



We create chemistry

## Media Phone Conference Q2 2022

Ludwigshafen, July 27, 2022



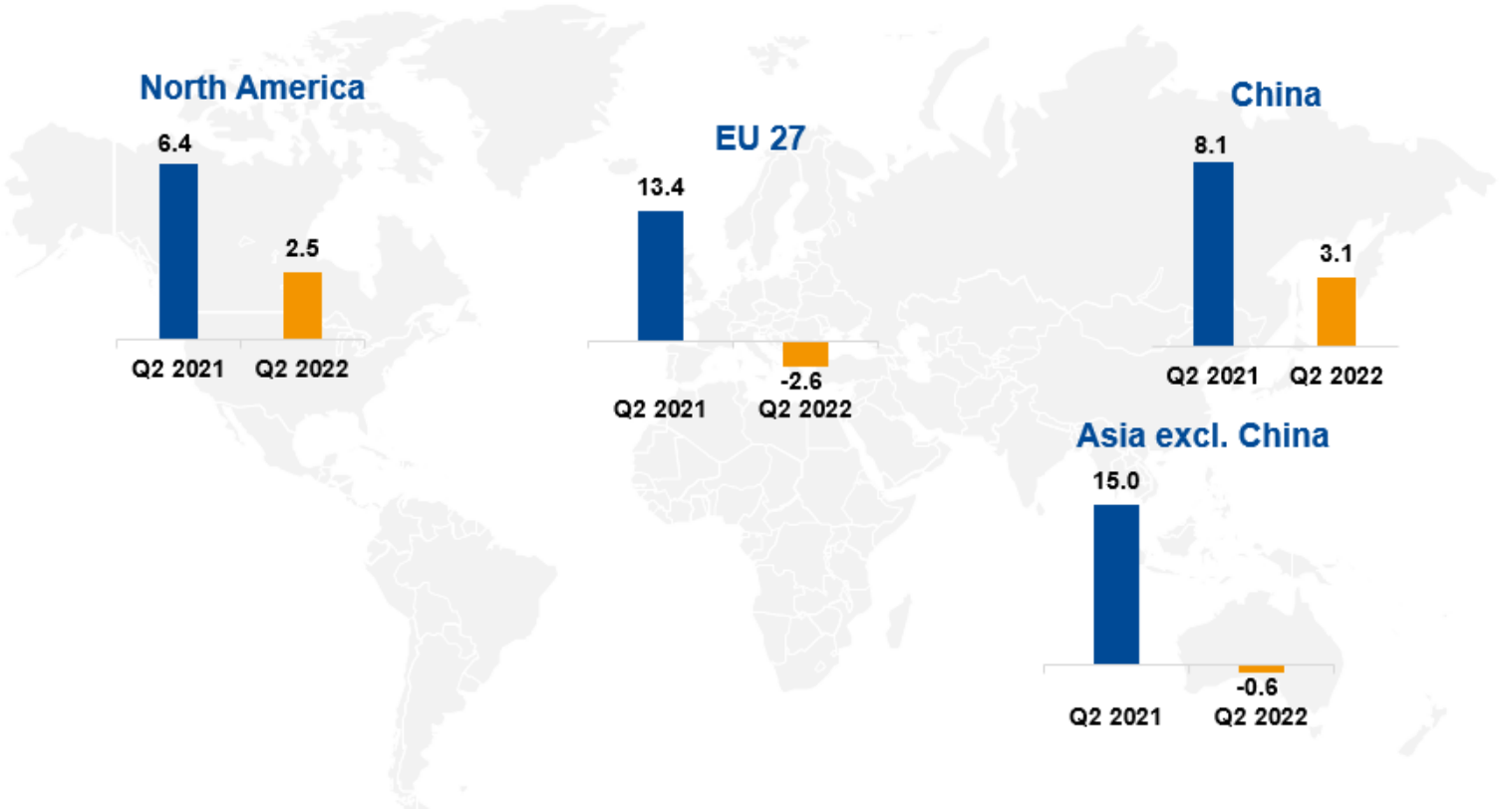
# Snapshot of the current market environment

- The macroeconomic environment is characterized by a high degree of uncertainty regarding the short- and mid-term economic development
- In Q2 2022, demand from customer industries remained generally solid, except for automotive
- Supply shortages continue to limit automotive production; in Q2 2022, global automotive production remained on the level of Q2 2021 and declined by 6.0% compared with Q1 2022
- China's economic growth was negatively impacted by the zero-COVID strategy and the related lockdowns in the second quarter of 2022
- Given the inflationary environment, central banks started to raise interest rates, which in turn will dampen consumer spending



