

Annual Report 2000

Adding value through
growth and innovation



BASF

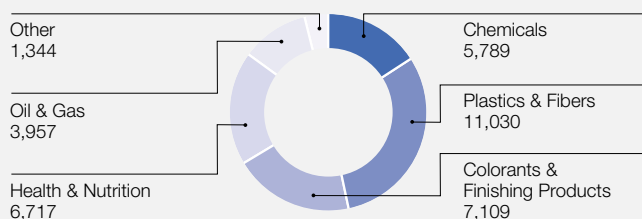
BASF Group

Overview of key financial data

Million €	2000	1999	Change in %
Sales	35,946	29,473	22.0
Income from operations before special items	3,400	2,950	15.3
Income from operations	3,070	2,009	52.8
Income before taxes and minority interests	2,827	2,606	8.5
Net income	1,240	1,237	0.2
Earnings per share (€)	2.02	2.00	1.0
Earnings per share according to U.S. GAAP (€)	2.37	2.14	10.7
Dividend per share (€)	2.00	1.13	77.0

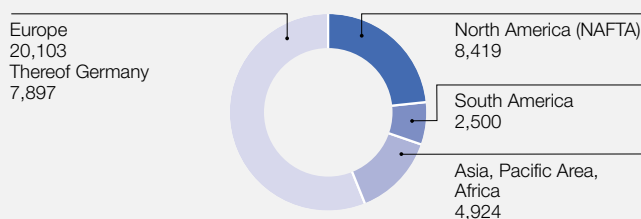
Sales by segments

Million €



Sales by regions (location of customer)

Million €



BASF is a member of the



The Annual Report covers economic aspects of BASF Group's sustainability reporting.

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

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

Segments



Chemicals – the heart of our Verbund

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



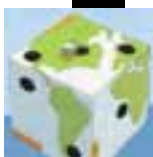
Plastics & Fibers – cost leadership and innovative high-performance materials

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



Colorants & Finishing Products – intensive technical cooperation

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



Health & Nutrition – focusing on our strengths

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



Oil & Gas – expertise and regional focus

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

Key data
Million €

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

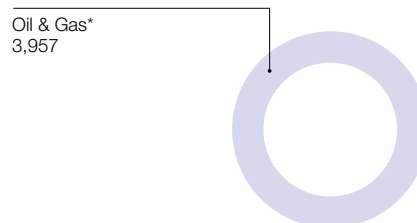
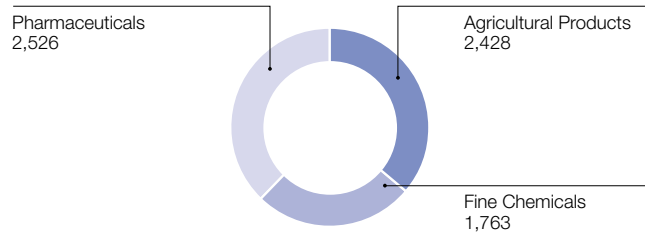
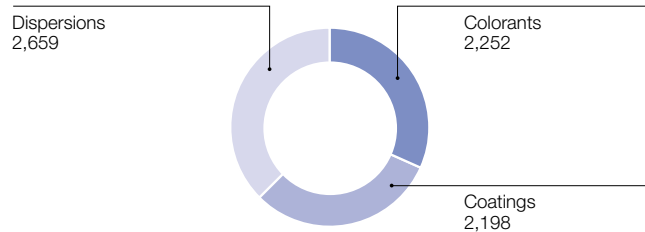
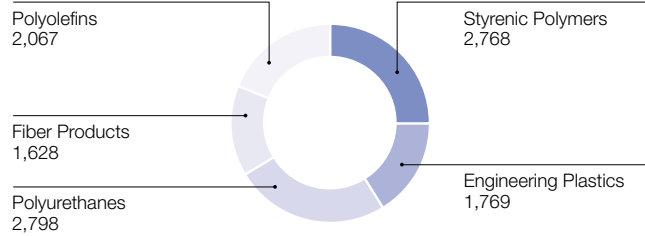
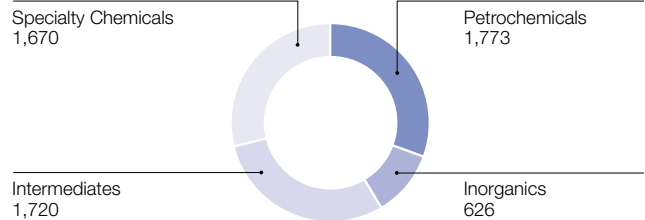
Million €	2000	1999	Change in %
Sales	11,030	8,628	27.8
Income from operations			
before special items	788	642	22.7
Income from operations	889	644	38.0

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

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

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

Sales by divisions
Million €



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

In the year ended we have

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

Growth

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

and innovation

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

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

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

BASF

Milestones

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

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

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

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

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

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

July..... ▶ BASF acquires the crop protection business of American Home Products based in the United States. This is the largest acquisition in BASF’s history and makes BASF the world’s third largest supplier of agricultural products.

▶ BASF commits itself to the principles of the Global Compact initiative of the United Nations (UN). The aim is to implement nine principles applying to human rights, labor standards and environmental protection worldwide.

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

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

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

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

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

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

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

We act in accordance with the principles of Sustainable Development.

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



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

*Dear shareholders
and friends of BASF,*

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

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

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

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

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

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

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

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

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

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

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

The low-fuel-consumption apartment building admirably demonstrates how BASF products can be used to save money in the long term. Its prototype is a refurbished building located very close to our main site in Ludwigshafen, Germany. Optimal use of BASF's products in this building has resulted in an 85 percent reduction in energy consumption and a 90 percent reduction in CO₂ emissions. The annual consumption of heating oil has been cut to no more than three liters per square meter of living

space – compared with 20 to 30 liters before the modernization project. In Germany alone, about 70 percent of the country's 34 million apartments in older buildings need to be modernized to be more energy efficient. This constitutes an enormous economic and ecological potential for improvement.

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

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

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

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



Dr. Jürgen F. Strube, 61,
Chairman since 1990,
lawyer. With BASF for 32 years.

Max Dietrich Kley, 61,
Deputy Chairman, lawyer. With
BASF for 32 years: Responsible
for the Finance, Oil & Gas,
Coatings, and Raw Materials
Purchasing divisions as well as
the Eastern Europe, Africa, West
Asia division.

Helmut Becks, 56,
physicist. With BASF for 29
years. Responsible for Human
Resources; Corporate Engineer-
ing; BASF Aktiengesellschaft
Site Engineering; Environment,
Safety and Energy; Logistics and
Corporate IT Services; Occupa-
tional Medicine and Health
Protection. Also responsible for
the BASF sites in Schwarzheide
and Antwerp.

Dr. John Feldmann, 52,
chemist. With BASF for 13
years. Responsible for the
Styrenic Polymers, Engineering
Plastics, and Polyurethanes
divisions as well as the Polymers
Laboratory.

Our goal: To add value through growth and innovation.



Dr. Jürgen Hambrecht, 54, chemist. With BASF for 25 years. Responsible for the Petrochemicals & Inorganics and Intermediates divisions as well as the Ammonia Laboratory. Also responsible for the East Asia, Japan, and Southeast Asia/Australia divisions.

Dr. Stefan Marcinowski, 48, chemist. With BASF for 22 years. Research Executive Director and responsible for the Dispersions, Colorants, and Specialty Chemicals divisions as well as the Colorants Laboratory.

Peter Oakley, 48, economist. With BASF for 24 years: Responsible for the Fiber Products division as well as BASF's businesses in North and South America.

Eggert Voscherau, 57, economist. With BASF for 32 years: Responsible for Pharmaceuticals, the Agricultural Products, Plant Biotechnology and Fine Chemicals divisions as well as the Main Laboratory and the Northern, Southern, and Central Europe divisions.

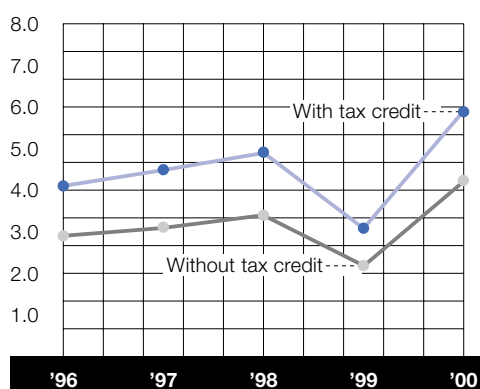
Good performance in a difficult environment

The last five years have seen a significant increase in the price of BASF shares and it reached a record high in December 1999. During 2000, chemical shares generally came under pressure and the drop in value could only be recouped to some extent from October onward. Overall, however, BASF shares performed better than Germany's DAX index and other international chemical shares. With a year-end price of €48.17, and allowing for the per share dividend payment of €1.13, BASF shares yielded a performance of -3.7 percent in 2000. By comparison, the performance of the DAX index and the Dow Jones Global Chemicals Total Return Index during the same period was slightly lower at -7.5 percent and -4.6 percent, respectively.

Increasing dividend and special dividend

When measured according to dividend yield, BASF shares occupy a leading position among DAX shares. This continues to be the case: The Board of Executive Directors is proposing to the Annual Meeting to increase the dividend payment for 2000 to €1.30 per share and to pay a special dividend of €0.70 per share. BASF will thereby pay its retained earnings charged with 45 percent corporation tax (EK 45) to its shareholders in full in 2001. The dividends paid out will amount to €1,215 million. Based on the 2000 year-end share price of €48.17, BASF's dividend yield was 4.2 percent. In addition, shareholders subject to German income or corporation tax will receive a total tax credit of €0.86 for the dividend and special dividend, increasing their dividend yield to 5.9 percent.

Dividend yield (%)



Attractive long-term investment

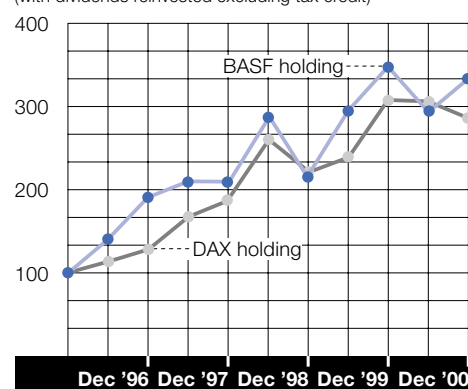
A shareholder who made a single investment of €10,000 in BASF shares five years ago and reinvested dividends (excluding tax credits) in additional BASF shares would have increased the value of the holding to €33,597 by the end of 2000. This is equivalent to an annual return of 27 percent compared with a 23 percent return for the DAX index.

Widely dispersed shareholdings

BASF shares have no par value and approximately 90 percent are held in dispersed shareholdings. The entire share capital is listed on the stock market. Our shareholder survey carried out at the beginning of 2001 showed that almost 72 percent of the share capital is held by institutional investors and 28 percent by private individuals. German shareholders hold 65 percent of BASF's share capital. The total number of BASF shareholders rose to 507,000. This makes BASF Aktiengesellschaft one of the biggest publicly held companies with widely dispersed shareholdings. BASF shares are included in the DAX 30, the Dow Jones EURO STOXXSM 50 share index and the corresponding sector indices. At the beginning of 2000, BASF shares were also included in Standard & Poor's Global 100 Index, which is comprised of 100 of the world's largest companies.

Change in value of an investment in BASF shares in 1996–2000

(with dividends reinvested excluding tax credit)



Listing of BASF shares on the New York Stock Exchange

On June 7, 2000, we launched BASF shares on the New York Stock Exchange (NYSE) as American Depositary Receipts (ADRs). An ADR is a negotiable security representing ownership of shares in a non-American company, and corresponds to a BASF share. The BASF trading symbol in New York is BF. By listing BASF shares on the NYSE, we are not only emphasizing our global orientation, but also broadening our shareholder base and creating additional strategic options for making acquisitions on the American market. No new shares were issued in connection with the listing. As well as being traded on the NYSE, BASF shares are traded on the stock exchanges in Frankfurt, London, Paris and Zurich as well as on regional German stock exchanges.

Stock option program and employee share purchase program

Since April 1999, around 1,200 senior executives in BASF Group have been able to participate in a stock option program that aims to link a portion of their salaries to the long-term performance of BASF shares. In 2000, more than 75 percent of those eligible participated and invested part of their variable compensation in BASF shares. For each share purchased, BASF grants stock option rights that can be exercised if ambitious share price targets are achieved. We also give our employees the opportunity to participate in the “plus” employee share purchase program (see page 53).

Share buy-back

The objective of the share buy-back program is to increase the value of our shares and to optimize our capital structure. In March 2000, we announced our €2 billion share buy-back program, one of the biggest in Germany. In total, we bought nearly 16 million shares for €700 million during 2000, and we will continue to buy back shares in 2001.

Key BASF share data

	2000	1999
Number of shares as of December 31 (Million shares)	607	621
Per share information in €		
Earnings per share	2.02	2.00
Earnings per share according to U.S. GAAP	2.37	2.14
Cash provided by operating activities	4.88	5.27
Dividend	2.00	1.13
Dividend with tax credit	2.86	1.61
Stockholders' equity	23.55	22.78
Dividend yield without tax credit (%)	4.20	2.20
Dividend yield with tax credit (%)	5.90	3.10
Year-end share price	48.17	51.90
High	50.68	52.20
Low	39.40	30.19

Investor relations in dialogue with capital markets

The financial markets require a high degree of transparency from companies when making investment decisions: Key financial data, assessments by management and a clear corporate strategy are important sources of information. We have explained important developments within the company at more than 250 individual and group discussions and at 10 investment conferences. Many of the discussions were held by members of the Board of Executive Directors. To enable private investors to make their investment decisions on the basis of the same information as institutional investors, we provide investor information, important speeches, quarterly results and recordings of conference calls on the Internet. In addition, private shareholders were able to obtain information about BASF both at our booth at the International Investors' Fair (IAM 2000) and at investment seminars in 2000.

Information on BASF shares

You can find further information and register for our Newsletter on the Internet at www.basf.de/share.



Growth

“Adding value through growth and innovation” is the guiding principle behind everything we do. We regard this as the key to success in our business. We will achieve profitable growth by thinking and acting innovatively.

and Innovation



We want to increase and sustain BASF's corporate value through growth and innovation.

We want to continue to grow by

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

Our innovations are based on

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

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

Achieving above-average profits from a strong market position

With sales of €35,946 million in 2000, BASF is the largest chemical company in the world.

We offer our customers a breadth of expertise in the fields of high-value chemicals, plastics and fibers, colorants and pigments, dispersions, automotive and industrial coatings, agricultural products, fine chemicals and in the crude oil and natural gas business.

More than two-thirds of our sales and earnings are achieved in product groups in which BASF is one of the top three suppliers. We aim to further increase this proportion.

A strong market position means that above-average earnings can be achieved even in difficult times. This is particularly true of businesses that are more vulnerable to economic cycles, such as standard products. Such businesses account for approximately half of BASF's portfolio. We use some of the products from these businesses as feedstocks for higher-value chemicals. Through this backward integration, one of the major advantages of our Production Verbund, we are able to secure the turnover of many of our basic chemicals and make ourselves less dependent on external providers of these substances.

We are expanding our product range through acquisitions, divestitures and strategic alliances in order to focus and build on the strengths of our portfolio. Our goal continues to be to extend our cyclically resilient business. Last year's acquisition of the crop protection business of American Home Products, for example, has moved us up to number three among suppliers of agricultural products. The acquisition of Chemdal has considerably improved our position in superabsorbents. We combined our polyolefins business with that of Shell to form Basell, our textile dye business was incorporated in DyStar, and we sold our pharmaceuticals business to Abbott Laboratories.

