

BASF SE

Financial Statements 2016

and Management's Report

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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 BASF Group's portfolio is arranged into the segments Chemicals, Performance Products, Functional Materials & Solutions, Agricultural Solutions and Oil & Gas. Within these five segments, 13 divisions bear operational responsibility and manage 57 global and regional business units. The divisions develop strategies for 86 strategic business units and are organized according to sectors or products. BASF supplies products to a large number of business partners in nearly every part of the world.

The operating business of BASF SE represents a portion of the BASF Group's overall global business and is steered by the respective corporate and business units based on the performance indicators of the BASF Group. A complete overview 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.

Accounting principles

The Financial Statements of BASF SE are prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*, HGB) and the German Stock Corporation Act (*Aktien-gesetz*, AktG). From January 1, 2016, the Financial Statements of BASF SE will accord with the provisions of the German Accounting Directive Implementation Act (BilRUG).

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).

Corporate Governance Statement pursuant to Section 289a HGB

The Corporate Governance Statement in accordance with Section 289a HGB, printed on pages 15 to 23 (Corporate Governance Report, Compliance, Declaration of Conformity), is an element of the Management's Report. With the exception of disclosures pursuant to Section 289(4) HGB, disclosures contained in the Corporate Governance Report as per Section 317(2)(4) HGB are not included in the audit of the external auditor.

Economic environment

The global economy grew only moderately in 2016 but was subject to regional fluctuations. While growth in the emerging markets remained almost unchanged in comparison with 2015, it decelerated in the industrialized countries due to the U.S. economy's initially weak dynamic.¹ In the European Union, growth in gross domestic product was just marginally below the previous year's level despite the heightened uncertainty before and after the British referendum on leaving the E.U. Gross domestic product in China grew only slightly more slowly thanks to governmental economic measures. Overall, global gross domestic product grew by 2.3%, as we had anticipated, remaining behind the level of 2015 (+2.7%). The average price for a barrel of Brent blend crude oil fell to \$44 per barrel (2015: \$52 per barrel).

Global industrial production grew by around 1.9% in 2016, about the same as in the previous year (+2.0%). Growth in the advanced economies slowed slightly (2016: +0.8%, 2015: +1.0%) but remained constant in the emerging markets (2016: +3.0%, 2015: +3.0%).

Industrial growth in the European Union increased marginally to 1.4% from 1.3%. In the United States, industrial production stagnated (2016: +0.3%; 2015: +1.3%). At 5.5%, industrial growth in the emerging markets of Asia roughly matched the prior year's level. Industry in China cooled down only slightly, thanks to governmental stimulus. The recession continued in South America: Industrial production shrank in Brazil by 6.0% (2015: -8.2%).

The chemical industry (excluding pharmaceuticals) grew at the rate we had anticipated, by 3.4%. The fastest growth was seen in chemical production in the emerging markets of Asia (2016: +6.3%, 2015: +6.6%). Chemical production increased only marginally in the European Union (2016: +0.4%, 2015: +0.9%). There were substantial regional differences. Production fell considerably in Belgium and the United Kingdom, while the Netherlands saw a sharp increase. Chemical production declined slightly in Germany. Growth in the United States was weaker than in the previous year (2016: +0.6%, 2015: +1.9%). Thanks to significant production expansion in Mexico, overall growth for North America shrank at a slower rate (2016: +0.9%, 2015: +1.8%). South America saw a marginal decline in chemical production (2016: -0.8%, 2015: -3.8%). Production volumes grew slightly in Japan, at 1.5% (2015: +1.6%).

¹ Figures in this section that refer to previous years could deviate from last year's report due to statistical revisions.

Business Development

Results of operations

Million €	2016	2015
Sales revenue ¹	21,954	23,652
Gross profit on sales ¹	5,330	5,820
Income from operations (EBIT)	894	1,320
Income from shareholdings	2,352	1,760
Interest result	(126)	(668)
Other financial result	53	33
Financial result	2,279	1,125
Income before taxes	3,173	2,445
Net income	2,808	2,158

¹ The BASF SE Financial Statements have enacted the requirements set forth by the German Accounting Directive Implementation Act (*Bilanzrichtlinie-Umsetzungsgesetz*, or BilRUG) since January 1, 2016. A restatement of the previous year's figures was not undertaken, which may limit comparability to some extent.

Sales

Regions (million €)

	2016	2015
Europe	16,027	16,953
Thereof Germany	5,536	5,924
North America	1,878	2,093
Asia Pacific	2,647	2,979
South America, Africa, Middle East	1,402	1,627
	21,954	23,652

Income from operations

In 2016, BASF SE's sales declined by 7.2% year-on-year to €21,954 million, particularly due to a decrease in sales prices. Additional factors dampening sales were the carve-out of the pigments business on July 1, 2016, and the consequences of the fire damage at the North Harbor in Ludwigshafen. With slightly lower raw material and energy costs as well as impairments on plants in the initial startup phase, margins were slightly below prior-year levels. Gross profit on sales therefore declined by 8.4% to €5,330 million, with capacity utilization rates remaining stable.

Income from operations fell considerably, by €426 million to €894 million. Selling costs declined by €121 million, particularly owing to lower costs for marketing, shipping and commissions. Moreover, administration costs were reduced by €15 million. Contrasting this was a €43 million increase in

research expenses, especially on account of a contractually agreed-upon assumption of personnel expenses in the course of restructuring measures at a BASF Group company. The balance of other operating income and expenses was down by €29 million year-on-year: Compared with 2015, other operating income and expenses both decreased by €159 million and €156 million, respectively, as a result of disclosure effects from the first-time application of the German Accounting Directive Implementation Act (BilRUG). These amounts were reclassified to sales and cost of sales. Furthermore, additions to provisions for share-price-based compensation (the LTI program) rose by €114 million and miscellaneous costs by €131 million, particularly through the €56 million increase in costs for investment projects. By contrast, the currency result improved by €164 million in the reporting year. In addition, the sale of the OLED patent portfolio and the photoinitiator business accounted for a €35 million increase in income.

Financial result

The financial result rose by €1,154 million to €2,279 million. The growth in income from shareholdings arose particularly from an increase in profit transfers from affiliated companies, largely influenced in the reporting year by dividend payments from undistributed earnings at a subsidiary. The interest result improved mainly as a result of lower interest expenses for pension obligations and a rise in earnings from corresponding plan assets.

Net income

At €3,173 million, income before taxes was considerably above the previous year's level. Income taxes rose by €78 million to €365 million in the reporting year. The change in deferred tax assets and liabilities resulted in tax expenses of €8 million in 2016 (2015: €113 million in tax income). By contrast, current income tax expenses decreased by €43 million. This was due to the reversal of some provisions for previous years.

Net income rose in 2016 by €650 million to €2,808 million compared with the previous year.

Net assets and financial position

	2016		2015	
	Millionen €	%	Millionen €	%
Fixed assets	23,482	54.2	23,191	56.1
Current assets and other assets	19,825	45.8	18,140	43.9
Total assets	43,307	100.0	41,331	100.0
Equity	16,828	38.9	16,683	40.4
Provisions	2,126	4.9	2,048	4.9
Liabilities and other liabilities	24,353	56.2	22,600	54.7
Total equity and liabilities	43,307	100.0	41,331	100.0

Net assets

Total assets were up by €1,976 million to €43,307 million, representing an increase of 4.8%.

The €291 million increase in fixed assets stemmed from financial assets. Capital increases at subsidiaries and the issue of new loans to subsidiaries led to growth of €501 million in financial assets. Due to a level of depreciation that was higher than the amount of investments, as well as to the divestiture of the pigments business, fixed assets were reduced by €112 million. Intangible assets declined by €98 million.

The rise in current assets was largely attributable to the €1,833 million increase in receivables from associated companies in connection with profit transfers at subsidiaries. Liquid funds decreased by €286 million.

Because of the time period for calculating the average discount rate was extended from seven to ten years, the discount rate for measuring pension obligations increased. In total, an excess of plan assets arose in the amount of €353 million.

The €145 million rise in equity resulted from net income of €2,808 million, which exceeded dividends paid for the 2015 business year in the amount of €2,663 million.

Provisions grew by €78 million, in connection with €237 million in other provisions, especially for share-price-based variable compensation. By contrast, provisions for taxes decreased by €157 million.

Liabilities and other equity and liability items rose by €1,753 million. While liabilities to associated companies grew by €2,187 million due to borrowing at affiliated companies, financial indebtedness was reduced by €281 million.

Financial position

Despite the €650 million increase in net income to €2,808 million, only €2,388 million in cash was generated by operating activities in 2016 (2015: €7,054 million). Higher income from profit transfers led to an increase in receivables from associated companies, although this will first affect profit and loss in the following year.

Cash used in investing activities amounted to €1,980 million (2015: €4,007). In addition to a lower level of investments in fixed assets, especially for the TDI Verbund, fewer financial investments were made at affiliated companies. Contrasting this were higher payments made for financial assets and marketable securities.

Financing activities led to a cash outflow of €1,189 million (2015: €2,527 million). Aside from the dividend payout and the repayment of financial indebtedness, borrowing at affiliated companies had a counterbalancing effect.

In total, liquid funds declined by €781 million to €315 million. This comprised, as of the reporting date, cash on hand and balances with banks.

Principles and objectives of our financial management

Our financing policy is aimed at ensuring our solvency at all times, limiting the risks associated with financing and optimizing our cost of capital. We preferably meet our financing needs on international capital markets. We strive to maintain at least a solid "A" rating, which allows us unrestricted access to money and capital markets.

BASF has good credit ratings, especially in comparison with competitors in the chemical industry. Rating agency Moody's last confirmed their rating of "A1/P-1/outlook stable" on November 28, 2016. Standard & Poor's adjusted BASF's rating from "A+/A-1/outlook negative" to "A/A-1/outlook stable" on March 14, 2016, and last confirmed this on August 10, 2016. The adjustment was mainly due to the weaker market environment, primarily for basic and agrochemicals; limited overall volumes growth; and the considerable decline in the price of crude oil. Uncertainty with regard to economic growth in China was also taken into consideration. Rating agency Scope has also been evaluating our creditworthiness since September 2016. It rates BASF at "A/S-1/outlook stable."

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 and diverse range of investors, and to optimize our debt capital financing conditions. We use the U.S. dollar commercial paper program for short-term financing purposes.

Employees and Society

Working at BASF

Our employees carry out the goals of the “We create chemistry” strategy. 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.

With variable compensation components, employees participate in the company’s success and are rewarded for their individual performance. The same principles basically apply for all employees. The amount of the variable component is determined by the company’s economic success (measured by the return on assets of the BASF Group) as well as the employee’s individual performance. Individual performance is assessed as part of a globally consistent performance management process.

Personnel expenses for BASF SE rose by €270 million in 2016 to €3,539 million (2015: €3,269 million), particularly from higher wages and salaries as well as increased expenses for share-price-based variable compensation. On December 31, 2016, BASF SE had 35,001 employees (2015: 35,972).

As in numerous other Group companies, our employees are offered the chance to purchase shares. The BASF share program “*plus*” sponsors employees’ long-term participation in the company through incentive shares: By investing a portion of their compensation in BASF shares, they take part in the long-term development of BASF. In 2016, employees of BASF SE purchased 663,761 shares under the “*plus*” program.

BASF offers its executives the opportunity to participate in a share-price-based compensation program. This long-term incentive (LTI) program ties a portion of their compensation to the long-term performance of BASF shares. The program provides for the granting of virtual options, which are settled in cash when exercised. In order to take part in the program, a participant must make a personal investment: A participant’s maximum gain from exercising an option is limited to five times the original individual investment starting with the 2013 LTI program. In 2016, 92% of the approximately 1,200 eligible executives worldwide participated in the LTI program, investing up to 30% of their variable compensation in BASF shares.

Innovation

A growing need for food, clean water and energy, limited resources and a booming world population – 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 are a prerequisite for innovations as well as an important growth engine for BASF. We work in interdisciplinary teams on innovative processes and products for a sustainable future. This is how we ensure our long-term business success with chemistry-based solutions for almost all sectors of industry.

Our global network of about 600 universities, research institutes and companies forms an important part of our Know-How Verbund. We collaborate with them in many different disciplines. The number and quality of our patents also attest to our power of innovation and long-term competitiveness. We filed around 850 new patents worldwide in 2016.

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; and quality of life.

In order to develop future business fields with high sales potential for BASF, we develop specific growth fields. These are regularly reviewed in terms of their attractiveness for BASF. When they mature, we transfer them to the operating divisions and promote the development of new approaches with high market potential.

We enhanced our innovation approach in 2016 with the aim of increasing our company’s power of innovation and securing long-term competitive ability. We aim to achieve this by honing our research focus on topics that are strategically relevant for our business, strengthening our existing scientific processes and methods and introducing new ones, and optimizing organizational structures.

In so doing, we restructured cross-divisional corporate research in 2016 to create more space for the quick review of creative research approaches. At the same time, we tailored our previous technology fields even more toward the needs of the BASF Group. They have been rearranged into multiple, strategic key technologies that are constantly being further developed. We also place our focus on the innovative application of specific key technologies that are of central significance for our operating divisions.

We had around 4,445 employees involved in research and development in 2016. €1,269 million was spent on research and development.

¹ To calculate variable compensation, total return on assets is adjusted for special items.

Environmental protection, safety and security

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. Our climate protection products make an important contribution toward helping our customers avoid emissions.

BASF SE spent €503 million (2015: €505 million) on climate protection in 2016. This amount included both end-of-pipe measures and integrated environmental protection measures. As of December 31, 2016, provisions established for environmental protection measures and remediation amounted to €177 million (December 31, 2015: €135 million).

We never compromise on safety. For occupational and process safety as well as health and environmental protection and corporate security, we rely on comprehensive preventive measures as well as on the involvement of all employees and contractors. The lost-time injury rate at BASF SE remained stable at 2.5 per one million working hours (2015: 2.5). In October, a fire followed by an explosion occurred during preventative maintenance work on a pipeline at the North Harbor in Ludwigshafen. The three members of the BASF fire department and a crewman of a tanker barge moored in the harbor died as a result of the accident. The course of events leading to the accident are being investigated by district attorney's office in Frankenthal. BASF will carry out a thorough assessment of the accident and publish the findings. The company has commissioned an independent expert to analyze the course of events leading up to the accident.

Contractors reduced their accident rate by 17%. The lost-time injury rate for this group was 2.6 per one million working hours. In order to avoid accidents and achieve our global goal of reducing the rate of workrelated accidents to 0.5 by 2025, we particularly rely on strict adherence to clearly defined safety rules and on the commitment of all our employees. Our safety initiatives foster awareness of workplace safety and the safe conduct of each individual.

We act responsibly as an integral part of society and have set out the framework for our voluntary commitments in our Responsible Care Management System. We never compromise on the safety and security of our employees, contractors and neighbors as well as our facilities, transportation and products, and the environment.

We set ourselves ambitious goals for safety, security, health and environmental protection. Our policies and requirements are constantly updated.

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; appropriate measures are derived according to specific cause analyses. We foster awareness of workplace safety in every individual with our worldwide safety initiatives.

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. In 2014, we had already nearly achieved the BASF Group goal of reducing the number of worldwide transportation accidents per 10,000 shipments by 70% from 2003 to 2020. Therefore, in our reporting on transportation incidents, we have focused since 2015 on dangerous goods spillages that significantly impacted the environment. We will report on dangerous goods leaks of BASF products in excess of 200 kilograms on public transportation routes, provided BASF arranged the transport.

We regularly evaluate the risks in transporting raw materials with high hazard potential using our global guideline. This is based on the guidelines of the European Chemical Industry Council, CEFIC. We are actively involved in external networks, which quickly provide information and assistance in emergencies.

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 understand risk to be any event that can negatively impact the achievement of our short-term operational or long-term strategic goals. We define opportunities as possible successes that exceed our defined goals.

In order to effectively measure and manage identified opportunities and risks, we quantify these in terms of probability and economic impact in the event they occur. 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

- **Significant risks and opportunities arise from overall economic developments and volatility in exchange rates and margins**

For 2017, we expect the global economy to continue to grow at around the same pace as the previous year. Important opportunities and risks for our earnings are associated with uncertainty regarding market growth, the development of key customer industries, and volatility in foreign currency exchange rates and margins. A considerable slowdown of the Chinese economy continues to pose significant risks. Such a development would negatively impact 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 and an increased tendency toward protectionism.

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 which even comprehensive risk management cannot exclude.

Risk management process

- **Integrated process for identification, assessment and reporting**
- **Decentralized management of specific opportunities and risks**
- **Aggregation at a Group level**

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; Strategic Planning & Controlling; Legal, Taxes, Insurance & Intellectual Property; and the Chief Compliance Officer. Effective January 1, 2017, the Finance corporate unit and the Legal, Taxes, Insurance and Intellectual Property corporate unit were both renamed functional units. Competence centers were relabeled either functional units or research units. The Strategic Planning & Controlling unit is now called Corporate Development. The new nomenclature had no effect on the existing risk management processes. The aforementioned units continue to 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, research, functional and corporate units 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 material prices are an exception. In this case, there is an initial consolidation at a Group-wide 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. The CCO regularly reports to the Board of Executive Directors on progress in the program's implementation as well as on any significant results. Furthermore, the CCO provides a status report to the Supervisory Board's Audit Committee at least once each 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 Process Manual, 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 the business and Group level using a Monte Carlo simulation helps us to identify effects and trends across the company.
- 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 our strategy development, the Corporate Development unit conducts strategic opportunity/risk analyses with a ten-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 on our Group-wide Compliance Program, see page 21

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

- Conducted in accordance with standardized Group guidelines
- Segregation of duties, four-eyes principle, and clearly regulated access rights
- Annual evaluation of control environment and relevant processes at significant companies

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 internal reconciliations and other accounting operations. Standard software is used to carry out the accounting processes for the separate financial statements, 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 for the structured and Groupwide uniform evaluation of the internal control system in financial reporting.

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.

In addition, we use a centralized selection process to identify areas that are exposed to particular risks, that have a material impact on the Financial Statements of BASF SE or that provide service processes. The selection process is conducted annually. In the relevant areas, one person is given the responsibility of monitoring the execution of the annual evaluation process.

The process comprises the following steps:

– Evaluation of the control environment

The adherence to internal and external guidelines relevant for the maintenance of a reliable control environment is verified by examining a representative sample 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 effective 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 halfyear 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 drivers of opportunities and risks.

We also consider risks from deviations in assumptions. We continue to see a significant macroeconomic risk in 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 and an increased tendency toward protectionism.

Margin volatility

We generally anticipate stable margins in 2017. For some products and value chains, it is possible that margin pressure could be increased by, for example, new capacities or increasing raw material costs. This would have a negative effect on our EBIT.

The year's average oil price for Brent crude was around \$44 per barrel in 2016, compared with \$52 in the previous year. For 2017, we anticipate an average oil price of \$55 per barrel. We therefore expect a moderate increase in price levels for the raw materials and petrochemical basic products that are important to our business.

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 fitting measures. Aside from innovation, a major component of competitiveness is a suitable cost structure in order to achieve good business performance on the market.

Regulation and political risks

Risks for us can arise from intensified geopolitical tensions, the destabilization of political systems or new trade barriers. In addition, risks to the BASF SE can be posed by further regulations on the use or registration of agricultural and other chemicals.

The German federal government's agreement with the E.U. Commission on the treatment of existing self-generated energy in the new Renewable Energy Act (*Erneuerbare-Energien-Gesetz*, or EEG) has removed the previously reported risk of sharply increased charges resulting from the EEG surcharge.

We view the worldwide expansion of renewable energy and measures to increase energy efficiency as an opportunity for increased demand for our products. For example, we offer solutions for wind turbines in addition to insulation foams for buildings. Our catalyst business benefits from the tightening of automobile emissions regulations.

Purchasing and supply chain

We minimize procurement risks through our broad portfolio, global purchasing activities and the purchase of raw materials on spot markets, as well. If possible, we avoid procuring raw materials from a single supplier. When this cannot be avoided, we try to foster competition or we knowingly enter into this relationship and assess the consequences of potential non-delivery. We continuously monitor the credit risk of important business partners.

Production and investments

We try to prevent unscheduled plant shutdowns by adhering to high technical standards and 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.

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 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 has global procedures and systems in place to ensure IT security. These include stable and redundantly designed IT systems, backup processes, virus and access protection and encryption systems as well as integrated, Groupwide 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 Groupwide regulations for organization and application, as well as an internal control system based on these regulations.

