Liquidity and Capital Resources

The December 31, 2000 working capital balance of $361.4 million increased $219.6 million from the December 31, 1999 balance of $141.8 million, and the current ratio increased to 1.5 from 1.1 in 1999. The increase in working capital and the current ratio were primarily due to the decrease in accrued expenses, accounts payable and short-term borrowings, partially offset by a decrease in accounts receivable. Days sales in receivables averaged 47 days in 2000, versus 46 days in 1999. Inventory turnover averaged 3.7 in 2000, compared to 3.4 in 1999.

Net cash provided by operations of $175 million increased $86.4 million from net cash provided by operations of $88.6 million in 1999. The increase was mainly due to the inclusion of an additional eight months of operations of Witco Corporation (Witco) in 2000, which is a result of the merger of Crompton and Knowles Corporation (C&K) and Witco (the "Merger") effective September 1, 1999. Net cash provided by operations, proceeds on the issuance of Senior Notes and proceeds from the sale of accounts receivable were used primarily to pay down credit agreement debt and short-term borrowings, finance capital expenditures, pay merger related costs, repurchase common shares and make dividend payments. The Company's debt to total capital ratio increased slightly to 67% in 2000 from 65% in 1999, primarily as a result of the repurchase of common shares. The Company's future liquidity needs are expected to be financed from operations.

On March 7, 2000, the Company issued $600 million of Senior Notes due 2005 with a coupon rate of 8.5%. Effective March 24, 2000, the Company swapped $300 million of this amount into variable interest rate debt (three month LIBOR plus fixed spread of 1.22%) which expires on March 15, 2005. The variable interest rate on the swap contract was 7.8% at December 31, 2000. On June 9, 2000, the Company exchanged the $600 million Senior Notes, which were not registered with the Securities and Exchange Commission for public trading, for identical securities which are registered.

On March 10, 2000, the Company amended the amount of its $1 billion senior unsecured revolving credit facility to $600 million. Of this amount, $200 million was available through October 2000 and $400 million through October 2004. On October 26, 2000, the Company renewed $192 million of its $200 million facility, which will be available through October 2001. Borrowings on these facilities are at various rate options determined on the date of borrowing. Borrowings under these facilities totaled $260 million at December 31, 2000, with a weighted average interest rate of 7.48%.

The Company has access to short-term uncommitted facilities based on current money market rates. At December 31, 2000, the Company had no outstanding borrowings under these facilities. The Company also has arrangements with various banks for short-term lines of credit for its international subsidiaries aggregating $48.8 million, of which $5 million was outstanding at December 31, 2000.

In addition, the Company has available accounts receivable securitization programs to sell up to $200 million of domestic accounts receivable to agent banks. As of December 31, 2000, $176.3 million of domestic accounts receivable had been sold under these agreements. In addition, the Company's European subsidiaries have accounts receivable securitization programs to sell up to $25 million of accounts receivable. As of December 31, 2000, $24 million of accounts receivable had been sold under these European agreements.

In November 1999, the Board of Directors approved a share repurchase program for 10% of the common shares then outstanding, or approximately 11.9 million shares. As of December 31, 2000, the Company had repurchased 6.8 million common shares under that program at an average price of $11.91 per share.

In November 1999, the Company announced a cost savings program intended to reduce costs by $60 million in 2000. The Company achieved the $60 million in cost savings in 2000 through salaried staff reductions, consolidation of plants and offices, purchasing and logistics efficiencies and the elimination of outside services and consultants.

On April 19, 2000, the Company announced that it was exploring strategic alternatives, including the possible sale, for its Refined Products business. On May 22, 2000, the Company announced that it was in preliminary discussions with a select group of strategic buyers for the sale of its Industrial Specialties business. Due to the difficult economic environment, the divestitures are progressing at a slower pace than originally anticipated. The Company intends to use the proceeds primarily to pay down debt and to repurchase common shares.

In December 2000, the Company closed its manufacturing facility in Freeport, Grand Bahama Island. In connection with the facility closure, the Company incurred an after-tax charge of $15 million. The closure of this facility is expected to benefit annual net earnings by $2 million.