Focusing on expanding our business in growth regions

We are focusing on expanding our activities in growth regions. Above all in Asia – the region with the highest growth in chemical products – we are commissioning or enlarging sites in Kuantan, Malaysia; Seraya, Singapore; Yosu, Korea and in Caojing and Nanjing, China, as part of our capital expenditures program. Our goal is to increase sales in Asia from a current 13 percent of Group sales to 20 percent by 2010, while at the same time increasing the proportion of local production from 40 percent to 70 percent.

Extending our Verbund

One of our competencies lies in operating large-scale, networked structures to manufacture diverse chemicals that build upon one another. End products from one production stage are sold to third parties or used as a starting point for the next higher-value product. This is how we organize our products in value-adding chains, in which the individual links strengthen the whole.

Our Verbund sites in Europe, North America and Asia are the regional centers of our global production network. The plants at these sites are intelligently and intricately linked. In this sophisticated system, chemical processes can be organized so that they require less energy and produce high yields while being gentle on the environment. Transport routes are reduced to a minimum, and logistics and infrastructure are used most effectively. This type of integration protects the environment and saves money. BASF's Verbund sites are located in Ludwigshafen, Germany; Antwerp, Belgium; Tarragona, Spain; Geismar, Louisiana and Freeport and Port Arthur, Texas. A Verbund site is currently under construction in Kuantan, Malaysia and another is planned for Nanjing, China.

Continual renewal of our products and processes

We are continually improving our products and developing new ones. For example, pharmaceuticals and agricultural products can be used more specifically thanks to the chiral intermediates ChiPros™ (see page 18), detergents that use the new generation of Plurafac® surfactants are easier on the environment (see page 19), Neopor® saves energy when used to refurbish older buildings (see page 21), and the fungicide F 500® provides particularly reliable protection for a variety of crops (see page 36).

Improving our production processes and developing new ones safeguards our leadership. Over the past decade, we have invested an average of €100 million a year in these kinds of "silent innovations" for our most important processes. This investment in research means that we can reduce our manufacturing costs by more than €1 billion per year compared with 1990. Examples include a new

synthetic route for the manufacture of the UV absorber Uvinul® MC 80 (see page 35) and the development of our production process for dispersions (see page 31).

We are also constantly improving our business processes so that we can provide our customers with the products and services they require quickly and around the clock. Our share in Omnexus™, the electronic marketplace for plastics, is just one example (see page 24).

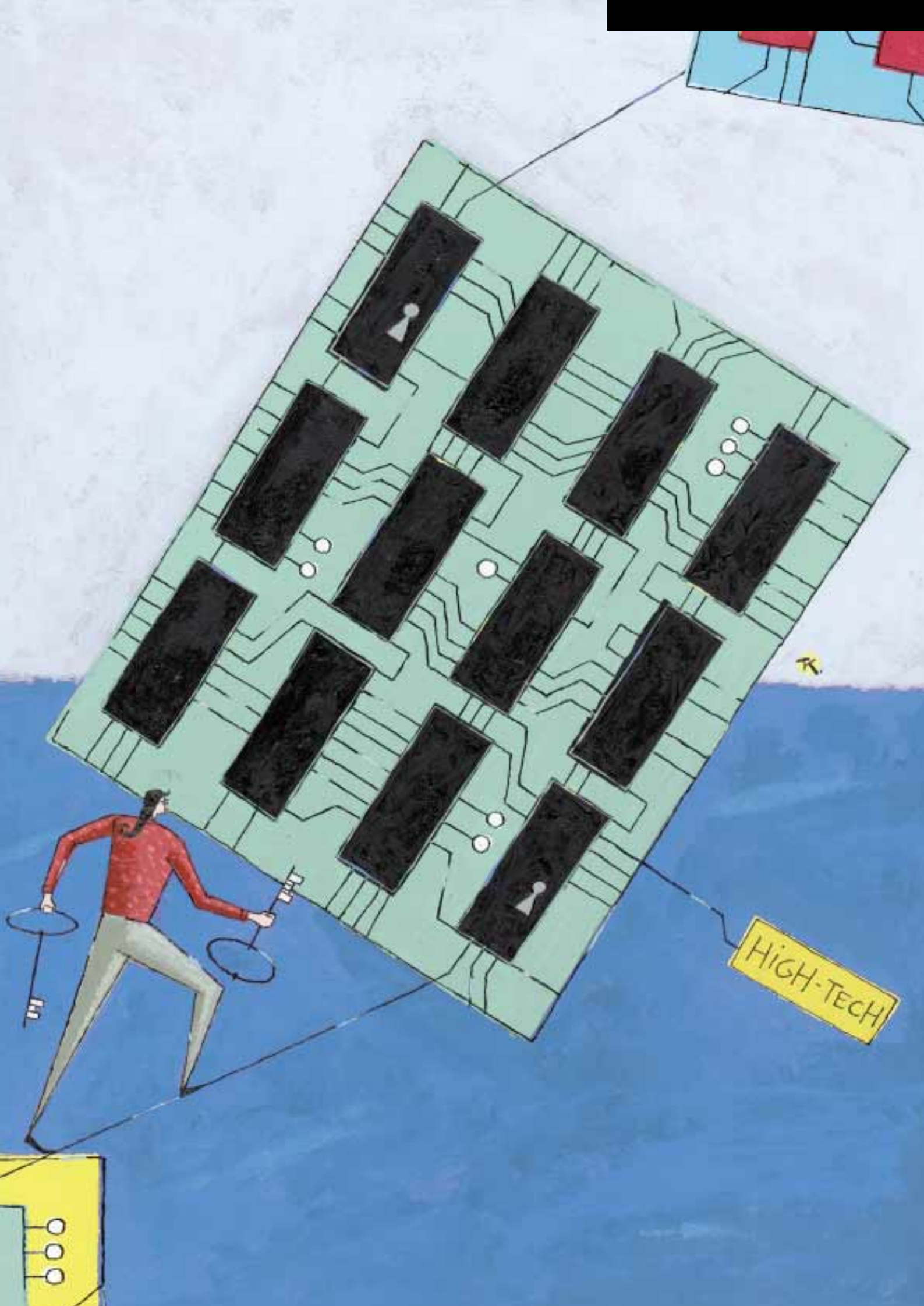
Creative system solutions for our customers

For us to develop successful products, we must understand in detail how our customers will use them. The best way to achieve this is for application specialists and researchers from BASF to work closely with customers in developing system solutions. Our success is reflected in the recognition of our achievements by our customers, as exemplified by the presentation of the Henry Ford Technology Award by the Ford Motor Company for the development and successful OEM use of the new clear finish Ureclear® (see page 30). The development of the steel-polyurethane-steel Sandwich Plate System for shipbuilding (see page 24) and the use of polyvinylamine to improve the characteristics of paper (see page 27) further underscore BASF's ability to work with customers to come up with creative system solutions.

Capitalizing on the broad potential of the chemistry we use

The basis for innovation is our worldwide Research Verbund consisting of our research and development facilities and around 800 cooperative agreements with leading universities, research institutes and industrial partners.

We spent €1,526 billion on research and development last year – a worthwhile investment: In our most research-intensive operating division alone – Agricultural Products – we have 15 new active ingredients with a sales potential of up to €2 billion a year in the pipeline. In 2000, we applied for patents and trademarks on 22,553 innovations worldwide, and we currently hold a total of 99,660 patents and trademarks.



HIGH-TECH

Production processes for the manufacture of microchips for computers or modern electronic equipment must be extremely clean. Hydroxylamine free base electronic grade (HAFB) is therefore indispensable in the manufacture of many electronic components. This key substance is used to ensure that circuit boards are scrupulously clean.

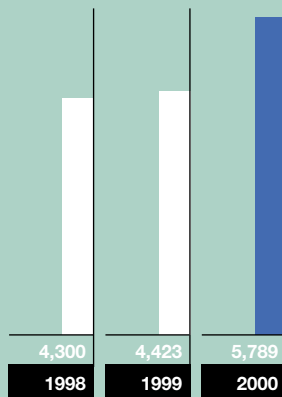
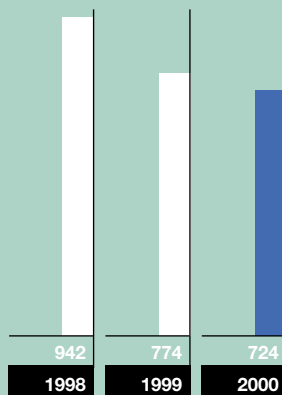
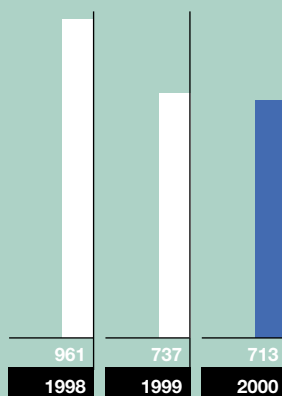
BASF is currently the world's only manufacturer of this specialty.

We have developed a process that allows HAFB to be manufactured cost-effectively and safely. At the beginning of this year, we increased the annual production capacity of our existing HAFB plant to 5,700 metric tons to meet world demand.

Chemicals



Chemicals

Sales
Million €Income from operations
before special items
Million €Income from operations
Million €

- ▶ Considerable increase in sales
- ▶ Earnings at level of previous year
- ▶ Cost advantages through the Verbund
- ▶ Business in North America and Asia strengthened through expansion and construction of new production sites
- ▶ Market position extended through innovative products such as ChiPros™

Whenever the radiator fluid in a car does not freeze, detergents clean thoroughly, garden hoses stay flexible, computer chips function reliably and new drugs work as they should, then chemicals from BASF are always involved. We manufacture about 200 of the chemical industry's 300 indispensable basic chemicals – the so-called “evergreens.” There is hardly a single sector of industry that can do without these products.

In 2000, sales in the Chemicals segment rose 30.9 percent. However, income from operations fell by 3.3 percent because severe increases in the cost of raw materials could not be passed on in full to customers.

The Chemicals segment is the heart of our Verbund. Networked structures allow us to link efficiently the production of increasingly complicated substances – from petrochemicals and inorganic chemicals via intermediates, right up to high-value specialty chemicals. Approximately one-third of production in this segment is accounted for by products that are supplied to and further processed by plants within BASF. Production, logistics and infrastructure are used more effectively. This creates short transport routes, saves energy and resources, and helps us to ensure or achieve cost leadership.

The most important factors for success are the quality of our products as well as low costs. BASF therefore invests in developing even better products and processes.

In the coming year we intend to achieve a considerable increase in sales and improve our earnings.

Petrochemicals: New steamcrackers accelerate growth

Children and chemists have something in common: Just as small children keep on making castles, cars or airplanes from the same building blocks, BASF uses basic chemical building blocks to create completely different end products.

BASF's Petrochemicals division produces a large part of these basic chemical materials in "steamcrackers." These huge installations use steam to "crack" crude petroleum. The resulting petrochemicals – above all, ethylene and propylene – serve as the starting materials to manufacture most of BASF's products. Steamcrackers are the starting point of production within our Verbund. Apart from petrochemicals, plasticizers – which make polymers pliable – and solvents are other important products from the Petrochemicals operating division.

Low manufacturing costs are the key to success in the petrochemicals business. We achieve this by running existing plants at full capacity, continually improving the Production Verbund and by operating modern world-scale plants. In Europe, BASF operates three steamcrackers – two in Ludwigshafen, Germany, and one in Antwerp, Belgium. In North America, we are constructing the largest naphtha steamcracker in the world in Port Arthur, Texas, together with our partner TotalFinaElf. The steamcracker is scheduled to begin operation in the second half of 2001. In Asia, we are planning to build a cracker together with our partner SINOPEC as part of the Verbund site in Nanjing, China.

Inorganics: Cost-effective standard products and sophisticated specialties

"BASF inside" – this slogan could easily grace the housing of many computers, since high-purity chemicals from the BASF range are used to produce the electronics inside. For example, hydroxylamine free base electronic grade (HAFB) is essential for the manufacture of microchips.

The market for electronic grade chemicals is growing rapidly: We expect to see growth of about 10 percent in 2001. To keep pace, we expanded capacity at the beginning of this year, following capacity expansions in this area in 2000. In addition, we combined the marketing and sales of BASF's electronic grade chemicals in the Inorganics operating division at the beginning of 2001. For customers, this means comprehensive customer care from a single source.

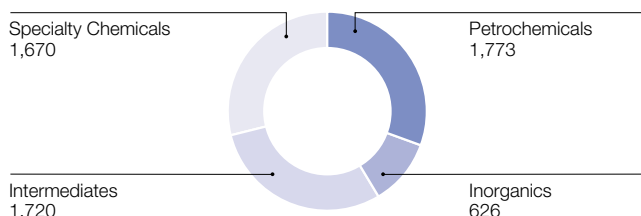
Electronic grade chemicals form only one part of our extensive product range in the Inorganics division. The range also includes important precursors for the chemicals industry such as ammonia, nitric acid, sulfuric acid, or the electrolysis products chlorine and sodium hydroxide. These provide the basis for numerous value-adding chains of production both inside and outside of BASF. Another important business is inorganic specialty chemicals like carbonyl iron powder, which has applications as diverse as electronic components and diamond-edged tools. BASF also supplies glues and impregnating resins for the timber industry, which are used, for example, in laminated flooring. For raw materials we have backward integration as far back as natural gas.

Catalysts are among our strategically important products. These substances set chemical processes in motion, reduce the amount of energy required and increase yields. Catalysts provide crucial competitive advantages: A chemical company cannot be successful in the long term if it does not develop and use catalysts. Nine out of ten BASF products come into contact with at least one catalyst during their production, and that is why our outstanding knowledge in this area is particularly important.



Sales by divisions

Million €



Intermediates: Growth opportunities with ChiPros™

BASF produces approximately 8,000 different end products based on a small number of raw materials such as naphtha, natural gas, rock salt and sulfur. Raw materials pass through intricate routes of chemical reactions in which intermediates such as diols, carboxylic acids and a large numbers of amines are further processed into higher-value products. We use such intermediates – BASF has about 550 of them – in our own production, but we also sell them to some 3,000 customers worldwide. Intermediates serve as raw materials for a variety of products including detergents, plastics, textile fibers, colorants, pharmaceuticals and agricultural products.

BASF produces more than three-quarters of the volume of raw materials it needs to manufacture intermediates. In this business in particular, we utilize the cost advantages of our Verbund.

Business with intermediates is relatively resistant to economic cycles and thus makes a steady contribution to BASF's earnings.

In addition to technology and cost leadership as success factors, a product range tailored to customer requirements is also important. Close cooperation with customers begins with the development of a new product.

Establishing a global presence with production sites in all regions is becoming increasingly important. In addition to our extensive program of expanding capacity in Europe and in North and South America, we are also currently expanding in Asia in particular. In 2000, for example, we commissioned or extended plants in Ulsan, Korea and Yokkaichi, Japan. We are currently building or planning new plants in Kuantan, Malaysia and Nanjing, China.

Subject to approval by the European regulatory authorities, we are in the process of acquiring the activities of the Italian SISAS Group in Feluy, Belgium, in order to strengthen our position in the European market for important intermediates such as butanediol, phthalic anhydride and plasticizers.

