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Patrick Lambert (Raymond James Euro Equities): I have two little questions, the first one regards the location. I know you have already started the Maoming site. Have you already chosen the exact location of the Verbund site?

The second question is regarding profitability. Could you share with us the historical IRR of your Nanjing site? Do you expect to have a pretty similar type of returns for your new site?

Stephan Kothrade: If you look at potential locations for our new Verbund site in South China, in Guangdong Province, there are only a handful of chemical parks that are in principle suitable to host such a large-scale project. Our preference definitely is to go for a coastal site, also because of the import and export logistics opportunities. We would have a deep-sea port located at the South China Sea.

Maoming, the site you mentioned right now, is hosting one of our joint ventures with Sinopec. It is an isononanol plant that we started up two and a half years ago. The reason we chose this site is the availability of a key raw material for this specific product. But we don't think Maoming is a suitable location for our big plants now, for the new Verbund site. We would rather go, as I said, to one of the coastal locations where there are only two or three.

Martin Brudermüller: With respect to profitability, you know that we don't give any details on sites or single operations. But I think page 8 [of the slide deck] is already giving you a pretty good idea.

So you see it is a pretty consistent and stable picture of returns. It is fully meeting our expectations. Maybe the only indication I can give you is: This site in Guangdong will have a steam cracker and it will have the respective value chains. But it will also serve in the future as a kind of a container for more downstream products because it has become increasingly difficult in China to open new sites for the chemical industry. It is pretty restricted. There is a lot of relocation and they basically bring the chemical industry into petrochemical clusters.

So we will use this also as a hub where we gain economies of scale by bundling all the kinds of operations we have and by utilizing utilities and waste water treatment and logistics and all what we basically also do in Ludwigshafen. So you could expect that this will have an overall, across all the businesses of BASF, attractive return. Maybe that is the only thing I can give you today. You should not think that this is just a steam cracker plus, but it is really a site that will develop into downstream and will also have some non-integrated operations which overall will also help the profitability of the site.

Andreas Heine (MainFirst Bank AG): I basically have four small ones. At first, could you please outline from your learnings from building up the Antwerp site and then followed the Nanjing site, what will be different with this one? Is there anything you would say you have learned what you can do better building up this site?

Second, when do you think you will start with the investments? I guess it is most in the Chemicals segment, at least in the first phase. Does it mean that you scale down the investment in other sites to have enough resources to build up this site? Some words on this would be helpful.

Third, could you give any indication how much the split is in building up the new site? How much is infrastructure, waste management, water treatment and all this? What will be spent for the plant itself?

The last one: The investment. You already outlined that it will be also a hub for the other downstream activities. Is that something which will come then beyond 2030? You outlined that the first plants will come on stream 2026, going on until 2030. So that is probably then going beyond this phase?

Stephan Kothrade: Let me answer the first question. Of course, we have a very long experience in building Verbund sites. You mentioned Antwerp which is an extremely efficient and well thought-through and designed site. But, of course, it was designed and erected starting in the 1960s. In the meantime, we have, in terms of technology, in terms of experience, much more possibilities to go beyond such a setup.

I give you an example. We have now the unique opportunity to design a whole Verbund site in one go. That means, the way how you structure utilities and infrastructure for the site can be optimized in a way that you e.g. have a hub kind of concept where you put all the infrastructure and utilities at the core of the site and then you can supply in all directions to the production sites surrounding it. You can have central control rooms that you would not have established 40 or 50 years ago. Then we have 3D planning. We have all kinds of smart manufacturing concepts, be it in augmented reality, be it in predictive maintenance.

All these concepts mean that you have to install sensors and Distributed Control Systems that are capable to support the smart-manufacturing ideas. If you have an established site you would have to revamp it. Now we can do this from the very beginning. Already when we do the detailed planning in the engineering phase, we can integrate all this. This will also save us a lot of cost.

Putting all this together, I think the way we structure logistics, infrastructure, how we do the concept of steering the plant in central control rooms and the smart-manufacturing aspect, all this will go beyond what we have been doing at the other six Verbund sites so far.

