



We create chemistry

BASF Group 2018 at a Glance



We want to be the first choice of our customers and impress them again and again. We have answers to the challenges facing society, whether it be climate change, urbanization or mobility. We are a great team passionate about innovations based on chemistry. This way, we want BASF to remain the world's leading company in the chemical industry.

Therefore, we have been working intensely on making BASF fit for the future. Our strategy which we presented in November 2018 focuses on growth. We want to grow profitably and sustainably. We are driven by our purpose: We create chemistry for a sustainable future. We are convinced that we will only be successful in the long term if we create value for society, the environment and business.

Sustainability is a key growth area for BASF where we want to systematically utilize our opportunities. We have identified additional priorities: operational excellence, digitalization, innovation, portfolio management and employees. In each of these action areas we want to raise the bar and be the pacesetter in our industry. They help us to sharpen our customer focus.



Our ambition is clear: We want to remain the world's leading chemical company for our customers. We have the right strategy, the skills and the passion necessary to create products and solutions changing the world we live in for the better. And that is why I am optimistic.

“We have the right strategy, the skills and the passion necessary to make BASF fit for the future.”

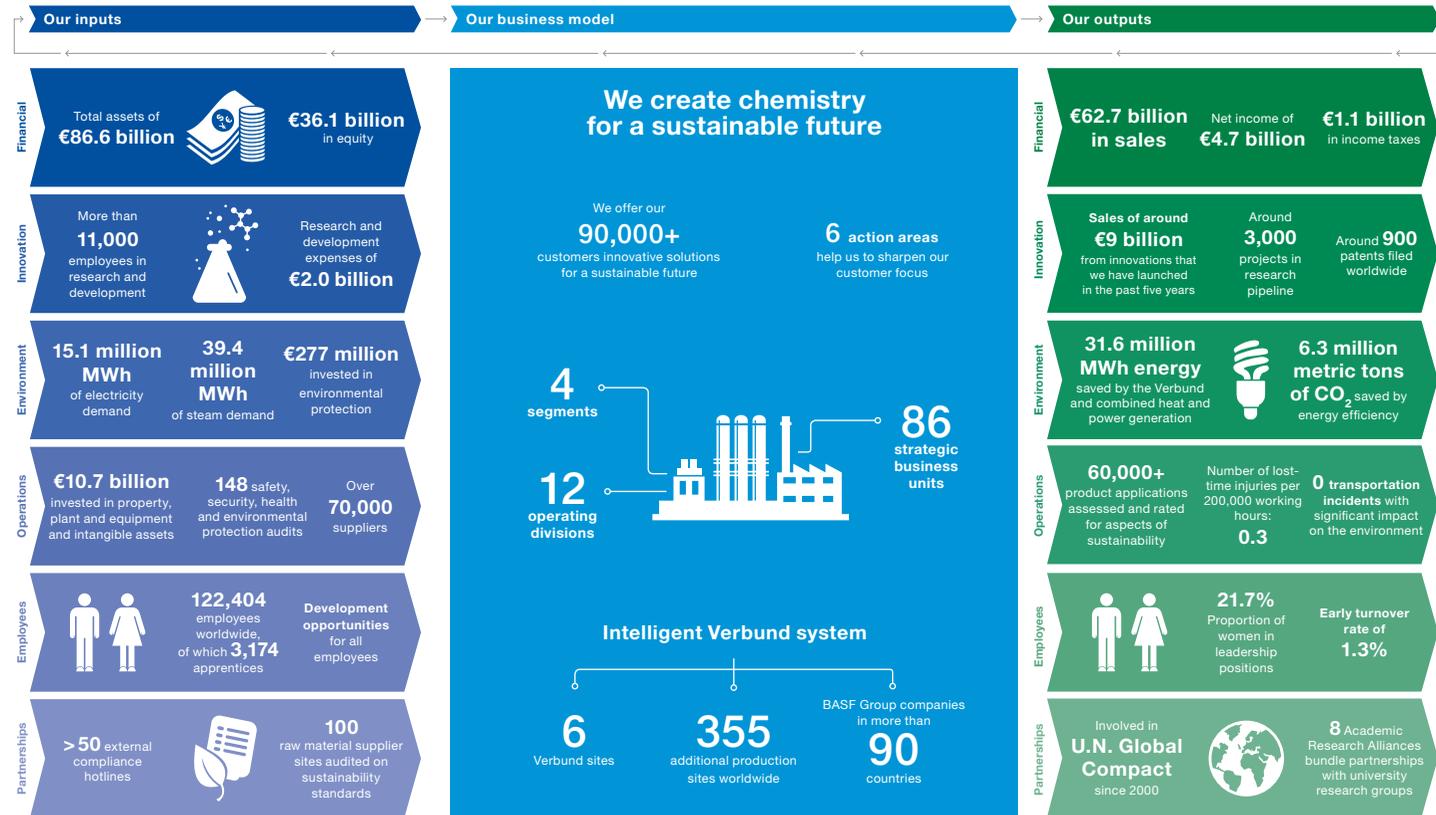
Martin Bruder Müller

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Chairman of the Board of Executive Directors of BASF SE

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).



The BASF Group

BASF has companies in more than 90 countries. We operate six Verbund sites and 355 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 platforms.

