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BASF SE
Financial Statements 2008

**BASF**
The Chemical Company

CONTENTS

<i>Management's Analysis of the Financial Statements of BASF SE</i>		<i>Financial Statements of BASF SE</i>	
Corporate Governance Report	13	Statement of Income	35
Management and Supervisory Boards	18	Balance Sheet	36
Compensation Report	22	Notes to the Financial Statements of BASF SE	37
Report of the Supervisory Board	29		
Compliance Statement	33	<i>Assurance pursuant to Sections 264 (2), 289 (1) of the German Commercial Code (HGB)</i>	
Report of the Independent Auditors	34		

The Financial Statements and Management's Analysis of BASF SE for the financial year 2008 are filed with, and published in, the electronic Federal Gazette. The Financial Statements and Management's Analysis of BASF SE as well as the List of Shares Held by BASF SE are also available on the internet at:

→ corporate.basf.com/cg_reports

MANAGEMENT'S ANALYSIS OF THE FINANCIAL STATEMENTS OF BASF SE

Corporate legal structure

BASF SE, headquartered in Ludwigshafen, Germany, takes a central role as the largest operating company in the BASF Group. Directly or indirectly, it holds the shares in the companies that belong to the BASF Group. All of BASF SE's shares are available for public trading on stock exchanges.

Organization

In 2008, BASF's operating divisions were aggregated into six segments. The divisions carry the operational responsibility and manage our 61 global and regional business units. The operational business of BASF SE represents only a portion of the global overall business. Only the Consolidated Financial Statements of the BASF Group provide a complete insight.

Accounting principles

The Consolidated Financial Statements of the BASF Group incorporate the Financial Statements of BASF SE which are prepared in accordance with International Financial Reporting Standards (IFRS).

In the following, we comment on the Financial Statements of BASF SE, which are based on the German Commercial Code (Handelsgesetzbuch, henceforth HGB).

Results of operations

To assess the net income of BASF SE a differentiation must be made between income from operations from BASF SE's own production and from the sale of products of other European BASF Group companies as well as the income from the function of BASF SE as a parent company. This function as a parent company is primarily reflected in the financial result.

Corporate Governance

The corporate governance processes apply equally to BASF SE and the BASF Group. For this reason, the information on corporate governance in the BASF SE Financial Statements (pages 13 to 33) and in the BASF Group Consolidated Financial Statements corresponds. The section on corporate governance includes the compensation report with disclosures according to Section 289 (2) No. 5 HGB and Section 289 (4) HGB, which form part of the Management's Analysis audited by the external auditor.

Million €	2008	2007
Sales	17,143	16,679
Gross profit on sales	4,026	3,781
Income from operations (EBIT)	709	771
Income from participations	3,429	2,254
Interest result	(440)	(439)
Other financial result	(564)	(150)
Financial result	2,425	1,665
Income before taxes*	3,134	2,436
Net income	2,982	2,267

* Income from ordinary operations

Sales

Change

	2008		2007	
	Million €	%	Million €	%
Change in volumes	(278)	(1.7)	442	2.8
Change in prices	844	5.1	525	3.4
Currency effects	(232)	(1.4)	(43)	(0.3)
Commissions, licenses, other businesses, etc.	130	0.8	21	0.1
	464	2.8	945	6.0

Regions (million €)

	2008	2007
Europe	13,517	13,369
Thereof Germany	4,980	4,965
North America	1,027	889
Asia Pacific	1,673	1,587
South America, Africa, Middle East	926	834
	17,143	16,679

Income from operations

In 2008, BASF SE's sales increased by 2.8% compared with the previous year. The increased sales, due to higher sales prices, were partially offset by decreased sales volumes and negative currency effects.

Gross profit on sales increased by €245 million compared with the previous year, while margins remained stable. This was mainly a result of the lower additions to pension provisions, which had been necessary in 2007 because of the commitment to increase future payments from the pension fund.

Income from operations, however, decreased by €62 million to €709 million. This was particularly due to the increase of €472 million in other operating expenses. The reason for this was losses from derivatives for hedging currency and price risks. These were partially offset by the increase of €99 million in other operating income. This effect resulted in particular from the reversal of provisions for the BASF option program.

Financial result

The increase in income from participations of €1,175 million resulted especially from higher dividends and disposal gains from internal corporate restructuring. This was partially offset by lower income from profit transfer agreements.

The interest result remained nearly unchanged. Lower expenses for affiliated companies and financial indebtedness were partially offset by declined earnings from affiliated companies.

The item "Other financial result" decreased by €414 million. This was mainly due to losses on the valuation of assets of the BASF Pensionstreuhand e.V. (Contractual Trust Arrangement, CTA).

Balance sheet structure and financial position

	2008		2007	
	Million €	%	Million €	%
Fixed assets	19,041	53.3	20,354	58.8
Current assets and other assets	16,709	46.7	14,234	41.2
Total assets	35,750	100.0	34,588	100.0
Stockholders' equity	8,614	24.1	9,081	26.3
Provisions	6,390	17.9	6,375	18.4
Liabilities and other liabilities	20,746	58.0	19,132	55.3
Total stockholders' equity and liabilities	35,750	100.0	34,588	100.0

Net income

Net income amounted to €2,982 million, which represents an increase of €715 million, or 32%, compared with 2007.

The reason for this was primarily due to the increase of the financial result, while the tax burden decreased.

Balance sheet structure

The balance sheet total increased by €1,162 million, or 3%, to €35,750 million.

The decrease in fixed assets by €1,313 million resulted mainly from the decline in financial assets by €1,406 million due to the repayment of capital surplus by subsidiaries. Internal corporate restructuring partially offset this effect.

The increase in current assets was largely due to an €1,363 million increase in cash and cash equivalents and an increase of €961 million in receivables from affiliated companies.

The decline in stockholders' equity was due to the buyback of own shares in the amount of €1,618 million. This was partially offset by the increase in net income and in profit carried forward compared with the previous year.

Liabilities and other liabilities increased by €1,614 million. The issuing of commercial papers increased, while liabilities to affiliated companies decreased.

Financial position

In 2008, we generated cash provided by operating activities of €3,407 million. This represents an increase of 13% compared with the already high level of the previous year.

Cash used in investing and financing activities amounted to €(2,044) million in comparison with €(1,125) million in 2007. Cash outflows in 2008 matched the level of the previous year. They resulted mainly from share buybacks, the dividend payment and decreased liabilities to affiliated companies. However, cash used in investing and financial activities declined overall. This was due to the higher cash inflows in the previous year through the repayment of a loan given to BASF US Verwaltung GmbH and the sale of securities, in contrast to cash inflow from the issuance of commercial papers and the repayment of capital surplus by subsidiaries in 2008.

Liquid funds increased by €1,526 million to €5,441 million. Of this increased amount, €163 million was in marketable securities and €1,363 million was in cash and cash equivalents.

Employees

Qualified and motivated employees are the core of BASF's innovative and competitive capacities. In order to attract and retain the best talents, we offer performance-oriented pay as well as extensive training and development opportunities. Our comprehensive program on demographic change prepares BASF for the personnel related risks and opportunities of the future.

BASF SE's personnel costs amounted to €2.44 billion in 2008 (2007: €3.10 billion). The company had 32,838 employees as of December 31, 2008 (2007: 32,706).

For BASF, sustainable enterprise means sharing the company's success with our employees. We want our employees to have a long-term interest in our company and we reward their personal performance. We encourage entrepreneurial thinking by implementing remuneration systems based on performance and success that follows the same basic principles for all our employees. They usually involve both fixed and variable components. The variable component is determined by two factors: the economic success of the BASF Group measured by the return on assets, and the employee's individual performance. Employee performance is assessed in an annual review.

Our "Plus" share program helps to foster employee interest in the company's success and business performance. The program promotes the long-term involvement of employees through incentive shares. Employees can invest varying portions of their compensation in BASF shares. In 2008, a total of 782,860 BASF shares were acquired by employees of BASF SE under the "Plus" share program. Since 1999, BASF has offered its senior executives the opportunity to participate in the BASF option program (BOP), which ties a part of remuneration to the long-term development of the BASF share price.

Research and development

Our international and interdisciplinary research and development offers solutions to many future challenges. Our know-how, products and processes are driving forces of innovation in most manufacturing industries. They promote the long-term success of our customers, which in turn ensures our profitable growth and sustainable commercial success.

The close cooperation with our partners worldwide is an important factor in the success of efficient and future oriented research. Our network includes 1,900 collaborative partnerships with universities, research institutes, startup companies and industrial partners. In 2008, BASF filed 1,265 patents worldwide.

In 2008, BASF SE had 5,213 employees in research and development. Expenditures on research and development amounted to €807 million.

Environmental protection and occupational safety

Climate change is one of the main challenges facing society. Industry, science, politics and society need to work together to find global solutions for climate protection. At the beginning of 2008, we presented our action plan for climate protection: We set ourselves ambitious climate protection goals, appointed a Climate Protection Officer and presented a comprehensive corporate carbon footprint. We create business opportunities for ourselves and our customers with our products for climate protection.

The conservation of resources is a fundamental economic principle for us. Therefore, we strive continually to generate and use energy efficiently. Energy efficiency will be one of the most valuable future energy sources as it brings together climate protection, resource conservation and economic benefit.

Worldwide, water is becoming an increasingly scarce resource. The sustainable use of water and worldwide conservation of natural water resources are therefore of concern to us. Our water conservation strategy is built on three pillars: We minimize our water consumption, reduce emissions to water from our production processes, and offer products that save water and improve water quality.

The cost of operating environmental protection facilities throughout BASF SE amounted to €381 million in 2008 (2007: €348 million). We invested €116 million in new and improved environmental protection plants and facilities (2007: €74 million). These capital expenditures involved both end-of-pipe measures as well as integrated environmental protection measures. Provisions established for environmental protection measures and remediation amounted to €151 million as of December 31, 2008 (December 31, 2007: €156 million).

The safety and health of our employees are of the utmost importance to us. We have made significant achievements as a result of our high safety standards and comprehensive regulations.

The number of work-related accidents of BASF employees and employees from other companies at the Ludwigshafen site has been stable on a low level for years. In the period from January to December 2008, the lost time accidents amounted to 118 (2007: 107). We aim to become even better in the future, thus contributing to BASF's long-term business success.

Safety is of the utmost priority in our plants. This is how we protect the health of our employees and neighbors, and avoid environmental damage and production stoppages. Furthermore, the safe transportation and storage of products is part of our social responsibility. Uniform standards for the transportation and storage of chemical products are determined in directives. They define responsibilities, requirements and assessment methods. Our safety advisers are tasked with ensuring that internal, national and international transportation regulations are adhered to during all transports.

Principles and objectives of our financial management

Financial management in the BASF Group is largely centralized and supported by regional competence centers. Our financing and investment policy is value-based, with risk management taking precedence over return. The risks associated with currencies, interest rate changes and creditworthiness are analyzed and limited using modern processes and financial instruments. Within the framework of our financial management, we govern the capital structure of BASF by taking into account selected financial ratios.

Risk management system

BASF's risk management goal is to identify and evaluate risks as early as possible and limit business losses by taking suitable measures, thus avoiding risks that pose a threat to the company's continued existence. We understand risk to be any event that could negatively impact the achievement of our short-term operational or long-term strategic goals. We define opportunities as possible successes that exceed our defined goals.

Risk management is integrated into our planning and controlling processes to ensure its effectiveness and a close relationship to the business. Opportunities and risks are included and quantified within the planning framework; this ranges from short-term business planning to long-term strategic and investment planning.

Organization, responsibilities and tools

Regular risk analyses are conducted by the following units:

- Compliance
- Corporate Controlling
- Environment, Health & Safety
- Finance
- Global Procurement & Logistics
- Human Resources
- Legal, Taxes & Insurance
- Strategic Planning & Controlling
- Corporate Audit

The Strategic Planning & Controlling and Finance divisions are responsible for centralized risk controlling. The Strategic Planning & Controlling division provides the necessary tools and know-how, further develops the methods and is responsible for global communications. Specific individual risks pertaining to the operating divisions, corporate divisions, and competence centers as well as BASF-wide risks, are permanently registered, evaluated and monitored centrally.

Risk management process

The risk management process comprises the following steps:

• Identification of opportunities and risks

The identification of opportunities and risks is a bottom-up process that uses a variety of tools, ranging from expert interviews to team-based approaches. These are complemented by market, competitive and environmental analyses as well as statistical evaluations. The above are based on internal and external risk information sources; macroeconomic scenarios that evaluate important factors, such as industry growth rates; as well as our company-wide risk catalog, which acts as a checklist to manage the identification process.

• Assessment and quantification

Where possible, opportunities and risks are quantified as to their probability of occurrence and impact on profitability. The business plan serves as the reference base. In addition, we quantify the dependence of each business sector on macroeconomic factors, such as the development of key customer industries, exchange rates and raw material prices.

- **Aggregation**

Opportunities and risks as well as the dependence on macroeconomic factors are aggregated on the division and group level to determine the spectrum of possible effects on profit and the probability distribution. Correlations between the individual events and factors as well as effects caused by the transfer of products within the Verbund are taken into account.

- **Control and measures**

The management of opportunities and risks, including the necessary countermeasures, takes place on the divisional level. For certain BASF-wide risks these actions are taken at the BASF-Group level. The details are governed by our risk management handbook, upon which divisional specific regulations are based.

The Board of Executive Directors receives regular reports on the risk situation of the BASF Group, and additionally when certain risk thresholds are reached. The divisions, competence centers and regional divisions are responsible for operational risk management. Strategic opportunities and risks are quantitatively assessed in the product and regional strategies and are updated at least once a year as part of the strategic planning and controlling process. The assessments are immediately adjusted following significant changes to the opportunity and risk exposure. Our risk management process is constantly being developed and is reviewed by Corporate Audit and as part of the external audit of the annual financial statements.

Internal control system over financial reporting

Significant features: In the Finance division, the corporate unit Financial Reporting Compliance provides methods for the structured, Group-wide and uniform evaluation of the internal control system for financial reporting.

A risk catalog covers the significant risks to the BASF Group regarding an intact control environment as well as proper financial reporting. The risk catalog is revised and updated annually.

In a central selection process, companies and units are identified that are exposed to particular risks or that have a material impact on the Consolidated Financial Statements of the BASF Group or that provide related service processes. All significant BASF sites, regions and divisions are covered. The composition is decided on each year. In the companies and units, a responsible person is named who coordinates and monitors the execution of the following steps:

Yearly evaluation process: This consists of the following steps:

- **Evaluation of the control environment**

The adherence to internal and external guidelines that are relevant to the financial reporting process is checked through a standard questionnaire. Each responsible manager performs an appraisal based on sampling.

- **Identification of control activities**

In order to counter the risks to the financial reporting process listed in our central risk catalog, corresponding control activities are conducted. The control activities of the largest companies and those with special risks are documented in a global IT system.

- **Appraisal of the control activities**

After the documentation, a test is performed to verify if the described control is capable of adequately countering the risk. In the following test phase, samples are taken to test the effectiveness of the controls.

- **Monitoring of control weaknesses**

Management receives reports on any control weaknesses and their elimination, and an interdisciplinary committee investigates their relevance to the BASF Group. The Board of Executive Directors is informed once control weaknesses are identified that have a considerable impact on financial reporting.

- **Internal confirmation of the internal control system**

The responsible managing director and chief financial officer for each consolidated Group company confirm to the Board of Executive Directors of the BASF Group at the end of the annual cycle the effectiveness of the internal control system over accounting as well as the adequacy of financial reporting.

Future development risks

Market and economic cycle risks

Because BASF is an important partner in many industries, shifts in demand naturally bring with them opportunities and risks.

For 2009, we expect a weaker economic climate as a result of the worldwide financial crisis. Several divisions are directly affected by weaker demand in important customer industries, such as the construction and automotive industries, and stronger competition in sales markets. Other divisions are indirectly affected by a decline in the growth of demand for basic chemical products.

The margins for commodities, such as those in the plastics business, are particularly exposed to product-specific supply and demand cycles.

As a result of a price advantage in raw materials in the Middle East, there is currently a significant increase in the capacity for basic chemicals, such as ethylene and propylene. There is also the risk that demand in target markets will grow more slowly, thus resulting in a decline in margins.

We reduce these risks in the BASF Verbund through diversification. We manage the construction and expansion of facilities for each product according to the expected demand and we schedule maintenance turnarounds accordingly. We divest businesses in which we do not see satisfactory opportunities to distinguish ourselves from our competitors in the long term.

Financial difficulties arising from the financial crisis and customer bankruptcies could contribute to a downturn in customer demand.

Our planning takes the economic downturn into consideration. Opportunities and risks from market developments above or below our expectations are evaluated quantitatively. The possible spectrum of positive and negative plan deviations is captured in a probability distribution on division and group levels. The possible deviation from the plan may be significant. From a BASF Group perspective, this is limited by our high degree of diversification.

Where possible, these risks are countered using operating measures: for example, through close cooperation with customers and the optimal management of our production. We limit the effects of the risks stemming from the current overall economic situation by means of a crisis management system focused on the short-term. In this way, we react to the declining global demand by adjusting capacity utilization and by bringing forward maintenance turnarounds. A further aspect of balanced opportunity and risk management is to ensure that we are prepared for a possible recovery in order to optimally serve the needs of our customers.

Additionally, we employ long-term strategic measures, such as our international orientation, the continuous development of innovative products and systems, and active portfolio management. Constant research and development takes center stage in this. Furthermore, we shape our portfolio through internal optimization measures, and not least through acquisitions, through which we expand our position in various specialty segments.

Raw material availability and price volatility

The availability and price volatility of feedstock, especially of crude oil-based chemicals and precious metals, pose opportunities and risks for BASF. Currently, we do not see risks arising from raw material availability. Given the current economic environment, however, the risk of failure of individual suppliers has increased. We minimize these risks through our wide portfolio, our global purchasing activities and optimized procedures for the purchase of additional quantities of raw materials on spot markets. When possible, we avoid procuring particular raw materials from a single supplier. Where this is not possible, we try to foster competition, or if this could not be done, we knowingly enter into these relationships and assess the effects of possible availability problems. We continually monitor the credit risk of important business partners, customers as well as suppliers. We adopt a similar approach regarding the purchasing of services in the field of logistics and technology.

We assume that the volatility of raw material prices in the future will be above the historical level. In order to take appropriate action, the effects of raw material price volatility and changing price expectations are mapped, taking the value-adding chains of the BASF Verbund into account. Our dependence on the oil price is reduced through the contribution of our oil and gas business. Furthermore, we minimize cost risks by using commodity derivatives. These measures help to secure margins when strongly rising raw material prices are expected, which can not be, or only to a limited extent, passed on via product prices. This could lead to costs if prices do not move as expected.

Financial risks

The management of currency and interest rate risks is conducted in the Treasury department; the management of commodity price risks in the Global Procurement & Logistics competence center, or through appropriately authorized Group companies. Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of trading and back office functions.

Exchange rate volatility: In the global markets, risks arise from the shifting in exchange rate parities. On the production side, we counteract exchange rate risks by having our local production sites. On the market side, we face risks arising from our customer industries.

In addition, we consider planned purchase and sales transactions in foreign currencies in our financial foreign currency risk management. These risks are hedged using derivative instruments.

Interest rate risks: Interest rate risks result from potential changes in market interest rates, which can cause a change in the present value of fixed-rate instruments and changes in the interest payments of variable-rate instruments. To hedge these risks, interest rate swaps and combined interest rate and currency derivatives are used.

Risks from raw materials trading: Within predetermined limits and exposure constraints, we use our knowledge of the markets for crude oil and oil products to generate earnings in the trade of raw materials. These activities are subject to constant monitoring.

Commentary on the use of derivatives as well as information on the nominal and market value of these instruments is provided in Note 21 to the Financial Statements.

Liquidity risks: Risks from cash flow fluctuations are recognized in a timely manner as part of our liquidity planning. The present increased uncertainties are taken into account by means of additional risk scenarios and the short-term updating of our liquidity planning. This means we can promptly take the necessary measures when required.

We issue long-term bonds to reduce refinancing risks. In addition, we also use bank loans to finance the growth of the BASF Group. In the course of the current financial and economic crisis, issuing bonds has become significantly more difficult and costly than in previous years. As a result of our good ratings, the ongoing commercial paper program and committed lines of bank credit, we have access to comprehensive liquid funds. The commercial

paper program also constitutes a reliable liquidity source for BASF in the financial crisis.

Default risks: We limit country-specific risks through internal country ratings, which are continually updated to reflect changing environment conditions. We use export credit insurance and investment guarantees as the main tools to limit specific country-related risks.

We lessen credit risks for our financial investments by engaging in transactions only with business partners and banks with good credit ratings and by adhering to fixed limits. Monetary transactions are also conducted through such banks. Against the background of the current economic crisis, we continuously check the creditworthiness of our partner banks. We reduce the risk of default on receivables by continually monitoring the creditworthiness and payment behavior of customers and by setting appropriate credit limits. Risks are also limited through the use of credit insurance and bank guarantees.

Pension obligations: We predominantly finance company pension obligations externally through separate pension assets. This applies particularly to BASF Pensionskasse VVaG and the BASF Pensionstreuhand e.V. We address the risk of pension plan underfunding due to market volatility of plan assets by aligning the investment strategy in terms of return and risk optimization to the structure of the pension obligations. Stress scenarios are simulated as part of the portfolio analyses. The permanent review of the investment strategy was further intensified in the wake of the financial and economic crisis. Furthermore, we are reducing this risk by increasingly offering employees defined contribution plans.

Regulatory and political risks

As of June 1, 2007, the new European chemicals directive REACH came into effect, which set forth terms for the registration, evaluation and authorization of chemicals. With its networked structure and extensive product portfolio, BASF is one of the companies most heavily affected worldwide. BASF is aware of the demands, and therefore started preparing for REACH in 2004. Under the terms of REACH, BASF will register several thousand substances. Upon the completion of the pre-registration phase on December 1, 2008, we submitted more than 40,000 pre-registrations to the ECHA (European Chemicals Agency) in Helsinki, Finland. We expect average annual costs of €50 million until completion of its implementation in 2018. Despite good preparation and planning, BASF and our European customers continue to face the risk of being placed at a disadvantage due to the cost intensive test and

registration procedures in comparison to our non-European competitors.

Within the framework of E.U. emissions trading, the BASF Group was allocated emission certificates for the second trading period from 2008 to 2012. BASF does not currently expect any shortage of certificates for the European group in this second trading period.

The concrete design of the European emissions trading from 2013 is still unclear. Under the present E.U. resolutions, however, a large portion of the chemical industry will be included in the trading system. It is still largely unclear what proportion of the required certificates for the individual plants will need to be paid for. Chemical plants which are exceptionally efficient will probably receive allocation of certificates largely free of cost. Depending on the final design of the implementing regulation, BASF will be required to purchase several million certificates annually. The final design will, however, also impact the prices for CO₂ certificates on the exchanges and thus affect our cost and global competitive situation.

An aggravation of geopolitical tensions and the destabilization of currently politically stable systems continue to pose risks.

BASF SE operates an energy supply network, which is a site network in terms of Section 110 (4) No. 3 of the German Energy Act. The company is therefore exempt from, among other things, the commitments in Section 10 (3) of the German Energy Act.

The effects of exemption for site networks according to Section 110 (1) No. 3 of the German Energy Act remains in accordance with our legal interpretation of the European Court of Justice decision on May 22, 2008 (Decision C 439/06).

Overall assessment

Our planning takes into account significantly lower economic growth. At present, it is exceptionally difficult to make forecasts. This is primarily due to the increased volatility in raw material prices as well as uncertainty regarding the overall economy and the performance of important customer industries. In 2008, events occurred that we had assessed as having a low probability of occurrence: Globally, the credit markets almost collapsed and the oil price increased considerably before dropping dramatically. The possible knock-on effects of further negative developments would be considerably more serious than in the previous years. Nevertheless, based on our assessment, there are currently no significant individual risks that pose a threat to the continued existence of the BASF SE. That also applies to the sum of the individual risks.

Outlook and opportunities

Outlook

In a drastically worsening economic environment, BASF is facing major challenges in 2009. Our global business declined sharply in the fourth quarter of 2008. Since the beginning of 2009, there has been no recovery in the demand for chemical products, and there is currently no sign of a reversal of this trend. Nevertheless, the current economic situation offers opportunities for our business.

The world economy is in the worst crisis of the postwar period, whose impact will also shape the year 2009. We expect a recession that involves a decrease in global gross domestic product (-0.3%). In the industrialized countries, economic growth will decline significantly (-1.6%). Early indicators show that production will decline at least into the second quarter. For the year 2010, we expect a moderate recovery. Not until 2011 is it expected that growth will return to near the normal rate of over +3%. However, any forecast is currently subject to great uncertainty.

For the year 2009 we expect the following economic conditions:

- Decline in global gross domestic product (-0.3%)
- Continued critical situation in the first half of year in the United States, in many European countries, and in Japan due to the credit crisis
- Slight improvement of the economic situation in late fall through fiscal stimulus, lower inflation and energy prices as well as stronger confidence
- Crisis-related lower interest rates in the United States and in Europe in the course of 2009
- An average euro/dollar exchange rate of \$1.30 per euro
- Continued low oil price: annual average \$50 per barrel

Opportunities

Even in very difficult times, we want to maintain our leading position in the chemical industry and make a contribution to overcoming the economic crisis. With our innovative products and system solutions, we help companies in almost all industries to increase their innovative strength and thus lay the foundations for future growth. We will therefore continue our research and development efforts in high-growth and innovative areas.

In the currently difficult economic environment, we reaffirm our position as global market leader in the chemical industry by shaping our portfolio to be even more robust and competitive.

Forecast

The impact of the global financial crisis on our sales and procurement markets intensified dramatically in the fourth quarter. We are in the midst of a global recession: Growth rates are dropping significantly in all regions, customers continue to reduce their inventories, and a recovery is currently not in sight. The year 2009 will confront us with major challenges. The continuing global recession will cause the chemical market to shrink. Any forecast is currently subject to great uncertainty.

Under the stated conditions, we expect a decline in sales compared with 2008 and an even greater decline in income from operations. We nevertheless aim to keep our dividend stable.

The planned investment in property, plant and equipment for the years 2009 to 2011 will be approximately €1.5 billion, and will therefore most likely be above the level of depreciation. We aim to finance these planned expenditures from cash provided by operating activities. This figure does not include acquisitions.

Dividends and share buybacks

We aim to increase our dividend annually or at least maintain the level of the previous year.

We are currently turning our main focus to the financing of the BASF Group, not least because of the acquisition of Ciba Holding AG. In view of the economic situation, we have stopped our share buyback program.

Supplementary report

BASF is pressing ahead with the optimization of its structures. The goal is an even stronger focus on its customer industries. At the same time, BASF is laying the foundation for the rapid and smooth integration of Ciba's activities. In particular, BASF's Performance Products segment is being developed further. The first organizational changes will take effect as of April 1, 2009.

Optimization of organizational structures

The Performance Products segment currently consists of the Acrylics & Dispersions, Care Chemicals and Performance Chemicals divisions. **Paper Chemicals** division will be assigned to the segment as of April 1, 2009. This division will initially consist of BASF's paper chemicals and binders business as well as the kaolin minerals business, which are currently part of the Acrylics & Dispersions division. At a later time, Ciba's business with products for paper manufacturing is to be integrated into the Paper Chemicals division.

The current Acrylics & Dispersions division will be renamed **Dispersions & Pigments**. This division will consist of BASF's business with raw materials for the coating and paint industry. In addition, the dispersions business will be supplemented by the pigments and resins business, which is currently part of the Performance Chemicals division. The acrylic monomers business will be assigned to the Petrochemicals division, which will then encompass the key steps in the propylene value-adding chain. The superabsorbents business will be assigned to the Care Chemicals division. Later, the majority of business of Ciba's Coating Effects segment will be integrated into the Dispersions & Pigments division.

In the **Care Chemicals** division, BASF is now combining, in addition to the human and animal nutrition units and pharmaceuticals business, all businesses that contribute to cleaning, personal care and hygiene. The assignment of the superabsorbents business to Care Chemicals will strengthen the division's portfolio with consumer-related products for personal care.

In the future, the **Performance Chemicals** division will primarily offer innovative and specific solutions for a broad range of industries. These, for example, include the plastics processing industry, automotive suppliers, refineries, users of oil fields and mining chemicals as well as leather and textiles processors. Ciba's plastics additives business, among others, will be assigned to this division.

For several years, the business with leather and textile chemicals has been characterized by low market growth and high competitive pressure. In order to improve com-

petitiveness, BASF has implemented a series of restructuring and efficiency programs in the past years. However, these measures have not been sufficient to ensure the long-term profitability of the business. The business unit has therefore introduced an additional program to further optimize efficiency and reduce costs by €25 million by 2011. Besides implementing this package of measures, BASF is examining future strategic options. In particular, these include the formation of a joint venture or the complete sale of the business.

As of January 1, 2009, the styrene copolymers business was transferred from the **Performance Polymers** division to Styrenics. Styrenics does not belong to any segment, it is reported under "Other."

Bond issue

In January 2009, BASF Finance Europe NV issued a bond with a nominal volume of €1.5 billion guaranteed by BASF SE. The coupon of the bond is 5.125% and it matures on June 9, 2015.

Credit ratings of BASF

With an "AA- /A-1+/outlook negative" rating from Standard & Poor's and an "Aa3/P-1/outlook under review for downgrade" rating from Moody's, BASF had significantly stronger ratings than its competitors in the chemical industry at the end of 2008. At the beginning of 2009, Standard & Poor's downgraded the rating of BASF to "A+/A-1/outlook negative" and Moody's to "A1/P-1/outlook stable."

CORPORATE GOVERNANCE REPORT

Corporate governance refers to the entire system for managing and supervising a company, including its organization, its commercial principles and guidelines as well as all internal and external regulatory and monitoring mechanisms. Effective and transparent corporate governance guarantees that BASF is managed and monitored in a responsible and value-driven manner. This fosters the confidence of our domestic and international investors, the financial markets, our business partners, employees and the public in the company.

Conversion of BASF Aktiengesellschaft into BASF SE

As of January 14, 2008, BASF took on the new European legal form of a European Company. A highly significant goal of the conversion into BASF SE was the strengthening of BASF's corporate governance structure. By reducing the size of the Supervisory Board to 12 members while maintaining the equal representation of shareholders and employees and broadening the European composition of the employee representatives' side, the future direction for a modern and efficient corporate constitution has been set. Proven structures such as the two-tier administrative system of BASF's Board of Executive Directors and Supervisory Board are retained in the SE.

Management and supervision in BASF SE

The legal foundations of BASF SE's corporate constitution are primarily the SE Council Regulation of the European Union, the German SE Implementation Act and the German Stock Corporation Act. Despite these new legal foundations, the previous fundamental elements of BASF Aktiengesellschaft's corporate constitution remain unchanged in BASF SE: these are the two-tier system consisting of BASF's Board of Executive Directors and the Supervisory Board, the equal representation of shareholders and employees in the Supervisory Board, and the shareholders' rights of co-administration and supervision at the Annual Meeting.

Direction and management by the Board of Executive Directors

Under the two-tier administrative system of BASF SE, the Board of Executive Directors is responsible for the management of the company, and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board: A member of the Supervisory Board cannot simultaneously be a member of the Board of Executive Directors. The Board of Executive Directors agrees on company goals and corporate strategy and manages and monitors the business units of the BASF Group through the planning and setting of the company budget, the allocation of resources and management capacities, the monitoring and decision making regarding significant individual measures, and the control of the operational management. The Board is obliged to act and decide in the company's best interests. It is dedicated to the goal of increasing the company's value in the long term. The decisions made by the Board of Executive Directors are based on a simple majority. In the case of a tied vote, the casting vote is given by the Chairman of the Board. However, the Chairman of the Board does not have the right to veto the decisions of the Board of Executive Directors.

The Board of Executive Directors reports to the Supervisory Board regularly, comprehensively and in a timely manner on all relevant matters concerning the company with regard to strategic planning, business development, risks, and risk management. Furthermore, the Board agrees on corporate strategy with the Supervisory Board. Where required by the Statutes of BASF SE, the Board of Executive Directors must have the approval of the Supervisory Board for certain transactions before they are concluded. Such cases include the acquisition and disposal of enterprises and parts of enterprises, the issuance of bonds or comparable financial instruments provided the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the last Consolidated Financial Statements of the BASF Group.

→ The members of the Board of Executive Directors, including their membership of the supervisory bodies or other companies, are listed on pages 18 to 19. The compensation of the Board of Executive Directors is described in detail in the Compensation Report on pages 22 to 26.

Monitoring of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and monitors and advises the Board on management issues. Members of the Supervisory Board cannot simultaneously be members of the Board of Executive Directors. Structurally, this ensures a high level of autonomy with regards to the supervision of the Board of Executive Directors.

The change in legal form to an SE has brought about substantial changes in the Supervisory Board. The German Codetermination Act, which is the relevant statutory foundation regarding the size and composition of the Supervisory Board of an Aktiengesellschaft, does not apply to the SE. Together with the SE Council Regulation, the relevant statutory foundations are the statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement) that was signed on November 15, 2007, by the company management and the representatives of BASF Group's European employees.

→ The statutes of BASF SE and the Employee Participation Agreement can be found on the Internet at basf.com/en/investor/cg

While the Supervisory Board of BASF Aktiengesellschaft acting until January 14, 2008, comprised 20 members, 10 of whom were elected at the Annual Meeting and 10 of whom were elected by employees employed in Germany by the BASF Group Companies, the Supervisory Board of BASF SE comprises 12 members. Six members are elected by the shareholders at the Annual Meeting. The remaining six members are elected by the "BASF Europa Betriebsrat," the European employee representation body of the BASF Group, as agreed to in the Employee Participation Agreement.

→ The members of the Supervisory Board of BASF Aktiengesellschaft with effect until January 14, 2008, and the members of the first Supervisory Board of BASF SE including their membership of the supervisory bodies of other companies are listed on pages 19 to 21. The compensation of the Supervisory Board is described in detail in the Compensation Report on pages 26 to 28.

Resolutions of the Supervisory Board are passed by a simple majority of the votes of the participating members of the Supervisory Board. In the event of a tie, the vote of the Chairman of the Supervisory Board, who must always be a shareholder representative, shall be the casting vote. This resolution process is also applicable for the appointment and dismissal of members of the Board of Executive Directors by the Supervisory Board.

BASF SE's Supervisory Board established a total of three Supervisory Board Committees: the Personnel Committee, the Audit Committee and the Nomination Committee.

The **Personnel Committee**, among other things, prepares the appointment of members of the Board of Executive Directors by the Supervisory Board, develops the main features of the Board of Executive Directors' compensation, and, based on the decisions of the Supervisory Board, sets the details of Board of Executive Directors members' remuneration and related contractual issues. It comprises Supervisory Board Chairman Dr. Jürgen Strube (chairman) as well as Supervisory Board members Robert Oswald, Dr. Tessen von Heydebreck and Michael Vassiliadis.

The **Audit Committee** makes preparations for the negotiations and resolutions of the Supervisory Board for the approval of the financial statements and consolidated financial statements, considers the Quarterly and First-Half financial reports with the Board of Executive Directors prior to their publication, and deals with risk monitoring and the internal control over financial reporting. The Audit Committee is also responsible for business relations with the company's auditor: It prepares the Supervisory Board's proposal to the Annual Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the key aspects of the audit together with the auditor, negotiates the auditing fees and establishes the conditions for the provision of the auditor's non-audit services. The members of the Audit Committee are Max Dietrich Kley, Ralf-Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. The chairman of the Audit Committee is Max Dietrich Kley.

Max Dietrich Kley has particular knowledge and experience in the application of accounting principles and internal control procedures, and has been named by the Supervisory Board as Audit Committee Financial Expert.

According to the recommendation of the German Corporate Governance Code, newly introduced in July 2007, BASF's Supervisory Board established a **Nomination Committee** that will prepare the proposals for the election of Supervisory Board members at the Annual Meeting. The members of the Nomination Committee are the members of the Supervisory Board elected at the Annual Meeting, in other words, Prof. Dr. Jürgen Strube, Prof. Dr. Francois Diederich, Michael Diekmann, Franz Fehrenbach, Dr. Tessen von Heydebreck and Max Dietrich Kley.

Shareholders' rights

At the Annual Meeting, shareholders perform their rights of co-administration and supervision. Each BASF SE share represents one vote. Shareholders may exercise their voting rights at the Annual Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote." All shareholders are entitled to participate in the Annual Meeting, to have their say concerning any resolution and to demand information about company issues to the extent that it serves to help make an informed judgment about the resolution under discussion. Half of the members of the Supervisory Board are elected at the Annual Meeting where above all the formal discharge of the Board of Executive Directors and the Supervisory Board is decided on as well as the distribution of profits, capital measures, the authorization of share buy-backs and changes to the statutes.

German Corporate Governance Code

BASF accords good Corporate Governance great importance. We therefore support the German Corporate Governance Code, which we regard as an important tool in the capital market-focused continuing development of corporate governance and control, and advocate responsible corporate governance that focuses on a sustainable increase in the value of the company.

BASF SE follows all recommendations of the German Corporate Governance Code in its revised version of June 2008. This also applies to the new recommendations of the Code regarding the Supervisory Board's dealing with the compensation of Board members, the limits on severance payments to Board members who cease their duties prior to the expiry of their term of office as well as the consideration of the interim reports by the Audit Committee.

You can find the joint Declaration of Conformity 2008 of the Board of Executive Directors and Supervisory Board of BASF SE at the end of this section on page 33. In the same manner, BASF also fulfils most of the non-obligatory suggestions of the German Corporate Governance Code. Sole exceptions are suggestions regarding the Chair of the Audit Committee and the consideration of the compensation components of the Supervisory Board that are based on the long-term success of the company.

→ The Declaration of Conformity 2008, an overview of the implementation of the code's suggestions and the German Corporate Governance Code are available on our website at basf.com/governance_e

Values and Principles of the BASF Group/ Code of Conduct

In order to guarantee a high standard of corporate governance, the Board of Executive Directors has set down and published the "Values and Principles" of the BASF Group, and the "Code of Conduct/Compliance Program." These lay down our business principles and guidelines for the conduct of all activities within the BASF Group. The Code of Conduct describes in detail the conduct we expect from BASF employees – based on the principle of integrity. Key areas for us include observing all relevant legislation, in particular antitrust and competition legislation, embargo and export controls legislation – including those on chemical weapons, labor laws and legislation relating to plant safety. Other issues covered are bans on insider dealing and bans on facilitation payments to, or from, business partners or government officials, and the responsible treatment of BASF's assets. The Corporate Audit department, together with BASF's Chief Compliance Officer, monitors compliance on a regular basis.

→ The "Values and Principles" of the BASF Group and the "Code of Conduct" are also available on the Internet at basf.com/values

Disclosure according to Section 289 (4) of the German Commercial Code and the explanatory report of the Board of Executive Directors according to Section 175 (2) of the German Stock Corporation Act

As of December 31, 2008, the subscribed capital of BASF SE amounted to €1,181,604,565.76, divided into 923,128,567 bearer shares with no par value (thereof 4,649,873 bought back and designated for cancellation). Each share shall, at an Annual Meeting, entitle the holder to one vote. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties are associated with all shares. According to the statutes, shareholders are not entitled to securitized shares (issued share certificates). There are neither different classes of shares nor shares with preferential voting rights (golden shares).

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, Section 16 of the SE Implementation Act and Sections 84, 85 of the German Stock Corporation Act as well as Section 7 of the BASF SE statutes. Members of the Board of Executive Directors are appointed and dismissed by the Supervisory Board according to these Acts. The members of the Board of Executive Directors are appointed for a maximum of five years, re-appointments being permissible. The Supervisory Board can dismiss a member of the Board of

Executive Directors if there is significant reason to do so. Examples include, in particular, a gross breach of the duties pertaining to the Board of Executive Directors or a motion of no confidence at the Annual Meeting. Appointments and dismissals are decided by the Supervisory Board according to their dutiful discretion.

Amendments to the statutes of BASF SE require a resolution on the Annual Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German public limited liability companies do not stipulate or allow for larger majority requirements (Section 59, paragraph 1 SE Council Regulation). In the case of amendments to the statutes, the German Stock Corporation Act (Section 179, paragraph 2) requires a majority of at least three quarters, of the subscribed capital represented. Pursuant to Art. 12 No. 6 of the statutes of BASF SE, the Supervisory Board is authorized to make amendments to the statutes which only concern their wording. This applies, in particular to the alignment of share capital and the number of shares after a BASF share buyback and after a new issue of shares from the authorized capital.

Until May 1, 2009, the Board of Executive Directors of BASF SE is empowered by a resolution passed at the Annual Meeting of April 29, 2004, to increase the subscribed capital, with the consent of the Supervisory Board, by a total amount of €500 million through the issue of new shares (authorized capital). This includes the authorization of the Board of Executive Directors to exclude the statutory subscription right of the shareholders in certain cases outlined in Section 5, paragraph 8 in the BASF SE statutes. Such cases include the acquisition of companies, parts of companies or holdings in companies, in return for the transfer of BASF shares and capital increases in return for cash contributions, provided that the issue price of the new shares is not substantially lower than the stock market price of the BASF share and the total number of shares issued under this authorization is not more than 10% of the subscribed capital on the date of issue.

The Annual Meeting of April 24, 2008, empowered the Board of Executive Directors to buy back up to 10% of the shares until 23 October, 2009. The shares will be purchased at the discretion of the Board of Executive Directors, via the stock exchange or a public purchase offer addressed to all shareholders. The Board is empowered to cancel the shares bought back and to reduce share capital by the portion of the cancelled shares in the share capital. The shares bought back can be reissued after a resolution of the Annual Meeting passed with a three-quarters majority. However, notwithstanding the above, the Board of Executive Directors is authorized, with consent of the Supervisory Board to use the shares bought back for the acquisition of companies, parts of companies or holdings in companies without a resolution from the Annual Meeting.

In the case of a change of control, members of the Board of Executive Directors shall, under certain additional conditions, receive compensation details of which are listed in the compensation report on page 25. A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% or the increase of such a holding. In addition, employees of BASF SE and its subsidiaries who are designated as 'executives' (Obere Führungskräfte) will receive a severance payment if their contract of employment is terminated by BASF within 18 months after the change-of-control event, provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a severance payment to the maximum of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change-of control event.

The remaining specifications stipulated in Section 289, paragraph 4 of the German Commercial Code refer to situations that are not applicable to BASF SE.

Directors' and Officers' liability insurance

BASF has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (D & O insurance). The policy provides for a suitable level of deductibles.

Share ownership by members of the Board of Executive Directors and the Supervisory Board

No member of the Board of Executive Directors or the Supervisory Board owns shares in BASF SE and related options or other derivatives that account for 1% or more of the share capital. Furthermore, the entire holdings by members of the Board of Executive Directors and the Supervisory Board account for less than 1% of the shares issued by the company.

Share dealings of the Board of Executive Directors and Supervisory Board (notifiable transactions under Section 15a of German Securities Trading Act)

In accordance with Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), all members of the Board of Executive Directors and the Supervisory Board as well as certain relatives of theirs, are required to disclose the purchase or sale of BASF shares and other related rights to the German Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €5,000.

In 2008, there were a total of 37 reportable purchase transactions notified by the members of the Board of Executive Directors and the Supervisory Board and their relatives obliged to report. The transactions involved between 50 and 20,000 BASF shares, with a share price between €21.00 (after stock split) and €97.31 (before stock split). The volume of the individual trades was between €4,520.50 and €514,970.73.

→ All transactions reported in 2008 are published on the Internet at basf.com/governance/sharedealings_e

MANAGEMENT AND SUPERVISORY BOARDS

Board of Executive Directors

As of December 31, 2008, there were eight members on the Board of Executive Directors of BASF SE.

DR. JÜRGEN HAMBRECHT Chairman of the Board of Executive Directors

Responsibilities: Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications BASF Group; Global HR – Executive Management & Development; Investor Relations; Chief Compliance Officer

First appointed: 1997 (chairman since 2003)

Term expires: 2011

Supervisory board memberships (excluding internal memberships):

Bilfinger Berger AG (supervisory board member until May 21, 2008)
Daimler AG (supervisory board member since February 7, 2008)
Lufthansa AG (supervisory board member since April 29, 2008)

DR. KURT BOCK

Responsibilities: Catalysts; Market & Business Development North America; Regional Functions North America; Finance; Information Services; Corporate Controlling; Corporate Audit

First appointed: 2003

Term expires: 2012

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member)
Wintershall AG (supervisory board member until June 25, 2008)

Comparable German and non-German controlling bodies:

The European Equity Fund, Inc. (member of the board of directors)
The Central Europe and Russia Fund, Inc. (member of the board of directors)

DR. MARTIN BRUDERMÜLLER

Responsibilities: Performance Polymers; Polyurethanes; Styrenics; Market & Business Development Asia Pacific; Regional Functions & Country Management Asia Pacific

First appointed: 2006

Term expires: 2013

DR. HANS-ULRICH ENGEL (since March 4, 2008)

Responsibilities: Oil & Gas; Region Europe; Global Procurement & Logistics

First appointed: 2008

Term expires: 2011

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board chairman since March 6, 2008)
Wintershall AG (supervisory board member since June 25, 2008, supervisory board chairman since July 8, 2008)

DR. JOHN FELDMANN

Responsibilities: Construction Chemicals; Acrylics & Dispersions; Care Chemicals; Performance Chemicals; Polymer Research

First appointed: 2000

Term expires: 2009

Supervisory board memberships (excluding internal memberships):

Bilfinger Berger AG (supervisory board member since May 21, 2008)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

BASF Coatings AG (supervisory board member)
Wintershall Holding AG (supervisory board chairman until March 6, 2008, supervisory board member until June 25, 2008)
Wintershall AG (supervisory board chairman until June 25, 2008)

DR. ANDREAS KREIMEYER

Responsibilities: Inorganics; Petrochemicals; Intermediates; Chemicals Research & Engineering; BASF Future Business

First appointed: 2003

Term expires: 2012

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member since June 25, 2008)

DR. STEFAN MARCINOWSKI

Responsibilities: Crop Protection; Coatings; Region South America; Specialty Chemicals Research; BASF Plant Science

First appointed: 1997

Term expires: 2012

Supervisory board memberships (excluding internal memberships):

DWS Investment GmbH (supervisory board member since April 3, 2008)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member)
Wintershall AG (supervisory board member until June 25, 2008)
BASF Coatings AG (supervisory board chairman)

DR. HARALD SCHWAGER

Responsibilities: Human Resources; Engineering & Maintenance; Environment, Health & Safety; Verbund Site Management Europe; Corporate & Governmental Relations

First appointed: 2008

Term expires: 2010

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

BASF Schwarzheide GmbH (supervisory board chairman)

Comparable German and non-German controlling bodies:

BASF Antwerp N.V. (chairman of the administrative council)

Resigned from the Board of Executive Directors of BASF in 2008:

PETER OAKLEY (resigned on January 14, 2008)

Responsibilities: Agricultural Products; Fine Chemicals; Specialty Chemicals Research; BASF Plant Science

First appointed: 1998

DR. H.C. EGGERT VOSCHERAU (resigned on April 24, 2008)

Deputy Chairman of the Board of Executive Directors

Responsibilities: Human Resources; Engineering & Maintenance; Environment, Health & Safety; Verbund Site Management Europe; Corporate & Governmental Relations

First appointed: 1996

Supervisory board memberships (excluding internal memberships):

HDI Haftpflichtverband der Deutschen Industrie VVaG (supervisory board member)

Talanx AG (supervisory board member)

CropEnergies AG (supervisory board chairman)

Deutsche Bahn AG (supervisory board member until December 31, 2008)

Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW) (supervisory board deputy chairman)

Comparable German and non-German controlling bodies:

Nord Stream AG (supervisory board member)

Supervisory Board

In accordance with the statutes, the Supervisory Board of BASF SE comprises 12 members. Until the entry of the conversion from BASF Aktiengesellschaft into the legal form of a European company (SE) in the commercial register on January 14, 2008, the Supervisory Board of BASF Aktiengesellschaft comprised 20 members. The term of all supervisory board members of BASF Aktiengesellschaft ended with the entry of the conversion in the commercial register. Based on Section 35 (1) of the German Act on the Involvement of Employees in a European Company (SE Involvement Act - SEBG), BASF SE is following the principle of parity between shareholder representatives and employee representatives already applied for the constitution of the Supervisory Board of BASF Aktiengesellschaft. The six shareholder representatives were elected at the Annual Meeting on April 26, 2007, within the decision on the conversion into an SE. By way of deviation from Section 40 (2) of the Council Regulation (EC) No. 2157/2001, the six employee representatives are not elected by the Annual Meeting, but appointed by the representative body of the employees, the BASF Europa Betriebsrat, according to the Agreement Concerning the Involvement of Employees in BASF SE concluded within the conversion procedure based on Section 21 ff. SEBG. The employee representatives on the first Supervisory Board of BASF SE have been appointed directly by the Agreement Concerning the Involvement of Employees in BASF SE and are, except for Mr. Ralf Sikorski, members of the Supervisory Board with effect from January 14, 2008 (day of entry of BASF SE in the commercial register of the Ludwigshafen district court). Mr. Ralf Sikorski was appointed directly by the Agreement Concerning the Involvement of Employees in BASF SE on May 31, 2008, as the substitute member of the Supervisory Board for Mr. Ulrich Küppers, who resigned on May 30, 2008. The term of office of all members of the first Supervisory Board of BASF SE terminates upon the conclusion of the Annual Meeting of BASF SE to be held in 2009.

MEMBERS OF THE FIRST SUPERVISORY BOARD OF BASF SE

PROF. DR. JÜRGEN STRUBE, Mannheim, Germany

Chairman of the Supervisory Board of BASF SE

Former Chairman of the Board of Executive Directors of BASF Aktiengesellschaft

Supervisory board memberships (excluding internal memberships):

Allianz Deutschland AG (supervisory board member)

Bayerische Motoren Werke AG (supervisory board deputy chairman)

Bertelsmann AG (supervisory board deputy chairman)

Commerzbank AG (supervisory board member until May 15, 2008)

Fuchs Petrolub AG (supervisory board chairman)

Hapag-Lloyd AG (supervisory board member)

Linde AG (supervisory board member until June 3, 2008)

MICHAEL DIEKMANN, Munich, Germany

Deputy Chairman of the Supervisory Board of BASF SE

Chairman of the Board of Management of Allianz SE

Supervisory board memberships (excluding internal memberships):

Linde AG (supervisory board deputy chairman)

Lufthansa AG (supervisory board member until April 29, 2008)

Siemens AG (supervisory board member since January 24, 2008)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Allianz Deutschland AG (supervisory board chairman)

Allianz Global Investors AG (supervisory board chairman)

Dresdner Bank AG (supervisory board chairman until January 12, 2009)

Comparable German and non-German controlling bodies:

Assurances Générales de France (member of the administrative council)

Allianz S.p.A. (member of the administrative council)

ROBERT OSWALD, Altrip, Germany

Deputy Chairman of the Supervisory Board of BASF SE

Chairman of the works council of the Ludwigshafen site of BASF SE and chairman of the joint works council of the BASF Group

RALF-GERD BASTIAN, Neuhofen, Germany

Member of the works council of the Ludwigshafen site of BASF SE

WOLFGANG DANIEL, Limburgerhof, Germany

Deputy chairman of the works council of the Ludwigshafen site of BASF SE

PROF. DR. FRANÇOIS DIEDERICH, Zurich, Switzerland

Professor at the Swiss Federal Institute of Technology Zurich

FRANZ FEHRENBACH, Stuttgart, Germany

Chairman of the Board of Management of Robert Bosch GmbH

Comparable German and non-German controlling bodies:

Robert Bosch Corporation (Member of the board of directors)

DR. TESSEN VON HEYDEBRECK, Berlin, Germany

Former Member of the Board of Managing Directors of Deutsche Bank AG

Supervisory board memberships (excluding internal memberships):

DWS Investment GmbH (supervisory board deputy chairman)

Vattenfall Europa AG (supervisory board member since June 16, 2008)

Dussmann Verwaltungs AG (supervisory board member since January 1, 2009)

Comparable German and non-German controlling bodies:

Deutsche Bank OOO (supervisory board chairman)

Deutsche Bank Polska S.A. (supervisory board chairman)

Deutsche Bank Rt. Budapest (supervisory board chairman until May 28, 2008)

MAX DIETRICH KLEY, Heidelberg, Germany

Lawyer

Former Deputy Chairman of the Board of Executive Directors of BASF Aktiengesellschaft

Supervisory board memberships (excluding internal memberships):

HeidelbergCement AG (supervisory board member)

Infineon Technologies AG (supervisory board chairman)

Schott AG (supervisory board member)

SGL Carbon AG (supervisory board chairman)

Comparable German and non-German controlling bodies:

Unicredito Italiano S.p.A. (member of the Board of Directors)

DENISE SCHELLEMANS, Kalmthout, Belgium

Full time trade union delegate

RALF SIKORSKI, Wiesbaden, Germany (since May 31, 2008)

Regional manager of the Rhineland-Palatinate/Saarland branch of the Mining, Chemical and Energy Industries Union

Supervisory board memberships (excluding internal memberships):

Villeroy & Boch AG (supervisory board member since April 8, 2008)

Villeroy & Boch Fliesen GmbH (supervisory board member since April 8, 2008)

Evonik Power Saar GmbH (supervisory board deputy chairman since May 14, 2008)

Evonik New Energies GmbH (supervisory board deputy chairman since May 14, 2008)

MICHAEL VASSILIADIS, Hemmingen, Germany

Member of the Central Board of Executive Directors of the Mining, Chemical and Energy Industries Union

Supervisory board memberships (excluding internal memberships):

K+S AG (supervisory board deputy chairman)

K+S Kali GmbH (supervisory board deputy chairman)

Henkel KGaA (supervisory board member)

Evonik Steag GmbH (supervisory board deputy chairman)

Resigned from the Supervisory Board on May 30, 2008:

ULRICH KÜPPERS, Ludwigshafen, Germany

Member of Management of Treuhandstelle für Bergmannswohnstätten im rheinisch-westfälischen Steinkohlenbezirk GmbH

Until the entry of the conversion from BASF Aktiengesellschaft into an SE in the commercial register on January 14, 2008, the Supervisory Board of BASF Aktiengesellschaft comprised 20 members, half of which were elected by the Annual Meeting and the other half by the employees.

PROF. DR. JÜRGEN STRUBE, Mannheim, Germany
 Chairman of the Supervisory Board

ROBERT OSWALD, Altrip, Germany
 Supervisory board deputy chairman

RALF-GERD BASTIAN, Neuhofen, Germany
 Member of the works council of the Ludwigshafen site of BASF SE

WOLFGANG DANIEL, Limburgerhof, Germany
 Deputy chairman of the works council of the Ludwigshafen site of BASF SE

PROF. DR. FRANÇOIS DIEDERICH, Zurich, Switzerland
 Professor at the Swiss Federal Institute of Technology Zurich

MICHAEL DIEKMANN, Munich, Germany
 Chairman of the Board of Management of Allianz SE

DR. TESSEN VON HEYDEBRECK, Berlin, Germany
 Former Member of the Board of Managing Directors of Deutsche Bank AG

ARTHUR KELLY, Chicago, Illinois, USA
 Managing Partner of KEL Enterprises L. P.

ROLF KLEFFMANN, Wehrbleck, Germany
 Chairman at the Employee Council of Erdölwerke Barnstorf der Wintershall Holding AG

MAX DIETRICH KLEY, Heidelberg, Germany
 Lawyer

PROF. DR. RENATE KÖCHER, Allensbach, Germany
 Managing Director of the 'Institut für Demoskopie Allensbach,'
 Gesellschaft zum Studium der öffentlichen Meinung mbH

EVA KRAUT, Ludwigshafen, Germany
 Chairman of the works council of BASF IT Services GmbH,
 Betrieb Ludwigshafen

ULRICH KÜPPERS, Ludwigshafen, Germany
 Member of Management of Treuhandstelle für Bergmannswohnstätten im rheinisch-westfälischen Steinkohlenbezirk GmbH

KONRAD MANTEUFFEL, Bensheim, Germany
 Member of the works council of the Ludwigshafen site of BASF SE

HANS DIETER PÖTSCH, Wolfsburg, Germany
 Member of the Board of Management of Volkswagen AG

PROF. DR. HERMANN SCHOLL, Stuttgart, Germany
 Chairman of the Supervisory Council of Robert Bosch GmbH
 and Managing Director of Robert Bosch Industrietreuhand KG

RALF SIKORSKI, Ludwigshafen, Germany
 Regional manager of the Ludwigshafen branch Mining, Chemical
 and Energy Industries Union

ROBERT STUDER, Zurich, Switzerland
 Former Chairman of the Supervisory Board at Union Bank of Switzerland

MICHAEL VASSILIADIS, Hemmingen, Germany
 Member of the Central Board of Executive Directors of the Mining,
 Chemical and Energy Industries Union

DR. FRIEDRICH WIRSING, Kaiserslautern, Germany
 Plant manager of the Ludwigshafen site of BASF SE

COMPENSATION REPORT

This report outlines the main principles of the compensation system for the Board of Executive Directors and discloses the amount and structure of the compensation for each individual Board member. Furthermore, this report provides information on end-of-service undertakings with respect to Board members. The report also includes information on the compensation of the Supervisory Board members.

