BASF
We create chemistry

Half-Year Financial Report 2020

BASF Group Q2 2020: EBIT before special items declines due to weaker demand as a result of the corona pandemic

- Sales of €12.7 billion (minus 12%), mainly due to lower sales volumes resulting from lockdowns
- EBIT before special items of €226 million (minus 77%)
- Net income of minus €878 million due to a non-cash-effective impairment of the shareholding in Wintershall Dea

Contents

On the cover:
The control station at an intermediate products plant at the Ludwigshafen site in Germany, where all information relating to the plant comes together. Using numerous screens, the chemical technician and assistant asset manager control and monitor the highly complex chemical processes. The plant for intermediate products is made up of 16 plant sections and manufactures a broad portfolio of around 50 intermediate products such as amines or diols. BASF customers need these products for applications including the production of coatings for the automotive industry, pharmaceuticals or crop protection products.

Key Figures

BASF Group H1 2020

		Q2			H1		
		2020	2019	+/–	2020	2019	+/–
Sales[a]	Million €	12,680	14,478	(12%)	29,433	30,074	(2%)
Income from operations before depreciation, amortization and special items[a, c]	Million €	1,229	1,885	(35%)	3,808	4,527	(16%)
Income from operations before depreciation and amortization (EBITDA)[a, c]	Million €	1,070	1,546	(31%)	3,498	4,316	(19%)
EBITDA margin	%	8.4	10.7	–	11.9	14.4	–
Depreciation and amortization[d]	Million €	1,011	1,039	(3%)	1,983	2,030	(2%)
Income from operations (EBIT)[a, c]	Million €	59	507	(88%)	1,515	2,286	(34%)
Special items	Million €	(167)	(488)	66%	(351)	(459)	24%
EBIT before special items[a, c]	Million €	226	995	(77%)	1,866	2,745	(32%)
Income before income taxes[a]	Million €	(923)	293	.	277	1,849	(85%)
Income after taxes from continuing operations	Million €	(888)	243	.	(7)	1,406	.
Income after taxes from discontinued operations[b]	Million €	14	5,686	(100%)	36	5,963	(99%)
Net income[b]	Million €	(878)	5,954	.	7	7,360	(100%)
Earnings per share[a, b]	€	(0.95)	6.48	.	0.01	8.01	(100%)
Adjusted earnings per share[a, b]	€	0.25	0.83	(70%)	1.51	2.47	(39%)
Research and development expenses	Million €	480	518	(7%)	974	1,021	(5%)
Personnel expenses	Million €	2,679	2,865	(6%)	5,505	5,768	(5%)
Number of employees (June 30)		117,563	118,705	(1%)	117,563	118,705	(1%)
Assets (June 30)	Million €	90,369	88,397	2%	90,369	88,397	2%
Investments including acquisitions[e]	Million €	654	1,060	(38%)	2,790	1,775	57%
Equity ratio (June 30)	%	42.5	45.6	–	42.5	45.6	–
Net debt (June 30)	Million €	20,519	18,872	9%	20,519	18,872	9%
Cash flows from operating activities	Million €	2,242	1,946	15%	1,212	2,319	(48%)
Free cash flow	Million €	1,516	965	57%	(83)	597	.

a The statement of income for 2019 was adjusted retroactively on presentation of the construction chemicals activities as a discontinued operation from December 21, 2019, onward. For more information, see page 204 onward of the BASF Report 2019, Note 1.4
b In the second half of 2019, the gain on the disposal of the oil and gas business was adjusted retroactively as of May 1, 2019.
c The 2019 figures have been restated to reflect the reclassification of income from non-integral companies accounted for using the equity method to net income from shareholdings. For more information, see Note 1 on page 31
d Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)
e Additions to property, plant and equipment and intangible assets

Consolidated Interim Management's Report 2020

Significant Events

As part of the implementation of BASF's corporate strategy, the operating divisions, cross-functional service units, the regions and a lean Corporate Center have formed the cornerstones of the new BASF organization since January 1, 2020. This organizational realignment has created the conditions for greater customer proximity, increased competitiveness and profitable growth.

Some of the investments accounted for using the equity method are not an integral part of the BASF Group. To increase reporting transparency, these have been classified as purely financial investments since the first quarter of 2020 and reported separately from the shareholdings that are integral to the main business activities of the BASF Group. Since then, income from non-integral companies accounted for using the equity method has no longer been presented in the BASF Group's EBIT and EBIT before special items, but under net income from shareholdings. The statement of income for 2019 has been restated accordingly.

On January 31, 2020, BASF closed the acquisition of Solvay's integrated polyamide business, which was announced in September 2017. The acquisition broadens BASF's polyamide capabilities with innovative and well-known products such as Technyl® and enhances access to growth markets in Asia as well as in North and South America. Through the backward integration into the key raw material adiponitrile (ADN), BASF now has production plants along the entire value chain for polyamide 6.6. The transaction includes production sites in Germany, France, China, India, South Korea, Brazil and Mexico; research and development centers and technical consultation centers; and shares in Butachimie SNC, a joint operation with Invista to produce ADN and hexamethylenediamine (HMD), and in Alsachimie S.A.S., a joint operation between BASF and Domo Chemicals to produce adipic acid. BASF acquired the polyamide business for a purchase price of €1.3 billion (on a cash and debt-free basis) and integrated it into the Performance Materials and Monomers divisions within the Materials segment.

As expected, the economic effects of the corona pandemic had a much stronger impact in the second quarter of 2020 than in the previous quarter. It has affected our customer industries to varying degrees. BASF was particularly negatively impacted by the collapse in demand from the automotive industry, while demand from the detergent and cleaner industry and the food industry was stable. We were able to continue production at all important sites worldwide. We are responding to the situation with a high level of flexibility in resource steering and allocation. Our priority is the health and safety of our employees, as well as the reliable supply of our customers.

BASF is involved in the fight against the spread of the coronavirus with numerous initiatives and contributions as part of the "Helping Hands" aid campaign. These include donations of hand sanitizer and protective face masks, as well as supporting academic research groups in their search for a suitable active ingredient against the virus. The related expenses are recorded as special items under Other.

On May 28, 2020, BASF successfully placed bonds with a total volume of €2 billion on the capital market. The first tranche has an issue volume of €1 billion, a term of three years and an annual coupon of 0.101% and will be used for general corporate financing purposes. With the second tranche, BASF issued its first green bond. This has a term of seven years, a volume of €1 billion and an annual coupon of 0.25%. The green bond is earmarked for financing dedicated products and projects that contribute to sustainable development. BASF was able to secure attractive conditions thanks to its solid financial structure and its leading sustainability position.

On June 15, 2020, BASF announced that preparations and construction of BASF's battery materials plants in Europe are progressing as planned. Construction of a precursor plant for cathode active materials began in Harjavalta, Finland. In addition, construction permits were secured to begin building the new plant for cathode active materials in Schwarzheide, Germany. Despite the ongoing corona pandemic, the multi-step investment project remains on schedule for startup in 2022. With it, BASF will provide a reliable and sustainable local supply to cell producers and automotive manufacturers in Europe.

As planned, Dr. Jürgen Hambrecht resigned as Chairman and left the Supervisory Board on conclusion of the Annual Shareholders' Meeting on June 18, 2020. The Supervisory Board elected Dr. Kurt Bock as the new chairman of the Supervisory Board of BASF SE following his election to the Supervisory Board of BASF SE by the Annual Shareholders' Meeting as a shareholder representative. Bock's term runs until the end of the Annual Shareholders' Meeting in 2024.

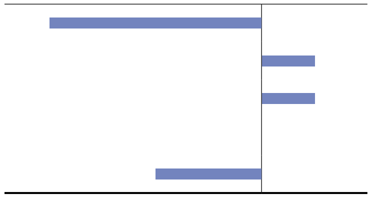
On July 10, 2020, BASF provided advance notice that EBIT before special items was above market expectations at €226 million. At the same time, net income (minus €878 million) was considerably below analyst estimates and the figure for the prior-year quarter (€5,954 million) due to a non-cash-effective impairment of the shareholding in Wintershall Dea.

Results of Operations

Sales declined by €641 million compared with the first half of 2019 to €29,433 million. The decrease was mainly attributable to lower volumes in the Materials, Surface Technologies and Industrial Solutions segments and in Other. Higher sales volumes in the Agricultural Solutions, Nutrition & Care and Chemicals segments were unable to compensate for this. Sales were lifted by portfolio effects, especially from the polyamide business acquired from Solvay in the Materials segment. A slightly higher price level owing to strong growth in precious metal prices in the Surface Technologies segment also had a positive impact on sales. This more than offset lower prices in almost all other segments.

Factors influencing BASF Group sales in H1 2020

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



Compared with the first half of 2019, **income from operations (EBIT) before special items**[1] declined by €879 million to €1,866 million. This was primarily due to significantly lower contributions from the Materials, Chemicals and Surface Technologies segments. EBIT before special items also declined considerably in the Industrial Solutions segment. By contrast, the Nutrition & Care segment considerably increased EBIT before special items, while the Agricultural Solutions segment posted slight growth. EBIT before special items improved considerably in Other.

Special items of minus €351 million arose in the first half of 2020, compared with minus €459 million in the prior-year period. These primarily related to expenses in connection with the carve-out of the global pigments business and to integration expenses, mainly for the polyamide business acquired from Solvay. Expenses arising from the "Helping Hands" aid campaign were also recognized as special items. In the prior-year period, higher expenses arose from restructuring measures in connection with our excellence program, from the impairment of a natural gas-based investment on the U.S. Gulf Coast, and from the integration of the businesses acquired from Bayer.

Income from operations (EBIT)[2] declined by €771 million compared with the first half of 2019 to €1,515 million. This figure includes income from integral companies accounted for using the equity method, which declined by €99 million to €34 million, mainly due to the scheduled turnarounds at the Verbund site in Nanjing, China.

Compared with the prior-year period, **income from operations before depreciation, amortization and special items (EBITDA before special items)**[3] decreased by €719 million to €3,808 million and **EBITDA**[3] by €818 million to €3,498 million.

At minus €956 million, **net income from shareholdings** was €912 million below the prior-year figure. This was primarily due to the impairment of €819 million on the shareholding in Wintershall Dea in the second quarter of the current year, mainly as a result of lower oil and gas price forecasts and changed reserve estimates. Excluding the impairment of Wintershall Dea, the earnings contributed by the shareholding, which has been accounted for using the equity method since May 1, 2019, declined to minus €112 million (H1 2019: €26 million). Solenis' earnings contribution improved by €57 million compared with the first half of 2019 to minus €12 million.

H1 EBITDA before special items

Million €	2020	2019
EBIT	1,515	2,286
– Special items	(351)	(459)
EBIT before special items	**1,866**	**2,745**
+ Depreciation and amortization[a]	1,929	1,776
+ Impairments and reversals of impairments on property, plant and equipment and intangible assets before special items[a]	13	6
Depreciation, amortization, impairments and reversals of impairments on property, plant and equipment and intangible assets before special items	**1,942**	**1,782**
EBITDA before special items	**3,808**	**4,527**

a Excluding depreciation, amortization, impairments and reversals of impairments attributable to the discontinued construction chemicals business in 2019

H1 EBITDA

Million €	2020	2019
EBIT	1,515	2,286
+ Depreciation and amortization[a]	1,929	1,776
+ Impairments and reversals of impairments on property, plant and equipment and intangible assets[a]	54	254
Depreciation, amortization, impairments and reversals of impairments on property, plant and equipment and intangible assets	**1,983**	**2,030**
EBITDA	**3,498**	**4,316**

a Excluding depreciation, amortization, impairments and reversals of impairments attributable to the discontinued construction chemicals business in 2019

1 For an explanation of this indicator, see page 30 of the BASF Report 2019, Value-Based Management
2 The calculation of income from operations (EBIT) is shown in the Statement of Income on page 23 of this half-year financial report
3 For an explanation of this indicator, see page 49 of the BASF Report 2019, Results of Operations

H1 adjusted earnings per share

Million €

		2020	2019
Income after taxes		**29**	**7,369**
– Special items[a]		(1,170)	(459)
+ Amortization, impairments and reversals of impairments on intangible assets		340	321
– Amortization, impairments and reversals of impairments on intangible assets contained in special items		2	–
– Adjustments to income taxes		187	217
– Adjustments to income after taxes from discontinued operations		(56)	5,652
Adjusted income after taxes		**1,406**	**2,280**
– Adjusted noncontrolling interests		21	9
Adjusted net income		**1,385**	**2,271**
Weighted average number of outstanding shares	in thousands	918,479	918,479
Adjusted earnings per share	€	**1.51**	**2.47**

a Special items in the first half of 2020 contained the €819 million impairment of Wintershall Dea, which is included in net income from shareholdings.

The **financial result** improved by €111 million to minus €282 million. This mainly reflected the €80 million improvement in the other financial result due to higher fair values of derivatives. The interest result improved by €31 million year on year to minus €210 million.

Income before taxes decreased by €1,572 million to €277 million. The tax rate rose to 102.5% due to the non-tax-relevant impairment of Wintershall Dea (H1 2019: 24.0%).

Income after taxes from continuing operations declined by €1,413 million to minus €7 million.

Income after taxes from discontinued operations, which in 2020 comprises the construction chemicals business, amounted to €36 million after €5,963 million in the prior-year period. The high income in 2019 was primarily attributable to the book gain of €5,684 million on the deconsolidation of Wintershall following the merger of Wintershall and DEA as of May 1, 2019.

Noncontrolling interests rose to €22 million after €9 million in the prior-year period. This was largely due to the turnaround of the steam cracker in Port Arthur, Texas, in the first half of 2019.

Net income decreased by €7,353 million to €7 million.

Earnings per share declined to €0.01 in the first half of 2020, compared with €8.01 in the first half of 2019. **Earnings per share adjusted**[1] for special items and amortization of intangible assets amounted to €1.51 (H1 2019: €2.47).

Segment sales and EBIT before special items

In the **Chemicals** segment, sales were considerably lower than in the first half of 2019. This was mainly attributable to significantly lower prices in both divisions. In the Petrochemicals division in particular, price levels declined as a result of higher product availability on the market, lower raw materials prices and continued weak demand. Higher sales volumes in the Petrochemicals division had an offsetting effect. We were able to increase volumes of steam cracker products after the scheduled turnarounds of our steam crackers in Port Arthur, Texas, and Antwerp, Belgium, in the prior-year period. EBIT before special items declined considerably in both divisions, but especially in the Petrochemicals division due to lower margins and lower income from our equity-accounted joint venture in Nanjing, China, as a result of scheduled turnarounds. In the Intermediates division, the decrease in EBIT before special items was primarily attributable to lower margins, a decline in sales volumes and higher fixed costs, mainly from the gradual startup of the new acetylene plant in Ludwigshafen, Germany.

