

Sanjeev Gandhi

Member of the Board of
Executive Directors

Stephan Kothrade

Gops Pillay

Presidents, Asia Pacific

BASF Roundtable

Asia Pacific

London

September 23, 2016

 **BASF**

We create chemistry



We create chemistry in Asia Pacific

Cautionary note regarding forward-looking statements

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Agenda

1 | **Keynote – Sanjeev Gandhi**

2 | **Asia Pacific – Gops Pillay**

3 | **China – Stephan Kothrade**

4 | **Summary – Sanjeev Gandhi**

Key Messages

Asia Pacific is the **largest market for the production and consumption** of chemicals.

BASF is well positioned in Asia Pacific and is quickly adapting to the changing environment.

“We create chemistry in Asia Pacific”
leveraging the growth opportunities in the market.



What has changed in Asia Pacific?

Slower growth

in **China** – rebalancing of economy towards consumption and services

Low growth

in **large mature markets**

Slight pick up

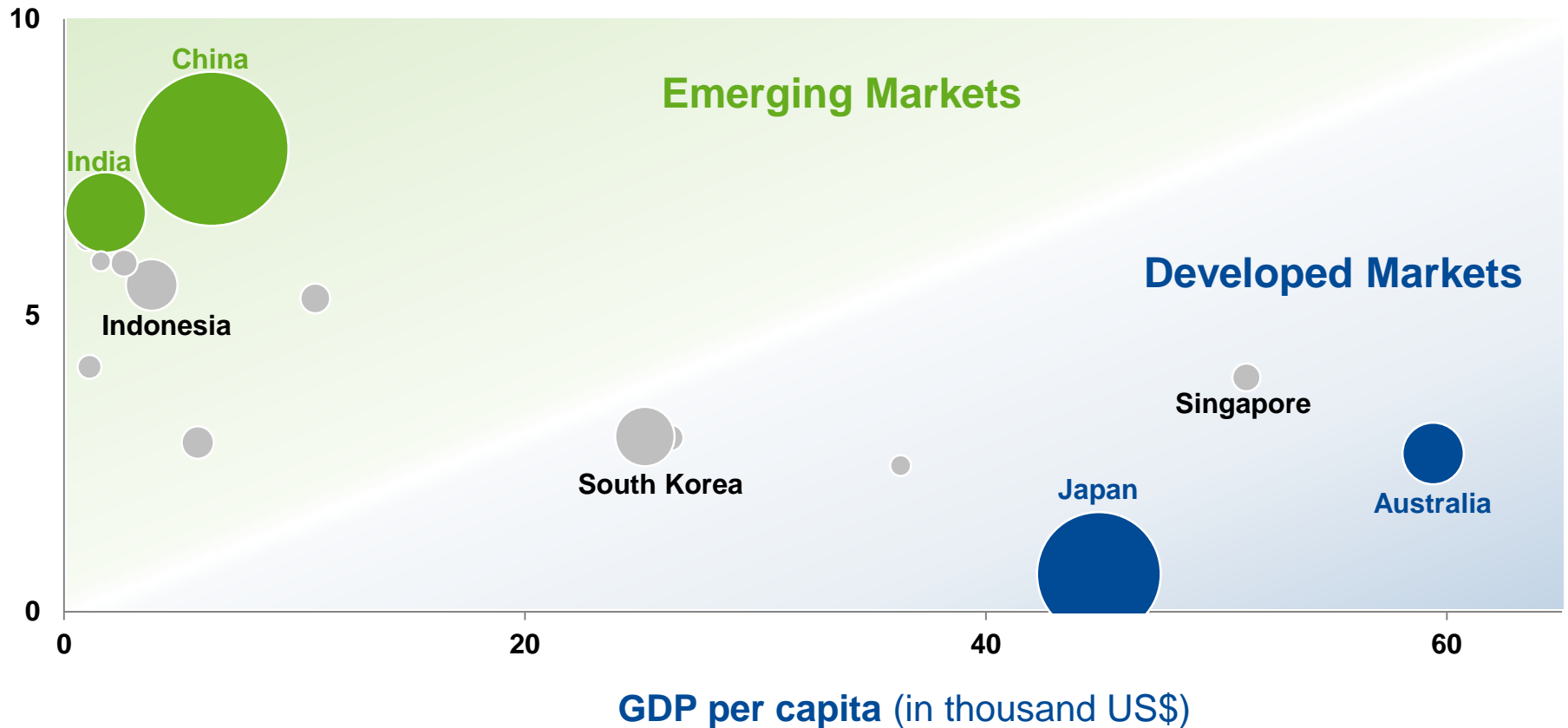
in **India** and **South East Asia**

Overcapacities

in some **commodity product lines**

Asia Pacific remains a diverse region

GDP CAGR 2010–2015 (in %)



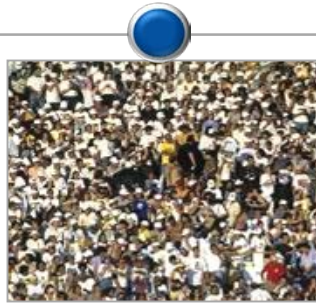
Macroeconomic trends in Asia remain unchanged



Asia: dominating global growth



China influence increasing



Demands of society and government



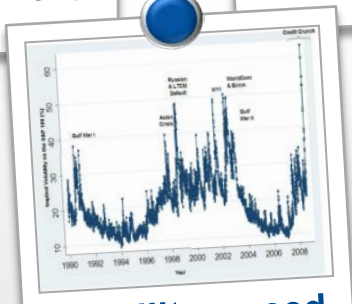
Resource scarcity



Urbanization



Competition for top-talent

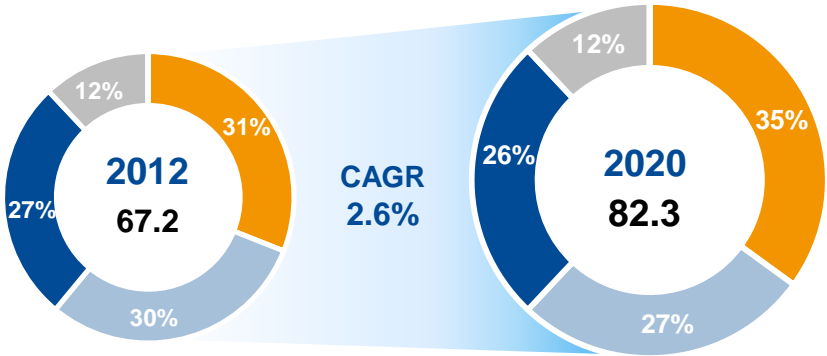


Volatility, speed and uncertainty

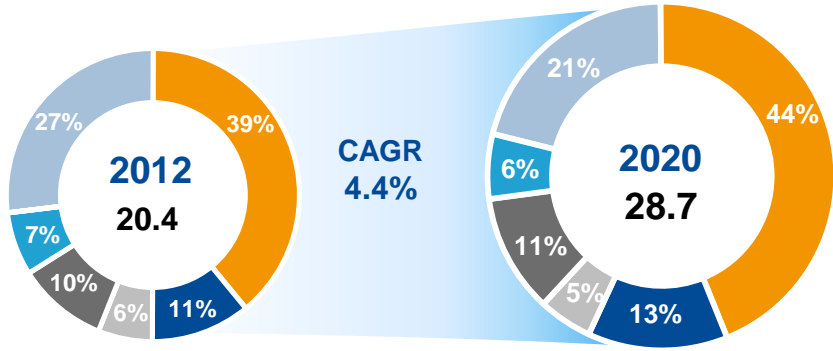
GDP in Asia Pacific is expected to outgrow other regions

Real GDP (in trillion US\$)

World



Asia Pacific

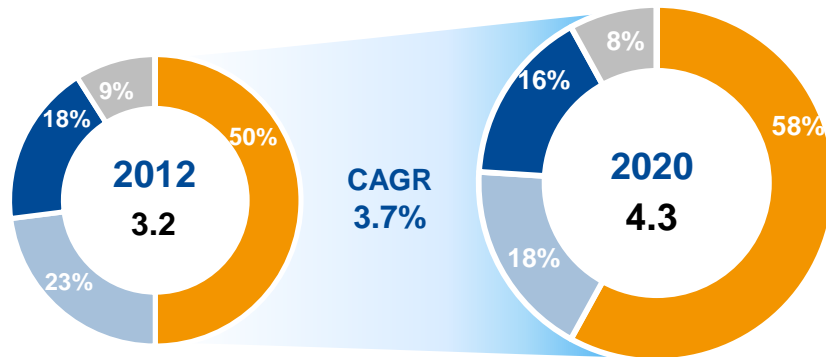


Greater China: Mainland China, Taiwan, Hong Kong, Macau
South Asia: India, Pakistan, Bangladesh, Sri Lanka
South East Asia: Singapore, Philippines, Vietnam, Thailand, Indonesia, Malaysia
ANZ: Australia, New Zealand

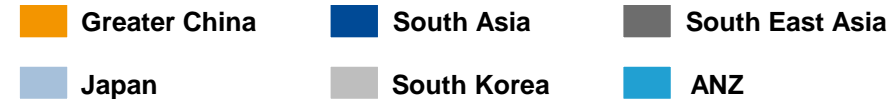
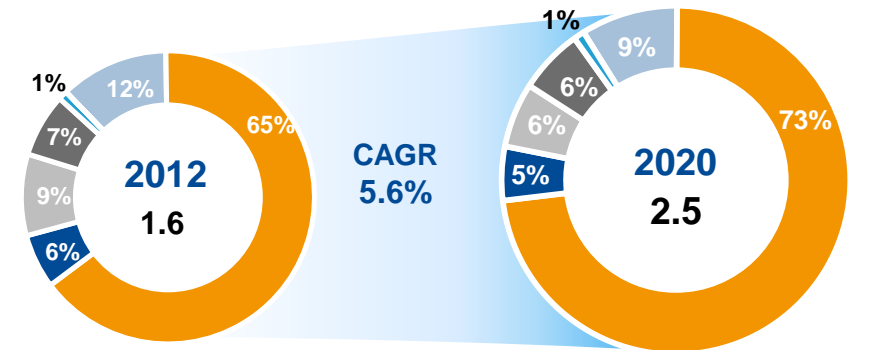
Asia and China continue to dominate global chemical production

