

BASF Media Telephone Conference on second quarter 2024

Speech

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Presentations by

Dr. Markus Kamieth, Chairman of the Board of Executive Directors, and
Dr. Dirk Elvermann, Chief Financial Officer of BASF SE

The spoken word applies.

Markus Kamieth

Good morning ladies and gentlemen,

Dirk Elvermann and I would like to welcome you to our conference call presenting our results for the second quarter of 2024 and providing further details about our business development.

[Slide 2: Q2 2024: EBITDA before special items at prior-year quarter level; outlook 2024 unchanged]

Let's start with an overview. Overall, the development of EBITDA before special items in the second quarter of 2024 was in line with our expectations and the analyst consensus. We saw a continuation of the dynamics of the first quarter, marked by positive volume momentum across most of our businesses. Volumes, excluding precious and base metals, increased by 2.4 percent compared with the second quarter of 2023.

There was still pressure on prices, but it has eased. Sales declined by 7 percent to €16.1 billion, mainly due to lower prices.

We achieved an EBITDA before special items of €2.0 billion, which is at the level of the prior-year quarter. Overall stronger earnings in our chemical businesses were offset by a considerably lower earnings contribution from the Agricultural Solutions segment due to a difficult market environment.

[Slide 3: Snapshot Q2 2024: Market development and BASF's performance]

Here is a snapshot that shows you how the markets and our segments' volumes and specific margins developed in the second quarter.

In a slightly improving market environment for base chemicals, we were able to realize strong volume growth in both divisions in the **Chemicals** segment. EBITDA before special items increased considerably despite slightly lower segment margins due to a margin decline in the Intermediates division. In the Petrochemicals division, margins improved due to temporary supply constraints at competitors.

The **Materials** segment benefited from slightly higher volumes, particularly in Performance Materials, in an overall improving market. A considerable increase in margins was largely driven by a few product lines in the Monomers division, especially in the ammonia value chain.

Industrial Solutions operated in an overall stable market environment. Nonetheless, both divisions achieved considerable volume growth and margin expansion. In particular, our Dispersions & Resins division contributed to the strong performance of the segment.

Global automotive production was basically flat in the second quarter. In this environment, volumes in our **Surface Technologies** segment had a considerably negative impact on EBITDA before special items. In particular, Environmental Catalyst and Metal Solutions recorded lower volumes. Overall, margins improved, mainly due to the continued strong performance of our Coatings division.

The market environment for **Nutrition & Care** further improved in the quarter. Both divisions achieved higher volumes as well as margin expansion, in particular in our personal care specialties and vitamins businesses. This supported the considerable increase in EBITDA before special items compared with the prior-year quarter.

The crop protection market is characterized by continued destocking and faced adverse weather conditions. These two factors negatively affected business development in our **Agricultural Solutions** segment. The segment's EBITDA before special items was negatively impacted by considerably lower volumes and margins.

[Slide 4: EBITDA before special items at prior-year quarter level, despite considerably lower earnings in Agricultural Solutions]

All of these factors influenced the development of our EBITDA before special items compared with the prior-year quarter:

Despite the considerably lower earnings in the Agricultural Solutions segment, EBITDA before special items of BASF Group was at the level of the prior-year quarter. While the Materials and the Surface Technologies segments recorded slightly lower earnings, we were able to increase EBITDA before special items considerably in the Industrial Solutions, Chemicals and Nutrition & Care segments as well as in Other.

With that, I hand over to Dirk.

Dirk Elvermann

Thank you, Markus. Good morning, ladies and gentlemen.

[Slide 5: Agricultural Solutions: We are taking decisive action to secure profitability]

I will start with some further details regarding the development of our Agricultural Solutions segment in the first half of 2024.

EBITDA before special items declined by 18 percent in the first half of 2024 compared with the strong prior-year period and reached €1.5 billion. To a large extent, this was driven by herbicides, particularly the active ingredient glufosinate-ammonium, or GA for short.

The GA business is increasingly affected by generic competition, alternative technologies as well as high energy and raw material costs. Hence, we took decisive action and will cease production of this active ingredient at the Knapsack and Frankfurt sites in Germany by the end of this year. The formulation in Frankfurt will end in 2025. The closure of the GA production and formulation plants will result in additional special charges in a low triple-digit million-euro range in the third quarter of 2024.

In the future, we will source the active ingredient from third-party suppliers. This will secure our competitiveness and profitability in the GA market in the long term.

[Slide 6: BASF Group Q2 2024: Key financial figures]

Ladies and gentlemen,

Let's now have a look at further financial details of the BASF Group for the second quarter of 2024 compared with the second quarter of 2023. As Markus Kamieth already mentioned, our EBITDA before special items matched the level of the prior-year quarter and was actually slightly higher.

