



BASF signs agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses

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BASF signs agreement to acquire significant parts of Bayer's seed and non-selective herbicide businesses

Transaction highlights

- Excellent opportunity to acquire high-quality and fully-enabled seed businesses for canola/oilseed rape, soybean and cotton as well as a global non-selective herbicide business
- High-growth and profitable business: CAGR 2014–2016 of 15%; EBITDA margin > 25%
- Transaction will expand BASF's agricultural solutions offering and leverage its crop protection expertise to cater to a broader range of farmers' needs
- Significant top-line growth potential identified based on complementary portfolios
- All-cash purchase price* of €5.9 billion; EBITDA multiple* of ~15x (asset deal)
- Financing through a combination of cash on hand, commercial papers and bonds
- Cash EPS accretive in the first full fiscal year, EPS accretive by 2020
- Closing expected in Q1 2018, subject to the closing of the Bayer/Monsanto transaction and relevant regulatory approvals

Strong seed and non-selective herbicide portfolio and excellent R&D platform

Facts

Fully enabled seed and trait businesses

- Attractive and sizeable seed portfolio for canola/oilseed rape, soybean and cotton in the Americas and Europe
- Excellent trait research for canola, soybean and cotton
- LibertyLink[®] technology for herbicide tolerance and related trademarks

Complementary crop protection business

- Global glufosinate-ammonium-based non-selective herbicide business
- State-of-the-art production facilities in the U.S., Canada and Germany

Experienced team of dedicated professionals

Figures

Sales 2016

~€1.3 billion

Sales by region

~70% North America
 ~15% South America
 ~10% Asia Pacific
 ~5% Europe, Middle East, Africa

EBITDA 2016

~€385 million

R&D pipeline and IP

>250 patent families

Employees

>1,800

Sites

- 5 chemical production and formulation sites
- 10 R&D sites
- Regional seed production and breeding facilities

Bayer's seed and non-selective herbicide businesses – an excellent fit with BASF's “We create chemistry” strategy

Customer focus

Businesses positioned close to customers and attuned to their needs; earlier touchpoints with farmers and distributors via seeds in key regions

Innovation-driven

Strong track record of successful innovation

Leading seed brands

Attractive and sizeable seed portfolio for canola/oilseed rape, soybean, cotton; strong premium brands: InVigor[®], Credenz[®], FiberMax[®], Stoneville[®]

Complementary portfolio

Enhancement of BASF's agricultural solutions portfolio with seed and non-selective herbicide assets

Growth above industry average

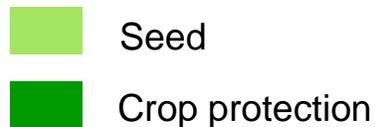
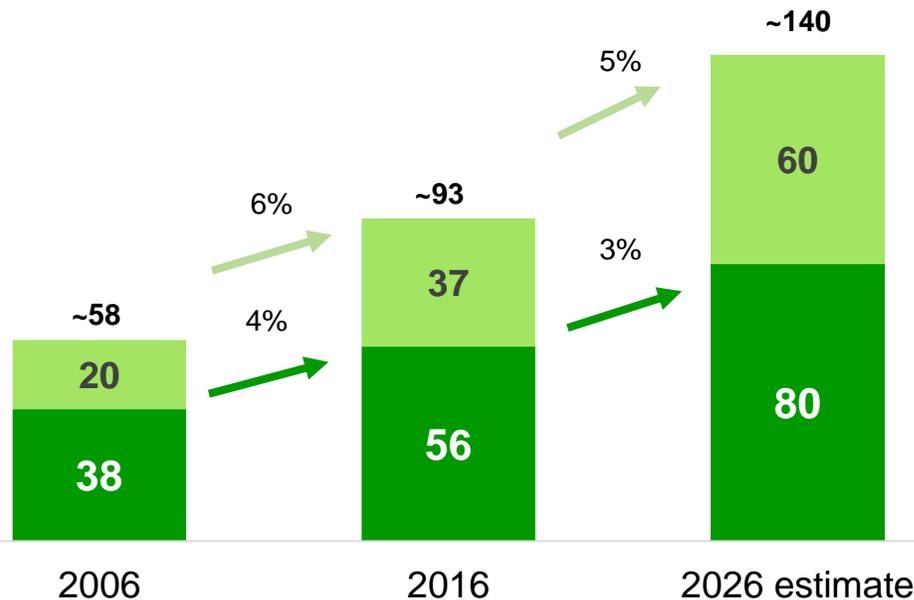
Strong top-line growth potential identified due to complementary portfolios; potential for further growth via combination of complementary R&D pipelines

