

News Release

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BASF conference call on first quarter 2020

BASF Group shows resilience amid corona crisis with diversified portfolio and financial solidity

- Sales of €16.8 billion (plus 7 percent), mainly due to volumes growth
- EBIT before special items of €1.6 billion (minus 6 percent), primarily as a result of lower earnings in the Chemicals and Materials segments; EBIT before special items improves in all downstream segments

Outlook 2020:

- High uncertainty about future economic developments in 2020
- Concrete statements on the development of sales and earnings in 2020 cannot be made at present

BASF Group's sales in the first quarter of 2020 increased by 7 percent compared with the prior-year quarter to €16.8 billion. This was mainly driven by a 4 percent increase in volumes. Income from operations (EBIT) before special items was €1.6 billion, down by 6 percent compared with the first quarter of 2019. The decline in EBIT before special items was mainly attributable to significantly lower contributions from the Chemicals and Materials segments and from Other.

“The first quarter of 2020 was not a normal quarter. The same will be true for the second quarter and likely for the entire year,” said Dr. Martin Bruder Müller, Chairman of the Board of Executive Directors of BASF SE, at the presentation of the results for the first quarter of 2020. “The coronavirus has turned the world upside down.” Owing to the very challenging macroeconomic environment, there is great uncertainty in the markets, making reliable planning nearly impossible at the

moment. For this reason, concrete statements on the development of sales and earnings in 2020 cannot be made at present.

Advantages of BASF Group's diversified portfolio

“BASF's diversified portfolio offers advantages, especially in difficult times,” said Brudermüller. “Not all of our customer industries are equally affected by the pandemic. They show different degrees of resilience in this environment. For example, pharma, detergents and cleaners, or food. At the moment, they are even experiencing additional demand.” At BASF, this is clearly evident in the incoming orders in the Nutrition & Care segment. Demand in the agricultural industry is also not really affected.

Other customer industries, however, are intensely experiencing the consequences of the pandemic. They are hampered by the low demand from final customers. Moreover, there are production shutdowns and supply chain disruptions. The transportation and automotive sector is seeing the strongest declines right now. Brudermüller: “This decline in demand from our most important customer industry is currently hitting us hardest.”

Earnings development of BASF's segments in the first quarter 2020

Compared with the prior-year quarter, EBIT before special items in the Chemicals and Materials segments declined by €246 million to a total of €383 million. Lower margins year on year in the ethylene and propylene value chain as well as for isocyanates and polyamide precursors had a considerable negative impact on earnings in these segments. In addition, fixed costs were higher. In the Materials segment, considerable earnings growth in the Performance Materials division could only partially compensate for the decline in the Monomers division.

“Even in a difficult market environment, we saw considerable improvements in our downstream segments,” said Dr. Hans-Ulrich Engel, BASF's Chief Financial Officer. “EBIT before special items in these four segments increased in the first quarter of 2020 by 13 percent to €1.6 billion. The strongest growth was seen in the Surface Technologies and Agricultural Solutions segments.”

In the Industrial Solutions segment, EBIT before special items increased by 3 percent to €273 million. Here, the Dispersions & Pigments division posted significantly higher earnings, mainly as a result of lower fixed costs. This more than

offset the slight earnings decline in the Performance Chemicals division. The transfer of our paper and water chemicals business to the Solenis group as of January 31, 2019, was the main reason for the decline in earnings in the Performance Chemicals division.

The Surface Technologies segment increased EBIT before special items by 46 percent in the first quarter of 2020 to €220 million. The Catalysts division posted considerably higher earnings as a result of valuation effects in precious metal trading. In the Coatings division, earnings declined considerably because of lower demand from the automotive industry. This decrease in earnings could be partially offset by lower raw materials prices and lower fixed costs.

In the Nutrition & Care segment, EBIT before special items increased compared with the prior-year quarter by 14 percent to €254 million. This was primarily due to significantly higher earnings in the Nutrition & Health division. Engel: “This division supplies customer industries which in some cases have increased demand during the crisis. We were able to meet this demand thanks to higher product availability in comparison to the same quarter of the previous year.” Earnings in the Care Chemicals division rose slightly due to lower fixed costs.

The Agricultural Solutions segment increased EBIT before special items by 9 percent in the first quarter of 2020 to €809 million. This was largely the result of higher sales, mainly due to earlier demand as a consequence of the corona pandemic, and lower fixed costs.

