



**BASF**  
We create chemistry

## Media Phone Conference Q3 2022

Ludwigshafen, October 26, 2022



# Challenging market environment

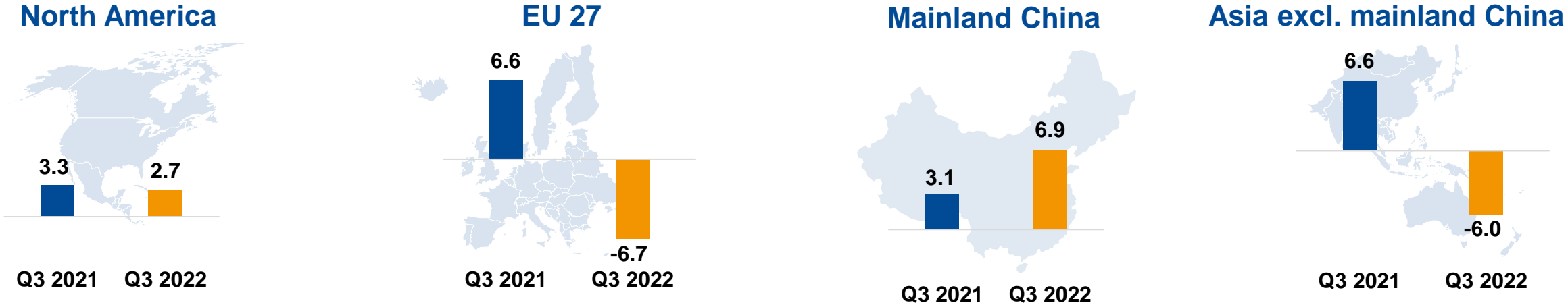
- Global macroeconomic environment significantly weakened; short-term macroeconomic expectations dampened
- High inflation and sharp increases in energy prices led to a slowdown in consumer demand, particularly in Europe
- China continued to grow, but is still restricted by COVID containment measures
- Higher than expected global automotive production, mainly driven by China
- Central banks further raised interest rates to combat inflation, in turn dampening construction and consumer spending



# Global chemical production grew by 2.0% in Q3 2022

## Chemical production Q3 2022 compared with prior-year quarter<sup>1</sup>

%



## Growth rates

%	Q3 2022	Q3 2021
Global GDP	2.2	4.6
Global industrial production	3.2	4.7
Global chemical production	2.0	4.2

<sup>1</sup> Source: BASF, Q3 2022 based on estimates. Data sources: IHS, Oxford Economics, NBS China, Feri, Fed, Eurostat, METI, ONS. All data subject to statistical revision.

# Moderate demand growth in key customer industries in Q3 2022

## Chemicals and plastics

- **Global production hardly growing**; decline in Europe due to high energy costs; growth in the U.S. and China



## Transportation

- **Global production strongly above last year**; recovery in China; base effects in North America and the E.U.



## Agriculture

- **Solid demand environment**; yields impacted by dry weather in several regions



## Consumer goods

- **Solid demand for consumables** (care)
- **Negative impact** of high inflation **on durable consumer goods**



## Health and nutrition

- **Food production dampened by high energy costs** and weaker global demand; **pharma stable**



## Electronics

- **Softening demand in consumer electronics**; **industrial demand solid**; supply chain pressure easing



## Energy and resources

- **Oil production above prior year**; **natural gas production declining**
- Moderate growth in mining, excluding oil and gas



