

# Consolidated Financial Statements

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## Cognis Consolidated Balance Sheet

### Assets

	December 31, 2004		December 31, 2003		Notes
	€ millions	%	€ millions	%	
Intangible assets	349	13.9	398	15.2	(1)
Property, plant and equipment	775	30.8	828	31.6	(2)
Financial assets	1	0.0	1	0.0	(3)
<b>Fixed assets</b>	<b>1,125</b>	<b>44.7</b>	<b>1,227</b>	<b>46.8</b>	
<b>Deferred tax assets</b>	<b>244</b>	<b>9.7</b>	<b>219</b>	<b>8.4</b>	(19)
Inventories	473	18.8	431	16.4	(4)
Trade accounts receivable	473	18.8	450	17.2	(5)
Other receivables and other current assets	94	3.8	102	3.9	(6)
Cash and cash equivalents	106	4.2	190	7.3	(7)
<b>Current assets</b>	<b>1,146</b>	<b>45.6</b>	<b>1,173</b>	<b>44.8</b>	
<b>Total assets</b>	<b>2,515</b>	<b>100.0</b>	<b>2,619</b>	<b>100.0</b>	

### Equity and Liabilities

	December 31, 2004		December 31, 2003		Notes
	€ millions	%	€ millions	%	
<b>Equity</b>	<b>- 119</b>	<b>- 4.7</b>	<b>246</b>	<b>9.4</b>	(8)
<b>Minority interests</b>	<b>44</b>	<b>1.7</b>	<b>43</b>	<b>1.6</b>	
<b>Equity and minority interests</b>	<b>- 75</b>	<b>- 3.0</b>	<b>289</b>	<b>11.0</b>	
Provisions for pensions and similar obligations	451	17.9	446	17.0	(9)
Other provisions	202	8.0	186	7.1	(10)
<b>Provisions</b>	<b>653</b>	<b>25.9</b>	<b>632</b>	<b>24.1</b>	
<b>Deferred tax liabilities</b>	<b>27</b>	<b>1.1</b>	<b>34</b>	<b>1.3</b>	(19)
Borrowings	1,527	60.8	1,336	51.0	(11)
Trade accounts payable	289	11.5	226	8.7	(12)
Other liabilities	94	3.7	102	3.9	(13)
<b>Liabilities</b>	<b>1,910</b>	<b>76.0</b>	<b>1,664</b>	<b>63.6</b>	
<b>Total equity and liabilities</b>	<b>2,515</b>	<b>100.0</b>	<b>2,619</b>	<b>100.0</b>	

## Cognis Consolidated Income Statement

Year ended December 31	2004		2003		Notes
	€ millions	%	€ millions	%	
<b>Sales</b>	<b>3,073</b>	<b>100.0</b>	<b>2,950</b>	<b>100.0</b>	
Cost of sales	-2,311	-75.2	-2,216	-75.1	
<b>Gross profit</b>	<b>762</b>	<b>24.8</b>	<b>734</b>	<b>24.9</b>	
Marketing, selling and distribution costs	-427	-13.9	-444	-15.0	
Research and development costs	-59	-1.9	-61	-2.1	
Administrative expenses	-122	-4.0	-123	-4.2	
Other operating income	25	0.8	75	2.5	(14)
Other operating expenses	-34	-1.1	-49	-1.7	(15)
	<b>145</b>	<b>4.7</b>	<b>132</b>	<b>4.4</b>	
Amortisation of goodwill	-11	-0.4	-28	-0.9	(1)
Restructuring costs	-35	-1.1	-54	-1.8	(16)
<b>Operating profit (EBIT)</b>	<b>99</b>	<b>3.2</b>	<b>50</b>	<b>1.7</b>	(17)
Net financial result	-144	-4.7	-152	-5.2	(18)
<b>Profit before tax</b>	<b>-45</b>	<b>-1.5</b>	<b>-102</b>	<b>-3.5</b>	
Income tax recoveries	18	0.6	38	1.3	(19)
<b>Loss before minority interests</b>	<b>-27</b>	<b>-0.9</b>	<b>-64</b>	<b>-2.2</b>	
Minority interests	-7	-0.2	-7	-0.2	(20)
<b>Net loss</b>	<b>-34</b>	<b>-1.1</b>	<b>-71</b>	<b>-2.4</b>	

