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To Our Shareholders

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Dear Shareholder,

Looking back, 2017 was a successful business year in which BASF significantly exceeded its earnings targets. We achieved strong growth and were able to further increase our profitability. Moreover, we laid important groundwork for BASF's future development – in terms of both people and strategy. With the acquisitions announced for 2018 we want to further strengthen our company. We are ensuring our future competitiveness.

The positive development of our business is driven by the performance of our skilled and dedicated team at BASF. On behalf of the Board of Executive Directors, I sincerely thank all employees worldwide for their contribution to BASF's success.

Economic activity picked up in many countries in 2017. We took advantage of this upturn and markedly increased our sales and earnings compared with the previous year. We sold higher volumes in all segments and divisions. For basic chemicals in particular, we also increased our prices significantly. Overall, our sales grew by 12%. One contributing factor was the Chemetall business acquired in December 2016, which comprises tailor-made solutions for metals surface treatment.

Our earnings rose even more sharply, by around one-third. Our EBIT before special items came in at €8.3 billion, with a significant contribution coming from the Chemicals segment. Higher margins and volumes in the basic chemicals and intermediates businesses more than offset the lower margins in our businesses that are closer to customers. Overall, our earnings in the chemicals business were significantly higher than in the previous year.

In an ongoing difficult market environment, our Agricultural Solutions segment was nearly able to match the 2016 results thanks to a strong fourth quarter. In light of our promising research pipeline, we take an optimistic view of the future.

We significantly improved our earnings in the Oil & Gas segment, where we also benefited from the recovery in the oil price. It climbed to an average of \$54 per barrel for Brent crude in 2017 versus an average price of \$44 in the previous year.

“BASF achieved strong growth in all regions. We were particularly pleased with our strong growth in Asia.”

BASF achieved strong growth in all regions. We were particularly pleased with our strong growth in Asia. Our investments there in recent years are paying off. Our earnings in Asia doubled, making it the most profitable region for BASF.

The key indicator of the value we produce for you, our shareholders, is EBIT after cost of capital. This increased once again in 2017 and more than doubled to €2.7 billion.

At the end of 2017, our shares were trading for €91.74. This represents a 3.9% increase over the closing price in 2016, which was also the high for that year. We propose to you that the dividend be increased by €0.10 to €3.10 per share. The BASF share would thus once more offer an attractive dividend yield of around 3.4% based on the 2017 year-end share price. In total, we plan to pay out €2.8 billion to our shareholders.

Our strategy provides direction for how we further develop BASF. At the core is our corporate purpose: “We create chemistry for a sustainable future.” We are well aware of the needs of the fast-growing global population. More and more people need access to food and water, energy, raw materials, housing and healthcare. At the same time, the Earth’s resources are limited. Our products and services contribute to reconciling the needs with the limitations.

In doing so, we rely on research and development, organic growth through investments in plants, and the continuous refinement of our portfolio. Operational excellence and cost discipline along our value chains also continue to be essential for our sustainable success.

Around 10,000 dedicated employees worldwide work in research at BASF to develop new products for a sustainable future. We often collaborate with customers and academic partners as well as startups. We believe that innovation and sustainability are inextricably linked.

“For nearly two decades, we have been involved in the U.N. Global Compact network.”

For nearly two decades, we have been involved in the U.N. Global Compact network and we actively support the U.N. Sustainable Development Goals. Mobility, for example, is an established part of our lives. But we also have a responsibility to design it in a sustainable way. BASF contributes to this with our lightweight plastics, high-performance catalysts and new battery materials.

In order to strengthen our capacity for innovation, we also utilize the opportunities offered by digitalization. We are increasingly using digital technologies throughout our value chains. This helps us to design our processes more effectively and efficiently. At our sites around the globe, we combine data with modern analytics. At our Verbund site Ludwigshafen, for example, we use predictive maintenance techniques at our steam cracker, the heart of our production. Several thousand sensors record process data, such as temperature and pressure, around the clock. This makes it easier for us to optimally operate and monitor the plants.

Another example is our digital business models – such as services, platform solutions and licenses that customers obtain from us and use – which create additional value for our customers and for BASF.

