

Acquisition of Cognis

Growth + Value + Sustainability



 **BASF**

The Chemical Company

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Growth + Value + Sustainability

BASF's acquisition criteria

Our goal is to acquire businesses that

1. Generate growth above the industry average
2. Are innovation-driven
3. Offer a special value proposition to customers
4. Reduce earnings cyclicality

Financial acquisition criteria

5. EPS accretive by year 3 at the latest

1 | Transaction highlights

2 | Facts & figures of Cognis

3 | Acquisition rationale

4 | Integration

Transaction highlights

- Purchase price equity: €700 million
- LTM*-EBITDA, reported: €386 million
- LTM*-EBITDA, adjusted: €422 million (before special items)
- Enterprise value: €3.1 billion
 - Represents a multiple of 7.3 x LTM*-EBITDA adjusted
- 100% cash consideration, no financing conditions
- Expected closing latest in November 2010

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Cognis

A global leader in value-added products

- Leading supplier of value-added products based on renewable raw-materials
- Innovative company serving megatrend-driven growth markets
 - Global leader in personal care ingredients
 - Strong global position in home care ingredients
 - Preferred supplier for nutrition and health ingredients
- Excellent formulation and application know-how
- Strong relationships with leading multinational consumer goods companies
- Global presence and attractive manufacturing technology



Cognis

Key figures 2009

Sales 2009	€2,584 million
EBITDA 2009	€322 million
EBITDA margin 2009	12.5%
Cash flow	€488 million
Production sites	28, headquartered in Monheim, Germany
R&D spending	~3% of sales
Employees	5,572 (as of December 2009)

Source: Cognis 2009 company report

Cognis

Portfolio of value-added products

Care Chemicals

Products and formulations for the personal and home care markets



Sales 2009: €1,457 million

Nutrition & Health

Products, formulations and concepts for functional food, beverage, dietary supplements and pharma



Sales 2009: €325 million

Functional Products

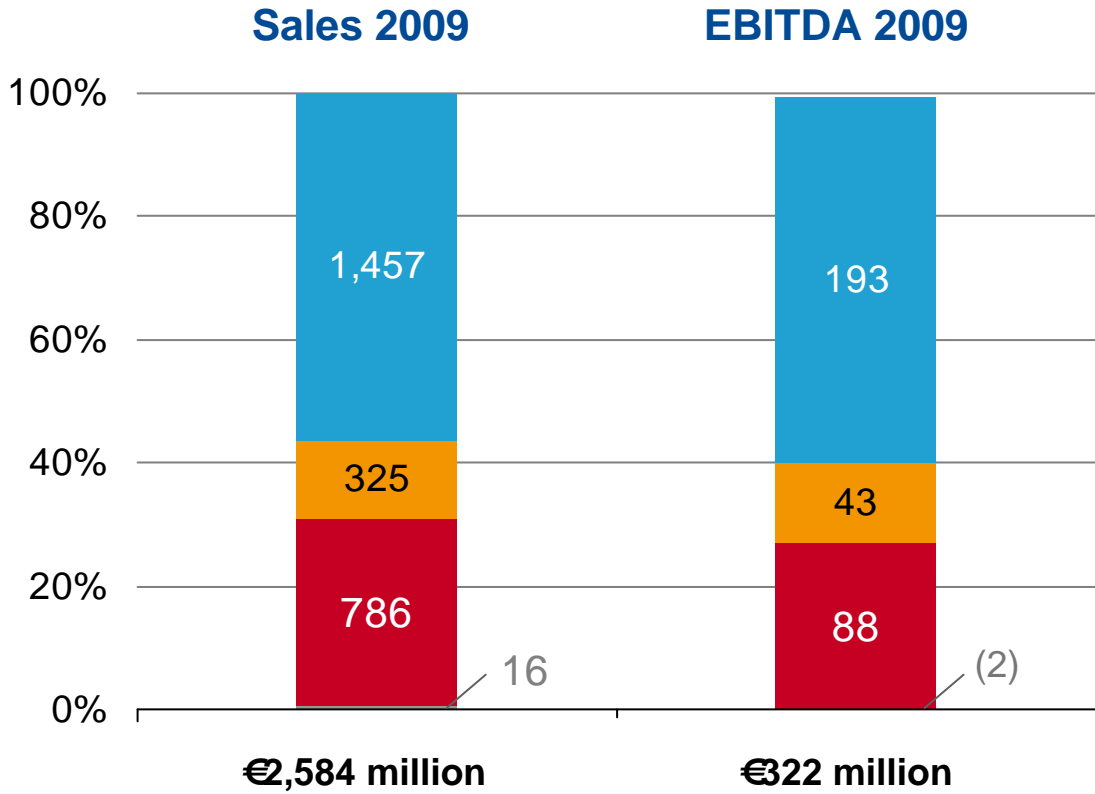
Specific solutions based on renewable resources for mining, synthetic lubricants, coatings and crop protection industries