## Construction

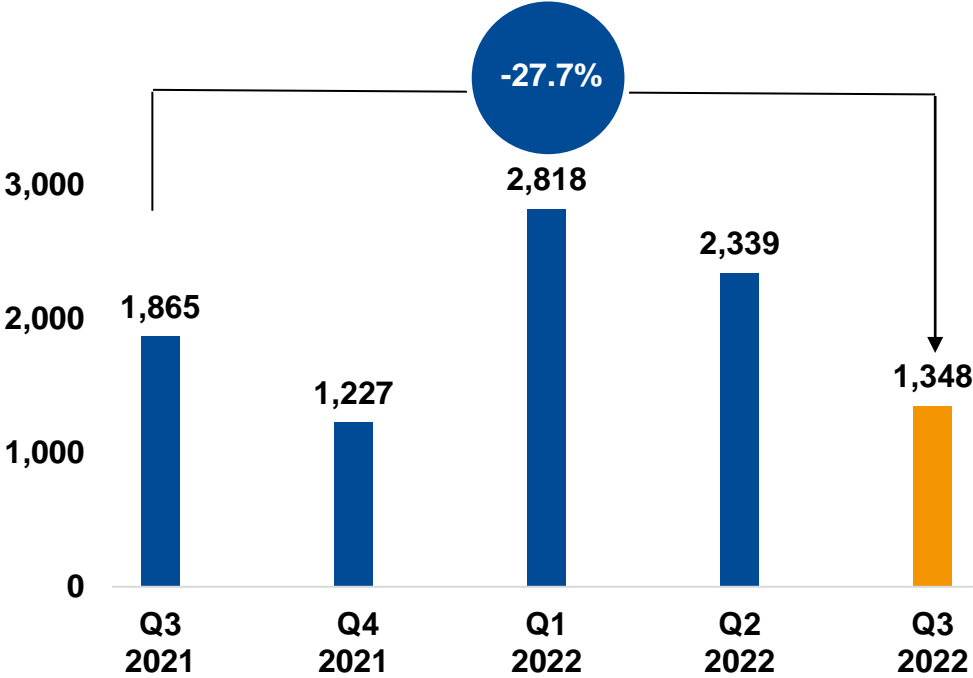
- **Negative impact of increasing interest rates** in North America and Europe
- In China, ongoing weakness of residential construction



# Q3 2022: BASF achieved solid EBIT before special items despite continued high raw materials and energy prices

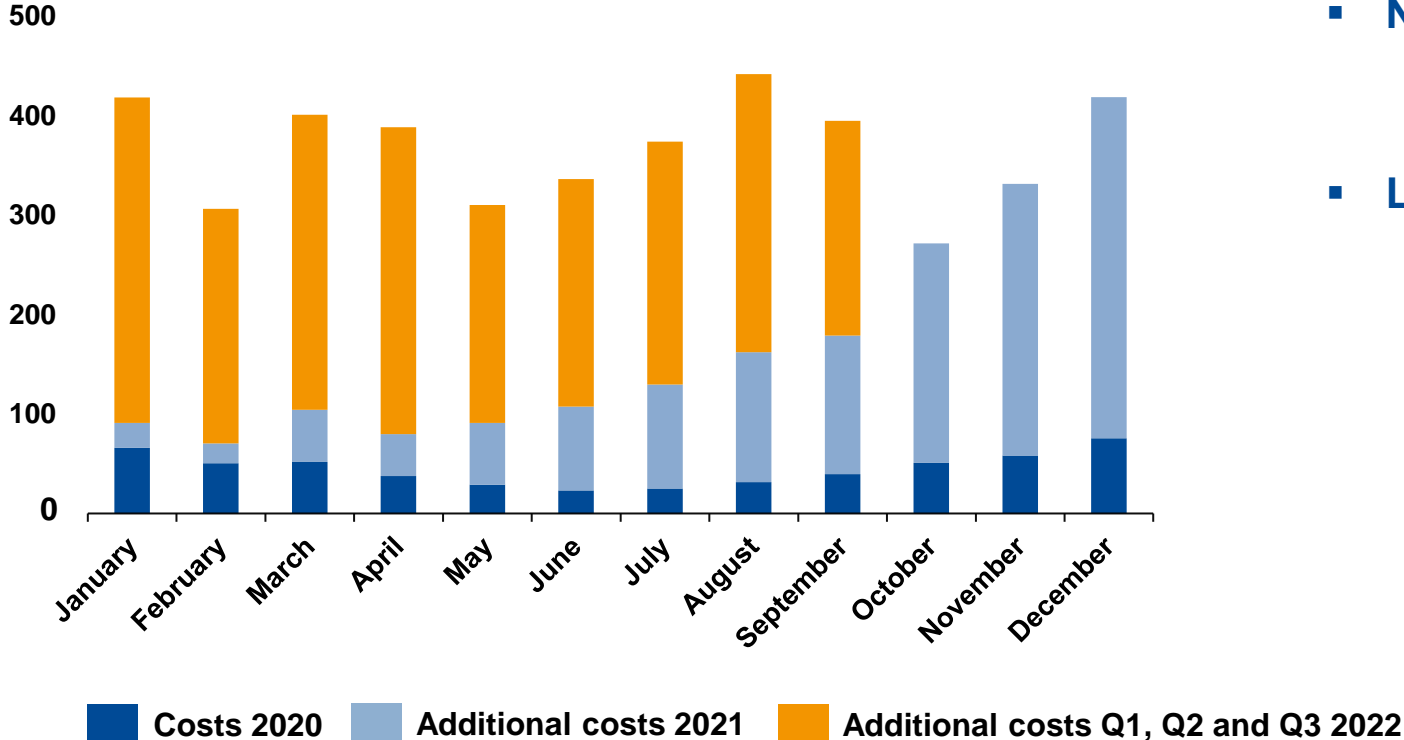
- In Q3 2022, EBIT before special items declined by €0.5 billion and amounted to €1.3 billion; additional costs for natural gas in Europe are one major reason for this decline
- BASF's downstream segments considerably improved earnings, mainly due to higher prices
- As forecasted, earnings of upstream segments declined considerably from very high levels