BASF supplies products and services to over 90,000 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 70,000 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. Some of our most important raw materials are naphtha, natural gas, methanol, ammonia and benzene.

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
- Selected research and development sites

Portfolio and Customers

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

With the new segment structure, we want to steer our businesses more differentiated according to their market-specific competitive environment, increase transparency regarding the results of our segments and divisions and highlight the importance of the Verbund and value chains to our business success. Our divisions bear operational responsibility and are organized according to sectors or products.

This way, 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.

Aligning our business with our customers' needs is our primary focus. Our ability to combine in-depth expertise with a wide range of resources to meet specific demands enables us to position BASF as a solution-oriented system provider.



Chemicals
Petrochemicals | Intermediates



Materials
Performance Materials | Monomers



Industrial Solutions
Dispersions & Pigments | Performance Chemicals



Surface Technologies
Catalysts | Coatings | Construction Chemicals



Nutrition & Care
Nutrition & Health | Care Chemicals



Agricultural Solutions

Corporate Purpose

At BASF, we are passionate about chemistry and our customers. Thanks to our expertise, our innovative and entrepreneurial spirit, and the power of our Verbund integration, our innovations have decisively contributed 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.

Today, the world is changing more rapidly than ever before, driven by demographic change and new digital technologies. Our customers in different industries and regions face diverse social and environmental challenges due to limited natural resources and increasing consumer demands. Chemistry is key to solving many of these challenges. By combining our unique expertise with our customers' competence, we will jointly develop profitable, innovative and responsible solutions for these global trends.

To be the world's leading chemical company for our customers, we will grow profitably and add value to society. The Asian market plays an important role in our growth strategy. With a share of more than 40%, China is already the largest chemical market and drives the growth of global chemical production. By 2030, China's share will increase to nearly 50%, and we want to participate in this growth. Therefore, we plan to build an integrated Verbund site in Zhanjiang in the southern Chinese province of Guangdong. We also want to expand our existing joint venture with Sinopec in Nanjing.

We create chemistry for a sustainable future

Corporate Values

How we act is critical for the successful implementation of our strategy: This is what our 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 unique in the chemical industry. We aim to build on and leverage our position as a leading innovator to jointly develop innovations for our customers. We will design our innovation chain to be as seamless as possible so that we can bring products to the market more quickly. This means fostering a higher level of excellence throughout the entire innovation process, starting from the lab all the way to the customer.

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 and

increase the relevance of sustainability in our decision-making 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 are committed to running our production safely, efficiently and reliably so that we can deliver products to our customers on spec and on time. We aim to further 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

We want to make digitalization an integral part of BASF's business. This will create additional value for our customers, grow our business and improve efficiency.

By promoting comprehensive digital skills among our future leaders and our entire workforce, we will ensure that the necessary resources are available.

Portfolio

We will sharpen our portfolio and focus our capital allocation more towards growing business areas. We will focus primarily on organic growth through capital expenditures and innovation, but also make targeted acquisitions where this makes strategic sense and creates value. The new segment structure will create a higher 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 continues to be at the core of our portfolio and our unique strength.

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. We will adapt our business models and organizational structures so that each business unit can optimally serve its market segment. Our people are what will make the implementation of our updated 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 and services.

Our Targets

Business success tomorrow means creating value for the environment, society and business. We have set ourselves new financial and nonfinancial targets so that our customers, investors, employees and other stakeholders can track our progress.

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 committed ourselves to growing production volumes without adding further CO₂ emissions until 2030. This means we will decouple greenhouse gas emissions from organic growth. We have also defined targets for a sustainable product portfolio, responsible procurement and engaged employees. Safety for people and the environment, inclusion of diversity and water management will remain a top priority. In this way, we want to steer our business into a sustainable future and, at the same time, contribute to the implementation of the United Nations' Sustainable Development Goals.

Financial targets

Grow **sales volumes faster than global chemical production** every year

Increase **EBITDA before special items** by **3% to 5%** per year

Achieve a **return on capital employed (ROCE)** considerably **above the cost of capital percentage** every year

Increase the **dividend per share** every year based on a **strong free cash flow**

Nonfinancial targets

Grow **CO₂-neutrally** until 2030

Achieve **€22 billion in Accelerator sales** by 2025

Cover **90%** of our relevant spend with **sustainability evaluations** by 2025, and have **80%** of our suppliers **improve their sustainability performance** upon re-evaluation

More than **80%** of our **employees** feel that at BASF, they can **thrive and perform at their best**

Existing nonfinancial targets

Reduce the worldwide **lost-time injury rate** per 200,000 working hours to **≤0.1** by 2025

Reduce worldwide process **safety incidents** per 200,000 working hours to **≤0.1** by 2025

Introduce sustainable **water management** at all production sites **in water stress areas** and at all **Verbund sites** by 2030

Increase the proportion of **women in leadership positions** with disciplinary responsibility to **22-24%** by 2021

For more information, see [basf.com/report](https://www.basf.com/report)

The Business Year 2018 at a Glance



At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 122,000 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. Since January 1, 2019, BASF's activities have been grouped into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of around €63 billion in 2018.

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**Further information at basf.com and in the
BASF Report 2018 at basf.com/report**