Sales in the **Materials** segment declined considerably compared with the prior-year period. This was mainly due to lower volumes, especially in the Performance Materials division, as a result of weaker demand from all customer industries, but especially from the automotive industry. Lower prices, particularly for isocyanates and polyamides in the Monomers division, also contributed to the sales decrease. Portfolio effects from the acquisition of the integrated polyamide business from Solvay had an offsetting impact in both divisions. EBIT before special items declined considerably in both divisions, but especially in the Monomers division. This was primarily the result of lower isocyanate margins. In the Performance Materials division, the decrease in EBIT before special items was largely due to the development of sales volumes.

1 For an explanation of this indicator, see page 50 of the BASF Report 2019, Results of Operations

Sales in the **Industrial Solutions** segment were considerably below the level of the first half of 2019. This was primarily the result of lower sales volumes in both divisions. A lower price level due to lower raw materials prices, especially in the Dispersions & Pigments division, also contributed to the sales decrease. Sales were likewise reduced by the transfer of BASF's paper and water chemicals business, which was previously reported under the Performance Chemicals division, to the Solenis group as of January 31, 2019. EBIT before special items declined considerably compared with the prior-year period. This was largely attributable to the considerable earnings decrease in the Performance Chemicals division, mainly from the development of sales volumes and the transfer of BASF's paper and water chemicals business to the Solenis group. EBIT before special items in the Dispersions & Pigments division declined slightly due to lower volumes.

We considerably increased sales in the **Surface Technologies** segment, mainly as a result of higher precious metal prices in the Catalysts division. Sales development was also positively impacted by currency effects in the Catalysts division. Lower sales volumes due to weak demand from the automotive industry, especially in the Coatings division, had an offsetting effect. EBIT before special items in both divisions was considerably below the prior-year level due to the development of sales volumes, especially in the Coatings division.

We slightly increased sales in the **Nutrition & Care** segment. This was primarily due to significantly higher sales volumes in the Nutrition & Health division, especially in the aroma ingredients, pharmaceutical and human nutrition businesses. Volumes rose slightly in the Care Chemicals division. Offsetting factors were a lower price level in the Care Chemicals division as a result of lower raw materials prices and negative currency effects in both divisions. EBIT before special items improved considerably due to a significantly higher contribution from the Nutrition & Health division. This was mainly driven by higher margins on the back of volumes growth. In the Care Chemicals division, EBIT before special items was slightly below the level of the first half of 2019, largely due to higher fixed costs, primarily as a result of a one-off contractual payment in the prior-year period.

The **Agricultural Solutions** segment recorded a slight improvement in sales compared with the first half of 2019. This was due to higher volumes, especially in North and South America. By contrast, sales were dampened by negative currency effects, particularly in the region South America, Africa, Middle East. Prices were on a level with the prior-year period. We slightly increased EBIT before special items. This was mainly driven by higher sales and lower fixed costs.

Sales in **Other** declined considerably compared with the prior-year period. This primarily reflected the decrease in commodity trading and the remaining activities of the paper and water chemicals business. EBIT before special items was considerably above the figure for the first half of 2019. This was largely attributable to valuation effects for our long-term incentive program.

H1 sales

Million €, relative change

Chemicals	**2020**	**4,141**	**(12%)**
	2019	4,728	
Materials	**2020**	**5,017**	**(15%)**
	2019	5,892	
Industrial Solutions	**2020**	**3,917**	**(9%)**
	2019	4,327	
Surface Technologies	**2020**	**7,427**	**20%**
	2019	6,183	
Nutrition & Care	**2020**	**3,137**	**3%**
	2019	3,056	
Agricultural Solutions	**2020**	**4,585**	**3%**
	2019	4,445	
Other	**2020**	**1,209**	**(16%)**
	2019	1,443	

H1 EBIT before special items

Million €, absolute change

Chemicals	**2020**	**172**	**(253)**
	2019	425	
Materials	**2020**	**129**	**(528)**
	2019	657	
Industrial Solutions	**2020**	**436**	**(71)**
	2019	507	
Surface Technologies	**2020**	**69**	**(211)**
	2019	280	
Nutrition & Care	**2020**	**510**	**68**
	2019	442	
Agricultural Solutions	**2020**	**929**	**68**
	2019	861	
Other	**2020**	**(379)**	**48**
	2019	(427)	

Net Assets and Financial Position

Net assets

Total assets rose from €86,950 million as of the 2019 year-end to €90,369 million. This was primarily attributable to the increase in current assets.

Noncurrent assets declined by €804 million. The main driver was the €1,265 million decrease in investments accounted for using the equity method to €13,743 million, largely owing to the impairment of the shareholding in Wintershall Dea. This was partially offset by the increase in fixed assets, especially intangible assets, mainly as a result of the integration of the polyamide business acquired from Solvay.

Current assets rose by €4,223 million to €35,213 million, primarily due to higher cash and cash equivalents. Seasonal growth in trade accounts receivable and higher other receivables also contributed to the increase. The decline in inventories had an offsetting effect.

Financial position

Equity declined by €3,969 million compared with December 31, 2019, to €38,381 million, mainly as a result of the dividend payments made in the second quarter of 2020. The equity ratio decreased from 48.7% to 42.5%.

Noncurrent liabilities rose by €2,313 million compared with the 2019 year-end to €30,309 million, primarily due to higher financial indebtedness. This increase was mainly driven by the issue of two eurobonds in the amount of €1 billion each, as well as new bank loans taken out for a total of approximately €800 million. By contrast, the reclassification of a eurobond with a carrying amount of around €1 billion to current financial indebtedness in the first quarter of the current year had an offsetting effect. Tax provisions, deferred taxes, and provisions for pensions and similar obligations also increased. The €141 million increase in other liabilities was largely attributable to higher lease liabilities.

Current liabilities rose by €5,075 million compared with the 2019 year-end to €21,679 million, primarily as a result of higher current financial indebtedness. This was mainly due to the €5.2 billion increase in commercial paper at BASF SE, as well as the above-mentioned reclassification of a bond with a carrying amount of €1 billion. The repayment of a €300 million bond had an offsetting effect. Trade accounts payable declined by €1,267 million.

Net debt[1] rose by €5,013 million compared with December 31, 2019, to €20,519 million. This was mainly due to the significant increase in financial indebtedness, which rose by €7,704 million to €26,081 million. Higher cash and cash equivalents had an offsetting effect.

Net debt

Million €

	June 30, 2020	Dec. 31, 2019
Noncurrent financial indebtedness	16,664	15,015
+ Current financial indebtedness	9,417	3,362
Financial indebtedness	**26,081**	**18,377**
– Marketable securities	350	444
– Cash and cash equivalents	5,212	2,427
Net debt	**20,519**	**15,506**

Cash flows from operating activities amounted to €1,212 million in the first half of 2020, €1,107 million below the figure for the prior-year period. The decrease was primarily attributable to the €7,353 million decline in net income. This in turn was due among other factors to the €819 million impairment of the shareholding in Wintershall Dea and the likewise non-cash-effective gain of €5,684 million on the deconsolidation of Wintershall in the previous year, both of which are included in miscellaneous items. The €906 million increase in cash tied up in net working capital also contributed to the decline in operating cash flows. This was largely the result of a stronger reduction in trade accounts payable compared with the previous year. Higher precious metal trading positions due to growth in market prices and the fair values of derivatives also increased the level of cash tied up. The main offsetting effect was the cash released from the reduction in inventories.

Cash flows from investing activities also declined significantly to minus €2,525 million, after €452 million in the first half of 2019. The €427 million decrease in payments made for property, plant and equipment and intangible assets was more than offset by net payments made for acquisitions and divestitures. This related mainly to the purchase price of €1,308 million paid in the first half of 2020 for the polyamide business acquired from Solvay. In the previous year, net payments received from acquisitions and divestitures led to a cash inflow of €2,292 million, mainly from the merger of Wintershall and DEA on May 1, 2019.

Cash flows from financing activities amounted to €4,667 million, compared with minus €3,227 million in the prior-year period. This primarily reflected net additions of €7,799 million to financial and similar liabilities in the current year. As well as issuing two bonds in the amount of €1 billion each, we increased commercial paper by €5.2 billion. In the prior-year period, repayments exceeded additions to financial indebtedness by €214 million. Dividends paid in the first half of 2020 led to a cash outflow of €3,136 million, after €3,014 million in the prior-year period.

1 For an explanation of this indicator, see page 55 of the BASF Report 2019, Financial Position

Free cash flow[1] in the first half of 2020 was minus €83 million, €680 million below the prior-year figure.

H1 free cash flow

Million €

	2020	2019
Cash flows from operating activities	1,212	2,319
– Payments made for property, plant and equipment and intangible assets	1,295	1,722
Free cash flow	**(83)**	**597**

BASF enjoys good **credit ratings**, especially compared with competitors in the chemical industry. Standard & Poor's have rated BASF "A/A-1/CreditWatch negative" since March 25, 2020. On June 25, 2020, Moody's adjusted its rating for BASF from "A2/P-1/review for downgrade" to "A3/P-2/outlook stable." The reasons cited for these changes included the economic impact of the corona pandemic and the related uncertainty.

1 For an explanation of this indicator, see page 57 of the BASF Report 2019, Financial Position

Economic Environment and Outlook

Economic developments in the first half of 2020 were significantly impacted by the corona pandemic. The sharp drop in economic activity in China in January and February was followed by similar declines in almost all countries worldwide from March onward due to government-ordered or voluntary closures of production and sales sites and many other restrictions. **Global gross domestic product** is expected to have fallen by around 6% year on year in the first half of 2020.

The economic downturn has impacted our customer industries to varying degrees. Although demand from the detergent and cleaner industry and the food industry remained stable, production here was also affected by restrictions. Much higher supply and demand-related losses were seen in particular by the consumer durables, energy and resources, and construction industries. The automotive industry was particularly strongly affected: Globally, production fell by around one-third in the first half of 2020, although China, the world's largest automotive market, was already recording year-on-year growth of 10% in the second quarter after a decrease of 46% in the first quarter.

Based on preliminary, partly estimated data, **global industrial production** contracted by around 8% in the first half of 2020. Industrial production in China sank by nearly 10% in the first quarter of 2020 but returned to growth of almost 5% in the second quarter. The rest of the world saw what are expected to be double-digit decreases overall in the first half of 2020.

Global chemical production contracted by around 4% year on year in the first half of the year. In China, this fell by almost 8% in the first quarter of 2020. In the second quarter, by contrast, it was again nearly 4% above the prior-year level. The recovery in China began as early as March, while the United States and the E.U. first saw signs of a stabilization at a low level in May. Chemical production in the United States declined by around 7% overall in the second quarter compared with the prior-year period. The E.U. recorded a total decrease of 11% in April and May. In Japan, chemical production declined by a total of 13% in April and May compared with the same months in the previous year.

The **price of oil** averaged $40 per barrel (Brent crude) in the first half of 2020, below the average for the prior-year period ($66 per barrel). The oil price fluctuated sharply due to the collapse in demand and the initial failure of OPEC+ negotiations on production cuts.

For the second half of 2020, we anticipate a high level of uncertainty due to the ongoing corona pandemic.

Some of the risks relating to short-term demand and margin development presented in the BASF Report 2019 have materialized as a result of the corona pandemic. Due to the high level of uncertainty at present, the development of demand and margins is exposed to increased risk in the second half of the year.

The corona pandemic also poses a significant risk for long-term macroeconomic developments. In the absence of a recovery in the near future, we see an increased impairment risk for some items of property, plant and equipment and intangible assets. We do not yet have sufficient visibility to predict the long-term economic effects of the corona crisis; we are analyzing market developments for potential needs for impairment. Above and beyond this, we do not see any material new or increased risks as a result of the crisis, such as supply chain disruption risks or the risk of default on receivables.

According to our assessment, there continue to be no individual risks that pose a threat to the continued existence of the BASF Group. The same applies to the sum of individual risks.

For the third quarter of 2020, we currently do not expect EBIT before special items to improve significantly compared with the second quarter of 2020, in part due to the generally lower demand in August and the seasonality of the Agricultural Solutions business.

On April 29, 2020, BASF withdrew its outlook for the 2020 business year as the economic effects of the corona pandemic on our customer industries, especially the automotive industry, cannot be reliably estimated. Given the continued high level of uncertainty surrounding economic developments due to the effects of the pandemic and the low visibility, it is still not possible to make any concrete statements on the development of sales and earnings for the full-year 2020.

We expect to close the divestiture of the construction chemicals business in the third quarter of 2020 and the divestiture of the pigments business in the fourth quarter of 2020, subject to the approval of the relevant competition authorities in each case. We do not see any significant increase in risks for the closing of the transactions as a result of the pandemic.

Information on Q2 2020

BASF Group

Sales declined by €1,798 million compared with the second quarter of 2019 to €12,680 million. The development of sales was mainly attributable to lower sales volumes in the Surface Technologies, Materials and Industrial Solutions segments and in Other. Volumes growth in the Chemicals, Nutrition & Care and Agricultural Solutions segments was unable to compensate for this. Negative currency effects, particularly in the Agricultural Solutions segment, also contributed to the sales decrease. In addition, sales were negatively impacted by a slightly lower price level. Higher prices in the Surface Technologies segment could not completely compensate for the lower price level in Chemicals, Materials, Industrial Solutions, Other and Nutrition & Care. Portfolio effects had an offsetting impact, especially in the Materials segment from the acquisition of Solvay's integrated polyamide business.

Factors influencing BASF Group sales in Q2 2020

Volumes	(11%)
Prices	(1%)
Portfolio	1 %
Currencies	(1%)
Sales	**(12%)**

At €226 million, **income from operations (EBIT) before special items**[1] was down €769 million from the second quarter of 2019. This was primarily the result of significantly lower contributions from the Materials, Surface Technologies and Chemicals segments. EBIT before special items also declined considerably in the Industrial Solutions segment, while the Agricultural Solutions segment posted a decrease of €1 million. By contrast, we considerably increased

Q2 sales

Million €, relative change

Chemicals	**2020**	**1,791**	**(18%)**
	2019	2,180	
Materials	**2020**	**2,143**	**(28%)**
	2019	2,961	
Industrial Solutions	**2020**	**1,819**	**(15%)**
	2019	2,141	
Surface Technologies	**2020**	**3,099**	**(2%)**
	2019	3,161	
Nutrition & Care	**2020**	**1,555**	**4%**
	2019	1,495	
Agricultural Solutions	**2020**	**1,766**	**(2%)**
	2019	1,796	
Other	**2020**	**507**	**(32%)**
	2019	744	

EBIT before special items in Other and in the Nutrition & Care segment.

