

Intended transactions

On December 7, 2017, BASF signed a letter of intent with the LetterOne group on the merger of their respective oil and gas businesses in a joint venture, which would operate under the name Wintershall DEA. The definitive transaction agreements are to be negotiated over the coming months; the transaction could close in the second half of 2018, subject to the

customary regulatory approvals. There is no assurance that BASF will enter into definitive transaction agreements with LetterOne or that the intended transaction will be consummated. Due to this uncertainty, BASF continues to report Oil & Gas as continuing operations.

For more information, see the Management's report on page 86 onward

3 BASF Group List of Shares Held in accordance with section 313(2) of the German Commercial Code

The list of consolidated companies and the complete list of all companies in which BASF SE has a share as required by section 313(2) of the German Commercial Code and information for exemption of subsidiaries from accounting and disclosure obligations are an integral component of the

audited Consolidated Financial Statements submitted to the electronic Federal Gazette. The list of shares held is also published online.

For more information, see basf.com/en/governance

4 Reporting by segment and region

BASF's business is conducted by thirteen operating divisions aggregated into five segments for reporting purposes. The divisions are allocated to the segments based on their business models.

The Chemicals segment comprises the classic chemicals business with basic chemicals and intermediates. The focus is on cost leadership in the value chains, efficient and reliable production and logistics processes, as well as process innovation. The segment forms the core of BASF's Production Verbund and is the starting point for a majority of the value chains. In addition to supplying the chemical industry and numerous other sectors, Chemicals ensures that other BASF segments are supplied with chemicals for producing downstream products. The Chemicals segment is composed of the Petrochemicals, Monomers and Intermediates divisions.

The Performance Products segment consists of the Dispersions & Pigments, Care Chemicals, Nutrition & Health and Performance Chemicals divisions. Tailored solutions play a key role. They enable our customers to improve the application properties of their products or optimize production processes, for example. Close customer contact and meeting the demanding requirements of a wide range of industries are crucial to business success. As of January 1, 2017, the activities of the Monomers and Dispersions & Pigments divisions for the electronics industry were merged into the global business unit Electronic Materials in the Dispersions & Pigments division within the Performance Products segment. BASF thereby strengthens its position as a strategic partner for the large electronic producers. The 2016 figures have been restated accordingly.

The Functional Materials & Solutions segment bundles system solutions, services and innovative products for specific sectors and customers, especially the automotive, electrical,

chemical and construction industries, as well as applications for household, sports and leisure. An in-depth understanding of applications, the development of innovations in close cooperation with customers, and adaptation to different regional needs are key success factors. The segment is made up of the Catalysts, Construction Chemicals, Coatings, and Performance Materials divisions.

The Agricultural Solutions segment includes the Crop Protection division, which is active in the areas of chemical and biological crop protection, seed treatment and water management as well as for nutrient supply and combating plant stress. It offers farmers innovative solutions, including those based on digital technologies, combined with practical advice. Plant biotechnology research is not assigned to this segment; it is reported in Other.

The Oil & Gas segment comprises the division of the same name and focuses on the exploration and production in oil and gas rich regions in Europe, North Africa, Russia, South America and the Middle East. It benefits from strong partnerships and its technological expertise. In Europe, the segment is also active in the transportation of natural gas together with its Russian partner Gazprom.

Activities not assigned to a particular division are reported in Other. These include the sale of raw materials, engineering and other services, rental income and leases, the steering of the BASF Group by corporate headquarters, and cross-divisional corporate research. Cross-divisional corporate research, to which plant biotechnology research also belongs, works on long-term topics of strategic importance to the BASF Group. Furthermore, it focuses on the development of specific key technologies which are of central importance for the divisions.

Earnings from currency conversion that are not allocated to the segments are also reported under Other, as are earnings from the hedging of raw materials prices and foreign currency exchange risks. Furthermore, revenues and expenses from the long-term incentive (LTI) program are reported here.

Transfers between the segments are generally executed at adjusted market-based prices which take into account the

higher cost efficiency and lower risk of Group-internal transactions. Assets, as well as their depreciation and amortization, are allocated to the segments based on economic control. Assets used by more than one segment are allocated based on the percentage of usage.

