MERGER

On September 1, 1999, the shareholders of Crompton and Knowles Corporation (C&K) and Witco Corporation (Witco) approved a tax-free stock-for-stock merger of C&K and Witco (the "Merger"). The terms of the Merger provided that (a) C&K merge with and into CK Witco Corporation (the former name of Crompton Corporation, the "Company") and (b) immediately thereafter, Witco merge with and into the Company, so that the Company is the surviving corporation. Also, under the terms of the Merger, each share of C&K's common stock was automatically converted into one share of the Company's common stock, and each share of Witco's common stock was exchanged for 0.9242 shares of the Company's common stock.

The Merger was accounted for as a purchase and accordingly, the results of operations of Witco have been included in the consolidated financial statements from the date of acquisition. An allocation of the purchase price resulted in cost in excess of the estimated fair value of acquired net assets (goodwill) of $832 million. Goodwill is being amortized on a straight-line basis over forty years.

ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all majority-owned subsidiaries. Other affiliates in which the Company has a 20% to 50% ownership are accounted for in accordance with the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

Effective with the Merger in 1999, the Company adopted a fiscal year ending on December 31. Prior to the Merger, C&K's fiscal year ended on the last Saturday in December.

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles which requires the Company to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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.

Revenue Recognition

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." SAB 101 summarizes the SEC's views on selected revenue recognition issues based upon existing generally accepted accounting principles. The Company was required to comply with the guidelines of SAB 101 by the end of the fourth quarter of 2000. The Company has reviewed its revenue recognition policies and has concluded that its policies and practices are in compliance with the guidelines of SAB 101.

Inventory Valuation

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) basis.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. Depreciation expense ($142.7 million in 2000, $89.2 million in 1999 and $59.4 million in 1998) is computed generally on the straight-line method using the following ranges of asset lives: buildings and improvements: 10 to 40 years, machinery and equipment: 3 to 25 years, and furniture and fixtures: 3 to 10 years.

Renewals and improvements which extend the useful lives of the assets are capitalized. Capitalized leased assets and leasehold improvements are depreciated over their useful lives or the remaining lease term, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred.

Long-Lived Assets

The Company evaluates the recoverability of the carrying value of long-lived assets, including intangible assets, of each of its businesses by assessing whether the projected cash flows of each of its businesses is sufficient to recover the existing unamortized cost of these assets. In addition, the Company periodically evaluates the future period over which the benefit of long-lived assets will be received, based on the undiscounted value of future cash flows. If the Company determines that any assets have been permanently impaired, the amount of the impairment is written-off against earnings in the quarter in which the impairment is determined.

Intangible Assets

The excess cost over the fair value of net assets of businesses acquired is being amortized on a straight-line basis over 20 to 40 years. Accumulated amortization was $73.8 million and $49.4 million in 2000 and 1999, respectively.

Patents, unpatented technology, trademarks and other intangibles (net) of $148.8 million in 2000 and $152.3 million in 1999, included in other assets, are being amortized principally on a straight-line basis over their estimated useful lives ranging from 6 to 40 years. Accumulated amortization was $148.4 million and $135.5 million in 2000 and 1999, respectively.

Financial Instruments

Financial instruments are presented in the accompanying consolidated financial statements at either cost or fair value as required by generally accepted accounting principles.

Translation of Foreign Currencies

Balance sheet accounts denominated in foreign currencies are translated generally at the current rate of exchange as of the balance sheet date, while revenues and expenses are translated at average rates of exchange during the periods presented. The cumulative foreign currency adjustments resulting from such translation are included in accumulated other comprehensive income.

Research and Development

Research and development costs are expensed as incurred.

Statements of Cash Flows

Cash includes bank term deposits of three months or less. Cash payments during the fiscal years ended 2000, 1999 and 1998 included interest payments of $110.7 million, $79.4 million and $79.5 million and income tax payments of $33.8 million, $67 million and $33.5 million, respectively.

Other Disclosures

Included in accounts receivable are allowances for doubtful accounts in the amount of $22.1 million in 2000 and $23.4 million in 1999.

Included in accrued expenses are environmental liabilities of $29.9 million in 2000 and $47.8 million in 1999 and merger related accruals of $19.9 million in 2000 and $112.8 million in 1999.

Included in other liabilities are environmental liabilities in the amount of $134.6 million in 2000 and $150.2 million in 1999, merger related accruals of $12.5 million in 2000 and $18 million in 1999 and pension liabilities of $125.5 million in 2000 and $148.5 million in 1999.

Included in selling, general and administrative expenses are net shipping and handling costs of $72.4 million in 2000 and $41.6 million in 1999.

ACQUIRED IN-PROCESS RESEARCH AND DEVELOPMENT

Acquired in-process research and development (IPR&D) represents the value assigned in a purchase business combination to research and development projects of the acquired business that had commenced, but had not yet been completed at the date of acquisition, and which, if unsuccessful, have no alternative future use in research and development activities or otherwise. In accordance with FASB Statement No. 2 "Accounting for Research and Development Costs" as clarified by FASB Interpretation No. 4, amounts assigned to purchased IPR&D that meet the above stated criteria must be charged to expense as part of the allocation of the purchase price of the business combination. Accordingly, charges totaling $195 million were recorded in the third quarter of 1999 as part of the allocation of the purchase price related to the Merger.

The Company engaged an independent appraiser to provide a basis for allocating a portion of the purchase price of Witco to the purchased IPR&D. The fair value assigned to purchased IPR&D was determined by the independent appraiser applying the income approach and a valuation model, incorporating revenue and expense projections, probability of commercial and technological success, stage of development and present value factors.

The more significant IPR&D projects were principally in the Polymer Additives and OrganoSilicones segments. The following is a summary of the acquired IPR&D projects as of the date of the Merger and the values assigned:

Business Segment	Percent Complete	Projected Completion Date	IPR&D Value (in thousands)
Polymer Additives (a)	24-86%	2000-2003	$ 62,000
OrganoSilicones (b)	8-65%	2000-2001	106,000
Crop Protection (c)	21-37%	2000-2004	27,000
Total IPR&D			$195,000

(a) Includes the development of an internal anti-static agent for use in acrylic sheets and pellets for extrusion and injection molding ($18,000), replacement of lead-based stabilizers utilized in PVC ($15,000) and approximately 35 other projects ($29,000).

(b) Includes the development of a family of chemicals utilized in finished tires, which are expected to provide improved compounding and dispersion of silica in a single compounding pass ($11,000), production of a chemical to be used in the manufacture of silica tires, resulting in improved performance and longer life ($21,000) and approximately 78 other projects ($74,000).