# Global chemical production increased by 1.3% in Q2 2022

Chemical production Q2 2022 compared with prior-year quarter<sup>1</sup>  
%



Growth rates  
%

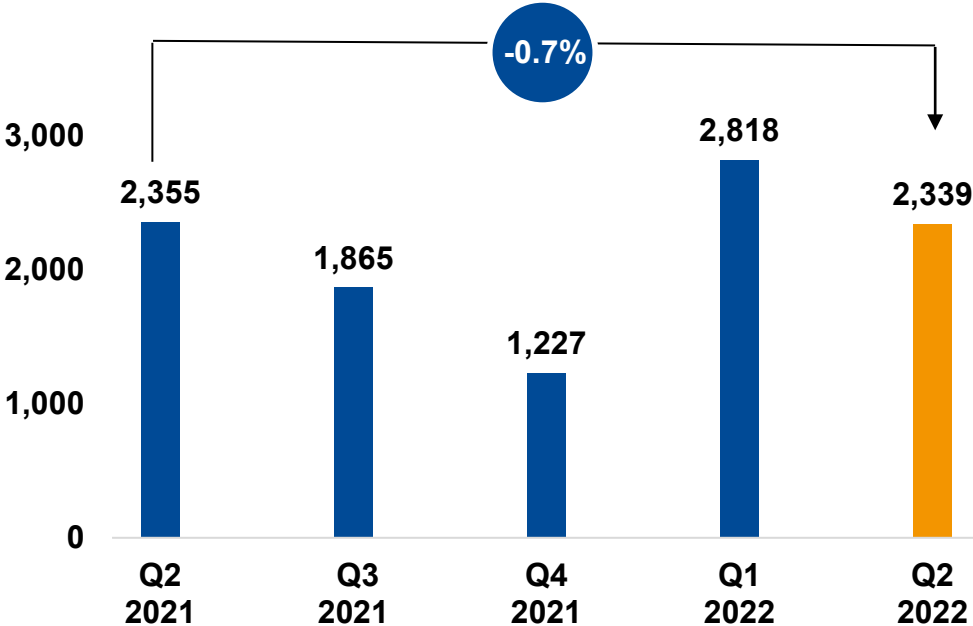
	Q2 2022	Q2 2021
Global GDP	2.2	11.6
Global industrial production	2.5	17.5
Global chemical production	1.3	9.9

<sup>1</sup> Source: BASF, Q2 2022 partly based on estimates. Data sources: IHS, NBS China, Feri, Fed, Eurostat, METI, ONS. All data subject to statistical revision.

# Q2 2022: BASF again with strong earnings despite continued high prices for raw materials and energy

- BASF’s upstream and downstream businesses implemented further price increases to pass on higher prices for raw materials and energy
- Due to the corona-related lockdowns in China, sales volumes in the country declined in Q2 2022, mainly driven by lower volumes in April
- In Q2 2022, EBIT before special items reached the level of the prior-year quarter and amounted to €2.3 billion
- The strong earnings performance in Q2 2022 was driven by the Agricultural Solutions, Nutrition & Care and Industrial Solutions segments; Other also contributed

EBIT before special items  
Million €

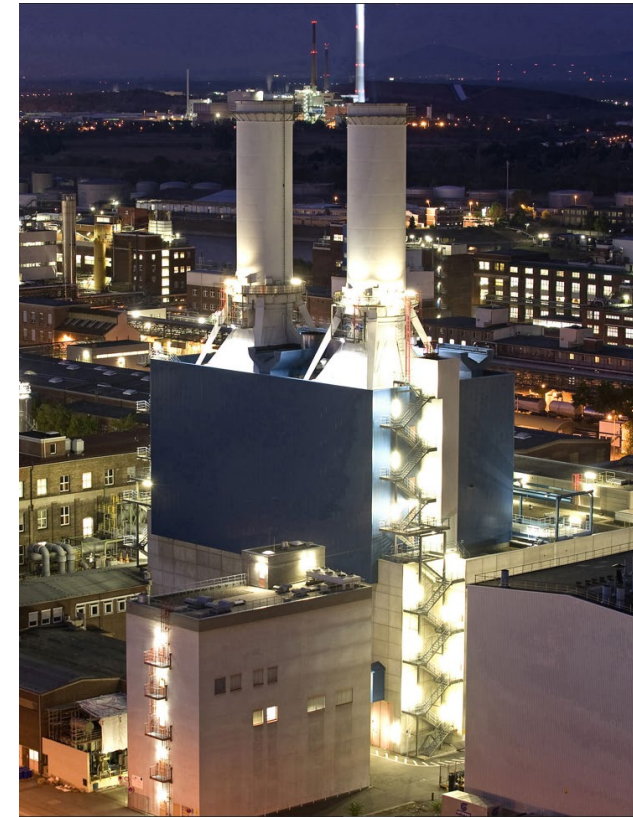


# Emergency Plan for Gas of the German government

**Stage 2 comprises four key measures that leave responsibilities and market mechanisms intact:**

1. All market participants are obliged to take coordinated action to avoid temporary and regional gaps in supply in Germany and to achieve the target storage fill level of 85% on October 1, 2022. To this end, the market area manager Trading Hub Europe has received an additional credit line of €15 billion from the federal government to purchase gas.
2. Market participants are obliged to participate in a crisis team that must report to the Federal Ministry for Economic Affairs.
3. The German government is taking legal measures to restart coal-fired power plants in Germany.
4. The Federal Network Agency wants to open a market platform where gas that is not required by companies can be auctioned.

