Analyst Conference Call Q2 2019
Transcript Q&A
July 25, 2019

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Thomas Wrigglesworth (Citi Investment Research): The first question is on exit rates. Obviously, your guidance of “down 30 percent at EBIT year-over-year maximum” looks conservative. Could you just go through the Chemicals businesses in terms of the exit rates fromQ2? Obviously, the markets are a little worried about demand falling off in the US and in Europe, specifically in June. Can you give us any color there?

Dr. Hans-Ulrich Engel: With respect to developments in the Chemicals segment in particular, what we have experienced there is a significant volume decline of 17 percent. This is driven predominantly by the two cracker turnarounds that we had in Q2, Port Arthur in Texas as well as Antwerp in Belgium.

We are also seeing in the Chemicals segment that cracker margins are under pressure. It looked for a certain period of time, going into Q2, like the situation would improve, at least slightly, particularly in Asia and in Europe; North America obviously being under pressure from about 4 million tons of new ethylene capacity that came on stream in 2018 and about the same amount that is coming on stream during the year 2019. So we do not expect real improvement in North America to come in 2020. It will take quite some time for these additional volumes and capacities to be absorbed in the market, particularly in a situation where there is hardly any product flowing to China and to Asia at this point in time out of the US.

Cracker margins in Europa and in Asia were obviously better than what we are experiencing in North America, but not where we were in Q2 of 2018. Also, here we do not expect to see improvement going into Q3. What is going to happen then in Q4 remains to be seen.

Thomas Wrigglesworth (Citi Investment Research): I meant in the downstream businesses as well. Have you seen any notable changes in June versus the start of Q2 in the downstream businesses?

Dr. Hans-Ulrich Engel: Business development in the downstream businesses has been pretty much what we have experienced throughout Q2 now going also into Q3. In particular the businesses catering to the transportation industry continued to be under pressure.

As always, we are now into peak holiday season in Europe. We will have to see how we come out of that. It is unclear at this point in time what is going to happen. The order behaviour of our customers gives us even less visibility than what we have under normal circumstances. Just to give you an idea: In our current order book, about 50 to 60 percent is in the front month and the remainder is predominantly in month number two, so month one and month two are about 80 percent of our order book. That gives you an idea of the visibility that we have.

Thomas Wrigglesworth (Citi Investment Research): It looks like you have accelerated the restructuring in the second quarter with those higher special items. Could you talk about how that is brought forward, so potentially change the timeline of benefits going forward, both in the second half of 2019 and into 2020 from the restructuring?

Dr. Martin Brudermüller: From the beginning, when we communicated the strategy in November, we had a very ambitious time plan how to bring in the new measures from the strategy. This is a very, very fast pace, a lot of things at the same time. We never had this before in BASF Group so far. So, there is nothing we can do to accelerate further or include more on the list. We really focus the whole team to execute this program with all decisiveness and focus necessary. That is also why the reduction of 6,000 positions until the end of 2021 has been part of this excellence program which we communicated already in November.

The focus lies on the team to execute. This difficult environment which we have makes it clear for each and every employee in the company that this has to happen now. In that respect, this environment helps us to really stay on track and we are on track with these measures.

Andrew Stott (UBS): You obviously have your longer-term guidance. Given market conditions, given the revisions to growth you are putting forward now and particularly, obviously, what you are seeing upstream, are you starting to think about capex again? Or is there limited flexibility?

Dr. Martin Brudermüller: Yes, we gave the guidance here of €21.3 billion for the next five-year period. You know that our investment planning is a long-term planning. We have to take the right decisions about the right technology, the right location and then we have to live with these decisions for a long time.

You also know that these kind of investment projects are multi-year spending. The major part of the spending this year is already consumed by projects under construction which we have launched last year or the year before. So on the major part there is not so much you can do. You also know that we have stepped up our operational excellence spending. This is really to increase our reliability and also have smart debottlenecks enabling us to grow in the coming years and, with this, maybe allowing also to postpone the one or the other larger plant in a mid-term planning horizon.

There are some smaller items which you can take off the plan. This is also what the operating divisions do. But don't expect a big miracle by bringing capex down this year. However, if you look into the next year and the year after, there is more and more freedom in the respect that you launch the new projects and the obligation is basically going down.

So, we will look into the macroeconomic environment. Should this persist longer, then this clearly leads to postponements of investment projects and, with this, eases the capex budget.

