

News Release

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BASF reporting on the 2019 business year:

BASF Group: EBIT before special items declines despite better development in all downstream segments

- **Sales of €59.3 billion (minus 2 percent)**
- **EBIT before special items of €4.5 billion (minus 28 percent), due mainly to lower earnings in Chemicals and Materials**
- **Cash flows from operating activities of €7.5 billion (minus 6 percent), free cash flow of €3.7 billion**
- **Proposed dividend of €3.30 for 2019 business year (2018: €3.20)**
- **Fourth quarter 2019: slight decline in sales (minus 2 percent) and significant increase in EBIT before special items (plus 23 percent)**

Outlook 2020:

- **Sales growth to between €60 billion and €63 billion**
- **EBIT before special items of between €4.2 billion and €4.8 billion**

BASF generated sales of €59.3 billion in the 2019 business year; the slight decline in sales compared with the previous year resulted from lower volumes and prices. Income from operations (EBIT) before special items was €4.5 billion, down by €1.7 billion from the prior-year level as a result of lower contributions from the Materials and Chemicals segments.

“Our company performed well, even in difficult times. 2019 was a challenging year with strong global economic headwinds,” said BASF’s Chairman of the Board of

Executive Directors, Dr. Martin Brudermüller, who presented the 2019 financial figures together with Chief Financial Officer Dr. Hans-Ulrich Engel. The trade conflicts between the United States and China had a negative impact. Key sales markets developed more slowly. This was intensified by the uncertainties related to Brexit. Growth in industrial and chemical production was significantly slower than expected. Demand from many key customer industries, especially from the automotive sector, declined considerably.

“We increased our earnings in all downstream segments despite the difficult market environment. Unfortunately, this could not offset the decline in the basic chemicals business,” said Brudermüller. EBIT before special items in the Materials and Chemicals segments fell by €2.2 billion to €1.8 billion. The sharp drop in isocyanate prices, lower cracker margins, the scheduled cracker turnarounds and overall weaker demand had a significant negative impact here.

By contrast, in the downstream segments, BASF saw a considerable year-on-year improvement: The Industrial Solutions segment increased EBIT before special items considerably in both divisions, primarily due to lower fixed costs, positive currency effects and higher margins. The Surface Technologies segment likewise saw a considerable improvement in EBIT before special items. In the Nutrition & Care segment, EBIT before special items increased slightly due to a considerable improvement in the contribution from the Care Chemicals division. The Agricultural Solutions segment significantly increased EBIT before special items. “The assets and businesses acquired from Bayer performed very well. They contributed significantly to the increase in sales and earnings,” said Brudermüller.

In 2019, BASF Group’s EBIT declined from €6.0 billion to €4.1 billion. EBITDA before special items decreased by 11 percent compared with 2018 to €8.2 billion. EBITDA amounted to €8.0 billion, compared with €9.0 billion in 2018. Net income rose to €8.4 billion from €4.7 billion in the previous year. This contained a book gain of around €5.7 billion resulting from the deconsolidation of Wintershall following the merger with DEA.

Sales and earnings development of the BASF Group in Q4 2019

Sales in the fourth quarter of 2019 declined by 2 percent compared with the prior-year quarter to €14.7 billion. Volumes and prices each decreased by 1 percent. The portfolio effects resulting from the transfer of the business with paper and

water chemicals to Solenis amounted to minus 1 percent. Currency effects had a slightly positive influence of plus 1 percent on sales development.

EBIT before special items amounted to €765 million, up by 23 percent compared with the fourth quarter of 2018. This increase was driven by significantly higher earnings in the Agricultural Solutions, Nutrition & Care, Industrial Solutions and Surface Technologies segments. Overall, these segments were able to more than compensate for the considerable decline in the Chemicals and Materials segments in the fourth quarter.

Special items in EBIT amounted to minus €305 million. In the fourth quarter of 2018, the corresponding figure was minus €151 million. Special charges in the fourth quarter of 2019 were recorded in particular in Other and the Industrial Solutions segment. In Other, these resulted from the implementation of the Excellence Program. The divestiture of the BASF pigments business led to one-off effects in the Industrial Solutions segment. EBIT declined by 2 percent in the fourth quarter of 2019 to €460 million.

BASF Group's cash flows in 2019

Cash flows from operating activities amounted to €7.5 billion, representing a decline of €465 million versus 2018. Cash flows from investing activities in 2019 were minus €1.2 billion, compared with minus €11.8 billion in the prior year. Payments made for intangible assets and property, plant and equipment were slightly below the prior-year level at €3.8 billion. In 2019, payments received for divestitures were around €2.5 billion higher than in the prior year. This was mainly the result of cash inflows in connection with the merger of Wintershall and DEA. Payments made for acquisitions in 2019 amounted to €239 million, compared with €7.4 billion in the previous year. In the previous year, these mainly contained the payment of the purchase price to Bayer.

