

Reporting Factsheet Q2 2020

BASF Group (million €)	Q2 2020	Q2 2019	+/-	H1 2020	H1 2019	+/-
Sales ¹	12,680	14,478	(12%)	29,433	30,074	(2%)
EBITDA before special items ^{1,3}	1,229	1,885	(35%)	3,808	4,527	(16%)
EBITDA ^{1,3}	1,070	1,546	(31%)	3,498	4,316	(19%)
EBITDA margin	8.4	10.7	–	11.9	14.4	–
Depreciation and amortization ⁴	1,011	1,039	(3%)	1,983	2,030	(2%)
EBIT ^{1,3}	59	507	(88%)	1,515	2,286	(34%)
Special items	(167)	(488)	66%	(351)	(459)	24%
EBIT before special items ^{1,3}	226	995	(77%)	1,866	2,745	(32%)
Income before income taxes ¹	(923)	293	.	277	1,849	(85%)
Income after taxes from continuing operations	(888)	243	.	(7)	1,406	.
Income after taxes from discontinued operations ²	14	5,686	(100%)	36	5,963	(99%)
Net income ²	(878)	5,954	.	7	7,360	(100%)
Earnings per share (€) ^{1,2}	(0.95)	6.48	.	0.01	8.01	(100%)
Adjusted earnings per share (€) ^{1,2}	0.25	0.83	(70%)	1.51	2.47	(39%)
Research and development expenses	480	518	(7%)	974	1,021	(5%)
Personnel expenses	2,679	2,865	(6%)	5,505	5,768	(5%)
Number of employees (end of period)	117,563	118,705	(1%)	117,563	118,705	(1%)
Assets (end of period)	90,369	88,397	2%	90,369	88,397	2%
Investments including acquisitions ⁵	654	1,060	(38%)	2,790	1,775	57%
Equity ratio (end of period, %)	42.5	45.6	–	42.5	45.6	–
Net debt (end of period)	20,519	18,872	9%	20,519	18,872	9%
Cash flows from operating activities	2,242	1,946	15%	1,212	2,319	(48%)
Free cash flow	1,516	965	57%	(83)	597	.

1 The statement of income for 2019 was adjusted retroactively on presentation of the construction chemicals activities as a discontinued operation from December 21, 2019, onward. For more information, see page 204 onward of the BASF Report 2019, Note 1.4.

2 In the second half of 2019, the gain on the disposal of the oil and gas business was adjusted retroactively as of May 1, 2019.

3 The 2019 figures have been restated to reflect the reclassification of income from non-integral companies accounted for using the equity method to net income from shareholdings. For more information, see page 31 of the Half-Year Financial Report 2020, Note 1.

4 Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)

5 Additions to property, plant and equipment and intangible assets

Factors influencing sales in Q2 2020 vs. Q2 2019 (changes in %)	Sales	Volumes	Prices	Portfolio	Currencies
Chemicals	(18)	7	(25)	0	0
Petrochemicals	(20)	13	(33)	0	0
Intermediates	(14)	(6)	(8)	0	0
Materials	(28)	(23)	(8)	4	(1)
Performance Materials	(31)	(31)	(4)	4	0
Monomers	(23)	(14)	(13)	5	(1)
Industrial Solutions	(15)	(11)	(4)	0	0
Dispersions & Pigments	(12)	(7)	(5)	0	0
Performance Chemicals	(20)	(17)	(2)	(1)	0
Surface Technologies	(2)	(26)	24	0	0
Catalysts	15	(19)	33	0	1
Coatings	(41)	(39)	1	0	(3)
Nutrition & Care	4	7	(1)	0	(2)
Care Chemicals	0	4	(2)	0	(2)
Nutrition & Health	12	12	2	0	(2)
Agricultural Solutions	(2)	2	1	0	(5)
Other	(32)	(29)	(4)	0	1
BASF Group	(12)	(11)	(1)	1	(1)

