

# Financial Statements

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# Cognis Group Balance Sheet

## Assets

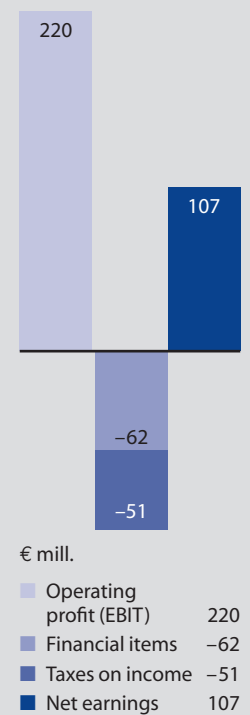
	Notes	December 31, 1999		December 31, 2000	
		€ mill.	%	€ mill.	%
Intangible assets	(1)	85	4.2	77	3.6
Property, plant and equipment	(2)	817	40.5	835	38.3
Financial assets	(3)	2	0.1	7	0.3
<b>Fixed assets</b>		<b>904</b>	<b>44.8</b>	<b>919</b>	<b>42.2</b>
<b>Deferred tax assets</b>	(4)	<b>68</b>	<b>3.4</b>	<b>102</b>	<b>4.7</b>
Inventories	(5)	492	24.4	536	24.6
Trade accounts receivable	(6)	472	23.4	524	24.0
Other receivables and miscellaneous assets	(7)	62	3.0	79	3.6
Liquid funds/Marketable securities	(8)	20	1.0	19	0.9
<b>Current assets</b>		<b>1,046</b>	<b>51.8</b>	<b>1,158</b>	<b>53.1</b>
<b>Total assets</b>		<b>2,018</b>	<b>100.0</b>	<b>2,179</b>	<b>100.0</b>

## Shareholders' Equity and Liabilities

	Notes	December 31, 1999		December 31, 2000	
		€ mill.	%	€ mill.	%
Equity excluding minority interests	(9)	593	29.4	657	30.2
Minority interests	(10)	49	2.4	57	2.6
<b>Equity including minority interests</b>		<b>642</b>	<b>31.8</b>	<b>714</b>	<b>32.8</b>
Provisions for pensions and similar obligations	(11)	405	20.1	444	20.4
Other provisions	(12)	149	7.4	162	7.5
<b>Provisions</b>		<b>554</b>	<b>27.5</b>	<b>606</b>	<b>27.9</b>
<b>Provisions for deferred tax liabilities</b>	(13)	<b>54</b>	<b>2.7</b>	<b>46</b>	<b>2.1</b>
Borrowings	(14)	482	23.8	474	21.7
Trade accounts payable	(15)	212	10.5	245	11.2
Other liabilities	(16)	74	3.7	94	4.3
<b>Liabilities</b>		<b>768</b>	<b>38.0</b>	<b>813</b>	<b>37.2</b>
<b>Total equity and liabilities</b>		<b>2,018</b>	<b>100.0</b>	<b>2,179</b>	<b>100.0</b>

# Cognis Group Statement of Income

	Notes	1999		2000	
		€ mill.	%	€ mill.	%
<b>Sales</b>	(19)	<b>2,856</b>	<b>100.0</b>	<b>3,186</b>	<b>100.0</b>
Cost of sales	(20)	-2,059	-72.1	-2,310	-72.5
<b>Gross profit</b>		<b>797</b>	<b>27.9</b>	<b>876</b>	<b>27.5</b>
Marketing, selling and distribution costs	(21)	-411	-14.4	-461	-14.5
Research and development costs	(22)	-61	-2.1	-67	-2.1
Administrative expenses	(23)	-124	-4.3	-135	-4.2
Other operating income	(24)	34	1.2	51	1.6
Other operating charges	(25)	-19	-0.7	-22	-0.7
		<b>216</b>	<b>7.6</b>	<b>242</b>	<b>7.6</b>
Amortization of goodwill		-6	-0.2	-7	-0.2
Restructuring costs	(26)	-31	-1.1	-15	-0.5
<b>Operating profit (EBIT)</b>		<b>179</b>	<b>6.3</b>	<b>220</b>	<b>6.9</b>
Net income from participations		1	0.0	2	0.1
Net interest expense		-54	-1.9	-64	-2.0
<b>Financial items</b>	(27)	<b>-53</b>	<b>-1.9</b>	<b>-62</b>	<b>-1.9</b>
<b>Earnings before tax</b>		<b>126</b>	<b>4.4</b>	<b>158</b>	<b>5.0</b>
<b>Taxes on income</b>	(28)	<b>-35</b>	<b>-1.2</b>	<b>-51</b>	<b>-1.6</b>
<b>Net earnings</b>		<b>91</b>	<b>3.2</b>	<b>107</b>	<b>3.4</b>
Minority interests	(29)	-4	-0.1	-10	-0.3
<b>Earnings after minority interests</b>		<b>87</b>	<b>3.1</b>	<b>97</b>	<b>3.1</b>



## Key ratios

	2000
Return on equity % (net earnings ÷ equity capital, incl. minority interests, at beginning of year)	16.67
Interest coverage ratio (total of earnings before tax plus net interest expense ÷ net interest expense)	3.47
Ratio of debt to cash flow 1 (borrowings ÷ cash flow)	1.69
Ratio of debt to cash flow 2 (borrowings + pension provisions ÷ cash flow)	3.28

# Cognis Group Segment Information

Product Segments € million	Oleochemicals	Care Chemicals	Organic Specialties <sup>1)2)</sup>	Other activities <sup>1)3)</sup>	Group
Sales 2000	950	712	1,147	377	3,186
Change from previous year (%) <sup>*</sup>	14.9	10.0	10.9	8.3	11.6
Proportion of Group sales (%)	29.8	22.4	36.0	11.8	100.0
Sales 1999	827	647	1,078	304	2,856
Operating profit (= EBIT) 2000	129	36	41	14	220
Operating profit (= EBIT) 1999	53	35	75	16	179
Change from previous year (%) <sup>*</sup>	142.6	5.5	-45.7	-16.9	22.9
Return on sales (EBIT) 2000 (%)	13.6	5.1	3.6	3.7	6.9
Return on sales (EBIT) 1999 (%)	6.4	5.4	7.0	5.3	6.3
Return on investment (EBIT) 2000 (%)	18.7	9.8	7.8		13.3
Return on investment (EBIT) 1999 (%)	7.9	9.3	15.4		11.3
Operating assets 2000	872	511	694	100	2,177
Operating liabilities 2000	182	135	170	34	521
Net operating assets employed 2000	690	376	524	66	1,656
Operating assets 1999	830	504	644	73	2,051
Operating liabilities 1999	160	129	157	21	467
Net operating assets employed 1999	670	375	487	52	1,584
Restructuring costs 2000	5	5	5	0	15
Restructuring costs 1999	3	3	4	21	31
Research and development costs 2000	17	19	31	0	67
R & D as % of sales 2000	1.8	2.7	2.7	0.0	2.1
Research and development costs 1999	13	17	27	4	61
R & D as % of sales 1999	1.6	2.6	2.5	1.3	2.1