Compensation of Board members

This report meets the disclosure requirements of the German Commercial Code extended by the additional requirements for the Board of Executive Directors based on the German Law on the Disclosure of Compensation of Members of the Board (Vorstandsvergütungs-Offenlegungsgesetz) and is aligned with the recommendations of the German Corporate Governance Code.

The compensation of Board members is determined upon the proposal of the Personnel Committee (Personalausschuss, see page 14) and confirmed by the Supervisory Board (see page 19). The amount of compensation is individually determined by the Personnel Committee. The determination of the amount and structure of the compensation depends on the company's size and its financial position as well as the performance of the Board of Executive Directors. Globally operating European-based companies serve as a reference. A review of the amount and structure of compensation of Board members regularly takes place every three years. The last review took place on April 27, 2006. This review resulted in an increase of the variable bonus as of 2007.

The compensation of Board members is composed of:

1. a fixed annual salary,
2. an annual variable bonus,
3. stock price-based compensation in the form of virtual stock options (hereafter options) as a long-term component,
4. non-monetary compensation and other additional compensation in varying amounts, and
5. company pension benefits.

The amount of the annual variable compensation, the value of the options granted and the company pension are largely determined by company performance. This means, in terms of total compensation, significance is attached to company performance.

The compensation components are shown in detail below:

1. The annual fixed compensation is paid in equal monthly payments.
2. The return on assets (ROA) is used to determine the variable compensation of all groups of employees and also determines the Board member's annual variable compensation (variable bonus). The variable bonus for the prior fiscal year is payable after the Annual Meeting. Board members, as other employee groups, may contribute a portion of their bonus up to a maximum of €30,000 annually into a deferred compensation program. Board members have taken advantage of this offering to varying degrees.
3. Board members may also participate in the BASF option program (BOP) for senior executives (see table below).
4. Non-monetary compensation and other additional compensation include: delegation allowances, accident insurance premiums and other similar benefits as well as the personal use of, or benefit from, communication equipment, company cars and security measures made available by the company. The members of the Board did not receive loans or advances from the company.
5. For details on the company pension benefits, see page 24.

Based on these principles, individual Board members received the following compensation:

Thousand €

	Year	Non-performance related compensation		Performance related compensation	Total cash compensation	Options granted ²		Total compensation (cash compensation plus options granted)
		Fixed salary	Non-monetary compensation and other additional compensation	Variable bonus ¹		Number	Market value at option grant date	
Dr. Jürgen Hambrecht Chairman of the Board of Executive Directors	2008	1,100	112	2,220	3,432	74,328	967	4,399
	2007	1,100	140	2,800	4,040	60,168	1,172	5,212
Dr. h.c. Eggert Voscherau Vice Chairman of the Board of Executive Directors (until April 24, 2008)	2008	244	33	492	769	–	–	769
	2007	732	145	1,862	2,739	40,008	779	3,518
Dr. Harald Schwager (since January 1, 2008)	2008	550	337 ³	1,110	1,997	14,728	192	2,189
	2007	–	–	–	–	–	–	–
Dr. Kurt Bock	2008	555 ⁴	855 ⁵	1,110	2,520	37,160	483	3,003
	2007	550	106	1,400	2,056	30,080	586	2,642
Dr. John Feldmann	2008	550	71	1,110	1,731	37,160	483	2,214
	2007	550	93	1,400	2,043	30,080	586	2,629
Dr. Hans-Ulrich Engel (since March 4, 2008)	2008	457	325 ³	925	1,707	11,944	155	1,862
	2007	–	–	–	–	–	–	–
Dr. Andreas Kreimeyer	2008	550	98	1,110	1,758	37,160	483	2,241
	2007	550	96	1,400	2,046	30,080	586	2,632
Dr. Stefan Marcinowski	2008	550	83	1,110	1,743	37,160	483	2,226
	2007	550	102	1,400	2,052	30,080	586	2,638
Dr. Martin Bruder Müller	2008	550	941 ⁵	1,110	2,601	37,160	483	3,084
	2007	550	964 ⁵	1,400	2,914	30,080	586	3,500
Peter Oakley (until January 14, 2008)	2008	113	22	231	366	–	–	366
	2007	550	123	1,400	2,073	30,080	586	2,659
Klaus Peter Löbbecke (until July 31, 2007)	2008	–	–	–	–	–	–	–
	2007	309 ⁴	621 ⁵	1,072	2,002	30,080	586	2,588
	Total 2008:	5,219	2,877	10,528	18,624	286,800	3,729	22,353
	Total 2007:	5,441	2,390	14,134	21,965	310,736	6,053	28,018

¹ The variable bonus is based on the return on assets, which is also used to determine the variable compensation of other groups of employees. The shown figure includes all contributions, if any, made to the deferred compensation program.

² The 2007 figures have been adjusted for the two-for-one stock split conducted in the second quarter of 2008.

³ Includes expenses for security measures on residence following appointment to the Board of Executive Directors.

⁴ Payment is made in local currency based on a theoretical (pro rata temporis) net salary in Germany. As a result, there is a deviation from the contractually agreed fixed gross salary (€550,000 yearly).

⁵ Includes delegation allowances, such as the assumption of prevailing local rental fees.

In 2007, personnel expenses were allotted to the options issued, however in 2008 the options lead to earnings. These earnings refer to the sum of all options from the programs BOP 2001 to BOP 2008. The figure is derived by the difference in the value of the options on December 31, 2008, compared with the value on December 31, 2007, considering the options exercised and granted in 2008. The value of the options is based primarily on the development of the BASF share price and its outperformance

compared with the benchmark index chosen for the programs BOP 2001 to BOP 2008. Because the value of the options on December 31, 2008 was lower than the value of the options on December 31, 2007, there were no personnel expenses for 2008, but rather earnings. The main reason for the lower value of the options on December 31, 2008, was the decreased price of BASF shares.

The earnings for the year 2008 relating to the options issued were as follows:

Dr. Jürgen Hambrecht €1,055 thousand (2007: personnel expenses amounting to €6,268 thousand); Dr. h.c. Eggert Voscherau €766 thousand (2007: personnel expenses amounting to €3,226 thousand); Dr. Harald Schwager €151 thousand (2007: –); Dr. Kurt Bock €1,045 thousand (2007: personnel expenses amounting to €2,978 thousand); Dr. John Feldmann €621 thousand (2007: personnel expenses amounting to €3,333 thousand); Dr. Hans-Ulrich Engel €1,458 thousand (2007: –); Dr. Andreas Kreimeyer €416 thousand (2007: personnel expenses amounting to €1,327 thousand); Dr. Stefan Marcinowski €446 thousand (2007: personnel expenses amounting to €3,574 thousand); Dr. Martin Brudermüller €790 thousand (2007: personnel expenses amounting to €1,095 thousand); and Peter Oakley €1,755 thousand (2007: personnel expenses amounting to €3,788 thousand).

The earnings and personnel expenses reported here are purely accounting figures which do not equate with the actual cash gains in case options are exercised. The members of the Board decide on the timing and scope of the exercise of options of the individual years while taking into account the general terms and conditions and ceilings of the BASF option program (BOP) for senior executives.

Considering a deductible the members of the Board are covered by loss liability insurance concluded by the company (D & O insurance).

Pension benefits

Annual pension units are accrued for the members of the Board. The method of determination of the amount of the pension benefits generally corresponds to that used for other employee groups. The method is designed such that both the performance of the company and the progression of the individual Board member's career significantly affect the pension entitlement.

The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed compensation above the Social Security Contribution Ceiling by 35% (contribution factor). The resulting amount is converted into a lifelong pension payable upon retirement using actuarial factors based on an interest rate (6%), the probability of death, invalidity and mortality (Heubeck-Richttafeln 1998) and an assumed pension increase (1.5% per annum). The variable component of the pension unit depends on the return on assets (ROA) in the reporting year under con-

sideration. The variable component of the pension unit is based on a ROA of 12% at which point the variable component is equal in value to the fixed component. Based on a ROA of 12%, there is a linear relationship between the variable component and the ROA figures between 10% and 14%. The fixed and the variable components together result in acquired pension unit for the reporting year. The sum of the pension units accumulated over the reporting years determines the respective Board member's pension benefit. The pension benefit takes effect at the end of service upon reaching retirement age of 60 years or disability or death. Pension payments are adjusted on an annual basis, of at least 1% annually, according to the changes in the German consumer price index.

The pension units also include survivor benefits. Upon the death of an active or former member of the Board, the surviving spouse receives a survivor pension amounting to 60% of the Board member's pension entitlement. The orphan pension amounts to 10% for each half-orphan, 33% for an orphan, 25% each for two orphans, and 20% each for three or more orphans of the pension entitlement of the deceased Board member. The survivor benefits may not exceed 75% of the Board member's total pension entitlement. If the survivor pensions exceed the upper limit, they will be proportionately reduced.

Board members are members of the BASF Pensionskasse VVaG, as are generally all employees of BASF SE. Contributions and benefits are determined by the Statutes and general terms and conditions of the BASF Pensionskasse VVaG.

The service cost attributable to the year 2008 are as follows:

Dr. Jürgen Hambrecht €333 thousand (2007: €507 thousand), Dr. h.c. Eggert Voscherau €43 thousand (2007: €108 thousand), Dr. Harald Schwager €556 thousand (2007: –), Dr. Kurt Bock €546 thousand (2007: €633 thousand), Dr. John Feldmann €571 thousand (2007: €658 thousand), Dr. Hans-Ulrich Engel €448 thousand (2007: –), Dr. Andreas Kreimeyer €558 thousand € (2007: €652 thousand), Dr. Stefan Marcinowski €559 thousand (2006: €621 thousand), Dr. Martin Brudermüller €555 thousand (2007: €638 thousand), and Peter Oakley €117 thousand (2007: €577 thousand).

These amounts include the costs for the pension claims arising from the deferred contribution program.

As with the pension benefits for senior executives, in 2008 the basis for the future calculation of pension units

for Board members was also adjusted. An updated interest rate of 5% (previously 6%) and an updated probability of death, invalidity and mortality (Heubeck-Richttafeln 2005G, previously Heubeck-Richttafeln 1998), are applied to pension units acquired as of January 1, 2009. For new Board members and mandate extensions beginning on January 1, 2009, a contribution factor of 32% (previously 35%) is applied. The rest of the above mentioned method of calculating pension units remains the same.

End of service benefits

a) Board members, whose current mandate began before January 1, 2008

A Board member, that leaves the company before the age of 60, whose employment contract is not renewed or is revoked, is entitled to pension benefits. In such a case, the company is entitled to offset compensation received for any other work done against pension benefits.

End-of-service following a change-of-control event: A change-of-control event, in terms of this provision, occurs when a shareholder informs BASF of a shareholding of at least 25%, or the increase of such a holding.

If a Board member's position is revoked within one year following a change-of-control event, the Board member will continue to receive the contractually agreed payments (fixed compensation and variable bonus) for the remaining contractual term of office. In addition, the Board member will receive a severance payment, depending on the remaining contractual term of office, up to a maximum of 2.5 years of compensation (based on the fixed compensation and the previous year's variable bonus). The sum of the severance payment and continuing compensation may not exceed five years of compensation. Furthermore, the Board member may receive the fair value of the option rights acquired in connection with BOP within a period of three months. The premature termination of service due to the revocation of a Board member's position entitles the Board member to pension benefits. When calculating the amount of the pension benefits, the missing years of service up to the age of 60 years will be considered.

The aforementioned is also applicable upon the occurrence of a change-of-control event, if the time to the end of the current contractual term of office is less than two years and the appointment is not subsequently extended by a minimum of two years.

The aforementioned payments are only payable if the Board member has not given cause for the termination or non-renewal of his service contract.

b) Contracts as of January 1, 2008

The contracts of new Board members since January 1, 2008 contain the following significant changes:

A Board member who leaves the company before the age of 60 is only entitled to pension benefits, if the Board member served on the Board for at least 10 years or if the time needed to reach the legal retirement age is less than 10 years. The company is entitled to offset compensation received for any other work done against pension benefits.

If a Board member's position is revoked within one year following a change-of-control event, the Board member will continue to receive the contractually agreed payments for the remaining contractual term of office as a one-off payment (fixed compensation and the variable bonus based on a ROA of 12%).

As of January 1, 2009, these changes also apply to extensions of current contractual terms, which began before January 1, 2008.

A general limit on severance pay is contained within the contracts for new Board members and term extensions as of January 1, 2009. Accordingly, payments made to a Board member upon premature termination of their contract, without serious cause, may not exceed the value of two years' compensation (severance payment cap) nor compensate more than the remaining term of the contract. The severance payment cap will be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year. Payments promised in the event of premature termination of a Management Board member's contract due to a change-of-control should not exceed 150% of the severance payment cap.

Previous Board members

Total compensation for previous Board members and their surviving dependents amounted to €6.0 million in 2008 (2007: €7.1 million). This figure also contains payments which former Board members have themselves financed through the deferred compensation program. Pension provisions for previous Board members and their surviving dependents amounted to €83.4 million (2007: €76.9 million).

Compensation of Supervisory Board members

The disclosure of remuneration of the Supervisory Board is based on German Commercial Code and is aligned with the recommendations of the German Corporate Governance Code.

The compensation of the Supervisory Board is regulated by the Articles of Association passed by the Annual Meeting. The compensation of the Supervisory Board of BASF Aktiengesellschaft was regulated by Section 12 of the Articles of BASF Aktiengesellschaft. The regulations for the compensation of the Supervisory Board remained unchanged regarding content within the framework of the conversion of BASF Aktiengesellschaft into BASF SE and now are contained within Section 14 of the Articles of BASF SE. Each member of the Supervisory Board receives fixed compensation of €60,000 and a performance-oriented variable compensation for each full €0.01 by which the earnings per share of the BASF Group declared in the BASF Group Consolidated Financial Statements for the year for which the remuneration is being paid exceeds the minimum earnings per share.

The minimum earnings per share for the year 2008 is €1.35. The performance-oriented variable remuneration is €800 for each full €0.01 of earnings per share up to an earnings per share of €2.10, €600 for each further €0.01 of earnings per share up to an earnings per share of €2.60, and €400 for each €0.01 beyond this. The performance-oriented variable remuneration is limited to a maximum amount of €120,000. The minimum earnings per share and the corresponding thresholds shall increase by €0.05 for each subsequent financial year. Based on the earnings per share of €3.13 published in the BASF Group Consolidated Statements 2008, the performance-oriented compensation amounted to €111,200 in 2008. The chairman of the Supervisory Board receives two-and-a-half times and a deputy chairman one-and-a-half times the remuneration of an ordinary member.

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, shall receive a further fixed remuneration for this purpose in the amount of €12,500. For the Audit Committee, the further fixed remuneration shall be €25,000. The chairman of a committee shall receive twice and a deputy chairman one-and-a-half times the further fixed remuneration.

The company reimburses members of the Supervisory Board for out-of-pocket expenses and value-added tax to be paid with regard to their activities as members of the Supervisory Board or of a committee. The company further grants the members of the Supervisory Board a fee of

€500 for attending a meeting of the Supervisory Board or one of its committees to which they belong and includes the performance of the duties of the members of the Supervisory Board in the cover of a consequential loss liability insurance concluded by it (D & O insurance).

Compensation of Supervisory Board members of BASF Aktiengesellschaft

With the conversion of BASF Aktiengesellschaft into BASF SE on January 14, 2008, the mandates for the previous Supervisory Board members ended. Therefore, they receive pro rata one twelfth of the above mentioned compensation according to Section 12 (4) of the Articles of BASF Aktiengesellschaft.

For the individual members of the Supervisory Board of BASF Aktiengesellschaft (until January 14, 2008), the following compensation results:

Thousand €

	Fixed compensation		Performance-oriented variable compensation		Payment for committee membership(s)		Total compensation	
	2008 ¹	2007	2008 ¹	2007	2008 ¹	2007	2008 ¹	2007
Prof. Dr. Jürgen Strube, Chairman of the Supervisory Board ²	12.5	150	23.2	300	2.1	25	37.8	475
Robert Oswald, Vice Chairman of the Supervisory Board ³	7.5	90	13.9	180	1	12.5	22.4	282.5
Ralf-Gerd Bastian	5	60	9.3	120	–	–	14.3	180
Wolfgang Daniel	5	60	9.3	120	–	–	14.3	180
Prof. Dr. François Diederich	5	60	9.3	120	–	–	14.3	180
Michael Diekmann	5	60	9.3	120	–	–	14.3	180
Dr. Tessen von Heydebreck ³	5	60	9.3	120	1	12.5	15.3	192.5
Arthur Kelly	5	60	9.3	120	–	–	14.3	180
Rolf Kleffmann	5	60	9.3	120	–	–	14.3	180
Max Dietrich Kley ⁴	5	60	9.3	120	4.2	50	18.5	230
Prof. Dr. Renate Köcher	5	60	9.3	120	–	–	14.3	180
Eva Kraut	5	60	9.3	120	–	–	14.3	180
Ulrich Küppers	5	60	9.3	120	–	–	14.3	180
Konrad Manteuffel	5	60	9.3	120	–	–	14.3	180
Hans Dieter Pötsch ⁵	5	60	9.3	120	2.1	25	16.4	205
Prof. Dr. Hermann Scholl	5	60	9.3	120	–	–	14.3	180
Ralf Sikorski	5	60	9.3	120	–	–	14.3	180
Robert Studer	5	60	9.3	120	–	–	14.3	180
Michael Vassiliadis ^{3, 5}	5	60	9.3	120	3.1	37.5	17.4	217.5
Dr. Friedrich Wirsing ⁵	5	40	9.3	80	2.1	12.5	16.4	132.5
Dr. Karlheinz Messmer ⁵ (until April 30, 2007)	–	20	–	40	–	8.3	–	68.3
Total:	110	1,320	204.5	2,640	15.6	183.3	330.1	4,143.3

¹ To compare with the compensation for 2007, the membership of the Supervisory Board of BASF SE (see next table) should be taken into consideration.

² Chairman of the Personnel Committee

³ Member of the Personnel Committee

⁴ Chairman of the Audit Committee

⁵ Member of the Audit Committee

Compensation of Supervisory Board members of BASF SE

The newly constituted Supervisory Board of BASF SE came into existence with the conversion from BASF Aktiengesellschaft to the legal structure of a European company (SE) on January 14, 2008. Compensation for the tenure of a member of the first Supervisory Board up until the Annual Meeting on April 30, 2009, can only be determined at the Annual Meeting according to Section 113 (2) of the German

Stock Corporation Act. The Board of Directors and the Supervisory Board will propose to bestow compensation according to the regulations of Section 14 of the Articles of BASF SE at the Annual Meeting. To avoid double-counting, compensation for January 2008 is bestowed only for those who first took on Supervisory Board functions in this month. According to this, the following compensation resulted:

Thousand €

	Fixed compensation	Performance-oriented variable compensation	Payment for committee membership(s)	Total compensation
Prof. Dr. Jürgen Strube, Chairman of the Supervisory Board ¹	137.5	254.8	22.9	415.2
Michael Diekmann, Vice Chairman of the Supervisory Board	85	157.5	–	242.5
Robert Oswald, Vice Chairman of the Supervisory Board ²	82.5	152.9	11.5	246.9
Ralf-Gerd Bastian ⁴	55	101.9	25	181.9
Wolfgang Daniel	55	101.9	–	156.9
Prof. Dr. François Diederich	55	101.9	–	156.9
Franz Fehrenbach ⁴	60	111.2	25	196.2
Dr. Tessen von Heydebreck ²	55	101.9	11.5	168.4
Max Dietrich Kley ³	55	101.9	45.8	202.7
Ulrich Küppers (until May 30, 2008)	20	37.1	–	57.1
Denise Schellemans	60	111.2	–	171.2
Ralf Sikorski (since May 31, 2008)	40	74.1	–	114.1
Michael Vassiliadis ^{2, 4}	55	101.9	34.4	191.3
Total	815	1,510.2	176.1	2,501.3

¹ Chairman of the Personnel Committee

² Member of the Personnel Committee

³ Chairman of the Audit Committee

⁴ Member of the Audit Committee

Subject to a resolution at the Annual Meeting on April 30, 2009, total compensation of the Supervisory Board of the company, including the attendance fee for the activity, in 2008 was €2.9 million (2007: €4.2 million).

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Meeting, which approves the Consolidated Financial Statements upon which the variable compensation is based. Accordingly, compensation relating to the year 2008, will be paid following the Annual Meeting on April 30, 2009.

In the year 2008, the company paid the Supervisory Board member, Prof. Dr. Diederich, approximately €24,200 (2007: approximately €23,400), plus value-added taxes and out-of-pocket expenses for consulting work in the

area of chemical research based on a consulting contract approved by the Supervisory Board.

Beyond this, Supervisory Board members did not receive any further compensation in 2008 for services rendered personally, in particular, the rendering of advisory and agency services.

→ For information on the shareholdings of Board and Supervisory Board members see page 17

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The year 2008 marked the start for BASF in its new legal form as a *Societas Europaea* or SE. The conversion was, and is, connected with significant changes to the corporate governance system at BASF. Since January 14, 2008, the Supervisory Board comprises 12 instead of 20 members, consisting in equal parts of shareholder representatives - elected by the Annual Meeting - and employee representatives. In place of the German Codetermination Act, the Employee Participation Agreement concluded between the company's management and employee representatives forms the tailor-made legal basis for employee participation in the Supervisory Board and for the new BASF Europa Betriebsrat. This means that employee participation in fundamental corporate decisions is no longer exclusively limited to employees in Germany, but also includes other European employees. The Supervisory Board is convinced that these structural changes have further improved the quality and efficiency of the Supervisory Board's activities, and that the monitoring of, and the strategic advice provided to, the Board of Executive Directors has been intensified.

The Supervisory Board attaches the utmost importance to guaranteeing good corporate governance: The Supervisory Board and the Board of Executive Directors therefore decided to comply in the future with all recommendations of the German Corporate Governance Code in the version passed by the Code Commission on June 6, 2008.

From an economic point of view, 2008 was dominated by the existing crisis in the financial markets and the economic crisis that became more apparent over the course of the year, significantly impacting BASF in the last two months of the year. The crisis will continue into 2009, and at the moment it is not possible to forecast a turnaround. The fourth quarter of 2008 shows that great economic success and record results can be quickly followed by a slump in business. Nevertheless, the current situation also makes clear that BASF was right to pursue its strategy, with a broad spectrum of business fields and a forward looking orientation towards strongly growing and innovative markets in the field of chemistry itself and fields closely related to chemistry. BASF aims to continue on this path and further expand next-generation business fields. This includes the acquisition of *Ciba*, which strengthens BASF's position in very attractive product lines. In the opinion of the Supervisory Board, the response of the company to the developments at the end of 2008 shows: BASF has a determined management team and highly motivated and qualified employees. They will ensure that BASF emerges even

stronger from the current economic crisis. At the first indications of the crisis, the Board of Executive Directors rapidly adopted a balanced set of timely, consistent and highly flexible measures, limiting the negative consequences as far as possible. The Board of Executive Directors enjoyed the full support of the entire Supervisory Board for these measures.

Monitoring and consultation in continual dialogue with the Board of Executive Directors

In 2008, the Supervisory Board of BASF SE exercised its duties required by law and statutes with the utmost care. The Supervisory Board regularly monitored company management and provided advice on the company's strategic development and important individual measures. To this end, the Supervisory Board received detailed information from the Board of Executive Directors at six meetings in written and verbal reports. Topics included business policies, the business situation and business development, profitability, the company's planning including the planning of financing, capital expenditures and personnel resources at BASF SE and its major subsidiaries as well as deviations of the course of business from the planning. The Supervisory Board discussed in detail the reports of the Board of Executive Directors, as well as the company's future prospects as a whole and those of its individual businesses. Also outside of Supervisory Board meetings the Chairman of the Supervisory Board regularly requested information from the Chairman of the Board of Executive Directors with regard to current business developments and important transactions. The Supervisory Board was always involved at an early stage in decisions of major importance. The Supervisory Board voted on all of those individual measures taken by the Board of Executive Directors, which by law or statutes required the approval of the Supervisory Board.

The members of the Supervisory Board elected by shareholders and those elected by employees prepared for the meetings in separate preliminary discussions. With the exception of one meeting, which one member could not attend for important reasons, all members were present at each meeting.

In all meetings, the Supervisory Board dealt with the further development of the business activities of the BASF Group through acquisitions, divestitures and investment projects, and advised the Board of Executive Directors in those significant questions impacting the future of the company. The projects that the Supervisory Board discussed repeatedly included the successful takeover offers for Ciba Holding AG and Revus Energy ASA. The Supervisory Board views both acquisitions as valuable additions to BASF's existing business fields. We also dealt repeatedly with the Styrenics business, which is highly cyclical and close to crude oil and which BASF wants to divest, as well as with the further development of the business with chemicals for textiles and leather, which is characterized by low market growth and fierce competition. At the meeting on July 4, 2008, the emphasis was on the growth clusters identified by the Board of Executive Directors, where we see great opportunities for BASF in the future and which form a focus for research and development in the BASF Group. These clusters encompass: white (industrial) biotechnology; plant biotechnology, which includes the research and development cooperation with Monsanto; raw material change; energy management; and nanotechnology. At several meetings, we were informed on the regulatory environment impacting BASF's business operations, in particular emissions trading in the European Union and the effect of the E.U. chemicals directive REACH. At our meeting on December 3, 2008, we discussed and approved the Board of Executive Directors' operational and financial planning for 2009 and empowered the Board of Executive Directors to procure financial instruments under certain conditions.

Committees

BASF SE's Supervisory Board established a total of three Committees: the Committee for personnel affairs of the Board of Executive Directors as well as the granting of loans in accordance with Section 4 of the German Stock Corporation Act (Personnel Committee), the Audit Committee and the Nomination Committee. The Supervisory Board received regular reports on the activities of these committees.

The Personnel Committee consists of Supervisory Board Chairman Dr. Jürgen Strube (chairman), Supervisory Board Deputy Chairman Robert Oswald (deputy chairman), Dr. Tessen von Heydebreck and Michael Vassiliadis. The Personnel Committee met five times in 2008. At its meetings, sometimes with the Chairman of the Board of Executive Directors, it discussed, in particular, the long-term succession planning for the Board of Executive Directors as well as the compensation of the Board of Executive Direc-

tors. In addition, the decisions to be made by the Supervisory Board regarding appointments to the Board of Executive Directors were discussed intensively. The resolutions were proposed to the plenary session of the Supervisory Board. These included the appointment of Dr. Hans-Ulrich Engel as a member of the Board of Executive Directors (until March 3, 2011), and the extension of the membership of Dr. Martin Brudermüller (until the 2013 Annual Meeting). The Supervisory Board adopted the proposed resolutions of the Personnel Committee at its meetings on March 4, and on July 4, 2008.

The Audit Committee consists of Supervisory Board members Max Dietrich Kley, Ralf-Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. The chairman of the Audit Committee is Max Dietrich Kley, who has also been appointed "Audit Committee Financial Expert." The Audit Committee met four times in 2008. The core duties were to review the Financial Statements 2007 of BASF SE as well as the Consolidated Financial Statements 2007 and to discuss the quarterly and first-half financial reports before their publication with the Board of Executive Directors. Further focal points were advising the Board of Executive Directors on accounting issues, discussing and defining the focus of the audit; regulating business relations with the company's auditor, including the adoption of a resolution regarding the provision of non-audit services by the auditor; agreeing upon the auditing fees; and monitoring the auditor's independence. The Audit Committee also discussed the implications of the new recommendations and provisions on the work of the Audit Committee, in particular of the German Corporate Governance Code in the amended version of June 6, 2008, and the German law "Bilanzrechtsmodernisierungsgesetz," which implements E.U. Directive 2006/43/EC and which is currently in the legislative procedure.

The members of the Nomination Committee are exclusively the members of the Supervisory Board elected by the Annual Meeting. These are Prof. Dr. Jürgen Strube, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Dr. Tessen von Heydebreck and Max Dietrich Kley. The duty of the Nomination Committee is the preparation of candidate proposals for those Supervisory Board members who are elected by the Annual Meeting. The members of the Nomination Committee consulted on the selection of candidates for the coming election at the Annual Meeting on April 30, 2009, and on March 2, 2009, decided on a candidate proposal and tabled it for resolution before the Supervisory Board meeting on March 3, 2009. This also included the proposal for the future Chairman of the Supervisory Board. The Supervisory Board confirmed the proposal of the Nomination Committee for the election at the Annual Meeting.

Corporate governance and Declaration of Conformity

In 2008, the Supervisory Board again addressed in detail the standards of corporate governance applied by BASF as well as the legal framework for corporations and financial markets in Germany. This included in particular the amended German Corporate Governance Code in the version dated June 6, 2008, which was dealt with at the meeting on October 23, 2008. In particular, we discussed the implementation of the new code recommendations on board compensation, and decided to implement these.

At the meeting held December 3, 2008, the compensation system for the Board of Executive Directors was reported on in detail and the material elements of the Board of Executive Directors contracts were explained. On the basis of this and the proposal of the Personnel Committee, the Supervisory Board decided on the compensation system for the Board of Executive Directors and the significant contractual components. The Supervisory Board will review these regularly. In the dutiful opinion of the Supervisory Board, the existing compensation system does not require amendment.

In its meeting on December 3, 2008, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with Section 161 of the German Stock Corporation Act. Furthermore, at this meeting the Supervisory Board carried out an examination of efficiency and an assessment of independence. BASF complies with the recommendations of the German Corporate Governance Code in its version of June 6, 2008, without exception. The complete wording of the Declaration of Conformity is provided on page 33 and is also available to shareholders on BASF's website.

The compensation report containing full details on the structure and amount of the compensation for the Board of Executive Directors and the Supervisory Board, including the pension benefits of the members of the Board, can be found on pages 22 to 28.

Annual Financial Statements of BASF SE and Consolidated Financial Statements

On the basis of the preliminary review by the Audit Committee, on which the Chairman of the Audit Committee reported to the Supervisory Board, the Supervisory Board have examined the Financial Statements and Management's Analysis of BASF SE for 2008, the proposal by the Board of Executive Directors for the appropriation of profit, the Consolidated Financial Statements, and Management's Analysis for the BASF Group for 2008. KPMG AG Wirtschaftsprüfungsgesellschaft, the auditors elected by the Annual Meeting for the fiscal year 2008, have audited the Financial Statements of BASF SE and the Consolidated Financial Statements including Management's Analysis under consideration of bookkeeping, and have approved them free of qualification. Furthermore the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under Section 91, paragraph 2 of the German Stock Corporation Act in an appropriate way. In particular, it had instituted a suitable information and monitoring system that met the needs of the company and appeared suitable, both in design and the way in which it had been applied, to provide early warning of developments that pose a threat to the continued existence of the company.

The documents to be examined and the auditors' reports were sent timely to every member of the Supervisory Board. The auditors attended the accounts review meeting of the Audit Committee on February 25, 2009, as well as the accounts meeting of the Supervisory Board on March 3, 2009, and reported on the main findings of their audit. The auditors also provided detailed explanations of their reports on the day before the accounts review meeting of the Supervisory Board.

We have reviewed the auditors' reports and agree with them. The results of the preliminary review by the Audit Committee and the results of our own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objections to the management and the submitted reports.

At the Supervisory Boards accounts meeting on March 3, 2009, we approved the Financial Statements of BASF SE prepared by the Board of Executive Directors and the Consolidated Financial Statements of the BASF Group, making the Financial Statements final. We concur with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €1.95 per share.

Composition of the Supervisory Board and Board of Executive Directors

Since January 14, 2008, the Supervisory Board of BASF SE has been composed of the shareholder representatives who were elected at the Annual Meeting on April 26, 2007: Prof. Dr. Jürgen Strube, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Dr. Tessen von Heydebreck and Max Dietrich Kley as well as the employee representatives under the Employee Participation Agreement of November 15, 2007: Ralf-Gerd Bastian, Wolfgang Daniel, Robert Oswald, Denise Schellemans and Michael Vassiliadis. One Supervisory Board member under the Employee Participation Agreement, Ulrich Küppers, resigned as of May 30, 2008. He was replaced by Ralf Sikorski, who was named substitute member under the Employee Participation Agreement. At the meeting on April 24, 2008, Supervisory Board members Michael Diekmann and Robert Oswald were elected as Deputy Chairmen. The term of office of all members of the Supervisory Board terminates on the day of the Annual Meeting 2009.

With effect on March 4, 2008, the Supervisory Board appointed Dr. Hans-Ulrich Engel to the Board of Executive Directors. The long-serving Deputy Chairman Dr. h. c. Eggert Voscherau and Peter Oakley left the Board of Executive Directors in the course of 2008.

Thanks

The Supervisory Board thanks all employees of the BASF Group worldwide, the management of the company, and the retired members of the Board of Executive Directors and the Supervisory Board for the work they performed in 2008.

Ludwigshafen, Germany, March 3, 2009

The Supervisory Board

Professor Dr. Jürgen Strube

Chairman of the Supervisory Board

DECLARATION OF CONFORMITY 2008

of the Board of Executive Directors and the Supervisory Board of BASF SE

The Board of Executive Directors and the Supervisory Board of BASF SE hereby declare pursuant to § 161 AktG (Stock Corporation Act)

1. The recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on August 8, 2008, in the official section of the electronic Federal Gazette are complied with and will be complied with.

2. The recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on July 20, 2007, in the official section of the electronic Federal Gazette have been complied with since the submission of the last Declaration of Conformity on December 5, 2007, with the following exception:

The structure of the compensation for the Board of Executive Directors was discussed in the Personnel Committee and was regularly reviewed (by way of deviation from Code number 4.2.2, paragraph 1).

Ludwigshafen, December 3, 2008

The Supervisory Board
of BASF SE

The Board of Executive Directors
of BASF SE

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the Management's Analysis of BASF SE, Ludwigshafen am Rhein (until January 13, 2008: BASF Aktiengesellschaft), for the business year from January 1, 2008 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the Management's Analysis based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the Management's Analysis are detected with reasonable

assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the Management's Analysis are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and Management's Analysis. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The Management's Analysis is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 25, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Dr. Schindler
Wirtschaftsprüfer

Kuhn
Wirtschaftsprüfer

STATEMENT OF INCOME

Statement of Income (million €)

	Explanations in Note	2008	2007
Sales	(2)	17,143	16,679
Cost of sales		13,117	12,898
Gross profit on sales		4,026	3,781
Selling expenses		1,563	1,570
General and administrative expenses		372	372
Research and development expenses		807	866
Other operating income	(3)	479	380
Other operating expenses	(4)	1,054	582
Income from operations		709	771
Income from participations		3,429	2,254
Interest result		(440)	(439)
Other financial result		(564)	(150)
Financial result	(5)	2,425	1,665
Income before taxes ¹		3,134	2,436
Income taxes	(6)	152	169
Net income		2,982	2,267

¹ Income from ordinary operations

BALANCE SHEET

Assets (million €)

	Explanations in Note	2008	2007
Intangible assets	(8)	168	170
Property, plant and equipment	(9)	1,602	1,507
Financial assets	(10)	17,271	18,677
Fixed assets		19,041	20,354
Inventories	(11)	1,418	1,530
Accounts receivable, trade		1,273	1,564
Receivables from affiliated companies		7,302	6,341
Miscellaneous receivables and other assets		848	554
Receivables and other assets	(12)	9,423	8,459
Marketable securities		2,036	1,873
Cash and cash equivalents		3,405	2,042
Liquid funds	(13)	5,441	3,915
Current assets		16,282	13,904
Deferred taxes	(6)	375	299
Prepaid expenses	(14)	52	31
Total assets		35,750	34,588

Stockholders' equity and liabilities (million €)

	Explanations in Note	2008	2007
Subscribed capital	(15)	1,176	1,224
Capital surplus	(15)	3,133	3,059
Retained earnings	(16)	146	1,790
Profit retained	(16)	4,159	3,008
Stockholders' equity		8,614	9,081
Special reserves	(1)	107	109
Provisions for pensions and similar obligations	(17)	3,615	3,568
Provisions for taxes		872	979
Other provisions	(18)	1,903	1,828
Provisions		6,390	6,375
Financial indebtedness		9,155	6,378
Accounts payable, trade		491	571
Liabilities to affiliated companies		10,291	11,638
Miscellaneous liabilities		588	334
Liabilities	(19)	20,525	18,921
Deferred income		114	102
Total stockholders' equity and liabilities		35,750	34,588

NOTES TO THE FINANCIAL STATEMENTS OF BASF SE

Basis of presentation: The Financial Statements of BASF SE are prepared according to the German Commercial Code (Handelsgesetzbuch, HGB) and the German Stock Corporation Act (Aktiengesetz) using the cost-of-sales method.

1. ACCOUNTING POLICIES

Revenue recognition: Revenues from the sale of goods or the rendering of services are recognized upon the transfer of ownership and risk to the buyer. Allowances are made for rebates and trade discounts. Provisions are made to cover the return of products, estimated future warranty obligations and other claims based on the principle of individual evaluation.

Intangible assets: Intangible assets are valued at cost less scheduled straight-line amortization. In 2008, the weighted-average amortization period remained unchanged at 11 years and was based on the following useful lives:

	2008	2007
Goodwill	19 years	19 years
Software	4 years	4 years
Patents, licenses, know-how, other rights	7 years	8 years

Write-downs are taken when an other than temporary impairment occurs. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the amortized cost.

Property, plant and equipment: They are stated at acquisition or production cost less scheduled depreciation over their estimated useful lives. Assets whose costs exceed €150 but are less than €1,000 are allocated to a low-value asset pool, that is depreciated on a straight-line basis over five years. Movable depreciable fixed assets that are functionally integrated are treated as a single asset item.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and manufacturing overhead and an appropriate share of the administrative costs for those areas involved in the construction of the plants. Financing costs, costs for social services, costs for voluntary social benefits and pension costs are not capitalized.

Movable fixed assets are mostly depreciated by the declining balance method, with a change to straight-line depreciation when this results in higher depreciation amounts. Immovable fixed assets are predominantly depreciated using the straight-line method.

The weighted-average depreciation periods used were as follows:

	2008	2007
Buildings and structural installations	24 years	23 years
Industrial plant and machinery	11 years	11 years
Factory, office equipment and other facilities	9 years	9 years

Write-downs are taken when an other than temporary impairment occurs and the carrying amount of an asset is not expected to be recoverable. Measurement of the writedown is based on the expected future cash flows from the use of the asset less costs for its removal. A write-down is made in the amount of the difference between the carrying amount and the discounted future cash flows. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the amortized cost.

Financial assets: Shares in affiliated companies and in participating interests are carried at cost, or in the case of an other than temporary impairment, at the appropriate lower value according to the principle of individual valuation.

Interest-bearing loans are stated at cost; noninterest-bearing loans or loans at below market interest rates are stated at their present value. In the case of foreseeable default risks, the Company recognizes an impairment loss based on the estimated fair value of the loan. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the acquisition cost.

Financial activities are shown in income from participations, interest result and other financial result in the income statement.

Inventories: Inventories are carried at cost. They are valued at quoted or market values/fair value if these are lower than cost. These lower values are the replacement costs for raw materials and factory supplies and merchandise and, in the case of work in process and finished products, the expected sales proceeds less the estimated costs of completion or lower reproduction cost. The costs of raw materials, work-in-process, finished goods and merchandise are determined by the last-in-first-out (LIFO) method.

Production costs include, in addition to direct costs, an appropriate allocation of overhead cost of production and materials (including general administrative costs for the production unit) using normal utilization rates of the production plants. Financing costs, social services, voluntary social benefits and pensions are not included in production costs.

Services-in-progress relates to chemical plants under construction mainly for BASF Group companies. Profits are recognized on final settlement or on the completion of part projects. Expected losses are recognized by write-downs to the lower attributable values.

Receivables and other assets: Receivables are generally carried at their nominal value. Notes receivable and loans generating no or a low-interest income are discounted to their present values. Lower attributable values due to risks of collectability and transferability are covered by appropriate valuation allowances.

Liquid funds: This item includes marketable securities, cash and cash equivalents. Securities are valued at cost. They are valued at quoted or market values if lower than cost.

Deferred tax assets: Deferred tax assets are recorded for temporary differences between the valuation of assets and liabilities in the Financial Statements and the carrying values for tax purposes. No valuation adjustments were made for deferred tax assets.

Special reserves: To the extent that recognition of special reserves on the balance sheet is required for fiscal acceptance, the amount is set in accordance with fiscal legislation. This refers primarily to transmissions of revealed inner reserves in accordance with Section 6b of the German Income Tax Act (Einkommenssteuergesetz).

Provisions: Provisions for pensions are determined using the projected unit credit method according to IAS 19 "Employee Benefits" and are based on actuarial computations. The obligation is valued using the "Richttafeln Heubeck 2005 G" as well as assumptions regarding future pay and pension increases. The discount rate used is 6.00%.

Tax provisions are recognized for German trade income tax and German corporate income tax in the amount necessary to meet the expected payment obligations.

Other provisions are recognized for the expected amounts of contingent liabilities and probable losses from pending transactions. Maintenance provisions are established to cover omitted maintenance procedures as of the end of the year, and are expected to be incurred within the first three months of the following year. The amount provided is based on reasonable commercial judgment.

Provisions are established for environmental protection measures and risks if the measures are necessary to comply with legal or regulatory obligations or if conditions are likely to be imposed due to technological developments and do not result in production costs which should be capitalized.

Provisions for required recultivation associated with the operation of landfill sites are built up in installments over the expected service lives.

Provisions for long-service bonuses and pre-retirement part-time programs are calculated based on actuarial principles corresponding to the projected unit credit method of IAS 19 taking into account the rate of compensation increase and the adequate periodical interest rate. For signed contracts under the pre-retirement part-time programs, provisions for the present value of supplemental (top-up) payments are provided in their full amount and discounted at an interest rate of 5.75%. Wage and salary payments due during the passive phase of agreements are accrued through installments at nominal value.

Foreign currency transactions: The cost of assets acquired in foreign currencies and revenues from sales in foreign currencies are recorded at the exchange rate at the date of the transaction.

Short-term foreign currency receivables and liabilities are valued at the exchange rates on the balance sheet date. Long-term foreign currency receivables are recorded at the rate prevailing on the acquisition date or at the lower rate on the balance sheet date. Long-term foreign currency liabilities are recorded at the rate prevailing on the acquisition date or at the higher rate on the balance sheet date. Foreign-currency receivables or liabilities that are hedged are carried at hedge rates.

Derivative financial instruments: Derivative financial instruments are treated as pending transactions and are not recorded as assets or liabilities. Underlying transactions and hedges are combined and valued together, when applicable. Profits from hedging transactions, which cannot be allocated to a particular underlying transaction, are recorded in income upon maturity. Unrealized losses from hedging transactions, which cannot be allocated to a par-

ticular underlying transaction, are recognized in earnings and included in provisions.

The use of derivative financial instruments to hedge foreign currency, interest rate and price risks are described in detail in Note 21.

Use of estimates and assumptions in financial statement preparation: The carrying amount of assets, liabilities and provisions, contingent liabilities and other financial obligations in the Financial Statements depends on the use of estimates and assumptions. They are based on the circumstances and estimates on the balance sheet date and affect the reported amounts of revenues and expenses during the reporting periods. In the preparation of these financial statements, estimates and assumptions have been made by management concerning the selection of useful lives of property, plant and equipment and intangible assets; the measurement of provisions; the carrying value of investments; and other similar evaluations of assets and obligations. Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates.

2. SALES

Based on segment (million €)

	2008	2007
Chemicals	4,362	4,295
Plastics	3,009	3,098
Performance Products	5,529	5,322
Functional Solutions	134	124
Agricultural Solutions	1,682	1,318
Other	2,427	2,522
	17,143	16,679

Based on region (million €)

	2008	2007
Europe	13,517	13,369
Thereof Germany	4,980	4,965
North America	1,027	889
Asia Pacific	1,673	1,587
South America, Africa, Middle East	926	834
	17,143	16,679

The previous year's values were adjusted to the new Segment structure.

3. OTHER OPERATING INCOME

The increase in other operating income by €99 million resulted mainly from the reversal of provisions for the BASF option program in the amount of €55 million and from income relating to other periods. In total in 2008, provisions of €114 million were reversed to income (2007: €96 million).

The reversal of special reserves of €10 million mainly included the transfer of capital gains from the sale of fixed assets to additions to fixed assets in accordance with Section 6b of the German Income Tax Act.

4. OTHER OPERATING EXPENSES

In 2008, other operating expenses increased by €472 million. This increase is mainly due to losses of €385 million from derivatives for hedging currency and price risks.

Appropriation to special reserves of €8 million related primarily to the transfer of capital gains from the sale of fixed assets in accordance with Section 6b of the German Income Tax Act.

5. FINANCIAL RESULT

Million €	2008	2007
Income from participations and similar income	1,950	260
Thereof from affiliated companies	1,890	204
Income from profit transfer agreements	1,523	2,012
Income from tax allocation to affiliated companies	252	170
Losses from loss transfer agreements	171	176
Write-downs of, and losses from, disposal of participations	125	12
Income from participations	3,429	2,254
Income from other securities and long-term loans	2	11
Thereof from affiliated companies	1	9
Other interest and similar income	231	397
Thereof from affiliated companies	184	364
Interest and similar expenses	673	847
Thereof to affiliated companies	399	500
Interest result	(440)	(439)
Write-downs of, and losses from, disposal of long-term loans and marketable securities	401	73
Interest expense for long-term provisions for personnel costs	222	177
Miscellaneous other financial result	59	100
Other financial result	(564)	(150)
Financial result	2,425	1,665

Compared to the previous year, a €1,178 million increase in dividends and disposal gains from corporate restructuring of €508 million lead to an increase in "Income from participations and similar income." "Write-downs of, and losses from, disposal of long-term loans and marketable securi-

ties" includes losses on the disposal and valuation of assets of the BASF Pensionstreuhand e.V. (Contractual Trust Arrangement, CTA). Income from CTA assets and expenses from hedging are shown under "Miscellaneous other financial result."

6. INCOME TAXES

Million €	2008	2007
Current taxes	228	93
Deferred taxes	(76)	76
Income taxes	152	169
Other taxes	21	17
Tax expense	173	186

The overall tax burden decreased from 38% to 29% within the framework of the German Corporate Tax Reform 2008. Despite higher income, this led, together with deferred

tax returns on temporary differences from impending loss provisions and temporary valuation losses, to a lower tax expense in 2008.

Deferred taxes assets resulting from the temporary differences between valuations in the Financial Statements and valuations for tax purposes were as follows:

Million €	2008	2007
Fixed assets	30	26
Inventories and accounts receivable	74	53
Provisions for pensions and similar obligations	63	69
Other provisions, other	208	151
Total	375	299

An overall tax rate of 29% was applied to deferred taxes for 2007 and 2008.

7. OTHER INFORMATION

Cost of materials (million €)

	2008	2007
Cost of raw materials, plant supplies and purchased merchandise	10,723	10,326
Cost of purchased services	1,792	1,597
	12,515	11,923

Personnel costs (million €)

	2008	2007
Wages and salaries	1,938	2,216
Social security contributions and expenses for pensions and assistance	499	882
Thereof for pensions	142	524
	2,437	3,098

In 2008, personnel costs decreased by €661 million due to lower additions to personnel provisions. In the previous year, high additions to personnel provisions were made because of the commitment to increase future payments from the pension fund.

Average number of employees

	2008	2007
Non-exempt employees	25,451	25,609
Exempt employees	5,883	5,674
Employees with trainee contracts	1,138	1,121
Employees with limited-term contracts	210	250
	32,682	32,654

Compensation for the Board of Executive Directors and Supervisory Board

Million €	2008	2007
Performance-related and fixed payments to the Board of Executive Directors	18.6	22.0
Market value of options granted to the Board of Executive Directors in the fiscal year on date of grant	3.7	6.0
Total compensation for the Board of Executive Directors	22.3	28.0
Service cost of the Board of Executive Directors	4.3	4.5
Compensation for the Supervisory Board	2.9	4.2
Total compensation for former members of the Board of Executive Directors and their surviving dependents	6.0	7.1
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	83.4	76.9
Loans to members of the Board of Executive Directors and the Supervisory Board	-	-
Guarantees to members of the Board of Executive Directors and the Supervisory Board	-	-

Performance-related compensation for the Board of Executive Directors is based on the return on assets, which corresponds to earnings before taxes plus borrowing costs as a percentage of average assets.

Moreover, in 2008, the members of the Board of Executive Directors were granted 286,800 options under the BASF option program (BOP).

Option rights of active and former members of the Board of Executive Directors resulted in income from the reversal of provisions of €9.5 million. In 2007, the option rights resulted in personnel costs of €29.7 million.

→ The individual compensation of the members of the Board of Executive Directors and the Supervisory Board are reported in the Compensation Report on pages 22 to 28.

→ The members of the Board of Executive Directors and the Supervisory Board as well as their memberships on other supervisory boards are shown on pages 18 to 21.

Compliance Statement

The Board of Executive Directors and the Supervisory Board of BASF SE have issued a Compliance Statement with regard to the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporations Act (see page 33). The Compliance Statement is available on the internet at:

→ corporate.basf.com/governance_e

List of Shares Held

A list of all companies in which BASF SE has a participation as required by Section 285 sentence 1, No. 11 HGB is provided separately in the List of Shares Held in accordance with Section 287 HGB. The List of Shares Held together with the Financial Statements have been submitted to the electronic Federal Gazette as required by Section 325 German Commercial Code and are available from BASF SE. It is also available on the internet at:

→ corporate.basf.com/cg_reports

8. INTANGIBLE ASSETS

Developments in 2008 (million €)

	Concessions, trademarks and similar rights and values ¹	Goodwill	Advance Payments	Total
Acquisition costs				
Balance as of January 1, 2008	344	108	2	454
Additions	41	-	.	41
Disposals	37	-	-	37
Transfers	2	-	(2)	-
Balance as of December 31, 2008	350	108	.	458
Amortization				
Balance as of January 1, 2008	245	38	-	283
Additions	37 ²	6	-	43
Disposals	35	-	-	35
Write-ups	1	-	-	1
Balance as of December 31, 2008	246	44	-	290
Net carrying amount as of December 31, 2008	104	64	.	168
Net carrying amount as of December 31, 2007	99	69	2	170

¹ Including licenses in such rights and values

² Thereof impairment losses of €1 million

9. PROPERTY, PLANT AND EQUIPMENT

Developments in 2008 (million €)

	Land, land rights and buildings ¹	Machinery and technical equipment	Miscellaneous equipment and fixtures	Advance payments and construction in progress	Total
Acquisition costs					
Balance as of January 1, 2008	2,525	9,584	1,268	227	13,604
Additions	15	132	53	245	445
Disposals	21	114	31	.	166
Transfers	11	96	17	(124)	-
Balance as of December 31, 2008	2,530	9,698	1,307	348	13,883
Amortization					
Balance as of January 1, 2008	2,081	8,902	1,114	-	12,097
Additions	36	244 ²	63	-	343
Disposals	15	114	30	-	159
Transfers	.	.	.	-	-
Write-ups	-	.	.	-	.
Balance as of December 31, 2008	2,102	9,032	1,147	-	12,281
Net carrying amount as of December 31, 2008	428	666	160	348	1,602
Net carrying amount as of December 31, 2007	444	682	154	227	1,507

¹ Includes buildings on land owned by others

² Thereof impairment losses of €4 million

10. FINANCIAL ASSETS

Developments in 2008 (million €) Participations

	Shares in affiliated companies	Shares in other participating interests	Total participations
Acquisition costs			
Balance as of January 1, 2008	18,585	381	18,966
Additions	939	11	950
Disposals	2,202	8	2,210
Transfers	-	-	-
Balance as of December 31, 2008	17,322	384	17,706
Depreciation			
Balance as of January 1, 2008	329	29	358
Additions	124	1	125
Disposals	13	5	18
Write-ups	2	-	2
Balance as of December 31, 2008	438	25	463
Net carrying amount as of December 31, 2008	16,884	359	17,243
Net carrying amount as of December 31, 2007	18,256	352	18,608

The reason for the decline of shares in affiliated companies was the repayment of capital surplus by subsidiaries. This was partially offset by internal corporate restructuring.

Write-downs of shares in affiliated companies affected several group companies.

Developments in 2008 (million €) Loans and other financial assets

	Loans to affiliated companies	Loans to other participating interests	Other loans and other financial assets	Loans and other financial assets	Total financial assets
Acquisition cost					
Balance as of January 1, 2008	40	17	20	77	19,043
Additions	1	1	3	5	955
Disposals	40	3	6	49	2,259
Balance as of December 31, 2008	1	15	17	33	17,739
Depreciation					
Balance as of January 1, 2008	3	1	4	8	366
Additions	-	.	1	1	126
Disposals	3	-	1	4	22
Write-ups	-	.	.	.	2
Balance as of December 31, 2008	-	1	4	5	468
Net carrying amount as of December 31, 2008	1	14	13	28	17,271
Net carrying amount as of December 31, 2007	37	16	16	69	18,677

11. INVENTORIES

Million €	2008	2007
Raw materials and factory supplies	219	230
Work-in-process, finished goods and merchandise	1,149	1,252
Construction in progress	49	47
Advance payments	1	1
	1,418	1,530

Work-in-process, finished goods and merchandise are combined into one item due to the production conditions in the chemical industry.

The acquisition or production costs of raw materials, work-in-process, finished goods and merchandise are determined by the last-in-first-out (LIFO) method. Factory

supplies are carried predominantly at average cost. For inventories valued on LIFO basis, LIFO reserves (i.e., the difference between LIFO valuation and valuation at average cost or lower quoted or market values) are €21 million (2007: €45 million) for raw materials and €94 million (2007: €111 million) for finished goods and merchandise.

12. RECEIVABLES AND OTHER ASSETS

Million €	2008		2007	
		Thereof non-current		Thereof non-current
Accounts receivable, trade	1,273	1	1,564	-
Receivables from affiliated companies	7,302	-	6,341	-
Thereof accounts receivable, trade	1,131	-	946	-
Receivables from other participating interests	188	-	144	-
Other assets	660	282	410	234
	9,423	283	8,459	234

In 2008, prepaid expenses totaled €14 million (2007: €17 million). Thereof €8 million (2007: €17 million) are attributable to the CTA.

Other assets include a further €135 million (2007: €23 million) which concern the CTA.

13. LIQUID FUNDS

Liquid funds increased by €1,526 million in 2008. Thereof €163 million was attributable to marketable securities and €1,363 million to cash and cash equivalents.

Marketable securities contain €2,013 million (2007: €1,843 million) and cash and cash equivalents €1,350 million (2007: €1,810 million), which serve as security of pen-

sion obligations as part of the CTA. According to HGB, these committed funds must be shown in the balance sheet of BASF SE.

14. PREPAID EXPENSES

Million €	2008	2007
Discounts	6	8
Other	46	23
	52	31

The discounts from the issuance of the 3.50% Euro Bond 2003/2010, the 3.375% Euro Bond 2005/2012, the 4.00% Euro Bond 2006/2011, the 4.5% Euro Bond 2006/2016 and the 3-Month EURIBOR Bond 2006/2009 are capital-

ized and amortized as interest expense over the term of the obligations. Other prepaid expenses include prepayments related to ongoing business activities.

15. CAPITAL AND RESERVES

	Outstanding shares	Subscribed capital €
Outstanding shares as of December 31, 2007	490,485,000	1,255,641,600.00
Shares cancelled until June 27, 2008	(17,470,000)	(44,723,200.00)
Outstanding shares before the stock split	473,015,000	1,210,918,400.00
Issuance of new shares as part of the stock split	473,015,000	-
Outstanding shares as of June 27, 2008	946,030,000	1,210,918,400.00
Cancelled shares until December 31, 2008	(22,901,433)	(29,313,834.24)
Outstanding shares as of December 31, 2008	923,128,567	1,181,604,565.76
Repurchased shares intended to be cancelled	(4,649,873)	(5,951,837.44)
Outstanding shares as disclosed in the financial statements	918,478,694	1,175,652,728.32

On April 24, 2008, the Annual Meeting of BASF SE resolved a two-for-one stock split. Shareholders received one additional share for each BASF share held at no additional cost. The adjustment of the securities deposit accounts and the stock exchange listing took place on June 27, 2008. All shares are qualifying for 2008. BASF SE's shares are no-par-value shares. All figures have been adjusted accordingly.

In 2008, a total of 37,891,306 shares were repurchased for cancellation. Of these 4,649,873 shares had not been cancelled as of December 31, 2008, but were deducted from capital. A total of 57,841,433 shares were cancelled in 2008. Thereof were included 24,600,000 shares that were acquired for the purpose of cancellation in 2007. The subscribed capital of BASF was reduced by the resulting attributable amount of €74,037,034.24 (57,841,433 shares).