Segments

Million €

	Sales			EBITDA before special items			EBIT before special items			Income from operations (EBIT)		
	2020	2019	+/-	2020	2019	+/-	2020	2019	+/-	2020	2019	+/-
Q2												
Chemicals	1,791	2,180	(18%)	216	302	(28%)	(2)	119	.	(18)	(37)	51%
Materials	2,143	2,961	(28%)	147	506	(71%)	(80)	334	.	(102)	319	.
Industrial Solutions	1,819	2,141	(15%)	280	342	(18%)	163	243	(33%)	133	228	(42%)
Surface Technologies	3,099	3,161	(2%)	(34)	240	.	(151)	129	.	(176)	125	.
Nutrition & Care	1,555	1,495	4%	362	318	14%	256	220	16%	255	207	23%
Agricultural Solutions	1,766	1,796	(2%)	299	298	0%	120	121	(1%)	95	29	228%
Other	507	744	(32%)	(41)	(121)	66%	(80)	(171)	53%	(128)	(364)	65%
BASF Group	12,680	14,478	(12%)	1,229	1,885	(35%)	226	995	(77%)	59	507	(88%)
H1												
Chemicals	4,141	4,728	(12%)	607	791	(23%)	172	425	(60%)	152	265	(43%)
Materials	5,017	5,892	(15%)	562	999	(44%)	129	657	(80%)	17	640	(97%)
Industrial Solutions	3,917	4,327	(9%)	623	720	(13%)	436	507	(14%)	373	635	(41%)
Surface Technologies	7,427	6,183	20%	304	495	(39%)	69	280	(75%)	41	269	(85%)
Nutrition & Care	3,137	3,056	3%	719	645	11%	510	442	15%	499	331	51%
Agricultural Solutions	4,585	4,445	3%	1,288	1,208	7%	929	861	8%	882	801	10%
Other	1,209	1,443	(16%)	(295)	(331)	11%	(379)	(427)	11%	(449)	(655)	31%
BASF Group	29,433	30,074	(2%)	3,808	4,527	(16%)	1,866	2,745	(32%)	1,515	2,286	(34%)

Regions

Million €

	Sales by location of company			Sales by location of customer			Income from operations by location of company ¹		
	2020	2019	+/-	2020	2019	+/-	2020	2019	+/-
Q2									
Europe	5,081	6,464	(21%)	4,689	6,024	(22%)	24	396	(94%)
of which Germany	2,149	3,499	(39%)	1,062	1,585	(33%)	(182)	87	.
North America	3,533	3,936	(10%)	3,477	3,813	(9%)	(163)	(208)	22%
Asia Pacific	3,443	3,341	3%	3,589	3,524	2%	180	305	(41%)
South America, Africa, Middle East	623	737	(15%)	925	1,117	(17%)	18	14	29%
BASF Group	12,680	14,478	(12%)	12,680	14,478	(12%)	59	507	(88%)
H1									
Europe	12,601	13,652	(8%)	11,900	12,697	(6%)	705	1,246	(43%)
of which Germany	5,422	7,487	(28%)	2,750	3,188	(14%)	16	493	(97%)
North America	8,779	8,577	2%	8,462	8,357	1%	311	439	(29%)
Asia Pacific	6,738	6,439	5%	7,062	6,844	3%	466	583	(20%)
South America, Africa, Middle East	1,315	1,406	(6%)	2,009	2,176	(8%)	33	18	83%
BASF Group	29,433	30,074	(2%)	29,433	30,074	(2%)	1,515	2,286	(34%)

¹ The 2019 figures have been restated to reflect the reclassification of income from non-integral companies accounted for using the equity method to net income from shareholdings. For more information, see Note 1 on page 31 of the Half-Year Financial Report 2020.

Segments Q2 2020 vs. Q2 2019

Chemicals

In the Chemicals segment, sales declined considerably compared with Q2 2019 in both divisions, but especially in the Petrochemicals division. The sales decrease was primarily the result of significantly lower prices in both divisions. In the Petrochemicals division, the decrease in prices was largely due to higher product availability on the market and lower raw materials prices. The lower prices in the Intermediates division mainly reflected continued weak demand. By contrast, we were able to increase sales volumes in the Chemicals segment thanks to the positive development of volumes in the Petrochemicals division. Following the scheduled turnarounds of our steam crackers in Port Arthur, Texas, and Antwerp, Belgium, in Q2 2019, we were able to significantly increase volumes of steam cracker products in Q2 2020 and compensate for the decrease in sales volumes in the rest of the portfolio as a result of the corona pandemic. Sales were reduced by lower sales volumes in the Intermediates division due to the effects of the corona pandemic, especially in the acids and polyalcohols business and in the butanediol and derivatives business. EBIT bSI was considerably below the level of the PYQ. The considerable decrease affected both divisions, but in particular the Intermediates division. Here, the decline in earnings was primarily due to lower volumes and higher fixed costs, primarily as a result of the gradual startup of the new acetylene plant in Ludwigshafen. Higher margins on the back of lower raw materials prices had an offsetting effect and led overall to positive EBIT bSI in the Intermediates division. EBIT bSI declined in the Petrochemicals division, mainly due to scheduled turnarounds in Nanjing, China, and lower margins. In addition, an unscheduled turnaround occurred in June at our steam cracker in Port Arthur, Texas.