Special items in EBIT totaled minus €167 million in the second quarter of 2020, compared with minus €488 million in the prior-year quarter. These largely related to expenses for restructuring measures and measures as part of the "Helping Hands" aid campaign. Further expenses arose in connection with the carve-out of the global pigments business. The higher expenses in the prior-year period were mainly attributable to restructuring measures in connection with our excellence program, the impairment of a natural gas-based investment on the U.S. Gulf Coast, and the integration of the businesses acquired from Bayer.

Q2 EBIT before special items

Million €, absolute change

Chemicals	**2020**	**(2)**	**(121)**
	2019	119	
Materials	**2020**	**(80)**	**(414)**
	2019	334	
Industrial Solutions	**2020**	**163**	**(80)**
	2019	243	
Surface Technologies	**2020**	**(151)**	**(280)**
	2019	129	
Nutrition & Care	**2020**	**256**	**36**
	2019	220	
Agricultural Solutions	**2020**	**120**	**(1)**
	2019	121	
Other	**2020**	**(80)**	**91**
	2019	(171)	

EBIT[2] declined by €448 million to €59 million. This figure includes income from integral companies accounted for using the equity method, which declined to €28 million (Q2 2019: €56 million).

1 For an explanation of this indicator, see page 30 of the BASF Report 2019, Value-Based Management
2 The calculation of income from operations (EBIT) is shown in the Statement of Income on page 23 of this half-year financial report

Q2 EBITDA before special items

Million €

	2020	2019
EBIT	59	507
– Special items	(167)	(488)
EBIT before special items	**226**	**995**
+ Depreciation and amortization[a]	995	894
+ Impairments and reversals of impairments on property, plant and equipment and intangible assets before special items[a]	8	(4)
Depreciation, amortization, impairments and reversals of impairments on property, plant and equipment and intangible assets before special items	**1,003**	**890**
EBITDA before special items	**1,229**	**1,885**

a Excluding depreciation, amortization, impairments and reversals of impairments attributable to the discontinued construction chemicals business in 2019

Q2 EBITDA

Million €

	2020	2019
EBIT	59	507
+ Depreciation and amortization[a]	969	894
+ Impairments and reversals of impairments on property, plant and equipment and intangible assets[a]	42	145
Depreciation, amortization, impairments and reversals of impairments on property, plant and equipment and intangible assets	**1,011**	**1,039**
EBITDA	**1,070**	**1,546**

a Excluding depreciation, amortization, impairments and reversals of impairments attributable to the discontinued construction chemicals business in 2019

Income from operations before depreciation, amortization and special items (EBITDA before special items)[1] decreased by €656 million to €1,229 million and **EBITDA[1]** declined by €476 million to €1,070 million in the same period.

1 For an explanation of this indicator, see page 49 of the BASF Report 2019, Results of Operations

Net income from shareholdings declined by €784 million to minus €788 million. This was primarily due to the €819 million impairment of the shareholding in Wintershall Dea as a result of lower oil and gas price forecasts and changed reserve estimates. Excluding the impairment of Wintershall Dea, the earnings contributed by the shareholding, which has been accounted for using the equity method since May 1, 2019, rose by €27 million year on year to €53 million. Solenis' earnings contribution improved by €29 million to minus €11 million.

The **financial result** improved by €16 million to minus €194 million. This mainly reflected the improved interest result. The other financial result was only slightly above the prior-year figure.

Income before income taxes decreased by €1,216 million to minus €923 million.

Income after taxes from continuing operations declined to minus €888 million, compared with €243 million in the prior-year quarter.

Income after taxes from discontinued operations, which in 2020 comprises the construction chemicals business, amounted to €14 million after €5,686 million in the second quarter of 2019. This is primarily attributable to the book gain of €5,684 million on the deconsolidation of Wintershall following the merger of Wintershall and DEA as of May 1, 2019, which was included in the figure for the prior-year quarter.

Noncontrolling interests amounted to minus €4 million after €25 million in the prior-year period. In the prior-year period, income arose in connection with the turnaround of the steam cracker in Port Arthur, Texas.

Q2 adjusted earnings per share

Million €

		2020	2019
Income after taxes		**(874)**	**5,929**
– Special items[a]		(986)	(488)
+ Amortization, impairments and reversals of impairments on intangible assets		169	160
– Amortization, impairments and reversals of impairments on intangible assets contained in special items		(24)	–
– Adjustments to income taxes		113	179
– Adjustments to income after taxes from discontinued operations		(37)	5,662
Adjusted income after taxes		**229**	**736**
– Adjusted noncontrolling interests		4	(23)
Adjusted net income		**225**	**759**
Weighted average number of outstanding shares	in thousands	918,479	918,479
Adjusted earnings per share	€	**0.25**	**0.83**

a Special items in the second quarter of 2020 contained the €819 million impairment of Wintershall Dea, which is included in net income from shareholdings.

Net income decreased to minus €878 million, compared with €5,954 million in the second quarter of 2019.

As a result, **earnings per share** declined to minus €0.95 in the second quarter of 2020, after €6.48 in the prior-year period. **Earnings per share adjusted**[1] for special items and amortization of intangible assets amounted to €0.25 (Q2 2019: €0.83).

In the second quarter of 2020, we improved **cash flows from operating activities** by €296 million year on year to €2,242 million. The increase was primarily due to cash released from net working capital, which rose by €336 million. The main contributing factors here were the reduction in trade accounts receivable and inventories, and higher tax liabilities. This was partially offset by a stronger decline in trade accounts payable compared with the prior-year quarter. Cash flows from operating activities were also reduced by the considerable decline in net income. This included a non-cash-effective gain of €5,684 million on the deconsolidation of Wintershall in the second quarter of 2019 and an impairment of €819 million on the shareholding in Wintershall Dea in the second quarter of 2020.

Cash flows from investing activities amounted to minus €705 million, well below the figure for the prior-year quarter (€1,289 million). The decline is primarily attributable to the net payments received from acquisitions and divestitures in the prior-year quarter, which had included payments received from the merger of Wintershall and DEA on May 1, 2019. At €726 million, payments made for property, plant and equipment and intangible assets were significantly below the figure for the second quarter of 2019 (€981 million).

Cash flows from financing activities amounted to €373 million in the second quarter of 2020, compared with minus €3,847 million in the prior-year quarter. Net additions of €3,470 million to financial and similar liabilities exceeded the dividend payments of €3,100 million. In the prior-year quarter, dividend payments amounted to around €3.0 billion, and repayments exceeded additions to financial and similar liabilities by €834 million.

Free cash flow[2] amounted to €1,516 million in the second quarter of 2020, an improvement of €551 million compared with the prior-year quarter.

Q2 free cash flow

Million €

	2020	2019
Cash flows from operating activities	2,242	1,946
– Payments made for property, plant and equipment and intangible assets	726	981
Free cash flow	**1,516**	**965**

1 For an explanation of this indicator, see page 50 of the BASF Report 2019, Results of Operations
2 For an explanation of this indicator, see page 57 of the BASF Report 2019, Financial Position

Chemicals

Q2 2020

In the Chemicals segment, **sales**[1] declined considerably compared with the second quarter of 2019 in both divisions, but especially in the Petrochemicals division.

Factors influencing sales in Q2 2020 – Chemicals

	Chemicals	Petrochemicals	Intermediates
Volumes	7%	13%	(6%)
Prices	(25%)	(33%)	(8%)
Portfolio	0%	0%	0%
Currencies	0%	0%	0%
Sales	**(18%)**	**(20%)**	**(14%)**

The sales decrease was primarily the result of significantly lower prices in both divisions. In the Petrochemicals division, the decrease in prices was largely due to higher product availability on the market and lower raw materials prices. The lower prices in the Intermediates division mainly reflected continued weak demand.

By contrast, we were able to increase sales volumes in the Chemicals segment thanks to the positive development of volumes in the Petrochemicals division. Following the scheduled turnarounds of our steam crackers in Port Arthur, Texas, and Antwerp, Belgium, in the second quarter of 2019, we were able to significantly increase volumes of steam cracker products in the second quarter of 2020 and compensate for the decrease in sales volumes in the rest of the portfolio as a result of the corona pandemic. Sales were reduced by lower sales volumes in the Intermediates division due to the effects of the corona pandemic, especially in the acids and polyalcohols business and in the butanediol and derivatives business.

Segment data – Chemicals

Million €

	Q2			H1		
	2020	**2019**	**+/–**	**2020**	**2019**	**+/–**
Sales to third parties	1,791	2,180	(18%)	4,141	4,728	(12%)
of which Petrochemicals	1,173	1,463	(20%)	2,812	3,266	(14%)
Intermediates	618	717	(14%)	1,329	1,462	(9%)
Income from operations before depreciation, amortization and special items	216	302	(28%)	607	791	(23%)
Income from operations before depreciation and amortization (EBITDA)	210	286	(27%)	596	771	(23%)
Depreciation and amortization[a]	228	323	(29%)	444	506	(12%)
Income from operations (EBIT)	(18)	(37)	51%	152	265	(43%)
Special items	(16)	(156)	90%	(20)	(160)	88%
EBIT before special items	(2)	119	.	172	425	(60%)
Assets (June 30)	8,642	9,058	(5%)	8,642	9,058	(5%)
Investments including acquisitions[b]	153	337	(55%)	513	572	(10%)
Research and development expenses	24	26	(8%)	49	53	(8%)

a Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)
b Additions to property, plant and equipment and intangible assets

Income from operations (EBIT) before special items was considerably below the level of the prior-year quarter. The considerable decrease affected both divisions, but in particular the Intermediates division. Here, the decline in earnings was primarily due to lower volumes and higher fixed costs, primarily as a result of the gradual startup of the new acetylene plant in Ludwigshafen, Germany. Higher margins on the back of lower raw materials prices had an offsetting effect and led overall to positive EBIT before special items in the Intermediates division.

EBIT before special items declined in the Petrochemicals division, mainly due to scheduled turnarounds in Nanjing, China, and lower margins. In addition, an unscheduled turnaround occurred in June at our steam cracker in Port Arthur, Texas.

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

Materials

Q2 2020

In the Materials segment, **sales** in both divisions were considerably below the second quarter of 2019.

Factors influencing sales in Q2 2020 – Materials

	Materials	Performance Materials	Monomers
Volumes	(23%)	(31%)	(14%)
Prices	(8%)	(4%)	(13%)
Portfolio	4%	4%	5%
Currencies	(1%)	0%	(1%)
Sales	**(28%)**	**(31%)**	**(23%)**

Sales development was primarily driven by significantly lower volumes in both divisions due to the effects of the corona pandemic, especially in the Performance Materials division. The decrease in sales volumes here was largely attributable to much weaker demand from the automotive industry. Volumes also declined in the consumer goods and construction industries. In the Monomers division, volumes declined for isocyanates in particular.

Significantly lower price levels for isocyanates and polyamides in the Monomers division also contributed to the sales decrease. Prices were slightly lower in the Performance Materials division.

Sales in both divisions were positively impacted by portfolio effects from the acquisition of Solvay's integrated polyamide business.

Currency effects had a negative impact on sales.

Segment data – Materials

Million €

	Q2			H1		
	2020	**2019**	**+/–**	**2020**	**2019**	**+/–**
Sales to third parties	2,143	2,961	(28%)	5,017	5,892	(15%)
of which Performance Materials	1,071	1,562	(31%)	2,602	3,109	(16%)
Monomers	1,072	1,399	(23%)	2,415	2,783	(13%)
Income from operations before depreciation, amortization and special items	147	506	(71%)	562	999	(44%)
Income from operations before depreciation and amortization (EBITDA)	134	495	(73%)	459	986	(53%)
Depreciation and amortization[a]	236	176	34%	442	346	28%
Income from operations (EBIT)	(102)	319	.	17	640	(97%)
Special items	(22)	(15)	(47%)	(112)	(17)	.
EBIT before special items	(80)	334	.	129	657	(80%)
Assets (June 30)	9,831	9,174	7%	9,831	9,174	7%
Investments including acquisitions[b]	87	187	(53%)	1,506	321	369%
Research and development expenses	41	47	(13%)	86	95	(9%)

a Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)
b Additions to property, plant and equipment and intangible assets

Compared with the prior-year quarter, **income from operations (EBIT) before special items** declined considerably in both divisions, especially in the Monomers division. This was primarily due to lower isocyanate margins on the back of weak demand. EBIT before special items in the Performance Materials division also declined considerably, mainly as a result of lower volumes.

Industrial Solutions

Q2 2020

In the Industrial Solutions segment, **sales** in both divisions declined considerably compared with the prior-year quarter.

Factors influencing sales in Q2 2020 – Industrial Solutions

	Industrial Solutions	Dispersions & Pigments	Performance Chemicals
Volumes	(11%)	(7%)	(17%)
Prices	(4%)	(5%)	(2%)
Portfolio	0%	0%	(1%)
Currencies	0%	0%	0%
Sales	**(15%)**	**(12%)**	**(20%)**

The decrease was primarily due to significantly lower volumes in both divisions. The development of sales volumes in the Performance Chemicals division was negatively impacted by weak demand, especially in the fuel and lubricant solutions and oilfield chemicals businesses. In the Dispersions & Pigments division, higher semiconductor volumes in the electronic materials business were unable to offset lower volumes in all other business areas.

Slightly lower prices in both divisions, but especially in the Dispersions & Pigments division, also contributed to the sales decrease. Price levels declined, mainly due to lower raw materials prices.

Portfolio effects in the Performance Chemicals division from the divestiture of inge GmbH as of December 31, 2019, had a slightly negative impact on sales.

Segment data – Industrial Solutions

Million €

	Q2			H1		
	2020	2019	+/–	2020	2019	+/–
Sales to third parties	1,819	2,141	(15%)	3,917	4,327	(9%)
of which Dispersions & Pigments	1,173	1,336	(12%)	2,474	2,656	(7%)
Performance Chemicals	646	805	(20%)	1,443	1,671	(14%)
Income from operations before depreciation, amortization and special items	280	342	(18%)	623	720	(13%)
Income from operations before depreciation and amortization (EBITDA)	225	329	(32%)	560	853	(34%)
Depreciation and amortization[a]	92	101	(9%)	187	218	(14%)
Income from operations (EBIT)	133	228	(42%)	373	635	(41%)
Special items	(30)	(15)	(100%)	(63)	128	.
EBIT before special items	163	243	(33%)	436	507	(14%)
Assets (June 30)	6,983	7,193	(3%)	6,983	7,193	(3%)
Investments including acquisitions[b]	68	98	(31%)	135	182	(26%)
Research and development expenses	43	47	(9%)	88	96	(8%)

a Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)
b Additions to property, plant and equipment and intangible assets

Income from operations (EBIT) before special items in both divisions decreased considerably compared with the prior-year quarter. This was mainly driven by the development of volumes. Slightly lower fixed costs had an offsetting effect in both divisions.

