



 **BASF**  
We create chemistry

# Analyst Conference Call Q3 2020

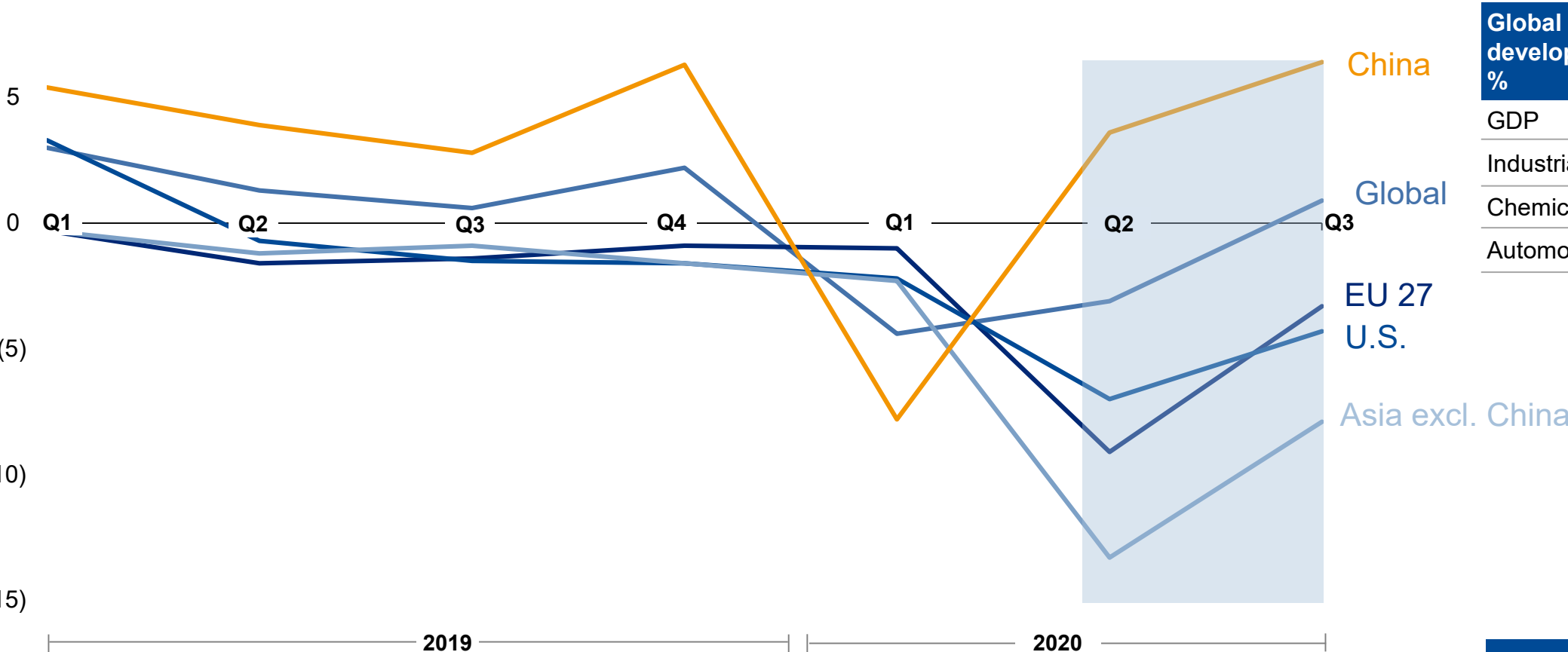
Ludwigshafen, October 28, 2020

# 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 139 to 147 of the BASF Report 2019. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.*

# Chemical production growth in China continues, recovery also visible in the U.S. and Europe

Chemical production compared to prior-year quarter  
%



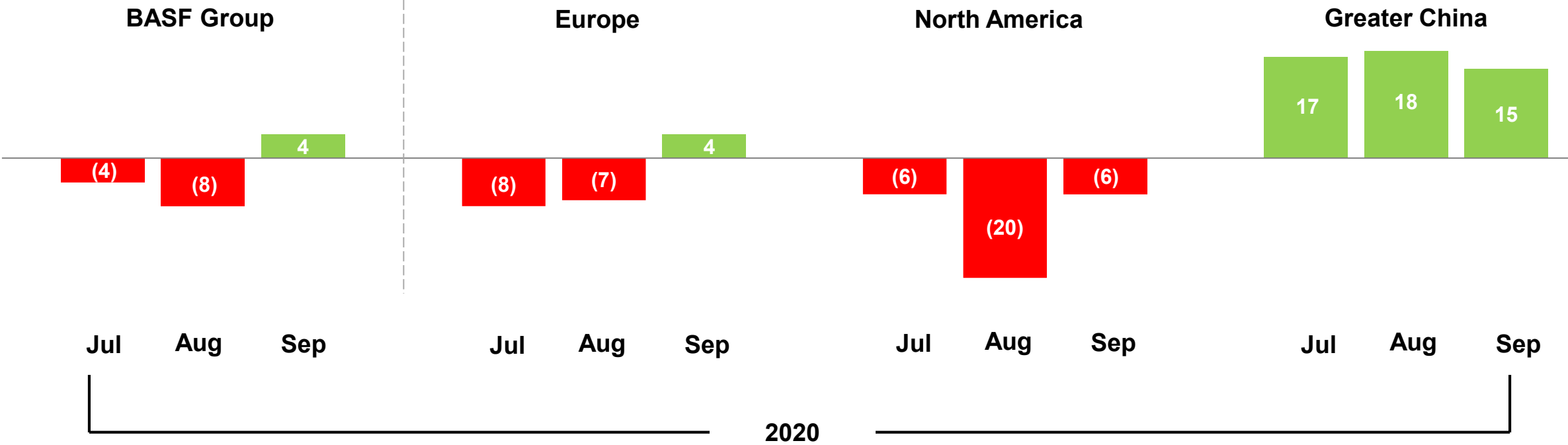
Global macroeconomic development Q3 2020 vs. Q3 2019 %	
GDP	(4.3)
Industrial production	(3.0)
Chemical production	0.9
Automotive production	(1.9)

Source: BASF, data: IHS, Feri, NBS China, FED, Eurostat, LMC. Asia: India, Japan, South Korea, Taiwan, Thailand. Data partly estimated.