Materials

In the Materials segment, sales in both divisions were considerably below Q2 2019. Sales development was primarily driven by significantly lower volumes in both divisions due to the effects of the corona pandemic, especially in the Performance Materials division. The decrease in sales volumes here was largely attributable to much weaker demand from the automotive industry. Volumes also declined in the consumer goods and construction industries. In the Monomers division, volumes declined for isocyanates in particular. Significantly lower price levels for isocyanates and polyamides in the Monomers division also contributed to the sales decrease. Prices were slightly lower in the Performance Materials division. Sales in both divisions were positively impacted by portfolio effects from the acquisition of Solvay's integrated polyamide business. FX effects had a negative impact on sales. Compared with the PYQ, EBIT bSI declined considerably in both divisions, especially in the Monomers division. This was primarily due to lower isocyanate margins on the back of weak demand. EBIT bSI in the Performance Materials division also declined considerably, mainly as a result of lower volumes.

Industrial Solutions

In the Industrial Solutions segment, sales in both divisions declined considerably compared with the PYQ. The decrease was primarily due to significantly lower volumes in both divisions. The development of sales volumes in the Performance Chemicals division was negatively impacted by weak demand, especially in the fuel and lubricant solutions and oilfield chemicals businesses. In the Dispersions & Pigments division, higher semiconductor volumes in the electronic materials business were unable to offset lower volumes in all other business areas. Slightly lower prices in both divisions, but especially in the Dispersions & Pigments division, also contributed to the sales decrease. Price levels declined, mainly due to lower raw materials prices. Portfolio effects in the Performance Chemicals division from the divestiture of Inge GmbH as of December 31, 2019, had a slightly negative impact on sales. EBIT bSI in both divisions decreased considerably compared with the PYQ. This was mainly driven by the development of volumes. Slightly lower fixed costs had an offsetting effect in both divisions.

Surface Technologies

In the Surface Technologies segment, sales declined slightly due to a considerable sales decrease in the Coatings division. By contrast, we considerably increased sales in the Catalysts division. The sales development was primarily driven by significantly lower sales volumes in both divisions. This was due to weak demand from the automotive industry due to the effects of the corona pandemic. Lower volumes, especially for mobile emissions catalysts, in precious metal trading and for refining catalysts, reduced sales in the Catalysts division. In the Coatings division, volumes declined in all business areas. Significantly higher prices overall as a result of higher precious metal prices in the Catalysts division had an offsetting effect. In precious metal trading, sales rose to €1,502 million due to higher prices (Q2 2019: €1,065 million). Prices rose slightly in the Coatings division, mainly in the decorative paints and surface treatments businesses. EBIT bSI was considerably below the level of the PYQ in both divisions. This was largely driven by the development of sales volumes in both divisions.

Nutrition & Care

We slightly increased sales in the Nutrition & Care segment compared with Q2 2019. This was driven by considerable sales growth in the Nutrition & Health division, while sales in the Care Chemicals division were on a level with the PYQ. The slight sales increase was primarily due to higher volumes in both divisions. The significant volumes growth in the Nutrition & Health division was mainly attributable to the aroma ingredients, pharmaceutical and human nutrition businesses. Sales volumes rose slightly in the Care Chemicals division. Higher volumes in the home care, industrial and institutional cleaning and industrial formulators business, as well as in the oleo surfactants and alcohols business contributed to sales growth. Negative FX effects, especially in South America, partially offset this increase. Sales were also negatively impacted by a slightly lower price level. This was largely attributable to lower prices in the home care, industrial and institutional cleaning and industrial formulators business in Care Chemicals. Slightly higher prices in Nutrition & Health, mainly driven by the animal nutrition business, could not compensate for this decrease.