Surface Technologies

Q2 2020

In the Surface Technologies segment, **sales** declined slightly due to a considerable sales decrease in the Coatings division. By contrast, we considerably increased sales in the Catalysts division.

Factors influencing sales in Q2 2020 – Surface Technologies

	Surface Technologies	Catalysts	Coatings
Volumes	(26%)	(19%)	(39%)
Prices	24%	33%	1%
Portfolio	0%	0%	0%
Currencies	0%	1%	(3%)
Sales	**(2%)**	**15%**	**(41%)**

The sales development was primarily driven by significantly lower sales volumes in both divisions. This was due to weak demand from the automotive industry due to the effects of the corona pandemic. Lower volumes, especially for mobile emissions catalysts, in precious metal trading and for refining catalysts, reduced sales in the Catalysts division. In the Coatings division, volumes declined in all business areas.

Significantly higher prices overall as a result of higher precious metal prices in the Catalysts division had an offsetting effect. In precious metal trading, sales rose to €1,502 million due to higher prices (Q2 2019: €1,065 million). Prices rose slightly in the Coatings division, mainly in the decorative paints and surface treatments businesses.

Segment data – Surface Technologies

Million €

	Q2			H1		
	2020	2019	+/–	2020	2019	+/–
Sales to third parties	3,099	3,161	(2%)	7,427	6,183	20%
of which Catalysts	2,549	2,222	15%	6,081	4,340	40%
Coatings	550	939	(41%)	1,346	1,843	(27%)
Income from operations before depreciation, amortization and special items	(34)	240	.	304	495	(39%)
Income from operations before depreciation and amortization (EBITDA)	(44)	235	.	290	487	(40%)
Depreciation and amortization[a]	132	110	20%	249	218	14%
Income from operations (EBIT)	(176)	125	.	41	269	(85%)
Special items	(25)	(4)	.	(28)	(11)	.
EBIT before special items	(151)	129	.	69	280	(75%)
Assets (June 30)	11,700	11,378	3%	11,700	11,378	3%
Investments including acquisitions[b]	137	131	5%	220	228	(4%)
Research and development expenses	48	52	(8%)	103	102	1%

a Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)
b Additions to property, plant and equipment and intangible assets

Income from operations (EBIT) before special items was considerably below the level of the prior-year quarter in both divisions. This was largely driven by the development of sales volumes in both divisions.

Nutrition & Care

Q2 2020

We slightly increased **sales** in the Nutrition & Care segment compared with the second quarter of 2019. This was driven by considerable sales growth in the Nutrition & Health division, while sales in the Care Chemicals division were on a level with the prior-year quarter.

Factors influencing sales in Q2 2020 – Nutrition & Care

	Nutrition & Care	Care Chemicals	Nutrition & Health
Volumes	7%	4%	12%
Prices	(1%)	(2%)	2%
Portfolio	0%	0%	0%
Currencies	(2%)	(2%)	(2%)
Sales	**4%**	**0%**	**12%**

The slight sales increase was primarily due to higher volumes in both divisions. The significant volumes growth in the Nutrition & Health division was mainly attributable to the aroma ingredients, pharmaceutical and human nutrition businesses. Sales volumes rose slightly in the Care Chemicals division. Higher volumes in the home care, industrial and institutional cleaning and industrial formulators business, as well as in the oleo surfactants and alcohols business contributed to sales growth.

Negative currency effects, especially in South America, partially offset this increase.

Segment data – Nutrition & Care

Million €

	Q2			H1		
	2020	2019	+/–	2020	2019	+/–
Sales to third parties	1,555	1,495	4%	3,137	3,056	3%
of which Care Chemicals	1,007	1,004	0%	2,095	2,099	0%
Nutrition & Health	548	491	12%	1,042	957	9%
Income from operations before depreciation, amortization and special items	362	318	14%	719	645	11%
Income from operations before depreciation and amortization (EBITDA)	359	306	17%	711	626	14%
Depreciation and amortization[a]	104	99	5%	212	295	(28%)
Income from operations (EBIT)	255	207	23%	499	331	51%
Special items	(1)	(13)	92%	(11)	(111)	90%
EBIT before special items	256	220	16%	510	442	15%
Assets (June 30)	6,584	6,386	3%	6,584	6,386	3%
Investments including acquisitions[b]	104	110	(5%)	206	209	(1%)
Research and development expenses	37	38	(3%)	74	73	1%

a Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)
b Additions to property, plant and equipment and intangible assets

Sales were also negatively impacted by a slightly lower price level. This was largely attributable to lower prices in the home care, industrial and institutional cleaning and industrial formulators business in the Care Chemicals division. Slightly higher prices in the Nutrition & Health division, mainly driven by the animal nutrition business, could not compensate for this decrease.

We considerably increased **income from operations (EBIT) before special items** compared with the prior-year quarter thanks to a significantly higher contribution from the Nutrition & Health division. This was primarily due to higher margins resulting from higher volumes and prices. EBIT before special items in the Care Chemicals division declined slightly, mainly from higher fixed costs due to a one-off contractual payment in the prior-year quarter.

Agricultural Solutions

Q2 2020

Sales in the Agricultural Solutions segment were slightly below the level of the second quarter of 2019. This was mainly attributable to negative currency effects, especially in the region South America, Africa, Middle East. Higher volumes in all regions except Europe and higher price levels had a positive impact on sales.

Factors influencing sales in Q2 2020 – Agricultural Solutions

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

In **Europe**, sales declined considerably compared with the prior-year quarter, primarily as a result of lower volumes. This was attributable to lower sales volumes, especially of herbicides and fungicides, mainly due to dry weather conditions in large parts of Europe. Sales were also reduced by negative currency effects, especially in Russia and Turkey. Slightly higher prices had an offsetting effect.

We slightly increased sales in **North America** compared with the level of the second quarter of 2019. The sales increase was primarily driven by higher volumes, especially of herbicides and fungicides. Sales were dampened by lower prices.

We considerably improved sales in **Asia**, primarily from higher herbicide volumes in China, India and Australia. Slightly higher prices also had a positive impact on sales. This was partially offset by negative currency effects and portfolio effects.

Segment data – Agricultural Solutions

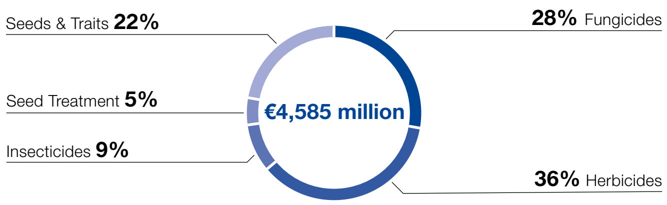
Million €

	Q2			H1		
	2020	**2019**	**+/–**	**2020**	**2019**	**+/–**
Sales to third parties	1,766	1,796	(2%)	4,585	4,445	3%
Income from operations before depreciation, amortization and special items	299	298	0%	1,288	1,208	7%
Income from operations before depreciation and amortization (EBITDA)	275	205	34%	1,242	1,148	8%
Depreciation and amortization[a]	180	176	2%	360	347	4%
Income from operations (EBIT)	95	29	228%	882	801	10%
Special items	(25)	(92)	73%	(47)	(60)	22%
EBIT before special items	120	121	(1%)	929	861	8%
Assets (June 30)	16,736	17,348	(4%)	16,736	17,348	(4%)
Investments including acquisitions[b]	71	148	(52%)	136	116	17%
Research and development expenses	200	205	(2%)	407	398	2%

a Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)
b Additions to property, plant and equipment and intangible assets

Sales in the region **South America, Africa, Middle East** rose considerably. We were able to significantly increase our volumes, particularly in Brazil and Argentina, where we recorded volumes growth in all indications and sectors. A significantly higher price level also contributed to the positive sales development. This more than offset significantly negative currency effects, especially in Brazil and Argentina.

H1 2020 sales by indication and sector



Income from operations (EBIT) before special items was down €1 million from the level of the prior-year quarter. EBIT before special items was negatively impacted by currency effects and an unfavorable product mix. This was almost offset by significantly lower fixed costs.

EBIT included special items for the integration of the businesses acquired from Bayer; these were lower than in the prior-year quarter.

Other

Q2 2020

Sales in Other declined considerably compared with the prior-year quarter. This primarily reflected the decrease in commodity trading and in the remaining activities of the paper and water chemicals business.

Income from operations before special items was considerably above the figure for the prior-year quarter.

Financial data – Other

Million €

	Q2			H1		
	2020	2019	+/–	2020	2019	+/–
Sales	507	744	(32%)	1,209	1,443	(16%)
Income from operations before depreciation, amortization and special items[a]	(41)	(121)	66%	(295)	(331)	11%
Income from operations before depreciation and amortization (EBITDA)[a]	(89)	(310)	71%	(360)	(555)	35%
Depreciation and amortization[b]	39	54	(28%)	89	100	(11%)
Income from operations (EBIT)[a]	(128)	(364)	65%	(449)	(655)	31%
Special items[a]	(48)	(193)	75%	(70)	(228)	69%
EBIT before special items[a]	(80)	(171)	53%	(379)	(427)	11%
of which costs for cross-divisional corporate research	(81)	(99)	18%	(156)	(197)	21%
costs of corporate headquarters	(57)	(66)	14%	(111)	(124)	10%
other businesses	24	48	(50%)	51	85	(40%)
foreign currency results, hedging and other measurement effects	(49)	(12)	.	3	(38)	.
miscellaneous income and expenses	83	(42)	.	(166)	(153)	(8%)
Assets (June 30)[c]	29,893	27,860	7%	29,893	27,860	7%
Investments including acquisitions[d]	34	49	(31%)	74	147	(50%)
Research and development expenses	87	103	(16%)	167	204	(18%)

a The 2019 figures have been restated to reflect the reclassification of income from non-integral companies accounted for using the equity method to net income from shareholdings. For more information, see Note 1 on page 31.
b Depreciation and amortization of property, plant and equipment and intangible assets (including impairments and reversals of impairments)
c Contains assets of businesses recognized under Other as well as reconciliation to assets of the BASF Group
d Additions to property, plant and equipment and intangible assets

Regions

Q2 2020

Sales at companies located in **Europe** declined by 21% compared with the second quarter of 2019. This was largely attributable to lower volumes in almost all segments, but especially in the Materials, Surface Technologies and Industrial Solutions segments. Lower prices, particularly in the Chemicals segment, also contributed to the sales decrease. This could only be partly offset by a higher price level in the Surface Technologies segment. Sales were positively impacted in particular by portfolio effects in the Materials segment attributable to the polyamide business acquired from Solvay. At €24 million, income from operations (EBIT) was down €372 million from the prior-year period. This was due to lower contributions from all segments, but especially from the Materials and Surface Technologies segments.

In **North America**, sales declined by 10% in euros and 12% in local currency terms. This was mainly the result of lower sales volumes, especially in the Surface Technologies and Materials segments and in Other. Volumes growth, particularly in the Chemicals segment, had an offsetting effect. A higher price level in the Surface Technologies segment due to higher precious metal prices more than offset lower prices in all other segments. Currency effects also had a slightly positive impact on sales. We improved EBIT by €45 million to minus €163 million. This was primarily attributable to significantly higher contributions from the Chemicals, Agricultural Solutions and Nutrition & Care segments.

We were able to increase sales in **Asia Pacific** by 3% in euros and 4% in local currency terms. This was largely due to higher volumes, especially in the Nutrition & Care and Chemicals segments. Portfolio effects, particularly in the Materials segment from the acquisition of Solvay's integrated polyamide business, and higher prices in the Surface Technologies segment also contributed to sales growth.

Regions

Million €

	Sales by location of company			Sales by location of customer			Income from operations by location of company[a]		
Q2	**2020**	**2019**	**+/–**	**2020**	**2019**	**+/–**	**2020**	**2019**	**+/–**
Europe	5,081	6,464	(21%)	4,689	6,024	(22%)	24	396	(94%)
of which Germany	2,149	3,499	(39%)	1,062	1,585	(33%)	(182)	87	.
North America	3,533	3,936	(10%)	3,477	3,813	(9%)	(163)	(208)	22%
Asia Pacific	3,443	3,341	3%	3,589	3,524	2%	180	305	(41%)
South America, Africa, Middle East	623	737	(15%)	925	1,117	(17%)	18	14	29%
BASF Group	**12,680**	**14,478**	**(12%)**	**12,680**	**14,478**	**(12%)**	**59**	**507**	**(88%)**
H1									
Europe	12,601	13,652	(8%)	11,900	12,697	(6%)	705	1,246	(43%)
of which Germany	5,422	7,487	(28%)	2,750	3,188	(14%)	16	493	(97%)
North America	8,779	8,577	2%	8,462	8,357	1%	311	439	(29%)
Asia Pacific	6,738	6,439	5%	7,062	6,844	3%	466	583	(20%)
South America, Africa, Middle East	1,315	1,406	(6%)	2,009	2,176	(8%)	33	18	83%
BASF Group	**29,433**	**30,074**	**(2%)**	**29,433**	**30,074**	**(2%)**	**1,515**	**2,286**	**(34%)**

a The 2019 figures have been restated to reflect the reclassification of income from non-integral companies accounted for using the equity method to net income from shareholdings. For more information, see Note 1 on page 31.

Negative currency effects in almost all segments and lower prices, especially in the Materials and Chemicals segments, had an offsetting impact. EBIT declined by €125 million to €180 million due to lower contributions from the Materials and Chemicals segments.

Sales in the region **South America, Africa, Middle East** declined by 15% in euros but rose by 6% in local currency terms. The decrease was primarily due to negative currency effects in all segments. Sales development was also weighed down by lower sales volumes, especially in the Surface Technologies segment. This was partially offset by a higher price level in the Agricultural Solutions, Nutrition & Care, Surface Technologies, Materials and Industrial Solutions segments. Portfolio effects in the Materials segment attributable to the polyamide business acquired from Solvay also had a positive impact on sales. We increased EBIT by €4 million to €18 million, primarily as a result of higher contributions from the Agricultural Solutions, Chemicals and Nutrition & Care segments.