(c) Includes approximately 29 projects.

Due to the uniqueness of each of the projects, the costs and effort required were estimated based on the latest available information. Additionally, the completion date reflected management's best estimate of the time that the Company would begin to benefit from cash inflows or cost reductions from the projects. However, there is a risk that certain projects may not be completed successfully for a variety of reasons including changes in strategies, changes in market demand or customer requirements, technology issues, etc. However, the projected revenues, costs, and margins in the cash flow forecasts are substantially consistent with projections utilized by management in evaluating the feasibility of research and development projects.

PRO FORMA FINANCIAL INFORMATION

The following pro forma unaudited results of operations for the twelve months ended 1999 and 1998 assume the Merger had been consummated as of January 1, 1998, and exclude the write-off of acquired in-process research and development of $195 million:

(In thousands of dollars, except per share data)

	1999	1998
Net sales	$3,421,651	$3,797,742
Earnings before extraordinary loss (a)	$ 52,611	$ 234,652
Net earnings (a)	$ 36,924	$ 213,184
Net earnings before extraordinary loss per basic common share	$ 0.44	$ 1.85
Net earnings before extraordinary loss per diluted common share	$ 0.44	$ 1.82
Net earnings per basic common share	$ 0.31	$ 1.68
Net earnings per diluted common share	$ 0.31	$ 1.65
Weighted average basic shares outstanding	119,489	126,854
Weighted average diluted shares outstanding	120,846	128,961

(a) The pro forma net earnings before extraordinary loss and net earnings include the following after-tax special items:

(In thousands)	1999	1998
Restructuring charges (credits) — net	$ 1,954	$ (21,100)
Environmental charge	–	13,435
(Gain) loss on sale of businesses and investment — net	38,731	(95,288)
Merger and related costs	20,608	–
Facility closure costs	–	21,100
Other	–	5,000
Loss (income) from special items	$ 61,293	$ (76,853)

MERGER ACCRUALS

As a result of the Merger, the Company recorded $176.1 million of merger related accruals as a component of cost in excess of acquired net assets (goodwill), summarized as follows:

(In thousands)	Severance and Related Costs	Merger Related Fees	Other Merger Related Costs	Total
September 1, 1999 accrual	$128,261	$ 41,619	$ 6,174	$176,054
Cash payments	(53,961)	(10,400)	(967)	(65,328)
Balance at Dec. 31, 1999	74,300	31,219	5,207	110,726
Cash payments	(37,583)	(25,325)	(3,832)	(66,740)
Purchase accounting revisions	(19,039)	(5,894)	6,231	(18,702)
Balance at Dec. 31, 2000	**$ 17,678**	**$ -**	**$ 7,606**	**$ 25,284**

Also, as a result of the Merger, the Company recorded a charge of $29.5 million during the fourth quarter of 1999, summarized as follows:

(In thousands)	Severance and Related Costs	Facility Closure and Maintenance Costs	Other Merger Related Costs	Total
Fourth quarter 1999 charge	$18,959	$ 8,988	$1,571	$29,518
Cash payments	(8,942)	(125)	(406)	(9,473)
Balance at Dec. 31, 1999	10,017	8,863	1,165	20,045
Cash payments	(8,521)	(3,317)	(1,142)	(12,980)
Reserve reclassifications	(149)	(750)	899	–
Balance at Dec. 31, 2000	**$ 1,347**	**$ 4,796**	**$ 922**	**$ 7,065**

DIVESTITURES AND JOINT VENTURES

In December 2000, the Company closed its manufacturing facility in Freeport, Grand Bahama Island. In connection with the facility closure, the Company incurred a pre-tax charge of $23.1 million (of which $2.9 million is included in cost of products sold) summarized as follows:

(In thousands)	Write-Off of Long-Lived Assets	Facility Closure and Maintenance Costs	Severance and Other Costs	Total
December 2000 charge	$15,498	$ 6,210	$1,440	$23,148
Realized	(15,498)	(3,213)	–	(18,711)
Balance at Dec. 31, 2000	**$ –**	**$ 2,997**	**$1,440**	**$ 4,437**

In December 1999, the Company sold its textile colors business to Yorkshire Group PLC for $86.5 million ($78 million in cash proceeds and a 12.4% equity interest in Yorkshire valued at approximately $8.5 million). The sale resulted in a pre-tax loss of $83.3 million.

In January 1999, the Company sold its specialty ingredients business to Chr. Hansen Holding A/S of Denmark for $103 million, which resulted in a pre-tax gain of $42.1 million in the first quarter of 1999.

In November 1998, the Company and Bayer Corporation formed a 50/50 joint venture to serve the agricultural seed treatment markets in North America. The basis of the joint venture is the Company's Gustafson seed treatment business. The Company received cash proceeds of $180 million in the transaction which resulted in a fourth quarter 1998 pre-tax gain of $153.4 million. Also, in November 1998, the Company announced the formation of a joint venture with GIRSA, a subsidiary of DESC, S.A. de C.V. to produce nitrile rubber products in Mexico. The joint venture resulted in the closure of the Company's existing nitrile rubber facility in Painesville, Ohio. In connection with the facility closure, the Company incurred a pre-tax charge of $33.6 million, of which $28.9 million has been realized as of December 31, 2000 ($3 million in 2000). The remaining reserve balance of $4.7 million relates to facility closure and maintenance costs.

ACCOUNTS RECEIVABLE PROGRAM

In September 2000, the Company converted its two existing agreements to sell domestic accounts receivable into a single agreement. The agreement is a three year agreement that allows for the sale of up to $200 million in receivables to agent banks, of which $176.3 million had been sold at December 31, 2000 at a cost of approximately 6.64%. At December 31, 1999, the Company had two agreements to sell up to $232 million of domestic accounts receivable to agent banks, of which $164.7 million had been sold at a cost of approximately 6.27%.

In December 2000, the Company's European subsidiaries entered into agreements to sell foreign accounts receivable to agent banks. The agreements allow for the sale of up to $25 million in receivables, of which $24 million had been sold at December 31, 2000 at a Euro cost of approximately 5%.

These programs reduce financing costs versus borrowings under the revolving credit agreement and diversify the Company's sources of financing.

