

The BASF Group

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. The approximately 118,000 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 divided into the Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions segments.

Organization of the BASF Group in 2019

As of January 1, 2019, we have 11 divisions grouped into six segments as follows:

- **Chemicals:** Petrochemicals, Intermediates
- **Materials:** Performance Materials, Monomers
- **Industrial Solutions:** Dispersions & Pigments, Performance Chemicals
- **Surface Technologies:** Catalysts, Coatings
- **Nutrition & Care:** Care Chemicals, Nutrition & Health
- **Agricultural Solutions:** Agricultural Solutions

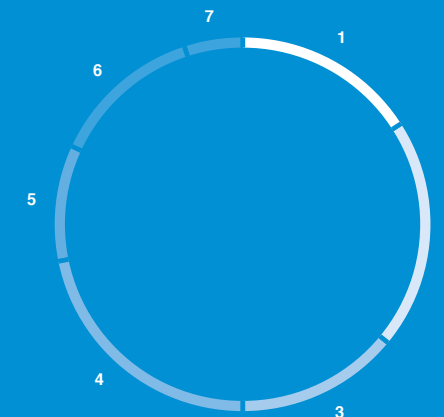
The segment data for 2018 presented in this report has been restated to reflect the new segment structure.

On December 21, 2019, BASF and an affiliate of Lone Star, a global private equity firm, signed an agreement on the sale of BASF's construction chemicals business. The purchase price on a cash and debt-free basis is €3.17 billion. The transaction is expected to close in the third quarter of 2020, subject to the approval of the relevant competition authorities. The Construction Chemicals division was previously reported under the Surface Technologies segment. The signing of the agreement had an immediate effect on the reporting of BASF Group. Retroactively as of January 1, 2018,

Structure of BASF

Percentage of total sales in 2019

| | | | |
|---|-------------------------------|---|-----|
| 1 | Chemicals | – Petrochemicals – Intermediates | 16% |
| 2 | Materials | – Performance Materials – Monomers | 20% |
| 3 | Industrial Solutions | – Dispersions & Pigments – Performance Chemicals | 14% |
| 4 | Surface Technologies | – Catalysts – Coatings | 22% |
| 5 | Nutrition & Care | – Care Chemicals – Nutrition & Health | 10% |
| 6 | Agricultural Solutions | – Agricultural Solutions | 13% |
| 7 | Other | | 5% |



Intelligent Verbund concept

Production, technology, market, digitalization

In 90+ countries

employees contribute to our success and that of our customers

New segment structure

since January 1, 2019

Organizational realignment

for greater customer proximity, increased competitiveness and profitable growth

sales and earnings of the Construction Chemicals division are no longer included in sales, EBITDA, EBIT and EBIT before special items of the BASF Group. Until closing, the income after taxes of the construction chemicals business will be presented in the income after taxes of BASF Group as a separate item ("Income after taxes from discontinued operations").

Following the approval of all relevant authorities, BASF and LetterOne completed the merger of Wintershall and DEA on May 1, 2019. In

September 2018, BASF and LetterOne had signed a transaction agreement to merge their respective oil and gas businesses in a joint venture. Shareholder loans were replaced by bank loans in the course of the merger. Since May 1, 2019, BASF's participating interest in Wintershall Dea has been reported in the Consolidated Financial Statements of the BASF Group according to the equity method, with an initial valuation at fair value. The gain from the transition from full consolidation to the equity method is shown in income after taxes from discontinued operations. Since May 1, 2019,

BASF has reported its share of Wintershall Dea's net income in EBIT before special items and in EBIT of the BASF Group, presented under Other. BASF and LetterOne intend to list Wintershall Dea on the stock exchange by way of an initial public offering (IPO) in the second half of 2020, provided market conditions are suitable.

The disclosures and indicators in the Management's Report on sustainability in 2019 no longer include data on Wintershall. The construction chemicals business is included in the disclosures on environmental protection, health and safety, employees and compliance, but has already been removed from the sales-related sustainability figures. The business acquired from Bayer in 2018 is included in the indicators. Exceptions are explained in the corresponding sections in the chapters concerned.

In addition to the segment structure, the composition of a number of divisions also changed as of January 1, 2019. The propylene oxide and propylene glycol business was transferred from the Petrochemicals division to the Monomers division. The superabsorbents business is now allocated to the Petrochemicals division rather than the Care Chemicals division. The styrene, polystyrene and styrene-based foams business, which previously mainly fell under the Performance Materials division and a small part under Other, is now bundled in the Petrochemicals division.

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.

Our divisions bear operational responsibility here and are organized according to sectors or products. They manage our 54 global and regional business units and develop strategies for the 76 strategic business units.¹

Our regional and country organizations help to leverage market potential. For financial reporting purposes, we organize the regional divisions into four regions: Europe; North America; Asia Pacific; South America, Africa, Middle East.

Together with our divisions, the three global research divisions – Process Research & Chemical Engineering, Advanced Materials & Systems Research and Bioscience Research – safeguard our innovative capacity and competitiveness.

