

BASF SE

Financial Statements 2018 and Management's Report

 **BASF**

We create chemistry

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Management's Report of BASF SE

Corporate structure

As the publicly traded parent company in the BASF Group, BASF SE takes a central position: Directly or indirectly, it holds the shares in the companies belonging to the BASF Group, and is also the largest operating company. The Board of Executive Directors of BASF SE manages and steers the BASF Group.

Until December 31, 2018, the BASF Group's portfolio was arranged into four segments: Chemicals, Performance Products, Functional Materials & Solutions and Agricultural Solutions.¹ Within these four segments, 12 divisions bear operational responsibility and manage the 54 global and regional business units. The divisions develop strategies for 86 strategic business units and are organized according to sectors or products. Business processes are the shared responsibility of the divisions and the functional units. BASF has companies in more than 90 countries. The BASF Group operates six Verbund sites and 355 additional production sites worldwide.

The operating business of BASF SE represents a portion of the BASF Group's global business and is managed and steered by the respective divisions and business units as well as the corporate and functional units based on the performance indicators of the BASF Group. The functional and corporate units provide services in areas such as finance, investor relations, communications, human resources, engineering and site management, as well as environmental protection, health and safety.

Over 80% of the operating divisions have production plants at the BASF SE site in Ludwigshafen, Germany. This underscores the importance of this Verbund site for the BASF Group. From Ludwigshafen, BASF SE supplies products and services to over 10,000 customers from various sectors in almost every country in the world. Our customer portfolio ranges from major global customers and medium-sized businesses to end consumers.

Our 9,000 or so suppliers also come from many different sectors. They supply us with important raw materials, chemicals, investment goods and consumables, and perform a range of services. Some of the most important raw materials are naphtha, natural gas, methanol, ammonia and benzene.

BASF SE had 35,316 employees on December 31, 2018, of which 4,434 in Research and Development.

A complete overview of BASF SE's operating business is provided by the Consolidated Financial Statements of the BASF Group. To assess the operations of BASF SE, a distinction must be made between sales and income from operations from BASF SE's own production and from the sale of products of other European BASF Group companies. BASF SE's function as the parent company of the BASF Group is primarily reflected in the financial result.

New organization of the BASF Group as of January 1, 2019

As of January 1, 2019, the BASF Group has 12 divisions grouped into six segments as follows:

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

We are considering the possibility of merging our construction chemicals business with a strong partner, as well as the option of divesting this business. The outcome of this review is open. The Construction Chemicals division will be reported under the Surface Technologies segment until signing of a transaction agreement.

Nonfinancial statement (NFS) in accordance with sections 289b to 289e of the German Commercial Code (HGB)

The nonfinancial statement in accordance with sections 289b to 289e HGB can be found on pages 7 to 28 and are a part of the Management's Report. Within the scope of the audit of the annual financial statements, the external auditor KPMG checked pursuant to section 317(2) sentence 4 HGB that the NFS was presented in accordance with the statutory requirements. KPMG also conducted a substantive audit with limited assurance of the NFS. An assurance report on this substantive audit can be found online at basf.com/nfs-audit-2018/basf-se and is part of the 2018 Management's Report of BASF SE. The audit was conducted in accordance with ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements), the relevant international auditing standards for sustainability reporting.

Accounting principles

The Financial Statements of BASF SE are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The Consolidated Financial Statements of the BASF Group, however, take into account the Financial Statements of BASF SE that are prepared in accordance with the International Financial Reporting Standards (IFRS).

¹ On September 27, 2018, BASF and LetterOne signed a definitive agreement to merge their oil and gas businesses in a joint venture. Since the agreement was signed, we have no longer reported on BASF's oil and gas business as a separate Oil & Gas segment.

Corporate Governance Statement pursuant to section 289f of the German Commercial Code (HGB)

The Corporate Governance Statement in accordance with section 289f HGB, printed on pages 37 to 46 (Corporate Governance Report, Compliance, Declaration of Conformity), is an element of the Management's Report. The audit of the disclosures required by section 289f(2) and (5) HGB pursuant to section 317(2) sentence 6 HGB is limited to whether the disclosures have been made.

Economic Environment

Overall, global economic growth in 2018 was as strong as we expected at the beginning of the year.¹ However, momentum slowed considerably over the course of the year. Economic output in the advanced economies rose at roughly the same rate as in 2017, while growth in the emerging markets softened slightly overall. Growth in the European Union (E.U.) declined significantly. By contrast, gross domestic product (GDP) in the United States increased faster than expected. The Chinese economy cooled in the second half of the year. Global GDP grew by 3.2% overall, only slightly slower than in 2017 (+3.3%). The global chemical industry (excluding pharmaceuticals) expanded by 2.7%, below the 2017 figure (+3.7%). The average price for a barrel of Brent blend crude oil rose to \$71 per barrel (2017: \$54 per barrel).

Global industrial production grew by 3.2% in 2018, roughly in line with our expectations at the beginning of 2018 but down from the previous year (2017: +3.4%). Growth slowed in both the advanced economies (2018: +2.1%; 2017: +2.4%) and the emerging markets (2018: +4.2%; 2017: +4.4%).

The downturn was most pronounced in the E.U. (2018: +1.4%; 2017: +3.1%) and in Japan (2018: +0.9%; 2017: +2.7%). In South America, too, industrial production again declined slightly (2018: -0.3%; 2017: -0.8%). In the emerging markets of Asia, growth in industrial production was roughly on a level with the previous year, at 5.5% (2017: +5.6%). By contrast, growth in North America accelerated again markedly (2018: +3.1%; 2017: +1.8%).

The global chemical industry (excluding pharmaceuticals) grew by 2.7%, below our expectations at the beginning of 2018 (+3.6%) and slower than in 2017 (+3.7%). Chemical production in the E.U. declined slightly overall after the strong prior year (2018: -0.9%, 2017: +3.2%), but fell sharply at the end of 2018 in particular. Contributing factors included capacity bottlenecks, lower export demand and weaker demand from the automotive industry in the second half of the year. In Asia, growth slowed overall to 3.4% after 4.5% in the previous year. At 3.6%, growth in the world's largest chemical market, China, was lower than in the prior year (+4.0%) and significantly lower than forecast at the beginning of the year (+5.0%). Stagnant demand from the automotive industry and slower momentum in other customer industries had a dampening effect. In Japan, too, growth fell significantly to 0.9% (2017: +7.1%) due to softer export demand. By contrast, growth picked up in the United States on the back of the economic upturn there and new production capacity (2018: +3.7%; 2017: +2.6%).

¹ All information relating to past years in this section can deviate from the previous year's report due to statistic revisions. In addition, the baseline for calculating real growth rates for GDP, customer industry and chemical production figures has been adjusted from 2010 to 2015. This changes the market share of individual countries and slightly increases global growth rates overall.

Business Development

Results of operations

Million €		
	2018	2017
Sales revenue	23,587	23,195
Gross profit on sales	4,567	5,002
Income from operations (EBIT)	579	899
Income from shareholdings	3,525	2,712
Interest result	(1,016)	(284)
Other financial result	105	48
Financial result	2,614	2,476
Income before taxes	3,193	3,375
Net income	2,982	3,130

Sales

Million €		
Regions	2018	2017
Europe	17,500	17,336
of which Germany	5,992	5,970
North America	1,747	1,717
Asia Pacific	2,767	2,666
South America, Africa, Middle East	1,573	1,476
	23,587	23,195

Income from operations

BASF SE's sales rose by 1.7% year on year to €23,587 million in 2018, confirming our forecast from the previous year of a slight increase in sales. Higher sales prices in particular led to sales growth in the operating business. By contrast, production volumes declined as a result of lower capacity utilization in connection with the low water levels on the Rhine River and damages to production plants. On August 1, 2018, BASF closed the acquisition of a range of businesses and assets from Bayer. As part of the transaction, BASF SE acquired the non-selective herbicide business from Bayer. This only increased sales slightly due to seasonal effects in the crop protection business. Higher raw materials prices and energy costs as well as lower capacity utilization rates for the production plants led to lower margins year on year. As a result, gross profit on sales declined considerably by €435 million compared with the previous year to €4,567 million.

Income from operations decreased by €320 million to €579 million, falling short of our prior-year forecast of considerably higher earnings. Selling costs increased by €99 million, mainly as a result of higher shipping and commission costs due among other factors to the low water levels on the Rhine River. In addition, research expenses rose by €39 million, primarily as a result of the increase in expenditure for research in the divisions, especially in Agricultural Solutions in connection with the acquisition of the non-selective herbicide business from Bayer. Administrative costs were €7 million

above the prior-year level. The balance of other operating income and expenses improved by €260 million year on year. Income of €452 million (previous year: €344 million) was recorded in the reporting year from insurance refunds for the damages caused by the fire at the North Harbor in Ludwigshafen in 2016, as well as for damages to production plants and product damages in 2017. This item was also impacted by the €86 million increase in income from the release of provisions for share price-based variable compensation (LTI program), as well as the €20 million decrease in expenses from additions to these provisions. The application of adjusted discount rates increased income from the reversal of valuation allowances on trade accounts receivable by €66 million. In addition, significantly higher expenses were recorded in the previous year due to the temporary shutdown of one production plant and product damages. By contrast, the foreign currency result declined by €63 million in the reporting year. Expenses for portfolio measures were also considerably above the prior-year level.

Financial result

The financial result rose by €138 million to €2,614 million. The increase in income from shareholdings was mainly due to higher profit transfers and dividends from affiliated companies. Profit transfers in the reporting year were positively impacted by higher dividend payments by subsidiaries and the reversal of impairments on shareholdings. The lower interest result was due to expenses from plan assets for pensions and higher interest expenses for pension obligations.

Net income

At €3,193 million, income before taxes was €182 million below the prior-year level. Income taxes declined by €34 million to €211 million in the reporting year. The change in deferred tax assets and liabilities resulted in tax income of €63 million in the current fiscal year (previous year: €54 million). In addition, current income tax expenses decreased by €25 million as a result of the partial release of provisions for previous years.

Net income declined by €148 million year on year to €2,982 million in 2018.

Net assets and financial position

	2018		2017	
	Million €	%	Million €	%
Fixed assets	24,912	49.7	23,474	47.5
Current assets and other assets	25,219	50.3	25,965	52.5
Total assets	50,131	100.0	49,439	100.0
Equity	17,338	34.6	17,203	34.8
Provisions	2,052	4.1	2,277	4.6
Liabilities and other liabilities	30,741	61.3	29,959	60.6
Total equity and liabilities	50,131	100.0	49,439	100.0

Net assets

Total assets rose by €692 million or 1.4% to €50,131 million.

The €1,438 million increase in fixed assets was largely attributable to growth in intangible assets, which rose by €1,648 million. This primarily related to goodwill and trademark rights in connection with the acquisition of the non-selective herbicide business from Bayer. Property, plant and equipment rose by €218 million due to higher investments, mainly for the construction of the new acetylene plant at the Ludwigshafen site, in excess of depreciation and impairment. By contrast, financial assets declined by €428 million due to the scheduled repayment of loans by subsidiaries.

Current assets remained virtually unchanged. Receivables from affiliated companies increased by €3,481 million as a result of profit transfers and financial investments within the Group. By contrast, liquid funds declined by €3,565 million. Inventories rose by €252 million.

The excess of plan assets over obligations decreased by €764 million to zero. This was due to the negative development of withdrawals from plan assets as well as the lower discount rate used to measure pension obligations. Overall, this resulted in an excess of liabilities over assets, which led to higher provisions for pensions.

The €135 million increase in equity was due to the net income of €2,982 million, which exceeded the dividends paid for the 2017 business year (€2,847 million).

Provisions declined by €225 million; of this decrease, €269 million was attributable to tax provisions and €112 million to other provisions. The interest component of tax provisions (€142 million) was reclassified to other provisions in the reporting year. This was partly offset by a €156 million increase in provisions for pensions and similar obligations.

Liabilities and other liabilities rose by €782 million. Financial indebtedness rose by a total of €3,253 million, mainly as a result of the issuance of commercial paper and bonds, while liabilities to Group companies declined by €2,707 million due to the repayment of intra-group borrowing.

Financial position

Net income declined by €148 million to €2,982 million in 2018. Cash of €3,448 million was generated by operating activities (previous year: €3,783 million). The considerable increase in income from profit transfers in the current fiscal year will only be reflected in cash flows in the next reporting year.

Cash used in investing activities amounted to €5,143 million (previous year: €2,258 million). There was a particular increase in intangible assets in connection with the acquisition of the non-selective herbicide business from Bayer. Investments in fixed assets and financial investments made at affiliated companies rose. The decrease in loans to affiliated companies as a result of loan repayments had an offsetting effect.

Financing activities led to a cash inflow of €2,170 million (previous year: cash inflow of €3,043 million). Dividend payments and the repayment of intragroup borrowing exceeded debt issuance.

In total, liquid funds declined by €3,865 million to €1,018 million. As of the reporting date, this comprised cash on hand and balances with banks (and in the previous year, cash-equivalent marketable securities).

Principles and objectives of our financial management

Our financing policy aims to ensure our solvency at all times, limiting the risks associated with financing and optimizing our cost of capital. We preferably meet our external financing needs on the international capital markets. We strive to maintain a solid "A" rating, which ensures unrestricted access to financial and capital markets.

Rated "A1/P-1/outlook stable" by Moody's, "A/A-1/outlook stable" by Standard & Poor's and "A/S-1/outlook stable" by Scope Ratings, BASF enjoys good credit ratings, especially compared with competitors in the chemical industry. These ratings were most recently confirmed by Moody's on February 15, 2019, by Standard & Poor's on January 11, 2019, and by Scope Ratings on December 11, 2018.

We have solid financing. Corporate bonds form the basis of our medium to long-term debt financing. These are issued in euros and other currencies with different maturities as part of our debt issuance program. The goal is to create a balanced maturity profile, diversify our investor base and optimize our debt capital financing conditions.

For short-term financing, we use BASF SE's U.S. dollar commercial paper program, which has an issuing volume of up to \$12.5 billion. As of December 31, 2018, commercial paper in the amount of \$2,919 million was outstanding under this program; we did not hold any commercial paper as of December 31, 2017. Firmly committed, syndicated credit lines of €6 billion serve to cover the repayment of outstanding commercial paper, and can also be used for general company purposes. These were refinanced in January 2019. The above credit lines were not used at any point in 2018. Our external financing is therefore largely independent of short-term fluctuations in the credit markets.

Digitalization and Innovation

Digitalization

We want to make digitalization an integral part of BASF's business. This will create additional value for our customers, grow our business and improve efficiency. By promoting comprehensive digital skills among our future leaders and our entire workforce, we will ensure that the necessary resources are available.

Innovation

A growing need for food, energy and clean water for a booming world population, limited resources and protecting the climate – reconciling all these factors is the greatest challenge of our time. Innovations based on chemistry play a key role here, as they contribute decisively to new solutions. Effective and efficient research and development is a prerequisite for innovation as well as an important growth engine for BASF. We develop innovative processes, technologies and products for a sustainable future and drive forward digitalization in research worldwide. This is how we ensure our long-term business success with chemistry-based solutions for our customers in almost all industry sectors.

Our global network of outstanding universities, research institutes and companies forms an important part of our Know-How Verbund. The number and quality of our patents also attest to our power of innovation and long-term competitiveness. The BASF Group filed around 900 new patents worldwide in 2018.

The aim of our innovation approach is to increase our company's power of innovation and to secure our long-term competitiveness. We aim to achieve this by concentrating our research focus on topics that are strategically relevant for our business, strengthening our existing scientific processes as well as increasingly using new scientific methods and digital tools, as well as optimizing our organizational structures.

Our cross-divisional corporate research will remain closely aligned with the requirements of our operating divisions and allows space to quickly review creative research approaches. We strengthen existing and continually develop new key technologies that are of central significance for our operating divisions, such as polymer technologies, catalyst processes or biotechnological methods.

We continued to work on harnessing the enormous opportunities of digitalization for research and development in 2018. In the years ahead, we will continue to consistently expand our expertise in fields like scientific modeling and simulation and to develop new digital applications.

Our focus areas in research are derived from the three major areas in which chemistry-based innovations will play a key role in the future:

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

Our supercomputer Curiosity in Ludwigshafen, Germany, was started up in the fall of 2017. It is mainly used in product development and enables us to calculate much more complex models with significantly greater variation in parameters. Previously unknown correlations can also be identified and used to advance new research approaches.

BASF SE had 4,434 employees in research and development in 2018. Spending for research and development amounted to €1,349 million.

Nonfinancial Statement in Accordance with Sections 289b to 289e of the German Commercial Code (HGB)

The nonfinancial statement (NFS) of BASF SE in the following is based on the requirements of sections 289b to 289e HGB. One of these requirements is to provide a brief description of BASF SE's business model. Others relate to specific disclosures on nonfinancial matters – environmental matters, employee-related matters, social

matters, respect for human rights as well as anti-corruption and bribery matters – to the extent that they are required to understand the development and performance of the business, BASF SE's position and the impact of business development on these matters.

Business model

BASF SE's business model is presented under "Corporate structure" on page 1 of this Management's Report.

Integration of Sustainability

Business success tomorrow means creating value for the environment, society and business. This is why sustainability has been reinforced as a cornerstone of our updated corporate strategy. Using the various tools of our sustainability management, we carry out our company purpose: “We create chemistry for a sustainable future.” We systematically incorporate sustainability into our business. We understand future sustainability trends and derive appropriate measures for our business to seize business opportunities and minimize risks along the value chain.

Strategy

We achieve long-term business success by creating value for the economy, the environment and society. Sustainability is at the core of what we do, a driver for growth as well as an element of our risk management. That is why sustainability is firmly anchored into the organization, governance and our business models. We support our customers in being more sustainable and create new business opportunities that grow our customer relationships. Conducting our business in a responsible, safe, efficient and respectful way promotes societal acceptance of our business activities.

Our products, solutions and technologies contribute to achieving the United Nations’ Sustainable Development Goals (SDGs), for example, on sustainable consumption and production, climate action or fighting hunger. In this way, we want to make a lasting contribution to a viable future.

We have defined sustainability focus areas in our corporate strategy to position ourselves in the market and at the same time, meet the growing challenges along the value chain:

- We source responsibly
- We produce safely for people and the environment
- We produce efficiently
- We value people and treat them with respect
- We drive sustainable products and solutions

Relevant topics resulting from these commitments – such as energy and climate protection, portfolio management, supply chain responsibility, employee engagement, resource efficiency, responsible production and water – form the focal points of our reporting. We integrate these topics into our long-term steering processes to increase societal acceptance and take advantage of business opportunities. Here, we consider three dimensions of materiality: The relevance of sustainability topics to our business, the impacts of our business activities along the value chain on sustainability topics, and how important these topics are to our stakeholders.

We identify relevant topics and trends as well as potential opportunities and risks along our value chain through dialog with stakeholders, supported by continuous, worldwide big data analysis. In 2018, we also co-published a study identifying long-term sustainability trends between now and 2030, based on an analysis of more than 900 studies from academia, think tanks and market analyses.

Business success tomorrow means creating value for the environment and society, not just making a profit. This is why, in addition to our new financial targets, we have also set ourselves new nonfinancial targets on climate protection, a sustainable product portfolio, responsible procurement and engaged employees to steer our business into a sustainable future.

The Corporate Sustainability Board is BASF’s central steering committee for sustainable development. It is composed of the heads of our business, corporate and functional units, and regions. A member of the Board of Executive Directors serves as chair. We have also established an external, independent Stakeholder Advisory Council. Here, international experts from academia and society contribute their perspectives to discussions with BASF’s Board of Executive Directors, helping us expand our strengths and identify potential for improvement.

Our sustainability management helps to minimize risks and opens up new opportunities to market more sustainable products. We reduce potential risks in the areas of environmental protection, safety and security, health protection, product stewardship, compliance, and labor and social standards by setting ourselves globally uniform requirements. Internal monitoring systems and grievance mechanisms enable us to check compliance with these standards: they include, for example, global surveys, audits and compliance hotlines. All employees, managers and Board members are required to adhere to our global Code of Conduct, which defines a binding framework for our business activities.

We systematically evaluate sustainability criteria as an integral part of our assessment processes when deciding whether to acquire or invest in property, plant and equipment or financial assets. These assess the economic implications and potential impacts on areas such as the environment, human rights or local communities.

For more information on our financial and sustainability targets, see basf.com/strategy

For more information on our materiality analysis, see basf.com/materiality

For more information on our study on long-term sustainability trends, see basf.com/sustainability-trends

For more information on the organization of our sustainability management, see basf.com/sustainabilitymanagement

Global standards

Our standards fulfill or exceed existing laws and regulations and take internationally recognized principles into account. We respect and promote:

- The 10 principles of the U.N. Global Compact
- The Universal Declaration of Human Rights and the two U.N. Human Rights Covenants
- The core labor standards of the ILO and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration)
- The OECD Guidelines for Multinational Enterprises
- The Responsible Care® Global Charter
- The German Corporate Governance Code

Nonfinancial reporting is based on Global Reporting Initiative (GRI) standards.

Measuring value added by sustainability and harnessing business opportunities

We take advantage of business opportunities by offering our customers innovative products and solutions that contribute to sustainable development. We ensure that sustainability criteria are automatically integrated into our business units' development and implementation of strategies, research projects and innovation processes. For example, we analyze sustainability-related market trends in customer industries to systematically seize new business opportunities.

We want to measure the value proposition of our actions along the entire value chain, aware that our business activities are connected to both positive and negative impacts on the environment and society. We strive to increase our positive contribution to society and minimize the negative impacts of our business activities.

To achieve this, we need to even better understand how our actions impact society and the environment. We already have many years of experience of this from evaluating our products and processes using methods such as Eco-Efficiency Analysis, the Sustainable Solution Steering portfolio analysis, or BASF's corporate carbon footprint. We have completely revised our SEEBalance® method with respect to how social aspects are assessed. In a new, qualitative assessment, we analyze and evaluate relevant social issues along the value chain. Our assessment is guided by standards such as those issued by the World Business Council for Sustainable Development (WBCSD) or the Roundtable for Product Social Metrics.

BASF has also developed a method with external experts to perform a monetary assessment of the economic, ecological, and social impacts of its business activities along the value chain – the Value to Society approach. It enables a direct comparison between financial and nonfinancial effects of our business activities on society and illustrates interdependencies.

We also evaluate the usefulness of this method as a basis for strategic assessments and decisions in various projects, for example, by analyzing the impacts of alternative sites, business units, plants or forecasts. The results of these assessments are also helpful in our discussions with stakeholders.

For more information on this method and the results of Value to Society, see basf.com/en/value-to-society

For more information on our sustainability instruments, see basf.com/en/measurement-methods

Portfolio management based on sustainability performance

A significant steering tool for our product portfolio, based on the sustainability performance of our products, is the Sustainable Solution Steering method.

By the end of the 2018 business year, BASF had conducted sustainability assessments and ratings for 96.5% of its entire relevant portfolio¹ of more than 60,000 specific product applications – which account for €56.2 billion in sales. These consider the products' application in various markets and industries. Because of increasing sustainability requirements on the market, we regularly conduct reassessments of existing product categories as well as of the relevant portfolio.

Accelerator products make a substantial sustainability contribution in the value chain. This is why we will pursue a new, ambitious goal from 2019 onward: We aim to make sustainability an even greater part of our innovation power and achieve €22 billion in Accelerator sales by 2025.

To achieve this goal, we will deeply integrate Sustainable Solution Steering into the research and development pipeline, in business strategies as well as in merger and acquisition projects.

We largely achieved our previous goal of increasing the proportion of sales from Accelerator products to 28% by 2020 at the end of 2018 (proportion of sales in 2018: 27.7%).

Evaluating and transparently classifying our products enables us to systematically improve these in cooperation with our customers and at the same time, steer our product portfolio. We have identified substantial sustainability concerns for our Challenged products and are developing action plans. These action plans include research projects, reformulations or even replacing one product with an alternative product. At the end of 2018, action plans had been created for 100% of Challenged products. To systematically align our portfolio with contributions to sustainability, as of 2018 we will phase out all Challenged products within five years of initial classification as such at the latest. We strive to offer products that make a greater contribution to sustainability in their area of application to live up to our own commitments and meet our customers' demands.

For more information on Sustainable Solution Steering, see basf.com/en/sustainable-solution-steering

¹ Not included in the portfolio are primarily the sales reported under Other or not allocated to the operating business (such as licenses).

Stakeholder dialog

Our stakeholders include customers, employees, suppliers and shareholders, as well as representatives from academia, industry, politics and society. Parts of our business activities, such as the use of new technologies, are often viewed by some stakeholders with a critical eye. In order to increase societal acceptance for our business activities, we address our stakeholders' questions, assess our business activities in terms of sustainability aspects, and communicate transparently. Such dialogs help us to even better understand what society expects of us and which measures we need to pursue in order to establish and maintain trust and build partnerships.

We use a custom model to identify key stakeholders and involve them more effectively. When selecting our stakeholders, we assess factors such as their topic-specific expertise and willingness to engage in constructive dialog, for instance. We draw on the competence of global initiatives and networks, and contribute our own expertise.

Our lobbying and political communications are conducted in accordance with transparent guidelines and our publicly stated positions. BASF does not financially support political parties.

We have a particular responsibility toward our production sites' neighbors. With the established community advisory panels, we promote open exchange between citizens and our site management, and strengthen trust in our activities.

BASF's Ludwigshafen site is located in the immediate vicinity of the surrounding residential areas. This is why having a relationship of trust with our community is particularly important to us. We therefore established regular community advisory panels and dialog forums such as talks with local council members at the Ludwigshafen site in Germany to promote dialog between site management and the public. We also hold information stands at specific events or invite our neighbors to tour our sites. For instance, we held an information stand at the 2018 BASF *Erlebnistag* (open house event) to discuss the results of a community survey with visitors.

The 2018 community survey revealed that our immediate neighbors expect to be promptly informed in the case of an incident. We are increasingly using social media here. For example, among other tools, we have used a WhatsApp service to provide information about events relevant to the local community since July 2018. In Ludwigshafen, residents with questions or complaints can also call the environmental monitoring center or the public hotline in the event of an incident. These services are available around the clock.

For more information on stakeholder dialog, see [basf.com/en/dialog](https://www.basf.com/en/dialog)

For more information on BASF as a good neighbor, see [ludwigshafen.basf.de/neighbor](https://www.ludwigshafen.basf.de/neighbor)

Responsibility for human rights

BASF acknowledges its responsibility to respect human rights. We have embedded this into our Code of Conduct and our human rights position. In our own business activities, our aim is to prevent human rights abuses. As a participant in numerous global value chains, we are dependent on partners and demand that they likewise respect human rights and the associated standards. We offer to help our partners in their efforts to meet their human rights responsibilities.

Criteria for monitoring and complying with human rights standards are integrated into processes at our Group companies around the world: in supplier evaluation processes, in evaluating investment, acquisition and divestiture projects, in product assessments along the product lifecycle, in training for security personnel at our sites, for example, on response appropriateness, as well as in systems to monitor labor and social standards.

Employees and third parties can report potential violations of laws or company guidelines to our complaint hotlines.

Social commitment

Through our active social engagement, we want to make the communities surrounding our sites in the Rhine-Neckar metropolitan region an even more attractive place to live for our neighbors, employees and their families. We promote social, educational, cultural, academic and sports projects as part of our social engagement strategy. We focus on projects that will have a lasting impact on specific target groups and offer learning opportunities for participating cooperation partners and BASF. Projects are developed, and impact-related targets defined together with partners from civil society.

As a responsible neighbor, it is important to us to work with our partners at the Ludwigshafen site to create a livable community. This is why we support regional focus areas and concentrate on two goals: participation and integration as well as research and discovery. Examples include the *Gemeinsam Neues schaffen* program to foster cooperation between nonprofit organizations, a new approach to promoting cultural events called *Tor 4*, with which BASF aims to promote discourse on relevant social issues through cultural projects, or a pilot program to integrate people with immigrant or migrant backgrounds.

In addition to a large number of our own offerings, we support projects by partners in the region through donations and sponsoring. As a company, we also promote volunteering among our employees. Together with partners, they get involved, actively shape their community and in this way, strengthen social cohesion in the region and within the company.

In the area of international development work, we support the BASF Stiftung, an independent nonprofit organization, through donations to its projects with various U.N. organizations. In 2018, BASF supported a project spearheaded by the U.N. Children's Fund (UNICEF) to promote inclusive education in Peru with its annual year-end donation campaign to the BASF Stiftung. BASF doubled all donations by employees of participating German and South American Group companies, bringing the total amount benefiting the children in Peru to €567,926.64.

The BASF Group spent a total of €38.4 million supporting projects in 2018; we donated 39% of this amount (2017: €56.0 million, of which 57% were donations).

 For more information on BASF's commitment to the region, see ludwigshafen.basf.de/commitment

For more information on BASF as a good neighbor, see ludwigshafen.basf.de/neighbor

Supplier Management

Our objective is to secure competitive advantages for BASF through professional procurement structures. Our suppliers are an important part of our value chain. Together with them, we aim to create value and minimize risks.

Strategy

Our partnerships with suppliers are based on mutual value creation, as well as a reliable supply of raw materials, technical goods and services at competitive prices. We work together in an open and transparent way to generate long-term benefits for both sides. In doing so, we create added value that goes above and beyond procurement alone, for example, by developing solutions to target market-specific customer requirements together with our suppliers.

Our sustainability-oriented supply chain management contributes to risk management by clarifying our expectations and standards for our suppliers, and by supporting them in carrying out our requirements. We count on reliable supply relationships and want to make our suppliers' contribution to sustainable development transparent to us. That is why we have set ourselves the goal of evaluating the sustainability performance of 70% of the BASF Group's relevant suppliers¹ and developing action plans for any necessary improvements by 2020. The proportion of relevant suppliers evaluated by the end of 2018 was 60%. Due to the size and scale of our supplier portfolio, our suppliers are evaluated based on risk, including both country and industry-specific risks.

As part of the updated corporate strategy, we resolved in 2018 to step up our efforts to improve our sustainability performance along the supply chain in the future. To this end, we have expanded our sustainability evaluations of relevant suppliers and integrated these into a new goal to improve our sustainability performance in procurement: By 2025, we aim to have conducted sustainability evaluations for 90% of the BASF Group's relevant spend² and will develop action plans where improvement is necessary. We will work towards having 80% of suppliers improve their sustainability performance upon re-evaluation.

Worldwide procurement

BASF SE's 9,000+ Tier 1 suppliers play a significant role in value creation at our company. We work in long-term partnership with companies from different industries around the world. They supply us with important raw materials, chemicals, investment goods and consumables, perform a range of services and are innovation partners. BASF SE acquired raw materials, goods and services for our own production totaling approximately €7.5 billion in value in 2018.

What we expect from our suppliers

New suppliers are selected and existing suppliers are evaluated not only on the basis of economic criteria, but also environmental, social and corporate governance standards. Our Supplier Code of Conduct is founded on internationally recognized guidelines, such as the principles of the United Nations' Global Compact, the U.N. Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) conventions and the topic areas of the Responsible Care initiative. The Code of Conduct covers compliance with human rights, labor and social standards, and anti-discrimination and anticorruption policies in addition to protecting the environment. We updated our Supplier Code of Conduct in 2018 in response to stricter requirements and new developments relating to the U.N. Guiding Principles on Business and Human Rights and the ILO. Issues such as modern slavery and human trafficking were incorporated, as well as our requirement that suppliers implement grievance mechanisms for their employees and stakeholders. We also added a reference to our own grievance mechanism – our compliance hotline, which suppliers and their employees can contact if they have questions or complaints. We are informing our existing suppliers of the updated Code of Conduct.

In 2018, we started the step-by-step rollout of a new registration portal for suppliers, in which our Code of Conduct is already integrated. This requires suppliers to commit to these values on registration. 4,866 suppliers did this and registered via the portal in 2018. A country-based risk analysis forms the basis of our selection process for new suppliers. Based on the country-related risks identified, we specifically asked suppliers in South America and Asia in particular to commit to the values of our Supplier Code of Conduct in 2018. Only those companies that have committed to our Code of Conduct actually became new suppliers.

¹ We define relevant suppliers as Tier 1 suppliers showing an elevated sustainability risk potential as identified by our risk matrices and our purchasers' assessments. We also use further sources of information to identify relevant suppliers such as evaluations from Together for Sustainability (TfS), a joint initiative of chemical companies for sustainable supply chains.

² We understand relevant spend as procurement volumes with relevant suppliers as defined above.

Training and partnerships

In 2018, we continued our collaborations in relevant procurement markets such as China to instruct suppliers on sustainability standards. 116 suppliers received training in 2018 as part of a local partnership with the East China University of Science and Technology in Shanghai, for example. In addition, we instructed 962 BASF employees on sustainability-oriented supplier management and responsible procurement. These are ways in which potential supply chain risks can be identified and minimized together with our suppliers.

BASF is one of 11 founding members of the German Business Initiative for Sustainable Value Chains established by the German sustainability network econsense and the Wittenberg Center for Global Ethics (WCGE). As part of this initiative, we help suppliers to improve their sustainability performance, for example, through training. The first supplier training events of the initiative were held in 2018 in China and Mexico.

In Brazil, we work together with the nongovernmental organization Integrare, which promotes diversity in supply chains. Integrare supports small and medium-sized businesses run by people with disabilities or socially disadvantaged minorities, for example, by offering special training and actively encouraging partnerships with larger companies.

Evaluating our suppliers

BASF is a founding member of the Together for Sustainability (TfS) initiative of leading chemical companies for the global standardization of supplier evaluations and auditing. With the help of TfS, we promote sustainability in the supply chain. The initiative aims to develop and implement a global program for the responsible supply of goods and services and improve suppliers' environmental and social standards. The evaluation process is simplified for both suppliers and TfS member companies by a globally uniform questionnaire. The 22 members of the initiative conducted a total of 3,767 sustainability assessments – including both initial and follow-up assessments – and 358 audits in 2018. In 2018, over 200 suppliers attended sustainability training in Shanghai as part of the TfS initiative. The initiative was named the “Best Third-Sector/Not-for-Profit Procurement Project” by the global Chartered Institute of Procurement Supply (CIPS) in September 2018.

Using TfS evaluations, we pursue a risk-oriented approach with clearly defined, BASF-specific follow-up processes. A total of 100 raw material supplier sites were audited on sustainability standards in 2018. We also received sustainability assessments for 546 suppliers from an external service provider. If we identify potential for improvement, we support suppliers in developing measures to fulfill our standards. We conduct another review according to a defined timeframe based on the sustainability risk measured. If the weak points discovered were particularly severe and we are unable to confirm any improvement, we reserve the right to terminate the business relationship. This did not occur in any case in 2018. We use this approach to evaluate suppliers with an elevated sustainability risk at least every five years. The approach itself is regularly reviewed to identify possibilities for optimization.

 For more information on Together for Sustainability, see basf.com/en/together-for-sustainability

Audit results

The audits conducted over the past few years have identified some deviations with respect to environmental, social and corporate governance standards, for example in waste and wastewater management and relating to occupational safety, working hours and minimum wage. In the follow-up audits conducted in 2018, we found improvements in all areas. None of our 2018 audits identified instances of child labor. For the suppliers we reviewed, persons under 18 were excluded from overtime and dangerous work. We did not find any incidents of forced labor in 2018.

 For more information on suppliers, see basf.com/suppliers

Environmental Protection, Health and Safety

Responsible Care Management System

The protection of people and the environment is our top priority. Our core business – the development, production, processing and transportation of chemicals – demands a responsible approach. We systematically address risks with a comprehensive Responsible Care Management System, which is continually being further developed. We expect our employees and contractors to know the risks of working with our products, substances and plants and handle these responsibly.

Responsible Care Management System

BASF's Responsible Care Management System comprises the global directives, standards and procedures for safety, security, health and environmental protection for the various stations along our value chain. Our regulations cover the transportation of raw materials, activities at our sites and warehouses, and distribution of our products as well as our customers' application of the products. Specifications for implementing these measures are laid out in binding directives that are introduced in consultation with employee representatives. These describe the relevant responsibilities, requirements and assessment methods. Our policies and requirements are constantly updated. We also maintain a dialog with government institutions, associations and other international organizations.

We set ourselves ambitious goals for safety and security, and health and environmental protection. We regularly conduct audits to monitor our performance and progress. We assess the potential risks and weak points of all our activities – from research to production and logistics – and the effects of these on the safety and security of our employees, the environment or our surroundings. In our databases, we document accidents, near misses and safety-related incidents at our sites as well as along our transportation routes to learn from these; appropriate measures are derived according to specific cause analyses.

For more information on Responsible Care®, see basf.com/en/responsible-care

Audits

Regular audits help ensure that standards are met for safety, security, health and environmental protection. We have defined our regulations for Responsible Care audits in a global Group requirement. During our audits, we create a safety and environmental profile that shows if we are properly addressing the existing hazard potential. If this is not the case, we agree on measures and monitor their implementation, for example, with follow-up audits.

Our Responsible Care audit system complies with the ISO 19011 standard and is certified according to ISO 9001.

In the BASF Group in 2018, 28 environmental, safety and security audits were carried out at 28 plants, along with three short-notice audits on various topics at three plants.

For more information on occupational safety and health protection, see page 15 onward

Costs and provisions for environmental protection at BASF SE

Million €	2018	2017
Operating costs for environmental protection	527	500
Investments in new and improved environmental protection plants and facilities ¹	193	174
Provisions for environmental protection measures and remediation ²	196	190

¹ Investments comprise end-of-pipe measures as well as integrated environmental protection measures.
² Values shown refer to December 31 of the respective year.

For more information, see the Notes on pages 74 and 85

Safety in production

For occupational and process safety as well as health and environmental protection and corporate security, we rely on comprehensive preventive measures and expect the cooperation of all employees and contractors. Our global safety and security concepts serve to protect our employees, contractors and neighbors as well as to prevent property and environmental damage and protect information and company assets.

Strategy

The safety of our employees, contractors, neighbors and protecting the environment is our top priority. This is why we have set ourselves ambitious goals for occupational and process safety as well as health protection.

We stipulate mandatory standards for safety and security as well as environmental and health protection. A network of experts supports us in their implementation. As part of our continuous improvement process, we regularly monitor progress toward our goals.

We promote risk awareness for every individual with measures such as systematic hazard assessments, specific and ongoing qualification measures and global safety initiatives.

We analyze accidents, incidents and their causes in detail at a global level to learn from these. Hazard analyses and the risk minimization measures derived from them are an important prevention tool. We also promote regular dialog across different sites to strengthen risk awareness among our employees and contractors, to learn from examples of good practice and in this way, continually develop the safety culture.

By 2022, we will introduce digital solutions and applications at more than 350 of our plants to further increase the safety, security, planning capability and availability of our plants. For example, augmented reality solutions will support daily operations by providing direct, fast access to the required information with mobile end devices and apps. Other digital solutions will enable us to perform predictive maintenance or efficiently simulate maintenance and production processes in digital plant models.

Based on our corporate values, leaders serve as safety role models for our employees. Since July 2018, individual dialogs with experts on environmental protection, health, safety and security have been conducted with newly appointed senior executives to discuss function-specific issues and challenges.

Global safety initiative

Our global safety initiative was established in 2008 and plays a key role in the ongoing development of the safety culture. The motto of the BASF Group's Global Safety Days was "Understand risk, take action!" in 2018. The aim was to increase risk awareness to identify and eliminate threats before they become a danger – whether at work, on the road or at home. Around 12,000 employees and contractors registered to participate in Ludwigshafen. This involvement and lively discussion make a major contribution to our safety culture.

 For more information on the safety initiative, see basf.com/global-safety-initiative

Occupational safety

We have adapted our incident reporting and goals to the recommendations of the International Council of Chemical Associations (ICCA), the European Chemical Industry Council (CEFIC) and the German Chemicals Industry Association (VCI). Our aim is to reduce the worldwide lost-time injury rate to no more than 0.1 per 200,000 working hours by 2025.¹

To prevent work-related accidents, we encourage and promote risk-conscious behavior and safe working practices for every individual, learning from incidents and regular exchange of experiences. This is why BASF SE sets great store on clear guidelines and rules, systematically involving the production community, ongoing dialog such as the EHS and site forum, which is held every year, and targeted initiatives.

We are constantly working on introducing targeted measures as part of our "One Safety" program. These include systematically tracking events, which was introduced in 2017, with high hazard potential and the initiatives "Learn from each other" and "Always Safe!" in Ludwigshafen, which promote a behavior-driven safety culture.