Real chemical production (excl. pharma) (in trillion US\$)

World

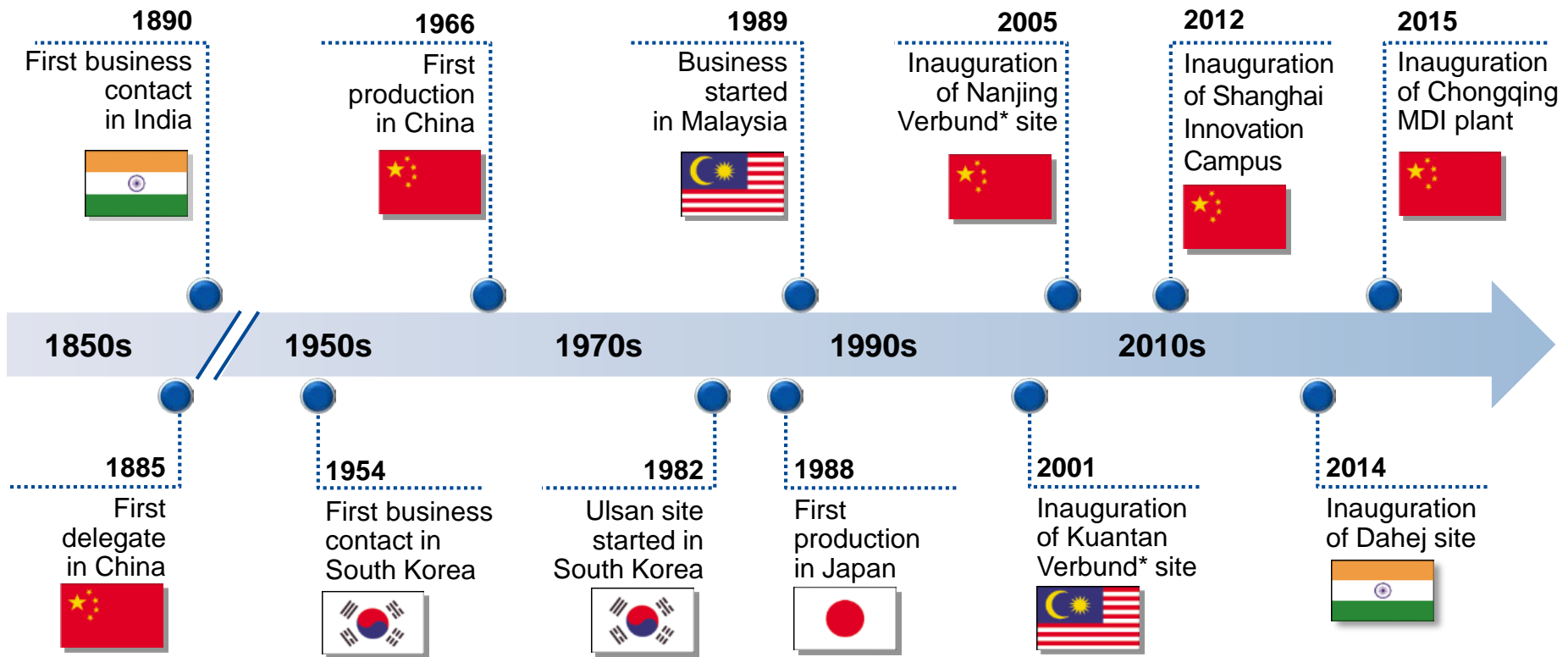


Asia Pacific



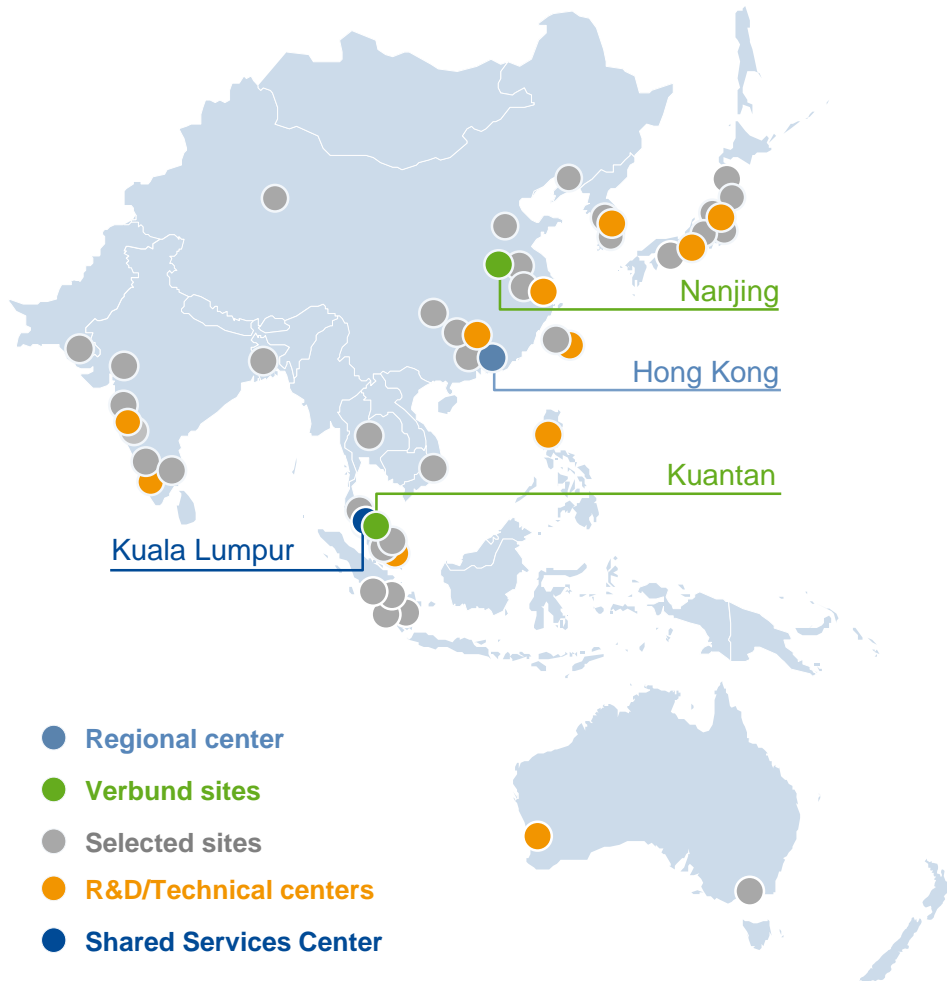
Greater China: Mainland China, Taiwan, Hong Kong, Macau
South Asia: India, Pakistan, Bangladesh, Sri Lanka
South East Asia: Singapore, Philippines, Vietnam, Thailand, Indonesia, Malaysia
ANZ: Australia, New Zealand

BASF is growing in and with Asia Pacific



* An integrated production complex where the manufacturing plants are interconnected to ensure that products, by-products and energy are used efficiently and intelligently and that costs and environmental impact are minimized.

BASF in Asia Pacific 2015



BASF is active in **16** countries

Customers from **38** markets

Around **100** production sites*

>120 sales offices*

17,562 employees**

~€12.3 billion sales***





















~€0.9 billion EBITDA before special items

* Only selected sites and offices are depicted in this chart. Site and office numbers refer to companies of significant size where BASF holds a stake greater than 50%.

** As of December 31, 2015

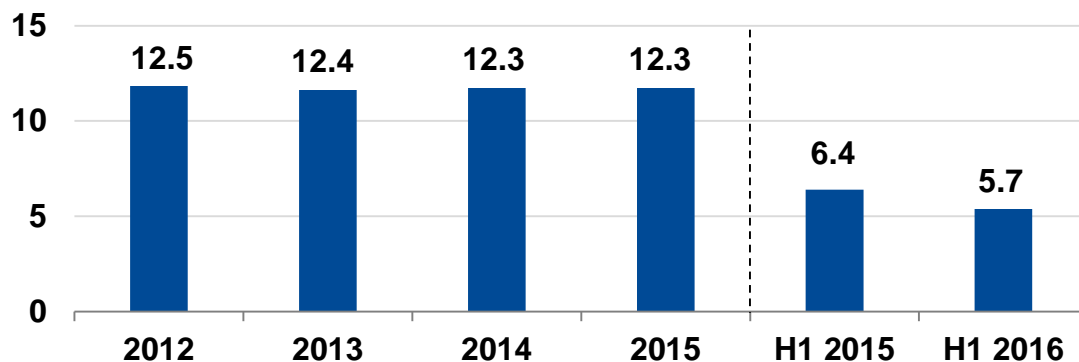
*** Sales by location of customer, not including BASF-YPC sales (€2.2 billion)

BASF is the only western chemical company amongst Asia's top 10

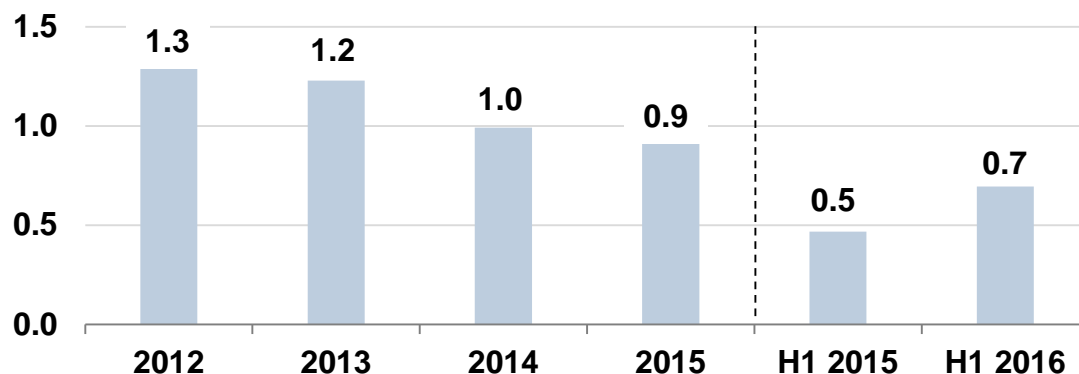
		Company		2015 Chemical sales in Asia Pacific (in billion €)	
1		Sinopec		41.4	External Sales – Chemical Segment
2		Formosa Group		32.6	4 related companies: FPC, NPC, FCFC, FPCC
3		ChemChina		31.9	Turnover – 4 related segments
4	 Mitsubishi Chemical Holdings	Mitsubishi Chemicals		22.7	Net Sales – excluding healthcare & others, adj. for calendar year 2015
5	 LG Chem	LG Chem		16.1	2015 sales revenue
6	 SUMITOMO CHEMICAL	Sumitomo Chemical		15.6	Net Sales – excluding pharma & others, adj. for calendar year 2015
7	 TORAY Innovation by Chemistry	Toray		12.6	Net Sales – excluding life science & others, adj. for calendar year 2015
8		BASF*		12.3	Sales by location of customers
9	 Reliance Industries Limited	Reliance Chemicals		11.4	External turnover – adj. for calendar year 2015
10	 Mitsui Chemicals	Mitsui Chemicals		10.5	Net Sales – adj. for calendar year 2015