# BASF Group Q3 2020: Sales volumes in Greater China significantly above prior-year months

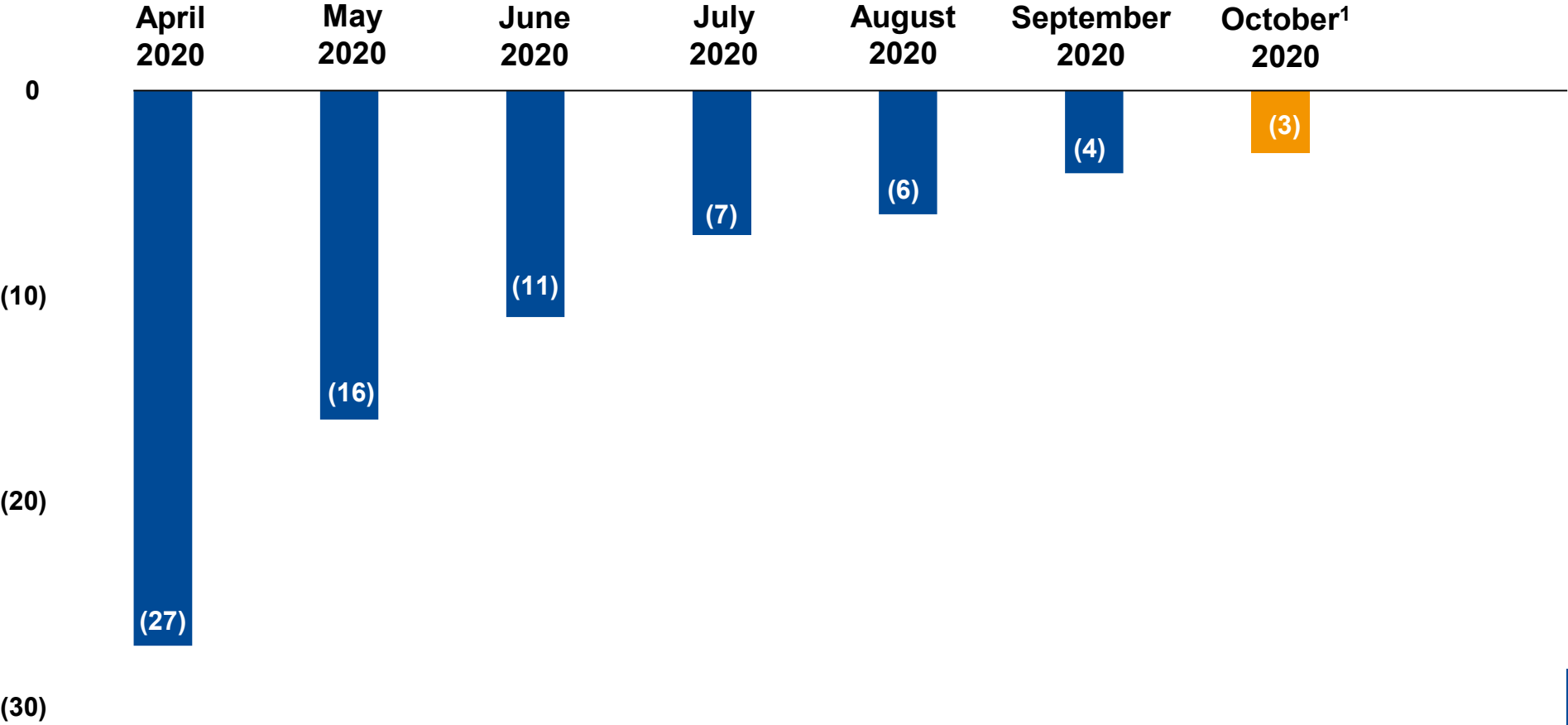
Sales volumes development by region<sup>1</sup>  
 July/August/September 2020 vs. July/August/September 2019  
 %



# The gap in BASF's average daily order entry is slowly closing, but visibility remains low

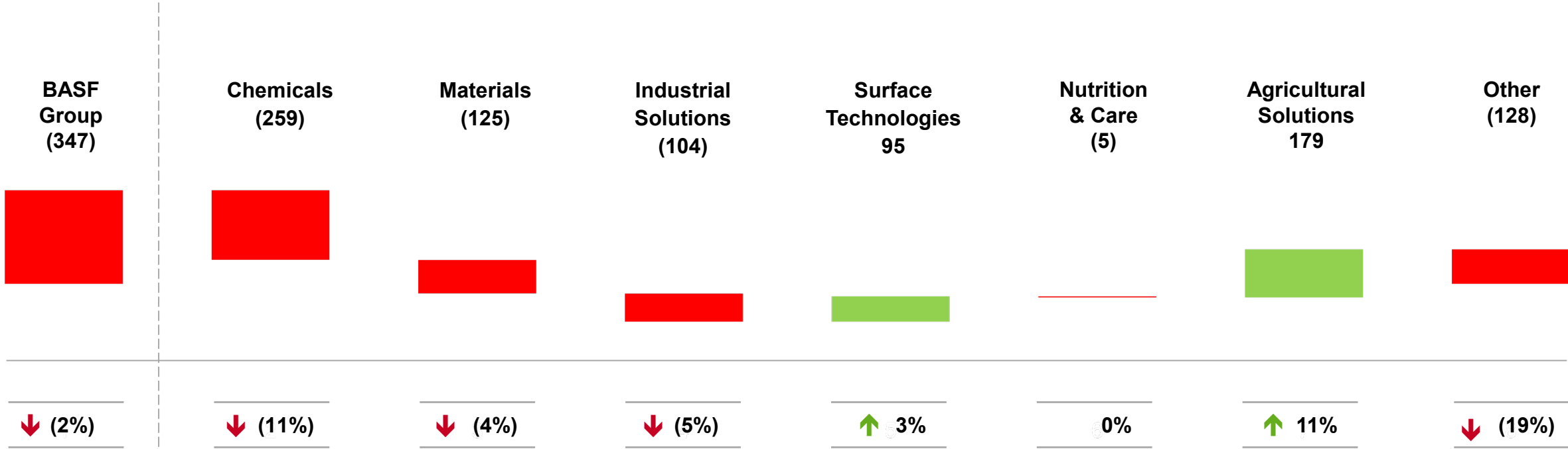
Gap between average daily order entry  
April-October 2020 vs. April-October 2019

%



# BASF Group Q3 2020: Volumes declined slightly, to a large extent due to lower demand as a result of the pandemic

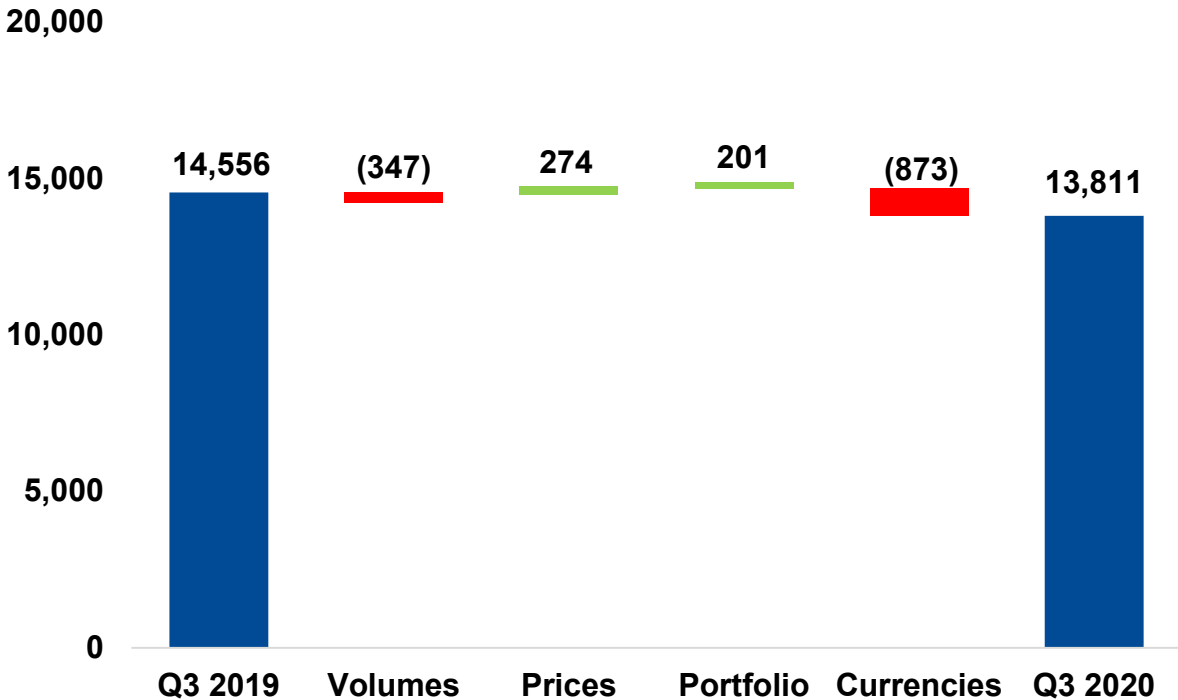
Sales volumes development by segment  
 Q3 2020 vs. Q3 2019  
 absolute (million €) terms



