Conference Call Q4/FY 2019
Transcript Q&A
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Tony Jones (Redburn): We have got multiple value chains with margins at trough and too much capacity maybe for more to come. As a global leader, are you thinking or prepared to act and permanently close some of your own capacities to bring things back into balance?

Martin Brudermüller: We have not really on the cards now that we have to shut down assets, because if we look at our benchmark curves and the industry cost curves, I would say: With most of the plants we operate we are very well positioned, on the one hand from a cost side as being integrated in the Verbund, but on the other hand also from a technology part. So, I think that would not make sense.

We have done this in the past. The last capacity we actually took out to adjust was caprolactam in Ludwigshafen. But I think it is not us who should go out. You should also consider that a lot of the material we produce upstream is actually internally processed for our downstream plants.

What we do, however, going forward, having this situation: We certainly absolutely minimize our capex in these areas. We completed the acetylene plant which was an important building block here in Ludwigshafen to improve our cost position, expand and replacing an old plant.

We do not have many projects on our agenda. There is one actually which you have seen: This is ethylene oxide and derivatives in Antwerp. But that is an example that is clearly driven by the need of Care Chemicals to actually develop their portfolio further which is then a downstream position and you only place the remaining volumes on the market.

What we should do is: We should really operate the plants nicely, try to fill them, even in a difficult environment, but reduce capex to the minimum. So that would be rather how we react.

Christian Faitz (Kepler Cheuvreux): With COVID-19, I appreciate that the demand situation is changing on a daily basis as we speak. Yet, outside of China, can you please comment on demand in your relevant geographies, specifically for your broader chemical activities in Western Europe and in North America?

Martin Brudermüller: Christian, let me start with the corona situation. We don’t have a clear picture, let’s say, in North America and the EU. I was in a meeting last week with about 100 CEOs from different industries, also partially our customers. They have all individual problems, whether they can start their plants, and they have now concerns – about raw material supply, about a missing key part coming from China, not having packaging material. So those are really individual problems.

What we have to do now is to be in an intensive dialogue with our customers to understand that and also see how we can actually support them. I would expect, as you said, there is a daily learning on the virus and its impact. So that is the same also from our customers’ side.

But what we can see overall is a very, very cautious ordering behavior. They rather prolong and drive their inventories down or that's what they have done also at the end of the year and have not replenished them. So, it is a little bit more living from hand to mouth. We will now see over the next weeks what is happening.

What is also clear: By seeing how it develops – now you see cases in Germany coming up, France has some cases, Italy has some cases – it will not be the end of the development. Iran is not so important for the chemical market, but you see there is a huge surge of infections. We will learn from all of that and so will our customers.

This is also why we have said we are prudent. We are now at the end of February and we are far away from normalization. This is why this whole epidemic will go into the second quarter and then have even the next one or two following months some impact. So, we really have to observe that. What we can see by talking to the customers is that basically this issue is spreading out to be a global topic.

Christian Faitz (Kepler Cheuvreux): So far, January, February, also in terms of demand, Western Europe, North America not much going on, right?

Martin Brudermüller: Yes. Slower, at least slower than we have anticipated.

Matthew Yates (Bank of America): Your slide 20 where it talks about the priorities. I'm not sure if these are deliberately ranked. Number one, the implementation and transformation into a more agile, customer-focused company: Last year you said you had €600 million of EBITDA contribution from the measures. In 2020, you are guiding for an extra €800 million as a run rate. Please help me understand where exactly we see that come through into the P&L. You said it would take time but, obviously, given the context of the group guidance, where should we be looking to kind of audit the delivery of this restructuring?

Hans-Ulrich Engel: The honest answer is: All over the place. There is everything in there, from top-line measures to cost measures. These are hundreds of measures that we are implementing, and we are actually making good progress with that. End of 2019 we are where we wanted to be, i.e. at a level of an EBITDA contribution of originally €500 million. We are a bit above that with €600 million and we have the measures in place to continue with the program and achieve also in 2020 what we are looking for.

