Financial performance of the main parties

Taminco

1. Taminco is a private company specializing in the production of methylamines and derivatives. It was founded in August 2003 when AlpInvest, a Dutch private equity investor, acquired it from UCB. At that time AlpInvest was a subsidiary of NIB Capital NV, a joint venture between ABP and PGGM (two Dutch pension funds). Since 5 April 2004 it has been owned directly by ABP and PGGM.

2. Within the EEA, Taminco has methylamine and derivatives operations at Ghent (Belgium) and Leuna (Germany) and sales offices in the UK, France, Hungary and Italy. It regularly rents storage facilities in Antwerp, Belgium.

3. Outside the EEA, Taminco operates a methylamine and derivatives plant in Shanghai (China), and has ten sales offices,[1] as well as rented storage facilities in the USA, China and Taiwan.

Financial performance and position

4. As Taminco was founded in August 2003, there are no statutory audited accounts available yet. Management accounts have been prepared for the nine-month period from 1 October 2003 to 30 June 2004, in respect of Taminco's entire methylamine and derivatives operations worldwide. Summary management accounts are provided to Taminco's shareholders and bank facility providers.

5. A summary profit and loss account is shown in Table 1.[2]

[1]The sales offices are in Atlanta (USA), Tlalnepantia (Mexico), Tokyo (Japan), Moscow (Russia), Mumbai (India), Bangkok (Thailand), Selangor (Malaysia), Makati City (Philippines), Taipei (Taiwan), and Shanghai.
[2]Note: EBIT is earnings before interest and tax; EBITDA is earnings before interest, tax, depreciation and amortization. Amounts in table may not cast exactly due to rounding.

TABLE 1 **Summary profit and loss account for the nine months to 30 June 2004**

	€'000	*% of net sales*
Gross sales		
Distribution and commissions		
Net sales		
Variable costs		
Variable margin		
Fixed costs		
Industrial result		
General expenses		
EBITDA		
	✄	
Depreciation		
Amortisation		
Total depreciation and amortization		
EBIT		
Interest cost		
Corporate expenses		
Exceptional income		
Pre-tax profit/loss		

Source: Taminco response to financial questionnaire.

6. EBITDA and EBIT margins on net sales were [✄] per cent and [✄] per cent respectively. [✄] is largely made up of a capital grant for the Leuna plant received from the Saxony-Anhalt regional funding office.

7. Fixed costs made up [✄] per cent of total costs,[3] in determining EBIT. This [✄] proportion of fixed costs results in a [✄] break even level of production and sales.

8. Taminco's balance sheet as at 30 June 2004 is presented in Table 2.

TABLE 2 **Taminco's consolidated balance sheet as at 30 June 2004**

	€ million
Fixed assets	
Current assets	
Total assets	
Current liabilities	
Total assets less current liabilities	
Long-term liabilities	
Financial institutions (LT loans)	
Subordinated capitalization bonds	
Other payables	✄
Total long-term liabilities	
Provision for risks and charges	
Net assets	
Shareholders' equity	
Share capital	
Retained earnings	
Other	
Total shareholders' equity	
Equity Shareholders' Funds	

Source: Taminco response to financial questionnaire.

[3]Total costs amount to €[✄]. Fixed costs comprise all non-variable costs (fixed costs, general expenses and depreciation and amortization), totalling €[✄].

9. Taminco's balance sheet is very highly geared ([✂] per cent),[4] which is not unusual for a company which is owned by private equity investors. Net cash as at 30 June 2004 was €[✂], which Taminco has stated will allow it to finance the Air Products acquisition and also [✂].

10. Gross sales by end product use, are shown in Figure 1. Water treatment and surfactants (WTS), crop protection and solvents products make up three-quarters of products by sales value. Sales of methylamines comprised [✂] per cent of gross sales.