I think we have reiterated this also as part of our strategy: We are looking much more on which kind of businesses have to grow and which businesses rather have to bring in cash. With this, we also look very, very detailed into capex allocation in the next years to really allocate it to those businesses which then have a good growth perspective both from a market point of view and from the competitive and technology position of BASF. This is what we can do long-term and mid-term.

Christian Faitz (Kepler Cheuvreux): Any comments on your preparedness for any potentially upcoming drought situation regarding the river Rhine would be greatly appreciated.

Dr. Martin Brudermüller: I am really proud of what the team in Ludwigshafen has done over the last twelve months to prepare ourselves to be more resilient.

First, we work with some external parties, but also have our own prediction model, which allows us now for a much longer time period to predict how much water will be in the Rhine and what this means for logistics. So we have more time to prepare to bring critical raw materials in. This already helps.

Second, you know that we had limitations in logistics, but also in the off-take of water from the river Rhine which basically has to do with the carry of warmth and the temperature of the water.

We have learned here – this is maybe something we explain to you a little bit more in detail: This is another great example of digitalization because new sensors give us a much better picture of where the streams come from and what temperature level they have. With this, we can optimize further, have more leeway to cool them down before we feed them back to the river and, with this, also have a much higher resistance. We have also built one further cooling facility which simply gives us more capacity.

Then there is one other part which is the logistic. We have certainly analysed this in a very detailed manner. We are now confident that if the same situation as in 2018 occurred, for the most critical products we would not have that situation anymore. We are adapting off-take facilities for ships. We also modified our transportation concept in a way that we have basically leased all existing ships in Germany which can operate and transport at much lower water levels. This also gives us a much longer period of transporting goods on the Rhine than we would have had last year. With this, we are much better prepared than in the past.

Looking at the current situation, predictions point to a slightly lower level of water for the next weeks, but far away from being critical. We will closely observe this. But it is remarkable what the team has achieved in only twelve months to significantly improve our resilience.

Tony Jones (Redburn): When I compare slides 3 and 16, the new versus old assumptions, is the conclusion here that the new guidance for EBIT is highly unlikely to be breached, given that you are now factoring in so many negatives and admit that the visibility is so limited? Or are there some other things on your mind still that were not factored in?

Dr. Martin Brudermüller: You all asked us in February: Are we overambitious with our forecast? You said that we had been more conservative in the past. But let me really say that, Hans and myself and the whole team of BASF have done the best work we could do to really get a realistic assumption.

You know that I have talked to many of you on the roadshow and said the China/US conflict might take longer. We actually have not followed my own recommendation but have rather followed the general one which said: They cannot be so stupid to postpone this for such a long time because it hurts them all. This is why the general perception was that there will be a resolution this year.

I think this is the major marker of the problems we have today because it is negatively impacting basically almost everything related, from the confidence of consumers to buy a car to having a positive psychological element in the overall perception.

With this going in a different direction, we really had to adjust now and it has been a significant adjustment. Basically, for industrial production and chemical production we almost halved our forecast. This is the best estimate we have today. We talked to our customers. But this is also evident: A lot of our customers have high uncertainty on where it really goes.

You also know that, on the other hand, it is a question of the regional split. If you look at where the majority of the growth comes from, it comes from China. It is 40 percent of the chemical market and still the highest growth assumption is linked to China, above 6 percent for the GDP. It is still above 4 percent for the chemical market, which I perceive as a very high assumption. I would even imagine that this is a little bit lower, at least what we can see now.

You should also not underestimate that we have a regional effect. BASF is still roughly 40 percent in Europe, which is our home market, and which is very, very slow. Including our regional pattern, against the regional pattern from the market perspective, it is very difficult.

We think this minus 30 percent is a realistic view in going forward and it is the best guidance we can give at that time. But I really have to say: If you talk to customers, it is incredibly foggy. They don't give you any prediction over the next month, where they could be. The ordering pattern we see now, which was more cautious since 2008 actually – it never came back to the old pattern – is even more conservative. If you take this old and new guidance, we again have this picture as a realistic one.

Maybe just one last point: If you look at the overall PMI, the manufacturing indices, they have basically been going down for twelve months in all the regions. We are now in a negative territory for Europe. We are basically close to zero even for the US, which is still in a rather positive mood; so there is nothing positive coming out of these statistics. Also, the industrial order indices have been going down for several months.

