

Future Management in the Chemical Industry

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Our Business Environment is Changing

Yesterday

Chemical market grows faster than global economy

Demand for chemicals concentrates on the U.S., the E.U. and Japan

Predictable economic cycles

Tomorrow

Chemical market grows more slowly than global economy

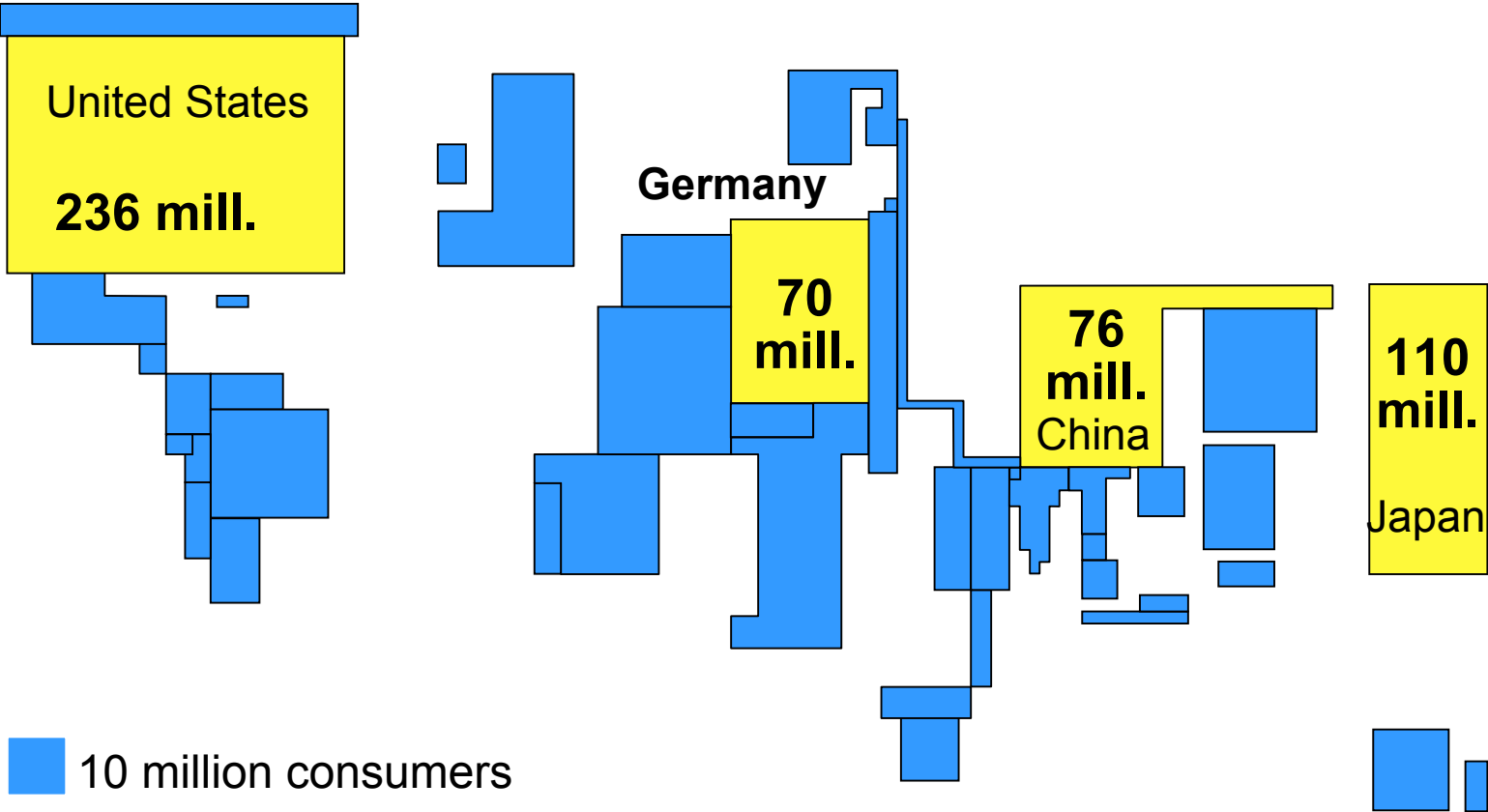
Increasing importance of the Asian markets, in particular China

