

# Half-Year Financial Report 2017

## BASF Group



### Considerable sales and earnings growth in first half of 2017

- At €33.1 billion, sales up by 15% compared with previous first half
- EBIT before special items increases by 30% to €4.7 billion
- Outlook for 2017 raised: EBIT before special items expected to considerably exceed previous year

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# Key Figures

## BASF Group 1st Half 2017

		2nd Quarter			1st Half		
		2017	2016	Change in %	2017	2016	Change in %
Sales	million €	16,264	14,483	12	33,121	28,691	15
Income from operations before depreciation, amortization and special items	million €	3,291	2,674	23	6,798	5,517	23
Income from operations before depreciation and amortization (EBITDA)	million €	3,233	2,790	16	6,735	5,602	20
Amortization and depreciation <sup>1</sup>	million €	1,052	1,072	(2)	2,103	2,018	4
Income from operations (EBIT)	million €	2,181	1,718	27	4,632	3,584	29
Special items	million €	(70)	11	.	(76)	(29)	.
EBIT before special items	million €	2,251	1,707	32	4,708	3,613	30
Financial result	million €	(174)	(177)	2	(326)	(365)	11
Income before taxes and minority interests	million €	2,007	1,541	30	4,306	3,219	34
Net income	million €	1,496	1,092	37	3,205	2,479	29
EBIT after cost of capital	million €	684	307	123	1,671	878	90
Earnings per share	€	1.63	1.19	37	3.49	2.70	29
Adjusted earnings per share	€	1.78	1.30	37	3.75	2.94	28
Research and development expenses	million €	468	443	6	892	898	(1)
Personnel expenses	million €	2,568	2,478	4	5,209	4,923	6
Number of employees (June 30)		113,763	111,456	2	113,763	111,456	2
Assets (June 30)	million €	75,651	72,159	5	75,651	72,159	5
Investments including acquisitions <sup>2</sup>	million €	907	1,007	(10)	1,713	1,966	(13)
Equity ratio (June 30)	%	42.9	40.1	7	42.9	40.1	7
Net debt (June 30)	million €	15,569	14,086	11	15,569	14,086	11
Cash provided by operating activities	million €	2,969	2,293	29	3,802	3,339	14
Free cash flow	million €	2,094	1,315	59	2,160	1,360	59

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Additions to intangible assets and property, plant and equipment

## Contents

### Half-Year Management's Report 2017

Significant Events	3
Results of Operations	3
Net Assets	5
Financial Position	5
Economic Environment and Outlook	6

### Information on 2nd Quarter 2017

BASF Group	7
Segments	9–15
Other	16
Regions	17

### Half-Year Financial Statements 2017

Statement of Income	18
Statement of Income and Expense Recognized in Equity	19
Balance Sheet	20
Statement of Cash Flows	21
Statement of Changes in Equity	22
Segment Reporting	23
Notes to the Half-Year Financial Statements	24
Responsibility Statement	37

# Half-Year Management's Report 2017

## Significant Events

### 1st Quarter 2017

BASF and the Stahl group of companies signed an agreement on March 22, 2017, to combine BASF's leather chemicals business with that of the Stahl group. The transaction comprises BASF's global leather chemicals business – including the leather chemicals production site in L'Hospitalet, Spain – with around 210 positions, 110 of which are in Asia. Subject to the approval of relevant authorities, the transaction is expected to close in the fourth quarter of 2017. With their complementary strengths, BASF and Stahl will create a leading provider of leather chemicals with a clear focus on innovation. Under the terms of the agreement, BASF will receive a 16% minority stake in the Stahl group as well as a payment; this will result in special income in the Performance Products segment.

Furthermore, in the medium to long term, BASF will supply Stahl with significant volumes of leather chemicals from remaining plants.

### 2nd Quarter 2017

On April 24, 2017, BASF Group company Wintershall Nederland Transport & Trading B.V., based in Rijswijk, Netherlands, signed financing agreements for the Nord Stream 2 project. The project is being conducted by the Zug, Switzerland-based company Nord Stream 2 AG, which is a 100% subsidiary of PAO Gazprom, headquartered in Moscow, Russia. BASF will finance up to 10% of the project costs, which are estimated at €9.5 billion.

## Results of Operations

Compared with the first half of 2016, BASF Group sales grew by €4,430 million to €33,121 million. This development was largely driven by significantly higher sales prices, especially in the Chemicals segment, as well as by volumes increases in all segments. Sales were also supported by currency effects and by the Chemetall business acquired from Albemarle in December 2016.

### Factors influencing BASF Group sales, 1st Half 2017

Volumes	5%	
Prices	7%	
Portfolio	1%	
Currencies	2%	
<b>Sales</b>	<b>15%</b>	

We raised **income from operations (EBIT) before special items<sup>1</sup>** by €1,095 million to €4,708 million, primarily as a result of the substantially improved contribution from the Chemicals segment. EBIT before special items also rose considerably in the Oil & Gas segment. In the Functional Materials & Solutions segment, EBIT before special items decreased slightly, while the Performance Products and Agricultural Solutions segments saw considerable declines. Earnings in the chemicals business<sup>2</sup> contained insurance payments of €200 million for the accident at the North Harbor of the Ludwigshafen site in October 2016, an amount which predominantly pertained to the Chemicals segment.

**Special items** in EBIT amounted to minus €76 million in the first half of 2017. These largely comprised expenses for

restructuring measures and integration costs; also included were expenses from divestitures as well as other special income. In the same period of 2016, special items had amounted to minus €29 million, mainly containing expenses for restructuring measures that counterbalanced gains on disposals.

**EBIT<sup>3</sup>** grew by €1,048 million to €4,632 million compared with the first half of 2016.

Year-on-year, **income from operations before depreciation, amortization and special items (EBITDA before special items)<sup>4</sup>** increased by €1,281 million to €6,798 million and **EBITDA<sup>4</sup>** by €1,133 million to €6,735 million.

### EBITDA before special items, 1st Half (million €)

	2017	2016
EBIT	4,632	3,584
– Special items	(76)	(29)
<b>EBIT before special items</b>	<b>4,708</b>	<b>3,613</b>
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets before special items	2,090	1,904
<b>EBITDA before special items</b>	<b>6,798</b>	<b>5,517</b>

### EBITDA, 1st Half (million €)

	2017	2016
EBIT	4,632	3,584
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets	2,103	2,018
<b>EBITDA</b>	<b>6,735</b>	<b>5,602</b>

<sup>1</sup> For an explanation of this figure, see the BASF Report 2016, page 28.

<sup>2</sup> Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

<sup>3</sup> The calculation of income from operations (EBIT) is shown in the Statement of Income on page 18.

<sup>4</sup> For an explanation of this figure, see the BASF Report 2016, page 53.

At minus €326 million, the **financial result** improved by €39 million. This was predominantly the result of lower interest expenses due to more favorable refinancing conditions as well as higher interest income from combined interest and cross-currency swaps.

**Income before taxes and minority interests** was up by €1,087 million to €4,306 million. The tax rate grew from 20.9% to 22.5%, mainly due to the greater proportion of more highly taxed earnings contributions. Minority interests rose by €63 million to €131 million.

**Net income** increased by €726 million to €3,205 million.

**Earnings per share** were €3.49 in the first half of 2017, compared with €2.70 in the same period of the previous year.

**Earnings per share adjusted<sup>1</sup>** for special items as well as amortization of and valuation allowances on intangible assets amounted to €3.75 (first half of 2016: €2.94).

#### Adjusted earnings per share, 1st Half (million €)

	2017	2016
Income before taxes and minority interests	4,306	3,219
– Special items	(76)	(29)
+ Amortization and valuation allowances on intangible assets	283	299
– Amortization and valuation allowances on intangible assets contained in special items	–	42
<b>Adjusted income before taxes and minority interests</b>	<b>4,665</b>	<b>3,505</b>
– Adjusted income taxes	1,090	741
<b>Adjusted income before minority interests</b>	<b>3,575</b>	<b>2,764</b>
– Adjusted minority interests	132	68
<b>Adjusted net income</b>	<b>3,443</b>	<b>2,696</b>
Weighted average number of outstanding shares	918,479	918,479
	in thousands	
<b>Adjusted earnings per share</b> €	<b>3.75</b>	<b>2.94</b>

#### Sales and EBIT before special items in the segments

We achieved strong sales growth in the **Chemicals** segment compared with the first half of 2016. Significantly higher prices in response to rising raw material prices and high demand on the market were largely responsible for the increase. Sales volumes grew slightly. Currency effects also positively influenced sales development. Higher margins and volumes were the main drivers behind a considerable increase in EBIT before special items. Insurance payments compensated for the negative impact on earnings resulting from the accident at the Ludwigshafen site's North Harbor in October 2016. Fixed costs were slightly reduced overall.

In the **Performance Products** segment, sales were considerably above prior first-half levels. This was mainly the result of increased volumes in the Dispersions & Pigments, Care Chemicals and Performance Chemicals divisions. We raised sales prices, and all divisions experienced positive currency effects. Portfolio effects dampened sales development. EBIT before special items declined considerably, primarily due to the lower margins resulting from higher raw material prices.

Sales in the **Functional Materials & Solutions** segment grew considerably compared with the first half of the previous year. This development was largely attributable to an increase in sales volumes, the Chemetall business acquired from Albemarle in December 2016, and higher prices. Currency effects also had a positive influence on sales. Demand rose from the automotive industry. EBIT before special items was slightly below the level of the previous first half due to higher fixed costs and lower margins.

In the **Agricultural Solutions** segment, we were able to slightly increase sales year-on-year, mostly due to higher sales volumes and positive currency effects. Sales prices were slightly below the level of the first half of 2016. EBIT before special items fell considerably. This was mainly the result of higher fixed costs in addition to lower average margins from a different product mix.

#### First-half sales

(Million €, relative change)

	2017	2016	Relative change	
Chemicals	8,150	6,255	30%	
Performance Products	8,402	7,896	6%	
Functional Materials & Solutions	10,459	9,111	15%	
Agricultural Solutions	3,381	3,239	4%	
Oil & Gas	1,643	1,228	34%	
Other	1,086	962	13%	

#### First-half EBIT before special items

(Million €, absolute change)

	2017	2016	Absolute change	
Chemicals	2,078	1,163	915	
Performance Products	920	1,067	(147)	
Functional Materials & Solutions	953	991	(38)	
Agricultural Solutions	805	911	(106)	
Oil & Gas	353	160	193	
Other	(401)	30	(431)	

<sup>1</sup> For an explanation of this figure, see the BASF Report 2016, page 53



Compared with the first half of 2016, the **Oil & Gas** segment saw a considerable sales increase as a result of higher volumes and prices. The growth in volumes was largely due to higher sales volumes of gas in addition to an offshore lifting in Libya in June 2017. The price of a barrel of Brent blend crude oil averaged \$52 in the first half of 2017 (first half of 2016: \$40). Gas prices on European spot markets also increased.

The considerable rise in EBIT before special items was primarily driven by the higher levels of prices and volumes.

Sales in **Other** rose considerably, mainly as a result of increased prices in raw materials trading. EBIT before special items improved slightly, mostly due to valuation effects for our long-term incentive program.

## Net Assets

Compared with the end of 2016, **total assets** decreased from €76,496 million to €75,651 million. **Noncurrent assets** were reduced by €2,130 million to €48,420 million, predominantly from the lower amount of intangible assets and property, plant and equipment. This was mainly the result of currency effects as well as amortization, depreciation and impairments that

exceeded the level of investments. Growth of €1,285 million in **current assets**, which totaled €27,231 million, resulted primarily from the increase in trade accounts receivable that accompanied the considerable rise in sales, in addition to higher other receivables and miscellaneous assets.