Condensed Consolidated Half-Year Financial Statements 2020

Statement of Income

Statement of income

Million €

	Explanations in Note	Q2 2020	Q2 2019	Q2 +/–	H1 2020	H1 2019	H1 +/–
Sales revenue[a]		**12,680**	**14,478**	**(12%)**	**29,433**	**30,074**	**(2%)**
Cost of sales		(9,549)	(10,538)	9%	(21,775)	(21,465)	(1%)
Gross profit on sales[a]		**3,131**	**3,940**	**(21%)**	**7,658**	**8,609**	**(11%)**
Selling expenses		(1,827)	(1,976)	8%	(3,798)	(3,966)	4%
General administrative expenses		(313)	(348)	10%	(637)	(684)	7%
Research and development expenses		(480)	(518)	7%	(974)	(1,021)	5%
Other operating income	[5]	104	148	(30%)	604	707	(15%)
Other operating expenses	[5]	(584)	(795)	27%	(1,372)	(1,492)	8%
Income from integral companies accounted for using the equity method		28	56	(50%)	34	133	(74%)
Income from operations (EBIT)[a, c]		**59**	**507**	**(88%)**	**1,515**	**2,286**	**(34%)**
Income from non-integral companies accounted for using the equity method		(775)	(11)	.	(941)	(39)	.
Income from other shareholdings		10	22	(55%)	22	26	(15%)
Expenses from other shareholdings		(23)	(15)	(53%)	(37)	(31)	(19%)
Net income from shareholdings[a, c]	**[7]**	**(788)**	**(4)**	**.**	**(956)**	**(44)**	**.**
Interest income		37	44	(16%)	83	91	(9%)
Interest expenses		(143)	(165)	13%	(293)	(332)	12%
Interest result		**(106)**	**(121)**	**12%**	**(210)**	**(241)**	**13%**
Other financial income		(38)	8	.	41	16	156%
Other financial expenses		(50)	(97)	48%	(113)	(168)	33%
Other financial result		**(88)**	**(89)**	**1%**	**(72)**	**(152)**	**53%**
Financial result[a, c]	**[7]**	**(194)**	**(210)**	**8%**	**(282)**	**(393)**	**28%**
Income before income taxes[a]		**(923)**	**293**	**.**	**277**	**1,849**	**(85%)**
Income taxes	[8]	35	(50)	.	(284)	(443)	36%
Income after taxes from continuing operations		**(888)**	**243**	**.**	**(7)**	**1,406**	**.**
Income after taxes from discontinued operations[b]		**14**	**5,686**	**(100%)**	**36**	**5,963**	**(99%)**
Income after taxes[b]		**(874)**	**5,929**	**.**	**29**	**7,369**	**(100%)**
Noncontrolling interests	[9]	(4)	25	.	(22)	(9)	.
Net income[b]		**(878)**	**5,954**	**.**	**7**	**7,360**	**(100%)**
Earnings per share from continuing operations	**[10] €**	**(0.97)**	**0.30**	**.**	**(0.02)**	**1.54**	**.**
Earnings per share from discontinued operations	**[10] €**	**0.02**	**6.18**	**(100%)**	**0.04**	**6.47**	**(99%)**
Basic earnings per share[a]	**[10] €**	**(0.95)**	**6.48**	**.**	**0.01**	**8.01**	**(100%)**
Diluted earnings per share[a]	[10] €	(0.95)	6.48	.	0.01	8.01	(100%)

a The statement of income for 2019 was adjusted retroactively on presentation of the construction chemicals activities as discontinued operations from December 21, 2019, onward. For more information, see page 204 onward of the BASF Report 2019, Note 1.4
b In the second half of 2019, the gain on the disposal of the oil and gas business was adjusted retroactively as of May 1, 2019.
c The 2019 figures have been restated to reflect the reclassification of income from non-integral companies accounted for using the equity method to net income from shareholdings. For more information, see Note 1 on page 31

Statement of Income and Expense Recognized in Equity

Statement of comprehensive income

Million €

	H1 2020			H1 2019		
	BASF Group	Shareholders of BASF SE	Noncontrolling interests	BASF Group	Shareholders of BASF SE	Noncontrolling interests
Income after taxes	**29**	**7**	**22**	**7,369**	**7,360**	**9**
Remeasurement of defined benefit plans	(231)	(231)	–	(1,820)	(1,820)	–
Deferred taxes on nonreclassifiable gains/losses	(38)	(38)	–	614	614	–
Nonreclassifiable gains/losses after taxes from equity-accounted investments	(12)	(12)	–	–	–	–
Nonreclassifiable gains/losses	**(281)**	**(281)**	**–**	**(1,206)**	**(1,206)**	**–**
Unrealized gains/losses from fair value changes in securities measured at FVOCI[a]	–	–	–	–	–	–
Reclassification of realized gains/losses recognized in the statement of income	–	–	–	–	–	–
Fair value changes in securities measured through other comprehensive income, net	**–**	**–**	**–**	**–**	**–**	**–**
Unrealized gains/losses in connection with cash flow hedges	117	117	–	1	1	–
Reclassification of realized gains/losses recognized in the statement of income	10	10	–	9	9	–
Fair value changes in options designated as cash flow hedges, net	**127**	**127**	**–**	**10**	**10**	**–**
Unrealized gains/losses from currency translation	(528)	(525)	(3)	894	883	11
Deferred taxes on reclassifiable gains/losses	(30)	(30)	–	(16)	(16)	–
Reclassifiable gains/losses after taxes from equity-accounted investments	(150)	(150)	–	344	344	–
Reclassifiable gains/losses	**(581)**	**(578)**	**(3)**	**1,232**	**1,221**	**11**
Other comprehensive income after taxes	**(862)**	**(859)**	**–**	**26**	**15**	**–**
Comprehensive income	**(833)**	**(852)**	**19**	**7,395**	**7,375**	**20**

a FVOCI: fair value through other comprehensive income

Development of income and expense recognized in equity attributable to shareholders of BASF SE

Million €

	Other comprehensive income				
	Remeasurement of defined benefit plans	Unrealized gains/losses from currency translation	Measurement of securities at fair value	Cash flow hedges	Total income and expense recognized in equity
As of January 1, 2020	**(5,618)**	**798**	**5**	**(35)**	**(4,850)**
Changes	(243)	(697)	3	146	(791)
Transfers	–	–	–	–	–
Deferred taxes	(38)	8	–	(38)	(68)
As of June 30, 2020	**(5,899)**	**109**	**8**	**73**	**(5,709)**
As of January 1, 2019	**(5,365)**	**(466)**	**5**	**(113)**	**(5,939)**
Changes	(1,820)	1,191	2	44	(583)
Transfers	140	–	–	–	140
Deferred taxes	614	(13)	–	(3)	598
As of June 30, 2019	**(6,431)**	**712**	**7**	**(72)**	**(5,784)**

Balance Sheet

Assets

Million €

	Explanations in note	June 30, 2020	June 30, 2019	+/–	December 31, 2019	+/–
Intangible assets		14,874	16,328	(9%)	14,525	2%
Property, plant and equipment		21,883	22,118	(1%)	21,792	0%
Integral investments accounted for using the equity method[b]		1,761	1,860	(5%)	1,885	(7%)
Non-integral investments accounted for using the equity method[a, b]		11,982	14,047	(15%)	13,123	(9%)
Other financial assets		628	638	(2%)	636	(1%)
Deferred tax assets		2,826	2,973	(5%)	2,887	(2%)
Other receivables and miscellaneous assets		1,202	974	23%	1,112	8%
Noncurrent assets	**[11]**	**55,156**	**58,938**	**(6%)**	**55,960**	**(1%)**
Inventories		10,797	12,356	(13%)	11,223	(4%)
Accounts receivable, trade		9,403	11,233	(16%)	9,093	3%
Other receivables and miscellaneous assets		4,761	3,705	29%	3,790	26%
Marketable securities		350	47	.	444	(21%)
Cash and cash equivalents[c]		5,212	2,118	146%	2,427	115%
Assets of disposal groups		4,690	–	–	4,013	17%
Current assets	**[12]**	**35,213**	**29,459**	**20%**	**30,990**	**14%**
Total assets		**90,369**	**88,397**	**2%**	**86,950**	**4%**

a In the second half of 2019, the gain on the disposal of the oil and gas business was adjusted retroactively as of May 1, 2019.
b For more information on the classification of equity-accounted investments as integral and non-integral, see Note 1 on page 31
c For a reconciliation of the amounts in the statement of cash flows with the balance sheet item cash and cash equivalents, see page 28 of these consolidated half-year financial statements.

Equity and liabilities

Million €

	Explanations in note	June 30, 2020	June 30, 2019	+/–	December 31, 2019	+/–
Subscribed capital		1,176	1,176	–	1,176	–
Capital reserves		3,115	3,118	0%	3,115	–
Retained earnings		39,029	40,992	(5%)	42,056	(7%)
Other comprehensive income		(5,709)	(5,784)	1%	(4,850)	(18%)
Equity attributable to shareholders of BASF SE		**37,611**	**39,502**	**(5%)**	**41,497**	**(9%)**
Noncontrolling interests		770	840	(8%)	853	(10%)
Equity	**[13]**	**38,381**	**40,342**	**(5%)**	**42,350**	**(9%)**
Provisions for pensions and similar obligations	[14]	7,871	9,063	(13%)	7,683	2%
Tax provisions and deferred tax liabilities[a]		2,636	2,349	12%	2,280	16%
Other provisions	[15]	1,319	1,347	(2%)	1,340	(2%)
Financial indebtedness	[16]	16,664	15,960	4%	15,015	11%
Other liabilities	[16]	1,819	1,851	(2%)	1,678	8%
Noncurrent liabilities		**30,309**	**30,570**	**(1%)**	**27,996**	**8%**
Accounts payable, trade		3,820	4,835	(21%)	5,087	(25%)
Provisions		3,138	3,576	(12%)	2,938	7%
Tax liabilities		931	763	22%	756	23%
Financial indebtedness		9,417	5,077	85%	3,362	180%
Other liabilities		3,179	3,234	(2%)	3,427	(7%)
Liabilities of disposal groups		1,194	–	–	1,034	15%
Current liabilities		**21,679**	**17,485**	**24%**	**16,604**	**31%**
Total equity and liabilities		**90,369**	**88,397**	**2%**	**86,950**	**4%**

a In the second half of 2019, the gain on the disposal of the oil and gas business was adjusted retroactively as of May 1, 2019.

Statement of Cash Flows

Statement of cash flows

Million €

	Q2		H1	
	2020	**2019**	**2020**	**2019**
Net income	(878)	5,954	7	7,360
Depreciation and amortization of property, plant and equipment and intangible assets	1,050	1,078	2,049	2,109
Changes in net working capital	1,190	854	(1,810)	(904)
Miscellaneous items	880	(5,940)	966	(6,246)
Cash flows from operating activities	**2,242**	**1,946**	**1,212**	**2,319**
Payments made for property, plant and equipment and intangible assets	(726)	(981)	(1,295)	(1,722)
Acquisitions/divestitures	–	2,174	(1,245)	2,292
Changes in financial assets and miscellaneous items	21	96	15	(118)
Cash flows from investing activities	**(705)**	**1,289**	**(2,525)**	**452**
Capital increases/repayments and other equity transactions	3	1	4	1
Changes in financial and similar liabilities	3,470	(834)	7,799	(214)
Dividends	(3,100)	(3,014)	(3,136)	(3,014)
Cash flows from financing activities	**373**	**(3,847)**	**4,667**	**(3,227)**
Cash-effective changes in cash and cash equivalents[a]	1,910	(612)	3,354	(456)
Cash and cash equivalents at the beginning of the period and other changes[b]	3,852	2,730	2,408	2,574
Cash and cash equivalents at the end of the period[b]	**5,762**	**2,118**	**5,762**	**2,118**

a In the first quarter of 2020, BASF SE transferred securities in the amount of €80 million (first quarter of 2019: €300 million) to BASF Pensionstreuhand e.V., Ludwigshafen am Rhein, Germany. This transfer was not cash effective and therefore had no effect on the statement of cash flows.

b In 2020 and 2019, cash and cash equivalents presented in the statement of cash flows deviate from the figures in the balance sheet, as the relevant amounts were reclassified in the balance sheet to assets of disposal groups. The disposal group for the oil and gas business contained cash and cash equivalents of €219 million as of January 1, 2019, and €447 million as of March 31, 2019. There was no longer a deviation from the figure in the balance sheet as of June 30, 2019.
As of January 1, 2020, cash and cash equivalents deviate from the figure in the balance sheet due to the reclassification of cash and cash equivalents to the disposal groups for the construction chemicals business (€21 million) and the pigments business (€7 million). As of March 31, 2020, €24 million was reclassified in the balance sheet to the disposal group for the construction chemicals business, and €12 million to the disposal group for the pigments business. As of June 30, 2020, €538 million was reclassified to the disposal group for the construction chemicals business, and €12 million to the disposal group for the pigments business.

Statement of Changes in Equity

H1 2020

Million €

	Number of shares outstanding	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income[a]	Equity attributable to shareholders of BASF SE	Noncontrolling interests	Equity
As of January 1, 2020	**918,478,694**	**1,176**	**3,115**	**42,056**	**(4,850)**	**41,497**	**853**	**42,350**
Effects of acquisitions achieved in stages	–	–	–	–	–	**–**	–	**–**
Dividends paid	–	–	–	(3,031)	–	**(3,031)**	(105) [b]	**(3,136)**
Income after taxes	–	–	–	7	–	**7**	22	**29**
Changes to income and expense recognized directly in equity	–	–	–	–	(859)	**(859)**	(3)	**(862)**
Changes in scope of consolidation and other changes	–	–	–	(3)	–	**(3)**	3	**–**
As of June 30, 2020	**918,478,694**	**1,176**	**3,115**	**39,029**	**(5,709)**	**37,611**	**770**	**38,381**

H1 2019

Million €

	Number of shares outstanding	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income[a]	Equity attributable to shareholders of BASF SE	Noncontrolling interests	Equity
As of January 1, 2019	**918,478,694**	**1,176**	**3,118**	**36,699**	**(5,939)**	**35,054**	**1,055**	**36,109**
Effects of acquisitions achieved in stages	–	–	–	–	–	**–**	–	**–**
Dividends paid	–	–	–	(2,939)	–	**(2,939)**	(75) [b]	**(3,014)**
Income after taxes	–	–	–	7,360	–	**7,360**	9	**7,369**
Changes to income and expense recognized directly in equity	–	–	–	–	15	**15**	11	**26**
Changes in scope of consolidation and other changes	–	–	–	(128)	140	**12**	(160)	**(148)**
As of June 30, 2019	**918,478,694**	**1,176**	**3,118**	**40,992**	**(5,784)**	**39,502**	**840**	**40,342**

a Details are provided in the Statement of Income and Expense Recognized in Equity on page 24.
b Including profit and loss transfers

