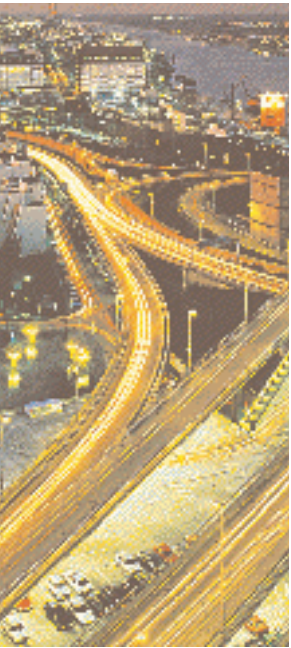


Our photo theme: BASF products for keeping things on the move



***Annual Report
1994***

BASF

BASF Group million DM	1994	1993	Change %
Sales (without petroleum and natural gas taxes)	43,674	40,568	+7.7
Petroleum and natural gas taxes	2,891	2,555	+13.2
Sales	46,565	43,123	+8.0
Income from operations	2,149	1,032	+108.2
Profit before taxes	2,111	1,058	+99.5
Net income after taxes and minority interests	1,284	858	+49.7
Cash flow	5,565	4,635	+20.1
Capital expenditures	2,707	4,139	-34.6
Research and development expense	1,916	1,934	-0.9
Dividend paid by BASF Aktiengesellschaft	610	468	+30.3
Dividend per share in DM	10.00	8.00	+25.0
Number of employees (as of December 31)	106,266	112,020	-5.1

At a Glance

We are a multinational chemical company. Our operations extend from oil and gas to high-tech chemical products and consumer goods. The BASF Group comprises BASF Aktiengesellschaft and all companies which are directly or indirectly at least 50 percent owned by BASF Aktiengesellschaft. The Financial Statements of the Group include majority holdings in full, and 50 percent participations on a pro rata basis. Group companies of minor significance are not consolidated. Kali und Salz GmbH is not consolidated either because of considerable restrictions to the rights of Kali und Salz Beteiligungs AG, which has a majority holding.

Operations Sales in millions of DM	1994	1993	Change %
Oil and Gas	4,075	4,352	-6.4
Products for Agriculture*	3,687	3,781	-2.5
Plastics and Fibers	11,387	9,811	+16.1
Chemicals	6,484	5,371	+20.7
Dyestuffs and Finishing Products	8,243	7,572	+8.9
Consumer Products	8,860	8,740	+1.4
Other**	938	941	-0.3
	43,674	40,568	+7.7
Income from operations in millions of DM	1994	1993	Change million DM
Oil and Gas	155	297	-142
Products for Agriculture*	169	-129	+298
Plastics and Fibers	54	-340	+394
Chemicals	1,307	755	+552
Dyestuffs and Finishing Products	739	402	+337
Consumer Products	-37	-171	+134
Other**	-238	218	-456
	2,149	1,032	+1,117
Regions (location of customers) Sales in millions of DM	1994	1993	Change %
Europe	27,718	25,378	+9.2
thereof Germany	11,980	11,822	+1.3
North America	8,644	8,523	+1.4
Latin America	2,660	2,495	+6.6
Asia, Australia, Africa	4,652	4,172	+11.5
	43,674	40,568	+7.7

* Including sales (DM 480 million) and income from the potash and rock salt operations up to June 30, 1993

** Sales from other activities, and income from other activities including expense (from 1994 including costs of exploratory research) and income not allocatable to operations



Price and quality alone are no longer enough to make a new product a success. The speed with which it reaches customers and markets is becoming more and more important. One of the best ways of ensuring that customers are supplied promptly is to have a production site with good logistics, such as BASF's main site at Ludwigshafen. From there our products begin their journeys to all parts of the world by road, rail, and water. Many of them help to make the transportation of goods faster and safer, while others are used – for example – in modern automotive engineering. The photographs in this report have a central theme: "BASF products for keeping things on the move".

Our products serve a host of different purposes. The new gasoline additive Keropur® keeps valves clean and prolongs engine life. The nose section of the new-generation ICE train is made from high-strength yet lightweight Palatal®.

Road markings made from BASF plastics help to improve traffic flow and road safety. Padded plastic sheeting protects valuable works of art from damage in transit. Polypropylene nets are a light and cost-effective form of packaging for agricultural produce. Less weight means less fuel consumed, and this is achieved in many cars by the use, for example, of Novolen® and Ultradur® in the air intake grille. Converting new material properties into innovative solutions to problems is a challenge to our researchers: new liquid magnets developed by BASF may pave the way to completely new shock absorption and engine mounting systems.

2	Preface
3	The BASF Share
4	Management's Analysis
16	Oil and Gas
18	Products for Agriculture
20	Plastics and Fibers
22	Chemicals
24	Dyestuffs and Finishing Products
26	Consumer Products
28	Operations by Region
30	Research and Development
32	Major Affiliates
34	Annual Financial Statements
38	Development of Fixed Assets
40	Notes BASF Group and BASF Aktiengesellschaft
54	Report of the Supervisory Board
54	Supervisory Board
55	Board of Executive Directors
55	Division Heads
56	Ten-Year Summary

Presented to the
43rd Annual Meeting on
Thursday, May 11, 1995,
10.00 a.m., at
BASF Feierabendhaus,
Leuschnerstrasse 47,
Ludwigshafen am Rhein

Dear Shareholders

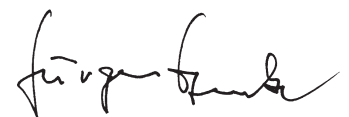
1994 was a successful year for BASF. Assisted by the economic revival, which was stronger than seemed likely at the start of the year, we turned the corner. Demand for our products rose worldwide, and plant utilization rates were high. We vigorously boosted both sales and earnings, although we did not achieve our target of a total return on capital of at least 10 percent. We are consistently pursuing our policy of strict cost management and structural adaptation to meet new market challenges. With BASF's increasing internationalization, we are banking heavily on the growth markets of Asia. In China we are now involved in five joint ventures, and have become one of the biggest foreign investors in the chemical industry. More cooperations will follow.

The quality of our services again improved last year. By the end of 1994, 91 units of the BASF Group worldwide had received ISO 9000 certification. Almost a quarter of all BASF employees now work in certified units. This number will increase further in 1995. Our comprehensive quality management system features strict customer orientation at all levels. This covers responsibility for ensuring that the use of our products is safe and environmentally compatible. In our work we are guided by the concept of "sustainable development". Under this long-term, forward-looking concept we want to help to satisfy the needs of those living today without restricting the chances of future generations. BASF's insulating materials and foams are an example of products which are environmentally compatible and save resources: a single

year's production of our materials used for home insulation will, assuming a service life of 50 years, prevent air emissions of 360 million tons of carbon dioxide. Within only a few months, these insulating materials will have saved enough energy to balance the raw materials and utilities consumed in producing them. Further examples of how our products help to put less strain on the environment are given in the photographs in this report, which highlight BASF products for keeping things on the move. Development geared to the future requires innovative products which in turn ensure a company's success. If we are to be successful, we need an environment which gives equal priority to economic, ecological and social objectives.

Our thanks are due to all our employees for the high level of commitment to the company which they showed in a difficult year, and the skill, courage and energy with which they worked to achieve our objectives. I would also like to thank those employees who left the company prematurely. They greatly helped us to carry through the necessary structural measures while avoiding hardships. To you, our shareholders, I extend my thanks for the confidence you have placed in our company.

Yours sincerely

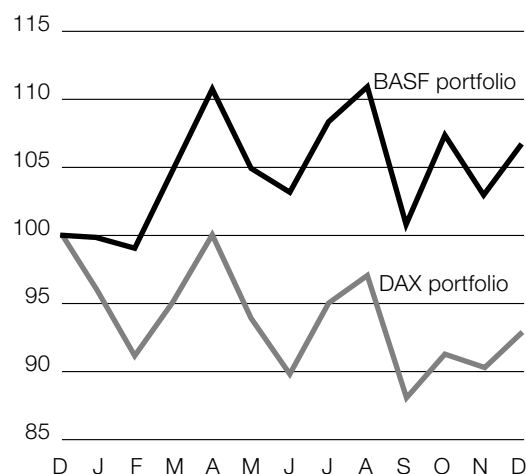


Jürgen Strube
Chairman of the Board of
Executive Directors of
BASF Aktiengesellschaft

Key BASF Share Data	1994	1993
Number of shares outstanding as of Dec. 31: millions of shares	61.0*	58.5
Per share in DM		
Dividend	10.00	8.00
Dividend including tax credit	14.29	11.43
Net income	21.06	14.67
Net income (DVFA/SG result)	20.70	9.20
Cash flow	91.26	79.30
Equity	261.08	255.67
Year-end price	315.30	299.20
Year's high	337.00	299.20
Year's low	281.50	207.60

* Number of shares still to be issued for the exercise of stock warrants: 2.8 million (see page 46)

Change in value of a BASF share portfolio 1994
(without tax credit)



The BASF Share

The BASF share is one of those German shares whose high liquidity is particularly attractive to both domestic and foreign investors. Its intrinsic value, dividend yield and long-term earning prospects make it a sound investment.

Dividend up

We propose to the Annual Meeting a dividend of DM 10 per share. Based on the 1994 year-end price of DM 315.30, this represents a yield of 4.5 percent, including a tax credit for shareholders liable to pay tax in Germany. The average dividend yield for all listed German shares was 3.3 percent at the end of 1994.

Moderate price improvement

As in previous years, the BASF share was one of the most extensively traded securities in Germany, with a stock exchange turnover of DM 49.4 billion.

The trend of share prices in Germany during 1994 was generally disappointing. However, the BASF share gained DM 16.10 compared with the 1993 year-end price. This is an advance of 5.4 percent, a clearly better performance than that of the market as a whole. In terms of value growth, too, an investment in BASF shares appeared in a favorable light in 1994. For example, an investment of DM 10,000 in BASF shares

at the start of 1994, with the dividend (excluding the tax credit) being used to buy additional shares, would have seen the value of the initial stake rise to DM 10,670.50. This represents an annual return of 6.7 percent, whereas the DAX index was down 7.1 percent.

Stock exchange listings waived

In December 1994 we informed the regional stock exchanges in Berlin, Bremen, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart that we were waiving the listing of our shares. We want to guarantee investors a liquid market and concentrate dealings in our shares on the leading Frankfurt exchange.

Active finance marketing

We continued to provide information to investors and financial analysts. The primary objective of our investor relations activities is to ensure a proper valuation of the BASF share in national and international capital markets, bolstering our shareholders' confidence in a long-term commitment.

Latest shareholder survey

We conducted a new shareholder survey effective January 10, 1995.

The number of our shareholders dropped from 374,000 in 1988 to 292,700. The interest shown by foreign investors is documented by the fact that their share increased from 23 to 27 percent. The various groups of investors hold BASF shares as follows.

Private individuals	35%
Investment companies	21%
Insurance companies/banks	38%
Trade/industry	3%
Others	3%



Management's Analysis

BASF Group and
BASF Aktiengesellschaft

BASF is back on course for growth. As a consequence of a significant improvement in volume, sales rose appreciably. Overall, price levels remain unsatisfactory, and increases in recent months have not made up for the sharp rise in raw material costs.

Assisted by the worldwide economic recovery we greatly strengthened BASF's earning power. This was achieved by tight cost management and the measures introduced in earlier years, and consistently implemented, to adjust our structures to changed market requirements.

Our new steamcracker at Antwerp, which came on stream at the beginning of the upturn and has run at full capacity from the

start, helped to improve earnings.

The structural measures called for a high level of spending, yet the gratifying business trend enabled us to improve earnings considerably, compared with the previous year.

The BASF Board of Executive Directors

*sitting, from left:
Dr. Wolfgang Jentzsch
Dr. Jürgen Strube*

*standing, from left:
Dr. Albrecht Eckell
Prof. Dr.
Dietmar Werner
Prof. Dr. Hans-Jürgen
Quadbeck-Seeger
Dr. Hanns-Helge Stechl
Gerhard R. Wolf
Max Dietrich Kley
Dr. J. Dieter Stein*

Sales and Earnings

million DM

BASF Group	1994	1993	BASF Aktiengesellschaft	1994	1993
Sales (without petroleum and natural gas taxes)	43,674	40,568	Sales	19,257	17,423
Petroleum and natural gas taxes	2,891	2,555	– Germany	6,541	6,199
Sales	46,565	43,123	– Exports	12,716	11,224
Income from operations	2,149	1,032	Profit before taxes	1,455	939
Financial results	- 38	26	Income taxes	545	271
Profit before taxes	2,111	1,058	Net income	910	668
Income taxes	941	296	Appropriation of net income		
Minority interests	-114	-96	– Dividend	610	468
Net income	1,284	858	– Transferred to revenue reserve	300	200

Sales

In the BASF Group we achieved sales of DM 43,674 million, without petroleum and natural gas taxes, and thus exceeded the 1993 figure by DM 3,106 million.

This 7.7 percent increase is entirely attributable to higher volume. Prices, averaged over 1994, were even lower than they were in 1993. The effects of currency fluctuations on sales were slight. The elimination of potash and rock salt operations from the scope of consolidation, and the balance of acquisitions and divestitures, reduced the consolidated sales volume by DM 713 million, compared with the previous year.

Earnings

BASF Group profit before taxes rose by DM 1,053 million to DM 2,111 million.

This includes a DM 457 million charge for restructuring, shutdown measures and severance. Furthermore the carrying amounts of plant in the United States were depreciated by DM 535 million to the cash value of the future cash flow.

Structural measures consisted mainly of plant shutdowns and site consolidation.

Fiber products, where the bulk of special depreciation was taken, were affected in particular. Further depreciation was necessary in the United States on coatings, engineering plastics and dispersions facilities.

Net income after taxes was DM 1,284 million, which is DM 426 million or 49.7 percent more than in the previous year.

Proposed distribution of retained profit

BASF Aktiengesellschaft's retained profit totals DM 610 million. We propose to the Annual Meeting the distribution of a dividend of DM 10 per share.

Operations	Sales			Sales incl. Intersegment Transfers*			Income from Operations		
	million DM		Change %	million DM		Change %	million DM		Change million DM
	1994	1993		1994	1993		1994	1993	
Oil and Gas	4,075	4,352	-6.4	4,310	4,541	-5.1	155	297	-142
Products for Agriculture**	3,687	3,781	-2.5	3,888	3,970	-2.1	169	-129	+298
Plastics and Fibers	11,387	9,811	+16.1	12,042	10,383	+16.0	54	-340	+394
Chemicals	6,484	5,371	+20.7	9,985	8,224	+21.4	1,307	755	+552
Dyestuffs and Finishing Products	8,243	7,572	+8.9	9,294	8,547	+8.7	739	402	+337
Consumer Products	8,860	8,740	+1.4	8,934	8,801	+1.5	-37	-171	+134
Other***	938	941	-0.3	1,121	1,073	+4.5	-238	218	-456
	43,674	40,568	+7.7	49,574	45,539	+8.9	2,149	1,032	+1,117

* Exchange of goods and services between operations

** Sales (DM 480 million) and income from potash and rock salt operations included up to June 30, 1993

*** Sales from other activities, and income from other activities including expense (from 1994 including costs of exploratory research) and income not allocatable to operations

Operations

In **Oil and Gas**, continuing surplus capacity in the European petroleum industry placed its stamp on business. Sales dropped as a result of the fall in crude oil and gas prices, the divestiture of the lubricants operations and the abandonment of the resale business with petroleum products. Higher crude oil and natural gas production and the welcome increase in the natural gas merchant business did not compensate for this. The fact that the earnings figure as recorded is lower than in the previous year is attributable to special income of DM 157 million contained in the previous year.

Products for Agriculture improved appreciably despite the contracting west European market. Without the potash and rock salt operations, sales rose by 11.7 percent compared with the previous year. The main contributor to improved sales and earnings in crop protection was our new cereal fungicide Opus®. We increased utilization rates at

our fertilizer plants, and again reduced fixed costs. Although earnings improved compared with 1993, they remained unsatisfactory. The remaining operations of Kali und Salz Beteiligungs AG achieved a positive result.

Sales of **Plastics and Fibers** rose appreciably. Earnings contain special depreciation and restructuring expenses in the United States. We achieved positive results with plastics. Capacity utilization rates were high, yet prices as a whole remained inadequate. The polypropylene operations acquired from ICI contributed to increased sales and improved earnings, and engineering plastics advanced well. Foams did not pick up until the second half, and selling prices were at first inadequate. Reaction resins were impacted by heavy price erosion. We expanded capacity at the Schwarzheide site to meet growing demand for our polyurethane products. Earnings from fiber products remained unsatisfactory. **Chemicals**, our biggest earner, made gratifying

progress. The big new steamcracker at Antwerp came on stream early in 1994 and has operated at full capacity from the beginning, thanks partly to a reprocessing contract with DOW. Improved margins for petrochemical feedstocks boosted the earning power of our basic chemicals. We succeeded in increasing the volume of intermediates, and raised prices for industrial chemicals, which were too low. Our plants operated at high capacity rates worldwide. Sales of fine chemicals rose, with vitamins doing particularly well. Business in **Dyestuffs and Finishing Products** varied. Competition from Asian producers increased. Our customers in the textile industry continued to transfer manufacturing operations from Europe to southeast Asia. We offset the resulting fall in sales by raising volumes of indigo and products for the leather industry. Colorants and process chemicals benefited from brisk demand. We significantly boosted sales of specialty chemicals and dispersions despite pressure on prices.

Consumer Products

remain a challenge. We are expanding our pharmaceutical operations by acquisitions and joint ventures, and are opening up new outlets. Sales of coatings increased slightly, although heavy spending on structural measures and special depreciation in the United States impacted earnings. Earnings from printing systems suffered from unrelenting price erosion despite rising demand and good capacity utilization rates. Our information systems business is back in the black due to structural adjustments and consistent efficiency measures.

Regions	Location of Customers Sales		Location of Companies Sales		Sales incl. Intersegment Transfers*	Income from Operations		
	million DM	Change over 1993 %	million DM	Change over 1993 %		million DM	Change over 1993 %	Change over 1993 million DM
Europe	27,718	+9.2	31,445	+8.4	33,595	+8.6	2,272	+1,395
thereof Germany	11,980	+1.3	22,309	+6.5	-	-	1,817	+1,063
North America	8,644	+1.4	8,519	+3.3	8,992	+4.2	-315	-488
Latin America	2,660	+6.6	2,105	+6.2	2,153	+6.0	127	+186
Asia, Australia, Africa	4,652	+11.5	1,605	+19.8	1,627	+20.2	65	+24
	43,674	+7.7	43,674	+7.7	46,367	+8.0	2,149	+1,117

* Exchange of goods and services between regions (export)

Regions

The main stimulus for our sales growth came from business in western Europe and southeast Asia.

