

Interim Report

1st Half 2014



BASF increases earnings in first half of 2014

- Considerable earnings growth in Functional Materials & Solutions and Performance Products segments
- Outlook for 2014 confirmed: slight increase in EBIT before special items expected despite a more challenging environment

 **BASF**
The Chemical Company

BASF Group

1st Half 2014

		2nd Quarter			1st Half		
		2014	2013	Change %	2014	2013	Change %
Sales	million €	18,455	18,353	0.6	37,967	38,091	(0.3)
Income from operations before depreciation and amortization (EBITDA)	million €	2,714	2,489	9.0	5,664	5,343	6.0
Income from operations (EBIT) before special items	million €	2,053	1,832	12.1	4,193	4,046	3.6
Income from operations (EBIT)	million €	2,019	1,773	13.9	4,268	3,942	8.3
Financial result	million €	(136)	(162)	16.0	(319)	(288)	(10.8)
Income before taxes and minority interests	million €	1,883	1,611	16.9	3,949	3,654	8.1
Net income	million €	1,299	1,157	12.3	2,776	2,603	6.6
Earnings per share	€	1.41	1.26	11.9	3.02	2.83	6.7
Adjusted earnings per share ¹	€	1.54	1.40	10.0	3.18	3.07	3.6
Cash provided by operating activities	million €	940	1,989	(52.7)	2,644	4,030	(34.4)
Additions to noncurrent assets ²	million €	1,171	1,119	4.6	2,080	2,685	(22.5)
Research expenses	million €	471	455	3.5	913	884	3.3
Amortization and depreciation ²	million €	695	716	(2.9)	1,396	1,401	(0.4)
Segment assets (as of June 30) ³	million €	57,617	54,397	5.9	57,617	54,397	5.9
Personnel costs	million €	2,360	2,356	0.2	4,684	4,635	1.1
Number of employees (as of June 30)		112,277	111,614	0.6	112,277	111,614	0.6

¹ For more information, see page 36.

² Intangible assets and property, plant and equipment (including acquisitions)

³ Intangible assets; property, plant and equipment; inventories; and business-related receivables

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⁴ This section is not part of the Interim Management's Report.

⁵ This section is not part of the Interim Financial Statements.

1st Half 2014

Sales

Change compared with 1st half 2013

EBIT before special items

(Change compared with 1st half 2013)

Million €

0%

4,193 (+147)

BASF's Segments



Chemicals [Page 7](#)

The Chemicals segment comprises our business with basic chemicals and intermediates. Its portfolio ranges from solvents, plasticizers and high-volume monomers to glues and electronic chemicals as well as raw materials for detergents, plastics, textile fibers, paints and coatings, plant protection and pharmaceuticals. In addition to supplying customers in the chemical industry and numerous other sectors, we also ensure that other BASF segments are supplied with chemicals for producing downstream products.



Performance Products [Page 8](#)

Our Performance Products lend stability, color or improved application properties to many everyday items. Our product portfolio includes vitamins and other food additives as well as ingredients for pharmaceuticals and for hygiene, household, cosmetic and personal care items. Other products from this segment improve processes in the paper industry, oil and gas production, mining and water treatment. They can also enhance the efficiency of fuels and lubricants, the effectiveness of adhesives and coatings, and the stability of plastics.



Functional Materials & Solutions [Page 10](#)

In the Functional Materials & Solutions segment, we bundle system solutions, services and innovative products for specific sectors and customers, in particular for the automotive, electrical, chemical and construction industries as well as for household applications and for sports and leisure. Our portfolio comprises catalysts, battery materials, engineering plastics, polyurethane systems, automotive and industrial coatings and concrete admixtures as well as construction systems such as tile adhesives and decorative paints.



Agricultural Solutions [Page 12](#)

The Agricultural Solutions segment provides innovative solutions in chemical and biological crop protection as well as seed treatment and solutions to manage water, nutrients and plant stress. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, better nutrition, and use as renewable raw materials.

Research expenses, sales, earnings and all other data of BASF Plant Science are not included in the Agricultural Solutions segment; these are reported in Other.



Oil & Gas [Page 13](#)

We focus our exploration and production on oil and gas-rich regions in Europe, North Africa, South America, Russia and the Middle East. Together with our Russian partner Gazprom, we are active in the transport, storage and trading of natural gas in Europe.

CathoGuard® 800 protects cars from corrosion

→ Cathodic e-coating helps maintain the value of millions of automobiles worldwide

The perfect automotive finish is critically determined by the coatings used. The demands made on these coatings are constantly on the rise, in terms of both environmental and corrosion protection. CathoGuard® 800 provides automobile manufacturers with a product that satisfies these technical and environmental standards to an outstanding degree. The coating's high material efficiency makes it additionally impressive.

Cathodic e-coating makes up the first layer in the coating system. It ensures effective corrosion protection and largely dictates the quality of the entire finish. In this process, the cleaned and pretreated car body is immersed in a bath of electrocoat, where both car and coating are electrically charged – the former negatively, the latter positively. After receiving an evenly distributed coat, the car body is rinsed and the coating is baked at 180°C.

CathoGuard® 800 combines several benefits: It achieves excellent surface quality and provides reliable edge protection. Moreover, the improved deposition behavior of CathoGuard® 800 ensures a more homogeneous coating thickness over the various metal substrates of a car's body.

Cathodic e-coating is a sought-after alternative to conventional dipping varnishes, which often contain tin. Furthermore, CathoGuard® 800 has a very low solvent content, and its high material efficiency helps conserve resources. This technology is also ideally suited for integrated coating processes that do not use a primer.

BASF has introduced its innovative CathoGuard® 800 technology in all regions. Today, more than 60 customer plants worldwide are supplied with CathoGuard® 800.



E-coating involves immersing the car body in a bath, where the coating particles are deposited onto the steel plate using electric currents.



BASF's CathoGuard® 800 electrocoat technology efficiently protects car surfaces, edges and cavities against corrosion and is used successfully around the world.

BASF Innovations – CathoGuard® 800

- Cathodic e-coating protects cars from corrosion
 - CathoGuard® 800 provides outstanding surface quality, reliable edge protection and a more homogenous coating thickness
 - CathoGuard® 800 has a low solvent content and, thanks to its high material efficiency, conserves resources
-

BASF Group Business Review 2nd Quarter 2014

Our business developed positively in the second quarter of 2014. At €18.5 billion, sales rose by 1% compared with the same period of the previous year. We increased sales volumes in all segments except Agricultural Solutions. Negative currency effects and a considerable decline in sales in Other dampened sales growth for the BASF Group.

At around €2.1 billion, income from operations before special items surpassed the level of the second quarter of 2013 by €221 million. We considerably increased our earnings in the chemicals business¹ and in the Oil & Gas segment. Earnings declined considerably, however, in the Agricultural Solutions segment and in Other.

We raised sales volumes compared with the second quarter of 2013. We observed strong volumes growth, especially in the Oil & Gas segment. Sales prices decreased overall, predominantly as a result of lower gas prices in the Natural Gas Trading business sector. Currency effects had a highly negative impact on sales in all divisions. On balance, portfolio measures increased sales by 1%.

Factors influencing sales (% of sales)

	2nd Quarter
Volumes	6
Prices	(2)
Portfolio	1
Currencies	(4)
	1

In the **Chemicals** segment, sales were slightly up compared with the second quarter of 2013. We raised our sales volumes in all divisions, posting especially strong volumes growth in the Petrochemicals division in North America. Lower prices and negative currency effects reduced the sales increase. Earnings

considerably surpassed the level of the previous second quarter, mainly as a result of higher margins in the Petrochemicals division.

Sales in the **Performance Products** segment declined slightly due to negative currency effects. With prices stable, we slightly raised our volumes; sales volumes grew especially in the Asia Pacific region. Earnings increased considerably compared with the second quarter of 2013. This was mainly the result of lower fixed costs, partly owing to restructuring measures.

Second-quarter sales (million €, relative change)

Chemicals	2014	4,298	3%	
	2013	4,183		
Performance Products	2014	3,924	(3%)	
	2013	4,032		
Functional Materials & Solutions	2014	4,518	0%	
	2013	4,503		
Agricultural Solutions	2014	1,666	(4%)	
	2013	1,727		
Oil & Gas	2014	3,194	13%	
	2013	2,836		
Other	2014	855	(20%)	
	2013	1,072		

Sales matched the previous second-quarter level in the **Functional Materials & Solutions** segment. We considerably increased sales volumes, primarily in the Catalysts division. Negative currency effects put a strain on sales development. In the Construction Chemicals division, sales declined considerably as a result of portfolio effects, as well. We considerably increased our earnings. This was largely because of higher volumes and reduced fixed costs.

BASF Group 2nd Quarter 2014

- Sales increase by 1% to €18.5 billion compared with previous second quarter
- Sales volumes rise in all segments except Agricultural Solutions
- Negative currency effects dampen sales in all divisions
- At €2.1 billion, income from operations before special items up by 12% year-on-year
- Considerable earnings increase in chemicals business¹ and in Oil & Gas

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

In the **Agricultural Solutions** segment, sales declined slightly compared with the second quarter of 2013. This was due to negative currency effects. We were able to raise our sales prices in all regions. Volumes remained stable. Earnings were considerably below the previous second-quarter levels, predominantly on account of negative currency effects and higher research expenses.

Sales in the **Oil & Gas** segment considerably exceeded the level of the previous second quarter. We posted sharply increased sales volumes, especially in the Exploration & Production business sector. The activities in Norway acquired from Statoil also contributed to sales growth. In the Natural Gas Trading business sector, significantly lower gas prices dampened sales development. We were able to raise our earnings considerably as a result of the higher volumes.

Compared with the second quarter of 2013, sales in **Other** fell considerably. This was primarily due to reduced raw material sales and lower plant availability. Income from operations before special items declined considerably. Currency losses contributed significantly to this development.

In the second quarter of 2014, EBIT contained a total of minus €34 million in **special items**, partly in connection with various restructuring measures. The previous second quarter had contained special items in EBIT totaling minus €59 million, primarily from special charges for restructuring measures and the integration of Pronova BioPharma.

EBIT increased by €246 million to €2,019 million compared with the previous second quarter. EBITDA rose by €225 million to €2,714 million.

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

	2014	2013	Change
Chemicals	570	495	75
Performance Products	435	394	41
Functional Materials & Solutions	356	293	63
Agricultural Solutions	433	485	(52)
Oil & Gas	587	382	205
Other	(328)	(217)	(111)

The **financial result** improved by €26 million to minus €136 million due to the improvement in other financial result and income from shareholdings. The interest result declined, however.

Income before taxes and minority interests grew by €272 million to €1,883 million compared with the same quarter of the previous year. The tax rate rose to 26.9% (second quarter of 2013: 23.8%).

Net income rose by €142 million to €1,299 million.

Earnings per share were €1.41 in the second quarter of 2014 compared with €1.26 in the same period of the previous year. Adjusted for special items and amortization of intangible assets, earnings per share rose to €1.54 (second quarter of 2013: €1.40).

 Information on the calculation of adjusted earnings per share can be found on page 36

Special items in earnings before taxes (million €)

	2014	2013
1st quarter	67	10
2nd quarter	(34)	(46)
1st half	33	(36)
3rd quarter		(21)
4th quarter		259
Full year		202

Adjusted earnings per share (€)

	2014	2013
1st quarter	1.64	1.67
2nd quarter	1.54	1.40
1st half	3.18	3.07
3rd quarter		1.28
4th quarter		1.02
Full year		5.37

BASF Group Business Review 1st Half 2014

At just under €38 billion, BASF Group sales in the first half of 2014 matched the level of the same period of 2013. We were able to raise sales volumes in all segments. Slightly lower sales prices and negative currency effects put a strain on sales development.

