

**Speech for the
Annual Shareholders' Meeting**

May 4, 2018

Dr. Kurt Bock

Chairman of the Board of Executive Directors of BASF SE

The spoken word applies.

Annual Shareholders' Meeting of BASF SE

May 4, 2018

Ladies and gentlemen,

dear BASF shareholders,

I would like to welcome you on behalf of the Board of Executive Directors. Thank you for your interest in BASF. We have had a good start to the year 2018, with slight growth in sales volumes and earnings. The 2017 business year was also positive. We significantly exceeded our targets. We grew substantially and increased our profitability.

This is good news. BASF is in a good position. But there is still much to be done. The global challenges are growing. There is no reason to sit back and relax. Just take a look at your newspaper or tablet and you will see: Things have not become easier since last year – not in Germany, not in Europe, not in the world.

Who would have expected one year ago that the new government in Germany would only just be starting its work now? That tensions in Europe would increase further? And that a trade war is no longer a utopia?

The economy seems entirely unfazed by all this. We are growing and the job motor is humming along. In Germany, the discussion focuses on how to distribute the cake more fairly – but not how to secure future prosperity.

That is also something I will address today. But first, let's take a look at BASF.

Why was 2017 such a successful year for us? How did our businesses develop? And what challenges will we face in the future? After that, I will speak about why we are optimistic about being able to successfully continue on our path. And finally, I will touch on the political framework conditions. What do we need in order to remain successful?

1. Review of 2017

There were several reasons for our success last year.

First of all, the market conditions were favorable. There was growth in all regions, especially in Europe. BASF grew even faster than the market. Furthermore, we increased our prices, in part to compensate for higher raw material costs. Overall, our sales grew by 12% to €64.5 billion.

Secondly, we continued to rein in costs. That is also one reason why operating earnings, our EBIT before special items, grew even more sharply, by around one-third to €8.3 billion. This is a record. Net income climbed even higher, by 50% to €6.1 billion.

Thirdly, our investments in research and development as well as in updating and expanding our production facilities paid off. This is particularly evident in Asia, where we achieved above-average growth and doubled our earnings. Asia is therefore now the most profitable region for BASF. Who would have thought that a few years ago?

Fourthly – and in my opinion, most importantly: The BASF team once again did a terrific job.

Dear employees, for your all your efforts and achievements, the Board and I would like to say: Thank you very much!

For our employees, this also means considerably higher bonuses and profit-sharing because our return on assets increased by nearly three percentage points to 10.8%. This is the global benchmark for our performance-related compensation.

For you, our shareholders, we have once again proposed a higher dividend: an increase of 10 cents to €3.10 per share.

We will thus pay out €2.8 billion to you.

During the discussion later on, some of you will surely call for a higher dividend. We think our dividend proposal is appropriate. It is in line with the rhythm of previous years and with our dividend policy. As you know, our policy is: We aim to increase our dividend each year, or at least maintain it at the previous year's level. We have been able to do this for more than 15 years, with only one exception. Our dividend policy stands for reliability and sustainability. This is a promise we keep. Moreover, we have no shortage of ideas for creating additional value for you in our company.

As shareholders, you also benefit from the development of BASF's share price. How did BASF's valuation develop in 2017? At the end of the year, the share price was €91.74. This was 3.9% higher than the closing price in 2016. During 2017, the BASF share reached an all-time high of €97.46.

Accordingly, 60% of analysts have a buy rating for BASF shares and 40% have a hold rating. The analysts' average target price for the BASF share is €101. We consider that to be an affirmation of our work. It also shows there is still room for improvement.

Most of you have been loyal to us for many years. We want your investment to be worthwhile. How has the price of your BASF shares developed over the long term?

Let's assume you invested €1,000 in BASF shares in 2007 and re-invested your dividends in BASF shares for these past 10 years. Your shareholding would have been worth €2,676 in 2017 and you would have achieved an annual return of 10.3%. We thus outperformed the indices: DAX30 (4.8%), Euro STOXX 50 (0.8%) and MSCI World Chemicals (6.8%).

The primary indicator of the value we produce for you, our shareholders, is EBIT after cost of capital. In 2017, we more than doubled this figure to €2.7 billion. At the same time, we significantly reduced our net debt. Our balance sheet is very healthy.

We thus have ideal conditions to shape our future from a position of strength.