Global developments are becoming less predictable

→ BASF 2015 embraces change as a strategic opportunity

2001: Consumers are Concentrated in the Advanced Economies

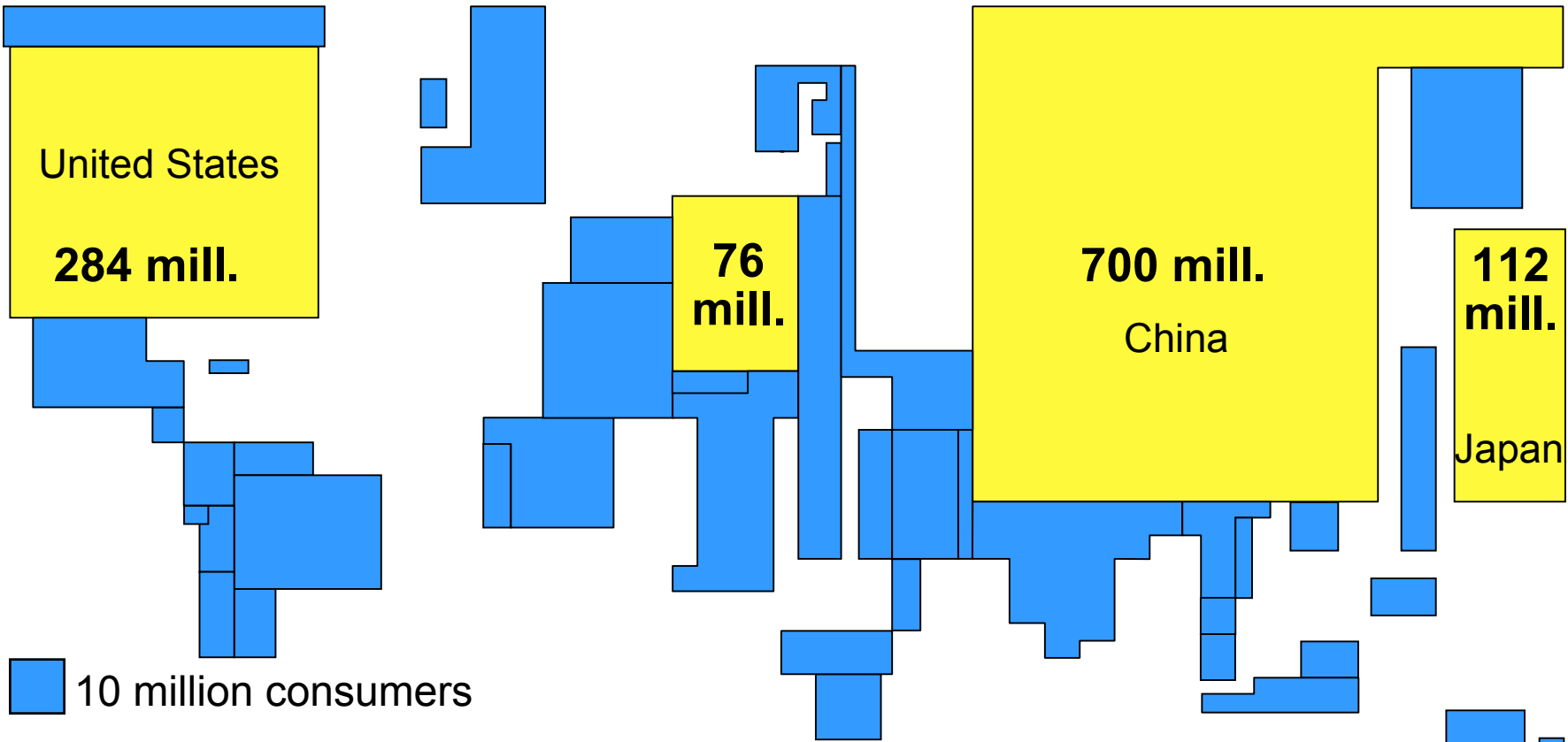
2001: Total = 1.1 billion consumers (17% world population)



