

Publisher:  
BASF Aktiengesellschaft  
Public Relations &  
Market Communications  
67056 Ludwigshafen  
Germany

Photos:  
Horst Hamann, New York

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

## 1999 Annual Report



Moving successfully  
and independently  
into the new millennium

**For further information:**

Corporate Media Relations:  
Michael Grabicki  
Tel.: +49 621 60-99938  
Fax: +49 621 60-20129

Investor Relations:  
Carolin Weitzmann  
Tel.: +49 621 60-48230  
Fax: +49 621 60-22500

Internet:  
<http://www.basf.de/geschaeftsbericht>  
<http://www.basf.de/annual-report>

**BASF**

ZOAC 0001 E-0399

**BASF**

## Contents

- 2** Letter from the Chairman of the Board of Executive Directors
- 4** Report of the Supervisory Board
- 6** BASF shares
- 8** Board of Executive Directors

### Management's Analysis

- 10** Sales, earnings and appropriation of profit
- 12** Regions
- 14** BASF sites

### Segments

- 16** Composition of segments
- 18** Chemicals
- 22** Plastics & Fibers
- 26** Colorants & Finishing Products
- 30** Health & Nutrition
- 34** Oil & Gas

### 38 Environment, safety and energy

### 40 Employees

### 42 Research & Development

### 46 Portfolio management: acquisitions, divestitures and cooperations

### 48 Finance

### 50 Outlook

### Financial Report

- 52** Statement by the Board of Executive Directors
- 53** Report of Independent Auditors
- 54** BASF Group Consolidated Financial Statements  
Consolidated Statements of Income
- 55** Consolidated Balance Sheets
- 56** Consolidated Statements of Changes in  
Stockholders' Equity
- 57** Consolidated Statements of Cash Flows
- 58** Notes to the BASF Group Consolidated  
Financial Statements
- 84** Board of Executive Directors, Division Presidents  
and organization
- 86** Supervisory Board
- 88** 10-year summary

## BASF

### 1999 Annual Report

Presented to the 48th Annual Meeting on Thursday, April 27, 2000, 10:00 a.m., at BASF Feierabendhaus, Leuschnerstrasse 47, Ludwigshafen am Rhein, Germany.

This report was finalized on March 1, 2000, and published on March 15, 2000.

A copy of the BASF Group 1999 Annual Report and the BASF Aktiengesellschaft Financial Statements can be obtained by contacting the Public Relations & Market Communications Department (ZOA/GI) at:

BASF Aktiengesellschaft  
67056 Ludwigshafen  
Germany

Tel.: +49 621 60-0

Fax: +49 621 60-42525

E-mail: [info.service@basf-ag.de](mailto:info.service@basf-ag.de)

Internet:

<http://www.basf.de/mediaorders>

## BASF Group

Million €	1999	1998	Change in %
Sales	<b>29,473</b>	27,643	6.6
Income from operations	<b>2,009</b>	2,624	-23.4
Income before taxes and special items	<b>2,795</b>	2,572	8.7
Income before taxes and minority interests	<b>2,606</b>	2,771	- 5.9
Net income	<b>1,237</b>	1,699	-27.1
Cash provided by operating activities	<b>3,255</b>	3,744	-13.0
Capital expenditures	<b>3,253</b>	3,722	-12.6
Research and development expenses	<b>1,333</b>	1,309	1.8
Dividend of BASF Aktiengesellschaft	<b>702</b>	693	1.3
Dividend per share (€)	<b>1.13</b>	1.12	0.9
Number of employees (December 31)	<b>104,628</b>	105,945	-1.2

## Segments

Sales in million €	1999	1998	Change in %
Chemicals	<b>4,393</b>	4,255	3.2
Plastics & Fibers	<b>8,533</b>	7,573	12.6
Colorants & Finishing Products	<b>6,395</b>	6,188	3.3
Health & Nutrition	<b>5,602</b>	5,097	9.9
Oil & Gas	<b>3,051</b>	2,685	13.6
Other*	<b>1,499</b>	1,845	-18.7
	<b>29,473</b>	27,643	6.6

Income from operations in million €	1999	1998	Change in mill. €
Chemicals	<b>698</b>	922	- 224
Plastics & Fibers	<b>640</b>	539	101
Colorants & Finishing Products	<b>608</b>	642	- 34
Health & Nutrition	<b>- 588</b>	383	- 971
Oil & Gas	<b>741</b>	276	465
Other*	<b>- 90</b>	-138	48
	<b>2,009</b>	2,624	- 615

## Regions (location of customer)

Sales in million €	1999	1998	Change in %
Europe	<b>17,041</b>	16,672	2.2
• <i>Thereof Germany</i>	<b>7,147</b>	7,011	1.9
North America (NAFTA)	<b>6,765</b>	6,249	8.2
South America	<b>1,837</b>	1,640	12.0
Asia, Pacific Area, Africa	<b>3,830</b>	3,082	24.2
	<b>29,473</b>	27,643	6.6

\* Sales and earnings of the fertilizers business and of other businesses, as well as expenditures, earnings and assets not allocated to the segments



en des  
beim  
elden.



BASF is a return-focused global company occupying a leading position in the chemical industry. Chemicals are the foundation of our continuous long-term growth. We are further expanding our businesses in health & nutrition and are strengthening our oil & gas operations in Europe and other markets.

We offer our customers a range of high-performance products, including innovative and high-value-added chemicals, plastics, colorants, automotive and industrial coatings, crop protection agents, pharmaceuticals and fine chemicals as well as crude oil, natural gas and petrochemicals.

Our comprehensive chemical and technological know-how as well as our customer-focused and future-oriented research ensure the development of new products and improved processes. These activities are all supported by our Verbund, BASF's highly developed approach to integration, which is one of the company's greatest strengths.

Our operations are guided by the principles of Sustainable Development.

*BASF is strengthening its position in butanediol, which is used to manufacture elastomeric fibers, for example. Capacity expansions, such as the one at our site in Ludwigshafen, Germany (photo), and new plants in the United States and Asia will secure BASF's position in this market.*



We are leading the company successfully and independently into the new millennium – with our own unique identity.



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

Dear shareholders and friends of BASF:

For the chemical industry, 1999 was a turbulent year full of challenges. We recognized these challenges as opportunities and made further advances toward increasing the company's value through profitable growth:

- We significantly increased sales and earnings before special items.
- Our share price rose by about 60 percent.
- We are reshaping our portfolio and taking advantage of the rapid changes in our industry.

Today, we are more successful and in a position of greater strength.

Actively managing our portfolio is one of our most important business tasks. We constantly review the profitability and growth potential of all our operations. Our long-term future will include only those operations that meet our high earnings requirements and can occupy a leading position in their markets or offer profitable growth.

We are consistently implementing our clearly defined strategy by:

- taking advantage of opportunities and expanding our leading market and technological position in growth areas,
- strengthening our cyclically resistant businesses, and
- seeking cost and technological leadership in our businesses that are sensitive to cyclical factors.

This strategy can be seen in important decisions we made last year. For example, we reached an agreement to create a joint venture with Shell to establish one of the world's largest polyolefin manufacturers. We reorganized our colorants operations, vigorously expanded our activities in acrylates and superabsorbers, and we signed a memorandum of understanding to build a petrochemical Verbund site in Nanjing, China.

The capital markets recognized our consistent efforts to improve the company with a significant increase in our share price.

Our operations performed well in a difficult global environment. Sales rose 6.6 percent and income from operations before special items climbed 16 percent.

Substantial special items incurred during 1999, however, reduced our earnings. We had to pay significant fines and made provisions for claims for damages related to violations of antitrust laws in the vitamins business.

My fellow Executive Directors and I regret these violations. They are contrary to BASF's business principles. We have learned from this incident and have implemented a number of measures, including a worldwide employee training program and internal audits, to ensure that nothing like this happens again.

We are leading BASF into the new millennium as a successful and independent company. We want to maintain BASF's own unique identity. Crucial to this identity is our Verbund. To me, Verbund means more than just being cost-efficient and creating value by integrating production plants. It also means people of different disciplines and educational backgrounds cooperating across organizational and geographical boundaries. Verbund is a major factor in ensuring our success.

Our business has improved noticeably in recent months, and all indicators point to this trend continuing. We have prepared our company to benefit from the economic upswing. As a result, we will achieve good earnings in 2000 and beyond.

I would like to extend my sincere appreciation to our employees, who once again demonstrated their high level of commitment. I would also like to thank you, our shareholders, for placing your confidence in us, and also thank our business partners for their valuable cooperation. We see all of this as confirmation that we are on the right track.

Yours sincerely,

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

We acknowledge Germany's historical and moral responsibility. This is why BASF is among the founding members of the initiative "Remembrance, Responsibility and the Future." Together with the German federal government, German industry wants to provide compensation to those who suffered injustice as forced laborers under the National Socialist regime. BASF will make a significant contribution to this initiative.

# Report of the Supervisory Board



Professor Dr. Berthold Leibinger  
Chairman of the Supervisory Board

## Dear shareholders:

Once again in 1999, our company operated against a background of many changes, some of them far-reaching. BASF sees this process of change as an opportunity to shape its future and create conditions to generate 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. The Supervisory Board actively accompanied this continuing process of change.

The Supervisory Board carefully and regularly monitored company management during the year. To this end, the Board of Executive Directors provided the Supervisory Board with detailed information at meetings as well as through written and oral reports. The topics included the progress and profitability of the company and its major subsidiaries, the company's policies and corporate planning. This also included 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 business events.

## Meetings and committees

The Supervisory Board met five times during 1999. At least 19 of the 20 members attended each of these meetings.

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, votes were taken at the Supervisory Board meetings. The Supervisory Board gave its consent to a total of six measures or proposals.

We also obtained detailed reports from three of the company's division presidents on the current situation and prospects in their respective businesses.

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. Each of these committees was made up of equal numbers of representatives elected by shareholders and employees. The Personal Affairs Committee met twice in 1999. 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 1999, 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 binding 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 in 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 results of our own examination fully concur with those of the audit. The Supervisory Board sees no grounds for objection to the management of the company or the Financial Statements presented.

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

Dr. Hans Albers, Chairman of the Supervisory Board, died on October 14, 1999, at the age of 74. Dr. Hans Albers guided the Supervisory Board for nine years with exceptional skill, tireless commitment and great integrity. He drew on his profound knowledge of BASF as a former Chairman of the Board of Executive Directors as well as his experience in the chemical industry. We mourn the passing of a great person.

## Dr. Hans Albers †

*Dr. Hans Albers, Chairman of the Supervisory Board of BASF Aktiengesellschaft, died on October 14, 1999. He was 74 years old.*

*He devoted his creative energies to the company for more than four decades and left his mark on BASF.*

*Hans Albers was born in 1925 in Lingen, Germany. After studying chemistry, he joined BASF in 1953. In 1974, he was appointed to the Board of Executive Directors. From 1980 to 1982, he was responsible for the company's operations in North America and became the first member of BASF's Board of Executive Directors to be based abroad.*

*In 1983, he was appointed Chairman of the Board of Executive Directors, and he became Chairman of the Supervisory Board in 1990. Hans Albers was determined to expand BASF into an international company, extensively developing BASF's activities in the United States and setting its sights on Asia.*

*Hans Albers always maintained personal contact with the employees of "his" BASF. His open-minded nature and modesty were particularly beloved by employees, and he was known for his exceptional professional talents as well as his charisma that accompanied his unflinching commitment.*

*We mourn the loss of a great person. His name will be inseparably linked to our company.*

To replace Dr. Hans Albers, the Supervisory Board elected one of its members, Professor Dr. Berthold Leibinger, to be the new Chairman. Professor Dr. Marcus Bierich, Chairman of the Supervisory Board of Robert Bosch GmbH, was newly appointed to the Supervisory Board. The District Court of Ludwigshafen am Rhein approved his appointment on October 15, 1999, made in a joint application by the Supervisory Board and the Board of Executive Directors. Professor Dr. Bierich had previously been a member of the Supervisory Board until May 19, 1998.

As of April 30, 1999, Lothar Hick and Gerhard Sebastian left the Supervisory Board and were replaced by Günter Klein and Konrad Manteuffel, who had been elected by employees as replacement members.

With effect from January 1, 2000, the Supervisory Board appointed Dr. John Feldmann to the Board of Executive Directors. Dr. Volker Trautz will leave the Board of Executive Directors as of May 1, 2000, to become head of the new polyolefin joint venture between BASF and Shell.

Ludwigshafen, March 7, 2000

The Supervisory Board

Professor Dr. Berthold Leibinger  
Chairman of the Supervisory Board

# BASF shares – an attractive, high-yielding investment



### Inclusion in the Dow Jones EURO STOXX 50<sup>sm</sup> index

Since August 1999, BASF shares have been included in the Dow Jones EURO STOXX 50<sup>sm</sup>, one of the most important European share indexes. This index is comprised of the 50 companies with the highest market capitalization in countries within the euro zone.

### Good share price performance

BASF shares rose by about 60 percent during 1999, performing significantly better than the Dow Jones EURO STOXX 50<sup>sm</sup> index and Germany's DAX index. Our share price reached a record high of € 52.20 in December and ended the year at € 51.90. BASF shares, including the per share dividend payment of € 1.12, yielded a performance in 1999 of 64 percent compared with only a 39 percent return for the DAX index and a 49 percent return for the Dow Jones EURO STOXX 50<sup>sm</sup> index.

### Dividend remains high

BASF shares, when measured by dividend yield, continue to occupy a leading position among DAX shares. The Board of Executive Directors and the Supervisory Board are proposing to the Annual Meeting a dividend payment for 1999 of € 1.13 per share, virtually unchanged over 1998. Based on the 1999 year-end share price of € 51.90, BASF's dividend yield was 2.2 percent. In addition to the dividend, shareholders subject to German income or corporation tax will receive a tax credit of € 0.48, increasing their dividend yield to 3.1 percent.

### Attractive long-term investment

A shareholder who made a single investment of € 10,000 (about DM 20,000) in BASF shares five years ago and reinvested dividends (excluding tax credits) in additional BASF shares would have increased the value

of the holding to € 37,177 by the end of 1999. This is equivalent to an annual return of 30 percent compared with a 27 percent return for the DAX index.

### Stock option program and employee share purchase program

BASF employees and executives are benefiting from the company's success. Since April 1999, we have offered a stock option program to approximately 1,200 BASF Group executives; more than 80 percent of those eligible have already participated by investing a portion 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. Other employees of BASF companies in Germany (see page 41) can participate in the new "plus" employee share purchase program, giving them an attractive opportunity to invest in BASF.

### Share buy-back

We are increasing the value of BASF shares through our stock repurchase program. In January 1999, after clarification of German tax laws, BASF was one of the first German companies to buy back shares. We repurchased 7.9 million shares during 1999 at an average price of € 32.37, reducing stockholders' equity by canceling the shares. We intend to continue buying back shares when appropriate.

### Preparing for New York Stock Exchange listing

We plan to list our American Depositary Receipts (ADRs) on the New York Stock Exchange in June 2000, a move that will emphasize the global orientation of BASF, broaden our shareholder base and create strategic room for maneuver, particularly in the United States. We have

adapted our Annual Report to make it more consistent with U.S. accounting standards.

### Delisting from stock exchanges

In Europe, we have delisted our shares on the Amsterdam, Brussels and Vienna stock exchanges, and we have started the delisting process in Paris. With increasing European integration and the introduction of the euro, we do not believe it is necessary to list BASF shares on a number of European stock exchanges. We have also withdrawn our shares from trading on the Tokyo Stock Exchange. BASF shares remain listed on the major international stock exchanges in Frankfurt, London and Zurich.

### Reporting in euros

This is BASF's first Annual Report in euros. Quarterly reports in 1999 were already in euros.

### Information on BASF shares

Our Investor Relations staff informs investors and financial analysts actively and openly about company developments.

Tel.: +49 621 60 48230  
Fax: +49 621 60 22500  
E-Mail: [investorrelations@basf-ag.de](mailto:investorrelations@basf-ag.de)

Further information can be found on the Internet at <http://www.basf.de/share>

### Key BASF share data

	1999	1998
Number of shares as of December 31		
Million shares	621*	624
Per share information in €		
Dividend	1.13	1.12
Dividend with tax credit	1.61	1.60
Earnings per share	2.00	2.73
Earnings per share according to U.S. GAAP	2.14	2.84
Cash provided by		
operating activities	5.27	6.02
Stockholders' equity	22.26	20.71
Year-end share price	51.90	32.49
High	52.20	47.50
Low	30.19	29.81

\* Number of shares still to be issued for the exercise of stock warrants: 9 million

### Dates

#### April 27, 2000

- Annual Meeting, Ludwigshafen
- First quarter report 2000

#### April 28, 2000

- Conference call for investors and analysts

#### August 8, 2000

- Media conference call
- International analysts' conference, London
- Second quarter report 2000

#### November 9, 2000

- Fall news conference
- International analysts' conference
- Third quarter report 2000

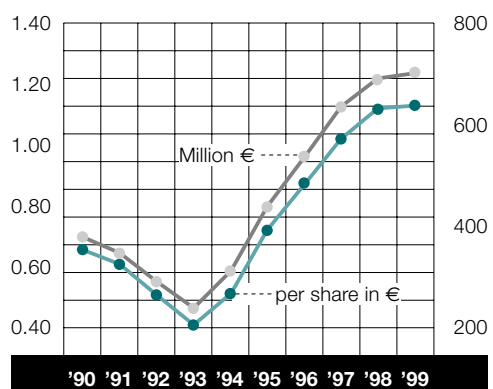
#### March 14, 2001

- Annual news conference, Ludwigshafen
- International analysts' conference, Ludwigshafen
- Publication of 2000 Annual Report

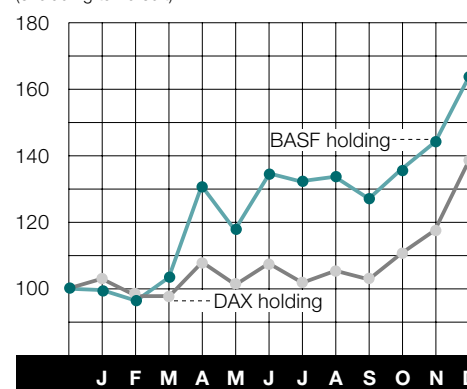
#### April 26, 2001

- Annual Meeting
- First quarter report 2001

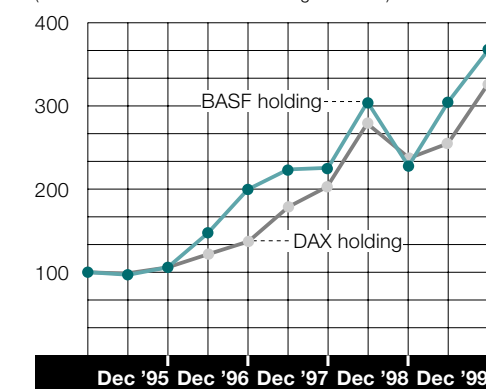
### Dividend payments to our shareholders



### Change in value of an investment in BASF shares in 1999 (excluding tax credit)



### Change in value of an investment in BASF shares 1995-1999 (with dividends reinvested excluding tax credit)





Our aim is profitable growth.



**Dr. Jürgen F. Strube**



**Max Dietrich Kley**



**Helmut Becks**



**Dr. John Feldmann**



**Dr. Jürgen Hambrecht**



**Dr. Stefan Marcinowski**



**Peter Oakley**



**Dr. Volker Trautz**



**Eggert Voscherau**

**Board of Executive Directors**

**Dr. Jürgen F. Strube**, 60, Chairman since 1990, lawyer. With BASF for 31 years.

**Max Dietrich Kley**, 60, Deputy Chairman, lawyer. With BASF for 31 years. Responsible for the Finance, Oil & Gas, Coatings, and Raw Materials Purchasing divisions as well as the Eastern Europe, Africa, West Asia division.

**Helmut Becks**, 55, physicist. With BASF for 28 years. Responsible for the Human Resources; Engineering; Ludwigshafen Site Engineering; Environment, Safety & Energy; Logistics; Corporate Information Services & Communications Technology; and Occupational Medicine & Health Protection divisions as well as the BASF Schwarzheide site. Also responsible as of May 1, 2000, for the BASF Antwerp site.

**Dr. John Feldmann**, 51, chemist. With BASF for 12 years. Board member since January 1, 2000. Responsible as of May 1, 2000, for the Styrenic Polymers, Engineering Plastics, and Polyurethanes divisions as well as the Polymers Laboratory.

**Dr. Jürgen Hambrecht**, 53, chemist. With BASF for 24 years. Responsible for the Petrochemicals & Inorganics, Industrial Chemicals, and Intermediates divisions as well as the Ammonia Laboratory. Responsible until April 30, 2000, for the BASF Antwerp site. Also responsible as of May 1, 2000, for the East Asia, Japan, and Southeast Asia/Australia divisions.

**Dr. Stefan Marcinowski**, 47, chemist. With BASF for 21 years. Research Executive Director and responsible for the Dispersions, Colorants, and Specialty Chemicals divisions as well as the Colorants Laboratory.

**Peter Oakley**, 47, economist. With BASF for 23 years. Responsible for the Fiber Products division as well as BASF's businesses in North and South America.

**Dr. Volker Trautz**, 55, chemist. With BASF for 26 years. Based in Singapore. Responsible until April 30, 2000, for the Styrenic Polymers, Engineering Plastics, and Polyurethanes divisions as well as the Polymers Laboratory and the East Asia, Japan, and Southeast Asia/Australia divisions. Future head of the BASF-Shell polyolefin joint venture.

**Eggert Voscherau**, 56, economist. With BASF for 34 years. Responsible for the Pharmaceuticals, Crop Protection, Fine Chemicals, and Fertilizers divisions as well as the Main Laboratory and the Northern, Southern, and Central Europe divisions.



After a difficult first six months of 1999, business gained momentum during the remainder of the year. Income from operations before special items climbed 16 percent and income before taxes and special items rose nine percent. Special items required high financial expenditures, but proceeds from the divestiture of non-strategic businesses largely offset these expenses.

### Sales

The business climate improved considerably during the year and growth returned to Asia in particular. Demand, already at a high level, increased worldwide, but depressed sales prices only began to improve slightly at the end of the year. We succeeded, however, in raising sales volumes by 5.8 percent. BASF Group sales totaled € 29.473 billion, an increase of € 1.830 billion, or 6.6 percent, over 1998.

The increase resulted from the following changes:

	Million €	%
Volumes	1,597	5.8
Prices	-1,078	-3.9
Currency	442	1.6
Scope of consolidation	869	3.1
	1,830	6.6

Sharply higher crude oil prices significantly increased sales of the Oil & Gas segment, contributing 1.3 percentage points to the improvement in BASF Group sales.

Portfolio changes and additions to the scope of consolidation contributed € 869 million, or 3.1 percentage points, to the higher sales. Acquisitions were responsible for adding € 627 million in sales compared with 1998, while divestitures reduced sales by € 331 million. The inclusion of companies consolidated for the first time added sales of € 573 million, or 2.1 percentage points of the increase.

### Earnings

Price increases at the end of the year were not sufficient to compensate for the sharp rise in raw material costs; as a result, pressure on margins continued. Nonetheless, our income from operations before special items climbed 15.6 percent. The main contributor was the large earnings increase in the Oil & Gas segment. Higher sales volumes and cost-cutting measures, as well as improvements in efficiency in all segments, stabilized earnings.

### Sales and earnings

Million €	1999	1998
Sales	<b>29,473</b>	27,643
Income from operations	<b>2,009</b>	2,624
Financial result	<b>597</b>	147
Income before taxes		
and minority interests	<b>2,606</b>	2,771
Income taxes	<b>-1,361</b>	-1,107
Minority interests	<b>-8</b>	35
Net income	<b>1,237</b>	1,699

### Earnings before special items

Million €	1999	1998
Income from operations		
before special items	<b>2,950</b>	2,553
Special items	<b>-941</b>	71
Income from operations	<b>2,009</b>	2,624
Financial result before special items	<b>-155</b>	19
Special items	<b>752</b>	128
Financial result	<b>597</b>	147
Income before taxes		
and special items	<b>2,795</b>	2,572
Net special items	<b>-189</b>	199
Income before taxes		
and minority interests	<b>2,606</b>	2,771

Income from operations after special items fell 23.4 percent to € 2.009 billion. We were burdened with high special items of more than € 700 million 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 as well as to largely settle lawsuits in the United States involving the thyroid drug Synthroid®. Some of these settlements still require court approval.

Additional charges arose from site closures – especially in Colombia, the United Kingdom and Belgium – and from unscheduled write-downs on intangible assets of the lysine business we acquired. These charges totaled € 310 million.

We received income of € 980 million from the sale of businesses and holdings, which is reflected in the financial result and income from operations.

Income tax expenses rose 22.9 percent over last year, mainly due to higher non-deductible taxes on increased crude oil production as well as to the reduction in deferred tax assets and liabilities resulting from changes in tax rates. As a result, net income was € 1.237 billion, down 27.2 percent from the previous year.

### Proposed appropriation of profit

BASF Aktiengesellschaft<sup>1</sup> achieved net income of € 1.007 billion, of which € 304 million was allocated to retained earnings and € 703 million to profit retained. The Board of Executive Directors and the Supervisory Board are proposing to the Annual Meeting on April 27, 2000, a dividend payment of € 1.13 per qualifying share. The tax credit for entitled shareholders is € 0.48 per share. If shareholders approve this proposal, the dividend payable on 620,984,640 shares qualifying for a dividend will be € 702 million. We propose that the remaining profit retained of € 1 million be carried forward.

<sup>1</sup>The auditors have approved the Financial Statements of BASF Aktiengesellschaft free of qualification. The Financial Statements are published in the Federal Gazette and filed at the Commercial Registry of Ludwigshafen (Rhine) HRB 3000. A reprint may be obtained by contacting:

BASF Aktiengesellschaft  
67056 Ludwigshafen, Germany  
Tel.: +49 621 60-0, Fax: +49 621 60-42525  
E-mail: info.service@basf-ag.de  
Internet: <http://www.basf.de/mediaorders>

We increased sales in all regions, achieving double-digit sales growth in Asia and South America and more than an eight percent gain in North America. Sales in Europe met expectations, rising a good two percent. Income from operations before special items improved despite higher raw material costs and intense price pressure.

For 2000, we want to increase sales and earnings in all regions. We have greatly improved our competitiveness and will further optimize our portfolio.

## Successful in all regions

### European business thriving

In Europe, our most important market, sales rose 2.2 percent. After a weak start, business improved significantly during the second half. Margins, however, remained unsatisfactory.

The Chemicals segment's sales declined slightly in Europe, while the Plastics & Fibers segment's sales expanded substantially. Sales in the Health & Nutrition segment increased, particularly in the Pharmaceuticals division due to expansions in the scope of consolidation. Crop protection product sales, however, fell short of the previous year's levels due to the weather but in total remained at a high level. Sales improved in the Colorants & Finishing Products segment, especially in the Coatings and Dispersions divisions.

Our European companies improved their income from operations before special items by 9.6 percent and contributed 70 percent to BASF's adjusted earnings. The rapid implementation of our cost-cutting program began to make a positive impact in 1999.

For 2000, we want to generate higher sales and improve earnings while also benefiting from a more favorable economic climate.

Our European organization has been realigned to create marketing units with Europe-wide responsibilities. We are improving delivery times by adding regional distribution centers and developing customized logistics solutions. E-commerce, the trading of goods and services through new media, is becoming increasingly an additional purchasing and distribution channel for our company. We see great opportunities to streamline our business processes and become even closer to our customers.

### Growth continues in North America

Our sales last year in North America (the United States, Canada and Mexico) rose 8.3 percent. On a U.S. dollar basis, sales rose almost four percent. All segments contributed to this increase, in part due to acquisitions. The Health & Nutrition segment exhibited particularly strong growth, posting a sales increase of nearly 14 percent. Declining sales prices, especially in the Chemicals and Plastics & Fibers segments, dampened sales growth.

Income from operations before special items fell slightly to € 578 million. The Health & Nutrition segment again made the largest contribution to earnings. Both the Colorants & Finishing Products and the Plastics & Fibers segments improved earnings. The Chemicals segment again achieved a high level of earnings, but reported lower income than in 1998 due to pressure on sales

prices and higher raw material costs. The impact of our cost-cutting program to reduce fixed costs helped offset this decline.

We remain on course for continued growth. During each quarter of the next two years, we will begin operating a new large chemical plant in North America to strengthen our market position and improve our cost structure.

### Expansion in South America despite economic crisis

Our business in South America developed satisfactorily, with sales rising 12 percent despite the region's economic stagnation. A major factor for this increase was the first-time consolidation of the natural gas business of Wintershall Energía S.A. of Argentina.

Brazil overcame its financial crisis more quickly than expected, and the economy is now set for growth. Thanks to the introduction of new products, the Health & Nutrition segment's business developed well throughout the region. Our polystyrene business and natural gas operations both profited from significantly positive price developments.

Income from operations before special items improved considerably, mainly due to the contribution of the natural gas business. Foreign exchange losses were also lower than in 1998; we had already made provisions in our 1998 financial results for expected exchange rate losses resulting from the overvaluation of the Brazilian real.

In Brazil, we want to expand our market position through capital expenditures. We are building a butyl acrylate plant and plan to manufacture superabsorbers. In addition, we are expanding our polystyrene and EPS production capacities in 2000 to strengthen our market position.

### Significant improvement in Asia

Our sales in Asia rose 24.3 percent, with all segments – particularly Health & Nutrition and Plastics & Fibers – contributing to the growth.

The improvements in our business were spurred by the swift economic recovery in Korea. We improved our sales substantially in this country, particularly by adding new production capacity for ABS plastics and PolyTHF®.

In China, sales surged 42 percent. Higher sales in Japan were due mainly to a higher valuation of the yen.

We increased income from operations before special items one-and-a-half times over 1998 and we will build on this success in 2000.