<sup>1)</sup> in 1999 the silicates business was still shown in this segment with sales of € 44 million; in 2000 this business has been classified under other activities

<sup>2)</sup> in 1999 gains from the sale of the paper auxiliaries business were included in the EBIT figure of this segment

<sup>3)</sup> including € 317 million (1999: € 251 million) Group sales with Henkel Group companies

<sup>\*</sup> the percentage changes (based on figures in € thousands) are calculated in each case on a comparable basis



<b>Geographical Regions € million</b>	<b>Germany<sup>1)</sup></b>	<b>Rest of Europe</b>	<b>North America</b>	<b>Latin America</b>	<b>Africa</b>	<b>Asia, Australia</b>	<b>Group</b>
Sales by location of companies 2000	991	653	937	186	5	414	3,186
Change from previous year (%)*	13.3	4.6	10.1	11.4	-44.4	25.5	11.6
Proportion of Group sales 2000 (%)	31.1	20.5	29.4	5.8	0.2	13.0	100.0
Sales by location of companies 1999	875	624	851	167	9	330	2,856
Sales by location of markets 2000	505	972	903	264	45	497	3,186
Proportion of Group sales 2000 (%)	15.9	30.5	28.3	8.3	1.4	15.6	100
Operating profit (= EBIT) 2000	116	47	25	9	0	23	220
Operating profit (= EBIT) 1999	116	50	11	6	0	-4	179
Change from previous year (%)*	0.0	-6.0	127.3	50.0	n.a.	n.a.	22.9
Return on sales (EBIT) 2000 in %	11.7	7.2	2.7	4.8	0.0	5.6	6.9
Return on sales (EBIT) 1999 in %	13.3	8.0	1.3	3.6	0.0	-1.2	6.3
Return on investment 2000 in %	29.1	10.7	1.7	14.9	0.0	8.3	13.3
Return on investment 1999 in %	24.1	20.3	2.1	6.8	0.0	-1.7	11.3
Depreciation and amortization 2000 incl. amortization of goodwill	36 0	24 3	41 1	8 0	0 0	23 3	132 7
Capital expenditure 2000 (excl. financial assets) incl. acquisitions	35	44	37	5	0	13	134
Operating assets 2000	593	402	628	127	2	425	2,177
Operating liabilities 2000	99	131	146	33	1	111	521
Net operating assets employed 2000	494	271	482	94	1	314	1,656
Net operating assets employed 1999	482	246	520	88	6	242	1,584
Restructuring costs 2000	5	4	1	2	0	3	15
Restructuring costs 1999	7	5	10	1	0	8	31
Research and development costs 2000	29	6	29	3	0	0	67
R & D as % of sales 2000	2.9	0.9	3.1	1.6	0.0	0.0	2.1
Research and development costs 1999	31	5	23	2	0	0	61
R & D as % of sales 1999	3.5	0.8	2.7	1.2	0.0	0.0	2.1

<sup>1)</sup> in 1999 the bulk of the gains from the sale of the paper auxiliaries business were in the Germany region

\* the percentage changes are based on figures in € thousands

# Cognis Group Changes in Fixed Assets

€ million	Intangible assets	Property, plant and equipment	Financial assets	Total
<b>Cost</b>				
<b>At December 31, 1999</b>	<b>124</b>	<b>2,412</b>	<b>2</b>	<b>2,538</b>
Adjustments	0	-36	0	-36
<b>At January 1, 2000</b>	<b>124</b>	<b>2,376</b>	<b>2</b>	<b>2,502</b>
Changes in the Group/acquisitions	5	19	3	27
Additions	1	108	7	116
Disposals	-3	-105	-2	-110
Reclassifications	0	0	0	0
Translation differences	-2	72	0	70
<b>At December 31, 2000</b>	<b>125</b>	<b>2,470</b>	<b>10</b>	<b>2,605</b>
<b>Accumulated depreciation</b>				
<b>At December 31, 1999</b>	<b>39</b>	<b>1,595</b>	<b>0</b>	<b>1,634</b>
Adjustments	-1	-40	0	-41
<b>At December 1, 2000</b>	<b>38</b>	<b>1,555</b>	<b>0</b>	<b>1,593</b>
Changes in the Group/acquisitions	0	-1	3	2
Write-ups 2000	0	-1	0	-1
Depreciation 2000	13	119	0	132
Disposals	-2	-85	0	-87
Reclassifications	0	0	0	0
Translation differences	-1	48	0	47
<b>At December 12, 2000</b>	<b>48</b>	<b>1,635</b>	<b>3</b>	<b>1,686</b>
<b>Book values</b>				
<b>At December 12, 2000</b>	<b>77</b>	<b>835</b>	<b>7</b>	<b>919</b>
<b>Book values</b>				
<b>At December 12, 1999</b>	<b>85</b>	<b>817</b>	<b>2</b>	<b>904</b>
<b>The amount charged for depreciation and amortization in 2000 comprises:</b>				
Scheduled depreciation and amortization	13	113	0	126
Unscheduled depreciation and amortization	0	6	0	6
<b>Total</b>	<b>13</b>	<b>119</b>	<b>0</b>	<b>132</b>
<b>The amount charged for depreciation and amortization in 1999 comprises:</b>				
Scheduled depreciation and amortization	10	128	0	138
Unscheduled depreciation and amortization	3	11	0	14
<b>Total</b>	<b>13</b>	<b>139</b>	<b>0</b>	<b>152</b>



# Cognis Group Cash Flow Statement

€ million	2000
<b>Operating profit (EBIT)</b>	<b>220</b>
Income taxes paid	-69
Depreciation/write-ups of fixed assets (excl. financial assets)	131
Net gains from disposals of fixed assets (excl. financial assets)	-2
<b>Cash Flow</b>	<b>280</b>
Change in inventories	-33
Change in receivables and miscellaneous assets	-107
Change in liabilities and short-term provisions	43
<b>Net cash flow from operating activities</b>	<b>183</b>
Capital expenditure on intangible assets	-1
Capital expenditure on property, plant and equipment	-108
Capital expenditure on financial assets	-2
Acquisitions	-28
Proceeds from disposals of fixed assets	25
<b>Net cash flow from investing activities</b>	<b>-114</b>
Dividends to Henkel KGaA	-53
Subsidiary company dividends (to other shareholders)	-4
Change in borrowings	13
Interest and dividends received	12
Interest paid	-56
Increase in capital of a Cognis Group company contributed by Henkel	31
Other financing transactions	-8
<b>Net cash flow from financing activities</b>	<b>-65</b>
<b>Change in cash and cash equivalents</b>	<b>4</b>
Effect of exchange rate changes on cash and cash equivalents	-1
Adjustment to pro forma financial statements 1999	-4
<b>Change in liquid funds and marketable securities</b>	<b>-1</b>
Liquid funds and marketable securities at January 1, 2000	20
Liquid funds and marketable securities at December 12, 2000	19

See Note 34 to the financial statements for further information on the cash flow statement.

