We create chemistry

Half-Year Financial Report 2018

BASF Group records slight sales and earnings growth in first half of 2018

- Sales up 1% to €33.4 billion due to higher prices and volumes
- EBIT before special items increased by 3% to €4.9 billion
- Outlook for 2018 confirmed

Key Figures
BASF Group 1st Half 2018

		2nd quarter			1st half		
		2018	2017	Change in %	2018	2017	Change in %
Sales	million €	16,782	16,264	3	33,428	33,121	1
Income from operations before depreciation, amortization and special items	million €	3,295	3,291	0	6,734	6,798	(1)
Income from operations before depreciation and amortization (EBITDA)	million €	3,232	3,233	0	6,680	6,735	(1)
Amortization and depreciation[1]	million €	941	1,052	(11)	1,868	2,103	(11)
Income from operations (EBIT)	million €	2,291	2,181	5	4,812	4,632	4
Special items	million €	(65)	(70)	7	(56)	(76)	26
EBIT before special items	million €	2,356	2,251	5	4,868	4,708	3
Financial result	million €	(202)	(174)	(16)	(388)	(326)	(19)
Income before taxes and minority interests	million €	2,089	2,007	4	4,424	4,306	3
Net income	million €	1,480	1,496	(1)	3,159	3,205	(1)
EBIT after cost of capital	million €	792	684	16	1,912	1,671	14
Earnings per share	€	1.61	1.63	(1)	3.44	3.49	(1)
Adjusted earnings per share	€	1.77	1.78	(1)	3.70	3.75	(1)
Research and development expenses	million €	449	468	(4)	877	892	(2)
Personnel expenses	million €	2,691	2,568	5	5,307	5,209	2
Number of employees (June 30)		116,126	113,763	2	116,126	113,763	2
Assets (June 30)	million €	81,857	75,651	8	81,857	75,651	8
Investments including acquisitions[2]	million €	829	907	(9)	1,495	1,713	(13)
Equity ratio (June 30)	%	43.1	42.9	0	43.1	42.9	0
Net debt (June 30)	million €	12,588	15,569	(19)	12,588	15,569	(19)
Cash flows from operating activities	million €	2,224	2,969	(25)	3,455	3,802	(9)
Free cash flow	million €	1,402	2,094	(33)	2,006	2,160	(7)

[1] Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)

[2] Additions to intangible assets and property, plant and equipment

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On the cover: A BASF sales representative advises a farmer on a field in Sebring, Florida. Our digital Maglis® Customer Navigator can be used to develop tailored plans for the season together with growers.

Half-Year Management's Report 2018

Significant Events

On April 26, 2018, BASF and Bayer announced that they have signed an agreement on the acquisition of additional businesses and assets by BASF, which Bayer had offered to divest in the context of its acquisition of Monsanto. The expanded scope includes Bayer's entire vegetable seeds business, operating under the global trademark Nunhems®, as well as seed treatment products sold under the Poncho®, VOTiVO®, COPeO® and ILeVO® brands. The transaction also includes the R&D platform for hybrid wheat, the digital farming platform xarvio™ and further businesses and research projects.

On October 13, 2017, BASF had signed an agreement on the acquisition of the global glufosinate-ammonium non-selective herbicide business, the seeds businesses for key row crops in select markets and trait research and breeding capabilities for these crops along with the LibertyLink® trait and trademark.

The businesses, with combined 2017 sales of €2.2 billion and combined 2016 sales of €2.0 billion, complement BASF's crop protection business and biotechnology activities, adding new capabilities and opportunities for growth and innovation. The all-cash purchase price amounts to a total of €7.6 billion, subject to certain adjustments at closing. In 2016, the combined businesses generated EBITDA of €550 million (on a pro forma adjusted basis). The transactions remain subject to approval by individual relevant authorities. Closing is expected in August 2018.

On May 3, 2018, BASF and Solenis announced that they have signed an agreement to join forces by combining BASF's paper wet-end and water chemicals business with Solenis. Solenis is a global producer of specialty chemicals for water intensive industries. The combined business with pro forma sales of around €2.4 billion and around 5,000 employees in 2017 aims to deliver additional value for paper and water treatment customers. The goal is to create a customer-focused global solutions provider for the industry. BASF will hold a 49% share of the combined entity, which will continue to operate under the Solenis name and be headquartered in Wilmington, Delaware. 51% of the shares will be held by funds managed by Clayton, Dubilier & Rice. Pending approval by the relevant authorities, closing is anticipated for the end of 2018 at the earliest.

Dr. Kurt Bock retired as Chairman of the Board of Executive Directors following the Annual Shareholders' Meeting on May 4, 2018. He is succeeded by Dr. Martin Brudermüller, who was previously Vice Chairman. Dr. Hans-Ulrich Engel was appointed Vice Chairman of the Board of Executive Directors. In the course of these changes, the number of Board members was reduced from eight to seven and the areas of responsibility within the Board of Executive Directors were redistributed.

On July 9, 2018, BASF announced that it is investigating the possibility of building a highly-integrated "Verbund" chemical production site in the southern Chinese province of Guangdong. Dr. Martin Brudermüller, BASF's Chairman of the Board of Executive Directors, and Lin Shaochun, Executive Vice Governor of Guangdong Province, have signed a non-binding Memorandum of Understanding. The Verbund site in Guangdong would be BASF's largest investment and would be operated under the sole responsibility of BASF. The investment is estimated to reach up to $10 billion by completion of the project around 2030, with the first investments expected in 2021 at the earliest. The first plants could be completed by 2026 at the latest.

Results of Operations

Sales rose by €307 million to €33,428 million compared with the first half of 2017. This was due to higher sales prices, especially in the Functional Materials & Solutions, Chemicals and Oil & Gas segments, as well as volumes growth in all segments except Performance Products. Negative currency effects, primarily relating to the U.S. dollar, dampened sales in all segments.

Factors influencing BASF Group sales, 1st half 2018

Volumes	2%
Prices	5%
Portfolio	0%
Currencies	(6%)
Sales	**1%**

We increased **income from operations (EBIT) before special items**[1] by €160 million to €4,868 million, largely thanks to the significantly improved contribution from the Oil & Gas segment. EBIT before special items rose slightly in the Chemicals segment but decreased slightly in the Performance Products segment and declined considerably in the Functional Materials & Solutions and Agricultural Solutions segments.

Special items in EBIT totaled minus €56 million in the first half of 2018, compared with minus €76 million in the prior-year period. These mainly related to expenses for restructuring measures and integration costs, primarily in connection with the planned acquisition of the Bayer businesses described under "Significant Events." Special income from divestitures, especially in the Oil & Gas segment, had an offsetting effect.

EBIT[2] rose by €180 million year on year to €4,812 million.

Compared with the prior-year period, **income from operations before depreciation, amortization and special items (EBITDA before special items)**[3] decreased by €64 million to €6,734 million and **EBITDA**[3] by €55 million to €6,680 million.

EBITDA before special items, 1st half (million €)

	2018	2017
EBIT	4,812	4,632
– Special items	(56)	(76)
EBIT before special items	**4,868**	**4,708**
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets before special items	1,866	2,090
EBITDA before special items	**6,734**	**6,798**

EBITDA, 1st half (million €)

	2018	2017
EBIT	4,812	4,632
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets	1,868	2,103
EBITDA	**6,680**	**6,735**

The **financial result** declined by €62 million to minus €388 million. This was attributable to the decrease in the other financial result due to higher expenses, primarily from hedging transactions, and lower income from the capitalization of construction period interest. By contrast, both the interest result and net income from shareholdings increased.

Income before taxes and minority interests rose by €118 million to €4,424 million. The tax rate increased from 22.5% to 25.8%, mainly as a result of higher earnings contributions from companies in countries with a high tax rate, particularly in the Oil & Gas segment in Norway. Minority interests decreased by €9 million to €122 million.

Net income declined by €46 million to €3,159 million.

Earnings per share were €3.44 in the first half of 2018, compared with €3.49 in the prior-year period. **Earnings per share adjusted**[3] for special items and amortization of intangible assets amounted to €3.70 (first half of 2017: €3.75).

Adjusted earnings per share, 1st half (million €)

		2018	2017
Income before taxes and minority interests		4,424	4,306
– Special items		(56)	(76)
+ Amortization and valuation allowances on intangible assets		264	283
– Amortization and valuation allowances on intangible assets contained in special items		–	–
Adjusted income before taxes and minority interests		**4,744**	**4,665**
– Adjusted income taxes		1,228	1,090
Adjusted income before minority interests		**3,516**	**3,575**
– Adjusted minority interests		122	132
Adjusted net income		**3,394**	**3,443**
Weighted average number of outstanding shares	in thousands	918,479	918,479
Adjusted earnings per share	€	**3.70**	**3.75**

[1] For an explanation of this indicator, see page 28 of the BASF Report 2017.
[2] The calculation of income from operations (EBIT) is shown in the Statement of Income on page 19.
[3] For an explanation of this indicator, see page 54 of the BASF Report 2017.

Sales and EBIT before special items in the segments

Sales in the **Chemicals** segment rose slightly compared with the first half of 2017. This was attributable to higher prices, especially in the Monomers and Intermediates divisions, as well as volumes growth in the Petrochemicals division in particular. By contrast, sales were negatively impacted by currency effects, primarily relating to the U.S. dollar. EBIT before special items slightly exceeded the prior-year figure as a result of higher margins and volumes.

In the **Performance Products** segment, sales declined slightly year on year. The main driver was negative currency effects in all divisions, mostly relating to the U.S. dollar. Sales were also reduced by lower volumes in the Nutrition & Health division, primarily because of the lower availability of citral-based products, and in the Care Chemicals division. Portfolio effects in the Performance Chemicals and Dispersions & Pigments divisions likewise had a dampening effect on sales. By contrast, sales prices rose. EBIT before special items declined slightly compared with the prior-year period, mainly as a result of lower volumes and negative currency effects.

In the **Functional Materials & Solutions** segment, we achieved slight sales growth as against the prior-year period. This was mainly attributable to higher prices. We also increased our sales volumes. Negative currency effects had an offsetting impact. EBIT before special items was considerably below the figure for the first half of 2017, largely as a result of lower margins and higher fixed costs.

Sales in the **Agricultural Solutions** segment declined slightly compared with the prior-year period. This was primarily due to negative currency effects in all regions. We increased sales volumes slightly; prices were on a level with the first half of 2017. EBIT before special items declined considerably, mainly as a result of negative currency effects and higher fixed costs.

The **Oil & Gas** segment posted considerable year-on-year sales growth on the back of higher prices and volumes. The price of a barrel of Brent crude oil averaged $71 in the first half of 2018 (first half of 2017: $52). Gas prices on the European spot markets were also significantly higher than in the first half of 2017. Volumes growth was driven by higher volumes from Norway and stronger trading volumes. This was partially offset by currency effects. EBIT before special items improved considerably as a result of higher oil and gas prices and a significantly higher earnings contribution from Norway.

Sales in **Other** rose considerably compared with the prior-year period due to higher sales volumes and prices in raw materials trading. EBIT before special items also grew considerably. This was primarily attributable to an improved foreign currency result.

First-half sales
(million €, relative change)

Chemicals	**2018**	**8,418**	**3%**
	2017	8,150	
Performance Products	**2018**	**7,940**	**(5%)**
	2017	8,402	
Functional Materials & Solutions	**2018**	**10,679**	**2%**
	2017	10,459	
Agricultural Solutions	**2018**	**3,229**	**(4%)**
	2017	3,381	
Oil & Gas	**2018**	**1,943**	**18%**
	2017	1,643	
Other	**2018**	**1,219**	**12%**
	2017	1,086	

First-half EBIT before special items
(million €, absolute change)

Chemicals	**2018**	**2,208**	**130**
	2017	2,078	
Performance Products	**2018**	**879**	**(41)**
	2017	920	
Functional Materials & Solutions	**2018**	**671**	**(282)**
	2017	953	
Agricultural Solutions	**2018**	**701**	**(104)**
	2017	805	
Oil & Gas	**2018**	**756**	**403**
	2017	353	
Other	**2018**	**(347)**	**54**
	2017	(401)	

Net Assets

Total assets rose from €78,768 million as of year-end 2017 to €81,857 million. **Noncurrent assets** declined by €289 million to €47,334 million, mainly due to lower property, plant and equipment, deferred tax assets and intangible assets. This contrasted in particular with higher other receivables and other assets. The €3,378 million rise in **current assets** to €34,523 million was largely attributable to higher cash and cash equivalents, which were primarily increased with a view to payment of the purchase prices for the planned acquisitions, as well as higher other receivables and miscellaneous assets.

