

Interim Report

1st Half Results 2010 (January – June)



BASF achieves leap in earnings

- Portfolio optimization is paying off
- Sales and earnings in the chemicals business at a record level
- Important strategic step: Agreement to acquire Cognis
- 2nd Half 2010: Economic recovery to continue at a moderate pace



The Chemical Company

BASF Group

1st Half 2010

Million €	2nd Quarter			1st Half		
	2010	2009	Change in %	2010	2009	Change in %
Sales	16,214	12,502	29.7	31,668	24,721	28.1
Income from operations before depreciation and amortization (EBITDA)	2,867	1,576	81.9	5,494	3,163	73.7
Income from operations (EBIT) before special items	2,206	1,140	93.5	4,160	2,125	95.8
Income from operations (EBIT)	2,079	772	169.3	3,919	1,700	130.5
Financial result	(93)	(59)	(57.6)	(173)	(261)	33.7
Income before taxes and minority interests	1,986	713	178.5	3,746	1,439	160.3
Net income	1,183	343	244.9	2,212	718	208.1
Earnings per share (€)	1.29	0.37	248.6	2.41	0.78	209.0
Adjusted earnings per share (€) ¹	1.50	0.79	90.3	2.82	1.34	110.7
EBITDA as a percentage of sales	17.7	12.6	–	17.3	12.8	–
Cash provided by operating activities	1,709	1,563	9.3	2,721	3,647	(25.4)
Additions to long-term assets ²	494	4,390	(88.7)	874	4,915	(82.2)
Excluding acquisitions	494	737	(33.0)	874	1,262	(30.7)
Research expenses	376	352	6.8	726	677	7.2
Amortization and depreciation ²	788	804	(2.0)	1,575	1,463	7.7
Segment assets (June 30) ³	45,549	41,794	9.0	–	–	–
Personnel costs	2,166	1,793	20.8	4,116	3,335	23.4
Number of employees (June 30)	103,284	106,667	(3.2)	–	–	–

¹ For further information, see page 33

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

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

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¹ This section is not part of the interim management's analysis.

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Change
in comparison with
1st half 2009

1st Half
2010

Sales

+28%

EBIT
before special items

+96%

BASF's Segments

Chemicals

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In the Chemicals segment, we supply products to customers in the chemical, electronics, construction, textile, automotive, pharmaceutical and agricultural industries as well as many others. Furthermore, we ensure that other BASF segments are supplied with chemicals for the production of higher value products. Our portfolio ranges from basic chemicals, glues and electronic chemicals for the semiconductor and solar cell industries, to solvents and plasticizers, as well as starting materials for products such as detergents, plastics, textile fibers, paints and coatings and pharmaceuticals.

Plastics

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The Plastics segment includes a broad range of products, system solutions and services. We offer a number of engineering plastics for the automotive and electric industries as well as for use in household appliances and sports and leisure products. Our styrenic foams are used as insulating materials in the construction industry and in packaging. Our polyurethanes are extremely versatile: as soft foams, for example, they improve car seats and mattresses, and as rigid foams they serve as highly efficient insulation in refrigerators.

Performance Products

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Performance Products lend stability and color to countless everyday items and help to improve their application profile. Our product portfolio includes vitamins and food additives as well as ingredients for pharmaceuticals and for hygiene, home and personal care items. Other Performance Products improve processes in the paper industry, oil production, mining and water treatment. They can also enhance the efficiency of fuels and lubricants, the effectiveness of adhesives and coatings and the stability of plastics.

Functional Solutions

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In the Functional Solutions segment we bundle system solutions and innovative products for specific customers and industries, in particular for the automotive and construction sectors. Our portfolio comprises automotive and industrial catalysts, automotive and industrial coatings, as well as concrete admixtures and construction systems such as tile adhesives and architectural coatings.

Agricultural Solutions

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Our crop protection products guard against fungal diseases, insects and weeds and they increase quality and secure crop yields. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, healthier nutrition and for use as renewable raw materials.

Oil & Gas

→ Page 12



As the largest German producer of oil and gas, we focus our exploration and production on oil and gas-rich regions in Europe, North Africa, South America, Russia and the Caspian Sea region. Together with our Russian partner Gazprom, we are active in the trading, transport and storage of natural gas in Europe.

BASF Innovations

The new lightness in furniture construction

→ Kaurit® Light from BASF makes chipboard 30% lighter for modern interior design

The furniture industry has long been on the lookout for more lightweight boards. That is why BASF has now developed a technology for an innovative wood-based material with the potential to revolutionize the furniture market: Kaurit® Light. Wood-based panels made with the new technology weigh 30% less than conventional chipboard while offering the same strength. Kaurit Light panels consist of wood chips, a foamed polymer and Kaurit glue.

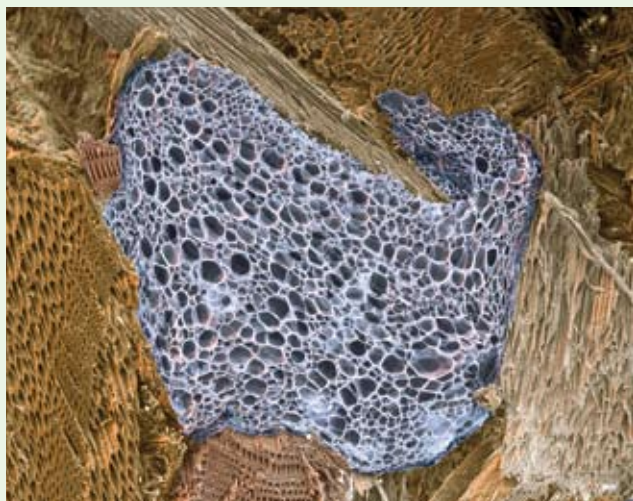
Conventional chipboard is made of three layers: The two outer layers have the smoothest possible surface and are therefore made of small wood particles. Between them is the middle layer making up two thirds of the total wood content. The larger wood chips incorporated in this layer make sure the panel can withstand loading. To produce the chipboard, the wood chips are first dried and then mixed with glue. They are then spread in three layers on top of each other on a conveyor belt and bonded together under high pressure at up to 250 degrees Celsius.

With the Kaurit Light technology, about 200 kilograms of wood per cubic meter of wood-based panel are replaced by 15 to 25 kg of polymer. The polymer is added in the form of foam beads only in the middle layer. Although the panel now incorporates much more air, it has the same strength as conventional chipboard: The foamed polymer fills the cavities between the wood chips, generates counter pressure and creates additional binding sites that enhance the panel's strength. The result is a versatile wood-based panel that is around 30% lighter per cubic meter than standard chipboard.

A further advantage of wood-based panel manufactured with Kaurit Light: Chipboard can be made on existing machinery and can be processed with the usual surfaces, edges and fittings.



The innovative wood-based material with Kaurit Light technology opens up new design and construction possibilities, for example, in the kitchen.



Foamed polymer fills the cavities between the wood chips, generates counter pressure and creates additional binding sites that enhance the panel's strength.

Innovations in the chemical industry – Kaurit® Light

- New BASF technology for innovative wood-based materials
- Chipboard with Kaurit Light weighs 30% less than conventional chipboard – while offering the same strength
- The Kaurit Light concept replaces some of the woodchips with polymer in the form of foam beads
- The new material is attractive for manufacturers: Production and processing can take place with existing machinery and trusted materials

BASF Group Business Review

2nd Quarter 2010

Global economic recovery continued in the second quarter of 2010. As a result of strong demand, our business developed better than expected. Sales grew by 30% to €16.2 billion. Income from operations before special items increased by 94% to €2,206 million, thanks mainly to higher sales volumes. Nearly all divisions significantly improved earnings compared with the very weak second quarter of 2009. Compared with the first quarter of 2010, sales and earnings in the chemicals business¹ increased again.

Sales volumes increased sharply compared with the same period of the previous year in almost all segments; volumes in Agricultural Solutions were at the very high level of the second quarter of 2009. Prices were higher year-on-year in nearly all divisions, particularly in the Petrochemicals and Performance Polymers divisions. In the Catalysts division, higher prices were particularly attributable to an increase in precious metals prices. The weaker euro had a positive impact on sales in all businesses.

Factors influencing sales (% of sales)















	2nd Quarter
Volumes	14
Prices	9
Portfolio measures	1
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Sales in **Chemicals** were well above those in the same quarter of the previous year. Demand for our products was high and sales volumes increased substantially. At the same time, the available supply of some products, such as those in the butanediol value-adding chain and petrochemicals, remained tight despite high capacity utilization. Earnings improved significantly thanks to increased volumes and margins. Earnings also

improved compared with the first quarter of 2010 despite the scheduled maintenance shutdown at our site in Nanjing, China.

In a favorable market environment, positive sales development in the **Plastics** segment continued. Compared with the weak second quarter of 2009, sales in the segment climbed sharply. High capacity utilization at our plants and good margins for polyamide intermediates contributed to a significant improvement in earnings. We also surpassed the figures in the first quarter of 2010.

2nd quarter sales (million €)

Chemicals	2010	2,970	64%	
	2009	1,809		
Plastics	2010	2,584	48%	
	2009	1,750		
Performance Products	2010	3,151	29%	
	2009	2,443		
Functional Solutions	2010	2,453	40%	
	2009	1,755		
Agricultural Solutions	2010	1,211	3%	
	2009	1,175		
Oil & Gas	2010	2,374	(3%)	
	2009	2,452		
Other	2010	1,471	32%	
	2009	1,118		

All divisions in the **Performance Products** segment increased their sales markedly thanks to stronger demand. Due to the limited availability of important intermediates, there were some delivery bottlenecks. Positive currency effects and higher prices boosted sales growth in the segment. The upturn in the business environment and the realization of synergies both helped increase earnings, which were well above the level of the second quarter of 2009. Every division made a clearly positive contribution to earnings.

BASF Group 2nd Quarter 2010

- Global economic recovery continues in second quarter 2010
- Sales grow by 30% to €16.2 billion; higher sales volumes and prices in nearly every division
- Earnings improve substantially by 94% to €2,206 million; strong earnings growth in almost all divisions
- Earnings decline in Agricultural Solutions due to targeted increases in selling expenses as well as research and development expenses; slight increase in earnings in Oil & Gas thanks to larger gas trading volumes
- Sales and earnings in the chemicals business also rise compared with the first quarter of 2010

¹ Our chemicals business includes the Chemicals, Plastics, Performance Products and Functional Solutions segments.

Increasing demand from the automotive sector, a key customer industry, as well as higher precious metals prices led to significant growth in sales for the **Functional Solutions** segment. The business environment in the construction industry, on the other hand, remained difficult. All divisions contributed substantially to earnings. Overall, the segment's earnings improved significantly compared with the same quarter of 2009.

In the **Agricultural Solutions** segment, we increased sales thanks to positive currency effects as well as higher volumes in South America and Asia. In North America, business with our recently launched innovative herbicide Kixor™ continued to develop very successfully. Earnings were lower year-on-year due to lower prices and targeted increases in selling expenses and research and development expenses.

In the **Oil & Gas** segment, sales fell slightly below the level of the second quarter of 2009. Sharp sales volume increases in Natural Gas Trading as a result of weather and the economic upturn helped sales to match the level of the second quarter 2009 despite declining natural gas prices. In the business sector Exploration & Production, sales in Libya declined due mainly to the OPEC production restrictions. Earnings grew slightly overall thanks to higher gas trading volumes.