In China, negotiations to build a new Verbund site in Nanjing and an MDI/TDI site in Shanghai are proceeding as planned. These sites are scheduled to begin operations in 2004/2005. Construction of the Verbund site in Kuantan, Malaysia, is making rapid progress. We are also strengthening BASF's position through the creation of BASELL Eastern, a joint venture in Singapore between BASF and Shell that manufactures styrene and propylene oxide.

### Capital expenditures worldwide

In 1999, we invested worldwide € 2.764 billion in tangible assets and € 489 million in intangible assets (figures include additions from acquisitions). The 1999 spending level was a decline of 12.6 percent from the record year of 1998 when we made extensive acquisitions.

We invested 49 percent of our capital expenditures in tangible and intangible assets in Germany and another 11 percent in the rest of Europe. The percentage of capital expenditures at our sites in North America continued to increase, rising from 29 percent to 34 percent of worldwide spending. South America accounted for 2.5 percent, while the Asia, Pacific Area, Africa region received 3.5 percent of worldwide capital expenditures. The percentage of worldwide capital expenditures for the Asia, Pacific Area, Africa region does not include investments for the Verbund site in Kuantan, Malaysia, because it has not yet been consolidated. We made € 153 million available for the Kuantan site in 1999.

Following the high capital expenditures in 1998 and 1999, we plan to invest about € 2.5 billion in tangible assets in 2000.

Customers in more than 170 countries know and trust BASF products and services. We operate production sites in 38 countries. We are aware of our responsibility as a transnational company operating in countries with different political, economic and social environments and conduct our business accordingly.

Regions	Sales based on location of customer			Sales based on location of company			Income from operations		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Million €									
Europe	<b>17,041</b>	16,672	17,441	<b>19,119</b>	18,508	19,897	<b>1,258</b>	2,033	2,302
• Thereof Germany	<b>7,147</b>	7,011	7,352	<b>12,718</b>	12,188	13,558	<b>542</b>	1,301	1,555
North America (NAFTA)	<b>6,765</b>	6,249	5,966	<b>6,783</b>	6,210	5,940	<b>481</b>	515	350
South America	<b>1,837</b>	1,640	1,676	<b>1,484</b>	1,305	1,275	<b>126</b>	16	72
Asia, Pacific Area, Africa	<b>3,830</b>	3,082	3,437	<b>2,087</b>	1,620	1,408	<b>144</b>	60	7
	<b>29,473</b>	27,643	28,520	<b>29,473</b>	27,643	28,520	<b>2,009</b>	2,624	2,731

\* Investments in tangible and intangible assets

Regions	Income from operations before special items			Capital expenditures*			Assets		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Million €									
Europe	<b>2,060</b>	1,880	2,434	<b>1,950</b>	2,214	1,447	<b>18,744</b>	17,842	17,005
• Thereof Germany	<b>1,278</b>	1,112	1,672	<b>1,595</b>	1,840	1,073	<b>12,959</b>	12,313	12,062
North America (NAFTA)	<b>578</b>	593	443	<b>1,105</b>	1,092	888	<b>7,062</b>	5,478	5,309
South America	<b>160</b>	21	72	<b>83</b>	69	56	<b>1,438</b>	1,065	1,045
Asia, Pacific Area, Africa	<b>152</b>	59	25	<b>115</b>	347	173	<b>2,765</b>	2,317	1,177
	<b>2,950</b>	2,553	2,974	<b>3,253</b>	3,722	2,564	<b>30,009</b>	26,702	24,536

Further information about the regions can be found in the Notes to the BASF Group Consolidated Financial Statements on page 65.



# Major BASF production sites

## Europe

Country	Site	Operating Division	Country	Site	Operating Division		
<b>Germany</b>	Ludwigshafen ①	Petrochemicals & Inorganics Fertilizers Industrial Chemicals Intermediates Specialty Chemicals Styrenic Polymers Engineering Plastics Fiber Products Colorants Dispersions Fine Chemicals Crop Protection	<b>Denmark</b>	Ballerup	Fine Chemicals		
	Besigheim	Colorants		Grenaa	Fine Chemicals		
	Cologne	Colorants		<b>France</b>	Berre	Polyolefins	
	Cologne-Knapsack	Polyolefins	Clermont de l'Oise		Coatings Colorants		
	Frankenthal	Styrenic Polymers	Fos		Polyolefins		
	Frankfurt	Polyolefins	Lillebonne		Polyolefins		
	Lemförde	Polyurethanes	Mitry-Mory		Polyurethanes		
	Ludwigshafen	Pharmaceuticals	Notre-Dame-de-Gravenchon	Polyolefins			
	Minden	Pharmaceuticals	<b>Italy</b>	Bibbiano	Styrenic Polymers		
	Münchsmünster	Polyolefins		Burago	Coatings		
	Münster-Hiltrup	Coatings		Cesano Maderno	Coatings Colorants Dispersions		
	Schwarzheide	Intermediates Styrenic Polymers Dispersions Engineering Plastics Polyurethanes Coatings Crop Protection		Cinisello Balsamo	Colorants		
	Stuttgart-Feuerbach	Colorants		Liscate	Pharmaceuticals		
	Uetersen	Pharmaceuticals	Villanova d'Asti	Polyurethanes			
	Wesseling	Polyolefins Styrenic Polymers	Zingonia	Polyurethanes			
	Willstätt	Colorants	<b>Netherlands</b>	Apeldoorn	Dispersions		
	<b>Belgium</b>	Antwerp ①		Petrochemicals & Inorganics Fertilizers Industrial Chemicals Intermediates Specialty Chemicals Styrenic Polymers Engineering Plastics Polyurethanes Fiber Products Dispersions	Moerdijk ②	Polyurethanes	
					Rozenburg	Polyolefins	
			<b>Spain</b>		Guadalajara	Coatings	
Hospitalet					Colorants		
<b>Switzerland</b>			Liestal		Pharmaceuticals	Madrid	Pharmaceuticals
						Rubi	Polyurethanes
						Tarragona ①	Crop Protection Industrial Chemicals Intermediates Styrenic Polymers Engineering Plastics Polyolefins Dispersions
<b>United Kingdom</b>	Alfreton	Polyurethanes	San Antonino	Pharmaceuticals			
					Carrington	Polyolefins	
					Seal Sands	Fiber Products	
					Slinfold	Colorants	
					Wilton	Polyolefins	

## North America

Country	Site	Operating Division
<b>Canada</b>	Blackie, Alberta	Polyurethanes
	Toronto, Ontario	Polyurethanes
	Windsor, Ontario	Coatings
<b>Mexico</b>	Altamira	Styrenic Polymers Engineering Plastics Colorants Dispersions
	Lerma	Polyurethanes Specialty Chemicals
	Mexico City	Pharmaceuticals
	Tultitán	Coatings

## United States

Anderson, South Carolina	Fiber Products
Beaumont, Texas	Crop Protection
Bishop, Texas	Pharmaceuticals
Carrollton, Texas	Polyurethanes
Clemson, South Carolina	Fiber Products Polyurethanes
Freeport, Texas ①	Industrial Chemicals Intermediates Styrenic Polymers Engineering Plastics Fiber Products Dispersions
Geismar, Louisiana ①	Petrochemicals & Inorganics Industrial Chemicals Intermediates Polyurethanes Specialty Chemicals
Joliet, Illinois	Styrenic Polymers
Monaca, Pennsylvania	Dispersions
Morganton, North Carolina	Coatings
Port Arthur, Texas ②	Petrochemicals & Inorganics
Shreveport, Louisiana	Pharmaceuticals
South Brunswick, New Jersey	Styrenic Polymers
Whippany, New Jersey	Pharmaceuticals
Wyandotte, Michigan	Styrenic Polymers Polyurethanes Engineering Plastics Fine Chemicals

## South America

Country	Site	Operating Division
<b>Argentina</b>	Buenos Aires	Polyurethanes
	General Lagos Rosario	Styrenic Polymers Colorants Dispersions Specialty Chemicals
	Tortuguitas	Coatings
<b>Brazil</b>	Camaçari	Industrial Chemicals Intermediates
	Guaratinguetá	Industrial Chemicals Intermediates Styrenic Polymers Colorants Dispersions Crop Protection Specialty Chemicals

## South America

Country	Site	Operating Division
<b>Brazil (cont'd)</b>	Jacarepagua/Rio de Janeiro	Pharmaceuticals
	São Bernardo do Campo	Coatings Polyurethanes
	São Jose dos Campos	Styrenic Polymers

Country	Site	Operating Division
<b>Chile</b>	Concon	Industrial Chemicals Styrenic Polymers Dispersions
	Santiago	Styrenic Polymers

## Asia Pacific

### China

Country	Site	Operating Division
<b>China</b>	Caojing ③	Polyurethanes
	Nanjing	Styrenic Polymers
	Nanjing ①, ③	Petrochemicals & Inorganics Industrial Chemicals Polyolefins Dispersions Specialty Chemicals Intermediates
	Panju ③	Polyurethanes
	Shanghai	Colorants Fiber Products Coatings Dispersions

Country	Site	Operating Division
<b>India</b>	Goa	Pharmaceuticals
	Mangalore	Colorants Dispersions
	Mumbai (Bombay)	Pharmaceuticals
	Thane	Styrenic Polymers Colorants Specialty Chemicals

### Indonesia

<b>Indonesia</b>	Ceng Kareng	Dispersions
------------------	-------------	-------------

Country	Site	Operating Division
<b>Japan</b>	Katsuyama	Pharmaceuticals
	Shinshiro	Polyurethanes
	Totsuka ③	Coatings
	Yokkaichi	Intermediates Colorants Polyurethanes Fine Chemicals

Country	Site	Operating Division
<b>Korea</b>	Kunsan	Fine Chemicals
	Ulsan	Intermediates Styrenic Polymers Engineering Plastics Polyurethanes
	Yeochun	Polyurethanes

Country	Site	Operating Division
<b>Malaysia</b>	Kuantan ①, ②	Industrial Chemicals Intermediates Dispersions Petrochemicals & Inorganics
	Pasir Gudang	Styrenic Polymers Engineering Plastics
	Shah Alam	Polyurethanes

① Verbund site, ② Under construction, ③ Planned



# Our segments, operating divisions and their products



## Chemicals

**Petrochemicals & Inorganics** Mainly for captive use: petrochemical feedstocks such as ethylene, propylene and benzene; organic and inorganic basic chemicals such as methanol, acetylene, ammonia and sulfuric acid as well as inorganic specialties; catalysts.

**Industrial Chemicals** Plasticizers and plasticizer raw materials such as 2-ethylhexanol, phthalic anhydride and higher oxo alcohols; oxygenated solvents such as butanol; glues and impregnating resins, formaldehyde and melamine.

**Intermediates** Amines, diols, polyalcohols, carboxy and dyestuff intermediates, carboxylic acids and precursors for fine chemicals.

**Specialty Chemicals** Alkylene oxides, glycols, surfactants, complexing agents, detergent raw materials, automotive chemicals, fuel and lubricant additives, biocides and electroplating chemicals.

**Fertilizers** Straight nitrogen fertilizers, compound fertilizers of the Nitrophoska® line, specialty fertilizers and COMPO® products for plant care in the home and garden as well as commercial gardening and landscaping. (At the end of 1999, sales, earnings and assets were transferred to "Other".)



## Plastics & Fibers

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

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

**Polyurethanes** Basic polyurethane products: polyols and isocyanates; polyurethane systems; polyurethane elastomers; polyvinyl chloride (as of January 1, 1999, in a joint venture with Solvay).

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

**Polyolefins** Organizationally independent subsidiaries carry out these operations:

- Polyethylene: Elenac (joint venture with Shell, BASF share 50 percent)
- Polypropylene: Targor (until December 1999 joint venture with Hoechst/Celanese, BASF share now 100 percent)

We are incorporating these subsidiaries into a joint venture with Shell.



## 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; dyes and process chemicals for the paper industry; superabsorbers.

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



## Health & Nutrition

**Pharmaceuticals** Drugs for treating thyroid insufficiency, obesity-related disorders, diseases of the cardiovascular and central nervous systems; analgesics; pharmaceutical active ingredients.

**Fine Chemicals** Vitamins, carotenoids, nutraceuticals, amino acids, enzymes, organic acids; flavors and fragrances; UV absorbers and specialty polymers and other fine chemicals for the pharmaceuticals, food and cosmetics industries.

**Crop Protection** Crop protection products to control weeds (herbicides) and plant diseases caused by fungi (fungicides); growth regulators.



## 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,
- the leasing of natural gas transportation and storage capacity,
- until the end of 1999: oil refining at the Emsland refinery in Lingen, Germany, and
- until the end of 1999: petroleum product marketing.

Segments	Sales			Income from operations			Income from operations before special items		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Chemicals	4,393	4,255	4,471	698	922	1,089	735	903	1,095
Plastics & Fibers	8,533	7,573	7,395	640	539	368	638	520	450
Colorants & Finishing Products	6,395	6,188	6,540	608	642	480	682	623	528
Health & Nutrition	5,602	5,097	4,587	-588	383	348	408	391	457
Oil & Gas	3,051	2,685	3,198	741	276	473	603	257	500
Other**	1,499	1,845	2,329	-90	-138	-27	-116	-141	-56
	29,473	27,643	28,520	2,009	2,624	2,731	2,950	2,553	2,974

\* Investments in tangible and intangible assets

\*\* Sales and earnings of the fertilizers business and of other businesses as well as expenditures, earnings and assets not allocated to the segments

Segments	Income from operations before special items and depreciation			Capital expenditures*			Assets		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Chemicals	1,209	1,355	1,479	763	587	490	4,050	3,354	3,142
Plastics & Fibers	1,230	1,071	870	998	746	673	6,811	4,957	4,397
Colorants & Finishing Products	1,082	1,002	880	324	348	256	4,343	3,981	4,052
Health & Nutrition	1,030	925	869	281	1,002	398	5,174	4,882	4,006
Oil & Gas	883	495	711	524	505	322	3,003	2,622	2,503
Other**	-21	-49	27	363	534	425	6,628	6,906	6,436
	5,413	4,799	4,836	3,253	3,722	2,564	30,009	26,702	24,536

Further information about the segments can be found in the Notes to the BASF Group Consolidated Financial Statements on page 64.



Plant supervisor Wolfgang Remmet and his colleagues ensure that the PolyTHF® plant runs smoothly at our site in Ludwigshafen, Germany. The product is processed into elastomeric fibers that are used to manufacture products such as pantyhose and swim- and sportswear.

The Chemicals segment's sales rose slightly to € 4.4 billion, while income from operations before special items fell to € 735 million due to a drop in sales prices during the first half of the year and considerably higher raw material prices in the second half.

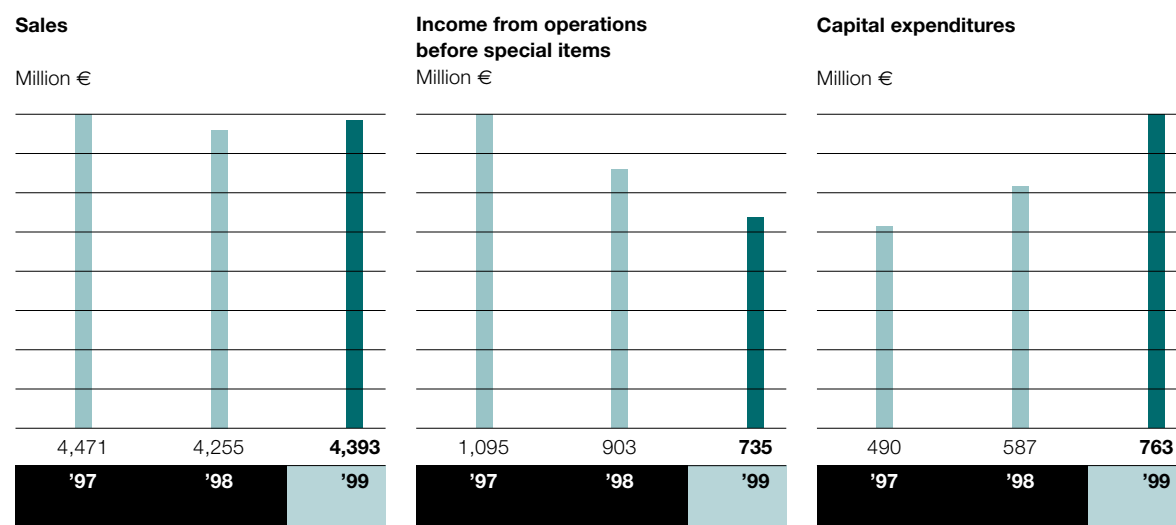
Lower sales prices in the first half of the year were due mainly to oversupply caused by weak global demand. Business improved considerably worldwide during the second half. Sales prices improved slightly, but they could not fully compensate for higher raw material costs.

For 2000, we want to increase sales and improve earnings. We are expanding our Verbund, investing in innovative products, constructing new plants in growth markets such as Asia and North America and are reinforcing our already healthy global position.

We restructured our fertilizers business at the end of 1999. We sold our COMPO® business in specialty fertilizers for the home and garden to K+S Aktiengesellschaft, which in the future will also market our agricultural fertilizers. As a result, the sales, earnings and remaining assets of the Fertilizers division were transferred from Chemicals to "Other" at the end of 1999, and the 1998 figures have been adjusted accordingly.

Excellence in chemistry and technology, a highly developed Verbund and a strong presence in the world's markets form the basis for the success of our **Chemicals** segment.

**From pantyhose to cable sheathing:** PolyTHF® (polytetrahydrofuran) offers a wide range of possible applications. But these elastomeric fibers look good in more than just swimwear and tracksuits. As a precursor for plastics such as thermoplastic polyurethanes, it can also be found in the door panels of automobiles as well as in sports equipment such as inline skates and ski boots. BASF is the only supplier of PolyTHF® with its own production facilities in every important industrial region. With plants in Ludwigshafen, Germany; Geismar, Louisiana; Yokkaichi, Japan; and Ulsan, Korea, our annual total PolyTHF® capacity in 2000 will be approximately 84,000 metric tons. Further capacity expansions are planned in Europe and Asia.





**Sales by divisions**

Million €	1999	1998
Petrochemicals & Inorganics	747	734
Industrial Chemicals	765	752
Intermediates	1,472	1,441
Specialty Chemicals	1,409	1,328
<b>Chemicals</b>	<b>4,393</b>	<b>4,255</b>

**Petrochemicals & Inorganics capacities fully utilized**

The vast majority of products in our Petrochemicals & Inorganics division are manufactured for captive use, with sales to third parties accounting for about 30 percent of the division's total sales when including intersegment transfers.

Prices for naphtha, the feedstock for our steamcrackers, rose sharply in 1999, which eroded our cracker margins and depressed earnings. In the course of the year, however, olefin prices rose and unsatisfactory margins improved, especially in the fourth quarter.

Due to strong demand from external customers and from within BASF, our plants operated at full capacity.

Sales of inorganic chemicals to external customers improved noticeably during the second half of the year. Our catalyst products sold to third parties achieved double-digit growth rates in both sales and earnings.

We are strengthening our existing Verbund structures and building new Verbund sites by making substantial capital expenditures. These investments, which are being made at a time of steady improvement in the global economy, will increase our earnings in 2000, especially for petrochemical products. We expect crude oil prices to fall during the second half of the year.

**Industrial Chemicals improvement in sight**

The Industrial Chemicals division's sales rose approximately two percent in 1999. Sales volumes increased slightly, particularly in the growth markets of the Americas and Asia. We maintained our existing position in our core market of Europe. Earnings declined due to ongoing price pressure.

Business in 1999 was characterized by excess production capacity and intensified competition in virtually all product lines. The price erosion that had started in 1998 continued during the first half of 1999. Melamine was particularly affected, and, as a result, some of our glue and impregnating resin products. Price increases helped improve margins from mid-1999 in the plasticizers business.

For 2000, we expect volumes, sales and earnings to rise.

Efficient manufacturing is crucial to profitability in our large-volume products. Amid tougher competition, we will achieve or expand cost leadership by producing in world-

scale plants based on leading-edge technologies that are integrated into our Verbund sites. To this end, we will close three small formaldehyde plants at our Ludwigshafen site and replace them with the world's largest formaldehyde plant, which is scheduled to begin operations in 2001.

We are strengthening our global presence in plasticizers and solvents by building plants at our sites in Kuantan, Malaysia, and Nanjing, China.

**Intermediates set for expansion**

In 1999, we demonstrated our strength in chemical intermediates in fiercely contested markets. Although the chemical industry's economic climate was weak at the start of the year, we improved our sales volumes and market position. The Intermediates division's sales once again rose slightly.

The division's earnings remained good in 1999 but failed to reach the previous year's level. For 2000, we want to achieve higher sales and earnings.

New diol suppliers entered the market in 1999, putting heavy pressure on prices worldwide. We strengthened our market position, however, through our expansion program and by making structural improvements. In 1999, we built new plants or expanded capacities at our sites in the United States, Korea and Ludwigshafen, Germany. We are equipped to achieve above-average growth in our products used in the growing markets for specialty plastics, powder and waterborne coatings, acrylates and organic peroxides.

In our carboxy and dyestuff intermediates business, we achieved higher sales and earnings despite competitive pressures. We have entered new application areas that we expect will further improve our global market position in 2000.

Prices recovered in the carboxylic acids business, and we expect sales and earnings to further increase in 2000.

Sales in the amines business rose due to new major customers in the gas scrubber and coatings businesses. We recorded particularly strong demand for aMDEA<sup>®</sup>, aniline, ethanolamines, ethyleneamines and isophoronediamine. Demand for our innovative products, such as optically active amines, also increased.

**Specialty Chemicals gains strength**

After a modest start in 1999, the Specialty Chemicals division's business picked up steadily as the year progressed. Sales rose six percent, particularly due to new products such as polymeric concrete fluidizers and newly acquired complexing agent operations. Earnings remained steady at the previous year's levels.

Monoethylene glycol prices began improving in mid-1999 due to rising demand. A recovery in eastern Asia followed the upward trend in western industrialized markets. We took advantage of increased demand in Asia, particularly

for specialties such as electroplating chemicals, concrete additives and polyethylene waxes.

For 2000, we want to achieve higher sales and earnings. We are expanding production capacity at our Verbund sites, reaffirming our strategy to strengthen cyclically resilient product lines within our important value-adding chains.

In our nonionic surfactant operations, we strengthened our market positions in North America and Europe. We are building a new plant in Geismar, Louisiana, and last year we acquired BP Amoco's European polyethylene glycol business.

Our European and U.S. production capacities for ethylene oxide and ethylene glycols were again fully utilized in 1999. Demand for polyester fibers, and particularly strong demand for PET packaging and bottles, is underpinning the need for these products. We plan to build an ethylene oxide/ethylene glycol plant at our site in Nanjing, China.

By acquiring the engine coolant business of the French company Acia, we are strengthening our business with major automotive manufacturers. We increased production capacity at our propylene glycol plant in Germany to meet growing demand.

In the strongly contested gasoline additives market, we did well with our polyisobutene-based products and increased our market share for lubricant additives. Our plants are operating at full capacity.

**Fertilizers business sold**

At the end of 1999, we sold our COMPO<sup>®</sup> business in specialty fertilizers for the home and garden to K+S Aktiengesellschaft, which also took over the marketing and sales of agricultural fertilizers manufactured by BASF. This transaction will allow us to concentrate on the manufacture of fertilizers within our Verbund.

In 1999, excess production capacity and enormous price declines for agricultural fertilizers characterized the fertilizers market. Despite these difficult conditions, we performed well and increased sales volumes. We also achieved higher sales and improved earnings in the COMPO<sup>®</sup> specialty fertilizers business.

**Chemicals capital expenditures**

Capital expenditures remained high in 1999 and were € 763 million, a 30 percent increase over 1998. The main capital expenditures were as follows:

**Europe**

At our site in Ludwigshafen, Germany, we began operating new plants to manufacture alkylene carbonate and hydroxylamine. We expanded production capacity for sodium methylate, methylamines, butylamines and dimethylacetamide. Starting in mid-2000, production capacity for chloroformates as well as acid and alkyl chlorides will be increased. We have started building new plants to manufacture dimethylhexanediol and trimethylolpropane and are expanding capacity for formaldehyde, butanediol and optical-active intermediates.

At our site in Antwerp, Belgium, an aromatics extraction unit within the steamcracker was completed at the end of the year. We are expanding production capacity for ethyleneamines.

At our site in Tarragona, Spain, we are constructing a plant together with SONATRACH to manufacture propylene by dehydrogenating propane.

**North America**

At our site in Geismar, Louisiana, we started operating a new acetylene plant and are expanding production capacity for butanediol and PolyTHF<sup>®</sup>. Capacity expansions for nitrobenzene, aniline, ethylene oxide and ethylene glycol are under construction. At our site in Freeport, Texas, we are building a new plant to manufacture hexanediol and caprolactone. The neopentylglycol plant at this site will be replaced by a larger unit in 2002. We are also building the world's largest steamcracker in a joint venture with TOTALFINA in Port Arthur, Texas. The steamcracker is scheduled to begin operations in the second quarter of 2001. In another new joint venture at the Port Arthur site, BASF and its partners Shell and TOTALFINA plan to build the world's largest butadiene extraction plant.

**Asia**

At our site in Ulsan, Korea, a new plant for butanediol and tetrahydrofuran began operations at the end of 1999. A capacity expansion project at the site's PolyTHF<sup>®</sup> plant will be completed during the first quarter of this year.

At our site in Kuantan, Malaysia, we are building plants with our partner Petronas to manufacture syngas, oxo alcohols, phthalic anhydride and plasticizers. These plants are to begin operations in 2001. Plants to manufacture butanediol and formic acid are scheduled to begin operations in 2002.

At our site in Yokkaichi, Japan, a new plant to manufacture N-methylpyrrolidone (NMP) will be completed by mid-2000.

In Nanjing, China, we intend to build a Verbund site with our Chinese partners.





We will be among the best global competitors in plastics and fibers with leading-edge technology and low costs.

In the Plastics & Fibers segment, sales rose nearly 13 percent to € 8.5 billion, in part due to operations acquired in 1998 and 1999. Income from operations before special items climbed € 118 million to € 638 million.

For 2000, we will further increase sales and earnings on a comparable basis.

A key success for our plastics business is our ability to use state-of-the-art technology in world-scale plants to achieve cost leadership; we translate this ability into a strong market position. In addition to building new plants and expanding existing capacities, we place special importance on partnerships.

BASF and Shell plan to combine their subsidiaries Elenac, Targor and Montell to create one of the world's largest polyolefin companies. Formation of the new joint venture, in which BASF and Shell will each hold a 50 percent ownership stake, is subject to approval by antitrust authorities. For reporting purposes, BASF intends to account for the new joint venture on an equity basis, meaning that sales, earnings and assets from BASF's polyolefin operations will be eliminated from the segment.

In addition to realigning our polyolefin activities, we began implementing in 1999 capital expenditures for extensive structural improvements that will continue in 2000. We are modernizing old plants and building new ones in Europe, North America and Asia.

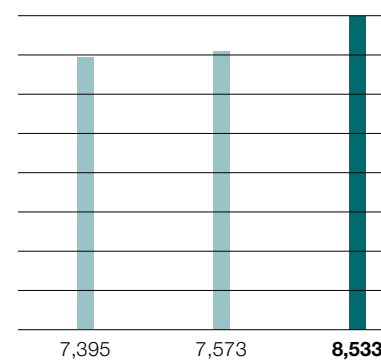
Through these measures, we are making good progress toward achieving our goal of technology and cost leadership. At the same time, we are implementing our strategy of achieving profitable growth in all important economic regions.

These simple-looking foam boards being stacked by Rüdiger Hahn at our site in Ludwigshafen, Germany, have a dual purpose: The BASF plastic Basotect® provides sound as well as heat insulation. It can be found in the stations of the Paris Metro.



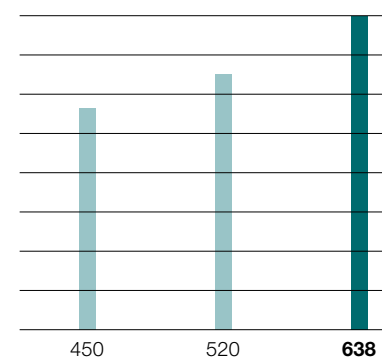
**Sales**

Million €



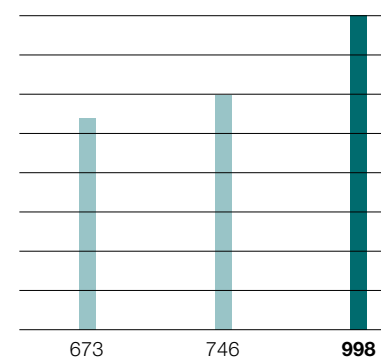
**Income from operations before special items**

Million €



**Capital expenditures**

Million €



Reducing background noise to a tolerable level is one of the jobs that the BASF plastic Basotect® performs. This flexible melamine resin foam is used wherever sound insulation is a primary concern, so Basotect® is just as much at home in the Paris Metro as in loud factories, airports and sound studios. Basotect® is increasingly being used for sound insulation in luxury vehicles. In addition, Basotect® has another advantage: The plastic not only keeps unwelcome noise within limits but also provides good thermal insulation.



**Sales by divisions**

Million €	1999	1998
Styrenic Polymers	<b>1,827</b>	1,666
Engineering Plastics	<b>1,276</b>	1,062
Polyurethanes	<b>2,157</b>	1,946
Fiber Products	<b>1,193</b>	1,180
Polyolefins	<b>2,080</b>	1,719
<b>Plastics &amp; Fibers</b>	<b>8,533</b>	<b>7,573</b>

**Styrenic Polymers restructuring and expanding**

Our Styrenic Polymers division almost reached the earnings level of the previous year despite continuing price pressure. The division achieved this result mainly through volume increases and advances in productivity.