## Financial Position

**Equity** fell from €32,568 million on December 31, 2016, to €32,442 million, primarily as a result of translation effects. The equity ratio grew from 42.6% to 42.9% due to the reduced level of total assets.

**Noncurrent liabilities** rose from €28,611 million to €28,723 million. This was mainly because of the €1,712 million rise in noncurrent financial indebtedness. The main factor slowing this increase was the €1,247 million decline in provisions for pensions and similar obligations, influenced in part by the slightly higher discount rate in the eurozone.

The higher level of noncurrent financial indebtedness resulted primarily from the issue of bonds with a nominal value totaling €1.9 billion. Among these were bonds of \$600 million with nondilutive warrants due in 2023. Upon exercise, the warrants will be cash-settled only; no new shares will be issued, nor will existing shares of BASF SE be delivered. As a hedge, BASF has purchased corresponding call options. Liabilities to credit institutions also increased. Contrasting these developments were reclassifications into current financial indebtedness and currency effects.

**Current liabilities** declined from €15,317 million to €14,486 million. This was mainly the result of a €577 million decrease in current financial indebtedness, brought about primarily by reduced liabilities to credit institutions as well as the scaling back of the U.S. dollar commercial paper program. The lower amount of trade accounts payable also contributed here.

In total, **financial indebtedness** grew by €1,135 million to €17,447 million. **Net debt**<sup>1</sup> increased by €1,168 million to €15,569 million compared with December 31, 2016.

### Net debt (million €)

	June 30, 2017	Dec. 31, 2016
Noncurrent financial indebtedness	14,257	12,545
+ Current financial indebtedness	3,190	3,767
<b>Financial indebtedness</b>	<b>17,447</b>	<b>16,312</b>
- Marketable securities	29	536
- Cash and cash equivalents	1,849	1,375
<b>Net debt</b>	<b>15,569</b>	<b>14,401</b>

At €3,802 million, **cash provided by operating activities** in the first half of 2017 was up by €463 million year-on-year. This improvement was largely the result of higher net income. In addition, the change in miscellaneous items led to a greater amount of released funds; in the first half of the previous year, higher disposal gains had been reclassified to cash used in investing activities, and BASF SE had taken over pension payments. Contrasting this development was an increase in net working capital.

In the first half of 2017, **cash used in investing activities** amounted to minus €2,365 million; in the first half of 2016, minus €1,988 million had been used in investing activities. One factor here was an increase in tied-down cash resulting from the steeper rise in financing-related receivables. Moreover,

<sup>1</sup> For an explanation of this figure, see the BASF Report 2016, page 56.

lower payments were received for the disposal of property, plant and equipment and intangible assets. By contrast, €1,642 million was paid for property, plant and equipment and intangible assets, representing a decrease of €337 million compared with the previous first half.

**Cash used in financing activities** in the first half of 2017 was minus €886 million, compared with minus €1,814 million in the first half of 2016. Increased cash inflows from financial indebtedness were largely responsible for the improvement. These inflows came primarily from the more extensive issue of new bonds as well as the rise in noncurrent liabilities to credit institutions in the first half of 2017. In the first half of 2016, the expansion of the U.S. dollar commercial paper program and an increase in current liabilities to credit institutions were the main drivers behind cash inflows. Dividends of €2,755 million were paid to shareholders of BASF SE in the first half of 2017, which was €91 million more than in the same period of the previous year. Minority shareholders of Group companies received €82 million in dividends, representing a decline of €22 million.

**Free cash flow** amounted to €2,160 million, compared with €1,360 million in the same period of the previous year. Both the higher level of cash provided by operating activities and the lower level of payments made for property, plant and equipment and intangible assets contributed to this increase.

#### Free cash flow, 1st Half (million €)

	2017	2016
Cash provided by operating activities	3,802	3,339
– Payments made for property, plant and equipment and intangible assets	1,642	1,979
<b>Free cash flow</b>	<b>2,160</b>	<b>1,360</b>

Our **ratings** have remained unchanged since the publication of the BASF Report 2016. 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.

## Economic Environment and Outlook

**Global gross domestic product** rose by around 2.7% in the first half of 2017 compared with the same period of the previous year; **global industrial production** grew at a similarly fast pace. Especially in Europe, China and Japan, growth was stronger than we had expected at the beginning of the year. The automotive industry demonstrated solid growth in the first half; demand in the construction industry also developed positively in Europe and Asia. The **price of oil** remained under pressure, even though the OPEC countries had agreed with other oil-producing countries in May 2017 to continue the production limits that had been in place since the beginning of the year. Contrasting influences included high inventories on the market and the additional production of shale oil in the United States.

We have adjusted our expectations for the **global economic environment in 2017** as follows (previous forecast from BASF Report 2016 in parentheses):

- Growth in gross domestic product: 2.5% (2.3%)
- Growth in industrial production: 2.5% (2.3%)
- Growth in chemical production: 3.4% (3.4%)
- Average euro/dollar exchange rate of \$1.10 per euro (\$1.05 per euro)
- Average Brent blend oil price for the year of \$50 per barrel (\$55 per barrel)

The **statements on opportunities and risks** made in the BASF Report 2016 remain valid. For the second half of 2017, we continue to expect considerable risks from currency and margin volatility. There is still a risk of a global economic slowdown – due in part to the increased tendency toward protectionism – as well as a risk of escalating geopolitical conflicts. Our overall assessment of opportunities and risks remains principally valid.

📖 For more detailed information, see the Opportunities and Risks Report in the BASF Report 2016 from page 111 to 118

The BASF Group's sales and earnings development exceeded our expectations in the first half of 2017. For the second half of 2017, we expect EBIT before special items to slightly surpass the level of the second half of 2016. For this reason, we have adjusted our **2017 forecast** for the BASF Group as follows (previous forecast from BASF Report 2016 in parentheses)<sup>1</sup>:

- Considerable sales increase (considerable increase)
- Considerable increase in EBIT before special items and EBIT (slight increase)
- Significant premium on cost of capital with slight increase in EBIT after cost of capital<sup>2</sup> (considerable decline in EBIT after cost of capital)

📖 For the BASF Group sales and earnings forecast presented in the BASF Report 2016, see the “Outlook 2017” chapter on page 122

<sup>1</sup> With reference to 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%).

<sup>2</sup> For an explanation of this figure, see the BASF Report 2016, page 28.

## Information on 2nd Quarter 2017

### BASF Group

Compared with the second quarter of 2016, **sales** rose by €1,781 million to €16,264 million. We were able to increase sales prices and volumes. All segments except Chemicals contributed to this volumes growth. Currency effects and the Chemetall business acquired from Albemarle in December 2016 also had a positive impact on sales.

#### Factors influencing BASF Group sales, 2nd Quarter 2017

Volumes	3%	
Prices	7%	
Portfolio	1%	
Currencies	1%	
<b>Sales</b>	<b>12%</b>	

**Income from operations (EBIT) before special items<sup>1</sup>** grew by €544 million year-on-year to €2,251 million, primarily as a result of the substantially improved contribution from the Chemicals segment. EBIT before special items also rose considerably in the Oil & Gas segment, while Performance Products, Functional Materials & Solutions and Agricultural Solutions all posted a considerable decline. Earnings in the chemicals business<sup>2</sup> contained insurance payments of €100 million for the accident at the North Harbor of the Ludwigshafen site in October 2016, an amount which predominantly pertained to the Chemicals segment.

**Special items** in EBIT amounted to minus €70 million in the second quarter of 2017. These largely comprised expenses for restructuring measures and divestitures. Integration costs and other special charges also arose. In the same quarter of the previous year, special items amounted to

€11 million. These contained gains on disposals, which were primarily contrasted by expenses for restructuring measures.

**EBIT<sup>3</sup>** increased by €463 million to €2,181 million compared with the second quarter of 2016. Year-on-year, **income from operations before depreciation, amortization and special items (EBITDA before special items)<sup>4</sup>** increased by €617 million to €3,291 million and **EBITDA<sup>4</sup>** grew by €443 million to €3,233 million.

#### EBITDA before special items, 2nd Quarter (million €)

	2017	2016
EBIT	2,181	1,718
– Special items	(70)	11
<b>EBIT before special items</b>	<b>2,251</b>	<b>1,707</b>
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets before special items	1,040	967
<b>EBITDA before special items</b>	<b>3,291</b>	<b>2,674</b>

#### EBITDA, 2nd Quarter (million €)

	2017	2016
EBIT	2,181	1,718
+ Depreciation, amortization and valuation allowances on property, plant and equipment and intangible assets	1,052	1,072
<b>EBITDA</b>	<b>3,233</b>	<b>2,790</b>

#### Second-quarter sales (Million €, relative change)

Chemicals	2017	4,045	25%	
	2016	3,236		
Performance Products	2017	4,142	4%	
	2016	3,983		
Functional Materials & Solutions	2017	5,261	12%	
	2016	4,703		
Agricultural Solutions	2017	1,526	5%	
	2016	1,459		
Oil & Gas	2017	814	32%	
	2016	617		
Other	2017	476	(2%)	
	2016	485		

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

Chemicals	2017	1,120	662	
	2016	458		
Performance Products	2017	405	(107)	
	2016	512		
Functional Materials & Solutions	2017	422	(113)	
	2016	535		
Agricultural Solutions	2017	272	(48)	
	2016	320		
Oil & Gas	2017	183	89	
	2016	94		
Other	2017	(151)	61	
	2016	(212)		

<sup>1</sup> For an explanation of this figure, see the BASF Report 2016, page 28.

<sup>2</sup> Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

<sup>3</sup> The calculation of income from operations (EBIT) is shown in the Statement of Income on page 18.

<sup>4</sup> For an explanation of this figure, see the BASF Report 2016, page 53.

At minus €174 million, the **financial result** was €3 million above the level of the second quarter of 2016. The interest result improved, while net income from shareholdings and other financial result declined.

**Income before taxes and minority interests** was up by €466 million to €2,007 million. At 22.1%, the tax rate was below that of the previous second quarter (26.9%) due in part to currency-related deferred tax income in Norway. Minority interests increased by €33 million to €68 million.

At €1,496 million, **net income** exceeded the previous second-quarter level by €404 million.

**Earnings per share** were €1.63 in the second quarter of 2017, compared with €1.19 in the same quarter of the previous year. **Earnings per share adjusted<sup>1</sup>** for special items as well as amortization and valuation allowances on intangible assets amounted to €1.78 (same period of 2016: €1.30).

#### Adjusted earnings per share, 2nd Quarter (million €)

	2017	2016
Income before taxes and minority interests	2,007	1,541
– Special items	(70)	11
+ Amortization and valuation allowances on intangible assets	142	167
– Amortization and valuation allowances on intangible assets contained in special items	–	42
<b>Adjusted income before taxes and minority interests</b>	<b>2,219</b>	<b>1,655</b>
– Adjusted income taxes	512	428
<b>Adjusted income before minority interests</b>	<b>1,707</b>	<b>1,227</b>
– Adjusted minority interests	69	36
<b>Adjusted net income</b>	<b>1,638</b>	<b>1,191</b>
Weighted average number of outstanding shares in thousands	918,479	918,479
<b>Adjusted earnings per share</b> €	<b>1.78</b>	<b>1.30</b>

**Cash provided by operating activities** improved from €2,293 million in the second quarter of 2016 to €2,969 million in the second quarter of 2017, primarily due to the increase in net income. The higher amount of cash released from changes in net working capital as compared with the previous year – especially trade accounts receivable – also contributed to this development. Furthermore, positive effects arose from the change in miscellaneous items that was brought about by the previous second quarter's greater reclassifications of disposal gains to cash provided by investing activities as well as by BASF SE's assumption of pension payments.

