

# Chemical compounds

First-quarter 2009 chemical industry  
mergers and acquisitions analysis

The weight of the auto industry continues to have an  
adverse effect on the chemical sector overall



Welcome to *Chemical compounds*, PricewaterhouseCoopers' quarterly analysis of mergers and acquisitions (M&A) in the global chemical industry. In addition to a detailed summary of M&A activity in the first quarter of 2009, we supplement this issue with a special report that addresses the effect of the national stimulus bill and the developments in the auto industry on the metals sector. Included in the discussion are ways in which automotive losses translate to difficulties for chemical companies as well as their efforts for long-term restructuring.

## Special Report:

# Chemicals companies find auto woes highly contagious

The automobile industry is one of many sectors that have had a upstream impact on the chemicals industry during the economic downturn. The automotive industry's impact is unique because its structure following a global economic recovery, particularly in North America, is uncertain. Companies that are major direct or indirect suppliers to certain distressed automobile manufacturers may find their market positions fundamentally changed.

While all automakers have realized significant reductions in volumes, as year-to-date US sales are down 38 percent when compared with 2008, General Motors (GM) and Chrysler are the only companies that have accepted federal loans. These two companies are under considerable pressure to make changes that position them to succeed and most certainly will be more aggressive in their efforts to restructure than are other automakers. Many of PricewaterhouseCoopers' chemicals sector clients are telling us their exposure to the automobile industry has proved greater than they realized and that structural changes within the automotive industry are imposing corresponding structural changes upstream in the supply chain that endanger a large swath of the industry. And that process could accelerate.

For example, consider the impact that a so-called surgical bankruptcy of General Motors, as discussed by government officials, would have on the chemicals sector. It could split the company into a good GM and bad GM by rapidly shedding troubled or less profitable brands and reduce its dealership network by nearly 3,000 retail stores over the next two years. GM has already announced it will shed Hummer, Pontiac and Saturn, with or without a bankruptcy. A chemical company tied closely to a supplier for discontinued brands will likely find its revenue slashed significantly in a relatively short period.

Chrysler has long planned to forge a deal with Fiat, an Italian automaker, as a means to become a viable company when it emerges from Chapter 11 bankruptcy. As a result, companies with ties to Chrysler will likely contend with additional competition from established suppliers of Fiat.

Problems are hardly limited to US companies. Successful Japanese brands Honda and Toyota are cutting production at their US plants due to the depressed market. But they enjoy generally healthier financial and labor situations than their Detroit counterparts. Yet, even if foreign-based Original Equipment Manufacturers (OEMs) take over market share shed by US OEMs, and ramp up US production, chemical suppliers may find themselves frozen because vehicles manufactured by non-US OEMs contain far less North American material, even when manufactured locally.

In addition to the \$17 billion to date in government loans to GM and Chrysler, the stimulus bill approved in February by US Congress could provide some mitigation to the recessionary forces facing the industrial sector through its current and future funding of infrastructure projects. But that stimulus money likely will not be a determining factor for a large portion of the industrial sector such as chemicals. The stimulus plan has limited direct impact on an automotive sector that is largely driven by consumers' wealth, income, and credit availability. Any benefit will be derived from the psychological effect on consumer confidence and the corresponding increase in consumer spending in automotive and appliances. The future of consumer spending may well decide which companies survive and which sectors undergo reorganizations that could spur mergers and acquisitions activity.

## Buying time through stimulus programs

While the automotive industry's troubles are well known, its dismal statistics are more telling. The PwC AUTOFACTS®<sup>1</sup> global light vehicle production forecast for 2009 is 54.9 million, down 17 percent from 66.2 million in 2008. The 10.1 million US sales forecast for 2009 translates into North American light vehicle output of 8.7 million, which is the lowest level of output since 1982, according to PwC's AUTOFACTS. An industry that suffered from chronic overcapacity before the economic crisis now faces a painful unwinding of that capacity. Much of the global manufacturing and industrial base is following.

The exceptions to this automotive gloom are the BRIC (Brazil, Russia, India, China) countries, particularly China and Brazil, where aggressive government tax-incentive programs targeting burgeoning domestic markets have propped up automobile sales and production. Those nations account for 25 percent of the 2009 global automobile production forecast, compared with 9 percent in 2001.