Income from operations before special items grew by 4% to around €4.2 billion. This was mainly due to the considerable earnings increase in the Performance Products and Functional Materials & Solutions segments. The contribution from Other declined considerably, however.

Compared with the same period of the previous year, we posted higher sales volumes in all segments in the first half of 2014. Prices declined overall. Currency effects also had a negative impact on sales. Portfolio measures contributed 1% to sales.

Factors influencing sales (% of sales)

	1st Half
Volumes	4
Prices	(2)
Portfolio	1
Currencies	(3)
	0

Sales in the **Chemicals** segment rose slightly compared with the first half of 2013. Sales volumes increased in all divisions; the Petrochemicals division in North America posted particularly considerable volumes growth. Lower sales prices and negative currency effects dampened this development. Earnings rose slightly, especially as a result of higher margins in the Petrochemicals division.

Sales were slightly down in the **Performance Products** segment despite increased volumes. This was due to negative currency effects. Sales prices matched the level of the first half of the previous year. Our strict fixed cost management and restructuring measures contributed to a decrease in fixed costs and a considerable rise in earnings.

First-half sales (million €, relative change)

Chemicals	2014	8,696	1%	
	2013	8,579		
Performance Products	2014	7,796	(1%)	
	2013	7,912		
Functional Materials & Solutions	2014	8,754	1%	
	2013	8,684		
Agricultural Solutions	2014	3,319	1%	
	2013	3,283		
Oil & Gas	2014	7,470	0%	
	2013	7,496		
Other	2014	1,932	(10%)	
	2013	2,137		

With prices stable, we posted slightly higher sales in the **Functional Materials & Solutions** segment on account of increased volumes. Strong demand from the automotive industry contributed significantly to this. Currency effects had a negative impact on sales development. In the Construction Chemicals division, sales declined considerably as a result of portfolio effects, as well. We considerably raised our earnings, primarily through higher volumes and reduced fixed costs.

Sales in the **Agricultural Solutions** segment grew slightly compared with the first half of 2013. We increased volumes and sales prices, more than compensating for negative currency effects. There was a slight drop in earnings, which was largely the result of negative currency influences and higher research expenses.

BASF Group 1st Half 2014

- At just under €38 billion, sales in first half of 2014 match level of previous first half
- Sales volumes rise in all segments
- Slight drop in sales prices and negative currency effects dampen sales development
- Income from operations before special items rises by 4% to around €4.2 billion
- Considerable earnings increase in Performance Products and Functional Materials & Solutions segments

In the **Oil & Gas** segment, sales matched the level of the previous first half. Sales rose considerably in the Exploration & Production business sector, primarily due to the activities in Norway acquired from Statoil. However, sales declined slightly in the Natural Gas Trading business sector, mainly because of lower gas prices. Earnings slightly exceeded the level of the first half of 2013 due to higher volumes.

Sales fell considerably in **Other**, mostly as a result of lower sales of raw materials and decreased plant availability. Income from operations before special items declined considerably. Currency losses and higher charges for the long-term incentive program were largely responsible for this.

Special items in EBIT totaled €75 million in the first half of 2014. This was predominantly attributable to special income from the divestiture of our shares in non-BASF-operated oil and gas fields in the British North Sea. The previous first half had included special items in EBIT of minus €104 million. These resulted from the integration of Becker Underwood and Pronova BioPharma in addition to various restructuring measures.

Compared with the first half of the previous year, **EBIT** rose by €326 million to €4,268 million. EBITDA grew by €321 million to €5,664 million.

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

Chemicals	2014	1,171	26	
	2013	1,145		
Performance Products	2014	862	89	
	2013	773		
Functional Materials & Solutions	2014	667	135	
	2013	532		
Agricultural Solutions	2014	943	(40)	
	2013	983		
Oil & Gas	2014	1,081	69	
	2013	1,012		
Other	2014	(531)	(132)	
	2013	(399)		

The **financial result** decreased by €31 million to minus €319 million. This was mainly because of the decline in other financial result. Higher income from shareholdings helped counteract this effect.

Income before taxes and minority interests improved compared with the first half of 2013 by €295 million to €3,949 million. The tax rate rose to 26.1% (first half of 2013: 24.1%).

Net income grew by €173 million to €2,776 million.

Earnings per share amounted to €3.02 in the first half of 2014 compared with €2.83 in the same period of the previous year. Adjusted for special items and amortization of intangible assets, earnings per share rose to €3.18 (first half of 2013: €3.07).

 **Information on the calculation of adjusted earnings per share can be found on page 36**

Earnings in the 1st Half of 2014

- At around €4.2 billion, income from operations before special items up by 4% compared with first half of 2013
- Income before taxes and minority interests grows by €295 million to €3,949 million
- At €2,776 million, net income €173 million higher than in previous first half
- Earnings per share of €3.02 (first half of 2013: €2.83)
- Adjusted earnings per share of €3.18 (first half of 2013: €3.07)

BASF on the Capital Market

Overview of BASF shares

		2nd Quarter 2014	1st Half 2014
Performance (with dividends reinvested)			
BASF	%	8.9	13.4
DAX 30	%	2.9	2.9
DJ EURO STOXX 50	%	3.9	6.3
DJ Chemicals	%	5.2	6.0
MSCI World Chemicals	%	4.6	7.3
Share prices and trading (XETRA)			
Average	€	83.00	81.15
High	€	87.36	87.36
Low	€	76.98	75.86
Close (end of period)	€	85.03	85.03
Average daily trade	million shares	2.4	2.6
Outstanding shares (end of period)	million shares	918.5	918.5
Market capitalization (end of period)	billion €	78.1	78.1

Market trend

Stock markets developed positively in the second quarter of 2014 due to improved economic figures from the United States as well as the European Central Bank's low interest policy. The U.S. benchmark index Dow Jones Industrial Average and the German DAX 30 achieved new peak levels in June. BASF's shares reached a new all-time high of €87.36 on June 20, 2014. However, investors took profits at the end of June. This was due in part to weaker economic figures from Europe and speculation as to an early increase in interest rates by the U.S. Federal Reserve.

The BASF share price dipped slightly as a result, with shares trading at €85.03 at the end of the quarter. Compared with the closing price of the first quarter of 2014, this represents a gain of 5.4%. Assuming the dividend of €2.70 paid out on May 5, 2014, was reinvested, our share performance was 8.9%. In the second quarter, the DAX 30 and the European benchmark index DJ EURO STOXX 50 rose 2.9% and 3.9%, respectively. Over the same period, the global industry index MSCI World Chemicals improved by 4.6%, and DJ Chemicals by 5.2%.

Good credit ratings and solid financing

With "A+/A-1 outlook stable" from rating agency Standard & Poor's and "A1/P-1 outlook stable" from Moody's, BASF has good credit ratings, especially compared with its competitors in the chemical industry. We continue to have solid financing. Since the beginning of the year, net debt has increased by around €2 billion to €14.6 billion.

Financial communication honored again

Our financial communication has again won awards. In the annual survey conducted by Britain's IR Magazine, we received the Grand Prix for Investor Relations and took several first prizes – for example, in the "Best Financial Reporting" and "Best Sustainability Practice" categories and in the "Materials" sector.

For up-to-date information on BASF shares online, visit basf.com/share

BASF on the Capital Market

- At 8.9%, BASF shares outperform most important industry indexes in second quarter of 2014
- Dividend of €2.70 per share paid out
- Good credit ratings and solid financing
- BASF's financial communication awarded once again

You can reach our Investor Relations team by phone at +49 621 60-48230 or by email at ir@basf.com

Change in value of an investment in BASF shares (Jan. – June 2014) (With dividends reinvested; indexed)



Significant Events and Economic Environment

Significant Events

We are taking a series of steps to strengthen the competitiveness of the Performance Products segment. In the Care Chemicals division, we will adapt our businesses with detergent and cleaner ingredients and our formulation technology business unit to changing market conditions and customer needs. This will involve eliminating around 120 positions worldwide by the middle of 2015.

Furthermore, we are adjusting our product portfolio in the Nutrition & Health division. Our production network in the growing market for omega-3 fatty acids will be geared toward the attractive segment for highly concentrated omega-3 fatty acids. We are selling the Brattvåg site in Norway, which produces low concentrations of omega-3 fatty acids. The measures currently planned will result in the reduction of around 260 positions worldwide by the end of 2015. In view of growing regional customer demand in the flavor and fragrance industry, we are constructing a citral production plant in Asia with our partner, PETRONAS. Startup is expected in 2016.

BASF and Sinopec are constructing a world-scale plant for neopentylglycol (NPG) at their Verbund site in Nanjing, China. NPG is a versatile polyalcohol that has particularly demonstrated its value as a building block in the production of polyester resins for coatings, unsaturated polyester and alkyd resins, lubricants, and plasticizers. The plant, with a total annual capacity of around 40,000 metric tons, is scheduled to start up at the end of 2015.

BASF, Huntsman, Shanghai Hua Yi (Group) Company, Shanghai Chlor-Alkali Chemical Co. Ltd., and Sinopec Group Assets Management Corporation are planning another diphenylmethane diisocyanate (MDI) plant in Caojing, China. With the new plant, the MDI capacity at this site will be doubled to 480,000 metric tons per year.

The Mexican company Alpek and BASF have signed agreements concerning the expandable polystyrene (EPS) and polyurethane (PU) business activities of their Polioles joint venture in Mexico, as well as BASF's EPS business in North and South America. The agreements do not include BASF's Neopor® (grey EPS) business. Alpek will acquire BASF's EPS business activities in North and South America, including its EPS production site in Altamira, Mexico. In parallel, BASF will acquire Polioles' PU business activities, including selected assets at its Lerma, Mexico site, as well as all marketing and selling rights for PU systems, isocyanates and polyols.

INEOS will acquire BASF's 50% share in the Styrolution joint venture, the world's leading supplier of styrenic plastics. INEOS will pay a purchase price of €1.1 billion. The transaction is subject to approval by the relevant antitrust authorities and is expected to close in the fourth quarter of 2014.

Economic Environment

Global gross domestic product grew by around 2.5% in the first half of 2014 compared with the same period of the previous year. Global industrial production rose somewhat faster over the same period, by around 3.5%. The economy in the eurozone has overcome the recession; official statistics have shown mildly positive growth over the last four quarters. Growth impetus arose primarily from exports; domestic demand remained weak. The decline in U.S. gross domestic product in the first quarter of 2014, mainly attributable to inventory effects and extreme weather conditions, was surprisingly considerable compared with the fourth quarter of 2013. However, leading economic indicators suggest that the U.S. economy will grow moderately throughout the year. Growth also slowed down in China in the beginning of the year. Residential construction in particular cooled off considerably. The economy in Brazil was hampered by considerably more negative consumer sentiment.

 **The forecast for the full year 2014 can be found on page 16**

Significant Events and Economic Environment

- Series of measures being taken to strengthen competitiveness of Care Chemicals division
 - We adjust our product portfolio in Nutrition & Health division
 - Construction of neopentylglycol plant in Nanjing, China, together with Sinopec
 - We aim to construct another MDI plant together with partners in Caojing, China
 - Alpek and BASF sign agreements on their EPS and PU business activities in North and South America
 - INEOS to acquire BASF's share in Styrolution
 - Global gross domestic product rises by about 2.5% compared with first half of 2013
-

Chemicals

Segment data Chemicals (million €)

	2nd Quarter			1st Half		
	2014	2013	Change in %	2014	2013	Change in %
Sales to third parties	4,298	4,183	3	8,696	8,579	1
Thereof Petrochemicals	2,019	1,849	9	4,116	3,865	6
Monomers	1,578	1,618	(2)	3,168	3,298	(4)
Intermediates	701	716	(2)	1,412	1,416	0
Income from operations before depreciation and amortization (EBITDA)	725	696	4	1,507	1,537	(2)
Income from operations (EBIT) before special items	570	495	15	1,171	1,145	2
Income from operations (EBIT)	536	494	9	1,136	1,144	(1)
Assets (as of June 30)	11,309	10,474	8	11,309	10,474	8
Research expenses	46	45	2	90	87	3
Additions to property, plant and equipment and intangible assets	477	424	13	749	748	0

2nd Quarter 2014

Compared with the previous second quarter, we increased sales slightly in the Chemicals segment. This was the result of higher sales volumes in all divisions. We posted considerable volumes growth, especially in the Petrochemicals division in North America. Lower sales prices and negative currency effects partly offset this development (volumes 9%, prices -3%, currencies -3%). Income from operations before special items was considerably above the level of the previous second quarter, primarily due to higher margins in the Petrochemicals division.