INVENTORIES

(In thousands)	**2000**	1999
Finished goods	**$421,200**	$410,513
Work in process	**29,610**	27,394
Raw materials and supplies	**101,576**	85,456
	$552,386	$523,363

PROPERTY, PLANT AND EQUIPMENT

(In thousands)	**2000**	1999
Land and improvements	**$ 51,079**	$ 50,922
Buildings and improvements	**187,733**	189,982
Machinery and equipment	**1,322,932**	1,264,954
Furniture and fixtures	**48,267**	41,170
Construction in progress	**134,665**	163,663
	1,744,676	1,710,691
Less accumulated depreciation	**562,589**	448,346
	$1,182,087	$1,262,345

LEASES

At December 31, 2000, minimum rental commitments under non-cancelable operating leases amounted to $28.7 million (2001), $25.8 million (2002), $22.7 million (2003), $20.3 million (2004), $19 million (2005) and $131.3 million (2006 and thereafter).

Rental expenses under operating leases were $34.5 million (2000), $20.9 million (1999) and $15.8 million (1998).

Future minimum lease payments under capital leases at December 31, 2000 were not significant.

Real estate taxes, insurance and maintenance expenses generally are obligations of the Company and accordingly, are not included as part of rental payments. It is expected that in the normal course of business, leases that expire will be renewed or replaced by similar leases.

INDEBTEDNESS

Long-Term Debt

(In thousands)	2000	1999
Credit facilities	$ 260,000	$ 680,000
8.50% Senior Notes due 2005, net of unamortized discount of $5,205, with an effective interest rate of 8.71%	594,795	–
6.60% Notes due 2003, net of unamortized discount of $3,986 in 2000 and $5,752 in 1999, with an effective interest rate of 7.67%	161,014	159,248
6.125% Notes due 2006, net of unamortized discount of $12,117 in 2000 and $14,501 in 1999, with an effective interest rate of 7.71%	137,883	135,499
6.875% Debentures due 2026, net of unamortized discount of $26,428 in 2000 and $27,485 in 1999, with an effective interest rate of 7.58%	123,572	122,515
7.75% Debentures due 2023, net of unamortized discount of $1,624 in 2000 and $1,696 in 1999, with an effective interest rate of 7.82%	108,376	108,304
AIBOR based Bank Loans due 2003	61,758	66,298
Other	31,996	37,948
	$1,479,394	$1,309,812

The Company's long-term debt instruments are recorded at face value, net of unamortized discounts. Such discounts will be amortized to interest expense over the life of the related debt instrument.

On March 7, 2000, the Company issued $600 million of Senior Notes due 2005 with a coupon rate of 8.5% and $25 million of floating rate Notes due 2001. Effective March 24, 2000, the Company swapped $300 million of its 8.5% Senior Notes into variable interest rate debt (three month LIBOR plus fixed spread of 1.22%) which expires on March 15, 2005. 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. The variable interest rate on the swap contract was 7.8% at December 31, 2000.

At December 31, 2000, the Company also had outstanding interest rate swap contracts to convert its variable interest rate (AIBOR – Amsterdam Interbank Offered Rate), Dutch guilder denominated debt to fixed rate debt. The weighted average variable interest rate on the Dutch guilder denominated debt was 5.63% at December 31, 2000. The aggregate notional amount of these swap contracts was $61.8 million at December 31, 2000. The weighted average fixed interest rate on these swap contracts was 5.2% at December 31, 2000.

Debt Redemptions and Repurchases

On November 4, 1999, the Company offered to purchase for cash any and all of its outstanding 9% Senior Notes and 10.5% Senior Notes. As a result of the offer, during the fourth quarter of 1999, the Company repurchased $180.6 million of its 9% Senior Notes and $149.5 million of its 10.5% Senior Notes at a purchase price of 102% and 110%, respectively, plus accrued and unpaid interest. Also during 1999, the Company repurchased in the open market $22.9 million of its 10.5% Senior Notes. As a result of these repurchases, the Company recognized an extraordinary loss of $15.7 million, net of a tax benefit of $8.9 million.

During 1998, the Company redeemed its outstanding 11% Senior Subordinated Notes at a price of 105.5% of the principal amount thereof and its 12% Subordinated Discount Notes at a price of 100% of the principal amount thereof. In addition, the Company repurchased in the open market $44.4 million of its 9% Senior Notes and $62.8 million of its 10.5% Senior Notes. As a result of these redemptions and repurchases, the Company recognized an extraordinary loss of $21.5 million, net of tax benefit of $13.1 million.

Credit Facilities

On October 28, 1999, the Company entered into a $600 million 364-day senior unsecured revolving credit facility and a $400 million five-year senior unsecured credit facility with a syndicate of lenders. 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 is available through October 2001. Borrowings on these facilities are at various rate options determined on the date of borrowing. In addition, the Company must pay a facility fee on the aggregate amount of the 364-day and the five-year credit facilities (at December 31, 2000 these rates are .15% and .20%, respectively). The Company is also required to pay a utilization fee on the outstanding balance of each of the credit facilities, if such balances are in excess of 33% of the available credit (at December 31, 2000 the rate is .25% for both facilities). At December 31, 2000, borrowings under the 364-day and the five-year credit facilities were $60 million and $200 million, respectively, with weighted average interest rates of 7.51% and 7.47%, respectively. The Company has classified the 364-day credit facility as long-term based on its ability and intent to refinance on a long-term basis.

The Company also 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 short-term uncommitted facilities. At December 31, 1999, borrowings under these short-term uncommitted facilities were $75.3 million, with a weighted average interest rate of 6.72%. The Company also has arrangements with various banks for short-term lines of credit for its international subsidiaries aggregating $48.8 million in 2000 and $19.9 million in 1999, of which $5 million and $2.8 million were outstanding at December 31, 2000 and December 31, 1999, respectively.

Debt Covenants

The Company's various debt agreements contain covenants which limit the ability to incur additional debt, create or assume mortgages or engage in mergers, consolidations, and certain sales or leases of assets. In addition, the credit agreements require the Company to maintain certain financial ratios. At December 31, 2000, the Company was in compliance with all of its debt covenants.

Maturities

At December 31, 2000, the scheduled maturities of long-term debt during the next five fiscal years are: 2001 - $1.2 million; 2002 - $62.4 million; 2003 - $228.5 million; 2004 - $203 million; and 2005 - $602.1 million.