Other posted significant sales growth, primarily as a result of higher prices in the Styrenics business. Styrenics improved its earnings. Provisions for the BASF option program reduced earnings because BASF shares outperformed the benchmark index MSCI World Chemicals in the second quarter of 2010.

Special items of minus €127 million primarily resulted from expenses for planned restructuring measures. In the second quarter of 2009, special items had amounted to minus €368 million due to the integration of Ciba.

Compared with the same period of the previous year, **EBIT** grew by €1,307 million to €2,079 million. **EBITDA** rose by €1,291 million to €2,867 million. The EBITDA margin increased to 17.7% (second quarter of 2009: 12.6%).

2nd quarter EBIT before special items (million €, absolute change)

Chemicals	2010	687	+429	
	2009	258		
Plastics	2010	349	+211	
	2009	138		
Performance Products	2010	471	+391	
	2009	80		
Functional Solutions	2010	165	+117	
	2009	48		
Agricultural Solutions	2010	320	(47)	
	2009	367		
Oil & Gas	2010	515	+9	
	2009	506		
Other	2010	(301)	(44)	
	2009	(257)		

At minus €93 million, the financial result was €34 million less than in the second quarter of the previous year due to lower income from participations.

Income before taxes and minority interests increased by €1,273 million to €1,986 million. At 32.5%, the tax rate was lower than in the second quarter of 2009. This was mainly due to the lower earnings contribution from the highly-taxed Oil & Gas segment.

Net income increased by €840 million to €1,183 million. **Earnings per share** were €1.29 in the second quarter compared with €0.37 in the same period of 2009. Adjusted for special items and amortization of intangible assets, earnings per share amounted to €1.50 (second quarter of 2009: €0.79).

→ Information on the calculation of adjusted earnings per share can be found on page 33

BASF Group special items (million €)

	2010	2009
1st quarter	(114)	(57)
2nd quarter	(127)	(368)
1st half	(241)	(425)
3rd quarter		(277)
4th quarter		(473)
Full Year		(1,175)

Adjusted earnings per share (€)

	2010	2009
1st quarter	1.32	0.55
2nd quarter	1.50	0.79
1st half	2.82	1.34
3rd quarter		0.61
4th quarter		1.06
Full Year		3.01

BASF Group Business Review

1st Half 2010

Our business benefited in the first half of 2010 from the global economic recovery. Demand for chemical products was additionally driven by our customers' inventory restocking. At €31.7 billion, sales were 28% higher than the exceptionally low level of the previous year's first half. In the chemicals business¹, we significantly surpassed the sales levels of the first half of 2009 in all segments. Income from operations before special items increased sharply by 96% to €4,160 million. All divisions made a significant contribution to earnings.

Compared with the weak first half of 2009, sales volumes rose sharply in nearly all segments. In Agricultural Solutions, sales volumes were slightly higher year-on-year. Prices increased particularly strongly in the Petrochemicals, Performance Polymers and Catalysts divisions. In the Oil & Gas segment, a significant decline in natural gas prices had a negative impact on sales. Portfolio measures, in particular the acquisition of Ciba, increased BASF Group sales by 4% while positive currency effects boosted sales by 2%.

Factors influencing sales (% of sales)















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Volumes	19
Prices	3
Portfolio measures	4
Currencies	2
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In the **Chemicals** segment, sales volumes in all divisions increased sharply; some capacity-related delivery bottlenecks occurred. Sales were well above the level of the first half of 2009. The Petrochemicals division in particular posted sharply higher sales thanks to price increases. The scheduled maintenance shutdown at the Nanjing site in the second quarter of 2010 had a negative impact on earnings. Nevertheless, earnings significantly improved compared with the weak first half of 2009

thanks to the considerable rise in volumes and higher margins, such as those for ammonia and petrochemicals.

The business environment for the **Plastics** segment has been recovering steadily since the beginning of 2010. Thanks to stronger demand, sales in the segment grew sharply compared with the same period of the previous year. In the Performance Polymers division, demand for polyamide intermediates exceeded available supply and margins rose. Additionally, higher volumes contributed to a significant improvement in earnings.

1st half sales (million €)

Chemicals	2010	5,558	65%	
	2009	3,365		
Plastics	2010	4,781	49%	
	2009	3,213		
Performance Products	2010	6,022	46%	
	2009	4,120		
Functional Solutions	2010	4,543	37%	
	2009	3,323		
Agricultural Solutions	2010	2,356	2%	
	2009	2,320		
Oil & Gas	2010	5,599	(12%)	
	2009	6,346		
Other	2010	2,809	38%	
	2009	2,034		

In the **Performance Products** segment, sales in all divisions increased markedly thanks to rising product demand. They were additionally boosted in the first quarter of 2010 by the inclusion of the Ciba businesses, which have now been integrated. Due to the limited availability of important intermediates, there were some delivery bottlenecks. Both the economic upturn and the realization of synergies had a positive impact on earnings. All divisions posted a significant increase in earnings compared with the same period in 2009.

BASF Group 1st Half 2010

- Positive business development in a favorable market environment; increasing demand for chemical products
- Sales grow by 28% to €31.7 billion; sales volumes rise sharply in almost all segments
- Earnings increase sharply by 96% to €4,160 million; all divisions make significant earnings contribution
- Sales in Agricultural Solutions increase slightly thanks to positive currency effects; earnings lower due to targeted increases in selling expenses as well as research and development expenses
- Oil & Gas segment's sales decline due to OPEC production restrictions as well as a sharp decrease in natural gas prices; earnings lower than in first half 2009 primarily due to negative time-lag effect

¹ Our chemicals business includes the Chemicals, Plastics, Performance Products and Functional Solutions segments.

The **Functional Solutions** segment benefited primarily from the rising demand in the automotive sector. A sharp increase in precious metals prices also helped boost sales. Earnings were well above the level of the weak first half of 2009. Although the situation in the construction industry remained difficult, the Construction Chemicals division was also able to improve earnings thanks to higher volumes and successful cost reduction.

In the **Agricultural Solutions** segment, unfavorable weather conditions in the northern hemisphere had a negative impact on sales. Sales increased in Asia and South America thanks to higher sales volumes. In North America, strong demand for our innovative herbicide Kixor™ nearly compensated for the declining sales volumes in fungicides. Overall, sales increased slightly thanks to positive currency effects. Targeted increases in selling expenses as well as research and development expenses had a negative impact on earnings, which did not match the level of the first half of 2009.

Sales in the **Oil & Gas** segment declined compared with the same period of 2009, primarily as a result of the sharp drop in natural gas prices. Even the significant increase in gas trading volumes could not offset this effect. As a result of OPEC production restrictions in Libya, oil production volumes fell. Furthermore, the negative time-lag effect was detrimental to margins in both business areas. Overall, earnings did not match those of the same period of the previous year.

In **Other**, sales increased sharply compared with the first half of 2009. This was due mainly to positive business development in the Styrenics business, where earnings increased significantly. Provisions for the BASF option program had a negative impact on earnings because BASF shares outperformed the benchmark index MSCI World Chemicals in the first half of 2010.

Special items of minus €241 million (first half of 2009: minus €425 million) primarily resulted from the integration of Ciba and expenses for planned restructuring measures.

Compared with the same period of the previous year, **EBIT** grew by €2,219 million to €3,919 million. **EBITDA** rose by €2,331 million to €5,494 million. The EBITDA margin increased to 17.3% (first half of 2009: 12.8%).

1st half EBIT before special items (million €, absolute change)

Chemicals	2010	1,148	+806		
	2009	342			
Plastics	2010	628	+519		
	2009	109			
Performance Products	2010	890	+687		
	2009	203			
Functional Solutions	2010	276	+274		
	2009	2			
Agricultural Solutions	2010	641	(70)		
	2009	711			
Oil & Gas	2010	1,144	(87)		
	2009	1,231			
Other	2010	(567)	(94)		
	2009	(473)			

The financial result was minus €173 million, an improvement of €88 million compared with the same period of the previous year. This was primarily attributable to improved earnings at OAO Severneftegazprom which were mainly a result of currency gains. OAO Severneftegazprom, which holds the license to operate the Yuzhno Russkoye natural gas field, is accounted for using the equity method.

Income before taxes and minority interests increased by €2,307 million to €3,746 million. At 33.5%, the tax rate was lower than in the first half of 2009 due to the lower share of earnings from the highly-taxed Oil & Gas segment.

Net income increased by €1,494 million to €2,212 million. **Earnings per share** amounted to €2.41 in the first half of 2010 compared with €0.78 in the same period of the previous year. Adjusted for special items and amortization of intangible assets, earnings per share were €2.82 (first half of 2009: €1.34).

→ **Information on the calculation of adjusted earnings per share can be found on page 33**

Earnings in the 1st Half of 2010

- EBIT before special items improved in the second quarter of 2010 compared with the first quarter
- Income before taxes and minority interests increased by €2,307 million compared with the same period of 2009
- Net income rose by €1,494 million compared with the first half of 2009
- Earnings per share of €2.41 (first half of 2009: €0.78)
- Adjusted earnings per share of €2.82 (first half of 2009: €1.34)

BASF on the Capital Market

Overview of BASF shares

		2nd Quarter 2010	1st Half 2010
Performance (with dividends reinvested)			
BASF	%	2.0	7.8
DAX 30	%	(3.1)	0.1
DJ EURO STOXX 50	%	(10.2)	(11.1)
DJ Chemicals	%	(11.9)	(9.0)
MSCI World Chemicals	%	(13.0)	(10.1)
Share prices and trading (XETRA)			
Average	€	44.97	43.72
High	€	48.55	48.55
Low	€	40.71	39.43
Close (end of period)	€	45.11	45.11
Average daily trade	Million shares	6.2	5.1
Outstanding shares (end of period) ¹	Million shares	918.5	918.5
Market capitalization (end of period) ¹	Billion €	41.4	41.4

Market trend

At the end of the second quarter, BASF shares traded at €45.11, a decline of 1.8% compared with the closing price in the first quarter of 2010. Assuming the dividend of €1.70 paid out on April 30, 2010 was reinvested, our share performance in the second quarter was around 2%. The BASF stock thus outperformed the German and European stock markets, whose leading indices the DAX 30 and DJ EURO STOXX 50 lost 3.1% and 10.2% of their value, respectively, in the same period. The global industry indices DJ Chemicals and MSCI World Chemicals also lost 11.9% and 13%, respectively, compared with their value in the first quarter.

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

Continued good credit ratings

Following the June 2010 announcement of BASF's planned acquisition of specialty chemicals company Cognis,

Standard & Poor's lowered its long-term rating by one notch to "A"; Moody's put its long-term A1 rating "under review for possible downgrade." BASF's short-term ratings were confirmed by both agencies at their highest level. With an "A/A-1 outlook stable" rating from rating agency Standard & Poor's and "A1/P-1 rating under review" from Moody's, BASF continues to have good credit ratings, also compared with its competitors in the chemical industry.

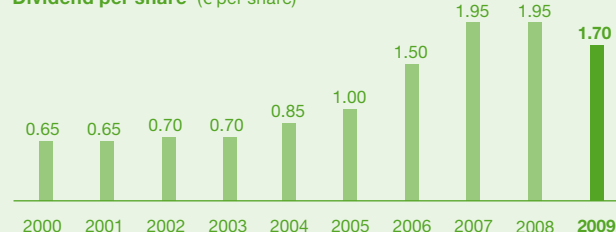
More honors for our financial communication

For the fourth time in a row, BASF has won the Investor Relations award from the business magazine Capital. Furthermore, in the Thomson Extel Pan-European Survey 2010, BASF's Investor Relations team was honored as "Best IR Team in Europe" and "Best IR Team in the Chemicals Sector." Additionally, in a survey for the U.K.'s IR Magazine, BASF was honored multiple times for its Investor Relations work.