Demand in Germany picked up, but not until the end of the first half; the sale of operations in Oil and Gas and the removal of potash and rock salt operations from the scope of consolidation depressed the increase in sales compared to the whole of Europe. Sales outside Germany improved by 10.3 percent. Our business in **Europe**

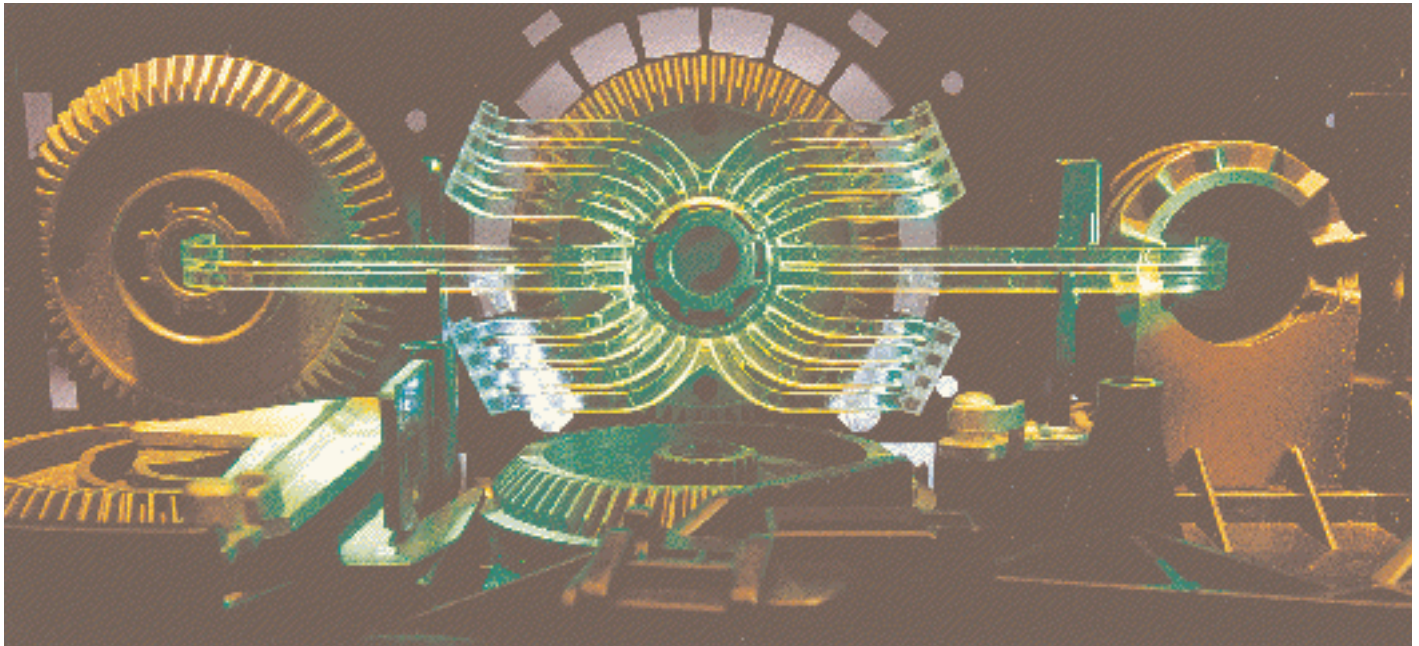
was marked by a significant rise in volume. Averaged over the year, however, selling prices fell below the low level of the previous year. In the United Kingdom and the Netherlands we successfully integrated the polypropylene operations acquired from ICI. We made good advances in the economic reform countries of central and eastern Europe. The pattern of demand varied within the Commonwealth of Independent States. In Russia sales stagnated due to the difficult situation.

In **North America** the continuing healthy economy worked in our favor, helping us to achieve a further rise in volume and sales in spite of a low dollar exchange rate. Business improved in virtually all sectors, especially with crop protection agents, vitamins, plastics and chemicals. Nevertheless earnings remained negative due to high special depreciation and site consolidation costs. We considerably improved the competitiveness of our fiber business by extensive restructuring.

We made good progress in **Latin America**. Despite growing pressure from imports, we boosted sales considerably. The stabilization of the Brazilian currency was a contributory factor. Our business also benefited appreciably from growing domestic demand following the easing of the country's hyperinflation. Earnings in Mexico suffered from development costs for the expansion of our Altamira site. We restructured our business and shut down production facilities in Venezuela to

counter unsatisfactory earnings there.

In **Asia, Australia and Africa** we are concentrating on expanding local production in the growth markets of Asia. We achieved double-digit growth rates in southeast Asia and South Africa. In China two new joint ventures were set up in addition to the three already in operation, and more are planned. In India rapid progress is being made with the expansion of our new site at Mangalore. Business in Japan was unsatisfactory due to the recession.



Finance

The financial requirement was financed from the cash flow. In addition, financial indebtedness of DM 1.8 billion was redeemed. Liquidity exceeded financial indebtedness by DM 2.3 billion.

Source and application of funds

Improved earnings and greatly increased depreciation resulted in a rise in the cash flow by 20 percent to DM 5,565 million, equivalent to 12.7 percent of sales revenue. The higher depreciation related to the start-up of the Antwerp steam-cracker, the long-distance natural gas pipelines, and write-downs of fixed assets in the United States. The cash flow per share was DM 91, DM 12 more than in the previous year. Following the completion of various major projects, we cut back our capital expenditures as planned. Additions to fixed assets totaled DM 2,900 million, DM 1,363 million less than in 1993. The gratifying pattern of business resulted in an increase in receivables. Inventories remained largely steady. Overall, total funds tied up in current assets amounted to DM 506 million. The total financial requirement for fixed and current assets was DM 3,406 million, or DM 921 million less than in the previous year.

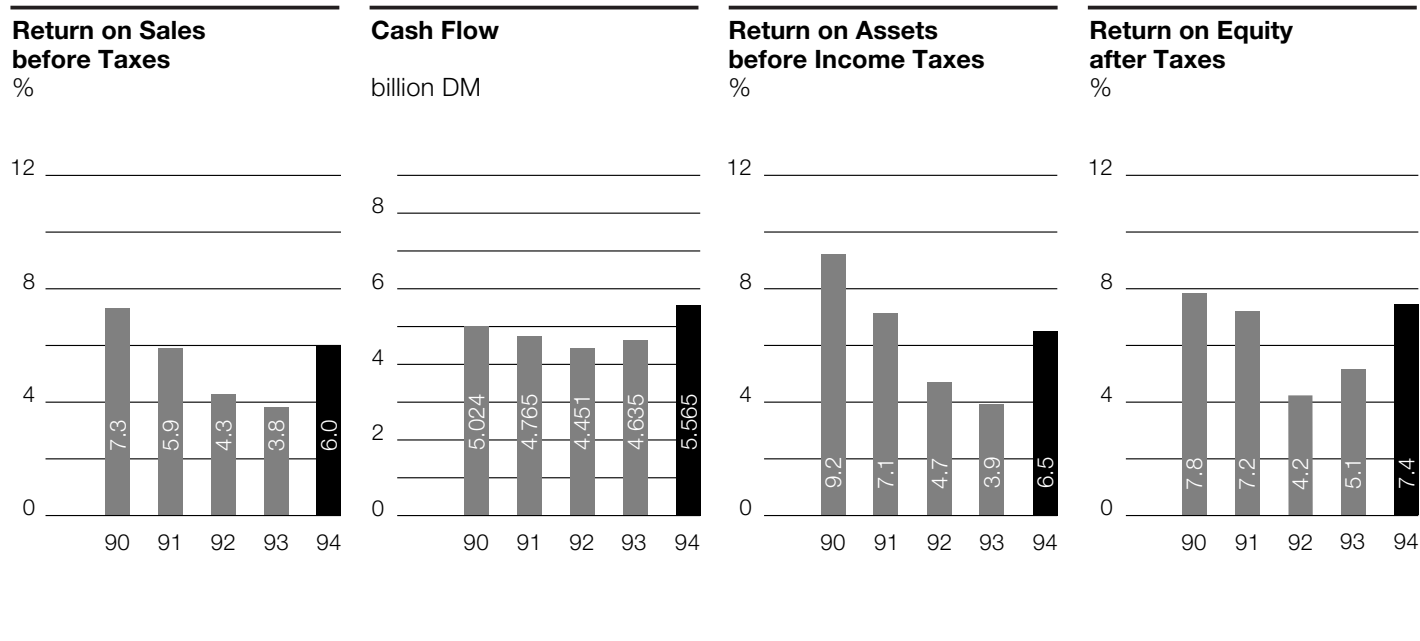
This financial requirement and the dividend were completely financed from the cash flow.

The exercising of option rights under the 1985 DM 500 million option bond, redeemed at the end of 1994, resulted in an equity inflow of DM 366 million. Together with the surplus from internal financing, this inflow of equity enabled us to reduce our financial indebtedness by an additional total of DM 1,794 million. Liquidity rose by DM 710 million; it exceeded financial indebtedness by DM 2,317 million.

Asset and capital structure

Total assets were reduced by DM 499 million despite the increase in current assets due to our business. Fixed assets accounted for 46.6 percent compared with 50.3 percent in the previous year. The proportion of fixed assets financed by equity was 85.7 percent (previous year: 73.7 percent). Inventories and trade accounts receivable accounted for 32.0 percent of total

This is what a car dashboard looks like from behind: an optical fiber in the form of a spider, made from crystal-clear Lucryl®, transmits light from a central source to the various instruments.

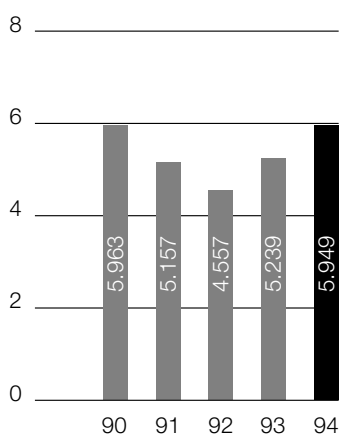


Statement of Source and Application of Funds	1994 million DM	1993 million DM	Structure of Assets and Liabilities in 1994	million DM	%
Net income	1,284	858	Assets		
Depreciation of fixed assets	4,411	3,397	Intangible assets	512	1.3
Retirement of tangible and intangible assets	176	140	Tangible assets	15,993	40.1
Change in long-term provisions and in miscellaneous items	-306	240	Financial assets	2,068	5.2
Cash flow	5,565	4,635	Fixed assets	18,573	46.6
Dividend of the preceding year	468	570	Inventories	6,262	15.7
Internal financing	5,097	4,065	Receivables	9,075	22.8
Capital expenditures	2,707	4,139	Cash and cash items	5,949	14.9
Net additions to financial assets	236	-159	Current assets*	21,286	53.4
Other changes in fixed assets	-43	283	Assets	39,859	100.0
Change in inventories	-48	-310	Equity and liabilities		
Change in receivables	554	374	Paid-in capital	7,753	19.4
Application of funds	3,406	4,327	Revenue reserves	8,441	21.2
Balance of internal financing	1,691	-262	Translation adjustment	-453	-1.1
Increase in paid-in capital	366	205	Minority interests	179	0.4
Change in financial indebtedness	-1,794	401	Equity	15,920	39.9
Change in other liabilities	508	12	Long-term provisions and special reserves	9,857	24.7
Balance of external financing	-920	618	Long-term liabilities	2,337	5.9
Change in scope of consolidation	-61	326	Short-term provisions and liabilities	11,745	29.5
Change in cash items	710	682	Liabilities*	23,939	60.1
			Equity and liabilities	39,859	100.0

* Including prepaid expenses, deferred income and special reserves

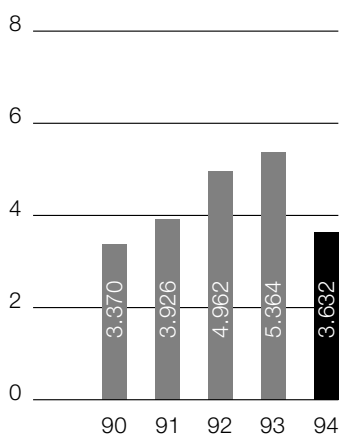
Cash and Cash Items

billion DM



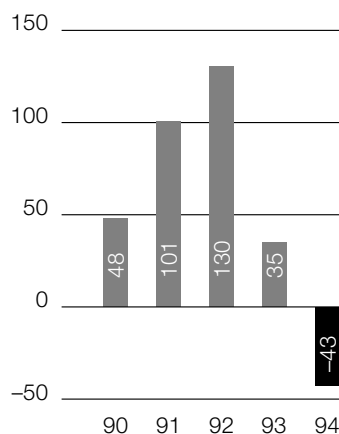
Financial Indebtedness

billion DM



Interest Result

million DM



assets (previous year: 29.9 percent). The increase over the previous year was a consequence of higher sales and the resulting higher trade accounts receivable.

Liquidity as a proportion of total assets was 14.9 percent (previous year: 13.0 percent).

As a result of the improvement in earnings, and the capital increase resulting from the exercising of option rights, equity as a proportion of total capital improved to 39.9 percent (previous year: 37.0 percent).

Pensions and other long-term provisions and miscellaneous items were down slightly, from 25.2 percent to 24.7 percent of total capital. Financial indebtedness amounted to 9.1 percent of total capital (previous year: 13.3 percent). Part of this reduction was accounted for by the redemption of the 1985 DM 500 million option bond.

The key financial ratios improved. The ratio of current assets to short-term liabilities (current ratio) was 1.7 (previous year: 1.5). The ratio of short-term receivables and cash items to short-term liabilities was 1.2 (previous year: 1.0). The long-term financing ratio, or the ratio of long-term liabilities to long-term assets, was 1.5 (previous year: 1.3).

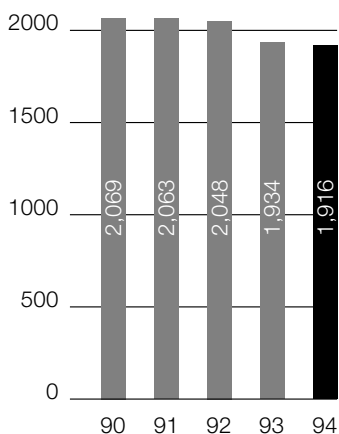
Upward trend for returns

Following a sharp decline in the previous two years, the return on sales before income taxes improved to 6.0 percent (previous year 3.8 percent). This is entirely attributable to the increase in earnings; the interest expense included in the calculation of returns remained almost at the previous year's level.

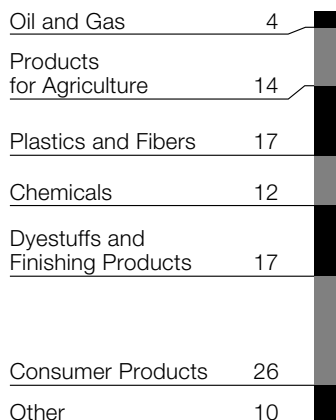
The return on total assets before taxes rose to 6.5 percent. Despite an improvement over 1993 (3.9 percent) our target return of at least 10 percent was not reached.

The return on equity after taxes also improved. Compared with the previous year it increased from 5.1 to 7.4 percent.

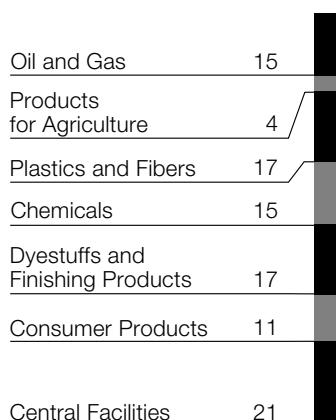
Research and Development Expense
million DM



Research and Development Expense in 1994 by Operations %



Capital Expenditures in 1994 by Operations %



Capital Expenditures in 1994 by Regions %



Actively shaping our own future

Research and development, a long-term capital investment policy and the hands-on commitment of our employees are all directed toward meeting our customers' expectations. We develop new products and open up extended applications for existing products, thus creating additional benefits for our customers. We intend to continue converting changing market requirements into business success.

Research and development

We spent DM 1,916 million on R&D and invested DM 164 million in new laboratories, pilot plants and equipment. 10,139 people were involved in R&D in the BASF Group, 2,288 of them with university degrees. Our German sites accounted for 8,712 people. Our activities resulted in 861 basic patent applications worldwide in 1994. At year-end our portfolio consisted of about 62,000 patents and patent applications worldwide.

Capital expenditures

Capital expenditures on tangible fixed assets were DM 2,707 million, or 35 percent less than in the previous year. The figure for plant and equipment in Germany was DM 1,445 million, of which BASF Aktiengesellschaft accounted for DM 613 million. Capital expenditures will rise slightly in 1995. The following facilities were completed and brought on stream in 1994: at the Antwerp site the steamcracker and a polyisobutene production plant;

at the Schwarzheide site plants for producing aniline, aliphatic diisocyanates, dinitrotoluene, TDI (capacity expansion), polyurethane dispersions and Laromer® products, and the fungicide Opus®, facilities for compounding engineering plastics, and a gas-fired cogeneration power plant; at the Ludwigshafen site plants for the production of polyisobutene oxo product, polyisobuteneamine and butanediol monoacrylate. In the United States a second Neopolen® foam plant came on stream; polystyrene capacity was expanded. In Mexico we are bringing new plants for the production of dispersions and process chemicals on stream. A Styropor® plant is nearing completion. Additional plants are under construction. At Ludwigshafen these include facilities for the production of isophoronediamine and vinyl monomers, and for triphenylphosphine regeneration. The vitamin E and disperse dyes plants are being expanded, while at Antwerp we are planning a plant for the manufacture of ethanolamines.

At Rheinische Olefinwerke, Wesseling, polypropylene capacity is being increased, as is our dispersions capacity in the Netherlands. In the United States we are building a Basofil® fiber plant and expanding acrylic acid capacity. In Brazil we have started building a plant for the production of a fungicide from the strobilurin class. In Korea we are expanding polystyrene and ABS capacities at Hyosung-BASF. In India construction has begun on plants for the production of dyes for textiles and leather, and for dispersions for papermaking and textile and leather production.

Acquisitions and cooperations

We took over ICI's west European polypropylene operations, with production facilities at Wilton, United Kingdom, and Rozenburg, Netherlands. In February 1995 we acquired DuPont's 50 percent holding in a joint venture with Idemitsu Petrochemicals Ltd., which produces 1,4-butanediol in Chiba, Japan.



We are expanding our drugs business: Knoll AG acquired the generics company Sagitta Arzneimittel GmbH at year-end. With America's biggest generics company, IVAX Corporation, we are negotiating the establishment of a joint venture in Europe.

We intend to acquire from The Boots Company PLC, United Kingdom, its innovative drugs and active compounds business, which operates as Boots Pharmaceuticals.

Together with General Electric Plastics B.V. we are going to build a plant at Schwarzheide for the production of polybutylene terephthalate.

In China we began building plants to be operated by our joint ventures, and are negotiating further cooperations. Together with Yangzi Petrochemical Corporation we set up the polystyrene joint venture Yangzi BASF Styrenics Company Ltd., in which we have a 60 percent holding.

At Shanghai BASF Colorants and Auxiliaries Company Ltd., a joint venture

with Shanghai Dyestuffs Corporation, we plan to produce pigments, textile dyes and auxiliaries for the textile and leather industries.

A joint venture is planned with North East General Pharmaceutical Factory, Shenyang, for the production of vitamins.

We are negotiating with Jilin Chemical Industrial Corporation on the joint production of neopentyl glycol. We intend to establish a joint venture with China Worldbest Development Corporation, China Textile International Science and the Pudong Development Bank to produce nylon and nylon carpet fibers.

Structural improvement

To optimize our product portfolio and improve the production structure, we also gave up or sold certain businesses.

In the United States we closed down fiber production plants at Lowland, Tenn., and Enka, N.C. In Canada production of styrene/butadiene dispersions at Sarnia, Ontario, will be discontinued by mid-1995,

the operations being consolidated at Monaca in the United States.

We plan to sell the Colback® nonwovens business to Akzo Nobel N.V.

The lubricant operations of Wintershall AG, including the Salzbergen lubricant oil refinery and the CMT Group, with sites at Raunheim/Mainz, Paris and Madrid, were sold.

The marketing of antifreeze in the United States, together with the brand name ZEREX®, was sold to Ashland Oil, Inc.

The bicycle, an efficient means of transport in dense urban traffic, is becoming increasingly popular. Waterproof and breathable clothing made from modern chemical fibers protects the cyclist against the elements. For added safety, he wears a strong plastic crash helmet with Styropor® padding.

The Palata® nose section for the ICE is light in weight, but can take the heaviest punishment. The flame-resistant composite of resin and glass fibers weighs in at just under 70 kg. Performance is good enough to meet the strict requirements of Deutsche Bahn AG, the German rail system.



Environmental protection, safety and energy

Emissions reduced

The volume of effluent and its pollutant load at the Ludwigshafen site were reduced by about 10 percent over the previous year. Ammonium compounds were down as much as 40 percent, although plant utilization rates were much higher. The volume of residues landfilled was down.

Effluent inventory submitted to authorities

In compliance with official regulations we drew up an effluent inventory for the Ludwigshafen site, running to 120 files. It contains descriptions of effluent flows for each BASF product, and cost DM 10 million.

Better use of energy

Efficient use of energy saves costs and helps the environment. Our energy supply strategy is based on maximum recovery of waste heat and cogeneration. At the Ludwigshafen site the energy input per ton of product sold has been halved over the past 20 years. Today, only 28 per-

cent of our steam requirement is generated from coal, oil and gas; the remainder comes from waste heat and the thermal utilization of production residues. From 1997 we plan to save a further 25 percent of fuel with a gas and steam turbine plant. The natural gas used will be supplied by WINGAS. The new plant is to be designed, financed, built and operated by RWE Energie AG.

Fewer accidents

Since 1970 the number of accidents at the Ludwigshafen site has fallen year after year. In 1994 it reached a new low, with 4.4 accidents per 1 million working hours or 6.6 per 1000 employees. This is only a quarter of the average accident rate in the chemical industry.

Capital expenditures on environmental protection facilities

We built a new effluent treatment plant to replace the existing one at Geismar in the United States. At Schwarzheide, Germany, and at Curtex in L'Hospitalet, Spain, effluent treatment was improved. A new resi-

due incinerator began operation at Guaratinguetá, Brazil, while at Schwarzheide the existing incinerator was equipped with a state-of-the-art flue-gas purification unit.