Sales 2009: €786 million

Cognis

Performance by business segment



EBITDA margin 2009

Care Chemicals	13.2%
Nutrition & Health	13.2%
Functional Products	11.2%

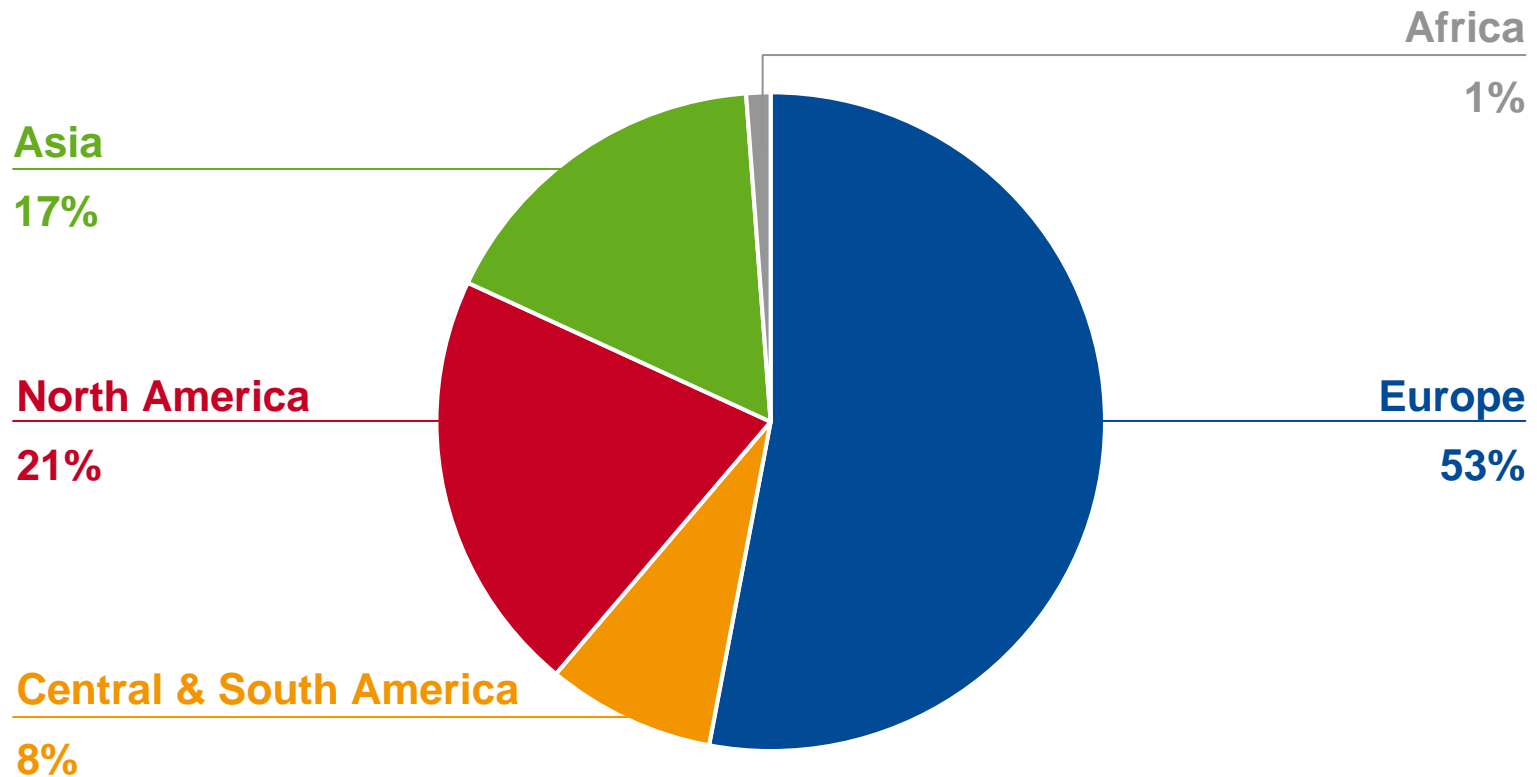
- Care Chemicals
- Nutrition & Health
- Functional Products
- Other