BASF on the Capital Market

- BASF share clearly outperforms the overall market in the second quarter
 - Continued good credit ratings, also after the announcement of the planned Cognis acquisition
 - BASF's Investor Relations team once again receives multiple awards
- You can reach our Investor Relations team by phoning +49 621 60-48230 or by e-mailing investorrelations@basf.com

Dividend per share¹ (€ per share)



¹ Adjusted for two-for-one stock split conducted in the second quarter of 2008.

Significant Events and Economic Environment

BASF reached an agreement with the owners of Cognis Holding Luxembourg S.à r.l. to acquire the specialty chemicals company Cognis. Cognis is a leading supplier of innovative system solutions and products based on renewable raw materials for the health and nutrition market as well as the cosmetics, detergents and cleaners industries. By acquiring Cognis, BASF is strengthening its portfolio with cyclically robust and profitable businesses and further expanding its position as the world's leading chemical company. The acquisition is subject to clearance by the competent authorities. We aim to close the transaction in November 2010.

BASF and Monsanto are expanding their cooperation in maximizing crop yield. Wheat will be added to the companies' joint plant biotechnology pipeline, which already includes corn (maize), soy, cotton and canola (oil-seed rape). In addition, the partners are increasing their investments in the collaboration. Originally, the two companies dedicated a joint budget of around \$1.5 billion; the new agreement will result in a potential additional investment of more than \$1 billion. BASF and Monsanto have been working together since 2007 on the development of higher-yielding and stress-tolerant crops.

Nord Stream AG has taken on GDF SUEZ S.A. as a fifth shareholder in the consortium. The French energy company is acquiring a 4.5% stake each from founding members Wintershall and E.ON Ruhrgas, giving it a 9% holding in Nord Stream AG. Gazprom continues to have a 51% stake while N.V. Nederlandse Gasunie holds 9%. E.ON Ruhrgas and Wintershall now each hold a 15.5% stake. The participation of GDF SUEZ strengthens the European dimension of the Nord Stream project, which will significantly improve Europe's natural gas infrastructure. Construction on the pipeline began in April 2010. It is scheduled to start transporting Russian gas to Europe in 2011.

BASF began construction on the world's largest production plant for the aroma chemical L-menthol at the company's Ludwigshafen site. L-menthol is an ingredient in numerous flavoring, dental care and pharmaceutical products and is the world's top-selling aroma chemical. With construction of this plant, BASF is adding another important product to its citral value-adding chain and strengthening its position as a leading supplier of aroma chemicals. The new plant is expected to start up in 2012.

Economic environment

The global economy began to see a strong upturn in the fourth quarter of 2009 and this trend continued in the first half of 2010. Rising demand led to a significant increase in global industrial production. At the same time, the situation on international financial markets intensified again in the second quarter as a result of the high debt level in some European countries. Government stimulus programs helped boost certain industries and also bolstered consumer spending. Against the backdrop of positive business expectations, companies ramped up their investing activities again. However, leading indicators suggest a diminishing growth dynamic in Asia and North America.

Global gross domestic product grew by around 4% in the first half of 2010 compared with the same period of the previous year. The global economic growth was driven mainly by the positive trend in Asia. Compared with the same period of the previous year, global industrial production increased by around 10%.

→ The outlook for the full year 2010 can be found on page 15

Significant Events and Economic Environment

- BASF reaches agreement to acquire the specialty chemicals company Cognis
- BASF and Monsanto expand their plant biotechnology cooperation
- GDF SUEZ joins as fifth shareholder in Nord Stream AG; first gas transport expected in 2011
- BASF is building the world's largest production plant for the aroma chemical L-menthol at its Ludwigshafen site
- Global gross domestic product grows around 4% compared with first half 2009

Chemicals

Excellence in the Verbund, technology and cost leadership

Segment data Chemicals (million €)

	2nd Quarter			1st Half		
	2010	2009	Change in %	2010	2009	Change in %
Sales to third parties	2,970	1,809	64	5,558	3,365	65
Thereof Inorganics	325	235	38	607	458	33
Petrochemicals	1,997	1,127	77	3,720	2,037	83
Intermediates	648	447	45	1,231	870	41
Income from operations before depreciation and amortization (EBITDA)	859	419	105	1,485	657	126
Income from operations (EBIT) before special items	687	258	166	1,148	342	236
Income from operations (EBIT)	687	258	166	1,148	341	237
Assets	6,635	5,817	14	–	–	–
Research expenses	31	32	(3)	62	66	(6)
Additions to property, plant and equipment and intangible assets	115	111	4	202	213	(5)

2nd Quarter 2010

All divisions in the Chemicals segment benefited from strong product demand. Sales increased sharply compared with the second quarter of 2009, which had been weak due to the economic crisis. Higher prices and positive currency effects contributed to the sales growth (volumes 21%, prices 36%, portfolio 0%, currencies 7%). The availability of numerous products was limited due to insufficient capacity. Thanks to a significant improvement in the business environment, income from operations before special items was substantially higher than in the second quarter of 2009. Following the scheduled maintenance shutdown of our Verbund site in Nanjing, all plants were successfully started up again. Despite the impact of the shutdown, earnings also improved compared with the first quarter of 2010.

Inorganics

Improved demand and slightly higher prices led to a sales increase in the Inorganics division. Our businesses with electronic chemicals, metal systems and inorganic salts performed exceptionally well. Earnings in all business areas were significantly above the level of the second quarter of 2009. This was driven by the upswing in business as well as an increase in the margin for ammonia.

Petrochemicals

In the Petrochemicals division, we also experienced high demand in all regions and business areas. Sales grew substantially compared with the same period of the previous year. The availability of numerous products such as ethylene, propylene and benzene remained limited until the end of the second quarter. The sharp increase in raw materials costs could therefore be passed on to the market. As a result of the positive business environment, the increase in earnings was exceptionally strong compared with the second quarter of 2009.

Intermediates

Sales in the Intermediates division improved year-on-year thanks to substantial volume increases in all regions. The available supply of some products – for example, in the butanediol value-adding chain as well as polyalcohols and several specialty amines – could not fully meet the demand of our customers in the second quarter of 2010. In addition to good capacity utilization, an advantageous product mix contributed to markedly higher earnings.

Chemicals

- Sales grow sharply compared with weak second quarter of 2009; strong product demand
- Earnings increase substantially thanks to improved business environment
- Limited market availability of several products until the end of the second quarter

2nd Quarter 2010 (change compared with 2nd quarter 2009)

Sales

+64%

EBIT

before special items
(million €)

+429

Plastics

Energy-efficient materials, innovative solutions

Segment data Plastics (million €)

	2nd Quarter			1st Half		
	2010	2009	Change in %	2010	2009	Change in %
Sales to third parties	2,584	1,750	48	4,781	3,213	49
Thereof Performance Polymers	1,184	750	58	2,161	1,347	60
Polyurethanes	1,400	1,000	40	2,620	1,866	40
Income from operations before depreciation and amortization (EBITDA)	461	247	87	842	325	159
Income from operations (EBIT) before special items	349	138	153	628	109	476
Income from operations (EBIT)	350	139	152	627	109	475
Assets	5,383	4,522	19	–	–	–
Research expenses	37	32	16	72	64	13
Additions to property, plant and equipment and intangible assets	55	64	(14)	96	127	(24)

2nd Quarter 2010

Following continuous improvement in the business environment over the previous quarters, demand in the Plastics segment stabilized at a high level in the second quarter of 2010. Sales were 48% higher than the weak level of the second quarter of 2009 (volumes 27%, prices 14%, portfolio 0%, currencies 7%). Higher prices in the Performance Polymers division supported this development. In addition to our good capacity utilization, the positive effects of our restructuring measures are also reflected in the income from operations before special items: Compared with the second quarter of 2009, we posted an increase of more than €211 million. Despite a number of scheduled maintenance shutdowns in the second quarter of 2010, we were able to surpass the earnings level of the first quarter in part thanks to the seasonal upswing in our business with foams for the construction sector.

Performance Polymers

Positive business development continued in all business areas of the Performance Polymers division. Sales rose by more than 50% compared with the previous second quarter. Due to shortages of various raw materials, our ability to deliver polyamide 6,6 and engineering plastics could not keep pace with

demand. Particularly in Europe and Asia, polyamide intermediates were not sufficiently available. Due to the strong demand, we were able to pass on higher raw materials costs to our customers. Increased sales volumes in all business areas and a good margin level for polyamide intermediates were the main reasons why earnings improved significantly compared with the previous second quarter.

Polyurethanes

Sales volumes in the Polyurethanes segment grew in all business areas compared with the second quarter of 2009. Thanks to strong demand, particularly from the automotive industry, business development was very pleasing, especially in our business with specialties. With prices remaining generally stable, sales grew substantially. In some business areas, sharp increases in raw materials prices had a negative impact on margins. As a result of larger sales volumes, we were able to increase earnings compared to the second quarter of 2009 and slightly exceed the good level of the first quarter of 2010.

Plastics

- Vigorous sales growth year-on-year thanks to strong demand
- Earnings increase sharply in both divisions compared with the second quarter of 2009
- Earnings also improve compared with first quarter
- Global supply shortage of polyamide 6,6 and intermediates

2nd Quarter 2010 (change compared with 2nd quarter 2009)

Sales

+48%

EBIT

before special items
(million €)

+211

Performance Products

Innovative and high-growth specialties

Segment data Performance Products (million €)

	2nd Quarter			1st Half		
	2010	2009	Change in %	2010	2009	Change in %
Sales to third parties	3,151	2,443	29	6,022	4,120	46
Thereof Dispersions & Pigments	857	674	27	1,580	1,119	41
Care Chemicals	1,048	825	27	2,051	1,623	26
Paper Chemicals	440	341	29	860	538	60
Performance Chemicals	806	603	34	1,531	840	82
Income from operations before depreciation and amortization (EBITDA)	633	6	-	1,171	222	427
Income from operations (EBIT) before special items	471	80	489	890	203	338
Income from operations (EBIT)	450	(214)	-	791	(91)	-
Assets	10,318	10,131	2	-	-	-
Research expenses	72	77	(6)	146	126	16
Additions to property, plant and equipment and intangible assets	68	3,779	(98)	115	3,853	(97)

2nd Quarter 2010

All divisions in the Performance Products segment were able to significantly increase their sales year-on-year thanks to higher volumes and prices. The depreciation of the euro against numerous currencies also helped to boost sales (volumes 16%, prices 4%, portfolio 4%, currencies 5%). There were delivery bottlenecks in some product lines due to the limited availability of important intermediates. The strong earnings growth is attributable to the realization of synergies and the favorable business environment. All divisions made a clearly positive contribution to income from operations before special items. Sales and earnings in the segment surpassed the level of the first quarter of 2010.

Sales and sales volumes in all business areas of the **Dispersions & Pigments** division were above the level of the second quarter of 2009. There was a marked revival in demand, for example, from the automotive and packaging industries. As a result of the limited availability of important intermediates we were generally able to pass on higher raw materials costs to our customers. Earnings increased considerably as a result of the good business development.