Capital expenditures for 2000 amounted to $154.8 million as compared to $131.8 million in 1999. The increase is primarily due to the inclusion of an additional eight months of Witco operations. Capital expenditures are expected to approximate $155 million in 2001, primarily for the Company's replacement needs and improvement of domestic and foreign facilities.

Accounting Developments

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133," which delayed the effective date of Statement No. 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amends some of the provisions of Statement No. 133. The Company adopted the provisions of FASB Statements No. 133 and No. 138 effective January 1, 2001. The adoption of these Statements does not have a material impact on the earnings or financial position of the Company.

Environmental Matters

The Company is involved in claims, litigation, administrative proceedings and investigations of various types in a number of jurisdictions. A number of such matters involve claims for a material amount of damages and relate to or allege environmental liabilities, including clean-up costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury. The Company and some of its subsidiaries have been identified by federal, state or local governmental agencies, and by other potentially responsible parties (each a "PRP") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state statutes, as a PRP with respect to costs associated with waste disposal sites at various locations in the United States. In addition, the Company is involved with environmental remediation and compliance activities at some of its current and former sites in the United States and abroad.

Each quarter, the Company evaluates and reviews estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site, a determination is made of the specific measures that are believed to be required to remediate the site, the estimated total cost to carry out the remediation plan, the portion of the total remediation costs to be borne by the Company and the anticipated time frame over which payments toward the remediation plan will occur. As of December 31, 2000, the Company's reserves for environmental remediation activities totaled $164.5 million. It is reasonably possible that the Company's estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, the interpretation of current laws and regulations be modified or additional environmental laws and regulations be enacted.

The Company intends to assert all meritorious legal defenses and all other equitable factors which are available to it with respect to the above matters. The Company believes that the resolution of these environmental matters will not have a material adverse effect on its consolidated financial position. While the Company believes it is unlikely, the resolution of these environmental matters could have a material adverse effect on its consolidated results of operations in any given year if a significant number of these matters are resolved unfavorably.

Market Risk & Risk Management Policies

The operations of the Company are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. The Company uses derivative financial instruments to reduce its exposure to these risks. The Company does not use derivative financial instruments for trading or speculative purposes.

The Company's primary interest rate risk exposure results from changes in the fair value of its long-term, U.S. dollar fixed rate debt, as well as cash flow risk associated with long-term variable rate debt. The Company used interest rate swap contracts to convert $300 million of its $600 million 8.5% Senior Notes to variable rate debt and to convert its $61.8 million long-term variable rate Dutch guilder denominated debt to fixed rate debt. Each interest rate swap contract is designated with the principal balance and the term of the specific debt obligation. These contracts involve the exchange of interest payments over the life of the contract without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued as other liabilities or assets and recognized as an adjustment to interest expense. The changes in the fair value of the swap contracts due to changes in market interest rates are not recognized in the financial statements. In the event of early extinguishment of the designated debt obligations, any realized or unrealized gain or loss from the swap would be recognized in income coincident with the extinguishment gain or loss.

The following table provides information about the Company's derivative and other financial instruments that are sensitive to changes in interest rates. For long-term financial instruments, the table presents principal cash flows and related weighted average interest rates by expected maturity date. Weighted average variable interest rates are based on the applicable floating rate index as of the reporting date. For interest rate swaps, the table presents the notional amount and weighted average interest rates by maturity date. The notional amounts are used to calculate the contractual cash flows to be exchanged under the respective contracts.