In addition to the legally required briefings, we also held training courses on safe procedures in 2018 to strengthen risk awareness among our employees and contractors and prevent work-related accidents. Our training center in Ludwigshafen, Germany, has offered continuous further education on diverse safety and security topics for employees and contractors since 2010. Some 18,000 participants received training there in 2018.

In 2018, BASF SE recorded 0.5 work-related accidents per 200,000 working hours (2017: 0.5).² The rate of work-related accidents for contractors in 2018 was also 0.5 per 200,000 working hours (2017: 0.6). The proportion of chemical-related accidents rose slightly to 5% (2017: 3%). There was one fatal work-related accident at BASF SE in 2018 (2017: 0).

¹ Hours worked by BASF employees, temporary employees and contractors. Our previous goal was to reduce the worldwide lost-time injury rate per one million working hours (BASF and temporary employees) to 0.5 at most by 2025.

² Hours worked by BASF employees, temporary employees and contractors. We previously reported on the number of lost-time injuries per one million working hours (BASF and temporary employees). In 2017, BASF SE recorded 2.6 work-related accidents per one million working hours (BASF and temporary employees) and 3.0 work-related accidents per one million working hours for contractors. The 2017 figure has been adjusted due to updated data.

One employee of a contractor died during loading work at the Flotzgrün landfill site near Ludwigshafen, Germany, in February. He became trapped during work with a construction vehicle. BASF supported the relevant authorities in their investigations into the circumstances and cause of the accident. We use the findings of investigations into accidents to take appropriate measures to prevent these from happening again.

 For more information on occupational safety, see basf.com/occupational_safety

Process safety

Process safety is a core part of safe, effective and thus future-proof production. We meet high safety standards in the planning, construction and operation of our plants around the world. These meet and, in some cases, go beyond local legal requirements.

Our process safety standards provide the framework for the safe construction and operation of our plants as well as the protection of people and the environment. Our experts have developed a protection plan with the appropriate safety inspections for every plant that considers the key aspects of safety, health and environmental protection – from conception to startup – and stipulates specific protection measures.

In order to maintain the highest level of safety at our plants across their entire life cycle, we review the implementation of our protection plans in all facilities at regular intervals and depending on risk potential, as well as the on-time performance of the required safety inspections and any resulting safety-related measures. We regularly update our plants' safety and security concepts in line with changing technologies and as necessary.

In 2018, we adapted our reporting on accidents and process safety incidents to the recommendations of the International Council of Chemical Associations (ICCA), the European Chemical Industry Council (CEFIC) and the German Chemicals Industry Association (VCI). We now apply stricter reporting thresholds and use the number of process safety incidents per 200,000 working hours as a key performance indicator. We have set ourselves the goal of reducing process safety incidents to a rate of no more than 0.1 per 200,000 working hours by 2025. In 2018, BASF SE recorded 0.4 process safety incidents per 200,000 working hours (2017: 0.5).¹ We pursue continual improvement by investigating every incident in detail, analyzing root causes and using the findings to derive suitable measures.

Effectively reducing process safety incidents starts with an awareness of potential safety risks. Around the world, we promote initiatives to discuss incidents and their causes, as well as to increase sensitivity to potential safety risks. At the Ludwigshafen site in Germany and other European sites, the focus is on sharing operational improvement measures. We are also continually refining our training methods to strengthen risk awareness.

We are working on increasing the availability of our plants and determining the optimum point in time for maintenance measures and revamping/refurbishment. The aim is to further reduce unscheduled shutdowns. To achieve this, we launched a digitalization project in 2017, which was implemented at a number of plants in Ludwigshafen, Germany in 2018. In 2019, we plan to expand this to further plants in Ludwigshafen and at our sites in Schwarzheide, Germany, and Antwerp, Belgium. We want to roll the project out worldwide in 2020.

To further improve safety at the Ludwigshafen site, BASF SE plants are working together with plant safety and engineering experts on further improving their processes as part of the Process Safety Incidents initiative. Participating plants reduced the number of process safety incidents by 36% in 2018. Measures for more than 40 potential improvements in production, maintenance and plant design have since been made available in eight languages. The initiative will be continued in 2019.

 For more information on process safety, see basf.com/process_safety

Health protection

Our Corporate Health Management department is responsible for occupational and emergency health care for BASF employees at the Ludwigshafen site, as well as for coordinating and auditing medical services at BASF Group companies worldwide. It has been recognized by the employers' liability insurance association as a training facility for company first aiders.

Our health management serves to maintain and promote the health and productivity of our employees. Our standards for occupational health are specified in a directive that is implemented by a global network of experts. This was once again supported by numerous emergency drills and health promotion measures in 2018.

To practice cooperation between BASF's emergency services, doctors, paramedics and other experts from the medical team participated in three major incident drills in 2018 (2017: 3). In addition, around 3,000 people received first aid or refresher training from certified instructors from the emergency services team in the year under review.

We offer our employees a comprehensive range of medical services from preventive programs and emergency care to health promotion initiatives. We systematically raise awareness of health topics with target group-specific offerings. The BASF health checks form the foundation of our global health promotion program and are offered to employees at regular intervals.

Our 2018 Global Health Campaign "Life. Saving. Heroes." focused on cardiopulmonary resuscitation (CPR). We sensitized our employees about the issue with the ultimate aim of increasing the rate of CPR initiated by laypersons. This significantly increases a person's chances of survival if they suffer cardiac arrest in private life or at

¹ Hours worked by BASF employees, temporary employees and contractors. Our previous goal of reducing process safety incidents to a rate of no more than 0.5 per one million working hours (BASF and temporary employees) by 2025 largely followed the definition set by the European Chemical Industry Council (CEFIC). In 2017, the process safety incident rate per one million working hours at BASF SE was 1.5.

work. At the Ludwigshafen site in Germany, BASF SE's on-site medical specialists provided training to around 10,500 employees.

We measure our performance in health protection in Ludwigshafen and all sites worldwide using the standardized Health Performance Index (HPI). The HPI comprises five components: recognized occupational diseases, medical emergency preparedness, first aid, preventive medicine and health promotion. Each component contributes a maximum of 0.2 to the total score. The highest possible score is 1.0. Our Group-wide goal is to reach a value of more than 0.9 every year. With an HPI of 0.96 for the BASF Group, we were once again able to fulfill the ambitious goal of exceeding 0.9 each year in 2018 (2017: 0.97).¹

 For more information on occupational medicine, health promotion campaigns and the HPI, see basf.com/health

Emergency response, corporate security and cybersecurity

We are well prepared for crisis situations thanks to our global crisis management system, which is also used at BASF SE. In the event of a crisis, our emergency response plans and crisis management structures are engaged, depending on the impact scope. We involve situation-related partners and suppliers as well as cities, communities and neighboring companies.


We regularly check our emergency systems, crisis management structures and drill procedures with employees, contractors, local authorities and emergency rescue workers. For example, in 2018 we conducted 224 drills and simulations in Ludwigshafen, Germany, to instruct participants on our emergency response measures.

We protect our employees, sites, plants and company know-how against third-party interference. This includes, for example, potential terrorist risks in the communities surrounding our production sites and addressing in depth the issue of cybersecurity. BASF has a comprehensive program in place to continually improve its ability to prevent, detect and react to cybersecurity incidents. By establishing a global Cyber Security Defense Center, BASF significantly expanded the availability of its cybersecurity experts to ensure around-the-clock protection. We cooperate closely with a global network of experts and partners to ensure that we can protect ourselves against cyberattacks as far as possible. In 2018, we therefore expanded our IT security certification according to ISO 27001, which was introduced in 2008.

Around the world, we work to sensitize all employees about protecting information and know-how. For example, we further strengthened our employees' awareness of risks in 2018 with training, case studies and interactive offerings. We have defined mandatory information protection requirements to ensure compliance with our processes for protecting sensitive information and perform audits to monitor this.

We inform business travelers and transferees about appropriate protection measures prior to and during travel in countries with elevated security risks. After any major incident such as a terrorist attack or a natural catastrophe, we can use a standardized global travel tracking system to locate and contact employees in the affected regions.

Aspects of human rights related to site security are a component of the global qualification requirements of our security personnel. Respect for human rights is a mandatory element of any contract with service providers of BASF SE who are active in this area.

 For more information on emergency response, see basf.com/emergency_response
For more information on security, see basf.com/corporate-security

¹ Our updated corporate strategy realigns our goals from 2019 onward; as a result, the global Health Performance Index goal will be retained as a reporting indicator. For more information on our corporate strategy and our targets, see basf.com/strategy

Product stewardship

We review the safety of our products from research and development through production and all the way to our customers' application. We continuously work to ensure that our products pose no risk to people or the environment when they are used responsibly and in the manner intended.

Strategy

We are committed to continuously minimizing the negative effects of our products on the environment, health and safety along the value chain – from development to disposal. This commitment to product stewardship is enshrined in our Responsible Care® charter and the initiatives of the International Council of Chemical Associations (ICCA). We also ensure uniformly high standards for product stewardship worldwide.

We provide extensive information on all our chemical sales products to our customers. This is achieved with the help of a global database in which we maintain and evaluate continuously updated environmental, health and safety data for our substances and products. Our global emergency hotline network provides information around the clock. We train and support our customers in fulfilling their industry or application-specific product requirements. In associations and together with other manufacturers, BASF is pushing for the establishment of voluntary global commitments to prevent the misuse of chemicals.

Our risk assessment goals support the implementation of initiatives such as the Global Product Strategy (GPS) of the ICCA. GPS is establishing worldwide standards and best practices to improve the safety management of chemical substances. In addition, BASF is also involved in initiatives such as workshops and training seminars in developing countries and emerging markets, including in China and the Philippines in 2018. In order to facilitate public access to information, we are involved in the ICCA online portal that provides more than 4,500 GPS safety summaries.

 For more information on GPS, see basf.com/en/gps

Global target

By 2020, we will conduct risk assessments for more than 99% of the substances and mixtures sold by BASF worldwide in quantities of more than one metric ton per year. We reached 91% of this goal in 2018 (2017: 76.2%).¹ The risk associated with using a substance is determined by the combination of its hazardous properties and its potential exposure to people and the environment.

REACH and other legal requirements

BASF has completed the third and final registration phase of the E.U. chemicals regulation, REACH, successfully and on time. All substances produced in annual volumes between one and one hundred metric tons were registered by the deadline of May 31, 2018. Above and beyond this, our REACH activities continue to be determined by E.U. authorities' decisions on additional studies in connection with the evaluation of submitted dossiers. BASF is also obligated to continuously update the registration dossiers it has submitted.

We continue to see a rise in both regulatory requirements for agrochemicals and the number of additional studies required to obtain or extend approval for crop protection products. Potential risks for people and the environment are carefully assessed and minimized throughout the research, development and registration process for crop protection agents. We perform a large number of scientific studies every year to ensure that our products meet the highest safety requirements.

Environmental and toxicological testing

Before launching products on the market, we subject them to a variety of environmental and toxicological testing. We apply state-of-the-art knowledge in the research and development phase of our products. For instance, we only conduct animal studies when they are required by law and approved by respective authorities. Animal studies are at times stipulated by REACH and other national legislation outside the European Union in order to obtain more information on the properties and effects of chemical products.

We adhere to the specifications laid down by the German Animal Welfare Act as well as the requirements of the Association for Assessment and Accreditation of Laboratory Animal Care – the highest standard for laboratory animals in the world. We are continually developing and optimizing alternative methods, and we use them wherever it is possible and accepted by the authorities. We use alternative methods in more than a third of our tests. The development of alternative methods for testing the potential of substances to induce developmental toxicity has been a focus area of our research since 2017.

Since 2016, our Experimental Toxicology and Ecotoxicology department has been working together with a total of 39 partners on one of the largest European collaborative projects for alternative methods. The project, planned to run for six years, aims to develop alternative methods to the point that chemical risk assessments can be efficiently conducted largely without animal testing.

 For more information on alternative methods, see basf.com/alternative_methods

¹ Our updated corporate strategy realigns our goals from 2019 onward; as a result, we will no longer report on the global risk assessment goal. Furthermore, this goal has become obsolete due to the legal requirement to make chemical risk assessment data available worldwide under regulations such as REACH. For more information on our corporate strategy and our targets, see basf.com/strategy

Management of new technologies

Nano- and biotechnology offer solutions for key societal challenges – for example, in the areas of climate protection or health and nutrition.

Safe handling of nanomaterials is stipulated in our Nanotechnology Code of Conduct. In recent years, we have conducted over 250 scientific studies and participated in over 40 different projects related to the safety of nanomaterials. The results were published in more than 100 scientific articles. In 2018, we concluded our five-year Nano-In-Vivo research project in cooperation with German governmental bodies. The project delivered important insights into the toxicological effects of long-term exposure to nanoparticles and complements our previous findings that toxicity is determined not by the size of the particles but by the intrinsic properties of the substance.

We contribute our expertise in various working groups of the European Chemicals Agency (ECHA) and the OECD's Business and Industry Advisory Group (BIAC), which develop testing and implementation guidelines. Together with partners from academia and government authorities, in 2018 we started work on E.U.-funded projects to validate alternative testing methods for evaluating and grouping nanomaterials with a view to regulatory acceptance. In 2018, we were recognized by the European Chemical Industry Council (CEFIC) for our transparency in addressing questions about the safety of nanomaterials.

BASF makes successful use of biotechnology. We produce a range of established products with the help of biotechnological methods. This provides us with extensive experience in the safe use of biotechnological methods in research and development as well as in production. When employing biotechnology, we adhere to all standards and legal regulations. We are also guided by the code of conduct set out by EuropaBio, the European biotechnology association.

☞ For more information on nanotechnology, see [basf.com/nanotechnology](https://www.basf.com/nanotechnology)

Transportation and storage

Our regulations and measures for transportation and warehouse safety cover the delivery of raw materials, the storage and distribution of chemical products among BASF sites and customers, and the transportation of waste from our sites to the disposal facilities.

Strategy

We want our products to be safely loaded, transported, handled and stored. This is why we depend on reliable logistics partners, global standards and an effective organization. Our goal is to minimize risks along the entire transportation chain – from loading and transportation to unloading. Some of our guidelines for the transportation of dangerous goods go above and beyond national and international dangerous goods requirements. The BASF Group has defined global guidelines and requirements for the storage of our products and regularly monitors compliance with these.

Accident prevention and emergency response

We regularly assess the safety and environmental risks of transporting and storing raw materials and sales products with high hazard potential using our global guideline. This is based on the guidelines of the European Chemical Industry Council (CEFIC). The BASF Group also has binding global standards for load safety.

We stipulate requirements for our logistics service providers and assess them in terms of safety and quality. Our experts use our own evaluation and monitoring tools as well as internationally approved schemes.

Transportation incidents

We are systematically implementing our measures to improve transportation safety. We report in particular on goods spillages that could lead to significant environmental impacts such as dangerous goods leaks of BASF products in excess of 200 kilograms on public transportation routes, provided BASF arranged the transport.

BASF SE recorded one incident in 2018 with spillage of more than 200 kilograms of dangerous goods (2017: 1). This transportation incident did not have any significant impact on the environment (2017: 0).

Raw materials supply challenges due to low Rhine River

The low water levels on the Rhine River in 2018 impacted logistics at the Verbund site in Ludwigshafen, Germany. Under normal conditions, around 40% of incoming volumes are transported to the site by ship. This makes the Rhine the most important transportation route for incoming raw materials. As far as possible, we replaced transportation by ship with alternatives such as rail and truck while the Rhine was low. We are working on an overarching concept to make the site more resilient to long periods of low water and are investigating various measures, including selectively expanding on-site tank capacities or switching to ships better suited to low water levels. We intend to implement the first measures in 2019.

Activities in external networks

We are actively involved in external networks, which quickly provide information and assistance in emergencies. These include the German Transport Accident Information and Emergency Response System (TUIS), in which BASF plays a coordinating role.

For more information, see basf.com/distribution_safety

Energy and climate protection

As an energy-intensive company, we are committed to energy efficiency and global climate protection. We want to reduce emissions along the value chain and utilize, for example, efficient technologies for generating steam and electricity, energy-efficient production processes, and comprehensive energy management.

Strategy

Climate protection is very important to us. As a leading chemical company, we want to achieve CO₂-neutral¹ production growth until 2030. We have articulated this commitment in our new global climate protection goal, which will apply to the BASF Group from 2019. In order to reach this target, we aim to maintain total greenhouse gas emissions from our production sites and our energy purchases at the 2018 level. Sharp increases due to the startup of large-scale plants will be progressively offset. We will compensate for additional emissions with optimization measures at existing plants and a focus on purchasing low carbon energy.

Most of BASF's greenhouse gas emissions are attributable to the consumption of energy. At sites that produce their own energy, we primarily rely on highly efficient combined heat and power plants with gas and steam turbines, and on the use of heat released by production processes. Furthermore, we are committed to energy management that helps us analyze and further improve the energy efficiency of our plants on an ongoing basis. We continuously analyze potential risks to our business operations arising in connection with the topics of energy and climate protection and derive appropriate measures.

Goals and measures

The BASF Group has set itself the goal of reducing its greenhouse gas emissions per metric ton of sales product by 40% by 2020, compared with baseline 2002 (BASF operations excluding the discontinued oil and gas business). BASF SE contributes to reaching this goal. No separate site target has been set for specific greenhouse gas emissions, as changes to plant capacity utilization and the portfolio can have a great impact on an individual location's targets, but can usually be offset at Group level.

We will pursue a new goal from 2019 onward: CO₂-neutral growth until 2030. We will maintain greenhouse gas emissions per metric ton of sales product as an additional reporting indicator.

By 2020, we want to have introduced certified energy management systems (DIN EN ISO 50001) at all relevant production sites.² Taken together, this represents 90% of BASF's primary energy demand. From 2019 onward, we will maintain this goal as a reporting indicator to track our progress in introducing energy management systems. BASF SE's Ludwigshafen site has been certified according to ISO 50001 since 2014. We continuously analyze and implement measures to increase energy efficiency.

For more information on climate protection, see basf.com/climate_protection

Energy demand of BASF SE

	2018	2017
Electricity (MWh)	6,199,584	6,396,726
Steam (metric tons)	18,358,733	18,537,178
Fossil fuels in power plants (MWh)	16,511,504	16,944,842

¹ BASF operations excluding the discontinued oil and gas business. The goal includes other greenhouse gases according to the Greenhouse Gas Protocol, which are converted into CO₂ equivalents.
² The selection of relevant sites is determined by the amount of primary energy used and local energy prices; figures relate to BASF operations including the discontinued oil and gas business.

Air and soil

BASF wants to further reduce emissions to air from its production, prevent waste and protect the soil. The Group has set out standards in a globally applicable directive that also applies to BASF SE. If no recovery options are available for waste, we dispose of it in a proper and environmentally responsible manner.

Strategy

Regular monitoring of our emissions to air is a part of environmental management at BASF. Aside from greenhouse gases, we also measure emissions of other pollutants into the atmosphere.

Our Raw Material Verbund helps us prevent or reduce waste. We regularly carry out audits to inspect external waste disposal companies to ensure that waste is properly disposed of. In this way, we also contribute to preventive soil protection and keep today's waste from becoming tomorrow's contamination.

Management of waste and contaminated sites

We aim to avoid waste as far as possible. If waste is unavoidable, we review the options for recycling or energy recovery to close materials cycles, using BASF's existing Verbund structures for efficient waste management.

Waste generated by BASF SE that can no longer be recycled or used for energy recovery is deposited at landfill sites such as Flotzgrün. Construction work to expand the landfill site has been approved and commenced in 2017.

From the 1950s to the 1970s, waste was also deposited at the former landfill sites in Ludwigshafen-Maudach (until 1966) and Bruchhübel near Bad Dürkheim (until 1978) in BASF SE's local environment. To minimize the environmental risk of these contaminated sites, water supplies at both landfill sites are currently being rehabilitated through the construction of slurry walls. They are scheduled for completion in 2019.

 For more information on provisions for environmental protection, see the Notes on page 74

 For more information on landfill sites near the Ludwigshafen site, see ludwigshafen.basf.de/deponien (only available in German)

Emissions to air by BASF SE

	2018	2017
Emissions of air pollutants (excluding CH ₄): CO, NO _x , NMVOC, SO _x , Dust, NH ₃ /other inorganic substances (metric tons)	7,506	8,002
Greenhouse gas emissions: CO ₂ , N ₂ O, CH ₄ , HFC, PFC, SH ₆ (million metric tons of CO ₂ equivalents)	7.35	7.6

Waste generated by BASF SE

	2018	2017
Total waste generation (metric tons) ¹	665,898	617,634

¹ Comprises all production waste and hazardous waste from construction activities.

Water

Water is of fundamental importance in chemical production. It is used as a coolant, solvent and cleaning agent, as well as to make our products. We are committed to its responsible use along the entire value chain and especially in our production sites' water catchment areas. The BASF Group has set itself a global goal for sustainable water management.

Strategy

We aim to use water as sparingly as possible and further reduce emissions to water. The BASF Group has set out a directive with globally applicable standards, which also apply to BASF SE.

Goals and measures

By 2025, the BASF Group wants to have introduced sustainable water management at all sites in water stress areas and at our Verbund sites, covering 93% of BASF's entire water abstraction. We will pursue an updated goal from 2019 onward. By 2030, we want

to introduce sustainable water management at all sites in water stress areas and at our Verbund sites according to our expanded definition. In the future, we will report on regions in which more than 40% of available water is used by industry, household and agriculture. This almost doubles the number of sites.

BASF SE's Verbund site in Ludwigshafen, Germany, was successfully audited with respect to sustainable water management as early as 2014. Sustainable water management should ensure that the company does not have any relevant negative impact on water supply in the surrounding environment. This includes the efficient use of abstracted water and an effective water protection concept like the one implemented in Ludwigshafen.

For more information, see [basf.com/water](https://www.basf.com/water)

Water footprint of BASF SE

	2018	2017 ¹
Water abstraction (million cubic meters)	1,326	1,392
Water use (million cubic meters)	2,171	2,254
Water discharge (million cubic meters)	1,231	1,391
Emissions of organic substances to water (metric tons)	5,450	6,403
Emissions of nitrogen to water (metric tons)	1,561	1,408
Emissions of heavy metals to water (metric tons)	11	15

¹ Figures for 2017 include one Group company at the Ludwigshafen site in Germany that has since been divested and are thus calculated on a different basis than in 2018.

Employees

Our employees make a significant contribution to BASF's long-term success. We want to attract and retain talented people for our company and support them in their development. To do so, we cultivate a working environment that inspires and connects people. It is founded on inclusive leadership based on mutual trust, respect and dedication to top performance.

Strategy

Our employees are key to the successful implementation of BASF's strategy. They contribute to changing the world we live in for the better with innovative and sustainable solutions. We remain convinced of the value of excellent employees, leaders and working conditions, and strive to give our employees the tools and skills necessary to be able to offer our customers products and services with an even greater level of differentiation and customization in the future. As part of the updated corporate strategy, we will sharpen our focus on employee engagement and impactful leadership. In everything we do, we are committed to complying with internationally recognized labor and social standards.

We want our working conditions to be a motor for innovation, and one way of achieving this is through inclusion of diversity. We want our employees to thrive and best contribute their individual talents – also considering the increasingly rapidly changing environment, especially as a result of demographic change and the digitalization of work. Lifelong learning and individual employee development lay the foundation for this. Compensation and benefits as well as offerings to balance personal and professional life complete our attractive total offer package. We track our employer rankings so that we can continue to attract talented people to the company in the future. Our employees play an important role here as ambassadors for BASF.

Number of employees

At the end of 2018, BASF SE had 35,316 employees (2017: 34,923); of these, 1,982 were apprentices¹ (2017: 1,967). The increase in the number of employees is mainly attributable to a higher number of external hires and employees taken over from other BASF Group companies, especially in the areas of production, technology and digitalization.

Employee engagement

BASF can rely on the engagement of its employees. Employee engagement is shown by, for example, a passion for the job, a dedication to top performance and a commitment to BASF. Previous global employee surveys have shown that employee engagement is already high, and we aim to keep it this way and increase it even further where possible. As part of our updated corporate strategy, we have therefore set ourselves the following goal for the coming years from 2019 onward: More than 80% of our employees feel that at BASF, they can thrive and perform at their best. Our employee engagement level will be regularly calculated as

an index score based on set questions in employee surveys. We identify improvement areas based on survey results to further strengthen the engagement of our employees.

Global employee surveys and pulse checks are and will remain an established feedback tool in the BASF Group, and are used to actively involve employees in shaping their working environment. The results are communicated to employees, the Board of Executive Directors and the Supervisory Board. We have performed regular global employee surveys since 2008. As part of the updated corporate strategy, we conducted a global "pulse check" in 2018. We surveyed around 24,000 randomly chosen employees worldwide on topics such as customer focus, innovation, digitalization, sustainability and safety awareness. The results of this survey were taken into account in the strategy development process. We will conduct the next employee survey in 2019 based on an updated concept.

What we expect from our leaders

Our leaders and their teams should make a sustainable contribution to BASF's success and to safeguarding its future. This is why we want to strengthen leadership impact. We understand impactful leadership as leaders that serve as role models by developing and implementing business strategies in line with our corporate values. They should also have a positive impact on shaping day-to-day business, mobilizing employees and fostering their development. These expectations are part of the standard global nomination criteria for leadership candidates. Our leadership culture is founded on a global Competency Model, which sets out specific behavioral standards, as well as our global Code of Conduct. We offer our leaders learning and development opportunities for each phase of their career, as well as various formats that enable them to share knowledge and learn from one another. Global, regional and local offerings are optimally coordinated.

Leaders play a special role in driving forward digitalization. We offer training and other resources to prepare them and help them inspire their teams about the digital transformation. One example is the BASF Leadership Camp held in the fall of 2018, where leaders from all of the regions came together to discuss topics such as the role of leaders and the challenges of the digital transformation facing them, as well as the possibilities of digital project management.

Leaders were also given the opportunity to participate in a modular course with cross-company digitalization projects. The program was run under the auspices of the Digital Academy, a network of large companies and the Mannheim Business School, which aims to drive forward the digital transformation in Germany.

Regular feedback plays an important role in the development of leaders. In 2018, we tested new digital tools for providing direct, timely feedback in a number of business and functional units. This complements BASF's long-established Global Leadership Feedback tool, where leaders receive feedback from their employees, managers, colleagues and customers on different aspects of their

¹ At BASF, the apprenticeship program trains students for technical, scientific and business vocations as well as for trade and craft professions.

leadership conduct, and derive conclusions and activities from this in a follow-up process. In the coming years, we will introduce additional feedback tools. The use of these tools is binding in order to further enhance our strong feedback culture and promote personal development among our leaders on a regular basis.

Inclusion of diversity

The strong global character of our markets translates into different customer requirements – and we want to reflect this diversity among our employees, too. For us, diversity means, among other things, having people from different backgrounds working at our company who can draw on their individual perspectives and skills to grow our business. This diversity is important to us because it enables our employees to better meet our customers' needs. By valuing and promoting employee diversity, we boost our teams' performance and power of innovation, and increase creativity, motivation and each and every individual's identification with the company. Promoting and valuing diversity across all hierarchical levels is an integral part of our strategy and is also embedded in our corporate values. BASF strives to foster a working environment based on mutual respect, trust and appreciation. This is enshrined in our global Competency Model, which provides a framework for our employees and leaders. The inclusion of diversity is anchored in this model as one of the behaviors expected of employees and leaders.

Our leaders play an important role in its implementation. We support them by integrating topics such as inclusive leadership into our leadership development courses. Special seminars and training events are held to sensitize leaders to issues such as unconscious bias. This enables them to remain as objective as possible when making personnel decisions, for example, to avoid unconscious biases in favor of or against candidates with certain characteristics or views.

 For more information, see basf.com/diversity

 For more information on the participation of women in leadership positions, see page 41

Managing demographic change

Our aim is to create a suitable framework to leverage the knowledge and experience of our employees at all stages of life and ensure the availability of qualified employees – particularly in a technological environment – over the long term. We are working intensively on future trends like new technologies and digitalization (Industry 4.0). We see digitalization as an opportunity to meet the challenges of demographic change.

Longer working lives and the aging employee population are relevant issues, especially in Germany. We address these different challenges with various measures to manage demographic change such as health and exercise programs, flexible working arrangements, age-appropriate workplaces and knowledge management. Demographic analyses make the demographic situation at each site or plant transparent for the responsible leaders. For plants and profiles with a particularly critical age structure, we immediately derive specific measures such as needs-based knowledge transfer offerings or succession planning. We also support processes to identify and retain knowledge. Given the special role that our leaders assume, the topic "leadership in times of demographic change" forms a part of our leadership programs. Mixed-age teams foster diversity within the company and benefit from the combination of different skills and perspectives, for example, by bringing together knowledge of digital technologies with many years of experience and process expertise.

 For more information on health protection, see page 16 onward

Competition for talent

Attracting and retaining the best employees is crucial to our success. Having an attractive and compelling total offer package for employees is becoming increasingly important given the strong global competition for the best qualified employees and leaders. This is why we are constantly working on measures to increase BASF's appeal in the global labor markets.

We are increasingly using digital platforms such as our country-specific career websites as well as global and regional social networks to reach potential candidates. This enables us to address specific target groups. One focus is on the recruitment of digital talents. In 2018, we launched a dedicated global career website for digital talents to strengthen our position among this group. In Germany, we also held our second BASF hackathon in 2018 with the motto "Coding Chemistry." Around 50 university students solved specific problems from our divisions within 24 hours and presented their solutions to a panel of BASF experts.

We once again achieved high scores in a number of employer rankings in 2018. For example, in a study conducted by Universum, BASF was again selected by engineering and IT students as one of the 50 most attractive employers in the world. In Germany, BASF was again ranked the most attractive employer for young professionals in the chemical and pharmaceutical industry by Trendence, a consulting and market research firm.

Vocational training

Our vocational training plays a key role in securing qualified employees at our largest site in Ludwigshafen, Germany. We give school students in the career orientation phase insights into different training paths with target group-specific measures such as the *Wunschberuf im Praxistest* (“Test Drive Your Dream Job”) day, which is held several times a year.

Digitalization is also changing vocational training at BASF. Course content is adapted to include new Industry 4.0 topics such as modules on data management or automation, and modern communication technologies make new learning methods possible. Young people train for their future profession in modern workshops and laboratories, where they use digital technologies from the start. Visualization of data, intelligent networks or contact-free technologies such as thermography play a key role here. In the new vocational training program *Elektroniker für Betriebstechnik* (“electronic technician for production engineering”), the focus is on networking switching devices and systems as well as intelligent motor management. For the first time, BASF SE offered 28 training slots for this new vocation at the start of the 2018 apprenticeship year. These are part of the 61 additionally created apprenticeship positions at the Ludwigshafen site in Germany.

A total of 618 apprentices began vocational training at BASF SE in 2018, filling all available vocational program slots. 92% of apprentices at BASF SE received a job offer after completing vocational training in 2018. We also foster social integration, particularly of young low achievers and refugees. Programs in the Rhine-Neckar metropolitan region include *Start in den Beruf, Anlauf zur Ausbildung* and *Start Integration*. In 2018, 241 young people in the BASF Training Verbund participated in these programs in cooperation with partner companies. The goal is to prepare participants for a subsequent apprenticeship within one year, and ultimately secure the long-term supply of qualified employees for BASF SE and in the region as a whole. Since being launched at the end of 2015, BASF’s *Start Integration* program has supported around 350 refugees with a high probability of being granted the right to remain in Germany, helping to integrate them into the labor market. We spent around €5.6 million on the BASF Training Verbund in 2018.

For more information, see basf.com/apprenticeship

Learning and development

Learning and development are essential success factors for a strong company culture. The skills and competencies of our employees are critical for profitable growth and lasting success. For this reason, we want to further modernize our learning culture and step up our efforts to promote lifelong, self-directed learning. Employee development at BASF is guided by the belief that talent is in everyone. This means that development opportunities and support are open to all employees. In our understanding, there is more to development than a promotion or a job change – it encompasses the development of personal experience and abilities.

In regular development meetings, which are held as part of our annual employee dialogs, employees outline prospects for their individual development together with their leaders and determine specific measures for further training and development, which focus on personal and professional competencies. Our learning activities follow the “70-20-10” philosophy: We apply the elements “learning from experience” (70%), “learning from others” (20%) and “learning through courses and media” (10%). Our learning and development offerings cover a range of learning goals: starting a career, expanding knowledge, personal growth and leadership development. Virtual learning is playing an increasingly important role here.

We held our first ever global virtual “Go Digital!” week in 2018, for example. This gave employees around the world the chance to find out about different digitalization topics via online events. BASF employees and representatives from other companies provided insights into their digital projects.

In addition, more and more academies in the divisions and functional units, which teach specific professional content, offer virtual training. We have offered “virtual presence” training since 2018, which gives all employees the opportunity to attend professional development courses via digital communication channels such as virtual meetings.

In 2018, we introduced a global website with an accompanying learning app to enable employees around the world to find out about the digital workplace of the future and independently prepare for the digital transformation. Employees can use the app to learn about things like digital jargon and technologies, and acquaint themselves with new working and leadership models.

Compensation and benefits

We want to attract engaged and qualified employees, retain them and motivate them to achieve top performance with an attractive package including market-oriented compensation, individual development opportunities and a good working environment so that they contribute to the company's long-term success.

Our employees' compensation is based on global compensation principles according to position, market and performance. As a rule, compensation comprises fixed and variable components as well as benefits that often exceed legal requirements. These benefits include company pension benefits, supplementary health insurance and share programs. We regularly review our compensation systems at local and regional levels. We want our employees to contribute to the company's long-term success. Representative analyses for BASF SE have shown that for comparable qualifications and positions, there is no systematic pay gap between men and women.

We want our employees to contribute to the company's long-term success. This is why the compensation granted to all employees of BASF SE includes variable compensation components, with which they participate in the success of the BASF Group as a whole and are recognized for their individual performance. The same principles basically apply for all employees worldwide. The amount of the variable component is determined by economic success as well as the employee's individual performance. Since 2018, we have used the BASF Group's return on capital employed (ROCE) to measure economic success for the purposes of variable compensation. This links variable compensation to our ROCE target.¹ Individual performance is assessed as part of a globally consistent performance management process.

BASF SE employees are offered the chance to purchase shares. Our "plus" share program ensures employees' long-term participation in the company's success through incentive shares: A portion of the variable compensation can be invested in BASF shares in order to profit from BASF's long-term development. 18,600 BASF SE employees (2017: 17,300) purchased employee shares in 2018. BASF offers senior executives² the opportunity to participate in a share price-based compensation program, the long-term incentive (LTI) program.

[For more information, see the Notes on page 74](#)

Personnel expenses

BASF SE spent €3,426 million on wages and salaries, social security contributions and expenses for pensions and assistance in 2018 (2017: €3,788 million). Personnel expenses thus declined by 9.6%. This was mainly attributable to a special one-off contribution to BASF Pensionskasse VwG in the previous year.

[For more information, see the Notes on page 78](#)

Personnel expenses BASF SE

Million €	2018	2017
Wages and salaries	2,768	2,871
Social security contributions and expenses for pensions and assistance	658	917
of which for pension benefits	223	486
Total personnel expenses	3,426	3,788

Balancing personal and professional life

Our identity as an employer includes our belief in supporting our employees in balancing their personal and professional lives. We want to strengthen their identification with the company and our position in the global competition for qualified personnel. To achieve this, we have a wide range of offerings aimed at employees in different phases of life. These include flexible working hours, part-time employment and mobile working. At BASF SE, an increasing number of employees make use of flexible and remote working options. Around one-third of BASF SE employees work remotely at least occasionally. We want to step up our efforts to promote flexible, remote working arrangements with specific guidance for leaders and employees as well as academic support for pilot units.

Other local initiatives specifically address the needs of our employees on site. Our Work-Life Management employee center in Ludwigshafen (LuMit) offers a number of services under one roof: childcare, fitness and health, social counseling and coaching as well as other programs to help employees balance professional and personal life.

BASF Stiftung provides social counseling and coaching to support employees in overcoming difficult life situations and in this way, help maintain their employability. BASF SE offers comprehensive support for employees with relatives requiring care. This includes counseling, roadshows, opportunities to connect with other caregivers and flexible working models. There are also various leave of absence models to care for family members.

¹ In calculating ROCE, adjustments are made for negative and positive special items resulting from acquisitions and divestitures (e.g., integration costs in connection with acquisitions and gains or losses from the divestiture of businesses) when these exceed a corridor of plus or minus 1% of the average cost of capital basis. An adjustment of the ROCE (in the first 12 months after closing) therefore only occurs in cases of exceptionally high special items resulting from acquisitions and divestitures.

² The term "senior executives" refers to leadership levels 1 to 4, whereby level 1 denotes the Board of Executive Directors. In addition, individual employees can attain senior executive status by virtue of special expertise.

Dialog with employee representatives

Trust-based cooperation with employee representatives is an important component of our corporate culture. Our open and ongoing dialog lays the foundation for balancing the interests of the company and its employees, even in challenging situations. In the case of organizational changes or if restructuring leads to staff downsizing, for example, we involve employee representatives to develop socially responsible implementation measures at an early stage. Our actions are aligned with the respective legal regulations and the agreements reached, as well as operational considerations. In 2018, this happened in preparations to transfer the paper and water chemicals business to a joint venture, for example. We also involved our employee representatives in full and at an early stage when we introduced a new global metric for variable compensation. This ensured wide employee acceptance and seamless implementation of the change. The early, detailed presentation and explanation of the updated corporate strategy in 2018 was also a reflection of our trust-based cooperation. By focusing our discussions on the local and regional situations, we aim to find tailored solutions to the different challenges and legal considerations for each site.

 For more information, see basf.com/employeerepresentation

International labor and social standards

We act responsibly toward our employees. Part of this is our voluntary commitment to respecting international labor and social standards, which we have embedded in our global Code of Conduct. This encompasses internationally recognized labor norms as stipulated in the United Nations' Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organization

(ILO). BASF is committed to complying with these standards worldwide. We mainly approach our adherence to international labor and social standards using three elements: the Compliance Program (including external compliance hotlines), close dialog with our stakeholders (such as with employee representatives or international organizations) and the BASF guideline on compliance with international labor norms, which was established in 2015 and applies Group-wide.

This guideline concretizes what the human rights issues and international labor standards in our global Code of Conduct mean as these relate to our employees. It forms the basis for our global management process: We monitor and evaluate whether the national law of all the countries in which BASF operates complies. As part of the management process, we regularly follow up on and document the results of the comparison between national law and our guideline, as well as measures to implement the guideline. This is our central due diligence system. We already use internal control processes such as Responsible Care audits to review the degree of adherence with the individual elements of the guideline. Beyond this, we started to integrate our voluntary commitment into the existing corporate audit process in 2018.

 For more information on labor and social standards, see basf.com/labor_social_standards

 For more information on our sustainability-related risk management, see page 35

For more information on compliance, see page 44 onward

Compliance

Compliance topics relevant to BASF SE are presented on pages 44 to 45 of this Management's Report.

Opportunities and Risks Report

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

In order to effectively measure and manage identified opportunities and risks, we quantify these where appropriate in terms of probability and economic impact in the event they occur. Where possible, we use statistical methods to aggregate opportunities and risks into risk factors. This way, we achieve an overall view of opportunities and risks at a portfolio level, allowing us to take effective measures for risk management.

Overall assessment

For 2019, we expect the global economy to continue to grow at a slightly slower pace than in the previous year. Important opportunities and risks for our earnings are associated with uncertainty regarding market growth and the development of key customer industries, as well as margin volatility. In particular, a further escalation of the trade conflicts between the United States and its trade partners and a considerable slowdown of the Chinese economy pose significant risks. Such a development would negatively affect demand for intermediate and investment goods. This would impact the emerging markets that export raw materials as well as the advanced economies. This is especially true for Europe. Further risks to the global economy arise from an escalation of geopolitical conflicts.

According to our assessment, there continue to be no significant individual risks that pose a threat to the continued existence of BASF SE. The same applies to the sum of individual risks, even in the case of another global economic crisis.

Ultimately, however, residual risks remain in all entrepreneurial activities that cannot be ruled out, even by comprehensive risk management.

