Financial Report 2000

Adding value through

growth and innovation

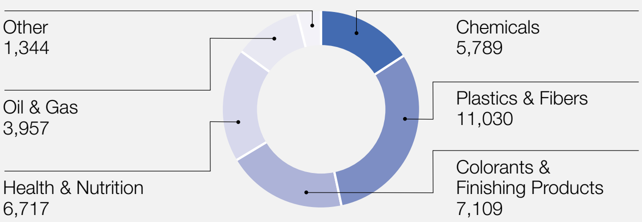
BASF

BASF Group

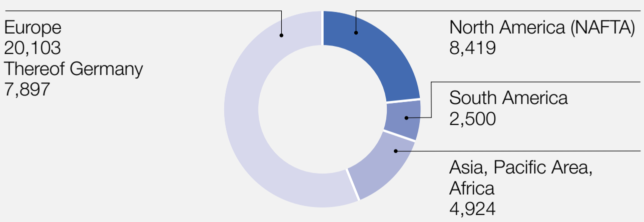
Overview of key financial data

Million €	2000	1999	Change in %
Sales	**35,946**	29,473	22.0
Income from operations before special items	**3,400**	2,950	15.3
Income from operations	**3,070**	2,009	52.8
Income before taxes and minority interests	**2,827**	2,606	8.5
Net income	**1,240**	1,237	0.2
Earnings per share in €	**2.02**	2.00	1.0
Earnings per share according to U.S. GAAP	**2.37**	2.15	10.7
Dividend per share in €	**2.00**	1.13	77.0

Sales by segments
Million €



Sales by regions (location of customer)
Million €



This report went to press on February 28, 2001
and was published on March 14, 2001.

This Financial Report contains the complete Consolidated Financial Statements of BASF Group together with the Management's Discussion and Analysis and the Report of Independent Auditors. The Financial Report is supplemented by an Annual Report. We would be pleased to send you a copy (see back cover).

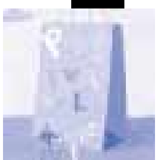
Segments

Chemicals – the heart of our Verbund

In the Chemicals segment, we primarily manufacture organic and inorganic basic chemicals and intermediates. In doing so we make optimal use of the synergy potential of our Verbund. Our goal is to achieve market leadership. Integrated production sites, new processes and the advantages of modern large-scale plants are our keys to success. We are extending and constructing new Verbund sites in the major growth markets.

Plastics & Fibers – cost leadership and innovative high-performance materials

BASF is one of the world's leading manufacturers of plastics and fibers. We pursue a strategy of global cost leadership with our standard plastics. With our specialty plastics, our objective is to provide our customers with innovative high-performance products. We are expanding our strong position in growth markets, in particular in Asia and South America.



Colorants & Finishing Products – intensive technical cooperation

In the Colorants & Finishing Products segment, we produce and market high-value chemicals and specialties. Our success is based on innovative solutions developed in close technical cooperation with our customers and on our ability to ensure just-in-time delivery through a network of regional sites.

Health & Nutrition – focusing on our strengths

Through the purchase of American Home Products' crop protection activities, we have become the world's third largest supplier of agricultural products. New active ingredients and our presence in the important agricultural markets strengthen our position. We are extending our activities in plant biotechnology. We supply our customers with a variety of high-value fine chemicals for the food, pharmaceuticals, animal feed and cosmetics industries. We have sold our global pharmaceuticals activities to Abbott Laboratories Inc.

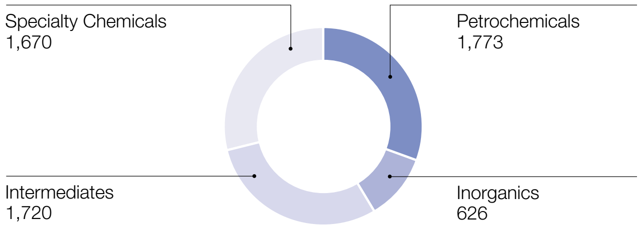
Oil & Gas – expertise and regional focus

BASF is active in the oil and gas business through its subsidiary Wintershall.
In exploration and production, we benefit from our expertise and focus on areas that are rich in hydrocarbons. In natural gas trading, we are making use of the growth opportunities created as a result of liberalization of European gas markets. This segment also serves as a counterbalance to the effect of rising crude oil prices on our Chemicals segment.

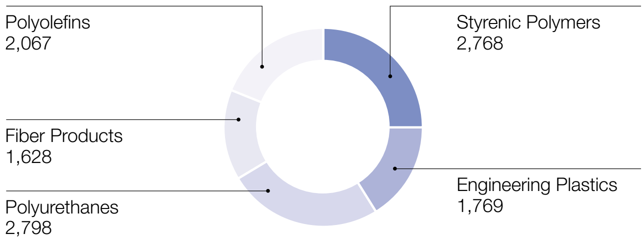
Key data
Million €

Sales by divisions
Million €

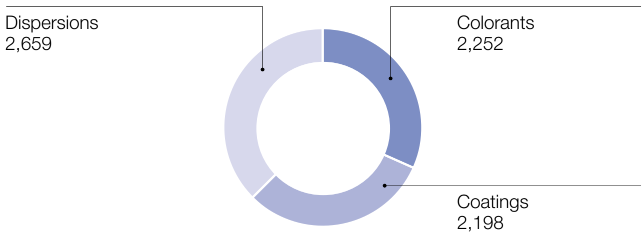
Million €	2000	1999	Change in %
Sales	**5,789**	4,423	30.9
Income from operations before special items	**724**	774	(6.5)
Income from operations	**713**	737	(3.3)



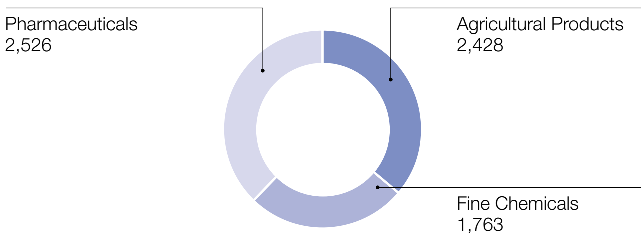
Million €	2000	1999	Change in %
Sales	**11,030**	8,628	27.8
Income from operations before special items	**788**	642	22.7
Income from operations	**889**	644	38.0



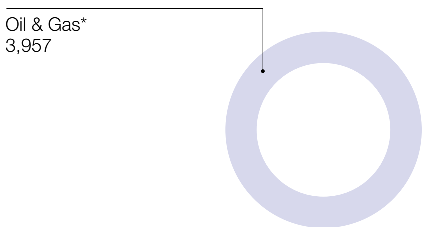
Million €	2000	1999	Change in %
Sales	**7,109**	6,395	11.2
Income from operations before special items	**548**	682	(19.6)
Income from operations	**522**	608	(14.1)



Million €	2000	1999	Change in %
Sales	**6,717**	5,602	19.9
Income from operations before special items	**252**	408	(38.2)
Income from operations	**(201)**	(588)	65.8



Million €	2000	1999	Change in %
Sales	**3,957**	3,051	29.7
Income from operations before special items	**1,266**	603	110.0
Income from operations	**1,310**	741	76.8



*The Oil & Gas segment is not subdivided into operating divisions

In the year ended we have

- again increased sales and earnings,
- exceeded our target for 2000: Income from operations before special items increased by 15.3 percent.

Growth

- Strengthening our market position further
- Focusing on expanding business in growth regions
- Extending our Verbund

and innovation

- Renewing products and processes continually
- Finding creative system solutions for customers
- Capitalizing on the broad potential of the chemistry we use

are the means by which we will continue to increase BASF's corporate value.

For the years 2000 through 2002 we have set ourselves the goal of increasing income from operations before special items by an average of at least 10 percent per year.

BASF

Milestones 2000

January ...... ▶ BASF South East Asia and Shell Eastern Petroleum lay the foundation stone for the ELLBA Eastern 50-50 joint venture. The company will build a plant for propylene oxide and styrene monomer in Singapore.

February..... ▶ To exploit the advantages of the Internet for the global procurement of raw materials, BASF acquires a stake in ChemConnect, United States. The "World Chemical Exchange" is the world's largest virtual marketplace for chemical products and plastics.

March .... ▶ BASF initiates the largest share buy-back program to date in Germany. Shares with a total value of up to €2 billion are to be bought back.

April .... ▶ BASF takes a further step in developing its global principles for employees. In its "Values and Principles," the company commits itself to act responsibly and publicly discloses its internal auditing criteria.

May............. ▶ Together with other companies, BASF acknowledges Germany's historical and moral responsibility. As one of the founding members of the initiative "Remembrance, Responsibility and the Future" *(Erinnerung, Verantwortung und Zukunft)* it pays €51 million towards compensation for victims of the National Socialist regime. ▶ With help from BASF, an apartment building in Ludwigshafen, Germany, is refurbished to improve energy efficiency. This prototype uses BASF's latest heat insulation materials and state-of-the-art fuel-cell technology to provide the usual level of comfort but with a much lower energy consumption – in terms of heating oil only three liters per square meter of living space per year. By comparison, buildings which have not been refurbished require 20 to 30 liters.

June .... ▶ BASF shares are listed on the New York Stock Exchange (NYSE) under the trading symbol BF. ▶ BASF acquires the U.S. company Chemdal International Corporation and becomes the market leader in superabsorbents. ▶ The Chinese government gives approval for BASF and its partner China Petroleum & Chemical Corporation (SINOPEC) to construct a Verbund site for petrochemicals in Nanjing. It is the first major petrochemical project with foreign participation in China. ▶ Wintershall and Russia's Gazprom sign an agreement to cooperate in developing oil, gas and condensate reserves.

July............. ▶ BASF acquires the crop protection business of American Home Products based in the United States. This is the largest acquisition in BASF's history and makes BASF the world's third largest supplier of agricultural products. ▶ BASF commits itself to the principles of the Global Compact initiative of the United Nations (UN). The aim is to implement nine principles applying to human rights, labor standards and environmental protection worldwide.

August......... ▶ BASF PETRONAS Chemicals, a 60-40 joint venture between BASF and the Malaysian state enterprise PETRONAS starts up operations in Kuantan – BASF's first Verbund site in Asia – with the production of acrylic monomers. ▶ The U.S. antitrust authorities approve the acquisition of the vitamins business of Takeda Chemical Industries, Japan. This further reinforces BASF's position as one of the world's leading manufacturer of vitamins.

September .. ▶ A new dispersions center in Ludwigshafen, Germany, goes into operation. This is a milestone in improving competitiveness in the manufacture of acrylate dispersions.

October....... ▶ Basell N.V. is created. The joint venture with Shell combines the worldwide polyolefins activities of the companies Targor, Elenac and Montell. ▶ BASF merges its textile dye activities in DyStar – a joint venture with Bayer and Hoechst. ▶ The 50-50 joint venture between BASF Coatings and NOF Corporation of Japan starts operations. The joint venture, BASF NOF Coatings, has its registered office in Tokyo and combines all of the partners' coatings activities in Japan. ▶ Fortune Magazine ranks BASF number one among world chemical companies and among German businesses in its annual listing of "Global Most Admired Companies."

November ... ▶ BASF becomes the first global polystyrene manufacturer with its own production facilities in India. This follows a strategic alliance with the Chatterjee Group of the United States for the manufacture and marketing of polystyrene in India.

December ... ▶ BASF announces the sale of its worldwide pharmaceuticals business to Abbott Laboratories Inc. for $6.9 billion. This will allow BASF to focus on the strengths of its portfolio and achieve additional profitable growth.

BASF is the largest chemical company in the world. We aim to sustain and increase our corporate value through growth and innovation.

We offer our customers a range of high-performance products, including high-value chemicals, plastics, colorants and pigments, dispersions, automotive and industrial coatings, agricultural products and fine chemicals as well as crude oil and natural gas. Our distinctive Verbund strategy is our strength. It ensures our cost leadership and thus gives us a decisive competitive advantage in the long term.

We act in accordance with the principles of Sustainable Development.

Contents

In the future, we want to continue achieving profitable growth and thereby increase and sustain the value of our company.

Dr. Jürgen F. Strube
Chairman of the Board of
Executive Directors

Dear shareholders and friends of BASF,

The start of a new millennium is a particularly good time to take stock. And I am all the happier that BASF has started the third millennium with such spectacular results. As the largest chemical company in the world, we achieved record earnings in 2000. We expanded our sales by 22 percent to €36 billion and increased our income from operations before special items by 15.3 percent to €3.4 billion.

For the years 2000 through 2002 we have set ourselves the goal of increasing income from operations before special items by an average of at least 10 percent per year, thereby living up to our motto of “adding value through growth and innovation.”

BASF is well equipped to further boost its performance. We have organized our business so that we will be able to post steadily rising profits in future. We are in an excellent position with respect to our regional presence, finances, product portfolio and our employees. In the future, we want to continue achieving profitable growth and thereby increase and sustain the value of our company.

We now derive more than two-thirds of our sales and earnings from product groups that are among the top three in their markets, and we want to increase this proportion. By acquiring Chemdal, we have consolidated our position as world leader in superabsorbents. Our takeover of Takeda’s vitamins business has reinforced our clear position as number two in this field. And in agricultural products we have become one of the world’s top three companies through our purchase of this business from American Home Products. In the future, we will continue to seize opportunities arising from further consolidation in the chemical industry, and we will play an active role in this reorganization.

A key feature of our strategy is to extend our business in growth markets. To this end we are focusing our attention on Asia. Together with our partner PETRONAS we began operating four new plants in Kuantan, Malaysia, in 2000. This year, an additional four plants will follow, which will help us achieve our goal of growing faster than the market in this region.

In Nanjing, China, we have started constructing a further Verbund site together with our partner SINOPEC. BASF is the first foreign chemical company to receive approval for the construction of such a production complex in the increasingly important Chinese market.

With the sale of our pharmaceuticals business for $6.9 billion, we have considerably expanded the financial scope for our business activities. Some of this amount will be used to reduce our financial indebtedness and to accelerate our share buy-back program. In 2001, we intend to buy back our own shares for up to €1.3 billion.

We are proposing to the Annual Meeting a dividend payment of €1.30 and a special dividend of €0.70 per share.

In 2000, BASF shares performed better than Germany's DAX index. However, we believe that our current share price does not reflect BASF's high potential, and we are therefore working harder than ever to achieve above-average yields, thereby increasing our corporate value.

Our ability to innovate is the key to increasing the value of BASF. As a leading transnational chemical company, we develop solutions to address current and future challenges. To demonstrate how such innovative solutions might look, consider two examples from the fields of biotechnology and resource conservation.

Providing the world's growing population with sufficient amounts of nutritious food is an enormous problem. We are therefore strengthening our activities in biotechnology. In our research we are focusing on developing crops with improved characteristics. Such plants might, for example, have a higher vitamin content. However, we also want to develop crops that are more resistant to frost, heat or drought and that can therefore be cultivated in less hospitable parts of the world.

The low-fuel-consumption apartment building admirably demonstrates how BASF products can be used to save money in the long term. Its prototype is a refurbished building located very close to our main site in Ludwigshafen, Germany. Optimal use of BASF's products in this building has resulted in an 85 percent reduction in energy consumption and a 90 percent reduction in CO_2 emissions. The annual consumption of heating oil has been cut to no more than three liters per square meter of living space – compared with 20 to 30 liters before the modernization project. In Germany alone, about 70 percent of the country's 34 million apartments in older buildings need to be modernized to be more energy efficient. This constitutes an enormous economic and ecological potential for improvement.

Growth and innovation will be the driving forces by which we will expand our core competencies. We will do this by concentrating on our existing strengths: Our motivated and well-qualified employees, our expertise in innovative chemistry, our highly efficient Verbund system, and our cost and technology leadership.

After a successful 2000, BASF's start in 2001 has also been promising. The level of orders has been good, and our production plants around the world are operating at high capacity. However, developments in the global economy, in particular in the NAFTA region and in Japan, represent a risk.

To achieve our ambitious goals, we are relying on the commitment and high motivation of all our employees. My fellow Executive Directors and I would like to extend our sincere appreciation and thanks to them all. I would also like to take this opportunity to thank you, our shareholders, for placing your confidence in us, and to particularly thank our business partners for their valuable cooperation. We will do our part to successfully build on this trust in 2001.

Yours sincerely,

Jürgen Strube

Dr. Jürgen F. Strube
Chairman of the Board of Executive Directors

ECONOMIC ENVIRONMENT

Global economic trends in review

The global economy got off to an extremely strong start in 2000, marked by a powerful upturn in the first half of the year. The booming U.S. market, driven by the dynamic impact of the "new economy," fueled global demand. Economic growth also gained momentum in the vast majority of developing countries. However, during the course of the year, growth in the global economy slowed. An increase in interest rates, brought on by rising rates in the United States, as well as higher energy prices, dampened growth.

In developing countries in Asia, growth surpassed expectations. Export volumes expanded rapidly, leading to a dynamic increase in export-oriented industrial production. The upswing, which began at the end of 1999, also gained momentum in most South American countries, with structural reforms helping to improve the economic climate. In Russia, the economic recovery made welcome progress on the back of rapidly growing exports and a gradual rise in domestic demand.

The interest rate hikes in the United States, coming after eight years of economic expansion, curbed growth considerably in the second half of 2000. In Western Europe, the economy once again slowed after a period of strong recovery during the first months of the year. Although the Japanese economy is now rebounding, recovery is proving very sluggish. The situation in the financial sector and the level of public sector debt remain critical.

The upward trend in prices continued in all regions, primarily due to the sharp rise in the price of crude oil.

Trends in our customers' industries

The automotive, chemical, packaging, paper, construction, textile and electronics industries – important customers for our Chemicals, Colorants & Finishing Products and Plastics & Fibers segments – passed the peak of their business cycles in 2000.

In particular, the U.S. automotive and construction industries, which are sensitive to interest rates, were in decline. Other cyclical sectors, in particular the dynamic information technology and electronics sectors as well as the chemicals sector, held their ground. In the European Union, economic circumstances affecting the agricultural sector were unfavorable. A noticeable increase in the production of agricultural products could only be achieved in North America and in East Asia.

Growth in gross domestic product in real terms peaked in 2000 at 4.2%. At the outset of 2001, the global economy is in transition from strong growth to more moderate growth, marked by a controlled soft landing in the United States.

RESULTS OF OPERATIONS

BASF Group

In 2000, BASF's results of operations improved over the previous year. Compared to 1999, demand for BASF's products was much stronger, in particular during the first nine months of the year.

Sales

Sales rose 22% in 2000 to €35,946 million from €29,473 million in 1999. The following table sets forth the various factors affecting the change in sales:

Million €	2000	As % of sales
Volume	**1,902**	6.5
Prices	**3,326**	11.3
Currency exchange	**1,947**	6.6
Acquisitions and additions to scope of consolidation	**1,231**	4.2
Divestitures and deconsolidations	**(1,933)**	(6.6)
	6,473	22.0

Sales and earnings

Million €, except per share data	2000	1999	% Change from previous year
Sales	35,946	29,473	22.0
Gross profit	12,691	11,081	14.5
Gross profit as a percentage of sales (%)	35.3	37.6	
Income from operations	3,070	2,009	52.8
Income from operations as a percentage of sales (%)	8.5	6.8	
Special items	(330)	(941)	
Income before taxes and minority interests	2,827	2,606	8.5
Net income	1,240	1,237	0.2
Net income as a percentage of sales (%)	3.5	4.2	
Basic earnings per share	2.02	2.00	1.0
Net income in accordance with U.S. GAAP	1,454	1,325	9.7
Basic earnings per share in accordance with U.S. GAAP	2.37	2.14	10.7
Diluted earnings per share in accordance with U.S. GAAP	2.35	2.12	10.8

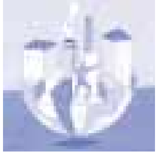
Sales volumes rose 6.5% in 2000, with the Plastics & Fibers and the Chemicals segments posting the greatest increases. High demand, additional production capacities and increased market shares contributed to this increase.

Rising prices accounted for an 11.3% increase in sales in 2000. Prices rose most sharply in the Oil & Gas segment and the Plastic & Fibers segment as well as in the Petrochemicals division of the Chemicals segment to compensate for higher raw material costs.

Positive currency effects, above all from the strength of the U.S. dollar and an appreciation in the Japanese yen, the Brazilian real and the Korean won, added €1,947 million to sales.

The combined effect of acquisitions, divestitures and changes in the scope of consolidation reduced sales by €702 million, or 2.4%. Acquisitions contributed €1,056 million to sales in 2000. Major acquisitions included:

- the crop protection business of American Home Products Corporation (AHP);
- the superabsorbents manufacturer Chemdal International Corporation; and
- the industrial coatings business of Rohm and Haas Co.



Divestitures reduced sales by €1,919 million in 2000. Divestitures included:

- the sale of the marketing and refinery business in the Oil & Gas segment at the end of 1999;
- the sale of the Compo® specialty fertilizer business at the end of 1999;
- the transfer of BASF's polyolefins activities conducted through the companies Targor and Elenac to the joint venture Basell N.V. at the end of the third quarter; sales for the first nine months of 2000 from Targor and from BASF's participation in Elenac are included in the sales figures of the Plastics & Fibers segment; BASF's participation in Basell N.V. is accounted for under the equity method; and
- the transfer of the textile dyes business to DyStar GmbH at the beginning of the fourth quarter; the first nine months of global sales in 2000 for this business were still included in the sales of the Colorants & Finishing Products segment; BASF's participation in DyStar is accounted for under the equity method.

Additions to the scope of consolidation and deconsolidations contributed a net €161 million to sales. See Note 1 to the Consolidated Financial Statements for further information on the companies that were consolidated for the first time in 2000 and the effects thereof on the Consolidated Financial Statements.

Gross profit

Gross profit rose 14.5% in 2000 to €12,691 million from €11,081 million in 1999. Gross profit as a percentage of sales fell in 2000 to 35.3% from 37.6% for the previous year, primarily due to a substantial increase in raw material costs, which could only be passed on in part in higher prices for BASF's products and only after a period of delay.

Income from operations

Income from operations increased 52.8% in 2000 to €3,070 million from €2,009 million in 1999 due to higher sales. Other operating expenses net of other operating income fell 13.8% in 2000 to €1,537 million from €1,783 million in 1999 due to lower special charges in 2000. Total special items resulted in charges of €330 million in 2000 compared to charges of €941 million in 1999. Excluding the effect of special items, income from operations increased 15.3%.

Special items

In 2000, special items recorded in other operating expenses and other operating income include €590 million in special charges and €260 million in special income. Included in special charges are costs of €344 million related to the integration of the crop protection business of American Home Products Corporation. A further €100 million related to charges from restructuring activities in the Pharmaceuticals division, which included closing the research and development site in Nottingham, United Kingdom and workforce reductions. Other special charges relate to the unexpectedly high cost of a settlement for a litigation brought by indirect purchasers of vitamins in the United States, which was not entirely covered by provisions that had been established for that purpose in 1999. Various divestitures led to special income of €205 million and included the sale of the Novolen® polypropylene technology of Targor to an international consortium, the sale of the Kraton® polymers business to Kraton Polymers GmbH, a subsidiary of the Deutsche Shell GmbH, the sale of the urology business in the Pharmaceuticals division to Abbott GmbH and the conclusion of business relating to the sale in 1999 of the refinery business in the Oil & Gas segment.

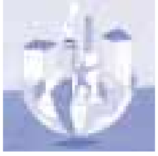
In 1999, special items recorded in other operating expenses and in other operating income had a negative effect on income from operations of €941 million. Of this amount, €815 million related to provisions for litigations, settlements and related matters for vitamins in the Fine Chemicals division and for the thyroid medication Synthroid® in the Pharmaceuticals division. Unscheduled write-downs were necessary in the Fine Chemicals division as well as in the Colorants & Finishing Products and the Chemicals segments. A further €310 million relate to asset impairments, primarily in the Fine Chemicals division, and the Colorants & Finishing Products and Chemicals segments, and to charges for restructuring in the Pharmaceuticals division and in the Colorants & Finishing Products and Plastics & Fibers segments. In addition, an expense of €51 million was recorded for BASF's participation in the initiative "Remembrance, Responsibility and the Future" to provide compensation to those who suffered injustice as forced laborers under the National Socialist regime. Special income of €235 million was generated by the disposal of fixed assets due to the divestiture of the oil marketing and refinery business in the Oil & Gas segment and of the Compo® specialty fertilizer business.

Income before taxes

In 2000, income before taxes increased 8.5% to €2,827 million from €2,606 million in 1999. The increase in income from operations was partly offset by a decline in the financial result. The financial result in 2000 amounted to €(243) million, €840 million lower than in 1999. In 2000, special income from securities and the sale of participating interests totaled €133 million. This represents a drop in special income of €619 million compared with 1999, when BASF sold its participation in Aral AG. The interest result in 2000 declined due to higher interest expenses from the higher financial indebtedness needed to finance acquisitions.

Net income/earnings per share

The effective tax rate for 2000 stood at 54.6%. The rise in crude oil prices triggered an increase in non-deductible income taxes levied on BASF's exploration activities in North Africa and the Middle East. In addition, deferred tax assets were calculated at 38% as part of a package of tax reforms in Germany. BASF's proposed special dividend payment will result in a tax credit, as this payment is subject to a tax rate of 30% instead of the 45% rate levied on retained earnings.



In 2000, net income increased 0.2% to €1,240 million from €1,237 million in 1999. Basic earnings per share in 2000 were €2.02 compared to €2.00 in 1999. See Note 3 to the Consolidated Financial Statements for a summary of the principal adjustments that would be required if U.S. GAAP rather than German GAAP had been fully applied. Net income under U.S. GAAP in 2000 was €1,454 million, or €2.37 per share.

Returns

The return on assets before income taxes and interest expenses declined from 10.2% to 9.9%. The improvement in income before taxes and the increase in interest expenses were not sufficient to compensate for a substantial increase in fund commitments. When adjusted for special items, the return on assets was 10.5% compared with 10.9% in 1999.

BASF achieved a return on sales of 8.5%, up from 6.8% in 1999. This strong improvement was due to the minor impact special items had on income from operations. Adjusted for special items, return on sales was 9.5% compared with 10.0% in 1999.

Proposed appropriation of profit

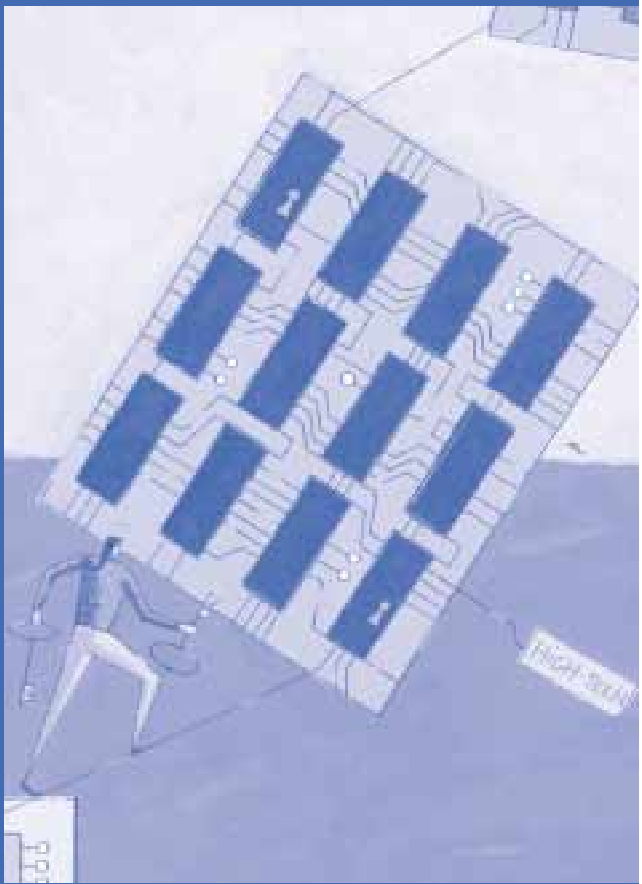
BASF Aktiengesellschaft* achieved a net income of €1,265 million, of which €50 million was allocated to retained earnings. After accounting for profit carried forward, the profit retained was €1,222 million. The Board of Executive Directors and the Supervisory Board are proposing to the Annual Meeting on April 26, 2001 a dividend payment of €1.30 per qualifying share. In addition, it is proposed that equity charged with 45 percent corporation tax be paid out as a special dividend of €0.70 per qualifying share. If shareholders approve this proposal, the dividend payable on 607,399,370 shares qualifying for a dividend will be €1,215 million. We further propose that the remaining profit retained of €7 million be carried forward.

* The auditors have approved the Consolidated Financial Statements of BASF Aktiengesellschaft free of qualification. The Consolidated Financial Statements are published in the Federal Gazette and filed in the Commercial Register of Ludwigshafen (Rhine) HRB 3000. A reprint may be obtained by contacting the address shown on the back cover.

Segments	Sales		Income from operations		Income from operations before special items	
Million €	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**
Chemicals*	**5,789**	4,423	**713**	737	**724**	774
Plastics & Fibers*	**11,030**	8,628	**889**	644	**788**	642
Colorants & Finishing Products	**7,109**	6,395	**522**	608	**548**	682
Health & Nutrition	**6,717**	5,602	**(201)**	(588)	**252**	408
• Thereof Agricultural Products	**2,428**	1,745	**(443)**	195	**(102)**	198
Fine Chemicals*	**1,763**	1,660	**(1)**	(770)	**49**	59
Pharmaceuticals*	**2,526**	2,197	**243**	(13)	**305**	151
Oil & Gas	**3,957**	3,051	**1,310**	741	**1,266**	603
Other***	**1,344**	1,374	**(163)**	(133)	**(178)**	(159)
	35,946	29,473	**3,070**	2,009	**3,400**	2,950

Segments	Income from operations before special items and depreciation		Capital expenditures**		Assets	
Million €	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**
Chemicals*	**1,273**	1,252	**880**	765	**4,999**	4,112
Plastics & Fibers*	**1,463**	1,235	**599**	998	**6,009**	6,843
Colorants & Finishing Products	**1,025**	1,082	**1,260**	324	**5,576**	4,343
Health & Nutrition	**1,096**	1,030	**3,464**	281	**10,203**	5,174
• Thereof Agricultural Products	**310**	370	**3,260**	93	**6,607**	1,949
Fine Chemicals*	**208**	259	**83**	87	**1,368**	1,338
Pharmaceuticals*	**578**	401	**121**	101	**2,228**	1,887
Oil & Gas	**1,538**	883	**267**	524	**3,540**	3,003
Other***	**(79)**	(69)	**461**	361	**8,230**	6,534
	6,316	5,413	**6,931**	3,253	**38,557**	30,009

* Data for previous year restated to reflect organizational changes
** Investments in tangible and intangible assets
*** Sales and earnings of the Fertilizers business as well as expenditures, earnings and assets not allocated to the segments



RESULTS OF OPERATIONS

Chemicals

The Chemicals segment consists of the Petrochemicals, Inorganics, Intermediates and Specialty Chemicals divisions.

In mid-2000, the former Petrochemicals & Inorganics and Industrial Chemicals divisions were reorganized into the Inorganics and Petrochemicals divisions. The segment data have been restated. The Petrochemicals division comprises cracker products, industrial gases, solvents and plasticizers. The new Inorganics division comprises inorganic chemicals, catalysts, glues and impregnating resins, as well as the Catamold® line of products for powder injection molding in metal and ceramic components.

In the Chemicals segment, sales to third parties rose 30.9% in 2000 to €5,789 million from €4,423 million in 1999. All operating divisions, and above all the Petrochemicals division, contributed to this increase in sales. Sales volumes in 2000 increased, especially during the first half of 2000 due to high demand for the segment's products and new production capacities. BASF was able to increase prices for major products. The Petrochemicals division posted the sharpest rise in prices due to an increase in prices for the basic cracker products ethylene, propylene and benzene, which was fueled by a rise in the price of naphtha, the division's most important raw material. Intersegmental sales increased 25.6% in 2000 to €2,363 million from €1,882 million in 1999, reflecting higher transfer prices for cracker products from the Petrochemicals division.

Segment data

Million €	2000	1999	% Change from previous year
Sales to third parties	5,789	4,423	30.9
Intersegmental transfers	2,363	1,882	25.6
Sales incl. intersegmental transfers	8,152	6,305	29.3
Income from operations	713	737	(3.3)
Special items	(11)	(37)	
Operating margin (%)*	12.3	16.7	
Assets	4,999	4,112	21.6
Return on operational assets (%)*	15.6	19.4	
Research and development expenses	147	149	(1.3)
Capital expenditures in tangible and intangible assets	880	765	15.0

* Based on average of assets

Income from operations decreased 3.3% in 2000 to €713 million from €737 million in 1999. Due to market conditions, especially for products such as plasticizers, solvents and butanediol, BASF was unable to pass on sharply increased raw material prices in full to customers. The Petrochemicals division significantly increased its income from operations, primarily due to higher margins for cracker products. However, this improvement was more than offset by a decline in income from operations in the segment's other divisions. As a result of the higher cost of raw materials, income from operations as a percentage of sales to third parties declined in 2000 to 12.3% from 16.7% in 1999.

Further developments in the Chemicals segment's income from operations will continue to depend on the development of crude oil prices. For 2001, BASF anticipates a lower average crude oil price per barrel than in 2000. The Chemicals segment's sales and income from operations will significantly depend on BASF's ability to pass higher raw material costs on to customers through higher prices for its products, to further improve on its strong global position and to fully utilize plant capacity – in particular for products affected by surplus capacities, such as oxo C4 alcohols, plasticizers and glycols.

In 2000, the Chemicals segment's assets increased by 21.6% to €4,999 million from €4,112 million in 1999, which reflects significant investments made by BASF with the goal of expanding this segment's business.

Chemicals

Petrochemicals

In the Petrochemicals division, sales to third parties in 2000 increased 77.5% to €1,773 million from €999 million in 1999. The increase in sales was due above all to substantially higher prices for cracker products and higher sales volumes. As in 1999, the plasticizers and solvents product lines suffered from sharp margin pressure as a result of excess manufacturing capacity industry-wide and continued price competition.

Due to favorable demand, higher raw material costs – for example, for naphtha – could be passed along in the prices for cracker products. However, during the second half of the year, cracker margins did come under pressure. The Petrochemicals division was again a major contributor to the Chemical segment's income from operations.