Interest Rate Sensitivity

(In thousands)	2001	2002	2003	2004	2005	2006 and Thereafter	Total Principal	Fair Value at 12/31/00
Long-term debt:								
Fixed rate	$1,207	$ 1,599	$165,929	$ 2,044	$601,081	$421,166	$1,193,026	$1,112,487
Average interest rate	7.64%	7.64%	7.64%	7.80%	7.81%	6.82%		
Variable rate - swapped			$ 61,758				$ 61,758	$ 61,758
Average interest rate (a)	5.63%	5.63%	5.63%					
Other variable rate		$60,000		$200,000		$ 8,500	$ 268,500	$ 268,500
Average interest rate (a)	7.40%	7.40%	7.38%	7.38%	5.05%	5.05%		
Interest rate swaps:								
Total pay fixed/receive variable			$ 61,758				$ 61,758	$ (234)
Average pay rate	5.20%	5.20%	5.20%					
Average receive rate (a)	5.63%	5.63%	5.63%					
Total pay variable/receive fixed					$300,000		$ 300,000	$ 14,800
Average pay rate (a)	7.80%	7.80%	7.80%	7.80%	7.80%			
Average receive rate	8.50%	8.50%	8.50%	8.50%	8.50%			

(a) Average variable interest rate is based on rates in effect at December 31, 2000.

The Company's short-term exposure to changes in foreign currency exchange rates results from transactions entered into by the Company and its foreign subsidiaries in currencies other than their local currency (primarily trade payables and receivables). The Company manages these transactional currency risks on a consolidated basis, which allows it to net its trade payable and receivable exposure. The Company is also exposed to currency risk on intercompany transactions (including long-term intercompany loans). The Company purchases foreign currency forward contracts, primarily denominated in Swiss francs, British pounds, Singapore dollars, Canadian dollars and the Euro, to hedge its transaction exposure. These contracts are generally settled on a monthly basis. Realized and unrealized gains and losses on foreign currency forward contracts that are designated and effective as hedges of recorded transactions are recognized in earnings to offset the impact of valuing recorded foreign currency trade payables, receivables and intercompany transactions at current rates. Discounts and premiums on foreign currency forward contracts that are designated and effective as hedges are recorded as a deferred asset and amortized over the respective contract life. Realized and unrealized gains and losses on contracts that do not satisfy the requirements of an effective hedge would be reported as other expense (income). The fair value of the foreign currency forward contracts used to hedge the Company's intercompany loan, trade payable and trade receivable exposures is not significant at December 31, 2000, and are short-term in nature.

Euro Conversion

On January 1, 1999, certain member countries of the European Union adopted the Euro as their common legal currency. Between January 1, 1999 and December 31, 2001, transactions may be conducted in either the Euro or the participating countries' national currencies. However, effective January 1, 2002, the participating countries will withdraw their national currencies as legal tender and complete the conversion to the Euro.

The Company conducts business in Europe and does not expect the conversion to the Euro to have an adverse effect on its competitive position, results of operations or consolidated financial position. At December 31, 2000, the Company's systems were processing business transactions in the Euro and the participating countries' national currencies. The Company is in the process of further upgrading its information systems, which will allow the Company to conduct business solely in the Euro on January 1, 2002. The Company does not anticipate any disruption to its operations due to the conversion to the Euro.

Forward-Looking Statements

Certain statements made in this Annual Report are forward-looking statements that involve risks and uncertainties, including, but not limited to, general economic conditions, energy and raw material prices and availability, production capacity, changes in interest rates and foreign currency exchange rates, changes in technology, market demand and customer requirements, the enactment of more stringent environmental laws and regulations, and other risks and uncertainties detailed in the Company's filings with the Securities and Exchange Commission. These statements are based on currently available information and the Company's actual results may differ significantly from the results discussed. Forward-looking information is intended to reflect opinions as of the date the report was produced and such information will not necessarily be updated by the Company.

Operating Results - 2000 Compared to 1999

Overview

Consolidated net sales increased 45% to $3.04 billion in 2000 from $2.09 billion in 1999. After adjusting 1999 net sales to exclude $150.5 million from the divestiture of the textile colors business and to include $1,148.7 million from Witco operations for the first eight months of 1999, net sales decreased 2%. The decrease was mainly due to lower foreign currency translation, primarily the Euro. International sales, including U.S. exports, were 46% of total sales, down from 47% on a comparable basis in 1999. This decrease was also due to lower foreign currency translation, primarily the Euro.