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 (2004), and has the following key features:

Organization and responsibilities

- Risk management is the responsibility of the Board of Executive Directors, which also determines the processes for approving investments, acquisitions and divestitures.
- The Board of Executive Directors is supported by the units Finance, Corporate Controlling, Corporate Development and Legal, Taxes, Insurance & Intellectual Property, and the Chief Compliance Officer. These units coordinate the risk management process at a Group level and provide the structure and appropriate methodology. Opportunity and risk management is thus integrated into the strategy, planning and budgeting processes.
- A network of risk managers in the business, functional and corporate units as well as in the regions and at the Verbund sites advances the implementation of appropriate risk management practices in daily operations.
- The management of specific opportunities and risks is largely delegated to the business units and is steered at a regional or local level. Risks relating to exchange rates and raw materials prices are an exception. In this case, there is an initial consolidation at a Group level before derivative hedging instruments, for example, are used.
- BASF's Chief Compliance Officer (CCO) manages the implementation of our Compliance Management System, supported by additional compliance officers worldwide. He regularly reports to the Board of Executive Directors on the status of implementation as well as on any significant results. He also provides a status report to the Supervisory Board's Audit Committee at least once a year, including any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.
- The internal auditing unit (Corporate Audit) is responsible for regularly auditing the risk management system established by the Board of Executive Directors in accordance with section 91(2) of the German Stock Corporation Act. Furthermore, as part of its monitoring of the Board of Executive Directors, the Supervisory Board considers the effectiveness of the risk management system. The suitability of the early detection system we set up for risks is evaluated by our external auditor.

Instruments

- The Risk Management Policy, applicable throughout the Group, forms the framework for risk management and is implemented by the business units according to their particular business conditions.
- A catalog of opportunity and risk categories helps to identify all relevant opportunities and risks as comprehensively as possible.
- We use standardized evaluation and reporting tools for the identification and assessment of risks. The aggregation of opportunities, risks and sensitivities at division and Group level using a Monte Carlo simulation helps us to identify effects and trends across the Group.
- The nonfinancial topics relevant for BASF are addressed by the responsible functional units, which assess the risks identified as being relevant according to impact and probability of occurrence. We identify opportunities and risks that arise in connection with the topics of environment, society and governance with our sustainability management tools. We have established global monitoring systems to check adherence to laws and our voluntary commitments in these areas. These also incorporate our suppliers.

 For more information on our sustainability management processes, see page 8 onward

- The BASF Group's management is informed about operational opportunities and risks (observation period of up to one year) in the monthly management report produced by the Corporate Controlling unit. In addition, Corporate Controlling and Finance provide information twice a year on the aggregated opportunity/risk exposure of the BASF Group. Furthermore, if a new individual risk is identified which has a more than €10 million impact on earnings or bears reputational risks, it must be immediately reported.
- As part of strategy development in the strategic business units, the Corporate Development unit conducts strategic opportunity/risk analyses with a 10-year assessment period. These analyses are annually reviewed as part of strategic controlling and are adapted if necessary.
- Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. Our global employee Code of Conduct firmly embeds these mandatory standards into everyday business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

 For more information on our Group-wide Compliance Program, see page 44 onward

Significant features of the internal control and risk management system with regard to the financial reporting process (section 289(4) HGB)

The Financial Statements are prepared by a unit in the functional unit 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 within the Group. Standard software is used to carry out the accounting processes, and 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 specialist units, companies and regional service units involved. We strictly adhere to the principles of segregation of duties and dual control, or the "four-eyes principle." Complex actuarial reports and evaluations are produced by specialized service providers or specially qualified employees.

An internal control system for financial reporting continuously monitors these principles. To this end, methods are provided to ensure that evaluation of the internal control system in financial reporting is structured and uniform across the BASF Group.

The significant risks for BASF SE regarding a reliable control environment for proper financial reporting are reviewed and updated on an annual basis. Risks are compiled into a central risk catalog.

Moreover, a centralized selection process identifies areas that are exposed to particular risks, that are material to the Financial Statements of BASF SE, or that provide service processes. The selection process is conducted annually. In the relevant areas, one person is given the responsibility of monitoring the execution of the requirements for an effective control system in financial reporting.

The process comprises the following steps:

- **Evaluation of the control environment**
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.
- **Identification and documentation of control activities**
In order to mitigate the risks to the financial reporting processes listed in our central risk catalog, critical processes and control activities are documented.
- **Assessment of control activities**
After documentation, a review is performed to verify whether the described controls are capable of adequately covering the risks. In the subsequent test phase, samples are taken to test whether, in practice, the controls were executed as described and effective.

– **Monitoring of control weaknesses**

The managers responsible receive reports on any control weaknesses identified and their resolution, and an interdisciplinary committee investigates their relevance for BASF SE. The Board of Executive Directors and the Audit Committee are informed once control weaknesses have been identified that have a considerable impact on financial reporting. Only after material control weaknesses have been resolved does the company's managing director confirm the effectiveness of the internal control system.

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

All managing directors and chief financial officers of each consolidated Group company must confirm to the Board of Executive Directors of BASF SE every half-year and at the end of the annual cycle, in writing, that the internal control system is effective with regard to accounting and reporting.

Short-term opportunities and risks

Development of demand

The development of our sales markets is one of the strongest sources of opportunities and risks.

We also consider risks from deviations in assumptions. We continue to see a significant macroeconomic risk in a further escalation of the trade conflicts between the United States and its trade partners and an increased slowdown of the Chinese economy, which would have considerable impact on demand for intermediate goods for industrial production as well as investment goods. This would have an effect on emerging markets that export raw materials as well as on advanced economies that specialize in technological goods. Risks to the global economy would also be posed by the possible escalation of geopolitical conflicts.

Margin volatility

Margin risks result on the one hand from a further decline in margins in the Chemicals segment or the isocyanates business. New capacities or raw materials shortages could also increase margin pressure on a number of products and value chains. This would have a negative effect on our EBIT. The year's average oil price for Brent crude was around \$71 per barrel in 2018, compared with \$54 per barrel in the previous year. For 2019, we anticipate an average oil price of \$70 per barrel. We therefore expect price levels for the raw materials and petrochemical basic products that are important to our business to remain constant or decrease slightly.

Competition

We continuously enhance our products and solutions in order to maintain competitive ability. We watch the market and the competition, and try to take targeted advantage of opportunities and counter emerging risks with suitable measures. Aside from innovation, key components of our competitiveness are our ongoing cost management and our continuous process optimization.

Regulation and political risks

Risks for us can arise from intensified geopolitical tensions, new trade sanctions, stricter emissions limits for plants or energy and climate laws. In addition, risks to BASF SE can be posed by further regulations in key customer industries or on the use or registration of agricultural and other chemicals.

Economic and political uncertainties may arise as a result of Brexit. At this point in time, it is not yet clear what the future relationship between the European Union and the United Kingdom will look like post-Brexit and what specific consequences this will have for our sites, our supply chains and the regulatory environment. A cross-divisional Brexit team has been established to prepare the BASF organization for various exit scenarios and enable it to promptly react to political decisions. Together with our operating units, suppliers, customers and logistics partners, we have identified problems and steps to avoid supply chain disruptions, especially in the event of a no-deal hard Brexit with no transition phase. Alternative logistics concepts include, for example, leasing additional warehouse space, establishing consignment warehouses or technical expansions in our ERP systems to be able to react to additional customs requirements on the systems side as well.

Political measures could also give rise to opportunities. For example, we view the worldwide expansion of renewable energy and measures to increase energy efficiency as an opportunity for increased demand for our products, such as our insulation foams for buildings or our solutions for wind turbines. Our broad product portfolio enables us to offer alternatives if chemicals have to be substituted as a result of restrictions in connection with the REACH chemicals regulation or new standards in our customers' industries.

Purchasing and supply chain

We minimize procurement risks through our broad portfolio, global purchasing activities and the purchase 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 nondelivery. We continuously monitor the credit risk of important business partners. We address the risk of supply interruptions on the procurement and sales side as a result of extreme weather conditions (such as high/low water levels on rivers, hurricanes) by switching to unaffected logistics carriers and the possibility of falling back on unaffected sites within our global Verbund.

Production and investments

We try to prevent unscheduled plant shutdowns by adhering to high technical standards and by continuously improving our plants.

In the event of a production outage – caused by an accident, for example – our global, regional or local emergency response plans and crisis management structures are engaged, depending on the impact scope. Every region has crisis management teams on a local and regional level. They not only coordinate the necessary emergency response measures, they also initiate the immediate measures for damage control and resumption of normal operations as quickly as possible.

Short-term risks from investments can result from, for example, technical malfunctions or schedule and budget breaches. We counter these risks with highly experienced project management and controlling.

Acquisitions, divestitures and cooperations

We are constantly watching our environment in order to identify possible targets and develop our portfolio appropriately. In addition, we work together in collaborations with customers and partners to jointly develop new, competitive products and applications.

Opportunities and risks arise in connection with acquisitions and divestitures from the conclusion of a transaction, or it being completed earlier or later than expected. They relate to the regular earnings contributions gained or lost as well as the realization of gains or losses from divestitures if these deviate from our planning assumptions.

Personnel

Due to BASF's worldwide compensation principles, the development of personnel expenses is partly dependent on the amount of variable compensation, which is linked to the company's success, among other factors. The correlation between variable compensation and the success of the company has the effect of minimizing risk. Another factor is the development of interest rates for discounting pension obligations.

Information technology risks

BASF relies on a large number of IT systems. Their nonavailability, violation of confidentiality or the manipulation of data in critical IT systems and applications can all have a direct impact on production and logistics processes. The threat environment has changed in recent years, as attackers have become better organized, use more sophisticated technology, and have far more resources available. If data are lost or manipulated, this can, for example, negatively affect process safety and the accuracy of our financial reporting. Unauthorized access to sensitive data, such as personnel records, competition-related information or research results, can result in legal consequences or jeopardize our competitive position. This would also be accompanied by the associated loss of reputation.

To minimize such risks, BASF uses globally uniform processes and systems to ensure IT security, such as stable and redundantly designed IT systems, backup processes, virus and access protection, encryption systems as well as integrated, Group-wide standardized IT infrastructure and applications. The systems used for information security are constantly tested, continuously updated, and expanded if necessary. 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 these regulations. BASF also established the Cyber Defense Center in 2015, is a member of Cyber Security Sharing and Analytics e.V. (CSSA) and a founding member of the German Cybersecurity Organization (DCSO) together with Allianz SE, Bayer AG and Volkswagen AG.

Legal disputes and proceedings

We constantly monitor current and potential legal disputes and proceedings, and regularly report on these to the Board of Executive Directors and Supervisory Board. In order to assess the risks from current legal disputes and proceedings and any potential need to recognize provisions, we prepare our own analyses and assessments of the circumstances and claims considered. In addition, in individual cases, we consider the results of comparable proceedings and, if needed, independent legal opinions. Risk assessment is particularly based on estimates as to the probability of occurrence and the range of possible claims. These estimates are the result of close cooperation between the relevant operating and functional units together with the Legal and Finance units. If sufficient probability of occurrence is identified, a provision is recognized accordingly for each proceeding. Should a provision be unnecessary, general risk management continues to assess whether these litigations nevertheless present a risk for EBIT.

We use our internal control system to limit risks from potential infringements of rights or laws. For example, we try to avoid patent and licensing disputes whenever possible through extensive clearance research. As part of our Group-wide Compliance Program, our employees receive regular training.

Financial opportunities and risks

The management of liquidity, currency and interest rate risks is conducted in the Treasury unit. The management of commodity price risks takes place in the Procurement & Supply Chain Services functional unit or in 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.

As a part of risk management, activities in countries with transfer restrictions are continuously monitored. This includes, for example, regular analysis of the macroeconomic and legal environment, shareholders' equity and the business models of the operating units. The chief aim is the reduction of counterparty, transfer and currency risks.

Exchange rate volatility

Our competitiveness on global markets is influenced by fluctuations in exchange rates. For BASF's sales, opportunities and risks arise in particular when the U.S. dollar exchange rate fluctuates. A full-year rise in the value of the U.S. dollar would result in an increase in BASF's EBIT, assuming other conditions remain the same.

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 necessary.

Interest rate risks

Interest rate risks result from potential changes in prevailing market interest rates. These can cause a change in the fair value of fixed-rate instruments and fluctuations in the interest payments for variable-rate financial instruments, which would positively or negatively affect earnings. To hedge these risks, interest rate swaps and combined interest rate and currency derivatives are used in individual cases.

In addition to market interest rates, BASF's financing costs are determined by the credit risk premiums to be paid. These are mainly influenced by our credit rating and the market conditions at the time of issue. In the short to medium term, BASF is largely protected from the possible effects on its interest result thanks to the balanced maturity profile of its financial indebtedness.

Liquidity risks

Risks from fluctuating cash flows are recognized in a timely manner as part of our liquidity planning. We have access to extensive liquidity at any time thanks to our good ratings, our unrestricted access to the commercial paper market and committed bank credit lines. In the short to medium term, BASF is largely protected against potential refinancing risks by the balanced maturity profile of its financial indebtedness as well as through diversification in various financial markets.

Risk of asset losses

We limit country-specific risks with measures based on internally determined country ratings, which are continuously updated to reflect changing environment conditions. We selectively use investment guarantees to limit specific country-related risks. We lower credit risks for our financial investments by engaging in transactions

only with banks with good credit ratings and by adhering to fixed limits. Creditworthiness is continuously monitored and the limits are adjusted accordingly. 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. Due to the global activities and diversified customer structure, there are no major concentrations of credit default risk. Risks are also limited through the use of credit insurance and bank guarantees.

Impairment risks

Asset impairment risks arise if the assumed interest rate in an impairment test increases, the predicted cash flows decline, or investment projects are suspended. In the current business environment, we consider impairment risks for individual assets such as shareholdings, customer relationships, technologies and trademarks, as well as goodwill, to be nonmaterial.

Long-term incentive program for senior executives

Our senior executives have the opportunity to participate in a share price-based compensation program. The need for provisions for this program varies according to the development of the BASF share price and the MSCI World Chemicals Index; this leads to a corresponding increase or decrease in personnel costs.

 For more information on the long-term incentive program, see the Notes on page 79

Risks from pension obligations

Most employees are granted company pension benefits from either defined contribution or defined benefit plans. We predominantly finance company pension obligations externally through separate plan assets. This particularly includes BASF Pensionskasse VVaG and BASF Pensionstreuhand e.V. in Germany. To address the risk of underfunding due to market-related fluctuations in plan assets, we have investment strategies that align return and risk optimization to the structure of the pension obligations. Stress scenarios are also simulated regularly by means of portfolio analyses. An adjustment to the interest rates used in discounting pension obligations leads immediately to changes in earnings. To limit the risks of changing financial market conditions as well as demographic developments, employees have been almost exclusively offered defined contribution plans for future years of service in recent years. Some of these contribution plans include minimum interest guarantees. If the pension fund cannot generate this, it must be provided by the employer. A permanent continuation of the low interest rate environment could make it necessary to recognize pension obligations and plan assets for these plans as well.

Long-term opportunities and risks

Long-term demand development

We assume that chemical production (excluding pharmaceuticals) will grow slightly faster than global gross domestic product over the next five years and be slightly below the previous five-year average. Through our market-oriented and broad portfolio, which we will continue to strengthen in the years ahead through investments in new production capacities, research and development activities and acquisitions, we aim to achieve volumes growth that exceeds this market growth. Should global economic growth see unexpected, considerable deceleration, due for example to an ongoing weak period in the emerging markets, protectionist tendencies or to geopolitical crises, the expected growth rates could prove too ambitious. As a result of our high degree of diversification across various customer industries and regions, we would still expect our growth to be above the market average, even under these conditions.

Development of competitive and customer landscape

We expect competitors from Asia and the Middle East in particular to gain increasing significance in the years ahead. Furthermore, we predict that many producers in countries rich in raw materials will expand their value chains. We counter this risk through active portfolio management. We exit markets in which we see only limited possibilities to stand out from competitors in the long term.

We continuously improve our processes in order to remain competitive through our operational excellence. Our strategic excellence program, which will run from 2019 to 2021, also contributes to this aim. The program will include measures focused on production, logistics, research and development as well as digitalization and automation activities and organizational development.

In order to achieve lasting profitable growth, tap into new market segments and customers, and make our customers more successful, our research and business focus is on highly innovative business areas, some of which we enter into through strategic cooperative partnerships.

Innovation

The trend toward increased sustainability requirements in our customer industries continues. Our aim is to leverage the resulting opportunities in a growing market even more effectively in the future with more sustainable innovations. This is why we applied the Sustainable Solution Steering method, which is used to evaluate the sustainability of our product portfolio, to assessments of innovation projects, and integrated it into an early stage of our research and development processes as well as the development of our business strategies. In this way, we want to benefit from the higher profitability of our Accelerator solutions compared with the rest of our evaluated portfolio. At the same time, as of 2018, we reduce reputational and financial risks by phasing out products for which we have identified

substantial sustainability concerns ("Challenged" products) within five years of initial classification as such at the latest. We must develop action plans for these products at an early stage to minimize any potential financial risks. These can include research projects, reformulations or even replacing one product with another.

The central research areas Process Research & Chemical Engineering, Advanced Materials & Systems Research and Bioscience Research serve as global platforms headquartered in our key regions: Europe, Asia Pacific and North America. Together with the development units in our operating divisions, they form the core of the global Know-How Verbund. Our strong regional presence opens up new opportunities to participate in local innovation processes and gain access to local talent. We optimize the effectiveness and efficiency of our research activities through our global Know-How Verbund.

Research activities funded by the BASF Group promote the targeted development and enhancement of key technologies as well as the establishment of new business areas. Focus areas in research are determined based on their strategic relevance for BASF, above and beyond existing business areas. We also address the risk of the technical or economic failure of research and development projects by maintaining a balanced and comprehensive project portfolio, as well as through professional, milestone-based project management.

Potential applications of digital technologies and solutions along the entire value chain are investigated in both the operational and functional divisions as well as by cross-divisional teams, and tested in dedicated pilot projects. They are supported here by the Digitalization & Information Services unit. We analyze the opportunities and risks of digitalization in Production, Logistics, Research & Development and for business models as well as in corporate functions such as Finance, Human Resources, Procurement & Supply Chain Services, Legal, Taxes, Insurance & Intellectual Property. The opportunities and risks of digitalization are steered by the operational and functional divisions.

The trust of customers and consumers is essential for the successful introduction of new technologies. That is why we enter into dialog with our stakeholders at an early stage of development.

 For more information on portfolio management using the Sustainable Solution Steering method, see pages 9 to 11

For more information on digitalization and innovation, see page 6

Portfolio development through investments

Our decisions on the type, scope and locations of our investment projects are based on assumptions related to the long-term development of markets, margins and costs, as well as raw material availability and country, currency and technology risks. Opportunities and risks arise from potential deviations in actual developments from our assumptions.

Acquisitions

In the future, we will continue to refine our portfolio through acquisitions that promise above-average profitable growth as part of the BASF Verbund and help to reach a relevant market position. We also take into account whether they are innovation-driven or offer a technological differentiation, and make new, sustainable business models possible.

The evaluation of opportunities and risks plays a significant role during the assessment of acquisition targets. A detailed analysis and quantification is conducted as part of due diligence. Examples of risks include increased staff turnover, delayed realization of synergies, or the assumption of obligations that were not precisely quantifiable in advance. If our expectations in this regard are not fulfilled, risks could arise, such as the need to impair intangible assets; however, there could also be opportunities, for example, from additional synergies.

Recruitment and long-term retention of qualified employees

BASF anticipates growing challenges in attracting qualified employees in the medium and long term due to demographic change, especially in Europe. As a result, there is an increased risk that job vacancies may not be filled with suitable applicants, or only after a delay. We address these risks with measures to integrate diversity, employee and leadership development, and intensified employer branding. At local level, demographic management includes succession planning, knowledge management and offerings to improve the balance between personal and professional life and promote healthy living. This increases BASF's appeal as an employer and retains our employees in the long term.

Sustainability

As part of our sustainability management, we also assess the opportunities and risks associated with the topics we have identified as material. These also include the increasing internalization of external effects, through which positive and negative earnings contributions from companies' activities that were previously borne by the community are attributed to these companies.

For example, the material topic "energy and climate" is analyzed to enable us to identify, assess and manage climate-related risks and opportunities. For BASF as an energy-intensive company, these arise particularly from regulatory changes, such as in carbon prices through emissions trading systems, taxes or energy legislation.

Outlook

Global economic environment

For 2019, we anticipate weaker global economic growth compared with 2018, and growth in chemical production to be roughly on a level with the previous year.

We assume the following conditions for 2019:

- The global economy is expected to grow by 2.8%, slower than in 2018 (+3.2%).
- Global chemical production will expand by 2.7%, roughly at the same rate as in 2018 (+2.7%).
- Weaker global industrial growth of 2.7% in 2019 (2018: +3.2%)
- The slowdown of growth in the European Union (E.U.) is likely to continue; nevertheless, we continue to expect moderate overall growth of 1.4%. Our forecast assumes that the United Kingdom will leave the E.U. in 2019, followed by a transitional period lasting until at least the end of 2020.
- Economic momentum is expected to slow in the United States (+2.3%). Slightly weaker growth of 5.8% is forecast for the emerging markets of Asia (excluding Japan), while growth in Japan will presumably be at the low prior-year level (+0.8%). Growth of 1.8% is anticipated for South America, assuming that the recovery in Brazil continues and the Argentinian economy again contracts slightly.
- Average exchange rate of \$1.15 per euro
- Average price of Brent crude: \$70 per barrel

For the years from 2019 to 2021, we expect the global economy to grow at an average annual rate of 2.9%.

Sales and earnings forecast¹

Considering the assumptions described above for the development of the global economic environment, we expect sales in 2019 – excluding the effects of acquisitions and divestitures – to increase slightly compared with the previous year. In 2019, we expect income from operations to be considerably below the figure for the reporting year, which was impacted by income from insurance refunds and the release of provisions for share price-based variable compensation (LTI program). In addition, we expect expenses for the implementation of the updated corporate strategy in 2019, including for digitalization and capacity utilization.

Investment forecast

We plan investments totaling around €2.6 billion between 2019 and 2021. This means that investments will significantly exceed depreciation and amortization. Acquisitions are not included in the planned total.

Forward-looking statements and forecasts

These forecasts contain forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Potential opportunities and risks are presented on pages 29 to 35.

Dividend

We stand by our ambitious dividend policy and offer our shareholders an attractive dividend yield. We aim to increase our dividend each year.

 Information on the proposed dividend can be found on pages 69 and 84

¹ For sales, "slight" represents a change of 1–5%, while "considerable" applies to changes of 6% and higher. "At prior-year level" indicates no change (+/–0%). For earnings, "slight" means a change of 1–10%, while "considerable" is used for changes of 11% and higher. "At prior-year level" indicates no change (+/–0%).

Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB)

Corporate Governance Report

Corporate governance refers to the entire system for managing and supervising a company. This includes its organization, values, corporate principles and guidelines as well as internal and external control and monitoring mechanisms. Effective and transparent corporate governance ensures that BASF is managed and supervised responsibly with a focus on value creation. It fosters the confidence of our domestic and international investors, the financial markets, our customers and other business partners, employees, and the public in BASF.

The fundamental elements of BASF SE's corporate governance system are: its two-tier system, with a transparent and effective separation of company management and supervision between BASF's Board of Executive Directors and the Supervisory Board; the equal representation of shareholders and employees on the Supervisory Board; and the shareholders' rights of co-administration and supervision at the Annual Shareholders' Meeting.

Direction and management by the Board of Executive Directors

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, which monitors the Board of Executive Directors' activities and decides on its composition. A member of the Board of Executive Directors cannot simultaneously be a member of the Supervisory Board. As the central duty of company management, the Board of Executive Directors agrees on the corporate goals and strategic direction of the BASF Group as well as its individual business areas; determines the company's internal organization; and decides on the composition of management on the levels below the Board. It also manages and monitors BASF Group business by planning and setting the corporate budget, allocating resources and management capacities, monitoring and making decisions on significant individual measures, and supervising operational management.

The Board's actions and decisions are geared toward the company's best interests. It is committed to the goal of sustainably increasing the company's value. Among the Board's responsibilities is the preparation of the Consolidated and Separate Financial Statements of BASF SE and reporting on the company's financial and nonfinancial performance. Furthermore, it must ensure that the company's activities comply with the applicable legislation and regulatory requirements, as well as internal corporate directives. This includes the establishment of appropriate systems for control, compliance and risk management as well as establishing a company-wide compliance culture with undisputed standards.

Decisions that are reserved for the Board as a whole by law, through the Board of Executive Directors' Rules of Procedure or through resolutions adopted by the Board, are made at regularly held Board meetings called by the Chairman of the Board of Executive Directors. Board decisions are based on detailed information and analyses provided by the business areas and specialist units, and, if deemed necessary, by external consultants. Board decisions can generally be made via 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 areas of responsibility.

The Board can set up Board committees to consult and decide on individual issues such as proposed material acquisitions or divestitures; these must include at least three members of the Board of Executive Directors. For the preparation of important decisions, such as those on acquisitions, divestitures, investments and personnel, the Board has various commissions at the level below the Board that carefully assess the planned measure and evaluate the associated opportunities and risks, and based on this information, report and make recommendations to the Board – independently of the affected business area.

The Board of Executive Directors informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the company with regard to planning, business development, risk situation, risk management and compliance. Furthermore, the Board of Executive Directors coordinates the company's strategic orientation with the Supervisory Board.

The Statutes of BASF SE define certain transactions that require the Board of Executive Directors to obtain the Supervisory Board's approval prior to their conclusion. Such cases include the acquisition and disposal of enterprises and parts of enterprises, as well as the issue of bonds or comparable financial instruments. However, this is only necessary if 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.

For more information on risk management, see the Opportunities and Risks Report from page 29 onward

The members of the Board of Executive Directors, including their areas of responsibility and memberships on the supervisory bodies of other companies, are listed on page 61. Compensation of the Board of Executive Directors is described in detail in the Compensation Report from page 47 onward.

Competence profile, diversity concept and succession planning for the Board of Executive Directors

The Supervisory Board works hand in hand with the Board of Executive Directors to ensure long-term succession planning for the composition of the Board of Executive Directors. BASF aims to fill most Board positions with candidates from within the company. It is the task of the Board of Executive Directors to propose a sufficient number of suitable candidates to the Supervisory Board.

BASF's long-term succession planning is guided by the corporate strategy. It is based on systematic management development characterized by the following:

- Early identification of suitable candidates of different professional backgrounds, nationalities and genders
- Systematic development of leaders through the successful assumption of tasks with increasing responsibility, where possible in different business areas, regions and functions
- Desire to shape strategic and operational decisions, and proven success in doing so, as well as leadership skills, especially under challenging business conditions
- Role model function in putting our corporate values into practice

The aim is to enable the Supervisory Board to ensure a reasonable level of diversity with respect to education and professional experience, cultural background, international representation, gender and age when appointing members of the Board of Executive Directors. Independent of these individual criteria, the Supervisory Board is convinced that ultimately, only a holistic approach can determine an individual's suitability for appointment to the Board of Executive Directors of BASF SE. The overall aim is to ensure that the Board of Executive Directors as a whole has the following profile, which serves as a diversity concept:

- Many years of management experience in scientific, technical and commercial fields
- International experience based on background and/or professional experience
- At least one female Board member
- A balanced age distribution to ensure the continuity of the Board's work and enable seamless succession planning

The number of Board members is based on the insights gained by BASF as a company with an integrated leadership culture and is determined by the needs arising from cooperation within the Board of Executive Directors. In May 2018, this was reduced from eight to seven members in the course of the changes to the composition of the Board of Executive Directors. The standard age limit for members of the Board of Executive Directors is 63.

The current composition of the Board of Executive Directors meets the competence profile and the requirements of the diversity concept in full.

Supervision of company management by the Supervisory Board

The Supervisory Board appoints the members of the Board of Executive Directors and supervises and advises the Board of Executive Directors on management issues. As members of the Supervisory Board cannot simultaneously be on the Board of Executive Directors, a high level of autonomy is already structurally ensured with regard to the supervision of the Board of Executive Directors.

In addition to the SE Council Regulation, the relevant legal basis for the size and composition of the Supervisory Board is provided by the Statutes of BASF SE and the Agreement Concerning the Involvement of Employees in BASF SE (Employee Participation Agreement), which also includes the regulations applicable to BASF for implementing the gender quota for the Supervisory Board mandated by law as of January 1, 2016. The German Codetermination Act does not apply to BASF as a European stock corporation (Societas Europaea, SE).

The Supervisory Board of BASF SE comprises 12 members. Six members are each elected for a five-year term by the shareholders at the Annual Shareholders' Meeting. The remaining six members are elected by the BASF Europa Betriebsrat (BASF Works Council Europe), the European employee representation body of the BASF Group.

The meetings of the Supervisory Board and its committees are called by their chairpersons and, independently, at the request of one of their members or the Board of Executive Directors. The shareholder and employee representatives of the Supervisory Board prepare for Supervisory Board meetings in separate preliminary discussions in each case. Resolutions of the Supervisory Board are passed by a simple majority vote of the participating members. 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. Resolutions can, as needed, also be made in writing or through other means of communication outside of the meetings, as long as no member objects to this form of passing a resolution.

The Board of Executive Directors regularly informs the Supervisory Board about matters such as the course of business and expected developments, the financial position and results of operations, corporate planning, the implementation of the corporate strategy, business opportunities and risks, and risk and compliance management. The Supervisory Board has embedded the main reporting requirements in an information policy. The Chairman of the Supervisory Board is in regular contact with the Board of Executive Directors, especially with its chairman, outside of meetings as well.

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

For more information on the Statutes of BASF SE and the Employee Participation Agreement, see basf.com/statutes and basf.com/en/corporategovernance

A list of the members of the Supervisory Board of BASF SE indicating which members are shareholder or employee representatives and their appointments to the supervisory bodies of other companies can be found on page 63

The compensation of the Supervisory Board is presented in the Compensation Report from page 47 onward

Personnel Committee

Members

Dr. Jürgen Hambrecht (chairman), Michael Diekmann, Sinischa Horvat, Michael Vassiliadis

Duties

- Prepares the appointment of members to the Board of Executive Directors by the Supervisory Board as well as the employment contracts to be entered into with members of the Board of Executive Directors
- When making recommendations for appointments to the Board of Executive Directors, considers professional qualifications, international experience and leadership skills as well as long-term succession planning, diversity, and especially the appropriate consideration of women
- Prepares the resolutions made by the Supervisory Board with regard to the system and amount of compensation paid to members of the Board of Executive Directors

Audit Committee

Members

Dame Alison Carnwath DBE (chairman), Ralf-Gerd Bastian (until May 4, 2018), Tatjana Diether (since May 4, 2018), Franz Fehrenbach, Michael Vassiliadis

Duties

- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements, the Consolidated Financial Statements and the Management's Reports including the Nonfinancial Statements and discusses the quarterly statements and the half-year financial report with the Board of Executive Directors prior to their publication
- 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
- Is responsible for business relations with the company's external auditor: prepares the Supervisory Board's proposal to the Annual Shareholders' Meeting regarding the selection of an auditor,

- monitors the auditor's independence, defines the focus areas of the audit together with the auditor, negotiates auditing fees and establishes the conditions for the provision of the auditor's nonaudit services; the chairman of the Audit Committee regularly discusses this with the auditor outside of meetings as well
- Is authorized to request any information that it deems necessary from the auditor or Board of Executive Directors; 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

Financial experts

Dame Alison Carnwath DBE and Franz Fehrenbach are members with special knowledge of, and experience in, applying accounting and reporting standards and internal control methods pursuant to the German Corporate Governance Code.

Nomination Committee

Members

Dr. Jürgen Hambrecht (chairman), Dame Alison Carnwath DBE, Prof. Dr. François Diederich, Michael Diekmann, Franz Fehrenbach, Anke Schäferkordt

Duties

- Identifies suitable candidates for the Supervisory Board based on objectives for the composition decided on by the Supervisory Board
- Prepares the recommendations made by the Supervisory Board for the election of Supervisory Board members for the Annual Shareholders' Meeting

Strategy Committee

Members

Dr. Jürgen Hambrecht (chairman), Ralf-Gerd Bastian (until May 4, 2018), Dame Alison Carnwath DBE, Michael Diekmann, Waldemar Helber (since May 4, 2018), Sinischa Horvat, Michael Vassiliadis

Duties

- Handles the further development of the company's strategy
- Prepares resolutions of the Supervisory Board on the company's major acquisitions and divestitures

Meetings and meeting attendance

In the 2018 business year, meetings were held as follows:

- The Supervisory Board met five times.
- The Personnel Committee met three times.
- The Audit Committee met five times.
- The Nomination Committee met three times.
- The Strategy Committee met once.

With the exception of one Supervisory Board meeting, one Audit Committee meeting and one Personnel Committee meeting, at each of which one member was absent, all respective members attended all meetings of the Supervisory Board and its committees.

 For more information on the Supervisory Board's activities and resolutions in the 2018 business year, see the Report of the Supervisory Board from page 65 onward

 For an individual overview of meeting attendance, see basf.com/supervisoryboard/meetings

Competence profile, diversity concept and objectives for the composition of the Supervisory Board

One important concern of good corporate governance is to ensure that seats on the responsible corporate bodies, the Board of Executive Directors and the Supervisory Board, are appropriately filled. On December 21, 2017, the Supervisory Board therefore agreed on objectives for the composition, the competence profile and the diversity concept of the Supervisory Board in accordance with section 5.4.1 of the German Corporate Governance Code and section 289f(2) no. 6 of the German Commercial Code (HGB). The guiding principle for the composition of the Supervisory Board is to ensure qualified supervision and guidance for the Board of Executive Directors of BASF SE. Candidates shall be proposed to the Annual Shareholders' Meeting for election to the Supervisory Board who can, based on their professional expertise and experience, integrity, commitment, independence and character, successfully perform the work of a supervisory board member in an international chemical company.

Competence profile

The following requirements and objectives are considered essential to the composition of the Supervisory Board as a collective body:

- Leadership experience in managing companies, associations and networks
- Members' collective knowledge of the chemical sector and the related value chains
- Appropriate knowledge within the body as a whole of finance, accounting, financial reporting, law and compliance as well as one independent member with accounting and auditing expertise ("financial expert") within the meaning of section 100(5) of the German Stock Corporation Act (AktG)
- At least one member with in-depth experience in digitalization, information technology, business models and start-ups
- At least one member with in-depth experience in human resources, corporate governance, communications and the media
- Specialist knowledge and experience in sectors outside of the chemical industry

Diversity concept

The Supervisory Board strives to achieve a reasonable level of diversity with respect to character, gender, international representation, professional background, specialist knowledge and experience as well as age distribution, and takes the following composition criteria into account:

- At least 30% women and 30% men
- At least 30% of members have international experience based on their background or professional experience
- At least 50% of members have different educational backgrounds and professional experience
- At least 30% under the age of 60


Further composition objectives

- **Character and integrity:** All members of the Supervisory Board must be personally reliable and have the knowledge and experience required to diligently and independently perform the work of a supervisory board member.
- **Availability:** Each member of the Supervisory Board ensures that they invest the time needed to properly perform their role as a member of the Supervisory Board of BASF SE. The statutory limits on appointments to governing bodies and the recommendations of the German Corporate Governance Code must be complied with and the demands of the capital market given appropriate consideration when accepting further appointments.
- **Age limit and period of membership:** Persons who have reached the age of 72 on the day of election by the Annual Shareholders' Meeting should generally not be nominated for election. Membership on the Supervisory Board should generally not exceed 15 years; this corresponds to three regular statutory periods in office.
- **Independence:** All Supervisory Board members should be independent within the meaning of the criteria specified in the German Corporate Governance Code. This means that they may not have a personal or business relationship with BASF, its governing bodies, a controlling shareholder or a company affiliated with this controlling shareholder that may cause a substantial and not merely temporary conflict of interest. The Supervisory Board has additionally defined the following principles to clarify the meaning of independence: The independence of employee representatives is not compromised by their role as an employee representative or employment by BASF SE or a Group company. Prior membership of the Board of Executive Directors does not preclude independence following the expiry of the statutory cooling-off period of two years. Members who have sat on the Supervisory Board for more than 15 years are not considered independent. Based on these criteria, the Supervisory Board should comprise at least 10 independent members; this also means that of the total of six shareholder representatives, at least four must be independent.

Status of implementation

According to the Supervisory Board's own assessment, its current composition already meets nearly all of the requirements of the competence profile. Only the competence area of digitalization is not yet completely covered. The Supervisory Board intends to meet the competence profile in full with its nominations for election to the Supervisory Board in 2019.

According to the Supervisory Board's assessment, 10 of the 12 current members are considered independent based on the above criteria. Two members of the Supervisory Board no longer meet the independence criteria as they have been members of the Supervisory Board since May 1998 and May 2003. These two members will not be proposed for reelection in the regular election of the Supervisory Board at the Annual Shareholders' Meeting on May 3, 2019, and will retire from the Supervisory Board.

 For more information on the statutory minimum quotas for the number of women and men on the Supervisory Board, see the following section

The independent Supervisory Board members are named under Management and Supervisory Boards on page 63

Commitments to promote the participation of women in leadership positions at BASF SE

The supervisory board of a publicly listed European stock corporation (SE) that is composed of the same number of shareholder and employee representatives must, according to section 17(2) of the SE Implementation Act, consist of at least 30% women and 30% men. Since the 2018 Annual Shareholders' Meeting, the Supervisory Board of BASF SE comprises four women, of whom two are shareholder representatives and two are employee representatives, and eight men; its composition meets the statutory requirements. On conclusion of the 2018 Annual Shareholders' Meeting, the departing Supervisory Board member Ralf-Gerd Bastian was succeeded by Tatjana Diether, who was personally chosen to replace him as early as late 2013 until the end of the 2019 Annual Shareholders' Meeting.

As a target figure for the Board of Executive Directors, the Supervisory Board determined that, in accordance with section 111(5) AktG for the second target-attainment period after the law's entry into force, which began on January 1, 2017, the Board of Executive Directors should continue to have at least one female member. With eight members of the Board of Executive Directors, this represented 12.5% on the date the target was set, and today represents 14.3% with seven members. The Board of Executive Directors also decided on target figures for the proportion of women in the two management levels below the Board of Executive Directors of BASF SE: Women are to make up 12.1% of the leadership level directly below the Board, and the level below that is to comprise 7.3% women. This corresponds to the status at the time these target figures were determined. The deadline for achieving the goals for the second target-attainment period was set for December 31, 2021.

BASF views the further development and promotion of women as a global duty independent of individual Group companies. We set ourselves ambitious global goals for this and made further progress

in 2018. BASF will continue working on expanding the percentage of women in its leadership team. The company is carrying out, and constantly enhancing, worldwide measures to this effect.

Shareholders' rights

Shareholders exercise their rights of co-administration and supervision at the Annual Shareholders' Meeting, which usually takes place within the first five months of the business year. The Annual Shareholders' Meeting elects half of the members of the Supervisory Board and, in particular, resolves on the formal discharge of the Board of Executive Directors and the Supervisory Board, the distribution of profits, capital measures, the authorization of share buy-backs, changes to the Statutes and the selection of the auditor.

Each BASF SE share represents one vote. All of BASF SE's shares are registered shares. Shareholders are obliged to have themselves entered with their shares into the company share register and to provide the information necessary for registration in the share register according to the German Stock Corporation Act. There are no registration restrictions and there is no limit to the number of shares that can be registered to one shareholder. Only the persons listed in the share register are entitled to vote as shareholders. Listed shareholders may exercise their voting rights at the Annual Shareholders' 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. Individual instructions are only forwarded to the company on the morning of the day of the Annual Shareholders' Meeting. Voting rights can be exercised according to shareholders' instructions by company-appointed proxies until the end of the agenda discussion during the Annual Shareholders' Meeting. 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 Shareholders' Meetings, to have their say concerning any item on the agenda and to request information about company issues insofar as this is necessary to make an informed judgment about the item on the agenda under discussion. Registered shareholders are also entitled to file motions pertaining to proposals for resolutions made by the Board of Executive Directors and Supervisory Board at the Annual Shareholders' Meeting and to contest resolutions of the Meeting and have them evaluated for their lawfulness in court.

Shareholders who hold at least €500,000 of the company's share capital, a quota corresponding to 390,625 shares, are furthermore entitled to request that additional items be added to the agenda of the Annual Shareholders' Meeting.