BASF also established a Cyber Defense Center in 2015; is a member of the Cyber Security Sharing and Analytics e.V. (CSSA); and is a founding member of the German Cyber Security 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 analysis and assessment 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 affected operating and functional units together with the Legal and Finance units. If sufficient probability is identified, a provision is recognized accordingly for each dispute. 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 Groupwide 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 functional unit or in the appropriately authorized Group companies. Detailed guidelines and procedures exist for dealing with financial risks. Among other things, they provide for the segregation of trading and back office functions.

Exchange rate volatility

Our competitiveness on global markets is influenced by fluctuations in exchange rates. For BASF's purchasing, 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 present value of fixed rate instruments and fluctuations in the interest payments for variable rate 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 well 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 a balanced maturity profile for 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. The credit ratings are 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 of the BASF Group, there are no major concentrations of credit default risk. Risks are also limited through the use of credit insurance and bank guarantees.

Impairment risks

The risk of an asset impairment occurs if the assumed interest rate in an impairment test increases, the predicted cash flows decline, or investment projects are suspended. In the current business environment, we consider the risk of impairment of individual assets such as customer relationships, technologies and brands, as well as goodwill, to be 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.

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 applies particularly to 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 in recent years been almost exclusively offered defined contribution plans for future years of service.

Long-term opportunities and risks

Long-term demand development

We assume that chemical production (excluding pharmaceuticals) will grow considerably faster than global gross domestic product over the next five years and at about the same level as 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 sales growth that slightly exceeds this market growth.

Should global economic growth see unexpected, considerable deceleration, due for example to an ongoing weak period in the emerging markets 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 the competitive and customer landscape

We expect competitors from emerging markets to become increasingly important in the coming years. Furthermore, we anticipate that many raw material suppliers will broaden their value chains.

We counter this risk through active portfolio management. We exit markets where risks outweigh opportunities, and in which we see limited possibilities to stand out from our competitors in the long term.

In order to remain competitive, we continuously improve our operational excellence. Our strategic excellence program, *DrivE*, also contributes to this aim.

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 through strategic cooperative partnerships.

Innovation

The trend toward more sustainability in our customer industries continues. We want to take advantage of the resulting opportunities with innovations. In the long term, we aim to continue increasing sales and earnings with new and improved products.

BASF's enhanced innovation approach helps the company increase its power of innovation and ensure competitive ability through targeted enhancement and innovative application of specific key technologies. This is achieved by honing the focus of research on topics with long-term strategic business relevance, enhancing existing scientific processes and methods and introducing new ones, and optimizing our organizational structures. The central research areas Process Research & Chemical Engineering, Advanced Materials & Systems Research and Bioscience Research serve as global platforms headquartered in one of the regions particularly significant for us: 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. Stronger regional presence opens up new opportunities to participate in local innovation processes and gain access to local talent. 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.

We optimize the efficiency and effectiveness of our research activities through our global KnowHow Verbund as well as through collaboration with partners and customers. Furthermore, we continuously review the chances of success and the underlying conditions of research projects; this review includes all phases from idea generation to product launch. The trust of customers and consumers is essential for the successful introduction of new technologies. That is why we enter into dialog with stakeholders at an early stage of development.

Portfolio development through investments

Our decisions on the type, size 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, are innovation-driven, offer added value for our customers and reduce the cyclicity of our earnings.

The evaluation of opportunities and risks plays a significant role during the assessment of acquisition targets. A detailed analysis and quantification are conducted as part of due diligence. Examples of risks include increased staff turnover, delayed realization of synergies, and 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, too, is adjusting in the medium and long term to the rising challenge of gaining skilled employees due to demographic changes, 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 our Best Team Strategy and the global initiatives derived from it, covering topics such as demographic and knowledge management, Diversity + Inclusion, employee and leadership development, intensified employer branding, and supplementary regional initiatives. With these measures, we increase BASF's attractiveness as an employer and retain our employees in the long term.

Sustainability

BASF uses sustainability management tools to identify upcoming opportunities and risks that arise in connection with the topics of environment, society and governance. Their long-term effect on our business activities and their associated relevance are assessed through such instruments as our materiality analysis, and take into account our experiences from constant stakeholder dialog. We have established global monitoring systems to check adherence to laws and our voluntary commitments in the areas of environment, society and governance. These also incorporate our suppliers.

In terms of upcoming opportunities and risks, material aspects identified included: energy and climate, water, resources and ecosystems, responsible production, and employment and employability. In addition to specific requirements for these aspects, discussion is growing surrounding the internalization of external effects.

In order to identify, assess and direct climate-related risks and opportunities, our risk management process includes analyzing the material aspect "energy and climate." For BASF as an energy-intensive company, opportunities and risks arise particularly from regulatory changes, such as in carbon prices through emissions trading systems, taxes or energy legislation.

Outlook

Global economic environment

For 2017, we expect the global economy and chemical production to grow at around the same pace as 2016.¹

We assume the following conditions for 2017:

- The global economy will presumably grow by 2.3%, about as fast as 2016.
- Global chemical production will grow by 3.4% in 2017, the same as 2016.
- Global industrial production is likely to grow by 2.3%, slightly faster than 2016.
- The European Union's gross domestic product is expected to slow considerably in 2017, to 1.3%.
- Growth in the United States will be somewhat greater in 2017 (+2.0%); at 5.6%, a weakening of growth in Asia (without Japan); Japanese growth to increase only slightly (+0.7%); we anticipate an end to the economic downturn in South America.
- Average exchange rate of \$1.05 per euro
- Average price of Brent crude: \$55 per barrel

For the years from 2017 to 2019, we expect the global economy to grow at an average annual rate of 2.6%.

Sales and earnings forecast

Considering the assumptions described above for the development of the global economic environment, we expect sales in 2017 – excluding the effects of acquisitions and divestitures – to decline slightly compared with the previous year. This is a consequence of the carve out of the pigments business on July 1, 2016, without which sales would be slightly higher compared with the previous year. Earnings in 2017 will be impacted by higher impairments on plants, the extent of which was not fully recognized in the previous year. Countering this will be our measures aimed at operational excellence and increased efficiency. In addition, earnings for the 2016 fiscal year were impacted by special items, in particular the fire damage at the North Harbor in Ludwigshafen and plant start-up costs. As a result, we forecast that income from operations will lie slightly above the level of the 2016 reporting year.

Investment forecast

We plan investments totaling around €1.8 billion between 2017 and 2019. This means that depreciation and amortization are likely to exceed investments. Acquisitions are not included in the planned total.

Forward-looking statements

These forecasts contain forwardlooking statements. These statements are based on current estimates and projections of BASF management 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 7 through 13.

Dividend

We stand by our ambitious dividend policy and offer our shareholders an attractive dividend yield. We continue to aim to increase our dividend each year, or at least maintain it at the previous year's level.

 For information on the proposed dividend, see pages 37 and 51

¹ Figures in this section that refer to previous years could deviate from last year's report due to statistical revisions.

Corporate Governance Statement Pursuant to Section 289a 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 guarantees that BASF is directed and monitored in a responsible manner focused on value creation. This 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

- **Board of Executive Directors strictly separated from the Supervisory Board**
- **Responsible for company management**
- **Sets corporate goals and strategic direction**

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 activity of the Board of Executive Directors 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 aligned with 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 individual financial statements of BASF SE. Furthermore, it must ensure that the company's activities comply with the law and with internal corporate directives. This includes the establishment of appropriate systems for control, compliance and risk management.

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 generally 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; 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 on risk management, see the Opportunities and Risks Report from pages 7 through 13

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 32

Compensation of the Board of Executive Directors is described in detail in the Compensation Report from pages 24 to 30

Supervision of company management by the Supervisory Board

- Supervision of company management by the Supervisory Board
- Four Supervisory Board committees

The Supervisory Board appoints the members of the Board of Executive Directors and supervises and advises the Board 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 twelve members. Six members are elected to a five-year term each 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 chairmen and, independently, at the request of one of their members or the Board of Executive Directors. 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.

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 on the Statutes of BASF SE and the Employee Participation Agreement, see basf.com/en/cg/investor

 The members of the Supervisory Board of BASF SE, including their membership on the supervisory bodies of other companies, are listed on page 33

Compensation of the Supervisory Board is described in detail in the Compensation Report on pages 30 and 31

Personnel Committee

Members:

Dr. Jürgen Hambrecht (chairman), Michael Diekmann, Robert Oswald, 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 longterm 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, Franz Fehrenbach, Michael Vassiliadis

Duties:

- Prepares the negotiations and resolutions of the Supervisory Board for the approval of the Financial Statements and Consolidated Financial Statements, and discusses the quarterly statements and half-year financial reports 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
- 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), Dame Alison Carnwath DBE, Michael Diekmann, Robert Oswald, 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 2016 business year, meetings were held as follows:

- The Supervisory Board met five times.
- The Personnel Committee met four times.
- The Audit Committee met five times.
- The Nomination Committee met once.
- The Strategy Committee did not meet.

With the exception of one Supervisory Board meeting at which one member was absent due to illness, all respective members attended all meetings of the Supervisory Board and its committees.

 For more on the Supervisory Board's activities and resolutions in the 2016 business year, see the Report of the Supervisory Board on page 34

 An individual overview of meeting attendance has been made available on the company website at: basf.com/governance/supervisoryboard/meetings

Objectives for Supervisory Board composition

- **Composition criteria: professional and personal qualifications, diversity, and independence**

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. Seats on the Board of Executive Directors and Supervisory Board should be filled with members who ensure a wellbalanced consideration of all the knowledge, skills and personal qualifications necessary to manage and supervise BASF as a large, globally operating, capital market-oriented company in the chemical industry.

On October 21, 2010, the Supervisory Board agreed upon objectives for the composition of the Supervisory Board in accordance with Section 5.4.1 of the German Corporate Governance Code; these were supplemented in the Supervisory Board meetings of December 20, 2012, and October 22, 2015. According to these objectives, the Supervisory Board shall be composed in such a way that the members as a group possess knowledge, ability and expert experience in the following:

- In the management of an internationally operating company
- In crossindustry value creation along different value chains
- In the application of accounting principles and internal control procedures
- The field of technical and scientific innovations in the chemical sector and associated industries as well as in the sectors using chemical products

At least one independent member of the Supervisory Board must have expertise in the fields of accounting or auditing as per Section 100(5) of the German Stock Corporation Act (AktG). With regard to diversity, the Supervisory Board shall consider a variety of professional and international experience as well as the participation of women. Individuals who may have a conflict of interest shall not be nominated for election to the Supervisory Board. The same applies to candidates who will have reached the age of 70 by the day of the election. Membership on the Supervisory Board should generally not exceed 15 years; this corresponds to three regular statutory periods in office. The members of the Supervisory Board elected at the Annual Shareholders' Meeting already fulfill this target – in effect since October 2015 – with one exception.

With regard to independence, the Supervisory Board aims to ensure that all Supervisory Board members are independent as defined by the terms of the Code. In assessing independence, the Supervisory Board assumes that neither election as an employee representative, nor membership on the Board of Executive Directors more than two years in the past, nor the duration of membership on the Supervisory Board, taken in isolation, precludes the classification as independent.

On this basis, the Supervisory Board has determined that all of its current members can be considered independent. We firmly believe that the current composition fulfills the objectives with the aforementioned exception regarding the period of membership.

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

■ **Minimum quota on Supervisory Board, target figures for Board of Executive Directors and top management**

On April 24, 2015, the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector came into force in Germany.

The supervisory board of a publicly listed European society (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% each of women and men. The Supervisory Board of BASF SE currently comprises three women and nine men. Two of the six shareholder representatives elected at the Annual Shareholders' Meeting are women. According to the legal stipulations of Section 17(2) SE Implementation Act, the minimum quota is not to be fulfilled immediately but rather upon any necessary reappointments, that is, new elections. In 2016, the employee-elected Supervisory Board member Wolfgang Daniel left the Supervisory Board. He is succeeded by Waldemar Helber, who joined the Supervisory Board without additional appointment, that is, without election, as the member personally chosen to replace Wolfgang Daniel as early as 2013 until the end of the 2019 Annual Shareholders' Meeting. In accordance with legal regulations, the legal minimum quota will therefore be reached after the next regular Supervisory Board election in 2019 at the latest.

As a target figure for the Board of Executive Directors, the Supervisory Board determined, in accordance with Section 111(5) AktG for the first target-attainment period after the law's entry into force, that the Board of Executive Directors should have at least one female member. With eight members of the Board of Executive Directors, this represents 12.5%. Both at the time the target was set, and by the target-attainment deadline on December 31, 2016, the Board of Executive Directors contained one woman. The stipulation was therefore met.

In addition, the Board of Executive Directors decided on target figures for the percentage of women in the two management levels below the Board of Executive Directors of BASF SE as per the legal requirements in Section 76(4) AktG: These

were at 9.4% for the leadership level directly below the Board, and 11.8% for the level below that. This corresponded to the status at the time these target figures were determined.

On December 31, 2016, the deadline for attainment of these goals, the percentage of women in the first level of management under the Board of Executive Directors of BASF SE was at 12.1%. The percentage of women in management one level below that was 7.3%.

We do not regard these deviations as meaningful, as BASF views the further development and promotion of women as a global duty independent of individual Group companies. We set ourselves ambitious goals for this and made further progress in 2016. The focus goes beyond gender quotas, and includes, for example, increasing international representation.

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.

By the end of the first target-attainment period, new target figures were set for BASF SE: The Supervisory Board determined as a target figure for the Board of Executive Directors that the Board of Executive Directors of BASF SE should continue to have at least one female member. With eight current members of the Board of Executive Directors, this represents a proportion of 12.5%. 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 these new goals was set for December 31, 2021.

Shareholders' rights

- **Shareholders' rights of co-administration and supervision at the Annual Shareholders' Meeting**
- **One share, one vote**

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, decides on the formal discharge of the Board of Executive Directors and the Supervisory Board, the distribution of profits, capital measures, the authorization of share buybacks, 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. 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 SE follows all recommendations 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 May 2015. 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 onsite.

 The joint Declaration of Conformity 2016 by the Board of Executive Directors and Supervisory Board of BASF SE is given on page 23

 For more on the Declaration of Conformity 2016, the implementation of the Code's suggestions and the German Corporate Governance Code, see basf.com/en/governance

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

As of December 31, 2016, 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, 85 of the German Stock Corporation Act, as well as Article 7 of the BASF SE Statutes. 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 vicechairpersons. The members of the Board of Executive Directors are appointed for a maximum of five years, and 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) 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, the Section 179(2) of the German Stock Corporation Act requires a majority of at least threequarters of the subscribed capital represented. Pursuant to Article 12(6) of the Statutes of BASF SE, the Supervisory Board is authorized to resolve upon 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 the authorized capital.

Until May 1, 2019, the Board of Executive Directors of BASF SE is empowered by a resolution passed at the Annual Shareholders' Meeting of May 2, 2014, to increase the subscribed capital – with the approval of the Supervisory Board – by a total amount 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 done by a credit institution acquiring the new shares with the obligation to offer these to shareholders (indirect subscription right). The Board of Executive Directors is authorized to exclude the statutory subscription right of shareholders to a maximum amount of a total of 20% of share capital in certain exceptional cases that are defined in Section 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 is not more than 10% of the stock of shares on the date of issue or, in eligible individual cases, to acquire companies or shares in companies in exchange for surrendering BASF shares.

At the Annual Shareholders' Meeting on April 27, 2012, the Board of Executive Directors was authorized to purchase up to 10% of the shares existing at the time of the resolution (10% of the company's share capital) until April 26, 2017. 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 redeem the shares bought back and to reduce the share capital by the proportion of the share capital accounted for by the redeemed shares.

Bonds issued by BASF SE grant the bearer the right to request early repayment of the bonds at nominal value if one person – or several persons acting in concert – hold or acquire a BASF SE share volume after the time of issuance which 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 after 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 30). 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 the occurrence of a change of control, provided the employee has not given cause for the termination. The

employee whose service contract has been terminated in such a case will receive a 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 289(4) of the German Commercial Code refer to situations that are not applicable to BASF SE.

 For more on bonds issued by BASF SE, see: basf.com/en/investor/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 (D&O insurance). This policy provides for the level of deductibles for the Board of Executive Directors as prescribed by Section 93(2)(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.

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 2016, a total of four purchases 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 417 and 2,660 BASF shares. The price per share was between €62.43 and €67.88. The volume of the individual trades was between €26,033.31 und €180,567.16. The disclosed share transactions are published on the website of BASF SE.

 For more on securities transactions reported in 2016, see: basf.com/en/governance/sharedealings

Compliance

Our Group-wide Compliance Program aims to ensure adherence to legal regulations and the company's internal guidelines. This topic has been integrated into our "We create chemistry" strategy. 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

- Compliance standards integrated into corporate values
- Regular compliance training for employees

Based on international standards, BASF's Compliance Program combines important laws and company-internal policies – themselves 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 been expressly embedded in our values, where we state: "We strictly adhere to our compliance standards." 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. To this end, 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. Training takes place in different formats, including face-to-face training, e-learning or workshops. The course materials and formats are constantly being updated. In total, more than 25,000 participants worldwide received around 40,000 hours of compliance training in 2016.

For more on the BASF Code of Conduct, see:
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. This culture takes years to develop, and requires the consistent, reliable application of compliance standards. Because we introduced our Code of Conduct early on, these standards have already been firmly established and are undisputed. In our last Global Employee Survey, conducted in 2015, the vast majority of our employees confirmed that their work environment places high value on proper conduct in alignment with internal company guidelines and standards. Starting in 2015, we have now investigated all cases in which the answer to the corresponding question showed unit-specific anomalies, and held, for instance, additional seminars or workshops as necessary.

Monitoring adherence to our Compliance principles

- Central role of Chief Compliance Officer and compliance officers
- 56 external hotlines worldwide
- Numerous internal Compliance audits

BASF's Chief Compliance Officer (CCO) reports directly to the Board of Executive Directors and manages the implementation of our Compliance Management System, supported by 104 compliance officers worldwide. The CCO regularly reports to the Board of Executive Directors on progress in the program's implementation as well as on any significant findings. Furthermore, 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. For this, they can consult not only their managers but also dedicated specialist departments and company compliance officers. We have also set up 56 external hotlines worldwide which our employees can turn to anonymously. We make sure that all concerns are processed and answered in a swift manner.

In 2016, 278 calls and emails were received by our external hotlines (2015: 357). 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 labor and social standards. We continued to observe increasing awareness when it came to potential conflicts of interest. We launched case-specific investigations, in accordance with applicable law and internal regulations, into all cases of suspected misconduct that we became aware of. Confirmed violations were penalized, up to and including dismissal. This involved making sure that the necessary action was taken in accordance with standardized company criteria.

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 2016, 63 Group-wide audits of this kind were performed (2015: 92). The audits confirmed the effectiveness of the compliance management system. No irregularities were shown in the audit's focus areas of antitrust and trade controls and embargo, nor was there a major need for action identified beyond these topics.

Based on the Guideline on Business Partner Due Diligence introduced in 2015, we monitor our business partners in sales for potential compliance risks. This is done by means of a checklist, a questionnaire distributed to business partners, and an internet-based analysis. The results are then documented. Depending on the results, conclusions are drawn regarding whether and how to maintain the business relationship. We furthermore expect all suppliers to know of and act in accordance with our global Code of Conduct.

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, we introduced a new internal guideline to respect international labor and social standards. Outside of our company, as well, we support respect for human rights and the fight against corruption: We are, for example, 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 on human rights and labor and social standards, see: basf.com/human_rights

Declaration of Conformity

Declaration of Conformity 2016 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 AktG (Stock Corporation Act):

The recommendations of the Government Commission on the German Corporate Governance Code as amended on May 5, 2015, published by the Federal Ministry of Justice on June 12, 2015, in the official section of the electronic Federal Gazette, have been complied with since the submission of the last Declaration of Conformity in December 2015.

Ludwigshafen, December 2016

The Supervisory Board
of BASF SE

The Board of Executive Directors
of BASF SE

Compensation Report

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

Compensation of the Board of Executive Directors

This report meets the disclosure requirements of the German Commercial Code, supplemented by the additional requirements based on the German Act on Disclosure of Management Board Remuneration (*Vorstandsvergütungs-Offenlegungsgesetz*) as well as the German Act on the Appropriateness of Management Board Remuneration (*Gesetz zur Angemessenheit der Vorstandsvergütung*), and is aligned with the recommendations of the German Corporate Governance Code (GCGC) in its version of May 5, 2015.

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

The amount and structure of compensation is determined by the company's size, complexity and financial position, as well as the performance of the Board of Executive Directors. Internal and external appropriateness of the Board's compensation is reviewed by external auditors on a regular basis. Globally operating companies based in Europe serve as an external reference. For internal comparison, compensation is considered in total as well as over time, especially for senior executives.

