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# BASF and LetterOne sign agreement to merge Wintershall and DEA

Selected Investor Relations Slides

September 27, 2018



# Cautionary note regarding forward-looking statements

*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 the Opportunities and Risks Report from page 111 to 118 of the BASF Report 2017. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.*

# BASF Group's strategic rationale for the merger of Wintershall and DEA

- This merger is an important value-creating step on BASF's strategic path
- Value creation through additional growth opportunities, realization of synergies and the envisaged IPO
- Creating the leading independent European exploration and production company with strong international operations and significant scale
- Combined business with pro-forma 2017 sales of €4.7 billion, EBITDA of €2.8 billion and net income of €740 million
- Broadening and balancing the regional asset footprint: 2017 pro-forma production of 210 million boe and 2.2 billion boe 1P reserves
- Portfolio upgrading across the whole E&P lifecycle, leveraging strategic partnerships and technologies

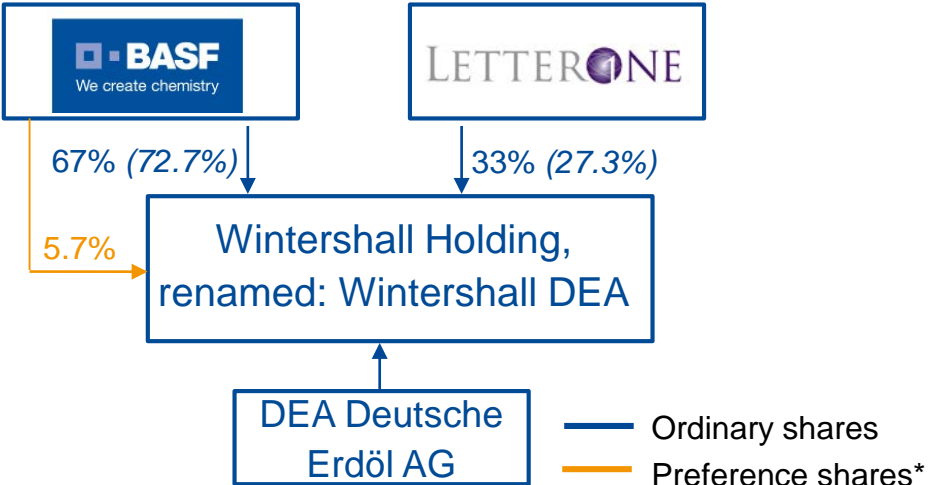


# Key elements of the definitive transaction agreement

## Existing shareholding structure



## Post-merger shareholding structure



- BASF’s oil and gas business is bundled in the Wintershall Group consisting of Wintershall Holding GmbH and its subsidiaries. LetterOne’s oil and gas business comprises DEA Deutsche Erdöl AG and its subsidiaries.
- LetterOne will contribute all its shares in DEA Deutsche Erdöl AG into Wintershall Holding GmbH against the issuance of new shares to LetterOne.
- BASF will initially hold 67% and LetterOne 33% of Wintershall DEA’s ordinary shares reflecting the value of the respective E&P businesses of Wintershall and DEA.
- To reflect the value of Wintershall’s gas transportation business, BASF will receive additional preference shares.\* This will result in a total shareholding of BASF in Wintershall DEA of 72.7%.

\* Preference shares will be converted into ordinary shares in Wintershall DEA no later than 36 months after closing but in all cases before an IPO. Initially, it was intended to reflect the value of the gas transportation business through a mandatory convertible bond.