For developed markets, government-backed programs and incentives seem to be the only viable near-term path to mitigating the demand and production collapse. For instance, some European countries have adopted a scrappage program that provides incentives for junking older, less fuel-efficient vehicles that can be applied to the purchase of newer, greener cars. The standard for this type of program appears to be Germany, which has seen a 20 percent improvement in sales for first quarter 2009 versus first quarter 2008 since adopting the program in early 2009, including a 40 percent increase in March 2009 versus March 2008. The US Congress is considering a handful of bills that would establish similar plans.

## Long-term restructuring

Yet, even with successful incentive plans, global automotive sales are not expected to return to their previous highs for several years. The industry and its supply base will contract. We expect the global OEM supply network to rationalize and consolidate significantly. This process may prove more severe for North American suppliers, with their heavy reliance on US-based OEMs that have realized their 2008 combined market share fall below 50 percent for the first time in history.

Recent action in the United States indicates that focus on environmental issues will continue to drive change in the automobile industry that will create opportunities for certain segments of the chemicals industry. These actions include: 1) Congress' approval of \$25 billion to help the US automotive industry retool itself with a focus toward better fuel economy and electric vehicles; 2) The current administration's classification of carbon dioxide as a pollutant, which will permit the EPA to regulate it under the Clean Air Act; and 3) Debate over implementing tougher fuel economy standards. Continued focus to reduce automobile pollution is expected to drive change that will impact certain segments of the chemicals industry, including companies focused on catalysts, materials of construction (such as plastics, titanium, and carbon fiber), alternative fuels, energy generation technology (electric vehicles, fuel cells, etc), and energy storage through new battery technology.

The bottom line is that the chemicals sector that serves the automobile industry, particularly the North American sector, faces significant changes in their downstream markets. When the economy recovers and automobile demand begins to return to normal levels, the competitive landscape of the automobile industry is likely to be different, which will have a domino effect throughout the supply chain. This coupled with the impact of expected environmental regulatory changes will likely result in strategic repositioning of many suppliers to the automobile industry. Strategic repositioning is often a driver for M&A activity for companies looking to shift their geographic market position, acquire new products, or accelerate technical development.

<sup>1</sup>The PwC Automotive Institute is a team of industry specialists inside the firm's Global Automotive Practice dedicated to the ongoing analysis of sector trends. Client service offerings include insightful Analyst Briefings, the Analyst Notes information service, and the proprietary AUTOFACTS Global Light Vehicle Assembly and Powertrain Consumption Forecast.

## Perspective: Thoughts on deal activity in the first quarter of 2009

As discussed, the decline in the auto industry is expected to have a significant impact on certain segments of the chemical industry, likely resulting in transactions as companies restructure and reposition themselves in the marketplace. However, due to the current global economic conditions and debt markets, deal valuations and business cases will continue to receive significant scrutiny from lenders; particularly on larger deals.

This downturn has been so dramatic as a result of both fundamental demand drop and working capital management /destocking of the supply chain, that some companies were forced to remove production capacity (both temporarily and permanently). Companies that carefully maneuver themselves into strong positions may be rewarded during the recovery period by an improved supply demand balance in segments where capacity is not brought back on-line following economic recovery, making the upside potential of certain acquisitions very attractive. However, making acquisitions during these periods of volatility requires additional diligence to analyze the true run-rate of the business being acquired as the historical financials may not clearly reflect the impact of all of the events taking place in the supply chain. This requires thorough analysis both upstream and downstream in order to assess the health of the segment's supply chain, underlying health of suppliers and customers and enforceability of the relative contracts and other agreements.

We expect to continue to see deal activity related to distressed and forced situations whereby the sellers have been put into situations forcing them to divest of all or part of

their business. We recommend assessing the profitability at the plant level in order to minimize the risk of unknowingly acquiring plants that require shut-down or significant restructuring in order to operate profitably going forward.

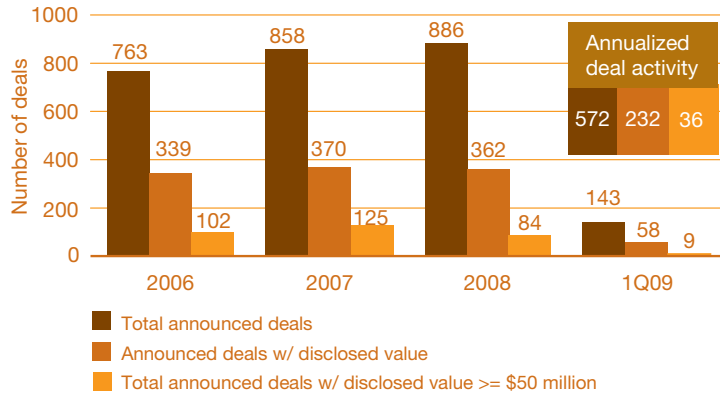
Although deal volume and value are down from prior years, we do continue to see some activity with smaller bolt-on deals that seem to occur at a minimum level each year. One bright light in the global M&A relates to the BRIC (Brazil, Russia, India and China) nations, specifically India and China, where deal activity within their own borders remains strong, with China being the stronger of the two countries.