 For more on the Supervisory Board and its committees, see pages 16 and 17

Principles

The compensation of the Board of Executive Directors is designed to promote sustainable corporate development. It is marked by a pronounced variability in relation to the performance of the Board of Executive Directors and BASF Group's return on assets.

The compensation of the Board of Executive Directors comprises:

1. Fixed salary
2. Annual variable compensation
3. Share-price-based, long-term incentive (LTI) program
4. Nonmonetary compensation and other additional compensation
5. Company pension benefits

The compensation components are shown in detail below:

1. The **fixed salary** is a set amount of yearly compensation paid out in even installments. It is regularly reviewed by the Supervisory Board and adjusted, if necessary.

2. The **actual annual variable compensation (variable bonus)** is based on the performance of the entire Board of Executive Directors and the return on assets. The return on assets is also used to determine the variable compensation of all other employee groups.

In order to assess the sustainable performance of the Board of Executive Directors, each year the Supervisory Board sets a target agreement with the entire Board of Executive Directors that primarily contains medium and long-term goals.

The Supervisory Board assesses the goal achievement of the current year and the previous two years. A performance factor with a value between 0 and 1.5 is determined on the basis of the goal achievement ascertained by the Supervisory Board. The variable bonus for the prior fiscal year is payable after the Annual Shareholders' Meeting.

Board members, like other employee groups, may contribute a portion of their annual variable bonus into a deferred compensation program. For members of the Board of Executive Directors, as well as for all other senior executives of the BASF Group in Germany, the maximum amount that can be contributed to this program is €30,000. Board members have taken advantage of this offer to varying degrees.

3. A **share-price-based, long-term incentive (LTI) program** exists for members of the Board of Executive Directors. It is also offered to all other senior executives of BASF Group. Members of the Board of Executive Directors are subject to a stricter set of rules than are contained in the general program conditions: They are required to participate in the program with at least 10% of their variable bonus. This mandatory investment consisting of BASF shares is subject to a holding period of four years. For any additional voluntary investment of up to 20% of the variable bonus, the general holding period of two years applies. Members of the Board of Executive Directors may only exercise their options at least four years after they have been granted (vesting period). This compensation component is limited, too, by the structure of the LTI program as well as by the upper limit on the options' exercise value. Because the exercise period spans multiple years, it can occur that gains allocated from several LTI program years all accumulate into one year; there can also be years in which no gains are allocated.

 For more on share ownership by members of the Board of Executive Directors, see page 20

4. Included in **nonmonetary compensation and other additional compensation (fringe benefits)** are the following: delegation allowances, accident insurance premiums and other similar benefits, and benefits from security measures provided by the company. The members of the Board did not receive loans or advances from the company in 2016.

The members of the Board are covered by a directors' and officers' liability insurance (D&O insurance) concluded by the company, which includes a deductible.

 For more on the D&O insurance of the Board of Executive Directors, see page 20

5. 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 method used to determine the amount of the pension benefits generally corresponds to that used for the other senior executives of the BASF Group in Germany. The method is designed such that both the performance of the company and the progression of the individual Board member's career significantly affect the pension entitlement.

The annual pension benefits accruing to Board members in a given reporting year (pension unit) are composed of a fixed and a variable component. The fixed component is calculated by multiplying the annual fixed salary above the Social Security Contribution Ceiling by 32% (contribution factor). The variable component of the pension unit is the result of multiplying the fixed component with a factor that is dependent on the return on assets in the reporting year and the performance factor, which is decisive for the variable bonus. The amount resulting from the fixed and the variable component is converted into a pension unit (lifelong pension) using actuarial factors based on an actuarial interest rate (5%), the probability of death, invalidity and bereavement according to Heubeck Richttafeln, 2005G (modified), and an assumed pension increase (at least 1% per annum).

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 upon retirement. Pension benefits take effect at the end of service after completion of the member's 60th year of age, or on account of disability or death. Pension payments are reviewed on a regular basis and adjusted by at least 1% each year.

The pension units also include survivor benefits. Upon the death of an active or former member of the Board, the surviving spouse receives a survivor pension amounting to 60% of the Board member's pension entitlement. The orphan pension amounts to 10% for each half-orphan, 33% for an orphan, 25% each for two orphans and 20% each for three or more orphans of the pension entitlement of the deceased (former) Board member. 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.

Amount of total compensation

The tables on pages 26 and 27 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 its version of May 5, 2015.

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

The table "Compensation granted in accordance with GCGC" shows: fixed salary, fringe benefits, annual variable target compensation, LTI program measured at fair value at the grant date, and service cost. The individual compensation components are supplemented by individually attainable minimum and maximum compensation. 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 GCGC" due to the disclosures required by Section 285(9a) of the German Commercial Code (HGB) in connection with the German Accounting Standard Number 17 (GAS 17).

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

	Dr. Kurt Bock				Dr. Martin Brudermüller			
	Chairman of the Board of Executive Directors				Vice Chairman of the Board of Executive Directors			
	2015	2016	2016 (Min)	2016 (Max)	2015	2016	2016 (Min)	2016 (Max)
Fixed salary	1,300	1,300	1,300	1,300	866 ¹	865	865	865
Fringe benefits	215	68	68	68	389 ²	239 ²	239 ²	239 ²
Total	1,515	1,368	1,368	1,368	1,255	1,104	1,104	1,104
Annual variable target compensation	2,600	2,600	0	4,000	1,729	1,729	0	2,660
Multiple-year variable compensation	884	844	0	3,069	588	561	0	2,040
LTI program 2014 (2014–2022)	884	–	–	–	588	–	–	–
LTI program 2015 (2015–2023)	–	844	0	3,069	–	561	0	2,040
Total	4,999	4,812	1,368	8,437	3,572	3,394	1,104	5,804
Service cost	397	409	409	409	343	356	356	356
Total compensation in accordance with GCGC	5,396	5,221	1,777	8,846	3,915	3,750	1,460	6,160
Reconciliation reporting of total compensation pursuant to Section 285(9a) HGB in connection with GAS 17								
less granted annual variable target compensation	(2,600)	(2,600)			(1,729)	(1,729)		
plus allocated actual annual variable compensation	2,046	2,061			1,361	1,371		
less service cost	(397)	(409)			(343)	(356)		
Total compensation	4,445	4,273			3,204	3,036		
Dr. Harald Schwager								
	2015	2016	2016 (Min)	2016 (Max)	2015	2016	2016 (Min)	2016 (Max)
Fixed salary	650	650	650	650	668 ¹	828 ¹	828 ¹	828 ¹
Fringe benefits	155	83	83	83	256 ²	106 ²	106 ²	106 ²
Total	805	733	733	733	924	934	934	934
Annual variable target compensation	1,300	1,300	0	2,000	1,300	1,300	0	2,000
Multiple-year variable compensation	442	422	0	1,534	519	517	0	1,534
LTI program 2014 (2014–2022)	442	–	–	–	519	–	–	–
LTI program 2015 (2015–2023)	–	422	0	1,534	–	517	0	1,534
Total	2,547	2,455	733	4,267	2,743	2,751	934	4,468
Service cost	259	270	270	270	330	352	352	352
Total compensation in accordance with GCGC	2,806	2,725	1,003	4,537	3,073	3,103	1,286	4,820
Reconciliation reporting of total compensation pursuant to Section 285(9a) HGB in connection with GAS 17								
less granted annual variable target compensation	(1,300)	(1,300)			(1,300)	(1,300)		
plus allocated actual annual variable compensation	1,023	1,031			1,023	1,031		
less service cost	(259)	(270)			(330)	(352)		
Total compensation	2,270	2,186			2,466	2,482		
Wayne T. Smith								

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.

Dr. Hans-Ulrich Engel				Sanjeev Gandhi				Michael Heinz			
2015	2016	2016 (Min)	2016 (Max)	2015	2016	2016 (Min)	2016 (Max)	2015	2016	2016 (Min)	2016 (Max)
662 ¹	650	650	650	514 ¹	455 ¹	455 ¹	455 ¹	650	650	650	650
412 ²	92	92	92	598 ²	978 ²	978 ²	978 ²	150	84	84	84
1,074	742	742	742	1,112	1,433	1,433	1,433	800	734	734	734
1,300	1,300	0	2,000	1,300	1,300	0	2,000	1,300	1,300	0	2,000
442	422	0	1,534	171	422	0	1,534	442	422	0	1,534
442	–	–	–	171	–	–	–	442	–	–	–
–	422	0	1,534	–	422	0	1,534	–	422	0	1,534
2,816	2,464	742	4,276	2,583	3,155	1,433	4,967	2,542	2,456	734	4,268
262	274	274	274	294	321	321	321	256	270	270	270
3,078	2,738	1,016	4,550	2,877	3,476	1,754	5,288	2,798	2,726	1,004	4,538
(1,300)	(1,300)			(1,300)	(1,300)			(1,300)	(1,300)		
1,023	1,031			1,023	1,031			1,023	1,031		
(262)	(274)			(294)	(321)			(256)	(270)		
2,539	2,195			2,306	2,886			2,265	2,187		

Margret Suckale			
2015	2016	2016 (Min)	2016 (Max)
650	650	650	650
80	58	58	58
730	708	708	708
1,300	1,300	0	2,000
442	422	0	1,534
442	–	–	–
–	422	0	1,534
2,472	2,430	708	4,242
244	259	259	259
2,716	2,689	967	4,501
(1,300)	(1,300)		
1,023	1,031		
(244)	(259)		
2,195	2,161		

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.

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

Number of options granted

	2016	2015
Dr. Kurt Bock	35,108	36,248
Dr. Martin Bruder Müller	23,344	24,104
Dr. Hans-Ulrich Engel	17,552	18,124
Sanjeev Gandhi	17,552	7,000
Michael Heinz	17,552	18,124
Dr. Harald Schwager	17,552	18,124
Wayne T. Smith	17,552	18,124
Margret Suckale	17,552	18,124
Total	163,764	157,972

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

The “Compensation allocated in accordance with the GCGC” shown for 2015 and 2016 is comprised of 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) (in thousand €)

	Dr. Kurt Bock		Dr. Martin Bruder Müller		Dr. Hans-Ulrich Engel	
	2016	2015	2016	2015	2016	2015
	Chairman of the Board of Executive Directors		Vice Chairman of the Board of Executive Directors			
Fixed salary	1,300	1,300	865	866 ²	650	662 ²
Fringe benefits	68	215	239 ³	389 ³	92	412 ³
Total	1,368	1,515	1,104	1,255	742	1,074
Actual annual variable compensation ¹	2,061	2,046	1,371	1,361	1,031	1,023
Multiple-year variable compensation	4,386 ⁴	2,683 ⁵	1,657	–	–	2,071 ⁵
LTI program 2007 (2007–2015)	–	2,683 ⁵	–	–	–	2,071 ⁵
LTI program 2008 (2008–2016)	4,386 ⁴	–	–	–	–	–
LTI program 2009 (2009–2017)	–	–	–	–	–	–
LTI program 2010 (2010–2018)	–	–	1,657	–	–	–
LTI program 2011 (2011–2019)	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–
Total	7,815	6,244	4,132	2,616	1,773	4,168
Service cost	409	397	356	343	274	262
Total compensation in accordance with GCGC	8,224	6,641	4,488	2,959	2,047	4,430

¹ The basis for the allocated actual annual variable compensation is the return on assets adjusted for special items and the performance factor. This includes contributions made to the deferred compensation program.

² Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

³ Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

⁴ At the end of the regular term of the LTI program 2008, exercise gains which were realized in 2012 or 2010 were allocated to Dr. Kurt Bock and Wayne T. Smith in 2016 in accordance with the special conditions of the U.S. LTI program.

⁵ At the end of the regular term of the LTI program 2007, exercise gains which were realized in 2009, 2012 or 2013 were allocated to Dr. Kurt Bock, Dr. Hans-Ulrich Engel and Wayne T. Smith in 2015 in accordance with the special conditions of the U.S. LTI program.

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

	Sanjeev Gandhi		Michael Heinz		Dr. Harald Schwager	
	2016	2015	2016	2015	2016	2015
Fixed salary	455 ²	514 ²	650	650	650	650
Fringe benefits	978 ³	598 ³	84	150	83	155
Total	1,433	1,112	734	800	733	805
Actual annual variable compensation ¹	1,031	1,023	1,031	1,023	1,031	1,023
Multiple-year variable compensation	–	–	–	–	1,569	–
LTI program 2007 (2007–2015)	–	–	–	–	–	–
LTI program 2008 (2008–2016)	–	–	–	–	–	–
LTI program 2009 (2009–2017)	–	–	–	–	–	–
LTI program 2010 (2010–2018)	–	–	–	–	1,569	–
LTI program 2011 (2011–2019)	–	–	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–	–	–
Total	2,464	2,135	1,765	1,823	3,333	1,828
Service cost	321	294	270	256	270	259
Total compensation in accordance with GCGC	2,785	2,429	2,035	2,079	3,603	2,087

	Wayne T. Smith		Margret Suckale	
	2016	2015	2016	2015
Fixed salary	828 ²	668 ²	650	650
Fringe benefits	106 ³	256 ³	58	80
Total	934	924	708	730
Actual annual variable compensation ¹	1,031	1,023	1,031	1,023
Multiple-year variable compensation	798 ⁴	151 ⁵	527	–
LTI program 2007 (2007–2015)	–	151 ⁵	–	–
LTI program 2008 (2008–2016)	798 ⁴	–	–	–
LTI program 2009 (2009–2017)	–	–	–	–
LTI program 2010 (2010–2018)	–	–	527	–
LTI program 2011 (2011–2019)	–	–	–	–
LTI program 2012 (2012–2020)	–	–	–	–
Total	2,763	2,098	2,266	1,753
Service cost	352	330	259	244
Total compensation in accordance with GCGC	3,115	2,428	2,525	1,997

¹ The basis for the allocated actual annual variable compensation is the return on assets adjusted for special items and the performance factor. This includes contributions made to the deferred compensation program.

² Payment was made partly in local currency abroad based on a theoretical net salary in Germany.

³ Includes payments to cover additional costs of transfers, such as assumption of prevailing local rental fees.

⁴ At the end of the regular term of the LTI program 2008, exercise gains which were realized in 2012 or 2010 were allocated to Dr. Kurt Bock and Wayne T. Smith in 2016 in accordance with the special conditions of the U.S. LTI program.

⁵ At the end of the regular term of the LTI program 2007, exercise gains which were realized in 2009, 2012 or 2013 were allocated to Dr. Kurt Bock, Dr. Hans-Ulrich Engel and Wayne T. Smith in 2015 in accordance with the special conditions of the U.S. LTI program.

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

The options granted resulted in an expense in 2016. This expense refers to the total of all options from the LTI programs 2008 to 2016 and is calculated as the difference in the value of the options on December 31, 2016, compared with the value on December 31, 2015, considering the options exercised and granted in 2016. The value of the options is based primarily on the development of the BASF share price and its relative performance compared with the benchmark index specified for the LTI programs 2008 to 2016.

The expenses reported below are purely accounting figures which do not equate with the allocated actual gains should options be exercised. Each member of the Board 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 expenses for 2016 relating to all options issued were as follows: Dr. Kurt Bock €5,000 thousand (2015: expense of €1,058 thousand); Dr. Martin Bruder Müller €4,052 thousand (2015: expense of €788 thousand); Dr. Hans-Ulrich Engel €4,011 thousand (2015: expense of €660 thousand); Sanjeev Gandhi €156 thousand (2015: expense of €17 thousand); Michael Heinz €2,423 thousand (2015: expense of €517 thousand); Dr. Harald Schwager €4,182 thousand (2015: expense of €642 thousand); Wayne T. Smith €1,872 thousand (2015: expense of €616 thousand); and Margret Suckale €2,613 thousand (2015: expense of €419 thousand).

🔗 Fore more on the LTI program, see page 5

Pension benefits

The values for service cost incurred in 2016 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 GCGC" and "Compensation allocated in accordance with 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 defined benefit obligations calculated in accordance with German commercial law up to and including 2016 were as follows: Dr. Kurt Bock €12,318 thousand (2015: €11,767 thousand); Dr. Martin Brudermüller €10,266 thousand (2015: €9,794 thousand); Dr. Hans-Ulrich Engel €7,081 thousand (2015: €6,719 thousand); Sanjeev Gandhi €1,421 thousand (2015: €1,131 thousand); Michael Heinz €6,087 thousand (2015: €5,795 thousand); Dr. Harald Schwager €7,114 thousand (2015: €6,760 thousand); Wayne T. Smith €2,198 thousand (2015: €1,841 thousand); and Margret Suckale €3,221 thousand (2015: €2,899 thousand).

End-of-service benefits

In the event that a member of the Board of Executive Directors retires from employment before the age of 60, either because 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 ten years or if the time needed to reach legal retirement age is less than ten years. The company is entitled to offset compensation received for any other work done against pension benefits until the legal retirement age is reached.

The following applies to end of service due to a change-of-control event: A change-of-control event, in terms of this provision, occurs when a shareholder informs BASF of a shareholding of at least 25%, or the increase of such a holding. If a Board member's appointment is revoked within one year following a change-of-control event, the Board member will receive the contractually agreed payments for the remaining contractual term of office as a one-off payment (fixed 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 €15.9 million in 2016 (2015: €12.1 million¹). This figure also contains payments that previous Board members have themselves financed through the deferred compensation program and the expense or gain for 2016 relating to options that previous members of the Board still hold from the time of their active service period.

The continuation of the options that have not yet been exercised at the time of retirement, along with the continuation of the associated holding period for individual investment in BASF shares under the conditions of the program, is intended in order to particularly emphasize how sustainability is incorporated into the compensation for the Board members. Pension provisions for previous Board members and their surviving dependents, calculated in accordance with German commercial law, amounted to €116.7 million (2015: €121.6 million²).

Compensation of the Supervisory Board

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 €60,000 and a performance-related variable compensation for each full €0.01 by which the earnings per share of the BASF Group, as declared in the BASF Group Consolidated Financial Statements for the year for which the remuneration is paid, exceeds the minimum earnings per share. For the 2016 business year, minimum earnings per share amounted to €1.75 (2015: €1.70). The performance-related variable remuneration is €800 for each €0.01 of earnings per share up to an earnings per share of €2.50, €600 for each further €0.01 of earnings per share up to an earnings per share of €3.00, and €400 for each €0.01 beyond this. The minimum earnings per share and the corresponding thresholds shall increase by €0.05 for each subsequent business year. The performance-related variable compensation is limited to a maximum amount of €120,000.

Based on the earnings per share of €4.42 published in the BASF Group Consolidated Financial Statements 2016, the performance-related compensation reached the maximum amount of €120,000 (2015: €120,000).

The chairman of the Supervisory Board receives two-and-a-half times and a vice chairman one-and-a-half times the compensation of an ordinary member. Members of the Supervisory Board who are members of a committee, except for the Nomination Committee, receive a further fixed compensation for this purpose in the amount of €12,500. For the Audit

¹ Also includes the pro rata temporis compensation of Dr. Andreas Kreimeyer up to his departure from the Board of Executive Directors on April 30, 2015.

² Also includes the defined benefit obligations provided to Dr. Andreas Kreimeyer, up to and including December 31, 2015.

Committee, the further fixed compensation is €50,000. The chairman of a committee shall receive twice and a vice chairman one-and-a-half times the further fixed compensation.

The company reimburses members of the Supervisory Board for out-of-pocket expenses and value-added tax to be paid with regard to their activities as members of the Supervisory Board or of a committee. The company further grants the members of the Supervisory Board a fee of €500 for attending a meeting of the Supervisory Board or one of its committees to which they belong and includes the performance of the

duties of the members of the Supervisory Board in the cover of a directors' and officers' liability insurance (D&O insurance) concluded by it, which includes a deductible.

 For more on the D&O insurance of the Supervisory Board, see page 20

Total compensation of the Supervisory Board for activities in 2016, including attendance fees, was around €3 million (2015: around €3 million). The compensation of the individual Supervisory Board members was as follows.

