



 **BASF**

We create chemistry

**BASF Group 2019
at a glance**

With our strategy we are on the right path: Our customers are experiencing a new BASF. Together with them, we want to better exploit growth opportunities and intensify collaboration. In doing so, we are guided by our purpose: "We create chemistry for a sustainable future." For the major challenges facing society, such as climate change, the circular economy and new mobility, we offer innovative solutions.

E-mobility is one of our growth priorities. It is creating a new major market for battery materials, which is growing at a double-digit rate. Cathode materials account for as much as 70% of the material costs of a battery cell. With our investments in Harjavalta, Finland, and Schwarzheide, Germany, we are the first company to lay the foundation for a European battery materials value chain.

We must all contribute to lowering CO₂ emissions. BASF acknowledges this, which is why we have also set ourselves a clear target in our strategy: We want to grow CO₂-neutrally until 2030. This makes us a pioneer in our industry.



I am optimistic that BASF will gain in strength in 2020 despite the economic headwinds. Because we have the passion and the expertise to be the partner of choice for our customers. For us, it is about creating sustainable value.

*"With our strategy
we are on the right path:
Our customers are
experiencing a new BASF."*

Martin Brudermüller

Martin Brudermüller

Chairman of the Board of Executive Directors of BASF SE

The Business Year 2019 at a Glance

Sales **€ 59,316 million**
2018 | €59,974 million
2019 | €59,316 million

EBIT before special items
€4,536 million

117,628
employees at year-end

€4,052 million
EBIT 2018 | €5,974 million

EBITDA before special items
€8,217 million

EBITDA
€8,036 million

Personnel expenses
€10,924 million

Investments in environmental protection
€328 million

€2,158 million
Research and development expenses 2018 | €1,994 million

Investments including acquisitions
€4,097 million

Earnings per share
€9.17
2018 | €5.12

Net income
€8,421 million
2018 | €4,707 million

81 2018 | 100
Number of on-site sustainability audits of raw material suppliers

ROCE
7.7%

€86,950 million
Assets 2018 | €86,556 million

Energy efficiency in production processes
598 kilograms of sales product/MWh 2018 | 626

Greenhouse gas emissions
Million metric tons of CO₂ equivalents
20.1
2018 | 21.9

The BASF Group

BASF has companies in more than 90 countries. We operate six Verbund sites and 361 additional production sites worldwide. Our Verbund site in Ludwigshafen, Germany, is the world's largest chemical complex owned by a single company that was developed as an integrated network.

The Verbund system is one of BASF's great strengths. We add value by using our resources efficiently. The Production Verbund intelligently links production units and their energy supply so that, for example, the waste heat of one plant provides energy to others. Furthermore, one facility's by-products can serve as feedstock elsewhere. This not only saves us raw materials and energy, it also avoids emissions, lowers logistics costs and leverages synergies.

We also make use of the intelligent Verbund principle for more than production, applying it for technologies, the market and digitalization as well. Expert knowledge is pooled in our global research divisions.