FIGURE 1

Analysis of gross sales by product use, nine months to 30 June 2004

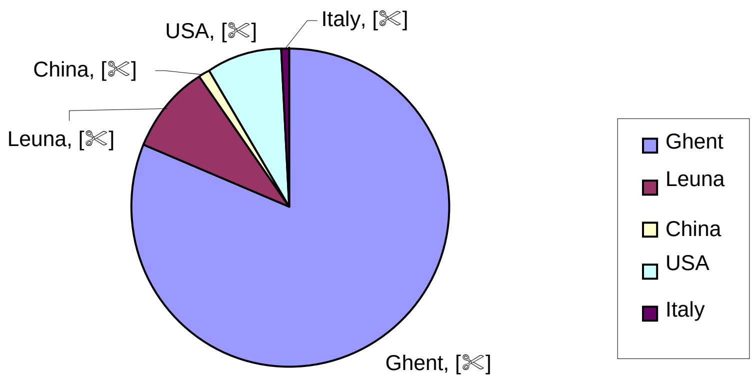
[✂]

Source: Taminco response to financial questionnaire.

11. Figure 2 shows gross sales by geographical area for the six months to June 2004. Products from the Ghent plant made up over 80 per cent of sales.

FIGURE 2

Gross sales by geographical location of legal entity, six months to 30 June 2004



Source: Taminco response to financial questionnaire.

12. Figures 3 and 4 show sales by value and volume by product for the three months to 30 June 2004.

FIGURE 3

Sales by volume of product for the three months to 30 June 2004

[✂]

Source: Taminco response to financial questionnaire.

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[4] Calculated by: debt divided by the sum of debt plus equity.

FIGURE 4

Average sales price by product for the three months to 30 June 2004

[✂]

Source: Taminco response to financial questionnaire.

Financial effect of the merger on Taminco

13. Table 3 shows Taminco's pro forma profit and loss statement showing the forecast effect of the merger.

TABLE 3 **Pro forma profit and loss statement showing the effect of the merger for the two years ended 30 September**

	2004	*2005*	*% increase*
Sales			
Raw materials and utility			
% of sales			
Contribution			
% of sales		✂	
Plant fixed costs			
Overheads			
EBITDA			

Source: Taminco response to financial questionnaire.

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14. Taminco forecasts that the merger would increase turnover by [✂] per cent from forecast 2004 turnover of €[✂] million to 2005 turnover of €[✂] million and contribution by [✂] per cent to €[✂] million. Because overheads are forecast to increase by [✂] per cent, EBITDA is forecast to increase to a greater extent than contribution ([✂] per cent). Taminco has stated that it would fund the merger out of cash resources.

Air Products

15. APCT is a UK-based company which produces methylamines and derivatives for Air Products' EM&D business, at its plant at Billingham. It also sources AAAs at Chocques, France under a tolling agreement with an ICI group company which owns the Chocques plant. APCT is 100 per cent indirectly owned by APCI. Air Products acquired the EM&D business from ICI in 1998.

16. APCI is the ultimate holding company of the Air Products group and is a US company listed on the New York Stock Exchange.

17. Within the Air Products group, APCT sells DMA to APCI and to Air Products plc. APCT also sells DMAE to APCI for its polyurethane additives business.

18. APCI and Air Products Manufacturing Corporation, another US-based company, produce methylamines in the USA. Air Products does not manufacture methylamine derivatives in the USA. APCI sells and distributes methylamine derivatives which have been produced by APCT in North America. APCI is also party to [✂] swap agreements.

19. Air Products (Japan) Inc (APJI) is 100 per cent indirectly owned by APCI and sells and distributes methylamines and derivatives in Japan produced by APCT.

20. There are no other Air Products companies involved in the supply of methylamines and derivatives in the EEA.

21. In summary, therefore, the EM&D business consists of 100 per cent of the business of APCT, and part of the businesses of APCI and APJI. The EM&D business is managed as one business even though activities are conducted through several legal entities.

22. Customer service and order entry facilities are located at Utrecht in the Netherlands. Storage facilities owned by Air Products are located at APCT's Billingham plant and those owned by third parties are located at [✂]. None of the storage facilities is owned either by customers or suppliers.