Financial Position

Equity rose from €34,756 million as of December 31, 2017, to €35,301 million. The equity ratio declined from 44.1% to 43.1% due to higher total assets.

Noncurrent liabilities grew from €29,132 million to €29,883 million. This was attributable to the €1,104 million increase in noncurrent financial indebtedness, which in turn primarily reflected the issue of bonds in pounds sterling, euros and U.S. dollars with maturities of 4 to 12 years and an aggregate carrying amount of €1.7 billion. The reclassification of a eurobond with a carrying amount of €750 million to current financial indebtedness had an offsetting effect.

Noncurrent liabilities were mainly reduced by the €217 million decrease in provisions for pensions and similar obligations following discount rate hikes in all relevant currency zones, as well as the €114 million decrease in noncurrent other provisions.

Current liabilities rose from €14,880 million to €16,673 million. This was mainly due to the €1,153 million increase in current financial indebtedness, primarily from the issue of U.S. dollar commercial paper in the amount of €1.1 billion, as well as the previously mentioned reclassification of a eurobond. The scheduled repayment of two eurobonds with a combined carrying amount of around €800 million had an offsetting effect.

Overall, **financial indebtedness** grew by €2,257 million to €20,289 million. **Net debt**[1] increased by €1,103 million as against December 31, 2017, to €12,588 million.

Net debt (million €)

	June 30, 2018	Dec. 31, 2017
Noncurrent financial indebtedness	16,639	15,535
+ Current financial indebtedness	3,650	2,497
Financial indebtedness	**20,289**	**18,032**
– Marketable securities	38	52
– Cash and cash equivalents	7,663	6,495
Net debt	**12,588**	**11,485**

In the first half of 2018, **cash flows from operating activities** amounted to €3,455 million, €347 million below the figure for the prior-year period. This was largely attributable to the higher level of cash tied up in miscellaneous items, mainly due to changes in pension provisions and defined benefit assets; cash was released in prior-year period. The change in net working capital, primarily as a result of the lower rise in trade accounts receivable, had an offsetting effect.

Cash flows from investing activities amounted to minus €1,735 million in the first half of 2018, compared with minus €2,365 million in the prior-year period. The improvement was mainly due to the year-on-year decline in cash outflows from the change in other financing-related receivables. Furthermore, at €1,449 million, payments made for property, plant and equipment and intangible assets were €193 million below the prior-year figure. Acquisitions and divestitures resulted in net payments received of €64 million, after net payments made of €65 million in the first half of 2017.

Cash flows from financing activities in the first half of 2018 amounted to minus €518 million, compared with minus €886 million in the prior-year period. This improvement was primarily attributable to higher net cash inflows from financial indebtedness. U.S. dollar commercial paper were issued in the current year after the program was scaled back in the prior-year period. By contrast, net payments received from the issue and repayment of bonds as well as from liabilities to credit institutions declined year on year. Dividends of €2,847 million were paid to shareholders of BASF SE in the first half of 2018, €92 million more than in the prior-year period. Minority shareholders of Group companies received €197 million in dividends, an increase of €115 million.

Free cash flow amounted to €2,006 million, compared with €2,160 million in the prior-year period. The decline in cash flows from operating activities could not be completely offset by the lower payments made for property, plant and equipment and intangible assets.

Free cash flow, 1st half (million €)

	2018	2017
Cash flows from operating activities	3,455	3,802
– Payments made for property, plant and equipment and intangible assets	1,449	1,642
Free cash flow	**2,006**	**2,160**

Our **ratings** have remained unchanged since the publication of the BASF Report 2017. Rated "A1/P-1/outlook stable" by Moody's, "A/A-1/outlook stable" by Standard & Poor's and "A/S-1/outlook stable" by Scope, BASF enjoys good credit ratings, especially compared with competitors in the chemical industry. These ratings were most recently confirmed by Moody's on June 29, 2018, by Scope on March 6, 2018, and by Standard & Poor's on October 18, 2017.

[1] For an explanation of this indicator, see page 58 of the BASF Report 2017.

Economic Environment and Outlook

In the first half of 2018, global gross domestic product rose by around 3% year on year. Global industrial production saw similarly strong growth. However, momentum slowed compared with the second half of 2017. Growth was dampened by capacity bottlenecks and lower export gains, particularly in Europe. The upward trajectory in the emerging markets of Asia remained stable at a high level, while Japan was unable to maintain the unusually high growth trend from the previous year. In the United States, the tax reform increasingly provided a tailwind for the economy.

Global automotive production rose moderately in the first half of the year, in line with our expectations. Demand from the construction industry developed positively in Europe and Asia. By contrast, growth was more restrained in North America due among other factors to unfavorable weather conditions in the first quarter of 2018.

The price of oil rose considerably in the first half of the year. At $71 per barrel of Brent crude, this was around 35% higher than the average for the prior-year period. The price increase was mainly attributable to solid demand amid limited supply from OPEC countries and Russia. The effects of speculation following the United States' withdrawal from the Iran nuclear deal also played a role.

Global economic risks increased significantly over the course of the first half of 2018, driven by geopolitical developments and the trade conflicts between the United States and China, as well as between the United States and Europe. We are monitoring these developments and the potential effects on our business very closely.

At this time, our assessment of the **global economic environment in 2018** remains unchanged with the exception of the expected oil price (previous forecast from the BASF Report 2017 in parentheses):
– Growth in gross domestic product: 3.0%
– Growth in industrial production: 3.2%
– Growth in chemical production: 3.4%
– Average euro/dollar exchange rate of $1.20 per euro
– Average Brent blend oil price for the year of $70 per barrel ($65 per barrel)

Overall, the **statements on opportunities and risks** made in the BASF Report 2017 continue to apply. However, the previously mentioned factors have increased the risk of a growth slowdown. According to our assessment, there continue to be no individual risks that pose a threat to the continued existence of the BASF Group. The same applies to the sum of individual risks, even in the case of another global economic crisis.

For more detailed information, see the Opportunities and Risks Report from page 111 to 118 of the BASF Report 2017

We are confirming the **sales and earnings forecast**[1] for the BASF Group made in the BASF Report 2017:
– Slight sales growth
– Slight increase in EBIT before special items
– Slight decline in EBIT
– Significant premium on cost of capital with considerable decline in EBIT after cost of capital[2]

For more information, see the Outlook 2018 on page 122 of the BASF Report 2017

This forecast does not take into account the intended merger of our oil and gas activities with the business of DEA Deutsche Erdoel AG and its subsidiaries.

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

[2] For an explanation of this indicator, see page 28 of the BASF Report 2017.

Information on 2nd Quarter 2018
BASF Group

Compared with the second quarter of 2017, **sales** rose by €518 million to €16,782 million. This was driven by higher prices in all segments, particularly in Functional Materials & Solutions and Oil & Gas. In addition, with the exception of Performance Products, all segments achieved volumes growth. This was partially offset by negative currency effects.

Factors influencing BASF Group sales, 2nd quarter 2018

Volumes	3%
Prices	6%
Portfolio	0%
Currencies	(6%)
Sales	**3%**

We increased **income from operations (EBIT) before special items**[1] by €105 million year on year to €2,356 million, largely thanks to the significantly improved contribution from the Oil & Gas segment. EBIT before special items rose slightly in the Agricultural Solutions and Performance Products segments but decreased slightly in the Chemicals segment and declined considerably in the Functional Materials & Solutions segment.

Special items in EBIT totaled minus €65 million in the second quarter of 2018, compared with minus €70 million in the prior-year quarter. These mainly related to expenses for restructuring measures and integration costs, primarily in connection with the planned acquisition of the Bayer businesses described under "Significant Events."

EBIT[2] rose by €110 million compared with the second quarter of 2017 to €2,291 million.

Income from operations before depreciation, amortization and special items (EBITDA before special items)[3] and **EBITDA**[3] were on a level with the prior-year quarter figures, at €3,295 million and €3,232 million, respectively.

EBITDA before special items, 2nd quarter (million €)

	2018	**2017**
EBIT	2,291	2,181
– Special items	(65)	(70)
EBIT before special items	**2,356**	**2,251**
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets before special items	939	1,040
EBITDA before special items	**3,295**	**3,291**

EBITDA, 2nd quarter (million €)

	2018	**2017**
EBIT	2,291	2,181
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets	941	1,052
EBITDA	**3,232**	**3,233**

Second-quarter sales
(million €, relative change)

Chemicals	**2018**	**4,132**	**2%**
	2017	4,045	
Performance Products	**2018**	**3,949**	**(5%)**
	2017	4,142	
Functional Materials & Solutions	**2018**	**5,540**	**5%**
	2017	5,261	
Agricultural Solutions	**2018**	**1,501**	**(2%)**
	2017	1,526	
Oil & Gas	**2018**	**998**	**23%**
	2017	814	
Other	**2018**	**662**	**39%**
	2017	476	

Second-quarter EBIT before special items
(million €, absolute change)

Chemicals	**2018**	**1,074**	**(46)**
	2017	1,120	
Performance Products	**2018**	**409**	**4**
	2017	405	
Functional Materials & Solutions	**2018**	**338**	**(84)**
	2017	422	
Agricultural Solutions	**2018**	**278**	**6**
	2017	272	
Oil & Gas	**2018**	**391**	**208**
	2017	183	
Other	**2018**	**(134)**	**17**
	2017	(151)	

[1] For an explanation of this indicator, see page 28 of the BASF Report 2017.
[2] The calculation of income from operations (EBIT) is shown in the Statement of Income on page 19.
[3] For an explanation of this indicator, see page 54 of the BASF Report 2017.

At minus €202 million, the **financial result** was €28 million lower than in the second quarter of 2017. This reflected the decrease in the other financial result due to higher expenses, primarily from hedging transactions, and lower income from the capitalization of construction period interest. By contrast, both the interest result and net income from shareholdings increased.

Income before taxes and minority interests rose by €82 million to €2,089 million. At 27.1%, the tax rate was higher than in the prior-year quarter (22.1%), due among other factors to stronger earnings contributions from companies in countries with a high tax rate, especially Norway. Minority interests decreased by €25 million to €43 million.

Net income declined by €16 million to €1,480 million.

Earnings per share were €1.61 in the second quarter of 2018, compared with €1.63 in the prior-year period. **Earnings per share adjusted**[1] for special items and amortization of intangible assets amounted to €1.77 (second quarter of 2017: €1.78).

Adjusted earnings per share, 2nd quarter (million €)

		2018	2017
Income before taxes and minority interests		2,089	2,007
– Special items		(65)	(70)
+ Amortization and valuation allowances on intangible assets		130	142
– Amortization and valuation allowances on intangible assets contained in special items		–	–
Adjusted income before taxes and minority interests		**2,284**	**2,219**
– Adjusted income taxes		619	512
Adjusted income before minority interests		**1,665**	**1,707**
– Adjusted minority interests		43	69
Adjusted net income		**1,622**	**1,638**
Weighted average number of outstanding shares	in thousands	918,479	918,479
Adjusted earnings per share	€	**1.77**	**1.78**

Cash flows from operating activities amounted to €2,224 million in the second quarter of 2018, €745 million lower than the prior-year figure. This was largely attributable to cash tied up in miscellaneous items, due among other factors to changes in pension provisions and defined benefit assets. In the prior-year quarter, by contrast, cash was released from the change in miscellaneous items. The change in net working capital due to the stronger increase in inventories and the smaller decrease in trade accounts receivable compared with the prior-year period also contributed to the decline in cash flows from operating activities.

Cash flows from investing activities amounted to minus €1,101 million in the second quarter of 2018, compared with minus €1,150 million in the prior-year period. The improvement was primarily due to the €73 million increase in net payments received from acquisitions and divestitures as well as the €53 million decrease in payments made for property, plant and equipment and intangible assets compared with the previous year. This was offset in particular by the higher level of tied-up cash from the change in other financing-related receivables and the increase in additions to financial assets as against the second quarter of 2017.

Cash flows from financing activities amounted to minus €719 million in the second quarter of 2018, after minus €1,717 million in the prior-year quarter. This improvement was mainly attributable to higher net cash inflows from financial indebtedness compared with the prior-year period from both U.S. dollar commercial paper and bonds. The lower year-on-year increase in liabilities to credit institutions had an offsetting effect. Dividends of €2,847 million were paid to shareholders of BASF SE in the second quarter of 2018, €92 million more than in the second quarter of 2017. Minority shareholders of Group companies received €178 million in dividends, an increase of €90 million.

Free cash flow amounted to €1,402 million, compared with €2,094 million in the prior-year period. The decline in cash flows from operating activities could not be offset by the lower payments made for property, plant and equipment and intangible assets.