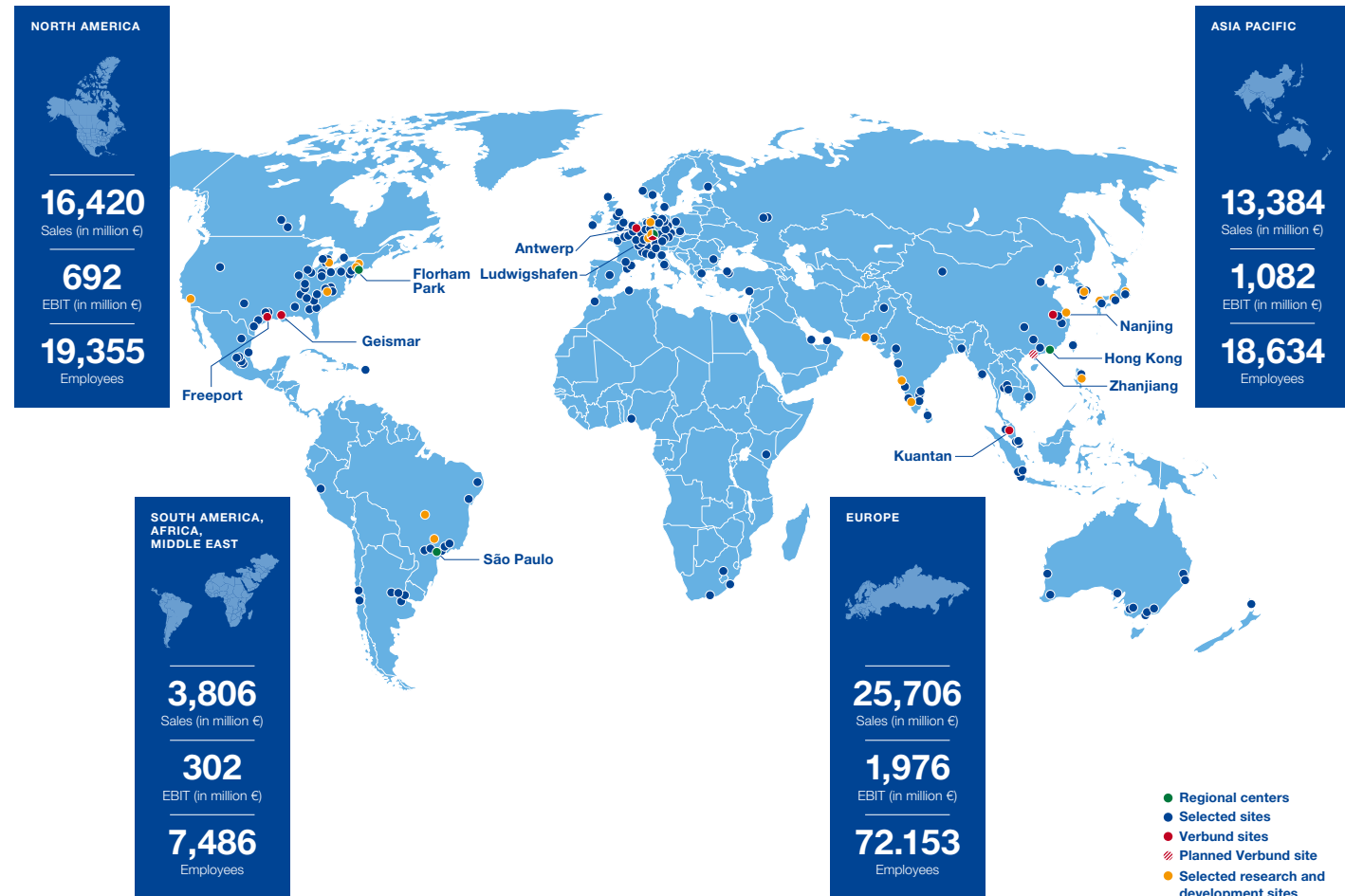
BASF supplies products and services to around 100,000 customers from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and medium-sized businesses to end consumers. We work with over 75,000 Tier 1 suppliers from different sectors worldwide. They supply us with important raw materials, chemicals, investment goods and consumables, and perform a range of services. Important raw materials (based on volume) include naphtha, liquid gas, natural gas, benzene and caustic soda.

Intelligent Verbund concept

Production, technology, market, digitalization

In 90+ countries

employees contribute to our success
and that of our customers worldwide



- Regional centers
- Selected sites
- Verbund sites
- ▨ Planned Verbund site
- Selected research and development sites

Portfolio and Customers

As of January 1, 2019, we have 11 divisions grouped into six segments as follows: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care, Agricultural Solutions.

BASF's new segment structure allows for a more differentiated steering of our businesses according to their market-specific competitive environment. It increases transparency regarding the results of our segments and divisions and highlights the importance of the Verbund and value chains to our business success. BASF aims to clearly position its businesses against their relevant competitors and establish a high-performance organization to enable BASF to be successful in an increasingly competitive market environment.