Implementation of the German Corporate Governance Code

BASF advocates responsible corporate governance that focuses on sustainably increasing the value of the company.

BASF SE follows all recommendations of the German Corporate Governance Code in its most recently revised version of February 2017. In the same manner, BASF has followed nearly all of the nonobligatory suggestions of the German Corporate Governance Code. We have not implemented the suggestion to enable shareholders to follow the proceedings of the entire Annual Shareholders' Meeting online. The Annual Shareholders' Meeting is publicly accessible via online broadcast until the end of the speech by the Chairman of the Board of Executive Directors. The subsequent discussion of items on the agenda is not accessible online in order to preserve the character of the Annual Shareholders' Meeting as a meeting attended by our shareholders on-site.

 The joint Declaration of Conformity 2018 by the Board of Executive Directors and Supervisory Board of BASF SE is rendered on page 46

 For more information on the Declaration of Conformity 2018, the implementation of the Code's suggestions and the German Corporate Governance Code, see basf.com/en/corporategovernance

Disclosures according to section 289a of the German Commercial Code (HGB) and explanatory report of the Board of Executive Directors according to section 176(1) sentence 1 of the German Stock Corporation Act (AktG)

As of December 31, 2018, 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 entitles the holder to one vote at the Annual Shareholders' Meeting. 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 and 85 AktG as well as Article 7 of the Statutes of BASF SE. Accordingly, the Supervisory Board determines the number of members of the Board of Executive Directors (at least two), appoints the members of the Board of Executive Directors, and can nominate a chairperson, as well as one or more vice chairpersons. The members of the Board of Executive Directors are appointed for a maximum of five years. At BASF, Board members are initially often only appointed for a term of three years. Reappointments are 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 Shareholders' Meeting. The Supervisory Board decides on appointments and dismissals according to its own best judgment.

According to Article 59(1) of the SE Council Regulation, amendments to the Statutes of BASF SE require a resolution of the Annual Shareholders' 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(6) of the Statutes of BASF SE, the Supervisory Board is authorized to resolve on amendments to the Statutes that merely concern their wording. This applies in particular to the adjustment of the share capital and the number of shares after the redemption of repurchased BASF shares and after a new issue of shares from authorized capital.

Until May 1, 2019, the Board of Executive Directors of BASF SE is authorized by a resolution passed at the Annual Shareholders' Meeting of May 2, 2014, to increase subscribed capital – with the approval of the Supervisory Board – by a total of €500 million through the issue of new shares against cash or contributions in kind (authorized capital). A right to subscribe to the new shares shall be granted to shareholders. This can also be achieved 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 to a maximum amount of a total of 20% of share capital in certain exceptional cases that are defined in Article 5(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 does not exceed 10% of the shares currently in issue or, in eligible individual cases, to acquire companies or shares in companies in exchange for surrendering BASF shares.

By way of a resolution of the Annual Shareholders' Meeting on May 12, 2017, the share capital was increased conditionally by up to €117,565,184 by issuing up to 91,847,800 new shares. The contingent capital increase serves to grant shares to the holders of convertible bonds or warrants attached to bonds with warrants of BASF SE or a subsidiary, which the Board of Executive Directors is authorized to issue up to May 11, 2022, by way of a resolution of the Annual Shareholders' Meeting on May 12, 2017. A right to subscribe to the bonds shall be granted to shareholders. The Board of Executive Directors is authorized to exclude the subscription right in certain exceptional cases that are defined in Article 5(9) of the BASF SE Statutes.

At the Annual Shareholders' Meeting on May 12, 2017, the Board of Executive Directors was authorized to purchase up to 10% of the shares in issue at the time of the resolution (10% of the company's share capital) until May 11, 2022. At the discretion of the Board of Executive Directors, the purchase can take place on the stock

exchange or by way of a public purchase offer directed to all shareholders. The Board of Executive Directors is authorized to sell the repurchased company shares (a) through a stock exchange, (b) through a public offer directed to all shareholders and – with the approval of the Supervisory Board – to third parties, (c) for a cash payment that is not significantly lower than the stock exchange price at the time of sale and (d) for contributions in kind, particularly in connection with the acquisition of companies, parts of companies or shares in companies or in connection with mergers. In the cases specified under (c) and (d), the shareholders' subscription right is excluded. The Board of Executive Directors is furthermore authorized to retire the shares bought back and to reduce the share capital by the proportion of the share capital accounted for by the retired shares.

Bonds issued by BASF SE grant the bearer the right to request early repayment of the bonds at nominal value if, after the date of issue of the bond, one person – or several persons acting together – hold or acquire a volume of BASF SE shares that corresponds to more than 50% of the voting rights (change of control), and one of the rating agencies named in the bond's terms and conditions withdraws its rating of BASF SE or the bond, or reduces it to a noninvestment grade rating within 120 days of the change of control event.

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 page 58). 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 will receive a severance payment if their contract of employment is terminated by BASF within 18 months of a 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 maximum severance payment 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 289a(1) HGB refer to situations that are not applicable to BASF SE.

 For more information on bonds issued by BASF SE, see basf.com/bonds

Directors' and officers' liability insurance

BASF SE has taken out liability insurance that covers the activities of members of the Board of Executive Directors and the Supervisory Board (directors' and officers' liability insurance). This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 3 AktG and for the level of deductibles for the Supervisory Board as recommended in section 3.8(3) of the German Corporate Governance Code (10% of damages up to one-and-a-half times the fixed annual compensation).

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 total volume of BASF SE shares and related financial instruments held by members of the Board of Executive Directors and the Supervisory Board accounts for less than 1% of the shares issued by the company.

Share dealings of the Board of Executive Directors and Supervisory Board (obligatory reportable and publishable directors' dealings under Article 19(1) of the E.U. Market Abuse Regulation 596/2014 (MAR))

As legally stipulated by Article 19(1) MAR, 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 financial instruments of BASF SE (e.g., shares, bonds, options, forward contracts, swaps) to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the company if transactions within the calendar year exceed the threshold of €5,000.

In 2018, a total of 28 purchases and one sale by members of the Board of Executive Directors and the Supervisory Board and members of their families subject to disclosure were reported as directors' dealings, involving between 20 and 15,000 BASF shares or BASF ADRs. The price per share was between €65.40 and €96.17. The volume of the individual trades was between €1,709.07 and €981,000.00. The disclosed share transactions are published on BASF SE's website.

 For more information on securities transactions reported in 2018, see basf.com/en/directorsdealings

Compliance

Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. Our employee Code of Conduct firmly embeds these mandatory standards into day-to-day business. Members of the Board of Executive Directors are also expressly obligated to follow these principles.

Compliance Program and Code of Conduct

Based on international standards, BASF's Compliance Program combines important laws and company-internal policies – often exceeding legal requirements – with external voluntary commitments to create a framework that regulates how all BASF employees interact with business partners, officials, colleagues and society. At the core of our Compliance Program is the global, standardized Code of Conduct received by every employee. All employees and managers are obligated to adhere to its guidelines, which describe our principles for proper conduct and cover topics ranging from corruption and antitrust laws to human rights, labor and social standards, conflicts of interest and trade control, and protection of data privacy.

Abiding by compliance standards is the foundation of responsible leadership. This has also been embedded in our values. We are convinced that compliance with these standards will not only prevent the disadvantages associated with violations, such as penalties and fines; we also view compliance as the right path toward securing our company's long-term success.

Our efforts are principally aimed at preventing violations from the outset. We perform systematic risk assessments to identify the risk of compliance violations, including corruption risks. These are conducted at division, regional and country level. The regular compliance audits performed by the Corporate Audit department are another source for the systematic identification of risks. These risks are documented in each risk or audit report. The same applies to specific risk minimization measures as well as the time frame for their implementation.

One key element in the prevention of compliance violations is compulsory training and workshops held as classroom or online courses. All employees are required within a prescribed time frame to take part in basic compliance training, refresher courses and special tutorials dealing with, for example, antitrust legislation, taxes or trade control regulations. Course materials and formats are constantly updated, taking into account the specific risks of individual target groups and business areas. In 2018, for instance, we again asked most of our employees around the world to take part in online refresher training as part of the compliance program. In total, more than 96,000 participants worldwide received around 84,000 hours of compliance training in 2018.

 For more information on the BASF Code of Conduct, see [basf.com/code_of_conduct](https://www.basf.com/code_of_conduct)

Compliance culture at BASF

We firmly believe that for corporate responsibility to be a success, there must be an active culture of living these guidelines within the company. Thanks to the early introduction of our compliance standards, which were consolidated in our global Code of Conduct in 2013, these are firmly established and undisputed. We expect all employees to act in line with these compliance principles. Managers place a key role here – they serve as an example of and communicate our values and culture both internally and externally.

Monitoring adherence to our compliance principles

BASF's Chief Compliance Officer (CCO) reports directly to the Chairman of the Board of Executive Directors and manages the further development of our global compliance organization and our Compliance Management System. He is supported in this task by more than 100 compliance officers worldwide in the regions and countries as well as in the divisions. Material compliance topics are regularly discussed in the compliance committees established at global and regional level. The CCO reports to the Supervisory Board's Audit Committee in at least one of its meetings each year on the status of the Compliance Program as well as any major developments. In the event of significant incidents, the Audit Committee is immediately informed by the Board of Executive Directors.

We particularly encourage our employees to actively and promptly seek guidance if in doubt. They can consult their managers, dedicated specialist departments, such as the Legal department, and company compliance officers. We have also set up more than 50 external hotlines worldwide that our employees can use – including anonymously – to report potential violations of laws or company guidelines. All hotlines are also open to the public. Each concern is documented according to specific criteria, properly investigated in line with standard internal procedures and answered as quickly as possible. The outcome of the investigation as well as any measures taken are documented accordingly and included in internal reports.

In 2018, 397 calls and emails were received by our external hotlines (2017: 290). These concerns involved questions ranging from personnel management and handling of company property to information on the behavior of business partners or human rights issues, such as on labor and social standards. We launched case-specific investigations, in accordance with applicable law and internal regulations, into all cases of suspected misconduct that we became aware of. These include, for example, improved control mechanisms, additional informational and training measures, clarification and expansion of the relevant internal regulations, as well as disciplinary measures as appropriate. Most of the justified cases related to personal misconduct in connection with the protection of company property, inappropriate handling of conflicts of interests or gifts and invitations. In such isolated cases, we took disciplinary measures up to and including dismissal in accordance with uniform internal standards and also pursued claims for damages where there were sufficient prospects of success.

BASF's Corporate Audit department monitors adherence to compliance principles, covering all areas in which compliance violations could occur. They check that employees uphold regulations and make sure that the established processes, procedures and monitoring tools are appropriate and sufficient to minimize potential risk or preclude violations in the first place. In 2018, 84 Group-wide audits of this kind were performed (2017: 75). Our compliance management system itself is also regularly audited by the internal Corporate Audit department, most recently in November 2018. Overall, the audits confirmed the effectiveness of the compliance management system. No irregularities were shown in the audit's focus areas of antitrust law, trade controls and embargo.

We monitor our business partners in sales for potential compliance risks based on the global Guideline on Business Partner Due Diligence using a checklist, a questionnaire and an internet-based analysis. The results are then documented. If a business partner is not prepared to answer the questionnaire, we do not enter into a business relationship with them. A dedicated global Supplier Code of Conduct applies to our suppliers, which covers compliance with environmental, social and corporate governance standards, among other requirements. As part of our trade control processes, we also check whether persons, companies or organizations appear on sanction lists due to suspicious or illegal activities, and whether there are business processes with business partners from or in countries under embargo.

We support the United Nations' Guiding Principles on Business and Human Rights and are constantly working to enhance our internal guidelines and processes in keeping with these principles. For example, there is an internal guideline to respect international labor and social standards that is applicable throughout the Group. Outside of our company, too, we support respect for human rights and the fight against corruption. We are a founding member of the United Nations Global Compact. As a member of Transparency International Deutschland and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, we assist in the implementation of these organizations' objectives.

 For more information on the Supplier Code of Conduct and supplier assessments, see page 12 onward

 For more information on human rights and labor and social standards, see [basf.com/human_rights](https://www.basf.com/human_rights)

Declaration of Conformity

Declaration of Conformity 2018 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 section 161 of the German Stock Corporation Act (AktG)

The recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017, published by the Federal Ministry of Justice on April 24, 2017, in the official section of the electronic Federal Gazette are complied with and have been complied with since the submission of the last Declaration of Conformity in December 2017.

Ludwigshafen, December 2018

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 members of the Board of Executive Directors, as well as information on the compensation of Supervisory Board members.

This report meets the disclosure requirements of the German Commercial Code, supplemented by the additional requirements based on the German Act on the Disclosure of Management Board Remuneration (VorstOG) as well as the German Act on the Appropriateness of Management Board Remuneration (VorstAG), and is aligned with the recommendations of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017.

Changes to the compensation system as of January 1, 2018

By way of a resolution of the Annual Shareholders' Meeting of May 4, 2018, the further development of the compensation system for the members of the Board of Executive Directors resolved by the Supervisory Board of BASF SE was approved with effect as of January 1, 2018.

One significant change relates to the variable compensation, which was adapted in accordance with a recommendation of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017. The further developed compensation system has been a part of the contracts of the members of the Board of Executive Directors since January 1, 2018. The individual changes were as follows:

- From 2018 onward, the previously applicable annual variable compensation (bonus), which was based on the current and two preceding years, was replaced by a performance bonus with a multiple-year, forward-looking assessment basis. The payment of one part of the performance bonus only occurs after the end of the four-year performance period.
- Until the end of 2017, the key performance indicator for the company's success and variable compensation was the return on assets (ROA). From 2018 onward, it is replaced by the return on capital employed (ROCE), which serves as a consistent key performance indicator for determining variable compensation for all other employee groups as well.
- A clawback clause was introduced for the variable compensation and applies in the event of substantial breaches of duty by a Board member.
- The pensionable age for Board members (Board Performance Pension) was raised from 60 to 63 years for new members appointed to the Board of Executive Directors.
- An option was introduced in the Board Performance Pension enabling members of the Board of Executive Directors to choose between payment of their pension entitlements in the form of a lifelong pension or a lump sum (lump-sum option).

Principles and structure

The compensation of the Board of Executive Directors is determined by the company's size, complexity and financial position, as well as the performance of the Board of Executive Directors as a whole. It is designed to promote sustainable corporate development and ensure a pronounced variability in relation to the performance of the Board of Executive Directors and the BASF Group's success. The external and internal appropriateness of the Board's compensation is reviewed by an independent external auditor on a regular basis. Globally operating companies based in Europe serve as an external reference. For internal comparison, compensation, especially for senior executives, is considered in total as well as over time.

Based on a proposal by the Personnel Committee, the Supervisory Board determines the structure and amount of compensation of members of the Board of Executive Directors.

In 2016, the Supervisory Board engaged an independent external compensation consultant with an appropriateness review. The results of the appropriateness review revealed that the compensation granted to BASF's Board of Executive Directors at that time was below that of the peer group. On this basis, the Supervisory Board resolved in December 2016 to increase the compensation of the Board of Executive Directors with effect as of January 1, 2017. The amount of the increase was determined to position the compensation granted to BASF's Board of Executive Directors competitively within the peer group. The introduction of the new compensation system for the Board of Executive Directors as of January 1, 2018, had no effect on target compensation or maximum compensation.

For more information on the Supervisory Board and its committees, see page 39 and from page 67 onward

Individual compensation components

1. Fixed salary

The fixed salary is a set amount of yearly compensation paid out in equal installments. It is regularly reviewed by the Supervisory Board and adjusted, when appropriate.

The annual fixed salary for an ordinary member of the Board of Executive Directors is currently €800,000. The fixed salary for the chairman of the Board of Executive Directors is 2 times the value for an ordinary Board member, and 1.33 times this value for the vice chairman.

2. Performance bonus

Performance bonus

- Four-year, forward-looking performance period
- The amount of the performance bonus is based on the achievement of set operational targets and strategic medium-term objectives, as well as the BASF Group's ROCE.
- 50% of the performance bonus calculated after the first year is deferred for another three years and only paid out at the end of the four-year performance period based on the achievement of strategic targets.
- If the target ROCE is met and the target achievement is 100%, the performance bonus is double the fixed salary (target amount).

The annual variable compensation in effect until the end of 2017 was replaced as of 2018 with a forward-looking performance bonus that is geared to sustainable corporate development and has a three-year deferral component. The performance bonus is based on the performance of the Board of Executive Directors as a whole and the return on capital employed (ROCE) of the BASF Group. The target ROCE for the variable compensation is one percentage point above the cost of capital percentage for the financial year, which is determined using the weighted average cost of capital (WACC) approach in accordance with the Capital Asset Pricing Model. This

target reflects the strategic goal of achieving a ROCE considerably above the cost of capital percentage every year, even if the capital structure and interest rate level change over time. The target value is thus directly linked to the return expected by investors, which also serves as orientation for the BASF Group's value-based management.

For each financial year, a member of the Board of Executive Directors is entitled to a performance bonus with a four-year performance period. After the first year of this four-year performance period, the performance bonus (performance bonus (gross)) is determined based on the achievement of operational targets (operational performance factor, OPF) and strategic targets (strategic performance factor, SPF) as well as the ROCE (ROCE factor). 50% of the amount is paid out after the Annual Shareholders' Meeting in the following year (performance bonus, part 1).

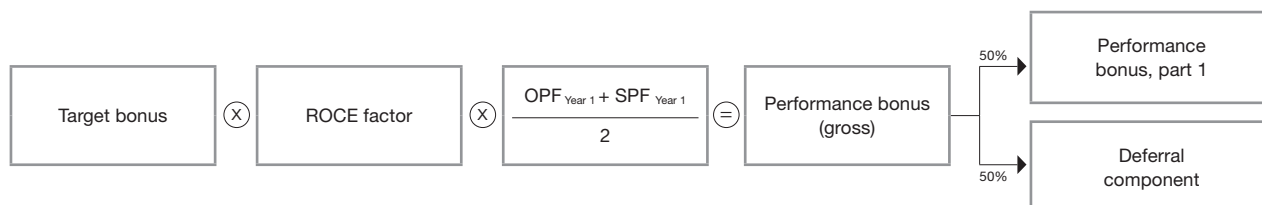
The remaining 50% is deferred for another three years and is not immediately payable (deferral component). The final amount of the deferral component is determined depending on the degree to which the strategic targets were achieved within the four-year performance period (strategic performance factor, SPF) and is paid out after the Annual Shareholders' Meeting in the year following the end of this four-year performance period (performance bonus, part 2).

Overview of compensation components

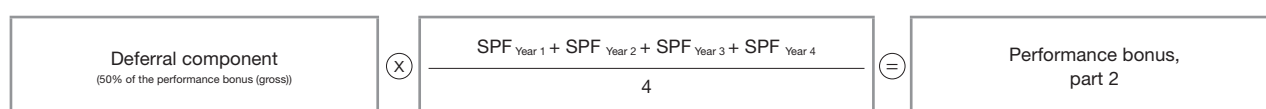
1. Fixed salary	Annual amount	€800,000 ¹
	Payment	In equal installments
2. Performance bonus	Annual target	€1,600,000 ¹
	Cap	€2,500,000 ¹
	Payment	Performance bonus, part 1: after the Annual Shareholders' Meeting for the past business year Performance bonus, part 2: after the end of the four-year performance period
3. Long-term, share price-based incentive program	The annual amount granted is dependent on the fair value of the options as of the grant date and the scope of the individual investment	
	Cap	€3,750,000 ^{1,2}
	Payment	In a period of 4 to 8 years after the grant date, depending on individual exercise date
4. Fringe benefits	The annual amount corresponds to the value of nonmonetary compensation	
5. Company pension benefits	The annual service cost is the accounting figure for the pension entitlements accrued in the relevant business year	

¹ Amounts apply to an ordinary member of the Board of Executive Directors. The amount for the chairman of the Board of Executive Directors is 2 times this value, and 1.33 times this value for the vice chairman.
² To reach the cap, a Board member must make the maximum individual investment based on the maximum performance bonus and the set limit on the gain from exercising the options granted must be reached.

Schematic overview: performance bonus, part 1



Schematic overview: performance bonus, part 2



Target agreement and evaluation

Target agreement

In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the Board of Executive Directors as a whole. The target agreement contains:

- One-year operational targets, primarily earnings, financial, investment and operational excellence targets such as EBIT before special items, EBIT after cost of capital, investments and operational excellence
- Multiple-year strategic targets relating to the further development of BASF, primarily targets for growth, portfolio optimization, investment and R&D strategy, digitalization, sustainability and the BASF corporate values

The Board of Executive Directors' target agreement contains operational and strategic objectives. The operational targets (primarily earnings, financial, investment and operational excellence targets) cover the company's short-term financial performance. The strategic targets relate to BASF's medium and long-term development on the basis of the corporate strategy. They comprise targets for growth, portfolio optimization, investment and R&D strategy, digitalization, sustainability and the BASF corporate values.

The achievement of operational and strategic targets is evaluated separately. The amount of the performance bonus thus takes into account the Board of Executive Directors' performance for both the short-term and long-term success of the company.

Determination of performance factors

An operational performance factor and a strategic performance factor, each with a value between 0 and 1.5, are determined on the basis of the target achievement ascertained by the Supervisory

Board. A target achievement rate of 100% equates to a value of 1.0 for the performance factor. The maximum performance factor of 1.5 applies for a target achievement rate of 125% and over; a target achievement rate of 50% or less represents a performance factor of 0.

Target achievement and performance factor

Target achievement	≤ 50%	75%	100%	≥ 125%
Performance factor	0	0.5	1.0	1.5

Values between these figures are interpolated

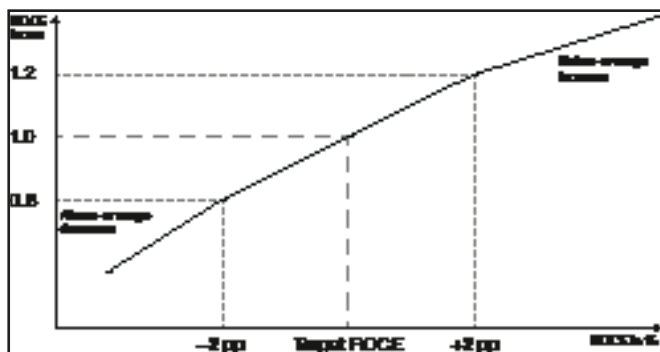
Determination of the ROCE factor

The ROCE of the particular financial year serves as the key performance indicator for the success of the company when determining the performance bonus. ROCE is the ratio of income from operations (EBIT) of the segments in relation to the average operating assets of the segments,¹ plus the customer and supplier financing not included there.

A ROCE factor is assigned to each relevant ROCE value. If the ROCE is two percentage points or more below the target ROCE, the ROCE factor will decline at a faster rate. The ROCE factor will increase at a slower rate if the ROCE is two percentage points or more above the target ROCE.

¹ Corresponds to the income from operations (EBIT) of the operating divisions and the operating assets of the divisions as described in the Invitation to the 2018 Annual Shareholders' Meeting

ROCE factor



The ROCE factor is 1.0 if the ROCE achieved in the financial year is one percentage point above the weighted cost of capital percentage (based on the weighted average cost of capital, WACC, in accordance with the Capital Asset Pricing Model) for that year, meaning an appropriate premium on the cost of capital was earned. In calculating ROCE, adjustments are made for negative and positive special items resulting from acquisitions and divestitures (e.g., integration costs in connection with acquisitions and gains or losses from the divestiture of businesses) when these exceed a corridor of plus or minus 1% of the average cost of capital basis. An adjustment of the ROCE (in the first 12 months after closing) therefore only occurs in cases of exceptionally high special items resulting from acquisitions and divestitures.

If the target ROCE is met and the target achievement is 100%, the performance bonus is double the fixed salary (target amount).

The Supervisory Board sets a maximum amount for the performance bonus (cap). The current total cap is €2,500,000 for an ordinary member of the Board of Executive Directors (performance bonus,

part 1 and performance bonus, part 2). The maximum amount for the chairman of the Board of Executive Directors is 2 times the maximum value for an ordinary member, and 1.33 times this value for the vice chairman.

Target agreement and target achievement in 2018

The performance bonus (gross) for 2018 was determined on the basis of target achievement as ascertained by the Supervisory Board and ROCE for the 2018 business year.

Operational performance factor (OPF₂₀₁₈):

The comparison of operational targets (see page 122 of the BASF Report 2017) with target achievement resulted in an operational performance factor (OPF₂₀₁₈) of 0.8:

- Targets for sales and improving operational excellence were met.
- Investments did not fully reach the target values in 2018.
- EBIT before special items and EBIT after cost of capital were considerably below the target values. Including the discontinued oil and gas business, EBIT before special items would have been slightly below the target value.

Strategic performance factor (SPF₂₀₁₈):

The strategic targets were almost reached in the first year, which resulted in a strategic performance factor (SPF₂₀₁₈) of 0.9:

- The portfolio optimization and long-term investment targets were exceeded.
- Targets for digitalization and sustainability were met.
- Volumes growth and sales of innovative products were considerably below the target values.

ROCE factor 2018:

The BASF Group's ROCE, which is used to determine compensation, was 11.4% in 2018. The target ROCE for 2018 was 11%, with the average cost of capital unchanged at 10%. Accordingly, the ROCE factor for 2018 was 1.04.

Performance bonus (gross) for a full-year ordinary member of the Board of Executive Directors			
Target amount 2018 performance bonus (2018–2021):	ROCE factor 2018:	$\frac{\text{OPF}_{2018} + \text{SPF}_{2018}}{2}$	Actual amount 2018 performance bonus (gross) (2018–2021):
€1,600,000	1.04	$\frac{0.8 + 0.9}{2}$	€1,414,400
⊗	⊗	⊕	

3. Long-term, share price-based incentive program (LTI program)

LTI program

- Absolute performance threshold: BASF share price gains at least 30% compared with the base price for the LTI program concerned
- Relative performance threshold: BASF shares outperform the MSCI World Chemicals Index and no share price loss compared with the base price on the option grant date
- Share ownership obligation: Mandatory individual investment in BASF shares with a holding obligation of 10% of the actual performance bonus (gross), plus up to an additional 20% of the actual performance bonus (gross)
- Term: eight years
- Exercise first possible: four years after the grant date (vesting period)
- Maximum exercise gain (cap): five times the individual investment

An LTI program exists for members of the Board of Executive Directors. It is also offered to all other senior executives of BASF Group, with a small number of exceptions. To take part in the program, each participant must prove an individual investment in BASF shares and hold the shares for this purpose for a defined period of time (holding period). The individual investment can amount to a maximum of 30% of the participant's performance bonus (gross). The members of the Board of Executive Directors are obligated to invest at least 10% of their individual performance bonus (gross) in the LTI program each year (share ownership obligation). This mandatory investment is subject to a holding period of four years. For any further additional voluntary investment of up to 20% of the performance bonus (gross), the general holding period of two years applies.


Four options are granted for each BASF share brought into the LTI program as an individual investment. After a four-year vesting period, there is a four-year exercise period during which the members of the Board of Executive Directors can exercise these options if performance thresholds are met. During the exercise period, the exercising of options is prohibited during certain periods (closed periods). Each member of the Board of Executive Directors can individually decide on the timing and extent of the exercising of options. Once the options are exercised, the computed value of the options is paid out in cash (cash settlement).

Each option consists of right A (absolute performance threshold) and right B (relative performance threshold), whose value is determined by different performance targets. At least one of the two conditions must be met in order for the option to be exercised:

- Performance threshold, right A: BASF share price increases at least 30% compared with the base price on the option grant date for the LTI program concerned. The value of right A is calculated as the difference between the market price of BASF shares on the exercise date and the base price on the option grant date. It is limited to 100% of the base price (cap). The base price for an LTI program is the volume-weighted average share price in Deutsche Börse AG's electronic trading system (Xetra) on the first trading day after the Annual Shareholders' Meeting of BASF SE in the year in which the LTI program is granted. The base price for the LTI program granted in 2018 was €85.45 (2017: €87.84).
- Performance threshold, right B: The cumulative percentage performance of the BASF share exceeds that of the MSCI World Chemicals Index (outperformance) and the price of the BASF share on the exercise date equals at least the base price. The value of right B is calculated as the base price of the option multiplied by twice the outperformance of BASF shares on the exercise date. It is limited to the closing price on the date of exercise minus the computed nominal value of BASF shares.

In total, the maximum exercise gain (cap) is limited to five times the individual investment and can amount to a maximum of €3,750,000 for an ordinary member of the Board of Executive Directors. The maximum amount for the chairman of the Board of Executive Directors is 2 times the maximum value for an ordinary Board member, and 1.33 times this value for the vice chairman.

Due to the multiple-year exercise period, it can occur that exercise gains from several LTI program years accumulate inside of one year; there can also be years without any exercise gains.

 For more information on share ownership by members of the Board of Executive Directors, see page 43
For more information on the LTI program, see page 57

4. Nonmonetary compensation and other additional compensation (fringe benefits)

Members of the Board of Executive Directors receive various fringe benefits in addition to the abovementioned cash compensation. Fringe benefits include delegation allowances, accident insurance premiums, transportation and benefits from the provision of security measures by the company. The fringe benefits granted by the company are subject to specific provisions and thereby also limited in its amount.

The members of the Board of Executive Directors are covered by a directors' and officers' liability insurance (D&O insurance) concluded by the company. This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by section 93(2) sentence 3 of the German Stock Corporation Act.

5. Company pension benefits

Board Performance Pension

- Accrual of annual pension units, the amount of which depend on the company's success and the performance of the Board of Executive Directors as a whole
- Pension entitlement: retirement, disability and surviving dependents' pensions
- Pension benefits due: On reaching the retirement age of 60 (63 for members first appointed to the Board of Executive Directors since 2017) or on account of disability or death

As part of the pension benefits granted to the Board of Executive Directors (Board Performance Pension), company pension benefits are intended to accrue annual pension units, the amount of which depends on the company's success and the performance of the Board of Executive Directors as a whole in the business year concerned. The method used to determine the amount of the pension benefits generally corresponds to that used for all other senior executives of the BASF Group in Germany. 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 salary above the Social Security Contribution Ceiling by 32% (fixed pension component).

The variable component of the pension unit is the result of multiplying the fixed pension component with a performance factor based on the relevant ROCE in the reporting year concerned, as well as the performance factors relevant to the performance bonus (variable pension component).

The amount resulting from the fixed and the variable pension component is converted into a pension unit (lifelong pension) using actuarial factors (annuity conversion factor). The currently applied annuity conversion factor is based on an actuarial interest rate of 5%, the probability of death, invalidity and bereavement according to Heubeck Richttafeln, 2005G (modified) and an assumed pension increase (at least 1% each 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.

This is the amount that is payable on retirement, disability or death. Pension benefits fall due at the end of service on reaching the age of 60 (for members first appointed to the Board of Executive Directors after January 1, 2017: on reaching the age of 63), or on account of disability or death. Pension payments are reviewed on a regular

basis and adjusted by at least 1% each year. Members of the Board of Executive Directors have the option to choose between payment of their pension entitlements in the form of a lifelong pension or a lump sum. The amount of the lump-sum payment is calculated by capitalizing the annual pension entitlement accrued as of the end of the service period as a member of the Board of Executive Directors.

The pension units also include survivor benefits. Upon the death of an active or former member of the Board of Executive Directors, 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. Total survivor benefits may not exceed 75% of the Board member's 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.

Withholding and clawback clause

A withholding and clawback clause was introduced as of January 1, 2018, for the performance bonus and the LTI program for all members of the Board of Executive Directors. In the event that a Board member commits a serious infringement of the Code of Conduct of BASF Group or of the duty of care as a member of the management of the company, this provision allows for a reduction or cancellation of not yet paid variable compensation as well as the clawback of variable compensation paid out since January 1, 2018.

Amount of total compensation

The tables on pages 54 to 58 show the granted and allocated compensation as well as service cost of each member of the Board of Executive Directors in accordance with section 4.2.5(3) of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017.

Due to the changes resolved to the compensation system for the Board of Executive Directors, this Compensation Report includes a comparison of the compensation granted and allocated under the two different systems. The compensation system for the Board of Executive Directors in effect until the end of 2017 is described in detail in the 2017 Compensation Report. The following comparison summarizes the changes.

	Compensation system for the Board of Executive Directors until the end of 2017	New compensation system for the Board of Executive Directors as of 2018
Performance bonus / annual variable compensation	<p>Annual variable compensation</p> <ul style="list-style-type: none"> – The key performance indicator for the company's success is the return on assets (ROA) – Relevant performance factor is the average of the performance factors in the current and two preceding business years – Payment in full after the Annual Shareholders' Meeting for the business year 	<p>Performance bonus</p> <ul style="list-style-type: none"> – The key performance indicator for the company's success is the return on capital employed (ROCE) – Relevant performance factors are the operational performance factor (OPF) for the current business year and the strategic performance factors (SPF) for the current and the following three business years – 50% paid out at the end of the current business year and 50% after the end of the four-year performance period
Long-term incentive program (LTI)	<ul style="list-style-type: none"> – Long-term, share price-based incentive program – Mandatory individual investment of 10% of the actual annual variable compensation; up to an additional 20% of the actual annual variable compensation can be invested on a voluntary basis 	<ul style="list-style-type: none"> – No changes to the program – Mandatory individual investment of 10% now based on the performance bonus (gross); up to an additional 20% of the performance bonus (gross) can be invested on a voluntary basis
Company pension benefits	<ul style="list-style-type: none"> – The variable component of the pension unit is the result of multiplying the fixed pension component with a factor based on the relevant return on assets in the reporting year concerned, as well as the performance factor used to determine the actual annual variable compensation 	<ul style="list-style-type: none"> – The variable component of the pension unit is the result of multiplying the fixed pension component with a factor based on the relevant ROCE in the reporting year concerned, as well as the performance factors relevant to the performance bonus – The pensionable age for Board members (Board Performance Pension) was raised from 60 to 63 years for new members appointed to the Board of Executive Directors after January 1, 2017 – Option to choose between payment of pension entitlements in the form of a lifelong pension or a lump sum
Withholding and clawback clause	<ul style="list-style-type: none"> – None 	<ul style="list-style-type: none"> – Withholding and clawback clause for the performance bonus and the LTI program

Compensation granted in accordance with the German Corporate Governance Code (GCGC)

The table "Compensation granted in accordance with the German Corporate Governance Code (GCGC)" shows: fixed salary, fringe benefits, annual variable target compensation/performance bonus, LTI program measured at fair value as of the grant date and service cost. The individual compensation components are supplemented by individually attainable minimum and maximum compensation.

Furthermore, a reconciliation statement for total compensation to be reported is provided below the table "Compensation granted in accordance with the German Corporate Governance Code (GCGC)" due to the disclosures required by section 285 no. 9a of the German Commercial Code (HGB) in connection with the German Accounting Standard 17 (GAS 17).

Compensation granted in accordance with the German Corporate Governance Code (GCGC)

Thousand €

	Dr. Martin Bruder Müller Chairman of the Board of Executive Directors (since May 4, 2018)				Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors (since May 4, 2018)			
	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)
Fixed salary	1,064	1,416	1,416	1,416	800	973	973	973
Fringe benefits	46	136	136	136	59	112	112	112
Total	1,110	1,552	1,552	1,552	859	1,085	1,085	1,085
One-year variable target compensation	2,128	1,416	0	2,212	1,600	973	0	1,521
Annual variable target compensation	2,128	–	–	–	1,600	–	–	–
50% of the 2018 performance bonus (2018–2021)	–	1,416	0	2,212	–	973	0	1,521
Multiple-year variable compensation	483	2,303	0	5,832	363	1,640	0	4,243
50% of the 2018 performance bonus (2018–2021), deferral component	–	1,416	0	2,212	–	973	0	1,521
LTI program 2017 (2017–2025)	483	–	–	–	363	–	–	–
LTI program 2018 (2018–2026)	–	887	0	3,620	–	667	0	2,722
Total	3,721	5,271	1,552	9,596	2,822	3,698	1,085	6,849
Service cost	667	812	812	812	469	449	449	449
Total compensation in accordance with GCGC	4,388	6,083	2,364	10,408	3,291	4,147	1,534	7,298
Reconciliation reporting of total compensation pursuant to section 285 no. 9a HGB in connection with GAS 17								
Less granted annual variable target compensation	(2,128)	–	–	–	(1,600)	–	–	–
Less 50% of the granted 2018 performance bonus (2018–2021), (one-year component)	–	(1,416)	–	–	–	(973)	–	–
Less 50% of the granted 2018 performance bonus (2018–2021), (deferral component)	–	(1,416)	–	–	–	(973)	–	–
Plus allocated actual annual variable compensation	2,414	1,251	–	–	1,815	860	–	–
Less service cost	(667)	(812)	–	–	(469)	(449)	–	–
Total compensation	4,007	3,690	–	–	3,037	2,612	–	–

Thousand €

	Dr. Markus Kamieth Member of the Board of Executive Directors (since May 12, 2017)				Wayne T. Smith			
	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)
Fixed salary	507	800	800	800	955 ¹	888 ¹	888 ¹	888 ¹
Fringe benefits	27	41	41	41	71 ²	165 ²	165 ²	165 ²
Total	534	841	841	841	1,026	1,053	1,053	1,053
One-year variable target compensation	1,019	800	0	1,250	1,600	800	0	1,250
Annual variable target compensation	1,019	–	–	–	1,600	–	–	–
50% of the 2018 performance bonus (2018–2021)	–	800	0	1,250	–	800	0	1,250
Multiple-year variable compensation	182	1,292	0	3,257	431	1,596	0	3,972
50% of the 2018 performance bonus (2018–2021), deferral component	–	800	0	1,250	–	800	0	1,250
LTI program 2017 (2017–2025)	182	–	–	–	431	–	–	–
LTI program 2018 (2018–2026)	–	492	0	2,007	–	796	0	2,722
Total	1,735	2,933	841	5,348	3,057	3,449	1,053	6,275
Service cost	409	610	610	610	591	540	540	540
Total compensation in accordance with GCGC	2,144	3,543	1,451	5,958	3,648	3,989	1,593	6,815
Reconciliation reporting of total compensation pursuant to section 285 no. 9a HGB in connection with GAS 17								
Less granted annual variable target compensation	(1,019)	–	–	–	(1,600)	–	–	–
Less 50% of the granted 2018 performance bonus (2018–2021), (one-year component)	–	(800)	–	–	–	(800)	–	–
Less 50% of the granted 2018 performance bonus (2018–2021), (deferral component)	–	(800)	–	–	–	(800)	–	–
Plus allocated actual annual variable compensation	1,156	707	–	–	1,815	707	–	–
Less service cost	(409)	(610)	–	–	(591)	(540)	–	–
Total compensation	1,872	2,040	–	–	3,272	2,556	–	–

¹ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

² Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

Saori Dubourg
Member of the Board of Executive
Directors (since May 12, 2017)

Sanjeev Gandhi

Michael Heinz

2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)
507	800	800	800	538 ¹	761 ¹	761 ¹	761 ¹	800	800	800	800
37	58	58	58	2,079 ^{2,3}	1,637 ^{2,3}	1,637 ^{2,3}	1,637 ^{2,3}	33	34	34	34
544	858	858	858	2,617	2,398	2,398	2,398	833	834	834	834
1,019	800	0	1,250	1,600	800	0	1,250	1,600	800	0	1,250
1,019	–	–	–	1,600	–	–	–	1,600	–	–	–
–	800	0	1,250	–	800	0	1,250	–	800	0	1,250
53	1,130	0	2,596	121	1,467	0	3,972	363	1,467	0	3,972
–	800	0	1,250	–	800	0	1,250	–	800	0	1,250
53	–	–	–	121	–	–	–	363	–	–	–
–	330	0	1,346	–	667	0	2,722	–	667	0	2,722
1,616	2,788	858	4,704	4,338	4,665	2,398	7,620	2,796	3,101	834	6,056
408	610	610	610	576	531	531	531	509	455	455	455
2,024	3,398	1,468	5,314	4,914	5,196	2,929	8,151	3,305	3,556	1,289	6,511
(1,019)	–	–	–	(1,600)	–	–	–	(1,600)	–	–	–
–	(800)	–	–	–	(800)	–	–	–	(800)	–	–
–	(800)	–	–	–	(800)	–	–	–	(800)	–	–
1,156	707	–	–	1,815	707	–	–	1,815	707	–	–
(408)	(610)	–	–	(576)	(531)	–	–	(509)	(455)	–	–
1,753	1,895	–	–	4,553	3,772	–	–	3,011	2,208	–	–

Dr. Kurt Bock
Chairman of the Board of Executive
Directors (until May 4, 2018)

2017	2018	2018 (min)	2018 (max)
1,600	557	557	557
84	46	46	46
1,684	603	603	603
3,200	557	0	870
3,200	–	–	–
–	557	0	870
726	1,682	0	5,464
–	557	0	870
726	–	–	–
–	1,125	0	4,594
5,610	2,842	603	6,937
768	232	232	232
6,378	3,074	835	7,169
(3,200)	–	–	–
–	(557)	–	–
–	(557)	–	–
3,629	492	–	–
(768)	(232)	–	–
6,039	2,220	–	–

¹ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

² Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

³ Fringe benefits include the payment of additional taxes for 2017 and/or 2018 and tax back payments for previous years arising in connection with transfers.