In the past year we made important decisions for the development of our portfolio. We plan to acquire Solvay's global polyamide business. This will expand our range of engineering plastics for the transportation, construction and consumer goods industries and will strengthen our access to raw materials. Furthermore, we also expect to improve our access to key growth markets in Asia and South America.

"In the past year we made important decisions for the development of our portfolio."

We want to bolster our Agricultural Solutions segment with the acquisition of significant parts of Bayer's seed and herbicide businesses. These will be an excellent complement to our well-established and successful crop protection business and our biotechnology activities. With this acquisition we aim to expand our offerings for farmers. We want to enter into the seed business with proprietary assets in key agricultural markets, which will also allow us to more quickly implement the results of our seed research.

These two transactions exemplify our strategy of broadening BASF's portfolio by adding fast-growing, cyclically resilient businesses. Innovations play a major role in this, as they enable us to offer our customers specific and sustainable solutions for their particular applications.

However, we also divest businesses when we believe they could be more successful in a different constellation. At the end of September 2017, we transferred our business with leather chemicals to the Stahl Group, a leading producer of process chemicals for leather products. In return, we now hold a 16% share in the Stahl Group.

In December 2017, we announced fundamental changes for our oil and gas activities. BASF and the LetterOne group plan to merge their respective oil and gas businesses in a joint venture. The new company, Wintershall DEA, should be one of the largest independent exploration and production companies in Europe, with excellent growth prospects. We plan to list the company on the stock exchange in the medium term.

Despite a number of political risks, we expect economic conditions to be solid in 2018. We anticipate that the global economy and chemical production will grow at the same pace as in 2017. We assume an average oil price of \$65 per barrel for Brent crude and an average annual exchange rate of \$1.20 per euro for 2018.

I am also very optimistic about the future development of our company, which the BASF team will shape with great élan. Everyone contributes his or her own experiences, perspectives, ideas and skills at work each day. My successor, Martin Brudermüller, has what it takes to maintain our successful track record and advance the company. I am convinced that BASF will continue to seize opportunities in the future.

"I am very optimistic about the future development of our company, which the BASF team will shape with great élan."

Yours,



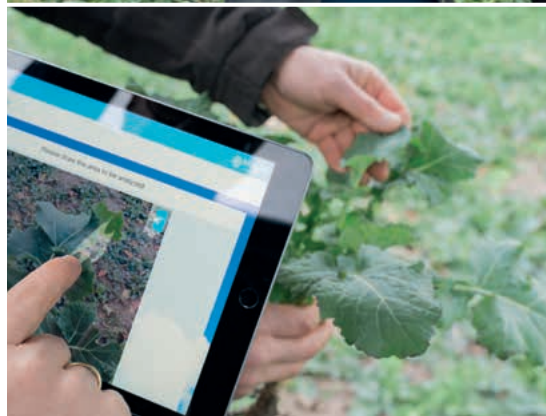
Kurt Bock

The Board of Executive Directors of BASF SE



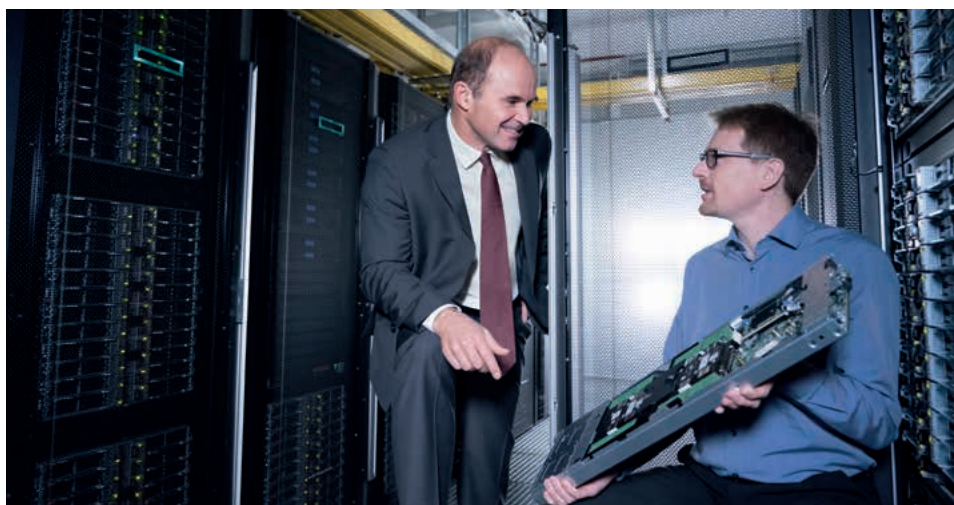
Dr. Kurt Bock
Chairman of the Board of
Executive Directors