Further, we expect that the number of large deals (defined as greater than \$1 billion) during 2009 to significantly decline from 2007 and 2008 levels. For the first quarter of 2009, only three deals fell into that category (two of which are interrelated—Terra Industries, Inc. / CF Industries Holdings, Inc. and CF Industries Holdings, Inc / Agrium, Inc.), with one further large deal arising in April 2009 (Morton Salt).

An additional factor that we will be focusing on in the coming quarters is the impact and M&A activity of large chemical companies seeking protection under bankruptcy laws. These companies may provide good buying opportunities for investors able to identify and acquire the viable parts of these businesses.

# Commentary

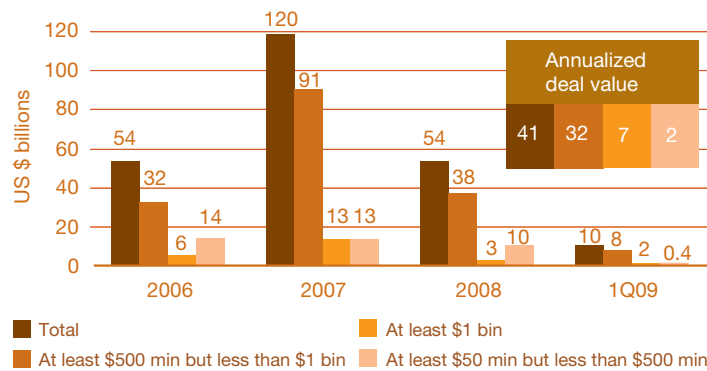
## Deal activity by number of deals



## Deal volume continues to decline in 1Q 2009

The lack of liquidity and general decline of the economy have adversely impacted 2009 deal activity as deal volume in the first quarter of 2009 was down 7 percent compared with the first quarter of 2008 and 31 percent relative to the last quarter of 2008. Deal volume with a disclosed value greater than \$50 million is down 55 percent compared with the first quarter of 2008. This illustrates a continuing trend that began in the second half of 2008. As we have noted in earlier versions of this report, M&A activity within the chemicals industry typically includes many small- to midsized deals, so the deal volume (measured by number of deals) remains relatively high, even during periods of economic uncertainty.

## Deal activity by total deal value



## 1Q 2009 average deal value rebounds slightly from late 2008

Despite a sharp decline in the number of deals announced, the average deal size increased to \$176 million in 2009 as compared with \$148 million in 2008, resulting in total deal value increasing 66 percent from \$6 billion in fourth quarter 2008 to \$10 billion in first quarter 2009.

## Large deal volume continues to decline from 2008 levels

Even though the average deal size increased, the frequency of large blockbuster deals decreased. First quarter 2009 saw only two deals with announced valuations greater than \$1 billion. It should be noted the two large deals included in the data are: 1) Agrium's hostile bid for CF Industries and 2) CF's hostile bid for Terra. The outcome of these bids is not clear due to their intertwined nature.

In addition to the 2009 large deals above, a further two recent large deals should be highlighted. On February 23, 2009, IPIC announced it had agreed to acquire NOVA's shares for an enterprise value of \$2.3 billion (included in our data as \$0.5 million deal value/purchase consideration, i.e. excluding assumed debt). On April 2, 2009, (therefore not included in 1Q data), K&S announced that it agreed to acquire Morton Salt from Rohm & Haas for \$1.7 billion. See pages 10 and 11 for additional information.