Source: Cognis 2009 company report

Cognis

Strong regional presence

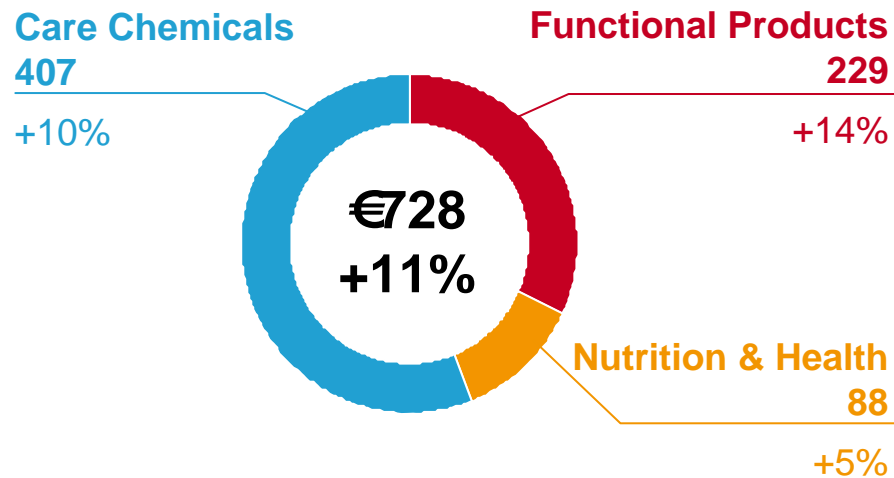
2009 Sales by customer location: €2.6 billion



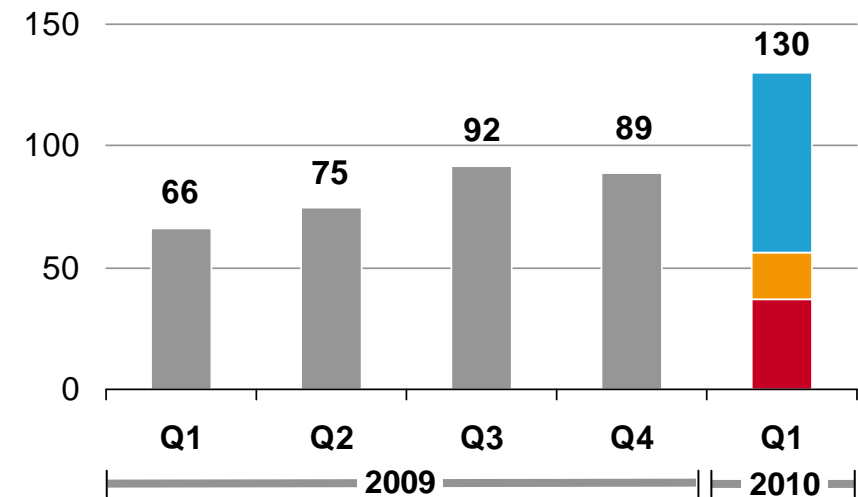
Cognis

Strong start into 2010

Q1'10 segment sales (million €) vs. Q1'09



EBITDA (million €)



EBITDA margin 10% 12% 14% 14% 18%

EBITDA margin of 18% in Q1 2010

Source: Cognis 2009 company report

Cognis

Market positions



Care Chemicals

- Market leader in personal care
- Good position in home care and industrial cleaning

Nutrition & Health

- Market leadership in natural-based sterols and vitamin E
- Excellent market position in functional food and dietary supplements

Functional Products

- Market leader in extraction chemicals for copper-mining
- Market leader in renewable ingredients for synthetic lubricants
- Excellent position in additives for water-based coatings
- Strong in surfactants & solvents for crop protection based on renewable raw materials