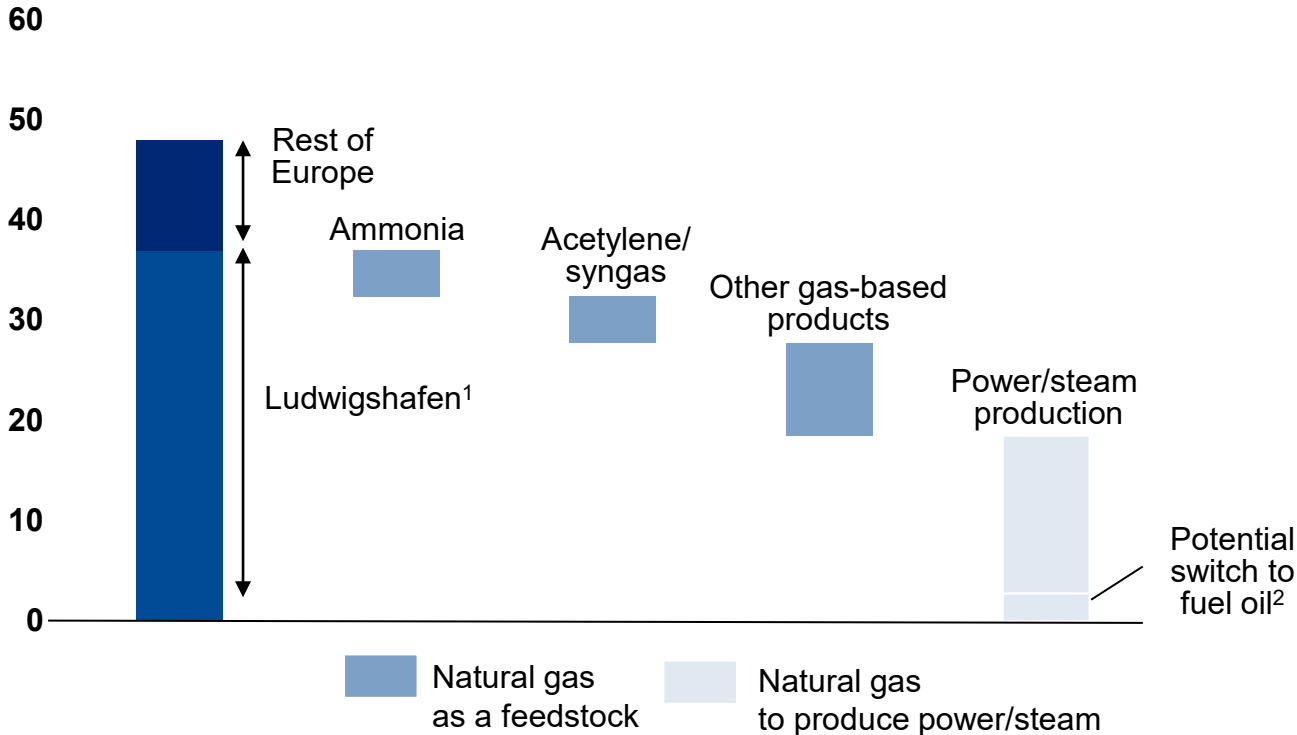
**At present, natural gas is supplied to all of BASF's European sites as required**



# Update on mitigation measures to reduce natural gas demand

## BASF's natural gas demand in Ludwigshafen 2021

TWh



## BASF's natural gas demand in Europe 2021

- ~48 TWh, thereof Ludwigshafen ~37 TWh
- ~60% used for power/steam production and ~40% as feedstock