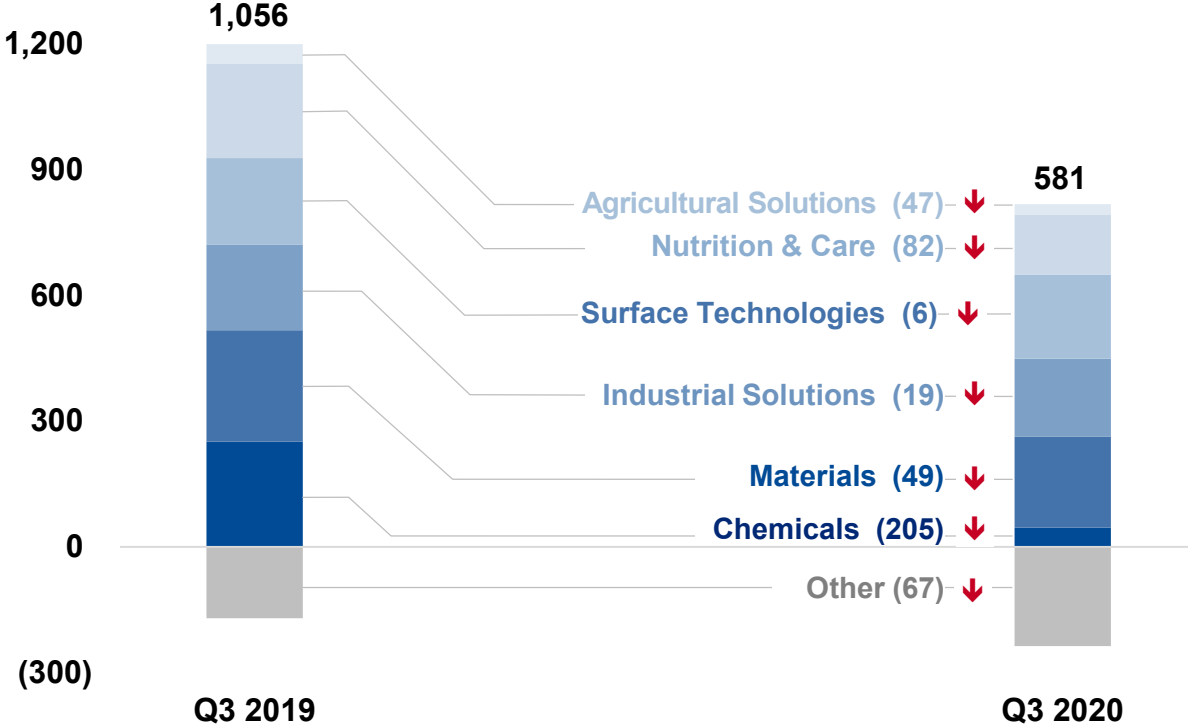
relative (%) terms

# BASF Group Q3 2020: Sales and EBIT before special items improved compared with Q2 2020, but are still below prior-year quarter

Sales bridge Q3 2020 vs. Q3 2019  
million €



EBIT before special items by segment Q3 2020 vs. Q3 2019  
million €



Sales development

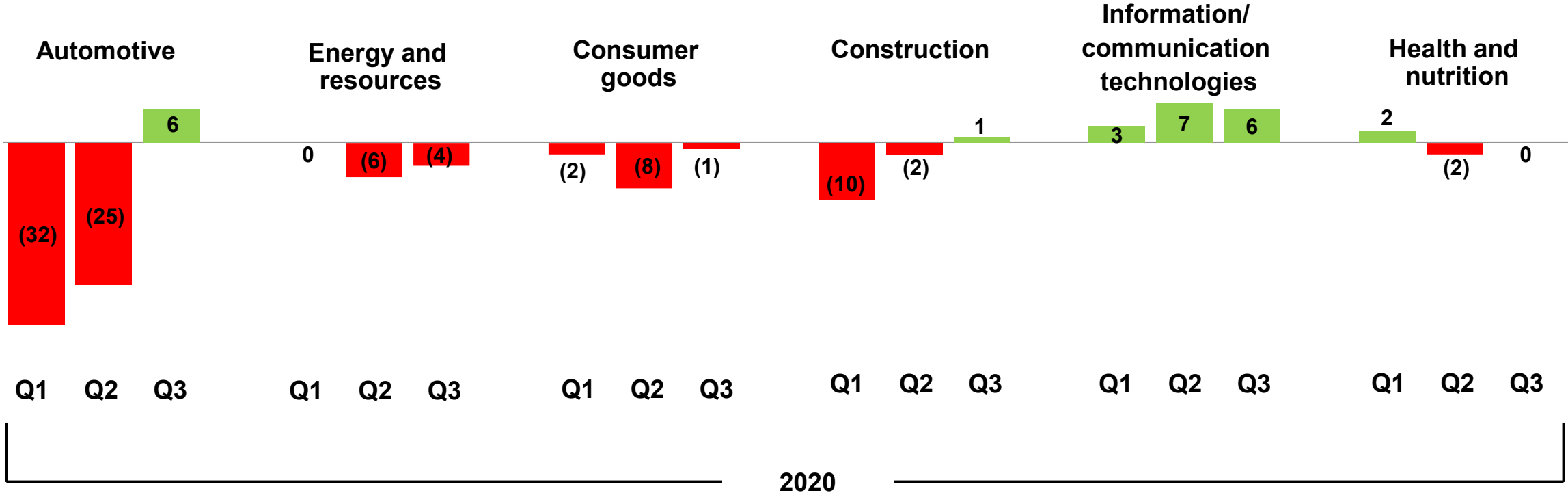
Q3 2020 vs. Q3 2019	↓ (2%)	↑ 2%	↑ 1%	↓ (6%)
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# The pandemic is impacting key customer industries differently

Sales volumes development of key customer industries<sup>1</sup>  
 Q1/Q2/Q3 2020 vs. Q1/Q2/Q3 2019

%





# Details on the impairments in the third quarter of 2020

Slower growth in the **automotive and aviation industries** due to the consequences of the corona pandemic

- Segments: mainly Surface Technologies
- Impairment: ~€1 billion

**Oversupply of basic chemicals** putting ongoing pressure on margins

- Segments: mainly Chemicals and Materials
- Impairment: ~€1.3 billion

Measures to **streamline glufosinate-ammonium production**: site in Michigan and one production plant in Germany to be closed by 2022