Source: World Bank, EIU, US Census Bureau

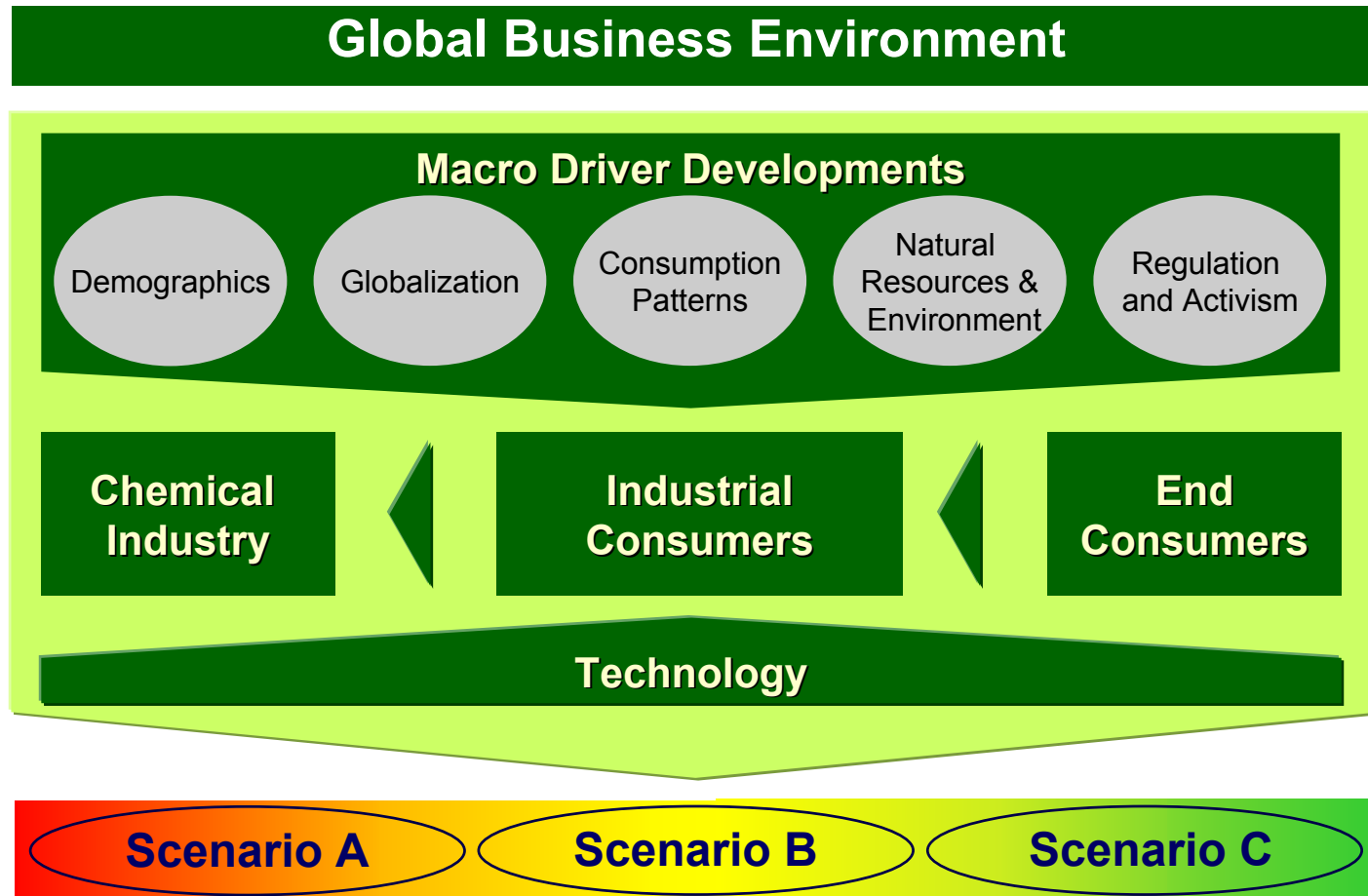
Consumer Spending will Shift to Emerging Markets

2015: Total = 2.02 billion consumers (29% world population)



Source: World Bank, EIU, US Census Bureau

Macroeconomic Scenarios 2015



→ The Scenarios are determined by 5 drivers as well as unplannable events (wildcards)

Wildcards – Increasing Volatility of GDP Growth due to Unplannable Events

Wild cards are low-probability, extremely high-impact events that are global in scope and directly affect the human condition, potentially disruptive (negatively or positively), intrinsically beyond the control of any single institution, group or individual, and rapidly moving