## Cognis Consolidated Statement of Changes in Shareholder's Equity

€ millions						
	Notes	Capital reserve	Accumulated deficit	IAS 39 reserve	Currency translation differences	Consolidated equity
<b>At January 1, 2003</b>		<b>150</b>	<b>- 66</b>	<b>- 20</b>	<b>- 69</b>	<b>- 5</b>
Net loss 2003			- 71			- 71
Capital contribution		375				375
Translation differences					- 62	- 62
Effects of derivative hedging instruments (Cash Flow Hedges)						
- Fair value losses				- 4		- 4
- Deferred taxes				- 5		- 5
- Transfers from IAS 39 reserve to income statement				18		18
<b>At December 31, 2003</b>		<b>525</b>	<b>- 137</b>	<b>- 11</b>	<b>- 131</b>	<b>246</b>
Net loss 2004			- 34			- 34
Capital repayments		- 320				- 320
Translation differences					- 14	- 14
Effects of derivative hedging instruments (Cash Flow Hedges)						
- Fair value losses				- 15		- 15
- Deferred taxes				- 3		- 3
- Transfers from IAS 39 reserve to income statement				21		21
<b>At December 31, 2004</b>	(8)	<b>205</b>	<b>- 171</b>	<b>- 8</b>	<b>- 145</b>	<b>- 119</b>

# Cognis Consolidated Cash Flow Statement

Year ended December 31	2004	2003	
	€ millions	€ millions	Notes
<b>Operating profit (EBIT)</b>	<b>99</b>	<b>50</b>	
Income taxes paid	- 23	- 23	
Depreciation/(write-ups) of fixed assets	200	248	
Net (gains)/losses from disposals of fixed assets and divestments	3	- 19	
<b>Cash earnings</b>	<b>279</b>	<b>256</b>	
Change in inventories	- 61	29	
Change in receivables and other current assets	- 48	20	
Change in liabilities and short-term provisions	81	10	
<b>Cash flows from operating activities</b>	<b>251</b>	<b>315</b>	
Capital expenditure on intangible assets	- 14	- 20	
Capital expenditure on property, plant and equipment	- 118	- 102	
Acquisitions	0	- 53	(24)
Divestments and disposals of fixed assets	17	45	(25)
<b>Cash flows from investing activities</b>	<b>- 115</b>	<b>- 130</b>	
Capital repayments and distributions	- 325	- 12	
Pension payments net of service costs	- 13	- 84	(26)
Draw down/(repayment) of borrowings	271	- 114	
Interest and dividends received	4	8	
Interest paid and other financial charges	- 158	- 88	
<b>Cash flows from financing activities</b>	<b>- 221</b>	<b>- 290</b>	
<b>Net cash flows</b>	<b>- 85</b>	<b>- 105</b>	
Foreign exchange effect	1	- 4	
<b>Change in cash and cash equivalents</b>	<b>- 84</b>	<b>- 109</b>	
Cash and cash equivalents at beginning of year	190	299	
Cash and cash equivalents at end of year	106	190	

## Group Segment Reporting

The Cognis Group is a manufacturer of specialty chemicals. The structure of the segments presented below is based on the Group's management and internal reporting structure. Since January 2002, Cognis measures its performance by Strategic Business Units ("SBU"s) comprising Care Chemicals, Nutrition & Health, Functional Products, Process Chemicals and Oleochemicals.

- The Care Chemicals SBU is a leading global producer of specialty chemicals, surfactants and fatty alcohols for manufacturers of hair, skin and body care products, as well as makers of household and industrial detergents and cleaners.
- The Nutrition & Health SBU is a leading supplier of natural-source antioxidants (vitamin E and carotenoids in particular), sterols, botanicals and specialty lipids for dietary supplements. Other products supplied by the Nutrition & Health SBU include food grade emulsifiers and pharmaceutical excipients.
- The Functional Products SBU provides chemical products and customer-tailored solutions designed to enhance product performance and cost efficiency that are used extensively in the polymers, coatings and inks, lubricants, agricultural and mining industries.
- The Process Chemicals SBU offers specialized chemical products and process expertise to industrial customers, including plastics, leather, textile and fiber processors and manufacturers.
- The Oleochemicals SBU produces a comprehensive range of chemical intermediates (such as fatty acids and glycerin) mainly from renewable raw materials, in particular natural oils and fats.