FINANCIAL INSTRUMENTS

The Company purchases foreign currency forward contracts that are designated and effective as hedges of recorded transactions (principally foreign currency trade receivables and payables, and intercompany loans), which otherwise would expose the Company to foreign currency risk. The Company enters into interest rate swap contracts to modify the interest characteristics of some of its outstanding debt. Further information is provided in the Market Risk and Risk Management Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

At December 31, 2000, the Company had outstanding foreign currency forward contracts with an aggregate notional amount of approximately $329.5 million, to hedge foreign currency risk on foreign currency accounts receivable and payable and intercompany loans. These forward contracts are generally outstanding for one month and are primarily denominated in Swiss francs, British pounds, Singapore dollars, Canadian dollars and the Euro. At December 31, 1999, the Company had outstanding foreign currency forward contracts with an aggregate notional amount of approximately $308.8 million.

At December 31, 2000, the Company had outstanding interest rate swap contracts with an aggregate notional amount of $361.8 million. These contracts are used to convert the Company's $61.8 million variable rate Dutch guilder denominated debt to fixed rate debt, and to convert $300 million of its 8.5% Senior Notes to variable rate debt. At December 31, 1999, the Company had interest rate swap contracts with an aggregate notional amount of $66.3 million related to its variable rate Dutch guilder denominated debt.

All contracts have been entered into with major financial institutions. The risk associated with these transactions is the cost of replacing these agreements, at current market rates, in the event of default by the counterparties. Management believes the risk of incurring such losses is remote.

The carrying amounts for cash, accounts receivable, other current assets, accounts payable and other current liabilities approximate their fair value because of the short-term maturities of these instruments. The fair value of long-term debt is based primarily on quoted market values. For long-term debt which has no quoted market values, the fair value is estimated by discounting projected future cash flows using the Company's incremental borrowing rate. The fair value of interest rate swap and foreign currency forward and swap contracts is the amount at which the contracts could be settled based on quotes provided by investment banking firms.

The following table presents the carrying amounts and estimated fair values of material financial instruments used by the Company in the normal course of its business.

	2000	
(In thousands)	**Carrying Amount**	**Fair Value**
Long-term debt	**$(1,479,394)**	**$(1,448,536)**
Interest rate swap contracts (a)	**$ (993)**	**$ 14,566**
Foreign currency forward and swap contracts (b)	**$ (326)**	**$ 3,682**

	1999	
(In thousands)	Carrying Amount	Fair Value
Long-term debt	$(1,309,812)	$(1,280,936)
Interest rate swap contracts (a)	$ (1,389)	$ (635)
Foreign currency forward and swap contracts (c)	$ 16,732	$ 21,607

(a) Carrying amount included in other liabilities.

(b) Carrying amount primarily included in other liabilities.

(c) $34,383 of carrying amount included in other assets and $17,651 included in other liabilities.

INCOME TAXES

The components of earnings (loss) before income taxes and extraordinary loss, and the provision for income taxes are as follows:

(In thousands)	2000	1999	1998
Pretax Earnings (Loss):			
Domestic	**$ 8,259**	$ (153,347)	$207,595
Foreign	**134,115**	36,918	91,121
	$ 142,374	$ (116,429)	$298,716
Income Taxes:			
Domestic			
Current	**$ 4,169**	$ 27,949	$ 95,386
Deferred	**9,372**	(10,833)	(7,381)
	13,541	17,116	88,005
Foreign			
Current	**29,864**	41,254	25,473
Deferred	**9,696**	(15,448)	2,015
	39,560	25,806	27,488
Total			
Current	**34,033**	69,203	120,859
Deferred	**19,068**	(26,281)	(5,366)
	$ 53,101	$ 42,922	$115,493

The provision (benefit) for income taxes differs from the Federal statutory rate for the following reasons:

(In thousands)	2000	1999	1998
Provision (benefit) at statutory rate	**$ 49,831**	$ (40,750)	$104,551
Goodwill amortization	**8,512**	4,016	4,395
Foreign income tax rate differential	**(7,380)**	10,766	(5,686)
State income taxes, net of federal benefit	**3,984**	(2,105)	7,629
Non-deductible acquired IPR&D	**–**	68,250	–
Impact of valuation allowance	**–**	3,216	3,598
Other, net	**(1,846)**	(471)	1,006
Actual provision for income taxes	**$ 53,101**	$ 42,922	$115,493

Provisions have been made for deferred taxes based on differences between the financial statement and the tax basis of assets and liabilities using currently enacted tax rates and regulations. The components of the net deferred tax assets and liabilities are as follows:

(In thousands)	2000	1999
Deferred tax assets:		
Pension and other post-retirement liabilities	**$ 118,184**	$ 118,989
Accruals for environmental remediation	**51,873**	59,802
Merger related accruals	**9,493**	17,226
Intercompany royalty	**24,592**	–
Other accruals	**85,795**	129,660
NOL and credit carryforwards	**53,991**	79,070
Inventories and other	**29,925**	4,448
Deferred tax liabilities:		
Property, plant and equipment	**(110,892)**	(108,966)
Intangibles	**(22,883)**	(23,267)
Financial instruments	**(17,185)**	(29,353)
Other	**(9,332)**	(10,267)
Net deferred tax asset before valuation allowance	**213,561**	237,342
Valuation allowance	**(16,668)**	(53,562)
Net deferred tax asset after valuation allowance	**$ 196,893**	$ 183,780

Net deferred taxes include $126.5 million and $127.8 million in other current assets and $70.4 million and $56 million in other assets in 2000 and 1999, respectively.

At December 31, 1999, the Company had an aggregate of $147.8 million of net operating loss carryforwards (NOL's) ($116.9 million generated domestically and $30.9 million related to the Company's foreign subsidiaries), $20.9 million of excess foreign tax credits (FTC's) and $4 million of other foreign tax assets. At December 31, 1999, the Company was uncertain if it would be able to utilize all of the NOL's, excess FTC's and other foreign tax assets, thus, a valuation allowance was established. The valuation allowance at December 31, 1999 included $28.6 million related to the NOL's, $4 million for the other foreign tax assets and $20.9 million related to excess FTC's.

At December 31, 2000, the Company had an aggregate of $143 million of NOL's ($106 million generated domestically and $37 million related to the Company's foreign subsidiaries) and $4 million of other foreign tax assets. During 2000, circumstances changed which caused a change in the Company's judgment about the realizability of the deferred tax assets related to the NOL's and excess FTC's. As a result, in order to reflect current utilization of the deferred tax assets, and to adjust for expected future utilization, the Company reduced the valuation allowance related to NOL's by $15.9 million and reduced the valuation allowance related to excess FTC's by $20.9 million. The impact of these changes has been a reduction of goodwill. The valuation allowance at December 31, 2000 includes $12.7 million related to the NOL's ($7.9 million for which subsequently recognized tax benefits will be applied to reduce goodwill) and $4 million related to other foreign deferred tax assets. The Company's NOL's are subject to certain limitations and will begin to expire in 2005.