BASF's performance in Asia Pacific

Sales* (in billion €)



EBITDA before special items (in billion €)



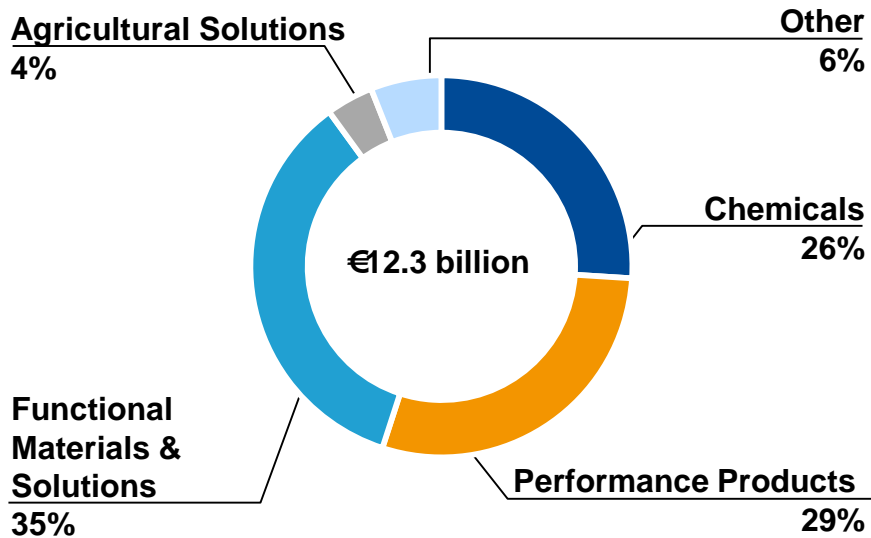
- Stable volumes despite challenging environment
- Volume growth in China
- Increased share of products produced in Asia
- R&D platform set up
- Cost discipline



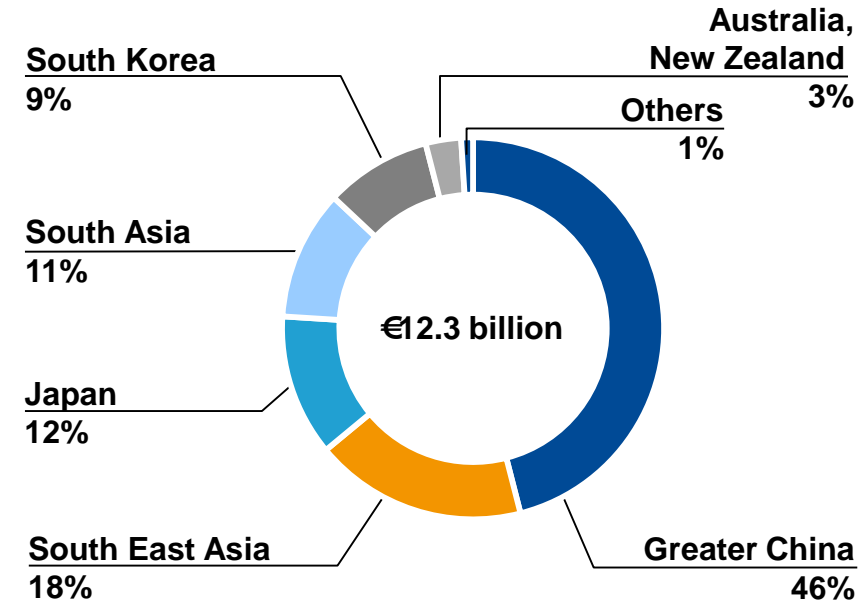
- Negative top-line impact due to portfolio pruning
- Overcapacities and low oil price impact prices and margins

BASF in Asia Pacific: Balanced portfolio

Sales* by segment in 2015
(in billion €)



Sales* by sub-region in 2015
(in billion €)



Greater China: Mainland China, Taiwan, Hong Kong, Macau
South East Asia: Singapore, Philippines, Vietnam, Thailand, Indonesia, Malaysia
South Asia: India, Pakistan, Bangladesh, Sri Lanka
Others: Kazakhstan, Kyrgyzstan, Mauritius, Uzbekistan, Tajikistan, Turkmenistan

Our strategy

Market

Grow sales faster than
Asian chemical production

Innovation

Accelerate innovation by
utilizing new R&D assets

Portfolio

Continue to optimize
our portfolio

We create chemistry in Asia Pacific

Investment

Selectively expand our
local production network

People

Attract, develop and
retain talent

Excellence

Drive profitable growth
through excellence

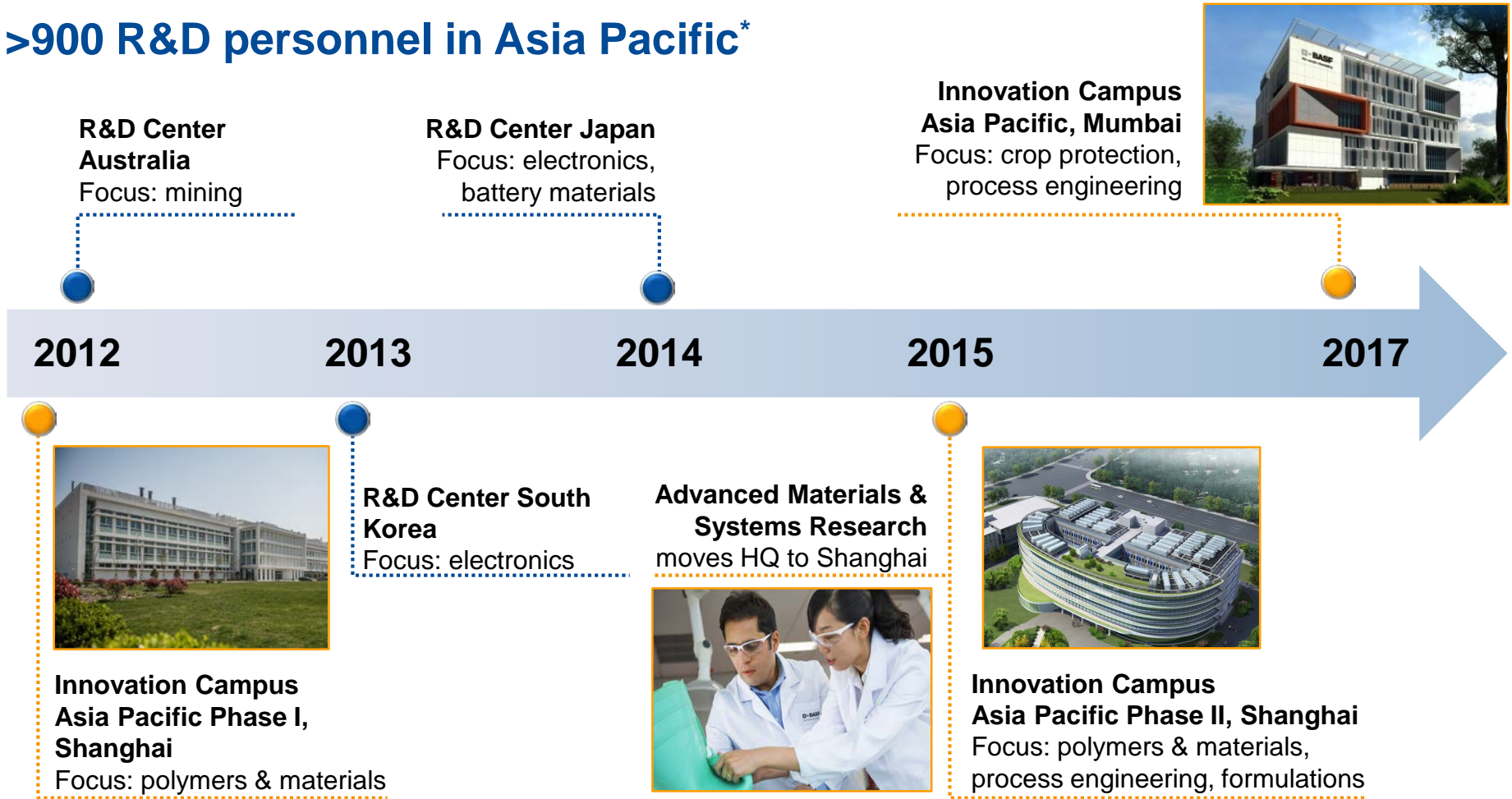
We participate in innovative and growing markets

