

The BASF Group

Verbund concept

Intelligent networking of production, technologies, employees and partners

In 80+ countries

Employees contribute to our success and that of our customers worldwide

Broad portfolio

5 segments
13 operating divisions
86 strategic business units

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 115,000 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 arranged into five segments: Chemicals, Performance Products, Functional Materials & Solutions, Agricultural Solutions and Oil & Gas.

Organization of the BASF Group

- Thirteen divisions grouped into five segments
- Regional divisions, functional units and corporate and research units support our business

Our 13 divisions are aggregated into five segments based on their business models. The divisions bear operational responsibility and are organized according to sectors or products. They manage our 55 global and regional business units and develop strategies for the 86 strategic business units.

Our regional units are responsible for optimizing local infrastructure, and contribute to tapping our market potential. For financial reporting purposes, we organize the regional divisions into four regions: Europe; North America; Asia Pacific; South America, Africa, Middle East.

Eight functional units and seven corporate units support the BASF Group's business activities. The functional and corporate units provide services in areas such as finance, investor relations, communications, human resources, engineering and site management, as well as environmental protection, health and safety. Our research and development organization has around 10,000 employees in global research units and safeguards our innovative capacity and competitiveness.

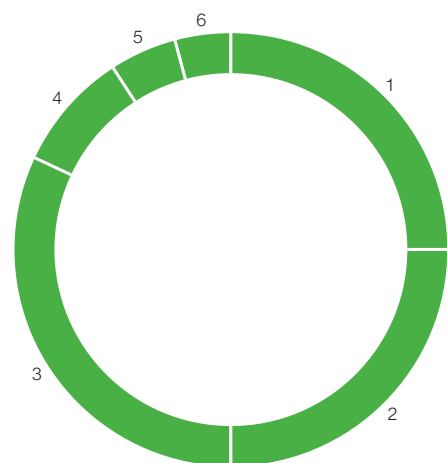
Business processes are the shared responsibility of the divisions and the functional units. They closely coordinate the procurement of raw materials and services, production and transport to customers.

For more information on the products and services offered by the segments, see page 34

BASF structure

Percentage of total sales in 2017

1	Chemicals	<ul style="list-style-type: none"> – Petrochemicals – Monomers – Intermediates 	25%
2	Performance Products	<ul style="list-style-type: none"> – Dispersions & Pigments – Care Chemicals – Nutrition & Health – Performance Chemicals 	25%
3	Functional Materials & Solutions	<ul style="list-style-type: none"> – Catalysts – Construction Chemicals – Coatings – Performance Materials 	32%
4	Agricultural Solutions	<ul style="list-style-type: none"> – Crop Protection 	9%
5	Oil & Gas	<ul style="list-style-type: none"> – Oil & Gas 	5%
6	Other		4%



BASF sites**Sites and Verbund**

- Six Verbund sites with intelligent plant networking
- 347 additional production sites worldwide
- Global Technology and Know-How Verbund

BASF has companies in more than 80 countries. We operate six Verbund sites and 347 additional production sites worldwide. Our Verbund site in Ludwigshafen, Germany, is the world's largest integrated chemical complex owned by a single company. This was where the Verbund principle was originally developed and continuously optimized before being implemented at additional sites.

The Verbund system is one of BASF's great strengths. Here, we add value as one company 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.

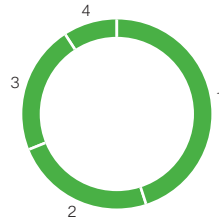
We also make use of the Verbund principle for more than production, applying it for technologies, know-how, employees, customers and partners, as well. Expert knowledge is pooled in our global research platforms.

For more information on the Verbund concept, see basf.com/en/verbund

BASF sales by region 2017

(Location of customer)

1	Europe	45%
2	North America	24%
3	Asia Pacific	22%
4	South America, Africa, Middle East	9%



Procurement and sales markets

- Around 130,000 customers; broad customer portfolio
- More than 70,000 suppliers

BASF supplies products and services to around 130,000 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 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.