**Cash used in investing activities** in the second quarter of 2017 amounted to minus €1,150 million, compared with minus €730 million in the second quarter of the prior year. Higher loan receivables led to tied-down cash, whereas their decline in the previous second quarter had released cash. Moreover, payments received for the disposal of property, plant and equipment and intangible assets were lower year-on-year. By contrast, €875 million was paid for property, plant and equipment and intangible assets, an amount €103 million lower than in the second quarter of 2016.

In the second quarter of 2017, **cash used in financing activities** amounted to minus €1,717 million, compared with minus €3,811 million in the second quarter of 2016. This was mainly the result of a change in financial indebtedness: Cash inflows in the second quarter of 2017 arising primarily from an increase in liabilities to credit institutions were contrasted by cash outflows in the previous second quarter arising predominantly from the scaling back of the U.S. dollar commercial paper program. Dividends of €2,755 million were paid to shareholders of BASF SE, which was €91 million more than in the previous second quarter. Minority shareholders of Group companies received €88 million in dividends, representing a decrease of €12 million.

**Free cash flow** amounted to €2,094 million, compared with €1,315 million in the same quarter of the previous year. Both the higher level of cash provided by operating activities and the lower level of payments made for property, plant and equipment and intangible assets contributed to this improvement.

#### Free cash flow, 2nd Quarter (million €)

	2017	2016
Cash provided by operating activities	2,969	2,293
– Payments made for property, plant and equipment and intangible assets	875	978
<b>Free cash flow</b>	<b>2,094</b>	<b>1,315</b>

<sup>1</sup> For an explanation of this figure, see the BASF Report 2016, page 53.



# Chemicals

## Segment data Chemicals<sup>1</sup> (million €)

	2nd Quarter			1st Half		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	4,045	3,236	25	8,150	6,255	30
Thereof Petrochemicals	1,580	1,322	20	3,234	2,518	28
Monomers	1,708	1,234	38	3,407	2,411	41
Intermediates	757	680	11	1,509	1,326	14
Income from operations before depreciation and amortization (EBITDA)	1,385	717	93	2,624	1,436	83
Amortization and depreciation <sup>2</sup>	266	259	3	531	518	3
Income from operations (EBIT)	1,119	458	144	2,093	918	128
Special items	(1)	–	.	15	3	400
EBIT before special items	1,120	458	145	2,078	915	127
Assets (June 30)	12,892	12,483	3	12,892	12,483	3
Investments including acquisitions <sup>3</sup>	230	316	(27)	413	592	(30)
Research and development expenses	31	36	(14)	60	72	(17)

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

<sup>2</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>3</sup> Additions to intangible assets and property, plant and equipment

## 2nd Quarter 2017

Sales in the Chemicals segment considerably exceeded the level of the previous second quarter. This was largely the result of significantly higher prices, especially in the Monomers division. Currency effects had a positive influence on sales, whereas volumes declined slightly. Income from operations (EBIT) before special items improved considerably compared with the second quarter of 2016, primarily through higher margins in the Monomers and Petrochemicals divisions. The negative impact on earnings in the second quarter of 2017 caused by the North Harbor accident at the Ludwigshafen site was compensated by insurance payments. Fixed costs were slightly reduced overall.

### Factors influencing sales, Chemicals 2nd Quarter 2017

Volumes	(1%)	
Prices	25%	
Portfolio	0%	
Currencies	1%	
<b>Sales</b>	<b>25%</b>	

## Petrochemicals

Sales in the Petrochemicals division increased considerably compared with the previous second quarter. Higher prices for raw materials as well as continuing high demand on the market led to a significant spike in sales prices, especially for steam cracker products in Europe. Sales volumes declined slightly overall, primarily as a consequence of the still-limited

production of oxo alcohols and plasticizers in Ludwigshafen. Improved margins, especially for steam cracker products, ethylene oxide, glycols and acrylic monomers, led to a considerable increase in EBIT before special items. Fixed costs declined thanks to insurance payments in connection with the accident at the North Harbor.

## Monomers

Compared with the second quarter of 2016, sales in the Monomers division grew considerably, mostly as a result of price increases in the isocyanates business. Sales volumes rose slightly, predominantly through higher volumes of MDI, and currency effects provided a slight tailwind. The considerable increase in EBIT before special items arose primarily through the higher levels of prices and volumes. Earnings were also positively influenced by the restructuring of our caprolactam production in Europe. Fixed costs declined compared with the same quarter of the previous year.

## Intermediates

The Intermediates division also considerably increased its sales, primarily as a result of price increases in all regions and product lines. Sales volumes remained stable. We achieved higher volumes of amines in addition to polyalcohols and acids, while sales volumes decreased for butanediol and derivatives as well as acetylene and carbonyl derivatives due to more extensive plant maintenance turnarounds. The divestiture of the Evans City, Pennsylvania, site in the first quarter of 2017 slightly dampened sales growth. The turnarounds and the startup of new plants in all regions resulted in higher fixed costs, considerably reducing EBIT before special items.

## Performance Products

### Segment data Performance Products<sup>1</sup> (million €)

	2nd Quarter			1st Half		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	4,142	3,983	4	8,402	7,896	6
Thereof Dispersions & Pigments	1,435	1,350	6	2,834	2,616	8
Care Chemicals	1,263	1,178	7	2,625	2,382	10
Nutrition & Health	464	497	(7)	950	985	(4)
Performance Chemicals	980	958	2	1,993	1,913	4
Income from operations before depreciation and amortization (EBITDA)	609	706	(14)	1,323	1,464	(10)
Amortization and depreciation <sup>2</sup>	246	211	17	461	426	8
Income from operations (EBIT)	363	495	(27)	862	1,038	(17)
Special items	(42)	(17)	.	(58)	(29)	(100)
EBIT before special items	405	512	(21)	920	1,067	(14)
Assets (June 30)	14,840	14,858	0	14,840	14,858	0
Investments including acquisitions <sup>3</sup>	160	196	(18)	373	376	(1)
Research and development expenses	97	97	-	190	196	(3)

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

<sup>2</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>3</sup> Additions to intangible assets and property, plant and equipment

### 2nd Quarter 2017

Sales in the Performance Products segment slightly exceeded the previous second quarter's level. This was largely attributable to price increases, through which we were only partly able to compensate for higher raw material prices. Volumes grew slightly in all divisions. Currency effects had a positive impact on sales; portfolio effects slowed sales development. Ongoing margin pressure, mostly from rising raw material prices as well as challenging market conditions in individual business areas, led to a considerable decline in income from operations (EBIT) before special items.

#### Factors influencing sales, Performance Products 2nd Quarter 2017

Volumes	2%	
Prices	2%	
Portfolio	(1%)	
Currencies	1%	
<b>Sales</b>	<b>4%</b>	

### Dispersions & Pigments

In the Dispersions & Pigments division, we achieved considerably higher sales compared with the previous second quarter. This was especially attributable to higher prices driven up by increased raw material prices, as well as to growth in sales volumes. We raised sales volumes in nearly every business area. In the pigments business, volumes were slightly below the high level of the prior second quarter. Currency effects had a positive influence on sales development. Compared with the second quarter of 2016, EBIT before special items declined slightly, mainly due to shrunken margins owing to higher raw material prices.

## Care Chemicals

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Sales in the Care Chemicals division rose considerably compared with the second quarter of 2016, predominantly driven by price increases resulting from higher raw material prices. Volumes growth and positive currency effects additionally boosted sales. We raised sales volumes in our hygiene business as well as in our business with ingredients for the detergents and cleaners industry. EBIT before special items fell considerably compared with the same quarter of the previous year. This was largely a consequence of lower margins for oleochemical surfactants and fatty alcohols. Competition remained intense in the hygiene business.

## Nutrition & Health

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Sales in the Nutrition & Health division were considerably below prior second-quarter levels, mainly due to portfolio effects. The slight decline in sales prices was mostly a result of decreased vitamin prices in the animal nutrition business. Currency effects and higher volumes in our flavor and fragrance business, as well as in human nutrition, provided support for sales development. EBIT before special items fell considerably compared with the second quarter of 2016. This was mostly on account of lower margins in the animal nutrition business as well as higher fixed costs arising from the gradual startup of new plants.

## Performance Chemicals

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In the Performance Chemicals division, sales rose slightly year-on-year. This was largely thanks to a recovery in demand for oilfield chemicals as well as for lubricants and additives in North America. Higher overall sales volumes and positive currency effects were contrasted by slight decreases in sales prices. Lower margins, pushed down by higher raw material prices, were only partly compensated by reduced fixed costs and resulted in EBIT before special items at a level considerably below that of the second quarter of 2016.

## Functional Materials & Solutions

### Segment data Functional Materials & Solutions (million €)

	2nd Quarter			1st Half		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	5,261	4,703	12	10,459	9,111	15
Thereof Catalysts	1,674	1,508	11	3,363	2,975	13
Construction Chemicals	646	629	3	1,206	1,162	4
Coatings	998	800	25	1,997	1,538	30
Performance Materials	1,943	1,766	10	3,893	3,436	13
Income from operations before depreciation and amortization (EBITDA)	584	756	(23)	1,272	1,350	(6)
Amortization and depreciation <sup>1</sup>	157	225	(30)	324	367	(12)
Income from operations (EBIT)	427	531	(20)	948	983	(4)
Special items	5	(4)	.	(5)	(8)	38
EBIT before special items	422	535	(21)	953	991	(4)
Assets (June 30)	17,334	13,671	27	17,334	13,671	27
Investments including acquisitions <sup>2</sup>	194	132	47	357	262	36
Research and development expenses	110	95	16	209	191	9

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Additions to intangible assets and property, plant and equipment

### 2nd Quarter 2017

Compared with the same quarter of the previous year, sales grew considerably in the Functional Materials & Solutions segment. This development was largely attributable to an increase in sales volumes, the Chemetall business acquired from Albemarle in December 2016, and higher prices. Currency effects additionally supported sales. We were able to boost our sales volumes to the automotive industry. Income from operations (EBIT) before special items was considerably below the level of the second quarter of 2016. The earnings increase in the Catalysts division and the contribution from the Chemetall business could only partly compensate for overall lower margins and higher fixed costs.

### Catalysts

Sales in the Catalysts division grew considerably year-on-year as a result of higher volumes and prices. The mobile emissions catalysts, precious metal trading, and chemical catalysts businesses all contributed substantially to the increase in volumes. The higher level of sales prices was mainly a consequence of increased precious metal prices. Currency effects had a positive influence on sales, while the divestiture of the polyolefin catalysts business in 2016 slowed sales growth. In precious metal trading, sales rose to €651 million due to higher prices, increased volumes and positive currency effects (second quarter of 2016: €554 million). EBIT before special items grew considerably, largely on account of the growth in volumes.

### Factors influencing sales, Functional Materials & Solutions 2nd Quarter 2017

Volumes	4%	
Prices	3%	
Portfolio	3%	
Currencies	2%	
<b>Sales</b>	<b>12%</b>	

## Construction Chemicals

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In the Construction Chemicals division, sales rose slightly year-on-year owing to the acquisition of Henkel's western European building material business for professional users at the beginning of 2017. Volumes and prices remained stable. Sales in Europe grew considerably due to the acquisition and to an increase in volumes. In Asia, volumes growth was the main driver behind a considerable increase in sales. With prices stable, lower volumes in North America resulted in a slight decline in sales. Sales fell considerably in the region South America, Africa, Middle East, due primarily to decreased demand in the Middle East as well as to negative currency effects. EBIT before special items was considerably down on account of higher fixed costs and lower margins brought about by rising raw material prices.

