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Chemical compounds First-quarter 2011 global chemicals industry mergers and acquisitions analysis

Special report: Gaining a competitive advantage by retaining top talent through a merger

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Welcome to the first-quarter 2011 edition of *Chemical compounds,* PwC's quarterly analysis of mergers and acquisitions (M&A) in the global chemicals industry. In addition to a detailed summary of M&A activity in the first quarter, this edition features a special report on retaining top talent and maintaining organizational culture through a merger. With M&A activity increasing across the globe, executives are facing talent management challenges including organizational design, integration planning, and the cultural blend between acquirer and target. A disciplined approach to people integration helps companies achieve desired synergies, build momentum, and instill confidence among their stakeholders.

Special report:
Gaining a competitive advantage by retaining top talent through a merger

Companies engaged in merger and acquisition (M&A) activity by necessity are faced with a number of integration challenges. Among them are the complexities related to achieving synergies and cost reductions, accessing new markets to sustain growth, and protecting talent. With so much at risk, talent issues are too often overlooked. And yet, the effective handling of cultural concerns, compensation issues, and retaining pivotal talent can be vital to a new organization's success.

Merger integration involves effectively managing multiple priorities. How the people issues are managed can be a make-or-break challenge. A staggering 70% of deals fail to deliver their intended benefits, often because cultural and people issues are mismanaged.[1] As a result, companies are becoming increasingly aware that M&A value creation, strategic growth, and sustainable business success can hinge on the human side of deal making.

The US chemicals industry employs approximately 800,000 people. Globally, the figure approaches 3 million. Successful chemical companies understand that human capital is their most important asset. Facing challenging global and domestic economic climates, increased internal and external scrutiny on benefits and compensation programs, and the dynamics posed by an aging and increasingly diverse workforce, chemical manufacturers incorporate a variety of innovative practices to retain, reward, and manage their workforce effectively. These strategies are particularly relevant during and after merger and acquisition transactions.

With about $110 billion worth of deals in 2010, more than triple the value of 2009 activity, the chemicals industry is enjoying a robust period of M&A activity. Deal value in 2010 got a significant boost from the $39.8 billion attempted bid by BHP Billiton PLC for Potash Corp., and the average value of deals worth more than $1 billion more than doubled from 2009. Further, an increase in deal activity in 2011 is expected.

Robust deal activity brings unique opportunities and complexities. Mergers and acquisitions can present a serious challenge, especially when it comes to the people side of the business and the operating units responsible for sustaining performance.

The implications of organizational change

Major change in the workplace can cause fear and uncertainty among employees. When organizational change programs fail, it is largely because employees feel left out of the process and end up lacking the motivation, skills, and knowledge to adopt new systems and procedures.

These issues come to the forefront during integration. One company, responding to a survey of participants in the recent M&A and Human Capital Roundtable hosted by PwC, reported beginning its retention campaign by posing a thought-provoking question to incoming employees: "Do you see a future for yourself at this company?"[2]

Acquisitions for talent

Companies traditionally have pursued deals to achieve extensions of product and service offerings, or expansion into new geographical areas. But now many are making acquisitions specifically to expand the talent pool or gain new capabilities. Consequently, companies are frequently seeking professionals with highly specialized skill sets.

These employees, often critical to the building of products and services uniquely identified with the organization being acquired, are often innovators.

[1] "When two become one," Hourglass, PwC, December 2010

[2] "Talking about the people side of M&A," PwC, 2010

Keeping pivotal talent

Identifying and retaining top talent can be essential to successful integration efforts and a primary aspect of due diligence. The acquiring company should define each employee's relative importance to the business, both during the transition and beyond. The company should make an assessment regarding which employees are needed for short-term transition and which are needed for long-term value creation.

Some employees may be essential to the process of transitioning the target's customer base to the acquirer, while others may be integral to managing or otherwise maintaining the target's ongoing operations. Another group may be critical because it is responsible for day-to-day operations.

When defining those needs, companies examine three levels of criticality:

- **Strategically critical:** Those employees most essential to the ongoing operations of the newly combined organization—typically, top executives and business unit leaders, as well as important individual contributors.

- **Integration critical:** Those employees essential to the integration effort itself.

- **Knowledge-transfer critical:** Those employees with specialized knowledge essential to the transfer of ongoing information and know-how.

Categorizing employees by level of criticality helps an organization assess employees individually and determine whether managers at different levels or locations will require different retention packages. The process also allows for more efficient deployment of strong performers to other positions within the new company, particularly in situations where two talented employees perform duplicate roles.

Investing heavily in "pivotal talent" can result in major competitive advantage. Pivotal talent is comprised of those game-changing employees whose performance can make or break the bottom line. They are those best positioned to add the greatest value and have the greatest influence on a company's success.

In their efforts to retain pivotal talent, companies are augmenting salary and incentives discussions with information regarding the shape of the new corporate culture—whether, for example, the new organization will be one of learning and empowerment or of process discipline.