The table below shows the options granted to the Board of Executive Directors on July 1 of both reporting years.

Number of options granted

	2018	2017
Dr. Martin Brudermüller	33,892	18,724
Dr. Hans-Ulrich Engel	25,484	14,076
Saori Dubourg (since May 12, 2017)	12,600	2,040
Sanjeev Gandhi	25,484	4,692
Michael Heinz	25,484	14,076
Dr. Markus Kamieth (since May 12, 2017)	18,792	7,060
Wayne T. Smith	25,484	14,076
Dr. Kurt Bock (until May 4, 2018)	43,008	28,156
Total	210,228	102,900

Compensation allocated in accordance with the German Corporate Governance Code (GCGC)

The "Compensation allocated in accordance with the German Corporate Governance Code (GCGC)" shown for 2017 and 2018 comprises the fixed and variable compensation components actually allocated, plus the service cost calculated for each member of the Board of Executive Directors in the reporting years even though this does not actually represent payment in the narrower sense.

Compensation allocated in accordance with the German Corporate Governance Code (GCGC)

Thousand €

	Dr. Martin Brudermüller Chairman of the Board of Executive Directors (since May 4, 2018)		Dr. Hans-Ulrich Engel Vice Chairman of the Board of Executive Directors (since May 4, 2018)		Saori Dubourg Member of the Board of Executive Directors (since May 12, 2017)		Sanjeev Gandhi	
	2017	2018	2017	2018	2017	2018	2017	2018
Fixed salary	1,064	1,416	800	973	507	800	538 ⁵	761 ⁵
Fringe benefits	46	136	59	112	37	58	2,079 ^{6,7}	1,637 ^{6,7}
Total	1,110	1,552	859	1,085	544	858	2,617	2,398
One-year variable compensation	2,414	1,251	1,815	860	1,156	707	1,815	707
Actual annual variable compensation ¹	2,414	–	1,815	–	1,156	–	1,815	–
Performance bonus 2018 (2018–2021), part 1 ²	–	1,251	–	860	–	707	–	707
Multiple-year variable compensation	–	–	4,037	1,401	–	–	–	–
LTI program 2009 (2009–2017)	–	–	4,037 ³	–	–	–	–	–
LTI program 2010 (2010–2018)	–	–	–	1,401 ⁴	–	–	–	–
LTI program 2011 (2011–2019)	–	–	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–	–	–	–	–
Total	3,524	2,803	6,711	3,346	1,700	1,565	4,432	3,105
Service cost	667	812	469	449	408	610	576	531
Total compensation in accordance with GCGC	4,191	3,615	7,180	3,795	2,108	2,175	5,008	3,636

¹ The basis for the allocated actual annual variable compensation was the return on assets adjusted for special effects and the average performance factor for the current and two preceding years. This includes contributions made to the deferred compensation program.

² The basis for the performance bonus, part 1, is the ROCE factor and the average of the operating performance factor (OPF) and the strategic performance factor (SPF) in the year the performance bonus was granted. This includes contributions made to the deferred compensation program. 50% of the actual performance bonus is paid out; the remaining 50% of the actual performance bonus is not paid out for another three years (deferral component).

³ At the end of the regular term of the LTI program 2009, exercise gains that were realized in 2013 were allocated to Dr. Hans-Ulrich Engel and Dr. Kurt Bock in 2017 in accordance with the special conditions of the U.S. LTI program.

⁴ In 2018, at the end of the regular term of the LTI program 2010, exercise gains that were realized in 2017 and 2018 were allocated to Dr. Hans-Ulrich Engel, and exercise gains that were realized in 2016 were allocated to Dr. Kurt Bock in accordance with the special conditions of the U.S. LTI program.

⁵ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

⁶ Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

⁷ Fringe benefits include the payment of additional taxes and tax back payments for previous years arising in connection with transfers.

Compensation allocated in accordance with the German Corporate Governance Code (GCGC)

Thousand €

	Michael Heinz		Dr. Markus Kamieth Member of the Board of Executive Directors (since May 12, 2017)		Wayne T. Smith		Dr. Kurt Bock Chairman of the Board of Executive Directors (until May 4, 2018)	
	2017	2018	2017	2018	2017	2018	2017	2018
Fixed salary	800	800	507	800	955 ⁵	888 ⁵	1,600	557
Fringe benefits	33	34	27	41	71 ⁶	165 ⁶	84	46
Total	833	834	534	841	1,026	1,053	1,684	603
One-year variable compensation	1,815	707	1,156	707	1,815	707	3,629	492
Actual annual variable compensation ¹	1,815	–	1,156	–	1,815	–	3,629	–
Performance bonus 2018 (2018–2021), part 1 ²	–	707	–	707	–	707	–	492
Multiple-year variable compensation	–	–	–	–	–	–	4,504	1,631
LTI program 2009 (2009–2017)	–	–	–	–	–	–	4,504 ³	–
LTI program 2010 (2010–2018)	–	–	–	–	–	–	–	1,631 ⁴
LTI program 2011 (2011–2019)	–	–	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–	–	–
LTI program 2013 (2013–2021)	–	–	–	–	–	–	–	–
Total	2,648	1,541	1,690	1,548	2,841	1,760	9,817	2,726
Service cost	509	455	409	610	591	540	768	232
Total compensation in accordance with GCGC	3,157	1,996	2,099	2,158	3,432	2,300	10,585	2,958

¹ The basis for the allocated actual annual variable compensation was the return on assets adjusted for special effects and the average performance factor for the current and two preceding years. This includes contributions made to the deferred compensation program.

² The basis for the performance bonus, part 1, is the ROCE factor and the average of the operating performance factor (OPF) and the strategic performance factor (SPF) in the year the performance bonus was granted. This includes contributions made to the deferred compensation program. 50% of the actual performance bonus is paid out; the remaining 50% of the actual performance bonus is not paid out for another three years (deferral component).

³ At the end of the regular term of the LTI program 2009, exercise gains that were realized in 2013 were allocated to Dr. Hans-Ulrich Engel and Dr. Kurt Bock in 2017 in accordance with the special conditions of the U.S. LTI program.

⁴ In 2018, at the end of the regular term of the LTI program 2010, exercise gains that were realized in 2017 and 2018 were allocated to Dr. Hans-Ulrich Engel, and exercise gains that were realized in 2016 were allocated to Dr. Kurt Bock in accordance with the special conditions of the U.S. LTI program.

⁵ Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

⁶ Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

⁷ Fringe benefits include the payment of additional taxes and tax back payments for previous years arising in connection with transfers.

Accounting valuation of multiple-year variable compensation (LTI programs)

In 2018, some of the option rights granted resulted in an expense and some resulted in income. This expense or income refers to the total of all option rights from the LTI programs 2010 to 2018 and is calculated as the difference in the fair value of the option rights on December 31, 2018, compared with the fair value on December 31, 2017, considering the option rights exercised and granted in 2018. The fair value of the option rights is based primarily on the development of the BASF share price and its relative performance compared with the benchmark index, the MSCI World Chemicals Index.

The expenses and income reported below are purely accounting figures that do not equate with the actual gains should options be exercised. Each member of the Board of Executive Directors may decide individually on the timing and scope of the exercise of options of the LTI programs, while taking into account the terms and conditions of the program.

The outstanding option rights held by the members of the Board of Executive Directors resulted in the following income and expenses in 2018: Dr. Martin Brudermüller: income of €4,170 thousand (2017: income of €604 thousand); Dr. Hans-Ulrich Engel: income of €3,821 thousand (2017: income of €1,300 thousand); Saori Dubourg: expense of €12 thousand (2017: expense of €8 thousand); Sanjeev Gandhi: income of €185 thousand (2017: expense of €178 thousand); Michael Heinz: income of €2,636 thousand (2017: income of €226 thousand); Dr. Markus Kamieth: expense of €13 thousand (2017: expense of €26 thousand); Wayne T. Smith: income of €1,602 thousand (2017: income of €35 thousand).

The income resulting from the accounting valuation of the option rights granted to Dr. Kurt Bock, the former Chairman of the Board of Executive Directors who retired in 2018, is included in the total compensation for former members of the Board of Executive Directors and their surviving dependents.

For more information on the LTI program, see page 51

Pension benefits

The values under German commercial law for service cost incurred in 2018 contain service cost for BASF Pensionskasse VVaG and Board Performance Pension. Service cost for the members of the Board of Executive Directors is shown individually in the tables "Compensation granted in accordance with the German Corporate Governance Code (GCGC)" and "Compensation allocated in accordance with the German Corporate Governance Code (GCGC)."

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 table below shows the defined benefit obligations for the pension entitlements accrued until the end of 2018 (as of December 31 in each case), calculated in accordance with German commercial law:

Thousand €	2018	2017
Dr. Martin Brudermüller	15,030	12,237
Dr. Hans-Ulrich Engel	8,741	8,364
Saori Dubourg	3,032	1,973
Sanjeev Gandhi	3,257	2,383
Michael Heinz	9,032	7,585
Dr. Markus Kamieth	2,404	1,449
Wayne T. Smith	4,019	3,115
Dr. Kurt Bock (until May 4, 2018)	19,458	14,532
Total	64,973	51,638

End-of-service benefits

In the event that a member of the Board of Executive Directors appointed before 2017 retires from employment before the age of 60, either because their appointment was not extended or was revoked for an important reason, they are entitled to pension benefits if they have served on the Board for at least 10 years or if the period until they reach legal retirement age is less than 10 years. The company is entitled to offset compensation received for any other employment 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 appointment is revoked within one year of 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 salary and annual variable target compensation). The Board

member may also 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, including fringe benefits, 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 business year and, if appropriate, also the expected total compensation for the current business year. If the appointment to the Board of Executive Directors is prematurely terminated as the result of a change of control event, the payments may not exceed 150% of the severance compensation cap.

Former members of the Board of Executive Directors

Total compensation for previous Board members and their surviving dependents amounted to minus €5.5 million in 2018 (2017: €5.7 million). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program, as well as the income for 2018 relating to option rights that previous members of the Board still hold from the time of their active service period. The decline in total compensation was due to the fair value measurement of these option rights, which generated total income of €16.1 million in 2018 (2017: income of €4.4 million).

Total compensation of former members of the Board of Executive Directors and their surviving dependents

Million €	2018	2017
Retirement and surviving dependents' pensions	10.6	10.1
Income from the fair value measurement of option rights	(16.1)	(4.4)
Total	(5.5)	5.7

Option rights that have not yet been exercised on retirement are to be continued under the conditions of the program including the associated holding period to emphasize that the compensation for the Board of Executive Directors is geared to sustainability.

Pension provisions for previous Board members and their surviving dependents, calculated in accordance with German commercial law, amounted to €128.6 million (2017: €117.3 million).

Compensation of Supervisory Board members

Compensation of Supervisory Board members

- Fixed salary: €200,000¹
- Share purchase and share holding component:
25% of the fixed compensation must be used to purchase shares in BASF; these shares must be held for the duration of membership on the Supervisory Board
- Compensation for committee memberships: €12,500;²
Audit Committee: €50,000²
- No additional compensation is paid for the Nomination Committee

¹ The amount for the chairman of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chairman compared with the compensation of an ordinary member.

² The amount for the chairman of a committee is 2 times this value, and 1.5 times this value for the vice chairman.

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 (GCGC). The compensation of the Supervisory Board is regulated by the Statutes of BASF SE passed by the Annual Shareholders' Meeting.

Each member of the Supervisory Board receives an annual fixed compensation of €200,000. The amount for the chairman of the Supervisory Board is 2.5 times this value, and 1.5 times this value for the vice chairman compared with the compensation of an ordinary member.

Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, receive an additional fixed compensation of €12,500. The additional fixed compensation for members of the Audit Committee is €50,000. The amount of additional fixed compensation for the chairman of a committee is 2 times this value, and 1.5 times this value for the vice chairman.

Each member of the Supervisory Board is required to use 25% of their fixed compensation to acquire shares in BASF SE, and to hold these shares for the duration of membership on the Supervisory Board. This does not apply to the amount of compensation that the member of the Supervisory Board transfers to a third party on a pro rata basis as a result of an obligation entered into before their appointment to the Supervisory Board. In this case, the utilization and holding obligation applies to 25% of the remaining compensation after deducting the amount transferred.

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 directors' and officers' liability insurance (D&O insurance) concluded by the company covers the duties performed by the members of the Supervisory Board. This policy provides for the level of deductibles for the Supervisory Board as recommended in section 3.8(3) of the German Corporate Governance Code (GCGC).

Total compensation of the Supervisory Board in 2018 was around €3.3 million (2017: around €3.3 million). The compensation of the individual Supervisory Board members was as follows.

Compensation of the Supervisory Board of BASF SE

Thousand €

	Fixed salary		Compensation for committee memberships		Total compensation	
	2018	2017	2018	2017	2018	2017
Dr. Jürgen Hambrecht, Chairman ^{1,2}	500.0	500.0	50.0	50.0	550.0	550.0
Michael Diekmann, Vice Chairman ^{3,4}	300.0	300.0	31.3	31.3	331.3	331.3
Robert Oswald, Vice Chairman until May 12, 2017 ⁵	–	125.0	–	10.4	–	135.4
Sinischa Horvat, Vice Chairman since May 12, 2017 ^{3,9}	300.0	200.0	25.0	16.7	325.0	216.7
Ralf-Gerd Bastian, Supervisory Board member until May 4, 2018 ⁶	83.3	200.0	26.0	58.3	109.3	258.3
Dame Alison Carnwath DBE ^{7,9}	200.0	200.0	112.5	112.5	312.5	312.5
Prof. Dr. François Diederich	200.0	200.0	–	–	200.0	200.0
Tatjana Diether, Supervisory Board member since May 4, 2018 ⁸	133.3	–	33.3	–	166.6	–
Franz Fehrenbach ⁸	200.0	200.0	50.0	50.0	250.0	250.0
Francesco Grioli, Supervisory Board member until May 4, 2018	83.3	200.0	–	–	83.3	200.0
Waldemar Helber ⁹	200.0	200.0	8.3	–	208.3	200.0
Anke Schäferkordt	200.0	200.0	–	–	200.0	200.0
Denise Schellemans	200.0	200.0	–	–	200.0	200.0
Roland Strasser, Supervisory Board member since May 4, 2018	133.3	–	–	–	133.3	–
Michael Vassiliadis ^{3,8,9}	200.0	200.0	75.0	75.0	275.0	275.0
Total	2,933.2	2,925.0	411.4	404.2	3,344.6	3,329.2

¹ Chairman of the Personnel Committee

² Chairman of the Strategy Committee

³ Member of the Personnel Committee

⁴ Vice Chairman of the Strategy Committee

⁵ Member of the Personnel and Strategy Committees until May 4, 2018

⁶ Member of the Audit and Strategy Committees until May 4, 2018

⁷ Chairman of the Audit Committee

⁸ Member of the Audit Committee

⁹ Member of the Strategy Committee

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Shareholders' Meeting, which takes delivery of the Consolidated Financial Statements for the business year. Accordingly, compensation relating to the year 2018 will be paid following the Annual Shareholders' Meeting on May 3, 2019, taking into account and applying the share purchase obligation.

approximately €33,200; 2017: approximately €34,500) 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 2018 for services rendered personally, in particular, the rendering of advisory and agency services.

For more information on share ownership by members of the Supervisory Board, see page 43

In 2018, as in 2017, the company paid the Supervisory Board member Prof. Dr. François Diederich a total of CHF 38,400 (2018:

Management and Supervisory Boards

Board of Executive Directors

There were seven members on the Board of Executive Directors of BASF SE as of December 31, 2018

Dr. Martin Bruder Müller

Chairman of the Board of Executive Directors

Degree: Chemistry, 57 years old, 31 years at BASF

Responsibilities: Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance; BASF 4.0; Corporate Technology & Operational Excellence; Digitalization in Research & Development; Innovation Management

First appointed: 2006, **term expires:** 2023

Dr. Hans-Ulrich Engel

Vice Chairman of the Board of Executive Directors

Degree: Law, 59 years old, 31 years at BASF

Responsibilities: Finance; Oil & Gas; Procurement; Supply Chain Operations & Information Services; Corporate Controlling; Corporate Audit

First appointed: 2008, **term expires:** 2023

Internal memberships within the meaning of section 100(2) of the German Stock Corporation Act:

Wintershall Holding GmbH (Chairman of the Supervisory Board)

Wintershall AG (Chairman of the Supervisory Board)

Comparable German and non-German supervisory bodies:

Nord Stream AG (member of the Shareholders' Committee)

Saori Dubourg

Degree: Business Administration, 47 years old, 22 years at BASF

Responsibilities: Agricultural Solutions; Construction Chemicals; Bioscience Research; Region Europe

First appointed: 2017, **term expires:** 2020

Sanjeev Gandhi

Degrees: Chemical Engineering, Business Administration, 52 years old, 25 years at BASF

Responsibilities: Intermediates; Monomers; Petrochemicals; Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand

First appointed: 2014, **term expires:** 2023

Michael Heinz

Degree: Business Administration, 54 years old, 35 years at BASF

Responsibilities: Engineering & Maintenance; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources

First appointed: 2011, **term expires:** 2024

Comparable German and non-German supervisory bodies: BASF Antwerpen N.V. (Chairman of the Administrative Council)

Dr. Markus Kamieth

Degree: Chemistry, 48 years old, 20 years at BASF

Responsibilities: Care Chemicals; Dispersions & Pigments; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; BASF New Business; Region South America

First appointed: 2017, **term expires:** 2020

Comparable German and non-German supervisory bodies: Solenis UK International Ltd. (member of the Board of Directors since February 1, 2019)

Wayne T. Smith

Degrees: Chemical Engineering, Business Administration, 58 years old, 15 years at BASF

Responsibilities: Catalysts; Coatings; Performance Materials; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America; Process Research & Chemical Engineering

First appointed: 2012, **term expires:** 2020

The following member left the Board of Executive Directors on May 4, 2018

Dr. Kurt Bock

Chairman of the Board of Executive Directors

Degree: Business Administration, 60 years old, 27 years at BASF

First appointed: 2003, **term expires:** 2018

Supervisory board membership until date of retirement (excluding internal memberships):

Fresenius Management SE (member)

Division of responsibilities until May 4, 2018

The Chairman of the Board of Executive Directors Dr. Kurt Bock retired from the Board of Executive Directors following the Annual Shareholders' Meeting on May 4, 2018. The Supervisory Board appointed Dr. Martin Bruder Müller, previously Vice Chairman, as Chairman of the Board of Executive Directors and Dr. Hans-Ulrich Engel as Vice Chairman of the Board of Executive Directors as of this date. In the course of these changes, the number of Board members was reduced from eight to seven. Until May 4, 2018, the areas of responsibility within the Board of Executive Directors were allocated as follows:

Dr. Kurt Bock

Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance

Dr. Martin Bruder Müller

Petrochemicals; Monomers; Intermediates; Process Research & Chemical Engineering; Innovation Management; Digitalization in Research & Development; Corporate Technology & Operational Excellence; BASF New Business

Saori Dubourg

Construction Chemicals; Crop Protection; Bioscience Research; Region Europe

Dr. Hans-Ulrich Engel

Finance; Oil & Gas; Procurement; Supply Chain Operations & Information Services; Corporate Controlling; Corporate Audit

Sanjeev Gandhi

Dispersions & Pigments; Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand

Michael Heinz

Engineering & Maintenance; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources

Dr. Markus Kamieth

Care Chemicals; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; Region South America

Wayne T. Smith

Catalysts; Coatings; Performance Materials; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America

Division of responsibilities as of January 1, 2019

Dr. Martin Bruder Müller

Legal, Taxes, Insurance & Intellectual Property; Corporate Development; Corporate Communications & Government Relations; Senior Executive Human Resources; Investor Relations; Compliance; Corporate Technology & Operational Excellence; Innovation Management

Dr. Hans-Ulrich Engel

Catalysts; Coatings; Oil & Gas; Finance; Procurement & Supply Chain Services; Digitalization & Information Services; Corporate Controlling; Corporate Audit

Saori Dubourg

Agricultural Solutions; Construction Chemicals; Bioscience Research; Region Europe

Sanjeev Gandhi

Intermediates; Petrochemicals; Greater China & Functions Asia Pacific; South & East Asia, ASEAN & Australia/New Zealand

Michael Heinz

Engineering & Technical Expertise; Environmental Protection, Health & Safety; European Site & Verbund Management; Human Resources

Dr. Markus Kamieth

Care Chemicals; Dispersions & Pigments; Nutrition & Health; Performance Chemicals; Advanced Materials & Systems Research; BASF New Business; Region South America

Wayne T. Smith

Monomers; Performance Materials; Process Research & Chemical Engineering; Market & Business Development, Site & Verbund Management North America; Regional Functions & Country Platforms North America

Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises 12 members

The term of office of the Supervisory Board commenced following the Annual Shareholders' Meeting on May 2, 2014, in which the shareholder representatives on the Supervisory Board were elected. It terminates upon conclusion of the Annual Shareholders' Meeting that resolves on the discharge of members of the Supervisory Board for the fourth complete business year after the term of office commenced; this is the Annual Shareholders' Meeting on May 3, 2019. The Supervisory Board comprises the following members:

Dr. Jürgen Hambrecht, Neustadt an der Weinstraße, Germany*1

Chairman of the Supervisory Board of BASF SE
Former Chairman of the Board of Executive Directors of BASF SE (until May 2011)

Member of the Supervisory Board since: May 2, 2014

Supervisory board memberships:

Fuchs Petrolub SE³ (chairman)
Trumpf GmbH & Co. KG⁴ (chairman)
Daimler AG³ (member)

Michael Diekmann, Munich, Germany¹

Vice Chairman of the Supervisory Board of BASF SE
Chairman of the Supervisory Board of Allianz SE

Member of the Supervisory Board since: May 6, 2003

Supervisory board memberships:

Allianz SE³ (chairman)
Fresenius Management SE⁴ (member)
Fresenius SE & Co. KGaA³ (vice chairman)
Siemens AG³ (member)

Sinischa Horvat, Limburgerhof, Germany*2

Vice Chairman of the Supervisory Board of BASF SE
Chairman of the Works Council of BASF SE, Ludwigshafen Site;
Chairman of BASF's Joint Works Council and of the BASF Works Council Europe

Member of the Supervisory Board since: May 12, 2017

Dame Alison Carnwath DBE, Exeter, England*1

Senior Advisor Evercore Partners

Member of the Supervisory Board since: May 2, 2014

Comparable German and non-German supervisory bodies:

Zurich Insurance Group AG³ (independent, nonexecutive member of the Administrative Council)

Zürich Versicherungs-Gesellschaft AG⁴ (independent, nonexecutive member of the Administrative Council)

Land Securities Group plc³ (nonexecutive chairman of the Board of Directors until July 12, 2018)

BP plc³ (nonexecutive director since May 21, 2018)

PACCAR Inc.³ (independent member of the Board of Directors)

Coller Capital Ltd.⁴ (nonexecutive member of the Board of Directors)

Broadwell Capital Limited⁴ (nonexecutive member of the Board of Directors)

Prof. Dr. François Diederich, Dietikon, Switzerland¹

Professor at the Swiss Federal Institute of Technology, Zurich, Switzerland

Member of the Supervisory Board since: May 19, 1998

Tatjana Diether, Limburgerhof, Germany*2

Member of the Works Council of BASF SE, Ludwigshafen Site, and of the BASF Works Council Europe

Member of the Supervisory Board since: May 4, 2018

Franz Fehrenbach, Stuttgart, Germany*1

Chairman of the Supervisory Board of Robert Bosch GmbH

Member of the Supervisory Board since: January 14, 2008

Supervisory board memberships:

Robert Bosch GmbH⁴ (chairman)

Stihl AG³ (vice chairman)

Linde AG³ (second deputy chairman)

Comparable German and non-German supervisory bodies:

Stihl Holding AG & Co. KG⁴ (member of the Advisory Board)

Linde plc³ (member of the Board of Directors since December 22, 2018)

Waldemar Helber, Otterbach, Germany*2

Deputy Chairman of the Works Council of BASF SE, Ludwigshafen Site

Member of the Supervisory Board since: April 29, 2016

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board

1 Shareholder representative

2 Employee representative

3 Publicly listed

4 Not publicly listed

Anke Schäferkordt, Cologne, Germany*¹

Member of the Executive Board of Bertelsmann SE & Co. KGaA
(until December 31, 2018)

Chief Executive Officer of Mediengruppe RTL Deutschland GmbH
(until December 31, 2018)

Member of the Supervisory Board since: December 17, 2010

Comparable German and non-German supervisory bodies:

Métropole Télévision S.A.³

(member of the Supervisory Board until December 31, 2018)

Denise Schellemans, Brecht, Belgium*²

Full-time trade union delegate

Member of the Supervisory Board since: January 14, 2008

Roland Strasser, Riedstadt, Germany*²

Regional Manager of the Rhineland-Palatinate/Saarland branch of IG BCE

Member of the Supervisory Board since: May 4, 2018

Supervisory board memberships:

AbbVie Komplementär GmbH⁴ (member)

V & B Fliesen GmbH⁴ (member since September 1, 2018)

Michael Vassiliadis, Hannover, Germany*²

Chairman of the Mining, Chemical and Energy Industries Union

Member of the Supervisory Board since: August 1, 2004

Supervisory board memberships:

K+S Aktiengesellschaft³ (vice chairman until May 15, 2018)

Steag GmbH⁴ (member)

RAG AG³ (vice chairman)

RAG DSK AG⁴ (vice chairman)

Henkel AG & Co. KGaA³ (member since April 9, 2018)

The following members left the Supervisory Board on May 4, 2018**Ralf-Gerd Bastian, Neuhofen, Germany*²**

Member of the Works Council of BASF SE, Ludwigshafen Site
(until March 16, 2018)

Member of the Supervisory Board since: May 6, 2003

Francesco Grioli, Ronnenberg, Germany*²

Member of the Executive Committee of the Mining, Chemical and Energy Industries Union

Member of the Supervisory Board since: May 2, 2014

Supervisory board memberships:

Gerresheimer AG³ (vice chairman)

Villeroy & Boch AG³ (member until March 23, 2018)

V & B Fliesen GmbH⁴ (member until May 31, 2018)

Continental AG³ (member since November 1, 2018)

* Classified by the Supervisory Board as an "independent" member of the Supervisory Board

¹ Shareholder representative

² Employee representative

³ Publicly listed

⁴ Not publicly listed

Report of the Supervisory Board

Dear Shareholders,

In an increasingly difficult political and economic environment, the Supervisory Board addressed the following focus areas at length in 2018:

- The updated BASF corporate strategy
- Portfolio measures, in particular the acquisition of the seed and non-selective herbicides businesses from Bayer, the merger of the oil and gas businesses of BASF and LetterOne and the transfer of the paper and water chemicals business to a joint venture with Solenis, with 49% held by BASF, as well as the repositioning of the construction chemicals business
- The further development of the global manufacturing footprint and the planned establishment of a new Verbund site in southern China
- Changes to the Board of Executive Directors and preparations for the Supervisory Board elections

The Supervisory Board addressed its tasks with a sense of responsibility. Its aim is to lay the best possible foundation for BASF's continued successful and sustainable growth.

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

In 2018, the Supervisory Board of BASF SE exercised its duties as required by law and the Statutes with the utmost care. It regularly monitored the management of the Board of Executive Directors and provided advice on the company's strategic development and important individual measures, about which the Supervisory Board was regularly and thoroughly informed by the Board of Executive Directors. This occurred both during and outside of the meetings of the Supervisory Board and its committees in the form of written and oral reports on, for example, all of the major financial key performance indicators (KPIs) of the BASF Group and its segments, the economic situation in the main sales and procurement markets, and on deviations in business developments from original plans. Furthermore, the Supervisory Board tackled fundamental questions of corporate planning, including financial, investment, sales volumes and personnel planning, as well as measures for designing the future of research and development. The Supervisory Board discussed in detail the reports from the Board of Executive Directors, and also deliberated on prospects for the company and its individual business areas with the Board of Executive Directors. It was convinced of the lawfulness, expediency and propriety of the Board of Executive Director's company leadership.

The Chairman of the Supervisory Board and the Chairman of the Board of Executive Directors were also in regular contact outside of Supervisory Board meetings. The Chairman of the Supervisory Board was always promptly informed of current developments and significant individual issues. The Supervisory Board was involved at an early stage in decisions of major importance. The Supervisory

Board passed resolutions 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. In the 2018 business year, these included authorizing:

- The conclusion of the agreements to merge the oil and gas businesses of BASF and LetterOne in a joint venture, Wintershall DEA
- The expanded scope of the seed and crop protection businesses to be acquired from Bayer
- The assumption of a guarantee by BASF SE as part of in connection with the acquisition of a 10% share in a concession to produce natural gas and condensate in the Ghasha field in Abu Dhabi

Supervisory Board meetings

The Supervisory Board held five meetings in the 2018 business year. With the exception of one two-day Supervisory Board meeting, which one member of the Supervisory Board was unable to attend on the first day, all members attended all Supervisory Board meetings in 2018. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions in each case, which were also attended by members of the Board of Executive Directors. All members of the Board of Executive Directors attended the Supervisory Board meetings unless it was deemed appropriate that the Supervisory Board discuss individual topics – such as personnel matters relating to the Board of Executive Directors – without them being present.

□ An individual overview of attendance at meetings of the Supervisory Board and its committees will be made available on the company website at basf.com/supervisoryboard/meetings

A significant component of all Supervisory Board meetings was the Board of Executive Directors' reports on the current business situation with detailed information on sales and earnings development, as well as on opportunities and risks for business development, the status of important current and planned investment projects, operational excellence and sustainability, developments on the capital markets, significant managerial measures taken by the Board of Executive Directors and innovation projects.

In all meetings, the Supervisory Board discussed the further development of the BASF Group's business activities through acquisitions, divestitures, transfers to joint ventures and investment projects. Discussions focused on:

- Consolidation in the areas of crop protection and seeds, and the acquisition and integration of the seed business from Bayer
- The partial acquisition of the polyamide value chain from Solvay
- The merger of the oil and gas businesses of BASF and LetterOne in a joint venture, Wintershall DEA
- The transfer of the paper and water chemicals business to a joint venture with Solenis, with 49% held by BASF
- The repositioning of the construction chemicals business, including a potential divestiture
- The progress of the Nord Stream 2 pipeline project and its project financing

- The expansion of the battery materials business by establishing production capacities in cooperation with Norilsk Nickel and Toda
- The expansion of the global manufacturing footprint with the establishment of a new Verbund site in southern China

At its meeting on February 22, 2018, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management's Report and the proposal for the appropriation of profit for the 2017 business year as presented by the Board of Executive Directors. The Supervisory Board met prior to the Annual Shareholders' Meeting on May 4, 2018, primarily to prepare for the Annual Shareholders' Meeting.

The main agenda items at the meeting on July 24, 2018, were the integration and further development of the seed business acquired from Bayer as well as the BASF Group's financial and tax strategy.

At the strategy meeting on October 24/25, 2018, the Board of Executive Directors and the Supervisory Board discussed at length the further development of the "We create chemistry" strategy and agreed on a repositioning of key elements with the BASF corporate strategy, especially relating to customer focus, sustainability, innovation, digitalization and operations. Key consultation topics were:

- Strategic portfolio development
- Operational excellence measures in production, including the digitalization of industrial processes
- Focusing on the customer in all activities
- Sustainability as a basis of long-term business success, in particular CO₂-neutral growth
- Leveraging the power of innovation, including systematically harnessing the opportunities of digitalization
- Enhancing the company's organization with agile structures and streamlined decision-making processes

At its meeting on December 13, 2018, the Supervisory Board discussed and approved the Board of Executive Directors' operational and financial planning including the investment budget for 2019, and as usual authorized the Board of Executive Directors to procure the necessary financing in 2019.

Composition and compensation of the Board of Executive Directors

In several meetings in the 2018 business year, the Supervisory Board conferred on, and passed resolutions on, personnel topics in the Board of Executive Directors as well as questions concerning the compensation of the Board of Executive Directors. Based on preparation conducted by the Personnel Committee, it determined the targets for the Board of Executive Directors for the 2018 business year at its meeting on February 22, 2018.

At its meeting on December 13, 2018, the Supervisory Board evaluated, based on the counsel of the Personnel Committee, the Board of Executive Directors' performance in 2018.

The Chairman of the Board of Executive Directors, Dr. Kurt Bock, retired from the Board of Executive Directors following the Annual Shareholders' Meeting on May 4, 2018, so that he can be elected to the Supervisory Board and appointed as its chairman in 2020. He was succeeded as Chairman of the Board of Executive Directors by Dr. Martin Bruder Müller, who previously served as Vice Chairman of the Board of Executive Directors. Also with effect from May 4, 2018, the Chief Financial Officer, Dr. Hans-Ulrich Engel, was additionally appointed Vice Chairman of the Board of Executive Directors. Michael Heinz's appointment to the Board of Executive Directors was extended to the end of the 2024 Annual Shareholders' Meeting. At the same time, the number of Board members was reduced from eight to seven following the Annual Shareholders' Meeting. After being approved by the Annual Shareholders' Meeting on May 4, 2018, an updated compensation system for the Board of Executive Directors was introduced with effect as of January 1, 2018. All members of the Board of Executive Directors agreed to the required change to their employment contracts.

For more information on the compensation of the Board of Executive Directors, see the Compensation Report on pages 47 to 60

The division of responsibilities within the Board of Executive Directors was reallocated following the change in chairman and the reduction in the number of Board members as of May 4, 2018, and due to the reorganization of the segment structure as of January 1, 2019, as part of the updated corporate strategy. The division of responsibilities proposed by the Board of Executive Directors was approved by the Supervisory Board in each case.

For more information on the division of responsibilities within the Board of Executive Directors, see the Corporate Governance Report from page 61 onward

Committees

The Supervisory Board of BASF SE has four committees: 1. the committee for personnel matters of the Board of Executive Directors and the granting of loans in accordance with section 89(4) of the German Stock Corporation Act (Personnel Committee); 2. the Audit Committee; 3. the Nomination Committee; and 4. the Strategy Committee. Following each Committee meeting, the chairpersons of the Committees reported in detail about the meetings and the activities of the Committees at the subsequent meeting of the Supervisory Board.

For information on the composition of the committees and the tasks assigned to them by the Supervisory Board, see the Corporate Governance Report from page 39 onward

The **Personnel Committee** met three times during the reporting period. With the exception of one meeting, which one committee member was unable to attend, all committee members attended the meetings. At its meeting on February 22, 2018, the Personnel Committee advised on the targets for the Board of Executive Directors for the 2018 business year. Key topics at the meeting on October 24, 2018, were the development of leadership at the top levels of management below the Board of Executive Directors, including long-term succession planning, potential alternate candidates for that Board of Executive Directors, the extension of Michael Heinz's appointment, as well as the review of the appropriateness of the compensation awarded to the Board of Executive Directors. The performance of the Board of Executive Directors in the 2018 busi-

ness year and the appointments of the members of the Board of Executive Directors were discussed at the meeting on December 13, 2018.

The **Audit Committee** is responsible for all the tasks listed in section 107(3) sentence 2 of the German Stock Corporation Act (AktG) and in section 5.3.2 of the German Corporate Governance Code in the version dated February 7, 2017. This also includes auditing the Nonfinancial Statements of BASF SE and the BASF Group. The Audit Committee met five times during the reporting period. Its core duties were to review BASF SE's Financial Statements and Consolidated Financial Statements, as well as to discuss the quarterly statements and the half-year financial report with the Board of Executive Directors prior to their publication. With the exception of one meeting, which one member did not attend, all committee members participated in the meetings.

At the meeting on February 20, 2019, the auditor reported in detail on its audits of BASF SE's Separate and Consolidated Financial Statements for the 2018 business year, including the corresponding management's reports, and discussed the results of its audit with the Audit Committee. The committee's audit also included the non-financial statements of BASF SE and the BASF Group. In preparation for the audit, the Audit Committee had, following a corresponding resolution by the Supervisory Board, additionally engaged KPMG to perform a substantive audit with limited assurance of the Nonfinancial Statements and to issue an assurance report on this. KPMG also reported in detail on the focus, the procedure and the key findings of this audit.

At the meeting on July 23, 2018, the Audit Committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected by the Annual Shareholders' Meeting – with the audit for the 2018 reporting year and auditing fees were agreed upon. The focus areas for the annual audit were discussed and defined together with the auditor. The Audit Committee excluded in principle any service relationships between auditor and BASF Group companies outside of the audit of the annual financial statements, including beyond prevailing legal limitations. These services may only be performed upon approval by the Audit Committee. For certain nonaudit services beyond the scope of the audit of the financial reports, the Audit Committee either granted approval for individual cases or authorized the Board of Executive Directors to engage KPMG AG Wirtschaftsprüfungsgesellschaft for such services to a very limited extent. At the meeting on December 12, 2018, the auditors responsible reported on the status of the annual audit, as well as the focus areas of the audit and the most important individual items.

Other important activities included advising the Board of Executive Directors on accounting issues and the internal control system. The Audit Committee focused on the internal auditing system at the meeting on July 23, 2018, and compliance in the BASF Group on December 12, 2018. In these meetings, the head of the Corporate Audit department and the Chief Compliance Officer reported to the Audit Committee and answered its questions. In all meetings, the


Audit Committee also received information on the development of risks from litigation.

The **Nomination Committee** is responsible for preparing candidate proposals for the Supervisory Board members to be elected by the Annual Shareholders' Meeting. The Nomination Committee is guided by the objectives for the composition of the Supervisory Board adopted by the Supervisory Board as well as the competence profile and diversity concept for the Supervisory Board resolved at the meeting on December 21, 2017. The Nomination Committee met three times in 2018. All committee members attended all meetings. The meetings addressed, on the one hand, a review of the competence profile and diversity concept resolved in 2017, as well as the preparation of the proposals for the election of Supervisory Board members at the 2019 Annual Shareholders' Meeting. Based on an analysis of the competencies required by the Supervisory Board as a whole and the competencies already covered, the Nomination Committee used a broad-based selection process to identify suitable candidates to be proposed for election as the successors for Prof. Dr. François Diederich and Michael Diekmann, who will not stand for reelection. The chairman of the committee regularly informed the Supervisory Board as a whole of the status of the selection process. The Nomination Committee presented the results of the selection process together with a nomination proposal for the shareholder representatives to the Supervisory Board for resolution at its meeting on December 13, 2018.

The **Strategy Committee** met once in 2018. The Committee was established to consult on strategic options for the further development of the BASF Group and has comprised six members of the Supervisory Board since May 2017. All committee members attended the meeting. At the meeting, the committee primarily discussed the expanded scope of the acquisition of the seed and crop protection businesses from Bayer, the combination of the paper and water chemicals business with Solenis' business and the status of negotiations with LetterOne on the merger of the oil and gas businesses.

Corporate governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2018, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the recommendations and suggestions of the German Corporate Governance Code. In addition to the review of BASF's corporate governance culture, topics of discussion were the draft of a fundamentally revised German Corporate Governance Code and the proposal to translate the second E.U. Shareholder Rights Directive into German law and its not insignificant impact on the current corporate governance system. In addition, the competence profiles and diversity concepts adopted in 2017 for the Supervisory Board and the Board of Executive Directors were reviewed and confirmed.

 For more information on the competence profiles, diversity concepts and composition goals, see page 38 and from page 40 onward

In accordance with the recommendations of the German Corporate Governance Code and the Guiding principles for the dialogue between investors and German supervisory boards, the Chairman of the Supervisory Board again sought dialog with investors where appropriate in 2018. The main topic ahead of the 2018 Annual Shareholders' Meeting was the changes to the compensation system for the Board of Executive Directors. Another focus in the second half of the year was the preparations for the Supervisory Board elections at the upcoming 2019 Annual Shareholders' Meeting.