## Coatings

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In the Coatings division, sales grew considerably compared with the previous second quarter mainly as a result of the Chemetall business acquired from Albemarle in December 2016. We raised sales volumes, primarily for automotive OEM coatings, and experienced positive currency effects overall. Sales prices declined slightly. In the automotive OEM coatings business, significantly higher volumes in Asia and North America led to slight growth in sales. Sales of automotive refinish coatings dipped slightly. EBIT before special items was considerably below the previous second-quarter level, largely owing to shrunken margins and the divestiture of the industrial coatings business at the end of 2016. This was contrasted by the earnings contribution from the Chemetall business.

## Performance Materials

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Sales in the Performance Materials division grew considerably year-on-year, driven predominantly by higher prices and volumes. In Europe and Asia, we raised sales prices in response to the sharp increase in raw material prices. Slight volumes growth was primarily supported by our business with thermoplastic polyurethanes and engineering plastics. Demand from the consumer goods sector increased substantially while volumes to the construction and automotive industries rose slightly. Currency effects had a positive influence on sales. EBIT before special items was considerably below the second quarter of 2016, largely owing to lower margins caused by higher raw material prices.



# Agricultural Solutions

## Segment data Agricultural Solutions (million €)

	2nd Quarter			1st Half		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	1,526	1,459	5	3,381	3,239	4
Income from operations before depreciation and amortization (EBITDA)	336	373	(10)	931	1,018	(9)
Amortization and depreciation <sup>1</sup>	66	85	(22)	130	140	(7)
Income from operations (EBIT)	270	288	(6)	801	878	(9)
Special items	(2)	(32)	94	(4)	(33)	88
EBIT before special items	272	320	(15)	805	911	(12)
Assets (June 30)	8,330	8,749	(5)	8,330	8,749	(5)
Investments including acquisitions <sup>2</sup>	50	74	(32)	86	151	(43)
Research and development expenses	129	116	11	238	230	3

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Additions to intangible assets and property, plant and equipment

## 2nd Quarter 2017

The Agricultural Solutions segment posted an encouraging sales increase compared with the previous second quarter. This was largely the result of higher volumes, especially in North America and eastern Europe, in addition to positive currency effects. Prices were slightly down compared with the second quarter of 2016.

### Factors influencing sales, Agricultural Solutions 2nd Quarter 2017

Volumes	5%	
Prices	(2%)	
Portfolio	0%	
Currencies	2%	
<b>Sales</b>	<b>5%</b>	

Sales rose slightly in **Europe**, driven mainly by higher volumes. Considerable growth in the herbicides and fungicides businesses in eastern Europe more than offset lower volumes in western Europe in particular.

Sales in **North America** increased considerably, driven primarily by higher volumes of herbicides in the United States and fungicides in Canada. Higher prices and positive currency effects also boosted sales.

Sales grew considerably in **Asia**. This was predominantly an effect of higher volumes, especially of herbicides in India and fungicides in Southeast Asia. Contrasting this development were declining prices in the fungicides business in China and lower volumes in Japan.

Lower volumes were responsible for a considerable sales decline in **South America**, primarily in the fungicides business. In Brazil, the liquidity bottlenecks for farmers persisted in a challenging environment.

Compared with the second quarter of 2016, income from operations before special items in the Agricultural Solutions segment fell considerably, partly due to lower average margins brought about by a different product mix.

## Oil & Gas

### Segment data Oil & Gas (million €)

	2nd Quarter			1st Half		
	2017	2016	Change in %	2017	2016	Change in %
Sales to third parties	814	617	32	1,643	1,228	34
Income from operations before depreciation and amortization (EBITDA)	472	357	32	954	664	44
Amortization and depreciation <sup>1</sup>	289	264	9	602	505	19
Income from operations (EBIT)	183	93	97	352	159	121
Special items	-	(1)	-	(1)	(1)	-
EBIT before special items	183	94	95	353	160	121
Assets (June 30)	12,047	12,435	(3)	12,047	12,435	(3)
Investments including acquisitions <sup>2</sup>	243	270	(10)	423	550	(23)
Research and development expenses	9	9	-	18	19	(5)
Exploration expenses	14	27	(48)	24	60	(60)
Net income	122	100	22	262	147	78

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Additions to intangible assets and property, plant and equipment

### 2nd Quarter 2017

The Oil & Gas segment saw considerable year-on-year sales growth, driven by increased volumes and prices. The rise in volumes came mainly from higher sales volumes of gas in addition to an offshore lifting in Libya in June 2017. The price of a barrel of Brent blend crude oil in the second quarter of 2017 was \$50 on average (second quarter of 2016: \$46 per barrel). Gas prices on European spot markets also rose compared with the previous second quarter. Our production volumes matched prior second-quarter levels.

### Factors influencing sales, Oil & Gas 2nd Quarter 2017

Volumes	22%	
Prices/currencies	10%	
Portfolio	0%	
<b>Sales</b>	<b>32%</b>	

Income from operations before special items also improved considerably. This was largely attributable to the higher prices and sales volumes. Net income grew significantly.

## Other

### Data on Other (million €)

	2nd Quarter			1st Half		
	2017	2016	Change in %	2017	2016	Change in %
Sales	476	485	(2)	1,086	962	13
Income from operations before depreciation and amortization (EBITDA)	(153)	(119)	(29)	(369)	(330)	(12)
Amortization and depreciation <sup>1</sup>	28	28	-	55	62	(11)
Income from operations (EBIT)	(181)	(147)	(23)	(424)	(392)	(8)
Special items	(30)	65	.	(23)	39	.
EBIT before special items	(151)	(212)	29	(401)	(431)	7
Thereof						
Costs for cross-divisional corporate research	(93)	(88)	(6)	(174)	(187)	7
Costs of corporate headquarters	(58)	(56)	(4)	(110)	(111)	1
Other businesses	(12)	33	.	(7)	51	.
Foreign currency results, hedging and other measurement effects	142	(116)	.	111	(48)	.
Miscellaneous income and expenses	(130)	15	.	(221)	(136)	(63)
Assets (June 30) <sup>2</sup>	10,208	9,963	2	10,208	9,963	2
Investments including acquisitions <sup>3</sup>	30	19	58	61	35	74
Research and development expenses	92	90	2	177	190	(7)

<sup>1</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>2</sup> Contains assets of businesses accounted for in Other as well as reconciliation with assets of the BASF Group

<sup>3</sup> Additions to intangible assets and property, plant and equipment

### 2nd Quarter 2017

Sales in Other were slightly below the level of the prior second quarter, mainly as a result of decreased sales volumes in raw materials trading. Income from operations before special items rose considerably, primarily through valuation effects for our long-term incentive program.

## Regions

### Regions (million €)

	Sales Location of company			Sales Location of customer			Income from operations Location of company		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
<b>2nd Quarter</b>									
Europe	7,827	6,993	12	7,481	6,609	13	1,399	1,054	33
Thereof Germany	5,000	4,491	11	2,040	1,898	7	617	602	2
North America	4,261	3,811	12	4,061	3,776	8	337	397	(15)
Asia Pacific	3,336	2,812	19	3,513	2,950	19	498	212	135
South America, Africa, Middle East	840	867	(3)	1,209	1,148	5	(53)	55	.
	<b>16,264</b>	<b>14,483</b>	<b>12</b>	<b>16,264</b>	<b>14,483</b>	<b>12</b>	<b>2,181</b>	<b>1,718</b>	<b>27</b>
<b>1st Half</b>									
Europe	16,159	14,099	15	15,401	13,375	15	2,820	2,215	27
Thereof Germany	10,235	8,970	14	4,248	3,802	12	1,442	1,185	22
North America	8,632	7,567	14	8,291	7,453	11	850	841	1
Asia Pacific	6,653	5,384	24	7,043	5,673	24	994	411	142
South America, Africa, Middle East	1,677	1,641	2	2,386	2,190	9	(32)	117	.
	<b>33,121</b>	<b>28,691</b>	<b>15</b>	<b>33,121</b>	<b>28,691</b>	<b>15</b>	<b>4,632</b>	<b>3,584</b>	<b>29</b>

### 2nd Quarter 2017

Sales at companies headquartered in **Europe** grew by 12% compared with the second quarter of 2016. This was largely attributable to higher sales prices in the chemicals business<sup>1</sup>, especially the Chemicals segment. Slight volumes growth and the Chemetall business acquired from Albemarle in December 2016 additionally supported sales. At €1,399 million, income from operations exceeded the level of the previous second quarter by €345 million, primarily because of the considerable increase in the Chemicals and Oil & Gas segments.

In **North America**, sales improved year-on-year by 9% in local currency terms and 12% in euros. This was mainly due to higher sales prices and volumes in all segments. Both currency effects and the acquired Chemetall business also had a positive influence on sales. Income from operations fell by €60 million to €337 million, largely owing to special charges, including for restructuring measures. Declines in the Functional Materials & Solutions and Performance Products segments could not be offset by the higher contributions from the other segments.

Compared with the previous second quarter, sales in **Asia Pacific** rose by 17% in local currency terms and 19% in euros. We increased sales prices, especially in the Chemicals segment, and achieved slight overall volumes growth. Income from operations was up by €286 million to €498 million compared with the second quarter of 2016. The Chemicals and Functional Materials & Solutions segments mainly contributed to this development.

The region **South America, Africa, Middle East** saw a volumes and price-driven sales decrease of 8% in local currency terms and 3% in euros. Volumes were especially down in the Agricultural Solutions and Functional Materials & Solutions segments. Income from operations before special items fell by €108 million year-on-year to minus €53 million, primarily as a consequence of the decline in the Agricultural Solutions segment.

<sup>1</sup> Our chemicals business comprises the Chemicals, Performance Products and Functional Materials & Solutions segments.

# Half-Year Financial Statements 2017

## Statement of Income

### Statement of income (million €)

Explanations in Note	2nd Quarter			1st Half		
	2017	2016	Change in %	2017	2016	Change in %
<b>Sales revenue</b>	<b>16,264</b>	<b>14,483</b>	<b>12</b>	<b>33,121</b>	<b>28,691</b>	<b>15</b>
Cost of sales	(11,198)	(9,810)	(14)	(22,680)	(19,340)	(17)
<b>Gross profit on sales</b>	<b>5,066</b>	<b>4,673</b>	<b>8</b>	<b>10,441</b>	<b>9,351</b>	<b>12</b>
Selling expenses	(2,069)	(1,923)	(8)	(4,086)	(3,791)	(8)
General administrative expenses	(373)	(334)	(12)	(716)	(660)	(8)
Research and development expenses	(468)	(443)	(6)	(892)	(898)	1
Other operating income [5]	601	320	88	908	748	21
Other operating expenses [5]	(683)	(673)	(1)	(1,281)	(1,339)	4
Income from companies accounted for using the equity method [6]	107	98	9	258	173	49
<b>Income from operations (EBIT)</b>	<b>2,181</b>	<b>1,718</b>	<b>27</b>	<b>4,632</b>	<b>3,584</b>	<b>29</b>
Income from other shareholdings	14	18	(22)	24	21	14
Expenses from other shareholdings	(8)	(4)	(100)	(13)	(11)	(18)
<b>Net income from shareholdings</b>	<b>6</b>	<b>14</b>	<b>(57)</b>	<b>11</b>	<b>10</b>	<b>10</b>
Interest income	38	50	(24)	112	97	15
Interest expenses	(137)	(171)	20	(290)	(317)	9
<b>Interest result</b>	<b>(99)</b>	<b>(121)</b>	<b>18</b>	<b>(178)</b>	<b>(220)</b>	<b>19</b>
Other financial income	19	24	(21)	38	50	(24)
Other financial expenses	(100)	(94)	(6)	(197)	(205)	4
<b>Other financial result</b>	<b>(81)</b>	<b>(70)</b>	<b>(16)</b>	<b>(159)</b>	<b>(155)</b>	<b>(3)</b>
<b>Financial result [7]</b>	<b>(174)</b>	<b>(177)</b>	<b>2</b>	<b>(326)</b>	<b>(365)</b>	<b>11</b>
<b>Income before taxes and minority interests</b>	<b>2,007</b>	<b>1,541</b>	<b>30</b>	<b>4,306</b>	<b>3,219</b>	<b>34</b>
Income taxes [8]	(443)	(414)	(7)	(970)	(672)	(44)
<b>Income before minority interests</b>	<b>1,564</b>	<b>1,127</b>	<b>39</b>	<b>3,336</b>	<b>2,547</b>	<b>31</b>
Minority interests [9]	(68)	(35)	(94)	(131)	(68)	(93)
<b>Net income</b>	<b>1,496</b>	<b>1,092</b>	<b>37</b>	<b>3,205</b>	<b>2,479</b>	<b>29</b>
<b>Earnings per share [10]</b>						
Basic €	1.63	1.19	37	3.49	2.70	29
Diluted €	1.63	1.19	37	3.49	2.70	29