Bridging cultural differences

Nearly half of the companies attending the M&A and Human Capital Roundtable hosted by PwC in 2010 reported that cultural alignment—bridging the potentially value-destroying cultural differences between acquirer and target—takes a full calendar year from close to achieve.

As a result, companies are focusing heavily on:

- Assessing the cultural compatibility between the target and the acquirer

- Developing a culture integration road map within the first 30 days, or before close if there is sufficient information about the two organizations' cultural compatibility

- Holding the C-suite members accountable for sponsoring and leading cultural change while empowering functions and local teams to adapt and deploy culture integration initiatives

Launching an effective communications plan

Steady and constant communications relative to the status of the acquisition, as well as the multiple cultural and other issues that employees will face during and after the integration, can be essential to a satisfactory transition that will result in retaining valuable talent and preventing productivity slowdowns. In an environment characterized by uncertainty, employees require regular and accurate communications, including clarity on the issue of leadership. Assessing the appropriate level of information-sharing and effectively executing a communications plan are paramount during integration.

Managing people and talent issues during and after mergers and acquisitions comes with its own set of challenges. Failure to properly meet these challenges can result in:

- Lowering of employee morale
- Employee exodus
- Stakeholder risk
- Loss of valuable intellectual property
- Continuity concerns

To avoid adverse effects on deal value, organizations can achieve success in this arena by striving to understand the emotional impact on employees facing major workplace changes, which often include revisions to their roles, geographical relocations, and potential cultural conflicts. Companies that frequently engage in acquisitions for the purposes of gaining new talent also place a high priority on keeping pivotal talent. They provide salary and other incentives to appeal to those professionals of greatest value to the organization, during the transition and going forward. Companies successfully employing these strategies can increase their prospects for achieving mergers and acquisitions that bring the intended results, including a post-merger integration that proceeds smoothly from day one.

Perspective:
Thoughts on deal activity in the first quarter 2011

We are finally seeing the deal flow from pending transactions that have been in the pipeline for several quarters. As shown in the graphs on the following pages, the overall deal activity (by number of deals) has not changed significantly during the past several quarters. However, the composition of deal activity has shifted considerably.

Mid-2010, we noted a shift in the average size of deals in our pipeline. Many of these deals have been announced, with seven of them having a transaction value greater than $1 billion, including two that had a deal value greater than $5 billion. The other dynamic that shifted in first-quarter 2011 is the deal activity by financial investors, which is at 27% of first-quarter deal value as compared with a pre-downturn level of 15% to 20%.

These changes are in line with our expectations, as the chemicals industry's deal activity typically remains consistent throughout the economic cycle by number of deals, but inconsistent by composition. The variables, depending on where we are in the cycle, tend to be the size of the deals and the types of buyers (strategic versus financial, foreign versus local). Throughout the downturn, the majority of our deal pipeline consisted of small to midsized deals by strategic buyers in well-established markets. As we came out of the downturn, we saw a shift toward a higher number of larger deals and a wider variety of bidders.

Another significant shift, which is not evident in the data, is the level of competition in the bidding process. During the downturn, many deals moved at a deliberately slower pace than they did during the pre-downturn period. Now, the pace is closer to that of 2006-07, with the leverage shifting back toward the seller (at least for desirable businesses). We believe several factors are driving this change including: 1) an additional quarter of results to substantiate how the business is performing in the post-downturn period; 2) healthy balance sheets; 3) a higher level of confidence that the return in demand may be sustainable; and 4) improved lending conditions. Also, we see the potential for a higher level of competitive bidding than in the past due to an increase in the level of activity by emerging market bidders. In addition to the traditional established Western companies and private equity bidders, we have seen more activity from countries such as China. This trend is expected to continue to significantly affect the bidding process. A more competitive bidding process could require companies to prepare well and prioritize their diligence issues and requests so that they will be able to move quickly with limited information.

1Q 2011 number of deals down, but average deal size up significantly

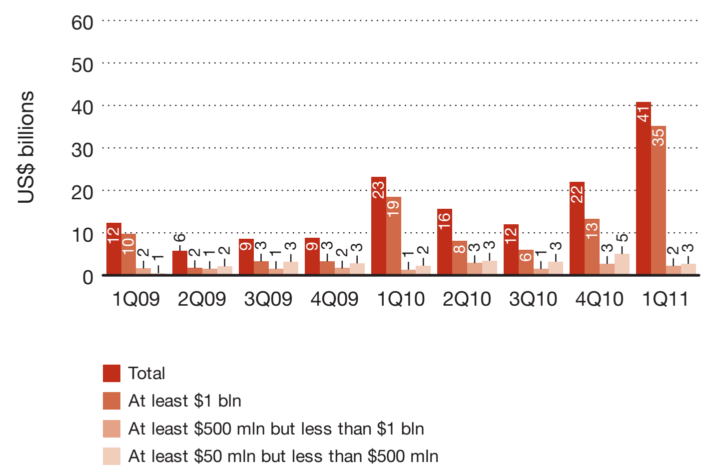
To our surprise, deal activity by number of deals dropped 16% in the first quarter of 2011 (as compared with the prior quarter). This downward trend was seen in all categories including: total announced deals, total announced deals with disclosed values, and total announced deals with a disclosed value greater than $50 million. The total deal activity for announced deals was close to the average quarterly activity level in 2010. However, the total announced deals with a value greater than $50 million was above the average quarterly level in 2010.

