Performance Chemicals

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President, Performance Chemicals division

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Cautionary note regarding forward-looking statements

This presentation contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Such risk factors include those discussed in Opportunities and Risks on pages 158 to 166 of the BASF Report 2020. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.
Sustainability and digitalization drive transformation in our industries

- Improved **fuel economy** and (electric and fuel cell-based) **alternative powertrain** concepts
- Reduced **carbon** and **NOx emissions**
- More stringent **emissions reduction** in marine transportation

- More efficient **water and land management**
- **Higher recovery of ores and energy sources** with lower environmental impact
- Extended product **durability and life**

- **Circularity in plastics** and other chemical value chains
- Increased use of **renewable resources** and **feedstock**

- Chemical applications combined with **digital technology**
- Use of **digital technologies** to improve efficiency
- More digitally enabled collaboration
Performance Chemicals: Leading market position in attractive customer industries

**Main applications**
- Plastics in packaging, agriculture, automotive, construction, electronics

**Main products**
- Antioxidants
- Light stabilizers
- Customer-specific blends

**Key customer examples**
- Exxon, Sabic, LyondellBasell

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**Plastic additives**
- 39%  
- Top 3

**Main applications**
- Transportation
- Mineral oil

**Main products**
- Mineral oil additives
- Automotive fluids
- Polyisobutylene
- Lubricant components
- Lubricant formulations

**Key customer examples**
- Lubrizol, VW, Shell

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**Fuel and lubricant solutions**
- 44%

**Main applications**
- Mining and ore processing

**Main products**
- Additives and agents for leaching and solvent extraction
- Solid-liquid separation
- Flotation

**Key customer examples**
- Glencore, BHP

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**Mining solutions**
- 8%

**Main applications**
- Oil and gas

**Main products**
- Additives and agents for drilling, stimulation, cementing, production and enhanced oil recovery

**Key customer examples**
- Schlumberger, Halliburton

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**Oilfield chemicals**
- 3%

**Main applications**
- Coatings, paper, plastics, automotive, agriculture

**Main products**
- Industrial performance minerals (calcined and hydrous kaolin)

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**Kaolin minerals**
- 6%

**Main applications**
- Oilfield chemicals

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Regionally balanced portfolio serving different industries across all regions

Sales by region\(^1\) 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (billion €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>€2,775 million</td>
</tr>
<tr>
<td>South America, Africa, Middle East</td>
<td>11%</td>
</tr>
<tr>
<td>North America</td>
<td>24%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>27%</td>
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</tbody>
</table>

Sales by direct customer industry 2020

<table>
<thead>
<tr>
<th>Industry</th>
<th>Sales (billion €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic and rubber</td>
<td>€2,775 million</td>
</tr>
<tr>
<td>Automotive</td>
<td>€2,775 million</td>
</tr>
<tr>
<td>Utilities and energy</td>
<td>€2,775 million</td>
</tr>
<tr>
<td>Others</td>
<td>€2,775 million</td>
</tr>
<tr>
<td>Chemicals</td>
<td>€2,775 million</td>
</tr>
<tr>
<td>Others</td>
<td>14%</td>
</tr>
<tr>
<td>Automotive</td>
<td>8%</td>
</tr>
<tr>
<td>Utilities and energy</td>
<td>14%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>26%</td>
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</tbody>
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Portfolio measures drive improved EBITDA bsi margin and decline in net sales

- Portfolio and excellence measures drive EBITDA margin improvement
  - Average margins
    - 2015–2018: 15%
    - 2019–2020: 18%
  - Net sales decline mainly due to divestitures of non-core business activities
    - 2015: Textile chemicals
    - 2017: Leather chemicals
    - 2019: Paper and water chemicals, ultrafiltration membrane business
  - Volume growth of 2.8% p.a. in core businesses between 2015 and 2019
  - Volume development of –5.4% in 2020 due to the pandemic
Performance Chemicals’ global footprint

- Plastic additives
- Fuel and lubricants
- Mining solutions
- Kaolin minerals
- Major R&D sites

Fundamentals: Trends - Division - Sales split - Financials - Asset footprint - Portfolio I Growth levers
We invest selectively while managing our portfolio for profitable long-term growth
We strive for profitable growth through customer focus, efficient operations and sustainable innovations