We considerably increased EBIT bSI compared with the PYQ thanks to a significantly higher contribution from the Nutrition & Health division. This was primarily due to higher margins resulting from higher volumes and prices. EBIT bSI in the Care Chemicals division declined slightly, mainly from higher fixed costs due to a one-off contractual payment in the PYQ.

Agricultural Solutions

Sales in the Agricultural Solutions segment were slightly below the level of Q2 2019. This was mainly attributable to negative FX effects, especially in the region South America, Africa, Middle East. Higher volumes in all regions except Europe and higher price levels had a positive impact on sales. In Europe, sales declined considerably compared with the PYQ, primarily as a result of lower volumes. This was attributable to lower sales volumes, especially of herbicides and fungicides, mainly due to dry weather conditions in large parts of Europe. Sales were also reduced by negative FX effects, especially in Russia and Turkey. Slightly higher prices had an offsetting effect. In North America, we slightly increased sales compared with the level of Q2 2019. The sales increase was primarily driven by higher volumes, especially of herbicides and fungicides. Sales were dampened by lower prices. In Asia, we considerably improved sales, primarily from higher herbicide volumes in China, India and Australia. Slightly higher prices also had a positive impact on sales. This was partially offset by negative FX effects and portfolio effects. Sales in the region South America, Africa, Middle East rose considerably. We were able to significantly increase our volumes, particularly in Brazil and Argentina, where we recorded volumes growth in all indications and sectors. A significantly higher price level also contributed to the positive sales development. This more than offset significantly negative FX effects, especially in Brazil and Argentina. EBIT bSI was down €1 million from the level of the PYQ. EBIT bSI was negatively impacted by FX effects and an unfavorable product mix. This was almost offset by significantly lower fixed costs. EBIT included special items for the integration of the businesses acquired from Bayer; these were lower than in the PYQ.

Other

Sales in Other declined considerably compared with the PYQ. This primarily reflected the decrease in commodity trading and in the remaining activities of the paper and water chemicals business. EBIT bSI was considerably above the figure for the PYQ.

BASF Group Q2 2020 vs. Q2 2019

Earnings development BASF Group

- At €226 million, EBIT bSI was down €769 million from Q2 2019. This was primarily the result of significantly lower contributions from the Materials, Surface Technologies and Chemicals segments. EBIT bSI also declined considerably in the Industrial Solutions segment, while the Agricultural Solutions segment nearly matched the level of the PYQ. By contrast, we considerably increased EBIT bSI in the Nutrition & Care segment and in Other. Special items in EBIT amounted to minus €167 million in Q2 2020, compared with minus €488 million in the PYQ. Special charges were, for example, related to the carve-out of the pigments business and BASF's "Helping Hands" aid campaign. In the PYQ, special charges were mainly caused by one-time costs for the excellence program and the impairment of a natural gas-based investment on the U.S. Gulf Coast. EBIT decreased by 88% to €59 million in Q2 2020. EBITDA bSI decreased by 35% to €1.2 billion. EBITDA amounted to €1.1 billion compared to €1.5 billion in Q2 2019.
- Net income amounted to minus €878 million compared to almost €6 billion in Q2 2019. In Q2 2020, BASF incurred a non-cash-effective impairment of its shareholding in Wintershall Dea. Lower long-term oil and gas price scenarios and changed reserve estimates resulted in an impairment of €819 million. In the PYQ, net income included a book gain of €5.7 billion on the deconsolidation of Wintershall. Reported EPS decreased from €6.48 to minus €0.95 in Q2 2020. Adjusted EPS amounted to €0.25; this compares with €0.83 in the PYQ.
- Cash flows from operating activities increased from €1.9 billion to €2.2 billion in Q2 2020. The increase was primarily due to cash released from net working capital, which rose by €336 million.
- Payments made for property, plant and equipment and intangible assets decreased by 26% or €255 million to €726 million. Free cash flow increased by more than €500 million to €1.5 billion.

Outlook 2020 for BASF Group

Qualitative statements on further business development in 2020 provided in the H1 Financial Report 2020

- Given the continued high level of uncertainty surrounding economic developments due to the effects of the pandemic and the low visibility, it is still not possible to make any concrete statements on the development of sales and earnings for the FY 2020.
- For H2 2020, we anticipate a high level of uncertainty due to the ongoing corona pandemic.
- For Q3 2020, we currently do not expect EBIT bSI to improve significantly compared with Q2 2020, in part due to the generally lower demand in August and the seasonality of the Agricultural Solutions business.

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.