Quarterly deal activity by number of deals
(1Q09—1Q11)

*1Q 2011 average deal size almost doubled from 2010**

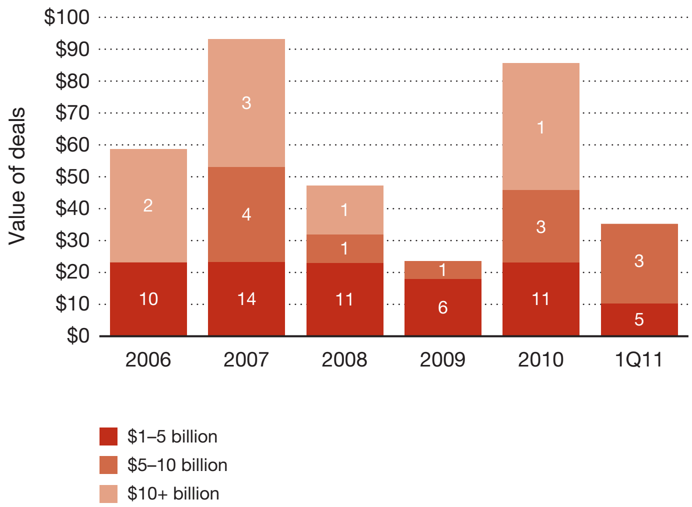
Deal activity by deal value increased considerably from the average quarterly deal activity in 2010. After adjusting for the $39.8 billion attempted bid by BHP Billiton PLC for Potash Corp., activity more than doubled the 2010 quarterly average. This trend is consistent with what we have observed. In the second half of 2010, we noted a significant increase in deal activity in our pipeline, with larger deals contributing to much of this activity. This high level of deal activity is showing up in the data as deals have moved to the "announced" stage of the process. From our perspective, this activity reflects several underlying factors in the industry including strong balance sheets, healthy margins, and positive forecasts. We have seen that this activity and these underlying factors are not limited to a particular segment in the industry, as we have seen strong activity with all types of companies across many geographic regions with a variety of strategic drivers.

Quarterly deal activity by total deal value
(1Q09—1Q11)



* 2010 average deal value excludes $39.8 billion BHP Billiton PLC/Potash Corp deal

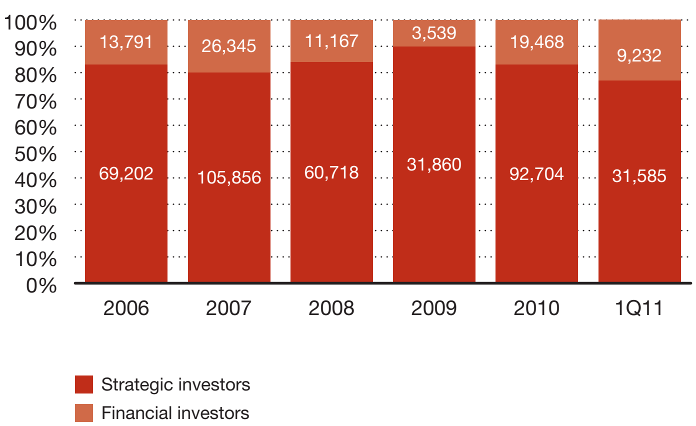
Large deals (2006—2010, 1Q11)
Value greater than $1 billion (and number of deals in category)



1Q 2011 large-deal pace suggests strong M&A activity for 2011

The underlying data in first-quarter 2011 supports a trend we have observed in the market during periods with similar economic conditions. During the recent downturn and consistent with previous downturns, we noted that the level of deal activity by number of deals remained relatively high. However, the number of large deals and the average size of deals dropped significantly. Once we saw the fundamental demand return, we noted a significant shift in the size of deals in our pipeline. As shown in the graph, this dynamic is finally showing up in the announced deal data. If the first-quarter pace continues, 2011 will be a very strong year for M&A in the chemicals industry and will create some fundamental shifts in the competitive position of certain companies.

Deal value by type of acquirer (2006—2010, 1Q11)
Measured by percentage of deal value (actual deal value in billions, for deals with a disclosed value, greater than $50 million, shown in chart)



Deal activity by type of acquirer

Financial investor deal activity typically accounted for 15% to 20% of total deal value prior to the recession. The downturn's effect on the debt markets made it particularly difficult for financial investors, resulting in the level of financial investor deal activity plummetting to a low of 10% in 2009. An uptick in 2010 was partially driven by activity from bankruptcy emergence creditor transactions. In the first quarter of 2011, financial investor activity has jumped to 23% of total activity. This is the highest level in more than five years. Assuming that lending conditions continue to improve, strong financial investor deal activity in 2011 is expected to continue. We should also note that the raw data typically understates the level of financial investor deal activity because of "hybrid" investor deal activity, in which the acquirer is an existing portfolio company of a financial investor.