Share buyback/Own shares

The Board of Executive Directors received approval at the Annual Meeting on April 24, 2008, to buy back BASF shares to a maximum amount of 10% of subscribed capital by October 23, 2009. The shares shall be purchased on the stock exchange or through a public purchase offer open to all shareholders. If BASF shares are purchased on a stock exchange, the price paid for the shares may not exceed the highest market price on the buying day, and may not be lower than 25% less of that highest price. In the case of a public purchase offer, the price offered by BASF may be a maximum of 10% higher than the highest market price on the third trading day prior to the announcement of the public purchase offer. This authorization supersedes the prior authorization to repurchase BASF shares granted by the Annual Meeting on April 26, 2007.

The Board of Executive Directors is authorized to cancel the repurchased shares without the approval of a further resolution at an Annual Meeting. A sale of treasury shares is only authorized after a corresponding resolution at the Annual Meeting, unless, with the approval of the Supervisory Board, the shares are used to acquire companies, parts of companies or participations in companies in return for shares.

In 2008, a total of 37,891,306 shares were acquired under the respective approvals. The average purchase price was €42.70 per share. The repurchased shares corresponded to 3.86% of subscribed capital on December 31, 2007. As of the balance sheet date, 4,649,873 shares of BASF stock were held by BASF SE. They were purchased for cancellation and are deducted from subscribed capital.

BASF spent a total of €1,618 million on the share buyback program in 2008. Thereof €48 million was expensed through the reduction of subscribed capital and €1,570 million through the reduction of other retained earnings. Retained earnings were also reduced by €74 million due to the reclassification of calculated nominal value of the own shares cancelled in 2008 to capital surplus. Of this amount, €31 million is attributable to shares purchased for cancellation in the previous year.

Disclosure in compliance with Section 21 (1) of the German Securities Trading Act (WpHG)

Axa Investment Managers Deutschland GmbH notified BASF in the name of, and with the express authority of, Axa S.A., Paris, France, that the voting rights of Axa S.A. in BASF SE fell below the threshold of 5% on January 2, 2009, which amounted to 4.66% of the voting rights on this date. These voting rights are to be credited to Axa S.A. pursuant to Section 22 (1) sentence 1, number 6 in connection with Section 22 (1) sentence 2 of the German Securities Trading Act.

Conditional capital

A residual amount of less than €10,000 is reserved to meet compensation claims of former shareholders of Wintershall. These compensation claims expired in 2004. BASF SE will therefore issue no more shares from conditional capital nor fulfill compensation claims.

Authorized capital

At the Annual Meeting of April 29, 2004, shareholders authorized the Board of Executive Directors to increase subscribed capital by issuing new shares in an amount of up to €500 million against cash or contribution in kind with the approval of the Supervisory Board through May 1, 2009. The Board of Executive Directors is empowered to decide on the exclusion of shareholders' subscription rights for these new shares. The authorization has not been made use of, and no new shares have been issued.

Capital surplus (million €)

	2008
As of January 1	3,059
Reclassification of retained earnings corresponding to the calculated par value of shares cancelled during 2008	74
As of December 31	3,133

16. RETAINED EARNINGS AND PROFIT RETAINED

Million €	2008
Other retained earnings	
As of January 1	1,790
Share repurchase	(1,644)
Transfer from net income	-
As of December 31	146
Profit retained	
Profit carried forward	1,177
Net income	2,982
Transfer to other retained earnings	-
As of December 31	4,159

17. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

BASF SE employees are granted basic benefits by BASF Pensionskasse VVaG, a legally independent BASF pension fund that is financed from the return on its financial assets, from members' contributions and by the company. Additional company pension commitments are financed by pension provisions.

In 2007, BASF SE had committed itself to increase the occupational pensions and pensions from BASF Pensionskasse VVaG by 5% as of January 1, 2010 - thereafter by 1% annually in three-year periods. This had resulted in a standardization of the rules of adjustment for company and fund pension.

18. OTHER PROVISIONS

Million €	2008		2007	
		Thereof current		Thereof current
Environmental protection and remediation costs	151	6	156	12
Personnel costs	1,061	561	1,258	676
Sales risks	107	97	80	68
Integration, shutdown and restructuring costs	2	2	5	4
Legal, damage claims, guarantees and related commitments	87	11	86	14
Maintenance and repair costs	17	17	22	22
Other	478	447	221	177
	1,903	1,141	1,828	973

In 2008, provisions in the amount of €115 million were reversed to income (2007: €96 million). Other provisions contain additions for derivatives of €271 million (2007: €30 million), of which €25 million concern the CTA.

19. LIABILITIES

Financial indebtedness (million €)

	2008	2007
3.5% Euro Bond 2003/2010	1,000	1,000
3.375% Euro Bond 2005/2012	1,400	1,400
4% Euro Bond 2006/2011	1,000	1,000
4.5% Euro Bond 2006/2016	500	500
3-Month EURIBOR Bond 2006/2009	500	500
Commercial papers	4,754	1,885
Bonds and other liabilities to the capital markets	9,154	6,285
Liabilities to credit institutions	1	93
	9,155	6,378

Liabilities to affiliated companies (million €)

	2008	2007
Accounts payable, trade	979	1,095
Other liabilities	9,312	10,543
	10,291	11,638

Miscellaneous liabilities (million €)

	2008	2007
Advances received on account of orders	7	7
Liabilities to other participating interests	28	33
Other miscellaneous liabilities	553	294
Thereof taxes	36	35
Thereof liabilities relating to social security	15	16
Thereof CTA	170	28
	588	334

Maturities of liabilities (million €)

	2008		2007	
	Less than 1 year	More than 5 years	Less than 1 year	More than 5 years
Financial indebtedness	5,255	500	1,978	500
Accounts payable, trade	491	–	570	–
Liabilities to affiliated companies	9,809	–	10,064	–
Advances received on account of orders	7	–	7	–
Liabilities to companies in which participations are held	28	–	33	–
Other liabilities	536	15	271	20
	16,126	515	12,923	520

Secured liabilities (million €)

	2008	2007
Other liabilities	1	-

Cash equivalents and securities are pledged as collateral. In addition, BASF SE has given covenants in favor of BASF Pensionskasse VVaG and BASF Corporation with regard to

adhering to certain creditworthiness criteria and to forgo encumbering property as security for creditors.

20. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The contingent liabilities and other financial obligations listed below are stated at nominal value.

Contingent liabilities (million €)

	2008	2007
Bills of exchange	4	6
Thereof to affiliated companies	-	-
Guarantees	4,056	2,508
Thereof to affiliated companies	3,997	2,444
Warranties	885	447
Thereof to affiliated companies	452	444
	4,945	2,961

Other financial obligations (million €)

	2008	2007
Other financial obligations	512	425
Thereof to affiliated companies	60	59

Due to the purchase of outstanding shares in Ciba Holding AG, BASF SE has an indirect financial obligation of €1,797 million.

Long-term purchase commitments

BASF SE purchases raw materials globally, both on the basis of long-term contracts and in spot markets. In this connection, concluded commodity swap contracts are

netted with the respective transactions. The fixed and determinable portions of long-term purchase contracts with a remaining term of more than one year are as follows:

Million €	2008	2007
Long-term purchase commitments	8,006	8,253
Thereof to affiliated companies	2,535	2,487

21. DERIVATIVE INSTRUMENTS

The use of derivative instruments

The Company is exposed to foreign currency, interest rate and commodity price risks during the normal course of business. These risks are hedged through a centrally determined strategy employing derivative instruments. In addition, derivative instruments are used to replace transactions in original financial instruments, such as shares or fixed-interest securities. Hedging is only employed for underlying positions from the operating business, cash investments, financing or planned sales and raw material purchases.

Where derivatives have a positive market value, the Company is exposed to credit risks in the event of nonperformance of their counterparts. This credit risk is minimized by trading contracts exclusively with creditworthy banks and partners within predefined credit limits and by the use of collateral.

To ensure effective risk management, risk positions are centralized at BASF SE and certain Group companies. Contracting and execution of derivative financial instruments for hedging purposes is conducted according to internal guidelines, and are subject to strict control mechanisms.

The risks arising from the underlying transactions and the derivative transactions concluded to hedge them are monitored constantly. The same is true of the derivative instruments, which are used to replace transactions in original financial instruments. For this purpose, market quotations or computer based mathematical models are used to determine the current market values not only of the underlying transactions but also of the derivative transactions, and these are compared with each other.

Fair value of derivative financial instruments (million €)		
	2008	2007
Foreign currency forwards	(308)	(1)
Currency options	71	46
Combined interest and cross currency swaps	.	.
Commodity derivatives	(146)	(2)
Index swaps	168	24
	(215)	67

The fair values correspond to the difference between the cost and redemption value, which is determined from market quotations or by the use of option pricing models, such as the Black–Scholes model. They are based on the exchange rates published by the European Central Bank and the applicable market interest rates and volatilities based on the remaining term to maturity. In the case of unlisted contracts, the fair value corresponds to the redemption value in the event of premature cancellation. Offsetting changes in the valuation of the underlying transactions are not taken into account.

Of the total nominal value of €22.6 billion, €16.6 billion was attributable to foreign currency forwards, €2.8 billion to currency options, €1.7 billion to index swaps, and €1.5 billion to commodity derivatives and combined interest and cross currency swaps.

The nominal values are the totals of the purchases or sales of the particular derivatives on a gross basis.

Foreign currency derivatives are primarily aimed at hedging the exchange rate risk against the U.S. dollar, the British pound, the Swiss franc and the Japanese yen.

Commodity derivatives are used to hedge raw material price risks.

Index swaps are used to replace primary financial instruments, especially in duplication of fixed-rate securities.

Provisions for probable losses from fluctuations of foreign exchange rates, interest rates or prices amounted to €271 million. Costs for the purchase of derivatives amounting to €210 million were capitalized as “other assets.” Losses of €175 million were recognized as liabilities under “other liabilities.”

22. SERVICES PROVIDED BY THE EXTERNAL AUDITOR

BASF SE used the following services from KPMG:

Million €	2008	2007
Annual audit	3	3
Audit-related services	.	.
Tax consultation services	-	-
Other services	-	.
	3	3

The annual audit involved expenses for the auditing of the Financial Statements of BASF SE as well as the Consolidated Financial Statements of the BASF Group.

Ludwigshafen am Rhein, February 25, 2009

The Board of Executive Directors

ASSURANCE PURSUANT TO SECTIONS 264 (2), 289 (1) OF THE GERMAN COMMERCIAL CODE (HGB)


To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statements of the BASF SE give a true and fair view of the assets, liabilities, financial position and profit situation of BASF SE, and the Management's Analysis of BASF SE includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of BASF SE.

Ludwigshafen, February 25, 2009



DR. JÜRGEN HAMBRECHT

Chairman of the Board of Executive Directors



DR. KURT BOCK


Chief Financial Officer



DR. MARTIN BRUDERMÜLLER



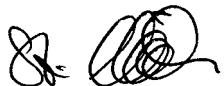
DR. HANS-ULRICH ENGEL




DR. JOHN FELDMANN



DR. ANDREAS KREIMEYER



DR. STEFAN MARCINOWSKI



DR. HARALD SCHWAGER

FURTHER INFORMATION

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- **by telephone:** +49 621 60-91827
- **on the Internet:** basf.com/mediaorders

CONTACTS

General inquiries

Phone: +49 621 60-0, Fax: +49 621 60-42525

Corporate Media Relations

Michael Grabicki, Phone: +49 621 60-99938, Fax: +49 621 60-92693

Investor Relations

Magdalena Moll, Phone: +49 621 60-48230, Fax: +49 621 60-22500

Internet

www.basf.com

BASF SE, 67056 Ludwigshafen, Germany

BASF SE

Financial Statements 2009

Contents

Management's Analysis of BASF SE _____	2	Report of the Supervisory Board _____	25
Business Development _____	3	Financial Statements of BASF SE _____	28
Employees and Society _____	5	Statement of Income _____	28
Risk Report _____	6	Balance Sheet _____	29
Outlook _____	11	Notes _____	30
Corporate Governance Statement according to Section 289a HGB _____	12	Assurance pursuant to Sections 264 (2), 289 (1) of the German Commercial Code (HGB) _____	44
Corporate Governance Report _____	12	Report of the Independent Auditors _____	45
Declaration of Conformity _____	16		
Compensation Report _____	17		
Management and Supervisory Boards _____	22		

The Financial Statements and Management's Analysis of BASF SE as well as the List of Shares Held by BASF SE for the financial year 2009 are filed with, and published in, the electronic Federal Gazette.

The Financial Statements and Management's Analysis of BASF SE as well as the List of Shares Held by BASF SE are also available on the internet at:

→ basf.com/en/investor/cg

Management's Analysis of BASF SE

Corporate structure

BASF SE, headquartered in Ludwigshafen, Germany, takes a central role as the largest operating company in the BASF Group. Directly or indirectly, it holds the shares in the companies that belong to the BASF Group. All of BASF SE's shares are available for public trading on stock exchanges.

BASF's divisions, which are grouped in six business segments, bear the operational responsibility and manage our 72 global and regional business units.

The operational business of BASF SE represents only a portion of the global overall business. Only the Consolidated Financial Statements of the BASF Group provide a complete insight. To assess the net income of BASF SE, a differentiation must be made between income from operations from BASF SE's own production and from the sale of products of other European BASF Group companies as well as the income from the function of BASF SE as a parent company. This function as a parent company is primarily reflected in the financial result.

Accounting principles

The Consolidated Financial Statements of the BASF Group incorporate the Financial Statements of BASF SE which are prepared in accordance with International Financial Reporting Standards (IFRS).

In the following, we comment on the Financial Statements of BASF SE, which are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, henceforth HGB).

Corporate Governance Statement according to Section 289a HGB

The Corporate Governance Statement according to Section 289a HGB, printed on pages 12 to 16 (Corporate Governance Report, Declaration of Conformity) is an element of the Management's Analysis. Disclosures in the Corporate Governance Report in accordance with Section 317 (2) Sentence 3 HGB are not included in the audit of the external auditor, with the exception of the disclosures according to Section 289 (4) HGB.

Trends in the global economy

In 2009, the global economy was shaped by the worst recession since the end of the Second World War. As a result of the global financial and economic crisis, real gross domestic product declined in almost every region – particularly in industrialized countries (–3.6%). Global gross domestic product contracted markedly in comparison with the previous year (–2.3%) and was significantly lower than we had originally forecast for 2009 (–0.3%). Following the economic slump at the end of 2008, the global economic downturn bottomed out in the second half of 2009, primarily attributed to the recurring of economic growth in Asia.

After stagnating in the previous year (+0.2%), global industrial production fell sharply in 2009 (–8.3%); the decline was significantly steeper than we had forecast at the beginning of the year (–2.9%). This development was primarily due to considerably weaker demand both from industry and from private consumers in the OECD industrialized countries. The decline in industrial production was particularly significant in these countries (–13.0%).

Demand for chemical products has fallen globally during the current economic crisis. The chemical industry was particularly affected by the weak industrial demand in the second half of 2008 and the first half of 2009. Global chemical production (excluding pharmaceuticals) decreased considerably in 2009 (–5.4%).

Business Development

Results of operations

Million €	2009	2008
Sales	14,079	17,143
Gross profit on sales	3,604	4,026
Income from operations (EBIT)	786	709
Income from participations	1,803	3,429
Interest result	(306)	(440)
Other financial result	203	(564)
Financial result	1,700	2,425
Income before taxes ¹	2,486	3,134
Net income	2,176	2,982

¹ Income from ordinary operations

Sales

Change

	2009		2008	
	Million €	%	Million €	%
Change in volumes	(1,546)	(9.0)	(278)	(1.7)
Change in prices	(1,417)	(8.3)	844	5.1
Currency effects	95	0.5	(232)	(1.4)
Commissions, licenses, other businesses, etc.	(196)	(1.1)	130	0.8
	(3,064)	(17.9)	464	2.8

Regions (million €)

	2009	2008
Europe	10,692	13,517
Thereof Germany	3,896	4,980
North America	972	1,027
Asia Pacific	1,532	1,673
South America, Africa, Middle East	883	926
	14,079	17,143

Income from operations

In 2009, BASF SE's sales decreased by 18% compared with the previous year. The decline in sales was chiefly attributable to lower sales volumes and prices.

Despite a significantly improved margin situation, gross profit on sales decreased by €422 million compared with the previous year. This was due mainly to lower capacity utilization at our production plants resulting from the general global economic situation.

Income from operations, however, increased by €77 million to €786 million. This was due in part to the reduction of €305 million in other operating expenses, and an increase of €159 million in other operating income. These changes were mainly attributable to foreign currency results, which rose by €439 million compared with the previous year.

These positive effects on income from operations were partially offset in particular by a one-time contribution to BASF Pensionskasse VVaG amounting to €177 million.

Furthermore, acquired parts of the Ciba business were integrated in the sales structure of BASF SE in 2009. The resulting expenditures have been included in the corresponding functional costs as well as in other operating expenses in the Statement of Income.

Financial result

The financial result declined by €725 million, chiefly as a result of lower income from participations. Smaller dividends as well as lower disposal gains and income from profit and loss transfer agreements led to a decrease of €1,626 million in income from participations.

This was partially offset by an increase of €134 million in the interest result due to the lower level of interest rates: The decline in expenses for affiliated companies was more significant than the decline in earnings from affiliated companies.

Furthermore, the Other financial result increased by €767 million, which had a positive effect on the financial result. This was due to income from write-ups, lower amortization related to the valuation of investments, and earnings from the sale of plan assets belonging to BASF Pensionstreuhand e.V. (Contractual Trust Arrangement, CTA).

Net income

Net income in 2009 amounted to €2,176 million, representing a decline of €806 million, or 27%, compared with the previous year.

This was attributable primarily to a significantly weaker financial result as well as higher income taxes resulting from an increase in deferred taxes.

Balance sheet structure and financial position

	2009		2008	
	Million €	%	Million €	%
Fixed assets	21,052	56.9	19,041	53.3
Current assets and other assets	15,975	43.1	16,709	46.7
Total assets	37,027	100.0	35,750	100.0
Stockholders' equity	9,000	24.3	8,614	24.1
Provisions	6,251	16.9	6,390	17.9
Liabilities and other liabilities	21,776	58.8	20,746	58.0
Total stockholders' equity and liabilities	37,027	100.0	35,750	100.0

Balance sheet structure

The balance sheet total increased by €1,277 million, or 4%, to €37,027 million.

The increase in fixed assets by €2,011 million resulted primarily from the acquisition of intangible assets in association with the Ciba acquisition and the rise in the value of financial assets.

The decrease in current assets is largely due to a lower level of liquid funds, which declined by €671 million compared with the previous year.

The €386 million increase in stockholders' equity resulted from the fact that net income was higher than the dividend paid in 2009.

Liabilities and deferred income rose by €1,030 million. While the volume of our commercial paper was significantly reduced and partially replaced by the issuance of new bonds, there was an increase in particular in our financing-related payables to affiliated companies.

Financial position

In 2009, we generated cash from operating activities of €2,028 million (2008: €3,407 million). The 40% decrease in comparison with the previous year was primarily attributable to lower net income and an increase in the market value of securities held by BASF Pensionstreuhand e.V., which was recognized in earnings but did not increase liquidity.

Cash used in investing activities amounted to €(1,879) million (2008: €(72) million). The higher capital requirement was a result of the acquisition of intangible assets in connection with the Ciba acquisition as well as capital increases at BASF subsidiaries.

Cash used in financing activities amounted to €(820) million (2008: €(1,972) million), and was affected by the repayment of commercial paper, the issuance of new bonds and internal Group borrowing. Overall, cash used in financing activities declined in comparison with 2008 as there were no share buy-backs in 2009.

Liquid funds declined by €577 million to €4,864 million, of which €671 million were cash and cash equivalents. This was partially offset by an increase of €94 million in the value of securities.

Employees and Society

Employees

Our employees are key to our success: their skills, commitment and motivation make BASF competitive and fit for the future. For this reason, we want to recruit, support and retain the best employees. We do this, for example, with performance-based remuneration, targeted further training opportunities and measures to balance work and family life. We place emphasis on diversity in our teams to reflect the various backgrounds and meet the needs of our business partners.

We want employees to share in the company's success and be rewarded for their individual performance. We pursue this goal by means of variable remuneration systems which follow the same basic principles for all employees. As a rule, a salary consists of a fixed and variable component. The variable component is determined by two factors: the economic success of the BASF Group measured by the return on assets, and the employee's individual performance. Thanks to the clear relationship between economic success and the variable remuneration system, our employees have noticeably participated in BASF's success in recent years. In the economically difficult year of 2009, these systems led to cost reductions for the company.

Despite the effectiveness of these systems, BASF SE's personnel costs in 2009 rose to €2.77 billion (2008: €2.44 billion). The increase was chiefly due to a one-time contribution of €177 million to BASF Pensionskasse VVaG, higher additions to personnel provisions and higher contributions to the German Pension Security Association (Pensionsversicherungsverein). The company had 32,870 employees as of December 31, 2009 (December 31, 2008: 32,838).

Our employees can invest a portion of their remuneration in BASF shares. The "Plus" share program promotes the long-term participation of our employees through incentive shares, thus fostering their interest in the company's success and its performance. In 2009, employees of BASF SE purchased 952,190 shares under the Plus program. Since 1999, BASF has offered its senior executives the opportunity to participate in the BASF stock option program (BOP). The program ties a proportion of their compensation to the long-term performance of BASF shares.

Research and development

Our international and interdisciplinary research teams work on solutions for the challenges of the future. Especially in times of crisis, our commitment to research and development strengthens our position as an innovative company. Our know-how, products and processes are driving forces of innovation in most manufacturing industries. They promote the long-term success of our customers, which in turn ensures our profitable growth and sustainable commercial success.

Thanks to our close cooperation with numerous partners from science and business worldwide, we have created an international and interdisciplinary Know-how Verbund – an important factor in the success of efficient and future-oriented research and development. This network includes around 1,900 collaborative partnerships with universities, research institutes, startup companies and industry partners. In 2009, BASF filed around 1,300 patents worldwide (previous year: 1,265).

In 2009, BASF SE had 5,188 employees working in research and development. Expenditures on research and development amounted to €852 million.

Environmental protection and safety

Industry, science, politics and society are being called on to curb global greenhouse gas emissions and make more efficient use of available resources. We contribute to this in two ways: We are constantly working to reduce greenhouse gas emissions in our production. Furthermore, we offer our customers products that make climate friendly technology possible and reduce emissions when they are used. For us, these are the drivers of profitable growth with climate protection.

Energy efficiency is the most important means of combining climate protection, resource conservation and economic benefits. BASF makes a three-pronged contribution to responsible use of energy, focusing on efficient energy production, reducing energy consumption in our production facilities and developing products and technologies for the efficient use of energy.

The overall costs of operating environmental protection facilities throughout BASF SE amounted to €351 million in 2009 (2008: €381 million). BASF invested an additional €107 million in new and improved environmental protection plants and facilities (2008: €116 million). These capital expenditures involved both end-of-pipe measures as well as integrated environmental protection measures. Provisions established for environmental protection measures and remediation amounted to €142 million as of December 31, 2009 (December 31, 2008: €151 million).

The safety and health of our employees play a key role in BASF's success. We have made significant achievements as a result of our high standards. The number of work-related accidents of BASF employees and employees from other companies at the Ludwigshafen site has been stable at a low level for years. We aim to become even better in the future, thus contributing to BASF's long-term business success.

We have global concepts in place to protect our employees and neighbors as well as BASF's plants and company intellectual property. At the same time, these enable us to prevent production stoppages and environmental damage. Through our specifications and measures for distribution safety, we minimize risks to people and the environment. Our rules apply to all modes of transportation and include the delivery and distribution of chemicals between all BASF sites and their suppliers and customers. In our guidelines, we have set out uniform standards for the transportation and storage of chemical products in rented storage facilities. On this basis, we look beyond the relevant national provisions in inspecting the structural and technical condition of existing warehouses and assess the safety of new warehouses.

Principles and objectives of our financial management

Financial management in the BASF Group is centralized and is supported by regional treasury units. Our financing and investment policy is value-based. A suitable capital structure has a higher priority than yield concerns. The risks associated with currencies, interest rate changes and creditworthiness are analyzed and limited using modern processes and financial instruments. We manage the capital structure of BASF by taking into account selected financial ratios. We aim to maintain a solid A rating.

Risk Report

The goal of BASF's risk management is to identify and evaluate risks as early as possible and limit business losses by taking suitable measures. The aim here is to avoid risks that pose a threat to BASF's continued existence and to make improved managerial decisions to create lasting value. We understand risk to be any event that can negatively impact the achievement of our short-term operational or long-term strategic goals. We define opportunities as possible successes that exceed our defined goals.

Organization, responsibilities and tools

Operational opportunities and risks: Short and medium-term planning covers a period of one to three years. Within this framework, BASF's operating divisions, corporate units and competence centers decentrally identify and quantify opportunities and risks that may lead to positive or negative deviations from the respective business plan. The results are regularly reported to the Strategic Planning & Controlling unit, where they are checked and aggregated by means of Monte Carlo simulation. In addition, operational opportunities and risks are discussed in the monthly management report which is produced by the Corporate Controlling unit. Furthermore, if an individual risk is identified which has an impact on earnings of more than €10 million, this must be immediately reported to the Board of Executive Directors.

The Strategic Planning & Controlling and Finance corporate divisions are responsible for aggregated risk management. Both corporate divisions also provide the necessary risk management tools and expertise, refine the methods and are responsible for communicating these globally. The Legal, Taxes & Insurance division and the Chief Compliance Officer report directly to the Board of Executive Directors on legal and tax risks as well as on compliance risks.

Strategic opportunities and risks: As part of the strategy development for our strategic business units and when major investment decisions are to be made, the Strategic Planning & Controlling unit conducts opportunity/risk analyses, together with the respective business units. These analyses cover a ten-year timeframe and are reviewed during the course of the strategic controlling and are updated if necessary.

Risk management process

The BASF Group's risk management process is based on the international risk management standard COSO II Enterprise Risk Management – Integrated Framework, and comprises the following steps:

– Identification of opportunities and risks

Operational divisions decentrally identify opportunities and risks using a variety of tools, such as expert interviews and team-based approaches. These are complemented by market, competitive and environmental analyses as well as statistical evaluations.

The above are based on internal and external risk information sources, macroeconomic scenarios that evaluate important factors such as industry growth rates, and our company-wide risk catalog, which acts as a checklist and supports the identification process.

– Assessment and quantification

Where possible, opportunities and risks are quantified as to their probability of occurrence and impact on profitability. The respective business plan serves as the reference base. In addition, we quantify the dependence of the individual business units on macroeconomic factors, such as exchange rates and raw materials prices.

– Aggregation

Opportunities and risks as well as the dependence on macroeconomic factors are aggregated on the division and group level to determine the spectrum of possible effects on profit and the probability distribution. Correlations between individual events and factors, as well as internal interactions within the Verbund, are taken into account.

– Management, measures and control

The management of opportunities and risks as well as the taking of measures takes place on the divisional level. Measures are taken at the BASF Group level for certain risks, such as risks associated with raw materials prices and exchange rates, which are partially reduced by Group-wide hedging effects. The details are governed by our risk management handbook, upon which divisional specific regulations are based. The Board of Executive Directors regularly receives reports on the risk situation of the BASF Group. If certain risk thresholds are reached, the Board is informed immediately.

– Monitoring and development

The Corporate Audit unit regularly reviews our risk management system. As part of the annual audit, the external auditor assesses the proper functioning of the early risk detection system set up in accordance with Section 91 (2) of the German Stock Corporation Act. In order to continuously develop our risk management system, we regularly enter into discussions and share ideas with comparable industrial companies and service providers in the risk management field. When BASF was once again included in the Dow Jones Sustainability Index in September 2009, the company received special recognition from analysts for its risk management system, among other things.

Significant features of the internal control and risk management system with regard to the financial reporting process (Section 289 (5) HGB)

The Financial Statements of BASF SE are prepared by a unit in the corporate division Finance. BASF SE's accounting process is based on the accounting provisions of the German Commercial Code having regard to significant processes and consistent deadlines. There are binding directives for the internal reconciliations and other accounting operations. Standard software is used to carry out the accounting processes as well as the preparation of the Financial Statements. There are clear rules for the access rights of each participant in these processes.

Employees involved in the accounting process meet the qualitative requirements and participate in trainings on a regular basis. There is a clear division of responsibilities between the involved specialist units, companies and regional service units. We strictly adhere to the principles of segregation of duties and dual control. Complex actuarial reports and evaluations are produced by specialized service providers or specially qualified employees.

Our internal control system for financial reporting continuously monitors these principles. To this end, methods are provided for the structured and Group-wide uniform evaluation of the internal control system in financial reporting.

A centralized risk catalog covers the significant risks for the BASF Group regarding a reliable control environment and proper financial reporting. The risk catalog is revised and updated annually.

In a centralized selection process, the units are identified that are exposed to particular risks. All significant BASF sites as well as all regions and divisions are taken into account. The selection process is conducted annually. In the relevant units, one person is given responsibility to coordinate and monitor the execution of the steps.

The **annual evaluation process** consists of the following steps:

– Evaluation of the control environment

The adherence to internal and external guidelines that are relevant for the maintenance of a reliable control environment is checked by means of a standardized questionnaire. The assessment is performed by checking the awareness of rules and is supported by sample taking.

– Identification of control activities

In order to mitigate the risks to the financial reporting process listed in our central risk catalog, corresponding control activities are conducted. The control activities of the largest companies and those with special risks are documented in a global IT system.

– Assessment of the control activities

After documentation, a test is performed to verify whether the described controls are capable of adequately mitigating the risks. In the subsequent test phase, samples are taken to test whether the controls were effective in practice.

– Monitoring of control weaknesses

The managers responsible receive reports on any control weaknesses and their resolution, and an interdisciplinary committee investigates their relevance for the BASF Group. The Board of Executive Directors is informed once control weaknesses have

been identified that have a considerable impact on the financial reporting.

– Internal confirmation of the internal control system

The responsible managing director and chief financial officer for each consolidated Group company confirm to the Board of Executive Directors of the BASF Group at the end of the annual cycle the effectiveness of the internal control system over accounting as well as the adequacy of financial reporting.

Risks of future development

Risks from operations

Development of sales markets: Because BASF's customers are active in numerous sectors, shifts in demand naturally imply opportunities and risks. We expect the global economy to recover slowly in 2010. However, overall we expect volatility and risks to remain high. There is also the risk that with the fading effects of government stimulus programs and a possible rise in key interest rates, demand in target markets will grow more slowly.

Several divisions are directly affected by restrained demand in key customer sectors, such as the construction and automotive industries, and increasing competition in sales markets. Other divisions are indirectly affected by a decline in the growth of demand for basic chemical products.

The margins for commodities, such as cracker products or plastics, are particularly exposed to product-specific supply and demand cycles. When demand is low, there is the possibility that higher raw materials prices cannot be passed on to our customers, or only to a limited degree.

The financial crisis also represents a risk for our sales markets. If our customers have less access to credit and therefore cannot refinance their businesses, this could have a negative impact on our business.

Where possible, risks related to the development of sales markets are countered using operational measures, for example, through close cooperation with customers and optimized production management. Furthermore, our regional and industrial diversification also contributes to minimizing risks.

Risks from the creation of overcapacities: We manage the construction and expansion of facilities for each product according to the expected demand and we schedule maintenance turnarounds accordingly.

We divest businesses in which we do not see satisfactory opportunities to differentiate ourselves from our competitors in the long term. In order to achieve lasting profitable growth, we are committed to operational excellence, innovation and investment in growth markets.

We concentrate our research and business on innovative business areas, which we also develop through strategic partnerships with important partners.

Overall, risks associated with the global and regional growth of our customer industries as well as the creation of overcapacities - together with raw materials prices and exchange rate volatility - are three of the top drivers of potential deviations from our plans.

Availability and price volatility of raw materials: Currently, we do not see risks arising from raw material availability. Given the current economic environment, however, the risk of failure of individual suppliers has increased.

We minimize procurement risks through our wide portfolio, our global purchasing activities and optimized procedures for the purchase of additional quantities of raw materials on spot markets. If possible, we avoid procuring raw materials from a single supplier. Where this cannot be avoided, we try to foster competition or we knowingly enter into these relationships and assess the effects of possible availability problems. We continuously monitor the credit risk of important business partners, both customers as well as suppliers. We adopt a similar approach regarding the purchasing of logistics and technical services.

Using our supply chain management, we identify potential high-risk suppliers with regard to environmental protection, occupational safety and social responsibility standards and we agree on corrective measures.

The price volatility of feedstocks, in particular oil-based chemicals, is one of the three main drivers of opportunity and risk at BASF. We assume that the volatility of raw materials prices, at least in the short term, will be above the historical level.

Our dependence on the oil price is reduced through the contribution of our Oil & Gas business. Furthermore, we minimize cost risks by using commodity derivatives. These measures help to secure margins when sharply rising raw material prices are expected, which due to low demand cannot be passed on via product prices, or only to a limited extent. This could lead to expenses if prices do not move as expected.

Technical risks: Guaranteeing the quality and availability of our products can require unforeseen technical measures. Moreover, there is the risk that unscheduled plant shutdowns will be required for safety reasons or due to technical problems.

We minimize technical risks through continuous monitoring and improvement of facilities and processes as well as through our global production Verbund.

Financial risks

The management of currency and interest rate risks is conducted in the Treasury department; the management of commodity price risks in the Global Procurement & Logistics competence center or through appropriately authorized Group companies. Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of trading and back office functions.

Exchange rate volatility: Competitiveness on global markets is influenced by fluctuations in exchange rates. This generates sales market risks for the BASF Group, especially when the U.S. dollar exchange rate fluctuates. On the production side, we mitigate foreign currency risks by having local production sites in the respective currency zones.

In addition, we incorporate planned purchase and sales transactions in foreign currencies in our financial foreign currency risk management. These risks are hedged using derivative instruments, if required. Exchange rate volatility is one of the top three driving forces for opportunities and risks within the BASF Group.

Interest rate risks: Interest rate risks result from potential changes in prevailing market interest rates, which can cause a change in the present value of fixed-rate instruments, and changes in the interest payments of variable-rate instruments. To hedge these risks, interest rate swaps and combined interest rate and currency derivatives are used in individual cases.

In addition, if our credit rating is downgraded by the credit rating agencies, this could lead to increased refinancing costs. In the short to medium term, BASF is largely protected from the possible effects on the interest result thanks to the well-balanced maturity profile of its financial debt.

Risks from raw materials trading: We use our knowledge of the markets for crude oil and oil products to generate earnings from the trade of raw materials within predetermined limits and exposure constraints. These activities are subject to constant monitoring.

Liquidity risks: Risks from cash flow fluctuations are recognized in a timely manner as part of our liquidity planning. Uncertainty regarding economic developments as a result of the global financial crisis makes it difficult to reliably forecast liquidity requirements. We take these uncertainties, as well as potential additional liquidity requirements that would arise in the case of an upswing, into account by means of additional risk scenarios. We update our liquidity planning immediately in response to events. This means we can promptly take the necessary measures when required.

We have significantly reduced the risks of refinancing in 2009 by issuing medium and long-term bonds. At the peak of the financial and economic crisis, issuing bonds was more costly than in previous years. However, we have access to comprehensive liquid funds thanks to our solid rating, the commercial paper program and committed bank credit lines.

The commercial paper program constitutes a reliable and economic source of liquidity for BASF, also during the financial crisis. We therefore currently rate our liquidity risks as low.

Risk of default on receivables: We limit country-specific risks by internally determining country ratings, which are continuously updated to reflect changing environment conditions. We use export credit insurance and investment guarantees as the main tools to limit specific country-related risks. We lessen credit risks for our financial investments by engaging in transactions only with business partners and banks with good credit ratings and by adhering to fixed limits. Monetary transactions are also conducted through such banks. Against the backdrop of the current economic crisis, we continuously check the creditworthiness of our partner banks. We reduce the risk of default on receivables by continuously monitoring the creditworthiness and payment behavior of our customers and by setting appropriate credit limits. Thanks to the worldwide activities and diversified

customer structure of the BASF Group, there is no large concentration of credit default risk. Risks are also limited through the use of credit insurance and bank guarantees.

Impairment risks: The risk of an asset impairment occurs if the assumed interest rate in an impairment test increases or the forecast cash flows decline. As a result of the economic crisis and the associated changes in our customer industries construction and automotive, a reduction in margins and slower volume growth can be observed in certain markets. This results in an increased risk of impairment of individual assets such as financial assets, technologies and brands, or goodwill.

Risks from pension obligations: We predominantly finance company pension obligations externally through separate plan assets. This applies to BASF Pensionskasse VVaG and BASF Pensionstreuhand e.V. in Germany. We address the risk of pension plan underfunding due to market volatility of plan assets by aligning the investment strategy in terms of return and risk optimization to the structure of the pension obligations. Stress scenarios are simulated regularly as part of the portfolio analyses. The ongoing review of the investment strategy was further intensified in reaction to the financial and economic crisis. Furthermore, we are reducing this risk by increasingly offering employees defined contribution schemes.

Other risk areas

Regulatory and political risks: Due to the European chemicals directive REACH, which came into force on June 1, 2007, BASF and our European customers face the risk of being placed at a disadvantage to our non-European competitors due to the cost-intensive test and registration procedures.

Within the framework of E.U. emissions trading, the BASF Group was allocated emission certificates for the second trading period from 2008 to 2012. We do not currently expect any shortage of certificates for our activities in Europe in this second trading period. However, the concrete design of the European emissions trading from 2013 is still unclear. Depending on the final design of the implementing regulation, BASF may be required to purchase several million additional certificates annually. Depending on the quoted prices for CO₂ certificates, this will affect our cost position and therefore our global competitive situation.

Due to the amendment of the E.U. directive on industrial emissions (IED), scheduled for 2010/11, additional costs could arise for reporting and for the conversion of existing plants.

Additional risks are associated with an intensification of geopolitical tensions, the destabilization of political systems and the erection of trade barriers (customs duties, embargo measures). Overall, we regard the probability that regulatory and political risks will occur as low; the financial impact can be classified as low in the short term and elevated in the medium term.

Research and development: Due to the high degree of complexity and uncertainty involved in chemical and biological research, there is a risk that projects might be discontinued, budgets may be exceeded or developed products will not receive regulatory approval for sale. Our global Know-how Verbund, our collaboration with partners and customers as well as our innovation process reduce this risk. Within our project management framework, we continuously review the efficiency, chances of success and the operating environment of research projects; this review includes all phases from idea generation to product launch. The trust of customers and consumers is essential for the introduction of new technologies. That is why we enter into dialogue with stakeholders at an early stage of development. A significant contribution to long-term risk management is made by the alignment of strategic goals and the research portfolio as part of both strategic planning and strategic controlling.

Personnel: Dedicated and competent employees are essential for BASF's sustainable success. Our goal is to form the best team in industry. Due to global competition for highly-qualified specialist and management candidates, which is intensified by demographic change, there is a risk that job vacancies cannot be filled with suitable applicants, or only with a significant delay. The loss of expertise due to the high number of retirements may have negative effects on business. Following the difficult economic situation in 2009, the ongoing intensification of competition for specialists and managers will quickly resume. In Europe, this affects the engineering and scientific professions in particular; a noticeable supply shortage can already be observed.

We address these risks with our global programs Generations@Work and Diversity + Inclusion, the further development of our employer brand and an emphasis on personnel development as well as additional regional initiatives. These measures are aimed at both effective personnel recruitment and retention.

Overall, we rate the risk of a negative impact on our business due to the loss of managers and employees as significant. In addition, we expect this risk to increase in the medium to long term, and are already working to counter these developments using the above-mentioned methods as well as increased investment in human resources marketing and personnel development.

Risks from acquisition and investment decisions: Implementing acquisition and investment decisions involves complex risks. The evaluation of risks and opportunities already plays a significant role during the assessment of potential acquisition targets. A detailed analysis and quantification are conducted as part of due diligence. Examples of risks are: increased staff turnover, delayed realization of synergies or the assumption of obligations that could not be quantified exactly in advance. Therefore implementation and follow-up take place along defined processes. By nature, the acquired businesses are subject to general market risks and business-specific risks. For this reason, acquired businesses are promptly integrated into BASF's risk management process.

Legal risks: In order to assess the risks from current legal disputes and proceedings and any requirement to recognize provisions, we consider the results of comparable proceedings and independent legal opinions as well as assumptions regarding the probability of occurrence and the range of potential claims in individual cases. In addition, we use our own analyses and assessments of the circumstances and claims asserted. The actual costs can deviate from these estimates.

We limit risks from potential wrongdoing or legal infringements by using a centralized contract management and a Group-wide compliance program.

We aim to avoid patent and licensing disputes whenever possible with the help of extensive clearance research.

Based on the measures taken, we classify the risk of damages as low and the potential of an impact on earnings as medium.

Sustainability: BASF is committed to integrating environmental protection and socially responsible conduct into its business activities. Contraventions to our voluntary commitment to sustainability or to laws represent a reputational risk and could lead to operational or strategic risks. We have set up a global issue management system for sustainability to enable us to promptly recognize risks and opportunities related to sustainability. The results are then used to initiate change processes in the company in order to be prepared for any risks and to exploit opportunities accordingly. We have established global monitoring systems to enable us to ensure the adherence to laws and our voluntary commitments in the areas of environment, health and safety as well as to labor and social standards. These systems include our entire supply chain.

In order to assure society's acceptance of our business activities, we remain in continuous dialogue with relevant stakeholders.

Information technology: Risks are caused primarily by the non-availability of IT systems and applications, delayed provision of important data, loss or manipulation of data and the disclosure of confidential information. This can have negative consequences for the respective business processes.

To minimize such risks, BASF has a stable and redundantly designed IT system, back-up processes, virus and access protection and encoding systems as well as integrated, Group-wide-standardized IT infrastructures and applications. The systems used for information security are tested and updated on an ongoing basis. In addition, all our employees receive regular training on information and data protection. Risk management is conducted by using Group-wide regulations for organization and application, as well as an internal control system based on this.

Due to the measures taken, we regard the probability of a risk to our IT system as low. However, the potential impact would be high.

Overall assessment

Compared with the previous year, we expect BASF SE to be exposed to a lower overall risk in 2010. The situation at the beginning of 2009 was characterized by significant uncertainties regarding the future impact of the recession. Although it currently appears that economic recovery remains weak and still susceptible to temporary setbacks, we judge the extent of risks related to sales volumes, currencies, margins and financial markets to be lower than in the previous year.

However, the volatility of raw materials prices and exchange rates remains high as does uncertainty regarding the overall economy and the performance of key customer industries.

Nevertheless, based on our assessment, there are currently no significant individual risks that pose a threat to the continued existence of BASF SE. The same applies to the sum of individual risks.

Outlook

Global economic environment: Following a significant downturn in the first half of 2009, the global economy recovered slightly over the course of the year. The same was true for the chemical industry, which stabilized from a low level. In 2010, we expect the economy to recover further, but the recovery is likely to be slow and uneven. Risks are associated, for example, with ongoing overcapacities, the winding down of national stimulus programs and rising unemployment, especially in Europe.

For the year 2010 we expect the following economic conditions:

- Recovery in global chemical production; significant growth (+5.3%)
- Recovery of the world economy; moderate increase in the global gross domestic product (+2.7%)
- Weak growth in the industrialized countries (+1.8%)
- Weak growth in the European Union (+1.1%); growth in the United States (+2.6%); moderate growth in Japan (+1.3%)
- Significantly positive growth in Asia (excluding Japan) (+7.0%) and South America (+3.7%)
- An average exchange rate of \$1.40 per euro
- An average annual oil price of \$75 per barrel

We expect a significant global recovery from 2011 onward. From 2012, we expect that the previous growth trend of over 3% will be achieved again.

Sales, earnings and investments: We expect that BASF SE's sales in 2010 will increase significantly, particularly as a result of the acquisition of the Ciba business. Income from operations is also expected to improve.

As the economic situation is still weak, we will maintain our cost discipline and will continue to adjust our investment plans to the current market conditions. We will continue to rigorously implement our efficiency and restructuring programs. Assuming that the global economy continues to recover once national stimulus programs have expired, we expect further growth in 2011 in sales and income from operations compared with 2010.

The planned investment in property, plant and equipment for the years 2010 to 2012 will be approximately €1.1 billion, and will therefore most likely be below the level of depreciation. This is mainly due to amortization of intangible assets from the Ciba acquisition. We aim to finance these planned expenditures from cash provided by operating activities. This figure does not include acquisitions.

Opportunities: The year 2010 may present us with opportunities from a more rapid recovery and inventory restocking by our customer industries. In the medium and long term, opportunities will also arise from our strong position in research and in the most important growth industries and regions.

Dividend: Even in very difficult economic times, we aim to offer our shareholders an attractive dividend yield. We aim to increase our dividend each year, or at least maintain it at the previous year's level.

Significant events subsequent to the balance sheet date:

Since the beginning of the financial year 2010, there have not been any significant changes affecting BASF's situation and competitive environment.

BASF's credit rating: We aim to maintain a solid A rating. This goal is the basis for BASF's capital structure and financing. We manage the capital structure of BASF by taking into account selected financial ratios.

Our (A+/A1) ratings have allowed us, and continue to allow us, to access the capital markets to issue bonds. Corporate bonds form the basis of our medium to long-term debt financing. These are issued in euro and other currencies with different maturities to ensure a diverse range of investors and a balanced maturity profile.

Corporate Governance Statement according to Section 289a HGB

Corporate Governance Report

Corporate governance refers to the entire system for managing and supervising a company, including its organization, its commercial principles and guidelines, as well as all internal and external regulatory and monitoring mechanisms. Effective and transparent corporate governance guarantees that BASF is managed and monitored in a responsible and value-driven manner. This fosters the confidence of our domestic and international investors, the financial markets, our customers and other business partners, employees and the public in the company.

As of January 14, 2008, BASF took on the new European legal form of a European Company (Societas Europaea). A highly significant goal of the conversion into BASF SE was the strengthening of BASF's corporate governance structure. By reducing the size of the Supervisory Board to 12 members while maintaining the equal representation of shareholders and employees and broadening the European composition of the employee representatives' side, the future direction for a modern and efficient corporate constitution has been set. Proven structures such as the two-tier administrative system of BASF's Board of Executive Directors and Supervisory Board have been retained in the SE.

Management and supervision in BASF SE

The legal foundations of BASF SE's corporate constitution are primarily the SE Council Regulation of the European Union, the German SE Implementation Act and the German Stock Corporation Act. Despite these new legal foundations, the proven fundamental elements of the German Aktiengesellschaft's corporate constitution remain unchanged in BASF SE: these are the two-tier system consisting of BASF's Board of Executive Directors and the Supervisory Board, the equal representation of shareholders and employees in the Supervisory Board and the shareholders' rights of co-administration and supervision at the Annual Meeting.

Direction and management by the Board of Executive Directors

Under the two-tier administrative system of BASF SE, the Board of Executive Directors is responsible for the management of the company, and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board: A member of the Board of Executive Directors cannot simultaneously be a member of the Supervisory Board. The Board of Executive Directors agrees on the BASF Group's company goals and corporate strategy, and manages and monitors the business units of the BASF Group through the planning and setting of the company budget, the allocation of resources and management capacities, the monitoring and decision making regarding significant individual measures and the control of the operational management.

The Board's actions and decisions are aligned with the company's best interests. It is committed to the goal of increasing the company's value in the long term. Decisions that are reserved for the Board as a whole by law, through the Board of Executive's Rules of Procedure or through resolutions adopted by the Board, are taken based on a simple majority. In the case of a tied vote, the casting vote is given by the Chairman of the Board. However, the Chairman of the Board does not have the right to veto the decisions of the Board of Executive Directors. Members of the Board of Executive Directors are authorized to make decisions individually in their assigned business areas.

The Board of Executive Directors reports to the Supervisory Board regularly, comprehensively and in a timely manner on all relevant matters concerning the company with regard to strategic planning, business development, risks and risk management. Furthermore, the Board agrees on corporate strategy with the Supervisory Board. Where required by the Statutes of BASF SE, the Board of Executive Directors must have the approval of the Supervisory Board for certain transactions before they are concluded. Such cases include the acquisition and disposal of enterprises and parts of enterprises, the issuance of bonds or comparable financial instruments provided the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the last approved Consolidated Financial Statements of the BASF Group.

→ **The members of the Board of Executive Directors, including their memberships on the boards of other companies, are listed on page 22. Compensation of the Board of Executive Directors is described in detail in the compensation report on pages 17 to 21.**

Monitoring of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and monitors and advises the Board on management issues. Members of the Supervisory Board cannot simultaneously be members of the Board of Executive Directors. Structurally, this ensures a high level of autonomy with regards to the supervision of the Board of Executive Directors.

The change in legal form to an SE brought about substantial changes in the Supervisory Board. The German Codetermination Act, which is the relevant statutory foundation regarding the size and composition of the Supervisory Board of an Aktiengesellschaft, does not apply to the SE. Together with the SE Council Regulation, the relevant statutory foundations are the Statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement) that was signed on November 15, 2007, by the company management and the representatives of the BASF Group's European employees.

→ **For more on the Statutes of BASF SE and the Employee Participation Agreement, see basf.com/investor/cg_e**

The Supervisory Board of BASF SE comprises twelve members. Six members are elected by the shareholders at the Annual Meeting. The remaining six members are elected by the BASF Europa Betriebsrat (European Works Council), the European employee representation body of the BASF Group, as agreed to in the Employee Participation Agreement.

→ **The Supervisory Board, including their membership on the boards of other companies, are listed on pages 23 to 24. Compensation of the Supervisory Board is described in detail in the Compensation report on pages 17 to 21.**

Resolutions of the Supervisory Board are passed by a simple majority of the votes of the participating members of the Supervisory Board. In the event of a tie, the vote of the Chairman of the Supervisory Board, who must always be a shareholder representative, shall be the casting vote. This resolution process is also applicable for the appointment and dismissal of members of the Board of Executive Directors by the Supervisory Board.

BASF SE's Supervisory Board established a total of three Supervisory Board Committees: the Personnel Committee, the Audit Committee and the Nomination Committee.

The **Personnel Committee's** duties include, amongst others, preparing the appointment of members of the Board of Executive Directors by the Supervisory Board and dealing with the employment contracts to be entered into with members of the Board of Executive Directors. It also prepares the resolutions made by the Supervisory Board with regard to the determination of compensation for the Board of Executive Directors, the monitoring of the compensation system for members of the Board of Executive Directors and the amount of compensation paid to members of the Board. The committee comprises Supervisory Board Chairman Dr. h.c. Eggert Voscherau (chairman), Supervisory Board Deputy Chairmen Michael Diekmann and Robert Oswald, as well as Michael Vassiliadis.

The **Audit Committee** makes preparations for the negotiations and resolutions of the Supervisory Board for the approval of the financial statements and consolidated financial statements, and considers the Quarterly and First-Half financial reports with the Board of Executive Directors prior to their publication. It also deals with monitoring the financial reporting process, the effectiveness of the internal control system, the risk management system, and the internal auditing system, as well as with compliance issues. The Audit Committee is also responsible for business relations with the company's external auditor: It prepares the Supervisory Board's proposal to the Annual Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the key aspects of the audit together with the auditor, negotiates auditing fees and establishes the conditions for the provision of the auditor's non-audit services. The members of this committee are Max Dietrich Kley (chairman), Ralf-Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis.

Max Dietrich Kley has particular knowledge and experience in the application of accounting principles and internal audit procedures, as he was a member of the Board of Executive Directors of BASF Aktiengesellschaft until 2003.

According to the recommendation of the German Corporate Governance Code, BASF SE's Supervisory Board established a **Nomination Committee** that will prepare the proposals for the Supervisory Board members to be elected at the Annual Meeting. The members of the Nomination Committee are the members of the Supervisory Board elected at the Annual Meeting: Dr. h.c. Eggert Voscherau, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Stephen K. Green and Max Dietrich Kley.

Shareholders' rights

At the Annual Meeting, shareholders perform their rights of co-administration and supervision. Each BASF SE share represents one vote. Shareholders may exercise their voting rights at the Annual Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote." All shareholders are entitled to participate in the Annual Meeting, to have their say concerning any resolution and to demand information about company issues to the extent that it serves to help make an informed judgment about the resolution under discussion. Half of the members of the Supervisory Board are elected at the Annual Meeting where above all the formal discharge of the Board of Executive Directors and the Supervisory Board is decided on as well as the distribution of profits, capital measures, the authorization of share buybacks and changes to the statutes.

German Corporate Governance Code

BASF accords great importance to good corporate governance. BASF therefore supports the German Corporate Governance Code, which it regards as an important tool in the capital market-focused continuing development of corporate governance and control, and advocates responsible corporate governance that focuses on a sustainable increase in the value of the company.

BASF SE follows all recommendations of the German Corporate Governance Code in its revised version of June 2009. This applies also to new recommendations of the Code regarding the compensation of Board members, a deductible in any D&O policy for the Supervisory Board, the requirements to be observed regarding the composition of the Board of Executive Directors and the Supervisory Board, and the number of Supervisory Board mandates of members of the Board of Executive Directors in non-group listed companies.

The joint Declaration of Conformity 2009 of the Management and Supervisory Board of BASF SE is rendered at the end of this section on page 16. In the same manner, BASF fulfills nearly all of the non-obligatory suggestions of the German Corporate Governance Code. The sole exception here is the suggestion regarding the components based on long-term success of the company to be considered in the compensation of the

Supervisory Board. Compensation of the Supervisory Board of BASF SE does not contain any special compensation components that are tied to long-term company success assessed over a number of years. However, the annual variable compensation component based on profit per share is aligned with long-term profit increases, insofar as the profit per share required for the same variable compensation increases annually.

→ For more on the Declaration of Conformity 2009, an overview of the implementation of the code's suggestions and the German Corporate Governance Code, see basf.com/governance_e

Values and Principles of the BASF Group/Code of Conduct

To ensure high standards of corporate governance, the Board of Executive Directors has set out the business principles and rules of conduct for all BASF activities in the Values and Principles of the BASF Group, and the Code of Conduct/Compliance Program, which have been introduced throughout the company. The Code of Conduct describes in detail the conduct we expect from BASF employees - based on the principle of integrity. Compliance with all relevant legislation is especially important to us, in particular antitrust and competition legislation, embargo and export controls regulations - including those relating to chemical weapons - as well as labor laws and plant safety regulations. Other issues covered are bans on insider dealing for personal benefit and bans on facilitation payments to, or from, business partners or government officials, and the responsible treatment of BASF's assets. The Corporate Audit department, together with BASF's Chief Compliance Officer, monitors compliance on a regular basis.

→ For more on the Values and Principles of the BASF Group and the Code of Conduct, see basf.com/values

Compliance

The aim of our Group-wide Compliance Program is to prevent legal violations such as incidents of corruption, and to anchor the principle of integrity even more firmly within the company. At the same time, it helps us to implement our Code of Conduct in day-to-day business activities, allowing us to minimize compliance risks for BASF.

In 2002, BASF became one of the first companies in Germany to appoint a Chief Compliance Officer (CCO). Supported by a global network of 100 compliance officers, the CCO manages the Group-wide implementation and development of our Compliance Program. The basis for this is a system of training, information centers and monitoring instruments. The CCO's regular reporting to the Board of Executive Directors contains, in particular, results of compliance audits and information gained from our compliance hotline, which have a wider relevance. The Board of Executive Directors informs the Audit Committee of the Supervisory Board of any important issues.

Implementing our directives in day-to-day business requires that every employee knows, internalizes and commits to following these guidelines. For this reason, all of our employees receive obligatory compliance training in the first year of their employment at BASF. We also carry out subsequent refresher courses, using interactive learning programs in some cases. In addition, our compliance program provides training on special topics such as embargo regulations and antitrust law, based on

the employee's area of responsibility. In 2009, more than 25,000 employees took part in compliance training.

When selecting suppliers in non-OECD countries, we use a questionnaire to determine whether they have established a code of conduct and compliance guidelines.

If, despite all preventive measures, violations occur, we aim to investigate and rectify these as quickly as possible. Our external Group-wide hotlines enable employees to seek advice regarding personal conduct as well as report incidents in the company that they consider dubious - anonymously, if they wish. For the first time since its introduction, the use of the compliance hotline has slightly decreased. In 2009, there were 267 calls and e-mails received with compliance-related questions or concerns. The spectrum of topics ranged from operational concerns through to criminal behavior.

Our Corporate Audit department supports the Compliance Program by carrying out audits. It also regularly assesses whether dealings with business partners and government representatives conform to our values. In 2009, we performed 109 (2008: 60) Group-wide audits of this kind. We investigate all cases of misconduct detected in these audits or reported to our hotline. If necessary, we take appropriate action, ranging from warnings to dismissals. Depending on the circumstances, we claim compensation and alert the relevant authorities.

We are also involved with external partners in initiatives to prevent corruption outside of our company. As a member of the United Nations Global Compact (UNGC), we work actively in implementing the UNGC principle on fighting corruption. We have been a member of Transparency International Deutschland e.V. since 2003, and strongly support their work in fighting corruption. Since 2008, we have been a participant in the "Partnering Against Corruption Initiative" (PACI) of the World Economic Forum in Davos, Switzerland.