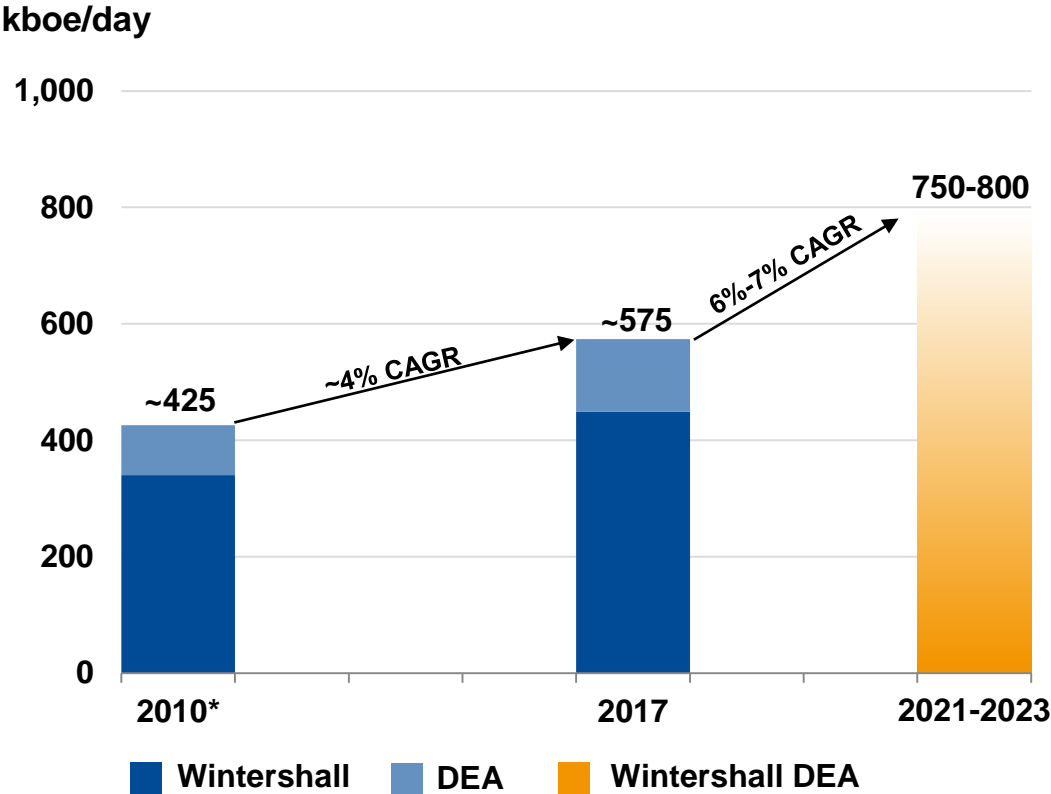
# Wintershall DEA – overview key figures 2017 (pro-forma)

	Wintershall	DEA	Wintershall DEA
Business activities	Exploration & Production Gas transportation	Exploration & Production	Exploration & Production Gas transportation
Sales	€3.2 billion	€1.5 billion	€4.7 billion
EBITDA	€2.1 billion	€0.8 billion	€2.8 billion
Production	164 million boe	46 million boe	210 million boe
Production by region	Russia: 55%, Europe: 25%, South America: 16%, North Africa/Middle East: 4%	Norway: 43%, Germany: 27%, Egypt: 28%, Other: 2%	Russia: 43%, Europe: 35%, Latin America: 12%, North Africa/Middle East: 10%
Oil and gas ratio	30% oil, 70% gas	40% oil, 60% gas	33% oil, 67% gas
1P reserves	1.7 billion boe	0.5 billion boe	2.2 billion boe
1P reserves by region	Russia: 67%, Europe: 19%, South America: 9%, North Africa/Middle East: 5%	Norway: 50%, Germany: 18%, Egypt: 25%, Other: 7%	Russia: 52%, Europe: 30%, Latin America: 7%, North Africa/Middle East: 11%
1P reserve to production ratio*	~10 years	~10 years	~10 years
Employees	~2,000	~1,150	~3,150

