



We create chemistry

## Analyst Conference Call FY 2021

February 25, 2022

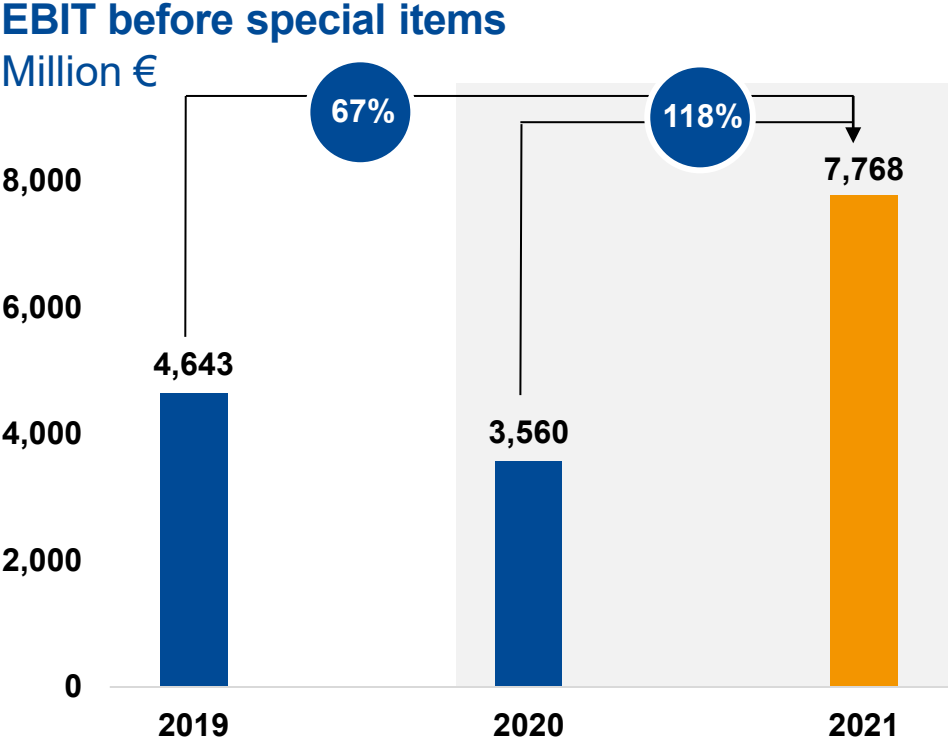


# Cautionary note regarding forward-looking statements

*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 Opportunities and Risks on pages 151 to 160 of the BASF Report 2021. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.*

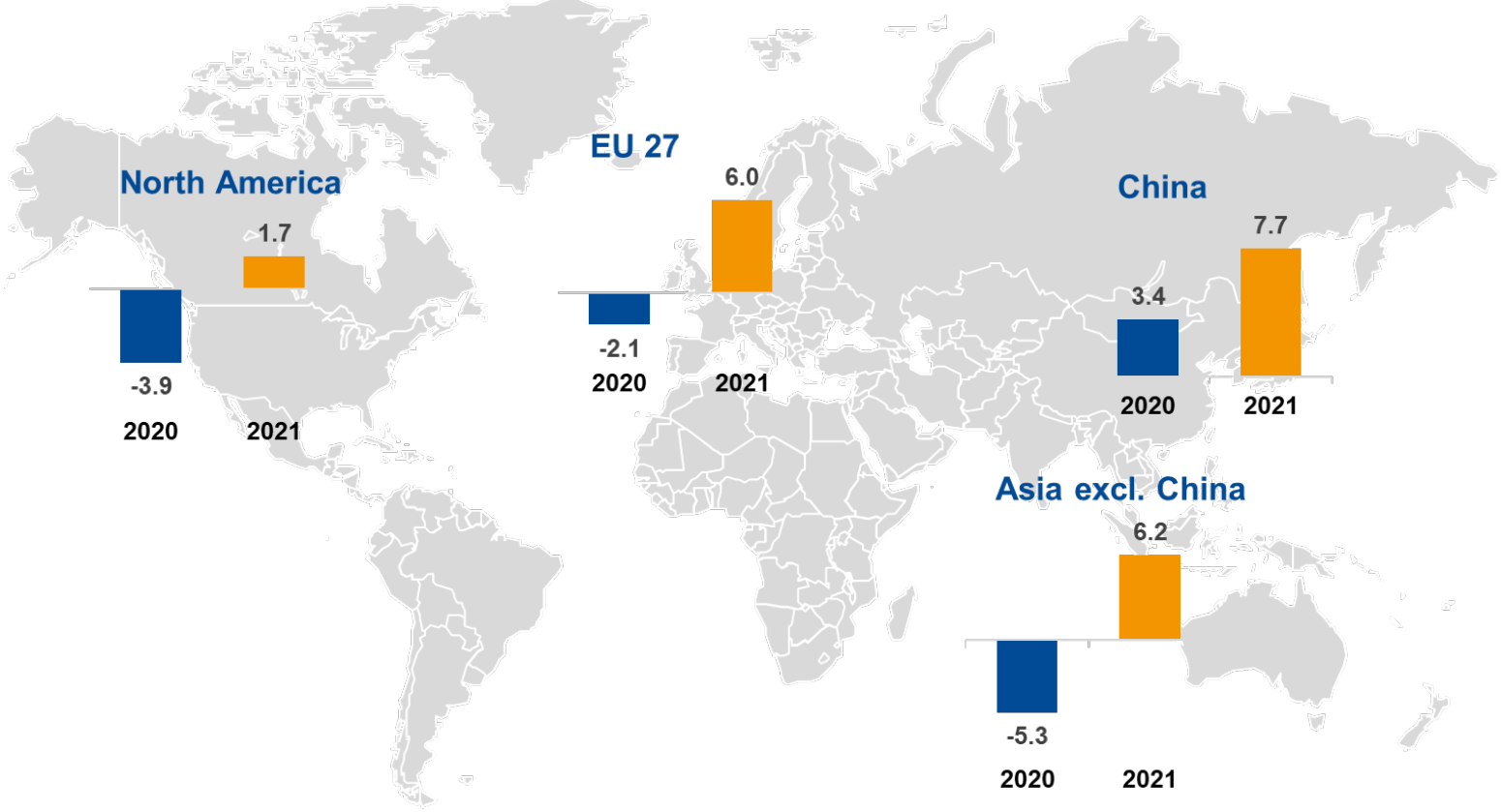
# BASF achieves strong earnings growth in full year 2021; EBIT before special items reaches €7.8 billion