Compensation of the Supervisory Board of BASF SE (in thousand €)

	Fixed salary		Performance-related variable compensation		Compensation for committee memberships		Total compensation	
	2016	2015	2016	2015	2016	2015	2016	2015
Dr. Jürgen Hambrecht, Chairman ^{1,5}	150.0	150.0	300.0	300.0	25.0	31.3	475.0	481.3
Michael Diekmann, Vice Chairman ^{2,6}	90.0	90.0	180.0	180.0	12.5	17.2	282.5	287.2
Robert Oswald, Vice Chairman ^{2,7}	90.0	90.0	180.0	180.0	12.5	15.6	282.5	285.6
Ralf-Gerd Bastian ⁴	60.0	60.0	120.0	120.0	50.0	50.0	230.0	230.0
Dame Alison Carnwath DBE ^{3,7}	60.0	60.0	120.0	120.0	100.0	103.1	280.0	283.1
Wolfgang Daniel, Supervisory Board member since April 29, 2016	20.0	60.0	40.0	120.0	–	–	60.0	180.0
Prof. Dr. François Diederich	60.0	60.0	120.0	120.0	–	–	180.0	180.0
Franz Fehrenbach ⁴	60.0	60.0	120.0	120.0	50.0	50.0	230.0	230.0
Francesco Grioli	60.0	60.0	120.0	120.0	–	–	180.0	180.0
Waldemar Helber, Supervisory Board member until April 29, 2016	45.0	–	90.0	–	–	–	135.0	–
Anke Schäferkordt	60.0	60.0	120.0	120.0	–	–	180.0	180.0
Denise Schellemans	60.0	60.0	120.0	120.0	–	–	180.0	180.0
Michael Vassiliadis ^{2,4,7}	60.0	60.0	120.0	120.0	62.5	65.6	242.5	245.6
Total	875.0	870.0	1,750.0	1,740.0	312.5	332.8	2,937.5	2,942.8

¹ Chairman of the Personnel Committee

² Member of the Personnel Committee

³ Chairwoman/chairman of the Audit Committee

⁴ Member of the Audit Committee

⁵ Chairman of the Strategy Committee (since October 1, 2015)

⁶ Vice Chairman of the Strategy Committee (since October 1, 2015)

⁷ Member of the Strategy Committee (since October 1, 2015)

Compensation for Supervisory Board membership and membership of Supervisory Board committees is payable after the Annual Shareholders' Meeting, which approves the Consolidated Financial Statements upon which the variable compensation is based. Accordingly, compensation relating to the year 2016 will be paid following the Annual Shareholders' Meeting on May 12, 2017.

In 2016, as in 2015, the company paid the Supervisory Board member Prof. Dr. François Diederich a total of CHF 38,400

(2016: approximately €35,200; 2015: approximately €36,000) 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 2016 for services rendered personally, in particular, the rendering of advisory and agency services.

 For more on share ownership by members of the Supervisory Board, see page 20

Management and Supervisory Boards

Board of Executive Directors

There were eight members on the Board of Executive Directors of BASF SE as of December 31, 2016

Dr. Kurt Bock

Chairman of the Board of Executive Directors
Degree: Business Administration, 58 years old, 26 years at BASF

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

First appointed: 2003, **Term expires:** 2021

Supervisory Board memberships (excluding internal memberships):
Fresenius Management SE (since May 13, 2016)

Dr. Martin Bruder Müller

Vice Chairman of the Board of Executive Directors
Degree: Chemistry, 55 years old, 29 years at BASF

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

First appointed: 2006, **Term expires:** 2021

Dr. Hans-Ulrich Engel

Degree: Law, 57 years old, 29 years at BASF

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

First appointed: 2008, **Term expires:** 2021

Internal memberships as defined in 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 controlling bodies:
Nord Stream AG (member of the Shareholders' Committee)

Sanjeev Gandhi

Degrees: Chemical Engineering, Business Administration, 50 years old, 23 years at BASF

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

First appointed: 2014, **Term expires:** 2018

Michael Heinz

Degree: Business Administration, 52 years old, 33 years at BASF

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

First appointed: 2011, **Term expires:** 2019

Dr. Harald Schwager

Degree: Chemistry, 56 years old, 29 years at BASF

Responsibilities: Construction Chemicals; Crop Protection; Bioscience Research; Region Europe

First appointed: 2008, **Term expires:** 2017

Wayne T. Smith

Degrees: Chemical Engineering, Business Administration, 56 years old, 13 years at BASF

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

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

Margret Suckale

Degrees: Law, Business Administration, 60 years old, 8 years at BASF

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

First appointed: 2011, **Term expires:** 2017

Comparable German and non-German controlling bodies:

BASF Antwerpen N.V. (Chairwoman of the Administrative Council)

Changes as of May 13, 2017:

Following the Annual Shareholders' Meeting on May 12, 2017, Margret Suckale and Dr. Harald Schwager will leave the Board of Executive Directors. The Supervisory Board will then appoint Saori Dubourg and Dr. Markus Kamieth as new members of the Board of Executive Directors:

Saori Dubourg

Degree: Business Administration, 45 years old, 20 years at BASF

Responsibilities: Construction Chemicals; Crop Protection; Bioscience Research; Region Europe

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

Dr. Markus Kamieth

Degree: Chemistry, 46 years old, 18 years at BASF

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

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

Michael Heinz will take over the responsibilities of Margret Suckale. In addition to his previous responsibilities, Sanjeev Gandhi will also be responsible for Dispersions & Pigments.

Supervisory Board

In accordance with the Statutes, the Supervisory Board of BASF SE comprises twelve 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 which resolves on the discharge of members of the Supervisory Board for the fourth complete financial year after the term of office commenced; this is the Annual Shareholders' Meeting in 2019. The Supervisory Board comprises the following members:

Dr. Jürgen Hambrecht, Neustadt an der Weinstraße, Germany

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 SE (chairman)
Trumpf GmbH & Co. KG (chairman)
Daimler AG (member)

Comparable German and non-German controlling bodies:

Nyxoa S.A. (nonexecutive director)

Michael Diekmann, Munich, Germany

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

Member of the Supervisory Board since: May 6, 2003

Supervisory Board memberships:

Fresenius Management SE (member)
Fresenius SE & CO. KGaA (vice chairman)
Linde AG (vice chairman)
Siemens AG (member)

Robert Oswald, Altrip, Germany

Vice Chairman of the Supervisory Board of BASF SE
Chairman of the Works Council of the Ludwigshafen site of BASF SE and Chairman of BASF's Joint Work Council

Member of the Supervisory Board since: October 1, 2000

Ralf-Gerd Bastian, Neuhofen, Germany

Member of the Works Council of the Ludwigshafen site of BASF SE

Member of the Supervisory Board since: May 6, 2003

Dame Alison Carnwath DBE, Exeter, England

Senior Advisor Evercore Partners

Member of the Supervisory Board since: May 2, 2014

Comparable German and non-German controlling bodies:

Zurich Insurance Group AG (independent member of the Administrative Council)
Zürich Versicherungs-Gesellschaft AG (independent member of the Administrative Council)
Land Securities Group plc (nonexecutive Chairman of the Board of Directors)
PACCAR Inc. (independent member of the Board of Directors)
Coller Capital Ltd. (nonexecutive member of the Board of Directors)

Prof. Dr. François Diederich, Dietikon, Switzerland

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

Member of the Supervisory Board since: May 19, 1998

Franz Fehrenbach, Stuttgart, Germany

Chairman of the Supervisory Board of Robert Bosch GmbH
Member of the Supervisory Board since: January 14, 2008

Supervisory Board memberships:

Robert Bosch GmbH (chairman)
Stihl AG (vice chairman)
Linde AG (member)

Comparable German and non-German controlling bodies:

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

Francesco Grioli, Ronnenberg, Germany

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

Member of the Supervisory Board since: May 2, 2014

Supervisory Board memberships:

Gerresheimer AG (vice chairman)
Villeroy & Boch AG (member)
Steag New Energies GmbH (vice chairman)
V & B Fliesen GmbH (member)

Waldemar Helber, Otterbach, Germany

Vice Chairman of the Works Council of the Ludwigshafen site of BASF SE

Member of the Supervisory Board since: April 29, 2016

Anke Schäferkordt, Cologne, Germany

Member of the Executive Board of Bertelsmann SE & Co. KGaA
Co-CEO of RTL Group S.A.
Chief Executive Officer of RTL Television GmbH

Member of the Supervisory Board since: December 17, 2010

Comparable German and non-German controlling bodies:

Métropole Télévision S.A. (member of the Supervisory Board)

Denise Schellemans, Brecht, Belgium

Full-time trade union delegate

Member of the Supervisory Board since: January 14, 2008

Michael Vassiliadis, Hannover, Germany

Chairman of the Mining, Chemical and Energy Industries Union

Member of the Supervisory Board since: August 1, 2004

Supervisory Board memberships:

K+S Aktiengesellschaft (vice chairman)
Steag GmbH (vice chairman)
Evonik Industries AG (vice chairman until May 18, 2016)
RAG AG (vice chairman)
RAG DSK AG (vice chairman)

The following member left the Supervisory Board on April 29, 2016:

Wolfgang Daniel, Heidelberg, Germany

Vice Chairman of the Works Council of the Ludwigshafen site of BASF SE

Member of the Supervisory Board since: September 9, 1996

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board's work in 2016 was marked by several events and topics that were, in various respects, both weighty and significant – such as the explosion at the Ludwigshafen site, changes in the chemical industry due to the announcement of major mergers and acquisitions that impacted BASF's strategic development, and long-term succession planning for the composition of the Board of Executive Directors.

The Supervisory Board faced these challenges with a full sense of responsibility and supported the Board of Executive Directors' activities, especially in coping with the explosion, and advised the Board of Executive Directors in its deliberations on BASF's strategic further development in an evolving industry environment.

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

In 2016, 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 KPIs of the BASF Group and its segments, the economic situation in the main volumes 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 Board of Executive Directors and the Chairman of the Supervisory Board were in regular contact outside of Supervisory Board meetings, as well. The former promptly informed the latter of current developments and significant issues. The Supervisory Board was always involved at an early stage in decisions of major importance. The Supervisory Board passed resolutions on the individual measures that required the approval of the Supervisory Board. In the 2016 business year, this pertained to the authorization of the Chemetall acquisition. With this transaction, BASF has added the surface treatment business area to its Coatings division.

Supervisory Board meetings

The Supervisory Board held five meetings in the 2016 reporting year. With the exception of one meeting at which one member of the Supervisory Board was absent due to illness, all Supervisory Board members attended all Supervisory Board meetings in 2016. The members of the Supervisory Board elected by shareholders and those elected by the employees prepared for the meetings in separate preliminary discussions.

 An individual overview of meeting attendance has been made available on the company website at: basf.com/governance/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 growth, as well as on opportunities and risks for business development, the status of important current and planned investment projects, developments on the capital markets, and significant managerial measures taken by the Board of Executive Directors in addition to innovation projects. In its meetings, the Supervisory Board additionally discussed the further development of the BASF Group's business activities through acquisitions, divestitures and investment projects. Significant consultation topics included the acquisition of Chemetall with the entrance into the surface treatment business, the divestiture of the industrial coatings business, the sale of the OLED patent portfolio, the acquisition of Henkel's western European building material business for professional users, and the establishment of a joint venture with Avantium for the production of furandicarboxylic acid (FDCA) from renewable resources.

Important focus points of the Supervisory Board's consultation topics over the entire business year centered on developments in the chemical industry as a result of announced mergers and acquisitions, such as the DOW and DuPont merger; the acquisition of Monsanto by Bayer and of Syngenta by ChemChina; their potential impact on BASF's business and strategic development possibilities, especially in the Agricultural Solutions segment; and current and future courses of action.

With respect to regional opportunities and risks, the Supervisory Board was often occupied with political and economic developments in northern Africa and the Middle East as well as the development of local markets there. Possibilities for tapping these markets were discussed.

At its meeting on February 24, 2016, the Supervisory Board reviewed and approved the Consolidated Financial Statements, Management's Report and the proposal for the appropriation of profit for the 2015 business year as presented by the Board of Executive Directors. The meeting on April 29, 2016, served to prepare for the Annual Shareholders' Meeting.

In addition to strategically significant individual measures, the Supervisory Board also addressed BASF's strategy and long-term business prospects in individual business areas and regions. This was the focus of its meeting on July 25/26, 2016, at which the Board of Executive Directors provided a status

update on the implementation of the “We create chemistry” strategy. Main consultation topics comprised possibilities and objectives for strategic portfolio development, innovation and technology, the development of the Oil & Gas and Agricultural Solutions segments, the automotive sector as a key customer industry (especially with regard to the development of electromobility), and opportunities and risks in the Asia Pacific region.

In addition, the Supervisory Board addressed future prospects for the main site in Ludwigshafen and the further development of the Engineering & Maintenance function at its meeting on October 25, 2016.

At its meeting on December 15, 2016, the Supervisory Board discussed and approved the Board of Executive Directors’ operative and financial planning including the investment budget for 2017, and as usual empowered the Board of Executive Directors to procure necessary financing in 2017.

Composition and compensation of the Board of Executive Directors

In several meetings in the 2016 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 2016 business year at its meeting on February 24, 2016.

At its meeting on December 15, 2016, the Supervisory Board advised on long-term succession planning for the Board of Executive Directors and approved the early conclusion of the term for Dr. Harald Schwager, member of the Board of Executive Directors for many years, in order to allow for structured succession. Dr. Harald Schwager agreed on early discontinuance of his contract without severance pay by the company and will receive the contractually agreed upon interim and pension benefits in accordance with proper expiration of a term on the Board of Executive Directors. Dr. Harald Schwager will therefore depart the Board of Executive Directors together with Margret Suckale at the conclusion of the Annual Shareholders’ Meeting on May 12, 2017. At the same Supervisory Board meeting, Saori Dubourg and Dr. Markus Kamieth were appointed to the Board of Executive Directors, effective at the end of the 2017 Annual Shareholders’ Meeting, each with a first-time term to the end of the 2020 Annual Shareholders’ Meeting.

Furthermore, the Supervisory Board agreed at its December 15, 2016, meeting on the performance evaluation of the Board of Executive Directors for the 2016 business year as well as – based on an appropriateness test conducted by the Personnel Committee – an adjustment of the Board of Executive Directors’ compensation including an increase in the fixed salary and annual variable target compensation, effective January 1, 2017.

At several meetings, the Supervisory Board discussed the topic of the compensation of the Supervisory Board. The cur-

rent configuration of the Supervisory Board’s compensation, with a fixed salary and a limited variable compensation component based on earnings per share, has existed largely unchanged since 2006. In normal business years, compensation in fact purely comprises a fixed salary, as the maximum amount of the variable compensation is for the most part reached by the high level of earnings per share. This was also the case for compensation for 2016. The Supervisory Board therefore decided to propose to the 2017 Annual Shareholders’ Meeting a formal restructuring of the BASF Supervisory Board’s compensation to a purely fixed salary, combined with a long-term obligation for the Supervisory Board members to acquire and keep shares – in line with the development of the compensation structures of the majority of large publicly traded companies in Germany.

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 them by the Supervisory Board, see the Corporate Governance Report on pages 16 and 17

The **Personnel Committee** met four times during the reporting period. All committee members attended the meetings. At its meeting on February 24, 2016, the Personnel Committee advised on the targets for the Board of Executive Directors for the 2016 business year. The meetings on July 25, 2016, and October 25, 2016, focused on development of leadership at the top levels of management below the Board of Executive Directors and succession planning for that Board.

Further consultation topics comprised a review of the appropriateness of the compensation of the Board of Executive Directors, both in terms of amount and configuration of the compensation system, as well as the structure of the compensation of the Supervisory Board. The basis for this was developed and intensively discussed with an independent compensation consultant. The focus of the December 15, 2016, meeting was the discussion of and resolution on the Supervisory Board’s proposal for new appointments to the Board of Executive Directors, the adjustment of that Board’s compensation, and a redesign of the Supervisory Board’s compensation. In addition, the Personnel Committee advised on the performance evaluation of the Board of Executive Directors as well as the target figures for the proportion of women in that Board.

The **Audit Committee** is responsible for all the tasks listed in Section 107(3)(2) of the German Stock Corporation Act and in Subsection 5.3.2 of the German Corporate Governance Code in its version of May 5, 2015. The Audit Committee met five times during the reporting period. All committee members attended all meetings. Its core duties were to review BASF SE's Financial Statements and Consolidated Financial Statements, as well as to discuss the quarterly and first-half financial reports with the Board of Executive Directors prior to their publication.

At the meeting on February 21, 2017, the auditor reported in detail on its audits of BASF SE's separate and consolidated financial statements for the 2016 business year and discussed the results of its audit with the Audit Committee.

At the meeting on July 25, 2016, KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor elected at the Annual Shareholders' Meeting – was charged with the audit for the 2016 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 categorically excluded 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. The authorization of each service applies for one reporting year and is limited in amount.

Other important activities included advising the Board of Executive Directors on accounting issues and the internal control system. The internal auditing system and compliance in the BASF Group were each a focus at one meeting of the Audit Committee. 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 election of those Supervisory Board members who are 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. The Nomination Committee met once in 2016. All committee members attended the meeting. Its focus was the discussion of suitable candidates for the case of the early departure from the Supervisory Board of one of the members elected by the Annual Shareholder's Meeting.

The **Strategy Committee**, formed to consult on strategic options for the further development of the BASF Group, did not meet in 2016.

Corporate Governance and Declaration of Conformity

The Supervisory Board places great value on ensuring good corporate governance: In 2016, it was therefore once again intensely occupied with the corporate governance standards practiced in the company and the implementation of the German Corporate Governance Code's recommendations and suggestions. A further topic was the implementation of legal stipulations in BASF SE. This included the E.U.'s regulation on market abuse with the first-time introduction of legal "closed periods" in which share transactions are not permissible, as well as the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector. The Corporate Governance Report of the BASF Group provides extensive information on BASF's corporate governance. It also includes the Compensation Report, containing full details on the compensation for the Board of Executive Directors and the Supervisory Board.

At the meeting of December 15, 2016, current recommendations and proposals made for the German Corporate Governance Code and their implementation at BASF were discussed, along with the joint Declaration of Conformity by the Supervisory Board and Board of Executive Directors in accordance with Section 161 of the Stock Corporation Act. BASF complies with the recommendations of the German Corporate Governance Code in its version of May 5, 2015, without exception.

 The full Declaration of Conformity is rendered on page 23 and is available to shareholders on the company website at: basf.com/en/governance

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, all of its members can be considered independent as defined by the German Corporate Governance Code. The criteria used for this evaluation can be found in the Corporate Governance Report on page 17. 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 took place in 2016 as well, as the Chairman of the Supervisory Board conducted individual dialogs with each Supervisory Board member using a structured questionnaire. Topics especially centered on Supervisory Board meeting agendas; cooperation with the Board of Executive Directors; information supply of the Supervisory Board; the Committees' duties, composition and work; and cooperation with shareholder and employee representatives. The results of these individual meetings were presented and thoroughly discussed at the Supervisory Board meeting on December 15, 2016. Overall, its members rated the Supervisory Board's activity as efficient.

The Audit Committee once again conducted a self-assessment of its activities in 2016, apart from the efficiency review. Material topic areas were the organization and content of the meetings and the supply of information as the basis of the Committees' work. No notable need for action was identified.

Annual Financial Statements of BASF SE and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditor elected by the Annual Shareholders' Meeting for the 2016 reporting year, has audited the Financial Statements of BASF SE and the BASF Group Consolidated Financial Statements, 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 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 documents to be examined and the auditor's reports were sent in a timely manner to every member of the Supervisory Board. The auditor attended the accounts review meeting of the Audit Committee on February 21, 2017, as well as the accounts meeting of the Supervisory Board on February 22, 2017, and reported on the main findings of the audit. 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 21, 2017, and discussed them in detail with the auditor. The Chairwoman of the Audit Committee gave a detailed account of the preliminary review at the Supervisory Board meeting on February 22, 2017. On the basis of this preliminary review by the Audit Committee, the Supervisory Board has examined the Financial Statements and Management's Report of BASF SE

for 2016, the proposal by the Board of Executive Directors for the appropriation of profit as well as the Consolidated Financial Statements and Management's Report for the BASF Group for 2016. The Supervisory Board has reviewed, acknowledged and approved the auditor's reports. The results of the preliminary review by the Audit Committee and the results of the Supervisory Board's examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management and submitted reports.

At the Supervisory Board's accounts meeting on February 22, 2017, it 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 2016 Financial Statements of BASF SE 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 €3.00 per share.

Composition of the Supervisory Board

Employee representative Wolfgang Daniel left the Supervisory Board at the conclusion of the Annual Shareholders' Meeting on April 29, 2016. He was succeeded by Waldemar Helber, who joined the Supervisory Board as the successor appointed by the BASF Works Council Europe on December 4, 2013, in accordance with the Employee Participation Agreement of November 15, 2007. The Supervisory Board thanks Wolfgang Daniel, who had been a member of the Supervisory Board since 1996, for his many years of service.

 For more information on changes within the Supervisory Board, see the Corporate Governance Report on page 17

Thanks

The Supervisory Board thanks all employees of the BASF Group worldwide and the management for their personal contribution in the 2016 business year.