Starting the second quarter 2004, the Basic Surfactants and Fatty Alcohol businesses were transferred from Oleochemicals to Care Chemicals. Care Chemicals' and Oleochemicals' comparative figures have been retroactively adjusted to reflect the transfer.

Other Activities includes the results attributable to contract manufacturing and other secondary activities (such as the fragrance business sold in 2003) and internal deliveries.

Internal deliveries are intra-group transfers from one Cognis group company to another Cognis group company. In 2003, the EBITDA earned on such "internal deliveries" was shown in Other Activities. In 2004, the EBITDA earned on "internal deliveries" and the net operating assets previously allocated to "internal deliveries" have been reallocated to the purchasing SBU, which sells the end-product externally. As a result the EBITDA generated in 2004 by "internal deliveries" and the related net operating assets are no longer included in Other Activities. The 2003 EBITDA of internal deliveries of € 19 million can be approximately allocated to the purchasing SBUs as follows: Care Chemicals € 8 million, Nutrition & Health € 5 million, Functional Products € 3 million, Process Chemicals € 1 million, and Oleochemicals € 2 million.

The segment revenues, expenses, assets and liabilities are either directly attributable to a segment or allocated to that segment based on economic principles; property, plant and equipment are allocated to segments by capacity utilization.

## Group Segment Reporting 2004

		Care Chemicals	Nutrition & Health	Functional Products	Process Chemicals	Oleo- chemicals	Other Activities	Group
<b>External sales 2004</b>	€ m	<b>1,155</b>	<b>287</b>	<b>772</b>	<b>401</b>	<b>430</b>	<b>28</b>	<b>3,073</b>
Change from previous year <sup>1</sup>	%	5.0	8.9	11.1	-7.0	4.1	-39.1	4.2
Proportion of Group sales 2004 <sup>1</sup>	%	37.6	9.3	25.1	13.0	14.0	1.0	100.0
External sales 2003	€ m	1,101	263	695	431	413	47	2,950
<b>Operating profit (EBIT) 2004</b>	€ m	<b>73</b>	<b>42</b>	<b>25</b>	<b>-6</b>	<b>-13</b>	<b>-22</b>	<b>99</b>
Change from previous year <sup>1</sup>	%	67.2	51.0	412.2	-885.8	-67.6	-267.3	95.5
Operating profit (EBIT) 2003	€ m	43	28	5	1	-40	13	50
<b>Operating profit (EBIT) return on sales 2004<sup>1</sup></b>	%	<b>6.3</b>	<b>14.7</b>	<b>3.2</b>	<b>-1.4</b>	<b>-3.0</b>	<b>-77.3</b>	<b>3.2</b>
Operating profit (EBIT) return on sales 2003 <sup>1</sup>	%	3.9	10.6	0.7	0.2	-9.6	28.2	1.7
<b>Depreciation, amortization, impairment 2004</b>	€ m	<b>84</b>	<b>15</b>	<b>48</b>	<b>24</b>	<b>27</b>	<b>2</b>	<b>200</b>
Thereof impairment losses	€ m	-	1	1	1	2	-	5
Depreciation, amortization, impairment 2003	€ m	87	13	48	25	47	28	248
Thereof impairment losses	€ m	9	3	5	1	25	2	45
<b>Capital expenditure 2004<sup>2</sup></b>	€ m	<b>49</b>	<b>19</b>	<b>28</b>	<b>10</b>	<b>25</b>	<b>1</b>	<b>132</b>
Capital expenditure 2003 <sup>2</sup>	€ m	38	11	33	8	18	14	122
<b>Operating assets 2004</b>	€ m	<b>919</b>	<b>212</b>	<b>499</b>	<b>278</b>	<b>297</b>	<b>115</b>	<b>2,320</b>
<b>Operating liabilities 2004</b>	€ m	<b>274</b>	<b>61</b>	<b>149</b>	<b>85</b>	<b>81</b>	<b>77</b>	<b>727</b>
<b>Net operating assets employed 2004</b>	€ m	<b>645</b>	<b>151</b>	<b>350</b>	<b>193</b>	<b>216</b>	<b>38</b>	<b>1,593</b>
Operating assets 2003	€ m	829	157	501	295	230	258	2,270
Operating liabilities 2003	€ m	196	43	112	77	67	84	579
Net operating assets employed 2003	€ m	633	114	389	218	163	174	1,691
<b>Restructuring costs 2004</b>	€ m	<b>5</b>	<b>5</b>	<b>7</b>	<b>4</b>	<b>5</b>	<b>9</b>	<b>35</b>
Restructuring costs 2003	€ m	18	5	8	5	11	7	54
<b>Research and development costs 2004</b>	€ m	<b>21</b>	<b>9</b>	<b>15</b>	<b>10</b>	<b>4</b>	<b>0</b>	<b>59</b>
<b>R&amp;D as % of sales 2004<sup>1</sup></b>	%	<b>1.8</b>	<b>3.0</b>	<b>2.0</b>	<b>2.5</b>	<b>0.9</b>	<b>1.0</b>	<b>1.9</b>
Research and development costs 2003	€ m	18	6	19	8	2	8	61
R&D as % of sales 2003 <sup>1</sup>	%	1.7	2.3	2.7	1.8	0.4	18.0	2.1