Those are really measures that are affecting the P&L in various places, starting with the top line and then obviously also what you would expect from an excellence program, i.e. cost reduction measures, and they are also affecting each and every cost item that you can think of, from variable cost, i.e. raw material cost by way of improving processes, using less raw material, to cost reductions in fixed cost across the board. I hope that helps to put things a little bit into perspective.

Jaideep Pandya (Millennium): A question around CO_2 targets. It's a really challenging and interesting target that you want to be neutral by 2030. I just want to understand: How will you achieve that, considering you're putting so much capex especially in upstream on the ground in Asia, as you say, in the next decade? So, I just want to understand: Where are you actually going to see net CO_2 reduction in the portfolio?

Martin Brudermüller: Just to make this clear: We said CO_2-neutral growth until 2030. I also want to differentiate us here – with a much closer target which is everything else than a walk in the park; we are much more precise in terms of what we do than all the companies saying "Well, I am carbon-neutral in 2050" and everyone at the table is retired until then.

What we actually do is, we have to do hard work also on still improving the operations. Every year we get a couple of hundred thousand tons of reduction with hundreds of measures which is really efficiency gains. We also have a relatively big lever in terms of energy purchases from outside which we can convert from partially higher CO_2 load to so-called green energy. This is another balancing effect.

If you were at the table when we discuss how the project in Guangdong will look like – you are right: When we start that up we will have a step-up in CO_2 – we are discussing totally different concepts in order to operate a plant or an integrated Verbund site than we would have done 20 years ago. So, there will be a step-up, but there also won't be a step-up which you might anticipate.

Then think about the India project where, from Day one, we actually plan something which is not contributing CO_2 additionally because this will be a set-up driven by wind and solar.

But it will be an ambitious target to achieve that until 2030. Then in 2030 we hopefully have the technologies, I should not say "hopefully", we are convinced to have the technologies then to invest in, to reduce CO_2 further in absolute terms.

Jaideep Pandya (Millennium): I appreciate it's very, very early in the year, but the setting of this year is very similar to last year and you said last year that you don't mind borrowing a bit to pay or maintain the dividend. So, should we think that the fundamental philosophy of BASF is exactly the same?

Martin Brudermüller: A few weeks ago, we actually thought to cater a different guidance here. But I think, as we also said – in the recent days we learned, and the visibility is certainly low with everything here. Nevertheless, it is not fully the same picture as last year because we don't expect a recovery in economic development. We just expect that the corona effect is not further reaching beyond the first two quarters. I think this is a little bit different. But I cannot change that, there is so much uncertainty.

I think we are now the first ones who factor in COVID-19 in our guidance here. I think that provides you with the best picture we can provide today.

Peter Clark (Société Générale): The dividend policy, if in 2020 you don't actually cover on the cash flow – you made it quite clear that you are expecting no premium on the cost of capital – how long are you prepared to stick with that policy?

Martin Brudermüller: Peter, we have a commitment to the progressive dividend policy. This is also why I think you can expect this in 2020.

We will explain to you the inflow of money and what we are going to spend a bit more in detail.

If there is a year or two in which the free cash flow is not sufficient because we have to invest in our growth projects, then this is, with a very clear projection the right thing to do.

This is actually what we are going to do. We rebuild the company. We have a lower cost base, to actually get more out of what we do. We streamline our portfolio. I think it should all go in this direction to close that gap. And if this is happening for one or two years, then I think the story is still intact. So be assured that we are really committed to this dividend policy.

2 Outlook 2020

Andrew Stott (UBS): Obviously, it's not an easy year to offer guidance given the current situation. I suppose, what I am interested in most is the conviction you have on downstream because you are obviously guiding for good growth overall downstream, including double-digit in Industrial Solutions.

Would it be right to think that the first half is going to be well below in aggregate, as the cost savings come in and maybe there is an assumption embedded that, as you said, the coronavirus effects tail away, you should see a much stronger second half?

I guess, what I could have said more simply is: From what you have seen in January and February, is it right to think you can still grow downstream in the first part of the year?