Segment Reporting

H1

Million €

	Sales			EBITDA before special items[a]			EBITDA[a]			Income from operations (EBIT) before special items[b]		
	2020	2019	+/–	2020	2019	+/–	2020	2019	+/–	2020	2019	+/–
Chemicals	4,141	4,728	(12%)	607	791	(23%)	596	771	(23%)	172	425	(60%)
Materials	5,017	5,892	(15%)	562	999	(44%)	459	986	(53%)	129	657	(80%)
Industrial Solutions	3,917	4,327	(9%)	623	720	(13%)	560	853	(34%)	436	507	(14%)
Surface Technologies	7,427	6,183	20%	304	495	(39%)	290	487	(40%)	69	280	(75%)
Nutrition & Care	3,137	3,056	3%	719	645	11%	711	626	14%	510	442	15%
Agricultural Solutions	4,585	4,445	3%	1,288	1,208	7%	1,242	1,148	8%	929	861	8%
Other	1,209	1,443	(16%)	(295)	(331)	11%	(360)	(555)	35%	(379)	(427)	11%
BASF Group	**29,433**	**30,074**	**(2%)**	**3,808**	**4,527**	**(16%)**	**3,498**	**4,316**	**(19%)**	**1,866**	**2,745**	**(32%)**

H1

Million €

	Income from operations (EBIT)			Research and development expenses			Assets			Investments including acquisitions[c]		
	2020	2019	+/–	2020	2019	+/–	2020	2019	+/–	2020	2019	+/–
Chemicals	152	265	(43%)	49	53	(8%)	8,642	9,058	(5%)	513	572	(10%)
Materials	17	640	(97%)	86	95	(9%)	9,831	9,174	7%	1,506	321	369%
Industrial Solutions	373	635	(41%)	88	96	(8%)	6,983	7,193	(3%)	135	182	(26%)
Surface Technologies	41	269	(85%)	103	102	1%	11,700	11,378	3%	220	228	(4%)
Nutrition & Care	499	331	51%	74	73	1%	6,584	6,386	3%	206	209	(1%)
Agricultural Solutions	882	801	10%	407	398	2%	16,736	17,348	(4%)	136	116	17%
Other	(449)	(655)	31%	167	204	(18%)	29,893	27,860	7%	74	147	(50%)
BASF Group	**1,515**	**2,286**	**(34%)**	**974**	**1,021**	**(5%)**	**90,369**	**88,397**	**2%**	**2,790**	**1,775**	**57%**

a For an explanation of this indicator, see page 49 of the BASF Report 2019, Results of Operations
b For an explanation of this indicator, see page 30 of the BASF Report 2019, Value-Based Management
c Additions to property, plant and equipment and intangible assets

Other in H1[d]

Million €

		2020	2019	+/–
Sales		**1,209**	**1,443**	**(16%)**
Income from operations (EBIT) before special items		**(379)**	**(427)**	**11%**
of which	costs for cross-divisional corporate research	(156)	(197)	21%
	costs of corporate headquarters	(111)	(124)	10%
	other businesses	51	85	(40%)
	foreign currency results, hedging and other measurement effects	3	(38)	.
	miscellaneous income and expenses	(166)	(153)	(8%)
Special items		(70)	(228)	69%
Income from operations (EBIT)		**(449)**	**(655)**	**31%**

d For more information on Other, see pages 36 and 37 of the Notes to the Consolidated Half-Year Financial Statements

Notes to the Consolidated Half-Year Financial Statements

1 Basis of presentation

The Consolidated Financial Statements of the BASF Group for the year ending December 31, 2019, were prepared in accordance with the International Financial Reporting Standards (IFRS) in effect as of the balance sheet date. The Consolidated Half-Year Financial Statements as of June 30, 2020, have been prepared – in line with the rules of International Accounting Standard 34 – in abbreviated form and largely continuing the same accounting policies.

One change arose with respect to the presentation of some of the investments accounted for using the equity method that are not an integral part of the BASF Group. These include, in particular, the shares in Wintershall Dea GmbH, Kassel/Hamburg, Germany, and Solenis UK International Ltd., London, United Kingdom. To increase reporting transparency, these will be classified in the future as purely financial investments and reported separately from the shareholdings that are integral to the main business activities of the BASF Group. One material equity-accounted interest that has been classified as integral is BASF-YPC Company Ltd., Nanjing, China. Consequently, income from non-integral companies accounted for using the equity method is not presented in the BASF Group's EBIT and EBIT before special items, but under net income from shareholdings. Due to its increased significance, this will be presented as a separate subtotal within income before income taxes and is no longer part of the financial result. Integral and non-integral investments accounted for using the equity method will also be shown separately in the balance sheet. The statement of income for 2019 has been restated accordingly.

In the second half of 2019, the gain on the disposal of the oil and gas business was adjusted retroactively as of May 1, 2019. This led to changes to income after taxes from discontinued operations, non-integral investments accounted for using the equity method, and deferred tax liabilities. In addition, the statement of income for 2019 was adjusted retroactively on presentation of the construction chemicals activities as a discontinued operation from December 21, 2019, onward.

For more information, see page 204 onward of the BASF Report 2019, Note 1.4

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

The BASF Report 2019 containing the Consolidated Financial Statements as of December 31, 2019, can be found online at basf.com/report

Selected exchange rates

EUR 1 equals

	Closing rates		Average rates H1	
	June 30, 2020	Dec. 31, 2019	2020	2019
Brazil (BRL)	6.11	4.52	5.41	4.34
China (CNY)	7.92	7.82	7.75	7.67
United Kingdom (GBP)	0.91	0.85	0.87	0.87
Japan (JPY)	120.66	121.94	119.27	124.28
Malaysia (MYR)	4.80	4.60	4.68	4.65
Mexico (MXN)	25.95	21.22	23.84	21.65
Norway (NOK)	10.91	9.86	10.73	9.73
Russian Federation (RUB)	79.63	69.96	76.67	73.74
Switzerland (CHF)	1.07	1.09	1.06	1.13
South Korea (KRW)	1,345.83	1,296.28	1,329.53	1,295.20
United States (USD)	1.12	1.12	1.10	1.13

Accounting policies applied for the first time in 2020

Amendments to References to the Conceptual Framework in IFRS Standards

The amendments update references to and quotes from the Conceptual Framework and were endorsed by the E.U. on November 29, 2019. The revised Conceptual Framework issued on March 29, 2018 replaces the previous Conceptual Framework from 2010. The main changes primarily relate to the definition, recognition and measurement of assets and liabilities, as well as the differentiation between income and expense and other comprehensive income. They have no effect on BASF's Consolidated Financial Statements.

Amendments to IAS 1 – Financial Statement Presentation and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
The amendments issued by the IASB on October 31, 2018 provide a uniform and more precise definition of the materiality of information provided in the financial statements, together with accompanying examples. In this connection, the definitions in the Conceptual Framework, IAS 1, IAS 8 and the IFRS Practice Statement 2 (Making Materiality Judgements) were harmonized. The amendments were endorsed by the E.U. on November 29, 2019. They have no effect on the reporting of BASF.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 on September 26, 2019, completing Phase 1 of the Interest Rate Benchmark Reform project. The amendments relate to existing uncertainties surrounding the interest rate benchmark reform. According to the original hedge accounting policies, pending adjustments to interest rate benchmarks would, in many cases, have resulted in an end to hedging relationships. The amendments to IFRS 9 and IAS 39 ensure the continuity of hedging relationships despite existing uncertainties regarding interest rate benchmarks, for example by defining that the highly probable requirement is always considered to be met. In connection with the amendments to IFRS 9 and IAS 39, additional disclosure requirements were added to IFRS 7. The amendments were endorsed by the E.U. on January 15, 2020. This change does not have any impact on BASF as of June 30, 2020, as no hedging relationships affected by interest rate benchmarks were subject to hedge accounting.

Amendments to IFRS 3 – Business Combinations
The amendments issued on October 22, 2018, clarify that a business is a set of activities and assets with at least one input and one substantive process that together significantly contribute to the ability to create outputs. Outputs are defined as the provision of goods and services to customers. The existing reference to cost reduction was removed. In addition, the new provisions also contain an optional concentration test designed to simplify identification of a business. The modified definition was endorsed by the E.U. on April 21, 2020, and is to be applied to business combinations with an acquisition date on or after January 1, 2020. These amendments have no material effect on the reporting of BASF.

The IASB has proposed a further **amendment to IFRS 16 – Leases** relating to COVID-19-related rent concessions. This amendment is to be applied from June 1, 2020, onward but has not yet been endorsed by the E.U. These amendments are not expected to have any effect on the reporting of BASF.

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 2020, 21 companies have been included in the scope of consolidation for the first time: 11 due to their increased materiality, one newly established company and nine acquired companies. The deconsolidations resulted from one liquidation, one merger and two companies that were no longer included in the scope of consolidation due to reduced materiality.

Scope of consolidation

	2020	2019
As of January 1	302	331
of which proportionally consolidated	7	8
First-time consolidations	21	4
of which proportionally consolidated	2	–
Deconsolidations	4	21
of which proportionally consolidated	–	1
As of June 30	**319**	**314**
of which proportionally consolidated	9	7

Companies accounted for using the equity method

	2020	2019
As of January 1	25	35
As of June 30	**25**	**26**

3 Acquisitions and divestitures

Acquisitions

BASF closed the acquisition of Solvay's polyamide business (PA 6.6) on January 31, 2020. DOMO Chemicals, Leuna, Germany, was approved by the E.U. Commission as the buyer of the European polyamide business, which could not be acquired by BASF under the conditions imposed by the authorities. The transaction broadens BASF's polyamide capabilities with innovative and well-known products such as Technyl®. It also enhances the company's access to growth markets in Asia as well as in North and South America. Through the backward integration into the key raw material adiponitrile (ADN), BASF is now represented along the entire polyamide 6.6 value chain and can offer improved delivery reliability. The purchase price of the business acquired by BASF was €1.3 billion on a cash and debt-free basis. The business was integrated into the Performance Materials and Monomers divisions. The transaction between Solvay and BASF included eight production sites in Germany, France, China, India, South Korea, Brazil and Mexico, as well as research and development and technical consultation centers in Asia and the Americas. It also included two investments in France, which are accounted for as joint operations: the 50% interest in Butachimie SNC, Chalampé, France, to produce ADN and hexamethylenediamine, and the 51% interest in the newly established Alsachimie S.A.S., Chalampé, France, to produce adipic acid. With the acquisition, around 700 Solvay employees were transferred to BASF.

The preliminary purchase price allocation considers all the facts and circumstances prevailing as of the date of acquisition that were known prior to the preparation of these Consolidated Half-Year Financial Statements. In accordance with IFRS 3, should further such facts and circumstances become known within the 12-month measurement period, the purchase price allocation can be adjusted accordingly.

Preliminary purchase price allocation for the acquisition of assets and liabilities from Solvay

Million €

	Fair value as of date of acquisition
Goodwill	118
Other intangible assets	650
Property, plant and equipment	434
Investments accounted for using the equity method	–
Other financial assets	–
Deferred taxes	8
Other receivables and miscellaneous assets	55
Noncurrent assets	**1,265**
Inventories	153
Accounts receivable, trade	165
Other receivables and miscellaneous assets	161
Marketable securities	–
Cash and cash equivalents	63
Current assets	**542**
Total assets	**1,807**
Provisions for pensions and similar obligations	30
Tax provisions and deferred tax liabilities	35
Other provisions	8
Financial indebtedness	–
Other liabilities	45
Noncurrent liabilities	**118**
Accounts payable, trade	274
Provisions	2
Tax liabilities	28
Financial indebtedness	3
Other liabilities	74
Current liabilities	**381**
Total liabilities	**499**
Total purchase price	**1,308**

Goodwill of €118 million resulted in particular from cost and sales synergies.

Agreed transactions

- On August 29, 2019, BASF and the fine chemicals company DIC, Tokyo, Japan, signed an agreement on the transfer of the global pigments business. The purchase price on a cash and debt-free basis is €1.15 billion. The transaction is expected to close in the fourth quarter of 2020. The sale is subject to approval by the relevant antitrust authorities. The transaction affects approximately 2,600 employees in the Dispersions & Pigments division.
- On December 21, 2019, BASF and a subsidiary of Lone Star, Dallas, Texas, signed an agreement on the sale of BASF's construction chemicals business. The purchase price on a cash and debt-free basis is €3.17 billion. The transaction is expected to close in the third quarter of 2020, subject to the approval of the relevant antitrust authorities. The planned sale covers more than 7,000 employees as well as production sites and sales offices in more than 60 countries in the former Construction Chemicals division.

Discontinued operations

Earnings from the discontinued construction chemicals business were as follows:

Statement of income from the discontinued construction chemicals business

Million €

		Jan. 1–June 30, 2020	Jan. 1–June 30, 2019
Sales revenue		**1,187**	**1,261**
Cost of sales		(608)	(696)
Gross profit on sales		**579**	**565**
Selling expenses		(356)	(431)
General administrative expenses		(51)	(34)
Research and development expenses		(17)	(16)
Other operating income and expenses		(104)	(25)
Income from companies accounted for using the equity method		–	–
EBIT		**51**	**59**
Financial result		(2)	(2)
Income before income taxes		**49**	**57**
Income taxes		(13)	(15)
Income after income taxes		**36**	**42**
of which attributable to noncontrolling interests		3	4
Income after noncontrolling interests		**33**	**38**
Earnings per share from discontinued operations	€	**0.04**	**0.04**

The discontinued construction chemicals business accounted for the following amounts in the BASF Group's statement of cash flows:

Cash flows from the discontinued construction chemicals business

Million €

	Jan. 1–June 30, 2020	Jan. 1–Dec. 31, 2019
Cash flows from operating activities	(1)	219
Cash flows from investing activities	(68)	(107)
Cash flows from financing activities	(29)	(18)
Total	**(98)**	**94**

Groups of assets and liabilities held for sale (disposal groups)

With the agreement on the acquisition of the global pigments business by the fine chemical company DIC, the affected assets and liabilities were reclassified to a disposal group. The business is allocated to the Dispersions & Pigments division.

An impairment test was conducted for the disposal group for the pigments business on June 30, 2020. The recoverable amount was determined as of June 30, 2020, by discounting expected cash flows until closing, including income from the sale, at a WACC of 7.98%. This resulted in an impairment in the amount of €66 million, which reduced the goodwill of the disposal group for the pigments business accordingly.

4 Segment reporting

The BASF Group's business is run by 11 divisions, structured in six segments:
- **Chemicals:** Petrochemicals, Intermediates
- **Materials:** Performance Materials, Monomers
- **Industrial Solutions:** Dispersions & Pigments, Performance Chemicals
- **Surface Technologies:** Catalysts, Coatings
- **Nutrition & Care:** Care Chemicals, Nutrition & Health
- **Agricultural Solutions:** Agricultural Solutions

The divisions are allocated to the segments based on their business models and according to their focal points, customer groups, the focus of their innovations, their investment relevance and sustainability aspects.

The **Chemicals** segment comprises the Petrochemicals and Intermediates divisions and is the cornerstone of BASF's Verbund structure. It supplies the other segments with basic chemicals and intermediates, contributing to the organic growth of our key value chains. Alongside internal transfers, customers include the chemical and plastics industries. The segment's competitiveness is strengthened by technological leadership and operational excellence.

