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

October 13, 2017
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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

\(^*\) The purchase price excludes the value of net working capital and will be subject to certain adjustments at closing; the multiple is based on the 2016 EBITDA of ~€385 million
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

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer focus</td>
<td>Businesses positioned close to customers and attuned to their needs; earlier touchpoints with farmers and distributors via seeds in key regions</td>
</tr>
<tr>
<td>Innovation-driven</td>
<td>Strong track record of successful innovation</td>
</tr>
<tr>
<td>Leading seed brands</td>
<td>Attractive and sizeable seed portfolio for canola/oilseed rape, soybean, cotton; strong premium brands: InVigor®, Credenz®, FiberMax®, Stoneville®</td>
</tr>
<tr>
<td>Complementary portfolio</td>
<td>Enhancement of BASF’s agricultural solutions portfolio with seed and non-selective herbicide assets</td>
</tr>
<tr>
<td>Growth above industry average</td>
<td>Strong top-line growth potential identified due to complementary portfolios; potential for further growth via combination of complementary R&amp;D pipelines</td>
</tr>
</tbody>
</table>
Attractive and globally growing agricultural market
Market development and key growth drivers

**Crop protection and seed market**

<table>
<thead>
<tr>
<th>Year</th>
<th>Seed (billion US$)</th>
<th>Crop protection (billion US$)</th>
<th>Total (billion US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>20</td>
<td>38</td>
<td>~58</td>
</tr>
<tr>
<td>2016</td>
<td>37</td>
<td>56</td>
<td>~93</td>
</tr>
<tr>
<td>2026 estimate</td>
<td>80</td>
<td>80</td>
<td>~140</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Facts</th>
<th>Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Businesses positioned close to customers and attuned to meeting local needs</td>
<td>Sales 2016: ~€830 million</td>
</tr>
<tr>
<td>- Market-leading canola business in North America with high cash conversion</td>
<td>Sales 2016 by crop:</td>
</tr>
<tr>
<td>- Well-established license business for LibertyLink®-technology with mid-term patent protection</td>
<td>~45% canola/oilseed rape</td>
</tr>
<tr>
<td>- High-quality seed research for canola/oilseed rape, cotton and soybean</td>
<td>~20% soybeans</td>
</tr>
<tr>
<td></td>
<td>~25% cotton</td>
</tr>
<tr>
<td></td>
<td>~10% LibertyLink® license</td>
</tr>
</tbody>
</table>
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**

| 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

- Enhanced portfolio opportunities from entry into seeds business
- Opportunities from new formulations, e.g., for herbicide resistance management
- Strengthened market presence in key row crops and select countries
- Strong top-line growth potential in the medium term

Base case: BASF + acquired businesses
BASF’s R&D pipeline focused on innovative crop protection products and trait discovery

<table>
<thead>
<tr>
<th>Crop protection research pipeline</th>
<th>Trait discovery research pipeline</th>
</tr>
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<tbody>
<tr>
<td><strong>Indication</strong></td>
<td><strong>Peak sales potential</strong></td>
</tr>
<tr>
<td>Launch period: 2016–2020</td>
<td>&gt;€2.0 billion</td>
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<tr>
<td>Fungicides</td>
<td></td>
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<tr>
<td>Herbicides</td>
<td></td>
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<tr>
<td>Insecticides</td>
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<tr>
<td>Herbicide Tolerance</td>
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<tr>
<td>Functional Crop Care</td>
<td></td>
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<tr>
<td>Launch period: 2021–2026</td>
<td>&gt;€1.0 billion</td>
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<td>Fungicides</td>
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<td>Functional Crop Care</td>
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<tr>
<td></td>
<td>&gt;€3.0 billion</td>
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</tbody>
</table>

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]**
- Asia Pacific
- Europe
- North America
- South America, Africa, Middle East

**Businesses to be acquired**
- Asia Pacific
- Europe
- North America
- South America, Africa, Middle East

**Sales by indication [€ billion]**
- Seeds
- Functional Crop Care
- Insecticides
- Herbicides
- Fungicides

**R&D expenses [€ billion]**
- BASF Plant Science*
- BASF Crop Protection

**EBITDA [€ billion]**
- BASF Crop Protection

* Reported in Other
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