Capital expenditures on fixed assets increased in 2000. Major projects included the construction of a steamcracker with BASF's partner TotalFinaElf S.A., in Port Arthur, Texas, the construction of a propane dehydrogenation plant with partner SONATRACH in Tarragona, Spain, and the construction of an oxo C4 alcohol complex in Kuantan, Malaysia.

With the startup of the steamcracker in Port Arthur, Texas, during the second half of 2001, BASF expects sales to increase substantially in 2001 and 2002. Due to startup costs, income from operations is expected to decline in 2001, but is expected to make a significant contribution to the Chemical segment's income from operations in subsequent years.

Inorganics

In the Inorganics division, sales to third parties in 2000 rose 15.3% to €626 million from €543 million in 1999. During the course of the year, BASF increased the price of its products in this division in order to pass on the higher cost of natural gas.

Despite an increase in sales, income from operations in 2000 was lower than in 1999, as the Inorganics division could not increase prices for its products to the same extent to which the cost of raw materials increased.

At the end of 2000, BASF started up the world's largest formaldehyde plant in Ludwigshafen, Germany, with a production capacity of 180,000 metric tons per year.

For 2001, BASF expects sales in the Inorganics division to remain strong, with income from operations increasing slightly due primarily to strong growth in demand for inorganic specialties and electronic grade chemicals.

Intermediates

In the Intermediates division, sales to third parties in 2000 increased 16.8% to €1,720 million from €1,472 million in 1999. This increase was due to higher sales volumes in the division's major product areas. The effect of falling prices on sales was more than offset by positive currency effects.

Income from operations in the Intermediates division declined in 2000 due to sharp increases in raw material costs. However, the division could not fully pass these higher costs on to customers through higher prices for its products, partly because existing sales contracts had not yet expired.

Capital expenditures rose in 2000, primarily due to the expansion of existing plants in Ludwigshafen, Germany; Geismar, Louisiana and Ulsan, Korea.

Given rising demand for BASF's products, which BASF expects to meet through the startup of several new plants by the end of 2002, as well as higher selling prices, BASF expects that the Intermediates division will improve income from operations in 2001.

Subject to approval by the European regulatory authorities, BASF will acquire the butanediol, phthalic anhydride and plasticizers activities of the SISAS Group in Feluy, Belgium. BASF expects the costs of the integration to result in special charges in 2001.

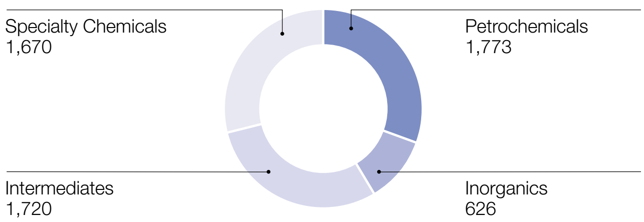
Specialty Chemicals

In the Specialty Chemicals division, sales to third parties in 2000 rose 18.5% to €1,670 million from €1,409 million in 1999 primarily due to higher sales volumes and positive currency effects. Improved prices – in particular for surfactants, chelates, and polymeric additives – also contributed to the sales increase.

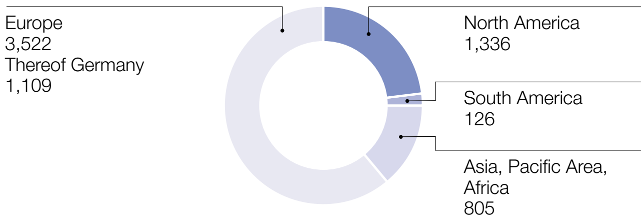
Increases in raw material costs – in particular for ethylene and propylene – could only be passed on in higher prices to customers to a limited extent and after a period of delay. As a result, income from operations fell.

In the market for glycols, operations providing additional production capacity are scheduled to start up, which will maintain downward price pressure. Nevertheless, BASF expects that next year, on a comparable basis, the Specialty Chemicals division will make an improved contribution to the Chemicals segment's income from operations due to higher sales.

Sales by divisions
Million €



Sales by regions
Million €



RESULTS OF OPERATIONS

Plastics & Fibers

The Plastics & Fibers segment is comprised of the divisions Styrenic Polymers, Engineering Plastics, Polyurethanes, Fiber Products and – until the end of the third quarter 2000 – Polyolefins.

In the Plastics & Fibers segment, sales to third parties in 2000 rose 27.8% to €11,030 million from €8,628 million in 1999. Results for BASF's polyolefins operations are included only for the first nine months of the Plastics & Fibers segment's results for 2000. On September 30, 2000, BASF's polyolefins business, which BASF conducted through the companies Targor and Elenac, was combined with the polyolefins business of Shell in the joint venture Basell N.V. BASF's share in this joint venture is accounted for under the equity method. Excluding the polyolefins business, the Plastics & Fibers segment's sales to third parties increased by 36.9% in 2000.

In the Plastics & Fibers segment, sales increased in all divisions and above all in the Styrenic Polymers division. Price increases, which were needed to compensate for the rising cost of raw materials, accounted for a 17% increase in sales. At the same time, due to a positive business climate in global markets, BASF was able to increase this segment's sales volumes. Higher sales volumes contributed to a 9% rise in sales, while positive currency effects, in particular from the strength of the U.S. dollar, contributed 7% to the increase in sales.

Income from operations in 2000 in the Plastics & Fibers segment rose 38% to €889 million from €644 million in 1999, with the Styrenic Polymers division making the greatest contribution. The increase was due to stronger sales and savings from cost-cutting measures. The higher prices passed on to customers in 2000 only partially compensated for increases in raw material costs. The segment's income from operations in 2000 includes

Segment data

Million €	2000	1999**	% Change from previous year
Sales to third parties	11,030	8,628	27.8
Intersegmental transfers	490	378	29.6
Sales incl. intersegmental transfers	11,520	9,006	27.9
Income from operations	889	644	38.0
Special items	101	2	
Operating margin (%)*	8.1	7.5	
Assets	6,009	6,843	(12.2)
Return on operational assets (%)	13.8	10.9	
Research and development expenses	167	180	(7.2)
Capital expenditures in tangible and intangible assets	599	998	(40.0)

* Based on average of assets

** The ammonium sulfate business, which – as part of the Fertilizers business – was formerly included in Others, was transferred in mid-2000 to the Fiber Products division. The segment data have been restated.

€124 million in special income from the sale of Targor's Novolen® polypropylene technology and the sale of Elenac's Kraton® polymers business.

For 2001, BASF expects global demand for plastics to grow by over 5%. In Asia and South America, growth is expected to be even stronger. Due to BASF's established position in these regions, the Plastics & Fibers division is expected to benefit strongly from this development. Therefore, BASF anticipates that in 2001, income from operations on a comparable basis will continue to rise.

In 2000, assets of the Plastics & Fibers segment declined 12.2% to €6,009 million from €6,843 million in 1999 due to the deconsolidation of BASF's polyolefins business. Additions, however, were made to tangible fixed assets, primarily in the Polyurethanes and the Styrenic Polymers divisions.

Styrenic Polymers

In the Styrenic Polymers division, sales to third parties in 2000 rose 51.5% to €2,768 million from €1,827 million in 1999. This increase was driven primarily by higher prices of 34% and a 7% improvement in sales volumes. Demand for polystyrene and EPS (expandable polystyrene) was high due to favorable market conditions for these products. Sales rose in all regions, with the greatest increase posted in Asia and South America due to the division's expansion strategy in these regions. Positive currency effects also contributed to an increase in sales.

The Styrenic Polymers division made a substantial contribution to the increase in income from operations of the Plastic & Fibers segment in 2000, primarily due to higher sales volumes, improved margins and the effects of cost-cutting measures.

Major capital expenditures on fixed assets in the Styrenic Polymers division were capacity expansions for ethyl benzene in Antwerp, Belgium, the construction of new plants for the manufacture of ethyl benzene and styrene in Ludwigshafen, Germany, and the expansion of a HIPS polystyrene plant in São José dos Campos, Brazil.

For 2001, BASF expects that demand for the Styrenic Polymers division's products will continue to grow in all regions. The division expects to meet this growing demand by expanding its production capacity.

The development in the cost of raw materials could have an uncertain impact on the division's income from operations.

Engineering Plastics

In the Engineering Plastics division, sales to third parties in 2000 rose 38.6% to €1,769 million from €1,276 million in 1999. Sales increased in all regions and in all product lines. Improved sales volumes, above all for products for the automotive and electronics industries, accounted for a 20% increase in sales. During the course of the year, the division raised prices for its products in order to pass on the effects of higher raw material costs. Positive currency effects contributed approximately 9% to the increase in sales in 2000. In the first quarter of 1999, BASF acquired the ABS (acrylonitrile-butadiene-styrene) business from DSM of the Netherlands. Excluding this acquisition, sales of the Engineering Plastics division increased approximately 36% in 2000 on a comparable basis.

Income from operations in the Engineering Plastics division was lower than in 1999. The effect of higher sales on income from operations was more than offset by increasing raw material costs. In 2001, BASF expects sales and income from operations in the Engineering Plastics division to increase due to higher capacity utilization of new plants in North America and Malaysia as well as the start up of new plants in Europe. The division also expects to generate a significantly larger share of its sales through e-commerce.

Polyurethanes

In 2000, sales to third parties in the Polyurethanes division rose 29.7% to €2,798 million, from €2,157 million in 1999. Improved sales volumes in all regions – above all for polyurethane raw materials – accounted for an approximately 16% increase in the division's sales. Positive currency effects, in particular from the strength of the U.S. dollar, contributed approximately 8% to the increase in sales. Also contributing to the increase in sales was the acquisition of IPI International Inc. of Elkton, Maryland, in February 2000 and of Hess Polyurethanes Inc. of Atlanta, Georgia, in July 2000 as well as the establishment of ELLBA C.V., a Dutch-based joint venture with Shell for the production of propylene oxide and styrene monomer. In the last quarter of 1999, ELLBA began operations and was consolidated on a pro rata basis. Excluding the effects of these structural changes, sales in the Polyurethanes division increased approximately 24% in 2000.

Income from operations in the Polyurethanes division remained unchanged compared with 1999. Higher raw material costs, in particular for benzene, toluene and propylene, could be passed on to customers only to a limited extent through increased prices for the division's products. As a result, the increase in sales did not lead to a corresponding increase in income.

The largest capital expenditures in the Polyurethanes division were for two additional plants in Geismar, Louisiana – one for the production of MDI (diphenylmethane diisocyanate), which began operations in the second half of 2000, and another for the production of TDI (toluene diisocyanate), which is currently under construction.

BASF anticipates that sales and income from operations in the Polyurethanes division will increase in 2001.

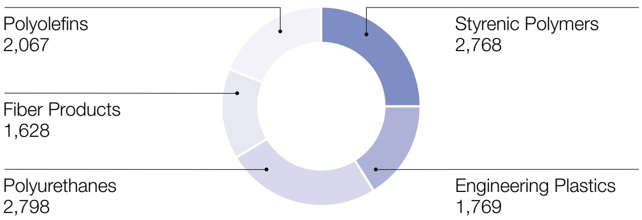
Fiber Products

In the Fiber Products division, sales to third parties in 2000 rose 26.4% to €1,628 million, from €1,288 million in 1999. About 17% of the increase in sales was due to price increases and approximately 8% to the strength of the U.S. dollar. An approximate 1% increase in sales volumes related to the economic recovery that began in Asian markets in the second half of 1999. Sales increased in all regions, with the strongest showings in Europe and North America. Sales also increased across all product lines, with exceptional improvements in sales of nylon 6 intermediates.

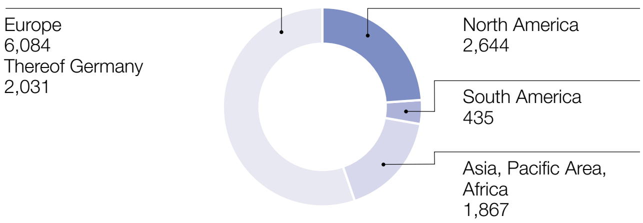
Due to higher sales, the Fiber Products division increased its income from operations significantly and therefore made a greater contribution to income from operations of the Plastics & Fibers segment.

BASF expects sales and income from operations in the Fiber Products division to remain flat. Following on the strong performance in 2000, demand, in Asia in particular, may decline slightly. Nevertheless, BASF believes that the division is well positioned due to its very competitive manufacturing costs for fiber intermediates and its portfolio of high performance polymers.

Sales by divisions
Million €



Sales by regions
Million €

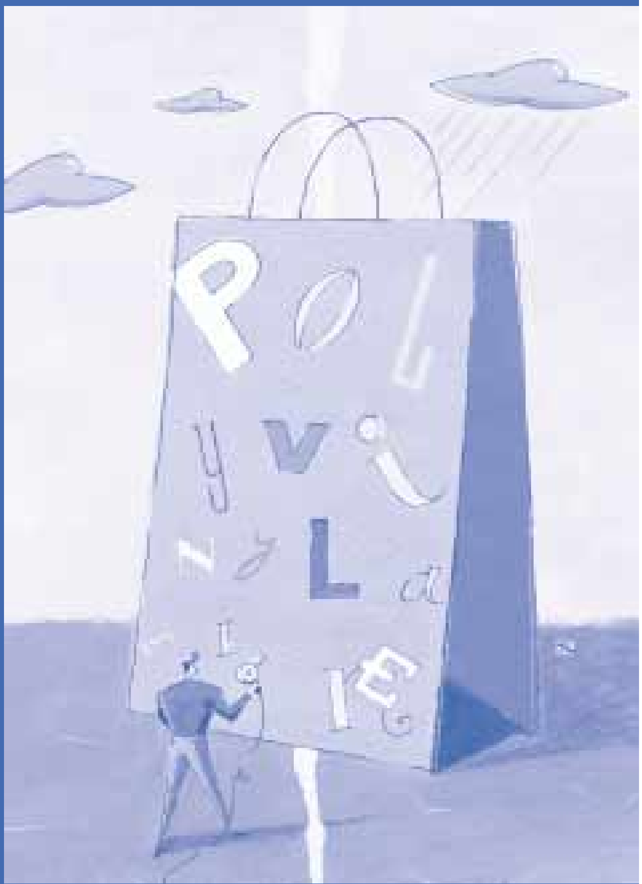


Polyolefins

Data for the Plastics & Fibers segment only include the Polyolefins business for the first three quarters of 2000.

On a comparable basis, the Polyolefins division's sales to third parties for the first nine months of 2000 rose 45.6% to €2,067 million from €1,420 million for the first nine months of 1999. Sales increased above all in Europe. Nevertheless, price increases were not sufficient to compensate for a sharp rise in raw material costs.

The Polyolefins division made a positive contribution to the Plastics & Fibers segment's income from operations due, in large part, to special income from the divestitures mentioned above.



RESULTS OF OPERATIONS

Colorants & Finishing Products

The Colorants & Finishing Products segment consists of the Colorants, Coatings and Dispersions divisions.

In the Colorants & Finishing products segment, sales to third parties in 2000 rose 11.2% to €7,109 million from €6,395 million in 1999. Sales increased for all regions and divisions, but above all for the Dispersions and Coatings divisions. Positive currency effects – primarily due to the strength of the U.S. dollar – accounted an increase in sales of approximately 7%. Sales also benefited from the superabsorbents business of Chemdal International Corporation, a subsidiary of AMCOL International Corp., acquired on June 1, 2000, as well as from the coil coatings business of Rohm and Haas Co. acquired in March 2000.

On October 1, 2000, BASF transferred the Colorants division's textile dyes operations to DyStar, a joint venture between BASF, Bayer and Hoechst. This joint venture is accounted for under the equity method, and as of October 1, 2000 sales and earnings from this business are not included in the segments results.

On a comparable basis, sales in 2000 in the Colorants & Finishing Products segment increased approximately 8%.

Segment data

Million €	2000	1999	% Change from previous year
Sales to third parties	7,109	6,395	11.2
Intersegmental transfers	265	259	2.3
Sales incl. intersegmental transfers	7,374	6,654	10.8
Income from operations	522	608	(14.1)
Special items	(26)	(74)	
Operating margin (%)*	7.3	9.5	
Assets	5,576	4,343	28.4
Return on operational assets (%)	10.5	14.6	
Research and development expenses	168	160	5.0
Capital expenditures in tangible and intangible assets	1,260	324	288.9

* Based on average of assets

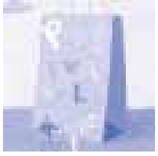
Income from operations fell 14.1% to €522 million in 2000 from €608 million in 1999. A drastic increase in the cost of raw materials in particular in the Dispersions division, could be passed on to customers through higher prices for the segment's products only to a limited extent. Income from operations improved in both the Coatings and Colorants divisions.

In 2000, assets in the Colorants & Finishing Products segment increased by 28.4% to €5,576 million from €4,343 million in 1999. This increase was mainly due to the acquisition of the superabsorbents manufacturer Chemdal International Corporation in the Dispersions division and from the acquisition of Rohm and Haas' coil coatings business in the Coatings division.

Colorants

In the Colorants division, sales to third parties in 2000 rose only 1.6% to €2,252 million from €2,217 million in 1999 since the textile dyes business, which was transferred to DyStar, was only included for the first three quarters of the division's 2000 sales figures.

On a comparable basis, sales to third parties in the Colorants division increased 6.4% in 2000. Improvements in the division's product portfolio and high growth rates in Asia's dynamic markets resulted in higher sales volumes and a subsequent increase of 2% in sales for all product lines, and in particular for the division's products for the printing and leather industries.



Due to continued stiff competition, sales prices weakened, largely offsetting the increase in sales volumes. Positive currency effects contributed approximately 6% to the increase in the division's sales.

In 2000, the Colorants division increased income from operations considerably due to a substantial improvement in the division's cost structure as a result of restructuring measures carried out in previous years.

BASF expects sales and income from operations to increase in 2001. Nevertheless, it is difficult to predict future developments in currency exchange rates. BASF believes it is well positioned to deal with these uncertainties based on its strong presence in high growth customer markets.

Coatings

In the Coatings division, sales to third parties in 2000 rose 17.2%, to €2,198 million from €1,876 million in 1999, with all regions contributing to this increase. Sales volumes rose approximately 1%, with the greatest increase in the automotive coatings business. Positive currency effects contributed 8% to the increase in sales. On average, prices for the segment remained unchanged, however price concessions were necessary in part in the industrial coatings business. Currently, the division's priority is to expand this business into one of the division's key global activities.

Sales in the Coatings division benefited from the acquisition of the coil coatings business at the beginning of March 2000. On a comparable basis, sales in the Coatings division increased approximately 8.7% in 2000 compared with 1999.

Income from operations in the Coatings division in 2000 improved due to higher sales and to cost savings from restructuring measures that were carried out in previous years. In addition, negative currency effects were lower in 2000 than in 1999, when a devaluation of the Brazilian real negatively impacted income.

In 2001, BASF expects sales in the Coatings division to increase primarily due to the new joint venture with NOF Corporation in Japan. The Coatings division expects to increase income from operations by further improving its cost structure and achieving synergies from its recent acquisitions. BASF is relying on new technologies and system solutions to counteract a possible slowdown in demand in the automotive industry.

Dispersions

In the Dispersions division, sales to third parties in 2000 rose 15.5% to €2,659 million from €2,302 million in 1999. Sales increased across the board on all products and in all regions. Sales volumes for dispersions used in the paper industry and for polymer dispersions used in adhesives and paints grew worldwide. This growth was fueled by increasing demand, with the strongest growth in Asia. Positive currency effects contributed approximately 7% to the division's increase in sales, with price increases accounting for approximately 3%.

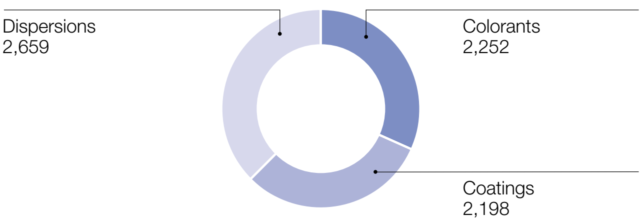
The acquisition on June 1, 2000 of the superabsorbents manufacturer Chemdal International Corporation strengthened BASF's position in this business, contributing approximately €135 million to the Dispersions division's sales.

Income from operations for the Dispersions division was lower in 2000 than in 1999 due to substantial increases in raw material costs that could not be passed on entirely to customers through higher prices for products. Income from operations was further burdened by additional depreciation of fixed assets as well as amortization of goodwill from the Chemdal acquisition.

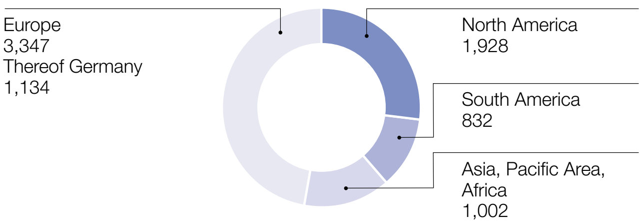
In 2000, assets in the Dispersions division increased primarily due to the acquisition of Chemdal. In 2000, BASF started up its acrylic acid and acrylates plant at the company's Verbund site in Kuantan, Malaysia, as well as new plants for the manufacture of polymer dispersions in Ludwigshafen, Germany. Further additions to assets related to production plants that are currently under construction for the manufacture of polyvinylamines in Ludwigshafen, Germany, and for the manufacture of superabsorbents in Antwerp, Belgium.

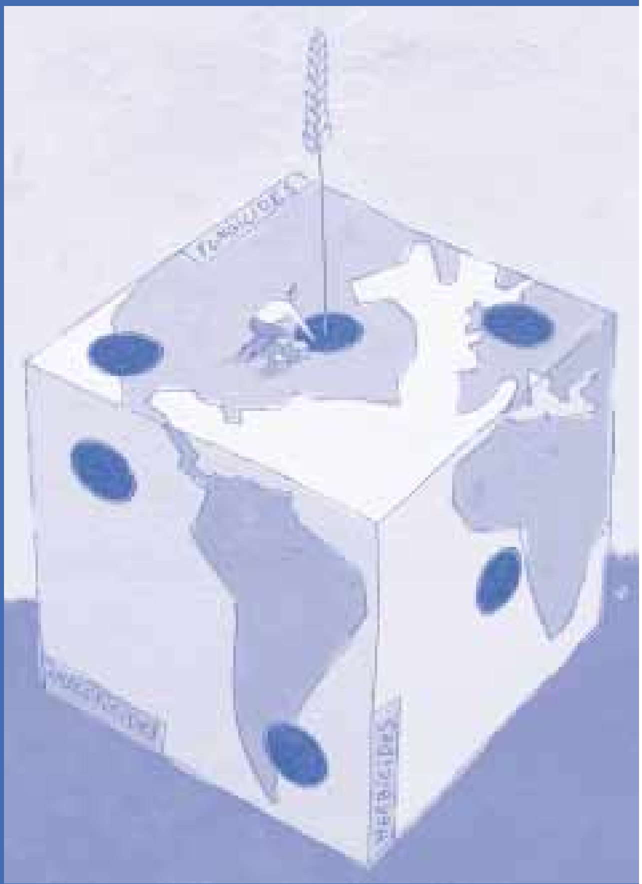
For 2001, the Dispersions division expects an improvement in income from operations due to increases in sales volumes and higher prices. Uncertainties are related to the development of raw material costs.

Sales by divisions
Million €



Sales by regions
Million €





RESULTS OF OPERATIONS

Health & Nutrition

The Health & Nutrition segment consists of the Agricultural Products, Fine Chemicals and Pharmaceuticals divisions.

In mid-2000, BASF acquired the crop protection business of American Home Products (AHP) for $3.9 billion. The division, formerly known as the "Crop Protection" division, was renamed "Agricultural Products" to reflect its wider selection of products as a result of the acquisition. The integration of AHP's crop protection business resulted in substantial special charges, which are explained in more detail in the Agricultural Products section below.

On December 14, 2000, BASF announced the sale of BASF Pharma to Abbott Laboratories for $6.9 billion. Subject to approval by the regulatory authorities, the sale is expected to be completed by the beginning of March 2001.

In the Health & Nutrition segment, sales to third parties climbed 19.9% in 2000 to €6,717 million from €5,602 in 1999. The Agricultural Products division accounted for €683 million of the €1,115 million increase in sales, primarily due to the AHP acquisition. Sales in the Fine Chemicals and Pharmaceuticals divisions rose by €103 million and €329 million, respectively.

Segment data

Million €	2000	1999	% Change from previous year
Sales to third parties	6,717	5,602	19.9
Intersegmental transfers	83	86	(3.5)
Sales including intersegmental transfers	6,800	5,688	19.5
Income from operations	(201)	(588)	65.8
Special items	(453)	(996)	
Operating margin (%)	**	**	
Assets	10,203	5,174	97.2
Return on operational assets (%)*	**	**	
Research and development expenses	821	664	23.6
Capital expenditures in tangible and intangible assets	3,464	281	

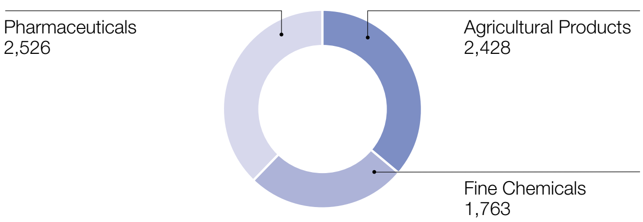
* Based on average of assets

** Negative

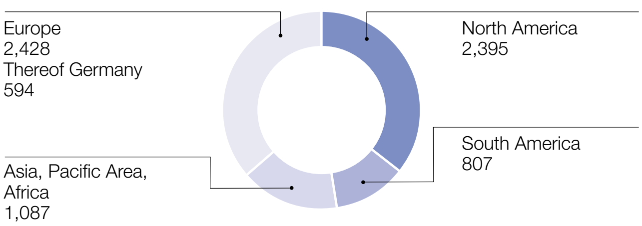
The Health & Nutrition segment incurred a loss of €201 million. This represents an improvement of €387 million compared with the previous year and was predominantly due to a reduction in special charges, which were €543 million lower than in 1999. Special charges in 2000 related to the costs of integrating the AHP acquisition, ongoing settlements associated with violations of antitrust laws in the vitamins business and to restructuring measures in the Pharmaceuticals division. Further details are provided in the sections covering the respective divisions.

Assets in the Health & Nutrition segment increased 97% in 2000 to €10,203 million from €5,174 million in 1999, primarily due to the acquisition of AHP's crop protection business.

Sales by divisions
Million €



Sales by regions
Million €



Health & Nutrition

Agricultural Products

Million €	2000	1999	% Change from previous year
Sales to third parties	2,428	1,745	39.1
Intersegmental transfers	34	36	(5.5)
Sales incl. intersegmental transfers	2,462	1,781	38.2
Income from operations	(443)	195	
Special Items	(341)	(3)	
Operating margin (%)	**	11.2	
Assets	6,607	1,949	239.0
Return on operational assets (%)*	**	10.6	
Research and development expenses	275	190	44.7
Capital expenditures in tangible and intangible assets	3,260	93	

* Based on average of assets

** Negative

When not accounting for AHP's crop protection business, sales volumes in the Agricultural Products division (formerly the "Crop Protection" division) were flat. Prices achieved the previous year's levels when accounting for positive currency effects. Due to the acquisition, sales rose in all regions, with total sales increasing 39.1% in 2000 to €2,428 million from €1,745 million in 1999.

In 2000, the Agricultural Products division incurred a loss of €443 million compared with a positive income from operations in 1999 of €195 million. The Agricultural Products business is highly seasonal, with sales and income from operations generally higher in the first half of the calendar year. Therefore, the integration of AHP's crop protection business was carried out in the second half of the year to avoid burdening our activities in key European and North American markets.

As expected, the Agricultural Products division did not perform well in South America because the integration of AHP's business was carried out in the middle of the region's growing season. Additional fixed costs as well as the amortization of goodwill and other intangible assets from the acquisition also burdened income from operations. Furthermore, in some major crops, prices of agricultural products came under substantial pressure in the face of fierce competition. The division's loss was due primarily to special charges of €344 million. These special charges related primarily to severance payments resulting from workforce reductions, additional charges from the use of the inventory step-up to higher market values as well as the write-down of research in process.

The division's assets increased significantly in 2000 primarily due to the acquisition. Total assets increased to €6,607 million in 2000 from €1,949 million in 1999 due to additions to tangible fixed assets of €807 million, to intangible fixed assets, including goodwill, of €2,453 million and due to an increase in current assets. Through the acquisition, BASF obtained major production sites in the United States, France and Brazil, as well as research and development centers in the United States, the United Kingdom, Brazil and Japan.

The division's research and development costs increased 44.7% to €275 million due to the integration of the research and development activities acquired from AHP. These activities include a research and development center in Princeton, New Jersey, as well as research facilities in the United Kingdom, Brazil and Japan. Due to the acquisition, the number of the division's research and development projects increased significantly.

Through the acquisition of AHP's crop protection business, BASF expects to achieve annual cost savings of approximately €250 million as of 2002, with half the amount being achieved in 2001. Due to its presence in key markets and in all crop protection product groups, the Agricultural Products division expects to strengthen its market position in all major regions and significantly increase income from operations in 2001.

Health & Nutrition

Fine Chemicals

Million €	2000	1999**	% Change from previous year
Sales to third parties	1,763	1,660	6.2
Intersegmental transfers	44	53	(17.0)
Sales incl. intersegmental transfers	1,807	1,713	5.5
Income from operations	(1)	(770)	
Special items	(50)	(829)	
Operating margin (%)	***	***	
Assets	1,368	1,338	2.2
Return on operational assets (%)*	***	***	
Research and development expenses	78	77	1.3
Capital expenditures in tangible and intangible assets	83	87	(4.6)

* Based on average of assets
** Data for the previous year have been adjusted to reflect organizational changes. In mid-2000, the pharmaceutical active ingredients business was transferred from the Pharmaceuticals division to the Fine Chemicals division. This business is accounted for in the Fine Chemicals division for 2000 as well as for the previous year.
*** Negative

In the Fine Chemicals division, sales to third parties in 2000 rose by 6.2% to €1,763 million from €1,660 million in 1999. Sales volumes rose 5%, while positive currency effects – primarily from the strength of the U.S. dollar – contributed 9% to the increase in sales. Falling sales prices, above all for vitamins E, A and B_2, lowered sales by 10%. Sales increased, in particular for feed additives, products for human nutrition and cosmetic raw materials. Sales also increased in 2000 compared to 1999 due to changes in the scope of consolidation and due to acquisitions such as the feed premix business of Japan's Takeda Kagaku Shiryo in the third quarter of 1999. On a comparable basis, sales in the Fine Chemicals division increased 3.8%.

In 2000, the Fine Chemicals division increased income from operations, posting a loss of €1 million compared with a loss of €770 million in 1999. Improving sales volumes, favorable exchange rates and an increase in the still relatively low price of lysine were not sufficient to offset a decline in prices for vitamins.

Income from operations in 1999 was significantly affected by substantial special charges for fines and provisions for claims for damages related to violations of antitrust laws in the vitamins business in the United States and other countries. In 2000, there were additional charges of €47 million, primarily due to the settlement with indirect purchasers of vitamins in the United States.

In the Fine Chemicals division, assets increased in 2000 by 2.2% to €1,368 million from €1,338 million in 1999. Additions to fixed assets included plant expansions for carotenoids, several aroma chemicals and UV absorbers as well as improvements in manufacturing processes for the production of vitamin C in Grenaa, Denmark, and lysine in Kunsan, Korea.

In both 2000 and 1999, the research and development expenses for the Fine Chemicals division were approximately 4.5% of sales. To strengthen its position as a leading vitamins manufacturer, BASF acquired the water-soluble vitamins business of Takeda Chemical Industries Ltd. of Japan in January 2001. Due to the acquisition and an expected growth in BASF's product line, the company expects sales in the Fine Chemicals division to increase in 2001. However, the integration of the vitamins business of Takeda will burden the division's earnings in 2001.

Obligations from violations of antitrust laws are accounted for in the Consolidated Financial Statements as liabilities or provisions if they have not already been met through payment of agreed-upon amounts. BASF has accrued provisions to account for additional charges, which are currently foreseeable. BASF cannot exclude the risk of further charges. However, BASF believes that these charges will not have a significant effect on the profitability of the BASF Group.

When not accounting for possible special charges, BASF anticipates it will be in a position to improve earnings in this division.

Health & Nutrition

Pharmaceuticals

Million €	2000	1999	% Change from previous year
Sales to third parties	2,526	2,197	15.0
Intersegmental transfers	36	34	5.9
Sales incl. intersegmental transfers	2,562	2,231	14.8
Income from operations	243	(13)	
Special items	(62)	(164)	
Operating margin (%)	9.6	**	
Assets	2,228	1,887	18.1
Return on operational assets (%)*	11.8	**	
Research and development expenses	468	397	17.9
Capital expenditures in tangible and intangible assets	121	101	19.8

* Based on average of assets

** Negative

In the Pharmaceuticals division, sales to third parties in 2000 rose 15.0% to €2,526 million from €2,197 million in 1999. Sales volumes rose approximately 4%. Positive currency effects, mainly due to the strength of the U.S. dollar and an appreciation in the Japanese yen, also contributed to the increase in sales.

Synthroid® (a thyroid medication that is BASF Pharma's top selling drug), Meridia®/Reductil®/Raductil® (an anti-obesity product), Hokunalin Patch® (for the treatment of asthma) and Vicoprofen® (for the treatment of pain) were the largest contributors to the increase in the division's sales. Synthroid was the third most dispensed prescription medication in the United States in 2000. Sales of Meridia/Reductil/Raductil, Vicoprofen, Tarka®, Hokunalin Patch (Japan) and Ganaton® (Japan), which were launched between 1998 and 1999, increased by approximately 47% in 2000 to €415 million.

Reductil, which contains the active ingredient sibutramine, was first launched in Germany and Switzerland in February 1999. By December 2000, Reductil had already been launched in over 30 countries.