Free cash flow, 2nd quarter (million €)

	2018	2017
Cash flows from operating activities	2,224	2,969
– Payments made for property, plant and equipment and intangible assets	822	875
Free cash flow	**1,402**	**2,094**

[1] For an explanation of this indicator, see page 54 of the BASF Report 2017.

Chemicals

Segment data Chemicals (million €)

	2nd quarter			1st half		
	2018	2017	Change in %	2018	2017	Change in %
Sales to third parties	4,132	4,045	2	8,418	8,150	3
of which Petrochemicals	1,593	1,580	1	3,372	3,234	4
Monomers	1,731	1,708	1	3,454	3,407	1
Intermediates	808	757	7	1,592	1,509	6
Income from operations before depreciation and amortization (EBITDA)	1,330	1,385	(4)	2,716	2,624	4
Amortization and depreciation[1]	266	266	–	526	531	(1)
Income from operations (EBIT)	1,064	1,119	(5)	2,190	2,093	5
Special items	(10)	(1)	.	(18)	15	.
EBIT before special items	1,074	1,120	(4)	2,208	2,078	6
Assets (June 30)	13,294	12,892	3	13,294	12,892	3
Investments including acquisitions[2]	279	230	21	470	413	14
Research and development expenses	30	31	(3)	61	60	2

[1] Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)
[2] Additions to intangible assets and property, plant and equipment

2nd Quarter 2018

Sales in the Chemicals segment slightly exceeded the figure for the prior-year quarter. This was the result of higher prices, especially in the Monomers and Intermediates divisions, as well as volumes growth. By contrast, sales were negatively impacted by currency effects, primarily relating to the U.S. dollar. Income from operations (EBIT) before special items declined slightly compared with the second quarter of 2017. This was mainly due to significantly higher fixed costs as a result of scheduled and unscheduled plant turnarounds.

Factors influencing sales, Chemicals
2nd quarter 2018

Volumes	1%
Prices	5%
Portfolio	0%
Currencies	(4%)
Sales	**2%**

Petrochemicals

In the Petrochemicals division, we recorded slight sales growth compared with the prior-year quarter. This was driven by higher volumes, particularly in Europe. Prices rose slightly overall, but declined for steam cracker products in North America. Sales were weighed down by negative currency effects. EBIT before special items was considerably below the strong figure for the second quarter of 2017, mainly as a result of lower margins and higher fixed costs. Steam cracker margins declined significantly in all regions, especially in North America. This could not be offset by higher margins for oxo alcohols and plasticizers, primarily in Europe and North America, as well as for acrylic monomers in Europe in particular. Fixed costs rose significantly due to higher expenses for service and maintenance as well as for catalysts.

Monomers

We slightly improved sales in the Monomers division as against the second quarter of 2017. This was due to higher prices, particularly for isocyanates. Negative currency effects and lower sales volumes had an offsetting effect. EBIT before special items grew slightly year on year on the back of higher margins. Fixed costs were significantly higher, primarily from maintenance measures.

Intermediates

The Intermediates division considerably increased its sales compared with the second quarter of 2017. This was attributable to higher sales volumes of acetylenics and carbonyl derivatives in particular, as well as to higher prices in all regions, especially for acids and polyalcohols. Currency effects had a negative impact on sales. EBIT before special items rose considerably as a result of improved margins and volumes growth.

Performance Products

Segment data Performance Products (million €)

	2nd quarter			1st half		
	2018	2017	Change in %	**2018**	2017	Change in %
Sales to third parties	3,949	4,142	(5)	7,940	8,402	(5)
of which Dispersions & Pigments	1,396	1,435	(3)	2,720	2,834	(4)
Care Chemicals	1,188	1,263	(6)	2,493	2,625	(5)
Nutrition & Health	391	464	(16)	815	950	(14)
Performance Chemicals	974	980	(1)	1,912	1,993	(4)
Income from operations before depreciation and amortization (EBITDA)	614	609	1	1,308	1,323	(1)
Amortization and depreciation[1]	212	246	(14)	424	461	(8)
Income from operations (EBIT)	402	363	11	884	862	3
Special items	(7)	(42)	83	5	(58)	.
EBIT before special items	409	405	1	879	920	(4)
Assets (June 30)	14,851	14,840	0	14,851	14,840	0
Investments including acquisitions[2]	179	160	12	303	373	(19)
Research and development expenses	94	97	(3)	185	190	(3)

[1] Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)

[2] Additions to intangible assets and property, plant and equipment

2nd Quarter 2018

Sales in the Performance Products segment declined slightly year on year. The main driver was negative currency effects in all divisions, mostly relating to the U.S. dollar. Lower volumes in the Nutrition & Health and Care Chemicals divisions, as well as portfolio effects in the Performance Chemicals and Dispersions & Pigments divisions also had a dampening effect on sales. By contrast, sales were positively impacted by higher sales prices. We slightly increased income from operations (EBIT) before special items compared with the prior-year quarter thanks to lower fixed costs and higher margins.

Factors influencing sales, Performance Products
2nd quarter 2018

Volumes	(2%)
Prices	2%
Portfolio	(1%)
Currencies	(4%)
Sales	**(5%)**

Dispersions & Pigments

In the Dispersions & Pigments division, sales were slightly below the prior-year level. This was mainly attributable to negative currency effects. The divestiture of the production site for styrene butadiene-based paper dispersions in Pischelsdorf, Austria, also reduced sales slightly. Higher sales volumes in the dispersions business in particular had an offsetting effect. EBIT before special items declined considerably year on year, mainly due to lower margins as a result of currency effects.

Care Chemicals

The Care Chemicals division recorded a considerable year-on-year decline in sales, largely as a result of negative currency effects. Slightly lower sales volumes, particularly in the hygiene business and for oleochemical surfactants and fatty alcohols, also contributed to the sales decrease. By contrast, higher sales prices had a positive impact on sales. EBIT before special items considerably exceeded the figure for the second quarter of 2017 due to higher margins and lower fixed costs.

Nutrition & Health

Sales in the Nutrition & Health division decreased considerably compared with the prior-year quarter. This was mainly attributable to lower volumes, primarily because of the lower availability of citral-based products. On October 31, 2017, a fire occurred during startup of the citral plant in Ludwigshafen, Germany. As a result, we had to declare Force Majeure for all citral and isoprenol-based aroma ingredients, and consequently for vitamin A, vitamin E and several carotenoid products. We lifted Force Majeure for vitamin A and E products in the animal nutrition business in July 2018. Sales were also reduced by negative currency effects. Prices rose significantly, especially in the animal nutrition business. Fixed costs were lower; EBIT before special items considerably exceeded the figure for the second quarter of 2017.

Performance Chemicals

In the Performance Chemicals division, sales declined slightly as against the prior-year quarter. This was primarily due to negative currency effects. Sales were also reduced by the transfer of BASF's leather chemicals business to the Stahl group. By contrast, sales were lifted by higher volumes, particularly of mining chemicals, automotive liquids and mineral oil additives. Prices also rose slightly, especially for fuel, lubricant and plastic additives. EBIT before special items declined considerably compared with the second quarter of 2017, mainly due to higher fixed costs.

Functional Materials & Solutions

Segment data Functional Materials & Solutions (million €)

	2nd quarter			1st half		
	2018	2017	Change in %	**2018**	2017	Change in %
Sales to third parties	5,540	5,261	5	10,679	10,459	2
of which Catalysts	1,884	1,674	13	3,620	3,363	8
Construction Chemicals	664	646	3	1,208	1,206	0
Coatings	995	998	0	1,935	1,997	(3)
Performance Materials	1,997	1,943	3	3,916	3,893	1
Income from operations before depreciation and amortization (EBITDA)	494	584	(15)	986	1,272	(22)
Amortization and depreciation[1]	168	157	7	335	324	3
Income from operations (EBIT)	326	427	(24)	651	948	(31)
Special items	(12)	5	.	(20)	(5)	.
EBIT before special items	338	422	(20)	671	953	(30)
Assets (June 30)	17,533	17,334	1	17,533	17,334	1
Investments including acquisitions[2]	166	194	(14)	294	357	(18)
Research and development expenses	104	110	(5)	208	209	0

[1] Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)

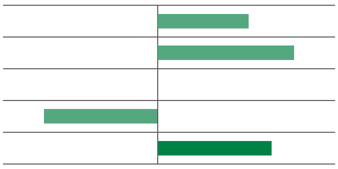
[2] Additions to intangible assets and property, plant and equipment

2nd Quarter 2018

In the Functional Materials & Solutions segment, we recorded slight sales growth compared with the prior-year quarter on the back of higher prices and increased sales volumes. Sales were negatively impacted by currency effects, primarily relating to the U.S. dollar. Income from operations (EBIT) before special items was considerably below the figure for the second quarter of 2017, primarily as a result of higher fixed costs and lower margins due to the increase in raw materials prices.

Factors influencing sales, Functional Materials & Solutions 2nd quarter 2018

Volumes	4%
Prices	6%
Portfolio	0%
Currencies	(5%)
Sales	**5%**



Catalysts

Sales in the Catalysts division grew considerably year on year due to higher prices and volumes. The price increases were mainly a consequence of higher precious metal prices. Volumes grew in precious metal trading and in chemical and refining catalysts as well as in battery materials. Currency effects had a negative impact on sales. In precious metal trading, sales increased to €801 million (second quarter of 2017: €651 million) due to the previously mentioned higher prices and volumes. EBIT before special items decreased considerably, mainly due to higher fixed costs. Fixed costs increased due among other factors to the startup of new plants.

Construction Chemicals

The Construction Chemicals division recorded a slight increase in sales compared with the prior-year period. This was attributable to higher volumes, as well as the acquisition of the waterproofing systems supplier Grupo Thermotek, Monterrey, Mexico, in September 2017. Negative currency effects had an offsetting effect; prices were on a level with the prior-year quarter. In Europe, volumes growth in the construction systems business in particular resulted in considerably higher sales. In North America, sales rose considerably due to the acquisition of Thermotek and higher sales volumes. Despite higher volumes, sales declined in Asia and in the region South America, Africa, Middle East, mainly as a result of negative currency effects. EBIT before special items was up slightly on the prior-year figure, largely because of lower fixed costs.

Coatings

Sales in the Coatings division were on a level with the second quarter of 2017. Negative currency effects were offset by a slight increase in sales volumes and slightly higher prices. We recorded volumes growth, particularly for automotive OEM coatings, automotive refinish coatings and surface treatments. Volumes in the decorative paints business decreased significantly due to the effects of the truck drivers' strike in Brazil, which lasted almost two weeks. EBIT before special items declined considerably year on year due to higher fixed costs and the increase in raw materials prices.

Performance Materials

In the Performance Materials division, sales slightly exceeded the figure for the prior-year quarter, primarily due to higher sales prices. Sales prices were increased in the polyurethane systems and engineering plastics businesses in particular. However, this did not match the rise in raw materials prices. Sales volumes also grew, driven by the business with the automotive industry and demand in the consumer goods industry, especially for engineering plastics and thermoplastic polyurethanes. Currency effects had a negative impact. EBIT before special items declined considerably as against the second quarter of 2017. This was attributable to higher fixed costs, due among other factors to the startup of new plants, as well as lower margins as a result of the increase in raw materials prices.

Agricultural Solutions

Segment data Agricultural Solutions (million €)

	2nd quarter			1st half		
	2018	2017	Change in %	2018	2017	Change in %
Sales to third parties	1,501	1,526	(2)	3,229	3,381	(4)
Income from operations before depreciation and amortization (EBITDA)	321	336	(4)	802	931	(14)
Amortization and depreciation[1]	62	66	(6)	126	130	(3)
Income from operations (EBIT)	259	270	(4)	676	801	(16)
Special items	(19)	(2)	.	(25)	(4)	.
EBIT before special items	278	272	2	701	805	(13)
Assets (June 30)	8,074	8,330	(3)	8,074	8,330	(3)
Investments including acquisitions[2]	43	50	(14)	77	86	(10)
Research and development expenses	126	129	(2)	243	238	2

[1] Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)

[2] Additions to intangible assets and property, plant and equipment

2nd Quarter 2018

Sales in the Agricultural Solutions segment declined slightly compared with the prior-year quarter due to negative currency effects in all regions. We increased sales volumes in South America and Asia in particular, and raised prices slightly.

Factors influencing sales, Agricultural Solutions
2nd quarter 2018

Volumes	4%
Prices	1%
Portfolio	0%
Currencies	(7%)
Sales	**(2%)**

Sales in **Europe** decreased slightly as a result of negative currency effects. These could not be completely offset by higher volumes, particularly for herbicides in central and eastern Europe.