Net earnings for 2000 were $89.3 million, or $0.78 per common share basic and diluted, as compared to a net loss of $175 million, or $2.10 per common share basic and diluted in 1999. Earnings before after-tax special items (as detailed on page 38) were $104.3 million, or $0.91 per common share basic and diluted, as compared to $95 million, or $1.14 per common share basic and diluted, in 1999.

Gross margin as a percentage of sales decreased to 31.6% in 2000 from 34.9% in 1999. The decrease was primarily due to higher raw material and energy costs, lower foreign currency translation and the impact of including an additional eight months of Witco operations in 2000. Consolidated operating profit before special items increased $65.6 million to $291.5 million in 2000 from $225.9 million in 1999. After adjusting 1999 to exclude $6.8 million from the divestiture of the textile colors business, and to include $62.4 million from Witco operations for the first eight months of 1999, operating profit increased 4% from an adjusted $281.6 million in 1999.

(In thousands)	2000	1999			
	As Reported	As Reported	Witco Operations Eight Months Ended August 31 (a)	Textile Colors Business	As Adjusted
NET SALES					
Polymer Products					
Polymer Additives	**$ 992,690**	$ 620,188	$ 430,440	$ -	$1,050,628
Polymers	**335,081**	316,300	-	-	316,300
Polymer Processing Equipment	**310,490**	300,016	-	-	300,016
Eliminations	**(14,175)**	(3,469)	-	-	(3,469)
	1,624,086	1,233,035	430,440	-	1,663,475
Specialty Products					
OrganoSilicones	**484,424**	158,925	306,630	-	465,555
Crop Protection	**413,706**	294,798	116,438	-	411,236
Other	**516,214**	405,600	295,164	(150,527)	550,237
	1,414,344	859,323	718,232	(150,527)	1,427,028
Total net sales	**$3,038,430**	$2,092,358	$1,148,672	$ (150,527)	$3,090,503
OPERATING PROFIT					
Polymer Products					
Polymer Additives	**$ 79,482**	$ 67,880	$ 34,164	$ -	$ 102,044
Polymers	**71,771**	82,951	-	-	82,951
Polymer Processing Equipment	**24,640**	19,981	-	-	19,981
	175,893	170,812	34,164	-	204,976
Specialty Products					
OrganoSilicones	**84,139**	16,784	40,055	-	56,839
Crop Protection	**83,756**	69,194	13,411	-	82,605
Other	**32,449**	25,144	10,264	(6,756)	28,652
	200,344	111,122	63,730	(6,756)	168,096
General corporate expense including amortization	**(84,754)**	(56,033)	(35,467)	-	(91,500)
Total operating profit before special items	**291,483**	225,901	$ 62,427	$ (6,756)	$ 281,572
Special items (b)	**(23,148)**	(224,518)			
Total operating profit	**$ 268,335**	$ 1,383			

(a) Excludes the oleochemicals and derivatives business sold on August 31, 1999.

(b) Special items affecting operating profit include the following expenses:

	2000	1999
Facility closure costs (includes $2,967 in cost of products sold)	$23,148	$ –
Write-off of in-process research and development	–	195,000
Merger related costs	–	29,518
Total special items	$23,148	$224,518

Polymer Products

Polymer products sales of $1.62 billion declined 2% from an adjusted $1.66 billion in 1999. Operating profit of $175.9 million decreased 14% from an adjusted $205 million in 1999.

Polymer additives sales of $992.7 million decreased 6% from an adjusted $1.05 billion in 1999 primarily as a result of lower foreign currency translation of 4% and lower pricing of 2%. Plastic additives sales were down 6% primarily due to lower foreign currency translation. Rubber chemicals sales decreased 1%, as the 4% impact of lower pricing and foreign currency translation more than offset volume growth of 3%. Urethane chemicals sales were down 10% primarily due to lower foreign currency translation of 4% and lower volume due to rationalization of lower margin business. Polymer additives operating profit of $79.5 million declined 22% from an adjusted $102 million in 1999 primarily due to adverse foreign currency impact, higher energy costs and lower selling prices.