## Mitigation measures

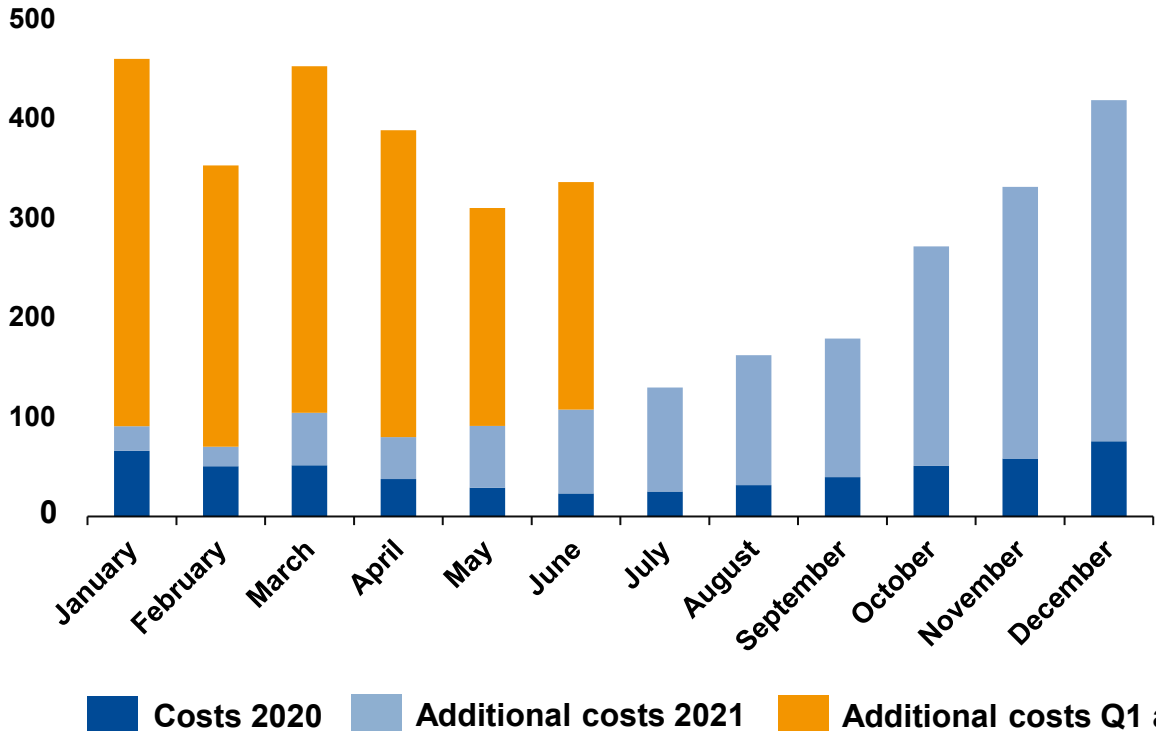
- Where technically feasible, preparations to substitute natural gas (e.g., by fuel oil) are progressing well and technical optimizations are in place
- Proactive scenario development to optimize our production at European sites (utilization rate reduction of specific plants) as needed
- Continued operation at the Ludwigshafen site is ensured down to 50% of BASF's maximum natural gas demand<sup>2</sup>

<sup>1</sup> Verbund site Ludwigshafen: 50% of natural gas used for power/steam production; 50% as feedstock

<sup>2</sup> Precondition is the sufficient availability of fuel oil

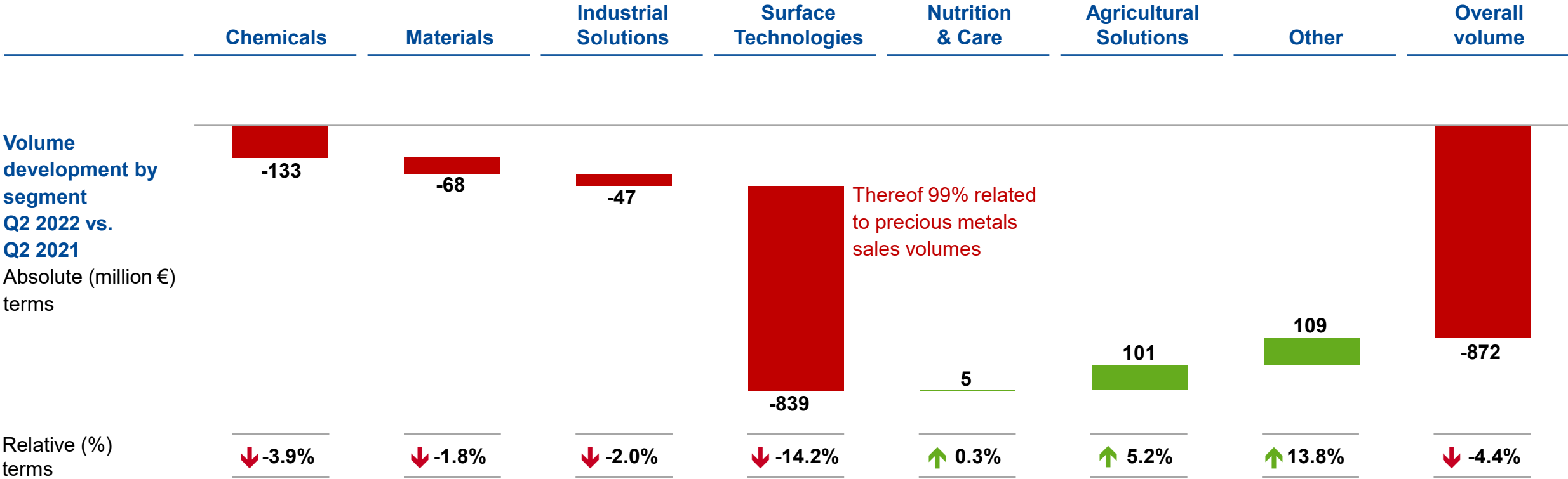
# Natural gas prices in Europe remained at a very high level