The following table lists BASF's top selling drugs in 1999 and 2000:

Million €			Sales 2000	Sales 1999	Change in %
Brand name	**Active ingredient**	**Indication**			
1 Synthroid®	Levothyroxine	Hypothyroidism	474	397	19.4
2 Isoptin®	Verapamil	Coronary heart disease, hypertension, arrhythmia	204	204	0
3 Rytmonorm®/Rythmol®	Propafenone	Arrhythmia	192	167	15.0
4 Meridia®/Reductil®/Raductil®	Sibutramine	Obesity	188	137	37.2
5 Vicodin®/Vicoprofen®	Hydrocodone and acetaminophen/ibuprofen	Moderate to severe pain	139	115	20.9
6 Brufen®	Ibuprofen	Mild pain	89	86	3.5
7 Gopten®	Trandolapril	Hypertension, post myocardial infarction	77	64	20.3
8 Hokunalin Patch®	Tulobuterol	Asthma and bronchitis	60	22	172.7
9 Tarka®	Verapamil/Trandolapril	Hypertension	49	39	25.6
10 Dilaudid®	Hydromorphone	Severe pain	48	38	26.3
Total			1,520	1,269	19.8

Income from operations in the Pharmaceuticals division increased to €243 million in 2000 from a loss of €13 million in 1999. Improved sales of Synthroid, Rytmonorm®/Rythmol® and Meridia/Reductil/Raductil and tight cost management of research and development, production, marketing and sales activities made a significant contribution to the rise in income from operations. A net amount of €62 million was charged to income from operations. Expenses were related to restructuring charges (mainly in Germany and the United Kingdom), workforce reductions, the write-down of real estate belonging to Hokuriku Seiyaku Co. of Japan and the settlement of class-action lawsuits in the United States involving the medication Synthroid. Special income included proceeds from the divestiture of the division's urology business in Germany and a settlement payment in a patent dispute.

Assets of the Pharmaceuticals division increased in 2000 by 18.1% to €2,228 million from €1,887 million in 1999.

Effective January 1, 2001, the Pharmaceuticals division sold its generic pharmaceuticals business with operations in Germany, France, Italy, the Netherlands, Switzerland and Spain to Biochemie GmbH, a subsidiary of Novartis.

RESULTS OF OPERATIONS

Oil & Gas

In the Oil & Gas segment, sales to third parties in 2000 rose 29.7% to €3,957 million from €3,051 million in 1999. This increase was achieved despite the fact that in December 1999, BASF exited the oil marketing and refinery business, which in 1999 contributed €1,020 million to BASF's sales. The year's strong improvement in sales, above all in the segment's oil and natural gas exploration and production activities, jumped 112.7% to €2,221 million from €1,044 million in 1999, more than compensating for the discontinuation of the marketing and refinery business. The 58.1% increase in average crude oil prices in 2000 compared to 1999 and the continued strength of the U.S. dollar were the primary causes for this increase in sales. In 2000, the average for U.K. Brent quality crude oil was $28.45 per barrel compared to $17.99 in 1999. BASF was able to increase production by 3.2% to 80.0 million barrels of oil equivalent. The sales volume for natural gas trading increased by 9.4% to 221.5 billion kilowatt hours, and this, along with higher gas prices, resulted in an increase in sales of 113.5% in 2000 to €1,725 million compared with €808 million in 1999.

Intersegmental transfers rose in 2000 to €320 million from €177 million in 1999, mainly due to higher gas prices.

Income from operations in the Oil & Gas segment increased by 76.8% in 2000 to €1,310 million from €741 million in 1999 due to significantly higher sales in both businesses. Special income related to completed activities from the sale of the Oil & Gas segment's refinery business in 1999. Income from operations is before income taxes on oil-producing operations in North Africa and the Middle East. These taxes are recorded as income tax expenses. See Note 8 to the Consolidated Financial Statements.

Segment Data

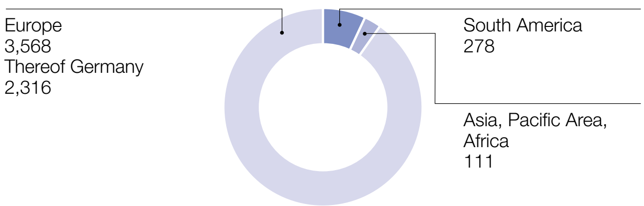
Million €	2000	1999	% Change from previous year
Sales to third parties	3,957	3,051	29.7
Intersegmental transfers	320	177	80.8
Sales incl. intersegmental transfers	4,277	3,228	32.5
Royalties	276	214	29.0
Sales incl. intersegmental transfers, less royalties	4,001	3,014	32.7
Income from operations	1,310	741	76.8
Special Items	44	138	
Return on sales (%)	33.1	24.3	
Assets	3,540	3,003	17.9
Return on operational assets (%)*	40.0	26.3	
Research and development expenses	50	47	6.4
Capital expenditures in tangible and intangible assets	267	524	(49.0)

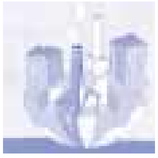
* Based on average of assets

Assets in the Oil & Gas segment increased 17.9% in 2000 to €3,540 million from €3,003 million in 1999. This rise was related primarily to an increase in receivables as a result of higher oil and gas prices. Additions related to fixed assets were primarily associated with development projects for exploration and production activities in Germany, the Netherlands, North Africa and Argentina.

In the short-term, we expect volatility in crude oil prices followed by a stabilization in prices toward the end of the winter heating period in the Northern Hemisphere. On average, BASF estimates that crude oil prices will be lower in 2001 than in the previous year. However, BASF expects that the resulting effects on sales and earnings will be largely offset by the ongoing expansion of activities in exploration and production and in natural gas trading.

Sales by regions
Million €





LIQUIDITY AND CAPITAL RESOURCES

Statements of cash flow

Million €	2000	1999
Net income	1,240	1,237
Depreciation of fixed assets	2,929	2,690
Changes in net current assets	(1,147)	172
Miscellaneous items	(30)	(844)
Cash provided by operating activities	2,992	3,255
Additions to tangible and intangible fixed assets	(2,906)	(2,939)
Acquisitions and divestitures, net	(5,812)	696
Financial investments and other items	(112)	144
Cash used in investing activities	(8,830)	(2,099)
Proceeds from capital increases	(604)	(176)
Changes in financial indebtedness	6,660	(95)
Dividends paid	(748)	(697)
Cash used in financing activities	5,308	(968)
Changes in cash assets affecting liquidity	(530)	188
Initial cash assets and other changes	1,036	802
Cash and cash equivalents at year end	506	990

Cash from operating activities

Investments and acquisitions reached a record level at BASF in 2000. These capital expenditures could not be financed entirely by cash from operating activities, but instead required additions to financial indebtedness. Cash provided by net income, together with cash from depreciation of fixed assets, increased on the previous year's figure by 6.2% to €4,169 million. Fund commitments for inventories and receivables rose due to an increase in raw material costs, which were passed along in higher prices for our products. These higher fund commitments could not be compensated for by an increase in accounts payable and miscellaneous short-term obligations, and led to a cash outflow of €1,147 million. As a result, cash from operations in 2000 decreased 8.1% to €2,992 million from €3,255 million in 1999.

Investing activities

Total cash used for investments and acquisitions in 2000 amounted to €8,830 million compared with €2,099 million in 1999. After deducting proceeds from divestitures, total cash used for acquisitions amounted to €5,812 million.

Capital expenditures for acquisitions totaled €6,117 million. Major acquisitions included:

- the crop protection business of American Home Products Corporation;
- the superabsorbents manufacturer Chemdal International Corporation;
- the industrial coatings business of Rohm and Haas Co.;
- an equalization payment to Shell as part of BASF's contribution to the polyolefins joint venture Basell N.V.

Proceeds from divestitures totaled €305 million. These included:

- the sale of the Novolen® polypropylene technology and the Kraton® polymers business in the Plastics & Fibers segment;
- the sale of various businesses in the Pharmaceuticals division and the Oil & Gas segment.

Capital expenditures on tangible and intangible fixed assets decreased in 2000 to €2,906 million from €2,939 million in 1999. On a regional basis, capital expenditures were as follows:

- 49% in Europe (60% in 1999);
- 33% in North America (34% in 1999);
- 4% in South America (2% in 1999);
- 14% in Asia, Pacific Area, Africa (4% in 1999).

In the **Chemicals segment**, capital expenditures rose 15.0% to €880 million in 2000 compared with €765 million in 1999. Major projects included:

Europe
- Expansion of production capacities for butanediol in Ludwigshafen, Germany.
- Construction of a trimethylolpropane MP plant in Ludwigshafen, Germany.
- Expansion of a plant in Ludwigshafen, Germany, for the manufacture of optically-active amines.
- Construction of a new plant in Ludwigshafen, Germany, for the manufacture of dimethylhexanediol.
- Start-up of a new formaldehyde plant in Ludwigshafen, Germany.
- Expansion of a plant for the production of dinitrotoluene (a toluene diisocyanate precursor) in Schwarzheide, Germany.
- Capacity expansion for ethylene oxide in Antwerp, Belgium.
- Capacity expansion for complexing agents in Ludwigshafen, Germany.

North and South America
- Construction of a steamcracker through a joint venture with TotalFinaElf S.A., in Port Arthur, Texas.
- Construction of new plants for hexanediol/caprolactone in Freeport, Texas.
- Capacity expansions for ethylene oxide and glycols in Geismar, Louisiana.
- Construction of a new plant for nonionic surfactants in Geismar, Louisiana.

Asia
- Construction of new plants for oxo C4 alcohols, phthalic anhydride and plasticizers in Kuantan, Malaysia.

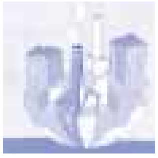
In the **Plastics & Fibers segment**, capital expenditures decreased 40% to €599 million in 2000 compared with 1999. The largest projects were as follows:

Europe
- Modernization of nylon 6 production and packaging plants in Ludwigshafen, Germany.
- Capacity expansion for ethyl benzene in Antwerp, Belgium.
- Replacement of the ethyl benzene and styrene plants in Ludwigshafen, Germany.
- Restructuring of polystyrene production in Ludwigshafen, Germany and Antwerp, Belgium.

North and South America
- Construction of a new plant to manufacture MDI (diphenylmethane diisocyanate) in Geismar, Louisiana.
- Construction of a new plant for the manufacture of ABS (acrylonitrile-butadiene-styrene) in Altamira, Mexico.
- Expansion of a polystyrene plant in São José dos Campos, Brazil.

In the **Colorants & Finishing Products** segment, capital expenditures including acquisitions rose 289% in 2000 to €1,260 million from €324 million in 1999. This increase was due to the completion of acquisitions. Major investment projects concluded or initiated were as follows:

Europe
- Expansion of the imine plant for the manufacture of vinyl formamide and polyvinylamine in Ludwigshafen, Germany.



- Construction of a plant for the manufacture of superabsorbents in Antwerp, Belgium.

North and South America
- Expansion of the production capacity of acrylate and styrene/butadiene dispersions in Monaca, Pennsylvania.
- Expansion of production capacities for paper dyes in Altamira, Mexico.

Asia
- Construction of an acrylic acid complex in Kuantan, Malaysia.
- Expansion of the dispersions plant in Shanghai, China.

In the **Health & Nutrition segment**, BASF spent €3,464 million in 2000 on acquisitions and investment projects compared with €281 million in 1999.

In the Agricultural Products division, capital expenditures increased to €3,260 million from €93 million in 1999. The majority of this amount was due to the aquisition of the crop protection business of American Home Products. Major ongoing capital expenditures included the construction of production capacities for the manufacture of the new F 500® fungicide from the strobilurine class of active ingredients in Schwarzheide, Germany.

In the Fine Chemicals division, BASF invested €83 million in 2000 compared with €87 million in 1999 on capital expenditures. The most important investment projects included the expansion of production capacities for the manufacture of Uvinul® MC 80, plant expansions for carotenoids and aroma chemicals in Ludwigshafen, Germany, as well as improvements in manufacturing processes for the production of vitamin C in Grenaa, Denmark, and lysine in Kunsan, Korea.

In the Pharmaceuticals division, capital expenditures increased to €121 million from €101 million in 1999.

In the **Oil & Gas segment**, we invested €267 million compared with €524 million in 1999. Development of the A6/B4 field in the German North Sea accounted for a large share of these investments.

Capital expenditures on **financial assets and securities** amounted to €840 million, which was €38 million less than in 1999. These expenditures included in particular:
- Capital expenditures for the construction of a propylene plant in Tarragona, Spain, which is being built by BASF SONATRACH Propanchem S.A. – a joint venture company with the Algerian oil and gas company SONATRACH, in which BASF has a 51% stake.
- Capital expenditures for the construction of a styrene monomer and propylene oxide plant, which is being built by ELLBA Eastern (Private) Ltd. – a joint venture company with Shell in Singapore in which BASF has a 50% stake.
- Capital expenditures for the new joint venture company with NOF Corporation of Tokyo, Japan.

A cash outflow of €840 million for additions to financial assets and securities compared with a cash inflow of €728 million for proceeds from the disposal of fixed assets and securities as well as the repayment of loans resulted in a net cash outflow of €112 million.

Financing activities

BASF assumed additional financial indebtedness of €6,660 million to finance acquisitions and investments. This included the issue of a €1,250 million, 5.75% Euro Bond of BASF Aktiengesellschaft 2000/2005 as well as the issue of €4,075 million for several commercial papers denominated in euros and U.S. dollars as well as commercial papers denominated in British pounds and Swiss francs associated with the euro swap.

At year-end, financial indebtedness totaled €7,892 million and was denominated in the following currencies:

- U.S. dollars: 62.2% (1999: 55.4%),
- Euros: 25.2% (1999: 9.3%),
- Renminbi: 2.8% (1999: 14.2%).

In 2000, dividend payments to shareholders for the fiscal year 1999 totaled €695 million (1999: €693 million) or €1.13 per share (1999: €1.12). BASF spent €700 million on the buy-back of its shares. The exercising of warrants led to a cash inflow of €36 million, while a cash inflow of €59 million related to payments by PETRONAS, BASF's partner in the joint venture company BASF PETRONAS Chemicals.

Cash and cash equivalents

Cash and cash equivalents decreased by €484 million. Marketable securities were reduced by €153 million to €364 million. Total liquid funds decreased to €870 million in 2000 from €1,508 million in 1999. Their share of total assets was 2.3% in 2000, compared with 5.0% in 1999.

Change in assets

Total assets increased in 2000 by €8,548 million to €38,557 million primarily as a result of acquisitions. An increase in raw material costs and higher prices for BASF's products led to a rise in current assets. Currency translation effects from the rise in the U.S. dollar also led to an increase on the balance sheet. The equity ratio declined from 47.1% to 37.1%. Long-term liabilities as a share of stockholders' equity and liabilities was 23.5% compared with 25.1% in 1999. Short-term liabilities accounted for 39.4% of stockholders' equity and liabilities compared with 27.8% in 1999.

Commitments for investments

In 2001, BASF is planning capital expenditures of approximately €3.1 billion to expand existing production facilities. Major projects by segment include:

Chemicals

- Completion of a steamcracker in Port Arthur, Texas.
- Ongoing construction of a new propylene plant in Tarragona, Spain.
- Continued expansion of the production site in Kuantan, Malaysia for oxo C4 alcohols and plasticizers with the construction of a new plant for butanediol.
- Additional capacity for PTHF in Ludwigshafen, Germany.
- Capacity expansion for neopentylglycol in Freeport, Texas.
- Capacity expansion for ethylene oxide in Ludwigshafen, Germany.

Plastics & Fibers

- Replacement of ethyl benzene/styrene plants in Ludwigshafen, Germany.
- Construction of a new plant to manufacture ethyl benzene in Antwerp, Belgium.
- Construction of a new plant to manufacture Styrolux® in Antwerp, Belgium.
- General refurbishment and expansion of nylon 6 production in Ludwigshafen, Germany.
- Ongoing construction of a new plant for propylene oxide and styrene in Singapore.
- Replacement of an old plant with a modern plant for the production of TDI (toluene diisocyanate) in Geismar, Louisiana.

Colorants & Finishing Products

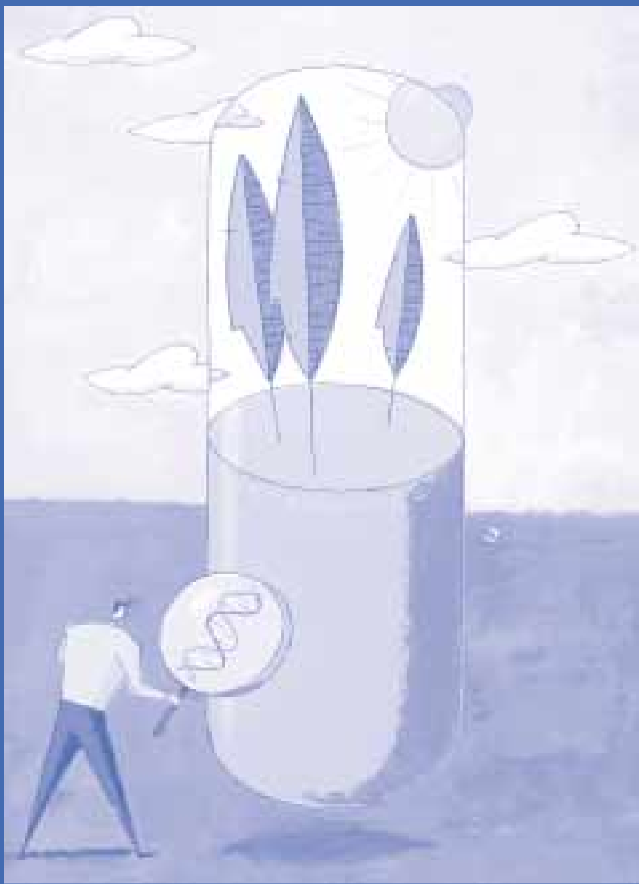
- Construction of a new plant for superabsorbents in Antwerp, Belgium.
- Construction of a new plant for vinyl formamide and polyvinylamine in Ludwigshafen, Germany.
- Construction of a new plant for dispersions in Hamina, Finland.

Health & Nutrition

- Construction of a new research center for agricultural products in Limburgerhof, Germany.
- Construction of new plants to manufacture the fungicides BAS 510 F and BAS 505 F in Guaratinguetá, Brazil.
- Expansion of a plant to manufacture vitamin E in Ludwigshafen, Germany.
- Expansion of a plant to manufacture Lysmeral® in Ludwigshafen, Germany.

Oil & Gas

- Expansion of existing reserves (field development).
- Optimizing production in North Africa.
- Developing existing reserves in the northern German Mittelplate field.
- Developing existing reserves in Argentina's Canadon Alpha field.



RESEARCH & DEVELOPMENT

The BASF Research Verbund

Our central competence centers for research and development are concentrated primarily in Ludwigshafen, Germany, where approximately 65% of research and development expenses were incurred last year. In other regions, the figure was much lower: 25% in North America, 6% in European countries other than Germany and 4% in Asia. In 2000, BASF employed approximately 10,000 people in research and development, with about 7,000 employed at the company's site in Ludwigshafen. BASF's global Know-how Verbund consists of BASF's central laboratories, other research and development facilities at Group companies, technology platforms such as BASF Plant Science GmbH, investments in startup companies as well as 800 cooperations with leading universities, research institutes and industrial partners.

Research and development expenses increase slightly

BASF spent €1.53 billion on research and development in 2000, compared with €1.33 billion in 1999. Approximately 50% of this amount was allocated to research into new products and 20% to developing improved products. Of the remaining 30%, 25% was set aside for ongoing research into improving production processes, while 7% of the 30% was earmarked exclusively for research into new methods and technologies.

In 2000, we spent approximately 10% of the research and development budget on the Chemicals, Colorants & Finishing Products and Plastics & Fibers segments each, while the Health & Nutrition segment accounted for 54% of research and development spending.

Developing new basic chemicals and chemical intermediates

The Chemicals segment focuses mainly on developing new basic chemicals and chemical intermediates based on the value-adding chains in our Production Verbund and on fine-tuning production processes to lower costs. One example is a new manufacturing process for hydroxylamine free base (HAFB), a versatile specialty chemical. HAFB is needed to produce active ingredients, treat metal surfaces and manufacture microchips. We synthesize this substance in our Verbund using an intermediate that is produced as a by-product in the manufacture of fiber intermediates. Currently, BASF is the only manufacturer of this important chemical, and early in 2001 we considerably expanded our existing HAFB plant in Ludwigshafen, Germany to exploit this new manufacturing process.

Colorants & Finishing Products and Plastics & Fibers – working side-by-side with our customers

In the Colorants & Finishing Products and Plastics & Fibers segments, we team up with our customers to develop innovative products for a wide array of applications. In polyurethane plastics, for example, we have developed a Sandwich Plate System, which consists of a steel-polyurethane-steel composite material that can be used in shipbuilding to replace conventional steel components. The new material dampens vibrations while being lighter, stronger and less expensive.

In the Colorants & Finishing Products segment, Ureclear® – a clear finish that is scratch and weather-resistant – represents another innovative development. Ureclear prolongs the life of coatings, simplifies the coating process and, as a result, saves money. In the United States, Ureclear won BASF the Ford Motor Company's prestigious Henry Ford Technology Award.

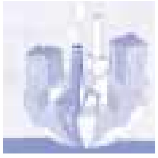
Health & Nutrition – focusing on agricultural products and fine chemicals

In our Health & Nutrition segment, we spent €820 million on research and development – approximately 54% of the company's research and development expenses. Our acquisition of American Home Products' crop protection business, which strengthens our presence in this market, along with the planned sale of our pharmaceuticals operations will lead to considerable changes in our R&D activities.

In 2000, we invested €468 million in research and development activities in the field of pharmaceuticals. These investments focused on developing innovative solutions in specific therapeutic areas with high medical need and large patient populations such as cardiovascular diseases, septic shock and rheumatoid arthritis. Our pharmaceuticals activities include research facilities, which are also scheduled to be sold in the first quarter of 2001.

In Fine Chemicals, we invest in research and development to strengthen our cost and market position. Achieving cost leadership for our most important products is an essential part of our business strategy. Therefore, we focus our research on coming up with better processes for established products such as vitamins. We are also developing new products in the fields of animal and human nutrition, new active ingredients for pharmaceuticals, as well as new flavors, fragrances and cosmetic raw materials.

Research and development expenses for agricultural products are expected to increase from €275 million in 2000 to €350 million in 2001. By developing active ingredients for herbicides, fungicides and insecticides, BASF's research strategy supports the company's goal of expanding its business activities through the strength of its existing and future products. Our main goal for research is to develop two active ingredients each year. To achieve this goal, we will need to quickly expand our insecticide research and reallocate resources in the medium term,



shifting the focus from registration and development to active ingredient research. Over the next two years, we plan to systematically consolidate AHP's crop protection research activities. To this end, our top priority will be to continue quickly register and re-register our products.

Expanding our activities in plant biotechnology

Our research and development activities also focus on the field of plant biotechnology, and we intend to allocate approximately €700 million to biotechnology research over the next ten years. We have concentrated our activities in this area in BASF Plant Science GmbH, a technology platform that includes joint ventures such as Metanomics GmbH & Co. KGaA in Berlin, Germany, and SunGene GmbH & Co. KGaA in Gatersleben, Germany. Here, our research and development activities focus on developing plants that are more tolerant to severe weather conditions such as cold or drought and that contain higher amounts of valuable constituents such as oils, proteins and carbohydrates.

Protecting our intellectual property

In 2000, we submitted 22,553 applications for patents and trademarks. BASF attaches great importance to protecting its patents, trademarks, copyrights and registered designs in order to safeguard its investments in research and development. We strive to obtain the best possible protection for important products and processes. On average, BASF's patents are protected in 14 countries, and, at a minimum, in those countries that are most relevant to the given product or process. Patent protection is crucial in the chemical industry, since profit margins often depend on using the latest patented technologies. BASF takes active measures to ensure that its patents and trademarks are not infringed.

A number of major products and manufacturing processes no longer have patent protection. We believe that the expiration of patent protection for these established products and processes generally has not had a significant adverse impact on the company.

PROCUREMENT

Raw materials purchasing

By closely integrating many stages in the value-adding chains of chemical production, BASF's Verbund strategy allows us to manufacture thousands of end products from just a few raw materials.

The most important raw materials used in our Production Verbund are naphtha and LPG (liquefied petroleum gases). They serve as raw materials for the steamcrackers we operate in Ludwigshafen, Germany; Antwerp, Belgium, and soon also in Port Arthur, Texas. Natural gas, benzene, propylene, cyclohexane, styrene, titanium dioxide and ammonia are other important petrochemical feedstocks. We obtain most of our natural gas from Russia through WINGAS, our joint venture with Gazprom. In 2000, we spent approximately €8.8 billion on purchasing raw materials.

By centrally coordinating the purchase of these raw materials for our operating divisions, we benefit from bulk purchasing and BASF's extensive experience in global raw material markets. Our goal is to make better purchases than our competitors. And to meet this goal we are developing tailored purchasing strategies while closely monitoring developments in purchasing markets.

We are playing an active role in shaping the changes that are emerging in purchasing as a result of e-commerce. For example, we have acquired a stake in ChemConnect Inc. and in the virtual marketplace Elemica Holding Ltd.

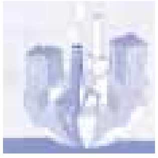
At the same time, we continue to work on improving the quality of our purchasing processes, systematically analyzing product characteristics and reviewing our suppliers' performance. As part of our "product stewardship" policy, we aim to make our employees more aware of the social, environmental and safety aspects of their work in raw materials purchasing.

Technical goods and services purchasing

From pumps to high-pressure columns – BASF spends approximately €5 billion per year on purchasing technical goods and services. In 2000, we came a step closer to meeting our goal of fully exploiting the potential synergies and benefits of collective purchasing by grouping the technical goods and services we require worldwide into uniform classes of materials. Regional and global teams develop purchasing strategies for each of these classes and monitor their implementation. Staff from purchasing, engineering and maintenance work together to identify potential synergies and the measures needed to save money. These strategies can range from simply grouping orders together and making the best possible use of online purchasing, to establishing long-term partnerships. We are also investigating and increasingly relying on new supply markets such as Asia.

The necessary infrastructure to meet these goals is already in place: 17 BASF Group companies with 300 users are already connected to the INCOTEC information and communication platform. The information available in INCOTEC already accounts for 54% of the company's entire purchasing volume. And through our Intranet and other BASF media, we regularly inform employees about ongoing developments in the Purchasing Verbund.

In 2001, we have set ourselves the goal of making technical goods more standardized, while expanding the use of online purchasing. We intend to rigorously pursue the strategies we have developed.



E-commerce

E-COMMERCE

E-commerce is rapidly changing the way the chemical industry conducts business. BASF is taking advantage of the opportunities offered by electronic commerce to improve customer relationships, enhance its supply chain productivity and increase its purchasing efficiencies. BASF expects to conduct about 50% of its business online by the end of 2005. BASF wants to secure a European leadership position in e-commerce and plans to invest about €75 million over the next two years to expand its Internet activities. BASF's e-commerce strategy is focused on three major areas:

System-to-system solutions
System-to-system solutions refers to the direct link between the raw materials purchasing systems – known as enterprise resource planning (ERP) systems – of companies or business partners. An example of this is vendor-managed inventory, in which inventory levels are monitored electronically so that supply and purchasing procedures can be streamlined.

Electronic marketplaces
BASF has been involved in setting up several, independent marketplaces for both sales and purchasing activities. Through these marketplaces, BASF buys and sells raw materials through both short- and long-term contracts, purchases technical materials and equipment and oversees the processing of customer orders.

Extranet and portals
BASF also sells products and services online through its own Extranet – a venue through which any BASF registered customer or supplier can purchase or offer products.

Strategic partnerships will play an important role in BASF's e-commerce strategy. The following is a list of BASF principal partnerships in the area of e-commerce:

Elemica

In August 2000, BASF along with 7 other companies, set up Elemica Holding Ltd. – a new business-to-business e-commerce company that aims to offer integrated solutions and services for buying and selling basic, intermediate, specialty and fine chemicals. An independent entity, Elemica focuses on removing costs from the supply chain, thereby benefiting both buyers and sellers. Elemica plans to start up operations during the first quarter of 2001. The participating companies have earmarked an initial $140 million for the project. Some of the other companies participating in the venture include ATOFINA, Bayer, BP, Dow Chemical, DuPont, Mitsui Chemicals, Mitsubishi, Rhodia, Rohm and Haas, Sumitomo Chemical and Van Waters & Rogers.

cc-markets

On October 25, 2000, BASF together with Degussa-Hüls, Henkel and SAP formed an independent joint venture called cc-markets online Ltd. for the procurement of technical goods and services. By December 31, additional companies had joined cc-markets. cc-markets aims to improve the purchasing process for technical goods and services at these companies by integrating the systems they use for their purchasing activities, thereby reducing administrative costs at these companies. The companies involved do not intend to use cc-markets to pool their purchasing power or to outsource their procurement activities as has been attempted with similar electronic marketplaces. Rather, cc-markets operates as an open and neutral marketplace, offering both buyers and sellers a way to optimize their business processes. cc-markets is the first electronic marketplace in the chemical industry to use the new joint solution marketplace technology developed by SAP AG and Commerce One Inc., giving it a competitive edge. As of mid-November, orders for products can be placed online, and online auctioning is possible.

ChemConnect

BASF has acquired an equity stake in ChemConnect Inc., which is one of the world's biggest Internet marketplaces for chemical products through its World Chemical Exchange®. The World Chemical Exchange is a global chemical exchange, providing an open neutral market for chemical and plastics manufacturers, buyers and intermediaries to conduct real-time online transactions for a wide range of products.

Omnexus.com

In June 2000, BASF together with Bayer of Germany, Dow Chemical, Du Pont and Ticona set up Omnexus.com – an independent real-time online marketplace that focuses on delivering products and related services to plastics injection molders. The potential size of this market is estimated to be approximately $50 billion annually. This electronic marketplace aims to reduce transaction costs for customers around the world who buy and sell thermoplastic raw materials, other materials used in manufacturing plastics, molding equipment, tooling, maintenance supplies, packaging materials and other related services. The new company will initially serve customers in North America, and plans to expand quickly to Europe, Asia and the rest of the world.

yet2.com

BASF is a member of the www.yet2.com consortium for marketing technologies via the Internet. This first global marketplace for technology intellectual property was established by the U.S. company yet2.com Inc. of Cambridge, Massachusetts. Members of the consortium, as well as other companies, offer their technologies to yet2.com for marketing on the Internet. BASF expects technologies that it has developed but has not yet exploited commercially to be better used as a result of this new marketing method.

ENVIRONMENTAL ISSUES

BASF is subject to numerous national and local environmental laws and regulations throughout the world concerning its operations and products in countries in which it operates. These laws and regulations govern, among other things, the handling, manufacture, transport and disposal of materials, as well as the discharge of pollutants into the environment, practices and procedures applicable to construction and operation of sites, and the restoration and preservation of natural resources.

BASF's operations are subject to increasingly stringent laws and government regulations related to environmental protection and remediation. In Germany alone, some 3,000 laws regarding environment, safety and health affect BASF's operations.

BASF's operating costs for environmental protection totaled approximately €764 million in 2000. These costs are recurring or one-time costs associated with sites or measures that are incurred in the avoidance, reduction or elimination of deleterious effects on the environment. They include the costs of centralized disposal sites, such as wastewater treatment plants, as well as decentralized sites, such as residue incinerators. They also comprise different levies such as effluent levies, water levies, costs for disposal services by third parties, monitoring, analysis and surveillance carried out by mobile and stationary measuring as well as research and development costs for reducing the incidence of residues. BASF also spent approximately €112 million in 2000 on capital expenditures for pollution control units and equipment.

BASF also incurs costs to remediate the impact of the current and prior disposal or release of chemicals or petroleum substances or waste, both at its own sites and at third-party sites to which BASF has sent waste for disposal. Worldwide, BASF had established reserves of €269 million for anticipated investigation and clean-up costs at such sites as of December 31, 2000, and €260 million as of December 31, 1999.

BASF has established and continues to establish reserves for expected environmental remediation liabilities. BASF does not establish reserves for potential, but not confirmed, soil contamination at sites which are still under operation unless otherwise required by law.

Generally, investigations into potential contamination and subsequent cleanup are only required when a site is closed and the existing production facilities dismantled. BASF cannot at this time accurately determine the ultimate potential liability for investigation and cleanup at sites which are still in operation.

In recent years the operations of all chemical companies have become subject to increasingly stringent legislation and regulations related to occupational safety and health, product registration and environmental protection. Such legislation and regulations are complex and constantly changing, and there can be no assurance that future changes in laws or regulations would not require BASF to install additional controls for certain of its emission sources, to undertake changes in its manufacturing processes or to investigate possible soil or groundwater contamination and remediate proven contamination at sites where such cleanup is not currently required. Taking into account BASF's experience to date regarding environmental matters and facts currently known, BASF believes that capital expenditures and remedial actions necessary to comply with existing laws and conditions governing environmental protection will not have a material effect on BASF's consolidated financial condition or results of operations.

Employees

EMPLOYEES

Number of employees

At the end of 2000, BASF employed a workforce of 103,273 including those with limited-term contracts, which represented a slight decline of 1.3% from the end of 1999. When accounting for changes in the scope of consolidation, the actual reduction in the number of jobs was slightly larger.

The following table details BASF's workforce on a regional basis:

	2000	% in 2000	% in 1999
Europe	**68,861**	66.7	70.5
• Thereof Germany	**54,356**	52.6	55.6
North America	**17,331**	16.8	15.0
South America	**6,913**	6.7	6.4
Asia, Pacific, Africa	**10,168**	9.8	8.1
Total	**103,273**		

In 2000, the number of employees at BASF Aktiengesellschaft, including those with limited-term contracts, fell by 1,672 to 41,117. We recruited 1,627 employees from outside the company. At the end of 2000, 2,613 young people were being trained at the company.

In the "Agreement 2000," management and employees' representatives at our site in Ludwigshafen, Germany agreed to achieve a personnel level (excluding trainees) of between 39,000 and 41,000 by the end of 2000. This workforce reduction is being achieved for the most part through socially responsible measures, including voluntary short-term contracts for those approaching retirement. 5,349 employees have already chosen this option. In light of this positive experience, BASF management and employees' representatives at BASF Aktiengesellschaft have already decided in the recent "Agreement 2003" to achieve the necessary workforce reductions through socially responsible measures without resorting to involuntary layoffs. In addition to short-term contracts for those nearing retirement, other measures include incentives to work part-time, additional training and steps to make the company's internal job-market more flexible.