Dr. Kurt Bock discussing business in South America, the opportunities of digitalization and future prospects with young leaders in Brazil.



Saori Dubourg

Saori Dubourg testing Maglis® Agronomic Advice in a rapeseed oil field with a BASF employee. This digital application helps farmers to make more informed decisions during the growing season.



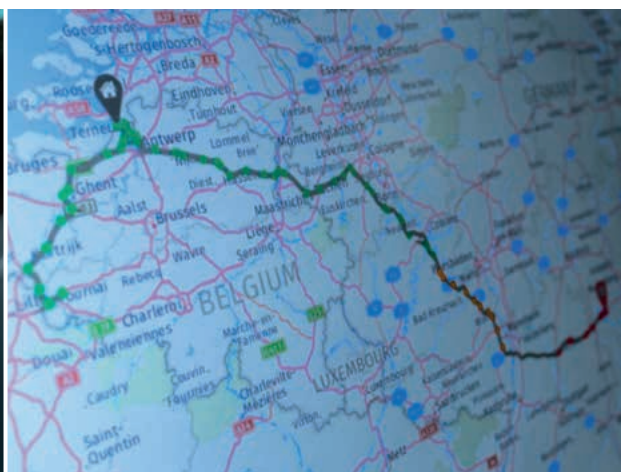
Dr. Martin Brudermüller
Vice Chairman of the
Board of Executive
Directors

Dr. Martin Brudermüller at the supercomputer at the Ludwigshafen site in Germany. BASF researchers can perform complex simulations and modeling operations in no time thanks to the new supercomputer's 1.75 petaflops of computing power.



Dr. Hans-Ulrich Engel
Chief Financial Officer

Dr. Hans-Ulrich Engel at Supply Chain Operations and Information Services in Ludwigshafen, Germany. A new web-based tracking system increases supply chain transparency and enables customers to track their deliveries in real time.

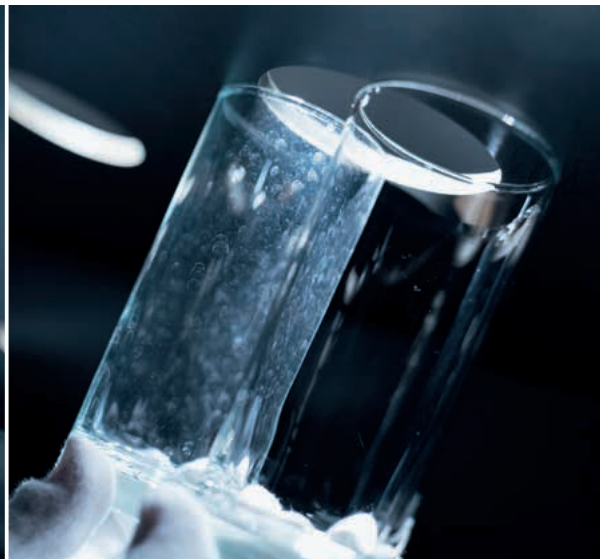


The Board of Executive Directors of BASF SE



Sanjeev Gandhi

Sanjeev Gandhi during a visit to the BASF Innovation Campus in Shanghai, China. Here, BASF employees work hand-in-hand with customers on solutions for a sustainable future, such as polyurethanes that help make refrigerators more energy efficient.



Dr. Markus Kamieth

Dr. Markus Kamieth at the Automatic Dish Wash Laboratory. In the future, fast answers and research findings – for example on solutions to prevent scale on glasses – will also be available to customers via a digital platform.