Incremental natural gas spend in Europe  
Million €



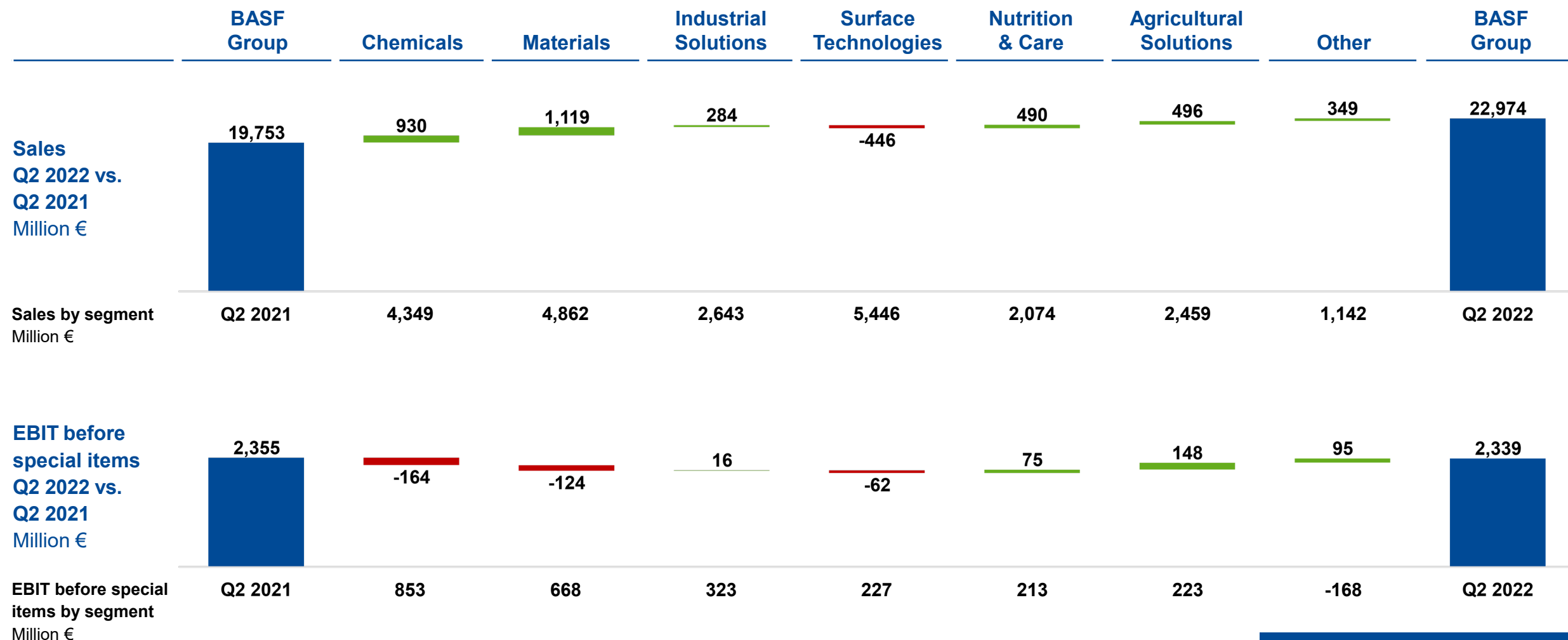
- Compared with Q1 2022, natural gas prices declined slightly in Q2 2022 but remained at a very high level
- Natural gas price burden for European BASF sites
  - Additional costs of ~€0.8 billion in Q2 2022 compared with Q2 2021
  - Additional costs of ~€1.0 billion in Q2 2022 compared with Q2 2020