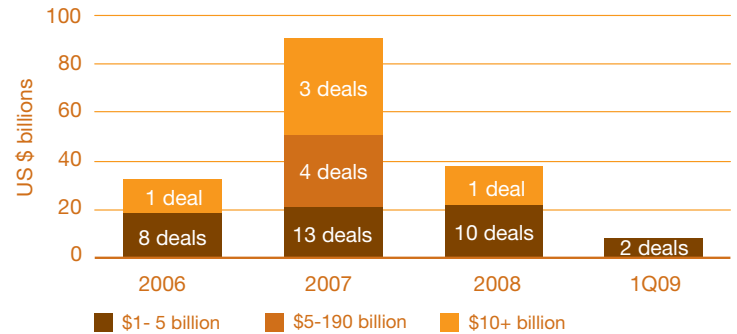
## Deal activity by investor type—Strategic investors lead but financial investors remain active

As noted in earlier versions of *Chemical compounds*, strategic investors remain the driving force in M&A activity despite the high level of financial investor deal activity in recent years. As we would expect with the current economic conditions, the deal value from financial investors is down from its 2007 and 2008 levels. However, the decrease in overall deal value from financial investors has been driven by a decline in the average deal size (down 31.1 percent in first quarter 2009 for deals greater than \$50 million), rather than volume (20 transactions announced in first quarter 2009 annualized compared with 19 transactions in 2008 for deals greater than \$50 million).

The decrease in average deal size is partially driven by higher equity contribution levels required by lenders. The recent tightening of the credit markets has caused financial buyers to increase their average equity stake from 32.9 percent in 2007 to 42.6 percent in late 2008, according to Standard & Poor's *Leveraged Commentary & Data*, 2009. Consequently, the difficulty in using leverage to finance a transaction is inhibiting financial buyers from consummating larger transactions.

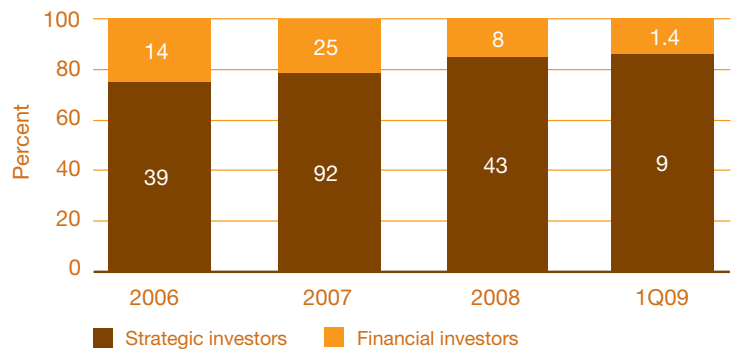
## Large deals (\$1+ billion)

Value (and number of deals in category)



## Deal activity by investor type

Measured by percentage of deal value (actual deal value in billions shown in chart)

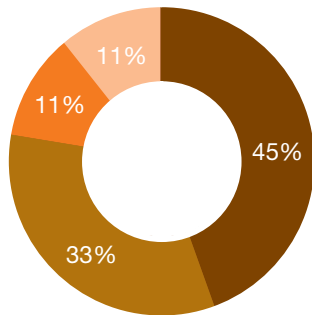


## Regional distribution of 1Q 2009 deals—Asia Pacific strong in deal volume but North America dominating by deal value

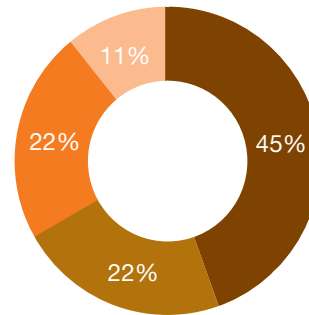
The regional distribution of deals indicates that North America and Asia comprised the majority of M&A activity relative to deal volume in first quarter 2009. However, when analyzed by the value of deals, North America dominates due to the two largest deals in the first quarter being North American targets and acquirers (see Large Deals in 2009 on Page 9). This factor also has driven down the amount of cross-border deals (when defined by value greater than \$50 million) from an average of 42 percent from 2006 through 2008 to 22 percent for first quarter 2009.

## Regional distribution of 2009 deals

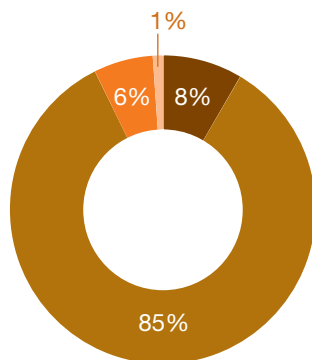
**Number of deals by target region**  
for 83 deals



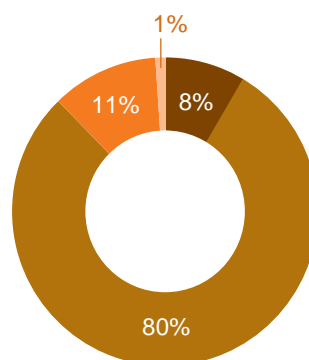
**Number of deals by acquirer region**  
for 83 deals