\* As of December 31, 2017

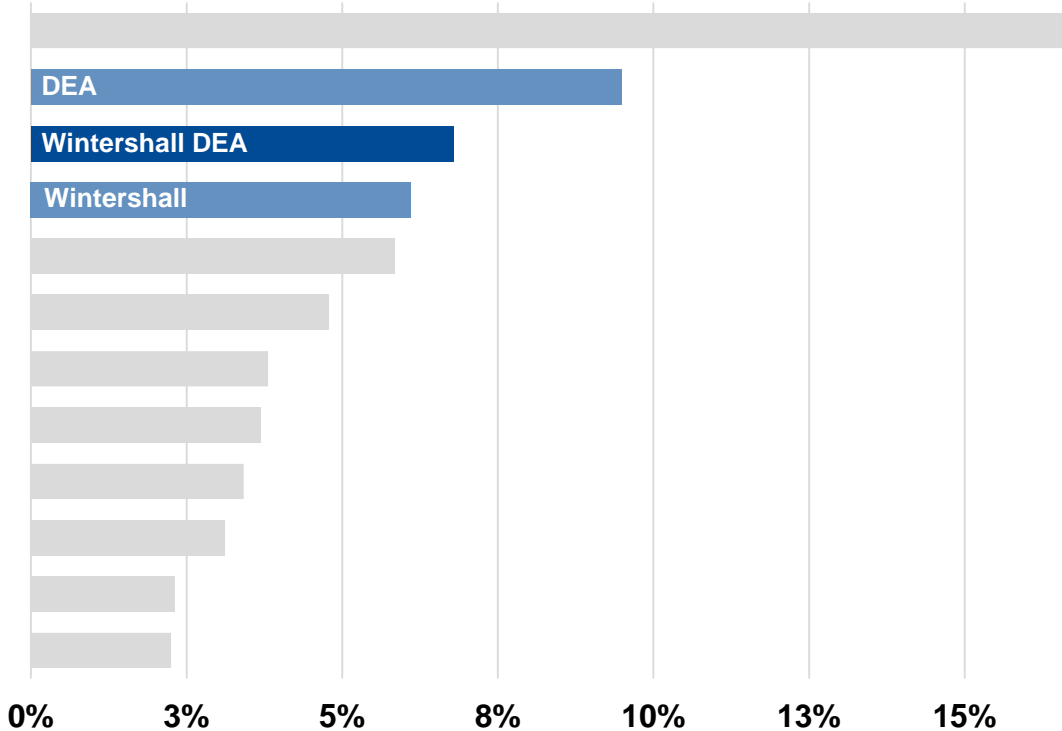
# Well-positioned to further grow production

## Wintershall DEA production growth (pro-forma)



## Wintershall DEA production growth vs. international peers

Production CAGR 2017-2023



\* Restated: 51% Libya onshore, incl. 50% Achimgaz

Source: Wood Mackenzie, Wintershall

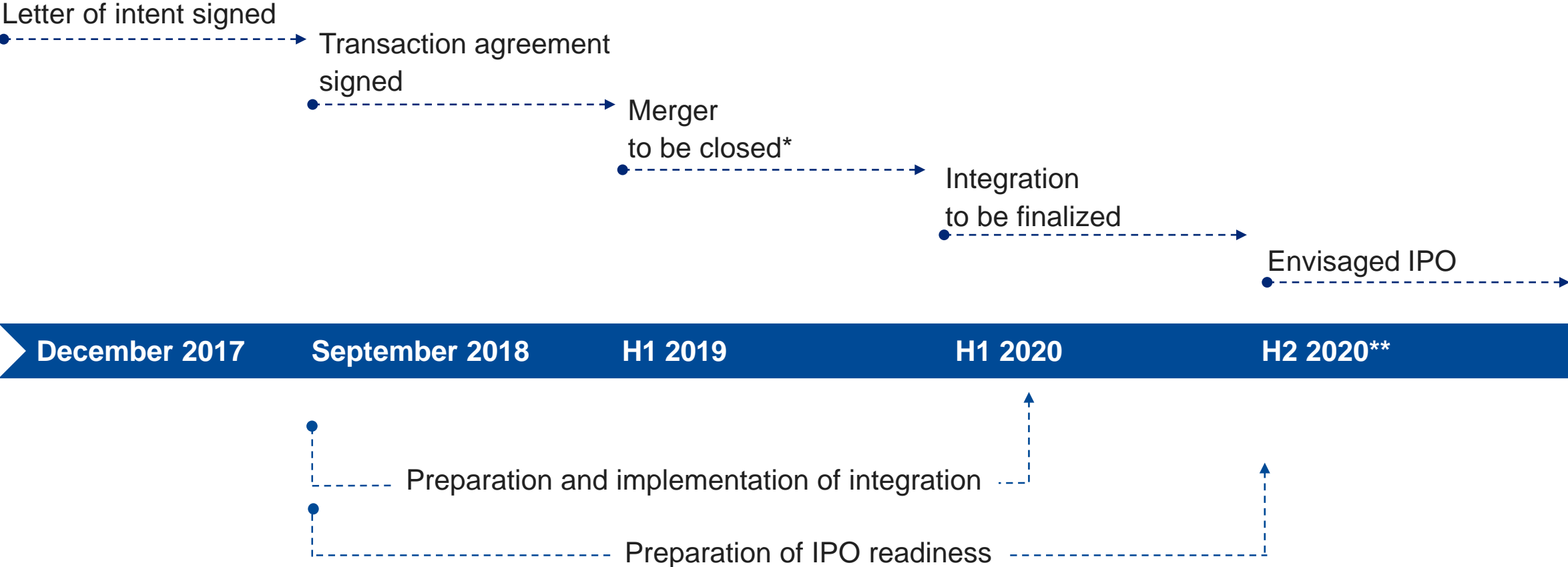
# Merger offers synergy potential of at least €200 million per year\*