Martin Brudermüller: First of all, when we talk about the excellence program, we talk about run rates. That means the more and more we go forward, more and more we will see the cost savings kicking in and then you also see them actually in the P&L.

Overall, let me say that in downstream, we have done a really good job in 2019. It was already a very difficult environment and we have actually shown that we can grow the businesses and grow them profitably. So, even in a more difficult environment, with an additional blur element of the coronavirus now in the first half-year, we still think and are ambitious to continue that way forward.

Certainly, during the first two quarters there will be the one or the other surprising element hampering global supply chains and there also will be the one or the other effect downstream.

So, as this might clear up then, there will be also a better, more positive business environment in which I would then also see more acceleration and an easier performance downstream in the second half. So, I think, your assumptions in that respect are right.

I think we are the first company having a clear view on COVID-19 because it is now really visible. We are at the end of February. Nevertheless, we see the infection rate maybe going down or peaking in China, but there are still hundreds of newly infected every day and we see it now spreading in other countries.

We will also see the surprise, touching upon globalization, how much China is actually part of today's value chains.

Actually, by talking to the customers, I am not sure whether everyone on the customer side is really aware how it will impact. There will be surprises in the supply chain. So far, they work from their stock. Now you will see when goods first have to be produced and then transported from China to Europe, that takes six, eight weeks or even more. So, there will be effects. This will also be visible in the downstream businesses.

However, one word also on upstream where this whole effect generates an even more depressed environment because demand is certainly low in an oversupplied market. We all expected that we get at least a little relief on the upstream side. But now, we have to really assume that the low margin level of Q4 is basically going into 2020 and giving us not much leeway.

Last word: We certainly also push as much as we can on the volumes now. That will be a balance between volume and pricing. All we do in BASF to rebuild the company is to participate in growth. That has now to kick in, even if the market only grows with 1.2 percent. That means that BASF has to grow above that.

That is a little bit the environment we are facing – a long answer to your question. But this is maybe also of interest for all the others. Your basic assumptions are right.

Thomas Wrigglesworth (Citi Investment Research): You have given a range in your guidance. I would be really interested to know what is defining the high end and the low end of that range.

Hans-Ulrich Engel: With respect to the range: We are obviously in a relatively difficult position at this point in time, as you know. That has led to our decision to go with a range this time. The range is on EBIT before special items, as you have seen, from €4.2 billion to €4.8 billion. What this reflects in the end is the degree of uncertainty as we see it now at the end of February

Various factors: If I walk you through how we in the end came up with this, I can tell you that only in the beginning of this week we were at the point where we had looked at all the scenarios; we had put together all the different data points that we could put together. That then led to this decision and this kind of range.

Frankly, we came to the conclusion: We cannot be any more specific and we cannot give you any better guidance than what we are seeing considering various scenarios. The plan would be to narrow this range during the course of the year 2020. The more visibility we gain, the smaller the range that we will guide in.

Tony Jones (Redburn): Would you be able to walk through the operating cash flow factors, how you best see them developing over the year, so we can bridge free cash flow and get a bit more comfort on the mid-term outlook for the dividend?

I am particularly interested in how you think working capital might unfold with demand maybe down and lower raw material costs.

Hans-Ulrich Engel: Operating cash flow during the course of the year: Already with the divestiture of our gas trading and gas storage business and then even more so with the acquisition of the Bayer assets, our cash flow profile has changed quite a bit. It has changed in a way that the second half of the year should be significantly stronger than the first half of the year because in the first half of the year, this is when seeds and crop protection products in the northern hemisphere are sold and payments are to be expected for that then in Q3 and in Q4, after the harvest is sold.

You saw it already after, as I said, the divestiture of gas trading and gas storage, but in a more pronounced way now, in particular in the year 2019 where we have a full cycle of the sales of the Bayer assets, while in 2018 we missed the northern hemisphere season with these assets.