## Statement of Income and Expense Recognized in Equity

## Statement of comprehensive income (million €)

	1st Half 2017			1st Half 2016		
	BASF Group	Shareholders of BASF SE	Noncontrolling interests	BASF Group	Shareholders of BASF SE	Noncontrolling interests
<b>Income before minority interests</b>	<b>3,336</b>	<b>3,205</b>	<b>131</b>	<b>2,547</b>	<b>2,479</b>	<b>68</b>
Remeasurement of defined benefit plans	880	880	–	(3,417)	(3,417)	–
Deferred taxes on nonreclassifiable gains/losses	(252)	(252)	–	1,000	1,000	–
Nonreclassifiable gains/losses after taxes from equity-accounted investments	–	–	–	–	–	–
<b>Nonreclassifiable gains/losses</b>	<b>628</b>	<b>628</b>	<b>–</b>	<b>(2,417)</b>	<b>(2,417)</b>	<b>–</b>
Unrealized gains/losses from fair value changes in available-for-sale securities	4	4	–	2	2	–
Reclassifications of realized gains/losses recognized in the income statement	–	–	–	–	–	–
<b>Fair value changes in available-for-sale securities, net</b>	<b>4</b>	<b>4</b>	<b>–</b>	<b>2</b>	<b>2</b>	<b>–</b>
Unrealized gains/losses from future cash flow hedges	(13)	(13)	–	16	16	–
Reclassification of realized gains/losses recognized in the income statement	86	86	–	14	14	–
<b>Cash flow hedges, net</b>	<b>73</b>	<b>73</b>	<b>–</b>	<b>30</b>	<b>30</b>	<b>–</b>
Unrealized gains/losses from currency translation	(1,315)	(1,258)	(57)	39	52	(13)
Deferred taxes on reclassifiable gains/losses	(5)	(5)	–	(10)	(10)	–
Reclassifiable gains/losses after taxes from equity-accounted investments	(79)	(79)	–	(10)	(10)	–
<b>Reclassifiable gains/losses</b>	<b>(1,322)</b>	<b>(1,265)</b>	<b>(57)</b>	<b>51</b>	<b>64</b>	<b>(13)</b>
<b>Other comprehensive income after taxes</b>	<b>(694)</b>	<b>(637)</b>	<b>(57)</b>	<b>(2,366)</b>	<b>(2,353)</b>	<b>(13)</b>
<b>Comprehensive income</b>	<b>2,642</b>	<b>2,568</b>	<b>74</b>	<b>181</b>	<b>126</b>	<b>55</b>

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

	Other comprehensive income					Total income and expense recognized directly in equity
	Remeasurements of defined benefit plans	Unrealized gains/losses from currency translation adjustment	Measurement of securities at fair value	Future cash flow hedges		
<b>As of January 1, 2017</b>	<b>(5,373)</b>	<b>1,476</b>	<b>32</b>	<b>(149)</b>	<b>(4,014)</b>	
Changes	880	(1,346)	2	84	(380)	
Deferred taxes	(252)	17	0	(22)	(257)	
<b>As of June 30, 2017</b>	<b>(4,745)</b>	<b>147</b>	<b>34</b>	<b>(87)</b>	<b>(4,651)</b>	
<b>As of January 1, 2016</b>	<b>(4,084)</b>	<b>652</b>	<b>20</b>	<b>(109)</b>	<b>(3,521)</b>	
Changes	(3,417)	46	3	25	(3,343)	
Deferred taxes	1,000	(1)	–	(9)	990	
<b>As of June 30, 2016</b>	<b>(6,501)</b>	<b>697</b>	<b>23</b>	<b>(93)</b>	<b>(5,874)</b>	

# Balance Sheet

## Assets (million €)

	June 30, 2017	June 30, 2016	Change in %	Dec. 31, 2016	Change in %
Intangible assets	14,382	12,206	18	15,162	(5)
Property, plant and equipment	25,015	25,280	(1)	26,413	(5)
Investments accounted for using the equity method	4,608	4,454	3	4,647	(1)
Other financial assets	620	536	16	605	2
Deferred tax assets	2,443	2,741	(11)	2,513	(3)
Other receivables and miscellaneous assets	1,352	1,280	6	1,210	12
<b>Noncurrent assets</b>	<b>48,420</b>	<b>46,497</b>	<b>4</b>	<b>50,550</b>	<b>(4)</b>
Inventories	9,953	9,660	3	10,005	(1)
Accounts receivable, trade	11,520	10,610	9	10,952	5
Other receivables and miscellaneous assets	3,880	3,546	9	3,078	26
Marketable securities	29	21	38	536	(95)
Cash and cash equivalents <sup>1</sup>	1,849	1,825	1	1,375	34
<b>Current assets</b>	<b>27,231</b>	<b>25,662</b>	<b>6</b>	<b>25,946</b>	<b>5</b>
<b>Total assets</b>	<b>75,651</b>	<b>72,159</b>	<b>5</b>	<b>76,496</b>	<b>(1)</b>

<sup>1</sup> For a reconciliation of the amounts in the statement of cash flows with the balance sheet item "cash and cash equivalents," see page 21.

## Equity and liabilities (million €)

	June 30, 2017	June 30, 2016	Change in %	Dec. 31, 2016	Change in %
Subscribed capital	1,176	1,176	–	1,176	–
Capital surplus	3,130	3,141	0	3,130	–
Retained earnings	31,979	29,935	7	31,515	1
Other comprehensive income	(4,651)	(5,874)	21	(4,014)	(16)
<b>Equity of shareholders of BASF SE</b>	<b>31,634</b>	<b>28,378</b>	<b>11</b>	<b>31,807</b>	<b>(1)</b>
Minority interests	808	590	37	761	6
<b>Equity</b>	<b>32,442</b>	<b>28,968</b>	<b>12</b>	<b>32,568</b>	<b>0</b>
Provisions for pensions and similar obligations	6,962	9,627	(28)	8,209	(15)
Other provisions	3,423	3,352	2	3,667	(7)
Deferred tax liabilities	3,132	2,938	7	3,317	(6)
Financial indebtedness	14,257	10,743	33	12,545	14
Other liabilities	949	886	7	873	9
<b>Noncurrent liabilities</b>	<b>28,723</b>	<b>27,546</b>	<b>4</b>	<b>28,611</b>	<b>0</b>
Accounts payable, trade	4,404	3,940	12	4,610	(4)
Provisions	2,908	2,629	11	2,802	4
Tax liabilities	1,363	1,355	1	1,288	6
Financial indebtedness	3,190	5,189	(39)	3,767	(15)
Other liabilities	2,621	2,532	4	2,850	(8)
<b>Current liabilities</b>	<b>14,486</b>	<b>15,645</b>	<b>(7)</b>	<b>15,317</b>	<b>(5)</b>
<b>Total equity and liabilities</b>	<b>75,651</b>	<b>72,159</b>	<b>5</b>	<b>76,496</b>	<b>(1)</b>

# Statement of Cash Flows

## Statement of cash flows (million €)

	2nd Quarter		1st Half	
	2017	2016	2017	2016
Net income	1,496	1,092	3,205	2,479
Amortization and depreciation of intangible assets, property, plant and equipment and financial assets	1,052	1,081	2,103	2,027
Changes in net working capital	301	203	(1,684)	(1,045)
Miscellaneous items	120	(83)	178	(122)
<b>Cash provided by operating activities</b>	<b>2,969</b>	<b>2,293</b>	<b>3,802</b>	<b>3,339</b>
Payments made for property, plant and equipment and intangible assets	(875)	(978)	(1,642)	(1,979)
Acquisitions/divestitures	(43)	51	(65)	51
Financial assets and miscellaneous items	(232)	197	(658)	(60)
<b>Cash used in investing activities</b>	<b>(1,150)</b>	<b>(730)</b>	<b>(2,365)</b>	<b>(1,988)</b>
Capital increases/repayments and other equity transactions	5	5	19	10
Changes in financial liabilities	1,121	(1,052)	1,932	944
Dividends	(2,843)	(2,764)	(2,837)	(2,768)
<b>Cash used in financing activities</b>	<b>(1,717)</b>	<b>(3,811)</b>	<b>(886)</b>	<b>(1,814)</b>
Changes in cash and cash equivalents affecting liquidity	102	(2,248)	551	(463)
Cash and cash equivalents at the beginning of the period and other changes	1,747	4,073	1,298	2,288
<b>Cash and cash equivalents at the end of the period</b>	<b>1,849</b>	<b>1,825</b>	<b>1,849</b>	<b>1,825</b>

## Statement of Changes in Equity

### 1st Half 2017 (million €)

	Number of shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income <sup>1</sup>	Equity of shareholders of BASF SE	Minority interests	Equity
<b>As of January 1, 2017</b>	<b>918,478,694</b>	<b>1,176</b>	<b>3,130</b>	<b>31,515</b>	<b>(4,014)</b>	<b>31,807</b>	<b>761</b>	<b>32,568</b>
Effects of acquisitions achieved in stages	–	–	–	–	–	–	–	–
Dividends	–	–	–	(2,755)	–	(2,755)	(46) <sup>2</sup>	(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
<b>As of June 30, 2017</b>	<b>918,478,694</b>	<b>1,176</b>	<b>3,130</b>	<b>31,979</b>	<b>(4,651)</b>	<b>31,634</b>	<b>808</b>	<b>32,442</b>

### 1st Half 2016 (million €)

	Number of shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Other comprehensive income <sup>1</sup>	Equity of shareholders of BASF SE	Minority interests	Equity
<b>As of January 1, 2016</b>	<b>918,478,694</b>	<b>1,176</b>	<b>3,141</b>	<b>30,120</b>	<b>(3,521)</b>	<b>30,916</b>	<b>629</b>	<b>31,545</b>
Effects of acquisitions achieved in stages	–	–	–	–	–	–	–	–
Dividends	–	–	–	(2,664)	–	(2,664)	(104) <sup>2</sup>	(2,768)
Income before minority interests	–	–	–	2,479	–	2,479	68	2,547
Changes in income and expense recognized directly in equity	–	–	–	–	(2,353)	(2,353)	(13)	(2,366)
Changes in scope of consolidation and other changes	–	–	–	–	–	–	10	10
<b>As of June 30, 2016</b>	<b>918,478,694</b>	<b>1,176</b>	<b>3,141</b>	<b>29,935</b>	<b>(5,874)</b>	<b>28,378</b>	<b>590</b>	<b>28,968</b>

<sup>1</sup> Detailed information can be found in the table "Development of income and expense recognized directly in equity of shareholders of BASF SE" on page 19.