→ For more on compliance, our basic values, principles and our code of conduct, see basf.com/compliance_e

Disclosure according to Section 289 (4) HGB and the explanatory report of the Board of Executive Directors according to Section 176 (1) Sentence 1 of the German Stock Corporation Act

As at December 31, 2009, the subscribed capital of BASF SE was €1,175,652,728.32, divided into 918,478,694 bearer shares with no par value. Each share shall, at an Annual Meeting, entitle the holder to one vote. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties apply to all shares. According to the Statutes, shareholders are not entitled to receive share certificates. There are neither different classes of shares nor shares with preferential voting rights (golden shares).

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, Section 16 of the SE Implementation Act and Sections 84, 85 of the German Stock Corporation Act, as well as Section 7 of the BASF SE Statutes. Members of the Board of Executive Directors are appointed and dismissed by the Supervisory Board according to these regulations. The members of the Board of Executive Directors are appointed for a maximum of five years, reappointments being permissible. The Supervisory Board can dismiss a member of

the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular, a gross breach of the duties pertaining to the Board of Executive Directors and a vote of no confidence at the Annual Meeting. The Supervisory Board decides on appointments and dismissals according to their own dutiful discretion.

According to Article 59 (1) SE Council Regulation, amendments to the Statutes of BASF SE require a resolution of the Annual Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German stock corporations under the German Stock Corporation Act do not stipulate or allow for larger majority requirements. In the case of amendments to the Statutes, the Section 179 (2) of the German Stock Corporation Act requires a majority of at least three quarters of the subscribed capital represented. Pursuant to Article 12 No. 6 of the Statutes of BASF SE, the Supervisory Board is authorized to make amendments to the Statutes that merely concern their wording. This applies in particular to the alignment of share capital and the number of shares after a BASF share buyback and after a new issue of shares from the authorized capital.

Until April 30, 2014, the Board of Executive Directors of BASF SE is empowered by a resolution passed at the Annual Meeting of April 30, 2009 to increase the subscribed capital by a total amount of €500 million through the issue of new shares (authorized capital). This must have the approval of the Supervisory Board. A right to subscribe to the new shares shall be granted to shareholders. This can also be done by a credit institution acquiring the new shares with the obligation to offer these to shareholders (indirect subscription right). The Board of Executive Directors is authorized to exclude the statutory subscription right of shareholders in certain exceptional cases that are narrowly defined in Section 5 No. 8 of the BASF SE Statutes. This applies, in particular, if for capital increases in return for cash contributions, the issue price of the new shares is not substantially lower than the stock market price of BASF shares and the total number of shares issued under this authorization is not more than 10% of the subscribed capital on the date of issue.

In the event of a change of control, members of the Board of Executive Directors shall, under certain additional conditions, receive compensation (details of which are listed in the compensation report on pages 19 and 20). A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% or the increase of such a holding. In addition, employees of BASF SE and its subsidiaries who are classed as 'executives' (Obere Führungskräfte) will receive a severance payment if their contract of employment is terminated by BASF within 18 months of the occurrence of a change of control provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a severance payment to the maximum of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change-of-control event.

The remaining specifications stipulated in Section 289 (4) of the German Commercial Code refer to situations that are not applicable to BASF SE.

Directors' and Officers' liability insurance

BASF has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (D&O insurance). The policy provides for a suitable level of deductibles. From July 1, 2010, the legally required deductible for the Board of Executive Directors defined in Section 93 (3) of the German Stock Corporation Act, and the deductible recommended by the German Corporate Governance Code for the Supervisory Board will be agreed in the D&O insurance.

Share ownership by Members of the Board of Executive Directors and the Supervisory Board

No member of the Board of Executive Directors or the Supervisory Board owns shares in BASF SE and related options or other derivatives that account for 1% or more of the share capital. Furthermore, the entire holdings of BASF SE shares or related financial instruments by members of the Board of Executive Directors and the Supervisory Board account for less than 1% of the shares issued by the company.

Share dealings of the Board of Executive Directors and Supervisory Board (Directors' Dealings under Section 15a of the German Securities Trading Act)

In accordance with Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), all members of the Board of Executive Directors and the Supervisory Board, as well as certain members of their families, are required to disclose the purchase or sale of BASF shares and other related rights to the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €5,000.

In 2009, a total of three purchases subject to disclosure as Directors' Dealings by members of the Board of Executive Directors and the Supervisory Board and members of their families subject to disclosure were reported, involving between 150 and 230 BASF shares. The price per share was between €28.28 and CHF 44.65. The volume of the individual transactions was between €4,242.00 and CHF 20,092.50.

→ **All transactions disclosed in 2009 are available on the Internet at basf.com/governance/sharedealings_e**

Declaration of Conformity 2009

of the Board of Executive Directors and the Supervisory Board of BASF SE

The Board of Executive Directors and the Supervisory Board of BASF SE hereby declare pursuant to § 161 AktG (Stock Corporation Act)

1. The recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on August 8, 2008 in the official section of the electronic Federal Gazette have been complied with since the submission of the last Declaration of Conformity on December 3, 2008.

2. The recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on August 5, 2009 in the official section of the electronic Federal Gazette are complied with and will be complied with.

Ludwigshafen, dated December 11, 2009

The Supervisory Board
of BASF SE

The Board of Executive Directors
of BASF SE

Compensation report

This report outlines the main principles of the compensation for the Board of Executive Directors and discloses the amount and structure of the compensation of each Board member. Furthermore, it provides information on end-of-service undertakings with respect to Board members, as well as information on the compensation of Supervisory Board members.

Compensation of Board members

This report meets the disclosure requirements of the German Commercial Code, supplemented by the additional requirements based on the German Law on the Disclosure of Compensation of Members of the Board (Vorstandsvergütungs-Offenlegungsgesetz), and is aligned with the recommendations of the German Corporate Governance Code.

After a proposal has been made by the Personnel Committee (see page 13), the Supervisory Board (see page 23) determines the amount and structure of compensation of members of the Board. The amount of compensation is determined by the company's size and financial position, as well as the performance of the Board of Executive Directors. Globally operating companies based in Germany and Europe serve as a reference. A review of the structure and amount of compensation of Board members takes place at regular intervals. In the second half of 2009, the compensation system for Board members was aligned with the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung), which came into force in August 2009. Contracts with all Board members, regardless of existing contractual terms, were consensually and uniformly converted to this system effective as of January 1, 2010. The new system will be submitted for approval to the Annual Meeting on April 29, 2010 in accordance with Section 120 (4) of the German Stock Corporation Act.

The information presented below relates to the compensation system valid until December 31, 2009 and the respective compensation of Board members for 2009.

The compensation of Board members comprises:

1. a fixed annual salary
2. an annual variable bonus
3. stock price-based compensation in the form of virtual stock options (hereafter options) as a long-term component
4. non-monetary compensation and other additional compensation in varying amounts
5. company pension benefits.

The amount of the annual variable compensation, the value of the options granted and the company pension are largely determined by company performance. This means, in terms of total compensation, considerable emphasis is placed on company performance.

The compensation components are shown in detail below:

1. The annual fixed compensation is paid in equal monthly payments.
2. The return on assets (ROA) is used to determine the variable compensation of all employee groups and also determines – 2009 for the last time as sole basis – the Board members' annual variable compensation (variable bonus). The variable bonus for the prior fiscal year is payable after the Annual Meeting. Board members, as other employee groups, may contribute a portion of their bonus up to a maximum of €30,000 annually into a deferred compensation program. Board members have taken advantage of this offering to varying degrees.
3. Board members may also participate in the BASF option program (BOP) for senior executives. Under the BOP, participants must hold their options for a minimum of two years after they have been granted (vesting period). There is an extended vesting period of four years for members of the Board of Executive Directors. For further details on the BASF option program, see pages 18 and 19.
4. Non-monetary compensation and other additional compensation include: delegation allowances, accident insurance premiums and other similar benefits, as well as the personal use of, or benefit from, communication equipment, company cars and security measures made available by the company. The members of the Board did not receive loans or advances from the company.
5. For details on the company pension benefits, see page 19.

Based on the principles listed above, individual Board members received the following compensation:

Thousand €

	Non-performance related compensation			Performance related compensation	Options granted			Total compensation (cash compensation plus options granted)
	Year	Fixed salary	Non-monetary compensation and other additional compensation	Variable bonus ¹	Total cash compensation	Number	Market value at option grant date	
Dr. Jürgen Hambrecht Chairman of the Board of Executive Directors	2009	1,100	105	1,525	2,730	94,200	647	3,377
	2008	1,100	112	2,220	3,432	74,328	967	4,399
Dr. h.c. Eggert Voscherau Vice Chairman of the Board of Executive Directors (until April 24, 2008)	2009	-	-	-	-	-	-	-
	2008	244	33	492	769	-	-	769
Dr. Kurt Bock	2009	705 ³	1,075 ⁴	763	2,543	47,100	324	2,867
	2008	555 ³	855 ⁴	1,110	2,520	37,160	483	3,003
Dr. Martin Brudermüller	2009	583 ³	982 ⁴	763	2,328	47,100	324	2,652
	2008	550	941 ⁴	1,110	2,601	37,160	483	3,084
Dr. Hans-Ulrich Engel (since March 4, 2008)	2009	550	137	763	1,450	41,840	287	1,737
	2008	457	325 ²	925	1,707	11,944	155	1,862
Dr. John Feldmann	2009	550	66	763	1,379	47,100	324	1,703
	2008	550	71	1,110	1,731	37,160	483	2,214
Dr. Andreas Kreimeyer	2009	550	98	763	1,411	40,000	275	1,686
	2008	550	98	1,110	1,758	37,160	483	2,241
Dr. Stefan Marcinowski	2009	550	102	763	1,415	47,100	324	1,739
	2008	550	83	1,110	1,743	37,160	483	2,226
Peter Oakley (until January 14, 2008)	2009	-	-	-	-	-	-	-
	2008	113	22	231	366	-	-	366
Dr. Harald Schwager	2009	550	198 ²	763	1,511	47,100	324	1,835
	2008	550	337 ²	1,110	1,997	14,728	192	2,189
	Total 2009:	5,138	2,763	6,866	14,767	411,540	2,829	17,596
	Total 2008:	5,219	2,877	10,528	18,624	286,800	3,729	22,353

¹ Return on assets adjusted for special items is the basis for the variable bonus. These include all contributions made to the deferred compensation program.

² Includes expenses for security measures taken at the Board member's home on the occasion of his appointment to the Board of Executive Directors.

³ Payment is made in local currency based on a theoretical net salary in Germany. As a result, there is a deviation from the contractually agreed fixed gross salary in Euro (€550 thousand per year).

⁴ Includes payments to cover additional costs of delegates, such as assumption of prevailing local rental fees.

While the options granted resulted in 2008 in a gain for BASF, in 2009 they led to expenses (personnel expense). This personnel expense refers to the sum of all options from the programs BOP 2002 to BOP 2009. The personnel expense is calculated as the difference in the value of the options on December 31, 2009, compared with the value on December 31, 2008, considering the options exercised and granted in 2009. The value of the options is based primarily on the development of the BASF share price and its outperformance compared with the benchmark indices specified for the programs BOP 2002 to BOP 2009. Because the value of the options on December 31, 2009 was higher than the value of the options on December 31, 2008, a personnel expense resulted for 2009. The main reason for this is the positive development of the BASF share price.

The personnel expenses for the year 2009 relating to the options issued were as follows: Dr. Jürgen Hambrecht €3,666 thousand (2008: earnings amounting to €1,055 thousand); Dr. Kurt Bock €2,480 thousand (2008: earnings amounting to €1,045 thousand); Dr. Martin Brudermüller €1,883 thousand (2008: earnings amounting to €790 thousand); Dr. Hans-Ulrich Engel €1,918 thousand (2008: earnings amounting to €1,458 thousand); Dr. John Feldmann €1,833 thousand (2008: earnings amounting to €621 thousand); Dr. Andreas Kreimeyer €1,768 thousand (2008: earnings amounting to €416 thousand); Dr. Stefan Marcinowski €1,833 thousand (2008: earnings amounting to €446 thousand); and Dr. Harald Schwager €901 thousand (2008: earnings amounting to €151 thousand).

The earnings and personnel expense reported here for 2008 are purely accounting figures which do not equate with the actual cash gains should options be exercised. The members of the Board decide on the timing and scope of the exercise of options of the individual years, while taking into account the general terms and conditions and ceilings of the BASF option program (BOP) for senior executives.

The members of the Board are covered by loss liability insurance concluded by the company (D&O insurance) which includes a deductible.

Pension benefits

Annual pension units are accrued for the members of the Board. The method of determination of the amount of the pension benefits generally corresponds to that used for other employee groups. The method is designed such that both the performance of the company and the progression of the individual Board member's career significantly affect the pension entitlement.

The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed compensation above the Social Security Contribution Ceiling by 35% (contribution factor). The resulting amount is converted into a lifelong pension payable on retirement using actuarial factors based on an actuarial interest rate (5%), the probability of death, invalidity and mortality (Heubeck-Richttafeln 2005G) and an assumed pension increase (1.5% per annum). This is the amount that is payable upon retirement. The variable component of the pension unit depends on the return on assets in the reporting year under consideration. The variable component of the pension unit is based on a ROA of 12% at which point the variable component is equal in value to the fixed component. Based on a ROA of 12%, there is a linear relationship between the variable component and the ROA figures between 10% and 14%. Should the return on assets exceed 14%, the variable component levels off, should the return on assets fall below 10%, the decline accelerates. The fixed and the variable components together result in the acquired pension unit for the reporting year. The sum of the pension units accumulated over the reporting years determines the respective Board member's pension benefit in the event of a claim. The pension benefit takes effect at the end of service upon reaching retirement age of 60 years or disability or death. Pension payments are adjusted on an annual basis, by at least 1% annually, in accordance with changes in the German consumer price index.

The pension units also include survivor benefits. Upon the death of an active or former member of the Board, the surviving spouse receives a survivor pension amounting to 60% of the Board member's pension entitlement. The orphan pension amounts to 10% for each half-orphan, 33% for an orphan, 25% each for two orphans and 20% each for three or more orphans of the pension entitlement of the deceased Board member. The survivor benefits may not exceed 75% of the Board member's total pension entitlement. If the survivor pensions exceed the upper limit, they will be proportionately reduced.

Board members are members of the BASF Pensionskasse VVaG, as are generally all employees of BASF SE. Contributions and benefits are determined by the Statutes of the BASF Pensionskasse VVaG and the General Conditions of Insurance.

The service costs attributable to 2009 are as follows: Dr. Jürgen Hambrecht €58 thousand (2008: €333 thousand); Dr. Kurt Bock €163 thousand (2008: €546 thousand); Dr. Martin Bruder Müller €136 thousand (2008: €555 thousand); Dr. Hans-Ulrich Engel €447 thousand (2008: €448 thousand); Dr. John Feldmann €228 thousand (2008: €571 thousand); Dr. Andreas Kreimeyer €209 thousand (2008: €558 thousand); Dr. Stefan Marcinowski €219 thousand (2008: €559 thousand); and Dr. Harald Schwager €175 thousand (2008: €556 thousand).

These amounts include the costs for any pension claims arising from the deferred compensation program.

In 2008, the basis for the future calculation of pension units for Board members was adjusted as were the pension benefits for senior executives. For pension units acquired up to December 31, 2008, an actuarial interest rate of 6% applied (from January 1, 2009: 5%) and a probability of death, invalidity and mortality in accordance with Heubeck-Richttafeln 1998 (from January 1, 2009: Heubeck-Richttafeln 2005G). For new Board members and mandate extensions beginning after January 1, 2009, a contribution factor of 32% (previously 35%) is applied. For pension units acquired after January 1, 2010, a contribution factor of 32% applies to all Board members.

End of service benefits

a) Board members, whose current mandate began before January 1, 2008

A Board member who leaves the company before the age of 60, whose employment contract is not renewed or is revoked, is entitled to pension benefits. In such a case, the company is entitled to offset compensation received for any other work done against pension benefits.

End-of-service following a change-of-control event: A change-of-control event, in terms of this provision, occurs when a shareholder informs BASF of a shareholding of at least 25%, or the increase of such a holding.

If a Board member's position is revoked within one year following a change-of-control event, the Board member will continue to receive the contractually agreed payments (fixed compensation and variable bonus) for the remaining contractual term of office. In addition, the Board member will receive a severance payment, depending on the remaining contractual term of office, up to a maximum of 2.5 years of compensation (based on the fixed compensation and the previous year's variable bonus). The sum of the severance payment and continuing compensation may not exceed a sum equivalent to five years of compensation. Furthermore, the Board member may receive the fair value of the option rights acquired in connection with BOP within a period of three months. The premature termination of service due to the revocation of a Board member's position entitles the Board member to pension benefits. When calculating the amount of the pension benefits, the missing years of service up to the age of 60 years will be considered.

The aforementioned is also applicable upon the occurrence of a change-of-control event, if the time to the end of the current contractual term of office is less than two years and the appointment is not subsequently extended by a minimum of two years.

The aforementioned payments are only payable if the Board member has not given cause for the termination or non-renewal of his service contract.

b) Contracts as of January 1, 2008

The contracts of new Board members since January 1, 2008 contain the following major changes:

A Board member who leaves the company before the age of 60 is only entitled to pension benefits if the Board member has served on the Board for at least 10 years, or if the time needed to reach the legal retirement age is less than 10 years. The company is entitled to offset compensation received for any other work done against pension benefits until the legal retirement age is reached.

If a Board member's position is revoked within one year following a change-of-control event, the Board member will receive the contractually agreed payments for the remaining contractual term of office as a one-off payment (fixed compensation and the variable bonus based on a ROA of 12%).

As of January 1, 2009, these changes also apply to extensions of current contractual terms, which began before January 1, 2008. As of January 1, 2010, these changes apply uniformly to all Board members.

Furthermore, a general limit on severance pay is contained within the contracts for all Board members as of January 1, 2010. Accordingly, payments made to a Board member upon premature termination of their contract, without serious cause, may not exceed the value of two years' compensation (severance payment cap) nor compensate more than the remaining term of the contract. The severance payment cap is to be calculated on the basis of the total compensation for the past full financial year and, if appropriate, also the expected total compensation for the current financial year. Payments promised in the event of premature termination of a Board of Executive Directors member's contract due to a change-of-control may not exceed 150% of the severance payment cap. This general limit on severance pay has already been contained in the contracts for term extensions since January 1, 2009.

Previous Board members

Total compensation for previous Board members and their surviving dependents amounted to €12.3 million in 2009 (2008: €6.0 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program and personnel expense for the year 2009 relating to options that previous members of the Board still hold from the time of their active service period. The continuation of the options that have not yet been exercised at the

time of retirement, along with the continuation of the associated holding period for individual investment in BASF shares under the conditions of the program, is intended in order to particularly emphasize how sustainability is incorporated into the compensation for the Board members. The personnel expense for options has increased significantly compared with 2008 due to the positive development of the BASF share price. This is the reason for the calculated increase in total compensation. As in the case of active members of the Board, the personnel expense reported here does not equate with the actual cash gains should options be exercised. Pension provisions for previous Board members and their surviving dependents amounted to €87.9 million (2008: €83.4 million).

Compensation of Supervisory Board members

The disclosure of compensation of the Supervisory Board is based on German Commercial Code and is aligned with the recommendations of the German Corporate Governance Code. The compensation of the Supervisory Board is regulated by the Articles of Association passed by the Annual Meeting.

Each member of the Supervisory Board receives an annual fixed compensation of €60,000 and a performance-oriented variable compensation for each full €0.01 by which the earnings per share of the BASF Group, as declared in the BASF Group Consolidated Financial Statements for the year for which the remuneration is paid, exceeds the minimum earnings per share. The minimum earnings per share figure for the year 2009 is €1.40. The performance-oriented variable remuneration is €800 for each full €0.01 of earnings per share up to an earnings per share of €2.15, €600 for each further €0.01 of earnings per share up to an earnings per share of €2.65, and €400 for each €0.01 beyond this. The performance-oriented variable compensation is limited to a maximum amount of €120,000. The minimum earnings per share and the corresponding thresholds shall increase by €0.05 for each subsequent financial year. Based on the earnings per share of €1.54 published in the BASF Group Consolidated Statements 2009, the performance-oriented compensation amounts to €11,200 for 2009. The chairman of the Supervisory Board receives two-and-a-half times and a deputy chairman one-and-a-half times the compensation of an ordinary member.

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, shall receive a further fixed compensation for this purpose in the amount of €12,500. For the Audit Committee, the further fixed compensation shall be €25,000. The chairman of a committee shall receive twice and a deputy chairman one-and-a-half times the further fixed compensation.

The company reimburses members of the Supervisory Board for out-of-pocket expenses and value-added tax to be paid with regard to their activities as members of the Supervisory Board or of a committee. The company further grants the members of the Supervisory Board a fee of €500 for attending a meeting of the Supervisory Board or one of its committees to which they belong and includes the performance of the duties of the members of the Supervisory Board in the cover of a loss liability insurance concluded by it (D&O insurance).

Total compensation of the Supervisory Board of the company for the activity in 2009, including the attendance fees, was €1.3 million (2008: €2.9 million). The compensation of the individual Supervisory Board members related to the reporting year 2009 is as follows:

Thousand €

	Fixed compensation		Performance-oriented variable compensation		Payment for committee membership(s)		Total compensation ⁶	
	2009	2008 ¹	2009	2008 ¹	2009	2008 ¹	2009	2008 ¹
Prof. Dr. Jürgen Strube, Chairman of the Supervisory Board ² (until April 30, 2009)	50	150	9.3	278	8.3	25	67.6	453.0
Dr. h.c. Eggert Voscherau, Chairman of the Supervisory Board ² (since April 30, 2009)	112.5	–	21	–	18.7	–	152.2	–
Michael Diekmann, Vice Chairman of the Supervisory Board ³	90	90	16.8	166.8	9.4	–	116.2	256.8
Robert Oswald, Vice Chairman of the Supervisory Board ³	90	90	16.8	166.8	12.5	12.5	119.3	269.3
Ralf-Gerd Bastian ⁵	60	60	11.2	111.2	25	25	96.2	196.2
Wolfgang Daniel	60	60	11.2	111.2	–	–	71.2	171.2
Prof. Dr. François Diederich	60	60	11.2	111.2	–	–	71.2	171.2
Franz Fehrenbach ⁵	60	60	11.2	111.2	25	25	96.2	196.2
Stephen K. Green (since April 30, 2009)	45	–	8.4	–	–	–	53.4	–
Dr. Tessen von Heydebreck ³ (until April 30, 2009)	20	60	3.7	111.2	4.2	12.5	27.9	183.7
Max Dietrich Kley ⁴	60	60	11.2	111.2	50	50	121.2	221.2
Ulrich Küppers (until May 30, 2008)	–	25	–	46.4	–	–	–	71.4
Denise Schellemans	60	60	11.2	111.2	–	–	71.2	171.2
Ralf Sikorski (since May 31, 2008)	60	45	11.2	83.4	–	–	71.2	128.4
Michael Vassiliadis ^{3, 5}	60	60	11.2	111.2	37.5	37.5	108.7	208.7
Total:	887.5	880	165.6	1,631.0	190.6	187.5	1,243.7	2,698.5

¹ Effective January 14, 2008, BASF Aktiengesellschaft was transformed into a European Company (Societas Europaea, SE). The figures for 2008 also include the compensation for duties carried out on the Supervisory Board of BASF Aktiengesellschaft until January 14, 2008.

² Chairman of the Personnel Committee

³ Member of the Personnel Committee (Mr. Diekmann since April 30, 2009)

⁴ Chairman of the Audit Committee

⁵ Member of the Audit Committee

⁶ Following the transformation of BASF Aktiengesellschaft into BASF SE on January 14, 2008, nine members of the Supervisory Board of BASF Aktiengesellschaft did not become members of the Supervisory Board of BASF SE. These people received compensation for January 2008 totaling €132.9 thousand.

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Meeting, which approves the Consolidated Financial Statements upon which the variable compensation is based. Accordingly, compensation relating to the year 2009 will be paid following the Annual Meeting on April 29, 2010.

In the year 2009, the company paid the Supervisory Board member, Prof. Dr. Diederich, rounded €25,400 (2008: approximately €24,200) plus value-added taxes and out-of-pocket expenses for consulting work in the area of chemical research based on a consulting contract approved by the Supervisory Board.

Beyond this, Supervisory Board members did not receive any further compensation in 2009 for services rendered personally, in particular, the rendering of advisory and agency services.

→ For more on share ownership by members of the Board of Executive Directors and the Supervisory Board, see page 15

Management and Supervisory Boards

Board of Executive Directors

As of December 31, 2009, there were eight members on the Board of Executive Directors of BASF SE.

Dr. Jürgen Hambrecht Chairman of the Board of Executive Directors

Responsibilities: Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications & Government Relations BASF Group; Global HR – Executive Management & Development; Investor Relations; Chief Compliance Officer

First appointed: 1997 (Chairman since 2003)

Term expires: 2011

Supervisory board memberships (excluding internal memberships):

Daimler AG (supervisory board member)

Lufthansa AG (supervisory board member)

Dr. Kurt Bock

Responsibilities: Catalysts; Market & Business Development North America; Regional Functions North America; Finance; Information Services; Corporate Controlling; Corporate Audit

First appointed: 2003

Term expires: 2012

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member)

Comparable German and non-German controlling bodies:

The European Equity Fund, Inc.

(member of the Board of Directors until September 3, 2009)

The Central Europe and Russia Fund, Inc.

(member of the Board of Directors until September 3, 2009)

Dr. Martin Bruder Müller

Responsibilities: Performance Polymers; Polyurethanes; Styrenics; Market & Business Development Asia Pacific; Regional Functions & Country Management Asia Pacific

First appointed: 2006

Term expires: 2013

Dr. Hans-Ulrich Engel

Responsibilities: Oil & Gas; Region Europe; Global Procurement & Logistics

First appointed: 2008

Term expires: 2011

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board chairman)

Wintershall AG (supervisory board chairman)

Comparable German and non-German controlling bodies:

Nord Stream AG, Zug, Switzerland

(member of the Shareholders' Committee since April 24, 2009)

Ciba Holding AG, Basel, Switzerland

(chairman of the administrative council from April 9, 2009 until June 23, 2009)

Dr. John Feldmann

Responsibilities: Construction Chemicals; Dispersions & Pigments; Care Chemicals; Paper Chemicals; Performance Chemicals; Polymer Research

First appointed: 2000

Term expires: 2011

Supervisory board memberships (excluding internal memberships):

Bilfinger Berger AG (supervisory board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

BASF Coatings AG (supervisory board member)

Dr. Andreas Kreimeyer

Responsibilities: Inorganics; Petrochemicals; Intermediates; Chemicals Research & Engineering; BASF Future Business

First appointed: 2003

Term expires: 2012

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member)

Dr. Stefan Marciniowski

Responsibilities: Crop Protection; Coatings; Specialty Chemicals Research; BASF Plant Science; Region South America

First appointed: 1997

Term expires: 2012

Supervisory board memberships (excluding internal memberships):

DWS Investment GmbH (supervisory board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding AG (supervisory board member)

BASF Coatings AG (supervisory board chairman)

Dr. Harald Schwager

Responsibilities: Human Resources; Environment, Health & Safety; Engineering & Maintenance; Verbund Site Management Europe

First appointed: 2008

Term expires: 2011

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

BASF Schwarzheide GmbH (supervisory board chairman)

Comparable German and non-German controlling bodies:

BASF Antwerpen N.V. (chairman of the administrative council)

Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises twelve members. Pursuant to Section 35 (1) of the Act on the Participation of Employees in a European Company (SE-Beteiligungsgesetz – “SEBG”) and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement) signed on November 15, 2007 by company management and the representatives of BASF Group’s European employees, seats on the board are accorded following the principle of parity. The six shareholder representatives on the Supervisory Board of BASF SE are elected by the Annual Meeting. By way of derogation from Section 40 (2) of the Council Regulation (EC) No. 2157/2001, the six employee representatives are not elected by the Annual Meeting, but appointed by the representative body of the employees, the BASF Europa Betriebsrat, in accordance with the Employee Participation Agreement. The term of office of the Supervisory Board commenced following the Annual Meeting on April 30, 2009, in which the shareholder representatives on the Supervisory Board were elected. It terminates upon conclusion of the Annual Meeting which resolves on the discharge of members of the Supervisory Board for the fourth complete financial year after the term of office commenced; this is the Annual Meeting in 2014. The Supervisory Board comprises the following members:

Dr. h.c. Eggert Voscherau, Wachenheim, Germany
(since April 30, 2009)

Chairman of the Supervisory Board of BASF SE

Former deputy chairman of the Board of Executive Directors of BASF Aktiengesellschaft and BASF SE

Supervisory board memberships (excluding internal memberships):

Carl-Zeiss AG (supervisory board chairman until February 15, 2010)

CropEnergies AG (supervisory board chairman until July 16, 2009)

HDI Haftpflichtverband der Deutschen Industrie VVaG
(supervisory board member until July 22, 2009)

Schott AG (supervisory board chairman until February 15, 2010)

Talanx AG (supervisory board member until July 22, 2009)

Comparable German and non-German controlling bodies:

Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW)
(supervisory board member)

Nord Stream AG, Zug, Switzerland (member of the shareholders’ committee until April 24, 2009)

Michael Diekmann, Munich, Germany

Deputy Chairman of the Supervisory Board of BASF SE

Chairman of the Board of Management of Allianz SE

Supervisory board memberships (excluding internal memberships):

Linde AG (supervisory board deputy chairman)

Siemens AG (supervisory board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Allianz Deutschland AG (supervisory board chairman)

Allianz Global Investors AG (supervisory board chairman)

Dresdner Bank AG (supervisory board chairman until January 12, 2009)

Comparable German and non-German controlling bodies:

Allianz France S.A. (until November 30, 2009: Assurances Générales de France) (member of the administrative council)

Allianz S.p.A. (member of the administrative council)

Robert Oswald, Altrip, Germany

Deputy Chairman of the Supervisory Board of BASF SE

Chairman of the works council of the Ludwigshafen site of BASF SE and chairman of the joint works council of the BASF Group

Ralf-Gerd Bastian, Neuhofen, Germany

Member of the works council of the Ludwigshafen site of BASF SE

Wolfgang Daniel, Limburgerhof, Germany

Deputy chairman of the works council of the Ludwigshafen site of BASF SE

Prof. Dr. François Diederich, Zurich, Switzerland

Professor at the Swiss Federal Institute of Technology Zurich

Franz Fehrenbach, Stuttgart, Germany

Chairman of the Board of Management of Robert Bosch GmbH

Comparable German and non-German controlling bodies:

Robert Bosch Corporation (member of the board of directors)

Stephen K. Green, London, U.K. (since April 30, 2009)

Group Chairman HSBC Holdings plc

Comparable German and non-German controlling bodies:

HSBC Bank plc, United Kingdom (chairman of the board of directors)

HSBC Private Banking Holdings (Suisse) SA

(chairman of the administrative council)

The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong
(member of the board of directors)

HSBC North America Holdings Inc., United States (member of the board of directors)

HSBC France (member of the board of directors)

Max Dietrich Kley, Heidelberg, Germany

Lawyer

Former deputy chairman of the Board of Executive Directors of BASF Aktiengesellschaft

Supervisory board memberships (excluding internal memberships):

HeidelbergCement AG (supervisory board member)

Infineon Technologies AG (supervisory board chairman until February 11, 2010)

Schott AG (supervisory board member until September 30, 2009)

SGL Carbon SE (supervisory board chairman)

Comparable German and non-German controlling bodies:

Unicredito Italiano S.p.A. (member of the board of directors until April 29, 2009)

Denise Schellemans, Kalmthout, Belgium

Full time trade union delegate

Ralf Sikorski, Wiesbaden, Germany

Regional manager of the Rhineland-Palatinate/Saarland branch of the Mining, Chemical and Energy Industries Union

Supervisory board memberships (excluding internal memberships):

Villeroy & Boch AG (supervisory board member)

Villeroy & Boch Fliesen GmbH (supervisory board member)

Evonik Power Saar GmbH (supervisory board deputy chairman)

Evonik New Energies GmbH (supervisory board deputy chairman)

Michael Vassiliadis, Hannover, Germany

Chairman of the Central Board of Executive Directors of the Mining, Chemical and Energy Industries Union

Supervisory board memberships (excluding internal memberships):

K+S AG (supervisory board deputy chairman)

K+S Kali GmbH (supervisory board deputy chairman until July 31, 2009)

Henkel KGaA (supervisory board member)

Evonik Steag GmbH (supervisory board deputy chairman)

The following members left the Supervisory Board following the Annual Meeting of BASF SE on April 30, 2009:

Prof. Dr. Jürgen Strube, Mannheim, Germany

Chairman of the Supervisory Board (until April 30, 2009)

Former Chairman of the Board of Executive Directors of BASF Aktiengesellschaft

Supervisory board memberships (excluding internal memberships):

Allianz Deutschland AG (supervisory board member until April 2, 2009)

Bayerische Motoren Werke AG (supervisory board deputy chairman)

Bertelsmann AG (supervisory board deputy chairman)

Fuchs Petrolub AG (supervisory board chairman)

Hapag-Lloyd AG (supervisory board member until March 17, 2009)

Dr. Tessen von Heydebreck, Berlin, Germany

Former Member of the Board of Managing Directors of Deutsche Bank Aktiengesellschaft

Supervisory board memberships (excluding internal memberships):

DWS Investment GmbH (supervisory board deputy chairman until April 2, 2009)

Deutsche Postbank AG (supervisory board member since April 22, 2009)

Vattenfall Europa AG (supervisory board member)

Dussmann Verwaltungs AG (supervisory board member)

Comparable German and non-German controlling bodies:

Deutsche Bank OOO (supervisory board chairman until June 23, 2009)

Report of the Supervisory Board

Dear Shareholders,

The year 2009 posed great challenges for BASF. By the beginning of 2009 at the latest, the financial market crisis had reached the real economy and also had a significant impact on BASF's business activities. The speed of the downturn was unparalleled in recent years. Overcoming the crisis placed great demands on the Board of Executive Directors and employees alike. For us, it also confirmed that:

- it pays to take decisive action as early as possible,
- the company's strategy of working in a broad range of business areas and its future-oriented focus on fast-growing, innovative chemicals markets is correct, and
- the long-established BASF model of cooperation between the company's management and employee representatives has proved successful.

Overall, therefore, BASF coped well with the difficult situation. The Supervisory Board would like to extend its sincere thanks to the Board of Executive Directors and BASF's employees for their efforts.

The company's good corporate governance contributed significantly to mastering the crisis. This covers the entire organization and all of the BASF Group's business and control processes, with the Board of Executive Directors and the Supervisory Board at the top. BASF's adherence to all of the recommendations of the German Corporate Governance Code reflects the importance the company accords to good corporate governance. For BASF, it is a matter of course that the compensation of the Board of Executive Directors is largely determined by the BASF Group's success, in both positive and negative terms. The development of compensation for the Board of Executive Directors clearly proves this.

Monitoring and consultation in an ongoing dialogue with the Board of Executive Directors

In 2009, the Supervisory Board of BASF SE exercised its duties required by law and the Statutes with the utmost care. We regularly monitored the management of the Board of Executive Directors and provided advice on the company's strategic development and important individual measures. To this end, the Supervisory Board requested detailed information from the Board of Executive Directors at seven meetings in the form of written and verbal reports. Topics included: business policies, the business situation and business trends, profitability, the company's planning with regard to finances, capital expenditures and human resources at BASF SE and its major subsidiaries, as well as deviations of the business development from the planning. The Supervisory Board discussed in detail the reports from the Board of Executive Directors and also discussed prospects for the company as a whole and its individual businesses with the Board of Executive Directors. The

Chairman of the Supervisory Board also regularly requested information from the Chairman of the Board of Executive Directors with regard to current business developments and important events outside of Supervisory Board meetings. The Supervisory Board was always involved at an early stage in decisions of major importance. The Supervisory Board voted on all of those individual measures taken by the Board of Executive Directors, which by law or the Statutes required the approval of the Supervisory Board.

The members of the Supervisory Board elected by shareholders and those elected by employees prepared for the meetings in separate preliminary discussions. All members were present at all Supervisory Board meetings in 2009.

In 2009, one particular focus of the monitoring activities was current business developments within the BASF Group, which was impacted by the economic crisis throughout the entire year. To this end, the Supervisory Board held an unscheduled meeting at the beginning of February 2009 to request timely information from the Board of Executive Directors regarding the latest developments and to discuss the crisis management measures to be introduced.

In all of its meetings, the Supervisory Board discussed the further development of the BASF Group's business activities through acquisitions, divestitures and investment projects and advised the Board of Executive Directors on those significant questions impacting the future of the company. One salient issue was the integration of the Ciba businesses acquired following the successful takeover bid. In this respect, we also received reports from the head of the integration team. We were frequently informed about the status of Wintershall's natural gas activities and discussed important subprojects, such as the Nord Stream pipeline through the Baltic Sea and the development of this capital intensive business segment. At the meeting on July 10, 2009, we again discussed the biotechnology growth cluster, with a particular emphasis on green genetic engineering. The Supervisory Board was greatly concerned to note that promising innovations offering great value for society and economic potential are being hindered by the hesitation of the responsible institutions in Germany and the European Union. At the meeting on October 22, 2009, we addressed risk management at BASF and received reports regarding risk management organization, procedures and significant observations. A further important topic at the Supervisory Board meeting on October 22, 2009, was the implementation of the Act on the Appropriateness of Management Board Remuneration. On the basis of proposals from the Personnel Committee, the Supervisory Board confirmed the compensation system for the Board of Executive Directors agreed for 2009 and decided on the compensation system and employment contracts for members of the Board of Executive Directors to be applied from 2010 onward. The existing Executive Directors' contracts have been adjusted in agreement with the members of the Board of Executive Directors and took effect on January 1, 2010. The

Supervisory Board also decided to present the new compensation system, adjusted to conform with the German Act on the Appropriateness of Management Board Remuneration, to the 2010 Annual Meeting for approval. At our meeting on December 11, 2009, we discussed and approved the Board of Executive Directors' operational and financial planning for 2010 and empowered the Board of Executive Directors to procure financing under certain conditions.

Committees

BASF SE's Supervisory Board has established a total of three Committees: the committee for personnel affairs of the Board of Executive Directors as well as the granting of loans in accordance with Section 89 (4) of the German Stock Corporation Act (Personnel Committee), the Audit Committee and the Nomination Committee. The Supervisory Board received regular reports on the activities of these committees.

The Personnel Committee consists of Supervisory Board Chairman Dr. h.c. Eggert Voscherau (since April 30, 2009) in the role of Chairman, Supervisory Board Deputy Chairmen Michael Diekmann (since April 30, 2009) and Robert Oswald and Supervisory Board member Michael Vassiliadis. Until the Annual Meeting on April 30, 2009, the Supervisory Board Chairman presiding up to that time, Prof. Dr. Jürgen Strube, and Dr. Tessen von Heydebreck were also members of the Personnel Committee. The Personnel Committee met three times in 2009. At its meetings, sometimes with the Chairman of the Board of Executive Directors, it discussed in detail the long-term succession planning for the Board of Executive Directors as well as the compensation of the Board of Executive Directors and the contents of employment contracts for the members of the Board of Executive Directors. Following the approval of the Act on the Appropriateness of Management Board Remuneration and in preparation for the decisions to be made by the Supervisory Board regarding the compensation and contracts of the members of the Board of Executive Directors, the Personnel Committee conducted a fundamental examination of the structure of the compensation system, and then refined the existing system. The main objectives of this were to give greater relevance to the component based on long-term success and to make compensation for the Board of Executive Directors even more performance-oriented. The Personnel Committee presented a proposal to the Supervisory Board in this regard. In addition, the Committee intensively discussed decisions to be made by the Supervisory Board regarding appointments to the Board of Executive Directors and prepared the related decisions to be put to the plenary session of the Supervisory Board. In 2009, this only concerned the extension of the mandate of Board of Executive Directors member Dr. John Feldmann (until the 2011 Annual Meeting). The Supervisory Board adopted the proposals of the Personnel Committee at the meetings on July 11, and October 22, 2009.

The Audit Committee consists of Supervisory Board members Max Dietrich Kley, Ralf Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. The Chairman of the Audit Committee is Max Dietrich Kley, who has also been appointed "Audit Committee Financial Expert". The Audit Committee met five times in 2009. The core duties were to review the Financial Statements 2008 of BASF SE as well as the Consolidated Financial State-

ments 2008 and to discuss the quarterly and first-half financial reports with the Board of Executive Directors prior to their publication. Other important activities included advising the Board of Executive Directors on accounting issues, discussing and defining the focus of the audit; regulating business relations with the company's auditor, including the adoption of a resolution regarding the provision of non-audit services by the auditor; agreeing upon the auditing fees; and monitoring the auditor's independence. At its meeting on July 10, 2009, the Supervisory Board assigned the Audit Committee the task of monitoring the internal control system and internal audit in addition to its other duties. The Audit Committee is thereby responsible for all the tasks of an audit committee listed in Section 107 Paragraph (3) Sentence 2 of the German Stock Corporation Act and in subsection 5.3.2 of the German Corporate Governance Code from June 18, 2009. After a report from the Chief Compliance Officer, the Audit Committee held a meeting in which it dealt intensively with the topic of compliance in the BASF Group. At the meeting on December 10, 2009, the Head of the Corporate Audit department reported on the reviews of the internal audits and their significant findings.

The members of the Nomination Committee are exclusively the members of the Supervisory Board elected at the Annual Meeting. These are Dr. h.c. Eggert Voscherau (since April 30, 2009), Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Stephen K. Green (since April 30, 2009) and Max Dietrich Kley. Until the Annual Meeting on April 30, 2009, the Supervisory Board Chairman presiding up to that time, Prof. Dr. Jürgen Strube, and Dr. Tessen von Heydebreck were also members of the Nomination Committee. The Nomination Committee is responsible for preparing candidate proposals for the election of those Supervisory Board members who are elected by the Annual Meeting. The members of the Nomination Committee consulted on the selection of candidates for the regular election at the Annual Meeting on April 30, 2009 and, on March 2, 2009, decided on a candidate proposal and tabled it for resolution before the Supervisory Board meeting on March 3, 2009. This also included the proposal of Dr. h.c. Eggert Voscherau for Chairman of the Supervisory Board should he be elected by the Annual Meeting. The Supervisory Board confirmed the Nomination Committee's proposal for the election at the Annual Meeting on April 30, 2009.

Corporate Governance and Declaration of Conformity

In 2009, the Supervisory Board again addressed in detail the corporate governance standards applied by BASF as well as the basic conditions in Germany as to capital market and company law. This mainly included: the amended German Corporate Governance Code in the version dated June 18, 2009; the German Accounting Law Modernization Act; and the German Act on the Appropriateness of Management Board Remuneration. These were dealt with at the meetings on July 10 and October 22, 2009. In particular, we discussed the new Code recommendations and decided that BASF will comply with them.

At its meeting on December 11, 2009, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with Section 161 of the German Stock Corporation Act. Furthermore, at this meeting the Supervisory Board carried out an examination of efficiency and an assessment of independence. BASF complies with recommendations of the German Corporate Governance Code in its version of June 18, 2009, without exception. The complete wording of the Declaration of Conformity is provided on page 16 and is also available to shareholders on BASF's website.

The compensation report containing full details on the structure and amount of the compensation for the Board of Executive Directors and the Supervisory Board, including the pension benefits of the members of the Board of Executive Directors, can be found on pages 17 to 21.

Annual Financial Statements of BASF SE and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditors elected by the Annual Meeting for the fiscal year 2009, have audited the Financial Statements of BASF SE and the Consolidated Financial Statements including Management's Analysis under consideration of bookkeeping, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under Section 91 (2) of the German Stock Corporation Act in an appropriate way. In particular, it had instituted a suitable information and monitoring system that met the needs of the company and appeared suitable, both in design and the way in which it had been applied, to provide early warning of developments that pose a threat to the continued existence of the company.

The documents to be examined and the auditors' reports were sent in a timely manner to every member of the Supervisory Board. The auditors attended the accounts review meeting of the Audit Committee on February 24, 2010, as well as the accounts meeting of the Supervisory Board on March 4, 2010, and reported on the main findings of their audit. The auditors also provided detailed explanations of their reports on the day before the accounts meeting of the Supervisory Board.

The Audit Committee reviewed the audits and Management's Analysis at its meeting on February 24, 2010 and discussed them in detail with the auditor. The Chairman of the Audit Committee gave a detailed account of the preliminary review at the Supervisory Board meeting on March 4, 2010.

On the basis of this preliminary review by the Audit Committee, the Supervisory Board has examined the Financial Statements and Management's Analysis of BASF SE for 2009, the proposal by the Board of Executive Directors for the appropriation of profit as well as the Consolidated Financial Statements and Management's Analysis for the BASF Group for 2009. We have reviewed, acknowledged and approved the auditor's reports. The results of the preliminary review by the Audit Committee and the results of our own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management and submitted reports.

At the Supervisory Board's accounts meeting on March 4, 2010, we approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group

prepared by the Board of Executive Directors, making the Financial Statements final. We concur with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €1.70 per share.

Composition of the Supervisory Board

The term of office of the first Supervisory Board, formed during the course of the change in corporate form from BASF Aktiengesellschaft into a European Company (SE), ended upon the conclusion of the Annual Meeting on April 30, 2009. The Annual Meeting elected Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Max Dietrich Kley, Stephen K. Green and Dr. h.c. Eggert Voscherau as the representatives of the shareholders on the Supervisory Board. At this point, the long-serving Chairman of the Supervisory Board, Prof. Dr. Jürgen Strube, and Dr. Tessen von Heydebreck left the Supervisory Board. Neither of them was available for reelection. The six employee representatives in the Supervisory Board of BASF SE, Ralf Gerd Bastian, Wolfgang Daniel, Robert Oswald, Denise Schellemans, Ralf Sikorski and Michael Vassiliadis, were appointed by BASF Europa Betriebsrat (Europe Works Council) as the responsible representative body for the employees at its meeting on March 18 and 19, 2009, in accordance with the regulations of the Employee Participation Agreement of November 15, 2007. The term of office of the newly elected Supervisory Board will end upon the conclusion of the 2014 Annual Meeting.

In its constitutive meeting on April 30, 2009, the new Supervisory Board elected Dr. h.c. Eggert Voscherau as its chairman and Michael Diekmann and Robert Oswald as deputy chairman.

Thanks

The Supervisory Board thanks all employees of the BASF Group worldwide, the management of the company and the retired members of the Supervisory Board for the work they performed in 2009.

With the conclusion of the Annual Meeting on April 30, 2009, the long-serving Chairman of the Board of Executive Directors and the Supervisory Board, Prof. Dr. Jürgen Strube, retired from the Supervisory Board. Prof. Dr. Strube had a decisive influence for nearly 25 years as a member and Chairman of the Board of Executive Directors, and subsequently as Chairman of the Supervisory Board, and played a major role in BASF's success. The Supervisory Board would like to extend special thanks to Prof. Dr. Strube. As an acknowledgement of his dedication, the Supervisory Board has appointed Prof. Dr. Strube Honorary Chairman of the Supervisory Board.

Ludwigshafen, March 4, 2010

The Supervisory Board

Dr. h.c. Eggert Voscherau

Chairman of the Supervisory Board

Financial Statements of BASF SE

Statement of Income

Statement of Income (million €)

	Explanations in Note	2009	2008
Sales	(2)	14,079	17,143
Cost of sales		10,475	13,117
Gross profit on sales		3,604	4,026
Selling expenses		1,469	1,563
General and administrative expenses		386	372
Research and development expenses		852	807
Other operating income	(3)	638	479
Other operating expenses	(4)	749	1,054
Income from operations		786	709
Income from participations		1,803	3,429
Interest result		(306)	(440)
Other financial result		203	(564)
Financial result	(5)	1,700	2,425
Income before taxes ¹		2,486	3,134
Income taxes	(6)	310	152
Net income		2,176	2,982

¹ Income from ordinary operations

Balance Sheet

Assets (million €)

	Explanations in Note	2009	2008
Intangible assets	(8)	859	168
Property, plant and equipment	(9)	1,678	1,602
Financial assets	(10)	18,515	17,271
Fixed assets		21,052	19,041
Inventories	(11)	1,320	1,418
Accounts receivable, trade		1,389	1,273
Receivables from affiliated companies		7,183	7,302
Miscellaneous receivables and other assets		910	848
Receivables and other assets	(12)	9,482	9,423
Marketable securities		2,130	2,036
Cash and cash equivalents		2,734	3,405
Liquid funds	(13)	4,864	5,441
Current assets		15,666	16,282
Deferred taxes	(6)	265	375
Prepaid expenses	(14)	44	52
Total assets		37,027	35,750

Stockholders' equity and liabilities (million €)

	Explanations in Note	2009	2008
Subscribed capital	(15)	1,176	1,176
Capital surplus	(15)	3,139	3,133
Retained earnings	(16)	2,509	146
Profit retained	(16)	2,176	4,159
Stockholders' equity		9,000	8,614
Special reserves	(1)	107	107
Provisions for pensions and similar obligations	(17)	3,656	3,615
Provisions for taxes		943	872
Other provisions	(18)	1,652	1,903
Provisions		6,251	6,390
Financial indebtedness		6,747	9,155
Accounts payable, trade		302	491
Liabilities to affiliated companies		13,873	10,291
Miscellaneous liabilities		607	588
Liabilities	(19)	21,529	20,525
Deferred income		140	114
Total stockholders' equity and liabilities		37,027	35,750

Notes

Accounting principles: The Financial Statements of BASF SE are prepared according to the German Commercial Code (Handelsgesetzbuch, HGB) and the German Stock Corporation Act (Aktiengesetz, AktG) using the cost-of-sales method.

Application of the German Act to Modernise Accounting Law (Bilanzrechtsmodernisierungsgesetz, BilMoG): The Act to Modernize Accounting Law entered into force on May 29, 2009. Application of the new accounting rules is obligatory as of January 1, 2010. BASF did not make use of the possibility of voluntarily applying the new rules in a comprehensive manner as of December 31, 2009. BASF SE's Financial Statements 2009 include the application of those provisions of the Act that were mandatory as of December 31, 2009.

1 – Accounting and valuation methods

Revenue recognition: Revenues from the sale of goods or the rendering of services are recognized upon the transfer of ownership and risk to the buyer. Allowances are made for rebates and trade discounts. Provisions are made to cover the return of products, estimated future warranty obligations and other claims based on the principle of individual evaluation.

Intangible assets: Intangible assets are valued at cost less scheduled straight-line amortization. In 2009, the weighted-average amortization period was 10 years and was based on the following useful lives:

	2009	2008
Goodwill	12 years	19 years
Software	4 years	4 years
Patents, licences, know-how other rights	9 years	7 years

The acquisition of goodwill in association with the acquisition of Ciba reduced the expected useful life of goodwill from 19 years to 12 years.

Write-downs are made when an other than temporary impairment occurs. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the amortized cost.

Property, plant and equipment: They are stated at acquisition or production cost less scheduled depreciation over their estimated useful lives. Assets whose costs exceed €150 but are less than €1,000 are allocated to a low-value asset pool that is depreciated on a straight-line basis over five years. Movable depreciable fixed assets that are functionally integrated are treated as a single asset item.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and manufacturing overhead and an appropriate share of the administrative costs for those areas involved in the construction of the plants. Financing costs, costs for social services, costs for voluntary social benefits and pension costs are not capitalized.

Movable fixed assets are mostly depreciated by the declining balance method, with a change to straight-line depreciation when this results in higher depreciation amounts. Immovable fixed assets are predominantly depreciated using the straight-line method.

The weighted-average depreciation periods used remained unchanged as follows:

	2009	2008
Buildings and structural installations	24 years	24 years
Industrial plant and machinery	11 years	11 years
Factory, office equipment and other facilities	9 years	9 years

Write-downs are made on property, plant and equipment whenever events or changes in circumstances indicate that the net book value of an asset may not be recoverable. The assessment is based on the discounted expected future cash flows from the use of the asset less costs for its removal. A write-down is made in the amount of the difference between the net book value and the discounted future cash flows. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the amortized cost.

Financial assets: Shares in affiliated companies and in participating interests are carried at cost, or in the case of an other than temporary impairment, at the appropriate lower value according to the principle of individual valuation.

Interest-bearing loans are stated at cost; non-interest-bearing loans or loans at below market interest rates are stated at their present value. In the case of foreseeable default risks, the Company recognizes an impairment loss based on the estimated fair value of the loan. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the acquisition cost.

Financial activities are shown under in income from financial assets, interest result and miscellaneous financial result in the Statement of Income.

Inventories: Inventories are carried at cost. They are valued at quoted, market or fair values if lower than cost. These lower values are the replacement costs for raw materials and factory supplies and merchandise and, in the case of work in process and finished products, the expected sales proceeds less costs to be incurred prior to sale or lower reproduction cost. The acquisition or production costs of raw materials, work-in-process, finished goods and merchandise are determined by the last-in-first-out (LIFO) method.

Production costs include, in addition to direct costs, an appropriate allocation of overhead cost of production using normal utilization rates of the production plants. Financing costs, social services, voluntary social benefits and pensions are not included in production costs.

Construction-in-progress relates mainly to chemical plants under construction for BASF Group companies. Profits are recognized at finalization and billing of a project or part of a project. Expected losses are recognized by write-downs to the lower attributable values.

Receivables and other assets: Receivables are generally carried at their nominal value. Notes receivable and loans generating no or a low-interest income are discounted to their present values. Lower attributable values due to risks of collectability and transferability are covered by appropriate valuation allowances.

Cash and cash equivalents: This position includes marketable securities, cash at banks and cash on hand. Securities are valued at cost. They are valued at quoted or market values if lower than cost.

Deferred tax assets: Deferred tax assets are recorded for taxable temporary differences between the valuation of assets and liabilities in the Financial Statements and the carrying values for tax purposes. No valuation adjustments were made for deferred tax assets.

Special reserves: To the extent that recognition of special reserves on the balance sheet is required for fiscal acceptance, the amount is set in accordance with fiscal legislation. This refers primarily to transmissions of revealed inner reserves in accordance with Section 6b of the German Income Tax Act (Einkommenssteuergesetz, EStG).

Provisions: Provisions for pensions are determined using the projected unit credit method according to IAS 19 "Employee Benefits" and are based on actuarial computations. The obligation is valued using the "Richttafeln Heubeck 2005 G" as well as assumptions regarding future pay and pension increases. The discount rate used is 5.50%.

Tax provisions are recognized for German trade income tax and German corporate income tax in the amount necessary to meet the expected payment obligations.

Other provisions are recognized for the expected amounts of contingent liabilities and probable losses from pending transactions. Maintenance provisions are established to cover omitted maintenance procedures as of the end of the year, and are expected to be incurred within the first three months of the following year. The amount provided is based on reasonable commercial judgment.

Provisions are established for environmental protection measures and risks if the measures are necessary to comply with legal or regulatory obligations or if the measures are likely to become necessary due to technological developments, provided these measures do not lead to the capitalization of production costs.

Provisions for required recultivation associated with the operation of landfill sites are built up in installments over the expected service lives.

Provisions for long-service bonuses and pre-retirement part-time programs are calculated based on actuarial principles corresponding to the projected unit credit method of IAS 19 taking into account the rate of compensation increase and the adequate periodical interest rate. For signed contracts under the pre-retirement part-time programs, provisions for the present value of supplemental (top-up) payments are provided in their full amount and discounted at an interest rate of 4.50%. Wage and salary payments due during the passive phase of agreements are accrued through installments at nominal value.

Foreign currency transactions: The cost of assets acquired in foreign currencies and revenues from sales in foreign currencies are recorded at the exchange rate on the date of the transaction.

Short-term foreign currency receivables and liabilities are valued at the exchange rates on the balance sheet date. Long-term, foreign-currency receivables are recorded at the rate prevailing on the acquisition date or at the lower rate on the balance sheet date. Long-term, foreign-currency liabilities are recorded at the rate prevailing on the acquisition date or at the higher rate on the balance sheet date. Foreign-currency receivables or liabilities that are hedged are carried at hedge rates.

Derivative financial instruments: Derivative financial instruments are treated as pending transactions and are not recorded as assets or liabilities. Related underlying transactions and derivatives are combined and valued together, when applicable. Profits from hedging transactions, which cannot be allocated to a particular underlying transaction, are recorded in income upon maturity. Unrealized losses from hedging transactions, which cannot be allocated to a particular underlying transaction, are recognized in earnings and included in provisions.

The use of derivative financial instruments to hedge against foreign currency, interest rate and price risks is described in detail in Note 21.