Cognis

Innovative product features



Care Chemicals

- Skin:
 - Offers anti-aging actives
 - Protects and repairs skin
 - Increases skin elasticity, firmness and resilience
- Hair:
 - Makes hair soft and easy to brush

Nutrition & Health

- Helps to reduce body fat
- Improves health of heart by reducing cholesterol
- Provides good taste, texture and stable volume of food
- Contains 100 percent natural colorants

Functional Products

- Coatings: Odor-free, free of volatile organic compounds
- Biolubricants: enable significant fuel efficiency
- Crop protection: readily biodegradable adjuvants with soft ecotox profile

Cognis Growth drivers



Care Chemicals

- Increasing wealth in emerging markets
- Increasing environmental and social awareness of consumers
- Aging population
- Relevant personal and home care market: ~€7.5 billion
 - Expected growth 4% p.a.

Nutrition & Health

- Trend towards health & wellness
- Aging population
- Relevant nutrition ingredients market: ~€2 billion
 - Expected growth: 3-4% p.a.

Functional Products

- Trend towards use of renewable resources
- Industrial production growth
- Expected market growth in the various businesses: 4-6% p.a.

Cognis Success factors



Care Chemicals

- Strong customer relationship
- Top-class innovation management
- Superior formulation technology and application know-how
- Leading position in products based on renewable raw materials
- Global manufacturing footprint



Nutrition & Health

- Long-term partnership with multinational food companies
- Innovative solutions based on consumer insights and regulatory expertise
- Extensive formulation know-how
- Broad range of natural ingredients



Functional Products

- Innovative, chemical solutions based on renewables
- Established position with leading industry players

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Strategic rationale of acquisition

1. Become the preferred partner for leading consumer goods companies

- Achieve world leading positions in personal and home care ingredients
- Expand position for nutrition and health products
- Become major supplier of products based on renewable raw materials

2. Accelerate profitable and sustainable growth

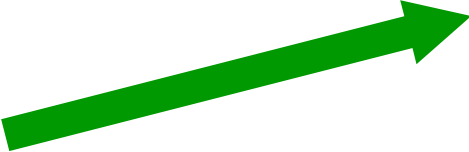

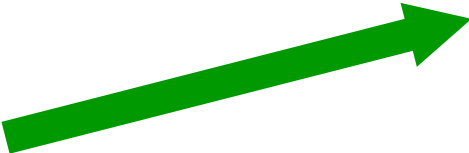
- Broaden market access and build on long-term partnerships with key customers
- Exploit growth opportunities in emerging markets through BASF's global reach
- Fuel further growth with attractive additional businesses, e.g. mining chemicals

3. Leverage Verbund competence and operational excellence

- Complement and extend BASF's value-chains
- Expand BASF's technology platforms
- Boost innovation via marketing and formulation excellence