EBIT before special items  
Million €



# Natural gas prices in Europe increased further compared with already elevated levels in Q3 2021

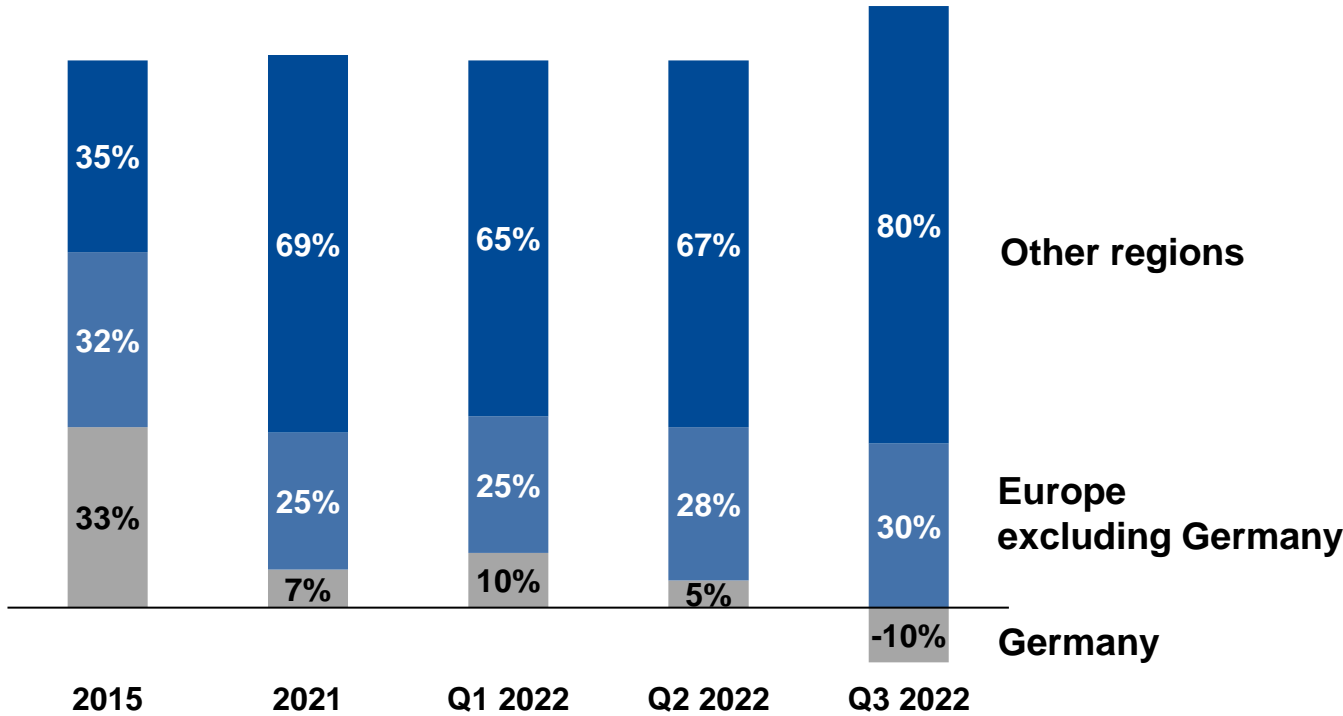
Incremental natural gas spend in Europe  
Million €



- **Natural gas price burden for European BASF sites**
  - Additional costs of ~€2.2 billion in first nine months of 2022 compared with the same period of 2021
- **Ludwigshafen site**
  - Largest gas consumer in BASF (2021: ~37 TWh)
  - Half of the natural gas is used for producing electricity and steam, the other half as raw material
  - Technical optimization projects initiated
  - Partial substitution of natural gas by fuel oil in the power plants