Global sales volumes of polystyrene and styrene were at a high level. The division's earnings improved after a weak start to 1999, due in part to rising prices during the second half. We were particularly successful in Asia and South America.

Sales volumes of Styropor® rose worldwide thanks to higher demand. Margins, however, remained unsatisfactory during the year as a whole. As a result, we are modernizing our plants, particularly in Europe and the United States.

Styrodur® and all our other product lines for specialty foams were successful. Since 1999, the only Styrodur® sales in Germany have been Styrodur® C, which is foamed using environment-friendly carbon dioxide. This product now accounts for more than 60 percent of our total sales volumes of Styrodur® in Europe.

In 2000, demand for styrenic polymers will rise in all regions and, as a result, we will further increase our sales volumes.

We implement cost-cutting measures on an ongoing basis to increase productivity. The globalization of our business continues, and we are strengthening our operations in Asia and Latin America, regions with above-average growth. Our goal remains cost leadership and we will improve earnings in 2000.

**Engineering Plastics stronger worldwide**

The Engineering Plastics division made rapid progress, especially during the second half of 1999. The capacity utilization of our plants was high due to increased sales volumes. The division's sales rose 20 percent, with sales volumes growing at an even faster rate. Sales prices fell

compared to the previous year, but earnings increased due to improved cost structures and expansion of our business.

We strengthened our global market position in styrenic copolymers. We successfully integrated DSM's ABS plastics business, which we acquired in spring 1999. Our large-scale ABS plant in Korea reached full capacity during its second year of operation. In the Ultraplast polymers unit, compounding plants for nylon and polyester began operations at the end of 1999 in Malaysia and the United States.

For 2000, we will expand our styrenic polymers business. Following the startup of our new copolymers plant in Mexico, we are the first producer to supply identical products worldwide based on local production. We are constantly optimizing our manufacturing processes to increase productivity and further improve earnings.

**Polyurethanes increases productivity**

In the Polyurethanes division, sales increased nearly 11 percent. Sales volumes rose, while prices fell. In addition to a notable improvement in Europe, we benefited from a strong market recovery in Asia. We improved on the previous year's good earnings.

For 2000, we will further increase sales. We will also improve earnings even though raw material costs are rising and price increases for our products will be difficult to implement.

In Europe, we improved productivity and made good progress toward achieving cost leadership. The construction of world-scale plants for isocyanates in the United States will help us achieve this goal. We are building a propylene oxide plant in Singapore with Shell to expand our supply of basic products in Asia.

Effective January 1, 1999, we placed our PVC activities in the Solvin joint venture with Solvay of Belgium. BASF has a 25 percent ownership stake and Solvay a 75 percent stake. This venture shows that we are expanding our Verbund beyond our own manufacturing plants to improve our earning power.

**Fiber Products earnings up**

The Fiber Products division's sales rose noticeably and earnings improved significantly.

We offset declining textile fiber sales in North America, which were caused by price pressure, by increasing sales volumes of textile intermediates. In Europe and Asia, sales of fiber intermediates used to manufacture nylon 6,6 remained at the previous year's level, but sales of intermediates for nylon 6 rose noticeably.

Prices for caprolactam, the intermediate for nylon 6, fell to an all-time low at the beginning of the year. Growing demand starting in mid-1999 led to a recovery in prices for fiber intermediates, first in Asia and then Europe. The higher sales volumes led to better earnings in these regions; in North America, earnings rose more significantly because we were able to reduce fixed costs.

For 2000, sales will rise slightly and we want to noticeably improve earnings. Demand in Asia and Europe will probably stabilize, and we expect rising caprolactam prices to improve earnings in this division.

We are now examining the possibility of building a fiber products plant on our own or with a partner after abandoning plans for a joint venture with DuPont. We want to use a new cost-effective process developed by us and based on butadiene to manufacture nylon 6 and nylon 6,6 and their intermediates. It is more cost-efficient than the previous process and generates no by-products.

**Defined Polyolefins strategy**

In our Polyolefins division, we want to achieve economies of scale through acquisitions and mergers as well as by building large-scale, state-of-the-art plants in order to become a leading low-cost producer. We made progress toward this goal through a series of measures that included Elenac, our polyethylene joint venture, integrating the Hostalen operations that it acquired from Hoechst in early 1999. We also bought Celanese's stake in our polypropylene joint venture Targor and are building two large-scale polyethylene plants that will begin operations in 2000. In polypropylene, we began building a large-scale plant at our site in Tarragona, Spain. The division also made good progress in implementing cost-cutting programs.

The Polyolefins division raised sales 21 percent and reported a large increase in earnings, as our own measures and improved market conditions offset a steep rise in raw material prices. For 2000, we are optimistic; we expect to achieve higher earnings.

We are still awaiting antitrust approval for the proposed joint venture with Shell that will merge the companies Elenac, Montell and Targor.

**Plastics & Fibers capital expenditures**

In 1999, worldwide capital expenditures of the Plastics & Fibers segment were € 998 million. The main capital expenditures were as follows:

**Europe**

At our site in Ludwigshafen, Germany, we are modernizing the polystyrene production plants as well as our nylon 6 production and compounding plants.

At our site in Schwarzheide, Germany, we are building a new TDI plant and expanding production capacity for PBT in our joint venture with General Electric.

At our site in Wilton, England, Targor began operating a new plant to manufacture polypropylene compounds. At our site in Tarragona, Spain, Targor began building a new polypropylene homopolymers plant.

At our site in Wesseling, Germany, Elenac streamlined its polyethylene production and is building a new plant for high-density polyethylene. At our site in Berre, France, a new plant for low-density polyethylene is under construction.

At our site in Antwerp, Belgium, we are expanding production capacities of the polyetherols plant and the nylon 6 polymerization unit. We are also restructuring our polystyrene plant.

**North and South America**

In the United States, we expanded our site in Wyandotte, Michigan, for compounding engineering plastics and finished expanding the caprolactam plant at our site in Freeport, Texas. At our site in Geismar, Louisiana, we are building an additional plant to manufacture MDI and intend to replace the existing TDI plant with a new one. At our site in Anderson, South Carolina, we are expanding and modernizing our textile fibers production plants. In Theodore, Alabama, we will expand our production capacity for POM in mid-2000.

In the first quarter of 2000, we started up a new styrene copolymers plant at our site in Altamira, Mexico.

At our site in Guaratinguetá, Brazil, we are expanding our Styropor® production capacity.

**Asia**

At our site in Pasir Gudang, Malaysia, we successfully started up new compounding plants for engineering plastics.

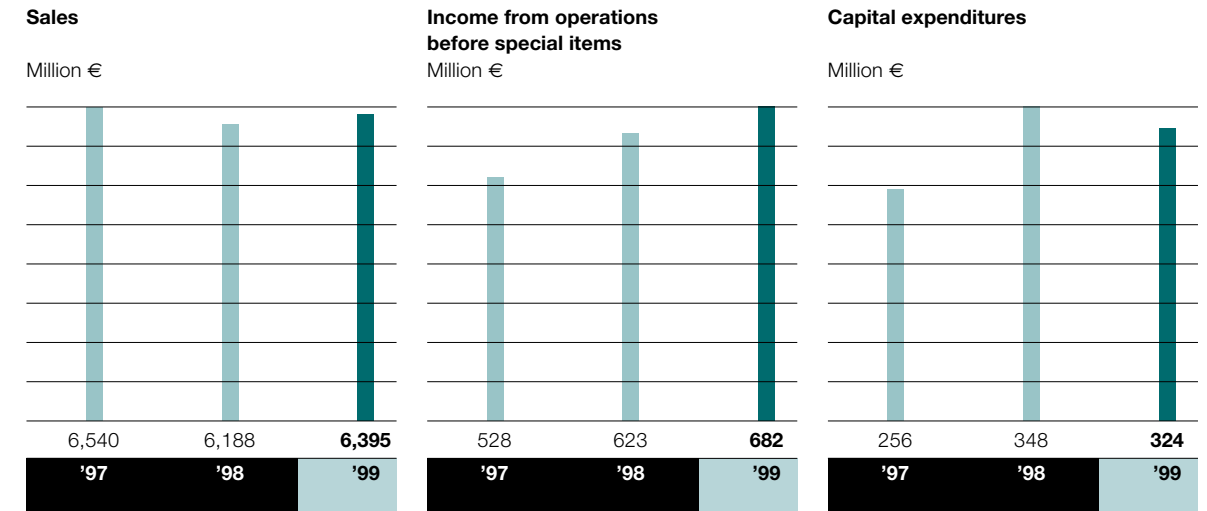
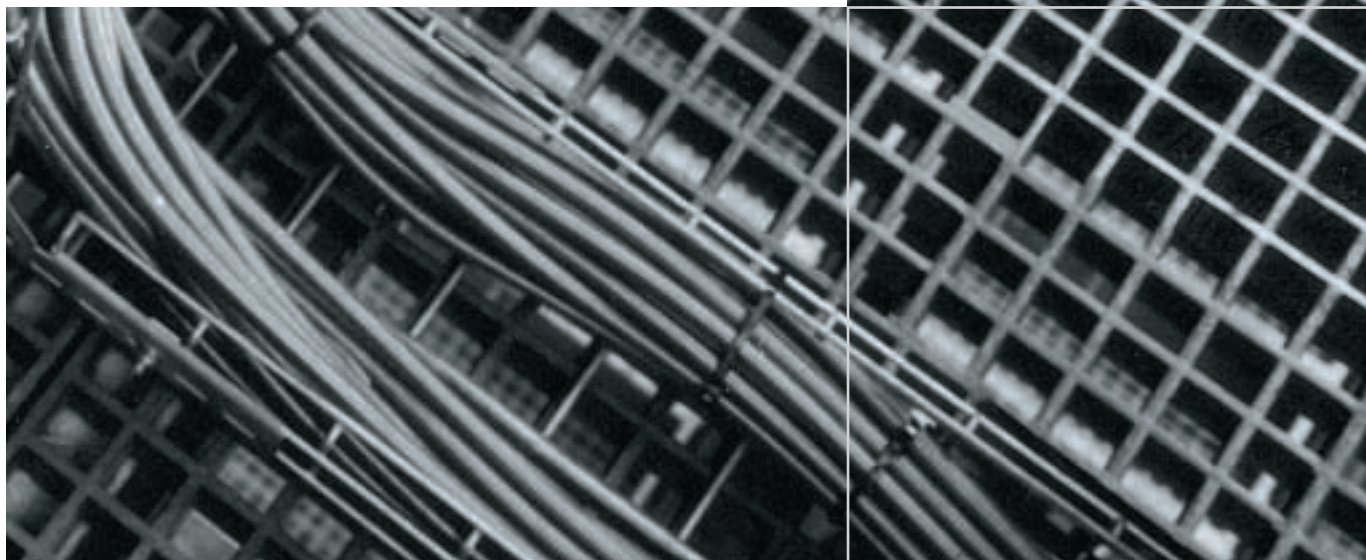
In Singapore, the joint venture BASELL Eastern between BASF and Shell has begun building a styrene and propylene oxide plant similar to the BASELL joint venture plant for the same chemicals already in operation in Moerdijk, the Netherlands.

In Shanghai, China, BASF Hua Yuan Nylon Company completed the first stage of nylon production for carpet fibers. We are expanding the polystyrene plant at our joint venture Yangzi-BASF Styrenics.





Our colorants and finishing products add special properties to our customers' products such as color, brilliance and durability.



The Colorants & Finishing Products segment's business suffered from sharply declining prices, particularly in the first half of the year, but improved during the second half as sales volumes rose significantly.

Sales in this segment rose € 207 million to € 6.4 billion. The Dispersions division was a major contributor to this increase.

Income from operations before special items climbed € 59 million to € 682 million. The segment's special items were for restructuring measures in the textile dyes business.

We are continuing to pursue our strategy of building on the strengths within our portfolio and eliminating weaknesses. Our goal is to improve earnings in 2000, supported in part by the improving general economic climate.

In our Colorants division, we are reorganizing our world-wide textile dye operations. Our intention is to merge this operation into DyStar, a joint venture between Bayer and Hoechst. We also intend to sell our masterbatch business for specialist pigment preparations used to color plastics.

In our Coatings division, after our successful restructuring in previous years, we are concentrating on automotive OEM (original equipment manufacturer) and refinish coatings, two businesses where we are among the world leaders, as well as industrial coatings and the decorative paints business in South America.

In our Dispersions division, we intend to improve our acrylic acid value-adding chain through our planned acquisition of the Chemdal superabsorbers business of AMCOL International Corporation of the United States.

*BASF's special-effect pigments are produced at our site in Besigheim, Germany. In nail polish, for example, they form the basis for a spectacular display of color.*



Completely new color impressions are being created through the use of BASF's Variocrom® and Sicopearl® Fantastico ranges of color-variable pigments (CVP™), which are being marketed successfully worldwide. Depending on how light falls on them and the angle from which they are seen, these pigments change color almost like a chameleon. "Magic Red" can shimmer red, then gold, creating a play of colors whose grandiose effects are fascinating. This innovation is used in automotive coatings, colored plastics as well as in film and sheeting, furniture, leather and decorative cosmetics.



**Sales by divisions**

Million €	1999	1998
Colorants	2,217	2,201
Coatings	1,876	1,855
Dispersions	2,302	2,132
<b>Colorants &amp; Finishing Products</b>	<b>6,395</b>	<b>6,188</b>

**New direction for Colorants**

The Colorants division's sales remained steady, but income from operations rose.

Business in Asia picked up following the region's recovery during the first half of the year. In Europe and the United States, however, we suffered setbacks. With the goal of improving earnings, we are implementing a series of measures to combat ongoing price pressure on textile dyes and changes in the industry, which include the relocation of textile production.

In the second half of 2000, we intend to combine our textile dyes business with that of DyStar, a joint venture in which Bayer and Hoechst each have a 50 percent ownership stake. The proposed joint venture with DyStar would create a more competitive supplier of textile dyes with annual sales of more than € 1 billion.

We slightly increased sales in our pigments as well as leather chemicals and dyes businesses, while sales in our printing systems business rose considerably. Sales of textile chemicals and textile dyes, however, declined again in 1999.

We increased our efficiency and improved our cost structures in all operations by closing sites and relocating production. We sold our PVC stabilizers business and transferred production of azo standard pigments from our site in Besigheim, Germany, to Shanghai, China. At the Besigheim site, we started manufacturing Variocrom® special-effect pigments, which are attracting great interest for many application areas.

As part of our new direction for the Colorants division, we want to sell our masterbatch business, which has annual sales of approximately € 100 million.

**Restructured Coatings on course for success**

The Coatings division's sales increased slightly in 1999, although business varied among the regions. We experienced significant gains in Europe and North America but a substantial decline in South America due to the devaluation of the Brazilian real.

Business developed well. After adjustments for special items, income from operations remained high but did not match the previous year's level due to losses in South America.

We have strengthened our leading positions in our core business areas through acquisitions and cooperations. We are expanding our business in innovative, higher-value products, and we will support this process through an ambitious capital expenditures program.

We are vigorously implementing measures to improve efficiency and streamline processes. Noticeable increases in productivity have already been achieved in our production plants. As a result, our earnings will improve in 2000, in part due to the expansion of our industrial coatings business.

We again increased sales volumes of automotive coatings in 1999. As a result of our environmentally and economically efficient coating systems as well as close cooperation with customers, we have strengthened our position with many automotive manufacturers.

We intend to expand our market position with automotive manufacturers in Asia and Australia. In Japan, we are taking advantage of the trend toward waterborne coatings. We want to expand our proven partnership with Nippon Oil and Fats (NOF) in a proposed joint venture. In Australia, we are planning to establish a joint venture with Akzo Nobel to manufacture automotive OEM coatings.

In the automotive refinish business, we maintained high earnings with our Glasurit® and R-M® product lines. We have radically modernized our product portfolio and improved distribution channels.

Our decorative paints business is concentrated in South America. We successfully expanded the market leadership of our Suviniil® brand in Brazil despite a difficult economic environment.

We acquired coil coatings businesses from Rohm and Haas as well as Norsk Hydro, making us one of the world's leading suppliers. This future-oriented technology allows coating to take place at an early production stage.

We are preparing for rapid and sustainable growth in powder coatings through capacity expansions at our European and South American sites and through the planned startup this year of a new powder coatings plant in Morganton, North Carolina.

**Dispersions advancing well**

The Dispersions division's sales rose due to the acquisition of Clariant's superabsorbers business. Income from operations remained steady at the previous year's high level despite a sharp increase in raw material prices.

We significantly increased sales volumes of acrylic monomers and dispersions for adhesive raw materials, paints and coating raw materials. For 2000, we want to expand our business in all regions and further increase earnings.

Acrylic acid and its derivatives, namely acrylates and acrylic dispersions, are one of BASF's strong-growth and cyclically resistant businesses. We are investing in new production plants as well as in research and development.

Acrylic acid is the precursor for superabsorbers, which are cross-linked polyacrylics that can absorb liquid many times their own weight. This feature makes them an essential component of diapers and other sanitary care products. The superabsorbers market continues to grow globally at an annual rate of approximately seven percent and is largely cyclically resilient.

We want to expand our position in this area by acquiring the Chemdal superabsorbers business of AMCOL International Corporation of the United States. This acquisition is subject to antitrust approval.

**Colorants & Finishing Products capital expenditures**

In 1999, capital expenditures of the Colorants & Finishing Products segment were € 324 million, and we will increase capital spending in 2000. The main projects concluded or initiated were as follows:

**Europe**

At our site in Ludwigshafen, Germany, we expanded the production capacity for a quinophthalone yellow pigment in spring 1999. A plant to manufacture isoindoline yellow pigments, which are from the same Palitol® line, will start operations in the third quarter of 2000. We completed projects to build a plant to manufacture chlorophenylphosphine and expanded production capacity for Lucirin®. As part of our expansion in paper chemicals, we are building new plants to manufacture vinylformamide and polyvinylamines. In the first half of 2000, new plants for the manufacture of polymer dispersions will begin operations.

At our site in Antwerp, Belgium, we expanded production capacity for polyetherols, and a superabsorbers plant is currently in the planning stage.

In Hamina, Finland, a paper coating dispersions plant is expected to start operations by the end of 2002.

**North and South America**

In the United States, we are expanding a plant at our site in Monaca, Pennsylvania, which manufactures acrylate and styrene/butadiene dispersions. At our site in Morganton, North Carolina, we are building a new powder coatings plant.

At our site in Altamira, Mexico, a new plant for the production of paper dyes will start operations by the end of 2000.

In Brazil, we plan to build a superabsorbers plant, and we are also constructing a butyl acrylate plant at our site in Guaratinguetá.

**Asia**

At our new Verbund site in Kuantan, Malaysia, construction of the acrylic acid/acrylate complex will be completed and start operations by mid-2000.



Extreme absorbency is a must for diapers and other sanitary care products. The answer: superabsorbers made from acrylic acid. BASF is one of the leading suppliers of both acrylic acid and superabsorbers. We acquired the superabsorbers business of Clariant in 1998 and are building new plants in Antwerp, Belgium, and Brazil to reinforce our market position. In 1999, we also increased our acrylic acid production capacity in Europe and North America (photo shows the plant at our site in Freeport, Texas). A new plant in Kuantan, Malaysia, which will soon begin operations, will add another 160,000 metric tons to our current total annual production capacity of 730,000 metric tons. The planned acquisition of the U.S. company Chemdal, a subsidiary of AMCOL International Corporation, will strengthen BASF's position as a supplier of superabsorbers.





With a practiced eye - and supported by modern technology - Isolde Böh examines rice plants at BASF's Agricultural Center Limburgerhof in Germany.

In the Health & Nutrition segment, sales rose approximately 10 percent to € 5.6 billion due to increases in the Pharmaceuticals and Fine Chemicals divisions.

Income from operations before special items rose approximately four percent to € 408 million. However, we incurred substantial special items resulting from antitrust law violations in the vitamins business, unscheduled write-downs on intangible assets from the acquisition of the lysine business, and costs to settle lawsuits involving the thyroid drug Synthroid®. As a result of these special items, the segment incurred a loss of € 588 million.

Our businesses in drugs as well as specialties for the cosmetics and pharmaceutical industries were very success-

ful, as were our new active ingredients for crop protection products. We made further advances in plant biotechnology. For 2000, we want to slightly increase both sales and earnings in this segment.

We are reorganizing our worldwide pharmaceutical business to make it more efficient, faster and more flexible.

Research and development are crucial to the Health & Nutrition segment's long-term performance and profitability. In 1999, we invested nearly € 664 million in research and development in this segment, which accounts for almost 50 percent of total R&D spending at BASF.

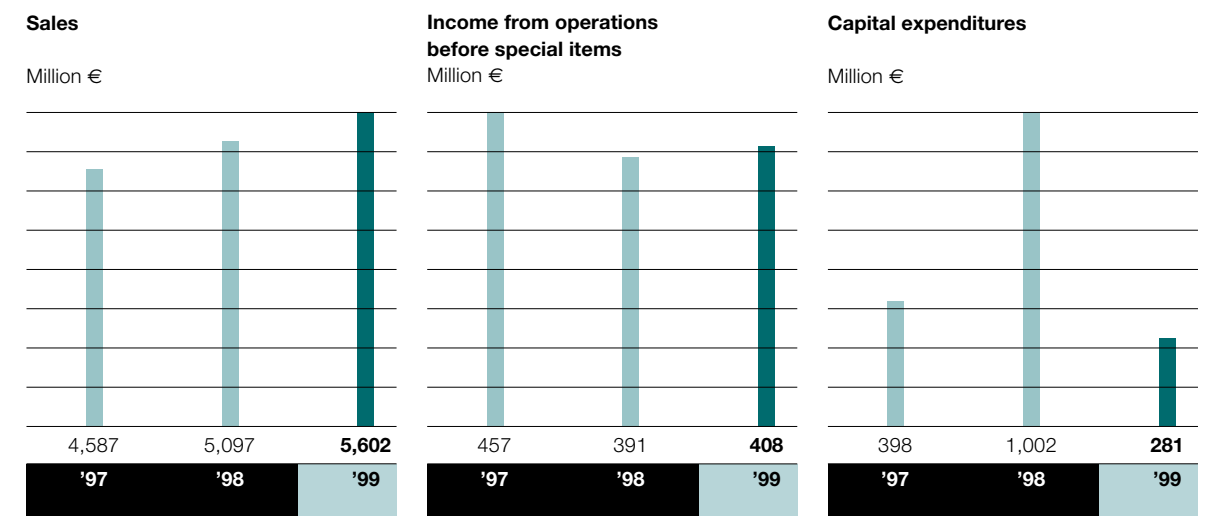
We are determined to seize the opportunities offered by our health and nutrition products to grow profitably.



Quick to prepare and good to eat: Rice is popular the world over. In many Asian and Latin American countries, the main rice-growing areas of the world, rice is an important nutritional staple and not just a side dish. BASF's crop protection products increase rice yields, helping to feed the world's population. Specially developed rice herbicides prevent other plants from growing and competing for light, water and nutrients. In addition to its well-established and proven products, BASF has successfully launched a new product in Latin America under the brand name Aura®. This herbicide is now also being marketed in Asia under the brand name Tetris®. Fungicides that protect rice crops from harmful fungi complement these herbicides. In addition to the well-known Bavistin® brand name product, BASF sells the fungicide Duett® in Latin America and introduced it in Thailand in 1999. This product will also soon be available to rice growers in other Asian countries.

Sales and earnings by divisions

	Sales		Income from operations		Income from operations before special items		Income from operations before special items and depreciation	
Million €	1999	1998	1999	1998	1999	1998	1999	1998
Pharmaceuticals	2,483	2,091	11	66	175	70	451	317
Fine Chemicals	1,374	1,256	-794	114	35	112	209	241
Crop Protection	1,745	1,750	195	203	198	209	370	367
<b>Health &amp; Nutrition</b>	<b>5,602</b>	<b>5,097</b>	<b>-588</b>	<b>383</b>	<b>408</b>	<b>391</b>	<b>1,030</b>	<b>925</b>





### Pharmaceuticals on course for growth

The Pharmaceuticals division's sales once again rose vigorously. Our business picked up specifically in the United States and Japan, the world's most important pharmaceutical markets.

Income from operations before special items improved significantly. Special items included payments to largely settle a series of lawsuits in the United States involving the marketing of the thyroid drug Synthroid®. Other special items resulted from structural measures, including the closure of our production site in Beeston, England.

Sales of Synthroid®, our best-selling drug used to treat thyroid disease, developed very well. Thanks to innovative marketing measures, this drug again made a great contribution to our business in the United States last year. In Japan, we successfully began marketing our new product Hokunalin Patch® for the relief of asthma. Our pharmaceutical active ingredients business strengthened, particularly due to the acquisition of Boehringer Ingelheim's purine business.

Sales of Reductil®/Meridia® for the treatment of obesity remained at the previous year's level and did not meet our expectations. We remain convinced that this is an attractive product and intend to exploit its potential more effectively through increased marketing efforts, particularly in the United States. In 1999, we also successfully launched Reductil®/Meridia® in Germany, Switzerland, Poland, South Africa, Turkey, Hungary and several Latin American countries. We expect to receive approval in 2000 to market this drug in other European countries.

We continued to build partnerships in 1999. We are developing a substance for the treatment of Parkinson's disease with DevCo Pharmaceuticals. A new drug for the treatment of rheumatoid arthritis is under development with Eisai for later marketing in certain Asian countries. Both of these products contain active ingredients developed through our own research efforts. Kos Pharmaceuticals has been helping us market our two drugs Mavik® and Tarka® for hypertension in the United States since August 1999. We are also cooperating with EVOTEC BioSystems AG to search for lead structures for use in pharmaceutical active ingredients.

For 2000, we want to improve earnings. The new organizational structure for our Pharmaceuticals division, as well as a program to generate sustainable earning power, will contribute to this improvement.

We have a number of highly promising projects in late-stage clinical development. We currently estimate the annual worldwide sales potential of projects close to market launch to be € 1.2 billion. These projects will help expand our position as a global pharmaceuticals specialist in specific areas with high medical need.

### Fine Chemicals suffers loss

In the Fine Chemicals division, sales rose more than nine percent due to healthy growth in sales volumes and the introduction of new products. However, higher sales volumes were largely offset by falling prices, especially for vitamins and the amino acid lysine, which reduced margins and burdened earnings. Special items (see page 80) led to a substantial loss for the division.

Falling prices in the vitamins business particularly affected the vitamins B<sub>2</sub> and E. To respond to price pressure and increasing competition, especially from vitamins manufactured in China, we are building high-performance synthesis plants to make our production more cost-effective.

We introduced a new product, Lucantin® pink (astaxanthin), to our range of carotenoids. This product is used as a color pigment in salmon farming.

In our animal nutrition enzymes business, intensive marketing efforts led to double-digit sales growth.

BASF is the leading supplier of specialty polymers for cosmetics and pharmaceuticals. We achieved good growth rates for Divergan® in the beverage clarification market.

Sales of fine chemicals for the cosmetics industry grew faster than the division's overall business. We offer our customers a wide range of products for hair and skin care as well as sunscreen products. We strengthened our position in ultraviolet light (UV) absorbers by acquiring the worldwide UV absorbers business of sunSmart of the United States, making BASF one of the world's leading suppliers of UV protection products. We are continuing to expand this business.

In our flavors and fragrances business, demand for the fragrance citral and its derivatives improved. We increased our production of these fragrances through capacity expansions, which enabled us to significantly extend our business during the second half of the year.

In the area of nutraceuticals, which are health-maintaining and improving food supplements, we successfully launched S-adenosylmethionine (SAME) in the United States.

As we develop our fine chemicals businesses, we are focusing on innovative products and manufacturing processes. The pharmaceuticals and cosmetics industries are the most promising markets for our product lines.

The pharmaceutical active ingredients business, formerly part of the Pharmaceuticals division, is being integrated into the Fine Chemicals division, giving us new opportunities and increasing our attractiveness as a partner of the pharmaceuticals industry.

For 2000, our goal is to achieve high single-digit sales growth and seize opportunities to improve earnings through our products in the cosmetics, pharmaceuticals and food industries as well as through specific product lines in animal nutrition.

### Crop Protection remains at high level

Our Crop Protection division remains focused on developing innovative fungicides and herbicides as well as expanding its presence in plant biotechnology.

In the Crop Protection division, sales reached the same level as in the previous year despite a noticeable drop in demand, particularly in the important regions of North America and Western Europe. The downturn in the U.S. herbicide business and one-time charges for structural measures led to reduced, but still satisfactory, earnings.

In our herbicide business, sales fell due to a combination of reduced sales volumes and lower prices. This was caused by increased use of total herbicides in North America instead of selective herbicides, which prompted more intense competition. Nonetheless, Micro Flo, the generic crop protection products supplier in which we acquired a majority stake in 1998, benefited from this trend.

In our fungicide business, our sales rose again. We strengthened our leading market position in Western Europe despite reduced demand resulting from lower incidence of fungus in cereal crops due to weather conditions.

We are realigning our U.S. business to concentrate on profitable market segments and are implementing cost-cutting measures.

We successfully launched three new herbicides in time for the 1999 growing seasons. The product Aura® has supplemented our product range for rice farmers, and we introduced it initially in Latin America. We are marketing a new corn herbicide in the United States and Canada under the brand name Distinct®. In important west European markets, we were successful in introducing and selling the cereal herbicide Lotus®.

These new product launches, together with our products in development, are evidence of the innovative strength of our research operations: By 2004, we plan to introduce four new herbicides and four new fungicides.

For 2000, we want to achieve steady sales due to our good position despite a stagnant world market. Business will be affected by falling agricultural subsidies in Europe and continuing low prices in the United States. In the coming years, we want to increase our sales and earnings significantly by launching a number of new products, especially a new strobilurin fungicide for specialty crops and cereals.