# Notes to the financial statements of the Cognis Group

## General information

The pro forma financial statements of the Cognis Group as at December 31, 2000 have been drawn up as far as possible as though the Cognis Group had already existed in 2000 in its final legal form.

The financial statements of companies included in the pro forma financial statements of the Group have been audited by members of the KPMG organization or by other independent firms of auditors instructed accordingly.

The pro forma financial statements of the Cognis Group have been drawn up in accordance with the standards issued by the International Accounting Standards Committee (IASC), London. All the International Accounting Standards which are compulsory as of December 31, 2000 have been observed for valuation and accounting purposes. On cost grounds it has been decided not to produce comparative figures for the previous year, nor some further items of information normally required by IAS to be disclosed in the Notes, where such information was not shown for that reason in the pro forma financial statements of the Cognis Group as at December 31, 1999.

The financial statements of individual companies included in the pro forma financial statements of the Group have been drawn up at the same date as those of Cognis B.V.. In order to improve the clarity and informative value of the financial statements, certain items have been combined in the balance sheet and statement of income and shown separately in the Notes. The cost of sales method is used for presentation of the statement of income. Restructuring costs, research and development costs and amortization of goodwill are shown separately to make the financial statements more informative, because the amounts involved are material.

## Companies included in the consolidation

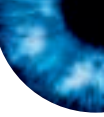
In addition to Cognis B.V. and its 30 subsidiary companies, the pro forma financial statements of the Cognis Group include a further 12 companies in which or over which, under the final legal constitution of the Group, Cognis B.V. either holds directly or indirectly a majority of the voting rights or has unified management control.

## Consolidation principles

The book profits or losses realized on the transfer or sale of companies by Henkel KGaA or its subsidiaries to the Cognis Group which have resulted in the book values of companies in the Cognis Group being increased or decreased have been eliminated in the pro forma financial statements for consolidation purposes.

The resultant book values of the investments in companies in the Cognis Group are set off against the book values of their assets and liabilities when they are first consolidated (the purchase method). Any differences remaining after making fair value adjustments to the assets and liabilities are shown as goodwill. The same treatment is applied to acquisitions. The equity method of accounting for investments is not used because the necessary information is not currently available.

Sales, income and expenses and all accounts receivable and payable between companies included in the consolidation are set off against each other. Intercompany profits included in the valuation of fixed assets or inventories supplied by other companies in the Group are eliminated in the pro forma financial statements. Such intra-Group supplies are made on the basis of market or transfer prices. Deferred taxation, calculated at the average rate of tax chargeable on profits of the Group, is generally accrued on consolidation procedures affecting net earnings.



## Currency translation

The financial statements of Group companies included in the consolidation are translated into €. Assets and liabilities are translated at the mid rates ruling at the balance sheet date, income and expense items at average rates for the year. The difference compared with using closing rates of exchange is taken to equity and shown separately as "Currency translation factors" without affecting earnings.

Companies in countries with high rates of inflation draw up their financial statements either in DM or in US dollars in order to eliminate the effects of inflation.

Foreign currency accounts receivable and payable in the Group are translated at hedged rates of exchange or at the closing rates. Exchange gains and losses on intra-Group debt relationships which are recognized in the financial statements of individual companies included in the consolidation are reversed in the consolidated financial statements, but realized as gains or losses when the debt relationships are reduced or redeemed.

The following exchange rates have been used for currency translation purposes:

Unit of currency	ISO code	Average rate in €		Closing rate in €	
		1999	2000	1999	2000
1 British pound	GBP	1.52	1.65	1.6116	1.6043
100 Japanese yen	JPY	0.83	1.00	0.9742	0.9354
100 Mexican pesos	MXN	9.81	11.41	10.4931	11.2107
1 US dollar	USD	0.94	1.08	0.9973	1.0747

# Notes to the balance sheet

(figures in € million unless stated otherwise)

## Fixed assets

Fixed assets subject to wear and tear are depreciated exclusively by the straight-line method on the basis of estimated useful lives standardized throughout the Group, unscheduled depreciation being charged where necessary.

The following standard useful lives are used as the basis for calculating depreciation for reporting purposes:

Useful lives	Years
Goodwill	up to 15
Trademarks, licenses, patents	8
Residential buildings	50
Office buildings	33 – 40
Research and factory buildings, workshops, stores and staff buildings	25 – 33
Operating installations	20 – 25
Machinery and distribution systems	7 – 10
Office equipment	10
Vehicles	5
Factory and research equipment	5

### (1) Intangible assets

Only assets acquired for valuable consideration are included under this heading. The "Adjustments" line shows the differences between figures in the pro forma balance sheets of the individual companies at December 31, 1999 and the corresponding figures brought forward at January 1, 2000 following implementation of the carve-out. The additions to patents, licenses and similar rights relate to normal business activities and the companies and businesses acquired in 2000.

The increase in goodwill relates to a business in Spain acquired in 2000.

Intangible assets	Patents/Licenses	Goodwill	Total
<b>Cost</b>			
At December 31, 1999	31	93	124
Adjustments	0	0	0
<b>At January 1, 2000</b>	<b>31</b>	<b>93</b>	<b>124</b>
Changes in the Group/acquisitions	1	4	5
Additions	1	0	1
Disposals	-2	-1	-3
Reclassifications	0	0	0
Translation differences	1	-3	-2
<b>At December 31, 2000</b>	<b>32</b>	<b>93</b>	<b>125</b>
<b>Accumulated amortization</b>			
At December 31, 1999	15	24	39
Adjustments	0	-1	-1
<b>At January 1, 2000</b>	<b>15</b>	<b>23</b>	<b>38</b>
Changes in the Group/acquisitions	0	0	0
Amortization 2000	6	7	13
Disposals	-2	0	-2
Disposals	0	0	0
Translation differences	0	-1	-1
<b>At December 31, 2000</b>	<b>19</b>	<b>29</b>	<b>48</b>
<b>Book values at December 31, 2000</b>	<b>13</b>	<b>64</b>	<b>77</b>
<b>Book values at December 31, 1999</b>	<b>16</b>	<b>69</b>	<b>85</b>



## (2) Property, plant and equipment

The "Adjustments" line shows differences between figures in the pro forma balance sheets of the individual companies at December 31, 1999 and the corresponding figures brought forward at January 1, 2000 following implementation of the carve-out. Additions are valued at purchase or manufacturing cost. Manufacturing cost includes – in addition to direct costs – appropriate overhead; interest charges on borrowings are not included.