<sup>2</sup> Including profit and loss transfers

## Segment Reporting

### 1st Half (million €)

	Sales			EBITDA <sup>1</sup>			Income from operations (EBIT) before special items <sup>2</sup>			Income from operations (EBIT)		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
Chemicals <sup>5</sup>	8,150	6,255	30	2,624	1,436	83	2,078	915	127	2,093	918	128
Performance Products <sup>5</sup>	8,402	7,896	6	1,323	1,464	(10)	920	1,067	(14)	862	1,038	(17)
Functional Materials & Solutions	10,459	9,111	15	1,272	1,350	(6)	953	991	(4)	948	983	(4)
Agricultural Solutions	3,381	3,239	4	931	1,018	(9)	805	911	(12)	801	878	(9)
Oil & Gas	1,643	1,228	34	954	664	44	353	160	121	352	159	121
Other	1,086	962	13	(369)	(330)	(12)	(401)	(431)	7	(424)	(392)	(8)
	<b>33,121</b>	<b>28,691</b>	<b>15</b>	<b>6,735</b>	<b>5,602</b>	<b>20</b>	<b>4,708</b>	<b>3,613</b>	<b>30</b>	<b>4,632</b>	<b>3,584</b>	<b>29</b>

### 1st Half (million €)

	Research and development expenses			Assets			Investments including acquisitions <sup>3</sup>			Amortization and depreciation <sup>4</sup>		
	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %	2017	2016	Change in %
Chemicals <sup>5</sup>	60	72	(17)	12,892	12,483	3	413	592	(30)	531	518	3
Performance Products <sup>5</sup>	190	196	(3)	14,840	14,858	0	373	376	(1)	461	426	8
Functional Materials & Solutions	209	191	9	17,334	13,671	27	357	262	36	324	367	(12)
Agricultural Solutions	238	230	3	8,330	8,749	(5)	86	151	(43)	130	140	(7)
Oil & Gas	18	19	(5)	12,047	12,435	(3)	423	550	(23)	602	505	19
Other	177	190	(7)	10,208	9,963	2	61	35	74	55	62	(11)
	<b>892</b>	<b>898</b>	<b>(1)</b>	<b>75,651</b>	<b>72,159</b>	<b>5</b>	<b>1,713</b>	<b>1,966</b>	<b>(13)</b>	<b>2,103</b>	<b>2,018</b>	<b>4</b>

### Other, 1st Half<sup>6</sup> (million €)

	2017	2016	Change in %
<b>Sales</b>	<b>1,086</b>	<b>962</b>	<b>13</b>
<b>Income from operations (EBIT) before special items</b>	<b>(401)</b>	<b>(431)</b>	<b>7</b>
Thereof			
Costs for cross-divisional corporate research	(174)	(187)	7
Costs of corporate headquarters	(110)	(111)	1
Other businesses	(7)	51	.
Foreign currency results, hedging and other measurement effects	111	(48)	.
Miscellaneous income and expenses	(221)	(136)	(63)
Special items	(23)	39	.
<b>Income from operations (EBIT)</b>	<b>(424)</b>	<b>(392)</b>	<b>(8)</b>

<sup>1</sup> For an explanation of this figure, see the BASF Report 2016, page 53.

<sup>2</sup> For an explanation of this figure, see the BASF Report 2016, page 28.

<sup>3</sup> Additions to intangible assets and property, plant and equipment

<sup>4</sup> Amortization of intangible assets and depreciation of property, plant and equipment (including impairments and write-ups)

<sup>5</sup> On January 1, 2017, the Monomers and Dispersions & Pigments divisions' activities for the electronics industry were merged into the global Electronic Materials business unit and allocated to the Dispersions & Pigments division. For better comparability, the affected figures for 2016 have been adjusted accordingly.

<sup>6</sup> Further information on Other can be found in the Notes to the Half-Year Financial Statements on pages 26 and 27.



# Notes to the Half-Year Financial Statements

## 1 Basis of presentation


### Selected exchange rates

1 € equals	Closing rates		Average rates 1st Half	
	June 30, 2017	Dec. 31, 2016	2017	2016
	Brazil (BRL)	3.76	3.43	3.44
China (CNY)	7.74	7.32	7.44	7.30
United Kingdom (GBP)	0.88	0.86	0.86	0.78
Japan (JPY)	127.75	123.40	121.72	124.41
Malaysia (MYR)	4.90	4.73	4.75	4.57
Mexico (MXN)	20.58	21.77	21.04	20.17
Norway (NOK)	9.57	9.09	9.18	9.42
Russian Federation (RUB)	67.54	64.30	62.78	78.30
Switzerland (CHF)	1.09	1.07	1.08	1.10
South Korea (KRW)	1,304.56	1,269.36	1,235.89	1,318.92
United States (USD)	1.14	1.05	1.08	1.12

The Consolidated Financial Statements of the BASF Group for the year ending December 31, 2016, were prepared in accordance with the International Financial Reporting Standards (IFRS) valid as of the balance sheet date. The Half-Year Financial Statements as of June 30, 2017, have been prepared – in line with the rules of International Accounting Standard 34 – in abbreviated form and largely continuing the same accounting policies. The application of the following revisions to reporting standards requires endorsement by the European Union, which is expected no earlier than the fourth quarter of 2017:

- Amendments to IAS 7, “Statement of Cash Flows”
- Amendments to IAS 12, “Income Taxes”
- IFRS Improvements Cycle 2014–2016

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

 The BASF Report 2016 containing the Consolidated Financial Statements per December 31, 2016, can be found online at: [basf.com/report](http://basf.com/report)

## 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 2017, three acquired companies were included for the first time. The scope of consolidation was additionally expanded by one newly established company and by one previously nonconsolidated company that gained materiality. Deconsolidations resulted from two liquidations and one merger.

### Scope of consolidation

	2017	2016
As of January 1	294	258
Thereof proportionally consolidated	8	7
First-time consolidations	5	6
Thereof proportionally consolidated	–	1
Deconsolidations	3	1
Thereof proportionally consolidated	–	–
<b>As of June 30</b>	<b>296</b>	<b>263</b>
Thereof proportionally consolidated	8	8

### Companies accounted for using the equity method

	2017	2016
As of January 1	34	32
<b>As of June 30</b>	<b>34</b>	<b>31</b>

## 3 Acquisitions and divestitures

### Acquisitions

Effective January 1, 2017, BASF acquired the western European construction chemicals business from the Henkel group of companies with the trade names Thomsit® and Ceresit® for floor and tile-laying systems as well as sealants for professional users. This strengthened BASF's portfolio in the construction chemicals business of the PCI Group, which belongs to the Construction Chemicals division.

On February 7, 2017, BASF acquired the private company Rolic AG, headquartered in Allschwil, Switzerland. The company develops and sells ready-to-use formulations and functional film products for the display and security industry against forgery as well as barrier materials and films. With the acquisition, BASF broadened its technology know-how and product portfolio of display materials. The largest part of the activities was integrated into the Dispersions & Pigments division and a smaller part in the Coatings division.

### Divestitures

In the first quarter of 2017, BASF sold its inorganic specialties business to Edgewater Capital Partners LP, Cleveland, Ohio. The transaction comprised the production site in Evans City, Pennsylvania, and the product lines manufactured there: special alcohols, boranes and alkali metals.

### Agreed-upon transactions

BASF and the Stahl group of companies signed an agreement on March 22, 2017, to combine BASF's leather chemicals business with that of the Stahl group. The transaction comprises BASF's global leather chemicals business – including the leather chemicals production site in L'Hospitalet, Spain – with around 210 positions, 110 of which are in Asia. Subject to the approval of relevant authorities, the transaction is expected to close in the fourth quarter of 2017. Under the terms of the agreement, BASF will receive a 16% minority stake in the Stahl group as well as a payment; this will result in special income.

On April 6, 2017, BASF announced that it had signed an agreement on the sale of its bleaching clay and mineral adsorbents businesses to EP Minerals LLC, based in Reno, Nevada. The divestiture affects a global business unit in the Catalysts division and comprises a production site as well as bleaching clay mines in Mississippi and a mineral rights sub-lease for a mine in Arizona. The sale closed on July 17, 2017, and 66 employees transferred to EP Minerals LLC.

BASF signed an agreement on June 2, 2017, to sell its production site for electrolytes in Suzhou, China, to Shenzhen Capchem Technology Co. Ltd., based in Shenzhen, China. The site is allocated to the Catalysts division. The transaction is expected to close in the third quarter.

## 4 Segment reporting

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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 entails the classical chemicals business with basic chemicals and intermediates. It 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 other sectors, Chemicals ensures that other BASF segments are supplied with chemicals for producing downstream products. The Chemicals segment comprises the Petrochemicals, Monomers and Intermediates divisions.

The Performance Products segment consists of the Dispersions & Pigments, Care Chemicals, Nutrition & Health and Performance Chemicals divisions. Customized products and solutions allow customers to make their production processes more efficient or to give their products improved application properties. As of January 1, 2017, the activities of the Monomers and Dispersions & Pigments divisions for the electronics industry were merged into the global business unit Electronic Materials in the Dispersions & Pigments division within the Performance Products segment.

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. It is made up of the Catalysts, Construction Chemicals, Coatings, and Performance Materials divisions.

The Agricultural Solutions segment includes the Crop Protection division. It provides innovative solutions in the areas of chemical and biological crop protection, seed treatment and water management as well as for nutrient supply and combating plant stress. 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. It focuses on exploration and production in oil and gas-rich regions in Europe, North Africa, Russia, South America and the Middle East. In Europe, it is also active in the transport of natural gas together with 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 production of precursors not assigned to a particular segment, the steering of the BASF Group by corporate headquarters, and cross-divisional corporate research. Cross-divisional corporate research, which was restructured in 2016 in the context of the newly developed innovation approach, 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. Plant biotechnology research is also part of cross-divisional corporate research.

Earnings from currency conversion that are not allocated to the segments are also reported under Other, as are earnings from the hedging of raw material 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.

In the first half of 2017, sales of Other rose to €1,086 million compared with €962 million in the same period of the previous year. This was largely the result of price increases in raw materials trading.

Income from operations fell compared with the previous first half, from minus €392 million to minus €424 million in the first half of 2017. Miscellaneous income and expenses and other businesses contributed to this development. By contrast, the rise in the item "foreign currency results, hedging and other measurement effects" resulted primarily from valuation effects for the LTI program. Releases of LTI provisions were higher in the first half of 2017, whereas additions had outweighed releases in the same period of the previous year.

**Assets of Other** (million €)

	June 30, 2017	June 30, 2016
Assets of businesses included in Other	2,000	1,879
Other financial assets	620	536
Deferred tax assets	2,443	2,741
Cash and cash equivalents / marketable securities	1,878	1,846
Defined benefit assets	54	68
Other receivables / prepaid expenses	3,213	2,893
<b>Assets of Other</b>	<b>10,208</b>	<b>9,963</b>

**Reconciliation reporting for Oil & Gas** (million €)

	1st Half	
	2017	2016
<b>Income from operations</b>	<b>352</b>	<b>159</b>
Net income from shareholdings	1	3
Other income	(78)	(108)
<b>Income before taxes and minority interests</b>	<b>275</b>	<b>54</b>
Income taxes	2	102
<b>Income before minority interests</b>	<b>277</b>	<b>156</b>
Minority interests	(15)	(9)
<b>Net income</b>	<b>262</b>	<b>147</b>

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

Income from operations in the first half of 2017 grew significantly year-on-year, essentially due to the higher levels of prices and sales volumes. The rise in volumes came mainly from higher sales volumes of gas, in addition to an offshore lifting in Libya in June 2017. No offshore lifting had taken place in the first half of 2016. The share in the Yuzhno Russkoye natural gas field yielded higher earnings contributions.