- Portfolio upgrading through combining businesses and active portfolio management
  - Focus on most profitable assets and most promising discoveries
  - Cash flow and capital expenditure optimization
- Cost synergies through joint procurement, exploration and R&D
- Combination of operating companies in Germany and Norway
- Combination of corporate functions



\* As of the third year following the closing of the transaction

# Expected timeline and next steps of the Wintershall DEA merger



\* Subject to approvals of merger control and foreign investment authorities as well as several mining authorities and the Bundesnetzagentur; \*\* At the earliest



# Impact of the merger on BASF's statement of income

## As of signing of the transaction agreement

### Statement of income BASF Group

Sales revenue
Gross profit on sales
Income from operations
Financial result
Income before taxes and minority interests
Income taxes
Income before minority interests
Income from discontinued operations
Minority interests
Net income

- Oil & Gas segment's sales and earnings are no longer included in sales and EBIT of BASF Group – retroactively as of January 1, 2018. Prior-year figures will be restated.
- Earnings will be presented in the income before minority interests of the BASF Group as a separate item, income from discontinued operations.
- Between signing and closing, depreciation will be suspended.
- Oil & Gas will not be reported as a segment of BASF Group anymore.

## As of closing of the merger

### Other

Sales
Income from operations before depreciation and amortization (EBITDA)
Amortization and depreciation <sup>2</sup>
Income from operations (EBIT)
Special items
EBIT before special items
Thereof costs for cross-divisional corporate research costs of corporate headquarters
other businesses
foreign currency results, hedging and other measurement effects
miscellaneous income and expenses

- BASF's share of net income generated by Wintershall DEA will be accounted for at equity and will be reported in the EBIT before special items of Other.

**At-equity consolidation  
(share of net income shown in EBIT before special items)**

# Outlook 2018 for BASF Group\*

<b>Outlook 2018</b>	<b>Now</b>	<b>Previous</b>
Sales	Slight increase	Slight increase
EBIT before special items	Slight decline	Slight increase
EBIT	Considerable decline	Slight decline

<b>2017</b>	<b>Restated (continued operations)</b>	<b>Previous</b>
Sales	€61.2 billion	€64.5 billion
EBIT before special items	€7.6 billion	€8.3 billion
EBIT	€7.6 billion	€8.5 billion

\*Following the changed reporting of Wintershall Group after the signing of the definitive transaction agreement between BASF and LetterOne.

For sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. For earnings, "slight" means a change of 1–10%, while "considerable" is used for changes of 11% and higher.



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