- Compared with 2020, EBIT before special items more than doubled to €7.8 billion, mainly due to the very strong performance of BASF's upstream businesses
- In 2021, prices increased by 25% and volumes grew by 11%; all segments achieved price and volume growth
- Compared with 2020, cash flows from operating activities improved by 34% and amounted to €7.2 billion; free cash flow increased by €1.4 billion to €3.7 billion
- Semiconductor shortages continued to weigh on global automotive production and negatively impacted BASF's automotive-related businesses
- Higher raw materials prices, increased energy and logistics costs burdened all segments, especially in Q4 2021



# Global chemical production increased by 6.1% in the full year 2021

Chemical production compared with prior year<sup>1</sup>  
%

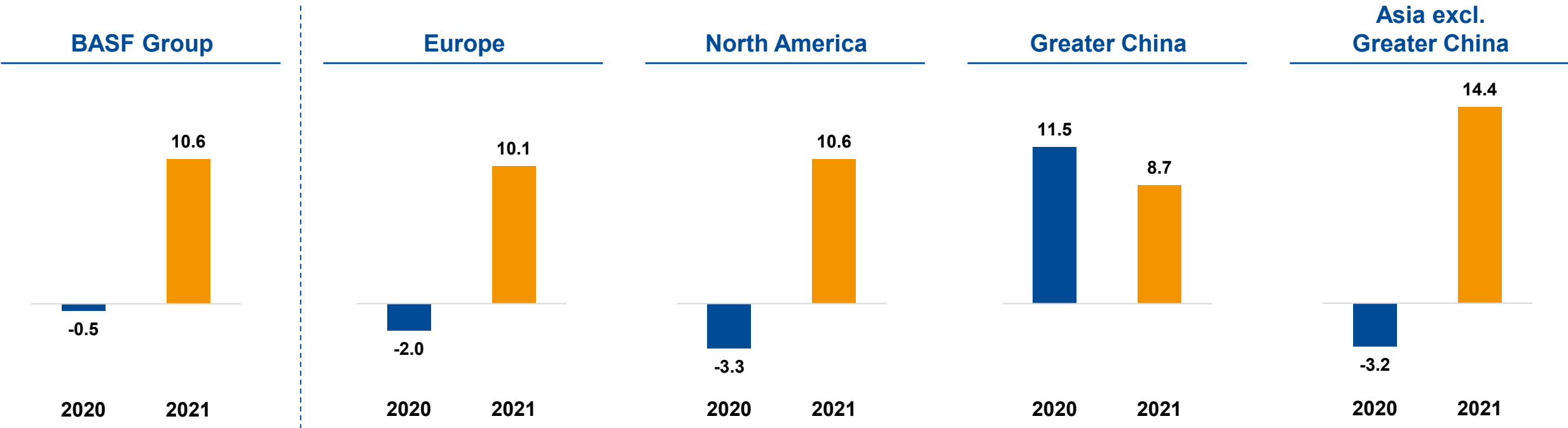


Growth rates  
%

	2020	2021
Global GDP	-3.4%	5.8%
Global industrial production	-3.0%	6.5%
Global chemical production	-0.1%	6.1%

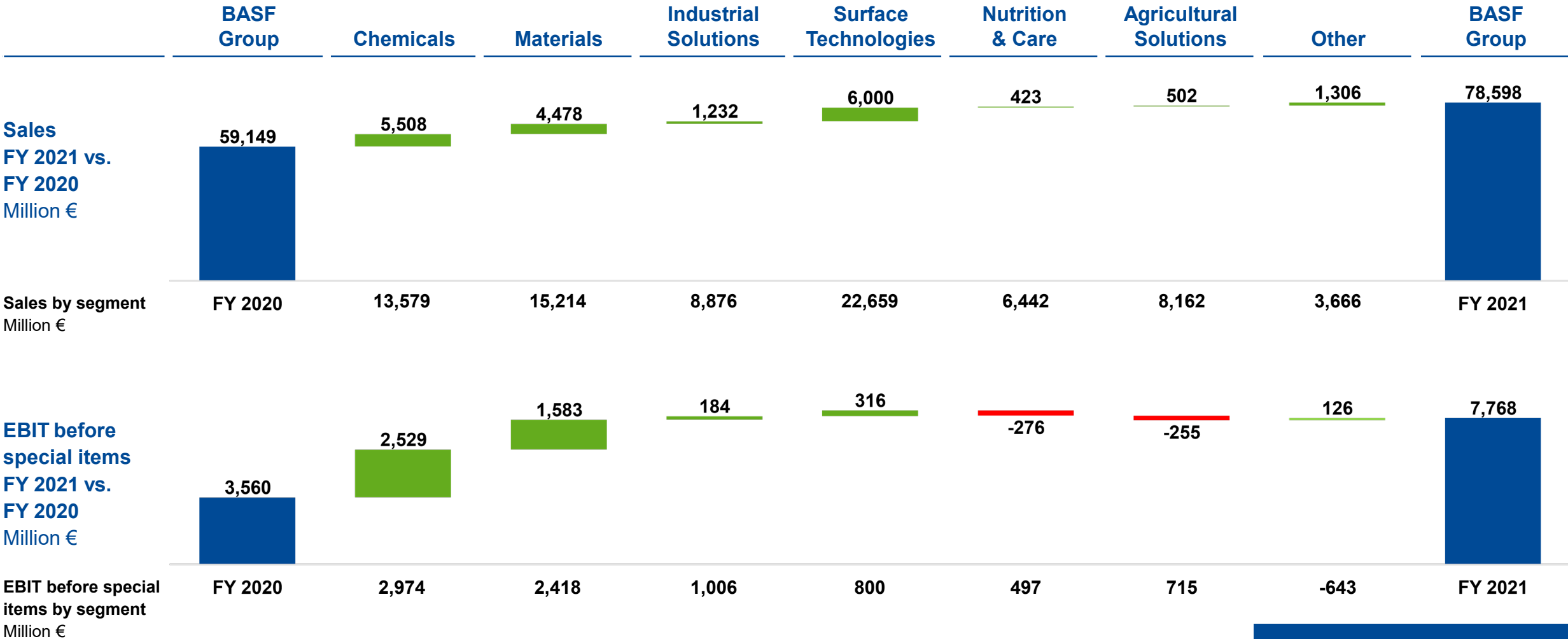
# BASF Group: Volume growth of 10.6% in the full year 2021 – outgrowing global chemical production by 4.5 percentage points