Estimated CAGR 2015–2020 for selected industries, Asia Pacific



R&D close to our customers: Our facilities across Asia Pacific

>900 R&D personnel in Asia Pacific*

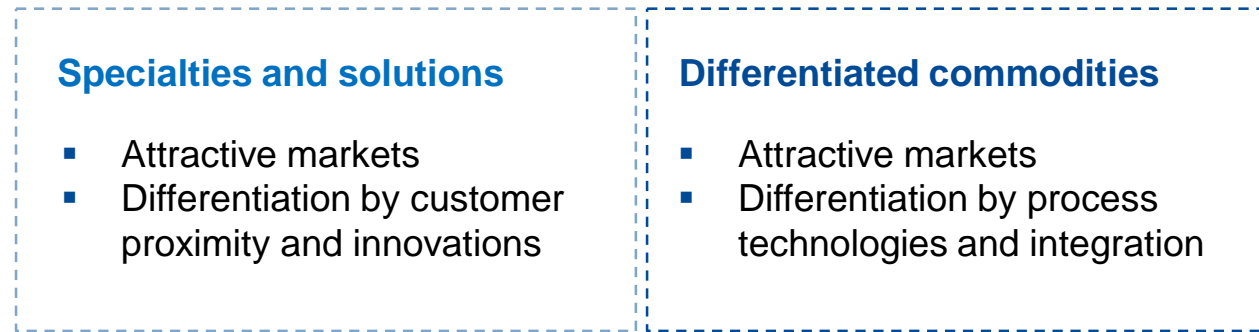


Continuous global portfolio development

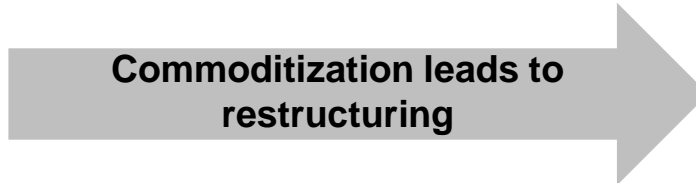
Growth fields

Innovation pipeline

Acquisitions



Divestment of businesses, e.g., due to lower market attractiveness



Divestment of businesses, e.g., due to loss of differentiation

Maintaining a balanced portfolio

Portfolio development Asia Pacific

Selected transactions with relevance to Asia Pacific

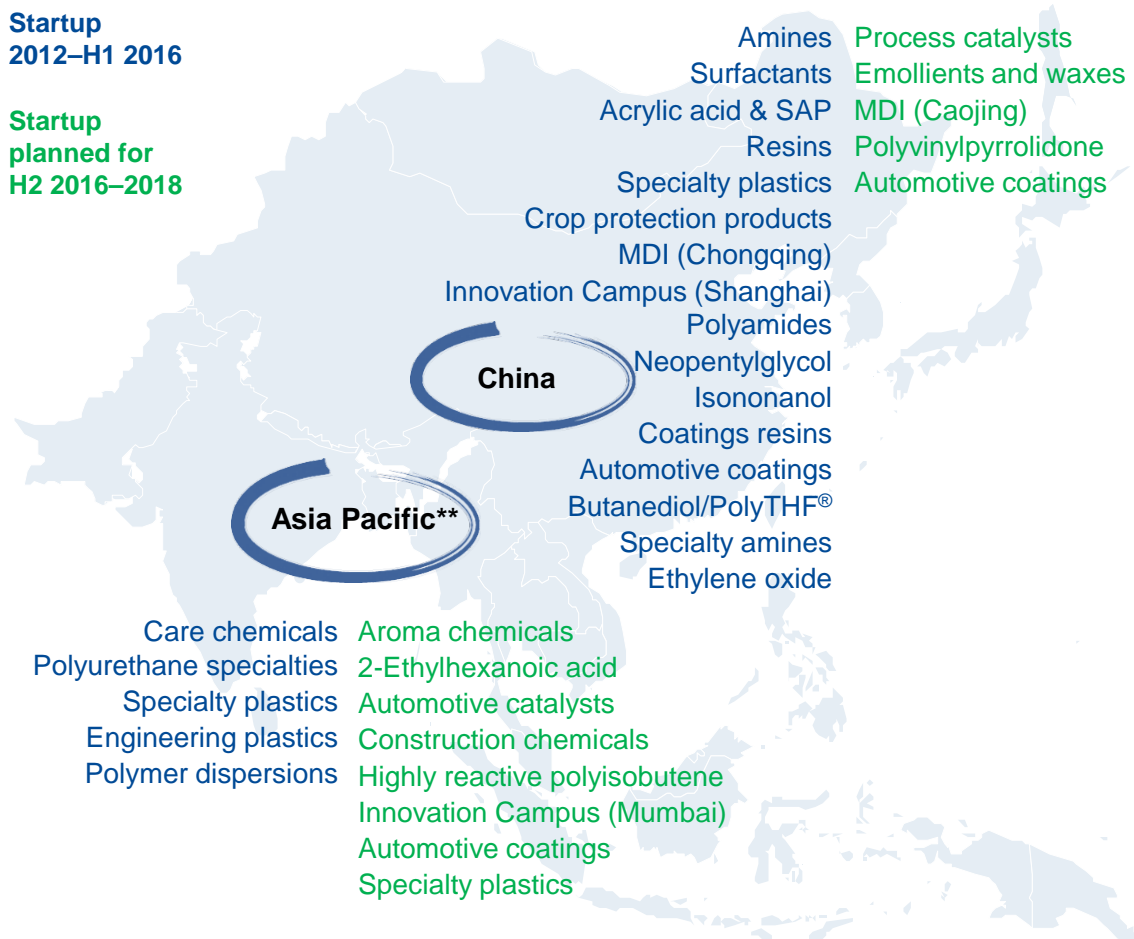


Balanced asset base in Asia Pacific: Investments for profitable growth

Selected major capex projects*

Startup
2012–H1 2016

Startup
planned for
H2 2016–2018



- Investments 2012–2015: €3.0 billion (13% of BASF Group)
- Increasing focus on investments where BASF:
 - is technologically leading
 - has a competitive advantage
 - expects strong profitable market growth
- Target remains: ~75% own manufactured products by 2020 (today: ~55%)

Selected recent investments in Asia Pacific



Aroma ingredients complex

Kuantan, Malaysia

- Total investments >€500 million
- Startup of first plants in 2016



Automotive coatings

Caojing, China

- Second coatings plant within three years
- Startup planned for second half of 2017



Highly reactive polyisobutene

Kuantan, Malaysia

- Capacity: 50,000 metric tons
- Startup planned for second half of 2017



Chemical catalysts

Caojing, China

- BASF's first facility in Asia Pacific to produce process catalysts
- Startup planned for first half of 2017



Mobile emissions catalysts

Rayong, Thailand

- New site to produce light-duty and motorcycle emissions catalysts
- Startup planned for first half of 2017

Best Team: Excellent people, workplace and leaders



- BASF is an attractive employer in Asia Pacific
- Attrition rate is significantly lower than peer average of 7%* in the region
- Cooperation with leading universities to access talents and training
- Strong experience profile and tenure of senior executives



Excellence measures to enhance competitiveness and profitability

Functional excellence

- Expansion of Shared Services Center Kuala Lumpur, Malaysia
- Improved efficiency in functional units

Structural excellence

- Optimization of office space
- Consolidation of sites and legal entities

Operational excellence

- Debottlenecking and technical improvement
- Increased raw material and energy efficiency

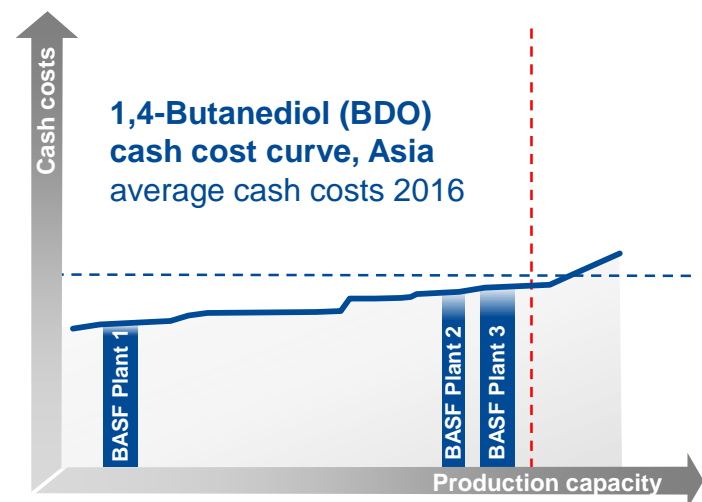
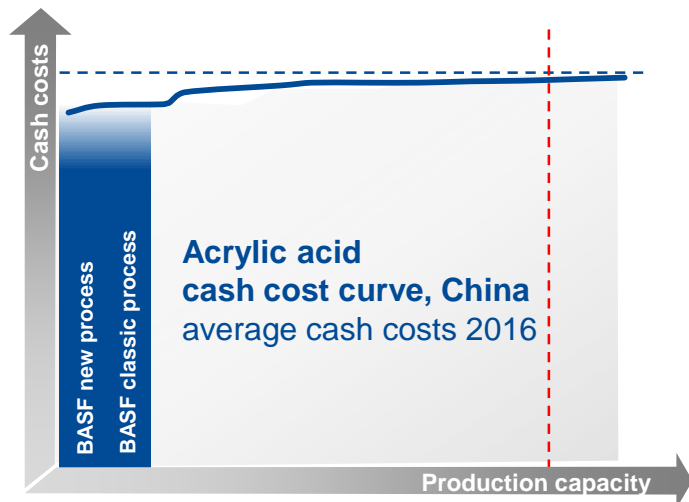
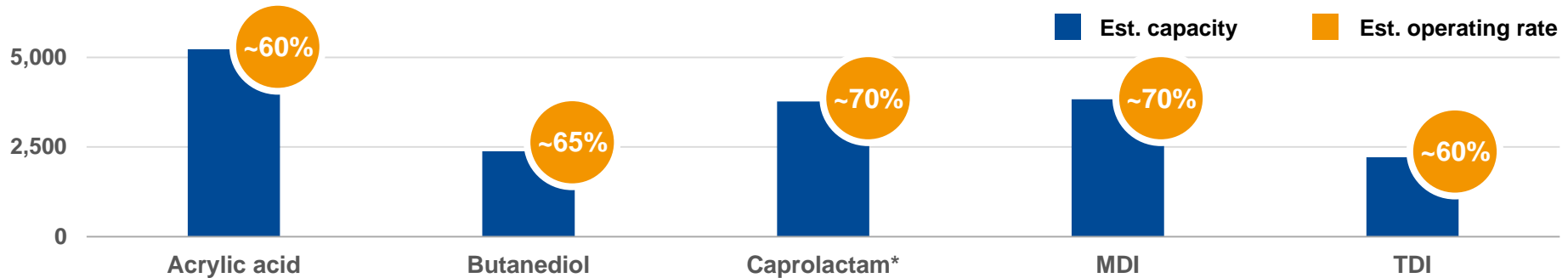