We made good progress in our plant biotechnology operations. We acquired a 40 percent stake in the Swedish seed breeding company Svalöf Weibull and transferred our plant biotechnology research to BASF Plant Science GmbH, a joint venture with Svalöf Weibull in which BASF has a majority stake.

We are researching which plant genes control certain biological functions. The next step will be to determine the principles for using these genes in crops. After this stage, we intend to develop crops with improved agronomic properties, such as resistance to cold or drought. Another objective of our research is to increase yields of oils, proteins and carbohydrates as well as to enrich and improve plant constituents, such as vitamins and fatty acids.

Our goal is to become one of the leaders in plant biotechnology by 2010, and we are making considerable investments to achieve this objective. We have a sound foundation through our broad expertise in research and agriculture, especially in crop protection, as well as in human and animal nutrition.

## Health & Nutrition capital expenditures

In 1999, the Health & Nutrition segment spent € 281 million on investments and acquisitions, substantially less than in 1998 when we made a series of acquisitions. Investments in tangible assets will remain at the same level in 2000. The main capital expenditures were as follows:

### Europe

At our site in Ludwigshafen, Germany, a plant to manufacture a precursor for a new grass herbicide began operations, and plants are being built to manufacture a new rice herbicide as well as an essential precursor for strobilurin fungicides. We are expanding production capacities for the citral and Lysmeral® fragrances. The carotenoid plant was also expanded. A new plant is under construction for the ultraviolet light (UV) absorber Uvinul® MC 80. In addition, we are modernizing our pharmaceutical manufacturing plants and expanding our capacity.

At our site in Schwarzhede, Germany, we are building a plant to manufacture a new fungicide from the strobilurin class of active ingredients.

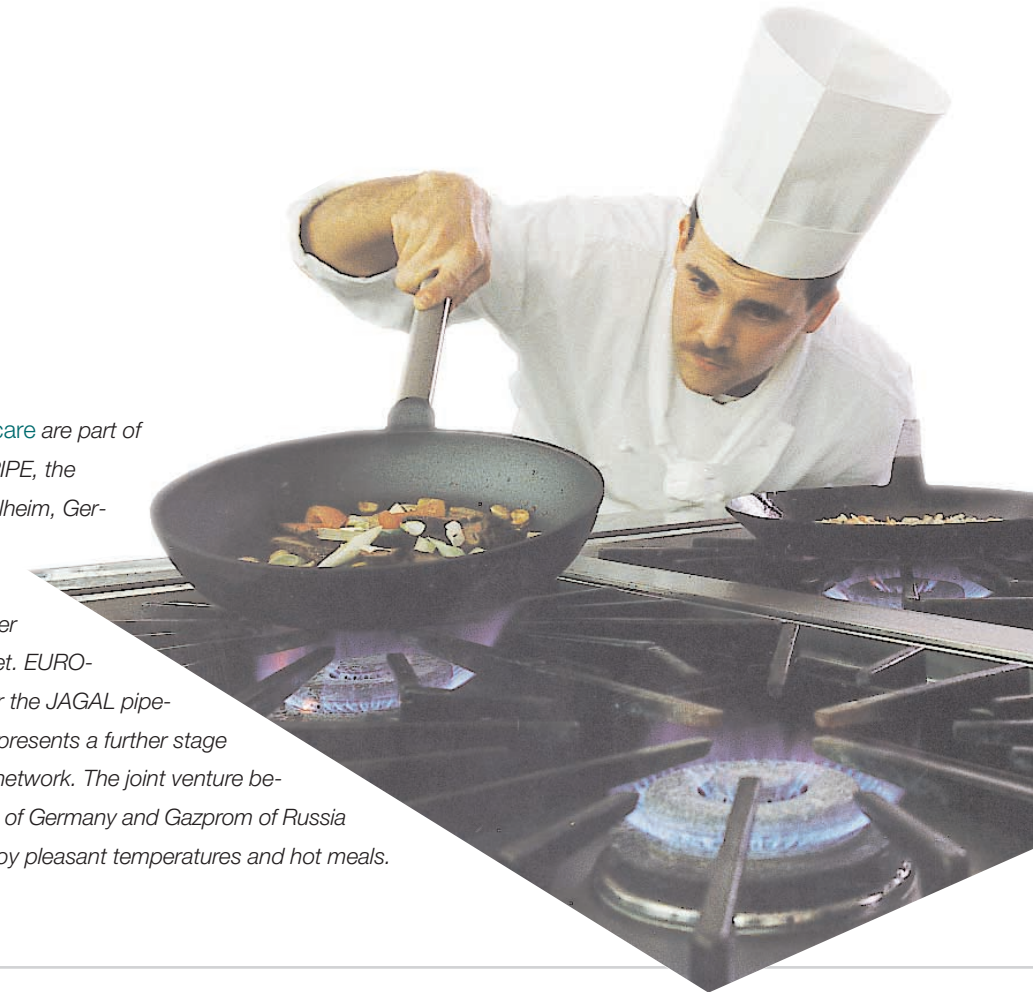
At our site in Tarragona, Spain, a formulation plant for fungicides started operations.

### Asia

In China, NEGPF-BASF Shenyang Vitamins Co. Ltd. started operating a new plant to manufacture vitamin powders and blends.



Technological know-how and extreme care are part of a day's work for the employees of EUROPIPE, the German pipeline specialist based in Muehlheim, Germany. Construction of the large pipes requires great precision because they are used to carry Russian natural gas under high pressure to the west European market. EUROPIPE supplied the large-diameter pipes for the JAGAL pipeline, which was completed in 1999 and represents a further stage in the expansion of the WINGAS pipeline network. The joint venture between the BASF subsidiary Wintershall AG of Germany and Gazprom of Russia ensures that its natural gas customers enjoy pleasant temperatures and hot meals.



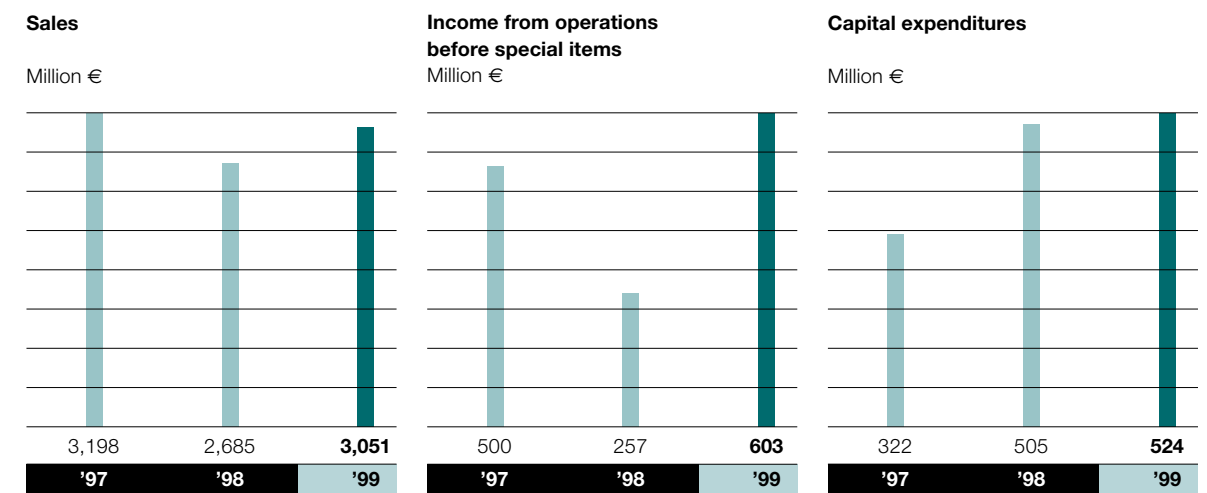
In the Oil & Gas segment, sales (excluding petroleum and natural gas taxes) rose nearly 14 percent to more than € 3 billion. Income from operations before special items improved to € 603 million, with higher crude oil prices supporting this positive trend.

We have set ambitious growth targets for this segment, and, as a result, capital expenditures were high in 1999 and rose to € 524 million.

For 2000, crude oil prices will probably drop again. Nevertheless, we will further increase sales and earnings in the medium term due to expansions in our core areas of natural gas trading as well as exploration and production of crude oil and natural gas.

Despite unsatisfactory margins, our marketing and refinery business considerably exceeded the previous year's earnings due to cost-cutting measures and a positive impact from inventory levels. We sold this business, including our stake in Aral AG, a German gasoline station network, effective the end of 1999.

Our Oil & Gas segment significantly increased sales and earnings. We made considerable progress toward our goal of long-term growth and cyclically resilient earnings.





**Higher earnings from oil and gas production**

We spent € 58 million exploring for new oil and gas deposits. We focused our efforts on the regions of North Africa, Argentina and Western Europe. Income from operations improved considerably compared to the previous year.

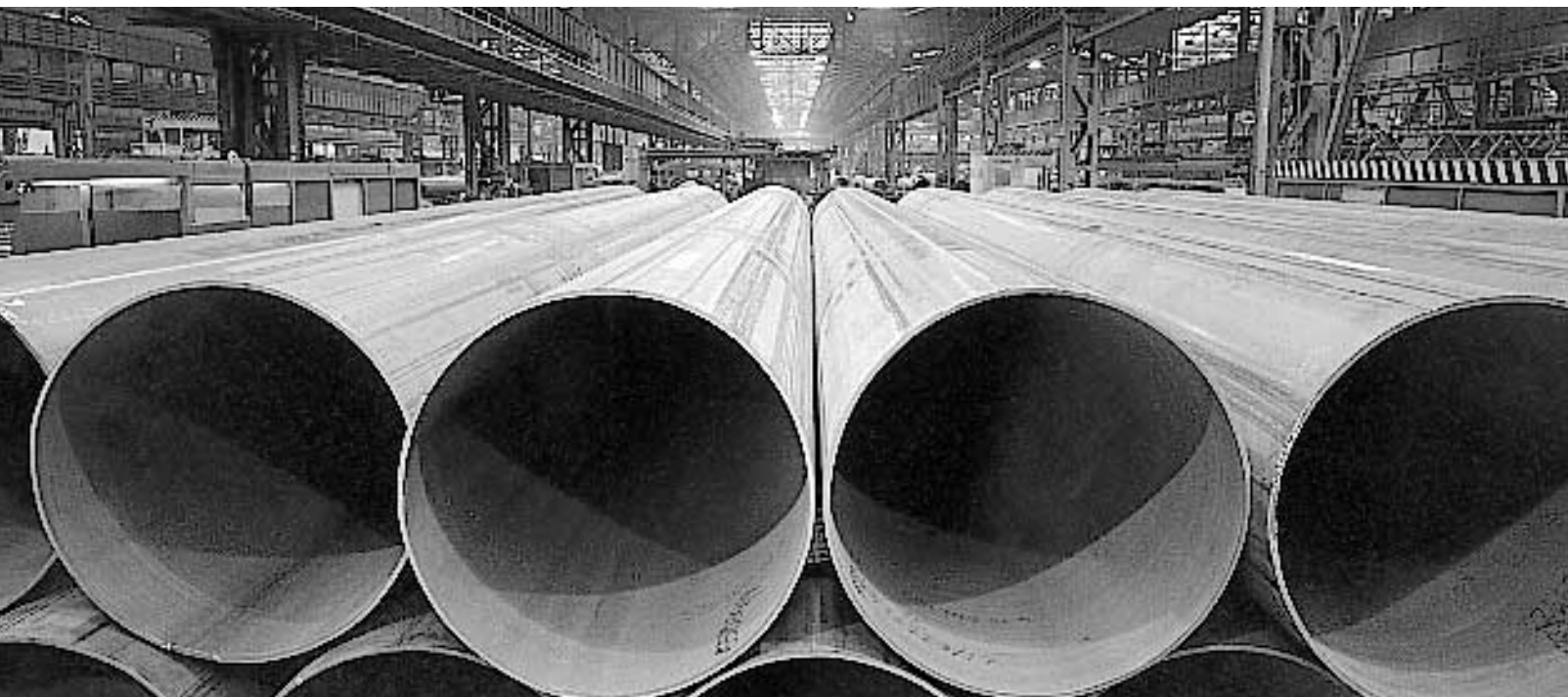
Our total crude oil and natural gas production was 10.7 million metric tons of oil equivalent, a decline of almost three percent from 1998 since we were affected by OPEC's adherence to strict production quotas.

The major contributors to our oil production were once again North Africa and Germany. We have a 50 percent stake in the Mittelplate offshore oil field, which is located in the North Sea and is Germany's largest. A project to develop oil-bearing deposits in this field from onshore

are participating in a pipeline project from Buenos Aires, Argentina, to Montevideo, Uruguay. This pipeline may eventually be extended to Brazil, which is South America's largest growth market for natural gas.

In Germany, our second strategic gas region, production fell 10.6 percent due to the natural depletion of deposits. We have a 49.95 percent stake in the A6/B4 field in the German sector of the North Sea. Our annual production volume from this field, which will be the first German offshore gas field, will be 600 million cubic meters. Our total gas production in Germany will increase noticeably when operations begin in this field, which is scheduled for fall 2000.

In our exploration and production operations, we intend to expand oil and gas production considerably in the



locations is proceeding as planned. This project will begin operations during 2000, increasing the field's current annual production from 800,000 metric tons to 1.8 million metric tons.

Our total natural gas production in 1999 remained steady at 3.6 billion cubic meters. We further expanded production in Argentina, a new strategic region for gas production that accounted for more than 50 percent of our total gas output. We are pursuing an integrated growth strategy in Argentina by expanding natural gas production and developing downstream operations through our subsidiary Wintershall Energía. In a first project of its kind, we

medium term while maintaining a ratio of reserves to production of approximately 10 years. We will accompany this expansion by further optimizing our portfolio. Some of these measures include developing new strategic areas as well as divesting operations that offer only limited potential. For example, we sold our subsidiary Wintershall Canada at the end of 1999. We have similar plans for our affiliates in the United Kingdom, which we intend to sell in 2000.

We spent funds to replace and expand oil and gas production sites in current key areas and also extended our strategic cooperation with our long-standing partner

Gazprom, the world's largest natural gas producer, to prepare for exploration and production in Russia. In spring 1999, we signed an agreement to cooperate in developing deposits together, representing the largest economic cooperation agreement between Germany and Russia. As a first promising project, we are examining opportunities in the Priraslomnoye oil field located off the coast of northern Russia in the Arctic Ocean. We are currently preparing plans on how to cost-effectively develop and transport more than 70 million metric tons of crude oil from this field.

**Natural gas trading expanded**

In our natural gas trading business, we are building on our success by consistently pursuing our strategic goals and expanding our market position in Germany. Our latest marketing efforts in the areas serviced by the WEDAL gas pipeline have been successful, boosting our market share of gas under long-term contract to more than 13 percent. As early as 2001 – much earlier than originally planned – we will secure long-term supply contracts representing a future 15 percent market share.

Last year, we again significantly extended our pipeline network. With the completion of the JAGAL long-distance gas line at a cost of approximately € 600 million, the WINGAS network now covers more than 1,800 kilometers and has opened up an additional link to the important gas deposits in Siberia.

We purchase the majority of the gas that we market from our joint venture partner Gazprom under long-term supply agreements.

In 1999, we completed the fourth expansion stage of the Rehden natural gas reservoir, Western Europe's largest, with a storage capacity of 4.2 billion cubic meters. We have invested € 383 million on developing the reservoir.

Another achievement in 1999 was extending our marketing operations into neighboring European countries. Beginning in 2003, WINGAS will take over responsibility for delivering gas to the power plant at BASF's site in Antwerp, Belgium. We also strengthened our natural gas operations in Eastern Europe by acquiring shares in regional supply companies in the Czech Republic.

*With a highly developed pipeline system, WINGAS helps ensure the reliable supply of natural gas to Germany and Western Europe. In October 1999, the WINGAS joint venture completed its JAGAL natural gas pipeline segment. As a result, the WINGAS pipeline network now extends for more than 1,800 kilometers. JAGAL is a new main line within the WINGAS pipeline network, helping to meet growing demand for natural gas in Germany by linking the country to enormous gas supplies in Russia. Natural gas is transported more than 4,000 kilometers from Siberia through Belarus and Poland to Germany, where an intricate pipeline network delivers the gas to consumers. Wintershall and Gazprom*



*have so far invested approximately € 2.5 billion to expand the WINGAS infrastructure. This partnership guarantees WINGAS direct access to the world's largest natural gas reserves.*





*Environmentally friendly and economical are the two features central to our products. At BASF, we wanted to know exactly whether, and to what extent, our products met these requirements and how they compared with available alternatives. BASF was the first chemical company to develop eco-efficiency analysis as a benchmark. The analysis involves collecting all data on a product or manufacturing process and then reviewing the environmental impact and associated costs. Clear finishes for furniture are just one example. In a comparison between waterborne coatings and coatings containing high levels of organic solvents, waterborne coatings have a definite ecological edge. They also came out ahead in terms of cost. On the basis of these findings, BASF Coatings has developed a portfolio of products marketed under the Glasurit® brand name and targeted at woodworkers and their customers. Greg Lipton, a cabinetmaker from Cumberland, Maine, has an eye for detail when building quality wooden furniture.*

We act responsibly by following the principles of Sustainable Development to protect resources and the environment.

As a global company, we have a responsibility to society and the environment. That's why we have set out guidelines for our operations that apply throughout BASF. In addition to following local legislation and regulations, our employees at every site around the world are responsible for complying with company standards.

**New environmental protection facilities**

At our sites in Geismar, Louisiana, and Altamira, Mexico, we adapted the existing wastewater treatment plants to meet changed requirements. A new plant was completed at our site in Kuantan, Malaysia.

We started operating highly efficient combined cycle gas turbine plants at our sites in Altamira, Mexico (10 megawatts), and Freeport, Texas (90 megawatts), helping reduce carbon dioxide emissions and making power generation more efficient. Through these activities, we are protecting the environment and conserving resources.

**Safety, health and environmental management**

In 1999, we conducted 119 safety and environmental audits at 70 BASF sites around the world. Teams reviewed work processes at these sites to ensure they complied with safety and environment standards as well as management structures. Without exception, the overall results were positive, and we intend to rapidly implement improvements.

Safety has a high priority at BASF. Every year, we set new ambitious targets and constantly work to improve safety awareness. At BASF's sites worldwide, the number of accidents in 1999 resulting in days off work fell nine percent to 3.9 accidents per million hours worked, putting BASF well below the chemical industry average.

**Reporting**

We will provide detailed information on our environmental protection and safety activities in our report "Environment, Safety and Health 1999" that provides results for BASF Group as well as BASF Aktiengesellschaft.

**Eco-efficiency analysis for products of the future**

Using eco-efficiency analysis, we look at the entire life cycle of our products from both an economic and an ecological perspective. The analysis focuses on raw material and energy consumption, optimum performance as well as the issue of recycling versus disposal. It considers the ecological and economic advantages and disadvantages of competing products with similar functions for the customer, indicating which product or process is the most ecologically and economically efficient.

Our goal is to offer customers the best possible products with the least environmental impact at the best price.

An eco-efficiency analysis gives a clear indication where improvements can be made. And this applies not only to existing products and processes but also to products still in research and development. The analysis serves as a strategic tool, helping us decide which product lines and processes warrant future investment.

Our business operations are guided by the principles of Sustainable Development. Eco-efficiency analysis plays an important role here.





#### No boundaries to cooperation

As a transnational company, we have customers in markets all around the world. We also manufacture products in many countries and make sure they are marketed efficiently and reliably. As a result, addressing the needs of individual customers from different cultural backgrounds is crucial to our business and will remain so. That's why promoting cooperation across national boundaries is an important goal in human resources at BASF. We need employees with international experience who are willing to work in other parts of the world, and that is why it is important to be open to different cultures when working at BASF. At present, more than 900 BASF Group employees are on international assignment. Language and intercultural training is an important part of preparing for their assignment abroad and integrating into the lifestyle of their host country.

*The three men on the construction site of the new steamcracker in Port Arthur, Texas, are the German engineers Jürgen Fuchs and Dr. Andreas Fried as well as their Belgian colleague Patrick Plehiers, a chemist. These BASF employees have been sent from our sites in Ludwigshafen, Germany, and Antwerp, Belgium, to spend four years working on this major project. The three agree: "It's a great experience – professionally and personally."*

We offer our employees a number of opportunities for career development and let them share in the company's success. We are also broadening the scope of our employee share purchase program.

At the end of 1999, the number of BASF employees, including those with limited-term contracts, was 104,628, a decline of 1,317 over the previous year. About 55.6 percent of BASF's workforce is located in Germany, and another 14.9 percent work at BASF sites in Europe outside of Germany. North America accounts for 15 percent of the workforce, while 6.4 percent of the workforce is located in South America and 8.1 percent in the Asia, Pacific Area, Africa region.

#### Personnel costs

Personnel costs rose € 170 million to € 6.18 billion in 1999. These costs break down as follows:

	Million €	Change in %
Wages and salaries	4,935	+2.0
Social security contributions and expenses for pensions and assistance	1,245	+6.4
• Thereof for pension benefits	389	+25.9
Total	6,180	+2.8

#### Training and career advancement at German Group companies

In 1999, we invested approximately € 83.5 million on 3,403 apprentices in Germany, which matched the high number of 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 € 26.4 million on training for 66,008 employees.

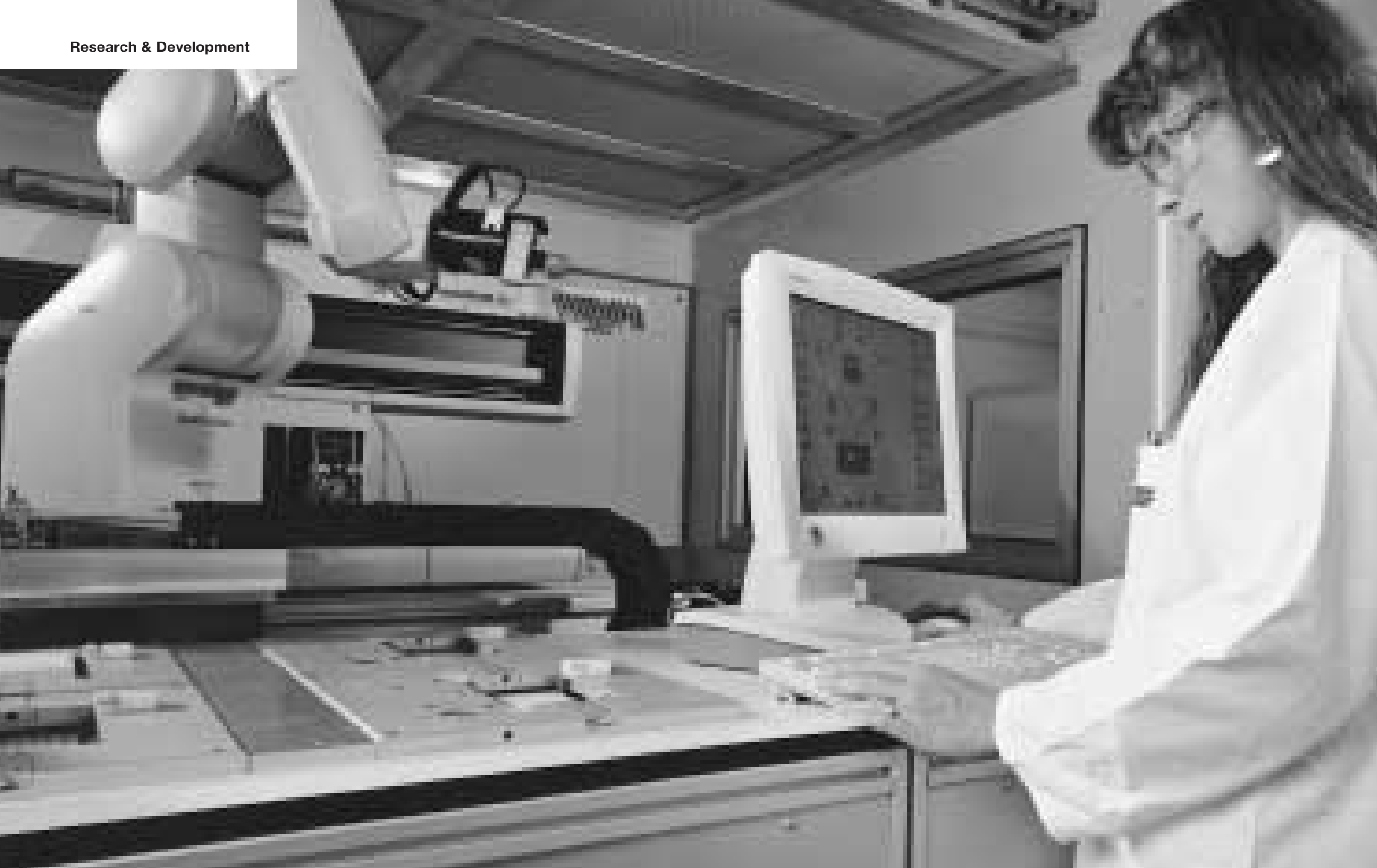
#### Employee share purchase program

In 1999, about 30 percent of all employees at BASF Aktiengesellschaft and BASF companies in Germany took advantage of a new program to invest 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. More and more employees at BASF companies outside of Germany will be able to participate. All employees who are not senior executives are eligible for the program. A stock option program (see page 81) is being offered to some 1,200 senior executives worldwide.

#### BASF Aktiengesellschaft

In 1999, the number of employees at BASF Aktiengesellschaft, including those with limited-term contracts, fell by 1,167 to 42,789. We recruited 1,063 people from outside the company. At the end of 1999, 2,644 young people were being trained at the company.

In the "Agreement 2000," BASF management and the employees' representatives at our site in Ludwigshafen, Germany, agreed to achieve by the end of 2000 a personnel level, excluding trainees, of between 39,000 and 41,000 employees. The workforce reduction is being accomplished for the most part through socially responsible measures without involuntary layoffs, including voluntary short-time contracts for those approaching retirement. These contracts are proving very popular, and 3,976 employees have chosen this option. For the period after 2000, BASF management and employee representatives are seeking solutions that address the needs of both the company and employees.



Nature as chemistry's model is becoming an increasingly important field of research. Microorganisms produce enzymes which, in optimized form, can be used as biocatalysts for chemical syntheses. They are proving their value in the production of optically active intermediates for pharmaceutical and crop protection products.

Efficiency is essential when it comes to industrial applications, so the properties of these biocatalysts and the methods to manufacture them have to be tailored carefully. Since February 1999, this has been the goal of BASF research scientists in Ludwigshafen, Germany, and staff at the Fraunhofer Institute for Interfacial Engineering and Biotechnology in Stuttgart, Germany. They use state-of-the-art, robot-assisted analysis methods with high sample throughputs. The three-year project, the largest of its kind in Europe, is also supported by the German Federal Ministry for Education and Research.

*In today's laboratories, it's a matter of routine: Automation greatly speeds up analysis not only in biotechnology but also conventional synthesis.*

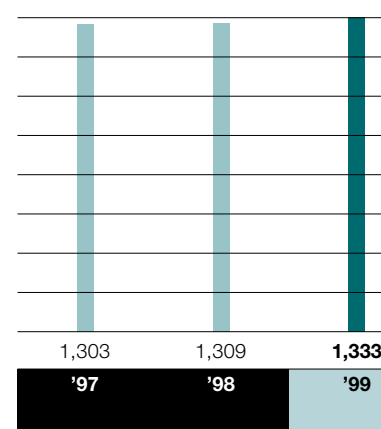
Through **research and development**, we meet customers' needs by transforming new scientific findings into innovative products and processes.

Innovative products that benefit our customers are the driving force behind our business. Together with modern, cost-effective processes, they create the foundation for our company's success.

In 1999, we spent € 1.3 billion on research and development, and we expect to invest a similar amount in 2000. Around the world, some 10,000 R&D employees make up a tight-knit, global knowledge Verbund. We supplement our own know-how by cooperating with universities, research institutes and industry partners.

In 1999, successful R&D projects led to a number of capital expenditures on new products and processes that strengthen our portfolio and boost earnings. By 2005, we will achieve additional sales of more than € 600 million from the projects outlined on the following pages. They are examples of how our R&D projects are contributing to meeting BASF's strategic goals.

**Research & Development expenses**  
Million €





### Strengthening cyclically resilient businesses

In the area of crop protection, our research scientists have developed a new, patented strobilurin fungicide that will further strengthen our position in the market for crop protection products to combat fungi. Europe and the Americas will be the key markets for this active ingredient, which can be used in a wide range of crops. At our site in Schwarzheide, Germany, we are investing approximately € 110 million in a new plant expected to start operations during the second half of 2001.

### Building on our know-how in core businesses

In our core businesses, we are expanding our know-how and strengthening our portfolio. In paper chemicals, for example, we have added the new polyvinylamine product line, which provides our customers in the paper industry with new ways to manufacture paper more economically and ecologically. Polyvinylamines and the monomer vinylformamide as well as their production process were developed in-house. At our site in Ludwigshafen, Germany, we have earmarked approximately € 50 million to implement these developments. By the end of 2001, a vinylformamide plant with an annual capacity of 8,000 metric tons and a polyvinylamines plant with an annual capacity of 60,000 metric tons will start operations.

### Achieving technology and cost leadership

In addition to new products, improvements in manufacturing processes – also known as “silent innovations” – are decisive for our long-term success.

BASF is one of the world's leading producers of ultraviolet (UV) absorbers. Thanks to our new, patented process for the UV absorber octyl methoxycinnamate, we are achieving technology and cost leadership. We have allocated more than € 10 million to produce the UV absorber in a new plant that will be fully integrated into our Ludwigshafen site. The new plant will start operations at the beginning of 2001.

We are poised to become a technology and cost leader in the synthesis of nylon 6. At our Ludwigshafen site, we are investing more than € 50 million to radically overhaul how we produce this versatile polymer. Nylon 6, which is found in textile and carpet fibers as well as in plastic components for automobiles and in food packaging, will eventually be manufactured in new production and compounding units which will start operations between 2001 and 2002.