One innovative class of products that rounds out our portfolio is chiral intermediates. Many chemical substances, particularly biologically active ones for pharmaceuticals or agricultural products, occur in two forms that are mirror images of each other, as the right hand is of the left. Traditional chemical syntheses yield both forms, only one of which is biologically active. The other does nothing at all in many cases, and may sometimes even have undesirable side effects. Researchers at BASF have discovered how to produce only the desired active form in a particularly efficient and cost-effective way. These new intermediates, which we market under the name ChiPros™, appear to have a great potential for future growth: They allow more specific use of medicines and agricultural products, reduce active ingredient levels and save resources.

Specialty Chemicals: We develop products together with our customers.

Brake fluid must work properly, an automobile radiator must not freeze in winter, and a washing machine must not seize up because of limescale. These and similar applications are jobs for the specialists: Specialty chemicals from BASF.

Many of these products are the last links in BASF's long value-adding chains of production. Unlike petrochemicals, these products are targeted directly at customers. Highly efficient production processes give our specialty chemicals operations considerable advantages over those of our competitors. More than eight out of every ten of the raw materials needed are "bought" inside the BASF Verbund.

Here too, BASF is pursuing a determined strategy of growth and innovation.

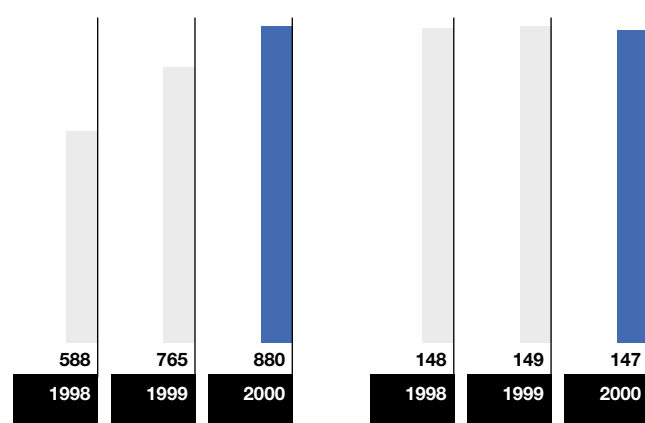
Take surfactants for example. These products ensure that clothes or dishes become clean when washed. Under the brand name Plurafac®, BASF has developed a new generation of surfactants that have many advantages: They produce less foam than existing products and they are much easier on the environment. We want to become one of the world leaders in the business with ethylene oxide-based nonionic surfactants. 2001 will see the start-up of our new plants in the United States and Europe, and further capacity expansion is also planned.

Using our knowledge of the mechanisms of action of our specialty chemicals, we help our customers perfect their products and processes. For example, our additives improve the physicochemical properties of concrete. Special products under the brand name Sokalan® enable the production of new types of washing machine and dishwasher detergents in tablet or tab form.

In the future, we want to expand our regional presence in markets outside of Europe. This applies above all to surfactants in North America and glycols in Asia. Our strategy is based on close cooperation with customers, particularly in the detergents industry. We are focusing our efforts on expanding our marketing activities and production capacity in the Asia-Pacific region with a view to medium-term and long-term growth. The ethylene oxide and glycol plants for the planned site in Nanjing, China, are part of this growth strategy.

Capital expenditures
Million €

Research and development expenses
Million €





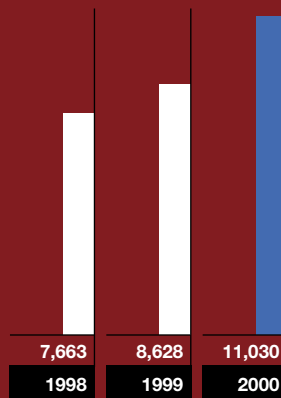
Plastics &

Protective, like a warm winter coat – our newly developed thermal insulating material Neopor[®] helps to greatly reduce fuel consumption and heating costs in buildings. This represents a major step in improving fuel efficiency. Apartments in older buildings use on average about 20 to 30 liters of heating oil per square meter every year. This figure can be reduced to as little as seven liters, just by insulating the building with Neopor. This new foam is a refinement of the well-known BASF product Styropor[®] and has even better heat insulation properties: One liter of crude oil in the form of Neopor can save eight liters of crude oil every year – twice as much as with Styropor. The market potential for this foam is enormous: In Germany alone, 24 million older buildings could be modernized with Neopor.

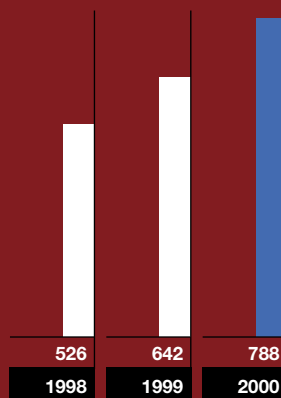
Fibers



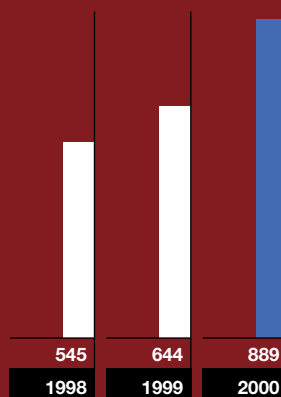
Sales
Million €



Income from operations
before special items
Million €



Income from operations
Million €



- ▶ Strong sales growth on a comparative basis
- ▶ Solid development in earnings
- ▶ Faster and more efficient thanks to electronic marketplaces
- ▶ BASF's plastics business likely to grow faster than the market
- ▶ BASF and Shell combine polyolefins business in Basell joint venture

Whether in cars, textiles or tennis shoes, as packaging or insulation, in computers, television sets or children's toys: Plastics and fibers are indispensable in almost all areas of life. BASF is one of the world's leading plastics manufacturers and has made its mark in this field with numerous inventions. The best known is undoubtedly Styropor®.

With 31 percent of sales, Plastics & Fibers was our strongest segment in terms of sales and also posted strong growth. In 2000, sales increased by 27.8 percent to €11,030 million fueled by a high demand for our products, the strong U.S. dollar and above all rising prices as a result of considerable increases in raw material costs. Despite higher raw material costs, we increased income from operations before special items by 22.7 percent to €788 million.

As of September 30, 2000, our polyolefins business, which had been held in the companies Elenac and Targor, was merged with the polyolefins business of Shell (Montell) to form the joint venture Basell headquartered in Hoofddorp, the Netherlands. Basell is a leading player in the global polyolefins market.

The keys to our continuing success in the Plastics & Fibers segment are global cost and technology leadership, presence in all major growth markets, and continuous expansion of our portfolio.

For 2001, we expect the world plastics market to grow by at least 5 percent. In countries that are making the transition to establishing a developed economy, this market will show average annual growth of as much as 7 percent in the next ten years. Here, we expect to grow faster than the market as a result of the position we have attained in these markets over the past few years.

Styrenic Polymers: Popular world leader in energy saving

Easy to process, low weight, excellent cost-benefit ratio: These are the advantages of expandable polystyrene (EPS – better known under the brand name Styropor) that have made it the most widely used foam insulating material in the construction industry. BASF invented it more than 50 years ago and it is still the world market leader today. Over the years, the classic Styropor has been joined by other polystyrene-based foams such as Styrodur[®], which is also used for heat insulation.

BASF is one of the few globally active producers of styrenic polymers, which can be found in thousands of different finished products: Not just in thermal insulation or sound-proofing materials, but also in housings for electrical appliances, CD cases and yogurt cartons.

Cost and technology leadership and our worldwide presence guarantee our success in the styrenic polymer business.

In the last few years we have adopted far-reaching measures to consolidate our cost leadership: For example, we have improved production processes, streamlined our organization and set up electronic marketplaces for styrenic polymers.

We are strengthening our operations in major growth markets through acquisitions, expansion of capacity and strategic alliances: BASF is the first global manufacturer of polystyrene to have its own production facilities in India, a rapidly growing market. A partnership was formed in 2000 with the Chatterjee Group. BASF has also signed a declaration of intent for the creation of a joint venture with the company OAO Nishnekamskneftechim for the production of polystyrene and EPS in the Russian Federation. We are also expanding our operations in Brazil, China and Korea.

Furthermore, we are strengthening our range with innovative products for building applications such as Neopor[®]. This hard polystyrene foam produced from Neopor granules has extremely low thermal conductivity and uses far less raw materials than Styropor, but has the same insulating properties.

Engineering Plastics: High-performance materials of the future replace conventional materials

Heat, oil and vibration – engine inlet manifolds have to withstand enormous stresses. That is why aluminum was, for a long time, the material of choice for these engine parts. Today, inlet manifolds made from the engineering plastic Ultramid[®] offer the same properties but are cheaper to produce. Moreover, such components weigh less and conserve fuel by reducing vehicle weight – important properties in the drive to develop automobiles with a fuel consumption of only three liters per 100 kilometers.

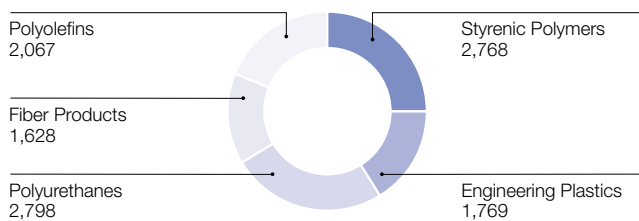
Engineering plastics withstand high temperatures, high mechanical stresses and chemicals such as acids. BASF's advances in this area are helping these high-performance materials to increasingly replace energy-intensive materials like metals.

As one of the leading manufacturers of engineering plastics, BASF supplies these products to 1,500 customers worldwide. Our aim is to constantly increase our competitiveness. This means that we concentrate on products favored by customers and produce them in highly efficient large-scale plants. For example, our plant



Sales by divisions

Million €



for the production of the plastic Terluran® (ABS) in Ulsan, Korea, sets new standards in quality and delivery times. Moreover, our status as preferred supplier for our global customers is of paramount importance: Because of its wide product range, BASF is involved in the development of new plastic applications at an early stage. This promotes close and long-lasting business relationships.

Thanks to our e-commerce activities last year, customers are now able to order our products and obtain information on their use online. Two services went live: BASF's own portal in Europe and the electronic marketplace Omnexus™, a joint venture with other plastics suppliers, in North America.

Polyurethanes: Consistent business expansion

Whether you are driving to work in the morning, spending the evening relaxing in front of the TV in your favorite armchair, or doing up your shoes before a game of tennis on the weekend – polyurethanes are never far away. These foams are used wherever soft and flexible but hardwearing materials are needed – such as in car seats, furniture or the soles of shoes.

BASF is one of the three largest manufacturers of polyurethanes in the world. The product range includes basic polyurethane products and systems as well as special elastomers, for example for use in shock absorbers in cars.

We are working to expand this area of business. Asia is particularly important here, since it is the market with the greatest potential for growth over the next ten years. We are therefore planning to build a plant for the manufacture of basic polyurethane products in Korea. Last year, BASF together with Huntsman Polyurethanes and their Chinese partners received official approval for a joint venture for the manufacture of precursors and basic products in Caojing, China. In Singapore, we have a joint venture with Shell to build a large-scale plant for the manufacture of the raw material propylene oxide.

Low production costs, the establishment of a global presence in basic products and close relations with our customers for polyurethane systems and special elastomers are the keys to the success of our polyurethanes business. Large-scale plants operate more cost-effectively than small factories ("economies of scale"). To keep costs as low as possible, BASF is therefore not only building new plants but also constantly expanding existing capacities.

In 2000, we further extended our high-yielding specialty businesses through acquisitions in the United States, Russia and Turkey.

We see potential for future growth in new applications: For example, we cooperated with partners to develop the Sandwich Plate System (SPS). Used in shipbuilding, it dampens vibrations and is lighter, stronger and less expensive than conventional steel components. We expect SPS to produce additional sales of several hundred million euros by 2010.

Fiber Products: Growth opportunities in the high-end sector

Whether it is Julia Roberts seducing Richard Gere in *Pretty Woman* or Marilyn Monroe angling a millionaire in *Gentlemen Prefer Blondes* – it is not just in Hollywood movies that a beautiful woman's stockings have a magical effect on men. Once upon a time stockings like this – made of silk – were pure luxury. Today, stockings made of polyamide fibers, commonly known as nylon, offer women the same comfort at affordable prices.

BASF produces nylon 6 and nylon 6,6. In the case of nylon 6, which is in greater demand, we are the world's largest producer. Here too, we utilize the advantages of the BASF Verbund: We produce 70 percent of the volume of raw materials for nylon 6 internally; the figure for nylon 6,6 is 40 percent.

BASF fiber products are used in textiles, but above all in carpets and industrial fibers.

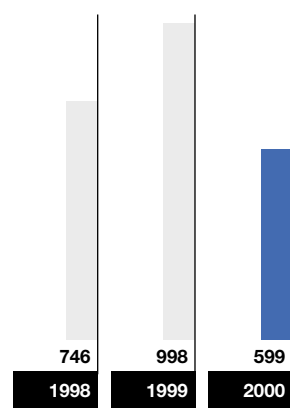
Our nylon 6 basic products are already the industry standard in Asia. In the future, we want to focus on becoming more active in the segment of high-end applications, which offers higher margins. This is where we see growth opportunities in all important markets, but primarily in Asian countries such as Taiwan, Indonesia and China.

Polyolefins: Heading for global cost and market leadership with Basell

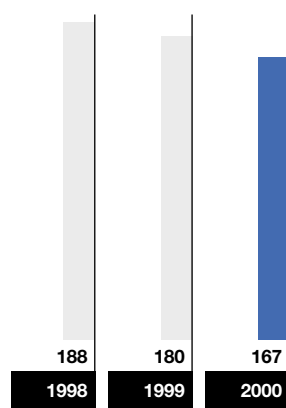
As of September 30, 2000, the polyolefins business of BASF – Elenac and Targor – was merged with the polyolefins business of Shell to form the joint venture Basell, in which BASF has a 50 percent stake.