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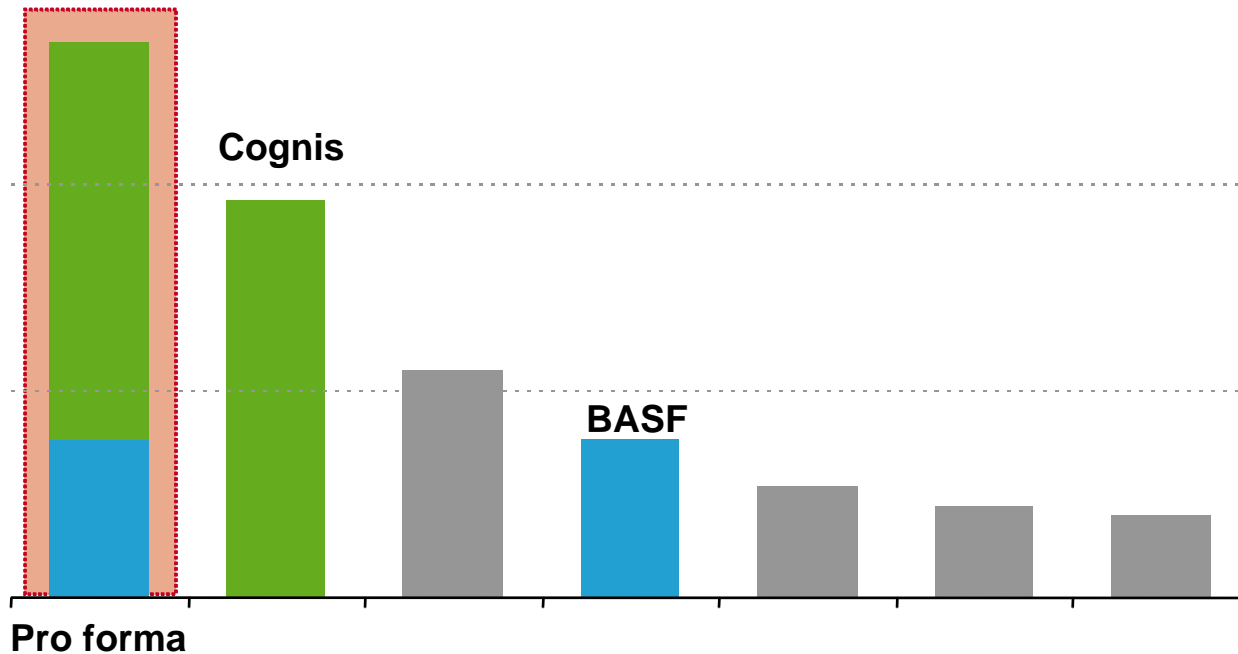
Improved market positions

	Current BASF position		Future BASF position
Personal care ingredients	3		1
Home care ingredients	1		1
Functional nutrition ingredients	6		3

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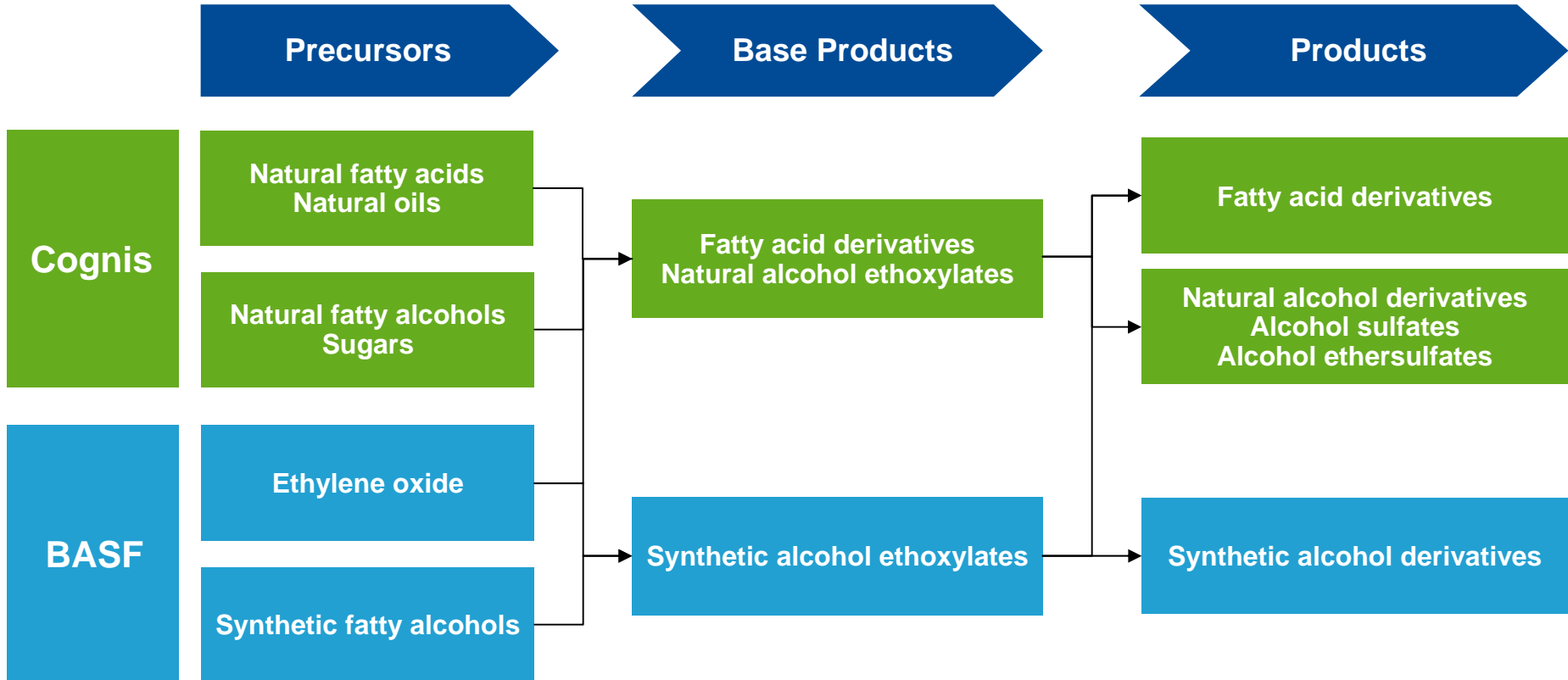
Industry leader in personal care ingredients