The **Materials** segment is composed of the Performance Materials division and the Monomers division. The segment offers advanced materials and their precursors for new applications and systems. Its product portfolio includes isocyanates and polyamides as well as inorganic basic products and specialties for plastics and plastics processing.

The **Industrial Solutions** segment consists of the Dispersions & Pigments and the Performance Chemicals divisions. The segment develops and markets ingredients and additives for industrial applications, such as polymer dispersions, pigments, resins, electronic materials, antioxidants and additives. Its customers come from key industries such as automotive, plastics and electronics.

The **Surface Technologies** segment bundles chemical solutions for surfaces with the Catalysts and Coatings divisions. Its product spectrum includes catalysts and battery materials for the automotive and chemical industries, surface treatments, colors and coatings.

The **Nutrition & Care** segment comprises the Care Chemicals division and the Nutrition & Health division. The segment produces ingredients and solutions for consumer applications in the areas of nutrition, home and personal care. Its customers include food and feed producers as well as the pharmaceutical, cosmetics, and the detergent and cleaner industries.

The **Agricultural Solutions** segment consists of the division of the same name. As an integrated provider, its portfolio comprises fungicides, herbicides, insecticides and biological crop protection products, as well as seeds and seed treatment products. Furthermore, Agricultural Solutions offers farmers innovative solutions, including those based on digital technologies, combined with practical advice.

Activities that are not allocated to any of the continuing divisions are recorded under **Other**.

These include other businesses, which comprise commodity trading, engineering and other services, rental income and leases. Discontinued operations and certain activities remaining after divestitures are also reported here. The former Construction Chemicals division is classified as a discontinued operation. As such, it has been reported under Other since the sale of the construction chemicals business to an affiliate of Lone Star was agreed on December 21, 2019.

The following activities are also presented under Other:
- The steering of the BASF Group by corporate headquarters.
- Cross-divisional corporate research, which includes plant biotechnology research, works on long-term topics of strategic importance to the BASF Group. Furthermore, it focuses on the development of specific key technologies, which are of central importance for the divisions.
- Results from currency translation that are not allocated to the segments; earnings from the hedging of raw materials prices and foreign currency exchange risks; and gains and losses from the long-term incentive (LTI) program.
- Remanent fixed costs resulting from organizational changes or restructuring; function and region-related restructuring costs not allocated to a division; idle capacity costs from internal human resource platforms.

Reconciliation of segment income to income before income taxes

Million €

	H1	
	2020	**2019**
EBIT before special items of the segments	2,245	3,172
EBIT before special items of Other	(379)	(427)
EBIT before special items	**1,866**	**2,745**
Special items of the segments	(281)	(231)
Special items of Other	(70)	(228)
Special items	**(351)**	**(459)**
EBIT of the segments	1,964	2,941
EBIT of Other	(449)	(655)
EBIT	**1,515**	**2,286**
Net income from shareholdings	(956)	(44)
Financial result	(282)	(393)
Income before income taxes	**277**	**1,849**

Reconciliation of segment assets to the assets of the BASF Group

Million €

	June 30, 2020	June 30, 2019[a]
Segment assets	**60,476**	**60,537**
Assets of businesses included in Other	2,207	2,631
Other financial assets and non-integral investments accounted for using the equity method	12,610	14,685
Deferred tax assets	2,826	2,973
Cash and cash equivalents / marketable securities	5,562	2,165
Defined benefit assets	125	199
Other receivables / prepaid expenses	3,828	2,334
Assets of the construction chemicals business disposal group	2,735	2,873
Assets of Other	**29,893**	**27,860**
Assets of the BASF Group	**90,369**	**88,397**

a The carrying amounts of non-integral investments accounted for using the equity method previously presented under "Assets of businesses included in Other" have been reclassified to "Other financial assets and non-integral investments accounted for using the equity method."

The same accounting rules are used for segment reporting as those used for the Group. Transfers between the segments are generally executed at adjusted market-based prices, taking into account the higher cost efficiency and lower risk of intragroup 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.

Income from operations (EBIT) before special items is used for the internal steering of the segments and complements the key management indicator, ROCE. EBIT is calculated from gross profit on sales, selling expenses, general administrative expenses, research and development expenses, other operating income and expenses, and income from integral companies accounted for using the equity method. To calculate EBIT before special items, this figure is then adjusted for special items. Special items arise from the integration of acquired businesses, restructuring costs, certain impairments, gains or losses resulting from divestitures and sales of integral investments accounted for using the equity method, and other expenses and income that arise outside of ordinary business activities. EBIT and EBIT before special items are alternative performance measures that are not defined under IFRS and are to be considered as being complementary to the indicators defined by IFRS.

5 Other operating income and expenses

Other operating income

Million €

	H1 2020	H1 2019
Income from the adjustment and release of provisions recognized in other operating expenses	6	24
Revenue from miscellaneous activities	114	86
Income from foreign currency and hedging transactions as well as from the measurement of LTI options	119	25
Income from the translation of financial statements in foreign currencies	9	4
Gains on divestitures and the disposal of noncurrent assets	45	359
Reversals of impairment losses on noncurrent assets	–	2
Income from the reversal of valuation allowances for business-related receivables	12	10
Other	299	197
Other operating income	**604**	**707**

Other operating expenses

Million €

	H1 2020	H1 2019
Restructuring and integration measures	223	429
Environmental protection and safety measures, costs of demolition and removal, and project costs not subject to mandatory capitalization	136	131
Depreciation, amortization and impairments of noncurrent assets	130	272
Costs from miscellaneous revenue-generating activities	102	70
Expenses from foreign currency and hedging transactions as well as from the measurement of LTI options	163	118
Losses from the translation of financial statements in foreign currencies	14	9
Losses from divestitures and the disposal of noncurrent assets	22	6
Expenses from the addition of valuation allowances on business-related receivables	38	33
Expenses for derecognition of obsolete inventory	137	91
Other	407	333
Other operating expenses	**1,372**	**1,492**

Income from foreign currency and hedging transactions as well as from the measurement of LTI options rose from €25 million in the first half of 2019 to €119 million in the first half of 2020. This was mainly due to higher income from the release of provisions for the long-term incentive program (LTI program).

At €45 million, gains on divestitures and the disposal of noncurrent assets in the first half of 2020 were significantly below the figure for the prior-year period. The higher gains in the first half of 2019 resulted from the merger of the paper and water chemicals business with Solenis and the sale of a development project for seed treatment.

Other income increased to €299 million (H1 2019: €197 million), mainly as a result of higher gains from precious metal trading.

Restructuring expenses in connection with BASF's excellence program in the first half of 2020 were lower than in the prior-year period. The expenses from the integration of Solvay's global polyamide business as of January 31, 2020, were lower than the expenses from integration measures in the previous year, which related to the seed and non-selective herbicide businesses acquired from Bayer.

The decrease in depreciation, amortization and impairments of noncurrent assets was due among other factors to lower impairments. In the previous year, this included the impairment of a natural gas-based investment on the U.S. Gulf Coast.

Expenses from foreign currency and hedging transactions and from the measurement of LTI options rose, mainly as a result of higher losses from the measurement of LTI options.

The increase in other expenses was primarily attributable to expenses in connection with the COVID-19 pandemic, in particular BASF's "Helping Hands" aid campaign.

6 Income from companies accounted for using the equity method

Income from investments accounted for using the equity method decreased from €94 million in the first half of 2019 to minus €907 million in the first half of 2020. Of the €1,001 million decline in income, €902 million related to non-integral and €99 million to integral investments accounted for using the equity method. The decline in income from non-integral investments accounted for using the equity method was mainly attributable to an impairment of the shareholding in Wintershall Dea GmbH, Kassel/Hamburg, Germany, in the amount of €819 million due to lower oil and gas price forecasts and changed reserve estimates. Of the decrease in income from integral investments accounted for using the equity method, €90 million related to the shareholding in BASF-YPC Company Ltd., Nanjing, China, primarily due to the scheduled turnarounds of the production plants.

7 Net income from shareholdings and financial result

Net income from shareholdings

Million €

	H1 2020	H1 2019
Income from non-integral companies accounted for using the equity method	**(941)**	**(39)**
Dividends and similar income	2	21
Income from the disposal of shareholdings	20	4
Income from profit transfer agreements	–	1
Income from tax allocation to shareholdings	–	–
Income from other shareholdings	**22**	**26**
Expenses from loss transfer agreements	(26)	(30)
Write-downs on / losses from the sale of shareholdings	(11)	(1)
Expenses from other shareholdings	**(37)**	**(31)**
Net income from shareholdings	**(956)**	**(44)**

Net income from shareholdings decreased, primarily due to an impairment of the shareholding in Wintershall Dea GmbH, Kassel/Hamburg, Germany, in the amount of €819 million. The impairment was attributable to lower oil and gas price forecasts and changed reserve estimates.

For more information, see Note 11 from page 42 onward

Financial result

Million €

	H1 2020	H1 2019
Interest income from cash and cash equivalents	74	84
Interest and dividend income from securities and loans	9	7
Interest income	**83**	**91**
Interest expenses	**(293)**	**(332)**
Interest result	**(210)**	**(241)**
Reversals of write-downs on / income from securities and loans	3	–
Net interest income from overfunded pension plans and similar obligations	–	–
Income from the capitalization of borrowing costs	15	16
Miscellaneous financial income	23	–
Other financial income	**41**	**16**
Write-downs on / losses from securities and loans	(56)	(4)
Net interest expense from underfunded pension plans and similar obligations	(54)	(76)
Net interest expense from other long-term personnel obligations	–	(1)
Unwinding the discount on other noncurrent liabilities	(3)	(2)
Miscellaneous financial expenses	–	(85)
Other financial expenses	**(113)**	**(168)**
Other financial result	**(72)**	**(152)**
Financial result	**(282)**	**(393)**

The interest result rose by €31 million, from minus €241 million to minus €210 million, mainly due to lower interest expenses for financial indebtedness in the first half of 2020.

The net interest expense from underfunded pension plans and similar obligations declined year on year as a result of the lower interest rate used to determine expenses for pension benefits compared with the previous year.

The decline in other financial expenses was primarily due to lower expenses for hedging bonds and U.S. dollar commercial paper against interest and currency risks.

8 Income taxes

Income before income taxes

Million €

	H1 2020	H1 2019
Germany	(1,136)	406
Foreign	1,413	1,443
Income before income taxes	**277**	**1,849**

Income taxes

		H1 2020	H1 2019
Germany	Million €	32	133
Foreign	Million €	252	310
Income taxes	**Million €**	**284**	**443**
Tax rate	%	102.5	24.0

The increase in the tax rate from 24.0% to 102.5% was mainly due to the non-tax-effective impairment of the shareholding in Wintershall Dea GmbH.

9 Noncontrolling interests

Noncontrolling interests

Million €

	H1 2020	H1 2019
Noncontrolling interests in profits	47	44
Noncontrolling interests in losses	(25)	(35)
Noncontrolling interests	**22**	**9**

Noncontrolling interests in losses declined year on year, mainly due to scheduled turnarounds of the steam cracker at BASF TOTAL Petrochemicals LLC, Port Arthur, Texas, in the first half of 2019.

10 Earnings per share

Earnings per share

		H1 2020	H1 2019
Net income	Million €	7	7,360
Number of outstanding shares (weighted average)	1,000	918,479	918,479
Earnings per share	**€**	**0.01**	**8.01**

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

In the first half of 2020, and in the prior-year period, there was no dilutive effect; basic earnings per share were the same as the diluted value per share.

11 Noncurrent assets

Development of intangible assets and property, plant and equipment H1

Million €

	Intangible assets		Property, plant and equipment	
	2020	**2019**	**2020**	**2019**
Cost				
As of January 1	17,555	20,364	65,508	64,303
Additions	805	59	1,985	1,716
Disposals	(31)	(122)	(418)	(297)
Transfers	(55)	(1)	35	12
Currency effects	(120)	104	(477)	175
As of June 30	**18,154**	**20,404**	**66,633**	**65,909**
Accumulated depreciation and amortization				
As of January 1	3,030	3,813	43,716	42,228
Additions	340	363	1,643	1,746
Disposals	(19)	(120)	(372)	(273)
Transfers	(57)	–	(2)	6
Currency effects	(14)	20	(235)	84
As of June 30	**3,280**	**4,076**	**44,750**	**43,791**
Net carrying amount as of June 30	**14,874**	**16,328**	**21,883**	**22,118**

Additions to property, plant and equipment were mainly due to investment projects. As well as the expansion of the vitamin A plant in Ludwigshafen, Germany, these included construction and expansion projects and modernization measures, in particular at the sites in Ludwigshafen, Germany; Antwerp, Belgium; Shanghai, China; Geismar, Louisiana; and Freeport, Texas.

In addition, the acquisition of Solvay's global polyamide business added property, plant and equipment in the amount of €434 million and intangible assets in the amount to €768 million.

For more information, see Note 3 from page 34 onward

As well as depreciation, the item additions to depreciation and amortization on property, plant and equipment included, in particular, discontinued investments in North America.

Currency effects were primarily due to the depreciation of the Brazilian real against the euro.

Development of investments accounted for using the equity method

Million €

	H1					
	Integral		Non-integral		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
As of January 1	**1,885**	**1,927**	**13,123**	**284**	**15,008**	**2,211**
Additions	–	10	–	14,668	–	14,678
Disposals	(5)	(33)	(11)	(871)	(16)	(904)
Transfers	(85)	(52)	(993)	(45)	(1,078)	(97)
Currency effects	(34)	8	(137)	11	(171)	19
Net carrying amount as of June 30	**1,761**	**1,860**	**11,982**	**14,047**	**13,743**	**15,907**

In the first half of 2019, **additions** to non-integral investments accounted for using the equity method related to the shareholding in Wintershall Dea GmbH, Kassel/Hamburg, Germany, in the amount of €14,078 million and in Solenis UK International Ltd., London, United Kingdom, in the amount of €590 million.

Disposals in the first half of 2020 related to capital decreases at the integral equity-accounted shareholding in BASF Sonatrach PropanChem, S.A., Tarragona, Spain (minus €5 million) and at the non-integral shareholding in Solenis UK International Ltd. (minus €11 million). In the first half of 2019, disposals related to a capital decrease in the amount of €871 million at the non-integral equity-accounted shareholding in Wintershall Dea GmbH and the sale of the integral equity-accounted shareholding in Synvina C.V., Amsterdam, Netherlands.

