BASF Conference Call for Analysts and Investors: Q1 2025

Speech

May 2, 2025

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The spoken word applies.

Dirk Elvermann

Good morning, everyone!

Christian Jutzi and I welcome you to our Q1 Conference Call for analysts and investors, right before our Annual Shareholders' Meeting.

In the first quarter of 2025, BASF held its position in an increasingly challenging environment. EBITDA before special items was at about the level of the prior-year quarter and was in line with average analyst estimates. In a moment, we will provide you with details regarding our business development in the first three months of this year.

[Slide 3: Strong local production footprint in all regions gives BASF resilience]

But let's start by taking a look at BASF's manufacturing footprint and strategy in light of the recent market developments around the U.S. tariff announcements.

We have production assets in all key regions worldwide. We produce locally for the local markets. This has always been an advantage for BASF, and especially in these challenging times it makes us more resilient than others and differentiates us from our competitors.

In Europe and in North America, BASF's sales share from locally manufactured products amounts to around 90 percent. In the United States, more than 80 percent of our sales in 2024 came from products manufactured in the country. This high percentage highlights our commitment to the U.S. economy and workforce and enables us to meet customer needs with locally produced goods. In Asia Pacific and in the region South America, Africa, Middle East, the sales share from locally manufactured products was around 80 percent in 2024. This high proportion of local production is the reason why the direct impact of tariffs on BASF is likely to be limited.

However, we must also consider indirect impacts resulting from market uncertainty and changes in demand from our customers in industries such as automotive and consumer goods. It remains difficult to assess the full impact of the current tariffs and counter-tariffs on BASF's business at this point in time.

In the first quarter of 2025, we observed a considerable volume decline of 9 percent both in North America and in the United States compared with the prior-year quarter. At the beginning of the year, the freezing temperatures on the Gulf Coast hit our Chemicals segment more than in Q1 2024, when we were less impacted than competitors. In the Surface Technologies and Agricultural Solutions segments, volumes were considerably down compared with the prior-year quarter. In the Surface Technologies segment, this was primarily driven by lower precious metals trading and the weaker market environment in automotive. In our Ag business, this mainly resulted from pre-sales in Q4 2024, particularly in fungicides and field crop seeds.

In contrast, we were able to increase sales volumes in Asia Pacific by 2 percent and in Greater China by a remarkable 7 percent. In Europe, volumes rose by 2 percent, while in Germany they increased by 6 percent. In South America, Africa and the Middle East, volumes grew by 7 percent in the first quarter of 2025.

[Slide 4: EBITDA before special items in Q1 2025 nearly at prior-year quarter level]

Let's now move on to the performance of BASF Group in Q1 2025.

At 17.4 billion euros, reported sales were nearly at the same level as in the prior-year quarter. Volumes decreased by 1 percent on account of the Agricultural Solutions, Chemicals and Nutrition & Care segments. As already mentioned, the Agricultural Solutions segment experienced some pre-buying in Q4 2024. This in turn lowered sales volumes in the first quarter of 2025. In Chemicals, the Intermediates division sold lower volumes due to persistently long markets, particularly in the business area butanediol and derivatives. In Nutrition & Care, volumes were lower due to the consequences of the fire in the isophytol plant.

Prices were slightly lower than in the prior-year quarter, while currency and portfolio effects positively influenced sales development.

Reflecting this underlying sales development, EBITDA before special items was at about the same level as in Q1 2024.

[Slide 5: Q1 2025: Earnings in Surface Technologies matched level of prior-year quarter, remaining segments came in below]

Let’s now look at the earnings development by segment.

Compared with the first quarter of 2024, EBITDA before special items decreased by 87 million euros to 2.6 billion euros. While Surface Technologies slightly increased EBITDA before special items, all other segments came in below the prior-year quarter. Agricultural Solutions, Chemicals, and Nutrition & Care recorded considerably lower EBITDA before special items than in the prior-year period. In Materials and Industrial Solutions, earnings decreased slightly.

EBITDA before special items of Other improved significantly for a variety of reasons. Among other factors, this was due to lower bonus provisions, higher earnings contributions from BASF’s insurance companies as well as higher foreign currency and hedging results included in miscellaneous income and expenses.

Before Christian goes into more details regarding the financial figures, let me present an investment that we are planning at our Ludwigshafen Verbund site.

[Slide 6: BASF invests in semiconductor-grade sulfuric acid plant in Ludwigshafen]

BASF is a global leader in supplying the semiconductor industry with high-purity single bulk chemicals and specialized chemical formulations. They are essential for the manufacturing of chips used in automotive, mobile communications and AI applications.

As announced earlier this week, we will expand our production capacity for semiconductor-grade sulfuric acid. The new facility in Ludwigshafen will feature cutting-edge purity capabilities to serve the growing demand for advanced semiconductor chip manufacturing across Europe. Operations are expected to start by 2027, coinciding with the capacity expansion of key customers. The BASF investment will be in a high double-digit million-euro range.