Does that mean everything is fine? I think a look at our segments reveals a number of areas that need work. These will challenge us in the future. Each of them will require a unique approach.

Business was especially good in the Chemicals segment. We more than doubled our earnings. Higher margins and volumes in the basic chemicals and intermediates businesses contributed to this increase in income.

The first quarter was also satisfactory, even though some of our major plants could not produce as planned. In the United States, severe winter weather along the Gulf Coast led to production disruptions. In China, the government temporarily turned off our gas supplies, so we had to idle important plants. We cannot influence the weather or politics. But we have to minimize the impact they have.

The Performance Products segment is a supplier to many different sectors, ranging from mining to the cosmetics industry. The segment did not meet our expectations in 2017. We did grow, but we were dissatisfied with the decline in earnings in some important businesses. This was mainly due to a sharp increase in raw material costs, which we were not able to fully pass on to our customers.

Our priority this year is improving margins, which we were able to accomplish in the first three months of the year. At the same time, we are restructuring some of our businesses. In 2017, for example, we transferred our business with leather chemicals to the Stahl Group.

This year we want to bring our business with chemicals for water treatment and the paper industry into a merger with Solenis. Solenis is a leading specialty chemicals company that supplies products for water treatment. BASF generates sales of around €800 million in this business, Solenis approximately €1.6 billion. Together we want to offer our customers comprehensive solutions in the field of water chemicals and paper chemicals. We will hold a share of 49% in the merged company.

The Functional Materials & Solutions segment primarily supplies products for the automotive and construction industries. These businesses are growing quickly, especially in Asia. However, we are also feeling pressure from rising raw material costs and, since the fourth quarter, the effects of the strong euro. Both of these factors had a negative impact on earnings in the first quarter. We want to make up ground here.

This year we want to acquire Solvay's global polyamide business. We offered €1.6 billion in this deal, which will expand our product portfolio. In this way, we want to fully utilize our innovative strength for the automotive industry.

Our crop protection business performed well in 2017. In particular, the final sprint in the fourth quarter was impressive. The year 2018 got off to a subdued start owing to the long, cold winter and things are only now picking up.

2018 will be especially exciting. We are planning to acquire significant parts of Bayer's crop protection and seed business. The purchase price of €7.6 billion makes this our biggest acquisition ever.

And finally, Oil & Gas: We sharply reduced costs. We increased volumes, which enabled us to considerably grow earnings and cash flow. Of course, the higher prices for oil and gas helped us to do this. This segment's contribution to BASF's earnings rose again. But it is still far below the levels seen when oil cost more than \$100 per barrel.

Here, too, extensive changes are on the horizon. We want to bring our oil and gas business into a joint venture, which we aim to list on the stock exchange as a stand-alone company in the medium term.

As you can see, we have a lot on our plate. In terms of operations, we need to keep the ship on course and pick up the pace even more. In terms of strategy, we want to strengthen our portfolio with businesses that have above-average growth and returns. And I am certain that the new Board of Executive Directors will make its own mark.

2. How we will continue to be successful in the future

Ladies and gentlemen,

We are optimistic that we will be able to successfully continue on our path in the future.

Our “We create chemistry” strategy provides direction. Through research and development and in cooperation with our customers, we are finding new and better solutions to the pressing problems faced by the growing global population. We create chemistry for a sustainable future. This means: We not only contribute to economic progress but also to social and environmental progress.

At BASF, innovation and sustainability are inextricably linked.

As a founding member of the *U.N. Global Compact*, we have been promoting sustainability for nearly 20 years. We not only support the 17 U.N. Sustainable Development Goals, we also worked on developing them.

When we talk about sustainability and innovation in the chemical industry, this also includes the *circular economy*. Now that probably sounds to you like the good old topic of recycling, which our children and grandchildren now learn in preschool.

But the *circular economy* in chemistry means more than recycling. It is about answering questions such as: What can we do to conserve finite resources such as water, oil and gas? What can we do to close loops in production? How can we efficiently recover residues? And how can we take this into account when we develop our products?

We don't yet have all the answers. But some we do know. For example, our Verbund. As many of you know, our plants are linked together in our Verbund. We use the by-products of one factory as raw materials for another factory. This reduces waste, increases efficiency and saves energy.