Despite the considerable decline in cash flows from operating activities, free cash flow amounted to around €3.7 billion, compared with €4.0 billion in 2018.

Fulfilling ambitious sustainability goals

BASF has set itself the target of CO₂-neutral growth until 2030. This means the company aims to keep total greenhouse gas emissions from its sites and energy purchases steady at the 2018 level while increasing production.

Compared with 2018, BASF's absolute greenhouse gas emissions in 2019 were down by 8 percent to 20 million metric tons. This is primarily attributable to shutdowns of large-scale plants for maintenance work, among other reasons. In addition, BASF updated energy supply agreements and implemented measures to increase energy efficiency and optimize processes.

BASF expects that emissions in 2020 will increase to the 2018 level, due in part to a lower number of planned turnarounds and the acquisition of Solvay's polyamide business.

Proposed dividend of €3.30 per share

"We want to increase our dividend per share each year. A predictable and progressive dividend policy is a top priority for us. We will therefore propose to the Annual Shareholders' Meeting a dividend payment of €3.30 per share," said Brudermüller. This corresponds to an increase of €0.10. Overall, a total payout of €3.0 billion to BASF shareholders will be proposed to the Annual Shareholders' Meeting. This amount is fully covered by the free cash flow in 2019. BASF thus once again offers an attractive dividend yield of 4.9 percent.

Implementation of BASF's strategy

"We used the year 2019 to implement our corporate strategy with energy, passion and speed. We have started off the new year with a reshaped organization, reduced complexity, streamlined administration and simplified processes," said Brudermüller. Significant parts of the functional services have been assigned to the divisions. Worldwide, 20,000 employees had completed this step as of October 1. Moreover, a lean corporate headquarters was established, with around 1,000 employees. The new unit Global Business Services has been operational since January 1. It has around 8,800 employees providing demand-driven internal services worldwide, for example, in the areas of finance, controlling, procurement and supply chain. This will further strengthen the competitiveness of BASF's businesses.

However, the implementation of the strategy is not yet complete, as Brudermüller stressed: "The key steps have been initiated. We still have a lot of details to work on this year."

All these measures are designed to bring BASF back on a profitable growth track, with clear customer focus and an agile organization.

Accelerated implementation of Excellence Program

BASF has accelerated its ongoing Excellence Program. Bruder Müller: “We are optimistic we can achieve the targeted annual EBITDA contribution of €2 billion by the end of 2021.” In 2019, positive EBITDA contributions of roughly €600 million were realized, with associated costs of around €500 million. In the current year, BASF expects the accelerated implementation to result in an EBITDA contribution of €1.3 billion to €1.5 billion. The associated one-time costs are estimated at around €300 million to €400 million.

BASF also accelerated the streamlining of its organization. BASF had announced that 6,000 positions would be reduced worldwide by the end of 2021. This number should now be reached by the end of 2020. Last year, BASF already reduced 3,100 positions worldwide.

Active portfolio management

BASF has implemented a number of portfolio measures. The acquisition of the polyamide business from Solvay closed on January 31, 2020. The purchase price was €1.3 billion. “Our customers will benefit from this, as we now offer a complementary portfolio, a stronger regional presence and improved supply reliability,” said Hans-Ulrich Engel.

BASF has reached an agreement with Lone Star to divest the construction chemicals business for €3.17 billion. Closing is expected in the third quarter of 2020. BASF’s global pigments business is becoming part of the Japanese specialty company DIC for a purchase price of €1.15 billion. This transaction is expected to close in the fourth quarter of 2020.

In addition, the merger of Wintershall and DEA was completed last year, creating the leading independent European exploration and production company. BASF holds 72.7 percent and LetterOne holds 27.3 percent in Wintershall Dea.

Engel: “The integration is progressing well and should be completed in December 2020. We expect synergies of at least €200 million annually as of 2022. The IPO is planned for the second half of 2020, subject to market conditions.”

Acquisition of businesses from Bayer was a successful move

BASF sees the acquisition of businesses from Bayer in the Agricultural Solutions segment as a successful move. “The integration of the businesses was completed within one year. They generated sales of €2.2 billion in 2019 and contributed more than €500 million to EBITDA before special items,” said Engel. “By 2025 we want the acquisition to result in additional sales in the mid-triple-digit million-euro range. We believe we are well on track to reach this target.”

BASF Group outlook for 2020

“In the first two months of this year, we are already experiencing a high level of uncertainty in the global economy. The coronavirus has added a new factor that is considerably hampering growth at the beginning of the year, especially in China. Lower demand and production outages in many industries are already visible consequences of the measures taken to prevent the further spread of the virus,” said Martin Brudermüller.