Cost figures are shown net of investment grants and allowances. Assets of low value are written off in full in the year when they are acquired.

Assets held by the Group under the terms of finance leases are included in property, plant and equipment at a total value of € 31 million (1999: € 32 million). They are included at the present value of the lease payments and depreciated on a scheduled basis. The commitments for future payments are shown as liabilities.

<b>Property, plant and equipment</b>	Land, land rights and buildings	Plant and machinery	Other factory and office equipment	Payments on account and assets in course of construction	Total
<b>Cost</b>					
At December 31, 1999	517	1,673	168	54	2,412
Adjustments	-12	-27	2	1	-36
<b>At January 1, 2000</b>	<b>505</b>	<b>1,646</b>	<b>170</b>	<b>55</b>	<b>2,376</b>
Changes in the Group/acquisitions	12	7	0	0	19
Additions	8	46	14	40	108
Disposals	-16	-70	-18	-1	-105
Reclassifications	9	25	5	-39	0
Translation differences	16	53	2	1	72
<b>At December 31, 2000</b>	<b>534</b>	<b>1,707</b>	<b>173</b>	<b>56</b>	<b>2,470</b>
<b>Accumulated depreciation</b>					
At December 31, 1999	204	1,254	137	0	1,595
Adjustments	-3	-36	-1	0	-40
<b>At January 1, 2000</b>	<b>201</b>	<b>1,218</b>	<b>136</b>	<b>0</b>	<b>1,555</b>
Changes in the Group/acquisitions	-1	0	0	0	-1
Write-ups 2000	0	-1	0	0	-1
Depreciation 2000	21	81	17	0	119
Disposals	-5	-64	-16	0	-85
Reclassifications	0	1	-1	0	0
Translation differences	6	41	1	0	48
<b>At December 31, 2000</b>	<b>222</b>	<b>1,276</b>	<b>137</b>	<b>0</b>	<b>1,635</b>
<b>Book values at December 31, 2000</b>	<b>312</b>	<b>431</b>	<b>36</b>	<b>56</b>	<b>835</b>
<b>Book values at December 31, 1999</b>	<b>313</b>	<b>419</b>	<b>31</b>	<b>54</b>	<b>817</b>

### (3) Financial assets

Financial fixed assets are shown at cost or at their lower actual value. They comprise the following:

	Affiliated companies	Other participations	Total
<b>Cost</b>			
<b>At January 1, 2000</b>	<b>2</b>	<b>0</b>	<b>2</b>
Changes in the Group	3	0	3
Additions	1	6	7
Disposals	-2	0	-2
Translation differences	0	0	0
<b>At December 31, 2000</b>	<b>4</b>	<b>6</b>	<b>10</b>
<b>Accumulated write-downs</b>			
<b>At January 1, 2000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Changes in the Group	3	0	3
<b>At December 31, 2000</b>	<b>3</b>	<b>0</b>	<b>3</b>
<b>Book values at December 31, 2000</b>	<b>1</b>	<b>6</b>	<b>7</b>
<b>Book values at December 31, 1999</b>	<b>2</b>	<b>0</b>	<b>2</b>

### (4) Deferred tax assets

This heading comprises deferred tax assets taken over from the individual company balance sheets; resulting from differences between the balance sheet valuation of an asset or liability and its tax base; from tax losses carried forward, which are expected to be reversed; and from consolidation procedures (see also Note 28 below).

### (5) Inventories

	Dec. 31, 1999	Dec. 31, 2000
Raw materials and supplies	156	167
Work in process	115	108
Finished products and merchandise	219	259
Payments on account of inventories	2	2
<b>Total</b>	<b>492</b>	<b>536</b>

Inventories are valued at purchase or manufacturing cost, using FIFO and the average method. Any valuations which are too high compared with lower market values at the balance sheet date are marked down to the appropriate level accordingly. Manufacturing cost includes – in addition to direct costs – appropriate overhead (e.g. the goods inwards department, raw materials store, filling and other costs prior to the finished product store) and administrative expenses and pension costs attributable to the production process, as well as depreciation charges. Interest charges incurred during the period of manufacture are not included.

### (6) Trade accounts receivable

Specific risks associated with trade accounts receivable from third parties outside the Group are covered by appropriate valuation allowances. In addition, Group guidelines require an allowance of at least 50 percent to be provided on accounts which are 90 days overdue; accounts which are 180 days overdue are provided for in full. A total of € 3 million has been provided in the form of valuation allowances in 2000 (1999: € 4 million). Trade accounts receivable from companies in the Henkel Group amount to € 25 million (1999: € 17 million).

### (7) Other receivables and miscellaneous assets

	Dec. 31, 1999	Dec. 31, 2000
Amounts advanced to affiliated companies (including those with a residual term of more than 1 year)	5 (2)	0 (0)
Accounts receivable from other companies in which participations are held (including those with a residual term of more than 1 year)	1 (0)	1 (0)
Miscellaneous assets (including those with a residual term of more than 1 year)	51 (11)	69 (22)
Deferred charges	5	9
<b>Total</b>	<b>62</b>	<b>79</b>

Other receivables and miscellaneous assets are shown at their full nominal value. Any risks associated with them are covered by valuation allowances.

The Cognis Group continues to be financed by Henkel. In the pro forma financial statements at December 31, 2000, therefore, amounts receivable by individual Cognis Group companies from companies in the Henkel Group are set off in total against the corresponding amounts payable (see also Note 14 below).

Miscellaneous assets comprise the following: payments made on account of services € 2 million (1999: € 1 million), amounts receivable from suppliers € 8 million (1999: € 3 million), amounts receivable from employees € 4 million (1999: € 4 million), amounts receivable from tax authorities € 15 million (1999: € 6 million), insurance claims € 4 million (1999: € 4 million), security deposits € 2 million (1999: € 1 million), other items € 34 million (1999: € 32 million).

### (8) Liquid funds/Marketable securities

	Dec. 31, 1999	Dec. 31, 2000
Liquid funds	20	19
Marketable securities	-	-
<b>Total</b>	<b>20</b>	<b>19</b>

Marketable securities totaling € 10,000 (1999: € 153,000) are valued at quoted market prices. Price movements are recognized in the statement of income under financial items.

**(9/10) Shareholders' equity and minority interests**

The equity of the Cognis Group excluding minority interests amounts to € 657 million. The capital structure of Cognis B.V. had not yet been finalized in 2000.

Changes in the shareholders' equity and minority interests between December 31, 1999 and December 31, 2000 are shown in the table below

Minority interests comprise mostly partners' shares in a number of companies, primarily in Asia.

