Acquisition of Cognis
Growth + Value + Sustainability
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BASF + Cognis

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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**

*LTM = last twelve months*
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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
<table>
<thead>
<tr>
<th><strong>Key figures 2009</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales 2009</strong></td>
<td>€2,584 million</td>
</tr>
<tr>
<td><strong>EBITDA 2009</strong></td>
<td>€322 million</td>
</tr>
<tr>
<td><strong>EBITDA margin 2009</strong></td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Cash flow</strong></td>
<td>€488 million</td>
</tr>
<tr>
<td><strong>Production sites</strong></td>
<td>28, headquartered in Monheim, Germany</td>
</tr>
<tr>
<td><strong>R&amp;D spending</strong></td>
<td>~3% of sales</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>5,572 (as of December 2009)</td>
</tr>
</tbody>
</table>

Source: Cognis 2009 company report
Cognis
Portfolio of value-added products

Care Chemicals
Products and formulations for the personal and home care markets

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

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

Sales 2009: €1,457 million
Sales 2009: €325 million
Sales 2009: €786 million
Cognis
Performance by business segment

Source: Cognis 2009 company report
Cognis
Strong regional presence

2009 Sales by customer location: €2.6 billion

Europe 53%
North America 21%
Asia 17%
Central & South America 8%
Africa 1%

Source: Cognis 2009 company report
Cognis
Strong start into 2010

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q1’10 Sales</th>
<th>Q1’09 Sales</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Care Chemicals</td>
<td>407</td>
<td>370</td>
<td>+10%</td>
</tr>
<tr>
<td>Functional Products</td>
<td>229</td>
<td>210</td>
<td>+14%</td>
</tr>
<tr>
<td>Nutrition &amp; Health</td>
<td>88</td>
<td>84</td>
<td>+5%</td>
</tr>
</tbody>
</table>

$728 +11%$

EBITDA (million €)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>66</td>
<td>75</td>
</tr>
<tr>
<td>Q2</td>
<td>75</td>
<td>92</td>
</tr>
<tr>
<td>Q3</td>
<td>92</td>
<td>89</td>
</tr>
<tr>
<td>Q4</td>
<td>89</td>
<td>130</td>
</tr>
</tbody>
</table>

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
1 | Transaction highlights

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BASF + Cognis
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
### BASF + Cognis
#### Improved market positions

<table>
<thead>
<tr>
<th>Category</th>
<th>Current BASF position</th>
<th>Future BASF position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal care ingredients</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Home care ingredients</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Functional nutrition ingredients</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>
BASF + Cognis
Industry leader in personal care ingredients

Sales 2009 (est.)

Pro forma

Cognis

BASF

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

Source: Cognis 2009 company report, BASF own information and estimates

Acquisition of Cognis - June 2010
BASF + Cognis: Adding natural-based alcohols to Home Care

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

**Precursors**
- Cognis: Natural fatty acids, Natural oils, Natural fatty alcohols, Sugars
- BASF: Ethylene oxide, Synthetic fatty alcohols

**Base Products**
- Fatty acid derivatives, Natural alcohol ethoxylates

**Products**
- Fatty acid derivatives
- Natural alcohol derivatives, Alcohol sulfates, Alcohol ethersulfates
- Synthetic alcohol ethoxylates
- Synthetic alcohol derivatives
BASF + Cognis: Adding natural-based food ingredients to Human Nutrition

Accessible market today with BASF ingredients

- Synthetic food ingredients
  - Vitamins
  - Carotenoids

Additional accessible market with Cognis ingredients

- Natural-based ingredients
  - Plant Sterols
  - Natural Vitamins

New total accessible market

- Natural-based ingredients
- Synthetic food ingredients

Capitalizing on the ever stronger trend for products that provide wellness and sustainability
BASF + Cognis
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!
1 | Transaction highlights

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BASF + Cognis
A new dimension in Performance Products

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

- **Cognis**: 5%
- **Performance Products**: 19%
- **Plastics**: 15%
- **Chemicals**: 15%
- **Agricultural Solutions**: 8%
- **Oil & Gas**: 23%
- **Functional Solutions**: 15%

Cognis will be integrated into the Performance Products segment
BASF + Cognis
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
BASF + Cognis
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
### Cognis: Enterprise value calculation

<table>
<thead>
<tr>
<th>Million €</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity value</td>
<td>700</td>
</tr>
<tr>
<td>Borrowings</td>
<td>2,046</td>
</tr>
<tr>
<td>PIK loans</td>
<td>172</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>503</td>
</tr>
<tr>
<td>( \div ) Cash</td>
<td>(338)</td>
</tr>
<tr>
<td><strong>Enterprise value</strong></td>
<td>3,083</td>
</tr>
</tbody>
</table>
## Cognis: Robust Sales and EBITDA growth

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Q1 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>thereof Care Chemicals</td>
<td>1,572</td>
<td>1,684</td>
<td>1,457</td>
<td>407</td>
</tr>
<tr>
<td>Nutrition &amp; Health</td>
<td>332</td>
<td>346</td>
<td>325</td>
<td>88</td>
</tr>
<tr>
<td>Functional Products</td>
<td>908</td>
<td>948</td>
<td>786</td>
<td>229</td>
</tr>
</tbody>
</table>

| **EBITDA**         |      |      |      |         |
| thereof Care Chemicals | 201  | 187  | 193  | 74      |
| Nutrition & Health | 62   | 62   | 43   | 19      |
| Functional Products | 87   | 85   | 88   | 38      |

| **EBITDA margin**  |      |      |      |         |
| thereof Care Chemicals | 12.8 | 11.1 | 13.2 | 18.2    |
| Nutrition & Health | 18.7 | 17.9 | 13.2 | 21.6    |
| Functional Products | 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