Petrochemicals

Sales grew considerably in the Petrochemicals division. The startup of the tenth oven in the Port Arthur, Texas, steam cracker and the higher capacity utilization rate of the condensation splitter – which uses distillation to separate light crude oil grades in products such as kerosine and diesel – led to considerable volumes growth in North America. Reduced sales prices and the weaker U.S. dollar had a dampening effect on sales in all business areas. Slightly lower margin levels in some product lines were countered by improved margins for steam cracker

products, especially in North America. Income from operations rose considerably. Several scheduled plant shutdowns had negatively impacted earnings in the previous second quarter.

Monomers

Sales declined slightly in the Monomers division. We raised sales volumes in all regions; growth was especially strong for MDI and polyamide 6 extrusion polymers. These higher volumes were only partly able to offset negative currency effects and declining prices, however. Despite reduced fixed costs, earnings were slightly down compared with the previous second quarter on account of lower margins.

Intermediates

In the second quarter of 2014, we increased sales volumes in all regions in the Intermediates division, especially for amines. Sales were slightly below the previous second-quarter level as a result of negative currency effects and lower sales prices. More intense competition put pressure on margins for key products. Reduced fixed costs, however, led to slight earnings improvement.

Chemicals

- Sales slightly above second quarter 2013 levels due to higher sales volumes
- Particularly strong volumes growth in Petrochemicals division in North America
- Earnings rise considerably, especially as a result of higher margins in Petrochemicals division

2nd Quarter 2014

Sales
Change compared with
2nd quarter 2013

3%

EBIT before special items
(Change compared with
2nd quarter 2013)
Million €

570 (+75)

Performance Products

Segment data Performance Products (million €)

	2nd Quarter			1st Half		
	2014	2013	Change in %	2014	2013	Change in %
Sales to third parties	3,924	4,032	(3)	7,796	7,912	(1)
Thereof						
Dispersions & Pigments	1,034	1,039	0	1,985	1,974	1
Care Chemicals	1,204	1,232	(2)	2,468	2,507	(2)
Nutrition & Health	520	544	(4)	1,015	1,037	(2)
Paper Chemicals	342	370	(8)	686	732	(6)
Performance Chemicals	824	847	(3)	1,642	1,662	(1)
Income from operations before depreciation and amortization (EBITDA)	646	556	16	1,257	1,124	12
Income from operations (EBIT) before special items	435	394	10	862	773	12
Income from operations (EBIT)	454	344	32	868	711	22
Assets (as of June 30)	14,078	14,254	(1)	14,078	14,254	(1)
Research expenses	90	92	(2)	175	184	(5)
Additions to property, plant and equipment and intangible assets	168	255	(34)	327	1,092	(70)

2nd Quarter 2014

Sales were down slightly in the Performance Products segment. With prices stable, slightly increased sales volumes were not able to fully offset negative currency effects (volumes 1%, prices 0%, currencies –4%). We primarily raised volumes in the Asia Pacific region. Income from operations before special items considerably exceeded the level of the previous second quarter. This was predominantly the result of lower fixed costs, due in part to restructuring measures.

Dispersions & Pigments

Sales in the Dispersions & Pigments division matched the level of the second quarter of 2013. We were able to increase sales volumes, which compensated for negative currency effects and slightly lower sales prices. Demand for dispersions grew, mainly

in Asia, while higher sales volumes for resins were especially attributable to increased demand from the European paint and coatings industry. Fixed costs decreased as a result of restructuring measures, strict cost discipline and currency effects. We increased our earnings considerably thanks to the higher volumes.

Care Chemicals

Despite higher prices, the Care Chemicals division saw a slight, mainly currency-related decline in sales. While we were able to raise sales volumes and prices for personal care ingredients, volumes declined in the hygiene business; in the previous second quarter, we had particularly benefited from temporarily low capacities on the market. Earnings slightly exceeded the level of the second quarter of 2013 due to reduced fixed costs.

Performance Products

- Sales decrease slightly due to negative currency effects
- Sales volumes rise, especially in Asia Pacific region
- Considerably higher earnings, primarily as a result of lower fixed costs

2nd Quarter 2014

Sales
Change compared with
2nd quarter 2013

–3%

EBIT before special items
(Change compared with
2nd quarter 2013)
Million €

435 (+41)

Nutrition & Health

Sales declined slightly in the Nutrition & Health division. In the aroma chemicals business, we posted a considerable decrease in sales volumes as a result of a four-week-long force majeure for citral-based products. Sales volumes also fell in the pharmaceuticals business. However, we slightly increased volumes in the human nutrition business. Considerably higher prices in the pharmaceuticals business more than compensated for continuing pressure on prices in the vitamin business. Negative currency effects, especially from the U.S. dollar and the Japanese yen, dampened sales in all business areas. With margins stable overall, earnings declined considerably on account of the lower volumes.

Paper Chemicals

Sales were considerably down in the Paper Chemicals division. Negative currency effects, declining sales volumes, and price reductions due to lower raw material costs were responsible for this. Especially in Asia, volumes were below the previous second quarter levels because of more intense competition and lower demand. Our strict fixed cost management and improved margins arising from a more favorable product mix contributed to a considerable increase in earnings.

Performance Chemicals

In the Performance Chemicals division, sales decreased slightly. Higher sales volumes in all business areas were only partly able to offset negative currency and portfolio effects as well as a slight dip in prices. We considerably increased volumes, especially in plastic additives and water treatment, oilfield and mining chemicals. Earnings considerably surpassed the level of the second quarter of 2013. In addition to the rise in sales volumes, this development was largely influenced by significantly lower fixed costs resulting from restructuring measures.

Performance Products

- Dispersions & Pigments: sales match previous second-quarter level; considerable, volumes-related earnings improvement
 - Care Chemicals: slight decline in sales mainly attributable to negative currency effects; earnings rise slightly as a result of lower fixed costs
 - Nutrition & Health: slight volumes and currency-related dip in sales; earnings considerably down year-on-year
 - Paper Chemicals: considerable sales decrease; earnings rise considerably due to strict fixed cost management and improved margins
 - Performance Chemicals: sales slightly below second quarter of 2013; earnings increase considerably owing to lower fixed costs
-

Functional Materials & Solutions

Segment data Functional Materials & Solutions (million €)

	2nd Quarter			1st Half		
	2014	2013	Change in %	2014	2013	Change in %
Sales to third parties	4,518	4,503	0	8,754	8,684	1
Thereof Catalysts	1,528	1,463	4	2,986	2,916	2
Construction Chemicals	541	589	(8)	984	1,047	(6)
Coatings	756	752	1	1,477	1,450	2
Performance Materials	1,693	1,699	0	3,307	3,271	1
Income from operations before depreciation and amortization (EBITDA)	468	396	18	892	748	19
Income from operations (EBIT) before special items	356	293	22	667	532	25
Income from operations (EBIT)	351	283	24	662	523	27
Assets (as of June 30)	12,745	12,528	2	12,745	12,528	2
Research expenses	93	92	1	180	179	1
Additions to property, plant and equipment and intangible assets	140	133	5	250	251	0

2nd Quarter 2014

Sales in the Functional Materials & Solutions segment matched the level of the second quarter of 2013 (volumes 6%, prices 0%, currencies -5%, portfolio -1%). We considerably increased our sales volumes, especially in the Catalysts division. High demand from the automotive industry contributed significantly to this. Negative currency effects dampened sales in all divisions. In the Construction Chemicals division, portfolio measures were also responsible for a considerable decline in sales. Income from operations before special items rose considerably because of the volumes increase and lower fixed costs.

Catalysts

Sales in the Catalysts division grew slightly, mainly as a result of higher volumes in precious and base metal trading. Whereas sales volumes declined for chemical catalysts, demand rose for refinery and mobile emissions catalysts. Negative currency effects and lower prices reduced sales growth. At €659 million, sales in the precious metal trading business exceeded the level of the prior second quarter (€588 million). Lower precious metal

prices were more than offset by higher volumes. We considerably improved our earnings. This was largely attributable to the growth in volumes for mobile emissions catalysts and in precious metal trading.

Construction Chemicals

Sales in the Construction Chemicals division were considerably below the level of the second quarter of 2013, particularly as a result of negative currency effects. Lower sales volumes and portfolio effects from divestitures conducted in the previous year, especially in Europe, also contributed to this sales decline. By contrast, we were able to increase sales volumes in Russia and India. Earnings fell considerably, mainly due to negative currency effects. Lower fixed costs were only partly able to compensate for this.

Functional Materials & Solutions

- Sales at previous second-quarter level
- Sales volume increase offsets negative currency and portfolio effects
- Earnings rise considerably due to higher volumes and lower fixed costs

2nd Quarter 2014

Sales

Change compared with
2nd quarter 2013

0%

EBIT before special items

(Change compared with
2nd quarter 2013)
Million €

356 (+63)

Coatings

Sales in the Coatings division rose slightly despite negative currency effects. Higher volumes and prices contributed significantly here. Sales volumes for automotive OEM coatings improved considerably in Asia, North America and Europe. In the automotive refinish coatings business, higher volumes in Asia and increased sales prices overall were unable to compensate for negative currency effects and a dip in demand in Europe; sales fell slightly as a result. In the decorative paints business, highly negative currency effects in Brazil led to a considerable decline in sales despite increased volumes. Demand for industrial coatings grew in Europe. Earnings considerably exceeded the level of the second quarter of 2013, due in part to reduced fixed costs.

Performance Materials

The Performance Materials division's sales matched the level of the second quarter of 2013. We were able to increase sales for engineering plastics, TPU and Cellasto®, benefiting especially from high demand in the automotive industry. In North America, we also observed considerably higher demand from the construction and consumer goods industries. Sales declined overall for polyurethane systems and styrene foams, however. Negative currency effects, especially from the weak U.S. dollar, dampened sales. Price levels remained stable overall. The startup of new plants led to a slight rise in fixed costs compared with the previous second quarter. We were able to slightly increase earnings thanks to higher sales volumes for specialties as well as engineering plastics.

Functional Materials & Solutions

- Catalysts: higher sales volumes lead to slight rise in sales and considerable earnings growth
 - Construction Chemicals: considerable sales and earnings decline, primarily owing to currency effects
 - Coatings: sales grow slightly; considerable earnings increase due in part to reduced fixed costs
 - Performance Materials: sales at level of second quarter 2013; earnings improve slightly through higher sales volumes in specialties and engineering plastics
-

Agricultural Solutions

Segment data Agricultural Solutions (million €)

	2nd Quarter			1st Half		
	2014	2013	Change in %	2014	2013	Change in %
Sales to third parties	1,666	1,727	(4)	3,319	3,283	1
Income from operations before depreciation and amortization (EBITDA)	476	525	(9)	1,028	1,057	(3)
Income from operations (EBIT) before special items	433	485	(11)	943	983	(4)
Income from operations (EBIT)	433	485	(11)	943	977	(3)
Assets (as of June 30)	7,654	7,131	7	7,654	7,131	7
Research expenses	131	111	18	243	211	15
Additions to property, plant and equipment and intangible assets	105	78	35	168	137	23

2nd Quarter 2014

Sales in the Agricultural Solutions segment saw a slight, currency-related decline compared with the second quarter of 2013 (volumes 0%, prices 2%, currencies –6%). We raised our sales prices in all regions. Volumes were stable overall.