Ludwigshafen, February 22, 2017

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	2016	2015
Sales revenue	(2)	21,954	23,652
Cost of sales		16,624	17,832
Gross profit on sales		5,330	5,820
Selling expenses		1,924	2,045
General administrative expenses		505	520
Research expenses		1,269	1,226
Other operating income	(3)	270	394
Other operating expenses	(4)	1,008	1,103
Income from operations		894	1,320
Income from shareholdings		2,352	1,760
Interest result		(126)	(668)
Other financial result		53	33
Financial result	(5)	2,279	1,125
Income before taxes		3,173	2,445
Income taxes	(6)	365	287
Net income		2,808	2,158

Balance Sheet

Assets (million €)

	Explanations in Note	December 31, 2016	December 31, 2015
Intangible assets	(8)	339	437
Property, plant and equipment	(9)	3,663	3,775
Financial assets	(10)	19,480	18,979
Fixed assets		23,482	23,191
Inventories	(11)	2,153	2,326
Accounts receivable, trade		1,579	1,557
Receivables from affiliated companies		14,065	12,232
Miscellaneous receivables and other assets		288	357
Receivables and other assets	(12)	15,932	14,146
Marketable securities		500	289
Cash at bank and on hand		315	812
Liquid funds	(13)	815	1,101
Current assets		18,900	17,573
Prepaid expenses	(14)	94	81
Deferred tax assets	(6)	478	486
Excess of plan assets over obligations	(17)	353	0
Total assets		43,307	41,331

Equity and liabilities (million €)

	Explanations in Note	December 31, 2016	December 31, 2015
Subscribed capital	(15)	1,176	1,176
Capital surplus		3,139	3,139
Retained earnings	(16)	9,705	9,705
Retained profits	(16)	2,808	2,663
Equity		16,828	16,683
Special reserves		69	72
Provisions for pensions and similar obligations	(17)	43	45
Provisions for taxes		739	896
Other provisions	(18)	1,344	1,107
Provisions		2,126	2,048
Financial indebtedness		10,773	11,054
Accounts payable, trade		664	768
Liabilities to affiliated companies		12,334	10,147
Miscellaneous liabilities		301	369
Liabilities	(19)	24,072	22,338
Deferred income		212	190
Total equity and liabilities		43,307	41,331

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 (*Handelsgesetzbuch*, HGB) and the German Stock Corporation Act (*Aktiengesetz*, AktG). The Statement of Income is prepared using the cost-of-sales method.

Application of the German Accounting Directive Implementation Act (BilRUG): The German Accounting Directive Implementation Act came into force on July 23, 2015. The requirements set forth in this law are to be applied starting January 1, 2016, and have been applied accordingly in the Financial Statements of BASF SE. It was not necessary to restate the previous year's figures, which may limit comparability to some extent.

According to Section 277 Article 1 HGB on BilRUG, sales revenues are defined as revenues from the sale and rent or leasing of products and provision of services, less sales reductions and income tax as well as other taxes directly connected to sales. This new definition of sales revenues results in the reclassification of significant portions of income and expenses from miscellaneous revenue-generating activities under sales revenue and cost of sales.

Adjustment effects Million €	Reporting year HGB, new version	Previous year HGB, new version	Previous year HGB, old version
Sales revenue	21,954	23,811	23,652
Cost of sales	16,624	17,988	17,832
Other operating income	270	235	394
Other operating expenses	1,008	947	1,103
Income from operations	894	1,320	1,320

1 – Accounting and valuation methods

Revenue recognition: Revenues from goods or services are recognized upon the transfer of ownership and risk 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 2016, the weighted average amortization period was ten years and was based on the following useful lives:

	2016	2015
Goodwill	12 years	12 years
Software	4 years	4 years
Patents, licenses, know-how other rights	10 years	10 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, knowhow and other rights purchased as part of the acquisition.

Impairments are made when write-downs are unlikely to be temporary. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the amortized cost. For goodwill, the lower carrying amount is 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 €150 but not more than €410 are depreciated immediately in the year of purchase. Items that cost less than €150 are recognized directly as expenses. Movable depreciable fixed assets that are functionally integrated are treated as a single asset item.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and manufacturing 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:

	2016	2015
Buildings and structural installations	24 years	25 years
Machinery and technical equipment	10 years	11 years
Factory and office equipment and other facilities	9 years	9 years

Impairments of the lower fair value are made when there is an other-than-temporary impairment. If the reason for the impairment no longer exists in subsequent years, the asset is written up to an amount which may not exceed the amortized cost.

Financial assets: In accordance with the principle of individual valuation, shares in affiliated companies and shareholdings are carried at cost, or in the case of an other-than-temporary impairment, at the lower fair value. Interest-bearing loans are recognized at cost; loans bearing no interest or below market interest rates are recognized at present value. 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 asset is written up to an amount which 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, transfer risks and general credit risks, appropriate valuation allowances and write-downs are carried out to take into account lower fair values.

Liquid funds: This item includes marketable securities, cash at banks and cash on hand. Marketable securities are measured at cost. Inventories are recognized at quoted, market or fair values if these 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. Deferred taxes from subsidiary companies of BASF SE are not recognized; 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, early retirement programs 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 options pricing models such as the Black-Scholes model. 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)(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 (Einkommenssteuergesetz, 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. 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 – starting with the 2016 business year – determined as the average market interest rate of the past ten years as published by Deutsche Bundesbank, with an assumed residual period of 15 years. Up to December 31, 2015, the discount rate was the average market interest rate of the previous seven years with an assumed residual period of 15 years. The obligations as of December 31, 2016, were valued using a discount rate of 4.01% (as of December 31, 2015: 3.89%). Indirect pension obligations are not recognized as liabilities, pursuant to the optional right under Article 28(1)(2) of the 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 the Deutsche Bundesbank.

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 and part-time early retirement programs are calculated based on actuarial principles corresponding to the projected unit credit method taking into account the rate of compensation increase and the adequate periodical interest rate pursuant to Section 253(2) HGB.

Provisions for the 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 allocated 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 and 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(24b) of the German Energy Act (*Energiewirtschaftsgesetz*, EnWG). BASF SE is therefore not subject to the regulations imposed upon grid operators by the EnWG.

2 – Sales revenues

Sales by segment (million €)

	2016	2015
Chemicals	6,359	7,306
Performance Products	9,279	9,849
Functional Materials & Solutions	2,682	2,508
Agricultural Solutions	2,739	2,983
Other	895	1,006
	21,954	23,652

Sales by region (million €)

	2016	2015
Europe	16,027	16,953
Thereof Germany	5,536	5,924
North America	1,878	2,093
Asia Pacific	2,647	2,979
South America, Africa, Middle East	1,402	1,627
	21,954	23,652

3 – Other operating income

Other operating income was reduced by €124 million to €270 million. Compared with the previous year, income from miscellaneous revenue-generating activities declined by €159 million as a large portion of this income was reclassified to sales revenues as a result of the application of the BilRUG requirements in the reporting year. Gains of €47 million from foreign-currency transactions (2015: €56 million) resulted mainly from the hedging of future sales and purchases in U.S. dollars. In addition, out-of-period income arising mainly from

reimbursement claims was recognized in the amount of €35 million in the reporting year (2015: €40 million). Another €38 million in out-of-period income also resulted from the reversal of provisions recognized in profit or loss (2015: €45 million). Contrasting this was a €35 million year-on-year increase in gains reported in other operating income through the sale of the OLED patent portfolio and the photoinitiator business. Income from the reversal of valuation allowances on receivables rose by €10 million.

4 – Other operating expenses

Other operating expenses decreased by €95 million to €1,008 million. Compared with the previous year, expenses from miscellaneous revenue-generating activities declined by €156 million as a large portion of these expenses were reclassified to cost of sales as a result of the application of the BilRUG requirements in the reporting year. Losses from foreign-currency transactions amounted to €12 million (2015: €185 million). In the previous year, losses from foreign-

currency transactions were attributable to the development of the U.S. dollar. By contrast, additions to provisions for the share-price-based variable compensation program (the LTI program) rose by €114 million. Furthermore, other expenses increased by €131 million, especially through the €56 million year-on-year rise in project costs that could not be capitalized.

5 – Financial result

Million €	2016	2015
Income from shareholdings and similar income	247	481
Thereof from affiliated companies	208	418
Income from profit transfers	2,437	1,306
Income from tax allocation to affiliated companies	258	125
Losses from loss transfers	559	152
Write-downs of, and losses from, the disposal of shareholdings	31	–
Income from shareholdings	2,352	1,760
Income from other securities and the loan of financial assets	4	15
Thereof from affiliated companies	3	11
Other interest and similar income	281	133
Thereof from affiliated companies	26	35
Interest and similar expenses	411	816
Thereof from affiliated companies	56	73
Interest result	(126)	(668)
Write-downs of, and losses from, the disposal of loans and marketable securities	18	9
Miscellaneous other financial result	71	42
Other financial result	53	33
Financial result	2,279	1,125

The financial result rose by €1,154 million to €2,279 million. The growth in income from shareholdings arose particularly from an increase in profit transfers from affiliated companies. This increase in profit transfers was particularly influenced in the reporting year by dividend payments from undistributed earnings at a subsidiary. By contrast, the impairment of a subsidiary's shareholding led to higher expenses from loss transfers. Lower dividend payments at subsidiaries were especially responsible for a lower overall level of income from shareholdings and similar income.

The interest result reflected the balance of income and expenses from plan assets as offset against the corresponding obligations.

Interest expenses from pension-related obligations amounted to €144 million (2015: €573 million), whereas income from plan assets amounted to €311 million (2015: €173 million).

Expenses from unwinding the discount on other provisions amounted to €15 million (2015: €8 million) and were included under interest and similar expenses.

6 – Income taxes

Million €	2016	2015
Current income tax expenses	357	400
Deferred tax assets and liabilities	8	(113)
Income taxes	365	287
Other taxes	37	37
Tax expense	402	324

Current income tax expenses decreased in the reporting year by €43 million to €357 million due to the reversal of some provisions for previous years. On balance, out-of-period income amounted to €117 million.

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

Million €	2016	2015
Fixed assets	61	52
Inventories and accounts receivable	3	32
Pension provisions	333	322
Other provisions, miscellaneous	81	80
Total	478	486

A tax rate of 30% was applied in the calculation of deferred taxes for 2016 and 2015.

7 – Other information

Cost of materials (million €)

	2016	2015
Cost of raw materials, plant supplies and purchased merchandise	12,931	14,023
Cost of purchased services	2,896	3,204
	15,827	17,227

Personnel expenses (million €)

	2016	2015
Wages and salaries	2,910	2,736
Social security contributions and expenses for pensions and assistance	629	533
Thereof for pension benefits	216	120
	3,539	3,269

Average number of employees

	2016	2015
Nonexempt employees	25,038	25,413
Exempt employees	8,147	8,195
Apprentices	1,943	1,979
Temporary staff	264	229
	35,392	35,816

Compensation for the Board of Executive Directors and Supervisory Board (million €)

	2016	2015
Performance-related and fixed cash payments to the Board of Executive Directors	17.4	18.4
Market value of options granted to the Board of Executive Directors in the fiscal year on the grant date	4.0	4.3
Total compensation for the Board of Executive Directors	21.4	22.7
Service cost for members of the Board of Executive Directors	2.5	2.5
Compensation for the Supervisory Board	3.0	3.0
Total compensation for former members of the Board of Executive Directors and their surviving dependents	15.9	12.1
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	116.7	121.6

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

The members of the Board of Executive Directors were granted 163,764 options under the long-term incentive (LTI) program in 2016. The fair value of options of active and former members of the Board resulted in expenses totaling €30.7 million in 2016 (2015: €6.6 million).

 For more on the compensation of members of the Board of Executive Directors, see the Compensation Report from page 24 onward

For more on the members of the Supervisory Board and Board of Executive Directors, including their memberships on other boards, see page 32 onward

Declaration of Conformity: The Declaration of Conformity with the German Corporate Governance Code (see page 23) in accordance with Section 161 of the AktG was signed by the Board of Executive Directors and the Supervisory Board of BASF SE in December 2016, and is published online at:

 basf.com/governance_e

8 – Intangible assets

Development 2016 (million €)

	Purchased industrial property rights and similar rights and values ¹	Goodwill	Advance payments	Total
Acquisition costs				
Balance as of January 1, 2016	414	655	15	1,084
Additions	22	–	15	37
Disposals	25	1	.	26
Transfers	12	–	(12)	–
Balance as of December 31, 2016	423	654	18	1,095
Amortization				
Balance as of January 1, 2016	208	439	–	647
Additions	74 ²	60	–	134
Disposals	25	.	–	25
Balance as of December 31, 2016	257	499	–	756
Net carrying amount as of December 31, 2016	166	155	18	339
Net carrying amount as of December 31, 2015	206	216	15	437

¹ Including licenses to such rights and values

² Thereof €4 million in impairments

9 – Property, plant and equipment

Development 2015 (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					
Balance as of January 1, 2016	2,945	11,720	1,675	1,349	17,689
Additions	44	197	48	134	423
Disposals	4	343	70	27	444 ²
Transfers	15	936	22	(943)	30
Balance as of December 31, 2016	3,000	12,510	1,675	513	17,698
Depreciation					
Balance as of January 1, 2016	2,271	10,281	1,362	–	13,914
Additions	49	367	89	–	505 ³
Disposals	3	316	65	–	384 ⁴
Transfers	.	.	.	–	.
Write-ups	–	–	–	–	–
Balance as of December 31, 2016	2,317	10,332	1,386	–	14,035
Net carrying amount as of December 31, 2016	683	2,178	289	513	3,663
Net carrying amount as of December 31, 2015	674	1,439	313	1,349	3,775

¹ Including structures on third-party property

² Thereof €330 million attributable to disposal of pigments business

³ Thereof €3 million in impairments

⁴ Thereof €301 million attributable to disposal of pigments business

10 – Financial assets

Development 2016 (million €)

Shareholdings

	Shares in affiliated companies	Shares in other companies	Total shareholdings
Acquisition costs			
Balance as of January 1, 2016	18,276	248	18,524
Additions	424	.	424
Disposals	14	17	31
Balance as of December 31, 2016	18,686	231	18,917
Depreciation, amortization and write-downs			
Balance as of January 1, 2016	283	17	300
Disposals	31	–	31
Write-ups	12	17	29
Balance as of December 31, 2016	302	.	302
Net carrying amount as of December 31, 2016	18,384	231	18,615
Net carrying amount as of December 31, 2015	17,993	231	18,224

Shareholdings rose mainly through capital increases at subsidiaries that were conducted by BASF SE as the parent company of the BASF Group and the financing function associated with it.

Contrasting this were impairments due to sustained lower earnings prospects or equity that has fallen below the carrying amount of the shareholding.

Development 2016 (million €)

Loans and other financial assets

	Loans to affiliated companies	Loans to other shareholdings	Miscellaneous loans and other financial assets	Total loans and other financial assets	Total financial assets
Acquisition costs					
Balance as of January 1, 2016	706	–	81	787	19,311
Additions	168	1	–	169	593
Disposals	47	–	.	47	78
Transfers	–	–	–	–	–
Balance as of December 31, 2016	827	1	81	909	19,826
Depreciation, amortization and write-downs					
Balance as of January 1, 2016	32	–	–	32	332
Additions	18	–	–	18	49
Disposals	.	–	.	.	29
Write-ups	6	–	–	6	6
Balance as of December 31, 2016	44	–	.	44	346
Net carrying amount as of December 31, 2016	783	1	81	865	19,480
Net carrying amount as of December 31, 2015	674	–	81	755	18,979

Loans to affiliated companies were higher because the level of loans to subsidiaries exceeded the level of repayment. Loans were impaired owing to the absence of value.

11 – Inventories

Million €	2016	2015
Raw materials and factory supplies	433	460
Work in process, finished goods and merchandise	1,692	1,837
Services in process	28	29
	2,153	2,326

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

For inventories measured using the LIFO method, LIFO reserves (i.e., the difference between LIFO valuation and valuation at average cost or lower quoted or market prices) were

€31 million for raw materials (2015: €35 million), and €87 million for finished goods and merchandise (2015: €112 million).

In July 2016, inventory assets decreased by €169 million in connection with the carve-out of the pigments business. Valuations were adjusted downward by €21 million.

12 – Receivables and other assets

Million €	2016		2015	
		Thereof remaining term over 1 year		Thereof remaining term over 1 year
Accounts receivable, trade	1,579	4	1,557	4
Receivables from affiliated companies	14,065	16	12,232	22
Thereof from trade accounts receivable	1,965	–	2,089	–
Receivables from participating interests	36	–	31	–
Other assets	252	36	326	68
	15,932	56	14,146	94

In 2016, accrued items totaled €17 million (2015: €22 million).

13 – Liquid funds

In the reporting year, marketable securities rose by €211 million to €500 million. Cash on hand and credit institution balances declined by €497 million to €315 million.

14 – Prepaid expenses

Million €	2016	2015
Discounts	35	28
Other	59	53
	94	81

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 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG)

As the parent company of the BlackRock Group, BlackRock Inc. – based in Wilmington, Delaware – informed us on August 8, 2016, in accordance with Section 21(1) WpHG, that its voting rights amounted to 5.99% as of August 3, 2016. All voting rights of the BlackRock Group are accorded to BlackRock Inc. in accordance with Section 22(1)(1)(1) WpHG.

For more on the shares and shareholder structure of BASF SE, see basf.com/en/company/investor-relations

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 through 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. Until now, this option has not been exercised and no new shares have been issued.

16 – Retained earnings and retained profits

Million €	2016
Other retained earnings	
Balance as of January 1	9,705
Appropriated retained earnings (as per resolution of Annual Shareholders' Meeting 2016)	–
Balance as of December 31	9,705
Retained profits	
Net income	2,808
Profits carried forward	–
Withdrawal from other retained earnings	–
Balance as of December 31	2,808

Disclosures on amounts subject to dividend payout restrictions

The difference between acquisition costs and asset plans measured at fair value through obligations related to pensions and part-time early retirement programs resulted – after subtracting deferred tax liabilities – in €366 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 €557 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 €466 million, subject to dividend payout restrictions.

The amounts subject to dividend payout restrictions were €1,389 million while freely available reserves amounted to €9,806 million. There is therefore no dividend payout restriction for retained profits.

Proposal for appropriation of profit

The Annual Shareholders' Meeting on May 12, 2017, will propose a dividend payout of €3.00 per qualifying share from the €2,808,567,295.65 in profit retained by BASF SE in the 2016 business 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 €2,755,436,082.00. The proposal will then be to put the remaining €53,131,213.65 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	2016	2015
Projected pension increase	1.50	1.50
Projected increase in wages and salaries	2.75	2.75
Interest rate (Section 253(2)(2) HGB)	4.01	3.89

The difference between a valuation 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 is €466 million. This amount is recognized in the interest result.

Amounts offset in the Balance Sheet as of December 31 of the respective year:

Million €	2016	2015
Fair value of pension plan assets	5,355	5,088
Pension obligations with plan assets	5,002	5,090
Net total 2016: excess of plan assets over obligations (2015: provision)	353	(2)
Historical acquisition costs for pension plan assets	4,910	4,932

As of December 31, 2016, pension obligations excluding plan assets amounted to €43 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 €	2016	2015
Income from pension plan assets	549	238
Expenses from pension plan assets	254	72
Expenses from unwinding the discount	127	564
Net interest result	168	(398)

18 – Other provisions

Million €	2016		2015	
		Thereof current		Thereof current
Environmental protection and remediation costs	177	31	135	5
Employee obligations	925	617	719	559
Sales and purchase risks	68	68	74	74
Integration, closure and restructuring measures	9	9	26	26
Maintenance and repair	13	13	17	17
Other	152	139	136	123
	1,344	877	1,107	804

In the reporting year, provisions in the amount of €38 million were reversed in the income statement and reported under other operating income (2015: €45 million).

Miscellaneous provisions primarily consist of provisions for onerous contracts and outstanding invoices.

The obligations for early-retirement programs amounted to €24 million while the fair value of the assets to be offset was €14 million. The historical acquisition costs for the assets amounted to €14 million. The assets comprise fixed income funds.

Obligations of €616 million from working-time accounts were offset by assets of the same amount in the form of claims from insurance companies. The interest result contains income of €16 million from the plan assets, offset by expenses of €16 million from additions to provisions.