<table>
<thead>
<tr>
<th>Fundamentals</th>
<th>Growth levers: Sustainability - Innovation - Digitalization - Asia Pacific - Collaboration</th>
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<tr>
<td><strong>Sustainability</strong></td>
<td>Enabling transformation toward a circular economy, emissions reduction and resource efficiency</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Creating value with industry expertise to improve cost to performance ratio</td>
</tr>
<tr>
<td><strong>Digitalization</strong></td>
<td>Leveraging chemistry know-how with digital technologies for new service-based business models</td>
</tr>
<tr>
<td><strong>Asia Pacific</strong></td>
<td>Investing for growth</td>
</tr>
<tr>
<td><strong>Collaboration</strong></td>
<td>Providing innovative solutions in partnership with key customers</td>
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Sustainability goals drive growth: Enabling transformation in end markets

- **Improved fuel economy** and lower CO₂ emissions through new-generation fuel performance packages
- Coolants and brake fluids for electric and fuel cell vehicles
- **Reduced NOₓ emissions** of marine diesel engines through high-performance additives
- **Chemicals to enable more efficient water usage and improved land recovery in mining**
- **Higher ore recovery** with less chemical usage; biodegradable products for offshore oil recovery
- Additives enabling **extended durability** and **life** of high-performance plastics
- **Additives to improve mechanical recycling of plastics**
- Use of **renewable resources** with biomass balance products
- New business models enabling recycling of products

**Circular economy**

**Emissions reduction**

**Resource efficiency**
Mechanical recycling is a fast-growing market enabled by innovative plastic additives

Mechanically recycled plastics globally million metric tons

Addressing specific issues in mechanical plastics recycling through additive packages:
- **Stability**: Protection from oxidative damage
- **Quality**: Enhanced mechanical and optical properties

Collaborating across a network of partners to enable prototyping and launch:
- Recyclers
- Manufacturers
- Brand owners and retailers
Our innovation engine is fueled by our chemical and application know-how, in combination with customer collaboration

Joint developments with customers and industry partners
- Trusted development partner for customers
- Deep collaboration relationship with key accounts
- Long-standing cooperation with industry partners and academia

R&D capabilities
- Chemical and formulation expertise and process innovation
- Industry application know-how and test centers in all regions
- Digitalization and data science for increased efficiency

Expert network
- Global R&D community with dedicated technology platforms
- Renowned industry experts
- Global technical marketing and sales teams

Plastic additives
- Light and heat stabilizers

Fuel and lubricant solutions
- Next generation of premium fuel performance packages

Mining solutions
- Technology for copper heap and dump leach processes

Oilfield chemicals
- Hyperbranched paraffin inhibitors
Innovating to serve the needs of the fast-growing e-mobility market

- BASF coolants business with major BEV OEMs, approvals and recommendations for major electric vehicle models
- Cooperation with OEM partners for new coolant concepts for efficient battery and fuel cell thermal management
- Lubricant products for e-mobility with improved viscosity, electrical conductivity and corrosion inhibition
- Low viscosity DOT 4 brake fluid, designed for modern braking systems with electronic control systems
We are leveraging our chemical know-how with digital technologies to build new businesses and growth fields.

New service-based revenue stream for BASF leveraging complementary industry expertise

Combination of unique chemical and process expertise and trusted artificial intelligence models enables:

- Increased efficiency and safety through smart and real-time decision making at mines
- Improved sustainability through better recovery, optimized dosing of chemicals and lower water usage
- Process optimization across the full beneficiation process, from pilot to port
We are investing for growth in Asia

Continually expanding capabilities and capacities to capture growth in Asia Pacific

- 7 major sites and plants to serve the Asian market
- Main application center in Shanghai with additional leverage of local BASF R&D network
- More than 700 employees, including ~150 technical marketing and sales experts
- More than 60% of overall growth capital spent in Asia (2015–2019)
Brake fluids with Hydraulan®: High-performance fluids for next-generation brake systems

Top German automotive customer

Need: next-level requirements for new brake systems
- New brake fluids required to fulfil needs of sophisticated brake systems with outstanding safety performance
- Global supply security to minimize disruptions in production plants and brake fluid change workshops

Capability: high-performance product and application know-how
- Only product to fully comply with requirements for next-generation braking systems (DOT4 Class 6)
- Deep understanding of product application and customer requirements
- Know-how to cooperate in complex automotive supply chains with third-party suppliers
**We are well positioned to continue to grow profitably**

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<td>Product solutions and services that enable emission reductions, higher resource efficiency and a circular economy</td>
<td>Deep chemical and application know-how with industry-relevant expertise and customer collaboration</td>
<td>New businesses and growth fields, leveraging chemical know-how with digital technologies</td>
<td>Ongoing expansion of our capabilities and capacities to capture growth in Asia Pacific</td>
<td>Close collaboration with leading industry players to set new standards in the market</td>
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