That's why this is what we think is the realistic picture as of today.

Tony Jones (Redburn): Could you let us know if there were any costs booked above the line lowering EBIT before special items and whether that sort of thing could reoccur or happen in the second half?

Dr. Hans-Ulrich Engel: If you want so, one we have specified for you and this is the roughly €150 million impact that comes from the two cracker turnarounds, something that we do not expect to occur again, obviously, in the second half of the year.

But keep in mind, please, that the smaller cracker in Ludwigshafen will undergo also the usual five-year turnaround in late Q3 and then going into Q4. Other than that, there are just minor items. There is a bit of integration cost – that doesn't qualify as special item – in Agricultural Solutions, but frankly nothing to speak of, nothing having a major impact. That was different in Q2 of 2018. You will recall that we had significant insurance payments, in particular related back then to the outage of the citral plant.

Andreas Heine (MainFirst): A more general question on the trends: Martin, 2019 is, of course, a very tough year from the macro perspective, with all what you have laid out. But from your experience, being in the various regions, what can be different in 2020, looking at the fact that the trends in general are going down? Probably not everything can be explained with the trade conflict between China and the US.

Dr. Martin Brudermüller: I spoke to several people about this US/China topic. People from China basically tell me: The Americans stepped over every red line in terms of the negotiations. I have to say the situation is really in difficult waters. This also relates a little bit now to personal tensions, obviously people dealing with each other.

The situation really looks like it is not solvable very quickly because China now somehow wants to demonstrate who shows greater persistence to keep or withstand this pressure. I think they prepare for this. I think, also the Huawei topic which came up hits them also not only in a very sensitive industry, but it is also the Chinese pride that is basically hurt. I think China is preparing for more independence in technology and, with this, preparing itself also for a longer period where maybe it stays as it is today.

I regard this as the major obstacle. The signal to the global economy if this dispute would be resolved and the trade restrictions would go down, I think this would be the most important element.

But on the other hand, on the geopolitical stage, now the conflict with the Iran has also a significant potential to bring uncertainty to the markets. Just assume there would be an escalation happening from a military point of view, how would the oil price react. There are many uncertainties.

People wait for a kind of a positive signal to reverse the momentum. I think, one protagonist could really be the EU. Let's see how the new European Commission will position itself. If they send out signals with a clearer plan what they want to do and that Europe wants to strengthen itself, this could be a major point.

But to all the industries I talk to via our customers, they are exactly waiting for this. Not to forget another part of our assumptions: Brexit. I am not so sure whether the situation looks better now, after the recent nomination of a new Prime Minister. If this further roughens the process, it would really be difficult.

I don't have any crystal ball here. We have mentioned the major part of the elements. China/US is the key.

Sebastian Bray (Berenberg): It sounds as if your expectations for mid and even long-term Chinese demand growth have come down over the last twelve months. Would the Guangdong plant as it stands still make returns similar to the level it was approved on if you were to put in current macroeconomic conditions or only a modest recovery?

Dr. Martin Brudermüller: We believe long-term in China. We told you, in 2030, this is 50 percent of the market. We certainly analyzed this. The Guangdong province, 110 million people, they import 20 million tons of chemicals every year. It's not only about replacing this, but this is additional potential, it is building also on growth. Our major customer industries are investing over there.

If you take a decision like this, you have to have a long-term picture. Honestly speaking, if China had a problem long-term, I don't want to really talk about what problem we have here in Europe where actually 40 percent of our business is.

Having lived there for ten years, there was always a bumpy road ahead. The long-term fundamentals are still there. This is also why this is part of our capex budget. We clearly see this as an opportunity. Even if it is maybe taking a little bit longer, it's still only a blip on the way forward.

Charlie Webb (Morgan Stanley): Do you think that the destocking, which inevitably has been in the volume numbers you see in the first half, is done? Or do you think there is more destocking to go? Do you expect further destocking for chemicals and chemical products in the second half?

Dr. Martin Brudermüller: On volumes: We said, after these special effects which we explained, we have been basically flat. Is this what we want and are we happy with this? No. It is clearly still below the market because the market, at the very end, grew slightly. That has to change. We have not entirely managed to turn that around, to convert ourselves into a company that grows above market. So very clearly, also in the second half that has to be our focus.