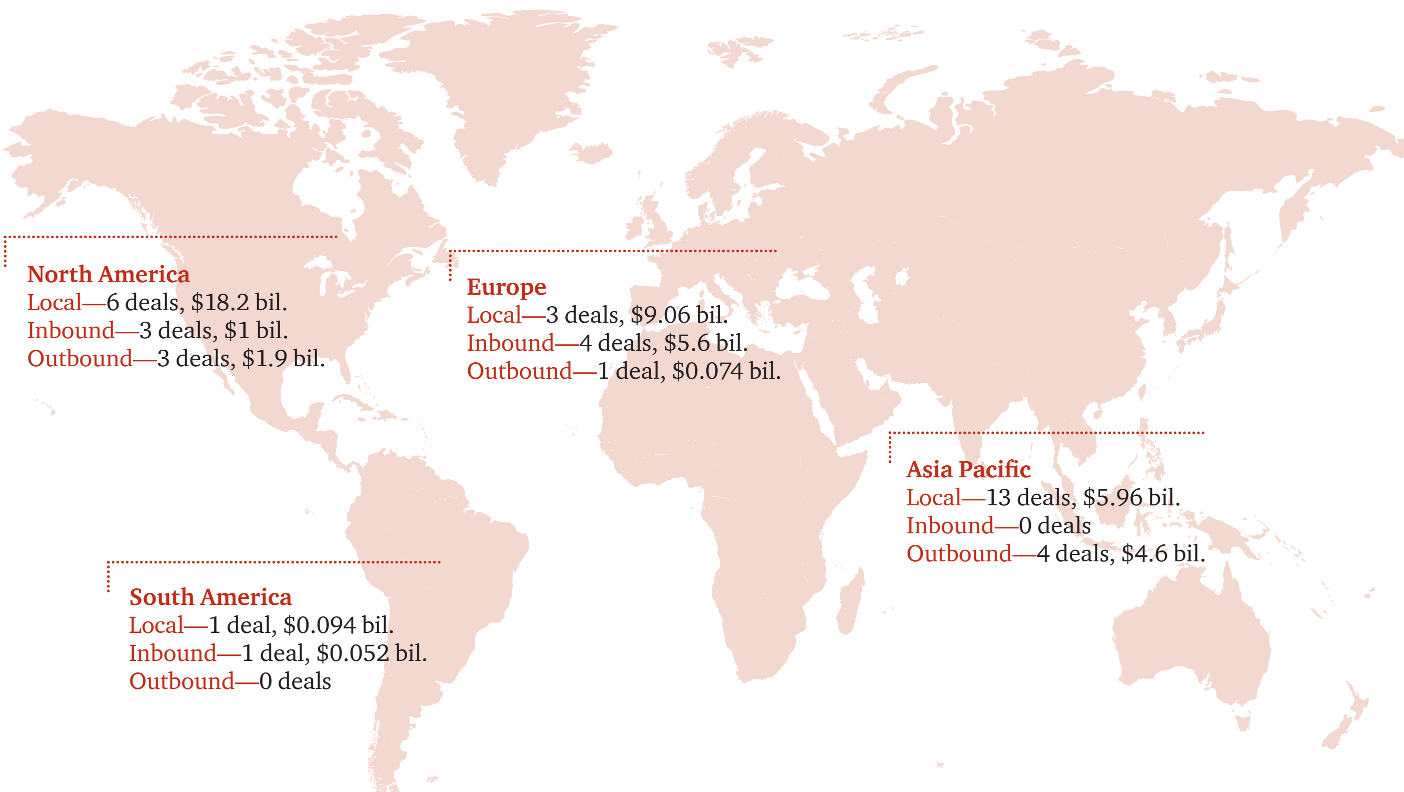
As the economy continues to improve, more financial investor activity on the sell side could appear as some financial investors look to divest investments they were compelled to hold during the economic downturn. We continue to recommend that companies analyze the portfolio of private equity investors for potential acquisition candidates.

Regional distribution of first-quarter 2011 deals

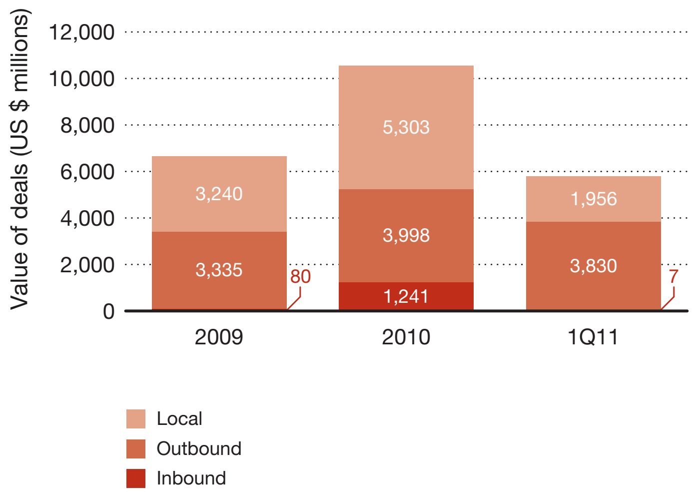
The geographic dispersion of the deal activity in our pipeline has been primarily focused on the three major markets: North America, Western Europe, and Asia Pacific. During the downturn, much of the deal activity focused on deals "closer to home" for many companies as the risk tolerance dropped significantly during the period of high uncertainty. As the fundamentals of the economy and the industry have improved, we have seen an increase in the level of deal activity focused on strengthening the global footprint through cross-border deals. A portion of this activity appearing in the announced data is driven by emerging market companies focused on strengthening their global positions. As with prior quarters, a significant level of activity has not yet been announced and is therefore not shown in the data. Much of this activity is generating from the Asia Pacific region.