**By value of deals by target region**



**By value of deals by acquirer region**



Asia Pacific
  North America
  Western Europe
  Middle East
  South America
  Africa
  Eastern Europe

## Contrary to overall market and India, China M&A remains relatively strong

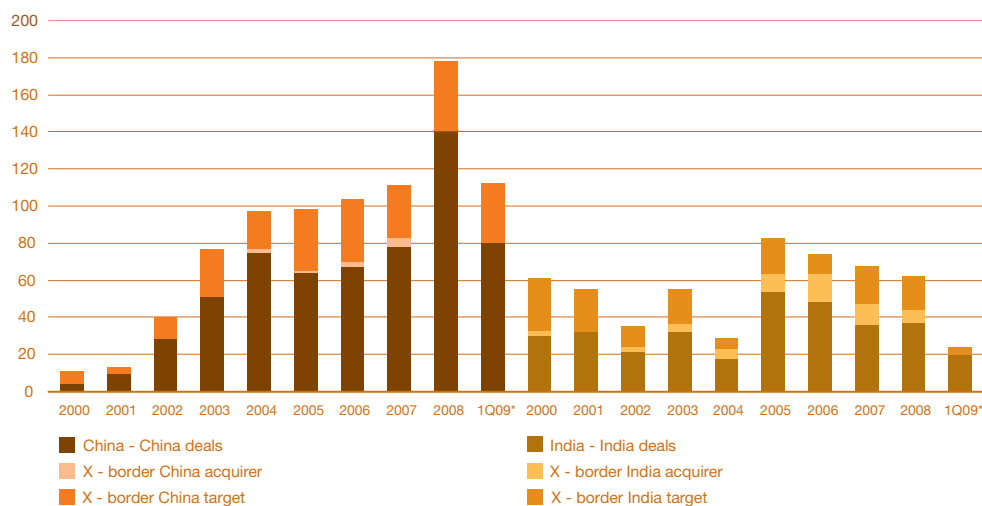
Given the high level of deal volume in the Asia Pacific region and the apparent drop in cross border deals, we isolated the deals in China and India to analyze the trends for in-country deals and cross border deals, both as the target and acquirer.

Outside investment into China appears to remain relatively strong, with deal volume in first quarter 2009 staying consistent with 2008. On average, 27 percent of Chinese targets have been acquired by foreign investors. Although Chinese companies have been relatively acquisitive in recent years (439 announced deals since 2005), they appear to rarely acquire foreign-based companies (only 10 foreign acquisitions since 2005). Furthermore, the majority of foreign acquisitions have been driven by a small number of companies.

In contrast to China, Indian companies were more active acquirers and targets in the early 2000s and have been more active cross border acquirers throughout the decade. However, the trends in recent years are moving in different directions with activity in India declining in recent years and falling-off considerably in the first quarter of 2009.

	China		India	
	2000–2004	2005–2009	2000–2004	2005–2009
In–Border deals	169	429	134	180
X–Border target	67	164	86	71
X–Border acquirer	2	10	15	44

## Total and cross border M&A—China & India 2000–1Q 2009



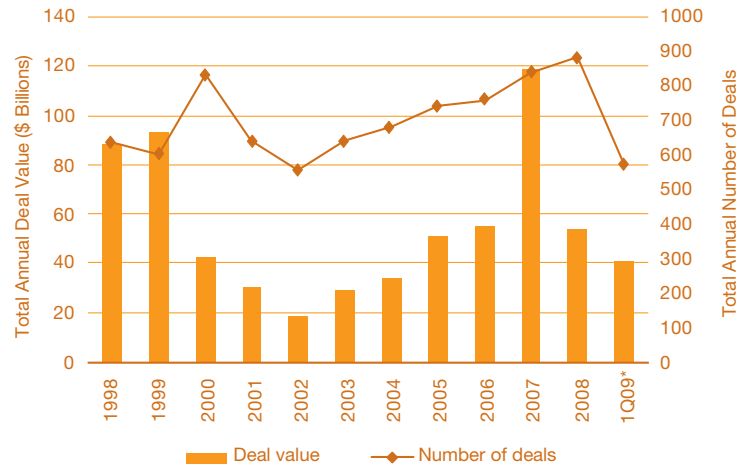
\*1Q09 deal activity was annualized to enhance comparability.