Sales volumes by region compared with prior year<sup>1</sup>  
 %





# BASF Group with strong full-year sales and earnings development



# BASF Group 2021: Financial targets achieved across the board; progress in achieving nonfinancial targets

## Profitable growth

	Target	2021 status
Grow sales volumes faster than global chemical production every year	>6.1%	10.6%

	Target	2021 status
Increase EBITDA before special items by 3% to 5% per year	+3–5%	53%

## Effective climate protection

	Target	2021 status
Reduce our absolute CO <sub>2</sub> emissions <sup>1</sup> by 25% by 2030 (development of carbon emissions compared with baseline 2018) <sup>2</sup>	≤ 16.4 million metric tons	20.2 million metric tons

## Profitable growth

	Target	2021 status
Achieve a return on capital employed (ROCE) <sup>3</sup> considerably above the cost of capital percentage every year	> 9%	13.5%

	Target	2021 status
Increase the dividend per share every year based on a strong free cash flow	> €3.30	€3.40

## Sustainable product portfolio

	Target	2021 status
Achieve €22 billion in Accelerator sales <sup>4</sup> by 2025	€22.0 billion	€24.1 billion

<sup>1</sup> The goal includes Scope 1 and Scope 2 emissions. Other greenhouse gases are converted into CO<sub>2</sub> equivalents according to the Greenhouse Gas Protocol. In March 2021, BASF revised its previous target of CO<sub>2</sub>-neutral growth until 2030 (base year 2018: 21.9 million tons CO<sub>2</sub>e) to a new, more ambitious climate protection target to reduce absolute CO<sub>2</sub> emissions by 25% compared with 2018 (new target: 16.4 million tons CO<sub>2</sub>e).

<sup>2</sup> 2030 target compared with 1990: 60% CO<sub>2</sub> reduction

<sup>3</sup> Return on capital employed (ROCE) is a measure of the profitability of our operations.

We calculate this indicator as the EBIT generated by the segments as a percentage of the average cost of capital basis

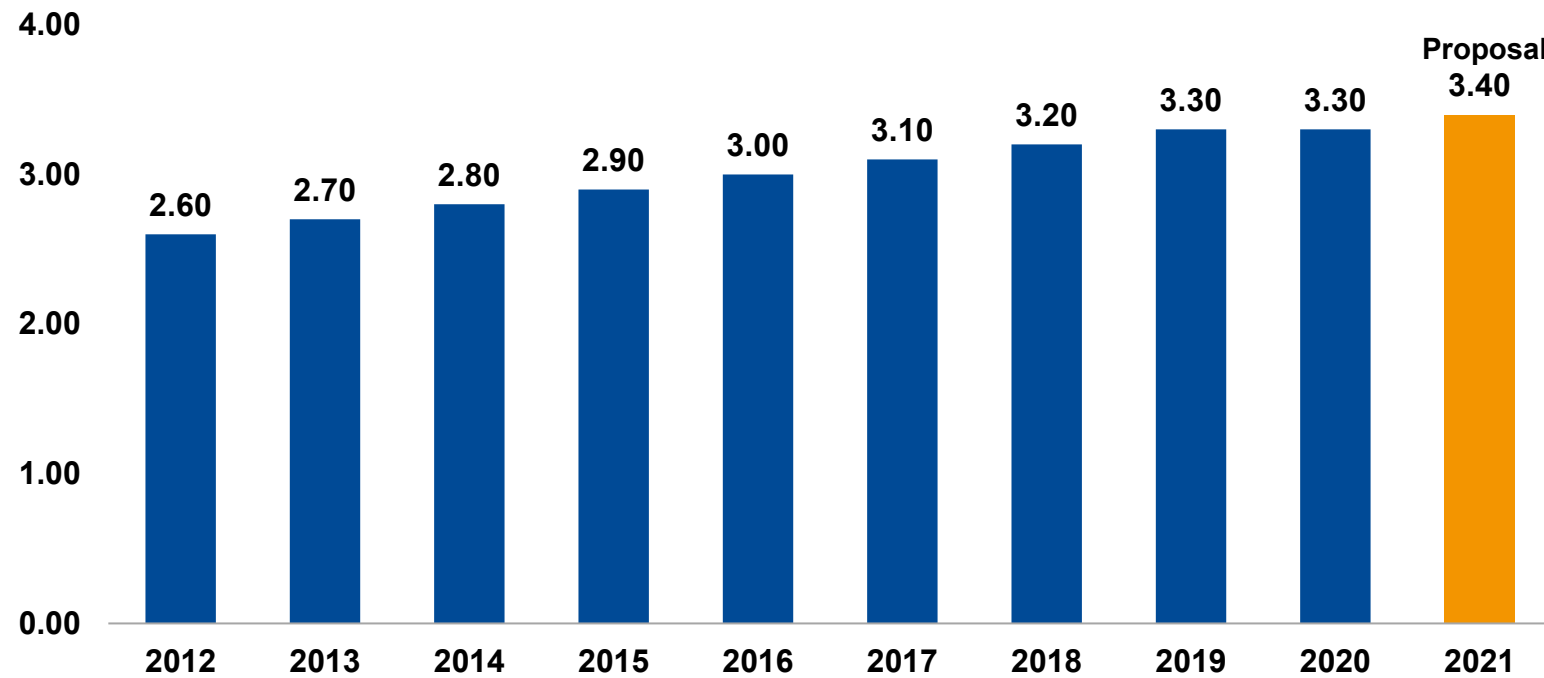
<sup>4</sup> Accelerator products are products that make a substantial sustainability contribution in the value chain.