At its meeting of December 13, 2018, 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 (AktG). BASF complies with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, without exception. The Corporate Governance Report provides extensive information on the BASF Group's corporate governance.

 The full Declaration of Conformity is rendered on page 46 and is available to shareholders on the company website at basf.com/en/corporategovernance

Independence and efficiency review

An important aspect of good corporate governance is the independence of Supervisory Board members and their freedom from conflicts of interest. According to assessments of the Supervisory Board, 10 of its 12 members can be considered independent within the meaning of the German Corporate Governance Code and the additional criteria defined by the Supervisory Board for evaluating their independence. The criteria used for this evaluation can be found in the Corporate Governance Report on page 40. Two of the six shareholder representatives on the Supervisory Board have been members of the Supervisory Board for more than 15 years and are no longer considered independent due to this long period of Supervisory Board membership. Beyond this limitation, the Supervisory Board does not see any indications that the Supervisory Board role is not performed completely independently, including for these Supervisory Board members. Both Supervisory Board members will not stand for reelection at the 2019 Annual Shareholders' Meeting and will retire from the Supervisory Board. In cases where Supervisory Board members hold supervisory or management positions at companies with which BASF has business relations, we see no impairment of their independence. The scope of these businesses is relatively marginal and furthermore takes place under conditions similar to those of a third party. The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. This was again conducted in 2018, with the Chairman of the Supervisory Board holding individual dialogs with each Supervisory Board member using a structured questionnaire. Topics centered in particular on Supervisory Board meeting agendas; cooperation with the Board of Executive Directors; information supply of the Supervisory Board; the composition and work of the committees, and cooperation between shareholder and employee representatives. The Supervisory Board does not see any need for external

support of its self-assessment. The results of these individual meetings were presented and thoroughly discussed at the Supervisory Board meeting on December 13, 2018. Overall, its members rated the Supervisory Board's activity as efficient.


Independent of the efficiency review of the Supervisory Board, the Audit Committee also conducted a self-assessment of its activities in 2018 based on individual discussions by the chairman of the Audit Committee with all of its members. Material topic areas were the organization and content of the meetings and the supply of information as the basis of the Committees' work. The Audit Committee discussed the results at its meeting on December 12, 2018, and resolved, in consultation with the Supervisory Board, to further intensify its risk management activities, especially in connection with investments, acquisitions and divestitures.

Separate and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2018 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the additional requirements that must be applied in accordance with section 315e(1) of the German Commercial Code (HGB), including the Management's Report and the accounting records from which they were prepared, 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 (AktG) in an appropriate manner. In particular, it had instituted an appropriate information and monitoring system that fulfilled the requirements of the company and is applicable for the early identification of developments that could pose a risk to the continued existence of the BASF Group. The results of the audit as well as the procedure and material findings of the audit of the financial statements are presented in the Auditor's Report, the content of which has been significantly expanded since the 2017 Financial Statements.

 The Auditor's Report is rendered from page 110 onward.

Beyond the statutory audit of the Financial Statements, KPMG also conducted, on behalf of the Supervisory Board, a substantive audit with limited assurance of the Nonfinancial Statements (NFSs) for BASF SE and the BASF Group, which are integral parts of the respective management's reports. On the basis of its audit, KPMG did not raise any objections to the nonfinancial reporting and the satisfaction of the relevant statutory requirements.

 The assurance report issued by KPMG on the substantive audit of the NFS can be found at basf.com/nfs-audit-2018/basf-se

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 20, 2019, as well as the accounts meeting of the Supervisory Board on February 21, 2019, and reported on the procedure and material findings of its

audit, including the key audit matters described in the Auditor's Report. The auditor also provided detailed explanations of the reports on the day before the accounts meeting of the Supervisory Board.

The Audit Committee reviewed the Financial Statements and Management's Report at its meeting on February 20, 2019, including the reports prepared by the auditor and the key audit matters specified in the Auditor's Report, and discussed them in detail with the auditor. The chairman gave a detailed account of the preliminary review at the Supervisory Board meeting on February 21, 2019. On this basis, the Supervisory Board has examined the Financial Statements and Management's Report of BASF SE for 2018, the proposal by the Board of Executive Directors for the appropriation of profit, and the Consolidated Financial Statements and Management's Report for 2018. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board's own examination fully concur with those of the audit.

The Supervisory Board sees no grounds for objection to the management and submitted reports. At its accounts meeting on February 21, 2019, the Supervisory Board 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 2018 Financial Statements final. The Supervisory Board concurs with the proposal of the Board of Executive Directors regarding the appropriation of profit and the payment of a dividend of €3.20 per share.

Composition of the Supervisory Board

Employee representatives Ralf-Gerd Bastian and Francesco Grioli retired from the Supervisory Board on conclusion of the Annual Shareholders' Meeting on May 4, 2018. The Supervisory Board expresses its very sincere thanks to Ralf-Gerd Bastian and Francesco Grioli for their services to the Supervisory Board. They were succeeded by Tatjana Diether and Roland Strasser, who joined the Supervisory Board as the alternate members appointed by the BASF Works Council Europe on December 4, 2013, in accordance with the Employee Participation Agreement dated November 15, 2007.

The Supervisory Board's term of office ends on conclusion of the 2019 Annual Shareholders' Meeting. At its meeting on December 13, 2018, the Supervisory Board resolved on candidate proposals for the election of the six shareholder representatives based on the recommendation of the Nomination Committee. According to the Supervisory Board's assessment, these meet the competence profile developed by the Supervisory Board and the objectives for its composition in full. The six employee representative were already elected by the BASF Works Council Europe on November 21, 2018, in accordance with the Employee Participation Agreement.

For more information on changes within the Supervisory Board, see the Corporate Governance Report on page 40

Thanks

The Supervisory Board wishes to thank all employees of the BASF Group worldwide and the management for their personal contribution in the 2018 business year.

Ludwigshafen, February 21, 2019

The Supervisory Board



Jürgen Hambrecht

Chairman of the Supervisory Board

Financial Statements of BASF SE

Statement of Income

Statement of Income

Million €

	Explanations in Note	2018	2017
Sales revenue	(2)	23,587	23,195
Cost of sales		19,020	18,193
Gross profit on sales		4,567	5,002
Selling expenses		2,098	1,999
General administrative expenses		502	495
Research expenses		1,349	1,310
Other operating income	(3)	988	692
Other operating expenses	(4)	1,027	991
Income from operations		579	899
Income from shareholdings		3,525	2,712
Interest result		(1,016)	(284)
Other financial result		105	48
Financial result	(5)	2,614	2,476
Income before taxes		3,193	3,375
Income taxes	(6)	211	245
Net income		2,982	3,130

Balance Sheet

Assets

Million €	Explanations in Note	December 31, 2018	December 31, 2017
Intangible assets	(8)	1,893	245
Property, plant and equipment	(9)	4,015	3,797
Financial assets	(10)	19,004	19,432
Fixed assets		24,912	23,474
Inventories	(11)	2,598	2,346
Accounts receivable, trade		1,562	1,778
Receivables from affiliated companies		18,654	15,173
Miscellaneous receivables and other assets		316	315
Receivables and other assets	(12)	20,532	17,266
Marketable securities		300	166
Cash at bank and on hand		1,018	4,717
Liquid funds	(13)	1,318	4,883
Current assets		24,448	24,495
Prepaid expenses	(14)	176	174
Deferred tax assets	(6)	595	532
Excess of plan assets over obligations	(17)	-	764
Total assets		50,131	49,439

Equity and liabilities

Million €	Explanations in Note	December 31, 2018	December 31, 2017
Subscribed capital	(15)	1,176	1,176
Capital surplus		3,139	3,139
Retained earnings	(16)	10,041	9,758
Retained profits	(16)	2,982	3,130
Equity		17,338	17,203
Special reserves		63	66
Provisions for pensions and similar obligations	(17)	204	48
Provisions for taxes		410	679
Other provisions	(18)	1,438	1,550
Provisions		2,052	2,277
Financial indebtedness		17,474	14,221
Accounts payable, trade		866	775
Liabilities to affiliated companies		11,601	14,308
Miscellaneous liabilities		537	365
Liabilities	(19)	30,478	29,669
Deferred income		200	224
Total equity and liabilities		50,131	49,439

Notes

Corporate legal data: The company BASF SE, headquartered in Ludwigshafen am Rhein, Germany, is registered at the Ludwigshafen district trade register (*Amtsgericht*) under the number HRB 6000.

Accounting principles: The Financial Statements of BASF SE are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The Statement of Income is prepared using the cost-of-sales method.

1 – Accounting and valuation methods

Revenue recognition: Revenues from goods or services are recognized upon the transfer of benefits and risks to the buyer or when the services are rendered. Allowances are made for rebates and other trade discounts. Provisions are recognized to cover probable risks from the return of products, future warranty obligations and other claims, taking into account the individual circumstances.

Intangible assets: These are valued at cost less straight-line amortization. In 2018, the weighted average amortization period was 11 years and was based on the following useful lives:

	2018	2017
Goodwill	10 years	12 years
Software	4 years	4 years
Patents, licenses, know-how, other rights	14 years	11 years

The useful lives of individual goodwill items are determined by the expected economic use of the 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 recognized if impairment is expected to be permanent. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the amortized cost. For goodwill, the lower carrying amount is retained.

BASF SE does not make use of the optional right to capitalize internally generated intangible assets forming part of fixed assets.

Property, plant and equipment: These are measured at acquisition or production cost less depreciation over their estimated useful lives. Additions that cost more than €250 but not more than €800 are depreciated immediately in the year of purchase. Items that cost less than €250 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 costs, depreciation of fixed assets provided this is necessitated by production, and a share of the general and administrative costs of the divisions associated with 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 is continued. For declining-balance depreciation, a systematic transition to straight-line depreciation takes place if this results in higher depreciation amounts.

The weighted average depreciation periods were as follows:

	2018	2017
Buildings and structural installations	25 years	24 years
Machinery and technical equipment	10 years	10 years
Factory and office equipment and other facilities	9 years	9 years

Write-downs to the lower fair value are recognized if impairment is expected to be permanent. If the reason for the impairment no longer exists in subsequent years, the impairment is reversed up to an amount that may not exceed the depreciated cost.

Financial assets: In accordance with the principle of individual valuation, shareholdings and loans are carried at cost. Interest-bearing loans are recognized at cost; loans bearing no interest or below market interest rates are recognized at present value. In the case of permanent impairment, existing risks are recognized through 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 impairment is reversed up to an amount that may not exceed the acquisition cost.

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

Inventories: They are carried at cost. Inventories are recognized at quoted, market or fair values if these are lower than cost. For raw materials and factory supplies, fair values constitute the replacement costs. Merchandise is recognized at the expected sales proceeds less costs to be incurred prior to sale or lower replacement costs. Work in process and finished goods are recognized at the expected sales proceeds less costs to be incurred prior to sale or lower reproduction cost. 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. To cover storage risks, valuations are adjusted downward based on coverage and turnover analyses.

In addition to direct costs, production costs include an appropriate allocation of overhead production costs – including the general administrative expenses of each production unit – using normal capacity utilization rates for the production plants. Furthermore, depreciation of fixed assets is reported in cost of sales provided this is necessitated by production. Financing costs, social services, voluntary social benefits and pensions are not included in production costs.

Construction in progress pertains especially to chemical plants under construction for BASF Group companies. Profits are recognized upon the final invoicing of a project or the invoicing of part of a project. Expected losses are recognized by write-downs to the lower fair values.

Receivables and other assets: These are generally carried at their nominal value. Notes receivable and loan receivables generating no or low interest are discounted to their present values. For risks of collectability, country-specific risks and general credit risks, appropriate valuation allowances and write-downs are carried out to take into account lower fair values. The general rate of 1.5% previously used for general valuation allowances on trade accounts receivable and country-specific transfer rates for transfer valuation allowances on trade accounts receivable was replaced by customer-specific discount rates calculated by BASF, which are linked to a percentage rate for probability of default and country-specific risk.

Liquid funds: This item includes marketable securities, cash at banks and cash on hand. Marketable securities are measured at cost. These are recognized at quoted, market or fair values if they are lower than cost. Cash on hand and bank balances are measured at nominal costs.

Deferred taxes: These are recorded for temporary differences between the valuation of assets and liabilities in the Financial Statements and the corresponding carrying values for tax purposes. Deferred tax assets are recognized if the net temporary difference is an asset balance. BASF SE does not recognize deferred taxes from its subsidiary companies; these are accounted for within the subsidiary companies.

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 and working-time accounts are measured at fair value and offset with these debts.

The fair value of the plan assets generally corresponds to the market price. If there is no active market, the fair value is calculated using generally recognized measurement methods. The measurement methods should determine a fair value that reasonably approximates a market price that would have prevailed between independent business partners under normal business conditions. Should a reliable determination of fair value not be possible using recognized measurement methods, amortized cost is to be applied following the strict lower of cost or market principle. In the case of plan assets of working-time accounts, amortized cost corresponds to the budgeted actuarial reserves of the insurance contract plus irrevocably distributed profit shares.

If the obligation is found to exceed the plan assets, the remaining difference is reported under provisions. If the plan assets exceed the corresponding obligation, 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) sentence 1 of the Introductory Law to the German Commercial Code (EGHGB), as these were established before the year in which the conversion to the provisions of the Act to Modernize Accounting Law (BilMoG) took place. This referred primarily to transmissions of revealed inner reserves in accordance with section 6b of the German Income Tax Act (EStG). Since January 1, 2010, no new special reserves have been 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 are valued using assumptions regarding future pay and pension increases. The valuation is based on the 2005 G mortality tables by Prof. Dr. Klaus Heubeck, modified by the mortality and invalidity expectations for the BASF population. The 2018 G mortality tables developed by Prof. Dr. Klaus Heubeck were not used since the specifications of the BASF population are already given appropriate consideration in the modified 2005 G mortality tables. In accordance with the German law on implementing the guideline for residential real estate mortgage loans and on amended commercial regulations, the discount rate is determined as the average market interest rate of the past 10 years as published by Deutsche Bundesbank, with an assumed residual period of 15 years. The obligations as of December 31, 2018, were valued using a discount rate of 3.21% (as of December 31, 2017: 3.68%). Indirect pension obligations are not recognized as liabilities, pursuant to the optional right under section 28(1) sentence 2 EGHGB.

Tax provisions are determined for German trade income tax and German corporate income tax based on the expected trade earnings and the expected taxable corporate income.

Other provisions are recognized for the expected amounts of contingent liabilities and probable losses from pending transactions, as well as to cover omitted maintenance procedures as of the end of the year, which will be incurred within the first three months of the following year. The amounts provided are 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 business years, as published by Deutsche Bundesbank. Provisions for interest on income taxes have been presented under other provisions since the current reporting year.

Provisions are established for environmental protection measures or risks if it is likely that the measures are necessary to comply with legal or regulatory obligations, provided these measures do not lead to costs that must be capitalized.

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

Provisions for long-service bonuses 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.

Provisions for share price-based variable compensation (LTI program) are measured at the fair values of existing options as of the balance sheet date. These are based on the arbitrage-free valuation

model according to Black-Scholes. The amounts are accrued proportionally as provisions over the respective vesting period.

Liabilities: Liabilities are recognized in the amount required for settlement.

Translation of foreign-currency items: 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.

Current foreign-currency receivables and liabilities are valued at the average spot currency exchange rate on the balance sheet date. Noncurrent foreign-currency receivables are recorded at the rate prevailing on the acquisition date or at the rate on the balance sheet date if lower. Noncurrent foreign-currency liabilities are recorded at the rate prevailing on the acquisition date or at the rate on the balance sheet date if higher. 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 generally not recorded as assets or liabilities. The associated underlying transactions and derivatives are combined into valuation units. Profits from hedging transactions that cannot be to a particular underlying transaction are only realized upon maturity. Unrealized losses from derivative financial instruments are recognized through profit or loss and included in provisions, provided they are not combined into valuation units and the unrealized losses are not offset by changes in value of the underlying transactions.

The use of derivative financial instruments to hedge against foreign currency, interest rate, share price and other price risks is described in detail in Note 23 – Derivative Instruments.

Use of estimates and assumptions in the preparation of the Financial Statements: The carrying amounts of assets, liabilities and provisions, contingent liabilities and other financial obligations in the Financial Statements depend 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 income and expense during the reporting periods. In the preparation of these Financial Statements, such estimates are used in the determination of the useful lives of property, plant and equipment and intangible assets, the measurement of provisions, the carrying amount of investments, and other similar evaluations of assets and obligations. Although uncertainty is properly incorporated into the valuation factors, actual results can differ from these estimates.

Customer facilities: The energy facilities operated by BASF SE to produce electricity and gas are customer facilities for internal supply in accordance with section 3 no. 24b of the German Energy Act (EnWG). BASF SE is therefore not subject to the regulations imposed upon grid operators by the EnWG.

2 – Sales revenues

Sales by segment

Million €	2018	2017
Chemicals	7,447	7,081
Performance Products	9,008	9,253
Functional Materials & Solutions	3,206	3,078
Agricultural Solutions	2,861	2,748
Other	1,065	1,035
	23,587	23,195

Sales by region

Million €	2018	2017
Europe	17,500	17,336
of which Germany	5,992	5,970
North America	1,747	1,717
Asia Pacific	2,767	2,666
South America, Africa, Middle East	1,573	1,476
	23,587	23,195

3 – Other operating income

Other operating income rose by €296 million to €988 million. Income of €452 million (previous year: €344 million) was recorded from insurance refunds in the reporting year, mainly for the damages caused by the fire at the North Harbor in Ludwigshafen, Germany, in 2016, as well as for damages to production plants and product damages in 2017. The out-of-period income of €190 million (previous year: €130 million) was largely attributable to these refunds. In addition, out-of-period income of €204 million (previous year: €103 million) was recorded from the release of provisions. Of this figure, €145 million (previous year: €59 million) was due to the

release of provisions for share price-based variable compensation (LTI program). Gains of €194 million from foreign-currency transactions (previous year: €96 million) resulted mainly from hedging transactions with Group companies in Norwegian kroner. In addition, the application of the new, lower discount rates increased income from the reversal of valuation allowances on trade accounts receivable by €66 million. Income was also realized from the sale of the paper dispersions business; this was lower than income from portfolio measures in the previous year.

4 – Other operating expenses

Other operating expenses rose by €36 million to €1,027 million. Losses of €200 million from foreign-currency transactions (previous year: €39 million) resulted mainly from hedging transactions with banks in U.S. dollars. Expenses for portfolio measures were also considerably above the prior-year level. By contrast, contributions to provisions declined by €38 million compared with the previous year, largely due to the €20 million decrease in contributions to share

price-based variable compensation (LTI program). In addition, significantly higher expenses were recorded in the previous year, due among other things to the temporary shutdown of one production plant and product damages. Out-of-period expenses amounted to €5 million (previous year: €9 million) and primarily related to energy costs and invoices from previous years.

5 – Financial result

Financial result

Million €	2018	2017
Income from shareholdings and similar income	1,101	923
of which from affiliated companies	1,038	869
Income from profit transfers	2,283	1,732
Income from tax allocation to affiliated companies	243	176
Expenses from loss transfer agreements	102	91
Write-downs of, and losses from, the disposal of shareholdings	–	28
Income from shareholdings	3,525	2,712
Income from other securities and the loan of financial assets	4	3
of which from affiliated companies	1	2
Interest and similar income	142	128
of which from affiliated companies	23	26
Interest and similar expenses	1,162	415
of which to affiliated companies	62	79
Interest result	(1,016)	(284)
Write-downs of, and losses from, the disposal of loans and marketable securities	22	53
Miscellaneous other financial result	127	101
Other financial result	105	48
Financial result	2,614	2,476

The financial result rose by €138 million to €2,614 million. The increase in income from shareholdings was mainly due to higher profit transfers and dividends from affiliated companies. Profit transfers in the reporting year were positively impacted by higher dividend payments by subsidiaries and the reversal of impairments on shareholdings. Income from shareholdings and similar income rose as a result of higher dividend payments by subsidiaries.

The interest result contained the balance of income and expenses from plan assets for pensions and working-time accounts as offset against the income and expenses of the corresponding obligations. Interest expenses from pension-related obligations amounted to €477 million (previous year: €385 million). Expenses from plan assets for pensions amounted to €231 million in the reporting year (previous year: income of €387 million). This led to a considerable decline in the interest result.

Expenses from the unwinding of the discount on other provisions amounted to €12 million (previous year: €12 million) and were included in interest and similar expenses.

The miscellaneous other financial result rose by €26 million to €127 million. The increase was primarily attributable to the balance of interest income and interest expenses for income taxes. This was presented under tax expense in the previous year.

6 – Income taxes

Tax expense

Million €	2018	2017
Current income tax expenses	274	299
Deferred tax assets and liabilities	(63)	(54)
Income taxes	211	245
Other taxes	40	34
Tax expense	251	279

Current income tax expenses decreased by €25 million to €274 million in the reporting year as a result of the partial release of provisions for previous years. On balance, current tax expenses include out-of-period income of €114 million.

Deferred tax assets resulting from the temporary differences between valuations in the Financial Statements and valuations for tax purposes related to the following items:

Million €	2018	2017
Fixed assets	82	64
Inventories and accounts receivable	39	(2)
Pension provisions	442	378
Other provisions, miscellaneous	32	92
Deferred tax assets	595	532

A tax rate of 30% was applied in the calculation of deferred taxes for 2018 and 2017. Deferred taxes for the difference in assets, which affects assets under contractual trust arrangements, are calculated

using only the corporate tax rate including the solidarity surcharge (15.825%), since these assets are held by an independent partnership with its own trade tax obligation.

7 – Other information

Cost of materials

Million €	2018	2017
Cost of raw materials, plant supplies and purchased merchandise	14,833	14,139
Cost of purchased services	3,523	3,049
	18,356	17,188

Personnel expenses

Million €	2018	2017
Wages and salaries	2,768	2,871
Social security contributions and expenses for pensions and assistance	658	917
of which for pension benefits	223	486
	3,426	3,788

The decline in expenses for pension benefits in the reporting year is primarily attributable to the one-off contribution of €271 million to BASF Pensionskasse WaG in the previous year.

Average number of employees

	2018	2017
Nonexempt employees	24,403	24,494
Exempt employees	8,591	8,194
Apprentices	1,773	1,817
Temporary staff	274	283
	35,041	34,788

Compensation for the Board of Executive Directors and Supervisory Board

Million €	2018	2017
Performance-related and fixed cash payments to the Board of Executive Directors	14.3	24.8
Market value of options granted to the Board of Executive Directors in the fiscal year as of grant date	4.5	2.7
Total compensation for the Board of Executive Directors	18.8	27.5
Service cost for members of the Board of Executive Directors	4.2	4.7
Compensation for the Supervisory Board	3.3	3.3
Total compensation of former members of the Board of Executive Directors and their surviving dependents ^{1,2,3}	11.8	10.7
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	128.6	117.3
Contingent liabilities in favor of members of the Board of Executive Directors and the Supervisory Board	-	-

¹ Total compensation for former members of the Board of Executive Directors include compensation excluding pension benefits for Dr. Kurt Bock of around €1.1 million.

² Compensation for Dr. Harald Schwager and Margret Suckale from their active membership on the Board of Executive Directors in 2017 of around €1 million each is included under total compensation for former members of the Board of Executive Directors.

³ Adjusted for the release of provisions due to the accounting valuation of option rights, this would have amounted to minus €4.4 million in 2018 and €7.6 million in 2017

The annual variable compensation in effect until the end of 2017 was replaced as of 2018 with a forward-looking performance bonus that is geared to sustainable corporate development and has a three-year deferral component. The performance bonus is based on the performance of the Board of Executive Directors as a whole and the return on capital employed (ROCE) of the BASF Group. Under certain conditions, ROCE is adjusted for special items resulting from acquisitions and divestitures. The conditions for adjusting ROCE were not met in 2018.

Until December 31, 2017, performance-related compensation for the Board of Executive Directors was based on the return on assets (earnings before taxes plus interest expenses as a percentage of average assets) adjusted for special items, as well as the performance of the Board as a whole.

The members of the Board of Executive Directors were granted 210,228 options under the long-term incentive (LTI) program in 2018. The fair value of the option rights of active and former members of the Board resulted in total income of €28.5 million in 2018 (previous year: €5.8 million).

For more information on the compensation of members of the Board of Executive Directors, see the Compensation Report from page 47 onward

For more information on the members of the Supervisory Board and Board of Executive Directors, including their memberships on other boards, see page 61 onward

Declaration of Conformity: The Declaration of Conformity with the German Corporate Governance Code (see page 46) in accordance with section 161 AktG was signed by the Board of Executive Directors and the Supervisory Board of BASF SE in December 2018, and is published online.

basf.com/governance_e

8 – Intangible assets

Development 2018

Million €

	Purchased industrial property rights and similar rights and values ¹	Goodwill	Advance payments	Total
Cost				
As of January 1, 2018	404	650	24	1,078
Additions	593 ²	1,274 ³	19	1,886
Disposals	89	13	.	102
Transfers	17	–	(17)	–
As of December 31, 2018	925	1,911	26	2,862
Amortization				
As of January 1, 2018	279	554	–	833
Additions	83 ⁴	113	–	196
Disposals	59	1	–	60
As of December 31, 2018	303	666	–	969
Net carrying amount as of December 31, 2018	622	1,245	26	1,893
Net carrying amount as of December 31, 2017	125	96	24	245

¹ Including licenses to such rights and values

² Of which €557 million from the acquisition of the non-selective herbicide business from Bayer. Of this amount, €526 million is attributable to BASF SE.

³ Of which €1,274 million from the acquisition of the non-selective herbicide business from Bayer. Of this amount, €1,261 million is attributable to BASF SE.

⁴ Of which €1 million in impairments

9 – Property, plant and equipment

Development 2018

Million €

	Land, land rights and buildings ¹	Machinery and technical equipment	Other facilities, factory and office equipment	Advance payments and construction in progress	Total
Cost					
As of January 1, 2018	3,018	12,606	1,700	925	18,249
Additions	62	90	86	492	730
Disposals	3	40	50	5	98
Transfers	60	134	36	(230)	–
As of December 31, 2018	3,137	12,790	1,772	1,182	18,881
Depreciation					
As of January 1, 2018	2,357	10,674	1,421	–	14,452
Additions	43	370	90	–	503
Disposals	3	37	49	–	89
Transfers	.	1	(1)	–	.
Reversals of impairments	–	–	–	–	–
As of December 31, 2018	2,397	11,008	1,461	–	14,866
Net carrying amount as of December 31, 2018	740	1,782	311	1,182	4,015
Net carrying amount as of December 31, 2017	661	1,932	279	925	3,797

¹ Including structures on third-party property

10 – Financial assets

Development 2018

Shareholdings

Million €

	Shares in affiliated companies	Shares in other companies	Total shareholdings
Cost			
As of January 1, 2018	18,750	231	18,981
Additions	566	.	566
Disposals	559	.	559
As of December 31, 2018	18,757	231	18,988
Depreciation and write-downs			
As of January 1, 2018	292	8	300
Additions	–	–	–
Disposals	51	–	51
Reversals of write-downs	–	–	–
As of December 31, 2018	241	8	249
Net carrying amount as of December 31, 2018	18,516	223	18,739
Net carrying amount as of December 31, 2017	18,458	223	18,681

Development 2018

Loans and other financial assets

Million €

	Loans to affiliated companies	Loans to other shareholdings	Miscellaneous loans and other financial assets	Total loans and other financial assets	Total financial assets
Cost					
As of January 1, 2018	651	45	81	777	19,758
Additions	3	2	–	5	571
Disposals	489	–	.	489	1,048
Transfers	–	–	–	–	–
As of December 31, 2018	165	47	81	293	19,281
Depreciation and write-downs					
As of January 1, 2018	18	1	7	26	326
Additions	–	–	2	2	2 ¹
Disposals	–	–	.	–	51
Reversals of write-downs	.	–	–	–	–
As of December 31, 2018	18	1	9	28	277
Net carrying amount as of December 31, 2018	147	46	72	265	19,004
Net carrying amount as of December 31, 2017	633	44	74	751	19,432

¹ Of which €2 million from discounting

11 – Inventories

Million €	2018	2017
Raw materials and factory supplies	568	511
Work in progress, finished goods and merchandise	1,970	1,807
Services in process	60	28
	2,598	2,346

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

lower quoted or market prices) were €48 million for raw materials (previous year: €39 million), and €183 million for finished goods and merchandise (previous year: €121 million).

For inventories measured using the LIFO method, LIFO reserves (the difference between LIFO valuation and valuation at average cost or

12 – Receivables and other assets

Million €	2018		2017	
		Of which remaining term over 1 year		Of which remaining term over 1 year
Accounts receivable, trade	1,562	.	1,778	2
Receivables from affiliated companies	18,654	2	15,173	5
of which from trade accounts receivable	2,227	–	2,077	–
Receivables from participating interests	22	–	35	–
Other assets	294	68	280	70
	20,532	70	17,266	77

The general rate of 1.5% previously used for general valuation allowances on trade accounts receivable (previous year: €55 million) and country-specific transfer rates for transfer valuation allowances on trade accounts receivable (previous year: €15 million) was replaced by BASF customer-specific discount rates, which are linked to a percentage rate for probability of default and country-specific risk. Valuation allowances of €4 million were calculated on the basis of these customer-specific discount rates in the reporting year.

Receivables from affiliated companies increased as a result of profit transfers and financial investments within the Group.

In 2018, accrued items totaled €13 million (previous year: €15 million).

13 – Liquid funds

In the reporting year, marketable securities rose by €134 million to €300 million. Cash on hand and credit institution balances declined by €3,699 million to €1,018 million.

14 – Prepaid expenses

Million €	2018	2017
Discounts	111	115
Other	65	59
	176	174

Discounts from the issuance of bonds (Note 19 – Liabilities: Financial Indebtedness) are capitalized and amortized over the term of

the obligations. Other accruals and deferrals include prepayments related to ongoing business activities.

15 – Subscribed capital

Subscribed capital

The subscribed capital of BASF SE is €1,175,652,728.32 and is divided into 918,478,694 registered shares with no par value.

Announcements pursuant to section 33(1) of the German Securities Trading Act (WpHG)

As the parent company of the BlackRock group, BlackRock, Inc., Wilmington, Delaware, informed us on March 22, 2018, that its share of voting rights pursuant to section 33(1) WpHG amounted to 6.61% as of March 19, 2018. All voting rights of the BlackRock group are accorded to BlackRock, Inc. in accordance with section 34(1) sentence 1 no. 1 WpHG.

For more on the shares and shareholder structure of BASF SE, see basf.com/en/company/investor-relations

Conditional capital

By way of a resolution of the Annual Shareholders' Meeting on May 12, 2017, the share capital was increased conditionally by up to €117,565,184 by issuing up to 91,847,800 new registered shares in BASF. The contingent capital increase serves to grant shares to the holders of convertible bonds or warrants attached to bonds with warrants issued by the company or a subsidiary up to May 11, 2022, in accordance with the applicable bond conditions on the basis of the authorization of the Board of Executive Directors resolved by the Annual Shareholders' Meeting on May 12, 2017.

Authorized capital

At the Annual Shareholders' Meeting of May 2, 2014, shareholders authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase subscribed capital by issuing new shares in an amount up to €500 million against cash or noncash contributions until May 1, 2019. 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. To date, this option has not been exercised and no new shares have been issued.

16 – Retained earnings and retained profits

Million €

Other retained earnings	2018
As of January 1, 2018	9,758
Appropriated retained earnings (as per resolution of Annual Shareholders' Meeting 2018)	283
As of December 31, 2018	10,041
Retained profits	
Net income	2,982
Profits carried forward	–
Transfer to / withdrawal from other retained earnings	–
As of December 31, 2018	2,982

Disclosures on amounts subject to dividend payout restrictions

The difference between acquisition costs and asset plans measured at fair value from obligations related to pensions and part-time early retirement programs resulted – after subtracting deferred tax liabilities – in €191 million subject to dividend payout restrictions.

The excess of deferred tax assets over deferred tax liabilities plus deferred tax liabilities from the measurement of plan assets at fair value amounted to €621 million.

A valuation of pension obligations based on the average market interest rate of the last 10 years and a valuation based on the average market interest rate of the last 7 years results in a difference of €635 million, subject to dividend payout restrictions.

The amounts subject to dividend payout restrictions were €1,447 million while freely available reserves amounted to €10,041 million. There is therefore no dividend payout restriction for retained profits.

Proposal for appropriation of profit

The Annual Shareholders' Meeting on May 3, 2019, will propose a dividend payout of €3.20 per qualifying share from the €2,982,435,120.92 in profit retained by BASF SE in the 2018 fiscal year. On the date the Financial Statements were finalized, the number of shares determined as eligible for dividend payout were 918,478,694. Upon acceptance of the payout proposal, total dividends will therefore be distributed in the amount of €2,939,131,820.80. The proposal will then be to put the remaining €43,303,300.12 in retained profits into retained earnings.

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. Occupational pension promises that exceed this are financed under a contractual trust arrangement by BASF Pensionstreuhand e.V.

BASF SE approved a 1.0% per year increase in pensions from BASF Pensionskasse VVaG.

The valuation of the pension obligations is based on the following assumptions:

In percent

	2018	2017
Projected pension increase	1.50	1.50
Projected increase in wages and salaries	2.75	2.75
Interest rate (section 253(2) sent. 2 HGB)	3.21	3.68

Amounts offset in the balance sheet as of December 31 of the respective year:

Million €	2018	2017
Fair value of pension plan assets	5,350	5,981
Pension obligations with plan assets	5,502	5,217
Net total 2018: provision (2017: excess of plan assets over obligations)	(152)	764
Historical acquisition costs for pension plan assets	5,133	5,476

As of December 31, 2018, pension obligations excluding plan assets amounted to €52 million.

Income and expenses from plan assets are offset with expenses from unwinding the discount on corresponding obligations in the interest result. Amounts offset in the interest result are as follows:

Million €	2018	2017
Income from pension plan assets	90	403
Expenses from pension plan assets	321	16
Expenses from unwinding the discount	477	385
Net interest result	(708)	2

18 – Other provisions

Million €	2018		2017	
		Of which current		Of which current
Environmental protection and remediation costs	196	41	190	38
Employee obligations	805	695	1,021	774
Sales and purchase risks	48	48	160	160
Integration, closure and restructuring measures	1	1	1	1
Maintenance and repair	12	12	9	9
Other	376	192	169	153
	1,438	989	1,550	1,135

In the reporting year, provisions in the amount of €204 million were reversed in the income statement and reported under other operating income (previous year: €103 million).

The item other primarily consists of provisions for onerous contracts and outstanding invoices as well as interest on income taxes. Obli-

gations of €736 million from working-time accounts were offset by assets in the form of claims against an insurance company in the same amount. The interest result contains income of €20 million from working-time accounts, offset by expenses also amounting to €20 million.

19 – Liabilities

Financial indebtedness

Million €	2018	2017
Commercial paper	2,555	–
Variable-rate EUR bond 2013/2018	–	300
1.5% EUR bond 2012/2018	–	1,000
1.375% EUR bond 2014/2019	750	750
Variable-rate EUR bond 2017/2019	1,250	1,250
Variable-rate EUR bond 2013/2020	300	300
1.875% EUR bond 2013/2021	1,000	1,000
2.5% USD bond 2017/2022	472	472
1.375% GBP bond 2018/2022	283	–
2% EUR bond 2012/2022	1,250	1,250
0.925% USD bond 2017/2023	782	782
0.875% GBP bond 2016/2023	291	291
2.5% EUR bond 2014/2024	500	500
1.75% GBP bond 2017/2025	353	353
0.875% EUR bond 2018/2025	750	–
3.675% NOK bond 2013/2025	189	189
0.875% EUR bond 2017/2027	1,000	1,000
2.67% NOK bond 2017/2029	177	177
1.5% EUR bond 2018/2030	500	–
1.5% EUR bond 2016/2031	200	200
0.875% EUR bond 2016/2031	500	500
2.37% HKD bond 2016/2031	153	153
1.45% EUR bond 2017/2032	300	300
3% EUR bond 2013/2033	500	500
2.875% EUR bond 2013/2033	200	200
4.0% AUD bond 2018/2033	101	–
1.625% EUR bond 2017/2037	750	750
3.25% EUR bond 2013/2043	200	200
1.025% JPY bond 2018/2048	77	–
3.89% U.S. private placement series A 2013/2025	184	184
4.09% U.S. private placement series B 2013/2028	515	515
4.43% U.S. private placement series C 2013/2034	221	221
Bonds and other liabilities to the capital market	16,303	13,337
Liabilities to credit institutions	1,171	884
	17,474	14,221

Liabilities to affiliated companies

Million €	2018	2017
Accounts payable, trade	1,937	1,879
Miscellaneous liabilities	9,664	12,429
	11,601	14,308

Other liabilities

Million €	2018	2017
Advances received on orders	27	33
Liabilities to participating interests	25	23
Miscellaneous liabilities	485	309
of which from taxes	55	57
of which related to social security	4	6
	537	365

Maturities of liabilities

	2018			2017		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
Financial indebtedness	4,657	4,472	8,345	1,334	5,022	7,865
Accounts payable, trade	866	–	–	774	1	–
Liabilities to affiliated companies	11,596	3	2	14,305	3	–
Advances received on orders	27	–	–	33	–	–
Liabilities to participating interests	25	–	–	23	–	–
Miscellaneous liabilities	399	10	76	216	16	77
	17,570	4,485	8,423	16,685	5,042	7,942

20 – Shares in investment assets

As of December 31, 2018, the following shares in excess of 10% were held in special assets within the meaning of section 1(10) of the German Capital Investment Code (KAGB) or in comparable foreign investment assets:

Million €	Fair value/carrying amount as of December 31, 2018	Dividend payment 2018	Returnable daily
Fixed income funds	2,870	81	yes
Equity funds	1,031	27	yes
Mixed funds	679	–	yes

The shares serve as plan assets for obligations from pensions.

21 – Contingent liabilities and other financial obligations

The following contingent and other liabilities are shown at nominal value.

Contingent liabilities

Million €	2018	2017
Bills of exchange	6	8
of which to affiliated companies	–	–
Guarantees	2,722	2,321
of which to affiliated companies	2,722	2,314
Warranties	749	658
of which to affiliated companies	732	641
	3,477	2,987

Contingent liabilities mainly relate to guarantees for bonds issued by BASF Finance Europe N.V., based in Arnhem, Netherlands, for the purpose of corporate financing. 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 net assets, financial position and results of operations of the subsidiaries. Reasonably concrete risks at the time the balance sheet was prepared were recognized through corresponding provisions in the balance sheet.

BASF SE assumed a guarantee to Abu Dhabi National Oil Corporation for all obligations of Wintershall Middle East GmbH in connection

with the Ghasha concession in the United Arab Emirates. The guarantee itself does not specify a maximum amount.

Other financial obligations

Million €	2018	2017
Other financial obligations	751	631
of which relating to pension benefits	77	–
of which to affiliated companies	–	4

Long-term purchase obligations

Million €	2018	2017
Long-term purchase obligations	3,653	3,961
of which to affiliated companies	–	–

Long-term purchase obligations especially pertain to raw materials. BASF SE purchases raw materials worldwide through long-term contracts and on spot markets.

Binding acquisition obligations

On September 18, 2017, BASF SE signed an agreement with the Solvay group on the acquisition of Solvay's global polyamide business, subject to the approval of the relevant antitrust authorities. The E.U. Commission granted conditional clearance for BASF to

acquire the polyamide business on January 18, 2019. The divestment process has already started. The review procedure in China is ongoing. Closing is expected in the second half of 2019, as soon as all remaining closing conditions have been fulfilled, including the sale of the businesses and assets to be divested to a third party. Before

being adjusted to reflect the antitrust-related changes to the scope of the transaction, the purchase price on a cash and debt-free basis and excluding other adjustments would have been €1.6 billion. If the transaction is not concluded, the agreement provides for, subject to certain conditions, a payment of €150 million from BASF to Solvay.

22 – Related party transactions

Since the 2010 fiscal year, BASF SE has granted profit participation capital in the amount of €80 million to BASF Pensionskasse VVaG. As of December 31, 2018, profit participation capital after discounting reported under loans amounted to €71 million.