**M&A activity in the chemicals industry remains composed of a relatively consistent level of many small- to midsized deals**

As noted in previous versions of *Chemical compounds*, periods of favorable economic conditions for M&A drive up the deal value due to a higher volume of larger deals.

However, M&A activity in the chemicals industry is composed of a relatively consistent level of many small- to midsized deals, even during periods of economic downturn.

**11 year comparison of annualized 2009 deal activity 2000—Q1 2009**



\*1Q09 deal activity was annualized to enhance comparability

## Large deals in 2008

Month announced	Target name	Target nation	Acquirer	Acquirer nation	Status	Value of transaction in US\$ bln	Category
Jul	Rohm & Haas Co	United States	Dow Chemical Co.	United States	Completed	18.17	Commodity Chemicals
Jul	Dow Chemical Co	United States	Investor Group	United States	Completed	4.00	Commodity Chemicals
Jul	Hercules Inc.	United States	Ashland Inc	United States	Completed	3.32	Specialty Chemicals
Sep	Ciba Specialty Chemicals	Switzerland	BASF SE	Germany	Completed	2.70	Specialty Chemicals
Feb	Abraaj Capital Ltd-Fertilizer	Egypt	Orascom Constr Ind SAE	Egypt	Completed	2.75	Fertilizers & Agricultural Chemicals
Jan	Qinghai Salt Lake Ind. (Grp) Co	China	Qinghai Digital Net Invest	China	Completed	1.98	Specialty Chemicals
Mar	Dyno Nobel Ltd.	Australia	Incitec Pivot Ltd	Australia	Completed	1.85	Commodity Chemicals
Jul	Saskferco Products Inc.	Canada	Yara International ASA	Norway	Completed	1.59	Fertilizers & Agricultural Chemicals
Jul	Qinghai Bindi Potash	China	Jilin Pharmaceutical Co Ltd	China	Withdrawn	1.21	Specialty Chemicals
Jan	General Chemical Industrial	United States	Tata Chemicals Ltd	India	Completed	1.01	Specialty Chemicals
Nov	Lucite International Ltd.	United Kingdom	Mitsubishi Rayon Co Ltd	Japan	Pending	1.60	Commodity Chemicals

## Large deals 1Q 2009

Month announced	Target name	Target nation	Acquirer	Acquirer nation	Status	Value of transaction in US\$ bln	Category
Jan	Terra Industries Inc.	United States	CF Industries Holdings Inc.	United States	Pending	3.48	Fertilizers & Agricultural Chemicals
Feb	CF Industries Holdings Inc.	United States	Agrium Inc.	Canada	Pending	4.38	Fertilizers & Agricultural Chemicals
Feb	NOVA Chemicals Corporation*	Canada	IPIC	United Arab Emirates	Pending	0.50	Plastics & Chemicals

\*This transaction is included in our data at this value based on data parameters. However, the enterprise value is substantially larger, standing at \$2.3bln when including assumed debt.

## Large-deal summary for 1Q 2009

The following outlines the large deals announced in the first quarter of 2009.

### CF Industries Holdings Inc./Agrium Inc.

Agrium Inc (AI) launched a challenging unsolicited tender offer to acquire all the outstanding common stock of CF Industries Holdings Inc. (CI), a manufacturer and wholesaler of fertilizers, in a stock swap transaction valued at \$4.381 billion. AI offered a sweetened \$35 in cash and 1 common share per CI share. Based on AI's closing stock price of \$40.522 on February 24, the last full trading day prior to the announcement, each CI share was valued at \$75.522. Originally, AI offered \$31.7 in cash and 1 common share per CI share. The transaction was subject to due diligence, customary closing conditions, stockholders, and regulatory approvals. The transaction was conditioned upon CI withdrawing its bid for Terra Industries Inc. (TI). Previously, CI launched an unsolicited tender offer to acquire all the outstanding common stock of TI. (Source, ThomsonReuters, 2009)

### Terra Industries Inc./CF Industries Holdings Inc.

CF Industries Holdings Inc. (CI) launched an unsolicited tender offer to acquire all the outstanding common stock of Terra Industries Inc. (TI), a manufacturer and wholesaler of nitrogenous fertilizers, agricultural pesticides, and other chemicals, in a stock swap transaction, for a twice sweetened \$30.5 per share or a total value of \$3.482 billion. Previously, CI offered a sweetened \$3.035 billion. CI offered 0.4539 common shares per TI share. Based on CI's closing stock price of \$60.59 on March 6, the last full trading day prior to the announcement, each TI share was valued at \$27.50. Originally, CI offered 0.4235 common shares per TI share, or a total value of \$2.14 billion. The transaction was subject to customary closing conditions, shareholders, and regulatory approvals. Subsequently, Agrium Inc. planned to launch a challenging unsolicited tender offer to acquire all the outstanding common stock of CI. (Source, ThomsonReuters, 2009)