Trends in personnel costs

Personnel costs rose by €416 million to €6,596 million and can be broken down as follows:

Million €	2000	Change in %
Wages and salaries	**5,307**	7.5
Social security contributions and expenses for pensions and assistance	**1,289**	3.5
• Thereof for pension benefits	**401**	3.1
Total	**6,596**	6.7

Close cooperation with labor unions and employees' representatives

About 55% of employees in Germany are members of the IGBCE (Mining, Chemical and Energy Industries Union). The current collective bargaining agreement for the chemical industry expires in February 2002. In addition, approximately 45% of the workforce in Europe, excluding Germany, 10% of the workforce in the United States, 30% of the workforce in Mexico, 70% of the workforce in South America and 40% of the workforce in Asia is represented by labor unions or company-specific collective bargaining organizations. The working relationship between management at BASF Group companies and employees' representatives is based on the principles of trust, mutual respect and open dialogue as is explicitly stated in our corporate Values. Our cooperation is based on internationally recognized labor standards and oriented toward the customs of the respective countries.

Investing in training and continuing education

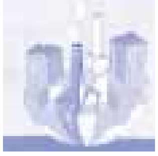
In 2000, we invested approximately €83.3 million on apprentices in Germany. At the beginning of the year, we were training 3,237 apprentices – some 4.9% less than in 1999. As in the previous year, we offered jobs to virtually all suitable candidates.

As an innovative company, we encourage our employees to take a positive approach to learning. In Germany alone, we invested €25 million on training for over 58,000 employees.

Sharing in the company's success

In 2000, about 30% of all employees of BASF Aktiengesellschaft and BASF companies in Germany took advantage of the "plus" program launched in 1999, and invested part of their annual bonus in BASF shares. For every 10 shares an employee purchases, the company awards up to five additional shares during a 10-year period. A number of BASF companies in other European countries and BASF Corporation in the United States also offered their employees shares in 2000, and other BASF companies plan to do so in 2001.

Since April 1999, around 1,200 senior executives in the BASF Group have been able to participate in a stock option program, the aim being to link their salaries to the long-term performance of our shares. In 2000, more than 75% of those eligible participated and invested part of their variable compensation in BASF shares. For each share purchased, BASF grants stock option rights that can be exercised if ambitious share price targets are achieved.



RISK MANAGEMENT REPORT

Risk management at BASF

BASF is a global company and as such is exposed to many risks. We are in the business of making the most out the opportunities that arise in markets around the world – and this involves taking risks. As a central part of BASF's corporate strategy, our risk strategy demands that we weigh opportunities and risks carefully before making a business decision. As always, our guiding principle is our aim for Sustainable Development, which provides direction when seeking to strike an appropriate balance between risks and opportunities.

To strike just the right balance, the Board of Executive Directors has drawn up a risk policy for the BASF Group, and has set up a comprehensive risk management system. This system is backed by an organizational structure with clear reporting lines so that risks can be managed throughout the company – be they at headquarters, in an operating division, a functional division or in a specific country. The aim is to identify and monitor strategic, global and business-specific risks, and to take the appropriate measures to manage them.

At BASF, there are comprehensive and well-established planning, approval, reporting and early-warning systems that together make up our risk management system. This risk management system and its performance are documented, and both internal and external auditors regularly check to ensure that the system is appropriate, functions properly and is effective. The results of these audits are reported to the Board of Executive Directors and the Supervisory Board.

On the basis of an in-depth analysis of BASF's business activities, we have identified various categories of risks, which we refer to as "cross-functional risks," "economic performance related risks" and "financial risks."

The following are the primary risks associated with our business activities.

Supply risks

As a chemical manufacturing company, BASF depends on a steady supply of raw materials, energy, precursors and intermediates to manufacture its products.

In addition, some of our businesses are dependent on raw materials and commodity precursors that are susceptible to substantial price fluctuations over which we have no control. In order to hedge against risks linked to price and supply in these markets, we have long-term supply contracts for key raw materials and energy, and we also rely on the spot markets to obtain additional quantities of raw materials. Purchase agreements for the most important raw materials are negotiated and concluded centrally for the entire BASF Group. As part of our global Verbund strategy, we also manufacture a considerable proportion of strategically important raw materials and intermediates at our own production plants, giving us at least some protection against the supply market risks.

Furthermore, individual business units constantly monitor their relevant markets so that BASF can identify and react promptly to the risks that can affect its operations and profitability. Given that our products face intense competition, we are not always able to entirely pass on higher raw material costs in higher prices for our products.

Market risks

Most of the markets for BASF's products are highly competitive, which affects above all the prices we can expect for our products. In a number of the divisions in our Chemicals and Plastics & Fibers segments, competition is particularly fierce due to temporary overcapacity following the commissioning of new production plants as well as cyclical fluctuations in demand in key customer segments such as the automotive, construction, electronics and textile sectors. In the Oil & Gas segment, volatile crude oil prices and increasing deregulation represent a significant challenge.

To address these market risks, BASF continues to increase the proportion of cyclically resilient businesses in its product portfolio and aims to become one of the world's leading suppliers in each of its businesses. In our more cyclical businesses, we are addressing market risks by consistently building on our cost leadership position. We are also specifically investing in expanding and building up our business activities in high-growth regions, not only to take part in these market developments, but also to reduce the impact cyclical developments in other regions can have on our overall business.

Financial risks

BASF is exposed to foreign currency, interest rate and commodity price risks during the normal course of business. In cases where BASF intends to hedge against these risks, financial derivatives are used, including forward exchange contracts, currency options, interest rate/currency swaps or combined instruments.

Derivative financial instruments are only used if they have a corresponding underlying position arising from the operating business, cash investments and financing. The leverage effect that can be achieved with derivatives is deliberately not used.

To ensure efficient risk management, market risks are centralized at BASF Aktiengesellschaft and other subsidiaries designated for this purpose. BASF has developed and implemented internal guidelines based on the principles of separation of functions for the completion and execution of derivative instruments.

The risks arising from changes in exchange rates and interest rates as a result of the underlying transactions and the derivative transactions concluded to secure them are monitored constantly. For this purpose, market quotations or computer or mathematical models are used to determine the current market values not only of the underlying transactions but also of the derivative transactions, and these are compared with each other.

Where financial derivatives have a positive market value, BASF is exposed to credit risks in the event of non-performance of their counterparts. The credit risk is minimized by exclusively trading contracts with major creditworthy financial institutions.

BASF'S STRATEGY

Adding value through growth and innovation

We want to increase and sustain BASF's corporate value. To achieve this aim, we are focusing on growth and innovation and are pursuing our business activities accordingly.

We want to continue to grow by:

- achieving above-average profits from a strong market position,
- focusing on expanding our business in growth regions, and by
- extending our Verbund.

Our innovations are based on

- continually renewing our products and processes,
- offering our customers creative system solutions, and
- capitalizing on the broad potential of the chemistry we use.

Adding value through growth and innovation are the two principles that are firmly founded at BASF.

Chemicals – the heart of our Verbund

The Chemicals segment forms the basis of BASF's approach to integration known in German as "Verbund," since the Chemicals segment supplies all of the company's customers – both internal and external – with a wide range of high-value chemicals at competitive prices.

The Chemicals segment's strategy is to maintain its leading position in Europe, expand its activities in North America and the Asia-Pacific region, while improving its competitive position by using the most efficient technologies available.

BASF is working on major projects in North America and Asia. In Asia these include expansion of the new Verbund site in Kuantan, Malaysia, in the second half of 2000 with plants for oxo C4 alcohols, phthalic anhydride and plasticizers. We are also planning a new Verbund site in Nanjing, China, where the first plants are scheduled to start operations in 2005. In North America, BASF and its partner TotalFinaElf S.A. are currently building the largest naphtha steamcracker in the world at the TotalFinaElf refinery in Port Arthur, Texas. The steamcracker, which is expected to start operations in the second half of 2001, will supply propylene, ethylene and other products to the BASF Verbund sites at Geismar, Louisiana and Freeport, Texas.

Plastics & Fibers – cost leadership and innovative high-performance materials

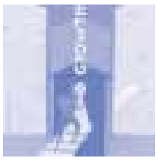
BASF wants to strengthen its position as one of the leading global competitors in the plastics and fibers industry by achieving cost and technology leadership. We are convinced that success in this business depends on establishing a global presence and offering innovative new products. Therefore we want to:

- consolidate our existing production sites in a small number of large plants;
- expand business in regions with growth potential, such as Asia and South America;
- open up new product markets;
- expand existing product applications through advances in technology;
- form strategic partnerships where appropriate, and
- continue to concentrate on developing more environmentally-friendly and cost-effective products.

Colorants & Finishing Products – close technical cooperation

In the Colorants & Finishing Products segment we market and sell higher-value chemicals and specialties. We base our success on developing creative solutions in close cooperation with our customers as well as on our ability to ensure just-in-time delivery thanks to our network of regional sites.

In the Colorants division we want to continue to increase sales and earnings and grow faster than the market on the basis of our product range, which has been restructured over the past few years, as well as on the basis of our extensive technical expertise and our presence in high-growth markets. Thanks to the restructuring measures of the last few years, the division has improved its cost structure considerably. We want to build on this and focus capital expenditures on continuing to make our production more efficient and an on expanding our activities in high-growth markets such as organic pigments.



In Coatings, we are planning to build on the success of the restructuring measures which were recently completed and to continue improving the division's profitability. As a result of these restructuring measures, the division currently focuses on four main product lines — automotive OEM and refinish coatings, industrial coatings and, for the South American market, decorative paints. We believe that in Coatings we can establish and maintain a leading position in the market while achieving high profitability in these main product lines. Now that these restructuring measures are largely complete, the Coatings division is looking to strengthen its core activities through internal growth, joint ventures and acquisitions.

In the Dispersions division we are planning to build on our cost leadership and worldwide market leadership in acrylic acid – an important precursor for dispersions and superabsorbents – by establishing production capacities for it and its derivatives in Belgium, Brazil and China. Through our acquisition of the superabsorbents manufacturer Chemdal International Corp. in 2000, we now have production plants in all regions.

Health & Nutrition — focusing on our strengths

BASF researches, develops and markets innovative products for the agricultural, food, cosmetics and pharmaceuticals industries. Following the acquisition of the crop protection business of American Home Products (AHP) on July 1, 2000 and the divestiture of our pharmaceutical activities in March 2001, we will focus in future on agricultural products and fine chemicals.

The Agricultural Products division (formerly known as the "Crop Protection" division) produces and markets advanced products that protect crops from weeds, fungi and insect pests.

By acquiring the crop protection business of AHP, we are among the top 3 in the agricultural products market. The acquisition has put us in a leading position in the Americas and builds on our strong position in the European market. With insecticides added to our increased range of herbicides and fungicides, we can offer our customers a complete range of products for all major crops. By launching an average of two active ingredients per year over the next six years, we expect to grow faster than the global crop protection market. The development projects currently in the pipeline are expected to have a combined peak annual sales potential of approximately €2 billion, and our new fungicide F 500®, will make an important contribution.

We will continue to expand our activities in the field of plant biotechnology by concentrating on developing plants which can withstand more extreme climatic conditions such as cold or drought and which contain increased amounts of valuable constituents such as oils and proteins.

The Fine Chemicals division supplies the food and animal feeds, cosmetics and pharmaceuticals industries with vitamins, enzymes, flavors, aromas and UV absorbers. We want to maintain our leading position in our target markets and achieve profitable growth by:

- making use of the advantages provided by large-scale plants;
- continuing to improve our production processes through research and capital expenditures;
- extending our market presence;
- entering into close partnerships with our customers, and
- developing innovative products.

We believe that compared to our competitors we are in a good position regarding costs. For the few products for which this is not the case, we intend to develop more efficient production methods or enter into cooperative agreements for production. In January 2001, we consolidated our leading position as a manufacturer of vitamins by acquiring the water-soluble vitamins operations of the Japanese company Takeda Chemical Industries.

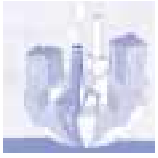
Oil & Gas – expertise and regional focus

In the Oil & Gas segment we want to increase oil and gas exploration and production by at least 50% over the next five to ten years while maintaining production reserves of at least eight years. To achieve this objective, Wintershall aims to:

- expand exploration and production activities in Europe, North Africa, the Caspian Sea and the Middle East;
- start exploration and development of oil and gas reserves in Russia through Wintershall's strategic partnership with Gazprom, and
- increase gas production in new and existing fields in Argentina to meet increasing demand for natural gas in the southern part of South America.

With a 10% market share, WINGAS is currently the fourth largest natural gas transportation and distribution company in Germany. Our goal is to capture a 20% share of the expected German market in 2010.

Ongoing deregulation of the European natural gas market requires natural gas companies to give third parties access to their pipelines. Deregulation is creating important growth opportunities, since access to the transmission networks of other companies will allow WINGAS to expand its customer base beyond the scope of its own pipeline network. Furthermore, WINGAS will also be able to offer third parties access to its pipelines.



FORECAST

Economic trends

After a period of high growth in 2000, when global gross domestic product grew by more than 4%, we expect growth in global gross domestic product to slow to approximately 3% in 2001. Up to 2005, we anticipate that the global economy will expand by a solid 3% per year, with economic fundamentals remaining attractive despite a temporary slowdown in 2001.

The main factor affecting the overall economic climate in 2001 will be the significant slowdown in the U.S. economy after eight years of strong growth. The slight weakening in Western Europe's economy will likely be offset by improved conditions in South America and Eastern Europe as well as by continued strong growth in Asia, with the exception of Japan.

Up to 2005, we forecast that on an annual basis gross domestic product will grow by 2.5% in Western Europe and 3% in North America. Japan's economy is expected to grow by just under 2%, whereas the rest of Asia is expected to regain some of the dynamic growth it achieved before the Asian crisis, with growth rates of roughly 6.5%.

Trends in the chemical industry

In the medium term, the chemical industry is expected to grow faster than gross national product. This positive outlook for the industry can be attributed to the innovative strength of the chemical sector, the ongoing trend worldwide of substituting conventional materials with those based on chemical substances as well as the relatively strong upsurge in demand for chemical products in regions marked by strong economic growth.

Growth in global chemical production is expected to fall just short of 4% in 2001 – slightly weaker than the strong performance of 4.2% in 2000. In North America, chemical production is expected to increase by only 1.5%, whereas in Western Europe production is projected to expand by a solid 3%. In 2001, Asia will again be the growth region par excellence, with output forecast to climb 8%. From 2002 to 2005, we again expect to see a cyclical recovery, with growth rates of just over 4%.

Sales forecast

At BASF, we are aiming to grow faster than the market in the medium term. We have set this ambitious goal in view of our product portfolio and the measures taken over the past year.

In the Chemicals segment, we are planning to achieve above-average growth in sales.

In 2001, the Plastics & Fibers segment is again expected to post the highest sales of all segments. In this segment, sales did decline in 2000, due primarily to the loss of sales from the polyolefins business after its transfer to Basell.

In the Colorants & Finishing Products segment, we intend to increase sales. The impact on sales of the transfer of our textile dyes business to DyStar will be partially offset by the acquisition of Chemdal's superabsorbents business.

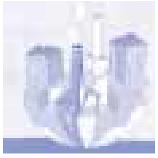
The Health & Nutrition segment will change significantly following the expected sale of our pharmaceuticals activities in March 2001. Sales in the Agricultural Products division will increase substantially due to the acquisition of AHP's crop protection business, while the acquisition of Takeda's vitamins business will be the main cause for a rise in sales in the Fine Chemicals division.

In the Oil & Gas segment, we expect further growth in sales despite lower average oil prices than in 2000.

Earnings forecast

BASF has set a financial target of increasing income from operations before special items on an average annual basis of 10% from 2000 to 2002.

We expect a significant increase in income from operations in 2001, since special charges resulting from major changes in our business portfolio burdened earnings in 2000. Furthermore, we expect that these changes will contribute to improved earnings in 2001 and that margins will improve in some of our operating divisions. In the Chemicals segment, we foresee a slight improvement in earnings. We also expect earnings to rise on a comparable basis in Plastics & Fibers, and project that earnings will improve significantly in the Colorants & Finishing Products segment due to an expected improvement in margins as well as the contribution of new acquisitions. In the Health & Nutrition segment, we also anticipate an improvement in earnings due to the contribution of AHP's crop protection activities as well as the reduction in special charges. Interest expense will be lowered substantially by using proceeds from divestitures to pay off debt.



Forecast

Planned capital expenditures

For the current year, we have budgeted €3,100 million for capital expenditures, 51% of which will be for projects in Europe. The remaining amount will be allocated more or less equally to the Asia, Pacific Area, Africa region and to North America. In North America, the amount will be smaller than in 2000 due to the completion of major projects. By contrast, the funds needed in Asia will increase due to our major capital expenditures projects. We also intend to increase capital expenditures in South America. Once again, the greatest capital expenditures have been planned for the Chemicals segment, primarily to consolidate our position in the European and North American markets for basic products, but also for the construction of Verbund sites in Asia.

In Plastics & Fibers, substantial capital expenditures are once again needed to build up our market position in Asia and meet our goal of achieving cost and market leadership. We intend, however, to once again reduce these expenditures in the medium term. In the Colorants & Finishing Products segment, we are also continuing to invest in building up and expanding our market position in Asia, while in Europe and North America production activities are slated for restructuring. In the Health & Nutrition segment, spending will be earmarked primarily for research and development. In the Oil & Gas segment, most funding will once again be devoted to the exploration and production of oil and gas, once the gas business has been established in Germany. New production regions will be added to traditional ones, leading to an increase in the volume of capital expenditures.

Ongoing development in BASF's organization

We are currently adapting BASF's organization to foster growth and innovation, thereby increasing our corporate value. We are encouraging entrepreneurship within the company, improving the quality and efficiency of decision-making processes and speeding up both business processes and innovations. Senior executives are being given greater freedom to achieve agreed upon goals.

We continue to attach importance to maintaining a balance between a regional and a global outlook, which is achieved through strategic dialogue between operating divisions and the regions. Regional business units, which play an essential part in this newly adapted organization, combine marketing, sales, production, logistics and, where appropriate, technical services. This newly adapted organization will be largely implemented in Europe, Asia and North America by the end of 2001. Through these organizational changes, we aim to improve the effectiveness and efficiency of our business activities.

Ongoing developments in information technology

The increasingly widespread use of e-commerce will speed up the pace at which our business processes become globally networked with those of our customers. In future, developments in information technology, which until now had been coordinated on a regional basis, will need to be managed globally. Our aim is clear: We want to become one of the leading users of information technology in the chemical industry. Therefore, we have decided to adopt far-reaching changes in 2001. We will be setting global standards for information technology infrastructure and related business processes and will be monitoring compliance with these standards. At the same time, information technology services in Europe will be pooled and transformed into an independent legal entity. By bundling resources, we expect to increase productivity substantially while making the purchasing and billing of services more transparent.

"Cost of capital" as a management tool

On the basis of the capital market's profitability requirements, BASF determines its cost of capital which it allocates to the operating divisions according to the assets they deploy. BASF refers to its cost of capital when assessing the economic performance of its businesses. Using this tool allows BASF to manage its operating divisions in line with capital market requirements.

Finance

We intend to use the proceeds from the sale of our pharmaceuticals activities to reduce our debt. At the same time, we will be acquiring a substantial amount of our shares through a share buy-back program. Targeted acquisitions will continue to allow us to pursue a course of profitable growth in our core businesses.

Statement by the Board of Executive Directors

The Board of Executive Directors of BASF Aktiengesellschaft is responsible for drawing up the Consolidated Financial Statements and Management's Analysis of BASF Group. The Consolidated Financial Statements were prepared in accordance with the principles of generally accepted accounting as outlined in the provisions of the German Commercial Code (Handelsgesetzbuch) and the Stock Corporations Act. We have implemented U.S. generally accepted accounting principles (U.S. GAAP) as far as possible within the scope offered by the accounting and valuation options available under German commercial law. A reconciliation of net income and stockholders' equity is provided to show adjustments required by U.S. GAAP but not permitted under German commercial law.

We have established effective internal reporting and accounting statements to ensure that the Consolidated Financial Statements and Management's Analysis adhere to applicable accounting rules and company reporting systems. The Internal Auditing department works to ensure that our businesses worldwide comply with BASF's effective and reliable uniform accounting and reporting.

Our risk management system complies with the requirements of the German Act on Verification and Transparency in the Corporate Sector (Paragraph 91, Section 2, Stock Corporations Act). The system identifies substantial risks in a timely manner so that the Board of Executive Directors can take any appropriate action required.

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft has examined BASF's Consolidated Financial Statements and Management's Analysis and approved them free of qualification.

The Consolidated Financial Statements and Management's Analysis and the auditors' report were discussed in detail in the presence of the auditors at a Supervisory Board meeting. For the results of the Supervisory Board's examination, please refer to the Report of the Supervisory Board.

Dr. Jürgen F. Strube
Chairman of the Board of
Executive Directors

Max Dietrich Kley
Deputy Chairman of the
Board of Executive Directors

Report of Independent Auditors

We have audited the Consolidated Financial Statements prepared by BASF Aktiengesellschaft as well as the Management's Analysis of BASF Aktiengesellschaft and BASF-Group for the business year from January 1 to December 31, 2000. The Board of Executive Directors of BASF Aktiengesellschaft is responsible for preparing the Consolidated Financial Statements and Management's Analysis in accordance with German commercial law. It is our task, on the basis of the audit we have carried out, to give an assessment of the Consolidated Financial Statements and Management's Analysis.

Pursuant to Paragraph 317 of the German Commercial Code, we have audited the Consolidated Financial Statements of BASF Group in accordance with the generally accepted standards of auditing laid down by the German Institute of Auditors.

According to these principles, the audit is to be planned and carried out in such a way that inaccuracies and violations are recognized with reasonable certainty that could have a major effect on the view of the net assets, financial position and results of operations conveyed by the Consolidated Financial Statements – taking into consideration generally accepted accounting principles – and Management's Analysis. The determination of the action for this audit takes into account knowledge of the business and BASF's economic and legal environment as well as expectations of possible errors. In the audit, the effectiveness of the internal checking system and proof of the details provided in the Consolidated Financial Statements and Management's Analysis are assessed predominantly on the basis of spot checks. The audit encompasses an assessment of the financial statements of the companies in the Consolidated Financial Statements, a definition of the scope of consolidation, a review of the accounting and consolidation principles employed, the main judgements maid by the Board of Executive Directors, and an appreciation of the overall presentation of the Consolidated Financial Statements and Management's Analysis. In our opinion, we believe that our audit provides a reasonable basis for our assessment.

Our audit has not given rise to any reservations.

It is our opinion that these Consolidated Financial Statements, taking into consideration generally accepted accounting principles, convey a true and fair view of the net assets, financial position and results of operations of BASF Group.

Management's Analysis of BASF Aktiengesellschaft and BASF Group conveys in all an accurate presentation of the situation of BASF and accurately shows the risks to future development.

Frankfurt, February 28, 2001

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Professor Dr. Emmerich	Kompenhans
Auditor	Auditor

BASF GROUP CONSOLIDATED STATEMENTS OF INCOME

Consolidated Statements of Income
Year ended December 31
Million €

	Explanations in Note	2000	1999
Sales		36,205.1	31,318.2
– Petroleum and natural gas taxes		(259.4)	(1,845.5)
Sales, net of petroleum and natural gas taxes	(4)	35,945.7	**29,472.7**
Cost of sales		(23,255.1)	(18,391.3)
Gross profit on sales		12,690.6	**11,081.4**
Selling expenses		(5,786.5)	(5,279.9)
General and administrative expenses		(772.0)	(677.0)
Research and development expenses		(1,525.8)	(1,333.0)
Other operating income	(5)	1,415.3	978.2
Other operating expenses	(6)	(2,951.9)	(2,761.0)
Income from operations		3,069.7	**2,008.7**
Expense/income from financial assets		(31.0)	727.4
Write-downs of, and losses from, retirement of financial assets as well			
as securities held as current assets		(6.8)	(22.2)
Interest result		(204.5)	(108.4)
Financial result	(7)	(242.3)	**596.8**
Income before taxes and minority interests*		2,827.4	**2,605.5**
Income taxes	(8)	(1,545.0)	1,360.8
Income before minority interests		1,282.4	**1,244.7**
Minority interests	(9)	(42.6)	(7.9)
Net income		1,239.8	**1,236.8**
Earnings per share €		2.02	**2.00**

* Income from ordinary operations

Consolidated Balance Sheets at December 31

Million €

Assets

	Explanations in Note	2000	1999
Intangible assets	(11)	**4,538.2**	2,146.8
Property, plant and equipment	(12)	**13,640.6**	12,416.3
Financial assets	(13)	**3,589.7**	1,506.6
Fixed assets		**21,768.5**	**16,069.7**
Inventories	(14)	**5,211.6**	4,027.7
Accounts receivable, trade		**6,067.6**	4,966.7
Receivables from affiliated companies		**916.9**	724.5
Miscellaneous receivables and other assets		**2,142.2**	1,357.2
Receivables and other assets	(15)	**9,126.7**	**7,048.4**
Marketable securities	(16)	**364.1**	517.4
Cash and cash equivalents		**505.5**	990.2
Liquid funds		**869.6**	**1,507.6**
Current assets		**15,207.9**	**12,583.7**
Deferred taxes	(8)	**1,270.5**	**1,225.4**
Prepaid expenses	(17)	**310.3**	**130.2**
Total assets		**38,557.2**	**30,009.0**

Stockholders' equity and liabilities

	Explanations in Note	2000	1999
Subscribed capital	(18)	**1,554.9**	1,589.7
Capital surplus	(18)	**2,745.7**	2,675.2
Retained earnings	(19)	**8,851.1**	9,001.7
Currency translation adjustment		**661.8**	549.3
Minority interests	(20)	**481.3**	329.3
Stockholders' equity		**14,294.8**	**14,145.2**
Provisions for pensions and similar obligations	(21)	**4,228.3**	4,170.0
Provisions for taxes		**778.4**	662.6
Other provisions	(22)	**4,536.8**	3,805,1
Provisions		**9,543.5**	**8,637.7**
Bonds and other liabilities to capital market	(23)	**6,230.5**	516.7
Liabilities to credit institutions	(23)	**1,661.4**	777.7
Accounts payable, trade		**2,848.1**	2,316.0
Liabilities to affiliated companies		**391.8**	208.0
Miscellaneous liabilities	(23)	**3,190.1**	3,217.4
Liabilities		**14,321.9**	**7,035.8**
Deferred income		**397.0**	**190.3**
Total stockholders' equity and liabilities		**38,557.2**	**30,009.0**

Consolidated Statements of Changes in Stockholders' Equity
Year ended December 31
Million €

	Number of subscribed shares outstanding	Subscribed capital	Capital surplus	Retained earnings	Currency translation adjustments	Minority interests	Total stockholders' equity
As of January 1, 2000	**620,984,640**	**1,589.7**	**2,675.2**	**9,001.7**	**549.3**	**329.3**	**14,145.2**
Issuance of new shares from conditional capital through the exercise of warrants attached to the 1986/2001 3% U.S. Dollar Option Bond	2,271,230	5.8	29.9				35.7
Share buy-back and cancellation of own shares	(15,856,500)	(40.6)	40.6	(699.8)			(699.8)
Dividends paid				(694.7)		(52.8)*	(747.5)
Net income				1,239.8		42.6	1,282.4
Increase of foreign currency translation adjustments					112.5	(5.3)	107.2
Capital injection by minority interests						59.5	59.5
Changes in scope of consolidation and other changes				4.1		108.0	112.1
As of December 31, 2000	**607,399,370**	**1,554.9**	**2,745.7**	**8,851.1**	**661.8**	**481.3**	**14,294.8**
As of January 1, 1999	**623,794,150**	**1,594.7**	**2,590.1**	**8,695.1**	**39.5**	**330.7**	**13,250.1**
Issuance of new shares from conditional capital through the exercise of warrants attached to the 1986/2001 3% U.S. Dollar Option Bond	5,086,690	13.0	67.1				80.1
Share buy-back and cancellation of own shares	(7,896,200)	(20.2)	20.2	(255.6)			(255.6)
Capital increase in BASF Aktiengesellschaft to reconcile nominal value of BASF shares to €2.56 per share		2.2	(2.2)				
Dividends paid				(692.8)		(4.7)*	(697.5)
Net income				1,236.8		7.9	1244.7
Increase of foreign currency translation adjustments					509.8	32.3	542.1
Changes in scope of consolidation and other changes				18.2		(36.9)	(18.7)
As of December 31, 1999	**620,984,640**	**1,589.7**	**2,675,2**	**9,001.7**	**549.3**	**329.3**	**14,145.2**

* Profit and loss transfers to minority interests

Consolidated Statements of Cash Flows
Year ended December 31
Million €

	2000	1999
Net income	**1,239.8**	1,236.8
Depreciation of fixed assets	**2,928.9**	2,690.0
Changes in long-term provisions	**161.3**	204.5
Other non-cash items	**182.5**	(41.9)
Gains/losses from disposals of fixed assets and securities	**(373.2)**	(1,006.6)
Changes in inventories	**(676.0)**	(218.5)
Changes in receivables	**(1,088.4)**	(1,326.6)
Changes in other operating assets and liabilities	**617.0**	1,717.3
Cash provided by operating activities	**2,991.9**	**3,255.0**
Additions to tangible and intangible fixed assets	**(2,905.9)**	(2,938.7)
Additions to financial assets and securities	**(839.6)**	(877.7)
Payments related to acquisitions	**(6,117.2)**	(397.3)
Proceeds from divestitures	**304.9**	1,093.5
Proceeds from the disposal of fixed assets and securities	**727.8**	1,021.7
Cash used in investing activities	**(8,830.0)**	**(2,098.5)**
Proceeds from capital increases	**95.3**	80.1
Share repurchase	**(699.8)**	(255.6)
Proceeds from the addition of financial indebtedness	**11,238.9**	2,350.9
Repayment of financial indebtedness	**(4,579.4)**	(2,446.2)
Dividends paid		
• To shareholders of BASF Aktiengesellschaft	**(694.7)**	(692.8)
• To minority shareholders	**(52.8)**	(4.7)
Cash used in financing activities	**5,307.5**	**(968.3)**
Net change in cash and cash equivalents	**(530.6)**	**188.2**
Effects on cash and cash equivalents		
• From foreign exchange rates	**27.4**	19.6
• From changes in scope of consolidation	**18.5**	25.5
Cash and cash equivalents as of beginning of year	**990.2**	**756.9**
Cash and cash equivalents as of end of year	**505.5**	**990.2**
Marketable securities	**364.1**	517.4
Liquid funds as shown on the balance sheet	**869.6**	**1,507.6**

NOTES TO THE BASF GROUP CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies

(a) Basis of presentation

The Consolidated Financial Statements of BASF Aktiengesellschaft ("BASF" or "BASF Aktiengesellschaft") are based on the accounting and valuation principles of the German Commercial Code (Handelsgesetzbuch) and the German Stock Corporation Act (Aktiengesetz). The accounting principles conform to the generally accepted accounting principles in the United States (U.S. GAAP) to the extent permissible under the German Commercial Code. The reconciliation of remaining significant deviations to U.S. GAAP is described in Note 3 to these Consolidated Financial Statements. Insignificant deviations from U.S. GAAP have not been reconciled to U.S. GAAP because the impact on net income and stockholders' equity is immaterial.

(b) Scope of consolidation

The Consolidated Financial Statements include BASF Aktiengesellschaft, the parent company, and all material subsidiaries in which BASF Aktiengesellschaft directly or indirectly exercises a majority of the voting rights or which are otherwise controlled by BASF Aktiengesellschaft (collectively, the "Company"). Furthermore, material 50% joint ventures are included on a proportional consolidation basis. Basell N. V. comprises the polyolefins business of the companies Elenac, Targor and Montell, including their subsidiaries. Basell N. V. largely operates independently and is not included in the planning and approval processes of BASF. Basell N.V. is therefore not included on a proportional consolidation basis, but accounted for using the equity method. Subsidiaries and joint ventures whose impact on the net worth, financial position and results of the Company are immaterial, individually and in the aggregate, are excluded from the scope of consolidation.

	2000	1999
Consolidated companies as of January 1	**150**	132
• *Thereof proportional consolidation*	***16***	*17*
First-time consolidations	**41**	26
• *Thereof proportional consolidation*	**–**	*2*
Deconsolidations	**21**	8
• *Thereof proportional consolidation*	***10***	*3*
Consolidated as of December 31	**170**	150
• *Thereof proportional consolidation*	***6***	*16*

Generally, affiliated companies not consolidated due to immateriality and associated companies are accounted for using the equity method. Associated companies represent those entities where the Company, through a participation of at least 20%, exercises significant influence over the operating and financial policies thereof.

	2000	1999
Affiliated companies	**22**	25
Joint ventures	**3**	7
Other associated companies	**3**	3
Companies accounted for using the equity method as of December 31	**28**	35

Major changes to the scopes of consolidation relate to the following:

2000:

First-time consolidations comprise:

- BASF Coatings Ltd., Deeside, United Kingdom, a coil coatings manufacturer, acquired from Norsk Hydro in 1999.
- BASF Petronas Chemicals Sdn. Bhd. (BASF's share: 60 %, Petronas' share: 40%) and BASF Services (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia, which operate the Verbund site in Kuantan, Malaysia.
- 22 subsidiaries from the crop protection business of American Home Products Corporation acquired in the middle of 2000; the major part of this business was directly acquired through asset purchases by consolidated subsidiaries of BASF.
- Another 16 subsidiaries previously not consolidated, mainly relating to corporate structure.

Deconsolidations comprise:

- The divestiture of Wintershall (U.K.) Limited and Wintershall Exploration (U.K.) Limited, London, United Kingdom.
- 14 companies of the Targor Group and the Elenac Group, due to the contribution of the polyolefins business to the joint venture Basell N.V.

1999:

First-time consolidations comprise:

- ELLBA C.V. (formerly BASELL C.V.) of Rotterdam, the Netherlands, a joint venture with Shell that has been consolidated since the start-up of the styrene monomer and propylene oxide plant.
- Salchi Spa of Italy, an industrial coatings manufacturer acquired in 1998 and now known as BASF Coatings Spa of Burago Molgora, Italy.
- Wintershall Energía S.A. of Buenos Aires, Argentina. The operation was taken over in 1998 when Deminex was split between the partners.
- Another 23 subsidiaries previously not consolidated, mainly in the Pharmaceuticals and Polyurethanes divisions.

Deconsolidations relating to corporate structure and divestitures comprise:

- The divestiture of BASF Horticulture et Jardin S.A. of Levallois, France.
- The divestiture of Wintershall Canada Ltd. of Calgary, Alberta, Canada.
- The divestiture of the former joint venture Ultrasorb Chemikalien GmbH of Ludwigshafen, Germany.