<sup>1</sup>Percentages calculated on the basis of the segment figures in € thousands.

<sup>2</sup>Excluding investments in financial assets and acquisitions.

Group Segment Reporting 2004								
		Germany	Rest of Europe	North America <sup>3</sup>	Central and South America <sup>4</sup>	Asia-Pacific	Africa	Group
<b>Sales by company jurisdiction 2004</b>	€ m	<b>973</b>	<b>801</b>	<b>770</b>	<b>132</b>	<b>393</b>	<b>4</b>	<b>3,073</b>
Change from previous year <sup>1</sup>	%	0.9	8.4	0.4	19.6	8.2	- 26.9	4.2
Proportion of Group sales 2004 <sup>1</sup>	%	31.7	26.1	25.0	4.3	12.8	0.1	100.0
Sales by company jurisdiction 2003	€ m	964	739	767	111	364	5	2,950
<b>Sales by destination 2004</b>	€ m	<b>492</b>	<b>1,121</b>	<b>698</b>	<b>252</b>	<b>478</b>	<b>32</b>	<b>3,073</b>
Change from previous year <sup>1</sup>	%	- 2.9	10.7	- 1.4	13.4	4.8	- 26.6	4.2
Proportion of Group sales 2004 <sup>1</sup>	%	16.0	36.5	22.7	8.2	15.6	1.0	100.0
Sales by destination 2003	€ m	507	1,012	707	223	457	44	2,950
<b>By company jurisdiction:</b>								
<b>Operating profit (EBIT) 2004</b>	€ m	<b>- 4</b>	<b>26</b>	<b>46</b>	<b>6</b>	<b>25</b>	<b>-</b>	<b>99</b>
Change from previous year <sup>1</sup>	%	- 87.5	- 6.9	53.7	- 44.4	61.8	- 46.9	95.5
Operating profit (EBIT) 2003	€ m	- 33	28	30	10	15	-	50
<b>Operating profit (EBIT) return on sales 2004<sup>1</sup></b>	%	<b>- 0.4</b>	<b>3.2</b>	<b>6.0</b>	<b>4.2</b>	<b>6.3</b>	<b>6.3</b>	<b>3.2</b>
Operating profit (EBIT) return on sales 2003 <sup>1</sup>	%	- 3.4	3.8	3.9	9.0	4.2	8.7	1.7
<b>Depreciation, amortization, impairment 2004</b>	€ m	<b>100</b>	<b>49</b>	<b>31</b>	<b>4</b>	<b>16</b>	<b>-</b>	<b>200</b>
Thereof impairment losses	€ m	1	2	1	-	1	-	5
Depreciation, amortization, impairment 2003	€ m	120	48	47	6	27	-	248
Thereof impairment losses	€ m	15	9	13	-	8	-	45
<b>Capital expenditure 2004<sup>2</sup></b>	€ m	<b>64</b>	<b>30</b>	<b>22</b>	<b>3</b>	<b>13</b>	<b>-</b>	<b>132</b>
Capital expenditure 2003 <sup>2</sup>	€ m	42	41	28	2	9	-	122
<b>Operating assets 2004</b>	€ m	<b>873</b>	<b>603</b>	<b>480</b>	<b>77</b>	<b>286</b>	<b>1</b>	<b>2,320</b>
<b>Operating liabilities 2004</b>	€ m	<b>297</b>	<b>183</b>	<b>122</b>	<b>35</b>	<b>89</b>	<b>1</b>	<b>727</b>
<b>Net operating assets employed 2004</b>	€ m	<b>576</b>	<b>420</b>	<b>358</b>	<b>42</b>	<b>197</b>	<b>-</b>	<b>1,593</b>
Operating assets 2003	€ m	904	540	449	84	291	2	2,270
Operating liabilities 2003	€ m	189	180	104	26	79	1	579
Net operating assets employed 2003	€ m	715	360	345	58	212	1	1,691
<b>Restructuring costs 2004</b>	€ m	<b>13</b>	<b>8</b>	<b>11</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>35</b>
Restructuring costs 2003	€ m	45	3	3	-	3	-	54
<b>Research and development costs 2004</b>	€ m	<b>33</b>	<b>15</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>59</b>
<b>R&amp;D as % of sales 2004<sup>1</sup></b>	%	<b>3.4</b>	<b>1.9</b>	<b>1.1</b>	<b>1.5</b>	<b>0.1</b>	<b>-</b>	<b>1.9</b>
Research and development costs 2003	€ m	27	15	15	3	1	-	61
R&D as % of sales 2003 <sup>1</sup>	%	2.8	2.0	2.0	2.7	0.2	-	2.1