In **Europe**, sales matched the level of the previous second quarter. Our business was very positive in Western Europe. We were able to almost fully compensate for negative currency effects, especially in Eastern Europe, with price increases.

Sales declined slightly in **North America**. Higher volumes and prices, especially for innovative herbicides and in the Functional Crop Care business unit, were only partly able to offset negative currency effects.

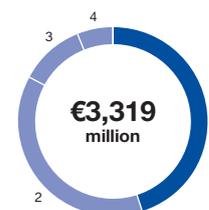
Sales fell considerably in **Asia**, due primarily to currency effects. Demand was high in China. We observed especially positive development in our business with fungicides.

Sales in **South America** were considerably below the prior second-quarter level as a result of lower volumes and negative currency effects. In Brazil, insecticide sales declined mainly because of high competitive pressure and unfavorable weather conditions.

Income from operations before special items decreased considerably, primarily as a result of negative currency effects and higher research expenses.

1st Half 2014 sales by indication and sector

1	Fungicides	45%
2	Herbicides	38%
3	Insecticides	11%
4	Functional Crop Care	6%



1st Half 2014 sales by region (location of customer)

1	Europe	46%
2	North America	34%
3	Asia Pacific	10%
4	South America, Africa, Middle East	10%



Agricultural Solutions

- Slight, currency-related sales decline with volumes stable
- Higher sales prices in all regions
- Considerable decrease in earnings primarily due to negative currency effects and higher research expenses

2nd Quarter 2014

Sales
Change compared with
2nd quarter 2013

–4%

EBIT before special items
(Change compared with
2nd quarter 2013)
Million €

433 (–52)

Oil & Gas

Segment data Oil & Gas (million €)

	2nd Quarter			1st Half		
	2014	2013	Change in %	2014	2013	Change in %
Sales to third parties	3,194	2,836	13	7,470	7,496	0
Thereof Exploration & Production	807	525	54	1,599	1,314	22
Natural Gas Trading	2,387	2,311	3	5,871	6,182	(5)
Income from operations before depreciation and amortization (EBITDA)	705	500	41	1,468	1,234	19
Thereof Exploration & Production	585	398	47	1,272	927	37
Natural Gas Trading	120	102	18	196	307	(36)
Income from operations (EBIT) before special items	587	382	54	1,081	1,012	7
Thereof Exploration & Production	477	323	48	906	791	15
Natural Gas Trading	110	59	86	175	221	(21)
Income from operations (EBIT)	585	381	54	1,210	1,011	20
Thereof Exploration & Production	475	322	48	1,035	790	31
Natural Gas Trading	110	59	86	175	221	(21)
Assets (as of June 30)	11,831	10,010	18	11,831	10,010	18
Thereof Exploration & Production	7,825	5,757	36	7,825	5,757	36
Natural Gas Trading	4,006	4,253	(6)	4,006	4,253	(6)
Exploration expenses	23	43	(47)	47	71	(34)
Additions to property, plant and equipment and intangible assets	243	233	4	512	428	20
Net income	393	280	40	835	677	23

2nd Quarter 2014

Sales grew considerably in the Oil & Gas segment (volumes 24%, prices/currencies –16%, portfolio 5%). This was mainly attributable to increased volumes in the Exploration & Production business sector as well as activities in Norway acquired from Statoil. As a result, income from operations before special items considerably exceeded the level of the previous second quarter. Net income also rose considerably.

We now expect our asset swap with Gazprom to conclude in autumn 2014. The complex legal unbundling process required to establish new companies is taking longer than initially anticipated.

 **For more on net income in the Oil & Gas segment, see the Notes to the Interim Financial Statements on page 26**

We posted a considerable sales increase in the **Exploration & Production** business sector. This was largely due to higher production volumes from Norway, as well as to offshore lifting in Libya in May 2014. As a result, we were able to more than compensate for the effects of lower gas prices on the European spot markets for gas. The average price for Brent crude oil was \$110 per barrel, compared with \$102 per barrel (+7%) in the second quarter of 2013. The higher contributions from Norway and Libya led to a considerable increase in earnings.

In the **Natural Gas Trading** business sector, sales were slightly above the level of the previous second quarter. Lower gas prices were more than offset by higher volumes. Because of sharply falling gas prices on the European spot markets for gas, we were able to optimize our procurement portfolio and considerably increase our earnings.

Oil & Gas

- Sales considerably above prior second-quarter level
- Sharp volumes growth primarily attributable to higher production volumes in Norway and offshore lifting in Libya
- Considerable volumes-related earnings increase

2nd Quarter 2014

Sales
Change compared with
2nd quarter 2013

EBIT before special items
(Change compared with
2nd quarter 2013)
Million €

13%

587 (+205)

Regional Results

Overview of regions (million €)

	Sales Location of company			Sales Location of customer			EBIT before special items		
	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %
2nd Quarter									
Europe	10,481	10,333	1	9,960	9,788	2	1,347	1,074	25
Thereof Germany	7,526	7,287	3	3,296	3,325	(1)	533	498	7
North America	4,159	3,986	4	4,075	3,930	4	466	485	(4)
Asia Pacific	2,861	3,005	(5)	3,053	3,204	(5)	172	196	(12)
South America, Africa, Middle East	954	1,029	(7)	1,367	1,431	(4)	68	77	(12)
	18,455	18,353	1	18,455	18,353	1	2,053	1,832	12
1st Half									
Europe	22,382	22,571	(1)	21,387	21,444	0	2,805	2,551	10
Thereof Germany	16,445	16,215	1	7,170	7,563	(5)	1,197	1,261	(5)
North America	8,059	7,707	5	7,915	7,580	4	957	939	2
Asia Pacific	5,709	5,829	(2)	6,090	6,223	(2)	346	441	(22)
South America, Africa, Middle East	1,817	1,984	(8)	2,575	2,844	(9)	85	115	(26)
	37,967	38,091	0	37,967	38,091	0	4,193	4,046	4

1st Half 2014

Sales at companies located in **Europe** decreased by 1% year-on-year. Higher volumes in all segments were unable to fully compensate for lower prices and negative currency effects. Sales declined considerably in Other, particularly on account of reduced sales of raw materials and a lower plant availability rate. Income from operations before special items grew by €254 million to €2,805 million, mainly due to higher contributions from the Performance Products, Functional Materials & Solutions and Oil & Gas segments.

In **North America**, sales grew by 10% in U.S. dollars and by 5% in euro terms. This was largely attributable to significantly higher sales volumes, especially in the Petrochemicals division and the Functional Materials & Solutions segment. At €957 million, earnings surpassed the level of the same period of 2013 by €18 million, mostly as a result of the Petrochemicals division's considerably higher contribution.

Sales in **Asia Pacific** rose by 4% in local-currency terms, but were down by 2% in euro terms owing to negative currency effects and slightly declining sales prices. We posted a considerable sales decrease in the Chemicals segment. Earnings fell by €95 million to €346 million. Considerably lower earnings in the Chemicals segment as well as currency losses contributed to this.

In **South America, Africa, Middle East**, sales grew by 8% in local-currency terms but fell by 8% in euro terms. With sales volumes stable overall, increased prices were only partly able to offset highly negative currency effects. In the Agricultural Solutions segment, lower volumes additionally reduced sales. Earnings decreased by €30 million, amounting to €85 million. This was mainly due to currency losses.

1st Half 2014

- Europe: sales slightly down due to lower prices and negative currency effects; earnings rise considerably, particularly as a result of increased contributions from Performance Products, Functional Materials & Solutions, and Oil & Gas
- North America: slight sales growth arising from significantly higher volumes; earnings slightly above level of first half of 2013, owing in particular to considerable increase in Petrochemicals division
- Asia Pacific: negative currency effects and lower sales prices lead to slight sales decline; earnings down considerably, mainly because of lower contribution from Chemicals segment as well as currency losses
- South America, Africa, Middle East: sales and earnings decline considerably on account of highly negative currency effects

Overview of Other Topics

Research and Development

We have offered Ultramid® (polyamide) for flexible packaging films based on renewable raw materials since May. We use an innovative approach that replaces up to 100% of the fossil resources used at the beginning of the production process with certified biomass, and indicate the proportion of renewable raw materials contained in the final product. Ultramid® produced using the “mass balance approach” is identical with conventionally made products in terms of formulation and quality, but reduces the emission of greenhouse gases and the use of fossil resources.

Graffiti, writing and stickers can turn public property into eyesores. This is why we have developed RELEST® Powder PUR Anti-Sticker coating. The product's nonstick surface prevents such vandalism, reducing cleaning costs. The slightly roughened surface of the powder coating keeps stickers from adhering properly, and graffiti can be removed more easily. It was specially developed for coating light and traffic signal poles, as well as circuit breaker panel boxes.

We have discovered a new way in which our Initium® fungicide works. The research findings show that Initium® inhibits fungal respiration in an innovative manner, making Initium® the first – and currently only – fungicide in this new classification. This also means that it is not cross-resistant with other commercial fungicides, and as such, is ideal for managing fungal resistance in specialty crops.

Linde and BASF have agreed on a collaboration for the development and licensing of processes for the “on-purpose” production of linear butenes and butadiene. The new process aims to enable the direct production of butadiene from butane via the intermediate butene. Currently, the industry relies mainly on butadiene as a co-product of naphtha cracking. Yet the shift to lighter feedstock is leading to reduced volumes of co-products. The new technology is being developed through mini plant and pilot plant operation in Ludwigshafen.

Employees

Compared with the end of 2013, the number of BASF Group employees rose by 71 to a total of 112,277 as of June 30, 2014. On this date, 64.6% of BASF Group employees were employed in Europe while North America accounted for 15.1% of employees, Asia Pacific for 14.8% and South America, Africa, Middle East for 5.5%.

Compared with the same period of 2013, personnel costs in the first half of 2014 grew by 1.1% to €4,684 million. This was largely due to higher expenses for the long-term incentive program. Currency effects partly countered this increase.

Research and Development

- Launch of Ultramid® for flexible packaging films based on renewable raw materials
 - RELEST® Powder PUR coating protects against graffiti and stickers
 - New way in which specialty crop fungicide Initium® works
 - Linde and BASF plan development partnership for on-purpose butadiene production
-

Employees by region

	June 30, 2014	Dec. 31, 2013
Europe	70,922	70,977
Thereof Germany	52,454	52,523
North America	16,979	16,996
Asia Pacific	16,708	16,708
South America, Africa, Middle East	7,668	7,525
	112,277	112,206

Outlook

In the first half of 2014, the world economy and global industrial production grew somewhat faster than in the previous first half, although more slowly than we had anticipated. With sales stable, we were able to slightly increase our earnings despite negative currency effects.

For 2014, we now expect weaker growth in the global economy than was foreseen six months ago. We expect to perform well in a market environment that remains volatile and challenging. We stand by our outlook for 2014 despite even more unfavorable currency developments and increasing political risks: We strive to slightly raise our income from operations before special items. Sales are likely to decrease slightly due to the divestiture of the gas trading and storage business planned for autumn 2014 and as a result of negative currency effects.

Opportunities and risks

In 2014, opportunities for us may arise from stronger growth in the global economy and in our customer industries.

We also see opportunities in consistently implementing our “We create chemistry” strategy and further improving our operational excellence, as well as in strengthening research and development. We will continue to concentrate on expanding our business in growth markets as well as on innovations, portfolio optimization, restructuring and increasing efficiency. For example, our excellence program, STEP, serves to strengthen our competitiveness and profitability. Starting at the end of 2015, STEP is expected to contribute around €1 billion to earnings each year. STEP comprises more than 100 individual projects and is running right on schedule.