Changes in the scope of consolidation, acquisitions and divestitures had the following effects on the changes in the Consolidated Financial Statements:

	2000		1999	
	€ m	%	€ m	%
Fixed assets	**5,140.7**	**32.0**	505.9	3.5
• *Thereof property, plant and equipment*	***633.5***	***5.1***	*343.0*	*3.2*
Inventories and receivables	**1,357.5**	**10.9**	(318.7)	(3.0)
Liquid funds	**4.6**	**0.3**	711.1	47.3
Assets	**6,502.8**	**21.7**	**898.3**	**3.4**
Stockholders' equity	**343.3**	**2,4**	400.3	3.0
Financial liabilities	**5,855.6**	**452.6**	107.6	8.2
Other liabilities	**303.9**	**2.1**	390.4	3.2
Stockholders' equity and liabilities	**6,502.8**	**21.7**	**898.3**	**3.4**
Sales	**(702)**	**(2.4)**	869	3.1
• *Thereof:*				
Acquisitions	***1,056***		*627*	
Divestitures	***(1,919)***		*(331)*	
Changes in scope of consolidation	***161***		*573*	

Proportional consolidation

Condensed financial information relating to the Company's pro rata interest in joint ventures accounted for using the proportional consolidation method is as follows:

Balance sheet

Million €	2000	1999
Fixed assets	**283.4**	860.4
Current assets	**408.2**	658.7
Total assets	**691.6**	1,519.1
Stockholders' equity	**71.8**	441.9
Provisions	**109.2**	233.5
Liabilities	**510.6**	843.7
Total liabilities and stockholders' equity	**691.6**	**1,519.1**

Statement of income

Million €	2000	1999
Sales	**2,732.3**	1,885.7
Income from operations	**164.5**	156.8
Net income	**137.7**	113.7

Cash flow information

Million €	2000	1999
Cash generated from operating activities	**68,7**	120.5
Cash used for investing activities	**(13.9)**	(85.6)
Cash used for financing activities	**(50.5)**	(60.3)
Net change in cash and cash equivalents	**5.8**	19.4

Summarized financial information for significant associated companies accounted for using the equity method

In the Consolidated Financial Statements for 2000, the following significant associated companies are accounted for using the equity method for the first time: Basell Group (BASF's share: 50%) and DyStar Group (BASF's share: 30 %). Condensed financial information of these significant associated companies and for Svalöf Weibull Group (BASF's share: 40 %), which was accounted for by the equity method in 1999 for the first time is as follows:

Balance sheet

Million €	2000
Fixed assets	**6,014.8**
Current assets	**3,222.5**
Total assets	**9,237.3**
Stockholders' equity	**4,038.6**
Provisions	**1,027.4**
Liabilities	**4,171.3**
Total liabilities and stockholders' equity	**9,237.3**
BASF's investment	**1,917.8**

Statement of income

Million €	2000
Sales	**2,820.0**
Income from operations	**(101.7)**
Net income	**(135.9)**
BASF's share of net income	**(59.9)**

Goodwill arising from capital consolidation of associated companies accounted for using the equity method for the first time was €165.1 million for the Basell Group, €25.3 million for the DyStar Group and €123.3 million in 1999 for the Svalöf Weibull Group.

List of shareholdings: A list of companies included in the Consolidated Financial Statements as well as a list of all companies in which BASF has a participation, has been deposited in the Commercial Register HRB 3000 in Ludwigshafen, Germany, as required by the German Commercial Code, Section 313(2). The list of shareholdings can be obtained as a separate report from BASF Aktiengesellschaft.

(c) Summary of significant accounting policies

Balance sheet date: The Consolidated Financial Statements are generally prepared using the individual financial statements of the companies forming part of the group. Such financial statements are generally prepared as of the balance sheet date of the Consolidated Financial Statements. In certain cases, interim financial statements or adjusted statements as of the balance sheet date of the Consolidated Financial Statements are prepared and used.

Uniform valuation: Assets and liabilities of consolidated companies are accounted for and valued uniformly in accordance with the principles described herein. Where the accounting and valuation methods applied in the financial statements of the consolidated companies differ from these principles, appropriate adjustments are made to the relevant items. For companies accounted for under the equity method, significant deviations in the valuation methods are adjusted.

Eliminations: Transactions between consolidated companies are eliminated in full and those for joint ventures, on a pro rata basis. Inter-company profits resulting from sales between consolidated companies are eliminated unless they originate from the construction of plants under customary market conditions and are of minor importance. With regard to the companies accounted for under the equity method, inter-company profits resulting from sales on customary market conditions are not eliminated because the amounts are insignificant or because determining them would involve a disproportionate amount of effort.

Capital consolidation: Capital consolidation is based on a method equivalent to the purchase method required under U.S. GAAP. At the time of acquisition, the acquisition cost of participations is offset against the proportionate share of equity acquired. Differences arising are allocated to the assets or liabilities of the acquired company up to their fair values or capitalized as intangible fixed assets. Differences not allocated to individual assets are capitalized as goodwill and amortized within the expected useful life, within a period of five to 20 years.

Revenue recognition: Revenues from product sales and the performance of services are recognized upon shipment to customers or performance of services. Provisions for discounts, sales returns, rebates to customers, estimated future warranty obligations and other claims are provided for in the same period the related sales are recorded.

Intangible assets: Intangible assets are valued at acquisition cost less scheduled straight-line amortization. The weighted average amortization period for the intangible assets for 2000 and 1999 is eight years based on the following expected useful lives:

	Years
Goodwill	5–20
Product rights and licenses	3–15
Marketing, supply and similar rights	4–20
Know-how and patents	5–15
Concessions, explorations rights and similar rights	3–25
Software	2– 5
Other rights and values	5–25

Special write-downs are made in cases of expected permanent impairment of value if the recovery of book value can no longer be expected.

Property, plant and equipment: Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation over their estimated useful lives. Low-value assets are fully depreciated in the year of acquisition and are shown as retirements. Movable depreciable fixed assets that are functionally integrated are treated as a single asset item. The cost of self-constructed plants includes direct costs and an appropriate proportion of the production overhead, but excludes financing costs for the period of construction. Movable fixed assets are mostly depreciated by the declining balance method, with a change to straight-line depreciation if this results in higher depreciation rates. Long-distance natural gas pipelines and immovable fixed assets are depreciated using the straight-line method.

The weighted average periods of depreciation are as follows:

	2000	1999
Building and structural installations	22 Years	22 Years
Industrial plant and machinery	9 Years	9 Years
Long-distance natural gas pipelines	25 Years	25 Years
Working and office equipment and other facilities	8 Years	8 Years

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Measurement of an impairment loss for long-lived assets that the Company expects to hold and use is based on the fair value of the asset, which is usually based on the expected future discounted cash flows from the use of the asset and its eventual disposition.

Costs of successful and uncompleted oil and gas drilling operations are capitalized as tangible assets. They are depreciated on the declining balance method over the estimated useful lives of eight years (for drilling operations in old fields) or 15 years. In certain regions, they are depreciated on the unit-of-production basis. Geophysical expenditures, including exploratory and dry-hole costs, are charged against income.

Financial assets: Shares in affiliated and associated companies not accounted for by the equity method and other participations and securities held as fixed assets are shown at acquisition cost or, where an other-than-temporary impairment of value occurs, at the appropriate lower values. The capital consolidation of investments in affiliated companies accounted for by the equity method at the time of acquisition is based on the same principles as those of full consolidation. Companies accounted for using the equity method are carried at cost of acquisition, plus the Company's equity in undistributed earnings. Goodwill associated with such investments is amortized over a period of between five and 10 years.

Loans are stated at cost or, in the case of non-interest-bearing loans or loans at below market interest rates, at their present value. Loans are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due. In such circumstances, the Company recognizes an impairment loss based on the estimated fair value of the loan.

Inventories: Inventories are carried at the lower of acquisition or production costs or market values, as appropriate. These lower values are the replacement costs of raw materials and factory supplies and merchandise and, in the case of work in process and finished products, the expected sales proceeds less costs to be incurred prior to sale and an average profit margin or costs of reproduction. Production costs include, in addition to direct costs, an appropriate allocation of production overhead using normal utilization rates of the production plants. Financing costs are not included.

Construction-in-progress relates mainly to plants under construction for third parties. Expected profits are not recognized until the final billing and surrendering of a project; expected losses are recognized by write-downs to the lower attributable values.

Receivables and other assets: Receivables are generally carried at their nominal value; notes receivable and loans generating no or a low-interest income are discounted to their present values. Risks of collectibility and transferability are covered by appropriate valuation allowances.

Securities: Securities held as fixed assets as well as marketable securities are valued individually at cost or at lower quoted or market values.

Deferred tax assets: Deferred tax assets are recorded for taxable temporary differences between the valuation of assets and liabilities in the financial statements of the consolidated companies and the carrying amounts for tax purposes using the tax rates applicable in the individual countries. If expected future earnings of a company make it seem more likely that the tax benefits will not be realized, appropriate valuation allowances are made.

Provisions: Provisions for pensions are based on actuarial computations predominantly according to the projected unit credit method. Similar obligations, especially those arising from promises made by North American group companies to pay the healthcare costs and life insurance premiums of retired staff and their dependents, are included in pension provisions.

Tax provisions are recognized for income taxes and other taxes in the amount necessary to meet the expected payment obligations, less any prepayments that have been made. Provisions for deferred taxes are recognized for a net liability from taxable temporary differences between the valuation of assets and liabilities in the financial statements of the consolidated companies and the carrying amounts for tax purposes, using the tax rates applicable in the individual countries.

Other provisions are recorded for the expected amounts of liabilities and probable losses from pending transactions. Maintenance provisions are established to cover omitted maintenance procedures as of end of the year, expected to be incurred within the first three months of the following year. The amount provided is based on reasonable commercial judgement.

Provisions for environmental expenditures that relate to an existing condition caused by past operations and prescribed by current legal requirements that do not have future economic benefit are recorded.

Provisions for required recultivation associated with oil and gas operations, especially the filling of wells and clearance of oil-fields, or the operation of landfill sites are built up in installments over their expected service lives. In addition, provisions are accrued in installments for regular shutdowns within prescribed intervals of certain large-scale plants as required by technical surveillance authorities.

Provisions for restructuring measures are recorded when a commitment from management exists and a detailed plan has been established. Such provisions include severance payments and other personnel-related costs as well as specific site restructuring costs such as the costs for demolition and closure.

Provisions for long-service and anniversary bonuses are actuarially calculated using an interest rate predominantly of 5.5%. For short-time working programs for those nearing retirement, the present value of promised top-up payments are set aside in full and the wage and salary payments due during the passive phase of agreements are accrued through installments, discounted at an interest rate of 5.5%.

Conversion of foreign currency items: The cost of assets acquired in foreign currencies and revenues from sales in foreign currencies are recorded at current rates on transaction dates. Short-term foreign currency receivables and liabilities are valued at the rate on the balance sheet date. Long-term foreign currency receivables are recorded at the rate prevailing on the acquisition date or at the lower rate on the balance sheet date. Long-term foreign currency liabilities are recorded at the rate prevailing on the acquisition date or at the higher rate on the balance sheet date. Foreign-currency receivables or liabilities that are hedged are carried at hedge rates.

Derivative financial instruments: Profits from currency derivatives which cannot be allocated to a particular underlying transaction are recorded in income upon maturity. Unrealized losses from forward foreign exchange contracts and currency options which cannot be allocated to a particular underlying transaction are recognized currently in earnings and included in provisions.

Translation of foreign currency financial statements: The translation of foreign currency financial statements conforms with Statement of Financial Accounting Standard (SFAS) No. 52, “Foreign Currency Translation.” The local currency is the functional currency of BASF subsidiaries and joint ventures in North America, Japan, Korea, China, Brazil since January 1, 2000, and for oil and gas operations in Argentina. Balance sheet items are translated to euros at year-end rates, expenses and income at quarterly average rates and equity accounts at historical rates. The effects of rate changes are shown as “currency translation adjustment” and reported as a separate component of equity.

Where the euro is the functional currency, non-monetary assets and liabilities carried at historical values as well as paid-in equity are translated using historical rates, monetary assets and liabilities (and any non-monetary assets and liabilities carried at fair value) are translated using the year-end rates. Retained earnings are determined as the remaining balance. Expenses and income are converted at quarterly average rates, except for those items derived from balance sheet items converted at historical rates, which are also translated at historical rates. Foreign exchange gains or losses resulting from the remeasurement process are included in other operating expenses or income.

Earnings per share: The calculation of earnings per share under German GAAP is based on the average number of common shares outstanding during the applicable period and the net income of the period.

Use of estimates in financial statement preparation: The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. In the preparation of these Consolidated Financial Statements, estimates and assumptions have been made by management concerning the selection of useful lives of property, plant and equipment and intangible assets, the measurement of provisions, the carrying value of investments, and other similar evaluations of assets and obligations.

2. Discontinued operations

On December 14, 2000, BASF and Abbott Laboratories of the United States signed a contract on the sale of BASF's pharmaceuticals business.

The pharmaceuticals business is operated by BASF Pharma Holding GmbH, Ludwigshafen, Germany, and its subsidiaries. The transfer of the business, which still requires approval from relevant governmental antitrust authorities, is expected to be completed at the beginning of March 2001. The selling price is $6.9 billion. The pharmaceuticals business was a reportable division within the Health & Nutrition segment and would have to be classified according to U.S. GAAP as a discontinued operation. In the accompanying financial statements the pharmaceuticals business is still included. If the pharmaceuticals business were classified as a discontinued operation, the Consolidated Financial Statements would be impacted as follows:

Income Statement

Million €	**2000**	1999
Sales	**2,526**	2,197
Income from operations	**243**	(13)
Income before taxes	**260**	3
Net income/Income from discontinued operations	**156**	2

An average tax rate of 40.0% was used to calculate the tax due to discontinued operations.

Regions

Sales and income from the pharmaceuticals business were achieved in the following regions with the respective assets:

2000 Million €	**Europe**	**Thereof Germany**	**North America (NAFTA)**	**South America**	**Asia, Pacific Area, Africa**	**Total**
Sales	982	384	1,019	156	369	2,526
Income from operations	(90)	(171)	297	27	9	243
Assets	1,099	749	754	97	278	2,228

1999 Million €	**Europe**	**Thereof Germany**	**North America (NAFTA)**	**South America**	**Asia, Pacific Area, Africa**	**Total**
Sales	929	376	861	134	273	2,197
Income from operations	(302)	(394)	231	28	30	(13)
Assets	846	532	743	68	230	1,887

3. Reconciliation to U.S. GAAP

The Consolidated Financial Statements comply with U.S. GAAP as far as permissible under German GAAP. The remaining differences between German and U.S. GAAP relate to valuation methods that are required under U.S. GAAP but which are not permissible under German GAAP.

The following is a summary of the significant adjustments to net income and stockholders' equity that would be required if U.S. GAAP had been fully applied rather than German GAAP.

Reconciliation of net income to U.S. GAAP

Million €	Note	2000	1999
Net income as reported in the Consolidated Financial Statements of Income under German GAAP		**1,239.8**	1236.8
Additional adjustments to conform with U.S. GAAP			
Capitalization of interest	**(a)**	**53.7**	26,1
Capitalization of software developed for internal use	**(b)**	**51.0**	50.1
Valuation of pension funds	**(c)**	**118.9**	70.9
Valuation of long-term foreign currency items and financial derivatives	**(d)**	**69.4**	(36.0)
Valuation of securities	**(e)**	**.**	(0.7)
U.S. GAAP adjustments relating to companies accounted for under the equity method	**(f)**	**8.3**	8.3
Other adjustments	**(g)**	**(9.0)**	(27.1)
Deferred taxes	**(h)**	**(73.7)**	3.1
Minority interests	**(i)**	**(4.8)**	(6.7)
Net income in accordance with U.S. GAAP (€)		**1,453.6**	**1,324.8**
• *Thereof net income from continuing operations*		***1,302.1***	*1,329.1*
Basic earnings per share in accordance with U.S. GAAP		**2.37**	**2.14**
Income from continuing operations per share (€)		**2.13**	2.15
Diluted earnings per share in accordance with U.S. GAAP (€)		**2.35**	2.12

Earnings per share

The calculation of earnings per common share is based on the weighted-average number of common shares outstanding during the applicable period. The calculation of diluted earnings per common share reflects the effect of all dilutive potential common shares that were outstanding during the respective period. For computing diluted earnings per share, interest expense of €4.9 million (1999: €4.2 million) on convertible bonds net of taxes has been added to net income.

Options related to the BASF stock option program (BOP) for senior management (see Note 25) for which the exercise hurdles were not met or which would have an anti-dilutive effect if exercised, have not included in the computation of diluted earnings per share for 2000.

The determination of shares outstanding is as follows:

	2000	1999
Weighted average shares outstanding	**612,806,123**	618,073,268
Weighted common stock equivalents	**8,774,899**	9,088,490
Weighted average shares outstanding adjusted for dilutive securities	**621,581,022**	627,161,758

Reconciliation of stockholders' equity to U.S. GAAP

Million €	Note	2000	1999
Stockholders' equity as reported in the Consolidated Balance Sheets under German GAAP		**14,294.8**	14,145.2
Minority interests		**(481.3)**	(329.3)
Stockholders' equity excluding minority interests		**13,813.5**	13,815.9
Additional adjustments required to conform with U.S. GAAP			
Capitalization of interest	**(a)**	**517.9**	476.4
Capitalization of software developed for internal use	**(b)**	**101.1**	50.1
Valuation of pension funds	**(c)**	**795.1**	700.2
Valuation of long-term foreign currency items and financial derivatives	**(d)**	**102.7**	33.3
Valuation of securities	**(e)**	**254.3**	95.9
U.S. GAAP adjustments relating to companies accounted for under the equity method	**(f)**	**156.3**	115.3
Other adjustments	**(g)**	**69.2**	30.6
Deferred taxes	**(h)**	**(557.4)**	(546.4)
Minority interests	**(i)**	**(23.8)**	(18.5)
Stockholders' equity in accordance with U.S. GAAP		**15,228.9**	**14,752.8**

(a) Capitalization of interest

For U.S. GAAP purposes, the Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the asset. The capitalization of interest relating to capital projects is not permissible under German GAAP.

In calculating capitalized interest, the Company has made assumptions with respect to the capitalization rate and the average amount of accumulated expenditures. The Company's subsidiaries generally use the entity specific weighted average borrowing rate as the capitalization rate.

(b) Capitalization of software developed for internal use

Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," provides guidance with respect to accounting for the various types of costs incurred for computer software developed or obtained for the Company's internal use. The Company adopted SOP 98-1 as of January 1, 1999 resulting in the subsequent capitalization and depreciation of certain costs, which have been expensed under German GAAP.

(c) Valuation of pension funds

Pension benefits under company pension schemes are partly funded in a legally independent fund "BASF Pensionskasse VVaG" ("BASF Pensionskasse"), which is managed similar to a defined contribution plan and is subject to the German Private Insurance Companies Control Act (VAG).

BASF guarantees the commitments of the BASF Pensionskasse. For U.S. GAAP purposes, BASF Pensionskasse would be classified as a defined benefit plan. The valuation of the pension obligations under the projected unit credit method and of the fund assets of BASF Pensionskasse at market values would result in a prepaid pension asset according to U.S. GAAP that is not recorded in the Consolidated Financial Statements under German GAAP. These revaluations result in showing of advance financing of future pension payments, which could not be shown in the present financial statements in accordance with German GAAP.

The effect of this reconciling item on the Company's net income is to record less pension expense under U.S. GAAP as the actuarially calculated net periodic pension cost is less than the pension contributions charged to income under German GAAP.

Information about the funded status of the BASF Pensionskasse is provided in the following table:

Million €	**2000**	1999
Plan assets as of December 31	**4,137.3**	4,280.5
Projected benefit obligation as of December 31	**3,213.4**	3,205.9
Funded status	**923.9**	1,074.6
Unrecognized actuarial gains	**(327.2)**	(545.5)
Prepaid pension asset	**596.7**	529.1

The valuation of certain pension plans of foreign subsidiaries, according to SFAS No. 87 also resulted in prepaid pension assets (Note 21), included in the reconciliation to U.S. GAAP. After consideration of unrecognized actuarial gains and losses, €198.4 million in 2000 and €171.1 million in 1999 were included in the reconciliation to U.S. GAAP.

(d) Valuation of long-term foreign currency items and financial derivatives

Long-term receivables and liabilities denominated in a foreign currency are converted into euros at the exchange rates of the date when the transactions took place or the lower exchange rates at the end of the year for receivables, and the higher exchange rates for liabilities. U.S. GAAP requires the conversion of such items into the reporting currency at the exchange rates in effect at the end of the year.

A provision of €48.6 million was recorded for the overvaluation of the Brazilian real as of December 31, 1998. Since the expected exchange losses from U.S.-dollar-denominated liabilities of the Company's Brazilian subsidiary became effective only in the first quarter of 1999, after the real was allowed to float against other currencies, the exchange loss would have been charged to 1999 net income under U.S. GAAP.

Under German GAAP, unrealized gains on swap contracts are deferred until settlement or termination while unrealized losses are recognized as of each period end. Under U.S. GAAP, these contracts are marked to market. The amounts included in the reconciliation of net income were €44.6 million in 2000 and €12.4 million in 1999, and in the reconciliation of shareholders' equity €50.0 million in 2000 and €22.6 million in 1999.

(e) Valuation of securities

Under U.S. GAAP, available-for-sale securities are recorded at market values on the balance sheet date. The effect of the change in valuation is immediately recognized in shareholders' equity. Realized profits and losses are credited or charged to income, as are other than temporary impairments of value. The major part of securities and other investments are considered to be available-for-sale. Under German GAAP, such securities and other investments are valued at the lower of acquisition costs or market value at the balance sheet date.

(f) U.S. GAAP adjustments relating to companies accounted for under the equity method

For purposes of the reconciliation to U.S. GAAP, the earnings of companies accounted for using the equity method have been determined using valuation principles prescribed by U.S. GAAP.

(g) Other adjustments

This caption includes the reversal of maintenance provisions, the reclassification of the provision for stock compensation, and other items. German GAAP requires companies to accrue for omitted maintenance procedures as of the end of the year, expected to be incurred within the first three months of the following year. The amounts included in the reconciliation of net income related to the maintenance provision were €(1.4) million in 2000 and €2.8 million in 1999, and in the reconciliation of shareholders' equity were €32.9 million in 2000 and €34.3 million in 1999. For purposes of reconciliation to U.S. GAAP, the recording of stock compensation expense results in a credit to stockholders' equity rather than a balance sheet provision.

(h) Deferred taxes

Adjustments required to conform with U.S. GAAP relate to taxable temporary differences between the valuation of assets and liabilities in the Consolidated Financial Statements and the carrying amount of tax purposes. Resulting adjustments for deferred taxes primarily relate to the aforementioned U.S. GAAP reconciling items. Furthermore, German GAAP does not allow companies to recognize deferred tax assets on tax loss carryforwards. Such deferred tax assets of €75.6 million (1999: €162.7 million) have been included in the reconciliation to U.S. GAAP. This amount includes also deferred tax liabilities due to currency translation adjustments.

(i) Minority interests

The share of minority shareholders in the aforementioned reconciliation items to U.S. GAAP of net income and stockholders' equity are reported separately.

Consolidation of majority-owned subsidiaries

U.S. GAAP requires the consolidation of majority-owned subsidiaries. Under German GAAP, the Company does not consolidate certain subsidiaries because their combined effect on financial position, results of operations and cash flows is not material. The effect of non-consolidated subsidiaries for 2000 and 1999, on total assets, total liabilities, shareholders' equity, net sales and net income was less than 3 %.

New U.S. GAAP accounting standards not yet adopted

In June 1999, the Financial Accounting Standards Board (FASB) issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" which defers the effective date of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133, "Accounting for Derivative Instruments and Hedging activities," (SFAS No. 133), require that all derivative financial instruments be reflected on the balance sheet at fair value, with changes in fair value recognized periodically in earnings or as a component of other comprehensive income, depending on the nature of the underlying item being hedged. The Company has prepared for the adoption of this statement in its Consolidated Financial Statements for the fiscal year 2001.

Reporting of comprehensive income

Comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income," includes the impact of revenues, gains, expenses and losses that under U.S. GAAP are not included in net income.

Comprehensive income

Million €	2000	1999
Net income in accordance with U.S. GAAP	**1,453.6**	**1,324.8**
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	**113.2**	529.8
Unrealized holding gains on securities	**158.3**	8.0
Deferred taxes	**89.8**	(171.1)
Other comprehensive income (loss), net of tax	**361.3**	**366.7**
Comprehensive income, net of tax	**1,814.9**	**1,691.5**

Statement of stockholder's equity

Million €	2000	1999
Stockholders' equity according to U.S. GAAP before accumulated other comprehensive income	**14,401.3**	14,286.5
Accumulated other comprehensive income:		
Foreign currency translation adjustments	**682.4**	569.2
Unrealized holding gains on securities	**255.1**	96.8
Deferred taxes	**(109.9)**	(199.7)
Accumulated other comprehensive income	**827.6**	**466.3**
Total stockholders' equity according to U.S. GAAP including comprehensive income	**15,228,9**	**14,752.8**

4. Segment reporting

The Company is a worldwide manufacturer and supplier of more than 8,000 products. The Company offers a wide range of products, including high-value chemicals, plastics, dyestuffs, pigments, dispersions, automotive and industrial coatings, agricultural products, fine chemicals, crude oil and natural gas.

The Company conducts its worldwide operations through 15 operating divisions, which have been aggregated into five reportable operating segments based on the nature of the products and production processes, on the type of customers, on the channels of distribution and on the nature of the regulatory environment.

The Agricultural Products, Fine Chemicals and Pharmaceuticals divisions are included in the business segment Heath & Nutrition. The pharmaceutical business will be divested to Abbott Laboratories (see Note 2) and therefore would be classified as a discontinued operation under U.S. GAAP. BASF retains the pharmaceutical active ingredients business, which was integrated into the Fine Chemicals division as of July 1, 2000. For Pharmaceuticals and Fine Chemicals prior year amounts have been restated.

The operating divisions of the Chemicals segment have been reorganized in mid-2000. The new operating division Petrochemicals now includes all cracker products, to better portray the Verbund approach to integration. The new operating division Inorganics includes, inorganic chemicals and catalysts as well as glues and impregnating resins that were previously part of the former operating division Industrial Chemicals. The Technical Nitrogen strategic business unit was reclassified to the Chemicals segment and the Ammonium Sulfate strategic business unit was reclassified to the Plastics & Fibers segment. These parts of the former operating division Fertilizers had previously been shown under “Other.” The prior year amounts have been restated.

The polyolefins business was included in the figures of the Plastics & Fibers segment until September 30, 2000.

The textile dye business was included in the figures of the Colorants & Finishing Products segment and the Colorants division, respectively, until September 30, 2000.

The Fertilizers operating division was dissolved in 2000. At the end of 1999, BASF sold its COMPO® business in specialty fertilizers for the home and garden to K+S Aktiengesellschaft of Kassel, Germany, which also took over the marketing and sales of agricultural fertilizers manufactured by the Company. As a result, the Company included the sales, earnings and assets of the Fertilizers division in “Other” for 1999 and prior years.

Transfers between the operating segments are generally valued at market-based prices and the revenues generated by these transfers are shown in the table below as “Intersegmental transfers.”

The income from operations recorded as “Other” includes mainly costs of exploratory research of €168 million in 2000 (1999: €124 million).

Segments

2000	Chemicals	Plastics & Fibers	Colorants & Finishing Products	Health & Nutrition				Oil & Gas	Other	Total
				Subtotal	Thereof					
Million €					Agricultural Products	Fine Chemicals	Pharmaceuticals			
Net sales	5,789	11,030	7,109	6,717	2,428	1,763	2,526	3,957	1,344	35,946
Change in %	30.9	27.8	11.2	19.9	39.1	6.2	15.0	29.7	(2.2)	22.0
Intersegmental transfers	2,363	490	265	83	34	44	36	320	265	3,786
Sales including intersegmental transfers	**8,152**	**11,520**	**7,374**	**6,800**	**2,462**	**1,807**	**2,562**	**4,277**	**1,609**	**39,732**
Income from operations	713	889	522	(201)	(443)	(1)	243	1,310	(163)	3,070
Change in %	(3.3)	38.0	(14.1)	65.8	.	.	.	76.8	(22.6)	52.8
Assets	4,999	6,009	5,576	10,203	6,607	1,368	2,228	3,540	8,230	38,557
Return on operational assets in %	15.6	13.8	10.5	.	.	.	11.8	40.0	.	10.8
Research and development expenses	147	167	168	821	275	78	468	50	173	1,526
Additions to tangible and intangible fixed assets	880	599	1,260	3,464	3,260	83	121	267	461	6,931
Depreciation of tangible and intangible fixed assets	549	675	477	845	412	159	274	272	98	2,916

1999	Chemicals	Plastics & Fibers	Colorants & Finishing Products	Health & Nutrition				Oil & Gas	Other	Total
				Subtotal	Thereof					
Million €					Agricultural Products	Fine Chemicals	Pharmaceuticals			
Net sales	4,423	8,628	6,395	5,602	1,745	1,660	2,197	3,051	1,374	29,473
Change in %	2.9	12.6	3.3	9.9	(0.3)	10.8	18.8	13.6	(19.6)	6.6
Intersegmental transfers	1,882	378	259	86	36	53	34	177	224	3,007
Sales including intersegmental transfers	**6,305**	**9,006**	**6,654**	**5,688**	**1,781**	**1,713**	**2,231**	**3,228**	**1,598**	**32,480**
Income from operations	737	644	608	−588	195	(770)	(13)	741	(133)	2,009
Change in %	(23.3)	18.2	(5.3)	.	(3.9)	.	(122.0)	168.5		(23.4)
Assets	4,112	6,843	4,343	5,174	1,949	1,338	1,887	3,003	6,534	30,009
Return on operational assets in %	19.4	10.9	14.6	.	10.6	(55.2)	(0.7)	26.3		8.6
Research and development expenses	149	180	160	664	190	77	397	47	133	1,333
Additions to tangible and intangible fixed assets	765	998	324	281	93	87	101	524	361	3,253
Depreciation of tangible and intangible fixed assets	486	596	423	784	175	353	256	281	92	2,662

Regions

2000 Million €	Europe	Thereof Germany	North America (NAFTA)	South America	Asia, Pacific Area, Africa	Total
Location of customers						
Sales	20,103	7,897	8,419	2,500	4,924	35,946
Change in %	18.3	13.9	24.3	35.7	27.5	22.0
Share in %	56	22	23	7	14	100
Location of companies						
Sales	22,203	14,457	8,441	2,127	3,175	35,946
Sales including interregional transfers	24,444	–	8,929	2,232	3,532	39,137
Income from operations	2,540	1,803	99	233	198	3,070
Additions to tangible and intangible						
fixed assets	2,674	1,298	3,294	431	532	6,931
Assets	20,612	13,836	11,364	2,479	4,102	38,557

1999 Million €	Europe	Thereof Germany	North America (NAFTA)	South America	Asia, Pacific Area, Africa	Total
Location of customers						
Sales	16,996	6,934	6,773	1,842	3,862	29,473
Change in %	1.9	(1.1)	8.4	12.3	25.3	6.6
Share in %	58	24	23	6	13	100
Location of companies						
Sales	19,119	12,718	6,783	1,484	2,087	29,473
Sales including interregional transfers	20,853	–	7,156	1,556	2,329	31,894
Income from operations	1,258	542	481	126	144	2,009
Additions to tangible and intangible						
fixed assets	1,950	1,595	1,105	83	115	3,253
Assets	18,744	12,959	7,062	1,438	2,765	30,009

5. Other operating income

Million €	2000	1999
Release of provisions	**239.5**	142.1
Income from miscellaneous revenue-generating activities	**128.4**	74.8
Gains from foreign currency transactions and conversion	**499.5**	323.8
Gains from disposal of assets	**251.3**	266.9
Other	**296.6**	170.6
Total	**1,415.3**	978.2

Releases of provisions relate principally to obligations to personnel, the environmental protection and remediation provision, sales and purchase provisions, litigations and claims provision, shutdown and restructuring provision, maintenance provision and the reserve for income tax audit liabilities.

Releases of provisions arise because present circumstances indicate that they are no longer probable and estimable or that the probable amount has been reduced.

Income from miscellaneous revenue-generating activities primarily represents revenues from energy sales, sales of raw materials and income from rentals.

Gains from the disposal of assets in 2000 primarily includes the sale of the Novolen® polypropylene technology of Targor GmbH and the Kraton® polymer business of Elenac GmbH. Gains from the disposal of assets which arose in 1999 related primarily to the sale of the Company's COMPO® business in specialty fertilizers and the marketing and sales of the Company's agricultural fertilizers operations; the sale of the Company's oil refining business, including a refinery in Lingen, Germany, and the divestiture of the Canadian oil and gas production activities of the Oil & Gas segment.

Other includes income from management and marketing services, income from divestitures other than the disposal of fixed assets and various other items.

6. Other operating expenses

Million €	2000	1999
Integration measures, reorganization and shutdowns	**792.7**	248.6
Environmental protection and safety measures, costs of demolition of fixed assets and costs related to the preparation of capital expenditure projects	**271.2**	263.2
Losses from foreign currency transactions and conversion	**650.2**	287.1
Costs from miscellaneous revenue-generating activities	**116.6**	65.3
Goodwill amortization	**353.2**	260.3
Losses from disposal of assets	**68.6**	30.0
Other	**699.4**	1,606.5
Total	**2,951.9**	2,761.0

Integration measures, reorganization and shutdowns in 2000 are related to the integration of the crop protection business of American Home Products Corporation. They comprise severance payments resulting from workforce reductions, write-off of research in progress included in goodwill and the additional charges from the inventory-step up from the purchase price allocation. Total charges amount to €344.2 million. Further expenses were related to the restructuring of the Pharmaceuticals division.

In 1999, charges included current expenses of €123.1 million for temporarily unutilized production plants. Additional charges related to the permanent shutdown of the following sites: the Company's multi-division site in Medellin, Colombia; the Colorants division's site in Ellesmere Port, United Kingdom; the pharmaceutical production site in Beeston, United Kingdom; and the fertilizer production site in Ostend, Belgium.

Costs from miscellaneous revenue-generating activities represents costs related to other miscellaneous revenue-generating activities as shown in Note 5.