Transfers in the first half of 2020 amounted to minus €1,078 million and included the income after taxes, dividend distributions, other comprehensive income and impairments of the investments accounted for using the equity method. Transfers at non-integral shareholdings mainly related to an impairment of the shareholding in Wintershall Dea GmbH in the amount of €819 million as a result of updated oil and gas price forecasts and changed reserve estimates. As part of the impairment test, the expected cash flows in euros from the exploration and production assets held by Wintershall Dea were updated and discounted. This assumed an oil price of $43 per bbl of Brent crude in 2021 that rises to a nominal $62 per bbl by 2023 and then develops in line with cost increases. The development of gas prices assumed a price of $3.8 per mmbtu (TTF) for 2021 that rises to a nominal $7.7 per mmbtu in 2025 and then follows the expected cost trend. The expected cash flows were discounted using the country-specific cost of capital rates, which reflect the relevant country risks and tax rates. The cost of capital rates in euros, calculated using the capital asset pricing model, were between 5.9% and 11.2% after taxes. This corresponds to cost of capital rates before taxes of between 8.6% and 32%. An increase in the cost of capital rate of one percentage point would lead to an additional impairment of around €1.2 billion. All other assumptions remaining the same, the effect would be approximately twice as high in the case of a 10% decrease in price assumptions over the entire planning period.

In the first half of 2020, **currency effects** reduced the carrying amount of investments accounted for using the equity method by €171 million. This mainly affected the non-integral shareholdings in Wintershall Dea GmbH (minus €88 million) and Solenis UK International Ltd. (minus €47 million).

Other financial assets

Million €	June 30, 2020	Dec. 31, 2019	June 30, 2019
Other shareholdings	506	501	511
Long-term securities	122	135	127
Other financial assets	**628**	**636**	**638**

12 Current assets

Current assets

Million €	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials and factory supplies	3,463	3,379	3,659
Work in progress, finished goods and merchandise	7,237	7,742	8,580
Advance payments and services in progress	97	102	117
Inventories	**10,797**	**11,223**	**12,356**
Accounts receivable, trade	**9,403**	**9,093**	**11,233**
Other receivables and miscellaneous assets	4,761	3,790	3,705
Marketable securities	350	444	47
Cash and cash equivalents	5,212	2,427	2,118
Assets of disposal groups	4,690	4,013	–
Other current assets	**15,013**	**10,674**	**5,870**
Current assets	**35,213**	**30,990**	**29,459**

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

The increase in trade accounts receivable since December 31, 2019, was primarily attributable to seasonal sales volumes growth in the Agricultural Solutions segment.

The rise in the item "Other receivables and miscellaneous assets" was largely due to precious metal trading positions, derivatives with positive fair values and tax receivables.

13 Equity

Authorized capital

BASF SE has only issued fully paid-up registered shares with no par value. There are no preferential voting rights or other restrictions. BASF SE does not hold any treasury shares.

In accordance with the resolution of the Annual Shareholders' Meeting on May 3, 2019, the Board of Executive Directors was authorized, with the consent of the Supervisory Board, to increase, until May 2, 2024, on a one-off basis or in portions on a number of occasions, the company's share capital by a total of up to €470 million by issuing new shares against contributions in cash or in kind. In principle, shareholders are entitled to a subscription right. However, the Board of Executive Directors is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in the cases specified in the authorizing resolution. The Board of Executive Directors is authorized, with the consent of the Supervisory Board, to lay down the further contents of the share rights and the details of the execution of the capital increase. The total shares issued on the basis of the above authorization with the exclusion of the shareholders' subscription right in the case of capital increases in return for contributions in cash or in kind must not exceed 10% of the share capital at the time that this authorization comes into effect or – if this value is lower – at the time of its exercise. The proportionate amount of the share capital of those shares that are to be issued on the basis of conversion or option bonds granted during the term of this authorization under the exclusion of the subscription right, must be credited against the aforementioned ceiling of 10%. This authorization has not been exercised to date.

Conditional capital

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

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

Authorization of share buybacks

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

Capital reserves

Capital reserves include effects from BASF's share program, premiums from capital increases and consideration for warrants and negative goodwill from the capital consolidation resulting from acquisitions of subsidiaries in exchange for the issue of BASF SE shares at par value.

Retained earnings

Reserves and retained earnings

Million €

	June 30, 2020	Dec. 31, 2019
Legal reserves	868	830
Other retained earnings	38,161	41,226
Retained earnings	**39,029**	**42,056**

Transfers from other retained earnings increased legal reserves by €38 million in the first half of 2020.

Payment of dividends

In accordance with the resolution of the Annual Shareholders' Meeting on June 18, 2020, BASF SE paid a dividend of €3.30 per qualifying share from the retained profit of the 2019 fiscal year. With 918,478,694 qualifying shares, this represented total dividends of €3,030,979,690.20. The remaining €868,110,024.68 in retained profits was allocated to retained earnings.

14 Provisions for pensions

Assumptions used to determine the defined benefit obligation

%

	Germany		United States		Switzerland		United Kingdom	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Discount rate	1.30	1.10	2.40	3.10	0.30	0.20	1.70	2.20
Projected pension increase	1.50	1.50	–	–	–	–	3.00	3.00

Assumptions used to determine expenses for pension benefits

From January 1 to June 30 of the respective year in %

	Germany		United States		Switzerland		United Kingdom	
	2020	2019	2020	2019	2020	2019	2020	2019
Discount rate	1.10	1.70	3.10	4.10	0.20	0.90	2.20	2.90
Projected pension increase	1.50	1.50	–	–	–	–	3.00	3.10

The assumptions used to determine the defined benefit obligation as of December 31, 2019, are used in the 2020 fiscal year to determine the expenses for pension plans.

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

A slight increase in the discount rate in Switzerland and in the eurozone, and a significant decrease in the United States and in the United Kingdom led to actuarial gains on pension obligations totaling €293 million in the first half of 2020. Including the deviation between the actual return on plan assets and the standardized return on plan assets, negative remeasurement effects totaled €243 million. These were recognized in other comprehensive income (OCI), taking into account deferred taxes of €38 million. Overall, pension provisions rose by €188 million compared with December 31, 2019.

15 Other provisions

Development in H1 2020

Million €

	January 1, 2020	Additions	Unwinding of discount	Utilization	Releases	Other changes	June 30, 2020
Restoration obligations	77	1	1	(2)	(2)	(1)	74
Environmental protection and remediation costs	654	47	2	(40)	(1)	3	665
Employee obligations	1,653	695	–	(1,070)	(83)	(57)	1,138
Obligations from sales and purchase contracts	1,165	1,208	–	(408)	(56)	(84)	1,825
Restructuring measures	141	11	–	(57)	(3)	–	92
Litigation, damage claims, warranties and similar obligations	126	15	1	(5)	(1)	(12)	124
Other	462	173	–	(87)	(7)	(2)	539
Total	**4,278**	**2,150**	**4**	**(1,669)**	**(153)**	**(153)**	**4,457**

On June 30, 2020, other provisions were €179 million above the 2019 year-end figure.

Provisions for employee obligations declined significantly following the payout of the 2019 bonus to employees of the BASF Group.

The increase in obligations from sales and purchase contracts was mainly due to the seasonal rise in provisions for discounts.

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

16 Liabilities

Liabilities

Million €

	June 30, 2020		December 31, 2019		June 30, 2019	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Accounts payable, trade	**3,820**	**–**	**5,087**	**–**	**4,835**	**–**
Bonds and other liabilities to the capital market	8,087	13,823	2,230	12,907	4,091	13,816
Liabilities to credit institutions	1,330	2,841	1,132	2,108	986	2,144
Financial indebtedness	**9,417**	**16,664**	**3,362**	**15,015**	**5,077**	**15,960**
Tax liabilities	**931**	**–**	**756**	**–**	**763**	**–**
Advances received on orders	227	–	537	–	207	–
Negative fair values from derivatives and liabilities for precious metal obligations	921	204	955	188	419	240
Liabilities related to social security	115	63	84	63	88	57
Miscellaneous liabilities	1,856	1,542	1,818	1,414	2,461	1,529
Deferred income	60	10	33	13	59	25
Other liabilities	**3,179**	**1,819**	**3,427**	**1,678**	**3,234**	**1,851**
Liabilities	**17,347**	**18,483**	**12,632**	**16,693**	**13,909**	**17,811**

Financial indebtedness

Million €

		Currency	Nominal volume[a]	Effective interest rate	Carrying amounts based on effective interest method: June 30, 2020	December 31, 2019	June 30, 2019
BASF SE							
Commercial paper		EUR	1,025		1,024	–	–
Commercial paper		GBP	1,000		1,094	–	–
Commercial paper		USD	4,427		3,943	861	2,488
variable	Bond 2017/2019	EUR	1,250	variable	–	–	1,251
variable	Bond 2013/2020	EUR	300	variable	–	300	300
1.875%	Bond 2013/2021	EUR	1,000	1.47%	1,003	1,004	1,006
2.500%	Bond 2017/2022	USD	500	2.65%	446	444	438
1.375%	Bond 2018/2022	GBP	250	1.52%	273	293	278
2.000%	Bond 2012/2022	EUR	1,250	1.93%	1,252	1,253	1,253
0.925%	Bond 2017/2023	USD	850	0.83%	733	726	713
0.101%	Bond 2020/2023	EUR	1,000	0.143%	999	–	–
0.875%	Bond 2016/2023	GBP	250	1.06%	272	292	277
2.500%	Bond 2014/2024	EUR	500	2.60%	498	498	498
1.750%	Bond 2017/2025	GBP	300	1.87%	327	350	332
0.875%	Bond 2018/2025	EUR	750	0.97%	747	746	746
3.675%	Bond 2013/2025	NOK	1,450	3.70%	133	147	149
0.250%	Bond 2020/2027	EUR	1,000	0.32%	996	–	–
0.875%	Bond 2017/2027	EUR	1,000	1.04%	988	987	987
2.670%	Bond 2017/2029	NOK	1,600	2.69%	146	162	165
0.875%	Bond 2019/2029	EUR	250	1.01%	247	247	247
1.500%	Bond 2018/2030	EUR	500	1.63%	494	494	494
1.500%	Bond 2016/2031	EUR	200	1.58%	199	198	198
0.875%	Bond 2016/2031	EUR	500	1.01%	493	493	493
2.370%	Bond 2016/2031	HKD	1,300	2.37%	150	149	146
1.450%	Bond 2017/2032	EUR	300	1.57%	296	296	296

Continued on next page

a Million in issuing currency as of the balance sheet date

Continued from previous page

Financial indebtedness

Million €

		Currency	Nominal volume[a]	Effective interest rate	Carrying amounts based on effective interest method June 30, 2020	December 31, 2019	June 30, 2019
3.000%	Bond 2013/2033	EUR	500	3.15%	492	492	492
2.875%	Bond 2013/2033	EUR	200	2.96%	198	198	198
4.000%	Bond 2018/2033	AUD	160	4.24%	96	98	96
1.625%	Bond 2017/2037	EUR	750	1.73%	738	738	737
3.250%	Bond 2013/2043	EUR	200	3.27%	199	199	200
1.025%	Bond 2018/2048	JPY	10,000	1.03%	83	82	81
3.890%	U.S. private placement series A 2013/2025	USD	250	3.92%	223	222	219
4.090%	U.S. private placement series B 2013/2028	USD	700	4.11%	624	622	614
4.430%	U.S. private placement series C 2013/2034	USD	300	4.45%	267	266	263
BASF Finance Europe N.V.							
0.000%	Bond 2016/2020	EUR	1,000	0.14%	1,000	999	998
3.625%	Bond 2018/2025	USD	200	3.69%	178	177	175
0.750%	Bond 2016/2026	EUR	500	0.88%	496	496	495
Other bonds					**562**	**608**	**584**
Bonds and other liabilities to the capital market					**21,909**	**15,137**	**17,907**
Liabilities to credit institutions					4,171	3,240	3,130
Financial indebtedness					**26,081**	**18,377**	**21,037**

a Million in issuing currency as of the balance sheet date

17 Related party transactions

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

Sales from subsidiaries to BASF Group companies amounted to €105 million in the first half of 2020, and €91 million in the first half of 2019. Sales from joint ventures with BASF Group companies amounted to €418 million in the first half of 2020, and €326 million in the first half of 2019. Sales from associated companies with companies in the BASF Group amounted to €300 million in the first half of 2020, and €319 million in the first half of 2019.

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

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

The balance of valuation allowances on trade accounts receivable from related parties amounted to €4 million as of June 30, 2020, compared with €5 million as of December 31, 2019.

The balance of valuation allowances on other receivables from nonconsolidated subsidiaries rose from €23 million as of December 31, 2019, to €55 million as of June 30, 2020. Of this amount, €33 million was recognized as an expense.

The following tables show the volume of business with related parties that are included in the Consolidated Financial Statements at amortized cost or accounted for using the equity method. The values include sales, receivables, other receivables, liabilities and other liabilities with respect to the disposal groups and/or discontinued operations.

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 €

	H1	
	2020	2019
Nonconsolidated subsidiaries	367	327
Joint ventures	435	332
Associated companies	239	319

Trade accounts receivable from / trade accounts payable to related parties

Million €

	Accounts receivable, trade		
	June 30, 2020	Dec. 31, 2019	June 30, 2019
Nonconsolidated subsidiaries	231	193	186
Joint ventures	78	80	84
Associated companies	78	129	163

	Accounts payable, trade		
	June 30, 2020	Dec. 31, 2019	June 30, 2019
Nonconsolidated subsidiaries	77	136	68
Joint ventures	62	122	103
Associated companies	27	54	42

Other receivables from / liabilities to related parties

Million €

	Other receivables		
	June 30, 2020	Dec. 31, 2019	June 30, 2019
Nonconsolidated subsidiaries	196	285	251
Joint ventures	68	80	96
Associated companies	57	57	72

	Other liabilities		
	June 30, 2020	Dec. 31, 2019	June 30, 2019
Nonconsolidated subsidiaries	152	219	205
Joint ventures	48	92	675
Associated companies	304	345	232

Responsibility Statement

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

Ludwigshafen, July 21, 2020

BASF SE
The Board of Executive Directors

Quarterly Statement Q3 2020

October 28, 2020

BASF Report 2020

February 26, 2021

Quarterly Statement Q1 2021 / Annual Shareholders' Meeting 2021

April 29, 2021

Half-Year Financial Report 2021

July 28, 2021

Quarterly Statement Q3 2021

October 27, 2021

BASF supports the chemical industry's global Responsible Care initiative.

Further information

Published on July 29, 2020
You can find this and other BASF publications online at basf.com/publications

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Forward-looking statements and forecasts

This half-year financial report contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. Such risk factors include those discussed in Opportunities and Risks on pages 139 to 147 of the BASF Report 2019. The BASF Report is available online at basf.com/report. We do not assume any obligation to update the forward-looking statements contained in this half-year financial report above and beyond the legal requirements.

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