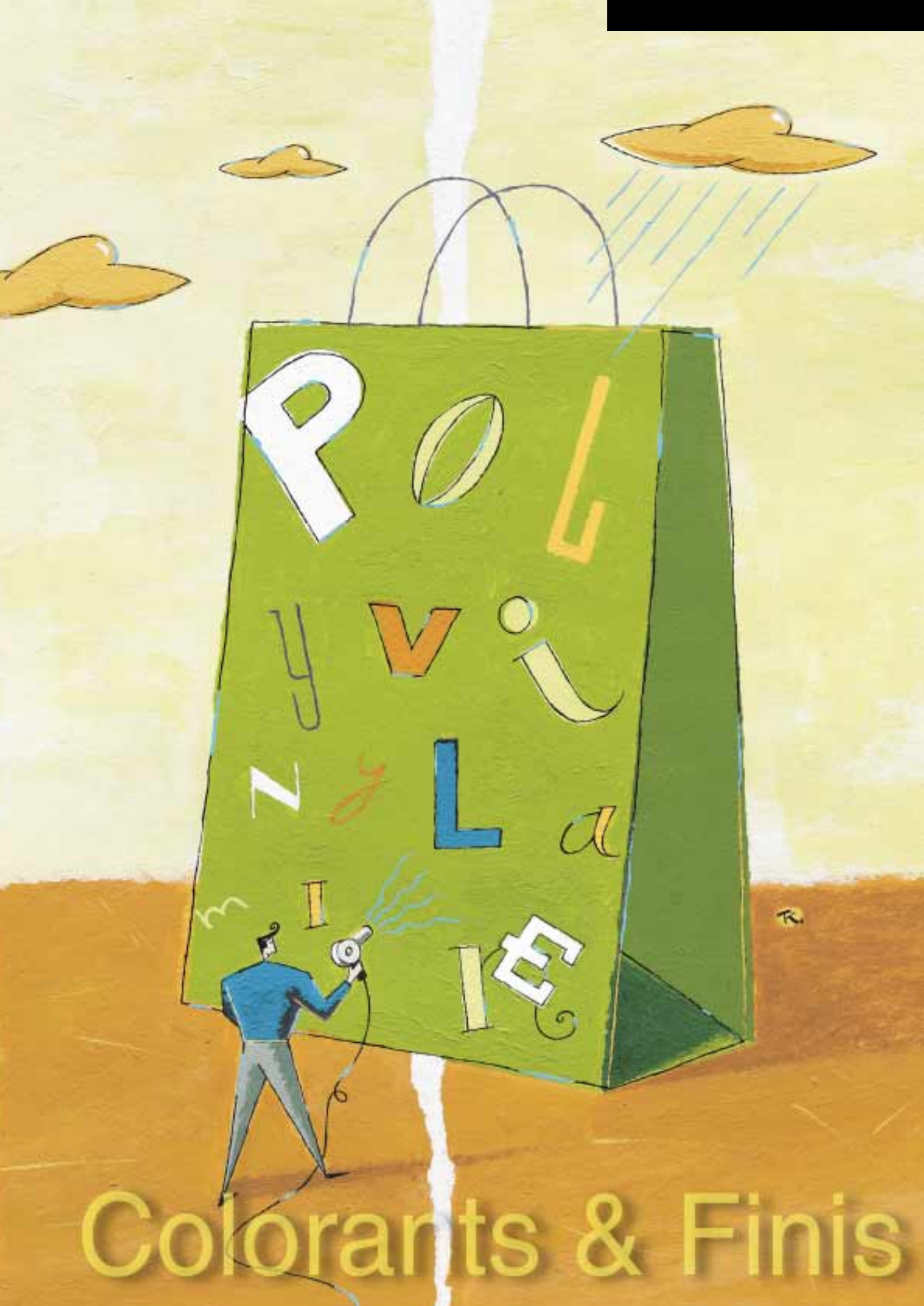
Basell is the world's largest supplier of polypropylene and its fourth largest supplier of polyethylene. Our last financial reporting on this business area was for the third quarter of 2000.

Capital expenditures
Million €



Research and development expenses
Million €





Colorants & Finis

Will paper bags soon be as thin and robust as their plastic counterparts?

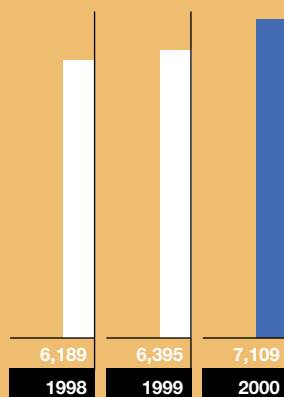
BASF has made a major advance in achieving this objective. The chemical that makes all kinds of paper considerably more tear-resistant and durable is called polyvinylamine. Even when wet, paper containing this innovative chemical is much stronger than paper made with the usual process chemicals. Moreover, polyvinylamine also makes the production process simpler and more cost-effective. This year, BASF is putting a major polyvinylamine production plant into operation that will make us the only large-scale manufacturer of this product in the world.

A decisive advantage, since 300 million metric tons of paper are produced worldwide each year. By 2005, we want to achieve annual sales of €100 million with polyvinylamine.

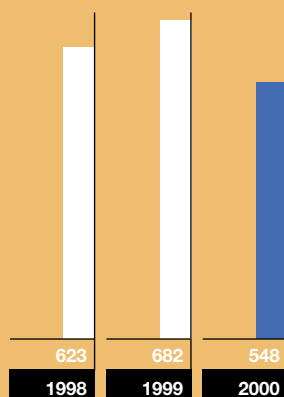
hing Products



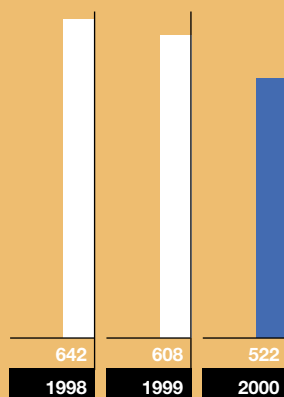
Sales
Million €



Income from operations
before special items
Million €



Income from operations
Million €



- ▶ **Marked increase in sales**
- ▶ **Decline in earnings due to sharp increase in raw material costs**
- ▶ **BASF is the world's market leader in superabsorbents**
- ▶ **Colorants division back on track after restructuring**
- ▶ **Growth through innovative products such as polyvinylamine**

BASF products play an important role in unexpected places: Giving everyday items beautiful and protective coatings, helping glues to work, making sure that diapers keep babies dry. We are a leading manufacturer of high-value chemical products such as process chemicals, polymer dispersions, colorants and coatings. Our customers are to be found in almost all sectors of industry, including the automotive, paper, packaging, textile, construction, printing and leather industries.

In 2000, sales in the segment climbed by 11.2 percent to €7,109 million, partly as a result of acquisitions. Drastic increases in the costs of raw materials could not be fully offset by price increases. This led to a fall of 19.6 percent in income from operations before special items.

In order to extend the portfolio further in this segment and to improve the cost structure, BASF vigorously pursued its restructuring program in 2000. We merged the textile dye operations of BASF in DyStar, and, with the acquisition of Chemdal, we once again decisively improved our market position in superabsorbents.

Our strategy in the Colorants & Finishing Products segment involves implementing innovative ideas in close technical cooperation with customers and operating efficient large-scale plants close to our product markets. In 2001, we have set a target of achieving a substantial increase in sales and above all in earnings. The expected improvement in margins and the integration of the businesses we have acquired will help us meet this goal.

Colorants: Turnaround achieved

Red, blue and yellow – colorants from BASF make the world a brighter place. Without them, cars, houses, magazines and shoes would all seem rather dreary. We are one of the world's largest manufacturers of colorants. In addition, BASF is a leading producer of chemicals for textiles and leather that enhance the qualities of clothes and leather goods, for example by making them more waterproof or easier to look after.

We have adapted to changes in the markets. Thus, we have successfully countered constant price pressure, falling demand and worldwide overcapacity in recent years. A rigorous program of restructuring has allowed us to improve profitability: We have streamlined our portfolio, restructured our sites and shifted production capacity from Europe to Asia and South America – which is where our most important customers are located.

As of October 1, 2000, we merged our textile dye operations in DyStar – a joint venture with Bayer and Hoechst. With a market share of 23 percent and annual sales of approximately €1.1 billion, the new DyStar is the world's largest supplier of textile dyes.

The Colorants division is currently strengthening its activities in growth regions such as North America and Asia. When developing new products and applications, we work in close cooperation with our customers.

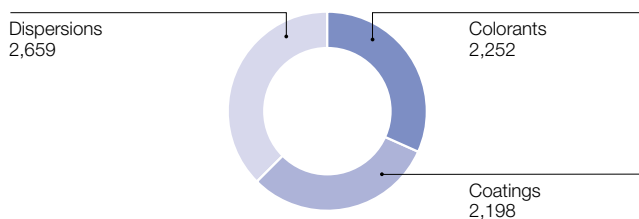
We concentrate on areas with strong potential for growth and earnings. For example, we opened pilot plants for leather and textile chemicals in Shanghai, China, in 2000. With these service centers, we are on the spot and provide our customers with faster and better support in their day-to-day work. In printing systems we have proved that we are the leading innovator in our field with our sheet-offset F1 series, which is regarded as the best quality printing ink on the market.

In order to ensure that growth remains profitable, we will continue to follow a program of tight cost management and optimize our product portfolio. Together with our strategy of establishing close customer relationships, this approach will allow us to grow faster than the market and to increase earnings significantly.



Sales by divisions

Million €



Coatings: Eco-efficient products gaining ground

Which would you prefer: Jazz Green, Tornado Red or Magic Blue? Metallic, pearl or even a flip-flop effect? Anyone trying to decide on a color for their new car is spoiled for choice nowadays. Long gone are the days when the legendary Henry Ford was able to say, “You can have any color – so long as it’s black.”

With core competencies in automotive OEM coatings, refinish and industrial coatings, BASF is one of the world’s leaders in high-quality industrial surface coatings. In Brazil, we are also one of the leading producers of decorative paints.

We develop, produce and market coating systems as well as the associated coating processes. We focus on innovations such as UV-cured, powder and waterborne

coatings, which offer good value for money and are easier on the environment because they give off little or no solvent. In a word: They are eco-efficient (see page 51).

We see major growth opportunities in a new, ground-breaking coating process that we have developed jointly with DaimlerChrysler and the German construction company Dürr Systems. The process is used in the production of the Mercedes A-class. Paint materials and coating processes – some of which are entirely new – have reduced paint consumption by about 20 percent, while still achieving the same level of quality.

Ureclear[®] also promises to be a very successful product: This new clear finish is scratch-resistant and extraordinarily resistant to environmental influences. At the same time, it improves the efficiency of the coating process and reduces costs. In the United States, BASF received the Ford Motor Company’s prestigious Henry Ford Technology Award for the development and successful OEM use of this clear finish.

BASF is working to strengthen its core business through growth by its own efforts and by setting up joint ventures and making further acquisitions. Thus, in 2000 we took over the coil coatings business – the coating of coiled steel and aluminum – of Rohm and Haas. We are now ranked number two worldwide in this market, which is expected to grow by more than 10 percent per year. In addition, we have strengthened our position in Asia by setting up a 50-50 joint venture with the Japanese NOF Corporation. The joint venture involves the entire Japanese coatings businesses of the two partners.

The keys to continued success in the coatings business are close cooperation with our customers and joint development of system solutions – i.e. tailor-made products and processes. Solutions of this kind help us to create products that distinguish us from our competitors and achieve long-term customer loyalty.

Dispersions: Extending market leadership in acrylic acid

A dry bottom is important if infants and their mothers and fathers are to get a good night's sleep. This is possible thanks to modern diapers that use clever chemistry: Substances called superabsorbents can absorb many times their own weight in liquid and – unlike traditional cloth diapers – retain it even under pressure. By acquiring the U.S. company Chemdal, BASF became world leader in superabsorbents last year.

Other mainstays of this operating division are dispersions for the paper, paint and adhesives industries. Dispersions consist of a liquid – usually water – in which minute polymer globules are dispersed. When the dispersion is applied to a surface, the liquid evaporates and a polymer layer remains. This layer can have quite varied characteristics – soft and sticky, durable and hard, glossy and suitable for printing, rigid or flexible – according to the properties required.

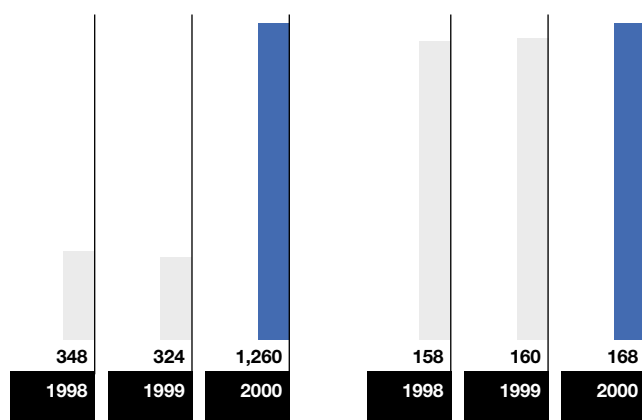
We have the following objectives in the Dispersions division: We want to build on our cost leadership and our position as leader in the world market for acrylic acid – a precursor for superabsorbents and dispersions – and to expand operations in all regions. To achieve these objectives, we are constructing cost-effective, large-scale plants in all regions. Last year, the start-up of our acrylic acid complex in Kuantan, Malaysia, marked an important mile-

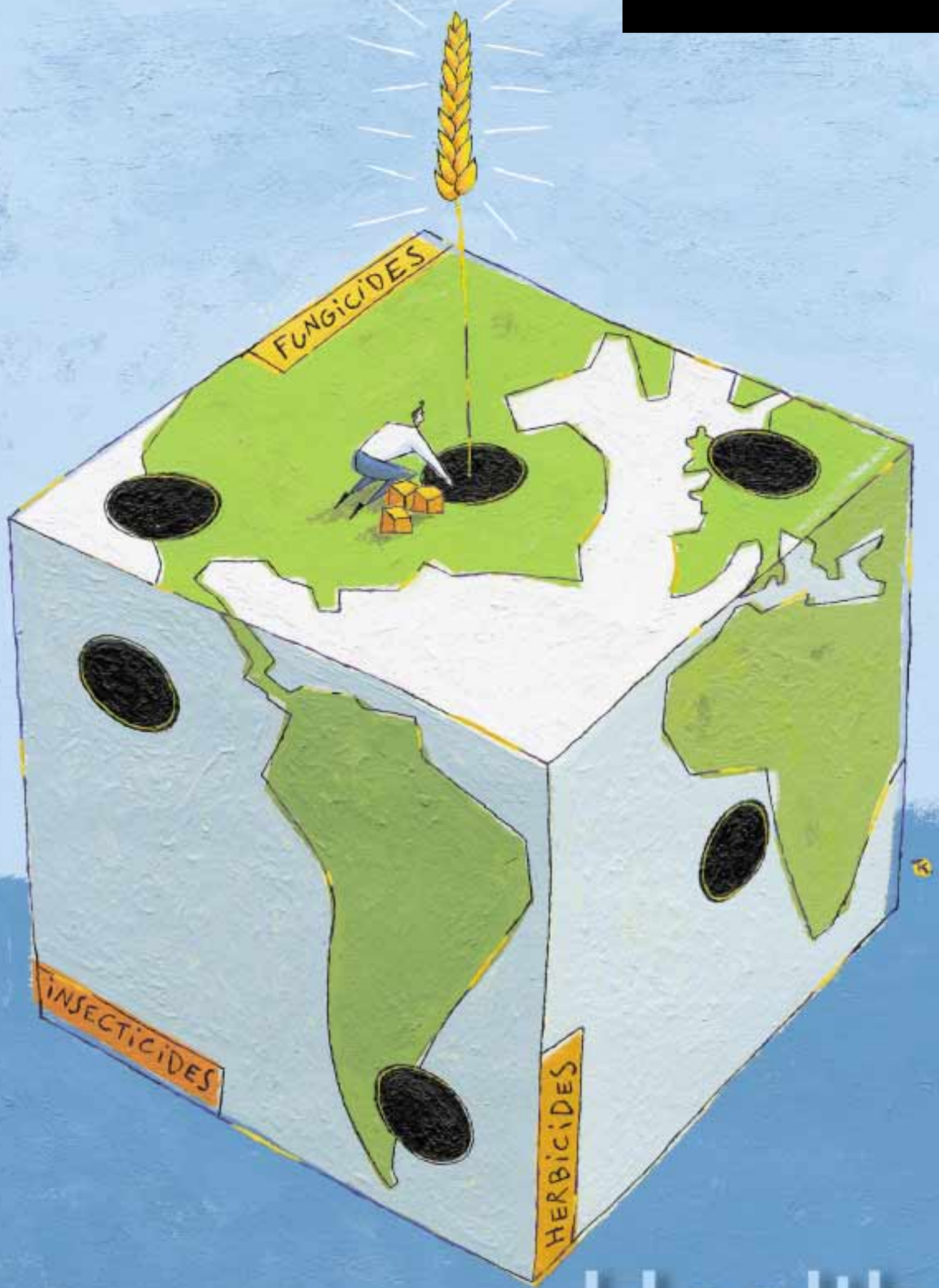
stone along this road. In 2000, we signed a declaration of intent with the company Petrobras, Rio de Janeiro, for the construction of plants for acrylic acid and its derivatives in Brazil. This means that we intend to have our own production facilities in this rapidly growing market. In the Dispersions division we have been able to increase productivity considerably by building new production plants at our site in Ludwigshafen, Germany. This has also put us in an excellent competitive position.