Global chemicals M&A activity

Measured by number and value of deals worth $50 million or more (1Q11)



China deals (2009, 2010, 1Q11)
(Includes all announced deals with a disclosed value)



China deal activity

The level of first-quarter deal activity in China was up moderately in the number of deals (as compared with 2010 on an annualized basis). However, the activity was up considerably in the value of deals for both outbound and local deals (as compared with 2010 on an annualized basis). We have seen a higher level of activity in outbound deals from China and expect to see an increasing level of activity going forward.

We also note that the average deal size in inbound deals remains low (consistent with our pipeline of activity), with the exception of 2010, which had several substantial inbound deals.

China deals (2009, 2010, 1Q11)
(All announced deals)

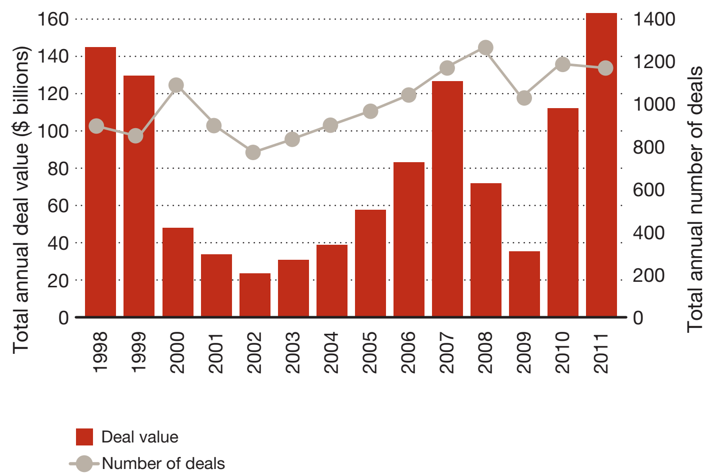
Number of deals	2009	2010	1Q11
Inbound	26	39	10
Outbound	10	17	5
Local	157	217	62

Value of deals (US $ millions)	2009	2010	1Q11
Inbound	80	1,241	7
Outbound	3,335	3,998	3,830
Local	3.240	5,303	1,956

Long-term deal value and volume

To provide a longer-term perspective, we analyzed the volume and value of deal activity during the past 13 years and annualized the first-quarter 2011 activity. In contrast to the value of transactions, which varied substantially across the period, the volume of transactions remained relatively stable, even during economic downturns. This is due to a consistent level of small deal activity in the chemicals industry, which is driven by companies that use M&A as a tool to continually reposition their business. During periods of economic downturn, large deal volume drops significantly, reducing total deal value. This held true for the recent downturn. As the economy recovers, we see deal activity returning to record levels. Assuming that the global economy and fundamental demand for chemicals continues on its current path, the high level of deal activity in the pipeline is expected to continue and these deals could show up in the announced deal data in subsequent quarters.

14-year comparison deal activity, 1998 to 2011 (annualized)



Large deals in 2010

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ billion	Category
Aug	Potash Corp of Saskatchewan	Canada	BHP Billiton PLC	United Kingdom	Pending	39.76	Fertilizers & Agricultural Chemicals
Dec	Sil'vinit	Russian Fed	Uralkaliy	Russian Fed	Pending	8.18	Fertilizers & Agricultural Chemicals
Feb	Airgas Inc	United States	Air Products & Chemicals Inc	United States	Withdrawn	7.65	Industrial Gases
Apr	LyondellBasell Industries NV	Netherlands	Creditors	Netherlands	Completed	6.84	Commodity Chemicals
Sep	JNFL	Japan	Investor Group	Japan	Completed	4.75	Other
Jan	Quattor Participacoes SA	Brazil	Braskem SA	Brazil	Completed	4.13	Other
Feb	Terra Industries Inc	United States	Yara International ASA	Norway	Withdrawn	4.10	Fertilizers & Agricultural Chemicals
Mar	Styron Corp	United States	Bain Capital Partners LLC	United States	Completed	1.63	Commodity Chemicals
Oct	Makhteshim Agan Industries Ltd	Israel	China National Agrochemical	China	Pending	1.44	Fertilizers & Agricultural Chemicals
Nov	Sino Polymer New Materials Co	China	Lumena Resources Corp	China	Pending	1.34	Specialty Chemicals
Jun	Albaugh Inc	United States	Makhteshim Agan Industries Ltd	Israel	Withdrawn	1.28	Fertilizers & Agricultural Chemicals
Nov	IFCO Systems NV	Netherlands	Brambles Investments Ltd	United Kingdom	Pending	1.26	Commodity Chemicals
Dec	Xianglu Petrochemicals(Xiamen)	China	Heilongjiang Heihua Co Ltd	China	Pending	1.11	Specialty Chemicals
Aug	AWB Ltd	Australia	Agrium Inc	Canada	Completed	1.10	Fertilizers & Agricultural Chemicals
Feb	Fosfertil	Brazil	Mineracao Naque SA	Brazil	Completed	1.03	Fertilizers & Agricultural Chemicals