A provision has not been made for U.S. taxes which would be payable if undistributed earnings of the foreign subsidiaries of approximately $316 million at December 31, 2000 were distributed to the Company in the form of dividends since certain foreign countries limit the extent of repatriation of earnings while, for others, the Company's intention is to permanently reinvest such foreign earnings. A determination of the amount of the unrecognized deferred tax liability related to undistributed earnings is not practicable.

In addition, the Company has not recognized a deferred tax liability for the difference between the book basis and the tax basis of its investment in the common stock of its subsidiaries. Such difference relates primarily to $247 million of unremitted earnings earned by Witco's foreign subsidiaries prior to the Merger on September 1, 1999. The Company does not expect this difference in basis to become subject to tax at the parent level, as it is the Company's intention to permanently reinvest such foreign earnings.

EARNINGS PER COMMON SHARE

The computation of basic earnings (loss) per common share is based on the weighted average number of common shares outstanding. Diluted earnings (loss) per share is based on the weighted average number of common and common share equivalents outstanding. The computation of diluted loss per share for fiscal year 1999 equals the basic calculation since common stock equivalents were antidilutive.

(In thousands, except per share data)

	2000	1999	1998
Earnings (loss) before extraordinary loss	**$ 89,273**	$ (159,351)	$ 183,223
Net earnings (loss)	**$ 89,273**	$ (175,038)	$ 161,755
Basic			
Weighted average shares outstanding	**113,644**	83,507	73,696
Earnings (loss) before extraordinary loss	**$ .78**	$ (1.91)	$ 2.48
Net earnings (loss)	**$ .78**	$ (2.10)	$ 2.20
Diluted			
Weighted average shares outstanding	**113,644**	83,507	73,696
Stock options, warrants and other equivalents	**1,521**	–	2,004
Weighted average shares adjusted for dilution	**115,165**	83,507	75,700
Earnings (loss) before extraordinary loss	**$ .78**	$ (1.91)	$ 2.42
Net earnings (loss)	**$ .78**	$ (2.10)	$ 2.14

CAPITAL STOCK

The Company is authorized to issue 500 million shares of $.01 par value common stock. Prior to the Merger, C&K was authorized to issue 250 million shares of $.10 par value common stock. There were 119,372,359 and 119,071,693 shares issued at year-end 2000 and 1999, respectively, of which 6,597,185 and 2,236,500 shares were held as treasury stock in 2000 and 1999, respectively.

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.

The Company is authorized to issue 250,000 shares of preferred stock without par value, none of which are outstanding. At the time of the Merger, C&K's existing preferred share purchase rights were terminated. On September 3, 1999, the Company declared a dividend distribution of one Preferred Share Purchase Right (Rights) on each outstanding share of common stock. These Rights entitle stockholders to purchase one one-hundredth of a share of a new series of junior participating preferred stock at an exercise price of $100. The Rights are only exercisable if a person or group acquires 15% or more of the Company's common stock or announces a tender offer which, if successful, would result in ownership of 15% or more of the Company's common stock.

COMPREHENSIVE INCOME

Components of accumulated other comprehensive income are as follows:

(In thousands)	2000	1999
Foreign currency translation adjustment	**$(83,833)**	$(59,602)
Other	**(2,388)**	(1,636)
Accumulated other comprehensive income	**$(86,221)**	$(61,238)

STOCK INCENTIVE PLANS

The 1988 Long-Term Incentive Plan (1988 Plan), as amended, authorized the Board to grant stock options, stock appreciation rights, restricted stock and long-term performance awards covering up to 10 million shares to the officers and other key employees of C&K over a period of ten years through October 1998. Non-qualified and incentive stock options were granted under the 1988 plan at prices not less than 100% of the fair market value of the underlying common shares on the date of the grant. All outstanding options will expire not more than ten years and one month from the date of grant.

The 1993 Stock Option Plan for Non-Employee Directors, as amended in 1996, authorized 200,000 options to be granted to non-employee directors. The options vest over a two year period and are exercisable over a ten year period from the date of grant, at a price equal to the fair market value of the underlying common shares on the date of grant.

The 1998 Long-Term Incentive Plan (1998 Plan) was approved by the shareholders of C&K in 1999. This plan authorizes the Board to grant stock options, stock appreciation rights, restricted stock and long-term performance awards to eligible employees and non-qualified stock options to non-employee directors over a ten year period. During 2000 and 1999, non-qualified and incentive stock options were granted under the 1998 Plan at prices not less than 100% of the fair market value of the underlying common shares on the date of grant. All outstanding options will expire not more than ten years and one month from the date of grant. The 1998 Plan authorizes the Company to grant shares and options for shares of common stock equal to the sum of (i) the shares available for award under the 1988 Plan and the 1993 Stock Option Plan For Non-Employee Directors as of October 18, 1998 and (ii) the shares awarded under prior plans of C&K which were forfeited, expired, lapsed, not earned or tendered to pay the exercise price of options or withholding taxes. In 1999, the number of common shares reserved for issuance under the 1998 plan was increased by 2.8 million shares and, pursuant to the Merger, increased by an additional 5 million shares. Under the terms of the Merger, the shareholders also approved the conversion of all outstanding Witco options into options to purchase the Company's common stock. These 4.7 million converted options expired 30 days after the Merger, and became available for grant under the 1998 Plan.

Under the 1988 Plan, 1,261,000 common shares have been transferred to an independent trustee to administer restricted stock awards for C&K's long-term incentive program. At December 31, 2000, deferred compensation relating to such shares in the amount of $0.6 million is being amortized over an estimated service period of six to fifteen years.

In 1996, C&K granted long-term incentive awards from the 1988 Plan in the amount of 824,250 shares which were earned at the end of 1998 based upon the achievement of certain financial criteria. The shares earned in 1998 vest ratably at 25% per year with the final installment payable at retirement. Compensation expense related to such shares is accrued over a six year period.

In October 1999, C&K granted long-term incentive awards in the amount of 2,175,000 shares of restricted stock from the 1998 Plan. In connection with the Merger, vesting requirements relating to 300,000 shares of restricted stock were waived. The remaining 1,875,000 shares have been earned as of December 31, 2000 based upon the achievement of certain financial criteria and will vest over a three year period ending on January 1, 2003. The compensation expense relating to these shares is being accrued over a three year period.