We aim to put the customer at the center of our decisions and everything we do. Our ability to optimally combine our in-depth expertise with our wide range of resources reflects our ambition to be more than just a supplier. We position ourselves as a solution-oriented system provider.

**Direct customers –
BASF sales by industry 2019**

Chemicals and plastics **> 20%**

Agriculture | Consumer goods |
Transportation (in each case) **10–20%**

Construction | Electronics |
Energy and resources |
Health and nutrition
(in each case) **< 10%**

Chemicals
Petrochemicals | Intermediates



Percentage of total sales in 2019 **16%**

Materials
Performance Materials | Monomers



Percentage of total sales in 2019 **20%**

Industrial Solutions
Dispersions & Pigments |
Performance Chemicals



Percentage of total sales in 2019 **14%**

Surface Technologies
Catalysts | Coatings



Percentage of total sales in 2019 **22%**

Nutrition & Care
Nutrition & Health | Care Chemicals



Percentage of total sales in 2019 **10%**

Agricultural Solutions

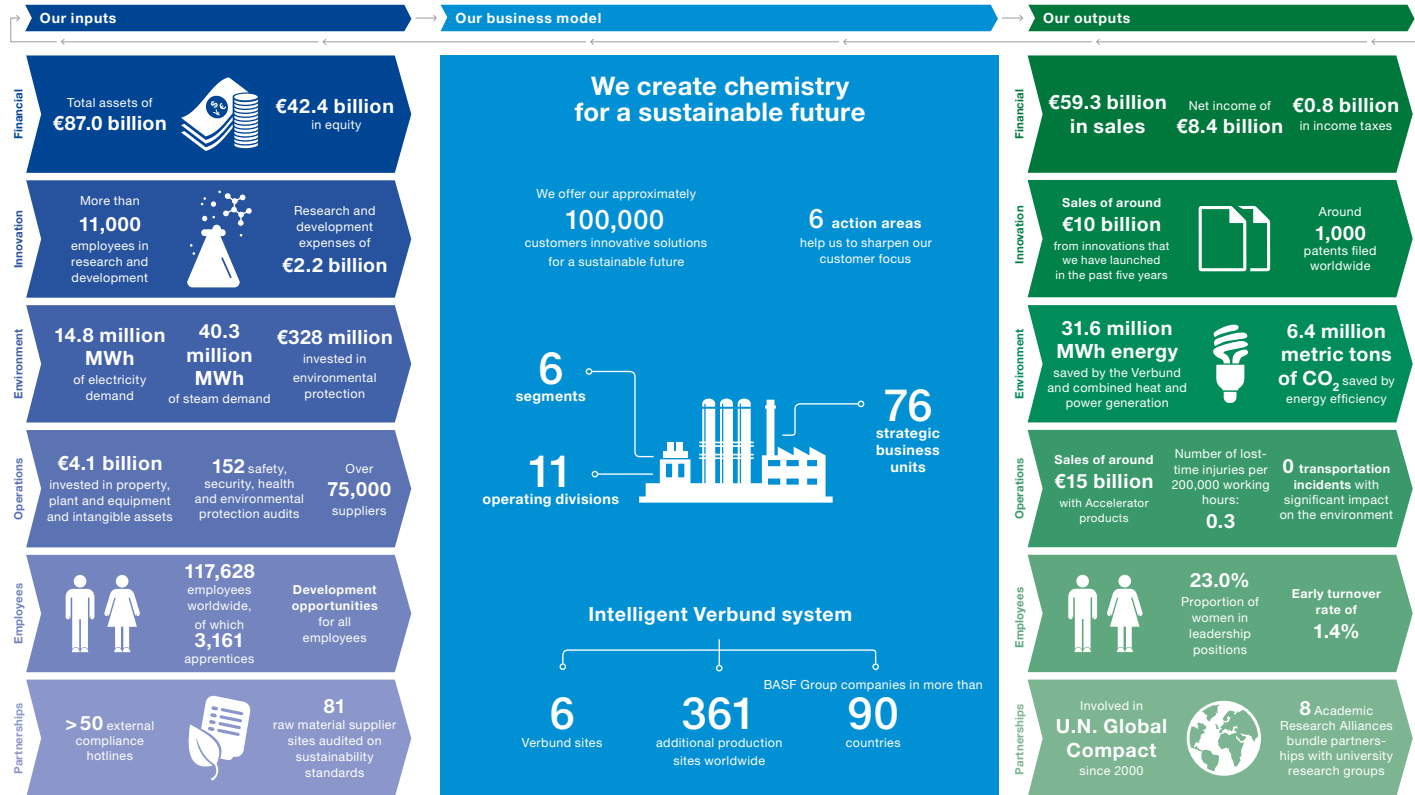


Percentage of total sales in 2019 **13%**

Other | Percentage of total sales in 2019 **5%**

How We Create Value

The overview provides examples of how we create value for our company, the environment and society. It is modeled on the framework of the International Integrated Reporting Council (IIRC).



Our Strategy

At BASF, we are passionate about chemistry and our customers. To be the world's leading chemical company for our customers, we will grow profitably and create value for society. Thanks to our expertise, our innovative and entrepreneurial spirit, and the power of our Verbund integration, we make a decisive contribution to changing the world we live in for the better. Our purpose reflects what we do and why we do it:

We create chemistry for a sustainable future