In **North America**, sales were considerably lower than in the second quarter of 2017. Sales were reduced by lower volumes, particularly of fungicides in Canada due to the late start to the season and higher inventories at our customers. Negative currency effects also contributed to the decline in sales.

We recorded considerable sales growth in **Asia** thanks to higher sales volumes of fungicides in India and China, among other countries, and a slight increase in prices in the region. Currency effects had a negative impact on sales.

Sales in the region **South America, Africa, Middle East** rose considerably, mainly due to higher volumes. Volumes growth in Brazil was driven by fungicides and insecticides, while Argentina saw particularly strong increases in herbicide volumes. Significantly negative currency effects had an offsetting effect.

Income from operations before special items was slightly higher than in the second quarter of 2017. Despite the negative currency effects, a more favorable product mix lifted our average margin. This more than compensated for the slight increase in fixed costs.

Oil & Gas

Segment data Oil & Gas (million €)

	2nd quarter			1st half		
	2018	2017	Change in %	2018	2017	Change in %
Sales to third parties	998	814	23	1,943	1,643	18
Income from operations before depreciation and amortization (EBITDA)	593	472	26	1,180	954	24
Amortization and depreciation[1]	202	289	(30)	397	602	(34)
Income from operations (EBIT)	391	183	114	783	352	122
Special items	–	–	–	27	(1)	.
EBIT before special items	391	183	114	756	353	114
Assets (June 30)	12,046	12,047	0	12,046	12,047	0
Investments including acquisitions[2]	139	243	(43)	313	423	(26)
Research and development expenses	5	9	(44)	10	18	(44)
Exploration expenses	15	14	7	28	24	17
Net income	151	122	24	316	262	21

[1] Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)

[2] Additions to intangible assets and property, plant and equipment

2nd Quarter 2018

In the Oil & Gas segment, sales rose considerably compared with the prior-year quarter, mainly due to higher prices. Sales were also lifted by increased volumes from Norway following the start of production at new fields and stronger trading volumes. The price of a barrel of Brent crude oil averaged $74 in the second quarter of 2018 (second quarter of 2017: $50). Gas prices on the European spot markets were also significantly higher than in the prior-year quarter. Sales were reduced by currency effects.

Factors influencing sales, Oil & Gas 2nd quarter 2018

Volumes	5%
Prices/currencies	18%
Portfolio	0%
Sales	**23%**

We considerably improved income from operations before special items. Oil and gas prices rose. In Norway, we recorded both lower depreciation as a result of higher reserves and volumes growth. Net income rose considerably.

Other

Data on Other (million €)

	2nd quarter			1st half		
	2018	2017	Change in %	2018	2017	Change in %
Sales	662	476	39	1,219	1,086	12
Income from operations before depreciation and amortization (EBITDA)	(120)	(153)	22	(312)	(369)	15
Amortization and depreciation[1]	31	28	11	60	55	9
Income from operations (EBIT)	(151)	(181)	17	(372)	(424)	12
Special items	(17)	(30)	43	(25)	(23)	(9)
EBIT before special items	(134)	(151)	11	(347)	(401)	13
of which Costs for cross-divisional corporate research	(90)	(93)	3	(170)	(174)	2
Costs of corporate headquarters	(66)	(58)	(14)	(119)	(110)	(8)
Other businesses	17	(12)	.	9	(7)	.
Foreign currency results, hedging and other measurement effects	31	142	(78)	72	111	(35)
Miscellaneous income and expenses	(26)	(130)	80	(139)	(221)	37
Assets (June 30)[2]	16,059	10,208	57	16,059	10,208	57
Investments including acquisitions[3]	23	30	(23)	38	61	(38)
Research and development expenses	90	92	(2)	170	177	(4)

1 Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)
2 Contains assets of businesses recognized under Other as well as reconciliation to assets of the BASF Group (see also the remarks on the BASF Group's assets on page 5)
3 Additions to intangible assets and property, plant and equipment

2nd Quarter 2018

Sales in Other were considerably above the figure for the prior-year quarter, mainly as a result of higher sales volumes and prices in raw materials trading. Income from operations before special items rose considerably due to lower contributions to provisions and an improved foreign currency result.

Regions

Regions (million €)

	Sales Location of company			Sales Location of customer			Income from operations Location of company		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
2nd quarter									
Europe	8,203	7,827	5	7,721	7,481	3	1,475	1,399	5
of which Germany	4,954	5,000	(1)	2,116	2,040	4	520	617	(16)
North America	4,079	4,261	(4)	3,957	4,061	(3)	266	337	(21)
Asia Pacific	3,641	3,336	9	3,794	3,513	8	523	498	5
South America, Africa, Middle East	859	840	2	1,310	1,209	8	27	(53)	.
BASF Group	**16,782**	**16,264**	**3**	**16,782**	**16,264**	**3**	**2,291**	**2,181**	**5**
1st half									
Europe	16,726	16,159	4	15,769	15,401	2	3,055	2,820	8
of which Germany	10,303	10,235	1	4,370	4,248	3	1,153	1,442	(20)
North America	8,042	8,632	(7)	7,790	8,291	(6)	583	850	(31)
Asia Pacific	6,997	6,653	5	7,360	7,043	5	1,111	994	12
South America, Africa, Middle East	1,663	1,677	(1)	2,509	2,386	5	63	(32)	.
BASF Group	**33,428**	**33,121**	**1**	**33,428**	**33,121**	**1**	**4,812**	**4,632**	**4**

2nd Quarter 2018

Sales at companies located in **Europe** rose by 5% compared with the second quarter of 2017. This was primarily attributable to higher sales prices in almost all segments. Volumes growth also had a positive impact on sales. This was partially offset by negative currency effects in all segments. At €1,475 million, income from operations (EBIT) exceeded the figure for the prior-year quarter by €76 million. This was due to considerable growth in the Oil & Gas segment.

In **North America**, sales in euros were down 4% on the prior-year quarter, mainly due to negative currency effects. In local currency terms, sales rose by 4%. Sales were lifted by higher prices in almost all segments. EBIT declined by €71 million to €266 million. The considerable increase in Other and in the Performance Products segment was unable to compensate for the significantly lower contributions from the Chemicals, Functional Materials & Solutions and Agricultural Solutions segments.

Sales in **Asia Pacific** rose by 14% in local currency terms and 9% in euros. This was attributable to higher volumes and prices in all segments. Sales were weighed down by negative currency effects. We increased EBIT by €25 million compared with the second quarter of 2017 to €523 million. Contributions from all segments except Functional Materials & Solutions rose.

In the region **South America, Africa, Middle East**, sales improved by 22% in local currency terms and 2% in euros as against the prior-year quarter. This was due to higher prices in all segments and volumes growth, especially in the Agricultural Solutions segment. At €27 million, EBIT exceeded the figure for the second quarter of 2017 by €80 million. The increase was driven by the Agricultural Solutions segment.

Half-Year Financial Statements 2018
Statement of Income

Statement of income (million €)

		2nd quarter			1st half	
	2018	2017	Change in %	2018	2017	Change in %
Sales revenue	**16,782**	**16,264**	**3**	**33,428**	**33,121**	**1**
Cost of sales	(11,478)	(11,198)	(3)	(22,737)	(22,680)	0
Gross profit on sales	**5,304**	**5,066**	**5**	**10,691**	**10,441**	**2**
Selling expenses	(2,151)	(2,069)	(4)	(4,139)	(4,086)	(1)
General administrative expenses	(374)	(373)	0	(718)	(716)	0
Research and development expenses	(449)	(468)	4	(877)	(892)	2
Other operating income	553	601	(8)	1,268	908	40
Other operating expenses	(683)	(683)	–	(1,592)	(1,281)	(24)
Income from companies accounted for using the equity method	91	107	(15)	179	258	(31)
Income from operations (EBIT)	**2,291**	**2,181**	**5**	**4,812**	**4,632**	**4**
Income from other shareholdings	16	14	14	28	24	17
Expenses from other shareholdings	(6)	(8)	25	(11)	(13)	15
Net income from shareholdings	**10**	**6**	**67**	**17**	**11**	**55**
Interest income	58	38	53	108	112	(4)
Interest expenses	(139)	(137)	(1)	(257)	(290)	11
Interest result	**(81)**	**(99)**	**18**	**(149)**	**(178)**	**16**
Other financial income	12	19	(37)	22	38	(42)
Other financial expenses	(143)	(100)	(43)	(278)	(197)	(41)
Other financial result	**(131)**	**(81)**	**(62)**	**(256)**	**(159)**	**(61)**
Financial result	**(202)**	**(174)**	**(16)**	**(388)**	**(326)**	**(19)**
Income before taxes and minority interests	**2,089**	**2,007**	**4**	**4,424**	**4,306**	**3**
Income taxes	(566)	(443)	(28)	(1,143)	(970)	(18)
Income before minority interests	**1,523**	**1,564**	**(3)**	**3,281**	**3,336**	**(2)**
Minority interests	(43)	(68)	37	(122)	(131)	7
Net income	**1,480**	**1,496**	**(1)**	**3,159**	**3,205**	**(1)**
Earnings per share						
Basic €	1.61	1.63	(1)	3.44	3.49	(1)
Diluted €	1.61	1.63	(1)	3.44	3.49	(1)

Statement of Income and Expense Recognized in Equity

Statement of comprehensive income (million €)

	1st half 2018			1st half 2017		
	BASF Group	Shareholders of BASF SE	Noncontrolling interests	BASF Group	Shareholders of BASF SE	Noncontrolling interests
Income before minority interests	**3,281**	**3,159**	**122**	**3,336**	**3,205**	**131**
Remeasurement of defined benefit plans	237	237	–	880	880	–
Deferred taxes on nonreclassifiable gains/losses	(81)	(81)	–	(252)	(252)	–
Nonreclassifiable gains/losses after taxes from equity-accounted investments	–	–	–	–	–	–
Nonreclassifiable gains/losses	**156**	**156**	**–**	**628**	**628**	**–**
Unrealized gains/losses from fair value changes in securities measured through other comprehensive income	1	1	–	4	4	–
Reclassifications of realized gains/losses recognized in the income statement	–	–	–	–	–	–
Fair value changes in securities measured through other comprehensive income, net	**1**	**1**	**–**	**4**	**4**	**–**
Unrealized gains/losses in connection with cash flow hedges	(13)	(13)	–	(13)	(13)	–
Reclassification of realized gains/losses recognized in the income statement	(44)	(44)	–	86	86	–
Fair value changes in options designated as cash flow hedges, net	**(57)**	**(57)**	**–**	**73**	**73**	**–**
Unrealized gains/losses from currency translation	153	137	16	(1,315)	(1,258)	(57)
Deferred taxes on reclassifiable gains/losses	19	19	–	(5)	(5)	–
Reclassifiable gains/losses after taxes from equity-accounted investments	32	32	–	(79)	(79)	–
Reclassifiable gains/losses	**148**	**132**	**16**	**(1,322)**	**(1,265)**	**(57)**
Other comprehensive income after taxes	**304**	**288**	**16**	**(694)**	**(637)**	**(57)**
Comprehensive income	3,585	3,447	138	2,642	2,568	74

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

	Other comprehensive income				
	Remeasurements of defined benefit plans	Unrealized gains/losses from currency translation	Measurement of securities at fair value	Future cash flow hedges	Total income and expense recognized directly in equity
As of December 31, 2017	**(4,620)**	**(605)**	**39**	**(96)**	**(5,282)**
IFRS 9 transition effect	–	–	(35)	(14)	(49)
As of January 1, 2018	**(4,620)**	**(605)**	**4**	**(110)**	**(5,331)**
Changes	237	164	1	(52)	350
Deferred taxes	(81)	(2)	–	21	(62)
As of June 30, 2018	**(4,464)**	**(443)**	**5**	**(141)**	**(5,043)**
As of January 1, 2017	**(5,373)**	**1,476**	**32**	**(149)**	**(4,014)**
Changes	880	(1,346)	2	84	(380)
Deferred taxes	(252)	17	–	(22)	(257)
As of June 30, 2017	**(4,745)**	**147**	**34**	**(87)**	**(4,651)**

Balance Sheet

Assets (million €)

	June 30, 2018	June 30, 2017	Change in %	Dec. 31, 2017	Change in %
Intangible assets	13,446	14,382	(7)	13,594	(1)
Property, plant and equipment	25,044	25,015	0	25,258	(1)
Investments accounted for using the equity method	4,764	4,608	3	4,715	1
Other financial assets	549	620	(11)	606	(9)
Deferred tax assets	1,967	2,443	(19)	2,118	(7)
Other receivables and miscellaneous assets	1,564	1,352	16	1,332	17
Noncurrent assets	**47,334**	**48,420**	**(2)**	**47,623**	**(1)**
Inventories	10,697	9,953	7	10,303	4
Accounts receivable, trade	11,429	11,520	(1)	11,190	2
Other receivables and miscellaneous assets	4,215	3,880	9	3,105	36
Marketable securities	38	29	31	52	(27)
Cash and cash equivalents[1]	7,663	1,849	314	6,495	18
Assets of disposal groups	481	–	–	–	–
Current assets	**34,523**	**27,231**	**27**	**31,145**	**11**
Total assets	**81,857**	**75,651**	**8**	**78,768**	**4**

[1] For a reconciliation of the amounts in the statement of cash flows with the balance sheet item “cash and cash equivalents,” see page 22.