### NOVA Chemicals Corp./IPIC

Abu Dhabi state-owned International Petroleum Investment Co. agreed to acquire NOVA Chemicals Corp., a manufacturer of commodity plastics and chemicals, for 7.503 Canadian dollars (\$6 US) in cash per share, or a total value of C\$626.819 (\$501.254 million). Including assumed liabilities, the enterprise value of the transaction was \$2.3 billion. The transaction was approved by the board of directors and was subject to customary closing conditions, shareholders, and regulatory approvals. (Source, ThomsonReuters, 2009)

### Morton International Inc./K+S Aktiengesellschaft

On April, 2, 2009, K+S Aktiengesellschaft, the listed German supplier of specialty and standard fertilizer, agreed to acquire Morton International Inc. (Morton Salt), the US-based producer of consumer, industrial, and de-icing salt, from Rohm & Haas Ltd., the US-based manufacturer of performance polymers, specialty chemicals, and electronic materials and a subsidiary of The Dow Chemical Company, the listed US-based manufacturer of plastics, chemicals, hydrocarbons, herbicides, pesticides, and pharmaceutical chemicals, for an enterprise value of \$1.675 billion US.

Morton generated annual revenue of \$1.2 billion US and EBITDA of \$270 million US for 2008. It has an annual salt production capacity of 13.1 million tons and employs 2,900 people. K+S expects the acquisition to be accretive to its EPS from 2010. The acquisition is in line with K+S' strategy to increase its profitability and strengthen its position in North America and the industrial salt markets. Morton will provide K+S with access to its new and less volatile de-icing regions and distribution network, which will enable K+S to augment its global salt business. K+S will benefit from Morton's salt consumer brand with its strong cash balance.

The sale of Morton International forms part of the de-leveraging plan for Dow Chemical Company. The acquisition is subject to approval from antitrust authorities and is expected to be completed in mid-2009.

## Economic stimulus: financial boon or added complexity?

In February 2009 President Obama signed into law the American Recovery and Reinvestment Act (ARRA). This act includes \$787 billion to invigorate the economy and spur job growth. In addition to the \$575 billion in spending, the bill sets aside \$212 billion for tax relief.

In the area of tax relief, ARRA contains provisions that extend “bonus depreciation.” For 2009, the legislation allows businesses to recover the costs of capital expenditures faster than the ordinary depreciation schedule allows by permitting an immediate deduction of 50 percent of the cost of depreciable property such as equipment.

The recovery act also allows certain eligible small businesses (ESB) to elect an increased net operating loss (NOL) carryback period for losses incurred in 2008. An ESB is generally a business that meets a \$15 million average annual gross receipts test. Eligibility under the enacted bill was significantly scaled back from the versions originally passed by the House and Senate, but many smaller companies, including corporations and partnerships, may still qualify.

By far, most of the recovery act money is for short- and long-term investments in infrastructure, renewable energy, research and development, education, and healthcare. It's the infrastructure, renewable energy, and research and development aspects of the bill that could have the largest implications for industrial products companies planning investments in capital improvements.

Because significant interaction with federal and state government agencies is required, it may be challenging for many manufacturing companies to apply for and secure a project grant. Among the most significant challenges:

- Understanding grant and contracting requirements at the federal, state, and local levels
- Staying abreast of oversight and reporting guidelines from all relevant levels of government
- Complying with the ARRA emphasis on transparency and accountability from the top down
  - Companies may be required to define the right measure and data at the start, collect the data, ensure transparency and post results as widely as possible
  - Companies implementing programs will have to anticipate and prepare for rigorous review by government inspector generals and the Office of Management and Budget (OMB). All will need to ensure accountability, consistency, controls, collaboration with auditors, and transparency

Key practices companies should keep in mind as they consider whether to apply for ARRA funding are:

**Monitoring and tracking:** Required reports and relevant data must be uploaded to the recovery.gov website. Additionally, dashboards will be needed for data management and analysis.

**Governance:** OMB compliance includes the creation of a matrix to document, track, and communicate ongoing project progress.

**Risk management:** A risk assessment for not successfully completing an ARRA-funded project must be completed. Each identified risk must also be categorized and scored based on likelihood and severity. Furthermore, companies must assess the adequacy of internal controls to mitigate risks.