How we act is critical for the successful implementation of our strategy: This is what values represent. They guide our actions and define how we want to work together – as a team, with our customers and our partners.

Creative

We make great products and solutions for our customers. This is why we embrace bold ideas and give them space to grow. We act with optimism and inspire one another.

Open

We value diversity, in people, opinions and experience. This is why we foster feedback based on honesty, respect and mutual trust. We learn from our setbacks.

Responsible

We value the health and safety of people above all else. We make sustainability part of every decision. We are committed to strict compliance and environmental standards.

Entrepreneurial

We focus on our customers, as individuals and as a company. We seize opportunities and think ahead. We take ownership and embrace personal accountability.

Strategic Action Areas

We have defined six strategic action areas through which we will sharpen our customer focus and achieve our goals.

Innovation

Our ambition is to be the most attractive partner for our customers whenever they are confronted with challenges that can be approached with chemistry. Our research and development competences are industry-leading. We aim to build on and leverage this strength to develop innovations together with our customers. We want to continuously improve our innovation processes so that we can bring products to the market more quickly.

Sustainability

We are successful in the long term when our products, solutions and technologies add value to the environment, society and the economy. We want to be a thought leader in sustainability, which is why we are increasing the relevance of sustainability in our steer-

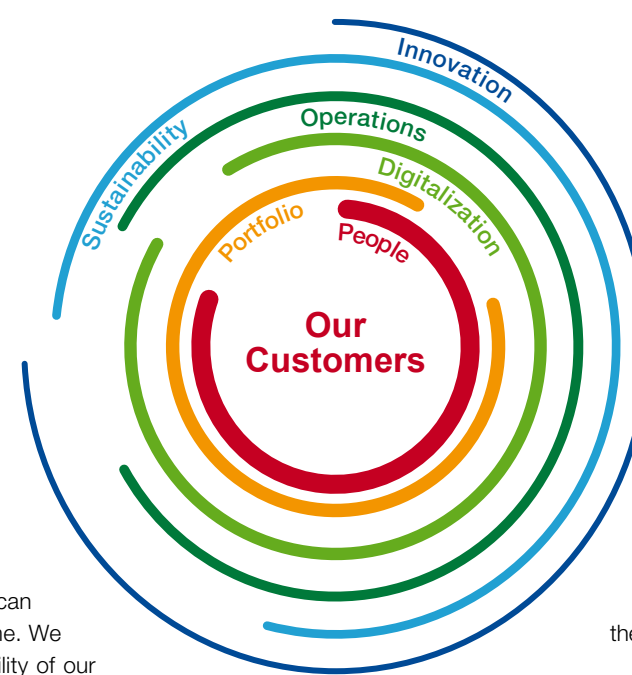
ing processes and business models. This secures the long-term success of our company, creates business opportunities and establishes us as a key partner supporting our customers.