- Segment: Agricultural Solutions
- Impairment: ~€300 million

# Excellence Program 2019 – 2021: On track to achieve the targeted annual EBITDA contribution

	2019 actual	2020	2021
Annual EBITDA contribution <sup>1</sup>	€0.6 billion	~€1.4 billion	€2.0 billion
One-time costs <sup>2</sup>	€0.5 billion	~€0.3 billion	€0.05 – €0.15 billion

Category	
Operational excellence	Measures focused on production, logistics and planning
Leaner structures	Personnel cost savings: reduction of 6,000 positions targeted globally by end of 2020; around 10% of this reduction will likely be delayed to 2021, mainly due to the pandemic
Innovation	R&D cost reduction via focusing budgets
Simplification	Increased process efficiency, e.g., in procurement

# Realignment of BASF's Global Business Services unit

## – expected annual cost savings of >€200 million from 2023 onwards

### About BASF's Global Business Services unit

- In January 2020, the unit was formed as part of the implementation of the corporate strategy.
- Around 8,400 employees transferred to the unit to become a global, flexible and demand-driven service division that strengthens the competitiveness of the operating divisions and provides services in areas such as finance, HR, environmental protection, health and safety, intellectual property, communications, supply chain and consulting.
- Following the bundling of services and the implementation of a wide-ranging digitalization strategy, the number of employees in this unit will decline by up to 2,000 by the end of 2022.
- Annual cost savings of over €200 million expected from 2023 onwards.
- In Q3 2020, provisions for one-time costs of ~€300 million were recognized in Other.
- In 2023, the unit will be a fully dedicated service division with the sole purpose of providing solutions for BASF Group with the best possible cost-to-serve offer:
  - Simpler end-to-end processes offering more flexibility
  - More automation in process steps
  - Bundling of tasks in central hubs

### Target picture 2023

# Major portfolio measures in 2020 and 2021



## Lone Star Funds acquired BASF's construction chemicals business

- Sales 2019: ~€2.6 billion
- BASF and Lone Star Funds signed agreement in December 2019
- Purchase price of €3.17 billion<sup>1</sup>
- Transaction closed on September 30, 2020



## DIC to acquire BASF's pigments business

- Sales 2018: ~€1 billion
- BASF and DIC reached an agreement on the acquisition of BASF's pigments business in August 2019
- Purchase price of €1.15 billion<sup>1</sup>
- Closing is expected in Q1 2021<sup>2</sup>



## Initial public offering (IPO) of Wintershall Dea

- Sales 2018: ~€4.1 billion
- Merger took place on May 1, 2019
- Realization of synergies on track
- Integration expected to be completed in January 2021
- IPO planned for 2021, subject to market conditions

# BASF Group Q3 2020: Key financial figures

	Q3 2020	Q3 2019	Change
	€	€	%
Sales	13,811 million	14,556 million	(5)
EBITDA before special items	1,542 million	1,980 million	(22)
EBITDA	1,044 million	2,259 million	(54)
EBIT before special items	581 million	1,056 million	(45)
EBIT	(2,638) million	1,336 million	.
Net income	(2,122) million	911 million	.
Reported EPS	(2.31)	1.00	.
Adjusted EPS	0.60	0.89	(33)
Cash flows from operating activities	2,100 million	1,998 million	5
Free cash flow	1,364 million	1,072 million	27

## Sales development

Q3 2020 vs. Q3 2019

### Volumes

↓ (2%)

### Prices

↑ 2%

### Portfolio

↑ 1%

### Currencies

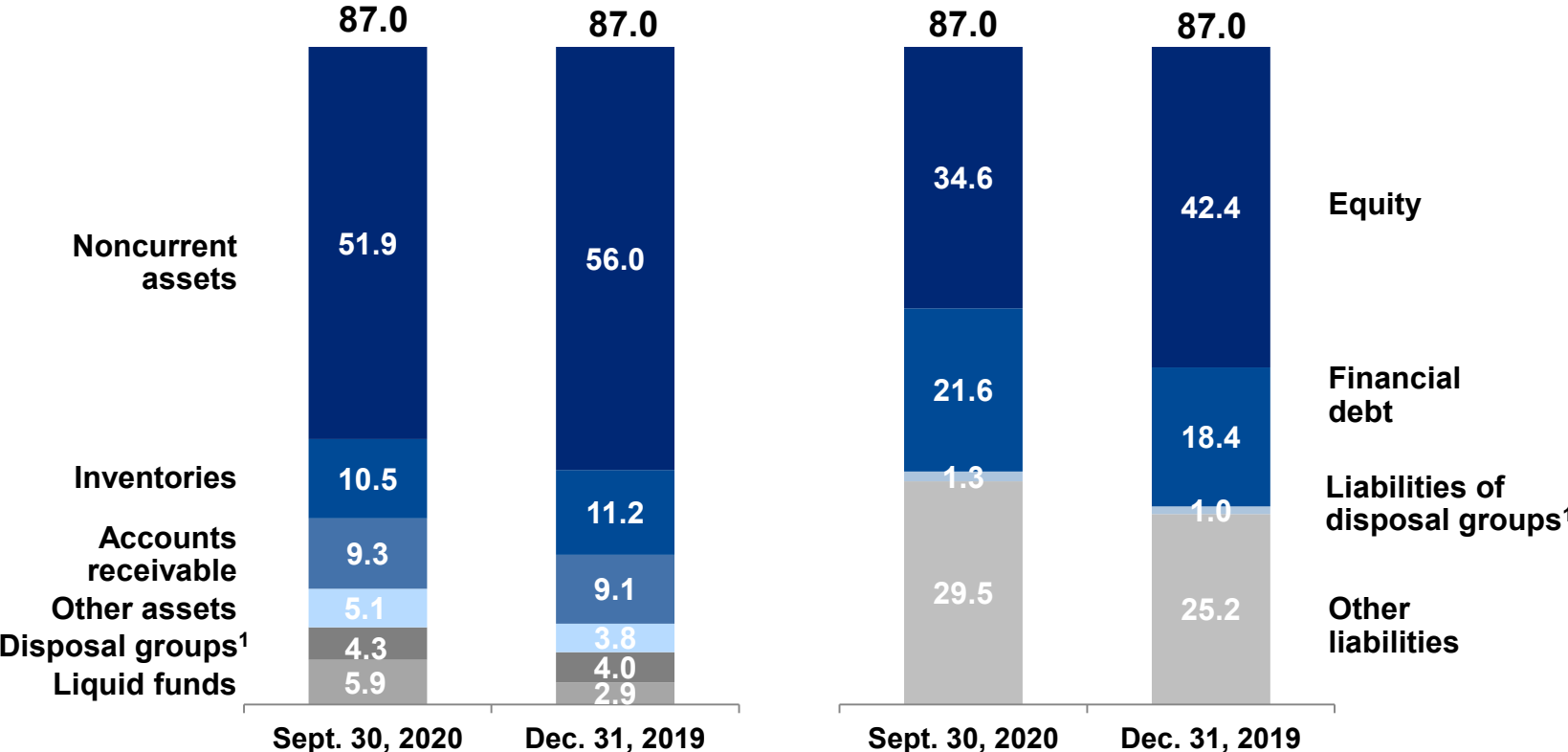
↓ (6%)