In January 2000, the Company granted long-term incentive awards under the 1998 Plan for a maximum of 2,707,250 shares to be earned at the end of 2002 if certain financial criteria are met. In January 2001, in connection with a restructuring of the Company’s long-term incentive award program, the January 2000 awards were canceled and awards were made for a maximum of 2,343,367 shares to be earned if certain vesting and financial criteria are met at the end of 2002. Any shares earned will vest in January 2003, 2004, and 2005. The compensation expense relating to these shares will be accrued over a four year period.

Effective in 1996, the Company adopted the provisions of FASB Statement No. 123, "Accounting and Disclosure of Stock-Based Compensation." As permitted, the Company elected to continue its historical method of accounting for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees.” Accordingly, compensation expense has not been recognized for stock based compensation plans other than restricted stock awards under the Company's long-term incentive programs. Had compensation cost for the Company's stock option and long-term incentive awards been determined under the fair value method, net earnings (loss) (in thousands) would have been $85,094, $(182,747) and $158,641 for the years 2000, 1999 and 1998, respectively. Net earnings (loss) per common share (basic) would have been $0.75, $(2.19) and $2.15 and net earnings (loss) per common share (diluted) would have been $0.74, $(2.19) and $2.06 for the years 2000, 1999 and 1998, respectively. The average fair value per share of options granted was $3.56 in 2000, $3.42 in 1999, and $5.46 in 1998. The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions for 2000, 1999 and 1998, respectively: dividend yield 1.9%, 2.1%, and .35%, expected volatility 39%, 33%, and 31%, risk-free interest rate 5.8%, 6.3%, and 4.6%, and expected life 8 years, 8 years, and 6 years.

Changes during 2000, 1999 and 1998 in shares under option are summarized as follows:

	Price Per Share		
	Range	Average	Shares
Outstanding at 12/27/97	$ 3.13-26.41	$14.46	6,130,576
Granted	14.34	14.34	1,077,112
Exercised	3.13-19.31	9.74	(966,664)
Lapsed	13.00-26.41	19.06	(34,543)
Outstanding at 12/26/98	3.13-26.41	15.15	6,206,481
Granted	8.34-17.13	9.36	4,320,500
Exercised	5.22-16.88	8.38	(177,865)
Lapsed	8.34-26.41	16.24	(115,870)
Outstanding at 12/31/99	3.13-26.41	12.81	10,233,246
Granted	8.16-8.34	8.16	2,168,500
Exercised	5.22-13.00	8.10	(45,357)
Lapsed	8.16-26.41	12.61	(585,067)
Outstanding at 12/31/00	$ 3.13-26.41	$11.98	11,771,322
Exercisable at 12/26/98	$ 3.13-26.41	$14.16	3,650,289
Exercisable at 12/31/99	$ 3.13-26.41	$15.15	4,461,652
Exercisable at 12/31/00	$ 3.13-26.41	$14.15	6,718,519

Shares available for grant at year-end 2000 and 1999 were 4,357,732 and 8,697,610, respectively.

The following table summarizes information concerning currently outstanding and exercisable options:

Range of Exercise Prices	Number Outstanding at end of 2000	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at end of 2000	Weighted Average Exercise Price
$ 3.13-5.22	219,115	1.4	$ 4.92	219,115	$ 4.92
$ 8.16-8.34	5,840,335	9.1	$ 8.28	1,351,505	$ 8.34
$11.75-13.57	1,014,044	3.4	$ 12.27	1,014,044	$ 12.27
$14.34-17.13	3,681,632	5.6	$ 15.15	3,184,023	$ 15.26
$18.31-26.41	1,016,196	4.4	$ 23.04	949,832	$ 22.81
	11,771,322	6.9	$ 11.98	6,718,519	$ 14.15

The Company has an Employee Stock Ownership Plan that is offered to eligible employees of the Company and certain of its subsidiaries. The Company makes contributions equivalent to a stated percentage of employee contributions. The Company's contributions were $3.3 million in 2000, $4.2 million in 1999 and $2 million in 1998.

PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The Company has several defined benefit and defined contribution pension plans covering substantially all of its domestic employees and certain international employees. Benefits under the defined benefit plans are primarily based on the employees' years of service and compensation during employment. The Company's funding policy for the defined benefit plans is based on contributions at the minimal annual amounts required by law plus such amounts as the Company may deem appropriate. Contributions for the defined contribution plans are determined as a percentage of each covered employees' salary. Plan assets consist of publicly traded securities and investments in commingled funds administered by independent investment advisors.

Employees of international locations are covered by various pension benefit arrangements, some of which are considered to be defined benefit plans for financial reporting purposes. Assets of these plans are comprised primarily of insurance contracts and equity securities. Benefits under these plans are primarily based upon levels of compensation. Funding policies are based on legal requirements, tax considerations and local practices.

The Company also provides health and life insurance benefits for certain retired and active employees and their beneficiaries and covered dependents for substantially all of its domestic employees and certain international employees. These plans are generally not pre-funded and are paid by the Company as incurred, except for certain inactive government related plans.

Change in benefit obligation:

(In thousands)	Pension Plans 2000	Pension Plans 1999	Post-Retirement Plans 2000	Post-Retirement Plans 1999
Benefit obligation at beginning of year	**$750,319**	$251,798	**$203,596**	$151,440
Service cost	**14,950**	7,791	**1,864**	1,272
Interest cost	**54,879**	28,345	**15,567**	10,820
Plan participants' contributions	**1,038**	328	**906**	301
Plan amendments	**–**	–	**4,009**	–
Actuarial losses (gains)	**25,316**	(39,936)	**4,539**	(26,271)
Foreign currency exchange rate changes	**(8,501)**	(6,150)	**(119)**	258
Acquisitions	**14,210**	547,377	**–**	78,395
Benefits paid	**(49,394)**	(25,051)	**(17,699)**	(12,960)
Curtailments	**(336)**	(14,183)	**(1,317)**	341
Settlements	**(518)**	–	**–**	–
Special termination benefits	**2,811**	–	**1,065**	–
Benefit obligation at end of year	**$804,774**	$750,319	**$212,411**	$203,596

Change in plan assets:

(In thousands)	Pension Plans 2000	Pension Plans 1999	Post-Retirement Plans 2000	Post-Retirement Plans 1999
Fair value of plan assets at beginning of year	**$721,971**	$ 203,247	**$ 43,511**	$ 40,953
Actual return on plan assets	**29,570**	64,573	**(1,037)**	4,966
Foreign currency exchange rate changes	**(6,510)**	(3,012)	**–**	–
Employer contributions	**11,470**	10,296	**14,095**	10,251
Plan participants' contributions	**1,038**	328	**906**	301
Acquisitions	**10,002**	471,590	**–**	–
Benefits paid	**(49,394)**	(25,051)	**(17,699)**	(12,960)
Settlements	**(475)**	–	**–**	–
Fair value of plan assets at end of year	**$717,672**	$ 721,971	**$ 39,776**	$ 43,511

Funded status:

(In thousands)	Pension Plans 2000	Pension Plans 1999	Post-Retirement Plans 2000	Post-Retirement Plans 1999
Funded status	**$ (87,102)**	$ (28,348)	**$ (172,635)**	$ (160,085)
Unrecognized transition asset	**1,558**	3,499	**–**	–
Unrecognized actuarial gain	**(24,571)**	(78,994)	**(18,305)**	(32,298)
Unrecognized prior service cost	**7,865**	6,377	**(15,529)**	(24,414)
Net amount recognized	**$ (102,250)**	$ (97,466)	**$ (206,469)**	$ (216,797)

The amounts recognized in the consolidated balance sheets consist of the following:

(In thousands)	Pension Plans 2000	Pension Plans 1999	Post-Retirement Plans 2000	Post-Retirement Plans 1999
Prepaid benefit costs	**$ 15,004**	$ 48,030	**$ –**	$ –
Accrued benefit liabilities	**(125,503)**	(148,478)	**(206,469)**	(216,797)
Intangible asset	**5,263**	2,048	**–**	–
Accumulated other comprehensive income	**2,986**	934	**–**	–
Net amount recognized	**$ (102,250)**	$ (97,466)	**$ (206,469)**	$ (216,797)

Components of net periodic benefit cost (credit):

(In thousands)	Pension Plans 2000	1999	1998	Post-Retirement Plans 2000	1999	1998
Service cost	**$ 14,950**	$ 7,791	$ 7,635	**$ 1,864**	$ 1,272	$ 1,256
Interest cost	**54,879**	28,345	16,044	**15,567**	10,820	9,958
Expected return on plan assets	**(59,941)**	(31,045)	(15,610)	**(3,795)**	(3,175)	(3,271)
Amortization of prior service cost	**1,491**	1,166	410	**(4,877)**	(5,561)	(6,196)
Amortization of unrecognized transition obligation	**59**	36	58	**–**	–	–
Recognized actuarial (gains) losses	**(335)**	5,883	74	**(1,363)**	(1,269)	(1,367)
Curtailment (gain) loss recognized	**(336)**	(14,449)	2,570	**–**	196	–
Settlement gain recognized	**(61)**	–	–	**–**	–	–
Net periodic benefit cost (credit)	**$ 10,706**	$ (2,273)	$ 11,181	**$ 7,396**	$ 2,283	$ 380

The assumed health care cost trend rate ranged from 7% - 10% and is assumed to decrease gradually to 5% in 2020 and remain level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(In thousands)	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on the aggregate of the service and interest cost components of net periodic post-retirement health care benefit cost for 2000	$ 1,677	$ (1,716)
Effect on accumulated post-retirement benefit obligation for health care benefits as of December 31, 2000	$18,794	$(16,540)

For pension plans with benefit obligations in excess of plan assets, the aggregate benefit obligation was $320.9 million in 2000 and $292.2 million in 1999, and the aggregate fair value of plan assets was $204 million in 2000 and $188.2 million in 1999.

The weighted-average discount rate used to calculate the projected benefit obligation ranged from 6.0% - 7.75% in 2000 and 5.75% - 7.75% in 1999. The expected long-term rate of return on plan assets ranged from 6.25% - 9.5% in 2000 and 7% - 9% in 1999. The assumed rate of compensation increase ranged from 3.0% - 4.25% in 2000 and 2.5% - 4.5% in 1999.

The Company's net cost of pension plans, including defined contribution plans, was $28.9 million, $11.2 million, and $19 million in 2000, 1999 and 1998, respectively.

CONTINGENCIES

The Company is involved in claims, litigation, administrative proceedings and investigations of various types in various 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. The total amount accrued for such environmental liabilities at December 31, 2000 was $164.5 million. The Company estimates its potential environmental liability to range from $145 million to $182 million at December 31, 2000. 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.

On May 21, 1997, the United States District Court, Eastern District of Arkansas, entered an order finding that Uniroyal Chemical Co./Cie (a wholly owned subsidiary of the Company) is jointly and severally liable to the United States and Hercules Incorporated and Uniroyal Chemical Co./Cie are liable to each other in contribution with respect to the remediation of the Vertac Chemical Corporation site in Jacksonville, Arkansas. On October 23, 1998, the Court entered an order granting the United State's motion for summary judgment against Uniroyal Chemical Co./Cie and Hercules for removal and remediation costs of $102.9 million at the Vertac site. On February 3, 2000, after trial on the allocation of these costs, the Court entered an order finding Uniroyal Chemical Co./Cie liable to the United States for approximately $2.3 million and liable to Hercules in contribution for approximately $700,000 of these costs. Uniroyal Chemical Co./Cie and Hercules have each appealed to the United States Court of Appeals for the Eighth Circuit and a decision is expected during the second quarter of 2001.

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 matters will not have a material adverse effect on its consolidated financial position. While the Company believes it is unlikely, the resolution of these 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.

BUSINESS SEGMENT DATA

Effective in 1998, the Company adopted FASB Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information," which established revised standards for reporting information about operating segments. Pursuant to Statement No. 131 and the Merger, the Company redefined its reporting segments into two major business categories, "Polymer Products" and "Specialty Products." Polymer Products includes reporting segments of Polymer Additives (plastic additives, rubber chemicals and urethane chemicals), Polymers (EPDM, urethanes and nitrile rubber) and Polymer Processing Equipment (specialty processing equipment and controls). Specialty Products includes reporting segments of OrganoSilicones (silanes and specialty silicones), Crop Protection (actives and surfactants) and Other (petroleum additives, refined products, industrial colors and glycerine/fatty acids).

The accounting policies of the operating segments are the same as those described in the summary of accounting policies. The Company evaluates a segment's performance based on several factors, of which a primary financial measure is operating profit. In computing operating profit, the following items have not been deducted: amortization, interest expense, other expense (income) and income taxes. Corporate assets are principally cash, intangible assets and other assets maintained for general corporate purposes. Prior to 1999, inter-segment sales were not significant. A summary of business data for the Company's reportable segments for the years 2000, 1999 and 1998 follows.