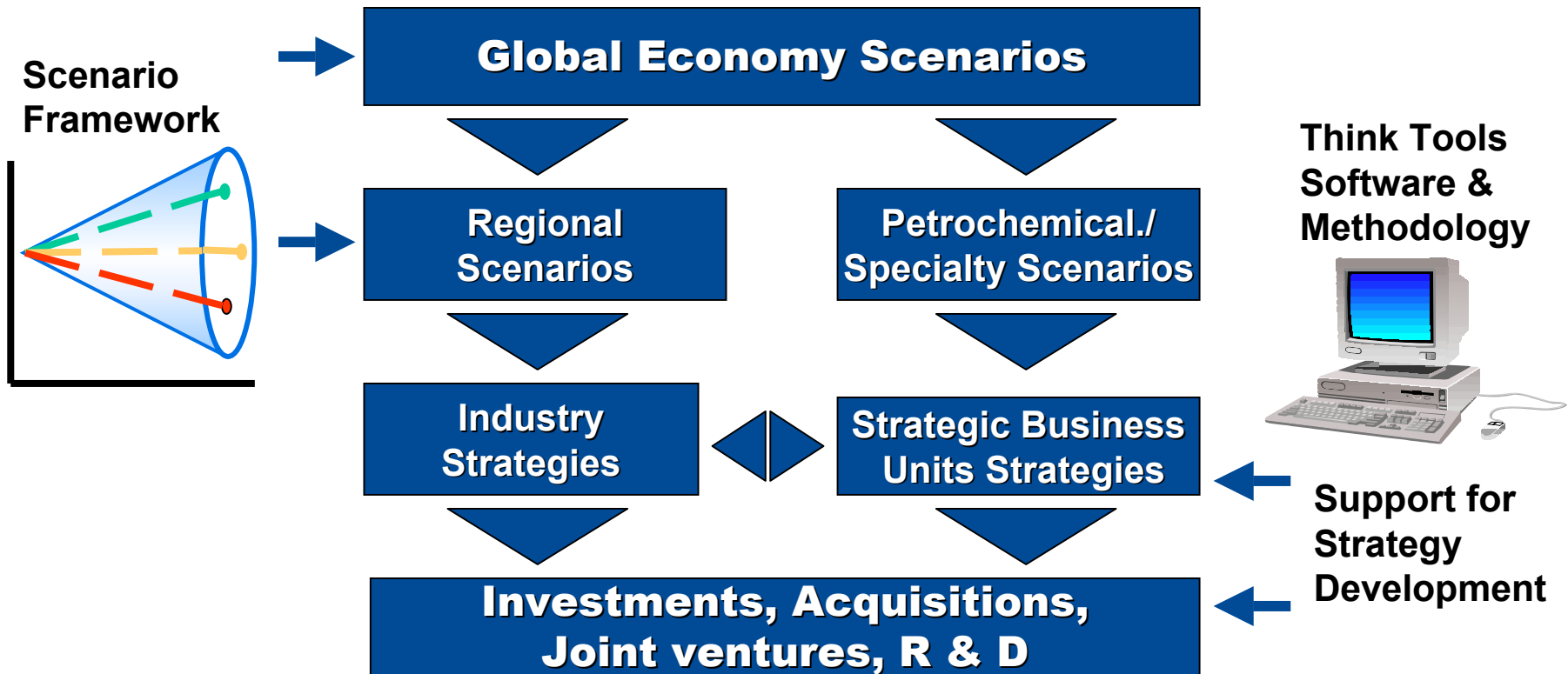


Strategic Instruments in BASF



Strategic Planning co-ordinates the strategic dialogue

Scenario Planning at BASF



→ Using Scenarios as strategic framework and scenario think tools for strategy development