Equity and liabilities (million €)

	June 30, 2018	June 30, 2017	Change in %	Dec. 31, 2017	Change in %
Subscribed capital	1,176	1,176	–	1,176	–
Capital surplus	3,117	3,130	0	3,117	–
Retained earnings	35,156	31,979	10	34,826	1
Other comprehensive income	(5,043)	(4,651)	(8)	(5,282)	5
Equity of shareholders of BASF SE	**34,406**	**31,634**	**9**	**33,837**	**2**
Minority interests	895	808	11	919	(3)
Equity	**35,301**	**32,442**	**9**	**34,756**	**2**
Provisions for pensions and similar obligations	6,076	6,962	(13)	6,293	(3)
Other provisions	3,364	3,423	(2)	3,478	(3)
Deferred tax liabilities	2,713	3,132	(13)	2,731	(1)
Financial indebtedness	16,639	14,257	17	15,535	7
Other liabilities	1,091	949	15	1,095	0
Noncurrent liabilities	**29,883**	**28,723**	**4**	**29,132**	**3**
Accounts payable, trade	5,032	4,404	14	4,971	1
Provisions	3,111	2,908	7	3,229	(4)
Tax liabilities	1,217	1,363	(11)	1,119	9
Financial indebtedness	3,650	3,190	14	2,497	46
Other liabilities	3,660	2,621	40	3,064	19
Liabilities of disposal groups	3	–	–	–	–
Current liabilities	**16,673**	**14,486**	**15**	**14,880**	**12**
Total equity and liabilities	**81,857**	**75,651**	**8**	**78,768**	**4**

Statement of Cash Flows

Statement of cash flows (million €)

	2nd quarter		1st half	
	2018	**2017**	**2018**	**2017**
Net income	1,480	1,496	3,159	3,205
Amortization and depreciation of intangible assets and property, plant and equipment	941	1,052	1,868	2,103
Changes in net working capital	124	301	(1,221)	(1,684)
Miscellaneous items	(321)	120	(351)	178
Cash flows from operating activities	**2,224**	**2,969**	**3,455**	**3,802**
Payments made for property, plant and equipment and intangible assets	(822)	(875)	(1,449)	(1,642)
Acquisitions/divestitures	30	(43)	64	(65)
Financial assets and miscellaneous items	(309)	(232)	(350)	(658)
Cash flows from investing activities	**(1,101)**	**(1,150)**	**(1,735)**	**(2,365)**
Capital increases/repayments and other equity transactions	–	5	–	19
Changes in financial liabilities	2,306	1,121	2,526	1,932
Dividends	(3,025)	(2,843)	(3,044)	(2,837)
Cash flows from financing activities	**(719)**	**(1,717)**	**(518)**	**(886)**
Changes in cash and cash equivalents affecting liquidity	404	102	1,202	551
Cash and cash equivalents at the beginning of the period and other changes	7,259	1,747	6,461	1,298
Cash and cash equivalents at the end of the period	**7,663**	**1,849**	**7,663**	**1,849**

Statement of Equity

1st half 2018 (million €)

	Number of shares out-standing	Sub-scribed capital	Capital surplus	Retained earnings	Other compre-hensive income[1]	Equity of share-holders of BASF SE	Minority interests	Equity
As of December 31, 2017	918,478,694	1,176	3,117	34,826	(5,282)	33,837	919	34,756
IFRS 9 transition effect	–	–	–	21	(49)	**(28)**	(2)	**(30)**
As of January 1, 2018	918,478,694	1,176	3,117	34,847	(5,331)	33,809	917	34,726
Effects of acquisitions achieved in stages	–	–	–	–	–	**–**	–	**–**
Dividends	–	–	–	(2,847)	–	**(2,847)**	(170)[2]	**(3,017)**
Income before minority interests	–	–	–	3,159	–	**3,159**	122	**3,281**
Changes in income and expense recognized directly in equity	–	–	–	–	288	**288**	16	**304**
Changes in scope of consolidation and other changes	–	–	–	(3)	–	**(3)**	10	**7**
As of June 30, 2018	918,478,694	1,176	3,117	35,156	(5,043)	34,406	895	35,301

1st half 2017 (million €)

	Number of shares out-standing	Sub-scribed capital	Capital surplus	Retained earnings	Other compre-hensive income[1]	Equity of share-holders of BASF SE	Minority interests	Equity
As of January 1, 2017	918,478,694	1,176	3,130	31,515	(4,014)	31,807	761	32,568
Effects of acquisitions achieved in stages	–	–	–	–	–	**–**	–	**–**
Dividends	–	–	–	(2,755)	–	**(2,755)**	(46)[2]	**(2,801)**
Income before minority interests	–	–	–	3,205	–	**3,205**	131	**3,336**
Changes in income and expense recognized directly in equity	–	–	–	–	(637)	**(637)**	(57)	**(694)**
Changes in scope of consolidation and other changes	–	–	–	14	–	**14**	19	**33**
As of June 30, 2017	918,478,694	1,176	3,130	31,979	(4,651)	31,634	808	32,442

[1] Detailed information can be found in the table “Development of income and expense recognized directly in equity of shareholders of BASF SE” on page 20.

[2] Including profit and loss transfers

Segment Reporting

1st half (million €)

	Sales			EBITDA[1]			Income from operations (EBIT) before special items[2]			Income from operations (EBIT)		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
Chemicals	8,418	8,150	3	2,716	2,624	4	2,208	2,078	6	2,190	2,093	5
Performance Products	7,940	8,402	(5)	1,308	1,323	(1)	879	920	(4)	884	862	3
Functional Materials & Solutions	10,679	10,459	2	986	1,272	(22)	671	953	(30)	651	948	(31)
Agricultural Solutions	3,229	3,381	(4)	802	931	(14)	701	805	(13)	676	801	(16)
Oil & Gas	1,943	1,643	18	1,180	954	24	756	353	114	783	352	122
Other	1,219	1,086	12	(312)	(369)	15	(347)	(401)	13	(372)	(424)	12
BASF Group	**33,428**	**33,121**	**1**	**6,680**	**6,735**	**(1)**	**4,868**	**4,708**	**3**	**4,812**	**4,632**	**4**

1st half (million €)

	Research and development expenses			Assets			Investments including acquisitions[3]			Amortization and depreciation[4]		
	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %	2018	2017	Change in %
Chemicals	61	60	2	13,294	12,892	3	470	413	14	526	531	(1)
Performance Products	185	190	(3)	14,851	14,840	0	303	373	(19)	424	461	(8)
Functional Materials & Solutions	208	209	0	17,533	17,334	1	294	357	(18)	335	324	3
Agricultural Solutions	243	238	2	8,074	8,330	(3)	77	86	(10)	126	130	(3)
Oil & Gas	10	18	(44)	12,046	12,047	0	313	423	(26)	397	602	(34)
Other	170	177	(4)	16,059	10,208	57	38	61	(38)	60	55	9
BASF Group	**877**	**892**	**(2)**	**81,857**	**75,651**	**8**	**1,495**	**1,713**	**(13)**	**1,868**	**2,103**	**(11)**

Other, 1st half[5] (million €)

	2018	2017	Change in %
Sales	**1,219**	**1,086**	**12**
Income from operations (EBIT) before special items	**(347)**	**(401)**	**13**
of which Costs for cross-divisional corporate research	(170)	(174)	2
Costs of corporate headquarters	(119)	(110)	(8)
Other businesses	9	(7)	.
Foreign currency results, hedging and other measurement effects	72	111	(35)
Miscellaneous income and expenses	(139)	(221)	37
Special items	(25)	(23)	(9)
Income from operations (EBIT)	**(372)**	**(424)**	**12**

[1] For an explanation of this indicator, see page 54 of the BASF Report 2017.
[2] For an explanation of this indicator, see page 28 of the BASF Report 2017.
[3] Additions to intangible assets and property, plant and equipment
[4] Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and reversals of impairments)
[5] Further information on Other can be found in the Notes to the Half-Year Financial Statements on pages 30 and 31.

Notes to the Half-Year Financial Statements

1 Basis of presentation

Selected exchange rates

	Closing rates		Average rates 1st half	
€1 equals	June 30, 2018	Dec. 31, 2017	2018	2017
Brazil (BRL)	4.49	3.97	4.14	3.44
China (CNY)	7.72	7.80	7.71	7.44
United Kingdom (GBP)	0.89	0.89	0.88	0.86
Japan (JPY)	129.04	135.01	131.61	121.72
Malaysia (MYR)	4.71	4.85	4.77	4.75
Mexico (MXN)	22.88	23.66	23.09	21.04
Norway (NOK)	9.51	9.84	9.59	9.18
Russian Federation (RUB)	73.16	69.39	71.96	62.78
Switzerland (CHF)	1.16	1.17	1.17	1.08
South Korea (KRW)	1,296.72	1,279.61	1,302.37	1,235.89
United States (USD)	1.17	1.20	1.21	1.08

The Consolidated Financial Statements of the BASF Group for the year ending December 31, 2017, were prepared in accordance with the International Financial Reporting Standards (IFRS) in effect as of the balance sheet date. The Half-Year Financial Statements as of June 30, 2018, have been prepared – in line with the rules of International Accounting Standard 34 – in abbreviated form and largely continuing the same accounting policies.

The BASF Report 2017 containing the Consolidated Financial Statements as of December 31, 2017, can be found online at basf.com/report

IFRS 9 – Financial Instruments as of January 1, 2018

IFRS 9 – Financial Instruments was endorsed by the European Union on November 29, 2016, and applied by BASF for the first time as of January 1, 2018.

IFRS 9 contains, in particular, new requirements for the classification and measurement of financial assets, fundamental changes regarding the accounting treatment of impairments of certain financial assets, and a revised approach to hedge accounting. IFRS 9 retains “amortized cost” and “fair value” as measurement bases for financial instruments, and continues to differentiate between changes in fair value recognized through profit or loss and through other comprehensive income.

The classification and measurement of financial assets in accordance with IFRS 9 is based on the one hand on the cash flow condition (the “solely payments of principle and interest” criterion), that is, the contractual cash flow characteristics of an individual financial asset. On the other, it also depends on the business model for managing financial asset portfolios.

Impairments will also be recognized for expected credit losses on financial assets not measured at fair value through profit or loss based on the default risk of the respective counterparties and, in certain circumstances, changes to this default risk. The impairment approach generally provides for a three-stage model to calculate impairment losses. A simplified approach applies to certain financial instruments such as lease receivables and trade accounts receivable. This uses a two-stage model to assess impairment losses.

IFRS 9 also contains new requirements for the application of hedge accounting to better present an entity’s risk management activities, in particular with respect to the management of nonfinancial risks.

The first-time adoption of IFRS 9 at BASF follows the modified retrospective method. Comparative prior-period information is not restated; this continues to be presented in accordance with IAS 39.

The introduction of the cash flow condition at BASF mainly resulted in the reclassification of securities that were allocated to the “available for sale” category under IAS 39 and subsequently measured at fair value in the balance sheet, with fair value changes recognized in other comprehensive income. Provided the contractual cash flows resulting from these securities are not solely payments of principal and interest, they continue to be measured at fair value in the balance sheet; however, fair value changes are recognized directly in income. The cash flow condition also leads to minor changes to the subsequent measurement of other receivables that were measured at amortized cost under IAS 39. These are now measured at fair value in the balance sheet, provided the resulting cash flows are not solely payments of principal and interest. Changes to the fair value of these other receivables are recognized in profit or loss.

At BASF, the creation of a business model for financial asset portfolios has implications for the accounting treatment of securities, which were allocated to the “available for sale” category under IAS 39 and, according to IFRS 9, do not have to be measured at fair value because of the cash flow condition. If these securities are managed with the intention of collecting the contractual cash flows, they are subsequently measured at amortized cost according to the requirements of IFRS 9. If, however, these securities classified as “available for sale” are also managed with the intention of generating cash flows from their sale, they are subsequently measured at fair value; fair value changes are recognized in other comprehensive income.