Business processes such as the procurement of raw materials and services, production and transport to customers were the shared responsibility of the divisions and the functional units in 2019. Seven functional units and eight corporate units supported the BASF Group's business activities. The functional and corporate units provided services in the areas of finance, human resources, tax and legal, engineering, site management, purchasing and logistics, environmental protection, health and safety, investor relations, and communications. As part of the further development of the corporate strategy, in 2019 BASF embedded business-critical parts of its functional units into the divisions, such as engineering services, procurement and logistics. This increased customer proximity and improved customer-specific agility. We have also created leaner structures in our functional units, research and development and in governance functions.

[For more information on the products and services offered by the segments, see from pages 63, 69, 74, 80, 85 and 91 onward](#)

[For more information on the new segment structure as of January 1, 2019, see the Notes to the Consolidated Financial Statements from page 219 onward](#)

Organizational realignment as of January 1, 2020

BASF has created the conditions for greater customer proximity, increased competitiveness and profitable growth with an organizational realignment as part of the implementation of its strategy. We are streamlining our administration, sharpening the roles of services and regions, and simplifying procedures and processes as part of our ongoing Excellence Program. Customer-focused operating divisions, cross-functional service units and regions as well as a lean Corporate Center are the cornerstones of the new organization.

The Corporate Center units support the Board of Executive Directors in steering the company as a whole. These include central tasks from the following areas: strategy; finance; law, compliance and tax; environmental protection, health and safety; human resources; communications; investor relations and internal audit.

In addition, four global service units were established: Global Engineering Services and Global Digital Services offer services for individual sites, globally for the divisions or other units of the BASF Group. Global Procurement makes purchasing even more effective. The newly established Global Business Services unit will be a global, flexible and demand-driven service unit that strengthens the competitiveness of the divisions and provides services in areas such as finance, human resources, environmental protection, health and safety, intellectual property, communications, supply chain and consulting.

The role of regions and countries is being sharpened. Going forward, they will primarily represent BASF locally and even better support the growth of business units with local proximity to customers.

The ongoing Excellence Program is expected to contribute €2 billion to EBITDA annually from the end of 2021 onward compared with baseline 2018. BASF expects a reduction of a total of around 6,000 positions worldwide until the end of 2021. This decrease results from the organizational simplification and from efficiency gains in

¹ Excluding the construction chemicals activities presented as discontinued operations

administration, the service units and the operating divisions. In addition, central, functional and regional structures are being streamlined in the context of the announced portfolio changes.

[For more information on portfolio changes, see page 42](#)

Sites and Verbund

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. This was where the Verbund principle was originally established and continuously optimized before being implemented at additional sites.

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.

[For more information on the Verbund concept, see \[basf.com/en/verbund\]\(http://basf.com/en/verbund\)](#)

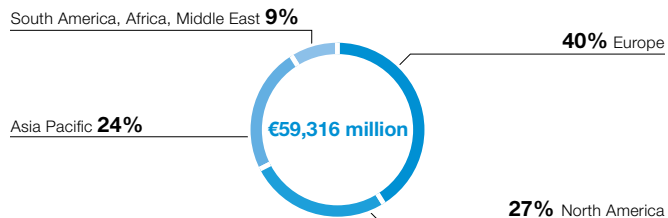
BASF sites



The BASF Group

BASF sales by region 2019

Location of customer



Procurement and sales markets

- Around 100,000 customers; broad customer portfolio
- More than 75,000 suppliers

BASF supplies products and services to around 100,000 customers¹ 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 suppliers² 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.

[For more information on customers, see page 25; for more information on suppliers, see page 102 onward](#)

BASF sales by industry 2019

Direct customers

| | |
|--------|---|
| >20% | Chemicals and plastics |
| 10–20% | Agriculture Consumer goods Transportation (in each case) |
| < 10% | Construction Electronics Energy and resources Health and nutrition (in each case) |

Business and competitive environment

BASF's global presence means that it operates in the context of local, regional and global developments and a wide range of conditions. These include:

- Global economic environment
- Legal and political requirements (such as European Union regulations)
- International trade agreements
- Industry standards
- 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 70% of the business areas in which it is active. Our most important global competitors include Arkema, Bayer, Clariant, Corteva, Covestro, Dow, Dupont, DSM, Evonik, Formosa Plastics, Huntsman, Lanxess, SABIC, Sinopec, Solvay, Syngenta, Wanhua 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 of the BASF Group, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also one of the largest operating companies. The majority of Group companies cover a broad spectrum of our business. In the BASF Group Consolidated Financial Statements, 295 companies including BASF SE are fully consolidated. We consolidate seven joint operations on a proportional basis, and account for 25 companies using the equity method.

[For more information, see the Notes to the Consolidated Financial Statements from page 206 onward](#)

¹ The number of customers refers to all external companies (sold-to parties) that had contracts with the BASF Group in the business year concerned under which sales were generated.
² BASF considers all direct suppliers of the BASF Group in the business year concerned as Tier 1 suppliers. These are suppliers that provide us with raw materials, investment goods, consumables and services. Suppliers can be natural persons, companies or legal persons under public law.