We also want to grow through innovative products like polyvinylamine: Using this process chemical, which was developed by BASF, paper can be produced more easily and in better quality. Polyvinylamine makes paper more resistant to tearing and reduces production costs. The substance is highly versatile and can be used to solve problems in a number of stages of paper production. With the commissioning of a new plant this year, BASF will be the only large-scale manufacturer of this product. By 2005, we anticipate annual sales of €100 million.

Capital expenditures
Million €

Research and development expenses
Million €

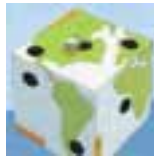
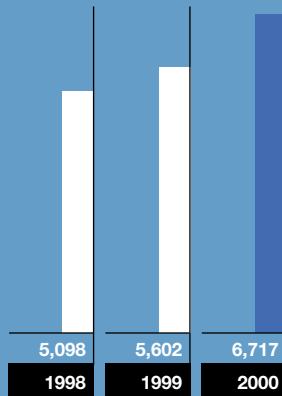
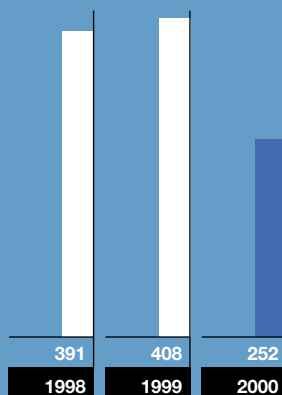
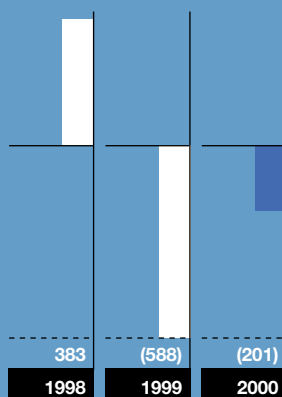




Health

The purchase and rapid integration of the crop protection business of American Home Products was a major success for BASF. We are now the world's third largest supplier of agricultural products. The acquisition forms part of BASF's strategy of achieving a leading market position in areas in which we are already strong. In addition to herbicides and fungicides, the company now also has an extensive range of insecticides. In the next six years, we will launch 15 active ingredients with an annual sales potential of up to €2 billion to combat fungi, insect pests and weeds.

& Nutrition

Sales
Million €Income from operations
before special items
Million €Income from operations
Million €

- ▶ **Number three in agricultural products through acquisition of the crop protection business of American Home Products (AHP)**
- ▶ **Integration costs led to expected fall in earnings**
- ▶ **Substantial increase in sales on a comparable basis**
- ▶ **15 active ingredients in the agricultural products research pipeline with an annual sales potential of up to €2 billion**
- ▶ **Pharmaceuticals activities sold to Abbott Laboratories for \$6.9 billion**

Vitamins, active ingredients for the pharmaceutical industry, agricultural products to combat fungal attack, weeds and insect pests, or UV light (ultraviolet) absorbers for sun creams – BASF products contribute to the health and nutrition of people around the world.

Despite an increase of 19.9 percent in sales, income from operations before special items in the Health & Nutrition segment fell in 2000. This was mainly due to charges in the operating period that were not reported as special items and that arose as a result of the integration of the crop protection business acquired from American Home Products (AHP). We expect this integration to achieve annual cost savings of approximately €250 million as of 2002, with half the amount being achieved in 2001.

Future success in products for agriculture and the food industry will depend on continually developing innovative products and bringing them to market quickly.

In this area, BASF will benefit from its successful research activities with highly promising active ingredients such as the new fungicide F 500®.

We acquired the vitamins business of the Japanese company Takeda Chemical Industries Ltd. and created a joint venture in Japan to expand our market position in fine chemicals in this region.

After carefully considering various options, we decided to sell our pharmaceutical activities to a major pharmaceutical company. Our products have been successful on the market, and our research projects are promising. Nevertheless, a major pharmaceutical company with an extensive marketing and distribution network can exploit their potential much more effectively. For this reason we decided to sell our pharmaceutical activities to Abbott Laboratories of Abbott Park, Illinois, for \$6.9 billion.

Fine Chemicals: Investment program strengthens our global position

Mother Nature as our role model: BASF manufactures pure forms of naturally occurring substances that maintain and promote our health – vitamins, carotenoids, enzymes and amino acids. We also supply substances for the pharmaceuticals and cosmetics industries.

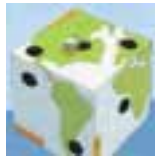
Last year, business with pharmaceutical substances was transferred from BASF Pharma to the Fine Chemicals division. Our product portfolio includes substances in high demand such as acetaminophen and caffeine.

Vitamins are the most important product group in the Fine Chemicals division and account for about one-third of the division's sales. We consolidated our position as one of the world's leading vitamin manufacturers by purchasing the vitamins business of Takeda Chemical Industries Ltd.

As of January 1, 2001, BASF accounts for approximately 30 percent of the global vitamin market – a market which is growing annually by an average of 4 percent. We aim to achieve cost leadership by establishing new production processes. To this end we will invest €600 million worldwide over the next five years on expanding capacity in existing plants and to build large-scale new plants for vitamins A, B₂, B₆ and E and calcium pantothenate.

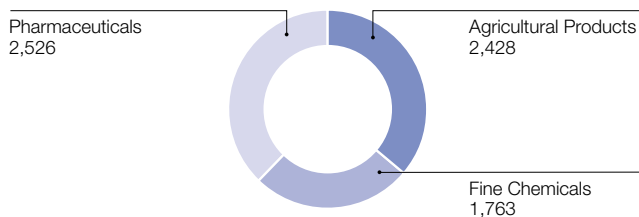
One of the fastest growing products in our fine chemicals range is the UV absorber Uvinul® MC 80, which is used in sun creams. This success is due to BASF's new synthesis route for the substance. The demand for this UV-B absorber is increasing so rapidly that a new plant will go on stream in 2001. Our goal is to become the leader in the market for UV-B absorbers.

Our objective for 2001 is profitable growth. We expect a double-digit increase in sales. This increase will be supported by the Takeda acquisition and growth in our business. We believe our greatest opportunities to be in animal feed additives, raw materials for cosmetics and products for the food industry.



Sales by divisions

Million €



Agricultural Products: 15 promising active ingredients in the research pipeline

The world's population is growing – but unfortunately its resources of agricultural land cannot grow with it. For this reason, prevention of crop losses due to fungi, insect pests or weeds is becoming increasingly important, and there is a rising demand for effective, environmentally safe agricultural products.

BASF intends to assert its position among the leaders in the agricultural products business. Our acquisition and successful integration of this business in 2000 was an important milestone along this road.

The following success factors emphasize our new strengths:

- ▶ Regionally, we have greatly expanded our market position in the important agricultural markets of North and Latin America and have strengthened our long-term position in Europe. In Asia, we can now offer a much more attractive range of products.
- ▶ Our product portfolio has been significantly strengthened worldwide for all major crops. We can now also offer a tried and tested range of insecticides.
- ▶ Our research and development pipeline is well supplied: By 2006, we want to develop and bring to market 15 active ingredients with an annual sales potential of up to €2 billion.

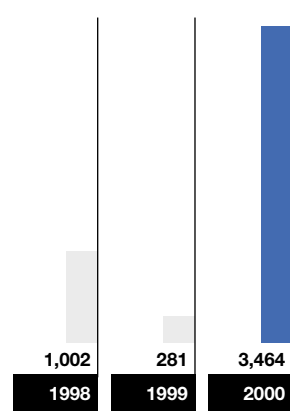
One highly promising innovation is an active ingredient from the class of strobilurins. This fungicide, called F 500[®], has a broad spectrum of application in a wide selection of crops including cereals, grapes, fruit and vegetables. The product is extremely reliable and safe to use, and its positive toxicological and ecological properties make it environmentally friendly. We plan to launch this product in 2002 and we estimate that the annual sales potential of this fungicide alone will exceed €300 million.

Plant biotechnology: A leading position by 2010

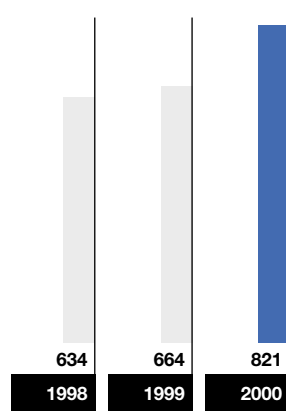
BASF's goals in plant biotechnology are to understand plants, to learn from nature and to improve plant characteristics. Our activities in this area are concentrated in BASF Plant Science. Our goal is to become one of the leaders in plant biotechnology by 2010. To this end, we will be investing more than €700 million in research in this field over the next ten years. We are conducting research to establish which plant genes control particular biological functions. The next step will be to determine the basis for using these genes in crops. We intend to develop crops with improved agronomic properties – such as resistance to cold or drought – or with constituents that provide improved nutrition. These include plants with a higher vitamin content or with omega-3 fatty acids to prevent cardiovascular disease. We expect to launch modified crop plants starting in 2005.

In order to extend our research activities in the area of starch modification, we acquired the U.S. biotechnology company ExSeed Genetics in December 2000. The acquisition puts us in a leading position in the development of new corn variants with improved nutrient composition for animal feeds.

Capital expenditures
Million €



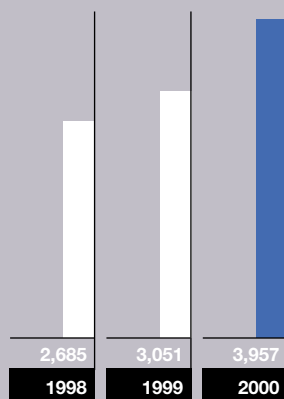
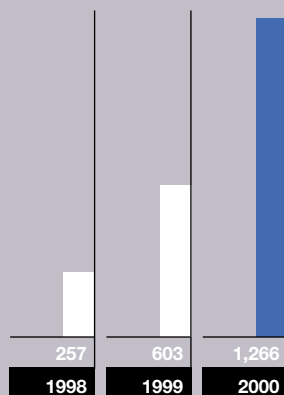
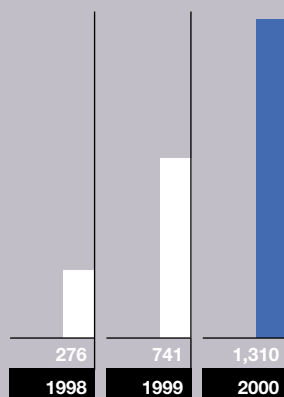
Research and development expenses
Million €





Oil and gas are the very lifeblood of industrialized countries. They are essential for maintaining today's standard of living. Business with gas and oil is highly profitable. Our strength lies primarily in the exploration for and production of crude oil and natural gas. Our expertise should prove even more valuable in the future: In the next five to ten years, we aim to increase oil and gas production by at least 50 percent.

Oil & Gas

Sales
Million €Income from operations
before special items
Million €Income from operations
Million €

- ▶ Greatest increase in earnings of all segments
- ▶ Substantial increase in sales
- ▶ Expansion in German natural gas market faster than forecast
- ▶ Ambitious growth objectives: 20 percent share of the natural gas trading market in Germany and a 50 percent increase in production of oil and gas in the long term
- ▶ Development of new oil and gas deposits planned

BASF's crude oil and natural gas business is one of most important growth engines for the company. Oil and gas business is handled by Wintershall AG, a wholly owned subsidiary of BASF. Wintershall concentrates on the exploration and production of oil and gas and on natural gas trading.

In 2000, income from operations before special items in the Oil & Gas segment stood at €1,266 million – more than double the previous year's figure.

Crucial factors contributing to this increase were the further expansion of our business in oil and gas together with higher crude oil prices and a strong U.S. dollar. The segment therefore acted as a counterbalance to those areas of the chemicals business in which margins came under severe pressure due to high oil prices. Strategically, this is the kind of balance we want. It provides a major market advantage because not all of our competitors have a firm footing in this business. This advantage will become even greater over the next few years, since increasing use of our pipelines will further boost the contribution the gas business makes to earnings.

In 2001, we anticipate that crude oil prices will remain volatile, although on average the high prices seen in 2000 will not be achieved. Despite this, we expect that sales and earnings in the Oil & Gas segment are likely to remain at the level for 2000 and we are therefore continuing to expand our activities in exploration and production and in natural gas trading.

Exploration and production of crude oil and natural gas: Development of new key areas

From the Arctic wastes of Russia to the deserts of North Africa, from the coast of Tierra del Fuego to the depths of the North Sea – the search for oil and gas takes us to the most diverse regions on earth.

Exploration and production currently account for most of our earnings in the oil and gas business. We have ambitious growth targets for the future: We plan to increase our oil and gas production by at least 50 percent in the next five to ten years. At the same time, we want to establish at least an 8-year supply of reserves through continuous exploration.

With a view to the future, BASF is active in hydrocarbon exploration and production especially in and around Europe. Natural gas is at the forefront of our activities.

At the same time, our strategy for growth demands that we divest ourselves of operations that do not offer a sufficiently high return or do not fit into our strategy. That is why we disposed of our gas activities in the British North Sea and some shares in operations in Qatar in 2000.

Unlike many of our competitors, we deliberately focus our exploration and production activities on just a few oil- and gas-rich regions. This allows us to carry out our projects at costs that are below the industry average.

This is why we have also extended our successful cooperation in natural gas trading with the Russian partner OAO Gazprom to include exploration and production.



Our main regions of exploration and production



Natural gas trading: Upward adjustment of growth targets

Energy is the lifeblood of industrialized countries. Natural gas is an energy source that is becoming increasingly important in Europe. In 1965, natural gas met only about one percent of Germany's primary energy needs, whereas today the figure is more than 20 percent, and it is still rising.

We have had a strong partner in the natural gas business for more than ten years: The Russian enterprise OAO Gazprom has the largest natural gas reserves in the world. WINGAS, WIEH (Wintershall Erdgas Handelshaus GmbH) and WIEE (Wintershall Erdgas Handelshaus Zug AG) are joint ventures of OAO Gazprom and Wintershall.

These joint venture companies supply Germany with Russian and British natural gas and trade in gas in Central and Eastern Europe – markets that promise high growth rates in the future.

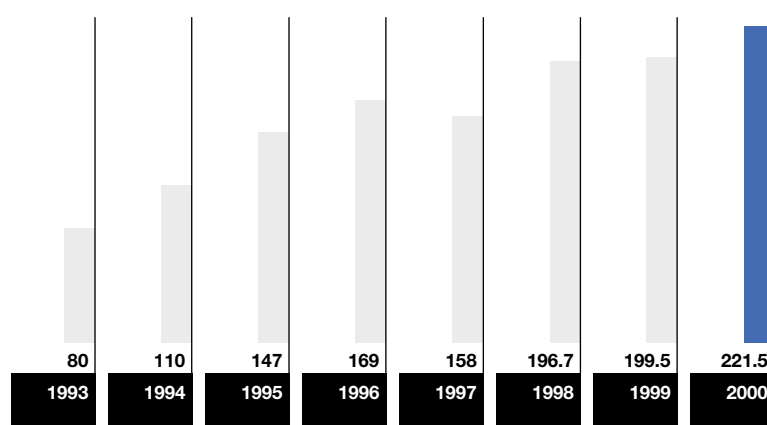
WINGAS was founded in 1993. Our original aim of gaining a 15 percent share of the German natural gas market by 2010 will be achieved much sooner than planned.