Martin Brudermüller: Andreas, you asked about when is chemicals and downstream and what is basically the first core. It is very clear that the steam cracker is the first big thing and then also the major downstream products because you have to take care of the products the steam cracker produces.

I might also say, as soon as we have defined the site and we have basically our major contracts, we might use the site even to build some downstream plants before the steam cracker. That could happen; it is not yet known. We certainly have a list of investments which we want to do in China. The major part of that is directed to this new site. So it could be that we even start with a downstream plant.

That depends a little bit on the negotiations because at the very end we have now to negotiate – we start from here – a lot of things. This is not only the site and all the framework conditions. It has also to come with a lot of permits. That includes the permits to import raw materials, at least partially. There are also a lot of tax questions like naphtha tax and all this stuff. So, there are several permits coming with it and we have to build this package. This also takes a little bit of time. On the other hand, what we really sensed yesterday in the talks around the negotiations is that Guangdong Province is really eager to support this and make it happen soon. So, we are confident on that.

You asked for the split on infrastructure and production plants: That is really too early because, as Stephan just alluded to, we have some first ideas, but we have then to fix that: How does this really fit to the site? You can imagine that we want to have a huge piece of land that is a container for several decades where we really can invest. So, it depends also on that one. Then you have to see that we want to use harbour facilities. So, we have to see how much we have to do on our own, how much we can use. There are too many questions open to that.

But one thing is clear and you know that: If you do a greenfield site, you have a higher share of infrastructure. That is always the burden with the first wave coming and later we always benefit from that.

Then you basically asked: When does this whole thing start and when do we start to spend? I think we indicated that basically 2021, 2022, 2023 is when we start to invest. I know that some people say, this is a long time until 2026. But keep in mind: When we did Nanjing, we actually announced the project in 1995. We started to build in 2000 and we took it into operations in 2005. So, it was almost ten years between the announcement and the start of operations.

I think we are faster in this case. You clearly see that we have an indication of seven to eight years. But still it is a major endeavour. So there are too many uncertainties to go further at this point.

Laurent Favre (Exane BNP Paribas): I have a question on slide number 9, with the flow chart and the 10 billion dollars. Can you help us understand the size of the first tranche in terms of capex? When I look at this flow chart I am struggling to get beyond 5 billion dollars of spend. Maybe I am missing the infrastructure part. But the 10 billion looks like a very big number.

So, when we think about the first tranche versus the total number, is it a downstream part that is missing from that flow chart, is it scaling up those assets or is it other upstream products like isocyanates to get to the 10 billion dollars?

Martin Brudermüller: The 10 billion dollars really include downstream plants which you do not have on the list here. So there are several downstream plants in the planning and then we have to see how they fit in this whole Verbund.

I think you are right: If you compare the numbers with the Nanjing investment, we certainly have an escalation in cost today because it's some decades ago that we built this.

But I think if you plan something like half for the first wave, it's not a wrong number. But as I said, there are still many uncertainties. There is a plus and a minus on infrastructure and everything. But that is the heavy part that comes first. Don't expect that the 10 billion dollars are spent until 2024 or 2025. We said, until 2030.

I think this first assumption of roughly 50% in the first wave is not a totally wrong number at this point in time.

Laurent Favre (Exane BNP Paribas): Just as a follow up: When people try to build sites like this, usually there is a negotiation involved and some tax breaks and things like that. But I guess, in this case, there is a strategic element to it with the first site that is beyond the 50% ownership.

Can we assume that the structure of BASF-YPC in terms of taxation etc. is applied here, or can we assume that you may get some tax breaks e.g.?

Martin Brudermüller: It's much too early to provide any information on that. We are just starting that and will see: What is Guangdong providing in terms of support or anything? There are so many preferential elements of subsidies or helping or supporting. It can be that they support on the infrastructure investment and are not giving a tax break. I think we have to very much look at the end of how we get out here. I think now to promise you any special tax credits or whatever which you put into your model, would not be the right thing to do.