**Michael Heinz**

Michael Heinz in the control center for automated guided vehicles (AGV) in Ludwigshafen, Germany, where the AGVs that transport tank containers at the site are monitored.

**Wayne T. Smith**

Wayne T. Smith at the Battery Materials Pilot Plant in Beachwood, Ohio. Here, BASF scientists develop innovative cathode materials for lithium-ion batteries, which are used in electromobility applications.

BASF on the capital market

€91.74

BASF share closing price
up by 3.9% year-on-year

€3.10

Proposed dividend
per share

CDP, MSCI ESG

BASF once again recognized
in sustainability indexes

The BASF share price rose by 3.9% in 2017, trading at €91.74 at the year-end. We stand by our ambitious dividend policy and will propose a dividend of €3.10 per share at the Annual Shareholders' Meeting – an increase of 3.3% compared with the previous year. BASF enjoys solid financing and good credit ratings.

the end of 2007 and reinvested the dividends in additional BASF shares would have increased to €2,676 by the end of 2017. This represents an annual yield of 10.3%, placing BASF shares above the returns for the DAX 30 (4.8%), EURO STOXX 50 (0.8%) and MSCI World Chemicals (6.8%) indexes.

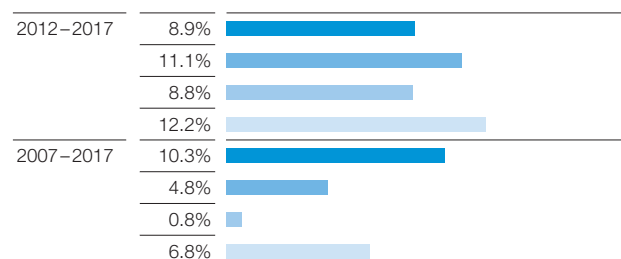
BASF share performance

- BASF share gains 3.9% in 2017
- Long-term performance continues to clearly exceed benchmark indexes

The BASF share closed the 2017 stock market year with a closing price of €91.74. This equates to a 3.9% rise in the value of BASF shares compared with the previous year's closing price, which also marked the high for 2016. Assuming that dividends were reinvested, BASF shares gained 7.4% in value in 2017. The benchmark indexes of the German and European stock markets – the DAX 30 and the EURO STOXX 50 – rose by 12.5% and 9.2% over the same period, respectively. The global industry index MSCI World Chemicals gained 23.6%.

The BASF share reached a new high of €97.46 over the course of 2017. Viewed over a 10-year period, the long-term performance of BASF shares still clearly surpasses the German, European and global benchmark indexes. The assets of an investor who invested €1,000 in BASF shares at

Long-term performance of BASF shares compared with indexes (Average annual increase with dividends reinvested)



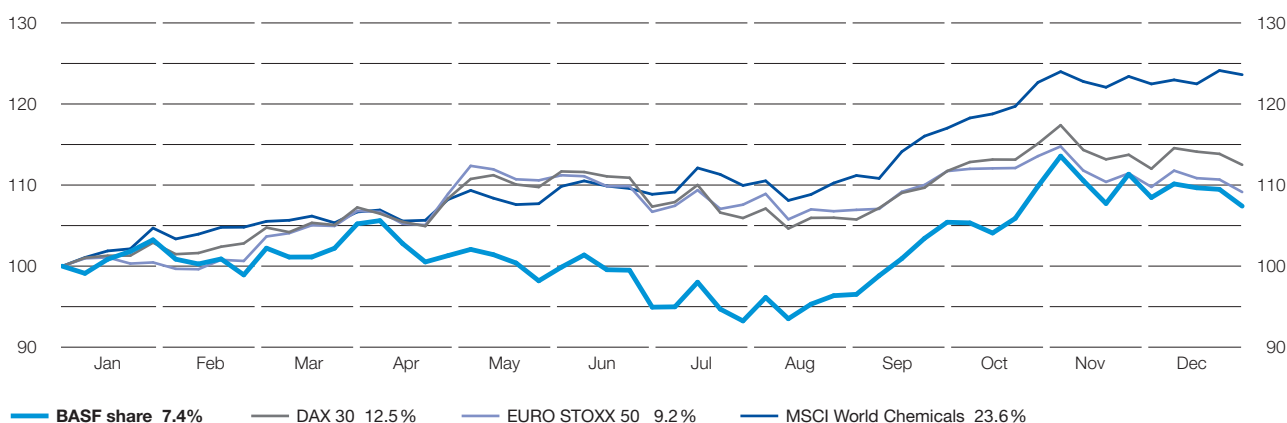
■ BASF share ■ DAX 30 ■ EURO STOXX 50 ■ MSCI World Chemicals