### A larger and more flexible production Verbund

We are planning to build a new plant to produce annually 20,000 metric tons of trimethylolpropane, a plastics precursor with a wide variety of applications. The plant will

rely on a new technology, which has been patented worldwide and tested in a pilot plant at our Ludwigshafen site. We will invest more than € 10 million in the new plant, which is expected to start operations in early 2001. The plant fits optimally into our Ludwigshafen site's production Verbund since trimethylolpropane will provide the final link in a value-adding chain that starts with petrochemical feedstocks and finishes with polyester resins, polyurethanes and acrylates for UV-curing coatings.

### Supporting globalization

At our site in Freeport, Texas, a new plant is expected to start operations in mid-2001 to produce annually 20,000 metric tons of hexanediol and 5,000 metric tons of caprolactone. Hexanediol and caprolactone are two important intermediates used to manufacture glues, plastics and coatings, including coating resins. As the sole producer of these products, we can supply our customers with large volumes of high-quality hexanediol from this new plant at a reasonable price. We are also expanding our product portfolio to meet growing market demand for caprolactone. The new plant has been designed to manufacture the two products in varying amounts to suit market requirements. We developed the process in our own laboratories using a dicarboxylic acid mixture as a raw material that is obtained as a by-product in our production Verbund.

### New technologies open up new businesses

We are cooperating with universities and setting up R&D joint ventures to develop biotechnological methods in chemistry, crop protection and pharmaceuticals.

Optically active intermediates, which are used in active ingredients for pharmaceuticals and crop protection products, are a fast-growing and profitable business. Our Ludwigshafen site will become home to the world's largest manufacturing plant for optically active amines. The plant will start operations in mid-2001 and will rely on a newly developed process employing enzymes as catalysts. At the same time, a new plant to manufacture an optically active herbicide precursor is being built at our site in Geismar, Louisiana.

We have teamed up with the Fraunhofer Institute for Interfacial Engineering and Biotechnology in Stuttgart, Germany, to use genetic engineering as a tool to discover new enzymes for chemical synthesis. Using an analytical method developed by BASF-LYNX Bioscience AG, we are modifying microorganisms to develop more efficient fermentation processes.

The companies of our R&D joint venture BASF Plant Science GmbH are using genetic engineering to improve seed quality.

*Innovation in electrochemistry: Using electrical energy to convert matter is a method commonly used in chemistry. Developed by BASF, simultaneous electrosynthesis is one of our research scientists' top achievements. In conventional electrosynthesis, a desired product forms at either the anode or the cathode, while a by-product – often hydrogen – forms at the other electrode. In simultaneous electrosynthesis, useful products are formed for the first time at both electrodes. In the “Cell Room” at BASF's site in Ludwigshafen, Germany, each electrolytic cell, resembling a pot-bellied oversized bottle, now yields two products instead of one - phthalide and p-tert-butylbenzaldehyde. The first of these two chemicals is used to manufacture crop protection products, such as strobilurin fungicides, while the second substance can be found in fragrances and pharmaceuticals. Producing two chemicals through electrosynthesis rather than one cuts energy consumption by half. In 1999, BASF presented the developers of this top technology with the company's “Innovation Award.”*

*Cutting-edge technology hidden behind an unassuming exterior: Using simultaneous electrosynthesis, BASF generates two useful products in each electrolytic cell. The electricity required is put to full use – an ecological and economic quantum leap in industrial electrochemistry.*



We are actively managing our portfolio, achieving our strategic goals through capital expenditures as well as acquisitions, divestitures and cooperations.

*BASF and partner TOTALFINA are building a state-of-the-art steamcracker in Port Arthur, Texas, that is expected to start operations in early 2001. TOTALFINA's Port Arthur refinery will supply naphtha to the steamcracker for processing into ethylene and propylene. BASF will transport the ethylene and propylene via pipeline to its sites in Freeport, Texas, and Geismar, Louisiana, for use in manufacturing products such as plastics, coatings, solvents and crop protection agents.*

We have:

- acquired promising businesses,
- divested non-strategic businesses, and
- established cooperations that enhance our fundamental strengths.

#### Acquisitions

We acquired:

- a 40 percent ownership stake in the Swedish seed company Svalöf Weibull AB,
- the ABS plastics business of DSM N.V. of the Netherlands,
- the polyethylene glycol business of BP Amoco Chemicals of the United Kingdom,
- coil coatings businesses from Norsk Hydro of Norway as well as Rohm and Haas of the United States,
- the worldwide zinc oxide-based UV absorbers business of sunSmart Incorporated of the United States,
- the 50 percent ownership stake of Degussa-Hüls of Germany in the engineering plastics joint ventures Ultraform GmbH of Ludwigshafen, Germany, and Ultraform Company of Theodore, Alabama,
- the 40 percent ownership stake of Sümer Holding of Turkey in BASF-Sümerbank of Gebze, Turkey, a production company within the Colorants & Finishing Products segment,
- Takeda Kagaku Shiryō, a Japanese manufacturer of animal nutrition products.

We intend to purchase the U.S. company Chemdal and its global superabsorbers business to strengthen our position. Chemdal is a subsidiary of AMCOL International Corporation of the United States. Pending antitrust approval, we expect to complete the transaction during the first half of 2000.

#### Divestitures

We sold:

- our holding in Aral AG and the Oil & Gas segment's refinery and marketing business, including the Lingen refinery, to Veba Oel AG as well as our Canadian oil and gas operations to Startech Energy Inc. of Canada,
- the COMPO® specialty fertilizers business and our fertilizer production site in Krefeld, Germany, to K+S Aktiengesellschaft; the marketing and sales of agricultural fertilizers manufactured by BASF were also transferred to K+S at the end of 1999,
- the Styrocolor® range of EPS dyes to Sunpor Kunststoff GmbH of Austria.

We intend to sell our masterbatch business, which is comprised of the production and marketing of specialty pigment formulations.

#### Cooperations

- Solvin GmbH & Co. KG, a joint venture in PVC manufacturing in which Solvay S.A. of Belgium holds a 75 percent ownership stake and BASF a 25 percent ownership stake, began operations on August 1, 1999. The company was founded retroactive to January 1, 1999, and is based in Hanover, Germany.
- Together with the Algerian oil and gas company SONATRACH, we established the joint venture BASF SONATRACH Propanchem S.A. to manufacture propylene at our site in Tarragona, Spain (BASF ownership stake: 51 percent).
- Together with Shell, we intend to combine the Elenac, Montell and Targor companies in a new polyolefin joint venture based in the Netherlands. In order to contribute the former Targor joint venture, we acquired at the end of 1999 the share of Targor previously held by Hoechst/Celanese in order to contribute all of it to the new joint venture.
- BASF South East Asia and Shell Eastern Petroleum (Pte) Ltd. formed the joint venture BASELL Eastern (Pte) Ltd. to produce styrene and propylene oxide in Singapore (BASF ownership stake: 50 percent).
- We intend to establish a joint venture with Shell Chemical Company and TOTALFINA to produce butadiene at TOTALFINA's refinery in Port Arthur, Texas. Shell will own 60 percent of the company, BASF 24 percent and TOTALFINA 16 percent.
- In Australia, we are planning a joint venture with Akzo Nobel Pty. Ltd. of Melbourne to manufacture automotive OEM coatings.
- We are examining the possibility of forming a joint venture that would merge all our coatings operations in Japan with those of Nippon Oil and Fats Corporation (NOF) of Tokyo.
- Together with Huntsman Polyurethanes of Everberg, Belgium, Nippon Polyurethane Industry Co. Ltd. (NPU) of Tokyo and Chinese partners, we intend to set up a joint venture at the Caojing site, near Shanghai, to build and operate plants for the basic polyurethane products TDI and MDI.
- We intend to build a Verbund site in Nanjing, China, with our partner China Petrochemical Corporation (SINOPEC). The new joint venture is expected to begin in mid-2000, and the first manufacturing plants are expected to start operations in 2004 or 2005.
- We established BASF Plant Science GmbH with Svalöf Weibull AB of Sweden to conduct plant biotechnology research (BASF ownership stake: 85 percent).
- During the second half of 2000, we intend to combine our textile dye operations with those of DyStar, a 50-50 joint venture between Bayer and Hoechst.



Cash provided by operating activities was € 3.3 billion, meeting all our financial requirements for capital expenditures and financing. We achieved a return on assets before income taxes and interest expenses of 10.2 percent. Earnings per share were € 2.00, while earnings per share according to U.S. GAAP would have been € 2.14.

### Financing

Cash provided by operating activities was € 3.255 billion, a decline of € 489 million from the previous year. An increase in current assets – primarily due to higher receivables arising from strong business in the fourth quarter – offset an increase in accounts payable. The fines and claims for damages related to violations of antitrust laws in the vitamins business are generally not expected to affect liquidity until 2000.

Cash used in investing activities, after deducting income from divestitures, totaled € 2.099 billion. Expenditures on tangible and intangible fixed assets totaled € 2.939 billion before any additions resulting from acquisitions. We spent € 397 million on acquisitions in 1999, considerably less than the previous year's level of € 969 million. We received significant cash inflow totaling € 1.094 billion from various divestitures last year, an increase of € 885 million from 1998.

Financial activities led to a cash outflow of € 968 million. Our share buy-back program accounted for € 256 million of this amount. The exercising of warrants led to a cash inflow of € 80 million. We paid out € 697 million in dividends. The balance of these financial flows led to an increase of € 188 million in cash and cash equivalents (excluding securities). We had a net liquidity of € 1.508 billion when including securities.

Financial indebtedness at the end of 1999 was € 1.294 billion, of which € 577 million is repayable within one year and € 478 million is repayable between 2001 and 2004. Approximately 55.4 percent of our financial indebtedness was denominated in U.S. dollars, approximately 14.2 percent in Chinese renminbi and approximately 9.3 percent in euros.

### Statements of cash flow <sup>1</sup>

Million €	1999	1998
Net income	1,237	1,699
Depreciation of fixed assets	2,690	2,289
Changes in net current assets	172	181
Miscellaneous items	-844	-425
<b>Cash provided by operating activities</b>	<b>3,255</b>	<b>3,744</b>
Additions to tangible and intangible fixed assets	-2,939	-2,722
Acquisitions and divestitures, net	696	-760
Financial investments and other items	144	255
<b>Cash used in investing activities</b>	<b>-2,099</b>	<b>-3,227</b>
Proceeds from capital increases	-176	27
Changes in financial indebtedness	-95	-95
Dividends paid	-697	-630
<b>Cash used in financing activities</b>	<b>-968</b>	<b>-698</b>
Changes in cash assets affecting liquidity	188	-181
Initial cash assets and other changes	802	938
<b>Cash and cash equivalents at year-end</b>	<b>990</b>	<b>757</b>

<sup>1</sup> Full version, see page 57

We expect to be able to finance our capital expenditures on tangible assets planned for 2000 through cash from operations. As a result of our low financial indebtedness and our strong equity position, we have sufficient financial means for additional capital expenditures and acquisitions.

Total assets rose € 3.307 billion to € 30.009 billion. Tangible assets increased € 1.661 billion to € 12.416 billion due to capital expenditures exceeding depreciation and changes in the scope of consolidation. Tangible assets represented 41.4 percent of total assets compared with 40.3 percent in 1998. The equity ratio fell from 49.6 percent to 47.1 percent, while long-term liabilities as a percentage of total assets were 25.1 percent compared with 25.8 percent in 1998. Short-term liabilities accounted for 27.8 percent of total assets compared with 24.6 percent in 1998.

### Returns

The return on assets before income taxes and interest expenses fell from 11.9 percent to 10.2 percent. Apart from lower earnings, the main reason for the decline was higher fund commitments. When adjusted for special items, the return on assets was 10.9 percent compared with 11.1 percent in 1998.

We achieved a return on sales of 6.8 percent, down from 9.5 percent in the previous year. The sharp decline was due to the special items that burdened income from operations. Adjusted for special items, return on sales was 10.0 percent compared with 9.2 percent in 1998.

Earnings per share were € 2.00, a decline of € 0.73 from the previous year due to higher taxes and special items that burdened profits. When U.S. GAAP is applied, earnings per share would have been € 2.14 in 1999, a decline of € 0.70 per share, or 25 percent less than in 1998. This reconciliation is still subject to review by the U.S. Securities and Exchange Commission as part of the registration of BASF American Depositary Receipts (ADRs).

### Balance sheet

#### Assets

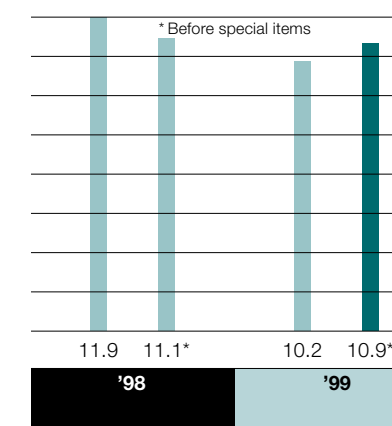
	Million €	1999 %	1998 %
Intangible assets	2,147	7.2	7.4
Tangible assets	12,416	41.4	40.3
Financial assets	1,507	5.0	6.8
<b>Fixed assets</b>	<b>16,070</b>	<b>53.6</b>	<b>54.5</b>
Inventories	4,028	13.4	13.9
Accounts receivable, trade	4,966	16.5	15.0
Other receivables	2,212	7.4	7.0
Deferred tax assets	1,225	4.1	4.0
Cash and cash equivalents	1,508	5.0	5.6
<b>Current assets*</b>	<b>13,939</b>	<b>46.4</b>	<b>45.5</b>
<b>Assets</b>	<b>30,009</b>	<b>100.0</b>	<b>100.0</b>

#### Equity and liabilities

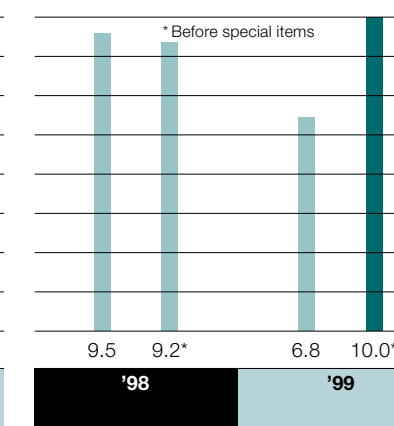
	Million €	1999 %	1998 %
Paid-in capital	4,265	14.2	15.7
Retained earnings	9,002	30.0	32.6
Currency translation adjustment	549	1.8	0.1
Minority interests	329	1.1	1.2
<b>Equity</b>	<b>14,145</b>	<b>47.1</b>	<b>49.6</b>
Long-term provisions	5,812	19.4	20.8
Long-term financial indebtedness	717	2.4	2.5
Other long-term liabilities	1,000	3.3	2.5
<i>Long-term liabilities</i>	<i>7,529</i>	<i>25.1</i>	<i>25.8</i>
Short-term financial indebtedness	577	1.9	2.4
Accounts payable, trade	2,292	7.7	7.0
Other short-term liabilities and provisions	5,466	18.2	15.2
<i>Short-term liabilities</i>	<i>8,335</i>	<i>27.8</i>	<i>24.6</i>
<b>Liabilities*</b>	<b>15,864</b>	<b>52.9</b>	<b>50.4</b>
<b>Equity and liabilities</b>	<b>30,009</b>	<b>100.0</b>	<b>100.0</b>

\* Including deferred tax assets and other prepaid expenses and deferred income

### Return on assets before income taxes and interest expenses (Percent)



### Return on sales (Income from operations as percentage of sales)





New York is home to the world's largest stock market, the New York Stock Exchange (our photo). We plan to list BASF's American Depositary Receipts (ADRs) on the NYSE in June 2000.

Business picked up noticeably in the fourth quarter of 1999 and at the start of the current year. In 2000, we want to generate higher sales on a comparable basis and achieve higher earnings than in 1999.

**Economic situation and business trends**

The starting position for 2000 is highly promising. General economic conditions have improved. The world economy is on a firmer footing and global economic growth will be higher than last year. Thanks to a series of measures, we are well positioned to take advantage of the recovery.

In **Western Europe**, business is becoming increasingly buoyant. We are benefiting from a sound cyclical upturn in **Germany** and in particular from strong growth trends in exports. We are set to take advantage of these opportunities.

In **North America**, the overall economic situation continued to improve in 1999. For 2000, we expect higher interest rates and less dynamic economic growth. For 2001 and 2002, however, growth will accelerate again due to favorable developments in domestic demand.

On a U.S. dollar basis, we want to increase our sales this year in North America by approximately 10 percent and continue to strengthen our market position. We are starting operations at our new world-scale plants and expanding our Verbund sites in Freeport, Texas; Geismar, Louisiana; and Altamira, Mexico. We are also intensifying our cooperation with partners and reviewing potential acquisitions.

The outlook for **South America** is unclear due to uncertainties about currency developments. We expect a period of consolidation, particularly in Brazil, but want to improve our earnings.

In **Asia**, with the exception of Japan, economic growth will keep expanding this year. In the medium term, however, growth rates will not be as high as before the region's financial crisis but still significantly higher than those in the OECD countries.

In Japan, the slight upturn that began in 1999 as a result of comprehensive fiscal programs will gain some momentum during 2000. In the medium term, growth will be moderate since the necessary fiscal consolidation will require massive spending cutbacks.

In the medium and long term, we will expand our business in the Asia-Pacific region considerably, even if short-term market disturbances cannot be ruled out due to radical structural changes and the process of consolidation.

**Strategic goals and planning**

We are consistently pursuing our strategic goals: We will achieve sustainable profitable growth by expanding our core operations and strengthening cyclically resilient businesses. In our businesses sensitive to economic cycles, we will improve our cost efficiency and strengthen our market presence. We will strategically expand our businesses in growth regions.

We are providing a foundation for profitable growth by building new plants that utilize state-of-the-art technology. In 1998 and 1999, we allocated particularly high funds for capital expenditures. Now that many major projects have been completed, we will reduce capital expenditures.

Our research and development activities are shaping the future of BASF. We are constantly seeking to transform our customers' requirements into innovative products and processes. As in 1999, we will continue to provide the same high level of resources to meet these objectives in the coming years.

We will keep improving our internal structures and business processes to remain among the best in our industry and in international comparison.

**Outlook for 2000 and 2001**

BASF is on the right track. We have strengthened our competitiveness and will continue to optimize our portfolio. We have divested some businesses. As a result of these portfolio changes, we want to increase sales and earnings in 2000 and 2001 on a comparable basis.

We are determined to grow faster than the market.

**Risks of future developments**

Like any global company, BASF is exposed to risks arising from developments in the national economies of the countries and regions in which it operates.

Particular uncertainties result from the greatly increased raw material prices that, up to now, we have not been able to pass on in higher product prices to the extent economically necessary. Further risks may occur particularly in the Chemicals and Plastics & Fibers segments due to temporary surplus production capacity in these industries resulting from the startup of world-scale plants. Important BASF customers are active in the automotive, construction, electrical and textile industries, among others. The changes in economic conditions in these industries affect the future development of our business. In the Pharmaceuticals division, the relationship between company size and the necessary research and marketing expenditures requires us to make special efforts. BASF and other companies are the targets of investigations by various countries concerning antitrust law violations in the vitamins business. These investigations will lead to further costs that we cannot at the moment quantify. In the Oil & Gas segment, volatility in oil prices and deregulation pose challenges for our business.

Against the background of our financial stability, our intensive research and development, our closeness to customers and the strategic alignment of our portfolio lead us to believe that we are well equipped to deal with future risks.

**Forward-looking statements**

This Annual Report contains certain forward-looking statements and information relating to BASF Group based on current expectations, estimates and projections of its management and information currently available to the company. There are a number of risk factors, including the ones named above, which could have a considerable negative impact on the expected developments and results. These statements reflect the current views of BASF with respect to future events, are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. In addition, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. We do not assume any obligation to update the forward-looking statements contained in this Annual Report.

The reports on BASF Group and BASF Aktiengesellschaft have been combined in Management's Analysis of this Annual Report.



**Financial Report**

- 52 Statement by the Board of Executive Directors
- 53 Report of Independent Auditors
- 54 BASF Group Consolidated Financial Statements Consolidated Statements of Income
- 55 Consolidated Balance Sheets
- 56 Consolidated Statements of Changes in Stockholders' Equity
- 57 Consolidated Statements of Cash Flows
- 58 Notes to the BASF Group Consolidated Financial Statements
- 84 Board of Executive Directors, Division Presidents and organization
- 86 Supervisory Board
- 88 10-year summary

**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 systems 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 guidelines.

Our risk management system conforms 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, 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 of BASF Group that were 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, 1999. 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 included in the Consolidated Financial Statements, a definition of the scope of consolidation, a review of the accounting and consolidation principles employed, the main judgments made 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, March 1, 2000

**Deloitte & Touche GmbH**  
Wirtschaftsprüfungsgesellschaft

Professor Dr. Emmerich Auditor	Kompenhans Auditor
-----------------------------------	-----------------------

## BASF GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Income  
Year ended December 31

Million €

	Explanations in Note	1999	1998
Sales		<b>31,318.2</b>	29,245.6
– Petroleum and natural gas taxes		<b>(1,845.5)</b>	(1,602.7)
<b>Sales, net of petroleum and natural gas taxes</b>		<b>29,472.7</b>	<b>27,642.9</b>
Cost of sales		<b>18,391.3</b>	17,274.5
<b>Gross profit on sales</b>		<b>11,081.4</b>	<b>10,368.4</b>
Selling expenses		<b>5,279.9</b>	4,963.2
General and administrative expenses		<b>677.0</b>	772.5
Research and development expenses		<b>1,333.0</b>	1,309.3
Other operating income	(7)	<b>978.2</b>	1,136.9
Other operating expenses	(8)	<b>2,761.0</b>	1,836.6
<b>Income from operations</b>		<b>2,008.7</b>	<b>2,623.7</b>
Income from financial assets		<b>727.4</b>	87.7
Write-downs of, and losses from, retirement of financial assets as well as securities held as current assets		<b>22.2</b>	48.4
Interest result		<b>-108.4</b>	107.8
<b>Financial result</b>	(9)	<b>596.8</b>	<b>147.1</b>
<b>Income before taxes and minority interests*</b>		<b>2,605.5</b>	<b>2,770.8</b>
Income taxes	(10)	<b>1,360.8</b>	1,106.8
<b>Income before minority interests</b>		<b>1,244.7</b>	<b>1,664.0</b>
Minority interests	(11)	<b>7.9</b>	-35.4
<b>Net income</b>		<b>1,236.8</b>	<b>1,699.4</b>
<b>Earnings per share (€)</b>		<b>2.00</b>	<b>2.73</b>

\* Income from ordinary operations

## Consolidated Balance Sheets at December 31

Million €

Assets	Explanations in Note	1999	1998
Intangible assets	(14)	<b>2,146.8</b>	1,964.9
Tangible assets	(15)	<b>12,416.3</b>	10,754.5
Financial assets	(16)	<b>1,506.6</b>	1,826.1
<b>Fixed assets</b>		<b>16,069.7</b>	<b>14,545.5</b>
Inventories	(17)	<b>4,027.7</b>	3,703.4
Accounts receivable, trade		<b>4,966.7</b>	4,017.4
Receivables from affiliated companies		<b>724.5</b>	646.8
Miscellaneous receivables and other assets		<b>1,357.2</b>	1,073.6
<b>Receivables and other assets</b>	(18)	<b>7,048.4</b>	<b>5,737.8</b>
Marketable securities	(19)	<b>517.4</b>	745.7
Cash and cash equivalents		<b>990.2</b>	756.9
<b>Current assets</b>		<b>12,583.7</b>	<b>10,943.8</b>
<b>Deferred taxes</b>	(10)	<b>1,225.4</b>	<b>1,077.3</b>
<b>Prepaid expenses</b>	(20)	<b>130.2</b>	<b>135.1</b>
<b>Total assets</b>		<b>30,009.0</b>	<b>26,701.7</b>
<b>Stockholders' equity and liabilities</b>			
Subscribed capital	(21)	<b>1,589.7</b>	1,594.7
Capital surplus	(21)	<b>2,675.2</b>	2,590.1
Retained earnings	(21)	<b>9,001.7</b>	8,695.1
Currency translation adjustments		<b>549.3</b>	39.5
Minority interests	(22)	<b>329.3</b>	330.7
<b>Stockholders' equity</b>		<b>14,145.2</b>	<b>13,250.1</b>
Provisions for pensions and similar obligations	(23)	<b>4,170.0</b>	4,062.5
Provisions for taxes		<b>662.6</b>	487.3
Other provisions	(24)	<b>3,805.1</b>	3,196.1
<b>Provisions</b>		<b>8,637.7</b>	<b>7,745.9</b>
Bonds and other liabilities to capital market		<b>516.7</b>	590.5
Liabilities to credit institutions		<b>777.7</b>	725.3
Accounts payable, trade		<b>2,316.0</b>	1,871.2
Liabilities to affiliated companies		<b>208.0</b>	202.8
Miscellaneous liabilities		<b>3,217.4</b>	2,115.1
<b>Liabilities</b>	(25)	<b>7,035.8</b>	<b>5,504.9</b>
<b>Deferred income</b>		<b>190.3</b>	<b>200.8</b>
<b>Stockholders' equity and liabilities</b>		<b>30,009.0</b>	<b>26,701.7</b>



**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
<b>As of January 1, 1999</b>	<b>623,794,150</b>	<b>1,594.7</b>	<b>2,590.1</b>	<b>8,695.1</b>	<b>39.5</b>	<b>330.7</b>	<b>13,250.1</b>
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.	5,086,690	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	1,244.7
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
<b>As of December 31, 1999</b>	<b>620,984,640</b>	<b>1,589.7</b>	<b>2,675.2</b>	<b>9,001.7</b>	<b>549.3</b>	<b>329.3</b>	<b>14,145.2</b>
As of December 31, 1997	622,062,680	1,590.2	2,567.2	7,417.9	200.3	254.8	12,030.4
Valuation adjustment to U.S. GAAP				238.1		-43.3	194.8
<b>As of January 1, 1998</b>	<b>622,062,680</b>	<b>1,590.2</b>	<b>2,567.2</b>	<b>7,656.0</b>	<b>200.3</b>	<b>211.5</b>	<b>12,225.2</b>
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.	1,731,460	4.5	22.9				27.4
Issuance of new shares from conditional capital to former Wintershall shareholders as compensation for Wintershall shares outstanding from 1968 tender offer	10						
Dividends paid				-636.1		5.7*	-630.4
Net income				1,699.4		-35.4	1,664.0
Increase of foreign currency translation adjustments					-160.8	5.4	-155.4
Changes in scope of consolidation and other changes				-24.2		143.5	119.3
<b>As of December 31, 1998</b>	<b>623,794,150</b>	<b>1,594.7</b>	<b>2,590.1</b>	<b>8,695.1</b>	<b>39.5</b>	<b>330.7</b>	<b>13,250.1</b>

\* Profit and loss transfer to minority interests

**Consolidated Statements of Cash Flows**

Year ended December 31

Million €

	1999	1998
Net income	1,236.8	1,699.4
Depreciation of fixed assets	2,690.0	2,288.7
Changes in long-term provisions	204.5	-229.7
Other non-cash items	-41.9	-47.4
Gains(-)/losses (+) from disposals of fixed assets and securities	-1,006.6	-148.4
Changes in inventories	-218.5	93.1
Changes in receivables	-1,326.6	336.8
Changes in other operating liabilities	1,717.3	-248.0
<b>Cash provided by operating activities</b>	<b>3,255.0</b>	<b>3,744.5</b>
Additions to tangible and intangible fixed assets	-2,938.7	-2,722.2
Additions to financial assets and securities	-877.7	-1,177.0
Payments related to acquisitions	-397.3	-968.9
Proceeds from divestitures	1,093.5	208.6
Proceeds from the disposition of fixed assets and securities	1,021.7	1,432.4
<b>Cash used in investing activities</b>	<b>-2,098.5</b>	<b>-3,227.1</b>
Proceeds from capital increases	-175.5	27.3
Proceeds from the addition of financial indebtedness	2,350.9	336.9
Repayment of financial indebtedness	-2,446.2	-431.6
Dividends paid		
• To shareholders of BASF Aktiengesellschaft	-692.8	-636.1
• To minority shareholders	-4.7	5.7
<b>Cash used in financing activities</b>	<b>-968.3</b>	<b>-697.8</b>
<b>Net change in cash and cash equivalents</b>	<b>188.2</b>	<b>-180.4</b>
Effects on cash and cash equivalents		
• From foreign exchange rates	19.6	-17.1
• From changes in scope of consolidation	25.5	111.6
<b>Cash and cash equivalents as of beginning of year</b>	<b>756.9</b>	<b>842.8</b>
<b>Cash and cash equivalents as of end of year</b>	<b>990.2</b>	<b>756.9</b>
Marketable securities	517.4	745.7
<b>Liquid funds as shown on the balance sheet</b>	<b>1,507.6</b>	<b>1,502.6</b>

## Notes to the BASF Group Consolidated Financial Statements

### Accounting principles

The BASF Group Consolidated Financial Statements are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch) and the Stock Corporations Act. Since January 1, 1998, BASF has considered U.S. generally accepted accounting principles (U.S. GAAP) to the extent permissible under the German Commercial Code. Remaining significant deviations to U.S. GAAP are described in a reconciliation that includes net income and stockholders' equity in accordance with U.S. GAAP (Note 5 to the Consolidated Financial Statements). Since January 1, 1999, the Consolidated Financial Statements have been reported in euros (€). The 1998 Financial Statements, which were originally reported in German marks (DM), have been converted into euros at the official rate of € 1 = DM 1.95583. The Notes to the BASF Group Consolidated Financial Statements have been modified in anticipation of BASF listing its American Depositary Receipts (ADRs) in June 2000 on the New York Stock Exchange. As a result, the Notes do not contain any information about the results of BASF Aktiengesellschaft for the first time.