Polymers sales of $335.1 million were 6% above 1999 primarily due to volume growth, as higher selling prices of 2% offset lower foreign currency translation. EPDM sales were up 3% primarily due to higher pricing. Urethanes sales rose 10% primarily due to volume growth, partially offset by lower foreign currency translation of 2%. Polymers operating profit of $71.8 million was down 13% from 1999 primarily as a result of lower nitrile rubber joint venture income and increased raw material and energy costs, which more than offset the impact of higher unit sales and improved pricing.

Polymer processing equipment sales of $310.5 million increased 4% from 1999 primarily due to volume growth of 7%, partially offset by lower foreign currency translation of 3%. Operating profit of $24.6 million rose 23% from 1999 primarily as a result of higher sales volume. The equipment order backlog totaled $105 million at the end of 2000 compared to $113 million at the end of 1999.

Specialty Products

Specialty products sales of $1.41 billion represent a decrease of 1% from an adjusted $1.43 billion for 1999. Operating profit of $200.3 million increased 19% from an adjusted $168.1 million in 1999.

OrganoSilicones sales of $484.4 million rose 4% from an adjusted $465.6 million in 1999 primarily due to volume growth of 8%, partially offset by lower foreign currency translation of 3% and lower pricing of 1%. The most prominent growth was in the sulfur silanes market attributable to increased industry demand and a greater market share. Operating profit of $84.1 million was up 48% from an adjusted $56.8 million in 1999 primarily due to increased sales volume and lower operating costs.

Crop protection sales of $413.7 million were 1% above an adjusted $411.2 million in 1999 primarily due to higher volume. An increase in surfactants demand was partially offset by actives market weakness mainly attributable to adverse weather conditions and lower insect infestation. Operating profit of $83.8 million was 1% ahead of an adjusted $82.6 million in 1999 primarily due to higher sales volume and increased joint venture earnings.

Other sales of $516.2 million decreased 6% from an adjusted $550.2 million in 1999 primarily due to a decline in volume of 8% and lower foreign currency translation of 1%, partially offset by higher pricing of 3%. Petroleum additives sales declined 6% primarily due to lower volume mainly attributable to the closure of the Gretna, Louisiana plant. Refined products sales were down 4% primarily due to lower volume offset in part by a partial recovery of increased raw material costs through higher pricing. Glycerine/fatty acids and industrial colors sales declined 13% and 5%, respectively, primarily due to lower volume and lower pricing. Operating profit of $32.4 million was up 13% from an adjusted $28.7 million in 1999 primarily as a result of reduced operating costs including the closure of the Gretna facility.

Other

Selling, general and administrative expenses of $417.6 million increased 26% versus 1999 mainly due to the inclusion of an additional eight months of Witco operations in 2000. Depreciation and amortization (up 56%), research and development costs (up 24%) and interest expense (up 73%) also increased primarily as a result of the inclusion of an additional eight months of Witco operations in 2000.

Facility closure costs of $20.2 million include primarily the write-off of long-lived assets, decommissioning costs and severance costs related to the closure of the Company's manufacturing facility in Freeport, Grand Bahama Island. An additional $2.9 million of related closure costs is included in cost of products sold.

Other expense of $5.5 million decreased $42.5 million from 1999. The decrease is mainly due to two special items in 1999, including the loss on the sale of the textile colors business of $83.3 million, partially offset by the gain on the sale of the specialty ingredients business of $42.1 million. The effective tax rate, excluding the impact of special items, was 37% in 2000 compared to 1999 rates of 36.4% (as reported) and 39.2% (reflecting the Merger as if it had occurred at the beginning of 1999).

Operating Results - 1999 Compared to 1998

Overview

Consolidated net sales increased 16% to $2.09 billion in 1999 from $1.8 billion in 1998. After adjusting 1998 net sales to exclude $216.1 million from deconsolidated joint ventures and the divestiture of the specialty ingredients business, and to include $550.8 million from Witco operations for the months of September through December 1998, net sales decreased 2%. This decrease was primarily the result of lower sales in the Polymer Processing Equipment and Crop Protection businesses. International sales, including U.S. exports, were 45% of total sales, up from 40% in 1998.