Operations

We produce safely, efficiently and reliably so that we can deliver products to our customers on spec and on time. We strive to continually improve the reliability and availability of our plants, as well as our agility. Above and beyond this, continuous process improvements and effective debottlenecking of our existing asset base are paramount to ensure our competitiveness.

Digitalization

Digitalization is an integral part of our business. This creates value added for our customers, grows our business and improves effi-



ciency. We are extensively promoting digital skills among our employees to ensure that the necessary resources are always available to leverage the opportunities of digitalization to the benefit of our customers.

Portfolio

We will sharpen our portfolio and focus our capital allocation toward growth areas. We will focus primarily on organic growth through capital expenditures and innovation. We also make targeted acquisitions where this makes strategic sense and creates value and divest businesses that are no longer a strategic match. Our segment structure creates a high level of transparency regarding the steering of our businesses, the importance of value

chains and the role of our Verbund. The physical, technological, market and digital integration of the Verbund is at the core of our portfolio and our strengths.

Employees

We aim to clearly position each business against its relevant competitors and establish a high-performance organization to enable us to be successful in an increasingly competitive market environment. Our people are what will make the implementation of our strategy successful. We rely on the engagement of our employees and give them the tools and skills necessary to be able to offer our customers differentiated and customized products, services and solutions. Our tailored business models and organizational structures ensure that each business unit can optimally serve its market segment.

Our Targets

We want to grow faster than the market and thus be economically successful and profitable. Furthermore, we want to provide answers to the most pressing challenges of our time. To combat climate change and global warming, we have resolved to limit total greenhouse gas emissions from our production sites and our energy purchases to the 2018 level while growing production volumes. In other words, we want to decouple greenhouse gas emissions from organic growth. We have also defined targets for safety for people and the environment, a sustainable product portfolio, responsible procurement, sustainable water management, engaged employees, and inclusion of diversity.

The objective of these targets is to steer our business into a sustainable future and, at the same time, contribute to the implementation of the United Nations' Sustainable Development Goals (SDGs). We are focusing on issues where we as a company can make a significant contribution, such as climate protection, sustainable consumption and production, and fighting hunger.

Status of target achievement in 2019

<p>Grow sales volumes faster than global chemical production every year</p> <p>-3% (Global chemical production: 1.8%)</p>	<p>Grow CO₂-neutrally until 2030 (Development of carbon emissions compared with baseline 2018)</p> <p>-8.2%</p>	<p>Achieve €22 billion in Accelerator sales by 2025</p> <p>€15.0 billion</p>
<p>Increase EBITDA before special items by 3-5% per year</p> <p>-11%</p>	<p>Reduce worldwide process safety incidents per 200,000 working hours to ≤ 0.1 by 2025</p> <p>0.3</p>	<p>Reduce the worldwide lost-time injury rate per 200,000 working hours to ≤ 0.1 by 2025</p> <p>0.3</p>
<p>Achieve a return on capital employed (ROCE) considerably above the cost of capital percentage every year</p> <p>7.7% (Cost of capital: 10%)</p>	<p>Introduce sustainable water management at all production sites in water stress areas and at all Verbund sites by 2030</p> <p>35.8%</p>	<p>More than 80% of our employees feel that at BASF, they can thrive and perform at their best</p> <p>79%</p>
<p>Increase the dividend per share every year based on a strong free cash flow</p> <p>€3.30 (2018: €3.20)</p>	<p>Increase the proportion of women in leadership positions with disciplinary responsibility to 22%-24% by 2021</p> <p>23%</p> <p>New target for 2030: 30%</p>	<p>Cover 90% of our relevant spend with sustainability evaluations by 2025</p> <p>81%</p> <p>Have 80% of our suppliers improve their sustainability performance upon re-evaluation</p> <p>52%</p>

Climate protection with carbon management

Climate protection is firmly embedded in our corporate purpose and our strategy. We have already almost halved our carbon emissions since 1990 while simultaneously doubling sales product volumes. Until 2030, we want to continue to grow while limiting our emissions to the 2018 level.