Use of estimates and assumptions in financial statement preparation: The carrying amount of assets, liabilities and provisions, contingent liabilities and other financial obligations in the Financial Statements depends on the use of estimates and assumptions. These are based on the circumstances and estimates at the balance sheet date and affect the reported amounts

of income and expenses during the reporting periods. In the preparation of these financial statements, estimates and assumptions have been made by management concerning the selection of useful lives of property, plant and equipment and intangible assets, the measurement of provisions, the carrying value of investments, and other similar evaluations of assets and obligations. Given the uncertainty regarding the determination of these factors, actual results could differ from these estimates.

Site network

BASF SE operates an energy supply network, which is a site network in terms of Section 110 (1) No. 3 of the German Energy Act. The company is therefore exempt from, among other things, the commitments in Section 10 (3) of the German Energy Act which would, in particular, require an unbundling of the book-keeping.

The exemption for site networks according to Section 110 (1) No. 3 of the German Energy Act remains in effect in accordance with our legal interpretation, also following the European Court of Justice decision on May 22, 2008 (Decision C 439/06).

2 – Sales

Based on segment (million €)

	2009	2008
Chemicals	3,418	4,901
Plastics	2,059	2,735
Performance Products	4,539	4,990
Functional Solutions	142	134
Agricultural Solutions	1,812	1,682
Other	2,109	2,701
	14,079	17,143

Based on region (million €)

	2009	2008
Europe	10,692	13,517
Thereof Germany	3,896	4,980
North America	972	1,027
Asia Pacific	1,532	1,673
South America, Africa, Middle East	883	926
	14,079	17,143

The previous year's values have been adjusted for the current segment structure.

3 – Other operating income

Other operating income rose by €159 million, largely as a result of the improved currency result amounting to €219 million. This was primarily attributable to gains from matured foreign currency derivatives. In 2009, provisions in the amount of €142 million were reversed to income (2008: €114 million).

Release of special reserves of €11 million mainly included the transfer of capital gains from the sale of fixed assets to additions to fixed assets in accordance with Section 6b of the German Income Tax Act.

4 – Other operating expenses

Other operating expenses in 2009 declined by €305 million. In the previous year, this position had been affected by losses on derivatives for hedging currency and price risks totaling €385 million. In 2009, this position contains expenditures related to the integration of the business acquired from Ciba.

Appropriation to special reserves of €11 million was primarily related to the transfer of capital gains from the sale of fixed assets in accordance with Section 6b of the German Income Tax Act.

5 – Financial result

Million €	2009	2008
Income from participations and similar income	946	1,950
Thereof from affiliated companies	886	1,890
Income from profit transfer agreements	879	1,523
Income from tax allocation to affiliated companies	164	252
Losses from loss transfer agreements	161	171
Write-downs of, and losses from, disposal of participations	25	125
Income from participations	1,803	3,429
Income from other securities and long-term loans	2	2
Thereof from affiliated companies	.	1
Other interest and similar income	79	231
Thereof from affiliated companies	52	184
Interest and similar expenses	387	673
Thereof to affiliated companies	141	399
Interest result	(306)	(440)
Write-downs of, and losses from, disposal of long-term loans and marketable securities	36	401
Interest expense for long-term provisions for personnel costs	236	222
Miscellaneous other financial result	475	59
Other financial result	203	(564)
Financial result	1,700	2,425

In 2009, income from participations and similar income as well as income from profit transfer agreements declined as a result of lower dividend payments, a decrease in gains from disposals of participations as well as the economic environment.

Write-downs of, and losses from, disposal of long-term loans and marketable securities includes losses from the disposal and valuation of assets of the Contractual Trust Arrangement (CTA). They were more than offset in 2009 by income from write-ups of CTA assets shown under Miscellaneous other financial result.

6 – Income taxes

Million €	2009	2008
Current taxes	200	228
Deferred taxes	110	(76)
Income taxes	310	152
Other taxes	18	21
Tax expense	328	173

The effective income tax expense was slightly below the previous year's level due to lower pre-tax earnings. The deferred tax expense was chiefly attributable to reversal of effects from the

previous year, in particular provisions for impending losses and temporary impairment losses.

Deferred tax assets resulting from the temporary differences between valuations in the Financial Statements and valuations for tax purposes were as follows:

Million €	2009	2008
Fixed assets	32	30
Inventories and accounts receivable	37	74
Provisions for pensions and similar obligations	66	63
Other provisions, other	130	208
Total	265	375

An overall tax rate of 29% was applied to deferred taxes in 2008 and 2009.

7 – Other information

Cost of materials (million €)

	2009	2008
Cost of raw materials, plant supplies and purchased merchandise	7,968	10,723
Cost of purchased services	1,585	1,792
	9,553	12,515

Personnel costs (million €)

	2009	2008
Wages and salaries	2,063	1,938
Social security contributions and expenses for pensions and assistance	703	499
Thereof for pensions	340	142
	2,766	2,437

In 2009, personnel costs increased due to a one-time contribution of €177 million to BASF Pensionskasse VVaG and higher additions to personnel provisions. Furthermore, the contribution to the German Pension Security Association (Pensionsversicher-

ungsverein) increased sharply in 2009 due to a significant increase in insolvencies among companies with company pension programs.

Average number of employees

	2009	2008
Non-exempt employees	25,337	25,451
Exempt employees	6,048	5,883
Employees with trainee contracts	1,166	1,138
Employees with limited-term contracts	201	210
	32,752	32,682

Compensation for the Board of Executive Directors and Supervisory Board (million €)

	2009	2008
Performance-related and fixed payments to the Board of Executive Directors	14.8	18.6
Market value of options granted to the Board of Executive Directors in the fiscal year on date of grant	2.8	3.7
Total compensation for the Board of Executive Directors	17.6	22.3
Service cost of the Board of Executive Directors	1.6	4.3
Compensation for the Supervisory Board	1.3	2.9
Total compensation for former members of the Board of Executive Directors and their surviving dependents	12.3	6.0
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	87.9	83.4
Loans to members of the Board of Executive Directors and the Supervisory Board	–	–
Guarantees to members of the Board of Executive Directors and the Supervisory Board	–	–

Performance-related compensation for the Board of Executive Directors is based on the return on assets, which corresponds to earnings before taxes plus borrowing costs as a percentage of average assets.

Moreover, in 2009, the members of the Board of Executive Directors were granted 411,540 options under the BASF option program (BOP). Option rights of active and former members of the Board resulted in personnel expenses of €20.9 million in 2009. In 2008, option rights resulted in income from the reversal of provisions of €9.5 million.

- **More information on the compensation of members of the Board of Executive Directors is available from page 17 onward**
- **More information on the members of the Supervisory Board and Board of Executive Directors, including their memberships on other boards is available from page 22 onward**

Declaration of Conformity: The Board of Executive Directors and the Supervisory Board of BASF SE have issued a Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act with regard to the German Corporate Governance Code (see page 16). This statement is available online at:

→ corporate.basf.com/governance_e

List of Shares Held: A list of companies in which BASF SE has a participation as required by Section 285 (1) No. 11 HGB is provided separately in the List of Shares Held in accordance with Section 287 HGB. The List of Shares Held together with the Financial Statements have been submitted to the electronic Federal Gazette in accordance with Section 325 HGB. The list is also available from BASF SE and online at:

→ basf.com/en/investor/cg

8 – Intangible assets

Developments in 2009 (million €)

	Concessions, trademarks and similar rights and values ¹	Goodwill	Advance payments	Total
Acquisition costs				
Balance as of January 1, 2009	350	108	.	458
Additions	226	547	.	773
Disposals	101	–	–	101
Transfers	–	–	.	.
Balance as of December 31, 2009	475	655	.	1,130
Amortization				
Balance as of January 1, 2009	246	44	–	290
Additions	50	33	–	83
Disposals	102	–	–	102
Write-ups	–	–	–	–
Balance as of December 31, 2008	194	77	–	271
Net carrying amount as of December 31, 2009	281	578	.	859
Net carrying amount as of December 31, 2008	104	64	.	168

¹ Including licenses in such rights and values

The increase in intangible assets in 2009 is attributable to the acquisition of Ciba's businesses.

9 – Property, plant and equipment

Developments in 2009 (million €)

	Land, land rights and buildings ¹	Machinery and technical equipment	Miscellaneous equipment and fixtures	Advance payments and construction in progress	Total
Acquisition costs					
Balance as of January 1, 2009	2,530	9,698	1,307	348	13,883
Additions	12	221	69	82	384
Additions from merger	–	194 ³	.	–	194
Disposals	13	33	32	1	79
Transfers	9	229	21	(259)	–
Balance as of December 31, 2009	2,538	10,309	1,365	170	14,382
Amortization					
Balance as of January 1, 2009	2,102	9,032	1,147	–	12,281
Additions	35	284 ²	62	–	381
Additions from merger	–	114 ³	.	–	114
Disposals	8	32	32	–	72
Transfers	.	(1)	1	–	.
Write-ups	–	–	–	–	–
Balance as of December 31, 2009	2,129	9,397	1,178	–	12,704
Net carrying amount as of December 31, 2009	409	912	187	170	1,678
Net carrying amount as of December 31, 2008	428	666	160	348	1,602

¹ Including buildings on land owned by others

² Thereof impairments of €15 million

³ Resulted from the merger of BASF Power GmbH & Co. KG

10 – Financial assets

Developments in 2009 (million €) Participations

	Shares in affiliated companies	Shares in other participating interests	Total participations
Acquisition costs			
Balance as of January 1, 2009	17,322	384	17,706
Additions	1,315	72	1,387
Disposals	148	10	158
Balance as of December 31, 2009	18,489	446	18,935
Depreciation			
Balance as of January 1, 2009	438	25	463
Additions	18	2	20
Disposals	31	8	39
Write-ups	–	–	–
Balance as of December 31, 2009	425	19	444
Net carrying amount as of December 31, 2009	18,064	427	18,491
Net carrying amount as of December 31, 2008	16,884	359	17,243

Participations increased mainly as a result of capital increases at subsidiaries for which BASF SE provides the financing function in its roles as the parent company of the BASF Group. In

addition, participations were acquired and sold within the BASF Group.

Developments in 2009 (million €) Loans and other financial assets

	Loans to affiliated companies	Loans to other participating interests	Other loans and other financial assets	Loans and other financial assets	Total financial assets
Acquisition costs					
Balance as of January 1, 2009	1	15	17	33	17,739
Additions	27	–	9	36	1,423
Disposals	.	3	10	13	171
Balance as of December 31, 2009	28	12	16	56	18,991
Depreciation					
Balance as of January 1, 2009	–	1	4	5	468
Additions	19	.	10	29	49
Disposals	–	–	2	2	41
Write-ups	–	–	.	.	.
Balance as of December 31, 2009	19	1	12	32	476
Net carrying amount as of December 31, 2009	9	11	4	24	18,515
Net carrying amount as of December 31, 2008	1	14	13	28	17,271

11 – Inventories

Million €	2009	2008
Raw materials and factory supplies	212	219
Work-in-process, finished goods and merchandise	1,061	1,149
Construction in progress	45	49
Advance payments	2	1
	1,320	1,418

Work-in-process, finished goods and merchandise are combined into one item due to the production conditions in the chemical industry.

The acquisition or production costs of raw materials, work-in-process, finished goods and merchandise are determined by the last-in-first-out (LIFO) method. Factory supplies are carried predominantly at average cost. For inventories valued on LIFO

basis, LIFO reserves (i.e., the difference between LIFO valuation and valuation at average cost or lower quoted or market values) were €31 million (2008: €21 million) for raw materials and €59 million (2008: €94 million) for finished goods and merchandise.

12 – Receivables and other assets

Million €	2009		2008	
		Thereof non-current		Thereof non-current
Accounts receivable, trade	1,389	.	1,273	1
Receivables from affiliated companies	7,183	4	7,302	.
Thereof accounts receivable, trade	1,317	4	1,131	.
Receivables from other participating interests	186	.	188	–
Other assets	724	317	660	282
	9,482	321	9,423	283

In 2009, prepaid expenses totaled €9 million (2008: €14 million). Thereof €8 million (2008: €8 million) are attributable to the CTA.

Other assets include a further €176 million (2008: €135 million) related to the CTA.

13 – Cash and cash equivalents

Liquid funds declined by €577 million in 2009. While marketable securities increased by €94 million, cash and cash equivalents decreased by €671 million.

Marketable securities contain €1,824 million (2008: €2,013 million) and cash and cash equivalents €2,077 million

(2008: €1,350 million), which serve as security for pension obligations as part of the CTA. According to HGB, these committed funds must be shown in the balance sheet of BASF SE.

14 – Prepaid expenses

Million €	2009	2008
Discounts	22	6
Other	22	46
	44	52

Discounts from the issuance of bonds (No. 19 Liabilities - Financial indebtedness) are capitalized and amortized over the term

of the obligations. Other prepaid expenses include prepayments related to ongoing business activities.

15 – Capital and reserves

	Outstanding shares	Subscribed capital €
Shares cancelled until December 31, 2009	(4,649,873)	(5,951,837.44)
Outstanding shares as disclosed in the financial statements	918,478,694	1,175,652,728.32

A total of 4,649,873 shares were cancelled in 2009. These consisted solely of shares acquired for the purpose of cancellation in 2008. The subscribed capital of BASF was reduced by the resulting attributable amount of €5,951,837.44 (4,649,873 shares).

Share buyback/Own shares

The authorization to buy back BASF shares that was granted to the Board of Executive Directors by the Annual Meeting on April 24, 2008 expired on October 23, 2009 without being replaced. BASF SE did not acquire any of its own shares in 2009.

Disclosure in compliance with Section 21 (1) of the German Securities Trading Act (WpHG)

AXA Investment Managers Deutschland GmbH notified us in the name of and with the express authority of AXA S.A., Paris, France, that the voting rights of AXA S.A. in BASF SE fell below the threshold of 3% on August 7, 2009 and on this date amounted to 2.88% of voting rights. BlackRock Inc., New York, notified us that its share of voting rights in BASF SE on December 1, 2009 exceeded the threshold of 5% and amounted to 5.40% of voting rights on this date.

The voting rights are accorded to the holders pursuant to Section 22 (1) Sentence 1, No. 6 in connection with Section 22 (1) Sentence 2 WpHG and pursuant to Section 22 (1) Sentence 1, No. 1 WpHG.

Conditional capital

A residual amount of less than €10,000 is reserved to meet compensation claims of former shareholders of Wintershall. These compensation claims expired in 2004. BASF SE will therefore issue no more shares from conditional capital nor fulfill compensation claims.

Authorized capital

At the Annual Meeting of April 30, 2009, shareholders authorized the Board of Executive Directors to increase subscribed capital by issuing new shares in an amount of up to €500 million against cash with the approval of the Supervisory Board through April 30, 2014. The Board of Executive Directors is empowered, following the approval of the Supervisory Board, to decide on the exclusion of shareholders' subscription rights for these new shares. Until now, this option has not been exercised and no new shares have been issued.

Capital surplus (million €)

	2009
As of January 1	3,133
Reclassification of retained earnings corresponding to the calculated par value of shares cancelled during 2009	6
As of December 31	3,139

16 – Retained earnings and profit retained

Million €	2009
Other retained earnings	
As of January 1	146
Share repurchase	(6)
Transfer from profit retained	2,369
Transfer from net income	–
As of December 31	2,509
Profit retained as of December 31	
Profit carried forward	–
Net income	2,176
Transfer to other retained earnings	–
	2,176

Retained earnings were reduced by €6 million due to the reclassification of calculated nominal value of the own shares cancelled in 2009 to capital surplus.

17 – Provisions for pensions and similar obligations

BASF SE employees are granted basic benefits by BASF Pensionskasse VVaG, a legally independent BASF pension fund that is financed from the return on its financial assets, from members' contributions and by the company. BASF SE will ensure the necessary contributions to adequately finance the benefits promised by BASF Pensionskasse VVaG.

Additional company pension commitments are covered by pension provisions.

BASF SE approved a 1% per year increase in pensions from BASF Pensionskasse VVaG. Furthermore, the current Pensionskasse pensions were increased by 5.3% per year as of January 1, 2010.

18 – Other provisions

Million €	2009		2008	
		Thereof current		Thereof current
Environmental protection and remediation costs	142	5	151	6
Personnel costs	1,070	444	1,061	561
Sales risks	100	92	107	97
Integration, shutdown and restructuring costs	1	1	2	2
Legal, damage claims, guarantees and related commitments	76	17	87	11
Maintenance and repair costs	19	19	17	17
Other	244	221	478	447
	1,652	799	1,903	1,141

In 2009, provisions in the amount of €142 million were reversed to income (2008: €114 million).

19 – Liabilities

Financial indebtedness (million €)

	2009	2008
3.5% Euro Bond 2003/2010	1,000	1,000
3.375% Euro Bond 2005/2012	1,400	1,400
4% Euro Bond 2006/2011	1,000	1,000
4.5% Euro Bond 2006/2016	500	500
3-Month EURIBOR Bond 2006/2009	–	500
5.875% GBP Bond 2009/2017	434	–
3.75% Euro Bond 2009/2012	1,350	–
4.625% Euro Bond 2009/2017	300	–
4.25% Euro Bond 2009/2016	200	–
Commercial papers	496	4,754
Bonds and other liabilities to the capital markets	6,680	9,154
Liabilities to credit institutions	67	1
	6,747	9,155

Liabilities to affiliated companies (million €)

	2009	2008
Accounts payable, trade	1,209	979
Other liabilities	12,664	9,312
	13,873	10,291

Miscellaneous liabilities (million €)

	2009	2008
Advances received on account of orders	6	7
Liabilities to other participating interests	28	28
Other miscellaneous liabilities	573	553
Thereof taxes	38	36
Thereof liabilities relating to social security	32	15
Thereof CTA	313	170
	607	588

Maturities of liabilities (million €)

	2009		2008	
	Less than 1 year	More than 5 years	Less than 1 year	More than 5 years
Financial indebtedness	1,496	1,434	5,255	500
Accounts payable, trade	302	–	491	–
Liabilities to affiliated companies	12,717	1,150	9,809	–
Advances received on account of orders	6	–	7	–
Liabilities to other participating interests	28	–	28	–
Other miscellaneous liabilities	543	14	536	15
	15,092	2,598	16,126	515

Secured liabilities (million €)

	2009	2008
Other liabilities	1	1

The above liabilities are collateralized by securities.

20 – Contingent liabilities and other financial obligations

The contingent liabilities and other financial commitments listed below are stated at nominal value.

Contingent liabilities (million €)

	2009	2008
Bills of exchange	3	4
Thereof to affiliated companies	–	–
Guarantees	5,774	4,056
Thereof to affiliated companies	5,766	3,997
Warranties	1,029	885
Thereof to affiliated companies	690	452
	6,806	4,945

Contingent liabilities are primarily related to guarantees for bonds issued by BASF Finance Europe N. V. which serve to finance the BASF Group. At the time the balance sheet was pre-

pared, identifiable risks from contingent liabilities were recognized with appropriate provisions in the balance sheet.

Other financial obligations (million €)

	2009	2008
Other financial obligations	398	512
Thereof to affiliated companies	68	60

Long-term purchase commitments (million €)

	2009	2008
Long-term purchase commitments	4,369	8,006
Thereof to affiliated companies	1,366	2,535

BASF SE purchases raw materials globally, both on the basis of long-term contracts and in spot markets. The commodity swap

contracts concluded in connection with this are netted with the respective transactions.

21 – Derivative instruments

Derivative instruments

The Company is exposed to foreign currency, interest rate and commodity price risks during the normal course of business. These risks are hedged through a centrally determined strategy employing derivative instruments. In addition, derivative instruments are used to replace transactions in original financial instruments, such as shares or fixed-interest securities. Hedging is only employed for underlying positions from the operating business, cash investments, financing or planned sales and raw material purchases.

Where derivatives have a positive market value, the Company is exposed to credit risks in the event of nonperformance of their counterparts. This credit risk is minimized by trading contracts exclusively with creditworthy banks and partners within predefined credit limits and by the use of collateral.

To ensure effective risk management, risk positions are centralized at BASF SE and certain Group companies. Contracting and execution of derivative financial instruments for hedging purposes is conducted according to internal guidelines, and are subject to strict control mechanisms.

The risks arising from the underlying transactions and the derivative transactions concluded to hedge them are monitored constantly. The same is true of the derivative instruments, which are used to replace transactions in original financial instruments. For this purpose, market quotations or computer or mathematical models are used to determine the current market values not only of the underlying transactions but also of the derivative transactions, and these are compared with each other.

Fair value of derivative financial instruments (million €)

	2009	2008
Foreign currency forwards	(2)	(308)
Currency options	31	71
Combined interest and cross currency swaps	(6)	.
Commodity derivatives	12	(146)
Index swaps	298	168
	333	(215)

The fair values correspond to the difference between the cost and redemption value, which is determined from market quotations or by the use of options pricing models such as the Black-Scholes model. They are based on the exchange rates published by the European Central Bank and the applicable market interest rates and volatilities based on the remaining term to maturity. In the case of unlisted contracts, the fair value corresponds to the redemption value in the event of premature cancellation.

Of the total nominal value of €14.4 billion, €9.2 billion was attributable to foreign currency forwards, €2.9 billion to currency options, €1.7 billion to index swaps and €0.6 billion to commodity derivatives and combined interest and cross currency swaps.

The nominal values are the totals of the purchases and sales of the particular derivatives on a gross basis.

Foreign currency derivatives are primarily aimed at hedging the exchange rate risk against the U.S. dollar, the British pound and the Swiss franc.

Commodity derivatives are used to hedge purchase and sales market price risks.

Index swaps are used to replace primary financial instruments, especially in duplication of fixed-rate securities.

Provisions for probable losses from fluctuations of foreign exchange rates, interest rates or prices amounted to €62 million. Costs for the purchase of derivatives amounting to €247 million were capitalized as Other assets. Losses of €48 million were recognized as liabilities under Other liabilities.

22 – Services provided by the external auditor

Information on the services provided by KPMG AG Wirtschaftsprüfungsgesellschaft to BASF SE can be found in Note 29 of the BASF Group's Consolidated Financial Statements.

Ludwigshafen am Rhein, February 24, 2010

The Board of Executive Directors

Assurance pursuant to Sections 264 (2), 289 (1) of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statements of BASF SE give a true and fair view of the assets, liabilities, financial position and profit situation of BASF SE, and the Management's Analysis of BASF SE includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of BASF SE.

Ludwigshafen, February 24, 2010



DR. JÜRGEN HAMBRECHT
Chairman of the Board of Executive Directors



DR. KURT BOCK
Chief Financial Officer



DR. MARTIN BRUDERMÜLLER



DR. HANS-ULRICH ENGEL



DR. JOHN FELDMANN



DR. ANDREAS KREIMEYER



DR. STEFAN MARCINOWSKI



DR. HARALD SCHWAGER

Auditor's report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the Management's Analysis of BASF SE, Ludwigshafen am Rhein, for the business year from January 1, 2009 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the Management's Analysis based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the Management's Analysis are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into

account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the Management's Analysis are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and Management's Analysis. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The Management's Analysis is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 24, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schindler
Wirtschaftsprüfer

Fischer
Wirtschaftsprüferin

Further information

You can find this and other publications from BASF on the internet at www.basf.com

Contacts

General inquiries

Phone: +49 621 60-0, Fax: +49 621 60-42525

Corporate Media Relations

Jennifer Moore-Braun, Phone: +49 621 60-99123,
Fax: +49 621 60-92693

Investor Relations

Magdalena Moll, Phone: +49 621 60-48230, Fax: +49 621 60-22500

Internet

www.basf.com

BASF SE, 67056 Ludwigshafen, Germany

Further Information

You can find this and other publications from BASF on the internet at www.basf.com

You can also order the reports:

- by telephone: +49 621 60-99895
- on the internet: basf.com/mediaorders

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BASF SE, 67056 Ludwigshafen, Germany

BASF SE

Financial Statements 2010

Contents

Management's Analysis of BASF SE	2	Report of the Supervisory Board	26
Business Development	3	Financial Statements of BASF SE	29
Employees and Society	5	Statement of Income	29
Risk Report	6	Balance Sheet	30
Outlook	11	Notes	31
Corporate Governance Statement According to Section 289a HGB	12	Assurance Pursuant to Sections 264 (2), 289 (1) of the German Commercial Code (HGB)	64
Corporate Governance Report	12	Auditor's Report	65
Declaration of Conformity	17		
Compensation Report	18		
Management and Supervisory Boards	23		

Management's Analysis of BASF SE

Corporate structure

BASF SE is headquartered in Ludwigshafen, Germany, and takes the central role as the largest operating company in the BASF Group. Directly or indirectly, it holds the shares in the companies that belong to the BASF Group. All of BASF SE's shares are available for public trading on stock exchanges.

BASF's six business segments contain 15 divisions which bear the operational responsibility and manage our 73 global and regional business units.

The operational business of BASF SE represents only a portion of the global overall business. Only the Consolidated Financial Statements of the BASF Group provide a complete insight. To assess the net income of BASF SE, a differentiation must be made between income from operations from BASF SE's own production and from the sale of products of other European BASF Group companies as well as the income from the function of BASF SE as a parent company. This function as a parent company is primarily reflected in the financial result.

Accounting principles

The Consolidated Financial Statements of the BASF Group incorporate the Financial Statements of BASF SE which are prepared in accordance with International Financial Reporting Standards (IFRS).

In the following, we comment on the Financial Statements of BASF SE, which are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB).

Corporate Governance Statement according to Section 289a HGB

The Corporate Governance Statement according to Section 289a HGB, printed on pages 12 to 17 (Corporate Governance Report, Declaration of Conformity) is an element of the Management's Analysis. Disclosures in the Corporate Governance Report in accordance with Section 317 (2) Sentence 3 HGB are not included in the audit of the external auditor, with the exception of the disclosures according to Section 289 (4) HGB.

Trends in the global economy

There was a dynamic recovery in the global economy in all regions in 2010 following the severe recession in the previous year. The strong upturn in the first half of the year was followed by weaker growth in the second half. Global gross domestic product rose significantly overall in comparison with the previous year (+3.9%) and was higher than our original 2010 forecast (+2.7%).

Following a sharp drop in the previous year (-8.1%), global industrial production grew considerably in 2010 (+8.9%). The recovery was more pronounced than we had forecast. The main reasons for the economic upturn included the strong growth in Asia as well as the fiscal and monetary stimulus programs around the world. In Asia's emerging markets, industrial production (+14.5%) grew twice as fast as in the OECD industrialized countries (+7.2%).

There was a strong upturn in the chemical industry in 2010: Following negative growth rates in the previous two years, global chemical production in 2010 again reached the pre-crisis level. The first half of the year was particularly characterized by an exceptionally strong recovery. Growth became less dynamic in the second half. Global chemical production (excluding pharmaceuticals) grew by 9.3%.

Business Development

Results of operations

Million €	2010	2009
Sales	20,741	14,079
Gross profit on sales	5,283	3,604
Income from operations (EBIT)	1,403	786
Income from participations	3,033	1,803
Interest result	(220)	(306)
Other financial result	15	203
Financial result	2,828	1,700
Extraordinary result	(39)	-
Income before taxes¹	4,192	2,486
Net income	3,737	2,176

¹ Income before taxes less extraordinary result corresponds to income from ordinary operations.

Sales

Change

	2010		2009	
	Million €	%	Million €	%
Change in volumes	4,947	35.1	(1,546)	(9.0)
Change in prices	1,519	10.8	(1,417)	(8.3)
Currency effects	282	2.0	95	0.5
Commissions, licenses, other businesses, etc.	(86)	(0.6)	(196)	(1.1)
	6,662	47.3	(3,064)	(17.9)

Regions (million €)

	2010	2009
Europe	15,310	10,692
Thereof Germany	5,236	3,896
North America	1,440	988
Asia Pacific	2,636	1,532
South America, Africa, Middle East	1,355	867
	20,741	14,079

The previous year's values have been adjusted to reflect the current regional structure.

Income from operations

In 2010, BASF SE's sales increased by 47% compared with the previous year. The rise in sales resulted primarily from higher sales volumes and sales prices. With increased raw materials and energy costs, stable margins were maintained. Furthermore, gross profit on sales improved compared with the previous year by €1,679 million due to the demand-driven increase in capacity utilization as well as the integration of Ciba businesses acquired in the previous year into BASF SE.

Income from operations increased by €617 million to €1,403 million despite the negative impacts of an increase of €300 million in other operating expenses and a decrease of €323 million in other operating income. These changes were primarily attributable to a change in the reporting of variable compensation amounting to €232 million in 2010, which had been allocated to functional costs in 2009. Furthermore, foreign currency results declined compared with the previous year by €229 million.

Financial result

The financial result rose by €1,128 million, chiefly as a result of higher income from participations. Higher dividends and higher income from profit transfer agreements led to an improvement in income from participations of €1,230 million.

This was partially offset by lower gains on the plan assets of BASF Pensionstreuhand e.V. (Contractual Trust Arrangement, CTA).

Net income

Net income in 2010 amounted to €3,737 million, representing an increase of €1,561 million, or 72%, compared with the previous year.

This was due mainly to the significant increase in the financial result, as well as to the stronger operative business. It was partially offset by a rise in income taxes as a result of the increase in effective tax. The extraordinary income of €(39) million was attributable to the conversion to the provisions of the German Act to Modernize Accounting Law (Bilanzrechtsmodernisierungsgesetz, BilMoG).

Balance sheet structure and financial position

	2010		2009	
	Million €	%	Million €	%
Fixed assets	25,429	64.6	21,052	56.9
Current assets and other assets	13,947	35.4	15,975	43.1
Total assets	39,376	100.0	37,027	100.0
Stockholders' equity	11,214	28.5	9,000	24.3
Provisions	2,558	6.5	6,251	16.9
Liabilities and other liabilities	25,604	65.0	21,776	58.8
Total stockholders' equity and liabilities	39,376	100.0	37,027	100.0

Balance sheet structure

The balance sheet total increased by €2,349 million, or 6%, to €39,376 million.

The increase in fixed assets by €4,377 million resulted mainly from the rise in the value of financial assets due to capital increases at subsidiaries. Repayment of capital by subsidiaries partially offset this effect.

The decline in current assets is primarily attributable to the change in reporting of the plan assets of BASF Pensionstreuhand e.V. (see section "Conversion to the Provisions of the German Act to Modernize Accounting Law"). Due mainly to the offsetting of the plan assets with provisions for pension obligations, cash and cash equivalents declined by €4,283 million. In contrast, inventories as well as receivables and other assets increased by €2,271 million.

The €2,214 million increase in stockholders' equity resulted chiefly from the fact that net income was higher than the dividend paid in 2010. Provisions declined by €3,693 million owing mainly to the offsetting of the plan assets with pension provisions.

Liabilities and other liabilities increased by €3,828 million. While liabilities to affiliated companies grew by €3,790 million, the other liabilities remained nearly unchanged.

Financial position

In 2010, we generated cash provided by operating activities of €4,263 million (2009: €2,028 million). The 110% increase in comparison with the previous year was primarily attributable to higher net income.

Cash flow from investing activities amounted to €(5,908) million (2009: €(1,879) million). The higher capital requirement was mainly due to capital increases at subsidiaries. This was partially offset by capital repayments by subsidiaries.

Cash flow from financing activities amounted to €1,563 million in 2010 (2009: €(820) million), and was affected by internal Group borrowing and the dividend payment.

Cash and cash equivalents declined by €4,283 million to €581 million. The decrease resulted from the offsetting of the plan assets with the pension provisions. Of this amount, €2,077 million related to cash and €1,824 million to securities. Furthermore, cash was reduced by €82 million by cash business transactions from the previously mentioned cash flows in 2010. Furthermore, securities with a value of €300 million were sold.

Corporate bonds form the basis of our mid- to long-term debt financing. We issue these in euro and other currencies with different maturities to ensure a balanced maturity profile and a diverse range of investors.

Following the June 2010 announcement of the acquisition of specialty chemicals company Cognis, Standard & Poor's lowered BASF's long-term rating by one notch to "A." In November, Moody's confirmed BASF's A1 long-term rating, however, with a negative outlook. BASF's short-term ratings were confirmed by both agencies. With "A/A-1 outlook stable" from rating agency Standard & Poor's and "A1/P-1 outlook negative" from Moody's, BASF continues to have good credit ratings, also compared with its competitors in the chemical industry. We continue to aim for a solid A rating, which allows us unrestricted access to capital markets.

Employees and Society

Employees

The best team in industry needs committed, performance-driven employees. We want to recruit and retain the best talent. That is why we invest in our attractiveness as an employer, offer our employees further training opportunities and support them in achieving work-life balance. We value diversity in our teams.

We want to foster our employees' interest in the company's success and business performance. With variable remuneration systems, we allow employees to share in the company's success and be rewarded for their individual performance. The same basic principles apply to all employees. The variable component is determined by the economic success of the BASF Group – measured by the return on assets – and the employee's individual performance. Despite the difficult economic environment in 2009, BASF was able to give employees a bonus in 2010 and announced it would reward its employees for their performance during the crisis with a special payment. The bonus payment for 2010 will be significantly higher than the year before.

BASF SE's personnel costs increased to €3.20 billion in 2010 from €2.77 billion in 2009, primarily as a result of the rise in variable salary components. The company had 32,910 employees as of December 31, 2010 (December 31, 2009: 32,870).

The "plus" share program promotes the long-term participation of our employees through incentive shares, allowing them to invest part of their remuneration in BASF shares. In 2010, employees of BASF SE purchased 492,970 shares under this program. Since 1999, BASF has offered its senior executives the opportunity to participate in a stock price-based compensation program. This long-term incentive (LTI) program (previously called BASF option program, or BOP) ties a proportion of their compensation to the long-term performance of BASF shares. In 2010, 91% of the approximately 1,100 senior executives eligible participated in the LTI program worldwide, investing up to 30% of their variable compensation.

Research and development

Research and development is one of the foundations of BASF's strategy. In international and interdisciplinary teams, our researchers work on solutions for the challenges of the future and ensure BASF's sustainable, organic growth. With our new products and processes, we drive innovation in nearly all industrial sectors. In this way, we help our customers to be more successful in the long term.

Thanks to our close cooperation with numerous partners from science and business worldwide, we have created an international and interdisciplinary Know-how Verbund – an important factor in the success of efficient and future-oriented research and development. Our network includes around 1,900 collaborative partnerships with universities, research institutes, startup companies and industry partners. In 2010, BASF filed around 1,100 patents worldwide (2009: 1,300). In 2010, BASF SE had 5,179 employees working in research and development. Expenditures on research and development amounted to €939 million.

Environmental protection and safety

We are committed to ambitious global climate protection. We make an important contribution with our products for climate protection and resource conservation as well as our efforts to further reduce emissions along our value-adding chain. The focus of our research and development is on continuously improving the efficiency and cost-effectiveness of climate protection solutions. We measure our performance with a transparent corporate carbon footprint.

The conservation of resources is one of our fundamental economic principles. We focus on efficient energy generation technologies, energy-efficient production and comprehensive energy management. We also make products that help conserve resources.

BASF SE's expenditures for environmental protection totaled €463 million in 2010 (2009: €458 million). This amount includes overall operating costs of environmental protection as well as project costs for new and improved environmental protection plants and facilities; the projects involve both end-of-pipe measures as well as integrated environmental protection measures. Provisions established for environmental protection measures and remediation amounted to €103 million as of December 31, 2010 (December 31, 2009: €142 million).

With our management systems for occupational safety and medicine, we want to ensure the best possible protection for the safety and health of our employees. To do so, we rely on comprehensive precautionary measures and promote the active participation of our employees. The number of work-related accidents of BASF employees and employees from other companies at the Ludwigshafen site has been stable at a low level for years. We aim to become even better in the future, thus contributing to BASF's long-term business success.

Global safety and security concepts serve to protect our employees and neighbors as well as our property, products, processes and information. At the same time, we prevent production stoppages and environmental damage. In our directives, we have set out consistent standards for the transportation and storage of chemical products in rented warehouse facilities. Our rules and measures for transportation safety include the delivery, storage and distribution of chemicals between all BASF sites, suppliers and customers. We expanded our global network for transportation, distribution and warehouse safety in Russia and South Africa in 2010, and offered new training sessions around the world. In addition to the Group-wide routine transportation safety training, around 300 employees from production and logistics in Ludwigshafen took part in special, practice-oriented training related to dangerous goods. Furthermore, in 2010 we introduced a new Global Guideline for Transportation of Liquids in Flexitanks; flexitanks are used to transport liquid cargo in bulk containers.

Principles and objectives of our financial management

Financial management in the BASF Group is centralized and is supported by regional treasury units. Our value-based financing principles are aimed at securing liquidity at all times, limiting financial risks and optimizing our cost of capital. We preferably meet our financing needs on the capital markets. Our financing measures are aligned with our operative business planning as well as the company's strategic direction and also ensure the financial flexibility to take advantage of strategic options.

Risk report

The goal of BASF's risk management is to identify and evaluate risks as early as possible and limit business losses by taking appropriate measures. The aim here is to avoid risks that pose a threat to BASF's continued existence and to make improved managerial decisions to create lasting value. We understand risk to be any event that can negatively impact the achievement of our short-term operational or long-term strategic goals. We define opportunities as possible successes that exceed our defined goals.

Overall assessment

The year 2010 was characterized by a surprisingly quick recovery in demand in nearly all our segments and some significant increases in margins as a result of tight market supply in the Petrochemicals division.

Compared with the previous year, there is greater planning certainty with regard to the earnings of BASF SE in 2011. This is mainly due to higher confidence in the short-term development of our sales markets.

The most important opportunities and risks are associated with uncertainty regarding the overall economic situation and the development of key customer industries as well as volatility in foreign currency exchange rates and raw materials prices.

According to our assessment, there are still no significant individual risks that pose a threat to the continued existence of BASF SE. The same applies to the sum of individual risks.

Organization, responsibilities and tools

The BASF Group's risk management process is based on the international risk management standard COSO II Enterprise Risk Management – Integrated Framework, and comprises the following steps:

– Identification of opportunities and risks

The identification of opportunities and risks generally takes place decentrally, in the operational divisions and competence centers, using a variety of tools, such as expert interviews and team-based approaches. It is based on internal and external information sources as well as market, competitive and environmental analyses and statistical evaluations in addition to macroeconomic scenarios that evaluate important factors such as industry growth rates. The identification process is supported by our company-wide risk catalog, which acts as a checklist.

Company management is informed about operational opportunities and risks in the monthly management report produced by the Corporate Controlling unit. Furthermore, if an individual risk is identified which has an impact on earnings of more than €10 million, it must be immediately reported. The Legal, Taxes & Insurance division and the Chief Compliance Officer report directly to the Board of Executive Directors on legal and tax risks as well as on compliance risks.

As part of the strategy development for our strategic business units and when major investment decisions are to be made, the Strategic Planning & Controlling unit conducts opportunity/risk analyses for a ten-year period, together with the respective business units. These analyses are reviewed during the course of the strategic controlling and are updated if necessary.

– Assessment and quantification

Where possible, opportunities and risks are quantified as to their probability of occurrence and impact on profitability. The respective business plan serves as the reference base. In addition, we quantify the dependence of the individual business units on macroeconomic factors, such as exchange rates and raw materials prices.

– Aggregation

Opportunities and risks as well as the dependence on macroeconomic factors are aggregated on the division and group level using a Monte Carlo simulation to determine the spectrum of possible effects on profit and the probability distribution. Correlations between individual events and factors, as well as internal interactions within the Verbund, are taken into account.

– Management, measures and control

The management of opportunities and risks as well as the taking of measures occurs at the divisional level. Measures are taken at the BASF Group level for certain risks, such as risks associated with raw materials prices and exchange rates, which are partially reduced by Group-wide hedging effects. The details are governed by our risk management handbook, upon which divisional specific regulations are based. The Board of Executive Directors is regularly informed about the BASF Group's aggregated opportunity and risk exposure by the Strategic Planning & Controlling and Finance corporate divisions.

– Monitoring and development

Corporate Audit regularly reviews our risk management system. As part of the annual audit, the external auditor assesses the proper functioning of the early risk detection system set up in accordance with Section 91 (2) of the German Stock Corporation Act (Aktiengesetz, AktG). In order to continuously develop our risk management system, we regularly enter into discussions and share ideas with comparable industrial companies and service providers in the risk management field. When BASF was included in the Dow Jones Sustainability Index in September 2010, the company once again received special recognition for its risk management system.

Significant features of the internal control and risk management system with regard to the financial reporting process (Section 289 No. 5 HGB)

The Financial Statements are prepared by a unit in the corporate division Finance. BASF SE's accounting process is based on a uniform accounting guideline that sets out accounting policies and the significant processes and deadlines on a Group-wide basis. There are binding directives for the internal reconciliations and other accounting operations. Standard software is used to carry out the accounting processes for the preparation of the individual financial statements as well as for the Consolidated Financial Statements. There are clear rules for the access rights of each participant in these processes.

Employees involved in the accounting and reporting process meet the qualitative requirements and participate in training on a regular basis. There is a clear assignment of responsibilities between the involved specialist units, companies and regional service units. We strictly adhere to the principles of segregation of duties and dual control. Complex actuarial reports and evaluations are produced by specialized service providers or specially qualified employees.

Our internal control system for financial reporting continuously monitors these principles. To this end, methods are provided for the structured and Group-wide uniform evaluation of the internal control system in financial reporting.

A central risk catalog covers the significant risks for BASF SE regarding a reliable control environment and proper financial reporting. The risk catalog is revised and updated annually.

In a centralized selection process, companies and units are identified that are exposed to particular risks, that have a material impact on the Financial Statements of BASF SE or that provide service processes. The selection process is conducted annually. In the relevant units, one person is given responsibility to coordinate and monitor the execution of the steps.

The **annual evaluation process** consists of the following steps:

– Evaluation of the control environment

The adherence to internal and external guidelines that are relevant for the maintenance of a reliable control environment is checked by means of a standardized questionnaire. The assessment is performed by checking the involved employees' awareness of rules and is supported by sample taking.

– Identification of control activities

In order to mitigate the risks to the financial reporting process listed in our central risk catalog, corresponding control activities are conducted.

– Assessment of the control activities

After documentation, a test is performed to verify whether the described controls are capable of adequately mitigating the risks. In the subsequent test phase, samples are taken to test whether the controls were effective in practice.

– Monitoring of control weaknesses

The responsible managers receive reports on any control weaknesses and their resolution, and an interdisciplinary committee investigates their relevance for the BASF Group. The Board of

Executive Directors is informed once control weaknesses have been identified that have a considerable impact on the financial reporting.

– Internal confirmation of the internal control system

The responsible managing director and chief financial officer for each consolidated Group company confirm to the Board of Executive Directors of BASF SE at the end of the annual cycle the effectiveness of the internal control system over accounting as well as the reliability of financial reporting.

Risks to future development

Economic and sector-specific opportunities and risks

Development of demand: The development of demand in our sales markets represents one of the three most important sources of opportunities and risks, in addition to the volatility in currency exchange rates and raw materials prices. In addition, we also consider risk scenarios such as another recession in North America or a significant decrease in growth in China. This could lead to a decline in global demand, a devaluation of the U.S. dollar and a drop in the price of crude oil, which together would have a negative impact on our income from operations.

Some of our customers are still very dependent on credit. If credit were to become less accessible and our customers were therefore unable to refinance their businesses, this could also have a negative impact on our business in the short-term.

Inversely, we also have the possibility to take advantage of increased demand as far as our existing production capacities allow.

Overall, there is less uncertainty than one year ago regarding the development of the world economy.

Development of supply: In the chemical industry, 2010 was characterized by unscheduled plant shutdowns and project delays, also at our competitors, which resulted in supply bottlenecks. In 2011, we anticipate that new petrochemical production facilities will be completed, particularly in the Middle East and China, which will lead to better product supply.

Our planning takes into consideration the related declines in capacity utilization and prices as well as less opportunity to pass on higher raw materials prices to our customers. In this respect, there is a risk that our assumptions could turn out still to be too high. However, if the product shortages existing in some value-adding chains at the end of 2010 continue, this would offer the opportunity to keep the respective margins stable or to improve them.

Where possible, risks related to the development of sales markets are mitigated using operational measures, for example, through close cooperation with customers, optimized production management and appropriate scheduling of maintenance shutdowns. We manage the construction and expansion of plants and sites for each product based on expected demand. Having customers from various regions and industries also reduces our risk.

We are pursuing our goal of making our business less cyclical. We are exiting markets in which we do not see satisfactory opportunities to differentiate ourselves from our competitors in the long term.

In order to achieve lasting profitable growth, we are committed to operational excellence, innovation and investment in growth markets. We concentrate our research and business on innovative business areas, such as crop protection and plant biotechnology, which we also develop through strategic partnerships with important partners.

Regulatory and political risks: Due to the European chemicals directive REACH, which came into force in 2007, BASF and our European customers face the risk of being placed at a disadvantage to our non-European competitors due to the cost-intensive test and registration procedures.

Within the framework of E.U. emissions trading, the BASF Group was allocated emission certificates for the second trading period from 2008 to 2012. We do not currently expect any undersupply of certificates for our activities in Europe in this second trading period. It is still unclear how many CO₂ certificates will be allocated free-of-charge from 2013. BASF will likely be required to purchase several million additional certificates annually. Depending on the trading prices for CO₂ certificates, this will affect our cost position and therefore the global competitiveness of our German and European sites.

This also applies to the most recent increase in the electricity tax and the German government's plans to limit the exemptions for energy-intensive industries from paying levies under the Renewable Energy Sources Act (EEG).

Due to the amendment of the E.U. directive on industrial emissions (IED), additional costs could arise for the conversion of existing plants and to meet additional reporting obligations.

Other risks for us include further regulation, for example, for the use of chemicals or in the gas business as well as the intensification of geopolitical tensions, the destabilization of political systems and the erection of trade barriers (for example, OPEC quotas for oil production).

Overall, the probability that regulatory and political risks will occur has increased; the financial impact can be classified as low in the short term and elevated in the medium term.

Company-specific opportunities and risks

Availability of raw materials: As a result of the unexpectedly rapid economic recovery, there were some cases of procurement bottlenecks in 2010. We are not expecting any significant bottlenecks of this type in 2011. But with the considerable rise in demand, also in the medium term, the structural shortage of some raw materials is increasingly relevant for the segments Performance Products and Functional Solutions. In addition, China has limited the export of rare earths, which are used in the production of our catalysts, for example. There continues to be a risk of non-performance among some of our suppliers owing to their weak financial situation.

We minimize procurement risks through our broad portfolio, our global purchasing activities and the purchase of additional quantities of raw materials on spot markets. If possible, we avoid procuring raw materials from a single supplier. When this cannot be avoided, we try to foster competition or we knowingly enter into this relationship and assess the consequences of potential non-delivery. We continuously monitor the credit risk of important business partners, both customers as well as sup-

pliers. We adopt a similar approach regarding the purchasing of services.

In addition to economic criteria, both new and existing suppliers are evaluated on the basis of environmental protection, occupational safety and social standards. If we establish that our standards are only being partially or not met, we agree on corrective measures and provide help with implementing these.

Raw material price volatility: The volatility of prices for feedstocks, especially oil-based chemicals, and for energy is one of the three main drivers of opportunity and risk at BASF. We continue to assume that the volatility of raw materials prices, at least in the short term, will be above the historical level. We mitigate the resulting cost risks with measures including the use of commodity derivatives. These measures help to secure margins when sharply rising raw materials prices are expected, which in times of low demand cannot be passed on via product prices, or only to a limited extent. This could lead to expenses if prices do not move as expected.

Research and development: Due to the high degree of complexity and uncertainty involved in chemical and biological research, there is a risk that projects might be discontinued for technical or economic reasons, budgets may be exceeded or developed products will not receive regulatory approval for sale or will not achieve the expected commercial success.

Our global Know-how Verbund, our collaboration with partners and customers as well as our innovation process reduce this risk. Within our project management framework, we continuously review the efficiency, chances of success and the underlying assumptions of research projects; this review includes all phases from idea generation to product launch. The trust of customers and consumers is essential for the successful introduction of new technologies. That is why we enter into dialogue with stakeholders at an early stage of development.

Personnel: Particularly in Germany, flexible working time models including short-time work were an effective way of avoiding redundancies during the economic crisis. These also allowed us to take advantage of the opportunities offered by the rapid economic recovery in 2010. The new agreement between BASF SE management and employee representatives at our largest site in Ludwigshafen comprises a package of measures, which also include increased flexibility in allocating personnel resources; this offers opportunities to manage fluctuating capacity utilization.

Our senior executives have the opportunity to participate in a stock-price based compensation program. The need for related provisions varies according to the development of the BASF share price and leads to a corresponding increase or decrease in personnel costs.

The continued improvement in the economic environment in 2010 led to an increase in global competition for highly-qualified employees and managers; in the medium to long term, this will be further intensified by demographic change. This increases the risk that job vacancies cannot be filled with suitable applicants, or only with a significant delay. In Europe, this affects the engineering and scientific professions in particular;

a decline in the number of suitable applicants is already noticeable. In this field, and among business graduates as well, we are facing the challenge of positioning BASF as an employer of choice worldwide.

The loss of expertise due to the high number of retirements in North America and Europe and the comparatively high level of undesired turnover in Asia may have negative effects on business in the medium to long term.

With our global programs Generations@Work and Diversity + Inclusion, the further development of our employer brand and an emphasis on personnel development as well as additional regional initiatives, we want to make BASF an attractive employer and retain our employees in the long term.

Overall, we currently rate the risk of a negative impact on our business due to the loss of managers and employees as low. However, we expect this risk to increase in the medium to long term, and are already working to counter these developments using the above-mentioned methods as well as increased investment in human resources marketing and personnel development.

Sustainability: BASF is committed to integrating environmental protection and socially responsible conduct into its business activities. Contraventions to our voluntary commitment to sustainability or to laws represent a reputational risk and could lead to operational or strategic risks. We have set up a global issue management system for sustainability to enable us to promptly recognize risks and opportunities related to sustainability. The results are then used to initiate change processes in the company in order to be prepared for any risks and to exploit opportunities accordingly. We have established global monitoring systems to enable us to ensure the adherence to laws and our voluntary commitments in the areas of environment, health and safety as well as to labor and social standards. These systems include our entire supply chain. In order to assure society's acceptance of our business activities, we remain in continuous dialogue with relevant stakeholders.

Information technology: Risks are caused primarily by the non-availability of IT systems and applications, delayed provision of important data, loss or manipulation of data and the disclosure of confidential information. This can have negative consequences for the respective business processes.

To minimize such risks, BASF has stable and redundantly designed IT systems, back-up processes, virus and access protection and encoding systems as well as integrated, Group-wide-standardized IT infrastructures and applications. The systems used for information security are continuously tested and updated. In addition, our employees receive regular training on information and data protection. IT-related risk management is conducted using Group-wide regulations for organization and application, as well as an internal control system based on this.

Due to the measures taken, we regard the probability of a risk to our IT system as limited. However, the potential impacts would be high.

Legal risks: In order to assess the risks from current legal disputes and proceedings and any requirement to recognize pro-

visions, we prepare our own analysis and assessment of the circumstances and claims considered. In addition, in individual cases, we consider the results of comparable proceedings and independent legal opinions. Furthermore, assumptions are made regarding the probability of claims being successful and their potential financial impact. The actual costs can deviate from these estimates.

We limit risks from potential wrongdoing or legal infringements by using an internal control system. For example, we try to avoid patent and licensing disputes whenever possible with the help of extensive clearance research. As part of our Group-wide compliance program, our employees receive regular training.

Acquisition risks: Implementing acquisition and investment decisions involves complex risks. The evaluation of risks and opportunities already plays a significant role during the assessment of potential acquisition targets. A detailed analysis and quantification are conducted as part of due diligence. Examples of risks are: increased staff turnover, delayed realization of synergies or the assumption of obligations that were not exactly quantifiable in advance. Therefore implementation and follow-up assessments take place along defined processes. By nature, the acquired businesses are subject to general market risks and business-specific risks. For this reason, acquired businesses are promptly incorporated into BASF's risk management process. The recently acquired Cognis business is currently being integrated into our risk management process.

Based on the measures taken, we classify the risk of damages as low and the potential of an impact on earnings as medium.

Technical risks: In addition to risks related to raw materials availability, there is the risk that unscheduled shutdowns of our plants will be required for safety reasons or due to technical problems, which could result in delivery bottlenecks for our products.

We minimize technical risks through continuous monitoring and improvement of facilities and processes as well as through our global production Verbund; therefore we consider the probability of occurrence and impact to be low.

Financial risks

The management of currency and interest rate risks is conducted in the Treasury unit. The management of commodity price risks takes place in the Global Procurement & Logistics competence center or in the appropriately authorized Group companies. Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of trading and back office functions.

Exchange rate volatility: Our competitiveness on global markets is influenced by fluctuations in exchange rates. For the BASF Group, this generates sales market risks in particular when the U.S. dollar exchange rate fluctuates. A full-year rise in the value of the U.S. dollar/euro exchange rate by \$0.01 would result in an increase in BASF's earnings, assuming other conditions remain the same.

In addition, we incorporate planned purchase and sales transactions in foreign currencies in our financial foreign currency risk management. These risks are hedged using derivative instruments, if required. Exchange rate volatility is one of the top three driving forces for opportunities and risks within the BASF Group.

Interest rate risks: Interest rate risks result from potential changes in prevailing market interest rates, which can cause a change in the present value of fixed-rate instruments, and changes in the interest payments of variable-rate instruments. To hedge these risks, interest rate swaps and combined interest rate and currency derivatives are used in individual cases.

In addition, if our credit ratings were to be downgraded by credit rating agencies, this could lead to increased refinancing costs. In the short to medium term, BASF is largely protected from the possible effects on the interest result thanks to the well-balanced maturity profile of its financial debt.

Liquidity risks: Risks from cash flow fluctuations are recognized in a timely manner as part of our liquidity planning. We significantly reduced the risks of refinancing in 2009 by issuing medium and long-term bonds. We have access to comprehensive liquid funds at any time thanks to our good ratings, the commercial paper program and committed bank credit lines. The commercial paper program constituted a reliable and economic source of liquidity for BASF, even during the financial crisis. We therefore rate our liquidity risks as low.

Risk of default on receivables: We limit country-specific risks by internally determining country ratings, which are continuously updated to reflect changing environment conditions. We use export credit insurance and investment guarantees as the main tools to limit specific country-related risks. We lower credit risks for our financial investments by engaging in transactions only with business partners and banks with good credit ratings and by adhering to fixed limits. Monetary transactions are also conducted through such banks. We continuously check the creditworthiness of our partner banks. We reduce the risk of default on receivables by continuously monitoring the creditworthiness and payment behavior of our customers and by setting appropriate credit limits.

Thanks to the worldwide activities and diversified customer structure of the BASF Group, there is no large concentration of credit default risk. Risks are also limited through the use of credit insurance and bank guarantees.

Impairment risks: The risk of an asset impairment occurs if the assumed interest rate in an impairment test increases or the forecast cash flows decline. In the current business environment, we consider the risk of impairment of individual assets such as customer relationships, technologies and brands, as well as goodwill, to be low.

Risks from pension obligations: We predominantly finance company pension obligations externally through separate plan assets. In Germany, this applies to BASF Pensionskasse VVaG and the BASF Pensionstreuhand e.V. To address the risk of underfunding due to market volatility of plan assets, we align the investment strategy in terms of return and risk optimization to the structure of the pension obligations. Stress scenarios are simulated regularly by means of portfolio analyses. Furthermore, new employees are almost always offered defined contribution plans.

Outlook

Global economic environment: BASF SE took advantage of the favorable economic environment in 2010 and achieved record sales and earnings. We expect economic growth to slow down in 2011.

For the year 2011 we expect the following economic conditions:

- Continued recovery of the global economy, solid growth (+3.3%)
- Considerable worldwide growth in chemical production (+5.2%; excluding pharmaceuticals)
- Weaker growth in the industrialized countries (+2.2%); pre-crisis levels reached in most cases
- Compared with previous year, growth in Europe (+1.7%) broadly unchanged and somewhat weak
- Solid growth in the United States (+2.9%); strong growth in Asia (excluding Japan) (+7.4%) and in South America (+4.5%); weak growth in Japan (+1.1%)
- An average euro/dollar exchange rate of \$1.35 per euro
- An average annual oil price of \$90 per barrel

For 2012 and 2013, we expect an average global growth trend of +3.4% for gross domestic product.

Sales, earnings and investments: Based on our forecast for the economic environment and excluding the effects of acquisitions and divestitures, we expect a slight increase in sales volumes and sales for BASF SE in 2011. In addition, we expect that the sales decline as a result of the carve-out of Styrolution into an independent business will be partially offset by the sales growth as a result of the sales of products from the acquired Cognis business.

We expect increasing pressure on margins in 2011 in some divisions, particularly in the Chemicals and Plastics segments owing to additional capacities and continued high raw materials prices. In light of these conditions, we will continue to rigorously implement our efficiency and restructuring programs. In 2011, further synergies from the Ciba integration will be reflected in earnings. This will be somewhat offset by the costs of the Cognis integration arising from 2011. We aim to significantly exceed the record 2010 level in income from operations. Provided the economic growth continues, we anticipate a further increase in sales and income from operations in 2012.