# Cash flow development Q1 – Q3 2020

		Q1 – Q3 2020	Q1 – Q3 2019
		million €	million €
<b>Cash flows from operating activities</b>		<b>3,312</b>	<b>4,317</b>
Thereof	Changes in net working capital	(1,043)	(177)
	Miscellaneous items	739	(6,849)
<b>Cash flows from investing activities</b>		<b>(674)</b>	<b>47</b>
Thereof	Payments made for property, plant and equipment and intangible assets	(2,031)	(2,648)
	Acquisitions / divestitures	1,452	2,254
<b>Cash flows from financing activities</b>		<b>778</b>	<b>(4,745)</b>
Thereof	Changes in financial and similar liabilities	3,913	(1,730)
	Dividends	(3,139)	(3,016)
<b>Free cash flow</b>		<b>1,281</b>	<b>1,669</b>

# Strong balance sheet

Balance sheet September 30, 2020 vs. December 31, 2019  
billion €



- Total assets stable at €87.0 billion
- Noncurrent assets decreased by €4.0 billion, mainly due to the non-cash-effective impairments and currency (translation) effects
- Current assets increased by €4.1 billion, mainly due to higher cash and cash equivalents and higher other receivables
- Equity ratio on September 30, 2020: 39.8%

<sup>1</sup> BASF's pigments business and construction chemicals business

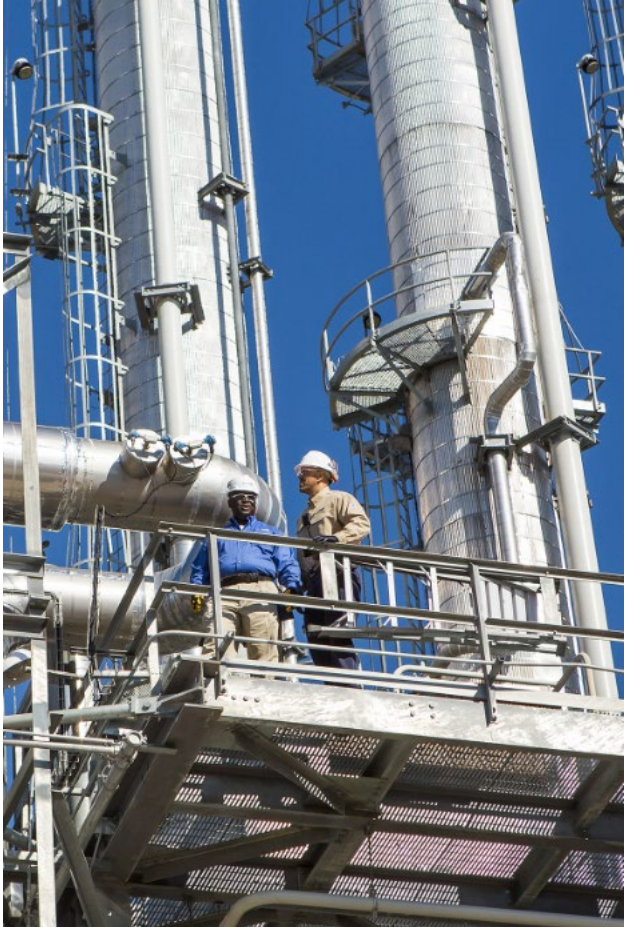
# Outlook 2020 for BASF Group

## Outlook 2020

Sales	€57 billion – €58 billion
EBIT before special items	€3.0 billion – €3.3 billion
Return on capital employed (ROCE)	0.0% – 1.0%

## Underlying assumptions

- GDP growth: -5.0%
- Growth in industrial production: -5.0%
- Growth in chemical production: -2.5%
- Average exchange rate: US\$1.15 per euro
- Average oil price (Brent crude): US\$40 per barrel





# Measures to navigate BASF through the pandemic – well positioned to benefit from market recovery

## Adapting to an uncertain environment

- Early and decisive management actions to ensure continuity of operations worldwide
- Clear focus on cost control
- High capital expenditure discipline
- Strong liquidity based on a robust balance sheet
- Focus on cash generation

## Measures

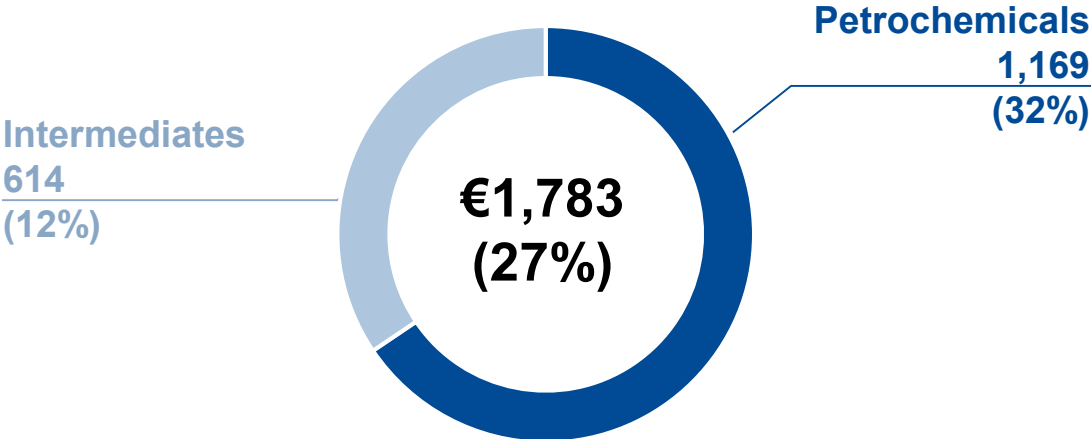
- ✓ The customer is at the center of all our activities; we closely interact, even more so during the pandemic
- ✓ We adapt our utilization rates according to market demand using our proprietary Verbund simulator
- ✓ We are on track to achieve €2.0 billion annual EBITDA contribution from the Excellence Program by the end of 2021
- ✓ We realign BASF's Global Business Services unit and expect annual cost savings of >€200 million from 2023 onwards
- ✓ We reduce planned capital expenditures from €3.4 billion to €2.8 billion in 2020
- ✓ We increased our liquidity to €5.9 billion on Sept. 30, 2020; with 39.8%, the equity ratio remains strong
- ✓ We increased free cash flow by 27% to €1.4 billion in Q3 2020



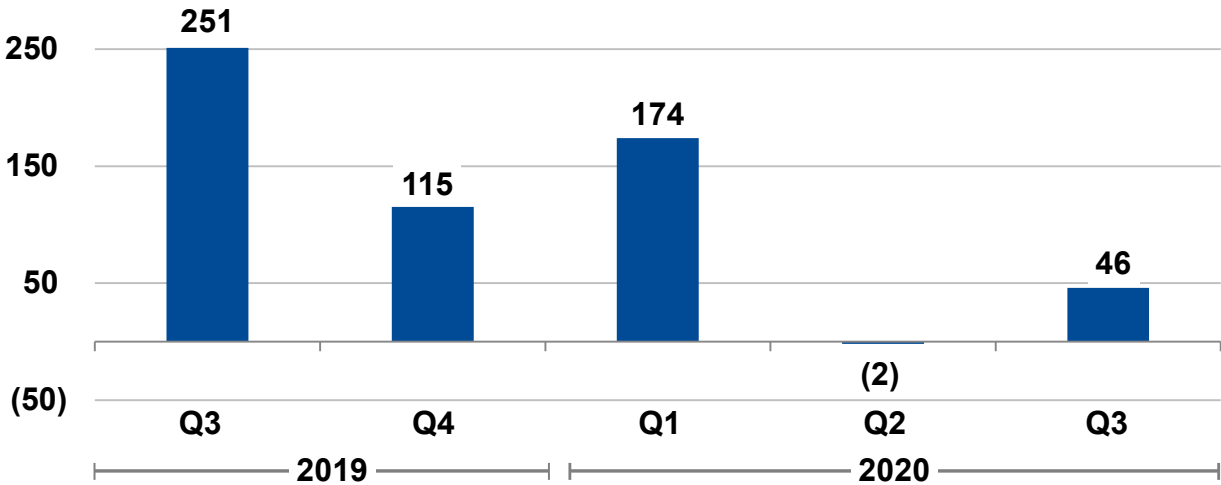
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# Chemicals