Weighting of BASF shares in important indexes as of December 31, 2017

DAX 30	8.1%
EURO STOXX 50	3.5%
MSCI World Chemicals	8.6%

Change in value of an investment in BASF shares in 2017

(With dividends reinvested; indexed)

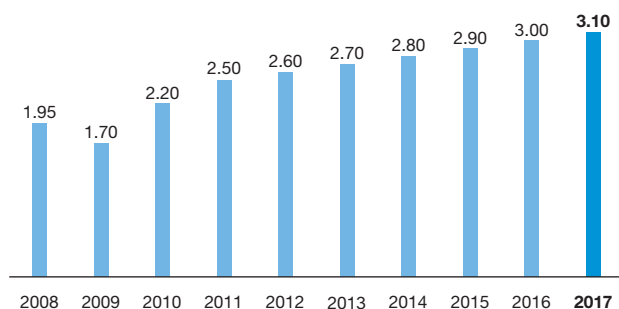


Proposed dividend of €3.10 per share

At the Annual Shareholders' Meeting, the Board of Executive Directors and the Supervisory Board will propose a dividend payment of €3.10 per share. We stand by our ambitious dividend policy and plan to pay out €2.8 billion to our shareholders.

Based on the year-end share price for 2017, BASF shares offer a high dividend yield of around 3.4%. BASF is part of the DivDAX share index, which contains the 15 companies with the highest dividend yield in the DAX 30. We aim to increase our dividend each year, or at least maintain it at the previous year's level.

Dividend per share (€ per share)

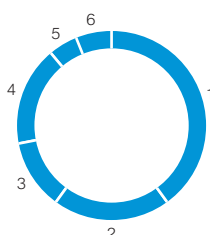


Broad base of international shareholders

With over 500,000 shareholders, BASF is one of the largest publicly owned companies with a high free float. An analysis of the shareholder structure carried out at the end of 2017 showed that, at around 20% of share capital, the United States and Canada made up the largest regional group of institutional investors. Institutional investors from Germany accounted for around 11%. Shareholders from the United Kingdom and Ireland hold 12% of BASF shares, while investors from the rest of Europe hold a further 17% of capital. Approximately 29% of the company's share capital is held by private investors, nearly all of whom reside in Germany. BASF is therefore one of the DAX 30 companies with the largest percentage of private shareholders.

Shareholder structure (by region, rounded)

1	Germany	40%
2	United States and Canada	20%
3	United Kingdom and Ireland	12%
4	Rest of Europe	17%
5	Rest of world	5%
6	Not identified	6%



Employees becoming shareholders

In many countries, we offer share purchase programs that turn our employees into BASF shareholders. In 2017, for example, 23,700 employees (2016: approximately 24,000) purchased employee shares worth €63 million (2016: €59 million).

For more information on employee share purchase programs, see page 46

BASF a sustainable investment

- CDP again awards BASF leadership status and honors company's sustainable water management
- BASF continues to be included in MSCI ESG Ratings with score of AA

Since 2004, BASF has participated in the CDP's program for reporting on data relevant to climate protection. The international organization CDP represents more than 800 institutional investors who manage over \$100 trillion in assets. BASF again achieved a score of A- in 2017, awarding it "Leadership" status. Companies on this level are distinguished by factors such as the completeness and transparency of their reporting. They also have approaches in place for managing the opportunities and risks associated with climate change as well as corporate strategies to reduce emissions. BASF has also reported on water management to CDP since 2010 and was again included in the CDP Water A List in 2017. This assessment includes how transparently companies report on water management activities, the degree to which risks are reduced and the extent to which product developments contribute to sustainable water management at customers. Efficient water use and the development of sustainable local solutions are important elements of BASF's water stewardship strategy.