But, certainly, they are very eager and very happy that we come. I think we mentioned that: Guangdong is the economic powerhouse and it is actually undersupplied by chemicals, particularly when we talk about more specialty-oriented chemicals.

If you look at the list of investment that's currently happening in Guangdong, that is the "Who's who" of the Fortune 500 companies. So, a lot of our customers already have manufacturing hubs over there.

I think there is still so much uncertainty to this, but you can imagine that Guangdong is very eager to get investments of this kind into their province. So they will be creative in helping us. But let's see over the next months and quarters where we get there.

Markus Mayer (Baader Helvea): Two questions: One is basically a clarification question. You said that part of the investments will be in 2021, 2022. Does it mean that there will be no change of your mid-term capex guidance?

The second question is: Is it also planned that existing sites will then also be relocated to the new Verbund site, maybe smaller existing sites?

Martin Brudermüller: Our current mid-term capex guidance is 19 billion euros until 2022. I think this will not be very much affected. On the other hand, it's also clear to you – you saw that in the past: When you do a project like this, whether it was Nanjing or Kuantan or TDI Ludwigshafen, you have, for several years, a slightly higher spending on that.

But I think it will not totally distort what we do here. I think you can keep your capex guidance in your models for the next years as it is. And then as soon as we know how the stretch is and how the phases will look like, then we will adapt. It will be, in some years, slightly higher. But I think you know us also that we are overall disciplined. We will work a lot also on operational excellence. We can debottleneck plants.

We are always, I think, very creative to smoothen that spending line as much as we can. But certainly, it has some highs and some lows if you do such a project.

Regarding the relocation of plants in China: At the moment, we do not foresee anything we have to relocate. It is really that we rather look in where to put the new investments. I have to say also: Our Caojing site is increasingly full. There is not so much space left anymore. It is actually not possible to get new land over there.

Actually, if the downstream industries are in Guangdong, that is for sure the best location you can have. Because I would also expect in future: Not every chemical is easy to transport. There is a lot of regulation in that. The closer you are to your customers, the better.

We had only to face two relocation issues in Shanghai. That was when a local refinery had to close and we had to shut down some plants. And we had to shut down also our dispersion plant over there which anyway, let's say, from a market perspective was the right thing to do.

Beyond that, it is not planned that we shut down anything and relocate. So, everything that will come there will be for growth in China.

Tony Jones (Redburn): Should we be reading that China is the next major expansion and therefore some of the other regions are not likely to get capex much above levels of depreciation? I am thinking about North America e.g. Are some other regions emphasized for significant expansion?

Martin Brudermüller: First of all, we should invest where the growth is. That is definitely in the emerging countries. And all above that, it is China. You saw these amazing numbers, that in 2025 almost half of the global market is China. If you look at the contribution, in the last years up to 70% of the global growth in chemicals came from China.

So, for that reason: Yes, you can assume that this is our major focal point for investments. I don't see such big projects in Europe because we have much lower growth rates.

On the US, I would say: First of all, investments in the US are very, very expensive at this time. Second, there are a lot of announcements, also based on shale gas which is mainly also crackers and C2 production, polyethylene, which is most probably going to be exported. I leave it to your imagination what that means, maybe in a world that is more harmed by trading issues in the future, particularly also between the US and China.

We have already in the past had the strategy that we normally build the assets where the growth is. We have done it in the past, I would say, rightfully. Looking back today, in hindsight, I would say: We were really lucky and right to do it. Our risk mitigation at that point was that we wanted to have cost for production, revenues and earnings in the same currency. Basically, we wanted to protect ourselves against shifts in exchange rates.

Today, with the major trade frictions, it's still the same strategy, but the driver is not to be exposed to any duties and trading restrictions. For that reason, very clearly: Yes, you can expect that the main emphasis on investments, capital investments will be in China.