Asia Pacific is a significant contributor to the global DrivE program

Strong focus on efficiency and effectiveness

BASF benefits from attractive cost position in Asia in the Chemicals segment

Overcapacities in selected commodities will persist for some years
(2016 industry capacities in thousand metric tons, operating rates in %)



Shared Services Center Kuala Lumpur, Malaysia



- Key driver for efficiency and functional excellence for more than 10 years
- Competitive multi-functional services to more than 60 BASF companies across 16 countries in Asia Pacific
- Access to competent and multi-lingual talent from 12 nationalities in a relatively low-cost location
- Delivering reliable and standardized services in 7 languages at competitive and steadily increasing efficiency levels

Asia Pacific contributes to BASF Group targets

Financial targets of BASF Group for next years

- **Sales growth**
Slightly faster than global chemical production
- **EBITDA growth**
Well above global chemical production
- **Deliver attractive returns**
Earn a significant premium on cost of capital
- **Remain a strong cash provider**
Continuously generate high levels of free cash flow
- **Progressive dividend policy**
We want to grow or at least maintain our dividend

Agenda

1 | **Keynote – Sanjeev Gandhi**

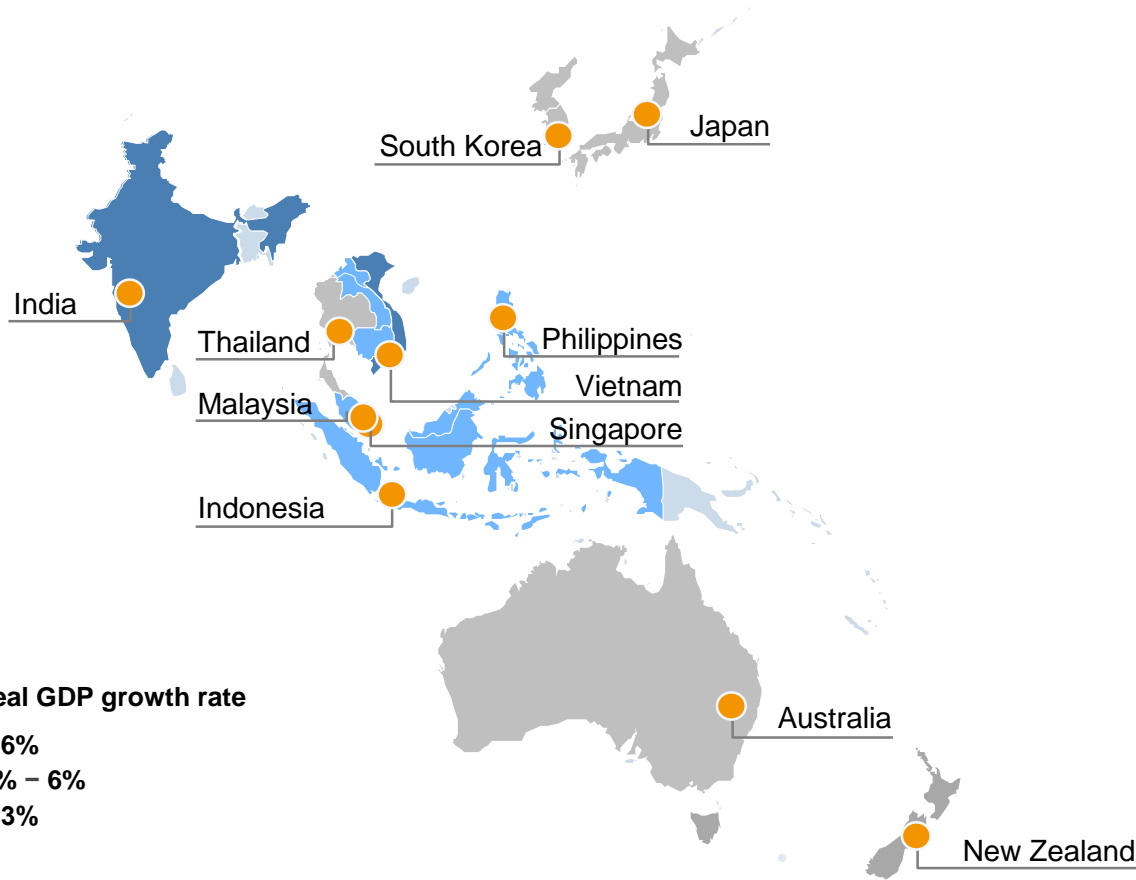
2 | **Asia Pacific – Gops Pillay**

3 | **China – Stephan Kothrade**

4 | **Summary – Sanjeev Gandhi**

Asia Pacific offers diverse business opportunities, also beyond China

Asia Pacific* major markets real GDP growth 2015: 3.0%



Around **75** production sites

>100 sales offices

9,146 employees**

~€6.6 billion sales***

* Excluding Greater China
** As of December 31, 2015
*** Sales by location of customer

Growth industries



Personal Care



Electronics



Transportation



Construction



Agriculture



Home Appliances

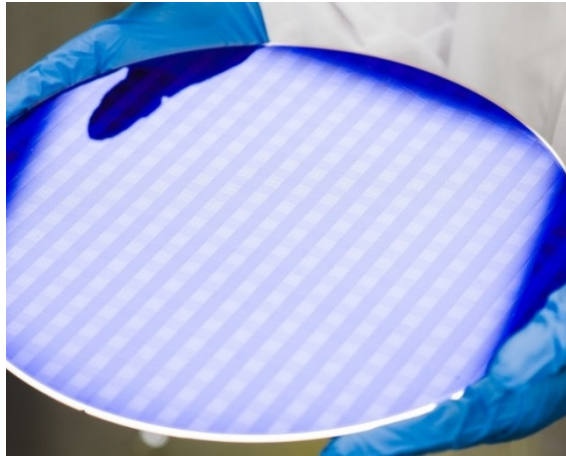
AMOREPACIFIC: Customer collaboration in the personal care segment



- Personal care (retail) market estimated at €384 billion globally in 2015, and expected to grow >7% per annum until 2020*
- AMOREPACIFIC is the No. 1 beauty and personal care company in South Korea
- BASF is a leading supplier of diverse products, including UV filters, emollients, and effect pigments
- BASF and AMOREPACIFIC have strong cooperation projects to develop ingredients such as bio-actives and hair care polymers

Innovation in Information and Communication Technology (ICT) hub

Focus on semiconductors and displays

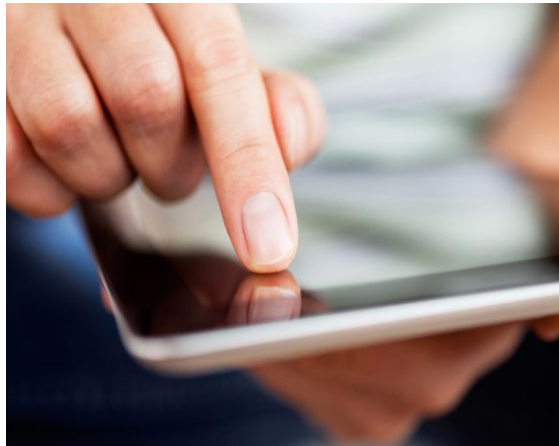


Semiconductors

- Ultra-pure process chemicals
- Formulations for cleaning, etching, plating and polishing

Displays

- Pigments for color filters
 - Light stabilizers
 - Photoinitiators
- Flexible display materials



Target markets in Asia

- China, Taiwan, South Korea, Singapore, Japan

BASF R&D and production at customers' doorsteps

- BASF Electronic Materials R&D Center Asia, in Suwon, South Korea
- Production in Taiwan, China, Singapore, Malaysia
- Local application labs in Taiwan and China

BASF provides reliable products for most advanced technology nodes

- Ultra-pure process chemicals for 10 nanometer scale processors
- Advanced formulations tailored to customer needs and increasing technology requirements
- Future developments: Anti-fingerprint hard-coat and scratch-proof over-coat, materials for flexible displays

Growth through high technology materials

Ultrason[®] facility, Yeosu



Engineering plastics compounding plant, Yesan



Serving growing industries with high-performing specialties from South Korea

- **Plant for Ultrason[®] polyarylsulfone, Yeosu**
Supplying the automotive industry and membrane producers
- **Engineering plastics compounding, Yesan**
Supplying the automotive, electronics and electrical industries
- **JV with Kolon Plastics for polyoxymethylene (POM), Gimcheon**
Serving the automotive and electronics industries, from 2018

Innovating for diverse markets



BASF Agricultural Solutions

- Crop Protection: Asia Pacific is 28% of the global market, but only 9% of BASF sales
- BASF's €3 billion global Crop Protection pipeline will benefit farmers in Asia Pacific
- ~250 new products for Asia Pacific by 2020

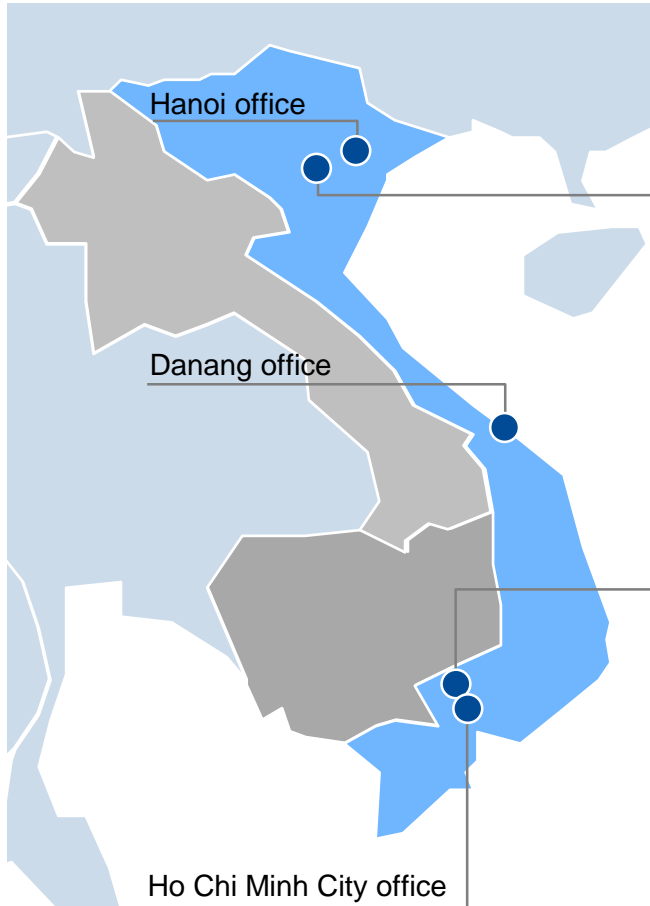
Japan, Australia, New Zealand

- Modern, consolidated farming, requiring high-value innovation
- Good business potential for protection of high-value fruits and vegetables in Japan and field crops in ANZ