How working capital will play into this remains to be seen. You saw what we generated out of working capital, in particular in the fourth quarter 2019. Frankly spoken: We sat there with inventories which, let's say, at the end of Q2 were not 100 percent in line with the market developments that we saw. We have used all efforts to bring inventories into line with an overall slower environment. We succeeded with that, as you can see, in the fourth quarter.

What is going to happen there in 2020 with respect to working capital impacts on cash flow? Here is what, I think, we are going to see: The environment, at least in Q1, is slow. We will adjust our production to it. We will see to it that we do not produce too much into inventory. At the same point in time, we will need cash and have cash use for, in particular, again the Ag business which has its strong part of the season in Q1 and Q2. So, expect to see a pattern overall of weaker cash flow generation in Q1, Q2, and stronger than in Q3 and Q4.

Laurence Alexander (Jefferies): The tornado chart of sensitivities that you present in the Annual Report [see BASF Report 2019, page 139] is heavily skewed to the downside. I think there are like five factors that are more skewed on the downside rather than the upside in terms of risk weightings. How do you think about sort of the range? Were you trying to give a little bit of a more optimistic range or do you see it as sort of a countervailing factor that is included in that framework?

Hans-Ulrich Engel: It's obviously not an easy one because there's not an academic and precise answer to it. What you have in the opportunities and risks report and when you compare that to prior years it is not so different from what you've seen there in prior years. What gives you really the key impacts are market growth, are margins. So that picture hasn't changed that much.

It is less the usual, I would call them, risk factors that we are reflecting in giving you a guidance. It is more the elevated or heightened uncertainty that we have at this point in time where news keeps developing on a daily basis. Just to give you an idea: We started looking at our supply chains, getting a clear understanding on raw materials, on technical goods, on inventories that we have, on the reach of inventories, about a month ago. End of the last week of January we started to assess the potential impacts. We gained more and more insight. And with that insight to a certain extent also the uncertainty increased. This is what you see reflected now in the type of guidance that we are giving.

What you have in the opportunities and risks report is more reflecting the uncertainty that results from the very, very recent events.

When I glanced over the comments that our results caused, I was a bit surprised by the fact that the big miss with respect to consensus was highlighted. If you think about consensus and a consensus that goes back to February 6th and where we are today, I think, we all should agree that we learned a whole lot more than what we knew on February 6th.

Chetan Udeshi (JP Morgan Cazenove): Can you quantify how much you have assumed the impact from the coronavirus in your guidance for Q1 and Q2?

Martin Brudermüller: Regarding the impact, because with all what we said about uncertainty, it is not easy to say what this impact is. But as you now insist on that: I think, from today's point of view, it could be €400 to €500 million on EBIT level.

Andreas Heine (MainFirst): On the guidance, more on the macro picture: Looking into what has happened in the second half of last year, at least I observed some recovery in Asia, and the U.S. did a little bit better at the beginning of the year.

I would have assumed the macro picture to be, let's say, flat growth to last year on the chemical market. Is your forecast of this going from 1.8 to 1.2 percent this year then dedicated exclusively to the coronavirus or would you have expected the chemical growth to be also lower if the coronavirus would not have come?

Martin Brudermüller: Andreas, concerning the recovery in the second half – we talk particularly here about China –, not everything that was missed out on in the first half can be caught up in the second half.

You should also be aware, first of all, when you are at GDP level, that the Chinese GDP is also driven by services and everything that you missed out on cannot be recovered.

If you look, e.g., at automotive, at the heavy cuts they have made now in the first six, eight weeks, they don't have spare capacities of 20 percent and can suddenly catch up this effect in the second half. By the way, I don't think that the only thing consumers think about after being out of the quarantine is to go back to the showroom and buy a car because there is also a lot of uncertainty out there.

So, if we look at the GDP numbers before and after: Our plan already was that it slows down a little bit from the 6.1 percent last year. So, it goes maybe slightly below 6 percent. We are now assuming China's GDP for 2020 at about 4.5 percent. We took chemical production in China down from 4.3 percent to about 3 percent growth. That gives you a magnitude for the assumed COVID-19 effect.