However, there are also risks to the development of our business. A renewed intensification of the sovereign debt crisis in Europe, an escalation of the conflict in the Ukraine, and the deceleration of growth in China would all have a negative impact on global economic growth. A weaker U.S. dollar would be detrimental to our earnings. Rising raw material costs could furthermore lead to lower margins.

The statements on opportunities and risks made in the BASF Report 2013 remain valid.

 For more information, see the Opportunities and Risks Report in the BASF Report 2013 on pages 106-114

Forecast

We have reduced some of our expectations for the global economy in 2014 (previous forecast in parentheses):

- Growth of gross domestic product: 2.5% (2.8%)
- Growth in industrial production: 3.7%
- Growth in chemical production: 4.4%
- An average euro/dollar exchange rate of \$1.35 per euro (\$1.30 per euro)
- An average oil price for the year of \$110 per barrel

The slight upturn in growth expected for the global economy and key customer industries in 2014 will have a positive effect on our business. We aim to increase our sales volumes, excluding the effects of acquisitions and divestitures. Nevertheless, sales will presumably see a slight dip compared with 2013 due to the divestiture of the gas trading and storage business planned for autumn 2014, as well as to continuing negative currency effects. We expect income from operations before special items to rise slightly, especially as a result of considerably higher contributions from the Performance Products and Functional Materials & Solutions segments. Income from operations is likely to increase considerably. Special income from the planned divestiture of our gas trading and storage business as well as from the divestiture of our share in the Styrolution joint venture will make a significant contribution here. We aim to considerably improve income from operations after cost of capital and therefore once again earn a high premium on our cost of capital.

Outlook 2014

- Sales expected to be slightly below 2013 levels on account of planned divestiture of gas trading and storage business in autumn 2014 as well as effects of currency exchange rates
 - Slight rise in income from operations (EBIT) before special items and significant increase in EBIT and EBIT after cost of capital targeted
 - Opportunities could arise from stronger growth in the global economy and in our customer industries
 - STEP excellence program to help strengthen our competitiveness and profitability
 - Risks could be posed by renewed intensification of sovereign debt crisis in Europe, escalation of conflict in the Ukraine, deceleration of growth in China, a weaker U.S. dollar and rising raw material costs
-

BASF Group Interim Financial Statements

Statement of Income

Statement of income (million €)

Explanations in Note	2nd Quarter			1st Half		
	2014	2013	Change in %	2014	2013	Change in %
Sales	18,455	18,353	0.6	37,967	38,091	(0.3)
Cost of sales	(13,564)	(13,627)	0.5	(28,231)	(28,499)	0.9
Gross profit on sales	4,891	4,726	3.5	9,736	9,592	1.5
Selling expenses	(1,856)	(1,891)	1.9	(3,626)	(3,697)	1.9
General and administrative expenses	(344)	(343)	(0.3)	(650)	(672)	3.3
Research and development expenses	(471)	(455)	(3.5)	(913)	(884)	(3.3)
Other operating income [5]	280	204	37.3	681	544	25.2
Other operating expenses [5]	(548)	(525)	(4.4)	(1,121)	(1,085)	(3.3)
Income from companies accounted for using the equity method [6]	67	57	17.5	161	144	11.8
Income from operations	2,019	1,773	13.9	4,268	3,942	8.3
Other income from shareholdings	32	22	45.5	38	28	35.7
Other expenses from shareholdings	(4)	(6)	33.3	(5)	(21)	76.2
Interest income	39	35	11.4	73	61	19.7
Interest expense	(174)	(158)	(10.1)	(332)	(312)	(6.4)
Other financial result	(29)	(55)	47.3	(93)	(44)	.
Financial result [7]	(136)	(162)	16.0	(319)	(288)	(10.8)
Income before taxes and minority interests	1,883	1,611	16.9	3,949	3,654	8.1
Income taxes [8]	(507)	(383)	(32.4)	(1,032)	(882)	(17.0)
Income before minority interests	1,376	1,228	12.1	2,917	2,772	5.2
Minority interests [9]	(77)	(71)	(8.5)	(141)	(169)	16.6
Net income	1,299	1,157	12.3	2,776	2,603	6.6
Earnings per share (€) [10]						
Undiluted	1.41	1.26	11.9	3.02	2.83	6.7
Diluted	1.41	1.26	11.9	3.02	2.83	6.7

Statement of Income and Expense Recognized in Equity

Statement of income and expense recognized in equity (million €)

	1st Half	
	2014	2013
Income before minority interests	2,917	2,772
Remeasurements of defined benefit plans	(2,017)	795
Revaluation due to acquisition of majority of shares	-	(1)
Deferred taxes for items that will not be reclassified to the statement of income	606	(231)
Income and expense recognized directly in equity that will not be reclassified to the statement of income at a later date	(1,411)	563
Foreign currency translation adjustment	153	(290)
Fair value changes in available-for-sale securities	-	3
Cash flow hedges	(69)	18
Deferred taxes for items that will be reclassified to the statement of income	11	7
Income and expense recognized directly in equity that will be reclassified to the statement of income at a later date	95	(262)
Minority interests	20	5
Total income and expense recognized directly in equity	(1,296)	306
Income before minority interests and income and expense recognized directly in equity	1,621	3,078
Thereof attributable to shareholders of BASF SE	1,460	2,904
Thereof attributable to minority interests	161	174

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

	Other comprehensive income					
	Remeasurements of defined benefit plans	Foreign currency translation adjustment	Fair value changes in available-for-sale securities	Cash flow hedges	Revaluation due to acquisition of majority of shares	Total income and expense recognized directly in equity
As of January 1, 2014	(2,444)	(917)	15	(54)	-	(3,400)
Additions	(2,017)	-	-	(69)	-	(2,086)
Releases	-	153	-	-	-	153
Deferred taxes	606	(2)	-	13	-	617
As of June 30, 2014	(3,855)	(766)	15	(110)	-	(4,716)
As of January 1, 2013	(3,571)	165	17	(73)	1	(3,461)
Additions	-	-	3	-	-	3
Releases	795	(290)	-	18	(1)	522
Deferred taxes	(231)	4	(1)	4	-	(224)
As of June 30, 2013	(3,007)	(121)	19	(51)	-	(3,160)

Balance Sheet

Assets (million €)

	Explanations in Note	June 30, 2014	June 30, 2013	Change in %	Dec. 31, 2013	Change in %
Intangible assets	[11]	12,031	12,278	(2.0)	12,235	(1.7)
Property, plant and equipment	[11]	19,092	17,531	8.9	18,254	4.6
Investments accounted for using the equity method	[11]	3,378	3,476	(2.8)	4,137	(18.3)
Other financial assets	[11]	789	631	25.0	630	25.2
Deferred tax assets		1,636	1,500	9.1	992	64.9
Other receivables and miscellaneous assets		1,591	1,063	49.7	876	81.6
Noncurrent assets		38,517	36,479	5.6	37,124	3.8
Inventories	[12]	9,844	9,319	5.6	9,592	2.6
Accounts receivable, trade	[12]	10,364	10,621	(2.4)	9,376	10.5
Other receivables and miscellaneous assets	[12]	3,677	3,650	0.7	3,630	1.3
Marketable securities	[12]	16	18	(11.1)	17	(5.9)
Cash and cash equivalents	[12]	2,360	2,228	5.9	1,815	30.0
Assets of disposal groups		3,624	2,084	73.9	2,828	28.1
Current assets		29,885	27,920	7.0	27,258	9.6
Total assets		68,402	64,399	6.2	64,382	6.2

Equity and liabilities (million €)

	Explanations in Note	June 30, 2014	June 30, 2013	Change in %	Dec. 31, 2013	Change in %
Subscribed capital	[13]	1,176	1,176	–	1,176	–
Capital surplus	[13]	3,165	3,188	(0.7)	3,165	–
Retained earnings	[13]	26,477	23,934	10.6	26,170	1.2
Other comprehensive income		(4,716)	(3,160)	(49.2)	(3,400)	(38.7)
Equity of shareholders of BASF SE		26,102	25,138	3.8	27,111	(3.7)
Minority interests		767	987	(22.3)	678	13.1
Equity		26,869	26,125	2.8	27,789	(3.3)
Provisions for pensions and similar obligations	[14]	5,647	4,732	19.3	3,709	52.3
Other provisions	[15]	3,012	2,932	2.7	2,924	3.0
Deferred tax liabilities		2,688	2,622	2.5	2,849	(5.7)
Financial indebtedness	[16]	11,257	10,768	4.5	11,151	1.0
Other liabilities	[16]	1,299	1,205	7.8	1,157	12.3
Noncurrent liabilities		23,903	22,259	7.4	21,790	9.7
Accounts payable, trade		4,115	4,422	(6.9)	4,505	(8.7)
Provisions	[15]	2,506	2,588	(3.2)	2,616	(4.2)
Tax liabilities		1,393	994	40.1	954	46.0
Financial indebtedness	[16]	5,744	3,913	46.8	3,256	76.4
Other liabilities	[16]	2,237	2,646	(15.5)	2,182	2.5
Liabilities of disposal groups		1,635	1,452	12.6	1,290	26.7
Current liabilities		17,630	16,015	10.1	14,803	19.1
Total equity and liabilities		68,402	64,399	6.2	64,382	6.2

Statement of Cash Flows

Statement of cash flows (million €)

	1st Half	
	2014	2013
Net income	2,776	2,603
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	1,396	1,414
Changes in net working capital	(1,375)	(633)
Miscellaneous items	(153)	646
Cash provided by operating activities	2,644	4,030
Payments related to property, plant and equipment and intangible assets	(2,125)	(1,884)
Acquisitions/divestitures	355	(516)
Financial investments and other items	(531)	(182)
Cash used in investing activities	(2,301)	(2,582)
Capital increases/repayments, share repurchases	–	–
Changes in financial liabilities	2,781	1,762
Dividends	(2,592)	(2,585)
Cash used in / provided by financing activities	189	(823)
Net changes in cash and cash equivalents	532	625
Cash and cash equivalents as of beginning of year and other changes	1,828	1,603
Cash and cash equivalents at end of quarter	2,360	2,228

Cash provided by operating activities amounted to €2,644 million in the first half of 2014, down by €1,386 million year-on-year. The €1,375 million outflow in net working capital was the result of a sharp seasonal increase in trade accounts receivable in the Agricultural Solutions segment, stockpiling in anticipation of scheduled plant shutdowns, and lower trade accounts payable. At €633 million, the outflow in net working capital was considerably lower in the first half of 2013, having been additionally influenced by the release of funds in inventory and precious metal trading. The negative value in miscellaneous items was due in part to the reclassification to “cash used in investing activities” of disposal gains from the sale of shares in non-BASF-operated oil and gas fields in the British North Sea to the Hungarian MOL Group. In the first half of the previous year, miscellaneous items had included the release of €646 million in funds, arising primarily from the decline in net assets of the natural gas trading disposal group.

Investing activities led to a cash outflow of €2,301 million, compared with €2,582 million in the same period of the previous year. At €2,125 million, payments related to property, plant and equipment and intangible assets were higher than in the first half of 2013. In the first half of 2014, proceeds of €355 million came from the divestiture of shares in non-BASF-operated

oil and gas fields to the MOL Group, as well as from the sale of the PolyAd Services business to Edgewater Capital Partners, L.P., based in Cleveland, Ohio. Payments for acquisitions in the same period of 2013 had been primarily related to the acquisition of Pronova BioPharma ASA, headquartered in Lysaker, Norway.

Financing activities resulted in a cash inflow of €189 million, compared with an outflow of €823 million in the first half of the previous year. The cash inflow resulting from the change in financial liabilities amounted to €2,781 million. This was largely attributable to the issuance of several bonds with a nominal value of €1,550 million, as well as the assumption of around €980 million in bank loans. Dividends of €2,480 million were paid to shareholders of BASF SE, an increase of €92 million compared with the previous year. Payments of €112 million were made to minority shareholders of Group companies in the form of dividends.