EBIT before special items amounted to €969 million and was thus almost at the prior-year quarter level. Special items amounted to minus €453 million. Of this, around minus €300 million was related to the PFAS class settlement agreement in the United States between BASF Corporation and the U.S. public water systems, which we announced in May. This amount was booked as a special item in Other. The remaining special charges were mainly caused by restructuring measures, particularly in connection with the ongoing cost savings programs focusing on Europe, and the adjustments of production structures at the Ludwigshafen site.

Net income came in at €430 million, €70 million below the figure of the prior-year quarter.

Cash flows from operating activities decreased by 10 percent to €2 billion, and free cash flow was €471 million compared with €905 million in the second quarter of 2023. I will comment on the cash flow development in more detail on the next slide.

BASF's equity ratio of 44.5 percent as of the end of June 2024 remains solid and reflects our prudent financial policy.

[Slide 7: Cash flow development in Q2 2024 and H1 2024]

Let us now take a look at our cash flow development in the second quarter of 2024.

Cash flows from operating activities decreased by €228 million to €2 billion, mainly on account of lower dividend payments from equity-accounted companies. In the second quarter of 2023, cash flows from operating activities had included a dividend payment of €291 million from Wintershall Dea and a payment of €87 million from BASF-YPC. In the second quarter of 2024, we did not receive dividend payments from these two entities.

Payments made for property, plant and equipment and intangible assets rose by 16 percent to €1.5 billion, particularly on account of the construction of our new Verbund site in South China, which is progressing on time and in budget.

Free cash flow amounted to €471 million, compared with €905 million in the second quarter of 2023.

On a half-year basis, free cash flow of minus €986 million was at the same level as the minus €977 million recorded in the first half of 2023. Here it should be noted that the development of BASF's free cash flow has a strong seasonality due to our Agricultural Solutions segment.

[Slide 8: Update on BASF's cost savings programs: On track to deliver targeted ~€2.1 billion total cost savings by the end of 2026]

Finally, I would like to give you a short update on the implementation of BASF's cost savings programs. We are on track to achieve the targeted €2.1 billion annual cost savings by the end of 2026.

The implementation of the cost savings programs announced in February 2023 is in full swing. As of the end of June 2024, we achieved a cost reduction run rate of around €700 million, which is associated with one-time costs of around €500 million. By the end of this year, we expect a cost reduction run rate of around €800 million and one-time costs of around €550 million. We are also making good progress with the new program focused on the Ludwigshafen site that was announced in February 2024. The identification of cost savings measures is almost completed and they will soon be implemented swiftly. On top of previously announced programs, this program will deliver annual cost savings of around €1 billion by the end of 2026. The related one-time costs are expected to be around €1 billion.

With that, back to you, Markus.

Markus Kamieth

[Slide 9: Battery Materials: We are adapting in line with recent market developments]

Thank you, Dirk.

In view of recent market developments in the entire battery value chain, I would like to give you further information on how we will move forward in battery materials.

We are confident that the trend toward electric vehicles will continue and that battery materials remain a significant growth opportunity for the chemical industry. However, recent dynamics have changed, and the market penetration of electric vehicles has slowed down significantly outside of China, as shown by a number of announcements by companies in the e-mobility value chain.

Over the last years, BASF has established competitive cathode active materials production capacities in the most important battery electric vehicle markets worldwide. We will continue to ramp up and fill these existing capacities.

At the same time, we are taking action to further de-risk our path forward in the currently uncertain market environment. We therefore continue with our prudent approach to add new capacities only where we have secured longer-term offtake agreements with established cell manufacturers.

We recently announced that we have decided against an investment in a nickel-cobalt refining complex in Indonesia. This decision came in response to

developments in the nickel market, which has changed significantly in the past years: The supply options have evolved, so BASF has improved access to battery grade nickel. This decision will significantly lower future capital requirements.

We have also decided to pause our large-scale refinery project for battery recycling at BASF's site in Tarragona, Spain, until cell capacity build-up and the adoption rate for electric vehicles in Europe regain momentum.

[Slide 10: Outlook 2024 for BASF Group unchanged]

Let's now turn to BASF's outlook for 2024. The outlook and the underlying assumptions remain unchanged.

As published in the BASF Report 2023, we expect BASF Group's EBITDA before special items to reach between €8.0 billion and €8.6 billion in 2024. Our forecast assumes a certain improvement in pricing power in the second half of the year. From today's perspective, we expect market conditions in the seasonally lower Q3 to continue to develop in line with Q2 2024. In the fourth quarter, we anticipate an uptick in earnings compared with the prior-year quarter.

Our forecast for BASF Group's free cash flow continues to be between €0.1 billion and €0.6 billion.

CO₂ emissions are still expected to be between 16.7 million and 17.7 million metric tons in 2024.

Ladies and gentlemen,

That brings us to the end of our presentation on the second quarter. As most of you know, we are currently working on an update of our strategy. We will present this on September 26 at our Capital Markets Day. You are cordially invited to listen in to this event online. It will be followed by a special Q&A session for media representatives, where you can ask questions.

Of course, Dirk Elvermann and I are now happy to answer any questions you have today, too.