Plastics are an increasingly important topic. Plastics offer countless advantages. But they can also be harmful – in the oceans, for example. We have developed a fully compostable bioplastic called ecovio®.

If you drink coffee, you have probably heard the debate about the life-cycle assessment of coffee capsules. Together with a French customer, we have developed the first compostable coffee capsule for commercial coffee machines. The used coffee pod disintegrates in 12 weeks. Besides coffee capsules, our compostable plastic is also used, for example, in organic waste bags and agricultural applications.

To sum up: Sustainability and innovation are inextricably linked. We see that as both an opportunity and as an obligation.

Here in the foyer at Congress Center Rosengarten today, you can learn more about BASF's innovative strength, for example, for e-mobility and 3D printing.

Ladies and gentlemen,

Innovation is at the heart of our competitive strength. This is how we create value for our customers, and ultimately for you, our shareholders.

At the same time, we regularly scrutinize our businesses: Are we good enough in comparison to our competitors? How can we get even better? Can we create additional value by changing our portfolio?

Actively managing our portfolio is an ongoing task. With these steps, large and small, the face of BASF is changing sustainably.

A comparison with our portfolio of 10 years ago illustrates this clearly. At the moment, there is quite a lot happening again. By reshaping our crop protection and oil and gas activities, we want to further strengthen BASF. I would like to explain our strategy in both these businesses. Especially because some people claim we are slaughtering BASF's "sacred cows." People say: BASF is not in the seeds business. They say oil and gas is a permanent and unchangeable part of our portfolio. So what are we up to?

BASF has a well-positioned crop protection business. It has above-average growth and sustainable strong earnings. We have an outstanding capacity for innovation.

One thing many of you may not have been aware of: BASF has also been conducting intensive research and development in the area of seeds for more than 15 years. At first mainly in Germany, now exclusively in the United States. We contributed our developments in green biotechnology into a cooperative partnership with Monsanto. Monsanto produces and markets the seeds, which are aimed at delivering better yields for farmers – especially under difficult weather conditions. These products have now been successfully launched on the market. We receive a share of the revenues.

But it is also true that we do not produce our own seeds right now.

We have repeatedly said that seeds as such are not relevant to us. On the other hand, the interface between crop protection and seed breeding is important. And this is the case with the businesses offered by Bayer.

We will receive both crop protection products as well as the corresponding customized seeds. The aim is to make the crops, such as soybeans, resistant to crop protection products.

That means that the control of fungi and weeds should not adversely affect the soybeans. This is also known as fungicide and herbicide tolerance. But entering into the business of breeding, producing and selling seeds only makes sense if we can achieve critical mass. Again, this is the case with the businesses being offered. BASF will become a significant competitor, with attractive shares in growing markets.

It is particularly important to us that the deal enables us to strengthen our research and development. BASF will acquire these activities, the patents and – most importantly – the employees. We are talking about sales in the range of €2 billion, earnings of €550 million in 2016, additional annual research and development expenditures in excess of €300 million and, most importantly, more than 4,000 employees. All of this will be an ideal complement to our existing activities: in the lab, in the market and with our customers. And it strengthens our offerings for our digital farming.

We aim to continue our above-average growth in the future. We want to expand these businesses with innovations. The acquisition and successful integration of the Bayer business are now on the agenda. This is a big job for our team and we are looking forward to it.

With regard to the formation of our joint venture in the oil and gas business, we are still in negotiations with our future partner LetterOne.

We entered into the oil and gas business in 1969.

With the purchase of Wintershall, we originally wanted to secure BASF's supply of raw materials. A few years later, the first Oil Crisis occurred.

Since then, the markets have changed dramatically. In all these years we have successfully grown and reshaped our business. Think, for example, about our entry into gas trading and our partnership with Gazprom. Or consider the investments in Norway and Argentina in recent years.

In the past 10 years, we have increased our production of oil and gas by 4% annually. Each year, the Oil & Gas segment made an important contribution to the success of the BASF Group – but with major fluctuations.

In 2012, EBIT before special items in the Oil & Gas segment was nearly €2 billion. This represented 28% of the BASF Group total. The share of net income – i.e., after tax – was 25%. In 2017, the equivalent figures were just 10% and 12%. This is not only due to the decline in oil and gas prices and the sale of our natural gas trading business. It is mainly because we have continually improved earnings in our chemicals business. To put it clearly: Today we don't need an oil and gas business to be a successful chemical company. Nevertheless, we want to successfully further develop the oil and gas activities.