The total sales volume of our joint venture companies WINGAS, WIEH and WIEE was 221.5 billion kilowatt hours, 19 billion kilowatt hours more than in 1999.

The continuing liberalization of the natural gas market is creating great opportunities for growth that we want to use to steadily expand our market position. We now anticipate that we will be able to increase our market share to 20 percent by 2010. To meet this goal, we will rely on our

excellent infrastructure, which includes a state-of-the-art 1,800 km pipeline network, and our access to Western Europe's largest underground natural gas reservoir, located in Rehden, Germany.

Natural gas sales volumes WINGAS, WIEH, WIEE
Billion kWh





Research &

You need to understand plants before you can improve their specific characteristics. Metanomics GmbH & Co. KgaA in Berlin, a BASF Plant Science company, is working on doing just this. The company has been so successful that its name is quickly becoming synonymous with this field of research: Analyzing which biological functions are controlled by which plant genes. Metanomics' basic research focuses on developing healthier and more productive plants. Such plants will be more nutritious, for example by containing more vitamins, or will grow and thrive even in difficult conditions such as drought and cold.

Some 10,000 people around the world work in our Research Verbund. We are finding solutions to the challenges of the future and developing innovations to help BASF's business grow.

Development



Understanding what customers want, developing innovative products and processes quickly, exploiting scientific advances: These are the tasks of our R&D units.

Our global Research Verbund is made up of central laboratories at our Ludwigshafen site, research and development units in Group companies, technology platforms such as BASF Plant Science, interests in start-up companies and approximately 800 cooperations with leading universities, research institutes and industrial partners.

In 2000, we spent €1,526 million on research and development and applied for 22,553 patents and trademarks to protect our intellectual property.

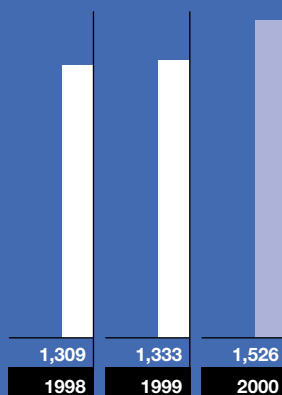
Innovative products and processes: New impetus and growth for our business

Future success is based on innovative products and applications.

New and improved manufacturing processes enable us to keep one step ahead of the competition through favorable cost structures. In the last decade we invested, on average, approximately €100 million a year in research and development to improve our most important processes. Thanks to these “silent innovations” we can reduce our manufacturing costs by more than €1 billion a year compared to 1990 – fruits of our labors that have a major financial impact.

Traditional steel construction components can be replaced by the Sandwich Plate System (SPS), developed by our subsidiary Elastogran and its partner Intelligent Engineering (IE). SPS is a steel-polyurethane-steel sandwich that can be used in shipbuilding. It dampens vibrations and is lighter, stronger and less expensive than conventional components. About 1,500 metric tons of polyurethane elastomer are needed to build a small tanker of 40,000 gross register tons. Worldwide, about 2,000 new ships are built every year, representing potential sales of several hundred million euros up to 2010.

Research & Development expenses
Million €



In the future, low-emission, energy-efficient fuel cell drives will supplement internal combustion engines in powering vehicles, and may even replace them in the long term.

Together with XCELLSIS, a subsidiary of DaimlerChrysler, Ford and Ballard Power Systems, BASF is developing special catalysts that allow vehicles powered by fuel cells to use methanol as fuel. Vehicles of this kind are expected to come on the market in 2004. The long-term estimate of the world market for these types of catalysts is judged to be more than €500 million.

Combinatorial materials research: High efficiency will lead to new products

Time is money – particularly where research is concerned. Cutting-edge technologies enable us to exploit newly acquired knowledge as quickly as possible.

We save time and money in our research by automating laboratory work. We have also applied combinatorial chemistry methods that are employed in active ingredient research to the field of materials research for special effect substances, polymers and catalysts, and have further developed them. In automated parallel reactors we produce a large number of new materials simultaneously and then test them immediately to establish their characteristics. This allows us to identify promising lead structures quickly and optimize them in commercial products. In this field we cooperate closely with leading scientists and research companies, and have also acquired a stake in the Swiss company Chemspeed, a market leader in the field of parallel reactors.

Biocatalysis: New tools create new opportunities in chemistry

Enzymes, nature's catalysts, are able to produce precisely the products we want – in other words, with virtually no secondary reactions. Another advantage is that enzymes function at room temperature and pressure. Together with international research institutes, we exploit the potential of enzymes in our chemical manufacturing processes. The aim is to produce new enzymes that will allow us to expand our value-adding chains to include high-quality intermediates.

A new plant for the production of an optically active carboxylic acid will be completed at our site in Ludwigshafen, Germany, during the second half of 2001. This substance will be manufactured using a genetically modified micro-organism developed in cooperation with Stuttgart University. With the construction of the new plant, one of our central value-adding chains will be extended to include a component needed for the synthesis of important pharmaceutical active ingredients. We are already using enzymes in the manufacture of our chiral intermediates (ChiPros™).

Plant biotechnology: Key technology for Health & Nutrition

In the new field of plant biotechnology, we are focusing our activities on developing crops that can handle difficult weather conditions such as drought or cold, produce higher yields or contain greater amounts of vitamins and other valuable constituents.

More than 300 people currently work for BASF Plant Science – the umbrella organization in which we have combined our research activities in plant biotechnology.

We want to invest €700 million in plant biotechnology over the next ten years. We recently strengthened BASF Plant Science through the acquisition of ExSeed Genetics, a U.S. biotechnology company. Our aim is to become one of the leading companies in this field.



Sustainable

Sustainable Development is a balancing act – between today’s economic, ecological and social needs and the needs of future generations. In 1992, at the United Nations Environmental Conference in Rio de Janeiro, the international community agreed on the principle of Sustainable Development, to which BASF is also committed. Last year, we made sustained profitable performance based on the principle of Sustainable Development an obligatory part of the “Values and Principles” that underlie our global activities.

Starting this year, the principle of Sustainable Development will also be reflected in our publications. This summer we will be issuing our “Environment, Safety and Health 2000” and “Social Responsibility 2000” reports. Together with the “Annual Report 2000,” these documents give an account of the ecological, social and economic implications of our business.

Development



**Environment,
Safety and Health:
Continuous improvement
is our aim.**

“We act in a responsible manner and support the Responsible Care® initiatives. Economic considerations do not take priority over safety and health issues and environmental protection.” This is one of the Values that underlie all decisions and actions at BASF.

But what does this actually mean for our work? Our Principles, which are closely linked to the idea of Sustainable Development, provide an answer:

- ▶ We encourage awareness of safety, health and environmental issues among our employees and strive for continuous improvements through our agreed-upon objectives.
- ▶ We produce products that are safe to manufacture, use, recycle or dispose.
- ▶ We support our customers to use our products safely and in an environmentally sound manner.
- ▶ We minimize the impact on mankind and the environment during production, storage, transportation, sale, use and disposal of our products.

When applying the Principles of BASF Group to environment, safety and health issues, appropriate consideration must be given to local circumstances. Decision-makers in individual countries are responsible for determining how to conform with BASF's Principles as well as the local legal requirements.

A high standard worldwide

We make sure that our strict internal regulations are put into practice. All over the world, our production plants operate to high standards. After all, only modern, safe plants and low-risk work methods are economically viable.

When it comes to the environment, safety and health, we are always looking to do better. On behalf of the Board of Executive Directors, our experts conduct regular audits and inspections at all sites worldwide. In 2000 alone, 141 environmental protection and safety audits were carried out at 82 BASF sites. Suggestions for improvements were drawn up with the assistance of site representatives and then implemented.

To foster a process of ongoing improvement, we have deliberately set ourselves the ambitious goals of “zero occupational illnesses” and “zero on-the-job accidents.” Specific measures at BASF Group have reduced the number of accidents resulting in days off work by 7 percent to 3.66 per million hours worked; at BASF Aktiengesellschaft the figure was 4.03. This again puts BASF well below the chemical industry average.

Eco-efficiency analysis: Our innovative tool for making products better

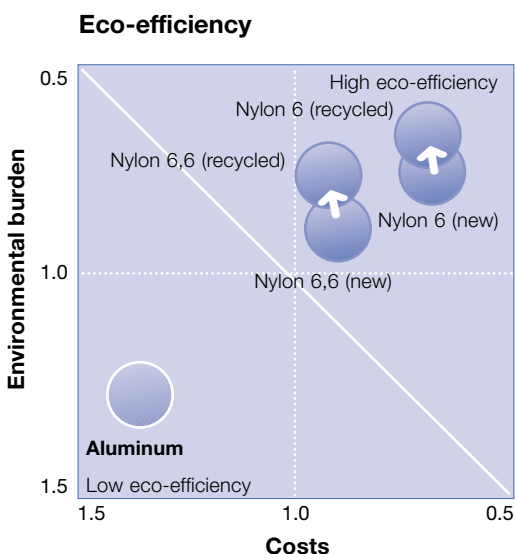
Ecological performance and economic success are closely linked when it comes to the question of how BASF’s products should look in the future. In the search for answers BASF, together with the consultants Roland Berger + Partner, decided to take the lead by developing a strategic tool – the eco-efficiency analysis. This allows us to consider

both economic and ecological aspects when developing and optimizing products and processes, and helps us choose the most eco-efficient of the various alternatives. The analysis looks at the entire life cycle of a product, “from the cradle to the grave,” i.e. from the extraction of raw materials through to recycling or disposal. Comparisons with other products and processes provide BASF with products with optimum characteristics that are gentle on the environment – and at the same time make us the most cost-effective supplier.

With an eye to the markets of the future, we believe that it is prudent to consider the environmental friendliness of one’s own products. That is why we felt it was important to develop an effective means of monitoring ecological and economic performance. Eco-efficient products and processes give us a competitive edge.

Reporting

In our publication “Environment, Safety and Health 2000,” we give a detailed account of the ecological aspects of our activities as part of our comprehensive sustainability reporting. The brochure will be published in summer 2001. You can order it on the Internet at www.basf.de/mediaorders or by sending us the postcard at the end of this Annual Report.



Engine parts (intake manifolds) made from nylon:
 In a study, engine parts (intake manifolds) made from nylon 6 or nylon 6,6 were compared with those made from aluminum. When viewed over their entire life cycle, the nylon components are much more eco-efficient than their aluminum counterparts because of their lower weight. BASF’s investigations have also shown that nylon intake manifolds from scrap autos are recyclable, thereby further increasing the eco-efficiency of using this plastic.



Employees: 100,000 people give our company character.

Qualified and motivated employees guarantee our success. In 2000, there were approximately 100,000 people working for BASF on five continents. They share experience and knowledge, and keep in contact across organizational boundaries using modern means of communication, thereby forming our global Know-how Verbund.

Our employees support growth and innovation and thus the long-term success of BASF. Our “Values and Principles” map out the direction we are heading and the goals we want to achieve.

Values of the BASF Group:

- ▶ Sustainable profitable performance
- ▶ Innovation in the service to our customers
- ▶ Safety, health, environmental responsibility
- ▶ Intercultural competence
- ▶ Mutual respect and open dialogue
- ▶ Integrity

The world continues to change faster and to an increasing extent. Therefore, we encourage our employees to continue developing throughout their careers so that they can keep pace with changing and increasingly demanding requirements. Our common Values guide them along the way. We take into account possible conflicts between employees' expectations in their specific social and cultural environments on the one hand and the company's business goals and its obligations to state and society on the other.

We encourage international assignments for specialists

The ability to take the broader view, intercultural understanding and global cooperation are essential at a transnational company like BASF. More than 800 BASF Group employees are on international assignment. Great emphasis is placed on language skills and intercultural training to prepare for a foreign posting and make adapting to the new workplace easier. Whether the task is to start up a plant in China within a few weeks, oversee a new product launch in Brazil over a period of months, or to transfer from BASF Corporation to work in Europe or Asia for a number of years – the ability to communicate openly is important. This allows every employee to communicate with colleagues across cultural boundaries so that they can tackle assignments together. We promote the international exchange of experience and the personal development of individual employees with a series of programs ranging from trainee exchanges in Europe to worldwide management development.

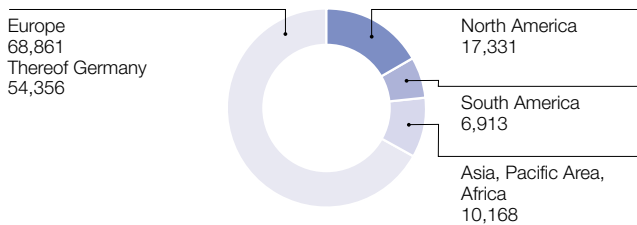
Integration of the crop protection business of AHP: The best of both worlds

Working as a team is crucial to our success – and this was true of last year's successful integration of the crop protection business of American Home Products (AHP) (see pages 34 ff.).

The greatest challenge was to create a team from two different companies with two differing cultures. Merely imposing one system on the other partner would undoubtedly have been the worst possible option. Instead, our aim was to combine the best of both worlds. This also applied to staff selection, and was part of the selection process for executives. In addition, tailor-made workshops on cultural integration and team building have been held since September 2000. Integrated in the daily routine, these workshops will ensure that by the middle of 2001 one company will have been formed out of the two halves. The main objectives are to break down any prejudices, learn more about one another and improve cooperation.