Costs stabilized

The cost of operating our environmental protection facilities has reached a high level, but there was no further increase. The capital investment requirement is considerably less now that major projects have been completed.

Capital expenditures entail operating costs: at the Ludwigshafen site, for example, we have spent some DM 3.5 billion on environmental protection facilities since 1970, and the cost of operating them now runs to about DM 1 billion per year. Every mark invested generates recurrent annual operating costs of about 30 pfennigs.

Gas and oil from waste plastics

Feedstock recycling is a suitable method for treating mixed waste plastics collected by Duales System Deutschland (DSD). Since

May 1994 we have been testing a new method in a pilot plant: the petrochemical feedstocks recovered are processed in the Ludwigshafen site's integrated production facilities to give a variety of products. An industrial-scale plant is planned. As the selling prices of the products do not cover costs, we are receiving DSD funds. Our innovative recycling technology not only contributes to the effective, environmentally compatible and ecologically sound recovery of waste plastics, but also saves on resources.

Environment Report

Our Environment Report contains detailed information.

Employees by Regions

As per December 31	1994	1993
Europe	81,199	85,613
thereof Germany	65,969	70,241
North America	14,469	16,034
Latin America	8,504	8,876
Asia, Australia, Africa	2,094	1,497
	106,266	112,020

Personnel Expense

million DM	1994	1993	Change %
Wages and salaries	8,304.6	8,435.6	-1.6
Social contributions and expenses for pension benefits and assistance	2,086.1	2,334.6	-10.6
– thereof for pension benefits	641.8	725.3	-11.5
	10,390.7	10,770.2	-3.5

Employees

Our program of measures to improve structures and strengthen our earning power led to a decrease of 5,318 in the number of jobs in the BASF Group. An additional 1,385 jobs were eliminated as a result of divestitures. Changes in the scope of consolidation and the acquisition of new operations brought 949 new jobs into the Group, so that overall the number of people employed fell by 5,754 to 106,266. The German Group companies employed 65,969 people or 62 % of the workforce, 4,272 fewer than in the previous year. In European countries other than Germany the number of employees fell slightly to 15,230. The workforce outside Europe dropped by 1,340 to 25,067, mainly in North and Latin America.

Personnel costs: DM 10.4 billion

Personnel costs decreased by DM 380 million to DM 10,391 million, mainly because potash and rock salt operations were no longer included in the scope

of consolidation in 1994. Of this, wages and salaries accounted for DM 8,305 million, while we spent DM 2,086 million on social contributions, pension benefits and assistance.

Training

At the end of the year, 3,359 young people were in training in our Group companies in Germany. Their proportion of the total workforce fell from 5.6 to 5.1 percent. Spending for vocational training fell by 8 percent to DM 153 million. During the year under report we again offered permanent contracts to most of those who had completed training.

Career advancement and training

To ensure that our employees are highly qualified, we provide a comprehensive package of career advancement and training programs. In Germany alone, 37,871 people or 57 percent of the workforce took part in these activities, on which the company spent DM 62 million.

Asset formation

As compensation for not being covered by the statutory savings enhancement plan, exempt employees acquired BASF shares to a nominal value of DM 2.1 million. The end-of-year payments in the German Group companies were increased by DM 55 million to 454 million compared with the previous year.

BASF Aktiengesellschaft

At year-end BASF Aktiengesellschaft employed 46,463 people, 2,563 or 5.2 percent fewer than in the previous year. As part of our workforce size adjustment program, we made internal transfers and restricted recruitment. We took on 1,108 people from the external labor market, while 343 people returned from military or community service or child-raising leave to resume work. Limited contracts of employment were offered to 87 long-term unemployed people. Absences due to illness were down from 5.4 to 5.1 percent. The overtime rate was the same as last year at 0.4 percent. At the end of

1994 there were 2,543 young people undergoing training, representing 5.5 percent of the total workforce, a lower proportion than in the previous year but still above the German industry average. Despite intensive advertising, we were again unable to fill all the trainee vacancies for skilled chemical workers. The proportion of women in the workforce as a whole remained unchanged at 15 percent.



These valuable works of art are surrounded by protective wrapping: air-cushion sheeting made from our polyethylene granules ensures that the paintings suffer no damage in transit.

Outlook

In the current year we expect continued growth and higher earnings.

The economic recovery in the chemical industry will gain further momentum in 1995. However, the structural crisis in the European chemical industry is far from over.

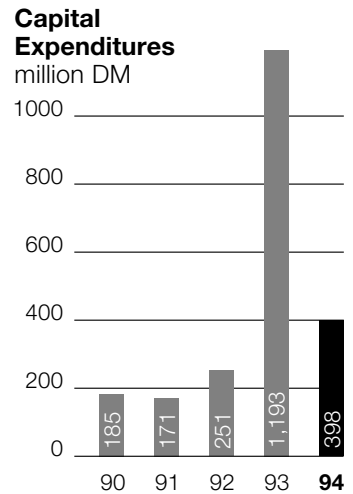
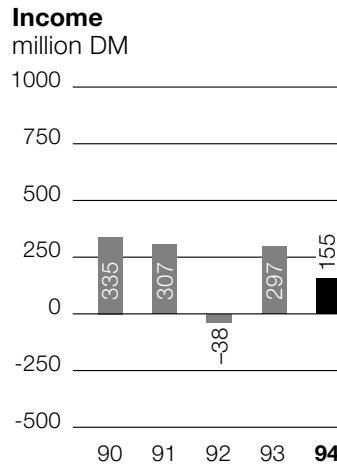
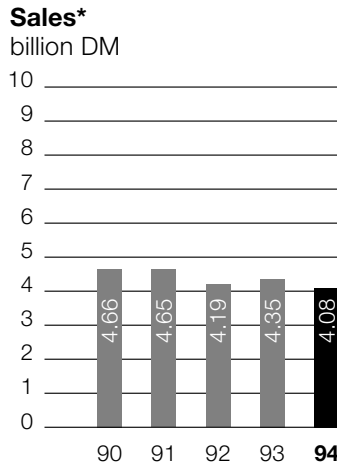
We are not, therefore, easing up on our worldwide efforts to adapt our structures to market

changes. The successes we have achieved prove that the course we have adopted is the right one. In 1995 we intend to improve again the return on total assets and come significantly closer to our 10 percent target.

Capital expenditures will go up slightly in the current year, but again be less than depreciation. We will also increase research expenditures.

Our portfolio is being made less sensitive to economic cycles by measures such as the expansion of our gas operations, acquisitions in the pharmaceuticals segment, new innovative products for plant protection, capital expenditures and cooperations in fine chemicals, and greater internationalization of our chemicals business. We will gain in international competitiveness.

Oil and Gas



* without petroleum and natural gas taxes

Oil and Gas

Sales in Oil and Gas declined by 6.4 percent to DM 4.1 billion (excluding petroleum and natural gas taxes). Earnings fell to DM 155 million.

Oil and Gas operations are handled by Wintershall AG and its affiliates. We carry out exploration for and production of crude oil and natural gas, oil refining, the marketing of petroleum products and the sale of crude oil and natural gas.

More difficult environment

Sales were down due to the abandonment of certain operations and the slack business at the start of the year. Demand for motor fuels declined as a result of the increase in German petroleum tax, and our own production of crude oil and natural gas generated lower earnings. Despite this unfavorable background, cost-cutting measures enabled the exploration and production units, and also marketing and refineries, to raise their contributions to earnings. The loss-making lubricant operations were divested. The decline in earnings shown is primarily attributable to a special gain of DM 157 million, which was included in the previous year. Although we made good progress in the initial gas business, the high

development costs of the pipeline network could not be met.

Expenditure on exploration was DM 108 million, about 20 percent above the previous year's figure. The focal points of our own exploration activities were northern Germany, the Dutch and British sectors of the North Sea, Libya, Algeria and Canada; possible projects in the Commonwealth of Independent States were also studied. In addition, Wintershall was involved through DEMINEX in exploration in the British and Norwegian sectors of the North Sea, and in Syria, Egypt, Indonesia and Argentina.

Sharp hike in crude oil and natural gas production

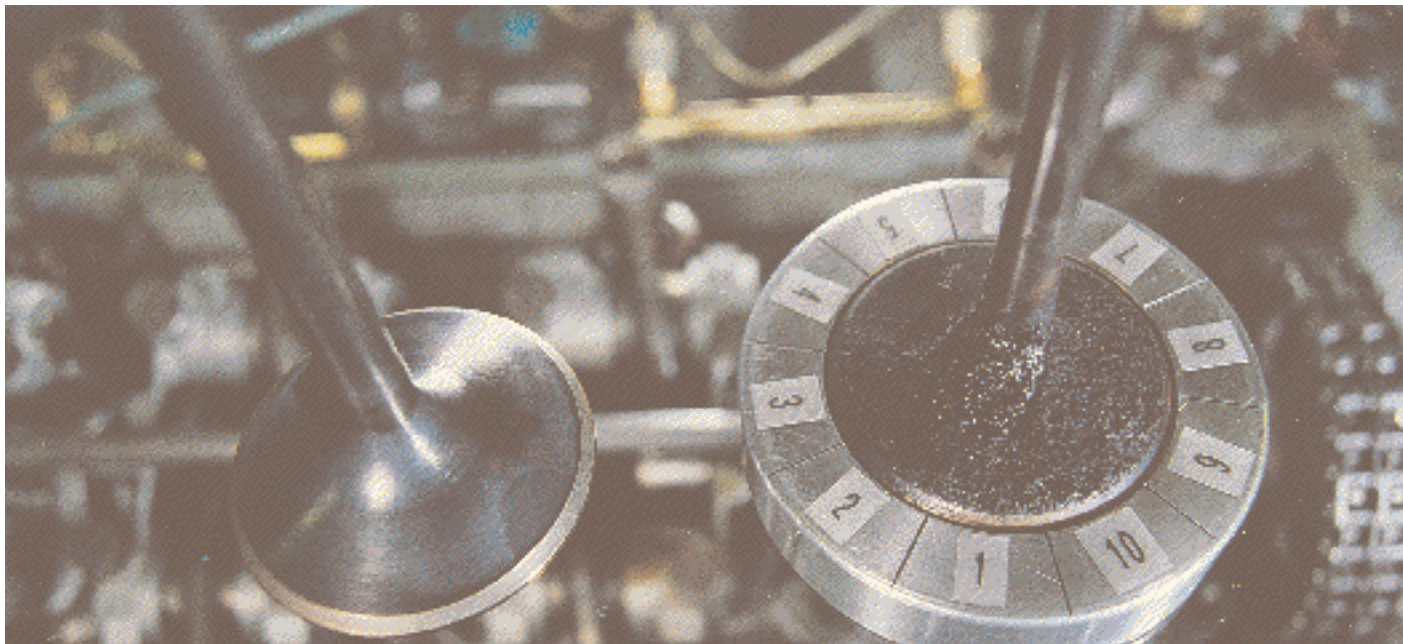
Production of crude oil totaled 5.5 million metric tons, 14 percent more than in 1993. In Germany and Dubai production diminished due to gradual depletion of old fields. The further rise in production in Libya and the DEMINEX holdings more than compensated for this.

Production of natural gas rose by 18 percent to 2.2 billion cubic meters, about

10 percent of this increase coming from Germany and 90 percent from higher production in fields outside Germany. Both the increased volumes from the DEMINEX fields in the North Sea and Argentina, and our companies in Canada and the Netherlands, contributed to the improvement, as did the holding in the Markham field in the British sector of the North Sea, which we acquired in 1993. Despite this high level of production, our oil and natural gas reserves rose due to successful exploration.

Volumes of petroleum products down

Volumes fell by 10 percent, compared with the previous year, to 4.4 million metric tons. The reasons for this were the sale of the lubricants operations and the abandonment of the resale business with motor and heating fuels. ARAL, in which Wintershall has a 15 percent holding, successfully maintained its leading position in the profitable German gas station market.



With Keropur® we have gained a leading position in the rapidly growing market for fuel additives. Keropur® acts as a detergent and prevents organic deposits forming in the intake system. The results: less engine damage, lower fuel consumption and longer engine life.

Further expansion of natural gas business

We made substantial advances in the natural gas business. The capital expenditure program for the MIDAL/STEGAL project was completed except for some of the compressor stations, the expansion stages for the Rehden natural gas reservoir, and various branch and local connection lines. By the end of 1994 we had invested a total of about DM 3.3 billion in this business. Supplies for our customers are guaranteed by contracts with our Russian partner Gazprom, our own production and high storage capacity. We are negotiating natural gas supplies from Norway with Saga Petroleum A.S. We signed a declaration of intent in February 1995. WINGAS, the joint venture with Gazprom, now has contracts for the sale of about 10 billion cubic meters in 2010 – two-thirds of the targeted market share of 15 percent. Then there is the long-term contract providing for supplies by Wintershall Erdgas Handelshaus GmbH (WIEH) to Verbund-

netz Gas AG (VNG), the leading long-distance supplier of natural gas in eastern Germany. This means that sales of more than 20 billion cubic meters in the German market have already been contractually secured for 2010.

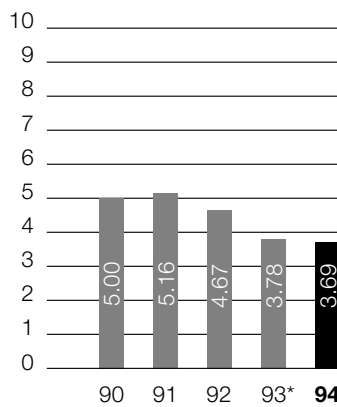
Volume sales of natural gas in 1994 increased by 1.5 billion to 5.7 billion cubic meters. Since early October substantial quantities have been supplied through the MIDAL pipeline to key accounts and the Ludwigshafen site, so that a volume of as much as 7.5 billion cubic meters will be achieved in 1995.

Our partner Gazprom is planning to connect western Europe to the natural gas deposits on the Yamal peninsula in Siberia. The development of the Yamal field and the building of a pipeline will serve to meet Europe's long-term natural gas requirements. The new pipeline is to be laid from Siberia through Byelorussia and Poland to Frankfurt an der Oder, opening up a second route and in the long term increasing Russian natural gas volumes piped

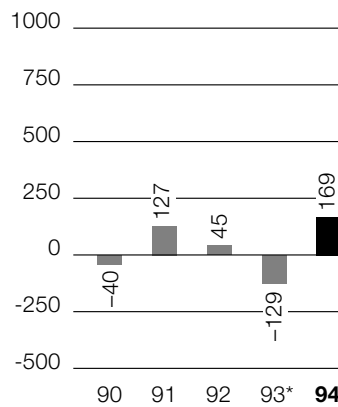
to Europe. We plan to link our STEGAL long-distance pipeline to this new one by 1996, which will involve capital expenditures of about DM 1.5 billion.

Products for Agriculture

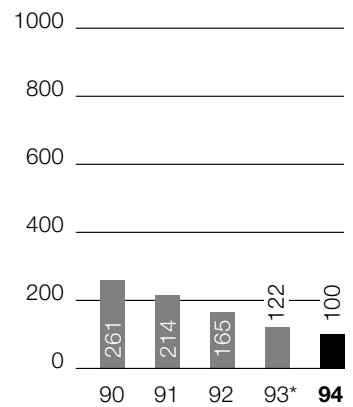
Sales
billion DM



Income
million DM



Capital Expenditures
million DM



* Potash and rock salt operations included up to June 30, 1993

Products for Agriculture

Sales of Products for Agriculture fell by 2.5 percent to 3.7 billion because of the elimination of potash and rock salt operations from the scope of consolidation. Earnings improved to DM 169 million.

We have a wide range of customized nitrogen fertilizers and efficient crop protection agents, especially herbicides and fungicides. In addition, farmers and industrial customers are supplied by Kali und Salz GmbH with potash fertilizers, magnesium salts and rock salt. For animal nutrition we produce feed additives, especially vitamins, which are handled by the Chemicals operating sector. Although as a consequence of European agricultural policy the west European market has shrunk even further, our Products for Agriculture made notable progress. Sales, compared with those for the previous year, calculated without potash and rock salt operations, rose by 11.7 percent.

Innovations for crop protection

Our cereal fungicide Opus® was a success in its very first year in the German market, too. The product is particularly compatible environmentally and is setting new standards for spectrum of action and activity. These charac-

teristics helped it to achieve a breakthrough in the German market, which remains a difficult one for crop protection agents. Opus® has been sold successfully in France and Belgium since 1993. A plant for the production of Opus came on stream at the Schwarzheide site early in 1995. Preparations are proceeding on schedule for the launch of the strobilurins, a new class of active ingredients which will substantially extend our range of fungicides. Notable successes were achieved by two new herbicides, Butisan Star® for use in oilseed rape and Rebell® for sugarbeets. Both products have good growth prospects. The above-average increases in sales in the important U.S. and Brazilian markets were particularly gratifying.

Difficult times again for fertilizers

The west European fertilizer market stabilized, with only a slight further decrease in demand in 1994. Capacity shutdowns in western

Europe improved the balance between supply and demand. We succeeded in putting through moderate price increases for nitrogen fertilizers, although these were not sufficient to offset the higher raw material costs. We reduced capacity for straight nitrogen fertilizers at Ludwigshafen by 600,000 metric tons, thus improving utilization rates and cutting fixed costs. Although this clearly boosted earnings compared with the previous year, they remained unsatisfactory. Business in specialties for the home and garden was further expanded in European markets, with the focus on Germany, France, Spain and Italy. Sales of products for market gardening and the home gardening segment increased, and earnings here continued to be favorable.



Nets made from Novolen®, BASF's polypropylene, are ultra-thin, lightweight, and extremely tear resistant. They ensure that fruit and vegetables reaching the consumer are good to look at and as fresh as the day they were picked.

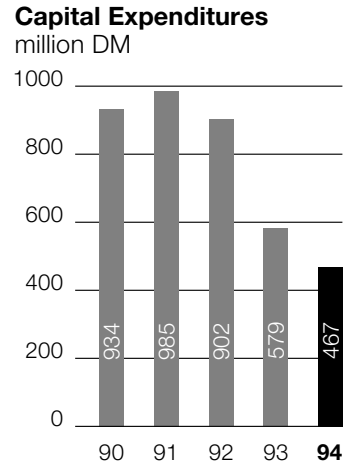
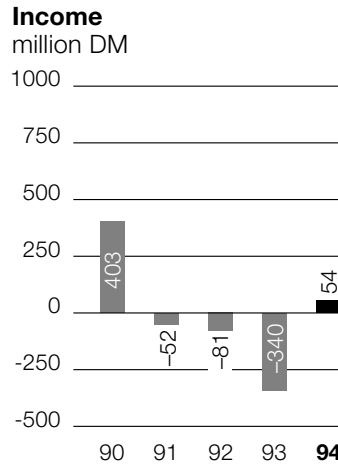
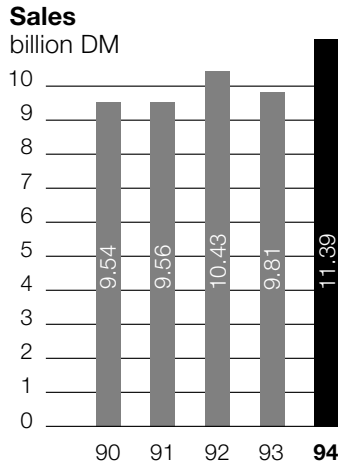
Kali und Salz on course

After the transfer of the potash and rock salt operations to Kali und Salz GmbH, the operations of Kali und Salz Beteiligungs AG are largely confined to the disposal business and the control of affiliated companies. Earnings from operations and holdings were positive. The business of the affiliate Kali und Salz GmbH, in which Kali und Salz Beteiligungs AG has a 51 percent holding and the government-owned Beteiligungs-Management-Gesellschaft Berlin mbH, as the successor to the Treuhandanstalt, a 49 percent holding, profited from the worldwide market trend: demand for potash fertilizers recovered for the first time in five years, the main stimuli coming from the major overseas markets. Production plants ran for the most part at capacity. Prices of potash fertilizers improved, although earnings suffered from the low rate of the U.S. dollar.

Kali und Salz GmbH is continuing its cost-cutting and efficiency improvement programs. Restructuring and

modernization are centered on those plants located in eastern Germany. Operative losses were considerably less than the year before. The trend of business at Kali und Salz Entsorgung GmbH was satisfactory. This company handles, in the Kali und Salz Group, the deposition of special wastes in underground landfills and the utilization of non-mining wastes.