Thanks to strong market demand in the **Care Chemicals** division, volumes in all business areas increased substantially. Sales again reached a record level. As a result of the good volume trend, earnings clearly surpassed the level of the second quarter of 2009. The stronger U.S. dollar had a positive impact on sales and earnings.

In the **Paper Chemicals** division, sales volumes rose noticeably compared with the second quarter of 2009. Sales also grew thanks to higher prices. We were able to further reduce fixed costs through successful restructuring measures. In a continuing difficult market environment, the division made a clearly positive contribution to the segment's earnings.

Business recovery continued in the customer industries of the **Performance Chemicals** division, such as the automotive and plastics processing industries. The capacity utilization of our plants was higher than in the second quarter of 2009; sales increased markedly. As well, our cost reduction programs proved effective. We improved earnings considerably.

Performance Products

- Strong rise in sales as a result of higher volumes and prices
- All divisions make a clearly positive contribution to earnings
- Lower fixed costs thanks to successful restructuring measures and synergies
- Delivery bottlenecks due to limited availability of intermediates

2nd Quarter 2010 (change compared with 2nd quarter 2009)

Sales

+29%

EBIT

before special items
(million €)

+391

Functional Solutions

Customer-specific products and system solutions

Segment data Functional Solutions (million €)

	2nd Quarter			1st Half		
	2010	2009	Change in %	2010	2009	Change in %
Sales to third parties	2,453	1,755	40	4,543	3,323	37
Thereof Catalysts	1,225	677	81	2,289	1,328	72
Construction Chemicals	576	536	7	1,008	984	2
Coatings	652	542	20	1,246	1,011	23
Income from operations before depreciation and amortization (EBITDA)	266	129	106	468	176	166
Income from operations (EBIT) before special items	165	48	244	276	2	.
Income from operations (EBIT)	164	29	466	275	(16)	.
Assets	9,491	8,227	15	–	–	–
Research expenses	47	42	12	85	86	(1)
Additions to property, plant and equipment and intangible assets	40	40	–	68	76	(11)

2nd Quarter 2010

Following a considerable recovery of the market in Asia, demand from the automotive industry in Europe and North America also began to pick up again. Sales volumes in all regions climbed significantly from the exceptionally low levels seen in the second quarter of the previous year. Positive currency effects and higher precious metals prices helped to boost sales (volumes 19%, prices 11%, portfolio 1%, currencies 9%). All divisions increased their income from operations before special items. This was a result of both an improved business environment as well as successful restructuring measures.

Catalysts

Sales in the Catalysts division increased sharply. Sales volumes for mobile emission catalysts in particular grew thanks to the recovery in the automotive sector. Sales in precious metals trading rose on account of higher volumes and prices to €609 million (second quarter of 2009: €261 million). For chemical and refinery catalysts, sales overall were slightly above the level in the same quarter of the previous year. Thanks to increased volumes and lower fixed costs, the division again made a significant contribution to earnings following a loss posted in the second quarter of 2009.

Construction Chemicals

The market situation in the construction industry remained difficult as a result of the ongoing low level of private investment in new building projects. Prices and sales volumes matched the level of the second quarter of 2009 due in part to a robust renovation business and growth in emerging economies. Sales in the Construction Chemicals division grew slightly thanks to positive currency effects. With strict cost and pricing discipline, we were able to increase earnings considerably despite the difficult market environment.

Coatings

The global rise in automobile production was the main reason for this division's increase in sales volumes. We also experienced good order volume in the business areas automotive refinish coatings and architectural coatings. The Coating division's sales surpassed the low level of the second quarter of 2009. Earnings improved significantly thanks to higher volumes. Despite the negative impact from rising raw materials costs, earnings were also higher than in the first quarter of 2010.

Functional Solutions

- Sales increase due in particular to stronger demand from the automotive industry
- Earnings grow in all divisions
- Business environment in the construction industry remains difficult

2nd Quarter 2010 (change compared with 2nd quarter 2009)

Sales

+40%

EBIT

before special items
(million €)

+117

Agricultural Solutions

Innovations for the health of crops

Segment data Agricultural Solutions (million €)

	2nd Quarter			1st Half		
	2010	2009	Change in %	2010	2009	Change in %
Sales to third parties	1,211	1,175	3	2,356	2,320	2
Income from operations before depreciation and amortization (EBITDA)	370	415	(11)	739	803	(8)
Income from operations (EBIT) before special items	320	367	(13)	641	711	(10)
Income from operations (EBIT)	320	366	(13)	641	706	(9)
Assets	5,478	5,118	7	–	–	–
Research expenses	102	86	19	186	167	11
Additions to property, plant and equipment and intangible assets	25	66	(62)	51	111	(54)

2nd Quarter 2010

Despite unfavorable weather conditions, sales were above the level of the second quarter of 2009. Positive currency effects and an increase in volumes in the regions South America and Asia contributed to this development (volumes 1%, prices –4%, portfolio 0%, currencies 6%).

In **Europe**, we increased sales in particular thanks to rising sales volumes for oilseed herbicides in eastern Europe and for corn (maize) herbicides in western Europe. As a result of the late season start, there was a decline in the business with fungicides compared with the second quarter of 2009.

Sales decreased in the region **North America**. In particular, demand for our fungicides (Headline®) weakened because distributors were holding larger inventories; prices declined. The sales decline could be partially offset by high sales volumes of our successfully launched herbicide Kixor™.

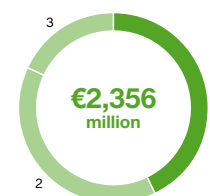
In **Asia**, sales exceeded the level of second quarter of 2009. This was due mainly to rising demand for herbicides for soybean cultivation in India.

Business in the region **South America** developed better year-on-year thanks to strong volume increases. The sugar cane market recovered appreciably; demand for insecticides increased. A good seasonal business with soy fungicides also contributed to sales growth.

Income from operations before special items did not match the record level of the second quarter of 2009. This was due to price declines and targeted increases in selling expenses as well as research and development expenses.

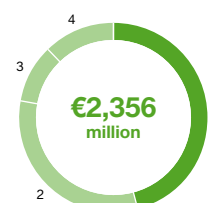
1st Half 2010 – Sales by indication

1	Fungicides	43%
2	Herbicides	39%
3	Insecticides/other	18%



1st Half 2010 – Sales by region (location of customer)

1	Europe	46%
2	North America	32%
3	Asia Pacific	10%
4	South America, Africa, Middle East	12%



Agricultural Solutions

- Sales grow thanks to positive currency effects and higher volumes in South America and Asia
- Earnings lower, mainly due to targeted increase in expenses for selling as well as for research and development
- Demand for herbicide Kixor™ continues to grow

2nd Quarter 2010 (change compared with 2nd quarter 2009)

Sales

+3%

EBIT

before special items
(million €)

–47

Oil & Gas

Exploration and production of crude oil and natural gas;
Trading, transportation and storage of natural gas

Segment data Oil & Gas (million €)

	2nd Quarter			1st Half		
	2010	2009	Change in %	2010	2009	Change in %
Sales to third parties	2,374	2,452	(3)	5,599	6,346	(12)
Thereof Exploration & Production	854	946	(10)	1,879	1,983	(5)
Natural Gas Trading	1,520	1,506	1	3,720	4,363	(15)
Income from operations before depreciation and amortization (EBITDA)	642	625	3	1,409	1,464	(4)
Thereof Exploration & Production	512	552	(7)	1,099	1,100	.
Natural Gas Trading	130	73	78	310	364	(15)
Income from operations (EBIT) before special items	515	506	2	1,144	1,231	(7)
Thereof Exploration & Production	420	469	(10)	904	940	(4)
Natural Gas Trading	95	37	157	240	291	(18)
Income from operations (EBIT)	515	506	2	1,144	1,231	(7)
Thereof Exploration & Production	420	469	(10)	904	940	(4)
Natural Gas Trading	95	37	157	240	291	(18)
Assets	8,244	7,979	3	–	–	–
Thereof Exploration & Production	5,062	4,942	2	–	–	–
Natural Gas Trading	3,182	3,037	5	–	–	–
Exploration expenses	41	31	32	88	51	73
Additions to property, plant and equipment and intangible assets	169	270	(37)	303	462	(34)
Income taxes on oil-producing operations non-compensable with German corporate income tax	209	226	(8)	436	380	15
Net income	148	181	(18)	421	394	7

2nd Quarter 2010

In the Oil & Gas segment, sales were slightly below the level of the second quarter of 2009. As a result of OPEC production restrictions in Libya, our oil production decreased; prices for natural gas declined. Rising volumes in natural gas trading could not offset these effects (volumes 4%, prices/currencies –7%, portfolio 0%). Income from operations before special items grew slightly year-on-year thanks to higher gas trading volumes.

Despite higher oil prices, the business sector **Exploration & Production** posted a sales decline compared with the second quarter of 2009. This was mainly attributable to OPEC production restrictions in Libya, which had a negative effect

on our oil production. The average price for Brent crude oil was \$78 per barrel, compared with \$59 per barrel (+32%) in the second quarter of 2009. In euro terms, the oil price rose to €62 per barrel, an increase of 42%. Earnings declined slightly due to lower volumes.

Thanks to cool weather and the economic upturn, we increased sales volumes in **Natural Gas Trading** significantly. Despite the steep decline in natural gas prices, sales were at the level of the second quarter of 2009. The improvement in earnings is primarily attributable to the positive volume trend.

Oil & Gas

- Sales narrowly below the level of second quarter 2009; earnings improve slightly
- Sales volumes in Natural Gas Trading grow strongly
- Decline in oil production due to OPEC production restrictions
- More information on net income in the Oil & Gas segment can be found in the Notes on page 25

2nd Quarter 2010 (change compared with 2nd quarter 2009)

Sales

–3%

EBIT

before special items
(million €)

+9

Regional Results

1st Half 2010

Overview of regions¹ (million €)

	Sales Location of company			Sales Location of customer			EBIT before special items		
	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %
2nd Quarter									
Europe	8,743	7,296	20	8,300	6,748	23	1,383	696	99
Thereof Germany	6,256	5,031	24	2,981	2,350	27	990	446	122
North America	3,637	2,587	41	3,498	2,637	33	463	189	145
Asia Pacific	3,004	1,994	51	3,210	2,220	45	293	193	52
South America, Africa, Middle East	830	625	33	1,206	897	34	67	62	8
	16,214	12,502	30	16,214	12,502	30	2,206	1,140	94
1st Half									
Europe	17,700	15,303	16	16,702	14,392	16	2,634	1,493	76
Thereof Germany	12,722	11,096	15	6,261	5,589	12	1,908	872	119
North America	6,804	4,738	44	6,710	4,808	40	792	262	202
Asia Pacific	5,560	3,475	60	5,959	3,829	56	603	246	145
South America, Africa, Middle East	1,604	1,205	33	2,297	1,692	36	131	124	6
	31,668	24,721	28	31,668	24,721	28	4,160	2,125	96

Sales by companies in **Europe** were 16% higher than in the same period of the previous year. Income from operations before special items rose by €1,141 million to €2,634 million. Thanks to higher demand in the chemicals business² we posted vigorous sales and earnings growth compared with the weak first half of 2009. In the Oil & Gas segment, sales and earnings did not match the level of the first half of the previous year due to the decline in natural gas prices.

