary approvals. We plan to complete the transaction in the first half of 2019. The preparatory measures for the integration are proceeding according to plan. We expect that the initial public offering (IPO) will take place in

the second half of 2020 at the earliest. The exact timing will of course depend on the market conditions.

Ladies and gentlemen,

As part of our active portfolio management, we continuously examine whether businesses can even better unfold their potential in a different constellation, for example, in a joint venture or outside of BASF. In this context, we announced in October 2018 that we were evaluating strategic options for our construction chemicals business. This means we are considering a merger with a strong partner or a divestiture. We aim to reach agreement on a transaction during the course of 2019. We are currently preparing a structured process.

Furthermore, we are initiating the sale of our global pigments business. BASF has a leading position in this market. Our goal is to ensure this business is successful in the long term as well. BASF's pigments business offers a broad portfolio of pigments and effect pigments as well as preparations. It generated sales of around €1 billion in 2018, has approximately 2,600 employees and serves more than 5,000 customers worldwide. We aim to conclude a transaction by the end of 2020 at the latest.

Investments in organic growth in Asia

Now let's turn our attention to Asia. We have a number of investment projects to further strengthen our position there and accelerate our organic growth. China is now already the key market in Asia and worldwide – both for BASF as well as for the entire chemical industry. BASF wants to grow faster than the global chemical market. Therefore, we must participate in the growth in China, the world's largest market for chemicals.

At the end of October 2018, we signed an agreement with SINOPEC to expand our partnership at the Verbund site in Nanjing, China. Our joint venture BASF-YPC will invest in a 50% stake to build another steam cracker with a capacity of 1 million metric tons of ethylene per year. SINOPEC Yangtzi Petrochemical will invest the other 50%. Our investment in this steam cracker and the expansion of our joint venture underline the strong and vital partnership between the two companies and our dedication to our customers in China. Furthermore, we will jointly explore new business opportunities in the fast-growing Chinese market for battery materials.

India is another market where we want to invest. We recently signed a memorandum of understanding with Adani. We want to evaluate a major joint investment in the acrylics value chain. This would be BASF's largest investment in India to date. The designated site would be located at Mundra port in the Indian state of Gujarat. We will complete a feasibility study by the end of 2019. Our goal is to establish a joint venture with a total investment sum of around €2 billion. BASF would be the majority owner of the company, which would build and operate several production plants. The products would be predominately for the Indian market, especially for the construction, automotive and coatings industries.

Ladies and gentlemen,

With our strategy we are also pursuing ambitious nonfinancial goals. We have committed to keeping our greenhouse gas emissions flat at the 2018 level until 2030, even with annual production growth.

The previously mentioned chemical site to be built in cooperation with Adani would be our first CO₂-neutral production facility. Our concept includes new technologies and powering the site 100% with renewable energy. Furthermore, BASF plans to take a minority stake in a wind and solar park.

At the beginning of January, we signed a framework agreement with the government of Guangdong Province in southern China. The agreement sets out our plan to establish a new Verbund site in the city of Zhanjiang. More than 9 km² of land will be allocated for BASF to realize this project. In our view, the new site is ideal. It will benefit from Zhanjiang's natural resources, a deep-water port and excellent transportation links to Guangdong's industrial centers.

Before we get to the outlook, I would like to hand over to Hans Engel, who will provide you with more details about our earnings development in the fourth quarter and the full year 2018.

[Hans-Ulrich Engel]

BASF Group 2018 earnings development

Good morning ladies and gentlemen,

BASF Group's sales rose by 2% in the fourth quarter of 2018 to €15.6 billion. Supported by the segments Performance Products, Functional Materials &

Solutions and Agricultural Solutions, we were able to raise prices by 2%. Volumes declined by 3%. This was primarily attributable to the prolonged low water levels on the Rhine River, which severely limited shipments of key raw materials to the Ludwigshafen site and thus forced us to reduce capacity utilization. Portfolio effects amounted to plus 3% due to the acquisition of Bayer businesses in the Agricultural Solutions segment.

EBIT before special items in the fourth quarter was €630 million, down 59% on the prior-year figure. This decline was due to significantly lower earnings in the Chemicals and Agricultural Solutions segments. In the Chemicals segment, the main reason for this was lower margins in the isocyanate and cracker business. Fourth-quarter earnings development in the Agricultural Solutions segment was hampered by acquisition-related expenses. We improved earnings in the Performance Products and Functional Materials & Solutions segments. The supply bottlenecks resulting from the low water levels on the Rhine River had a negative impact of around €200 million on earnings in the fourth quarter.