# Attractive shareholder return

## – clear commitment to progressive dividend policy

### Dividend per share

€



Year	Yield <sup>1</sup>
2012	3.7%
2013	3.5%
2014	4.0%
2015	4.1%
2016	3.4%
2017	3.4%
2018	5.3%
2019	4.9%
2020	5.1%
2021	5.5%

### Key facts 2021

- Dividend proposal to Annual Shareholders' Meeting of €3.40 per share, an increase of 10 euro cents
- In total, we would pay out €3.1 billion<sup>2</sup>, which is fully covered by our free cash flow of €3.7 billion
- Dividend yield of 5.5% based on the share price of €61.78 at year end 2021



# Recent portfolio measures: Acquisitions and divestitures



## **BASF and Shanshan formed company for battery materials production in China**

- Sales from September to December 2021: €354 million
- BASF holds 51% and Shanshan 49% in BASF Shanshan Battery Materials Co., Ltd.
- Purchase price of €616 million
- By forming BASF Shanshan Battery Materials Co., Ltd., BASF further strengthened its position in Asia and is increasing its global annual capacity to 160 kt by 2022
- Closing took place on August 31, 2021



## **BASF divested its pigments business to DIC**

- Sales 2018: ~€1 billion
- BASF and DIC reached an agreement on the divestiture of BASF's pigments business in August 2019
- Purchase price of €1.15 billion<sup>1</sup>
- Closing took place on June 30, 2021



## **BASF and Clayton, Dubilier & Rice sold Solenis to Platinum Equity**

- Sales 2021<sup>2</sup>: \$3.0 billion
- BASF held 49% of the shares in Solenis; 51% of the shares were held by Clayton, Dubilier & Rice and the Solenis management
- BASF's share in the purchase price amounted to €1.1 billion; the corresponding disposal gain was €589 million
- Closing took place on November 9, 2021

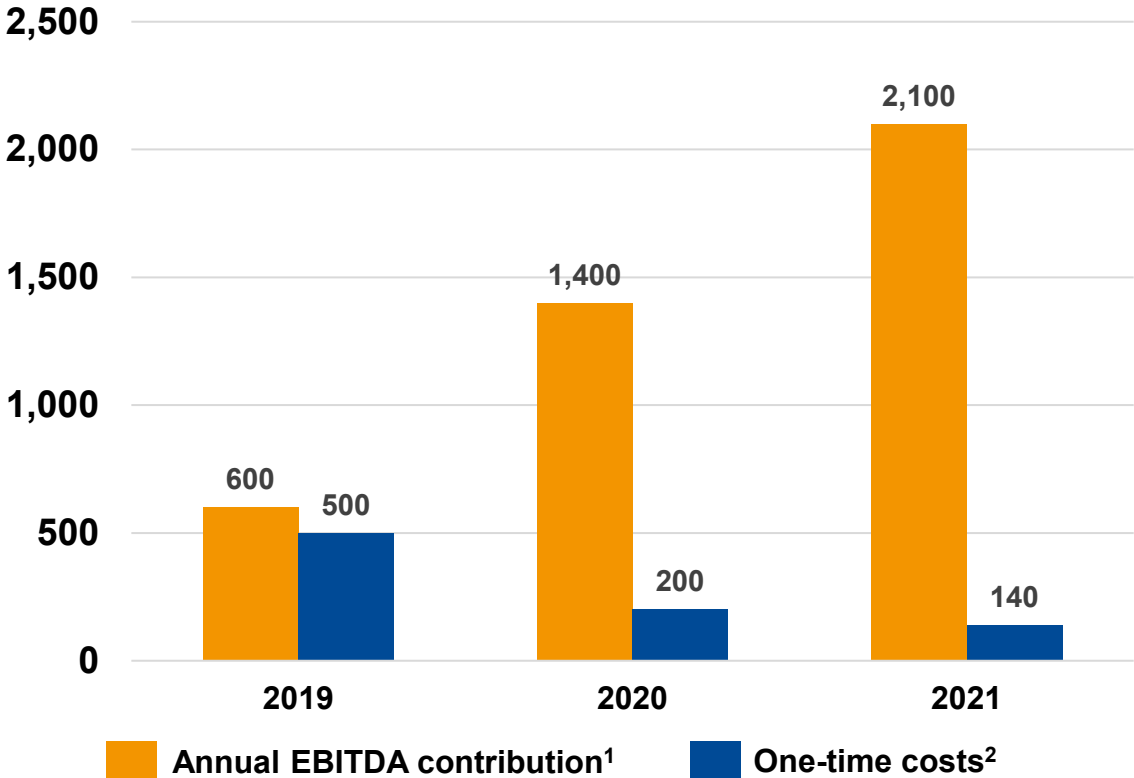


## **Initial Public Offering of Wintershall Dea**

- Sales 2021: ~€7.8 billion
- Merger of Wintershall and DEA took place on May 1, 2019
- Wintershall Dea's free cash flow improved from €159 million in 2020 to €2.1 billion in 2021
- BASF intends to deliver an Initial Public Offering as originally agreed with LetterOne