Plastics and Fibers



Plastics and Fibers

Sales of Plastics and Fibers rose by 16.1 percent to DM 11.4 billion. Earnings of DM 54 million include special charges.

As a major plastics producer we have a broad product range extending from commodities to a wide variety of specialties. We also supply fiber intermediates, and the synthetic fibers and filaments produced by BASF Corporation.

Trend reverse in polyolefins and PVC

With the rise in demand, market prices recovered from their exceptionally low level. Due to higher volumes and strict cost management, this business is back in the black. On March 1, 1994, we acquired the west European polypropylene activities of ICI. The plants use BASF technology and the products fit in well with the rest of our range. We had no problems integrating the business into our production network. A new generation of catalysts gives polypropylene with improved performance characteristics.

By expanding our polyolefin capacity we will appreciably strengthen our earning power.

Engineering plastics set for expansion

Increasing demand in western Europe and overseas boosted sales and earnings. We are investing to expand our global market position: new compounding plants for the "Ultra-" range of plastics were brought on stream in the United States and at Schwarzheide. In Korea we are expanding the polystyrene plants operated by the Hyosung-BASF Co. joint venture, the work to be completed by mid-1995. In China a joint venture for styrene and polystyrene with Yangzi Petrochemical Co. is going ahead on schedule. Together with General Electric we are building a polybutylene terephthalate plant at the Schwarzheide site. Our polybutylene terephthalate Ultradur® is notable for high heat distortion resistance, dimensional stability and outstanding electrical insulation capability. These properties are

opening up new applications for it in the electrical and electronics industries, the automotive industry and mechanical engineering. Air intake pipes made from Ultramid® are being used as standard equipment by all major European and U.S. car manufacturers. New Ultramid® products, whose flameproofing involves no halogens or phosphorus, are opening up a host of new applications in the electrical engineering industry.

Foams and reaction resins: prices unsatisfactory

The Styropor® business picked up only in the second half. Prices were inadequate and raw material costs up, so earnings were unsatisfactory. The mechanical recycling of Styropor® has been developed to the level of industrial maturity – the recycled material is used in the production of new plastics. Styrodur® held up well in the market, with above-average growth. Styrodur® C, a foam which uses carbon dioxide instead of halogen-containing blowing agents,



Our materials solve a lot of problems in automotive construction. They lower the weight of the vehicle, and so cut gasoline consumption. This air intake grille made from high-strength Ultradur® is combined with a Novolen® high-impact support.

was approved for use in buildings and launched. Neopolen® P, a foamed polypropylene, is being used increasingly for car safety applications. Our production facilities are conveniently located near the centers of car production, and a new plant was recently opened at Wyandotte, near Detroit. Surplus capacity for reaction resins caused severe price erosion. Although business picked up in the fall, we were unable to pass on the increase in raw material costs, and earnings are still unsatisfactory.

Polyurethanes on way up

With the start of the upswing in North America, Europe and southeast Asia – with the exception of Japan – demand for our polyurethane products grew. Earnings, however, are still feeling the impact of the low price levels worldwide. Surplus capacity in some regions prevented the necessary price adjustments. In Japan prices are moving into line with the considerably lower southeast Asian levels.

We expanded our TDI capacity at the Schwarzhöhe site. A new plant has been in operation since the end of the year, using a novel process to produce aliphatic diisocyanates that go into lightfast coatings.

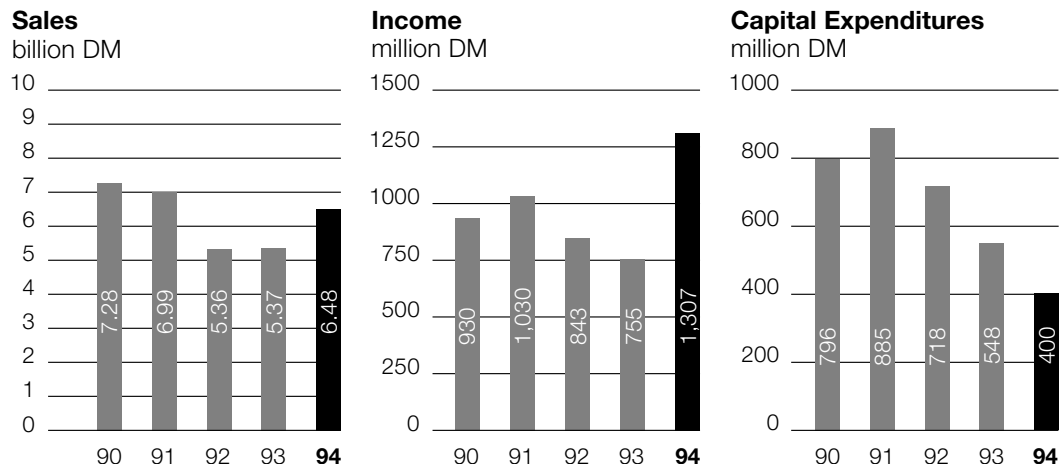
Structural improvements in fiber products

Earnings remain unsatisfactory. Special factors resulting from site consolidations had an impact on earnings. We are optimizing operations and consolidating fiber production sites in the United States, involving the loss of jobs.

In the light of these basic structural measures, business was reassessed on the basis of the expected net cash flow. This resulted in substantial write-downs. Our Lowland, Tenn., site was particularly affected: production of polycaprolactam, nylon hosiery yarns and nylon carpet staple fibers was discontinued and transferred to other sites. The polyester filament production plant was shut down and the polyester chip business is to be sold.

By pulling out of unprofitable lines and concentrating on nylon 6 products, we achieved positive results in the textile fibers business. Nylon carpet fibers suffered from fierce competition and continuing price erosion. To further improve the cost structure, we transferred production of continuous filament from Enka, N.C., to other North American sites. We are building a new plant at Enka for the novel high-temperature-resistant Basofil® fibers. The swell in demand improved earnings in fiber intermediates.

Chemicals



Chemicals

Sales of our Chemicals improved by 20.7 percent to DM 6.5 billion. Earnings rose to DM 1,307 million.

From basic chemicals, which we produce primarily for captive use, we manufacture, in numerous upgrading steps, industrial chemicals and intermediates for chemical syntheses. Our product range also includes vitamins and other fine chemicals which are used in the pharmaceutical, foodstuffs and cosmetics industries, and in animal nutrition.

Petrochemical base reinforced

In the basic chemicals business, rising demand and higher selling prices boosted our earnings considerably. With the beginning of the upturn, the new steamcracker came on stream at Antwerp early in 1994. The production of ethylene, propylene, C₄ mixture and pyrolysis gasoline will meet the BASF Group's growing requirements for petrochemical feedstocks in the long term. Full utilization of the plant was guaranteed from the beginning, partly as a result of a reprocessing agreement with DOW. The completed ethylene terminal, and the LPG terminal

now under construction, will make us even more flexible. We made good progress in marketing our specialty products for the powder injection molding of metal and ceramic components. The world's first fully continuous plant using our know-how for the manufacture of powder-injection-molded products went on stream at one of our customers. The main outlets at present are in the watchmaking, mechanical engineering and automotive industries.

Growth in industrial chemicals

Business in industrial chemicals revived. Our plasticizers, solvents and laminating and impregnating resins benefited from brisk demand. Important customers are the construction, automotive and furniture industries, and cable manufacturers. We increased volumes in our main markets of Europe, North America and Asia, and raised unsatisfactory prices. Our production plants, integrated in an optimum energy and production system, were well utilized worldwide. Additionally,

cost-cutting measures contributed to a substantial improvement in the earning power and competitive position of industrial chemicals. At the Antwerp site we began operation at year-end of new plants for the production of isobutene and highly reactive polyisobutene (PIB). PIB, a key product for lubricant and gasoline additives, is further processed at a new plant in Ludwigshafen. We expect this new generation of environmentally compatible products to sell extremely well.

Intermediates capacity up

Demand for our versatile intermediates rose, with a notable improvement in sales and earnings. We expanded the amines business significantly, despite tough competition. Capacity was increased by the start-up of the aniline and dinitrotoluene plants at the Schwarzheide site. A plant for the production of ethanolamines is planned at Antwerp. The economic recovery in western Europe and the



Jack Frost poses no problem to an engine protected with BASF's Glysantin®. It protects the engine not only against frost, but also against rust and overheating. Patented in 1929, this antifreeze has been improved again and again right up to the present day to meet the higher standards required by modern cars. The latest Glysantin® generation contains no nitrites and has good biodegradability. BASF offers a comprehensive recycling program for used antifreeze in Germany and five other European countries.

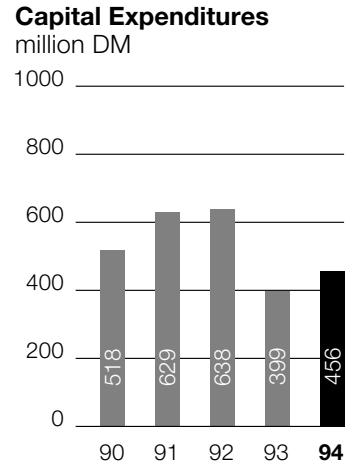
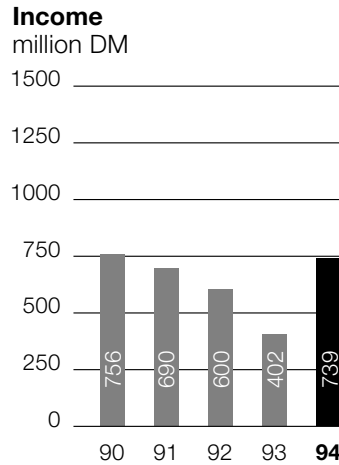
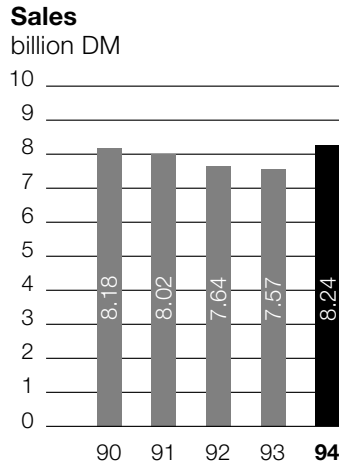
continuing strong demand in North America also boosted sales and earnings in the diols business. We increased our share of the PolyTHF® market. Our plants in Geismar, La., and Yokkaichi, Japan, operated at high capacity. From mid-year, additional output from the new Ludwigshafen plant will enable us to share in the growth of the market for PolyTHF® for use in elastan fibers and thermoplastic polyurethanes. Demand for carboxy and dyestuff intermediates picked up only slightly. In the crop protection and paper auxiliaries segments it continued to decline. Intermediates for dyestuffs chemicals were affected by considerably increased competition from imports from India and China. The high level of demand in Europe boosted formic acid volumes appreciably. Our Ludwigshafen plant is operating at full capacity and is being expanded this year.

Fine chemicals still on an upwind

The fine chemicals business recorded gratifying growth, especially in Latin America and Asia. Plant utilization rates were good. Vitamins and carotenoids made a major contribution. Volumes of vitamins A and E for animal nutrition showed above-average growth, especially in southeast Asia. Business with the pharmaceutical industry made good progress, with increasing demand for vitamin E and beta-carotene. In China we intend to participate in the fast-growing market for vitamins and vitamin blends used in animal nutrition. We are therefore negotiating the establishment of a joint venture with North East General Pharmaceutical Factory, Shenyang. Our cooperation with Gist-brocades in feed enzymes, especially phytase, is strengthening our animal nutrition business. Phytase

in animal feeds makes the phosphorus in vegetable feedstuffs more digestible, which means less phosphorus in liquid manure. Despite tough competition, we were able to boost sales of polymers for the pharmaceutical and cosmetics industries as planned. This improved earnings at our new plant in Geismar, La. Luvimer®, our new polyacrylate-based polymer for hair care, aroused keen customer interest. Our fine chemicals for the cosmetics industry grew faster than the market, and we did more business in Asia. A significant increase in volumes pushed up earnings from our flavors and fragrances.

Dyestuffs and Finishing Products



Dyestuffs and Finishing Products

Sales of Dyestuffs and Finishing Products rose by 8.9 percent to DM 8.2 billion, with earnings amounting to DM 739 million.

Our numerous dyestuffs, pigments, finishing products and process chemicals are used in a wide variety of applications by customers in the automotive, construction, chemical, printing ink, petroleum, adhesives, coatings, leather, paper, textile and detergent industries.

Textile chemicals steady and leather chemicals soaring

Although the climate remained difficult, we improved on the previous year's volumes of our products for the textile and leather industries, and stepped up earnings. Notable features of the business were further moves by our customers to shift production from Europe to southeast Asia, and more competition from Asian suppliers.

In North America sales held at the previous year's level. In Latin America the opening-up of markets resulted in higher imports of textiles, raising pressure on prices.

Our indigo dye, which we have been producing for nearly a century, recorded its highest volume since

1913. Contributory factors were a new formulation and the continuing popularity of blue jeans.

We launched a new finishing agent for cotton textiles – Fixapret® ECO. Articles finished with this product may be labeled pollutant-tested. The trend toward roughened calfskin, known as nubuck leather, gave a powerful boost to our dyestuffs business with the leather industry, while demand for dressing systems declined. Overall, we reinforced our leading position in the dyestuffs and tanning segments of the leather market.

Worldwide growth for coloring agents and process chemicals

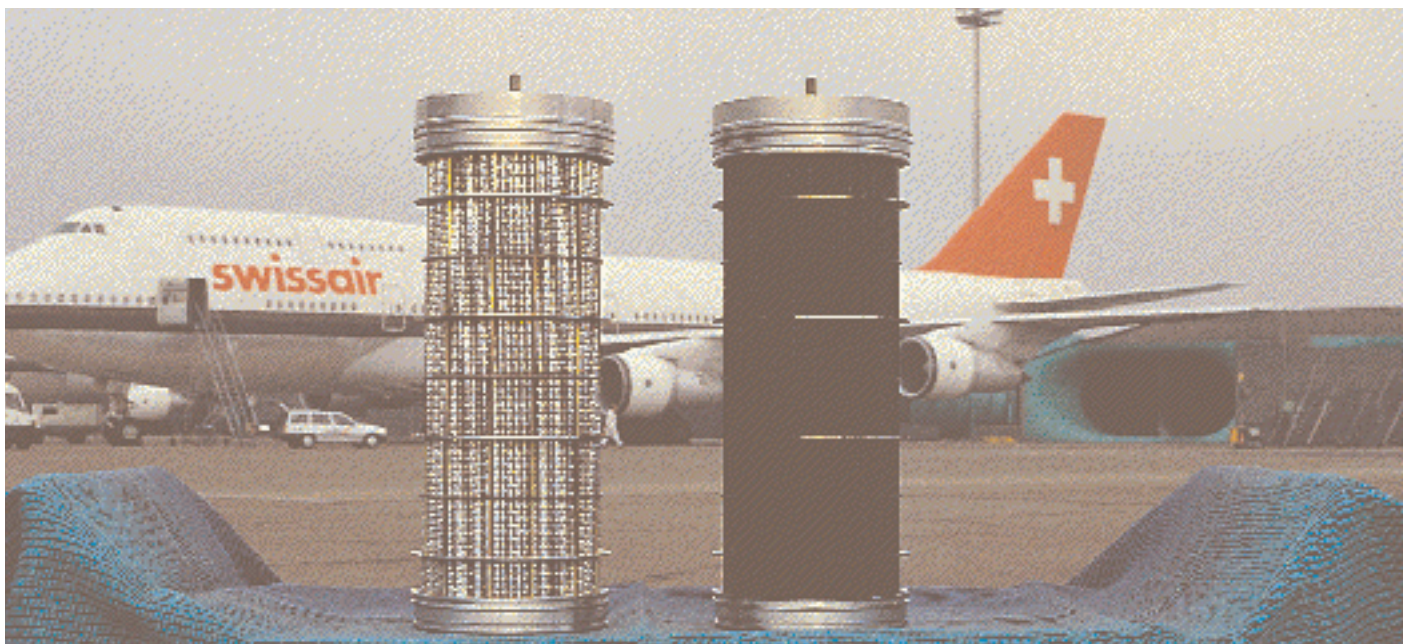
Business benefited from continuous high demand in North America and southeast Asia, and the pick-up in volumes in Europe. Despite keen competition and continuing pressure on prices we improved our market position, sales and earnings. Shanghai BASF Colorants and Auxiliaries Company Ltd. will start production of an extensive range of organic pigments in 1996. In setting up this

joint venture we laid the foundations for the further expansion of our pigments business in southeast Asia. Our high-quality Paliogen® and Heliogen® Blue and Green products for the coatings industry recorded gratifying growth rates worldwide. Pigments for environmentally compatible water-borne coating systems and the Paliocrom® special-effect pigments for the automotive industry did well.

Despite the continuing keen competition in coloring agents for the printing inks industry, we increased sales by strengthening our business with international key accounts.

We achieved satisfactory earnings with our range of specialty colorants. Demand for products for the plastics industry revived in all major markets.

With our products for the paper industry we consolidated our market position in Europe and, thanks to local production, further extended it overseas. Gratifying advances were recorded by Basoplast® sizes and our Polymin® and Catiofast® products, which, as inno-



Perfect maintenance is essential if a plane is to be safe and in good working order. BASF makes its contribution with an environmentally compatible and recyclable solvent. The engine heat exchangers pictured here before and after cleaning with N-methyl-pyrrolidone, NMP for short, provide impressive evidence of just how efficient its cleaning action is.

vative retention and fixing agents, are proving their worth in modern papermaking processes.

Specialty chemicals in demand

New products and higher capacities enabled us to take advantage, in terms of volume, of the favorable climate in specialty chemicals. Sales were up significantly, although the heavy pressure on prices did not let up. Ethylene glycol prices, which had long been unsatisfactory, were raised during the second half.

The start-up of our new surfactant plant in Antwerp and the further expansion of our U.S. production capacity are boosting our international presence in a growing market.

Keropur[®] fuel additives and Glissopal[®] lubricant components sold to a much greater range of customers. The new plant for the intermediate polyisobutene at Antwerp is enabling us to expand our business rapidly. Waxes, biocides and biodegradable complexing agents are expected to continue enjoying high growth rates.

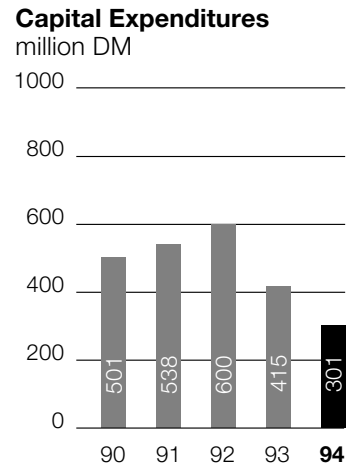
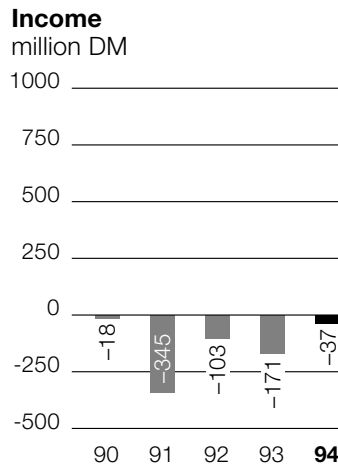
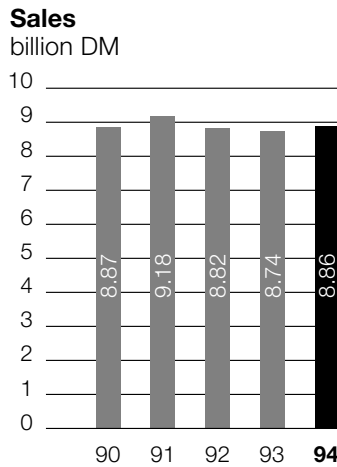
In the United States we sold our antifreeze business to Ashland Oil, Inc., and reached agreement on supplying it with glycol. This guarantees our sales in the long term, and ensures that consumers will always benefit from the latest BASF antifreeze technology.

Dispersions gratifying

The economic recovery boosted volumes of polymer dispersions and acrylic monomers worldwide. Our production facilities operated at close to capacity. In North America our business in dispersions for the carpet and adhesives industries greatly improved. In southeast Asian markets we raised our profile. In Europe we successfully defended our good position in products for the paints, adhesives and paper industries. Environmentally compatible raw materials for waterborne coatings and binders for use in radiation-curing coatings were particularly in demand. From 1995 they will be produced at the Schwarzheide site.

Acrylic monomers did well. We are building a new acrylic acid plant at Antwerp, due to begin production early in 1996; another new plant will come on stream the following year in the United States.