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

Income of €2 million recorded under income taxes in the first half of 2017 and €102 million in the first half of 2016 was primarily the result of effects from the calculation of taxable income in Norway. Earnings contributions from companies accounted for using the equity method also contribute to the comparatively low level of income taxes.

## 5 Other operating income and expenses

### Other operating income (million €)

	1st Half	
	2017	2016
Income from the adjustment and release of provisions recognized in other operating expenses	26	14
Revenue from miscellaneous activities	92	83
Gains from foreign currency and hedging transactions as well as the valuation of LTI options	205	170
Gains from the translation of financial statements in foreign currencies	14	48
Gains on divestitures and the disposal of fixed assets	42	185
Income on the reversal of valuation allowances for business-related receivables	22	24
Other	507	224
<b>Other operating income</b>	<b>908</b>	<b>748</b>

### Other operating expenses (million €)

	1st Half	
	2017	2016
Restructuring measures	163	143
Environmental protection and safety measures, costs of demolition and removal, and project costs not subject to mandatory capitalization	195	207
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	128	130
Costs from miscellaneous activities	89	67
Losses from foreign currency and hedging transactions as well as from the valuation of LTI options	134	174
Losses from the translation of financial statements in foreign currencies	27	18
Losses from the disposal of fixed assets and divestitures	32	8
Oil and gas exploration expenses	24	60
Expenses from the addition of valuation allowances for business-related receivables	32	48
Expenses from the use of inventories measured at market value and the derecognition of obsolete inventory	86	72
Other	371	412
<b>Other operating expenses</b>	<b>1,281</b>	<b>1,339</b>

The net result from foreign currency and hedging transactions and from the valuation of long-term incentive (LTI) options improved by €75 million, from minus €4 million in the first half of 2016 to plus €71 million in the first half of 2017. This was mainly the result of income from the release of LTI provisions, which were partly offset by negative currency effects for derivatives.

The decline in gains on divestitures and the disposal of fixed assets was largely attributable to the previous year's disposal gains on the sale of the polyolefin catalysts business to W. R. Grace & Co., Columbia, Maryland. Income in the first half of 2016 had also resulted from the sale of BASF's OLED intellectual property assets to UDC Ireland Limited, Dublin, Ireland.

Other income rose compared with the first half of the previous year, predominantly through the insurance compensation received for the business interruption caused by the fire at the North Harbor in Ludwigshafen, Germany. Write-ups on property, plant and equipment in the Functional Materials & Solutions and Oil & Gas segments also led to an increase. By contrast, higher natural gas prices led to lower income from the Argentinian government's price compensation to gas producers, which was introduced in connection with the New Gas Price Scheme (NGPS) in response to lower, partly locally regulated gas prices.



## 6 Income from companies accounted for using the equity method

The higher level of income from companies accounted for using the equity method in the first half of 2017 was primarily attributable to BASF-YPC Company Ltd., based in Nanjing, China. The Oil & Gas segment also contributed significantly to

the increase, especially the companies Nord Stream AG, Zug, Switzerland; OAO Severneftegazprom, Krasnoselkup, Russia; and GASCADE Gastransport GmbH, Kassel, Germany.

## 7 Financial result

Million €	1st Half	
	2017	2016
Dividends and similar income	19	19
Income from the disposal of shareholdings	1	1
Income from profit transfer agreements	3	1
Income from tax allocation to participating interests	1	–
<b>Income from other shareholdings</b>	<b>24</b>	<b>21</b>
Losses from loss transfer agreements	(10)	(11)
Write-downs of / losses from the disposal of shareholdings	(3)	–
<b>Expenses from other shareholdings</b>	<b>(13)</b>	<b>(11)</b>
<b>Net income from shareholdings</b>	<b>11</b>	<b>10</b>
Interest income from cash and cash equivalents	101	84
Interest and dividend income from securities and loans	11	13
<b>Interest income</b>	<b>112</b>	<b>97</b>
<b>Interest expenses</b>	<b>(290)</b>	<b>(317)</b>
<b>Interest result</b>	<b>(178)</b>	<b>(220)</b>
Net interest income from overfunded pension plans and similar obligations	1	2
Net interest income from other long-term personnel obligations	–	–
Income from capitalization of construction period interest	37	48
Miscellaneous financial income	–	–
<b>Other financial income</b>	<b>38</b>	<b>50</b>
Write-downs on/losses from disposal of securities and loans	–	(1)
Net interest expenses from underfunded pensions and similar obligations	(88)	(88)
Net interest expense from other long-term personnel obligations	–	(2)
Interest compounding on other noncurrent liabilities	(19)	(21)
Miscellaneous financial expenses	(90)	(93)
<b>Other financial expenses</b>	<b>(197)</b>	<b>(205)</b>
<b>Other financial result</b>	<b>(159)</b>	<b>(155)</b>
<b>Financial result</b>	<b>(326)</b>	<b>(365)</b>

Net income from shareholdings in the first half of 2017 matched the level of the previous first half. Losses from the disposal of shareholdings in the first half of 2017 mainly pertained to the liquidation of Cognis Chemicals Trade (Shanghai) Co. Ltd., Shanghai, China.

The interest result rose by €42 million in the first half of 2017, from minus €220 million to minus €178 million. Interest income from combined interest and cross-currency swaps was higher than in the first half of 2016. The reduction in interest expense resulted mainly from more favorable refinancing conditions.

Compared with the previous first half, income from the capitalization of construction period interest fell considerably as major investment projects meanwhile started operations.

Net interest expenses from underfunded pension plans and other financial expenses both matched prior first-half levels.

## 8 Income taxes

### Income before taxes and minority interests (million €)

	1st Half	
	2017	2016
Germany	1,336	1,020
Foreign	2,970	2,199
<b>Income before taxes and minority interests</b>	<b>4,306</b>	<b>3,219</b>

### Income taxes

		1st Half	
		2017	2016
Germany	million €	375	288
Foreign	million €	595	384
<b>Income taxes</b>	<b>million €</b>	<b>970</b>	<b>672</b>
Tax rate	%	22.5	20.9

The tax rate in the first half of 2017 increased compared with the same period of the previous year. This was the result of greater earnings contributions in countries with higher tax rates, especially Norway, China and Korea. The tax-reducing

effects of the currency-related change in deferred taxes in Norway had less of an impact on the first half of 2017 than they did on the same period of 2016.

## 9 Minority interests

Million €	1st Half	
	2017	2016
Minority interests in profits	143	79
Minority interests in losses	(12)	(11)
<b>Minority interests</b>	<b>131</b>	<b>68</b>

Compared with the same period of 2016, higher minority interests in profits in the first half of 2017 particularly arose at Shanghai BASF Polyurethane Company Ltd., Shanghai, China, due to increased TDI and MDI sales prices and margins. The higher level was also attributable to BASF TOTAL Petrochemicals LLC in Port Arthur, Texas, mostly because of higher capacity utilization of the steam cracker and the temporary use of the condensate splitter.

Minority interests in losses matched the level of the previous first half. In the first half of 2017, these mainly pertained to BASF PETRONAS Chemicals Sdn. Bhd., based in Shah Alam, Malaysia, due to startup costs in connection with the construction of an aroma ingredients complex.

## 10 Earnings per share

		1st Half	
		2017	2016
Net income	million €	3,205	2,479
Number of outstanding shares (weighted average)	in thousands	918,479	918,479
<b>Earnings per share</b>	<b>€</b>	<b>3.49</b>	<b>2.70</b>

The calculation of earnings per share is 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 the BASF employee incentive share program "plus."

In the first half of 2017, and in the corresponding period of 2016, 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	
	2017	2016	2017	2016
<b>Acquisition costs</b>				
Balance as of January 1	19,089	16,373	71,576	67,234
Additions	178	44	1,535	1,922
Disposals	(19)	(363)	(642)	(440)
Transfers	(2)	(5)	18	3
Exchange differences	(798)	18	(2,342)	(296)
<b>Balance as of June 30</b>	<b>18,448</b>	<b>16,067</b>	<b>70,145</b>	<b>68,423</b>
<b>Amortization and depreciation</b>				
Balance as of January 1	3,927	3,836	45,163	41,974
Additions	283	299	1,820	1,719
Disposals	(16)	(295)	(607)	(347)
Transfers	-	-	14	(1)
Exchange differences	(128)	21	(1,260)	(202)
<b>Balance as of June 30</b>	<b>4,066</b>	<b>3,861</b>	<b>45,130</b>	<b>43,143</b>
<b>Net carrying amount as of June 30</b>	<b>14,382</b>	<b>12,206</b>	<b>25,015</b>	<b>25,280</b>

Significant investments in the first half of 2017 especially pertained to oil and gas production facilities and wells in Europe and South America; an acetylene plant in Ludwigshafen, Germany; the aroma ingredients complex in Kuantan, Malaysia; and the modification of production plants for plasticizers in Pasadena, Texas. Additional investments were made particularly at the sites in Ludwigshafen, Germany; Shanghai, China; Freeport, Texas; Geismar, Louisiana; and Antwerp, Belgium.

Disposals of property, plant and equipment and intangible assets were mainly attributable to the derecognition of fully written off assets. Furthermore, disposals particularly included the divestiture of the Evans City site in Pennsylvania.

Depreciation of property, plant and equipment contained an impairment and a write-up in the Oil & Gas segment that almost fully counterbalanced each other.

Impairments in connection with a planned plant closure in North America increased the level of depreciation.

Exchange differences for property, plant and equipment arose to a large extent from the depreciation of the U.S. dollar, the Chinese renminbi and the Brazilian real relative to the euro.

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

	2017	2016
<b>Balance as of January 1</b>	<b>4,647</b>	<b>4,436</b>
Additions	11	40
Disposals	(11)	(1)
Transfers	49	(15)
Exchange differences	(88)	(6)
<b>Balance as of June 30</b>	<b>4,608</b>	<b>4,454</b>

**Other financial assets** (million €)

	June 30, 2017	December 31, 2016	June 30, 2016
Other shareholdings	469	468	424
Long-term securities	151	137	112
<b>Other financial assets</b>	<b>620</b>	<b>605</b>	<b>536</b>

**12 Current assets**

Million €	June 30, 2017	December 31, 2016	June 30, 2016
Raw materials and factory supplies	3,138	3,107	3,007
Work-in-process, finished goods and merchandise	6,743	6,808	6,532
Advance payments and services-in-process	72	90	121
<b>Inventories</b>	<b>9,953</b>	<b>10,005</b>	<b>9,660</b>
<b>Accounts receivable, trade</b>	<b>11,520</b>	<b>10,952</b>	<b>10,610</b>
Other receivables and miscellaneous current assets	3,880	3,078	3,546
Marketable securities	29	536	21
Cash and cash equivalents	1,849	1,375	1,825
<b>Other current assets</b>	<b>5,758</b>	<b>4,989</b>	<b>5,392</b>
<b>Current assets</b>	<b>27,231</b>	<b>25,946</b>	<b>25,662</b>

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

The rise in trade accounts receivable since December 31, 2016, was primarily attributable to price increases and volumes growth in the Performance Products and Chemicals segments.