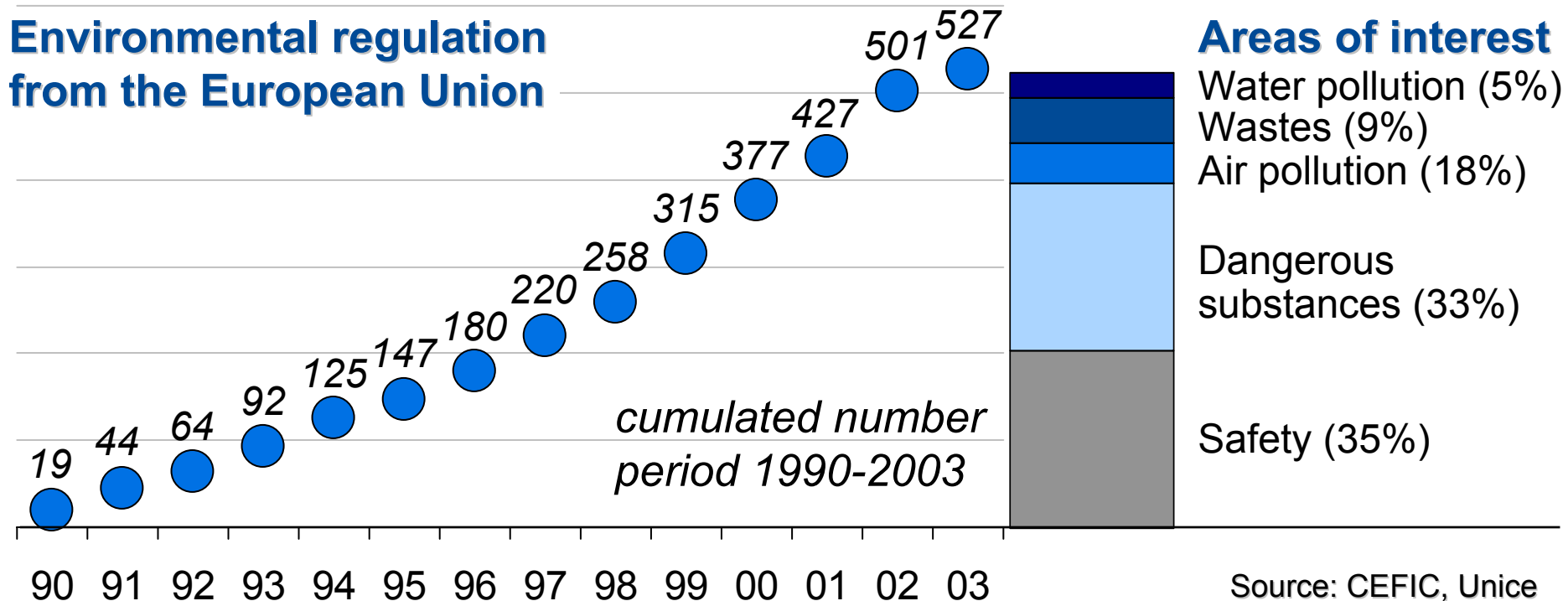
Chemical Industry Scenarios 2015 Europe at the Crossroads



Regulation in the EU Chemical Industry

- Single regulation much more penalising (REACH)
- Cumulative effect of hundreds of legislative acts: if each of these is unfavourable, the cumulative effect is unbearable

Environmental regulation from the European Union



Four Scenarios for the Future of the European Chemical Industry (Cefic)



Sunny

- **Revitalized EU Chemical Industry with increased innovation and customer orientation**



Cloudy

- **Focused EU Chemical Industry with strength in high-end products and sustainability**



Rain

- **EU Chemical Industry without confidence in the attractiveness of the European market**



