

FREDY MARISCAL

helped develop the umbrella brand AgCelence® for the Latin American crop protection market.

* in particular as a result of active ingredients that make plants more resilient

**+€272
MILLION**

SALES

WITH CROP PROTECTION
PRODUCTS 2008*



VALUE FOR BASF

Increased sales with products for strong plants



On-site consultancy: Fredy Mariscal visits customer Edson Cagnin on his farm.

High earnings through new market segment

We market our Plant Health concept in Latin America under the umbrella brand AgCelence: We offer farmers products that positively impact plant health as well as providing effective disease and pest control. One of the most important active ingredients with these characteristics is F 500[®]. It not only protects crops against fungal growth, but also strengthens their metabolism and natural defenses. These additional characteristics open up a new market and opportunities for business success for our Crop Protection division. The Plant Health concept was distinguished with BASF's Business Excellence Award 2008.

VALUE FOR SOCIETY

Better yields for farmers



With BASF's Plant Health products, farmers improve the yield and quality of their harvests even during droughts.

Good harvests through healthy plants

Our Plant Health products improve the health of crops, thereby increasing yields and improving the quality of harvests, even under extreme conditions such as drought. In this way, we help farmers to be more successful and to contribute to safeguarding sustainable food supplies.

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CONSOLIDATED FINANCIAL STATEMENTS BASF GROUP

STATEMENT BY THE BOARD OF EXECUTIVE DIRECTORS AND ASSURANCE PURSUANT TO SECTION 297(2), SECTION 315(1) GERMAN COMMERCIAL CODE

The Board of Executive Directors of BASF SE is responsible for preparing the Consolidated Financial Statements and Management's Analysis of the BASF Group.

The Consolidated Financial Statements were prepared according to the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB), London, and have been endorsed by the European Union.

In order to ensure the adherence of the Consolidated Financial Statements of the BASF Group and Management's Analysis to the applicable accounting rules, and the accuracy of reporting, we have established effective internal control systems.

The adherence to uniform, Group-wide accounting and reporting standards, and the reliability and effectiveness of our control systems are continually audited throughout the Group by our internal audit department. The risk management system we have set up complies with the requirements of the German Control and Transparency in Business Act (91(2), Stock Corporation Act) and is designed to identify material risks in a timely manner, thus enabling the Board of Executive Directors to take appropriate defensive measures as required.

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements of the BASF Group give a true and fair view of the assets, liabilities, financial position and profit situation of the Group, and the Management's Analysis includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the Consolidated Financial Statements of the BASF Group and Management's Analysis and approved them free of qualification. The Consolidated Financial Statements of the BASF Group, the Management's Analysis and the auditors' report were examined at length by the Audit Committee of the Supervisory Board in the presence of the auditors at its meeting on February 25, 2009. For the results of the Supervisory Board's examination, please refer to the Report of the Supervisory Board.

Ludwigshafen, February 25, 2009



DR. JÜRGEN HAMBRECHT
Chairman of the Board of Executive Directors



DR. KURT BOCK
Chief Financial Officer



DR. MARTIN BRUDERMÜLLER



DR. HANS-ULRICH ENGEL



DR. JOHN FELDMANN



DR. ANDREAS KREIMEYER



DR. STEFAN MARCINOWSKI



DR. HARALD SCHWAGER

AUDITOR'S REPORT

We have audited the Consolidated Financial Statements prepared by the BASF SE (until January 13, 2008, BASF Aktiengesellschaft), Ludwigshafen am Rhein, Germany, comprising the income statement, the balance sheet, the statement of changes in equity, the statement of recognized income and expense, the cash flow statement and the notes to the Consolidated Financial Statements, together with Management's Analysis for the business year from January 1 to December 31, 2008. The preparation of the Consolidated Financial Statements and Management's Analysis in accordance with IFRSs as adopted by the E.U., and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch „German Commercial Code“] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on Management's Analysis based on our audit. In addition we have been instructed to express an opinion as to whether the Consolidated Financial Statements comply with full IFRS.