Cash and cash equivalents amounted to €2,360 million as of June 30, 2014, compared with €1,815 million at the end of 2013. Net debt rose to €14,641 million as of the end of the first half of 2014, compared with €12,592 million as of December 31, 2013.

Statement of Changes in Equity

1st Half 2014 (million €)

	Number of subscribed shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Other com- prehensive income ¹	Equity of shareholders of BASF SE	Minority interests	Equity
As of January 1, 2014	918,478,694	1,176	3,165	26,170	(3,400)	27,111	678	27,789
Effects of acquisitions achieved in stages	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	(2,480)	-	(2,480)	(112) ²	(2,592)
Net income	-	-	-	2,776	-	2,776	141	2,917
Change in income and expense recognized directly in equity	-	-	-	-	(1,316)	(1,316)	20	(1,296)
Changes in scope of consolidation and other changes	-	-	-	11	-	11	40	51
As of June 30, 2014	918,478,694	1,176	3,165	26,477	(4,716)	26,102	767	26,869

1st Half 2013 (million €)

As of January 1, 2013	918,478,694	1,176	3,188	23,708	(3,461)	24,611	1,010	25,621
Effects of acquisitions achieved in stages	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	(2,388)	-	(2,388)	(197) ²	(2,585)
Net income	-	-	-	2,603	-	2,603	169	2,772
Change in income and expense recognized directly in equity	-	-	-	-	301	301	5	306
Changes in scope of consolidation and other changes	-	-	-	11	-	11	-	11
As of June 30, 2013	918,478,694	1,176	3,188	23,934	(3,160)	25,138	987	26,125

¹ Details are provided in "Development of income and expense recognized directly in equity of shareholders of BASF SE" on page 18.

² Including profit and loss transfers

Segment Reporting

2nd Quarter (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %
Chemicals	4,298	4,183	2.7	725	696	4.2	570	495	15.2	536	494	8.5
Performance Products	3,924	4,032	(2.7)	646	556	16.2	435	394	10.4	454	344	32.0
Functional Materials & Solutions	4,518	4,503	0.3	468	396	18.2	356	293	21.5	351	283	24.0
Agricultural Solutions	1,666	1,727	(3.5)	476	525	(9.3)	433	485	(10.7)	433	485	(10.7)
Oil & Gas	3,194	2,836	12.6	705	500	41.0	587	382	53.7	585	381	53.5
Other	855	1,072	(20.2)	(306)	(184)	(66.3)	(328)	(217)	(51.2)	(340)	(214)	(58.9)
	18,455	18,353	0.6	2,714	2,489	9.0	2,053	1,832	12.1	2,019	1,773	13.9

2nd Quarter (million €)

	Research expenses			Assets			Additions to noncurrent assets ¹			Amortization and depreciation ²		
	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %
Chemicals	46	45	2.2	11,309	10,474	8.0	477	424	12.5	189	202	(6.4)
Performance Products	90	92	(2.2)	14,078	14,254	(1.2)	168	255	(34.1)	192	212	(9.4)
Functional Materials & Solutions	93	92	1.1	12,745	12,528	1.7	140	133	5.3	117	113	3.5
Agricultural Solutions	131	111	18.0	7,654	7,131	7.3	105	78	34.6	43	40	7.5
Oil & Gas	11	19	(42.1)	11,831	10,010	18.2	243	233	4.3	120	119	0.8
Other	100	96	4.2	10,785	10,002	7.8	38	(4)	.	34	30	13.3
	471	455	3.5	68,402	64,399	6.2	1,171	1,119	4.6	695	716	(2.9)

¹ Investments in intangible assets and property, plant and equipment (including acquisitions)

² Amortization and depreciation of intangible assets and property, plant and equipment

1st Half (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %
Chemicals	8,696	8,579	1.4	1,507	1,537	(2.0)	1,171	1,145	2.3	1,136	1,144	(0.7)
Performance Products	7,796	7,912	(1.5)	1,257	1,124	11.8	862	773	11.5	868	711	22.1
Functional Materials & Solutions	8,754	8,684	0.8	892	748	19.3	667	532	25.4	662	523	26.6
Agricultural Solutions	3,319	3,283	1.1	1,028	1,057	(2.7)	943	983	(4.1)	943	977	(3.5)
Oil & Gas	7,470	7,496	(0.3)	1,468	1,234	19.0	1,081	1,012	6.8	1,210	1,011	19.7
Other	1,932	2,137	(9.6)	(488)	(357)	(36.7)	(531)	(399)	(33.1)	(551)	(424)	(30.0)
	37,967	38,091	(0.3)	5,664	5,343	6.0	4,193	4,046	3.6	4,268	3,942	8.3

1st Half (million €)

	Research expenses			Assets			Additions to noncurrent assets ¹			Amortization and depreciation ²		
	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %	2014	2013	Change in %
Chemicals	90	87	3.4	11,309	10,474	8.0	749	748	0.1	371	393	(5.6)
Performance Products	175	184	(4.9)	14,078	14,254	(1.2)	327	1,092	(70.1)	389	413	(5.8)
Functional Materials & Solutions	180	179	0.6	12,745	12,528	1.7	250	251	(0.4)	230	225	2.2
Agricultural Solutions	243	211	15.2	7,654	7,131	7.3	168	137	22.6	85	80	6.3
Oil & Gas	23	28	(17.9)	11,831	10,010	18.2	512	428	19.6	258	223	15.7
Other	202	195	3.6	10,785	10,002	7.8	74	29	155.2	63	67	(6.0)
	913	884	3.3	68,402	64,399	6.2	2,080	2,685	(22.5)	1,396	1,401	(0.4)

¹ Investments in intangible assets and property, plant and equipment (including acquisitions)

² Amortization and depreciation of intangible assets and property, plant and equipment

Other³ (million €)

	2nd Quarter			1st Half		
	2014	2013	Change in %	2014	2013	Change in %
Sales	855	1,072	(20.2)	1,932	2,137	(9.6)
EBIT before special items	(328)	(217)	(51.2)	(531)	(399)	(33.1)
Thereof Group corporate costs	(57)	(58)	1.7	(106)	(114)	7.0
Corporate research	(97)	(97)	-	(195)	(194)	(0.5)
Currency results, hedges and other valuation effects	(117)	(63)	(85.7)	(212)	(7)	.
Other business	37	37	-	87	96	(9.4)
Special items	(12)	3	.	(20)	(25)	20.0
EBIT	(340)	(214)	(58.9)	(551)	(424)	(30.0)

³ For more information on Other, see the Notes to the Interim Financial Statements on pages 25 and 26.

Notes to the Interim Financial Statements

1 – Basis of presentation

The Consolidated Financial Statements of the BASF Group for the year ending December 31, 2013, were prepared in accordance with the International Financial Reporting Standards (IFRS) valid as of the balance sheet date. The Interim Financial Statements as of June 30, 2014, have been prepared in line with the rules of International Accounting Standard 34 in abbreviated form and using the same accounting policies. The Interim Financial Statements and Interim Management's Report have been neither audited nor subject to an auditor's review.

 The BASF Report 2013 containing the Consolidated Financial Statements as of December 31, 2013, can be found online at: basf.com/report

Selected exchange rates

1 € equals	Closing rates		Average rates 1st Half	
	June 30, 2014	Dec. 31, 2013	2014	2013
Brazil (BRL)	3.00	3.26	3.15	2.67
China (CNY)	8.47	8.35	8.45	8.13
Great Britain (GBP)	0.80	0.83	0.82	0.85
Japan (JPY)	138.44	144.72	140.40	125.41
Malaysia (MYR)	4.39	4.52	4.48	4.04
Mexico (MXN)	17.71	18.07	17.97	16.50
Russian Federation (RUB)	46.38	45.32	47.99	40.76
Switzerland (CHF)	1.22	1.23	1.22	1.23
South Korea (KRW)	1,382.04	1,450.93	1,438.29	1,450.32
United States (USD)	1.37	1.38	1.37	1.31

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 2014, seven companies have been deconsolidated due to mergers with other BASF companies or because of divestitures. Three subsidiaries were included in the scope of consolidation for the first time, two of which due to increased significance while the other is a newly established company.

The decrease in the number of companies accounted for using the equity method resulted from the sale of one company.

Scope of consolidation

	2014	2013
As of January 1	309	312
Thereof proportionally consolidated	8	8
First-time consolidations	3	6
Thereof proportionally consolidated	–	–
Deconsolidations	7	3
Thereof proportionally consolidated	–	–
As of June 30	305	315
Thereof proportionally consolidated	8	8

Companies consolidated using the equity method

	2014	2013
As of January 1	34	32
As of June 30	33	33

3 – Acquisitions/divestitures

Acquisitions

BASF did not make any material acquisitions in the first half of 2014.

Divestitures

On March 25, 2014, BASF concluded the sale of selected oil and gas investments in the North Sea to the Hungarian MOL Group, as agreed upon on December 12, 2013. MOL acquired 14 licenses, including for the non-BASF-operated Broom field (29%) as well as for the Catcher (20%), Cladhan (33.5%) and Scolty/Crathes (50%) developments. The transaction also included the sale of BASF's shares in the infrastructure of the Sullom Voe Terminal and in the Brent Pipeline System. The transaction was financially retroactive to January 1, 2013. The purchase price agreed upon was \$375 million; less adjustments, the total purchase price amounted to €264 million.

On June 2, 2014, BASF completed the sale of its PolyAd Services business to Edgewater Capital Partners, L.P. PolyAd Services provides services for a wide range of plastic applica-

tions in various industries, such as the automotive, construction, packaging and electronics industry. The activities had been allocated to the Performance Chemicals division.

Agreed-upon future transaction

On June 30, 2014, BASF and INEOS announced that INEOS will acquire BASF's 50% share in Styrolution. An option for INEOS to purchase BASF's share in Styrolution was already included in the joint venture agreement of 2011. The transaction, which is still subject to approval by the relevant antitrust authorities, is expected to close in the fourth quarter. As of June 30, 2014, Styrolution's proportional carrying amount of €776 million was reclassified into assets of disposal groups. The equity method will be discontinued until the transaction is complete. The negative fair value of options for the disposal of shareholdings amounting to minus €158 million has also been frozen, and will be recognized directly in the income statement at the time of disposal. It is contained in liabilities of disposal groups.

4 – Segment reporting

BASF's business is conducted by 14 operating divisions aggregated into five segments for reporting purposes. The divisions are allocated to the segments based on their business models.

The Chemicals segment comprises the 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, the segment ensures that other BASF divisions are supplied with chemicals for producing downstream products. Chemicals comprises the Petrochemicals, Monomers and Intermediates divisions.

The Performance Products segment consists of the Dispersions & Pigments, Care Chemicals, Nutrition & Health, Paper Chemicals and Performance Chemicals divisions. Customized products allow customers to make their production processes more efficient or to give their products improved application properties.

The Functional Materials & Solutions segment bundles system solutions, services and innovative products for specific sectors and customers, in particular for the automotive, electronic, chemical and construction industries. It comprises the Catalysts, Construction Chemicals, Coatings and Performance Materials divisions.

Agricultural Solutions is made up of the Crop Protection division, whose products secure yields and guard crops against fungal infections, insects and weeds, in addition to serving as biological and chemical seed treatments. Plant biotechnology research is not assigned to this segment; it is reported in Other.

The Oil & Gas segment is composed of the Oil & Gas division with its Exploration & Production and Natural Gas Trading business sectors.

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, and the production of precursors not assigned to a particular segment.

With cross-divisional corporate research, BASF is developing growth fields and ensuring its long-term competence with regard to technology and methods. This includes plant biotechnology research. Corporate research costs are not allocated to the segments, but rather are also reported under Other, as are corporate costs, which comprise expenses for steering the BASF Group.