BASF continued to be included in the MSCI ESG Ratings in 2017 with a score of AA. MSCI made special mention of BASF's leading environmental protection programs. The analysts recognized that BASF has made further progress in reducing greenhouse gas emissions and has one of the lowest emissions intensities in the chemical industry.

For more information on the key sustainability indexes, see basf.com/sustainabilityindexes

For more information on energy and climate protection, see page 104 onward

For more information on water, see page 108 onward

Analysts' recommendations

Around 30 financial analysts regularly publish studies on BASF. The latest analyst recommendations for our shares as well as the average target share price ascribed to BASF by analysts can be found online at basf.com/analystestimates.

Close dialog with the capital market

- Roadshows for institutional investors and talks with rating agencies
- BASF R&D Roundtable
- Informational events for private investors

Our corporate strategy aims to create long-term value. We support this strategy through regular and open communication with all capital market participants. We engage with institutional investors and rating agencies in numerous one-on-one meetings, as well as at roadshows and conferences worldwide, and give private investors an insight into BASF at informational events. In 2017, around 2,000 private investors took the opportunity to attend such events.

At the end of June 2017, we discussed the opportunities and potential of digitalization along our value chains with analysts and investors at an R&D Roundtable held in Ludwigs-hafen, Germany. We presented digital methods, various tools and the wide range of applications in research at BASF. The growing use of digital technologies secures our leading position in chemistry-based innovations.

In 2017, we once again held special events aimed toward investors who base their investment decisions on sustainability criteria. There, we outlined in particular our measures for climate protection, energy efficiency, health and safety. In addition, we offered several creditor relations roadshows, where credit analysts and creditors could learn more about our business and financing strategy.

For more information on our credit ratings, see the Financial Position on page 58

Analysts and investors have confirmed the quality of our financial market communications: We took first place in the "Best IR" category of the Materials sector in the annual survey conducted by Britain's IR Magazine. In addition, Institutional Investor Magazine recognized BASF for the best investor relations program in the Chemicals market segment. The IR Society awarded BASF first place in the "Best use of digital communications – international" category of the Best Practice Awards 2017.

For more information about BASF stock, see basf.com/share

Register for the newsletter with current topics and dates at basf.com/share/newsletter

Contact the Investor Relations team by phone at +49 621 60-48230 or email ir@basf.com

Further information on BASF share

Securities code numbers	
Germany	BASF11
United Kingdom	0083142
Switzerland	11450563
United States (CUSIP number)	055262505
ISIN International Securities Identification Number	DE000BASF111
International ticker symbols	
Deutsche Börse	BAS
London Stock Exchange	BFA
Swiss Exchange	BAS

Key BASF share data

		2013	2014	2015	2016	2017
Year-end price	€	77.49	69.88	70.72	88.31	91.74
Year high	€	78.97	87.36	96.72	88.31	97.46
Year low	€	64.79	65.61	65.74	56.70	79.64
Year average	€	71.96	77.93	79.28	70.96	88.16
Daily trade in shares ¹						
	million €	200.8	224.5	264.5	201.9	185.7
	million shares	2.8	2.9	3.3	2.9	2.1
Number of shares December 31	million shares	918.5	918.5	918.5	918.5	918.5
Market capitalization December 31	billion €	71.2	64.2	65.0	81.1	84.3
Earnings per share	€	5.22	5.61	4.34	4.42	6.62
Adjusted earnings per share	€	5.31	5.44	5.00	4.83	6.44
Dividend per share	€	2.70	2.80	2.90	3.00	3.10
Dividend yield ²	%	3.48	4.01	4.10	3.40	3.38
Payout ratio	%	52	50	67	68	47
Price-earnings ratio (P/E ratio) ²		14.8	12.5	16.3	20.0	13.9

¹ Average, Xetra trading

² Based on year-end share price