Attractive and globally growing agricultural market

Market development and key growth drivers

Crop protection and seed market

billion US\$; CAGR



Source: PMD Market Data 2016; BASF estimates

Fundamental growth drivers for agricultural market intact

- ~10 billion people by 2050
- 30% more food needed by 2050
- 70% higher productivity needed by 2050
- Need for sustainable yield increase drives growth

Key drivers for seed market growth

- Rapid adoption of GM seeds
- New breeding technologies

Seeds – an attractive opportunity arising from current market consolidation

Facts

- Canola/oilseed rape, soybean and cotton in the U.S., Canada, Brazil and Europe
- Businesses positioned close to customers and attuned to meeting local needs
- Market-leading canola business in North America with high cash conversion
- Well-established license business for LibertyLink[®]-technology with mid-term patent protection
- High-quality seed research for canola/oilseed rape, cotton and soybean

Figures

**Growth
2014–2016**

~14% p.a.

Sales 2016

~€830 million

**Sales 2016
by crop**

~45% canola/oilseed rape
~20% soybeans
~25% cotton
~10% LibertyLink[®] license

Seed assets in scope – well-positioned in key row crops and with strong growth potential



- Canola/oilseed rape seed business in Canada, the U.S. and Europe
- Market-leading and well-recognized InVigor® brand
- Innovation-led growth drivers: superior Pod Shatter Reduction technology and clubroot resistance



- Soybean seed and trait business focused on the Americas
- Credenz®-branded business based on LibertyLink® trait
- Growth drivers: excellent germplasm for the U.S. and South America, tailored and enabled trait development



- Cotton seed business in the Americas, Greece and Turkey
- Well-recognized FiberMax® and Stoneville® brands
- Growth drivers: high yield and fiber quality, excellent germplasm

Glufosinate-ammonium – non-selective herbicide to complement BASF’s herbicide portfolio

Facts

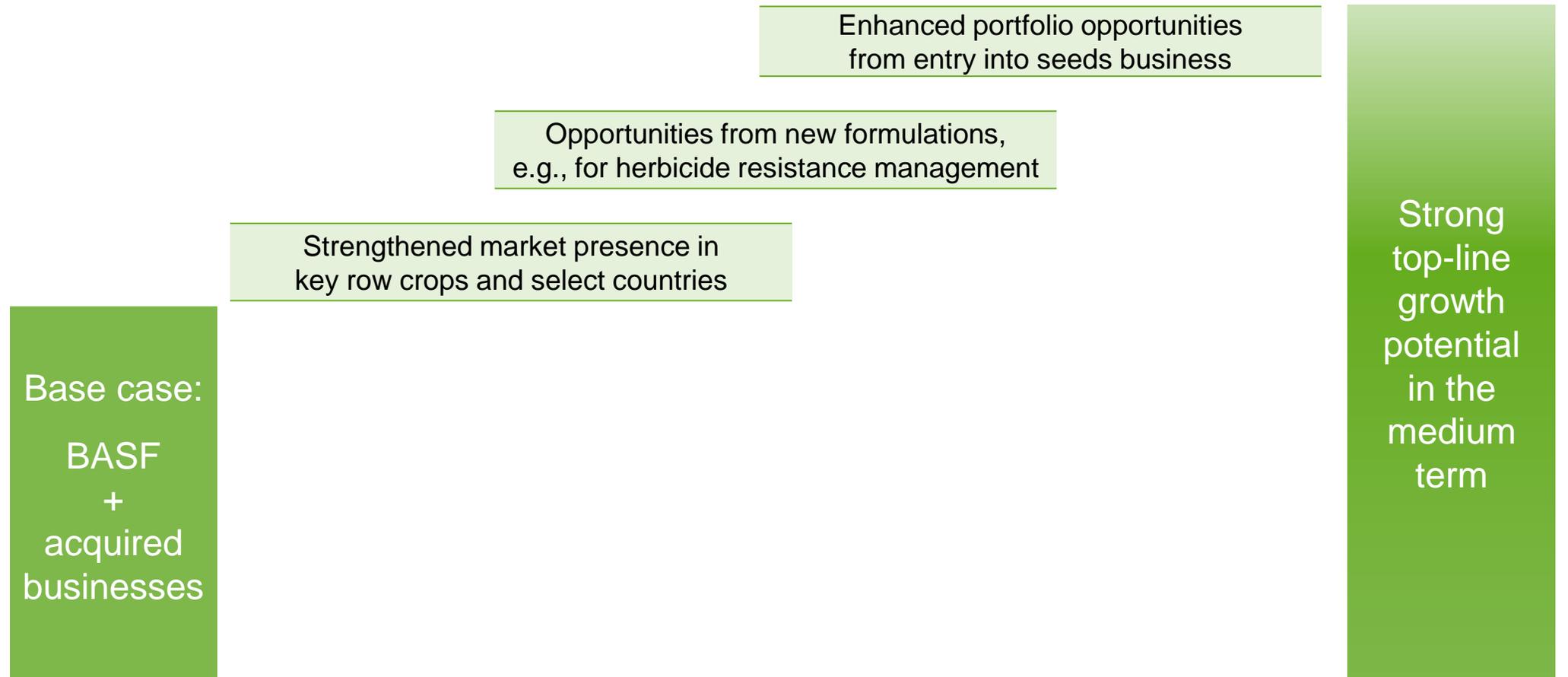
- Attractive non-selective herbicide with large global footprint and strong track record
- Growth drivers:
 - resistance management
 - market adoption in North America
 - growth potential in Asia and South America
- Premium brands: Liberty[®], Basta[®] and Finale[®]
- State-of-the-art production network
- Novel mode of action in BASF’s portfolio to contribute to resistance management
- Linkage to herbicide tolerance research

