



We create chemistry

BASF SE, 67056 Ludwigshafen, Deutschland

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Dr. Klaus Ries  
Tel.: +49 621 60-47133  
klaus.ries@basf.com

### Esteemed EPS-Customers of BASF

Hoping this message reaches you, your families, friends, and colleagues in best health, I want to reach out to you in this unprecedented situation of supply shortages. Meanwhile even the public media are reporting on global shortages of all kinds of materials that are dramatic in some cases. Wood, steel, electronic chips, plastics, to name but a few. While each sector suffers from additional specific drivers, the root cause has been the Corona lockdowns and a fear in many industries that the decline of demand would be longer lasting. Inventories have been reduced, orders cancelled, productions ramped down. This comes on top of production problems that were directly caused by Corona-measures and local infections.

For the styrenics it was pretty much the same with additional unplanned production losses in Europe and in the US in the aftermath of the sudden cold spell in Texas in February which basically forced all chemical plants to stop production. The damages resulting from the frost or the sudden halts of production are still not entirely mitigated. You know what happened: styrene monomer became tight in the market and very expensive - like other petrochemical raw materials, including benzene and ethylene which are the chemical building blocks of styrene. I do not want to speculate about the EPS industry as I would need to speculate about our competitors, but it is obvious that also EPS became very tight in the market.

At BASF, we are backwards integrated: With the steam crackers providing our own raw materials we are supplying at full capacity, even more. Our assets are sweating and so are our teams. I know it is frustrating that we cannot fulfill all volume requirements – frustrating for you and for us, but we have reached technical limits that cannot be exceeded in the short term. We are assessing investments options, but this does not help you now. Due to increased supply share with almost all our established customers we are obliged to allocate volumes. In our best effort to help wherever we can, we frequently have to move orders, sometimes the same order several times. My team is suffering from this situation and sometimes even gets blamed. Our response time to enquiries is slow, we are overwhelmed. More enquiries aside from the usual order channels make the situation even worse. Please trust that we do our best and we adhere to strict allocation principles.

Although nobody can say for sure, I expect an improvement of the situation during Q3 this year. This situation has shaken us and the market is going to change. I hope that we all draw the right conclusions for the future. We will do our best to limit the supply problems you are facing but, unfortunately, we cannot make them go away alone. I keep my fingers crossed, may nothing else happen that worsens the situation. Stay healthy please and take care of yourself and your beloved ones.

Best regards, also from your whole Styrenics team,

Dr. Klaus Ries - Vice President Business Management Styrenics Europe

**BASF SE**  
67056 Ludwigshafen, Germany

Phone: +49 621 60-0  
Fax: +49 621 60-42525  
E-mail: [global.info@basf.com](mailto:global.info@basf.com)  
Internet: [www.basf.com](http://www.basf.com)

**Registered Office:**  
67056 Ludwigshafen

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Amtsgericht Ludwigshafen  
Registration No.: HRB 6000

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