Employees by region

(as of December 31, 2000)

**Increasing employee ownership**

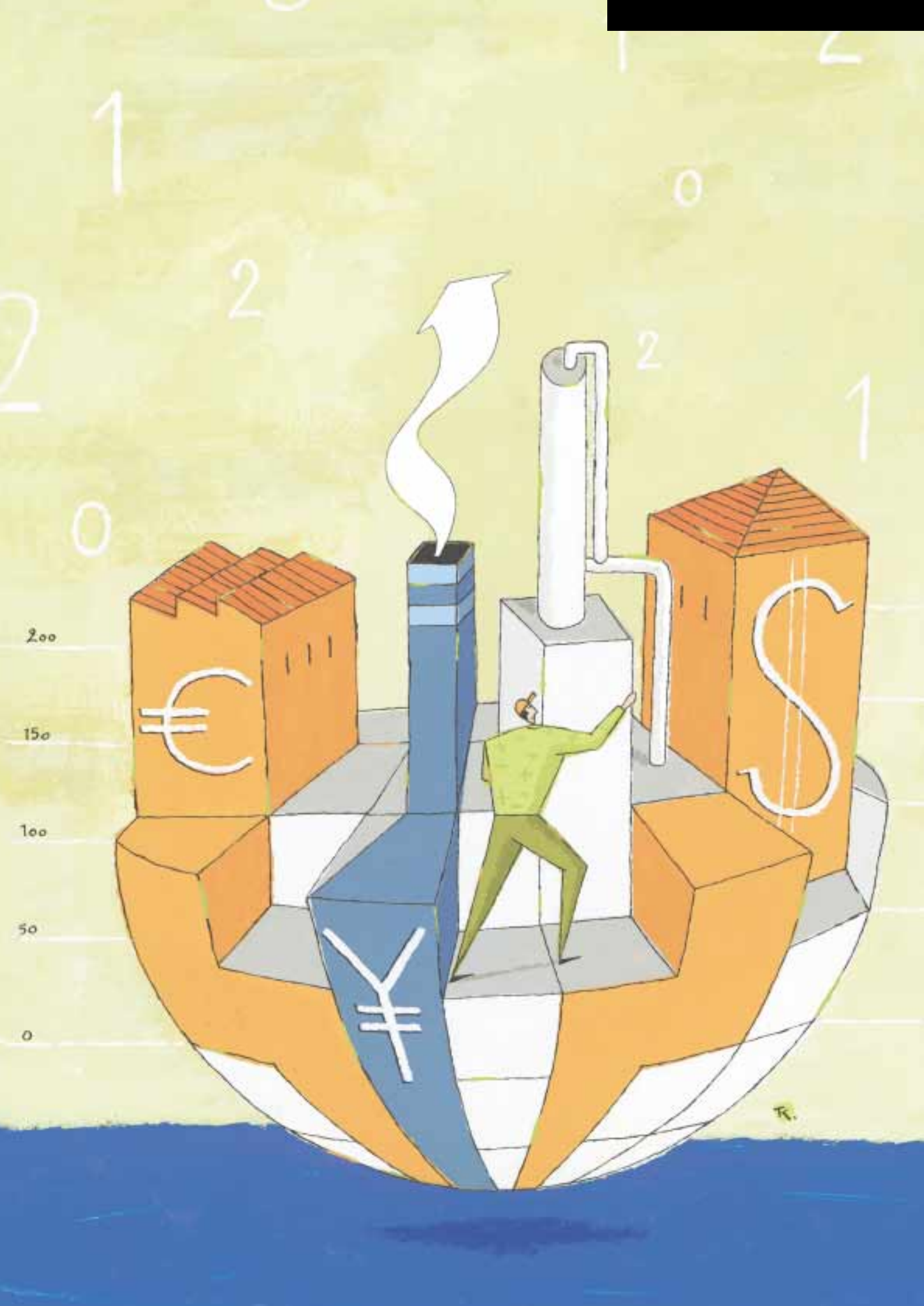
In 2000, about 30 percent of all employees at BASF Aktiengesellschaft and BASF companies in Germany took advantage of the “plus” program launched in 1999, and invested part of their annual bonus in BASF shares. For every ten shares an employee purchases, the company awards up to five additional shares during a 10-year period. A number of BASF companies in other European countries and the BASF Corporation in the United States also offered their employees shares in 2000. Other companies will do likewise in 2001. The BASF stock option program (BOP) is available to our 1,200 senior executives worldwide (see page 9).

BASF Aktiengesellschaft

In the “Agreement 2000,” BASF management and the employees’ representatives at our site in Ludwigshafen, Germany, agreed to reduce the workforce using a variety of socially responsible measures, mainly through offering those approaching retirement short-term contracts. More than 5,000 employees have already chosen this option. In the light of positive experience with the internal “Work Alliance,” BASF management and employees’ representatives have entered into a new agreement that runs until the end of 2003. In addition to the measures set down in the “Agreement 2000,” the “Agreement 2003” aims to achieve a necessary reduction in the workforce in a socially responsible way by means of incentives to work part-time and steps to provide training and increase flexibility in the internal job market.

Reporting

In our publication “Social Responsibility 2000,” we give a detailed account of the social aspects of our activities as part of our comprehensive sustainability reporting. The brochure will be published in summer 2001. You can order it on the Internet at www.basf.de/mediaorders or by sending us the postcard at the end of this Annual Report.



In 2000, we increased our sales by 22 percent. Income from operations before special items amounted to €3,400 million, an increase of 15.3 percent on the previous year.

Assets increased by €8.6 billion to €38.6 billion, primarily as a result of acquisitions. The return on assets was therefore approximately 10 percent.

Despite the financing of extensive acquisitions, the equity ratio is expected to remain stable at 37 percent.

We are proposing to pay our shareholders a dividend of €1.30 and a special dividend of €0.70. We will also be continuing with our share buy-back program.

Finance



Significant increase in volumes and prices

BASF Group sales increased from €29,473 to €35,946 million, an increase of 22 percent.

The increase resulted from the following changes:

Million €	2000	In % of sales
Volumes	1,902	6.5
Prices	3,326	11.3
Currency	1,947	6.6
Acquisitions and additions to the scope of consolidation	(702)	(2.4)

Sales volumes rose by 6.5 percent. The Chemicals and Plastics & Fibers segments, which profited from high demand as a result of favorable conditions in the world economy, were able to boost sales volumes considerably.

Higher sales prices as a result of the increased cost of raw materials accounted for 11.3 percent of the increase in sales. This was particularly the case in the Oil & Gas and Plastics & Fibers segments as well as in the Petrochemicals division of the Chemicals segment.

Positive currency translation effects, in particular due to the strength of the U.S. dollar and an appreciation of the Japanese yen, the Brazilian real and the Korean won, contributed €1,947 million to the increase in sales.

Portfolio changes and additions to the scope of consolidation reduced sales by 2.4 percent on a net basis. Acquisitions contributed €1,056 million to sales. Of this amount, the majority was due to the acquisition of the crop protection business of American Home Products Corporation (AHP) in mid-2000. Divestitures led to a comparable reduction in sales by €1,919 million, the greatest effect being caused by the sale of the oil marketing and refinery business of the Oil & Gas segment at the end of 1999. Changes to the scope of consolidation led to an increase in sales of €161 million.

Income from operations before special items increases by more than 15 percent

Income from operations increased by 53 percent to €3,070 million. This strong increase was favored by a reduction in special items compared with the previous year. Income from operations after special items increased by 15.3 percent to €3,400 million, with the Oil & Gas and Plastics & Fibers segments making major contributions.

Special charges of €344 million were incurred as a result of the integration of the crop protection business of AHP. The program of restructuring at BASF Pharma reduced earnings by €100 million, primarily due to the closure of the research facility in Nottingham, United Kingdom and

Sales and earnings

Million €	2000	1999	%
Sales	35,946	29,473	22.0
Income from operations before special items	3,400	2,950	15.3
Special items	(330)	(941)	
Income from operations as a percentage of sales	8.5	6.8	
Financial result	(243)	597	
Income before taxes and minority interests	2,827	2,606	8.5
Net income	1,240	1,237	0.2
Earnings per share (€)	2.02	2.00	1.0
Net income according to U.S. GAAP	1,454	1,325	9.7
Earnings per share according to U.S. GAAP (€)	2.37	2.14	10.7

staff reductions. Other special charges relate to the unexpectedly high cost of the settlement with indirect purchasers of vitamins in the United States.

Various divestitures led to special income of €205 million. These involved the sale of the Novolen® polypropylene technology of Targor, the Kraton® polymer business of Elenac, and of business activities of the Pharmaceuticals division and the Oil & Gas segment.

Financing costs for high capital expenditures and acquisitions placed a burden on the financial result. However, the relatively low financial result compared with 1999 was primarily due to a high level of special income in 1999 from the sale of BASF's participation in Aral. Income before taxes and minority interests rose by 8.5 percent to €2,827 million.

Income tax expenses were higher, mainly due to non-deductible taxes on oil-producing operations. As a result, net income remained at last year's level at €1,240 million.

Special dividend proposed

BASF Aktiengesellschaft¹ achieved a net income of €1,265 million, of which €50 million was allocated to retained earnings. After accounting for profit carried forward, the profit retained was €1,222 million. The Board of Executive Directors and the Supervisory Board are proposing to the Annual Meeting on April 26, 2001 a dividend payment of €1.30 per qualifying share. In addition, it is proposed that equity charged with 45 percent corporation tax be paid out as a special dividend of €0.70 per qualifying share. If shareholders approve this proposal, the dividend payable on 607,399,370 shares qualifying for a dividend will be €1,215 million. We further propose that the remaining profit retained of €7 million be carried forward.

¹ The auditors have approved the Consolidated Financial Statements of BASF Aktiengesellschaft free of qualification. The Consolidated Financial Statements are published in the Federal Gazette and filed in the Commercial Register of Ludwigshafen (Rhine) HRB 3000. A reprint may be obtained by contacting the address shown on the back cover.

Equity ratio 37 percent

The acquisition of the crop protection business of AHP (our largest acquisition to date), higher ongoing capital expenditures and a large rise in receivables led to an increase in total assets of 28.5 percent. We increased our financial indebtedness to finance these capital expenditures.

Cash provided by operating activities was €2,992 million, a decline of €263 million compared with the previous year. In particular, fund commitments for liabilities increased considerably due to the effect of large increases in the cost of raw materials.

Cash used for capital expenditures and acquisitions reached a new record of €8,830 million. Expenditures on tangible and intangible fixed assets totaled €2,906 million. We spent €6,117 million on acquisitions, in particular on the acquisition of AHP's crop protection business and of the superabsorbents producer Chemdal. A cash inflow of €305 million related to various smaller divestitures in the Pharmaceuticals division and in the Oil & Gas segment as well as in connection with the foundation of Basell.

Financing activities resulted in a cash inflow of €6,660. A major component of the cash inflow was the issue of bonds and commercial papers. We spent €700 million on buying back shares, whereas we received a cash inflow totaling €96 million from shares issued through the exercise of option rights and from minority shareholders at consolidated companies. In 1999 we paid out €695 million in dividends to shareholders of BASF Aktiengesellschaft and a further €53 million in dividends to minority shareholders.

There was a further fall of €484 million in cash and cash equivalents. Net liquidity stood at €870 million when including securities.

Statements of cash flow

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

Financial indebtedness at the end of 2000 was €7,892 million compared with €1,294 million in the previous year. Of this €6,080 million is repayable within one year and €1,754 million is repayable between 2002 and 2005. Approximately 62.2 percent of our financial indebtedness was denominated in U.S. dollars, approximately 25.2 percent in euros and 12.6 percent in other currencies.

Subject to approval by the antitrust authorities, we expect a cash inflow of \$6.9 billion at the beginning of March 2001 from the sale of our pharmaceuticals business to Abbott Laboratories Inc.

Total assets rose €8,548 million to €38,557 million, primarily due to acquisitions. Current assets rose as a result of increases in raw materials costs and a rise in prices for our products. In addition, total assets also increased due to currency translation effects caused by the rise in the value of the U.S. dollar.

The equity ratio fell from 47.1 to 37.1 percent, while long-term liabilities as a percentage of total assets were 23.5 percent compared with 25.1 percent in 1999. Short-term liabilities accounted for 39.4 percent of total assets compared with 27.8 percent in 1999.

Slight fall in return on assets

The return on assets before income taxes and interest expenses fell from 10.2 to 9.9 percent. The improvement in earnings was not sufficient to compensate for considerably higher fund commitments. When adjusted for special items, the return on assets was 10.5 percent compared with 10.9 percent in 1999.

We achieved a return on sales of 8.5 percent, up from 6.8 percent in the previous year. The large increase can be explained by lower special charges against income from operations. Adjusted for special items, return on sales on a comparable basis was 9.5 percent compared with 10.0 percent in 1999.

Earnings per share according to U.S. GAAP were €2.37, or 10.7 percent more than in 1999.

Balance sheet

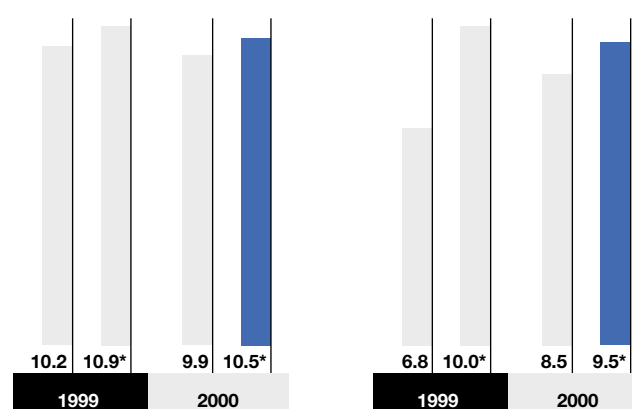
ASSETS	Million €	2000 in %	1999 in %
Intangible assets	4,538	11.8	7.2
Tangible assets	13,641	35.4	41.4
Financial assets	3,590	9.3	5.0
Fixed assets	21,769	56.5	53.6
Inventories	5,211	13.5	13.4
Accounts receivable, trade	6,068	15.7	16.5
Other receivables	3,369	8.7	7.4
Deferred tax assets	1,270	3.3	4.1
Cash and cash equivalents	870	2.3	5.0
Current assets*	16,788	43.5	46.4
Assets	38,557	100.0	100.0

EQUITY AND LIABILITIES	Million €	2000 in %	1999 in %
Paid-in capital	4,301	11.2	14.2
Retained earnings	8,851	23.0	30.0
Currency translation adjustment	662	1.7	1.8
Minority interests	481	1.2	1.1
Equity	14,295	37.1	47.1
Long-term provisions	6,209	16.1	19.4
Long-term financial indebtedness	1,812	4.7	2.4
Other long-term liabilities	1,038	2.6	3.3
Long-term liabilities	9,059	23.5	25.1
Short-term financial indebtedness	6,080	15.8	1.9
Accounts payable, trade	2,848	7.4	7.7
Other short-term liabilities and provisions	6,275	16.3	18.2
Short-term liabilities	15,203	39.4	27.8
Liabilities*	24,262	62.9	52.9
Equity and liabilities	38,557	100.0	100.0

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

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

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



* before special items

Report of the Supervisory Board



Professor Dr. Berthold Leibinger
Chairman of the Supervisory Board

Dear shareholders,

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

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

Meetings and committees

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

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

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

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

Financial Statements of BASF Group and BASF Aktiengesellschaft

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

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

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

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

Composition of Supervisory Board and Board of Executive Directors

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

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

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

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

Ludwigshafen, March 6, 2001

The Supervisory Board

Professor Dr. Berthold Leibinger
Chairman of the Supervisory Board

MANAGEMENT AND SUPERVISORY BOARDS**SUPERVISORY BOARD**

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

Prof. Dr. Ing. E. h., Dipl.-Ing. Berthold Leibinger

Ditzingen, Chairman

Managing Director of TRUMPF GmbH + Co. KG

BMW Bayerische Motoren Werke AG (*Second Deputy Supervisory Board Chairman*)

Deutsche Bank AG (*Supervisory Board member*)

Volker Obenauer

Ludwigshafen am Rhein, Deputy Chairman

Chairman of BASF Group Works Council

Wolfgang Daniel

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

Etienne Graf Davignon

Brussels, President of Société Générale de Belgique

ACCOR S.A. (*Administrative Council Deputy Chairman*)

ARBED S.A. (*Administrative Council Deputy Chairman*)

COMPAGNIE INTERNATIONALE DES WAGONS-LITS ET DU TOURISME S.A. (*Administrative Council Chairman*)

FORTIS AG (*Administrative Council Deputy Chairman*)

SIBEKA S.A. (*Administrative Council Chairman*)

Suez-Lyonnaise des Eaux S.A. (*Supervisory Board member*)

TotalFinaElf S.A. (*Administrative Council Deputy Chairman*)

TRACTEBEL S.A. (*Administrative Council Deputy Chairman*)

UNION MINIERE S.A. (*Administrative Council Deputy Chairman*)

Prof. Dr. rer. nat. François N. Diederich

Zurich, Professor at Zurich Technical University

Dr. jur. Tessen von Heydebreck

Frankfurt (Main), Member of the Board of Executive Directors of Deutsche Bank Aktiengesellschaft

BW Versicherungsverein des Bankgewerbes a.G. (*Supervisory Board member*)

Deutsche Ausgleichsbank (*Administrative Council member*)

Dürr AG (*Supervisory Board member*)

Dyckerhoff AG (*Supervisory Board member*)

Gruner + Jahr AG (*Supervisory Board member*)

Nestlé Deutschland AG (*Supervisory Board member*)

Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act

Deutsche Bank 24 AG (*Supervisory Board Chairman*)

Deutsche Bank Polska S.A. (*Supervisory Board Chairman*)

Deutsche Bank Rt., Hungary (*Supervisory Board Chairman*)

Deutsche Bank Suisse S.A. (*Administrative Council Chairman*)

DWS Investment GmbH (*Supervisory Board member*)

Versicherungsholding der Deutschen Bank AG (*Supervisory Board Chairman*)

Dr. rer. nat. Wolfgang Jentzsch

Mannheim

Linde Aktiengesellschaft (*Supervisory Board member*)

(*until May 17, 2000*)

Linde Gas AG (*Supervisory Board member*)

(*from May 2, 2000*)

Arthur Lloyd Kelly

Chicago, United States; Chief Executive Officer of KEL Enterprises L.P.