# Excellence Program successfully completed: €2.1 billion annual EBITDA contribution achieved by end of 2021

Million €



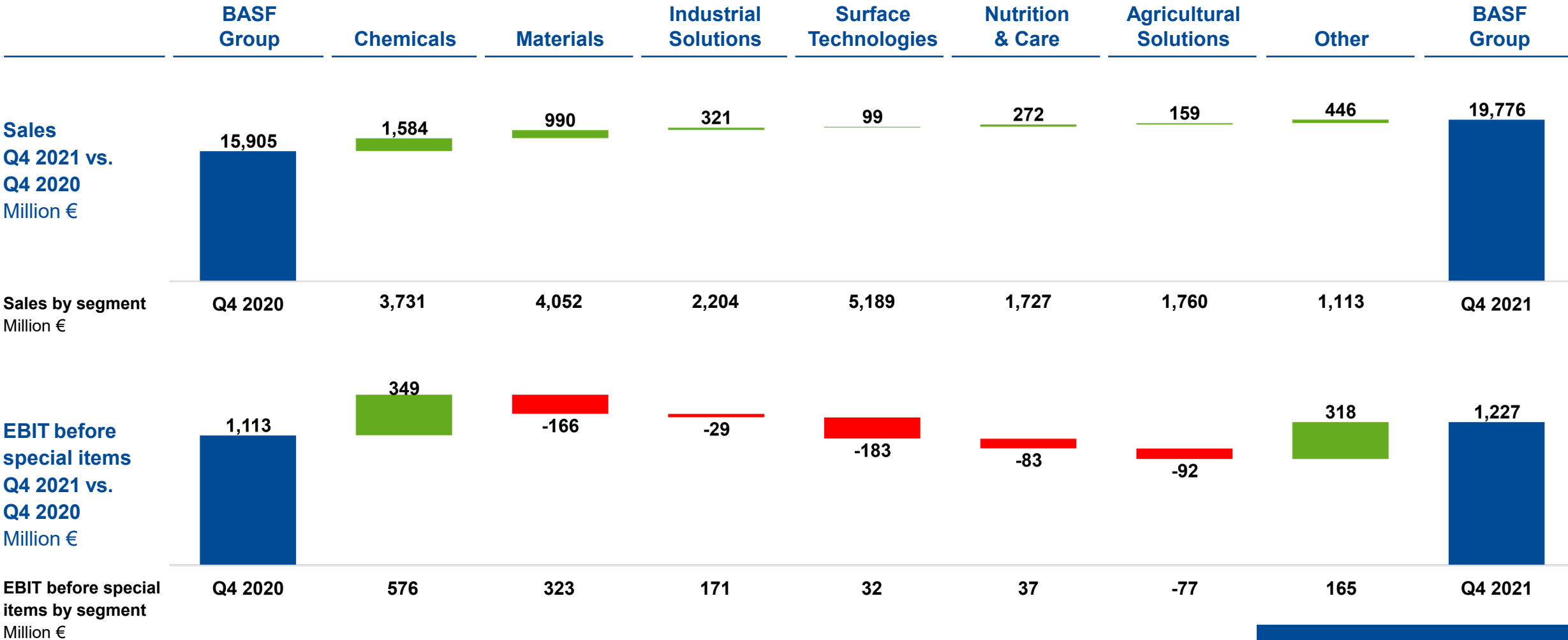
### Key measures:

- Program completed within budget and on time; EBITDA contribution above targeted €2.0 billion
- Focus on operational excellence, e.g., in production and logistics
- Organizational changes led to leaner structures, for example, in the areas of services and headquarters
  - Personnel cost savings: reduction of more than 6,000 positions globally by the end of 2021
  - Increased process efficiency, e.g., in procurement