Consumer Products



Consumer Products

Sales of our Consumer Products increased by 1.4 percent to DM 8.9 billion. Earnings were affected by special factors and amounted to DM -37 million.

These operations encompass products which are close to the consumer, including drugs, coatings, printing systems and information technology products. Our range comprises: cardiovascular drugs, neuropharmaceuticals and analgesics, drugs for gastrointestinal disorders, and pharmaceutical chemicals; automotive OEM coatings, refinishes and industrial coatings; colors, paints and architectural coatings; printing plates and processing systems for the graphics industry, and printing inks; audio and video tapes and cassettes, magnetic recording media, and computer and data storage systems.

New policy in pharmaceuticals

Pharmaceutical markets throughout the world are undergoing radical change. Customer structures are changing, competition is becoming tougher, and the pressure on margins is increasing. Against this background, we more or less maintained sales of our pharmaceuticals despite unfavorable changes in

important currency exchange rates.

We have reoriented our pharmaceuticals strategy. We want to expand our range of original drugs and develop our position in important international markets. For this reason we intend to take over Boots Pharmaceuticals from the Boots Company PLC, United Kingdom. This will strengthen our regional presence particularly in Great Britain, France and the United States.

We have entered the European generic drugs market. The newly established BASF Generics GmbH will cultivate the German market. A package of second registrations was acquired in the spring of 1994, and at the end of the year we purchased the marketing company Sagitta Arzneimittel GmbH. We are negotiating with IVAX Corporation to establish a joint venture to market generics in Europe. We expect to derive a competitive advantage from our new, patented process for drug production by hot-melt extrusion, in which the active compounds and aux-

iliaries are melted and mixed in a single step. Products with improved therapeutic effects are obtained at considerably lower cost.

Coatings difficult

Sales stabilized, bolstered by a favorable economic climate, but there was no easing of price pressures. Earnings suffered from special write-downs and expensive structural measures in the United States. We are consistently pursuing our efforts to reduce costs. In automotive finishes, volume improved due to higher car sales. We enhanced our position in Europe through closer cooperation with the leading car manufacturers. Innovative clear coatings strengthened our market position.

In automotive refinishes the newly introduced water-dilutable basecoats were especially successful. This new refinish system is environmentally compatible and more reliable, and requires no major extra expenditures. By expanding our regional sales network we firmly anchored our brands in eastern Europe. In Japan



BASF puts printing inks on the map. Printing inks used in road maps have to meet high quality standards. The Novaboard® range of inks do not fade, even if the maps are left to bake in the full glare of the sun. And they are always easy to read, however often they have been spread out and folded up again.

we became the first foreign supplier to open a training center for automobile refinishers.

Building paints made significant advances in South America, especially in Brazil. In Europe, too, the general picture is favorable, thanks to the healthy climate in the German construction industry and more exports to eastern Europe.

Keen competition in printing systems

Rising demand ensured better plant utilization, although price pressures continued unabated. Measures to cut costs did not fully neutralize price erosion, and are being continued. Earnings in this segment remained unsatisfactory.

New offset printing inks based on renewable raw materials were successfully launched. A new plant for black newspaper printing inks came on stream in France.

We increased our technological lead in printing inks for packaging, especially with water-based formulations.

The printing plate line was extended to include improved nyloprint® film plates for label printing. Sales in this segment increased gratifyingly.

Information systems in the black

Although prices continued to fall, especially for data storage media, 1994 saw information systems move back into the black, a vindication of our ongoing policy of structural adjustments and efficiency improvements. New or improved products were a further contributory factor. We further decentralized our sales operation, and set up companies in the Benelux, southeast Europe, the United States and east Asia. Comparex's business in main frame computers, peripheral systems and services was again gratifying. We gained new customers in Germany among banks and government authorities. We boosted our earning power in European markets and made good progress in eastern Europe.



Operations by Region

The BASF Group operates in many countries with different political, economic and social structures. In line with the OECD recommendations for multinational companies, we are aware of our numerous responsibilities.

We conduct business with customers in more than 170 countries and have production plants in 39 countries. In Europe we achieved 63.5 percent of our sales.

Recovery in Europe

Growth rates were gratifying in both western and eastern Europe. The upswing has in the meantime gained in momentum. In spite of this gratifying development, the structural crisis in the European chemical industry is not yet over. We see further adaptation to changing markets as a permanent task. In Germany demand did not revive until the second half. The main driving force in eastern Germany was the construction industry. Selling prices picked up slightly during the second half, though overall they were still too low. We defended market share and increased it in some segments. Our greater commitment in eastern Europe bore first fruits, with business clearly advancing in the reform countries of central and eastern Europe. A decline in Russia in the product business was offset by

increases in the rest of the Commonwealth of Independent States.

We believe there is considerable potential for development in Russia in the long term and intend to intensify cooperation with our Russian partners. In Novy Urenгой, Siberia, we are helping Gazprom to build polyethylene plants.

In Italy sales improved in virtually all areas of business, and especially in polyurethanes for footwear production. We had to restructure our business and reduce the size of our workforce in Italy in order to counter the increasing regulation of the pharmaceutical market there. At the Tarragona site in Spain, a plant for the production of low-monomer polystyrene was brought on stream and the capacity of the dispersions plant expanded.

Special factors in North America

Steady economic growth with minor price increases greatly helped sales in North America in dollar terms, but exclusively as a result of higher volume.

En route to the customer: Customers throughout the world, as shown here in Hong Kong, value our prompt delivery service. Since 1980 BASF has had its own sales company in Hong Kong, BASF China Ltd., which also services the market in the People's Republic of China.

For fishermen, here in Portugal, the use of Styropor® is a matter of course – it is part of their equipment just like their nets and anchors. Styropor® packaging keeps fish completely fresh, buoys made from the same ultra-lightweight material stand up to rough weather, and a Styropor® lifebelt will keep a sailor's head above water in an emergency.



The operating business improved in virtually all sectors, although pre-tax earnings suffered from special write-downs and spending on site consolidation programs.

The main areas in which we increased sales were crop protection agents, vitamins, plastics and chemicals. Dispersions developed satisfactorily. Structural measures will further improve our position. Pharmaceutical sales dropped as a result of increasing competition from generics manufacturers. The antifreeze business was sold to Ashland Oil, Inc. We considerably improved the cost structure and competitiveness of our fibers business by closing down a number of production plants at Lowland, Tenn., and Enka, N.C. At Enka we are building a plant to produce Basofil® fibers.

At Wyandotte, Mich., we brought on stream new plants for the production of engineering plastics and Neopolen® foams. We expanded resin production at Greenville, Ohio, and raised the capacity of the polystyrene plant at Joliet, Ill.

New opportunities in Latin America

The opening-up and liberalization of Latin American markets continued. Prices came under pressure from higher imports, but with volumes improving we increased sales.

We expect the North America Free Trade Agreement to generate good opportunities in Mexico for further growth in the long term. At the Altamira site we are currently starting operation of new plants for the production of dispersions and process chemicals. A new Styropor® plant is nearing completion. In Brazil the government's stability program is recording significant successes in bringing down hyperinflation. Domestic demand picked up and our business benefited considerably. We merged BASF Brasileira S.A., Glasurit do Brasil Ltda. and a few smaller companies to form BASF S.A. In Venezuela, where business was unsatisfactory, we decided to shut down certain plants. In the other countries of Latin America we achieved good sales growth overall.

Expansion of local production in southeast Asia

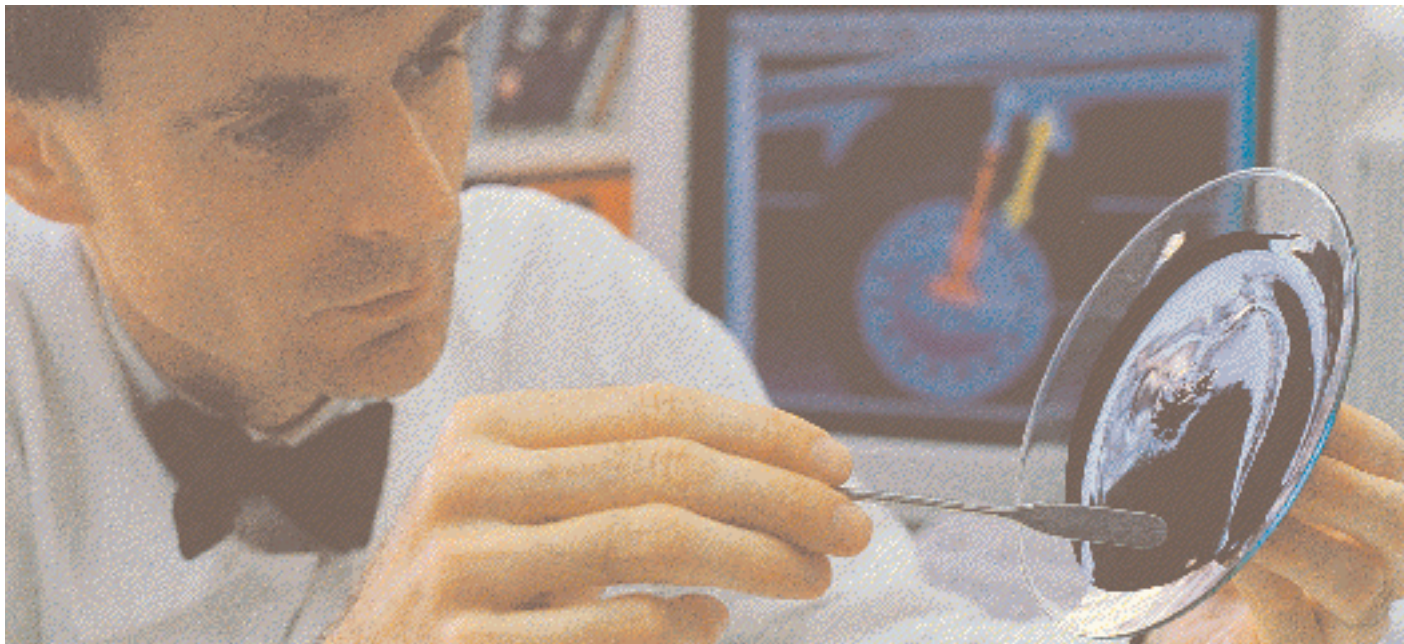
Growth in south and east Asian markets continues to be dynamic. We further expanded our local production base in order to share in that growth – one-third of the products we sell in the region are now produced locally. Exports to the region were also up.

In the Chinese chemical industry we are one of the largest foreign investors. In 1994 we set up two new joint ventures in addition to the three already in operation: one to manufacture pigments, textile dyes and textile and leather auxiliaries, and the other to produce polystyrene and ethylbenzene. More cooperations are planned.

The softness of the economy in Japan affected our business. However, encouraging signs toward the end of the year suggest a reversal of the trend. Plant utilization rates at Yokkaichi again increased despite the difficult economic climate. In February 1995 we took over DuPont's share in a joint venture with Idemitsu, which

produces butanediol in Chiba, Japan.

The expansion of our Mangalore site on the west coast of India is proceeding rapidly. The first stage involves the construction of plants for textile and leather dyes, and dispersions.



Research and Development

Innovation is the essential requirement for success in global competition. We are therefore using our expertise and know-how to provide customers with new solutions based on scientific findings and technological progress.

Our central research has been reorganized with a view to integrating an efficient cross-functional know-how linkup. The synergistic effects derived from this are our trump card in the development of new products and processes. We take account not only of our customers' more stringent requirements, but also of ecological needs, as a few examples from our many projects will illustrate.

Catalysis good for environment and resources

The use of catalysts in chemical reactions and for purifying off-gases has a long tradition at BASF. We are one of the world's leaders in catalyst know-how. In line with our concept of innovation-integrated environmental protection we minimize by-products and emissions from the very start of process development. Catalysts speed up chemical reactions and reduce the incidence of by-products. This saves energy and the environmental burden is lighter. Take our new acrylic acid catalyst. It boosts the yield

of acrylic acid and reduces the volume of by-products. We have optimized this application using modern methods of surface analysis. Incidentally, the spent catalyst can be reused, which is an unusual feature.

What is true of acrylic acid goes for many other basic chemicals and intermediates. To improve our competitiveness and strengthen our market position, we keep on refining our existing processes and evolving new technologies.

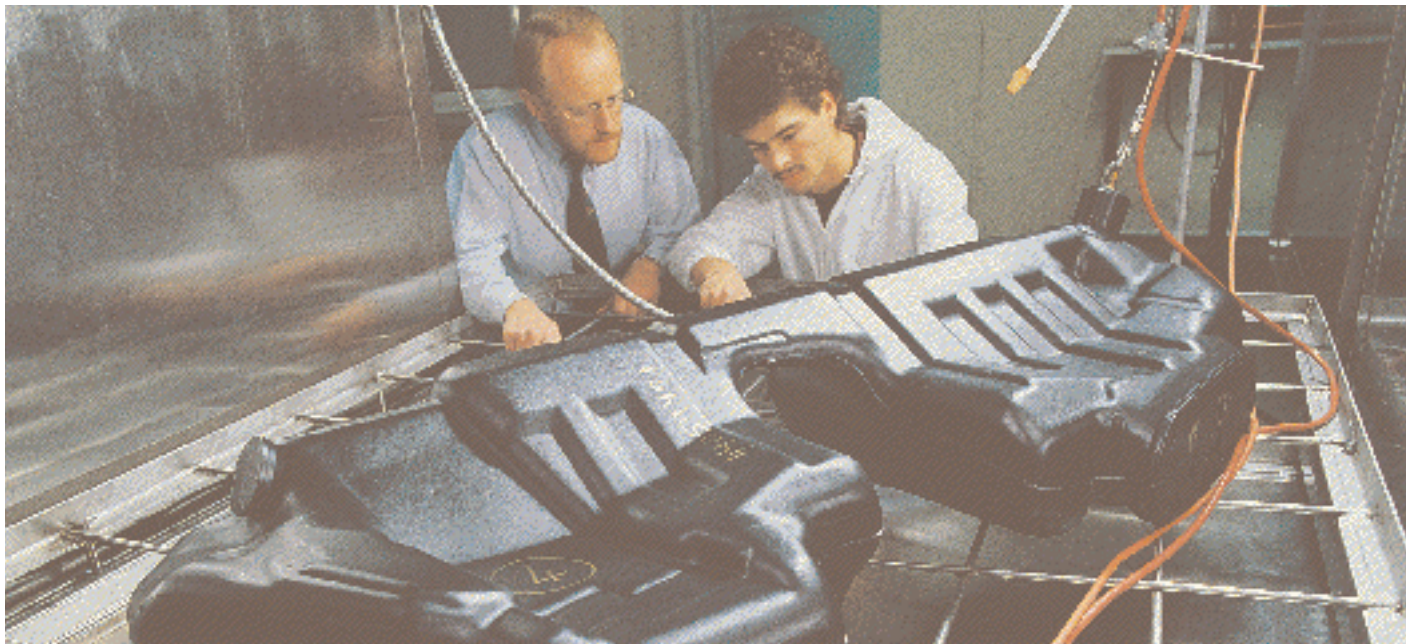
These include the use of biotechnology to synthesize high-value-added intermediates for active ingredients and special-effect materials. To produce parahydroxyphenylpropionic acid, a starting material for highly selective crop protection agents, we have developed to a commercial scale a method based on fermentation. We also use enzymes as catalysts to synthesize special amines.

Customized plastics and fibers

Advances in catalyst research provide fresh stimuli to plastics manufacture. In this field, catalysts not

We do research in the field of magneto-rheological liquids, which promise a wide variety of uses. Under the influence of a magnetic field, the oily liquid solidifies in fractions of a second. In the automotive industry, liquid magnets could be used in novel shock absorber or engine mounting systems.

Plastic components such as these fuel tanks are tested at BASF under conditions tougher than those encountered on the road. More than 35 million fuel tanks have already been produced from our Lupolen® grade of high-density polyethylene. They have significant advantages over steel tanks: They weigh up to 50% less, adapt more easily to the available body-work space, giving a higher volume, and are particularly resistant to impact and corrosion.



only help to make optimum use of energy and resources but also play a central part in the synthesis of plastics with customized properties. We have achieved a major advance with polyolefins, a group of plastics important for use in sheeting, bottles, garden furniture and automotive parts. Together with scientists from various research institutes we have developed new metallocene catalysts, which significantly improve product properties. This paves the way for new applications for polyolefins. Innovative interaction between chemistry and technology was the key to our new melamine-resin-based synthetic fiber. Woven and nonwoven materials made from Basofil® have unusual material properties. They are notable for high long-term temperature resistance and offer reliable protection against fire and radiated heat. Their main uses are in workplace safety and fire protection. Basofil® can be used to produce flameproof protective clothing and fire-resistant textiles and fabrics for use in aircraft, motor vehicles and rolling stock.

Preventing – and exploiting – the effects of light

Intensive solar radiation harms the skin. Cosmetic light stabilizers containing our active ingredients provide protection against UV radiation. We have developed a new route for synthesizing the UV light absorber Uvinul® MC 80. UV radiation can be turned to good advantage in industry. Examples are coatings which cure under UV light. Our new product from the Laromer® range is successfully used for coating wood and paper, and in printing inks. The new low-emission, water-borne coating system provides non-tacky films as it dries. UV curing imparts to the surface particularly good resistance to mechanical stresses.

Learning from nature

In the course of evolution, nature has found many effective solutions which have served us as useful examples. Certain proteins can bind heavy metals. The same capability is provided by the vinylimidazole monomer in our new syn-

thetic polymer Divergan® HM. The product selectively “traps” heavy metals such as iron, copper and manganese, which can be removed in this way even from very dilute aqueous solutions.

In the field of detergent polymers we have developed a product which loosens dirt more efficiently. Sokalan® ES clings to the fibers during the washing process. As a result, greasy dirt is more easily removed during the subsequent wash. By introducing “breaking points” into the molecule, we have succeeded in making Sokalan® ES biodegradable.

Natural substances provide starting points for many active ingredients which we develop for pharmaceuticals and crop protection. We have found a new fungicide derived from the strobilurin group of substances. The active ingredient, which is at an advanced stage of development, is excellently suited to controlling mildew, for example in cereals.

In the pharmaceuticals sector we are developing PEG-hirudin for the cardiovascu-

lar indication. This new active substance, produced by genetic engineering, is derived from the hirudin used by leeches to delay blood clotting. The new product is used to treat myocardial infarction patients and to prevent thrombosis in major operations. In pre-clinical studies, PEG-hirudin has demonstrated the advantage of long-lasting action.

