BASF investigates establishment of second Verbund site in China

July 9, 2018
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 the Opportunities and Risks Report from page 111 to 118 of the BASF Report 2017. BASF does not assume any obligation to update the forward-looking statements contained in this presentation above and beyond the legal requirements.
Asia and China continue to dominate global chemical production

Real chemical production (excl. pharma)
(trillion US$, base year 2015)

**World**
- 2015: 3.6 trillion US$
- CAGR: 3.4%
- 2025: 5.0 trillion US$
- CAGR: 5.0%

**Asia Pacific**
- 2015: 1.5 trillion US$
- CAGR: 4.4%
- 2025: 2.0 trillion US$
- CAGR: 3.1%

Source: BASF
BASF is a well-established and highly-recognized company in China

Mainland China, Hong Kong, Taiwan
- 25 major wholly-owned subsidiaries
- 7 joint ventures
- 25 production sites
- 24 sales offices
- 8,982 employees*
- €7.3 billion sales** in 2017 (~€8.7 billion including 50% of BASF-YPC, Nanjing)

Legend***
- Asia Pacific headquarters
- Greater China headquarters
- R&D and Technical Centers
- Verbund site
- Production site
- Sales office
BASF is growing in and with China

- **1850s**
  - First delegate in China

- **1960s**
  - First production in China

- **1966**
  - Inauguration of Nanjing Verbund site

- **2005**
  - Expansion of Nanjing Verbund site

- **2009**
  - Establishment of Nanjing Specialty Chemicals

- **2010**
  - Expansion of acrylic acid production at Nanjing Verbund site

- **2012**
  - Inauguration of Innovation Campus Shanghai

- **2014**
  - Expansion of Innovation Campus Shanghai: Automotive Application Center

- **2015**
  - Inauguration of Chongqing MDI complex
  - Inauguration of Maoming site

- **End of 2018**
  - Intended establishment of Verbund site in Guangdong

**Additional Notes:**
- BASF is growing in and with China, as evidenced by their various initiatives and expansions since 1850s until 2018.
BASF’s existing Verbund site in Nanjing** has been consistently profitable with reliable dividend payments

Sales (in billion €)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (in billion €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.72</td>
</tr>
<tr>
<td>2009</td>
<td>1.36</td>
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<tr>
<td>2010</td>
<td>1.93*</td>
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<tr>
<td>2011</td>
<td>2.76</td>
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<tr>
<td>2012</td>
<td>2.83</td>
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<td>2013</td>
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<tr>
<td>2016</td>
<td>2.36</td>
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<tr>
<td>2017</td>
<td>2.76</td>
</tr>
</tbody>
</table>

EBITDA (indexed)

* Year of scheduled turnaround; ** BASF-YPC Company Ltd. Nanjing, 50:50 JV with Sinopec
Guangdong province is ideally located to serve the fast-growing, undersupplied market in South China

**Market characteristics**

- More than 110 million residents in Guangdong province
- GDP Guangdong (2017): ~US$1,330 billion (to reach GDP of South Korea soon)
- Key customer industries: transportation, consumer goods, home and personal care, electronics
- Chemical products are generally undersupplied by local production
Guangdong is home of key customers from fast-growing industries

Strongly growing industrial base
(Real value added, manufacturing in Guangdong; base year 2015)
billion US$

Largest electronics production in China
(Real value added, electronic equipment in Guangdong; base year 2015)
billion US$

Largest automotive production in China
(number of cars built in Guangdong [in 1,000])

Increasing growth of private consumption
(Real household consumption in Guangdong; base year 2015)
billion US$
BASF intends to build a world-class Verbund site in South China to serve fast-growing customer industries in the region.

Intended scope of new Verbund site (preliminary):

- **Steam cracker** (planned capacity ~1 million tons p.a. of ethylene)
  - **Ethylene**
    - Ethylene oxide
  - **Propylene**
    - Acrylic acid
    - Oxo-C4
    - HPPO
  - **Crude-C4**
    - Raffinate
    - Butadiene

Parameters:

- 100% BASF-owned and operated
- Potential investment of up to US$10 billion until around 2030
- Investment to evolve in phases
- Startup of first plants in 2026 at the latest
- Most advanced Verbund site with smart manufacturing concept
- Environment, health and safety concept according to BASF’s global standards and local laws and regulations
- Next step: Pre-feasibility study
The new Verbund site – an important contribution to BASF’s profitable growth in China and also globally

- Asia and China continue to dominate global chemical production
  - Already today, China has a world market share of around 40%

- BASF is a well-established and highly-recognized company in China
  - Strong production footprint with 25 production sites
  - Sales offices across China
  - Innovation Campus in Shanghai

- Guangdong province is ideally located to serve the fast-growing, undersupplied market in South China
  - Customers from key industries like transportation or consumer goods as well as further fast-growing industries are located in Guangdong

- BASF intends to build a world-class Verbund site in South China to serve fast-growing customer industries in the region