# BASF Group: Financial figures Q4 2021 and full year 2021

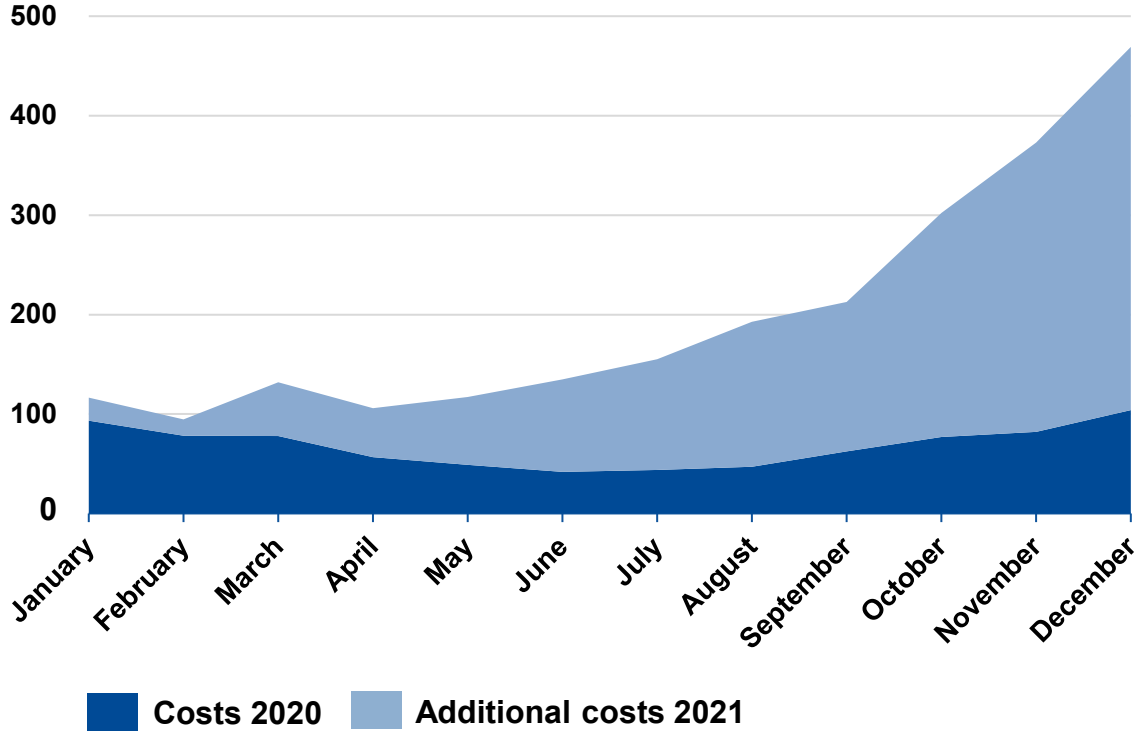
Financial figures	Q4 2021	Change vs. Q4 2020	FY 2021	Change vs. FY 2020
	Million €	%	Million €	%
Sales	19,776	24	78,598	33
EBITDA before special items	2,179	5	11,348	53
EBITDA	2,250	15	11,355	75
EBIT before special items	1,227	10	7,768	118
EBIT	1,227	32	7,677	.
Net income from shareholdings	97	3	207	.
Net income	898	-15	5,523	.
Reported EPS (€)	0.98	-15	6.01	.
Adjusted EPS (€)	1.17	6	6.76	111
Cash flows from operating activities	3,337	59	7,245	34
Free cash flow	1,847	84	3,713	63

# BASF Group: Sales considerably higher than in Q4 2020, EBIT before special items with solid growth despite headwinds from higher costs



# Natural gas prices in Europe further increased in Q4 2021

Incremental natural gas spend 2021 vs. 2020 in Europe  
Million €



- **BASF’s natural gas demand in Europe 2021**
  - ~48 TWh, thereof Ludwigshafen ~37 TWh
  - ~60% used for electricity/steam production and ~40% as feedstock
  
- **BASF’s natural gas price burden for European sites**
  - Additional costs of ~€1.5 billion in 2021
  - Q4 2021 alone accounted for ~€0.8 billion

# BASF Group: Strong cash flow and free cash flow development

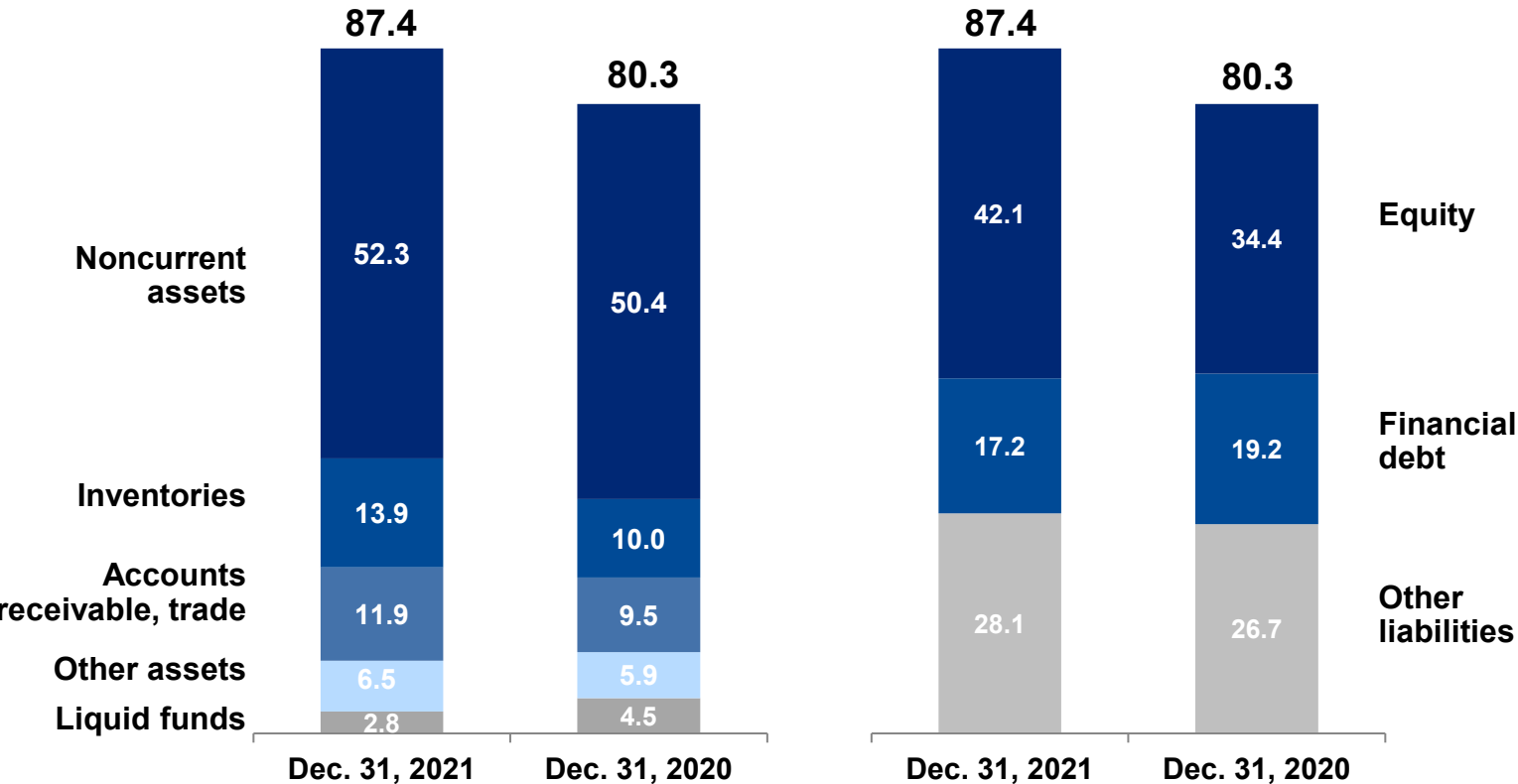
Million €	Q4 2021	Q4 2020	2021	2020
<b>Cash flows from operating activities</b>	<b>3,337</b>	<b>2,101</b>	<b>7,245</b>	<b>5,413</b>
Thereof Changes in net working capital	1,242	643	-1,566	-400
Miscellaneous items	166	-617	-398	122
<b>Cash flows from investing activities</b>	<b>-692</b>	<b>-1,230</b>	<b>-2,622</b>	<b>-1,904</b>
Thereof Payments made for property, plant and equipment and intangible assets	-1,490	-1,098	-3,532	-3,129
Acquisitions / divestitures	-61	-172	430	1,280
<b>Cash flows from financing activities</b>	<b>-2,967</b>	<b>-2,334</b>	<b>-6,457</b>	<b>-1,556</b>
Thereof Changes in financial and similar liabilities	-2,916	-2,333	-3,145	1,580
Dividends	-51	-	-3,312	-3,139
<b>Free cash flow</b>	<b>1,847</b>	<b>1,003</b>	<b>3,713</b>	<b>2,284</b>