We conducted our audit of the Consolidated Financial Statements in accordance with § 317 German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 Consolidated Financial Statements in accordance with the applicable financial reporting frame-

work and in Management's Analysis are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 Consolidated Financial Statements and Management's Analysis are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements and Management's Analysis. 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 Consolidated Financial Statements comply with IFRSs as adopted by the E.U., the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Management's Analysis is consistent with the Consolidated Financial Statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 25, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

DR. SCHINDLER
Wirtschaftsprüfer

KUHN
Wirtschaftsprüfer

CONSOLIDATED STATEMENTS OF INCOME

BASF GROUP

Consolidated statements of income (million €)

	Explanations in Note	2008	2007
Sales	(4)	62,304	57,951
Cost of sales		46,455	41,899
Gross profit on sales		15,849	16,052
Selling expenses		5,777	5,586
General and administrative expenses		1,058	1,067
Research and development expenses		1,355	1,380
Other operating income	(5)	1,304	1,053
Other operating expenses	(6)	2,500	1,756
Income from operations	(4)	6,463	7,316
Income from companies accounted for using the equity method		(66)	57
Other income from participations		74	58
Other expenses from participations		82	31
Interest income		174	142
Interest expense		601	614
Other financial income		772	726
Other financial expenses		758	719
Financial result	(7)	(487)	(381)
Income before taxes and minority interests		5,976	6,935
Income taxes	(8)	2,671	2,610
Income before minority interests		3,305	4,325
Minority interests	(9)	393	260
Net income		2,912	4,065
Earnings per share (€) ¹	(3)	3.13	4.16
Dilution effect	(3)	–	–
Diluted earnings per share (€) ¹	(3)	3.13	4.16

¹ In the second quarter of 2008, we conducted a two-for-one stock split. The earnings per share figure for 2007 has been adjusted accordingly.

CONSOLIDATED BALANCE SHEETS

BASF GROUP

Assets (million €)

	Explanations in Note	December 31, 2008	December 31, 2007
Intangible assets	(11)	9,889	9,559
Property, plant and equipment	(12)	15,032	14,215
Investments accounted for using the equity method	(13)	1,146	834
Other financial assets	(13)	1,947	1,952
Deferred tax assets	(8)	930	679
Other receivables and miscellaneous long-term assets	(15)	642	655
Long-term assets		29,586	27,894
Inventories	(14)	6,763	6,578
Accounts receivable, trade	(15)	7,752	8,561
Other receivables and miscellaneous short-term assets	(15)	3,948	2,337
Marketable securities	(16)	35	51
Cash and cash equivalents	(16)	2,776	767
Assets of disposal groups	(2)	–	614
Short-term assets		21,274	18,908
Total assets		50,860	46,802

Stockholders' equity and liabilities (million €)

	Explanations in Note	December 31, 2008	December 31, 2007
Subscribed capital	(17)	1,176	1,224
Capital surplus	(17)	3,241	3,173
Retained earnings	(18)	13,250	14,556
Other comprehensive income	(18)	(96)	174
Equity of shareholder of BASF SE		17,571	19,127
Minority interests	(19)	1,151	971
Stockholders' equity		18,722	20,098
Provisions for pensions and similar obligations	(20)	1,712	1,292
Other provisions	(21)	2,757	3,015
Deferred tax liabilities	(8)	2,167	2,060
Financial indebtedness	(22)	8,290	6,954
Other liabilities	(22)	917	901
Long-term liabilities		15,843	14,222
Accounts payable, trade		2,734	3,763
Provisions	(21)	3,043	2,697
Tax liabilities	(8)	860	881
Financial indebtedness	(22)	6,224	3,148
Other liabilities	(22)	3,434	1,976
Liabilities of disposal groups	(2)	–	17
Short-term liabilities		16,295	12,482
Total stockholders' equity and liabilities		50,860	46,802

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE BASF GROUP

Income and expense items (million €)

	2008	2007
Income before minority interests	3,305	4,325
Actuarial gains/losses and asset ceiling for defined benefit assets	(782)	55
Change in foreign currency translation adjustments	(142)	(532)
Fair value changes in available-for-sale securities	(12)	343
Cash flow hedges	(163)	33
Revaluation due to acquisition of majority of shares	(2)	12
Deferred taxes	194	(155)
Minority interests	(12)	(45)
Total income and expense recognized in equity	(919)	(289)
Total income and expense for the period	2,386	4,037
Thereof BASF	2,005	3,822
Thereof minority interests	381	215

Development of income and expense recognized directly in equity (million €)

	Retained earnings		Other comprehensive income				Total income and expense recognized directly in equity
	Actuarial gains/losses; asset ceiling	Foreign currency translation adjustment	Fair value changes in available-for-sale securities	Cash flow hedges	Revaluation due to acquisition of majority of shares	Total of other comprehensive income	
As of January 1, 2008	(874)	(497)	680	(21)	12	174	(700)
Additions	(782)	(142)	–	(170)	–	(312)	(1,094)
Releases	–	–	(12)	7	(2)	(7)	(7)
Deferred taxes	145	2	–	47	–	49	194
As of December 31, 2008	(1,511)	(637)	668	(137)	10	(96)	(1,607)
As of January 1, 2007	(782)	27	341	(42)	–	326	(456)
Additions	–	(532)	349	(64)	12	(235)	(235)
Releases	55	–	(6)	97	–	91	146
Deferred taxes	(147)	8	(4)	(12)	–	(8)	(155)
As of December 31, 2007	(874)	(497)	680	(21)	12	174	(700)