I clearly want to say: We are proud of that step and that we have also the support as the first chemical company to do that in China. If you look at these growth numbers: Every global company that has aspirations to grow with GDP, has to have a China strategy. I think there is no other company like us who can take such a step. We have proven that with YPC and the joint venture. We have proven to do something like that 100% alone in MDI in Chongqing. Now we even go one step further.

I think the real advantage is: We have a mature team that is totally capable to execute something like this locally. In that respect, it will be our focus point for major capex in the years to come.

Sebastian Bray (Berenberg): The first is the scale of this facility relative to Nanjing in terms of existing ethylene capacity. Could you please give us an idea of what Nanjing is currently sitting at? Is it slightly less than the 1 million tons?

Could you also please give us any idea of the capacity for derivative products such as butadiene at this new site?

The second is on the number of employees: Could you remind us of how many employees are currently at Nanjing and perhaps give us a preliminary number for the new facility?

Stephan Kothrade: At the Verbund site in Nanjing, we operate a steam cracker with a nameplate capacity of 740,000 tons of ethylene. For the new project with roughly 1 million tons, we would obviously build a bigger capacity.

In terms of the number of employees: We have roughly 2,000 own employees operating the Nanjing Verbund site and then, of course, a high number of contractors, depending on project activity, maintenance activities etc.

For the new site, I would as a first rough estimate, assume that roughly we talk about the same number of people. Thinking in terms of productivity gains, smart manufacturing etc., we would have a much higher production output with the same number of people.

Peter Spengler (DZ Bank): One question is on the chart where you show us the EBITDA and sales of the Nanjing site, page 6. It's probably 100%. So, it's not your joint venture part, but it's the full plant?

The second question is: Was there a change of strategy in China to go away from joint ventures? How difficult was it to get it 100% fully-owned? Are there other competitors with such large projects in other provinces?

My last question in this regard: Is it the biggest chemical site in China then in 2030 overall?

Martin Brudermüller: The information we provide on slide 6 is indeed 100% of BASF-YPC operation.

With respect to joint ventures and our ambitions to do something in joint ventures or alone, I think, it's very natural and very clear: As a potent company like BASF, whenever it makes sense to do something alone, we do it alone. That gives freedom to operate. You can decide much more quickly. You maybe also bring some technologies which you don't want to share with the joint venture partner. So that gives you all freedom to operate.

On the other hand, we have always been reasonable enough to see when we can join forces with someone who can bring in either technology, market access or raw materials, then we are eager to do that if there is at the very end a win-win.

I think we have really a good operation in Nanjing, we are happy with Sinopec. But on the other hand: With almost 9 billion euros sales [in China], aren't we mature enough to build an own Verbund site? I think yes. We should have also the aspiration for that.

Actually, after the opening of some restrictions in the automotive industry and the banking industry, we have been pushing and asking the Chinese government: Isn't this now also the right time in the chemical market to get rid of all the restrictions that exist? Actually, we found positive resonance over there. They very clearly bet on us and say: Yes, BASF is the right company to do such a step as a pioneer in China because, I think, we build on this very reliable partnership.

Over the years, we have always been reliable. We did what we said. I just remind you: In 2008/2009, when we announced the Chongqing MDI facility – that was the time when we had the financial crisis – everyone disappeared in China in terms of their investment plans. At that time, really, we have been the only sizeable investment that was announced. That is something the Chinese people don't forget. This is something where they say: This is a reasonable company.

They also know our facilities. Many officials have visited us in Ludwigshafen. They know how we operate, safely in the middle of a city. They all know Nanjing. Most of them have visited that. They are impressed with how we do it.

So, I think that it is not astonishing that they have chosen us for this step. I think there will be others again following us. That's right. That's why I think we are opening a door here for the chemical industry and we contribute one more step in the overall request of China to open their markets even more.

This is something we are proud of and we will walk in front of all the others that I think will follow over time. As I said earlier, we are proud that we have a China strategy which we can execute and that we can really participate in this growth. I ask myself how you can be top-notch in the chemical industry without having a China strategy.