Amounts offset in the interest result are as follows:

Million €	2016	2015
Income from plan assets for early retirement	.	1
Expenses from unwinding the discount	1	3
Net interest result	(1)	(2)

19 – Liabilities

Financial indebtedness (million €)

	2016	2015
Commercial paper	993	1,646
4.5% EUR bond 2006/2016	–	500
Variable-rate EUR bond 2013/2016	–	200
4.25% EUR bond 2009/2016	–	200
Variable-rate EUR bond 2014/2017	300	300
5.875% GBP Bond 2009/2017	434	434
4.625% EUR bond 2009/2017	300	300
1.375% GBP bond 2014/2017	313	313
Variable-rate EUR bond 2013/2018	300	300
1.5% EUR bond 2012/2018	1,000	1,000
1.375% EUR bond 2014/2019	750	750
Variable-rate EUR bond 2013/2020	300	300
1.875% EUR bond 2013/2021	1,000	700
2% EUR bond 2012/2022	1,250	1,250
0.875% GBP bond 2016/2023	291	–
2.5% EUR bond 2014/2024	500	500
3.675% NOK Bond 2013/2025	189	189
0.875% EUR bond 2016/2031	500	–
1.5% EUR bond 2016/2031	200	–
2.37% HKD bond 2016/2031	152	–
2.875% EUR bond 2013/2033	200	200
3% EUR bond 2013/20133	500	500
3.25% EUR bond 2013/2043	200	200
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	10,592	10,702
Liabilities to credit institutions	181	352
	10,773	11,054

Liabilities to affiliated companies (million €)

	2016	2015
Accounts payable, trade	1,805	1,869
Miscellaneous liabilities	10,529	8,278
	12,334	10,147

Other liabilities (million €)

	2016	2015
Advances received on orders	14	11
Liabilities to participating interests	27	3
Miscellaneous liabilities	260	355
Thereof from taxes	57	52
Thereof related to social security	7	9
	301	369

Maturities of liabilities (million €)

	2016			2015		
	Less than 1 year	1 – 5 years	More than 5 years	Less than 1 year	1 – 5 years	More than 5 years
Financial indebtedness	2,520	3,350	4,903	2,899	3,696	4,459
Accounts payable, trade	661	3	.	768	.	.
Liabilities to affiliated companies	11,833	501	–	9,646	501	–
Advances received on orders	14	–	–	11	–	–
Liabilities to participating interests	27	–	–	3	–	–
Miscellaneous liabilities	243	15	2	332	19	4
	15,298	3,869	4,905	13,659	4,216	4,463

20 – Shares in investment assets

As of December 31, 2016, the following shares in excess of 10% were held in special assets as per Section 1(10) of the German Capital Investment Code (*Kapitalanlagegesetzbuch*, KAGB) or in comparable foreign investment assets:

Million €	Fair value / carrying amount as of December 31, 2016	Dividend payment 2016	Returnable daily
Fixed income funds	2,843	28	yes
Equity funds	1,678	1	yes

The shares serve as plan assets for obligations from pensions and part-time early retirement programs.

21 – Contingent liabilities and other financial obligations

The following contingent and other liabilities are shown at nominal value.

Contingent liabilities (million €)

	2016	2015
Bills of exchange	8	4
Thereof to affiliated companies	–	–
Guarantees	2,312	854
Thereof to affiliated companies	2,304	847
Warranties	587	585
Thereof to affiliated companies	586	583
	2,907	1,443

The considerable increase in contingent liabilities was mainly attributable to providing new 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.

Other financial obligations (million €)

	2016	2015
Other financial obligations	643	635
Thereof to affiliated companies	.	1

Long-term purchase obligations (million €)

	2016	2015
Long-term purchase obligations	3,898	4,127
Thereof 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.

22 – Related-party transactions

Since the 2010 business year, BASF SE has granted profit participation capital to BASF Pensionskasse VVaG. As of December 31, 2016, profit participation capital reported under loans amounted to €80 million.

23 – Derivative instruments

Use of derivative instruments

BASF SE is exposed to foreign-currency, interest-rate 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 their counterparts. 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	
	2016	2015	2016	2015
Foreign currency forward contracts	95	95	8,357	8,320
Foreign currency options	8	15	1,485	2,024
Interest rate swaps	9	16	1,200	1,400
Combined interest and cross-currency swaps	121	297	2,476	1,856
Commodity derivatives	.	-	1	-
	233	423	13,519	13,600

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 €16 million for derivatives were capitalized and partly offset against the corresponding obligations. Provisions totaling €38 million were recognized for expected losses from currency fluctuations. Losses of €5 million were recognized as liabilities under miscellaneous liabilities.

To hedge risks from cash flow and changes in fair value for certain underlying positions in the balance sheet, these are combined with hedging transactions as micro hedges, as they have similar significant risk parameters.

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 2016		Hedging transactions 2016	
Balance sheet item	Carrying amount	Type of hedging transaction	Nominal value
Hedged liabilities	6,126	Derivatives to hedge liabilities	6,126
Liabilities to affiliated companies	1,934	Hedging transactions for liabilities to affiliated companies	1,934
– In foreign currencies	1,634	– Foreign currency forward contracts	1,634
– In EUR	300	– Interest rate swaps	300
Financial indebtedness	4,192	Hedging transactions for financial indebtedness	4,192
– Commercial paper	993	– Foreign currency forward contracts	993
– EUR bonds	900	– Interest rate swaps	900
– Foreign-currency bonds	2,299	– Combined interest and cross-currency swaps	2,299
Planned transactions	Nominal value	Type of hedging transaction	Nominal value
Future sales and purchases	1,438	Currency option contracts	1,438
Foreign-currency bonds	177	Combined interest and cross-currency swaps	177

The liabilities hedged using foreign currency forward contracts are due within one year. The term of the currency option contracts for hedging future sales and purchases is less than one year. Interest rate swaps were concluded to hedge internal BASF Group loans as well as variable-rate bonds. Existing and planned financial indebtedness in foreign currencies was hedged using combined interest and cross-currency swaps.

The table does not include foreign currency forward and currency option contracts concluded with subsidiaries which are also inversely concluded with external contractual partners (respective nominal values: €1,593 billion and €8 million). The term of these contracts is generally less than one year.

24 – Services provided by the external auditor

Information on the services provided by KPMG AG Wirtschaftsprüfungsgesellschaft to BASF SE can be found in Note 33 of the Consolidated Financial Statements of the BASF Group.

25 – Events after the reporting period

There have been no significant changes in the company's situation or market environment since the beginning of the 2017 business year.

26 – BASF SE List of Shares Held 2016 pursuant to Sections 285(11) and (11a) of the German Commercial Code

The earnings of companies acquired in 2016 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

1. Fully consolidated subsidiaries

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Germany						
Aachener Chemische Werke Gesellschaft für glastechnische Produkte und Verfahren mbH	Mönchengladbach	100.00		20.1	0.0	EUR
BASF Agro Trademarks GmbH	Ludwigshafen am Rhein	100.00		2.3	¹⁾	EUR
BASF Akquisitions GmbH	Ludwigshafen am Rhein	100.00		431.3	¹⁾	EUR
BASF Battery Technology Investment GmbH & Co. KG	Ludwigshafen am Rhein	100.00		0.8	0.1	EUR
BASF Beteiligungsgesellschaft mbH	Ludwigshafen am Rhein	100.00	100.00	291.2	¹⁾	EUR
BASF Business Services GmbH	Ludwigshafen am Rhein	100.00		(56.9) ²⁾	¹⁾	EUR
BASF Business Services Holding GmbH	Ludwigshafen am Rhein	100.00		48.5	¹⁾	EUR
BASF Catalysts Germany GmbH	Hannover	100.00		313.9	¹⁾	EUR
BASF Coatings GmbH	Münster	100.00	10.00	127.9	¹⁾	EUR
BASF Color Solutions Germany GmbH	Cologne	100.00		(4.5) ²⁾	¹⁾	EUR
BASF Colors & Effects GmbH	Ludwigshafen am Rhein	100.00		77.1	¹⁾	EUR
BASF Construction Solutions GmbH	Trostberg	100.00		354.0	¹⁾	EUR
BASF Finance Malta GmbH	Ludwigshafen am Rhein ³⁾	100.00	100.00	5,030.0	30.0	EUR
BASF Grenzach GmbH	Grenzach-Wyhlen	100.00		(17.2) ²⁾	¹⁾	EUR
BASF Handels- u. Export GmbH	Ludwigshafen am Rhein	100.00	100.00	4,079.6	¹⁾	EUR
BASF IP Licensing GmbH	Monheim	100.00		73.8	73.2	EUR
BASF Isocyanate China Investment GmbH	Ludwigshafen am Rhein	100.00		0.0	¹⁾	EUR
BASF Lampertheim GmbH	Lampertheim	100.00		108.8	¹⁾	EUR
BASF Leuna GmbH	Leuna	100.00		12.7	¹⁾	EUR
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen am Rhein	100.00	99.99	8.5	0.4	EUR
BASF Niedersächsische Grundbesitz GmbH	Ludwigshafen am Rhein	100.00		8.9	¹⁾	EUR
BASF Performance Polymers GmbH	Rudolstadt	100.00		41.8	¹⁾	EUR
BASF Personal Care and Nutrition GmbH	Monheim	100.00		168.8	¹⁾	EUR
BASF Pigment GmbH	Ludwigshafen am Rhein	100.00		(6.2) ²⁾	¹⁾	EUR
BASF Plant Science Company GmbH	Ludwigshafen am Rhein	100.00	100.00	205.1	¹⁾	EUR
BASF Plant Science GmbH	Ludwigshafen am Rhein	100.00		3.1	¹⁾	EUR
BASF Polyurethanes GmbH	Lemförde	100.00	10.00	55.9	¹⁾	EUR
BASF Schwarzheide GmbH	Schwarzheide	100.00	10.00	239.0	¹⁾	EUR
BASF Services Europe GmbH	Berlin	100.00		(2.4) ²⁾	¹⁾	EUR
BASF Trostberger Grundbesitz GmbH	Ludwigshafen am Rhein	100.00	6.00	19.8	¹⁾	EUR
BASF US Verwaltung GmbH	Ludwigshafen am Rhein	100.00		226.8	¹⁾	USD
BASF watertechnologies GmbH & Co. KG	Ludwigshafen am Rhein	100.00		0.1	(0.4)	EUR
BASF Wohnen + Bauen GmbH	Ludwigshafen am Rhein	100.00	10.00	150.4	¹⁾	EUR
BASF Wolman GmbH	Sinzheim	100.00	10.00	(2.0) ²⁾	¹⁾	EUR
BPS-Finanzbeteiligungsgesellschaft mbH	Ludwigshafen am Rhein	100.00		9.3	¹⁾	EUR
BTC Europe GmbH	Monheim	100.00		1.0	¹⁾	EUR
Chemetall GmbH	Frankfurt am Main	100.00		(34.8) ²⁾	(0.3)	EUR
Cognis Holding GmbH	Ludwigshafen am Rhein	100.00		261.6	¹⁾	EUR
Cognis International GmbH	Monheim	100.00		470.8	¹⁾	EUR

¹⁾ Profit and loss transfer agreement

²⁾ Equity, as defined by German commercial law, is positive

³⁾ Administrative headquarters in St. Julians (Malta)

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Cognis IP Management GmbH	Monheim	100.00		346.0	12.4	EUR
Construction Research & Technology GmbH	Trostberg	100.00		282.6	¹⁾	EUR
E & A Internationale Explorations- und Produktions GmbH	Kassel					
Grünau Illertissen GmbH	Illertissen	100.00		393.3	¹⁾	EUR
Guano-Werke GmbH & Co. KG	Ludwigshafen am Rhein	100.00		45.8	¹⁾	EUR
Guano-Werke GmbH & Co. KG	Ludwigshafen am Rhein	100.00		16.9	(0.5)	EUR
High Throughput Experimentation Company	Heidelberg	100.00		33.7	¹⁾	EUR
High Throughput Experimentation Company	Greifenberg	100.00		57.0	¹⁾	EUR
OPAL Gastransport GmbH & Co. KG	Kassel	49.97 ⁴⁾		19.4	¹⁾	EUR
PCI Augsburg GmbH	Augsburg	100.00		87.7	¹⁾	EUR
Rockwood Specialties Group GmbH	Frankfurt am Main	100.00		(160.5) ²⁾	0.1	EUR
Untertage-Speicher-Gesellschaft mbH	Kassel	100.00		5.2	3.6	EUR
W & G Transport Holding GmbH	Kassel	49.97 ⁴⁾		79.3 ⁵⁾	¹⁾	EUR
WIGA Transport Beteiligungs-GmbH & Co. KG	Kassel	50.02		1,734.7	217.5	EUR
Wintershall Holding GmbH	Kassel	100.00	10.29	1,556.5	¹⁾	EUR
Wintershall Middle East GmbH	Kassel	100.00		0.0	¹⁾	EUR
Wintershall Russia Holding GmbH	Kassel	100.00		0.0	¹⁾	EUR
Wintershall Vermögensverwaltungsgesellschaft mbH	Kassel	100.00		0.0	¹⁾	EUR
Rest of Europe						
BASF A/S	Kopenhagen (Denmark)	100.00	100.00	1,357.9	91.8	DKK
BASF AB	Göteborg (Sweden)	100.00	100.00	53.0	17.1	SEK
BASF Agricultural Specialities Limited	Cheadle (England)	100.00		49.2	3.5	GBP
BASF Agricultural Specialities S.A.S.	Ecully (France)	100.00		27.6	(0.1)	EUR
BASF Agri-Production S.A.S.	Ecully (France)	100.00		48.0	4.9	EUR
BASF Agro B.V.	Arnhem (Netherlands)	100.00		1,779.0	161.3	EUR
BASF Agrochemical Products B.V.	Arnhem (Netherlands)	100.00		623.9	289.8	USD
BASF Antwerp N.V.	Antwerp (Belgium)	100.00		4,411.4	522.7	EUR
BASF AS	Oslo (Norway)	100.00	100.00	2,254.7	(1.7)	NOK
BASF Battery Integration B.V.	Arnhem (Netherlands)	100.00		7.9	0.0	EUR
BASF Beauty Care Solutions France S.A.S	Lyon (France)	100.00		47.1	8.7	EUR
BASF Belgium Coordination Center Comm. V.	Antwerp (Belgium)	100.00		16,311.9	124.9	EUR
BASF Catalysts Asia B.V.	Arnhem (Netherlands)	100.00		352.7	43.5	EUR
BASF Catalysts Canada B.V.	Arnhem (Netherlands)	100.00		0.4	0.2	EUR
BASF Catalysts UK Holdings Limited	London (England)	100.00		38.9	13.0	GBP
BASF Colors & Effects Netherlands B.V.	Maastricht (Netherlands)	100.00		8.5	(1.8)	EUR
BASF Colors & Effects Switzerland AG	Basel (Switzerland)	100.00		10.8	(0.5)	CHF
BASF Construction Chemicals (UK) Ltd.	Cheadle (England)	100.00		0.8	9.2	GBP
BASF Construction Chemicals Espana S.L.	L'Hospitalet de Llobregat (Spain)	100.00		154.9	(2.6)	EUR
BASF Construction Chemicals Europe AG	Zurich (Switzerland)	100.00		205.8	23.1	CHF
BASF Construction Chemicals Italia Spa	Treviso (Italy)	100.00		15.6	1.6	EUR
BASF Espanola S.L.	Barcelona (Spain)	100.00	100.00	500.7	134.2	EUR
BASF Finance Europe N.V.	Arnhem (Netherlands)	100.00	100.00	7.4	0.6	EUR
BASF France S.A.S.	Levallois-Perret Cedex (France)	100.00	100.00	586.4	(27.4)	EUR
BASF Health and Care Products France S.A.S.	Levallois-Perret Cedex (France)	100.00		17.0	-5.8	EUR
BASF Hellas S.A.	Maroussi (Greece)	100.00	100.00	7.2	1.3	EUR
BASF Hungária Kft.	Budapest (Hungary)	100.00	100.00	3,471.9	(1,471.9)	HUF
BASF Industrial Metals LLC	Moskau (Russian Federation)	100.00		52.8	(14.4)	RUB
BASF Intertrade AG	Zug (Switzerland)	100.00	100.00	74.2	31.6	USD
BASF IP Management C.V.	Arnhem (Netherlands)	100.00		25.6	0.6	EUR
BASF Ireland Ltd.	Cork (Ireland)	100.00	100.00	126.5	8.9	EUR
BASF Italia S.p.A.	Cesano Maderno (Italy)	100.00	100.00	430.7	46.0	EUR
BASF Metal Forwards Ltd.	London (England)	100.00		53.7	(0.3)	USD

¹ Profit and loss transfer agreements

² Equity, as defined by German commercial law, is positive

⁴ Share of voting rights at 50.02%

⁵ Equity as defined by German commercial law

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
BASF Metals GmbH	Zug (Switzerland)	100.00		48.7	2.4	USD
BASF Metals Ltd.	London (England)	100.00		99.3	18.9	USD
BASF Metals Recycling Ltd.	Cinderford (England)	100.00		(1.4)	(1.7)	GBP
BASF Nederland B.V.	Arnhem (Netherlands)	100.00	100.00	11,397.5	425.1	EUR
BASF Operations B.V.	Arnhem (Netherlands)	100.00		79.2	56.2	EUR
BASF Österreich GmbH	Vienna (Austria)	100.00	1.00	34.6	4.5	EUR
BASF Oy	Helsinki (Finland)	100.00	100.00	37.8	4.6	EUR
BASF Performance Products France S.A.S.	Levallois-Perret Cedex (France)	100.00		34.1	4.1	EUR
BASF Performance Products GmbH	Zwentendorf (Austria)	100.00		17.0	1.3	EUR
BASF Performance Products Ltd.	Cheadle (England)	100.00		0.0	0.0	GBP
BASF Pharma (Callanish) Ltd.	Callanish (Scotland)	100.00		(11.6)	(6.4)	GBP
BASF Pharma (Evionnaz) S.A.	Evionnaz (Switzerland)	100.00		1.0	(3.8)	CHF
BASF Pharma Belgium N.V.	Antwerp (Belgium)	100.00		58.3	0.0	EUR
BASF plc	Cheadle (England)	100.00		65.5	71.0	GBP
BASF Polska Sp. z o.o.	Warsaw (Poland)	100.00	100.00	262.9	36.8	PLN
BASF Portuguesa S.A.	Prior Velho (Portugal)	100.00		1.2	0.6	EUR
BASF Switzerland AG	Basel (Switzerland)	100.00		470.0	(3.9)	CHF
BASF Slovensko spol s.r.o.	Bratislava (Slovakia)	100.00	100.00	17.0	3.6	EUR
BASF spol s.r.o.	Prague (Czech Republic)	100.00	100.00	159.8	40.9	CZK
BASF Stavební hmoty Česká republika s.r.o.	Chrudim (Czech Republic)	100.00		382.7	2.9	CZK
BASF T.O.V. LLC	Kiev (Ukraine)	100.00		912.6	368.4	UAH
BASF Taiwan B.V.	Arnhem (Netherlands)	100.00		129.9	15.1	EUR
BASF Türk Kimya Sanayi ve Ticaret Ltd. Sti.	Istanbul (Turkey)	100.00		354.8	31.8	TRY
BASF UK Holdings Ltd.	Cheadle (England)	100.00	100.00	32.0	(52.1)	GBP
Becker Underwood (UK) Limited	Cheadle (England)	100.00		57.9	0.0	GBP
BU International Holding Company Ltd.	Cheadle (England)	100.00		64.7	(24.1)	GBP
Chemetall AB	Hisings Backa (Sweden)	100.00		93.2	0.3	SEK
Chemetall B.V.	Oss (Netherlands)	100.00		19.9	0.1	EUR
Chemetall Hungária Vegyiparianyagok Forgalmazó Korlátolt Felelősségű Társaság	Budapest (Hungary)	100.00		10.2	0.0	EUR
Chemetall India Company Ltd.	Bletchley (England)	100.00		1.0	0.0	GBP
Chemetall Italia S.r.l.	Guissano (Italy)	100.00		11.4	0.1	EUR
Chemetall Ltd.	Bletchley (England)	100.00		93.9	0.3	GBP
Chemetall Polska Sp. z o.o.	Warsaw (Poland)	100.00		39.4	0.6	PLN
Chemetall S.A. Unipersonal	Canovelles (Spain)	100.00		14.8	0.6	EUR
Chemetall S.A.S.	Gennevilliers (France)	100.00		20.9	0.1	EUR
Chemetall S.R.L.	Guissano (Italy)	100.00		(18.0)	0.0	EUR
Chemetall Sanayi Kimyasallari Ticaret ve Sanayi A.S.	Kocaeli (Turkey)	100.00		68.5	0.8	TRY
Ciba Specialty Chemicals Finance Luxembourg S.A.	Luxembourg (Luxembourg)	100.00		17.7	(7.8)	EUR
Ciba Specialty Chemicals Water Treatments Ltd.	Bradford (England)	100.00		0.9	(0.2)	GBP
Ciba UK Investment Ltd.	Cheadle (England)	100.00		3.5	(0.5)	GBP
Cognis B.V.	Arnhem (Netherlands)	100.00		864.1	14.0	EUR
Esuco Beheer B.V.	Arnhem (Netherlands)	100.00		0.0	0.0	EUR
KENDELL S.r.l.	Roveredo in Piano (Italy)	100.00		0.3	0.0	EUR
Knight Chimiques de Spécialité S.A.S.	Gennevilliers (France)	100.00		4.8	0.0	EUR
MicroBio Canada Limited	Cheadle (England)	100.00		29.3	0.0	GBP
OOO BASF	Moskau (Russian Federation)	100.00	0.01	3,509.1	2,264.5	RUB
OOO BASF Stroitelnye Sistemy	Moskau (Russian Federation)	100.00		712.7	397.3	RUB
OOO BASF Wostok	Pavlovsky Posad (Russian Federation)	100.00		1,122.9	484.5	RUB
OOO Chemetall	Moskau (Russian Federation)	100.00		380.2	(0.5)	RUB
PCI Bauprodukte AG	Zurich (Switzerland)	100.00		1.1	0.9	CHF
Pronova BioPharma Norge AS	Oslo (Norway)	100.00		2,566.2	(12.3)	NOK
Société Foncière et Industrielle S.A.S.	Clermont de l'Oise (France)	92.90		8.6	0.1	EUR
Sorex Holdings Ltd.	Widnes (England)	100.00		29.5	0.2	GBP
Wintershall Nederland B.V.	Rijswijk (Netherlands)	100.00		863.0	(1.0)	EUR