(*from December 6, 2000*)

BMW Bayerische Motoren Werke AG (*Supervisory Board member*)

ThyssenKrupp Industries AG (*Supervisory Board member*)

Rolf Kleffmann

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

Ulrich Küppers

Ludwigshafen am Rhein, Manager of the Ludwigshafen branch of the Mining, Chemical and Energy Industries Union (*Industriegewerkschaft Bergbau, Chemie, Energie*)

Güterverkehrszentrum Entwicklungsgesellschaft Ludwigshafen am Rhein mbH (*Supervisory Board member*)

Rhein-Haardtbahn GmbH (*Supervisory Board member*)

Verkehrsbetriebe Ludwigshafen GmbH (*Supervisory Board member*)

Konrad Manteuffel

Bensheim, Member of the Works Council of the Ludwigshafen site of BASF Aktiengesellschaft

BASF Pensionskasse WaG (*Supervisory Board Deputy Chairman*)

Dr. rer. nat. Karlheinz Messmer

Weisenheim am Berg, Plant Manager at the Ludwigshafen site of BASF Aktiengesellschaft

Robert Oswald

Altrip, Chairman of the Works Council of the Ludwigshafen site of BASF Aktiengesellschaft

(*from October 1, 2000*)

Ellen Schneider

Wallenhorst, Chairwoman of the Joint Works Council of Elastogran GmbH

Dr. Ing. Hermann Scholl

Stuttgart, Managing Director of Robert Bosch GmbH

Allianz AG (*Supervisory Board member*)

Deutsche Bank AG (*Supervisory Board member*)

Internal memberships as defined in Paragraph 100, Section 2 of the German Stock Corporations Act

Robert Bosch Internationale Beteiligungen AG, Zurich (*Administrative Council member*)

Dr. jur. Henning Schulte-Noelle

Munich, Chairman of the Board of Executive Directors of Allianz
Aktiengesellschaft

Dresdner Bank AG (*Supervisory Board member*)

E.ON AG (*Supervisory Board member*)

Linde AG (*Supervisory Board member*)

MAN AG (*Supervisory Board Deputy Chairman*) (until December 15, 2000)

Münchener Rückversicherungsgesellschaft AG (*Supervisory Board Deputy
Chairman*)

Siemens AG (*Supervisory Board member*)

ThyssenKrupp AG (*Supervisory Board member*)

**Internal memberships as defined in Paragraph 100, Section 2 of the
German Stock Corporations Act**

Allianz Versicherungs-AG (*Supervisory Board chairman*)

Allianz Lebensversicherungs-AG (*Supervisory Board chairman*)

Robert Studer**Zurich**

Espirito Santo Financial Group S.A. (*Administrative Council member*)

Renault S.A. (*Administrative Council member*)

Schindler Holding AG (*Administrative Council member*)

TotalFinaElf S.A. (*Administrative Council member*)

Jürgen Walter

Neustadt am Rübenberge, Member of the Central Board of Executive
Directors of the Mining, Chemical and Energy Industries Union
(*Industriegewerkschaft Bergbau, Chemie, Energie*)

BASF Schwarzheide GmbH (*Supervisory Board Deputy Chairman*)

Henkel KGaA (*Supervisory Board member*)

Ruhrfestspiele GmbH (*Supervisory Board member*)

RWE-Umwelt AG (*Supervisory Board member*)

Trienekens AG (*Supervisory Board member*)

Helmut Werner

Stuttgart

Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfer
Gesellschaft (*Supervisory Board Deputy Chairman*)

F-LOG GmbH (*Supervisory Board Chairman*)

Gerling-Konzern Versicherungsbeteiligungs AG (*Supervisory Board member*)

mg technologies ag (*Supervisory Board Chairman*)

Aktiebolaget SKF (*Supervisory Board member*)

Alcatel S.A. (*Supervisory Board member*)

First-Mark Communications Europe S.A. (*Supervisory Board member*)

Gerhard Zibell

Gau-Odernheim, Regional Manager of the Mining, Chemical and Energy
Industries Union (*Industriegewerkschaft Bergbau, Chemie, Energie*)

Rhineland-Palatinate/Saar region

RAG Saarberg AG (*Supervisory Board Deputy Chairman*)

Villeroy & Boch AG (*Supervisory Board member*)

Supervisory Board members retired in 2000**Professor Dr. phil. Marcus Bierich**

Stuttgart

(died on November 25, 2000)

Günter Klein

Mutterstadt, Member of the Works Council of the Ludwigshafen site of BASF
Aktiengesellschaft

(until September 30, 2000)

BOARD OF EXECUTIVE DIRECTORS

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

Dr. Jürgen F. Strube

Chairman

Allianz Lebensversicherungs-AG (*Supervisory Board member*)

Bertelsmann AG (*Supervisory Board member*)

Commerzbank AG (*Supervisory Board member*)

Hapag-Lloyd AG (*Supervisory Board member*)

Hochtief AG (*Supervisory Board member*)

Linde AG (*Supervisory Board member*)

Max Dietrich Kley

Deputy Chairman

Basell N.V. (*Supervisory Board Deputy Chairman*)

Bayerische Hypo- und Vereinsbank AG (*Supervisory Board member*)

Gerling-Konzern Speziale Kreditversicherungs-Aktiengesellschaft
(*Supervisory Board member*)

Landesbank Rheinland-Pfalz (*Administrative Council member*)

Lausitzer Braunkohle AG (*Supervisory Board member*)

Mannesmann Demag Krauss Maffei AG (*Supervisory Board member*)

RWE Plus AG (*Supervisory Board member*)

**Internal memberships as defined in Paragraph 100, Section 2 of the
German Stock Corporations Act**

BASF Coatings AG (*Supervisory Board Chairman*)

Wintershall AG (*Supervisory Board Chairman*)

Helmut Becks

Hannoversche Lebensversicherung a.G. (*Supervisory Board member*)

**Internal memberships as defined in Paragraph 100, Section 2 of the
German Stock Corporations Act**

BASF Antwerpen N.V. (*Administrative Council Chairman*)

BASF Schwarzheide GmbH (*Supervisory Board Chairman*)

Dr. John Feldmann

Basell N.V. (*Supervisory Board member*)

Dr. Jürgen Hambrecht

Basell N.V. (*Supervisory Board member*)

Bilfinger + Berger Bauaktiengesellschaft (*Supervisory Board member*)

Deutsche Gesellschaft für Kunststoff-Recycling mbH (*Supervisory Board
Chairman*)

Dr. Stefan Marcinowski

**Internal memberships as defined in Paragraph 100, Section 2 of the
German Stock Corporations Act**

BASF Coatings AG (*Supervisory Board member*)

Knoll AG (*Supervisory Board member*)

Peter Oakley

Dr. Volker Trautz (until April 30, 2000)

Eggert Voscherau

Dresdner Bank Lateinamerika AG (*Supervisory Board member*)

Haftpflichtverband der Deutschen Industrie V.a.G. (*German Industry Liability
Association*) (*Supervisory Board member*)

**Internal memberships as defined in Paragraph 100, Section 2 of the
German Stock Corporations Act**

BASF Española S.A. (*Administrative Council Chairman*)

Knoll AG (*Supervisory Board Chairman*)

BASF GROUP 10-YEAR SUMMARY

Million €	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Balance sheet										
Intangible assets	332	349	326	262	884	1,297	1,497	1,965	2,147	4,538
Tangible assets	7,480	7,779	9,061	8,177	7,873	8,217	9,076	10,755	12,416	13,641
Financial assets	865	1,511	987	1,057	1,338	2,093	2,132	1,826	1,507	3,590
Fixed assets	8,677	9,639	10,374	9,496	10,095	11,607	12,705	14,546	16,070	21,769
Inventories	3,301	3,450	3,230	3,202	3,439	3,665	3,876	3,703	4,028	5,211
Accounts receivable, trade	2,891	2,785	2,939	3,315	3,356	3,714	4,299	4,017	4,967	6,068
Other receivables	1,653	1,723	1,375	1,259	1,375	1,341	1,765	1,856	2,211	3,369
Receivables	4,544	4,508	4,314	4,574	4,731	5,055	6,064	5,873	7,178	9,437
Deferred taxes	–	–	38	66	61	69	45	1,077	1,225	1,270
Cash and cash items	2,637	2,330	2,679	3,042	3,166	1,957	1,846	1,503	1,508	870
Current assets¹	10,482	10,288	10,261	10,884	11,397	10,746	11,831	12,156	13,939	16,788
Assets	19,159	19,927	20,635	20,380	21,492	22,353	24,536	26,702	30,009	38,557
Subscribed capital	1,457	1,458	1,495	1,559	1,559	1,580	1,590	1,595	1,590	1,555
Capital surplus	2,213	2,214	2,282	2,405	2,405	2,515	2,567	2,590	2,675	2,746
Paid-in capital	3,670	3,672	3,777	3,964	3,964	4,095	4,157	4,185	4,265	4,301
Retained earnings	3,769	3,740	3,901	4,316	5,275	6,262	7,418	8,695	9,002	8,851
Currency translation adjustments			(119)	(232)	(254)	(129)	201	39	549	662
Minority interests	44	44	82	92	181	248	255	331	329	481
Stockholders' equity	7,483	7,456	7,641	8,140	9,166	10,476	12,031	13,250	14,145	14,295
Pensions and other										
long-term provisions	4,782	5,103	5,207	5,040	4,998	5,052	4,824	5,561	5,812	6,209
Tax and other										
short-term provisions	2,131	1,940	1,954	2,120	2,393	2,391	2,463	2,185	2,826	3,334
Provisions	6,913	7,043	7,161	7,160	7,391	7,443	7,287	7,746	8,638	9,543
Financial liabilities	2,007	2,537	2,742	1,857	1,448	1,042	1,126	1,316	1,294	7,892
Accounts payable, trade	1,648	1,479	1,433	1,531	1,417	1,628	1,972	1,871	2,316	2,848
Other liabilities	1,108	1,412	1,658	1,692	2,070	1,764	2,120	2,519	3,616	3,979
Liabilities	4,763	5,428	5,833	5,080	4,935	4,434	5,218	5,706	7,226	14,719
Total liabilities¹	11,676	12,471	12,994	12,240	12,326	11,877	12,505	13,452	15,864	24,262
Stockholders' equity and liabilities	19,159	19,927	20,635	20,380	21,492	22,353	24,536	26,702	30,009	38,557

¹ Including deferred taxes and other prepaid expenses

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

¹ From 1996 including employees with limited-term contracts

² Until 1996 excluding changes in current assets

³ Special dividend of equity charged with 45% corporation tax

E-commerce

E-commerce or e-business is the name given to business transactions between companies (business-to-business) or between companies and their customers (business-to-customer) that are conducted in whole or in part over the Internet or similar open or closed computer networks.

Research pipeline

The research pipeline contains products which are to be launched on the market but which are still at the development stage.

Eco-efficiency analysis

The eco-efficiency analysis looks at the entire life cycle of a product, "from the cradle to the grave," starting from extraction of the raw materials to recycling or disposal after use. Such an analysis allows us to consider both economic and ecological aspects when developing and optimizing products and processes, and helps us choose the most eco-efficient of the various alternatives available. The aim is to offer the best possible cost-effective products with good environmental performance.

Portfolio / portfolio management

The range of business activities of a company. In future, BASF will continue to expand and optimize its portfolio through organic growth, acquisitions, divestitures and strategic alliances. We will continue to seize opportunities arising from further consolidation in the chemical industry, and we will play an active role in this re-organization.

Responsible Care®

A worldwide initiative by the chemicals industry to continuously improve its performance in the fields of environmental protection, safety and health. BASF committed itself to the concept of "responsible action" as early as 1992. "Economic considerations do not take priority over safety and health issues and environmental protection." BASF established this as one of the Values that form the basis for all decisions and actions in BASF Group.

Economies of scale

Cost advantages derived from modern world-scale plants (see also: World-scale plants).

Steamcrackers

Steamcrackers are large plants in which steam is used to "crack" naphtha (crude petroleum). The resulting petrochemicals – above all, ethylene and propylene – are the starting materials used to manufacture most of BASF's products.

Sustainable Development

The objective of Sustainable Development is to meet the economic, ecological and social needs of society without harming the development opportunities of future generations. BASF is committed to this principle. In our publication "Environment, Safety and Health 2000" we give a detailed account of the ecological implications of our activities as part of our comprehensive sustainability reporting.

Verbund

The Verbund is one of BASF's greatest strengths, and it has become a guiding principle for the entire Group. At the heart of the Verbund is a dense network of interconnected production plants in which the product of one plant often serves as the starting material for the process in the next plant. However, the BASF Verbund also stands for the worldwide exchange of knowledge across regional and organizational boundaries. Both the transfer of

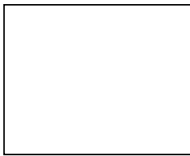
knowledge and the networking of production plants, energy and waste flows, logistics and infrastructure help us to manufacture innovative and high-quality products efficiently.

Value adding

BASF wants to persistently increase its corporate value. To achieve this aim it is committed to growth and innovation, and acts accordingly.

World-scale plants

Large production plants in which products can be produced on a world scale. The more a plant produces, the lower the fixed costs per metric ton of product (see also: Economies of scale). BASF is therefore committed to cost-effective large-scale plants of this kind in all major economic regions.



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This report contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in BASF's Form 20-F filed with the Securities and Exchange Commission. We do not assume any obligation to update the forward-looking statements contained in this report.



BASF

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Publisher:
BASF Aktiengesellschaft
Central Department Communications
67056 Ludwigshafen
Germany

Design: Charles Barker GmbH,
Frankfurt (Main), Germany
Illustrations: Mark Tellok, Montreal, Canada
Photographs: Vera Friederich, Wiesbaden, Germany

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

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Important dates

- March 14, 2001
 - ▶ Financial Results 2000
- April 26, 2001
 - ▶ Annual Meeting, Mannheim
 - ▶ Interim Report First Quarter 2001
- August 7, 2001
 - ▶ Interim Report Second Quarter 2001
- November 13, 2001
 - ▶ Interim Report Third Quarter 2001
- March 14, 2002
 - ▶ Financial Results 2001
- April 30, 2002
 - ▶ Annual Meeting
 - ▶ Interim Report First Quarter 2002

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