Other is comprised of several items including valuation allowances on doubtful accounts, liquidation of inventories and various other items.

In 2000 and 1999, expenses for litigations and claims were included which relate primarily to sanctions and compensation payments associated with the vitamins antitrust proceedings in the United States and various other countries along with payments resulting from lawsuits involving the drug Synthroid®.

7. Financial result

Million €	2000	1999
Income from participating interests and similar income	**66.6**	731.2
• *Thereof from affiliated companies*	***18.7***	*16.8*
Income from profit transfer agreements	**14.0**	6.1
Losses from loss transfer agreements	**(15.7)**	(11.3)
(Losses)/income from companies accounted for under the equity method	**(95.9)**	1.4
Net income from financial assets	**(31.0)**	**727.4**
Write-down of, and losses from, retirement of financial assets as well as securities held as current assets	**(6.8)**	**(22.2)**
Income from other securities and financial assets	**106.5**	64.6
• *Thereof from affiliated companies*	***1.1***	*14.0*
Other interest, income from sale of marketable securities and similar income	**256.2**	123.0
• *Thereof from affiliated companies*	***21.6***	*4.7*
Interest and similar expenses	**(567.2)**	(296.0)
• *Thereof to affiliated companies*	***9.0***	*5.0*
Interest result	**(204.5)**	**(108.4)**
Financial result	**(242.3)**	**596.8**

In 1999, income from participating interests and similar income included a gain from the sale of BASF's interests in the IVAX Corporation and Aral AG, which was sold to Veba Oel AG.

Amortization of goodwill of companies accounted for under the equity method totaling €24.5 million (1999: €21 million) as well as income from the release of negative goodwill are included in income from companies accounted for under the equity method in 2000 and 1999.

Interest income includes gains from the sale of securities and swaps of €129 million in 2000.

According to German GAAP, the capitalization of interest relating to capital projects is not permissible and is therefore shown only in the reconciliation of stockholders' equity and net income to U.S. GAAP as a reconciling item.

8. Income taxes

Million €	2000	1999
German corporation tax	**477.0**	591.3
German trade income tax	**143.8**	178.1
Foreign income tax	**467.2**	460.4
Income taxes on oil-producing operations non-compensable with German corporation tax	**462.2**	165.0
Refunds/loss carry back	**(77.5)**	(14.1)
Current taxes	**1,472.7**	**1,380.7**
Deferred taxes	**72.3**	(19.9)
Income taxes	**1,545.0**	**1,360.8**
Other taxes	**168.8**	149.3
Tax expense	**1,713.8**	**1,510.1**

Other taxes primarily include real estate taxes and other comparable taxes; they are shown under the appropriate expense items of the income statement.

The regional breakdown of income before taxes was as follows:

Million €	2000	1999
Germany	**1,736.4**	1,211.5
Foreign	**1,091.0**	1,394.0
Total	**2,827.4**	2,605.5

Retained corporate income in Germany was subject to a corporation tax of 40% in 2000 and 1999. Additionally, a solidarity surcharge of 5.5% is levied on the German federal corporation tax.

Upon distribution of a dividend the statutory tax rate is reduced to 30% through a release of the income tax provision on current years income or by a refund of taxes previously paid in excess of 30% on income.

For fiscal years beginning before January 1, 2001, an imputation system is applicable. Upon distribution of a dividend, shareholders resident in Germany are entitled to a tax credit in the amount of the 30% German federal corporation taxes paid by the company.

In 2001, a German federal corporation tax of 25% will be levied on corporate income. This tax charge is final, because the imputation system will be terminated.

German trade income tax, which varies depending on the municipalities where the industrial undertakings take place, is levied at a weighted average rate of 16%. This tax can be deducted from the German federal corporation tax.

Income of foreign sources is taxed at the income tax rates applicable in the respective countries of domicile.

Deferred tax assets and liabilities are calculated using the tax rate applicable in the individual foreign countries. Such rates averaged 28% in 2000 and 36% in 1999. For German companies, the provision was based on a tax rate of 38% in 2000 and 52% in 1999. The reduction of German federal corporation tax resulted in a €132 million charge in 2000. Income from foreign sources which is distributed in the form of a dividend to the parent company is generally exempt from additional German corporation taxes through double taxation treaties. Income taxes on oil-producing operations in certain regions, which can amount to up to 85%, may be compensated up to an equivalent level with German corporation tax. The non-compensable amount is shown separately in the reconciliation from the statutory tax rate in Germany to the effective tax rate:

	2000		1999	
Million €		%		%
German corporation tax	**1,131.0**	40.0	**1,042.2**	40.0
Credit for dividend distribution	**(260.3)**	(9.2)	**(150.4)**	(5.8)
German trade income tax under consideration of deductibility from the basis for calculating corporation tax	**86.3**	3.1	**106.9**	4.1
Solidarity surcharge	**37.4**	1.3	**38.0**	1.5
Foreign tax-rate differential	**(82.1)**	(2.9)	**(104.4)**	(4.0)
Non-taxable income	**(72.3)**	(2.6)	**(65.0)**	(2.5)
Non-deductible expenses, including amortization of goodwill	**237.6**	8.4	**328.7**	12.6
Income from companies accounted for under the equity method	**38.4**	1.4	**(0.6)**	–
Utilization of tax-loss carryforwards and refund of taxes	**(143.4)**	(5.1)	**(20.4)**	(0.8)
Income taxes on oil-producing operations noncompensable with German corporation tax	**462.2**	16.3	**165.0**	6.3
Other	**110.2**	3.9	**20.8**	0.8
Income taxes/effective tax rate	**1,545.0**	54.6	**1,360.8**	52.2

Deferred tax assets and liabilities resulting from taxable temporary differencies between valuation in the Consolidated Financial Statements and valuation of tax purposes are summarized as follows.

Deferred tax assets

Million €	2000	1999
Intangible assets	**103.0**	225.3
Property, plant and equipment	**(316.9)**	(164.3)
Financial assets	**(0.2)**	(67.0)
Inventories and accounts receivable	**37.7**	160.3
Provisions for pensions and similar obligations	**375.3**	507.6
Other provisions	**563.2**	550.9
Other	**508.4**	12.6
Total	**1,270.5**	**1,225.4**
• *Thereof short-term*	***463.8***	*390.6*

Deferred tax liabilities

Million €	2000	1999
Property, plant and equipment	**244.3**	164.0
Other	**125.1**	68.0
Total	**369.4**	**232.0**
• *Thereof short-term*	***105.7***	*110.4*

Deferred tax liabilities are included in "provisions for taxes" in the Consolidated Balance Sheets.

Reconciliation of deferred tax assets/liabilities to U.S. GAAP

Under U.S. GAAP, deferred tax liabilities would increase, or deferred tax assets decrease, by €633.1 million in 2000 (1999: €709.1 million) due to adjustment of the following balance sheet items as shown in the reconciliation to U.S. GAAP as shown in Note 3:

Million €	2000	1999
Property, plant and equipment	**192.8**	202.4
Financial assets and marketable securities	**141.6**	106.1
Prepaid pension expense	**292.2**	331.4
Other	**6.5**	69.2
Total	**633.1**	709.1

According to U.S. GAAP deferred tax assets would increase due to the following tax-loss carryforwards by €75.6 million in 2000 (net of a valuation allowance of €16.3 million) and €162.7 million in 1999 (net of valuation allowance of €8.9 million). These deferred tax assets relate to the following tax-loss carryforwards.

Million €	2000	1999
Tax-loss carryforwards of German subsidiaries:		
• Corporation tax	**82.3**	185.2
• Trade income tax	**16.6**	18.8
Tax-loss carryforwards of foreign subsidiaries	**228.3**	266.0

Under U.S. GAAP, valuation allowances are established if, based on the weight of evidence, it is more likely than not that deferred tax assets will not be realized through the future taxable income of the respective subsidiaries and affiliated companies.

German tax losses may generally be carried forward indefinitely.

Foreign tax-loss carryforwards have varying expiration periods and are subject to limitations with regard to offsetting against future taxable incomes. Deferred tax liabilities have not been provided for withholding taxes or additional corporate income taxes due in Germany in the absence of double taxation treaties for unremitted earnings of foreign subsidiaries.

9. Minority interests

Million €	2000	1999
Minority interests in profits	**76.3**	43.2
Minority interests in losses	**33.7**	35.3
	42.6	7.9

Minority interests in profits relate to the subsidiaries engaged in the sale and distribution of natural gas as well as Knoll Pharmaceuticals Ltd., India, and Yangzi-BASF Styrenics Company Ltd., China. Minority interests in losses relate mainly to BASF Petronas Chemicals Sdn. Bhd., Malaysia.

See Note 20 for a detailed analysis of consolidated subsidiaries with minority shareholdings.

10. Other information

Personnel costs

Million €	2000	1999
Wages and salaries	5,306.8	4,934.7
Social security contributions and expenses for pensions and assistance	1,288.7	1,244.8
• *Thereof for pensions*	*401.0*	*388.7*
Total	6,595.5	6,179.5

The short-time contracts for German employees nearing retirement led to a reduction of pension liabilities because payments associated with the period between retirement and entry into the government pension program are no longer an obligation of the company.

German group companies incurred costs for employees' representatives to comply with statutory regulations of €10.4 million in 2000 and €10.1 million in 1999.

Average number of employees

	Fully consolidated companies		Proportionally consolidated companies	
BASF Group	2000	1999	2000	1999
Europe	70,770	73,957	2,592	3,456
• *Thereof Germany*	*55,546*	*58,083*	*2,178*	*2,962*
North America (NAFTA)	16,546	15,668	734	744
South America	7,002	6,902	–	–
Asia, Pacific Area, Africa	9,773	8,453	60	166
Total	**104,091**	**104,980**	**3,386**	**4,366**
• *Thereof with trainee contracts*	*3,066*	*3,208*	*110*	*150*
• *Thereof with limited-term contracts*	*3,113*	*3,198*	*59*	*72*

The above number of employees of proportionally consolidated companies are given in full; if they are taken into account at 50%, the average number of personnel for the Company is 105,784 in 2000 and 107,163 in 1999.

Information relating to the Board of Executive Directors and Supervisory Board of BASF Aktiengesellschaft

Million €	2000	1999
Supervisory Board emoluments	2.0	1.6
Board of Executive Directors emoluments	8.5	9.2
Pension for former members of the Board of Executive Directors and their surviving dependents	5.9	5.7
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	56.8	50.2
Loans to the Board of Executive Directors and the Supervisory Board	–	–
Contingent liabilities for the benefit of the Board of Executive Directors and the Supervisory Board	–	–

The members of the Board of Executive Directors were granted 126,228 option rights in 2000 and 166,616 option rights in 1999 under the BASF stock option program (BOP). These option rights entitle such directors to purchase, if certain objectives are achieved, a maximum of 252,456 shares from the option right of 2000 and 333,232 shares from the option right of 1999 at a preferential price. Personnel costs related to the issuance of these options totaled €2.1 million in 2000 and €0.9 million in 1999. The personnel costs of €2.1 million in 2000 include €1.4 million due to the expenses accrued over three years resulting from the option rights granted in 1999. See Note 25 for further information.

The members of the Board of Executive Directors and the Supervisory Board as well as their memberships on other supervisory boards are shown on pages 104–105.

Additional information on statements of cash flows

Cash generated from operating activities was derived after interest payments of €472.2 million in 2000 and €237.5 million in 1999. Income taxes paid totaled €839.0 million in 2000 and €592.7 million in 1999.

Cash generated from operating activities was increased by €779.5 million in 2000 and €298.3 million in 1999 from the sale of accounts receivable.

11. Intangible assets

Developments in 2000 Million €	Patents, licenses, trademarks and similar rights*	Goodwill	Advance payments	**Total**
Acquisition costs				
Balance as of January 1, 2000	2,589.9	1,357.7	7.8	**3,955.4**
Change in scope of consolidation	(8.4)	25.7	(0.1)	**17.2**
Additions	840.9	2,434.5	24.8	**3,300.2**
Disposals	212.5	105.5	1.8	**319.8**
Transfers, including exchange rate changes	37.6	(293.3)	(2.9)	**(258,6)**
Balance as of December 31, 2000	3247.5	3,419.1	27.8	**6,694.4**
Accumulated amortization				
Balance as of January 1, 2000	1,199.3	608.0	1.3	**1,808.6**
Change in scope of consolidation	(2.9)	0.8	–	**(2.1)**
Additions	317.5	353.2	0.2	**670.9**
Disposals	165.7	104.3	0.2	**270.2**
Write-backs	1.0	–	–	**1.0**
Transfers, including exchange rate changes	17.2	(67.2)	–	**(50.0)**
Balance as of December 31, 2000	1,364.4	790.5	1.3	**2,156.2**
Net book value as of December 31, 2000	**1,883.1**	**2,628.6**	**26.5**	**4,538.2**

* Including licenses in such rights and values

Developments in 1999 Million €	Patents, licenses, trademarks and similar rights*	Goodwill	Advance payments	**Total**
Acquisition costs				
Balance as of January 1, 1999	2,249.5	838.2	7.4	**3,095.1**
Change in scope of consolidation	72.8	139.9	0.4	**213.1**
Additions	218.3	265.7	5.5	**489.5**
Disposals	81.0	12.0	1.3	**94.3**
Transfers, including exchange rate changes	130.3	125.9	(4.2)	**252.0**
Balance as of December 31, 1999	2,589.9	1,357.7	7.8	**3,955.4**
Accumulated amortization				
Balance as of January 1, 1999	842.9	286.2	1.1	**1,130.2**
Change in scope of consolidation				
Additions	9.5	52.4	–	**61.9**
Disposals	383.5	260.3	0.2	**644.0**
Write-backs	72.2	12.7	–	**84.9**
Transfers, including exchange	1.1	–	–	**1.1**
rate changes	36.7	21.8	–	**58.5**
Balance as of December 31, 1999	1,199.3	608.0	1.3	**1,808.6**
Net book value as of December 31, 1999	**1,390.6**	**749.7**	**6.5**	**2,146.8**

* Including licenses in such rights and values

Additions in 2000 primarily included the acquisition of the crop protection business of American Home Products Corporation, thereof goodwill of €1,929.4 million and product and other rights of €498.5 million as well as goodwill and supply rights of the superabsorbents business Chemdal acquired from Amcol International Corp. and the goodwill from the coil coatings business acquired from Rohm and Haas Co.

Disposals and transfers in 2000 result primarily from deconsolidation of Targor and Elenac due to their contribution to the joint venture Basell N. V., accounted for using the equity method.

Write-downs were made in 2000 for the portion of goodwill from the acquisition of American Home Products Corporation's crop protection business related to research in process (€87.5 million).

Changes in the scope of consolidation in 1999 are related primarily to concessions of Wintershall Energía S. A. of Argentina and goodwills of first-time consolidated subsidiaries in the Pharmaceuticals division. Additions included the acquisition of rights to purchase propylene oxide from Lyondell Chemical Company of Houston, Texas, and the acquisition of the remaining 50% ownership stake in Targor from Hoechst/Celanese.

Unscheduled write-downs in 1999 were made for expected long-term value impairments of €161.1 million on intangible assets. The most significant charge was recorded for the impairment of know-how, goodwill and other intangible assets related to the lysine business of the Fine Chemicals division.

12. Property, plant and equipment

Developments in 2000 Million €	Land, land rights and buildings*	Machinery and technical equipment	Miscellaneous equipment and fixtures	Advance payments and construction	**Total**
Acquisition costs					
Balance as of January 1, 2000	6,704.7	25,952.7	3,326.0	2,276.9	**38,260.3**
Change in scope of consolidation	54.1	(39.5)	5.7	316.3	**336.6**
Additions	226.5	922.5	230.1	2,251.5	**3,630.6**
Disposals	292.1	615.8	336.4	10.4	**1254.7**
Transfers, including exchange rate changes	43.7	468.1	216.4	(2,105.5)	**(1,377.3)**
Balance as of December 31, 2000	6,736.9	26,688.0	3,441.8	2,728.8	**39,595.5**
Accumulated depreciation	3,839.4	19,333.2	2,668.7	2.7	**25,844.0**
Balance as of January 1, 2000					
Change in scope of consolidation	1.8	(29.4)	1.9	–	**(25.7)**
Additions	245.9	1,665.4	333.0	1.0	**2,245.3**
Disposals	165.9	534.2	326.1	0.4	**1,026.6**
Write-backs	–	0.8	–	–	**0.8**
Transfers, including exchange rate changes	(92.3)	(998.8)	10.4	(0.6)	**(1,081.3)**
Balance as of December 31, 2000	3,828.9	19,435.4	2,687.9	2.7	**25,954.9)**
Net book value as of December 31, 2000	**2,908.0**	**7,252.6**	**753.9**	**2,726.1**	**13,640.6**

* Including construction on non-BASF properties

Developments in 1999 Million €	Land, land rights and buildings*	Machinery and technical equipment	Miscellaneous equipment and fixtures	Advance payments and construction	**Total**
Acquisition costs					
Balance as of January 1, 1999	6,216.9	23,931.1	3,120.9	1,681.5	**34,950.4**
Change in scope of consolidation	46.1	529.4	31.7	229.1	**836.3**
Additions	76.5	701.4	157.1	1,828.6	**2,763.6**
Disposals	158.0	1,344.3	283.9	11.4	**1,797.6**
Transfers, including exchange rate changes	523.2	2,135.1	300.2	(1,450.9)	**1,507.6**
Balance as of December 31, 1999	6,704.7	25,952.7	3,326.0	2,276.9	**38,260.3**
Accumulated depreciation					
Balance as of January 1, 1999	3,588.8	18,117.4	2,489.2	0.6	**24,196.0**
Change in scope of consolidation	13.7	419.1	21.0	–	**453.8**
Additions	207.9	1,495.8	311.8	2.7	**2,018.2**
Disposals	110.5	1,214.3	265.8		**1,590.6**
Write-backs	0.6	3.8	–	–	**4.4**
Transfers, including exchange rate changes	140.1	519.0	112.5	(0.6)	**771.0**
Balance as of December 31, 1999	3,839.4	19,333.2	2,668.7	2.7	**25,844.0**
Net book value as of December 31, 1999	**2,865.3**	**6.619.5**	**657.3**	**2,274.2**	**12,416.3**

* Including construction on non-BASF properties

Impairment losses of €27.1 million were recorded in 2000 for non-operating land and buildings of Hokuriku Seiyaku Ltd., Japan, due to a major decrease of market values.

In 1999, impairment losses of €46.1 million related to production sites in Medellin, Colombia; Ellesmere Port, United Kingdom; Freeport, United States; and Yokkaichi, Japan because of excess production capacity and insufficient demand for certain products. Future undiscounted cash flows associated with the production sites were insufficient to recover their carrying value. Such assets were written down to their discounted cash flows, using appropriate discount rates.

13. Financial assets

Developments in 2000 Participations and securities held as fixed assets Million €	Shares in affiliated companies	Shares in associated companies	Shares in participating interests	Securities held as fixed assets	Participations and securities held as fixed assets (Subtotal)
Acquisition costs					
Balance as of January 1, 2000	910.8	151.0	192.9	31.2	1285.9
Change in scope of consolidation	(252.6)	(6.8)	–	–	(259.4)
Additions	128.3	1289.3	10.4	8.9	1,436.9
Disposals	0.8	31.8	–	8.2	40.8
Transfers, including exchange rate changes	(107.3)	725.7	17.4	7.4	643.2
Balance as of December 31, 2000	678.4	2127.4	220.7	39.3	3,065.8
Accumulated depreciation					
Balance as of January 1, 2000	13.6	17.6	12.0	2.1	45.3
Change in scope of consolidation	(1.2)	23.0	–	–	21.8
Additions	3.2	–	0.3	0.8	4.3
Disposals	0.5	16.7	–	1.2	18.4
Write-backs	–	–	–	–	–
Transfers, including exchange rate changes	5.6	(22.9)	(10.9)	–	(28.2)
Balance as of December 31, 2000	20.7	1.0	1.4	1.7	24.8
Net book value as of December 31, 2000	**657.7**	**2126.4**	**219.3**	**37.6**	**3,041.0**

Developments in 2000 Loans and other investments Million €	Loans to affiliated companies	Loans to associated companies and participating interests	Other loans and investments	Loans and other investments	Total financial
Acquisition costs					
Balance as of January 1, 2000	22.7	85.2	162.7	270.6	1556.5
Change in scope of consolidation	0.8	49.9	–	50.7	(208.7)
Additions	14.8	228.6	25.9	269.3	1,706.2
Disposals	13.2	11.4	18.7	43.3	84.1
Transfers, including exchange rate changes	–	(2.5)	8.4	5.9	649.1
Balance as of December 31, 2000	25.1	349.8	178.3	553.2	3,619.0
Accumulated depreciation					
Balance as of January 1, 2000	0.2	–	4.4	4.6	49.9
Change in scope of consolidation	–	–	–	–	21.8
Additions	–	–	0.8	0.8	5.1
Disposals	–	–	0.7	0.7	19.1
Write-backs	–	–	–	–	–
Transfers, including exchange rate changes	–	–	(0.2)	(0.2)	(28.4)
Balance as of December 31, 2000	0.2	–	4.3	4.5	29.3
Net book value as of December 31, 2000	**24.9**	**349.8**	**174.0**	**548.7**	**3,589.7**

In 2000, additions and transfers of “Shares in associated companies” relate to the Basell Group and the DyStar Group, which were accounted for by the equity method. Changes in the scope of consolidation of "Shares in affiliated companies” relate to the consolidation of BASF Petronas Chemicals Sdn. Bhd.

Additions to “Shares in affiliated companies” relate to BASF SONATRACH Propanchem S.A., Spain, and BASF Styrenics Holding Company including its subsidiary (formerly Pushpa Polymers Private Ltd., Mumbai, India).

Developments in 1999 Participations and securities held as fixed assets Million €	Shares in affiliated companies	Shares in associated companies	Shares in participating interests	Securities held as fixed assets	Participations and securities held as fixed assets (Subtotal)
Acquisition costs					
Balance as of January 1, 1999	796.8	197.1	260.7	41.7	1,296.3
Change in scope of consolidation	(103.3)	2.1	1.7	0.5	(99.0)
Additions	252.4	191.9	47.8	3.4	495.5
Disposals	22.0	81.4	152.1	7.7	263.2
Transfers, including exchange rate changes	(13.1)	(158.7)	34.8	(6.7)	(143.7)
Balance as of December 31, 1999	910.8	151.0	192.9	31.2	1,285.9
Accumulated depreciation					
Balance as of January 1, 1999	17.4	20.9	86.7	3.5	128.5
Change in scope of consolidation	(2.3)	–	–	–	(2.3)
Additions	1.8	3.4	12.3	0.3	17.8
Disposals	3.8	6.7	85.8	1.8	98.1
Write-backs	–	–	–	–	–
Transfers, including exchange rate changes	0.5	–	(1.2)	0.1	(0.6)
Balance as of December 31, 1999	13.6	17.6	12.0	2.1	45.3
Net book value as of December 31, 1999	**897.2**	**133.4**	**180.9**	**29.1**	**1,240.6**

Developments in 1999 Loans and other investments Million €	Loans to affiliated companies	Loans to associated companies and participating interests	Other loans and investments	Loans and other investments	Total financial assets (Subtotal)
Acquisition costs					
Balance as of January 1, 1999	435.4	90.0	137.3	662.7	1,959.0
Change in scope of consolidation	–	(28.5)	0.7	(27.8)	(126.8)
Additions	3.5	24.3	23.1	50.9	546.4
Disposals	415.9	1.2	19.9	437.0	700.2
Transfers, including exchange rate changes	(0.3)	0.6	21.5	21.8	(121.9)
Balance as of December 31, 1999	22.7	85.2	162.7	270.6	1556.5
Accumulated depreciation					
Balance as of January 1, 1999	0.2	0.4	3.8	4.4	132.9
Change in scope of consolidation	–	–	–	–	(2.3)
Additions	–	–	1.4	1.4	19.2
Disposals	–	–	0.7	0.7	98.8
Write-backs	–	0.4	0.1	0.5	0.5
Transfers, including exchange rate changes	–	–	–	–	(0.6)
Balance as of December 31, 1999	0.2	–	4.4	4.6	49.9
Net book value as of December 31, 1999	**22.5**	**85.2**	**158.3**	**266.0**	**1,506.6**

In 1999, additions to “Shares in affiliated companies” related primarily to capital increases for construction projects at BASF’s Verbund site in Kuantan, Malaysia. The Kuantan site is operated by BASF Petronas Chemicals Sdn. Bhd., a joint venture in which BASF holds a 60% ownership stake, and BASF Services (Petaling Jaya, Malaysia), a company in which BASF holds a 100% ownership stake, which were consolidated as of January 1, 2000.

Additions to “Shares in associated companies” included the acquisition of a 40% ownership stake in Svalöf Weibull AB, a seed breeding company based in Svalöf, Sweden.

Other financial assets

The book and market values of available-for-sale securities held as fixed assets and shares in participating interests is summarized below:

	2000			1999		
Million €	**Book values**	**Market values**	**Unrealized gains**	Book values	Market values	Unrealized gains
Mutual funds	**22.5**	**22.5**	**–**	24.1	24.4	0.3
Other shareholdings and securities	**234.4**	**322.1**	**87.7**	185.9	186.0	0.1
Total	**256.9**	**344.6**	**87.7**	210.0	210.4	0.4

The disposal of available-for-sale securities generated proceeds of €7.0 million in 2000 and €3.1 million in 1999 and a gain of €0.1 million in 2000 and a loss of €0.3 million in 1999.

14. Inventories

Million €	2000	1999
Raw materials and factory supplies	**1,196.0**	943.4
Work in process, finished goods and merchandise	**3,991.5**	3,029.6
Construction in progress	**9.7**	47.4
Advance payments	**14.4**	7.3
Total	**5,211.6**	4,027.7

"Work-in-process" and "Finished goods and merchandise" are combined into one item due to the production conditions in the chemical industry.

The acquisition or production cost of raw materials, work in process, finished goods and merchandise is mainly determined by the last-in-first-out (LIFO) method. Factory supplies are carried predominantly at average cost. Inventories of €3,225.9 million or 62% of total inventories in 2000 and €2,441.7 million or 61% of total inventories in 1999 are valued according to the LIFO method. The difference between the carrying value determined according to the LIFO method and higher average cost is €255.0 million in 2000 and €148 million in 1999.

15. Receivables and other assets

	2000		1999	
Million €		Thereof non-current		Thereof non-current
Accounts receivable, trade	**6,067.6**	24.7	4,966.7	47.4
Receivables from affiliated companies	**9,16.9**	2.5	724.5	3.6
Receivables from associated companies and other participating	**319.9**	–	389.4	–
interests	**1,822.3**	159.1	967.8	123.8
Other assets				
Miscellaneous receivables and other assets	**2,142.2**	**159.1**	1,357.2	123.8
Total	**9,126.7**	**186.3**	7,048.4	174.8

Composition of other assets

Million €	2000	1999
Tax refund claims	**616.0**	282.2
Loans and interest receivables	**103.7**	33.0
Deferrals from financial instruments	**266.5**	8.3
Receivables from commission sales	**3.5**	53.9
Receivables from the sale of non-trade assets	**90.1**	47.4
Employee receivables	**44.2**	32.4
Rent and deposits	**41.4**	71.7
Insurance claims	**25.3**	10.9
Other	**631.6**	428.0
Total	**1,822.3**	967.8

Prepaid expenses accounted for €15.1 million in 2000 and €35.7 million in 1999.

Valuation allowances for doubtful accounts

2000 Million €	Balance as of January 1, 2000	Affecting income		Not affecting income		Balance as of December 31, 2000
		Additions	Releases	Additions	Releases	
Accounts receivables, trade	**368.2**	**108.3**	**146.3**	**95.3**	**21.4**	**404.1**
Miscellaneous receivables and other assets	**74.1**	**27.6**	**6.1**	**12.9**	**26.9**	**81.6**
Total	**442.3**	**135.9**	**152.4**	**108.2**	**48.3**	**485.7**

1999 Million €	Balance as of January 1, 1999	Affecting income		Not affecting income		Balance as of December 31, 1999
		Additions	Releases	Additions	Releases	
Accounts receivables, trade	320.8	46.7	5.0	15.6	9.9	368.2
Miscellaneous receivables and other assets	78.7	6.8	7.6	6.6	10.4	74.1
Total	399.5	53.5	12.6	22.2	20.3	442.3

Additions and releases not affecting income relate primarily to translation adjustments and write-offs of receivables previously provided for. Valuation allowances for trade accounts receivables take into consideration probable losses associated with the political and economic conditions in certain countries, especially with regard to the availability of foreign exchange for the remittance of the owed amounts.

16. Marketable securities

Available-for-scale securities Million €	**2000** Book values	Market values	Unrealized gains	1999 Book values	Market values	Unrealized gains
Fixed-term securities	**14.3**	**14.3**	**–**	74.9	74.9	–
Shares	**317.2**	**567.0**	**249.8**	388.2	402.9	14.7
Mutual funds	**22.0**	**25.4**	**3.4**	38.4	43.2	4.8
Other securities	**10.6**	**11.7**	**1.1**	15.9	15.9	–
Total	**364.1**	**618.4**	**254.3**	517.4	536.9	19.5

The disposal of available-for-sale securities generated proceeds of €480.6 million in 2000 and €744.2 million in 1999 and gains of €118.1 million in 2000 and €27.7 million in 1999.

Maturities of fixed-term securities as of December 31

Million €	**2000** Book value	Market value	1999 Book value	Market value
Less than 1 year	**1.9**	**1.9**	62.6	62.6
Between 1 and 5 years	**12.4**	**12.4**	12.3	12.3
Total	**14.3**	**14.3**	74.9	74.9

17. Prepaid expenses

Million €	**2000**	Thereof non-current	1999	Thereof non-current
Discount	**9.9**	6.2	9.8	2.0
Miscellaneous	**300.4**	125.3	120.4	34.5
Total	**310.3**	131.5	130.2	36.5

"Discount" arising from the 3% U.S. Dollar Option Bond 1986/2001 of BASF Finance Europe N.V. and the 5.75% Eurobond 2000/2005 of BASF Aktiengesellschaft is capitalized and amortized as interest expenses over the term of the underlying obligations.

18. Share repurchase, conditional and authorized capital and capital surplus

	Conditional capital		Authorized capital	
Million €	**2000**	1999	**2000**	1999
January 1	**164.1**	138.7	**500.0**	306.8
Authorizations through the Annual Meeting on April 29, 1999 for the issuance of new shares under the BASF Stock Option Program (BOP)		38.4		
Suspension of old authorizations through the Annual Meeting on April 29, 1999				(306.8)
Authorization through the Annual Meeting on April 29, 1999 for the issuance of new shares against cash or contribution in kind				500.0
Issuance of new shares from conditional capital through the exercise of warrants attached to the 1986/2001 3% U.S. Dollar Option Bond of BASF Finance Europe N.V.	**(5.8)**	(13.0)		
December 31	**158.3**	164.1	**500.0**	500.0

Share repurchase

The Board of Executive Directors received approval at the Annual Meetinging on April 29, 1999, to repurchase BASF shares to a maximum amount of 10% of the then subscribed capital. For BASF shares purchased on a stock exchange, the price paid for the shares may not be higher than the highest market price at the Frankfurt Stock Exchange on the buying day and it may not be lower than 75% of that market price. In the case of a public purchase offer, the price offered by BASF may be a maximum of 25% higher than the highest market price on the third trading day prior to the publishing of the public purchase offer. The Board of Executive Directors is authorized to cancel repurchased shares without further shareholder approval. Based on this authorization BASF bought between March 8 and April 11, 2000, a total of 6,215,000 shares, or 1% of total outstanding shares, at an average price of €48.37 per share. The shares have been cancelled.

At the Annual Meeting on April 27, 2000, shareholders again authorized the Board of Executive Directors to repurchase BASF shares to a maximum of 10 % of the then subscribed capital under the same conditions as outlined in the 1999 authorization until October 1, 2001. Additionally, the Board of Executive Directors was authorized to use repurchased shares for the issuance of shares under the Stock Option Program authorized by the Annual Meeting on April 29, 1999. Based on the authorization of April 27, 2000 BASF purchased a total of 9,641,500 shares, or 1.6% of the issued shares, at an average price of €41.40 per share between June 19 and October 16, 2000. The repurchased shares were cancelled as authorized.

During 2000, a total of 15,856,500 shares, or 2.6% of issued shares have been acquired and cancelled. Acquisition costs of €699.8 million were charged to retained earnings.

Conditional capital

As of December 31, 2000, the share capital can be conditionally increased by up to €17.5 million compared with €23.3 million as of January 1, 2000, 1999, due to the exercising of warrants related to the 3% U.S. Dollar Bond 1986/2001 of BASF Finance Europe N.V. Less than €100,000 is related to the conversion rights of former shareholders of Wintershall AG as of December 31, 2000, and January 1, 2000. The Annual Meeting on May 9, 1996, gave the Board of Executive Directors power for an additional conditional increase in the subscribed capital of up to €102.4 million to fulfill the exercising of warrants related to option bonds which may be issued until April 1, 2001. In addition, the Annual Meeting on April 29, 1999, approved an increase in the conditional capital of up to € 38.4 million to fulfill stock options granted to the members of the Board of Executive Directors and other senior executives of BASF and its subsidiaries.

Authorized capital

At the Annual Meeting on April 29, 1999, shareholders authorized the Board of Executive Directors, with the approval of the Supervisory Board, to increase subscribed capital by issuing new shares in the amount of up to €500.0 million against cash or contribution in kind until May 1, 2004. The Board of Executive Directors is empowered to decide on the exclusion of shareholders' subscription rights for these new shares.

Capital surplus

Capital surplus includes premiums from the issues of shares, the fair value of warrants attached to option bonds as well as negative goodwill from the capital consolidation resulting from acquisitions of subsidiaries against issue of BASF shares at par value.

19. Retained earnings

Million €	2000	1999
Legal reserves	**240.2**	233.8
Other retained earnings and profit retained	**8,610.9**	8,767.9
Total	**8,851.1**	9,001.7
• *Thereof proposed dividend*	***1,214.8***	*701.7*
Proposed dividend per share	**2.00**	1.13

In 2000, the legal reserves rose by €7.1 million compared to an increase in 1999 of €4.9 million due to transfers from other retained earnings and profit retained and in 2000 by €(0.7) million compared with €0.6 million in 1999 due to changes in the scope of consolidation.