Sebastian Bray (Berenberg): Regarding capex, relative to expectations two years ago, BASF will in 2020 forego about €700 million of capital spending. Where is this coming from? What is the growth cost of doing this?

Hans-Ulrich Engel: If you look at the environment that we were in when we gave capex guidance two years ago, the environment was much more friendly than it is today. What do you do in situations like this? You tighten the belt, and this is exactly what you have seen in 2019 and what we continue to do in 2020.

Sebastian Bray (Berenberg): Am I right in saying that there was a number of debottlenecking projects planned in midstream chemicals in Europe that have gone? There haven't been any big-ticket cancellations of projects by BASF in the meantime; is it just all smaller names?

Hans-Ulrich Engel: Yes. But what you do is: You look at your projects. Some of the projects that you have in the out-years that have not yet caused a significant amount of spending other than planning, you decide on the timing there.

There weren't any cancellations, but as a prudent businessman what you do in situations like this is: You tighten the belt, and this is exactly what we have done and will continue to do in 2020.

Laurent Favre (Exane BNP Paribas): That's actually a follow-up to Sebastian's question. To go from €3.4 billion to your five-year target, we need to add about 2 billion on average between 2020 and the following years. So, I'm just wondering: Is it the case that the belt is going to be loosened again, to use your expression, or should we assume that there is limited flexibility on the 5 billion or so of annual capex for 2021, 2022?

Martin Brudermüller: What you see from the picture is that the core of BASF really tightened the belt and only spends the money we need to cater growth. There is no space for extra dreams. We allocate a lot to the battery materials and now to the growth programs in Asia. There is the one or the other flexibility, but you asked also on the other hand: When is the battery materials plant in Europe operational? Mid of 2022. So, you don't have much leeway to shift money here.

From the Asian point of view, we will basically spend this money in the years of 2022 to 2024. This is the framework we actually have. Going forward, we have to explain to you also a little bit better: What does this mean in the future? What is coming in in terms of earnings and everything? We will do this over time.

But we certainly have to then also spend the money if we want to execute these projects very concisely.

Markus Mayer (Baader Bank): Can you quantify what you expect on restructuring cash outflows for 2020?

Hans-Ulrich Engel: You have seen that our special items will be a bit higher as a result of restructuring, but also integration, in 2020 than in 2019. My expectation is roughly half of what we show as special items will be cash outflows in the year 2020, so let's say: roundabout €300 million.

3 Segments

3.1 Chemicals

Andreas Heine (MainFirst): Upstream margins are indeed pretty low basically everywhere. Do you think it can get lower from here? Or is what you see right now as a run rate backed, let's say, in your outlook if you take the midpoint as the most realistic one?

Hans-Ulrich Engel: A very good description of the situation. Margins both in our Chemicals and also the Materials segment were coming down consistently during the year 2019. It looks like with the end of Q4 2019 the bottom was reached and this continues into the year 2020.

We have not assumed that there will be a lot of margin improvement. You see this also reflected in our guidance for the Materials and for the Chemicals segments.

Andreas Heine (MainFirst): Related to upstream, it is an oversupplied market and you invest quite heavily in Asia in new capacities. Would you be open to delay these investments if the markets do not meet these quantities or is it kind of fixed that you have to be in this schedule for the two sites?

Martin Brudermüller: In terms of impact on our large Verbund project: We have to think long term. What is the best set-up, also in terms of CO_2? So how do we really construct that smartly? We certainly look into the business plans and everything. Now, looking at margin development short term and long term, I think we have to look at the long-term supply and demand. It will not have much impact on that one because you either believe that story or not.

Even if this whole thing might come to a slower development and maybe we record a growth of 4 percent or even slightly below, it will not change the overall picture. So, we will continue with that plan, using the time now to further optimize and then basically fix the scope of the whole investment.

3.2 Materials

– no specific questions –

3.3 Industrial Solutions

– no specific questions –

3.4 Surface Technologies

Thomas Wrigglesworth (Citi Investment Research): Regarding the battery materials plant and system that you have. You have said, start-up in 2022. Could you just share with us how you see this evolving in your plans? Is start-up the same as commercialization? I assume you are not going to produce at a 400,000-car run-rate to start off with. When would you expect to achieve break-even on that facility under your assumptions?