In **North America**, sales grew by 42% in U.S. dollars and 44% in euro terms. Earnings rose by €530 million to €792 million. Thanks to higher volumes, sales and earnings in the chemicals business increased sharply. The economic situation in the construction industry remained difficult. Sales and earnings in the Agricultural Solutions segment were below the very good level of the previous year's first half, due in part to lower sales volumes in our fungicides business.

Sales in the **Asia Pacific** region rose by 55% in local-currency terms, and by 60% in euro terms. Earnings grew by €357 million to reach €603 million. The dynamic economic upturn had a particularly positive effect on our chemicals business; all divisions posted significant increases in sales and earnings. In the Agricultural Solutions segment, sales and earnings also exceeded the level in the same period of the previous year.

In **South America, Africa, Middle East** sales were up year-on-year by 21% in local-currency terms and by 33% in euro. Our successful Agricultural Solutions business in South America made an important contribution to this sales growth. The Coatings division posted a significant increase in sales as well, despite declining prices for architectural coatings. Earnings in the region were slightly above the level of the first half of 2009.

1st Half 2010

- Europe: Sales and earnings increase, thanks especially to the positive business development in the chemicals business
- North America: Strong improvement in sales and earnings in the chemicals business; sales and earnings in Agricultural Solutions decline
- Asia Pacific: Strong increase in sales and earnings; all divisions in the chemicals business post significantly higher sales and earnings
- South America, Africa, Middle East: Sales growth thanks to vigorous business for Agricultural Solutions and Coatings; earnings slightly above level of the first half of 2009

¹ The regional classification of some Central American countries has been changed, the previous year's figures have been adjusted.

² Our chemicals business includes the Chemicals, Plastics, Performance Products and Functional Solutions segments.

Overview of Other Topics

Research and development

BASF and U.S. research institute RTI International are joining forces to develop a new technology to capture carbon dioxide (CO₂) from waste gases emitted by coal-fired power plants and other industrial sources. Efficient solvents are essential for carbon capture. In this collaboration, initially set to run for three years, the partners will develop novel non-aqueous solvent systems that can be recycled. The capture process could use up to 40% less energy than conventional amine-based processes. The development project is sponsored by a \$2 million cooperative agreement from the U.S. Department of Energy.

BASF, the London School of Hygiene & Tropical Medicine and the Innovative Vector Control Consortium are developing a new generation of malaria prevention products based on the BASF insecticide chlorfenapyr. The goal of this research effort is to reduce malaria in areas where mosquitoes are already becoming resistant to existing solutions. The new product series will include residual wall sprays as well as long-lasting insecticide treated nets. The first products are expected to be launched on the market in 2011.

Employees

Compared with the end of 2009, the number of BASF Group employees decreased by 1,495 to a total of 103,284 as of June 30, 2010. This was due to restructuring in the course of the Ciba integration. On June 30, 64.4% of BASF Group employees were employed in Europe while North America accounted for 15.2% of employees, Asia Pacific for 14.3% and South America, Africa, Middle East for 6.1%.

Compared with the same period of the previous year, personnel costs in the first half 2010 increased by 23.4% to €4,116 million. This was a result of the Ciba acquisition as well as higher provisions for the BASF options program and performance-related salary components.

Research and development

- BASF and RTI International jointly developing new technology to capture carbon from flue gases
- BASF and partners are developing a new generation of malaria prevention products

Employees by region¹

	June 30, 2010	Dec. 31, 2009	Change in %
Europe	66,517	67,621	(2)
North America	15,658	16,027	(2)
Asia Pacific	14,747	14,817	.
South America, Africa, Middle East	6,362	6,314	1
	103,284	104,779	(1)

¹ The regional classification of some Central American countries has been changed, the previous year's figures have been adjusted.

Outlook

Global chemical production benefited from a strong upturn in the global economy in the first half of 2010. Demand was additionally driven by our customers' inventory restocking. In this economic environment, our business developed more favorably than we had expected. However, there continue to be risks regarding a self-sustaining, lasting recovery.

We expect that economic recovery will continue at a moderate pace in the second half of 2010. Overall, we expect higher sales and a significant increase in earnings in 2010. We anticipate that we will earn a premium on our cost of capital again.

Opportunities and risks

Despite the economic upturn, risks remain for a sustained recovery. The high debt level of some European countries is threatening the stability of the financial and banking system. It will be necessary for governments around the world to reduce spending, which will dampen demand, as will the winding down of national stimulus programs. Other risks are primarily associated with

- volatile raw materials markets,
- excess capacities,
- growing geopolitical tensions, and
- protectionism.

We see opportunities in consistently implementing our strategy and further improving our operational excellence. We will continue to concentrate on portfolio improvements, restructuring and increasing efficiency as well as on product innovations and expanding our business in growth markets. Therefore we will continue to strengthen our research and development activities.

An important milestone in the successful implementation of our strategy is our agreement to acquire the specialty chemicals company Cognis. With this acquisition, we are strengthening our position in cyclically robust and profitable business areas such as health and nutrition as well as cosmetics, detergents and cleaners. We are particularly expanding our portfolio with products based on renewable resources. We aim to close this acquisition in November 2010. The Cognis businesses will be integrated into the Performance Products segment, in which a new Nutrition & Health division will be created.

The statements on opportunities and risks made in the BASF Report 2009 remain valid.

→ **Current information can be found in the BASF Report 2009, in the Risk Report on pages 103–111**

Forecast

We have updated our expectations for the global economy in 2010 (previous forecast in parentheses):

- Growth of gross domestic product: 3%–4% (2.7%)
- Growth in industrial production: 7%–8% (4.9%)
- Growth in chemical production (excluding pharmaceuticals): 7%–8% (5.3%)
- U.S. dollar average exchange rate of \$1.30 per euro (\$1.40 per euro)
- Average annual oil price of \$75 per barrel in 2010 (unchanged)

We expect our sales to grow in 2010 and outpace global chemical production. We anticipate that income from operations before special items will improve considerably and we will again earn a premium on our cost of capital.

Outlook for 2010

- Economic recovery to continue at a moderate pace in the second half of 2010
- High debt levels in some European countries threaten the stability of the financial and banking system
- Concentration on portfolio improvements, restructuring, greater efficiency and product innovations
- Cognis acquisition strengthens our leading position in cyclically robust business areas such as health and nutrition as well as cosmetics, detergents and cleaners
- Forecast 2010: Sales growth to outpace global chemical production and earnings to improve considerably; we anticipate to earn a premium on our cost of capital

Interim Financial Statements

Consolidated Statements of Income

Consolidated Statements of Income (million €)

	Further information in Note	2nd Quarter			1st Half		
		2010	2009	Change in %	2010	2009	Change in %
Sales		16,214	12,502	29.7	31,668	24,721	28.1
Cost of sales		11,314	8,963	26.2	22,342	18,081	23.6
Gross profit on sales		4,900	3,539	38.5	9,326	6,640	40.5
Selling expenses		1,679	1,461	14.9	3,174	2,754	15.3
General and administrative expenses		270	288	(6.3)	545	546	(0.2)
Research expenses		376	352	6.8	726	677	7.2
Other operating income	(5)	283	123	130.1	502	543	(7.6)
Other operating expenses	(5)	779	789	(1.3)	1,464	1,506	(2.8)
Income from operations		2,079	772	169.3	3,919	1,700	130.5
Income from companies accounted for using the equity method		38	60	(36.7)	104	16	.
Other income from participations		39	69	(43.5)	51	73	(30.1)
Other expenses from participations		7	3	133.3	9	4	125.0
Interest income		29	37	(21.6)	57	58	(1.7)
Interest expense		195	201	(3.0)	373	339	10.0
Other financial result		3	(21)	.	(3)	(65)	95.4
Financial result	(6)	(93)	(59)	(57.6)	(173)	(261)	33.7
Income before taxes and minority interests		1,986	713	178.5	3,746	1,439	160.3
Income taxes	(7)	645	362	78.2	1,256	631	99.0
Income before minority interests		1,341	351	282.1	2,490	808	208.2
Minority interests	(8)	158	8	.	278	90	208.9
Net income		1,183	343	244.9	2,212	718	208.1
Earnings per share (€)	(9)						
Undiluted	(9)	1.29	0.37	248.6	2.41	0.78	209.0
Diluted	(9)	1.29	0.37	248.6	2.41	0.78	209.0

Consolidated Balance Sheets

BASF Group

Assets (million €)

	Further information in Note	June 30, 2010	June 30, 2009	Change in %	Dec. 31, 2009	Change in %
Intangible assets	(10)	11,117	11,106	0.1	10,449	6.4
Property, plant and equipment	(10)	16,926	17,065	(0.8)	16,285	3.9
Investments accounted for using the equity method		1,239	1,226	1.1	1,340	(7.5)
Other financial assets		1,601	1,629	(1.7)	1,619	(1.1)
Deferred tax assets		1,192	1,035	15.2	1,042	14.4
Other receivables and miscellaneous short-term assets		606	842	(28.0)	946	(35.9)
Long-term assets		32,681	32,903	(0.7)	31,681	3.2
Inventories	(11)	7,890	6,299	25.3	6,776	16.4
Accounts receivable, trade	(11)	10,181	8,106	25.6	7,738	31.6
Other receivables and miscellaneous short-term assets	(11)	3,598	2,851	26.2	3,223	11.6
Marketable securities	(11)	18	117	(84.6)	15	20.0
Cash and cash equivalents	(11)	2,107	2,909	(27.6)	1,835	14.8
Short-term assets		23,794	20,282	17.3	19,587	21.5
Total assets		56,475	53,185	6.2	51,268	10.2

Stockholders' equity and liabilities (million €)

	Further information in Note	June 30, 2010	June 30, 2009	Change in %	Dec. 31, 2009	Change in %
Subscribed capital	(12)	1,176	1,176	–	1,176	–
Capital surplus	(12)	3,229	3,246	(0.5)	3,229	–
Retained earnings	(12)	12,866	12,331	4.3	12,916	(0.4)
Other comprehensive income		1,274	8	.	156	.
Equity of shareholders of BASF SE		18,545	16,761	10.6	17,477	6.1
Minority interests		1,305	1,099	18.7	1,132	15.3
Stockholders' equity		19,850	17,860	11.1	18,609	6.7
Provisions for pensions and similar obligations	(13)	3,199	2,268	41.0	2,255	41.9
Other provisions	(14)	3,552	3,166	12.2	3,289	8.0
Deferred tax liabilities		2,129	2,202	(3.3)	2,093	1.7
Financial indebtedness	(15)	11,705	13,124	(10.8)	12,444	(5.9)
Other long-term liabilities	(15)	940	1,060	(11.3)	898	4.7
Long-term liabilities		21,525	21,820	(1.4)	20,979	2.6
Accounts payable, trade		4,334	2,976	45.6	2,786	55.6
Provisions	(14)	3,178	2,935	8.3	3,276	(3.0)
Tax liabilities		1,198	958	25.1	1,003	19.4
Financial indebtedness	(15)	3,880	4,063	(4.5)	2,375	63.4
Other short-term liabilities	(15)	2,510	2,573	(2.4)	2,240	12.1
Short-term liabilities		15,100	13,505	11.8	11,680	29.3
Total stockholders' equity and liabilities		56,475	53,185	6.2	51,268	10.2

Consolidated Statements of Cash Flows

BASF Group

Consolidated Statements of Cash Flows (million €)

	1st Half	
	2010	2009
Net income	2,212	718
Depreciation and amortization of intangible assets, property, plant and equipment and financial assets	1,581	1,480
Changes in net working capital	(1,355)	1,523
Miscellaneous items	283	(74)
Cash provided by operating activities	2,721	3,647
Payments related to property, plant and equipment and intangible assets	(889)	(1,298)
Acquisitions/divestitures	17	(1,501)
Financial investments and other items	273	(109)
Cash used in investing activities	(599)	(2,908)
Capital increases/repayments, share repurchases	–	(95)
Changes in financial liabilities	(292)	1,484
Dividends	(1,762)	(1,986)
Cash used in financing activities	(2,054)	(597)
Net changes in cash and cash equivalents	68	142
Cash and cash equivalents as of beginning of year and other changes	2,039	2,767
Cash and cash equivalents at end of period	2,107	2,909

Cash provided by operating activities amounted to €2,721 million in the first half of 2010. In the first quarter in particular, the significant business upturn led to an increase in trade accounts receivable. In the second quarter, however, the increase in net working capital was only moderate.