Large deals in first-quarter 2011

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ billion	Category
Jan	The Mosaic Co	United States	Creditors	United States	Pending	8.88	Fertilizers & Agricultural Chemicals
Mar	Lubrizol Corp	United States	Berkshire Hathaway Inc	United States	Pending	8.79	Commodity Chemicals
Jan	Danisco A/S	Denmark	DuPont Denmark Holding ApS	Denmark	Pending	7.21	Other
Feb	PTT Aromatics & Refining PCL	Thailand	PTT Chemical PCL	Thailand	Pending	3.78	Other
Jan	Elkem AS	Norway	China Bluestar(Group) Co Ltd	China	Pending	2.00	Other
Mar	Chevron Corp-Pembroke Refinery	United Kingdom	Valero Energy Corp	United States	Pending	1.73	Other
Feb	BorsodChem Zrt	Hungary	Yantai Wanhua Polyurethanes Co	China	Completed	1.70	Specialty Chemicals
Feb	Sued Chemie AG	Germany	Clariant AG	Switzerland	Pending	1.07	Specialty Chemicals

Note: On April 4, 2011, Solvay announced its $4.8 billion bid for Rhodia. This transaction will be included in the second-quarter report.

Large deal summary for first-quarter 2011

The Mosaic Co./Creditors

Cargill Inc. (Cargill) planned a debt restructuring with creditors in exchange for a 23.98% stake, or 107 million common shares, in The Mosaic Co. (Mosaic), a Plymouth-based manufacturer and wholesaler of phosphate fertilizers, in a transaction valued at USD 8.878 billion. The transaction was valued based on Mosaic's closing stock price of USD 82.97 on January 17, 2011, the last full trading day prior to the announcement. Concurrently, Cargill planned an exchange offer through Mosaic.

Lubrizol Corp./Berkshire Hathaway Inc.

Berkshire Hathaway Inc. definitively agreed to acquire the entire share capital of Lubrizol Corp., a Wickliffe-based manufacturer of industrial chemicals, for USD 135 cash per share, or a total value of USD 8.793 billion.

Danisco A/S/EI du Pont de Nemours & Co.

EI du Pont de Nemours & Co, launched a tender offer to acquire the entire share capital in Danisco A/S, a Copenhagen-based manufacturer of ingredients and sweeteners. The transaction is valued at over $7 billion.

PTT Aromatics & Refining PCL/PTT Chemical PCL

PTT Chemical PCL (PTTCH) agreed to merge with PTT Aromatics and Refining PCL (PTTAR), a Bangkok-based wholesaler of refined petrochemical products, for a choice of THB 115.65 billion (USD 3.777 billion) in cash or 1.514 billion PTTCH ordinary shares valued at THB 109.173 billion (USD 3.565 billion).

Elkem AS/China Bluestar(Group) Co. Ltd.

China National Bluestar(Group) Co. Ltd. of China agreed to acquire Elkem AS, an Oslo-based manufacturer of silicon and aluminum, from Orkla ASA, for NOK 11.935 billion (USD 2 billion). Originally, in September 2010, Orkla ASA announced that it was seeking a buyer for Elkem AS. Concurrently, Orkla announced that it was seeking a buyer for its 39.7% stake in Renewable Energy Corp. ASA.

Chevron Corp.-Pembroke Refinery/Valero Energy Corp.

Valero Energy Corp. agreed to acquire Pembroke refinery unit from Chevron Corp., for GBP 1.077 billion (USD 1.73 billion) in cash. In March 2010, Chevron Corp. announced that it was seeking a buyer for its Pembroke refinery unit, an oil and gas exploration, production, and refinery company.

BorsodChem Zrt/Yantai Wanhua Polyurethanes Co.

Yantai Wanhua Polyurethane Co. (Yantai Wanhua) of China, a unit of Wanhua Industry Group Co. Ltd., a jointly owned unit of Yantai Wanhua Synthesize Group Co. Ltd., Prime Partner International Ltd., and Yantai Zhongcheng Investment Co. Ltd., raised its interest to 96% from 38% by acquiring a 58% interest in BorsodChem Zrt (BorsodChem), a Kazincbarcika-based manufacturer and wholesaler of chemicals, for a total of EUR 1.23 billion (USD 1.701 billion).