Sales 2009 (est.)



BASF's market share in personal care ingredients increases to 14%

BASF + Cognis: Adding natural-based alcohols to Home Care



Catering to the contemporary consumer demand for well-being and sustainability

BASF + Cognis: Adding natural-based food ingredients to Human Nutrition

Accessible market today with BASF ingredients



Additional accessible market with Cognis ingredients



New total accessible market




Capitalizing on the ever stronger trend for products that provide wellness and sustainability

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Transaction meets acquisition criteria

1. Generate growth above the industry average 

2. Are innovation-driven 

3. Offer a special value proposition to customers 

4. Reduce earnings cyclicality 

5. EPS accretive by year 3 at the latest 



Transaction is expected to be EPS accretive in year 2!

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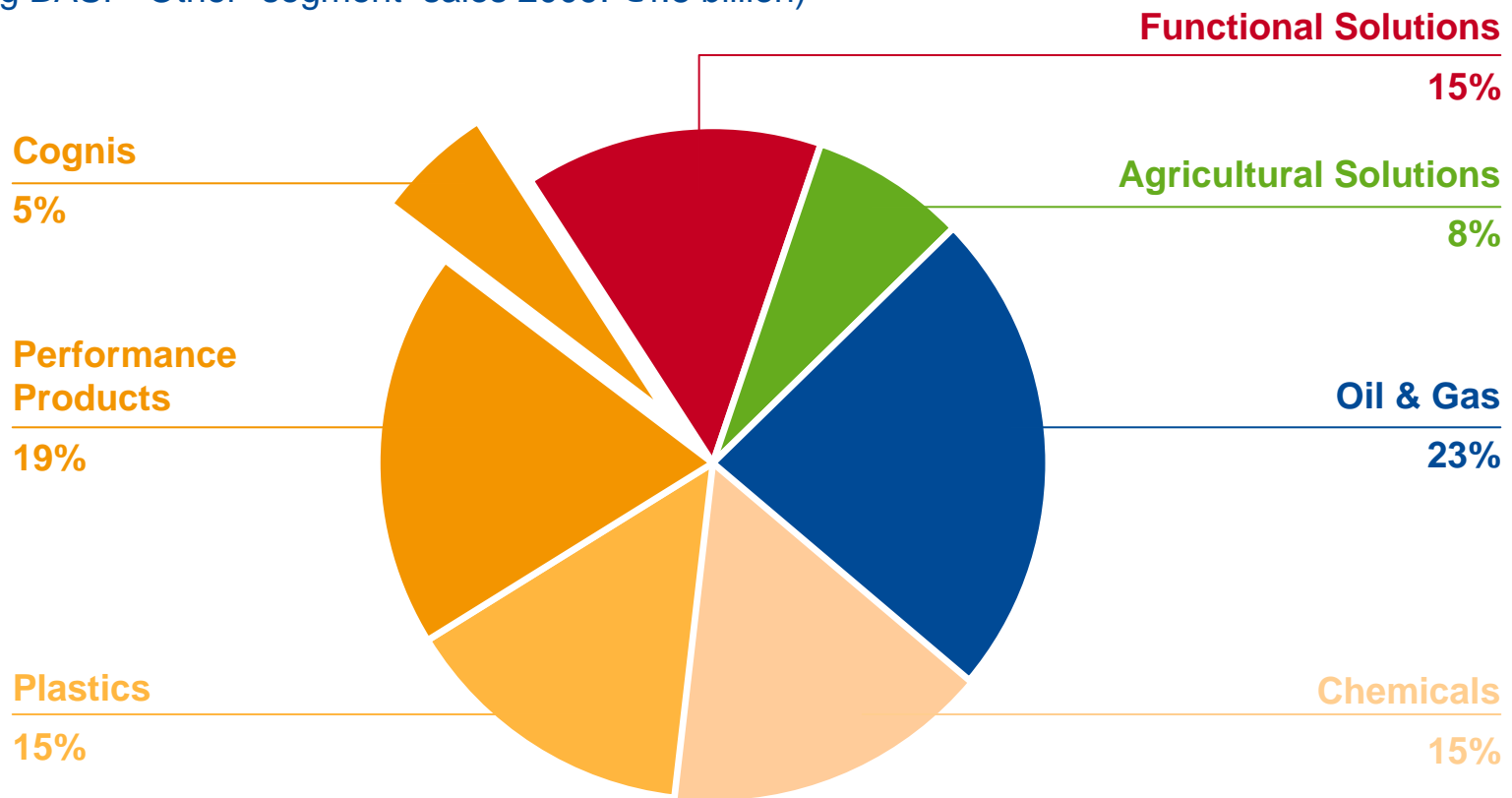
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A new dimension in Performance Products