China, India, ASEAN

- ~400 million smallholder farmers seeking innovations to increase yield and quality
- Upside potential, particularly for rice, fruits, vegetables and plantation crops
- Myanmar: new and rapidly growing market

Capturing opportunities in growing markets



Bắc Giang
Construction Chemicals site



Bình Dương
Construction Chemicals site



- The construction sector is growing rapidly and is an important contributor to Vietnam's GDP
- BASF has invested in two plants for the production of advanced grades of admixtures
- Landmark projects include the Nội Bài T2 Airport and the Nhật Tân Bridge

India: Improving macroeconomic environment

Reforms

- Labor laws
- Land acquisition
- Goods and Services Tax
- Education and skill development
- Digitalization of financial platforms

Infrastructure

- Roads and railways
- Power
- Agriculture (e.g., irrigation, soil health, warehousing, new technologies)



Macroeconomics

- Moderate inflation
- Lower trade and fiscal deficit
- Increased Foreign Direct Investment
- Reduced subsidies

Political stability

- Modi party in majority in the Lower House
- Improved position in the Upper House

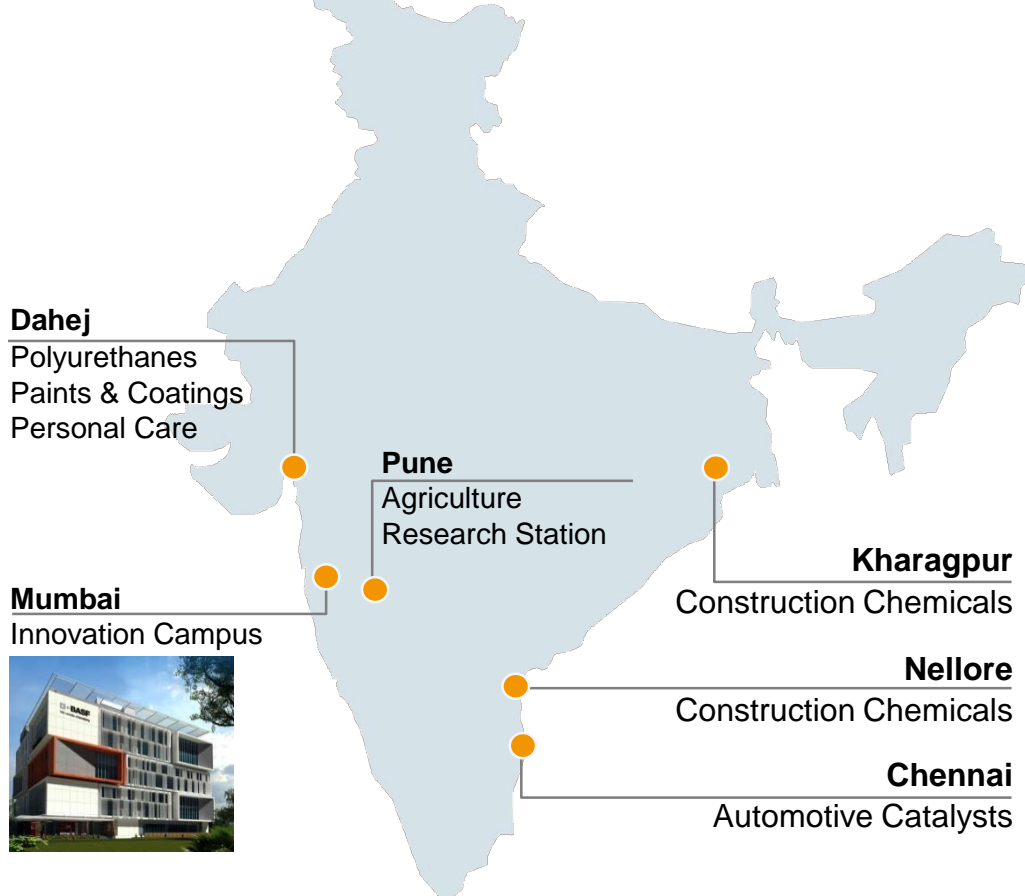
Ambitious initiatives

- “Make in India”
- “Skill India”
- “Digital India”
- “Smart cities”

**Better business environment and increased Foreign Direct Investment;
Expected improvement of GDP growth by 1-2 percentage points**

Expanding BASF's footprint to grow with downstream industries

Investments in India
2014–2017: around €260 million



Serving downstream growth industries*

Automotive

8.0%

Personal & industrial care

7.6%

Consumer goods

6.8%

Construction

6.6%

Agriculture

3.8%

Dahej production site



Products

- Dispersions
- Surfactants
- Polyurethanes

Selected customer industries

- Automotive
- Consumer appliances
- Construction
- Home and personal care
- Architectural coatings

Target markets

- India
- South East Asia
- Middle East

Innovation Campus Mumbai



- An important hub for BASF's global R&D network
- Startup of 20,000 m² facility in 2017
- By 2020, around 300 scientists will collaborate globally and regionally
- Target industries: crop protection, performance chemicals, resins and coatings, personal care

The BASF Innovation Campus Mumbai is part of a 100% BASF-owned entity.

BASF Roundtable Asia Pacific, London, September 23, 2016

Kuantan – strategic hub in South East Asia

Kuantan Verbund site

Plants

11 fully integrated plants

7 plants under construction

Investment

~€720 million (initial)

~€560 million (from 2011)

Employees*

>845



Serving different industries and customers throughout Asia



BASF PETRONAS Chemicals is well positioned to serve markets in Asia Pacific

- Access to 15 countries
- Serves 600+ customers
- Efficient supply chain management for shorter lead times and tank operations close to customers
- Benefit of ASEAN Free Trade Agreement

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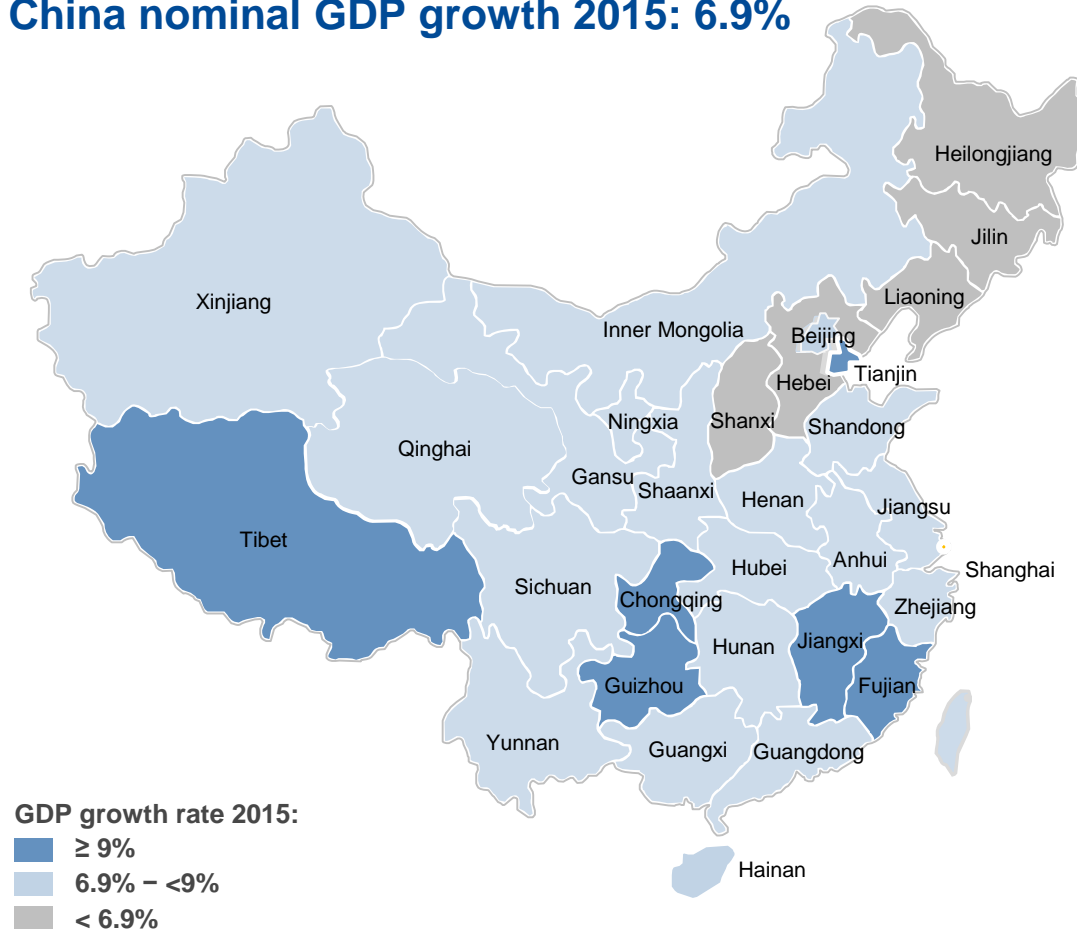
2 | **Asia Pacific – Gops Pillay**

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4 | **Summary – Sanjeev Gandhi**

Third largest market for BASF globally

China nominal GDP growth 2015: 6.9%



- Chemical market becomes more competitive
- China chemical production 2020: US\$1.7 trillion; around 70% of Asian real chemical production
- Chinese per capita income to double 2020 versus 2010
- Sustainability becomes differentiating factor supported by 13th five-year plan (2016–2020)
- Chemistry will enable innovations in downstream industries