# Operational earnings in region Europe and in Germany under pressure due to various challenges

EBIT before special items of BASF Group<sup>1</sup>



- **Weak average growth** of the European chemical market in the past decade
- **Structurally higher natural gas prices** in Europe to be expected in the longer term
- **Regulatory uncertainty** (e.g., E.U. Green Deal and Chemical Strategy for Sustainability) puts parts of the portfolio at risk and, together with **CO<sub>2</sub> price increases**, leads to higher costs

<sup>1</sup> Data excluding oil & gas business and construction chemicals business

# BASF takes decisive action with focus on Europe and Germany in particular

The significantly weaker earnings in Europe, especially in Germany, as well as the deteriorating framework conditions in the region make **permanent cost reduction and structural adjustments necessary**.

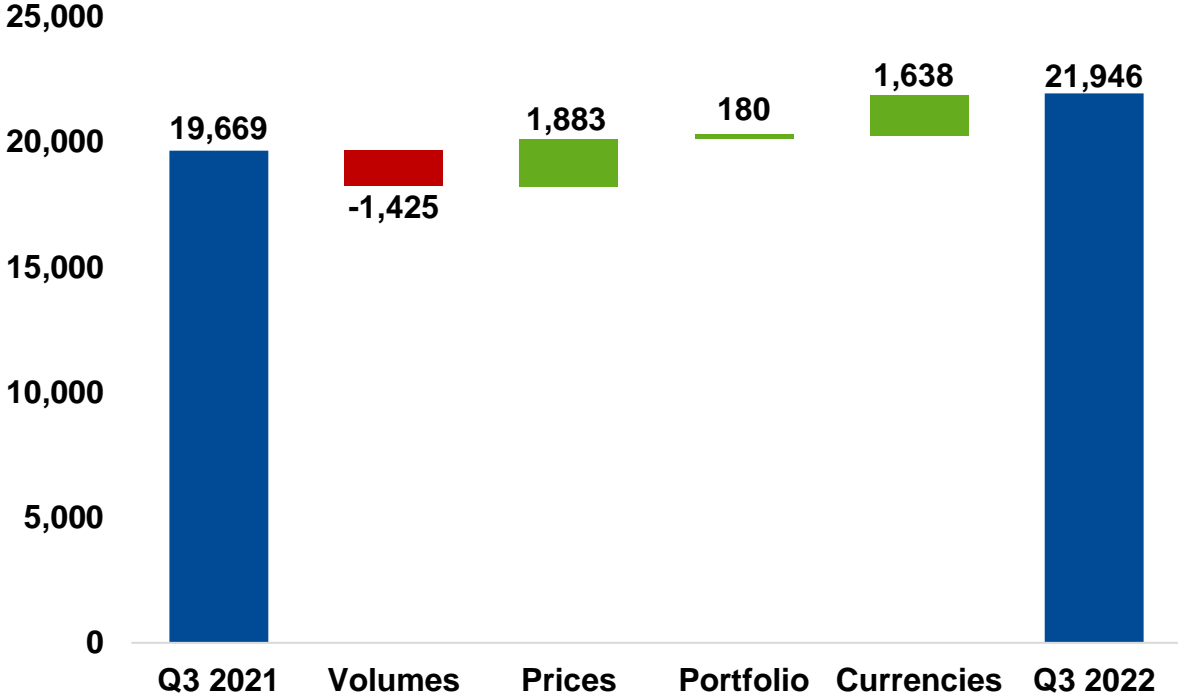
- **Cost savings program** in non-production areas focusing on Europe and Germany in particular
  - Implementation starts immediately and should be completed by the end of 2024
  - Employee representatives are involved in the relevant bodies
  - When completed, the program is expected to generate annual cost savings of €500 million
  - Streamlining of operating, service and research & development divisions as well as the corporate center
- Further **structural measures to adjust BASF's production Verbund in Europe in the medium and long term** are necessary
  - Detailed analysis of value chains ongoing
  - Measures will be communicated in the first quarter of 2023