23 – Derivative instruments

Use of derivative instruments

BASF SE is exposed to foreign currency, interest rate, share price and commodity price risks in the course of its business. These risks are hedged through a centrally determined strategy employing derivative instruments. Hedging is only employed for underlying transactions from the operating business, cash investments and financing as well as for planned sales and purchases and for financing.

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

To ensure efficient risk management, risk positions are centralized at BASF SE and certain Group companies. Contracting and execution of derivative financial instruments for hedging purposes are 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 that are used to replace transactions in primary 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 and nominal value of derivative financial instruments

Million €

	Fair value		Nominal value	
	2018	2017	2018	2017
Foreign currency forward contracts	(5)	(45)	12,595	9,134
Foreign currency option contracts	11	34	727	828
Interest rate swaps	(7)	2	300	900
Combined interest and cross-currency swaps	(113)	(175)	4,352	3,337
Stock options	–	–	1,613	1,613
Commodity derivatives	–	–	–	–
	(114)	(184)	19,587	15,812

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, fair value corresponds to the redemption value in the event of premature cancellation. 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. Commodity derivatives are used to hedge purchase and sales market price risks.

Acquisition costs of €69 million for derivatives were capitalized in other assets. Provisions amounting to €38 million were recognized for expected losses from currency fluctuations. Losses of €74 million were recognized as liabilities under miscellaneous liabilities.

To hedge risks from cash flow and changes in fair value for certain underlying positions in and off the balance sheet, these are combined with hedging transactions as micro hedges, as they have similar significant risk parameters. Portfolio hedges are used to hedge planned sales in U.S. dollars. Accounting treatment follows the net hedge presentation method. The retrospective and prospective effectiveness was determined using the critical terms match method; no material ineffectiveness was found.

Valuation units

Million €

Underlying transactions 2018	Hedging transactions 2018	Nominal value	Positive fair value	Negative fair value
Balance sheet item	Type of hedging transaction			
Hedged assets	Derivatives to hedge assets	61	–	.
Loans to affiliated companies	Foreign currency forward contracts	44	–	.
Loans to other shareholdings	Foreign currency forward contracts	17	–	.
Hedged liabilities	Derivatives to hedge liabilities	6,418	101	(222)
Liabilities to affiliated companies	Hedging transactions for liabilities to affiliated companies	114	6	.
– In foreign currencies	– Foreign currency forward contracts	114	6	.
Financial indebtedness	Hedging transactions for financial indebtedness	6,304	95	(222)
– Commercial paper	– Foreign currency forward contracts	1,989	.	(8)
– EUR bonds	– Interest rate swaps	300	.	(7)
– Foreign-currency bonds	– Combined interest and cross-currency swaps	3,800	87	(207)
– Foreign-currency loans	– Combined interest and cross-currency swaps	215	8	–
Planned transactions	Type of hedging transaction			
Future sales and purchases	Foreign currency option contracts	727	11	.
Derivatives	Type of hedging transaction			
Foreign currency forward contracts	Foreign currency forward contracts	2,414	3	(50)
Stock options	Stock options	391	4	–
Interest and cross-currency swaps	Interest and cross-currency swaps	169	9	–

Most of the receivables and liabilities hedged with foreign currency forward contracts are due within one year. The term of the currency option contracts for hedging highly probable future sales in U.S. dollars is less than one year. Interest rate swaps maturing in 2020 were concluded to hedge variable-rate bonds. Financial indebtedness in foreign currencies was hedged using combined interest and cross-currency swaps. These have a maximum term of 30 years. The stock options mature in 2023.

Foreign currency forward contracts concluded with subsidiaries that are also inversely concluded with external contractual partners generally have a term of less than one year.

24 – Services provided by the external auditor

The services provided by KPMG AG Wirtschaftsprüfungsgesellschaft to BASF SE mainly include services for the annual audit, and to a lesser extent, confirmation services, tax consultation services and other services. These can be found in Note 33 of the Consolidated Financial Statements of the BASF Group.

25 – Events after the reporting period

On January 31, 2019, BASF and Solenis completed the transfer of BASF's paper and water chemicals business to Solenis as announced in May 2018. As of February 1, 2019, BASF holds a 49% share in Solenis. 51% of the shares are held by funds managed by Clayton, Dubilier & Rice, and senior management. The transaction includes production sites and plants of BASF's paper and water chemicals business in Bradford and Grimsby, U.K.; Suffolk, Virginia; Altamira, Mexico; Ankleshwar, India; and Kwinana, Australia. The

BASF Paper and Water Chemicals business unit's production plants that are tightly integrated in the Verbund in Ludwigshafen, Germany, and in Nanjing, China, will remain with BASF, supplying the joint venture with products and raw materials based on medium and long-term supply agreements. BASF's paper coating chemicals portfolio was not part of the transaction. BASF SE sold assets to Solenis in this connection. In addition, BASF SE is a party to bilateral supply and service agreements with the joint venture.

26 – BASF SE list of shares held 2018 pursuant to section 285 no. 11, 11a and 11b of the German Commercial Code

The earnings of companies acquired in 2018 are reported as of the date of acquisition. The list of shares held contains all of BASF SE's direct and indirect shareholdings as well as affiliated companies accounted for in the Consolidated Financial Statements. In the Separate Financial Statements of BASF SE, financial assets only include direct shareholdings. Information on the values of equity and earnings after taxes generally refer to IFRS values.

I. Companies included in the Consolidated Financial Statements on a full or proportional basis, or accounted for using the equity method

Fully consolidated subsidiaries

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Germany						
Aachener Chemische Werke Gesellschaft für glastechnische Produkte und Verfahren mbH	Mönchengladbach	100.00		20.0	¹	EUR
BASF Agricultural Solutions GmbH	Ludwigshafen (Rhein)	100.00		2.5	¹	EUR
BASF Agricultural Solutions Seed GmbH	Ludwigshafen (Rhein)	100.00		7.2	¹	EUR
BASF Agro Trademarks GmbH	Ludwigshafen (Rhein)	100.00		0.7	¹	EUR
BASF Akquisitions GmbH	Ludwigshafen (Rhein)	100.00		431.3	¹	EUR
BASF Battery Technology Investment GmbH & Co. KG	Ludwigshafen (Rhein)	100.00		1.1	0.2	EUR
BASF Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00	291.2	¹	EUR
BASF Business Services GmbH	Ludwigshafen (Rhein)	100.00		(20.4) ²	¹	EUR
BASF Catalysts Germany GmbH	Hannover	100.00		310.4	¹	EUR
BASF Coatings GmbH	Münster	100.00	10.00	168.8	¹	EUR
BASF Color Solutions Germany GmbH	Cologne	100.00		(2.4) ²	¹	EUR
BASF Colors & Effects GmbH	Ludwigshafen (Rhein)	100.00		86.0	¹	EUR
BASF Construction Solutions GmbH	Trostberg	100.00		335.3	¹	EUR
BASF Finance Malta GmbH	Monheim	100.00	100.00	5,011.3	11.3	EUR
BASF Grenzach GmbH	Grenzach-Wyhlen	100.00		6.3	¹	EUR
BASF Handels- und Exportgesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00	4,253.9	¹	EUR
BASF IP Licensing GmbH	Monheim	100.00		164.5	163.2	EUR
BASF Isocyanate China Investment GmbH	Ludwigshafen (Rhein)	100.00		0.0	¹	EUR
BASF Lampertheim GmbH	Lampertheim	100.00		123.3	¹	EUR
BASF Leuna GmbH	Leuna	100.00		12.6	¹	EUR
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhein)	100.00	99.99	8.7	(0.4)	EUR
BASF New Business GmbH	Ludwigshafen (Rhein)	100.00	100.00	63.8	¹	EUR
BASF Niedersächsische Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00		8.9	¹	EUR
BASF Performance Polymers GmbH	Rudolstadt	100.00		41.9	¹	EUR
BASF Personal Care and Nutrition GmbH	Monheim	100.00		234.0	¹	EUR
BASF Pigment GmbH	Ludwigshafen (Rhein)	100.00		0.5	¹	EUR
BASF Plant Science Company GmbH	Ludwigshafen (Rhein)	100.00	100.00	206.8	¹	EUR
BASF Plant Science GmbH	Ludwigshafen (Rhein)	100.00		3.2	¹	EUR
BASF Polyurethanes GmbH	Lemförde	100.00	10.00	75.3	¹	EUR
BASF Schwarzheide GmbH	Schwarzheide	100.00	10.00	247.7	¹	EUR
BASF Services Europe GmbH	Berlin	100.00		(0.8) ²	¹	EUR
BASF Trostberger Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00	6.00	19.8	¹	EUR
BASF US Verwaltung GmbH	Ludwigshafen (Rhein)	100.00		158.4	¹	USD
BASF watertechnologies GmbH & Co. KG	Ludwigshafen (Rhein)	100.00		0.4	(0.4)	EUR
BASF Wohnen + Bauen GmbH	Ludwigshafen (Rhein)	100.00	10.00	152.2	¹	EUR

¹ Profit and loss transfer agreement

² Equity, as defined by German commercial law, is positive.

³ Administrative headquarters in St. Julian's (Malta)

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Wolman GmbH	Sinzheim	100.00	10.00	(0.5) ²	¹	EUR
BTC Europe GmbH	Monheim	100.00		4.0	¹	EUR
CerTho Produktions GmbH	Unna	100.00		(0.9) ²	¹	EUR
Chemetall GmbH	Frankfurt (Main)	100.00		(636.2) ²	¹	EUR
Cognis Holding GmbH	Ludwigshafen (Rhein)	100.00		261.6	¹	EUR
Cognis International GmbH	Monheim	100.00		470.8	¹	EUR
Cognis IP Management GmbH	Monheim	100.00		327.4	2.8	EUR
Construction Research & Technology GmbH	Trostberg	100.00		249.4	¹	EUR
E & A Internationale Explorations- und Produktions-GmbH	Kassel	100.00		393.3	¹	EUR
Grünau Illertissen GmbH	Illertissen	100.00		46.3	¹	EUR
Guano-Werke GmbH & Co. KG	Ludwigshafen (Rhein)	100.00		17.0	(0.3)	EUR
Hild Samen GmbH	Marbach	100.00		10.7	(1.2)	EUR
hte GmbH the high throughput experimentation company	Heidelberg	100.00		33.4	¹	EUR
inge GmbH	Greifenberg	100.00		54.0	¹	EUR
OPAL Gastransport GmbH & Co. KG	Kassel	49.97 ⁴		4.7	15.6	EUR
PCI Augsburg GmbH	Augsburg	100.00		87.6	¹	EUR
Rockwood Specialties Group GmbH	Frankfurt (Main)	100.00		(40.5) ²	(41.9)	EUR
Untertage-Speicher-Gesellschaft mbH	Kassel	100.00		1.9	(1.0)	EUR
W & G Transport Holding GmbH	Kassel	49.97 ⁴		(428.7) ²	209.8	EUR
WIGA Transport Beteiligungs-GmbH & Co. KG	Kassel	50.02		1,923.1	203.4	EUR
Wintershall Holding GmbH	Kassel	100.00	10.29	1,443.5	¹	EUR
Wintershall Middle East GmbH	Kassel	100.00		0.0	¹	EUR
Wintershall Vermögensverwaltungsgesellschaft mbH	Kassel	100.00		0.0	¹	EUR
Rest of Europe						
BASF A/S	Copenhagen (Denmark)	100.00	100.00	1,304.6	26.8	DKK
BASF AB	Gothenburg (Sweden)	100.00	100.00	72.2	14.3	SEK
BASF Agricultural Solutions Belgium NV	Ghent (Belgium)	100.00		1.4	1.3	EUR
BASF Agricultural Specialities Limited	Cheadle (United Kingdom)	100.00		52.1	2.3	GBP
BASF Agricultural Specialities S.A.S.	Écully (France)	100.00		0.1	0.9	EUR
BASF Agri-Production S.A.S.	Écully (France)	100.00		58.5	(0.4)	EUR
BASF Agro B.V.	Arnhem (Netherlands)	100.00		(3.6)	(0.2)	EUR
BASF Agrochemical Products B.V.	Arnhem (Netherlands)	100.00		(1,005.0)	(511.7)	USD
BASF Antwerpen N.V.	Antwerp (Belgium)	100.00		8,431.0	3,168.2	EUR
BASF AS	Oslo (Norway)	100.00	100.00	2,666.3	102.8	NOK
BASF Battery Materials Holding B.V.	Arnhem (Netherlands)	100.00		0.0	0.0	EUR
BASF Battery Integration B.V.	Arnhem (Netherlands)	100.00		7.8	0.0	EUR
BASF Beauty Care Solutions France S.A.S.	Lyon (France)	100.00		68.3	12.0	EUR
BASF Belgium Coordination Center Comm. V.	Antwerp (Belgium)	100.00		(9.1)	(0.2)	EUR
BASF Catalysts Asia B.V.	Arnhem (Netherlands)	100.00		364.3	32.6	EUR
BASF Catalysts Canada B.V.	Arnhem (Netherlands)	100.00		0.3	0.0	EUR
BASF Catalysts UK Holdings Limited	London (United Kingdom)	100.00		26.3	14.7	GBP
BASF Colors & Effects Netherlands B.V.	Maastricht (Netherlands)	100.00		28.1	(0.8)	EUR
BASF Colors & Effects Switzerland AG	Basel (Switzerland)	100.00		30.7	3.7	CHF
BASF Construction Chemicals (UK) Ltd.	Cheadle (United Kingdom)	100.00		1.7	3.6	GBP
BASF Construction Chemicals Espana S.L.	L'Hospitalet de Llobregat (Spain)	100.00		153.7	0.7	EUR

¹ Profit and loss transfer agreement

² Equity, as defined by German commercial law, is positive.

⁴ Share of voting rights at 50.02%.

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Construction Chemicals Europe AG	Kaisten (Switzerland)	100.00		192.2	(7.8)	CHF
BASF Construction Chemicals Italia Spa	Treviso (Italy)	100.00		19.6	1.9	EUR
BASF Espanola S.L.	Barcelona (Spain)	100.00	100.00	673.9	57.9	EUR
BASF Finance Europe N.V.	Arnhem (Netherlands)	100.00	100.00	8.4	0.4	EUR
BASF France S.A.S.	Levallois-Perret Cedex (France)	100.00	100.00	536.5	51.7	EUR
BASF Health and Care Products France S.A.S.	Levallois-Perret Cedex (France)	100.00		20.7	8.2	EUR
BASF Hellas S.A.	Marousi (Greece)	100.00	100.00	8.8	0.5	EUR
BASF Hungária Kft.	Budapest (Hungary)	100.00	100.00	5,380.7	836.9	HUF
BASF Intertrade AG	Zug (Switzerland)	100.00	100.00	118.3	74.3	USD
BASF IP Management C.V.	Arnhem (Netherlands)	100.00		32.5	5.1	EUR
BASF Ireland Ltd.	Cork (Ireland)	100.00		(26.8)	(0.1)	EUR
BASF Italia S.p.A.	Cesano Maderno (Italy)	100.00	100.00	638.7	9.6	EUR
BASF Metal Forwards Ltd.	London (United Kingdom)	100.00		54.0	0.3	USD
BASF Metals GmbH	Zug (Switzerland)	100.00		51.5	0.6	USD
BASF Metals Ltd.	London (United Kingdom)	100.00		122.6	34.6	USD
BASF Metals Recycling Ltd.	Cinderford (United Kingdom)	100.00		(5.8)	(3.0)	GBP
BASF Nederland B.V.	Arnhem (Netherlands)	100.00	100.00	11,533.2	764.9	EUR
BASF Operations B.V.	Arnhem (Netherlands)	100.00		58.6	35.3	EUR
BASF Österreich GmbH	Vienna (Austria)	100.00	1.00	36.8	4.3	EUR
BASF Oy	Helsinki (Finland)	100.00	100.00	41.9	5.8	EUR
BASF Performance Products France S.A.S.	Huningue (France)	100.00		39.4	2.7	EUR
BASF Performance Products GmbH	Krieglach (Austria)	100.00		19.5	4.0	EUR
BASF Performance Products Ltd.	⁵ Cheadle (United Kingdom)	100.00		0.0	0.0	GBP
BASF Pharma (Callanish) Ltd.	Cheadle (United Kingdom)	100.00		(22.3)	(6.8)	GBP
BASF Pharma Belgium N.V.	Antwerp (Belgium)	100.00		11.4	(46.7)	EUR
BASF plc	Cheadle (United Kingdom)	100.00		51.5	(57.3)	GBP
BASF Polska Sp. z o.o.	Warsaw (Poland)	100.00	100.00	372.6	40.0	PLN
BASF Portuguesa, S.A.	Prior Velho (Portugal)	100.00		4.8	1.5	EUR
BASF Schweiz AG	Basel (Switzerland)	100.00		591.4	0.5	CHF
BASF Slovensko spol s.r.o.	Bratislava (Slovakia)	100.00	100.00	17.6	5.3	EUR
BASF spol s.r.o.	Prague (Czech Republic)	100.00	100.00	176.5	57.4	CZK
BASF Stavební hmoty Česká republika s.r.o	Chrudim (Czech Republic)	100.00		319.9	(25.4)	CZK
BASF T.O.V. LLC	Kiev (Ukraine)	100.00		1,101.3	99.5	UAH
BASF Taiwan B.V.	Arnhem (Netherlands)	100.00		130.0	38.4	EUR
BASF Tuerk Kimya Sanayi ve Ticaret Ltd. Sti.	Istanbul (Turkey)	100.00		390.1	51.3	TRY
BASF UK Holdings Ltd.	Cheadle (United Kingdom)	100.00	100.00	32.0	0.0	GBP
Becker Underwood (UK) Limited	Cheadle (United Kingdom)	100.00		57.9	0.0	GBP
BU International Holding Company Ltd.	Cheadle (United Kingdom)	100.00		84.4	5.0	GBP
Chemetall AB	Hisings Backa (Sweden)	100.00		(294.6)	(55.5)	SEK
Chemetall B.V.	Oss (Netherlands)	100.00		(207.1)	(47.2)	EUR
Chemetall Hungária Vegyiparianyagok Forgalmazó Korlátolt Felelősségű Társaság	Budapest (Hungary)	100.00		(2,811.8)	(655.7)	HUF
Chemetall India Company Ltd.	Bletchley (United Kingdom)	100.00		0.8	0.0	GBP
Chemetall Italia S.r.l.	Giussano (Italy)	100.00		119.1	1.0	EUR
Chemetall Ltd.	Bletchley (United Kingdom)	100.00		(308.0)	(47.7)	GBP
Chemetall Polska Sp. z o.o.	Warsaw (Poland)	100.00		53.5	21.2	PLN
Chemetall S.A. Unipersonal	Canovelles (Spain)	100.00		(292.8)	(47.3)	EUR
Chemetall S.A.S.	Gennevilliers (France)	100.00		262.5	(1.2)	EUR

⁵ Company in liquidation

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Chemetall S.R.L.	Guissano (Italy)	100.00		(15.9)	2.9	EUR
Chemetall Sanayi Kimyasallari Ticaret ve Sanayi A.S.	Kocaeli (Turkey)	100.00		203.6	26.8	TRY
Ciba Specialty Chemicals Finance Luxembourg S.A.	Luxembourg (Luxembourg)	100.00		3.3	(4.9)	EUR
Ciba Specialty Chemicals Water Treatments Ltd.	Bradford (United Kingdom)	100.00		0.4	(0.2)	GBP
Ciba UK Investment Ltd.	Cheadle (United Kingdom)	100.00		0.1	0.0	GBP
Cognis B.V.	Arnhem (Netherlands)	100.00		873.0	3.5	EUR
Dom v Kadashah LLC	Moscow (Russian Federation)	100.00	0.01	118.7	40.2	RUB
Esuco Beheer B.V.	Arnhem (Netherlands)	100.00		0.1	0.0	EUR
Gulfaks AS	Stavanger (Norway)	100.00		668.5	12.9	NOK
KENDELL S.r.l.	Roveredo in Piano (Italy)	100.00		0.8	0.2	EUR
Knight Chimiques de Spécialité S.A.S.	Gennevilliers (France)	100.00		8.9	5.1	EUR
MicroBio Canada Limited	Cheadle (United Kingdom)	100.00		29.3	0.0	GBP
Nunhems B.V.	Nunhem (Netherlands)	100.00		98.3	1.2	EUR
Nunhems France S.à r.l	Beaucouzé Cedex (France)	100.00		2.2	(0.3)	EUR
Nunhems Hungary Kft	Budapest (Hungary)	100.00		391.7	(116.0)	HUF
Nunhems Italy S.r.l.	Sant'Agata Bolognese (Italy)	100.00		12.4	(1.0)	EUR
Nunhems Netherlands B.V.	Nunhem (Netherlands)	100.00		(3.0)	(26.6)	EUR
Nunhems Poland sp z.o.o.	Warsaw (Poland)	100.00		5.2	(0.4)	PLN
Nunhems Spain S.A.	Paterna (Spain)	100.00		12.9	1.4	EUR
Nunhems Tohumculuk AS	Serik (Turkey)	100.00		89.1	11.8	TRY
Nunhems UK Ltd	Reading (United Kingdom)	100.00		0.1	0.1	GBP
NUNHEMS UKRAINE T.O.V.	Kiev (Ukraine)	100.00		61.3	(2.4)	UAH
OOO BASF	Moscow (Russian Federation)	100.00	0.01	3,306.8	350.4	RUB
OOO BASF Stroitelnye Sistemy	Moscow (Russian Federation)	100.00		559.5	103.8	RUB
OOO BASF Wostok	Pawlovski Possad (Russian Federation)	100.00		954.0	317.0	RUB
OOO BASF Yug	Moscow (Russian Federation)	100.00		(96.1)	(96.1)	RUB
OOO Chemetall	Moscow (Russian Federation)	100.00		390.2	(9.9)	RUB
PCI Bauprodukte AG	Holderbank (Switzerland)	100.00		2.1	1.3	CHF
Rolic Technologies Ltd.	Allschwil (Switzerland)	100.00		46.8	3.2	CHF
Société Foncière et Industrielle S.A.S.	Clermont de l'Oise (France)	92.90		8.9	0.2	EUR
Sorex Holdings Ltd.	Widnes (United Kingdom)	100.00		2.0	0.0	GBP
Wintershall Nederland B.V.	Rijswijk (Netherlands)	100.00		948.8	48.7	EUR
Wintershall Nederland Transport and Trading B.V.	Rijswijk (Netherlands)	100.00		12.2	(1.0)	EUR
Wintershall Norge AS	Stavanger (Norway)	100.00		1,979.0	20.9	USD
Wintershall Oil AG	Zug (Switzerland)	100.00		502.2	82.4	USD
Wintershall Petroleum (E&P) B.V.	Rijswijk (Netherlands)	100.00		55.0	31.5	USD
ZAO Gazprom YRGM Trading	Krasnoselkup (Russian Federation)	25.00 ⁶		45,903.9	14,969.4	RUB
North America						
BASF Agricultural Solutions Canola US LLC	Florham Park, New Jersey (USA)	100.00		11.6	(4.1)	USD
BASF Agricultural Solutions México S. de R.L.	Mexico City (Mexico)	100.00		160.4	(4.3)	MXN
BASF Agricultural Solutions Ontario Ltd.	Mississauga, Ontario (Canada)	100.00		148.8	5.8	CAD
BASF Agricultural Solutions Puerto Rico LLC	San Juan (Puerto Rico)	100.00		15.9	(0.5)	USD
BASF Agricultural Solutions Seed US LLC	Florham Park, New Jersey (USA)	100.00		3,276.4	(57.7)	USD
BASF Agricultural Solutions US LLC	Florham Park, New Jersey (USA)	100.00		338.7	1.4	USD
BASF Agricultural Solutions Western Canada Inc.	Mississauga, Ontario (Canada)	100.00		26.9	(6.5)	CAD
BASF Agricultural Specialties Ltd.	Saskatoon, Saskatchewan (Canada)	100.00		46.3	(2.5)	CAD

⁶ Fully consolidated as per IFRS 10

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Americas Corporation	Florham Park, New Jersey (USA)	100.00		5,856.4	315.8	USD
BASF California Inc.	Florham Park, New Jersey (USA)	100.00		370.0	67.6	USD
BASF Canada Inc.	Mississauga, Ontario (Canada)	100.00	100.00	505.4	62.4	CAD
BASF Catalysts Holding China LLC	Florham Park, New Jersey (USA)	96.25		(10.5)	(1.4)	USD
BASF Catalysts Holding LLC	Florham Park, New Jersey (USA)	100.00		727.1	71.7	USD
BASF Catalysts LLC	Florham Park, New Jersey (USA)	100.00		40.3	60.7	USD
BASF Colors & Effects USA LLC	Wilmington, Delaware (USA)	100.00		661.6	23.8	USD
BASF Corporation	Florham Park, New Jersey (USA)	100.00		9,686.0	887.1	USD
BASF de Costa Rica, S.A.	San Jose (Costa Rica)	100.00		20.8	(1.2)	USD
BASF de Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00	99.99	265.7	3.9	USD
BASF Enzymes LLC	San Diego, California (USA)	100.00		16.8	(16.3)	USD
BASF Interservicios S.A. de C.V.	Mexico City (Mexico)	100.00	0.01	3.6	0.6	USD
BASF Intertrade Corporation	Houston, Texas (USA)	100.00		17.3	(0.7)	USD
BASF Investments Canada Inc.	New Westminster, British Columbia (Canada)	100.00		446.8	8.7	USD
BASF Mexicana, S.A. de C.V.	Mexico City (Mexico)	100.00		501.9	42.6	USD
BASF Panamá S.A.	Panama City (Panama)	100.00	100.00	11.6	(0.7)	PAB
BASF Pipeline Holdings LLC	Houston, Texas (USA)	100.00		15.0	1.1	USD
BASF Plant Science LP	Raleigh, North Carolina (USA)	100.00		127.2	8.9	USD
BASF Properties Inc.	Mississauga, Ontario (Canada)	100.00		10.1	(0.7)	USD
BASF Qtech Inc.	Mississauga, Ontario (Canada)	100.00		(18.5)	(1.8)	CAD
BASF TODA America LLC	Iselin, New Jersey (USA)	85.10		76.6	(10.6)	USD
BASF TOTAL Petrochemicals LLC	Port Arthur, Texas (USA)	60.00		869.0	261.0	USD
BASF UK Finance LLC	Wilmington, Delaware (USA)	100.00		4,864.9	273.5	USD
BASF USA Holding LLC	Florham Park, New Jersey (USA)	100.00		2,339.0	0.0	USD
BASFIN Corporation	Florham Park, New Jersey (USA)	100.00		5,151.6	389.0	USD
Becker Underwood UK Inc.	Ames, Iowa (USA)	100.00		159.4	0.0	USD
Chemetall Canada Limited	Brampton, Ontario (Canada)	100.00		10.3	3.3	CAD
Chemetall Mexicana, S.A. de C.V.	El Marques, Querétaro (Mexico)	100.00		90.0	3.8	MXN
Chemetall U.S., Inc.	New Providence, New Jersey (USA)	100.00		782.4	7.8	USD
Chemical Insurance Company Ltd.	Hamilton (Bermuda)	100.00		125.0	(15.0)	CHF
Ciba Specialty Chemicals Eurofinance Ltd.	Hamilton (Bermuda)	100.00		21.0	4.1	EUR
Cognis USA LLC	Cincinnati, Ohio (USA)	100.00		830.4	(20.1)	USD
Engelhard Asia-Pacific LLC	Wilmington, Delaware (USA)	100.00		108.9	5.8	USD
Imperarva S.A. de C.V.	Nonoalco (Mexico)	100.00		12.8	8.7	MXN
Lumerica Insurance Company	Burlington, Vermont (USA)	100.00		136.6	9.7	USD
Nunhems México, S.A. de C.V.	Leon Guanajuato (Mexico)	100.00		178.3	34.2	MXN
Nunhems USA Inc.	Parma (USA)	100.00		84.1	1.8	USD
Ovonic Battery Company Inc.	Iselin, New Jersey (USA)	100.00		(1.0)	(10.5)	USD
Pinturas Térmicas del Norte S.A. de C.V.	Monterrey (Mexico)	100.00		1,469.7	(32.3)	MXN
ProCat Testing Holdings Inc.	Florham Park, New Jersey (USA)	100.00		11.7	0.0	USD
ProCat Testing LLC	Wixom, Michigan (USA)	100.00		23.0	0.3	USD
TRADEWINDS Chemicals Corporation	Florham Park, New Jersey (USA)	100.00		37.5	43.9	USD
Watson Bowman Acme Corp.	Amherst, New York (USA)	100.00		34.6	0.5	USD
ZedX, Inc.	Bellefonte, Pennsylvania (USA)	100.00		11.5	(2.6)	USD

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Asia Pacific						
BASF Advanced Chemicals Co., Ltd.	Shanghai (China)	100.00		3,004.4	184.9	CNY
BASF Agricultural Solutions Australia PTY LTD	Southbank (Australia)	100.00		1.1	(2.0)	AUD
BASF Asia-Pacific Service Centre Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00		37.7	11.3	MYR
BASF Australia Ltd.	Southbank (Australia)	100.00		42.5	(0.2)	AUD
BASF Care Chemicals (Shanghai) Co. Ltd.	Shanghai (China)	100.00		2,016.3	70.5	CNY
BASF Catalysts (Guilin) Co., Ltd.	Guilin (China)	96.25		377.1	47.4	CNY
BASF Catalysts India Private Ltd.	Mumbai (India)	95.00		4,831.7	390.3	INR
BASF Catalysts (Shanghai) Co. Ltd.	Shanghai (China)	96.25		3,605.2	295.5	CNY
BASF Central Asia LLP	Almaty (Kazakhstan)	100.00		1,143.2	(2,473.1)	KZT
BASF Chemcat (Thailand) Ltd.	Rayong (Thailand)	80.00		845.2	(16.8)	THB
BASF Chemicals Company Ltd.	Shanghai (China)	100.00		294.1	(81.2)	CNY
BASF Chemicals India Pvt. Ltd.	Mumbai (India)	100.00		1,665.4	199.0	INR
BASF (China) Company Ltd.	Shanghai (China)	100.00	100.00	5,029.7	1,010.8	CNY
BASF Coatings (Guangdong) Co., Limited	Jiangmen (China)	100.00		40.9	(7.5)	CNY
BASF Colors & Effects Japan Ltd.	Tokyo (Japan)	100.00		0.4	0.1	JPY
BASF Colors & Effects Korea Ltd.	Ulsan (South Korea)	100.00		74,320.0	1.7	KRW
BASF Colors & Effects Shanghai Ltd.	Shanghai (China)	100.00		116.0	6.4	CNY
BASF Colors & Effects Singapore Pte. Ltd.	Singapore (Singapore)	100.00		10.2	1.5	USD
BASF Company Ltd.	Seoul (South Korea)	100.00		1,161,764.0	380.7	KRW
BASF Construction Chemicals (China) Co., Ltd.	Shanghai (China)	100.00		125.2	13.6	CNY
BASF Crop Protection (JiangSu) Co. Ltd.	Rudong County (China)	100.00		386.7	80.2	CNY
BASF East Asia Regional Headquarters Ltd.	Hong Kong (China)	100.00		717.8	381.2	HKD
BASF Electronic Materials (Shanghai) Co. Ltd.	Shanghai (China)	100.00		4.4	1.5	CNY
BASF Environmental Technologies (Shanghai) Co., Ltd.	Shanghai (China)	96.25		(5.1)	(5.1)	CNY
BASF Gao-Qiao Performance Chemicals (Shanghai) Co. Ltd.	Shanghai (China)	75.00		715.8	94.2	CNY
BASF High Purity Electronic Chemicals Production (Jiaxing) Company Limited	Jiaxing (China)	100.00		57.0	12.6	CNY
BASF HOCK Mining Chemical (China) Co. Ltd.	Jining (China)	75.00		6.9	17.9	CNY
BASF Hong Kong Ltd.	Hong Kong (China)	100.00		140.2	88.5	USD
BASF Idemitsu Co. Ltd.	Tokyo (Japan)	67.00	67.00	2.1	0.1	JPY
BASF India Limited	Mumbai (India)	73.33	48.37	13,958.7	1,339.3	INR
BASF Intertrade (Shanghai) Co. Ltd.	Shanghai (China)	100.00		154.5	3.6	CNY
BASF Japan Ltd.	Tokyo (Japan)	100.00		46.9	3.5	JPY
BASF (Malaysia) Sdn. Bhd.	Shah Alam (Malaysia)	100.00		319.8	29.0	MYR
BASF Markor Chemical Manufacturing (Xinjiang) Company Limited	Korla (China)	51.00		145.4	7.9	CNY
BASF Metals Japan Ltd.	Tokyo (Japan)	100.00	100.00	4.1	0.3	JPY
BASF Metals (Shanghai) Co. Ltd.	Shanghai (China)	100.00		368.0	77.1	CNY
BASF New Zealand Ltd.	Auckland (New Zealand)	100.00	100.00	8.1	1.9	NZD
BASF Paper Chemicals (Huizhou) Co. Ltd.	Huizhou City (China)	100.00		(110.3)	(6.6)	CNY
BASF Paper Chemicals (Jiangsu) Co. Ltd.	Jiangsu (China)	100.00		293.8	39.0	CNY
BASF Performance Products Ltd.	Shanghai (China)	100.00		1,083.1	73.8	CNY
BASF Petronas Chemicals Sdn. Bhd.	Shah Alam (Malaysia)	60.00		551.9	(54.4)	USD
BASF Polyurethane Specialties (China) Co. Ltd.	Shanghai (China)	100.00	7.00	2,201.9	164.3	CNY
BASF Polyurethanes (China) Co. Ltd.	Guangzhou (China)	100.00		550.3	38.5	CNY
BASF Polyurethanes (Chongqing) Co. Ltd.	Chongqing (China)	100.00	100.00	3,801.6	903.0	CNY
BASF Polyurethanes (Tianjin) Co. Ltd.	Tianjin (China)	100.00		21.7	17.4	CNY

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Qingdao Pigments Co. Ltd.	Qingdao (China)	91.35		158.8	2.9	CNY
BASF Services (Malaysia) Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00	100.00	192.1	2.6	MYR
BASF Shanghai Coatings Co. Ltd.	Shanghai (China)	60.00		1,191.0	59.4	CNY
BASF South East Asia Pte. Ltd.	Singapore (Singapore)	100.00		327.2	38.9	USD
BASF Specialty Chemicals (Nanjing) Co. Ltd.	Nanjing (China)	100.00		439.4	(33.3)	CNY
BASF (Thai) Ltd.	Bangkok (Thailand)	100.00	100.00	1,269.0	349.3	THB
BASF Taiwan Ltd.	Taipei (Taiwan)	100.00		5,935.0	1,243.3	TWD
BASF TODA Battery Materials, LLC	Tokyo (Japan)	66.00		13.1	2.7	JPY
BASF Vietnam Co. Ltd.	Binh Duong (Vietnam)	100.00		375.1	113.3	VND
BASF Vitamins Company Ltd.	Shenyang (China)	100.00	60.00	487.1	92.2	CNY
Chemetall Asia Pte. Ltd.	Singapore (Singapore)	100.00		120.4	4.7	SGD
Chemetall (Australasia) Pty. Ltd.	Melbourne (Australia)	100.00		37.6	1.7	AUD
Chemetall Hong Kong Ltd.	Hong Kong (China)	100.00		58.0	12.7	CNY
Chemetall India Private Ltd.	Pune (India)	100.00		3,874.2	402.1	INR
Chemetall New Zealand Ltd.	Avondale (New Zealand)	100.00		18.6	0.5	NZD
Chemetall Philippines Co. Ltd., Inc.	Taguig (Philippines)	99.95		88.9	33.2	PHP
Chemetall Surface Treatment Holding Co., Ltd.	Bangkok (Thailand)	49.33 ⁶		(1.3)	(0.2)	THB
Chemetall (Thailand) Co. Ltd.	Bangkok (Thailand)	74.16		97.2	23.3	THB
Ciba (Australia) Pty. Ltd.	Thomastown (Australia)	100.00		0.1	0.0	AUD
Engelhard China Ltd.	Shanghai (China)	100.00	100.00	6.7	0.0	CNY
Nunhems Australia Pty Ltd	Northgate (Australia)	100.00		1.8	0.4	AUD
Nunhems Beijing Seeds Company Ltd.	Beijing (China)	80.00		72.5	(7.9)	CNY
Nunhems India Private Limited	Kandlakoya (India)	100.00		4,817.2	209.2	INR
PT BASF Care Chemicals Indonesia	Jakarta (Indonesia)	84.70		644.9	2.6	IDR
PT BASF Distribution Indonesia	Jakarta (Indonesia)	100.00		72,510.0	43.4	IDR
PT BASF Indonesia	Jakarta (Indonesia)	99.99	99.99	1,007.4	261.6	IDR
Shanghai BASF Polyurethane Company Ltd.	Shanghai (China)	70.00		4,651.4	2,849.3	CNY
Shanghai Chemetall Chemicals Co., Ltd.	Shanghai (China)	100.00		5,376.2	81.2	CNY
South America, Africa, Middle East						
BASF Agricultural Solutions Argentina SAU	Buenos Aires (Argentina)	100.00		446.3	(32.2)	ARS
BASF Argentina S.A.	Buenos Aires (Argentina)	100.00		2,020.8	268.3	ARS
BASF Chile S.A.	Santiago de Chile (Chile)	100.00		21,069.0	1.0	CLP
BASF Coatings Services (Pty.) Ltd.	Cape Town (South Africa)	70.00		155.5	15.5	ZAR
BASF Construction Chemicals South Africa (Pty.) Ltd	Midrand (South Africa)	70.00		(153.5)	(114.5)	ZAR
BASF Construction Chemicals Algeria SARL	Algiers (Algeria)	60.00		1,378.0	261.1	DZD
BASF Construction Chemicals Egypt (SAE)	Cairo (Egypt)	50.00		117.7	100.8	EGP
BASF Construction Chemicals Limitada	Santiago de Chile (Chile)	99.99		5,929.0	0.1	CLP
BASF Construction Chemicals Perú Sociedad Anonima	Lima (Peru)	70.00		24.3	11.5	PEN
BASF Construction Chemicals UAE LLC	Dubai (United Arab Emirates)	49.00 ⁶		379.1	(15.2)	AED
BASF Corporate Services Chile S.A.	Santiago de Chile (Chile)	100.00	99.93	16,845.0	0.2	CLP
BASF Educational Trust	Johannesburg (South Africa)	0.00 ⁶		0.0	0.0	ZAR
BASF FZE	Dubai (United Arab Emirates)	100.00	100.00	69.4	11.9	AED
BASF Holdings South Africa (Pty.) Ltd.	Midrand (South Africa)	70.00		900.7	8.5	ZAR
BASF Peruana S.A.	Lima (Peru)	100.00	99.79	61.5	3.4	PEN
BASF Plastic Additives Middle East S.P.C.	Al Hidd (Bahrain)	100.00		(3.6)	(1.0)	BHD
BASF Poliuretanos Ltda.	Maua (Brazil)	100.00		48.7	(13.5)	BRL

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Química Colombiana S.A.	Bogota (Colombia)	100.00		47,546.0	2.3	COP
BASF S.A.	São Paulo (Brazil)	100.00		4,477.6	79.9	BRL
BASF Services Americas S.R.L.	Montevideo (Uruguay)	100.00		144.1	44.8	UYU
BASF South Africa (Pty.) Ltd.	Midrand (South Africa)	70.00		2,605.3	92.5	ZAR
BASF Uruguay S.A.	Montevideo (Uruguay)	100.00	100.00	311.0	152.7	UYU
Bioseeds S.A.	Buenos Aires (Argentina)	100.00		74.0	1.4	ARS
CA Pesquisa e Comercio de Sementes Ltda.	Campinas (Brazil)	100.00		36.2	0.3	BRL
Chemetall do Brasil Ltda.	Jundiai (Brazil)	100.00		37.5	(3.6)	BRL
Chemetall (Proprietary) Ltd.	Boksburg (South Africa)	100.00		417.6	(7.6)	ZAR
Chemetall S.R.L.	Buenos Aires (Argentina)	100.00		18.1	2.8	ARS
Nunhems Chile SpA	Santiago de Chile (Chile)	100.00		9,947.0	0.1	CLP
Nunhems Israel Seeds 2018 LTD	Hod Hasharon (Israel)	100.00		12.0	0.7	ILS
Nunhems Maroc SARL	Casablanca (Morocco)	100.00	100.00	48.1	12.7	MAD
PL Pesquisa e Produção de Sementes Ltda.	Primavera do Leste (Brazil)	100.00		813.9	228.4	BRL
Saudi BASF for Building Materials Co. Ltd.	Al Khobar (Saudi Arabia)	60.00		152.8	65.3	SAR
Wintershall do Brasil Exploração e Produção Ltda	Rio de Janeiro (Brazil)	100.00		140.2	(42.0)	BRL
Wintershall Energía S.A.	Buenos Aires (Argentina)	100.00		15,639.8	6,905.5	ARS

Proportionally consolidated joint operations

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Rest of Europe						
AO Achimgaz	Novy Urengoi (Russian Federation)	50.00		39,458.9	13,469.2	RUB
BASF DOW HPPO Holding B.V.	Hoek (Netherlands)	50.00		27.4	8.0	EUR
BASF DOW HPPO Production BVBA	Antwerp (Belgium)	50.00		42.6	11.2	EUR
Ellba C.V.	Rotterdam (Netherlands)	50.00		83.0	29.3	EUR
HPPO Holding and Finance C.V.	Hoek (Netherlands)	50.00		27.4	8.0	EUR
Zandvliet Power N.V.	Antwerp (Belgium)	50.00		17.8	2.1	EUR
Asia Pacific						
KOLON BASF innoPOM Inc.	Gimcheon (South Korea)	50.00		48.7	0.7	USD
Toray BASF PBT Resin Sdn. Bhd.	Kuala Lumpur (Malaysia)	50.00	50.00	36.2	2.2	MYR

Joint ventures accounted for using the equity method

Information on equity and earnings after taxes generally pertain to preliminary 2018 figures.