Major Affiliates

Company name and headquarters	Number of employees 31.12.1994 31.12.1993	Capital expenditures million DM 1994 million DM 1993	Sales million DM 1994 million DM 1993	Profit before taxes million DM 1994 million DM 1993
<i>Products and services</i>				
Europe				
BASF Antwerpen N.V., Antwerp, Belgium <i>Fertilizers, plastics, intermediates for plastics and fibers, chemicals</i>	3,520 3,464	314.2 421.4	2,819.2 1,975.8	- 55.4 -191.2
BASF Española S.A., Barcelona, Spain <i>Chemicals, plastics, finishing products, products for agriculture</i>	973 1,012	14.5 17.2	868.8 771.9	64.3 - 5.4
BASF France S.A., Levallois-Perret, France <i>Sale of products for agriculture, chemicals, plastics, dyestuffs and finishing products</i>	515 548	1.6 2.4	1,267.1 1,127.6	23.4 8.2
BASF Italia Spa, Cesano Maderno, Italy <i>Dyestuffs and finishing products</i>	677 803	9.3 4.8	506.2 451.0	34.7 15.8
BASF Lacke + Farben AG, Muenster <i>Coatings, paints, printing inks, pigments</i>	5,218 5,496	94.2 77.1	1,720.1 1,634.0	34.2 - 47.5
BASF Magnetics GmbH, Mannheim <i>Audio and video magnetic recording media, data storage media</i>	2,057 2,350	15.6 28.3	1,288.4 1,148.8	4.3 - 85.7
BASF Peintures + Encres S.A., Clermont, France <i>Coatings, paints, printing inks, pigments</i>	1,266 1,219	17.9 31.4	472.5 452.2	- 2.6 - 5.7
BASF plc, Wembley, Great Britain <i>Chemicals, polypropylene, fiber intermediates</i>	1,260 981	78.3 21.9	1,334.4 1,126.8	14.7 13.9
BASF Schwarzheide GmbH, Schwarzheide <i>Polyurethane products and systems, foamed plastics, crop protection products, waterborne coatings</i>	2,323 2,406	219.5 351.5	373.7 286.9	- 269.8⁵ - 287.1
BASF Vernici e Inchiostri Spa, Cinisello Balsamo, Italy <i>Coatings, paints, printing inks, pigments</i>	576 606	8.5 9.4	323.6 292.7	6.2 5.4
Comparex Informationssysteme GmbH, Mannheim <i>Sale and renting of data processors and memory systems, services</i>	629 627	6.2 4.1	967.7 1,026.2	43.6 18.3
Elastogran GmbH, Lemfoerde ¹ <i>Polyurethane systems and processing technology, elastomers and engineering parts</i>	1,198 1,201	23.9 13.4	1,281.9 861.4	106.2 35.5
Knoll AG, Ludwigshafen ¹ <i>Pharmaceuticals, pharmaceutical chemicals</i>	3,576 3,839	57.7 41.9	1,051.6 1,030.1	42.6 - 5.3
Rheinische Olefinwerke GmbH, Wesseling ⁴ <i>Polyolefins, styrene, butadiene, epoxy resins, thermoplastic rubber</i>	2,565 2,802	46.1 39.3	1,880.0 1,648.0	236.5⁵ - 51.2
Wintershall AG, Celle/Kassel ² <i>Crude oil, natural gas, petroleum products</i>	2,219 2,842	397.8 1,184.1	4,299.3 4,528.5	161.5 340.4

Company name and headquarters	Number of employees 31. 12. 1994 31. 12. 1993	Capital expenditures million DM 1994 million DM 1993	Sales million DM 1994 million DM 1993	Profit before taxes million DM 1994 million DM 1993
Products and services				
North America				
BASF Corporation, Mount Olive, New Jersey, USA ³	14,445 16,012	496.3 770.5	8,963.7 8,596.8	- 544.1 76.2
<i>Chemicals, crop protection products, plastics, fibers, dyestuffs, finishing products, consumer products</i>				
Latin America				
BASF Argentina S.A., Buenos Aires, Argentina <i>Styropor®</i> , finishing products, crop protection products	357 354	3.5 3.6	189.7 165.9	5.3 1.1
BASF de Mexico, S.A. de C.V., Mexico D.F., Mexico ³	1,162 693	48.9 18.6	308.4 214.5	- 21.6 -10.9
<i>Chemicals, dyestuffs and finishing products, coatings</i>				
BASF Química Colombiana S.A., Medellin, Colombia	568 590	3.9 5.5	158.7 166.2	1.9 3.4
<i>Chemicals, polyester resins, finishing products, crop protection products</i>				
BASF S.A., São Bernardo do Campo, Brazil ³	5,271 5,439	81.4 118.1	1,279.0 1,190.1	47.4 -92.6
<i>Chemicals, dyestuffs, finishing products, coatings and paints, crop protection products, Styropor®, audio and video cassettes</i>				
Prior-year figures including Glasurit do Brasil Group				
Asia and Australia				
BASF Australia Ltd., Melbourne, Australia <i>Styropor®</i> , engineering plastics, finishing products	283 278	6.3 4.4	266.1 225.8	7.6 5.6
BASF India Ltd., Bombay, India <i>Styropor®</i> , dyestuffs, finishing products, crop protection products	811 802	14.2 6.3	105.8 93.7	11.4 10.9
BASF Japan Ltd., Tokyo, Japan <i>Finishing products, plastics</i>	417 443	2.6 5.1	837.4 816.8	20.4 -5.2
BASF (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia <i>Styropor®</i>	204 197	1.4 6.4	122.9 114.8	-1.9 -8.5
Hyosung-BASF Co., Ltd., Seoul, Korea ⁴ <i>Styropor®</i> , polystyrene, styrene copolymers	469 468	16.7 7.8	359.1 291.5	12.1 7.9
Mitsubishi Chemical BASF Company Ltd., Yokkaichi, Japan ⁴	287 282	27.0 15.8	263.5 269.7	12.0 14.5
<i>Styropor®, polymer dispersions, foam sheets</i>				

The values of the non-German companies were translated to DM at average quarterly exchange rates.

¹ Including its consolidated domestic majority-owned affiliates

² Including its consolidated majority-owned and 50-percent affiliates

³ Including its consolidated majority-owned affiliates

⁴ Our holding: 50 percent

⁵ Before profit/loss transferred

Annual Financial Statements

Balance Sheet of the BASF Group

as of December 31, 1994

million DM

Assets	Notes	Dec. 31, 1994	Dec. 31, 1993
Intangible assets	(7)	511.7	638.0
Tangible assets	(7)	15,993.1	17,721.6
Financial assets	(8)	2,068.5	1,929.0
Fixed assets	(3/4)	18,573.3	20,288.6
Goods on lease		223.7	277.3
Inventories	(9)	6,037.9	6,039.4
Accounts receivable-trade		6,483.3	5,748.0
Receivables from affiliated companies		574.6	624.4
Miscellaneous receivables and other assets		1,552.6	1,654.7
Receivables and other assets	(10)	8,610.5	8,027.1
Securities		3,614.2	2,921.1
Checks, cash on hand, central bank and postal bank balances, bank balances		2,334.6	2,318.2
Current assets	(3)	20,820.9	19,583.1
Prepaid expenses	(11)	464.6	486.3
		39,858.8	40,358.0
Equity and Liabilities			
Subscribed capital	(12)	3,048.8	2,922.5
Capital surplus	(13)	4,703.9	4,463.9
Revenue reserves and profit retained	(14)	8,440.8	7,629.4
Translation adjustment	(6)	- 453.1	- 231.5
Minority interests	(3)	179.4	159.8
Equity		15,919.8	14,944.1
Special reserves	(4/15)	49.7	50.2
Pension provisions and similar obligations		6,602.0	6,725.4
Provisions for taxes		1,092.8	809.4
Other provisions	(16)	6,259.3	6,420.8
Provisions	(3/16)	13,954.1	13,955.6
Bonds and other liabilities to the capital market		1,831.0	3,462.5
Liabilities to credit institutions		1,801.3	1,901.9
Accounts payable-trade		2,995.1	2,801.5
Liabilities to affiliated companies		1,119.6	1,215.0
Miscellaneous liabilities		2,021.7	1,878.0
Liabilities	(17)	9,768.7	11,258.9
Deferred income		166.5	149.2
		39,858.8	40,358.0

Profit and Loss Account of the BASF Group

January 1 – December 31, 1994

million DM

	Notes	1994	1993
Sales	(20)	46,564.6	43,122.7
– Petroleum and natural gas taxes		<u>2,890.6</u>	<u>2,554.3</u>
Sales (without petroleum and natural gas taxes)		43,674.0	40,568.4
Cost of sales		29,162.2	27,646.8
Gross profit on sales		14,511.8	12,921.6
Selling expense		7,647.0	7,591.1
General administration expense		1,002.5	1,052.4
Research and development expense		1,916.2	1,934.4
Other operating income	(21)	1,850.3	2,111.2
Other operating expense	(21)	3,647.5	3,423.3
Income from operations		2,148.9	1,031.6
Net income from financial assets	(22)	114.4	0.4
Amortization of financial assets and securities held as current assets		109.2	9.5
Interest result	(23)	-42.8	35.1
Profit before taxes*		2,111.3	1,057.6
Income taxes	(24)	941.1	296.2
Net income		1,170.2	761.4
Minority interests in profit/loss	(27)	-113.8	-96.3
Net income after minority interests		1,284.0	857.7

* Results from ordinary activities

Balance Sheet of BASF Aktiengesellschaft

as of December 31, 1994

million DM

Assets	Notes	Dec. 31, 1994	Dec. 31, 1993
Intangible assets	(7)	82.8	90.4
Tangible assets	(7)	3,190.6	3,628.6
Financial assets	(8)	10,054.7	10,656.5
Fixed assets	(3)	13,328.1	14,375.5
Inventories	(9)	1,991.4	1,889.1
Accounts receivable-trade		1,788.4	1,491.5
Receivables from affiliated companies		2,518.0	2,688.2
Miscellaneous receivables and other assets		366.0	303.5
Receivables and other assets	(3/10)	4,672.4	4,483.2
Securities		2,474.1	2,098.8
Cash on hand, central bank and postal bank balances, bank balances		1,539.3	880.2
Current assets	(3)	10,677.2	9,351.3
Prepaid expenses	(3/11)	18.8	29.7
		24,024.1	23,756.5
Equity and Liabilities			
Subscribed capital (Conditional capital: 391.0)	(12)	3,048.8	2,922.5
Capital surplus	(13)	4,522.2	4,282.2
Revenue reserve	(14)	4,289.4	3,989.4
Profit retained	(14)	609.9	467.7
Equity		12,470.3	11,661.8
Special reserves	(15)	9.8	9.5
Pension provisions		4,420.0	4,420.5
Provisions for taxes		795.1	589.3
Other provisions	(16)	2,594.3	2,629.3
Provisions	(3/16)	7,809.4	7,639.1
Bonds		–	500.0
Liabilities to credit institutions		90.8	106.3
Accounts payable-trade		852.0	762.7
Liabilities to affiliated companies		2,325.4	2,570.2
Miscellaneous liabilities		448.8	487.2
Liabilities	(17)	3,717.0	4,426.4
Deferred income		17.6	19.7
		24,024.1	23,756.5

Profit and Loss Account of BASF Aktiengesellschaft

January 1 – December 31, 1994

million DM

	Notes	1994	1993
Sales	(20)	19,257.4	17,422.9
Cost of sales		12,558.3	12,047.2
Gross profit on sales		6,699.1	5,375.7
Selling expense		2,847.7	2,695.9
General administration expense		343.9	344.6
Research and development expense		1,298.4	1,302.4
Other operating income	(21)	612.8	623.8
Other operating expense	(21)	911.9	923.2
Income from operations		1,910.0	733.4
Net income from financial assets	(22)	200.5	110.6
Amortization of financial assets and securities held as current assets		849.2	150.5
Interest result	(23)	193.7	245.1
Profit before taxes*		1,455.0	938.6
Income taxes	(24)	545.2	271.0
Net income		909.8	667.6

* Results from ordinary activities

Development of Fixed Assets

as of December 31, 1994

million DM

BASF Group**Gross book values**

	Jan. 1, 1994	Change in scope of consolidation	Additions	Retire- ments	Reclassi- fications	Dec. 31, 1994
Concessions, industrial and similar rights and assets, as well as licenses for such rights and assets	1,388.4	-0.5	130.6	404.6	-78.0	1,035.9
Goodwill	125.0	89.0	33.3	16.0	-	231.3
Payments on account	2.4	-	14.5	0.2	-1.0	15.7
Intangible assets	1,515.8	88.5	178.4	420.8	-79.0	1,282.9
Land, land rights and buildings including buildings on land owned by others	10,157.1	52.5	125.9	133.3	359.2	10,561.4
Machinery and technical equipment	35,032.0	113.7	815.1	950.9	2,507.0	37,516.9
Miscellaneous equipment and fixtures	5,259.5	-0.2	210.7	476.4	236.3	5,229.9
Payments on account and construction in progress	3,911.2	3.4	1,555.1	32.9	-3,969.6	1,467.2
Tangible assets	54,359.8	169.4	2,706.8	1,593.5	-867.1	54,775.4
Shares in affiliated companies	1,053.8	-45.5	271.0	85.5	77.0	1,270.8
Loans to affiliated companies	113.9	17.7	10.1	43.7	1.8	99.8
Shares in associated companies	540.7	-1.0	35.8	11.4	-64.9	499.2
Shares in participating interests	188.1	-	0.1	0.3	3.0	190.9
Loans to associated companies and participating interests	62.8	-	-	21.4	-2.8	38.6
Securities held as fixed assets	23.2	-	24.7	0.6	0.5	47.8
Other loans and other investments	181.7	-	47.4	24.1	0.9	205.9
Financial assets	2,164.2	-28.8	389.1	187.0	15.5	2,353.0
Fixed assets	58,039.8	229.1	3,274.3	2,201.3	-930.6	58,411.3

BASF Aktiengesellschaft

Industrial and similar rights and assets, as well as licenses for such rights and assets	299.9		33.1	47.3	-	285.7
Payments on account	0.1		0.8	0.1	-	0.8
Intangible assets	300.0		33.9	47.4	-	286.5
Land, land rights and buildings including buildings on land owned by others	4,199.3		18.7	17.8	44.2	4,244.4
Machinery and technical equipment	13,946.0		155.3	268.7	386.1	14,218.7
Miscellaneous equipment and fixtures	2,630.9		83.4	233.7	65.5	2,546.1
Payments on account and construction in progress	602.9		355.5	1.8	-495.8	460.8
Tangible assets	21,379.1		612.9	522.0	-	21,470.0
Shares in affiliated companies	10,450.3		375.9	16.4	6.2	10,816.0
Loans to affiliated companies	705.9		50.0	241.2	-	514.7
Participating interests	415.9		6.8	3.8	-6.2	412.7
Other loans and other investments	23.0		22.9	3.5	-	42.4
Financial assets	11,595.1		455.6	264.9	-	11,785.8
Fixed assets	33,274.2		1,102.4	834.3	-	33,542.3

Amortization						Net book values		
Jan. 1, 1994	Change in scope of consolidation	Additions	Retire- ments	Write- backs	Reclasi- fications	Dec. 31, 1994	Dec. 31, 1994	Dec. 31, 1993
770.1	-0.4	231.7	396.0	0.1	-24.6	580.7	455.2	618.3
107.2	36.8	61.9	15.9	-	-	190.0	41.3	17.8
0.5	-	-	-	-	-	0.5	15.2	1.9
877.8	36.4	293.6	411.9	0.1	-24.6	771.2	511.7	638.0
5,846.1	9.4	560.0	100.0	17.5	-162.0	6,136.0	4,425.4	4,311.0
26,625.4	67.8	2,958.9	879.8	0.3	-285.6	28,486.4	9,030.5	8,406.6
4,158.8	-0.5	504.3	445.0	0.1	-64.6	4,152.9	1,077.0	1,100.7
7.9	-	3.9	1.6	0.2	-3.0	7.0	1,460.2	3,903.3
36,638.2	76.7	4,027.1	1,426.4	18.1	-515.2	38,782.3	15,993.1	17,721.6
173.8	8.7	37.9	13.6	5.5	-2.4	198.9	1,071.9	880.0
-	-	-	-	-	4.0	4.0	95.8	113.9
41.4	-	13.2	0.1	-	-	54.5	444.7	499.3
6.7	-	-	-	-	-	6.7	184.2	181.4
-	-	-	-	-	-	-	38.6	62.8
0.1	-	1.0	-	-	0.2	1.3	46.5	23.1
13.2	-	7.3	1.3	0.1	-	19.1	186.8	168.5
235.2	8.7	59.4	15.0	5.6	1.8	284.5	2,068.5	1,929.0
37,751.2	121.8	4,380.1	1,853.3	23.8	-538.0	39,838.0	18,573.3	20,288.6
209.6		40.2	46.1	-	-	203.7	82.0	90.3
-		-	-	-	-	-	0.8	0.1
209.6		40.2	46.1	-	-	203.7	82.8	90.4
3,063.4		153.4	14.7	17.5	-1.8	3,182.8	1,061.6	1,135.9
12,509.5		684.4	263.7	-	18.7	12,948.9	1,269.8	1,436.5
2,177.6		215.9	228.9	-	-16.9	2,147.7	398.4	453.3
-		-	-	-	-	-	460.8	602.9
17,750.5		1,053.7	507.3	17.5	-	18,279.4	3,190.6	3,628.6
929.4		801.9	14.5	-	-	1,716.8	9,099.2	9,520.9
4.0		-	0.6	-	-	3.4	511.3	701.9
0.8		-	-	-	-	0.8	411.9	415.1
4.4		5.9	0.2	-	-	10.1	32.3	18.6
938.6		807.8	15.3	-	-	1,731.1	10,054.7	10,656.5
18,898.7		1,901.7	568.7	17.5	-	20,214.2	13,328.1	14,375.5

The notes to the financial statements of the BASF Group and BASF Aktiengesellschaft are combined. Unless expressly noted, the disclosures refer to both financial statements. The BASF Group is identical with the BASF Konzern in conformity with German

accounting legislation; all disclosures relating to the Group refer to the Konzern. The financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB) and the Stock Corporation Law (AktG).

(1) Scope of consolidation, participating interests

Domestic and foreign subsidiaries are included in the Group financial statements in full, and significant 50-percent-owned affiliates are included on a pro rata basis. Subsidiaries of minor significance are not consolidated. Kali und Salz GmbH is not fully consolidated but is included by the equity method, because of substantial restrictions of the rights of Kali und Salz Beteiligungs AG arising from the business plan which has been bindingly agreed between the partners in the joint venture.

The Group financial statements include, as well as BASF Aktiengesellschaft, 87 subsidiaries and 8 fifty-percent-owned affiliates; furthermore, 36 subsidiaries and 15 associated companies are included at their proportionate share of net equity (equity method).

Compared with the previous year, the following companies were additionally consolidated in 1994:

- BASF (Malaysia) Sdn.Bhd., Petaling Jaya, Malaysia
- Knoll BioResearch S.A., S. Antonino, Switzerland
- Ultrasorb Chemikalien GmbH, Ludwigshafen

The number of consolidated companies has been reduced because of reorganization measures under company law, in particular the merging of the Brazilian subsidiaries to form BASF S.A., São Bernardo do Campo, and the exclusion of companies on the basis of the new marketing structure in the main-frame business agreed with Hitachi Ltd., Tokyo.

The changes in the scope of consolidation do not significantly affect comparability with last year's financial statements.

The listing of investments in accordance with § 313 (Section 2) and § 285 No. 11 HGB is deposited with the Commercial Register in Ludwigshafen, HRB 3000.

(2) Consolidation methods

The financial statements of the consolidated companies are prepared as of the balance sheet date of the Group financial statements. In exceptional cases, interim financial statements or extrapolations to the balance-sheet date of the Group financial statements are drawn up.

Assets and liabilities of consolidated companies are included uniformly in the Group financial statements in accordance with the accounting and valuation methods described in Notes 2 and 3. Aside from consolidations, the financial statements of BASF Aktiengesellschaft are not adjusted for inclusion in the Group financial statements, except for proceeds from stock warrants, which are included in capital surplus also for issues prior to 1985.

Where the accounting and valuation methods applied in the financial statements of consolidated companies deviate from these principles, appropriate adjustments have been made to the relevant items. For companies accounted for under the equity method, significant deviations in valuation methods have also been adjusted.

Intercompany sales, income and expense, and loans, receivables, liabilities and provisions, are eliminated in full; for fifty-percent-owned affiliates, on a pro rata basis.

Intercompany profits resulting from deliveries and services rendered between consolidated companies are eliminated unless they originate from the construction of plants on customary market conditions and are of secondary importance. In respect of the companies included by the equity method, intercompany profits resulting from deliveries or services rendered on customary market conditions are not eliminated because the amounts are insignificant or the appropriate information is either unknown or unavailable.

The acquisition cost of participations is eliminated on consolidation against the proportionate share in equity of such participations at the time of acquisition of the shares. The resulting differences are allocated to the assets or liabilities of the acquired companies up to their fair values. Any residual balances are recorded as goodwill, and for the most part amortized within 5 years. Credit balances are credited to income over the period in which special charges are expected at the time of the acquisition. The goodwill shown as intangible asset is net of a credit balance of DM 23.4 million.

(3) Accounting and valuation methods

Intangible assets

Intangible fixed assets are valued at acquisition cost less scheduled depreciation over the expected useful life. The average

weighted period of depreciation is 8 years.

Tangible assets

Tangible assets are stated at acquisition or production cost less accumulated depreciation. Movable fixed assets subject to depreciation whose technical components are permanently integrated through their function and use are combined into a single asset item.

The cost of self-constructed plants includes direct costs and an appropriate share of the production overhead, but no financing costs for the period of construction.

Movable fixed assets are mostly depreciated by the declining balance method over the expected useful life, with a change to straight-line depreciation if this is higher. As an exception, long-distance natural gas pipelines are depreciated by the straight-line method over a customary useful life of 25 years. The immovable fixed assets are mainly depreciated by the straight-line method. Special write-downs are recorded

in cases of expected permanent impairment of value.

Average depreciation periods are as follows: 18 years for buildings and constructional facilities, 8 years for technical equipment and machinery excluding long-distance natural gas pipelines, and 6 years for miscellaneous equipment and fixtures.

Low value assets are fully depreciated in the year of acquisition and are shown as retirements after the expiration of the estimated useful lives.

Costs of drilling and equipping producing oil and gas wells are capitalized as tangible assets. They are depreciated by the declining balance method – in certain regions, on the basis of production – over their estimated useful lives of 8 (for drilling operations in old fields) or 15 years. Geophysical expenditures, including exploratory and dry hole costs, are charged against income.