The "Adjustments" line shows differences between figures in the pro forma balance sheets of the individual companies at December 31, 1999 and the corresponding figures brought forward at January 1, 2000 following implementation of the carve-out.

This line also includes changes in equity resulting from consolidation procedures taken to earnings in the previous year which will not lead to a permanent increase in equity in 2000 nor in subsequent years.

The other changes are attributable mainly to an increase in the capital of a subsidiary contributed by Henkel.

€ million	Shareholders' equity excl. minority interests	Minority interests	Shareholders' equity incl. minority interests
<b>At December 31, 1999</b>	<b>593</b>	<b>49</b>	<b>642</b>
Adjustments 2000	-22	-3	-25
<b>At January 1, 2000</b>	<b>571</b>	<b>46</b>	<b>617</b>
Net earnings	97	10	107
Distributions proposed for companies outside the Cognis Group	-55	-2	-57
Currency translation factors	13	3	16
Other changes	31	0	31
<b>At December 31, 2000</b>	<b>657</b>	<b>57</b>	<b>714</b>

**(11/12) Provisions for pensions and similar obligations/Other provisions**

Changes	Dec.31, 1999	Adjustments	Jan. 1, 2000	Special circs.	Utilized	Released	Allocated	Dec. 31, 2000
Provisions for pensions and similar obligations	405	16	421	7	39	0	55	444
Tax provisions	20	-3	17	0	14	3	22	22
Sundry provisions	129	-7	122	5	76	13	102	140
<b>Total provisions</b>	<b>554</b>	<b>6</b>	<b>560</b>	<b>12</b>	<b>129</b>	<b>16</b>	<b>179</b>	<b>606</b>

Employees in the Cognis Group have different forms of retirement benefit plans depending on the legal, financial and tax regulations in each country.

Provisions for pensions and similar obligations have been calculated using the projected unit credit method. This actuarial method of calculation takes future trends in wages, salaries and retirement benefits into account.

For Germany the calculation is based as before on trends of 3.0 percent for wages and salaries, 1.5 percent for retirement benefits, and a discount rate of 6.0 percent. In other countries the equivalent factors depend on local conditions in the country concerned.

Actuarial gains and losses, which do not exceed 10 percent of the present value of the obligations, are not recognized in the financial statements. Those in excess of 10 percent at the end of the previous reporting period are spread over the average remaining working lives of the employees concerned (subject to a maximum of 10 years). The Group's obligations are made up as follows:

<b>Breakdown of pension and similar obligations</b>	Germany	USA	Rest of world	Total
Present value of obligations not covered by fund assets	285	86	10	381
Present value of obligations covered by fund assets	0	272	15	287
	<b>285</b>	<b>358</b>	<b>25</b>	<b>668</b>
Market value of fund assets	0	213	12	225
Miscellaneous	0	1	0	1
	<b>285</b>	<b>144</b>	<b>13</b>	<b>442</b>
Unrecognized actuarial gains/losses	-3	6	-1	2
Provisions for pensions and similar obligations	<b>282</b>	<b>150</b>	<b>12</b>	<b>444</b>

A total of € 20 million has been charged in pension costs (see also Note 32 below) and € 15 million in financial items (Note 27 below).

The sundry provisions are in respect to identifiable and estimable liabilities towards third parties. They are costed in full and discounted to the balance sheet date if they include interest.

The "Adjustments" column shows the differences between figures in the pro forma balance sheets of the individual companies at December 31, 1999 and the corresponding figures brought forward at January 1, 2000 following implementation of the carve-out.

The "Special Circumstances" column comprises changes in the composition of the Group and exchange rate fluctuations.

### (13) Provisions for deferred tax liabilities

The amounts under this heading are in respect to differences between valuations in the balance sheet of the Cognis Group and the tax base used by the individual companies included in the consolidation to calculate their taxable profits (see also Note 28 below).

### (14) Borrowings

This heading includes all interest-bearing obligations of the Cognis Group outstanding at December 31, 2000.

The main components under this heading are as follows:

	Dec. 31, 1999	Residual term			Dec. 31, 2000
	Total	more than 5 years	between 1 and 5 years	up to 1 year	Total
Bank loans and overdrafts	124	19	11	39	69
Other financial liabilities	358	23	7	375	405
<b>Total</b>	<b>482</b>	<b>42</b>	<b>18</b>	<b>414</b>	<b>474</b>

Most of the borrowings are unsecured. The "other financial liabilities" are towards companies in the Henkel Group (see also Note 7 above).

### (15) Trade accounts payable

In addition to trade accounts payable to third parties this heading also includes accounts payable to companies in the Henkel Group amounting to € 59 million (1999: € 69 million). All the liabilities under this heading are due for payment within a year.

### (16) Other liabilities

	Dec. 31, 1999	Residual term	Dec. 31, 2000
	Total	up to 1 year	Total
Accounts payable to companies in which participations are held	0	1	1
Liabilities in respect of taxation	8	22	22
Liabilities in respect of social security	4	6	6
Sundry liabilities including deferred income	62	65	65
<b>Total</b>	<b>74</b>	<b>94</b>	<b>94</b>

Sundry liabilities include liabilities to customers € 3 million (1999: € 1 million), commission payable € 5 million (1999: € 5 million), payroll taxes etc. for employees € 4 million (1999: € 1 million), liabilities towards employees € 27 million (1999: € 21 million) and advance payments received € 1 million (1999: € 4 million).

### (17) Contingent liabilities

Bills and notes discounted outstanding amount to € 3 million.

### (18) Other financial commitments

The amounts shown are the nominal values.

Payment obligations under rent, leasehold and leasing agreements are shown at the total amount payable up to the earliest date when they can be terminated. Together with order commitments for property, plant and equipment and for purchases of raw materials, the total at the end of 2000 was € 259 million.

# Notes to the statement of income

(figures in € million unless stated otherwise)

## (19) Sales

A breakdown of sales by product segment and geographical region is shown in the tables on pages 58 and 59.

## (20) Cost of sales

The manufacturing cost of products sold and the purchase cost of merchandise sold are shown under this heading. In addition to the costs directly attributable such as materials, labor and energy costs, these also include overhead (including depreciation).

## (21) Marketing, selling and distribution costs

These include the costs of the marketing organization, distribution, advertising and market research, and applications advisory services for customers, as well as written off accounts receivable amounts.

## (22) Research and development costs

This heading comprises the costs of research and of product and process development. Research and development costs have been expensed in full as incurred.

## (23) Administrative expenses

This heading includes the personnel and non-personnel costs of the administration departments and miscellaneous taxes.

## (24) Other operating income

	1999	2000
Gains on disposal and write-ups of fixed assets	5	3
Income from release of provisions	1	13
Income from release of bad debt reserves	0	1
Other operating revenue	28	34
<b>Total</b>	<b>34</b>	<b>51</b>

Other operating revenue includes other income not relating to the period under review, insurance claims, foreign exchange gains from operating activities, and refunds.