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.

Sales in Other declined by €217 million compared with the second quarter of the previous year. This was mainly due to reduced sales of raw materials as well as lower plant availability. In Other, income from operations in the second quarter of 2014 was €126 million lower than in the same period of the previous year. Currency losses were largely responsible for this.

Assets of Other (million €)

	1st Half	
	2014	2013
Assets of businesses included under Other	3,040	3,207
Financial assets	789	631
Deferred tax assets	1,636	1,500
Cash and cash equivalents / marketable securities	2,376	2,246
Defined benefit assets	34	166
Miscellaneous receivables / prepaid expenses	2,910	2,252
Assets of Other	10,785	10,002

Reconciliation reporting for Oil & Gas (million €)

	2nd Quarter		1st Half	
	2014	2013	2014	2013
Income from operations	585	381	1,210	1,011
Income from shareholdings	8	6	8	(3)
Other income	(17)	24	(64)	54
Income before taxes and minority interests	576	411	1,154	1,062
Income taxes	(174)	(114)	(307)	(310)
Income before minority interests	402	297	847	752
Minority interests	(9)	(17)	(12)	(75)
Net income	393	280	835	677

In the reconciliation reporting for Oil & Gas, the income from operations of the Oil & Gas segment is reconciled to the contribution of the companies in this segment to the net income of the BASF Group.

By contrast with the same period of the previous year, offshore lifting was conducted in Libya in the second quarter of 2014. Furthermore, the additional activities acquired in Norway in the previous year boosted income from operations.

The Oil & Gas segment's other income relates to income and expenses not included in the segment's income from operations, the interest result and the other financial result. The year-on-year decrease came from currency results not allocated to the segment.

Highly taxed operating income in Norway and offshore lifting in Libya raised the tax rate in the second quarter.

5 – Other operating income and expenses

Other operating income (million €)

	2nd Quarter		1st Half	
	2014	2013	2014	2013
Income on the reversal of provisions	7	(18)	28	30
Revenue from miscellaneous revenue-generating activities	47	40	81	83
Income from foreign currency and hedging transactions	(9)	77	125	132
Income from the translation of financial statements in foreign currencies	18	3	24	41
Gains on the disposal of fixed assets and divestitures	44	5	181	14
Income on the reversal of valuation allowances for business-related receivables	13	3	21	18
Miscellaneous income	160	94	221	226
Other operating income	280	204	681	544

Other operating expenses (million €)

	2nd Quarter		1st Half	
	2014	2013	2014	2013
Expenses from the measurement of LTI options as well as other personnel obligations	74	24	142	112
Restructuring measures	12	31	22	64
Environmental protection and safety measures, costs of demolition and removal, and project expenses related to capital expenditures that are not subject to mandatory capitalization	85	105	145	149
Amortization, depreciation and impairments of intangible assets and property, plant and equipment	10	14	12	22
Costs from miscellaneous revenue-generating activities	39	43	67	86
Expenses from foreign currency and hedging transactions	92	52	236	129
Losses from the translation of financial statements in foreign currencies	28	21	75	39
Losses from the disposal of fixed assets and divestitures	4	7	9	12
Oil and gas exploration expenses	23	43	47	71
Expenses from the addition of valuation allowances for business-related receivables	19	20	34	36
Expenses from the use of inventories measured at market value and the derecognition of obsolete inventory	36	63	70	94
Miscellaneous expenses	126	102	262	271
Other operating expenses	548	525	1,121	1,085

Income from foreign currency and hedging transactions declined year-on-year by €25 million to minus €101 million. This decrease is attributable to higher expenses from commodity derivatives as well as the appreciation of the Russian ruble.

The increase in gains from the disposal of fixed assets and divestitures resulted from the disposal gains from the sale of the PolyAd Services business to Edgewater Capital Partners, L.P.

The growth in miscellaneous income was largely due to the reversal of a provision recognized in the previous year for a payroll tax obligation as well as to higher earnings from precious metal trading.

Expenses from the measurement of LTI options rose. This was because of the greater increase of the BASF share in comparison with the previous second quarter.

6 – Income from companies accounted for using the equity method

In the Oil & Gas segment, income from companies accounted for using the equity method grew compared with the previous second quarter. The companies OAO Severneftegazprom, Nord Stream AG and GASCADE Gastransport GmbH made a substantial contribution to this development. The share in Styrolution Holding GmbH also contributed significantly to income. Because this company has been marked for divestiture since June 30, 2014, the equity method will be discontinued until the transaction closes.

Impairment charges in one of BASF's associated companies dampened earnings. Due to strikes at export terminals in Libya, all onshore crude oil and associated gas-producing activities have been suspended since July 2013, which also reduced earnings. Since the creation of the natural gas trading disposal group in November 2012, the equity-accounted carrying amounts of companies in this group remain unchanged and are only tested for impairment.

7 – Financial result

Million €	2nd Quarter		1st Half	
	2014	2013	2014	2013
Income from investments in affiliated and associated companies	30	18	33	20
Income from the disposal of shareholdings	–	1	–	1
Income from profit transfer agreements	2	2	4	5
Income from tax allocation to participating interests	–	1	1	2
Income from shareholdings	32	22	38	28
Expenses from profit transfer agreements	(2)	(1)	(3)	(11)
Write-downs on / losses from the sale of shareholdings	(2)	(5)	(2)	(10)
Expenses from shareholdings	(4)	(6)	(5)	(21)
Interest income from cash and cash equivalents	30	32	54	56
Interest and dividend income from securities and loans	9	3	19	5
Interest income	39	35	73	61
Interest expenses	(174)	(158)	(332)	(312)
Net interest income from overfunded pension plans and similar obligations	1	–	1	–
Net interest income from other long-term employee obligations	–	–	–	–
Income from the capitalization of construction interest	38	24	72	44
Miscellaneous financial income	–	(7)	–	48
Other financial income	39	17	73	92
Write-downs on / losses from the disposal of securities and loans	–	(3)	(1)	(4)
Net interest expense from underfunded pension plans and similar obligations	(36)	(48)	(73)	(96)
Net interest expense from other long-term employee obligations	(2)	(1)	(5)	(3)
Interest accrued on other noncurrent liabilities	(20)	(20)	(38)	(33)
Miscellaneous financial expenses	(10)	–	(49)	–
Other financial expenses	(68)	(72)	(166)	(136)
Financial result	(136)	(162)	(319)	(288)

Higher dividends and comparable income led to an increase in income from shareholdings compared with the previous second quarter.

The interest result declined as a result of higher interest expenses. The rise in interest expenses was primarily on account of financial indebtedness through the issuance of new bonds. This was partly countered by slightly higher interest income. The increase was predominantly attributable to higher interest income from loans to companies accounted for using the equity method.

Net interest expense from underfunded pension plans and similar obligations declined compared with the previous year, mainly as a result of the lower defined benefit obligation as of December 31, 2013.

Miscellaneous financial expenses in the first half of 2014 include expenses from the market valuation of options for the disposal of BASF's share in Styrolution amounting to €42 million. In the previous year, financial gains of €68 million had arisen from the valuation.

8 – Income taxes

Income before taxes and minority interests (million €)

	2nd Quarter		1st Half	
	2014	2013	2014	2013
Germany	451	414	1,004	1,091
Foreign	1,432	1,197	2,945	2,563
Income before taxes and minority interests	1,883	1,611	3,949	3,654

Income taxes

		2nd Quarter		1st Half	
		2014	2013	2014	2013
Germany	million €	174	118	365	297
Foreign	million €	333	265	667	585
Income taxes	million €	507	383	1,032	882
Tax rate	%	26.9	23.8	26.1	24.1

The increased tax rate compared with the first half of 2013 was mostly the result of the greater portion of earnings from foreign companies in countries with high tax rates, particularly Norway.

The tax-free special income from the sale of investments in North Sea oil and gas fields to the MOL Group partly compensated for this in the first half of 2014.

9 – Minority interests

Million €	2nd Quarter		1st Half	
	2014	2013	2014	2013
Minority interests in profits	85	76	163	174
Minority interests in losses	(8)	(5)	(22)	(5)
Minority interests	77	71	141	169

For companies active in natural gas trading, the weather-related sales decline and ongoing margin pressure led to minority interests in losses, compared with minority interests in profits in the first half of 2013. However, higher minority interests in

profits arose from the startup of the tenth oven in the steam cracker at the Port Arthur, Texas, site in March 2014, as well as a higher capacity utilization rate for the condensation splitter at BASF Total Petrochemicals LLC since the beginning of the year.

10 – Earnings per share

		2nd Quarter		1st Half	
		2014	2013	2014	2013
Net income	million €	1,299	1,157	2,776	2,603
Number of outstanding shares (weighted average)	in thousands	918,479	918,479	918,479	918,479
Earnings per share	€	1.41	1.26	3.02	2.83

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*.”

There was no dilutive effect in the second quarter of 2014 and in the corresponding period of 2013; undiluted earnings per share were the same as the diluted value per share.

11 – Noncurrent assets

Development (million €)

		1st Half 2014			
		Intangible assets	Property, plant and equipment	Investments accounted for using the equity method	Other financial assets
Acquisition costs					
Balance as of January 1		15,286	54,466	4,137	824
Additions		44	2,036	12	166
Disposals		(233)	(748)	–	(10)
Transfers		36	2	(769)	(3)
Exchange differences		88	278	(2)	1
Balance as of June 30		15,221	56,034	3,378	978
Amortization and depreciation					
Balance as of January 1		3,051	36,212	–	194
Additions		291	1,105	–	–
Disposals		(159)	(524)	–	(5)
Transfers		–	1	–	–
Exchange differences		7	148	–	–
Balance as of June 30		3,190	36,942	–	189
Net carrying amount as of June 30		12,031	19,092	3,378	789

Development (million €)

	1st Half 2013			
	Intangible assets	Property, plant and equipment	Investments accounted for using the equity method	Other financial assets
Acquisition costs				
Balance as of January 1	14,876	53,919	3,459	792
Additions	555	2,130	–	36
Disposals	(122)	(448)	(6)	(5)
Transfers	42	(6)	38	1
Exchange differences	(176)	(158)	(15)	–
Balance as of June 30	15,175	55,437	3,476	824
Amortization and depreciation				
Balance as of January 1	2,683	37,309	–	178
Additions	306	1,095	–	13
Disposals	(114)	(401)	–	(4)
Transfers	53	(4)	–	6
Exchange differences	(31)	(93)	–	–
Balance as of June 30	2,897	37,906	–	193
Net carrying amount as of June 30	12,278	17,531	3,476	631

Significant investments in the first half of 2014 were primarily related to the construction of the TDI plant in Ludwigshafen, Germany; the acrylic acid production complex in Camaçari, Brazil; the MDI plant in Chongqing, China; and oil and gas production facilities and wells in Europe and South America. Investments for expansion purposes were particularly made at the sites in Ludwigshafen, Germany; Antwerp, Belgium; Geismar, Louisiana; and Freeport, Texas.

Disposals of property, plant and equipment were largely attributable to the sale of selected oil and gas investments in the North Sea to the Hungarian MOL Group.

Disposals of intangible assets were also related to the sale of selected oil and gas investments in the North Sea to the MOL Group as well as to the derecognition of fully amortized technologies.

Transfers of €776 million from investments accounted for using the equity method resulted from the reclassification of Styrolution to disposal groups.