At BASF, the recognition of loss allowances for expected losses mainly impacts the carrying amounts of trade accounts receivable. It also affects the carrying amounts of other receivables that represent financial instruments. The table below presents the effects of the transition from IAS 39 to IFRS 9 on the carrying amounts as of December 31, 2017, by category of financial instruments:

Reconciliation of carrying amounts of financial assets (million €)

IAS 39 as of December 31, 2017			Changes due to		IFRS 9 as of January 1, 2018		
	Carrying amount	Measurement category[1]	Changes in measurement categories	Changes in measurement parameters	Carrying amount		Measurement category[1]
Shareholdings	482	AfS	–	–	482	Shareholdings	aFVTPL
Receivables from finance leases	29	n/a	–	–	29	Receivables from finance leases	aAC
Accounts receivable, trade	11,190	LaR	–	(28)	11,162	Accounts receivable, trade	aAC
			–	–	–	Accounts receivable, trade	aFVTPL
Derivatives – no hedge accounting	340	aFVTPL	–	–	340	Derivatives – no hedge accounting	aFVTPL
Derivatives – hedge accounting	72	n/a	–	–	72	Derivatives – hedge accounting	aFVTOCI
Other receivables and miscellaneous assets	1,508	LaR	0	(6)	1,502	Other receivables and miscellaneous assets	aAC
			0	–	0	Other receivables and miscellaneous assets	aFVTPL
Securities – AfS	175	AfS	(141)	(1)	33	Securities	aFVTOCI
			13	0	13	Securities	aAC
			128	–	128	Securities	aFVTPL
Securities – HtM	1	HtM	–	–	1	Securities	aAC
			–	–	–	Securities	aFVTOCI
			–	–	–	Securities	aFVTPL
Cash and cash equivalents	6,495	LaR	–	0	6,495	Cash and cash equivalents	aAC
Total financial assets	**20,292**		**0**	**(35)**	**20,257**	**Total financial assets**	

[1] AfS: available for sale
aAC: at amortized cost
aFVTOCI: at fair value through other comprehensive income
aFVTPL: at fair value through profit or loss
HtM: held to maturity
LaR: loans and receivables

Unlike in IAS 39, under IFRS 9 impairments of financial assets that are not measured at fair value through profit or loss are not just recognized when there is objective evidence of impairment. Rather, impairment allowances are also to be recognized for expected credit losses. These are determined based on the credit risk of a financial asset, as well as any changes to this credit risk: If the credit risk of a financial asset has increased significantly since initial recognition, expected credit losses are generally recognized over the lifetime of the asset. If, however, the credit risk has not increased significantly in this period, impairments are generally only recognized for the 12-month expected credit losses. By contrast, under the simplified approach referred to above, impairments for receivables such as lease receivables and trade accounts receivable always cover the lifetime expected credit losses of the receivable concerned.

At BASF, the credit risk of a financial asset is assessed using both internal information and external rating information on the respective counterparty. A significant rise in the counterparty’s credit risk is assumed if its rating is downgraded by a certain number of notches. The significance of the increase in the credit risk is not reviewed for trade accounts receivable or lease receivables.

BASF calculates the expected credit losses of a financial asset as the probability-weighted present value of each expected cash shortfall. As a general rule, three key parameters are used here: the probability of default of the counterparty, the loss ratio if the counterparty defaults, and the amount at risk. In the case of receivables from banks, the expected credit losses are primarily calculated on the basis of the probabilities of default derived from credit default swaps on the counterparty.

The effects of the changes to the valuation allowance model on the impairments recognized in accordance with IAS 39 as of December 31, 2017, are presented in the table below. These mainly relate to valuation allowances for financial assets that were allocated to the “loans and receivables” category under IAS 39. Impairments were increased by the recognition of expected credit losses. A countereffect arose from the fact that valuation allowances to reflect transfer risks for certain countries and staggered valuation allowances based on overdue status are no longer recognized under IFRS 9.

Reconciliation of impairments for financial assets (million €)

	Cumulative impairments as of Dec. 31, 2017 (under IAS 39)	Changes due to		Impairments as of Jan. 1, 2018 (under IFRS 9)
		Changes in measurement categories	Changes in measurement parameters	
Available for sale	–	–	–	–
Held to maturity	–	–	–	–
Loans and receivables	431	–	35	466
Total impairments for financial assets	**431**	**–**	**35**	**466**

BASF exercises the option to apply the hedge accounting requirements of IFRS 9 only prospectively from January 1, 2018. This option cannot be applied to changes to the time value components of an option if only its intrinsic value is designated as a hedging instrument in a hedge accounting relationship. In this case, IFRS 9 stipulates that changes to the fair value of the time value component during the term of the hedging relationship must be recognized in other comprehensive income, and that the amounts accumulated there must be released as an adjustment to the cost of the underlying item or directly in profit or loss. By contrast, under IAS 39, changes to the fair value of these time value components were recognized immediately in profit or loss.

Transition effects from the first-time adoption of IFRS 9 were recognized cumulatively in equity as of the date of initial application. Overall, the first-time adoption of IFRS 9 reduced equity by €30 million, primarily as a result of the increase in valuation allowances for trade accounts receivable. By contrast, the reclassification of components of income that were presented in other comprehensive income under IAS 39 to retained earnings did not have any effect on equity.

The table below shows the first-time adoption effects of IFRS 9 on retained earnings and other comprehensive income:

First-time adoption effects of IFRS 9 on equity (million €)

Effects on retained earnings	
Retained earnings as of December 31, 2017 (prior to application of IFRS 9)	**34,826**
Changes to valuation allowances for trade accounts receivable	(28)
Changes to valuation allowances for other financial instruments	(7)
Transfers to/from other comprehensive income	49
Deferred taxes for first-time adoption effects	5
Retained earnings as of January 1, 2018 (following application of IFRS 9)	**34,845**
Effects on other comprehensive income	
Other comprehensive income after taxes, including minority interests (prior to application of IFRS 9)	**(5,282)**
Transfers to/from retained earnings, changes to measurement categories	(35)
Transfers to/from retained earnings, other	(14)
Deferred taxes for first-time adoption effects	–
Other comprehensive income after taxes, including minority interests (following application of IFRS 9)	**(5,331)**
First-time adoption effects of IFRS 9 on equity	**(30)**

IFRS 15 – Revenues from Contracts with Customers

The IASB published the new standard on revenue recognition, IFRS 15, on May 28, 2014. The new standard was endorsed by the European Union in the third quarter of 2016 and is effective for reporting periods beginning on or after January 1, 2018.

According to IFRS 15, sales revenue is measured at the amount the entity expects to receive and recognize in exchange for goods and services when control of the agreed goods or services and the benefits obtainable from them are transferred to the customer. Control can be transferred at a certain point in time or over a period of time. The performance obligations arising from contracts with BASF's customers are almost always satisfied at a point in time. In individual cases, in particular for licensing agreements, they are satisfied over a period of time.

BASF applied IFRS 15 as of January 1, 2018, using the modified retrospective method. In accordance with IFRS 15.C7A(b), only contracts that had not yet been performed as of the date of initial application were transitioned to the new standard.

The main effect of initial application of the new standard was a change in presentation within the balance sheet item "other liabilites." Deferred sales revenue of €204 million from licenses and long-term contracts with customers that was previously presented as deferred income were reclassified to the new balance sheet item, contractual liabilities. This related to payments already received from customers for future deliveries of goods and services, which are recognized over a period of time. Contract liabilities amounted to €198 million as of June 30, 2018.

The adoption of the new standard did not lead to any changes in retained earnings.

For more information on sales revenue, see Note 4, the Half-Year Management's Report and the section "Information on 2nd Quarter 2018"

The application of the following revisions to reporting standards requires endorsement by the European Union; the following standards were endorsed in the current fiscal year:

– Annual Improvements to IFRSs (2014–2016): The amendments were endorsed by the European Union on February 7, 2018. The clarification to IAS 28 entered into force on January 1, 2018. This clarifies that the option to measure an investment in an associated company or a joint venture held by an entity that is a venture capital organization or other qualifying entity, can be exercised on an investment-by-investment basis. The short-term exemptions in IFRS 1, Appendix E (IFRS 1.E3–E7) for first-time IFRS users were deleted as of the same date. BASF was not affected by either amendment.
– Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions: The amendments were endorsed by the European Union on February 26, 2018. They are to be applied to compensation granted or changed in fiscal years beginning on or after January 1, 2018. The amendments did not have any effect on BASF.
– Supplementary information on IFRIC 22 – Foreign Currency Transactions and Advance Consideration: The amendments were endorsed by the European Union on March 28, 2018. They address an application question for IAS 21 – The Effects of Changes in Foreign Exchange Rates and became effective on January 1, 2018. The amendments did not have any material effect on BASF.
– Amendments to IFRS 9 – Financial Assets with a Prepayment Feature with Negative Compensation: The amendments were endorsed by the European Union on March 22, 2018. The date of initial application is January 1, 2019.

The Half-Year Financial Statements and Half-Year Management's Report have not been audited, nor have they undergone an auditor's review.

2 Scope of consolidation

In addition to BASF SE, all material subsidiaries are included in the BASF Group Financial Statements on a fully consolidated basis. Joint arrangements that are classified as joint operations according to IFRS 11 are proportionally consolidated. Changes in the number of fully and proportionally consolidated companies are shown in the table.

Since the beginning of 2018, four companies were included for the first time due to their increased significance. The deconsolidations resulted from one liquidation and one merger.

Scope of consolidation

	2018	2017
As of January 1	294	294
of which proportionally consolidated	8	8
First-time consolidations	4	5
of which proportionally consolidated	–	–
Deconsolidations	2	3
of which proportionally consolidated	–	–
As of June 30	**296**	**296**
of which proportionally consolidated	8	8

Companies accounted for using the equity method

	2018	2017
As of January 1	35	34
As of June 30	**35**	**34**

3 Acquisitions and divestitures

Acquisitions

On March 7, 2018, BASF closed the agreement to form BASF Toda America LLC (BTA), Iselin, New Jersey, for battery materials. BTA is a cooperative venture between BASF and Toda, and is majority owned and controlled by BASF. With the acquisition of the Battle Creek site in Michigan and the existing site in Elyria, Ohio, the new company took over production of high energy cathode active materials for e-mobility applications. The transaction strengthens the Catalysts division’s battery materials business.

Divestitures

On January 23, 2018, the Oil & Gas division sold shares in the Aguada Pichana Este concession in Argentina.

On January 31, 2018, BASF’s production site for styrene butadiene-based paper dispersions in Pischelsdorf, Austria, was sold to Synthomer Austria GmbH, a subsidiary of the British specialty chemicals manufacturer Synthomer plc. The styrene acrylic dispersions that were produced in Pischelsdorf were not included in the sale. They were bundled with the businesses in Ludwigshafen. The sale was made in connection with the concentration of paper dispersions production in Europe at the sites in Ludwigshafen, Germany, and Hamina, Finland, which is designed to strengthen the Dispersions & Pigments division.

Agreed transactions

On September 18, 2017, BASF signed an agreement with the Solvay group on the acquisition of Solvay’s global polyamide business. The European Commission launched an in-depth investigation into the proposed transaction on June 26, 2018, and is expected to reach a decision in the fourth quarter of 2018. The acquisition would complement BASF’s engineering plastics portfolio and expand the company’s position as a solutions provider for the transportation, construction and consumer goods industries as well as for other industrial applications. BASF plans to integrate the global polyamide business into the Performance Materials and Monomers divisions. The purchase price on a cash and debt-free basis and excluding other adjustments would be €1.6 billion.

On October 13, 2017, BASF announced that it had signed an agreement on the acquisition of significant parts of Bayer’s seed and non-selective herbicide businesses. The assets to be acquired include Bayer’s global glufosinate-ammonium business, commercialized under the Liberty®, Basta® and Finale® trademarks, as well as its seed businesses for key row crops in selected markets. The transaction also covers Bayer’s trait research and breeding capabilities for these crops. BASF will acquire the manufacturing sites for glufosinate-ammonium production and formulation in Germany, the United States and Canada, seed breeding facilities in the Americas and Europe as well as trait research facilities in the United States and Europe. On April 26, 2018, BASF and Bayer announced an agreement on the acquisition of additional businesses and assets by BASF, which Bayer had offered to divest in the context of its acquisition of Monsanto. The expanded scope includes Bayer’s entire vegetable seeds business, as well as seed treatment products. The transaction also includes the R&D platform for hybrid wheat and further businesses and research projects, strengthening BASF’s Crop Protection division. The all-cash purchase price amounts to a total of €7.6 billion, subject to certain adjustments at closing. The transactions remain subject to approval by individual relevant authorities. Closing is expected in August 2018.