I think there are no big stocks anymore at the customer side. I think they are very much in a wait-and-see mode. We now have to capture what we can, capture in this difficult environment. As you know, we are always the first ones who go down. We are always the first ones who come up if the sentiment really picks up. This is simply chemistry. This has to do with the destocking.

We have also been a little bit limited in our volume availability, which came from the two crackers that were down. That should improve. Now we have to focus, even in a slowing environment, to at least bring our volume level up to what it is in the market. But the target remains to beat it.

That's the situation. I think, let's see what the customers see going forward and then we will be the first one benefitting from it.

Oliver Schwarz (Warburg Research): Mr. Brudermüller, you gave a guidance regarding EBITDA. The mid-term target where you stated that you want to have BASF growing at EBITDA before special items 3 to 5 percent every consecutive year for the next five years: Now, judging from the development of the EBITDA before special items in the first half of 2019, your guidance seems to be a bit hard to achieve already in 2019. Does this guidance still stand?

Dr. Martin Brudermüller: To make this very clear: All the financial targets which we have are basically interconnected. We said, 2019 is a transition year. Now lowering the outlook, that target is certainly difficult to achieve this year.

But you should clearly hold us accountable that over the coming years we have this as a target, and we don't withdraw our targets which we have put out recently. This is also true for the dividend. This is why we said that you should not worry much about the dividend. Yes, there can be years – this happened also in the past once in a while – that you have a higher dividend payment than free cash flow. That's definitely not the target, but in a single year, this is not a problem.

Over the longer term, very clearly, we stick to the 3 to 5 percent EBITDA before special items increase per year. The long-term plan and the projections are clearly supporting that. What currently happens on the macroeconomic level, how long this continues, is another element which we cannot predict, but you should simply take BASF management committed to its financial targets.

Chetan Udeshi (JP Morgan): I was just wondering if I were to take a 30 percent decline in EBIT, a lot of moving parts, some contribution from Bayer, the Oil & Gas accounting, can you give us some sense of what is the organic development in earnings in 2020? Most likely, the organic earnings are down more than 30 percent. I would be interested in hearing the number. This is on top of 16 percent decline last year. Within the company, does it really raise the question on the benefit of this Verbund structure and the model itself? It seems like BASF has probably seen one of the worst declines in the sector in the last few years.

Dr. Hans-Ulrich Engel: As Martin has explained, our up to minus 30 percent guidance for EBIT before special items for the full year 2019 is based on what we are currently seeing.

Is this a reason to start to question the Verbund concept of BASF? Definitely not. If you look at the composition of the decline in the first half of the year, we have given you the reasons there.

In the first half of the year, almost the full decline is explained by what's happening in Petrochemicals and what's happening in the polyurethane value chain. That's where the decline is.

Our Ag business, as already mentioned, delivers some €160 million more in EBIT before special items. If you look at our three chemical downstream segments, you have Industrial Solutions up compared to the first half of 2018, you have the Surface Technologies up compared to the first half of 2018 and then you have Nutrition & Care which is slightly down. The only reason for it being slightly down are the insurance payments that we received in the first half of 2018. If you take that out and compare underlying performance, Nutrition & Care is also up – and that in the extremely difficult environment that we have experienced in the first half.

You can obviously debate: Shouldn't an integrated set-up, shouldn't downstream compensate fully what's going on upstream? That is impossible, considering the significant swing that we have seen in a short period of time, both in particular in cracker products, but then also in MDI and in TDI.

As Martin said: We stand fully behind the financial commitments that we have communicated, in particular our dividend policy. We fully stand behind the Verbund concept.

2 Segments

2.1 Chemicals

Andreas Heine (MainFirst): I would like to come back to these cracker shutdowns. I understood, the €150 million are more the costs of the closure rather than the lost earnings you would have had if the cracker was running. Could you specify this?

Dr. Hans-Ulrich Engel: The €150 million that we specified is a combination of cost and lost margin.

2.2 Materials

– no specific questions –

2.3 Industrial Solutions

– no specific questions –

2.4 Surface Technologies

Christian Faitz (Kepler Cheuvreux): Automotive coatings apparently saw a significant decline in activity in Q2 which seems to be contrasting to the trend in the overall catalyst business. Am I right in assuming that automotive catalysts also saw a significant volume decline?