# Q2 2022: Sales volumes declined by 4.4% but were almost stable excluding precious metal volumes



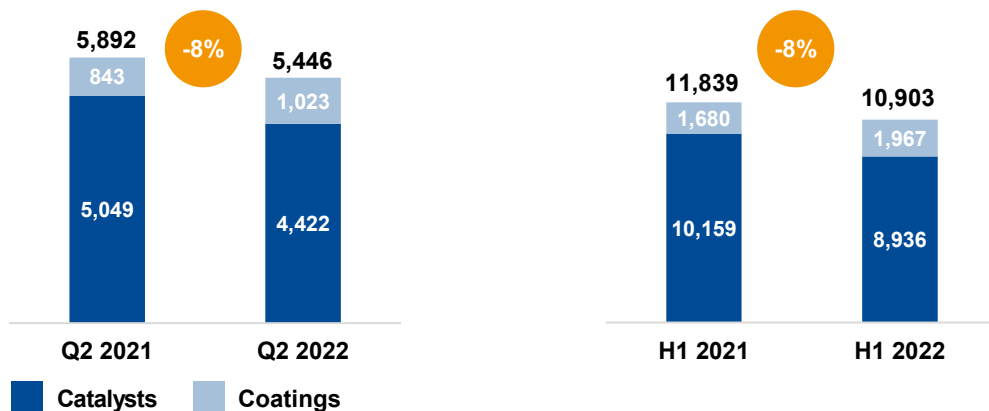


# Q2 2022: Sales increased considerably; EBIT before special items at the high level of the prior-year quarter



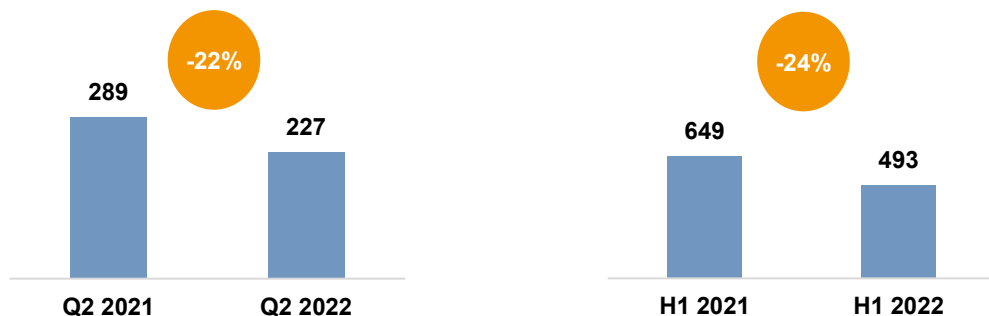
# Surface Technologies

## Sales, million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2022 vs. Q2 2021	-14.2%	-5.7%	+5.3%	+7.1%
H1 2022 vs. H1 2021	-14.3%	-4.5%	+5.0%	+5.8%

## EBIT before special items, million €



## Lower sales and earnings in Surface Technologies in Q2 2022

- **Sales** declined due to lower volumes and prices; positive currency and portfolio effects had an offsetting effect
- **EBIT before special items** declined considerably on account of lower earnings in the Coatings division

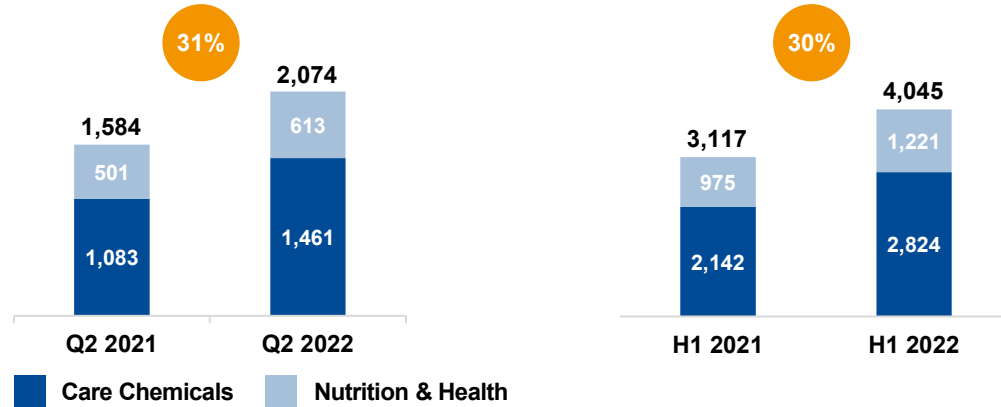
## Increased transparency regarding precious metals

- As of Q2 2022, sales in the Surface Technologies segment are broken down to reflect sales excluding precious metal trading and precious metal sales in the mobile emissions catalysts business<sup>1</sup>

	Q2 2022		H1 2022	
	IFRS figure	Adjusted figure	IFRS figure	Adjusted figure
<b>Surface Technologies</b>				
Sales (million €)	5,446	2,176	10,903	4,220
Volume growth	-14.2%	-0.4%	-14.3%	-1.2%
EBITDA bsi (million €)	365	365	766	766
EBITDA margin bsi	6.7%	16.8%	7.0%	18.2%
<b>BASF Group</b>				
EBITDA margin bsi	14.3%	16.7%	15.3%	17.9%

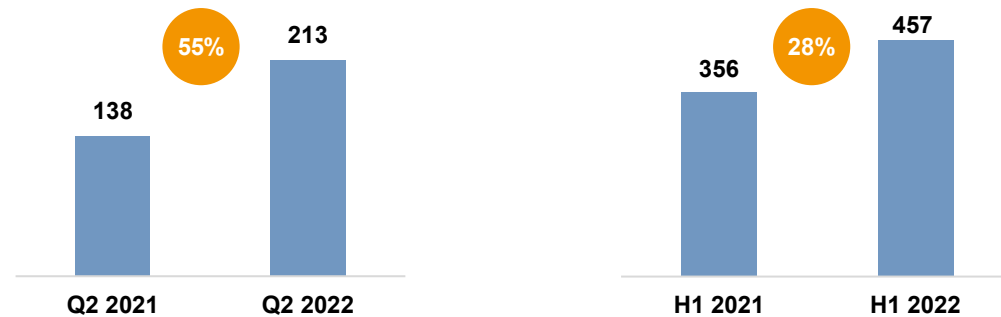
# Nutrition & Care

Sales, million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2022 vs. Q2 2021	+0.3%	+27.0%	-2.1%	+5.8%
H1 2022 vs. H1 2021	+4.0%	+23.9%	-2.3%	+4.1%