The planned investment in property, plant and equipment for the years 2011 to 2013 will total around €1.23 billion, and will therefore most likely be below the level of depreciation. BASF SE aims to finance these planned expenditures from cash provided by operating activities. This figure does not include acquisitions.

Opportunities: In 2011, we may be presented with opportunities arising from stronger growth in the global economy and our customer industries. Furthermore, decreasing raw materials costs, ongoing product shortages – especially in the Chemicals and Plastics segments – as well as an appreciation of the U.S. dollar would have positive effects on our margins.

An important step in our active portfolio management is the carve-out of Styrolution, a 50-50 joint venture in which BASF and INEOS plan to combine their styrenics activities. A letter of intent was signed in November 2010. Styrolution will be the world's leading company for styrenics and set new standards for efficiency, customer service, product quality and competitiveness.

Dividend: We stand by our ambitious dividend policy and continue to offer our shareholders an attractive dividend yield. We aim to increase our dividend annually or at least maintain the level of the previous year.

Significant events subsequent to the balance sheet date: Since the beginning of the financial year 2011, there have not been any significant changes affecting BASF's situation and competitive environment.

Corporate Governance Statement According to Section 289a HGB

Corporate Governance Report

Corporate governance refers to the entire system for managing and supervising a company, including its organization, its commercial principles and guidelines, as well as all internal and external regulatory and monitoring mechanisms. Effective and transparent corporate governance guarantees that BASF is managed and monitored in a responsible and value-driven manner. This fosters the confidence of our domestic and international investors, the financial markets, our customers and other business partners, employees and the public in the company.

As of January 14, 2008, BASF took on the new European legal form of a European Company (Societas Europaea). A highly significant goal of the conversion into BASF SE was the strengthening of BASF's corporate governance structure. By reducing the size of the Supervisory Board to 12 members while maintaining the equal representation of shareholders and employees and broadening the European composition of the employee representatives' side, the future direction for a modern and efficient corporate constitution has been set. Proven structures such as the two-tier administrative system of BASF's Board of Executive Directors and Supervisory Board have been retained in the SE.

Management and supervision

The legal foundations of BASF SE's corporate constitution are primarily the SE Council Regulation of the European Union, the German SE Implementation Act and the German Stock Corporation Act. Despite these new legal foundations, the proven fundamental elements of the German Aktiengesellschaft's corporate constitution remain unchanged in BASF SE: these are the two-tier management system consisting of BASF's Board of Executive Directors and the Supervisory Board, the equal representation of shareholders and employees in the Supervisory Board, and the shareholders' rights of co-administration and supervision at the Annual Meeting.

Direction and management by the Board of Executive Directors

Under the two-tier management system of BASF SE, the Board of Executive Directors is responsible for the management of the company, and represents BASF SE in business undertakings with third parties. BASF's Board of Executive Directors is strictly separated from the Supervisory Board: A member of the Board of Executive Directors cannot simultaneously be a member of the Supervisory Board. The Board of Executive Directors agrees on the BASF Group's company goals and corporate strategy, and manages and monitors the business units of the BASF Group through the planning and setting of the company budget, the allocation of resources and management capacities, the monitoring and decision making regarding significant individual measures and the control of the operational management.

The Board's actions and decisions are aligned with the company's best interests. It is committed to the goal of increasing the company's value in the long term. Decisions that are reserved for the Board as a whole by law, through the Board of Executive's Rules of Procedure or through resolutions adopted by the Board, are taken based on a simple majority. In the case of a tied vote, the casting vote is given by the Chairman of the Board. However, the Chairman of the Board does not have the right to veto the decisions of the Board of Executive Directors. Members of the Board of Executive Directors are authorized to make decisions individually in their assigned business areas.

The Board of Executive Directors reports to the Supervisory Board regularly, comprehensively and in a timely manner on all relevant matters concerning the company with regard to strategic planning, business development, risks and risk management. Furthermore, the Board agrees on corporate strategy with the Supervisory Board. Where required by the Statutes of BASF SE, the Board of Executive Directors must have the approval of the Supervisory Board for certain transactions before they are concluded. Such cases include the acquisition and disposal of enterprises and parts of enterprises, the issuance of bonds or comparable financial instruments provided the acquisition or disposal price or the amount of the issue in an individual case exceeds 3% of the equity reported in the last approved Consolidated Financial Statements of the BASF Group.

→ **The members of the Board of Executive Directors, including their memberships on the boards of other companies, are listed on page 23. Compensation of the Board of Executive Directors is described in detail in the compensation report on pages 18 to 22.**

Monitoring of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and monitors and advises the Board on management issues. Members of the Supervisory Board cannot simultaneously be members of the Board of Executive Directors. Structurally, this ensures a high level of autonomy with regards to the supervision of the Board of Executive Directors.

The change in legal form to an SE brought about substantial changes in the Supervisory Board. The German Codetermination Act, which is the relevant statutory foundation regarding the size and composition of the Supervisory Board of an Aktiengesellschaft, does not apply to the SE. Together with the SE Council Regulation, the relevant statutory foundations are the Statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement) that was signed on November 15, 2007, by the company management and the representatives of the BASF Group's European employees.

→ **For more on the Statutes of BASF SE and the Employee Participation Agreement, see basf.com/investor/cg_e**

The Supervisory Board of BASF SE comprises 12 members. Six members are elected by the shareholders at the Annual Meeting. The remaining six members are elected by the BASF Europa Betriebsrat (European works council), the European employee representation body of the BASF Group, as agreed to in the Employee Participation Agreement.

→ **The members of the Supervisory Board, including their membership on the boards of other companies, are listed on pages 24 and 25. Compensation of the Supervisory Board is described in detail in the compensation report on pages 18 to 22.**

It is very important for good corporate governance that the company ensures that seats on the responsible corporate bodies, the Board of Executives and the Supervisory Board, are appropriately filled. Criteria in this case include professional and personal qualifications, the diversity of the board members and the independence of the Supervisory Board. Seats on the Board of Executive Directors and Supervisory Board should be filled with members who as a group possess the necessary knowledge, skills and personal qualifications to manage and supervise BASF as a large, globally operating, capital market-oriented company in the chemical industry.

In its meeting of October 21, 2010, the Supervisory Board agreed upon **objectives for the composition of the Supervisory Board** in accordance with Section 5.4.1 of the German Corporate Governance Code. According to these objectives, the Supervisory Board shall be composed in such a way that the members as a group possess knowledge, ability and expert experience

- in the management of an internationally operating company,
- in cross-industry value creation along different value-adding chains,
- in the application of accounting principles and internal control procedures,
- and in the field of technical and scientific innovations in the chemical sector and associated industries as well as in the sectors using chemical products.

With regard to diversity, the Supervisory Board shall consider a variety of professional and international experience as well as the participation of women. Individuals who may have a conflict of interest shall not be nominated for election to the Supervisory Board. The same applies to candidates who will have reached the age of 70 by the day of the election.

In accordance with these objectives, the Supervisory Board will propose Ms. Anke Schäferkordt to be elected in a by-election at the Annual Meeting on May 6, 2011, replacing Mr. Stephen K. Green as a member of the Supervisory Board. Mr. Green resigned from the Supervisory Board following his appointment to become the United Kingdom's Minister of State for Trade and Investment. As a result, there will be two women among the 12 members of the Supervisory Board. We are committed to maintaining or, if possible, raising the proportion of women on the Supervisory Board at the next scheduled election to the Supervisory Board in 2014. The Nomination Committee will include both appropriately qualified women and candidates with inter-

national experience in its selection process. We firmly believe the current formation of the Supervisory Board already fulfills the objectives agreed on by the Supervisory Board regarding its composition on October 21, 2010.

Resolutions of the Supervisory Board are passed by a simple majority of the votes of the participating members of the Supervisory Board. In the event of a tie, the vote of the Chairman of the Supervisory Board, who must always be a shareholder representative, shall be the casting vote. This resolution process is also applicable for the appointment and dismissal of members of the Board of Executive Directors by the Supervisory Board.

BASF SE's Supervisory Board established a total of three Supervisory Board Committees: the Personnel Committee, the Audit Committee and the Nomination Committee.

The **Personnel Committee's** duties include, amongst others, preparing the appointment of members to the Board of Executive Directors by the Supervisory Board and the employment contracts to be entered into with members of the Board of Executive Directors. When making recommendations on appointments to the Board of Executive Directors, the Personnel Committee takes into account their professional qualifications, international experience and leadership skills, long-term succession planning as well as diversity and, in particular, the appropriate consideration of women. It also prepares the resolutions made by the Supervisory Board with regard to the system and determination of the amount of compensation paid to members of the Board of Executive Directors. The committee comprises Supervisory Board Chairman Dr. h.c. Eggert Voscherau (chairman), Supervisory Board Deputy Chairmen Michael Diekmann and Robert Oswald, as well as Michael Vassiliadis.

The **Audit Committee** prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements and Consolidated Financial Statements, and considers the quarterly and first-half financial reports with the Board of Executive Directors prior to their publication. It also deals with: monitoring the financial reporting process, the annual audit, the effectiveness of the internal control system, the risk management system, and the internal auditing system, as well as compliance issues. The Audit Committee is also responsible for business relations with the company's external auditor: It prepares the Supervisory Board's proposal to the Annual Meeting regarding the selection of an auditor, monitors the auditor's independence, defines the main focuses of the audit together with the auditor, negotiates auditing fees and establishes the conditions for the provision of the auditor's non-audit services. The Audit Committee is authorized to request any information that it deems necessary from the auditor or Board of Executive Directors. It can also view all of BASF's business documents and examine these and all other assets belonging to BASF. The Audit Committee can also engage experts such as auditors or lawyers to carry out these inspections. The members of this committee are Max Dietrich Kley (chairman), Ralf-Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. Max Dietrich Kley has partic-

ular knowledge and experience in the application of accounting principles and internal audit procedures, as he was Chief Financial Officer of BASF Aktiengesellschaft until April 2003.

According to the recommendation of the German Corporate Governance Code, BASF SE's Supervisory Board established a **Nomination Committee** that will prepare the proposals for the Supervisory Board members to be elected at the Annual Meeting. The members of the Nomination Committee are the members of the Supervisory Board elected at the Annual Meeting: Dr. h.c. Eggert Voscherau, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Stephen K. Green (until December 16, 2010), Max Dietrich Kley and Anke Schäferkordt (since December 17, 2010).

Shareholders' rights

At the Annual Meeting, shareholders perform their rights of co-administration and supervision. Each BASF SE share represents one vote. Following the conversion of BASF shares to registered shares, which was approved at the Annual Meeting on April 29, 2010 and completed in August 2010, those BASF shareholders who are listed in the share register are entitled to vote. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Shareholders may exercise their voting rights at the Annual Meeting either personally, through a representative of their choice or through a company-appointed proxy authorized by the shareholders to vote according to their instructions. There are neither voting caps to limit the number of votes a shareholder may cast nor special voting rights. BASF has fully implemented the principle of "one share, one vote." All shareholders entered in the share register are entitled to participate in the Annual Meeting, to have their say concerning any resolution and to demand information about company issues to the extent that it serves to help make an informed judgment about the resolution under discussion. Half of the members of the Supervisory Board are elected at the Annual Meeting where, above all, the formal discharge of the Board of Executive Directors and the Supervisory Board is decided on as well as the distribution of profits, capital measures, the authorization of share buybacks and changes to the statutes.

German Corporate Governance Code

BASF accords great importance to good corporate governance. BASF therefore supports the German Corporate Governance Code, which it regards as an important tool in the capital market-focused continuing development of corporate governance and control, and advocates responsible corporate governance that focuses on a sustainable increase in the value of the company.

BASF SE follows all recommendations of the German Corporate Governance Code in its revised version of May 2010. This applies also to the Code's new recommendations regarding the composition of the Board of Executive Directors and the Supervisory Board as well as diversity in the staffing of executive positions. The joint declaration of conformity 2010 of the Board of Executive Directors and Supervisory Board of BASF SE is rendered at the end of this section on page 17.

In the same manner, BASF fulfills nearly all of the non-obligatory suggestions of the German Corporate Governance Code. The only exceptions are the suggestions to allow shareholders to follow the entire Annual Meeting online and to consider components based on the long-term success of the company in the compensation of the Supervisory Board. Compensation of the Supervisory Board of BASF SE does not contain any special compensation components that are tied to long-term company success assessed over a number of years. However, the annual variable compensation component based on profit per share is aligned with long-term profit increases, insofar as the profit per share required for the same variable compensation increases annually. This creates an incentive to pay special attention to the company's long-term performance and to sustainably increase the value of the company in the interest of the shareholders. The Annual Meeting will be openly accessible to all via online broadcast until the end of the speech by the Chairman of the Board of Executive Directors. The subsequent discussion of resolutions will not be accessible online in order to preserve the character of the Annual Meeting as a meeting attended by our shareholders on-site.

→ For more on the declaration of conformity 2010, an overview of the implementation of the Code's suggestions and the German Corporate Governance Code, see basf.com/governance_e

Values and Principles of the BASF Group/ Code of conduct

To ensure high standards of corporate governance, the Board of Executive Directors has set out the business principles and rules of conduct for all BASF activities in the Values and Principles of the BASF Group, and the Code of Conduct/Compliance Program, which have been introduced throughout the company. The Code of Conduct describes in detail the conduct we expect from BASF employees – based on the principle of integrity. Compliance with all relevant legislation is especially important to us, in particular antitrust and competition legislation, embargo and export controls regulations – including those relating to chemical weapons – as well as labor laws and plant safety regulations. Other issues covered are bans on insider dealing for personal benefit and bans on facilitation payments to, or from, business partners or government officials, and the responsible treatment of BASF's assets. The Corporate Audit department, together with BASF's Chief Compliance Officer, monitors compliance on a regular basis.

→ For more on BASF's Values and Principles and the Code of Conduct, see basf.com/values

Compliance

The basis for our Compliance Program is a system of training, information points and monitoring instruments. New employees at BASF receive mandatory basic compliance training. This is supplemented by subsequent refresher courses and training on special topics such as competition law and embargo regulations. More than 41,000 employees participated in compliance training in 2010.

We implement our Compliance Program in the company with Group-wide codes of conduct. In this way, we ensure our

employees know the rules and guidelines. The aim is to prevent legal violations such as incidents of corruption and to minimize potential compliance risks for BASF.

Our Chief Compliance Officer manages the global implementation of the program, with the help of around 100 Compliance Managers worldwide. The Chief Compliance Officer regularly reports to the Board of Executive Directors on the implementation and, if necessary, the sharpening of the Compliance Program as well as findings from the company's activities. Furthermore, the Chief Compliance Officer reports to the Supervisory Board's Audit Committee in at least one of its meetings each year on the content and implementation of the compliance program and the handling of major individual issues. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.

If, despite all preventive measures, violations occur, we aim to investigate and rectify these as quickly as possible. Our external Group-wide hotlines enable employees to anonymously seek advice regarding personal conduct as well as report incidents in the company that they consider dubious. In 2010, there were 234 calls and e-mails received. The majority of the inquiries were related to questions regarding the employee's own behavior. The rest related to a wide variety of topics, ranging from business-related advice to questions about personnel management and suspicion of personal enrichment at the company's cost. Our Corporate Audit department audits adherence to our principles. In 2010, we carried out 48 compliance audits throughout the Group (2009: 109). We investigate all cases of suspected misconduct detected in these audits or reported to our hotline. In cases of serious violations, sanctions can range up to dismissal and claims for damages. In addition, the Chief Compliance Officer and BASF's data protection representatives in Germany reviewed the processes for proper handling of employee data in 2010.

When selecting suppliers in non-OECD countries, we use a questionnaire to determine whether they have established a code of conduct. In 2010, we developed a new checklist to survey compliance for contractors, consultants and third-party companies that sell our products.

We are involved in initiatives to prevent corruption outside of our company. As a participant in the United Nations Global Compact, we work to implement the Global Compact principle on fighting corruption. As a member of Transparency International Deutschland e.V. since 2003, we support the fight against corruption. Since 2008, we have been participating in the "Partnering Against Corruption Initiative" (PACI) of the World Economic Forum in Davos, Switzerland.

In 2010, we surveyed around 1,000 executives and employees of BASF SE about their perception of compliance in the company, including questions such as how often they feel confronted with conflict situations and whether the Compliance Program gives them sufficient orientation. More than 50% of those polled took part in the voluntary, anonymous survey. In 2011, we plan to extend the survey to include significant Group companies.

Disclosure according to Section 289 (4) HGB and the explanatory report of the Board of Executive Directors according to Section 176 (1) Sentence 1 of the German Stock Corporation Act

As of December 31, 2010, the subscribed capital of BASF SE was €1,175,652,728.32, divided into 918,478,694 registered shares with no par value. Each share shall, at an Annual Meeting, entitle the holder to one vote. Restrictions on the right to vote or transfer shares do not exist. The same rights and duties apply to all shares. According to the Statutes, shareholders are not entitled to receive share certificates. There are neither different classes of shares nor shares with preferential voting rights (golden shares).

The appointment and dismissal of members of the Board of Executive Directors is legally governed by the regulations in Article 39 of the SE Council Regulation, Section 16 of the SE Implementation Act and Sections 84, 85 of the German Stock Corporation Act, as well as Article 7 of the BASF SE Statutes. Members of the Board of Executive Directors are appointed and dismissed by the Supervisory Board according to these regulations. The members of the Board of Executive Directors are appointed for a maximum of five years, re-appointments being permissible. The Supervisory Board can dismiss a member of the Board of Executive Directors if there is serious cause to do so. Serious cause includes, in particular, a gross breach of the duties pertaining to the Board of Executive Directors and a vote of no confidence at the Annual Meeting. The Supervisory Board decides on appointments and dismissals according to their own dutiful discretion.

According to Article 59 (1) SE Council Regulation, amendments to the Statutes of BASF SE require a resolution of the Annual Meeting adopted with at least a two-thirds majority of the votes cast, provided that the legal provisions applicable to German stock corporations under the German Stock Corporation Act do not stipulate or allow for larger majority requirements. In the case of amendments to the Statutes, Section 179 (2) of the German Stock Corporation Act requires a majority of at least three quarters of the subscribed capital represented. Pursuant to Article 12 No. 6 of the Statutes of BASF SE, the Supervisory Board is authorized to make amendments to the Statutes that merely concern their wording. This applies in particular to the alignment of share capital and the number of shares after a BASF share buyback and after a new issue of shares from the authorized capital.

Until April 30, 2014, the Board of Executive Directors of BASF SE is empowered by a resolution passed at the Annual Meeting of April 30, 2009 to increase the subscribed capital by a total amount of €500 million through the issue of new shares (authorized capital). This must have the approval of the Supervisory Board. A right to subscribe to the new shares shall be granted to shareholders. This can also be done by a credit institution acquiring the new shares with the obligation to offer these to shareholders (indirect subscription right). The Board of Executive Directors is authorized to exclude the statutory sub-

scription right of shareholders in certain exceptional cases that are narrowly defined in Article 5 No. 8 of the BASF SE Statutes. This applies in particular if, for capital increases in return for cash contributions, the issue price of the new shares is not substantially lower than the stock market price of BASF shares and the total number of shares issued under this authorization is not more than 10% of the subscribed capital on the date of issue.

In the event of a change of control, members of the Board of Executive Directors shall, under certain additional conditions, receive compensation (details of which are listed in the compensation report on pages 20 and 21). A change of control is assumed when a shareholder informs BASF of a shareholding of at least 25% or the increase of such a holding. In addition, employees of BASF SE and its subsidiaries who are classed as 'senior executives' (Obere Führungskräfte) will receive a severance payment if their contract of employment is terminated by BASF within 18 months of the occurrence of a change of control provided the employee has not given cause for the termination. The employee whose service contract has been terminated in such a case will receive a severance payment to the maximum of 1.5 times the annual salary (fixed component) depending on the number of months that have passed since the change-of-control event.

The remaining specifications stipulated in Section 315 (4) of the German Commercial Code refer to situations that are not applicable to BASF SE.

Directors' and Officers' liability insurance

BASF has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (D&O insurance). This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by Section 93 (2) 3 of the German Stock Corporation Act and for the level of deductibles for the Supervisory Board as recommended in Section 3.8, Paragraph 3 of the German Corporate Governance Code.

Share ownership by Members of the Board of Executive Directors and the Supervisory Board

No member of the Board of Executive Directors or the Supervisory Board owns shares in BASF SE and related options or other derivatives that account for 1% or more of the share capital. Furthermore, the entire holdings by members of the Board of Executive Directors and the Supervisory Board account for less than 1% of the shares issued by the company.

Share dealings of the Board of Executive Directors and Supervisory Board (Directors' Dealings under Section 15a of German Securities Trading Act)

In accordance with Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), all members of the Board of Executive Directors and the Supervisory Board, as well as certain members of their families, are required to disclose the purchase or sale of BASF shares and other related rights to the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €5,000.

In 2010, a total of six purchases subject to disclosure as Directors' Dealings by members of the Board of Executive Directors and the Supervisory Board and members of their families subject to disclosure were reported. The transactions involved between 100 and 2,000 shares with a per share price of between €41.23 and €45.00. The volume of the individual trades was between €4,437 and €90,000.

→ For more on directors' dealings in 2010, see basf.com/governance/sharedealings_e

Declaration of conformity 2010

of the Board of Executive Directors and the Supervisory Board of BASF SE

The Board of Executive Directors and the Supervisory Board of BASF SE hereby declare pursuant to § 161 AktG (Stock Corporation Act)

1. The recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on August 5, 2009 in the official section of the electronic Federal Gazette have been complied with since the submission of the last Declaration of Conformity on December 11, 2009.

2. The recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on July 2, 2010 in the official section of the electronic Federal Gazette are complied with and will be complied with.

Ludwigshafen, dated December 16, 2010

The Supervisory Board
of BASF SE

The Board of Executive Directors
of BASF SE

Compensation report

This report outlines the main principles of the compensation for the Board of Executive Directors and discloses the amount and structure of the compensation of each Board member. Furthermore, it provides information on end-of-service undertakings with respect to Board members, as well as information on the compensation of Supervisory Board members.

Compensation of Board members

This report meets the disclosure requirements of the German Commercial Code, supplemented by the additional requirements based on the German Act on Disclosure of Management Board Remuneration (Vorstandsvergütungs-Offenlegungsgesetz) as well as the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung), and is aligned with the recommendations of the German Corporate Governance Code.

Based on a proposal by the Personnel Committee (see page 13), the Supervisory Board (see pages 24 and 25) determines the amount and structure of compensation of members of the Board. The amount of compensation is determined by the company's size and financial position, as well as the performance of the Board of Executive Directors. Globally operating companies based in Germany and Europe serve as a reference. A review of the structure and amount of compensation of Board members takes place at regular intervals.

In the second half of 2009, the compensation system for Board members was aligned with the German Act on the Appropriateness of Management Board Remuneration, which came into force in August 2009. Contracts with all Board members, regardless of existing contractual terms, were consensually and uniformly converted to this system effective as of January 1, 2010. The new system was approved at the Annual Meeting on April 29, 2010, in accordance with Section 120 (4) of the German Stock Corporation Act.

The compensation of Board members comprises:

1. a fixed annual salary
2. an annual variable bonus
3. a stock price-based long-term incentive (LTI) program
4. non-monetary compensation and other additional compensation in varying amounts; and
5. company pension benefits.

The compensation of the Board of Executive Directors is designed to promote sustainable corporate development. It is marked by a pronounced variability in relation to the performance of the Board of Executive Directors and BASF Group's return on assets.

The compensation components are shown in detail below:

1. The annual fixed compensation is paid in equal monthly payments.
2. The annual variable compensation (variable bonus) of the Board of Executive Directors is based on the performance of the entire Board and the return on assets. The return on assets is also used to determine the variable compensation of all other employee groups. In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the entire Board of Executive Directors that primarily contains medium- and long-term goals. The Supervisory Board assesses the achievement of goals in relation to the last three years. A performance factor with a value between 0 and 1.5 is determined on the basis of the goal achievement ascertained by the Supervisory Board. The variable bonus for the prior fiscal year is payable after the Annual Meeting. Board members, as other employee groups, may contribute a portion of their annual variable gross bonus into a deferred compensation program. For members of the Board of Executive Directors, as well as for all other senior executives of the German BASF Group, the maximum amount that can be contributed to this program is €30,000. Board members have taken advantage of this offering to varying degrees
3. A share price-based remuneration program (a long-term incentive or LTI program) exists for members of the Board of Executive Directors. It is also offered to all other senior executives of BASF Group. Members of the Board of Executive Directors are subject to a stricter set of rules than are contained in the general program conditions: They are required to participate in the LTI program with at least 10% of their gross bonus. This mandatory investment consisting of BASF shares is subject to a holding period of four years. For any additional voluntary investment of up to 20% of the gross bonus, the general holding period of two years applies. Under the LTI program, members of the Board of Executive Directors may only exercise their options at least four years after they have been granted (vesting period).
4. Non-monetary compensation and other additional compensation include: delegation allowances, accident insurance premiums and other similar benefits, as well as the personal use of, or benefit from, communication equipment, company cars and security measures made available by the company. The members of the Board did not receive loans or advances from the company.
5. For details on the company pension benefits, see the section "Pension benefits" on page 20.

Based on the principles listed above, individual Board members received the following compensation:

Thousand €

	Non-performance related compensation			Performance related compensation	Options granted			Total compensation (cash compensation plus options granted)
	Year	Fixed salary	Non-monetary and other additional compensation	Variable bonus ¹	Total cash compensation	Number	Market value at option grant date	
Dr. Jürgen Hambrecht Chairman	2010	1,100	129	3,240	4,469	41,244	768	5,237
	2009	1,100	105	1,525	2,730	94,200	647	3,377
Dr. Kurt Bock	2010	695 ³	1,174 ⁴	1,620	3,489	20,620	384	3,873
	2009	705 ³	1,075 ⁴	763	2,543	47,100	324	2,867
Dr. Martin Brudermüller	2010	578 ³	753 ⁴	1,620	2,951	20,620	384	3,335
	2009	583 ³	982 ⁴	763	2,328	47,100	324	2,652
Dr. Hans-Ulrich Engel	2010	550	109	1,620	2,279	20,620	384	2,663
	2009	550	137	763	1,450	41,840	287	1,737
Dr. John Feldmann	2010	550	82	1,620	2,252	20,620	384	2,636
	2009	550	66	763	1,379	47,100	324	1,703
Dr. Andreas Kreimeyer	2010	550	105	1,620	2,275	20,620	384	2,659
	2009	550	98	763	1,411	40,000	275	1,686
Dr. Stefan Marcinowski	2010	550	89	1,620	2,259	20,620	384	2,643
	2009	550	102	763	1,415	47,100	324	1,739
Dr. Harald Schwager	2010	550	108	1,620	2,278	20,620	384	2,662
	2009	550	198 ²	763	1,511	47,100	324	1,835
	Total 2010:	5,123	2,549	14,580	22,252	185,584	3,456	25,708
	Total 2009:	5,138	2,763	6,866	14,767	411,540	2,829	17,596

¹ The basis for the variable bonus is the return on assets adjusted for special items and, for 2010, the performance factor.

These include all contributions made to the deferred compensation program.

² Includes expenses for security measures taken at the Board member's home on the occasion of his appointment to the Board of Executive Directors.

³ Payment is made in local currency based on a theoretical net salary in Germany.

As a result, there is a deviation from the contractually agreed fixed gross salary in euro (€550 thousand per year).

⁴ Includes payments to cover additional costs of delegates, such as assumption of prevailing local rental fees.

The options granted led to expenses (personnel expense) in 2010. This personnel expense refers to the sum of all options from the LTI programs 2002 to 2010. It is calculated as the difference in the value of the options on December 31, 2010, compared with the value on December 31, 2009, considering the options exercised and granted in 2010. The value of the options is based primarily on the development of the BASF share price and its outperformance compared with the benchmark indices specified for the LTI programs 2002 to 2010. The rise in the personnel expense in 2010 compared with the previous year was primarily a result of a higher valuation of these option rights as of December 31, 2010. The main reasons for this were the increase in the share price at year-end (2010: €59.70; 2009: €43.46) and the share's outperformance compared with the benchmark indices.

The personnel expenses reported below are purely accounting figures which do not equate with the actual cash gains should options be exercised. The members of the Board may each decide on the timing and scope of the exercise of options of the individual years, while taking into account the general terms and conditions and ceilings of the LTI program. The personnel expenses for the year 2010 relating to all options

issued were as follows: Dr. Jürgen Hambrecht €12,171 thousand (2009: €3,666 thousand); Dr. Kurt Bock €4,919 thousand (2009: €2,480 thousand); Dr. Martin Brudermüller €4,087 thousand (2009: €1,883 thousand); Dr. Hans-Ulrich Engel €3,198 thousand (2009: €1,918 thousand); Dr. John Feldmann €5,256 thousand (2009: €1,833 thousand); Dr. Andreas Kreimeyer €3,449 thousand (2009: €1,768 thousand); Dr. Stefan Marcinowski €4,034 thousand (2009: €1,833 thousand); and Dr. Harald Schwager €3,105 thousand (2009: €901 thousand).

The members of the Board are covered by loss liability insurance concluded by the company (D&O insurance) which includes a deductible.

Pension benefits

Annual pension units are accrued for the members of the Board ("Board Performance Pension"). The method of determination of the amount of the pension benefits generally corresponds to that used for other employee groups. The method is designed such that both the performance of the company and the progression of the individual Board member's career significantly affect the pension entitlement.

The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed compensation above the Social Security Contribution Ceiling by 32% (contribution factor). The resulting amount is converted into a lifelong pension using actuarial factors based on an actuarial interest rate (5%), the probability of death, invalidity and mortality (Heubeck-Richttafeln, 2005G) and an assumed pension increase (1.5% per annum). This is the amount that is payable upon retirement. The variable component of the pension unit depends on the return on assets in the reporting year and the performance factor, which is also decisive for the bonus. The variable component of the pension unit is based on a ROA of 12% and on a performance factor of 1.0 at which point the variable component is equal in value to the fixed component. With regard to the return on assets, there is a linear relationship between the variable component and the ROA figures between 10% and 14%. Should the return on assets exceed 14%, the variable component levels off; should the return on assets fall below 10%, the decline accelerates. With regard to the performance factor, there is a linear relationship between the variable component of the pension unit and a goal achievement of more than 50% and less than 125%. The performance factor ranges between 0 for a goal achievement of 50% or less and 1.5 for a goal achievement of 125% and more. The fixed and the variable components together result in the acquired pension unit for the reporting year. The sum of the pension units accumulated over the reporting years determines the respective Board member's pension benefit in the event of a claim. The pension benefit takes effect at the end of service upon reaching retirement age of 60 years or disability or death. Pension payments are adjusted on an annual basis, by at least 1% annually, in accordance with changes in the German consumer price index.

The pension units also include survivor benefits. Upon the death of an active or former member of the Board, the surviving spouse receives a survivor pension amounting to 60% of the Board member's pension entitlement. The orphan pension amounts to 10% for each half-orphan, 33% for an orphan, 25% each for two orphans and 20% each for three or more orphans of the pension entitlement of the deceased (former) Board member. The survivor benefits may not exceed 75% of the Board member's total pension entitlement. If the survivor pensions exceed the upper limit, they will be proportionately reduced.

Board members are members of the BASF Pensionskasse VVaG, as are generally all employees of BASF SE. Contributions and benefits are determined by the Statutes of the BASF Pensionskasse VVaG and the General Conditions of Insurance.

The service costs attributable to 2010 include costs for BASF Pensionskasse VVaG as well as for the Performance Pension and are as follows: Dr. Jürgen Hambrecht €9 thousand

(2009: €58 thousand); Dr. Kurt Bock €430 thousand (2009: €163 thousand); Dr. Martin Brudermüller €414 thousand (2009: €136 thousand); Dr. Hans-Ulrich Engel €439 thousand (2009: €447 thousand); Dr. John Feldmann €236 thousand (2009: €228 thousand); Dr. Andreas Kreimeyer €456 thousand (2009: €209 thousand); Dr. Stefan Marcinowski €460 thousand (2009: €219 thousand); and Dr. Harald Schwager €420 thousand (2009: €175 thousand).

The present value of pension benefits (defined benefit obligation) is an accounting figure for the entitlements that the Board members have accumulated in their years of service at BASF. The defined benefit obligation according to the requirements of German commercial law up to and including 2010 are as follows: Dr. Jürgen Hambrecht €13,988 thousand; Dr. Kurt Bock €7,040 thousand; Dr. Martin Brudermüller €4,578 thousand; Dr. Hans-Ulrich Engel €3,580 thousand; Dr. John Feldmann €6,502 thousand; Dr. Andreas Kreimeyer €6,529 thousand; Dr. Stefan Marcinowski €7,556 thousand; and Dr. Harald Schwager €3,295 thousand.

End of service benefits

In the event that a member of the Board of Executive Directors retires from employment before the age of 60, either because his appointment was not extended or was revoked for an important reason, he is entitled to pension benefits if he has served on the Board for at least ten years or if the time needed to reach legal retirement age is less than ten years. The company is entitled to offset compensation received for any other work done against pension benefits until the legal retirement age is reached.

The following applies to end-of-service due to a change-of-control event: A change-of-control event, in terms of this provision, occurs when a shareholder informs BASF of a shareholding of at least 25%, or the increase of such a holding.

If a Board member's position is revoked within one year following a change-of-control event, the Board member will receive the contractually agreed payments for the remaining contractual term of office as a one-off payment (fixed compensation and variable bonus based on a return of assets of 12% as well as target achievement of 100%). Furthermore, the Board member may receive the fair value of the option rights acquired in connection with the LTI program within a period of three months or may continue to hold the existing rights under the terms of the program. For the determination of the accrued pension benefits from the "Board Performance Pension," the time up to the regular expiry of office is taken into consideration.

There is a general limit on severance pay (severance payment cap) for all Board members. Accordingly, payments made to a Board member upon premature termination of their contract, without serious cause, may not exceed the value of two years' compensation nor compensate more than the remaining term of the contract. The severance payment cap is to be calculated on the basis of the total compensation for the past full financial year and, if appropriate, also the expected total compensation for the current financial year. If membership of the Board of Executive Directors is terminated prematurely as the result of a "Change of Control," the payments may not exceed 150% of the severance compensation cap.

Former Board members

Total compensation for previous Board members and their surviving dependents amounted to €13.2 million in 2010 (2009: €12.3 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program and personnel expense for the year 2010 relating to options that previous members of the Board still hold from the time of their active service period. The continuation of the options that have not yet been exercised at the time of retirement, along with the continuation of the associated holding period for individual investment in BASF shares under the conditions of the program, is intended in order to particularly emphasize how sustainability is incorporated into the compensation for the Board members. The pension provisions for previous Board members and their surviving dependents calculated according to the requirements of German commercial law amounted to €90.5 million (2009: €87.9 million).

Compensation of Supervisory Board members

The disclosure of compensation of the Supervisory Board is based on the German Commercial Code and is aligned with the recommendations of the German Corporate Governance Code. The compensation of the Supervisory Board is regulated by the Articles of Association of BASF SE passed by the Annual Meeting.

Each member of the Supervisory Board receives an annual fixed compensation of €60,000 and a performance-oriented variable compensation for each full €0.01 by which the earnings per share of the BASF Group, as declared in the BASF Group Consolidated Financial Statements for the year for which the remuneration is paid, exceeds the minimum earnings per share. The minimum earnings per share figure for the year 2010 is €1.45. The performance-oriented variable remuneration is €800 for each full €0.01 of earnings per share up to an earnings per share of €2.20, €600 for each further €0.01 of earnings per share up to an earnings per share of €2.70, and €400 for each €0.01 beyond this. The performance-oriented variable remuneration is limited to a maximum amount of €120,000. The minimum earnings per share and the corresponding thresholds shall increase by €0.05 for each subsequent financial year. Based on the earnings per share of €4.96 published in the BASF Group Consolidated Statements 2010, the performance-oriented compensation reached the maximum amount of €120,000. The chairman of the Supervisory Board receives two-and-a-half times and a deputy chairman one-and-a-half times the compensation of an ordinary member.

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, shall receive a further fixed compensation for this purpose in the amount of €12,500. For the Audit Committee, the further fixed compensation shall be €25,000. The chairman of a committee shall receive twice and a deputy chairman one-and-a-half times the further fixed compensation.

The company reimburses members of the Supervisory Board for out-of-pocket expenses and value-added tax to be paid with regard to their activities as members of the Supervisory Board or of a committee. The company further grants the members of the Supervisory Board a fee of €500 for attending a meeting of the Supervisory Board or one of its committees to which they belong and includes the performance of the duties of the members of the Supervisory Board in the cover of a loss liability insurance concluded by it (D&O insurance), which includes a deductible.

Total compensation of the Supervisory Board of the company for the activity in 2010, including the attendance fees, was €2.9 million (2009: €1.3 million). The compensation of the individual Supervisory Board members related to the reporting year 2010 is as follows:

Thousand €

	Fixed compensation		Performance-oriented variable compensation		Payment for committee membership(s)		Total compensation	
	2010	2009	2010	2009	2010	2009	2010	2009
Dr. h.c. Eggert Voscherau, Chairman of the Supervisory Board ¹ (since April 30, 2009)	150.0	112.5	300.0	21.0	25.0	18.7	475.0	152.2
Prof. Dr. Jürgen Strube, Chairman of the Supervisory Board ¹ (until April 30, 2009)	-	50.0	-	9.3	-	8.3	-	67.6
Michael Diekmann, Vice Chairman of the Supervisory Board ²	90.0	90.0	180.0	16.8	12.5	9.4	282.5	116.2
Robert Oswald, Vice Chairman of the Supervisory Board ²	90.0	90.0	180.0	16.8	12.5	12.5	282.5	119.3
Ralf-Gerd Bastian ⁴	60.0	60.0	120.0	11.2	25.0	25.0	205.0	96.2
Wolfgang Daniel	60.0	60.0	120.0	11.2	-	-	180.0	71.2
Prof. Dr. François Diederich	60.0	60.0	120.0	11.2	-	-	180.0	71.2
Franz Fehrenbach ⁴	60.0	60.0	120.0	11.2	25.0	25.0	205.0	96.2
Stephen K. Green (from April 30, 2009 until December 16, 2010)	60.0	45.0	120.0	8.4	-	-	180.0	53.4
Dr. Tessen von Heydebreck ² (until April 30, 2009)	-	20.0	-	3.7	-	4.2	-	27.9
Max Dietrich Kley ³	60.0	60.0	120.0	11.2	50.0	50.0	230.0	121.2
Anke Schäferkordt (since December 17, 2010)	5.0	-	10.0	-	-	-	15.0	-
Denise Schellemans	60.0	60.0	120.0	11.2	-	-	180.0	71.2
Ralf Sikorski (since May 31, 2008)	60.0	60.0	120.0	11.2	-	-	180.0	71.2
Michael Vassiliadis ^{2,4}	60.0	60.0	120.0	11.2	37.5	37.5	217.5	108.7
Total:	875.0	887.5	1,750.0	165.6	187.5	190.6	2,812.5	1,243.7

¹ Chairman of the Personnel Committee

² Member of the Personnel Committee

³ Chairman of the Audit Committee

⁴ Member of the Audit Committee

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Meeting, which approves the Consolidated Financial Statements upon which the variable compensation is based. Accordingly, compensation relating to the year 2010 will be paid following the Annual Meeting on May 6, 2011.

In 2010, as in 2009, the company paid the Supervisory Board member Prof. Dr. Diederich a total of CHF38,400 (2010: approximately €27,800; 2009: approximately €25,400) plus value-added taxes and out-of-pocket expenses for consulting work in the area of chemical research based on a consulting contract approved by the Supervisory Board.

Beyond this, no other Supervisory Board members received any compensation in 2010 for services rendered personally, in particular, the rendering of advisory and agency services.

-> For more on share ownership by members of the Board of Executive Directors and the Supervisory Board, see page 16

Management and Supervisory Boards

Board of Executive Directors

As of December 31, 2010, there were eight members on the Board of Executive Directors of BASF SE.

Dr. Jürgen Hambrecht Chairman of the Board of Executive Directors

Responsibilities: Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications & Government Relations BASF Group; Global HR – Executive Management & Development; Investor Relations; Chief Compliance Officer

First appointed: 1997 (Chairman since 2003)

Term expires: 2011

Supervisory board memberships (excluding internal memberships):

Daimler AG (supervisory board member)

Lufthansa AG (supervisory board member)

Dr. Kurt Bock

Responsibilities: Catalysts; Market & Business Development North America; Regional Functions North America; Finance; Information Services; Corporate Controlling; Corporate Audit

First appointed: 2003

Term expires: 2016

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding GmbH (supervisory board member until March 31, 2010)

Dr. Martin Bruder Müller

Responsibilities: Performance Polymers; Polyurethanes; Styrenics; Market & Business Development Asia Pacific; Regional Functions & Country Management Asia Pacific

First appointed: 2006

Term expires: 2016

Dr. Hans-Ulrich Engel

Responsibilities: Oil & Gas; Region Europe; Global Procurement & Logistics

First appointed: 2008

Term expires: 2016

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding GmbH (supervisory board chairman)

Wintershall AG (supervisory board chairman)

Cognis GmbH (supervisory board member since December 10, 2010)

Comparable German and non-German controlling bodies:

Nord Stream AG, Zug, Switzerland

(member of the Shareholders' Committee)

Dr. John Feldmann

Responsibilities: Construction Chemicals; Dispersions & Pigments; Care Chemicals; Nutrition & Health; Paper Chemicals; Performance Chemicals; Polymer Research

First appointed: 2000

Term expires: 2011

Supervisory board memberships (excluding internal memberships):

Bilfinger Berger AG (supervisory board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

BASF Coatings GmbH (supervisory board member)

Cognis GmbH (supervisory board member since December 10, 2010, supervisory board chairman since December 14, 2010)

Dr. Andreas Kreimeyer

Responsibilities: Inorganics; Petrochemicals; Intermediates; Chemicals Research & Engineering; BASF Future Business

First appointed: 2003

Term expires: 2012

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding GmbH (supervisory board member)

Dr. Stefan Marcinowski

Responsibilities: Crop Protection; Coatings; Specialty Chemicals Research; BASF Plant Science; Region South America

First appointed: 1997

Term expires: 2012

Supervisory board memberships (excluding internal memberships):

DWS Investment GmbH (supervisory board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Wintershall Holding GmbH (supervisory board member)

BASF Coatings GmbH (supervisory board chairman)

Dr. Harald Schwager

Responsibilities: Human Resources; Environment, Health & Safety; Engineering & Maintenance; Verbund Site Management Europe

First appointed: 2008

Term expires: 2016

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

BASF Schwarzheide GmbH (supervisory board chairman)

Comparable German and non-German controlling bodies:

BASF Antwerpen N.V. (chairman of the administrative council)

Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises twelve members. Pursuant to Section 35 Paragraph 1 of the Act on the Participation of Employees in a European Company (SE-Beteiligungsgesetz – “SEBG”) and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement) signed on November 15, 2007 by company management and the representatives of BASF Group's European employees, seats on the board are accorded following the principle of parity. The six shareholder representatives on the Supervisory Board of BASF SE are elected by the Annual Meeting. By way of derogation from Section 40 (2) of the Council Regulation (EC) No. 2157/2001, the six employee representatives are not elected by the Annual Meeting, but appointed by the representative body of the employees, the BASF Europa Betriebsrat, in accordance with the Employee Participation Agreement. The term of office of the Supervisory Board commenced following the Annual Meeting on April 30, 2009, in which the shareholder representatives on the Supervisory Board were elected. It terminates upon conclusion of the Annual Meeting which resolves on the discharge of members of the Supervisory Board for the fourth complete financial year after the term of office commenced; this is the Annual Meeting in 2014. Stephen K. Green, Supervisory Board member elected at the Annual Meeting on April 30, 2009 resigned from the Supervisory Board at the close of December 16, 2010 to take on the role as the United Kingdom's Minister of State for Trade and Investment at the beginning of 2011. Upon request of the Chairman of the Supervisory Board, the Ludwigshafen district court, by decision of November 18, 2010, appointed Ms. Anke Schäferkordt to the Supervisory Board, effective December 17, 2010. The Supervisory Board and the Board of Executive Directors intend to nominate Ms. Schäferkordt to be elected to the Supervisory Board at the Annual Meeting on May 6, 2011. The Supervisory Board comprises the following members:

Dr. h.c. Eggert Voscherau, Wachenheim, Germany

Chairman of the Supervisory Board of BASF SE

Former deputy chairman of the Board of Executive Directors of BASF Aktiengesellschaft and BASF SE

Supervisory board memberships (excluding internal memberships):

Carl-Zeiss AG (supervisory board chairman until February 15, 2010)

Schott AG (supervisory board chairman until February 15, 2010)

Comparable German and non-German controlling bodies:

Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW)

(supervisory board member)

Michael Diekmann, Munich, Germany

Deputy Chairman of the Supervisory Board of BASF SE

Chairman of the Board of Management of Allianz SE

Supervisory board memberships (excluding internal memberships):

Linde AG (supervisory board deputy chairman)

Siemens AG (supervisory board member)

Internal memberships as defined in Section 100 (2) of the German Stock Corporation Act:

Allianz Deutschland AG (supervisory board member)

Allianz Global Investors AG (supervisory board chairman)

Comparable German and non-German controlling bodies:

Allianz France S.A. (deputy chairman of the administrative council)

Allianz S.p.A. (member of the administrative council)

Robert Oswald, Altrip, Germany

Deputy Chairman of the Supervisory Board of BASF SE

Chairman of the works council of the Ludwigshafen site of BASF SE and chairman of the joint works council of the BASF Group

Ralf-Gerd Bastian, Neuhofen, Germany

Member of the works council of the Ludwigshafen site of BASF SE

Wolfgang Daniel, Limburgerhof, Germany

Deputy chairman of the works council of the Ludwigshafen site of BASF SE

Prof. Dr. François Diederich, Zurich, Switzerland

Professor at the Swiss Federal Institute of Technology Zurich

Franz Fehrenbach, Stuttgart, Germany

Chairman of the Board of Management of Robert Bosch GmbH

Comparable German and non-German controlling bodies:

Robert Bosch Corporation (member of the board of directors)

Stephen K. Green, London, U.K. (until December 16, 2010)

Group Chairman HSBC Holdings plc

Comparable German and non-German controlling bodies:

HSBC Bank plc, United Kingdom (chairman of the board of directors)

HSBC Private Banking Holdings (Suisse) SA

(chairman of the administrative council)

The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong

(member of the board of directors)

HSBC North America Holdings Inc., United States (member of the board of directors)

HSBC France (member of the board of directors)

Max Dietrich Kley, Heidelberg, Germany

Lawyer

Supervisory board memberships (excluding internal memberships):

SGL Carbon SE (supervisory board chairman)

HeidelbergCement AG (supervisory board member)

Infineon Technologies AG (supervisory board chairman until February 11, 2010)

Anke Schäferkordt, Cologne, Germany (since December 17, 2010)

Chief Executive Officer, Mediengruppe RTL Deutschland and RTL Television

Supervisory board memberships (excluding internal memberships):

Software AG (supervisory board member)

Denise Schellemans, Kalmthout, Belgium

Full-time trade union delegate

Ralf Sikorski, Wiesbaden, Germany

Regional manager of the Rhineland-Palatinate/Saarland branch of the Mining, Chemical and Energy Industries Union

Supervisory board memberships (excluding internal memberships):

Villeroy & Boch AG (supervisory board member)

Villeroy & Boch Fliesen GmbH (supervisory board member)

Evonik Power Saar GmbH (supervisory board deputy chairman)

Evonik New Energies GmbH (supervisory board deputy chairman)

Michael Vassiliadis, Hannover, Germany

Chairman of the Central Board of Executive Directors of the Mining, Chemical and Energy Industries Union

Supervisory board memberships (excluding internal memberships):

K+S AG (supervisory board deputy chairman)

Henkel KGaA (supervisory board member)

Evonik Steag GmbH (supervisory board deputy chairman)

Report of the Supervisory Board

Dear Shareholders,

Following a difficult year in 2009, we experienced an unexpectedly fast and strong economic recovery in 2010. This upturn is also reflected in BASF's performance, with new records for sales and earnings. This would not have been possible without the impressive work of the Board of Executive Directors and employees and the strategic decisions taken in recent years – they have made BASF robust. The company has the right strategy comprising a broad range of business areas and its future-oriented focus on fast-growing, innovative chemicals markets.

The Supervisory Board wants to make an important contribution to BASF's continued successful development by deciding on the future composition of the Board of Executive Directors. In May 2010, we decided to appoint Dr. Kurt Bock as Chairman of the Board and Dr. Martin Bruder Müller as Vice Chairman. Margret Suckale and Michael Heinz were appointed as members of the Board in October 2010. This ensures BASF will continue to have a very good team to write the next chapter in its success story.

Monitoring and consultation in an ongoing dialogue with the Board of Executive Directors

In 2010, the Supervisory Board of BASF SE exercised its duties required by law and the Statutes with the utmost care. We regularly monitored the management of the Board of Executive Directors and provided advice on the company's strategic development and important individual measures. To this end, the Supervisory Board requested detailed information from the Board of Executive Directors at six meetings, in the form of written and verbal reports. The topics included: business policies and the business situation as well as the company's performance, profitability, and planning with regard to finances, capital expenditures and human resources at BASF SE and its major subsidiaries. Deviations of business performance from the planning were also included in the information. The Supervisory Board discussed in detail the reports from the Board of Executive Directors and also discussed prospects for the company as a whole and its individual business areas with the Board of Executive Directors. The Chairman of the Supervisory Board also regularly requested information from the Chairman of the Board of Executive Directors with regard to current business developments and important events outside of Supervisory Board meetings. The Supervisory Board was always involved at an early stage in decisions of major importance. The Supervisory Board discussed and voted on all of those individual measures taken by the Board of Executive Directors, which by law or the Statutes required the approval of the Supervisory Board.

The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions. With the exception of two meetings where one of the 12 members was absent, all members were present at all Supervisory Board meetings in 2010.

In all of its meetings, the Supervisory Board discussed the further development of the BASF Group's business activities through acquisitions, divestitures and investment projects and advised the Board of Executive Directors on these significant questions impacting the future of the company. The major topics of discussion were the acquisition of Cognis and the plan to bring BASF's worldwide activities in the Styrenics business unit into a joint venture with Ineos. We discussed both of these projects at every Supervisory Board meeting in 2010. Another focus of our monitoring activities was once again the oil and gas business. At the meeting on July 22, 2010, following the sinking of BP's oil drilling rig Deepwater Horizon in the Gulf of Mexico, we intensively discussed risk management and risk standards related to oil and gas exploration at Wintershall, which bundles BASF's oil and gas business. At the meeting on October 21, 2010, we received a comprehensive briefing on the upcoming changes to the German Renewable Energy Sources Act (EEG) and the German Electricity Tax Act as well as the potential additional impact of these for BASF as a company with energy-intensive production. At the meeting on December 16, 2010, we discussed and approved the Board of Executive Directors' operative and financial planning for the year 2011. Furthermore, we empowered the Board of Executive Directors to procure financing under certain conditions.

Personnel issues were particularly significant in 2010. At the meeting on May 31, 2010, the Supervisory Board named Dr. Kurt Bock as Chairman of the Board of Executive Directors, effective as of the close of the Annual Meeting on May 6, 2011. He succeeds Dr. Jürgen Hambrecht, who retires from the Board of Executive Directors on this date. The Supervisory Board also named Dr. Martin Bruder Müller as Vice Chairman of the Board of Executive Directors, effective May 6, 2011. To ensure the long-term effectiveness of these decisions, it was mutually agreed to shorten the current appointments of Dr. Bock and Dr. Bruder Müller, which were set to expire at the Annual Meeting 2012 and Annual Meeting 2013, respectively. These appointments were terminated effective as of the close of the Annual Meeting on May 6, 2011, and the Supervisory Board reappointed these two Board members to new terms as of May 6, 2011, which expire at the close of the Annual Meeting 2016. At the meeting on October 21, 2010, we appointed Margret Suckale and Michael Heinz as members of the Board of Executive Directors, effective as of the close of the Annual Meeting on May 6, 2011, until

the Annual Meeting 2014. Ms. Suckale was also named Industrial Relations Director of BASF SE. At the meeting on December 16, 2010, we extended the appointments of Board members Dr. Hans-Ulrich Engel and Dr. Harald Schwager until the Annual Meeting 2016.

Committees

BASF SE's Supervisory Board has established a total of three committees: the committee for personnel affairs of the Board of Executive Directors as well as the granting of loans in accordance with Section 89 (4) of the German Stock Corporation Act (Personnel Committee), the Audit Committee and the Nomination Committee. The Supervisory Board received regular reports on the activities of these committees.

The Personnel Committee comprises Supervisory Board Chairman Dr. h.c. Eggert Voscherau (chairman), Supervisory Board Deputy Chairmen Michael Diekmann and Robert Oswald, as well as Supervisory Board member Michael Vassiliadis. The Personnel Committee met five times in 2010. At its meetings, sometimes with the Chairman of the Board of Executive Directors, it discussed in particular in detail the long-term succession planning for the Board of Executive Directors as well as the compensation of the Board of Executive Directors and the contents of employment contracts for the members of the Board of Executive Directors. The necessary new appointments to the Board of Executive Directors were the main topic of the discussions of the Personnel Committee. The Supervisory Board adopted the proposals recommended by the Personnel Committee at its meetings on May 31, October 21, and December 16, 2010. Furthermore, the Committee discussed and made recommendations to the Supervisory Board regarding the process of creating target agreements between the Supervisory Board and members of the Board of Executive Directors, the target agreements for the period 2010-2012 and the achievement of targets in 2010.

The Audit Committee consists of Supervisory Board members Max Dietrich Kley, Ralf Gerd Bastian, Franz Fehrenbach and Michael Vassiliadis. The Chairman of the Audit Committee is Max Dietrich Kley, who has also been appointed "Audit Committee Financial Expert." The Audit Committee is responsible for all the tasks of an audit committee listed in Section 107 Paragraph (3) Sentence 2 of the German Stock Corporation Act and in subsection 5.3.2 of the German Corporate Governance Code from May 26, 2010. The Audit Committee met five times in 2010. The core duties were to review the Financial Statements 2009 of BASF SE as well as the Consolidated Financial Statements 2009 and to discuss the quarterly and first-half financial reports with the Board of Executive Directors prior to their publication. Other important activities included advising the Board of Executive Directors on accounting issues as well as discussing and defining the focus of the annual audit. The business relations with the auditor were regulated with the adoption of a resolution regarding the provision of non-audit services by the auditor. The committee also reached an agreement with the auditor on the auditing fees and continuously monitored the auditor's independence. In one of its meetings, the Audit Committee dealt intensively with the topic of compliance in the BASF Group following a report from the Chief Compliance Officer.

The members of the Nomination Committee are exclusively the members of the Supervisory Board elected at the Annual Meeting. These are Dr. h.c. Eggert Voscherau, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Stephen K. Green (until December 16, 2010) and Max Dietrich Kley. The Nomination Committee is responsible for preparing candidate proposals for the election of those Supervisory Board members who are elected by the Annual Meeting. Following Stephen K. Green's resignation from the Supervisory Board, the members of the Nomination Committee discussed his succession and recommended that the Supervisory Board nominate Ms. Anke Schäferkordt for election to the Supervisory Board at the Annual Meeting. The Nomination Committee based its recommendation on the objectives for the composition of the Supervisory Board decided by the Supervisory Board at its meeting on October 21, 2010.

Corporate governance and Declaration of conformity

In 2010, the Supervisory Board again addressed in detail the corporate governance standards applied by BASF as well as the basic conditions in Germany as to capital market and company law. This mainly included the German Corporate Governance Code, which was once again amended to include further recommendations related to the Supervisory Board (version dated May 26, 2010). It was discussed at the meetings on October 21, and December 16, 2010. We paid particular attention to the Code's new recommendations and decided that BASF will comply with them. The main topic of discussion was the creation of objectives for the composition of the Supervisory Board to implement the recommendation in Section 5.4.1 of the German Corporate Governance Code. We approved these at the meeting on October 21, 2010. They address the knowledge, ability and expert experience required for membership on the Supervisory Board of BASF as well as the necessity of diversity in the Supervisory Board relating to a variety of professional and international experience and, in particular, the participation of women. Furthermore, the independence of the Supervisory Board shall be ensured by the avoidance of conflicts of interest.

At its meeting on December 16, 2010, the Supervisory Board approved the joint Declaration of Conformity by the Supervisory Board and the Board of Executive Directors in accordance with Section 161 of the German Stock Corporation Act. Furthermore, at this meeting the Supervisory Board carried out an examination of efficiency and an assessment of independence. BASF complies with the recommendations of the German Corporate Governance Code in its version of May 26, 2010, without exception. The complete wording of the Declaration of Conformity is provided on page 17 and is also available to shareholders on BASF's website.

The compensation report containing full details on the structure and amount of the compensation for the Board of Executive Directors and the Supervisory Board, including the pension benefits of the members of the Board of Executive Directors, can be found on pages 18 to 22.