Dr. Hans-Ulrich Engel: We saw what is to be expected in this environment in the transportation business. We saw a decline which is in line with the overall decline in production. To give you a bit more detail there: light vehicles weak, as to be expected; heavy-duty diesel still going strong, even a bit stronger than what we had expected going into Q2.

Peter Clark (Société Générale): I am just wondering how comfortable you are, relative to your peers, on what you have been pushing so far. If I take an example: Automotive OEM, would you be up on price in all regions of the world? Obviously, the Surface Technologies margin is up or moving in the right direction. I just wonder if that would be the same for Coatings and potentially even OEM coatings, or is it too early for that?

Dr. Martin Brudermüller: As Hans said, the downstream segments performed remarkably well in this difficult environment. In a lot of these businesses, actually, the margins are pretty good. What is lacking is the volume leverage. We have somewhat caught up in these areas. As you know, the pricing mechanisms here are not formula prices that adjust to each up and down. These schemes are usually more value-based.

From a margin point of view, we are not so badly positioned in these businesses, in most of them at least. You know that there are also some more commoditized parts in these portfolios, but for the specialized parts this definitely holds true.

What really has to come in now are volumes. This is, on the one hand, driven by macroeconomics, but I also clearly addressed: The BASF team has to become a little bit more aggressive in regard to volumes. This is an important piece for the performance in the second half. But we are confident now, having the two big crackers back on stream.

Let me really take this question to tell you that the BASF management team is fully aware of the situation we are in. It’s a serious situation and it is a difficult environment, but we very closely talked about what the priorities are now. We put the measures into place, we accelerate and gain speed, so that we form our new BASF, which is much more capable and much more customer-oriented, which gives us the opportunity to enter the growth track again.

I think this growth element is the critical part for our portfolio going forward. If we manage that in the second half and then also in 2020, even in a slower environment, then we are also able to deliver on our financial targets.

2.5 Nutrition & Care

Sebastian Bray (Berenberg): Could you please give an update on the production outage I understand you had in nutrition products and if this is likely to be a headwind in H2?

Could you also talk about which products in particular have been affected and when the issue is likely to be resolved?

Dr. Hans-Ulrich Engel: We experienced in fact a technical issue in the vitamin A production process. This is at the very end of the production process. There are only effects to vitamin A animal feed derivatives. So, the vitamin A synthesis in itself is not affected by it. We can supply all our contractual customers at this point in time. As a result of that, we also do not expect this to have a meaningful impact then in the second half of the year and expect to be fully back on line, I would say, most probably sometime late October, early November.

2.6 Agricultural Solutions

Andrew Stott (UBS): On the agricultural business, in particular on the contribution from Bayer seeds. When you gave us the original presentation on that particular acquisition, you quoted €2.2 billion of sales which admittedly was a 2017 number.

Now we have the last twelve months rolling from all the contributions in. I think it is just short of twelve months because I think you had a few weeks absent in Q3. I get to shy off of €2 billion, so there is a 200-million gap between 2017 and 2019, trailing twelve months. Is that all of the market conditions? Or are there some one-offs or even some small disposals I missed during that whole transition?

Dr. Hans-Ulrich Engel: Please keep in mind at what point in time we acquired. In 2018, it was in the beginning and then the second part of the business in the middle of August. So far, with the developments that we have seen in the seed business, we are fully on track; this is fully in line with what we had expected.

You look at the first-half results in our Ag business. They give you in this extremely different environment an increase in EBIT before special items of €160 million. There is a significant improvement against the backdrop of a very difficult environment, particularly in North America.

The seeds business is fully in line with what we have expected. It is quite an interesting business that we also still have to get used to. You have very high sales for the northern hemisphere in Q1 and you have seen the results that the business generated there. We are gearing up currently for the business in the southern hemisphere which will be predominantly with respect to seeds end of Q3 and then early Q4 business. But, again, this is absolutely in line with what we had expected.

We also, despite the inclement weather conditions, particularly in North America, expect to see the growth in that business that we wanted to see.

Andrew Stott (UBS): Just staying with Ag: The 450 basis-point decline in margin first half on the first half, is there any way of delayering that, in particular: I am just wondering if there is any duplication of costs for a period of time with the integration or is that just operational gearing and that is the number?

Dr. Hans-Ulrich Engel: On earnings: We have a heavy impact from the inclement weather situation in North America. That is even exacerbated by two factors. Number one is destocking that is going on in the channel. Number two is limited exports from the US to Asia and there in particular to China as a result of the trade conflicts. If I look at that in combination, we are looking at an EBIT impact which is in the high double-digit million figure to a very low triple-digit million figure.