**Sales Q3 2020 vs. Q3 2019**  
million €



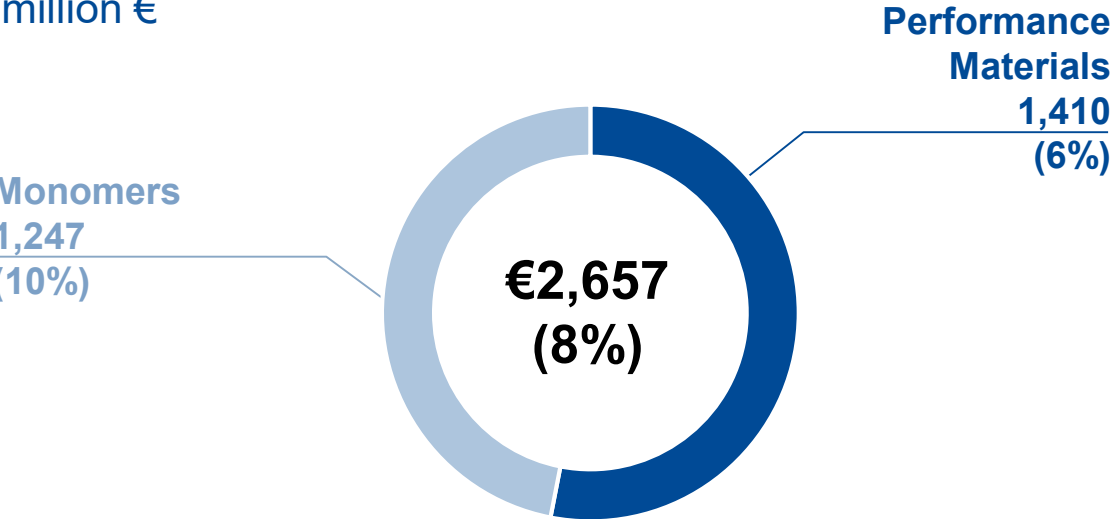
**EBIT before special items**  
million €



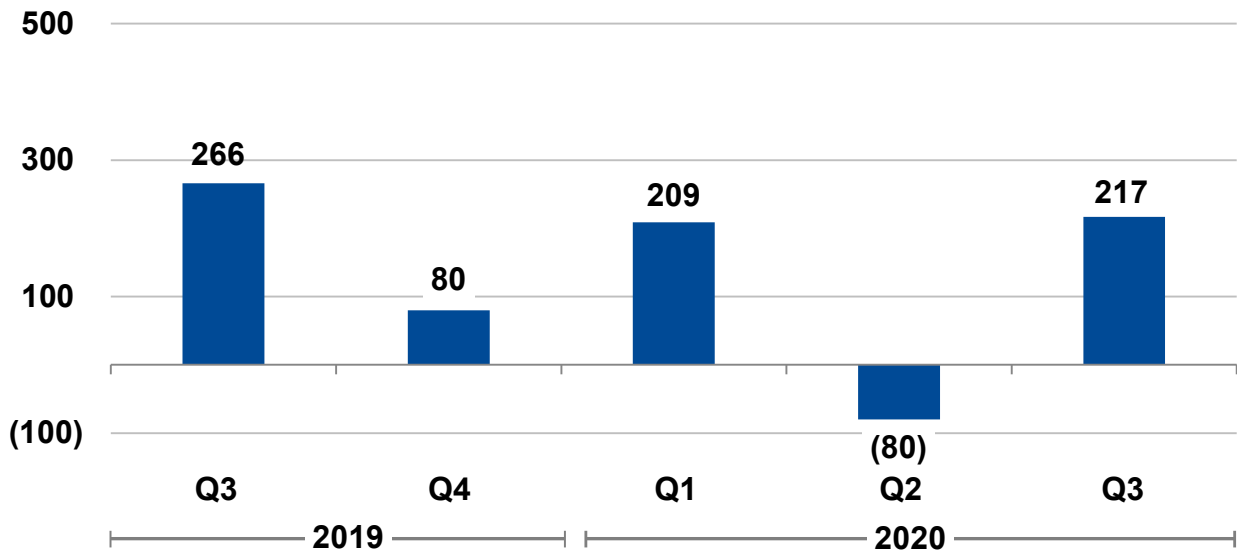
Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2020 vs. Q3 2019	↓ (11%)	↓ (13%)	0%	↓ (3%)

# Materials

**Sales Q3 2020 vs. Q3 2019**  
million €



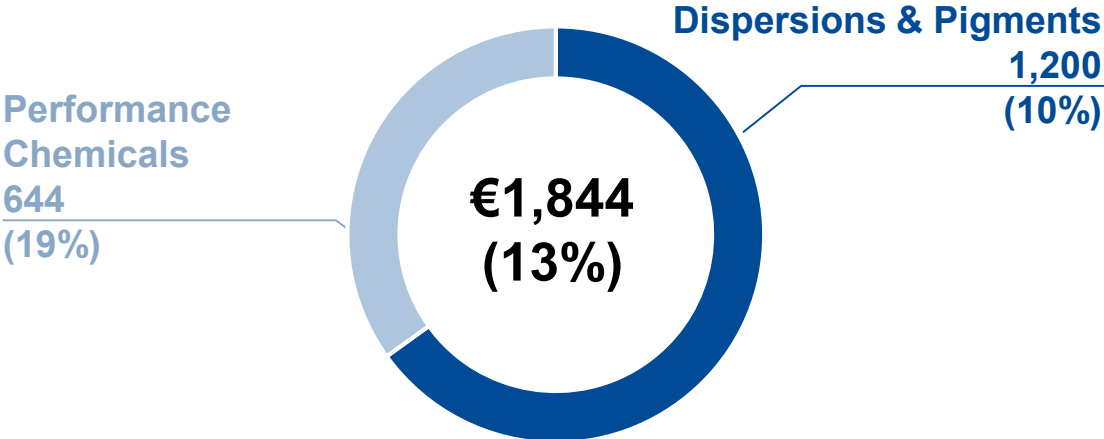
**EBIT before special items**  
million €