Income from operations (EBIT) of Other (million €)

	2017	2016
Costs for cross-divisional corporate research	(379)	(395)
Costs of corporate headquarters	(224)	(222)
Other businesses	81	39
Foreign currency results, hedging and other measurement effects	(28)	(331)
Miscellaneous income and expenses	(249)	(182)
Income from operations of Other	(799)	(1,091)

Income from operations of Other increased by €292 million year-on-year to minus €799 million. The **costs for cross-divisional corporate research** decreased by €16 million to €379 million, whereas the **costs of corporate headquarters** at €224 million were €2 million higher than in the previous year. Income from **other businesses** rose by €42 million to €81 million. The line item **foreign currency results, hedging and other measurement effects** increased by €303 million to

minus €28 million. This was due to the provisions for the LTI program: Income in the amount of €68 million arising from their partial release in 2017 contrasted with expenses of €267 million from additions to provisions in the previous year. The line item **miscellaneous income and expenses** amounted to minus €249 million compared with minus €182 million in the previous year.

Assets of Other (million €)

	December 31, 2017	December 31, 2016
Assets of businesses included in Other	2,007	1,959
Financial assets	606	605
Deferred tax assets	2,118	2,513
Cash and cash equivalents/marketable securities	6,547	1,911
Defined benefit assets	70	66
Other receivables/prepaid expenses	2,328	2,320
Assets of Other	13,676	9,374

Reconciliation reporting Oil & Gas (million €)

	2017	2016
Income from operations	1,043	499
Net income from shareholdings	1	6
Other income	(126)	(74)
Income before taxes and minority interests	918	431
Income taxes	(158)	7
Income before minority interests	760	438
Minority interests	(41)	(76)
Net income	719	362

The reconciliation reporting for Oil & Gas reconciles the income from operations in the Oil & Gas segment with the contribution of the segment to the net income of the BASF Group.

Income from operations in 2017 increased significantly in comparison with the previous year. This is primarily attributable to the increase in oil and gas prices, a higher earnings contribution from our share in the Yuzhno Russkoje natural gas field, reversals of impairments in Norway and the Netherlands, and the sale of shares in the Aguada Pichana concession in Argentina. In connection with our share in the Yuzhno Russkoje natural gas field, the excess volumes received over the last 10 years prior to 2016 were compensated in the previous year as contractually agreed with our partner,

Gazprom. An impairment regarding the exploration potential in Norway had an offsetting effect.

The Oil & Gas segment's **other income** relates to income and expenses not included in the segment's income from operations, interest result and other financial result. As in the previous year, other income largely consisted of currency effects from Group loans.

Positive income taxes in 2017 were primarily a result of higher income in Norway.

Segments 2017 (million €)

	Chemicals	Performance Products	Functional Materials & Solutions	Agricultural Solutions	Oil & Gas	Other	BASF Group
Sales	16,331	16,217	20,745	5,696	3,244	2,242	64,475
Intersegmental transfers	6,063	506	805	36	409	(2)	7,817
Sales including intersegmental transfers	22,394	16,723	21,550	5,732	3,653	2,240	72,292
Income from operations	4,208	1,510	1,545	1,015	1,043	(799)	8,522
Assets	13,233	14,432	17,364	8,096	11,967	13,676	78,768
Thereof goodwill	56	2,078	3,718	1,929	1,504	68	9,353
other intangible assets	103	1,048	2,045	208	804	33	4,241
property, plant and equipment	7,497	5,000	4,163	1,366	6,363	869	25,258
investments accounted for using the equity method	1,026	369	393	–	2,556	371	4,715
Debt	4,461	5,419	4,385	1,768	2,222	25,757	44,012
Research and development expenses	128	395	431	507	46	381	1,888
Additions to property, plant and equipment and intangible assets (including acquisitions)	1,149	800	1,056	185	988	186	4,364
Amortization of intangible assets and depreciation of property, plant and equipment	1,166	917	706	267	1,026	120	4,202
Thereof impairments and reversals of impairments	129	53	28	2	(79)	7	140

Segments 2016 (million €)