<sup>1</sup>Percentages calculated on the basis of the segment figures in € thousands.

<sup>2</sup>Excluding investments in financial assets and acquisitions.

<sup>3</sup>Including Mexico and Colombia.

<sup>4</sup>Excluding Mexico and Colombia.

## Segment information – Reconciliation with balance sheet figures

The reconciliation of the allocated net operating assets to consolidated Group assets and liabilities as at 31 December, 2004 and 2003 is presented in the following table:

€ millions	December 31, 2004			December 31, 2003		
	Segment operating assets	Non-operating portion/ Consolidation	Balance sheet figures	Segment operating assets	Non-operating portion/ Consolidation	Balance sheet figures
Goodwill	98	0	98	110	0	110
Other intangible assets and property, plant and equipment	1,026	0	1,026	1,116	0	1,116
Financial assets	0	1	1	0	1	1
Deferred tax assets	0	244	244	0	219	219
Inventories	473	0	473	431	0	431
Trade accounts receivable from third parties	473	0	473	450	0	450
Accounts receivable from affiliated companies	198	- 198	0	119	- 119	0
Other receivables and other current assets	52	42	94	44	58	102
Cash and cash equivalents	0	106	106	0	190	190
<b>Total assets</b>	<b>2,320</b>	<b>195</b>	<b>2,515</b>	<b>2,270</b>	<b>349</b>	<b>2,619</b>
Trade accounts payable to third parties	289	0	289	226	0	226
Accounts payable to affiliated companies	198	- 198	0	119	- 119	0
Other provisions and liabilities	240	41	281	234	41	275
Provisions for pensions and similar obligations	0	451	451	0	446	446
Tax provisions	0	15	15	0	13	13
Deferred tax liabilities	0	27	27	0	34	34
Borrowings	0	1,527	1,527	0	1,336	1,336
<b>Total provisions and liabilities</b>	<b>727</b>	<b>1,863</b>	<b>2,590</b>	<b>579</b>	<b>1,751</b>	<b>2,330</b>
<b>Net assets/Equity and minority interests</b>	<b>1,593</b>	<b>- 1,668</b>	<b>- 75</b>	<b>1,691</b>	<b>- 1,402</b>	<b>289</b>