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Wintershall Norge AS	Stavanger (Norway)	100.00		1,853.0	43.7	USD
Wintershall Oil AG	Zug (Switzerland)	100.00		417.9	78.4	USD
Wintershall Petroleum (E&P) B.V.	Rijswijk (Netherlands)	100.00		68.8	12.7	USD
ZAO Gazprom YRGM Trading	Krasnoselkup (Russian Federation)	25.00 ⁶⁾		38,130.3	4,577.2	RUB
North America						
BASF Agricultural Specialties Ltd.	Saskatoon, Saskatchewan (Canada)	100.00		72.5	5.0	CAD
BASF Americas Corporation	Florham Park, New Jersey (USA)	100.00		5,856.4	192.1	USD
BASF Belgian Holdings LLC	Florham Park, New Jersey (USA)	100.00		0.4	0.2	USD
BASF California Inc.	Florham Park, New Jersey (USA)	100.00		370.7	(0.2)	USD
BASF Canada Inc.	Mississauga, Ontario (Canada)	100.00	100.00	463.3	78.9	CAD
BASF Catalysts Holding China LLC	Florham Park, New Jersey (USA)	96.25		(8.2)	(0.6)	USD
BASF Catalysts Holding LLC	Florham Park, New Jersey (USA)	100.00		727.9	0.0	USD
BASF Catalysts LLC	Florham Park, New Jersey (USA)	100.00		56.8	(3.2)	USD
BASF Colors & Effects USA LLC	Wilmington, Delaware (USA)	100.00		617.9	7.1	USD
BASF Corporation	Florham Park, New Jersey (USA)	100.00		8,367.8	369.4	USD
BASF de Costa Rica, S.A.	San Jose (Costa Rica)	100.00		21.5	1.4	USD
BASF de Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00	99.99	201.0	53.2	USD
BASF Enzymes LLC	Florham Park, New Jersey (USA)	100.00		44.0	(9.1)	USD
BASF Interservicios S.A. de C.V.	Mexico City (Mexico)	100.00	0.01	4.1	0.0	USD
BASF Intertrade Corporation	Houston, Texas (USA)	100.00		17.3	0.6	USD
BASF Investments Canada Inc.	New Westminster, British Columbia (Canada)	100.00		433.8	3.8	USD
BASF Mexicana, S.A. de C.V.	Mexico City (Mexico)	100.00	0.01	446.2	57.7	USD
BASF Panamá S.A.	Panama City (Panama)	100.00	100.00	10.2	3.0	PAB
BASF Pipeline Holdings LLC	Houston, Texas (USA)	100.00		13.1	0.8	USD
BASF Plant Science LP	Raleigh, North Carolina (USA)	100.00		112.9	6.4	USD
BASF Properties Inc.	Mississauga, Ontario (Canada)	100.00		9.3	0.6	USD
BASF Qtech (Canada) Inc.	Mississauga, Ontario (Canada)	85.00		0.5	(0.1)	CAD
BASF Qtech Inc.	Mississauga, Ontario (Canada)	85.00		31.9	(9.0)	CAD
BASF TOTAL Petrochemicals LLC	Port Arthur, Texas (USA)	60.00		686.6	257.8	USD
BASF UK Finance LLC	Wilmington, Delaware (USA)	100.00		4,864.5	137.9	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		5,151.0	276.6	USD
Becker Underwood UK Inc.	Ames, Iowa (USA)	100.00		159.4	0.0	USD
BU Nitral Holding LLC	Ames, Iowa (USA)	100.00		0.0	0.0	USD
Chemetall Canada Limited.	Bramalea, Ontario (Canada)	100.00		3.6	(0.1)	CAD
Chemetall Mexicana, S.A. de C.V.	El Marques, Querétaro (Mexico)	99.99		220.5	7.9	MXN
Chemetall U.S., Inc.	New Providence, New Jersey (USA)	100.00		73.8	1.5	USD
Chemical Insurance Company Ltd.	Hamilton (Bermuda)	100.00		145.4	(16.4)	CHF
Ciba Specialty Chemicals Eurofinance Ltd.	Hamilton (Bermuda)	100.00		30.6	1.1	EUR
Cognis USA LLC	Cincinnati, Ohio (USA)	100.00		819.0	(5.2)	USD
Engelhard Asia-Pacific LLC	Florham Park, New Jersey (USA)	100.00		108.3	0.1	USD
Lumerica Insurance Company	Burlington, Vermont (USA)	100.00		122.0	4.8	USD
Ovonix Battery Company Inc.	Iselin, New Jersey (USA)	100.00		14.6	(23.4)	USD
ProCat Testing Holdings Inc.	Florham Park, New Jersey (USA)	100.00		11.7	0.0	USD

⁶⁾ Fully consolidated as per IFRS 10

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
ProCat Testing LLC	Wixom, Michigan (USA)	100.00		23.4	(0.2)	USD
TRADEWINDS Chemicals Corporation	Florham Park, New Jersey (USA)	100.00		688.2	94.4	USD
Watson Bowman Acme Corp.	Amherst, New York (USA)	100.00		32.1	2.7	USD
Asia Pacific						
BASF Advanced Chemicals Co., Ltd.	Shanghai (China)	100.00		4,007.9	537.2	CNY
BASF Asia-Pacific Service Centre Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00		30.2	(2.1)	MYR
BASF Australia Ltd.	Southbank (Australia)	100.00		31.8	9.3	AUD
BASF Battery Materials (Suzhou) Co. Ltd.	Suzhou (China)	100.00		(179.5)	(211.4)	CNY
BASF Care Chemicals (Shanghai) Co. Ltd.	Shanghai (China)	100.00		1,930.4	(1.2)	CNY
BASF Catalysts (Guilin) Co., Ltd.	Guilin (China)	96.25		284.9	33.0	CNY
BASF Catalysts India Private Ltd.	Mumbai (India)	95.00		4,536.7	504.7	INR
BASF Catalysts (Shanghai) Co. Ltd.	Shanghai (China)	96.25		2,946.5	375.5	CNY
BASF Central Asia LLP	Almaty (Kazakhstan)	100.00		2,722.5	606.3	KZT
BASF Chemcat (Thailand) Ltd.	Rayong (Thailand)	80.00		867.2	275.0	THB
BASF Chemicals Company Ltd.	Shanghai (China)	100.00		844.0	(316.8)	CNY
BASF Chemicals India Pvt. Ltd.	Mumbai (India)	100.00		1,439.8	43.8	INR
BASF (China) Company Ltd.	Shanghai (China)	100.00	100.00	3,398.2	205.4	CNY
BASF Coatings (Guangdong) Co., Limited	Jiangmen (China)	100.00		74.0	(13.3)	CNY
BASF Colors & Effects Japan Ltd.	Tokyo (Japan)	100.00		211.0	(97.0)	JPY
BASF Colors & Effects Korea Ltd.	Ulsan (South Korea)	100.00		76,822.0	8,725.0	KRW
BASF Colors & Effects Shanghai Ltd.	Shanghai (China)	100.00		19.0	1.7	CNY
BASF Colors & Effects Singapore Pte. Ltd.	Singapore (Singapore)	100.00		11.6	1.6	USD
BASF Company Ltd.	Seoul (South Korea)	100.00		891,444.0	164,746.0	KRW
BASF Construction Chemicals (China) Co., Ltd.	Shanghai (China)	100.00		79.6	27.8	CNY
BASF Crop Protection (Jiangsu) Co. Ltd.	Rudong County (China)	100.00		226.1	25.1	CNY
BASF East Asia Regional Headquarters Ltd.	Hong Kong (China)	100.00		787.5	13.5	HKD
BASF Electronic Materials (Shanghai) Co. Ltd.	Shanghai (China)	100.00		2.5	16.0	CNY
BASF Gao-Qiao Performance Chemicals (Shanghai) Co. Ltd.	Shanghai (China)	75.00		712.2	104.1	CNY
BASF HOCK Mining Chemical (China) Co. Ltd.	Jining (China)	75.00		(30.7)	(2.4)	CNY
BASF Hong Kong Ltd.	Hong Kong (China)	100.00		423.9	144.3	HKD
BASF Idemitsu Co. Ltd.	Tokyo (Japan)	67.00	67.00	2,182.0	144.0	JPY
BASF India Limited	Mumbai (India)	73.33	48.37	11,061.1	271.3	INR
BASF Intertrade (Shanghai) Co. Ltd.	Shanghai (China)	100.00		143.0	7.0	CNY
BASF Japan Ltd.	Tokyo (Japan)	100.00		43,623.0	5,578.0	JPY
BASF (Malaysia) Sdn. Bhd.	Shah Alam (Malaysia)	100.00		412.0	121.0	MYR
BASF Markor Chemical Manufacturing (Xinjiang) Company Limited	Korla (China)	51.00		132.2	(94.9)	CNY
BASF Metals Japan Ltd.	Tokyo (Japan)	100.00	100.00	3,665.0	(83.0)	JPY
BASF Metals (Shanghai) Co. Ltd.	Shanghai (China)	100.00		222.2	52.0	CNY
BASF New Zealand Ltd.	Auckland (New Zealand)	100.00	100.00	8.6	2.9	NZD
BASF Pakistan (Pvt.) Limited formerly BASF Chemicals and Polymers Pakistan (Pvt.) Limited	Karachi (Pakistan)	100.00	100.00	743.7	291.5	PKR
BASF Paper Chemicals (Huizhou) Co. Ltd.	Huizhou City (China)	100.00		(82.8)	(46.4)	CNY
BASF Paper Chemicals (Jiangsu) Co. Ltd.	Jiangsu (China)	100.00		221.5	(61.4)	CNY
BASF Performance Products Ltd.	Shanghai (China)	100.00		930.6	70.6	CNY
BASF PETRONAS Chemicals Sdn. Bhd.	Shah Alam (Malaysia)	60.00		618.6	(34.6)	USD
BASF Polyurethane Specialties (China) Co. Ltd.	Shanghai (China)	100.00	7.00	1,759.1	372.0	CNY
BASF Polyurethanes (China) Co. Ltd.	Guangzhou (China)	100.00		463.3	59.7	CNY
BASF Polyurethanes (Chongqing) Co. Ltd.	Chongqing (China)	100.00	100.00	1,875.3	(300.3)	CNY
BASF Polyurethanes (Tianjin) Co. Ltd.	Tianjin (China)	100.00		(15.6)	17.8	CNY
BASF Qingdao Pigments Co. Ltd.	Qingdao (China)	91.35		153.0	2.3	CNY
BASF Services (Malaysia) Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00	100.00	186.6	8.8	MYR
BASF Shanghai Coatings Co. Ltd.	Shanghai (China)	60.00		1,025.3	178.1	CNY
BASF South East Asia Pte. Ltd.	Singapore (Singapore)	100.00		554.3	155.3	USD
BASF Specialty Chemicals (Nanjing) Co. Ltd.	Nanjing (China)	100.00		287.5	(9.9)	CNY
BASF (Thai) Ltd.	Bangkok (Thailand)	100.00	100.00	652.2	102.6	THB
BASF Taiwan Ltd.	Taipei (Taiwan)	100.00		5,877.8	1,543.2	TWD
BASF TODA Battery Materials, LLC	Tokyo (Japan)	66.00		12,232.0	(2,951.0)	JPY
BASF Vietnam Co. Ltd.	Binh Duong (Vietnam)	100.00		220,567.0	117,807.0	VND
BASF Vitamins Company Ltd.	Shenyang (China)	100.00	60.00	340.9	91.8	CNY
Chemmetall Asia Pte. Ltd.	Singapore (Singapore)	100.00		40.3	1.6	SGD

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Chemetall (Australasia) Pty. Ltd.	Melbourne (Australia)	100.00		30.9	0.1	AUD
Chemetall Hong Kong Ltd.	Hong Kong (China)	100.00		82.6	1.6	CNY
Chemetall India Private Ltd.	Pune (India)	100.00		1,481.7	17.8	INR
Chemetall New Zealand Ltd.	Avondale (New Zealand)	100.00		1.5	0.1	NZD
Chemetall Philippines Co. Ltd., Inc.	Taguig (Philippines)	99.95		44.0	1.4	PHP
Chemetall Surface Treatment Holding Co., Ltd.	Bangkok (Thailand)	49.33 ⁶⁾		(0.9)	0.0	THB
Chemetall (Thailand) Co. Ltd.	Bangkok (Thailand)	74.16		37.7	1.2	THB
Ciba (Australia) Pty. Ltd.	Thomastown (Australia)	100.00		0.1	0.0	AUD
Engelhard China Ltd.	Shanghai (China)	100.00	100.00	(177.9)	(15.9)	CNY
Nanjing Chemetall Surface Technologies Co., Ltd.	Dongshan (China)	100.00		21.2	0.5	CNY
P.T. BASF Care Chemicals Indonesia	Jakarta (Indonesia)	84.70		684,885.0	8,813.0	IDR
P.T. BASF Indonesia	Jakarta (Indonesia)	99.99	99.99	910,593.0	210,525.0	IDR
Shanghai BASF Polyurethane Company Ltd.	Shanghai (China)	70.00		2,337.1	879.4	CNY
Shanghai Chemetall Chemicals Co., Ltd.	Pudong (China)	100.00		280.6	3.2	CNY
South America, Africa, Middle East						
BASF Agricultural Specialties Ltda.	Jardim Weissópolis, Pinhais (Brazil)	100.00		47.5	7.7	BRL
BASF Argentina S.A.	Buenos Aires (Argentina)	100.00		1,033.6	406.7	ARS
BASF Chile S.A.	Santiago de Chile (Chile)	100.00		23,652.0	(698.0)	CLP
BASF Coatings Services (Pty.) Ltd.	Cape Town (South Africa)	100.00		169.1	58.5	ZAR
BASF Construct. Chemicals South Africa (Pty.) Ltd.	Midrand (South Africa)	100.00		78.7	(33.1)	ZAR
BASF Construction Chemicals Algeria SARL	Algiers (Algeria)	60.00		819.8	567.2	DZD
BASF Construction Chemicals Egypt (SAE)	Cairo (Egypt)	50.00		76.9	60.0	EGP
BASF Construction Chemicals Limitada	Santiago de Chile (Chile)	99.99		5,531.0	185.0	CLP
BASF Construction Chemicals Perú Sociedad Anonima	Lima (Peru)	70.00		18.0	6.9	PEN
BASF Construction Chemicals UAE LLC	Dubai (United Arab Emirates)	49.00 ⁶⁾		442.8	11.0	AED
BASF Corporate Services Chile S.A.	Santiago de Chile (Chile)	100.00	99.93	36,410.0	17,803.0	CLP
BASF FZE	Dubai (United Arab Emirates)	100.00	100.00	92.2	37.2	AED
BASF Holdings South Africa (Pty.) Ltd.	Midrand (South Africa)	100.00		881.5	(13.7)	ZAR
BASF Peruana S.A.	Lima (Peru)	100.00	99.79	60.6	5.6	PEN
BASF Plastic Additives Middle East S.P.C.	Al Hidd (Bahrain)	100.00		(3.2)	(0.7)	BHD
BASF Poliuretanos Ltda.	Maua (Brazil)	100.00		31.9	29.2	BRL
BASF Química Colombiana S.A.	Bogota (Colombia)	100.00	0.01	46,528.0	9,759.0	COP
BASF S.A.	São Paulo (Brazil)	100.00		2,637.9	(520.8)	BRL
BASF Services Americas S.R.L.	Montevideo (Uruguay)	100.00		90.2	18.3	UYU
BASF South Africa (Pty.) Ltd.	Midrand (South Africa)	100.00		2,421.5	211.0	ZAR
BASF Uruguay S.A.	Montevideo (Uruguay)	100.00	100.00	166.8	9.7	UYU
Chemetall do Brasil Ltda.	Jundiaí (Brazil)	100.00		21.2	0.4	BRL
Chemetall (Proprietary) Ltd.	Boksburg (South Africa)	100.00		166.8	(1.4)	ZAR
Chemetall S.R.L.	Buenos Aires (Argentina)	100.00		9.5	0.8	ARS
Cognis S.A.	Buenos Aires (Argentina)	100.00		22.0	58.1	ARS
Saudi BASF for Building Materials Co. Ltd.	Al Khobar (Saudi Arabia)	60.00		113.9	(22.5)	SAR
Wintershall Energía S.A.	Buenos Aires (Argentina)	100.00		9,389.2	2,765.6	ARS

2. Proportionally consolidated joint operations

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Rest of Europe						
AO Achimgaz	Novy Urengoy (Russian Federation)	50.00		65,449.4	19,846.5	RUB
BASF DOW HPPO Holding B.V.	Hoek (Netherlands)	50.00		79.7	16.0	EUR
BASF DOW HPPO Production BVBA	Antwerp (Belgium)	50.00		99.8	17.4	EUR
Ellba C.V.	Rotterdam (Netherlands)	50.00		219.4	187.2	EUR
HPPO Holding and Finance C.V.	Hoek (Netherlands)	50.00		79.8	15.9	EUR
Zandvliet Power N.V.	Antwerp (Belgium)	50.00		29.3	2.6	EUR
Asia Pacific						
KOLON BASF innoPOM Jushikheosa	Gimcheon (South Korea)	50.00		82.9	(1.1)	USD
Toray BASF PBT Resin Sdn. Bhd.	Kuala Lumpur (Malaysia)	50.00	50.00	74.1	3.6	MYR

⁶⁾ Fully consolidated as per IFRS 10

3. Joint ventures accounted for using the equity method

Information on equity and earnings after taxes generally pertain to preliminary 2016 figures.

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Rest of Europe						
BASF Sonatrach Propanchem, S.A.	Tarragona (Spain)	51.00		68.8	24.1	EUR
Limited Liability Company Joint Venture "Wolgodeminoil"	Volgograd (Russian Federation)	50.00		4,939.9	2,286.6	RUB
Synvina C.V.	Amsterdam (Netherlands)	51.00		107.1	5.2	EUR
Wintershall Noordzee B.V.	Rijswijk (Netherlands)	50.00		456.2	(126.0)	EUR
North America						
Industrias Polioles S.A. de C.V., Mexico	Mexico City (Mexico)	49.90		6.5	(0.6)	USD
Polioles, S.A. de C.V.	Merma, Estado de México (Mexico)	50.00		46.6	0.4	USD
Asia Pacific						
BASF INOAC Polyurethanes Ltd.	Shinshiro-shi (Japan)	50.00		4,265.0	1,447.0	JPY
BASF MPCG Company Limited	Guangdong (China)	50.00		283.0	(211.1)	CNY
BASF PJPC Neopentylglycol Co. Ltd.	Jilin City (China)	60.00	50.00	161.8	32.1	CNY
BASF-YPC Company Ltd.	Nanjing (China)	50.00	10.00	12,883.7	2,446.5	CNY
Changchun Chemetall Chemicals Co. Ltd.	Changchun (China)	57.00		34.6	58.8	CNY
Chongqing Chemetall Surface Treatment Co., Ltd.	Chongqing (China)	55.00		28.0	13.6	CNY
Heesung Catalysts Corporation	Seoul (South Korea)	50.00		448,578.0	37,497.0	KRW
Heesung PMTech Corporation	Seoul (South Korea)	40.05		54,749.5	(6,837.7)	KRW
N.E. Chemcat Corporation	Tokyo (Japan)	50.00		43,426.0	4,305.0	JPY
Shanghai Gaoqiao-BASF Dispersions Co. Ltd.	Shanghai (China)	50.00	40.00	306.2	3.8	CNY
Thai Ethoxylate Co. Ltd.	Bangkok (Thailand)	50.00		1,387.1	209.1	THB

4. Associated companies accounted for using the equity method

Information on equity and earnings after taxes generally pertain to preliminary 2016 figures.