The net loss for 1999 was $175 million, or $2.10 per common share basic and diluted, as compared to net earnings of $161.8 million, or $2.20 per common share basic and $2.14 per common share diluted in 1998. Earnings before after-tax special items (as detailed on page 38) were $95 million, or $1.14 per common share basic and diluted, as compared to $117.3 million, or $1.59 per common share basic and $1.55 per common share diluted, in 1998.

Gross margin as a percentage of sales decreased to 34.9% from 36.2% in 1998. The decrease was primarily due to the impact of including four months of Witco results, lower pricing and unfavorable product mix. Consolidated operating profit before special items decreased $34 million to $225.9 million from $259.9 million in 1998. After adjusting 1998 to exclude $19.6 million from the deconsolidated joint ventures and the divestiture of the specialty ingredients business, and to include $24 million from Witco operations for the months of September through December 1998, operating profit decreased 15% from an adjusted $264.3 million in 1998.

(In thousands)	1999	1998				
	As Reported	As Reported	Witco Operations Four Months Ended December 31	Deconsolidated Joint Ventures	Divested Business	As Adjusted
NET SALES						
Polymer Products						
Polymer Additives	$ 620,188	$ 391,964	$ 214,608	$ –	$ –	$ 606,572
Polymers	316,300	342,527	–	(41,520)	–	301,007
Polymer Processing Equipment	300,016	344,480	–	–	–	344,480
Eliminations	(3,469)	–	–	–	–	–
	1,233,035	1,078,971	214,608	(41,520)	–	1,252,059
Specialty Products						
OrganoSilicones	158,925	–	144,718	–	–	144,718
Crop Protection	294,798	348,000	49,376	(84,966)	–	312,410
Other	405,600	369,148	142,075	–	(89,590)	421,633
	859,323	717,148	336,169	(84,966)	(89,590)	878,761
Total net sales	$ 2,092,358	$ 1,796,119	$ 550,777	$(126,486)	$ (89,590)	$ 2,130,820
OPERATING PROFIT						
Polymer Products						
Polymer Additives	$ 67,880	$ 49,215	$ 16,325	$ –	$ –	$ 65,540
Polymers	82,951	79,892	–	(709)	–	79,183
Polymer Processing Equipment	19,981	46,653	–	–	–	46,653
	170,812	175,760	16,325	(709)	–	191,376
Specialty Products						
OrganoSilicones	16,784	–	16,621	–	–	16,621
Crop Protection	69,194	84,882	820	(10,840)	–	74,862
Other	25,144	35,760	1,544	–	(7,863)	29,441
	111,122	120,642	18,985	(10,840)	(7,863)	120,924
General corporate expense including amortization	(56,033)	(36,544)	(11,273)	(187)	–	(48,004)
Total operating profit before special items	225,901	259,858	$ 24,037	$ (11,736)	$ (7,863)	$ 264,296
Special items (a)	(224,518)	(41,560)				
Total operating profit	$ 1,383	$ 218,298				

(a) Special items affecting operating profit include the following expenses:

	1999	1998
Write-off of in-process research and development	$195,000	$ –
Merger related costs	29,518	–
Facility closure costs	–	33,600
Other	–	7,960
Total special items	$224,518	$41,560

Polymer Products

Polymer products sales of $1.23 billion represent a decrease of 2% from an adjusted $1.25 billion for 1998. Operating profit for polymer products of $170.8 million declined 11% from an adjusted $191.4 million for 1998.