Sued Chemie AG/Clariant AG

Clariant AG of Switzerland agreed to acquire a 55.4% interest, or 6.559 million ordinary shares, in Sued Chemie AG, a Munich-based manufacturer of chemical products, absorbents, and additives, for EUR 121 (USD 163.183) in cash per share, or a total value of EUR 793.683 million (USD 1.07 billion), from One Equity Partners (OEP) (50.4%) and other shareholders (5%). Concurrently, Clariant agreed to raise its interest to 96.4% from 55.4%, by acquiring a 41% stake, or 4.854 million ordinary shares, in Sued Chemie. In a related transaction, Clariant planned to launch a tender offer for the remaining 3.6% stake in Sued Chemie via a squeeze-out. Originally, in November 2010, OEP announced that it was seeking a buyer for its 50.4% interest, or 5.969 million ordinary shares, in Sued Chemie. Clariant AG was named a potential bidder.

PwC spotlight

With M&A activity steadily increasing across the globe, many companies are facing complex talent management challenges. A range of people issues need to be addressed, including such matters as organizational design, integration planning, and the cultural blend between the acquirer and the target.

M&A transactions often fail to achieve the desired results for a variety of reasons. By seeking to properly understand, address, and resolve concerns around these issues during the due diligence stage, companies can significantly increase the chance for success with the deal and the business going forward.

How PwC can help

PwC's People and Change (P&C) practice supports clients by conducting cultural assessments through interviews and surveys to help identify critical issues for the integration.

PwC helps companies:

- Use a culture tool that assesses the operational norms of the two organizations coming together and identifies how they might affect the integration. The goal is to map the differences between the operating styles, cultural drivers, and human resource (HR) policies and practices of the two companies to give the acquirer a clear picture of the size of the gulf between the organizations and decrease any cultural roadblocks to the integration progress.
- Hold workshops with the two senior teams and agree on the go-forward culture, a process that helps the teams to respect each other's differences and to start to speak the same language.
- Build an elite integration team, relocating top performers from their usual roles to work with leadership and an effective integration management office. Companies can no longer afford to choose members of their integration teams based solely on availability.
- Execute a strong, clear communications strategy by providing the right communications at the right time and accounting for different levels of employee understanding of the changes. Steady communication is vital, even when there is no major news to disseminate, as an important element in combating the distractions and anxious behaviors that result from an integration effort.
- Determine whether there are likely to be any significant employee-related costs.

Organizations considering a merger or acquisition must devote appropriate time and resources to merge company cultures, HR policies and processes, and organizational reporting relationships. PwC's disciplined approach to delivering people integration helps companies achieve early wins, build momentum, and instill confidence among stakeholders. PwC takes a proactive approach to helping clients focus on the right things at the right times.

PwC's time-tested integration processes support client integration teams and supplement these teams with experienced professionals who fill resource and technical gaps as needed.

Chemical company case study:

Accelerating deal value with continuity on day one

Client issue	A private equity firm purchased the polystyrene, plastics, and latex unit of a leading global chemical company for $1.63 billion. The business unit employs approximately 2,000 people in more than 30 countries. Its 40 factories account for more than $3.5 billion annually in sales of plastics, rubber, and latex products. The buyer sought to transform the business unit, once part of a larger corporation, into a standalone company.
PwC approach	To help the client achieve the transformation, PwC's People and Change practice designed and led work streams for HR, compensation, benefits, communication, operations, labor and work councils, and employee transition. PwC advised management on the communication strategy for addressing questions and engaging employees in productive discussions, and developed interim and future-state organization structures. The P&C team supported the work streams, provided general advice on labor and compliance issues, supported development of new-hire offer letters in all countries, and helped develop new benefit plans.
The benefit	With PwC's help, the client experienced a smooth day one in all countries, with low turnover. The client mitigated risks related to labor unions and work councils. Diligent planning helped management and employees maintain their operational focus and business performance during the transition. The company completed planning for a new HR organization. In addition, the buyer achieved significant purchase price reductions, one of its primary goals.