Financial assets

The acquisition cost of the companies accounted for by the equity method is increased or decreased by the proportionate share of net income. For the capital consolidation and allocation of the resulting differences to the assets and liabilities, the same principles apply as for the full consolidation. Residual goodwill is mainly amortized within 5 years. A credit balance arising from the equity consolidation of Kali und Salz GmbH is being credited to income until 1997 to compensate for increased restructuring expense in this company. The subsidiary companies accounted for by the equity method are shown as shares in affiliated companies.

The other participating interests are accounted for at cost or, in the case of expected permanent impairment of value, at the appropriate lower values.

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

Securities held as fixed assets are stated at cost or, in the case of expected permanent impairment of value, at the appropriate lower values.

Goods on lease

Goods on lease consist of EDP equipment (central processing units and peripheral equipment). These are carried at acquisition

cost less write-downs to account for such lower values as appropriate.

Inventories	<p>Work in progress and finished goods as well as merchandise are combined into one item for BASF Aktiengesellschaft due to the production conditions of the chemical industry. Plants under construction for third parties at home and abroad are shown as uncompleted contracts.</p> <p>Inventories are carried at acquisition or production cost or at the lower quoted or market values, or at such lower values as appropriate.</p> <p>Production cost includes direct costs and an appropriate portion of the production overhead at normal utilization of the production plants, but no financing costs for the production period. The acquisition or pro-</p>	<p>duction cost of raw materials, work in progress, finished goods and merchandise is determined by the LIFO method (annual-periods LIFO), factory supplies generally by the average cost method. The inventories of certain foreign companies for which a similar LIFO method is not allowed under local valuation rules are carried at average cost in the Group financial statements.</p> <p>The lower market value represents the replacement cost of raw materials and factory supplies, in the case of work in progress and finished products, the re-production cost or the expected sales proceeds less costs to be incurred prior to sale and an average profit margin.</p>
Receivables and other assets	<p>Receivables are carried at cost, notes receivable and non-interest bearing or low-interest bearing loans at present value. Risks for collectibility and transferability as</p>	<p>well as general credit risks are covered by appropriate write-downs and flat-rate valuation adjustments.</p>
Marketable securities	<p>These are carried individually at cost or at the lower quoted or market values or such lower values as appropriate. They consist</p>	<p>mainly of fixed-interest-bearing securities, some of them in closed investment funds.</p>
Prepaid expenses	<p>The discount, which derives primarily from a low-interest-bearing stock warrant issue, is capitalized and amortized as interest</p>	<p>expense over the term of the liabilities in question.</p>
Minority interests	<p>These relate to the proportionate shares of other shareholders in the net equity of consolidated Group companies and primarily</p>	<p>those of the Gazprom Group in Wintershall Gas GmbH.</p>
Pension provisions and similar obligations	<p>Compulsory pension provisions comply with the various national regulations governing the consolidated companies. In addition, the employees of most companies are entitled to pensions provided under company agreements. At BASF Aktiengesellschaft, pension benefits are determined by the BASF Pension Benefit System, basic benefits provided through the BASF Pension Fund being supplemented by benefits granted by the Company.</p> <p>Obligations from current and future pension payments are covered by pension funds, insurance contracts which confer exemption, or pension provisions which are determined by the actuarial rules to be applied in the various countries.</p>	<p>Pension provisions of German Group companies are calculated by the modified entry age normal method with a discount rate of 6 percent. Obligations in accordance with § 16 BetrAVG (Employee Social Security Benefits Law) to adjust to the ongoing benefits are accumulated for the next review date. Commitments by our North American Group companies to take over the costs of medical and life insurance benefits after retirement are recorded as obligations similar to pensions. They are calculated in accordance with actuarial rules, allowing for expected 6 percent cost increases for medical benefits, using a discount rate of 7.5 percent, and are provided in full for prospective and actual retirees.</p>

Provisions for taxes and other provisions

Provisions for taxes, uncertain liabilities, anticipated losses from uncompleted transactions and deferred maintenance expense to be incurred within the first 3 months of the following year are recorded at the expected amounts. In addition, provisions are set up for various repairs.

For timing differences between the income for financial statement purposes and taxable income of the consolidated companies, provisions for deferred taxes are recorded net of deferred debit balances.

Provisions in connection with obligations in mining operations are accumulated until the provisions are claimed.

The existing works agreement at BASF Aktiengesellschaft on the granting of long-service and anniversary bonuses was replaced with effect from December 31, 1994 by a new agreement in conjunction with a transitional arrangement. The provisions as at December 31, 1994 take account of these changes. The determination procedure was changed from the quoted cash value method to the partial value method, with a calculated interest rate of 5.5 %.

(4) Influence of special tax valuation measures

The German companies in the Group applied depreciation, formed special reserves or refrained from write-ups on the basis of tax regulations alone. These valuation adjustments are retained in the Group financial statements, except for special depreciation under the Development Areas Act or meas-

ures based on circumstances which must be eliminated.

Mainly as a result of taking scheduled depreciation for special tax write-downs undertaken in earlier years, the effect on earnings is as follows:

million DM	BASF Group	BASF AG
Net income	1,284.0	909.8
Tax influence	- 37.0	- 44.5
Adjusted net income	1,247.0	865.3

The tax influence includes omitted write-ups of DM 1.3 million for the BASF Group and DM 1.0 million for BASF Aktiengesellschaft. A substantial part of the tax influences arising from earlier special depreciation facilities, with the exception of profits of sale

transferred to land or buildings, will be subject to scheduled depreciation over the next 2 or 3 years. This income is subject to tax at the normal rate; it has no significant importance for the individual years.

(5) Continuity in accounting and valuation methods

There has been no substantial change to the accounting and valuation methods used in the past.

(6) Currency conversion

Conversion of foreign currency items

The cost of assets acquired in foreign currencies, as well as revenues from sales in foreign currencies, are recorded at current rates at transaction dates. Items covered by specific hedging measures are recorded at the hedged rate.

Foreign currency receivables are recorded at the rate prevailing on the acquisition date or at the lower rate at the balance sheet date. Foreign currency liabilities are recorded at the rate prevailing on the acquisition date or at the higher rate at the balance sheet date.

Conversion of foreign currency financial statements

Currency conversion is based on the principle of the functional currency. Because of the low direct or indirect effect of the German mark on the trading operations of our subsidiaries and affiliates in North America, Japan and Korea, the local currency is to be regarded as the functional currency. The financial statements of these companies are converted to German marks as follows:

- all income and expense, and the profit/loss, at quarterly average rates

- all assets, liabilities and provisions at year-end current rates; the adjustment of fixed assets to year-end current rates is shown as reclassifications in the development of fixed assets
- the equity is carried forward at the rates at the date of payment or accumulation; the adjustment to the values converted at year-end current rates is shown separately in the equity under translation adjustment

The financial statements of the other companies are converted to German marks in accordance with the modified temporal method. This also applies to companies in high-inflation countries or where national regulations regarding inflation accounting apply. Conversion to German marks is as follows:

- fixed assets, except loans, at rates in effect at the date of acquisition or production (historical rates)
- all other assets, liabilities and provisions at year-end current rates
- paid-in capital at the rates at the date of payment or acquisition; the earned surplus is determined as a remaining balance in the balance sheets converted in accordance with these principles
- expenses and revenues from balance

- sheet items converted at historical rates are converted at appropriate rates, all other expenses and revenues at quarterly average rates
- changes to balance sheet items converted at year-end exchange rates are shown as translation result under other operating income or expense
- in the case of companies in high-inflation countries, the proceeds of sales, inventories and trade accounts receivable and payable have been adjusted for the first time for inflation. Adjustment for inflation had already been applied to interest and foreign exchange results. Income and expense are converted to German marks at monthly average rates. The inventories and production costs are converted at historical rates.

Notes on the balance sheet

The development of gross book values and amortizations by individual categories of fixed assets is shown in a schedule follow-

ing the balance sheet and profit and loss account.

(7) Intangible and tangible assets

Extraordinary write-downs of DM 535 million were carried out on the intangible and tangible assets of BASF Corporation in order to reduce the value of various plants to the lower value appropriate at the balance-sheet date. The latter is calculated as the

cash value of the expected cash flows of the particular plants during the customary remaining lives.

Overall, the following special write-downs were carried out:

million DM	BASF Group	BASF AG
Permanent impairment in value	678.8	4.6
Depreciation permissible for tax purposes in accordance with § 6 b and § 7 d EStG (Income Tax Law) in excess of regular depreciation	35.3	1.6

(8) Financial assets

The additions to shares in affiliated companies relate to capital increases and the foundation of unconsolidated companies, especially in China. In the case of BASF Aktiengesellschaft, capital increases by consolidated companies, especially for the expansion of the Altamira site in Mexico, are also included. Depreciation for permanent impairment in value and discounts on lendings amount to

DM 59.4 million in the BASF Group. In the case of BASF Aktiengesellschaft, the carrying value of the participation in Basfin Corporation, the holding company for our commitment in the United States, was written down by DM 773 million to allow for a fall in the capitalized-income value. Overall, depreciation for permanent impairment in value and discounts to loans amounts to DM 807.8 million.

(9) Inventories

Inventories are broken down as follows:

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Raw materials and supplies	–	–	380.6	305.9
Work in progress, finished goods and merchandise	5,894.8	5,886.8	1,479.2	1,445.1
Uncompleted contracts	130.2	147.3	130.5	136.1
Payment on account	12.9	5.3	1.1	2.0
	6,037.9	6,039.4	1,991.4	1,889.1

For inventories valued on the LIFO basis, LIFO reserves approximated DM 151 million for the BASF Group and DM 18 million for

raw materials and DM 73 million for work in progress, finished goods and merchandise for BASF Aktiengesellschaft.

(10) Receivables and other assets

Breakdown of miscellaneous receivables and other assets

The miscellaneous receivables and other assets consist of:

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Receivables from companies in which participations are held	389.0	479.1	60.7	68.6
Other assets	1,163.6	1,175.6	305.3	234.9
	1,552.6	1,654.7	366.0	303.5

Other assets include DM 170.7 million for the BASF Group and DM 81.3 million for

BASF Aktiengesellschaft of accrued items, mainly of accrued interest.

Residual terms of receivables

Receivables having a residual term in excess of one year are as follows:

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Accounts receivable-trade	12.1	16.5	1.5	0.2
Receivables from affiliated companies	29.9	44.0	–	–
Receivables from companies in which participations are held	38.3	34.2	–	–
Other assets	180.3	163.4	9.6	10.4
Miscellaneous receivables and other assets	218.6	197.6	9.6	10.4
	260.6	258.1	11.1	10.6

(11) Prepaid expenses	million DM	BASF Group		BASF AG	
		1994	1993	1994	1993
Deferred tax asset		128.8	75.4	-	-
Debt discount		125.8	156.6	-	13.3
Miscellaneous		210.0	254.3	18.8	16.4
		464.6	486.3	18.8	29.7

The deferred tax asset arises from consolidation operations after offsetting against a deferred tax liability of DM 48.0 million.

(12) Subscribed capital		Number of shares	Par value DM
January 1, 1994		58,450,161	2,922,508,050
Additions from conditional capital		2,526,466	126,323,300
December 31, 1994		60,976,627	3,048,831,350

Conditional capital The conditional capital of BASF Aktiengesellschaft in the amount of DM 391,015,300 is reserved for settling subscription rights connected with bond 1986/2001 of BASF Finance Europe N.V., for the subscription rights to BASF shares for bonds with war-

rants in the case of future issues according to the authorization given to the Board of Executive Directors by resolution of the Annual Meeting of Shareholders on June 27, 1991, and for settling certain compensation claims of former Wintershall shareholders.

Subscription rights The subscription rights from the 3% US dollar bonds with warrants of 1986/2001 of BASF Finance Europe N.V. allow the purchase, by April 9, 2001, of 2,820,000 shares in BASF Aktiengesellschaft at a price of DM 308 per share (nominal value DM 50).

Authorized capital The Board of Executive Directors is authorized, with the approval of the Supervisory Board, to increase the capital stock by the issue of new shares in the amount of up to DM 600,000,000 for cash or contributions in kind through June 1, 1996. The legal subscription privilege can be overruled to the extent that the new shares are intended for issue to BASF employees or to grant subscription rights for new shares to the bearers of warrants from the bonds mentioned in § 3 in the Articles of Incorporation. Further, fractional amounts can be excluded from the shareholders' subscription privilege.

(13) Capital surplus	million DM	BASF Group	BASF AG
January 1, 1994		4,463.9	4,282.2
Share premiums on stock issued through exercise of subscription rights		240.0	240.0
December 31, 1994		4,703.9	4,522.2

Capital surplus includes share premiums from stock issues, compensation for stock warrants and for the BASF Group credit balances from the capital consolidation, which resulted from carrying participating interests acquired by issuing shares of BASF Aktiengesellschaft at the par value of shares issued.

(14) Revenue reserve and profit retained

BASF Group

Legal reserves	million DM
January 1, 1994	287.3
Transfers to other revenue reserves and profit retained, and changes in the scope of consolidation	-10.5
December 31, 1994	276.8

Other revenue reserves and profit retained	million DM
January 1, 1994	7,342.1
Dividend of BASF Aktiengesellschaft (preceding year)	- 467.6
Transfers from legal reserves	13.4
Net income after minority interests	1,284.0
Changes in the scope of consolidation and other changes	- 7.9
December 31, 1994	8,164.0

In the BASF Group financial statements, other revenue reserves and profit retained are combined into one item to reflect the special circumstances of consolidation.

BASF Aktiengesellschaft

Revenue reserve	million DM
January 1, 1994	3,989.4
Appropriations from net income	300.0
December 31, 1994	4,289.4
Profit retained	million DM
Net income (DM 909,765,322)	909.8
Profit carried forward from preceding year (DM 103,501)	0.1
Appropriations to revenue reserves (DM 300,000,000)	- 300.0
December 31, 1994 (DM 609,868,823)	609.9

(15) Special reserves

Special reserves include predominantly reserves for gains from retirements of fixed assets according to § 6 b EStG (Income

Tax Law) and § 1 Developing Countries Tax Law.

(16) Other provisions

Other provisions include obligations arising from oil and gas extraction and mining, personnel obligations, environmental protection measures, shutdown and restructuring operations, risks in connection with sales and

purchases, litigation risks and indemnity claims, other uncertain liabilities and anticipated losses from uncompleted transactions, omitted maintenance work and various repairs.

(17) Liabilities

Bonds and other liabilities to the capital market	million DM	BASF Group		BASF AG	
		1994	1993	1994	1993
3% Bonds of 1985 with stock warrants, redeemed end 1994		-	500.0	-	500.0
8% U.S. Dollar Bonds of BASF Finance Europe N.V. of 1989, due 1996		464.9	517.7	-	-
3% U.S. Dollar Bonds with warrants of BASF Finance Europe N.V. of 1986, due 2001		364.2	405.6	-	-
7% U.S. Dollar Bonds of BASF Finance Europe N.V., of 1992, due 1999		309.9	345.1	-	-
3.6 – 6.8% Pollution Control and Industrial Development Bonds of BASF Corporation, due 1996 – 2019		120.8	138.0	-	-
Commercial Paper and other		571.2	1,556.1	-	-
		1,831.0	3,462.5	-	500.0

Other liabilities	million DM	BASF Group		BASF AG	
		1994	1993	1994	1993
Advances received on account of orders		135.1	191.6	18.8	24.0
Liabilities on bills		31.3	48.8	-	-
Liabilities to companies in which participations are held		328.7	243.5	85.9	138.6
Miscellaneous liabilities		1,526.6	1,394.1	344.1	324.6
- thereof taxes		(617.1)	(599.2)	(171.0)	(202.4)
- thereof relating to social security		(214.3)	(204.8)	(34.2)	(46.2)
Other liabilities		2,021.7	1,878.0	448.8	487.2

Residual terms of liabilities	million DM	BASF Group		BASF AG	
		up to one year	more than 5 years	up to one year	more than 5 years
Bonds and other liabilities to the capital market		424.4	461.8	-	-
Liabilities to credit institutions		1,136.0	171.3	15.5	27.4
Accounts payable-trade		2,968.0	-	852.0	-
Liabilities to affiliated companies		1,106.8	-	2,280.9	2.5
Advances received on account of orders		131.1	3.8	14.8	3.8
Liabilities on bills		31.3	-	-	-
Liabilities to companies in which participations are held		324.8	1.2	78.1	2.4
Miscellaneous liabilities		1,309.8	170.6	249.9	93.3
		7,432.2	808.7	3,491.2	129.4

Secured liabilities	million DM	BASF Group		BASF AG	
		1994	1993	1994	1993
Bonds		2.2	3.4	-	-
Liabilities to credit institutions		199.2	232.0	3.9	5.0
Other liabilities		154.7	142.2	35.3	36.5
		356.1	377.6	39.2	41.5

Liabilities are collateralized primarily by mortgages or land charges or by covenants to maintain certain financial ratios.

(18) Contingent liabilities

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Contingent liabilities from the issuance and endorsement of bills of exchange	173.0	161.4	54.8	56.6
– thereof to affiliated companies	(22.3)	(19.6)	(19.8)	(17.9)
Contingent liabilities from guarantees	320.3	430.8	1,547.7	1,717.2
Contingent liabilities from warranties	89.8	474.2	550.8	1,432.9
Contingent liabilities from the granting of security for third party liabilities	2.4	2.5	1.3	4.2
	585.5	1,068.9	2,154.6	3,210.9

(19) Other financial commitments

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Remaining cost of uncompleted investment projects	3,203.0	3,864.1	1,499.4	1,282.1
– thereof purchase commitment	(817.0)	(1,038.0)	(181.8)	(146.9)
Commitments from long-term rental and leasing contracts	938.5	1,039.6	419.0	473.2
– thereof payable during following year	(201.0)	(234.9)	(61.6)	(71.3)
– thereof payable during second to fifth years	(414.0)	(439.3)	(164.1)	(178.4)
Miscellaneous liabilities	73.3	121.3	3.3	3.3
	4,214.8	5,025.0	1,921.7	1,758.6

Uncompleted investment projects will be completed and financed according to schedule.

Other commitments comprise DM 2.9 million of BASF Aktiengesellschaft to affiliated companies.

Notes on profit and loss account and other disclosures**(20) Sales**

Breakdown by operations

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Oil and gas (excluding petroleum/natural gas taxes)	4,075.3	4,351.9	–	–
Petroleum/natural gas taxes	2,890.6	2,554.3	–	–
	6,965.9	6,906.2	–	–
Products for Agriculture	3,687.0	3,780.6*	2,170.7	1,956.0
Plastics and Fibers	11,387.1	9,810.7	5,476.3	4,979.7
Chemicals	6,483.7	5,371.4	5,054.7	4,427.6
Dyestuffs and Finishing Products	8,243.1	7,572.5	5,632.7	5,135.1
Consumer Products	8,860.2	8,740.2	95.0	91.7
Miscellaneous	937.6	941.1	828.0	832.8
	46,564.6	43,122.7	19,257.4	17,422.9

* Comparable amount excluding potash and rock salt operations 3,300.6

Breakdown by regions

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Europe	30,608.3	27,932.7	14,874.1	13,490.3
– thereof Germany	(14,870.8)	(14,376.3)	(6,541.1)	(6,199.1)
North America	8,644.5	8,523.2	1,017.5	1,007.5
Latin America	2,659.6	2,494.8	555.9	464.2
Asia, Australia, Africa	4,652.2	4,172.0	2,809.9	2,460.9
	46,564.6	43,122.7	19,257.4	17,422.9

(21) Other operating expenses or income and non-periodic items

Other operating expense for the BASF Group includes restructuring and shutdown measures amounting to DM 457 (1993: 413) million, including write-downs of DM 81 (1993: 46) million shown in Note 7; furthermore environmental protection and safety measures, expenditure projects excluded from capitalization and losses from currency transactions. Additions to special reserves amount to DM 13.5 (1993: 16.8) million for the BASF Group and DM 0.6 (1993: 0.9) million for BASF Aktiengesellschaft. Apart from expense for restructuring and shutdowns and the write-downs for permanent impairment of value as mentioned in Notes 7 and 8, there is further non-periodic expense not directly related to current operations amounting to DM 464.1 million in

the BASF Group and DM 159.3 million in BASF Aktiengesellschaft.

Other operating income includes dissolution of provisions, sales of securities, asset retirements, profits from foreign currency transactions and dissolution of special reserves amounting to DM 23.2 (1993: 41.1) million for the BASF Group and DM 0.3 (1993: 4.6) million for BASF Aktiengesellschaft.