# Solid balance sheet

## Balance sheet 2021 vs. 2020

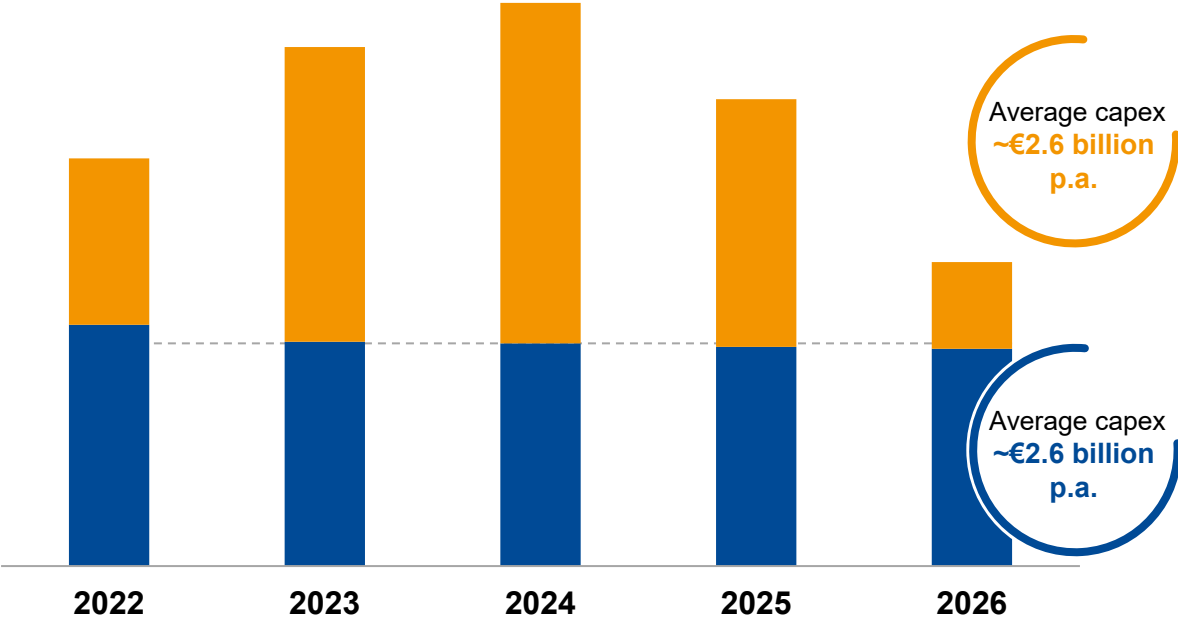
Billion €



- Total assets increased by €7.1 billion to €87.4 billion
- Noncurrent assets amounted to €52.3 billion, an increase of €1.9 billion, mainly due to additions to property, plant and equipment
- Current assets increased by €5.2 billion to €35.1 billion, primarily due to higher inventories and trade accounts receivable
- Net debt decreased by €325 million to €14.4 billion
- Equity ratio: 48.2% (Dec. 31, 2020: 42.8%)