Information by Business Segment

(In thousands)	2000	1999	1998
Sales			
Polymer Products			
Polymer Additives	**$ 992,690**	$ 620,188	$ 391,964
Polymers	**335,081**	316,300	342,527
Polymer Processing Equipment	**310,490**	300,016	344,480
Eliminations	**(14,175)**	(3,469)	–
	1,624,086	1,233,035	1,078,971
Specialty Products			
OrganoSilicones	**484,424**	158,925	–
Crop Protection	**413,706**	294,798	348,000
Other	**516,214**	405,600	369,148
	1,414,344	859,323	717,148
	$ 3,038,430	$2,092,358	$1,796,119
Operating Profit			
Polymer Products			
Polymer Additives	**$ 79,482**	$ 67,880	$ 49,215
Polymers	**71,771**	82,951	79,892
Polymer Processing Equipment	**24,640**	19,981	46,653
	175,893	170,812	175,760
Specialty Products			
OrganoSilicones	**84,139**	16,784	–
Crop Protection	**83,756**	69,194	84,882
Other	**32,449**	25,144	35,760
	200,344	111,122	120,642
Corporate	**(45,483)**	(28,573)	(15,400)
Amortization	**(39,271)**	(27,460)	(21,144)
Special items	**(23,148)**	(224,518)	(41,560)
	$ 268,335	$ 1,383	$ 218,298

(In thousands)	2000	1999	1998
Depreciation and Amortization			
Polymer Products			
Polymer Additives	**$ 47,523**	$ 30,054	$ 18,043
Polymers	**12,752**	13,957	14,008
Polymer Processing Equipment	**2,543**	2,951	3,481
	62,818	46,962	35,532
Specialty Products			
OrganoSilicones	**23,293**	6,929	–
Crop Protection	**15,837**	9,414	8,616
Other	**22,314**	19,615	15,779
	61,444	35,958	24,395
Corporate	**57,755**	33,728	20,609
	$182,017	$116,648	$ 80,536

(In thousands)	2000	1999	1998
Segment Assets			
Polymer Products			
Polymer Additives	**$ 753,048**	$ 788,062	$ 340,621
Polymers	**196,876**	226,678	192,172
Polymer Processing Equipment	**122,743**	128,679	132,911
	1,072,667	1,143,419	665,704
Specialty Products			
OrganoSilicones	**388,244**	384,392	–
Crop Protection	**306,103**	316,733	181,036
Other	**369,321**	438,699	318,073
	1,063,668	1,139,824	499,109
Corporate	**1,391,992**	1,443,375	244,080
	$3,528,327	$3,726,618	$1,408,893

(In thousands)	2000	1999	1998
Capital Expenditures			
Polymer Products			
Polymer Additives	**$ 47,383**	$ 49,005	$ 20,408
Polymers	**13,774**	23,938	15,937
Polymer Processing Equipment	**3,355**	3,204	4,733
	64,512	76,147	41,078
Specialty Products			
OrganoSilicones	**47,760**	8,586	–
Crop Protection	**12,470**	17,458	10,234
Other	**21,212**	21,333	14,888
	81,442	47,377	25,122
Corporate	**8,860**	8,258	428
	$154,814	$131,782	$ 66,628

(In thousands)	2000	1999	1998
Equity Method Investments			
Polymer Products			
Polymer Additives	**$41,832**	$ 33,051	$ 31,090
Polymers	**6,765**	7,551	–
Polymer Processing Equipment	**–**	–	–
	48,597	40,602	31,090
Specialty Products			
OrganoSilicones	**48**	52	–
Crop Protection	**20,725**	22,262	11,909
Other	**11,441**	11,194	–
	32,214	33,508	11,909
Corporate	**1,750**	–	–
	$82,561	$ 74,110	$ 42,999

Geographic Information

Sales are attributed based on location of customer.

(In thousands)	2000	1999	1998
Sales			
United States	**$1,644,125**	$ 1,140,401	$ 1,077,190
Canada	**145,566**	108,041	106,230
Latin America	**179,239**	132,674	133,870
Europe/Africa	**722,513**	505,597	359,760
Asia/Pacific	**346,987**	205,645	119,069
	$3,038,430	$ 2,092,358	$ 1,796,119
Property, plant and equipment			
United States	**$ 822,669**	$ 938,555	$ 360,241
Canada	**48,215**	47,869	22,158
Latin America	**15,307**	15,021	7,213
Europe/Africa	**270,435**	233,836	71,168
Asia/Pacific	**25,461**	27,064	12,623
	$1,182,087	$ 1,262,345	$ 473,403

SUMMARIZED UNAUDITED QUARTERLY FINANCIAL DATA

(In thousands, except per share data)

	2000			
	First	**Second**	**Third**	**Fourth**
Net sales	**$769,018**	**$802,886**	**$738,456**	**$728,070**
Gross profit	**251,302**	**272,092**	**227,542**	**210,406**
Net earnings (loss)	**29,673**	**41,541**	**21,560**	**(3,501)**
Net earnings (loss) per common share:				
Basic	**.26**	**.36**	**.19**	**(.03)**
Diluted	**.26**	**.36**	**.19**	**(.03)**
Dividends per common share	**.05**	**.05**	**.05**	**.05**
Market price per common share:				
High	**14.19**	**13.88**	**12.94**	**11.06**
Low	**9.00**	**9.31**	**7.69**	**6.94**

	1999			
	First	Second	Third	Fourth
Net sales	$396,292	$409,174	$500,429	$786,463
Gross profit	148,997	160,592	170,799	250,597
Earnings (loss) before extraordinary loss	59,203	37,969	(179,920)	(76,603)
Net earnings (loss)	59,203	36,884	(180,128)	(90,997)
Earnings (loss) before extraordinary loss per common share:				
Basic	.87	.58	(2.21)	(.64)
Diluted	.86	.57	(2.21)	(.64)
Net earnings (loss) per common share:				
Basic	.87	.56	(2.21)	(.77)
Diluted	.86	.55	(2.21)	(.77)
Dividends per common share	–	.05	–	.05
Market price per common share:				
High	21.38	20.94	20.44	14.94
Low	15.31	14.94	13.88	7.13

The sum of earnings per common share for the four quarters do not equal the total earnings per common share for 1999 due to changes in the average number of shares outstanding.