2009 total pro forma sales: €48.7 billion
(excluding BASF "Other" segment sales 2009: €4.8 billion)



Cognis will be integrated into the Performance Products segment

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Clear targets

Integration into Performance Products segment with the following objectives

- Growing >2% points faster than the relevant market
- Achieve 20% EBITDA margin in the Performance Products segment by 2012
- Acquisition accretive as of 2012
- Integration costs of €200-250 million until end of 2012
- Cost synergies of at least 5% of 2009 net sales fully achieved by 2013

Financing implications

BASF's net financial debt increases by approx. €2.6 billion

- Finance via cash on hand and issuance of commercial paper
- Refinance of Cognis' financial debt at closing

BASF has US\$12.5 billion commercial paper program

- Deep liquidity and very attractive funding conditions
- Additional bridge loan of €3 billion arranged to support the CP program

Priorities moving forward

- Reduce leverage is paramount
- Maintain solid A rating

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Value creating transaction

Acquisition will enhance BASF's market position in consumer driven industries

- World leader in personal and home care ingredients
- Major supplier for nutrition & health

BASF will leverage market access and innovation capabilities of the combined businesses to deliver profitable growth

Transaction delivers compelling value for shareholders





The Chemical Company

Cognis: Enterprise value calculation

Million €	
Equity value	700
Borrowings	2,046
PIK loans	172
Pension liabilities	503
./Cash	(338)
Enterprise value	3,083

Cognis: Robust Sales and EBITDA growth

Million €	2007	2008	2009	Q1 2010
Sales	2,844	3,001	2,584	728
<i>thereof Care Chemicals</i>	1,572	1,684	1,457	407
<i>Nutrition & Health</i>	332	346	325	88
<i>Functional Products</i>	908	948	786	229
EBITDA	323	328	322	130
<i>thereof Care Chemicals</i>	201	187	193	74
<i>Nutrition & Health</i>	62	62	43	19
<i>Functional Products</i>	87	85	88	38
EBITDA margin	11.4	10.9	12.5	17.9
<i>thereof Care Chemicals</i>	12.8	11.1	13.2	18.2
<i>Nutrition & Health</i>	18.7	17.9	13.2	21.6
<i>Functional Products</i>	9.6	9.0	11.2	16.6

Source: Cognis 2008, 2009, Q1/2010 company reports

Cognis: Business units and products

Care Chemicals

- Surfactants (anionic, nonionic)
- Polymers
- Emollients & emulsifiers
- Active systems
- Silicates

Nutrition & Health

- Nutrition ingredients (plant-based sterols, natural-based vitamin E, omega-3s, conjugated linoleic acid, natural-based carotenoids)
- Food ingredients (emulsifier, specialty compounds)
- Precursors & excipients

Functional Products

- Surfactants (anionic, nonionic)
- Acrylates
- Esters
- Extraction chemicals