Andreas Heine (MainFirst): The negative impact from the weather conditions in agriculture, you said, are around €100 million. If I do the maths, then still earnings would be down year-on-year, specifically in the second quarter. Does that mean that, what we should assume as seasonality of the Bayer agro business, basically on EBIT level only Q1 is profitable and the others are not?

Dr. Hans-Ulrich Engel: This is the first year that we have the Bayer seeds business. Q1 – strong, no question about it. You saw the significant contribution coming there. Q2 – negative earnings contribution, as expected. Q3 will also be a negative contribution and then Q4 depends on what we will actually experience in the southern hemisphere. It will for sure not be as strong as Q1, but it's too early to call that one really out.

Laurent Favre (Exane BNP Paribas): It sounds from the commentary that the weakness of the Ag legacy business in the first half or in Q2 was really in North America and in Europe. I was wondering if you could tell us a bit more about the splits on volumes and pricing for those two regions.

Obviously, we have to wait a few days before we can get a clearer picture from the peer group. But it sounds, looking at Q2, that your organic performance was below the peer group and your H1 performance is certainly below one of your two largest competitors that reported last week. So, I am just wondering: Are you seeing anything on the ground that makes you think that you are losing share? Or is there anything else that we should be aware of, bearing in mind that in theory you were going to have one of the best pipelines in terms of new crop protection products for the next two years?

Dr. Hans-Ulrich Engel: We have seen in North America a weakness basically across the board, very interesting developments there. In the US, we had the arctic chill followed by the flooding and in Canada we had the arctic chill followed by a drought, at least in the Western parts of Canada. This had a significant impact on our legacy business and there pretty much across the board on herbicides as well as on fungicides.

Business in Europe: Actually, in the first half of 2019, we have an impact there in the fungicides business in Western Europe and that is related to the rather dry conditions that we have here. So Western Europe a bit weaker than what we had expected, but almost fully compensated by a stronger business in Eastern Europe. So, overall, I'd say, Europe is doing okay.

Asia: a very nice business development in China and in India, partially compensated by the drought conditions in Australia and in Indonesia. But the more important parts of the business are China and India; in both areas we see growth.

So if I put this in a nutshell, the brief answer is: North America – weakness across the board, which is weather-related. Europe: Western Europe with an impact from fungicides, but almost fully compensated by a stronger business in Eastern Europe. And then Asia Pacific, overall doing well with the expected sales and earnings growth that we wanted to see there.

With respect to peer comparison: I have seen one announcement lately. If I compare to that, I thought we are doing okay.

Charlie Webb (Morgan Stanley): Bayer have alluded to receiving service costs for the business that you have acquired. Could you help us understand what those service costs are expected to be for this year and whether they will continue into next year, whether you expect that to roll off and, also, how they are being reported? Is it pre or post-exceptional?

Dr. Hans-Ulrich Engel: As you can imagine, in a transaction like we had it with Bayer, in particular in the first year, there is a number of things that still need to be sorted out. Among them there is also a service agreement that we have with Bayer. For a limited period of time, Bayer provides services. Bayer also acts as a distributor for certain products, also for a limited period of time. But the types of arrangements that we have there are very typical. They come to an end relatively soon.

Like other service providers we had to use in the transition period, you may recall that we explained that all business services were provided by a third party during, what we call, the structural integration phase. That structural integration phase came to an end on July 1. Since then, we have all businesses that we acquired on our ERP system. It follows now our business processes. So also there we don't need the services of a third party anymore.

Oliver Schwarz (Warburg Research): Inventory in Agricultural Solutions, especially in North America, any thoughts about the inventory levels there, after the sluggish demand of the first half? Are there inventory buybacks likely in the second half of this year?

Dr. Hans-Ulrich Engel: We have seen quite some destocking at the distributor level. So our expectation, even though it's a bit too early to come to a final conclusion here, is that the distribution channel should be at the end of the season below the historic averages. But, as I say, we do not yet have final data there.

Buying back product is something that is typical for seeds, but it should not have an impact on the second half of the year because, to the extent required, we have provisions on the book there. So that's already covered in the P&L in the first half of the year. This is seeds only. This does not apply to crop protection.