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Germany						
W & G Infrastruktur Finanzierungs-GmbH	Kassel	49.97		379.3	(1.9)	EUR
Rest of Europe						
BASF Sonatrach Propanchem S.A.	Tarragona (Spain)	51.00		61.1	46.9	EUR
Limited Liability Company Joint Venture "Wolgodeminoil"	Wolgograd (Russian Federation)	50.00		3,094.0	3,294.0	RUB
Synvina C.V.	Amsterdam (Netherlands)	51.00		17.1	(76.9)	EUR
Wintershall Noordzee B.V.	Rijswijk (Netherlands)	50.00		593.4	(14.4)	EUR
North America						
Industrias Polioles S.A. de C.V.	Mexico City (Mexico)	49.90		2.2	0.5	USD
Polioles, S.A. de C.V.	Lerma (Mexico)	50.00		28.5	2.1	USD
Asia Pacific						
BASF INOAC Polyurethanes Ltd.	Shinshiro (Japan)	50.00		5.2	1.6	JPY
BASF MPCC Company Limited	Guangdong (China)	50.00		461.3	142.3	CNY
BASF PJPC Neopentylglycol Co. Ltd.	Jilin City (China)	60.00	50.00	209.2	13.1	CNY
BASF-YPC Company Ltd.	Nanjing (China)	50.00	10.00	13,321.3	2,679.9	CNY
Changchun Chemetall Chemicals Co., Ltd.	Changchun (China)	57.00		37.2	7.4	CNY
Chongqing Chemetall Chemicals Co., Ltd.	Chongqing (China)	55.00		19.1	(3.0)	CNY
Heesung Catalysts Corporation	Seoul (South Korea)	50.00		468.1	56.3	KRW
Heesung PMTech Corporation	Seoul (South Korea)	40.05	⁷	468.1	56.3	KRW
N.E. Chemcat Corporation	Tokyo (Japan)	50.00		41.3	4.9	JPY
Shanghai Gaoqiao BASF Dispersions Co. Ltd.	Shanghai (China)	50.00	40.00	182.6	(10.5)	CNY
Thai Ethoxylate Co., Ltd.	Bangkok (Thailand)	50.00		1,481.3	243.0	THB

Associated companies accounted for using the equity method

Information on equity and earnings after taxes generally pertain to preliminary 2018 figures.

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Germany						
ARG mbH & Co. KG	Duisburg	19.93 ⁸	19.93	9.5 ⁹	34.1 ⁹	EUR
GASCADE Gastransport GmbH	Kassel	49.97		514.2	116.1	EUR
Lucura Versicherungs AG	Ludwigshafen (Rhein)	100.00		271.1	52.4	EUR
NEL Gastransport GmbH	Kassel	49.97		229.9	(0.1)	EUR
Wintershall AG	Kassel	51.00		190.0	0.3	EUR
Rest of Europe						
Ahrma Holding B.V.	Deventer (Netherlands)	33.00		3.6 ⁹	(3.3) ⁹	EUR
BASF Huntsman Shanghai Isocyanate Investment B.V.	Arnhem (Netherlands)	50.00		155.0	5.7	EUR

⁷ Figures relate to the superordinate company (Heesung Catalysts Corporation)

⁸ BASF exercises significant influence over financial and corporate policy

⁹ Financial Statements as of December 31, 2017

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Interox H2O2 Production N.V.	Brussels (Belgium)	50.00		18.9	18.9	EUR
CIMO Compagnie industrielle de Monthey S.A.	Monthey (Switzerland)	50.00		199.0	(2.5)	CHF
Joint Stock Company Achim Trading	Moscow (Russian Federation)	18.01		37.4	(5.8)	RUB
Limited Liability Company Achim Development	Nowy Urengoi (Russian Federation)	25.01		3,061.3	129.8	RUB
Nord Stream AG	Zug (Switzerland)	15.50 ⁸		2,467.3	462.6	CHF
Stahl Lux 2 S.A.	Luxembourg (Luxembourg)	16.32 ⁸		116.2	56.3	EUR
OAO Severneftegazprom	Krasnoselkup (Russian Federation)	25.00 ¹⁰		55,461.0	2,760.7	RUB
North America						
Yara Freeport LLC	Wilmington, Delaware (USA)	32.00		384.0	(2.8)	USD
Asia Pacific						
Markor Meiou Chemical (Xinjiang) Co., Ltd.	Korla (China)	49.00		351.4	25.9	CNY
Shanghai Lianheng Isocyanate Co. Ltd.	Shanghai (China)	35.00		1,950.6	73.1	CNY

II. Associated companies not consolidated due to immateriality

Subsidiaries not consolidated due to immateriality

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
Germany			
Advanc3d Materials GmbH	Hamburg	100.00	
Axaron Bioscience AG	Ludwigshafen (Rhein)	99.97	
baseclick GmbH	Neuried	67.23	
BASF 3D Printing Solutions GmbH	Heidelberg	100.00	
BASF Biorenewable Beteiligungs GmbH & Co. KG	Ludwigshafen (Rhein)	100.00	
BASF Coatings Services GmbH	Dortmund	100.00	
BASF Digital Farming GmbH	Münster	100.00	
BASF Fuel Cell GmbH	Ludwigshafen (Rhein)	100.00	
BASF Fuel Cell Pensionsverwaltung GmbH	Ludwigshafen (Rhein)	100.00	
BASF Gastronomie GmbH	Ludwigshafen (Rhein)	100.00	
BASF Deutsche Grundbesitz GmbH	Ludwigshafen (Rhein)	100.00	
BASF Immobilien-Gesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00
BASF Innovationsfonds GmbH	Ludwigshafen (Rhein)	100.00	
BASF Jobmarkt GmbH	Ludwigshafen (Rhein)	100.00	100.00
BASF Lizenz GmbH	Ludwigshafen (Rhein)	100.00	
BASF Logistics GmbH	Ludwigshafen (Rhein)	100.00	
BASF Mobilienleasing GmbH & Co. KG	Monheim	100.00	
BASF Oldenburger Grundbesitz GmbH	Oldenburg	100.00	
BASF Schwarzheide Consulting GmbH	Schwarzheide	100.00	
BASF Venture Capital GmbH	Ludwigshafen (Rhein)	100.00	
BASF VC Beteiligungs- und Managementgesellschaft mbH	Ludwigshafen (Rhein)	100.00	
BASF watertechnologies Beteiligungs GmbH	Schwarzheide	100.00	100.00
BFC Research GmbH	Ludwigshafen (Rhein)	100.00	
Chemovator GmbH	Mannheim	100.00	

⁸ BASF exercises significant influence over financial and corporate policy
¹⁰ Total share of earnings of 35% due to an additional preferred share

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
CM-Hilfe GmbH Unterstützungskasse	Frankfurt (Main)	100.00	
Cognis Trust Management GmbH	Düsseldorf	100.00	
Deutsche Nanoschicht GmbH	Rheinbach	100.00	
FSB Flugplatz Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)	100.00	
FSL Flugplatz Speyer/Ludwigshafen GmbH	Speyer	59.35	9.43
Gesellschaft zur Förderung der Lackkunst mbH	Münster	100.00	
Gewerkschaft des Konsolidierten Steinkohlebergwerks Breitenbach GmbH	Ludwigshafen (Rhein)	100.00	100.00
Guano-Werke Pensionsverwaltung GmbH	Ludwigshafen (Rhein)	100.00	
Guano-Werke Verwaltungs GmbH	Ludwigshafen (Rhein)	100.00	
LUCARA Immobilienverwaltungs-GmbH	Ludwigshafen (Rhein)	100.00	100.00
Metanomics GmbH	Berlin	100.00	
Nordkaspische Explorations- und Produktions GmbH	Kassel	100.00	
OPAL Verwaltungs-GmbH	Kassel	50.00	
Projektentwicklungs-GmbH Friesenheimer Insel	Ludwigshafen (Rhein)	100.00	100.00
SGS - Schwarzheider Gastronomie und Service GmbH	Schwarzheide	100.00	
SunGene GmbH	Ludwigshafen (Rhein)	100.00	
trinamiX GmbH	Ludwigshafen (Rhein)	100.00	
Ultraform Verwaltungsgesellschaft mbH	Ludwigshafen (Rhein)	100.00	100.00
WIGA Verwaltungs-GmbH	Kassel	50.02	
Wintershall Lenkoran GmbH	Kassel	100.00	
Wintershall Libyen Oil & Gas GmbH	Kassel	100.00	
Wintershall Russland GmbH	Kassel	100.00	
Wintershall Wolga Petroleum GmbH	Kassel	100.00	
Rest of Europe			
Allied Colloids Group Limited	Cheadle (United Kingdom)	100.00	
A.M. Craig Limited	Bletchley (United Kingdom)	100.00	
Ardrox Ltd.	Bletchley (United Kingdom)	100.00	
AWIAG Ltd.	Birkirkara (Malta)	100.00	
BASF Battery Materials Finland Oy	Helsinki (Finland)	100.00	
BASF Business Services Holding Ltd.	Cheadle (United Kingdom)	100.00	
BASF Business Services Ltd.	Cheadle (United Kingdom)	100.00	
BASF Business Services N.V.	Antwerp (Belgium)	100.00	
BASF Coatings Services AB	Hisings Kärra (Sweden)	100.00	
BASF Coatings Services AG	Pfäffikon (Switzerland)	100.00	
BASF Coatings Services B.V.	Maarsse (Netherlands)	100.00	
BASF Coatings Services GmbH	Eugendorf (Austria)	100.00	
BASF Coatings Services Italy Srl	Cesano Maderno (Italy)	100.00	
BASF Coatings Services S.A.	Prior Velho (Portugal)	100.00	
BASF Coatings Services S.A.	Bornem (Belgium)	100.00	
BASF Coatings Services S.A.S.	Compans (France)	100.00	
BASF Coatings Services S.A.U.	Guadalajara (Spain)	100.00	
BASF Coatings Services S.R.L.	Bucharest (Romania)	100.00	99.99
BASF Coatings Services Sp. z o.o.	Warsaw (Poland)	100.00	
BASF Colors & Effects Iberia S.L.	Barcelona (Spain)	100.00	
BASF Colors & Effects Italy SRL	Cesano Maderno (Italy)	100.00	100.00
BASF Colors & Effects UK Ltd.	Cheadle (United Kingdom)	100.00	

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
BASF Croatia d.o.o.	Zagreb (Croatia)	100.00	100.00
BASF EOOD	Sofia (Bulgaria)	100.00	100.00
BASF Industrial Metals LLC	Moscow (Russian Federation)	100.00	
BASF IP Management B.V.	Arnhem (Netherlands)	100.00	
BASF Pensions Trustee Limited	Cheadle (United Kingdom)	100.00	
BASF S.R.L.	Bucharest (Romania)	100.00	100.00
BASF SIA	Riga (Latvia)	100.00	
BASF Slovenija d.o.o.	Ljubljana (Slovenia)	100.00	100.00
BASF Srbija d.o.o.	Belgrade (Serbia)	100.00	100.00
BASF UAB	Vilnius (Lithuania)	100.00	100.00
BCI PENSIONS TRUSTEE LIMITED	Bletchley (United Kingdom)	100.00	
Boots Galenika d.o.o.	Belgrade (Serbia)	51.00	51.00
Brent Europe Ltd.	Bletchley (United Kingdom)	100.00	
Brent International B.V.	Bletchley (United Kingdom)	100.00	
Chem2U AG	Basel (Switzerland)	100.00	
Chemserve Ltd.	Bletchley (United Kingdom)	100.00	
Ciba Scandinavia AB	Göteborg (Sweden)	100.00	
Ciba Services AG	Basel (Switzerland)	100.00	
Cognis Holdings UK Ltd.	Cheadle (United Kingdom)	100.00	
CropDesign N.V.	Nevele (Belgium)	100.00	
CSI Kemwood AB	Hisings Backa (Sweden)	100.00	
Engelhard Arganda S.L.	Tarragona (Spain)	100.00	100.00
FLLC BASF	Minsk (Belarus)	100.00	
Inca Bronze Powders Ltd.	Cheadle (United Kingdom)	100.00	
Innofil3D B.V.	Emmen (Netherlands)	100.00	
Interlates Ltd.	Cheadle (United Kingdom)	100.00	
Low Moor Securities Ltd.	Cheadle (United Kingdom)	100.00	
Process Ink Holdings Ltd.	Bletchley (United Kingdom)	100.00	
Process Inks and Coatings Ltd.	Bletchley (United Kingdom)	100.00	
Rolic Technologies B.V.	Eindhoven (Netherlands)	100.00	
Setup Performance SAS	Frontonas (France)	100.00	
The Brent Manufacturing Company Ltd.	Bletchley (United Kingdom)	100.00	
The MicroBio Group Limited	Cheadle (United Kingdom)	100.00	
The Sheffield Smelting Co. Ltd.	Cheadle (United Kingdom)	100.00	
Wintershall Exploration and Production International C.V.	Rijswijk (Netherlands)	100.00	
Wintershall Global Support B.V.	Rijswijk (Netherlands)	100.00	
North America			
Automotive Refinish Technologies Inc.	Mississauga, Ontario (Canada)	100.00	
Automotive Refinish Technologies, LLC	Southfield, Michigan (USA)	100.00	
BASF Construction Canada Holdings Inc.	Mississauga, Ontario (Canada)	100.00	
BASF de El Salvador, S.A. de C.V.	San Salvador (El Salvador)	100.00	99.95
BASF de Guatemala S.A.	Guatemala City (Guatemala)	100.00	99.34
BASF Dominicana S.A.	Santo Domingo (Dominican Republic)	100.00	100.00
BASF Venture Capital America Inc.	Fremont, California (USA)	100.00	
Becker Underwood Inoculants LLC	Ames, Iowa (USA)	100.00	
Ciba S.A. (ACC)	Guatemala City (Guatemala)	100.00	

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
EnerG2 Inc.	Wilmington, Delaware (USA)	100.00	
EnerG2 Technologies, Inc.	Seattle, Washington (USA)	100.00	
Good Roofing Incorporated	Laredo, Texas (USA)	100.00	
OSNovation Systems Inc.	Santa Clara, California (USA)	80.00	
SkyBit Inc.	Boalsburg, Pennsylvania (USA)	100.00	
Thega techos y paredes S.A. de C.V.	Monterrey (Mexico)	100.00	
Thousand Springs Trout Farms, Inc.	Florham Park, New Jersey (USA)	100.00	
Asia Pacific			
Allied Colloids (Asia) Ltd.	Hong Kong (China)	100.00	
BASF Bangladesh Ltd.	Dhaka (Bangladesh)	76.41	76.41
BASF Chem Products FC LLC	Tashkent (Uzbekistan)	100.00	
BASF China Limited	Hong Kong (China)	100.00	
BASF Coatings + Inks Philippines Inc.	Makati (Philippines)	100.00	
BASF Coatings International Trade (Shanghai) Co. Ltd.	Shanghai (China)	100.00	
BASF Colors & Effects India Private Limited	Mumbai (India)	100.00	
BASF Construction Chemicals (Beijing) Co. Ltd.	Beijing (China)	100.00	
BASF Construction Chemicals (Sichuan) Co. Ltd.	Qinglong (China)	100.00	
BASF Construction Chemicals Ltd.	Erbil (Iraq)	50.40	
BASF Construction Systems (China) Co. Ltd.	Huzhou (China)	100.00	
BASF Grameen Ltd.	Dhaka (Bangladesh)	99.50	99.50
BASF Caspian LLC	Sumgait (Azerbaijan)	100.00	
BASF International Trading (Shanghai) Co., Ltd.	Shanghai (China)	100.00	
BASF Lanka (Private) Limited	Colombo (Sri Lanka)	100.00	99.99
BASF Myanmar Ltd.	Yangon (Myanmar)	100.00	
BASF Myanmar Manufacturing Co., Ltd.	Rangun (Myanmar)	100.00	
BASF Pakistan (Pvt.) Limited	Karachi (Pakistan)	100.00	100.00
BASF Philippines, Inc.	Taguig (Philippines)	100.00	100.00
BASF See Sen Sdn. Bhd.	Kemaman (Malaysia)	70.00	70.00
BASF Venture Capital (Shanghai) Co. Ltd.	Shanghai (China)	100.00	
BNC Color Techno Co., Ltd.	Kanagawa (Japan)	100.00	
Chemetall Surface Technologies China Co. Ltd.	Shanghai (China)	100.00	
Doobon Fine Chemical Co. Ltd.	Cheongju (South Korea)	63.00	
Foshan Chemetall Surface Treatment Co.	Foshan (China)	57.00	
Rolic Technologies (Shanghai) Co., Ltd.	Shanghai (China)	100.00	
Shanghai MBT & SCG High-Tech Construction Chemical Co. Ltd.	Shanghai (China)	60.00	
Pozzoloth Solutions Ltd.	Chigasaki (Japan)	60.00	
Zhejiang Chemetall Surface Treatment Materials Co. Ltd.	Pinghu City (China)	100.00	
South America, Africa, Middle East			
BASF Agricultural Specialities (PTY) Ltd.	Mariannhill (South Africa)	100.00	
BASF Agricultural Specialities S.A.	Buenos Aires (Argentina)	100.00	
BASF Bolivia S.R.L.	Santa Cruz de la Sierra (Bolivia)	100.00	99.00
BASF Coatings (Pty.) Ltd.	Johannesburg (South Africa)	70.00	
BASF Colors and Effects FZE	Dubai (United Arab Emirates)	100.00	
BASF Construction Chemicals ORIA FZE	Dubai (United Arab Emirates)	100.00	
BASF Construction Chemicals Pars Company (PJS)	Tehran (Iran)	100.00	

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
BASF East Africa Ltd.	Nairobi (Kenya)	100.00	99.75
BASF Ecuatoriana S.A.	Quito (Ecuador)	100.00	99.97
BASF Iran (PJS) Company	Tehran (Iran)	100.00	
BASF Ivory Coast	Abidjan (Ivory Coast)	100.00	
BASF Ltd.	Cairo (Egypt)	100.00	99.18
BASF Maroc S.A.	Casablanca (Morocco)	100.00	99.96
BASF Middle East Chemicals LLC	Abu Dhabi (United Arab Emirates)	75.00	
BASF Paraguay S.A.	Asunción (Paraguay)	100.00	99.99
BASF Polyurethanes South Africa (Pty) Ltd.	Edenvale (South Africa)	70.00	
BASF Saudi Arabia Limited Company	Al Dammam (Saudi Arabia)	75.00	
BASF SpA	Algiers (Algeria)	100.00	100.00
BASF Tanzania Limited	Dar es Salaam (Tanzania)	100.00	
BASF Venezolana S.A.	Caracas (Venezuela)	100.00	73.67
BASF West Africa Ltd.	Lagos (Nigeria)	100.00	
BASF Zambia Limited	Lusaka (Zambia)	100.00	
Ciba (Pty.) Ltd.	Spartan (South Africa)	100.00	
Engelhard (South Africa) (Pty.) Ltd.	Port Elizabeth (South Africa)	70.00	
Jordanian Swiss Company for Manufacturing & Marketing Construction Chemicals Ltd.	Amman (Jordan)	80.00	
Medag Indústria de Soluções Químicas Ltda.	Manaus (Brazil)	100.00	
Nunhems Ethiopia PLC	Addis Abeba (Ethiopia)	100.00	
Wintershall BM-C-10 Ltda.	Rio de Janeiro (Brazil)	99.99	
Wintershall BM-C-19 Ltda.	Rio de Janeiro (Brazil)	100.00	
Wintershall BM-ES-1 Ltda.	Rio de Janeiro (Brazil)	100.00	
Wintershall Chile Ltda.	Santiago de Chile (Chile)	100.00	
Wintershall do Brasil Serviços Ltda.	Rio de Janeiro (Brazil)	100.00	

Associated companies not accounted for using the equity method due to immateriality

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
Germany			
ARG Verwaltungs GmbH	Duisburg	20.00	20.00
Aurentum Innovationstechnologien GmbH	Mainz	48.20	
DCSO Deutsche Cyber-Sicherheitsorganisation GmbH	Berlin	25.00	25.00
Erdgas Münster GmbH	Münster	28.76	
GAG Ludwigshafen am Rhein AG für Wohnungs-, Gewerbe- und Städtebau	Ludwigshafen (Rhein)	30.00	
Infra Leuna Beteiligungs GmbH	Leuna	27.00	
InnovationLab GmbH	Heidelberg	48.00	48.00
KTL Kombi-Terminal Ludwigshafen GmbH	Ludwigshafen (Rhein)	40.00	40.00
Nowega GmbH	Münster	28.76	
Rest of Europe			
ARA Kaisten AG	Kaisten (Switzerland)	25.00	
B2B Cosmetics	La Seyne-Sur-Mer (France)	25.02	
bci Betriebs-AG	Basel (Switzerland)	42.54	
BIOCRATES Life Sciences AG	Innsbruck (Austria)	36.85	
Combi Terminal Catalonia Sociedad Limitada	Tarragona (Spain)	25.00	
Combinant N.V.	Antwerp (Belgium)	45.00	

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
CSEBER Nonprofit Közhasznú Kft.	Budapest (Hungary)	22.72	
ecoRobotix SA	Yverdon-les-Bains (Switzerland)	20.50	
Gestio de Residus Especials de Catalunya S.A.	Tarragona (Spain)	33.33	
Industriefeuerwehr Regio Basel AG (IFRB)	Muttenz (Switzerland)	33.33	
North America			
Buckeye Products Pipeline LP	Houston, Texas (USA)	22.00	
Gulf Coast Pipeline LP	Houston, Texas (USA)	22.00	
Sion Power Corporation	Tucson, Arizona (USA)	20.00	
Splice Sleeve North America, Inc.	Livonia, Michigan (USA)	32.50	
Asia Pacific			
Nihon Splice Sleeve Ltd.	Tokyo (Japan)	32.50	
Nisso BASF Agro Co., Ltd.	Tokyo (Japan)	45.00	45.00
Santoku BASF Pte. Ltd.	Singapore (Singapore)	49.00	49.00
South America, Africa, Middle East			
BASF Construction Chemicals LLC	Maskat (Oman)	34.30	
BASF Kanoo Polyurethanes LLC	Dubai (United Arab Emirates)	49.00	
BASF Trading Egypt (SAE)	Cairo (Egypt)	48.00	
BASF Tunisia S.A.	Tunis (Tunisia)	49.00	49.00

Joint ventures not accounted for using the equity method due to immateriality

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)
Germany			
KARANTO Corrosion Protection Technologies GmbH	Düsseldorf	50.00	
Succinity GmbH	Düsseldorf	50.00	50.00
Rest of Europe			
BASF DOW HPPO B.V.	Hoek (Netherlands)	50.00	
BASF DOW HPPO Technology B.V.	Hoek (Netherlands)	50.00	
Ellba B.V.	Arnhem (Netherlands)	50.00	
OOO Elastokam	Nischnekamsk (Russian Federation)	50.00	
Synvina B.V.	Amsterdam (Netherlands)	51.00	
TAPP A.I.E. Terminal de Atraque de Productos Petroquimicos	Tarragona (Spain)	50.00	
North America			
Fort Amanda Specialties LLC	Lima, Ohio (USA)	50.00	
Asia Pacific			
Pigment Manufacturers of Australia Ltd.	Laverton (Australia)	50.00	
South America, Africa, Middle East			
BASF Middle East LLC	Dubai (United Arab Emirates)	75.00	75.00

Participating interests between 5% and 20% in major corporations

Company	Headquarters	Participating interest (%)	Of which BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Germany						
InfraLeuna GmbH	Leuna	6.62		351.8 ¹¹	5.0 ¹¹	EUR
Asia Pacific						
Chemipro Kasei Kaisha, Ltd.	Kobe (Japan)	7.64		2,443.0 ⁹	234.7 ⁹	JPY
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Zhuhai (China)	10.00		429.0 ⁹	13.0 ⁹	CNY

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 provided by section 264(3) or section 264b of the German Commercial Code (HGB):

Company	Headquarters
Aachener Chemische Werke Gesellschaft für glastechnische Produkte und Verfahren mbH	Mönchengladbach
BASF Agricultural Solutions GmbH	Ludwigshafen (Rhein)
BASF Agricultural Solutions Seed GmbH	Ludwigshafen (Rhein)
BASF Agro Trademarks GmbH	Ludwigshafen (Rhein)
BASF Akquisitions GmbH	Ludwigshafen (Rhein)
BASF Battery Technology Investment GmbH & Co. KG	Ludwigshafen (Rhein)
BASF Beteiligungsgesellschaft mbH	Ludwigshafen (Rhein)
BASF Business Services GmbH	Ludwigshafen (Rhein)
BASF Catalysts Germany GmbH	Hannover
BASF Coatings GmbH	Münster
BASF Color Solutions Germany GmbH	Cologne
BASF Colors & Effects GmbH	Ludwigshafen (Rhein)
BASF Construction Solutions GmbH	Trostberg
BASF Grenzach GmbH	Grenzach-Wyhlen
BASF Handels- und Exportgesellschaft mbH	Ludwigshafen (Rhein)
BASF Isocyanate China Investment GmbH	Ludwigshafen (Rhein)
BASF Lampertheim GmbH	Lampertheim
BASF Leuna GmbH	Leuna
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhein)
BASF New Business GmbH	Ludwigshafen (Rhein)
BASF Niedersächsische Grundbesitz GmbH	Ludwigshafen (Rhein)
BASF Performance Polymers GmbH	Rudolstadt
BASF Personal Care and Nutrition GmbH	Monheim
BASF Pigment GmbH	Ludwigshafen (Rhein)
BASF Plant Science Company GmbH	Ludwigshafen (Rhein)
BASF Plant Science GmbH	Ludwigshafen (Rhein)
BASF Polyurethanes GmbH	Lemförde
BASF Services Europe GmbH	Berlin
BASF Trostberger Grundbesitz GmbH	Ludwigshafen (Rhein)
BASF US Verwaltung GmbH	Ludwigshafen (Rhein)

⁹ Financial Statements as of December 31, 2017

¹¹ Financial Statements for the fiscal year from January 1, 2017, to December 31, 2017.

Company	Headquarters
BASF watertechnologies GmbH & Co. KG	Ludwigshafen (Rhein)
BASF Wohnen + Bauen GmbH	Ludwigshafen (Rhein)
BASF Wolman GmbH	Sinzheim
BTC Europe GmbH	Monheim
CerTho Produktions GmbH	Unna
Chemetall GmbH	Frankfurt (Main)
Cognis Holding GmbH	Ludwigshafen (Rhein)
Cognis International GmbH	Monheim
Construction Research & Technology GmbH	Trostberg
E & A Internationale Explorations- und Produktions-GmbH	Kassel
Grünau Illertissen GmbH	Illertissen
Guano-Werke GmbH & Co. KG	Ludwigshafen (Rhein)
hte GmbH the high throughput experimentation company	Heidelberg
inge GmbH	Greifenberg
PCI Augsburg GmbH	Augsburg
Wintershall Middle East GmbH	Kassel
Wintershall Vermögensverwaltungsgesellschaft mbH	Kassel

Disclosures on BASF SE's position as a shareholder with unlimited liability pursuant to section 285 no. 11a HGB

Company	Headquarters
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen (Rhein)

In accordance with the requirements of section 357 of the Republic of Ireland Companies Act of 2014, BASF SE provides irrevocable guarantees for all amounts shown as liabilities in the financial statements of the subsidiary shown below. This subsidiary is thereby exempted from disclosure obligations as per section 347 of the Companies Act of 2014.

Company	Headquarters
BASF Ireland Limited	Cork (Ireland)

Ludwigshafen am Rhein, February 20, 2019

The Board of Executive Directors

Assurance Pursuant to Sections 264(2) and 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 Management's Report 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 am Rhein, February 20, 2019



Dr. Martin Bruder Müller
Chairman of the Board of Executive Directors
and Chief Technology Officer



Michael Heinz



Dr. Hans-Ulrich Engel
Vice Chairman of the Board of Executive Directors
and Chief Financial Officer



Dr. Markus Kamieth



Saori Dubourg



Wayne T. Smith



Sanjeev Gandhi

Independent Auditor's Report¹

To BASF SE, Ludwigshafen am Rhein

Report on the Audit of the Annual Financial Statements and of the Management's Report

Opinions

We have audited the Annual Financial Statements of BASF SE, Ludwigshafen am Rhein, which comprise the balance sheet as at December 31, 2018 and the statement of income for the financial year from January 1, 2018 to December 31, 2018 and the Notes to the Financial Statements, including the recognition and measurement policies presented therein. In addition, we have audited the Management's Report of BASF SE for the financial year from January 1, 2018 to December 31, 2018. In accordance with the German legal requirements, we have not audited the content of the non-financial statement and the corporate governance statement which are included in a separate section in the Management's Report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying Annual Financial Statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2018 and of its financial performance for the financial year from January 1, 2018 to December 31, 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying Management's Report as a whole provides an appropriate view of the company's position. In all material respects, this Management's Report is consistent with the Annual Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Management's Report does not cover the content of the non-financial statement and the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the Annual Financial Statements and of the Management's Report.

Basis for the Opinions

We conducted our audit of the Annual Financial Statements and of the Management Report's in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are

independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the Annual Financial Statements and on the Management's Report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Annual Financial Statements for the financial year from January 1, 2018 to December 31, 2018. These matters were addressed in the context of our audit of the Annual Financial Statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of shares in affiliated companies and shares in other companies

For information on the accounting principles applied, please refer to Note 1 to the financial statements. The development of long-term financial assets is presented in Note 10.

The Financial Statement Risk

In the Annual Financial Statements of BASF SE as of December 31, 2018, shares in affiliated companies in the amount of €18,516 million and shares in other companies in the amount of €223 million are presented under long-term financial assets in the balance sheet. This represents 37.4% of the balance sheet total resulting in a significant influence on the company's financial position.

Long-term financial assets are generally recognized at acquisition cost in the Annual Financial Statements prepared in accordance with German commercial law. If the fair value on the reporting date falls below acquisition cost, an impairment must be recognized if the reduction in value is expected to be permanent. The company uses the discounted cash flow method to calculate the fair value. If the reasons for impairment no longer exists, the impairment is reversed to cost.

The cash flows utilized for the discounted cash flow method are based on entity specific projections for the upcoming five years, which are updated in line with the assumed long-term growth rates. The country-specific cost of capital is calculated using the return on an alternative investment with a comparable risk level and term.

In the fiscal year BASF SE has not recognized impairments on shares in affiliated and other companies. There have also been no reversals of impairments.

¹ This is a translation of the German original. Solely the original text in German language is authoritative.

Impairment testing including the calculation of fair value in accordance with the discounted cash flow method is complex and, in terms of the assumptions made, heavily dependent on the company's estimates and judgments. This applies among other things to the estimates of future cash flows and long-term growth rates as well as the calculation of the cost of capital rates.

There is a risk for the Annual Financial Statements that the shares in affiliated companies and the shares in other companies have not been measured correctly.

Our Audit Approach

In a first step, we evaluated the design and implementation of the controls established by BASF to identify and calculate the need for impairment and reversal of impairment. We examined in detail the approach used by the company to determine a need for impairment and, using the information gained in our audit, assessed whether there are indications of a need for impairment or reversal of impairment not identified by the company.

With respect to the valuation model, we assessed whether the valuation methods are consistent with the relevant valuation principles and the formulas used in the calculation files were applied correctly from a mathematical perspective. We satisfied ourselves of the methodological correctness of the calculation and the appropriateness of the weighted cost of capital rates used. To this end, we calculated our own expected values for the assumptions and parameters underlying the weighted cost of capital rates (e.g., risk-free rate, market risk premium, beta factor) and compared these with the assumptions and parameters used. The audit team was supported by our company valuation specialists.

We also assessed whether the cash flow planning underlying the valuation is based on appropriate and reasonable assumptions. To this end, we had the company or persons nominated by it at affiliated companies explain these assumptions and evaluated the effect of strategic and operating measures on cash flow planning. We examined the long-term earnings forecasts and growth rates using industry and economic studies to determine whether the assumptions in the measurements are appropriate. In selected cases, we assessed the quality of planning by comparing planning in the past with actual annual results. Finally, we discussed the results of valuations with BASF and verified the accounting treatment of these results based on the company's calculations.

Our Observations

The approach used by BASF to test shareholdings for impairment (including the valuation model) is appropriate and consistent with the valuation principles. Overall, the assumptions and assessments underlying the company's calculations are appropriate.

Measurement of pension obligations and plan assets

For information on the accounting principles applied, please refer to Note 1 to the financial statements. The underlying assumptions used in the measurement of pension obligations are described in Note 17.

The Financial Statement Risk

As of December 31, 2018, BASF SE's pension obligations amounted to € 5,554 million. The fair value of the plan assets was €5,350 million. Overall, the pension obligations covered by assets resulted in a negative financing position of € 152 million as of December 31, 2018; this is reported as a provision for pensions and similar obligations. In addition, the obligations not covered by assets amounting to € 52 million are reported as a provision for pensions and similar obligations.

Provisions for pension-related obligations are recognized based on reasonable commercial judgment of the amount needed to meet these obligations.

BASF SE uses the internationally accepted projected unit credit method as the actuarial method for calculating the amount needed to meet obligations based on reasonable commercial judgment. BASF uses an external actuary here. The assumptions applied in the process are determined by BASF SE. The company assumed salary growth of 2.75% and a pension trend of 1.50% for the calculation as of December 31, 2018. With regard to mortality and invalidity expectations, BASF used the modified 2005 G mortality tables by Prof. Dr. Klaus Heubeck.

Assets that serve as plan assets are measured at fair value. The fair values of plan assets generally correspond to the market price. If no active market exists, this gives rise to uncertainty or discretionary scope in the measurement of the plan assets.

The actuarial calculation of pension obligations are characterized by estimation uncertainty about the assumptions applied, particularly the projected pension increase.

There is a risk for the Annual Financial Statements that pension obligations and plan assets have not been measured correctly. There is also a risk that the Notes to the Annual Financial Statements do not contain the required disclosures on the assumptions underlying the valuation.

Our Audit Approach

In a first step, we assessed the design, implementation and effectiveness of the internal controls established by the company to communicate audit-relevant financial information, particularly the underlying data of the human resources system, to the actuary.

We assessed whether the actuarial calculation methods used are permissible. In the assessment of the assumptions and the calculation methods used, the audit team was supported by our actuarial specialists. Our actuaries also satisfied themselves of the competence, the expertise and the objectivity of the actuary engaged by BASF and evaluated the results of their work. Our audit procedures included, among others, an assessment of the appropriateness of the assumptions used as well as a comparison of the discount rate used with the interest rate published by Deutsche Bundesbank. In addition, we verified the accuracy of the resulting obligations based on a sample of specific pension commitments.

For the assessment of the fair values of plan assets, we had access to, in particular, bank confirmations and financial statements of the banks managing the funds. We also took a representative sample to compare the closing rates of the shares and bonds in the special fund with external market data. For non-listed investments, we additionally evaluated the design, implementation and effectiveness of the internal controls established by the company to assess the valuation process for these investments.

Furthermore, we assessed whether the Notes to the Annual Financial Statements contained the required disclosures on the assumptions underlying the valuation.

Our Observations

The methods used by BASF to measure pension obligations are appropriate and consistent with the valuation principles to be applied under the German Commercial Code (Handelsgesetzbuch, HGB). Overall, the assumptions underlying the valuation of the pension obligations and the plan assets are appropriate. The Notes to the Annual Financial Statements contain the necessary disclosures on the assumptions underlying the valuation.

Measurement of tax provisions

For information on the accounting principles applied, please refer to Note 1 to the financial statements. Disclosures on income taxes can be found in Note 6.

The Financial Statement Risk

BASF SE has business activities in various jurisdictions with different legal regulations. A provision in the amount of € 410 million was recognized as of December 31, 2018 for current taxes and risks arising from tax audits.

The application of tax regulations is complex and has risks associated with it. The determination of tax liabilities makes it necessary for BASF SE to apply judgment in the assessment of tax matters and that estimates be made with respect to tax risks.

There is a risk for the Annual Financial Statements that the provisions for taxes are over- or understated.

Our Audit Approach

We integrated our own tax specialists in the audit team to evaluate the tax calculation prepared and the risk assessment performed by BASF SE.

We assessed the assumptions made by BASF SE to calculate tax provisions based on our knowledge and experience of the current application of the relevant regulatory requirements by government authorities and the courts, and checked the calculation of tax provisions for mathematical correctness. In discussions with employees in the tax department of BASF SE, we obtained an understanding as to the existing tax risks. In addition, we evaluated correspondence with the responsible fiscal authorities on the main matters.

Our Observations

The approach and assumptions made by BASF SE in the determination of tax provisions are appropriate.

Other Information

The Board of Executive Directors is responsible for the other information. The other information comprises:

- the non-financial statement and the corporate governance statement, and
- the remaining parts of the annual report, with the exception of the audited Annual Financial Statements and Management's Report and our auditor's report.

Our opinions on the Annual Financial Statements and on the Management's Report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the Annual Financial Statements, with the Management's Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement, we performed an independent limited assurance engagement on the non-financial statement. For the type, scope and results of this engagement, please refer to our audit report dated February 20, 2019.

Responsibilities of the Board of Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management's Report

The Board of Executive Directors is responsible for the preparation of the Annual Financial Statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles. In addition, the Board of Executive Directors is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the Board of Executive Directors is responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Board of Executive Directors is responsible for the preparation of the Management's Report that as a whole provides an appropriate view of the company's position and is, in all material respects, consistent with the Annual Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Executive Directors is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Management's Report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the Annual Financial Statements and of the Management's Report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Management's Report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the Annual Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the Annual Financial Statements and on the Management's Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements and this Management's Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements and of the Management's Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control system relevant to the audit of the Annual Financial Statements and of arrangements and measures (systems) relevant to the audit of the Management's Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the company.
- Evaluate the appropriateness of accounting policies used by the Board of Executive Directors and the reasonableness of estimates made by the Board of Executive Directors and related disclosures.
- Conclude on the appropriateness of the Board of Executive Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Annual Financial Statements and in the Management's Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements present the underlying transactions and events in a manner that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the Management's Report with the Annual Financial Statements, its conformity with German law, and the view of the company's position it provides.

- Perform audit procedures on the prospective information presented by the Board of Executive Directors in the Management's Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Executive Directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Annual Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 4, 2018. We were engaged by the Supervisory Board on July 23, 2018. We have been the auditor of BASF SE without interruption since the financial year 2006.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr. Stephanie Dietz.

Frankfurt am Main, February 20, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Sailer
Wirtschaftsprüfer
[German Public Auditor]

Dr. Dietz
Wirtschaftsprüferin
[German Public Auditor]

Further information

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