PwC's chemicals experience

Deep chemicals experience

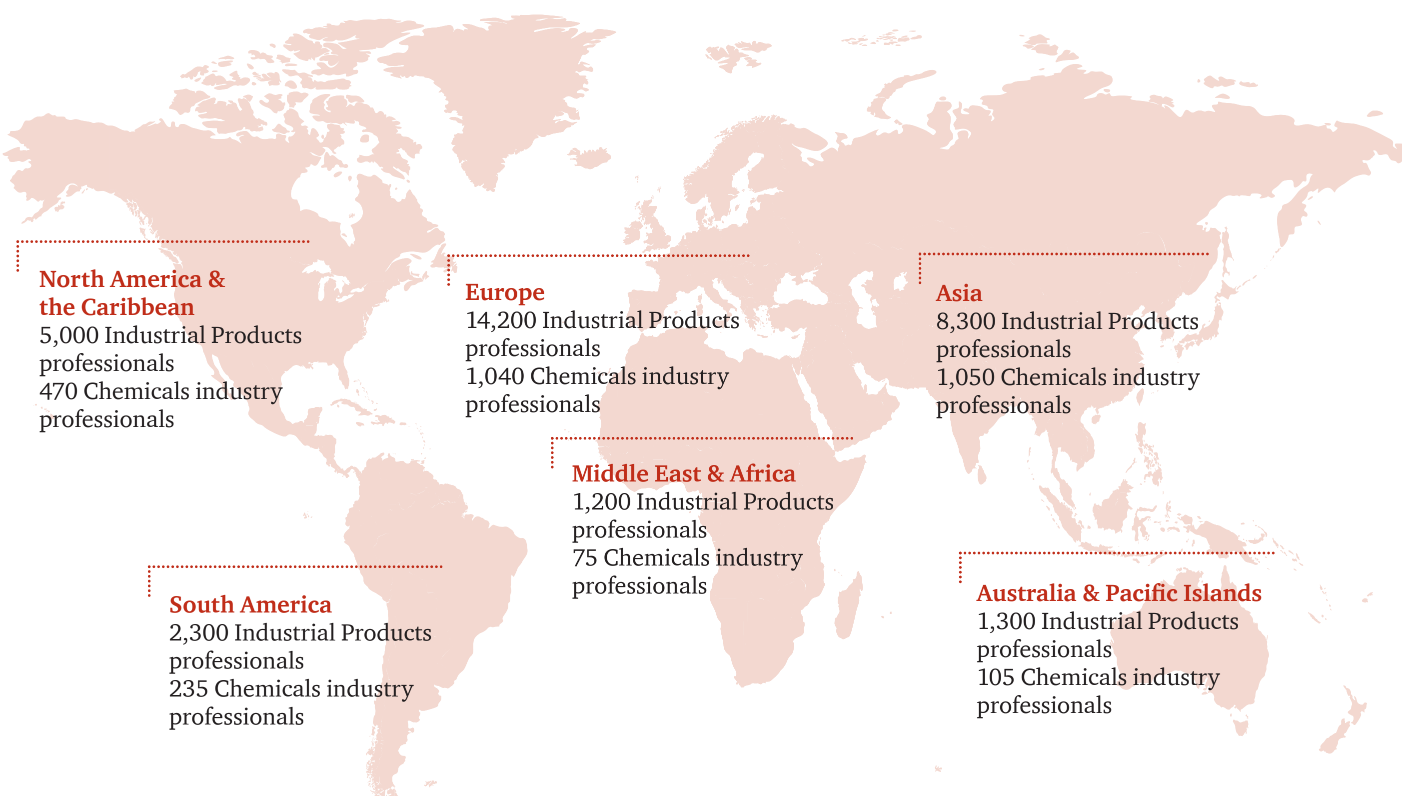
PwC continues to serve the leading market share in the industry. Our Chemicals Industry practice is comprised of a global network of nearly 3,000 partners and client service professionals. Our chemicals team encourages dialogue on emerging trends and issues by holding conferences for industry executives. PwC is also a sponsor of leading industry conferences and frequently authors articles for, or is quoted in, leading industry publications. Our involvement with these organizations represents PwC's commitment to furthering industry dialogue with chemicals industry leaders. Our professionals are concentrated in areas where the chemicals industry operates today and in the emerging markets where the industry will operate in the future.

Quality deal professionals

PwC's Transaction Services practice, with more than 6,500 dedicated deal professionals worldwide, has the right industry and functional experience to advise you on all factors that could affect the transaction, including market, financial accounting, tax, human resources, operating, IT, and supply chain considerations. Teamed with our Chemicals Industry practice, our professionals can bring a unique perspective to your deal, addressing it from a technical aspect as well as from a chemicals industry point of view.

Global connection

PwC's Chemicals Industry practice is a part of an Industrial Products group that consists of more than 32,000 professionals, including more than 17,000 providing Assurance services, 8,300 providing Tax services, and 7,000 providing Advisory services.



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PwC's Chemicals Industry practice

PwC's Chemicals Industry practice is a global network of professionals who provide industry-focused Assurance, Tax, and Advisory services to more than 200 public and private chemical companies. Our leadership team consists of:

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Methodology

Chemical compounds is an analysis of deals in the global chemicals industry. Deal information was sourced from Thomson Reuters using the Thomson-defined industry sector of Chemicals and Allied Products for targets, and other selected upstream and downstream industries (e.g., Oil & Gas, Mining, Drugs, etc.) acquired by companies that are part of the Thomson-defined Chemicals and Allied Products designation. This analysis includes all mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases and acquisitions of remaining interest announced between January 1, 2006 and March 31, 2011, with a deal status of completed, intended, partially completed, pending, pending regulatory approval, seeking buyer, seeking buyer withdrawn, unconditional (i.e., initial conditions set forth by the acquirer have been met but deal has not been completed) or withdrawn. Geographic categories generally correspond to continents with exceptions for Australia (included in the Asia Pacific category), Europe (divided into Western and Eastern categories based upon UN definitions) and the Middle East (defined as a separate category based upon US CIA World Factbook). Where the number of deals is referenced in this analysis it means the number of all deals with disclosed or undisclosed values unless otherwise noted.

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