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**Report of the Board of Executive Directors to the Annual Shareholders' Meeting on May 12, 2017 on the authorization to buy back and use the Company's own shares and on the exclusion of the subscription right in the reissue of Company shares in accordance with Article 9 of the SE Regulation in combination with Section 71(1) No. 8 and Section 186(4) Sentence 2 of the German Stock Corporation Act.**

Under Item 6 of the Agenda, the Board of Executive Directors and the Supervisory Board propose that the Company should be authorized up to May 11, 2022 to buy back the Company's shares in the amount of up to 10 percent of the share capital at the time of the resolution by the Annual Shareholders' Meeting. This authorization shall enable the Company to buy back own shares. With a share capital at the level on the day of the approval of the Financial Statements for 2016 and unchanged on the day of the Annual Shareholders' Meeting, the Company could buy back a maximum of 91,847,869 of its own shares. Company shares may be bought back both by the Company itself and by dependent or majority-owned companies (Group companies) or by third parties acting for account of the Company or for account of Group companies.

Company shares can be bought back via the stock exchange or by way of a public purchase offer. The principle of the equal treatment of shareholders according to Section 53(a) of the German Stock Corporation Act must be safeguarded in the offer. The proposed buyback via the stock exchange or by way of the public purchase offer takes this into account. In the event that, in the case of a public purchase offer, the number of tendered shares exceeds the purchase volume envisaged by the Company, the purchase will be effected proportionately according to the ratio of the tendered shares per shareholder. However, independently of the shares tendered by the shareholder, provisions can be made for a preferential purchase of small numbers up to 100 shares per shareholder. Shares with a tender price fixed by the shareholder at which the shareholder is willing to sell the shares to the Company and which is higher than the purchase price fixed by the Company will not be taken into consideration in the purchase.

The proposed authorization provides that purchased Company shares can be redeemed without a further authorization by the Annual Shareholders' Meeting or sold again on the stock exchange or by way of a public offer to all shareholders. As a rule, the redemption of the Company's own shares results in a reduction of the Company's share capital. However, the Board of Executive Directors is also authorized to redeem the Company's own shares without reducing the share capital according to Section 237(3) No. 3 of the German Stock Corporation Act. This would mean that the proportion of the other shares to the share capital would increase

proportionately according to Section 8(3) of the German Stock Corporation Act (notional principle). The principle of equal treatment established under German stock corporation law is safeguarded in the case of both the above selling methods.

The Company's shares that have been bought back may also be sold to third parties by the Board of Executive Directors with the approval of the Supervisory Board in return for cash payments with the exclusion of the shareholders' subscription rights, provided that the selling price per share is not significantly lower than the price of Company shares on the stock exchange at the time of the sale. With this authorization, use is made of the possibility of the simplified subscription right exclusion permitted in Section 71(1) No. 8 of the German Stock Corporation Act with appropriate application of Section 186(3) Sentence 4 of the German Stock Corporation Act. This enables the Board of Executive Directors to take advantage quickly and flexibly of the opportunities of favorable stock exchange situations and to achieve as high a resale price by means of a close-to-market price determination and thus to achieve as great a strengthening of the share capital as possible or to develop new groups of investors. The authorization is given with the provision that the shares issued with the exclusion of the subscription right may not as a whole exceed 10 percent of the share capital. Those shares that were issued during the term of the reselling authorization from authorized capital with the exclusion of the subscription right according to Section 186 (3) Sentence 4 of the German Stock Corporation Act must be credited against the above restriction. The shareholders' pecuniary and voting rights interests are appropriately safeguarded through this method of selling the Company's own shares. In principle, the shareholders can maintain their participation quota under comparable conditions by purchasing shares on the stock exchange.

The Board of Executive Directors, with the approval of the Supervisory Board, shall also be authorized to sell the bought-back Company shares in return for contributions in kind with the exclusion of the shareholders' subscription right. This will give the Company the opportunity, in suitable individual cases on the German market or international markets, to quickly and successfully purchase companies, parts of companies or holdings in companies in exchange for Company shares or to participate in corporate mergers in return for transferring the Company's own shares. It is not an uncommon outcome of negotiations that shares are to be offered rather than cash as a consideration. The possibility of offering the Company's own shares as a consideration instead of or in addition to a cash payment for the acquisition of a company can thus provide an advantage in the case of competition for attractive acquisition objects and permits corporate acquisitions to be carried out while preserving liquidity. With the permission to reissue the Company's own shares to acquire companies with the exclusion of the subscription right, the Company receives an additional option that can help to shape an acquisition project successfully and thus to support the further development of BASF in the interests of both shareholders and the company. The Board of Executive Directors will study on a case-by-case basis whether the resale or transfer of the Company's own shares for the

purpose of acquiring companies and the associated exclusion of the subscription right is also in the well-understood interests of the Company, taking the shareholders' interests into consideration. It will in particular ensure that, in specifying the pricing ratios, the shareholders' interests remain safeguarded.

Ludwigshafen/Rhine, February 2017

BASF SE

The Board of Executive Directors

Dr. Kurt Bock	Dr. Martin Bruder Müller	Dr. Hans-Ulrich Engel	Sanjeev Gandhi
Michael Heinz	Dr. Harald Schwager	Wayne T. Smith	Margret Suckale