Annual Financial Statements of BASF SE and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Meeting for the fiscal year 2010, has audited the Financial Statements of BASF SE and the Consolidated Financial Statements including Management's Analysis under consideration of bookkeeping, and have approved them free of qualification. Furthermore, the auditor certified that the Board of Executive Directors had taken the measures incumbent on it under Section 91 (2) of the German Stock Corporation Act in an appropriate way. In particular, it had instituted a suitable information and monitoring system that met the needs of the company and appeared suitable, both in design and the way in which it had been applied, to provide early warning of developments that pose a threat to the continued existence of the company.

The documents to be examined and the auditor's reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 23, 2011, as well as the accounts meeting of the Supervisory Board on March 3, 2011, and reported on the main findings of his audit. The auditor also provided detailed explanations of his reports on the day before the accounts meeting of the Supervisory Board.

The Audit Committee reviewed the audits and Management's Analysis at its meeting on February 23, 2011, and discussed them in detail with the auditor. The Chairman of the Audit Committee gave a detailed account of the preliminary review at the Supervisory Board meeting on March 3, 2011.

On the basis of this preliminary review by the Audit Committee, the Supervisory Board has examined the Financial Statements and Management's Analysis of BASF SE for 2010, the proposal by the Board of Executive Directors for the appropriation of profit as well as the Consolidated Financial Statements and Management's Analysis for the BASF Group for 2010. We have reviewed, acknowledged and approved the auditor's reports. The results of the preliminary review by the Audit Committee and the results of our own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management and submitted reports.

At the Supervisory Board's accounts meeting on March 3, 2011, we approved the Financial Statements of BASF SE and the Consolidated Financial Statements of the BASF Group prepared by the Board of Executive Directors, making the Financial Statements final. We concur with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €2.20 per share.

Composition of the Supervisory Board

The Supervisory Board member Stephen K. Green, elected by the Annual Meeting on April 30, 2009, resigned from the Supervisory Board effective December 16, 2010, in order to accept an appointment as the United Kingdom's Minister of State for Trade and Investment at the beginning of 2011. Upon request of the Chairman of the Supervisory Board, the Ludwigshafen district court, by decision of November 18, 2010, appointed Ms. Anke Schäferkordt to the Supervisory Board, effective December 17, 2010.

Thanks

The Supervisory Board thanks all employees of the BASF Group worldwide and the management of the company for the work they performed in 2010.

The Supervisory Board would like to extend special thanks to Mr. Green for his work on the board.

Ludwigshafen, March 3, 2011

The Supervisory Board

Dr. h.c. Eggert Voscherau

Chairman of the Supervisory Board

Financial Statements of BASF SE

Statement of Income

Statement of Income (million €)

	Explanations in Note	2010	2009
Sales	(2)	20,741	14,079
Cost of sales		15,458	10,475
Gross profit on sales		5,283	3,604
Selling expenses		1,822	1,469
General and administrative expenses		385	386
Research and development expenses		939	852
Other operating income	(3)	315	638
Other operating expenses	(4)	1,049	749
Income from operations		1,403	786
Income from participations		3,033	1,803
Interest result		(220)	(306)
Other financial result		15	203
Financial result	(5)	2,828	1,700
Extraordinary result	(6)	(39)	-
Income before taxes¹		4,192	2,486
Income taxes		455	310
Net income		3,737	2,176

¹ Income before taxes less extraordinary result corresponds to income from ordinary operations.

Balance Sheet

Assets (million €)

	Explanations in Note	December 31, 2010	December 31, 2009
Intangible assets	(9)	764	859
Property, plant and equipment	(10)	1,545	1,678
Financial assets	(11)	23,120	18,515
Fixed assets		25,429	21,052
Inventories	(12)	1,645	1,320
Accounts receivable, trade		1,789	1,389
Receivables from affiliated companies		9,173	7,183
Miscellaneous receivables and other assets		466	910
Receivables and other assets	(13)	11,428	9,482
Marketable securities		6	2,130
Cash and cash equivalents		575	2,734
Liquid funds	(14)	581	4,864
Current assets		13,654	15,666
Deferred taxes	(7)	258	265
Prepaid expenses	(15)	35	44
Total assets		39,376	37,027

Stockholders' equity and liabilities (million €)

	Explanations in Note	December 31, 2010	December 31, 2009
Subscribed capital	(16)	1,176	1,176
Capital surplus	(16)	3,139	3,139
Retained earnings	(17)	2,547	2,509
Profit retained	(17)	4,352	2,176
Stockholders' equity		11,214	9,000
Special reserves	(1)	101	107
Provisions for pensions and similar obligations	(18)	76	3,656
Provisions for taxes		938	943
Other provisions	(19)	1,544	1,652
Provisions		2,558	6,251
Financial indebtedness		6,665	6,747
Accounts payable, trade		623	302
Liabilities to affiliated companies		17,663	13,873
Miscellaneous liabilities		329	607
Liabilities	(20)	25,280	21,529
Deferred income		223	140
Total stockholders' equity and liabilities		39,376	37,027

Notes

Accounting principles: The Financial Statements of BASF SE are prepared according to the German Commercial Code (Handelsgesetzbuch, HGB) and the German Stock Corporation Act (Aktengesetz, AktG) using the cost-of-sales method.

Conversion to the provisions of the German Act to Modernize Accounting Law (Bilanzrechtsmodernisierungsgesetz, BilMoG): The Act to Modernize Accounting Law entered into force on May 29, 2009. Application of the provisions of the Act was mandatory as of January 1, 2010 and these have therefore been implemented in BASF SE's Financial Statements 2010. The following outlines the significant effects of the conversion to the BilMoG provisions as of January 1, 2010.

The previous year's figures were not adjusted to reflect the new BilMoG provisions. This limits the comparability with previous years' figures in some cases.

Effects of the conversion Million €	Extraordinary income	Deferred taxes recognized in profit or loss	Retained earnings	Deferred taxes recognized in retained earnings
Pensions and similar obligations				
Provisions for pensions	(316)	92	-	-
Pension plan assets	266	(52)	-	-
Net total pensions and similar obligations	(50)	40	-	-
Early retirement programs				
Provisions for early retirement programs	(1)	.	-	-
Plan assets of early retirement programs	8	.	-	-
Net total early retirement programs	7	.	-	-
Plan assets of lifetime accounts	4	(1)	-	-
Discount of long-term provisions as well as increases in costs and prices	-	-	54	(16)
Total	(39)	39	54	(16)

Pensions and similar obligations: The provision was discounted with the Deutsche Bundesbank's average market interest rate of the past seven years. BASF SE exercised its optional right to assume a maturity of 15 years for the average market interest rate. This resulted in a requirement to add €316 million to the provision. The plan assets of BASF Pensions-treuhand e.V. (Contractual Trust Arrangement, CTA) were valued at fair value. This resulted in a revelation of hidden reserves amounting to €266 million. BASF did not exercise its optional right under Article 67, Paragraph 1 of the Introductory Law to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, EGHGB) to distribute the additions over future periods.

Early retirement programs: The discounting of the provision in accordance with its maturity with the average market interest rate of the Deutsche Bundesbank in the past seven years resulted in an addition of €1 million. The plan assets for insolvency protection were valued at fair value. This resulted in a revelation of hidden reserves amounting to €8 million.

Plan assets of lifetime accounts: The plan assets for employee working-time accounts were valued at fair value. This resulted in a revelation of hidden reserves amounting to €4 million.

Provisions: Provisions are established using reasonable commercial judgment to determine the necessary settlement amount. As of January 1, 2010, existing provisions with a maturity of more than one year were discounted with the Deutsche Bundesbank's average market interest rate of the past seven years. The discount is applied only to provisions that mature later than 2024. The effects of future price and cost increases were also taken into account. With regard to the other provisions, BASF SE exercised its optional right to maintain them in accordance with Section 67 EGHGB. Overall, the effects of the conversion resulted in a decrease in provisions amounting to €54 million, which was booked directly in retained earnings.

Deferred taxes: Deferred taxes on valuation changes, which were reported in extraordinary income, lowered income taxes by €39 million. Deferred taxes on the effects of the discounting of long-term provisions reduced retained earnings by €16 million.

Offsetting of assets as well as income and expenses: The offsetting of assets as well as income and expenses for pensions, early retirement programs and working-time accounts is described in section "1 – Accounting and valuation methods."

1 – Accounting and valuation methods

Revenue recognition: Revenues from the sale of goods or the rendering of services are recognized upon the transfer of ownership and risk to the buyer. Allowances are made for rebates and trade discounts. Provisions are made to cover the return of products, estimated future warranty obligations and other claims based on the principle of individual evaluation.

Intangible assets: Intangible assets are valued at cost less scheduled straight-line amortization. In 2010, the weighted-average amortization period was 11 years and was based on the following useful lives:

	2010	2009
Goodwill	12 years	12 years
Software	4 years	4 years
Patents, licenses, know-how other rights	9 years	9 years

The average useful life of 12 years for goodwill reflects the future economic use potential of intangible goods. The useful lives of individual goodwill items are determined by the expected economic use of the underlying acquired businesses or are based on expert opinions of the useful lives of patents, licenses, know-how and other rights purchased as part of the acquisition.

Write-downs are made when an other than temporary impairment occurs. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the amortized cost. For goodwill, the lower carrying amount is maintained.

BASF SE does not make use of the optional right under the Act to Modernize Accounting Law to capitalize internally generated intangible assets forming part of fixed assets.

Property, plant and equipment: They are stated at acquisition or production cost less scheduled depreciation over their estimated useful lives. In 2008 and 2009, assets whose costs exceeded €150 but were less than €1,000 were allocated to a low-value asset pool and depreciated on a straight-line basis over five years. From January 1, 2010, additions that cost more than €150 but not more than €410 are depreciated immediately in the year of purchase. Items that cost less than €150 are recognized directly as expenses. Movable depreciable fixed assets that are functionally integrated are treated as a single asset item.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and manufacturing overhead and an appropriate share of the administrative costs for those areas involved in the construction of the plants. Financing costs,

costs for social services, costs for voluntary social benefits and pension costs are not capitalized.

Both movable and immovable fixed assets are depreciated using the straight-line method. Declining-balance depreciation of additions from previous years will be continued. For declining-balance depreciations, a systematic transition to straight-line depreciation takes place when this results in higher depreciation amounts.

The weighted-average depreciation periods used remained unchanged as follows:

	2010	2009
Buildings and structural installations	24 years	24 years
Industrial plant and machinery	11 years	11 years
Factory, office equipment and other facilities	9 years	9 years

Write-downs are made on property, plant and equipment whenever events or changes in circumstances indicate that the net book value of an asset may not be recoverable. Measurement of an impairment loss for long-lived assets that the Company expects to hold and use is based on the discounted expected future cash flows from the use of the asset less costs for its removal. A write-down is made in the amount of the difference between the net book value and the discounted future cash flows. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the amortized cost.

Financial assets: Shares in affiliated companies and in participating interests are carried at cost, or in the case of an other than temporary impairment, at the appropriate lower value according to the principle of individual valuation. Interest-bearing loans are stated at cost; loans bearing no or below market interest rates are stated at their present value. Existing risks are recognized through an impairment loss based on the estimated fair value of the loan. If the reasons for the impairment no longer exist, an impairment loss is reversed up to the acquisition cost in subsequent years.

Financial activities are shown under income from participations, interest result and miscellaneous financial result in the Statement of Income.

Inventories: Inventories are carried at cost. They are valued at quoted, market or fair values if lower than cost. These lower values are the replacement costs for raw materials and factory supplies and merchandise and, in the case of work in process and finished products, the expected sales proceeds less costs to be incurred prior to sale or lower reproduction cost.

The acquisition or production costs of raw materials, work-in-process, finished goods and merchandise are determined by the last-in-first-out (LIFO) method.

Production costs include, in addition to direct costs, an appropriate allocation of overhead cost of production using normal utilization rates of the production plants. Furthermore, depreciation of fixed assets is reported in cost of sales provided this is necessitated by the production. Financing costs, social services, voluntary social benefits and pensions are not included in production costs.

Construction-in-progress relates mainly to chemical plants under construction for BASF Group companies. Profits are recognized at finalization and billing of a project or part of a project. Expected losses are recognized by write-downs to the lower fair values.

Receivables and other assets: Receivables are generally carried at their nominal value. Notes receivable and loans generating no or a low-interest income are discounted to their present values. Lower attributable values due to risks of collectability and transferability are covered by appropriate valuation allowances.

Cash and cash equivalents: This position includes marketable securities, cash at banks and cash on hand. Securities are valued at cost. They are valued at quoted or market values if lower than cost.

Deferred tax assets: Deferred tax assets are recorded for temporary differences between the valuation of assets and liabilities in the Financial Statements and the corresponding carrying values for tax purposes, as far as there is overhang of active differences.

Offsetting of assets as well as income and expenses: Assets that cannot be accessed by any other creditors and that only serve to meet debts allocated to these assets arising from obligations related to pensions, early retirement programs and lifetime accounts, are to be offset with these debts. If the obligations exceed the plan assets, this is reported under provisions. If the plan assets exceed the obligations, the difference is reported as an excess of plan assets over obligations.

For pensions, early retirement programs and working-time accounts, income and expenses from plan assets are offset with the income and expenses of the corresponding obligation. These balances are reported under the interest result.

Special reserves: The special reserves were maintained pursuant to Section 67 (3) No. 1 EGHGB, as these were established before the year in which the conversion to the BilMoG provisions took place. This referred primarily to transmissions of revealed inner reserves in accordance with Section 6b of the German Income Tax Act (Einkommenssteuergesetz, EStG). As of January 1, 2010, no new special reserves were established.

Provisions: Provisions for pensions are determined on the basis of actuarial assumptions made according to the internationally accepted projected unit credit method. The obligations were valued for the first time using the 2010 modified version of "Richttafeln Heubeck 2005 G" as well as assumptions regarding future pay and pension increases. Since January 1, 2010, the discount is carried out using the Deutsche Bundesbank's average market interest rate of the past seven years for a maturity of 15 years. The discount rate used is 5.15%.

Tax provisions are recognized for German trade income tax and German corporate income tax in the amount necessary to meet the expected payment obligations.

Other provisions are recognized for the expected amounts of contingent liabilities and probable losses from pending transactions. Maintenance provisions are established to cover omitted maintenance procedures as of the end of the year, and are expected to be incurred within the first three months of the following year. The amount provided is based on reasonable commercial judgment of the amount necessary to meet obligations, while taking into consideration expected future price and cost increases. Provisions with a maturity of more than one year are discounted in accordance with their maturity with the average market interest rate of the past seven years, as published by the Deutsche Bundesbank.

Provisions are established for environmental protection measures and risks if the measures are likely to be necessary to comply with legal or regulatory obligations, provided these measures do not lead to the capitalization of production costs.

Provisions for required recultivation associated with the operation of landfill sites are built up in installments over the expected service lives.

Provisions for long-service bonuses and pre-retirement part-time programs are calculated based on actuarial principles corresponding to the projected unit credit method taking into account the rate of compensation increase and the adequate periodical interest rate pursuant to Section 253 (2) HGB.

Foreign currency transactions: The cost of assets acquired in foreign currencies and revenues from sales in foreign currencies are recorded at the exchange rate on the date of the transaction.

Short-term foreign-currency receivables and liabilities are valued at the exchange rates on the balance sheet date. Long-term, foreign-currency receivables are recorded at the rate prevailing on the acquisition date or at the lower rate on the balance sheet date. Long-term foreign-currency liabilities are recorded at the rate prevailing on the acquisition date or at the higher rate on the balance sheet date. Foreign-currency receivables or liabilities that are hedged are carried at hedge rates.

Derivative financial instruments: Derivative financial instruments are treated as pending transactions and are not recorded as assets or liabilities. Related underlying transactions

and derivatives are combined into valuation units, when applicable. Profits from hedging transactions, which cannot be allocated to a particular underlying transaction, are recorded in income upon maturity. Unrealized losses from hedging transactions, which cannot be allocated to a particular underlying transaction, are recognized in earnings and included in provisions.

The use of derivative financial instruments to hedge against foreign currency, interest rate and price risks is described in detail in section "24 - Derivative instruments."

Use of estimates and assumptions in financial statement preparations: The carrying amount of assets, liabilities and provisions, contingent liabilities and other financial obligations in the Financial Statements depends on the use of estimates and assumptions. These are based on the circumstances and estimates at the balance sheet date and affect the reported amounts of income and expenses during the reporting periods. In the preparation of these financial statements, estimates and assumptions have been made by management concerning the selection of useful lives of property, plant and equipment and

intangible assets, the measurement of provisions, the carrying value of investments, and other similar evaluations of assets and obligations. Given the uncertainty regarding the determination of these factors, actual results could differ from these estimates.

Site network

BASF SE operates an energy supply network, which is a site network in terms of Section 110 (1) No. 3 of the German Energy Act (Energiewirtschaftsgesetz, EnWG). The company is therefore exempt from, among other things, the commitments in Section 10 (3) EnWG which would, in particular, require an unbundling of the bookkeeping.

The exemption for site networks according to Section 110 (1) No. 3 EnWG remains in effect in accordance with our legal interpretation, also following the European Court of Justice decision on May 22, 2008 (Decision C 439/06).

2 – Sales

Sales by segment (million €)

	2010	2009
Chemicals	4,889	3,418
Plastics	3,208	2,059
Performance Products	7,840	4,539
Functional Solutions	350	142
Agricultural Solutions	1,918	1,812
Other	2,536	2,109
	20,741	14,079

Sales by region (million €)

	2010	2009
Europe	15,310	10,692
Thereof Germany	5,236	3,896
North America	1,440	988
Asia Pacific	2,636	1,532
South America, Africa, Middle East	1,355	867
	20,741	14,079

The previous year's values have been adjusted for the current regional structure.

3 – Other operating income

Other operating income decreased by €323 million, largely as a result of the decline of €191 million in gains from foreign currency transactions. This was primarily attributable to lower gains from matured foreign currency derivatives. In 2010, provisions in the amount of €91 million were reversed to income (2009: €142 million).

Release of special reserves of €6 million mainly included the transfer of capital gains from the sale of fixed assets to additions to fixed assets in accordance with Section 6b of the German Income Tax Act (Einkommenssteuergesetz, EStG).

4 – Other operating expenses

The increase of €300 million in other operating expenses primarily related to the variable compensation amounting to €232 million, which in the previous year totaled €123 million and was allocated to the functional costs. Losses of €38 million in

foreign-currency transactions resulted mainly from the hedging of future sales and purchases in U.S. dollars. Furthermore, this position contains expenditures related to the integration of the acquired Ciba business.

5 – Financial result

Million €	2010	2009
Income from participations and similar income	1,807	946
Thereof from affiliated companies	1,765	886
Income from profit transfer agreements	1,280	879
Income from tax allocation to affiliated companies	245	164
Losses from loss transfer agreements	213	161
Write-downs of, and losses from, disposal of participations	86	25
Income from participations	3,033	1,803
Income from other securities and long-term loans	2	2
Thereof from affiliated companies	-	-
Other interest and similar income	179	79
Thereof from affiliated companies	52	52
Interest and similar expenses	401	387
Thereof to affiliated companies	121	141
Interest result	(220)	(306)
Write-downs of, and losses from, disposal of long-term loans and marketable securities	11	36
Interest expense for long-term provisions for personnel costs	-	236
Miscellaneous other financial result	26	475
Other financial result	15	203
Financial result	2,828	1,700

In 2010, higher dividend payments and write-ups on participations led to an increase in income from participations and similar income. This was partially countered by lower income from the disposal of participations. Furthermore, the increase in income from profit transfer agreements had a positive effect on income from participations.

Income and expenses from plan assets were offset with the income and expenses of the corresponding obligation. In 2010, these balances were transferred from the other financial result

to the interest result. Furthermore, in 2010, lower gains were generated from the plan assets of BASF Pensionstreuhand e.V. Of the item Other interest and similar income, €91 million arose from the offset of expenses and income related to pension obligations. In the item interest and similar expenses, €16 million resulted from the accrual of interest on provisions.

6 – Extraordinary income

The first-time application of BilMoG resulted in extraordinary income of €11 million and extraordinary expenses of €50 million.

For details, please see the section “Conversion to the provisions of the Act to Modernize Accounting Law.”

7 – Income taxes

Million €	2010	2009
Current taxes	464	200
Deferred taxes	(9)	110
Thereof on extraordinary income	(39)	–
Income taxes	455	310
Other taxes	24	18
Tax expense	479	328

The significant improvement in earnings in 2010 led to higher income taxes. The first-time application of the Act to Modernize Accounting Law resulted in deferred tax income of €92 million and deferred tax expense of €53 million.

For details, please see the section “Conversion to the provisions of the Act to Modernize Accounting Law.” Deferred taxes resulting from the temporary differences (affecting net income) between valuations recognized in profit or loss in the Financial Statements and valuations for tax purposes were as follows:

Million €	2010	2009
Fixed assets	39	32
Inventories and accounts receivable	(54)	37
Provisions for pensions and similar obligations	185	66
Other provisions, other	104	130
Total	274	265

In contrast to the existing deferred taxes recognized in profit or loss, the first-time discount of long-term provisions (see section “Conversion to the provisions of the Act to Modernize Accounting Law”) resulted in deferred taxes of €16 million being recognized directly in retained earnings.

An overall tax rate of 29% was applied to determine deferred taxes in 2009 and 2010.

8 – Other information

Cost of materials (million €)

	2010	2009
Cost of raw materials, plant supplies and purchased merchandise	12,857	7,968
Cost of purchased services	2,097	1,585
	14,954	9,553

Personnel costs (million €)

	2010	2009
Wages and salaries	2,511	2,063
Social security contributions and expenses for pensions and assistance	685	703
Thereof for pensions	290	340
	3,196	2,766

The increase in wages and salaries in 2010 was mainly due from the higher economic performance-related compensation.

Average number of employees

	2010	2009
Non-exempt employees	25,283	25,337
Exempt employees	6,185	6,048
Employees with trainee contracts	1,199	1,166
Employees with limited-term contracts	180	201
	32,847	32,752

Compensation for the Board of Executive Directors and Supervisory Board

Million €	2010	2009
Performance-related and fixed payments to the Board of Executive Directors	22.2	14.8
Market value of options granted to the Board of Executive Directors in the fiscal year on date of grant	3.5	2.8
Total compensation for the Board of Executive Directors	25.7	17.6
Service cost of the Board of Executive Directors	2.9	1.6
Compensation for the Supervisory Board	2.9	1.3
Total compensation for former members of the Board of Executive Directors and their surviving dependents	13.2	12.3
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	90.5	87.9
Loans to members of the Board of Executive Directors and the Supervisory Board	–	–
Guarantees to members of the Board of Executive Directors and the Supervisory Board	–	–

Performance-related compensation for the Board of Executive Directors is based on the return on assets, as well as the performance of the entire Board. Return on assets corresponds to earnings before taxes plus borrowing costs as a percentage of average assets.

Moreover, in 2010, the members of the Board of Executive Directors were granted 185,584 options under the long-term incentive program (LTI program). The options of active and former members of the Board resulted in personnel expenses of €46 million in 2010. In 2009, options resulted in expenses of €21 million.

Declaration of Conformity: The declaration of conformity with the German Corporate Governance Code (see page 17) according to Section 161 AktG was signed by the Board of Executive Directors and the Supervisory Board of BASF SE on December 16, 2010, and is published online at:

→ basf.com/governance_e

- **More information on the compensation of members of the Board of Executive Directors is available from page 18 onward**
- **More information on the members of the Supervisory Board and Board of Executive Directors, including their memberships on other boards, is available from page 23 onward**

9 – Intangible assets

Developments in 2010 (million €)

	Concessions, trademarks and similar rights and values ¹	Goodwill	Advance payments	Total
Acquisition costs				
Balance as of January 1, 2010	475	655	–	1,130
Additions	40	–	1	41
Disposals	28	–	–	28
Balance as of December 31, 2010	487	655	1	1,143
Amortization				
Balance as of January 1, 2010	194	77	–	271
Additions	73 ²	61	–	134
Disposals	26	–	–	26
Write-ups	–	–	–	–
Balance as of December 31, 2010	241	138	–	379
Net carrying amount as of December 31, 2010	246	517	1	764
Net carrying amount as of December 31, 2009	281	578	–	859

¹ Including licenses in such rights and values

² Thereof impairments of €8 million

10 – Property, plant and equipment

Developments in 2010 (million €)

	Land, land rights and buildings ¹	Machinery and technical equipment	Miscellaneous equipment and fixtures	Advance payments and construction in progress	Total
Acquisition costs					
Balance as of January 1, 2010	2,538	10,309	1,365	170	14,382
Additions	6	79	46	128	259
Additions from merger	26	42	38	–	106
Disposals	7	85	25	(117)	–
Balance as of December 31, 2010	2,525	10,431	1,398	181	14,535
Amortization					
Balance as of January 1, 2010	2,129	9,397	1,178	–	12,704
Additions	35	280 ²	74	–	389
Additions from merger	23	42	37	–	102
Disposals	–	(9)	9	–	–
Write-ups	1	–	–	–	1
Balance as of December 31, 2010	2,140	9,626	1,224	–	12,990
Net carrying amount as of December 31, 2010	385	805	174	181	1,545
Net carrying amount as of December 31, 2009	409	912	187	170	1,678

¹ Including buildings on land owned by others

² Thereof impairments of €1 million

11 – Financial assets

Developments in 2010 (million €) Participations

	Shares in affiliated companies	Shares in other participating interests	Total participations
Acquisition costs			
Balance as of January 1, 2010	18,489	446	18,935
Additions	6,783	9	6,792
Disposals	2,281	1	2,282
Transfers	(13)	13	–
Balance as of December 31, 2010	22,978	467	23,445
Depreciation			
Balance as of January 1, 2010	425	19	444
Additions	79	7	86
Disposals	1	–	1
Write-ups	114	–	114
Balance as of December 31, 2010	389	26	415
Net carrying amount as of December 31, 2010	22,589	441	23,030
Net carrying amount as of December 31, 2009	18,064	427	18,491

Participations increased mainly as a result of capital increases at subsidiaries for which BASF SE provides the financing function as the parent company of the BASF Group. This was partially offset by capital repayments by subsidiaries.

The write-downs and write-ups resulted from impairment tests.

Developments in 2010 (million €) Loans and other financial assets

	Loans to affiliated companies	Loans to other participating interests	Other loans and other financial assets	Total loans and other financial assets	Total financial assets
Acquisition costs					
Balance as of January 1, 2010	28	12	16	56	18,991
Additions	2	–	80	82	6,874
Disposals	2	4	4	10	2,292
Balance as of December 31, 2010	28	8	92	128	23,573
Depreciation					
Balance as of January 1, 2010	19	1	12	32	476
Additions	2	.	9	11	97
Disposals	–	.	2	2	3
Write-ups	3	.	–	3	117
Balance as of December 31, 2010	18	1	19	38	453
Net carrying amount as of December 31, 2010	10	7	73	90	23,120
Net carrying amount as of December 31, 2009	9	11	4	24	18,515

12 – Inventories

Million €	2010	2009
Raw materials and factory supplies	260	212
Work-in-process, finished goods and merchandise	1,332	1,061
Construction in progress	52	45
Advance payments	1	2
	1,645	1,320

Work-in-process, finished goods and merchandise are combined into one item due to the production conditions in the chemical industry.

The acquisition or production costs of raw materials as well as work in-process, finished goods and merchandise are determined by the last-in-first-out (LIFO) method. Factory supplies are carried predominantly at average cost. For inventories val-

ued on LIFO basis, LIFO reserves (i.e., the difference between LIFO valuation and valuation at average cost or lower quoted or market values) were €44 million for raw materials (2009: €31 million), and €113 million for finished goods and merchandise (2009: €59 million).

13 – Receivables and other assets

Million €	2010		2009	
		Thereof non-current		Thereof non-current
Accounts receivable, trade	1,789	–	1,389	.
Receivables from affiliated companies	9,173	7	7,183	4
Thereof accounts receivable, trade	1,787	1	1,317	4
Receivables from other participating interests	158	–	186	.
Other assets	308	35	724	317
	11,428	42	9,482	321

In 2010, prepaid expenses totaled €22 million (2009: €9 million). Of the previous year's figure, €8 million were allocated to pension plan assets.

Other assets in 2009 also included €176 million related to pension plan assets. For details on reporting of the assets of the

plan assets for pensions in 2010, please see the section "Conversion to the provisions of the Act to Modernize Accounting Law."

14 – Cash and cash equivalents

In 2009, marketable securities contained €1,824 million plan assets and cash and cash equivalents contained €2,077 million plan assets which cover pension obligations. For the first time on January 1, 2010, these were offset with pension obligations. For details, please see the section "Conversion to the provisions of the Act to Modernize Accounting Law."

Furthermore, marketable securities decreased by €300 million and cash and cash equivalents decreased by €82 million.

15 – Prepaid expenses

Million €	2010	2009
Discounts	16	22
Other	19	22
	35	44

Discounts from the issuance of bonds (section “20 - Liabilities”) are capitalized and amortized over the term of the obligations.

Miscellaneous prepaid expenses include prepayments related to ongoing business activities.

16 – Capital and reserves

	Outstanding shares	Subscribed capital €
Outstanding shares as disclosed in the financial statements	918,478,694	1,175,652,728.32

Conversion to registered shares

On April 29, 2010, the Annual Meeting voted in favor of the conversion of BASF shares from bearer shares to registered shares. The conversion took place at the beginning of August 2010. No new shares were issued as part of the conversion.

Share buyback/own shares

In 2010, BASF SE did not buy back any company shares.

Announcements pursuant to Section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG)

BlackRock Inc., New York, notified us that its share of voting rights in BASF SE fell below the threshold of 5% of voting rights on August 25, 2010, and returned above the threshold of 5% again on September 6, 2010, amounting to 5.35% on this date.

The voting rights are accorded to the holders pursuant to Section 22 (1) Sentence 1, No. 6 in connection with Section 22 (1) Sentence 2 WpHG and pursuant to Section 22 (1) Sentence 1, No. 1 WpHG.

Conditional capital

A residual amount of less than €10,000 is reserved to meet compensation claims of former shareholders of Wintershall. These compensation claims expired in 2004. BASF SE will therefore issue no more shares from conditional capital nor fulfill compensation claims.

Authorized capital

At the Annual Meeting of April 30, 2009, shareholders authorized the Board of Executive Directors to increase the subscribed capital by issuing new shares in an amount of up to €500 million against cash with the approval of the Supervisory Board through April 30, 2014. The Board of Executive Directors can, following the approval of the Supervisory Board, decide on the exclusion of shareholders' subscription rights for these new shares in certain predefined cases covered by the enabling resolution. Until now, this option has not been exercised and no new shares have been issued.

Capital surplus (million €)

	2010
As of January 1/December 31	3,139

17 – Retained earnings and profit retained

Million €	2010
Other retained earnings	
As of January 1	2,509
Effects resulting from the first-time application of the provisions of the Act to Modernize Accounting Law	38
As of December 31	2,547
Profit retained as of December 31	
Profit carried forward	615
Net income	3,737
Transfer to other retained earnings	-
	4,352

The discounting of long-term provisions as required by BilMoG led to an increase of €54 million in retained earnings. The deferred taxes on this amount reduced the retained earnings by €16 million.

Information on amounts subject to dividend payout restrictions

The difference between the acquisition cost and the fair value of plan assets for pension and early-retirement program obligations resulted, less deferred tax liabilities, in an amount of €352 million subject to dividend payout restrictions.

Deferred tax assets exceeded by €401 million the amount of deferred tax liabilities plus deferred tax liabilities from the valuation of plan assets at fair value.

The amounts subject to dividend payout restrictions amounted to €753 million while freely available reserves amounted to €2,648 million. There is therefore no dividend payout restriction for the profit retained.

18 – Provisions for pensions and similar obligations

BASF SE employees are granted basic benefits by BASF Pensionskasse VVaG, a legally independent BASF pension fund that is financed from the return on its financial assets, from members' contributions and by the company. BASF SE will ensure the necessary contributions to adequately finance the benefits promised by BASF Pensionskasse VVaG. Additional company pension commitments are covered by pension provisions.

BASF SE approved a 1% per year increase in pensions from BASF Pensionskasse VVaG.

In 2009, company pension commitments going beyond the basic pension provided by BASF Pensionskasse VVaG were reported under provisions for pensions and similar obligations. In accordance with the BilMoG provisions, from 2010 onward, these obligations are offset with plan assets.

The valuation of the pension obligations is based on the following assumptions:

in %	2010
Pension trend	1.75
Salary trend	2.75
Interest rate (Section 253 (2) Sentence 2 HGB)	5.15

Amounts offset in the balance sheet as of December 31, 2010:

Million €	2010
Fair value of pension plan assets	4,115
Pension obligations with plan assets	4,175
Net total	(60)
Historic acquisition costs for pension plan assets	3,646

Pension obligations without plan assets amounted to €16 million in 2010.

Income and expenses from plan assets are offset with the expense for accrued interest of the corresponding obligation. Amounts offset in the interest result are as follows:

Million €	2010
Income from pension plan assets	340
Interest expense for interest accrued	249
Net interest result	91

19 – Other provisions

Million €	2010		2009	
		Thereof current		Thereof current
Environmental protection and remediation costs	103	12	142	5
Personnel costs	1,075	712	1,070	444
Sales risks	85	83	100	92
Integration, shutdown and restructuring costs	1	1	1	1
Legal, damage claims, guarantees and related commitments	57	16	76	17
Maintenance and repair costs	20	20	19	19
Other	203	160	244	221
	1,544	1,004	1,652	799

In 2010, provisions in the amount of €91 million were dissolved to income and reported under other operating income (2009: €142 million). Provisions with a maturity to 2024 and beyond amounted to €75 million and are reported under other provisions.

The other provisions primarily concern provisions for impending losses and outstanding invoices.

The obligations for early-retirement programs amounted to €375 million while the fair value of the assets to be offset was €228 million. The historic acquisition costs for the assets amounted to €223 million. The assets comprise fixed income and money market funds. The following amounts were offset in the interest result:

Million €	2010
Income from plan assets of early-retirement programs	1
Interest expense for interest accrued	14
Net interest result	(13)

Obligations from lifetime accounts amounting to €154 million were offset with assets of the same amount. The historic acquisition costs for the assets amounted to €156 million. The assets comprise mixed funds. The interest result contains income of €4 million from the plan assets, offset by interest expenses of €4 million from the additions to provisions. In addition, it comprises interest expenses of €4 million from the interest accrued on provisions for long-service and anniversary bonuses.

Provisions that were maintained pursuant to the optional right according to Section 67 EGHGB were overendowed by €4 million as a result of the non-accrual of interest.

The effects of the conversion resulting from the first-time application of BilMoG on the discounting of long-term provisions are described in the section "Conversion to the provisions of the Act to Modernize Accounting Law."

20 – Liabilities

Financial indebtedness (million €)

	2010	2009
3.5% Euro Bond 2003/2010	–	1,000
3.375% Euro Bond 2005/2012	1,400	1,400
4% Euro Bond 2006/2011	1,000	1,000
4.5% Euro Bond 2006/2016	500	500
5.875% GBP Bond 2009/2017	434	434
3.75% Euro Bond 2009/2012	1,350	1,350
4.625% Euro Bond 2009/2017	300	300
4.25% Euro Bond 2009/2016	200	200
Commercial paper	1,403	496
Bonds and other liabilities to the capital markets	6,587	6,680
Liabilities to credit institutions	78	67
	6,665	6,747

Liabilities to affiliated companies (million €)

	2010	2009
Accounts payable, trade	1,791	1,209
Other liabilities	15,872	12,664
	17,663	13,873

Miscellaneous liabilities (million €)

	2010	2009
Advances received on account of orders	10	6
Liabilities to other participating interests	31	28
Other miscellaneous liabilities	288	573
Thereof taxes	53	38
Thereof liabilities relating to social security	27	32
Thereof CTA ¹	–	313
	329	607

¹ See section "Conversion to the provisions of the Act to Modernize Accounting Law"

Maturities of liabilities (million €)

	2010		2009	
	Less than 1 year	More than 5 years	Less than 1 year	More than 5 years
Financial indebtedness	2,415	1,434	1,496	1,434
Accounts payable, trade	623	–	302	–
Liabilities to affiliated companies	16,010	1,647	12,717	1,150
Advances received on account of orders	10	–	6	–
Liabilities to other participating interests	31	–	28	–
Other miscellaneous liabilities	255	1	543	14
	19,344	3,082	15,092	2,598

Secured liabilities (million €)

	2010	2009
Other liabilities	1	1

The above liabilities are collateralized by securities.

21 – Shares in investment assets

As of December 31, 2010, BASF SE held more than 10% of the following shares in investment assets as defined by Sections 1 and 2 (9) of the German Investment Act (Investmentgesetz, InvG):

Million €	Fair value/carrying amount 31.12.2010	Dividend payment 2010	Returnable daily
Fixed income funds	817	35	yes
Equity funds	929	27	yes
Mixed funds	153	–	yes
Money market funds	152	–	yes

The shares serve as plan assets for obligations relating to pensions, early retirement programs and lifetime accounts.

22 – Contingent liabilities and other financial obligations

The contingent liabilities and other financial commitments listed below are stated at nominal value.

Contingent liabilities (million €)

	2010	2009
Bills of exchange	6	3
Thereof to affiliated companies	–	–
Guarantees	6,016	5,774
Thereof to affiliated companies	6,007	5,766
Warranties	1,109	1,029
Thereof to affiliated companies	742	690
	7,131	6,806

Contingent liabilities are primarily related to guarantees for bonds issued by BASF Finance Europe N. V. (based in Arnhem, the Netherlands) and Ciba Spezialitätenchemie Finanz AG (based in Basel, Switzerland), which serve to finance the BASF Group. The contingent liabilities are entered into only after careful consideration of risks and only in connection with the business activities of BASF SE or its affiliated companies. The risk

of claims against contingent liabilities was assessed as low on the basis of the existing knowledge about the balance sheet structure, financial position and results of operations of the subsidiaries. At the time the balance sheet was prepared, the identifiable risks were recognized with appropriate provisions in the balance sheet.

Other financial obligations (million €)

	2010	2009
Other financial obligations	533	398
Thereof to affiliated companies	38	68

Long-term purchase commitments (million €)

	2010	2009
Long-term purchase commitments	6,189	4,369
Thereof to affiliated companies	1,854	1,366

BASF SE purchases raw materials globally, both on the basis of long-term contracts and in spot markets.

23 – Related party transactions

In 2010, BASF SE granted profit participation capital amounting to €80 million to BASF Pensionskasse VVaG. The profit participation capital was discounted by €9 million.

Apart from this, no further non-standard material transactions with related parties were carried out.

24 – Derivative instruments

The use of derivative instruments

BASF SE is exposed to foreign currency, interest rate and commodity price risks during the normal course of business. These risks are hedged through a centrally determined strategy employing derivative instruments. In addition, derivative instruments are used to replace transactions in original financial instruments, such as shares or fixed-interest securities. Hedging is only employed for underlying positions from the operating business, cash investments, financing or planned sales and raw material purchases.

Where derivatives have a positive market value, BASF SE is exposed to credit risks in the event of nonperformance of their counterparts. This credit risk is minimized by trading contracts exclusively with creditworthy banks and partners within pre-defined credit limits and by the use of collateral.

To ensure effective risk management, risk positions are centralized at BASF SE and certain Group companies. Contracting and execution of derivative financial instruments for hedging purposes is conducted according to internal guidelines, and are subject to strict control mechanisms.

The risks arising from the underlying transactions and the derivative transactions concluded to hedge them are monitored constantly. The same is true of the derivative instruments, which are used to replace transactions in original financial instruments. For this purpose, market quotations or computer or mathematical models are used to determine the current market values not only of the underlying transactions but also of the derivative transactions, and these are compared with each other.

Fair value of derivative financial instruments

 (million €)

	2010	2009
Foreign currency forwards	(25)	(2)
Currency options	58	31
Interest rate swaps	41	–
Combined interest and cross currency swaps	17	(6)
Commodity derivatives	7	12
Index swaps	390	298
	488	333

The fair values correspond to the difference between the cost and redemption value, which is determined from market quotations or by the use of options pricing models such as the Black-Scholes model. They are based on the exchange rates published by the European Central Bank and the applicable market interest rates and volatilities based on the remaining term to maturity. In the case of unlisted contracts, the fair value corresponds to the redemption value in the event of premature cancellation.

The total of the nominal values amounts to €15.65 billion, comprised of: €10.16 billion in foreign currency forward contracts, €2.89 billion in currency options, €1.75 billion in index swaps as well as €0.85 billion in commodity derivatives, interest rate swaps and combined interest and cross currency swaps.

The nominal values are the totals of the purchases and sales of the particular derivatives on a gross basis.

Foreign currency derivatives are primarily aimed at hedging the exchange rate risk against the U.S. dollar, the British pound and the Swiss franc. Commodity derivatives are used to hedge purchase and sales market price risks. Index swaps are used to replace primary financial instruments, especially in duplication of fixed-rate securities.

Costs for the purchase of derivatives amounting to €319 million were capitalized as receivables and other assets. Provisions

were only recognized for expected losses from currency fluctuations and amounted to €28 million. Losses of €45 million were recognized as liabilities under Miscellaneous liabilities.

To hedge risks from cash flow and changes in fair value for certain underlying positions in the balance sheet, these are combined with hedging transactions as micro hedges, as they have similar significant risk parameters.

Valuation units (million €)

Underlying transaction		Hedging transaction	
Balance sheet item	Carrying amount	Type of hedging transaction	Nominal value
Hedged assets	17	Derivatives to hedge assets	17
Loans to affiliated companies	11	Foreign currency forward contracts	11
Loans to other participations	4	Interest and cross currency swaps	4
Receivables from other participations	2	Foreign currency forward contracts	2
Hedged liabilities	2,827	Derivatives to hedge liabilities	2,827
Liabilities to affiliated companies	990	Hedging transactions for liabilities to affiliated companies	990
– in foreign currencies	690	– Foreign currency forward contracts	690
– in EUR	300	– Interest rate swaps	300
Bonds	434	Interest and cross currency swaps	434
Commercial paper	1,403	Foreign currency forward contracts	1,403

The receivables and liabilities as well as commercial paper hedged with foreign currency forward contracts generally balance each other out within a year. Interest rate swaps were concluded to hedge internal BASF Group loans (maturity: June 2018). Interest and cross currency swaps were concluded to hedge the GBP bond (maturity: March 2017) issued in 2009 as well as an internal BASF Group foreign-currency loan (maturity: December 2011).

The table does not include foreign currency forward and currency option contracts concluded with subsidiaries which are also inversely concluded with external contractual partners. The term of these contracts is generally less than one year.

In addition, commodity derivatives that are used to hedge price risks with a nominal value of €25 million and the underlying expected high-probability purchase and sales transactions were combined into a valuation unit.

25 – Services provided by the external auditor

Information on the services provided by KPMG AG Wirtschaftsprüfungsgesellschaft to BASF SE can be found in Note 30 of the BASF Group's Consolidated Financial Statements.

26 – BASF SE List of Shares Held 2010 pursuant to Section 285, No. 11 and No. 11a of the German Commercial Code

Companies acquired in 2010 and included in results as of the date of acquisition. The List of Shares Held contains all direct and indirect participations of BASF SE as well as affiliated companies considered in the Consolidated Financial Statements. In the separate financial statements of BASF SE, only the direct participations are reported under financial assets.

I. Fully, proportionally and equity consolidated subsidiaries and associated companies accounted for in the Consolidated Financial Statements

1. Fully consolidated subsidiaries

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
Germany						
Axaron Bioscience AG	Ludwigshafen (Rhine)	99.97		16.6	*	EUR
BASF Agro Trademarks GmbH	Ludwigshafen (Rhine)	100.0		10.7	*	EUR
BASF Akquisitions GmbH	Ludwigshafen (Rhine)	100.0		431.3	*	EUR
BASF Bautechnik GmbH	Trostberg	100.0		1.2	*	EUR
BASF Beteiligungsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	100.0	287.1	*	EUR
BASF Catalysts Germany GmbH	Hanover	100.0		105.0	*	EUR
BASF Catalysts Grundbesitz GmbH & Co. KG	Ludwigshafen (Rhine)	100.0		9.2	*	EUR
BASF Coatings GmbH	Münster	100.0	10.0	253.1	*	EUR
BASF Construction Chemicals GmbH	Trostberg	100.0		292.4	*	EUR
BASF Construction Chemicals Grundbesitz GmbH & Co. KG	Ludwigshafen (Rhine)	100.0	100.0	19.8	*	EUR
BASF Construction Polymers GmbH	Trostberg	100.0		12.3	*	EUR
BASF Grenzach GmbH	Grenzach-Wyhlen	100.0		33.2	*	EUR
BASF Handels- und Export GmbH	Ludwigshafen (Rhine)	100.0	100.0	7,175.5	*	EUR
BASF Immobilien Pigment GmbH	Ludwigshafen (Rhine)	100.0		10.8	*	EUR
BASF Isocyanate China Investment GmbH	Ludwigshafen (Rhine)	100.0		0.0	*	EUR
BASF IT Services Consult GmbH	Hamburg	100.0		4.1	0.1	EUR
BASF IT Services GmbH	Ludwigshafen (Rhine)	100.0		27.5	*	EUR
BASF IT Services Holding GmbH	Ludwigshafen (Rhine)	100.0		53.0	*	EUR
BASF Lampertheim GmbH	Lampertheim	100.0		127.3	*	EUR
BASF Leuna GmbH	Leuna	100.0		8.8	*	EUR
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhine)	100.0	99.99	6.3	*	EUR
BASF Performance Polymers GmbH	Rudolstadt	100.0		41.5	*	EUR
BASF PharmaChemikalien GmbH & Co. KG	Ludwigshafen (Rhine)	100.0	100.0	36.2	*	EUR
BASF Pigment GmbH	Ludwigshafen (Rhine)	100.0		16.5	*	EUR
BASF Plant Science Company GmbH	Ludwigshafen (Rhine)	100.0	100.0	201.7	*	EUR
BASF Plant Science GmbH	Ludwigshafen (Rhine)	100.0		3.1	*	EUR
BASF Polyurethane Licensing GmbH	Lemförde	100.0		34.3	33.7	EUR
BASF Polyurethanes GmbH	Lemförde	100.0	10.0	113.9	*	EUR
BASF Schwarzheide GmbH	Schwarzheide	100.0	10.0	247.7	*	EUR
BASF Services Europe GmbH	Berlin	100.0		0.5	*	EUR
BASF Specialty Chemicals Marketing GmbH	Ludwigshafen (Rhine)	100.0		99.5	*	EUR
BASF Wall Systems GmbH & Co. KG	Marktredwitz	100.0		12.5	*	EUR
BASF Wall Systems Verwaltungs-GmbH	Marktredwitz	100.0		0.0	0.0	EUR
BPG Immobilien GmbH	Ludwigshafen (Rhine)	100.0	10.0	9.6	*	EUR
BPS-Finanzbeteiligungsgesellschaft mbH	Ludwigshafen (Rhine)	100.0		9.3	*	EUR
BTC Speciality Chemical Distribution GmbH	Cologne	100.0		2.4	*	EUR
Cognis Beteiligungs-GmbH	Monheim	100.0		751.5	0.0	EUR
Cognis Financial Services GmbH	Monheim	100.0		2.5	0.0	EUR
Cognis GmbH	Monheim	100.0		(144.9)	161.0	EUR
Cognis Holding GmbH	Monheim	100.0		285.2	16.3	EUR

* Profit/loss transfer agreement

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
Cognis International GmbH	Monheim	100.0		469.7	148.0	EUR
Cognis IP Management GmbH	Düsseldorf	100.0		69.0	(0.1)	EUR
Construction Research & Technology GmbH	Trostberg	100.0		354.6	*	EUR
Dr. Wolman GmbH	Sinzheim	100.0	10.0	3.1	*	EUR
GEWOGGE Wohnungsunternehmen der BASF GmbH	Ludwigshafen (Rhine)	97.0	10.0	115.9	*	EUR
Grünau Illertissen GmbH	Illertissen	100.0		45.8	0.1	EUR
Guano-Werke GmbH & Co. KG	Ludwigshafen (Rhine)	100.0		17.0	*	EUR
LUWOGGE GmbH	Ludwigshafen (Rhine)	100.0	10.0	47.2	*	EUR
Metanomics GmbH	Berlin	100.0		(0.1)	*	EUR
PCI Augsburg GmbH	Augsburg	100.0		127.5	*	EUR
PolyAd Services GmbH	Lampertheim	100.0		0.3	*	EUR
Relius Coatings Beteiligungs-GmbH	Oldenburg (Oldb)	100.0		0.3	0.1	EUR
Relius Coatings GmbH & Co. KG	Oldenburg (Oldb)	100.0		67.1	*	EUR
SunGene GmbH	Gatersleben	100.0		0.1	*	EUR
Untertage-Speicher-Gesellschaft mbH	Kassel	100.0		3.2	1.6	EUR
WINGAS GmbH & Co. KG	Kassel	50.02		685.2	*	EUR
WINGAS Holding GmbH	Kassel	50.02		214.2	*	EUR
WINGAS TRANSPORT GmbH	Kassel	50.02		432.6	*	EUR
Wintershall AG	Kassel	51.0		278.3	102.5	EUR
Wintershall Erdgas Beteiligungs-GmbH	Kassel	100.0		834.3	*	EUR
Wintershall Holding GmbH	Kassel	100.0	10.29	1,684.8	*	EUR
Wintershall Lenkoran GmbH	Kassel	100.0		0.1	*	EUR
Wintershall Libyen Oil & Gas GmbH	Kassel	100.0		0.0	*	EUR
Wintershall Norwegen Explorations- und Produktions- GmbH	Ludwigshafen (Rhine)	100.0		0.0	*	EUR
Wintershall Russia Holding GmbH	Kassel	100.0		0.0	*	EUR
Wintershall Vermögensverwaltungsgesellschaft mbH	Kassel	100.0		0.0	*	EUR
Europe (excluding Germany)						
Allied Colloids Group plc	Cheadle, United Kingdom	100.0		261.4	0.0	GBP
BASF AB	Gothenburg, Sweden	100.0	100.0	25.1	12.3	SEK
BASF Agri-Production S.A.S.	Ecully, France	100.0		43.6	5.8	EUR
BASF Agro B.V.	Arnhem, the Netherlands	100.0		1,902.7	416.5	CHF
BASF Agro S.A.S.	Ecully, France	100.0		49.9	18.1	EUR
BASF Agrochemical Products B.V.	Arnhem, the Netherlands	100.0		497.2	245.7	USD
BASF Antwerpen N.V.	Antwerp, Belgium	100.0		5,537.3	426.9	EUR
BASF AS	Asker, Norway	100.0	100.0	29.3	6.1	NOK
BASF A/S	Copenhagen, Denmark	100.0	100.0	194.7	51.6	DKK
BASF Beauty Care Solutions France S.A.S.	Lyon, France	100.0		18.0	4.3	EUR
BASF Belgium S.A.	Waterloo, Belgium	100.0	99.99	40.0	(5.9)	EUR
BASF Catalysts Asia B.V.	Arnhem, the Netherlands	100.0		297.7	24.4	EUR
BASF Catalysts Canada B.V.	Arnhem, the Netherlands	100.0		367.8	0.0	EUR
BASF Catalysts Holding Asia B.V.	Arnhem, the Netherlands	100.0		435.8	0.0	EUR
BASF Catalysts Investment Europe B.V.	De Meern, the Netherlands	100.0		357.1	0.2	EUR
BASF Catalysts Italia Srl	Cesano Maderno, Italy	100.0		31.5	1.1	EUR
BASF Catalysts NL Finance C.V.	Arnhem, the Netherlands	100.0		68.8	0.2	EUR
BASF Catalysts UK Holdings Limited	London, United Kingdom	100.0		26.9	(0.2)	GBP
BASF Coatings Ltd.	Flintshire, United Kingdom	100.0		6.3	3.0	GBP
BASF Coatings S.A.	Guadalajara, Spain	99.71		39.9	11.4	EUR
BASF Coatings S.A.S.	Clermont de l'Oise, France	100.0		73.8	19.4	EUR
BASF Coatings SpA	Burago Molgora, Italy	100.0		16.2	9.9	EUR
BASF Construction Chemicals Belgium N.V.	Ham, Belgium	100.0		22.6	2.0	EUR
BASF Construction Chemicals España S.L.	Palau-solità i Plegamans, Spain	100.0		(17.5)	(10.1)	EUR
BASF Construction Chemicals Europe AG	Zurich, Switzerland	100.0		401.5	(23.0)	CHF
BASF Construction Chemicals France S.A.S.	Evry, France	100.0		14.2	2.0	EUR

* Profit/loss transfer agreement

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
BASF Construction Chemicals Italia SpA	Treviso, Italy	100.0		22.9	3.6	EUR
BASF Construction Chemicals (UK) Ltd.	Cheadle, United Kingdom	100.0		2.9	1.4	GBP
BASF Coordination Center Comm.V.	Antwerp, Belgium	100.0		14,383.3	122.7	EUR
BASF Engelhard Finland B.V.	Arnhem, the Netherlands	100.0		23.6	0.0	EUR
BASF Engelhard Germany B.V.	Arnhem, the Netherlands	100.0		397.1	0.0	EUR
BASF Engelhard Italy B.V.	Arnhem, the Netherlands	100.0		122.8	0.0	EUR
BASF Engelhard South Africa B.V.	Arnhem, the Netherlands	100.0		169.3	0.0	EUR
BASF Engelhard Sweden B.V.	Arnhem, the Netherlands	100.0		0.4	0.0	EUR
BASF Engelhard Switzerland B.V.	Arnhem, the Netherlands	100.0		209.3	0.0	EUR
BASF Engelhard UK B.V.	Arnhem, the Netherlands	100.0		220.6	0.0	EUR
BASF Española S.L.	Tarragona, Spain	100.0	100.0	196.1	19.1	EUR
BASF Finance Europe N.V.	Arnhem, the Netherlands	100.0	100.0	11.6	2.7	EUR
BASF France S.A.S.	Levallois-Perret, France	100.0	100.0	502.3	74.0	EUR
BASF Hellas S.A.	Agia Paraskevi, Greece	100.0	100.0	1.9	0.4	EUR
BASF Hungária Kft.	Budapest, Hungary	100.0	100.0	5,541.1	801.9	HUF
BASF Interservice Srl	Cesano Maderno, Italy	100.0	100.0	55.3	38.5	EUR
BASF Intertrade AG	Zug, Switzerland	100.0	100.0	69.6	43.8	USD
BASF Italia Srl	Cesano Maderno, Italy	100.0		205.7	19.0	EUR
BASF Kaisten AG	Kaisten, Switzerland	100.0		41.4	6.8	CHF
BASF Malta Ltd.	St. Julians, Malta	100.0	100.0	5,000.0	31.1	EUR
BASF Malta Trading Ltd.	St. Julians, Malta	100.0		2.8	(14.7)	EUR
BASF Minerals Oy	Helsinki, Finland	100.0		7.7	0.3	EUR
BASF Monthey S.A.	Monthey, Switzerland	100.0		113.0	(5.7)	CHF
BASF Nederland B.V.	Arnhem, the Netherlands	100.0	100.0	5,891.2	646.8	EUR
BASF Operations B.V.	Arnhem, the Netherlands	100.0		62.1	55.3	EUR
BASF Österreich GmbH	Vienna, Austria	100.0	1.0	29.5	1.7	EUR
BASF Oy	Helsinki, Finland	100.0	100.0	2,850.0	(48.4)	EUR
BASF Performance Products France S.A.	Lyon, France	100.0		68.3	7.9	EUR
BASF Performance Products GmbH	Zwentendorf, Austria	100.0		18.3	0.8	EUR
BASF Performance Products plc	Cheadle, United Kingdom	100.0		22.7	(26.1)	GBP
BASF Performans Kimyasallari Ticaret Ltd. Sirketi	Istanbul, Turkey	100.0		2.6	0.2	CHF
BASF Pharma (Evionnaz) S.A.	Evionnaz, Switzerland	100.0		114.6	(19.7)	CHF
BASF Pharma (St. Vulbas) S.A.S.	Saint-Vulbas, France	100.0		24.1	0.6	EUR
BASF plc	Cheadle, United Kingdom	100.0		36.0	5.1	GBP
BASF Poliuretán Hungária Kft.	Solyvár, Hungary	100.0		907.7	513.8	HUF
BASF Poliüretan Sanayi ve Ticaret Ltd. Sirketi	Istanbul, Turkey	100.0		4.1	3.0	TRY
BASF Poliuretani Italia SpA	Villanova d'Asti, Italy	100.0		47.6	10.9	EUR
BASF Poliuretanos Iberia S.A.	Barcelona, Spain	100.0		13.3	6.2	EUR
BASF Polska Sp. z o.o.	Warsaw, Poland	100.0	100.0	129.9	21.0	PLN
BASF Polyurethanes Benelux B.V.	Boxtel, the Netherlands	100.0		0.0	0.0	EUR
BASF Polyuréthanes France S.A.S.	Mitry-Mory, France	100.0		6.8	2.0	EUR
BASF Polyurethanes U.K. Ltd.	Alfreton, United Kingdom	100.0		5.4	2.9	GBP
BASF Portuguesa S.A.	Prior Velho, Portugal	100.0		5.8	0.6	EUR
BASF Schweiz AG	Basel, Switzerland	100.0		500.2	81.7	CHF
BASF Schweizerhalle AG	Muttenz, Switzerland	100.0		11.6	2.8	CHF
BASF Slovensko spol s.r.o.	Bratislava, Slovakia	100.0	100.0	10.2	1.2	EUR
BASF Sonatrach PropanChem S.A.	Tarragona, Spain	51.0		99.5	11.6	EUR
BASF spol s.r.o.	Prague, Czech Republic	100.0	100.0	213.9	0.4	CZK
BASF Stavební hmoty Česká republika s.r.o.	Chrudim, Czech Republic	100.0		479.0	42.1	CZK
BASF Taiwan B.V.	Arnhem, the Netherlands	100.0		159.3	13.4	EUR
BASF Türk Kimya Sanayi ve Ticaret Ltd. Sirketi	Istanbul, Turkey	100.0		65.2	20.3	TRY
BASF UK Holdings Ltd.	Cheadle, United Kingdom	100.0	99.99	28.4	(1.8)	GBP
BASF Yapi Kimyasallari Sanayi A.S.	Istanbul, Turkey	100.0		67.2	6.7	TRY
Ciba Holding Nederland B.V.	Maastricht, the Netherlands	100.0		17.3	0.1	EUR
Ciba Scandinavia AB	Västra Frölunda, Sweden	100.0		177.5	73.9	SEK