Polymer additives sales of $620.2 million increased 2% from an adjusted $606.6 million for 1998 primarily due to volume growth of 6%, partially offset by 2% declines attributable to lower pricing and foreign currency translation. Plastic additives sales were up 4% primarily as a result of higher volume, partially offset by lower foreign currency translation. Rubber chemicals sales were essentially unchanged from 1998 as greater volume of 5% was offset by lower pricing. Urethane chemicals sales rose 3% primarily due to higher volume of 8%, partially offset by lower foreign currency translation of 3% and lower pricing of 2%. Polymer additives operating profit of $67.9 million rose 4% from an adjusted $65.5 million in 1998 primarily as a result of higher sales volume, partially offset by lower pricing in rubber chemicals.

Polymers sales of $316.3 million rose 5% versus an adjusted $301 million for 1998 primarily due to volume growth of 4% and improved pricing of 2%. Urethane sales were up 6% primarily as a result of higher volume. EPDM sales increased 4% primarily due to improved pricing. Polymers operating profit of $83 million increased 5% from an adjusted $79.2 million in 1998 primarily as a result of improved pricing and greater sales volume, partially offset by higher EPDM raw material costs.

Polymer processing equipment sales of $300 million decreased 13% from 1998 primarily due to lower sales volume and pricing which was reflective of the downward cycle experienced by the plastics machinery market during the second half of 1999. Operating profit of $20 million decreased 57% from 1998 primarily as a result of competitive pricing pressure, lower volume and increased sales of lower margin equipment systems. The equipment order backlog totaled $113 million at the end of 1999 compared to $118 million at the end of 1998.

Specialty Products

Specialty products sales of $859.3 million represent a decrease of 2% from an adjusted $878.8 million for 1998. Operating profit of $111.1 million decreased 8% from an adjusted $120.9 million for 1998.

OrganoSilicones sales of $158.9 million were 10% above an adjusted $144.7 million for 1998 primarily due to volume growth of 14%, partially offset by lower foreign currency translation of 4%. The business benefited from a recovering Asian economy, new product introductions, growth in the "greentyre" market and increased orders with major customers. Operating profit of $16.8 million was 1% above an adjusted $16.6 million for 1998 primarily due to increased sales volume, partially offset by higher 1999 consulting costs and certain non-recurring items that had a favorable impact on 1998 earnings.

Crop protection sales of $294.8 million declined 6% from an adjusted $312.4 million in 1998 primarily due to lower volume particularly in the herbicides and fungicides businesses. These businesses were adversely affected by a general weakness in the U.S. and European farm economies, unfavorable weather conditions and increased competition associated with genetically engineered seeds. Operating profit of $69.2 million decreased 8% from an adjusted $74.9 million in 1998 primarily as a result of lower sales volume.

Other sales of $405.6 million declined 4% from an adjusted $421.6 million in 1998 primarily due to lower pricing of 3% and lower foreign currency translation of 1%. Petroleum additives and refined products sales increased 7% and 12%, respectively, primarily as a result of higher sales volume. Glycerine/fatty acids sales rose 5% primarily due to volume growth, partially offset by lower pricing. Colors sales were down 14% primarily due to lower volume and pricing for textile colors. The textile colors business was sold in December 1999. Other operating profit of $25.1 million decreased 15% from an adjusted $29.4 million in 1998 primarily due to lower pricing in the colors business, partially offset by higher sales volume in the remaining businesses.

Other

Selling, general and administrative expenses of $331.1 million increased 25% versus 1998 primarily due to the Merger, offset partially by the impact of the deconsolidation of the joint ventures and the divestiture of the specialty ingredients business. Depreciation and amortization (up 45%) and research and development costs (up 29%) also increased as a result of the Merger. Interest expense of $69.8 million decreased 11% primarily due to lower levels of indebtedness prior to the Merger, which more than offset the four months impact of the debt acquired in the Merger. Other expense of $48 million in 1999 includes a loss on the sale of the textile colors business of $83.3 million, a gain on the sale of the specialty ingredients business of $42.1 million and fees related to the accounts receivable securitization of $6.3 million. Other income of $158.9 million in 1998 includes a gain of $153.4 million resulting from the sale of a 50% interest in the Gustafson seed treatment business. The effective tax rate, excluding the impact of special items was 36.4% compared to 37.2% in 1998.