We will achieve both these aims with the planned joint venture. Wintershall and DEA complement each other brilliantly – in terms of regions, expertise and culture. Our objective is clear: We want to develop Wintershall DEA into one of the largest independent companies in the European oil and gas sector. In the medium term, we want to list the company on the stock exchange. To do so, we are also prepared to reduce our majority share over time.

The mood of employees at Wintershall and DEA is a good indicator of whether the joint venture is a good idea.

Of course, there are questions about what effects it will have on jobs. In general, the reaction was very positive. The merger is welcomed because it brings together two companies that are a perfect fit for each other.

3. Outlook for 2018

Ladies and gentlemen,

Now let's talk about 2018 and the outlook.

We were pleased with the overall development in the first quarter of 2018. We have had a good start to the year. Our EBIT before special items rose by €55 million compared with the prior-year quarter to €2.5 billion. Both Oil & Gas and Chemicals contributed to this.

We want to slightly increase EBIT before special items in 2018, meaning an increase of up to 10%. This is ambitious because 2017 was a very good year for BASF.

At the moment, we are seeing demand consolidating at a high level, especially in Europe. This means that the capacity utilization of our plants is still high but demand growth has slowed somewhat.

We are experiencing strong headwinds on account of the weak U.S. dollar – this is more pronounced than just a few months ago. Furthermore, uncertainty is growing due to unpredictable political outcomes. Brexit and trade conflicts come to mind.

Nevertheless, we are optimistic about BASF's future.

Ladies and gentlemen,

It would be helpful for our planning if we were able to rely on politicians.

These days we cannot talk about agriculture, crop protection and seeds, or about oil and gas without talking about politics.

And this brings me to my final point. What political conditions do we need in order to remain successful? Of the many issues that affect us, I would like to highlight three:

First, our relationship to Russia.

Second, the lack of willingness to use scientific findings as a basis for political decisions and regulation.

And third, the expectation of policymakers that Germany will be largely “decarbonized” – meaning a life without carbon – by 2050.

These issues fundamentally influence our competitiveness.

With regard to Russia: We have had a good and trusting cooperative partnership with Gazprom for more than 25 years. Gazprom has always been a reliable supplier, which would like to export more gas to Europe. Europe needs more gas because we have largely exhausted our own fields.

Furthermore, we have to replace coal power plants with gas-fired ones in order to reduce the carbon intensity of our electricity production.

Supplying gas via pipelines is safe and inexpensive. The import of liquefied gas, for example, from the United States, could complement this. But this is neither sufficient and reliable nor truly competitive. And by the way: This past cold winter, we were only able to keep homes in Germany warm thanks to imports from Russia.

Anyone who tells you this would also be possible without Russia is endangering our energy security. And anyone who suggests that we can do without Nord Stream 2 is only acting in their own interests, or at least not in Europe’s best interests. Gazprom wants to invest more than \$10 billion to lay a pipeline through the Baltic Sea to our front door. We can then decide whether to buy the gas or not. And everyone can purchase it, but they will have to be prepared to negotiate.

Let's talk about the lack of willingness to engage in a fact-based discourse. One good example of this is crop protection regulations. It takes around 11 years to develop a new product. And the average costs are more than €200 million.

Getting approval requires strict testing according to globally recognized scientific criteria. Unfortunately, Europe and Germany in particular are increasingly taking on an outsider role. Here, investments in innovations are not being rewarded with quick approval processes. It takes more than two years in Germany before product approvals from other European countries are recognized. This is six times longer than the law prescribes. This is damaging to us.

Even more importantly: The rules of the game are constantly changing. Ministries are no longer following the recommendations of their own experts. Ideology is dominating science. A typical example of this is the discussion about the extension of the approval for glyphosate. And by the way, BASF does not produce glyphosate.

We need an open and unbiased discussion about the future of agriculture. Our industry has a lot to contribute here. Further improvements are necessary and possible. But only when we take advantage of all the findings and potential of modern science. In my opinion, this also includes green biotechnology. We hope very much that the new German government will quickly initiate and advance this dialog.