Martin Brudermüller: We are in the qualification process of the materials. We talked to quite a few people. We also have some MoUs signed. But we have not finally decided about all the volumes, to whom they go. I think there is a lot of demand in the market. Actually, if you take only half of the dreams of the OEMs in Europe, there will be a shortage of material in the region. So, we don't expect that we fully allocate this material.

Not having full commercial contracts on all the volumes, also means I cannot exactly tell you when there will be the break-even. But you can assume – and I assume – that the plant will be loaded rather quickly. If that is the case already almost from the beginning, then we should also have a very early break-even point.

This is a rather complicated process because there is a lot of technical assessment in qualifying the material. You start with material from pilot plants, but you have to later on verify that the material coming from production has the same quality.

That this is a rather quick thing is clear, it cannot take a long time, but there will be a final qualification for the materials from the plants. Given the fact that there is a lot of growth in electromobility and not so much material, we don't see that this is a major hurdle.

Maybe let me also add: We are part of IPCEI, which is this Important Project of Common European Interest, which gives us also some support in terms of economics for this plant.

Sebastian Bray (Berenberg): On the battery facilities, the cathode plant in Europe. Could you perhaps give a bit more color if this plant is coming on line at the start of 2022 or at the end of the year?

Martin Brudermüller: I think it's a good assumption if you expect that we go operational mid of the year 2022.

Markus Mayer (Baader Bank): This 20 percent price effect in catalysts in the fourth quarter, how much of this price effect was due to higher PGM cost, PGM prices?

Hans-Ulrich Engel: One thing is for sure: On the price side, the precious metals were a significant driver. If you think about the fact that with rhodium, as an example, we started the year with 3,000 U$/oz and we ended the year at 10,000 US$/oz, that gives you a rough idea of what happened there on prices.

[Information provided after the call: The price effect of 20 percent in Q4 2019 in Catalysts was on account of higher precious metals prices in precious & base metal services as well as in mobile emissions catalysts.]

3.5 Nutrition & Care

– no specific questions –

3.6 Agricultural Solutions

Christian Faitz (Kepler Cheuvreux): I'm just trying to get a better understanding of your seeds set-up. Would it be possible to give us an idea of the split between field seeds and veggie seeds?

Hans-Ulrich Engel: It's about 1.4 billion in sales that we have in seeds in total and the rough split there is 70 percent field crop seeds and 30 percent veggies.

Chetan Udeshi (JP Morgan Cazenove): Do you have any more color on the recent litigation associated with Dicamba in the U.S.? Can you maybe help us to understand what is your exposure in terms of sales or earnings to that particular product?

Hans-Ulrich Engel: The situation that we have there in brief words is the following: There is a jury verdict, I think, from February 15th. In this jury verdict, there are two decisions. The first one is on regular, I would call them, damages in the amount of $15 million where the jury decided that Monsanto and BASF should be jointly and severally liable for that.

Then there is a second decision of the jury in which the jury decided that the punitive damages should be paid by Monsanto. It did not decide that this should be paid by BASF.

Where are we in the process? The verdict now is moving on in due process way to be confirmed by the judge. We have the usual motions in that process. One of the motions coming from the plaintiff, not much to our surprise, is that also BASF should be liable for the punitive damages. It is now up to the judge to decide.

Our view with respect to the entire case: It has, from our point of view, no foundation. We will file, have filed the necessary motions in this first instance now. Depending on what the outcome of the judge's decision will be, we will immediately appeal. I think that is all I can say with respect to this case at this point in time.

Peter Clark (Société Générale): The Ag guidance was the one that probably surprised me most because I thought there was quite a lot of integration cost within the number in 2019 and also there was the one-off with the very adverse weather last summer. So, I am just wondering on that guidance for a slight increase; I was expecting more than that.