## (25) Other operating charges

Other operating charges include amounts provided for services rendered to customers under guarantee and customer goodwill, for leasehold payments, and for foreign exchange losses incurred in connection with operating activities.

## (26) Restructuring costs

This heading comprises the expense of early retirement plans and of plant or business closures either already effected or approved and announced.

## (27) Financial items

<b>Net income from participations</b>	1999	2000
Participations	1	2
<b>Total</b>	<b>1</b>	<b>2</b>
<b>Net interest expense</b>		
Interest and similar income		
from Henkel Group companies	3	8
from others	3	1
Other financial income	2	1
Interest charges payable		
to Henkel Group companies	-28	-40
to others	-15	-11
Other financial charges	-7	-8
Interest element of amounts allocated to pension provisions	-12	-15
<b>Total</b>	<b>-54</b>	<b>-64</b>
<b>Financial items (net)</b>	<b>-53</b>	<b>-62</b>

## (28) Taxes on income

<b>Tax breakdown</b>	2000
Current taxes	75
Deferred taxes	-24
<b>Total</b>	<b>51</b>

#### Allocation of deferred taxes

	Deferred tax assets Dec. 31, 2000	Deferred tax liabilities Dec. 31, 2000
Patents/Licenses	3	0
Goodwill	2	0
Property, plant and equipment	2	59
Inventories	12	8
Other receivables and miscellaneous assets	5	3
Special tax-allowable items	0	29
Provisions	96	2
Liabilities	37	1
Loss carry-forwards	1	0
	158	102
Amounts netted	-56	-56
Balance sheet figures	102	46

Amounts netted represent tax assets and liabilities relating to the same tax authority. The deferred tax balances in respect of special tax-allowable items have been recognized mainly in the financial statements of German companies in the Group and relate for the most part to valuation allowances on property, plant and equipment and to tax-allowable reinvestment reserves.

The deferred tax balances in respect of provisions relate mainly to pension and similar obligations.

Expiry dates of unused tax loss carry-forwards	Dec. 31, 2000
Must be utilized within:	
1 year	7
2 years	6
3 years	8
more than 3 years	11
Carry forward without restriction	29
<b>Total</b>	<b>61</b>

Any assessment of whether deferred tax assets can be recognized depends on estimating the probability that the amounts in question can actually be realized in future. The level of probability must be more than 50 percent and the estimate must be supported by appropriate business plans. Deferred tax assets have not been recognized in respect to loss carry-forwards amounting to € 59 million because they are not expected to be realized.

Calculation of effective tax rate	2000
Earnings before tax	158
Tax rate on income of Cognis B.V. Netherlands	35%
Estimated tax charge	55
Higher taxes abroad	5
Tax reductions owing to tax-free income and other items	-21
Tax increases owing to non-deductible expenses and other items	12
<b>Total tax charge</b>	<b>51</b>

**Effective tax charge** **32.3%**

#### (29) Minority interests

The amount shown here represents the share of profits and losses attributable to other shareholders. The share of profits amounted to € 11 million (1999: € 4 million) and of losses € 1 million (1999: € 0.1 million).

(30) Depreciation and amortization expense	1999	2000
Scheduled depreciation and amortization on property, plant and equipment and intangible assets	138	126
Unscheduled depreciation and amortization on property, plant and equipment and intangible assets	14	6
Write-downs on financial assets	0	0
<b>Total</b>	<b>152</b>	<b>132</b>

Unscheduled depreciation is charged if an adjustment in value is indicated due to the closure, relocation or technological obsolescence of a production plant or a reduction in capacity to match the current workload.

(31) Cost of materials	1999	2000
Cost of raw materials and supplies and of goods purchased for resale	1,477	1,717
Cost of outside services	244	133
<b>Total</b>	<b>1,721</b>	<b>1,850</b>

(32) Payroll costs	1999	2000
Wages and salaries	346	407
Social security contributions and social assistance	79	87
Pension costs	9	20
<b>Total</b>	<b>434</b>	<b>514</b>

#### (33) Employee numbers

Annual average excluding apprentices, work experience students and trainees (only year-end figures were available in 1999).

	1999	2000
Production	5,270	5,429
Marketing, sales and distribution	1,370	1,494
Research, development and applications technology	938	869
Administration	1,418	1,346
<b>Total</b>	<b>8,996</b>	<b>9,138</b>

#### (34) Supplementary information on the cash flow statement

The acquisitions figure comprises solely purchase price payments.

The change in borrowings relates to bank loans and overdrafts and amounts payable to Henkel Group companies.



## Report by KPMG

### Auditors' report on the pro-forma financial statements of the Cognis Group for the year ended 31 December 2000

We have audited the pro-forma financial statements prepared by the Cognis Group for the year ended 31 December 2000, consisting of the balance sheet as of that date, the related statements of income, changes in shareholders' equity and cash flows for the year then ended, and the notes to the financial statements. The preparation and content of the pro-forma financial statements are the responsibility of the management of the intended parent company Cognis B.V., Roermond/The Netherlands. Our responsibility is to express an opinion based on our audit as to whether these pro-forma financial statements are in accordance with International Accounting Standards.

We have conducted our audit of the pro-forma financial statements in accordance with German audit regulations and the standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) generally accepted in Germany, having due regard also for International Standards on Auditing (ISA). Those standards require that we plan and perform the audit so as to obtain reasonable assurance about whether the pro-forma financial statements are free of material misstatement.

Knowledge of the business activities and of the economic and legal environment in which the Cognis Group operates, together with the potential for possible errors are taken into account in the determination of audit procedures. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the pro-forma financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by management of the parent company as well as evaluating the overall pro-forma financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. We did not audit the pro-forma financial statements for the year ended 31 December 1999. Accordingly we do not express an opinion on the changes in shareholders' equity, the results of the Group's operations and its cash flows for the year ended 31 December 2000.
2. In preparing the pro-forma financial statements, the management of the intended parent company Cognis B.V. did not apply IAS 22 Business Combinations and IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries in that it maintained historical cost values as recorded by the predecessor parent companies in the Henkel Group. The adjustment made on consolidation in this respect amounts to € 833 million.
3. The following disclosure requirements were not met in full:
  - comparative figures as required under IAS 1 Presentation of Financial Statements
  - certain disclosures required under IAS 14 Segment Reporting
  - certain disclosures required under IAS 24 Related Parties, including management's remuneration and borrowings, and other aspects of the relationship with the ultimate parent company Henkel KGaA and the companies of the Henkel Group
  - certain disclosures required under IAS 32 Financial Instruments: Disclosure and Presentation.