Figures

Growth 2014–2016	~17% p.a.
Sales 2016	~€495 million
Sales 2016 by region	~55% North America ~10% South America ~25% Asia Pacific ~10% Europe
Sales 2016 by crop	~25% soybean ~15% canola/oilseed rape ~15% cotton ~5% corn ~40% fruits, vegetables and others

Significant top-line growth potential based on complementary portfolios

Mid triple-digit million euro top-line growth potential with high profitability identified



BASF's R&D pipeline focused on innovative crop protection products and trait discovery

Crop protection research pipeline

Indication

Peak sales potential

Launch period: 2016–2020

Fungicides

Herbicides

Insecticides

Herbicide Tolerance

Functional Crop Care

>€2.0 billion

Launch period: 2021–2026

Fungicides

Herbicides

Insecticides

Herbicide Tolerance

Functional Crop Care

>€1.0 billion

>€3.0 billion

Trait discovery research pipeline



Fungal resistance



Herbicide tolerance

Combined R&D pipelines and access to seed markets to drive innovation and growth



Combination of two innovation-driven businesses

Creates better solutions for farmers

- Tailored solutions for key markets to help farmers produce more and better crops

Connects expertise to find new solutions

- Earlier touchpoints with farmers and distributors

Boosts innovation output

- Robust foundation and market access for BASF's trait discovery research
- Enhanced innovation potential for relevant markets and key crops

Integration concept to ensure seamless transfer of businesses and realization of top-line growth potential

Integration concept

- Integration team set up to ensure seamless integration
- BASF to take over sales responsibility in all major countries on day one
- Glufosinate-ammonium activities to be integrated in BASF's existing herbicide business
- Seed businesses to be set up in a dedicated global unit within BASF's agricultural solutions business
- Strong cultural fit between BASF and Bayer facilitating smooth integration

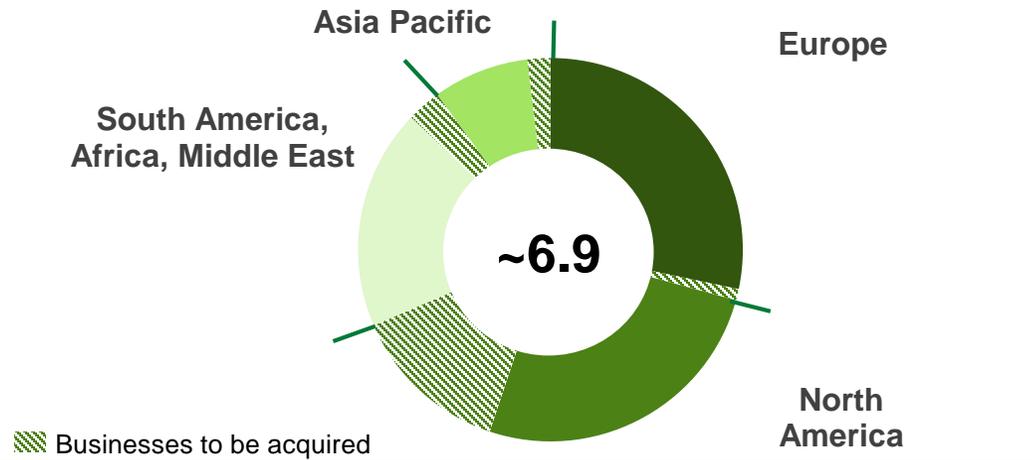
Closing expected in Q1 2018

Subject to:

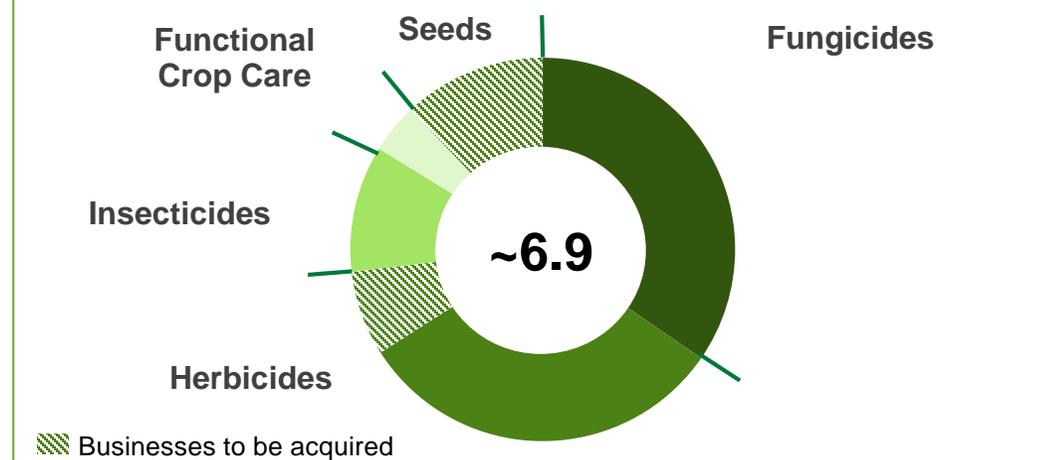
- Closing of the Bayer/Monsanto transaction
- Relevant regulatory approvals

Pro-forma 2016 data of future Agricultural Solutions segment

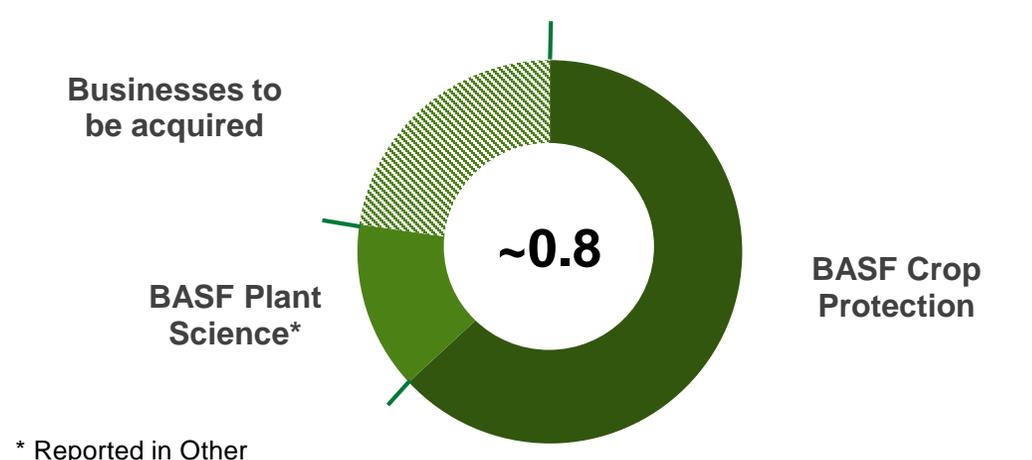
Sales by region [€ billion]



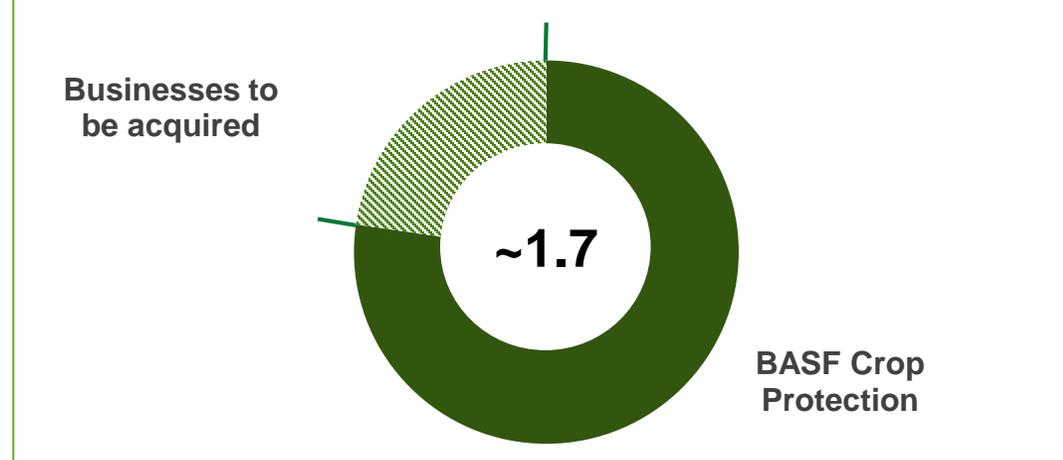
Sales by indication [€ billion]



R&D expenses [€ billion]



EBITDA [€ billion]



Transaction meets BASF's acquisition criteria

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 return on investment above the WACC ✓
- are EPS accretive by year three at the latest ✓

A significant step to accelerate growth in BASF's agricultural solutions business





We create chemistry