On May 3, 2018, BASF and Solenis announced that they have signed an agreement on the combination of BASF's paper wet-end and water chemicals business with Solenis. BASF will hold a 49% share of the combined entity, Solenis, headquartered in Wilmington, Delaware. 51% of the shares will be held by funds managed by Clayton, Dubilier & Rice. Closing is anticipated for the end of 2018 at the earliest, pending approval by the relevant authorities. The businesses are allocated to the Performance Chemicals division. The affected assets and liabilities have been reclassified to a disposal group.

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 currently under negotiation. 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.

4 Segment reporting

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.

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 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 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, which includes plant biotechnology research, 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 translation 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.

Sales in Other rose from €1,086 million in the first half of 2017 to €1,219 million in the first half of 2018 as a result of higher sales volumes and prices in raw materials trading.

Income from operations amounted to minus €372 million in the first half of 2018, compared with minus €424 million in the prior-year period. This was due to the improvement in the foreign currency result and the line item miscellaneous income and expenses.

Assets of Other (million €)

	June 30, 2018	June 30, 2017
Assets of businesses included in Other	2,001	2,000
Other financial assets	549	620
Deferred tax assets	1,967	2,443
Cash and cash equivalents / marketable securities	7,701	1,878
Defined benefit assets	74	54
Other receivables / prepaid expenses	3,767	3,213
Assets of Other	**16,059**	**10,208**

Reconciliation reporting for Oil & Gas (million €)

	1st half	
	2018	2017
Income from operations	**783**	**352**
Net income from shareholdings	1	1
Other income	(156)	(78)
Income before taxes and minority interests	**628**	**275**
Income taxes	(289)	2
Income before minority interests	**339**	**277**
Minority interests	(23)	(15)
Net income	**316**	**262**

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

Income from operations improved considerably. Oil and gas prices rose. In Norway, we recorded both lower depreciation as a result of higher reserves and volumes growth.

Other income in the Oil & Gas segment relates to income and expenses not included in the segment's income from operations, interest result and other financial result. As in the prior-year period, other income largely consisted of the foreign currency measurement of intragroup loans.

The significant increase in income taxes in the first half of 2018 was primarily attributable to stronger earnings contributions from Norway.

5 Other operating income and expenses

Other operating income (million €)

	1st half	
	2018	**2017**
Income from the adjustment and release of provisions recognized in other operating expenses	26	26
Revenue from miscellaneous activities	81	92
Gains from foreign currency and hedging transactions as well as the valuation of LTI options	260	205
Gains from the translation of financial statements in foreign currencies	7	14
Gains on divestitures and the disposal of fixed assets	70	42
Income on the reversal of valuation allowances for business-related receivables	31	22
Other	793	507
Other operating income	**1,268**	**908**

Other operating expenses (million €)

	1st half	
	2018	**2017**
Restructuring measures	173	163
Environmental protection and safety measures, costs of demolition and removal, and project costs not subject to mandatory capitalization	177	195
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	30	128
Costs from miscellaneous activities	74	89
Losses from foreign currency and hedging transactions as well as from the valuation of LTI options	607	134
Losses from the translation of financial statements in foreign currencies	28	27
Losses from the disposal of fixed assets and divestitures	13	32
Oil and gas exploration expenses	28	24
Expenses from the addition of valuation allowances for business-related receivables	38	32
Expenses from the use of inventories measured at fair value and the derecognition of obsolete inventory	92	86
Other	332	371
Other operating expenses	**1,592**	**1,281**

Other income rose year on year, mainly due to positive measurement effects from current assets held for arbitrage purposes as well as an increase in insurance refunds.

The net result from foreign currency and hedging transactions and from the valuation of LTI options declined by €418 million, from €71 million in the first half of 2017 to minus €347 million in the first half of 2018. This was mostly the result of negative valuation effects for derivatives used to hedge current assets held for arbitrage purposes. Lower net losses from foreign currency transactions partially offset the decline in income from the release of LTI provisions.

The increase in gains on divestitures and the disposal of fixed assets in the first half of 2018 was mainly attributable to disposal gains from the sale of shares in the Aguada Pichana Este concession in Neuquen, Argentina, as well as the sale of the production site for styrene butadiene-based paper dispersions in Pischelsdorf, Austria.

The decrease in amortization, depreciation and impairments of intangible assets and property, plant and equipment was due to higher impairment losses in the prior-year period, especially in the Oil & Gas segment.

6 Income from companies accounted for using the equity method

The decline in income from companies accounted for using the equity method in the first half of 2018 was primarily due to lower margins at BASF-YPC Company Ltd., Nanjing, China.

The Oil & Gas segment also contributed significantly to the decrease, especially the companies OAO Severneftegazprom, Krasnoselkup, Russia, and W&G Infrastruktur Finanzierungs-GmbH, Kassel, Germany.

7 Financial result

Million €	1st half	
	2018	**2017**
Dividends and similar income	16	19
Income from the disposal of shareholdings	11	1
Income from profit transfer agreements	1	3
Income from tax allocation to shareholdings	–	1
Income from other shareholdings	**28**	**24**
Expenses from loss transfer agreements	(11)	(10)
Write-downs on / losses from the sale of shareholdings	–	(3)
Expenses from other shareholdings	**(11)**	**(13)**
Net income from shareholdings	**17**	**11**
Interest income from cash and cash equivalents	77	101
Interest and dividend income from securities and loans	31	11
Interest income	**108**	**112**
Interest expenses	**(257)**	**(290)**
Interest result	**(149)**	**(178)**
Net interest income from overfunded pension plans and similar obligations	1	1
Income from the capitalization of borrowing costs	21	37
Miscellaneous financial income	–	–
Other financial income	**22**	**38**
Write-downs on / losses from the disposal of securities and loans	(13)	–
Net interest expense from underfunded pension plans and similar obligations	(69)	(88)
Net interest expense from other long-term personnel obligations	(1)	–
Unwinding the discount on other noncurrent liabilities	(16)	(19)
Miscellaneous financial expenses	(179)	(90)
Other financial expenses	**(278)**	**(197)**
Other financial result	**(256)**	**(159)**
Financial result	**(388)**	**(326)**

Net income from shareholdings in the first half of 2018 exceeded the prior-year figure by €6 million. Income from the disposal of shareholdings arose from the transfer of Metanomics Health GmbH to BIOCRATES Life Sciences AG, Innsbruck, Austria, in January 2018.

The interest result rose by €29 million in the first half of 2018, from minus €178 million to minus €149 million. The interest expense declined year on year, mainly as a result of more favorable refinancing conditions.

Compared with the prior-year period, income from the capitalization of construction period interest decreased considerably as major investment projects have since started operations.

The net interest expense from underfunded pension plans and similar obligations declined year on year as a result of the reduced net defined benefit liability as of January 1, 2018.

Other financial expenses rose, primarily as a result of higher expenses from hedging transactions.

8 Income taxes

Income before taxes and minority interests (million €)

	1st half	
	2018	2017
Germany	925	1,336
Foreign	3,499	2,970
Income before taxes and minority interests	**4,424**	**4,306**

Income taxes

		1st half	
		2018	2017
Germany	million €	239	375
Foreign	million €	904	595
Income taxes	**million €**	**1,143**	**970**
Tax rate	%	25.8	22.5

The year-on-year increase in the tax rate in the first half of 2018 was primarily the result of stronger earnings contributions in countries with higher tax rates, especially Norway.

9 Minority interests

Million €	1st half	
	2018	2017
Minority interests in profits	139	143
Minority interests in losses	(17)	(12)
Minority interests	**122**	**131**

Minority interests in profits were lower in the first half of 2018 compared with the prior-year period, especially at BASF TOTAL Petrochemicals LLC, Port Arthur, Texas. This was primarily attributable to a significant decline in sales prices for ethylene. Shanghai BASF Polyurethane Company Ltd., Shanghai, China, recorded higher minority interests in profits, mainly due to higher TDI and MDI sales prices and margins.

Temporary shutdowns of a number of plants led to higher minority interests in losses than in the prior-year period at BASF PETRONAS Chemicals Sdn. Bhd., Shah Alam, Malaysia.

10 Earnings per share

		1st half	
		2018	2017
Net income	million €	3,159	3,205
Number of outstanding shares (weighted average)	in thousands	918,479	918,479
Earnings per share	€	**3.44**	**3.49**

Earnings per share is calculated based on the weighted average number of common shares outstanding. The calculation of diluted earnings per common share reflects all possible outstanding common shares and the resulting effect on income of BASF's "plus" employee incentive share program.

In the first half of 2018, and in the prior-year period, there was no dilutive effect; basic earnings per share were the same as the diluted value per share.

11 Noncurrent assets

First-half development of intangible assets and property, plant and equipment (million €)

	Intangible assets		Property, plant and equipment	
	2018	2017	2018	2017
Cost				
As of January 1	17,755	19,089	70,913	71,576
Additions	48	178	1,447	1,535
Disposals	(91)	(19)	(282)	(642)
Transfers	(124)	(2)	(392)	18
Exchange differences	155	(798)	509	(2,342)
As of June 30	**17,743**	**18,448**	**72,195**	**70,145**
Depreciation and amortization				
As of January 1	4,161	3,927	45,655	45,163
Additions	264	283	1,604	1,820
Disposals	(78)	(16)	(255)	(607)
Transfers	(68)	–	(184)	14
Exchange differences	18	(128)	331	(1,260)
As of June 30	**4,297**	**4,066**	**47,151**	**45,130**
Net carrying amount as of June 30	**13,446**	**14,382**	**25,044**	**25,015**

Material investments in the first half of 2018 largely concerned the acetylene plant currently under construction as well as plants for the production of catalysts in Ludwigshafen, Germany. Other additions included the construction of oil and gas facilities and wells in Europe and South America. Furthermore, investments were made at the following sites in particular: Ludwigshafen, Germany; Antwerp, Belgium; Shanghai, China; Geismar, Louisiana; Freeport, Texas; and Port Arthur, Texas.

Disposals of property, plant and equipment mainly related to the sale of production plants for oleochemical surfactants in Mexico and the production site for styrene butadiene-based paper dispersions in Pischelsdorf, Austria.

Transfers primarily pertained to the reclassification of property, plant and equipment and intangible assets in the water and paper chemicals business to the disposal group. This was offset in particular by reclassifications of Group companies not previously included in the Consolidated Financial Statements.

As well as depreciation, the item additions to depreciation and amortization of property, plant and equipment mainly comprised impairment losses from discontinued investments in North America.

Currency effects largely arose from the appreciation of the U.S. dollar relative to the euro.

First-half development of investments accounted for using the equity method (million €)

	2018	2017
As of January 1	**4,715**	**4,647**
Additions	55	11
Disposals	–	(11)
Transfers	(33)	49
Exchange differences	27	(88)
As of June 30	**4,764**	**4,608**

Other financial assets (million €)

	June 30, 2018	December 31, 2017	June 30, 2017
Other shareholdings	429	482	469
Long-term securities	120	124	151
Other financial assets	**549**	**606**	**620**

12 Current assets

Million €	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials and factory supplies	3,411	3,255	3,138
Work in progress, finished goods and merchandise	7,192	6,979	6,743
Advance payments and services in progress	94	69	72
Inventories	**10,697**	**10,303**	**9,953**
Accounts receivable, trade	**11,429**	**11,190**	**11,520**
Other receivables and miscellaneous assets	4,215	3,105	3,880
Marketable securities	38	52	29
Cash and cash equivalents	7,663	6,495	1,849
Assets of disposal groups	481	–	–
Other current assets	**12,397**	**9,652**	**5,758**
Current assets	**34,523**	**31,145**	**27,231**

Work in progress, finished goods and merchandise are combined into one item due to production conditions in the chemical industry. Services in progress mainly relate to services not invoiced as of the balance sheet date. Inventories are valued using the weighted average cost method.

The increase in trade accounts receivable since December 31, 2017, was primarily attributable to seasonal sales volumes growth in the Agricultural Solutions and Performance Products segments.

The rise in the item “Other receivables and miscellaneous assets” was largely due to current assets held for arbitrage purposes.

13 Equity

Authorized capital

The Annual Shareholders’ Meeting of May 2, 2014, authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase subscribed capital by issuing new registered shares up to a total of €500 million against cash or contributions in kind until May 1, 2019. The Board of Executive Directors is authorized, with the approval of the Supervisory Board, to exclude shareholders’ statutory subscription rights in the cases specified in the authorizing resolution. To date, this option has not been exercised and no new shares have been issued.