In our opinion, except for the effect on the pro-forma financial statements of the matter referred to in paragraph 2 and the omission of the information referred to in paragraph 3, the pro-forma financial statements present fairly, in all material respects, the financial position of the Cognis Group as of 31 December 2000 in accordance with International Accounting Standards. As discussed in paragraph 1 above we do not express an opinion on the changes in shareholders' equity, the results of the Group's operations and its cash flows for the year ended 31 December 2000.

Düsseldorf, March 26, 2001

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Michael Gewehr	Alison Hartley
Wirtschaftsprüfer	Chartered Accountant

# Corporate Management (as at December 31, 2000)

## Supervisory Board

**Dr. Hans-Dietrich Winkhaus**  
Chairman (until May 2000)  
Chairman of the Board of Management and CEO of Henkel KGaA (until May 2000)

**Dr. Ulrich Lehner**  
Chairman (from May 2000)  
Chairman of the Board of Management and CEO of Henkel KGaA (from May 2000)

**Dr. Jochen Krautter**  
Vice Chairman (from May 2000)  
Board of Management and CFO of Henkel KGaA

**Dr. Simone Bagel**  
Scientist at the University of Bonn

**Dr. Uwe-Ernst Bufe**  
Former Chairman of the Board of Management and CEO of Degussa Hüls AG

**Konstantin von Unger**  
Senior Vice President of Sportal Ltd, UK

**Gerrit Woeste**  
Managing Director of R. Woeste Group

**Winfried Zander**  
Chairman of the Works Council of the Joint Operation of Henkel KGaA and Cognis Deutschland GmbH

## Management Board of Cognis B.V.

**Dr. Harald Wulff**  
Chief Executive Officer

**Dr. Paul Hövelmann**  
Executive Vice President, Oleochemicals, Region Asia/Pacific

**Dr. Antonio Trius**  
Executive Vice President, Care Chemicals, Region North America

**Dr. Jochen Heidrich**  
Executive Vice President, Organic Specialties, Region Europe

**Dr. Michael Schulenburg**  
Executive Vice President, Cognis Production Worldwide, and General Manager Cognis Deutschland GmbH

**Joachim Söhngen**  
Executive Vice President, Chief Financial Officer, Region Latin America

## Management Group

### Affiliated Companies

**Anthony Popper**  
Australia

**Gerd Fabritius**  
Thailand

**Kurt Rihs**  
Taiwan

**Chris Lindsay**  
China

**Raymond Yap**  
Malaysia

**Enda Quigley**  
Ireland

**Jürgen Fromme**  
Iran

**Ramon Bacardit**  
Mexico

**Rubens-Paulo Becker**  
Brazil, Argentina

**Jens-Axel Kähler**  
Great Britain, Norway, Netherlands

**Dr. Michael Schulenburg**  
Germany

**Denis Claude B. de Gersigny**  
South Africa

**Karl-Heinz Willemsen**  
Indonesia

**Ken Bodendistel**  
Canada

**Pierre Renaud**  
France

**Jorge Guixa**  
Spain

**Robert Betz**  
USA

**Dr. Can Paker**  
Turkey

**Gerhard Schlosser**  
Japan

**Dr. Ullrich Reckert**  
Germany

**Franco Cuciti**  
Italy

# Glossary

## Cognis

The Company's name is derived from the Latin "cognoscere" – to perceive, recognize, be informed. These meanings are also communicated by the Company logo – the iris of the human eye as a symbol of realization.

All product names indicated in this Annual Report are registered trademarks of Cognis Group companies.

## Chemical and technical terms

**Acrylate** Salt or ester of acrylic acid. Owing to the structure of acrylates – they possess a so-called double bond – they can be effectively polymerized, i.e. combined into long molecule chains.

**Additive** Substance which, when added in small quantities, significantly improves certain properties of another substance or mixture.

**Aerobic** Under conditions in which oxygen is present; reliant on oxygen for life. (Opposite: anaerobic)

**Alkyl polyglycoside** Surface-active compound manufactured from sugar and fatty alcohols. Alkyl polyglycosides are readily biodegradable surfactants and are used as active ingredients in detergents, cleaning agents and cosmetic products. If the sugar component is glucose, the term used is alkyl polyglucoside.

**Alpha-hydroxy acid** Abbreviated AHA – a special organic acid that contains the hydroxyl group (-OH). The hydroxyl group is, in chemical terms, the characteristic feature of an alcohol. AHAs include lactic acid and fruit acids.

**Amphoteric** Able to function either as a base or an acid. Having zwitter or dipolar properties.

**Antioxidants** Substances that prevent a reaction with oxygen (oxidation). The well-known tendency for food substances to "go rancid", for example, is caused by oxidation processes. Antioxidants such as vitamin E or carotene can prevent the oxidation and thus the destruction of important substances in the body as well as in foods. Antioxidants thus also protect the organism from the effect of free radicals that promote the aging processes and degenerative illnesses.

**Aromatic compounds** Hydrocarbon molecules with ring structures (conjugated double bonds) such as those found in benzene or toluene. Some of these compounds are toxicologically and ecologically harmful.

**Beta-carotene** An important nutrient and source of provitamin E which is found i.a. in vegetables, lettuces and fruits. Beta-carotene can be taken in high dosages in capsules as a food supplement. It acts as an antioxidant.

**Bio-oxidation** A process in which the metabolism of micro-organisms (yeast fungi) is specifically utilized in order to convert substances chemically. Such metabolic reactions with micro-organisms generally take place under mild external conditions, e.g. moderate pressure and temperature.

**Biotechnology** Science concerned with the technical utilization of biological processes.

**Carotenoid** Yellowish red pigment belonging to the carotene family. Beta-carotene is a precursor of vitamin A.

**Cholesterol** Most important of the sterols and one present in all animal and vegetable cells; also the main component of gall stones. Sterols are natural organic compounds – alcohols of complex structure.

**Compound** A completed mixture or combination of various substances in which the properties of the component substances are combined. In industrial manufacturing processes, the employment of such stock products reduces both the processing input requirement and also the likelihood of qualitative fluctuations in the end product.

**Corticoid** Any steroid hormone produced by the adrenal cortex, e.g. cortisol, that affects carbohydrate, protein, and electrolyte metabolism, gonad function, and immune response. A derivative of cortisol is cortison, which is used in many medical skin preparations.

**Cuttings** Material cut out of the ground or the sea bed during oil drilling operations.

**Degenerative** Relating to the retrogression and degradation of cells and tissues as a result of pathological changes or aging.

**Derivative** Chemical compound derived from another compound and closely related to it in chemical terms.

**Dermatology** The branch of medicine concerned with the skin and its pathology (diseases).

**Distillation** Cleaning of liquids or separation of liquid mixtures by evaporating and then re-condensing (liquefying) the associated fractions.

**Ecotoxicology** Subset of toxicology concerned with the harmful effects of chemical substances on eco-systems and the retroactive effects on human life.