**13 Equity****Authorized capital**

At the Annual Shareholders' Meeting of May 2, 2014, shareholders authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase subscribed capital by issuing new registered shares up to a total of €500 million against cash or contributions in kind through May 1, 2019. The Board of Executive Directors is empowered, following the approval of the Supervisory Board, to decide on the exclusion of shareholders' subscription rights for these new shares in certain predefined cases covered by the enabling resolution. Until now, this option has not been exercised and no new shares have been issued.

**Conditional capital**

At the Annual Shareholders' Meeting of May 12, 2017, shareholders authorized the Board of Executive Directors, 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 through May 11, 2022. The calculated portion of the share capital represented by the BASF shares to be issued in connection with the debt instruments issued under this authorization may not exceed 10% of share capital.

To this effect, 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. Until now, this authorization has not been exercised.

### Authorization of share buybacks

At the Annual Shareholders' Meeting of May 12, 2017, shareholders authorized the Board of Executive Directors to buy back shares up until May 11, 2022, in accordance with Section 71(1) No. 8 of the German Stock Corporation Act. 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 request to the shareholders to submit sales offers. Until now, this authorization has not been exercised.

### Retained earnings

Transfers from other retained earnings increased legal reserves by €18 million in the first half of 2017.

#### Reserves (million €)

	June 30, 2017	December 31, 2016
Legal reserves	643	625
Other retained earnings	31,336	30,890
<b>Retained earnings</b>	<b>31,979</b>	<b>31,515</b>

### Payment of dividends

In accordance with the resolution of the Annual Shareholders' Meeting on May 12, 2017, BASF SE paid a dividend of €3.00 per share from the retained profit of the 2016 fiscal year. With 918,478,694 qualifying shares, this represented total dividends of €2,755,436,082.00. The remaining €53,131,213.65 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, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016
Discount rate	2.00	1.80	3.70	4.00	0.60	0.60	2.70	2.80
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	
	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	1.80	2.50	4.00	4.20	0.60	0.80	2.80	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, 2016, are to be used in the 2017 reporting year to determine the expenses for pension plans.

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

The rise in the discount rate in the eurozone due to capital market developments in the first half of 2017 was primarily responsible for actuarial gains of €416 million in the defined benefit obligation. Including the deviation between the actual return on plan assets and standardized return on plan assets, positive remeasurement effects occurred in the amount of €880 million. These were recognized in other comprehensive income (OCI), taking into account deferred taxes of €252 million. The transfer of €500 million in securities to plan assets of BASF SE did not impact the statement of cash flows. Overall, pension provisions declined by €1,247 million compared with December 31, 2016.

## 15 Other provisions

### First-half development 2017 (million €)

	January 1, 2017	Additions	Unwinding of discount	Utilization	Releases	Other changes	June 30, 2017
Restoration obligations	1,297	7	14	(19)	(2)	(52)	1,245
Environmental protection and remediation costs	588	78	1	(32)	(4)	(18)	613
Employee obligations	1,933	880	1	(1,101)	(183)	(94)	1,436
Obligations from sales and purchase contracts	928	882	-	(248)	(28)	(80)	1,454
Restructuring measures	208	19	-	(38)	(2)	(7)	180
Litigation, damage claims, warranties and similar obligations	109	9	-	(9)	(6)	(6)	97
Other	1,406	84	-	(148)	(8)	(28)	1,306
<b>Total</b>	<b>6,469</b>	<b>1,959</b>	<b>16</b>	<b>(1,595)</b>	<b>(233)</b>	<b>(285)</b>	<b>6,331</b>

On June 30, 2017, other provisions were €138 million below the level of year-end 2016.

A significant drop was posted in provisions for employee obligations following the payout of the 2016 bonus to employees of the BASF Group and a partial release of provisions for the long-term incentive program.

Current accruals for discounts considerably surpassed the utilization of provisions from 2016. 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 become known.

## 16 Liabilities

### Liabilities (million €)

	June 30, 2017		December 31, 2016		June 30, 2016	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
<b>Accounts payable, trade</b>	<b>4,404</b>	-	<b>4,610</b>	-	<b>3,940</b>	-
Bonds and other liabilities to the capital market	2,275	11,817	2,423	11,034	3,509	9,112
Liabilities to credit institutions	915	2,440	1,344	1,511	1,680	1,631
<b>Financial indebtedness</b>	<b>3,190</b>	<b>14,257</b>	<b>3,767</b>	<b>12,545</b>	<b>5,189</b>	<b>10,743</b>
<b>Tax liabilities</b>	<b>1,363</b>	-	<b>1,288</b>	-	<b>1,355</b>	-
Advances received on orders	78	-	556	-	93	-
Negative fair values from derivatives and liabilities for precious metal obligations	287	166	584	78	589	77
Liabilities related to social security	79	83	68	95	81	96
Miscellaneous liabilities	2,082	528	1,576	529	1,677	544
Deferred income	95	172	66	171	92	169
<b>Other liabilities</b>	<b>2,621</b>	<b>949</b>	<b>2,850</b>	<b>873</b>	<b>2,532</b>	<b>886</b>
<b>Liabilities</b>	<b>11,578</b>	<b>15,206</b>	<b>12,515</b>	<b>13,418</b>	<b>13,016</b>	<b>11,629</b>

## Financial indebtedness (million €)

				Carrying amounts based on effective interest method			
		Currency	Nominal value <sup>1</sup>	Effective interest rate	June 30, 2017	Dec. 31, 2016	June 30, 2016
<b>BASF SE</b>							
Commercial paper		USD	1,000		876	1,033	2,273
Variable	Bond 2013/2016	EUR	200	variable	–	–	200
4.25%	Bond 2009/2016	EUR	200	4.40%	–	–	200
Variable	Bond 2014/2017	EUR	300	variable	–	300	300
5.875%	Bond 2009/2017	GBP	400	6.04%	–	467	483
4.625%	Bond 2009/2017	EUR	300	4.69%	300	300	300
1.375%	Bond 2014/2017	GBP	250	1.46%	284	292	302
Variable	Bond 2013/2018	EUR	300	variable	300	300	300
1.5%	Bond 2012/2018	EUR	1,000	1.51%	999	999	1,000
1.375%	Bond 2014/2019	EUR	750	1.44%	749	749	749
Variable	Bond 2013/2020	EUR	300	variable	300	300	300
1.875%	Bond 2013/2021	EUR	1,000	1.47%	1,014	1,016	1,018
2.5%	Bond 2017/2022	USD	500	2.65%	435	–	–
2%	Bond 2012/2022	EUR	1,250	1.93%	1,255	1,255	1,256
0.925%	Bond 2017/2023	USD	600	1.07%	481	–	–
0.875%	Bond 2016/2023	GBP	250	1.06%	281	289	–
2.5%	Bond 2014/2024	EUR	500	2.60%	497	497	497
1.75%	Bond 2017/2025	GBP	300	1.87%	338	–	–
3.675%	Bond 2013/2025	NOK	1,450	3.70%	151	159	156
2.67%	Bond 2017/2029	NOK	1,600	2.69%	167	–	–
1.5%	Bond 2016/2031	EUR	200	1.58%	198	198	198
0.875%	Bond 2016/2031	EUR	500	1.01%	491	491	–
2.37%	Bond 2016/2031	HKD	1,300	2.37%	146	159	–
1.45%	Bond 2017/2032	EUR	300	1.57%	295	–	–
3%	Bond 2013/2033	EUR	500	3.15%	491	491	491
2.875%	Bond 2013/2033	EUR	200	3.09%	198	198	198
3.25%	Bond 2013/2043	EUR	200	3.27%	200	199	199
3.89%	U.S. private placement series A 2013/2025	USD	250	3.92%	219	237	225
4.09%	U.S. private placement series B 2013/2028	USD	700	4.11%	612	663	629
4.43%	U.S. private placement series C 2013/2034	USD	300	4.45%	262	284	270
<b>BASF Finance Europe N.V.</b>							
0.0%	Bond 2016/2020	EUR	1,000	0.14%	996	995	–
0.75%	Bond 2016/2026	EUR	500	0.88%	494	494	–
<b>Ciba Specialty Chemicals Finance Luxembourg S.A.</b>							
4.875%	Bond 2003/2018	EUR	477	4.88%	468	461	455
<b>Other bonds</b>					<b>595</b>	<b>631</b>	<b>622</b>
<b>Bonds and other liabilities to the capital market</b>					<b>14,092</b>	<b>13,457</b>	<b>12,621</b>
Liabilities to credit institutions					3,355	2,855	3,311
<b>Financial indebtedness</b>					<b>17,447</b>	<b>16,312</b>	<b>15,932</b>

<sup>1</sup> Million in issuing currency as per 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, outstanding dividend payments, profit-and-loss transfer agreements, and other finance-related and operating activities and events.

Valuation allowances were recognized as an expense for trade accounts receivable from nonconsolidated subsidiaries in the amount of €1 million in the first half of 2017. The balance of valuation allowances for trade accounts receivable from nonconsolidated subsidiaries therefore rose from €5 million as of December 31, 2016, to €6 million as of June 30, 2017.

The first half of 2016 had contained expenses from valuation allowances on other receivables from nonconsolidated subsidiaries amounting to €21 million.

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	
	2017	2016
Nonconsolidated subsidiaries	244	236
Joint ventures	177	139
Associated companies	124	107

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

	Accounts receivable, trade		
	June 30, 2017	December 31, 2016	June 30, 2016
Nonconsolidated subsidiaries	176	135	181
Joint ventures	72	76	69
Associated companies	49	55	42

	Accounts payable, trade		
	June 30, 2017	December 31, 2016	June 30, 2016
Nonconsolidated subsidiaries	58	73	42
Joint ventures	94	92	66
Associated companies	31	44	28

### Other receivables from and payables to related parties (million €)

	Other receivables		
	June 30, 2017	December 31, 2016	June 30, 2016
Nonconsolidated subsidiaries	149	176	153
Joint ventures	201	196	181
Associated companies	458	390	453

	Other payables		
	June 30, 2017	December 31, 2016	June 30, 2016
Nonconsolidated subsidiaries	147	178	155
Joint ventures	67	97	54
Associated companies	308	258	178



## Responsibility Statement in Accordance with Section 37y and Section 37w(2)(3) of the German Securities Trading Act

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 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 financial year.

Ludwigshafen, July 24, 2017

**BASF SE**

**The Board of Executive Directors**

### **Forward-Looking Statements and Forecasts**

This half-year financial report contains forward-looking statements. These forward-looking statements are based on current estimates and projections of the Board of Executive Directors and on currently available information. These forward-looking statements are not guarantees of the future developments and results outlined therein. Rather, they depend on a number of factors, involve various risks and uncertainties, and are based on assumptions that may not prove to be accurate. Such risk factors particularly include those discussed on pages 111 to 118 of the BASF Report 2016. The BASF Report is available online at [basf.com/report](http://basf.com/report). We do not assume any obligation to update the forward-looking statements contained in this half-year financial report.

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Quarterly Statement 3rd Quarter 2017

# October 24, 2017

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Full-Year Results 2017

# February 27, 2018

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Quarterly Statement 1st Quarter 2018 / Annual Shareholders' Meeting 2018

# May 4, 2018

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Half-Year Financial Report 2018

# July 27, 2018

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## Further information

Published on July 27, 2017

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## Contact

### General inquiries

Headquarters, phone: +49 621 60-0

### Media Relations

Juliana Ernst, phone: +49 621 60-99123

### Investor Relations

Dr. Stefanie Wettberg, phone: +49 621 60-48002

### Internet

[www.basf.com](http://www.basf.com)

BASF SE, 67056 Ludwigshafen, Germany