In the first half of 2010, €599 million were used in investing activities. In the same period of the previous year, which was particularly affected by the acquisition of Ciba, the outflow was €2,908 million. Payments related to property, plant and equipment and intangible assets were again clearly below depreciation and amortization.

Cash used in financing activities amounted to €2,054 million. Dividends of €1,561 million were paid to the shareholders of BASF SE and €201 million to minority shareholders in Group companies. The net outflow for the repayment of financial liabilities was €292 million. This amount includes payments arising from the currency hedging of U.S. dollar-denominated loans that were granted to Group companies to finance the North American business.

As of June 30, 2010, cash and cash equivalents amounted to €2,107 million compared with €1,835 million at the end of 2009. Net debt stood at €13,478 million at the end of the second quarter.

Consolidated Statements of Recognized Income and Expense

BASF Group

Income and expense items (million €)

	1st Half	
	2010	2009
Income before minority interests	2,490	808
Actuarial gains/losses from pensions and other obligations; asset ceiling	(1,009)	197
Foreign currency translation adjustment	1,201	12
Fair value changes in available-for-sale securities	(41)	(10)
Cash flow hedges	(13)	159
Hedges of net investments in foreign operations	(20)	–
Revaluation due to acquisition of majority of shares	(1)	(1)
Deferred taxes	292	(56)
Minority interests	93	26
Total income and expense recognized in equity	502	327
Total income and expense for the period	2,992	1,135
Thereof BASF	2,621	1,019
Thereof minority interests	371	116

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

	Retained earnings	Other comprehensive income						Total income and expense recognized directly in equity
	Actuarial gains/ losses; asset ceiling	Foreign currency translation adjustment	Fair value changes in available-for-sale securities	Cash flow hedges	Hedges of net investments in foreign operations	Revaluation due to acquisition of majority of shares	Total of other comprehensive income	
As of January 1, 2010	(1,425)	(555)	698	5	–	8	156	(1,269)
Additions	–	1,201	–	–	–	–	1,201	1,201
Releases	(1,009)	–	(41)	(13)	(20)	(1)	(75)	(1,084)
Deferred taxes	300	(17)	1	8	–	–	(8)	292
As of June 30, 2010	(2,134)	629	658	–	(20)	7	1,274	(860)
As of January 1, 2009	(1,511)	(637)	668	(137)	–	10	(96)	(1,607)
Additions	197	12	–	159	–	–	171	368
Releases	–	–	(10)	–	–	(1)	(11)	(11)
Deferred taxes	–	–	(1)	(55)	–	–	(56)	(56)
As of June 30, 2009	(1,314)	(625)	657	(33)	–	9	8	(1,306)

Consolidated Statements of Stockholders' Equity

BASF Group

1st Half 2010 (million €)

	Number of subscribed shares out- standing	Subscribed capital	Capital surplus	Retained earnings	Other com- prehensive income ¹	Equity of sharehol- ders of BASF SE	Minority interests	Stockhol- ders' equity
As of January 1, 2010	918,478,694	1,176	3,229	12,916	156	17,477	1,132	18,609
Dividends paid	–	–	–	(1,561)	–	(1,561)	(201) ²	(1,762)
Net income	–	–	–	2,212	–	2,212	278	2,490
Change in income and expense recognized directly in equity	–	–	–	(709)	1,118	409	93	502
Changes in scope of consolidation and other changes	–	–	–	8	–	8	3	11
As of June 30, 2010	918,478,694	1,176	3,229	12,866	1,274	18,545	1,305	19,850

1st Half 2009 (million €)

As of January 1, 2009	918,478,694	1,176	3,241	13,250	(96)	17,571	1,151	18,722
Share buyback and cancellation of own shares including own shares intended to be cancelled	–	–	6	(6)	–	–	–	–
Effect of acquisitions achieved in stages	–	–	–	(35)	–	(35)	–	(35)
Dividends paid	–	–	–	(1,791)	–	(1,791)	(195) ²	(1,986)
Net income	–	–	–	718	–	718	90	808
Change in income and expense recognized directly in equity	–	–	–	197	104	301	26	327
Changes in scope of consolidation and other changes	–	–	(1)	(2)	–	(3)	27	24
As of June 30, 2009	918,478,694	1,176	3,246	12,331	8	16,761	1,099	17,860

¹ Details are provided in the "Consolidated Statements of Recognized Income and Expense" on page 19.

² Including profit and loss transfers

Segment Reporting

BASF Group

2nd Quarter (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %
Chemicals	2,970	1,809	64.2	859	419	105.0	687	258	166.3	687	258	166.3
Plastics	2,584	1,750	47.7	461	247	86.6	349	138	152.9	350	139	151.8
Performance Products	3,151	2,443	29.0	633	6	.	471	80	488.8	450	(214)	.
Functional Solutions	2,453	1,755	39.8	266	129	106.2	165	48	243.8	164	29	465.5
Agricultural Solutions	1,211	1,175	3.1	370	415	(10.8)	320	367	(12.8)	320	366	(12.6)
Oil & Gas	2,374	2,452	(3.2)	642	625	2.7	515	506	1.8	515	506	1.8
Other	1,471	1,118	31.6	(364)	(265)	(37.4)	(301)	(257)	(17.1)	(407)	(312)	(30.4)
	16,214	12,502	29.7	2,867	1,576	81.9	2,206	1,140	93.5	2,079	772	169.3

2nd Quarter (million €)

	Research expenses			Assets			Additions to long-term assets ¹			Amortization and depreciation ²		
	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %
Chemicals	31	32	(3.1)	6,635	5,817	14.1	115	111	3.6	172	161	6.8
Plastics	37	32	15.6	5,383	4,522	19.0	55	64	(14.1)	111	108	2.8
Performance Products	72	77	(6.5)	10,318	10,131	1.8	68	3,779	(98.2)	183	220	(16.8)
Functional Solutions	47	42	11.9	9,491	8,227	15.4	40	40	–	102	100	2.0
Agricultural Solutions	102	86	18.6	5,478	5,118	7.0	25	66	(62.1)	50	49	2.0
Oil & Gas	4	3	33.3	8,244	7,979	3.3	169	270	(37.4)	127	119	6.7
Other	83	80	3.8	10,926	11,391	(4.1)	22	60	(63.3)	43	47	(8.5)
	376	352	6.8	56,475	53,185	6.2	494	4,390	(88.7)	788	804	(2.0)

¹ Investment in intangible assets and property, plant and equipment

² Depreciation and amortization of intangible assets and property, plant and equipment

1st Half (million €)

	Sales			EBITDA			Income from operations (EBIT) before special items			Income from operations (EBIT)		
	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %
Chemicals	5,558	3,365	65.2	1,485	657	126.0	1,148	342	235.7	1,148	341	236.7
Plastics	4,781	3,213	48.8	842	325	159.1	628	109	476.2	627	109	475.2
Performance Products	6,022	4,120	46.2	1,171	222	427.5	890	203	338.4	791	(91)	.
Functional Solutions	4,543	3,323	36.7	468	176	165.9	276	2	.	275	(16)	.
Agricultural Solutions	2,356	2,320	1.6	739	803	(8.0)	641	711	(9.8)	641	706	(9.2)
Oil & Gas	5,599	6,346	(11.8)	1,409	1,464	(3.8)	1,144	1,231	(7.1)	1,144	1,231	(7.1)
Other	2,809	2,034	38.1	(620)	(484)	(28.1)	(567)	(473)	(19.9)	(707)	(580)	(21.9)
	31,668	24,721	28.1	5,494	3,163	73.7	4,160	2,125	95.8	3,919	1,700	130.5

1st Half (million €)

	Research expenses			Assets			Additions to long-term assets ¹			Amortization and depreciation ²		
	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %	2010	2009	Change in %
Chemicals	62	66	(6.1)	6,635	5,817	14.1	202	213	(5.2)	337	316	6.6
Plastics	72	64	12.5	5,383	4,522	19.0	96	127	(24.4)	215	216	(0.5)
Performance Products	146	126	15.9	10,318	10,131	1.8	115	3,853	(97.0)	380	313	21.4
Functional Solutions	85	86	(1.2)	9,491	8,227	15.4	68	76	(10.5)	193	192	0.5
Agricultural Solutions	186	167	11.4	5,478	5,118	7.0	51	111	(54.1)	98	97	1.0
Oil & Gas	5	5	-	8,244	7,979	3.3	303	462	(34.4)	265	233	13.7
Other	170	163	4.3	10,926	11,391	(4.1)	39	73	(46.6)	87	96	(9.4)
	726	677	7.2	56,475	53,185	6.2	874	4,915	(82.2)	1,575	1,463	7.7

¹ Investments in intangible assets and property, plant and equipment

² Depreciation and amortization of intangible assets and property, plant and equipment

Other³ (million €)

	2nd Quarter			1st Half		
	2010	2009	Change in %	2010	2009	Change in %
Sales	1,471	1,118	31.6	2,809	2,034	38.1
Thereof Styrenics	937	604	55.1	1,729	1,121	54.2
Thereof Other business included under Other	534	514	3.9	1,080	913	18.3
EBIT before special items	(301)	(257)	(17.1)	(567)	(473)	(19.9)
Thereof Group corporate costs	(55)	(56)	1.8	(106)	(110)	3.6
Corporate research	(78)	(78)	-	(160)	(159)	(0.6)
Currency results, hedges and other valuation effects	(198)	(236)	16.1	(334)	(429)	22.1
Styrenics, fertilizers, other business	67	107	(37.4)	168	216	(22.2)
Special items	(106)	(55)	(92.7)	(140)	(107)	(30.8)
EBIT	(407)	(312)	(30.4)	(707)	(580)	(21.9)

³ Further information about Other can be found in the Notes on pages 24 and 25.

Notes to the Interim Financial Statements of BASF Group

1 – Basis of presentation

The Consolidated Financial Statements of the BASF Group for the year ending December 31, 2009 were prepared according to the International Financial Reporting Standards (IFRS) valid as of the balance sheet date. The Interim Financial Statements as of June 30, 2010 have been prepared in line with the rules of International Accounting Standard 34 in abbreviated form and using the same accounting policies. The Interim Financial Statements and Interim Management's Analysis have been neither audited nor subject to an auditor's review.

→ The BASF Report 2009 containing the Consolidated Financial Statements as of December 31, 2009 can be found on the Internet at basf.com/report

The appreciation of important currencies against the euro since December 31, 2009 led to a balance sheet expansion of around €3.8 billion. Shareholders' equity increased by €1,184 million due to exchange rate effects.