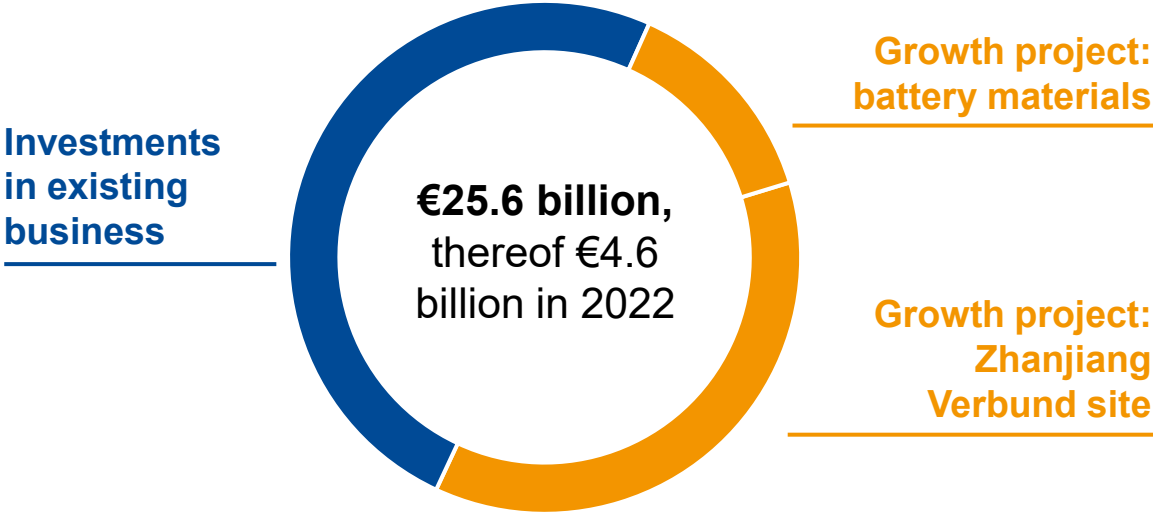
# BASF Group: High capex discipline in existing business to support investments in growth projects

Capex budget by type of investment  
Billion €, 2022–2026



■ Growth projects: Zhanjiang Verbund site and battery materials  
■ Investments in existing business

Capex budget by type of investment  
Billion €, 2022–2026



# Use of cash – clear focus on long-term shareholder value

## Organic growth

- €25.6 billion capex budget 2022–2026
- Around €2.1 billion in R&D expenses per year

## Progressive dividend

- Aim to increase dividend per share every year
- Solid balance sheet and strong free cash flow support dividend policy

## Portfolio upgrading

- Strengthen portfolio through selective M&A opportunities while maintaining price discipline
- Focus the portfolio with continued pruning measures

## Share buybacks

- Share buyback program 2022–2023 with a volume of up to €3 billion<sup>1</sup>
- Repurchased shares to be canceled, reducing the share capital accordingly

<sup>1</sup> Subject to a renewed authorization to repurchase own shares by the Annual Shareholders' Meeting of BASF SE on April 29, 2022

# First share buyback program since 2008 – to create additional value for shareholders

## ▪ Structure:

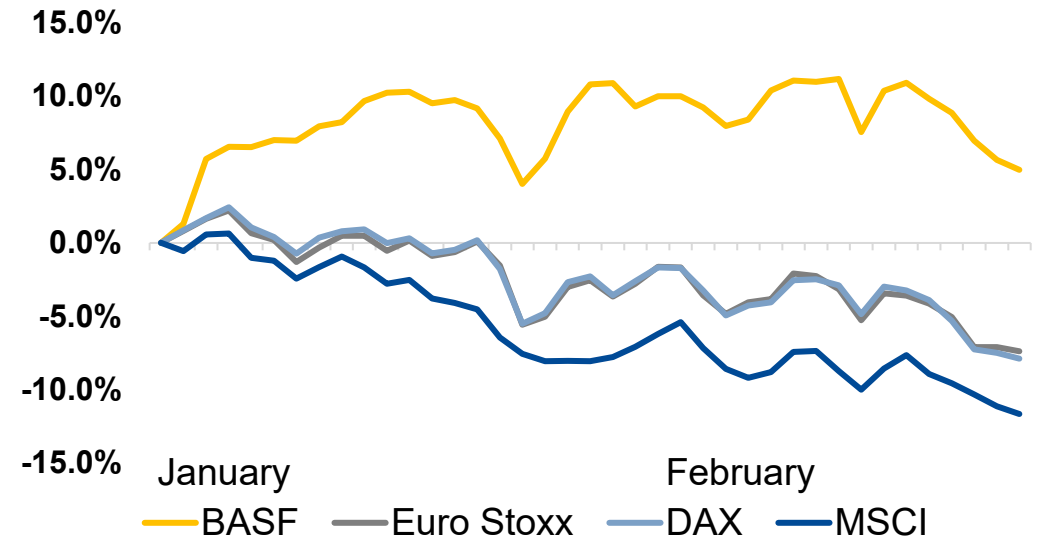
- Volume of up to €3 billion
- Resolution and announcement on January 4, 2022; start on January 11, 2022
- Conclusion by December 31, 2023, at the latest<sup>1</sup>

## ▪ Status as of February 23, 2022:

- Repurchased shares: 6.2 million (0.7% of outstanding shares)
- Total amount spent: €415 million (13.8% of the program)
- Execution price to date (volume-weighted average share price): €66.70

## BASF versus indices

Performance in %: January 1, 2022 – February 23, 2022



# Outlook 2022 for BASF Group

## Outlook 2022

Sales	€74 billion – €77 billion
EBIT before special items	€6.6 billion – €7.2 billion
ROCE	11.4% – 12.6%
CO <sub>2</sub> emissions	19.6 – 20.6 million metric tons


## Underlying assumptions (prior-year figures in parentheses)

- Growth in gross domestic product: 3.8% (5.8%)
- Growth in industrial production: 3.8% (6.5%)
- Growth in chemical production: 3.5% (6.1%)
- Average euro/dollar exchange rate: \$1.15 per euro (\$1.18 per euro)
- Average annual oil price (Brent crude): \$75 per barrel (\$71 per barrel)



# Focus areas for 2022

- Improve earnings in downstream businesses **through further price increases** to compensate for higher raw material and energy costs
- **Maintain margins** in upstream businesses for as long as possible
- Continue to enhance **positioning in growth markets** in Asia and in battery materials
- Focus on **capital discipline, cost control** and **effective project execution**
- Vigorously prepare BASF for a **low-carbon and circular economy**



The customer is  
at the center of  
all our activities





We create chemistry