**Emulsifier** Agent by means of which two different, non-miscible liquids (e.g. oil and water) can be converted into an emulsion. This then consists of micro particles of both liquids that are uniformly mixed together.

**Enzymes** Natural organic compounds that determine the course of chemical reactions in living organisms. Enzymes support, for example, the digestion of food in the stomach or the break-down of vital substances in the body. Industrially, enzymes are used e.g. for the biotechnological manufacture of vitamin C – either as free, isolated enzymes or in living micro-organisms.

**EPA** Environmental Protection Agency (USA).

**Ester** Organic compound produced by combining acids with alcohols, with water as the byproduct.

**Extruder** Machine for the manufacture of moldings of thermoplastic material. This is pressed through dies in its heated condition by a system of screws.

**Fatty acids** Long-chain organic acids found bound to glycerine in all vegetable and animal fats and oils. Fatty acids constitute an important basestock for numerous chemical products.

**Fatty alcohols** Long-chain alcohols obtained from fatty acid methyl esters or directly from fat by reaction with hydrogen (hydrogenation). Fatty alcohols are an important basestock for surfactants.

**FDA** Food and Drug Administration (US American supervisory authority).

**Fungicide** Chemical agent used to combat fungi.

**Glycerine** A polyvalent alcohol, component of oils and fats. Glycerine is used in many areas – from the production of polyurethane foams and tobacco moistening to the food and cosmetics industries.

**Herbicide** Chemical weed killer.

**Hydraulics** The science of generating or transmitting power through the pressure of a liquid (e.g. hydraulic oil) in control, regulating, actuating or decelerating/braking devices in vehicles, aircraft and equipment.

**Inversion** Reversal.

**Lactic acid** A hydroxy organic acid. Results from the chemical dissociation of glucose.

**Lipid** Fat or fat-like substance.

**Liposomes** Microscopic sacs produced from natural or synthetic fatty substances. Can include components of cell membranes called phospholipids. When mixed with water, these will "encapsulate" any substance that dissolves in water or oil. Liposomes act like a delivery system, depositing active ingredients into the skin as they "melt".

**Micro...** Used in compound words to mean small, fine – in physical terms a millionth of a unit of measurement.

**Microbe** Micro-organism; microscopically small form of vegetable or animal life, e.g. yeast, fungus or bacterium.

**Microbial** Caused or generated by micro-organisms; belonging to the world of micro-organisms.

**Molecule** The smallest unit of a chemical compound that still exhibits the characteristic properties of that compound.

**Mono-molecular** Having a film thickness of a single molecule.

**Nano...** Represents "miniscule" in compound words – in physical terms a billionth of a unit of measurement.

**Nonwovens** Fabrics formed from a cohesive yet random web of fibers.

**Oleochemistry** Term for industrial chemistry involving oils and fats extracted from renewable raw materials, used in analogy to the term petrochemistry.

**Oxide** Any compound of a chemical element with oxygen.

**Paraffins** Saturated hydrocarbons.

**Petri dish** Shallow circular glass dish with fitting cover for producing cultures of micro-organisms.

**Petrochemistry** Term for industrial chemistry involving organic compounds derived from mineral resources (particularly petroleum), used in analogy to the term oleochemistry.

**Phase Inversion Technology (PIT)** In phase inversion technology, a liquid mixture in which oil particles are suspended in water (oil-in-water emulsion) is converted into a water-in-oil emulsion in which the water particles are embedded in oil – or vice-versa.

**Photomer** Registered and protected Cognis proprietary name of a product group of solvent-free radiation-curing acrylates used for printing inks and various coating compounds.

**Phytosterols** Natural-source sterols (see also Sterols). Biologically important organic compounds of vegetable origin (phyto = plant), used in the manufacture of medicines and health food. Phytosterols are able, inter alia, to reduce the cholesterol level in the blood.

**Polymer** Giant molecule produced from smaller units (monomers) – e.g. plastics.

**Provitamin** A vitamin precursor (e.g. provitamin A = beta-carotene).

**Radical** A highly reactive molecular fraction. Radicals occur e.g. when molecules are decomposed by high-energy light (UV radiation).

**Reaction** A process in which at least one substance is changed into another. Various substances may undergo chemical bonding, or one substance may be caused to change by external influences such as exposure to UV radiation.

**Soil Cure** Cognis systems for curing and revitalizing the soil that harness and enhance a range of natural processes.

**Stabilizer** Additive that prevents or decelerates unwanted reactions in chemical compounds.

**Sterols** Complex natural substances from the steroid family. Sterols include cholesterol.

**Substance** Chemical material.

**Sulfate** Salt of sulfuric acid.

**Surface tension** The mutually repelling forces between the molecules of two different media (phases) that come into contact with each other – for example between water and oil or water and air. Interface technology – one of the strengths of Cognis Chemistry – provides the key to a wide range of chemical and engineering solutions.

**Surfactant** Surface-active agent or substance.

**Thermoset** Plastic which cannot be melted. If exposed to high temperatures, the compound substances merely decompose.

**Toxicology** Science of poisons and toxins of an organism.

**Vitamin E** Natural antioxidant. Applied to the organism or skin, it protects cells against premature aging and illnesses induced by oxidative attack.

**Vitamin** Vital active ingredient that regulates biological processes in an organism.

## Financial terms

**Affiliated companies** All companies that are controlled directly or indirectly by Cognis B.V. by virtue of a majority shareholding and/or unified management control.

**Borrowings** This heading encompasses all long-term and short-term interest bearing debts, e.g. bonds, bank loans and overdrafts.

**Cash flow** Surplus remaining after deduction of all costs. The cash flow figure is a key indicator for assessing the financial structure of a company.

**Deferred charges and deferred income** Payments made or received in advance during the period under review, but which relate to a period after the balance sheet date.

**Deferred taxation** Timing differences in the tax charge shown in the published financial statements of individual companies and in consolidated financial statements, compared with the computations for tax purposes. Showing the differences under this heading establishes a proper correlation between published net earnings and the tax charge actually attributable.

**Fixed assets** The total of assets intended to be used long term.

**Goodwill** The difference between the purchase price for a business and the value of its net assets (assets less liabilities).

**IASC** International Accounting Standards Committee, London. This body, set up in 1973, formulates accounting standards with the objective of harmonizing the variations encountered in national accounting standards. The IAS regulations thus largely ensure the international comparability of financial statements. The impact of IAS on accounting practices has increased significantly and this process can be expected to continue both on the national and international level.

**Minority interests** Minority shareholdings in companies in the Cognis Group not owned by Cognis or by affiliated companies of the Cognis Group.

**Payroll cost ratio** The ratio of personnel costs to sales. Changes are particularly significant when related to sales revenue per employee.

**Shareholders' equity** Capital of the company in the form of paid in capital or retained earnings.