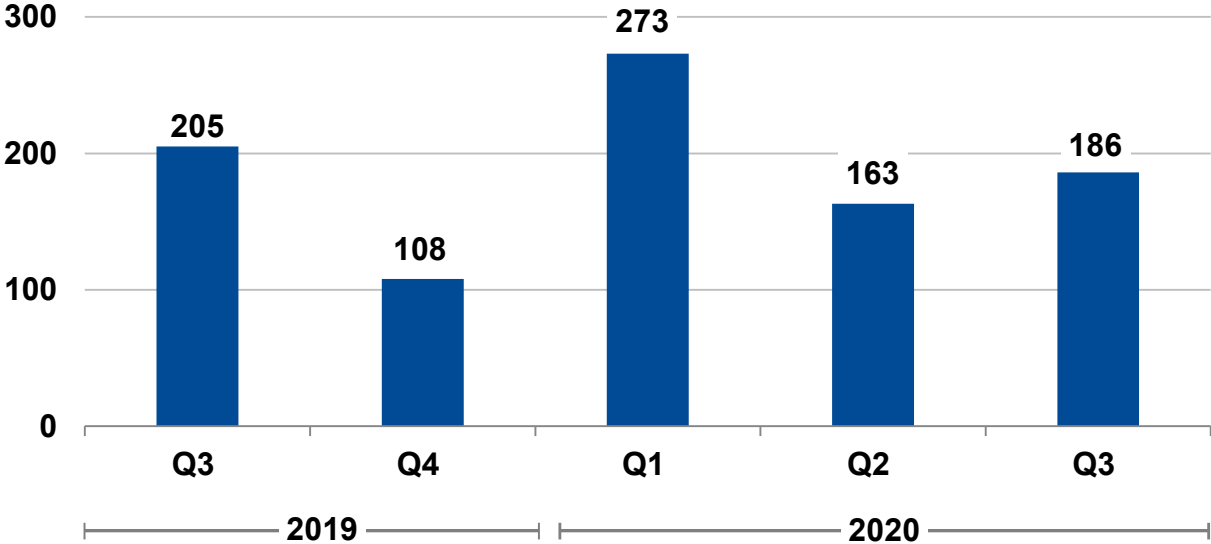
Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2020 vs. Q3 2019	↓ (4%)	↓ (7%)	↑ 7%	↓ (4%)

# Industrial Solutions

**Sales Q3 2020 vs. Q3 2019**  
million €



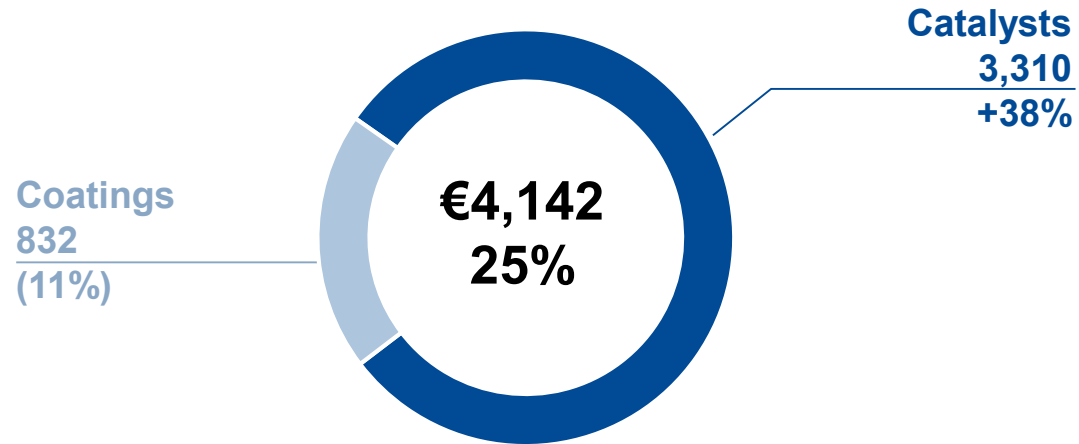
**EBIT before special items**  
million €



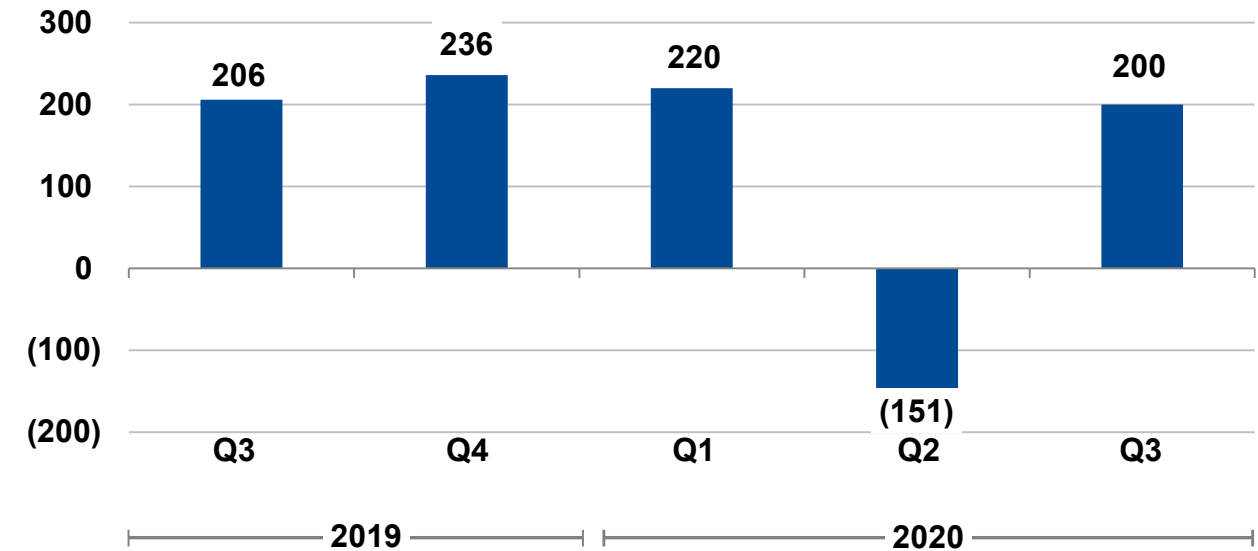
Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2020 vs. Q3 2019	↓ (5%)	↓ (5%)	0%	↓ (3%)

# Surface Technologies

**Sales Q3 2020 vs. Q3 2019**  
million €



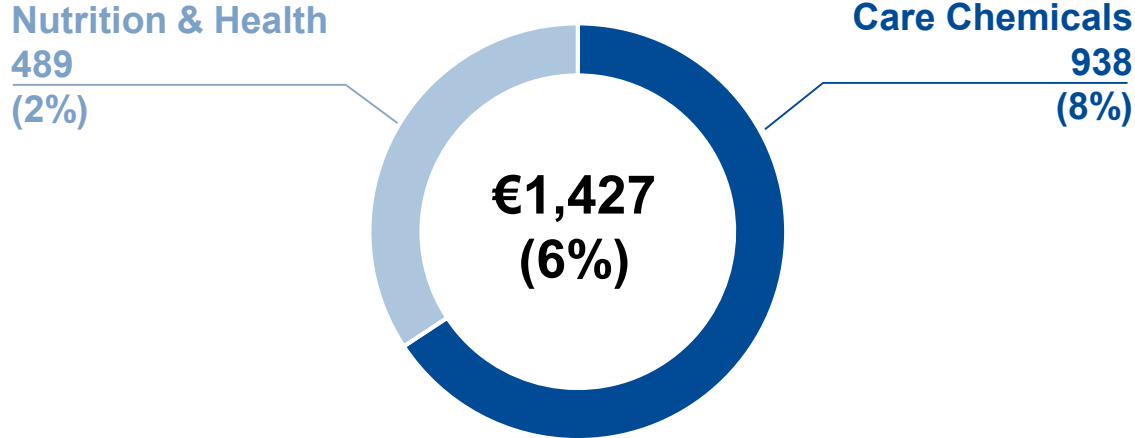
**EBIT before special items**  
million €