### (1) Scope of consolidation

Significant domestic and foreign subsidiaries are included in the Group Consolidated Financial Statements in full, while 50 percent owned joint ventures are included on a proportional consolidation basis. Subsidiaries and joint ventures that are immaterial individually or in the aggregate are not consolidated.

The changes in the numbers of consolidated companies were as follows:

	1999	1998
As of January 1	132	124
• <i>Thereof proportional consolidation</i>	17	9
First-time consolidations	26	19
• <i>Thereof proportional consolidation</i>	2	8
Deconsolidations	8	11
• <i>Thereof proportional consolidation</i>	3	–
As of December 31	150	132
• <i>Thereof proportional consolidation</i>	16	17

In principle, the non-consolidated and associated companies in which BASF's equity interest is at least 20 percent are accounted for in accordance with the equity method. In total, this involves:

	1999	1998
Subsidiaries	25	32
Joint ventures	7	8
Other associated companies	3	1
Total	35	41

### 1999

The following companies were consolidated for the first time:

- BASELL C.V. of Rotterdam, the Netherlands, a joint venture with Shell that has been consolidated since the startup of the styrene 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, Milan, 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.

The following companies, in addition to deconsolidations resulting from restructuring measures, are no longer consolidated because they have been sold:

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

### 1998

The following companies were consolidated for the first time:

- Elenac Group of Kehl, Germany, and Strasbourg, France. Elenac is a 50-50 joint venture with Shell that began operations on March 1, 1998. BASF contributed its European polyethylene business and Shell contributed the polyethylene business acquired from the Montell Polyolefine Company of the Netherlands. The joint venture consists of Elenac GmbH of Germany, formerly known as Rheinische Olefinwerke GmbH of Wesseling, Germany, and Elenac S.A. of France. The joint venture, including its subsidiaries, is proportionally consolidated. Elenac acquired the Hostalen business of Hoechst, including the affiliate Hostalen Poletileno S.L. of Barcelona, Spain, effective December 31, 1998, which has been consolidated since that time.
- Micro Flo Company of Lakeland, Florida. BASF acquired Micro Flo, a generic crop protection products supplier, as of June 30, 1998.
- Another six companies based in Korea, Japan, China and Singapore due to their increased importance.

The following companies, in addition to deconsolidations resulting from restructuring measures, are no longer consolidated because they have been sold or BASF reduced its shareholding:

- Chemag AG of Frankfurt, Germany.
- Comparex Informationssysteme GmbH of Mannheim, Germany (including four subsidiaries).

The changes in the scope of consolidation, acquisitions and divestitures had the following impact on the BASF Group Consolidated Balance Sheets and sales:

	1999		1998	
	Million €	%	Million €	%
Fixed assets	<b>505.9</b>	<b>3.5</b>	1,363.2	10.7
• <i>Thereof tangible assets</i>	<b>343.0</b>	<b>3.2</b>	796.0	8.8
Inventories and receivables	<b>-318.7</b>	<b>-3.0</b>	189.7	1.9
Liquid assets	<b>711.1</b>	<b>47.3</b>	-645.2	-35.0
Assets	<b>898.3</b>	<b>3.4</b>	907.7	3.7
Equity	<b>400.3</b>	<b>3.0</b>	260.6	2.2
Financial liabilities	<b>107.6</b>	<b>8.2</b>	338.7	30.1
Other liabilities	<b>390.4</b>	<b>3.2</b>	308.4	2.7
Equity and liabilities	<b>898.3</b>	<b>3.4</b>	907.7	3.7
Sales	<b>869</b>	<b>3.1</b>	483	1.7
Thereof:				
• <i>Acquisitions</i>	<b>627</b>		963	
• <i>Divestitures</i>	<b>-331</b>		-627	
• <i>Changes in scope of consolidation</i>	<b>573</b>		147	

### Proportionally consolidated companies

The companies proportionally consolidated contributed the following amounts to the Group Consolidated Financial Statements:

#### Balance sheet

Million €	1999	1998
Fixed assets	<b>860.4</b>	566.2
Current assets	<b>658.7</b>	511.9
Assets	<b>1,519.1</b>	1,078.1
Stockholders' equity	<b>441.9</b>	430.6
Provisions	<b>233.5</b>	104.9
Other liabilities	<b>843.7</b>	542.6
Equity and liabilities	<b>1,519.1</b>	1,078.1

#### Statement of income

Million €	1999	1998
Sales	<b>1,885.7</b>	1,716.6
Income from operations	<b>156.8</b>	108.2
Net income	<b>113.7</b>	87.0

**List of shareholdings:** A list of companies included in the BASF Group Consolidated Financial Statements as well as a list of all companies in which BASF has a participation, have been deposited at the Commercial Registry HRB 3000 in Ludwigshafen, Germany, as required by the German Commercial Code, Section 313 (2).

## (2) Consolidation methods

**Balance sheet date:** The individual financial statements of the consolidated companies within the Group are prepared as of the same date. In certain cases, interim financial statements or adjusted statements are prepared as of the balance sheet date of the Group Consolidated Financial Statements.

**Uniform valuation:** Assets and liabilities of consolidated companies are accounted for and valued uniformly in accordance with the principles described here and in Note 3.

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 proportional basis. Inter-company profits resulting from deliveries and services between consolidated companies are eliminated unless they originate from the construction of plants under normal market conditions and are of minor importance.

With regard to the companies accounted for under the equity method, inter-company profits resulting from deliveries and services under normal 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 the book value method at the time of acquisition, which is equivalent to the purchase method required under U.S. GAAP. The acquisition cost of participations is offset against the proportionate share of equity acquired. Any differences arising – taking into account deferred taxes from January 1, 1998 – are allocated to the assets and liabilities to be acquired, up to their fair values, or capitalized as intangible fixed assets.

Differences that are not allocated to individual assets are capitalized as goodwill and amortized within the expected useful life of seven to 15 years. For participations acquired through December 31, 1997, goodwill is generally amortized within five years.



### (3) Accounting and valuation methods

**Revenue recognition:** Revenue is realized when products or goods are delivered, or the services are performed. Possible discounts or other price concessions are shown separately. Provisions are made for probable risks resulting from product returns, warranties or other claims in accordance with the principle of individual valuation.

**Intangible assets:** Intangible assets are valued at acquisition cost less scheduled straight-line amortization. Special write-downs are made in cases of expected permanent impairment of value. The average weighted amortization period for both 1999 and 1998 was eight years, and was based on the following expected useful lives:

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

**Tangible assets:** Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation over their estimated useful lives. Special write-downs are also made in cases of expected permanent impairment of value, if recovery of the book value can no longer be expected in the individual case. 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 average weighted periods of depreciation are as follows:

	1999	1998
Buildings 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

BASF follows the successful efforts method of accounting for its oil and gas activities. Under this method, costs of successful oil and gas drilling operations are capitalized as tangible assets. They are depreciated according to 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, in the case of other than temporary impairment of value, at the appropriate lower values.

The acquisition cost of the affiliated and associated companies accounted for by the equity method is increased or decreased yearly by the proportionate change in equity. In addition, goodwill is amortized within the expected useful life of five to 10 years. Goodwill related to participations acquired through December 31, 1997, is mostly amortized over a period of five years. The capital consolidation of the companies accounted for by the equity method at the time of acquisition is based on the same principles as those of a full consolidation.

Loans are stated at acquisition cost or, in the case of non-interest-bearing loans or loans at below market interest rates, at their present value. Foreseeable risks are covered by unscheduled write-downs.

**Inventories:** Inventories are carried at the lower of acquisition or production cost 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 cost 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 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 valuations of assets and liabilities in the financial statements of the consolidated companies and the carrying amounts for tax purposes. Country-specific tax rates are used. If the expected future earnings of a company make it seem likely that the tax benefits will not be realized, appropriate value allowances are made.

**Provisions:** Provisions for pensions of German and foreign subsidiaries are based on actuarial computations according to the projected unit credit method. Similar obligations, especially those arising from promises made by our North American Group companies to pay the healthcare costs and life insurance premiums of retired staff and their dependents are shown as 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 net liabilities 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 exist for uncertain liabilities and likely losses from pending transactions. Maintenance provisions are established to cover omitted maintenance procedures as of the end of the year that are expected to be incurred within the first three months of the following year. The amount provided for is based on reasonable commercial judgment.

Provisions for environmental protection measures and risks are formed if measures seem likely to be necessary on the basis of statutory and governmental obligations or requirements or as a result of technological changes.

Provisions for required recultivation associated with oil and gas exploration, especially the filling of wells and clearance of oil fields, or the operation of landfill sites are built up in installments over the 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 the measures have been identified and a commitment from management exists. Such provisions include severance payments or other personnel-related costs as well as specific site restructuring costs such as the cost for demolition, closure and relocation.

Provisions for long-time service and anniversary bonuses are actuarially calculated using an interest predominantly of 5.5 percent. For short-time working programs for those nearing retirement, the 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. The provisions bore an interest rate of 5.5 percent for the first time in 1999.

As discussed in Note 28, BASF has initiated a stock option program for 1,200 senior executives, including the Board of Executive Directors. Provisions for the outstanding stock options will be accrued during the three-year lock-up period based on the market value of the option.

#### (4) Currency translation

**Translation of foreign currency items:** The cost of assets acquired in foreign currencies as well as revenues from sales in foreign currencies are recorded at the 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. Individually hedged receivables or liabilities are recognized at hedge rates.

#### Derivative financial instruments (see Note 29):

Profits from foreign currency derivatives that cannot be allocated to a particular underlying transaction are realized upon maturity. Unrealized losses associated with currency rate changes on forward foreign exchange contracts and currency options are recorded in income and included in provisions. For interest rate and interest rate/cross currency swaps, the interest differentials are deferred.

#### Translation of foreign currency financial statements:

The translation of foreign currency financial statements conforms with Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation.

The local currency is the functional currency of BASF subsidiaries and joint ventures in North America, Japan, Korea and China as well as for BASF's oil and gas operations in Argentina. The balance sheet items are translated into euros at year-end rates, and expenses and income at quarterly average rates. The effects of rate changes are shown as "currency translation adjustment" and reported as a separate component of equity. This represents the difference between the company's equity calculated at historical rates and at year-end current rates.

The euro is the functional currency for all other consolidated subsidiaries and affiliated companies. The fixed assets, with the exception of loans, and paid-in equity are converted at rates on the date of acquisition at historical rates, and all other assets, liabilities and provisions at year-end current rates; retained earnings is determined as the remaining balance. Expenses and income are converted at quarterly average rates, except when they are derived from balance sheet items converted at historical rates. The changes in assets caused by translation are included in other operating expenses or income.

#### (5) Reconciliation to U.S. GAAP

The following is a summary of the significant adjustments to net income and stockholders' equity that would be required if U.S. GAAP were to be fully applied. This reconciliation is still subject to review by the U.S. Securities and Exchange Commission as part of the registration of BASF American Depositary Receipts (ADRs).

##### Reconciliation of net income to U.S. GAAP

Million €	1999	1998
Net income as reported in the Consolidated Financial Statements of Income under German GAAP	<b>1,236.8</b>	<b>1,699.4</b>
<b>Additional adjustments to conform with U.S. GAAP:</b>		
Capitalization of interest	<b>26.1</b>	35.4
Valuation of pension funds	<b>70.9</b>	-33.6
Valuation of long-term foreign currency items at year-end exchange rates	<b>-36.0</b>	52.6
Capitalization of software developed for internal use	<b>50.1</b>	
Valuation of securities at year-end market values	<b>-0.7</b>	-1.4
Other adjustments	<b>-18.8</b>	3.1
Deferred taxes	<b>3.1</b>	27.8
Minority interests	<b>-6.7</b>	-12.3
<b>Net income according to U.S. GAAP</b>	<b>1,324.8</b>	<b>1,771.0</b>
<b>Basic earnings per share according to U.S. GAAP (€)</b>	<b>2.14</b>	<b>2.84</b>
Diluted earnings per share according to U.S. GAAP (€)	<b>2.12</b>	<b>2.79</b>

##### Reconciliation of stockholders' equity to U.S. GAAP

Million €	1999	1998
Stockholders' equity as reported in the Consolidated Financial Statements under German GAAP	<b>14,145.2</b>	13,250.1
Minority interests	<b>-329.3</b>	-330.7
Stockholders' equity excluding minority interests	<b>13,815.9</b>	12,919.4
<b>Additional adjustments to conform with U.S. GAAP:</b>		
Capitalization of interest	<b>476.4</b>	450.3
Valuation of pension funds	<b>700.2</b>	629.3
Valuation of long-term foreign currency items at year-end exchange rates	<b>33.3</b>	69.3
Capitalization of software developed for internal use	<b>50.1</b>	
Valuation of securities at year-end market values	<b>95.9</b>	88.6
Other adjustments	<b>145.9</b>	164.4
Deferred taxes	<b>-546.4</b>	-377.3
Minority interests	<b>-18.5</b>	-39.1
<b>Stockholders' equity according to U.S. GAAP</b>	<b>14,752.8</b>	<b>13,904.9</b>

**Capitalization of interest:** In the case of tangible assets with a longer construction period, interest for project costs incurred has to be capitalized and depreciated accordingly once the plants begin operations. This interest is not shown in the present financial statements in accordance with German GAAP.

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

BASF, as the guarantor company, has entered into a guarantee of the company pensions commitments of the BASF Pensionskasse. It would therefore be classified under U.S. GAAP as a defined-benefit pension fund, meaning that assets would have to be valued at market values and commitments under the projected unit credit method. These revaluations result in the showing of advance financing of future pension payments, which could not be shown in the present financial statements in accordance with German GAAP.

The resulting overview of the pension fund assets is as follows:

Million €	1999	1998
Plan assets as of December 31	<b>4,280.5</b>	3,568.0
Projected benefit obligations as of December 31	<b>3,205.9</b>	3,029.7
Funded status	<b>1,074.6</b>	538.3
Unrecognized actuarial gains	<b>-545.5</b>	-28.4
Prepaid pension assets	<b>529.1</b>	509.9

In addition to the BASF Pensionskasse, there are some foreign plans for which the valuation according to SFAS No. 87 results in a prepaid pension asset that is reported as part of the reconciliation.

##### Valuation of long-term foreign currency items at year-end exchange rates:

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

A provision of € 48.6 million was recorded as of December 31, 1998, for the anticipated devaluation of the Brazilian real. Since the expected exchange losses from U.S.-dollar-denominated liabilities of BASF'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 be charged to 1999 net income under U.S. GAAP. As a result, income according to U.S. GAAP would have been higher in 1998 and lower in 1999.

##### Capitalization of software developed for internal use:

According to U.S. GAAP, the cost of computer software developed for internal use is required to be capitalized for the first time in 1999 and depreciated over the expected useful life of the software. Since the capitalization of these costs is not allowed under German GAAP, BASF treats them as an expense in the German GAAP financial statements.

##### Valuation of securities at year-end market values:

Under U.S. GAAP, available-for-sale securities are shown at market values on the balance sheet date. The effect of the change in valuation of unrealized profits is immediately recognized in stockholders' equity. Realized profits or losses are credited or charged to income, as are changes in depreciation amounts due to permanent impairments of value.

Under German GAAP, such securities are valued at the lower of acquisition cost or market value at the closing date.

**Other adjustments:** These adjustments include in particular valuation adjustments to U.S. GAAP in the case of affiliated and associated companies accounted for by the equity method and the elimination of provisions required under German GAAP for deferred maintenance expense to be incurred within the first three months of the following business year.

**Deferred taxes:** Adjustments for deferred taxes primarily relate to the aforementioned U.S. GAAP reconciling items. In addition, German GAAP does not allow companies to recognize tax assets on tax loss carryforwards. Such deferred tax assets were € 162.6 million in 1999 and € 114.1 million in 1998. In addition, this item also contains deferred taxes related to foreign currency translation adjustments.

**Minority interests:** The share of minority shareholders in the aforementioned reconciliation items to U.S. GAAP of net income and stockholders' equity is reported separately.

**Other comprehensive income:** Certain expenditures or income are recorded according to U.S. GAAP outside the Consolidated Financial Statements:

Million €	1999	1998
<b>Net income according to U.S. GAAP</b>	<b>1,324.8</b>	<b>1,771.0</b>
Currency translation adjustments	<b>529.8</b>	-160.8
Unrealized holding gains on securities	<b>8.0</b>	42.9
Reduction in deferred taxes	<b>-171.1</b>	-4.3
<b>Other comprehensive income, net of tax</b>	<b>366.7</b>	<b>-122.2</b>
<b>Earnings according to U.S. GAAP</b>	<b>1,691.5</b>	<b>1,648.8</b>

Million €	1999	1998
<b>Stockholders' equity according to U.S. GAAP</b> (before accumulated other comprehensive income)	<b>14,286.5</b>	<b>13,805.3</b>
Currency translation adjustments	<b>569.2</b>	39.4
Unrealized holding gains on securities	<b>96.8</b>	88.8
Deferred taxes	<b>-199.7</b>	-28.6
<b>Other changes to stockholders' equity, accumulated</b>	<b>466.3</b>	<b>99.6</b>
<b>Total stockholders' equity according to U.S. GAAP</b>	<b>14,752.8</b>	<b>13,904.9</b>



**(6) Segment and regional data****Segments**

<b>1999</b>	Chemicals	Plastics & Fibers	Colorants & Finishing Products	Health & Nutrition	Oil & Gas	Other	BASF Group
Million €							
Sales	4,393	8,533	6,395	5,602	3,051	1,499	29,473
Change in %	3.2	12.6	3.3	9.9	13.6	-18.7	6.6
Intersegment transfers	1,848	421	259	86	177	296	3,087
Sales including transfers	6,241	8,954	6,654	5,688	3,228	1,795	32,560
Income from operations	698	640	608	-588	741	-90	2,009
Change in %	-24.3	18.7	-5.3	.	168.5	.	-23.4
Assets	4,050	6,811	4,343	5,174	3,003	6,628	30,009
Return on operational assets in %	18.9	10.9	14.6	.	26.3	.	8.6
Research and development expenses	149	180	160	664	47	133	1,333
Additions to tangible and intangible assets	763	998	324	281	524	363	3,253
Depreciation of tangible and intangible assets	482	595	423	784	281	97	2,662
<b>1998</b>	Chemicals	Plastics & Fibers	Colorants & Finishing Products	Health & Nutrition	Oil & Gas	Other	BASF Group
Million €							
Sales	4,255	7,573	6,188	5,097	2,685	1,845	27,643
Change in %	-4.8	2.4	-5.4	11.1	-16.0	-20.8	-3.1
Intersegment transfers	1,935	414	291	93	235	270	3,238
Sales including transfers	6,190	7,987	6,479	5,190	2,920	2,115	30,881
Income from operations	922	539	642	383	276	-138	2,624
Change in %	-15.3	46.5	33.8	10.1	-41.7	.	-3.9
Assets	3,354	4,957	3,981	4,882	2,622	6,906	26,702
Return on operational assets in %	28.4	11.5	16.0	8.6	10.8	.	12.7
Research and development expenses	148	188	158	634	50	131	1,309
Additions to tangible and intangible assets	587	746	348	1,002	505	534	3,722
Depreciation on tangible and intangible assets	452	562	382	534	238	92	2,260

The Fertilizers division will be dissolved as an operating division 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 BASF. As a result, BASF has transferred the sales, earnings and assets of the Fertilizers division to "Other" for 1999 and has adjusted the 1998 results.

"Other" also included exploratory research costs of € 124 million in 1999 and € 121 million in 1998.

**Regions**

<b>1999</b>	Europe	Thereof Germany	North America (NAFTA)	South America	Asia, Pacific Area, Africa	BASF Group
Million €						
<b>Location of customer</b>						
Sales	17,041	7,147	6,765	1,837	3,830	29,473
Change in %	2.2	1.9	8.2	12.0	24.2	6.6
Share in %	58	24	23	6	13	100
<b>Location of company</b>						
Sales	19,119	12,718	6,783	1,484	2,087	29,473
Sales including 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
<b>1998</b>	Europe	Thereof Germany	North America (NAFTA)	South America	Asia, Pacific Area, Africa	BASF Group
Million €						
<b>Location of customer</b>						
Sales	16,672	7,011	6,249	1,640	3,082	27,643
Change in %	-4.4	-4.6	4.7	-2.1	-10.3	-3.1
Share in %	60	25	23	6	11	100
<b>Location of company</b>						
Sales	18,508	12,188	6,210	1,305	1,620	27,643
Sales including transfers	20,102	-	6,516	1,398	1,809	29,825
Income from operations	2,033	1,301	515	16	60	2,624
Additions to tangible and intangible fixed assets	2,214	1,840	1,092	69	347	3,722
Assets	17,842	12,313	5,478	1,065	2,317	26,702

**(7) Other operating income**

Million €	<b>1999</b>	1998
Release of provisions	<b>142.1</b>	389.3
Income from miscellaneous revenue-generating activities	<b>74.8</b>	154.8
Gains from foreign currency conversion and translation adjustments	<b>323.8</b>	193.1
Gains from disposal of assets	<b>266.9</b>	153.7
Other	<b>170.6</b>	246.0
Total	<b>978.2</b>	1,136.9

Provision releases relate principally to the environmental protection and remediation provision, sales and purchase provisions, litigation and claims provision, shut-down and restructuring provision, maintenance provision and the reserve for income tax audit liabilities.

Income from miscellaneous revenue-generating activities includes, in particular, the sale of energy and raw materials as well as rental income.

Gains from the disposal of assets arose in 1999 from the sale of BASF's COMPO® business in specialty fertilizers; the company's oil refining business, including a refinery in Lingen, Germany; and the Canadian oil and gas production activities of the Oil & Gas segment. In 1998, BASF had gains from the sale of various business units within its Coatings division; the glass mat reinforced thermoplastics business of the Styrenic Polymers division; a 35 percent interest in Comparex Informationssysteme GmbH; and contribution of the polyethylene business to the Elenac joint venture.

Other income arose from income from management and marketing services, income from divestitures other than the disposal of fixed assets, various other items and income from the adjustment of valuation allowances of accounts receivable, particularly in 1998.

**(8) Other operating expenses**

Million €	1999	1998
Costs of reorganization, shutdowns, severance packages and other personnel obligations	<b>248.6</b>	290.1
Environmental protection and safety measures, costs of demolition of fixed assets and costs related to the preparation of capital expenditure projects	<b>263.2</b>	212.3
Losses from foreign currency conversion and translation adjustments	<b>287.1</b>	357.2
Costs from miscellaneous revenue generating activities	<b>65.3</b>	150.8
Amortization of goodwill	<b>260.3</b>	170.9
Losses from disposals of assets	<b>30.0</b>	33.0
Other	<b>1,606.5</b>	622.3
<b>Total</b>	<b>2,761.0</b>	1,836.6

In 1999, costs for restructuring and shutdown measures related primarily to BASF's multi-division site in Medellin, Colombia; the Colorants division's site in Ellesmere Port, England; the Pharmaceutical division's sites in Beeston, England; and the fertilizer production site in Ostend, Belgium. In 1998, the charges consisted mainly of expected shutdown expenses for two North American sites in the Colorants & Finishing Products segment as well as measures in the Plastics & Fibers segment at BASF's Verbund sites in Ludwigshafen, Germany, and Antwerp, Belgium.

The costs from miscellaneous revenue-generating activities relate to the items shown under other operating income.

Other expenditures arose in 1999 primarily due to fines 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®. This line item is comprised of several other items, including valuation allowances on doubtful accounts and liquidation of inventories.

**(9) Financial result**

Million €	1999	1998
Income from participating interests and similar income	<b>731.2</b>	61.3
• <i>Thereof from affiliated companies</i>	<b>16.8</b>	36.4
Income from profit transfer agreements	<b>6.1</b>	11.2
Losses from profit transfer agreements	<b>11.3</b>	21.5
Losses/income from companies accounted for under the equity method	<b>1.4</b>	36.7
<b>Net income from financial assets</b>	<b>727.4</b>	<b>87.7</b>
<b>Write-down of and losses from retirement of financial assets as well as securities held as current assets</b>	<b>22.2</b>	<b>48.4</b>
Income from other securities and financial assets	<b>64.6</b>	69.5
• <i>Thereof from affiliated companies</i>	<b>14.0</b>	20.6
Other interest, income from sale of marketable securities and similar income	<b>123.0</b>	310.1
• <i>Thereof from affiliated companies</i>	<b>4.7</b>	14.7
Interest and similar expenses	<b>296.0</b>	271.8
• <i>Thereof to affiliated companies</i>	<b>5.0</b>	6.6
<b>Interest result</b>	<b>-108.4</b>	<b>107.8</b>
<b>Financial result</b>	<b>596.8</b>	<b>147.1</b>

In 1999, income from participating interests and similar income included special income from the sale of BASF's stake in IVAX Corporation as well as its stake in Aral AG and its refinery business to Veba Oel AG.

Amortization of goodwill of companies accounted for under the equity method totaling € 21 million in 1999 and € 41 million in 1998 as well as income from the release of negative goodwill are included in income/losses from companies accounted for under the equity method.

The interest income for 1998 includes a one-time profit of € 122 million from the sale of securities and swaps.

**(10) Taxes on income**

Million €	1999	1998
German corporation tax	<b>591.3</b>	421.8
German trade income tax	<b>178.1</b>	168.3
Foreign income taxes	<b>460.4</b>	401.6
Taxes on oil-producing operations non-compensable with German corporation tax	<b>165.0</b>	62.8
Utilization of loss carryforwards	<b>-14.1</b>	-33.9
Current taxes	<b>1,380.7</b>	1,020.6
Deferred taxes	<b>-19.9</b>	86.2
Taxes on income	<b>1,360.8</b>	1,106.8
Other taxes	<b>149.3</b>	121.9
<b>Tax expense</b>	<b>1,510.1</b>	1,228.7

Other taxes include, in particular, land taxes and other comparable taxes; these taxes are allocated to the operating function costs.

The regional breakdown of income before taxes was as follows:

Million €	1999	1998
Germany	<b>1,211.5</b>	1,579.3
Foreign	<b>1,394.0</b>	1,191.5
<b>Total</b>	<b>2,605.5</b>	2,770.8

Deferred tax assets and liabilities are calculated with the tax rate applicable in the individual countries, and they averaged 36.0 percent in 1999 and 31.2 percent in 1998. For German companies, the provision was based on a tax rate of 52 percent in 1999 and 56 percent in 1998.

Income taxes on oil-producing operations in certain regions, which can amount to up to 85 percent, may be compensated up to an equivalent level with German corporation tax. The non-deductible amount is shown separately above.

Deferred taxes arise from the following temporary differences between valuations in the commercial and tax balance sheets:

**Deferred tax assets**

Million €	1999	1998
Intangible assets	<b>225.3</b>	104.3
Tangible assets	<b>-164.3</b>	-235.8
Financial assets	<b>-67.0</b>	53.7
Inventories and accounts receivable	<b>160.3</b>	173.0
Provisions for pensions and similar obligations	<b>507.6</b>	601.8
Other provisions	<b>550.9</b>	396.9
Other	<b>12.6</b>	-16.6
<b>Total</b>	<b>1,225.4</b>	1,077.3
• <i>Thereof short term</i>	<b>390.6</b>	333.7

**Deferred tax liabilities**

Million €	1999	1998
Tangible assets	<b>164.0</b>	101.5
Other	<b>68.0</b>	52.4
<b>Total</b>	<b>232.0</b>	153.9
• <i>Thereof short term</i>	<b>110.4</b>	58.0

The provisions for deferred taxes are shown under the tax provisions.

**(11) Minority interests**

Million €	1999	1998
Minority interests in profits	<b>43.2</b>	32.4
Minority interests in losses	<b>35.3</b>	67.8
	<b>7.9</b>	-35.4

Profits from minority interests relate in particular to companies active in natural gas trading and Knoll Pharmaceuticals Ltd. of India. Losses from minority interests relate primarily to Targor GmbH and its subsidiaries.

**(12) Employees****Personnel costs**

Million €	1999	1998
Wages and salaries	<b>4,934.7</b>	4,840.3
Social security contributions and expenses for pensions and assistance	<b>1,244.8</b>	1,169.7
• <i>Thereof for pension benefits</i>	<b>388.7</b>	308.6
<b>Total</b>	<b>6,179.5</b>	6,010.0

The short-time contracts for employees nearing retirement and other early retirement programs led to a reduction of pension liabilities because payments associated with the period between retirement and entry into the state pension program no longer apply. Pension costs for 1998 include a credit of € 86.3 million resulting from an agreement between BASF Aktiengesellschaft and other German subsidiaries with the BASF Pensionskasse for it to assume the legal liability resulting from adjusting pensions granted every third year to the general development of net wages in Germany. BASF Aktiengesellschaft and other subsidiaries in Germany previously carried this liability on their balance sheets for the portion of pension benefits granted by the BASF Pensionskasse.

German Group companies incurred costs for employees' representatives to comply with statutory regulations of € 10.1 million in 1999 and € 10.7 million in 1998.

**Average number of employees**

	Fully consolidated companies		Proportionally consolidated companies	
	1999	1998	1999	1998
BASF Group	<b>73,957</b>	75,314	<b>3,456</b>	2,975
Europe	<b>58,083</b>	59,215	<b>2,962</b>	2,596
• <i>Thereof Germany</i>	<b>15,668</b>	15,438	<b>744</b>	807
North America (NAFTA)	<b>6,902</b>	6,449	-	-
South America	<b>8,453</b>	7,656	<b>166</b>	360
Asia, Pacific Area, Africa	<b>104,980</b>	104,857	<b>4,366</b>	4,142
<b>Total</b>	<b>104,980</b>	104,857	<b>4,366</b>	4,142
• <i>Thereof with trainee contracts</i>	<b>3,208</b>	3,060	<b>150</b>	148
• <i>Thereof with limited-term contracts</i>	<b>3,198</b>	3,107	<b>72</b>	23

The above number of employees of proportionally consolidated companies are given in full; if they are taken into account at 50 percent, the average number of employees for BASF Group was 107,163 in 1999 and 106,928 in 1998.