Hans-Ulrich Engel: If you look at the results that Ag generated in 2019, I think that is a nice set of figures that they delivered. Now, going into 2020, we took a hard look at: Where do we see channel inventories? What's going on in this world? Among other things, it looks like Canada will not be able to export canola oil to China. That may have an impact there and through that also on our canola seed business.

If your assumption is correct that the guidance should have been higher here and, in the end, Agricultural Solutions delivers higher results, I am perfectly fine with that and I am happy to take it.

3.7 Other (including Wintershall Dea)

Andrew Stott (UBS): I was intrigued by the comment that the Wintershall Dea integration is not complete till the end of 2020 and yet the plan is still to IPO in the second half. So, how do you marry those two statements? How can you IPO before you have actually integrated the assets?

Hans-Ulrich Engel: Your question on the Wintershall Dea IPO: What we said all the time, which is an IPO in the second half of 2020 depending on market conditions, goes hand in hand with concluding the integration work by the end of 2020.

First of all, just to repeat this, we want to be IPO ready in the second half of 2020. That is the first point.

The second point is: The decision of the shareholders will then depend on the market conditions. I think that's an obvious one.

What will we be able to demonstrate in the second half of 2020? We will be able to demonstrate to potential investors that Wintershall Dea is delivering on the promises it has made and these are predominantly, one, production growth and, two, bringing in the synergies.

With respect to the synergies, we said that we are striving for minimum €200 million in synergies. Out of that, on a run-rate basis, there is €100 million already in the bag. So, that can be shown, that can be proven. With that, we are on a good path overall. The preparation for the IPO is ongoing and I don't think that there is an issue with the fact that we say that the integration will conclude by the end of 2020.

Matthew Yates (Bank of America): A follow-up to the Q3 call when you were asked about Wintershall budgeting for 2020. Are you able to be a bit more explicit in the Other line? How much would be central overheads and how much are you budgeting for Wintershall contribution?

Hans-Ulrich Engel: So, what do we expect to see in 2020 that drives this improvement? There is in particular, as you can see in our Notes, the fact that both at-equity shown participations, i.e. Wintershall Dea and Solenis, are negative in the year 2019. That is not a surprise if you think about the fact that these businesses go through a significant amount of restructuring and the related effects then come through in the net profits and our respective share in these net profits.

There is another element that is important to understand. I'll give you this in the case of Wintershall Dea, where we went basically through an entire purchase price allocation for Wintershall Dea. We looked at each and every asset and we reflected the market value of these assets in our balance sheet and in the at-equity participation. This is not by choice. This is simply following IFRS rules.

What this leads to is then the significant deconsolidation gain that you have seen, but also a step-up of the respective assets. That then needs to be written off over time and the effect of that in the case of Wintershall Dea in the year 2019 is €200 million.

The other thing that you need to keep in mind is: We are showing Wintershall Dea results for the time period of May till December 2019 and will obviously have full-year impact then in 2020. I hope that helps to put things in perspective there.

Other cost positions to the extent we can forecast them, such as, e.g., the corporate cost that we have in Other or the corporate research cost in Other: Our expectation is that this will be also lower than what we had in 2019. Look at the level we've reached in Q4 of 2019. That should give a relatively good guidance for what to expect there in 2020.

Jaideep Pandya (Millennium): On Oil & Gas, considering where the gas markets are and where the oil investor psyche is today, with ESG and all, what is the plan B, if I may ask, if market conditions are not good in H2 for the IPO? If you can just give us some kind of thinking in terms of how you think about this asset and if there is any possibility that Oil & Gas actually might come back to BASF or you can actually sell it to private equity or other strategic parties.

Hans-Ulrich Engel: With respect to Wintershall Dea: We have a clear plan in place that we will follow. There is also a clear agreement between the shareholders on what to do; I think that's also quite important to understand.

If the market environment in the second half of 2020 is not ready for an IPO, well, then it's not ready and nobody will force us to IPO at that point in time. But the IPO, I think, is for sure to happen. Can I guarantee that this will be in the second half of 2020? No, I cannot. That is why we always said: It will depend on market conditions.