Storm

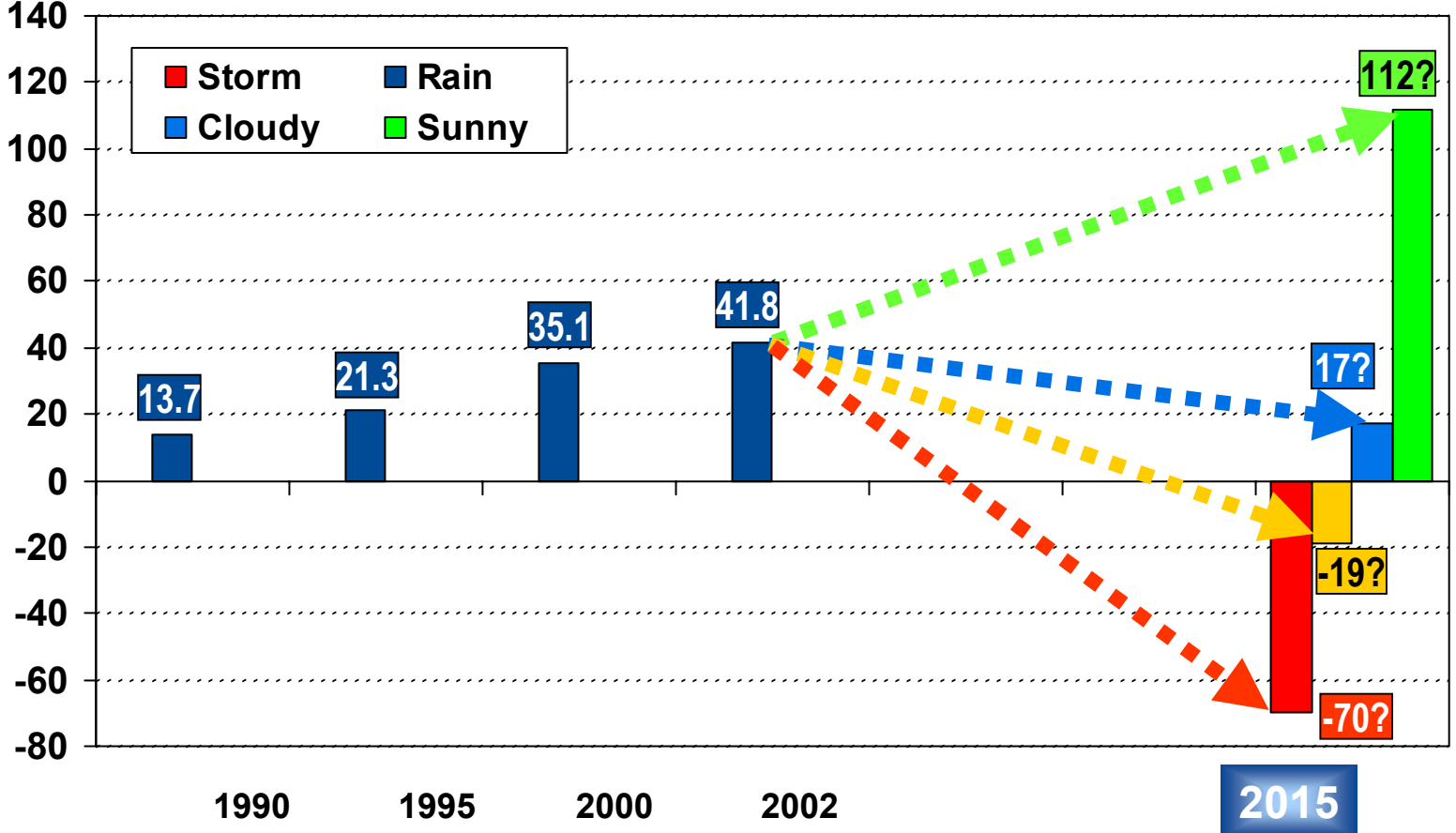
- **Shrinking EU Chemical Industry not able to beat imports**

Chemicals Trade – Deterioration Ahead?

