

EXECUTIVE SUMMARY

Agricultural Products



The Chemical Company

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Topic Data development, registration, and market launch of a Dicamba Tolerance cropping system. A collaboration between BASF and Monsanto.

Ron Repage APM/H

August 27, 2010

Background Information

Monsanto (MON) has publically shared their intentions to commercialize Dicamba Tolerant (DT) Crops; The launch in the U.S. is targeted for 2014 followed by additional crops and countries in future years.

BASF currently has four agreements in place with MON regarding DT crop technology:

- Dicamba Agreement (Jan 2007), centered on the out come of the UNL proceedings determining ownership rights to DT technology.
- Settlement Agreement and Amendment (Nov 2008), where each party agreed to a joint dismissal of all claims against each other in the UNL proceedings.
- Dicamba Low Volatility Formulation (DLVF) License Agreement (Nov 2008), which was part of the negotiated settlement. MON paid BASF \$1m and BASF agreed to develop, register, and provide a co-exclusive license to a DLVF by a specified date.
- Dicamba Canadian Supply Agreement (Mar 2010), BASF agreed to supply dicamba to MON in support of regulatory requirements in Canada.

BASF started further negotiations with MON in Q1 of 2010 under the "BASF/MON Umbrella Agreement" to further collaborate in support of commercially launching the DT System (DT Crop and supporting chemistry).

Detail

The scope of the collaboration: MON and BASF will work together to develop the necessary data to register and launch the DT system in multiple crops and in multiple countries. BASF will provide demonstrated dicamba regulatory expertise and support and would be focused on the regulatory requirements for dicamba chemistry and the DLVF. MON will focus on the global deregulation of the DT trait and approvals in the target countries. In addition BASF will fully develop the DLVF product and provide access and supply to MON for use on DT crops.

As of August of 2010 BASF and MON have:

- Defined the project: "Data creation and registration of the DT System"
- Defined the project scope: (1) chemistry: dicamba CLARITY and/or DLVF formulations or formulations containing CLARITY and/or DLVF products; (2) countries: NA, LA, Australia, China, India, Philippines, Pakistan; (3) crops: soybean, corn, cotton, canola; (4) trait/genetics: all germplasm containing any MON transgenic trait or gene conferring tolerance to dicamba
- Appointed co-project leaders: Tom Adams (MON) and Ron Repage (BASF)
- Agreed on a value sharing model where MON will pay BASF royalties that extend beyond 2018
- Set the project term at five years for sub-project initiation (DT system registration for

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**EXHIBIT
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each crop/country combination)

- Identified high level regulatory milestones for NA and Brazil
- Agreed on a supply concept where BASF will supply DLVF or CLARITY to Mon

A draft term sheet will be prepared by MON and provided to BASF prior to our next meeting, scheduled for Aug. 25-27, contract to follow.

The following is the proposed BASF Project Team

Core:

Ron Repage, Global Marketing

Laura Sears/Susanne Lingard, Global Regulatory

Jose Eduardo, Brazil Regulatory

Steven Bowe, Biology

Steven Brunt, Global Formulations

Scott Asher, Regional Marketing APN

Fredy Mariscal, Regional Marketing APS

Adam Jones, Finance

Tom Bereswill, Global Supply Chain

Experts:

Suzanne Flaton-Origenes, Legal

Angela Mckean, BPS Regulatory

Luiz Louzano, Brazil BPS Technical

Anne Wenisch, Tax

Jonathan Smith, APT Technology

Mary Anne Kuhn, Communications

Financial Impact

First estimate for the expanded collaboration is ~\$70 mio NPV

This represents a ~\$40 mio improvement over the NPV estimated for the initial Dicamba Agreement (Jan 2007).

Assumes introduction of DT soybeans and cotton in the U.S. in 2014 and 2016 respectively, DT soybeans in Brazil and Argentina in 2018. This includes royalties, BASF branded chemical sales, and industrial sales to MON.

Recommendations

- Full support of project and project team recommendation

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Action Plan

- BASF Team kickoff Sep 2010
- Complete and execute contract by Dec 2010
- Establish joint project plan for data development, registration, and market launch of DT system (trait and DLVF) in NA and Brazil by Dec 2010
- Define optimized supply model for DLVF in NA and LA by Oct 2010

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