Financial performance and position

23. Table 4 summarizes the financial performance and position as shown in the APCT published accounts for the years ended 30 September 1998[5] to 2002. [✂][6]

[5]The period to 30 September 1998 was only 10 ½ months long, from APCT's incorporation on 12 November 1997.
[6][✂]

TABLE 4 **Summary financial performance and position of APCT, 1998 to 2002**

£'000

	Years ended 30 September				
	1998	*1999*	*2000*	*2001*	*2002*
Turnover	30,519	44,408	40,617	44,498	42,341
Cost of sales	–28,685	–39,097	–38,917	–44,401	–38,683
Gross profit	1,834	5,311	1,700	97	3,658
% gross margin	6.0	12.0	4.2	0.2	8.6
Operating profit /loss before exceptional item	–2,456	850	–4,573	–5,415	–1,408
% operating margin	–8.0	1.9	–11.3	–12.2	–3.3
Exceptional item (see paragraph 26)	0	0	0	0	–30,330
Operating loss after exceptional item	–2,456	850	–4,573	–5,415	–31,738
Pre tax profit/loss	–2,662	798	–4,931	–5,911	–31,705
Fixed assets	29,870	30,797	31,997	30,498	0
Net current assets/liabilities	–1,872	–2,661	–8,792	4,796	3,589
Provisions for liabilities and charges	0	–1,120	–1,440	–3,315	0
Net assets/shareholders' funds	27,998	27,016	21,765	31,979	3,589
Average no of employees (see para 25)	126	123	118	105	N/A
Sales per employee (£'000)	242	361	344	424	N/A

Source: APCT published accounts.

24. In the four years to 30 September 2002 there has been no growth in sales and profit margins have varied between almost 0 to 12 per cent. In the last three of those years, an operating loss before exceptional item has been incurred.

25. From 2002, staff costs were borne by Air Products plc, on which APCT relies for the provision of operational, administrative and management services. This understates the operating losses of APCT.

26. In 2001 Air Products Group Ltd, APCT's immediate parent company, made a cash capital contribution of £17.9 million which was included in other reserves and contributed to the net current asset position of £4.8 million in 2001 compared with the net current liabilities position of £8.8 million in 2000. The cash contribution was used to [✂]. In 2002 there was an exceptional write-off of the Billingham plant's fixed assets of £30 million following an impairment review.

27. Without such measures put in place by APCT's parent companies there would have been a significant deficit on shareholders' funds.

28. Table 5 shows the profit and loss management accounts for Air Products' EM&D business. [✂]

TABLE 5 **Profit and loss management accounts for Air Products' EM&D business, 1999 to 2003**

	1999	*2000*	*2001*	*2002*	*2003*
Volume (tonnes)			✂		
					£'000
Revenue					
Distribution costs					
Variable					
Fixed					
Variable costs					
Utilities					
Raw materials					
Contribution margin					
Plant spending					
Toll fees and storage					
Inventory build/draw			✂		
Other cost of sales					
Direct profit					
Selling expenses					
General and admin expenses					
R&D expenses					
Integration costs					
US overheads					
Intangibles amortization					
Other (income)/expense					
Profit/loss before interest and tax					

Source: Air Products response to financial questionnaire.

29. Table 6 shows cost analysis and ratios for the business 1999 to 2003.

TABLE 6 **Cost analysis and ratios for the EM&D business 1999 to 2003**

	1999	*2000*	*2001*	*2002*	*2003*
Cost analysis					
External sale price (£/tonne)					
Distribution cost (£/tonne)					
Netback per tonne			✂		
Variable costs (£/tonne)					
Contribution margin per tonne					
					per cent
Ratios					
Variable costs: sales					
Distribution costs: sales					
Contribution margin: sales					
Direct profit: sales			✂		
Plant spending: sales					
Overheads: sales					
PBIT: sales					

Source: Air Products response to financial questionnaire.

30. [✂]

31. Table 7 shows the split of external sales by product for the years 1999 to 2003. The bottom line of the table shows the amount of methylamines transferred internally from the Billingham plant to the Chocques plant. These are eliminated from the consolidated sales figures provided in the rest of the table. [✂]

TABLE 7 **Split of external sales by product for the years 1999 to 2003**

£'000

	1999	*2000*	*2001*	*2002*	*2003*
Methylamines					
Amietols					
DMF					
Choline chloride			✂		
Total					
Methylamines transferred internally					

Source: Air Products response to financial questionnaire.