EBIT before special items, million €



## Considerable sales and earnings growth in the Nutrition & Care segment in Q2 2022

- Strong **sales** growth in Care Chemicals and Nutrition & Health, mainly driven by significantly higher prices to compensate for higher raw materials and energy costs; currency tailwind and slightly higher volumes also contributed
- EBIT before special items** increased considerably due to significantly higher earnings in the Care Chemicals division

## Focus on ingredients in nutrition, flavor and fragrance in the Nutrition & Health division

- Going forward, Nutrition & Health will consist of three focused global business units for nutrition ingredients, aroma ingredients and pharma solutions

# Nutrition & Health will have three pillars – nutrition, aroma, pharma – with a focus on key ingredients



## Nutrition Ingredients

- Act as a strong **ingredients partner** to the animal and human nutrition industries
- Strengthen **core product platforms** deeply rooted in BASF Verbund
- Step up **growth investments** in **vitamins** and **feed enzymes**
- Evaluate **strategic options** for **food & health performance ingredients** produced at the Illertissen site



## Aroma Ingredients

- Build on **strong ingredients position** to address sustainability trends in flavor and fragrance industries
- Step up **growth investments** in **citral value chain**
- Focus **innovation** on **sustainability** and **biotechnology** platform

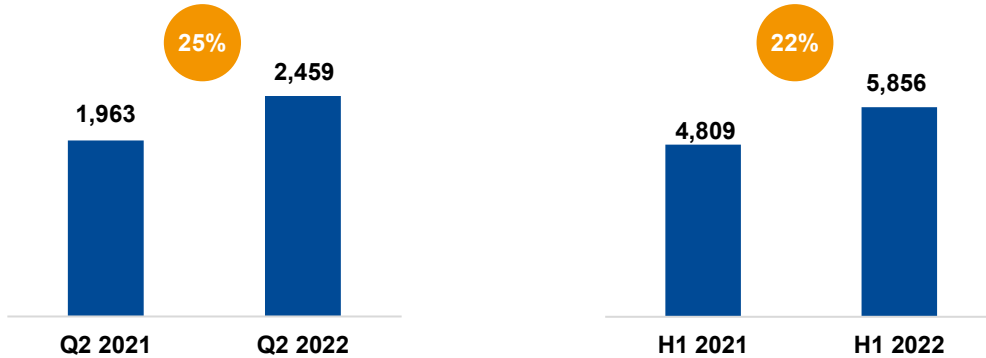


## Pharma Solutions

- Offer **broad portfolio** of excipients based on core value chains and selected active ingredients
- Focus **on growth** and **innovation** in **biopharmaceuticals**
- **Partner customers** in developing formulations, leverage digital solutions

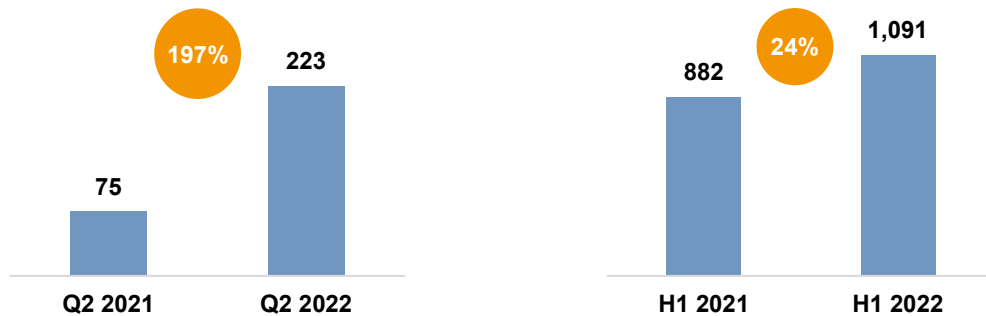
# Agricultural Solutions

## Sales, million €



Sales development	Volumes	Prices	Portfolio	Currencies
Q2 2022 vs. Q2 2021	+5.2%	+11.4%	-0.6%	+9.3%
H1 2022 vs. H1 2021	+7.9%	+8.6%	-0.4%	+5.7%

## EBIT before special items, million €



## Strong performance of Agricultural Solutions in Q2 2022

- Significantly higher prices in all regions, paired with favorable FX effects and higher volumes led to positive **sales** development – reflecting an overall strong demand in the northern hemisphere
- EBIT before special items** increased considerably, mainly attributable to higher sales overcompensating higher costs

## The agricultural market environment remains dynamic

- Global agricultural markets continue to be healthy with robust commodity prices
- Challenges for the industry mainly result from global raw material and transportation capacity shortages and inflationary cost increases
- The outlook for the second half is positive – mainly building on the upcoming season in South America and strong fundamentals