12 – Current assets

Million €	June 30, 2014	June 30, 2013	Dec. 31, 2013
Raw materials and factory supplies	2,692	2,538	2,560
Work-in-process, finished goods and merchandise	7,018	6,672	6,923
Advance payments and services-in-process	134	109	109
Inventories	9,844	9,319	9,592
Accounts receivable, trade	10,364	10,621	9,376
Other receivables and miscellaneous current assets	3,677	3,650	3,630
Marketable securities	16	18	17
Cash and cash equivalents	2,360	2,228	1,815
Assets of disposal groups	3,624	2,084	2,828
Other current assets	9,677	7,980	8,290
Current assets	29,885	27,920	27,258

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

Trade accounts receivable increased in comparison with year-end 2013 primarily as a result of seasonal effects in the Agricultural Solutions segment.

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 the 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.

Retained earnings

Transfers in other retained earnings increased legal reserves by €25 million in the first half of 2014.

Reserves (million €)

	June 30, 2014	Dec. 31, 2013
Legal reserves	513	488
Other retained earnings	25,964	25,682
Retained earnings	26,477	26,170

Payment of dividends

In accordance with the resolution of the Annual Meeting on May 2, 2014, BASF SE paid a dividend of €2.70 per share from the retained profit of the 2013 fiscal year. With 918,478,694 shares entitled to dividends, this amounts to a total dividend payout of €2,479,892,473.80.

14 – Provisions for pensions

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

	Germany		United States		Switzerland		United Kingdom	
	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Discount rate	3.00	3.90	4.10	4.80	1.50	2.40	4.30	4.40
Projected pension increase	2.00	2.00	–	–	–	–	3.10	3.10

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

	Germany		United States		Switzerland		United Kingdom	
	2014	2013	2014	2013	2014	2013	2014	2013
Discount rate	3.90	3.50	4.80	3.75	2.40	2.00	4.40	4.40
Projected pension increase	2.00	2.00	–	–	–	–	3.10	2.70

The assumptions used to determine the defined benefit obligation as of December 31, 2013, are used in the 2014 reporting year to determine the expenses for pension plans.

Since the first-time application of IAS 19 (revised), the standardized return on plan assets is ascertained by multiplying plan assets at the beginning of the year by the discount rate used for existing obligations at the beginning of the year. This takes into account benefit and contribution payments made during the year.

Discount rate reductions in most of the significant currency zones due to the development of the capital markets in the first half of 2014 were primarily responsible for actuarial losses in pension obligations. Taking into account the deviation between the actual and standardized return on plan assets as well as the change in the asset ceiling, a negative remeasurement occurred in the amount of €2,017 million. This was recognized in other comprehensive income (OCI), taking into account deferred taxes of €606 million. This valuation effect was also primarily responsible for the €1,938 million increase in pension provisions.

15 – Other provisions

Development of other provisions in first half of 2014 (million €)

	January 1, 2014	Additions	Unwinding of discount	Utilization	Reversals	Other changes	June 30, 2014
Restoration obligations	996	5	20	(17)	–	(14)	990
Environmental protection and remediation costs	601	74	4	(91)	(9)	3	582
Employee obligations	1,866	842	3	(1,260)	(12)	(35)	1,404
Sales and purchase risks	612	636	–	(150)	(12)	17	1,103
Restructuring measures	228	26	–	(50)	(6)	1	199
Litigation, damage claims, guarantees and similar obligations	105	11	–	(11)	(5)	–	100
Other	1,132	142	–	(111)	(26)	3	1,140
Total	5,540	1,736	27	(1,690)	(70)	(25)	5,518

On June 30, 2014, other provisions were €22 million below year-end 2013. Provisions for employee obligations decreased significantly as a result of utilization for variable compensation payments for the past fiscal year. This decline was only partly offset by additions made in the first half of the year to provisions for employee obligations pertaining to variable compensation for the current reporting year.

There was a seasonal rise in provisions for sales and purchase risks. By the middle of 2014, the recognition of short-term provisions for rebates in the Agricultural Solutions segment considerably exceeded the utilization of prior-year provisions.

Other provisions included long-term tax provisions, as well as further present obligations and accruals.

16 – Liabilities

Liabilities (million €)

	June 30, 2014		December 31, 2013		June 30, 2013	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Accounts payable, trade	4,115	–	4,505	–	4,422	–
Bonds and other liabilities to the capital market	4,649	9,556	2,493	10,102	2,470	9,715
Liabilities to credit institutions	1,095	1,701	763	1,049	1,443	1,053
Financial indebtedness	5,744	11,257	3,256	11,151	3,913	10,768
Tax liabilities	1,393	–	954	–	994	–
Advances received on orders	98	–	284	–	114	–
Negative fair values from derivatives and liabilities for precious metal obligations	286	102	125	193	254	197
Liabilities related to social security	148	18	125	35	173	20
Miscellaneous liabilities	1,551	991	1,528	760	1,983	810
Deferred income	154	188	120	169	122	178
Other liabilities	2,237	1,299	2,182	1,157	2,646	1,205
Liabilities	13,489	12,556	10,897	12,308	11,975	11,973

Financial indebtedness (million €)

				Carrying amounts based on effective interest method		
		Nominal value (million, in issuing currency)	Effective interest rate	June 30, 2014	Dec. 31, 2013	June 30, 2013
Currency						
BASF SE						
Commercial paper		USD	1,650	1,208	1,232	1,221
4.5%	Bond 2006/2016	EUR	500	4.62%	499	499
variable	Bond 2013/2016	EUR	200	variable	200	–
4.25%	Bond 2009/2016	EUR	200	4.40%	199	199
variable	Bond 2014/2017	EUR	300	variable	300	–
5.875%	Bond 2009/2017	GBP	400	6.04%	497	478
4.625%	Bond 2009/2017	EUR	300	4.69%	299	299
variable	Bond 2013/2018	EUR	300	variable	300	300
1.5%	Bond 2012/2018	EUR	1,000	1.51%	1,000	1,000
1.375%	Bond 2014/2019	EUR	750	1.44%	748	–
variable	Bond 2013/2020	EUR	300	variable	300	300
1.875%	Bond 2013/2021	EUR	700	1.94%	697	697
2%	Bond 2012/2022	EUR	1,000	2.16%	988	987
2.5%	Bond 2014/2024	EUR	500	2.60%	496	–
3.675%	Bond 2013/2025	NOK	1,450	3.70%	172	173
3%	Bond 2013/2033	EUR	500	3.15%	490	489
2.875%	Bond 2013/2033	EUR	200	3.09%	198	198
3.25%	Bond 2013/2043	EUR	200	3.27%	199	199
3.89%	U.S. Private Placement Series A 2013/2025	USD	250	3.92%	183	181
4.09%	U.S. Private Placement Series B 2013/2028	USD	700	4.11%	511	506
4.43%	U.S. Private Placement Series C 2013/2034	USD	300	4.45%	219	217
BASF Finance Europe N.V.						
6%	Bond 2008/2013	EUR	1,250	6.15%	–	–
5%	Bond 2007/2014	EUR	1,250	5.04%	1,250	1,250
3.625%	Bond 2008/2015	CHF	200	3.77%	164	163
5.125%	Bond 2009/2015	EUR	2,000	5.07%	2,001	2,001
4.5%	Bond 2009/2016	EUR	150	4.56%	150	150
Ciba Specialty Chemicals Finance Luxembourg S.A.						
4.875%	Bond 2003/2018	EUR	477	4.88%	433	428
Other bonds				504	449	463
Bonds and other liabilities to the capital market				14,205	12,595	12,185
Liabilities to credit institutions				2,796	1,812	2,496
Financial indebtedness				17,001	14,407	14,681

17 – Related-party transactions

The BASF Group maintains relationships with several related parties over which it exercises material or significant influence, or which are controlled by the Group but are not consolidated due to their minor significance. The following table shows the scope of the Group's transactions with related parties.

A significant portion of joint venture sales were related to Wintershall Erdgas Handelshaus GmbH & Co. KG, Berlin; these amounted to €170 million in the first half of 2014 compared with €96 million in the same period of the previous year.

Substantial sales to associated companies and other shareholdings were attributable to the Styrolution Group. Sales to

Styrolution Group companies amounted to €826 million in the first half of 2014 compared with €1,196 million in the first half of 2013. In addition, sales to associated companies and other shareholdings arose primarily from the business with Erdgas Münster GmbH, Münster, Germany; and with VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, Germany. Sales to these companies amounted to €184 million in the first half of 2014 compared with €346 million in first half of 2013.

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 €)

	2nd Quarter		1st Half	
	2014	2013	2014	2013
Nonconsolidated subsidiaries	123	151	290	350
Joint operations	68	108	172	217
Joint ventures	163	161	328	319
Associated companies and other shareholdings	713	899	1,392	1,663

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

	Accounts receivable, trade		
	June 30, 2014	June 30, 2013	Dec. 31, 2013
Nonconsolidated subsidiaries	196	247	154
Joint operations	9	34	35
Joint ventures	118	123	117
Associated companies and other shareholdings	178	373	397

	Accounts payable, trade		
	June 30, 2014	June 30, 2013	Dec. 31, 2013
Nonconsolidated subsidiaries	47	52	70
Joint operations	31	62	57
Joint ventures	204	356	293
Associated companies and other shareholdings	43	41	101

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

	Other receivables		
	June 30, 2014	June 30, 2013	Dec. 31, 2013
Nonconsolidated subsidiaries	200	260	187
Joint operations	143	164	152
Joint ventures	138	144	66
Associated companies and other shareholdings	786	45	710

	Other payables		
	June 30, 2014	June 30, 2013	Dec. 31, 2013
Nonconsolidated subsidiaries	113	157	115
Joint operations	22	25	7
Joint ventures	55	580	103
Associated companies and other shareholdings	278	72	120

Calculation of Adjusted Earnings per Share

		2nd Quarter		1st Half	
		2014	2013	2014	2013
Income before taxes and minority interests	million €	1,883	1,611	3,949	3,654
Special items	million €	33	46	(34)	36
Amortization of intangible assets	million €	145	153	291	306
Amortization of intangible assets contained in special items	million €	–	–	–	–
Adjusted income before taxes and minority interests	million €	2,061	1,810	4,206	3,996
Adjusted income taxes	million €	(563)	(446)	(1,138)	(1,003)
Adjusted income before minority interests	million €	1,498	1,364	3,068	2,993
Adjusted minority interests	million €	(79)	(71)	(144)	(170)
Adjusted net income	million €	1,419	1,293	2,924	2,823
Weighted average number of outstanding shares	in thousands	918,479	918,479	918,479	918,479
Adjusted earnings per share	€	1.54	1.40	3.18	3.07

The earnings per share figure adjusted for special items and amortization of intangible assets has become internationally established as a key figure that can be compared over the course of time and is particularly suitable for forecasts of future earnings.

Special items are primarily the result of the integration of acquired businesses, restructuring measures, impairment losses, and gains or losses resulting from divestitures and sales of investments. These involve expenses and income that do not arise in conjunction with ordinary business activities.

Intangible assets primarily result from the purchase price allocation following acquisitions. The amortization of intangible assets is therefore of a temporary nature.

The calculation of earnings per share in accordance with the International Financial Reporting Standards (IFRS) is presented in the Notes on page 30. Adjusted income before taxes and minority interests, adjusted net income and adjusted earnings per share are key ratios that are not defined under IFRS. They should not be viewed in isolation, but rather treated as supplementary information.

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 interim financial reporting, the Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit situation of the Group, and the Interim Management's Report includes a fair

review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

Ludwigshafen, July 22, 2014

BASF SE
The Board of Executive Directors

Forward-Looking Statements

This report contains forward-looking statements. These statements are based on current estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed on pages 106 to 114 in the BASF Report 2013. The BASF Report can be found online at: basf.com/report. We do not assume any obligation to update the forward-looking statements contained in this report.

Interim Report 3rd Quarter 2014

Oct. 24, 2014

Full-Year Results 2014

Feb. 27, 2015

Annual Shareholders' Meeting 2015 / Interim Report 1st Quarter 2015

April 30, 2015

Interim Report 1st Half 2015

July 24, 2015

Further information

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