EU Chemicals Trade Position



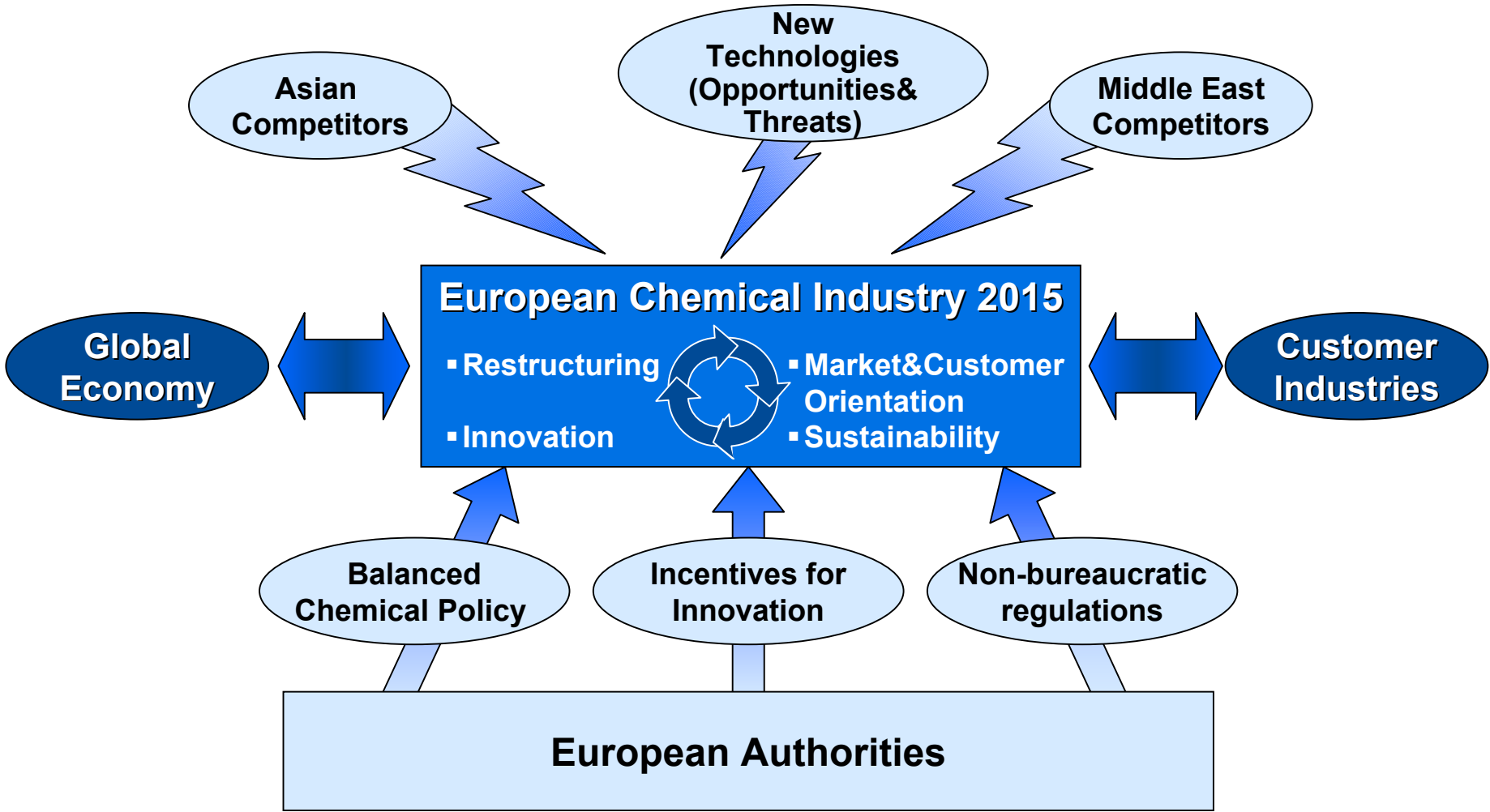
Extra-EU
Trade
Balance
(€ billion)



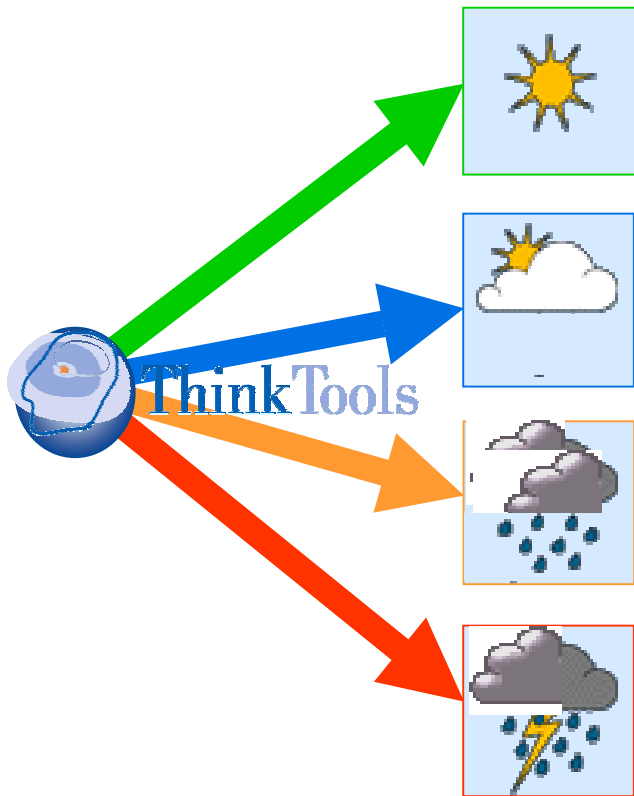
Futuring as Major Strategic Success Factor



Chances and Risks for the European Chemical Industry



Each Chemical Company has to Develop its Own Scenario-Approach



→ Global Scenarios as Input for BASF 2015

→ European Scenarios as Input for BASF Strategy Europe 2015