BASF Group earnings development in the first quarter 2020

Compared with the same quarter of the previous year, EBITDA before special items declined by 2 percent to €2.6 billion. EBITDA amounted to €2.4 billion, compared with €2.8 billion in the prior-year quarter. EBIT before special items was €1.6 billion, down by 6 percent compared with the first quarter of 2019. Special items in EBIT amounted to minus €184 million, compared with plus €29 million in the first quarter of 2019. Special charges were related mainly to the integration of the polyamide business acquired from Solvay. In the first quarter of 2019, income from divestitures led to net positive special items. EBIT therefore declined by 18 percent in the first quarter of 2020 to €1.5 billion.

The tax rate was 26.6 percent, compared with 25.3 percent in the prior-year quarter. Net income amounted to €885 million. This compared to €1.4 billion in the first

quarter of 2019. Consequently, earnings per share decreased to €0.96 in the first quarter of 2020, as compared to €1.53. Adjusted earnings per share were €1.36, compared with €1.70 in the prior-year quarter.

Development of cash flows in first quarter 2020

Cash flows from operating activities amounted to minus €1 billion, compared with €373 million in the prior-year quarter. Alongside the considerable decline in net income, this was primarily attributable to the €1.2 billion increase in cash tied up in net working capital.

Cash flows from investing activities amounted to minus €1.8 billion, around €1 billion below the figure for the prior-year quarter. This was mainly attributable to the payment of the purchase price for the polyamide business acquired from Solvay. By contrast, payments made for intangible assets and property, plant and equipment were €172 million lower year on year.

The significant increase in cash flows from financing activities, from €620 million in the first quarter of 2019 to €4.3 billion, was primarily due to the creation of additional liquidity as a precautionary measure.

Free cash flow declined from minus €368 million in the prior-year quarter to minus €1.6 billion as a result of lower cash flows from operating activities.

BASF Group outlook for 2020

The sales and earnings forecast for the 2020 business year provided by BASF on February 28, 2020, will not be able to be met. The company is therefore withdrawing its outlook for 2020. It is currently impossible to reliably estimate both the length and the further spread of the coronavirus pandemic, as well as future measures to contain it. Consequently, concrete statements on the future development of sales and earnings cannot be made at present.

BASF expects to be severely impacted by the economic consequences of the global weakness in demand and drop in production, in particular as a result of the ongoing production stoppages in the automotive industry. The effects of the coronavirus pandemic will also impact other customer industries. As a result, the company anticipates a considerable decline in sales volumes in the second quarter of 2020. BASF currently expects a slow recovery for the third and fourth quarters of 2020;

how the situation develops is, however, extremely uncertain and not predictable at this point in time.

BASF will quantify its expectations for the future development of sales and earnings as soon as it is again possible to make a reliable forecast.

Under these circumstances, the members of BASF's Supervisory Board have decided to forego 20 percent of their fixed compensation from April 1 until the end of 2020. Members of BASF's Board of Executive Directors will voluntarily waive 20 percent of their fixed salaries for the second quarter of 2020. Depending on how things develop over the course of the year, further steps will be considered.

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About BASF

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. More than 117,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is organized into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of €59 billion in 2019. BASF shares are traded on the stock exchange in Frankfurt (BAS) and as American Depositary Receipts (BASFY) in the U.S. Further information at www.basf.com.

On April 30, 2020, you can obtain further information from the internet at the following addresses:

Quarterly Statement (from 7:00 a.m. CEST)

[basf.com/quarterlystatement](https://www.basf.com/quarterlystatement)

(English)

[basf.com/quartalsmitteilung](https://www.basf.com/quartalsmitteilung)

(German)

News Release (from 7:00 a.m. CEST)

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[basf.com/pressemitteilungen](https://www.basf.com/pressemitteilungen)

(German)

Live Transmission (from 9:00 a.m. CEST)

[basf.com/pcon](https://www.basf.com/pcon)

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(German)

Speech (from 9:00 a.m. CEST)

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(German)

Live Transmission – Telephone Conference for analysts and investors (from 11:00 a.m. CEST)

basf.com/share/conferencecall

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Forward-looking statements and forecasts

This release 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. BASF does not assume any obligation to update the forward-looking statements contained in this release above and beyond the legal requirements.