Innovations are also the key to decarbonizing our society. But we cannot aim to live entirely without carbon – around one-quarter of our body consists of carbon atoms. Instead, the goal is to finally make a sustainable reduction in CO₂ emissions, so that we can reach the climate targets set out in the Paris Agreement. We therefore also talk about greenhouse gas neutrality.

This is a great opportunity for the chemical industry because our technologies are the key to reducing CO₂ emissions. Our developments are what make it possible to reduce the use of fossil resources, for example, in e-mobility.

At the same, however, we call for realism in this debate. It is illusory and economically indefensible that we are supposed to reduce the use of fossil resources by 90% by 2050. That is only 32 years from now. Oil and gas currently account for 90% of the raw materials used in the chemical industry.

I am certain that we will see further major progress in lowering CO₂ emissions. Industry and especially chemistry are already playing a pioneering role. And the share of renewable raw materials will grow. But we will still be an industry based on oil and gas in 2050. Because nobody manages these resources more responsibly than the chemical industry. With its innovations, the chemical industry enables more and more people to live better and longer lives.

Sustainability means, above all, finding the right balance between economic, social and environmental objectives. We have to engage in this debate together.

Unilateral efforts by a single nation – such as Germany's transition to renewable energies – may stroke our German ego. But they do little for the climate and are fatal for our jobs. Here, too, Europe and more international collaboration can help. As a global company, we know where in the world real problems need to be solved. And Germany is surely not at the top of list.

Ladies and gentlemen,

That was the official part of my speech. As you know, this is my last Annual Shareholders' Meeting, so I would like to share a few parting thoughts.

People always call me a stubborn East-Westphalian. And they are probably not totally wrong. After today we will have a Chairman from Swabia.

People often associate me with attributes such as businesslike and matter-of-fact. Actually, I think that is quite good. It helps to keep the company on track. Seeing things for how they are and then making decisions.

Other attributes for me are cool and distanced – that is probably because I come from East-Westphalia. But those, too, can be helpful sometimes. Not to mention: Unexcitable. It also helps in this job if you don't get emotional about every bump in the road.

As you know, I used to be Chief Financial Officer. That is why many people see me as “the numbers guy.” I can assure you: Everyone on our Board is exceptionally analytically inclined and is able to read and understand numbers. I am no different from my colleagues in this way.

And I am a business graduate. That apparently was hard for the chemists to accept. I'm not sure if that's true. I hope it has become clear: Innovation, research and development are at the heart of our competitiveness and our future. We are investing a lot of money in research and development worldwide. So the chemists that I meet seem to be happy and keen to get down to work.

And then there is the topic of visions. We have a clear strategy: “We create chemistry for a sustainable future.” And on the topic of visions, Helmut Schmidt has already said everything that needs to be said.

What is usually overlooked, and I always find this remarkable: BASF is led by a team.

There are eight of us on the Board of Executive Directors. We are all different and we complement each other with our strengths, weaknesses and preferences. We make our decisions together. And this, in my view, is one of BASF's strengths.

Now I will attempt – in a very businesslike, matter-of-fact and unexcited way – to summarize everything.

BASF is in a good position. The new Board of Executive Directors will resolutely get down to work and successfully develop BASF. As always, the Board will independently forge new paths without chasing trends.

The Board team is top-notch. They are experienced, entrepreneurial and much more diverse than even just a few years ago. Martin Brudermüller has exactly what it takes to successfully lead BASF. Martin, from the bottom of my heart, I wish you great success. May fortune favor the bold!

Today I draw to a close a career that has spanned nearly 33 years. I have always enjoyed working for BASF. It has been fun. It has been a great pleasure. And it is a privilege to lead this company.

Today I have attempted to explain to you what we are planning and what drives us. I am convinced: We are doing the right things. And we are doing them really well. Most importantly, though, BASF is a great company because of how we work with one another. This “how” is defined by openness and challenging each other, by trust and respect, by friendly connectedness and by the desire to be successful together. For us, this is the key to success. This also includes how we do succession planning in the Board of Executive Directors.

I would like to thank the Supervisory Board, especially Mr. Hambrecht, my colleagues on the Board of Executive Directors and all employees for this spirit of cooperation, for the incredible support and the many good meetings.

It has been a pleasure working with you. Thank you very much.

Forward-looking statements and forecasts

This document contains forward-looking statements. These statements are based on current estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. BASF does not assume any obligation to update the forward-looking statements contained in this document.