For the full year, EBIT before special items of €6.4 billion was lower than the €7.6 billion reported in 2017. Special items amounted to minus €320 million, primarily due to acquisitions. This compares with minus €58 million in the previous year. EBIT declined by 20% to €6 billion.

At €9.5 billion, EBITDA before special items was 12% below the prior-year level. EBITDA amounted to €9.2 billion, compared with €10.8 billion in 2017.

Earnings per share fell from €6.62 to €5.12 in 2018. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €5.87, down by €0.57 from the previous year.

BASF Group cash flow in full year 2018

Cash flows from operating activities declined from €8.8 billion to €7.9 billion. This was mainly due to the decrease in net income. In 2018, the change in net working capital reduced cash flows by €530 million; this compared with minus €1.2 billion in 2017.

Cash used in investing activities increased from €4 billion to €11.8 billion. In 2018, net payments for acquisitions and divestitures amounted to €7.3 billion, mainly relating to the acquisition of businesses and assets from Bayer. In 2017, acquisitions

and divestitures resulted in a small cash inflow. Payments made for property, plant and equipment and intangible assets declined by €102 million to €3.9 billion.

At €4 billion, free cash flow was once again strong, but €744 million lower than the 2017 level due to the decrease in cash flows from operating activities.

In 2018, we paid out dividends of €2.8 billion to shareholders of BASF SE and €174 million to minority shareholders.

As of December 31, 2018, our equity ratio was 41.7%.

And now back to Martin Brudermüller and the outlook.

[Martin Brudermüller]

Outlook for the year 2019

Ladies and gentlemen,

The global economy is expected to grow by 2.8% in 2019, considerably slower than in 2018 (+3.2%). In the European Union, we anticipate weaker growth in both domestic demand and export demand from third countries. On the other hand, the United States will presumably deliver solid growth, although the stimulus effect of the tax reform should be less pronounced than in 2018.

Growth in China will likely continue to cool but remain high compared with the advanced economies. By contrast, the economic recovery in Brazil is expected to hold up.

Our outlook is based on the following additional economic assumptions for the year 2019:

- We expect chemical production to increase at a rate of 2.7% in 2019, the same rate as in 2018 (+2.7%).
- For 2019, we anticipate an average oil price of \$70 for a barrel of Brent blend crude and an average exchange rate of \$1.15 per euro.

We also expect growth in our customer industries to continue. For the automotive industry, we anticipate a slight recovery after lower production in the previous year. Our outlook assumes that the trade conflicts between the United States and its

trading partners will ease over the course of the year, and that Brexit will occur without wider economic repercussions.

Even though the environment is challenging and characterized by a high level of uncertainty, we aim to grow profitably. We expect slight sales growth, mainly from higher sales volumes and portfolio effects. We want to slightly increase EBIT before special items. Furthermore, we anticipate return on capital employed (ROCE) will be slightly higher than the cost of capital percentage, but will decline slightly compared with the 2018 level.

The first two quarters of 2019 will be comparably weak quarters. Firstly, in the first half of 2018 we still benefited from high margins for isocyanates, so the basis of comparison is very high. Secondly, costs associated with the implementation of our strategy will have an impact on earnings, as will a higher number of scheduled plant turnarounds than in the previous year. The decisive factors for reaching our targets for 2019 are an improved business performance, solid customer demand as well as first contributions from our strategic excellence program in the second half of the year. The structural changes we have initiated at BASF will also lead to noticeably higher negative special items in 2019.

We will accelerate our excellence program announced in November. The target is to achieve an annual EBITDA contribution of €2 billion from 2021 onwards. For 2019, we aim to achieve an EBITDA contribution of €500 million. For the implementation we expect one-time costs of €0.8 billion in the period 2019 until 2021. This includes special charges in a mid-triple-digit million-euro-range. Due to the accelerated implementation, a large share of the implementation costs will occur as early as 2019. These costs will reduce the EBITDA contribution in 2019 accordingly.

You can find additional information in our Report 2018 that was published today. It also includes the audited financial statements of the BASF Group.

I'm sure you have some questions. Hans Engel and I would be happy to answer them now.