**Reporting and communication:** Reporting and communication plans must identify what data elements are required, show where the data resides, and establish protocols for data collection across regions, programs, and bureaus.

**Performance management:** Companies must establish a baseline and track metrics on a continual basis throughout the project to show that progress is made toward recovery act goals.

Although it is difficult to predict the exact results of the economic stimulus package, ARRA is a regulation that is likely to affect companies across all sectors because it blends tax relief with incentives to invest in large capital improvement projects. In both respects, the act has the potential to be a positive force on the US economy.

PricewaterhouseCoopers specializes in services related to accounting for and managing the distribution of funds. We currently act as the Department of Treasury Office of Financial Stability's (OFS) core advisor on the development of OFS' control environment. PwC's roles include supporting the transactional processing and asset management activities of the \$700 billion Troubled Asset Relief Program (TARP). We are also closely involved in the September 11th Victims Compensation Fund and the FEMA Individuals and Households Program.

# Specialty case study: bonus depreciation provisions provide welcome tax relief

## Client: global chemical company

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Client Issue	Many chemical industry executives see the tax relief provisions contained in the economic stimulus plan as a way to balance cash savings so they will be well positioned when the economy rebounds. The economic stimulus legislation generally extends the 50 percent bonus depreciation from calendar year 2008 to include calendar year 2009 (the “bonus depreciation period”), whereby a taxpayer can accelerate the deduction of 50 percent of the acquisition cost of eligible property. Knowing how best to apply the provision so that deductions are accelerated and taxable income is reduced can become a complex undertaking for chemical industry companies that routinely spend millions on new equipment, especially where contracts to acquire property were entered into, or the manufacture, construction or production of the property begins, prior to the bonus depreciation period. In addition, companies must consider the impact of claiming bonus depreciation on other federal income tax provisions, including estimated tax computations, long-term contract accounting, domestic manufacturing deductions, etc.
Approach	A PricewaterhouseCoopers team of tax professionals was engaged to determine whether all or a portion of a US plant expansion for a multinational chemicals company qualified for bonus depreciation. This client contracted with a third party to build the plant expansion prior to the bonus depreciation period, and the manufacture of the property also began before the bonus depreciation period. The team was able to identify a significant amount of qualifying property that was eligible for bonus depreciation. In addition, the team advised the company on how the bonus depreciation deductions would affect their estimated tax payments and identified strategies that reduced the company’s 2009 estimated tax payments.
Impact	The PwC team worked with the client to determine when assets were acquired and also analyzed purchase contracts to ensure adherence with the bonus depreciation qualification rules. Based on PwC’s findings and analysis, the client will realize a significant reduction in their taxable income, and therefore defer payment of cash taxes, through the accelerated write off of 50 percent of the cost of eligible property placed in service in 2009.

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# PricewaterhouseCoopers' chemicals experience

## Deep chemicals specialists

PwC continues to have the leading market share in the industry. Our Chemicals Industry Practice is comprised of a global network of more than 2,800 partners and client service professionals. Our chemicals team encourages dialogue on emerging trends and issues by sponsoring conferences for industry executives. PwC is a sponsor of leading industry conferences and frequently authors articles for, or is quoted in, leading industry publications. We are proud to have relationships with Chemical Week, ICIS, American Chemical Council and the Chemical Heritage Foundation. Our involvement in these organizations represents our commitment to furthering industry dialogue with chemicals industry leaders. Our specialists 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 specialists

PwC's Transaction Services practice, with more than 3,800 dedicated deal specialists 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 deal specialists can bring a unique perspective to your deal, addressing it from a technical aspect as well as from a chemicals industry point of view.

## Local coverage, global connection

PwC's chemicals industry practice consists of more than 2,800 professionals who serve the chemicals industry, and is a part of an Industrial Products group that consists of more than 28,700 professionals, including approximately 16,700 providing Assurance services, more than 7,000 providing Tax services, and 5,000 providing Advisory services.



# Contacts

## PricewaterhouseCoopers global Chemicals practice

PricewaterhouseCoopers' Chemicals practice is a global network of professionals who provide industry-focused assurance, tax, and advisory services to more than 200 public and private chemicals companies. Our leadership team consists of:

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# Methodology

Chemical compounds is a quarterly 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. 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, 2009, 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 Europe and Eastern Europe categories based on UN definitions) and the Middle East (defined as a separate category based on 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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