BASF's extensive network guarantees access to major local markets



Mainland China, Hong Kong, Taiwan

- **25** major wholly-owned subsidiaries
- **5** major joint ventures
- **24** production sites
- **20** sales offices
- **8,416** employees*
- **€5.7 billion** sales** in 2015 (excl. BASF-YPC, Nanjing)

Growth industries



Automotive



Personal Care



Wind Energy



High-speed Rail



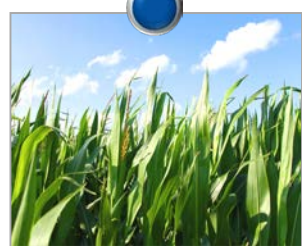
Packaging



Home Appliances



Footwear



Agriculture



Electronics

Selected investments between 2015 and 2017 catering to growth markets



- Resins, Coatings, Shanghai
- Refinish coatings, Guangdong



- DMAPA, Nanjing
- Emollients and waxes, Jinshan



- PEA, Nanjing



- MDI, Chongqing



- Polyamide, Shanghai



- Engineering Plastics, Shanghai
- NPG, Nanjing



- Catamold®, ultra-pure ammonia water, Taiwan
- Electronics grade sulfuric acid, Taiwan & Zhejiang

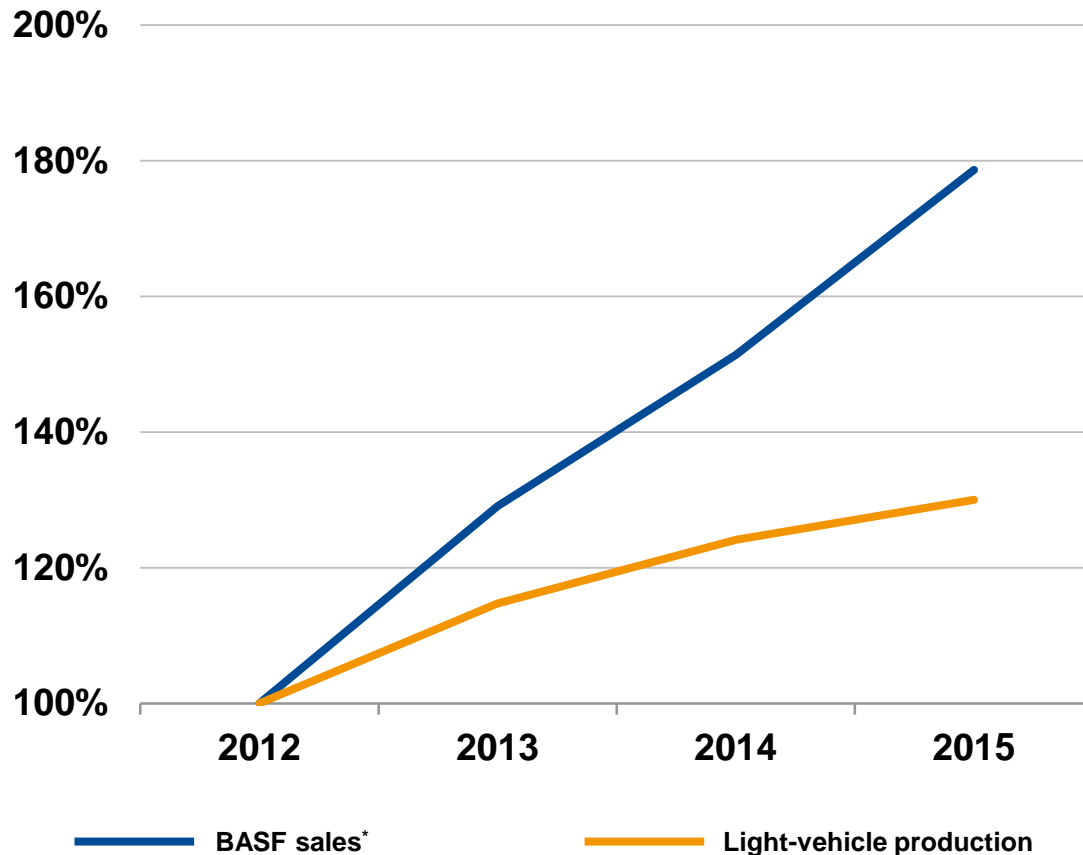


- Adhesives for plastic components, Taiwan

Focus on investments where BASF is technologically leading, has a competitive advantage and expects strong profitable market growth

BASF growing strongly with automotive industry in Greater China

Index 2012 = 100%



Strong performance

- Light-vehicle production increased by 30% from 2012 to 2015 (CAGR 9%)
- BASF sales to the automotive industry increased by 80% in the same period (CAGR 21%)
- China is a significant contributor to BASF Group sales to the automotive industry

Market dynamics

- China is the largest electric vehicle market, supported by policy incentives
- Increasingly stringent standards for vehicle emissions, fuel quality and VOC emissions

Innovation projects with China's rising star original equipment manufacturers (OEM)



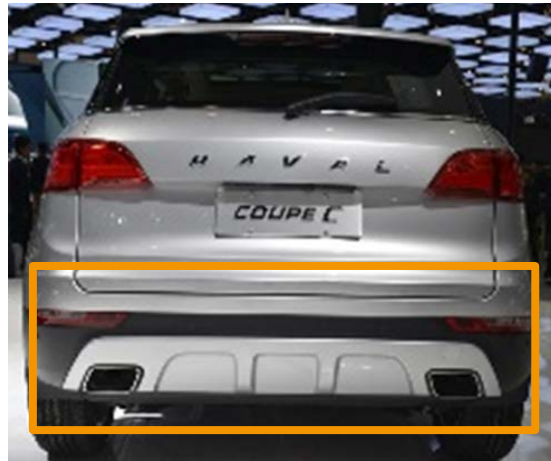
Emissions catalysts system



Partner: Geely

BASF solution:
Advanced EMPRO™
emission catalyst

Key contributions:
Reduced use of precious metals;
meets new regulations



Rear bumper baffle



Partner: Great Wall Motor

BASF solution:
Ultramid®

Key contributions:
High heat resistance,
weatherability, lightweight



Low-VOC steering wheel foam



Partner: ChangAn

BASF solution:
Elastofoam®

Key contributions:
Low VOC, low odor, outstanding
physical properties including sun
resistance

Innovate in Asia Pacific for Asia Pacific and the world



Acronal® ECO series for better indoor air quality

- Low VOC acrylic dispersions for interior paints that meet growing consumer demand and stricter environmental regulations
- Add-on functionalities: “stay clean” and “non-stain stick” tailored for Asian customers

Sokalan® HP 20 technology for first “super-concentrated” detergent in China

- Special polymer that enhances whiteness and compatibility performance in detergents

Innovation Campus Asia Pacific in Shanghai supporting growth industries



- Phase II opened in Q4 2015
- Focus on research on advanced materials and polymers
- Integrated into global R&D network
- Global HQ for Advanced Materials & Systems Research
- Total investment (phase I & II): ~€145 million
- Close cooperation with customers, materials scientists, technical and business experts
- First regional design consultation center in Asia Pacific, assisting designers in various phases of product development

Commodity businesses in China: Strong asset base



MDI, Chongqing

- Capacity: 400,000 metric tons
- Startup in August 2015
- Best quality in the market
- Located in one of the fastest growing regions in China
- Plant utilization temporarily limited by feedstock constraints

Ramping up to supply growing market demand and BASF's downstream businesses

Commodity businesses in China: Focus on cost and technology leadership



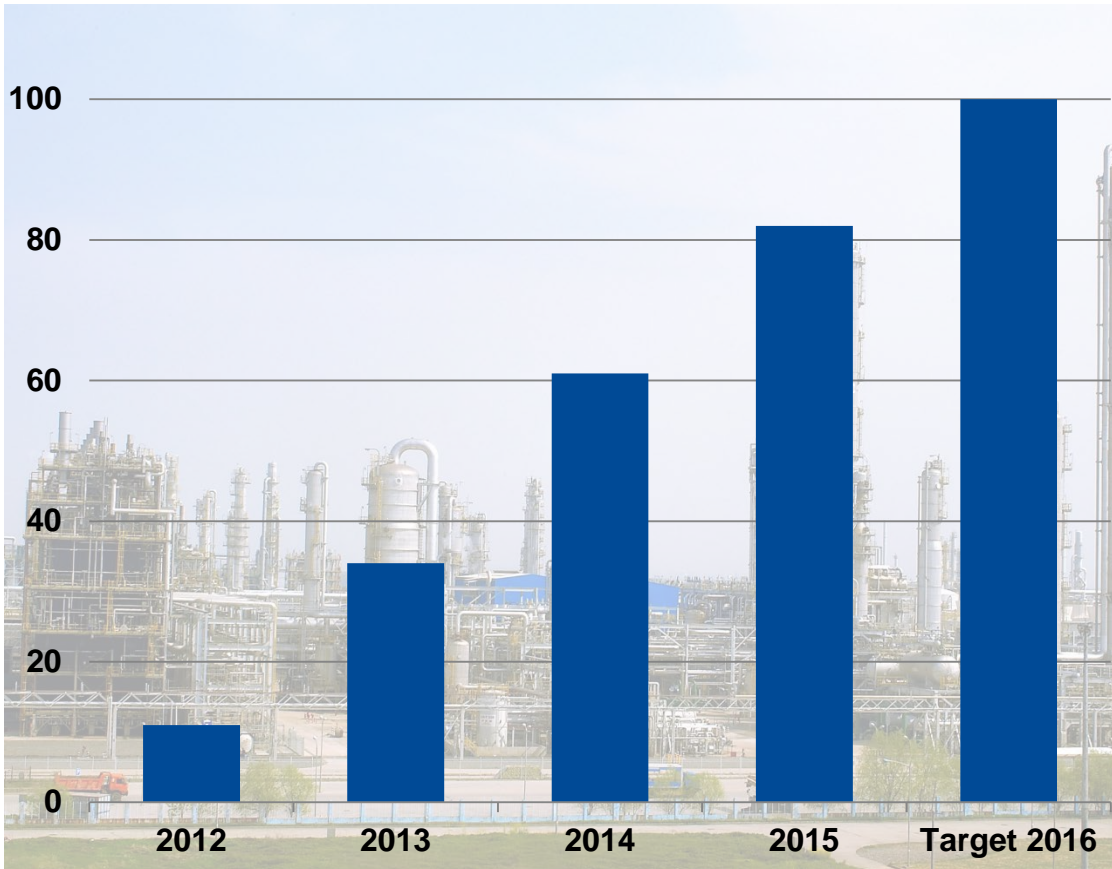
Acrylics complex, Nanjing

- Two world-scale plants
- Cost leadership through best-in-class proprietary BASF technology
- High asset effectiveness and advantages at Nanjing Verbund site
- High utilization in a challenging market
- Realized efficiency gains:
 - run-time extension
 - higher throughput
 - lower energy consumption

Best technology and Verbund enable profitable operations, in a tough environment

Cost advantage via Verbund and operational excellence: BASF-YPC, Nanjing

Accumulated annual savings (in million € p.a.)