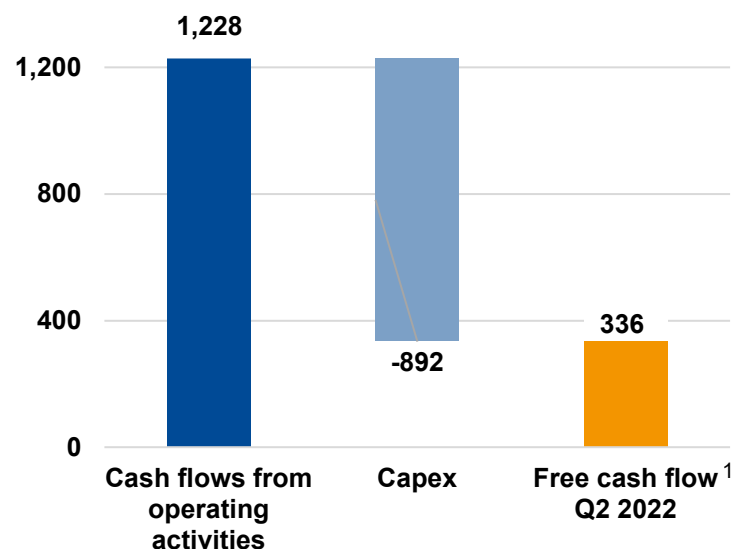
# BASF Group Q2 2022 and H1 2022: Financial figures

Financial figures	Q2 2022	Change	H1 2022	Change
	Million €	%	Million €	%
Sales	22,974	16.3	46,058	17.6
EBITDA before special items	3,293	2.4	7,036	10.0
EBITDA	3,396	6.2	7,105	11.4
EBIT before special items	2,339	-0.7	5,157	10.3
EBIT	2,350	1.5	5,135	11.0
Net income from shareholdings	433	.	-364	.
Net income	2,090	26.3	3,311	-1.8

# Cash flow development in Q2 2022 and H1 2022

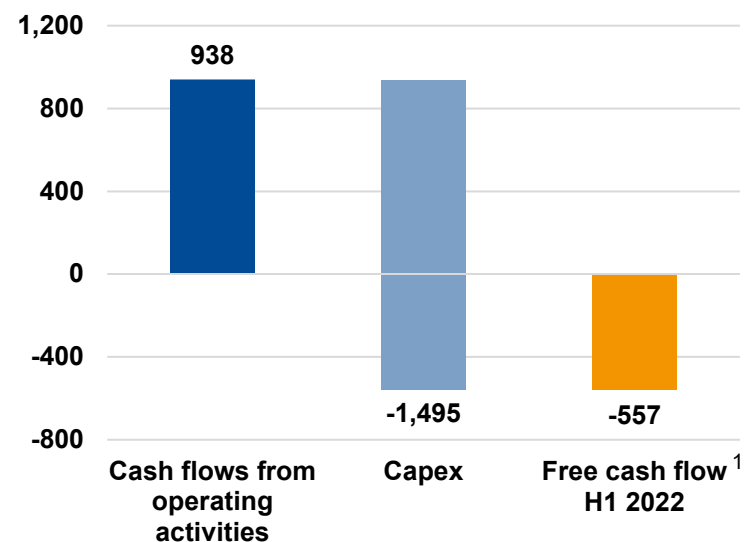
## Q2 2022

Million €



## H1 2022

Million €



## Q2 2022 vs. Q2 2021

- **Cash flows from operating activities** decreased by €1.3 billion to €1.2 billion
- **Changes in net working capital** led to a cash outflow of €1.7 billion
- **Cash flows from investing activities** amounted to -€639 million compared with €323 million. Payments made for property, plant and equipment and intangible assets rose by 16% to €892 million
- **Free cash flow** decreased by €1.4 billion to €336 million

# Main construction phases of the new Verbund site in Zhanjiang, China – stepwise approach

**Initial phase**  
on stream: 2022–2023

**First downstream plants:**  
Performance Materials for automotive and consumer industries

**Engineering plastics and thermoplastic polyurethanes**

**Phase 1**  
start-up: as of 2025

Heart of the Verbund:  
**Petrochemicals plus further downstream plants**

**Steam cracker**

C2 value chain  
C3 value chain  
C4 value chain

**Phase 2**  
start-up: as of 2028

**Verbund expansion and diversification**

**Additional downstream plants**

Backward integrated into world-scale upstream plants to achieve Verbund synergies in downstream value chains

**Update on progress**

- First downstream plant is currently starting up
- Construction of phase 1 plants started following final approval
- Stepwise construction approach allows for flexibility, especially with regard to phase 2



# Outlook 2022 for BASF Group

Outlook 2022	Revised forecast	Previous forecast
Sales	€86 billion – €89 billion	€74 billion – €77 billion
EBIT before special items	€6.8 billion – €7.2 billion	€6.6 billion – €7.2 billion
ROCE	10.5% – 11.0%	11.4% – 12.6%
CO <sub>2</sub> emissions	18.4 – 19.4 million metric tons	19.6 – 20.6 million metric tons

## Underlying assumptions (previous assumptions in parentheses)

- Growth in gross domestic product: 2.5% (3.8%)
- Growth in industrial production: 3.0% (3.8%)
- Growth in chemical production: 2.5% (3.5%)
- Average euro/dollar exchange rate: \$1.07 per euro (\$1.15 per euro)
- Average annual oil price (Brent crude): \$110 per barrel (\$75 per barrel)





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