# Q3 2022: Sales increase mainly driven by higher prices and positive currency effects

## Sales bridge Q3 2022 vs. Q3 2021

Million €

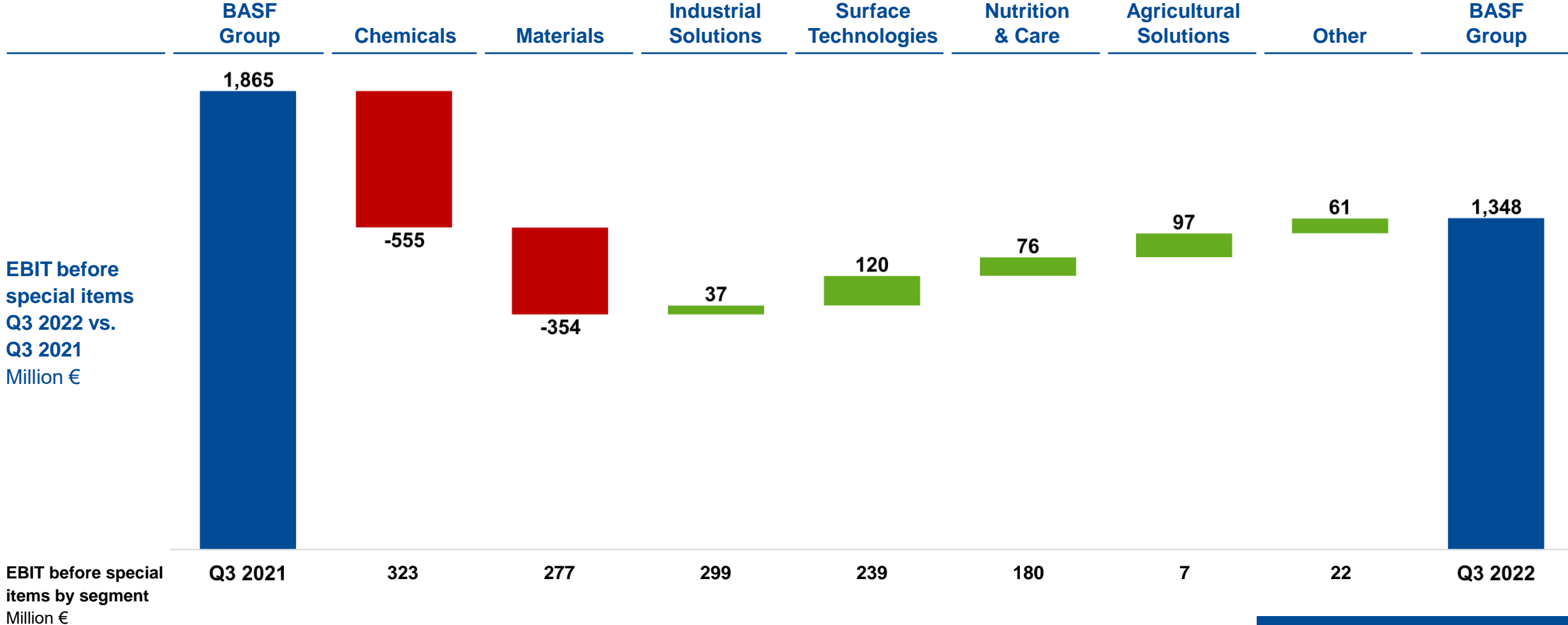


- **Sales** increased by 11.6% to €21,946 million
- **Volumes** declined by 7.2%
  - Agricultural Solutions increased volumes, all other segments recorded lower volumes
- **Prices** increased by 9.6%
  - All divisions increased prices, except for Catalysts due to lower precious metal prices
- **Portfolio** effects of plus 0.9% were related to BASF Shanshan Battery Materials
- **Currency** effects of 8.3% were mainly from the U.S. dollar

## Sales development

Q3 2022 vs. Q3 2021	↓ -7.2%	↑ 9.6%	↑ 0.9%	↑ 8.3%
---------------------	---------	--------	--------	--------

# Q3 2022: BASF's downstream segments considerably improved earnings, while earnings in upstream segments declined considerably