**(13) Remuneration of Board of Executive Directors and Supervisory Board**

Million €	1999	1998
Supervisory Board emoluments	1.6	1.6
Board of Executive Directors emoluments	9.2	12.5
Pensions for former members of the Board of Executive Directors and their surviving dependents	5.7	4.4
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	50.2	41.6
Loans to members of the Board of Executive Directors	–	–
Commitments in favor of members of the Board of Executive Directors and Supervisory Board	–	–

In 1999, the members of the Board of Executive Directors were granted 166,616 option rights under the BASF stock option program (BOP). These option rights entitle the purchase, if certain objectives are achieved, of a maximum of 333,232 shares at a preferential price. Personnel costs in 1999 related to issuing these options totaled € 0.9 million. A list of the members of the Supervisory Board and Board of Executive Directors and their mandates announced to the company can be found on pages 83 and 86-87.

**(14) Intangible assets**

Developments in 1999	Patents, licenses, trademarks and similar rights*	Goodwill	Advance payments	Total
Million €				
<b>Acquisition costs</b>				
Balance as of January 1, 1999	2,249.5	838.2	7.4	3,095.1
Changes 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
<b>Accumulated amortization</b>				
Balance as of January 1, 1999	842.9	286.2	1.1	1,130.2
Changes in scope of consolidation	9.5	52.4	–	61.9
Additions	383.5	260.3	0.2	644.0
Disposals	72.2	12.7	–	84.9
Write-backs	1.1	–	–	1.1
Transfers, including exchange rate transfers	36.7	21.8	–	58.5
Balance as of December 31, 1999	1,199.3	608.0	1.3	1,808.6
<b>Net book value as of December 31, 1999</b>	<b>1,390.6</b>	<b>749.7</b>	<b>6.5</b>	<b>2,146.8</b>

\* Including licenses in such rights and values

Changes in scope of consolidation in 1999 related primarily to gas concessions of Wintershall Energía S.A. of Argentina and the goodwill of newly consolidated companies in the Pharmaceuticals division. Additions included BASF Corporation's rights to purchase propylene oxide from Lyondell Chemical Company of Houston, Texas, and goodwill associated with the purchase of Hoechst/Celanese's stake in Targor.

Unscheduled write-downs were made for expected long-term value impairments of € 161.1 million in 1999 on intangible assets, especially those of the lysine business.

Developments in 1998	Patents, licenses, trademarks and similar rights*	Goodwill	Advance payments	Total
Million €				
<b>Acquisition costs</b>				
Balance as of January 1, 1998	1,665.4	511.6	81.2	2,258.2
Changes in scope of consolidation	95.7	47.3	0.1	143.1
Additions	496.8	321.8	4.2	822.8
Disposals	32.0	17.3	–	49.3
Transfers, including exchange rate changes	23.6	–25.2	–78.1	–79.7
Balance as of December 31, 1998	2,249.5	838.2	7.4	3,095.1
<b>Accumulated amortization</b>				
Balance as of January 1, 1998	621.5	138.7	0.9	761.1
Changes in scope of consolidation	18.6	7.2	–	25.8
Additions	245.7	170.8	0.2	416.7
Disposals	29.5	25.5	–	55.0
Write-backs	–	–	–	–
Transfers, including exchange rate changes	–13.4	–5.0	–	–18.4
Balance as of December 31, 1998	842.9	286.2	1.1	1,130.2
<b>Net book value as of December 31, 1998</b>	<b>1,406.6</b>	<b>552.0</b>	<b>6.3</b>	<b>1,964.9</b>

\* Including licenses in such rights and values

Changes in scope of consolidation in 1998 resulted primarily from changes in the scope of consolidation, especially Hokuriku Seiyaku Co. Ltd. of Japan in the Pharmaceuticals division. Additions included the acquisition of the lysine business of the Daesang Group of Korea, the acquisition of Hoechst's polyethylene business through Elenac and the acquisition of the remaining 50 percent ownership stake held by Hyosung T&C Co. Ltd. of Korea in BASF Styrenics Korea Ltd. (merged into BASF Company Ltd. Korea as of December 31, 1998).

**(15) Tangible assets**

<b>Developments in 1999</b>	Lands, land rights and buildings*	Machinery and technical equipment	Miscellaneous equipment and fixtures	Advance payments and construction in progress	Total
Million €					
<b>Acquisition costs</b>					
Balance as of January 1, 1999	6,216.9	23,931.1	3,120.9	1,681.5	34,950.4
Changes 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
<b>Accumulated depreciation</b>					
Balance as of January 1, 1999	3,588.8	18,117.4	2,489.2	0.6	24,196.0
Changes 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
<b>Net book value as of December 31, 1999</b>	<b>2,865.3</b>	<b>6,619.5</b>	<b>657.3</b>	<b>2,274.2</b>	<b>12,416.3</b>

<b>Developments in 1998</b>	Lands, land rights and buildings*	Machinery and technical equipment	Miscellaneous equipment and fixtures	Advance payments and construction in progress	Total
Million €					
<b>Acquisition costs</b>					
Balance as of January 1, 1998	5,738.3	22,242.1	3,056.4	1,387.4	32,424.2
Changes in scope of consolidation	293.5	410.9	40.8	205.4	950.6
Additions	81.8	781.7	188.7	1,847.1	2,899.3
Disposals	105.4	617.5	291.9	19.2	1,034.0
Transfers, including exchange rate changes	208.7	1,113.9	126.9	-1,739.1	-289.6
Balance as of December 31, 1998	6,216.9	23,931.1	3,120.9	1,681.6	34,950.5
<b>Accumulated depreciation</b>					
Balance as of January 1, 1998	3,590.7	17,289.5	2,431.5	36.8	23,348.5
Changes in scope of consolidation	58.5	210.3	25.3	-	294.1
Additions	192.7	1,341.2	308.8	0.6	1,843.3
Disposals	68.8	567.4	260.9	-	897.1
Write-backs	0.3	0.4	-	0.1	0.8
Transfers, including exchange rate changes	-184.0	-155.8	-15.5	-36.7	-392.0
Balance as of December 31, 1998	3,588.8	18,117.4	2,489.2	0.6	24,196.0
<b>Net book value as of December 31, 1998</b>	<b>2,628.1</b>	<b>5,813.7</b>	<b>631.7</b>	<b>1,681.0</b>	<b>10,754.5</b>

\* Including construction on non-BASF properties

In 1999, unscheduled write-downs for likely permanent impairment of value of € 46.1 million related to production sites in Medellin, Colombia; Ellesmere Port, England; Freeport, Texas; and Yokkaichi, Japan. Unscheduled depreciation of € 28.3 million in 1998 related primarily to measures taken at two BASF Corporation sites in North America.

**(16) Financial assets**

<b>Developments in 1999 Participations and securities held as fixed assets</b>	Shares in affiliated companies	Shares in associated companies	Shares in participating interests	Securities held as fixed assets	Participations and securities held as fixed assets
Million €					
<b>Acquisition costs</b>					
Balance as of January 1, 1999	796.8	197.1	260.7	41.7	1,296.3
Changes 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
<b>Accumulated depreciation</b>					
Balance as of January 1, 1999	17.4	20.9	86.7	3.5	128.5
Changes 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
<b>Net book value as of December 31, 1999</b>	<b>897.2</b>	<b>133.4</b>	<b>180.9</b>	<b>29.1</b>	<b>1,240.6</b>

<b>Developments in 1999 Loans and other investments</b>	Loans to affiliated companies	Loans to associated companies and participating interests	Other loans and investments	Loans and investments	Total financial assets
Million €					
<b>Acquisition costs</b>					
Balance as of January 1, 1999	435.4	90.0	137.3	662.7	1,959.0
Changes 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	1,556.5
<b>Accumulated depreciation</b>					
Balance as of January 1, 1999	0.2	0.4	3.8	4.4	132.9
Changes 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
<b>Net book value as of December 31, 1999</b>	<b>22.5</b>	<b>85.2</b>	<b>158.3</b>	<b>266.0</b>	<b>1,506.6</b>



<b>Developments in 1998 Participations and securities held as fixed assets</b>	Shares in affiliated companies	Shares in associated companies	Shares in participating interests	Securities held as fixed assets	Participations and securities held as fixed assets
Million €					
<b>Acquisition costs</b>					
Balance as of January 1, 1998	958.7	334.7	258.3	26.8	1,578.5
Changes in scope of consolidation	-346.9	-13.9	-	7.2	-353.6
Additions	279.6	22.8	20.1	8.4	330.9
Disposals	36.2	120.9	14.7	1.1	172.9
Transfers, including exchange rate changes	-58.4	-25.6	-3.0	0.4	-86.6
Balance as of December 31, 1998	796.8	197.1	260.7	41.7	1,296.3
<b>Accumulated depreciation</b>					
Balance as of January 1, 1998	61.0	28.4	86.7	1.3	177.4
Changes in scope of consolidation	0.2	-	-	0.9	1.1
Additions	4.7	13.4	-	1.2	19.3
Disposals	0.9	1.1	-	-	2.0
Transfers, including exchange rate changes	-47.6	-19.8	-	0.1	-67.3
Balance as of December 31, 1998	17.4	20.9	86.7	3.5	128.5
<b>Net book value as of December 31, 1998</b>	<b>779.4</b>	<b>176.2</b>	<b>174.0</b>	<b>38.2</b>	<b>1,167.8</b>

<b>Developments in 1998 Loans and other investments</b>	Loans to affiliated companies	Loans to associated companies and participating interests	Other loans and investments	Loans and investments	Total financial assets
Million €					
<b>Acquisition costs</b>					
Balance as of January 1, 1998	536.4	42.8	155.1	734.3	2,312.8
Changes in scope of consolidation	-	-3.1	-2.1	-5.2	-358.8
Additions	2.3	60.5	14.8	77.6	408.5
Disposals	106.6	8.2	15.9	130.7	303.6
Transfers, including exchange rate changes	3.3	-2.0	-14.6	-13.3	-99.9
Balance as of December 31, 1998	435.4	90.0	137.3	662.7	1,959.0
<b>Accumulated depreciation</b>					
Balance as of January 1, 1998	-	-	3.5	3.5	180.9
Changes in scope of consolidation	-	-	-	-	1.1
Additions	0.2	0.4	0.8	1.4	20.7
Disposals	-	-	0.5	0.5	2.5
Transfers, including exchange rate changes	-	-	-	-	-67.3
Balance as of December 31, 1998	0.2	0.4	3.8	4.4	132.9
<b>Net book value as of December 31, 1998</b>	<b>435.2</b>	<b>89.6</b>	<b>133.5</b>	<b>658.3</b>	<b>1,826.1</b>

Additions in 1999 to shares in affiliated companies were related 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 percent ownership stake, and BASF Services (Malaysia), a company based in Petaling Jaya, Malaysia, in which BASF holds a 100 percent ownership stake. These enterprises have not yet been consolidated. Other additions to shares in associated companies included the acquisition of a 40 percent ownership stake in Svalöf Weibull, a seed breeding company based in Svalöv, Sweden. Goodwill from the capital consolidation of compa-

nies accounted for by the equity method for the first time in 1999 was € 156.9 million.

The 1998 additions related to the acquisition of the industrial coatings manufacturer Salchi Spa of Burago Malgora, Milan, Italy, which is now known as BASF Coatings Spa. They also related to the Wintershall Explorations- und Produktionsbeteiligungsgesellschaft mbH, which was created after the dissolution of the Deminex joint venture; this company took over the former joint venture operations in Argentina, Russia and Azerbaijan.

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

Million €	1999			1998		
	Book value	Market value	Unrealized profit	Book value	Market value	Unrealized profit
Fixed-rate securities	-	-	-	1.7	1.7	-
Mutual funds	-	-	-	22.7	22.9	0.2
Other shareholdings and securities	210.0	210.4	0.4	187.8	224.1	36.3
<b>Total</b>	<b>210.0</b>	<b>210.4</b>	<b>0.4</b>	<b>212.2</b>	<b>248.7</b>	<b>36.5</b>

### (17) Inventories

Million €	1999	1998
Raw materials and factory supplies	943.4	834.6
Work in process, finished goods and merchandise	3,029.6	2,808.8
Construction in progress	47.4	46.8
Advance payments	7.3	13.2
<b>Total</b>	<b>4,027.7</b>	<b>3,703.4</b>

"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 € 2,441.7 million, or 61 percent of total inventories, in 1999 and inventories of € 2,356.7 million, or 64 percent of total inventories, in 1998 were valued according to the LIFO method.

LIFO reserves in 1999 were € 148.0 million compared with € 121.7 million in 1998.

### (18) Receivables and other assets

Million €	1999		1998	
		Thereof with a remaining term of more than one year		Thereof with a remaining term of more than one year
Accounts receivable, trade	4,966.7	47.4	4,017.4	21.7
Receivables from affiliated companies	724.5	3.6	646.8	3.8
Receivables from associated companies and other participating interests	389.4	-	205.1	-
Other assets	967.8	123.8	868.5	118.8
Miscellaneous receivables and other assets	1,357.2	123.8	1,073.6	118.8
<b>Total</b>	<b>7,048.4</b>	<b>174.8</b>	<b>5,737.8</b>	<b>144.3</b>

### Composition of other assets

Million €	1999	1998
Tax refund claims	282.2	119.2
Interest receivables	189.3	39.8
Receivables from commission sales	53.9	48.9
Receivables from the sale of non-trade assets	47.4	70.6
Employee receivables	32.4	30.7
Rent and deposits	31.0	70.7
Insurance claims	10.9	33.2
Other	320.7	455.4
<b>Total</b>	<b>967.8</b>	<b>868.5</b>

The accrued items, in particular accrued interest, amounted to € 35.7 million in 1999 and € 40.9 million in 1998.

**Valuation allowances on doubtful receivables**

Million €	1999	1998
Accounts receivable, trade as of January 1, 1999	<b>320.8</b>	323.3
Changes affecting income	<b>41.7</b>	-0.9
Changes not affecting income	<b>5.7</b>	-1.6
As of December 31, 1999	<b>368.2</b>	320.8
Miscellaneous receivables	<b>74.1</b>	78.7
Total	<b>442.3</b>	399.5

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 risks 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 accounts.

**(19) Marketable securities**

Million €	1999			1998		
	Book value	Market value	Unrealized gains	Book value	Market value	Unrealized gains
Fixed-term securities	<b>74.9</b>	<b>74.9</b>	-	259.7	260.2	0.5
Shares	<b>388.2</b>	<b>402.9</b>	<b>14.7</b>	387.4	437.1	49.7
Mutual funds	<b>38.4</b>	<b>43.2</b>	<b>4.8</b>	93.8	95.4	1.6
Other securities	<b>15.9</b>	<b>15.9</b>	-	4.8	6.1	1.3
Total	<b>517.4</b>	<b>536.9</b>	<b>19.5</b>	745.7	798.8	53.1

The disposal of available-for-sale securities generated proceeds of € 744.2 million with gains of € 27.7 million in 1999 and proceeds of € 1,041.7 million in 1998 and gains of € 57.3 million in 1998.

**(20) Prepaid expenses**

Million €	1999		1998	
	Thereof with a remaining term of less than one year	Thereof with a remaining term of less than one year	Thereof with a remaining term of less than one year	Thereof with a remaining term of less than one year
Discount	<b>9.8</b>	<b>7.8</b>	17.4	7.9
Miscellaneous	<b>120.4</b>	<b>85.9</b>	117.7	37.7
Total	<b>130.2</b>	<b>93.7</b>	135.1	45.6

Discounts arising primarily from the issue of the 3% U.S. Dollar Option Bond 1986/2001 of BASF Finance Europe N.V. is capitalized and amortized as interest expense over the term of the underlying obligations.

**(21) Subscribed capital, capital surplus and retained earnings**

**Subscribed capital:** The total number of issued BASF shares as of December 31, 1999, was 620,984,640 compared with 623,794,150 as of December 31, 1998.

BASF Aktiengesellschaft has repurchased a total of 7,896,200 shares under its share buy-back program, which reduced the share capital by € 20.2 million. Acquisition costs of € 255.6 million were charged against retained earnings.

The exercising of warrants related to the 3% U.S. Dollar Option Bond 1986/2001 of BASF Finance Europe N.V. resulted in the issue of 5,086,690 shares in 1999 and 1,731,460 shares in 1998. As a result, the share capital rose € 13.0 million in 1999 and € 4.5 million in 1998. A total of € 67.1 million was transferred to capital surplus in 1999 and € 22.9 million in 1998.

The Annual Meeting on April 29, 1999, approved an increase of € 2.2 million in the subscribed capital through a transfer from capital surplus to maintain a two-digit cent per share figure of € 2.56 after the conversion to euros from German marks.

**Share repurchase:** The Board of Executive Directors received approval at the Annual Meeting on May 19, 1998, to repurchase BASF shares to a maximum amount of 10 percent of issued shares. If BASF shares are 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 percent of that market price. In the case of a public purchase offer, the price offered by BASF may be a maximum of 25 percent 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 repurchase shares without further shareholder approval. As a result, BASF repurchased between January 13 and February 19, 1999, a total of 7,896,200 shares, or 1.3 percent of the issued shares, at an average price of € 32.37 per share and then canceled the repurchased shares as authorized.

The Annual Meeting on April 29, 1999, approved a new resolution authorizing the Board of Executive Directors to repurchase a maximum 10 percent of the issued shares until October 1, 2000, under the same price limits outlined in the resolution approved in 1998, which is otherwise replaced by the new resolution.

**Conditional capital:** The conditional capital of BASF Aktiengesellschaft as of December 31, 1999, was € 164.1 million compared with € 138.5 million as of December 31, 1998.

As of December 31, 1999, the share capital can be conditionally increased by up to € 23.3 million compared with € 36.2 million as of December 31, 1998, due to the exercising of warrants related to the 3% U.S. Dollar Option Bond 1986/2001 of BASF Finance Europe N.V. Less than € 0.1 million is related to the conversion rights of former shareholders of Wintershall AG as of December 31, 1998, and December 31, 1999.

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 fulfil the exercising of warrants related to the option bonds.

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:** The authorized capital of BASF Aktiengesellschaft was € 500.0 million as of December 31, 1999, compared with € 306.8 million as of December 31, 1998.

At the Annual Meeting of 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 issuing of shares, compensation for stock options and warrants as well as negative goodwill from the capital consolidation resulting from the acquisition of subsidiaries against issue of BASF shares at par value.

**Retained earnings**

Million €	1999	1998
Legal reserves	<b>233.8</b>	228.3
Other retained earnings and profit retained	<b>8,767.9</b>	8,466.8
Total	<b>9,001.7</b>	8,695.1
• <i>Thereof proposed dividend</i>	<b>701.7</b>	692.8
Proposed dividend per share (€)	<b>1.13</b>	1.12

In 1999, the legal reserves rose by € 4.9 million compared to an increase in 1998 of € 47.1 million due to transfers from other retained earnings and profit retained and in 1999 by € 0.6 million compared with € 2.6 million in 1998 due to changes in the scope of consolidation.



**(22) Minority interests**

Minority interests in stockholders' equity of consolidated subsidiaries is primarily attributable to the following companies:

Company	Other shareholders	Equity stake %	1999	Equity stake %	1998
Wingas GmbH, Kassel, Germany	Zarubezhgaz Erdgashandel GmbH, Berlin, Germany	35.0	<b>80.2</b>	35.0	78.2
Targor GmbH, Mainz, Germany, and subsidiaries	Celanese/Hoechst AG Frankfurt, Germany	–	–	50.0	58.5
Hokuriku Seiyaku Co. Ltd., Katsuyama-Shi, Fukui, Japan	Publicly traded shares	35.9	<b>145.3</b>	35.9	111.5
Yangzi-BASF Styrenics Co. Ltd., Nanjing, China	Yangzi Petrochemicals Corp., Nanjing, China	40.0	<b>48.8</b>	40.0	36.5
Knoll Pharmaceuticals Ltd., Mumbai (Bombay), India	Publicly traded shares	49.0	<b>20.9</b>	49.0	15.5
BASF India Ltd., Mumbai (Bombay), India	Publicly traded shares	50.0	<b>15.0</b>	50.0	15.1
Others			<b>19.1</b>		15.4
Total			<b>329.3</b>		330.7

On December 17, 1999, BASF acquired the remaining 50 percent ownership stake in Targor GmbH.

The change in the projected benefit obligation is as follows:

Million €	1999	1998
Projected benefit obligation as of January 1	<b>5,942.6</b>	5,860.5
Service cost	<b>136.6</b>	120.0
Interest cost	<b>354.7</b>	363.2
Benefits paid	<b>– 353.2</b>	– 331.5
Participants' contributions	<b>6.6</b>	6.3
Change in actuarial assumptions	<b>– 175.4</b>	192.6
Settlements and other charges	<b>– 86.7</b>	– 146.1
Currency exchange	<b>373.1</b>	– 122.4
<b>Projected benefit obligation as of December 31</b>	<b>6,198.3</b>	<b>5,942.6</b>

The change in plan assets is as follows:

Million €	1999	1998
Plan assets as of January 1	<b>2,263.2</b>	2,089.5
Actual return on plan assets	<b>368.0</b>	269.0
Employers' contributions	<b>18.2</b>	126.2
Participants' contributions	<b>6.6</b>	6.3
Benefits paid	<b>– 150.0</b>	– 119.0
Currency exchange	<b>342.6</b>	– 118.0
Other changes	<b>– 14.1</b>	9.2
Plan assets as of December 31	<b>2,834.5</b>	2,263.2
Pre-paid pension assets of foreign plans	<b>– 282.3</b>	– 119.4
<b>Plan assets as of December 31 excluding pre-paid pension assets</b>	<b>2,552.2</b>	<b>2,143.8</b>

The valuation of the pension fund assets of foreign pension funds under SFAS 87 showed the pre-financing shown above.

	1999 %	1998 %
Interest rate	<b>6.4</b>	5.9
Projected increase of wages and salaries	<b>3.4</b>	3.1
Projected pension increase	<b>1.4</b>	1.1
Expected return on plan assets	<b>8.4</b>	8.5

This resulted in the following pension provisions:

Million €	1999	1998
Cash value of future benefits as of December 31	<b>6,198.3</b>	5,942.6
Less pension fund assets as of December 31	<b>2,552.2</b>	2,143.8
	<b>3,646.1</b>	3,798.8
Unrecognized actuarial gains and losses	<b>204.7</b>	3.0
Provisions for pensions	<b>3,850.8</b>	3,801.8
Similar obligations	<b>319.2</b>	260.7
Provisions for pensions and similar obligations	<b>4,170.0</b>	4,062.5

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 valued in accordance with actuarial rules, allowing for future cost trends using a discount rate of 7.50 percent.

The components of the net periodic pension cost are as follows:

Million €	1999	1998
Service cost	<b>136.6</b>	120.0
Interest cost	<b>354.7</b>	363.2
Expected return on plan assets	<b>– 182.4</b>	– 149.5
Amortization costs	<b>0.1</b>	–
Settlement gain commitments	<b>– 26.0</b>	– 145.7
Expenses from defined-benefit plan commitments	<b>283.0</b>	188.0
Expenses from defined-contribution plan commitments	<b>82.3</b>	97.6
Expenses from similar obligations	<b>23.4</b>	23.0
Expenses for pension benefits and similar obligations	<b>388.7</b>	308.6

**(24) Other provisions**

Million €	1999		1998	
		Thereof likely use within one year		Thereof likely use within one year
Oil and gas production	<b>350.2</b>	–	326.3	3.1
Environmental protection and remediation costs	<b>255.1</b>	<b>125.8</b>	293.4	120.6
Personnel costs	<b>1,129.2</b>	<b>709.8</b>	983.5	599.9
Sales and purchase risks	<b>533.7</b>	<b>526.8</b>	419.9	401.1
Shutdown and restructuring costs	<b>222.7</b>	<b>164.6</b>	207.3	160.9
Legal, damage claims and related commitments	<b>726.7</b>	<b>265.8</b>	448.3	95.4
Maintenance and repair costs	<b>125.5</b>	<b>61.1</b>	172.6	107.8
Other	<b>462.0</b>	<b>431.1</b>	344.8	304.4
Total	<b>3,805.1</b>	<b>2,285.0</b>	3,196.1	1,793.2

In the case of oil and gas production, the expected costs for filling in wells and removing production equipment after the end of production are accumulated by installments during the expected production period.

Provisions for environmental protection measures include costs for rehabilitating contaminated sites, water protection, recultivating landfills and similar measures.

The provision for personnel obligations includes long-time service bonuses and anniversary payments, vacation pay, variable compensation, social security contributions and other accrued costs. Most BASF Group companies in Germany have various programs that entitle employees who are at least 55 years old to reduce their working hours to 50 percent for up to five years. Under this arrangement, most employees 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 percent of their net salary throughout the transition period.

The provision for sales and purchases includes risks arising from warranties or product liability, together with discounts or other price concessions to be granted and commissions or likely losses from contractual agreements.

The provision for shutdown and restructuring measures includes severance payments for employees leaving the company or contractual agreements, relocation costs, site closures or demolition commitments and comparable charges. These developed as follows:

1999	As of	Use of	Other changes	As of December
Million €	January 1, 1999	provisions		31, 1999
Severance	53.1	42.5	109.5	120.1
Site closures and demolition commitments	124.2	39.2	-20.8	64.2
Other	30.0	11.3	19.7	38.4
<b>Total</b>	<b>207.3</b>	<b>93.0</b>	<b>108.4</b>	<b>222.7</b>

1998	As of	Use of	Other changes	As of December
Million €	January 1, 1998	provisions		31, 1998
Severance	57.6	20.1	15.6	53.1
Site closures and demolition commitments	147.9	64.3	40.6	124.2
Other	68.0	45.4	7.4	30.0
<b>Total</b>	<b>273.5</b>	<b>129.8</b>	<b>63.6</b>	<b>207.3</b>

Additions in 1999 are related to the shutdown of the multi-division site in Medellin, Colombia; the Colorants division's site in Ellesmere Port, England; the pharmaceutical production site in Beeston, England; and the fertilizer site in Ostend, Belgium.

Additions in 1998 related to measures for two North American sites of the Colorants & Finishing Products segment.

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 provisions relate in particular to invoices not yet received for goods and services and similar items.

## (25) Liabilities

### Financial liabilities

Million €	1999	1998	
3% U.S. Dollar Option Bond 1986/2001 of BASF Finance Europe N.V.	229.2	196.8	The 3% U.S. Dollar Option Bond 1986/2001 of BASF Finance Europe N.V. with a nominal value of \$235 million is traded on the Luxembourg Stock Exchange. A warrant provides the right to acquire 10 BASF shares at a price of € 157.48 (DM 308.00). The warrant may be exercised until April 9, 2001.
Other bonds	221.6	327.0	
Commercial paper	65.9	66.7	
Bonds and other liabilities to the capital market	516.7	590.5	A 7% U.S. Dollar Bond of BASF Finance Europe N.V. 1992/1999 with a value of \$200 million was redeemed on August 19, 1999.
Liabilities to credit institutions	777.7	725.3	
<b>Total</b>	<b>1,294.4</b>	<b>1,315.8</b>	

The financial liabilities are denominated mainly in the following currencies:

Million €	1999	1998	
U.S. dollars	716.6	777.2	
Euros	121.0	199.8	
Chinese renminbi	183.9	159.6	
Other	272.9	179.2	
<b>Total</b>	<b>1,294.4</b>	<b>1,315.8</b>	

The weighted average interest rate on short-term credit borrowings was 6.4 percent as of December 31, 1999, compared with 5.6 percent as of December 31, 1998.

### Miscellaneous liabilities

Million €	1999	1998	
Advances received on account of orders	91.8	78.5	
Liabilities on bills	41.6	41.0	
Liabilities to companies in which participations are held	170.3	132.9	
Miscellaneous liabilities	2,913.7	1,862.7	
• <i>Thereof taxes</i>	621.6	632.5	
• <i>Thereof liabilities relating to social security</i>	103.6	159.3	
<b>Total miscellaneous liabilities</b>	<b>3,217.4</b>	<b>2,115.1</b>	

### Residual terms of liabilities

Million €	1999		1998	
	Up to one year	More than five years	Up to one year	More than five years
Bonds and other liabilities to the capital market	35.1	217.8	191.6	169.4
Liabilities to credit institutions	542.1	13.6	460.6	88.1
Accounts payable, trade	2,291.6	5.0	1,855.0	-
Liabilities to affiliated companies	143.3	-	162.0	-
Advances received on account of orders	81.1	-	70.3	-
Liabilities on bills	31.3	-	27.9	-
Liabilities to companies in which participations are held	170.2	-	131.6	-
Other liabilities	2,147.5	559.2	1,268.7	344.7
<b>Total</b>	<b>5,442.2</b>	<b>795.6</b>	<b>4,167.7</b>	<b>602.2</b>

### Secured liabilities

Million €	1999	1998
Liabilities to credit institutions	22.7	27.6
Miscellaneous liabilities	17.4	44.1
<b>Total</b>	<b>40.1</b>	<b>71.7</b>

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



**(26) Contingent liabilities and other financial commitments**

**Contingent liabilities**

Million €	1999	1998
Contingent liabilities on bills of exchange	<b>120.1</b>	89.2
• <i>Thereof to affiliated companies</i>	<b>3.2</b>	1.0
Contingent liabilities from guarantees	<b>245.5</b>	137.6
Contingent liabilities from warranties	<b>62.5</b>	26.1
Contingent liabilities from the granting of securities for third party liabilities	<b>4.7</b>	4.4
<b>Total</b>	<b>432.8</b>	257.3

**Other financial obligations**

Million €	1999	1998
Remaining cost of construction in progress	<b>3,104.0</b>	3,185.9
• <i>Thereof purchase commitments</i>	<b>1,098.1</b>	1,112.9
Commitments from long-term rental and leasing contracts	<b>653.8</b>	950.0
• <i>Thereof payable during the following year</i>	<b>166.5</b>	205.1
• <i>Thereof payable during the 2nd to 5th years</i>	<b>275.2</b>	407.3
• <i>Thereof payable during five years or longer</i>	<b>212.2</b>	337.6
Other commitments	<b>573.1</b>	2.2
<b>Total</b>	<b>4,330.9</b>	4,138.1

“Other commitments” is comprised of receivables and securities.