In total, the other operating income or other income included in other items of the profit and loss account which is not directly attributable to the current year's operating activities, in particular from the dissolution or reduction of provisions, amounts to DM 840.5 (1993: 764.7) million in the BASF Group and DM 456.4 (1993: 288.3) million for BASF Aktiengesellschaft.

(22) Net income from financial assets

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Income from participating interests	46.2	13.6	485.2	382.0
– thereof from affiliated companies	(42.8)	(10.3)	(464.4)	(379.2)
Income from profit transfers	70.9	69.6	113.4	49.4
Expense from loss transfers	13.6	12.6	398.1	320.8
Results of affiliated and associated companies (equity method)	10.9	-70.2	-	-
	114.4	0.4	200.5	110.6

BASF Aktiengesellschaft: income from participating interests relates primarily to dividends paid by Wintershall AG, Kassel, of 143.6, Elastogran GmbH, Lemförde, of 117.3, BASF Lacke + Farben AG, Münster, of 104.1, Lucura Rückversicherungs GmbH, Ludwigshafen, of 25.6, each including corporation tax credits, and BASF Italia Spa, Milan, of 13.1, PEC-Rhin S.A., Ottmarsheim,

of 11.3, BASF Vitaminfabrik A/S, Grenaa, of 8.7, and BASF Chile S.A., Santiago de Chile, of 9.3 million DM.

Income from profit transfers stems primarily from Rheinische Olefinwerke GmbH, Wesseling. Expense from loss transfers concerns mainly BASF Schwarzheide GmbH, Schwarzheide.

(23) Interest result

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Income from other investments and financial assets	27.4	20.6	43.7	51.6
– thereof from affiliated companies	(8.4)	(7.5)	(42.7)	(50.3)
Other interests and similar income	428.5	491.3	323.9	360.7
– thereof from affiliated companies	(10.3)	(11.2)	(77.3)	(83.4)
Interest and similar expenses	498.7	476.8	173.9	167.2
– thereof from affiliated companies	(64.8)	(31.3)	(111.6)	(105.4)
	-42.8	35.1	193.7	245.1

The main reason for the drop in the interest results, apart from lower interest rates for short-term cash investments, was that spe-

cial income from interest on tax claims was included in the previous year.

(24) Taxes

million DM	BASF Group		BASF AG	
	1994	1993	1994	1993
Income taxes	941.1	296.2	545.2	271.0
– thereof taxes for oil-producing operations	(159.3)	(141.2)	(-)	(-)
Miscellaneous other taxes	297.3	285.0	98.5	104.3
	1,238.4	581.2	643.7	375.3

Income taxes comprise corporation tax, trade income tax and similar income-related taxes, as well as deferred taxes. Tax expense of BASF Aktiengesellschaft also includes income taxes to be paid for companies under tax assumption agreements; the corresponding income from allocating these taxes is included in other operating income.

Income taxes include taxes on oil-producing operations in various countries at rates of up to 84 percent of taxable income in those countries.

Miscellaneous other taxes, particularly property tax, trade capital tax and real estate tax, are allocated to operational costs.

(25) Cost of materials of BASF Aktiengesellschaft

million DM	1994	1993
Cost of raw materials, consumables and supplies and of purchased merchandise	8,110.4	7,479.4
Cost of purchased services	1,586.2	1,409.7
	9,696.6	8,889.1

(26) Employees

Personnel cost	million DM	BASF Group		BASF AG	
		1994	1993	1994	1993
Wages and salaries		8,304.6	8,435.6	3,975.5	3,986.2
Social contributions and expenses for pension benefits and assistance		2,086.1	2,334.6	973.5	1,021.6
– thereof for pension benefits		(641.8)	(725.3)	(321.3)	(395.3)
		10,390.7	10,770.2	4,949.0	5,007.8

Costs of employees' representatives

On the basis of statutory regulations, German Group companies incurred costs of employees' representatives of DM 20.9

(1993: 20.3) million. BASF Aktiengesellschaft accounted for DM 12.7 (1993: 12.0) million of this sum.

Average number of employees

BASF Group	Fully consolidated companies		Pro-rata consolidated companies	
	1994	1993	1994	1993
Europe	80,779	88,677	2,983	3,158
– thereof Germany	(65,549)	(73,088)	(2,705)	(2,848)
North America	15,022	16,586	–	–
Latin America	8,627	9,038	–	–
Asia, Australia, Africa	1,417	709	759	1,558
	105,845	115,010	3,742	4,716
– thereof with trainee contracts	3,225	4,005	136	140

The personnel numbers for the companies which are consolidated pro rata are given in full in the above list; if they are taken into

account at fifty percent, the average personnel number for the Group is 107,716 in 1994 and 117,368 in 1993.

BASF AG	1994	1993
Wage earners	20,511	21,540
Salaried employees	24,027	25,127
Trainees	2,409	2,892
	46,947	49,559

(27) Minority interests in profit/loss

million DM	BASF Group	
	1994	1993
Interests in profits	63.9	35.5
Interests in losses	177.7	131.8
	-113.8	-96.3

The minority interests in losses primarily relate to the Gazprom Group's interest in the loss of Wintershall Gas GmbH.

(28) Remuneration of the Board of Executive Directors and the Supervisory Board, advances and loans granted

Total remuneration of the Supervisory Board amounts to DM 1.3 million, of the Board of Executive Directors to DM 11.9 million, including the remunerations granted by subsidiaries in the amount of DM 1.2 million. These items contain success-dependent remuneration for 1994 in respect of which provisions had been made. Total remuneration of former members of the Board of Executive Directors and their survivors amounts to DM 7.1 million. Pension provisions for former members of the Board of Executive Directors amount to DM 59.2 million.

Loans granted to members of the Board of Executive Directors amount to DM 0.5 million as of December 31, 1994 and DM 0.8 million as of December 31, 1993, the loans bearing interests at rates between 4 and 6 percent. The terms agreed upon are between 8 and 12 years. During 1994, loans of DM 0.3 million were repaid. New loans were not granted. There were no commitments assumed in favor of these persons. The members of the Board of Executive Directors and of the Supervisory Board are listed on separate pages following these notes.

Proposed distribution of profit retained

We propose to the Annual Meeting of Shareholders the distribution of a dividend of DM 10 per share at a nominal value of DM 50 from the profit retained of DM 609,868,823 of BASF Aktiengesellschaft. Eligible domestic shareholders receive in addition a tax credit of DM 4.29. If the proposal is accepted, the dividend payable for the 1994 financial year on

Notes BASF Group and BASF Aktiengesellschaft

capital stock of DM 3,048,831,350 entitled to a dividend will be DM 609,766,270, leaving an undistributed amount of DM 102,553. We propose this amount be carried forward.

Ludwigshafen, March 7, 1995

The Board of Executive Directors

Accountants' Opinion

The accounting records and the financial statements of BASF Aktiengesellschaft, which we have audited in accordance with professional standards, comply with the German legal provisions.

The financial statements of BASF Aktiengesellschaft, prepared in accordance with generally accepted accounting principles, give a true and fair view of the net worth, financial position and earnings of BASF Aktiengesellschaft.

The BASF Aktiengesellschaft Management's Analysis, which is combined with the BASF Group Management's Analysis, is consistent with the financial statements of BASF Aktiengesellschaft.

Schitag Ernst & Young

Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Stuttgart, March 7, 1995

Dörner Schneck
Wirtschaftsprüfer Wirtschaftsprüfer

The financial statements of the BASF Group, which we have audited in accordance with professional standards, comply with the German legal provisions.

The financial statements of the BASF Group, prepared in accordance with generally accepted accounting principles, give a true and fair view of the net worth, financial position and earnings of the BASF Group.

The BASF Group Management's Analysis, which is combined with the Management's Analysis of BASF Aktiengesellschaft, is consistent with the financial statements of the BASF Group.

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

Frankfurt, March 7, 1995

Prof. Dr. Emmerich Dr. Künnemann
Wirtschaftsprüfer Wirtschaftsprüfer

Report of the Supervisory Board

We carefully supervised the management of the company's affairs during the period under review. We kept ourselves fully and continuously informed about important issues of management in five meetings with the Board of Executive Directors and by reviewing its written and verbal reports. Reporting included the major companies in the BASF Group. At four of the meetings heads of divisions of BASF Aktiengesellschaft reported on their operations. In the fall of 1994 we appointed Dr. Volker Trautz a

member of the Board of Executive Directors of the company with effect from January 1, 1995. We have examined the Financial Statements and Management's Analysis of BASF Aktiengesellschaft and the proposal for the appropriation of net income. The Financial Statements, including the books and Management's Analysis of BASF Aktiengesellschaft, have been examined by Schitag Ernst & Young Deutsche Allgemeine Treuhand AG, the auditors elected by the Annual

Meeting, and have been given an unqualified opinion. The auditors gave detailed explanations of their report at a meeting specifically called for this purpose before the accounts meeting. Having concluded our examination we concur with the auditors and see no grounds for objections. The Financial Statements and Management's Analysis of the BASF Group as well as the report of the auditors Deloitte & Touche GmbH elected by the Annual Meeting, who have expressed an unqualified opinion, have

been brought to our attention. At today's meeting we approved the Financial Statements of the company drawn up by the Board of Executive Directors, which are thus final, and concur with the proposal of the Board of Executive Directors regarding the retained profit.

Ludwigshafen,
March 14, 1995
The Supervisory Board

Supervisory Board

Dr. rer. nat. Hans Albers
Bad Duerkheim
Chairman

Professor Dr. rer. nat.
Matthias Seefelder
Heidelberg
Honorary Chairman

Volker Obenauer
Ludwigshafen
Deputy Chairman
Chairman of the Works Council of the Ludwigshafen Works of BASF Aktiengesellschaft

Dr. phil. Marcus Bierich
Stuttgart
Chairman of the Supervisory Board of Robert Bosch GmbH

Hans-Dieter Brand
Dittelsheim-Hessloch
Head of the Advertising Department of Industriegewerkschaft Chemie – Papier – Keramik (Chemical, Paper and Ceramics Industries Union), Head Office, Hanover
Up to April 28, 1994

Etienne Graf Davignon
Brussels
President of the Société Générale de Belgique

Professor Dr. rer. nat.
Manfred Eigen
Goettingen
Director, Max Planck Institute for Biophysical Chemistry in Goettingen

Lothar Hick
Limburgerhof
Member of the Works Council of the Ludwigshafen Works of BASF Aktiengesellschaft

Ulrich Küppers
Ludwigshafen
General Manager of the Ludwigshafen branch of Industriegewerkschaft Chemie – Papier – Keramik (Chemical, Paper and Ceramics Industries Union)
From April 28, 1994

Professor Dr. rer. nat.
Hans Joachim Langmann
Jugenheim/Bergstrasse
Chairman of the Partners' Council and the Board of Executive Directors of E. Merck

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

Ulrich Nickel
Frankenthal
Deputy Chairman of the Works Council of the Ludwigshafen Works of BASF Aktiengesellschaft

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

Dr. jur.
Henning Schulte-Noelle
Munich
Chairman of the Board of Executive Directors of Allianz Aktiengesellschaft

Gerhard Sebastian
Ludwigshafen
Member of the Works Council of the Ludwigshafen Works of BASF Aktiengesellschaft

Gerhard Söllner
Phillippsthal
Chairman of the Works Council of the Hattorf Works of Kali und Salz GmbH

Robert Studer
Zurich
President of the Board of Schweizerische Bankgesellschaft (Union Bank of Switzerland)

Klaus Südhofer
Recklinghausen
Deputy Chairman of Industriegewerkschaft Bergbau und Energie (Mining and Energy Industries Union)

Jürgen Walter
Neustadt am Ruebenberge
Member of the Central Board of Executive Directors of Industriegewerkschaft Chemie - Papier - Keramik (Chemical, Paper and Ceramics Industries Union)

Dr. rer. pol. Ulrich Weiss
Bad Soden
Member of the Board of Executive Directors of Deutsche Bank AG

Helmut Werner
Stuttgart
Chairman of the Executive Board of Mercedes Benz AG

Professor Dr. rer. nat.
Herbert Willersinn
Ludwigshafen

We mourn Professor Dr. Herbert Willersinn, who passed away on March 4, 1995 aged 68. He joined BASF in 1954 and was a member of the Board of Executive Directors from 1971 to 1988, and of our Supervisory Board since then.

Board of Executive Directors

Division Heads

Dr. Jürgen Strube Chairman	José-Maria Bach Spain, Portugal	Herbert O. Hetz Informatics	Barry John Stickings United Kingdom, Ireland, Scandinavia
Dr. Wolfgang Jentsch Deputy Chairman	Helmut Becks South and East Asia/Australia	Dr. Manfred Hopp Coatings and Colorants	Dr. Eckart Sünner Legal, Taxes and Insurance
Dr. Albrecht Eckell	Dr. Ralf Bethke Potash and Salt	Carl A. Jennings North America Chemicals	Dr. Dieter Suter Italy, Switzerland, Austria, Greece
Max Dietrich Kley	Erich Binckli Germany, Sales	Wilfried Kahlmann Eastern Europe, Africa, West Asia	Dieter Thomaschewski Fertilizers
Prof. Dr. Hans-Jürgen Quadbeck-Seeger	Dr. Egon Buhr Works Engineering BASF Aktiengesellschaft	Dr. Hans Kast Japan	Dr. Volker Trautz Information Systems
Dr. Hanns-Helge Stechl	Dr. Manfred Buller North America Coatings and Colorants	Helmut Klamm Logistics	Eggert Voscherau North America Consumer Products and Life Science, Latin America North
Dr. J. Dieter Stein	Dr. Werner Burgert Fiber Products	Dr. Harald Köhl Specialty Chemicals	Winfried Werwie Latin America South
Prof. Dr. Dietmar Werner	Dr. Dieter Degner Ammonia Laboratory	Dr. Josef F. Kohnle Dispersions	
Gerhard R. Wolf	Klaus Deichner Crop Protection	Dr. Werner Küsters Main Laboratory	
	Herbert Detharding Oil and Gas	Klaus Peter Löbbe Industrial Chemicals	
	Jean-Pierre Dhanis Polyurethanes	Dr. Norbert Martin France, Benelux	
	Dr. Antoon Dieusaert BASF Antwerpen	Klaus Messinger North America Finance	
	Dr. Dieter Distler Graphic Systems	Wolfgang Mörke Raw Materials Purchasing	
	Dr. Christian Dudeck Intermediates	Dr. Albrecht Müller Textile and Leather Chemicals	
	Dr. Günter Ehrhardt Accounting	Dr. Rolf Niess Basic Chemicals	
	Peter Eisenlohr Human Resources BASF Aktiengesellschaft	Dr. Dietmar Nissen Polymers Laboratory	
	Diethard Francke Corporate Engineering	Dr. Gerhard Paul Colorants Laboratory	
	Professor Dr. Walter Frey Engineering Research and De- velopment	Dr. Hans Georg Peine Foamed Plastics and Reactive Resins	
	Dr. Elmar Frommer Planning and Controlling	Dr. Siegfried Riedmüller Colorants and Process Chemicals	
	Helmut Glassen Human Resources BASF Group	Professor Dr. Hans-Uwe Schenck Human Resources BASF Group From January 1, 1995	
	Dr. R. Wayne Godwin North America Polymers	Professor Dr. Burghard Schmitt Polyolefins and PVC	
	Harald Grunert Finance	Dr. Thorlef Spickschen Pharmaceuticals	
	Dr. Jürgen Hambrecht Engineering Plastics	Dr. Reinhard Steinmetz Fine Chemicals	
	Dr. Hans Jörg Henne Environment, Safety and Energy		

As of December 31, 1994

Ten-Year Summary BASF Group

million DM	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Balance sheet										
Intangible assets	1,313	1,188	816	993	818	734	650	683	638	512
Tangible assets	9,146	9,282	9,807	10,716	11,865	13,252	14,629	15,214	17,722	15,993
Financial assets	1,595	1,506	1,392	1,238	1,534	1,693	1,692	2,955	1,929	2,068
Fixed assets	12,054	11,976	12,015	12,947	14,217	15,679	16,971	18,852	20,289	18,573
Inventories and goods on lease	6,040	5,682	5,671	6,067	6,533	6,407	6,456	6,748	6,317	6,262
Receivables	8,045	7,086	7,160	8,159	8,227	8,706	8,888	8,816	8,513	9,075
Cash and cash items	2,209	4,008	4,945	5,557	6,150	5,963	5,157	4,557	5,239	5,949
Current assets*	16,294	16,776	17,776	19,783	20,910	21,076	20,501	20,121	20,069	21,286
Assets	28,348	28,752	29,791	32,730	35,127	36,755	37,472	38,973	40,358	39,859
Paid-in capital	6,005	6,599	6,974	7,174	7,176	7,176	7,177	7,182	7,387	7,753
Revenue reserves and profit retained	4,605	5,020	4,873	5,330	6,661	7,054	7,372	7,315	7,629	8,441
Translation adjustment									-232	-453
Minority interests	119	87	119	129	120	118	86	86	160	179
Equity	10,729	11,706	11,966	12,633	13,957	14,348	14,635	14,583	14,944	15,920
Special reserves	498	338	136	113	110	69	71	74	50	50
Provisions	8,965	9,962	11,125	12,195	12,749	13,447	13,449	13,701	13,956	13,954
Liabilities to banks and the capital market	3,410	2,900	2,367	2,475	3,185	3,370	3,926	4,962	5,364	3,632
Other liabilities	4,746	3,846	4,197	5,314	5,126	5,521	5,391	5,653	6,044	6,303
Liabilities*	17,619	17,046	17,825	20,097	21,170	22,407	22,837	24,390	25,414	23,939
Equity and Liabilities	28,348	28,752	29,791	32,730	35,127	36,755	37,472	38,973	40,358	39,859

* Including prepaid expenses, deferred income and special reserves

million DM	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Sales and earnings										
Sales (without petroleum and natural gas taxes)	43,164	39,158	38,805	42,323	46,163	45,043	44,556	41,933	40,568	43,674
Petroleum and natural gas taxes	<u>1,213</u>	<u>1,313</u>	<u>1,433</u>	<u>1,545</u>	<u>1,454</u>	<u>1,580</u>	<u>2,070</u>	<u>2,589</u>	<u>2,555</u>	2,891
Sales	44,377	40,471	40,238	43,868	47,617	46,623	46,626	44,522	43,123	46,565
Income from operations	3,072	2,923	2,586	3,710	4,329	2,755	2,180	1,311	1,032	2,149
Profit before taxes	3,040	2,627	2,587	3,726	4,384	2,747	2,110	1,239	1,058	2,111
Net income after taxes and minority interests	998	910	1,051	1,410	2,015	1,107	1,039	615	858	1,284
Capital expenditures and depreciation										
Additions to tangible assets	2,794	2,657	2,758	3,495	3,956	4,458	4,800	4,151	4,139	2,707
Depreciation of tangible assets	2,161	2,520	2,663	2,798	2,767	3,025	3,176	3,338	3,174	4,027
Number of employees										
(as per December 31)	130,173	131,468	133,759	134,834	136,990	134,647	129,434	123,254	112,020	106,266
Key data										
Net income per share (DM)	19.4	17.0	18.9	24.7	35.4	19.4	18.2	10.8	14.7	21.1
Cash flow	4,219	4,300	4,380	5,504	5,520	5,024	4,765	4,451	4,635	5,565
Cash flow per share (DM)	82	80	79	97	97	88	84	78	79	91
Return on sales before taxes (%)	8.2	7.9	7.8	9.7	10.6	7.3	5.9	4.3	3.8	6.0
Return on assets before income taxes (%)	13.4	10.8	10.3	13.1	14.4	9.2	7.1	4.7	3.9	6.5
Return on equity after taxes (%)	9.4	7.8	8.8	11.3	14.7	7.8	7.2	4.2	5.1	7.4
Appropriation of net income										
Net income of BASF Aktiengesellschaft	646	710	820	1,184	1,398	1,041	884	770	668	910
Transferred to revenue reserve	150	175	265	500	600	300	200	200	200	300
Dividend	496	535	555	684	798	741	684	570	468	610
Dividend per share (DM)	10	10	10	12	14*	13	12	10	8	10
Number of shares (1000)										
	51,565	53,540	55,484	56,985	56,995	56,997	57,003	57,039	58,450	60,977

* including DM 1.00 Anniversary Bonus

Further reporting:

First quarter 1995

May 11, 1995

First half 1995

August 24, 1995

Third quarter 1995

November 9, 1995

Year 1995

March 26, 1996

1996 Annual Meeting

May 9, 1996

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