



We create chemistry

Analyst Conference Call Q2 2024

Speech

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Markus Kamieth

Chairman of the Board of Executive Directors

Dirk Elvermann

Chief Financial Officer

The spoken word applies.

Markus Kamieth

Good morning, ladies and gentlemen,

Dirk and I welcome you to our Analyst Conference Call. It's my first one since taking over as CEO at the end of April, and I am looking forward to many more and to our discussions about BASF.

We will provide you with details on our business development in the second quarter and will highlight some notable aspects.

[Slide 3: Q2 2024: EBITDA before special items at prior-year quarter level; outlook 2024 unchanged]

Let's start with an overview slide. Overall, the development of EBITDA before special items in Q2 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. At BASF Group level, volumes, excluding precious and base metals, increased by 2.4 percent compared with Q2 2023.

Sales declined by 7 percent to 16.1 billion euros, mainly due to lower prices. However, pressure on prices has eased.

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

[Slide 4: Snapshot Q2 2024: Market development and BASF's performance]

Here is a snapshot of 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 a continued strong performance of our Coatings division.

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

The crop protection market is characterized by continued destocking and faced adverse weather conditions that 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 5: EBITDA before special items at prior-year quarter level, despite considerably lower earnings in Agricultural Solutions]

The factors I have just described led to the following developments in 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 prior-year quarter level. 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 6: 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 euros. To a large extent, this was driven by herbicides, particularly 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 by the end of 2024. 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 7: BASF Group Q2 2024: Key financial figures]

Let's now have a look at further financial details of the Group for the second quarter of 2024 compared with Q2 2023. As Markus already mentioned, 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 euros and was thus almost at the prior-year quarter level. Special items amounted to minus 453 million euros, of which around minus 300 million euros was related to the PFAS class settlement agreement between BASF Corporation and the U.S. public water systems 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 euros, 70 million euros below the figure of the prior-year quarter.

Cash flows from operating activities decreased by 10 percent to 2 billion euros, and free cash flow was 471 million euros compared with 905 million euros in Q2 2023. I will comment on the cash flow development in more detail on the next slide.

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

[Slide 8: Cash flow development in Q2 2024 and H1 2024]

I will now continue with our cash flow development in Q2 2024.

Cash flows from operating activities decreased by 228 million euros to 2 billion euros, mainly on account of lower dividend payments from equity-accounted companies. In Q2 2024, BASF received 363 million euros less in dividends from its equity-accounted companies compared with the prior-year quarter. In Q2 2023, cash flows from operating activities had included a dividend payment of 291 million euros from Wintershall Dea and a payment of 87 million euros from BASF-YPC. In the second quarter of 2024, we did not receive dividend payments from these entities.

In addition, lower cash inflows from changes in net working capital contributed to the decline in cash flows from operating activities.

Payments made for property, plant and equipment and intangible assets rose by 16 percent to 1.5 billion euros, 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 euros, compared with 905 million euros in Q2 2023.

On a half-year basis, free cash flow of minus 986 million euros was at the same level as the minus 977 million euros 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 9: Strong balance sheet]

Let's now turn to our balance sheet at the end of June 2024 compared with year-end 2023.

Total assets increased by 5.1 billion euros to 82.4 billion euros. **Noncurrent assets** increased by 2.8 billion euros to 48.7 billion euros, mainly due to additions to property, plant and equipment as a result of our investment in the new Verbund site in South China. Higher defined benefit assets as well as our investments in the wind park projects Nordlicht 1 and 2, which are accounted for using the equity method, also contributed to the increase.

Current assets rose by 7 percent to 33.8 billion euros. This was largely because of higher trade accounts receivable, mainly due to the seasonality of our Agricultural Solutions business.

Net debt increased to 21.4 billion euros at the end of June 2024 compared with 16.6 billion euros at the end of December 2023. Compared with net debt of 20.2 billion euros at the end of June 2023 the increase was slight.

As mentioned, with 44.5 percent, our **equity ratio** at the end of June 2024 remains healthy, and BASF's good credit ratings underline our solid balance sheet and overall financial policy.

[Slide 10: Update on BASF's cost savings programs: On track to deliver targeted ~€2.1 billion total cost savings by the end of 2026]

Finally, a short update on the implementation of BASF's cost savings programs. We are on track to achieve the targeted 2.1 billion euros 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 euros, which is associated with one-time costs of around 500 million euros. By the end of this year, we expect a cost reduction run rate of around 800 million euros and one-time costs of around 550 million euros.

We are also making good progress with the 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 euros by the end of 2026. The related one-time costs are expected to be around 1 billion euros.

With that back to you, Markus.

Markus Kamieth

[Slide 11: Battery Materials: We are adapting in line with recent market developments]

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 continue with our prudent approach to add new capacities only where we have

secured longer-term offtake agreements with established cell manufacturers.

Our recent announcement against an investment in a nickel-cobalt refining complex in Indonesia was made in line with developments in the nickel market, which has changed significantly in the past years. The supply options have evolved and with that BASF's 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 in Tarragona, Spain, until cell capacity build-up and the xEV adoption rate in Europe regain momentum.

[Slide 12: Outlook 2024 for BASF Group unchanged]

Let's now turn to the outlook. BASF's outlook for 2024 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 euros 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 euros.

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

[Slide 13: BASF Capital Markets Day in September 2024 – Agenda]

Before we start with the Q&A, let me draw your attention to BASF's upcoming Capital Markets Day, which will take place in Ludwigshafen on September 26 and 27.

Following a keynote with an update on our strategy, all members of BASF's Board of Executive Directors will present their respective business segments over the course of two half days. The event will also feature a tour of our agricultural center in Limburgerhof, after which analysts and investors will have the opportunity for informal discussions at a dinner.

We will send out personal invitations at the beginning of next week, and I would be very pleased if you are able to participate.

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