Selected exchange rates

	Closing rates		Average rates 1st half	
	June 30, 2010	Dec. 31, 2009	Current year	Previous year
€1 equals				
Argentina (ARS)	4.82	5.46	5.14	4.85
Brazil (BRL)	2.21	2.51	2.38	2.92
China (CNY)	8.32	9.84	9.06	9.10
Great Britain (GBP)	0.82	0.89	0.87	0.89
Japan (JPY)	108.79	133.16	121.32	127.20
Malaysia (MYR)	3.97	4.93	4.39	4.78
Mexico (MXN)	15.74	18.92	16.81	18.43
The Russian Federation (RUB)	38.28	43.15	39.89	44.10
South Korea (KRW)	1,499.59	1,666.97	1,531.21	1,796.58
United States (USD)	1.23	1.44	1.33	1.33

2 – Scope of consolidation

The Consolidated Financial Statements include BASF SE as well as all material subsidiaries on a fully consolidated basis. Material jointly operated companies are proportionally consolidated. The development of the number of fully and proportionally consolidated companies is shown in the table.

There have been four first-time consolidations since the beginning of 2010 due to the increasing importance of these companies.

Since the beginning of 2010, 35 companies have been deconsolidated as a result of mergers with other BASF companies, sale to third parties or decreased significance. These restructuring measures were primarily a consequence of the Ciba integration.

Scope of consolidation

	2010	2009
As of January 1	345	293
Thereof proportionally consolidated	19	19
First-time consolidations	4	72
Thereof proportionally consolidated	1	–
Deconsolidations	35	9
Thereof proportionally consolidated	–	–
As of June 30	314	356
Thereof proportionally consolidated	20	19

3 – Acquisitions/Divestitures

On June 23, BASF reached an agreement with the owners of Cognis to acquire the specialty chemicals company based in Monheim. The equity purchase price is €700 million, including net financial debt and pension obligations the enterprise value of the transaction is €3.1 billion. The acquisition is still subject to approval by the competent authorities. The transaction is expected to close in November 2010.

Furthermore, BASF signed an agreement on June 7 to divest its business with hydrophilic melt additives, marketed under the brand name Irgasurf® HL, to Techmer PM, based in Tennessee. In the first quarter, BASF divested major parts of the

Ciba Expert Services business to Intertek Group plc. The divested business offers regulatory environmental, safety and materials testing services for customers in several industries. BASF also sold its businesses with the pigments bismuthvanadate and indanthrone blue to the Dominion Colour Corporation. Apart from these transactions, BASF did not make any material acquisitions or divestitures in the first half of 2010.

4 – Segment reporting

BASF's worldwide business is managed by operating divisions that are aggregated into six segments for reporting purposes.

Chemicals consists of the Inorganics, Petrochemicals and Intermediates divisions. Its portfolio ranges from basic chemicals, glues and electronic chemicals to solvents and plasticizers, as well as starting materials for products such as detergents, plastics, textile fibers, paints and coatings and pharmaceuticals.

Plastics is composed of the Performance Polymers and Polyurethanes divisions.

Performance Products, which is made up of the Dispersions & Pigments, Care Chemicals, Paper Chemicals and Performance Chemicals operating divisions, primarily offers customer-specific specialties alongside standard products.

Functional Solutions comprises the Catalysts, Construction Chemicals and Coatings divisions.

Agricultural Solutions contains the Crop Protection division.

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

Activities not allocated to a particular division are reported under Other and include, in particular, Styrenics as well as our fertilizer activities. In addition, the sale of raw materials, engineering and other services, rental income and leases are reported under Other. Group corporate costs consist of the expenses for steering the BASF Group; these costs are not allocated to the segments, they are reported under Other.

With our cross-divisional corporate research, which is also reported under Other, we develop growth clusters and ensure the long-term competence of BASF with regard to technology and methods.

Earnings from currency conversion that are not allocated to the segments are reported under Other as are earnings from the hedging of raw materials prices and foreign currency exchange risks. Expenses and revenues from the BASF option program are also reported under Other.

In the first half of 2010, sales in Other increased significantly compared with the same period of 2009. This was mainly due to the positive business development in Styrenics. Earnings in the Styrenics business also increased substantially. Provisions for the BASF option program had a negative impact on earnings because the BASF share outperformed the benchmark index MSCI World Chemicals in the first half of 2010.

Transfers between the segments are almost always executed at market-based prices. The allocation of assets and depreciation to the segments is based on economic control. Assets used by more than one segment are allocated based on the percentage of usage.

Assets of Other (million €)

	1st Half	
	2010	2009
Assets of business included under Other	2,544	2,434
Financial assets	2,840	2,855
Deferred tax assets	1,192	1,035
Cash and cash equivalents, marketable securities	2,125	3,026
Defined benefit assets	138	328
Miscellaneous receivables/prepaid expenses	2,087	1,713
	10,926	11,391

Reconciliation reporting for Oil & Gas (million €)

	2nd Quarter		1st Half	
	2010	2009	2010	2009
Income from operations	515	506	1,144	1,231
Income from participations	44	73	109	24
Other income	(20)	(94)	(28)	(211)
Income before taxes and minority interests	539	485	1,225	1,044
Income taxes	344	317	689	590
thereof income taxes on oil-producing operations non-compensable with German corporate income tax	209	226	436	380
Income before minority interests	195	168	536	454
Minority interests	47	(13)	115	60
Net income	148	181	421	394

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

Other income includes all expenses and income not included in income from operations of the segment, the interest result and the miscellaneous financial result.

The increase in income from participations in the first half resulted chiefly from foreign currency gains on loans at OAO Severneftegazprom (which is accounted for using the equity method). The increase in Other income resulted mainly from transactions to hedge foreign currency risks not assigned to the Oil & Gas segment; these transactions are reported under Other.

5 – Other operating income and expenses

Other operating income (million €)

	2nd Quarter		1st Half	
	2010	2009	2010	2009
Income from currency conversion and foreign currency transactions	113	(5)	197	99
Disposal of property, plant and equipment	32	15	41	22
Reversal/usage of provisions	6	(32)	7	9
Reversal of allowances for doubtful receivables	20	22	40	33
Revenue from miscellaneous typical business activities	10	20	16	34
Miscellaneous	102	103	201	346
Other operating income	283	123	502	543

Other operating expenses (million €)

	2nd Quarter		1st Half	
	2010	2009	2010	2009
Losses from currency conversion and foreign currency transactions	148	79	258	378
Oil and gas exploration expenses	41	31	88	51
Miscellaneous	590	679	1,118	1,077
Other operating expenses	779	789	1,464	1,506

In the second quarter of 2010, income from currency conversion and foreign currency transactions was mainly a result of the appreciation of the U.S. dollar. Losses from currency conversion and foreign currency transactions were primarily a result of the appreciation of the U.S. dollar and the Russian ruble. The decrease in income from Miscellaneous in the first half of 2010 resulted primarily from lower income from hedging for raw materials price risks.

Expenses for the BASF option program were incurred in the second quarter of 2010 because the BASF share outperformed the benchmark index MSCI World Chemicals.

Furthermore, provisions were also recognized in Miscellaneous for other personnel obligations, for credit risks from trade accounts receivable and for planned restructuring measures.

In the second quarter of 2009, special charges of €375 million were incurred, mainly related to the Ciba acquisition.

6 – Financial result

Million €	2nd Quarter		1st Half	
	2010	2009	2010	2009
Income from companies accounted for using the equity method	38	60	104	16
Income from participations in affiliated and associated companies	30	67	31	68
Income from profit transfer agreements	8	2	18	4
Income from tax allocation to participating interests	1	–	2	1
Other income from participations	39	69	51	73
Losses from loss transfer agreements	(1)	(1)	(2)	(1)
Write-downs of/losses from the sale of participations	(6)	(2)	(7)	(3)
Other expenses from participations	(7)	(3)	(9)	(4)
Interest income from cash and cash equivalents	22	30	42	44
Interest and dividend income from securities and loans	7	7	15	14
Interest income	29	37	57	58
Interest expense	(195)	(201)	(373)	(339)
Write-ups/profits from the sale of securities and loans	–	16	–	16
Expected income from plan assets to cover pensions and similar obligations	197	174	384	322
Income from plan assets to cover other long-term personnel obligations	(1)	(2)	4	6
Income from construction interest	15	15	30	28
Miscellaneous financial income	15	–	24	–
Other financial income	226	203	442	372
Write-downs/losses from the disposal of securities and loans	–	(9)	–	(10)
Interest accrued on pension obligations and other similar obligations	(207)	(195)	(406)	(361)
Expenses from other long-term employee obligations	(5)	(6)	(17)	(20)
Interest accrued on other long-term liabilities	(11)	(11)	(22)	(21)
Miscellaneous financial expenses	–	(3)	–	(25)
Other financial expenses	(223)	(224)	(445)	(437)
Financial result	(93)	(59)	(173)	(261)

Income from companies accounted for using the equity method grew in the first half of 2010 due to currency-related gains on loans at OAO Severneftegazprom. In the previous year, on the other hand, there were currency losses as a consequence of the depreciation of the Russian ruble.

Interest income and expenses relate to expenses and income from interest-bearing liabilities and financial investments, including dividend income on securities. In addition, these items take into account the ongoing interest expenses and income from interest rate and currency swaps with banks. The interest result

was lower in comparison with the previous year. This is attributable to the higher interest expense for bonds issued in 2009.

The higher level of expected income from pension plan assets can be attributed to the increase in pension plan assets compared with the previous year.

Additional pension obligations occurred due to the acquisition of Ciba in April 2009. As a result, expenses for interest accrued on pension obligations and similar obligations increased compared with the first half of 2009.

7 – Income taxes

Income before taxes and minority interests (million €)

	2nd Quarter		1st Half	
	2010	2009	2010	2009
Germany	613	91	1,145	116
Foreign oil production branches of German companies	268	298	556	495
Other foreign	1,105	324	2,045	828
	1,986	713	3,746	1,439

Income taxes (million €)

	2nd Quarter		1st Half	
	2010	2009	2010	2009
Germany	245	20	376	45
Foreign oil production branches of German companies	248	270	518	453
Thereof non-compensable	209	226	436	380
Other foreign	152	72	362	133
	645	362	1,256	631
Tax rate (%)	32.5	50.8	33.5	43.8

The lower contribution to earnings from the highly taxed Oil & Gas segment led to a reduction in the tax rate.

8 – Minority interests

Million €	2nd Quarter		1st Half	
	2010	2009	2010	2009
Minority interests in profits	154	19	282	106
Minority interests in losses	4	(11)	(4)	(16)
	158	8	278	90

Minority interests in profits resulted primarily from natural gas trading companies as well as Gazprom's stake in the Wintershall subsidiary that holds production and exploration rights in Libya. In particular, the companies BASF PETRONAS

Chemicals Sdn. Bhd., based in Malaysia, Shanghai BASF Polyurethane Co. Ltd., China, and BASF FINA Petrochemicals Ltd. Partnership, United States, contributed to higher minority interests in profits than in the previous year.

9 – Earnings per share

		2nd Quarter		1st Half	
		2010	2009	2010	2009
Net income	million €	1,183	343	2,212	718
Number of outstanding shares (weighted average)	(in thousands)	918,479	918,479	918,479	918,479
Earnings per share	€	1.29	0.37	2.41	0.78

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

In the first half of 2010, and in the corresponding period of 2009, there was no dilutive effect; undiluted earnings per share were the same as the diluted value per share.