BASF anticipates that the negative effects of the coronavirus will have a significant impact worldwide, particularly in the first and second quarters of 2020. These assumptions currently do not consider a worldwide spread of the virus that would lead to significant adverse effects on the global economy beyond the first half of this year. Brudermüller: “However, we do not expect the corona effects to be fully offset during the course of the year.”

BASF therefore expects the global economy to grow by 2.0 percent, considerably slower than in 2019 (2.6 percent). The company forecasts global chemical production to grow by 1.2 percent, well below the level of 2019 (1.8 percent). This would be by far the lowest growth since the financial crisis of 2008/2009.

BASF anticipates an average oil price of \$60 for a barrel of Brent crude and an exchange rate of \$1.15 per euro.

Brudermüller: “We strive to increase our sales to between €60 billion and €63 billion – even though the environment remains challenging and characterized by a high level of uncertainty.” The BASF Group’s EBIT before special items is expected to reach between €4.2 billion and €4.8 billion (2019: €4.5 billion). The return on capital employed (ROCE) is expected to be between 6.7 percent and 7.7

percent (2019: 7.7 percent), and thus below the cost of capital percentage of 9 percent.

“We expect slight growth in most of our customer industries. For the automotive industry, however, we anticipate a continued decline in production,” Brudermüller said. BASF’s 2020 outlook assumes that there will be no further easing of the trade conflicts between the United States and its trading partners and that Brexit will not have any larger economic repercussions during the transition phase.

Investments in organic growth

Brudermüller also gave an outlook on future investments. Over the next five years, BASF is planning capital expenditures of €23.6 billion. More than one-third of this will be allocated between 2020 and 2024 to the growth focus areas, which are the two large-scale projects in Asia – the Verbund site in Guangdong and the chemical complex in Mundra, India – as well as the battery materials business.

Brudermüller: “This will mean, in particular, a shift in our regional focus. In the next five years, we will allocate 41 percent of our investments in the Asia Pacific region and 34 percent in Europe.” By comparison: In the planning period 2019-2023, the figure was 27 percent for Asia Pacific and 43 percent for Europe. For 2020, BASF plans capital expenditures (additions to property, plant and equipment excluding acquisitions, IT investments, restoration obligations and right-of-use assets arising from leases) amounting to €3.4 billion (2019: €3.3 billion).

Please note:

The signing on December 21, 2019, of the contract with Lone Star on the sale of the construction chemicals business had an immediate effect on the reporting of the BASF Group. Retroactively as of January 1, 2019, sales and earnings of the Construction Chemicals division are no longer included in the sales, EBITDA, EBIT and EBIT before special items of the BASF Group. The previous year’s figures have been adjusted accordingly. Until the closing of the transaction, the income of the construction chemicals business will be presented in the income after taxes of BASF Group as a separate item (“Income after taxes from discontinued operations”).

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About BASF

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. More than 117,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is organized into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of €59 billion in 2019. BASF shares are traded on the stock exchange in Frankfurt (BAS) and as American Depositary Receipts (BASFY) in the U.S. Further information at www.basf.com.

On Friday 28, 2020, you can obtain further information from the internet at the following addresses:

BASF Report 2019 (from 7:00 a.m. CET)

[basf.com/overview](https://www.basf.com/overview) (English)
[basf.com/uebersicht](https://www.basf.com/uebersicht) (German)

News Release (from 7:00 a.m. CET)

[basf.com/pressrelease](https://www.basf.com/pressrelease) (English)
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Live Webcast (from 10:30 a.m. CET)

[basf.com/pcon](https://www.basf.com/pcon) (English)
[basf.com/pressekonferenz](https://www.basf.com/pressekonferenz) (German)

Speech (from 10:30 a.m. CET)

[basf.com/pcon](https://www.basf.com/pcon) (English)
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Live Webcast – Conference Call for analysts and investors

(from 2:00 p.m. CET)

[basf.com/share/conferencecall](https://www.basf.com/share/conferencecall) (English)
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Note to Editors

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Photos

[basf.com/pressphotos](https://www.basf.com/pressphotos) (English)
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Current TV footagetvservice.basf.com/en

(English)

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(German)

**Current photos of the Annual Press Conference
(on February 28, from 1:00 p.m. CET)**basf.com/Pressphoto-Database/pc

(English)

basf.com/Pressefoto-Datenbank/pk

(German)

TV interview with Dr. Martin Brudermüller**(on February 28, from 2:00 p.m. CET)**basf.com/tv-interviews_en

(English)

basf.com/tv-interviews_de

(German)

Forward-looking statements and forecasts

This release 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. BASF does not assume any obligation to update the forward-looking statements contained in this release above and beyond the legal requirements.