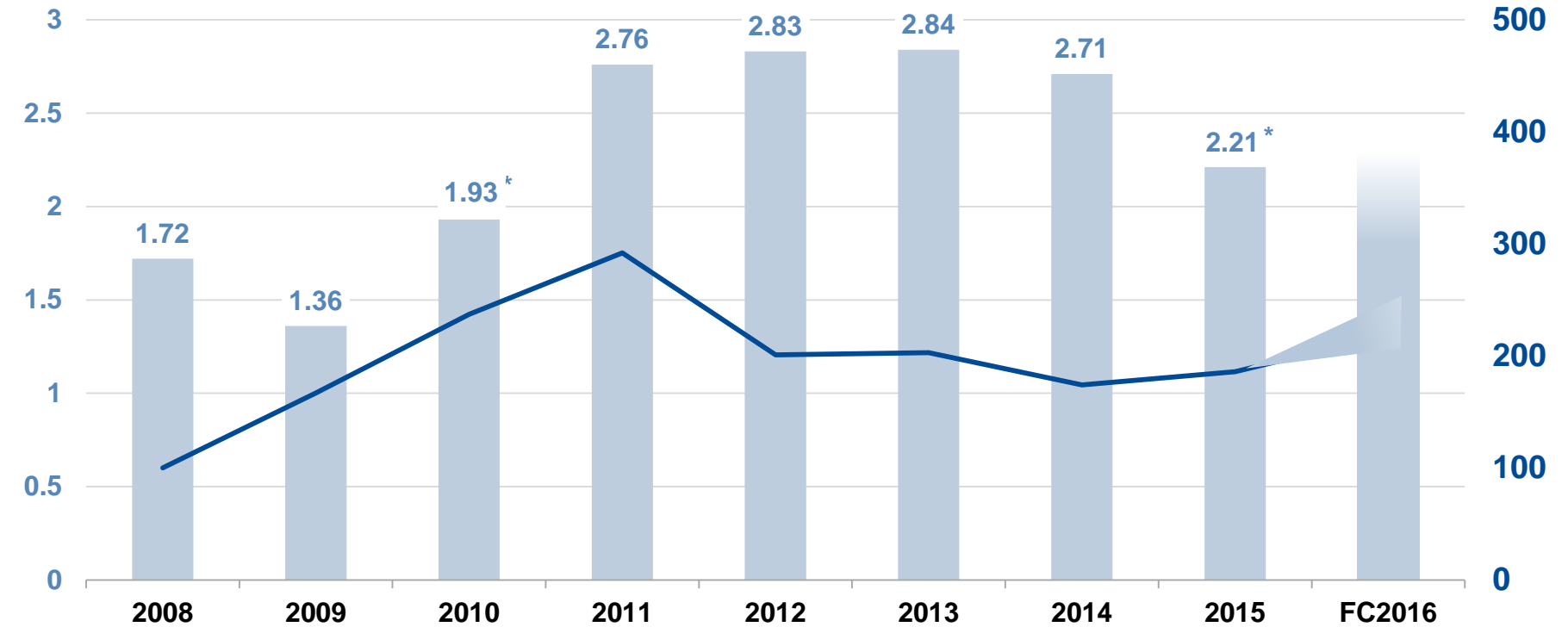


- High utilization rate in oversupplied Chinese market
- Powerful platform for further success/Verbund extension
- Leading cost position in major product lines

Verbund site Nanjing: EBITDA continuously on high level

Sales
(in billion €)

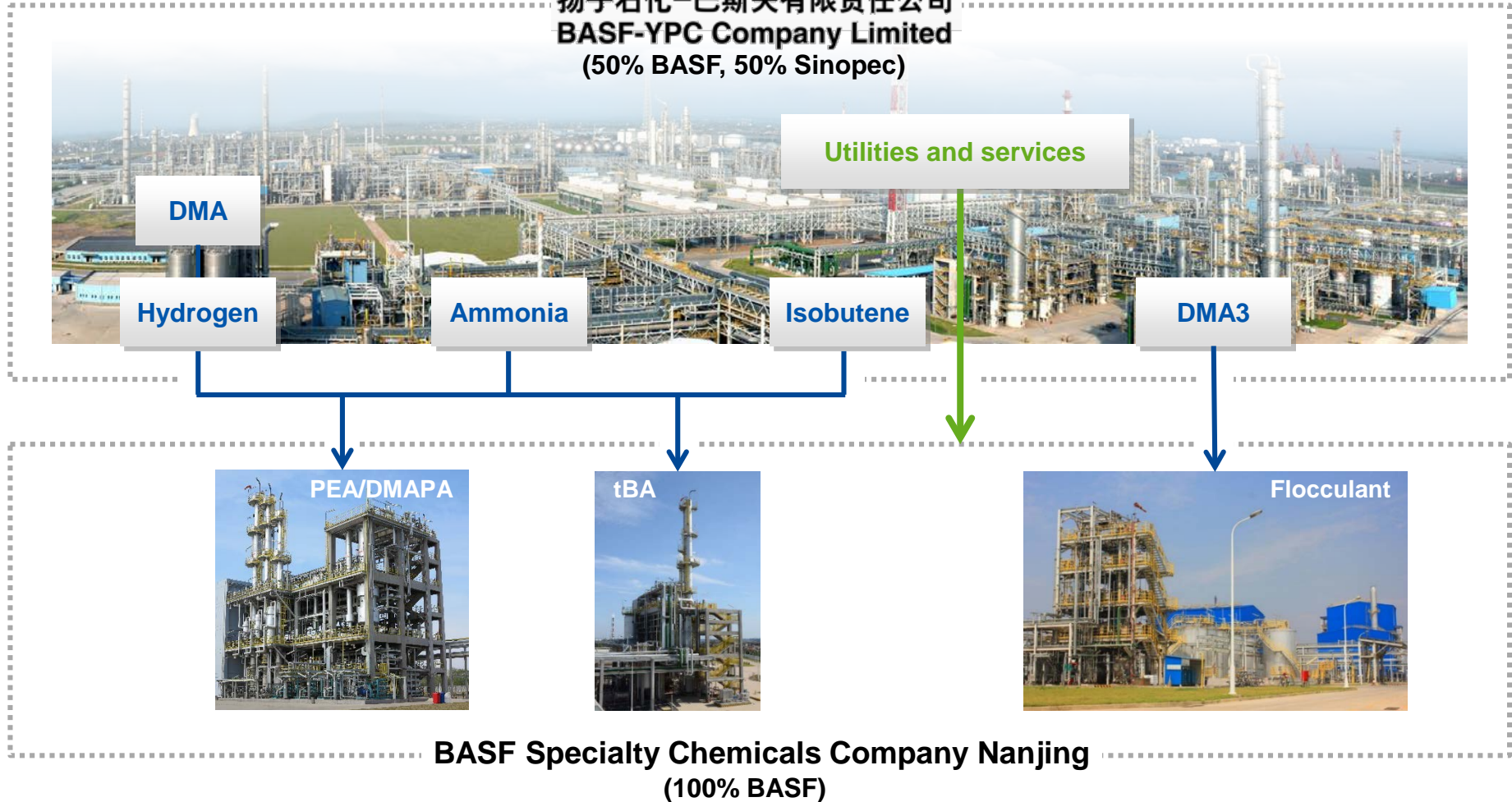
EBITDA
(indexed)



Consistently profitable with reliable dividend payments

BASF Specialty Chemicals benefits from Verbund at growth site in Nanjing

扬子石化-巴斯夫有限责任公司
BASF-YPC Company Limited
(50% BASF, 50% Sinopec)



Sustainability in China: dialogue and partnerships with stakeholders



BASF sets standards for...

- occupational and process safety in China
- distribution safety
- environmental protection and promotion of sustainability along the value chain

BASF actively engages via...

- regular stakeholder dialogues, including NGOs
- community advisory panels
- publication of integrated annual reports encompassing economy, society and environment, since 2009

Agenda

1 | Keynote – Sanjeev Gandhi

2 | Asia Pacific – Gops Pillay

3 | China – Stephan Kothrade

4 | Summary – Sanjeev Gandhi

Path forward

BASF is well positioned to capture profitable growth in Asia Pacific

- Enhance collaboration and co-creation with **customers**
- Leverage local **R&D** close to customers
- Continue active **portfolio management**
- Further develop **production base** and achieve OMP* ratio of ~75% by 2020
- Continue to attract, develop and retain local **talent**
- Focus on operational **excellence** and cost management

Key Milestones

Growth

Above **chemical production** in Asia Pacific

Investment

Around €3.5 billion until 2020, focusing on expanding **regional asset footprint**, to support **profitable growth**

Innovation

Delivering solutions for **leading customers** in Asia Pacific

Excellence

Contributing around €250 million to global **Drive** program from the end of 2018 onward

Key Messages

Asia Pacific is the **largest market for the production and consumption** of chemicals.

BASF is well positioned in Asia Pacific and is quickly adapting to the changing environment.

“We create chemistry in Asia Pacific”
leveraging the growth opportunities in the market.





We create chemistry