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Germany						
BASF New Business GmbH	Ludwigshafen am Rhein	100.00	100.00	65.7	(9.5)	EUR
BASF Venture Capital GmbH	Ludwigshafen am Rhein	100.00		62.8	(9.1)	EUR
GASCADE Gastransport GmbH	Kassel	49.97		369.8	101.4	EUR
Lucura Versicherungs AG	Ludwigshafen am Rhein	100.00		219.9	(9.1)	EUR
NEL Gastransport GmbH	Kassel	49.97		240.0	29.0	EUR
Wintershall AG	Kassel	51.00		181.8	(78.8)	EUR
Rest of Europe						
BASF Huntsman Shanghai Isocyanate Investment B.V.	Arnhem (Netherlands)	50.00		160.9	11.1	EUR
BASF Interox H2O2 Production N.V.	Elsene (Belgium)	50.00		34.9	34.9	EUR
CIMO Compagnie industrielle de Monthey S.A.	Monthey (Switzerland)	50.00		173.3	5.7	CHF
Joint Stock Company Achim Trading	Moskau (Russian Federation)	18.01		50.2	(6.9)	RUB
Limited Liability Company Achim Development	Novy Urengoy (Russian Federation)	25.01		1.7	(17.4)	RUB
Nord Stream AG	Zug (Switzerland)	15.50 ⁷⁾		1,942.5	425.4	EUR
OAO Severneftegazprom	Krasnoselkup (Russian Federation)	25.00 ⁸⁾		64,643.4	13,904.1	RUB
North America						
Yara Freeport LLC	Wilmington, Delaware (USA)	32.00		296.6	(4.6)	USD
Asia Pacific						
Foosung Technologies (Nantong) Co., Ltd.	Nantong (China)	49.00		137.6	10.0	CNY
Markor Meiou Chemical (Xinjiang) Co., Ltd.	Korla (China)	49.00		308.4	(122.4)	CNY
Shanghai Lianheng Isocyanate Co. Ltd.	Shanghai (China)	35.00		1,872.5	41.9	CNY

⁷⁾ BASF exercises significant influence over financial and corporate policy

⁸⁾ Proportion of earnings total 35% above additional preferred share

II. Associated companies not consolidated due to immateriality

1. Subsidiaries not consolidated due to immateriality

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
Germany			
Axaron Bioscience AG	Ludwigshafen am Rhein	99.97	
baseclick GmbH	Neuried	67.30	
BASF Biorenewable Beteiligungs GmbH & Co. KG	Ludwigshafen am Rhein	100.00	
BASF Coatings Services GmbH	Dortmund	100.00	
BASF Fuel Cell GmbH	Ludwigshafen am Rhein	100.00	
BASF Fuel Cell Pensionsverwaltung GmbH	Ludwigshafen am Rhein	100.00	
BASF Gastronomie GmbH	Ludwigshafen am Rhein	100.00	
BASF Immobilien Pigment GmbH	Ludwigshafen am Rhein	100.00	
BASF Immobilien-Gesellschaft mbH	Ludwigshafen am Rhein	100.00	100.00
BASF Innovationsfonds GmbH	Ludwigshafen am Rhein	100.00	100.00
BASF Jobmarkt GmbH	Ludwigshafen am Rhein	100.00	100.00
BASF Lizenz GmbH	Ludwigshafen am Rhein	100.00	
BASF Logistics GmbH	Ludwigshafen am 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 VC Beteiligungs- und Managementgesellschaft mbH	Ludwigshafen am Rhein	100.00	
BASF watertechnologies Beteiligungs GmbH	Schwarzheide	100.00	100.00
BFC Research GmbH	Ludwigshafen am Rhein	100.00	
BPG Immobilien GmbH	Ludwigshafen am Rhein	100.00	
CerTho Produktions GmbH	Unna	100.00	
CM-Hilfe GmbH Unterstützungskasse	Frankfurt am Main	100.00	
Cognis Trust Management GmbH	Düsseldorf	100.00	
Deutsche Nanoschicht GmbH	Rheinbach	100.00	
FSB Flugplatz Beteiligungsgesellschaft mbH	Ludwigshafen am 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 am Rhein	100.00	100.00
Guano-Werke Pensionsverwaltung GmbH	Ludwigshafen am Rhein	100.00	
Guano-Werke Verwaltungs GmbH	Ludwigshafen am Rhein	100.00	
Haidkopf GmbH	Kassel	100.00	
LUCARA Immobilienverwaltungs-GmbH	Ludwigshafen am Rhein	100.00	100.00
LUWOGÉ consult GmbH	Ludwigshafen am Rhein	100.00	
Metanomics GmbH	Berlin	100.00	
Metanomics Health GmbH	Berlin	100.00	
Nordkaspische Explorations- und Produktions GmbH	Kassel	100.00	
OPAL Verwaltungs-GmbH	Kassel	49.97	
Projektentwicklungs-GmbH Friesenheimer Insel	Ludwigshafen am Rhein	100.00	100.00
SGS - Schwarzheider Gastronomie und Service GmbH	Schwarzheide	100.00	
SunGene GmbH	Ludwigshafen am Rhein	100.00	
trinamX GmbH	Ludwigshafen am Rhein	100.00	
Ultraform Verwaltungsgesellschaft mbH	Ludwigshafen am 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 (England)	100.00	
AM Craig Ltd.	Bletchley (England)	100.00	
Ardrox Ltd.	Bletchley (England)	100.00	
AWIAG Ltd.	Birkirkara (Malta)	100.00	
BASF Business Services Holding Ltd.	Cheadle (England)	100.00	

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
BASF Business Services Ltd.	Cheadle (England)	100.00	
BASF Business Services N.V.	Antwerp (Belgium)	100.00	
BASF Business Services S.A.	Tarragona (Spain)	100.00	
BASF Business Services Spa	Cesano Maderno (Italy)	100.00	
BASF Coatings Services AB	Hisings Kärra (Sweden)	100.00	
BASF Coatings Services AG	Zurich (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.	Bukarest (Romania)	100.00	99.99
BASF Coatings Services Sp. z o.o.	Kobylnica (Poland)	100.00	
BASF Croatia d.o.o.	Zagreb (Croatia)	100.00	100.00
BASF EOOD	Sofia (Bulgaria)	100.00	100.00
BASF IBC Admixture Systems Limited	Cork (Ireland)	100.00	
BASF IP Management B.V.	Arnhem (Netherlands)	100.00	
BASF Pensions Trustee Limited	Cheadle (England)	100.00	
BASF S.R.L.	Bukarest (Romania)	100.00	100.00
BASF Slovenija d.o.o.	Ljubljana (Slovenia)	100.00	100.00
BASF Srbija d.o.o.	Belgrad (Serbia)	100.00	100.00
BASF UAB	Wilna (Lithuania)	100.00	100.00
BCI Pensions Trustees Ltd.	Bletchley (England)	100.00	
Boots Galenika d.o.o.	Belgrad (Serbia)	51.00	51.00
Brent Europe Ltd.	Bletchley (England)	100.00	
Brent International B.V.	Bletchley (England)	100.00	
Chem2U AG	Basel (Switzerland)	100.00	
Chemserve Ltd.	Bletchley (England)	100.00	
Ciba Scandinavia AB	Göteborg (Sweden)	100.00	
Ciba Services AG	Basel (Switzerland)	100.00	
Ciba Specialty Chemicals Water Treatments B.V.	Maastricht (Netherlands)	100.00	
Ciba Specialty Chemicals Water Treatments N.V.	Antwerp (Belgium)	100.00	
Cognis Holdings UK Ltd.	Cheadle (England)	100.00	
CropDesign N.V.	Zwijnaarde (Belgium)	100.00	
CSI Kemwood AB	Hisings Backa (Sweden)	100.00	
Dom v Kadashah LLC	Moskau (Russian Federation)	100.00	0.01
Engelhard Arganda S.L.	Tarragona (Spain)	100.00	100.00
FLLC BASF	Minsk (Belarus)	100.00	
Gullfaks AS	Stavanger (Norway)	100.00	
Inca Bronze Powders Ltd.	Cheadle (England)	100.00	
Interlates Ltd.	Cheadle (England)	100.00	
Kiinteistö Oy Raisio Koepainolaitos	Raisio (Finland)	100.00	
Low Moor Securities Ltd.	Cheadle (England)	100.00	
Process Ink Holdings Ltd.	Bletchley (England)	100.00	
Process Inks and Coatings Ltd.	Bletchley (England)	100.00	
The Brent Manufacturing Company Ltd.	Bletchley (England)	100.00	
The MicroBio Group Limited	Cheadle (England)	100.00	
The Sheffield Smelting Co. Ltd.	Cheadle (England)	100.00	
Wintershall Exploration and Production International C.V.	Rijswijk (Netherlands)	100.00	
Wintershall Global Support B.V.	Rijswijk (Netherlands)	100.00	
Wintershall Nederland Transport and Trading 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	

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
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	99.00
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	
EnerG2 Technologies, Inc.	Seattle, Washington (USA)	100.00	
OSNovation Systems Inc.	Santa Clara, California (USA)	70.00	
ThoUSAnd Springs Trout Farms, Inc.	Florham Park, New Jersey (USA)	100.00	
Asia Pacific			
Allied Colloids (Asia) Ltd.	Hong Kong (China)	100.00	
BASF Agricultural Specialties PTY LTD	Somersby (Australia)	100.00	
BASF Bangladesh Ltd.	Dhaka (Bangladesh)	76.41	76.41
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 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 High Purity Electronic Chemicals Production	Jiaxing (China)	100.00	
BASF Kaspian Yapi kimyasallari Sanayi mehud mesuliyetli cemiyeti	Sumqayit (Azerbaijan)	100.00	
BASF Lanka (Private) Limited	Colombo (Sri Lanka)	100.00	99.99
BASF Myanmar Ltd.	Mayangone Township (Myanmar)	100.00	
BASF Philippines, Inc.	Taguig (Philippines)	100.00	100.00
BASF See Sen Sdn. Bhd.	Kuala Lumpur (Malaysia)	70.00	70.00
BASF Trading (Shanghai) Co. Ltd.	Shanghai (China)	100.00	
Becker Underwood Australia Pty. Ltd.	Somersby (Australia)	100.00	
BNC Color Techno Co., Ltd.	Kanagawa (Japan)	100.00	
Chemetall Surface Technologies China Co. Ltd.	Pudong, Shanghai (China)	100.00	
Cognis Chemicals (HK) Ltd.	Hong Kong (China)	100.00	
Cognis Chemicals Trade (Shanghai) Co. Ltd.	Shanghai (China)	100.00	
Doobon Fine Chemical Co. Ltd.	Cheongju (South Korea)	63.00	
Engelhard (Shanghai) Co. Ltd.	Shanghai (China)	100.00	
Foshan Chemetall Surface Treatment Co.	Foshan (China)	57.00	
Shanghai MBT & SCG High-Tech Construction Chemical Co. Ltd.	Shanghai (China)	60.00	
Taiko Shoji Ltd.	Tokorozawa (Japan)	60.00	
Yugen Kaisha Sankyo Shoji	Osaka (Japan)	60.00	
South America, Africa, Middle East			
BASF Agricultural Specialties (PTY) Ltd.	Albert Terrace (South Africa)	100.00	
BASF Agricultural Specialties S.A.	Buenos Aires (Argentina)	100.00	
BASF Bolivia S.R.L.	Santa Cruz de la Sierra (Bolivia)	100.00	100.00
BASF Coatings (Pty.) Ltd.	Johannesburg (South Africa)	100.00	
BASF Commerce Venezuela S.A.	Caracas (Venezuela)	100.00	
BASF Construction Chemicals ORIA FZE	Dubai (United Arab Emirates)	100.00	
BASF Construction Chemicals Pars Company (PJS)	Teheran (Iran)	100.00	
BASF East Africa Ltd.	Nairobi (Kenya)	100.00	99.75
BASF Ecuatoriana S.A.	Quito (Ecuador)	100.00	99.96
BASF Iran (PJS) Company	Teheran (Iran)	100.00	
BASF Ivory Coast	Abidjan (Ivory Coast)	100.00	
BASF Ltd.	Cairo (Egypt)	100.00	99.18
BASF Maroc S.A.	Casablanca (Marokko)	100.00	100.00
BASF Middle East Chemicals LLC	Abu Dhabi (United Arab Emirates)	75.00	
BASF Paraguay S.A.	Asuncion (Paraguay)	100.00	99.97
BASF Polyurethanes South Africa (Pty) Ltd.	Edenvale (South Africa)	100.00	

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
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 (Sambia)	100.00	
Ciba (Pty.) Ltd.	Spartan (South Africa)	100.00	
Engelhard (South Africa) (Pty.) Ltd.	Port Elizabeth (South Africa)	100.00	
Jordanian Swiss Company for Manuf. & Market.Constr	Amman (Jordan)	80.00	
Medag Industria de Soluções Químicas Ltda.	Manaus (Brazil)	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 BM-ES-7 Ltda.	Rio de Janeiro (Brazil)	100.00	
Wintershall Chile Ltda.	Santiago de Chile (Chile)	100.00	
Wintershall do Brasil Servicos Ltda.	Rio de Janeiro (Brazil)	100.00	

2. Associated companies not accounted for using the equity method, due to immateriality

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
Germany			
ARG Verwaltungs GmbH	Duisburg	20.00	20.00
Aurentum Innovationstechnologien GmbH	Mainz	48.20	
Cavis Microcaps GmbH	Mainz	24.46	
DCSO Deutsche Cyber-Sicherheitsorganisation GmbH	Berlin	25.00	25.00
Erdgas Münster GmbH	Münster	28.77	
GAG Ludwigshafen am Rhein AG für Wohnungs-, Gewerbe-, und Städtebau	Ludwigshafen am Rhein	30.00	
Infra Leuna Beteiligungs GmbH	Leuna	27.00	
InnovationLab GmbH	Heidelberg	35.00	35.00
KTL Kombi-Terminal Ludwigshafen GmbH	Ludwigshafen am Rhein	40.00	40.00
Nowega GmbH	Münster	28.77	
Europe			
ARA Kaisten AG	Kaisten (Switzerland)	25.00	
bci Betriebs-AG	Basel (Switzerland)	42.54	
Combi Terminal Catalonia Sociedad Limitada	Tarragona (Spain)	25.00	
Combinant N.V.	Antwerp (Belgium)	45.00	
CSEBER Non-Profit Közhasznú Kft.	Budapest (Hungary)	22.72	
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)	Dubai (United Arab Emirates)	49.00	
BASF Trading Egypt (SAE)	Cairo (Egypt)	48.00	
BASF Tunisie S.A.	Tunis (Tunisia)	49.00	49.00

3. Joint ventures not accounted for using the equity method, due to immateriality

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)
Germany			
KARANTO Corrosion Protection Technologies GmbH	Düsseldorf	50.00	
Succinity GmbH	Düsseldorf	50.00	50.00
ZEMBET Entwicklungsgesellschaft mbH	Ulm	50.00	
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	Nishnekamsk (Russian Federation)	50.00	
Synvina B.V.	Amsterdam (Netherlands)	51.00	
TAPP A.I.E. Terminal de Atraque de Prod. Petroquim	Tarragona (Spain)	50.00	
Wintershall Services B.V.	Rijswijk (Netherlands)	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 Kanoo Gulf FZE	Dubai (United Arab Emirates)	75.00	
BASF Middle East LLC	Dubai (United Arab Emirates)	75.00	75.00

4. Participating interests between 5 and 20 percent in major corporations

Company	Headquarters	Participating interest (%)	Thereof BASF SE (%)	Equity (million)	Net income (million)	Currency (ISO code)
Germany						
InfraLeuna GmbH	Leuna	6.62		344.9 ⁹⁾	4.8 ⁹⁾	EUR
Asia Pacific						
Eternal Specialty Chemical (Zhuhai) Co. Ltd.	Zhuhai (China)	10.00		398.8 ¹⁰⁾	7.9 ¹⁰⁾	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 264(b) of the German Commercial Code (HGB):

Company	Headquarters
BASF Agro Trademarks GmbH	Ludwigshafen am Rhein
BASF Akquisitions GmbH	Ludwigshafen am Rhein
BASF Battery Technology Investment GmbH & Co. KG	Ludwigshafen am Rhein
BASF Beteiligungsgesellschaft mbH	Ludwigshafen am Rhein
BASF Business Services Holding GmbH	Ludwigshafen am Rhein
BASF Business Services GmbH	Ludwigshafen am Rhein
BASF Catalysts Germany GmbH	Hannover
BASF Coatings GmbH	Münster
BASF Color Solutions Germany GmbH	Cologne
BASF Colors & Effects GmbH	Ludwigshafen am Rhein
BASF Construction Solutions GmbH	Trostberg
BASF Grenzach GmbH	Grenzach-Wyhlen
BASF Handels- u. Export GmbH	Ludwigshafen am Rhein

⁹⁾ Financial Statements for business year from January 1, 2015, to December 31, 2015

¹⁰⁾ Financial Report 2015

Company	Headquarters
BASF Isocyanate China Investment GmbH	Ludwigshafen am Rhein
BASF Lampertheim GmbH	Lampertheim
BASF Leuna GmbH	Leuna
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen am Rhein
BASF Niedersächsische Grundbesitz GmbH	Ludwigshafen am Rhein
BASF Performance Polymers GmbH	Rudolstadt
BASF Personal Care and Nutrition GmbH	Monheim
BASF Pigment GmbH	Ludwigshafen am Rhein
BASF Plant Science Company GmbH	Ludwigshafen am Rhein
BASF Plant Science GmbH	Ludwigshafen am Rhein
BASF Polyurethanes GmbH	Lemförde
BASF Schwarzheide GmbH	Schwarzheide
BASF Services Europe GmbH	Berlin
BASF Trostberger Grundbesitz GmbH	Ludwigshafen am Rhein
BASF US Verwaltung GmbH	Ludwigshafen am Rhein
BASF watertechnologies GmbH & Co. KG	Ludwigshafen am Rhein
BASF Wohnen + Bauen GmbH	Ludwigshafen am Rhein
BASF Wolman GmbH	Sinzheim
BPS-Finanzbeteiligungsgesellschaft mbH	Ludwigshafen am Rhein
BTC Europe GmbH	Monheim
Cognis Holding GmbH	Ludwigshafen am 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 am Rhein
hte GmbH the high throughput experimentation company	Heidelberg
inge GmbH	Greifenberg
PCI Augsburg GmbH	Augsburg
Wintershall Middle East GmbH	Kassel
Wintershall Russia Holding GmbH	Kassel
Wintershall Vermögensverwaltungsgesellschaft mbH	Kassel

Disclosures on BASF SE's position as a shareholder with unlimited liability pursuant to Section 285(11a) HGB

Company	Headquarters
BASF Ludwigshafen Grundbesitz SE & Co. KG	Ludwigshafen am 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 Ltd.	Cork (Ireland)

Ludwigshafen am Rhein, February 21, 2017

The Board of Executive Directors

Assurance pursuant to Sections 264(2), 289(1) of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statements of BASF SE give a true and fair view of the assets, liabilities, financial position and profit situation of BASF SE, and 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 21, 2017



Dr. Kurt Bock
Chairman of the Board of Executive Directors



Dr. Martin Bruder Müller
Vice Chairman of the Board of Executive Directors



Dr. Hans-Ulrich Engel
Chief Financial Officer



Sanjeev Gandhi



Michael Heinz



Dr. Harald Schwager



Wayne T. Smith



Margret Suckale

Auditor's report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the Management's Report of BASF SE, Ludwigshafen am Rhein, for the business year from January 1, 2015, to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and management's report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and Management's Report based on our audit.

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

ment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the Management's Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and Management's report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

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

Frankfurt am Main, February 21, 2017

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Wirtschaftsprüfungsgesellschaft

Rega
Wirtschaftsprüfer

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Further information

Published on February 24, 2017

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