Conditional capital

By way of a resolution of the Annual Shareholders’ Meeting of May 12, 2017, the Board of Executive Directors was authorized, with the approval of the Supervisory Board, to issue, on a one-off basis or in portions on more than one occasion, bearer or registered convertible bonds and/or bonds with warrants, or combinations of these instruments, with or without maturity limitations up to a nominal value of €10.0 billion until May 11, 2022. The notional interest in the share capital attributable to the BASF shares to be issued in connection with the debt instruments issued under this authorization may not exceed 10% of the share capital.

In this connection, the share capital was increased conditionally by up to €117,565,184 by issuing a maximum of 91,847,800 new registered BASF shares. The conditional capital increase will only be carried out to the extent to which holders of convertible bonds, or warrants attached to bonds with warrants issued, exercise their conversion or option rights. This authorization has not been exercised to date.

Authorization of share buybacks

By way of a resolution of the Annual Shareholders' Meeting of May 12, 2017, the Board of Executive Directors was authorized to buy back shares until May 11, 2022, in accordance with section 71(1) no. 8 of the German Stock Corporation Act (AktG). The buyback cannot exceed 10% of the company's share capital at the time the resolution was passed and can take place via the stock exchange, a public purchase offer addressed to all shareholders, or a public invitation to the shareholders to submit sales offers. This authorization has not been exercised to date.

Retained earnings

Transfers from other retained earnings increased legal reserves by €52 million in the first half of 2018.

Reserves (million €)

	June 30, 2018	December 31, 2017
Legal reserves	730	678
Other retained earnings	34,426	34,148
Retained earnings	**35,156**	**34,826**

Payment of dividends

In accordance with the resolution of the Annual Shareholders' Meeting on May 4, 2018, BASF SE paid a dividend of €3.10 per share from the retained profit of the 2017 fiscal year. With 918,478,694 qualifying shares, this represented total dividends of €2,847,283,951.40. The remaining €282,560,220.29 in retained profits was recorded under retained earnings.

14 Provisions for pensions

Assumptions used to determine the defined benefit obligation (in %)

	Germany		United States		Switzerland		United Kingdom	
	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Discount rate	2.00	1.90	4.10	3.60	0.80	0.50	2.80	2.60
Projected pension increase	1.50	1.50	–	–	–	–	3.10	3.10

Assumptions used to determine expenses for pension benefits (from January 1 to June 30 of the respective year in %)

	Germany		United States		Switzerland		United Kingdom	
	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	1.90	2.50	3.60	4.20	0.50	0.80	2.60	4.00
Projected pension increase	1.50	1.50	–	–	–	–	3.10	2.90

The assumptions used to determine the defined benefit obligation as of December 31, 2017, are used in the 2018 fiscal year to determine the expenses for pension plans.

The standardized return on plan assets is calculated by multiplying plan assets at the beginning of the year with the discount rate used for existing defined benefit obligations at the beginning of the year, taking into account benefit and contribution payments to be made during the year.

The rise in the discount rate in all currency zones due to capital market developments in the first half of 2018 was primarily responsible for actuarial gains of €621 million in the defined benefit obligation. Including the deviation between the actual return on plan assets and the standardized return on plan assets, positive remeasurement effects totaled €237 million. These were recognized in other comprehensive income (OCI), taking into account deferred taxes of €81 million. Overall, pension provisions declined by €217 million compared with December 31, 2017.

15 Other provisions

First-half development 2018 (million €)

	January 1, 2018	Additions	Unwinding of discount	Utilization	Releases	Other changes	June 30, 2018
Restoration obligations	1,296	23	13	(9)	–	25	1,348
Environmental protection and remediation costs	600	46	1	(32)	(5)	8	618
Personnel obligations	2,173	859	–	(1,374)	(116)	(20)	1,522
Obligations from sales and purchase contracts	1,080	942	–	(359)	(43)	13	1,633
Restructuring measures	143	6	–	(28)	(1)	4	124
Litigation, damage claims, warranties and similar obligations	103	15	–	(27)	(7)	(6)	78
Other	1,312	96	–	(139)	(117)	–	1,152
Total	**6,707**	**1,987**	**14**	**(1,968)**	**(289)**	**24**	**6,475**

On June 30, 2018, other provisions were €232 million below the year-end 2017 figure.

Provisions for personnel obligations declined significantly following the payout of the 2017 bonus to employees of the BASF Group and a partial release of provisions for the long-term incentive program.

Current accruals for discounts significantly exceeded the utilization of provisions from the previous year. This led to a seasonal increase in provisions for obligations from sales contracts.

Other changes include currency effects and the reclassification of obligations to liabilities when the amount and timing of these obligations became known.

16 Liabilities

Liabilities (million €)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Accounts payable, trade	**5,032**	**–**	**4,971**	**–**	**4,404**	**–**
Bonds and other liabilities to the capital market	2,875	14,883	1,799	13,854	2,275	11,817
Liabilities to credit institutions	775	1,756	698	1,681	915	2,440
Financial indebtedness	**3,650**	**16,639**	**2,497**	**15,535**	**3,190**	**14,257**
Tax liabilities	**1,217**	**–**	**1,119**	**–**	**1,363**	**–**
Advances received on orders	100	–	564	–	78	–
Negative fair values from derivatives and liabilities for precious metal obligations	937	273	291	290	287	166
Liabilities related to social security	106	72	77	67	79	83
Miscellaneous liabilities	2,459	724	2,054	541	2,082	528
Deferred income	58	22	78	197	95	172
Other liabilities	**3,660**	**1,091**	**3,064**	**1,095**	**2,621**	**949**
Liabilities	**13,559**	**17,730**	**11,651**	**16,630**	**11,578**	**15,206**

The increase in negative fair values from derivatives was mainly related to hedges of current assets held for arbitrage purposes and higher negative fair values arising from foreign currency hedging.

Financial indebtedness (million €)

		Currency	Nominal value[1]	Effective interest rate	Carrying amounts based on effective interest method June 30, 2018	Dec. 31, 2017	June 30, 2017
BASF SE							
Commercial paper		USD			1,094	–	876
4.625%	Bond 2009/2017	EUR	300	4.69%	–	–	300
1.375%	Bond 2014/2017	GBP	250	1.46%	–	–	284
variable	Bond 2013/2018	EUR	300	variable	–	300	300
1.500%	Bond 2012/2018	EUR	1,000	1.51%	999	999	999
1.375%	Bond 2014/2019	EUR	750	1.44%	750	750	749
variable	Bond 2017/2019	EUR	1,250	variable	1,258	1,261	–
variable	Bond 2013/2020	EUR	300	variable	300	300	300
1.875%	Bond 2013/2021	EUR	1,000	1.47%	1,008	1,007	1,014
2.500%	Bond 2017/2022	USD	500	2.65%	427	414	435
1.375%	Bond 2018/2022	GBP	250	1.52%	281	–	–
2.000%	Bond 2012/2022	EUR	1,250	1.93%	1,252	1,254	1,255
0.925%	Bond 2017/2023	USD	850	0.83%	688	664	481
0.875%	Bond 2016/2023	GBP	250	1.06%	279	279	281
2.500%	Bond 2014/2024	EUR	500	2.60%	498	497	497
1.750%	Bond 2017/2025	GBP	300	1.87%	336	335	338
0.875%	Bond 2018/2025	EUR	750	0.97%	745	–	–
3.675%	Bond 2013/2025	NOK	1,450	3.70%	152	147	151
0.875%	Bond 2017/2027	EUR	1,000	1.04%	985	984	–
2.670%	Bond 2017/2029	NOK	1,600	2.69%	168	162	167
1.500%	Bond 2018/2030	EUR	500	1.63%	493	–	–
1.500%	Bond 2016/2031	EUR	200	1.58%	198	198	198
0.875%	Bond 2016/2031	EUR	500	1.01%	492	492	491
2.370%	Bond 2016/2031	HKD	1,300	2.37%	142	139	146
1.450%	Bond 2017/2032	EUR	300	1.57%	296	296	295
3.000%	Bond 2013/2033	EUR	500	3.15%	491	491	491
2.875%	Bond 2013/2033	EUR	200	3.09%	198	198	198
1.625%	Bond 2017/2037	EUR	750	1.73%	737	736	–
3.250%	Bond 2013/2043	EUR	200	3.27%	199	199	200
3.890%	U.S. private placement series A 2013/2025	USD	250	3.92%	214	208	219
4.090%	U.S. private placement series B 2013/2028	USD	700	4.11%	599	582	612
4.430%	U.S. private placement series C 2013/2034	USD	300	4.45%	257	250	262
BASF Finance Europe N.V.							
0.000%	Bond 2016/2020	EUR	1,000	0.14%	997	996	996
0.750%	Bond 2016/2026	EUR	500	0.88%	495	494	494
3.625%	U.S. private placement 2018/2025	USD	200	3.69%	171	–	–
Ciba Specialty Chemicals Finance Luxembourg S.A.							
4.875%	Bond 2003/2018	EUR	477	4.88%	–	474	468
Other bonds					**559**	**547**	**595**
Bonds and other liabilities to the capital market					**17,758**	**15,653**	**14,092**
Liabilities to credit institutions					**2,531**	**2,379**	**3,355**
Financial indebtedness					**20,289**	**18,032**	**17,447**

[1] Million in issuing currency as of the balance sheet date

17 Related-party transactions

The BASF Group maintains relationships with several related parties that can exert influence on the BASF Group or over which the BASF Group exercises control or joint control, or a significant influence. The following tables show the scope of the Group's transactions with related parties.

Sales and trade accounts receivable from and trade accounts payable to related parties mainly included business with own products, merchandise, agency and licensing businesses, and other operating businesses.

Other receivables and liabilities primarily arose from financing activities, from accounts used for cash pooling, outstanding dividend payments, profit and loss transfer agreements, and other finance-related and operating activities and transactions.

In the first half of 2018, there were no significant valuation allowances recognized as an expense for trade accounts receivable from related parties. In the prior-year period, valuation allowances were recognized as an expense for trade accounts receivable from nonconsolidated subsidiaries in the amount of €1 million.

Valuation allowances for trade accounts receivable from related parties amounted to €13 million as of June 30, 2018, compared with €17 million as of December 31, 2017.

Valuation allowances for other receivables from related parties rose from €75 million as of December 31, 2017, to €77 million as of June 30, 2018.

Since the transfer of the leather chemicals business to the Stahl group as of September 29, 2017, BASF holds a minority interest in the parent company of the Stahl group, over which it can exercise significant influence. Sales, trade accounts receivable and other liabilities resulting from transactions with the Stahl group since then are included in the tables below in the values for associated companies.

There were no reportable related-party transactions with members of the Board of Executive Directors or the Supervisory Board and their related parties during the reporting period.

Sales to related parties (million €)

	1st half	
	2018	2017
Nonconsolidated subsidiaries	288	244
Joint ventures	284	177
Associated companies	190	124

Trade accounts receivable from / trade accounts payable to related parties (million €)

	Accounts receivable, trade		
	June 30, 2018	December 31, 2017	June 30, 2017
Nonconsolidated subsidiaries	202	136	176
Joint ventures	80	69	72
Associated companies	76	71	49

	Accounts payable, trade		
	June 30, 2018	December 31, 2017	June 30, 2017
Nonconsolidated subsidiaries	66	77	58
Joint ventures	86	75	94
Associated companies	33	29	31

Other receivables and liabilities with related parties (million €)

	Other receivables		
	June 30, 2018	December 31, 2017	June 30, 2017
Nonconsolidated subsidiaries	152	172	149
Joint ventures	352	306	201
Associated companies	84	73	458

	Other liabilities		
	June 30, 2018	December 31, 2017	June 30, 2017
Nonconsolidated subsidiaries	134	180	147
Joint ventures	664	734	67
Associated companies	369	236	308

Responsibility Statement in accordance with section 37y in connection with section 37w(2) no. 3 of the German Securities Trading Act (WpHG)

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the Consolidated Half-Year Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Half-Year Management's Report includes a fair review of the development and performance of the business as well as the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining fiscal year.

Ludwigshafen, July 23, 2018

BASF SE
The Board of Executive Directors

Forward-looking statements and forecasts

This half-year financial report contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. 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. Such risk factors include those discussed in the Opportunities and Risks Report from page 111 to 118 of the BASF Report 2017. The BASF Report is available online at basf.com/report. We do not assume any obligation to update the forward-looking statements contained in this half-year financial report above and beyond the legal requirements.

Quarterly Statement 3rd Quarter 2018

October 26, 2018

BASF Report 2018

February 26, 2019

Quarterly Statement 1st Quarter 2019 / Annual Shareholders' Meeting 2019

May 3, 2019

Half-Year Financial Report 2019

July 25, 2019

Quarterly Statement 3rd Quarter 2019

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Further information

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