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
Ciba Services AG	Basel, Switzerland	100.0		0.1	1.4	CHF
Ciba Specialty Chemicals Finance Luxembourg S.A.	Luxembourg, Luxembourg	100.0		60.7	(23.7)	EUR
Ciba Specialty Chemicals Overseas Ltd.	Cheadle, United Kingdom	100.0		2.8	4.4	GBP
Ciba Specialty Chemicals Water Treatments Ltd.	Bradford, United Kingdom	100.0		269.6	0.0	GBP
Ciba Spezialitätenchemie Finanz AG	Basel, Switzerland	100.0		20.3	(11.0)	CHF
Ciba UK Investment plc	Cheadle, United Kingdom	100.0		(193.1)	2.0	GBP
Cognis B.V.	Hoofddorp, the Netherlands	100.0		392.2	69.2	EUR
Cognis France S.A.S.	Saint-Fargeau-Ponthierry, France	100.0		40.8	(0.6)	EUR
Cognis Holdings UK Ltd.	Southampton, United Kingdom	100.0		58.7	0.0	GBP
Cognis Iberia S.A.	Castellbisbal, Spain	100.0		26.3	0.0	EUR
Cognis Ireland Ltd.	Cork, Ireland	100.0		26.1	2.6	EUR
Cognis Kimya Sanayi ve Ticaret A.S.	Gebze, Turkey	100.0		77.7	3.5	TRY
Cognis Polska Sp. z o.o.	Warsaw, Poland	100.0		16.3	1.3	PLN
Cognis Scandinavia A.S.	Drammen, Norway	100.0		62.0	5.0	NOK
Cognis Spa	Fino Momasco, Italy	100.0		1.0	0.2	EUR
Cognis UK Ltd.	Southampton, United Kingdom	100.0		16.7	1.3	GBP
Cosmetic Rheologies Ltd.	Bury, United Kingdom	100.0		2.3	0.0	GBP
CropDesign N.V.	Ghent, Belgium	100.0		32.7	(0.2)	EUR
Engelhard Industrial Metals LLC	Moscow, Russian Federation	100.0		39.0	1.5	RUB
Engelhard International Ltd.	London, United Kingdom	100.0		51.6	(1.1)	USD
Engelhard Metals GmbH	Zug, Switzerland	100.0		77.4	12.9	USD
Engelhard Metals Ltd.	London, United Kingdom	100.0		52.6	11.5	USD
Engelhard Sales Ltd.	Cinderford, United Kingdom	100.0		6.3	1.3	GBP
Low Moor Securities Ltd.	Cheadle, United Kingdom	100.0		20.3	0.0	GBP
Macany S.A.R.L.	Saint-Fargeau-Ponthierry, France	100.0		38.0	(0.9)	EUR
Mafernam S.A.	Castellbisbal, Spain	100.0		4.5	0.0	EUR
Napro Pharma A.S.	Brattvaag, Norway	100.0		29.1	(7.3)	NOK
OOO BASF Stroitelnye Sistemy	Moscow, Russian Federation	100.0		351.8	216.1	RUB
OOO BASF Wostok	Pavlovsky Posad, Russian Federation	100.0		175.5	25.6	RUB
OOO Cognis Rus	Moscow, Russian Federation	100.0		129.5	(6.7)	RUB
PCI Bauprodukte AG	Zurich, Switzerland	100.0		2.7	3.1	CHF
Relius France S.A.S.	Ostwald, France	100.0		(6.7)	(3.8)	EUR
Relius Nederland B.V.	Deurne, the Netherlands	100.0		4.3	(0.7)	EUR
Société Foncière et Industrielle S.A.S.	Clermont de l'Oise, France	92.9		8.1	0.1	EUR
Sorex Holding Ltd.	Widnes, United Kingdom	100.0		30.5	0.1	GBP
Wintershall (E&P) Ltd.	London, United Kingdom	100.0		42.4	(4.0)	GBP
Wintershall Nederland B.V.	Rijswijk, the Netherlands	100.0		862.9	33.1	EUR
Wintershall Noordzee B.V.	Rijswijk, the Netherlands	100.0		98.5	77.4	EUR
Wintershall Norge ASA	Stavanger, Norway	100.0		2,090.6	(109.6)	NOK
Wintershall Oil AG	Zug, Switzerland	100.0		433.3	18.8	USD
Wintershall Petroleum (E&P) B.V.	Rijswijk, the Netherlands	100.0		91.9	0.0	EUR
Wintershall (UK North Sea) Ltd.	Aberdeen, United Kingdom	100.0		16.5	(57.8)	GBP
ZAO BASF	Moscow, Russian Federation	100.0	100.0	28.1	6.8	EUR
ZAO Gazprom YRGM Trading	Krasnoselkup, Russian Federation	25.0*		51,441.3	8,435.1	RUB
North America						
BASF Americas Corporation	Florham Park, New Jersey, USA	100.0		4,029.8	0.0	USD
BASF California Inc.	Florham Park, New Jersey, USA	100.0		370.3	(0.1)	USD
BASF Canada Inc.	Mississauga, Ontario, Canada	100.0	99.99	286.0	15.0	CAD
BASF Catalyst Canada ULC	Halifax, Nova Scotia, Canada	100.0		544.5	0.0	CAD
BASF Catalysts Delaware LLC	Florham Park, New Jersey, USA	100.0		1,389.1	(0.4)	USD
BASF Catalysts Holding China LLC	Florham Park, New Jersey, USA	96.24		(14.9)	3.4	USD

* Fully consolidated according to Standing Interpretations Committee 12 of the International Accounting Standards Board (IASB)

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
BASF Catalysts Holding LLC	Florham Park, New Jersey, USA	100.0		993.8	(0.5)	USD
BASF Catalysts LLC	Florham Park, New Jersey, USA	100.0		721.5	7.2	USD
BASF Corporation	Florham Park, New Jersey, USA	100.0		2,210.9	630.8	USD
BASF de Costa Rica S.A.	San José, Costa Rica	100.0	100.0	10,004.4	1,213.6	CRC
BASF de Mexico S.A. de C.V.	México D.F., Mexico	100.0	99.99	409.0	13.3	USD
BASF Dominicana S.A.	Santo Domingo, Dominican Republic	100.0	100.0	146.7	47.9	DOP
BASF Fina Petrochemicals LP	Port Arthur, Texas, USA	60.0		879.5	295.9	USD
BASF Interservicios S.A. de C.V.	México D.F., Mexico	100.0	0.01	5.8	0.7	USD
BASF Intertrade Corporation	Houston, Texas, USA	100.0		0.5	(0.2)	USD
BASF Investments Canada Inc.	New Westminster, British Columbia, Canada	100.0		374.4	6.0	USD
BASF Mexicana S.A. de C.V.	México D.F., Mexico	100.0		478.3	126.5	USD
BASF Pipeline Holdings LLC	Houston, Texas, USA	100.0		9.9	0.7	USD
BASF Plant Science LP	Florham Park, New Jersey, USA	100.0		77.2	3.5	USD
BASF Properties Inc.	Mississauga, Ontario, Canada	100.0		8.8	1.9	USD
BASFIN Corporation	Florham Park, New Jersey, USA	100.0		3,324.3	0.0	USD
Chemical Insurance Company Ltd.	Hamilton, Bermuda	100.0		153.6	4.3	CHF
Ciba Specialty Chemicals Eurofinance Ltd.	Hamilton, Bermuda	100.0		24.2	1.0	EUR
Cognis Canada Corporation	Mississauga, Ontario, Canada	100.0		9.3	0.5	CAD
Cognis Corporation	Cincinnati, Ohio, USA	100.0		(46.4)	(0.3)	USD
Cognis Mexicana S.A. de C.V.	Ecatepec de Morelos, México, Mexico	100.0		324.9	(2.3)	MXN
Engelhard Asia Pacific LLC	Florham Park, New Jersey, USA	100.0		93.8	0.0	USD
Lumerica Insurance Company	Burlington, Vermont, USA	100.0		96.3	3.5	USD
Oliver Warehouse Inc.	Florham Park, New Jersey, USA	100.0		51.5	0.0	USD
PolyAd Services LLC	Earth City, Missouri, USA	100.0		7.5	3.0	USD
ProCat Testing Holdings Inc.	Florham Park, New Jersey, USA	100.0		11.7	0.0	USD
ProCat Testing LLC	Wixom, Michigan, USA	100.0		26.7	1.2	USD
Thousand Springs Trout Farms Inc.	Florham Park, New Jersey, USA	100.0		0.0	0.0	USD
Tradewinds Chemicals Corporation	Florham Park, New Jersey, USA	100.0		333.8	(61.5)	USD
Tradewinds Holding LLC	Florham Park, New Jersey, USA	100.0		464.0	0.0	USD
Watson Bowman Acme Corp.	Amherst, New York, USA	100.0		15.6	2.2	USD
Asia Pacific						
BASF Asia Pacific (India) Pvt. Ltd.	Mumbai, India	100.0		162.5	0.3	INR
BASF Asia Pacific Service Centre Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0		37.1	9.1	MYR
BASF Australia Ltd.	Southbank, Victoria, Australia	100.0		47.3	(55.9)	AUD
BASF Auxiliary Chemicals Company Ltd.	Shanghai, China	100.0		1,872.5	206.0	CNY
BASF Catalysts (Guilin) Co. Ltd.	Guilin, China	96.24		164.1	7.6	CNY
BASF Catalysts India Pvt. Ltd.	Maraimalainagar, India	94.99		1,480.9	248.7	INR
BASF Catalysts (Shanghai) Co. Ltd.	Shanghai, China	96.24		506.6	109.4	CNY
BASF Central Asia LLP	Almaty, Kazakhstan	100.0		1,386.1	151.4	KZT
BASF Chemcat (Thailand) Ltd.	Rayong, Thailand	79.95		988.3	208.2	THB
BASF Chemicals Company Ltd.	Shanghai, China	100.0		16.2	74.0	CNY
BASF (China) Company Ltd.	Shanghai, China	100.0	100.0	1,821.5	311.0	CNY
BASF China Limited	Hong Kong, China	100.0		107.7	91.8	HKD
BASF Coatings (India) Pvt. Ltd.	Mumbai, India	100.0	100.0	88.0	(131.7)	INR
BASF Coatings Japan Ltd.	Kanagawa, Japan	100.0		13,789.0	366.0	JPY
BASF Company Ltd.	Seoul, South Korea	100.0		968,207.0	299,975.0	KRW
BASF Construction Chemicals Australia Pty Ltd.	Seven Hills, New South Wales, Australia	100.0		16.7	4.3	AUD
BASF Construction Chemicals (China) Co. Ltd.	Shanghai, China	100.0	100.0	(333.0)	(69.7)	CNY
BASF Construction Chemicals (India) Pvt. Ltd.	Navi Mumbai, India	100.0		295.8	105.6	INR
BASF Construction Chemicals (Sichuan) Co. Ltd.	Qinglong, China	100.0		43.3	(18.5)	CNY
BASF East Asia Regional Headquarters Ltd.	Hong Kong, China	100.0		854.4	49.3	HKD
BASF Electronic Materials (Shanghai) Co. Ltd.	Shanghai, China	100.0		(44.0)	(18.5)	CNY

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
BASF Gao-Qiao Performance Chemicals (Shanghai) Co. Ltd.	Shanghai, China	75.0		627.4	57.6	CNY
BASF Hong Kong Ltd.	Hong Kong, China	100.0		290.6	253.8	HKD
BASF Idemitsu Co. Ltd.	Tokyo, Japan	67.0	67.0	1,768.0	184.0	JPY
BASF India Ltd.	Mumbai, India	71.69	49.84	9,628.0	1,156.4	INR
BASF Japan Ltd.	Tokyo, Japan	100.0		27,309.0	3,328.0	JPY
BASF (Malaysia) Sdn. Bhd.	Shah Alam, Malaysia	100.0		234.1	16.7	MYR
BASF New Zealand Ltd.	Auckland, New Zealand	100.0	100.0	7.8	(0.8)	NZD
BASF Pakistan (Private) Ltd.	Karachi, Pakistan	51.0	51.0	359.7	63.4	PKR
BASF Paper Chemicals (Jiangsu) Co. Ltd.	Jiangsu, China	100.0		141.6	46.2	CNY
BASF Performance Products Ltd.	Shanghai, China	100.0		286.2	25.4	CNY
BASF Performance Products Trading (Shanghai) Ltd.	Shanghai, China	100.0		93.7	76.9	CNY
BASF PETRONAS Chemicals Sdn. Bhd.	Shah Alam, Malaysia	60.0		458.5	413.4	USD
BASF PJPC Neopentylglycol Company Ltd.	Jilin, China	60.0	50.0	247.0	93.5	CNY
BASF Polyurethane Specialties (China) Co. Ltd.	Shanghai, China	100.0	7.0	247.3	82.0	CNY
BASF Polyurethanes (China) Co. Ltd.	Guangzhou, China	100.0		159.1	81.8	CNY
BASF Pozzolith Ltd.	Tokyo, Japan	100.0		7,041.0	434.0	JPY
BASF Qingdao Pigments Co. Ltd.	Qingdao, China	91.35		174.5	16.7	CNY
BASF Services (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	100.0	188.7	(2.7)	MYR
BASF Shanghai Coatings Company Ltd.	Shanghai, China	60.0		254.8	171.2	CNY
BASF South East Asia Pte. Ltd.	Singapore	100.0		660.3	128.7	USD
BASF Styrenics Holding Company	Port Louis, Mauritius	100.0	100.0	20.7	(13.5)	USD
BASF Taiwan Ltd.	Taipei, Taiwan R.O.C.	100.0		3,675.5	(198.3)	TWD
BASF (Thai) Ltd.	Bangkok, Thailand	100.0	99.99	946.4	107.2	THB
BASF Trading (Shanghai) Co. Ltd.	Shanghai, China	100.0		84.8	2.6	CNY
BASF Vietnam Co. Ltd.	Binh Duong, Vietnam	100.0		38,501.0	9,385.0	VND
BASF Vitamins Company Ltd.	Shenyang, China	100.0	60.0	231.3	44.1	CNY
Ciba (Australia) Pty. Ltd.	Thomastown, Victoria, Australia	100.0		0.1	0.3	AUD
Cognis Australia Pty. Ltd.	Tullamarine, Victoria, Australia	100.0		37.1	0.5	AUD
Cognis Chemicals (China) Co. Ltd.	Shanghai, China	100.0		578.0	15.6	CNY
Cognis Chemicals (HK) Ltd.	Hong Kong, China	100.0		12.9	1.2	HKD
Cognis Chemicals Trade (Shanghai) Co. Ltd.	Shanghai, China	100.0		21.5	1.6	CNY
Cognis Japan Ltd.	Tokyo, Japan	100.0		2,425.0	41.0	JPY
Cognis Korea Ltd.	Seoul, South Korea	100.0		8,266.0	560.0	KRW
Cognis Taiwan Ltd.	Taipei, Taiwan R.O.C.	100.0		127.9	5.7	TWD
Cognis Thai Ltd.	Bangkok, Thailand	100.0		1,784.6	36.1	THB
Engelhard China Ltd.	Shanghai, China	100.0	100.0	(159.4)	4.8	CNY
Engelhard Metals Japan Ltd.	Tokyo, Japan	100.0	100.0	3,363.0	(19.0)	JPY
Engelhard Metals Trading (Shanghai) Ltd.	Shanghai, China	100.0		13.7	6.8	CNY
Hachiyo Consultant Co. Ltd.	Tokyo, Japan	60.0		915.0	49.0	JPY
P.T. BASF Indonesia	Jakarta, Indonesia	99.99	99.99	491,305.0	118,708.0	IDR
P.T. Cognis Indonesia	Jawa Barrat, Indonesia	84.7		216,676.0	9,134.0	IDR
Shanghai BASF Polyurethane Company Ltd.	Shanghai, China	70.0		2,716.2	945.2	CNY
Styrolution India Private Ltd.	Mumbai, India	100.0		299.7	197.2	INR
South America, Africa, Middle East						
BASF Argentina S.A.	Buenos Aires, Argentina	100.0		227.8	44.0	ARS
BASF Chile S.A.	Santiago de Chile, Chile	100.0		26,823.0	1,933.0	CLP
BASF Construction Chemicals Algeria S.A.R.L.	Algiers, Algeria	60.0		464.1	482.3	DZD
BASF Construction Chemicals Egypt (SAE)	Cairo, Egypt	50.0*		54.8	38.0	EGP
BASF Construction Chemicals Limitada	Santiago de Chile, Chile	100.0		5,366.0	84.0	CLP
BASF Construction Chemicals South Africa (Pty) Ltd.	Midrand, South Africa	100.0		7.0	(8.5)	ZAR
BASF Construction Chemicals UAE LLC	Dubai, United Arab Emirates	49.0*		199.8	30.3	AED
BASF Corporate Services Chile S.A.	Santiago de Chile, Chile	100.0	99.93	12,813.0	(2.0)	CLP
BASF FZE	Dubai, United Arab Emirates	100.0	100.0	151.9	33.9	AED

* BASF exercises a controlling influence over financial and corporate policy

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
BASF Holdings South Africa (Pty.) Ltd.	Midrand, South Africa	100.0		731.1	7.3	ZAR
BASF Peruana S.A.	Lima, Peru	99.79	99.79	51.3	14.1	PEN
BASF Poliuretanos Ltda.	Mauá, Brazil	100.0		84.5	(6.5)	BRL
BASF Poliuretanos S.A.	Buenos Aires, Argentina	100.0		27.3	0.8	ARS
BASF Quimica Colombiana S.A.	Bogotá, Colombia	100.0		51,870.0	15,411.0	COP
BASF S.A.	São Paulo, Brazil	100.0		1,579.0	(76.5)	BRL
BASF South Africa (Pty.) Ltd.	Midrand, South Africa	100.0		506.3	(40.5)	ZAR
Ciba Especialidades Químicas Ltda.	São Paulo, Brazil	100.0		78.4	(6.0)	BRL
Ciba Middle East W.L.L.	Manama, Bahrain	100.0		11.9	19.8	USD
Cognis Brasil Ltda.	São Paulo, Brazil	100.0		124.5	3.5	BRL
Cognis Chile Ltda.	Santiago de Chile, Chile	100.0		5,955.0	111.0	CLP
Cognis de Colombia S.A.	Yumbo, Colombia	100.0		8,710.0	389.0	COP
Cognis S.A.	Buenos Aires, Argentina	100.0		55.4	(0.5)	ARS
Cognis South Africa (Pty.) Ltd.	Gauteng, South Africa	100.0		24.7	1.1	ZAR
Iranian BASF Construction Chemicals Private Joint Stock Company	Tehran, Iran	100.0		52,904.3	17,749.2	IRR
Saudi BASF for Building Materials Co. Ltd.	Al Khobar, Saudi Arabia	60.0		97.1	56.0	SAR
Wintershall Energía S.A.	Buenos Aires, Argentina	100.0		1,112.4	593.3	ARS

2. Proportionally consolidated affiliates

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
Germany						
Wintershall Erdgas Handelshaus GmbH & Co. KG	Berlin	50.0		0.6	*	EUR
Europe (excluding Germany)						
BASF DOW HPPO Holding B.V.	Hoek, the Netherlands	50.0		324.7	10.7	EUR
BASF DOW HPPO Production B.V.B.A.	Antwerp, Belgium	50.0		352.9	16.2	EUR
Ellba C.V.	Rotterdam, the Netherlands	50.0		87.4	131.7	EUR
HPPO Holding and Finance C.V.	Hoek, the Netherlands	50.0		77.8	8.7	EUR
Produits et Engrais Chimiques du Rhin S.A.	Ottmarsheim, France	50.0	50.0	45.6	8.0	EUR
WIEE Romania S.R.L.	Bucharest, Romania	50.0		16.5	13.3	RON
WINGAS Storage Enterprise Ltd.	London, United Kingdom	25.01		1.2	0.0	GBP
WINGAS Storage UK Ltd.	London, United Kingdom	25.01		47.2	0.8	GBP
Wintershall Erdgas Handelshaus Zug AG	Zug, Switzerland	50.0		46.0	67.2	USD
ZAO Achimgaz	Novy Urengoi, Russian Federation	50.0		6,068.1	3,179.8	RUB
North America						
Industrias Polioles S.A. de C.V.	México D.F., Mexico	49.9		3.2	0.6	USD
Polioles, S.A. de C.V.	México D.F., Mexico	50.0		73.8	26.1	USD
Sabina Petrochemicals LLC	Houston, Texas, USA	22.82		70.8	3.0	USD
Asia Pacific						
BASF INOAC Polyurethanes, Ltd.	Shinshiro, Japan	50.0		5,266.0	979.0	JPY
BASF-YPC Company Ltd.	Nanjing, China	50.0	10.0	13,461.8	2,380.3	CNY
Ellba Eastern Private Ltd.	Singapore	50.0		(144.7)	(25.2)	USD
N.E. Chemcat Corporation	Tokyo, Japan	49.87		41,877.0	3,358.0	JPY
Shanghai Gao Qiao-BASF Dispersions Co. Limited	Shanghai, China	50.0	40.0	407.5	135.8	CNY
Thai Ethoxylate Co. Ltd.	Bangkok, Thailand	50.0		1,112.5	18.5	THB
Toray BASF PBT Resin Sdn. Bhd.	Kuala Lumpur, Malaysia	50.0	50.0	80.6	8.8	MYR

* Profit/loss transfer agreement

3. Equity consolidated subsidiaries

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
Germany						
BASF Future Business GmbH	Ludwigshafen (Rhine)	100.0	100.0	65.7	*	EUR
BASF Venture Capital GmbH	Ludwigshafen (Rhine)	100.0		62.8	*	EUR
Lucura Rückversicherungs AG	Ludwigshafen (Rhine)	100.0		93.4	7.6	EUR
Wintershall Wolga Petroleum GmbH	Kassel	100.0		0.0	*	EUR
Asia Pacific						
BASF Polyurethanes (Malaysia) Sdn. Bhd.	Shah Alam, Malaysia	100.0		23.9	1.7	MYR

4. Equity consolidated affiliates

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
Germany						
Solvin GmbH & Co. KG***	Hanover	25.0	25.0	549.6	52.3	EUR
Europe (excluding Germany)						
BASF Huntsman Shanghai Isocyanate Investment B.V.	Arnhem, the Netherlands	50.0		74.0	2.6	EUR
BASF Interox H2O2 Production N.V.	Elsene, Belgium	25.0		9.3	4.9	EUR
CIMO Compagnie industrielle de Monthey S.A.**	Monthey, Switzerland	50.0		110.8	3.6	CHF
Indurisk Rückversicherung AG	Luxembourg, Luxembourg	50.0		35.0	0.4	EUR
Nord Stream AG**	Zug, Switzerland	15.5****		1,949.5	(48.5)	EUR
OAD Severneftegazprom**	Krasnoselkup, Russian Federation	25.0****		39,157.5	20,808.2	RUB
Asia Pacific						
Heesung Catalysts Corporation***	Seoul, South Korea	49.0		267,584.0	32,112.0	KRW
Shanghai Lianheng Isocyanate Company Ltd.	Shanghai, China	35.0		1,280.1	79.6	CNY

* Profit/loss transfer agreement

** Preliminary Financial Statements for 2010

*** Includes earnings of consolidated subsidiaries - Preliminary Financial Statements for 2010

**** BASF exercises significant influence over financial and corporate policy

***** Share of earnings totaling 35% through an additional preference share

II. Other subsidiaries, associated companies and other participating interests

1. Subsidiaries not consolidated due to immateriality

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
Germany			
Ausbildungsplatzinitiative Pfalz GmbH	Ludwigshafen (Rhine)	97.0	97.0
Axaron GmbH	Ludwigshafen (Rhine)	99.97	
baseclick GmbH	Tutzing	90.0	
BASF Akquisitions- und Objektverwertungsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	100.0
BASF Chemikalien GmbH	Ludwigshafen (Rhine)	100.0	100.0
BASF ChemTrade Gesellschaft mbH	Burgbernheim	100.0	100.0
BASF Coatings Services GmbH	Dortmund	100.0	
BASF Color Solutions Germany GmbH	Cologne	100.0	
BASF Fuel Cell GmbH	Frankfurt (Main)	100.0	
BASF Immobilien-Gesellschaft mbH	Ludwigshafen (Rhine)	100.0	100.0
BASF Innovationsfonds GmbH	Ludwigshafen (Rhine)	100.0	100.0
BASF Jobmarkt GmbH	Ludwigshafen (Rhine)	100.0	100.0
BASF Lizenz GmbH	Ludwigshafen (Rhine)	100.0	
BASF Mobilienleasing GmbH	Ludwigshafen (Rhine)	100.0	
BASF Styrenics Schwarzheide GmbH & Co. KG	Ludwigshafen (Rhine)	100.0	
BASF Ultradur Beteiligungs GmbH	Schwarzheide	100.0	100.0
BASF US Verwaltung GmbH	Ludwigshafen (Rhine)	100.0	
BFC Research GmbH	Ludwigshafen (Rhine)	100.0	
Cela Farbenfabrik C. Lagoni & Sohn GmbH & Co. KG	Kiel	100.0	
Cela Farbenfabrik C. Lagoni Verwaltungs-GmbH	Kiel	100.0	
Cognis Trust Management GmbH	Düsseldorf	100.0	
Elastogran Innovationsprojekte Beteiligungsgesellschaft mbH	Lemförde	100.0	
Elfte BASF Projektentwicklungsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	100.0
Gesellschaft zur Förderung der Lackkunst mbH	Münster	100.0	
Gewerkschaft des konsolidierten Steinkohlenbergwerks Breitenbach GmbH	Ludwigshafen (Rhine)	100.0	100.0
Gewerkschaft Röchling GmbH	Kassel	100.0	
Guano-Werke Pensionsverwaltung GmbH	Ludwigshafen (Rhine)	100.0	
Guano-Werke Verwaltungs-GmbH	Ludwigshafen (Rhine)	100.0	
Haidkopf GmbH	Kassel	100.0	
hte Aktiengesellschaft the high throughput experimentation company	Heidelberg	75.0	
LUCARA Immobilienverwaltungs GmbH	Ludwigshafen (Rhine)	100.0	100.0
LUWOG CONSULT GmbH	Ludwigshafen (Rhine)	100.0	
ME Projektentwicklung GmbH	Ludwigshafen (Rhine)	100.0	
Metanomics Health GmbH	Berlin	100.0	
Nordkaspische Explorations- und Produktions GmbH	Kassel	100.0	
OPAL NEL TRANSPORT GmbH	Kassel	50.02	
Projektentwicklungs-GmbH Friesenheimer Insel	Ludwigshafen (Rhine)	100.0	100.0
SEWOG Service- und Wohnungsunternehmen GmbH	Schwarzheide	100.0	100.0
SGS-Schwarzheider Gastronomie und Service GmbH	Schwarzheide	100.0	
Styrolution GmbH	Ludwigshafen (Rhine)	100.0	100.0
Styrolution Schwarzheide GmbH	Schwarzheide	100.0	
Ultraform Verwaltungsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	100.0
Vierzehnte BASF Chemiebetriebsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	
Vierzehnte BASF Erwerbsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	
Vierzehnte BASF Projektentwicklungsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	
WIBA Pensionsverwaltungs GmbH	Ludwigshafen (Rhine)	100.0	100.0
WINGAS GbR	Kassel	100.0	
WINGAS Verwaltungs-GmbH	Kassel	50.02	
Wintershall Middle East GmbH	Kassel	100.0	
Wintershall Russland GmbH	Kassel	100.0	
Zehnte BASF Erwerbsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
Zehnte BASF Finanzbeteiligungsgesellschaft mbH	Ludwigshafen (Rhine)	100.0	
Zweite BASF Immobilien-Gesellschaft mbH	Ludwigshafen (Rhine)	100.0	95.0
Europe (excluding Germany)			
Alcotech Ltd.	Cheadle, United Kingdom	100.0	
Allied Colloids Overseas Ltd.	Cheadle, United Kingdom	100.0	
Amylogene Handelsbolaget	Svalöv, Sweden	100.0	
Atlas Interlates Ltd.	Cheadle, United Kingdom	100.0	
AWIAG Ltd.	Birkirkara, Malta	100.0	
BASF Coatings Boya Sanayi ve Ticaret A.S.	Istanbul, Turkey	100.0	0.01
BASF Coatings Refinish Ltd.	Didcot, United Kingdom	100.0	
BASF Coatings Services A.B.	Hisings Kaerra, Sweden	100.0	
BASF Coatings Services AG	Au, Switzerland	100.0	
BASF Coatings Services B.V.	Maarsse, the Netherlands	100.0	
BASF Coatings Services GmbH	Eugendorf, Austria	100.0	
BASF Coatings Services Italy Srl	Cesano Maderno, Italy	100.0	
BASF Coatings Services S.A.	Waterloo, Belgium	100.0	
BASF Coatings Services S.A.	Guadalajara, Spain	99.71	
BASF Coatings Services S.A.	Prior Velho, Portugal	99.71	
BASF Coatings Services S.A.S.	Compans, France	100.0	
BASF Coatings Services Sp. z o.o.	Kobylnica, Poland	100.0	
BASF Coatings Services S.R.L.	Bucharest, Romania	100.0	
BASF Coatings Services s.r.o.	Bratislava, Slovakia	100.0	
BASF Coatings Storitve d.o.o.	Ljubljana, Slovenia	100.0	
BASF Color Solutions Belgium N.V.	Kuurne, Belgium	100.0	
BASF Color Solutions France S.A.S.	Clermont de l'Oise, France	100.0	
BASF Color Solutions Netherlands B.V.	Apeldoorn, the Netherlands	100.0	
BASF Construction Chemicals BH d.o.o.	Sarajevo, Bosnia-Herzegovina	100.0	
BASF Controls Ltd.	Widnes, United Kingdom	100.0	
BASF Croatia d.o.o.	Zagreb, Croatia	100.0	100.0
BASF EOOD	Sofia, Bulgaria	100.0	100.0
BASF Ireland Limited	Dublin, Ireland	100.0	99.99
BASF IT Services Holding Ltd.	Cheadle, United Kingdom	100.0	
BASF IT Services Ltd.	Cheadle, United Kingdom	100.0	
BASF IT Services N.V.	Waterloo, Belgium	100.0	
BASF IT Services S.A.	Tarragona, Spain	100.0	
BASF IT Services SpA	Cesano Maderno, Italy	100.0	
BASF Poliuretany Polska Sp.z o.o.	Srem, Poland	100.0	
BASF Polyuretány Slovensko s.r.o.	Malacky, Slovakia	100.0	
BASF Polyurethanes Nordic AB	Angered, Sweden	100.0	
BASF Slovenija d.o.o.	Ljubljana, Slovenia	100.0	100.0
BASF Srbija d.o.o.	Belgrade, Serbia	100.0	100.0
BASF S.R.L.	Bucharest, Romania	100.0	100.0
BASF T.O.V.	Kiew, Ukraine	100.0	
BASF UAB	Vilnius, Lithuania	100.0	100.0
Boots Galenika d.o.o.	Belgrade, Serbia	51.0	51.0
BTC Speciality Chemical Distribution A/S	Copenhagen, Denmark	100.0	
BTC Speciality Chemical Distribution Ltd.	Cheadle, United Kingdom	100.0	
BTC Speciality Chemical Distribution N.V.	Waterloo, Belgium	100.0	
BTC Speciality Chemical Distribution S.A.S.	Levallois-Perret, France	100.0	
BTC Speciality Chemical Distribution S.L.	Barcelona, Spain	100.0	
BTC Speciality Chemical Distribution SpA	Cesano Maderno, Italy	100.0	
Bumblebee Ltd.	Cork, Ireland	100.0	
Catstyecam Ltd.	Cork, Ireland	100.0	
Chemiquip Ltd.	Cheadle, United Kingdom	100.0	
Chem2U AG	Basel, Switzerland	100.0	

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
Ciba Specialty Chemicals (RC-GB) Ltd.	Cheadle, United Kingdom	100.0	
Ciba Specialty Chemicals Water Treatments B.V.	Maastricht, the Netherlands	100.0	
Ciba Specialty Chemicals Water Treatments N.V.	Groot-Bijgaarden, Belgium	100.0	
Ciba UK Pension Trust Ltd.	Cheadle, United Kingdom	100.0	
Cognis Austria GmbH	Vienna, Austria	100.0	
Cognis Benelux B.V.	Hoofddorp, the Netherlands	100.0	
Cognis Pension Trustee Ltd.	Southampton, United Kingdom	100.0	
Cognis Performance Chemicals UK Ltd.	Southampton, United Kingdom	100.0	
Cognis Specialty Organics Far East Ltd.	Southampton, United Kingdom	100.0	
Engelhard Arganda S.L.	Arganda del Rey, Madrid, Spain	100.0	100.0
Engelhard Pension Trustees Ltd.	London, United Kingdom	100.0	
Esuco Beheer B.V.	Nijehaske, the Netherlands	100.0	
Hythe Chemicals Ltd.	Southampton, United Kingdom	100.0	
Inca Bronze Powders Ltd.	Cheadle, United Kingdom	100.0	
Interlates Ltd.	Cheadle, United Kingdom	100.0	
Lipogene AB	Svalöv, Sweden	100.0	
Magenta Master Fibers Srl	Milan, Italy	60.0	
MetalFX Technology Ltd.	Cheadle, United Kingdom	100.0	
Plant Science Sweden AB	Svalöv, Sweden	100.0	
SCI ZS	Ostwald, France	100.0	
Sorex Ltd.	Widnes, United Kingdom	100.0	
Styrolution Belgium N.V.	Antwerp, Belgium	100.0	
Tasfiye Halinde Meges Boya Sanayi ve Ticaret A.S.	Istanbul, Turkey	75.46	
The Sheffield Smelting Co. Ltd.	Cheadle, United Kingdom	100.0	
Wingas Belgium B.V.B.A.	Brussels, Belgium	50.02	
WINGAS UK Limited	Richmond, United Kingdom	50.02	
Wintershall Exploration and Production International C.V.	Rijswijk, the Netherlands	100.0	
Wintershall Gas spol. s.r.o.	Prague, Czech Republic	100.0	
Wintershall Global Support B.V.	Rijswijk, the Netherlands	100.0	
Wintershall Nederland Transport and Trading B.V.	Rijswijk, the Netherlands	100.0	
Wintershall Norge AS	Oslo, Norway	100.0	
Wintershall Services B.V.	Rijswijk, the Netherlands	100.0	
Wintershall (UK) Ltd.	Aberdeen, United Kingdom	100.0	
North America			
4347617 Canada Inc.	Ottawa, Ontario, Canada	100.0	
Automotive Refinish Technologies LLC	Southfield, Michigan, USA	100.0	
Automotive Refinish Technology Inc.	Mississauga, Ontario, Canada	100.0	
BASF Construction Canada Holdings Inc.	Mississauga, Ontario, Canada	100.0	
BASF Construction Chemicals LLC	Cleveland, Ohio, USA	100.0	
BASF de El Salvador, S.A. de C.V.	San Salvador, El Salvador	100.0	99.95
BASF de Guatemala S.A.	Guatemala City, Guatemala	100.0	99.0
BASF de Nicaragua S.A.	Managua, Nicaragua	99.92	
BASF Fuel Cell Inc.	Somerset, New Jersey, USA	100.0	
BASF Metasheen	Smiths Falls, Ontario, Canada	100.0	
BASF Panamá S.A.	Panama City, Panama	100.0	100.0
BASF Performance Products LLC	Florham Park, New Jersey, USA	100.0	
BASF Polyurethane Foam Enterprises LLC	Plymouth, Minnesota, USA	100.0	
BASF Sparks LLC	Florham Park, New Jersey, USA	100.0	
BASF Venture Capital America Inc.	Fremont, California, USA	100.0	
Ciba Metasheen Investment Inc.	Smiths Falls, Ontario, Canada	100.0	
Ciba S.A.	Guatemala City, Guatemala	100.0	
DNA LandMarks Inc.	St.-Jean-sur-Richelieu, Quebec, Canada	100.0	
Engelhard Energy Corporation	Florham Park, New Jersey, USA	100.0	
Engelhard Power Marketing Inc.	Florham Park, New Jersey, USA	100.0	
Mustang Property Corporation	Florham Park, New Jersey, USA	100.0	

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
Styrolution México S.A. de C.V.	México D.F., Mexico	100.0	
Styrolution Servicios S.A. de C.V.	México D.F., Mexico	100.0	
Styrolution USA LLC	Florham Park, New Jersey, USA	100.0	
Whitmire Micro Gen Research Laboratories Inc.	Florham Park, New Jersey, USA	100.0	
Wolstenholme (Canada) Ltd.	Smiths Falls, Ontario, Canada	100.0	
Asia Pacific			
Allied Colloids (Asia) Ltd.	Hong Kong, China	100.0	
Allied Colloids (Australia) Pty. Ltd.	Wyong, New South Wales, Australia	100.0	
Allied Colloids Chemicals (Far East) Pte. Ltd.	Singapore	100.0	
Azuma Bussan Ltd.	Fukushima, Japan	60.0	
BASF Bangladesh Ltd.	Dhaka, Bangladesh	76.41	76.41
BASF Chemicals and Polymers Pakistan (Private) Ltd.	Karachi, Pakistan	100.0	100.0
BASF Coatings + Inks Philippines Inc.	Makati, Metro Manila, Philippines	100.0	
BASF Coatings Australia Pty. Ltd.	Wetherill Park, New South Wales, Australia	100.0	
BASF Coatings International Trade (Shanghai) Co. Ltd.	Shanghai, China	100.0	
BASF Construction Chemicals (Beijing) Co. Ltd.	Peking, China	100.0	
BASF Construction Chemicals (Hong Kong) Limited	Hong Kong, China	100.0	100.0
BASF Construction Chemicals Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0	16.93
BASF Construction Systems (China) Co. Ltd.	Huzhou, China	100.0	
BASF Electronic Materials Sdn. Bhd.	Kulim, Malaysia	100.0	100.0
BASF Grameen Ltd.	Dhaka, Bangladesh	99.5	99.5
BASF Lanka (Private) Limited	Colombo, Sri Lanka	100.0	99.99
BASF LLC	Ulaanbaatar, Mongolia	100.0	
BASF Paper Chemicals (Huizhou) Co. Ltd.	Huizhou, China	100.0	
BASF Philippines Inc.	Manila, Philippines	100.0	100.0
BASF Polyurethanes India Ltd.	Mumbai, India	71.69	
BASF Polyurethanes (Thailand) Ltd.	Samutprakarn, Thailand	100.0	99.99
BASF See Sen Sdn. Bhd.	Kuala Lumpur, Malaysia	70.0	70.0
BNC Color Techno Co. Ltd.	Fukuoka, Japan	100.0	
Ciba (Australia) Superannuation Pty. Ltd.	Thomastown, Victoria, Australia	100.0	
Ciba (Malaysia) Sdn. Bhd.	Shah Alam, Malaysia	100.0	
Ciba (Nanjing) Co. Ltd.	Nanjing, China	100.0	
Ciba Specialty Chemicals (Thailand) Ltd.	Bangkok, Thailand	100.0	
Cognis (Malaysia) Sdn. Bhd.	Subang Jaya, Malaysia	100.0	
Cognis Specialty Chemicals Pvt. Ltd.	Mumbai, India	100.0	
Contec Co. Ltd.	Tokyo, Japan	84.0	
Doobon Fine Chemical Co. Ltd.	Chungwon, South Korea	63.0	
Engelhard (Shanghai) Co. Ltd.	Shanghai, China	100.0	
Guangzhou Ciba Co. Ltd.	Guangzhou, China	80.0	
Lig Ace Co. Ltd.	Fukui, Japan	100.0	
P.T. Ciba Specialty Chemicals Trading	Jakarta, Indonesia	100.0	
P.T. Intercipta Kimia Pratama	Serang, Indonesia	60.0	
P.T. Kapo Kimia Kencana	Jakarta, Indonesia	100.0	
Shanghai MBT & SCG High-Tech Construction Chemical Co. Ltd.	Shanghai, China	60.0	
Styrolution East Asia Co. Ltd.	Hong Kong, China	100.0	
Styrolution Korea Ltd.	Seoul, South Korea	100.0	
Styrolution Polymers (Shanghai) Co. Ltd.	Shanghai, China	100.0	
Styrolution South East Asia Pte. Ltd.	Singapore	100.0	
Taiko Shoji Ltd.	Saitama, Japan	60.0	
Yueyang Tairui Specialty Chemicals Co. Ltd.	Yueyang, China	55.0	
Yugen Kaisha Sankyo Shoji	Osaka, Japan	70.0	
South America, Africa, Middle East			
Aislapol S.A.	Santiago de Chile, Chile	100.0	
BASF Bolivia S.r.l.	Santa Cruz de la Sierra, Bolivia	100.0	99.99

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
BASF Coatings (Pty.) Ltd.	Johannesburg, South Africa	100.0	
BASF Coatings Services (Pty.) Ltd.	Milnerton, South Africa	100.0	
BASF Construction Chemicals ORIA FZE	Dubai, United Arab Emirates	100.0	
BASF Construction Chemicals Perú S.A.	Lima, Peru	70.0	
BASF Ecuatoriana S.A.	Quito, Ecuador	100.0	99.84
BASF Iran AG	Tehran, Iran	100.0	100.0
BASF Kaspian Yapi kimyasallari Sanayi mehud mesuliyetli cemiyyeti	Sumgayit, Azerbaijan	80.0	
BASF Ltd.	Cairo, Egypt	100.0	99.0
BASF Maroc S.A.	Casablanca, Morocco	100.0	100.0
BASF Paraguay S.A.	Asunción, Paraguay	100.0	99.95
BASF Poliuretanos Colombia Ltda.	Cartagena, Colombia	100.0	
BASF Polyurethanes Pars (Private Joint Stock) Company	Tehran, Iran	100.0	
BASF Polyurethanes South Africa (Pty.) Ltd.	Edenvale, South Africa	51.0	
BASF S.p.A.	Algiers, Algeria	100.0	100.0
BASF Uruguay S.A.	Montevideo, Uruguay	100.0	100.0
BASF Venezolana S.A.	Caracas, Venezuela	100.0	73.67
Ciba (Pty.) Ltd.	Spartan, South Africa	100.0	
Cognis Guyane Société en Participation	Cayenne, French Guiana	75.0	
Cyanamid Limited	Lilongwe, Malawi	100.0	
Cyanamid Zimbabwe (Pvt.) Ltd.	Workington, Zimbabwe	100.0	
Engelhard Peru S.A.	Lima, Peru	100.0	
Engelhard South Africa (Pty.) Ltd.	Port Elizabeth, South Africa	100.0	
Jordanian Swiss Company for Manufacturing & Marketing Construction Chemicals Company Ltd.	Amman, Jordan	80.0	
Styrolution do Brasil Polimeros Ltda.	São Paulo, Brazil	100.0	
Wintershall BM-C-10 Ltda.	Rio de Janeiro, Brazil	100.0	
Wintershall BM-C-19 Ltda.	Rio de Janeiro, Brazil	100.0	
Wintershall BM-ES-1 Ltda.	Rio de Janeiro, Brazil	100.0	
Wintershall BM-ES-7 Ltda.	Rio de Janeiro, Brazil	100.0	
Wintershall Chile Lda.	Santiago de Chile, Chile	100.0	
Wintershall do Brasil Serviços Ltda.	Rio de Janeiro, Brazil	100.0	

2. Associated companies not consolidated due to immateriality

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
Germany			
ARG Verwaltungs GmbH	Duisburg	20.0	20.0
Aurentum Innovationstechnologien GmbH	Mainz	48.2	
Cavis Microcaps GmbH	Mainz	24.46	
EPS Ethylen-Pipeline Süd GmbH & Co. KG	Munich	20.1	20.1
Erdgas Münster GmbH	Münster	28.77	
Erdgas Münster Transport GmbH & Co. KG	Münster	28.77	
GAG Ludwigshafen am Rhein AG für Wohnungs-, Gewerbe- und Städtebau	Ludwigshafen (Rhine)	30.0	
InfraLeuna Beteiligungs-GmbH	Leuna	27.0	
KARANTO Corrosion Protection Technologies GmbH	Düsseldorf	50.0	
KNK Carbo Store GmbH & Co. KG	Frankfurt (Main)	50.0	
KNK Kraftwerksbeteiligung GmbH & Co. KG	Frankfurt (Main)	50.0	
KNK Ocean Breeze Windkraft-Beteiligungs GmbH & Co. KG	Frankfurt (Main)	50.0	
KNK Ocean Breeze GmbH	Frankfurt (Main)	50.0	
KNK Onventus GmbH	Frankfurt (Main)	50.0	
KNK Thermo Solar Power GmbH	Frankfurt (Main)	50.0	
KNK Verwaltungs-GmbH	Frankfurt (Main)	50.0	
KNK Wind GmbH	Frankfurt (Main)	39.59	
KTL Kombi-Terminal Ludwigshafen GmbH	Ludwigshafen (Rhine)	40.0	40.0

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
M-Exchange AG	Frankfurt (Main)	46.5	
Projektförderung Initiative für Beschäftigung für Westfalen GmbH	Münster	25.0	
PSG Procurement Service GmbH	Lohmar	50.0	
Rheingas Erdgasleitungsgesellschaft mbH	Hanover	50.0	50.0
Solvin Europe GmbH	Hanover	25.2	25.2
S.T.E.P. Personalentwicklungsgesellschaft mbH	Ludwigshafen (Rhine)	33.4	33.4
tecpol Technologieentwicklungs GmbH für ökoefiziente Polymerverwertung	Hanover	20.27	6.11
WIEH Verwaltungs-GmbH	Kassel	50.0	
WV Energie AG	Frankfurt (Main)	50.0	
WV Service GmbH	Frankfurt (Main)	50.0	
WV Versicherungsmakler GmbH	Frankfurt (Main)	25.0	
ZEMBET Entwicklungsgesellschaft mbH	Ulm	50.0	
Europe (excluding Germany)			
ARA Kaisten AG	Kaisten, Switzerland	25.0	
BASF Dow HPPO B.V.	Hoek, the Netherlands	50.0	
BASF Dow HPPO Technology B.V.	Hoek, the Netherlands	50.0	
BASF IBC Admixture Systems Limited	Dublin, Ireland	50.0	
bci Betriebs-AG	Basel, Switzerland	42.54	
Combinant N.V.	Antwerp, Belgium	45.0	
CSEBER Non-Profit Közhasznú Kft.	Budapest, Hungary	22.72	
Ellba B.V.	Arnhem, the Netherlands	50.0	
Forest Pilot Center Oy	Raisio, Finland	45.0	
Gestio de Residus Especiales de Catalunya S.A.	Tarragona, Spain	33.34	
Kiinteistö Oy Raisio Koepainolaitos	Raisio, Finland	25.0	
OOO Elastokam	Nishnekamsk, Russian Federation	50.0	
OOO Wolgodeminoil	Wolgograd, Russian Federation	50.0	
Société de Participation dans l'industrie et le Transport du Pétrole S.A.R.L.	Neuilly-sur-Seine, France	27.22	27.22
TAPP A.I.E. Terminal de Atraque de Prod. Petroquim	Tarragona, Spain	50.0	
WIEE Bulgaria EOOD	Sofia, Bulgaria	50.0	
WIEE Hungary Kft.	Budapest, Hungary	50.0	
Wirom Gas S.A.	Bucharest, Romania	25.56	
North America			
Buckeye Products Pipeline LP	Houston, Texas, USA	22.0	
Fort Amanda Specialities LLC	Lima, Ohio, USA	50.0	
Gulf Coast Pipeline LP	Houston, Texas, USA	22.0	
SDCmaterials Inc.	Tempe, Arizona, USA	21.69	
Splice Sleeve North America Inc.	Ontario, California, USA	32.5	
Asia Pacific			
Mitomo Semicon Engineering Co. Ltd.	Ibaraki, Japan	50.0	
N.E. Chemcat Korea Corporation	Seoul, South Korea	50.0	
N.E. Chemcat Shanghai Corporation	Shanghai, China	50.0	
N.E. Chemcat Singapore Pte. Ltd.	Singapore	50.0	
N.E. Chemcat Taiwan Corporation	Kaohsiung, Taiwan R.O.C.	50.0	
Nihon Splice Sleeve Ltd.	Tokyo, Japan	32.5	
Nippon Alkyl Phenol Co. Ltd.	Tokyo, Japan	50.0	
Nisso BASF Agro Co. Ltd.	Tokyo, Japan	45.0	45.0
Pigment Manufactures of Australia Ltd.	Laverton, Victoria, Australia	50.0	
Santoku BASF Pte. Ltd.	Singapore	49.0	49.0
Shandong Ruikang Specialty Chemicals Co. Ltd.	Shouguang, China	49.0	
Xiangtan Chemicals & Pigments Co. Ltd.	Xiangtan, China	49.0	
Yangzi-BASF Styrenics Co. Ltd.	Nanjing, China	50.0	10.0

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
South America, Africa, Middle East			
BASF Construction Chemicals LLC	Muscat, Oman	24.01	
BASF Kanoo Gulf FZE	Dubai, United Arab Emirates	49.0	
BASF Kanoo Gulf LLC	Dubai, United Arab Emirates	49.0	49.0
BASF Trading Egypt (SAE)	Cairo, Egypt	48.0	
BASF Tunisie S.A.	Tunis, Tunisia	49.0	49.0
Elastogran Kanoo Polyurethane Systems LLC	Abu Dhabi, United Arab Emirates	49.0	
Elastogran Kanoo Polyurethane Systems LLC	Dubai, United Arab Emirates	49.0	
Extractive Technologies (Pty.) Ltd.	Sasolburg, South Africa	23.0	

3. Participating interests of between 5 and 20 percent in major corporations (Section 285, No. 11 of the German Commercial Code)

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Stockholders' equity (million)	Net income (million)	Currency (ISO code)
Germany						
InfraLeuna GmbH	Leuna	6.62		382.8*	13.8*	EUR
K + S Aktiengesellschaft	Kassel	10.3	10.3	1,222.1*	42.8*	EUR
SYGNIS Pharma AG	Heidelberg	13.49	11.77	54.4**	(2.3**)	EUR
VNG-Verbundnetz Gas AG	Leipzig	15.79		780.1*	169.9*	EUR
Europe (excluding Germany)						
Société du Pipeline Sud-Européen S.A.	Neully-sur-Seine, France	14.28	10.0	11.3*	(5.4*)	EUR
Asia Pacific						
Eternal Specialty Chemical (Zhuhai) Co. Ltd.	Zhuhai, China	10.0		259.9*	59.3*	CNY

* Financial Statements 2009

** Financial Statement to the March 31 (Business year 2009/2010)

III. Information on subsidiaries

The German subsidiaries listed below, which have the legal form of either a corporation or a partnership, make use of the exemptions offered by Section 264, [3] or Section 264 b of the German Commercial Code, respectively:

Company	Headquarters
BASF Agro Trademarks GmbH	Ludwigshafen (Rhine)
BASF Akquisitions GmbH	Ludwigshafen (Rhine)
BASF Bautechnik GmbH	Trostberg
BASF Beteiligungsgesellschaft mbH	Ludwigshafen (Rhine)
BASF Catalysts Germany GmbH	Hanover
BASF Catalysts Grundbesitz GmbH & Co. KG	Ludwigshafen (Rhine)
BASF Coatings GmbH	Münster
BASF Construction Chemicals GmbH	Trostberg
BASF Construction Chemicals Grundbesitz GmbH & Co. KG	Ludwigshafen (Rhine)
BASF Construction Polymers GmbH	Trostberg
BASF Grenzach GmbH	Grenzach-Wyhlen
BASF Handels- und Export GmbH	Ludwigshafen (Rhine)
BASF Immobilien Pigment GmbH	Ludwigshafen (Rhine)
BASF Isocyanate China Investment GmbH	Ludwigshafen (Rhine)
BASF IT Services GmbH	Ludwigshafen (Rhine)
BASF IT Services Holding GmbH	Ludwigshafen (Rhine)
BASF Lampertheim GmbH	Lampertheim
BASF Leuna GmbH	Leuna

Company	Headquarters
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhine)
BASF Performance Polymers GmbH	Rudolstadt
BASF PharmaChemikalien GmbH & Co. KG	Ludwigshafen (Rhine)
BASF Pigment GmbH	Ludwigshafen (Rhine)
BASF Plant Science Company GmbH	Ludwigshafen (Rhine)
BASF Plant Science GmbH	Ludwigshafen (Rhine)
BASF Polyurethanes GmbH	Lemförde
BASF Schwarzheide GmbH	Schwarzheide
BASF Services Europe GmbH	Berlin
BASF Specialty Chemicals Marketing GmbH	Ludwigshafen (Rhine)
BASF Wall Systems GmbH & Co. KG	Marktredwitz
BPG Immobilien GmbH	Ludwigshafen (Rhine)
BPS-Finanzbeteiligungsgesellschaft mbH	Ludwigshafen (Rhine)
BTC Specialty Chemical Distribution GmbH	Cologne
Construction Research & Technology GmbH	Trostberg
Dr. Wolman GmbH	Sinzheim
GEWOGGE Wohnungsunternehmen der BASF GmbH	Ludwigshafen (Rhine)
Guano-Werke GmbH & Co. KG	Ludwigshafen (Rhine)
LUWOGGE GmbH	Ludwigshafen (Rhine)
Metanomics GmbH	Berlin
PCI Augsburg GmbH	Augsburg
PolyAd Services GmbH	Lampertheim
Relius Coatings GmbH & Co. KG	Oldenburg (Oldb)
SunGene GmbH	Gatersleben
WINGAS GmbH & Co. KG	Kassel
WINGAS Holding GmbH	Kassel
WINGAS TRANSPORT GmbH	Kassel
Wintershall Erdgas Beteiligungs-GmbH	Kassel
Wintershall Erdgas Handelshaus GmbH & Co. KG	Berlin
Wintershall Holding AG	Kassel
Wintershall Lenkoran GmbH	Kassel
Wintershall Libyen Oil & Gas GmbH	Kassel
Wintershall Norwegen Explorations- und Produktions- GmbH	Ludwigshafen (Rhine)
Wintershall Russia Holding GmbH	Kassel
Wintershall Vermögensverwaltungsgesellschaft mbH	Kassel

Disclosures pursuant to Section 285, No. 11a of the German Commercial Code (position of BASF SE as shareholder with unlimited liability)

Company	Headquarters
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhine)

Ludwigshafen am Rhein, February 23, 2011

Board of Executive Directors

Assurance pursuant to Sections 264 (2), 289 (1) of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statements of BASF SE give a true and fair view of the assets, liabilities, financial position and profit situation of BASF SE, and the Management's Analysis of BASF SE includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of BASF SE.

Ludwigshafen, February 23, 2011



DR. JÜRGEN HAMBRECHT
Chairman of the Board of Executive Directors



DR. KURT BOCK
Chief Financial Officer



DR. MARTIN BRUDERMÜLLER



DR. HANS-ULRICH ENGEL



DR. JOHN FELDMANN



DR. ANDREAS KREIMEYER



DR. STEFAN MARCINOWSKI



DR. HARALD SCHWAGER

Auditor's report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the Management's Analysis of BASF SE, Ludwigshafen am Rhein, for the business year from January 1, 2010 to December 31, 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the Management's Analysis based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the Management's Analysis are detected with reasonable assurance. Knowledge of the business activities and

the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the Management's Analysis are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and Management's Analysis. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The Management's Analysis is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 23, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schindler
Wirtschaftsprüfer

Fischer
Wirtschaftsprüferin