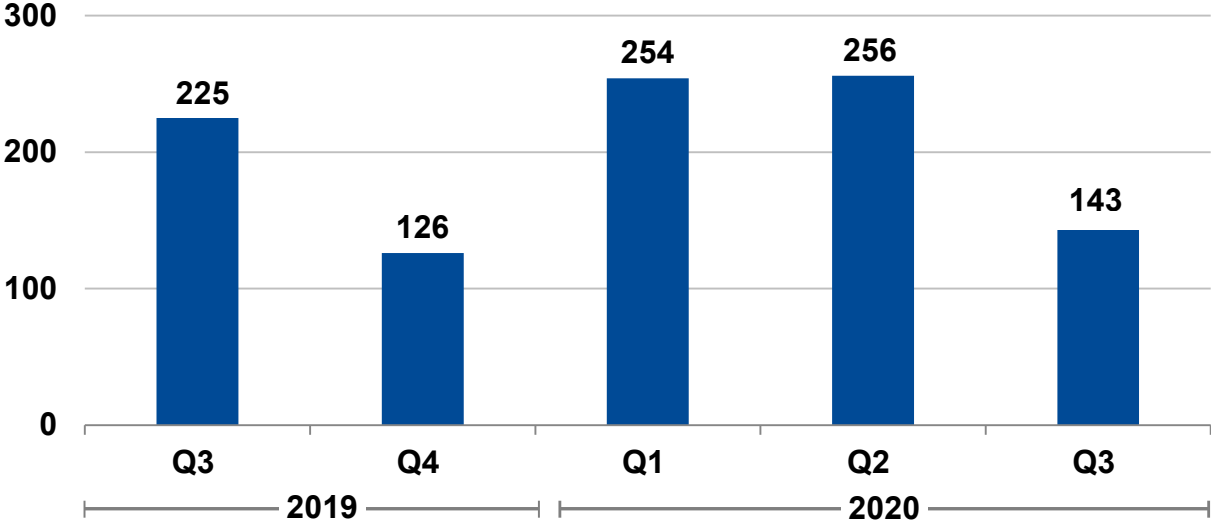
Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2020 vs. Q3 2019	↑ 3%	↑ 29%	0%	↓ (7%)

# Nutrition & Care

**Sales Q3 2020 vs. Q3 2019**  
million €



**EBIT before special items**  
million €

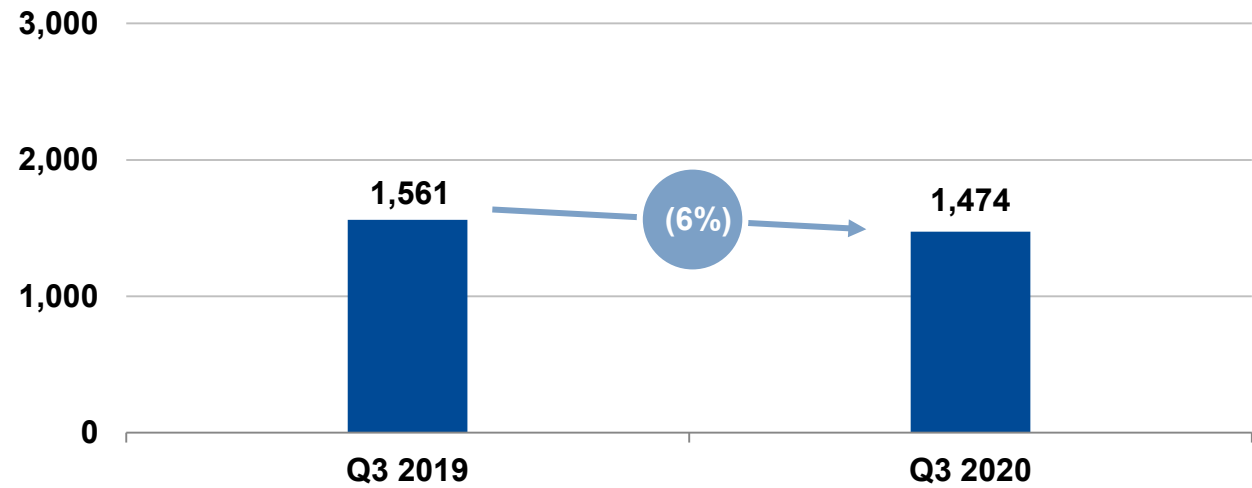


Sales development	Volumes	Prices	Portfolio	Currencies
Q3 2020 vs. Q3 2019	0%	↓ (1%)	0%	↓ (5%)

# Agricultural Solutions

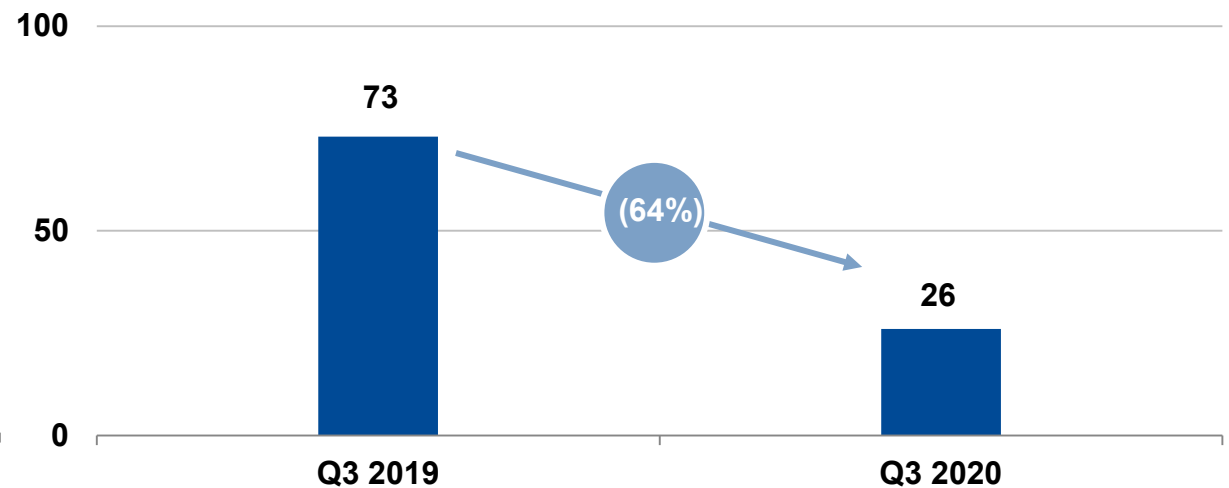
## Sales Q3 2020 vs. Q3 2019

million €



## EBIT before special items

million €



### Sales development

Q3 2020 vs. Q3 2019

### Volumes

↑ 11%

### Prices

↑ 2%

### Portfolio

0%

### Currencies

↓ (19%)



# Review of “Other”

Financial figures		Q3 2020	Q3 2019
		million €	million €
<b>Sales</b>		<b>484</b>	<b>698</b>
<b>EBIT before special items</b>		<b>(237)</b>	<b>(170)</b>
Thereof	Costs of corporate research	(95)	(91)
	Costs of corporate headquarters	(53)	(57)
	Foreign currency results, hedging and other measurement effects	(15)	(15)
	Other businesses	21	53
Special items		(408)	330
<b>EBIT</b>		<b>(645)</b>	<b>160</b>