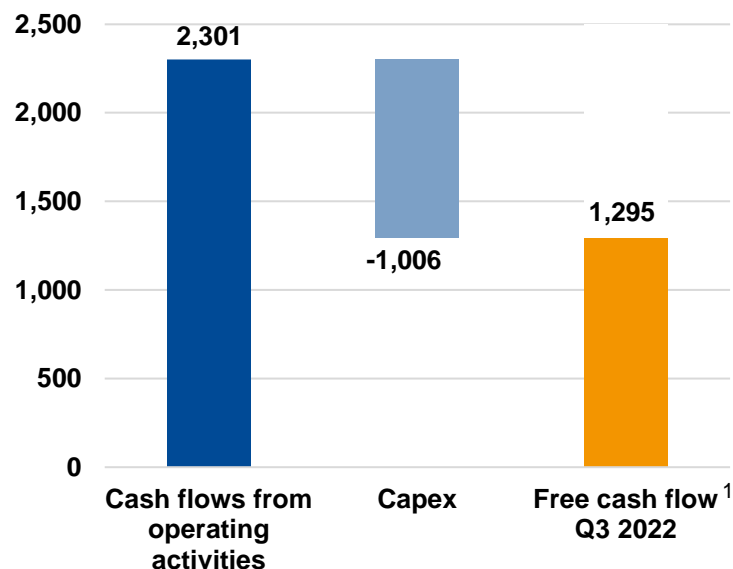
# BASF Group Q3 2022 and Q1–Q3 2022: Financial figures

Financial figures	Q3 2022	Change	Q1–Q3 2022	Change
	Million €	%	Million €	%
Sales	21,946	11.6	68,003	15.6
EBITDA before special items	2,325	-16.1	9,361	2.1
EBITDA	2,255	-17.4	9,359	2.8
EBIT before special items	1,348	-27.7	6,505	-0.6
EBIT	1,294	-29.0	6,429	-0.3
Net income from shareholdings	102	18.1	-262	.
Net income	909	-27.5	4,220	-8.8

# Cash flow development in Q3 2022 and Q1–Q3 2022

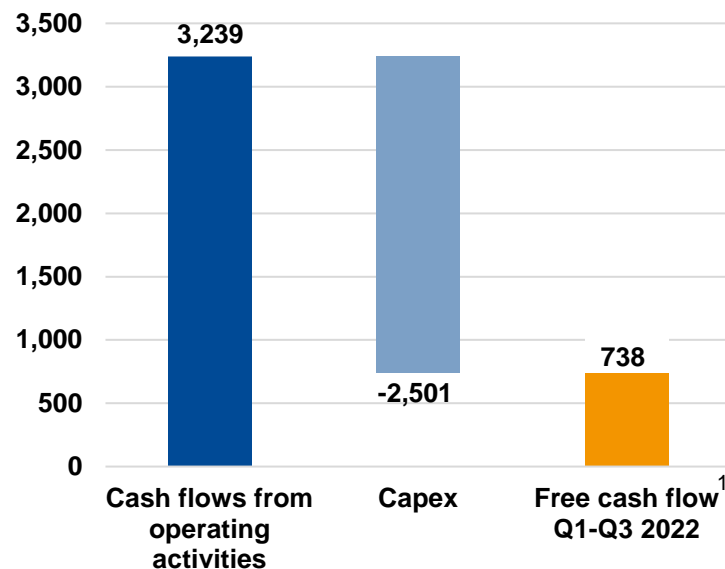
## Q3 2022

Million €



## Q1–Q3 2022

Million €



## Q3 2022 vs. Q3 2021

- **Cash flows from operating activities** increased by €405 million to €2.3 billion
- **Changes in net working capital** led to a cash inflow of €670 million
- **Cash flows from investing activities** amounted to -€680 million compared with -€1.8 billion
- **Payments made for property, plant and equipment and intangible assets** rose by 23% to €1.0 billion
- **Free cash flow** increased by €218 million to €1.3 billion

<sup>1</sup> Free cash flow: cash flows from operating activities minus payments made for property, plant and equipment and intangible assets

# Outlook 2022 for BASF Group unchanged

Outlook 2022	
Sales	€86 billion – €89 billion
EBIT before special items	€6.8 billion – €7.2 billion
ROCE	10.5% – 11.0%
CO <sub>2</sub> emissions	18.4 – 19.4 million metric tons

## Underlying assumptions (previous assumptions in parentheses)

- Growth in gross domestic product: +2.5% (unchanged)
- Growth in industrial production: +2.5% (+3.0%)
- Growth in chemical production: +2.0% (+2.5%)
- Average euro/dollar exchange rate: \$1.05 per euro (\$1.07 per euro)
- Average annual oil price (Brent crude): \$100 per barrel (\$110 per barrel)





We create chemistry