For more information on customers, see page 34; for more information on suppliers, see page 93 onward

BASF sales by industry 2017

(Direct customers)

>20%	Chemicals and plastics
10–20%	Consumer goods Transportation
5–10%	Agriculture Construction Energy and resources
<5%	Health and nutrition Electronics

Business and competitive environment

BASF's global presence means that it operates in the context of local, regional and global developments and is bound by various conditions. These include:

- Global economic environment
- Legal and political requirements (such as European Union regulations)
- Trade agreements like the North American Free Trade Agreement (NAFTA)
- Environmental agreements (such as the E.U. Emissions Trading System)
- Social aspects (such as the U.N. Universal Declaration of Human Rights)

BASF holds one of the top three market positions in around 75% of the business areas in which it is active. Our most important global competitors include AkzoNobel, Clariant, Covestro, DowDuPont, DSM, Evonik, Formosa Plastics, Huntsman, SABIC, Sinopec, Solvay and many hundreds of local and regional competitors. We expect competitors from Asia and the Middle East in particular to gain increasing significance in the years ahead.

Corporate legal structure

As the publicly traded parent company, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also the largest operating company. The majority of Group companies cover a broad spectrum of our business. In the BASF Group Consolidated Financial Statements, 286 companies including BASF SE are fully consolidated. We consolidate eight joint operations on a proportional basis, and account for 35 companies using the equity method.

For more information, see the Notes to the Consolidated Financial Statements from page 184 onward

Our strategy

Corporate strategy

Purpose

**We create chemistry
for a sustainable future**

Principles

**As strategic basis for our
success on the market**

Values

**As guideline for our conduct
and actions**

With the “We create chemistry” strategy, BASF has set itself ambitious goals. We want to contribute to a sustainable future and have embedded this into our corporate purpose: “We create chemistry for a sustainable future.”

In 2050, nearly 10 billion people will live on Earth. While the world's population and its demands will keep growing, the planet's resources are finite. On the one hand, population growth is associated with huge global challenges; and yet we also see many opportunities, especially for the chemical industry.

Our corporate purpose

■ We create chemistry for a sustainable future

We want to contribute to a world that provides a viable future with enhanced quality of life for everyone. We do so by creating chemistry for our customers and society and by making the best use of available resources.

We live our corporate purpose by:

- Sourcing and producing responsibly
- Acting as a fair and reliable partner
- Connecting creative minds to find the best solution for market needs

For us, this is what successful business is all about.

As an integrated global chemical company, we make important contributions in the following three areas:

- Resources, environment and climate
- Food and nutrition
- Quality of life

In doing so, we act in accordance with four strategic principles.



Our strategic principles

We add value as one company. Our Verbund concept is unique in the industry. Encompassing the Production Verbund, Technology Verbund and Know-How Verbund as well as all relevant customer industries worldwide, this sophisticated and profitable system will continue to be expanded. This is how we combine our strengths and add value as one company.

We innovate to make our customers more successful. We want to align our business optimally with our customers' needs and contribute to their success with innovative and sustainable solutions. Through close partnerships with customers and research institutes, we link expertise in chemistry, biology, physics, materials science and engineering to jointly develop customized products, functional materials, and system solutions as well as processes and technologies.

We drive sustainable solutions. In the future, sustainability will more than ever serve as a starting point for new business opportunities. That is why sustainability and innovation are becoming significant drivers for our profitable growth.

We form the best team. Committed and qualified employees around the world are the key to making our contribution to a sustainable future. Because we want to form the best team, we offer excellent working conditions and inclusive leadership based on mutual trust, respect and dedication to top performance.

For more information on innovation, see page 35 onward

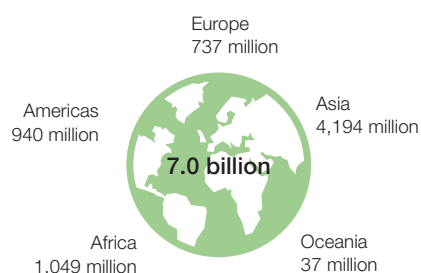
For more information on business opportunities with sustainability, see page 29 onward

For more information on the Best Team Strategy, see page 42 onward



World population growth

2010



2050