	Chemicals ¹	Performance Products ¹	Functional Materials & Solutions	Agricultural Solutions	Oil & Gas	Other	BASF Group
Sales	12,905	15,558	18,732	5,569	2,768	2,018	57,550
Intersegmental transfers	4,832	469	736	33	331	1	6,402
Sales including intersegmental transfers	17,737	16,027	19,468	5,602	3,099	2,019	63,952
Income from operations	1,953	1,678	2,199	1,037	499	(1,091)	6,275
Assets	13,124	14,911	17,359	8,899	12,829	9,374	76,496
Thereof goodwill	61	2,228	3,909	2,093	1,712	70	10,073
other intangible assets	136	1,227	2,305	263	1,121	37	5,089
property, plant and equipment	7,929	5,365	4,065	1,543	6,678	833	26,413
investments accounted for using the equity method	1,027	193	423	–	2,581	423	4,647
Debt	4,532	5,840	4,328	1,853	2,190	25,185	43,928
Research and development expenses	145	399	393	489	39	398	1,863
Additions to property, plant and equipment and intangible assets (including acquisitions)	1,185	892	3,679	266	1,115	121	7,258
Amortization of intangible assets and depreciation of property, plant and equipment	1,161	899	707	268	1,097	119	4,251
Thereof impairments and reversals of impairments	86	26	152	29	4	16	313

¹ On January 1, 2017, the Monomers and Dispersions & Pigments divisions' activities for the electronics industry were merged into the global Electronic Materials business unit and allocated to the Dispersions & Pigments division. For better comparability, the affected figures for 2016 have been adjusted accordingly.

Regions 2017 (million €)

	Europe	Thereof Germany	North America	Asia Pacific	South America, Africa, Middle East	BASF Group
Location of customers						
Sales	29,214	8,359	15,357	14,343	5,561	64,475
Share %	45.3	13.0	23.8	22.3	8.6	100.0
Location of companies						
Sales	30,778	19,873	15,937	13,658	4,102	64,475
Sales including interregional transfers ¹	37,987	25,674	18,570	14,534	4,409	75,500
Income from operations	4,742	1,913	1,236	2,209	335	8,522
Assets	43,924	24,631	16,201	13,547	5,096	78,768
Thereof intangible assets	7,167	2,736	4,428	1,499	500	13,594
property, plant and equipment	13,876	7,019	5,281	4,337	1,764	25,258
investments accounted for using the equity method	3,153	989	115	1,447	–	4,715
Additions to property, plant and equipment and intangible assets (including acquisitions)	2,455	1,228	958	711	240	4,364
Amortization of intangible assets and depreciation of property, plant and equipment including impairments and reversals of impairments	2,399	1,234	1,011	516	276	4,202

Regions 2016 (million €)

	Europe	Thereof Germany	North America	Asia Pacific	South America, Africa, Middle East	BASF Group
Location of customers						
Sales	26,039	7,412	14,042	12,165	5,304	57,550
Share %	45.3	12.9	24.4	21.1	9.2	100.0
Location of companies						
Sales	27,221	17,540	14,682	11,512	4,135	57,550
Sales including interregional transfers ¹	34,234	23,241	17,060	12,269	4,361	67,924
Income from operations	3,632	1,582	1,113	1,098	432	6,275
Assets	40,086	21,120	17,714	12,869	5,827	76,496
Thereof intangible assets	7,925	3,249	5,048	1,661	528	15,162
property, plant and equipment	13,990	6,915	6,055	4,421	1,947	26,413
investments accounted for using the equity method	3,052	1,120	119	1,476	–	4,647
Additions to property, plant and equipment and intangible assets (including acquisitions)	4,114	2,912	1,424	1,437	283	7,258
Amortization of intangible assets and depreciation of property, plant and equipment including impairments and reversals of impairments	2,526	1,224	1,018	463	244	4,251

¹ The sum of sales including interregional transfers for all the regions can differ from the sum of sales including intersegmental transfers for all the segments, as the segments are viewed globally, and therefore shipments and services between regions within the same segment are not classified as transfers.

In the United States, sales to third parties in 2017 amounted to €13,909 million (2016: €12,831 million) according to location of companies and €13,127 million (2016: €11,985 million) according to location of customers.

In the United States, intangible assets, property, plant and equipment, and investments accounted for using the equity method amounted to €9,014 million compared with €10,342 million in the previous year.