**Purchase commitments for raw materials and natural gas under long-term contracts:** BASF has entered into long-term purchase contracts for natural gas, the vast majority of which are coupled with long-term supply contracts to customers. BASF purchases raw materials globally, both on the basis of long-term contracts and in spot markets. The fixed and determinable portions of long-term supply agreements with a remaining term of more than one year as of December 31, 1999, were as follows:

	Million €
2000	1,718
2001	1,740
2002	1,433
2003	1,292
2004	1,370
2005 and later residual periods	12,128

**(27) 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.

**Vitamin antitrust proceedings:** On May 20, 1999, in a settlement with the United States of America, BASF Aktiengesellschaft agreed to plead guilty to certain violations of antitrust laws involving the sale of vitamins in the United States and to cooperate with the investigation by the U.S. Department of Justice. On September 17, 1999 a federal court approved the plea agreement and imposed the agreed-upon fine of \$225 million.

In accordance with an agreement reached with the Canadian Attorney General, a Canadian federal court on September 22, 1999, ordered BASF Aktiengesellschaft to pay C\$19 million for violating Canadian antitrust laws. Government investigations continue in the European Union, Australia, Mexico and Brazil.

Various class-action lawsuits have been filed against BASF and other vitamin producers in the United States demanding compensation for violations of antitrust laws. As part of a settlement, which has not yet been approved by a court, seven vitamin manufacturers agreed to pay \$1.17 billion, including attorneys’ fees, to pay compensation to customers who had purchased vitamins directly from the manufacturers. BASF’s share of this settlement is \$287 million. Some of the customers have decided to opt out of the class.

These liabilities are accounted for as obligations or provisions. In addition, a number of indirect purchasers of vitamins have filed claims for damages in courts in various U.S. states. Similar civil suits have been filed in courts in Canada and Australia. We have established provisions for the costs that we can currently anticipate. We do not believe that the additional charges will have a substantial impact on the profitability of BASF Group.

**Class-action lawsuits involving Synthroid®:** On October 30, 1997, Knoll Pharmaceutical Company 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 the Dong *et al.* study, which 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 terms of the proposed settlement, consumers who bought Synthroid® between January 1, 1990, and October 30, 1997, would have been eligible to receive a proportionate 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 a payment 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 1997 (plus the accrued interest thereon). The United States district court in Chicago granted preliminary approval of the new proposed settlement on October 8, 1999.

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).

**(28) BASF stock option program and BASF “plus” incentive program**

**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. 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 percent of their individual variable compensation. The selected amount is used to purchase BASF shares at the market price of the first business day after the Annual Meeting, which was € 41.60 on April 30, 1999. For each BASF share purchased, a participant receives four options 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 have been met.

Share A may be purchased if the market price of BASF shares has increased more than 30 percent over the grant price set on April 30, 1999. The purchase price of Share A will be the market price at the exercise date of the options minus the share price increase since granting the option (this reduction is limited to 100 percent of the grant price). Share B may be purchased if the cumulative percentage performance of BASF shares exceeds the percentage performance of the Dow Jones EURO STOXX<sup>sm</sup>. The purchase 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<sup>sm</sup> index.

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

The options granted under the 1999 BOP program may be exercised during the period at any time between the day after the Annual Meeting in 2002 and the 15th day after the Annual Meeting in 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, enabling senior executives to buy up to 2,356,880 shares, conditional on the performance targets being achieved.

As of December 31, 1999, a total of 5,712 option rights had lapsed because the option holders no longer worked for BASF or had sold some of their shares. Overall, a total of 1,172,728 option rights still exist.

**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 BASF stock option program.

Employees of BASF companies in Germany are currently authorized to participate in “plus,” and further subsidiaries outside of Germany are planning to join the program in 2000.

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 in Germany bought 222,900 BASF shares with the right to receive free shares. As of December 31, 1999, a total of 18,338 of these shares holding the right to receive free shares had expired, so the total amount of shares qualifying under the “plus” program is 204,562.

**(29) Derivative financial instruments**

**Use of derivative financial instruments:** 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. 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 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 BASF are solely held for purposes other than trading.

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 credit-worthy financial institutions.

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 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 derivative instruments are completed as replacement for original financial instruments, market trends are also monitored constantly.

**Foreign exchange and interest rate risk management:** Foreign currency derivatives are aimed at hedging the exchange rate risk against the U.S. dollar, the British pound and the Japanese yen.

Interest derivatives or combined interest/cross-currency derivatives were concluded to secure credits extended to Group companies. Interest rate caps were concluded to hedge an anticipated borrowing position against rising interest rates. As far as other derivatives are concerned, index swaps were used to create synthetic share investments with a guarantee of the capital invested. In addition, interest rate derivatives were used in combination with investments at variable interest rates in order to create fixed-interest security investments.

**Composition of the derivative financial instruments**

	Nominal values		Market values	
	December 31, 1999	1998	December 31, 1999	1998
Forward exchange contracts	<b>2,416.0</b>	2,402.3	<b>-71.1</b>	-3.8
Currency options	<b>193.4</b>	536.1	<b>-2.5</b>	0.3
Interest rate swaps	<b>147.7</b>	11.1	<b>2.0</b>	-0.2
Combined interest/cross-currency swaps	<b>1,409.0</b>	980.5	<b>-227.9</b>	-58.3
Other derivatives	<b>62.6</b>	247.4	<b>24.9</b>	14.8
<b>Total financial derivatives</b>	<b>4,228.7</b>	<b>4,177.4</b>	<b>-274.6</b>	<b>-47.2</b>

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 yield in the event of premature cancellation. Offsetting valuation developments from the underlying transactions are not taken into account.

The negative market value of foreign currency derivatives relates primarily to the financing of BASF's North American business with inter-company loans hedged by foreign currency swaps. BASF's assets in North America increased accordingly due to the rise in the U.S. dollar exchange rate after the loans were taken up.

**BOARD OF EXECUTIVE DIRECTORS:  
Memberships on Supervisory Boards**

<b>Members of the Board of Executive Directors of BASF Aktiengesellschaft</b>	<b>Memberships on statutorily constituted supervisory boards and similar controlling bodies of other German and non-German companies (December 31, 1999)</b>
<b>Dr. Jürgen F. Strube</b> Chairman	Allianz Lebensversicherungs-AG ( <i>Supervisory Board member</i> ) Commerzbank AG ( <i>Supervisory Board member</i> ) Hapag-Lloyd AG ( <i>Supervisory Board member</i> ) Hochtief AG ( <i>Supervisory Board member</i> )
<b>Dr. Hanns-Helge Stechl</b> Deputy Chairman (Until April 29, 1999)	MAN AG ( <i>Supervisory Board member</i> ) Pfleiderer AG ( <i>Supervisory Board member</i> ) Pfleiderer Unternehmensverwaltung GmbH & Co. KG ( <i>Supervisory Board member</i> )
<b>Max Dietrich Kley</b> Deputy Chairman (From April 30, 1999)	BASF Coatings AG ( <i>Supervisory Board member</i> ) Bayerische Hypo- und Vereinsbank AG ( <i>Supervisory Board member</i> ) Gerling-Konzern Speziale Kreditversicherungs-Aktiengesellschaft ( <i>Supervisory Board member</i> ) Landesbank Rheinland-Pfalz ( <i>Administrative Council member</i> ) Lausitzer Braunkohle AG ( <i>Supervisory Board member</i> ) Mannesmann Demag Krauss Maffei AG ( <i>Supervisory Board member</i> ) VIAG AG ( <i>Supervisory Board member</i> ) Wintershall AG ( <i>Supervisory Board member</i> )
<b>Helmut Becks</b>	BASF Schwarzheide GmbH ( <i>Supervisory Board member</i> )
<b>Dr. John Feldmann</b> (As of January 1, 2000)	–
<b>Dr. Jürgen Hambrecht</b>	BASF Antwerpen N.V. ( <i>Chairman of the Administrative Council</i> ) Deutsche Gesellschaft für Kunststoff-Recycling mbH ( <i>Supervisory Board member</i> )
<b>Dr. Stefan Marcinowski</b>	BASF Coatings AG ( <i>Supervisory Board member</i> ) Knoll AG ( <i>Supervisory Board member</i> )
<b>Peter Oakley</b>	–
<b>Dr. Volker Trautz</b>	–
<b>Eggert Voscherau</b>	BASF Española S.A. ( <i>Administrative Council chairman</i> ) Dresdner Bank Lateinamerika AG ( <i>Supervisory Board member</i> ) Knoll AG ( <i>Supervisory Board member</i> )



## BOARD OF EXECUTIVE DIRECTORS, DIVISION PRESIDENTS AND ORGANIZATION

(As of December 31, 1999)

Board of Executive Directors	Operating Divisions	Regional Divisions	Corporate and Functional Divisions
Ressort I <b>Dr. Jürgen F. Strube</b> Chairman			Legal, Taxes & Insurance ..... <b>Dr. Eckart Sünner</b> Planning & Controlling ..... <b>Dr. Elmar Frommer</b> Corporate Development ..... <b>Dr. John Feldmann</b> (Until April 30, 2000) (Board member since January 1, 2000)
Ressort II <b>Eggert Voscherau</b>	Fertilizers ..... <b>Dr. Andreas Kreimeyer</b> Crop Protection ..... <b>Dr. Friedrich Vogel</b> Fine Chemicals ..... <b>Dr. Christian Dudeck</b> Pharmaceuticals ..... <b>Dr. Thorlef Spickschen</b>	Southern Europe ..... <b>José-Maria Bach</b> Northern Europe ..... <b>Barry John Stickings</b> Central Europe ..... <b>Dieter Thomaschewski</b>	Main Laboratory ..... <b>Dr. Werner Küsters</b>
Ressort III <b>Max Dietrich Kley</b> Deputy Chairman	Coatings ..... <b>Klaus Peter Löbbbe</b> Oil & Gas ..... <b>Herbert Detharding</b> Raw Materials Purchasing ..... <b>Wolfgang Mörike</b>	East Europe, Africa, West Asia ..... <b>Winfried Werwie</b>	Finance ..... <b>Dr. Eckhard Müller</b>
Ressort IV <b>Dr. Volker Trautz</b> <b>Dr. John Feldmann</b> (From May 1, 2000)	Styrenic Polymers ..... <b>Dr. Werner Prätorius</b> Engineering Plastics ..... <b>Dr. Ehrenfried Baumgartner</b> Polyurethanes ..... <b>Jean-Pierre Dhanis</b>	East Asia* ..... <b>Erich Binckli</b> Japan* ..... <b>Dr. Dietmar Nissen</b> Southeast Asia/Australia* ..... <b>Dr. Werner Burgert</b> (* From May 1, 2000, to Ressort VI)	Polymers Laboratory ..... <b>Dr. Hans-Uwe Schenck</b>
Ressort V <b>Helmut Becks</b> Ludwigshafen Site Director			Corporate Engineering ..... <b>Dr. Axel Anderlohr</b> Logistics & Information ..... <b>Bernd Flickinger</b> Human Resources ..... <b>Dr. Hans-Hermann Dehmel</b> Environment, Safety & Energy ..... <b>Dr. Walter Seufert</b> BASF AG Site Engineering ..... <b>Dr. Egon Buhr</b> <b>Dr. Werner Wüchner</b> (Since January 1, 2000)
Ressort VI <b>Dr. Jürgen Hambrecht</b>	Industrial Chemicals ..... <b>Dr. Rainer Strickler</b> Intermediates ..... <b>Dr. Dietrich Lach</b> Petrochemicals & Inorganics ..... <b>Dr. Rolf Niess</b>		Ammonia Laboratory ..... <b>Dr. Dieter Degner</b> Antwerp ..... <b>Dr. Antoon Dieusaert</b> (From May 1, 2000, to Ressort V)
Ressort VII <b>Peter Oakley</b>	Fiber Products ..... <b>Dr. Wolfgang Hapke</b>	South America ..... <b>Dr. Rolf-Dieter Acker</b> North America Chemicals ..... <b>Dr. Carl A. Jennings</b> North America Coatings & Colorants ..... <b>Frank E. McKulka</b> North America Polymers ..... <b>William J. Lizzi</b> North America Consumer Products & Life Science ..... <b>Dr. Hans Kast</b>	North America Finance ..... <b>Dr. Kurt Bock</b>
Ressort VIII <b>Dr. Stefan Marcinowski</b> Research Executive Director	Dispersions ..... <b>Dr. Josef F. Kohnle</b> Colorants ..... <b>Dr. Walter Gramlich</b> Specialty Chemicals ..... <b>Dr. Siegfried Riedmüller</b>		Colorants Laboratory ..... <b>Dr. Gerhard Paul</b>

## SUPERVISORY BOARD

Members of the Supervisory Board of BASF Aktiengesellschaft	Memberships on statutorily constituted supervisory boards and similar controlling bodies of other German and non-German companies (December 31, 1999)
<b>Dr. Hans Albers †</b> Bad Dürkheim, Chairman <i>(Died October 14, 1999)</i>	
<b>Professor Dr. Berthold Leibinger</b> Ditzingen, Chairman <i>(As of October 27, 1999)</i> Managing Director of TRUMPF GmbH + Co. KG	BMW Bayerische Motoren Werke AG <i>(Second Deputy Supervisory Board chairman)</i> Deutsche Bank AG <i>(Supervisory Board member)</i>
<b>Volker Obenauer</b> Ludwigshafen am Rhein, Deputy Chairman Chairman of the Works Council of the Ludwigshafen Site of BASF Aktiengesellschaft	–
<b>Professor Dr. Marcus Bierich</b> Stuttgart <i>(As of October 15, 1999)</i>	Robert Bosch GmbH <i>(Supervisory Board chairman)</i> J.M. Voith AG <i>(Supervisory Board chairman)</i> Robert Bosch AG, Zurich <i>(Administrative Council member)</i> Robert Bosch Internationale Beteiligungen AG, Zurich <i>(Administrative Council member)</i> Scintilla AG <i>(Administrative Council deputy chairman)</i>
<b>Wolfgang Daniel</b> Limburgerhof, Deputy Chairman of the Works Council of the Ludwigshafen Site of BASF Aktiengesellschaft	–
<b>Etienne Graf Davignon</b> Brussels, President of Société Générale de Belgique	ARBED S.A. <i>(Administrative Council deputy chairman)</i> COMPAGNIE INTERNATIONALE DES WAGONS-LITS ET DU TOURISME S.A. <i>(Administrative Council chairman)</i> FORTIS AG <i>(Administrative Council deputy chairman)</i> SIBEKA S.A. <i>(Administrative Council chairman)</i> Suez-Lyonnaise des Eaux S.A. <i>(Administrative Council chairman)</i> TRACTEBEL S.A. <i>(Administrative Council deputy chairman)</i> UNION MINIERE S.A. <i>(Administrative Council chairman)</i>
<b>Professor Dr. François N. Diederich</b> Zurich, Professor at Zurich Technical University	–
<b>Dr. Tessen von Heydebreck</b> Frankfurt am Main, Member of the Board of Executive Directors of Deutsche Bank Aktiengesellschaft	Deutsche Bank 24 AG <i>(Supervisory Board chairman)</i> BVV Versicherungsverein des Bankgewerbes a. G. <i>(Supervisory Board member)</i> Deutsche Ausgleichsbank <i>(Administrative Council member)</i> Deutsche Bank Polska S. A. <i>(Supervisory Board chairman)</i> Deutsche Bank Rt., Hungary <i>(Supervisory Board chairman)</i> Deutsche Bank Suisse S.A. <i>(Administrative Council chairman)</i> Dürr AG <i>(Supervisory Board chairman)</i> DWS Deutsche Gesellschaft für Wertpapiersparen mbH <i>(Supervisory Board chairman)</i> Dyckerhoff AG <i>(Supervisory Board chairman)</i> Gruner + Jahr AG <i>(Supervisory Board chairman)</i> Nestlé Deutschland AG <i>(Supervisory Board chairman)</i> Versicherungsholding der Deutschen Bank AG <i>(Supervisory Board chairman)</i>
<b>Dr. Wolfgang Jentsch</b> Mannheim	Linde Aktiengesellschaft <i>(Supervisory Board member)</i>
<b>Rolf Kleffmann</b> Wehrbleck, Chairman of the Works Council of Wintershall Aktiengesellschaft's Barnstorf Oil Plant	–
<b>Günter Klein</b> Mutterstadt, Member of the Works Council of the Ludwigshafen Site of BASF Aktiengesellschaft <i>(As of May 1, 1999)</i>	GEWOGÉ Wohnungsunternehmen der BASF GmbH <i>(Supervisory Board chairman)</i> LUWOGÉ Wohnungsunternehmen der BASF GmbH <i>(Supervisory Board chairman)</i>
<b>Ulrich Küppers</b> Ludwigshafen, Manager of the Ludwigshafen branch of Industriegewerkschaft Bergbau, Chemie, Energie (Mining, Chemical and Energy Industries Union)	Verkehrsbetriebe Ludwigshafen GmbH <i>(Supervisory Board member)</i> Rhein-Haardtbahn GmbH <i>(Supervisory Board member)</i>
<b>Konrad Manteuffel</b> Bensheim, Member of the Works Council of the Ludwigshafen Site of BASF Aktiengesellschaft <i>(As of May 1, 1999)</i>	–

<b>Dr. Karlheinz Messmer</b> Weisenheim am Berg, Plant Manager at the Ludwigshafen Site of BASF Aktiengesellschaft	–
<b>Ellen Schneider</b> Wallenhorst, Chairwoman of the Joint Works Council of Elastogran GmbH	–
<b>Dr. Hermann Scholl</b> Stuttgart, Managing Director of Robert Bosch GmbH	Allianz AG <i>(Supervisory Board member)</i> Deutsche Bank AG <i>(Supervisory Board member)</i> Robert Bosch Internationale Beteiligungen AG, Zurich <i>(Administrative Council member)</i>
<b>Dr. Henning Schulte-Noelle</b> Munich, Chairman of the Board of Executive Directors of Allianz Aktiengesellschaft	Allianz Versicherungs-AG <i>(Supervisory Board chairman)</i> Allianz Lebensversicherungs-AG <i>(Supervisory Board chairman)</i> Dresdner Bank AG <i>(Supervisory Board member)</i> Linde AG <i>(Supervisory Board member)</i> MAN AG <i>(Supervisory Board deputy chairman)</i> Mannesmann AG <i>(Supervisory Board member)</i> Münchener Rückversicherungsgesellschaft AG <i>(Supervisory Board deputy chairman)</i> Siemens AG <i>(Supervisory Board member)</i> ThyssenKrupp AG <i>(Supervisory Board member)</i> Vebe AG <i>(Supervisory Board member)</i>
<b>Robert Studer</b> Zurich	Elf Aquitaine S. A. <i>(Administrative Council member)</i> Espírito Santo Financial Group S. A. <i>(Administrative Council member)</i> Renault S.A. <i>(Administrative Council member)</i> Schindler Holding AG <i>(Administrative Council member)</i>
<b>Jürgen Walter</b> Neustadt am Ruebenberge, Member of the Central Board of Executive Directors of Industriegewerkschaft Bergbau, Chemie, Energie (Mining, Chemical and Energy Industries Union)	BASF Schwarzheide GmbH <i>(Supervisory Board member)</i> Henkel KGaA <i>(Supervisory Board member)</i> Ruhrfestspiele GmbH <i>(Supervisory Board member)</i> Trienekens AG <i>(Supervisory Board member)</i>
<b>Helmut Werner</b> Stuttgart	Expo 2000 Hannover GmbH <i>(Supervisory Board chairman)</i> Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfer Gesellschaft <i>(Supervisory Board member)</i> Metallgesellschaft AG <i>(Supervisory Board chairman)</i> Alcatel S.A., Paris <i>(Supervisory Board member)</i> Gerling-Konzern Versicherungsbeteiligungs AG <i>(Supervisory Board member)</i> Aktiebolaget SKF <i>(Supervisory Board member)</i>
<b>Gerhard Zibell</b> Gau-Odernheim, Regional Manager of Industriegewerkschaft Bergbau, Chemie, Energie (Mining, Chemical and Energy Industries Union) Rhineland-Palatinate/Saar region	Saarbergwerke AG <i>(Supervisory Board member)</i>

## Supervisory Board members retired in 1999

<b>Lothar Hick</b> Limburgerhof, Member of the Works Council of the Ludwigshafen Site of BASF Aktiengesellschaft <i>(Until April 30, 1999)</i>	–
<b>Gerhard Sebastian</b> Ludwigshafen, Member of the Works Council of the Ludwigshafen Site of BASF Aktiengesellschaft <i>(Until April 30, 1999)</i>	–

**Dr. Erich Henkel †**

*We mourn the loss of Dr. Erich Henkel, who died on December 12, 1999, at the age of 77.*

*Dr. Henkel joined BASF in 1952. He was appointed to the Board of Executive Directors in 1968 and was initially responsible for chemicals, intermediates, dyestuffs and pharmaceuticals. From 1970 until 1980, he was in charge of non-European regions. He then oversaw BASF's chemicals business until he retired.*



Million €	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Sales and earnings</b>										
Sales	23,030	22,781	21,440	20,742	22,330	23,637	24,939	28,520	27,643	<b>29,473</b>
Income from operations	1,409	1,115	670	528	1,099	2,057	2,195	2,731	2,624	<b>2,009</b>
Income before taxes and minority interests	1,405	1,079	633	541	1,079	2,111	2,257	2,726	2,771	<b>2,606</b>
Income before minority interests	568	540	313	389	598	1,239	1,452	1,639	1,664	<b>1,245</b>
Net income	566	531	314	439	656	1,263	1,427	1,654	1,699	<b>1,237</b>
<b>Capital expenditures and depreciation</b>										
Additions to fixed assets	2,607	2,751	2,930	2,261	1,674	2,742	3,510	2,964	4,131	<b>3,800</b>
• Thereof tangible assets	(2,279)	(2,454)	(2,122)	(2,116)	(1,384)	(1,546)	(1,861)	(2,229)	(2,899)	<b>(2,764)</b>
Depreciation of fixed assets	1,684	1,771	1,810	1,709	2,239	1,885	1,874	2,048	2,280	<b>2,681</b>
• Thereof tangible assets	(1,547)	(1,624)	(1,707)	(1,623)	(2,059)	(1,707)	(1,606)	(1,732)	(1,843)	<b>(2,018)</b>
<b>Number of employees</b>										
• At year-end <sup>1</sup>	134,647	129,434	123,254	112,020	106,266	106,565	105,589	104,979	105,945	<b>104,628</b>
• Annual average <sup>1</sup>	136,295	130,328	126,028	117,368	107,716	107,320	108,266	105,885	106,928	<b>107,163</b>
<b>Personnel costs</b>										
	5,758	5,757	5,712	5,507	5,313	5,531	5,637	5,790	6,010	<b>6,180</b>
<b>Key data</b>										
Earnings per share (€)	0.99	0.93	0.55	0.76	1.10	2.07	2.32	2.67	2.73	<b>2.00</b>
Earnings per share in accordance with U.S. GAAP									2.84	<b>2.14</b>
Cash provided by operating activities <sup>2</sup>	2,569	2,436	2,276	2,370	2,845	3,256	3,476	3,291 <sup>2</sup>	3,744 <sup>2</sup>	<b>3,255<sup>2</sup></b>
Return on sales (Income from operations as a percentage of sales)	6.1	4.9	3.1	2.5	4.9	8.7	8.8	9.6	9.5 <sup>3</sup>	<b>6.8<sup>3</sup></b>
Return on assets before income taxes and interest expenses (%)	9.2	7.1	4.7	3.9	6.5	11.2	11.4	12.6	11.9 <sup>4</sup>	<b>10.2<sup>4</sup></b>
Return on equity after taxes (%)	7.8	7.3	4.2	5.2	7.6	14.3	14.8	14.6	13.2	<b>9.1</b>
<b>Appropriation of profit</b>										
Net income of BASF Aktiengesellschaft	532	452	394	342	465	692	870	943	1,074	<b>1,007</b>
Transfer to retained earnings	153	102	102	102	153	256	332	307	381	<b>304</b>
Dividend	379	350	291	239	312	437	537	636	693	<b>702</b>
Dividend per share (€)	0.66	0.61	0.51	0.41	0.51	0.72	0.87	1.02	1.12	<b>1.13</b>
<b>Number of shares (in thousands)</b>										
	569,968	570,030	570,390	584,502	609,766	609,766	618,052	622,063	623,794	<b>620,985</b>

<sup>1</sup> From 1996 including employees with limited-term contracts

<sup>2</sup> Until 1996 excluding changes in current assets

<sup>3</sup> Comparable before special items 1999: 10.0 percent (1998: 9.2 percent)

<sup>4</sup> Comparable before special items 1999: 10.9 percent (1998: 11.1 percent)

**BASF Group 10-year summary**

Million €	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Balance sheet</b>										
Intangible assets	375	332	349	326	262	884	1,297	1,497	1,965	<b>2,147</b>
Tangible assets	6,776	7,480	7,779	9,061	8,177	7,873	8,217	9,076	10,755	<b>12,416</b>
Financial assets	866	865	1,511	987	1,057	1,338	2,093	2,132	1,826	<b>1,507</b>
<b>Fixed assets</b>	<b>8,017</b>	<b>8,677</b>	<b>9,639</b>	<b>10,374</b>	<b>9,496</b>	<b>10,095</b>	<b>11,607</b>	<b>12,705</b>	<b>14,546</b>	<b>16,070</b>
Inventories	3,276	3,301	3,450	3,230	3,202	3,439	3,665	3,876	3,703	<b>4,028</b>
Accounts receivable, trade	2,962	2,891	2,785	2,939	3,315	3,356	3,714	4,299	4,017	<b>4,967</b>
Other receivables	1,489	1,653	1,723	1,375	1,259	1,375	1,341	1,765	1,856	<b>2,211</b>
Receivables	4,451	4,544	4,508	4,314	4,574	4,731	5,055	6,064	5,873	<b>7,178</b>
Deferred taxes	–	–	–	38	66	61	69	45	1,077	<b>1,225</b>
Cash and cash items	3,049	2,637	2,330	2,679	3,042	3,166	1,957	1,846	1,503	<b>1,508</b>
<b>Current assets<sup>1</sup></b>	<b>10,776</b>	<b>10,482</b>	<b>10,288</b>	<b>10,261</b>	<b>10,884</b>	<b>11,397</b>	<b>10,746</b>	<b>11,831</b>	<b>12,156</b>	<b>13,939</b>
<b>Assets</b>	<b>18,793</b>	<b>19,159</b>	<b>19,927</b>	<b>20,635</b>	<b>20,380</b>	<b>21,492</b>	<b>22,353</b>	<b>24,536</b>	<b>26,702</b>	<b>30,009</b>
Subscribed capital	1,457	1,457	1,458	1,495	1,559	1,559	1,580	1,590	1,595	<b>1,590</b>
Capital surplus	2,212	2,213	2,214	2,282	2,405	2,405	2,515	2,567	2,590	<b>2,675</b>
Paid-in capital	3,669	3,670	3,672	3,777	3,964	3,964	4,095	4,157	4,185	<b>4,265</b>
Retained earnings	3,607	3,769	3,740	3,901	4,316	5,275	6,262	7,418	8,695	<b>9,002</b>
Currency translation adjustments				–119	–232	–254	–129	201	39	<b>549</b>
Minority interests	60	44	44	82	92	181	248	255	331	<b>329</b>
<b>Stockholders' equity</b>	<b>7,336</b>	<b>7,483</b>	<b>7,456</b>	<b>7,641</b>	<b>8,140</b>	<b>9,166</b>	<b>10,476</b>	<b>12,031</b>	<b>13,250</b>	<b>14,145</b>
Pensions and other long-term provisions	4,958	4,782	5,103	5,207	5,040	4,998	5,052	4,824	5,561	<b>5,812</b>
Tax and other short-term provisions	1,953	2,131	1,940	1,954	2,120	2,393	2,391	2,463	2,185	<b>2,826</b>
Provisions	6,911	6,913	7,043	7,161	7,160	7,391	7,443	7,287	7,746	<b>8,638</b>
Financial liabilities	1,723	2,007	2,537	2,742	1,857	1,448	1,042	1,126	1,316	<b>1,294</b>
Accounts payable, trade	1,731	1,648	1,479	1,433	1,531	1,417	1,628	1,972	1,871	<b>2,316</b>
Other liabilities	1,092	1,108	1,412	1,658	1,692	2,070	1,764	2,120	2,519	<b>3,616</b>
Liabilities	4,546	4,763	5,428	5,833	5,080	4,935	4,434	5,218	5,706	<b>7,226</b>
<b>Total liabilities<sup>1</sup></b>	<b>11,457</b>	<b>11,676</b>	<b>12,471</b>	<b>12,994</b>	<b>12,240</b>	<b>12,326</b>	<b>11,877</b>	<b>12,505</b>	<b>13,452</b>	<b>15,864</b>
<b>Stockholders' equity and liabilities</b>	<b>18,793</b>	<b>19,159</b>	<b>19,927</b>	<b>20,635</b>	<b>20,380</b>	<b>21,492</b>	<b>22,353</b>	<b>24,536</b>	<b>26,702</b>	<b>30,009</b>

<sup>1</sup> Including deferred taxes and other prepaid expenses