CONSOLIDATED STATEMENTS OF CASH FLOWS BASF GROUP

Consolidated statements of cash flows ¹ (million €)

	2008	2007
Net income	2,912	4,065
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	3,180	2,947
Changes in pension provisions, defined benefit assets and other non-cash items	271	(164)
Net gains from disposal of long-term assets and securities	(1)	(42)
Changes in inventories	136	(335)
Changes in receivables	(739)	(864)
Changes in operating liabilities and other provisions	(736)	200
Cash provided by operating activities	5,023	5,807
Payments related to intangible assets and property, plant and equipment	(2,521)	(2,562)
Payments related to financial assets and securities	(976)	(755)
Payments related to acquisitions	(637)	(635)
Proceeds from divestitures	73	99
Proceeds from the disposal of long-term assets and securities	601	241
Cash used in investing activities	(3,460)	(3,612)
Capital increases/repayments and other equity transactions	45	150
Share repurchases	(1,618)	(1,899)
Proceeds from the addition of financial liabilities	6,271	3,162
Repayment of financial liabilities	(2,082)	(2,025)
Dividends paid		
To shareholders of BASF SE	(1,831)	(1,484)
To minority shareholders	(326)	(140)
Cash provided by (used in) financing activities	459	(2,236)
Net changes in cash and cash equivalents	2,022	(41)
Effects on cash and cash equivalents		
From foreign exchange rates	(31)	(9)
From changes in scope of consolidation ²	18	(17)
Cash and cash equivalents at the beginning of the year	767	834
Cash and cash equivalents at the end of the year	2,776	767

¹ More information on the Consolidated Statement of Cash Flows can be found in the Notes on pages 45 and 46. Other information on cash flow can be found in Note 10 on page 186.

² This includes liquid funds of €3 million from the reclassification of the disposal group (2007: minus €3 million).

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY BASF GROUP

Consolidated statements of stockholders' equity (million €)

	Number of subscribed shares outstanding ¹	Subscribed capital	Capital surplus	Retained earnings	Other com- prehensive income ²	Equity of share- holders of BASF SE	Minority interest	Total stock- holders' equity
January 1, 2008	956,370,000	1,224	3,173	14,556	174	19,127	971	20,098
Share buy-back and cancellation of own shares including own shares intended to be cancelled	(37,891,306)	(48)	74	(1,644)	—	(1,618)	—	(1,618)
Effects of acquisitions achieved in stages	—	—	—	(105)	—	(105)	27	(78)
Capital withdrawal/contribution	—	—	—	—	—	—	100	100
Dividend paid	—	—	—	(1,831)	—	(1,831)	(326) ³	(2,157)
Net income	—	—	—	2,912	—	2,912	393	3,305
Income and expense recognized directly in equity	—	—	—	(637)	(270)	(907)	(12)	(919)
Changes in scope of consoli- dation and other changes	—	—	(6) ⁴	(1)	—	(7)	(2)	(9)
December 31, 2008	918,478,694	1,176	3,241	13,250	(96)	17,571	1,151	18,722
January 1, 2007	999,360,000	1,279	3,141	13,302	326	18,048	530	18,578
Share buy-back and cancellation of own shares including own shares intended to be cancelled	(42,990,000)	(55)	27	(1,871)	—	(1,899)	—	(1,899)
Capital withdrawal/contribution	—	—	—	—	—	—	150	150
Asset swap ⁵	—	—	—	634	—	634	216	850
Dividend paid	—	—	—	(1,484)	—	(1,484)	(140) ³	(1,624)
Net income	—	—	—	4,065	—	4,065	260	4,325
Income and expense recognized directly in equity	—	—	—	(92)	(152)	(244)	(45)	(289)
Changes in scope of consoli- dation and other changes	—	—	5 ⁴	2	—	7	—	7
December 31, 2007	956,370,000	1,224	3,173	14,556	174	19,127	971	20,098

¹ The number of outstanding shares were adjusted retroactively for the two-for-one stock split conducted in the second quarter of 2008.

² Details are provided in the Consolidated Statements of Recognized Income and Expense on page 154.

³ Including profit and loss transfers

⁴ Granting of BASF shares under the employee share program "Plus"

⁵ More information on the asset swap with Gazprom can be found in Note 2 from page 170 onward.