Reconciling climate protection and growth

In our carbon management, we have bundled key activities that help us grow CO₂-neutrally until 2030 and set the course for a significant reduction of greenhouse gas emissions from 2030 onward. This ambitious program follows a three-pronged approach: implement plant optimization measures for even more efficient energy use and processes, increase the share of renewable sources in the purchase of electricity, and develop completely new low-emission technologies and processes.

Further improving process and energy efficiency

We aim to make plants even more efficient and further optimize resource use in processes. That is why we have increased our budget for operational excellence to €400 million annually, among other measures. BASF's Verbund concept plays a key role here. It helps us to realize synergies and to efficiently steer value chains. Therefore, we will continue to invest in the creation and optimization of Verbund structures and drive forward the consolidation of production at highly efficient sites.

CO₂ prevented by the Verbund and combined heat and power generation in 2019

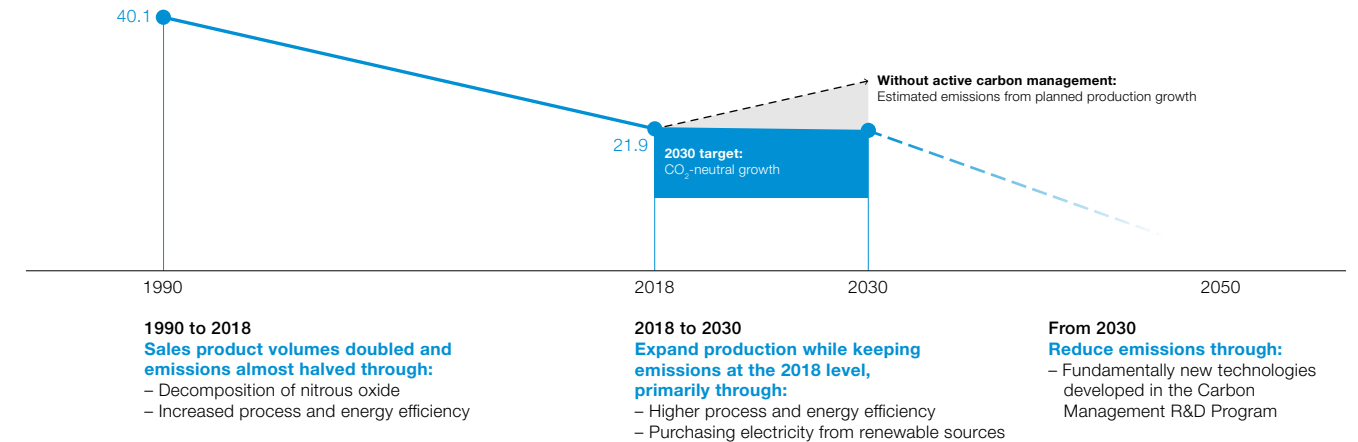
6.4 million metric tons

Number of sites partially or fully powered by emission-free electricity in 2019

23

Development of the BASF Group's CO₂ emissions

Million metric tons of CO₂ equivalents



Increasing use of renewable energy

We increasingly use renewable energy to supply our sites. Twenty-three sites already source emission-free electricity from suppliers. Together with our partners, we are also conducting a feasibility study to evaluate a pioneering supply concept for our planned chemical complex in Mundra, India. The aim is for the new site to be entirely supplied with renewable energy, primarily from an attached wind and solar park. If realized, it would, to our knowledge, be the world's first petrochemical site with carbon-neutral energy supply.

Pioneering research and development program

However, a significant reduction of emissions requires fundamentally new technologies. We develop these as part of our carbon management R&D Program. The focus here is on basic chemicals, which account for around 70% of the chemical industry's greenhouse gas emissions. For example, in 2019, we filed an international patent (PCT) for a climate-friendly production process for methanol. We are optimistic that such new technologies can be implemented from 2030 onward – provided that the political framework allows an economic use.

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. More than 117,000 employees in the BASF Group work on contributing to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio is organized into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of €59 billion in 2019.

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Further information at basf.com and in the
BASF Report 2019 at basf.com/report