20. Minority interests

Company	Partner	Equity stake % (2000)	2000 Million €	Equity stake % (1999)	1999 Million €
Wingas GmbH, Kassel, Germany	ZGG-Zarubezhgaz-Erdgashandel GmbH, Berlin, Germany	**35.0**	**87.2**	35.0	80.2
Hokuriku Seiyaku Co. Ltd., Katsuyama-Shi, Fukui, Japan	Publicly traded shares	**33.3**	**125.0**	35.9	145.3
Yangzi-BASF Styrenics Co. Ltd., Nanjing, China	Yangzi Petrochem. Corp., Nanjing, China	**40.0**	**62.3**	40.0	48.8
Knoll Pharmaceuticals Ltd., Mumbai, India	Publicly traded shares	**49.0**	**14.8**	49.0	20.9
BASF India Ltd., Mumbai, India	Publicly traded shares	**50.0**	**18.0**	50.0	15.0
BASF Petronas Chemicals Sdn. Bhd., Petaling Jaya, Malaysia	Petronas (Petroliam Nasional Bhd.), Kuala Lumpur, Malaysia	**40.0**	**160.6**	–	–
Others			**13.4**		19.1
			481.3		329.3

21. Provisions for pensions and similar obligations

Most employees are entitled to Company pension benefits resulting from defined contribution and defined benefit plans. The benefits granted vary according to the legal, fiscal and economic conditions of the countries where subsidiaries and affiliated companies are located. Benefits generally depend on years of service and compensation during the final years of employment. The pension plans for BASF Aktiengesellschaft and most German subsidiaries include a funded plan, BASF Pensionskasse, which is financed by equal contributions of employees and the company and the returns on its assets.

For German Group subsidiaries, additional Company pension commitments are financed primarily by pension provisions. In the case of non-German subsidiaries, pension entitlements are covered in some cases by pension provisions, but mainly by external life insurance or pension funds.

Pension plans and their respective costs are predominantly determined using the "projected unit credit method" as defined by SFAS No. 87. The weighted average rates used for calculating the principal retirement plans are as follows:

	2000	1999
	%	%
Interest rate	**6.4**	6.4
Projected increase of wages and salaries	**3.5**	3.4
Projected pension increase	**1.4**	1.4
Expected return on plan assets	**8.6**	8.4

Change in the projected benefit obligation

Million €	2000	1999
Projected benefit obligation as of January 1	**6,198.3**	5,942.6
Service cost	**155.4**	136.6
Interest cost	**390.2**	354.7
Benefits paid	**(394.9)**	(353.2)
Participants' contributions	**3.7**	6.6
Change in actuarial assumptions	**(75.4)**	(175.4)
Settlements and other changes	**(91.7)**	(86.7)
Currency exchange	**100.2**	373.1
Projected benefit obligation as of December 31	**6,285.8**	**6,198.3**

Change in plan assets

Million €	2000	1999
Plan assets as of January 1	**2,834.5**	2,263.2
Actual return on plan assets	**61.8**	368.0
Employer contributions	**72.2**	18.2
Participants' contributions	**3.7**	6.6
Benefits paid	**(179.0)**	(150.0)
Currency exchange	**115.0**	342.6
Other changes	**(177.2)**	(14.1)
Plan assets as of December 31	**2,731.0**	2,834.5
Prepaid pension assets of foreign plans	**(201.8)**	(282.3)
Plan assets as of December 31 excluding prepaid pension assets	**2,529.2**	**2,552.2**

The valuation of the pension fund assets of foreign pension funds under SFAS No. 87 showed the pre-financing shown above.

The **funded status,** excluding prepaid pension assets, is as follows:

Million €	2000	1999
Cash value of future benefits as of December 31	**6,285.8**	6,198.3
Less pension fund assets as of December 31	**2,529.2**	2,552.2
Funded status	**3,756.6**	3,646.1
Unrecognized amounts	**132.9**	204.7
Provisions for pensions	**3,889.5**	3,850.8
Provisions for similar obligations	**338.8**	319.2
Provisions for pensions and similar obligations	**4,228.3**	4,170.0

Similar obligations refer to commitments by BASF's North American Group companies to provide for the costs of medical and life insurance benefits for employees and dependents after retirement. They are based upon an actuarial valuation, considering the future cost trend and a discount rate of 7.75%.

The components of the net periodic pension cost are presented in the following table

Million €	2000	1999
Service cost	**155.4**	136.6
Interest cost	**390.2**	354.7
Expected return on plan assets	**(203.4)**	(182.4)
Amortization of prior service cost	**9.2**	
Other amortization amounts		0.1
Settlement gains	**(52.7)**	(26.0)
Expenses for defined benefit plans	**298.7**	283.0
Expenses for defined contribution plans	**75.6**	82.3
Expenses for health care benefits	**26.7**	23.4
Net periodic pension cost	**401.0**	388.7

22. Other provisions

Million €	2000	Thereof likely use within one year	1999	Thereof likely use within one year
Oil and gas production	**367.7**	**–**	350.2	–
Environmental protection and remediation costs	**269.0**	**133.3**	260.0	130.7
Personnel costs	**1297.2**	**856.0**	1,135.2	711.0
Sales and purchase risks	**788.4**	**776.0**	533.7	526.8
Integration, shutdown and restructuring costs	**285.0**	**250.5**	180.9	145.1
Legal, damage claims and related commitments	**829.5**	**191.4**	733.7	272.8
Maintenance and repair costs	**120.3**	**81.6**	125.5	61.1
Other	**579.7**	**530.5**	485.9	437.5
Total	**4,536.8**	**2,819.3**	3,805.1	2,285.0

Oil and gas production: Accrued costs for filling of wells and removal of production equipment after the end of production are accumulated by installments during the expected production period.

Environmental protection and remediation costs: Expected costs for rehabilitating contaminated sites, water protection, recultivating landfills and other current or future measures necessary to comply with currently existing legal requirements or currently existing agreements with supervisory authorities.

Personnel costs: Personnel cost provision includes long-time service bonuses and anniversary payments, vacation pay, variable compensation, social security contributions and other personnel related accruals. Most German subsidiaries have various programs that entitle employees who are at least 55 years old to reduce their working hours to 50% for up to six years. Under this arrangement, employees generally work full time during the first half of the transition period and leave the company at the start of the second period. Employees receive a minimum 85% of their net salary throughout the transition period.

Sales and purchase risks: The sales and purchase risks provision includes (i) for sales, discounts, rebates, contractual customer bonuses, product liability, warranties and compensation claims of commercial agents, and (ii) for purchases, sundry accruals for purchases and provisions for losses on committed purchases/other obligations.

Integration, shutdown and restructuring costs: Such provisions include severance payments to employees as well as specific site restructuring costs such as the costs for demolition, closure and similar measures.

The development of shutdown and restructuring provisions is as follows:

2000 Million €	Balance as of January 1, 2000	Amount paid	Other changes	Balance as of December 31, 2000
Severance	**111.3**	(144.7)	226.7	**193.3**
Plant closure and demolition commitments	**52.6**	(14.5)	23.2	**61.3**
Other	**17.0**	(65.7)	79.1	**30.4**
Total	**180.9**	(224.9)	329.0	**285.0**

1999 Million €	Balance as of January 1, 1999	Amount paid	Other changes	Balance as of December 31, 1999
Severance	**98.0**	(42.9)	56.2	**111.3**
Plant closure and demolition commitments	**47.7**	(36.4)	41.3	**52.6**
Other	**13.0**	(4.6)	8.6	**17.0**
Total	**158.7**	(83.9)	106.1	**180.9**

In 2000, BASF integrated the crop protection business acquired from American Home Products Corporation, which involved severance costs for employees of the acquired business as well as BASF employees. Provisions for the closure of the site in Nottingham, United Kingdom, and the “Program 20” for workforce reduction were made in the Pharmaceuticals division. Provision of €403.7 million were accrued for these measures, thereof €243 million without a charge to profits for for employees’ severance payments at the acquired crop protection business of American Home Product Corporation.

In 1999, BASF approved plans to close the multi-division site in Medellin, Colombia, the Colorants and Finishing Products site in Ellesmere Port, United Kingdom, the Pharmaceuticals production site in Beeston, United Kingdom, and the Fertilizers site in Ostend, Belgium. These plans represent primarily severance costs for employees associated with these sites as well as demolition costs and the cost of fulfilling contractual obligations after the sites have been closed. Pretax charges of €123.9 million were recorded for these measures.

Legal, damage claims and related commitments: Provisions are recorded for the expected cost of outstanding litigation and claims of third parties, including regulatory authorities. The significant proceedings are described in Note 24.

Maintenance and repair costs: The provision for maintenance and repairs includes, in addition to deferred maintenance work, the accumulation of provisions for the inspection of large-scale plants officially required at specified intervals.

Other: Other provisions relate in particular to amounts not yet invoiced from suppliers for products and services received.

23. Liabilities

Financial liabilities

Million €	2000	1999
5.75% Euro Bond 2000/2005 of BASF Aktiengesellschaft	**1,250.0**	–
3% U.S. Dollar Option Bond 1986/2001 of BASF Finance Europe N.V.	**247.8**	229.2
Other bonds	**277.4**	221.6
Commercial paper	**4,455.3**	65.9
Bonds and other liabilities to the capital market	**6,230.5**	516.7
Liabilities to credit institutions	**1,661.4**	777.7
Financial liabilities	**7,891.9**	1,294.4

Financial liabilities are denominated predominantly in the following currencies and interest for short-term liabilities:

Million €	2000	1999	2000	1999
U.S. dollars	**4,906.4**	716.6	**7.2 %**	6.9 %
Euros	**2,000.9**	121.0	**4.6 %**	3.3 %
Chinese renminbi	**223.5**	183.9	**5.7 %**	6.1 %
Other	**761.1**	272.9	**11.6 %**	7.5 %
Total	**7,891.9**	1,294.4	**∅8.0 %**	∅6.4 %

Financial liabilities have the following maturities as of December 31, 2000:

	Million €
2001	6,080.0
2002	135.8
2003	59.1
2004	27.8
2005	1,290.9
Thereafter	298.3
Total	7,891.9

The 5.75% Euro Bond 2000/2005 of BASF Aktiengesellschaft was issued in July 2000 with a notional amount of €1,250 million. The Bond is listed on the Frankfurt Stock Exchange and Stuttgart Stock Exchange.

The 3% U.S. Dollar Option Bond 1986/2001 of BASF Finance Europe N.V. consists of 235,000 bonds of U.S. $1,000 each and is listed on the Luxembourg Stock Exchange. The bond allows for 10 BASF shares to be issued upon the exercise of one warrant against payment of the exercise price of €157.48. This subscription right may be exercised on April 9, 2001. The Option Bond is due for repayment on April 9, 2001.

Liabilities to credit institutions

Liabilities to credit institutions relate to a large number of different credit institutions in various countries. Liabilities to credit institutions denominated in Chinese renminbi result from the local financing of Chinese joint ventures.

At the end of 2000, the Company had committed and unused credit lines of €2,700 million with variable interest rates. In addition, the Company had €332 million in credit lines cancelable at the option of either the credit institution involved or the Company.

Miscellaneous liabilities and deferred income

Million €	2000	Thereof current	1999	Thereof current
Advances received on account of orders	**48.5**	**41.1**	91.8	81.1
Liabilities on bills	**59.7**	**59.7**	41.6	31.3
Liabilities to companies in which participations are held	**330.2**	**329.8**	170.3	170.2
Tax liabilities	**451.3**	**450.1**	621.6	619.9
Liabilities relating to social security	**157.3**	**157.3**	103.6	103.2
Non-trade liabilities to joint venture partners	**481.6**	**27.4**	662.8	–
Other miscellaneous liabilities	**1,661.5**	**1,399.0**	1,525.7	1,424.4
Total miscellaneous liabilities	**3,190.1**	**2,464.4**	3,217.4	2,430.1

Residual terms of liabilities

	2000		1999	
Million €	Up to one year	More than five years	Up to one year	More than five years
Bonds and other liabilities to the capital market	**4,670.2**	**259.4**	35.1	217.8
Liabilities to credit institutions	**1,409.8**	**38.6**	542.1	13.6
Accounts payable, trade	**2,828.9**	**5.4**	2,291.6	5.0
Liabilities to affiliated companies	**318.4**	**–**	143.3	–
Advances received on account of orders	**41.1**	**–**	81.1	–
Liabilities on bills	**59.7**	**–**	31.3	–
Liabilities to companies in which participations are held	**329.8**	**–**	170.2	–
Other liabilities	**2,033.9**	**548.7**	2147.5	559.2
Total	**11,691.8**	**852.1**	5,442.2	795.6

Secured liabilities

Million €	2000	1999
Liabilities to credit institutions	**31.4**	22.7
Miscellaneous liabilities	**1.9**	17.4
Total	**33.3**	40.1

Liabilities are collateralized by mortgages, land charges or securities. In addition, negative declarations were made with regard to adherence to certain balance sheet ratios.

Contingent liabilities

Contingent liabilities as listed below have not been accrued as the risk of loss is not considered probable

Million €	2000	1999
Bills of exchange	**93.2**	120.1
• *Thereof to affiliated companies*	***2.7***	*3.2*
Guarantees	**285.5**	245.5
Warranties	**48.6**	62.5
Granting collateral on behalf of third-parties	**8.7**	4.7
Total	**436.0**	432.8

Other financial obligations

Million €	2000	1999
Remaining cost of construction in progress	**3,966.3**	3,104.0
• *Thereof purchase commitment*	***512.6***	*1,098.1*
Commitments from long-term rental and leasing contracts	**1,173.0**	653.8
Repurchase commitments	**781.9**	572.5
Payment and loan commitments	**635.7**	0.6
Total	**6,556.9**	4,330.9

Repurchase commitments are related to accounts receivables and securities.

BASF has entered into commitments for payments and loans with BASF-YPC Company Ltd., which has not yet been consolidated. BASF-YPC Company Ltd. is building the Verbund site in Nanjing, China, together with BASF's partner SINOPEC.

Obligations from rental and lease contracts are due as follows:

	Million €
2001	181.1
2002	144.7
2003	128.1
2004	100.2
2005	82.5
2006 and later residual periods	536.4
Total	1,173.0

Purchase commitments for raw materials and natural gas from long-term contracts

The Company has entered into long-term purchase contracts for natural gas, the vast majority of which are coupled with long-term supply contracts to customers.The Company purchases raw materials globally, both on the basis of long-term contracts and in spot markets. In general, such commitments were at prices that are regularly adjusted to market conditions. The fixed and determinable portions of long-term supply agreements with a remaining term of more than one year as of December 31, 2000, were as follows:

	Million €
2001	7,241
2002	3,985
2003	2,861
2004	2,158
2005	1,879
2006 and later residual periods	10,558
Total	28,682

24. Litigation and claims

In the context of its ordinary business operations, BASF is a defendant in class-action lawsuits brought before United States federal courts and individual actions before labor courts and civil courts or comparable institutions in Germany and abroad. Significant proceedings are discussed below.

Antitrust claims relating to vitamins

In 1999, BASF Aktiengesellschaft entered into agreements with the United States Department of Justice and the Canadian Competition Bureau by which BASF Aktiengesellschaft agreed to plead guilty to certain violations of antitrust laws relating to the sale of vitamin products in the United States and in Canada. The relevant courts accepted the guilty pleas and the recommended fines of $225 million and C$19 million, respectively.

On October 20, 2000, BASF Australia Ltd. entered into a settlement agreement with the antitrust agency in Australia by which BASF Australia Ltd. admitted certain violations of Australian antitrust laws and agreed to pay a penalty of A$ 7.5 million. Court approval of the settlement is still pending. Government investigations against BASF or the respective local subsidiaries of BASF continue in the EU, Japan, Mexico and Brazil.

BASF has agreed to settle the class action lawsuits with plaintiffs that purchased products directly from vitamin manufacturers. Terms of the settlement agreement call for seven vitamin manufacturers to contribute $1.17 billion. The Company's share of this settlement in $287 million. The United States District Court for the District of Columbia granted final approval of the proposed settlement on March 28, 2000. Because plaintiffs representing approximately 80% of relevant BASF sales have elected to opt out of the proposed settlement, BASF Aktiengesellschaft's share has been reduced to $62 million. Individual settlements at class action settlement conditions have been reached for $46.8 million with customers representing approximately 20% of the relevant BASF sales.

State court actions on behalf of indirect purchasers are proceeding separately in approximately 28 states. BASF has agreed to settle state class action law suits in 24 states. Terms of the settlement agreements call for six vitamin manufacturers to contribute up to $396 million, subject to approval of the settlements in various state courts. If the settlements are approved, BASF Aktiengesellschaft will be obligated to pay up to $97 million of the total amount. In addition, beginning in June and July of 1999, civil lawsuits relating to antitrust issues were initiated in Canada and Australia.

The company has established provisions for the costs that they can currently anticipate. Management does not believe that the additional charges relating to unsettled vitamin antitrust proceedings will have a substantial impact on the profitability of the company.

Synthroid®-related claims

On October 30, 1997, Knoll Pharmaceutical Company (Knoll), a subsidiary of BASF Corporation, announced that a United States district court in Chicago gave preliminary approval of a proposed settlement of a series of class action lawsuits involving its thyroid medication Synthroid. The lawsuits challenged Knoll's delaying publication of a study conducted by Dong et al. that compared Synthroid to certain branded and generic products. The study concluded that Synthroid and some competing products are bioequivalent. Although Knoll believes the study was flawed and the conclusion incorrect, Knoll agreed to the proposed settlement to avoid burdensome and expensive litigation.

Under the terms of the proposed settlement, consumers who bought Synthroid between January 1, 1990 and October 30, 1997 would have been eligible to receive a pro rata share of a settlement fund consisting of $98 million in cash. If as many as five million claimants had participated, eligible claimants would have received payment in the amount of $19.60, less a proportionate share of court awarded attorneys' fees and related costs. If the number of eligible claimants had exceeded five million, Knoll would have contributed additional payments to the settlement fund until the fund reached a maximum of $135 million.

For various reasons, including the unclear position of third party payors, final approval of the proposed settlement was not granted. Knoll subsequently negotiated a new proposed settlement with consumers and third-party payors providing for a payment of $26 million in addition to the $98 million paid into escrow in late 1997 (plus the accrued interest thereon). The United States district court of Chicago granted final approval of the new proposed settlement on August 4, 2000. This settlement is subject to a number of appeals. In 1999, additional payments were made in a new settlement with the state attorneys general of U.S. states that had filed lawsuits. In addition a provision was made to pay for a settlement with the Institute for Advancement of Community Pharmacy (IACP).

25. Stock-based compensation

BASF stock option program: The Annual Meeting of April 29, 1999, approved the BASF stock option program (BOP) for senior executives of the Company worldwide and also approved an increase in conditional capital to provide shares to fulfill the execution of eligible option rights. The Annual Meeting of April 27, 2000, was informed by the Board of Executive Directors that the BOP will be continued without any changes. Approximately 1,200 senior executives, including the Board of Executive Directors, are authorized to participate in this program. To participate in the BOP program, each participant must make an individual investment in BASF shares in the amount of 10% to 30 % of their individual variable compensation. The invested amount is used to purchase BASF shares at the market price of the first business day after the Annual Meeting, which was €41.6 on April 30, 1999 for the BOP 1999 and €47.8 on April 28, 2000 for the BOP 2000.

For each BASF share purchased, a participant receives four options, each of which entitles a holder to purchase a maximum of two BASF shares (Share A and Share B) at a price lower than the market price if, on the exercise date of the option, the performance targets described below have been met. Options to purchase Share A may be exercised if the market price of BASF shares exceeds 30% of the market price at the grant date of the options. The exercise price of Share A will be the market price at the exercise date less the share price increase since granting the option (this reduction is limited to 100% of the grant price). Options to purchase Share B may be exercised if the cumulative percentage performance of BASF shares exceeds the percentage performance of the Dow Jones EURO STOXX℠. The exercise price of Share B will be the market price at the exercise date of the option minus twice the percentage outperformance of BASF shares compared to the EURO STOXX℠ index.

Each option right may only be exercised if the performance targets are achieved and may only be exercised once, meaning that if only one performance target is met, the other option right expires. The maximum gain for a participant from the BOP program is limited to 10 times the original individual investment.

The options granted under the BOP 2000 program (BOP 1999 program) may be exercised between the day after the Annual Meeting in 2003 (2002) and the 15th day after the Annual Meeting in 2006 (2005) except in the four-week periods prior to the announcement of BASF's quarterly and annual financial results and the six-week periods prior to the Annual Meeting. The options granted are not transferable and lapse if the participants sell the shares from their investment or leave BASF.

As of April 30, 1999, a total of 1,178,440 option rights were granted under the BOP 1999 program, enabling senior executives to buy up to 2,356,880 shares, conditional on the performance targets being achieved. As of December 31, 2000, a total of 31,625 option rights were forfeited because the holders no longer worked for BASF or had sold some of their shares. Overall, a total of 1,146,815 option rights granted under the BOP 1999 program still exist.

On April 30, 1999, the fair value of the options granted at this date was €25.04 per option. The fair value of the option was determined by using a risk-free interest rate of 3.59%, a BASF dividend yield of 3.11%, a volatility factor for BASF shares of 30%, a volatility of 20 % for the EURO STOXX℠ and a correlation between the BASF share price and EURO STOXX℠ Total Return Index of 60%. The exercise period for the options is assumed to be continuous during the three years the options are exercisable.

As of April 28, 2000, a total of 917,016 option rights were granted under the BOP 2000 program, enabling senior executives to buy up to 1,834,032 shares, conditional on the performance targets being achieved. As of December 31, 2000, overall a total of 910,188 option rights granted under the BOP 2000 program still exist.

On April 28, 2000, the fair value of the options granted at this date was €29.59 per option. The fair value of the option was determined by using a risk-free interest rate of 5.39%, a BASF dividend yield of 2.59%, a volatility factor for BASF shares of 20%, a volatility of 20% for the EURO STOXX℠ and a correlation between the BASF share price and EURO STOXX℠ Total Return Index of 60%. The exercise period for the options is assumed to be continuous during the three years the options are exercisable.

Total compensation cost of €27.1 million for the BOP 2000 program and €29.5 million for the BOP 1999 program is determined by valuing the number of outstanding options with the fair value of the options at the grant date. This total compensation cost will be recognized by a charge to income over the three-year period in which the related employees' services are rendered. Compensation cost of €15.9 million has been provided as of December 31, 2000, and €6.5 million as of December 31, 1999.

BASF "plus" incentive share program: In 1999, BASF started an incentive share program called "plus" for all eligible employees except the senior executives entitled to participate in the BOP.

Employees of BASF companies in Germany, Switzerland and Poland are currently authorized to participate in "plus", and further subsidiaries are planning to join the program in 2001.

Each participant must make an individual investment in BASF shares from their variable compensation. For each 10 BASF shares purchased in the program, a participant receives one BASF share at no cost after one, three, five, seven and 10 years of holding the BASF shares. The right to receive free BASF shares expires if a participant sells their individual investment in BASF shares, if the participant stops working for the Company or one year after the participant retires.

On April 30, 1999, employees of BASF companies bought 223,980 BASF shares with the right to receive free shares. As of December 31, 2000, a total of 18,876 of these shares holding the right to receive free shares had been sold, so the total amount of shares qualifying under the "plus" program is 205,104. On April 28, 2000, employees of BASF companies bought 544,730 shares with the right to receive free shares, of which 540,700 were still held by the employees as of December 31, 2000. The Company provides for the value of the free shares over the period until the shares are to be issued based on the year-end price of BASF shares. Compensation cost of €2.7 million has been provided for as of December 31, 2000 and €1.1 million as of December 31, 1999.

26. Financial instruments and derivative financial instruments

Derivative financial instruments and risk management: The Company is exposed to foreign currency, interest rate and commodity risks during the normal course of business. In cases where the Company intends to hedge against these risks, financial derivatives are used, including forward exchange contracts, currency options, interest rate/currency swaps or combined instruments. In addition, derivative instruments are used to replace transactions in original financial instruments, such as shares or fixed-interest securities. Exclusive use is made of commonly used instruments with sufficient market liquidity. Derivative financial instruments are only used if they have a corresponding underlying position or planned transaction arising from the operating business, cash investments and financing. The leverage effect that can be achieved with derivatives is deliberately not used. The derivative instruments held by the Company are solely held for purposes other than trading.

Where financial derivatives have a positive market value, the Company is exposed to credit risks in the event of non-performance of their counterparts. The credit risk is minimized by exclusively trading contracts with major creditworthy financial institutions.

To ensure efficient risk management, market risks are centralized at BASF Aktiengesellschaft and other subsidiaries designated for this purpose. The Company has developed and implemented internal guidelines based on the principles of separation of functions for completion and execution of derivative instruments.

The risks arising from changes in exchange rates and interest rates as a result of the underlying transactions and the derivative transactions concluded to secure them are monitored constantly. The same is effective for the derivative instruments, which are used to replace transactions in original financial instruments. For this purpose, market quotations or computer or mathematical models are used to determine the current market values not only of the underlying transactions but also of the derivative transactions and these are compared with each other.

Foreign exchange and interest rate risk management: Foreign currency derivatives are primarily aimed at hedging the exchange rate risk against the U.S. dollar, the Canadian dollar, the Australian dollar, the British pound, the Swiss franc, the Japanese yen and the Singapore dollar.

Interest derivatives or combined interest/currency derivatives were concluded to hedge loans extended to Group companies. The difference between interest paid and received under interest rate or cross-currency swaps is accrued and recognized in interest expense respectively income. As far as other derivatives are concerned, index swaps were used to create synthetic share investments with a guarantee of the capital invested.

Fair value of financial instruments: The fair value of a financial instrument is the price at which the instrument could be exchanged between willing parties. Fair value amounts are estimated by the Company management based on available market information and appropriate valuation techniques. These estimates do not necessarily reflect the amount that could be realized or would be paid in the current market.

Book and estimated fair values of financial instruments, for which it is practicable to estimate the fair value, were as follows:

	December 31, 2000		December 31, 1999	
Million €	**Book value**	**Fair value**	Book value	Fair value
Assets:				
Financial assets (details see Note 13)	**3,589.7**	**3,677.4**	1,506.6	1507.0
Accounts receivable and other assets	**9,126.7**	**9,133.3**	7,048.4	7,080.2
Marketable securities (details see Note 16)	**364.1**	**618.4**	517.4	536.9
Cash and cash equivalents	**505.5**	**505.5**	990.2	990.2
Liabilities:				
Financial liabilities	**7,891.9**	**7,918.1**	1,294.4	1,283.7
Accounts payable and other liabilities	**6,430.0**	**6,429.3**	5,741.4	5,739.9

For accounts receivable and other assets, accounts payable and other liabilities, the book value approximates the fair value. For non-current amounts, the difference between book value and fair value represents primarily unrecognized gains from foreign currency balances.

The fair value of financial assets and marketable securities represents market values from securities exchanges at the balance sheet date. The market value of financial liabilities represents a valuation of bonds at inter-bank rates.

Breakdown of derivative financial instruments

	Nominal amounts December 31, 2000		Fair value December 31, 2000	
Million €	**2000**	1999	**2000**	1999
Forward exchange contracts	**10,630.0**	2,416.0	**(17.8)**	(71.1)
Currency options	**4,220.9**	193.4	**66.1**	(2.5)
Foreign currency derivatives	**14,850.9**	2,609.4	**48.3**	(73.6)
Interest rate swaps	**36.0**	147.7	**0.1**	2.0
Interest rate/cross currency swaps	**2,977.2**	1,409.0	**(367.9)**	(227.9)
Interest rate derivatives	**3,013.2**	1,556.7	**(367.8)**	(225.9)
Other derivatives	**25.6**	62.6	**10.1**	24.9

The nominal values are the totals of the purchases and sales of the particular derivatives on a gross basis. The fair market values correspond to the difference between the cost and resale value, which is determined from market quotations or by the use of option pricing models or, in the case of unlisted contracts, the termination amount in the event of premature cancellation. Offsetting changes in the valuation of the underlying transactions are not taken into account.

The use of foreign currency derivatives increased related to Commercial Paper issued in foreign currency to finance the acquisition of the crop protection business from American Home Products Corp. Furthermore, new contracts were closed related to the foreign exchange exposure arising from the expected sale of BASF's pharmaceutical business in U.S. dollars. The total volume of interest rate and cross currency swaps increased related to increased internal financing of Group companies worldwide in foreign currency due to the acquisition of the crop protection business from American Home Products Corp.

MANAGEMENT AND SUPERVISORY BOARDS

SUPERVISORY BOARD

Memberships on statutorily constituted supervisory boards and similar controlling bodies of other German and non-German companies (December 31, 2000)

Prof. Dr. Ing. E. h., Dipl.-Ing. Berthold Leibinger
Ditzingen, Chairman
Managing Director of TRUMPF GmbH + Co. KG
BMW Bayerische Motoren Werke AG *(Second Deputy Supervisory Board Chairman)*
Deutsche Bank AG *(Supervisory Board member)*

Volker Obenauer
Ludwigshafen am Rhein, Deputy Chairman
Chairman of BASF Group Works Council

Wolfgang Daniel
Limburgerhof, Deputy Chairman of the Works Council of the Ludwigshafen site of BASF Aktiengesellschaft

Etienne Graf Davignon
Brussels, President of Société Générale de Belgique
ACCOR S.A. *(Administrative Council Deputy Chairman)*
ARBED S.A. *(Administrative Council Deputy Chairman)*
COMPAGNIE INTERNATIONALE DES WAGONS-LITS ET DU TOURISME S.A. *(Administrative Council Chairman)*
FORTIS AG *(Administrative Council Deputy Chairman)*
SIBEKA S.A. *(Administrative Council Chairman)*
Suez-Lyonnaise des Eaux S.A. *(Supervisory Board member)*
TotalFinaElf S.A. *(Administrative Council Deputy Chairman)*
TRACTEBEL S.A. *(Administrative Council Deputy Chairman)*
UNION MINIERE S.A. *(Administrative Council Deputy Chairman)*

Prof. Dr. rer. nat. François N. Diederich
Zurich, Professor at Zurich Technical University

Dr. jur. Tessen von Heydebreck
Frankfurt (Main), Member of the Board of Executive Directors of Deutsche Bank Aktiengesellschaft
BW Versicherungsverein des Bankgewerbes a.G. *(Supervisory Board member)*
Deutsche Ausgleichsbank *(Administrative Council member)*
Dürr AG *(Supervisory Board member)*
Dyckerhoff AG *(Supervisory Board member)*
Gruner + Jahr AG *(Supervisory Board member)*
Nestlé Deutschland AG *(Supervisory Board member)*
Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act
Deutsche Bank 24 AG *(Supervisory Board Chairman)*
Deutsche Bank Polska S.A. *(Supervisory Board Chairman)*
Deutsche Bank Rt., Hungary *(Supervisory Board Chairman)*
Deutsche Bank Suisse S.A. *(Administrative Council Chairman)*
DWS Investment GmbH *(Supervisory Board member)*
Versicherungsholding der Deutschen Bank AG *(Supervisory Board Chairman)*

Dr. rer. nat. Wolfgang Jentzsch
Mannheim
Linde Aktiengesellschaft *(Supervisory Board member)*
(until May 17, 2000)
Linde Gas AG (Supervisory Board member)
(from May 2, 2000)

Arthur Lloyd Kelly
Chicago, United States; Chief Executive Officer of KEL Enterprises L.P.
(from December 6, 2000)
BMW Bayerische Motoren Werke AG *(Supervisory Board member)*
ThyssenKrupp Industries *AG (Supervisory Board member)*

Rolf Kleffmann
Wehrbleck, Chairman of the Works Council of Wintershall AG's Barnstorf oil plant

Ulrich Küppers
Ludwigshafen am Rhein, Manager of the Ludwigshafen branch of the Mining, Chemical and Energy Industries Union *(Industriegewerkschaft Bergbau, Chemie, Energie)*
Güterverkehrszentrum Entwicklungsgesellschaft Ludwigshafen am Rhein mbH *(Supervisory Board member)*
Rhein-Haardtbahn GmbH *(Supervisory Board member)*
Verkehrsbetriebe Ludwigshafen GmbH *(Supervisory Board member)*

Konrad Manteuffel
Bensheim, Member of the Works Council of the Ludwigshafen site of BASF Aktiengesellschaft
BASF Pensionskasse WaG *(Supervisory Board Deputy Chairman)*

Dr. rer. nat. Karlheinz Messmer
Weisenheim am Berg, Plant Manager at the Ludwigshafen site of BASF Aktiengesellschaft

Robert Oswald
Altrip, Chairman of the Works Council of the Ludwigshafen site of BASF Aktiengesellschaft
(from October 1, 2000)

Ellen Schneider
Wallenhorst, Chairwoman of the Joint Works Council of Elastogran GmbH

Dr. Ing. Hermann Scholl
Stuttgart, Managing Director of Robert Bosch GmbH
Allianz AG *(Supervisory Board member)*
Deutsche Bank AG *(Supervisory Board member)*
Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act
Robert Bosch Internationale Beteiligungen AG, Zurich *(Administrative Council member)*

Dr. jur. Henning Schulte-Noelle
Munich, Chairman of the Board of Executive Directors of Allianz Aktiengesellschaft
Dresdner Bank AG *(Supervisory Board member)*
E.ON AG *(Supervisory Board member)*
Linde AG *(Supervisory Board member)*
MAN AG *(Supervisory Board Deputy Chairman) (until December 15, 2000)*
Münchener Rückversicherungsgesellschaft AG *(Supervisory Board Deputy Chairman)*
Siemens AG *(Supervisory Board member)*
ThyssenKrupp AG *(Supervisory Board member)*
Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act
Allianz Versicherungs-AG *(Supervisory Board chairman)*
Allainz Lebensversicherungs-AG *(Supervisory Board chairman)*

Robert Studer
Zurich
Espirito Santo Financial Group S.A. *(Administrative Council member)*
Renault S.A. *(Administrative Council member)*
Schindler Holding AG *(Administrative Council member)*
TotalFinaElf S.A. *(Administrative Council member)*

Jürgen Walter
Neustadt am Rübenberge, Member of the Central Board of Executive Directors of the Mining, Chemical and Energy Industries Union *(Industriegewerkschaft Bergbau, Chemie, Energie)*
BASF Schwarzheide GmbH *(Supervisory Board Deputy Chairman)*
Henkel KGaA *(Supervisory Board member)*
Ruhrfestspiele GmbH *(Supervisory Board member)*
RWE-Umwelt AG *(Supervisory Board member)*
Trienekens AG *(Supervisory Board member)*

Helmut Werner
Stuttgart
Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfer Gesellschaft *(Supervisory Board Deputy Chairman)*
F-LOG GmbH *(Supervisory Board Chairman)*
Gerling-Konzern Versicherungsbeteiligungs AG *(Supervisory Board member)*
mg technologies ag *(Supervisory Board Chairman)*
Aktiebolaget SKF *(Supervisory Board member)*
Alcatel S.A. *(Supervisory Board member)*
First-Mark Communications Europe S.A. *(Supervisory Board member)*

Gerhard Zibell
Gau-Odernheim, Regional Manager of the Mining, Chemical and Energy Industries Union (Industriegewerkschaft Bergbau, Chemie, Energie) Rhineland-Palatinate/Saar region
RAG Saarberg AG *(Supervisory Board Deputy Chairman)*
Villeroy & Boch AG *(Supervisory Board member)*

Supervisory Board members retired in 2000

Professor Dr. phil. Marcus Bierich
Stuttgart
(died on November 25, 2000)

Günter Klein
Mutterstadt, Member of the Works Council of the Ludwigshafen site of BASF Aktiengesellschaft
(until September 30, 2000)

BOARD OF EXECUTIVE DIRECTORS

Memberships on statutorily constituted supervisory boards and similar controlling bodies of other German and non-German companies (December 31, 2000)

Dr. Jürgen F. Strube
Chairman
Allianz Lebensversicherungs-AG *(Supervisory Board member)*
Bertelsmann AG *(Supervisory Board member)*
Commerzbank AG *(Supervisory Board member)*
Hapag-Lloyd AG *(Supervisory Board member)*
Hochtief AG *(Supervisory Board member)*
Linde AG *(Supervisory Board member)*

Max Dietrich Kley
Deputy Chairman
Basell N.V. *(Supervisory Board Deputy Chairman)*
Bayerische Hypo- und Vereinsbank AG *(Supervisory Board member)*
Gerling-Konzern Speziale Kreditversicherungs-Aktiengesellschaft *(Supervisory Board member)*
Landesbank Rheinland-Pfalz *(Administrative Council member)*
Lausitzer Braunkohle AG *(Supervisory Board member)*
Mannesmann Demag Krauss Maffei AG *(Supervisory Board member)*
RWE Plus AG *(Supervisory Board member)*
Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act
BASF Coatings AG *(Supervisory Board Chairman)*
Wintershall AG *(Supervisory Board Chairman)*

Helmut Becks
Hannoversche Lebensversicherung a.G. *(Supervisory Board member)*
Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act
BASF Antwerpen N.V. *(Administrative Council Chairman)*
BASF Schwarzheide GmbH *(Supervisory Board Chairman)*

Dr. John Feldmann
Basell N.V. *(Supervisory Board member)*

Dr. Jürgen Hambrecht
Basell N.V. *(Supervisory Board member)*
Bilfinger + Berger Bauaktiengesellschaft *(Supervisory Board member)*
Deutsche Gesellschaft für Kunststoff-Recycling mbH *(Supervisory Board Chairman)*

Dr. Stefan Marcinowski
Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act
BASF Coatings AG *(Supervisory Board member)*
Knoll AG *(Supervisory Board member)*

Peter Oakley

Dr. Volker Trautz *(until April 30, 2000)*

Eggert Voscherau
Dresdner Bank Lateinamerika AG *(Supervisory Board member)*
Haftpflichtverband der Deutschen Industrie V.a.G. *(German Industry Liability Association) (Supervisory Board member)*
Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act
BASF Española S.A. *(Administrative Council Chairman)*
Knoll AG *(Supervisory Board Chairman)*

Report of the Supervisory Board

Professor Dr. Berthold Leibinger
Chairman of the Supervisory Board

Dear shareholders,

Once again in 2000, our company continued to operate against a backdrop of many changes, some of them far-reaching. BASF has again shown that it views this process of change as an opportunity to shape its future and create conditions to achieve continuing profitable growth. In line with its strategic objectives, BASF again strengthened its core businesses through acquisitions and capital expenditures, and optimized its portfolio by entering into new cooperations as well as making divestitures. Examples include the acquisition of the crop protection business of American Home Products Corporation, the creation of the Basell joint venture in the field of polyolefins, the takeover of Takeda's vitamin operations, the merger of our textile dye business in the DyStar joint venture, the agreement with SINOPEC on the construction of a Verbund site for petrochemicals in Nanjing, China, and above all the sale of BASF Pharma to Abbott Laboratories Inc. The Supervisory Board monitored this continuing process of change.