10 – Long-term assets

Development (million €)

	1st Half 2010		
	Intangible assets	Property, plant and equipment	Investments accounted for using the equity method and other financial assets
Acquisition costs			
Balance as of January 1	13,303	51,943	3,220
Additions	19	855	157
Disposals	(217)	(195)	(189)
Transfers	38	151	(152)
Exchange differences	1,032	2,510	63
Balance as of June 30	14,175	55,264	3,099
Amortization and depreciation			
Balance as of January 1	2,854	35,658	261
Additions	306	1,269	6
Disposals	(210)	(155)	(9)
Transfers	(69)	95	–
Exchange differences	177	1,471	1
Balance as of June 30	3,058	38,338	259
Net book value as of June 30	11,117	16,926	2,840

Development (million €)

	1st Half 2009		
	Intangible assets	Property, plant and equipment	Investments accounted for using the equity method and other financial assets
Acquisition costs			
Balance as of January 1	12,408	49,147	3,424
Additions	1,703	3,212	299
Disposals	(330)	(350)	(112)
Transfers	(54)	53	(452)
Exchange differences	(94)	(133)	(22)
Balance as of June 30	13,633	51,929	3,137
Amortization and depreciation			
Balance as of January 1	2,519	34,115	331
Additions	335	1,128	17
Disposals	(330)	(315)	(66)
Transfers	1	18	–
Exchange differences	2	(82)	–
Balance as of June 30	2,527	34,864	282
Net book value as of June 30	11,106	17,065	2,855

Additions to property, plant and equipment from January to June 2010 arose from a number of investments. The most significant investments in the first half of 2010 were the expansion of the synthesis gas plants in Ludwigshafen, the construction of natural gas pipelines in Europe and a polyol plant and methylamines plant in Geismar, Louisiana.

The increase in amortization and depreciation is primarily a result of long-term assets taken over as part of the Ciba acquisition.

11 – Short-term assets

Million €

	June 30, 2010	June 30, 2009	Dec. 31, 2009
Raw materials and factory supplies	2,172	1,741	1,845
Work-in-process, finished goods and merchandise	5,614	4,460	4,860
Advance payments and services-in-process	104	98	71
Inventories	7,890	6,299	6,776
Accounts receivables, trade	10,181	8,106	7,738
Other receivables and miscellaneous short-term assets	3,598	2,851	3,223
Marketable securities	18	117	15
Cash and cash equivalents	2,107	2,909	1,835
Other short-term assets	5,723	5,877	5,073
Short-term assets	23,794	20,282	19,587

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

The increase in inventories compared with year-end 2009 is in part attributable to translation effects amounting to €510 million.

Trade accounts receivable increased in comparison with year-end 2009 as a result of currency effects of €692 million as well as the expansion of business activities in response to the seasonal and economic upswing.

12 – Stockholders' equity

Authorized capital

At the Annual Meeting of April 30, 2009, shareholders authorized the Board of Executive Directors to increase subscribed capital by issuing new shares in an amount of up to €500 million against cash with the approval of the Supervisory Board through April 30, 2014. The Board of Executive Directors is empowered, following the approval of the Supervisory Board, to decide on the exclusion of shareholders' subscription rights for these new shares. Until now, this option has not been exercised and no new shares were issued.

Retained earnings

Transfers to Other retained earnings increased legal reserves by €10 million in the first half of 2010. The offsetting of actuarial gains and losses, as well as the asset ceiling, resulted in a reduction in retained earnings of €709 million in the first half of 2010, and an increase of €197 million in the first half of 2009.

The Annual Meeting of BASF SE decided on April 29, 2010 to distribute a dividend of €1,561 million for 2009 to shareholders, corresponding to €1.70 per share.

Reserves (million €)

	June 30, 2010	Dec. 31, 2009
Legal reserves	432	429
Other retained earnings	12,434	12,487
	12,866	12,916

13 – Provisions for pensions

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

	Germany		Foreign	
	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009
Discount rate	4.75	5.50	4.67	5.17
Projected increase of wages and salaries	2.75	2.75	3.91	3.91
Projected pension increase	2.00	2.00	0.92	0.92

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

	Germany		Foreign	
	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009
Discount rate	5.50	6.00	5.17	5.59
Projected increase of wages and salaries	2.75	2.75	3.91	3.82
Projected pension increase	2.00	2.00	0.92	0.76
Expected return on plan assets	5.13	5.42	6.28	6.60

The assumptions regarding the overall expected long-term rate of return are based on the target asset allocation and the weighted average rate of expected returns of each individual asset class. The forecasts are based on long-term historical average returns and take into consideration the current yield level and the inflation trend.

In the first half of 2010, developments in the capital markets led to a reduction of the average weighted discount rate for existing pension obligations. In particular, the resulting actuarial losses of €1,356 million led to an increase in pension provisions in the first half of 2010.

14 – Other provisions

Million €	June 30, 2010	June 30, 2009	Dec. 31, 2009
Other long-term provisions	3,552	3,166	3,289
Short-term provisions	3,178	2,935	3,276
	6,730	6,101	6,565

In the first half of 2010, other provisions increased compared with the end of 2009. This increase primarily affects provisions for the BASF option program.

15 – Liabilities

Liabilities (million €)

	June 30, 2010		June 30, 2009		Dec. 31, 2009	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Accounts payable, trade	4,334	–	2,976	–	2,786	–
Bonds and other liabilities to the capital market	3,366	10,322	3,479	11,934	1,491	11,351
Liabilities to credit institutions	514	1,383	584	1,190	884	1,093
Financial indebtedness	3,880	11,705	4,063	13,124	2,375	12,444
Tax liabilities	1,198	–	958	–	1,003	–
Advances received on orders	61	–	55	–	116	–
Liabilities on bills	40	27	77	24	52	23
Liabilities related to social security	151	34	169	13	156	30
Miscellaneous liabilities	2,008	681	2,050	857	1,801	663
Deferred income	250	198	222	166	115	182
Other liabilities	2,510	940	2,573	1,060	2,240	898

Financial indebtedness (million €)

	Nominal value	Effective interest rate	Carrying amounts based on effective interest method		
			June 30, 2010	Dec. 31, 2009	June 30, 2009
3.5% Euro Bond 2003/2010 of BASF SE	1,000	3.63%	1,000	999	999
4% Euro Bond 2006/2011 of BASF SE	1,000	4.05%	1,000	999	999
3.375% Euro Bond 2005/2012 of BASF SE	1,400	3.42%	1,399	1,399	1,398
3.75% Euro Bond 2009/2012 of BASF SE	1,350	3.97%	1,344	1,343	1,341
4.5% Euro Bond 2006/2016 of BASF SE	500	4.62%	497	497	497
4.25% Euro Bond 2009/2016 of BASF SE	200	4.40%	198	198	–
5.875% GBP Bond 2009/2017 of BASF SE	400	6.04%	485	446	465
4.625% Euro Bond 2009/2017 of BASF SE	300	4.69%	299	299	–
3.25% CHF Bond 2008/2011 of BASF Finance Europe N.V.	300	3.39%	226	202	196
6% Euro Bond 2008/2013 of BASF Finance Europe N.V.	1,250	6.15%	1,244	1,244	1,243
5% Euro Bond 2007/2014 of BASF Finance Europe N.V.	1,000	5.09%	997	996	996
5% Euro Bond 2007/2014 of BASF Finance Europe N.V.	250	4.83%	251	252	252
3.625% CHF Bond 2008/2015 of BASF Finance Europe N.V.	200	3.77%	150	134	130
5.125% Euro Bond 2009/2015 of BASF Finance Europe N.V.	1,500	5.30%	1,489	1,488	1,487
5.125% Euro Bond 2009/2015 of BASF Finance Europe N.V.	500	4.38%	516	517	519
4.5% Euro Medium Term Note 2009/2016 of BASF Finance Europe N.V.	150	4.56%	150	149	149
USD Extendible Floating Rate Notes of BASF Finance Europe N.V.		0.33%	3	3	314
3.25% CHF Bond 2006/2012 of Ciba Spezial. Finanz AG	225	3.32%	165	147	151
4.875% Euro Bond 2003/2018 of Ciba Special. Chem. Finance Luxembourg S.A.	477	4.88%	397	393	506
USD Commercial Paper	1,381		1,125	487	3,150
Other bonds			753	650	621
Bonds and other liabilities to the capital market			13,688	12,842	15,413
Liabilities to credit institutions			1,897	1,977	1,774
			15,585	14,819	17,187

16 – Related-party transactions

Material supply relationships exist for the supply of oil and gas between companies of the BASF Group and the proportionally consolidated joint venture companies Wintershall Erdgas Handelshaus GmbH & Co. KG, Berlin, and Wintershall Erdgas Handelshaus Zug AG, Zug, Switzerland. These transactions are conducted at arm's length prices and business terms. The unconsolidated portion of these supplies amounted to €513 million in the first half of 2010, and €383 million in the same period of 2009.

In addition, there are material supply relationships with Ellba C.V., Rotterdam, Netherlands, and Ellba Eastern Private Ltd., Singapore. The unconsolidated portion of these supplies amounted to €237 million in the first half of 2010, and €109 million in the same period of 2009.

There were no reportable related party transactions with members of the Board of Executive Directors or the Supervisory Board. BASF has not issued loans to members of the Board of Executive Directors or the Supervisory Board.

Calculation of Adjusted Earnings per Share

Million €	2nd Quarter		1st Half	
	2010	2009	2010	2009
Income before taxes and minority interests	1,986	713	3,746	1,439
Special items	127	368	241	425
Amortization of intangible assets	154	205	306	335
Amortization of intangible assets contained in the special items	–	(59)	(5)	(59)
Adjusted income before taxes and minority interests	2,267	1,227	4,288	2,140
Adjusted income taxes	725	490	1,411	812
Adjusted income before minority interests	1,542	737	2,877	1,328
Adjusted minority interests	161	10	283	94
Adjusted net income	1,381	727	2,594	1,234
Weighted average number of outstanding shares	(in thousands) 918,479	918,479	918,479	918,479
Adjusted earnings per share	€ 1.50	0.79	2.82	1.34

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

The special items are primarily the result of the integration of acquired businesses, restructuring measures, impairment losses and gains or losses resulting from divestitures. This involves expenses and income that do not arise in conjunction with ordinary business activities. Intangible assets primarily result from purchase price allocation following acquisitions.

The amortization of intangible assets is therefore of a temporary nature.

The calculation of earnings per share in accordance with IFRS is presented in the Notes on page 28. The adjusted income before taxes and minority interests, the adjusted net income and the adjusted earnings per share are not defined in IFRS. They should not be viewed in isolation, but rather treated as supplementary information.

Statement in accordance with Section 37y and Section 37w (2) No. 3 of the German Securities Trading Act

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit situation of the Group, and the Interim Management's Analysis includes a fair review of the development and performance of the business

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

Ludwigshafen, July 26, 2010

BASF SE

The Board of Executive Directors

Forward-looking Statements

This report contains forward-looking statements. These statements are based on current estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed from pages 103 to 111 in the BASF Report 2009. The BASF Report can be found on the Internet at: basf.com/report. We do not assume any obligation to update the forward-looking statements contained in this report.

Interim Report 3rd Quarter 2010

Oct. 28, 2010

Full Year Results 2010

Feb. 24, 2011

Annual Meeting 2011 / Interim Report 1st Quarter 2011

May 6, 2011

Interim Report 1st Half 2011

July 28, 2011

Further Information

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