With several new chip manufacturing plants being constructed or expanded in Europe, there is an increasingly strong demand for high-quality and high-purity semiconductor-grade chemicals, such as sulfuric acid. This need has been accelerated by a close cooperation partner of BASF, who is currently building a new chip production plant in Europe. BASF is thus investing in the semiconductor chemical value chain based on mutual long-term customer-supplier commitments with its strategic partners.

With that, I hand over to Christian.

Christian Jutzi

Thank you, Dirk. Good morning, everybody.

[Slide 7: BASF Group Q1 2025: Key financial figures]

Let’s now have a look at further financial details of BASF Group for the first quarter of 2025.

With 2.6 billion euros, EBITDA before special items was nearly at the level of the prior-year quarter. The adjusted EBITDA margin before special items also remained almost stable at 16.5 percent.

EBIT before special items reached 1.7 billion euros compared with 1.8 billion euros in the prior-year quarter. Special items in EBIT amounted to minus 467 million euros and were mainly caused by the sale of BASF’s 49 percent equity share in the Nordlicht 1 and 2 wind farms to Vattenfall. This resulted in a non-cash effective disposal loss of 325 million euros in Other. By exiting this equity participation, we adhere to our disciplined capital allocation approach and avoid having to make significant investments in the wind farms over the coming years. The collaboration with Vattenfall continues through a secured long-term supply of renewable power for BASF’s chemical production in Europe – at a time when such additional supply will be needed.

Let’s move on in the P&L: Compared with the prior-year quarter, net income from shareholdings declined significantly, mainly due to lower contributions from Wintershall Dea, while the financial result improved. Net income decreased by 560 million euros to 808 million euros.

Cash flows from operating activities amounted to minus 982 million euros, and free cash flow was minus 1.8 billion euros. You will see more details on the following slide.

[Slide 8: Cash flow development in Q1 2025]

In the first quarter of 2025, cash flows from operating activities decreased by 468 million euros. This was mainly due to the build-up of the precious metals trading position, after it had been reduced in the prior-year quarter. Furthermore, in the first quarter of 2025, the agreed payment of around 300 million euros was made for the settlement of the multidistrict litigation proceedings related to

AFFF products in the United States. Changes in net working capital led to a cash outflow of 3.0 billion euros compared with a cash outflow of 3.2 billion euros in the prior-year quarter.

Payments made for property, plant and equipment and intangible assets decreased by 127 million euros compared with the prior-year quarter to 816 million euros. The decline shows that we have passed the peak investment phase for our Verbund site in South China.

Free cash flow came in at minus 1.8 billion euros compared with minus 1.5 billion euros in Q1 2024. Typically, BASF's free cash flow is negative in Q1 and recovers over the course of the year. This is mainly due to the seasonality of our Agricultural Solutions business.

[Slide 9: Strong balance sheet]

Let's now turn to our balance sheet at the end of March 2025 compared with year-end 2024.

Total assets rose by 1 billion euros and amounted to 81.4 billion euros. This increase is mainly attributable to the seasonality of our businesses, particularly in the Agricultural Solutions segment. This resulted in higher trade accounts receivable compared with year-end 2024.

At the end of March 2025, **equity** stood at 37.4 billion euros, a slight increase compared with year-end 2024.

With 45.9 percent, **BASF's equity ratio** remained unchanged and very healthy.

Net debt increased by 1.6 billion euros to 20.4 billion euros, mainly on account of higher short-term debt.

[Slide 10: Maintaining our single A credit rating]

Related to our strong balance sheet, I would like to add that BASF enjoys good credit ratings, particularly when compared to competitors in the chemical sector.

We strive for a single A rating, which ensures unrestricted access to financial markets. Our prudent financial policy with a strong balance sheet and high equity ratio ensures favorable financing conditions. This is especially important in times of high volatility and unpredictability.

Just recently, Moody’s confirmed BASF’s single A credit rating. Standard & Poor’s confirmed our rating in December, and Fitch in November 2024.

With that back to you, Dirk.

Dirk Elvermann

[Slide 11: Outlook 2025 for BASF Group remains unchanged]

Now I will comment on the outlook for the BASF Group.

Already in the course of the first quarter, production momentum in the chemical industry and its customer industries was increasingly influenced by reactions to anticipated additional tariffs by the United States. The business development in the near to midterm will largely depend on the trade policy decisions made by the United States and its trading partners.

A reliable quantification of the impact on the global economy is not possible at this time. In light of the volatile situation, the assumptions published in the BASF Report 2024 regarding the global economic environment in 2025 remain unchanged for the time being. The BASF Group’s forecast for the 2025 business year also remains unchanged.

The trends we are currently observing are outlined on the outlook slide under our macroeconomic assumptions for the year 2025. The indirect impacts I mentioned at the beginning are reflected here. The impacts on GDP, industrial production and chemical production are likely to be negative. The stronger euro also has potentially negative impacts on our earnings, while the lower oil price would be supportive in terms of lower raw materials costs.

In this dynamic environment, we focus on what we can influence, including our ongoing cost-saving programs and cash improvement measures. We are also staying on course with our strategic initiatives. Furthermore, we will carefully monitor how U.S. tariffs and potential counter-tariffs evolve and will take additional measures if they become necessary.

And now Christian and I are glad to take your questions.