The Supervisory Board carefully and regularly monitored company management during the year and provided advice on the company's strategic development and on important individual measures. To this end, the Board of Executive Directors provided the Supervisory Board with detailed information at meetings as well as through written reports. Topics included the progress and profitability of the company and its major subsidiaries, the company's policies and corporate planning. This also included the planning of BASF's finances, capital expenditures and human resources. In addition to the Supervisory Board Meetings, the Chairman of the Board of Executive Directors regularly informed the Chairman of the Supervisory Board about current business developments and important events.

Meetings and committees

The Supervisory Board met five times during 2000. All members were present at three of these meetings; the other two were attended by 19 and 17 of the 20 members.

At these meetings, the Supervisory Board discussed reports from the Board of Executive Directors in detail. The Supervisory Board also discussed the company's prospects as a whole and its individual businesses with the Board of Executive Directors. Where specific transactions and measures proposed by the Board of Executive Directors required decisions by the Supervisory Board as required by law or the Articles of Association, votes were taken at the Supervisory Board meetings.

Three of these votes involved major acquisitions or divestitures carried out by the company, including the purchase of the crop protection business of American Home Products Corporation and the sale of BASF Pharma to Abbott Laboratories Inc. The Supervisory Board also reviewed the issue of e-commerce and its future uses, the development of BASF Aktiengesellschaft's Ludwigshafen site and questions regarding financing.

The Supervisory Board established two joint committees: The Committee for the Personal Affairs of the Board of Executive Directors and the Granting of Credits, which was created in accordance with Paragraph 89, Section 4 of the German Stock Corporations Act (Personal Affairs Committee) and the Mediation Committee created in accordance with Paragraph 27, Section 3 of the German Codetermination Act. The Personal Affairs Committee met twice in 2000. The Mediation Committee did not have to be convened.

Financial Statements of BASF Group and BASF Aktiengesellschaft

We have examined the Financial Statements of BASF Aktiengesellschaft for 2000, the proposal by the Board of Executive Directors for the appropriation of profit, the BASF Group Consolidated Financial Statements and Management's Analysis for BASF Aktiengesellschaft and BASF Group. Deloitte & Touche GmbH, the auditors elected by the Annual Meeting, have examined the Financial Statements of BASF Aktiengesellschaft and the BASF Group Consolidated Financial Statements, including the bookkeeping and Management's Analysis, and have approved them free of qualification. The auditors also found that the Board of Executive Directors, by introducing Group-wide accounting and reporting guidelines as well as instituting a clearly structured reporting system, had taken appropriate and adequate organizational measures to ensure that the Financial Statements were prepared properly. The auditors also noted that the Board of Executive Directors, in accordance with Paragraph 91, Section 2 of the German Stock Corporations Act, had instituted a suitable information and monitoring system which met the needs of the company and appeared suitable, both in design and the way it had been applied, to provide early warning of developments that pose a threat to the continued existence of the company.

The documents to be examined and the auditors' report were given to every member of the Supervisory Board. The auditors attended the accounts meeting of the Supervisory Board and reported on the main findings of their audit. The auditors also provided detailed explanations of their report on the day before the accounts meeting.

We have approved the auditors' report. The final results of our own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection.

At today's meeting, we approved the Financial Statements of BASF Aktiengesellschaft drawn up by the Board of Executive Directors, making the Financial Statements final. We concur with the proposal of the Board of Executive Directors regarding the appropriation of profit.

Composition of Supervisory Board and Board of Executive Directors

Professor Dr. Marcus Bierich died on November 25, 2000, at the age of 74. For more than 11 years, Marcus Bierich was a dedicated and expert member of the Supervisory Board, serving between June 1988 and May 1998, and from October 15, 1999 onward. Following the death of Dr. Hans Albers in 1999 he agreed at short notice to resume the responsibilities of a member of the Supervisory Board, demonstrating his close ties with BASF. We mourn the passing of a great person.

Arthur L. Kelly was newly appointed to the Supervisory Board to replace Marcus Bierich. The appointment was made at the request of the Board of Executive Directors by the District Court of Ludwigshafen am Rhein, Germany on December 7, 2000, and is valid until the next regular election of the Supervisory Board. Arthur L. Kelly is an American citizen and a managing partner of KEL Enterprises, L.P.

As of September 30, 2000, Günter Klein left the Supervisory Board and was replaced by Robert Oswald. The appointment was made by the District Court of Ludwigshafen am Rhein on August 18, 2000 and is valid from October 1, 2000 until the next regular election of the Supervisory Board. Robert Oswald is chairman of the works council of the Ludwigshafen site of BASF Aktiengesellschaft.

Dr. John Feldmann was appointed to the Board of Executive Directors, effective January 1, 2000. Dr. Volker Trautz left the Board of Executive Directors as of May 1, 2000 to become head of the Basell joint venture between BASF and Shell, which combines the polyolefins activities of the two companies.

Ludwigshafen, March 6, 2001

The Supervisory Board

Professor Dr. Berthold Leibinger
Chairman of the Supervisory Board

BOARD OF EXECUTIVE DIRECTORS, DIVISION PRESIDENTS AND ORGANIZATION

Board of Executive Directors	Operating Divisions	
Ressort I **Dr. Jürgen F. Strube** Chairman		
Ressort II **Eggert Voscherau**	Fertilizers	**Dr. Andreas Kreimeyer** *(until May 31, 2000)*
	Agricultural Products	**Dr. Friedrich Vogel** **Hans-Walther Reiners** *(from January 1, 2001)*
	Fine Chemicals	**Dr. Christian Dudeck**
	Pharmaceuticals	**Dr. Thorlef Spickschen**
Ressort III **Max Dietrich Kley** Deputy Chairman	Coatings	**Klaus Peter Löbbe**
	Oil & Gas	**Herbert Detharding**
	Raw Materials Purchasing	**Wolfgang Mörike**
Ressort IV **Dr. Volker Trautz** **Dr. John Feldmann** (since May 1, 2000)	Styrenic Polymers	**Dr. Werner Prätorius**
	Engineering Plastics	**Dr. Ehrenfried Baumgartner**
	Polyurethanes	**Jean-Pierre Dhanis**
Ressort V **Helmut Becks** Ludwigshafen Site Director		
Ressort VI **Dr. Jürgen Hambrecht**	Industrial Chemicals	**Dr. Rainer Strickler** *(until May 31, 2000)*
	Petrochemicals & Inorganics	**Dr. Rolf Niess** *(until May 31, 2000)*
	Inorganics (since June 1, 2000)	**Dr. Rainer Strickler**
	Petrochemicals (since June 1, 2000)	**Dr. Rolf Niess**
	Intermediates	**Dr. Dietrich Lach**
Ressort VII **Peter Oakley**	Fiber Products	**Dr. Wolfgang Hapke**
Ressort VIII **Dr. Stefan Marcinowski** Research Executive Director	Dispersions	**Dr. Josef F. Kohnle** **Dr. Andreas Kreimeyer** *(since August 1, 2000)*
	Colorants	**Dr. Walter Gramlich**
	Specialty Chemicals	**Dr. Siegfried Riedmüller** **Dr. Walter Gramlich** *(from January 1, 2001)*

(As of January 1, 2001)

Regional Divisions	
Southern Europe	**José-Maria Bach**
Northern Europa	**Barry John Stickings**
Central Europe	**Dieter Thomaschewski**
Eastern Europe, Africa, West Asia	**Winfried Werwie**
East Asia	**Erich Binckli**
Japan	**Dr. Dietmar Nissen**
Southeast Asia / Australia *(until April 30, 2000, to Ressort IV)*	**Prof. Dr. Werner Burgert**
South America	**Dr. Rolf-Dieter Acker**
North America Chemicals	**Dr. Carl A. Jennings**
North America Coatings and Colorants	**Frank E. McKulka**
North America Polymers	**William J. Lizzi**
North America Consumer Products & Life Science	**Dr. Hans Kast** *(until June 30, 2000)*

Corporate and Functional Divisions	
Legal, Taxes & Insurance	**Dr. Eckart Sünner**
Planning & Controlling	**Dr. Elmar Frommer**
Corporate Development *(until April 30, 2000)*	**Dr. John Feldmann** *(Member of the Board of Executive Directors since January 1, 2000)*
Main Laboratory	**Prof. Dr. Werner Küsters**
Finance	**Dr. Eckhard Müller**
Polymers Laboratory	**Dr. Hans Uwe Schenck**
Corporate Engineering	**Dr. Axel Anderlohr**
Logistics & Information Services	**Bernd Flickinger** **Dr. Kurt Bock** *(since September 1, 2000)*
Human Resources	**Dr. Hans-Hermann Dehmel** **Knuth Henneke** *(from January 1, 2001)*
Environment, Safety & Energy	**Dr. Walter Seufert**
BASF AG Site Engineering	**Dr. Werner Wüchner**
Antwerp *(until April 30, 2000 to Ressort VI)*	**Dr. Antoon Dieusaert**
Ammonium Laboratory	**Dr. Dieter Degner**
North America Finance	**Dr. Kurt Bock** **Dr. Hans-Ulrich Engel** *(since August 1, 2000)*
Colorants Laboratory	**Dr. Gerhard Paul**

PRODUCTS

Our segments, operating divisions and their products

Chemicals

The operating divisions of this segment were restructured in 2000.

- **Petrochemicals**
  Petrochemical feedstocks such as ethylene, propylene, acetylene and benzene; industrial gases; plasticizers and plasticizer raw materials such as 2-ethylhexanol, isononanol and phthalic anhydride; oxygenated solvents such as butanol and dimethylformamide.

- **Inorganics**
  Basic chemicals such as methanol, ammonia, sulfuric acid and formaldehyde; inorganic specialties; melamine, glues and resins; catalysts and powder injection molding products; electronic grade chemicals such as hydroxylamine free base.

- **Intermediates**
  Amines, diols, carboxy and dyestuff intermediates, carboxylic acids and precursors for fine chemicals, such as ChiPros™.

- **Specialty Chemicals**
  Alkylene oxides, glycols, surfactants such as Plurafac®, complexing agents, detergent raw materials, automotive chemicals, fuel and lubricant additives, biocides and electroplating chemicals, waxes; dispersants such as Sokolan®.

Plastics & Fibers

- **Styrenic Polymers**
  Styrenic and styrene-based polymers such as polystyrene and Styrolux®; expandable polystyrene (Styropor®) and specialty foams such as Styrodur®, Neopolen®, Basotect® and Neopor®.

- **Engineering Plastics**
  Construction materials: Copolymers such as ABS (acrylonitrile-butadiene-styrene) and SAN (styrene-acrylonitrile), polyamides, polybutylene terephthalate (PBT), polyoxymethylene (POM), high-temperature thermoplastics. Ultramid®.

- **Polyurethanes**
  Basic polyurethane products: Polyols, isocyanates; polyurethane systems; polyurethane elastomers; polyvinyl chloride (in a joint venture with Solvay).

- **Fiber Products**
  Fiber intermediates such as caprolactam, adipic acid and hexamethylenediamine; nylon-based fibers and filaments.

- **Polyolefins**
  Operations with polyethylene and polypropylene are carried out by the organizationally independent subsidiary Basell.

Colorants & Finishing Products

- **Colorants**
  Dyes and process chemicals for textiles, leather and office use; pigments and specific pigment preparations; printing inks and printing plates for the graphics industry.

- **Dispersions**
  Acrylic acid and acrylates, acrylate and styrene/butadiene dispersions; raw materials for paints, coatings and glues; chemicals for the paper industry (polyvinylamine); superabsorbents.

- **Coatings**
  Automotive OEM and refinish coatings; industrial coatings; decorative paints.

Health & Nutrition

- **Fine Chemicals**
  Vitamins, carotenoids, nutraceuticals, amino acids, enzymes, organic acids; flavors and fragrances; UV absorbers (Uvinul®), specialty polymers and other fine chemicals for the pharmaceuticals, food and cosmetics industries; pharmaceutical active ingredients.

- **Agricultural Products**
  Crop protection products to control weeds (herbicides), plant diseases caused by fungi (fungicides), and to control insect pests (insecticides); growth regulators.

- **Pharmaceuticals (discontinued operations)**
  Drugs for treating thyroid insufficiency, obesity-related disorders, diseases of the cardiovascular and central nervous systems; analgesics.

Oil & Gas

Wintershall AG and its affiliates conduct the operations of our Oil & Gas segment, which include:

- the exploration and production of crude oil and natural gas;
- crude oil and natural gas trading, and
- the leasing of natural gas transportation and transport capacity.

BASF SITES

BASF owns and operates numerous production and manufacturing sites throughout the world. The principal offices of BASF Aktiengesellschaft are located in Ludwigshafen, Germany. In addition, BASF operates regional headquarters, sales offices, distribution centers and research and development facilities worldwide. The following is a list of BASF's significant production sites; this list makes no claim to completeness.

Major BASF production sites

Region/ Country	Site	Operating Division
Europe		
Germany	Ludwigshafen ①	Petrochemicals
		Inorganics
		Intermediates
		Specialty Chemicals
		Styrenic Polymers
		Engineering Plastics
		Fiber Products
		Colorants
		Dispersions
		Fine Chemicals
		Agricultural Products
	Besigheim	Colorants
	Cologne	Colorants
	Lemförde	Polyurethanes
	Minden	Fine Chemicals
	Münster-Hiltrup	Coatings
	Schwarzheide	Intermediates
		Styrenic Polymers
		Dispersions
		Engineering Plastics
		Polyurethanes
		Coatings
		Agricultural Products
	Stuttgart-Feuerbach	Colorants
	Willstätt	Colorants
Belgium	Antwerp ①	Petrochemicals
		Inorganics
		Intermediates
		Specialty Chemicals
		Styrenic Polymers
		Polyurethanes
		Fiber Products
		Dispersions
Denmark	Ballerup	Fine Chemicals
	Grenaa	Fine Chemicals

Region/ Country	Site	Operating Division
France	Clermont de l'Oise	Coatings
		Colorants
	Genay	Agricultural Products
	Gravelines	Agricultural Products
	Mitry-Mory	Polyurethanes
Italy	Bibbiano	Styrenic Polymers
	Burago	Coatings
	Cesano Maderno	Colorants
	Cinisello Balsamo	Colorants
	Villanova d'Asti	Polyurethanes
	Zingonia	Polyurethanes
The Netherlands	Apeldoorn	Dispersions
	Moerdijk	Polyurethanes
Spain	Guadalajara	Coatings
	Hospitalet	Colorants
	Rubi	Polyurethanes
	Tarragona [1]	Agricultural Products
		Petrochemicals
		Intermediates
		Styrenic Polymers
		Engineering Plastics
		Dispersions
United Kingdom	Alfreton	Polyurethanes
	Ashbourne	Fine Chemicals
	Cramlington	Fine Chemicals
	Seal Sands	Fiber Products
	Slinfold	Colorants
NAFTA		
Canada	Arnprior, Ontario	Fiber Products
	Windsor, Ontario	Coatings
Mexico	Altamira	Styrenic Polymers
		Engineering Plastics
		Colorants
		Dispersions
	Lerma	Polyurethanes
		Specialty Chemicals
	Tultitlán	Coatings

Region/ Country	Site	Operating Division
United States	Anderson, South Carolina	Fiber Products
	Beaumont, Texas	Agricultural Products
	Clemson, South Carolina	Fiber Products
		Polyurethanes
	Freeport, Texas [1]	Intermediates
		Engineering Plastics
		Fiber Products
		Dispersions
	Geismar, Louisiana [1]	Petrochemicals
		Intermediates
		Polyurethanes
		Speciality Chemicals
		Fine Chemicals
	Hannibal, Missouri	Agricultural Products
	Joliet, Illinois	Styrenic Polymers
	Monaca, Pennsylvania	Dispersions
	Morganton, North Carolina	Coatings
	Port Arthur, Texas [2]	Petrochemicals
	South Brunswick, New Jersey	Styrenic Polymers
	Wyandotte, Michigan	Styrenic Polymers
		Polyurethanes
		Engineering Plastics
		Fine Chemicals
South America		
Argentina	Buenos Aires	Polyurethanes
	General Lagos Rosario	Styrenic Polymers
		Colorants
		Dispersions
		Specialty Chemicals
	Tortuguitas	Coatings

Region/ Country	Site	Operating Division
Brazil	Camaçari	Intermediates
		Petrochemicals
	Guaratinguetá	Intermediates
		Styrenic Polymers
		Colorants
		Dispersions
		Agricultural Products
		Specialty Chemicals
	Paulina	Agricultural Products
	Resede	Agricultural Products
	São Bernardo do Campo	Coatings
		Polyurethanes
	São José dos Campos	Styrenic Polymers
Chile	Concon	Styrenic Polymers
		Dispersions
	Santiago	Styrenic Polymers
Asia-Pacific		
China	Caojing ③④	Polyurethanes
	Nanjing ④	Styrenic Polymers
	Nanjing ①③④	Petrochemicals
		Dispersions
		Specialty Chemicals
		Intermediates
	Shanghai ④	Colorants
		Fiber Products
		Coatings
		Dispersions
	Shenyang ④	Fine Chemicals

Region/ Country	Site	Operating Division
India	Mangalore	Colorants
		Dispersions
	Mumbai (Bombay)	Colorants
	Thane	Styrenic Polymers
		Colorants
		Specialty Chemicals
		Agricultural Products
Indonesia	Ceng Kareng ②③	Dispersions
Japan	Shinshiro	Polyurethanes
	Totsuka ③④	Coatings
	Yokkaichi	Intermediates
		Dispersions
		Fine Chemicals
		Polyurethanes
Korea	Kunsan	Fine Chemicals
	Ulsan	Intermediates
		Styrenic Polymers
		Engineering Plastics
		Polyurethanes
	Yeochun	Polyurethanes
Malaysia	Kuantan ①②④	Intermediates
		Dispersions
		Petrochemicals
	Pasir Gudang ④	Styrenic Polymers
		Engineering Plastics
	Shah Alam ④	Polyurethanes

On December 14, 2000, BASF signed an agreement with Abbott Laboratories Inc. for the sale to Abbott of BASF's pharmaceuticals business, subject to approval by regulatory authorities. The transaction is expected to be completed at the beginning of March 2001. Under U.S. GAAP, BASF's pharmaceuticals activities are to be classified as discontinued operations. The sites associated with this division are therefore listed separately here.

Discontinued Operations

Region/ Country	**Site**
Europe	
Germany	Ludwigshafen
	Uetersen
Italy	Liscate
Spain	Madrid
Switzerland	Liestal
	San Antonino
NAFTA	
Mexico	Mexico City
Puerto Rico	Jayuya
United States	Bishop, Texas
	Whippany, New Jersey
	Wyandotte, Michigan
South America	
Brazil	Jacarepagua/Rio de Janeiro
Columbia	Bogotá
Asia-Pacific	
India	Jejuri ④
	Goa ④
Japan	Katsuyama
Pakistan	Karachi

① Verbund site
② Under construction
③ Planned
④ Plant is owned; land is leased

BASF GROUP 10-YEAR SUMMARY

Million €	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Balance sheet										
Intangible assets	332	349	326	262	884	1,297	1,497	1,965	2,147	4,538
Tangible assets	7,480	7,779	9,061	8,177	7,873	8,217	9,076	10,755	12,416	13,641
Financial assets	865	1,511	987	1,057	1,338	2,093	2,132	1,826	1,507	3,590
Fixed assets	**8,677**	**9,639**	**10,374**	**9,496**	**10,095**	**11,607**	**12,705**	**14,546**	**16,070**	**21,769**
Inventories	3,301	3,450	3,230	3,202	3,439	3,665	3,876	3,703	4,028	5,211
Accounts receivable, trade	2,891	2,785	2,939	3,315	3,356	3,714	4,299	4,017	4,967	6,068
Other receivables	1,653	1,723	1,375	1,259	1,375	1,341	1,765	1,856	2,211	3,369
Receivables	4,544	4,508	4,314	4,574	4,731	5,055	6,064	5,873	7,178	9,437
Deferred taxes	–	–	38	66	61	69	45	1,077	1,225	1,270
Cash and cash items	2,637	2,330	2,679	3,042	3,166	1,957	1,846	1,503	1,508	870
Current assets[1]	**10,482**	**10,288**	**10,261**	**10,884**	**11,397**	**10,746**	**11,831**	**12,156**	**13,939**	**16,788**
Assets	**19,159**	**19,927**	**20,635**	**20,380**	**21,492**	**22,353**	**24,536**	**26,702**	**30,009**	**38,557**
Subscribed capital	1,457	1,458	1,495	1,559	1,559	1,580	1,590	1,595	1,590	1,555
Capital surplus	2,213	2,214	2,282	2,405	2,405	2,515	2,567	2,590	2,675	2,746
Paid-in capital	3,670	3,672	3,777	3,964	3,964	4,095	4,157	4,185	4,265	4,301
Retained earnings	3,769	3,740	3,901	4,316	5,275	6,262	7,418	8,695	9,002	8,851
Currency translation adjustments			–119	–232	–254	–129	201	39	549	662
Minority interests	44	44	82	92	181	248	255	331	329	481
Stockholders’ equity	**7,483**	**7,456**	**7,641**	**8,140**	**9,166**	**10,476**	**12,031**	**13,250**	**14,145**	**14,295**
Pensions and other long-term provisions	4,782	5,103	5,207	5,040	4,998	5,052	4,824	5,561	5,812	6,209
Tax and other short-term provisions	2,131	1,940	1,954	2,120	2,393	2,391	2,463	2,185	2,826	3,334
Provisions	6,913	7,043	7,161	7,160	7,391	7,443	7,287	7,746	8,638	9,543
Financial liabilities	2,007	2,537	2,742	1,857	1,448	1,042	1,126	1,316	1,294	7,892
Accounts payable, trade	1,648	1,479	1,433	1,531	1,417	1,628	1,972	1,871	2,316	2,848
Other liabilities	1,108	1,412	1,658	1,692	2,070	1,764	2,120	2,519	3,616	3,979
Liabilities	4,763	5,428	5,833	5,080	4,935	4,434	5,218	5,706	7,226	14,719
Total liabilities[1]	**11,676**	**12,471**	**12,994**	**12,240**	**12,326**	**11,877**	**12,505**	**13,452**	**15,864**	**24,262**
Stockholders’ equity and liabilities	**19,159**	**19,927**	**20,635**	**20,380**	**21,492**	**22,353**	**24,536**	**26,702**	**30,009**	**38,557**

[1] Including deferred taxes and other prepaid expenses

Million €	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Sales and earnings										
Sales	22,781	21,440	20,742	22,330	23,637	24,939	28,520	27,643	29,473	35,946
Income from operations	1,115	670	528	1,099	2,057	2,195	2,731	2,624	2,009	3,070
Income before taxes and minority interests	1,079	633	541	1,079	2,111	2,257	2,726	2,771	2,606	2,827
Income before minority interests	540	313	389	598	1,239	1,452	1,639	1,664	1,245	1,282
Net income	531	314	439	656	1,263	1,427	1,654	1,699	1,237	1,240
Capital expenditures and depreciation										
Additions to fixed assets	2,751	2,930	2,261	1,674	2,742	3,510	2,964	4,131	3,800	8,637
• *Thereof tangible assets*	*2,454*	*2,122*	*2,116*	*1,384*	*1,546*	*1,861*	*2,229*	*2,899*	*2,764*	*3,631*
Depreciation										
of fixed assets	1,771	1,810	1,709	2,239	1,885	1,874	2,048	2,280	2,681	2,921
• *Thereof tangible assets*	*1,624*	*1,707*	*1,623*	*2,059*	*1,707*	*1,606*	*1,732*	*1,843*	*2,018*	*2,245*
Number of employees										
• At year-end[1]	129,434	123,254	112,020	106,266	106,565	105,589	104,979	105,945	104,628	103,273
• Annual average[1]	130,328	126,028	117,368	107,716	107,320	108,266	105,885	106,928	107,163	105,784
Personnel costs	**5,757**	**5,712**	**5,507**	**5,313**	**5,531**	**5,637**	**5,790**	**6,010**	**6,180**	**6,596**
Key data										
Earnings per share (€)	0.93	0.55	0.76	1.10	2.07	2.32	2.67	2.73	2.00	2.02
Earnings per share										
in accordance with U.S. GAAP (€)								2.84	2.14	2.37
Cash provided by										
operating activities[2]	2,436	2,276	2,370	2,845	3,256	3,476	3,291	3,744	3,255	2,992
Return on sales										
(Income from operations										
as a percentage of sales)	4.9	3.1	2.5	4.9	8.7	8.8	9.6	9.5	6.8	8.5
Return on assets										
before income taxes										
and interest expenses (%)	7.1	4.7	3.9	6.5	11.2	11.4	12.6	11.9	10.2	9.9
Return on equity										
after taxes (%)	7.3	4.2	5.2	7.6	14.3	14.8	14.6	13.2	9.1	9.0
Appropriation of profit										
Net income of										
BASF Aktiengesellschaft	452	394	342	465	692	870	943	1,074	1,007	1,265
Transfer to retained earnings	102	102	102	153	256	332	307	381	304	50
Dividend	350	291	239	312	437	537	636	693	695	1,215
Dividend per share (€)	0.61	0.51	0.41	0.51	0.72	0.87	1.02	1.12	1.13	1.30
										+0.70[3]
Number of shares (in thousands)	**570,030**	**570,390**	**584,502**	**609,766**	**609,766**	**618,052**	**622,063**	**623,794**	**620,985**	**607,399**

1 From 1996 including employees with limited-term contracts
2 Until 1996 excluding changes in current assets
3 Special dividend of equity charged with 45% corporation tax

Statement of Financial Accounting Standards (SFAS) and U.S. GAAP
American standards that were passed by the Financial Accounting Standards Board (FASB) governing the preparation of annual reports. Together with the policies and recommendations of the U.S. Securities and Exchange Commission (SEC) and the American Institute of Certified Public Accountants (AICPA), the SFAS form the U.S. Generally Accepted Accounting Principles (U.S. GAAP). A company must comply with these standards to be quoted on stock exchanges in the United States. A reconciliation is provided in those instances in which German commercial law does not permit the use of these standards in BASF Group Consolidated Financial Statements (see Note 3).

Goodwill
Goodwill equals the excess of the purchase price of a participation or a business unit over the sum of the fair market values of the individual assets acquired. Goodwill is disclosed upon consolidation of an acquisition and shown as a line item in the BASF Group Consolidated Balance Sheets. In the event of the acquisition of a business, goodwill is shown directly in the Consolidated Financial Statements of the acquiring subsidiary.

Functional currency
The functional currency is the currency used to translate the financial statements of non-euro zone Group companies so that these companies can be included in the BASF Group Consolidated Financial Statements. The functional currency is defined for each individual Group company according to specific criteria:
– The euro is used as the functional currency if it has a strong influence on the business activities of a subsidiary, e.g. a subsidiary that sells products in Asia which are manufactured by BASF in Germany.
– The currency of a specific country is used as the functional currency if it has a major impact on the business activities of a subsidiary (raw materials purchasing, pricing). In the first case, the historical rate method is used for the translation: The assets and earnings of the subsidiary are shown as if the balance sheet had been prepared directly in euros. In the second case, the current rate method is used for the translation: Each change in the exchange rate results in a change in the subsidiary's assets in the Consolidated Financial Statements of BASF Group. The effects of rate changes are shown as "Currency translation adjustments" and reported as a line item in the Stockholders' equity. If such a subsidiary is sold, proceeds from the divestiture are recognized as both "Currency translation adjustments" and "Gains/losses from divestitures." Further details on currency translation adjustments are explained in Note 2 to BASF Group Consolidated Financial Statements in the section on "Translation of foreign currency financial statements."

Return on assets before income taxes and interest expenses
This describes the returns we make on the average assets employed during the year and is calculated as follows:

$$\frac{\text{Income before income taxes and minority interests + interest expenses}}{\text{Average assets*}} \times 100$$

$$\frac{\text{*(Balance sheet total start of year + year-end)}}{2}$$

Return on sales
The return on sales describes the returns we make from our operations as a percentage of sales and is calculated as follows:

$$\frac{\text{Income from operations}}{\text{Sales}} \times 100$$

Return on operational assets
The return on operational assets describes the returns made by an individual segment on its allocated assets and is calculated as follows:

$$\frac{\text{Income from operations of a segment}}{\text{Average operational assets*}} \times 100$$

$$\frac{\text{*(Start of year total + year-end total)}}{2}$$

Special items
Special items are one-off charges or income that have a significant effect on the earnings of a segment or the entire BASF group. In particular, special items include payments arising from restructuring measures such as severance payments, costs associated with the closure of production plants or for the remediation of soil contamination. Other special items might involve profits or losses from the divestiture of business units, product groups or other significant business activities, unscheduled write-downs due to long-term value impairments on fixed assets, costs of integrating newly acquired business units including the one-time effect from the sale of inventories taken over as part of an acquisition and revalued on the basis of their market value as well as significant charges arising from litigation and claims for damages, for example from anti-trust proceedings that do not come under the category of normal risks from warranty obligations.

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Forward-looking statements

This report contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, 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 in BASF's Form 20-F filed with the Securities and Exchange Commission. We do not assume any obligation to update the forward-looking statements contained in this report.

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Publisher:
BASF Aktiengesellschaft
Central Department Communications
67056 Ludwigshafen
Germany

Design: Charles Barker GmbH,
Frankfurt (Main), Germany

Illustrations: Mark Tellok, Montreal, Canada

Photographs: Vera Friederich, Wiesbaden, Germany

This report was printed with K+E printing inks on paper produced using BASF paper-finishing products and colorants.

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Important dates

March 14, 2001
- Financial Results 2000

April 26, 2001
- Annual Meeting, Mannheim
- Interim Report First Quarter 2001

August 7, 2001
- Interim Report Second Quarter 2001

November 13, 2001
- Interim Report Third Quarter 2001

March 14, 2002
- Financial Results 2001

April 30, 2002
- Annual Meeting
- Interim Report First Quarter 2002

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